

PRESENTATION MATERIAL OF FINANCIAL RESULTS FOR THE SECOND QUARTER OF FY2019 (FROM JANUARY 1, 2019 TO JUNE 30, 2019)

July 31, 2019

Information Services International-Dentsu, Ltd.

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1. Consolidated Results for the 2Q of FY2019

Year on year

Net sales increased in all business segments. Net sales and all profit items reached record highs for the first half

Vs. initial forecast

Net sales and profits exceeded forecasts and announced revision of forecasts to 7/17

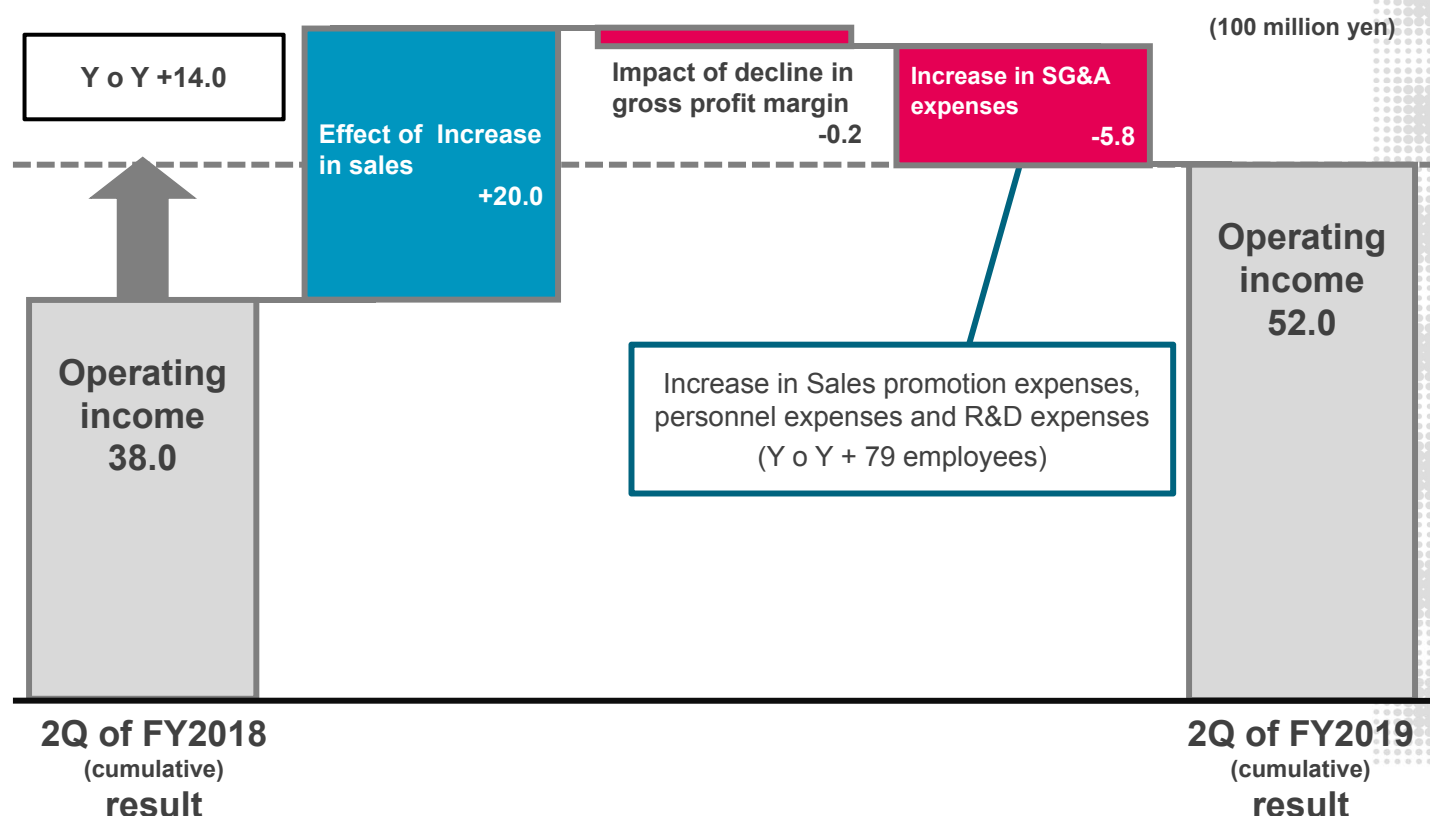
Year-end dividend

Implemented ¥35 per share in line with initial forecast (year on year ¥7 increase)

