



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

President and Representative Director
Masaki Funakoshi

TSE 1st section
Code

4709

※ Our website can be
accessed from the
QR Code.



November 2019

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New Topics

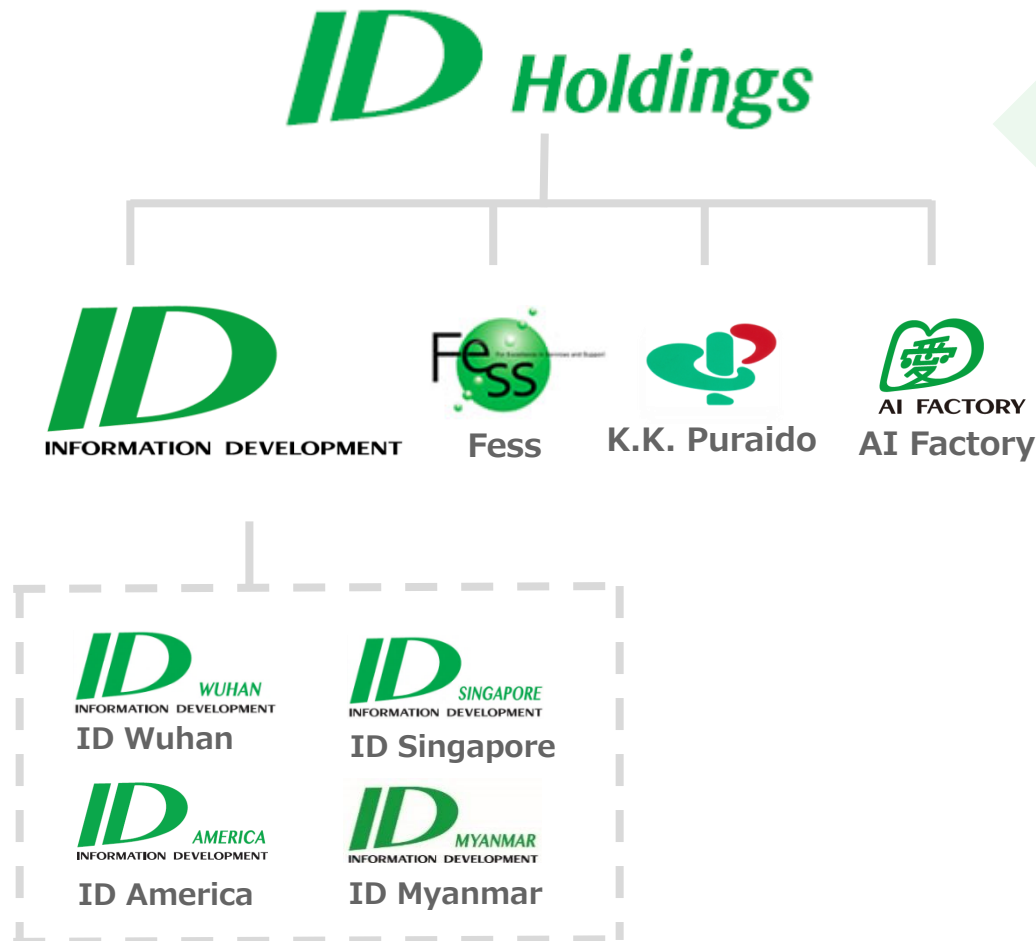
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Q2 Performance Overview

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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

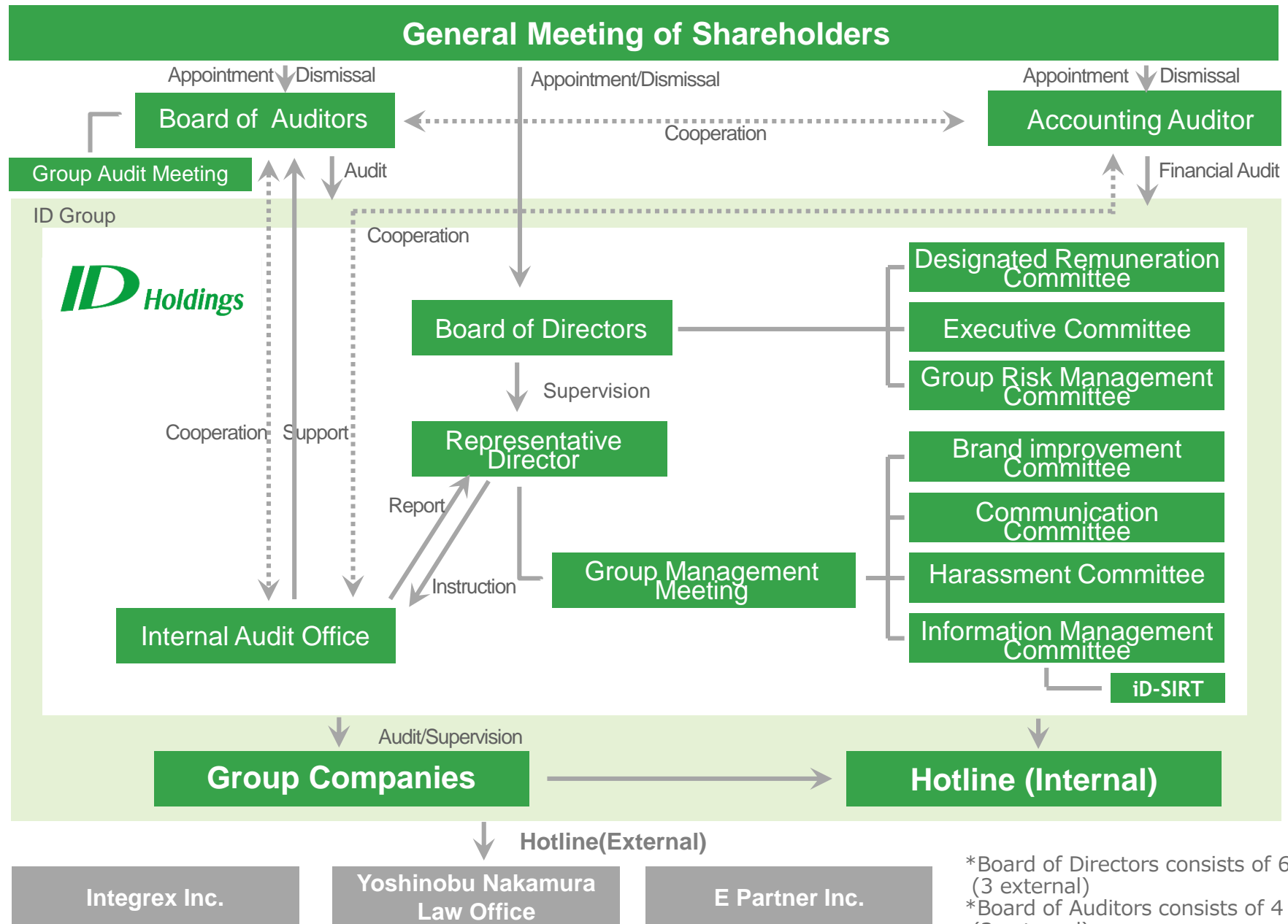
With a view to overall optimization, the Group will optimize management resources and invest in growth markets, including through acquisitions.

