



ID Holdings Corporation  
April 1, 2019 - June 30, 2019

President and Representative Director  
Masaki Funakoshi

TSE 1st section  
Code

4709

※ Our website can be  
accessed from the  
QR Code.



August 2019

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**New Topics**

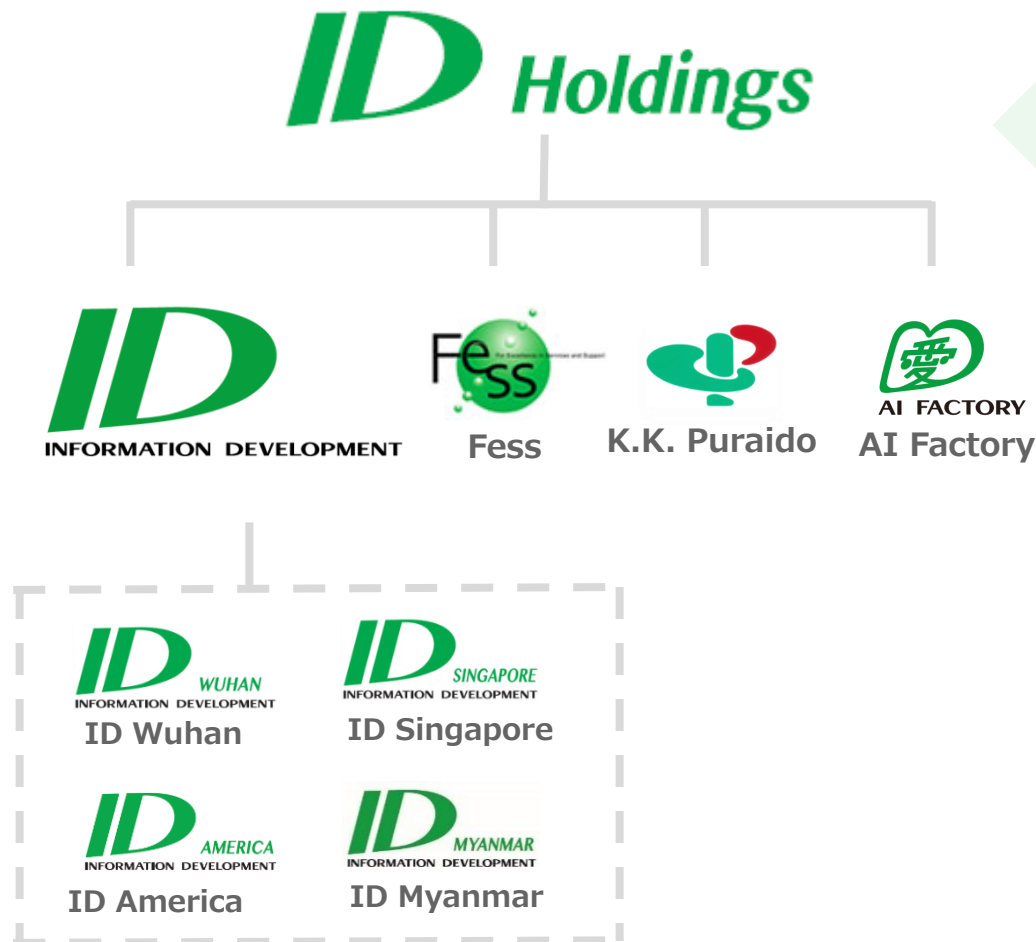
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**Q1 Performance Overview**

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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

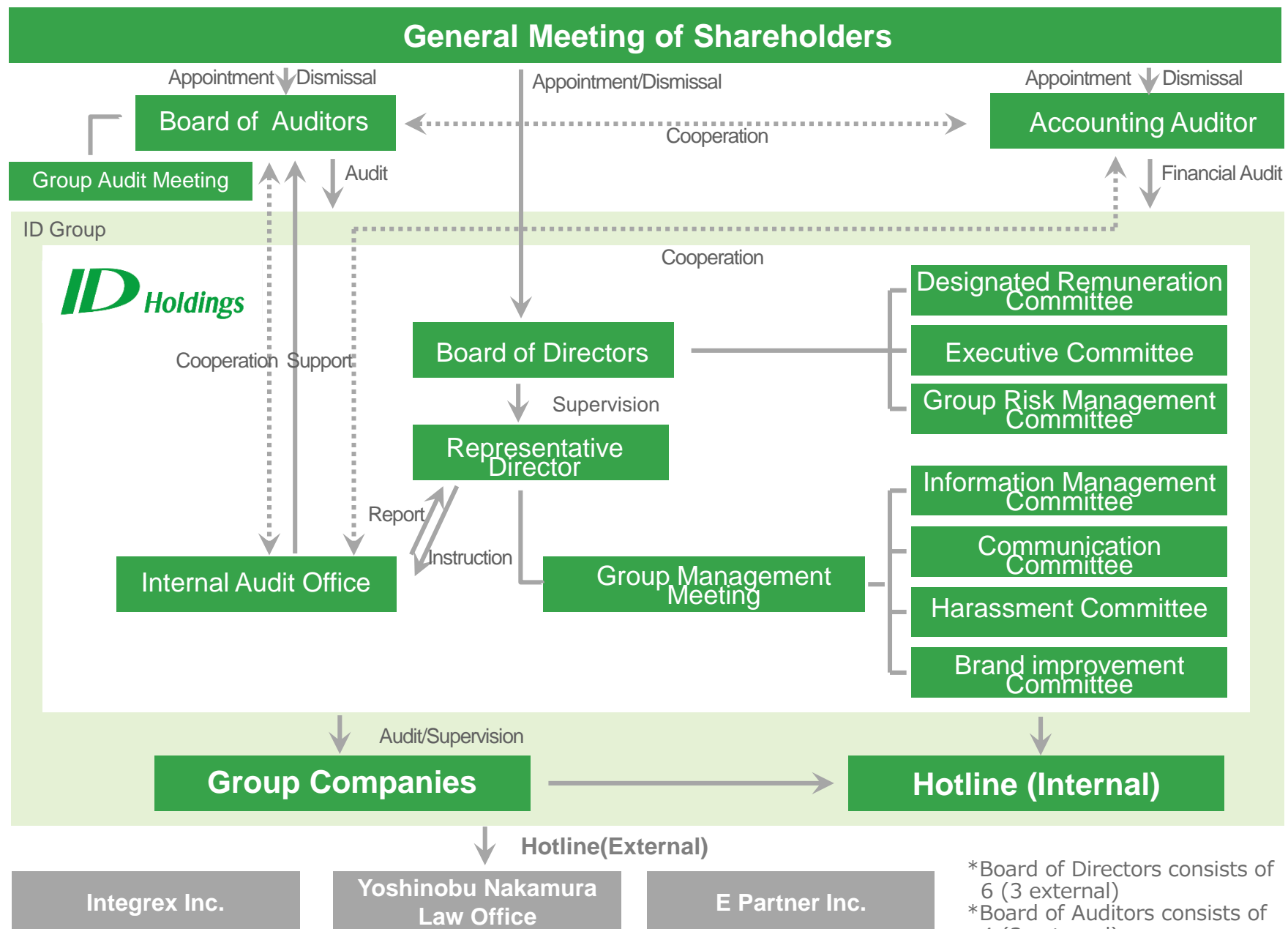
With a view to overall optimization, the Group will optimize management resources and invest in growth markets, including through acquisitions.

