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For General Release

Information Services International-Dentsu, Ltd.

ISID Group New Medium-term Management Plan “ISID X (Cross) Innovation 2021”

Information Services International-Dentsu, Ltd. (Head Office: Minato-ku, Tokyo; President, CEO & COO: Ryoichi Nawa; hereinafter, “ISID”), has formulated a new ISID Group medium-term management plan, “ISID X (Cross) Innovation 2021” (hereinafter, “the new plan”), for the three-year period starting in fiscal 2019. The following is an overview of the new plan.

Positioning of the New Plan

The business environment surrounding the Group is rapidly changing amid accelerated movement toward the use of digital technologies in society and companies aimed at the implementation and realization of the Sustainable Development Goals (SDGs) and Society 5.0. Amid this environment, for the Group to continue to make sustainable growth going forward, we recently updated our management philosophy and formulated a new medium-term management plan for the three-year period starting in fiscal 2019. The Group positions the new plan as the first transformative step toward realizing the new corporate philosophy.

Overview of the New Plan

1. Basic Policies

- i. Core business evolution:
Advance existing core businesses by strengthening and expanding solutions
- ii. New business creation:
Create new business beyond the boundaries of segment and industry, establish the next core business
- iii. Business foundation innovations:
In addition to strengthening human resources and technology, aim to improve added value capabilities of business support departments

2. Key Measures

Financial Solutions Segment

In addition to maintaining and expanding businesses for core clients, we aim to acquire new clients from life and non-life insurance, securities, leasing industry and general operating companies through various solutions especially next-generation financial solution BANK・R and lease and finance solution Lamp. We will also establish services supporting structural reform at financial institutions through collaboration with FinTech startups and other entities while working on the creation of new solutions in areas where the financial industry intersects with other fields.

Business Solutions Segment

We aim to expand the functionality of human resource management solution POSITIVE and consolidated accounting solution STRAVIS while expanding business through enhanced solutions in the areas of corporate backbone operations and Group management administration. We will also attempt to cultivate new markets through the expansion of our enterprise application Ci*X product lineup using the “aiuola”, in-house next-generation development platform.

Manufacturing Solutions Segment (formerly the Engineering Solutions Segment)

In addition to expanding and linking solutions supporting the manufacturing industry value chain, we aim to further promote and establish Model Based Systems Engineering (MBSE) and will engage in the strengthening and global deployment of virtual design solution iQUAVIS. Furthermore, we will create new business supporting the “kotozukuri (value creation/story creation)” in the fields such as Connected, Autonomous, Shared, Electric (CASE) area promoted by the auto industry and in businesses supporting digital transformation in the manufacturing industry.

Communication IT Segment

We will support the advance of Dentsu Group IT platforms while further accelerating collaborations within the Dentsu Group and focus making efforts on providing IT solutions that realize innovations and resolve issues faced by corporations. We will also provide services offering integrated marketing technologies and create new businesses focused for the post-2020 such as regional vitalization, tourism and sports technology.

Creating New Business with X(Cross) Innovation

To contribute to the implementation and realization of the SDGs and Society 5.0, the Group will create new business through the promotion of X Innovation going beyond segments, technologies, companies, industries and regions in the areas of FinTech, our Group’s strength, digital marketing, smart enterprises and manufacturing innovations.

Business Foundation Innovations

To heighten the quality and quantity of human resource capabilities, which is the source of our strength, we will continue to make efforts to strengthen recruiting and education while promoting diversity and workstyle innovations. With regard to cutting-edge technology initiatives, we will strengthen our implementation capabilities through stronger collaboration between business segments and R&D divisions and strategic actions. In terms of business support divisions, we will heighten their mobility and establish lean and compact structures.

3. Quantitative Goals (consolidated)

(Millions of yen)

	FY2021 targets (From January 1, 2021 to December 31, 2021)	FY2018 actual (From January 1, 2018 to December 31, 2018)	Compound annual growth rate (CAGR)
Net sales	110,000	91,024	6.5%
Operating income	11,000	8,239	10.3%
Operating margin	10.0%	9.1%	
ROE	12.5%	10.5%	

4. Growth Investments (three-year cumulative total)

(Millions of yen)

Item	Investment amount	Objective
Human Resources	+12,000	Improve human resource capabilities, increase employee numbers (investment amounts increased for the education, recruiting and remuneration from previous medium-term management plan)
R&D	10,000	Strengthen and expand solutions, enhance implementation of cutting-edge technologies (expenses: ¥6,000 million, assets: ¥4,000 million)
M&A	10,000	Expand business domain, increase speed of growth

5. Returning Profits to Shareholders

To further strengthen the return of profit to shareholders, we will change the consolidated payout ratio from the “35%–40%” established in 2016 to “40% or more.” Going forward, we will continue attempting to further enhance our dividend policy under the basic policy of “maintaining internal reserves to realize sustainable growth and providing an appropriate and stable dividend.”

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Note: Company and product names in this release are the trademark or registered trademark of each company respectively.