



ID Holdings Corporation  
April 1, 2019 - December 31, 2019

President and Representative Director  
Masaki Funakoshi

TSE 1st section  
Code

4709

※ Our website can be  
accessed from the  
QR Code.



February 2020

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**New Topics**

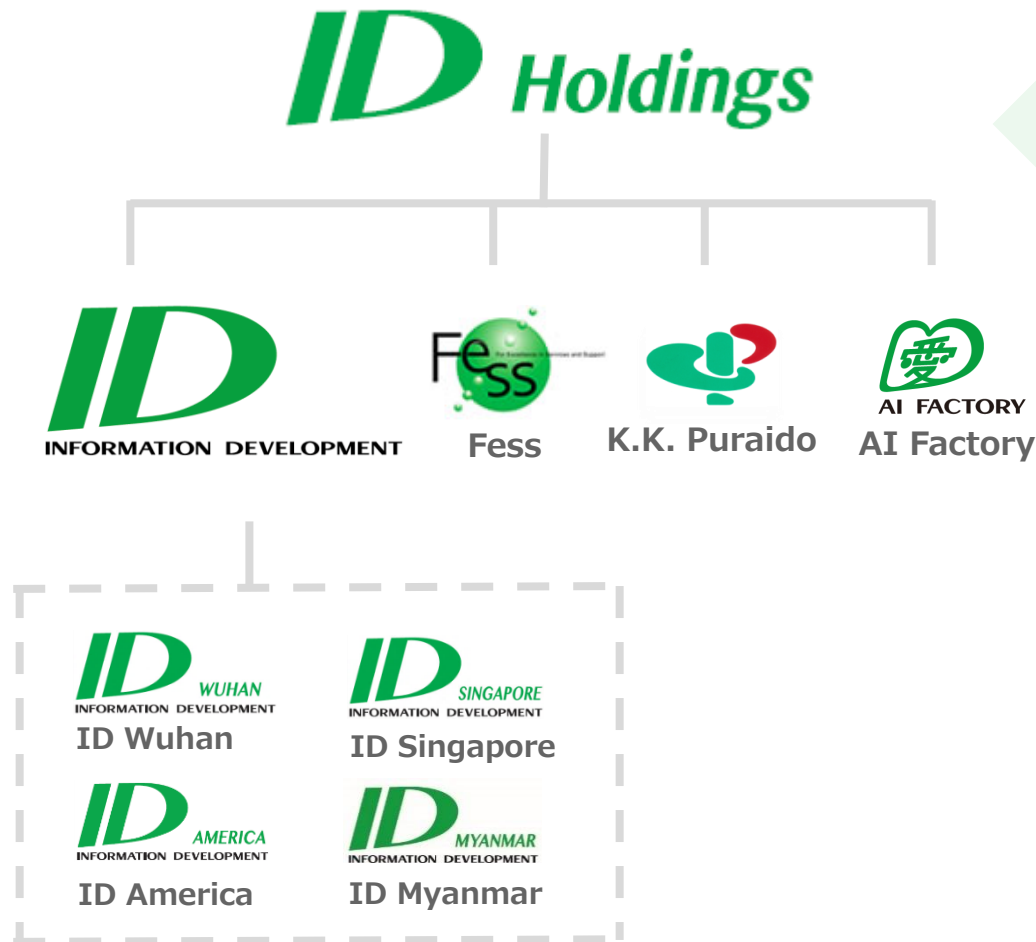
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**Q3 Performance Overview**

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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

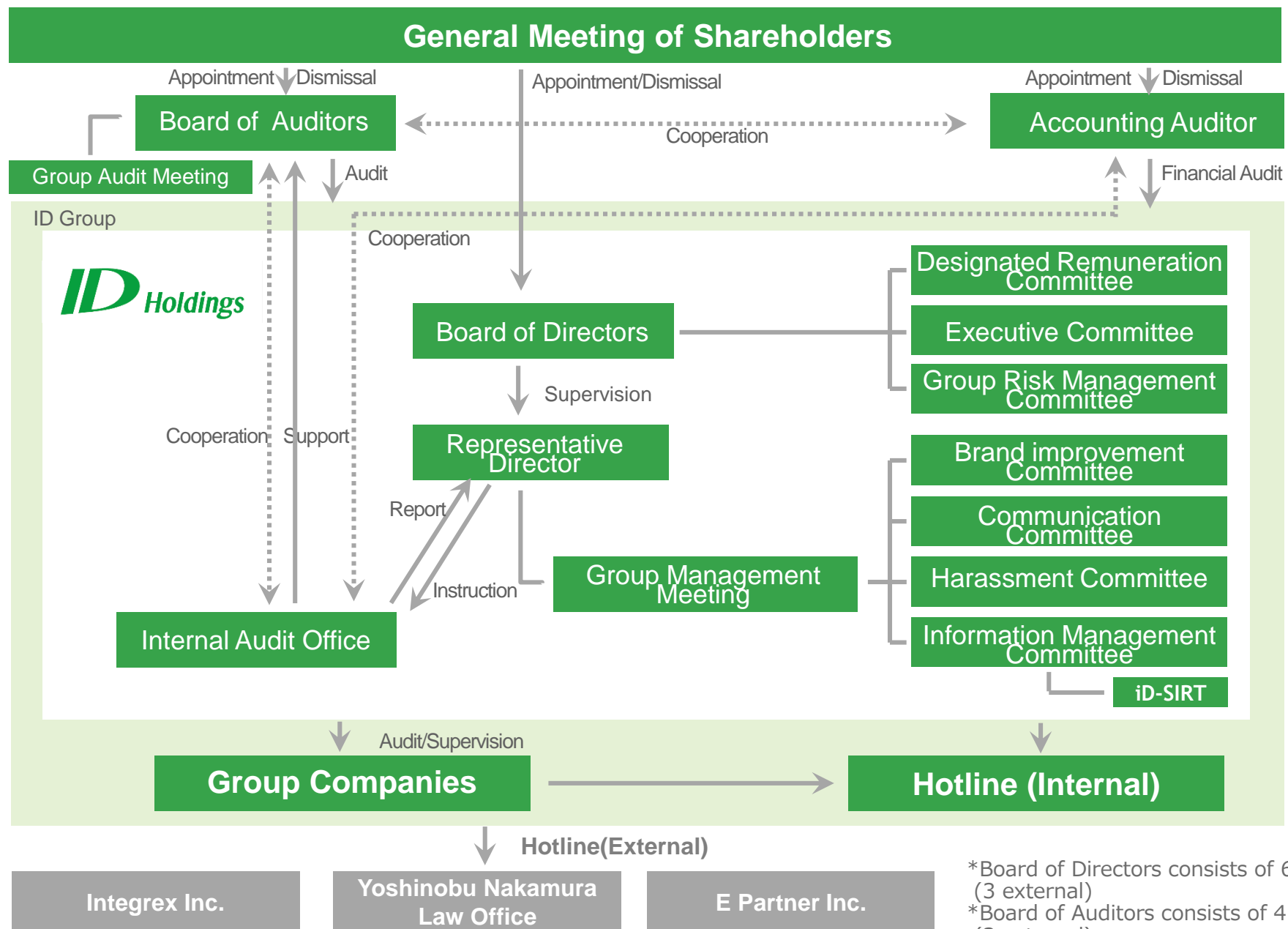
With a view to overall optimization, the Group will optimize management resources and invest in growth markets, including through acquisitions.