## 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.



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 to promote the employment of people with disabilities.

AI Factory grows leafy vegetables. It has been certified as a special subsidiary in 2016 and **gets the certification of JGAP\*2** in June 2019.

\*2 "JGAP" is a set of certification standards created by the Japan GAP Foundation in 2006. JGAP stands for Japan Good Agricultural Practices.

### 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

\*1 ESG = Environmental, social and governance. Refers to the view that an appropriate response in each of these fields is a driver of long-term corporate growth and plays a valuable role in the formation of a sustainable society.

## 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.



- Aug.** **13th** ID Group participated in 2019 Telework Days campaign.
  
- Jul.** **9th** Classic concert was hosted as a part of Mécénat.  
**2nd** AI Factory Co., Ltd. got the certification of JGAP.
  
- Jun.** **21st** The revision (dividend increase) of dividend forecast for FY2019 and implementation of mid-term dividend  
**21st** Announcement of Mid-term Management Plan(FY2019 - FY2021)  
**20th** ID\*2 announced that new function "Horizon" was added to CyberX, a security solution of the industrial control system.
  
- May** **29th** ID launched a new appliance platform "Hec-Eye Package," which can share information on map from drones with Realglobe Inc. and Hitachi Systems, Ltd.  
**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

\*1:Date here based on publication date on homepage

\*2:ID refers to INFORMATION DEVELOPMENT CO., LTD.

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Next 50 Episode I: *Awakening!*



## Net Sales

**¥6,562 million (-1.1% YoY)**

### System Operation Management:

**¥3,009 million (-4.0% YoY)**

- ⊕ Orders increased from existed finance-related customers.
- ⊕ Orders increased from new public-sector-related customers.
- ⊖ Sales decreased in part of finance-related projects.

### Software Development:

**¥2,250 million (-3.5% YoY)**

- ⊕ Orders increased in part of public-sector-related projects.
- ⊖ Sales decreased due to the ending public-sector-related project on the previous fiscal year.

### System Infrastructure: ¥570 million (-0.7% YoY)

- ⊕ Sales increased in public-sector-related projects.
- ⊖ Sales decreased in transport-related and finance-related projects.

### Cybersecurity, Consulting and Training:

**¥422 million (+37.1% YoY)**

- ⊕ Sales increased in cybersecurity products.
- ⊕ Orders increased in consulting.

### Other:

**¥310 million (+8.0% YoY)**

- ⊕ Augmented orders of product sales.

## Operating Income

### • Operating income

**¥507 million ( +27.9% YoY)**

### • Ordinary Income

**¥514 million ( +21.3% YoY)**

### • Net income attributable to owners of parent

**¥324 million ( +54.5% YoY)**

- ⊕ The improvement in project management.
- ⊕ The positive activities in marketing.
- ⊕ The shift toward high-value-added fields of engineers.
- ⊕ The book of Gain on sales of investment securities.

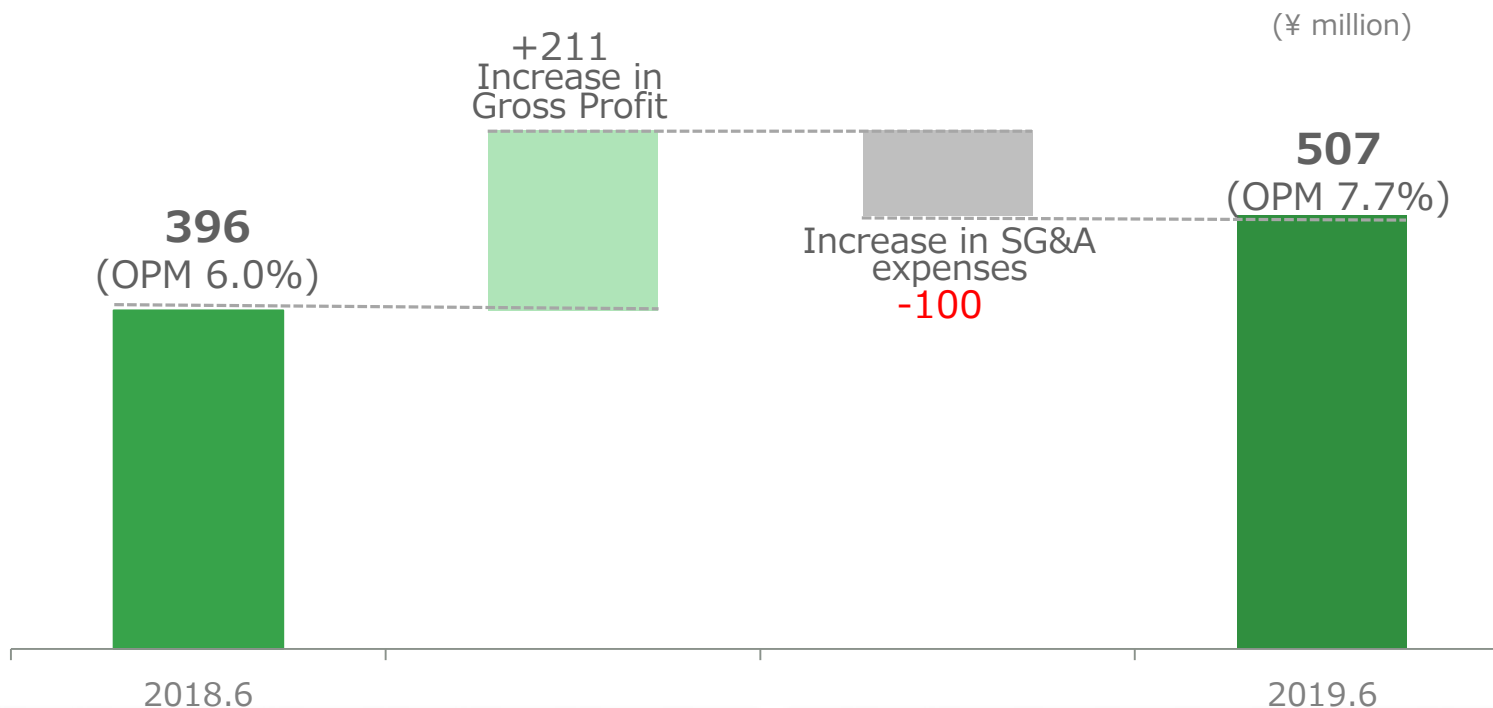
# Financial Results (consolidated)

Change or Die!

	2018.6		2019.6			
(¥ million)	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	6,634	-	6,562	-	-72	-1.1%
Cost of sales	5,258	79.3%	4,974	75.8%	-284	-5.4%
Gross profit	1,376	20.7%	1,587	24.2%	+211	+15.4%
SG&A expenses	979	14.8%	1,080	16.5%	+100	+10.3%
Operating income (Before amortization of goodwill)	460	6.9%	571	8.7%	+110	+24.1%
Operating income	396	6.0%	507	7.7%	+110	+27.9%
Ordinary income	424	6.4%	514	7.8%	+90	+21.3%
Net income attributable to owners of parent	210	3.2%	324	5.0%	+114	+54.5%

# Q1 Operating Income Analysis (YoY)

Change or Die!



