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In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

April 27, 2018

## Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2018 (Japan GAAP)

Name of Listed Company: Information Services International-Dentsu, Ltd.  
 Listed Exchange: Tokyo  
 Code Number: 4812  
 URL: <https://www.isid.co.jp/english/index.html>  
 Representative: Setsuo Kamai, President, CEO and COO  
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Date of scheduled filing of securities report: May 11, 2018  
 Date of scheduled payment of dividends: --  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: No

(Amounts less than one million yen are rounded down.)

### 1. Consolidated Business Performance for the First Quarter of FY2018 (from January 1, 2018 to March 31, 2018)

#### (1) Consolidated Operating Results (Cumulative) Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)*	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
<b>First Quarter of FY2018</b>	21,217	6.6	2,217	31.6	2,242	28.3	1,538	11.2
First Quarter of FY2017	19,901	(1.1)	1,685	(16.9)	1,748	(17.2)	1,383	(13.8)

\* Net income attributable to parent company's shareholders

(Note) Comprehensive income: First Quarter of FY2018: 1,433 million yen; First Quarter of FY2017: 1,300 million yen

	Net income (loss) per share	Net income per share after dilution
	(yen)	(yen)
<b>First Quarter of FY2018</b>	47.21	–
First Quarter of FY2017	42.45	–

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
<b>As of March 31, 2018</b>	71,976	48,342	67.1
As of December 31, 2017	72,003	47,800	66.3

(Reference) Total shareholders' equity: As of March 31, 2018: 48,321 million yen; As of December 31, 2017: 47,771 million yen

### 2. Dividends

Record date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year
	(yen)	(yen)	(yen)	(yen)	(yen)
FY2017	–	25.00	–	27.00	52.00
FY2018	–				
FY2018 (forecast)		28.00	–	28.00	56.00

(Note) Revision to the dividend forecasts from the latest announcement: No

### 3. Consolidated Forecasts for FY2018 (from January 1, 2018 to December 31, 2018)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating income		Ordinary income		Net income *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half	41,941	3.5	3,211	2.5	3,243	1.0	2,224	(20.6)	68.28
FY2018	88,000	5.5	7,000	27.5	7,034	24.7	4,807	8.3	147.56

\*Net income attributable to parent company's shareholders

(Note) Revision to the consolidated forecasts from the latest announcement: No

### 4. Other Items

(1) Changes in the scope of consolidation for significant subsidiaries during three months (Changes in specified subsidiaries resulting in change in the scope of consolidation): None

(2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements:

i. Changes in accounting policies in accordance with revision of accounting standards: None

ii. Changes in accounting policies other than 1) above: None

iii. Changes in accounting estimate: None

iv. Restatements: None

(4) Issued and outstanding common stock

i. Number of shares issued and outstanding at the end of the period, including treasury stock

March 31, 2018:	32,591,240 shares	December 31, 2017:	32,591,240 shares
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ii. Number of treasury stock at the end of the period

March 31, 2018:	8,579 shares	December 31, 2017:	8,470 shares
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iii. Average number of shares outstanding for each period

Three months ended March 31, 2018:	32,582,702 shares	Three months ended March 31, 2017:	32,582,770 shares
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**This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act.**

#### 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.

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## 1. Qualitative Information on the Consolidated Financial Results for the Subject Period

### (1) Explanation of Operating Results

(Millions of yen)

	First quarter of FY2017 (cumulative)	First quarter of FY2018 (cumulative)	YoY	
			Variance	% change
Net sales	19,901	21,217	1,316	6.6%
Operating income	1,685	2,217	532	31.6%
Operating margin	8.5%	10.4%	1.9 p	–
Ordinary income	1,748	2,242	494	28.3%
Net income attributable to parent company's shareholders	1,383	1,538	155	11.2%

In the first quarter of the fiscal year under review (from January 1, 2018 to March 31, 2018), the Japanese economy continued its modest recovery, buoyed by improvements in corporate earnings and the employment situation, as well as expanded exports and increased personal consumption, despite an overseas outlook made opaque by unstable political and economic conditions. The information services industry also benefited from a generally favorable business environment, amid growing demand for corporate investment in information technology.