### 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

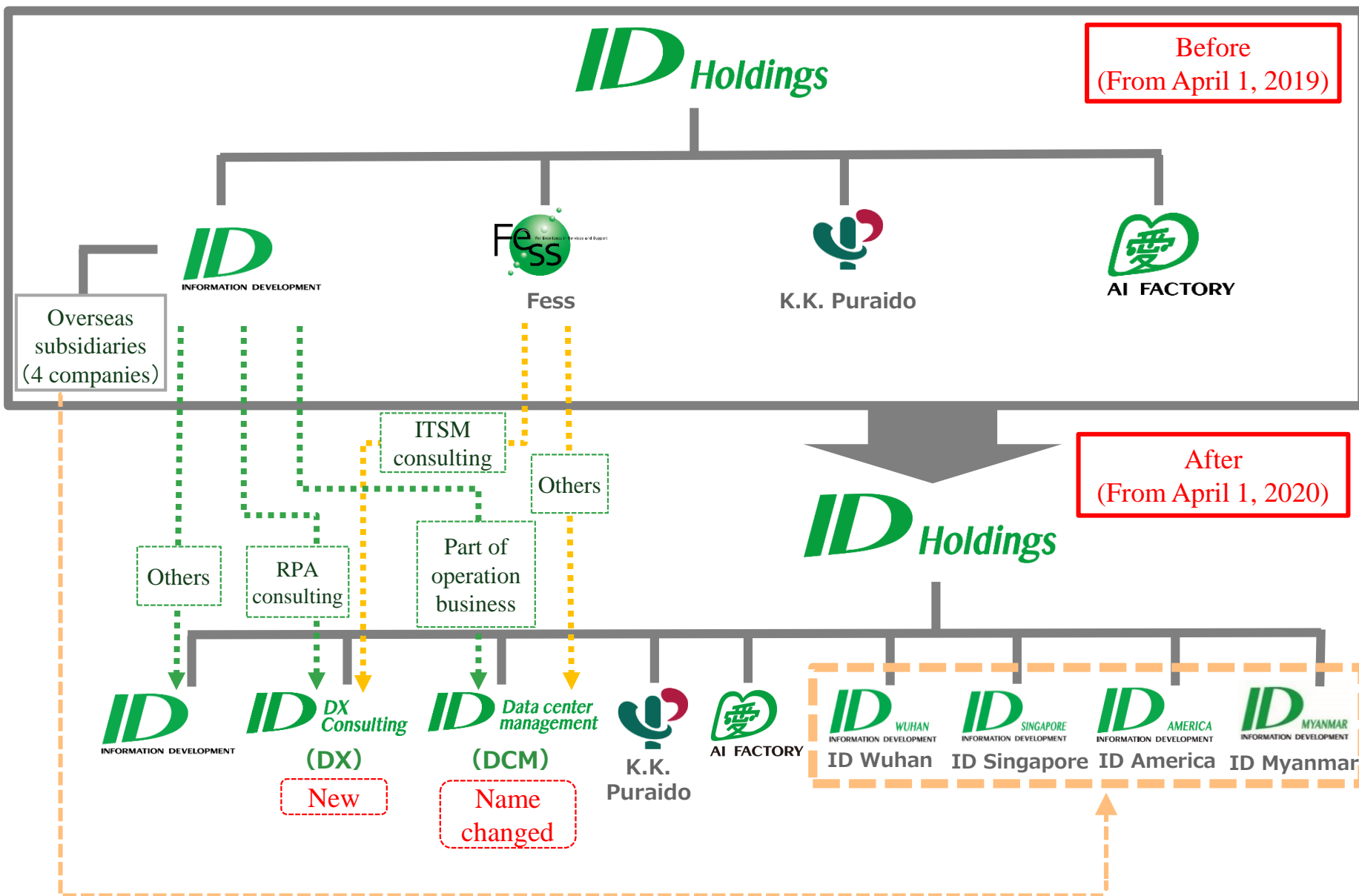
The next generation managers can be developed by delegating authority to the operating company.



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

# Group Restructuring (starting from April 1, 2020)

Change or Die!



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



## Environment

- Creating environmental policies, creating promotion systems and setting targets
- More environmental volunteer activities (beach cleaning, etc.)
- Mine clearance activities support



## Social

- Provision of IT services supporting social infrastructure
  - System development and operation in important social infrastructure fields
  - Development and implementation of cyber security services
  - Information gathering and R & D of advanced technologies
  - Sponsorship of Venture Café Tokyo, a community for promoting innovation
- Promoting employment of the disabled with special subsidiaries "AI Factory Co., Ltd."
- Promotion of flexible working and Health & Productivity Management
  - Earned 3 stars in NIKKEI Smart Work Awards 2020
  - Got the Gold Certification of Health Excellence Company
  - Promoting the rate of taking paid holidays (targeting 85% for FY 2019)
  - Set target and promote the non-smoking
- Philanthropy
  - Official partner of the SAILING Team JAPAN operated by the Japan Sailing Federation etc.



## Governance

- Disclosed the information on international standard ISO26000 on the homepage, including the standard introduction, related activities, etc.
- Formulation and education of human rights policy
- Conduct and analysis of CSR questionnaire

## 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.

8 Concerts sponsored in FY2019

Support for Thandi ThuKa-the Buddhist-Nuns Charity School in Myanmar

Support for Myanmar National Symphony Orchestra

Donated to children's cafeterias through the Japan Philanthropy Association

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



- Feb.** **13th** Revision of Forecast of Financial Results for FY2019 for the Fiscal Year Ending March 31, 2020
- 13th** Notice of reorganization and personnel matters related to the Group Restructuring
- 4th** Received a thanks letter about the Tottori Prefecture Future Human Resource Development Fund donation
- 3rd** ID Group 50 anniversary (Oct. 20, 2019) celebration orchestra concert
- Jan.** **24th** ID got the Gold Certification of Health Excellence Company
- 20th** Notice of Group Restructuring (Establishment of New Company and Company Split between Subsidiaries etc)
- 20th** Notice Regarding Investment in US Venture Fund Targeting Leading-edge IT Enterprises
- Dec.** **24th** The new course "Moving to the ITIL®4 Managing Professional" released by Fess Co., Ltd.
- 11th** ID Group 50 anniversary (Oct. 20, 2019) thanks concert

