From April 2019 to March 2022

Mid-term Management Plan

Next 50 Episode Ⅰ : *Awakening !*

ID Holdings

1st Section, Tokyo Stock Exchange
Securities code: 4709

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**.

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ID Holdings

- **ID** INFORMATION DEVELOPMENT
- **Fess**
- **K.K. Puraido**
- **AI Factory**

- **ID Wuhan** (WUHAN INFORMATION DEVELOPMENT)
- **ID Singapore** (SINGAPORE INFORMATION DEVELOPMENT)
- **ID America** (AMERICA INFORMATION DEVELOPMENT)
- **ID Myanmar** (MYANMAR INFORMATION DEVELOPMENT)

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 an 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.
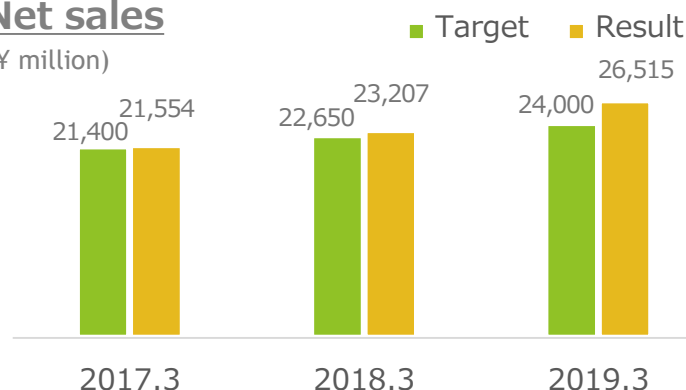
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This plan promoted work style reforms and promotion of three basic policies (business process reengineering (BPR), building new growth areas and strengthening consolidated management), with targets of net sales of ¥24 billion and operating income margin of 7%.

The Company achieved continuous growth for 7 fiscal years in net sales, for 6 fiscal years in operating income and 3 fiscal years in ordinary income, including net income all reaching record levels.
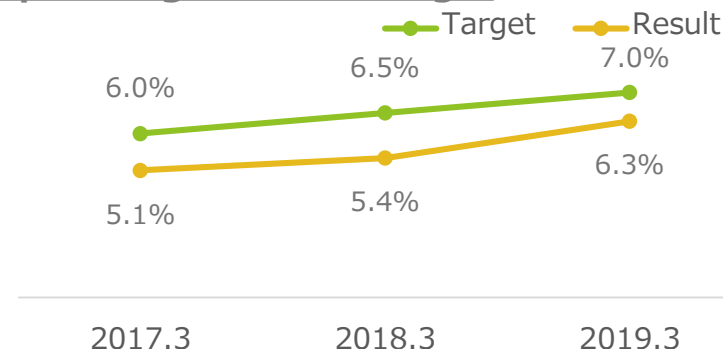
(¥ million)	Plan for FY2018 (Prepared in Apr. 2016)	FY2018	Diff.	Plan for FY2018 (Revised Oct. 2018)
Net sales	24,000	26,515	+2,515	26,600
Operating income	1,680	1,667	-13	1,640
Operating income margin	7.0%	6.3%	-0.7pp	6.2%

Net sales

(¥ million)

