

# **BUSINESS RESULTS BRIEFING FOR THE FIRST QUARTER OF FY2019 (FROM JANUARY 1, 2019 TO MARCH 31, 2019)**

**April 25, 2019**

**Information Services International-Dentsu, Ltd.**

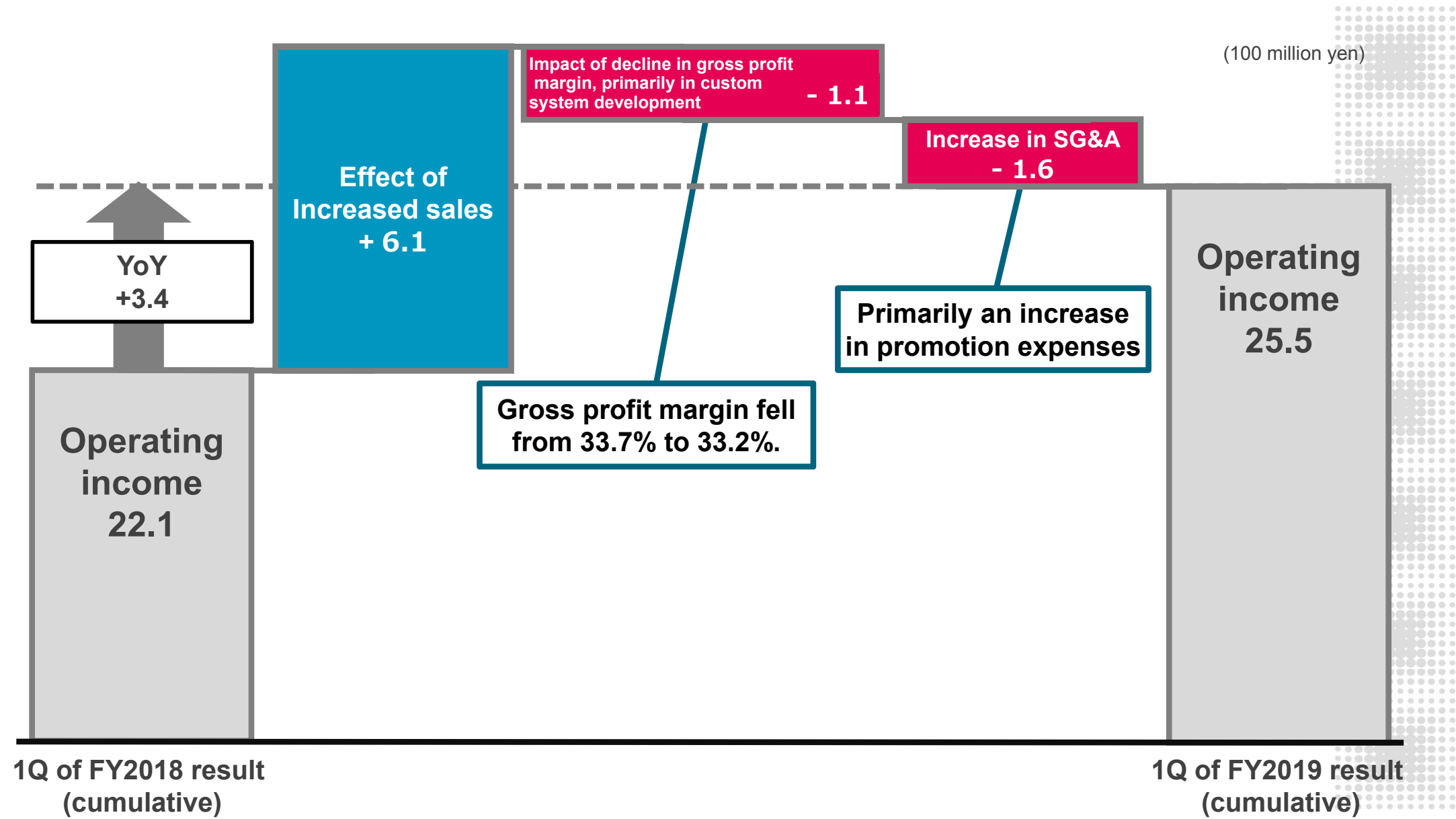
# 1. Consolidated Results for the First Quarter of FY2019

- Net sales rose year on year thanks to strong performance in the Financial Solutions, Business Solutions and Communication IT segments.
- Profit increased year on year, despite a rise in selling costs and general and administrative expenses, thanks to higher sales.

