

Note: This document is an English translation of the “Kessan Tanshin” for the fiscal year that ended March 31, 2020 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (J-GAAP)

May 15, 2020

Company name: ID Holdings Corporation  
 Listing: Tokyo Stock Exchange, 1st Section  
 Securities code: 4709  
 URL: <https://www.idnet-hd.co.jp>  
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Scheduled date of the Annual General Meeting of Shareholders: June 19, 2020  
 Scheduled date of dividend payment: June 22, 2020  
 Scheduled date of filing of the Annual Securities Report: June 22, 2020  
 Preparation of supplementary materials on financial results: Yes  
 Presentation on results: No (To prevent further spread of the COVID-19 pandemic, this event has been cancelled.)

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results for FY2019 (April 1, 2019–March 31, 2020)

#### (1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2019	26,377	-0.5	2,073	24.3	2,111	22.4	1,297	26.1
FY2018	26,515	14.3	1,667	32.9	1,724	35.3	1,028	65.2

Note: Comprehensive income FY2019 ¥1,108 million (-3.7%) FY2018 ¥1,151 million (62.9%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	¥	¥	%	%	%
FY2019	116.71	115.73	15.3	14.1	7.9
FY2018	93.15	92.21	12.9	12.2	6.3

Reference: Equity in income of affiliates FY2019 ¥- million FY2018 ¥- million

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2019	15,249	8,730	57.0	779.45
FY2018	14,600	8,342	56.9	749.58

Reference: Equity FY2019 ¥8,689 million FY2018 ¥8,307 million

#### (3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
FY2019	3,231	-114	-2,219	4,367
FY2018	1,004	-336	-126	3,489

## 2. Dividends

	Annual dividends					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	End of the fiscal period	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
FY2018	—	0.00	—	40.00	40.00	456	42.9	5.6
FY2019	—	25.00	—	25.00	50.00	571	42.8	6.5
FY2020 (forecast)	—	25.00	—	25.00	50.00		46.8	

## 3. Forecasts of Consolidated Results for FY2020 (April 1, 2020–March 31, 2021)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2020 (full fiscal year)	24,500	-7.1	2,000	-3.5	2,040	-3.4	1,190	-8.3	106.74

Note: The forecast for Q2 may change significantly after conditions normalize following the current COVID-19 pandemic. For this reason the Group is currently providing a full-year forecast only. For details, please refer to (5) Forecast under Section 1. Summary of Business Results, etc. on page 7 of the Attachment.

\*Notes

- (1) Changes in important subsidiaries during the period  
 Changes in specified subsidiaries resulting in change in consolidation scope: Yes  
 New company: INFORMATION DEVELOPMENT CO., LTD.

Note: For details, please refer to (5) Notes on Consolidated Financial Statements (Changes in Important Subsidiaries during the Consolidated Fiscal Period) under Section 3. Consolidated Financial Statements and Important Notes on page 17 of the Attachment.

- (2) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies due to revisions of accounting standards, etc.: No
  - (ii) Changes in accounting policies other than (i): No
  - (iii) Changes in accounting estimates: No
  - (iv) Restatements: No

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock)	FY2019	12,044,302 shares	FY2018	12,044,302 shares
(ii) Amount of treasury stock	FY2019	895,759 shares	FY2018	961,470 shares
(iii) Interim average number of shares	FY2019	11,113,617 shares	FY2018	11,042,191 shares

Reference: Outline of unconsolidated financial results

**1. Unconsolidated Financial Results for FY2019 (April 1, 2019–March 31, 2020)**

**(1) Unconsolidated Business Results**

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2019	1,058	-95.2	273	-77.3	287	-77.1	250	-70.2
FY2018	22,144	2.8	1,206	7.3	1,254	9.6	841	103.7

	Net income per share	Diluted net income per share
	¥	¥
FY2019	22.57	22.38
FY2018	76.17	75.41

Note: The major changes in unconsolidated business results for FY2019 are the result of the transfer of all operations on April 1, 2019 to a company incorporated in an incorporation-type split, INFORMATION DEVELOPMENT CO., LTD, and the switch to a holding-company structure.

In tandem with the above, from FY2019 the Group will appropriate revenues generated by operations after the shift as “operating revenue.” “Operating revenue” in FY2019 is the same item as “net sales” before the switch to the holding-company structure.

**(2) Unconsolidated Financial Position**

	Total assets	Net assets	Equity ratio	Book value per share
	¥ million	¥ million	%	¥
FY2019	10,115	7,403	73.1	663.29
FY2018	13,784	8,032	58.2	723.84

Reference: Equity FY2019 ¥7,394 million FY2018 ¥8,022 million

- \* The Consolidated Financial Results are not subject to audit by a certified public accountant or audit corporation.
- \* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items  
 Results forecasts are estimates based on the information that was available as of the day the results were announced, and some of this information may be uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (5) Forecast under Section 1. Summary of Business Results, etc. on page 7 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.  
 The ID Group has also introduced a board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP). Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)

To prevent infection clusters from COVID-19 and protect the health and safety of all participants and persons related to the Group, the briefing on financial results originally scheduled for May 28, 2020 is cancelled. The briefing materials will be made available on the Group website.

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## 1. Summary of Business Results, etc.

### (1) Summary of Business Results for the Period

In the financial results for the consolidated fiscal year under review (April 1, 2019 to March 31, 2020: FY2019), the picture for net sales was mixed. Revenues from cybersecurity and consulting increased dramatically, while system infrastructure trended favorably. However, in system operation management and in software development, orders received declined as certain major projects wrapped up. Net sales fell 0.5% from the previous fiscal year (YoY) to ¥26.377 billion.

In terms of earnings, a number of efforts bore fruit for the ID Group. The Group took steps such as advancing proactive sales efforts, shifting engineers into value-added fields related to cybersecurity and digital transformation (DX) and strengthening its project management system. In addition, some highly profitable, large-scale projects in software development continued in the period under review. Operating income leapt to ¥2.073 billion (+24.3% YoY), ordinary income soared to ¥2.111 billion (+22.4% YoY), and net income attributable to owners of parent swelled to ¥1.297 billion (+26.1% YoY). These figures marked the seventh straight fiscal year of growth for operating income, fourth fiscal year in a row for ordinary income and second consecutive year for net income, and all represented record highs for the Group.

