

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2021 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 First Three Months of the Fiscal Year Ending March 31, 2021 (J-GAAP)

August 7, 2020

| | |
|--|--|
| Company name: | ID Holdings Corporation |
| Listing: | Tokyo Stock Exchange, 1st Section |
| Securities code: | 4709 |
| URL: | https://www.idnet-hd.co.jp |
| Company representative: | Masaki Funakoshi, President and Representative Director |
| Direct inquiries to: | Masayoshi Nakatani, Senior Officer Manager, Corporate Strategy Department Tel: +81 3-3262-5177 |
| Scheduled date of filing of Quarterly Securities Report: | August 12, 2020 |
| Scheduled date of dividend payment: | — |
| Preparation of supplementary materials on financial results: | Yes |
| Presentation on quarterly results: | Yes (for institutional investors and financial analysts) |

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for Q1 of FY2020 (April 1–June 30, 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 | % |
| Q1 FY2020 | 5,881 | -10.4 | 231 | -54.5 | 270 | -47.5 | 137 | -57.8 |
| Q1 FY2019 | 6,562 | -1.1 | 507 | 27.9 | 514 | 21.3 | 324 | 54.5 |

Note: Comprehensive income Q1 FY2020 ¥273 million (20.8%)

Q1 FY2019 ¥226 million (-28.2%)

| | Net income per share | Diluted net income per share |
|-----------|----------------------|------------------------------|
| | ¥ | ¥ |
| Q1 FY2020 | 12.30 | 12.20 |
| Q1 FY2019 | 29.31 | 29.06 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-----------|--------------|------------|--------------|
| | ¥ million | ¥ million | % |
| Q1 FY2020 | 15,042 | 8,716 | 57.7 |
| FY2019 | 15,249 | 8,730 | 57.0 |

Reference: Equity Q1 FY2020 ¥8,676 million

FY2019 ¥8,689 million

2. Dividends

| | Annual dividends | | | | |
|-------------------|----------------------|-----------------------|----------------------|----------------------|-------|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal period | Total |
| | ¥ | ¥ | ¥ | ¥ | ¥ |
| FY2019 | — | 25.00 | — | 25.00 | 50.00 |
| FY2020 | — | | | | |
| FY2020 (forecast) | | 25.00 | — | 25.00 | 50.00 |

Note: Revision of most recently published dividend forecast: No

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 | 106.71 |

Note: Revision of most recently published results forecast:

No

*Notes

(1) Changes in important subsidiaries during the period
Changes in specified subsidiaries resulting in change in consolidation scope No

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: No

(3) 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

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock):

| | | | |
|-----------|-------------------|-----------|-------------------|
| Q1 FY2020 | 12,044,302 shares | FY2019 | 12,044,302 shares |
| Q1 FY2020 | 892,136 shares | FY2019 | 895,759 shares |
| Q1 FY2020 | 11,152,225 shares | Q1 FY2019 | 11,082,832 shares |

(ii) Amount of treasury stock:

(iii) Interim average number of shares
(Consolidated total for the quarter)

* These quarterly consolidated financial results are not subject to quarterly review 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 information available as of the day the results were announced. Forecasts are inherently uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (3) Qualitative Information on the Consolidated Results Forecast under Section 1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2021, on page 5 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.

On July 27, 2020, Trust & Custody Services Bank merged with JTC Holdings, Ltd. and Japan Trustee Services Bank, Ltd. to become Custody Bank of Japan, Ltd.

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

The ID Group will hold a quarterly results briefing for institutional investors and analysts on August 26, 2020. The materials that will be distributed at the briefing will be posted on the Group website promptly after the briefing.

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1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2021

(1) Qualitative Information on the Consolidated Business Results

The global COVID-19 pandemic has caused great concern regarding its impact on the economies of Japan and other countries. Amid this condition, the outlook for business activity, companies' management environment and the employment picture is uncertain.