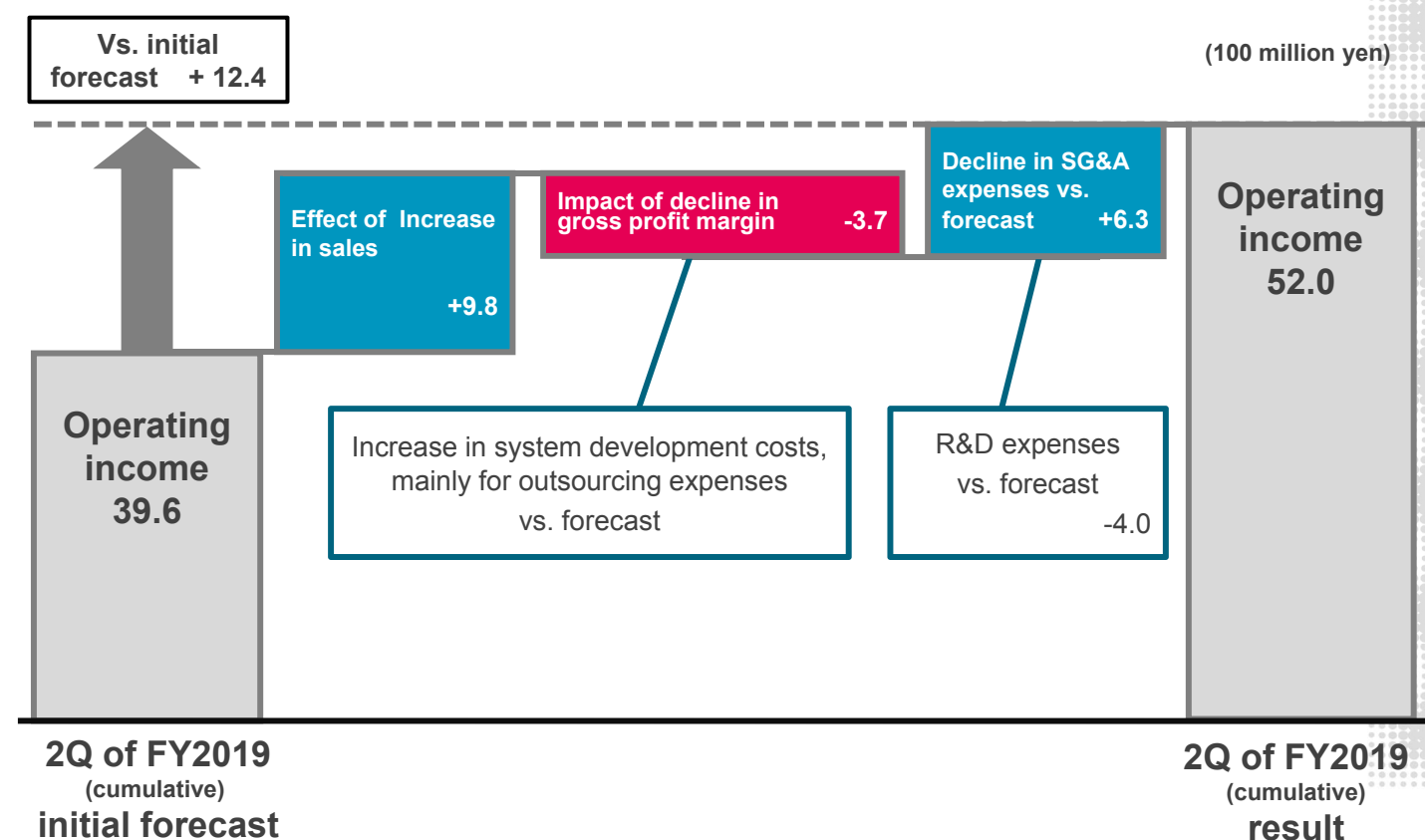
(Million yen)