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



- Nov.**
- 20th** ID exhibited in 16th itSMF Japan Conference/EXPO
  - 20th** Supporting for children in Myanmar started
  - 15th** ID Group got 3 stars in NIKKEI Smart Work Awards 2020
  - 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 the ID Holdings Corporation's US Subsidiary (Sub-subsidiary)
- Oct.**
- 25th** ID exhibited 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*
- 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

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

- Jul.**
  - 9th** Classic concert was hosted as a part of Mécénat
  - 2nd** AI Factory Co., Ltd. got the certification of JGAP
- Jun.**
  - 21st** Notice of Revision (Dividend Increase) of Dividend Forecast for FY2019 and Change in Dividend Policy (Implementation of Mid-Term Dividend)
  - 21st** Notice of Establishment of Mid-term Management Plan(FY2019 - FY2021)
  - 20th** ID 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:Date here based on publication date on Japanese homepage

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New Topics

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Next 50 Episode I: *Awakening!*

## Financial Results (consolidated)

	2018.12		2019.12			
(¥ million)	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	19,698	-	19,538	-	-159	-0.8%
Cost of sales	15,522	78.8%	14,687	75.2%	-834	-5.4%
Gross profit	4,176	21.2%	4,850	24.8%	+674	+16.2%
SG&A expenses	2,888	14.7%	3,131	16.0%	+243	+8.4%
Operating income	1,287	6.5%	1,719	8.8%	+431	+33.5%
Operating income (Before amortization of goodwill)	1,478	7.5%	1,910	9.8%	+431	+29.2%
Ordinary income	1,336	6.8%	1,752	9.0%	+415	+31.1%
Net income attributable to owners of parent	790	4.0%	1,090	5.6%	+299	+37.9%

# Financial Results (consolidated)

## Net Sales

**¥19,538 million (-0.8% YoY)**

### System Operation Management:

**¥8,985million (-2.3% YoY)**

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

### Software Development: ¥6,685 million (-3.3% YoY)

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

### System Infrastructure: ¥1,827 million (+4.1% YoY)

- ⊕ Orders increased in public-sector-related projects.
- ⊕ New projects from existed manufacture-related customers.
- ⊖ Sales decreased in transport-related and finance-related projects.

### Cybersecurity, Consulting and Training:

**¥1,334 million (+21.8% YoY)**

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

### Other: ¥706 million (-4.0% YoY)

- ⊕ Augmented orders of product sales.
- ⊖ Sales decreased due to part of ended finance-related businesses.

## Profit analysis

### • Operating income

**¥1,719 million ( +33.5% YoY)**

### • Ordinary income

**¥1,752 million ( +31.1% YoY)**

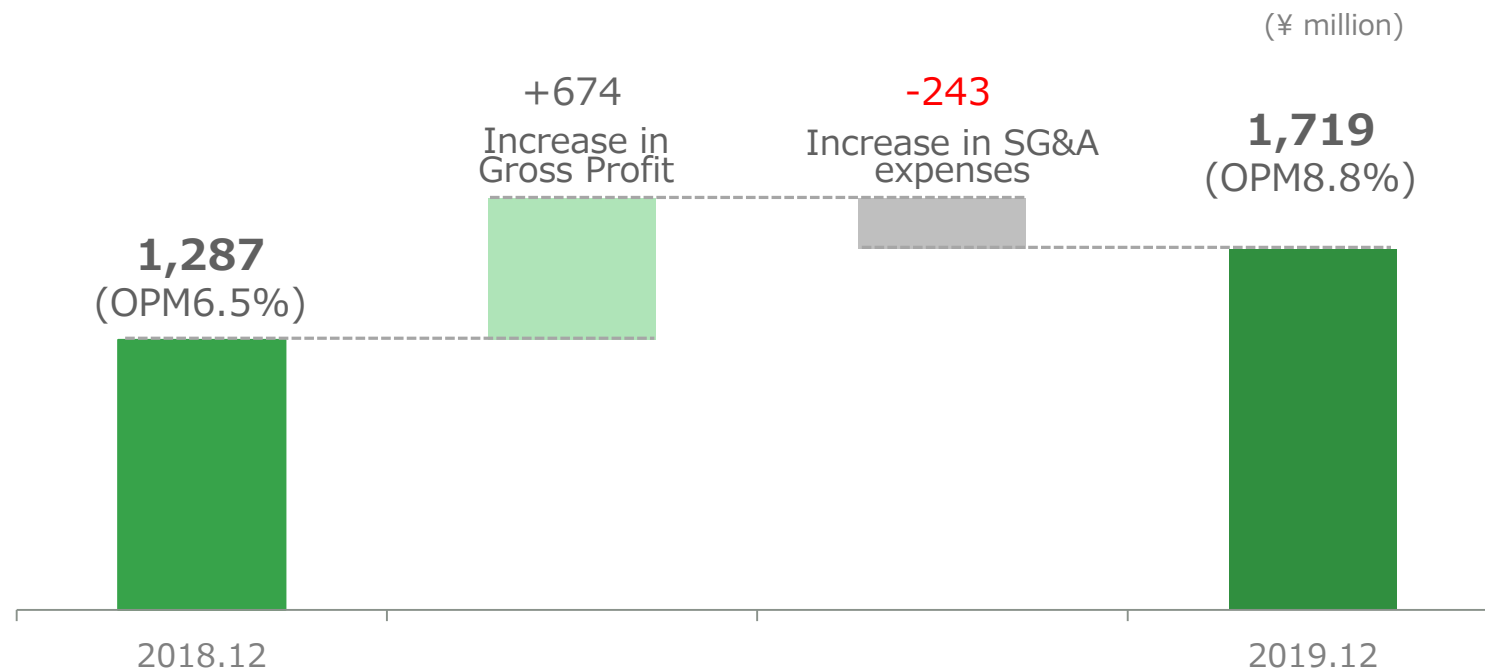
### • Net income attributable to owners of parent

**¥1,090 million ( +37.9% 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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## ◆ Gross profit +674