■ Target   ■ Result

- 2017.3: 21,400 / 21,554
- 2018.3: 22,650 / 23,207
- 2019.3: 24,000 / 26,515

Operating income margin

━●━ Target   ━●━ Result

- 2017.3: Target 6.0% / Result 5.1%
- 2018.3: Target 6.5% / Result 5.4%
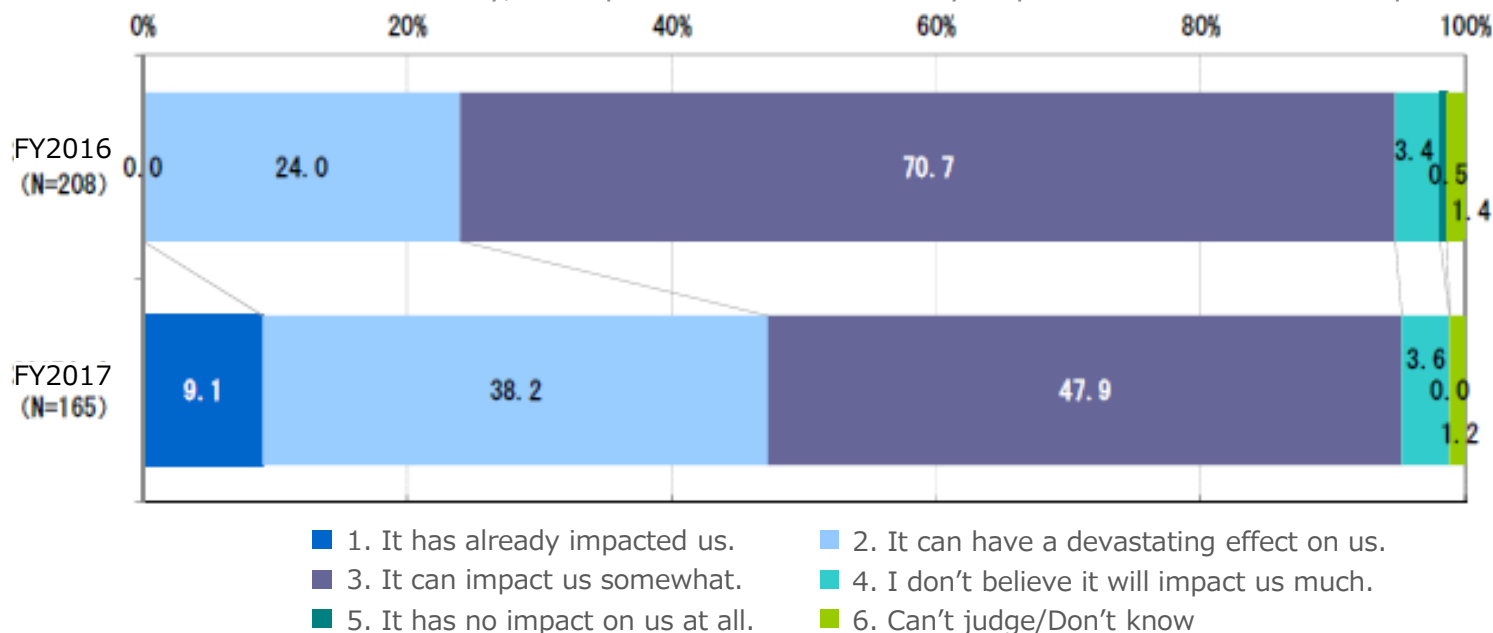- 2019.3: Target 7.0% / Result 6.3%

■ 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.

■ Improvement of operating income margin was improved, primarily because of work style reform and achievement of BPR. However, the final target was not achieved.

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Digitalization Impact to Business

Most companies have already recognized the possibility that the advance of digitalization can impact their businesses.

The number of respondents selecting "It has already impacted us" increased to 9%; those selecting "It can have a devastating effect on us," to 38%, indicating a pressing need for innovation in existing businesses.

Question 6: To what degree do you believe the advance of digitalization impacts your company's market position and continuity? (Select only one from options)
Note: In FY2016 survey, the option "1. It has already impacted us" was not an option.

	0%	20%	40%	60%	80%	100%
FY2016 (N=208)	0.0	24.0		70.7		3.4 / 0.5 / 1.4
FY2017 (N=165)	9.1	38.2		47.9		3.6 / 0.0 / 1.2

- 1. It has already impacted us.
- 2. It can have a devastating effect on us.
- 3. It can impact us somewhat.
- 4. I don't believe it will impact us much.
- 5. It has no impact on us at all.
- 6. Can't judge/Don't know

Excerpted from Survey on Digitalization Measures, Japan Users Association of Information Systems (JUAS)

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New Technology Fields Brought into Focus by Digitalization

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Of the new technologies companies are considering as a response to digital business, by far the most frequently mentioned are 1) AI[1], 2) IoT[2] and 3) RPA[3]. Companies are under pressure to grapple with these technology fields and reform their businesses.

