



April 1, 2018 - March 31, 2019

President and Representative Director
Masaki Funakoshi

TSE 1st section
Code

4709

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New Topics

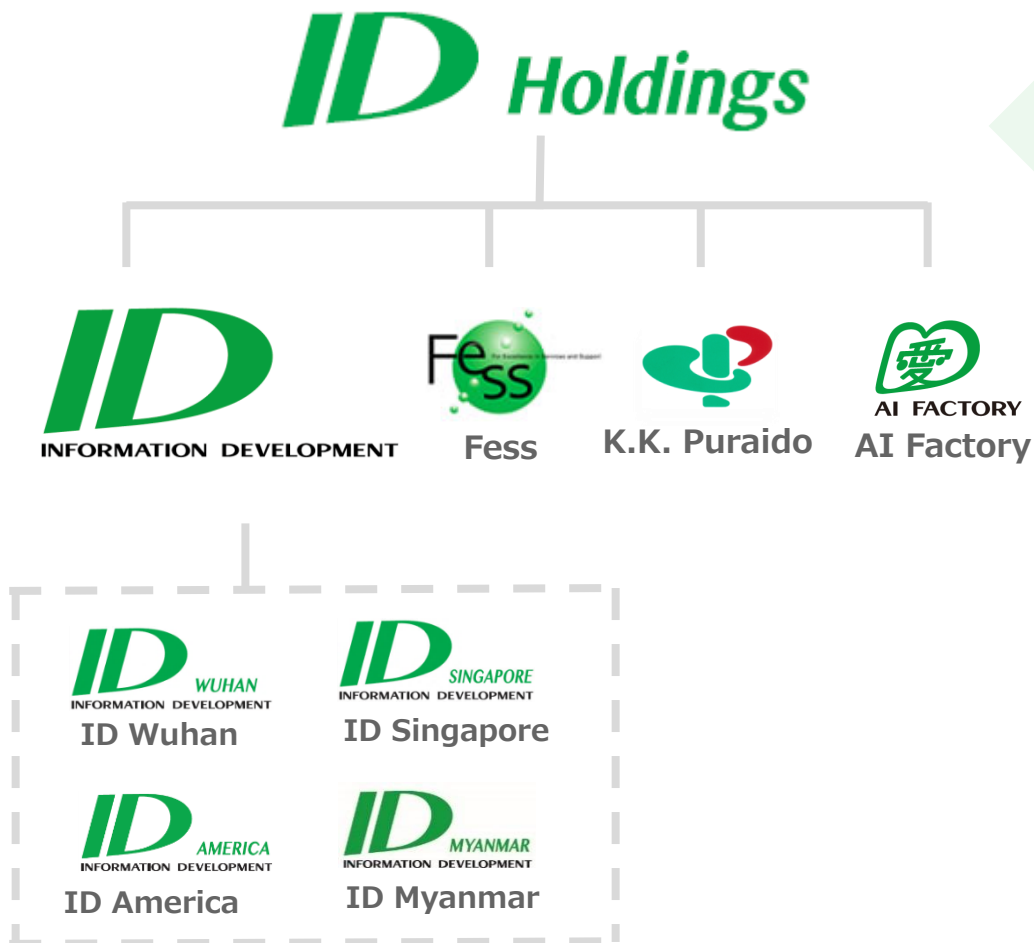
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FY2018 Performance Overview

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Next 50 Episode I: Awakening!

To achieve further sustainable growth and maximize Group-wide corporate value, the ID Group is building a new management structure that separates **Group Management** from **Business Execution**.



