Note: This document is an English translation of "Kessan Tanshin" for the fiscal year that ended March 31, 2019 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (J-GAAP)

May 8, 2019

Company name:	ID Holdings Corporation
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	https://www.idnet-hd.co.jp
Company representative:	Masaki Funakoshi, President and Representative Director
Direct inquiries to:	Masayoshi Nakatani, Senior Officer Manager, Corporate Strategy Department Tel: +81 3-3262-5177

Scheduled date of the Annual General Meeting of Shareholders:	June 21, 2019
Scheduled date of dividend payment:	June 24, 2019
Scheduled date of filing of the Annual Securities Report:	June 24, 2019
Preparation of supplementary materials on financial results:	Yes
Presentation on results:	Yes (For institutional investors and analysts)

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for FY2018 (April 1, 2018–March 31, 2019)

(1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2018	26,515	14.3	1,667	32.9	1,724	35.3	1,028	65.2
FY2017	23,207	7.7	1,254	13.5	1,274	12.5	622	–4.8

Note: Comprehensive income FY2018 ¥1,151 million (62.9%) FY2017 ¥706 million (–33.2%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	¥	¥	%	%	%
FY2018	93.15	92.21	12.9	12.2	6.3
FY2017	56.84	56.19	8.4	10.4	5.4

Reference: Equity in income of affiliates FY2018 ¥– million FY2017 ¥– million

Note: The Group has been applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) since the beginning of the consolidated fiscal year under review. For this reason, these revisions have been applied retroactively to figures from the end of the previous consolidated fiscal year for the purpose of comparison.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2018	14,600	8,342	56.9	749.58
FY2017	13,748	7,617	55.2	689.74

Reference: Equity FY2018 ¥8,307 million FY2017 ¥7,586 million

Note: The Group has been applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) since the beginning of the consolidated fiscal year under review. For this reason, these revisions have been applied retroactively to figures from the end of the previous consolidated fiscal year for the purpose of comparison.

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
FY2018	1,004	–336	–126	3,489
FY2017	1,237	–2,129	1,464	2,944

2. Dividends

	Annual dividends					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	End of the fiscal period	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
FY2017	—	0.00	—	40.00	40.00	455	70.4	5.9
FY2018	—	0.00	—	40.00	40.00	456	42.9	5.6
FY2019 (forecast)	—	0.00	—	40.00	40.00		41.8	

3. Forecasts of Consolidated Results for FY2019 (April 1, 2019–March 31, 2020)

(Percentages show period-over-period changes for the full year and YoY changes for the quarter)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Q2 FY2019 (cumulative)	13,250	0.6	740	0.7	760	–3.3	470	4.2	42.41
FY2019 (full fiscal year)	26,800	1.1	1,670	0.2	1,710	–0.8	1,060	3.1	95.64

*Notes

(1) Changes in important subsidiaries during the period
Changes in specified subsidiaries resulting in change in consolidation scope — No

(2) Changes in accounting policies, changes in accounting estimates and restatements

(i)	Changes in accounting policies due to revisions of accounting standards, etc.:	No
(ii)	Changes in accounting policies other than (i):	No
(iii)	Changes in accounting estimates:	No
(iv)	Restatements:	No

(3) Number of shares outstanding (common stock)

(i)	Number of shares outstanding (inclusive of treasury stock)	FY2018	12,044,302 shares	FY2017	12,044,302 shares
(ii)	Amount of treasury stock	FY2018	961,470 shares	FY2017	1,044,686 shares
(iii)	Interim average number of shares	FY2018	11,042,191 shares	FY2017	10,953,961 shares

Reference: Outline of unconsolidated financial results

1. Unconsolidated Financial Results for FY2018 (April 1, 2018–March 31, 2019)

(1) Unconsolidated Business Results (% indicates YoY changes)

	Net sales		**Operating income**		**Ordinary income**		**Net income**	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2018	22,144	2.8	1,206	7.3	1,254	9.6	841	103.7
FY2017	21,537	3.6	1,124	–3.2	1,144	–2.3	412	–47.8

	Net income per share	**Diluted net income per share**
	¥	¥
FY2018	76.17	75.41
FY2017	37.69	37.26

(2) Unconsolidated Financial Position

	Total assets	**Net assets**	**Equity ratio**	**Book value per share**
	¥ million	¥ million	%	¥
FY2018	13,784	8,032	58.2	723.84
FY2017	12,985	7,510	57.8	681.75

Reference: Equity FY2018 ¥8,022 million FY2017 ¥7,498 million

Note: The Group has been applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) since the beginning of the consolidated fiscal year under review. For this reason, these revisions have been applied retroactively to figures from the end of the previous consolidated fiscal year for the purpose of comparison.

* The Consolidated Financial Results are not subject to audit by a certified public accountant or audit corporation.

* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items

Results forecasts are estimates based on the information that was available as of the day the results were announced, and some of this information may be uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (5) Forecast under section 1. Summary of Business Results, etc. on page 7 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.

The Company has also introduced aboard benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP). Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)

The Company will hold a results briefing for institutional investors and analysts on May 28, 2019. The materials that will be distributed at the briefing will be posted on the Company website promptly after the briefing.

Contents

1. Summary of Business Results, etc.

(1) Summary of Business Results for the Period

Orders and sales were strong in the ID Group's consolidated fiscal year under review (from April 1, 2018 to March 31, 2019). In our main operating segment, the system operation management segment, subsidiaries acquired in the previous fiscal year contributed to sales, while large orders from public-sector entities supported a favorable order-acceptance environment in the software development segment. Net sales rose 14.3% from the same period of the previous fiscal year (YoY) to ¥26.515 billion.

Earnings were strongly positive during the period under review despite significant cost outlays. The Group appropriated expenses for relocating the headquarters of Fess Co., Ltd. (completed on July 23, 2018) as well as after-sales costs for software development in the previous fiscal year. At the same time, however, the Group benefited from sales efforts for increased profitability, strengthened project control for boosted productivity, and synergies with Fess. Operating income swelled to ¥1.667 billion (+32.9% YoY), ordinary income rose to ¥1.724 billion (+35.3% YoY), and net income attributable to owners of parent increased to ¥1.028 billion (+65.2% YoY).

The ID Group's sales results by segment in the consolidated accounting period are as follows.

(i) System operation management

In platform development operations*, an increase in sales to public institutions was partially offset by a decline in sales to the financial sector. In the operations management business, a decline in financial sales was countered by contributions from Fess. Net sales improved to ¥16.18 billion (+18.5% YoY).

(ii) Software development

Although large projects were concluded in the financial and transportation sectors, the Group accepted other large-scale projects in the public sector, significantly bolstering sales. Net sales rose to ¥9.282 billion (+9.2% YoY).

(iii) Others

A decline in cybersecurity sales contrasted with increased sales in consulting. Net sales grew to ¥1.124 billion (+0.5% YoY).

*Platform development operations refer to the Company's service of making optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