Question 19: Which new technology fields are you looking at to respond to digital business and digitalization?
Please select three fields in order of importance, from first to third. (N=165)
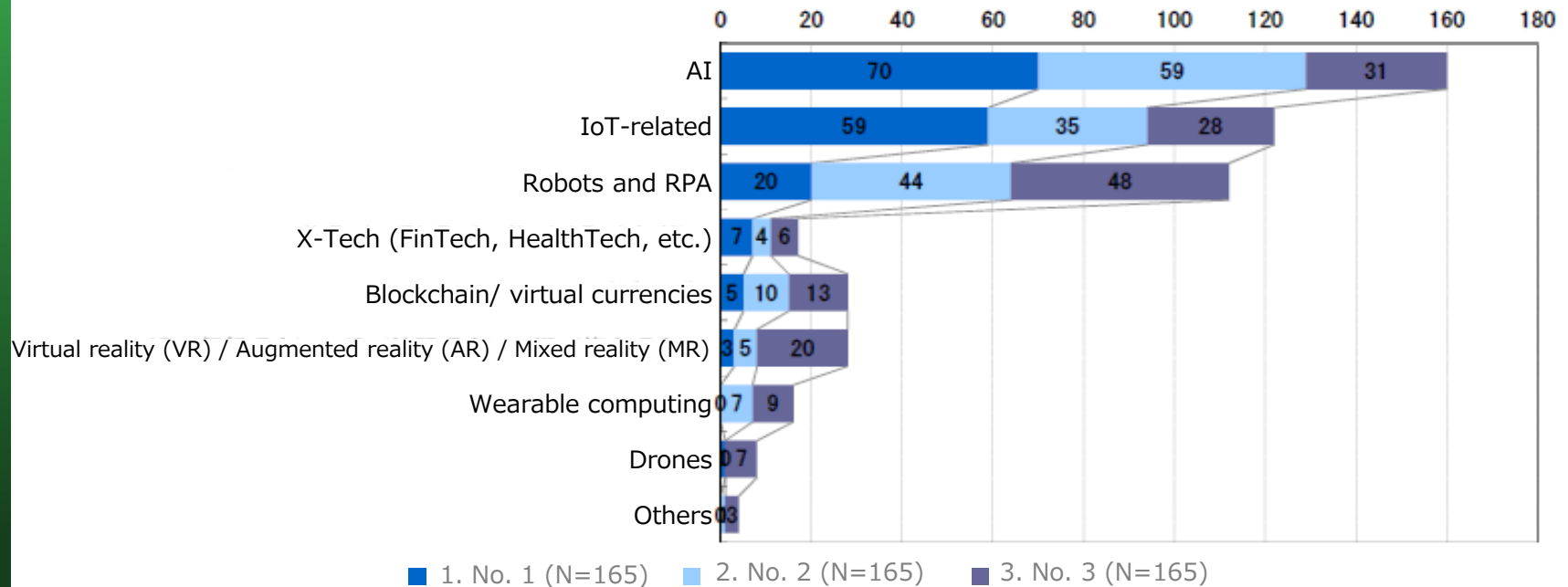
Field	No. 1	No. 2	No. 3
AI	70	59	31
IoT-related	59	35	28
Robots and RPA	20	44	48
X-Tech (FinTech, HealthTech, etc.)	7	4	6
Blockchain/ virtual currencies	5	10	13
Virtual reality (VR) / Augmented reality (AR) / Mixed reality (MR)	3	5	20
Wearable computing	0	7	9
Drones	0	0	7
Others	0	0	3

■ 1. No. 1 (N=165) ■ 2. No. 2 (N=165) ■ 3. No. 3 (N=165)

Excerpted from Survey on Digitalization Measures, Japan Users Association of Information Systems (JUAS)

1 AI= Artificial Intelligence: Software systems modeled to use computers to emulate human intellectual capabilities, such as memory, reasoning, judgment and learning
2 IoT = Internet of Things: Generic term for new services and business models made possible by connecting a wide range of objects over the internet, as well as the elementary technologies that make them possible
3 RPA = Robotic Process Automation: Automation and streamlining of standard clerical processes using robotic technologies with software incorporating AI.

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- The advance of digitalization has a significant impact on the system operation management business, which is the ID Group's main business.