➤ Decrease in Cost of sales : 834

### <Major changes in cost of sales>

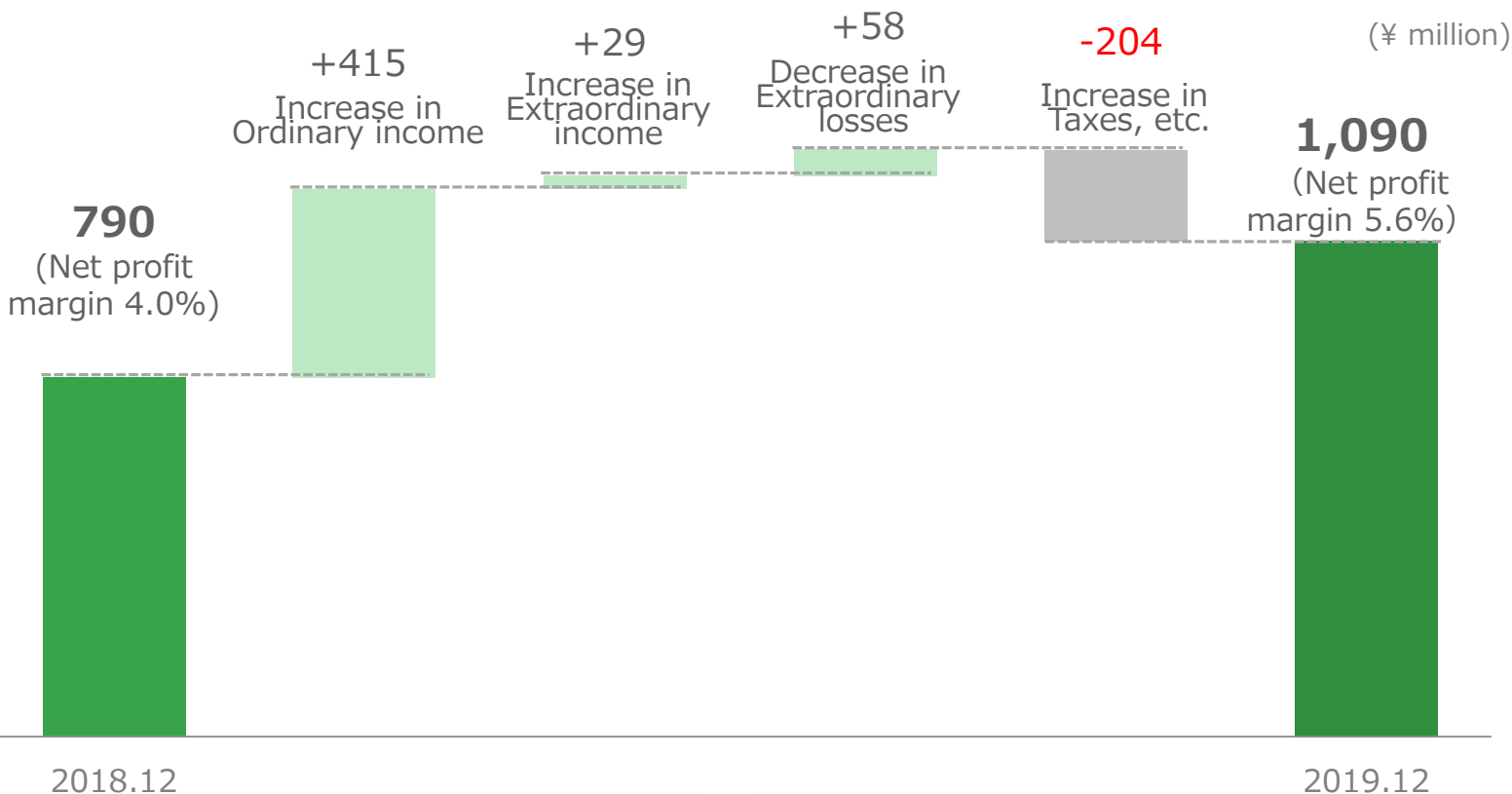
- Decrease in Labor cost : 508
- Decrease in Subcontract expenses : 327
- Decrease in Manufacturing expenses : 125

## ◆ SG&A expenses -243

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

- Increase in Personal expenses : 139
- Increase in Other SG&A expenses : 104

# Q3 Net Income Attributable to Owners of Parent Analysis (YoY)



## ◆ Extraordinary income +29

### Major changes in Extraordinary income

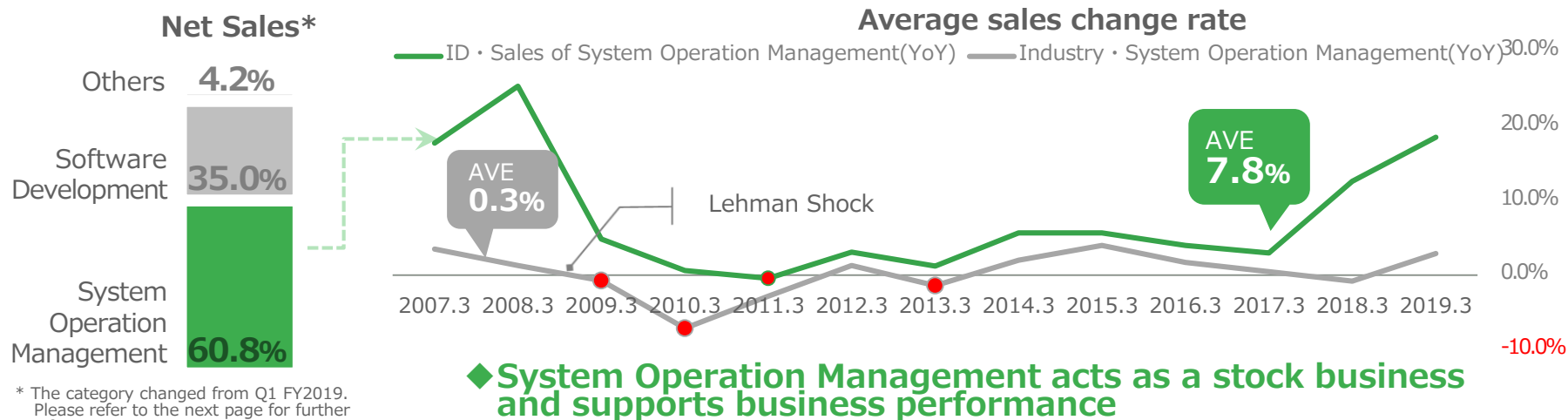
- Increase in gain on sales of investment securities : 29

## ◆ Extraordinary losses +58

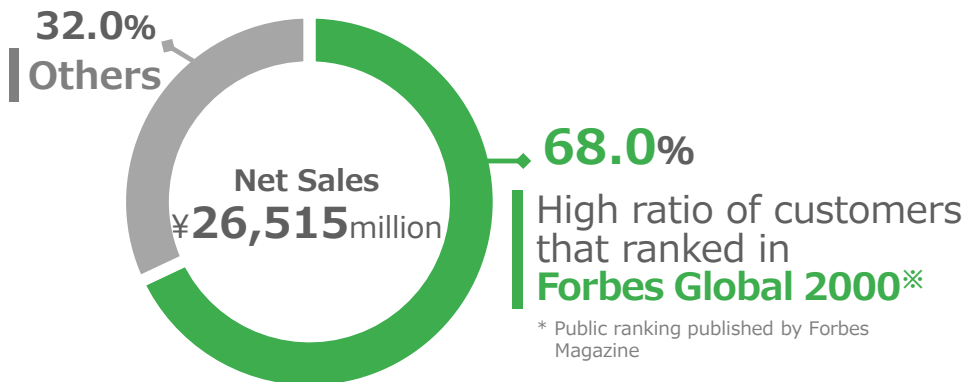
### Major changes in Extraordinary losses