In the information services industry, to which the ID Group belongs, the COVID-19 pandemic has wreaked a number of changes. New market needs have emerged, as companies implement and overhaul IT environments, people prepare to work from home and the shift of information assets to the cloud accelerates. Negative effects are also being felt, however, including cancellation of new projects in software development and system infrastructure and postponement of existing projects.

The business results of the ID Group in the consolidated fiscal period under review (Q1 FY2020: April 1 to June 30, 2020) were disappointing. While trends in system infrastructure and cybersecurity remained firm, fields such as software development and system operation management were affected by the conclusion of five major projects, causing negative impact of ¥602 million. Net sales declined 10.4% from the same period of the previous fiscal year (YoY) to ¥5.881 billion.

The downturn in sales prompted a decline in income, while the COVID-19 pandemic persuaded corporate clients to revise their system investment plans, in turn reducing the operation rate of engineers. Operating income slumped to ¥231 million (-54.5% YoY), while ordinary income dropped to ¥270 million (-47.5% YoY) and net income attributable to owners of parent fell to ¥137 million (-57.8% YoY).

The Group's business consists of a single segment. Business results for each service are as follows.

(Millions of ¥)

| | | Previous consolidated first quarter (April 1, 2019 to June 30, 2019) | Consolidated first quarter under review (April 1, 2020 to June 30, 2020) | YoY comparison | |
|--|------------------------|--|---|-----------------------|--------------------------------------|
| | | | | Increase/ decrease | Rate of increase/ decrease (%) |
| System operation management | Net sales | 3,009 | 2,929 | -79 | -2.7 |
| | Gross profit | 709 | 631 | -78 | -11.0 |
| | Gross profit margin | 23.6% | 21.6% | -2.0P | — |
| Software development | Net sales | 2,250 | 1,759 | -490 | -21.8 |
| | Gross profit | 565 | 411 | -153 | -27.2 |
| | Gross profit margin | 25.1% | 23.4% | -1.7P | — |
| System infrastructure | Net sales | 570 | 612 | 42 | 7.5 |
| | Gross profit | 167 | 183 | 15 | 9.5 |
| | Gross profit margin | 29.4% | 29.9% | 0.5P | — |
| Cybersecurity, consulting and training | Net sales | 422 | 462 | 40 | 9.7 |
| | Gross profit | 105 | 111 | 5 | 5.6 |
| | Gross profit margin | 24.9% | 24.0% | -0.9P | — |
| Others | Net sales | 310 | 116 | -193 | -62.3 |
| | Gross profit | 39 | -5 | -45 | — |
| | Gross profit margin | 12.9% | — | — | — |
| Total | Net sales | 6,562 | 5,881 | -680 | -10.4 |
| | Gross profit | 1,587 | 1,332 | -255 | -16.1 |
| | Gross profit margin | 24.2% | 22.7% | -1.6P | — |

(i) System operation management

The Group won new projects from existing customers in communications and the public sector and increased the ranks of its employees as existing finance-related customers strengthened their organizations. However, the completion of major projects related to finance caused a negative impact of ¥101 million. Net sales in system operation management declined to ¥2.929 billion (-2.7% YoY).

(ii) Software development

An increase in employees working on existing manufacturing-related projects generated expansion in orders received. However, the conclusion of three major projects for existing customers in the public sector and finance in the previous fiscal year led to a negative impact of ¥413 million. Net sales in software development retreated to ¥1.759 billion (-21.8% YoY).

(iii) System infrastructure

The Group secured new projects with existing customers related to the public sector and increased staffing on projects related to transportation, thereby boosting orders received. Net sales in system infrastructure rose to ¥612 million (+7.5% YoY).

(iv) Cybersecurity, consulting and training

The ID Group increased its number of operators working in cybersecurity and bolstered product sales. Net sales in cybersecurity, consulting and training improved to ¥462 million (+9.7% YoY).