## ◆ Gross profit +211

- Net Sales -72
- Cost of sales +284
- <Major changes in cost of sales>
  - Personal expenses +179
  - Manufacturing expenses +113
  - Outsourcing expenses +63

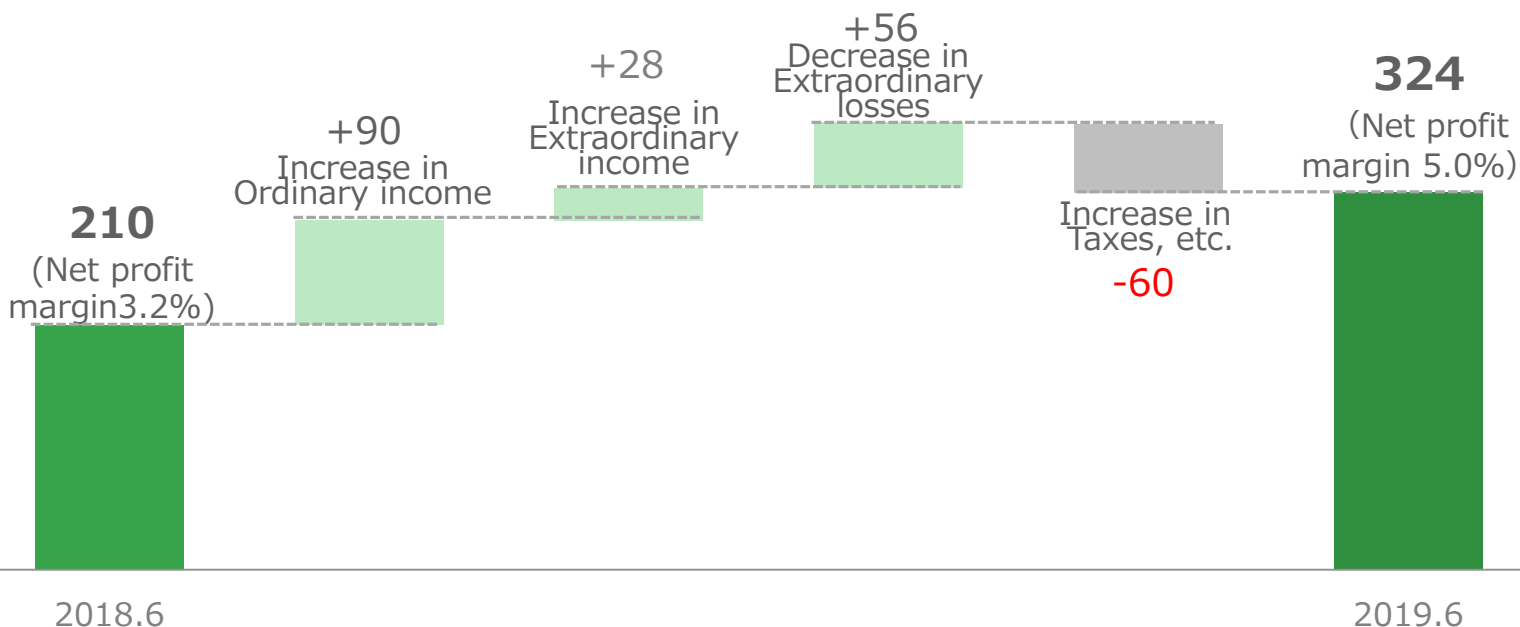
## ◆ SG&A expenses -100

### <Major changes in SG&A expenses>

- Personal expenses -43
- Other SG&A expenses -56

# Net Income Attribute to Q1 Owners of Parent Analysis (YoY)

(¥ million)



## ◆ Extraordinary income +28

### Major changes in Extraordinary income

- Gain on sales of investment securities +29
- A reactionary decrease since the gain on sales of non-current assets in Q1, FY2018 -1

## ◆ Extraordinary losses +56

### Major changes in Extraordinary losses

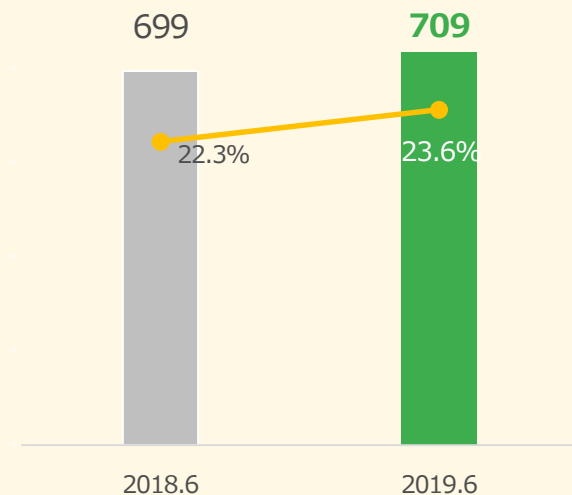
- A reactionary decrease since the loss on office transfer in Q1, FY2018 +56

# Gross Profit and Gross Profit Margin by Services

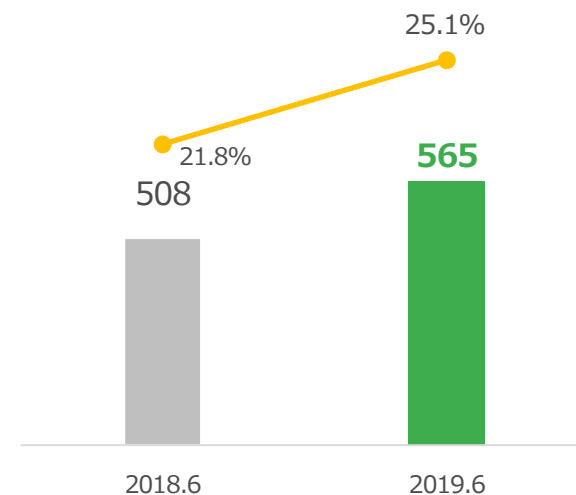
Change or Die!