(Million yen)

	Results for the first quarter of FY2019	YoY		
		Results for the first quarter of FY2018	Variance	% change
Net sales	23,035	21,217	+1,818	+8.6
Gross profit	7,641	7,140	+501	+7.0
Profit margin	33.2%	33.7%	-0.5p	—
Selling, general and administrative expenses	5,082	4,922	+160	+3.3
Operating income	2,558	2,217	+341	+15.4
Operating margin	11.1%	10.4%	+0.7p	—
Ordinary income	2,567	2,242	+325	+14.5
Profit attributable to owners of parent	1,743	1,538	+205	+13.3

# 2. Factors for Increase/Decrease in Operating Income (YoY)



### 3. Net Sales and Operating Income by Business Segment

(Million yen)

Business segments		Results for the 1Q of FY2019	YoY		Overview
			Variance	% change	
<b>Financial Solutions</b>	Net sale	5,778	+830	+16.8	Both sales and profit increased thanks to expanded system development sales to government-affiliated financial institutions and business companies.
	Operating income	422	+86	+25.6	
	Operating margin	7.3%	+0.5p	—	
<b>Business Solutions</b>	Net sale	4,489	+581	+14.9	Both sales and profit rose, supported by strong sales of human resources management solution POSTIVE and consolidated accounting solution STRAVIS, as well as expanded software product sales in the ERP field.
	Operating income	507	+317	+166.8	
	Operating margin	11.3%	+6.4p	—	
<b>Manufacturing Solutions*</b>	Net sale	7,667	-11	-0.1	Sales of NX and other products declined, but sales of conceptual design solution iQUAVIS and some software in smart factory areas for the automotive industry remained steady. As a result, total sales were on par with the previous fiscal year. Profit decreased due to an increase in personnel costs resulting from an increase in the number of employees.
	Operating income	940	-91	-8.8	
	Operating margin	12.3%	-1.1p	—	
<b>Communication IT</b>	Net sale	5,099	+417	+8.9	In addition to expanding system development in the Dentsu Group's core system field, collaborative businesses with the Dentsu Group remained firm, mainly in the public institutions. As a result, both sales and profit increased.
	Operating income	688	+30	+4.6	
	Operating margin	13.5%	-0.6p	—	

\* Formerly Engineering Solutions

## 4. Consolidated Net Sales by Service Category

(Million yen)

Service categories	Results for the 1Q of FY2019	YoY		Overview
		Variance	% change	
<b>Consulting Services</b>	2,025	+145	+7.7	Sales expanded in the Communication IT segment.
<b>Custom System Development</b>	6,131	+1,139	+22.8	Sales expanded in the Financial Solutions and Communication IT segment.
<b>In-house Software</b>	3,709	-95	-2.5	Sales increased for POSITIVE, STRAVIS and iQUAVIS but fell for the iPLass marketing platform and the Business SPECTRE SAP data coordination framework.
<b>Third-party Software</b>	7,070	+400	+6.0	Salesforce-related sales increased in addition to sales in the ERP field.
<b>Outsourcing, Operation and Maintenance Services</b>	2,185	+49	+2.3	Sales remained firm in the Business Solutions segment.
<b>IT Equipment Sales and Others</b>	1,914	+181	+10.4	Sales expanded in the Communication IT segment.

## 5. Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of December 31, 2018	Variance	Main Factors for Increase/Decrease
<b>Total current Assets</b>	63,017	64,668	-1,651	increases in Advance payments (+1,433) decreases in Accounts receivable–trade (-2,249) decreases in Deposits paid (-1,396)
<b>Total non-Current Assets</b>	17,003	15,604	+1,399	increases in Shares of affiliated companies (+780) increases in Deferred tax assets (+314), Increases in Investment securities (+125) increases in Leased assets (+107)
<b>Total assets</b>	80,021	80,273	-252	
<b>Total current liabilities</b>	25,582	26,551	-969	decreases in Income taxes payable (-1,246) decreases in Accrued consumption taxes (-632)
<b>Total non-current liabilities</b>	2,846	2,755	+91	increases in Asset retirement obligations (+72)
<b>Total liabilities</b>	28,428	29,307	-879	
<b>Total net assets</b>	51,592	50,966	+626	increases in Retained earnings (+603)
<b>Total liabilities and net assets</b>	80,021	80,273	-252	