- The current status and issues in the environment surrounding this business can be summarized in the following three themes.*

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	Current Status of Business Environment	Issues
Advance of Digital Technologies (RPA etc.)	• Business-model innovation is advancing in a wide range of organizations, using digital technologies such as RPA and AI.	**Drafting strategies for using RPA, AI, etc.** ⇒ The time has come for the ID Group to evaluate the possibilities of various technologies and reframe its business strategy.
Response to Changing Customer Needs	• The ID Group's main customers are also moving forward with structural and business-process innovation. These companies' needs in terms of IT system configuration and operation are changing dramatically (cf. cloud-first policy, business process automation, etc.).	**Grasping customer needs and reassessing the Group's business** ⇒ The ID Group is required to understand its main customers' needs in terms of the system operation business and examine policies for responding to them on time.
Training of Personnel in View of Future Business Development	• The competition to recruit people with skill sets in RPA, AI, etc. is intense, not only in Japan but worldwide. • The Group's customers are also beginning to train the personnel who can drive development in the digital field.	**Drafting personnel training plans to respond to new technologies** ⇒ The ID Group needs to define a personnel model that takes into account directions in technological innovation and draft personnel training plans on that basis.

Next 50 Episode I : *Awakening !*

From April 2019 to March 2022

Next 50 Episode 1: *Awakening !*

Episode 1 of the REVOLUTION toward a NEW 50 YEARS
~Toward creating a exciting (Waku-Waku) future~

We are not a giant,
but EARNEST and DILIGENT company

Next 50 Episode Ⅰ : *Awakening !*

NEXT 50

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

* 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.

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Continuous promotion of diversity and inclusion

・Including work style reforms

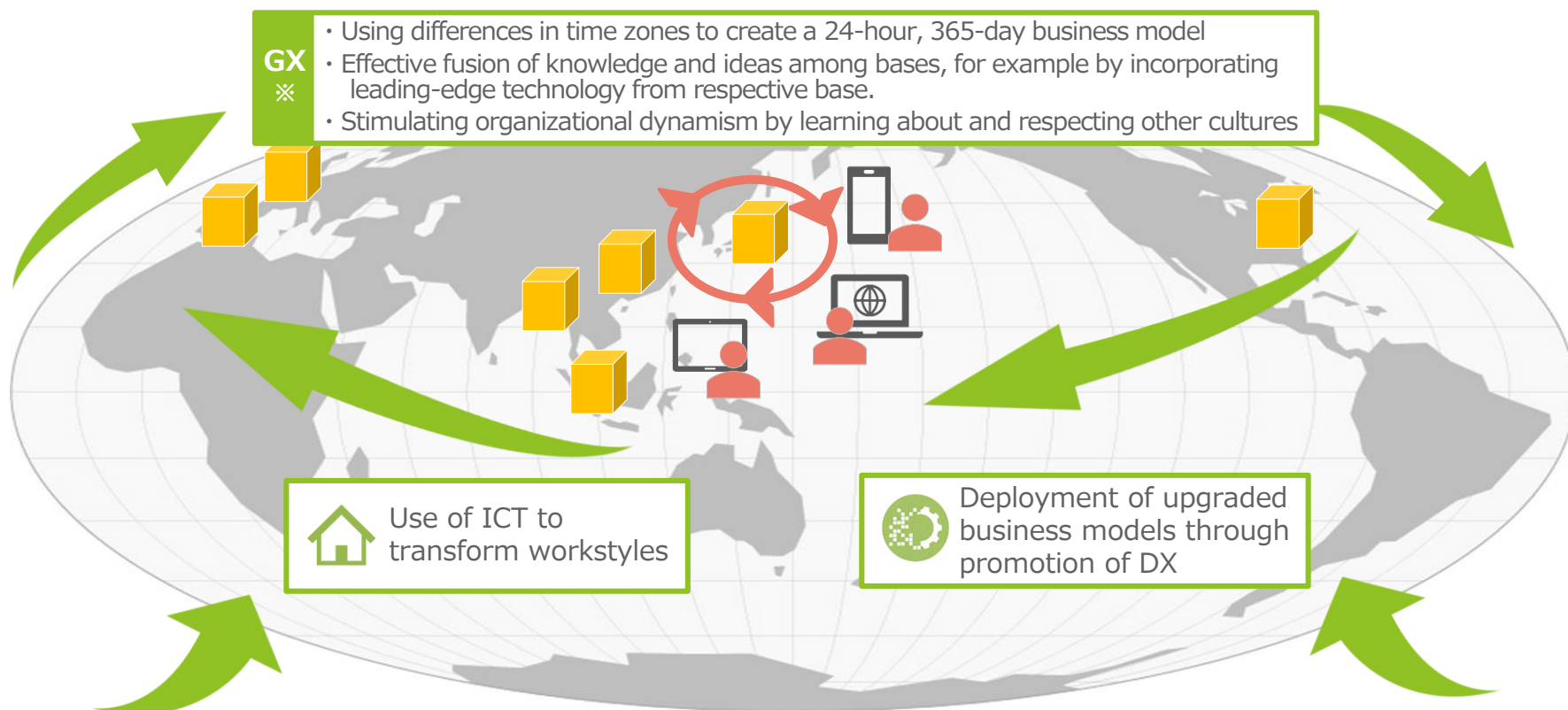**Promotion of DX and deep cultivation of existing fields which will not be automated**