(v) Others

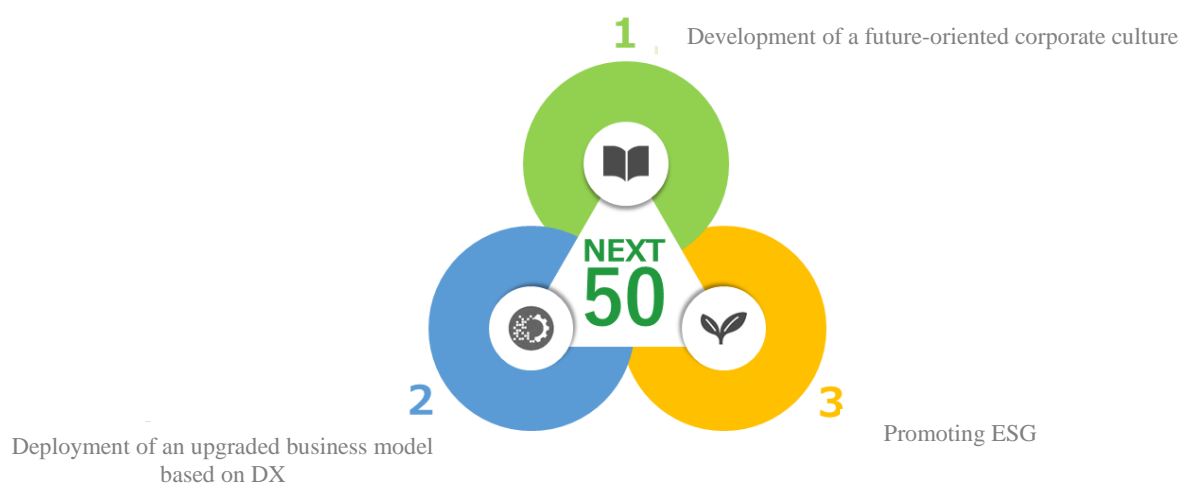
A drop in major orders received for product sales in the previous fiscal year caused a negative impact, while some finance-related projects concluded. Net sales shrank to ¥116 million (-62.3% YoY).

Management Policy Initiatives

In today's information services industry, customers' IT needs are increasingly diversifying. Digital transformation (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:

- In the software development field, the ID Group established a Global Innovation Center (GIC). The purpose of the GIC is to strengthen management of projects ordered in batches and enable appropriate allocation of personnel at Group locations in Japan and overseas.
- To promote flexible and efficient work styles in view of the need to coexist with COVID-19, the ID Group launched an internal reorganization called the New Normal Adaptation Project.
- The Group established the New Normal Idea Proposal Award System. The purpose of this System is to promote sharing of ideas and technologies Group-wide to generate new business.
- The Group introduced a personnel management system, to centralize data on in-house personnel* and propose personnel strategies for flexible and rapid response to management issues.
- The ID Group released ID Campus, an in-house e-learning system to assist employees in creating and sharing technology content.

*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 (RPA, AI, the cloud, cybersecurity, IoT and other digital technologies, as well as advanced management techniques such as IT service management and agile management).

To make this service model a reality, during this three-year period the ID Group will invest vigorously in education, focusing 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:

- INFORMATION DEVELOPMENT CO., LTD. ("ID") added new features to IDEye, its remote work support system, achieving a quantum boost in work efficiency.
- ID began supplying Network Detection and Response (NDR), a network monitoring and incident response service that uses Seceon OTM, an advanced security product.
- DX CONSULTING CO., LTD. launched Raku Raku Implementation Support Service, a service that enables work support tools (such as IT service management tools) to be implemented remotely.

*DX is the transformation of existing businesses by combining existing service solutions with advanced technologies such as RPA, AI and IoT.

(iii) Promoting ESG

Through its provision of information services, the ID Group actively strives to develop solutions to society's problems while creating sustainable growth and social value. The ID Group launched the ESG Promotion Department. By strengthening the Group's efforts in each of the fields of environment, society and governance, the Department strives to ensure growth and development together with all stakeholders, including customers, shareholders and employees.