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

## 1 Sale for System Operation Management over 60%

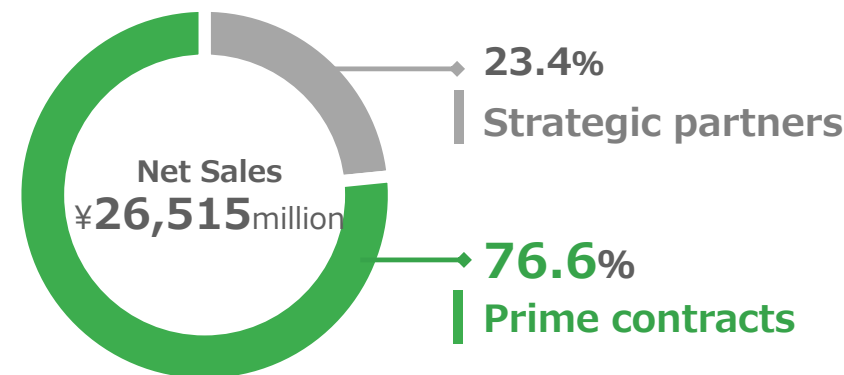


## 2 Near 70% of the Transaction Revenue Comes from Global Leading Companies



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

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

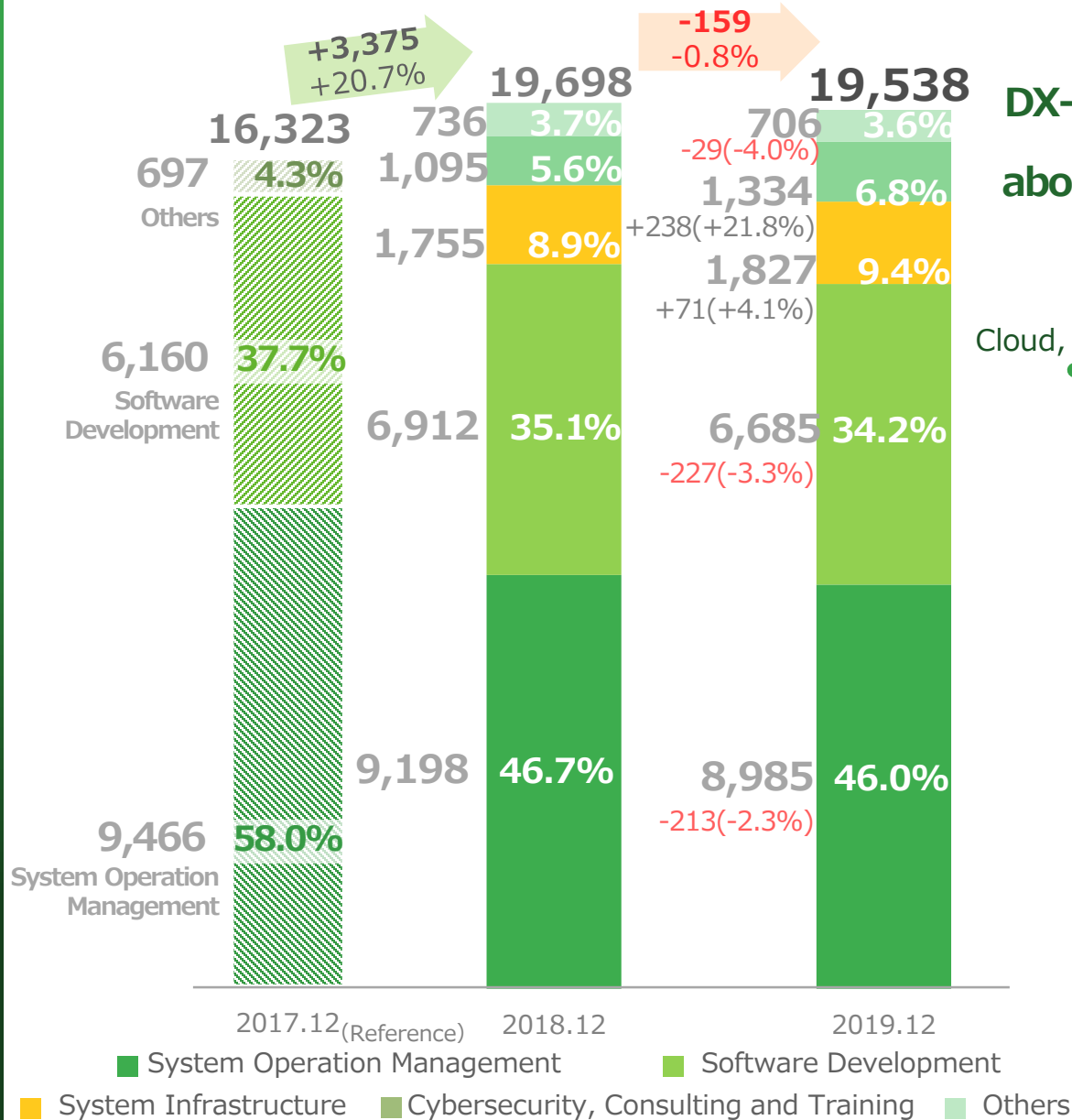


◆ **Directly understanding customer needs and creating appropriate proposals**

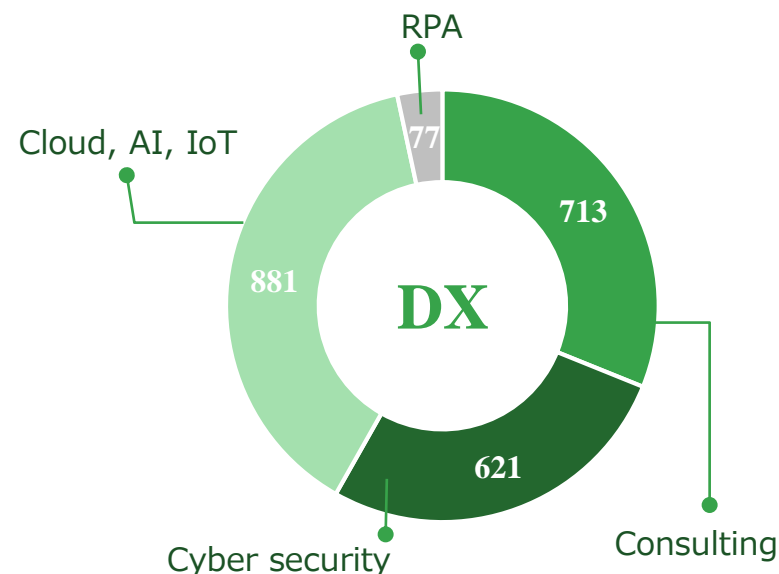


# Feature of ID Group① (Net sales by Services)

(¥ million)