既存領域

DX

人間力

HRM

Development of HR

・Leadership
・Communication skills
・Troubleshooting skills

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Development of a Future-oriented Corporate Culture

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🔖 Promoting Diversity & Inclusion - Stage 2

The ID Group will create innovation by fusing diverse value and further strengthen connections with overseas bases.

GX ※
- Using differences in time zones to create a 24-hour, 365-day business model
- Effective fusion of knowledge and ideas among bases, for example by incorporating leading-edge technology from respective base.
- Stimulating organizational dynamism by learning about and respecting other cultures

Use of ICT to transform workstyles

Deployment of upgraded business models through promotion of DX

Securing diverse personnel
- Adoption and long-term employment of a diverse, global workforce
- Expansion of career models for women to achieve a 1:1 male-to-female ratio by 2029
- Raising the percentage of non-Japanese employees to 40% through connections with overseas bases

Awakening:
Training and support to awaken employees
- Career consulting for executives
- Training of a cohort of new
- Training on the integration of ideas
- Open innovation

* GX = Global Transformation: The transformation in business models and operations that occurs when companies put their global bases to effective use, in consideration of changes among customers, the emergence of new technologies and the advance of globalization

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Through the rapid advancement of new technology, our company's existing business will 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**.

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FY2018		FY2021	
High Value-added Fields	→	**DX**	High value-added tasks utilizing advanced technology such as RPA, AI, cloud, IoT, and cybersecurity
Standard Existing Business Fields	→	**Fields in which Humans and AI Co-exist**	Simple operations, standard administrative tasks, and other fields which will be automated using RPA, robots, etc.
Existing Business Fields for which it is Unreasonable to Utilize RPA/AI	→	**Existing Fields which will not be Automated**	Tasks for which it is unreasonable to utilize RPA/AI; fields in which machines cannot be substituted due to communication with customers being essential

Blue ocean?! ←

# Deployment of an Upgraded Business Model Based on DX

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

Business Model Reform

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).

