

July 31, 2018

## Consolidated Financial Results for the Second 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>  
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Date of scheduled filing of securities report: August 3, 2018  
Date of scheduled payment of dividends: September 3, 2018  
Quarterly earnings supplementary explanatory documents: Yes  
Quarterly earnings presentation: Yes

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

### 1. Consolidated Business Performance for the Second Quarter of FY2018 (from January 1, 2018 to June 30, 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>Second Quarter of FY2018</b>	43,086	6.3	3,801	21.3	3,860	20.2	2,641	(5.7)
Second Quarter of FY2017	40,525	2.4	3,133	(6.2)	3,210	(8.9)	2,801	10.8

\* Net income attributable to parent company's shareholders.

Note: Comprehensive income: Second Quarter of FY2018: 2,512 million yen (down 9.1%); Second Quarter of FY2017: 2,763 million yen (up 41.6%)

	Earnings per share	Diluted earnings per share
	(yen)	(yen)
<b>Second Quarter of FY2018</b>	81.08	—
Second Quarter of FY2017	85.97	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
<b>As of June 30, 2018</b>	76,641	49,421	64.5
As of December 31, 2017	72,003	47,800	66.3

Reference: Total shareholders' equity: As of June 30, 2018: 49,397 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	-	28.00			
FY2018 (forecast)			-	28.00	56.00

Note: Revision to the dividend forecasts from the latest announcement: None

### 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)
Full year	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: None

### 4. Other Items

- (1) Changes in the scope of consolidation for significant subsidiaries during the six months under review (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:	June 30, 2018:	32,591,240 shares	December 31, 2017:	32,591,240 shares
ii. Number of treasury stock at the end of the period:	June 30, 2018:	8,623 shares	December 31, 2017:	8,470 shares
iii. Average number of shares outstanding for each period (cumulative quarterly period):	Six months ended June 30, 2018:	32,582,676 shares	Six months ended June 30, 2017:	32,582,770 shares

**This quarterly financial report is outside the scope of quarterly review procedures.**

#### 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.

## **Index of the Attachment**

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

(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	4
(3) Explanation of Consolidated Financial Results Forecasts .....	4

### **2. Consolidated Financial Statements**

(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	
[Consolidated Statements of Income] .....	7
[Consolidated Statements of Comprehensive Income] .....	8
(3) Notes on Quarterly Consolidated Financial Statement.....	9

<b>Segment Information</b> .....	10
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### **3. Supplementary Information**

Status of Production, Orders and Sales.....	11
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# 1. Qualitative Information on the Consolidated Financial Results for the Subject Period

## (1) Explanation of Operating Results

	Second quarter of FY2017 (cumulative)	Second quarter of FY2018 (cumulative)	(Millions of yen)	
			YoY	
			Variance	% change
Net sales	40,525	43,086	2,561	6.3%
Operating income	3,133	3,801	668	21.3%
Operating margin	7.7%	8.8%	1.1 p	—
Ordinary income	3,210	3,860	650	20.2%
Net income attributable to parent company's shareholders	2,801	2,641	(160)	(5.7)%

In the second quarter of the fiscal year under review (from January 1, 2018 to June 30, 2018), the Japanese economy continued its modest recovery, buoyed by improvements in corporate earnings and employment conditions as well as increased personal consumption, despite an uncertain outlook due to rising raw material costs and an increasing sense of caution regarding United States trade policies. 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 six months ended June 30, 2018, net sales increased 6.3% year on year, to ¥43,086 million. Of the four business segments operated by the Group, the Engineering Solutions segment and the Communication 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 21.3% year on year, to ¥3,801 million, ordinary income increased 20.2% year on year, to ¥3,860 million. At the same time, net income attributable to parent company's shareholders declined 5.7% year on year, to ¥2,641 million, due to the recognition of extraordinary income resulting from sales of property, plant and equipment in the same period of the previous fiscal year, among other factors.