To further differentiate itself and expand its operations under these conditions, the ISID Group is promoting ISID Open Innovation 2018 “Joint Value Creation,” a medium-term management plan covering the three-year period from FY2016. As this fiscal year is the final year of this plan, ISID has established the implementation and realization of Society 5.0 as its new vision for action and aims to achieve all-time high net sales of ¥88.0 billion and operating income of ¥7.0 billion, as well as an operating margin of 8.0% as announced in the medium-term management plan.

During the three months ended March 31, 2018, net sales increased 6.6% year on year, to ¥21,217 million. Of the four business segments operated by the Group, the Engineering Solutions segment and the Communications IT segment were the drivers of this increase in net sales.

As for income, in addition to the effect of higher net sales, gross profit margins increased mainly in consulting services and in-house software. As a result, operating income rose 31.6% year on year, to ¥2,217 million, ordinary income increased 28.3% year on year, to ¥2,242 million, and net income attributable to parent company's shareholders rose 11.2% year on year, to ¥1,538 million.

Net sales, operating income and status of business operations by business segment are as follows:

### Net Sales and Operating Income (Loss) by Business Segment

(Millions of yen)

Business segment	First quarter of FY2017 (cumulative)		First quarter of FY2018 (cumulative)		YoY	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
		Operating margin		Operating margin		
Financial Solutions	5,078	440 8.7%	4,948	336 6.8%	(130)	(104)
Business Solutions	4,437	218 4.9%	3,908	190 4.9%	(529)	(28)
Engineering Solutions	6,476	593 9.2%	7,678	1,031 13.4%	1,202	438
Communications IT	3,909	432 11.1%	4,682	658 14.1%	773	226
Total	19,901	1,685 8.5%	21,217	2,217 10.4%	1,316	532

### Status of Business Operations by Business Segment

#### Financial Solutions

The main business of this segment is providing IT solutions that support various operations at financial institutions.

During the three months ended March 31, 2018, although system development sales to major clients expanded among overseas corporations, large projects in Japan had reached their peak, resulting in sluggish growth that caused sales to decline. In terms of income, the decline in sales caused income to decrease.

#### Business Solutions

The main business of this segment is providing IT solutions for core systems and the business management field.

During the three months ended March 31, 2018, although sales of human resources management solution POSITIVE and other in-house software remained firm, the impact from declines caused by the end of system development projects for major clients and third-party software sales involving large projects caused sales to decrease. With regard to income, the decrease in sales caused income to decline.

#### Engineering Solutions

The main business of this segment is providing IT solutions for the product development and production fields in the manufacturing industry.

During the three months ended March 31, 2018, sales of software products, mainly NX 3D CAD solution and product lifecycle management (PLM) solution Teamcenter, expanded in the appliance, precision and machinery industries. In addition, the provision of MBD introduction support solutions represented by core conceptual design solution iQUAVIS to the automotive industry remained firm, causing sales to increase. Income also increased in line with the rise in sales.

#### Communications IT

The main business of this segment is providing IT solutions for core systems at the Dentsu Group, as well as in collaboration with the Dentsu Group.

During the three months ended March 31, 2018, system development and outsourcing, operation and maintenance services for the Dentsu Group expanded. Also, business from collaborations with the Dentsu Group mainly in the digital marketing domain remained firm, causing sales to increase. The increase in sales caused income to rise.

## **(2) Explanation of Financial Position**

### **i. Assets**

At the end of the first quarter of FY2018, total assets amounted to ¥71,976 million, down ¥27 million from ¥72,003 million at the end of the previous fiscal year. Current assets decreased ¥174 million, due mainly to an increase in advance payments-trade and work in process, while deposits paid decreased. Non-current assets rose ¥146 million, because of an increase in property, plant and equipment.