In consideration of the impact of the rapidly spreading COVID-19 pandemic, the Group is undertaking special measures for its employees, including payment of special allowances and increasing provision for bonuses. As a result of these actions, actual figures for income are slightly lower than those announced on February 13, 2020.

From the first quarter of the 2019 consolidated fiscal year (Q1 FY2019), the Group has combined its reporting segments into a single segment, the information service business. Business results for each service are as listed below.

(Millions of ¥)

		Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)	YoY comparison	
				Increase/ decrease	Rate of increase/ decrease (%)
System operation management	Net sales	12,273	11,974	-298	-2.4
	Gross profit	2,710	2,669	-40	-1.5
	Gross profit margin	22.1%	22.3%	0.2P	—
Software development	Net sales	9,355	8,941	-413	-4.4
	Gross profit	2,044	2,456	411	20.1
	Gross profit margin	21.9%	27.5%	5.6P	—
System infrastructure	Net sales	2,310	2,499	189	8.2
	Gross profit	548	721	173	31.5
	Gross profit margin	23.8%	28.9%	5.1P	—
Cybersecurity, consulting and training	Net sales	1,592	2,091	498	31.3
	Gross profit	356	542	185	52.1
	Gross profit margin	22.4%	25.9%	3.5P	—
Others	Net sales	983	869	-114	-11.6
	Gross profit	-62	19	82	—
	Gross profit margin	—	2.3%	—	—
Total	Net sales	26,515	26,377	-138	-0.5
	Gross profit	5,597	6,409	811	14.5
	Gross profit margin	21.1%	24.3%	3.2P	—

(i) System operation management

While the Group won some projects from existing customers in the public and financial sectors, some large-scale financial projects were wrapped up. Net sales decreased to ¥11.974 billion (−2.4% YoY).

(ii) Software development

Some major projects continued in the public sector, while orders from existing customers in the transportation and manufacturing sectors expanded. However, some large-scale projects in the public sector from the previous fiscal year were brought to a conclusion. Net sales decreased to ¥8.941 billion (−4.4% YoY).

(iii) System infrastructure

The Group won new orders from existing customers in the public sector and expanded orders received from existing customers in the financial sector. As a result, net sales increased to ¥2.499 billion (+8.2% YoY).

(iv) Cybersecurity, consulting and training

Orders expanded and sales increased for cybersecurity products while consulting sales rose. Net sales surged to ¥2.091 billion (+31.3% YoY).

(v) Others

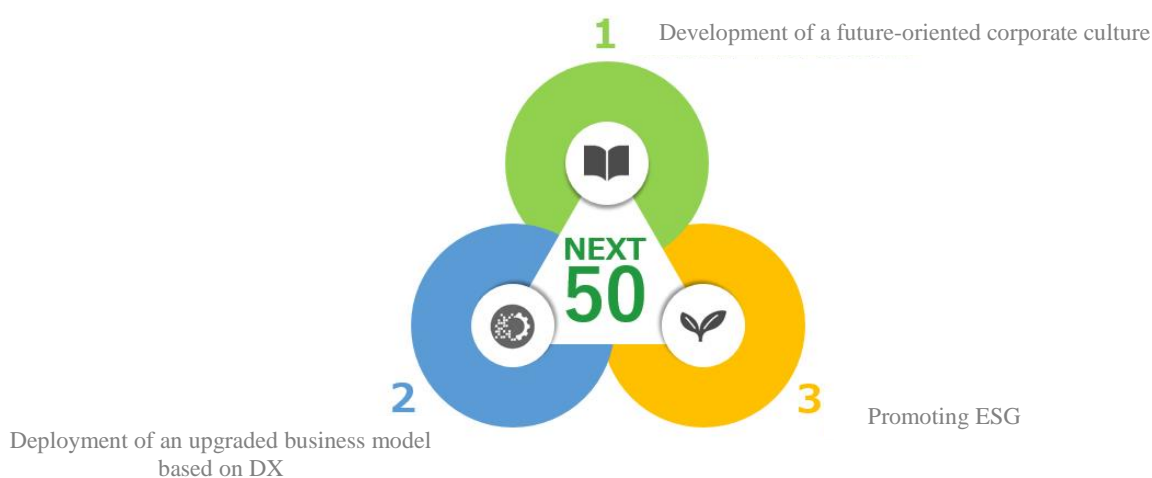
Large orders were received for product sales, but some finance-related projects were ended. Net sales decreased to ¥869 million (−11.6% YoY).

### Management Policy Initiatives

In today's information services industry, customers' IT needs are increasingly diversifying. DX is advancing rapidly, as companies transform existing businesses through digital technologies such as robotic process automation (RPA) and AI. Businesses are shifting from system ownership to system use, IoT devices are proliferating rapidly, and cyberattacks are becoming ever more sophisticated. These developments are driving profound changes in the IT management environment. For the ID Group, market shifts such as these represent a growth opportunity. To set the stage for further expansion in operations, the Group has established a Mid-term Management Plan, Next 50 Episode I: Awakening!, covering the period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022.

The Mid-term Management Plan sets three Basic Policies: Development of a future-oriented corporate culture, deployment of an upgraded business model based on DX, and promoting ESG\*. The Group is working vigorously to implement all three.

Mid-term Management Plan "Next 50 Episode I: Awakening!"  
(FY2019 to FY2021)



\*“ESG” stands for “environmental, social and governance.” The ESG approach holds that an appropriate response to each of these three areas of concern is a core driver of the long-term growth of an enterprise and plays a valuable role in the formation of a sustainable society.

(i) Development of a future-oriented corporate culture

Diversity of personnel and fostering of innovation are indispensable for the sustainable growth of the ID Group. The ID Group is hiring and training diverse individuals while continuously overhauling its organization, systems and work environment so that each individual can achieve his or her maximum potential. We are also cultivating a work environment that embraces future-oriented challenge and innovation.

Measures taken to implement this policy include the following:

- The Group is committed to streamlining decision-making by delegating authority and promoting the free flow of personnel within the Group. To this end the Group is eliminating all Divisions and reorganizing around Departments as core units.
- To enable talented engineers from overseas to play active roles in Japan, INFORMATION DEVELOPMENT AMERICA INC., an overseas subsidiary (sub-subsidiary) of the Group, established a country headquarters in Japan.
- To ensure effective personnel assignment, the Group’s software development segment has scrapped the divisional-headquarters system, promoting more fluid assignment of personnel.
- To enable cross-organizational response in personnel and quality-control matters, the Group has appointed an executive responsible for general personnel matters and an executive responsible for quality.
- A Globalization Department is established to strengthen communication between bases in Japan and overseas.
- Earned a rating of three stars in the 3rd Nikkei Smart Work Management Survey for our effective deployment of personnel, including our efforts to develop engineers and promote diversity.
- The Group is promoting personnel\* diversity (percentage of women in management positions: 16%, percentage of non-Japanese workers at the ID Group: 9%).