- 2018.6 Gross profit (¥ million)
- 2019.6 Gross profit (¥ million)
- Gross profit margin (%)

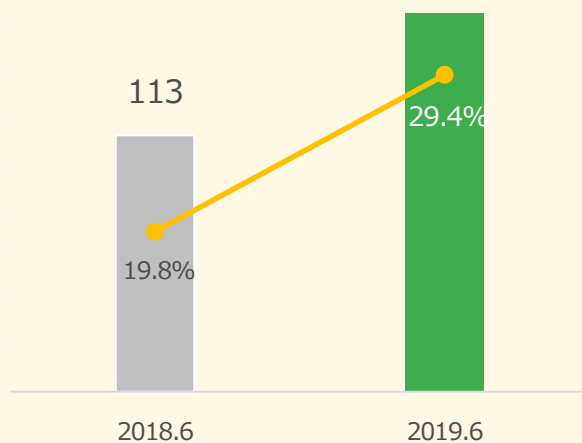
## <System Operation Management>



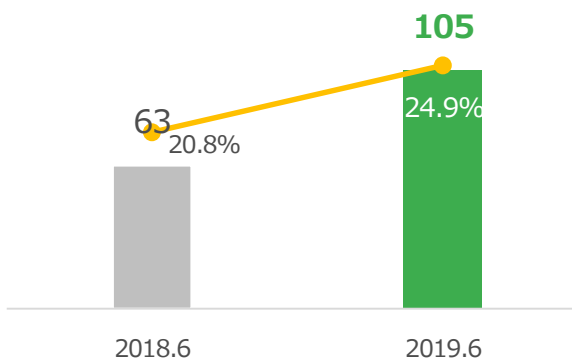
## <Software Development>



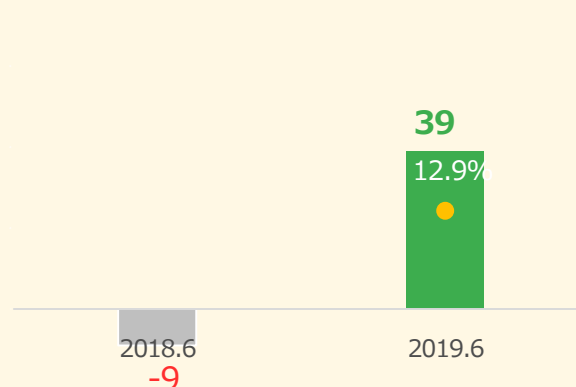
## <System Infrastructure>



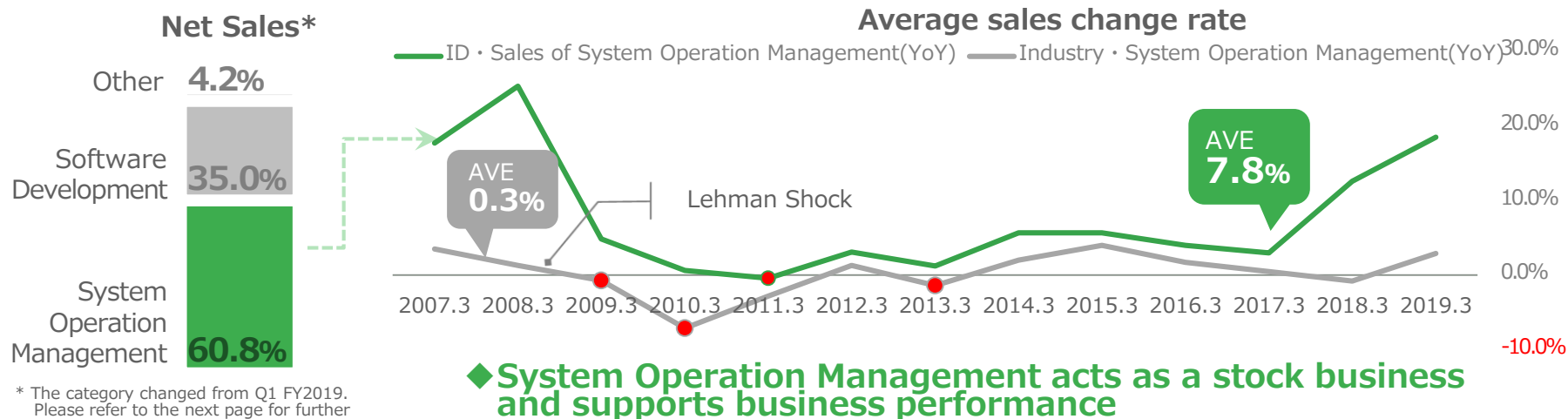
## <Cybersecurity, Consulting and Training>