1. Group growth strategy

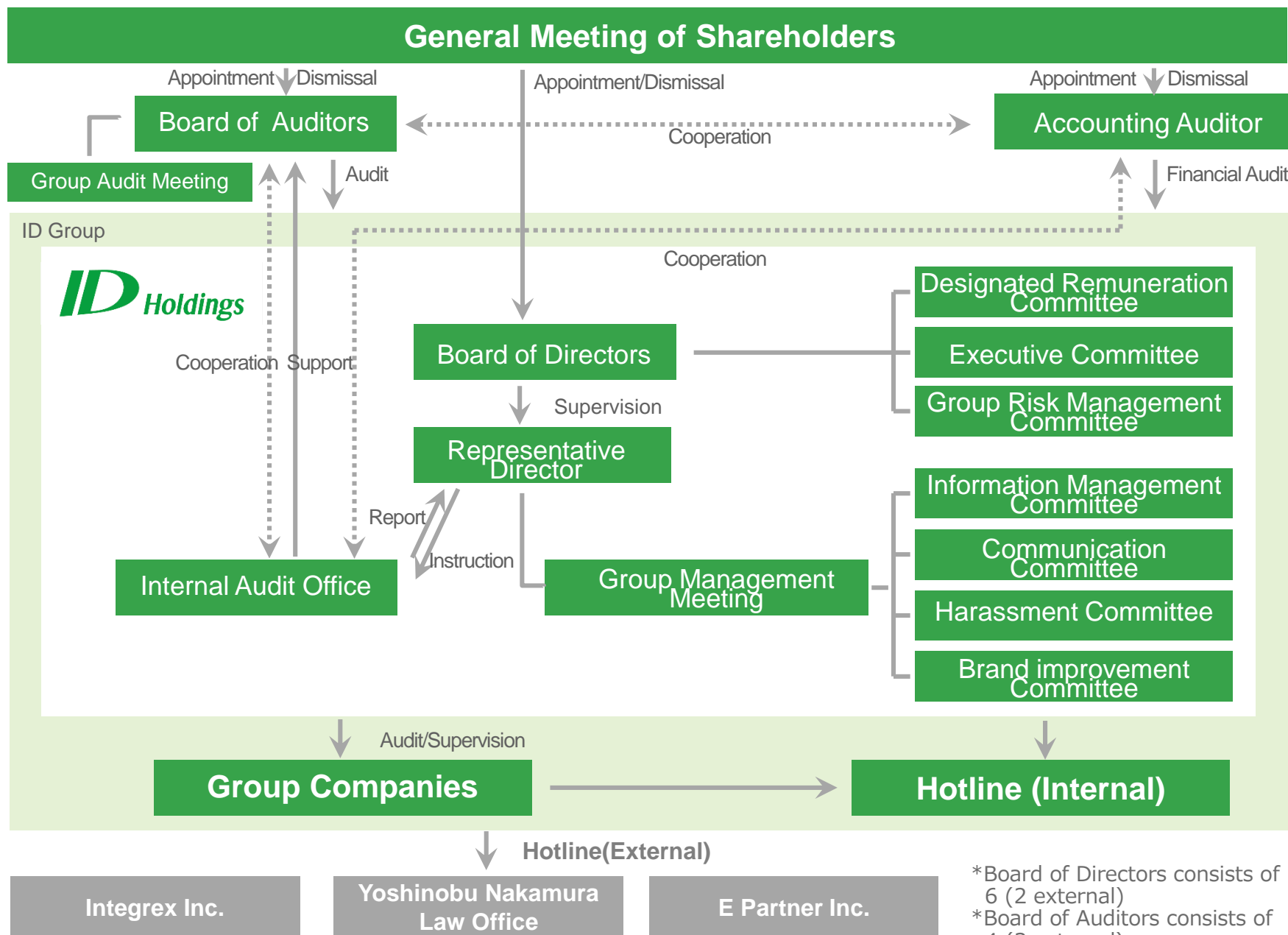
With a view to overall optimization, the Group will optimize management resources and invest in growth markets, including through acquisitions.

2. Speedy decision-making

Formulating operating strategy and executive authority are delegated to operating companies, enabling faster, more customer-focused decision-making.

3. Training the next generation managers

The next generation managers can be developed by delegating authority to the operating company.



*Board of Directors consists of 6 (2 external)
 *Board of Auditors consists of 4 (3 external)

As an information service company that supports social infrastructure, we will continuously work on various issues of **Environmental, Social, and Governance**.



AI FACTORY CO., LTD. --The special subsidiary

AI Factory Co., Ltd. was established in 2014 as an ID Group company with the goal of promoting the employment of people with disabilities.

AI Factory grows leafy vegetables and was certified as a special subsidiary in 2016.

Social Contribution through Sponsorship and Support



Official partner of the SAILING Team JAPAN operated by the Japan Sailing Federation



Sponsorship of Venture Café Tokyo, a community for promoting innovation



Support for mine clearance activities

Support for Education, Artistic Activities, and Cultural Activities

ID Group supports the activities of Tsuruga Wakasonojo XI, a master of Shinnai Joruri narrative song, who is designated as an Important Intangible Cultural Property (Living National Treasure), as well as the activities of the Spain Guitar Association of Japan.

10 Concerts sponsored in FY2018

Sponsor the scholarship at the Huazhong University of Science and Technology

Manage the fund for Japanese language classes at the Hubei University of Economics

Sponsor the Japanese language scholarship system at Jiangnan University

Accepting international students into our student dormitory

Research grants for cultivating the next generation

support the research of the clinical psychologist Keiko Iwamiya, Professor of Shimane University.