Measures taken to implement this policy include the following:

- A Group Internal Controls Meeting was established. The purpose of this Conference is to conduct regular evaluation of the maintenance and operation of the Group's internal control systems and to discuss and examine necessary improvement measures.
- Using remote access services and satellite offices, approximately half of all Group employees now work remotely.
- To support artists whose activities have become restricted due to the COVID-19 pandemic, the Group posts videos of their

performances on its website.

- The Group established ID Group Blood Donation Day and obtained recognition from the Japanese Red Cross Society as a blood-donation supporter.
- The Group contributed funding to Keio University for research on COVID-19.

At the June 29, 2020 meeting of the Board of Directors, ID Holdings Corporation (“ID Holdings”) resolved that ID, a consolidated subsidiary of ID Holdings, would acquire all shares of ActiveT Co., Ltd. (“ActiveT”), making ActiveT a sub-subsidiary of ID Holdings.

ActiveT is a company operating primarily from its base in Nagoya. It has strengths in software development for the automotive, civil-service and other sectors and boasts a sophisticated engineer-training system and robust customer base. In deciding to purchase the shares, ID Holdings judged that the share acquisition would improve ID’s service capabilities in the Chubu region, strengthen its customer base and enable expansion of its production system thanks to the increase in engineering staff. For details, please refer to the press release published June 29, 2020, entitled “Notice of Acquisition of All Shares of ActiveT by an ID Group Subsidiary (Turning ActiveT into a Sub-subsidiary).”

(2) Qualitative Information on the Consolidated Financial Position

Changes in the ID Group’s financial position

(Assets)

Assets at the end of consolidated Q1 decreased by ¥207 million from the end of the previous consolidated accounting period to ¥15.042 billion. Although cash and deposits increased by ¥601 million, notes and accounts receivable–trade decreased by ¥620 million, while accounts receivable–other declined by ¥636 million.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥193 million from the end of the previous consolidated accounting period to ¥6.325 billion. While interest-bearing debt increased by ¥1.621 billion, income taxes payable and accrued consumption tax, etc. declined by ¥859 million and ¥991 million, respectively.

(Net Assets)

Net assets at the end of consolidated Q1 decreased by ¥14 million from the end of the previous consolidated accounting period to ¥8.716 billion. While net income attributable to owners of parent reached ¥137 million and valuation difference on available-for-sale securities increased by ¥130 million, dividend payments amounted to ¥285 million.

(3) Qualitative Information on the Consolidated Results Forecast

There have been no changes to the full-year results projections as released by the ID Group on May 15, 2020.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