Management Policy Initiatives

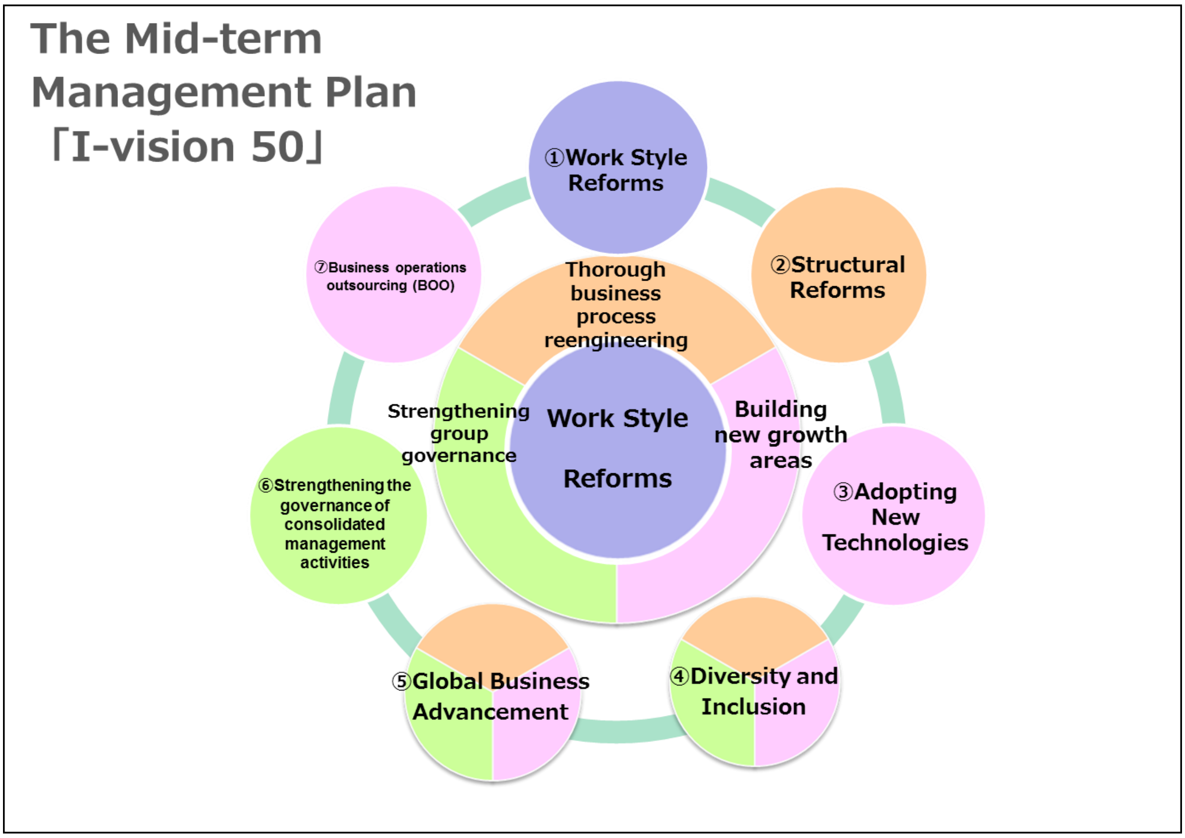
Guided by Mid-term Management Plan **I-vision 50** (adopted in April 2016) and its philosophy of "better, quicker services for our customers," the ID Group set a target for the FY2016 to FY2018 period of reaching net sales of ¥26.3 billion and operating income of ¥1.48 billion in FY2018, the final year of the mid-term period. **I-vision 50** was supported by three basic principles that were aimed at work style reforms: thorough business process reengineering (BPR), building new growth areas and strengthening group governance. The Company also undertook the following seven priority initiatives: (i) work style reforms, (ii) structural reforms, (iii) adopting new technologies, (iv) diversity and inclusion, (v) global business advancement, (vi) strengthening the governance of consolidated management activities, and (vii) business operations outsourcing (BOO*). These seven priority initiatives motivated our employees and business partners to grow the business, supporting higher revenues and better wages. In doing so, the Company strove to create an environment that produced a virtuous cycle of taking on increasingly tougher challenges leading to the fair return of profits to stakeholders other than the employees.

In FY2018, the final year of the mid-term period, net sales expanded for the seventh fiscal year in a row, operating income grew for the sixth successive fiscal year and ordinary income increased for the third fiscal year in a row. All of the above figures, as well as net income, reached their highest levels ever for the Group.

As of January 2018, Fess Co., Ltd. ("Fess"), whose core businesses are medical-related operations and system operation-related business such as ITIL consulting, is newly included in the ID Group. This stock acquisition is expected to expand the scope of the system operation management business, a core business of both companies, and to significantly contribute to the development of an efficient operations system. The Company aims at utilizing the synergy effects of Fess to further enhance its core business.

The Company transitioned to a holding-company structure as of April 1, 2019. On that date, based on an incorporation-type company-split plan approved by an Extraordinary General Meeting of Shareholders on January 24, 2019, the Company transferred all operations to the new company created by the company split, Information Development Co., Ltd., and changed the name of the existing company to ID Holdings Corporation.

*BOO (Business Operation Outsourcing) refers to a total IT outsourcing service provided by the Group. This service provides a single client with a complete package that includes consulting, software development, system operation management, cloud services, and cyber-security.



The following is a summary on the state of each of the initiatives.

Note: The numbers in brackets below match each of the priority initiatives listed above.

(i) Work style reforms

IT engineers are in high demand, and there is a serious shortage of engineers across the industry. This situation calls for an improvement in the work environment to facilitate the recruitment of talented personnel*. The entire Company is addressing the way it works, with an emphasis on the importance of a work-life balance and the creation of attractive workplaces to help improve the work environment and enhance productivity.

・The ID Group is certified by Tottori Prefecture as an "enterprise that promotes equal participation in the workplace by men and women." (San'in Branch) [(1), (4)]
・The ID Group is certified and registered by Tottori Prefecture as an "outstanding enterprise that empowers women." (San'in Branch) [(1), (4)]
・Introduction of the volunteer leave system [(1), (4)]
・Paid-leave uptake rate 82.2% (Annual target of paid-leave uptake rate: 80%) [(1)]

*The Company believes that our employees are precious resources, not just a means to an end.

(ii) Structural reforms

The ID Group is fundamentally reforming how it does business without fixating on past business practices and creating new business processes. It is also attempting to improve the organization's overall productivity by promoting transfers of authority or IT systemization.

・Implementation of business reform and improvement activities based on the company-wide call for suggestions [(1), (2)]
・The Group has established a Committee for Visualization of Personnel Affairs, aiming for visualization of employees' skills, experience, and career paths. [(2), (4)]

・Reduction of overtime work hours (–9.2% YoY) [(1), (2)]

(iii) Adopting new technologies

The ID Group is aggressively adopting new technologies to make its existing services more competitive and improve productivity and quality.

・The Group established an Advanced Technology Office, tasked with promoting the Group's beneficial use of new technologies such as robotic process automation (RPA), AI, and IoT. [(3)]
・The Group invested in the ff Graphite (v), L.P. Venture Fund, a fund targeting cutting-edge IT technology [(3)]
・The Group started a cooperative business with Keio University in the cyber-security field [(3)]
・The Group held the "Night for Considering Technology Promotion and Business Innovation Powered by ID" at Venture Café Tokyo*, of which the Group is a sponsor [(3)]
・The Group started training technicians in "Agile Development," a leading software development management method for rapid development with adaptability and reduced risk [(3)]
・Establishment of in-house "agile training meetings" in partnership with Emergn, a UK-based company with expertise in agile development methods [(3), (5)].
・The Group executed a memorandum with Ireland's ActionPoint Technology Group regarding Agile Development [(3), (5)]
・The Group began providing an "RPA Business Innovation Service" to support business process analysis and RPA introduction in system operation management [(1), (3)].
・The Group began providing "Managed Security Service (MSS) for Seceon OTM" [(3)].
・Purchase of a stake in GoAhead Ventures Ⅱ, L.P., a company that makes investments related to digital transformation (DX) [(3)]
・Addition of support in IDEye, the Group's remote work support system, for a smart glass for industry produced by RealWear of the United States [(3), (5)]

*In keeping with its mission of "Connecting innovators to make things happen," Venture Café Tokyo conducts a wide range of programming events that bring venture companies, entrepreneurs and investors together. In so doing, the organization aims to cultivate innovation that can change the world. Sponsors of Venture Café Tokyo include the Group, Japan Tobacco Inc., MORI Building Co., Ltd., SOMPO Holdings, Inc., and TEPCO i-Frontiers, Inc.

(iv) Diversity and inclusion

To pursue global strategies effectively, the ID Group is undertaking an array of initiatives to strengthen its workplace through diversity. The Group is creating an environment amenable to attracting excellent personnel, for example, by hiring year-round (rather than hiring fresh graduates only, once a year). In addition, the Group is working hard to train its employees and diversify their talents, invigorating its organization, and strengthening its capacity to respond to the ever-changing business environment.

