

Note: This document is an English translation of the “Kessan Tanshin” for the second 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 Six Months of the Fiscal Year Ending March 31, 2021 (J-GAAP)

November 9, 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 filing of Quarterly Securities Report: November 12, 2020  
 Scheduled date of dividend payment: December 4, 2020  
 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 H1 of FY2020 (April 1–September 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	%
H1 FY2020	12,174	-7.6	653	-43.6	704	-39.7	611	-17.3
H1 FY2019	13,171	-0.0	1,159	57.7	1,168	48.6	738	63.8

Note: Comprehensive income H1 FY2020 ¥779 million (25.3%) H1 FY2019 ¥622 million (42.1%)

	Net income per share	Diluted net income per share
	¥	¥
H1 FY2020	54.75	54.34
H1 FY2019	66.62	66.06

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q2 FY2020	15,043	9,235	61.1
FY2019	15,249	8,730	57.0

Reference: Equity Q2 FY2020 ¥9,191 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	—	25.00			
FY2020 (forecast)			—	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	106.39

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):

Q2 FY2020	12,044,302 shares	FY2019	12,044,302 shares
Q2 FY2020	859,473 shares	FY2019	895,759 shares
Q2 FY2020	11,162,818 shares	Q2 FY2019	11,089,432 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 Second Quarter of the Fiscal Year Ending March 31, 2021, 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 Custody Bank of Japan, 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 quarterly results and details of the quarterly results briefing)

The ID Group will hold a quarterly results briefing for institutional investors and analysts on November 18, 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 Second 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 for the ID Group in the consolidated fiscal first half year under review (April 1 to September 30, 2020; hereinafter "H1 FY2020") were overall disappointing. Results in system infrastructure and cybersecurity trended favorably, while acquired subsidiaries contributed to revenues. However, in fields such as software development and system operation management, five large projects ended, reducing revenues by ¥1.058 billion. Net sales in H1 FY2020 tumbled 7.6% against the same period of the previous fiscal year (YoY), to ¥12.174 billion.

Earnings suffered a number of headwinds. The decline in sales engendered a fall in earnings. The COVID-19 pandemic prompted corporate customers to revise their systems investment plans and make other adjustments, resulting in a decline in the operating ratio of the Group's engineers. The Group also absorbed M&A expenses related to the acquisition of two subsidiaries as well as expenses related to the New Normal Adaptation Project\*. Operating income was ¥653 million (-43.6% YoY) and ordinary income was ¥704 million (-39.7% YoY). The Group also earned gain on sales of investment securities. Net income attributable to owners of parent was ¥611 million (-17.3% YoY).

\*A Group-internal reorganization project aimed at promoting flexible and efficient workstyles for effective coexistence with COVID-19. Initiatives include the establishment of THE Forest Room, a free-address office; transfer of some operations to the Sanin Department; and an overhaul of the Group website.

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

(Millions of ¥)

		Previous consolidated cumulative second quarter (April 1, 2019 to September 30, 2019)	Consolidated cumulative second quarter under review (April 1, 2020 to September 30, 2020)	YoY comparison	
				Increase/decrease	Rate of increase/decrease (%)
System operation management	Net sales	6,023	5,879	-144	-2.4
	Gross profit	1,424	1,383	-41	-2.9
	Gross profit margin	23.7%	23.5%	-0.1P	—
Software development	Net sales	4,558	3,772	-786	-17.3
	Gross profit	1,215	922	-292	-24.1
	Gross profit margin	26.7%	24.5%	-2.2P	—
System infrastructure	Net sales	1,183	1,256	72	6.1
	Gross profit	344	368	23	6.9
	Gross profit margin	29.1%	29.3%	0.2P	—
Cybersecurity, consulting and training	Net sales	851	1,044	193	22.7
	Gross profit	223	279	56	25.1
	Gross profit margin	26.2%	26.7%	0.5P	—
Others	Net sales	553	222	-331	-59.9
	Gross profit	126	-11	-137	—
	Gross profit margin	22.8%	—	—	—
Total	Net sales	13,171	12,174	-997	-7.6
	Gross profit	3,334	2,942	-392	-11.8
	Gross profit margin	25.3%	24.2%	-1.2P	—

(i) System operation management

The Group increased staffing levels in this field in response to organizational strengthening moves at existing corporate customers related to the financial sector. It also acquired new projects with existing corporate customers involved in communications and the public sector. However, the conclusion of major projects in the financial sphere reduced revenues by ¥144 million. Net sales were ¥5.879 billion (-2.4% YoY).