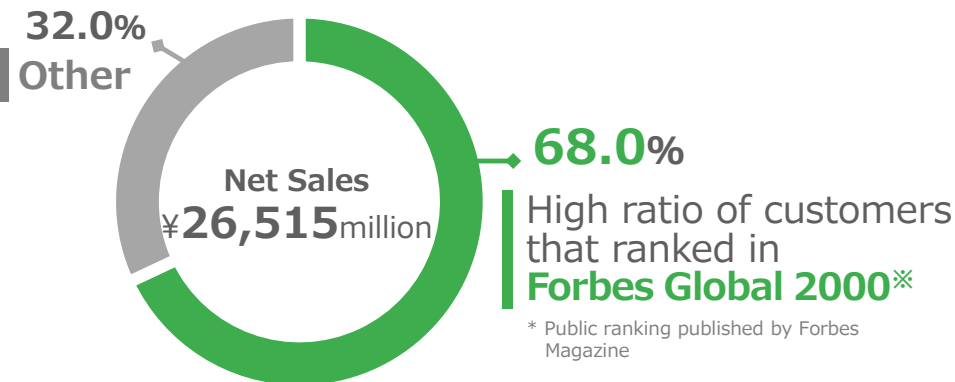
## <Other>



## 1 Sale for System Operation Management over 60%

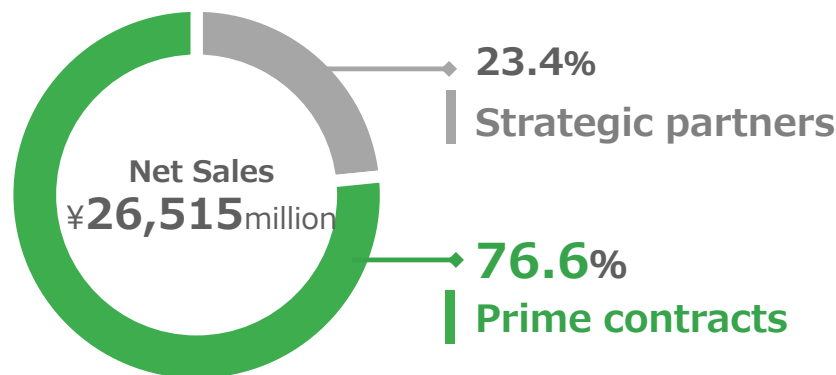


## 2 Near 70% of the Transaction Revenue Comes from Global Leading Companies



◆ Actively stabilizing relation with leading companies for IT investments

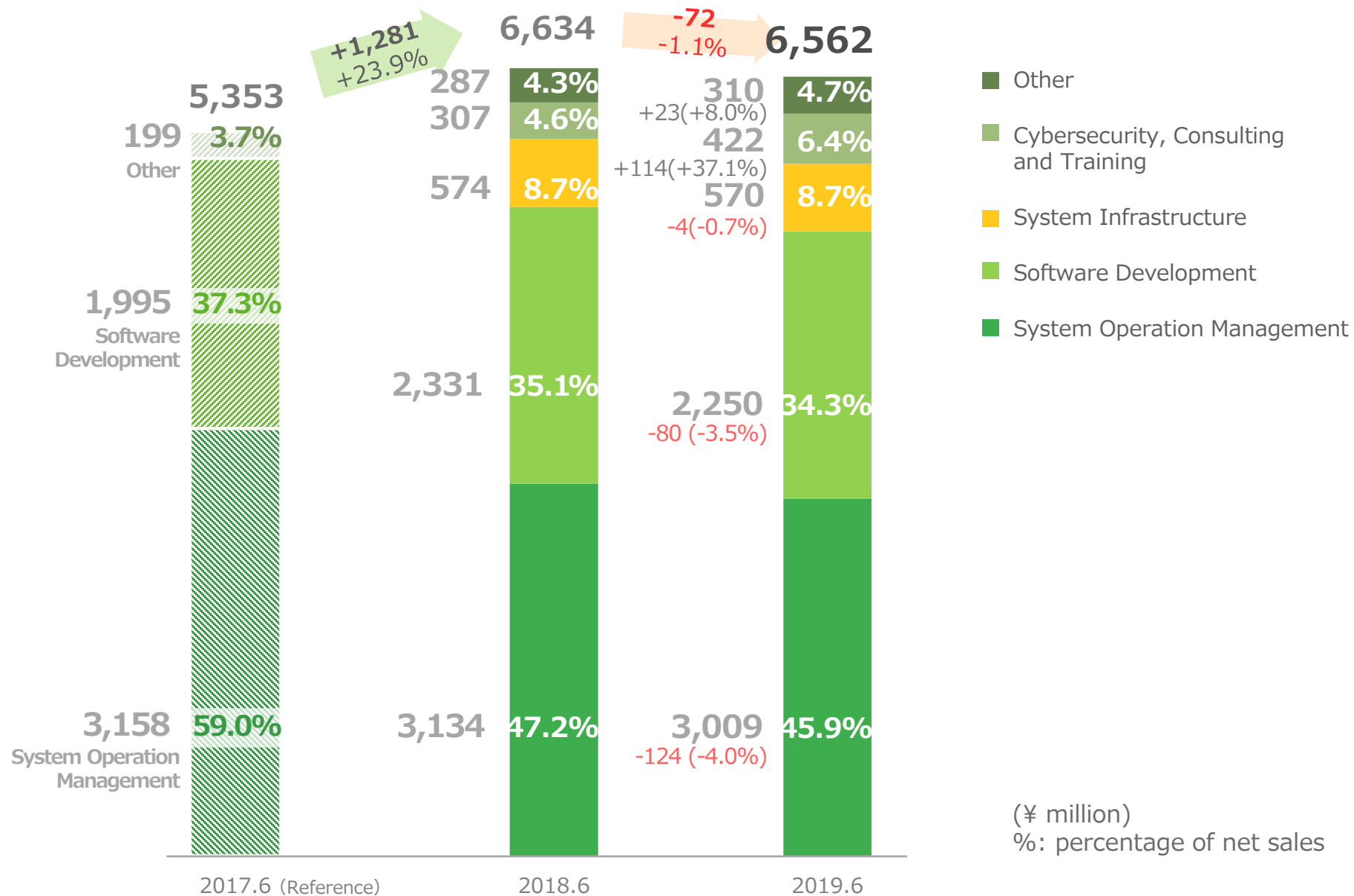
## 3 Near 80% of the contracts are prime contracts



◆ Directly understanding customer needs and creating appropriate proposals

# Feature of ID Group① (Net sales by Services)

Change or Die!

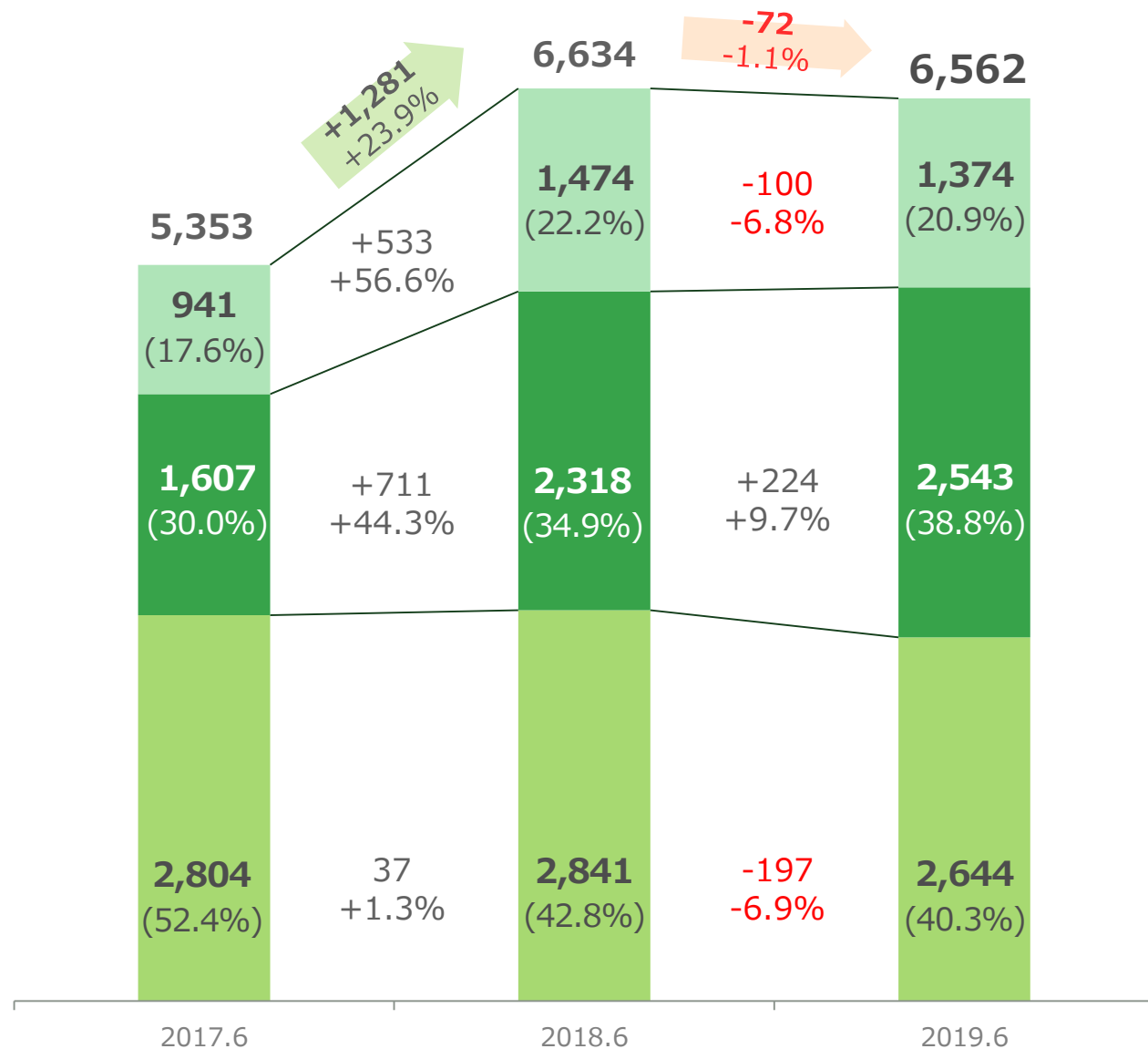


Note: From Q1 FY2019, the category "System Operation Management" separated into "System Operation Management" and "System Infrastructure". The category "Other" separated into "Cybersecurity, Consulting and Training" and "Other".