・Percentage of women in management positions: 14% [(4)]
・Percentage of non-Japanese workers at the ID Group: 9% [(4), (5)]

(v) Global business advancement

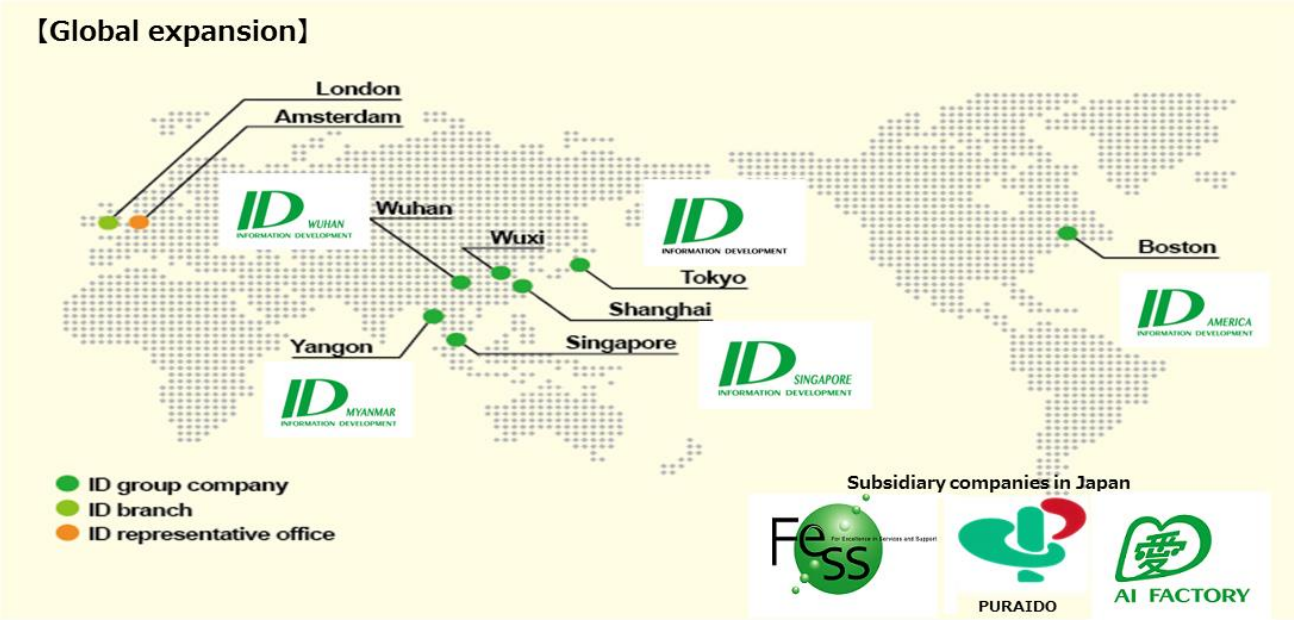
The ID Group is aggressively expanding overseas to assist other Japanese companies with their own overseas expansion and to increase its global competitiveness. The ID Group has begun to offer higher quality products and services to overseas clients and provides a 24/7 support system through its eight overseas bases (see the diagram below of our global network).

・INFORMATION DEVELOPMENT Wuhan CO., LTD.: Won the award for "most influential enterprise in the software and information service industries in China in FY2017–FY2018." [(5)]
・Became the first Japanese company to participate as a member of the Netherlands' Hague Security Delta [(3), (5)]
・Start of operations at the Tokyo branch of IDM Information Development Myanmar Co., Ltd. (ID Myanmar) [(5)]

(vi) Strengthening the governance of consolidated management activities

The ID Group is working to bring together solutions and maximize corporate value by communicating closely with the 12 bases of operations in and outside of Japan (see the diagram below of our global network). The ID Group strives to quickly ascertain management information, including the personnel and expertise at each base and the state of operations, and resolve customers' issues as a cohesive group.

・Fess Co., Ltd.: Moved to the head office of the parent company to improve business efficiency by pursuing synergies and centralizing management functions. [(6)]



(vii) Business operations outsourcing (BOO)

The ID Group has a diverse line-up of businesses, ranging from system operation management, software development, cybersecurity, and consulting.

BOO is a strategy for providing a wide range of services to individual customers, and the ID Group aims to provide these services to customers in Japan and overseas.

(2) Summary of Financial Condition for the Period

Assets, liabilities, and net assets

Assets at the end of the consolidated accounting period increased by ¥851 million to ¥14.6 billion from ¥13.748 billion at the end of the previous consolidated accounting period, owing to an increase in cash and deposits of ¥652 million, an increase in notes and accounts receivable–trade of ¥320 million, an increase in investment securities of ¥213 million, and a decrease in goodwill of ¥254 million, etc.

Liabilities increased by ¥126 million to ¥6.258 billion from ¥6.131 billion at the end of the previous consolidated accounting period, owing to an increase in interest-bearing debt of ¥328 million, a decrease in income taxes payable of ¥171 million, and an increase in provision for loss on orders received of ¥34 million, etc.

Net assets increased by ¥724 million to ¥8.342 billion from ¥7.617 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥1.028 billion, a decrease in dividends paid of ¥455 million, and an increase in valuation difference on available-for-sale securities of ¥105 million, etc.

The Group applies the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) as of the beginning of the current consolidated fiscal year. In this report, for ease of analysis and comparison of the Group’s current financial condition with the previous consolidated fiscal year, this partial revision is also applied retroactively to the figures for the previous consolidated fiscal year.

(3) Summary of Cash Flow for the Period

Cash flows from operating activities	¥1.004 billion (–¥233 million YoY)
Cash flows from investment activities	–¥336 million (+¥1.793 billion YoY)
Cash flows from financing activities	–¥126 million (–¥1.590 billion YoY)
Cash and cash equivalents at end of period	¥3.489 billion (+¥545 million YoY)

Cash flows from operating activities were ¥1.004 billion, as net income before income taxes was ¥1.676 billion, corporation tax, etc. paid was ¥812 million, notes and accounts receivable–trade increased ¥313 million, amortization of goodwill was ¥254 million, and depreciation was ¥179 million.

Cash flows from investment activities were –¥336 million, as purchase of property, plant and equipment were ¥125 million, payments into time deposits was ¥94 million, and purchase of investment securities was ¥65 million.

Cash flows from financing activities were–¥126 million, as proceeds from long-term loans payable were ¥1.5 billion, short-term loans payable experienced a net decrease of ¥920 million, cash dividends paid was ¥454 million, and repayment of long-term loans payable was ¥251 million.

Thus, cash and cash equivalents at the end of the period rose to ¥3.489 billion, which is a ¥545 million increase over the previous consolidated accounting period.

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)*	65.3	62.7	69.0	55.2	56.9
Equity ratio (%) at fair value	70.3	61.2	122.5	124.1	105.5
Ratio of cash flow to interest-bearing debt (annual)	1.8	5.0	0.3	1.9	2.6
Interest coverage ratio (multiple)	72.9	20.0	229.5	159.2	63.7

*Equity ratio: Shareholder equity / total assets

Equity ratio at fair value: Market capitalization / total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

1. These benchmarks were calculated based on consolidated financial figures.
2. Market capitalization was calculated based on the closing share price at the end of the period multiplied by the number of shares outstanding (after deducting treasury stock).
3. To determine cash flow, the cash flows from operating activities stated in the Consolidated Cash Flow Statement were used. All debts stated in the consolidated balance sheet on which interest payments are being made are included in the interest-bearing debt. The interest expenses paid stated in the Consolidated Cash Flow Statement were used regarding interest payments.
4. The Group applies the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) as of the beginning of the current consolidated fiscal year. Comparisons with FY2017 use figures as of the end of the FY2017 consolidated fiscal year with the partial revision applied retroactively.

(4) Basic Policy on Profit Distributions and Dividends for the Current Period and the Next Period

The Company considers the return of profits to shareholders to be one of its chief management priorities. It is making every effort to secure a strong business foundation and improve stable revenues and return on equity. The Company's basic policy is to maintain appropriate distributions of profits based on the business results. In view of the basic policy described above, the Company will distribute a dividend of ¥40 per share for the period under review.

The Company is also committed to bolstering its internal reserves, for a number of strategic purposes. Fortified internal reserves will enable the Company to continue to train the engineers it needs to provide the value-added IT solutions that meet the demanding needs of its customers. They will also support the Company's formation of services and acquisition of new products using new technologies such as AI and IoT. Finally, enhanced reserves fortify the Company's investment in promoting its global strategy, embracing not only China but also Singapore and Myanmar as well as North America and Europe. Through all of these efforts, the Company will strive to expand operations and enhance its business results.

As for dividends in the next period, the Company plans to distribute ¥40 per share as annual dividends (all at the end of the period) based on this policy.

(5) Forecast

With the conclusion of the previous Mid-term Management Plan, I-vision 50, the Group has established a new Mid-term Management Plan, Next 50 Episode I: Awakening!, covering the period from the fiscal year ending March 31, 2020, to the fiscal year ending March 31, 2022. For the Group's forecast regarding this period, please see "2. Management Policy (2) Mid-to-long-term Management Strategy" on the next page.

2. Management Policy

(1) Basic Policy on Group Management

Guided by its corporate philosophy, Identity, the Group pursues a basic management policy of contributing to today's IT-driven society by providing information services of high value-added that meet customer needs. We are working hard to achieve our mission of dedication to the creation of an exciting future for everyone.