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 (3 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 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.

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.

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

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



- Nov.**
- 8th** Notice regarding distribution of retained earnings (interim dividend)
 - 7th** Notice regarding the changes in major shareholders
 - 1st** Revision of forecast of consolidated financial results for the first six months of the fiscal year ending March 31, 2020
 - 1st** Launch of operations of the Japan Branch of INFORMATION DEVELOPMENT AMERICA INC.
- Oct.**
- 25th** Notice regarding the schedule of ID`s exhibition in 2019 MPOWER Cybersecurity Summit
 - 10th** ID signed the sales agency agreement of NTT Com's Cloud service
 - 1st** ID hosted the digital technology symposium *Advances in Infrastructure and the Status of Data in the DX Era*
- Sept.**
- 19th** Notice regarding the schedule of ID Group 50 anniversary (Oct. 20, 2019) celebration orchestra concert
- Aug.**
- 15th** Interview of Funakoshi was published on the Shareholders' Handbook Vol.Sept.2019, a magazine specializing in stock investment
 - 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
 - 2nd** Notice of completion of shift to a holding-company structure through company split

*1:ID refers to INFORMATION DEVELOPMENT CO., LTD.

*2:Date here based on publication date on homepage

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New Topics

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Next 50 Episode I: *Awakening!*

Financial Results (consolidated)

Change or Die!

	2018.9		2019.9			
(¥ million)	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	13,171	-	13,171	-	-0.1	-0.0%
Cost of sales	10,492	79.7%	9,837	74.7%	-655	-6.2%
Gross profit	2,679	20.3%	3,334	25.3%	+654	+24.4%
SG&A expenses	1,944	14.8%	2,175	16.5%	+230	+11.9%
Operating income	734	5.6%	1,159	8.8%	+424	+57.7%
Operating income (Before amortization of goodwill)	862	6.5%	1,286	9.8%	+424	+49.2%
Ordinary income	786	6.0%	1,168	8.9%	+382	+48.6%
Net income attributable to owners of parent	450	3.4%	738	5.6%	+287	+63.8%

Net Sales

¥13,171 million (-0.0% YoY)

System Operation Management:

¥6,023 million (-3.4% YoY)

- ⊕ Orders increased from existed finance-related customers.
- ⊖ Sales decreased due to part of ending finance-related projects.

Software Development:

¥4,558 million (-0.9% YoY)

- ⊕ Sales increased continuously in part of public-sector-related large projects.
- ⊕ Orders increased in part of existed finance-related customers.
- ⊖ Sales decreased due to the convergence of public-sector-related project in the previous fiscal year.

System Infrastructure: **¥1,183 million (-0.4% YoY)**

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

Cybersecurity, Consulting and Training:

¥851 million (+37.5% YoY)

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

Other:

¥553 million (+5.0% YoY)

- ⊕ Augmented orders of product sales.

Operating Income

• Operating income

¥1,159 million (+57.7% YoY)

• Ordinary income

¥1,168 million (+48.6% YoY)

• Net income attributable to owners of parent

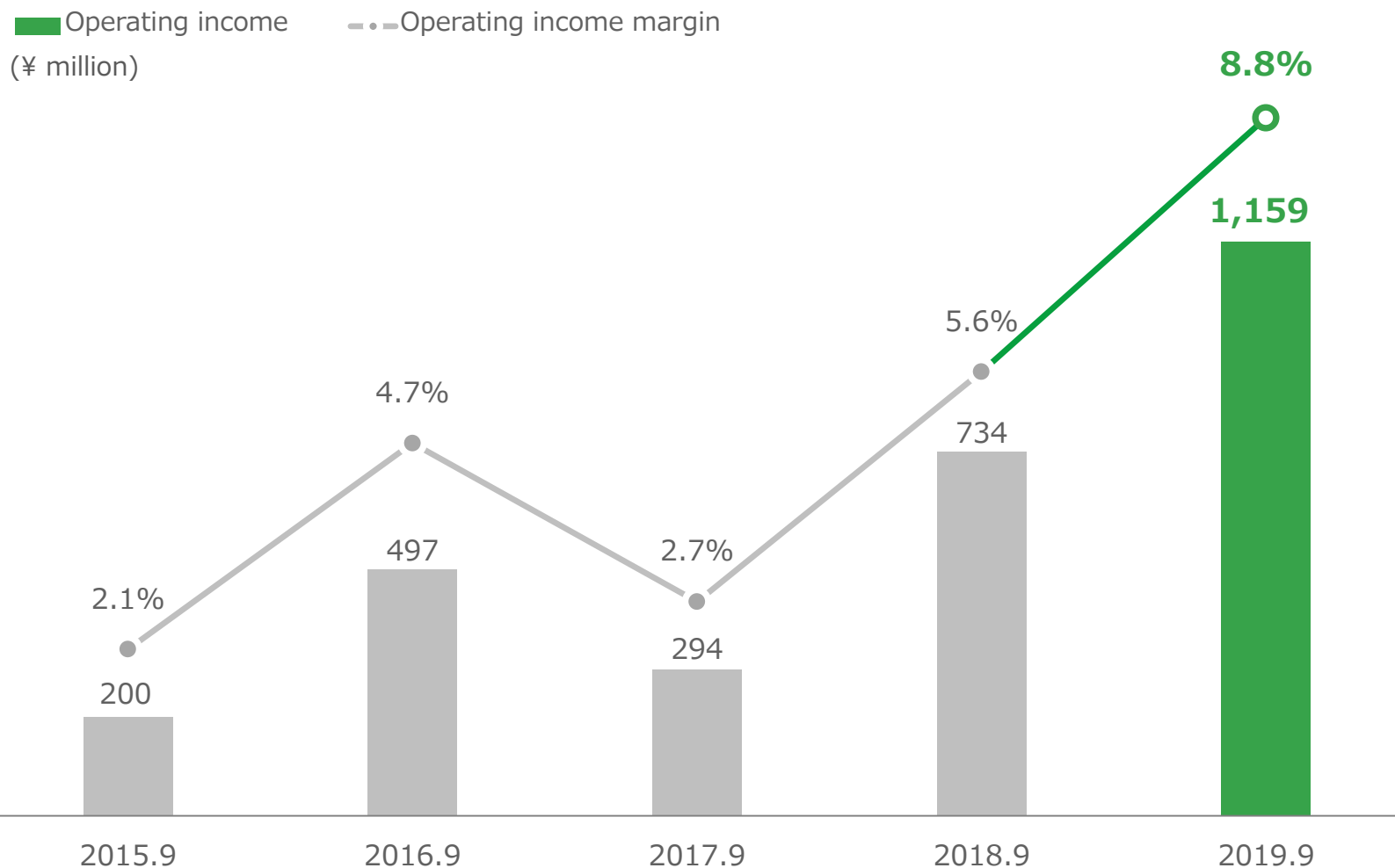
¥738 million (+63.8% YoY)

- ⊕ The positive activities in marketing.
- ⊕ The improvement in project management.
- ⊕ The shift toward high-value-added fields of engineers.
- ⊕ Continuously high-profit due to part of the large projects in software development.