## Feature of ID Group② (Net sales by Customer)

- Other
- IT, Telecom & Service
- Financial Institution

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

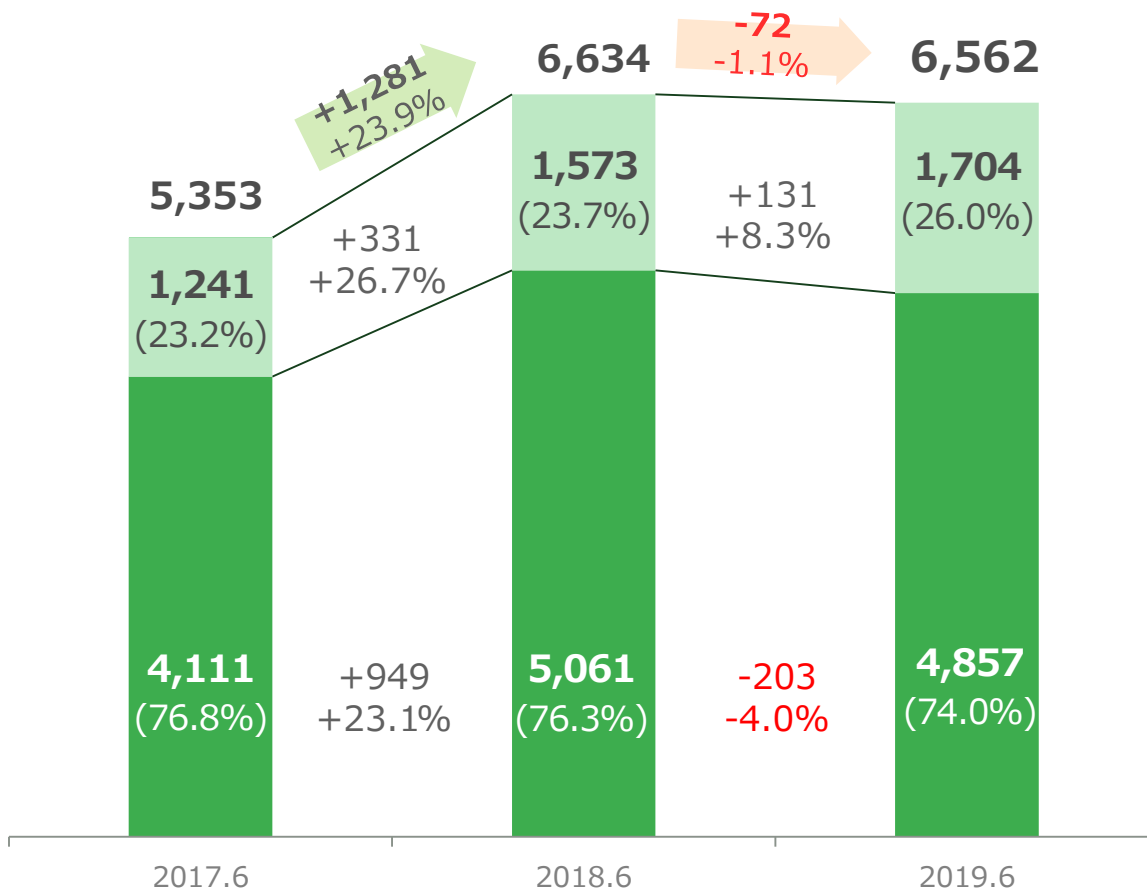




# Feature of ID Group③ (Net sales by Contracts)

■ Strategic partners  
■ Prime contracts

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



<div> <span style="color: #008000;">■</span> Prime contracts                 </div>	<div> <span style="color: #90EE90;">■</span> Strategic partners                 </div>
✓ Financial Institutions, Energy, Transportation and Manufacturing.	✓ Major IT Vendors

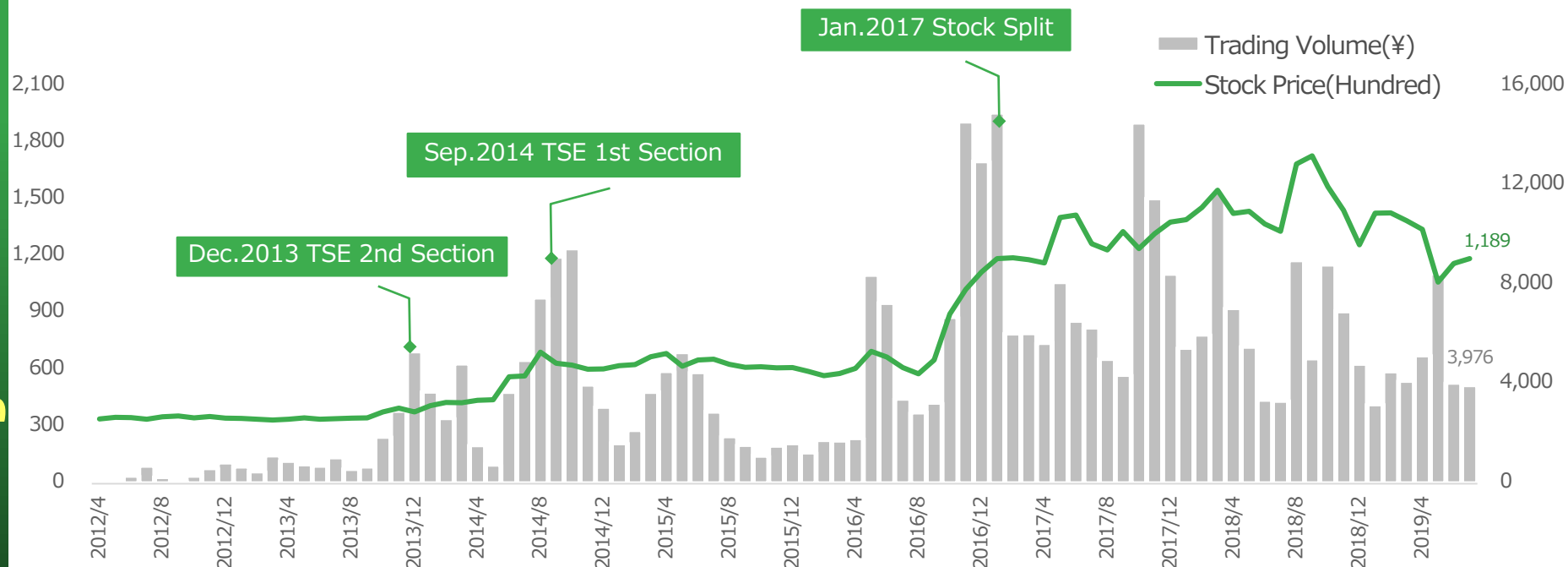
# Financial Position (Consolidated)

Change or Die!

	2019.3	2019.6		Main Reasons
(¥ million)	Results	Results	Diff.	
Current assets	9,298	8,509	-789	<ul style="list-style-type: none"> <li>• Increase in cash and deposits(+229)</li> <li>• Decrease in notes and accounts receivable-trade(-1,129)</li> </ul>
Non-current assets	5,301	5,140	-161	
Total assets	14,600	13,649	-951	
Current liabilities	5,293	4,478	-815	<ul style="list-style-type: none"> <li>• Decrease in income taxes payable(-257)</li> <li>• Decrease in provision for bonuses(-555)</li> </ul>
Non-current liabilities	964	1,060	+96	
Total liabilities	6,258	5,539	-718	
Total net assets	8,342	8,110	-232	<ul style="list-style-type: none"> <li>• Net income attributable to owners of parent(324)</li> <li>• Decrease in cash dividends paid(-456)</li> <li>• Decrease in valuation difference on available-for-sale securities(-73)</li> </ul>
Total liabilities and net assets	14,600	13,649	-951	

# Monthly Stock Prices and Trade Volume Chart

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



Market capitalization ¥14,320 million (as of 2019/7/31)

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

Note1: We calculate the stock price for from Apr.2012 to Dec.2016 using the number of revision of the stock split.