IDentity

誇り/Pride

We will always make decisions based on business ethics rather than profitability.

ミッション/Mission

We are an information service company dedicated to the creation of an exciting (Waku-Waku) future for everyone.

三命/Attributes

・High technology is ID's life force.
・High quality service is ID's mission.
・Challenging the unknown is ID's proposition.

(2) Mid-to-long-term Management Strategy

The business environment in information services has undergone tremendous changes in recent years. Through digital technologies such as RPA and AI, digital transformation (DX) has advanced rapidly, revolutionizing existing businesses. Business models are shifting from system ownership to system use. Meanwhile, the burgeoning growth of IoT and increasing sophistication of cyberattacks is fostering rapid diversification of customers' IT needs, dramatically rearranging the management environment. For the ID Group, these market changes represent a growth opportunity. To position itself for further business expansion, the Group has established its latest **Mid-term Management Plan, Next 50 Episode I: Awakening!**, covering the period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022.

In October 2019 the Group celebrates the 50th anniversary of its foundation. Positioning this new Mid-term Management Plan as a springboard for another 50 years of rapid progress, the ID Group will execute its strategy for further growth, boosting enterprise value while delivering a stable and continuous return to shareholders.

< Key numerical targets for FY2021 (consolidated) >

(1) Net sales ¥30 billion
(2) Operating income ¥1.850 billion
(3) Operating income margin 6.2%

The new Mid-term Management Plan is guided by the following three Basic Policies.

(i) Development of a future-oriented corporate culture

Diversity of personnel and fostering of innovation are indispensable for the sustainable growth of the ID Group. The ID Group will hire and train diverse individuals while continuously overhauling its organization, systems and work environment so that all personnel can achieve their maximum potential. We will also cultivate a work environment that embraces future-oriented challenge and innovation.

Key measures include the following.

・The Group will permit existing hierarchical structures to coexist with new, project-based organizational structures, making use of each structure according to the purpose.
・The Group will construct and make use of personnel management systems to achieve dynamic and flexible deployment of

personnel, enhancing customer-focused service capabilities.
- The Group will foster innovation by fusing diverse perspectives and strengthen cooperation among worldwide bases by building production systems that utilize time differences.

(ii) Deployment of an upgraded business model based on DX*

Amid today's rapid trend toward digitalization, the ID Group's corporate clients are moving forward with the introduction and use of innovative technologies. Informed by knowledge and expertise in customer systems accumulated over many years, the ID Group will roll out an upgraded service model that brings added value to customer needs by combining existing service solutions with advanced technologies.

To make this service model a reality, during this three-year period, the ID Group will focus squarely on engineer training. By shifting existing services to more upstream processes, the ID Group will transition from a worker-time-based business model to a result-reward-type business model. In this way, while expanding existing businesses, the Group will invest aggressively in new fields, bolstering its competitive position and enhancing profitability.

Key measures include the following.
- The Group will establish strategic DX task teams to form solution-based businesses using DX, thereby advancing its shift to a high-value-added business model.
- The Group will actively pursue investment in education, focusing on the training of personnel in both the technology and management fields.
- Through investment in funds, the Group will continually acquire information on state-of-the-art IT. At the same time, the Group will partner actively with venture companies that possess leading-edge technologies.

*Digital Transformation refers to the transformation of existing businesses by combining existing service solutions with advanced technologies such as RPA, AI and IoT.

(iii) Promoting ESG*

Through its provision of information services, the ID Group strives to develop solutions to society's problems while creating sustainable growth and social value. By strengthening its commitment to each aspect of ESG investment, the ID Group is working to achieve growth and development for all stakeholders, including customers, shareholders and employees.

Key measures include the following.
- The Group will strengthen corporate governance based on ISO26000, the international standard for organizational social responsibility, aiming for sustainable growth and achievement of a better society.
- Through Ai Factory Co., Ltd., a special subsidiary that manages plant factories, the Group provides spaces where disabled employees can work according to their disabilities, contributing to the development of regional communities.
- The Group is expanding smart work, introducing a flexible-recuperation system and promoting health management, encouraging further diversification of work styles and boosting productivity.
- By expanding investment in personnel training and introducing systems to promote career formation, the Group is advancing the training and activation of personnel.
- The Group is moving forward with activities to preserve the environment, including reduction of electrical-power consumption, effective waste management and green procurement.

*"ESG" stands for "environmental, social and governance." The ESG approach holds that an appropriate response to each of these three areas of concern is a core driver of the long-term growth of an enterprise and plays a valuable role in the formation of a sustainable society.

3. Basic Approach to the Selection of Accounting Standards

The ID Group is currently basing its accounting policies on consolidated financial statements prepared according to Japanese accounting standards, in light of the ability to compare periods and companies on the consolidated financial statements.

The ID Group will comply appropriately with the IFRS standards considering domestic and international conditions.

4. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2018	Consolidated accounting period under review As of March 31, 2019
Assets		
Current assets		
Cash and deposits	3,145,324	3,797,736
Notes and accounts receivable – trade	4,911,145	5,232,087
Work in process	51,743	19,288
Other	235,990	249,744
Allowance for doubtful accounts	–64	—
Total current assets	8,344,139	9,298,856
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,437,291	1,454,149
Accumulated depreciation	–641,563	–697,084
Buildings and structures (net)	795,727	757,065
Motor vehicles and transport equipment	15,553	16,349
Accumulated depreciation	–14,339	–6,668
Motor vehicles and transport equipment (net)	1,214	9,681
Machines and equipment	15,957	16,955
Accumulated depreciation	–9,960	–11,965
Machines and equipment (net)	5,996	4,990
Tools, appliances, and accessories	502,286	523,848
Accumulated depreciation	–348,280	–376,009
Tools, appliances, and accessories (net)	154,006	147,838
Land	834,180	862,196
Total property, plant and equipment	1,791,124	1,781,771
Intangible assets		
Goodwill	1,673,712	1,418,972
Software	90,443	94,212
Other	749	742
Total intangible assets	1,764,906	1,513,927
Investments and other assets		
Investment securities	1,154,677	1,367,953
Deferred tax assets	233,414	203,067
Guarantee deposits	261,052	239,832
Other	207,142	202,757
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	1,848,787	2,006,110
Total non-current assets	5,404,818	5,301,809
Total assets	13,748,957	14,600,666

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2018	Consolidated accounting period under review As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable – trade	956,721	860,919
Short-term loans payable	2,280,000	1,360,000
Current portion of long-term loans payable	—	499,600
Income taxes payable	497,043	325,600
Provision for bonuses	930,104	954,331
Provision for directors’ bonuses	20,847	22,700
Provision for loss on orders received	—	34,479
Other	1,239,280	1,236,054
Total current liabilities	5,923,997	5,293,685
Non-current liabilities		
Long-term loans payable	—	749,400
Net retirement benefit liability	46,117	29,888
Provision for directors’ retirement benefits	7,985	11,799
Other	153,605	173,664
Total non-current liabilities	207,708	964,752
Total liabilities	6,131,706	6,258,438
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,970	568,352
Retained earnings	6,374,935	6,947,709
Treasury stock	–502,870	–470,069
Total shareholders’ equity	7,033,380	7,638,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	451,852	557,514
Foreign currency translation adjustment	103,481	109,840
Remeasurements of retirement benefit plans	–1,892	1,807
Total accumulated other comprehensive income	553,441	669,162
Subscription rights to shares	11,993	10,609
Non-controlling interests	18,435	24,119
Total net assets	7,617,250	8,342,227
Total liabilities and net assets	13,748,957	14,600,666

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Net sales	23,207,461	26,515,319
Cost of sales	18,758,647	20,917,801
Gross profit	4,448,813	5,597,518
Selling, general, and administrative expenses		
Directors' compensation	156,978	172,310
Salary allowances and bonuses	1,279,185	1,542,111
Provision for bonuses	120,914	149,711
Provision for directors' bonuses	20,847	22,700
Retirement benefit expenses	85,282	43,639
Provision for directors' retirement benefits	3,205	879
Statutory welfare expenses	289,485	350,295
Land rent	168,240	173,756
Depreciation	130,052	139,535
Amortization of goodwill	74,943	254,740
Other	864,740	1,080,340
Total selling, general, and administrative expenses	3,193,874	3,930,020
Operating income	1,254,939	1,667,497
Non-operating income		
Interest income	3,948	5,052
Dividend income	19,811	38,385
Insurance proceeds and dividends	5,514	10,082
Subsidy income	14,483	10,702
Foreign exchange gains	—	13,615
Other	6,833	13,482
Total non-operating income	50,591	91,320
Non-operating expenses		
Interest expenses	7,783	15,778
Commitment line fees	18,039	18,209
Foreign exchange loss	4,731	—
Other	219	240
Total non-operating expenses	30,774	34,229
Ordinary income	1,274,756	1,724,588