Promotion of DX

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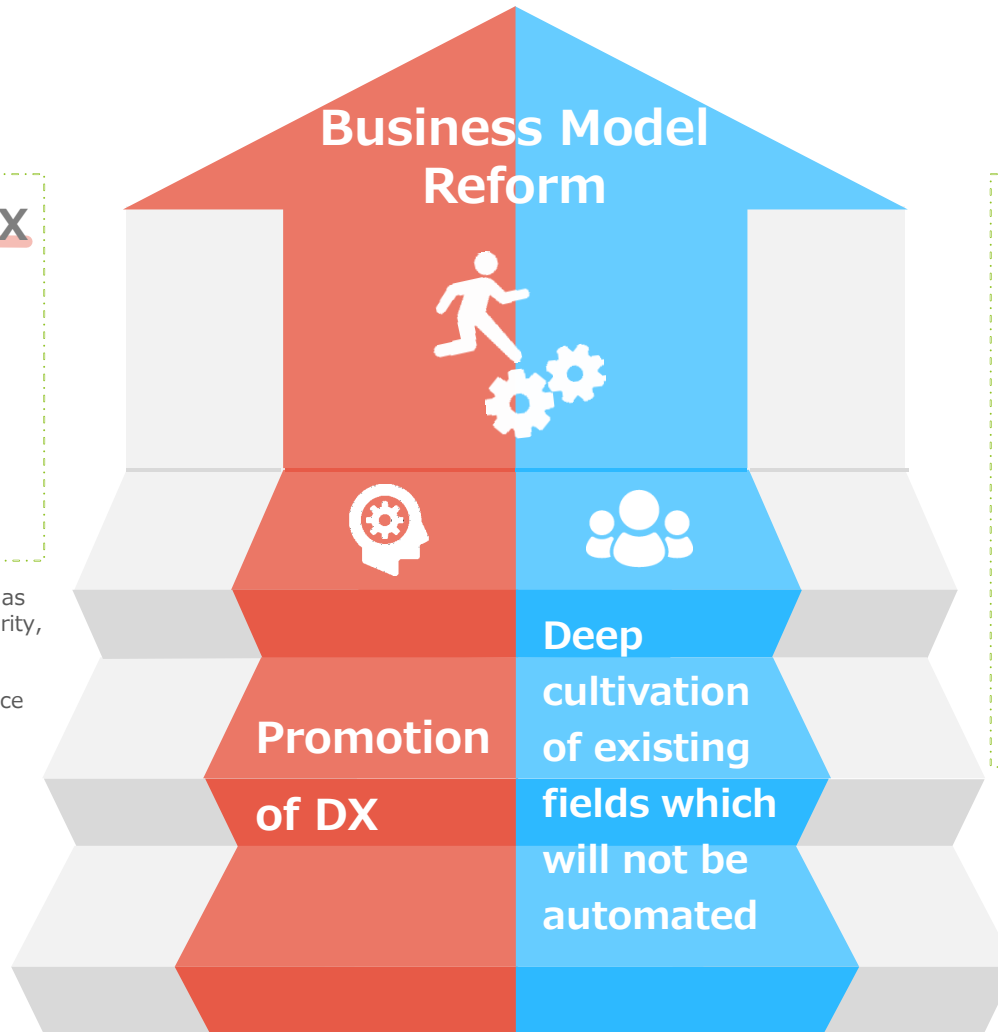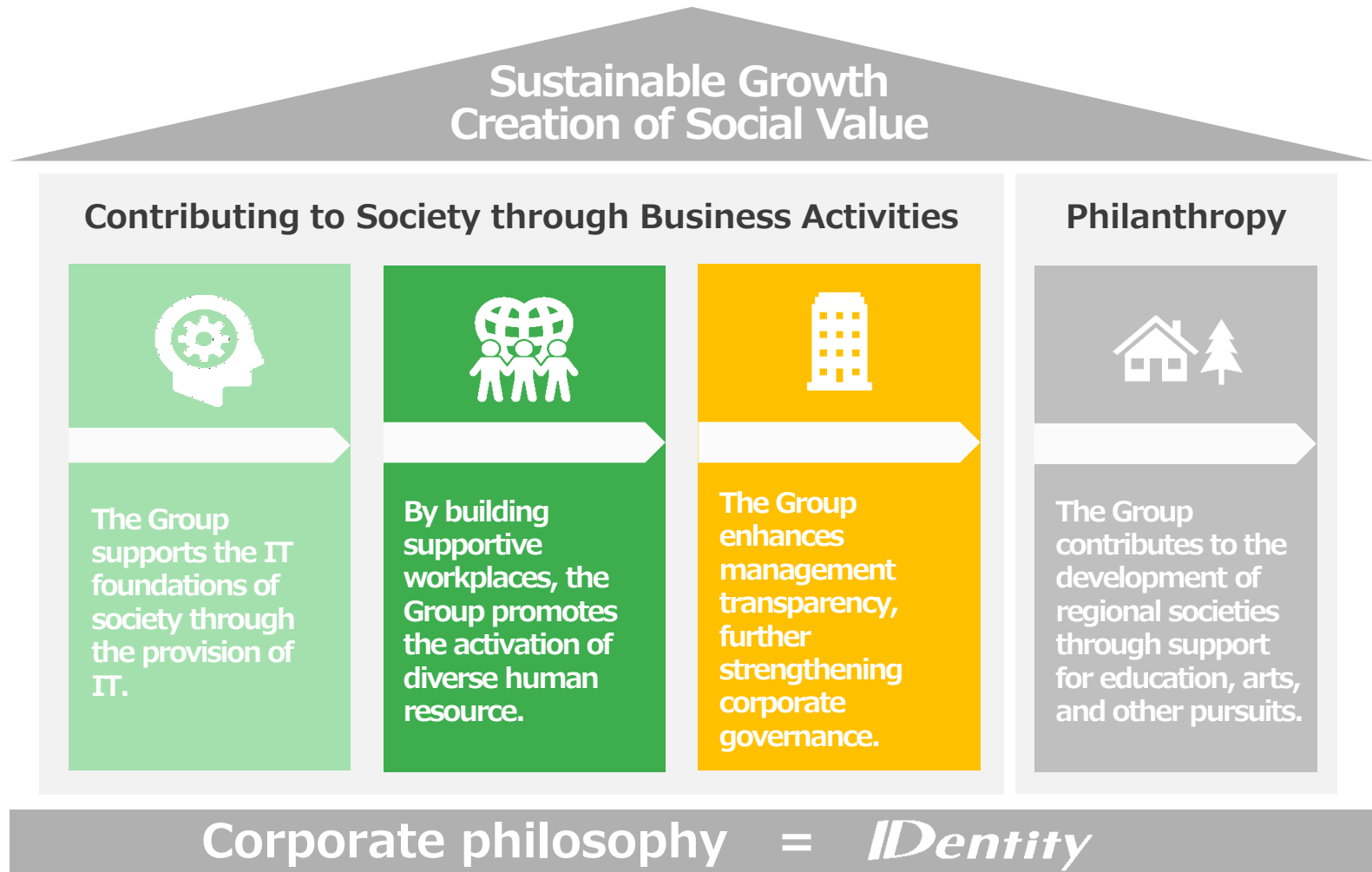
Deep cultivation of existing fields which will not be automated