| | Previous consolidated accounting period As of March 31, 2020 | Consolidated first quarter under review As of June 30, 2020 |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,689,877 | 5,291,749 |
| Notes and accounts receivable – trade | 4,250,528 | 3,629,968 |
| Work in process | 18,904 | 57,683 |
| Other | 1,156,979 | 565,984 |
| Total current assets | 10,116,289 | 9,545,385 |
| Non-current assets | | |
| Property, plant and equipment | 1,734,054 | 1,716,075 |
| Intangible assets | | |
| Goodwill | 1,164,231 | 1,324,428 |
| Software | 84,328 | 88,027 |
| Other | 742 | 745 |
| Total intangible assets | 1,249,301 | 1,413,200 |
| Investments and other assets | | |
| Investment securities | 1,139,311 | 1,337,819 |
| Deferred tax assets | 512,200 | 486,319 |
| Other | 506,015 | 550,755 |
| Allowance for doubtful accounts | -7,500 | -7,500 |
| Total investments and other assets | 2,150,027 | 2,367,394 |
| Total non-current assets | 5,133,383 | 5,496,670 |
| Total assets | 15,249,673 | 15,042,056 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 901,141 | 744,507 |
| Short-term loans payable | 360,000 | 2,060,000 |
| Current portion of long-term loans payable | 499,600 | 503,596 |
| Income taxes payable | 919,004 | 59,781 |
| Provision for bonuses | 1,094,196 | 407,863 |
| Provision for directors' bonuses | 42,325 | 8,861 |
| Other | 2,040,995 | 1,899,158 |
| Total current liabilities | 5,857,263 | 5,683,766 |
| Non-current liabilities | | |
| Bonds payable | – | 21,000 |
| Long-term loans payable | 249,800 | 142,095 |
| Deferred tax liabilities | 157,800 | 223,793 |
| Provision for directors' retirement benefits | 16,413 | 17,622 |
| Net retirement benefit liability | 30,927 | 28,047 |
| Other | 206,925 | 209,227 |
| Total non-current liabilities | 661,867 | 641,785 |
| Total liabilities | 6,519,130 | 6,325,552 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 592,344 | 592,344 |
| Capital surplus | 567,587 | 567,444 |
| Retained earnings | 7,502,863 | 7,354,213 |
| Treasury stock | -443,682 | -442,069 |
| Total shareholders' equity | 8,219,113 | 8,071,933 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 395,479 | 525,495 |
| Foreign currency translation adjustment | 74,194 | 77,220 |
| Remeasurements of retirement benefit plans | 997 | 1,753 |
| Total accumulated other comprehensive income | 470,671 | 604,469 |
| Subscription rights to shares | 8,937 | 8,649 |
| Non-controlling interests | 31,820 | 31,451 |
| Total net assets | 8,730,542 | 8,716,503 |
| Total liabilities and net assets | 15,249,673 | 15,042,056 |

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income)
(Consolidated First Quarter)

(Thousands of ¥)

| | Previous consolidated first quarter (April 1, 2019 to June 30, 2019) | Consolidated first quarter under review (April 1, 2020 to June 30, 2020) |
|--|--|---|
| Net sales | 6,562,194 | 5,881,550 |
| Cost of sales | 4,974,292 | 4,549,237 |
| Gross profit | 1,587,901 | 1,332,312 |
| Selling, general, and administrative expenses | 1,080,148 | 1,101,082 |
| Operating income | 507,753 | 231,229 |
| Non-operating income | | |
| Interest income | 1,261 | 665 |
| Dividend income | 19,900 | 18,463 |
| Subsidy income | 1,883 | 14,776 |
| Other | 5,266 | 24,030 |
| Total non-operating income | 28,311 | 57,935 |
| Non-operating expenses | | |
| Interest expenses | 3,745 | 2,791 |
| Commitment line fees | 15,620 | 15,580 |
| Other | 1,834 | 434 |
| Total non-operating expenses | 21,200 | 18,806 |
| Ordinary income | 514,864 | 270,359 |
| Extraordinary income | | |
| Gain on sales of investment securities | 38,886 | — |
| Total extraordinary income | 38,886 | — |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | — | 59 |
| Total extraordinary losses | — | 59 |
| Net income before income taxes | 553,750 | 270,299 |
| Income taxes—current | 42,104 | 50,951 |
| Income taxes—deferred | 184,276 | 79,589 |
| Total income taxes | 226,380 | 130,541 |
| Net income | 327,370 | 139,758 |
| Net income attributable to non-controlling interests | 2,511 | 2,639 |
| Net income attributable to owners of parent | 324,858 | 137,119 |

(Consolidated Statement of Comprehensive Income)
(Consolidated First Quarter)

(Thousands of ¥)

| | Previous consolidated first quarter (April 1, 2019 to June 30, 2019) | Consolidated first quarter under review (April 1, 2020 to June 30, 2020) |
|---|--|---|
| Net income | 327,370 | 139,758 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -73,972 | 130,015 |
| Foreign currency translation adjustment | -27,534 | 3,026 |
| Remeasurements of retirement benefit plans | 669 | 756 |
| Total other comprehensive income | -100,837 | 133,797 |
| Comprehensive income | 226,532 | 273,556 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 224,021 | 270,917 |
| Comprehensive income attributable to non-controlling interests | 2,511 | 2,639 |

(3) Notes on Consolidated Financial Statements
(Notes on Assumptions Regarding Going Concern)

None.