	2Q of FY2019 (cumulative)	YonY			Vs. initial forecast (announced on February 8, 2019)		
		2Q of FY2018 (cumulative)	Variance	% change	Forecast	Variance	% change
Net sales	49,185	43,086	+6,099	+14.2	46,264	+2,921	+6.3
Gross profit	16,232	14,240	+1,992	+14.0	15,618	+614	+3.9
Profit margin	33.0%	33.1%	-0.1p	—	33.8%	-0.8p	—
Selling, general and administrative expenses	11,027	10,439	+588	+5.6	11,658	-631	-5.4
Operating income	5,204	3,801	+1,403	+36.9	3,960	+1,244	+31.4
Operating margin	10.6%	8.8%	+1.8p	—	8.6%	+2.0p	—
Ordinary income	5,152	3,860	+1,292	+33.5	3,930	+1,222	+31.1
Profit attributable to owners of parent	3,412	2,641	+771	+29.2	2,678	+734	+27.4

2-1. Factors for Increase/Decrease in Operating Income (YoY)



2-2. Factors for Increase/Decrease in Operating Income (vs. initial forecast)



3. Net Sales and Operating Income by Business Segment

(Million yen)

Business segments		2Q of FY2019 (cumulative)	YoY			Vs. initial forecast	
			Variance	% change	Overview	Variance	% change
Financial Solutions	Net sale	12,240	+1,641	+15.5	Sales increased due to the expansion of government-affiliated financial institutions and business companies. Profit were on a par with the previous fiscal year due to an increase in system development costs, mainly for outsourcing expenses.	+545	+4.7
	Operating income	717	+2	+0.3		-304	-29.8
	%	5.9%	-0.8p	—		-2.8p	-
Business Solutions	Net sale	9,572	+1,639	+20.7	Sales and profits increased due to the expansion of licensing sales and installation of POSITIVE, STRAVIS and software in ERP fields.	+770	+8.7
	Operating income	1,118	+857	+328.4		+609	+119.6
	%	11.7%	+8.4p	—		+5.9p	-
Manufacturing Solutions <small>*) "Engineering Solutions" has changed</small>	Net sale	15,140	+561	+3.8	Sales increased due to the expansion of licensing sales and installation of CAE, software in Smart Factory domain and iQUAVIS. Profit decreased due to an increase in personnel expenses resulting from an increase in the number of employees.	-78	-0.5
	Operating income	1,206	-127	-9.5		+160	+15.3
	%	8.0%	-1.1p	—		+1.1p	-
Communication IT	Net sale	12,231	+2,257	+22.6	Sales and profit increased due to the start of large-scale renewal projects in Dentsu Group's core system field and the significant expansion of collaborative businesses with Dentsu Group, mainly for the public sector.	+1,684	+16.0
	Operating income	2,162	+671	+45.0		+780	+56.4
	%	17.7%	+2.8p	—		+4.6p	-

* POSITIVE・・・Human Resources Management Solution STRAVIS・・・Consolidated Accounting Solution CAE・・・Computer Aided Engineering iQUAVIS・・・MBSE Solution

4. Consolidated Net Sales by Service Category

(Million yen)

Service categories	2Q of FY2019 (cumulative)	YoY			Vs. initial forecast	
		Variance	% change	Overview	Variance	% change
Consulting Services	3,597	+377	+11.7	Expansion of Manufacturing Solutions and Communication IT segments	+419	+13.2
Custom System Development	13,912	+3,064	+28.2	Expansion of Financial Solutions and Communication IT segments	+1,636	+13.3
In-house Software	8,383	+826	+10.9	Expansion of POSITIVE, STRAVIS, iPLAss, and iQUAVIS	+784	+10.3
Third-party Software	14,713	+1,309	+9.8	Expansion of Salesforce Solutions, softwares in ERP fields	+31	+0.2
Outsourcing, Operation and Maintenance Services	4,613	+255	+5.9	Expansion of Business Solutions and Communication IT segments	+125	+2.8
IT Equipment Sales and Others	3,965	+268	+7.2	Expansion of Manufacturing Solutions segment	-74	-1.8

