

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2020 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 First Three Months of the Fiscal Year Ending March 31, 2020 (J-GAAP)

August 8, 2019

Company name:	ID Holdings Corporation
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	<a href="https://www.idnet-hd.co.jp">https://www.idnet-hd.co.jp</a>
Company representative:	Masaki Funakoshi, President and Representative Director
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Scheduled date of filing of Quarterly Securities Report:	August 13, 2019
Scheduled date of dividend payment:	—
Preparation of supplementary materials on financial results:	Yes
Presentation on quarterly results:	No

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results for Q1 of FY2019 (April 1–June 30, 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	%
Q1 FY2019	6,562	-1.1	507	27.9	514	21.3	324	54.5
Q1 FY2018	6,634	23.9	396	240.7	424	251.3	210	495.3

Note: Comprehensive income    Q1 FY2019    ¥226 million    (-28.2%)                      Q1 FY2018    ¥315 million    (507.4%)

	Net income per share	Diluted net income per share
	¥	¥
Q1 FY2019	29.31	29.06
Q1 FY2018	19.11	18.91

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q1 FY2019	13,649	8,110	59.2
FY2018	14,600	8,342	56.9

Reference: Equity    Q1 FY2019    ¥8,075 million                      FY2018    ¥8,307 million

### 2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
	¥	¥	¥	¥	¥
FY2018	—	0.00	—	40.00	40.00
FY2019	—	—	—	—	—
FY2019 (forecast)	—	25.00	—	25.00	50.00

Notes: 1. Revision of most recently published dividend forecast:    No

2. Hitherto the Group had only distributed dividends once a year, in the year-end dividend. However, to enhance opportunities to return earnings to shareholders, the Group has decided to introduce an interim dividend, beginning with the fiscal year ending March 31, 2020 (FY2019). The Articles of Incorporation already state that the Group can distribute an interim dividend by means of the deliberations of the Board of Directors, with September 30 of each year as the record date.

### 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

Note: Revision of most recently published results forecast:

No

#### \*Notes

(1) Changes in important subsidiaries during the period

Changes in specified subsidiaries resulting in change in consolidation scope:

Yes

New company: Information Development Co., Ltd.

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Changes in Important Subsidiaries During the Period) under Section 2, Consolidated Financial Statements and Main Notes on page 9 of the Attachment.

(2) Adoption of special accounting treatments for quarterly consolidated financial statements:

No

(3) 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

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock):

Q1 FY2019	12,044,302	shares	FY2018	12,044,302	shares
Q1 FY2019	961,470	shares	FY2018	961,470	shares
Q1 FY2019	11,082,832	shares	Q1 FY2018	11,001,594	shares

(ii) Amount of treasury stock:

(iii) Interim average number of shares (Consolidated total for the quarter)

\* These quarterly consolidated financial results are not subject to quarterly review 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 information available as of the day the results were announced. Forecasts are inherently uncertain and do not constitute a guarantee on the part of the ID Group. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (3) Qualitative Information on the Consolidated Results Forecast under Section 1, Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2020, on page 5 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.

The ID Group has also introduced a board 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.

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## 1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2020

### (1) Qualitative Information on the Consolidated Business Results

In the consolidated fiscal period under review (Q1 FY2019: April 1 to June 30, 2019), the business results of the ID Group were overall highly favorable, characterized by strong earnings despite a mixed revenue picture. While trends in cybersecurity and consulting were robust, system operation management and software development operations encountered a decline in orders prompted as some major projects drew to a conclusion. Net sales declined 1.1% from the same period of the previous fiscal year (YoY) to ¥6.562 billion.

Earnings were solid on all fronts, as the Group made concerted efforts to fortify its project-management framework, move vigorously forward in sales activities and shift engineers into high-value-added fields, among other initiatives. Operating income grew 27.9% YoY to ¥507 million, while ordinary income improved 21.3% YoY to ¥514 million and net income attributable to owners of parent soared 54.5% to ¥324 million.

The ID Group plans to reorganize its reporting segments. Previously system operation management and software development were classified as reporting segments while operating segments not included in reporting segments were bundled together under the classification “Others.” From Q1, these reporting segments are bundled into a single segment, “information service business.” The business results for each service are as follows.