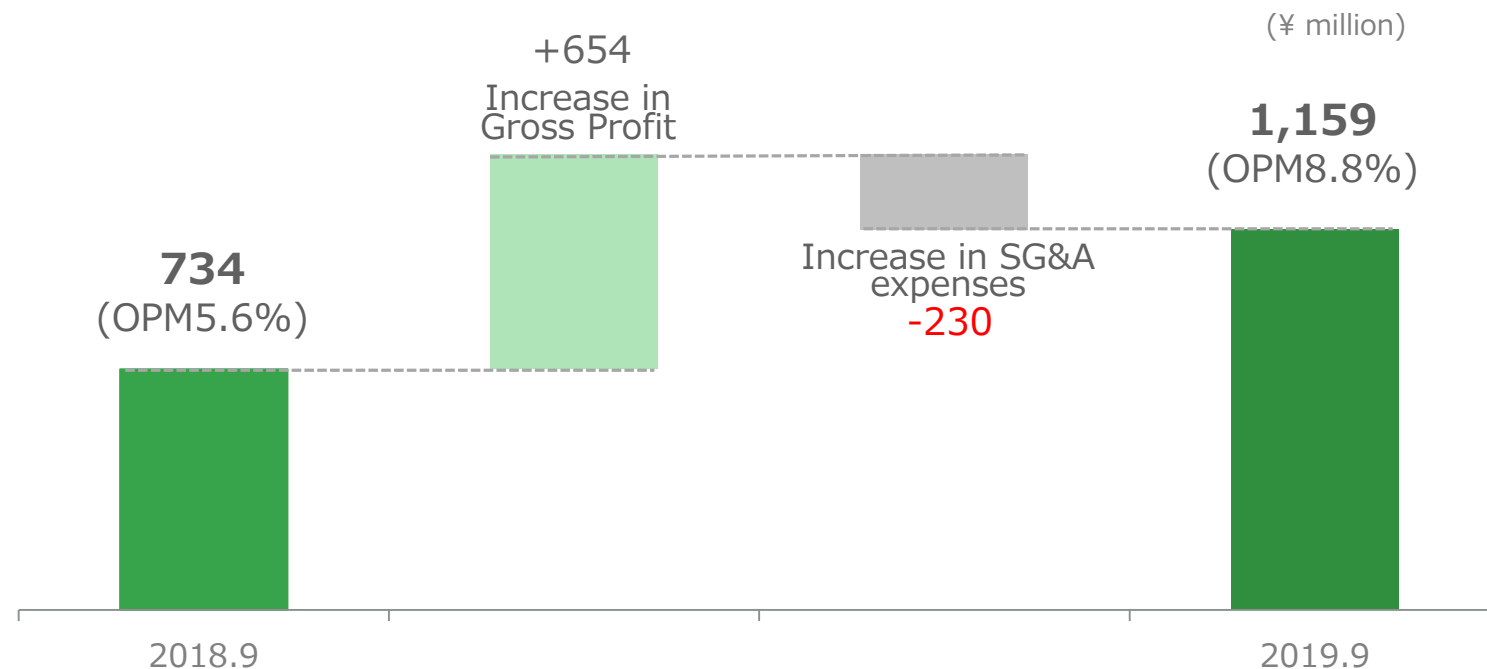
Note: The category changed from Q1 FY2019.

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We will keep **improving project management** and **shifting engineers toward high-value-added fields** to improve the operating income margin.



Q2 Operating Income Analysis (YoY)



◆ Gross profit +654

➤ Cost of sales +655

<Major changes in cost of sales>

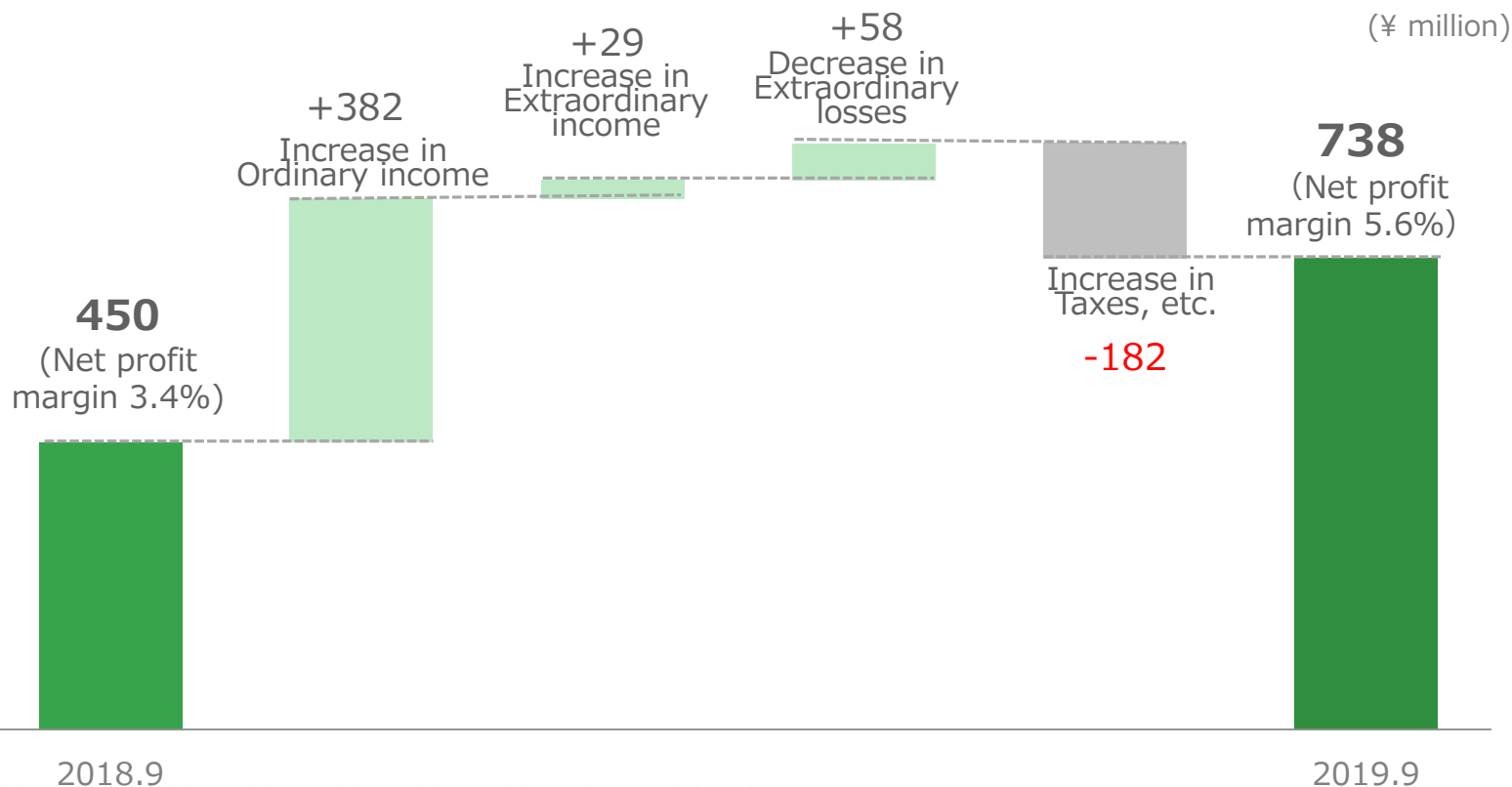
- Labor cost +337
- Manufacturing expenses +201
- Subcontract expenses +175