* iPLAss・・・Marketing Platform

5. Consolidated Balance Sheets

(Million yen)

	As of June 30, 2019	As of December 31, 2018	Variance	Main Factors for Increase/Decrease
Total current Assets	68,337	64,668	+3,669	Increase in advance payments - trade (+3,374) Increase in deposits paid (+1,292) Decrease in accounts receivable (-1,211)
Total non-Current Assets	17,389	15,604	+1,785	Increase in shares of subsidiaries and associates (+1,557)
Total assets	85,727	80,273	+5,454	
Total current liabilities	29,812	26,551	+3,261	Increase in advances received (+2,557) Increase in notes and accounts payable - trade (+1,715) Decrease in Income taxes payable (-739) Decrease in consumption taxes payable (-316)
Total non-current liabilities	2,765	2,755	+10	
Total liabilities	32,577	29,307	+3,270	
Total net assets	53,150	50,966	+2,184	Increases in Retained earnings (+2,272)
Total liabilities and net assets	85,727	80,273	+5,454	

6. Consolidated Statements of Cash Flows

(Million yen)

	2Q of FY2019 (cumulative)	Main Factors	YoY	
			2Q of FY2018 (cumulative)	Variance
Cash flows from operating activities	5,797	Net Income before income taxes (5,097) Increase in advances received (2,578) Increase in notes and accounts payable - trade (1,723) Increase in advance payments (-3,385)	4,940	+857
Cash flows from investing activities	-2,731	Purchase of shares of subsidiaries and associates (-1,664) Purchase of intangible assets (-710) Purchase of property, plant and equipment (-228) Purchase of investment securities (-200)	-1,200	-1,531
Cash flows from financing activities	-1,587	Cash dividends paid (-1,140) Repayments of lease obligations (-434)	-1,255	-332
Effect of exchange rate change on cash and cash equivalents	-93		-110	+17
Net increase (decrease) in cash and cash equivalents	1,385		2,375	-990
Cash and cash equivalents at the beginning of period	33,620		30,353	+3,267
Cash and cash equivalents at the end of period	35,006		32,729	+2,277

7. Orders received and Order backlog

- Orders received: Remained the same level as the 2Q of FY2018(cumulative), offsetting a reactionary decline following a large-scale project (6,500 million yen) for government-affiliated financial institutions in the 2Q of FY2018.
- Order backlog: Increased in year on year due to favorable orders

(Million yen)

		Orders received		Order backlog	
		2Q of FY2019 (cumulative)	YoY (%)	2Q of FY2019 (cumulative)	YoY (%)
Business Segments	Financial Solutions	11,967	-36.1	11,289	-15.3
	Business Solutions	11,278	+39.8	7,303	+19.1
	Manufacturing Solutions	17,926	+2.7	13,004	+14.9
	Communication IT	15,044	+22.7	6,861	+1.4
Service Categories	Consulting Services	3,494	-2.4	798	-14.0
	Custom System Development	14,267	-26.1	10,233	-18.0
	In-house Software	9,842	+32.1	6,055	+16.9
	Third-party Software	18,086	+12.8	14,475	+22.4
	Outsourcing, Operation and Maintenance Services	6,749	+33.9	3,623	+14.9
	IT Equipment Sales and Others	3,775	-26.0	3,271	-17.9
Total		56,216	-0.5	38,458	+2.4

Forecast for FY2019

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

					(Reference)
					(Million yen)
	FY2019	FY2018	YoY		Progress in 2Q of FY2019 (cumulative) forecast
			Variance	% change	
Net sales	93,000	91,024	+1,976	+2.2	52.9%
Operating income	8,500	8,239	+261	+3.2	61.2%
Profit margin	9.1%	9.1%	—	—	—
Ordinary income	8,408	8,197	+211	+2.6	61.3%
Profit attributable to owners of parent	5,683	5,187	+496	+9.6	60.0%