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Extraordinary income		
Gain on sales of non-current assets	5	2,495
Gain on sales of investment securities	6,948	9,495
Gain on reversal of subscription rights to shares	403	115
Other	—	4
Total extraordinary income	7,357	12,111
Extraordinary losses		
Loss on sales of non-current assets	218	27
Loss on retirement of non-current assets	2,972	2,126
Loss on valuation of investment securities	142,039	—
Impairment loss	16,558	—
Office transfer loss	—	57,701
Other	7,645	—
Total extraordinary losses	169,434	59,855
Net income before income taxes	1,112,680	1,676,845
Income taxes–current	583,589	658,340
Income taxes–deferred	–104,953	–17,172
Total income taxes	478,635	641,168
Net income	634,044	1,035,676
Net income attributable to non-controlling interests	11,385	7,124
Net income attributable to owners of parent	622,659	1,028,552

(Consolidated Statement of Comprehensive Income)

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Net income	634,044	1,035,676
Other comprehensive income		
Valuation difference on available-for-sale securities	92,789	105,661
Foreign currency translation adjustment	–18,275	6,359
Remeasurements of retirement benefit plans	–1,892	3,699
Total other comprehensive income	72,620	115,721
Comprehensive income	706,665	1,151,398
(Breakdown)		
Comprehensive income attributable to owners of parent	695,783	1,144,274
Comprehensive income to non-controlling interests	10,881	7,124

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	568,829	6,173,153	−533,302	6,801,025
Changes during the period					
Dividends from surplus			−420,877		−420,877
Net income attributable to owners of parent			622,659		622,659
Acquisition of treasury stock				−1,093	−1,093
Disposition of treasury stock		−754		31,525	30,770
Change in treasury stock of parent arising from transactions with non-controlling shareholders		895			895
Net changes of items other than shareholders' equity					
Total changes during the period	—	140	201,782	30,432	232,355
Balances at the end of the period	592,344	568,970	6,374,935	−502,870	7,033,380

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	358,560	121,757	—	480,317	13,953	26,009	7,321,305
Changes during the period							
Dividends from surplus							−420,877
Net income attributable to owners of parent							622,659
Acquisition of treasury stock							−1,093
Disposition of treasury stock							30,770
Change in treasury shares of parent arising from transactions with non-controlling shareholders							895
Net changes of items other than shareholders' equity	93,292	−18,275	−1,892	73,123	−1,960	−7,573	63,589
Total changes during the period	93,292	−18,275	−1,892	73,123	−1,960	−7,573	295,945
Balances at the end of the period	451,852	103,481	−1,892	553,441	11,993	18,435	7,617,250

Consolidated accounting period under review (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	568,970	6,374,935	−502,870	7,033,380
Changes during the period					
Dividends from surplus			−455,779		−455,779
Net income attributable to owners of parent			1,028,552		1,028,552
Acquisition of treasury stock				−256	−256
Disposition of treasury stock		−618		33,056	32,438
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Net changes of items other than shareholders' equity					
Total changes during the period	−	−618	572,773	32,800	604,955
Balances at the end of the period	592,344	568,352	6,947,709	−470,069	7,638,336

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	451,852	103,481	−1,892	553,441	11,993	18,435	7,617,250
Changes during the period							
Dividends from surplus							−455,779
Net income attributable to owners of parent							1,028,552
Acquisition of treasury stock							−256
Disposition of treasury stock							32,438
Change in treasury shares of parent arising from transactions with non-controlling shareholders							
Net changes of items other than shareholders' equity	105,661	6,359	3,699	115,721	−1,383	5,684	120,021
Total changes during the period	105,661	6,359	3,699	115,721	−1,383	5,684	724,977
Balances at the end of the period	557,514	109,840	1,807	669,162	10,609	24,119	8,342,227

(4) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Net income before income taxes	1,112,680	1,676,845
Depreciation	205,755	179,194
Impairment loss	16,558	—
Amortization of goodwill	74,943	254,740
Loss on retirement of non-current assets	2,972	2,126
Loss (gain) on sales of non-current assets	213	–2,468
Loss (gain) on valuation of investment securities	142,039	—
Loss (gain) on sales of investment securities	–6,948	–9,495
Increase (decrease) in allowance for doubtful accounts	–55,415	–2,279
Increase (decrease) in provision for bonuses	256,436	24,822
Increase (decrease) in provision for directors' bonuses	5,682	2,579
Increase (decrease) in provision for loss on orders received	–31,625	34,479
Increase (decrease) in net retirement benefit assets (liabilities)	29,385	–10,943
Increase (decrease) in provision for directors' retirement benefits	3,205	3,813
Interest income and dividend income	–23,759	–43,437
Interest expenses	7,783	15,778
Foreign exchange losses (gains)	4,731	67
Decrease (increase) in notes and accounts receivable–trade	–537,921	–313,235
Decrease (increase) in inventories	–97	31,720
Increase (decrease) in notes and accounts payable–trade	343,746	13,405
Increase (decrease) in accrued consumption tax, etc.	144,769	–102,922
Decrease (increase) of other current assets	–63,979	–46,331
Increase (decrease) in other current liabilities	60,826	–24,960
Decrease (increase) in other non-current assets	–20,049	3,535
Increase (decrease) in other non-current liabilities	894	9,119
Other	31,329	94,348
Subtotal	1,704,156	1,790,501
Interest and dividend income received	24,216	42,434
Interest expenses paid	–7,777	–15,778
Corporation tax, etc. paid	–482,753	–812,618
Net cash provided by (used in) operating activities	1,237,842	1,004,538
Cash flows from investment activities		
Payments into time deposits	–53,135	–94,624
Proceeds from withdrawal of time deposits	—	10,000
Purchase of property, plant and equipment	–73,208	–125,708
Proceeds from sales of property, plant and equipment	49,792	3,286
Purchase of intangible assets	–24,026	–38,676
Purchase of investment securities	–96,068	–65,405
Proceeds from sales of investment securities	59,229	14,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–1,983,626	—
Payments of loans receivable	–2,152	—
Collection of loans receivable	3,320	517
Other	–9,429	–39,562
Net cash provided by (used in) investing activities	–2,129,304	–336,173

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,900,000	–920,000
Proceeds from long-term loans payable	―	1,500,000
Repayment of long-term loans payable	―	–251,000
Purchase of treasury stock	–1,093	–256
Proceeds from sales of treasury stock	7,391	―
Purchase of treasury stock of subsidiaries	–19,866	―
Proceeds from disposal of treasury stock of subsidiaries	3,311	―
Cash dividends paid	–420,288	–454,704
Cash dividends paid to non-controlling interests	–1,005	–1,440
Other	–4,207	1,235
Net cash provided by (used in) financing activities	1,464,242	–126,165
Effect of exchange rate changes on cash and cash equivalents	–19,484	3,127
Net increase (decrease) in cash and cash equivalents	553,295	545,327
Cash and cash equivalents at beginning of period	2,391,228	2,944,523
Cash and cash equivalents at end of period	2,944,523	3,489,851

(5) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

(Changes in Accounting Policies)

None.

(Changes in Method of Representation)

(Changes related to the application of the Partial Revision of the Accounting Standards for Tax-effect Accounting)

The Group applies the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) as of the beginning of the current consolidated fiscal year. As such, the method of representation of deferred tax assets and liabilities is changed. With the change, deferred tax assets are listed under “Investments and other assets,” while deferred tax liabilities are listed under “Non-current liabilities.”

As a result of this change, on the consolidated balance sheet for the previous consolidated fiscal year, “Deferred tax assets” of ¥383,498,000 from “Current assets” and “Deferred tax liabilities” of ¥168,081,000 from “Non-current assets” are both included in “Deferred tax assets” of ¥233,414,000 under “Investments and other assets.”

(Additional Information)

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The Company introduced two performance pay plans: a “board benefit trust (BBT) plan” for Company directors and executive officers (“Directors, etc.”), and a “Japanese employee stock ownership plan (J-ESOP)” for Company employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(1) How the Plans Work

The Board of Directors Meeting held on April 30, 2015 approved the BBT for Directors, etc. as a way to provide directors' compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the Company, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the Company. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the Company awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit Rules previously established by the Company.