◆ SG&A expenses -230

<Major changes in SG&A expenses>

- Personal expenses - 98
- Other SG&A expenses - 132

Net Income Attributable to Q2 Owners of Parent Analysis (YoY)



◆ Extraordinary income +29

Major changes in Extraordinary income

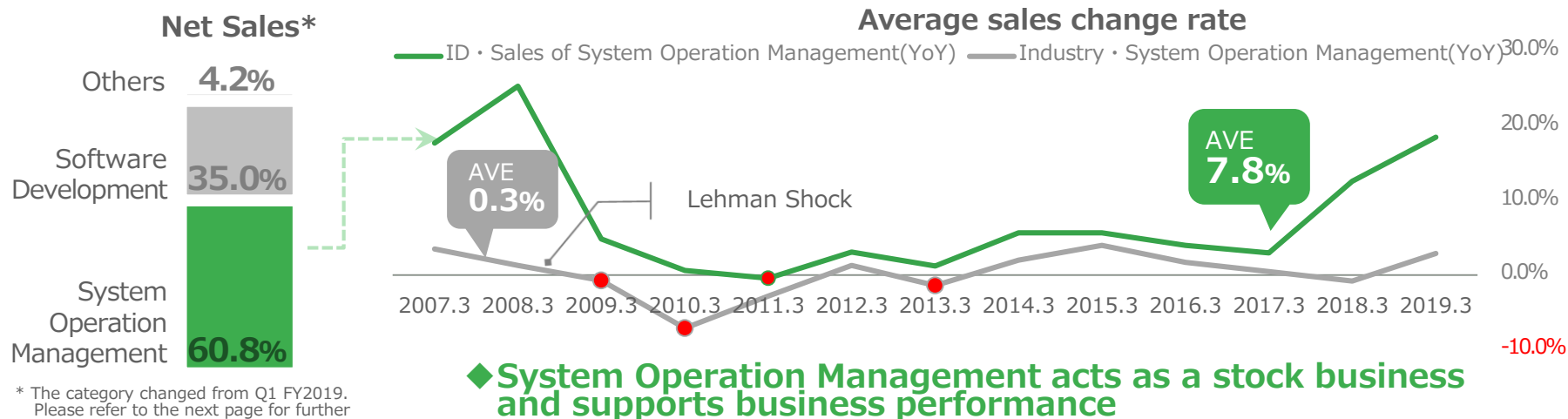
- Gain on sales of investment securities +29