Net Sales Forecast by Business Segment

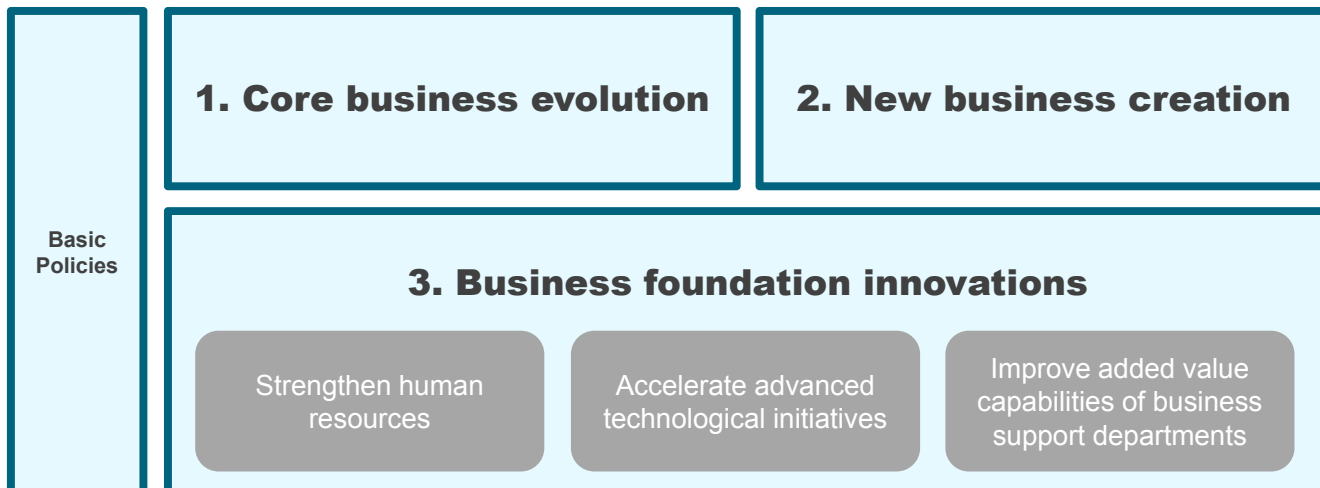
	FY2019	YoY			Progress in 2Q of FY2019 (cumulative) forecast
		FY2018	Variance	% change	
Financial Solutions	23,790	23,242	+548	+2.4	51.5%
Business Solutions	17,630	16,810	+820	+4.9	54.3%
Manufacturing Solutions	30,648	29,252	+1,396	+4.8	49.4%
Communication IT	20,833	21,718	-885	-4.1	58.7%
Total	93,000	91,024	+1,976	+2.2	52.9%

Net Sales Forecast by Service Category

	FY2019	YoY			Progress in 2Q of FY2019 (cumulative) forecast
		FY2018	Variance	% change	
Consulting Services	6,333	6,818	-485	-7.1	56.8%
Custom System Development	25,269	24,188	+1,081	+4.5	55.1%
In-house Software	15,763	15,070	+693	+4.6	53.2%
Third-party Software	29,189	27,261	+1,928	+7.1	50.4%
Outsourcing, Operation and Maintenance Services	8,945	9,555	-610	-6.4	51.6%
IT Equipment Sales and Others	7,498	8,130	-632	-7.8	52.9%
Total	93,000	91,024	+1,976	+2.2	52.9%