(Notes on Significant Changes (If Any) in Shareholders' Equity)

None.

(Additional Information)

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

The ID Group 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

At a meeting held on April 30, 2015, the Board of Directors 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 ID Group, 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 ID Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

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

The ID Group 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 ID Group shares held in trust

Shares in the ID Group held by BBT and J-ESOP at the end of the consolidated first quarter under review are listed in the consolidated balance sheet under “Net Assets” as “Treasury Stock.” The book value of these shares was ¥149,179,000 at the end of the previous consolidated fiscal period and was ¥149,179,000 at the end of the consolidated first quarter under review. The number of shares was 282,227 at the end of the previous consolidated fiscal period and was 282,227 at the end of the consolidated first quarter under review.

(Material Subsequent Events)

(Purchase of a company through acquisition of shares)

On July 21, 2020, ID Holdings resolved to acquire all shares of GI Technos Inc. (“GIT”), in accordance with Article 370 of the Companies Act and Article 25 (Omission of Resolutions of the Board of Directors) of the Articles of Association of ID Holdings. On the same day, ID Holdings concluded an agreement for transfer of the shares. In accordance with the agreement, ID Holdings acquired all shares of GIT on August 3, 2020, making GIT a subsidiary of ID Holdings.

(1) Overview of business combination

(i) Name and details of operations of acquired company

| | |
|--------------------------|-------------------------------------|
| Name of acquired company | GI Technos Inc. |
| Details of operations | Contract development of IT software |

(ii) Date of formation of business combination with the ID Group

August 3, 2020

(iii) Legal format of business combination

Acquisition of shares in exchange for cash

(iv) Name of company after business combination

The name of the company is not changed after the business combination.

(v) Proportion of voting rights in the acquired company

100%

(vi) Main grounds for GIT’s selection of ID Holdings as the acquiring company

ID Holdings was able to acquire the company’s shares for cash.

(vii) Main reasons for conducting the business combination

The strength of the ID Group is its provision of one-stop service ranging from software development and system infrastructure through system operation management to cybersecurity, serving customers in fields as diverse as finance, public administration, transportation and manufacturing. In recent years the Group has focused on expanding its services in DX, contributing to the transformation of customers’ businesses through actions such as building system infrastructure using cloud technology and transferring customers’ information assets. Established in 1973, GIT boasts strengths in fields ranging from software development for trunk systems and system-infrastructure construction to development of mobile applications, targeting industries such as telecommunications and public administration. In addition to its wealth of results and operating expertise in the above industries, GIT possesses a sizable staff of engineers developing innovations that are currently in high demand, such as cloud-related technologies and mobile applications for smartphones and tablets. GIT is expected to enjoy continuing growth going forward.

The ID Group expects to reap a number of benefits through the current share acquisition. First, the Group anticipates bolstering its customer base, particularly in the fields of telecommunications and public administration. Second, the Group can expand its operations through collaboration in the field of cloud and other system infrastructure, for which market needs are extensive. Third, the Group judges that sharing of technologies and services in the field of mobile applications will further enhance its service capabilities.

(2) Breakdown by acquisition price and equivalent value of acquired company

Under the terms of a confidentiality agreement, this information is undisclosed.

(3) Value of goodwill generated by the acquisition, factors in its generation, method of depreciation and depreciation period

To be determined

(4) Amounts and main breakdown of assets received and liabilities incurred on the date of business combination

To be determined

(5) Method of fundraising for acquisition

On July 31, 2020, ID Holdings borrowed funds for acquisition of GIT’s shares.

| | |
|-------------------------|-------------------|
| (i) Lending institution | Mizuho Bank, Ltd. |
| (ii) Amount borrowed | ¥700 million |

| | |
|-----------------------------|--|
| (iii) Interest rate applied | An interest rate based on market interest rates was applied. |
| (iv) Date of borrowing | July 31, 2020 |
| (v) Term | 1 year |