- May**
 - 8th** Trust setup of common shares by major shareholders and changes in major shareholders (planned)
 - 8th** Results of evaluation of effectiveness of the Board of Directors
- Apr.**
 - 22nd** Participation in the Consortium of Non-smoking Promoting Companies
 - 1st** Notice of completion of shift to a holding-company structure through company split
- Mar.**
 - 18th** Revision of Basic Policy on Overhaul of Internal Control Systems
 - 1st** Launch of Operations of the Tokyo Branch of Myanmar Subsidiary
- Feb.**
 - 15th** Notice of reorganization and personnel matters related to the shift to a holding-company structure
- Jan.**
 - 24th** Approval and adoption of agenda items raised at the Extraordinary General Meeting of Shareholders regarding the incorporation-type company split plan and partial revision of the Articles of Incorporation, related to the shift to a holding-company structure

- Dec.**
 - 28th** Interview of Funakoshi was published on the Shareholders' Handbook Vol.Jan.2019, a magazine specializing in stock investment.
 - 11th** Classic concert was hosted as a part of Mécénat
 - 7th** Sponsor of The Little Singers of Paris Concert

- Nov.**
 - 29th** Investment in venture capital 「GoAhead Ventures II.L.P.」
 - 16th** Certified as the Companies with Greatest Improvement in IR by Japan Investor Relations Association
 - 8th** Managed security service for Seceon OTM launched
 - 1st** Sponsor of ASOCIO Digital Masters Summit 2018

- Oct.**
 - 31st** Notice of transition to holding-company structure by means of incorporation-type company split, partial revision of articles of incorporation and setting of record date for convocation of extraordinary general meeting of shareholders
 - 31st** RPA Business Reform Service launched
 - 26th** Revision of consolidated financial results forecast (upward) of FY2018
 - 5th** Joining of the Hague Security Delta, the Kingdom of the Netherlands, as the first Japanese company

- Sep.**
 - 26th** Beach clean volunteer activities
 - 18th** Investment in venture capital [ff Graphite (v), L.P.]

- Aug.**
 - 31st** Memorandum of agreement concerning agile development with Irish ActionPoint Technology Group
 - 31st** Started collaboration with Keio University in the field of cybersecurity

- Jul.**
 - 26th** Certified as gender equality promoting and female workforce promoting company
 - 23rd** Certified as AWS partner
 - 11th** Classic concert was hosted as a part of patronage of arts

- Jun.**
 - 25th** Award from the Chinese government for ID' s overseas subsidiary
 - 14th** Delay of transition to holding company structure, removal of this item from the agenda of shareholders meeting and reduction in directors' remuneration

- Apr.**
 - 24th** Support the environment development project of Mt. Daisen 1300 Years of History festival
 - 16th** Awarded *The Fifth IR Good Visual Award*
 - 3rd** Collaboration agreement with Indica Holding B.V. in the Netherlands

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Next 50 Episode I: Awakening!

Reaching an all-time high

- **Net Sales** Continuous growth for 7 fiscal years **+14.3%YoY**
- **Operating Income** Continuous growth for 6 fiscal years **+32.9%YoY**
- **Ordinary Income** Continuous growth for 3 fiscal years **+35.3%YoY**
- **Net income attributable to owners of parent** **+65.2%YoY**

Net Sales

System Operation Management ¥16,108 million (+18.5% yoy)

- ⊕ The contribution of Fess Co., Ltd.
- ⊕ Sales in public-sector-related platform development operations increased
- ⊖ Sales in finance-related platform development operations decreased
- ⊖ Sales in finance-related system operations and management business decreased

Software Development ¥9,282 million (+9.2% yoy)

- ⊕ Sales increased on account of augmented orders in public-sector-related projects
- ⊖ Sales decreased in finance-related and transport-related projects

Other ¥1,124 million (+0.5% yoy)

- ⊕ Consulting sales increased
- ⊖ Cybersecurity-related sales decreased

Operating Income

- ⊕ Increase in sales
- ⊕ Profitability increased due to sales efforts.
- ⊕ Productivity increased due to project management improvement
- ⊕ The synergy effect of Fess Co., Ltd
- ⊖ The cost due to the relocation of Fess. Co., Ltd.
- ⊖ The provision for product warranties due to the former software development, etc.