(ii) Software development

Order acceptance increased in this field, powered by contributions from subsidiaries acquired during the fiscal year under review and increased staffing levels on existing manufacturing-related projects. At existing corporate customers related to finance and the public sector, however, the completion of three major projects in the previous fiscal year reduced revenues by ¥744 million. Net sales were ¥3.772 billion (-17.3% YoY).

(iii) System infrastructure

Increased staffing levels for transportation-related projects increased order acceptance in this field, while new projects were acquired at existing corporate customers related to the public sector. Net sales were ¥1.256 billion (+6.1% 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 ¥1.044 billion (+22.7% YoY).

(v) Others

In this field, certain projects related to the financial sector wound up, while large orders in the previous fiscal year were not repeated in H1 FY2020. Net sales were ¥222 million (-59.9% YoY).

On July 21, 2020, ID Holdings Corporation (“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 August 3, 2020, GIT was made a subsidiary of ID Holdings.

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.

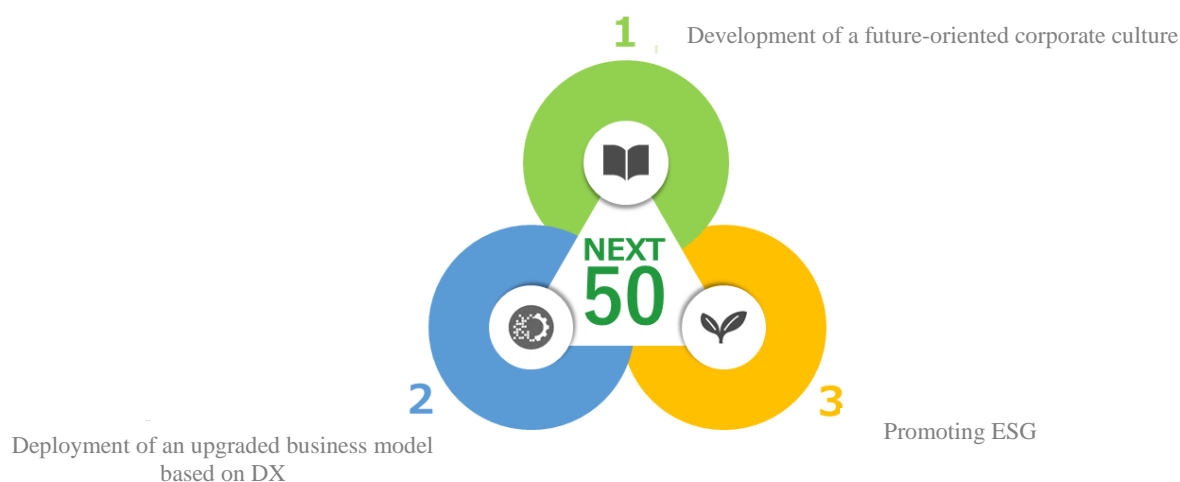
For a detailed discussion, please refer to “Notice of Acquisition of All Shares of GI Technos (Turning GI Technos into a Subsidiary),” published on July 21, 2020.

### 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.
- INFORMATION DEVELOPMENT CO., LTD. (hereinafter “ID”) transferred a portion of its head-office functions to the Sanin Department. The purpose of this move was to promote operational reforms, such as decentralization of the operations of its Tokyo head office and achievement of more diverse and flexible workstyles.
- 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.
- To bolster employee capabilities, the Group released ID Campus, an in-house e-learning system that facilitates sharing operational expertise and engineering skills.