\*The ID Group believes that our employees are precious resources, not just a means to an end.

(ii) Deployment of an upgraded business model based on DX

Amid today’s rapid trend toward digitalization, the ID Group’s corporate clients are moving forward with the introduction and use of innovative technologies. Informed by knowledge and expertise in customer systems accumulated over many years, the ID Group will roll out an upgraded service model that brings added value to customer needs by combining existing service solutions with advanced technologies.

To make this service model a reality, during this three-year period the ID Group focuses squarely on engineer training. By shifting existing services to more upstream processes, the ID Group will transition from a worker-time-based business model to a result-reward-type business model. In this way, while expanding existing businesses, the Group will invest aggressively in new fields, bolstering its competitive position and enhancing profitability.

Measures taken to implement this policy include the following:

- The Group has established DX CONSULTING CO., LTD., an organization dedicated to the promotion of DX.
- Invested in a US-based venture fund (“ff Violet (VI), L.P.”) targeting cutting-edge IT startups, to gather information related to the latest IT technologies and accelerate DX in the Group’s businesses.
- In collaboration with Keio University, whose research activities the Group supports, the Group presented a digital-technology symposium “Advances in Infrastructure and the Status of Data in the DX Era.”
- ID has concluded a development-resource partnership agreement with UiPath.
- To transform existing businesses, the Group has established a DX strategic task team, under the direct responsibility of the president of ID as the executive in charge.
- The training environment for RPA service providers UiPath and WinActor have been brought in-house, providing training for 121 employees.
- US-based RealWear, Inc. has certified the ID Group as an ISV partner for its remote work support system, IDEye.
- Venture Café Tokyo\*, an operation co-sponsored by the Group, has partnered with Keio University to present “Cyber Technology & Fusion of Startup/Enterprise Night.”

\*In keeping with its mission of “Connecting innovators to make things happen,” Venture Café Tokyo conducts a wide range of programming events that bring venture companies, entrepreneurs and investors together. In so doing, the organization aims to cultivate innovation that can change the world. Sponsors of Venture Café Tokyo include the Group, Japan Tobacco Inc., MORI Building Co., Ltd., SOMPO Holdings, Inc. and TEPCO i-Frontiers, Inc.

(iii) Promoting ESG

Through its provision of information services, the ID Group strives to develop solutions to society's problems while creating sustainable growth and social value. By strengthening its commitment to each aspect of ESG investment, the ID Group is working to achieve growth and development for all stakeholders, including customers, shareholders and employees.

Measures taken to implement this policy include the following:

- The Group has been certified by the Ministry of Economy, Trade and Industry (METI) as an “Excellent Enterprise of Health and Productivity Management 2020 (White 500)” in the large-enterprise category, as a “Group that views employee health management from a management perspective and addresses the issue strategically.”
- Received Gold Certification under the Sound and Excellent Management Company certification system in recognition of our vigorous efforts to promote sound management and a healthy workplace.
- To enhance work-life balance, the Group designated days on which employees are encouraged to take paid leave.
- To seek solutions to environmental issues on a Group-wide basis, the Group produced an Environmental Policy.
- Based on ISO 26000, the international standard for organizational social responsibility, the Group is framing its ESG response.
- To strengthen its corporate-governance system, the Group has established a Group Board of Auditors, a Management Committee and a Group Risk Management Committee.
- Started supporting an orphanage run by nuns in Myanmar, where a Group affiliate is located. The orphanage is a boarding school for children enrolled in schools from elementary school to high school.
- AI Factory Co., Ltd., a special subsidiary, has obtained certification under JGAP<sup>2</sup>.
- The Group promoted diversity in work styles by participating in Telework Days 2019<sup>1</sup>, expanding telework using remote-access services and making use of satellite offices.
- The Group participates in the Business Consortium to Promote Non-smoking.

<sup>1</sup> Telework Days are a national-movement project to promote work-style reforms, leveraging the excitement of the Tokyo 2020 Olympic and Paralympic Games. The project is conducted by the Ministry of Internal Affairs and Communications (MIC), Ministry of Health, Labour and Welfare (MHLW), Ministry of Economy, Trade and Industry (METI), Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Cabinet Office Secretariat and Cabinet Office, in partnership with the government of Metropolitan Tokyo and related organizations.

<sup>2</sup> Japan Good Agricultural Practice (JGAP) certification is certification provided to farms that have been confirmed through examination by third-party organizations to ensure food safety, environmental preservation and other good agricultural practices, based on standards of appropriate farm management. Examinations are conducted in five categories: farm operation, food safety, environmental preservation, occupational safety, and human rights/social services. The aim of JGAP is to earn the trust of consumers and establish sustainable farm management through the certification process.

Please note that the Group has resolved to execute the following changes at the Board of Directors meeting held on January 20, 2020:

(1) Company split (absorption-type split) whereby the ITSM segment\* of wholly-owned subsidiary Fess Co., Ltd. (“Fess”) and the RPA promotion segment of wholly-owned subsidiary INFORMATION DEVELOPMENT CO., LTD. (“ID”) will be succeeded by the newly established DX CONSULTING CO., LTD.

(2) Change in the company name of Fess to ID DATA CENTER MANAGEMENT CO., LTD., pursuant to a company split (absorption-type split) whereby part of ID's system operation management segment will be succeeded by Fess

The above resolutions came into force as of April 1, 2020.

For details, please refer to “Notice of Group Restructuring (Establishment of New Company and Company Split between Subsidiaries, etc.)” published on January 20, 2020.

\* “ITSM segment” is a consulting business focused on system operation management, based on the Information Technology Infrastructure Library (ITIL) guidelines for IT service management.



## (2) Summary of Financial Condition for the Period

Assets, liabilities, and net assets

Assets at the end of the consolidated accounting period under review increased by ¥649 million to ¥15.249 billion from ¥14.6 billion at the end of the previous consolidated accounting period, owing to an increase in accounts receivable–other of ¥906 million and a decrease due to amortization of goodwill of ¥254 million.