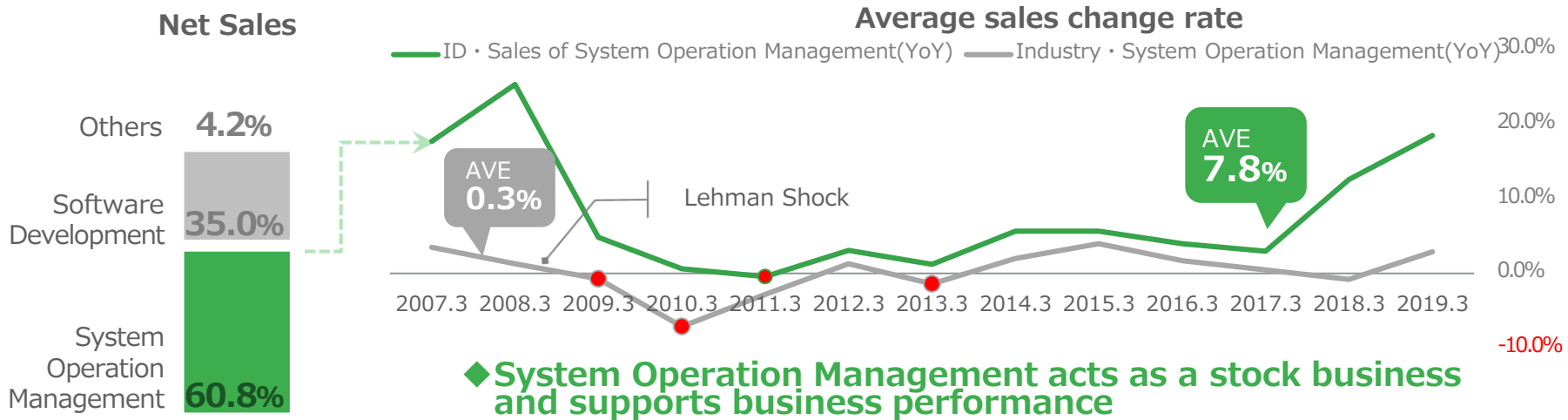
Financial Results (consolidated)

Change or Die!

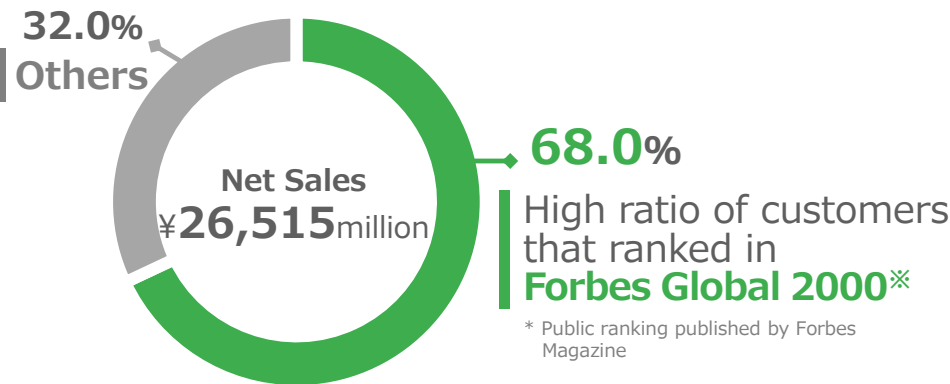
(¥ million)	2018.3		2019.3		Diff.	YoY
	Results	(% of net sales)	Results	(% of net sales)		
Net sales	23,207	-	26,515	-	+3,307	+14.3%
Cost of sales	18,758	80.8%	20,917	78.9%	+2,159	+11.5%
Gross profit	4,448	19.2%	5,597	21.1%	+1,148	+25.8%
SG&A expenses	3,193	13.8%	3,930	14.8%	+736	+23.0%
Operating income	1,254	5.4%	1,667	6.3%	+412	+32.9%
Ordinary income	1,274	5.5%	1,724	6.5%	+449	+35.3%
Net income attributable to owners of parent	622	2.7%	1,028	3.9%	+405	+65.2%

Change or Die!