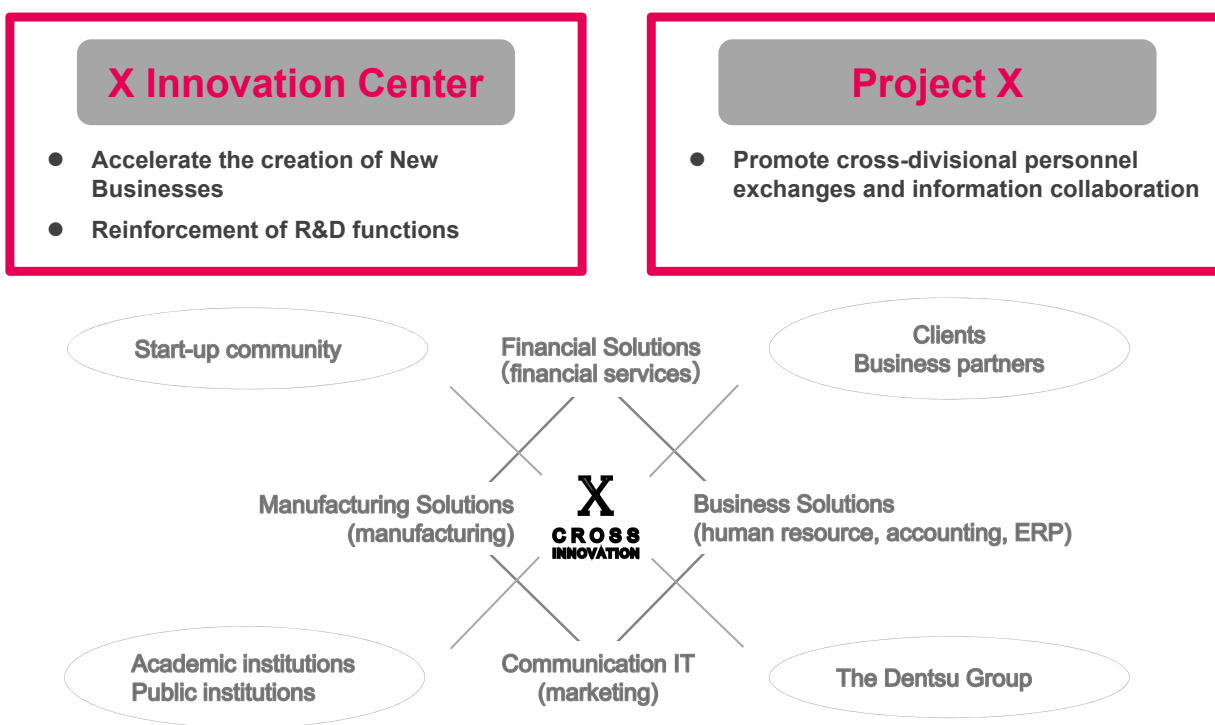
ISiD X(Cross) Innovation 2021

Aim to create new value through collaboration with a wide range of partners and realize our corporate philosophy through the promotion of “X Innovation” going beyond technologies, industries, companies, organizations and regions.



Promotion of “X Innovation” ~Establishment of New Organizations

Launching the “X (Cross) Innovation Center” and “Project X”



Promotion of “X Innovation” ~Investment

Financial Solutions Segment

Established joint venture FINOLAB Inc., Ltd. with Mitsubishi Estate (July)

- ✓ Equity stake: Mitsubishi Estate 51%, ISiD 49%
- ✓ Incorporated FINOLAB, which opened in February 2016
- ✓ 49 start-up members, 12 corporate members, over 500 registered members
- ✓ Accelerate open innovation in various industries and fields, aiming for speedy creation of new businesses

FINOLAB



Promotion of “X Innovation” ~Investment

Financial Solutions Segment

Ebiz Cipta Solusi, which engages IT Solutions Business in Indonesia, became a subsidiary (April)

- ✓ Aiming to expand business with financial institutions in Indonesia
- ✓ Accelerate sales of leasing and financing solutions “Lamp” and other solutions



Manufacturing Solutions Segment

Capital and business alliance with Smart Holdings Inc., which operates IT solutions business for manufacturers (May)