**DX-related sales: ¥2,292 million**  
about **11.7%** of consolidated sales



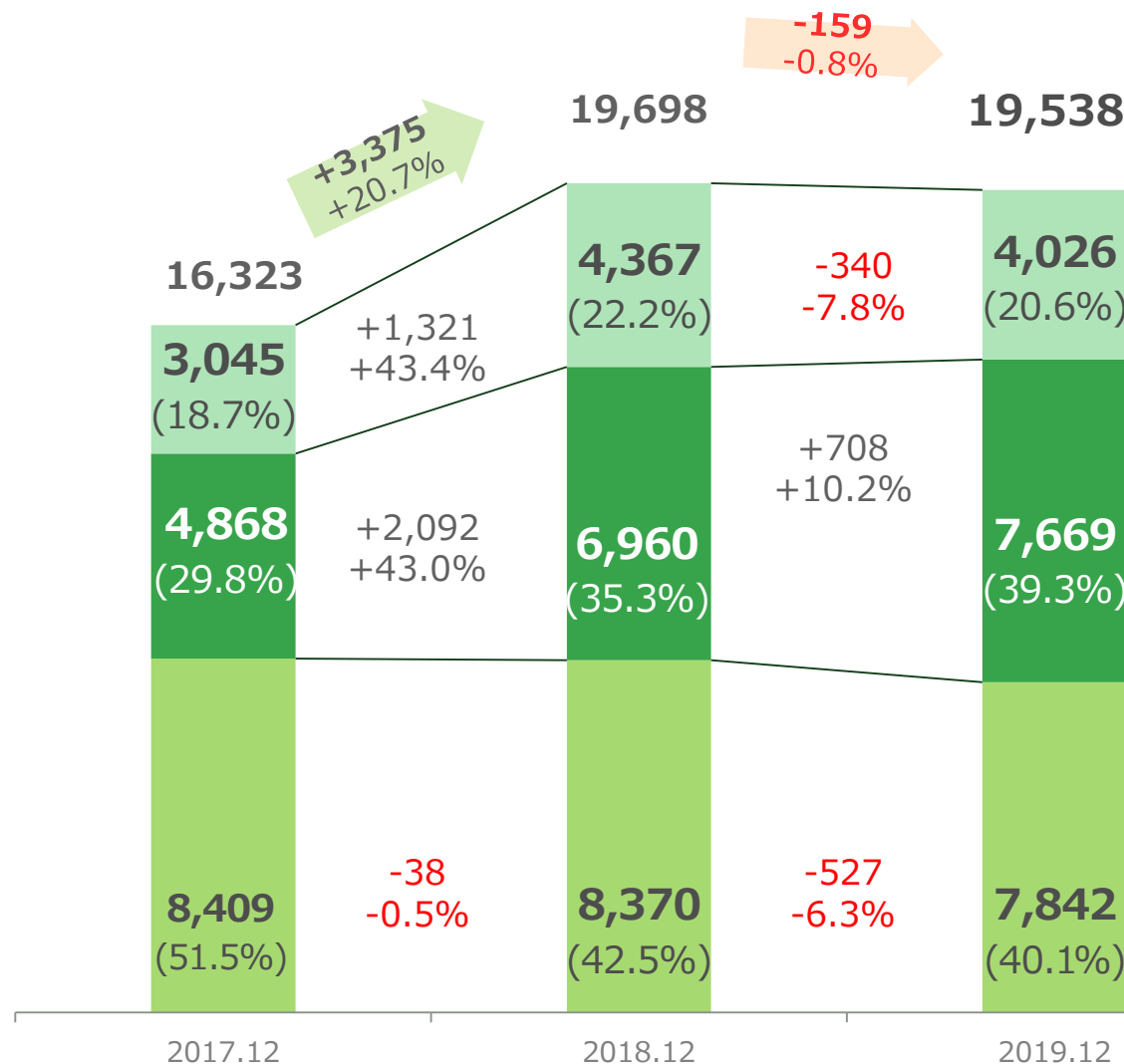
## DX related business

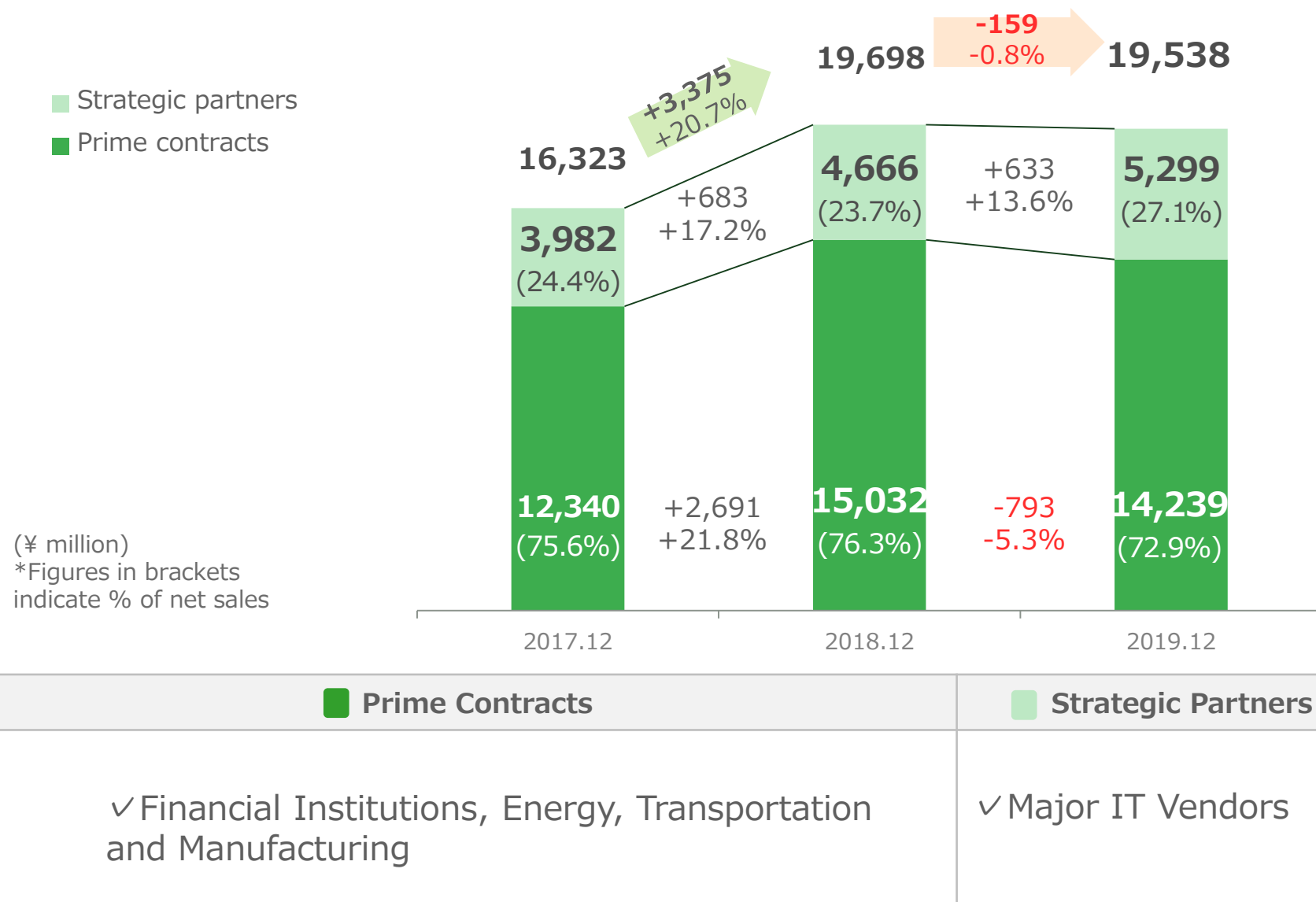
The high value-added business with advanced technologies such as cyber security, cloud, RPA, AI, IoT, the consulting business with ITSM methods, etc.