1 Sale for System Operation Management over 60%

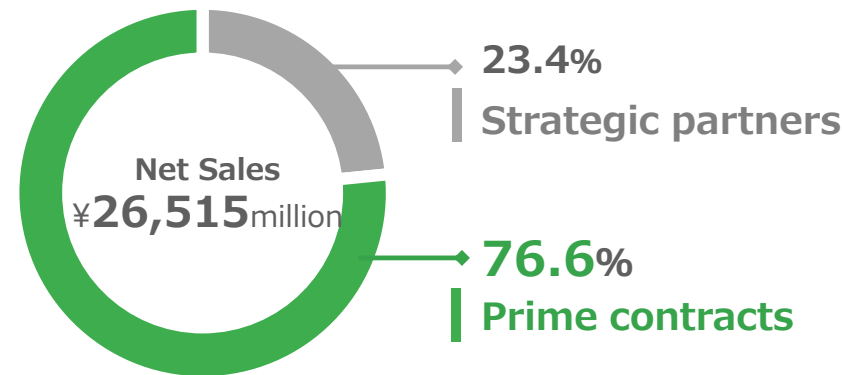


2 Near 70% of the Transaction Revenue Comes from Global Leading Companies



◆ Actively stabilizing relation with leading companies for IT investments

3 Near 80% of the contracts are prime contracts

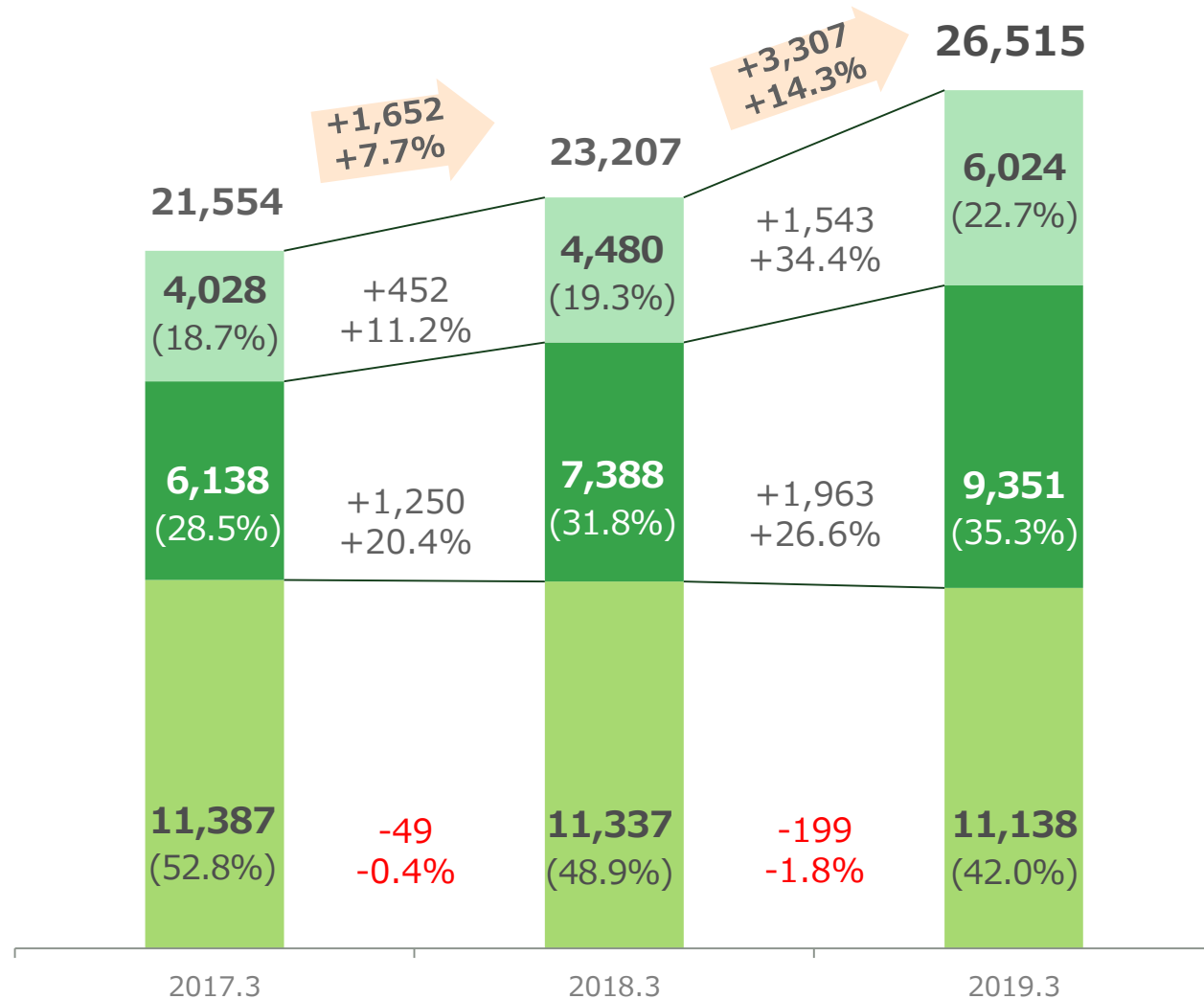


◆ Directly understanding customer needs and creating appropriate proposals

Change or Die!

