

ID Holdings Corporation

(4709, TSE 1st Section) March 4, 2020

Profits are Increasing; Nearly 30% Increase in Operating Income Forecasted for the Current Period

Research Note		Key benchmarks as of March 2, 2020					Issuance date of preceding report			
Quick Corporation Toshiaki Maeda		Share price	¥1,533			Update	December 17, 2019			
		Shares outstanding	12,044,302 shares							
		Market capitalization	¥18,464 million							
Results	Net sales ¥ million	YoY %	Operating income ¥ million	YoY %	Ordinary income ¥ million	YoY %	Net income ¥ million	YoY %	EPS ¥	
FY2018	Results	26,515	14.3	1,667	32.9	1,724	35.3	1,028	65.2	93.15
FY2019	Company estimates (Announced Feb 2020)	26,000	-1.9	2,120	27.1	2,160	25.2	1,360	32.2	122.04
	Analyst estimates	26,000	-1.9	2,120	27.1	2,160	25.2	1,360	32.2	122.04
FY2020	Analyst estimates	26,500	1.9	2,200	3.8	2,240	3.7	1,410	3.7	126.52

Success in initiatives such as promoting active sales activities and enhancing project management systems

In conjunction with the announcement of third quarter results (February 13), the ID Group revised its consolidated business plan for the fiscal year ending March 31, 2020 which was announced at the beginning of the fiscal year. Net sales were lowered from ¥26.8 billion to ¥26.0 billion (a decrease of 2% from the same period of the previous fiscal year (YoY)) and operating income was raised from ¥1.7 billion to ¥2.1 billion (up 27% YoY). In the software development segment, orders failed to meet expectations due to the conclusions of some major projects, and a slight decrease in revenue is forecasted. On the other hand, profits are expected to increase due to the success of measures such as promotion of active sales activities, strengthening the project management system, and a shift of technicians towards high value-added fields related to digital transformation (DX). In regards to the coronavirus which originated from Wuhan City in China, the Group's ID Wuhan has assigned employees stationed in Wuhan City to change to telework, and has moved some duties to employees living in Japan. As the result of these measures, the ID Group is conducting business with no problem and there is no impact on business results.

Quick Corporation has revised the forecasted consolidated financial results for the fiscal year ending March 31, 2020 to the same amounts as the plan issued by the ID Group. The plan issued by the ID Group is a revision upon the end of the third quarter, and Quick Corporation views the revised amounts as appropriate.

Quick Corporation has also revised the forecasted consolidated financial results for the next fiscal year ending March 31, 2021. We decreased the forecasted net sales from ¥27.4 billion to ¥26.5 billion (up 2% YoY) and increased the forecasted operating income from ¥2.1 billion to ¥2.2 billion (up 4% YoY). Although we decreased the forecasted net sales in consideration of a decrease in orders, we believe that improved profitability will continue due to various measures, and we therefore increased operating income. If the spread of coronavirus were to cause a long-term stagnation of corporate activities, there is the possibility that customers forced to respond to such conditions will postpone IT investment. However, the full extent of the coronavirus is still unknown at the current time, so we do not forecast any significant impact.

Q3 cumulative totals show a slight decrease in revenue and an increase of slightly more than 30% in operating income

The consolidated financial results of the ID Group for the cumulative third quarter of the fiscal year ending March 31, 2020 were net sales of ¥19.5 billion (down 1% YoY) and operating income of ¥1.7 billion (up 33% YoY). The sales of cybersecurity products and consulting projects increased. However, due to factors such as the end of some large-scale projects, the system operation management segment and software development segment were stagnant and there was a slight decrease in revenue. On the other hand, the ID Group was successful in measures such as promoting active sales activities, strengthening the project management system, and shifting technicians towards high value-added fields related to DX. In the software development segment the continuation of highly-profitable large-scale projects also contributed to a significant increase in operating income.

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