### **ii. Liabilities**

At the end of the first quarter of FY2018, total liabilities amounted to ¥23,633 million, down ¥570 million from ¥24,203 million at the end of the previous fiscal year. Non-current liabilities rose ¥56 million, as well as current liabilities decreased ¥625 million, due mainly to a decline in advances received.

### **iii. Net assets**

At the end of the first quarter of FY2018, total net assets amounted to ¥48,342 million, up ¥542 million from ¥47,800 million at the end of the previous fiscal year, due mainly to an increase in retained earnings, while accumulated other comprehensive income decreased.

## **(3) Explanation of Consolidated Financial Results Forecasts**

We maintain unchanged our forecasts for the first half and the full fiscal year, as announced on February 9, 2018.

Note: 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.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	As of December 31, 2017	As of March 31, 2018
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		3,369	3,506
Notes and accounts receivable-trade		18,706	18,608
Merchandise and finished goods		107	95
Work in process		1,318	1,747
Raw materials and supplies		21	19
Advance payments-trade		6,548	7,319
Deposits paid		27,276	25,748
Other		1,964	2,092
Allowance for doubtful accounts		(1)	(1)
Total current assets		59,311	59,137
<b>Non-current assets:</b>			
Property, plant and equipment		3,243	3,358
Intangible assets		2,849	2,864
Investments and other assets:			
Investments and other assets		6,599	6,616
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		6,598	6,615
Total non-current assets		12,692	12,838
<b>Total assets</b>		<b>72,003</b>	<b>71,976</b>

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	As of December 31, 2017	As of March 31, 2018
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		6,086	6,126
Income taxes payable		1,326	1,030
Advances received		7,790	6,969
Provision for loss on order received		622	554
Other		6,124	6,643
Total current liabilities		21,950	21,325
<b>Non-current liabilities:</b>			
Net defined benefit liability		15	16
Asset retirement obligations		895	895
Other		1,341	1,396
Total noncurrent liabilities		2,252	2,308
<b>Total liabilities</b>		<b>24,203</b>	<b>23,633</b>
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		23,897	24,555
Treasury stock		(29)	(29)
Total shareholders' equity		47,334	47,992
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		96	80
Foreign currency translation adjustments		340	248
Total accumulated other comprehensive income		436	328
<b>Non-controlling interests</b>		<b>28</b>	<b>21</b>
<b>Total net assets</b>		<b>47,800</b>	<b>48,342</b>
<b>Total liabilities and net assets</b>		<b>72,003</b>	<b>71,976</b>



## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	First Quarter of FY2017	First Quarter of FY2018
		(From January 1, 2017 to March 31, 2017)	(From January 1, 2018 to March 31, 2018)
		Amount	Amount
<b>Net sales</b>		19,901	21,217
Cost of sales		13,498	14,077
Gross profit		6,403	7,140
Selling, general and administrative expenses		4,717	4,922
<b>Operating income</b>		1,685	2,217
<b>Non-operating income:</b>			
Interest and dividend income		8	10
Share of profit of entities accounted for using equity method		1	1
Dividends income of insurance		42	48
Miscellaneous income		21	9
Total non-operating income		73	70
<b>Non-operating expenses:</b>			
Interest expenses		3	5
Foreign exchange losses		3	18
Loss on investments in partnership		2	19
Miscellaneous loss		0	0
Total non-operating expenses		10	44
<b>Ordinary income</b>		1,748	2,242
<b>Income before income taxes and minority interests</b>		1,748	2,242
Income taxes-current		947	1,107
Income taxes-deferred		(585)	(406)
Total income taxes		361	701
<b>Net income</b>		1,387	1,541
<b>Net income attributable to non-controlling interests</b>		4	3
<b>Net income attributable to parent company's shareholders</b>		1,383	1,538

[Consolidated Statements of Comprehensive Income]

(Millions of yen; amounts less than one million yen are rounded down.)