- Others
- IT, Telecom & Service
- Financial Institution

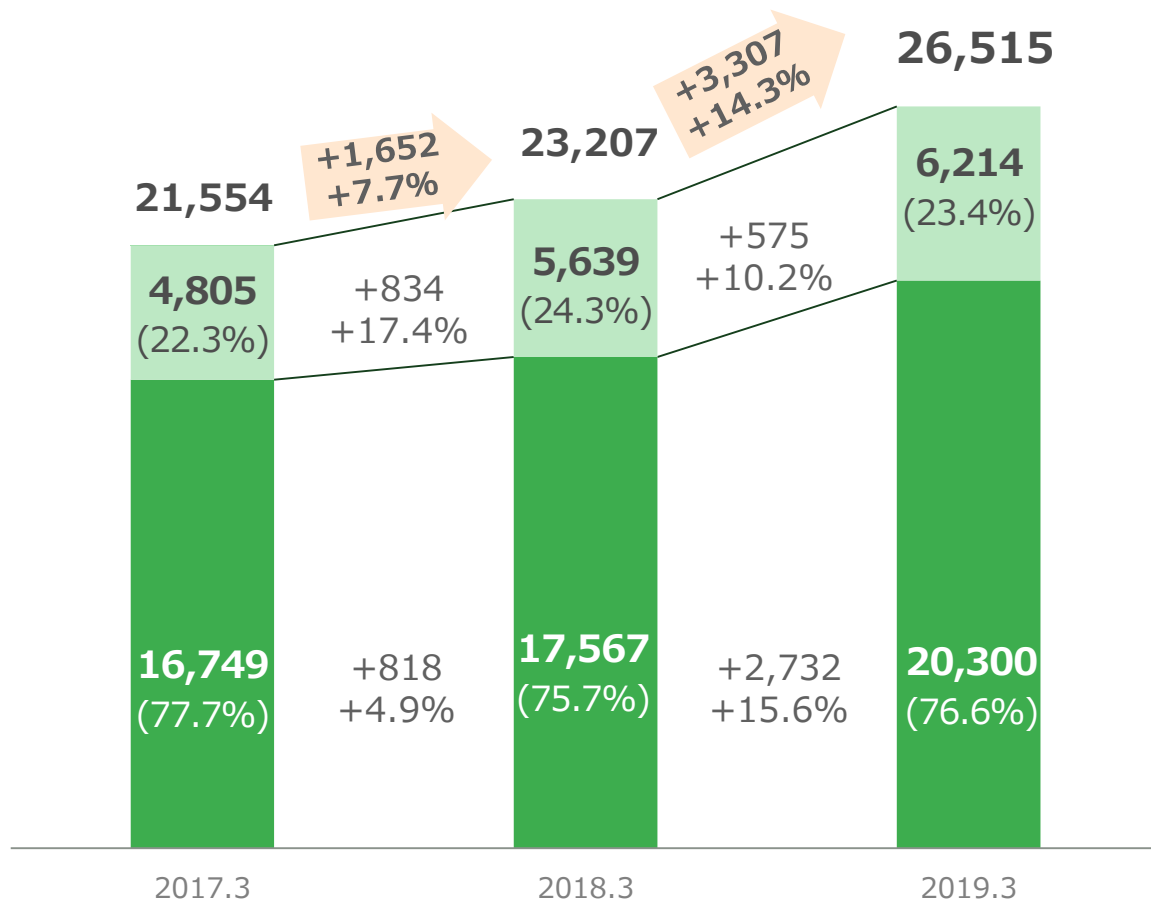
(¥ million)
*Figures in brackets indicate % of net sales



Change or Die!

- Strategic partners
- Prime contracts

(¥ million)
*Figures in brackets indicate % of net sales



■ Prime contracts	■ Strategic partners
✓ Financial Institutions, Energy Transportation and Manufacturing	✓ Major IT Vendors

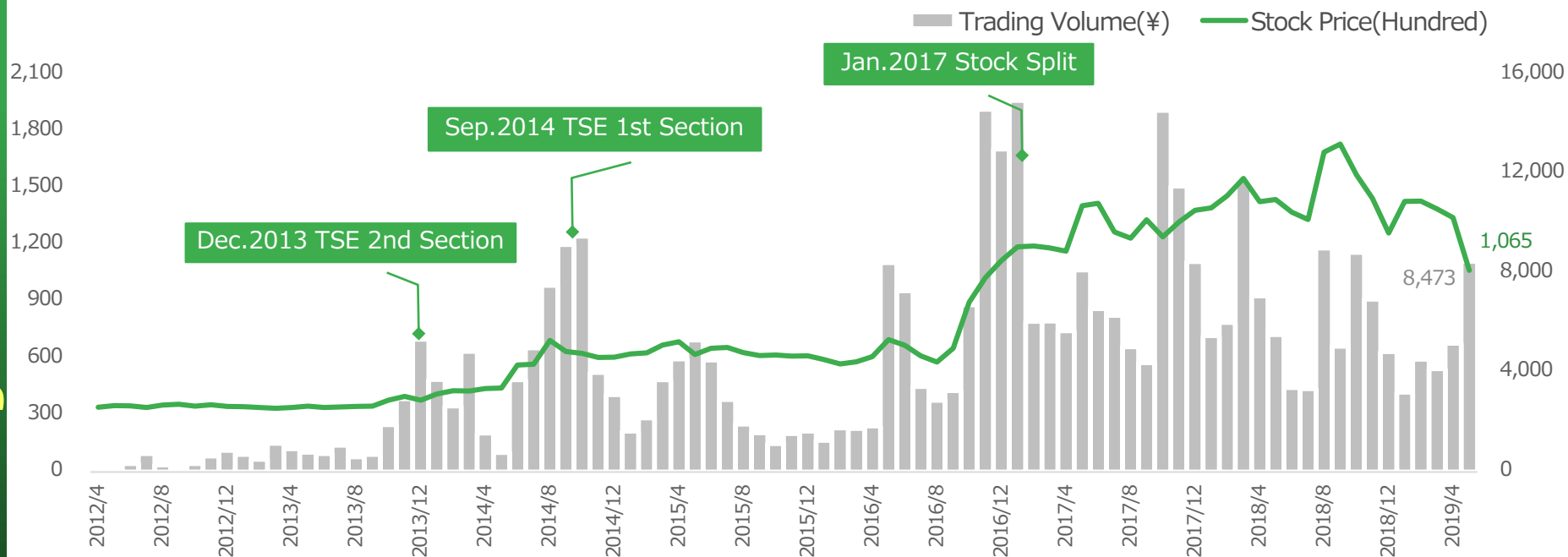
Financial Position (Consolidated)