## 6. Orders received and Order backlog

(Million yen)

		Orders received		Order backlog	
		Results for the 1Q of FY2019	YoY (%)	Results for the 1Q of FY2019	YoY (%)
<b>Business Segments</b>	<b>Financial Solutions</b>	5,284	+0.8	11,068	+100.9
	<b>Business Solutions</b>	6,065	+48.0	7,173	+16.0
	<b>Manufacturing Solutions</b>	10,316	+2.0	12,867	+18.3
	<b>Communication IT</b>	7,999	+15.9	6,948	+3.7
<b>Service Categories</b>	<b>Consulting Services</b>	1,670	-1.5	546	+41.8
	<b>Custom System Development</b>	5,598	-14.9	9,345	+66.6
	<b>In-house Software</b>	5,513	+47.9	6,399	+22.8
	<b>Third-party Software</b>	10,139	+12.0	14,172	+22.4
	<b>Outsourcing, Operation and Maintenance Services</b>	4,678	+48.0	3,981	+14.0
	<b>IT Equipment Sales and Others</b>	2,064	-3.6	3,611	+20.7
<b>Total</b>		<b>29,666</b>	<b>+12.6</b>	<b>38,057</b>	<b>+30.0</b>

# FY2019 Forecast

## **Explanation regarding the appropriate use of forecasts of business results**

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.



# Forecast for FY2019

We maintain unchanged our forecasts for the first half and the full fiscal year, as announced on February 8, 2019.

(Million yen)

	FY2019	YoY		
		FY2018	Variance	% change
<b>Net sales</b>	93,000	91,024	+1,976	+2.2
<b>Operating income</b>	8,500	8,239	+261	+3.2
<b>Profit margin</b>	9.1%	9.1%	—	—
<b>Ordinary income</b>	8,408	8,197	+211	+2.6
<b>Profit attributable to owners of parent</b>	5,683	5,187	+496	+9.6

(Million yen)

	First half of FY2019 (Jan.-Jun.)	YoY		
		First half of FY2018	Variance	% change
	46,264	43,086	+3,178	+7.4
	3,960	3,801	+159	+4.2
	8.6%	8.8%	-0.2p	—
	3,930	3,860	+70	+1.8
	2,678	2,641	+37	+1.4

# Net Sales Forecast by Business Segment

(Million yen)

	FY2019	YoY		
		FY2018	Variance	% change
<b>Financial Solutions</b>	23,790	23,242	+548	+2.4
<b>Business Solutions</b>	17,630	16,810	+820	+4.9
<b>Manufacturing Solutions</b>	30,648	29,252	+1,396	+4.8
<b>Communication IT</b>	20,833	21,718	-885	-4.1
<b>Total</b>	93,000	91,024	+1,976	+2.2

(Million yen)

	First half of FY2019 (Jan.-Jun.)	YoY		
		First half of FY2018	Variance	% change
	11,695	10,599	+1,096	+10.3
	8,802	7,933	+869	+11.0
	15,218	14,579	+639	+4.4
	10,547	9,974	+573	+5.7
	46,264	43,086	+3,178	+7.4

# Net Sales Forecast by Service Category

(Million yen)

	FY2019	YoY		
		FY2018	Variance	% change
<b>Consulting Services</b>	6,333	6,818	-485	-7.1
<b>Custom System Development</b>	25,269	24,188	+1,081	+4.5
<b>In-house Software</b>	15,763	15,070	+693	+4.6
<b>Third-party Software</b>	29,189	27,261	+1,928	+7.1
<b>Outsourcing, Operation and Maintenance Services</b>	8,945	9,555	-610	-6.4
<b>IT Equipment Sales and Others</b>	7,498	8,130	-632	-7.8
<b>Total</b>	<b>93,000</b>	<b>91,024</b>	<b>+1,976</b>	<b>+2.2</b>

(Million yen)

	First half of FY2019 (Jan.-Jun.)	YoY		
		First half of FY2018	Variance	% change
	3,178	3,220	-42	-1.3
	12,276	10,848	+1,428	+13.2
	7,599	7,557	+42	+0.6
	14,682	13,404	+1,278	+9.5
	4,488	4,358	+130	+3.0
	4,039	3,697	+342	+9.3
	<b>46,264</b>	<b>43,086</b>	<b>+3,178</b>	<b>+7.4</b>