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Information Services International-Dentsu, Ltd.

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## **ISiD Group's New Medium-Term Management Plan 'ISiD Open Innovation 2018' "Joint Value Creation"**

Information Services International-Dentsu, Ltd. (Headquarters: Minato-ku, Tokyo; President: Setsuo Kamai; "ISiD") has formulated the new ISiD Group medium-term management plan, 'ISiD Open Innovation 2018' "Joint Value Creation" (hereafter, the "New Plan"), a three-year plan launched in January 2016. An outline of the plan is as follows.

### **1. Positioning of the New Medium-Term Management Plan**

ISiD Group has continued to see dramatic changes in business surroundings such as recent advances in the cloud, mobile, sensing, artificial intelligence and other areas, as well as the rapid developments of IoT accompanying these advances and a broadening application of these advances by companies. For this reason and to take advantage of the timing for the change of our fiscal year-end, we have formulated a new medium-term management plan that commenced in January 2016. Having celebrated its 40th anniversary of establishment in December 2015, ISiD Group positions the New Plan as "the first step in creating our next new decade."

### **2. Basic Policies**

#### **(1) Pursue Competitive Advantages**

Concentrate our management resources in our competitive advantages to further nurture our strengths.

#### **(2) Develop New Business Fields**

Looking to the future, aggressively cultivate new business domains.

#### **(3) Enhance Human Resources**

Invest proactively in human resources, the source of "Joint Value Creation," and advance "the value of human resources."

### 3. Quantitative Goals

(Millions of yen)

	FY2015 (From April 1, 2015 to December 31, 2015)	FY2018 Target	CAGR (Compound annual growth rate)
Consolidated net sales	81,200	100,000	7.2%
Consolidated operating income	5,500	8,000	13.3%
Operating margin	6.8%	8.0%	

### 4. Capital Policies

We will implement capital policies aimed at ensuring sustainable increases in corporate value. We will pursue organic business growth, increase sales and profit through strategic M&A, and endeavor to improve capital efficiency and enhance shareholder returns.

Improve capital efficiency	Enhance shareholder returns	Strategic M&A
Return on equity (ROE) at 10.0% or more	Target a consolidated payout ratio at 35–40%	M&A investment budget of ¥10,000 million (three-year total)

### 5. Main Measures

#### Financial Solutions Segment

We will reinforce solutions to assist major financial institutions' efforts to operate globally, as well as to meet regulatory and statutory requirements. We also aim to generate new customers mainly by our in-house software solutions including "Stream-R", Bank of Japan settlement liquidity management system, "BANK·R", next-generation financing solution, and "Lamp", core system for leasing companies. In the fast-growing FinTech sector, we will create financial services in collaboration with startup companies.

#### Business Solutions Segment

We will strengthen our solutions for corporate core systems, of which major parts are our in-house software solutions such as "POSITIVE", human resources management solution, and "STRAVIS", consolidated accounting solution. In addition, we will respond to customer needs that have become increasingly complex and diverse by embarking on the development of next-generation enterprise IT platforms.

#### Engineering Solutions Segment

We will focus on developing and providing solutions that support model-based development (MDB), a manufacturing method being increasingly adopted by the automotive industry, among others, especially with our solution "iQUAVIS", a conceptual design solution. Furthermore, we will work to promote digitalization and efficiency improvements of the manufacturing industry through 3D CAD and CAE, strengthen our collaborations with partners in Japan and overseas, to support customers' efforts to realize customers' production innovations and digital enterprises, characterized by Industry 4.0.

### Communications IT Segment

We will support the additional sophistication of the Dentsu Group's core systems and reinforce collaboration with Dentsu. In digital marketing arena, we will concentrate on providing IT solutions that resolve the issues companies face and help them realize innovation. We will also strive to create new business in areas related to 2020 with initiatives involving regional revitalization and inbound tourist demand.

### Strategic Domains

We will focus on three strategic domains common to our business segments: "global," "IoT/big data" and "2020 and beyond." In the global domain, we will further strengthen our efforts to support Japanese companies' business expansion into overseas and strive to make inroads into the non-Japanese market through M&A. In IoT/big data, we will generate new solutions appropriate to the IoT era, such as those that leverage industrial big data in the manufacturing industry, supporting business transformations of our customers. In 2020 and beyond, we aim to create brand-new business with a view to 2020 and later years.

### Enhance Human Resources

To maximize "value of human resources," as stated in our management philosophy, we focus on recruiting and cultivating personnel with broad perspectives and high-level expertise. At the same time, we create environment where diverse human resources may flourish own talents, regardless of their age, gender, nationality and other factors, and pursue working style reforms that the personnel may realize notable creativity and high levels of productivity.

### Set Improved Measures to Prevent Unprofitable Projects

We will further emphasize measures that we have already undertaken. By introducing risk judgment criteria based on the analysis of past projects, we will make project screening more stringent at the time of order receipt, reinforce project management training, and increase the quality of project upstream processes through third-party evaluations. Through these thorough efforts, we work hard to prevent the recurrence of unprofitable projects.

By pursuing the New Plan, the ISiD Group is determined to seek further differentiation, and take the lead in resolving the issues our customers and society are facing. We take it as a mission of an IT company, and willing to realize it by proactively carrying on "Joint Value Creation".

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