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.

Promotion of ESG

Basic policy

To create an exciting future (Waku-Waku), the ID Group aims to solve social issues through the provision of information services, while growing sustainably and creating social value.

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Sustainable Growth
Creation of Social Value

Contributing to Society through Business Activities

The Group supports the IT foundations of society through the provision of IT.

By building supportive workplaces, the Group promotes the activation of diverse human resource.

The Group enhances management transparency, further strengthening corporate governance.

Philanthropy

The Group contributes to the development of regional societies through support for education, arts, and other pursuits.

Corporate philosophy = IDentity

ID GROUP

Steps to promotion of ESG (CSR)

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2019.4～2022.3

I-vision 50
2016.4～2019.3

Breakthrough 200!
2013.4～2016.3

Promotion of ESG (CSR)

- ・Promoting ID-Cloud
- ・Promoting diversity
- ・Raising efficiency of Group management
- ・Philanthropy

- ・Promoting the use of new technologies
- ・Promoting work style reforms
- ・Promoting diversity
- ・Strengthening consolidated governance
- ・Philanthropy

Promoting technological innovation

Promoting training and activation of personnel

Strengthening corporate governance

Philanthropy

Human Rights
Labor Practices
Participation in the community and community development
Gover-nance
Environment
Consumer Issues
Fair Business Practice

Measures toward ISO26000*

* ISO26000 is an international standard published in 2010. It provides guidelines for organizations in dealing with social responsibilities.

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⊕ 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.

Key Numerical Targets

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

* 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.