◆ Extraordinary losses +58

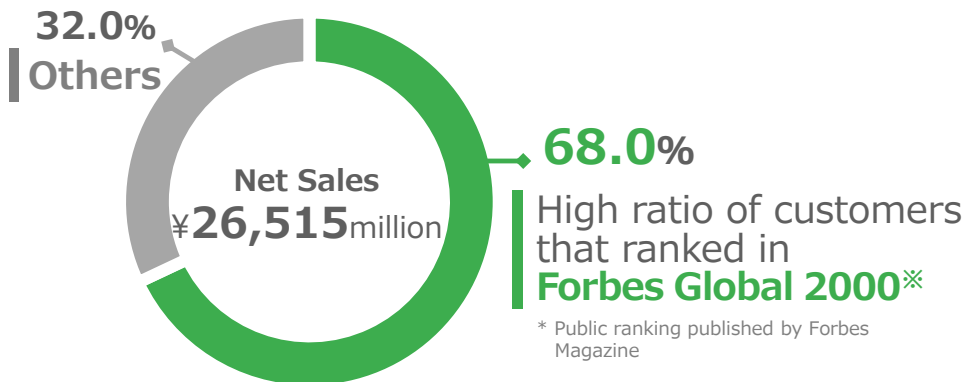
Major changes in Extraordinary losses

- A reactionary decrease since the loss on office transfer in Q1, FY2018 +57

1 Sale for System Operation Management over 60%

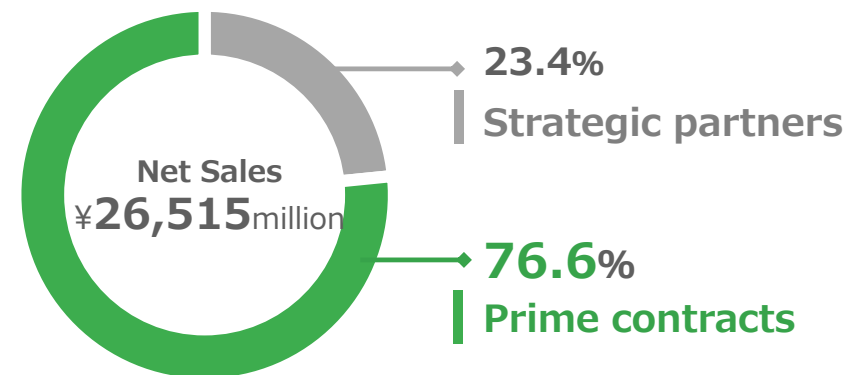


2 Near 70% of the Transaction Revenue Comes from Global Leading Companies



◆ **Actively stabilizing relation with leading companies for IT investments**

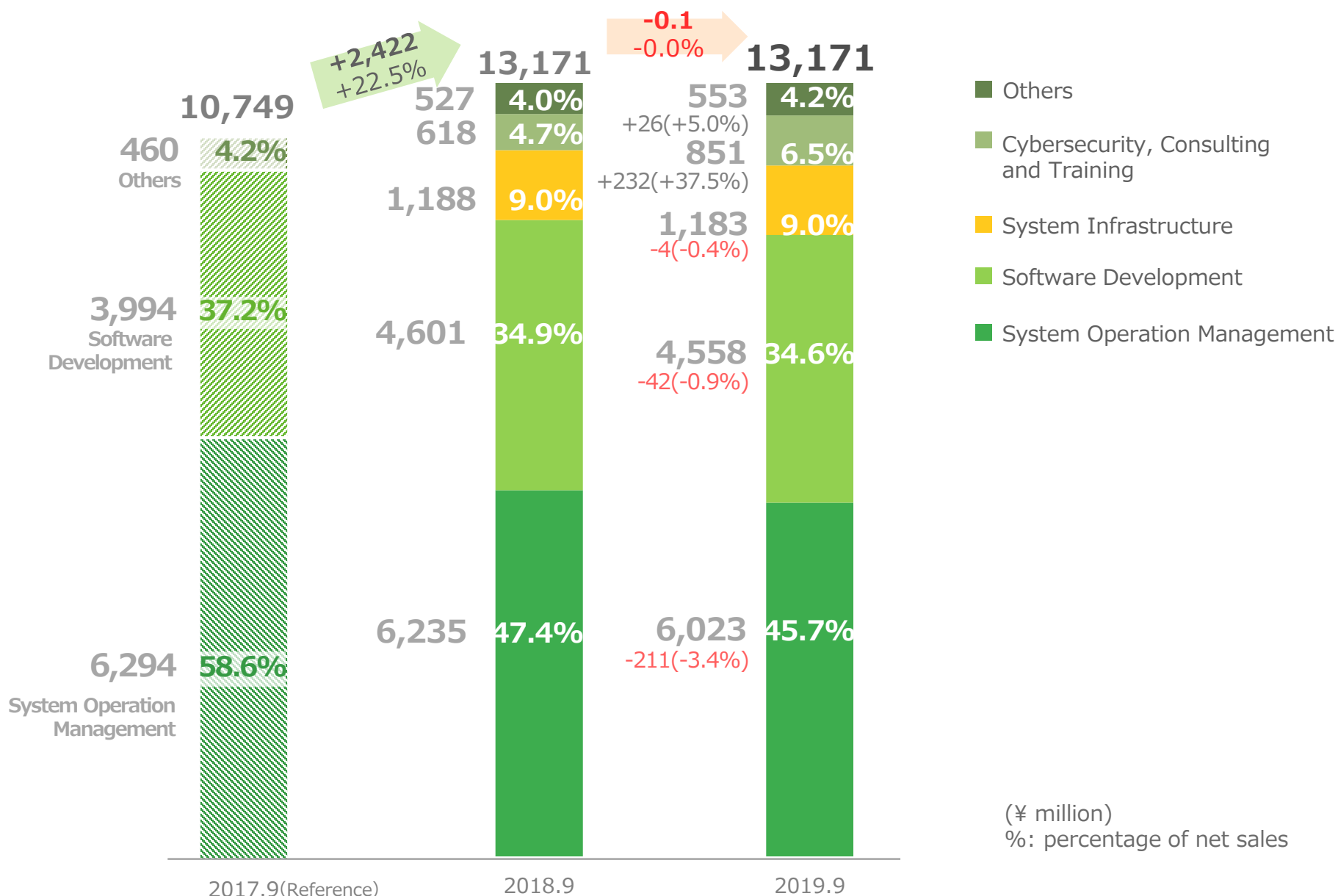
3 Near 80% of the contracts are prime contracts



◆ **Directly understanding customer needs and creating appropriate proposals**

Feature of ID Group① (Net sales by Services)

Change or Die!

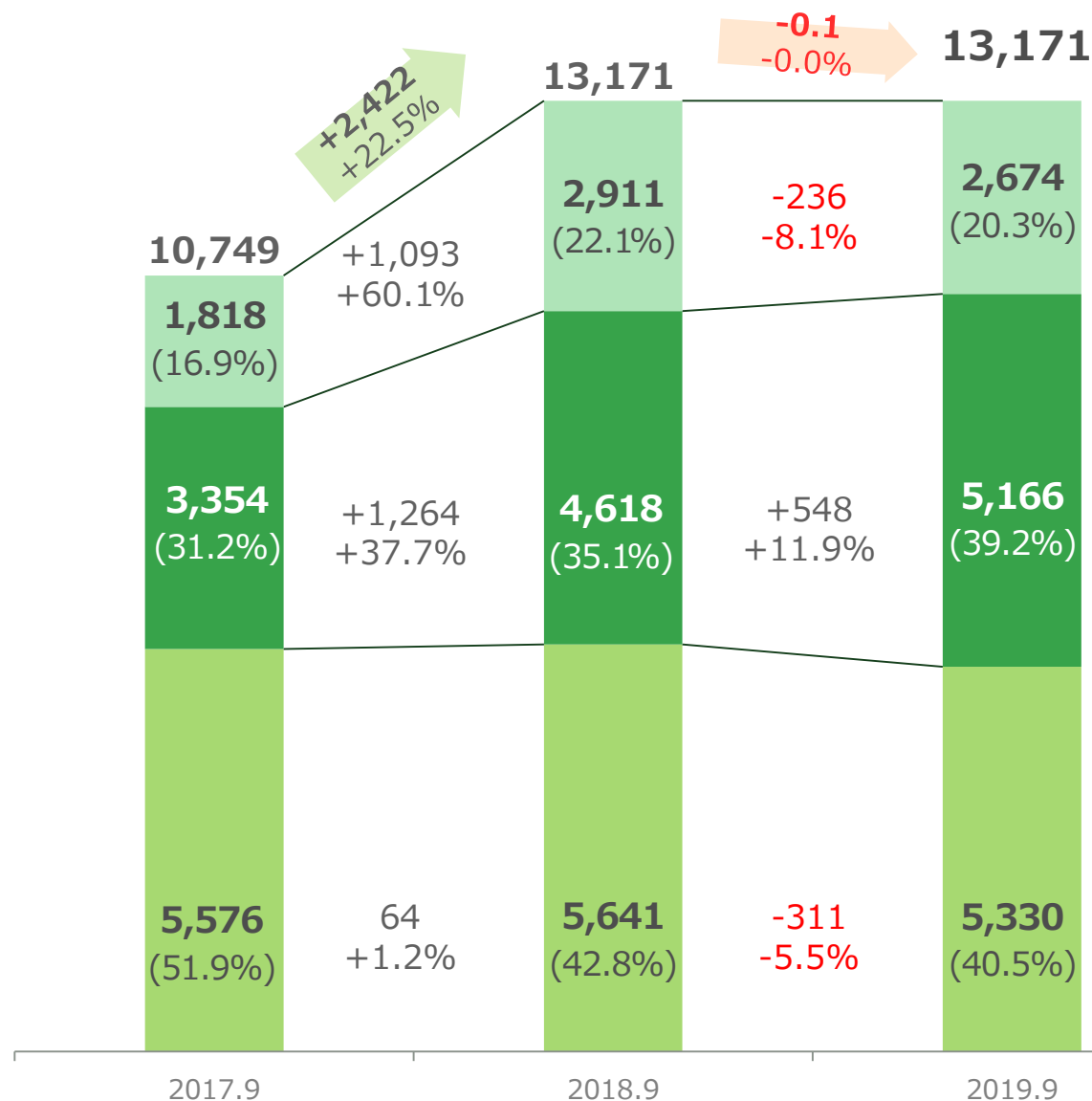


Note: From Q1 FY2019, the category "**System Operation Management**" separated into "**System Operation Management**" and "**System Infrastructure**". The category "**Others**" separated into "**Cybersecurity, Consulting and Training**" and "**Others**".