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	Second quarter of FY2017 (cumulative)		Second quarter of FY2018 (cumulative)		YoY	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
		Operating margin		Operating margin		
Financial Solutions	10,542	977 9.3%	10,599	715 6.7%	57	(262)
Business Solutions	8,960	399 4.5%	7,933	261 3.3%	(1,027)	(138)
Engineering Solutions	12,337	662 5.4%	14,579	1,333 9.1%	2,242	671
Communication IT	8,683	1,094 12.6%	9,974	1,491 14.9%	1,291	397
Total	40,525	3,133 7.7%	43,086	3,801 8.8%	2,561	668

### 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 six months ended June 30, 2018, although sales of next-generation financial solution BANK-R and other software declined, system development sales to major clients expanded, resulting in sales that remained nearly the same year on year. In terms of income, a decline mainly in the sales of highly profitable software products 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 six months ended June 30, 2018, although sales of human resources management solution POSITIVE and other software products remained firm, the impact from declines caused by the end of large projects of custom system development and software product deployment caused sales to decrease. With regard to income, despite controlling new occurrences and expansion of unprofitable projects, 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 six months ended June 30, 2018, sales of software products, mainly 3D CAD system NX and product lifecycle management (PLM) solution Teamcenter, expanded in the appliance, precision industries. In addition, the expansion of smart factory domain software product sales and consulting services in the automotive industry caused sales to increase. Income also increased in line with the rise in sales.

#### Communication 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 six months ended June 30, 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 expanded, causing sales to increase. The increase in sales caused income to rise.

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

### **i. Assets**

At the end of the second quarter of the fiscal year under review, total assets amounted to ¥76,641 million, up ¥4,638 million from ¥72,003 million at the end of the previous fiscal year. Current assets increased ¥3,761 million, due mainly to an increase in advance payments-trade and deposits paid, while notes and accounts receivable-trade decreased. Non-current assets rose ¥877 million, because of an increase in property, plant and equipment, investments in capital of subsidiaries and associates and investment securities.

### **ii. Liabilities**

At the end of the second quarter of the fiscal year under review, total liabilities amounted to ¥27,220 million, up ¥3,017 million from ¥24,203 million at the end of the previous fiscal year. Non-current liabilities rose ¥282 million, due mainly to an increase in lease obligations, as well as current liabilities increased ¥2,735 million, due mainly to an increase in advances received and accrued expenses.

### **iii. Net assets**

At the end of the second quarter of the fiscal year under review, total net assets amounted to ¥49,421 million, up ¥1,621 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 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 June 30, 2018
		Amount	Amount
<b>(Assets)</b>			
<b>Current assets:</b>			
Cash and deposits		3,369	3,538
Notes and accounts receivable-trade		18,706	16,905
Merchandise and finished goods		107	139
Work in process		1,318	1,691
Raw materials and supplies		21	24
Advance payments-trade		6,548	9,408
Deposits paid		27,276	29,429
Other		1,964	1,936
Allowance for doubtful accounts		(1)	(1)
Total current assets		59,311	63,072
<b>Non-current assets:</b>			
Property, plant and equipment		3,243	3,795
Intangible assets		2,849	2,886
Investments and other assets:			
Investments and other assets		6,599	6,887
Allowance for doubtful accounts		(1)	(1)
Total investments and other assets		6,598	6,886
Total non-current assets		12,692	13,569
<b>Total assets</b>		<b>72,003</b>	<b>76,641</b>

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

Item	Period	As of December 31, 2017	As of June 30, 2018
		Amount	Amount
<b>(Liabilities)</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade		6,086	6,237
Income taxes payable		1,326	1,341
Advances received		7,790	10,095
Provision for loss on order received		622	547
Other		6,124	6,463
Total current liabilities		21,950	24,685
<b>Non-current liabilities:</b>			
Net defined benefit liability		15	19
Asset retirement obligations		895	896
Other		1,341	1,619
Total noncurrent liabilities		2,252	2,534
<b>Total liabilities</b>		24,203	27,220
<b>(Net assets)</b>			
<b>Shareholders' equity:</b>			
Capital stock		8,180	8,180
Capital surplus		15,285	15,285
Retained earnings		23,897	25,659
Treasury stock		(29)	(29)
Total shareholders' equity		47,334	49,096
<b>Accumulated other comprehensive income:</b>			
Valuation difference on available-for-sale securities		96	81
Foreign currency translation adjustments		340	220
Total accumulated other comprehensive income		436	301
<b>Non-controlling interests</b>		28	23
<b>Total net assets</b>		47,800	49,421
<b>Total liabilities and net assets</b>		72,003	76,641