Liabilities at the end of the consolidated accounting period under review increased by ¥260 million to ¥6.519 billion from ¥6.258 billion at the end of the previous consolidated accounting period. While interest-bearing debt declined by ¥1.493 billion, accrued consumption tax, etc. increased by ¥1.038 billion, income taxes payable increased ¥593 million, and deferred tax liabilities increased by ¥157 million.

Net assets at the end of the consolidated accounting period under review increased by ¥388 million to ¥8.730 billion from ¥8.342 billion at the end of the previous consolidated accounting period, owing to a decrease of ¥741 million due to dividend payments and net income attributable to owners of parent of ¥1.297 billion.

## (3) Summary of Cash Flow for the Period

Cash flows from operating activities	¥3.231 billion (+¥2.227 billion YoY)
Cash flows from investment activities	–¥114 million (+¥221 million YoY)
Cash flows from financing activities	–¥2.219 billion (–¥2.093 billion YoY)
Cash and cash equivalents at end of period	¥4.367 billion (+¥877 million YoY)

Cash flows from operating activities were ¥3.231 billion, as net income before income taxes was ¥2.151 billion, accrued consumption tax, etc. increased ¥1.039 billion, and notes and accounts receivable–trade decreased ¥1 billion.

Cash flows from investment activities were –¥114 million, as purchase of property, plant and equipment was ¥79 million, and purchase of intangible assets was ¥30 million.

Cash flows from financing activities were –¥2.219 billion, as short-term loans payable had a net decrease of ¥1 billion, cash dividends paid were ¥735 million, and repayment of long-term loans payable was ¥499 million.

Thus, cash and cash equivalents at the end of the period rose to ¥4.367 billion, which is an ¥877 million increase over the previous consolidated accounting period.

Reference: Cash flow benchmarks

	FY2015	FY2016	FY2017	FY2018	FY2019
Equity ratio (%)*	62.7	69.0	55.2	56.9	57.0
Equity ratio (%) at fair value	61.2	122.5	124.1	105.5	102.3
Ratio of cash flow to interest-bearing debt (annual)	5.0	0.3	1.9	2.6	0.3
Interest coverage ratio (multiple)	20.0	229.5	159.2	63.7	263.0

\*Equity ratio: Shareholder equity / total assets

Equity ratio at fair value: Market capitalization / total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

1. These benchmarks were calculated based on consolidated financial figures.
2. Market capitalization was calculated based on the closing share price at the end of the period multiplied by the number of shares outstanding (after deducting treasury stock).
3. To determine cash flow, the cash flows from operating activities stated in the Consolidated Cash Flow Statement were used. All debts stated in the consolidated balance sheet on which interest payments are being made are included in the interest-bearing debt. The interest expenses paid stated in the Consolidated Cash Flow Statement were used regarding interest payments.

## (4) Basic Policy on Profit Distributions and Dividends for the Current Period and the Next Period

The Group considers the return of profits to shareholders to be one of its chief management priorities. It is making every effort to

secure a strong business foundation and improve stable revenues and return on equity. The Group's basic policy is to maintain appropriate distributions of profits based on the business results.

The Group intends to distribute a year-end dividend of ¥25 per share for FY2019. This year-end dividend combines with the interim dividend of ¥25 per share, instituted in FY2019, for a total dividend of ¥50 per share. This figure marks an increase of ¥10 per share from the total dividend of ¥40 per share forecast at the beginning of FY2019.

The Group will deploy its internal reserves to expand operations and boost business results. Initiatives include training the engineers the Group needs to deliver value-added IT solutions related to DX; formation of services using new technologies such as AI and IoT; acquisition of new products; and investing in promoting the Group's global strategy, embracing not only China but also Singapore and Myanmar as well as North America and Europe.

Based on the basic policy outlined above, the dividend for FY2020 is expected to consist of an interim dividend of ¥25 per share and a year-end dividend of ¥25 per share, for a total dividend of ¥50 per share, as in FY2019.

## **(5) Forecast**

The global COVID-19 pandemic is expected to continue to impact the domestic and global economies. This prospect creates an uncertain future for economic activity, the management environment of companies and the employment picture.

As a result of the spread of the COVID-19 pandemic, the IT service industry, of which the Group is a part, can expect to encounter a number of emerging needs as well as challenges. These needs include the introduction and upgrading of IT environments for telework purposes and acceleration of transfer of information assets to the cloud. Difficulties will include the cancellation of new software-development projects, the elongation of existing projects and demands from customers for price reductions. The severity of these negative developments may well be unprecedented.

Under this business environment, the Group's forecast of consolidated business results for FY2020 calls for net sales of ¥24.5 billion (-7.1% YoY), operating income of ¥2 billion (-3.5% YoY), ordinary income of ¥2.04 billion (-3.4% YoY) and net sales attributable to owners of parent of ¥1.19 billion (-8.3% YoY).

This forecast of business results is calculated based on the following assumptions.

- (i) The COVID-19 pandemic will come to a temporary conclusion around August 2020 and reemerge around the period from December 2020 to April 2021.
- (ii) A full-fledged resumption of IT investment by corporate customers will occur in or after Q2 FY2020.
- (iii) The Group's employment levels will be preserved.
- (iv) The impact of the COVID-19 pandemic on the fields of system operation management and cybersecurity consulting, which account for most of the Group's consolidated net sales, will be slight.
- (v) In the software development and system infrastructure fields, the expected IT investment policies of corporate customers will change, possibly resulting in the delay or cancellation of projects currently under way.
- (vi) Measures for rationalization and streamlining of management will be implemented to reduce costs.

The forecast for Q2 depends critically on the timing of the conclusion of the pandemic. Accordingly, the Group is providing a forecast for the full fiscal year only.

If any of the above assumptions change, the forecast of business results may change as well.

## **2. Basic Approach to the Selection of Accounting Standards**

The ID Group is currently basing its accounting policies on consolidated financial statements prepared according to Japanese accounting standards, in light of the ability to compare periods and companies on the consolidated financial statements.

The ID Group will comply appropriately with the IFRS standards considering domestic and international conditions.

### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2019	Consolidated accounting period under review As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	3,797,736	4,689,877
Notes and accounts receivable – trade	5,232,087	4,250,528
Work in process	19,288	18,904
Accounts receivable–other	7,432	913,772
Other	242,311	243,207
Total current assets	9,298,856	10,116,289
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,454,149	1,463,954
Accumulated depreciation	–697,084	–747,454
Buildings and structures (net)	757,065	716,500
Motor vehicles and transport equipment	16,349	16,349
Accumulated depreciation	–6,668	–9,891
Motor vehicles and transport equipment (net)	9,681	6,458
Machines and equipment	16,955	16,869
Accumulated depreciation	–11,965	–13,813
Machines and equipment (net)	4,990	3,056
Tools, appliances, and accessories	523,848	529,810
Accumulated depreciation	–376,009	–404,016
Tools, appliances, and accessories (net)	147,838	125,794
Land	862,196	882,246
Total property, plant and equipment	1,781,771	1,734,054
Intangible assets		
Goodwill	1,418,972	1,164,231
Software	94,212	84,328
Other	742	742
Total intangible assets	1,513,927	1,249,301
Investments and other assets		
Investment securities	1,367,953	1,139,311
Deferred tax assets	203,067	512,200
Guarantee deposits	239,832	253,578
Other	202,757	252,437
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	2,006,110	2,150,027
Total non-current assets	5,301,809	5,133,383
Total assets	14,600,666	15,249,673

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2019	Consolidated accounting period under review As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	975,479	901,141
Short-term loans payable	1,360,000	360,000
Current portion of long-term loans payable	499,600	499,600
Income taxes payable	325,600	919,004
Accrued consumption tax, etc.	285,794	1,324,503
Provision for bonuses	954,331	1,094,196
Provision for directors' bonuses	22,700	42,325
Provision for loss on orders received	34,479	–
Other	835,700	716,491
Total current liabilities	5,293,685	5,857,263
Non-current liabilities		
Long-term loans payable	749,400	249,800
Deferred tax liabilities	–	157,800
Provision for directors' retirement benefits	11,799	16,413
Net retirement benefit liability	29,888	30,927
Other	173,664	206,925
Total non-current liabilities	964,752	661,867
Total liabilities	6,258,438	6,519,130
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,352	567,587
Retained earnings	6,947,709	7,502,863
Treasury stock	–470,069	–443,682
Total shareholders' equity	7,638,336	8,219,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	557,514	395,479
Foreign currency translation adjustment	109,840	74,194
Remeasurements of retirement benefit plans	1,807	997
Total accumulated other comprehensive income	669,162	470,671
Subscription rights to shares	10,609	8,937
Non-controlling interests	24,119	31,820
Total net assets	8,342,227	8,730,542
Total liabilities and net assets	14,600,666	15,249,673

**(2) Consolidated Statement of Income and Comprehensive Income**  
**(Consolidated Statement of Income)**

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
Net sales	26,515,319	26,377,088
Cost of sales	20,917,801	19,967,682
Gross profit	5,597,518	6,409,406
Selling, general, and administrative expenses		
Directors' compensation	172,310	209,483
Salary allowances and bonuses	1,542,111	1,650,701
Provision for bonuses	149,711	224,275
Provision for directors' bonuses	22,700	42,335
Retirement benefit expenses	43,639	50,819
Provision for directors' retirement benefits	879	1,171
Statutory welfare expenses	350,295	385,901
Land rent	173,756	181,067
Depreciation	139,535	132,487
Amortization of goodwill	254,740	254,740
Other	1,080,340	1,203,333
Total selling, general, and administrative expenses	3,930,020	4,336,317
Operating income	1,667,497	2,073,088
Non-operating income		
Interest income	5,052	5,049
Dividend income	38,385	23,535
Insurance proceeds and dividends	10,082	5,064
Subsidy income	10,702	8,887
Foreign exchange gains	13,615	—
Other	13,482	33,114
Total non-operating income	91,320	75,652
Non-operating expenses		
Interest expenses	15,778	12,289
Commitment line fees	18,209	17,691
Foreign exchange loss	—	5,514
Other	240	1,537
Total non-operating expenses	34,229	37,033
Ordinary income	1,724,588	2,111,707

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	2,495	1,068
Gain on sales of investment securities	9,495	38,886
Gain on reversal of subscription rights to shares	115	115
Other	4	—
Total extraordinary income	12,111	40,070
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	27	—
Loss on retirement of non-current assets	2,126	114
Office transfer loss	57,701	—
Total extraordinary losses	59,855	114
Net income before income taxes	1,676,845	2,151,663
Income taxes—current	658,340	922,402
Income taxes—deferred	–17,172	–77,704
Total income taxes	641,168	844,698
Net income	1,035,676	1,306,965
Net income attributable to non-controlling interests	7,124	9,940
Net income attributable to owners of parent	1,028,552	1,297,024

**(Consolidated Statement of Comprehensive Income)**

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
Net income	1,035,676	1,306,965
Other comprehensive income		
Valuation difference on available-for-sale securities	105,661	-162,034
Foreign currency translation adjustment	6,359	-35,646
Remeasurements of retirement benefit plans	3,699	-809
Total other comprehensive income	115,721	-198,490
Comprehensive income	1,151,398	1,108,474
(Breakdown)		
Comprehensive income attributable to owners of parent	1,144,274	1,098,534
Comprehensive income attributable to non-controlling interests	7,124	9,940

**(3) Consolidated Statement of Changes in Shareholders' Equity**

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	568,970	6,374,935	-502,870	7,033,380
Changes during the period					
Dividends from surplus			-455,779		-455,779
Net income attributable to owners of parent			1,028,552		1,028,552
Acquisition of treasury stock				-256	-256
Disposition of treasury stock		-618		33,056	32,438
Net changes of items other than shareholders' equity					
Total changes during the period	—	-618	572,773	32,800	604,955
Balances at the end of the period	592,344	568,352	6,947,709	-470,069	7,638,336

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	451,852	103,481	-1,892	553,441	11,993	18,435	7,617,250
Changes during the period							
Dividends from surplus							-455,779
Net income attributable to owners of parent							1,028,552
Acquisition of treasury stock							-256
Disposition of treasury stock							32,438
Net changes of items other than shareholders' equity	105,661	6,359	3,699	115,721	-1,383	5,684	120,021
Total changes during the period	105,661	6,359	3,699	115,721	-1,383	5,684	724,977
Balances at the end of the period	557,514	109,840	1,807	669,162	10,609	24,119	8,342,227



## Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

(Thousands of ¥)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances at the beginning of the period	592,344	568,352	6,947,709	-470,069	7,638,336
Changes during the period					
Dividends from surplus			-741,870		-741,870
Net income attributable to owners of parent			1,297,024		1,297,024
Acquisition of treasury stock				-436	-436
Disposition of treasury stock		-764		26,823	26,058
Net changes of items other than shareholders' equity					
Total changes during the period	-	-764	555,154	26,387	580,777
Balances at the end of the period	592,344	567,587	7,502,863	-443,682	8,219,113

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income			
Balances at the beginning of the period	557,514	109,840	1,807	669,162	10,609	24,119	8,342,227
Changes during the period							
Dividends from surplus							-741,870
Net income attributable to owners of parent							1,297,024
Acquisition of treasury stock							-436
Disposition of treasury stock							26,058
Net changes of items other than shareholders' equity	-162,034	-35,646	-809	-198,490	-1,672	7,700	-192,462
Total changes during the period	-162,034	-35,646	-809	-198,490	-1,672	7,700	388,314
Balances at the end of the period	395,479	74,194	997	470,671	8,937	31,820	8,730,542

**(4) Consolidated Cash Flow Statement**

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
<b>Cash flows from operating activities</b>		
Net income before income taxes	1,676,845	2,151,663
Depreciation	179,194	167,390
Amortization of goodwill	254,740	254,740
Loss on retirement of non-current assets	2,126	114
Loss (gain) on sales of non-current assets	-2,468	-1,068
Loss (gain) on sales of investment securities	-9,495	-38,886
Increase (decrease) in allowance for doubtful accounts	-2,279	—
Increase (decrease) in provision for bonuses	24,822	139,269
Increase (decrease) in provision for directors' bonuses	2,579	23,625
Increase (decrease) in provision for loss on orders received	34,479	-34,479
Increase (decrease) in net defined benefit liability	-10,943	-199
Increase (decrease) in provision for directors' retirement benefits	3,813	4,614
Interest income and dividend income	-43,437	-28,584
Interest expenses	15,778	12,289
Foreign exchange losses (gains)	67	127
Decrease (increase) in notes and accounts receivable—trade	-313,235	1,000,861
Decrease (increase) in inventories	31,720	2,780
Increase (decrease) in notes and accounts payable—trade	13,405	-89,003
Increase (decrease) in accrued consumption tax, etc.	-102,922	1,039,788
Decrease (increase) of other current assets	-46,331	-806,782
Increase (decrease) in other current liabilities	-24,960	-141,927
Decrease (increase) in other non-current assets	3,535	-46,641
Increase (decrease) in other non-current liabilities	9,119	80,111
Other	94,348	-60,295
Subtotal	1,790,501	3,629,510
Interest and dividend income received	42,434	26,338
Interest expenses paid	-15,778	-12,289
Corporation tax, etc. paid	-812,618	-411,582
Net cash provided by (used in) operating activities	1,004,538	3,231,976
<b>Cash flows from investment activities</b>		
Payments into time deposits	-94,624	-158,738
Proceeds from withdrawal of time deposits	10,000	143,704
Purchase of property, plant and equipment	-125,708	-79,095
Proceeds from sales of property, plant and equipment	3,286	6,503
Purchase of intangible assets	-38,676	-30,736
Purchase of investment securities	-65,405	-24,955
Proceeds from sales of investment securities	14,000	70,424
Collection of long-term loans receivable	517	710
Other	-39,562	-42,186
Net cash provided by (used in) investing activities	-336,173	-114,368

(Thousands of ¥)

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-920,000	-1,000,000
Proceeds from long-term loans payable	1,500,000	—
Repayment of long-term loans payable	-251,000	-499,600
Purchase of treasury stock	-256	-436
Proceeds from sales of treasury stock	—	24,501
Cash dividends paid	-454,704	-735,220
Cash dividends paid to non-controlling interests	-1,440	-2,240
Other	1,235	-6,710
Net cash provided by (used in) financing activities	-126,165	-2,219,706
Effect of exchange rate changes on cash and cash equivalents	3,127	-20,611
Net increase (decrease) in cash and cash equivalents	545,327	877,289
Cash and cash equivalents at beginning of period	2,944,523	3,489,851
Cash and cash equivalents at end of period	3,489,851	4,367,141

**(5) Notes on Consolidated Financial Statements**

**(Notes on Assumptions regarding Going Concern)**

None.

**(Changes in Important Subsidiaries during the Consolidated Fiscal Period)**

In the consolidated fiscal period under review, as a result of the Company's switch to a holding-company structure, as of April 1, 2019 the name of the Company is changed to ID Holdings Corporation. INFORMATION DEVELOPMENT CO., LTD., a company incorporated in an incorporation-type split, is included in the scope of consolidation.

**(Changes in Accounting Policies)**

None.

**(Changes in Method of Representation)**

(Items related to the consolidated balance sheet)

In the previous consolidated fiscal period, "Accounts receivable-other," was included in "Other" under current assets, while "Accrued consumption tax, etc.," was included in "Other" under current liabilities. Because these items have increased in importance, from the current consolidated fiscal year these items are listed as separate categories. To reflect this change in method of representation, the consolidated balance sheet for the previous consolidated fiscal year has been rearranged.

In the previous consolidated fiscal year, accounts receivable-other amounted to ¥7,432,000, while accrued consumption tax, etc. totaled ¥285,794,000.

**(Additional Information)**

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The Company introduced two performance pay plans: a "board benefit trust (BBT) plan" for Group directors and executive officers ("Directors, etc."), and a "Japanese employee stock ownership plan (J-ESOP)" for Group employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(1) How the Plans Work

The Board of Directors Meeting held on April 30, 2015 approved the BBT for Directors, etc. as a way to provide directors' compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the Company, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the Company awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit Rules previously established by the Group.

The Company awards points to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through a previously established trust, and those shares are segregated and managed as trust property.

(2) Notes on the Company shares held in trust

Shares in the Company held by BBT and J-ESOP at the end of the consolidated fiscal period under review are listed in the consolidated balance sheet under "Net assets" as "Treasury stock." The book value of these shares was ¥166,289,000 at the end of the previous consolidated fiscal period and was ¥149,179,000 at the end of the consolidated fiscal period under review. The number of shares was 327,977 at the end of the previous consolidated fiscal period and was 282,227 at the end of the consolidated fiscal period under review.