The Company awards points to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through a previously established trust, and those shares are segregated and managed as trust property.

(2) Notes on the Company shares held in trust

Shares in the Company held by BBT and J-ESOP at the end of the consolidated fiscal period under review are listed in the consolidated balance sheet under “Net Assets” as “Treasury stock.” The book value of these shares was ¥191,437,000 at the end of the previous consolidated fiscal period and was ¥166,289,000 at the end of the consolidated fiscal period under review. The number of shares was 394,869 at the end of the previous consolidated fiscal period and was 327,977 at the end of the consolidated fiscal period under review.

(Segment Information, etc.)

a. Segment Information

1. Summary of Reporting Segments

The reporting segments provide separate financial information from the units that make up the ID Group. The board of directors routinely examines that information to decide how to distribute management resources and assess business results.

The ID Group has established a business division for each service. Each of the business divisions devises comprehensive domestic and overseas strategies and carries out business activities regarding the services.

Accordingly, the ID Group has two main reporting segments—system operation management and software development—made up of segments for individual services that form the foundation of the business divisions.

System operation management involves the management, administration, and operation of information processing systems. Software development involves accepting requests to develop software and stationing IT technicians at client offices to develop software.

2. Method for Determining the Net Sales, Profits or Losses, Assets, Liabilities, and Other Accounting Items by Reporting Segment

The accounting treatment of the reporting business segments is the same as described in the Key Items Forming the Basis for Preparation of the Consolidated Financial Statements.

Reporting segment profits are based on operating income, and internal net sales and internal transfer volumes, etc. between segments are based on market prices.

3. Information regarding Each Reporting Segment's Net Sales, Profits or Losses, Assets, Liabilities, and Other Account Items

Previous consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Reporting segment			Others (Note 1)	Total	Adjustments (Notes 2, 3)	Amounts recorded in consolidated financial statements (Note 4)
	System operation management	Software development	Total				
Net sales							
Net sales to external clients	13,589,583	8,499,229	22,088,812	1,118,648	23,207,461	—	23,207,461
Internal net sales and transfer volumes between segments	38,578	8,714	47,293	99,264	146,557	–146,557	—
Total	13,628,162	8,507,944	22,136,106	1,217,913	23,354,019	–146,557	23,207,461
Segment profit	2,046,202	1,233,346	3,279,548	69,430	3,348,979	–2,094,039	1,254,939
Segment assets	4,271,538	2,131,322	6,402,861	440,590	6,843,451	6,905,505	13,748,957
Other accounting items							
Depreciation	10,185	29,069	39,255	18,731	57,986	142,063	200,050
Increase in property, plant, and equipment and intangible assets	4,319	28,291	32,611	4,087	36,699	42,794	79,494

Consolidated accounting period under review (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	Reporting segment			Others (Note 1)	Total	Adjustments (Notes 2, 3)	Amounts recorded in consolidated financial statements (Note 4)
	System operation management	Software development	Total				
Net sales							
Net sales to external clients	16,108,744	9,282,569	25,391,314	1,124,005	26,515,319	—	26,515,319
Internal net sales and transfer volumes between segments	48,929	11,300	60,229	81,838	142,067	–142,067	—
Total	16,157,673	9,293,870	25,451,543	1,205,844	26,657,387	–142,067	26,515,319
Segment profits	2,375,492	1,662,632	4,038,124	86,689	4,124,813	–2,457,316	1,667,497
Segment assets	3,814,132	2,592,736	6,406,869	459,984	6,866,853	7,733,812	14,600,666
Other accounting items							
Depreciation	26,953	24,743	51,696	14,777	66,474	112,719	179,194
Increase in property, plant, and equipment and intangible assets	14,088	15,936	30,024	6,585	36,610	95,046	131,656

Notes 1. The "Others" category represents business segments that are not included in the reporting segments, but it does include data entry, security, consulting, and other businesses.

2. The details of the adjustments are stated below.

(Thousands of ¥)

Segment profit	Previous consolidated accounting period	Consolidated accounting period under review
Elimination of intra-segment transactions	–100,826	–71,862
Company expenses*	–1,993,213	–2,385,453
Total	–2,094,039	–2,457,316

*"Company expenses" are mainly general management expenses that are not included in the reporting segments.

(Thousands of ¥)

Segment assets	Previous consolidated accounting period	Consolidated accounting period under review
Company assets*	6,905,505	7,733,812
Total	6,905,505	7,733,812

*"Company assets" are surplus working capital, long-term investment funds, and other assets that are not included in the reporting segments.

3. The adjustments to depreciation under the other accounting items represent depreciation of company expenses. In addition, the adjustments to increases of property, plant and equipment and intangible assets are equipment and other investments that are not included in the reporting segments.
4. Segment profits or losses are adjusted together with the operating income stated in the consolidated financial statements.
5. The Group applies the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) as of the beginning of the current consolidated fiscal year.

Comparisons with the previous consolidated fiscal year use figures as of the end of the previous consolidated fiscal year with the partial revision applied retroactively.

[Related Information]

Previous consolidated accounting period (April 1, 2017 to March 31, 2018)

1. Information by Product and Service

Omitted. The same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

Client designation or name	Net sales	Related segment name
MHTS Co., Ltd.	3,248,569	System operation management, software development, others
IBM Japan, Ltd.	2,917,957	System operation management, software development

Consolidated accounting period (April 1, 2018 to March 31, 2019)

1. Information by Product and Service

Omitted. The same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

Client designation or name	Net sales	Related segment name
IBM Japan, Ltd.	3,014,080	System operation management, software development
MHTS Co., Ltd.	3,005,853	System operation management, software development, others

[Information on Non-current Asset Impairment Losses by Reporting Segment]

Previous consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Impairment loss	－	－	16,558	－	16,558

Consolidated accounting period (April 1, 2018 to March 31, 2019)

None.

[Information on Depreciated Amount of Goodwill and Balance of Undepreciated Balance for Each Reporting Segment]

Previous consolidated accounting period (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Depreciation for the period	60,632	12,209	2,100	－	74,943
Balances at the end of the period	1,637,083	36,629	－	－	1,673,712

Consolidated accounting period (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	System operation management	Software development	Others	Company, eliminations	Total
Depreciation for the period	242,530	12,209	－	－	254,740
Balances at the end of the period	1,394,552	24,419	－	－	1,418,972

[Information on Gain on Bargain Purchase by Reporting Segment]

None.

(Per-Share Information)

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Book value per share	¥689.74	¥749.58
Net income per share	¥56.84	¥93.15
Diluted net income per share	¥56.19	¥92.21

Notes: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were treasury stock at the end of the period for calculating the book value per share, and is included in the treasury stock to be deducted in the calculation of the interim average number of shares for calculating the net income per share and the diluted net income per share.

The trust account held 394,869 shares at the end of the previous consolidated accounting period, and 327,977 shares at the end of the current consolidated accounting period. The interim average number of shares was 426,994 shares in the previous consolidated accounting period, and 360,224 shares for the current consolidated accounting period.

2. The basis for calculating the net income per share and the diluted net income per share is stated below.

	Previous consolidated accounting period (April 1, 2017 to December 31, 2018)	Consolidated accounting period under review (April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to owners of parent	¥622,659,000	¥1,028,552,000
Amounts not attributable to common shareholders	—	—
Net income attributable to owners of parent regarding common stock	¥622,659,000	¥1,028,552,000
Interim average number of shares	Common stock: 10,953,961 shares	Common stock: 11,042,191 shares
Diluted net income per share		
Adjusted net income attributable to owners of parent	—	—
Increase in common stock	127,642 shares	112,066 shares
(portion of these shares that are stock options deriving from the subscription-rights-to-shares method)	(127,642 shares)	(112,066 shares)
Summary of residual securities excluded from the calculation of the diluted net income per share because there was no dilutive effect	—	—

Note: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were interim average treasury stock for calculating the net income per share and the diluted net income per share.

(Material Subsequent Events)

(Transition to Holding Company Structure by Company Split)

At the October 31, 2018 meeting of the Board of Directors, the Group decided to implement an incorporation-type company split (“the Company Split”) to establish a new company, Information Development Co., Ltd. (“the New Company”). As of the same date, the Directors further decided to change the trade name of the Company (the existing company) to ID Holdings Corporation (“ID Holdings”) and to revise the Articles of Incorporation to reflect the new purpose of the business of ID Holdings after the transition. The transition to a holding-company structure and partial revision of the Articles of Incorporation were approved by an Extraordinary General Meeting of Shareholders on January 24, 2019 and the transition to a holding-company structure was executed on April 1, 2019.