## (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	Second Quarter of FY2017 (From January 1, 2017 to June 30, 2017)	Second Quarter of FY2018 (From January 1, 2018 to June 30, 2018)
		Amount	Amount
<b>Net sales</b>		40,525	43,086
Cost of sales		27,513	28,845
Gross profit		13,011	14,240
Selling, general and administrative expenses		9,878	10,439
<b>Operating income</b>		3,133	3,801
<b>Non-operating income:</b>			
Interest and dividend income		19	24
Share of profit of entities accounted for using equity method		0	—
Dividends income of insurance		42	48
Subsidy income		23	—
Miscellaneous income		21	44
Total non-operating income		106	117
<b>Non-operating expenses:</b>			
Interest expenses		8	11
Share of loss of entities accounted for using equity method		—	5
Foreign exchange losses		10	5
Loss on investments in partnership		8	30
Miscellaneous loss		1	7
Total non-operating expenses		28	59
<b>Ordinary income</b>		3,210	3,860
<b>Extraordinary income:</b>			
Gain on sales of non-current assets		657	—
Total extraordinary income		657	—
<b>Income before income taxes and minority interests</b>		3,868	3,860
Income taxes-current		993	1,301
Income taxes-deferred		67	(89)
Total income taxes		1,061	1,212
<b>Net income</b>		2,807	2,647
<b>Net income attributable to non-controlling interests</b>		6	5
<b>Net income attributable to parent company's shareholders</b>		2,801	2,641

[Consolidated Statements of Comprehensive Income]

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

Item	Period	Second Quarter of FY2017 (From January 1, 2017 to June 30, 2017)	Second Quarter of FY2018 (From January 1, 2018 to June 30, 2018)
		Amount	Amount
<b>Net income</b>		2,807	2,647
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities		4	(14)
Foreign currency translation adjustment		(49)	(120)
Total other comprehensive income		(44)	(135)
<b>Comprehensive income:</b>		2,763	2,512
Comprehensive income attributable to parent company's shareholders		2,756	2,506
Comprehensive income attributable to non-controlling interests		6	5

**(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 second quarter cumulative period (from January 1, 2017 to June 30, 2017)

#### Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communication IT	Total
Net sales					
Sales to customers	10,542	8,960	12,337	8,683	40,525
Inter-segment sales and transfers	—	—	—	—	—
Total	10,542	8,960	12,337	8,683	40,525
Segment income (loss)	977	399	662	1,094	3,133

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

### 2. The second quarter cumulative period (from January 1, 2018 to June 30, 2018)

#### Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Business segment				
	Financial Solutions	Business Solutions	Engineering Solutions	Communication IT	Total
Net sales					
Sales to customers	10,599	7,933	14,579	9,974	43,086
Inter-segment sales and transfers	—	—	—	—	—
Total	10,599	7,933	14,579	9,974	43,086
Segment income (loss)	715	261	1,333	1,491	3,801

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 second quarter cumulative period (from January 1, 2018 to June 30, 2018) by business segment is as follows:

Business segment	Production output	(Millions of yen)
		YoY
Financial Solutions	7,948	104.3%
Business Solutions	4,740	90.8%
Engineering Solutions	3,044	119.3%
Communication IT	4,117	112.6%
Total	19,850	104.2%

Notes:

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

##### (2) Orders

The status of orders through the second quarter cumulative period (from January 1, 2018 to June 30, 2018) by business segment is as follows:

Business segment	Orders received	YoY	(Millions of yen)	
			Order backlog	YoY
Financial Solutions	18,717	170.6%	13,332	238.8%
Business Solutions	8,069	93.5%	6,131	100.8%
Engineering Solutions	17,463	117.1%	11,320	116.9%
Communication IT	12,261	102.7%	6,769	110.4%
Total	56,512	121.6%	37,554	136.7%

Notes:

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

##### (3) Sales

i. The status of sales through the second quarter cumulative period (from January 1, 2018 to June 30, 2018) by business segment is as follows:

Business segment	Sales volume	(Millions of yen)
		YoY
Financial Solutions	10,599	100.5%
Business Solutions	7,933	88.5%
Engineering Solutions	14,579	118.2%
Communication IT	9,974	114.9%
Total	43,086	106.3%

Notes:

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

Client	Second Quarter of FY2017		Second Quarter of FY2018	
	(From January 1, 2017 to June 30, 2017)		(From January 1, 2018 to June 30, 2018)	
	Amount	Proportion	Amount	Proportion
Dentsu, Inc. and its group companies	7,032	17.4%	8,332	19.3%