Note2: Volume is cumulative for each month, stock price lists closing price for each month.

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Next 50 Episode I: *Awakening!*

# 1 Development of a Future-oriented Corporate Culture

- Human resource management (HRM)
- Continuous promotion of diversity and inclusion



# 2

## Deployment of an Upgraded Business Model Based on Digital Transformation (DX)

- Promotion of DX and deep cultivation of existing fields which will not be automated

# 3 Promotion of ESG

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

### ⊕ Positive Facts

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

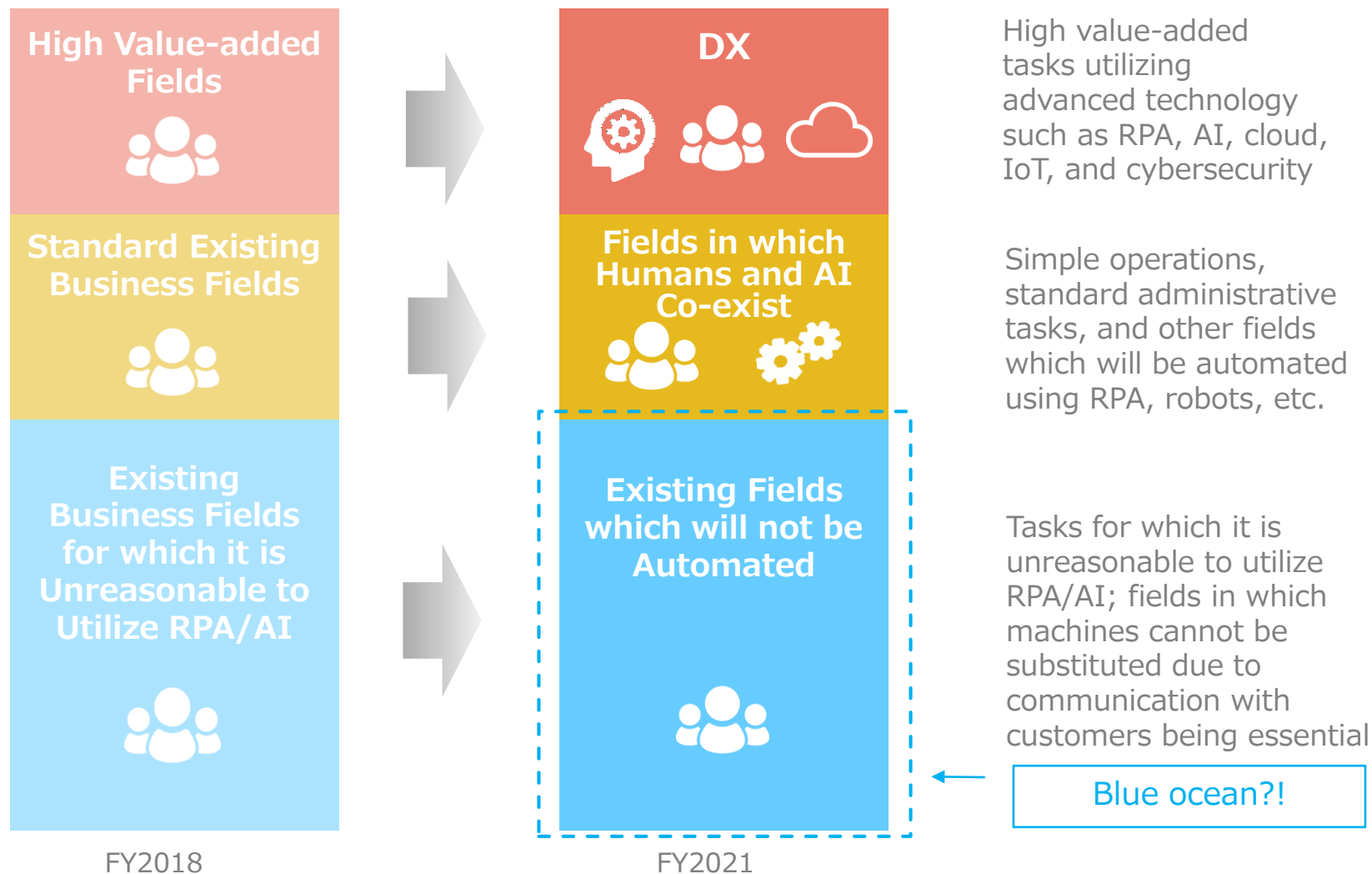
### ⊖ Negative Facts

- 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.

Through the rapid advancement of new technology, our company's existing business will be divided into the following three categories in the future. The ID Group will work on **digital transformation (DX)** and **deep cultivation of existing fields which will not be automated.**