I. Transition to Holding Company Structure by Company Split

1. Background and Purpose of Transition to Holding Company Structure

The environment enfolding the IT service industry is changing quicker than ever before. Customer needs are becoming increasingly sophisticated, while the pace of technological innovation accelerates.

Amid this business environment, fast and accurate decision-making and execution are indispensable to ensure the future growth of the ID Group and the continuing expansion of its enterprise value. Through the upcoming transition to a holding-company structure, the Company aims to separate clearly its management and executive functions, creating a more dynamic and efficient Group management framework. In so doing the Company expects to achieve further enhancement of Group enterprise value.

In moving to a holding-company structure and implementing an incorporation-type company split, the Company will transfer all of its operations in system operation management, software development and other operations to the New Company, separating these businesses and passing them on to the New Company. As a result, the Company will serve as the holding company for all subsidiaries, handling Group strategy functions and management functions for each operating company, and will maintain its listing on the Tokyo Stock Exchange.

2. Overview of the Company Split

(1) Schedule of the Company Split

Meeting of Board of Directors to approve the incorporation-type company split plan	October 31, 2018
Publication of record date for Extraordinary General Meeting of Shareholders	November 1, 2018
Record date of Extraordinary General Meeting of Shareholders	November 30, 2018
Approval of the incorporation-type company split plan by the Extraordinary General Meeting of Shareholders	January 24, 2019
Effective date of the incorporation-type company split	April 1, 2019

(2) Method of the Company Split

The Company was split to create the newly established company, Information Development Co., Ltd., as the operating successor to the Company, through an incorporation-type company split.

As of April 1, 2019 (scheduled), the Company transitioned to a holding-company structure, changing its trade name to ID Holdings Corporation.

(3) Allotment of shares resulting from the Company Split

All 1,000 common shares issued by the New Company as a result of the Company Split will be allotted to the Company.

(4) Handling of the Company's subscription rights to shares and bonds with subscription rights to shares

The Company Split entails no change to the handling of subscription rights to shares issued by the Company.

The Company does not issue bonds with subscription rights to shares, so this item is of no concern.

(5) Increase/decrease in capital stock arising from the Company Split

The Company Split entails no increase or decrease in the Company's capital stock.

(6) Rights and duties inherited by the successor company (the New Company)

Except as otherwise specified in the incorporation-type company split plan, the New Company inherits the assets, liabilities and other rights and duties of the Company operations subject to the Company Split, except such rights and duties that are difficult or impossible to pass on to the New Company by their nature.

The Company and the New Company shall determine the obligations inherited by the New Company by cumulative taking of obligation.

(7) Anticipation of fulfillment of obligations

The Company and the New Company expect the amount of assets to continue to exceed the amount of liabilities after the Company Split. At this time the Company and the New Company do not anticipate any circumstances that may obstruct the execution of their due obligations. As such, the Company and the New Company judge that no problems exist with respect to the execution of their due obligations after the Company Split.

3. Overview of the Companies after the Company Split

(1) Overview of each company

	The split company (the Company) (as of March 31, 2019)	The New Company (established April 1, 2019)
(1) Name	INFORMATION DEVELOPMENT CO., LTD. (Trade name was changed to ID Holdings Corporation as of April 1, 2019.)	INFORMATION DEVELOPMENT CO., LTD.
(2) Location	12-1 Goban-cho, Chiyoda-ku, Tokyo	12-1 Goban-cho, Chiyoda-ku, Tokyo
(3) Name and position of representative director	Masaki Funakoshi, President and Representative Director	Masaki Funakoshi, Chairman and Representative Director Toshio Yamakawa, President and Representative Director
(4) Details of operations	System operation management, software development, other	System operation management, software development, other
(5) Date of establishment	October 20, 1969	April 1, 2019
(6) Amount of capital stock	¥592,344,000	¥400,000,000
(7) Number of shares issued	12,044,302 shares	1,000 shares
(8) Settlement date	March 31	March 31
(9) Major shareholders and their holdings as share of total	A.K.Corporation 10.91% MHTS Co., Ltd. 8.97% ID Employee Ownership Account 6.41% Japan Trustee Services Bank, Ltd. (Trust Account) 4.57% The Master Trust Bank of Japan, Ltd. (Trust Account) 3.79% Mizuho Trust & Banking Co., Ltd. 3.70% Trust & Custody Services Bank, Ltd. (Trust Account E) 2.87% Fukuda Trading Inc. 2.62% TDC Soft Inc. 2.48% Akemi Funakoshi 1.73%	INFORMATION DEVELOPMENT CO., LTD. 100% (changed its trade name to ID Holdings Corporation as of April 1, 2019)

Note: The Company holds 633,000 shares of treasury stock, which is excluded from the stock of the 10 persons listed above.
The shareholding ratios listed above are calculated with this treasury stock excluded.

(2) Business results for the split company (the Company) in recent accounting periods (consolidated)

	FY2016 (Fiscal year ended March 31, 2017)	FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)
Net assets (thousands of yen)	7,321,305	7,617,250	8,342,227
Total assets (thousands of yen)	10,403,277	13,748,957	14,600,666
Book value per share (yen)	666.68	689.74	749.58
Net sales (thousands of yen)	21,554,874	23,207,461	26,515,319
Operating income (thousands of yen)	1,105,815	1,254,939	1,667,497
Ordinary income (thousands of yen)	1,133,245	1,274,756	1,724,588
Net income attributable to owners of parent (thousands of yen)	654,340	622,659	1,028,552
Net income per share (yen)	60.13	56.84	93,15

Note: The Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) has been applied from the start of FY2018. The figures in the consolidated business results for the most recent accounting period of the split company reflect retroactive application of the new standards.

4. Overview of Split Business Segments

(1) Details of operations of split business segments

All operations currently conducted by the Company

(2) FY2018 management results of the split business segments

	Management results of the split business segments (a)	Business results of the split company (the Company) (b)	Ratio (a/b)
Net sales	¥22,144,000,000	¥22,144,000,000	100.0%

(3) Items and amounts of inherited assets and liabilities

Some of the assets and liabilities of all operations managed by the Company are inherited by the New Company.

Assets		Liabilities	
Asset category	Book value (millions of yen)	Asset category	Book value (millions of yen)
Current assets	6,438	Current liabilities	3,837
Non-current assets	1,337	Non-current liabilities	6
Total	7,775	Total	3,844

5. Status after the Company Split

	The split company (the Company)	The New Company
(1) Name	ID Holdings Corporation	INFORMATION DEVELOPMENT CO., LTD.
(2) Location	12-1 Goban-cho, Chiyoda-ku, Tokyo	12-1 Goban-cho, Chiyoda-ku, Tokyo
(3) Name and position of representative director	Masaki Funakoshi, President and Representative Director	Masaki Funakoshi, Chairman and Representative Director Toshio Yamakawa, President and Representative Director
(4) Details of operations	Planning and management of Group operations, management of subsidiaries, etc., through ownership of shares	System operation management, software development, other
(5) Capital stock	¥592,344,000	¥400,000,000
(6) Settlement date	March 31	March 31

6. Forecast

Although the New Company inherits the businesses of the Company as a result of the Company Split, the New Company is a wholly owned subsidiary of the Company, so the Company Split has no direct impact on the consolidated business results.

7. Overview of Accounting Treatment

Transactions were treated as transactions under common control based on the Accounting Standard for Business Combination (Enterprise Accounting Standard No. 21, September 13, 2013), the Accounting Standard for Business Divestitures (Enterprise Accounting Standard No. 7, September 13, 2013) and the Application Guideline for the Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (Application Guideline for Enterprise Accounting Standards No. 10, September 13, 2013).