Change or Die!

	2018.3	2019.3		Main Reasons
	(¥million)	Results	Results	
Current assets	8,344	9,298	+954	<ul style="list-style-type: none"> • Increase in cash and deposits(+652) • Increase in notes and accounts receivable-trade(+320) • Increase in investment securities(+213)
Non-current assets	5,404	5,301	-103	
Total assets	13,748	14,600	+851	
Current liabilities	5,923	5,293	-630	<ul style="list-style-type: none"> • Increase in interest-bearing debt(+328) • Decrease in income taxes payable(-171) • Increase in provision for loss on orders received(+34)
Non-current liabilities	207	964	+757	
Total liabilities	6,131	6,258	+126	
Total net assets	7,617	8,342	+724	<ul style="list-style-type: none"> • Net income attributable to owners of parent(1,028) • Decrease in cash dividends paid(-455) • Increase in valuation difference on available-for-sale securities(+105)
Total liabilities and net assets	13,748	14,600	+851	

Change or Die!

Turnover Ratio 85.6% (2017.4-2018.3) **59.7%** (2018.4-2019.3)



Market capitalization ¥12,827 million (as of 2019/5/31)

Outstanding shares 12,044,302 shares (Unit: hundred)

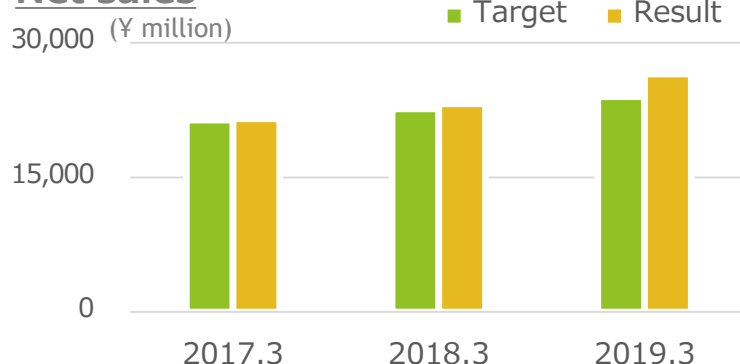
*1 We calculate the stock price for from Apr.2012 to Dec.2016 using the number of revision of the stock split.

*2 Volume is cumulative for each month, stock price lists closing price for each month.

- This plan promoted work style reforms and promotion of three basic policies (business process reengineering (BPR), building new growth areas and strengthening consolidated management), with targets of net sales of ¥24 billion and operating income margin of 7%.
- The Company achieved continuous growth for 7 fiscal years in net sales, for 6 fiscal years in operating income and for 3 fiscal years in ordinary income, including net income all reaching record levels.

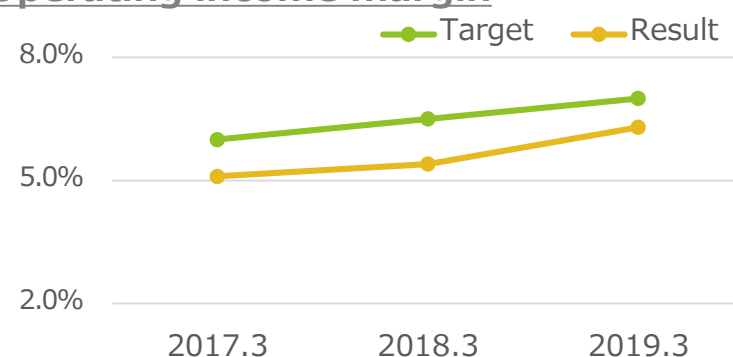
(¥ million)	Plan for FY2018 (Prepared in Apr. 2016)	FY2018	Diff.	Plan for FY2018 (Revised Oct. 2018)
Net sales	24,000	26,515	+ 2,515	26,600
Operating income	1,680	1,667	-13	1,640
Operating income margin	7.0%	6.3%	-0.7%	6.2%

Net sales



- The target for net sales was achieved, primarily as a result of a favorable trend in orders received for projects to integrate systems of financial institutions and projects of system development of energy companies, as well as the conversion of Fess Co., Ltd. into a wholly owned subsidiary.