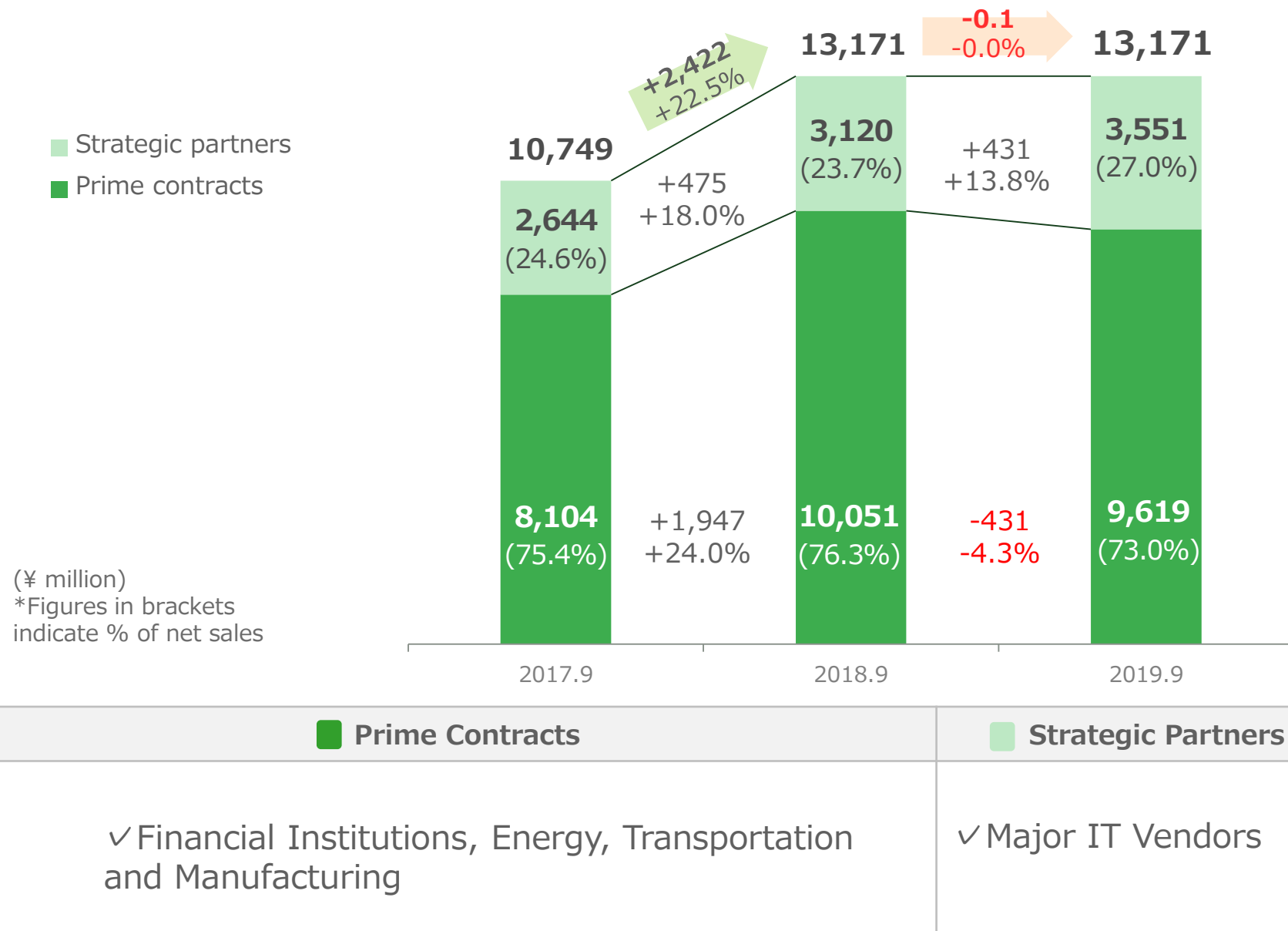
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- Others
- IT, Telecom & Service
- Financial Institution

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



Feature of ID Group③ (Net sales by Contracts)



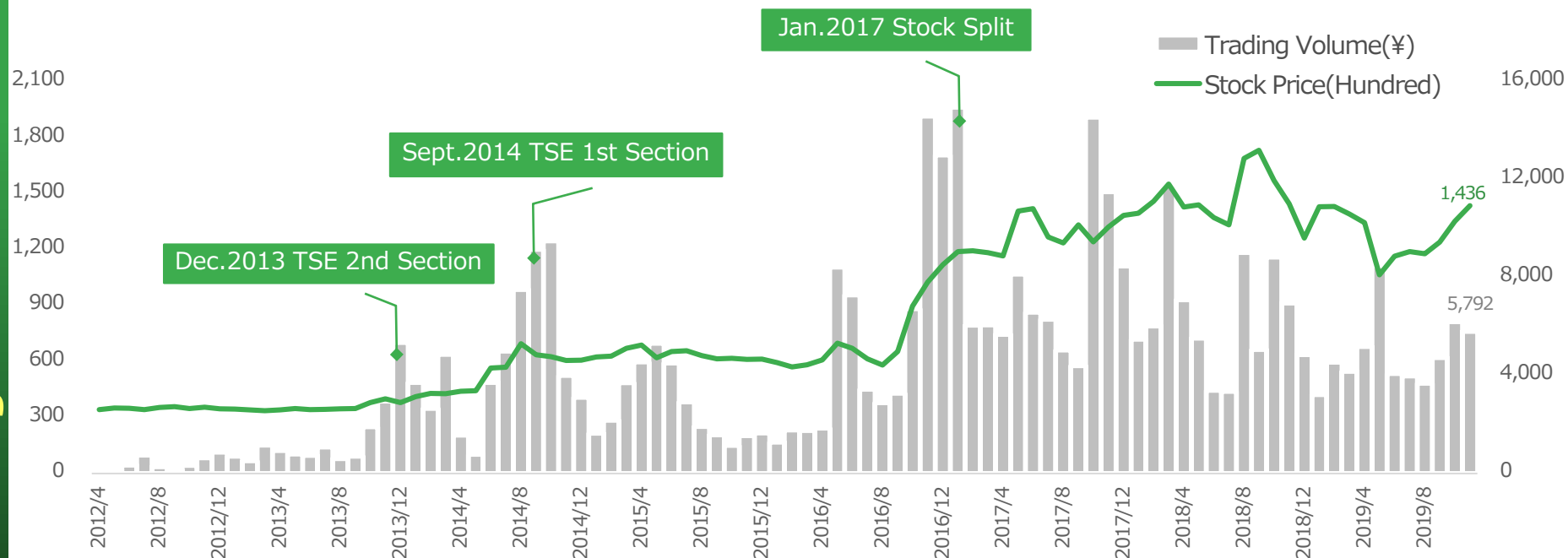
Financial Position (Consolidated)

Change or Die!