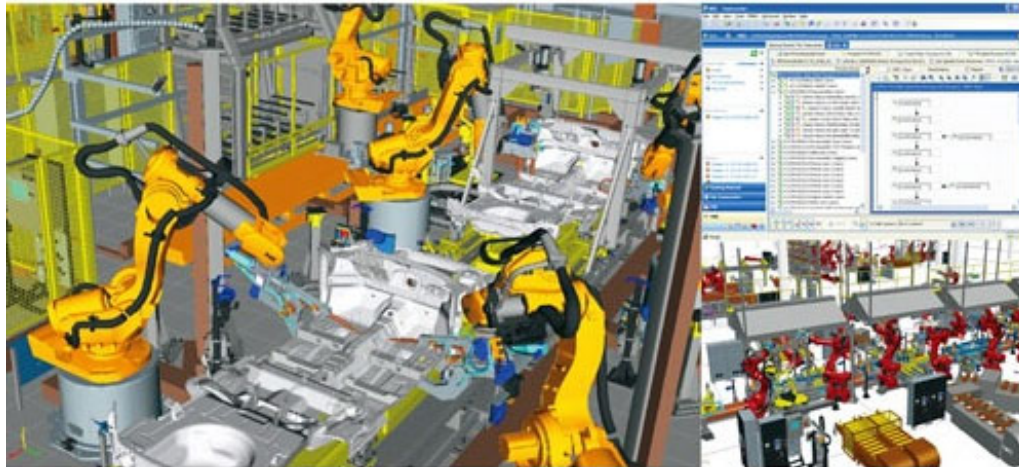
- ✓ Strengthen SI business to support CASE realization in the automotive industry through utilization of 3D technologies, etc.
- ✓ Toyota Systems Corporation and Toyota Tsusho Corporation conducted their own investment in Smart Holdings in tandem with ISiD's investment.

Promotion of “X Innovation” ~Investment

Manufacturing Solutions Segment

Capital and business alliance with FA-products, Inc. in the smart factory field (March)

- ✓ Combine ISID's knowledge regarding design and development with FA Products' expertise in facilities and operations in the manufacturing field.
- ✓ Aiming to be a "Next-Generation Line Builder", are strong in Both Digital and Real Buildings



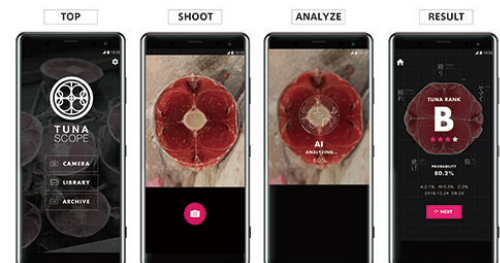
“Digital twin” simulation image

Promotion of “X Innovation” ~Initiatives for Advanced Technologies

X(Cross) Innovation Center

ISID and Dentsu Launch “Project Takumi-Tech,” an Initiative that Facilitates the Transfer of Artisan Abilities Using AI

- ✓ Dentsu, ISID and the Sojitz Corporation jointly conducted POC testing on “TUNA SCOPE”, an AI image analysis system that assesses the quality of tuna



World's First "Ethical Consumption" Demonstration Experiment to Change the Future of Consumption in

- ✓ Demonstration test of sales of Aya-town (Japan) organic wine, which is guaranteed production and distribution traceability by blockchain
- ✓ Mechanism for visualizing consumers' socially and environmentally conscious consumer behavior related to the 17 goals of the SDGs and giving tokens and token community.



Major Press Releases <May 2019~July 2019>

5/21	Capital and business alliance with Smart Holdings Inc.
5/29	ISID and Dentsu Launch “Project Takumi-Tech,” an Initiative that Facilitates the Transfer of Artisan Abilities Using AI
6/5	ISID Begins Offering SecurityScorecard, a Service that Makes Cyber Attack Risks Facing Vendors Visible
6/10	ISID and the Shizuoka Bank Construct a Portal for Home Loan Pre-Application Assessment and Screening Requests Using Salesforce
6/11	ISID Provides DAZN, a Sports streaming Service, with Amazon Connect
6/12	ISID and Rescale Announce a Strategic Cloud CAE Business Partnership
6/26	ISID Conducts Pilot Test of Humanoid AI Assistant in Chofu, Tokyo
6/27	Launching the “X (Cross) Innovation Center” and “Project X” for the Achievement of Medium-term Management Plan “ISID X (Cross) Innovation 2021”
6/28	ISID Participation in Telework Days 2019
7/11	Established FINOLAB Inc., a joint venture to operate FinTech bases
7/17	Cloudera and ISID Partner to Build Integrated Platform for Mizuho Americas to Enhance Its Customer Experience
7/17	Cooperation with ITMs in the operation and support business for AppGuard security products