Operating income margin



- Improvement of operating income margin was improved, primarily because of work style reform and achievement of BPR. However, the final target was not achieved. 4.8% (FY2015)→5.1% (FY2016)→5.4% (FY2017) → 6.3% (FY2018)

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Next 50 Episode I: Awakening!

⊕ Positive Facts

- Robust demand among corporate clients for advancement of DX
- Realization of high net sales through shift of the skill sets of Group engineers toward DX
- Increasing investment by customers in IT consulting and cybersecurity

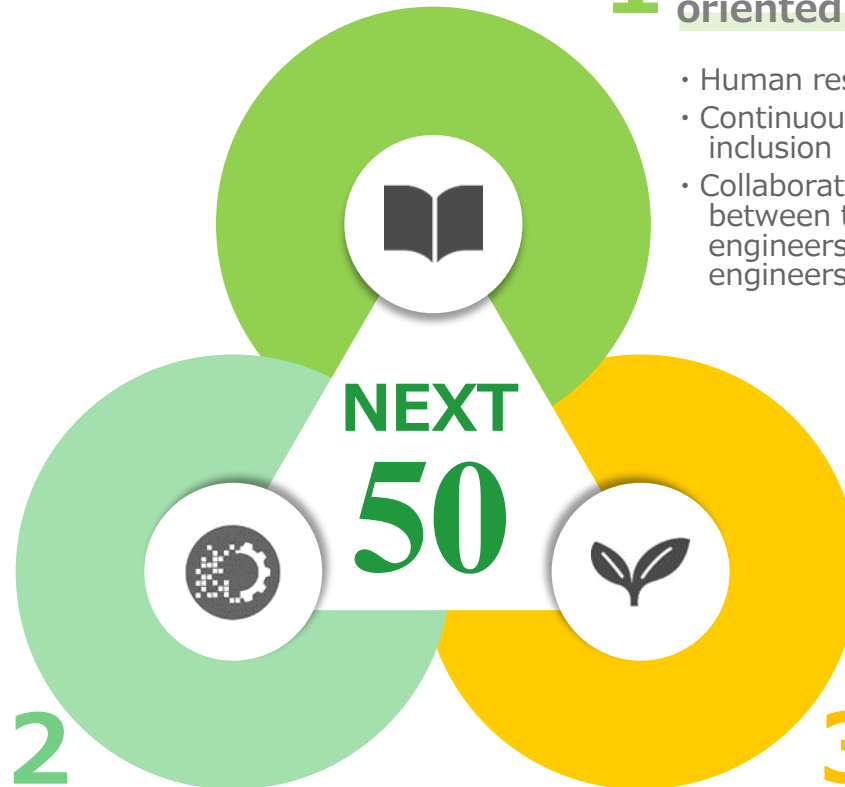
⊖ Negative Facts

- Completion of system integration at some major financial institutions
- Completion of major software development projects for energy companies
- Period of transition to DX services



- Shift from conventional services to services using digital technologies.
- New three-year Mid-term Management Plan: Focus on investment in training of DX engineers to build a growth platform for the next 50 years.

Next 50 Episode I: Awakening!



1 Development of a future-oriented corporate culture

- Human resource management (HRM)
- Continuous promotion of diversity and inclusion
- Collaboration and mutual assistance between teams of legacy-IT engineers and teams of advanced-IT engineers (smooth transition)

2

Deployment of an upgraded business model based on digital transformation (DX)

- Change from reliance on legacy business to collaboration with advanced-IT.

3 Promotion of ESG

- Contributing to society through provision of IT
- Promoting the development and deployment of diverse personnel
- Strengthening corporate governance
- Philanthropy

“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.

Forecasts of Results for FY2019 (Consolidated)

Change or Die!

(¥million)	FY2018		FY2019		Diff.	YoY
	Results	(% of net sales)	Plan	(% of net sales)		
Net sales	26,515	-	26,800	-	+284	+1.1%
Operating income	1,667	6.3%	1,670	6.2%	+2	+0.2%
Ordinary income	1,724	6.5%	1,710	6.4%	-14	-0.8%
Net income attributable to owners of parent	1,028	3.9%	1,060	4.0%	+31	+3.1%
Net income per share(¥)	93.15	-	95.64	-	+2.49	-

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