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".

- Others
- IT, Telecom & Service
- Financial Institution

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

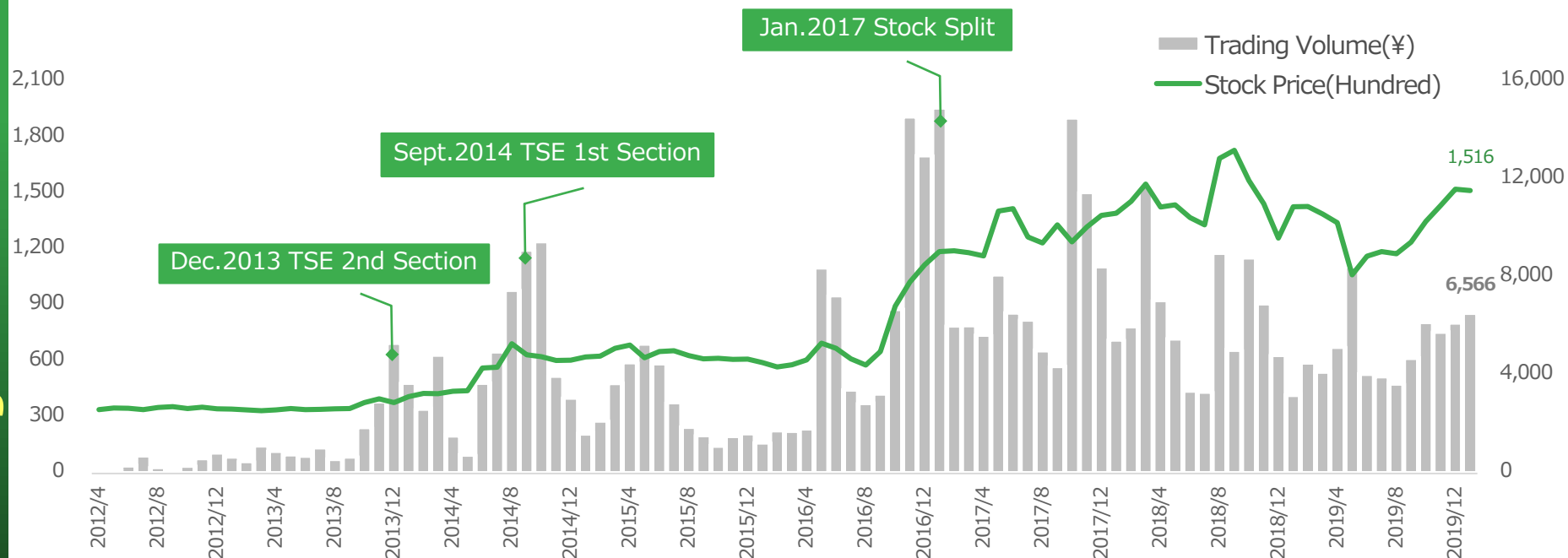




## Financial Position (Consolidated)

	2019.3	2019.12		Main Reasons
(¥ million)	Results	Results	Diff.	
Current assets	9,298	9,423	+124	<ul style="list-style-type: none"> <li>• Increase in cash and deposits (+681)</li> <li>• Decrease in notes and accounts receivable-trade (-1,201)</li> <li>• Increase in accounts receivable-other (+512)</li> </ul>
Non-current assets	5,301	5,211	-90	
Total assets	14,600	14,635	+34	
Current liabilities	5,293	4,968	-325	<ul style="list-style-type: none"> <li>• Decrease in interest-bearing debt(-866)</li> <li>• Increase in income taxes payable(+531)</li> </ul>
Non-current liabilities	964	895	-68	
Total liabilities	6,258	5,864	-394	
Total net assets	8,342	8,771	+428	<ul style="list-style-type: none"> <li>• Net income attributable to owners of parent(1,090)</li> <li>• Decrease in cash dividends paid(-741)</li> <li>• Increase in valuation difference on available-for-sale securities(+64)</li> </ul>
Total liabilities and net assets	14,600	14,635	+34	

Turnover Ratio 59.7% (2018.4-2019.3) **43.5%** (2019.4-2019.12)



Market capitalization ¥18,355 million (as of 2019/12/31)

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

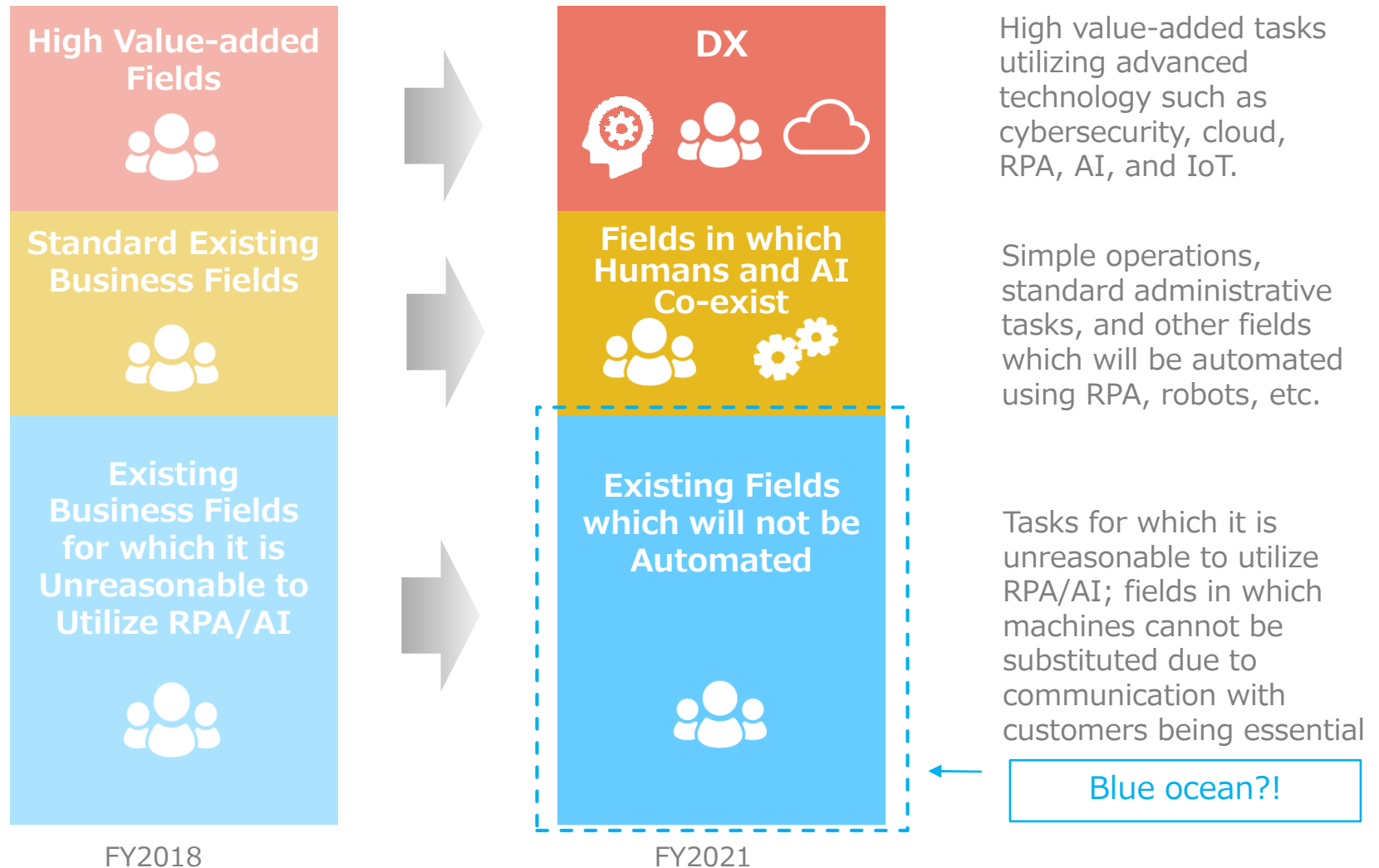
- Completion of system integration at some major financial institutions
- Completion of major software development projects for energy companies
- Period of transition to DX services