(Millions of ¥)

		Previous consolidated first quarter (April 1, 2018 to June 30, 2019)	Consolidated first quarter under review (April 1, 2019 to June 30, 2019)	YoY comparison	
				Increase/ decrease	Rate of increase/ decrease (%)
System operation management	Net sales	3,134	3,009	-124	-4.0
	Gross profit	699	709	10	1.5
	Gross profit margin	22.3	23.6	1.3P	—
Software development	Net sales	2,331	2,250	-80	-3.5
	Gross profit	508	565	56	11.2
	Gross profit margin	21.8	25.1	3.3P	—
System infrastructure	Net sales	574	570	-4	-0.7
	Gross profit	113	167	53	47.5
	Gross profit margin	19.8	29.4	9.6P	—
Cybersecurity, consulting and training	Net sales	307	422	114	37.1
	Gross profit	63	105	41	64.5
	Gross profit margin	20.8	24.9	4.2P	—
Others	Net sales	287	310	23	8.0
	Gross profit	-9	39	49	—
	Gross profit margin	—	12.9	16.1P	—

#### (i) System operation management

Although the Group secured orders from existing customers in the financial sector and new customers in the public sector, the conclusion of some major projects in the financial sphere resulted in a decrease in orders. Net sales in system operation management declined 4.0% YoY to ¥3.009 billion.

(ii) Software development

The Group enjoyed some expansion in orders in the public sector, but this growth was more than offset by the wrap-up of major projects from the previous fiscal year. Net sales in software development declined 3.5% YoY to ¥2.25 billion.

(iii) System infrastructure

While sales to public-sector customers increased, those in the transportation and financial sectors contracted. Net sales retreated 0.7% YoY to ¥570 million.

(iv) Cybersecurity, consulting and training

In addition to an upturn in sales of cybersecurity products, this segment benefited from growth in orders for consulting projects. Net sales expanded 37.1% YoY to ¥422 million.

(v) Others

Product orders from major customers boosted net sales 8.0% YoY to ¥310 million.

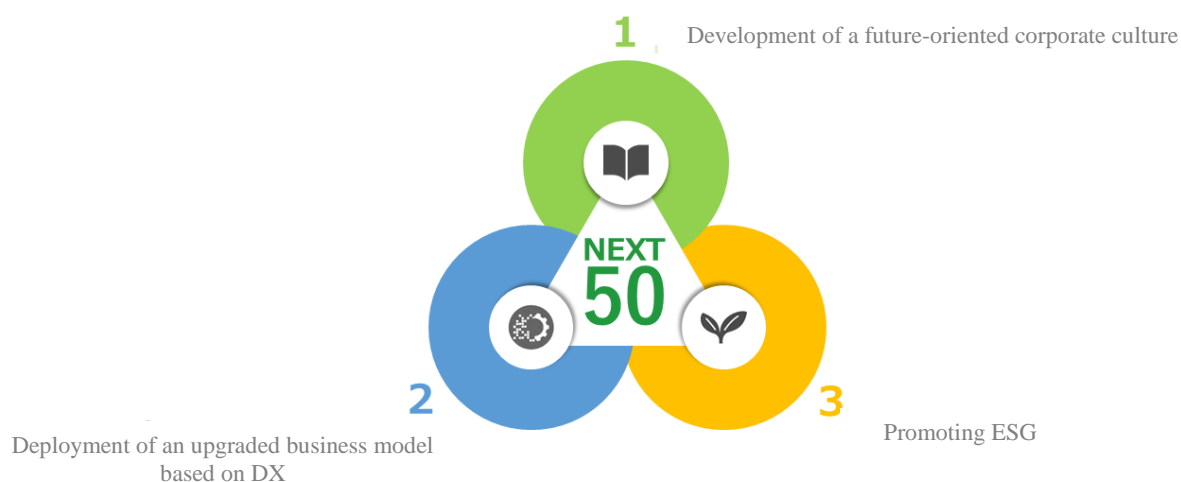
### Management Policy Initiatives

In today's information services industry, customers' IT needs are increasingly diversifying. Digital transformation (DX) is advancing rapidly, as companies transform existing businesses through digital technologies such as robotic process automation (RPA) and AI. Businesses are shifting from system ownership to system use, IoT devices are proliferating rapidly, and cyberattacks are becoming ever more sophisticated. These developments are driving profound changes in the IT management environment. For the ID Group, market shifts such as these represent a growth opportunity. To set the stage for further expansion in operations, 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 FY2021, the final year of the plan, the group is targeting net sales of ¥30 billion and operating income of ¥1.85 billion.

To achieve these targets, the new Mid-term Management Plan sets three Basic Policies: Development of a future-oriented corporate culture; deployment of an upgraded business model based on DX; and promoting ESG\*. The Group is working vigorously on all three fronts.

\*“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.

#### New Mid-term Management Plan “Next 50 Episode I: Awakening!” (FY2019 to FY2021)



(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

each personnel can achieve their maximum potential. We will also cultivate a work environment that embraces future-oriented challenge and innovation.