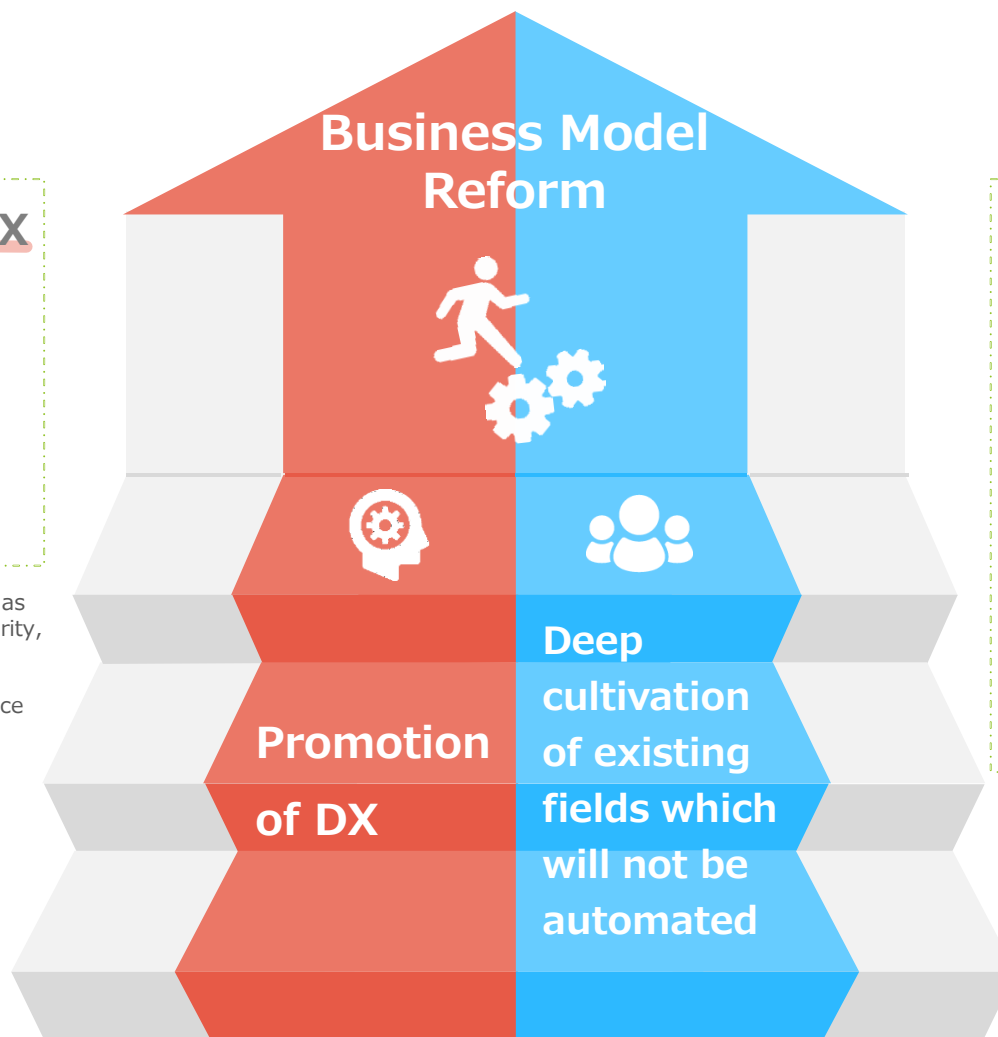


- Concurrently promote **digital transformation (DX)** in existing fields which will not be automated and seek coexistence between **AI** and **Humans**.

## Promotion of DX

Seek to provide even higher value-added services by combining advanced technology\* with existing service solutions.

\*Advanced technology fields such as RPI, AI, cloud, IoT, and cybersecurity, as well as advanced information management fields such as Agile, project management, and IT service management (ITSM).



## Deep cultivation of existing fields which will not be automated

Seek new business opportunities by engaging in deep cultivation of creative services which can only be done by human beings and services for which automation is unreasonable.



# Key Numerical Targets

	Result	Target	
(¥ millions)	FY2018	FY2019	FY2021
Net sales	26,515	<b>26,800</b>	<b>30,000</b>
Operating income	1,667	<b>1,670</b>	<b>1,850</b>
Operating income margin	6.3%	<b>6.2%</b>	<b>6.2%</b>
(Reference) Total investment in DX* and HRM*	—	<b>(150)</b>	<b>(120)</b>

\* DX Investment is an educational investment aimed at learning digital technology and adds to traditional training costs.

\* HRM Investment refers to the investment in human resource management systems.

The ID Group will actively invest in **constructing new business models** leveraging DX.

## Investment in Education

AI engineers, advanced cybersecurity engineers, ITIL engineers, RPA engineers, etc.

## Investment in systems

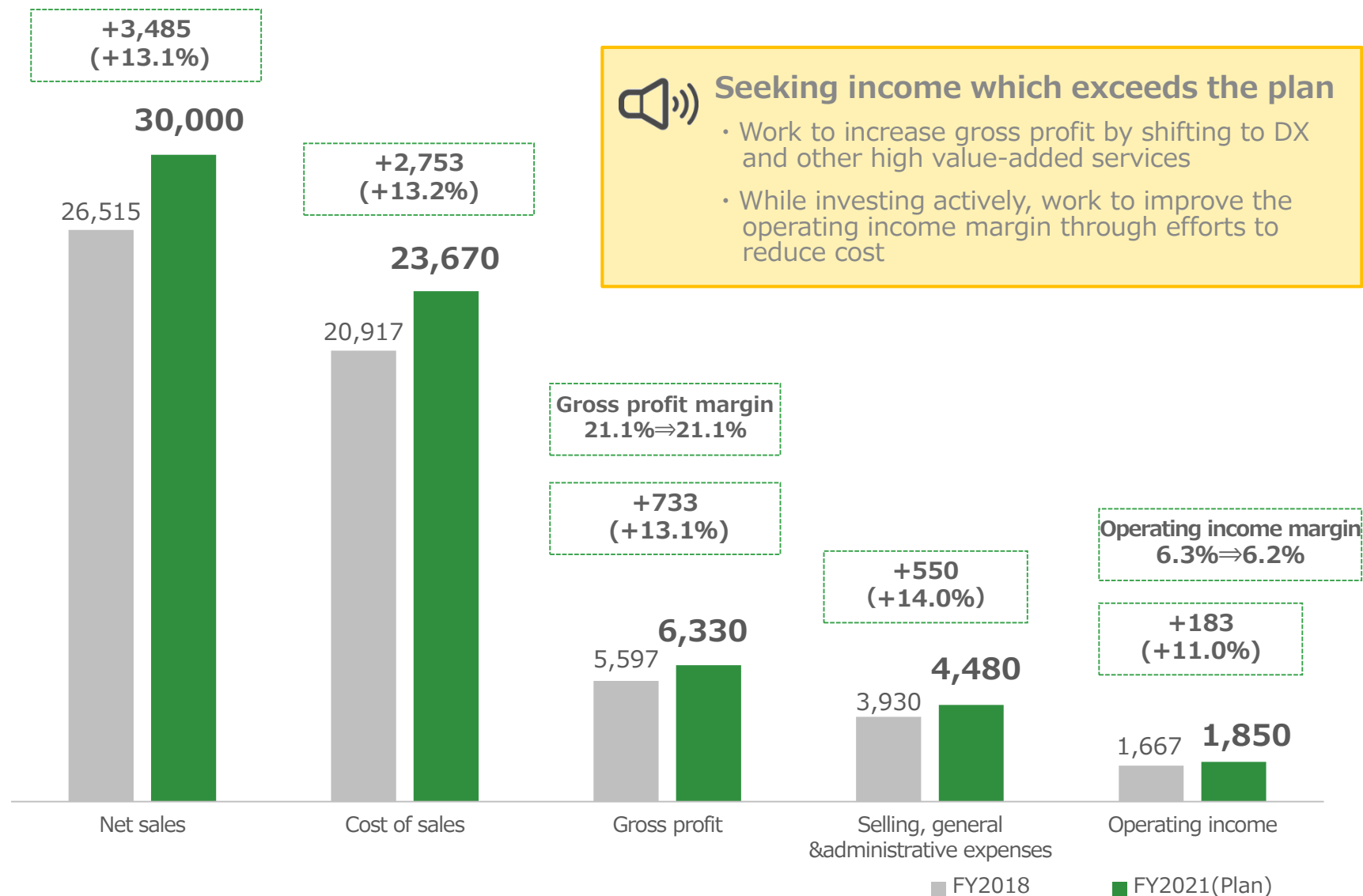
Construction and introduction of human resource management systems, etc.

## Investment in funds

- Collection of information on advanced IT technologies and application of the same to the ID Group business.
- Pursuit business or capital alliance with venture companies holding advanced technologies.

# Comparison on Profits of FY2018 and FY2021 (Planned)

(¥ million)



# Forecasts of Results for FY2019 (Consolidated)

	FY2018		FY2019			
(¥ million)	Results	(% of net sales)	Plan	(% of net sales)	Diff.	YoY
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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