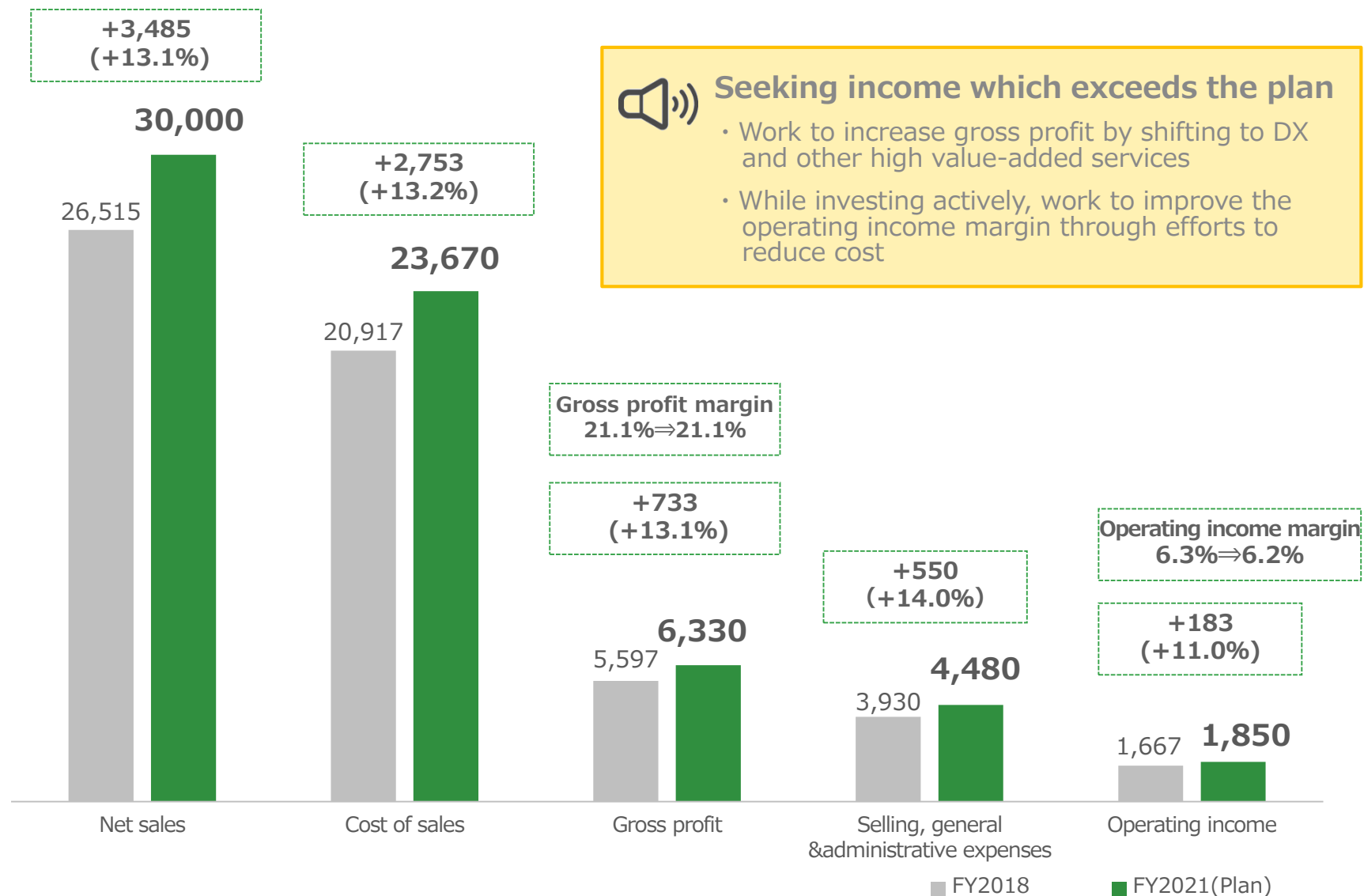| **Investment in Education**	**Investment in systems**	**Investment in funds**
AI engineers, advanced cybersecurity engineers, ITIL engineers, RPA engineers, etc.	Construction and introduction of human resource management systems, etc.	- Collection of information on advanced IT technologies and application of the same to the ID Group business. - Pursuit business or capital alliance with venture companies holding advanced technologies.

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(¥ million)

Seeking income which exceeds the plan

・Work to increase gross profit by shifting to DX and other high value-added services

・While investing actively, work to improve the operating income margin through efforts to reduce cost

Net sales
- +3,485 (+13.1%)
- 30,000
- 26,515

Cost of sales
- +2,753 (+13.2%)
- 23,670
- 20,917

Gross profit
- Gross profit margin 21.1%⇒21.1%
- +733 (+13.1%)
- 6,330
- 5,597

Selling, general & administrative expenses
- +550 (+14.0%)
- 4,480
- 3,930

Operating income
- Operating income margin 6.3%⇒6.2%
- +183 (+11.0%)
- 1,850
- 1,667

Legend: ■ FY2018   ■ FY2021(Plan)

Disclaimer

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