Measures taken to implement this policy include the following:

- To ensure effective personnel assignment, the Group's software development segment has scrapped the divisional-headquarters system, promoting more fluid assignment of personnel.
- To enable cross-organizational response in personnel and quality-control matters, the Group has appointed an executive responsible for general personnel matters and an executive responsible for quality.
- A Globalization Department is established to strengthen communication between bases in Japan and overseas.
- The Group is promoting personnel\* diversity (percentage of women in management positions: 15%, percentage of non-Japanese workers at the ID Group: 10%).

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

#### (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.

Measures taken to implement this policy include the following:

- Information Development Co., Ltd. ("ID") has concluded a development-resource partnership agreement with UiPath.
- To transform existing businesses, the Group has established a DX strategic task team, under the direct responsibility of the president of ID as the executive in charge.
- The training environment for RPA service providers UiPath and WinActor have been brought in-house, providing training for 100 employees.
- US-based RealWear, Inc. has certified the ID Group as an ISV partner for its remote work support system, IDEye.
- Venture Café Tokyo\*, an operation co-sponsored by the Group, has partnered with Keio University to present "Cyber Technology & Fusion of Startup/Enterprise Night."

\*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.

#### (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.

Measures taken to implement this policy include the following:

- Based on ISO 26000, the international standard for organizational social responsibility, the Group is framing its ESG response.
- To strengthen its corporate-governance system, the Group has established a Group Board of Auditors, a Management Committee and a Group Risk Management Committee.
- The Group is expanding telecommuting, promoting workstyle diversity.
- Ai Factory Co., Ltd., a special subsidiary, has obtained certification under JGAP\*.
- As part of its Mecenat activities, the Group sponsors a Tanabata (Star Festival) concert at Suntory Hall in Minato Ward, Tokyo.
- The Group participates in the Business Consortium to Promote Non-smoking.

\*Japan Good Agricultural Practice (JGAP) certification is certification provided to farms that have been confirmed through examination by third-party organizations to ensure food safety, environmental preservation and other good agricultural

practices, based on standards of appropriate farm management. Examinations are conducted in five categories: farm operation, food safety, environmental preservation, occupational safety, and human rights/social services. The aim of JGAP is to earn the trust of consumers and establish sustainable farm management through the certification process.

**(2) Qualitative Information on the Consolidated Financial Position**

Changes in the ID Group's financial position

(Assets)

Assets at the end of consolidated Q1 decreased by ¥951 million to ¥13.649 billion from ¥14.6 billion at the end of the previous consolidated accounting period, owing to an increase in cash and deposits of ¥229 million, a decrease in notes and accounts receivable-trade of ¥1.129 billion, etc.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥718 million to ¥5.539 billion from ¥6.258 billion at the end of the previous consolidated accounting period, owing to a decrease in income taxes payable of ¥257 million, a decrease in provision for bonuses of ¥555 million, etc.

(Net Assets)

Net assets at the end of consolidated Q1 decreased by ¥232 million to ¥8.110 billion from ¥8.342 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥324 million, a decrease of ¥456 million due to dividend payments, a decrease in valuation difference on available-for-sale securities of ¥73 million, etc.

**(3) Qualitative Information on the Consolidated Results Forecast**

There have been no changes to the consolidated first half or full-year results projections as released by the ID Group on May 8, 2019.

## 2. Consolidated Financial Statements and Important Notes

### (1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2019	Consolidated first quarter under review As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	3,797,736	4,026,959
Notes and accounts receivable – trade	5,232,087	4,102,268
Work in process	19,288	40,747
Other	249,744	339,045
Total current assets	9,298,856	8,509,020
Non-current assets		
Property, plant and equipment		
Land	862,196	862,196
Other, net	919,575	897,622
Total property, plant and equipment	1,781,771	1,759,818
Intangible assets		
Goodwill	1,418,972	1,355,286
Software	94,212	88,027
Other	742	742
Total intangible assets	1,513,927	1,444,057
Investments and other assets		
Deferred tax assets	203,067	251,967
Other	1,810,543	1,692,211
Allowance for doubtful accounts	-7,500	-7,500
Total investments and other assets	2,006,110	1,936,679
Total non-current assets	5,301,809	5,140,554
Total assets	14,600,666	13,649,575
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	975,479	867,285
Short-term loans payable	1,360,000	860,000
Current portion of long-term loans payable	499,600	499,600
Income taxes payable	325,600	68,501
Provision for bonuses	954,331	398,499
Provision for directors' bonuses	22,700	4,132
Provision for loss on orders received	34,479	22,353
Other	1,121,494	1,758,193
Total current liabilities	5,293,685	4,478,565
Non-current liabilities		
Long-term loans payable	749,400	624,500
Net retirement benefit liability	29,888	29,535
Provision for directors' retirement benefits	11,799	12,788
Deferred tax liabilities	—	200,594
Other	173,664	193,502
Total non-current liabilities	964,752	1,060,920
Total liabilities	6,258,438	5,539,486
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,352	568,352
Retained earnings	6,947,709	6,816,135
Treasury stock	-470,069	-470,069
Total shareholders' equity	7,638,336	7,506,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	557,514	483,542
Foreign currency translation adjustment	109,840	82,306
Remeasurements of retirement benefit plans	1,807	2,476
Total accumulated other comprehensive income	669,162	568,324
Subscription rights to shares	10,609	10,609
Non-controlling interests	24,119	24,391
Total net assets	8,342,227	8,110,088
Total liabilities and net assets	14,600,666	13,649,575