\*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:

- ID established the ID Cloud Management Center in Yonago, Tottori Prefecture and began provision of ID-Cross, a multi-cloud solution service that supports operations from cloud environment design and implementation to operation and maintenance after system migration.
- A Marketing Department was established at ID. Its purpose is to establish new marketing strategies to adapt to the “new normal,” gather information on technological trends and the like, discover new product lines and promote sales.
- DX CONSULTING CO., LTD. (hereinafter “DXC”) opened the first courses in Japan certified by the EXIN BCS Artificial Intelligence Foundation. This foundation is operated by EXIN Holding B.V., an international testing agency.
- ID added new features to IDEye, a remote work support system, achieving dramatic improvements in operational efficiency.
- ID began supplying Network Detection and Response (NDR), a network monitoring and incident response service that uses Seceon OTM, an advanced security product.
- DXC launched Raku Raku Implementation Support Service, a service that enables remote implementation of IT service management tools and other operational-support tools.
- ID exhibited a virtual booth and delivered talks at PALO ALTO NETWORKS DAY 2020 VIRTUAL, one of the industry’s largest conferences on next-generation cybersecurity technology.

\*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.
- The Group established THE Forest Room, a free-address office, to invigorate communication and foster innovation.
- Through the use of remote-access services and satellite offices, the Group supports diverse employee workstyles.
- The Group strengthened measures on health management. Initiatives focused on key themes of employee health issues were carried out, including the presentation of seminars on preventative living habits and the introduction of an app to encourage walking.
- To strengthen employees' environmental awareness and to support and improve their living environments, the ID Group conducted the Happy Earth Challenge, a month-long initiative to improve the ID Group's environment.
- 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.

## (2) Qualitative Information on the Consolidated Financial Position

### (i) Changes in the ID Group's financial position

(Assets)

Assets at the end of consolidated Q2 decreased by ¥206 million from the end of the previous consolidated accounting period, to ¥15.043 billion. Although investment securities increased by ¥254 million and goodwill increased by ¥502 million, cash and deposits declined by ¥369 million and accounts receivable–other fell by ¥651 million.

(Liabilities)

Liabilities at the end of consolidated Q2 decreased by ¥710 million from the end of the previous consolidated accounting period, to ¥5.808 billion. While interest-bearing debt increased by ¥1.287 billion, accrued consumption tax, etc. and income taxes payable declined by ¥1.123 billion and ¥665 million, respectively.

(Net Assets)

Net assets at the end of consolidated Q2 rose by ¥504 million from the end of the previous consolidated accounting period, to ¥9.235 billion. While dividend payments amounted to ¥285 million, net income attributable to owners of parent reached ¥611 million and valuation difference on available-for-sale securities increased by ¥163 million.

### (ii) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "cash") at the end of consolidated Q2 under review increased by ¥566 million in comparison with the end of consolidated Q2 in the previous fiscal year, to ¥4.004 billion (+16.5% YoY). The cash flow and factors affecting cash flow for H1 of the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥1.245 billion (–274.3% YoY).

This result was mainly due to ¥1.014 billion in net income before income taxes, ¥1.183 billion in accrued consumption tax, etc. paid, and ¥865 million in corporation tax, etc. paid.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥34 million (+576.6% YoY).

This result was mainly due to proceeds from sales of investment securities of ¥311 million and purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥303 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥854 million (+250.4% YoY).

This result was mainly due to an increase of ¥1.393 billion in short-term loans payable, repayment of long-term loans payable of ¥255 million, and cash dividends paid of ¥289 million (including cash dividends paid to non-controlling interests).



**(3) Qualitative Information on the Consolidated Results Forecast**

The current forecast of business results differs from the Group's earlier forecast, published May 15, 2020, which was based on the assumption that the COVID-19 pandemic would come to an end by August 2020. However, the impact on operations was negligible, with the exception of the delay or cancellation of certain software development projects. Overall the effects were in line with the Group's forecast.

The Group is continuing to monitor the progression of the COVID-19 pandemic closely. Other factors have not changed in ways that may significantly affect business results. Accordingly, the figures in the full-year forecast of business results published on May 15, 2020 remain unchanged.