**(Segment Information, etc.)**

[Segment Information]

I. Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

Please refer to “(Items Related to Changes in Reporting Segments)” under “II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020).”

II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

(Items Related to Changes in Reporting Segments)

Previously, the Group had two reporting segments, “system operation management” and “software development.” Business segments not included in the reporting segments were gathered in the category “other.” Beginning in the current consolidated fiscal year, however, the Group is merging these reporting segments into a single reporting segment, “information service business.”

In tandem with its switch to a holding-company system on April 1, 2019, the Group reorganized, eliminating parts of the divisional-headquarters system in its operating segments and revising its business management methods. In view of these changes in its business management framework, the Group rethought its reporting segments and decided to merge them into a single segment.

Because the Group now consists of a single segment, listing of segments for the previous consolidated fiscal year and the current consolidated fiscal year is omitted.

[Related Information]

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

1. Information by Product and Service

As stated in “(Items Related to Changes in Reporting Segments)” in “II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020)” under “[Segment Information],” from the consolidated fiscal year under review the Group has only one segment, so this item is omitted.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

Client designation or name	Net sales	Related segment name
IBM Japan, Ltd.	3,014,080	—
MHTS Co., Ltd.	3,005,853	—

Note: The Group has only one segment, so the related segment name is omitted.

Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

1. Information by Product and Service

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

Client designation or name	Net sales	Related segment name
IBM Japan, Ltd.	3,652,887	—
MHTS Co., Ltd.	3,072,040	—

Note: The Group has only one segment, so the related segment name is omitted.

[Information on Non-current Asset Impairment Losses by Reporting Segment]

None.

[Information on Depreciated Amount of Goodwill and Balance of Undepreciated Balance for Each Reporting Segment]

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

As stated in “(Items Related to Changes in Reporting Segments)” in “II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020)” under “[Segment Information],” from the consolidated fiscal year under review the Group has only one segment, so this item is omitted.

Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

[Information on Gain on Bargain Purchase by Reporting Segment]

None.

**(Per-Share Information)**

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
Book value per share	¥749.58	¥779.45
Net income per share	¥93.15	¥116.71
Diluted net income per share	¥92.21	¥115.73

Notes: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were treasury stock at the end of the period for calculating the book value per share, and is included in the treasury stock to be deducted in the calculation of the interim average number of shares for calculating the net income per share and the diluted net income per share.

The trust account held 327,977 shares at the end of the previous consolidated accounting period, and 282,227 shares at the end of the current consolidated accounting period. The interim average number of shares was 360,224 shares in the previous consolidated accounting period, and 306,540 shares for the current consolidated accounting period.

2. The basis for calculating the net income per share and the diluted net income per share is stated below.

	Previous consolidated accounting period (April 1, 2018 to March 31, 2019)	Consolidated accounting period under review (April 1, 2019 to March 31, 2020)
Net income per share		
Net income attributable to owners of parent	¥1,028,552,000	¥1,297,024,000
Amounts not attributable to common shareholders	—	—
Net income attributable to owners of parent regarding common stock	¥1,028,552,000	¥1,297,024,000
Interim average number of shares	Common stock: 11,042,191 shares	Common stock: 11,113,617 shares
Diluted net income per share		
Adjusted net income attributable to owners of parent	—	—
Increase in common stock	112,066 shares	93,817 shares
(portion of these shares that are stock options deriving from the subscription-rights-to-shares method)	(112,066 shares)	(93,817 shares)
Summary of residual securities excluded from the calculation of the diluted net income per share because there was no dilutive effect	—	—

Note: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were interim average treasury stock for calculating the net income per share and the diluted net income per share.

**(Material Subsequent Events)**

None.

#### 4. Unconsolidated Financial Statements and Important Notes

##### (1) Balance Sheet

(Thousands of ¥)

	Previous fiscal year As of March 31, 2019	Current fiscal year As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	2,198,817	178,883
Accounts receivable – trade	4,565,063	–
Work in process	15,962	–
Supplies	1,608	–
Advance payments	134	–
Prepaid expenses	169,303	36,437
Accounts receivable–other	23,499	1,143,829
Other	5,237	2,034
Total current assets	6,979,628	1,361,185
Non-current assets		
Property, plant and equipment		
Buildings	1,262,584	1,214,457
Accumulated depreciation	–636,763	–656,771
Buildings (net)	625,820	557,686
Structures	31,674	31,674
Accumulated depreciation	–22,116	–23,492
Structures (net)	9,558	8,182
Motor vehicles and transport equipment	16,120	–
Accumulated depreciation	–6,438	–
Motor vehicles and transport equipment (net)	9,681	–
Tools, appliances, and accessories	466,095	216,293
Accumulated depreciation	–331,432	–164,862
Tools, appliances, and accessories (net)	134,663	51,430
Land	862,196	864,101
Total property, plant and equipment	1,641,920	1,481,402
Intangible assets		
Goodwill	24,419	12,209
Software	88,742	–
Other	734	–
Total intangible assets	113,896	12,209
Investments and other assets		
Investment securities	1,367,953	1,139,311
Affiliate shares	3,334,673	5,587,328
Capital investments	100	–
Long-term loans	2,192	–
Long-term prepaid expenses	3,094	–
Deferred tax assets	121,287	169,534
Guarantee deposits	232,095	204,670
Facilities use memberships	41,099	–
Other	150,480	159,636
Allowance for doubtful accounts	–7,500	–
Allowance for investment loss	–196,512	–
Total investments and other assets	5,048,962	7,260,482
Total non-current assets	6,804,779	8,754,094
Total assets	13,784,407	10,115,279



(Thousands of ¥)