(2) Consolidated Statement of Income and Comprehensive Income  
(Consolidated Statement of Income)  
(Consolidated first Quarter)

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2018 to June 30, 2018)	Consolidated first quarter under review (April 1, 2019 to June 30, 2019)
Net sales	6,634,933	6,562,194
Cost of sales	5,258,409	4,974,292
Gross profit	1,376,523	1,587,901
Selling, general, and administrative expenses	979,602	1,080,148
Operating income	396,920	507,753
Non-operating income		
Interest income	657	1,261
Dividend income	34,287	19,900
Other	12,557	7,150
Total non-operating income	47,503	28,311
Non-operating expenses		
Interest expenses	3,697	3,745
Commitment line fees	16,247	15,620
Other	47	1,834
Total non-operating expenses	19,993	21,200
Ordinary income	424,431	514,864
Extraordinary income		
Gain on sales of non-current assets	1,204	—
Gain on sales of investment securities	9,495	38,886
Reversal of allowance for doubtful accounts	4	—
Total extraordinary income	10,705	38,886
Extraordinary losses		
Loss on sales of non-current assets	196	—
Provision of allowance for loss on transfer	56,160	—
Total extraordinary losses	56,356	—
Net income before income taxes	378,780	553,750
Income taxes—current	47,344	42,104
Income taxes—deferred	119,611	184,276
Total income taxes	166,955	226,380
Net income	211,824	327,370
Net income attributable to non-controlling interests	1,579	2,511
Net income attributable to owners of parent	210,245	324,858

**(Consolidated Statement of Comprehensive Income)**  
**(Consolidated First Quarter)**

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2018 to June 30, 2018)	Consolidated first quarter under review (April 1, 2019 to June 30, 2019)
Net income	211,824	327,370
Other comprehensive income		
Valuation difference on available-for-sale securities	93,806	-73,972
Foreign currency translation adjustment	9,168	-27,534
Remeasurements of retirement benefit plans	692	669
Total other comprehensive income	103,667	-100,837
Comprehensive income	315,492	226,532
(Breakdown)		
Comprehensive income attributable to owners of parent	313,912	224,021
Comprehensive income attributable to non-controlling interests	1,579	2,511

**(3) Notes on Consolidated Financial Statements**

**(Notes on Assumptions regarding Going Concern)**

None.

**(Notes on Significant Changes (If Any) in Shareholders' Equity)**

None.

**(Changes in Important Subsidiaries During the Period)**

In tandem with the ID Group's transition to a holding-company structure in Q1, on April 1, 2019 the Company changed its name to ID Holdings Corporation. The new company created by the company split, Information Development Co., Ltd., was included in the scope of consolidation.

**(Additional Information)**

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

The ID Group introduced two performance pay plans: a "board benefit trust (BBT) plan" for Group directors and executive officers ("Directors, etc."), and a "Japanese employee stock ownership plan (J-ESOP)" for Group 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

At a meeting held on April 30, 2015, the Board of Directors 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 ID Group, 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 ID Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

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

The ID Group awards point 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 ID Group shares held in trust

Shares in the ID Group held by BBT and J-ESOP at the end of the consolidated first quarter under review are listed in the consolidated balance sheet under "Net Assets" as "Treasury Stock." The book value of these shares was ¥166,289,000 at the end of the previous consolidated fiscal period and was ¥166,289,000 at the end of the consolidated first quarter under review. The number of shares was 327,977 at the end of the previous consolidated fiscal period and was 327,977 at the end of the consolidated first quarter under review.