	2019.3	2019.9		Main Reasons
(¥ million)	Results	Results	Diff.	
Current assets	9,298	8,559	-739	<ul style="list-style-type: none"> • Decrease in notes and accounts receivable-trade(-1,153) • Increase in accounts receivable-other(+353)
Non-current assets	5,301	5,165	-135	
Total assets	14,600	13,725	-875	
Current liabilities	5,293	4,286	-1,006	<ul style="list-style-type: none"> • Decrease in notes and accounts payable-trade(-270) • Decrease in interest-bearing debt(-1,252) • Increase in advances received(+314) • Increase in income taxes payable(+130)
Non-current liabilities	964	921	-43	
Total liabilities	6,258	5,208	-1,050	
Total net assets	8,342	8,517	+175	<ul style="list-style-type: none"> • Net income attributable to owners of parent(738) • Decrease in cash dividends paid(-456) • Decrease in valuation difference on available-for-sale securities(-87)
Total liabilities and net assets	14,600	13,725	-875	

Monthly Stock Prices and Trade Volume Chart

Turnover Ratio 59.7% (2018.4-2019.3) **26.4%** (2019.4-2019.9)



Market capitalization ¥17,295 million (as of 2019/11/30)

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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New Topics

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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

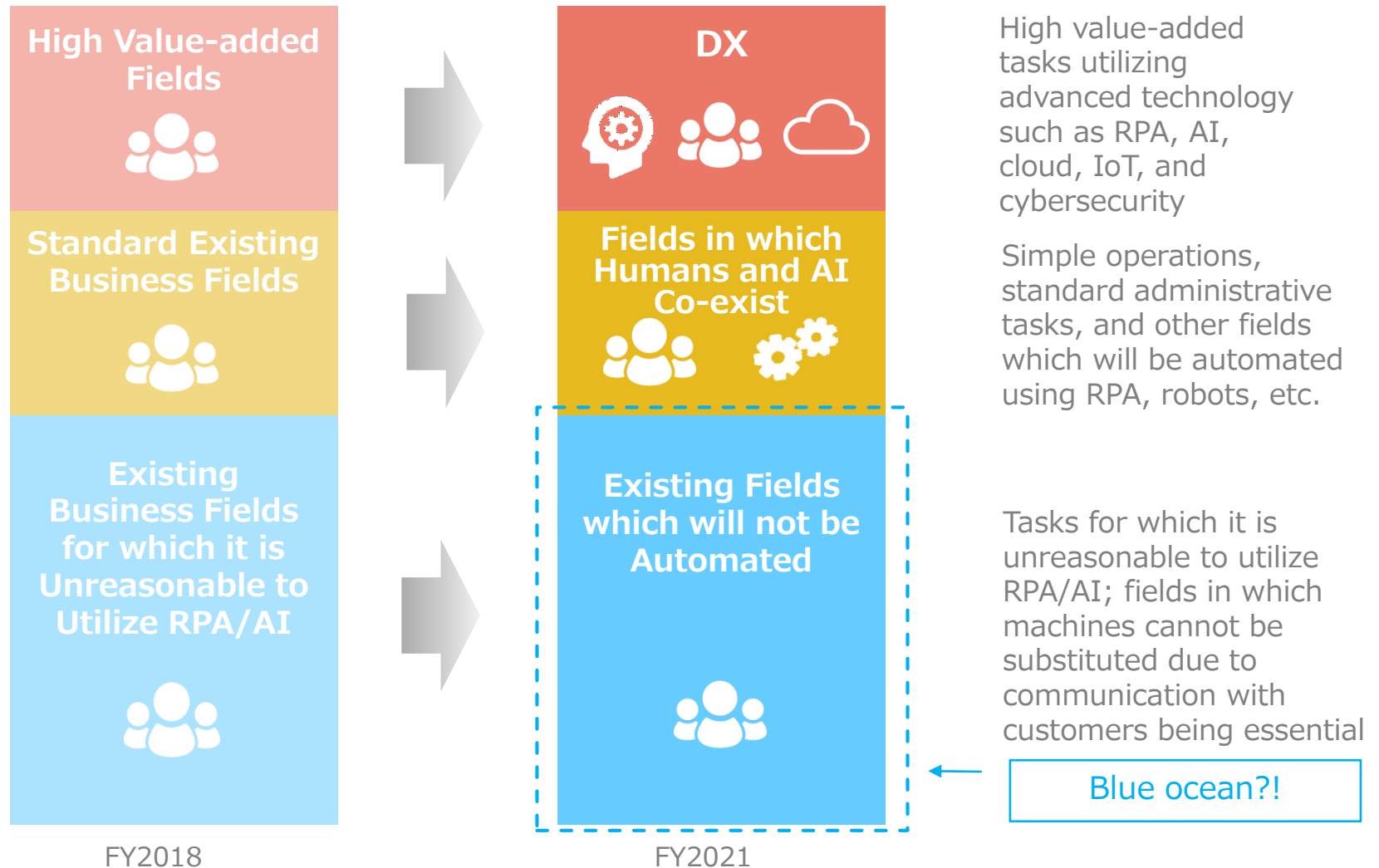
⊖ Negative Facts

- 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.**



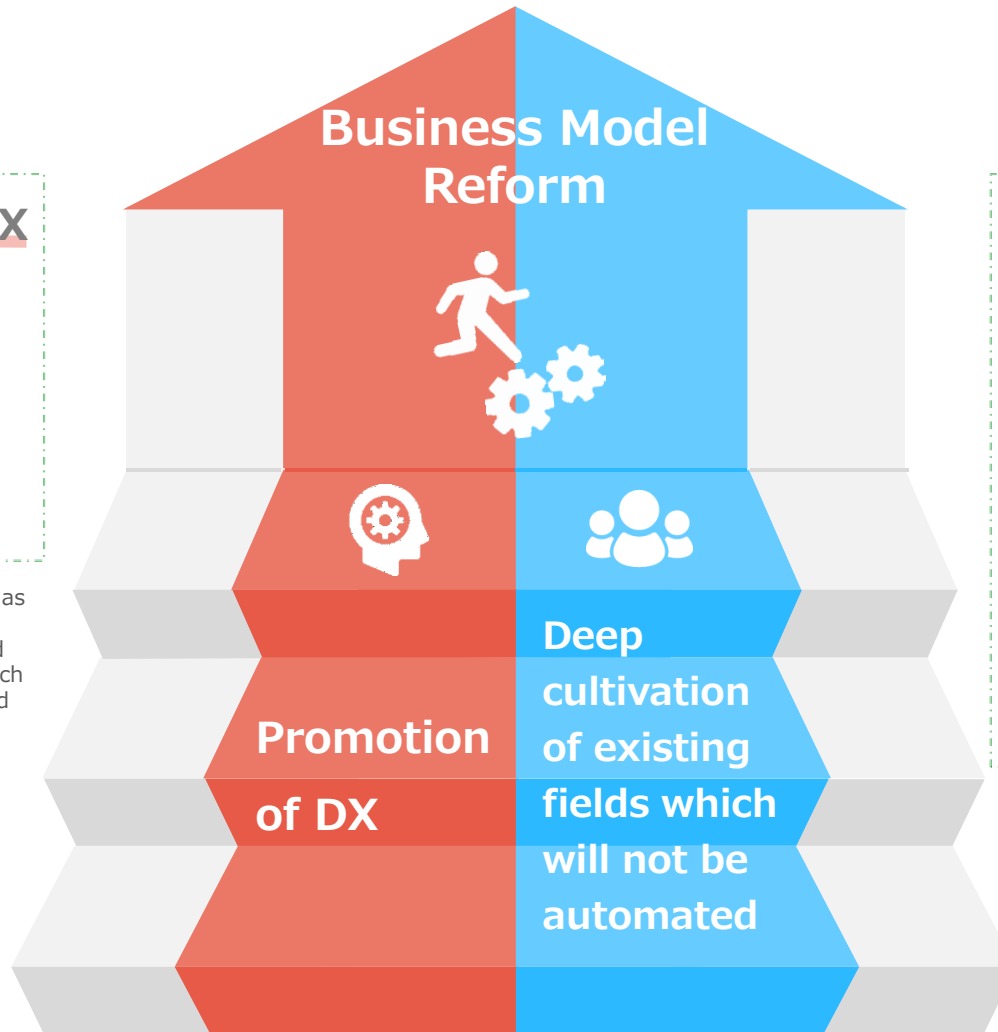
- Concurrently promote **digital transformation (DX)** in existing fields which will not be automated and seek coexistence between **AI** and **Humans**.

Change or Die!

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.

	Result	Target	
(¥ millions)	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*1 and HRM*2	—	(150)	(120)

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

*2 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

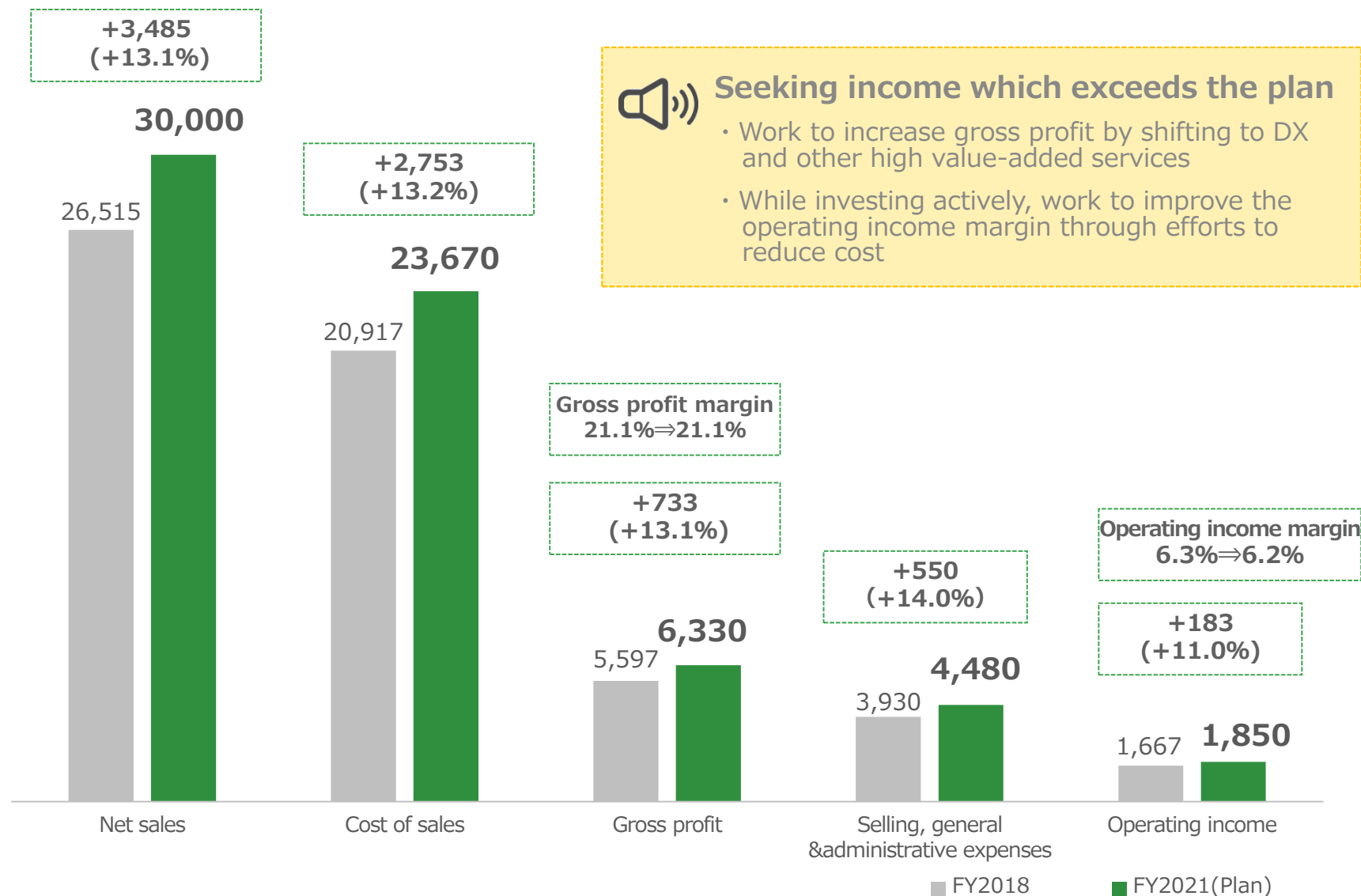
Construction and introduction of human resource management systems, etc.

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)

Change or Die!

	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%
Operating income (Before amortization of goodwill)	1,922	7.2%	1,924	7.2%	+2	+0.1%
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	-	95.37	-	+2.22	-

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