## 2. Consolidated Financial Statements and Important Notes

### (1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2020	Consolidated second quarter under review As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,689,877	4,320,432
Notes and accounts receivable – trade	4,250,528	4,023,268
Work in process	18,904	68,471
Other	1,156,979	528,191
Total current assets	10,116,289	8,940,363
Non-current assets		
Property, plant and equipment	1,734,054	1,777,901
Intangible assets		
Goodwill	1,164,231	1,666,437
Software	84,328	90,178
Other	742	748
Total intangible assets	1,249,301	1,757,364
Investments and other assets		
Investment securities	1,139,311	1,393,904
Deferred tax assets	512,200	573,626
Other	506,015	607,688
Allowance for doubtful accounts	-7,500	-7,500
Total investments and other assets	2,150,027	2,567,719
Total non-current assets	5,133,383	6,102,985
Total assets	15,249,673	15,043,349
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	901,141	772,297
Short-term loans payable	360,000	1,829,998
Current portion of long-term loans payable	499,600	503,596
Income taxes payable	919,004	253,685
Provision for bonuses	1,094,196	662,703
Provision for directors' bonuses	42,325	17,462
Other	2,040,995	993,193
Total current liabilities	5,857,263	5,032,936
Non-current liabilities		
Bonds payable	–	18,000
Long-term loans payable	249,800	38,176
Deferred tax liabilities	157,800	235,929
Provision for directors' retirement benefits	16,413	109,482
Net retirement benefit liability	30,927	161,944
Other	206,925	211,836
Total non-current liabilities	661,867	775,368
Total liabilities	6,519,130	5,808,305
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	567,587	567,156
Retained earnings	7,502,863	7,828,247
Treasury stock	-443,682	-428,584
Total shareholders' equity	8,219,113	8,559,164
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	395,479	558,571
Foreign currency translation adjustment	74,194	71,617
Remeasurements of retirement benefit plans	997	2,509
Total accumulated other comprehensive income	470,671	632,698
Subscription rights to shares	8,937	8,072
Non-controlling interests	31,820	35,108
Total net assets	8,730,542	9,235,043
Total liabilities and net assets	15,249,673	15,043,349

(2) Consolidated Statement of Income and Comprehensive Income  
(Consolidated Statement of Income)  
(Consolidated Cumulative Second Quarter)

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2019 to September 30, 2019)	Consolidated cumulative second quarter under review (April 1, 2020 to September 30, 2020)
Net sales	13,171,714	12,174,198
Cost of sales	9,837,354	9,231,905
Gross profit	3,334,360	2,942,292
Selling, general, and administrative expenses	2,175,337	2,289,154
Operating income	1,159,022	653,137
Non-operating income		
Interest income	2,514	1,395
Dividend income	21,187	19,071
Subsidy income	1,883	30,450
Other	11,068	35,926
Total non-operating income	36,654	86,843
Non-operating expenses		
Interest expenses	7,033	7,793
Commitment line fees	16,055	16,351
Foreign exchange loss	3,404	9,525
Other	610	1,849
Total non-operating expenses	27,104	35,520
Ordinary income	1,168,572	704,461
Extraordinary income		
Gain on sales of non-current assets	1,068	1,356
Gain on sales of investment securities	38,886	308,660
Total extraordinary income	39,955	310,016
Extraordinary losses		
Loss on retirement of non-current assets	12	59
Total extraordinary losses	12	59
Net income before income taxes	1,208,515	1,014,417
Income taxes—current	396,401	279,938
Income taxes—deferred	68,408	117,030
Total income taxes	464,810	396,968
Net income	743,705	617,449
Net income attributable to non-controlling interests	4,885	6,296
Net income attributable to owners of parent	738,819	611,152

**(Consolidated Statement of Comprehensive Income)**  
**(Consolidated Cumulative Second Quarter)**

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2019 to September 30, 2019)	Consolidated cumulative second quarter under review (April 1, 2020 to September 30, 2020)
Net income	743,705	617,449
Other comprehensive income		
Valuation difference on available-for-sale securities	-87,122	163,091
Foreign currency translation adjustment	-35,806	-2,576
Remeasurements of retirement benefit plans	1,338	1,512
Total other comprehensive income	-121,591	162,027
Comprehensive income	622,114	779,476
(Breakdown)		
Comprehensive income attributable to owners of parent	617,228	773,179
Comprehensive income attributable to non-controlling interests	4,885	6,296