Item	Period	First Quarter of FY2017 (From January 1, 2017 to March 31, 2017)	First Quarter of FY2018 (From January 1, 2018 to March 31, 2018)
		Amount	Amount
<b>Profit</b>		1,387	1,541
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities		(4)	(16)
Foreign currency translation adjustment		(82)	(91)
Total other comprehensive income		(87)	(107)
<b>Comprehensive income:</b>		1,300	1,433
Comprehensive income attributable to parent company's shareholders		1,296	1,430
Comprehensive income attributable to non-controlling interests		4	3

### (3) Notes on Quarterly Consolidated Financial Statement

[Notes regarding Assumption of a Going Concern]

Not applicable

[Notes on Significant Changes in Shareholders' Equity]

Not applicable

[Application of Special Accounting Practices in the Preparation of the Consolidated Financial Statement]

Not applicable

[Changes in Accounting Policies]

Not applicable

[Changes in Accounting Estimates]

Not applicable

#### Segment Information

1. The first quarter cumulative period (from January 1, 2017 to March 31, 2017)

Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communications IT	Total
Net sales					
Sales to customers	5,078	4,437	6,476	3,909	19,901
Inter-segment sales and transfers	–	–	–	–	–
Total	5,078	4,437	6,476	3,909	19,901
Segment income (loss)	440	218	593	432	1,685

Note: Total values for segment earnings match those for the operating income on the “Consolidated Statements of Income.”

2. The first quarter cumulative period (from January 1, 2018 to March 31, 2018)

Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communications IT	Total
Net sales					
Sales to customers	4,948	3,908	7,678	4,682	21,217
Inter-segment sales and transfers	–	–	–	–	–
Total	4,948	3,908	7,678	4,682	21,217
Segment income (loss)	336	190	1,031	658	2,217

Note: Total values for segment earnings match those for the operating income on the “Consolidated Statements of Income.”

### 3. Supplementary Information

#### Status of Production, Orders and Sales

##### (1) Production

The status of production through the first quarter cumulative period (from January 1, 2018 to March 31, 2018) by business segment is as follows:

Business segment	(Millions of yen)	
	Production output	YoY
Financial Solutions	3,883	94.6%
Business Solutions	2,461	89.6%
Engineering Solutions	1,675	131.4%
Communications IT	1,697	106.5%
Total	9,718	99.9%

Notes:

1. Figures are calculated from sales prices.
2. Figures do not include consumption tax or other additions.

##### (2) Orders

The status of orders through the first quarter cumulative period (from January 1, 2018 to March 31, 2018) by business segment is as follows:

Business segment	(Millions of yen)			
	Orders received	YoY	Order backlog	YoY
Financial Solutions	5,242	101.3%	5,508	104.9%
Business Solutions	4,098	88.7%	6,184	93.8%
Engineering Solutions	10,114	119.2%	10,873	119.3%
Communications IT	6,901	87.0%	6,701	97.3%
Total	26,357	100.6%	29,267	105.1%

Notes:

1. From FY2018, figures have been changed to the calculation method for all service items.
2. Figures do not include consumption tax or other additions.

##### (3) Sales

i. The status of sales through the first quarter cumulative period (from January 1, 2018 to March 31, 2018) by business segment is as follows:

Business segment	(Millions of yen)	
	Sales volume	YoY
Financial Solutions	4,948	97.4%
Business Solutions	3,908	88.1%
Engineering Solutions	7,678	118.6%
Communications IT	4,682	119.8%
Total	21,217	106.6%

Notes:

1. Figures do not include consumption tax or other additions.
2. Sales to major client and the proportion of total sales are as follows:

Client	(Millions of yen)			
	First Quarter of FY2017 (From January 1, 2017 to March 31, 2017)		First Quarter of FY2018 (From January 1, 2018 to March 31, 2018)	
	Amount	Proportion	Amount	Proportion
Dentsu, Inc. and its group companies	2,885	14.5%	3,761	17.7%