- 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.**

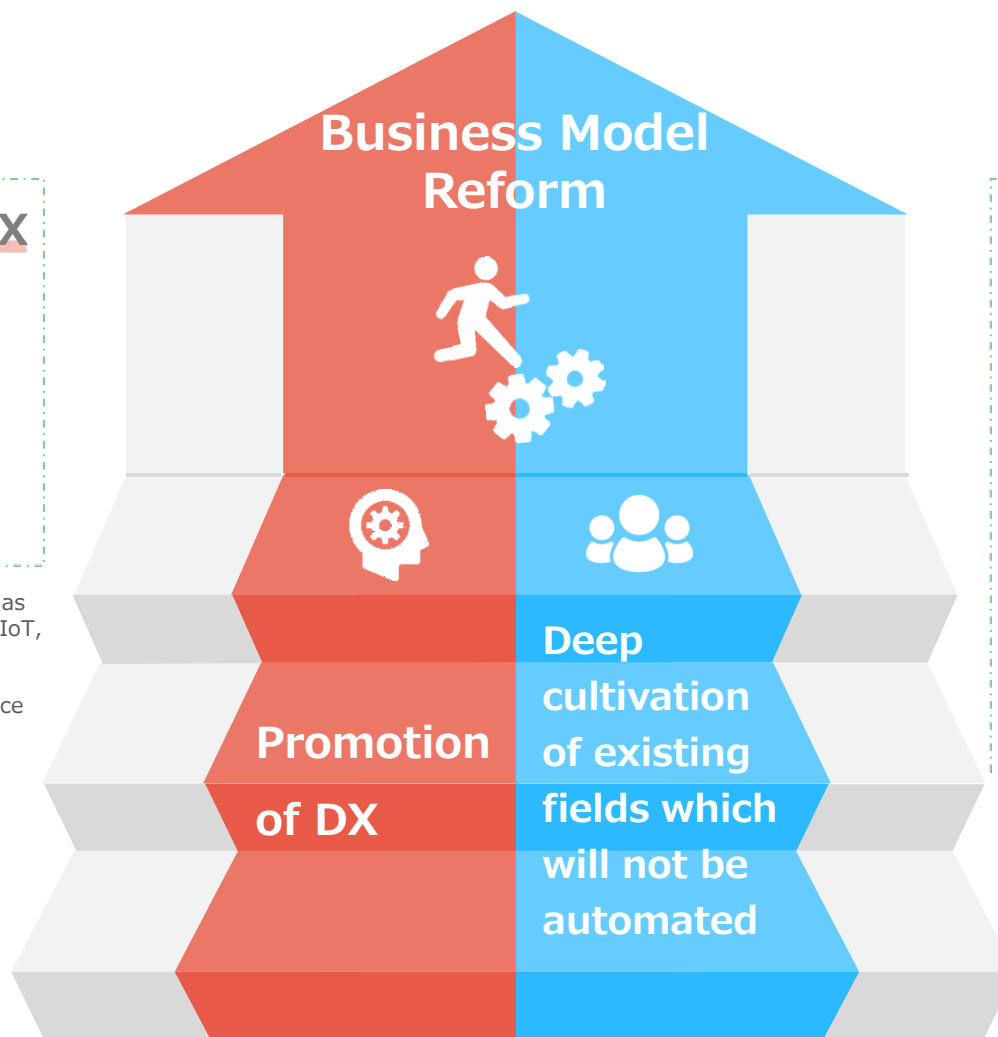


- Concurrently promote **digital transformation (DX)** in existing fields which will not be automated and seek coexistence between **AI** and **Humans**.

## Promotion of DX

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

\*Advanced technology fields such as cybersecurity, cloud, RPI, AI, and IoT, 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	<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*1 and HRM*2	—	<b>(150)</b>	<b>(120)</b>

\*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.

# Revision of Forecast of Financial Results for FY2019 (Consolidated)

Change or Die!

	FY2019 (Announced on May 8, 2019)		FY2019 (Announced on February 13, 2020)			
(¥ million)	Plan	(% of net sales)	Plan	(% of net sales)	Diff.	YoY
Net sales	26,800	-	26,000	-	-800	-3.0%
Operating income	1,670	6.2%	2,120	8.2%	+450	+26.9%
Operating income (Before amortization of goodwill)	1,924	7.2%	2,374	9.1%	+450	+23.4%
Ordinary income	1,710	6.4%	2,160	8.3%	+450	+26.3%
Net income attributable to owners of parent	1,060	4.0%	1,360	5.2%	+300	+28.3%
Net income per share(¥)	95.64	-	122.04	-	+26.4	-

# 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	-	26,000	-	-515	-1.9%
Operating income	1,667	6.3%	2,120	8.2%	+452	+27.1%
Operating income (Before amortization of goodwill)	1,922	7.2%	2,374	9.1%	+452	+23.5%
Ordinary income	1,724	6.5%	2,160	8.3%	+435	+25.2%
Net income attributable to owners of parent	1,028	3.9%	1,360	5.2%	+331	+32.2%
Net income per share(¥)	93.15	-	122.04	-	+28.89	-

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