5. Unconsolidated Financial Statements and Important Notes

(1) Balance Sheet

(Thousands of ¥)

	Previous fiscal year As of March 31, 2018	Current fiscal year As of March 31, 2019
Assets		
Current assets		
Cash and deposits	1,911,155	2,198,817
Accounts receivable – trade	4,223,861	4,565,063
Work in process	43,378	15,962
Supplies	1,897	1,608
Advance payments	90	134
Prepaid expenses	180,237	169,303
Other	13,229	28,737
Allowance for doubtful accounts	–64	—
Total current assets	6,373,784	6,979,628
Non-current assets		
Property, plant and equipment		
Buildings	1,239,873	1,262,584
Accumulated depreciation	–591,539	–636,763
Buildings (net)	648,334	625,820
Structures	30,806	31,674
Accumulated depreciation	–20,611	–22,116
Structures (net)	10,195	9,558
Motor vehicles and transport equipment	15,324	16,120
Accumulated depreciation	–14,110	–6,438
Motor vehicles and transport equipment (net)	1,214	9,681
Tools, appliances, and accessories	448,125	466,095
Accumulated depreciation	–308,943	–331,432
Tools, appliances, and accessories (net)	139,181	134,663
Land	834,180	862,196
Total property, plant and equipment	1,633,105	1,641,920
Intangible assets		
Goodwill	36,629	24,419
Software	84,869	88,742
Other	741	734
Total intangible assets	122,241	113,896
Investments and other assets		
Investment securities	1,154,677	1,367,953
Affiliate shares	3,334,673	3,334,673
Capital investments	100	100
Long-term loans	2,487	2,192
Long-term prepaid expenses	28,795	3,094
Deferred tax assets	154,427	121,287
Guarantee deposits	211,262	232,095
Facilities use memberships	38,469	41,099
Other	135,081	150,480
Allowance for doubtful accounts	–7,500	–7,500
Allowance for investment loss	–196,512	–196,512
Total investments and other assets	4,855,962	5,048,962
Total non-current assets	6,611,309	6,804,779
Total assets	12,985,094	13,784,407

(Thousands of ¥)

	Previous fiscal year As of March 31, 2018	Current fiscal year As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable – trade	899,381	929,478
Short-term loans payable	2,280,000	1,360,000
Current portion of long-term loans payable	—	499,600
Lease obligations	4,207	4,980
Accounts payable – other	121,921	180,809
Accrued expenses	432,265	435,299
Income taxes payable	388,506	268,361
Accrued consumption tax, etc.	317,350	228,249
Advances received	810	1,150
Deposits	56,891	56,209
Provision for bonuses	784,469	789,354
Provision for directors’ bonuses	16,347	20,700
Provision for loss on orders received	—	34,479
Other	18,926	20,870
Total current liabilities	5,321,077	4,829,543
Non-current liabilities		
Long-term loans payable	—	749,400
Lease obligations	8,644	6,950
Long-term accounts payable – other	144,393	165,750
Total non-current liabilities	153,038	922,100
Total liabilities	5,474,116	5,751,643
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus		
Capital reserve	543,293	543,293
Other capital surplus	27,495	26,876
Total capital surplus	570,788	570,170
Retained earnings		
Legal retained earnings	43,687	43,687
Other retained earnings		
Voluntary reserve	4,210,000	4,210,000
Special depreciation reserve	1,011	505
Retained earnings brought forward	2,132,030	2,517,861
Total retained earnings	6,386,730	6,772,055
Treasury stock	–502,870	–470,069
Total shareholders’ equity	7,046,992	7,464,500
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	451,991	557,653
Total valuation and translation adjustments	451,991	557,653
Subscription rights to shares	11,993	10,609
Total net assets	7,510,978	8,032,763
Total liabilities and net assets	12,985,094	13,784,407

(2) Statement of Income

(Thousands of ¥)

	Previous fiscal year (April 1, 2017 to December 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Net sales		
Net sales from information services	20,901,930	21,584,676
Product net sales	628,689	552,394
Other net sales	6,851	7,022
Total net sales	21,537,471	22,144,093
Cost of sales		
Cost of sales for information services	16,910,023	17,063,629
Product cost of sales	570,654	502,365
Total cost of sales	17,480,678	17,565,994
Gross profit	4,056,793	4,578,098
Selling, general, and administrative expenses		
Directors’ compensation	148,638	153,135
Salaries and allowances	1,040,152	1,182,292
Bonuses	87,567	137,424
Provision for bonuses	114,256	137,705
Provision for directors’ bonuses	16,347	20,700
Retirement benefit expenses	85,137	44,492
Statutory welfare expenses	258,537	305,774
Entertainment expenses	71,374	76,704
Education and training expenses	63,858	56,161
Land rent	126,134	130,654
Outsourcing expenses	200,733	241,805
Depreciation	122,886	114,552
Amortization of goodwill	9,157	12,209
Other	587,795	758,070
Total selling, general, and administrative expenses	2,932,577	3,371,683
Operating income	1,124,216	1,206,415
Non-operating income		
Interest income	222	381
Interest from securities	2,805	1,708
Dividend income	25,828	56,745
Insurance proceeds and dividends	5,131	9,861
Subsidy income	—	2,400
Foreign exchange gains	4,982	2,114
Other	6,988	8,714
Total non-operating income	45,959	81,925
Non-operating expenses		
Interest expenses	7,783	15,776
Commitment line fees	18,039	18,209
Other	2	18
Total non-operating expenses	25,825	34,004
Ordinary income	1,144,350	1,254,335

(Thousands of ¥)

	Previous fiscal year (April 1, 2017 to December 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Extraordinary income		
Gain on sales of investment securities	–	9,495
Gain on sales of non-current assets	5	2,495
Gain on reversal of subscription rights to shares	403	115
Other	–	4
Total extraordinary income	409	12,111
Extraordinary losses		
Loss on sales of non-current assets	29	–
Loss on retirement of non-current assets	–	695
Loss on valuation of investment securities	95,797	–
Loss on valuation of shares of subsidiaries	25,524	–
Provision of allowance for investment loss	196,512	–
Loss on extinguishment of tie-in shares	25,283	–
Total extraordinary losses	343,148	695
Net income before income tax	801,611	1,265,752
Income taxes–current	463,202	438,096
Income taxes–deferred	–74,480	–13,448
Total income taxes	388,721	424,647
Net income	412,889	841,104

(3) Statement of Changes in Shareholders' Equity

Previous fiscal year (April 1, 2017 to March 31, 2018)

(Thousands of ¥)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	Total retained earnings
Balances at the beginning of the period	592,344	543,293	28,249	571,543	43,687	4,210,000	1,526	2,139,503	6,394,717
Changes during the period									
Draw-down of special depreciation reserve							–514	514	—
Dividends from surplus								–420,877	–420,877
Net income								412,889	412,889
Acquisition of treasury stock									
Disposition of treasury stock			–754	–754					
Net changes of items other than shareholders' equity									
Total changes during the period	—	—	–754	–754	—	—	–514	–7,472	–7,987
Balances at the end of the period	592,344	543,293	27,495	570,788	43,687	4,210,000	1,011	2,132,030	6,386,730

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balances at the beginning of the period	–533,302	7,025,302	355,634	355,634	13,953	7,394,890
Changes during the period						
Draw-down of special depreciation reserve		—				—
Dividends from surplus		–420,877				–420,877
Net income		412,889				412,889
Acquisition of treasury stock	–1,093	–1,093				–1,093
Disposition of treasury stock	31,525	30,770				30,770
Net changes of items other than shareholders' equity			96,357	96,357	–1,960	94,397
Total changes during the period	30,432	21,690	96,357	96,357	–1,960	116,087
Balances at the end of the period	–502,870	7,046,992	451,991	451,991	11,993	7,510,978

Current fiscal year (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital reserve	Other capital surpluses	Total capital surplus	Legal retained earnings	Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	Total retained earnings
Balances at the beginning of the period	592,344	543,293	27,495	570,788	43,687	4,210,000	1,011	2,132,030	6,386,730
Changes during the period									
Draw-down of special depreciation reserve							–505	505	–
Dividends from surplus								–455,779	–455,779
Net income								841,104	841,104
Acquisition of treasury stock									
Disposition of treasury stock			–618	–618					
Net changes of items other than shareholders' equity									
Total changes during the period	–	–	–618	–618	–	–	–505	385,830	385,325
Balances at the end of the period	592,344	543,293	26,876	570,170	43,687	4,210,000	505	2,517,861	6,772,055

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balances at the beginning of the period	–502,870	7,046,992	451,991	451,991	11,993	7,510,978
Changes during the period						
Draw-down of special depreciation reserve		–				–
Dividends from surplus		–455,779				–455,779
Net income		841,104				841,104
Acquisition of treasury stock	–256	–256				–256
Disposition of treasury stock	33,056	32,438				32,438
Net changes of items other than shareholders' equity			105,661	105,661	–1,383	104,278
Total changes during the period	32,800	417,507	105,661	105,661	–1,383	521,785
Balances at the end of the period	–470,069	7,464,500	557,653	557,653	10,609	8,032,763

(4) Notes on Unconsolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.