**(3) Consolidated Cash Flow Statement**

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2019 to September 30, 2019)	Consolidated cumulative second quarter under review (April 1, 2020 to September 30, 2020)
<b>Cash flows from operating activities</b>		
Net income before income taxes	1,208,515	1,014,417
Depreciation	78,743	71,823
Amortization of goodwill	127,370	146,238
Loss on retirement of non-current assets	12	59
Loss (gain) on sales of non-current assets	-1,068	-1,356
Loss (gain) on sales of investment securities	-38,886	-308,660
Increase (decrease) in provision for bonuses	-181,401	-481,489
Increase (decrease) in provision for directors' bonuses	-14,348	-32,863
Increase (decrease) in provision for loss on orders received	-34,479	—
Increase (decrease) in provision for product warranties	43,571	—
Increase (decrease) in net retirement benefit assets (liabilities)	-29	-1,077
Increase (decrease) in provision for directors' retirement benefits	2,197	2,168
Interest income and dividend income	-23,701	-20,466
Interest expenses	7,033	7,793
Foreign exchange losses (gains)	136	-6
Decrease (increase) in notes and accounts receivable—trade	1,467,065	529,119
Decrease (increase) in inventories	-44,322	-41,459
Increase (decrease) in notes and accounts payable—trade	-291,559	-201,987
Increase (decrease) in amounts payable—other	-46,955	-365,423
Increase (decrease) in accrued expenses	-162,786	-52,033
Increase (decrease) in accrued consumption tax, etc.	237,304	-1,183,422
Decrease (increase) of other current assets	-342,959	544,898
Increase (decrease) in other current liabilities	-19,902	-18,237
Decrease (increase) in other non-current assets	-15,285	-868
Increase (decrease) in other non-current liabilities	-1,007	2,271
Other	-259	-3,463
Subtotal	1,952,996	-394,024
Interest and dividend income received	22,104	21,742
Interest expenses paid	-7,033	-7,793
Corporation tax, etc. paid	-290,692	-865,879
Net cash provided by (used in) operating activities	1,677,374	-1,245,955
<b>Cash flows from investing activities</b>		
Payments into time deposits	-116,830	—
Proceeds from withdrawal of time deposits	104,163	118,837
Purchase of property, plant and equipment	-28,802	-55,037
Proceeds from sales of property, plant and equipment	6,503	1,356
Purchase of intangible assets	-8,095	-16,304
Purchase of investment securities	-900	-22,311
Proceeds from sales of investment securities	70,424	311,160
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-303,886
Other	-35,721	1,058
Net cash provided by (used in) investing activities	-9,258	34,873

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2019 to September 30, 2019)	Consolidated cumulative second quarter under review (April 1, 2020 to September 30, 2020)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-1,000,000	1,393,332
Repayment of long-term loans payable	-249,800	-255,312
Purchase of treasury stock	-59	-436
Proceeds from sales of treasury stock	12,239	14,238
Cash dividends paid	-452,466	-286,848
Cash dividends paid to non-controlling interests	-2,240	-3,008
Other	-2,490	-7,081
Net cash provided by (used in) financing activities	-1,694,816	854,884
Effect of exchange rate changes on cash and cash equivalents	-25,547	-6,404
Net increase (decrease) in cash and cash equivalents	-52,248	-362,602
Cash and cash equivalents at beginning of period	3,489,851	4,367,141
Cash and cash equivalents at end of period	3,437,602	4,004,539

**(4) Notes on Consolidated Financial Statements**  
**(Notes on Assumptions Regarding Going Concern)**

None.

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

None.

**(Changes in Important Subsidiaries During the Period)**

None.

During Q2 F2020 GIT was incorporated into the scope of consolidation when ID Holdings purchased all shares of that company, making it a subsidiary. This change does not constitute a change in specified subsidiaries.

**(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 second 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 ¥139,047,000 at the end of the consolidated second quarter under review. The number of shares was 282,227 at the end of the previous consolidated fiscal period and was 256,890 at the end of the consolidated second quarter under review.