	Previous fiscal year As of March 31, 2019	Current fiscal year As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	929,478	–
Short-term loans payable	1,360,000	1,600,000
Current portion of long-term loans payable	499,600	499,600
Lease obligations	4,980	–
Accounts payable – other	180,809	39,813
Accrued expenses	435,299	17,609
Income taxes payable	268,361	16,516
Accrued consumption tax, etc.	228,249	84,132
Advances received	1,150	1,203
Deposits	56,209	4,765
Provision for bonuses	789,354	–
Provision for directors' bonuses	20,700	25,000
Provision for loss on orders received	34,479	–
Other	20,870	1
Total current liabilities	4,829,543	2,288,641
Non-current liabilities		
Long-term loans payable	749,400	249,800
Lease obligations	6,950	–
Long-term accounts payable – other	165,750	173,230
Total non-current liabilities	922,100	423,030
<b>Total liabilities</b>	<b>5,751,643</b>	<b>2,711,672</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus		
Capital reserve	543,293	543,293
Other capital surplus	26,876	26,111
Total capital surplus	570,170	569,405
Retained earnings		
Legal retained earnings	43,687	43,687
Other retained earnings		
Voluntary reserve	4,210,000	4,210,000
Special depreciation reserve	505	–
Retained earnings brought forward	2,517,861	2,027,295
Total retained earnings	6,772,055	6,280,983
Treasury stock	–470,069	–443,682
Total shareholders' equity	7,464,500	6,999,050
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	557,653	395,619
Total valuation and translation adjustments	557,653	395,619
Subscription rights to shares	10,609	8,937
<b>Total net assets</b>	<b>8,032,763</b>	<b>7,403,607</b>
<b>Total liabilities and net assets</b>	<b>13,784,407</b>	<b>10,115,279</b>

**(2) Statement of Income**

(Thousands of ¥)

	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)
Net sales	22,144,093	—
Operating revenue	—	1,058,114
Cost of sales	17,565,994	—
Gross profit	4,578,098	—
Selling, general, and administrative expenses		
Directors' compensation	153,135	—
Salaries and allowances	1,182,292	—
Bonuses	137,424	—
Provision for bonuses	137,705	—
Provision for directors' bonuses	20,700	—
Retirement benefit expenses	44,492	—
Statutory welfare expenses	305,774	—
Entertainment expenses	76,704	—
Education and training expenses	56,161	—
Land rent	130,654	—
Outsourcing expenses	241,805	—
Depreciation	114,552	—
Amortization of goodwill	12,209	—
Other	758,070	—
Total selling, general, and administrative expenses	3,371,683	—
Operating expenses	—	784,220
Operating income	1,206,415	273,894
Non-operating income		
Interest income	381	0
Interest from securities	1,708	1,707
Dividend income	56,745	23,535
Insurance proceeds and dividends	9,861	294
Foreign exchange gains	2,114	0
Other	11,114	2,177
Total non-operating income	81,925	27,715
Non-operating expenses		
Interest expenses	15,776	14,192
Commitment line fees	18,209	—
Other	18	164
Total non-operating expenses	34,004	14,357
Ordinary income	1,254,335	287,251

(Thousands of ¥)

	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)
<b>Extraordinary income</b>		
Gain on sales of investment securities	9,495	38,886
Gain on sales of non-current assets	2,495	1,046
Gain on reversal of subscription rights to shares	115	115
Other	4	—
Total extraordinary income	12,111	40,048
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	695	0
Total extraordinary losses	695	0
Net income before income tax	1,265,752	327,299
Income taxes—current	438,096	53,303
Income taxes—deferred	–13,448	23,197
Total income taxes	424,647	76,501
Net income	841,104	250,798

### (3) Statement of Changes in Shareholders' Equity

Previous fiscal year (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	
Balances at the beginning of the period	592,344	543,293	27,495	570,788	43,687	4,210,000	1,011	2,132,030	6,386,730
Changes during the period									
Draw-down of special depreciation reserve							-505	505	-
Dividends from surplus								-455,779	-455,779
Net income								841,104	841,104
Acquisition of treasury stock									
Disposition of treasury stock			-618	-618					
Net changes of items other than shareholders' equity									
Total changes during the period	-	-	-618	-618	-	-	-505	385,830	385,325
Balances at the end of the period	592,344	543,293	26,876	570,170	43,687	4,210,000	505	2,517,861	6,772,055

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balances at the beginning of the period	-502,870	7,046,992	451,991	451,991	11,993	7,510,978
Changes during the period						
Draw-down of special depreciation reserve		-				-
Dividends from surplus		-455,779				-455,779
Net income		841,104				841,104
Acquisition of treasury stock	-256	-256				-256
Disposition of treasury stock	33,056	32,438				32,438
Net changes of items other than shareholders' equity			105,661	105,661	-1,383	104,278
Total changes during the period	32,800	417,507	105,661	105,661	-1,383	521,785
Balances at the end of the period	-470,069	7,464,500	557,653	557,653	10,609	8,032,763

Current fiscal year (April 1, 2019 to March 31, 2020)

(Thousands of ¥)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			
						Voluntary reserve	Special depreciation reserve	Retained earnings brought forward	
Balances at the beginning of the period	592,344	543,293	26,876	570,170	43,687	4,210,000	505	2,517,861	6,772,055
Changes during the period									
Draw-down of special depreciation reserve							-505	505	-
Dividends from surplus								-741,870	-741,870
Net income								250,798	250,798
Acquisition of treasury stock									
Disposition of treasury stock			-764	-764					
Net changes of items other than shareholders' equity									
Total changes during the period	-	-	-764	-764	-	-	-505	-490,565	-491,071
Balances at the end of the period	592,344	543,293	26,111	569,405	43,687	4,210,000	-	2,027,295	6,280,983

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balances at the beginning of the period	-470,069	7,464,500	557,653	557,653	10,609	8,032,763
Changes during the period						
Draw-down of special depreciation reserve		-				-
Dividends from surplus		-741,870				-741,870
Net income		250,798				250,798
Acquisition of treasury stock	-436	-436				-436
Disposition of treasury stock	26,823	26,058				26,058
Net changes of items other than shareholders' equity			-162,034	-162,034	-1,672	-163,706
Total changes during the period	26,387	-465,449	-162,034	-162,034	-1,672	-629,156
Balances at the end of the period	-443,682	6,999,050	395,619	395,619	8,937	7,403,607

**(4) Notes on Unconsolidated Financial Statements**

**(Notes on Assumptions regarding Going Concern)**

None.

**(Changes in Method of Representation)**

(Items related to the balance sheet)

In the previous fiscal period, “Accounts receivable–other,” was included in “Other” under current assets. Because this item has increased in financial importance, from the current fiscal year onward this item is listed as a separate category. To reflect this change in method of representation, the balance sheet for the previous fiscal year has been rearranged.

In the previous fiscal year, accounts receivable–other amounted to ¥23,499,000.