

November 9, 2020

To: All Concerned Stakeholders

Company : ID Holdings Corporation
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President and Representative Director
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Notice of Conversion of With Holdings Co., Ltd. to a Wholly Owned Subsidiary of ID Holdings Corporation

On November 9, 2020, ID Holdings Corporation (“IDHD”) resolved to acquire part of the shares outstanding (the “Stock Acquisition”) of With Holdings Co., Ltd. (“WHD”) to convert WHD to a subsidiary of IDHD and to later conduct a simplified share exchange (the “Share Exchange”) to make IDHD a wholly owning parent company resulting from a share exchange and WHD a wholly owned subsidiary company resulting from a share exchange. In addition, as of the same day, a contract to transfer shares and a contract to exchange shares were concluded. The Share Exchange is scheduled to be conducted as a simplified share exchange that does not require approval from a resolution of the General Meeting of Shareholders of IDHD in accordance with Article 796, Paragraph 2 of the Companies Act.

1. Reasons for Conversion to a Wholly-Owned Subsidiary by the Share Acquisition and the Share Exchange
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 business by using M&As and increasing the added value of services starting with digital transformation (“DX”).

WHD is a holding company where System Design Co., Ltd. (“SD”) which was established in April 1981 is at the core. WHD, with its main business sites in Ibaraki Prefecture and Tokyo, boasts strengths in software development for a wide variety of industries ranging from transportation, manufacturing, pharmaceuticals, public administration, energy, and telecommunications. WHD also possesses a robust customer base including major manufacturing companies. In particular, WHD has seen an abundance of achievements in development and possesses business know-how in business domains with continuous growth potential such as control systems that WHD has been working on since establishment and business systems for fields including energy, public administration, and telecommunications. WHD is expected to enjoy continuing growth going forward. The ID Group expects to reap a number of benefits through the conversion of WHD to a wholly owned subsidiary of IDHD by the current share acquisition and share exchange. First, the Group anticipates bolstering its customer

base and acquiring outstanding technical capabilities. Second, the Group believes that the creation of a great array of synergy effects such as the sharing of business know-how possessed by both companies in the software development field and the establishment of production systems for large projects through collaboration will further enhance the added values of our business.

2. Method of the Share Acquisition and the Share Exchange

IDHD plans to convert WHD to a subsidiary by purchasing 102,971 common shares of WHD out of the 131,231 shares outstanding and make WHD a wholly owned subsidiary by acquiring the remaining 28,260 shares through the Share Exchange.

IDHD and WHD are scheduled to allocate 215,341 shares (1.8% of the number of shares outstanding) out of 602,583 treasury stock (5.0% of the number of shares outstanding as of September 30, 2020) of IDHD to the Share Exchange from the perspective of effectively using IDHD's treasury stock.

3. Overview of the Share Acquisition

(1) Schedule of the Share Acquisition

Date of resolution by the Board of Directors meeting: November 9, 2020

Date of conclusion of contract: November 9, 2020

Date of execution: January 4, 2021 (plan)

(2) Overview of the Other Party in the Share Acquisition

Overview of the Company in the Share Acquisition

(1) Name	With Holdings Co., Ltd.	
(2) Location	Koyo Building 2 nd Floor, 2-36-10, Minamisuna, Koto-ku, Tokyo	
(3) Name and position of representative director	Naohito Hata, Chairman and Representative Director Kazuo Ogishima, President and Representative Director	
(4) Details of operations	Management guidance to subsidiaries, contracted administrative work	
(5) Capital stock	¥99 million	
(6) Date of establishment	January, 2019	
(7) Shareholders	Naohito Hata, Koichi Nakajima, etc.	
(8) Relationship(s) between the company to be acquired and ID Holdings	Capital relationships	None
	Personal relationships	
	Business relationships	
(9) Net sales (consolidated)	¥2,797 million (fiscal year ended December 31, 2019)	
(10) Total assets (consolidated)	¥1,445 million (fiscal year ended December 31, 2019)	

Note: The net sales and total assets above were estimated based on the financial statements of WHD and SD which is a core subsidiary of WHD as WHD does not create consolidated financial statements.

(3) Number of Shares Acquired and Shares Held Before and After Acquisition

(1) Number of shares held before present acquisition	0 shares (number of voting rights: 0) (proportion of voting rights held: 0%)
(2) Number of shares acquired	102,971 shares (number of voting rights: 102,971)
(3) Acquisition price	Share acquisition price: ¥1,098 million
(4) Number of shares held after	102,971 shares (number of voting rights: 102,971)

present acquisition	(proportion of voting rights held: 78.4%)
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Note: Due to execution of the Share Exchange described in 4. below, the number of shares held is scheduled to be 131,231 (number of voting rights: 131,231) and the proportion of voting rights held is planned at 100%.

4. Overview of the Share Exchange

(1) Schedule of the Share Exchange

Date of resolution by the Board of Directors meeting: November 9, 2020

Date of conclusion of contract: November 9, 2020

Effective date: January 27, 2021 (plan)

(2) Method of the Share Exchange

The Share Exchange will make IDHD a wholly owning parent company resulting from the share exchange and WHD a wholly owned subsidiary company resulting from the share exchange. IDHD's treasury stock held by IDHD is scheduled to be allotted to the shareholders of WHD in consideration of the Share Exchange.

In addition, for the Share Exchange, IDHD, which will become a wholly owning parent company resulting from the share exchange, is not scheduled to obtain approval from a General Meeting of Shareholders according to the simplified share exchange procedure in accordance with Article 796, Paragraph 2 of the Companies Act. In the meantime, WHD, which will become a wholly owned subsidiary company resulting from the share exchange, is scheduled to obtain approval on contract for the share exchange in an Extraordinary General Meeting of Shareholders on January 12, 2021. The Share Exchange is planned to take effect as of January 27, 2021.

As a premise of calculation of the share exchange ratio, a significant change in profits of the ID Group and WHD and a major difference in the monetary amount of assets and liabilities compared to the most recent financial statements are not expected.

(3) Allotment Details Related to the Share Exchange

Company name	ID Holdings Corporation (Wholly owning parent company resulting from the share exchange)	With Holdings Co., Ltd. (Wholly owned subsidiary resulting from the share exchange)
Share exchange related ratio	1	7.62
Number of shares to allot due to share exchange	IDHD's treasury stock: 215,341 shares	

(4) Handling of Subscription Rights to Shares and Bonds with Subscription Rights to Shares due to the Share Exchange

WHD which will become a wholly owned subsidiary resulting from the share exchange does not issue subscription rights to shares and bonds with subscription rights to shares.

(5) Basis of Calculation of Allotment Details Related to the Share Exchange

In calculation of the share exchange ratio, IDHD requested a third-party independent assessment institution for stock valuation of IDHD and WHD to secure fairness and adequacy.

For the stock value of IDHD, since IDHD is listed in the first section of the Tokyo Stock Exchange, the value was calculated by referring to the market price. More specifically, since the stock price at the time which is as

close to the date of conclusion of the share exchange contract as possible is considered to reflect the value of the stock as of time of conclusion of the said contract, November 6, 2020 was set as the reference date. Next, a decision was made to use the average closing price of ¥1,400 for IDHD on the Tokyo Stock Exchange for one month of trading days from the reference date.

For the stock value of WHD, in consideration of the fact that WHD is not a listed company, a comparable company valuation method was used as the basis of calculation. More specifically, three comparable companies with similarities in terms of business type, scale, and profits, etc. to WHD were selected from publicly traded companies, and the price earnings ratio (PER) of each comparable company was calculated and valued. For the financial figures of PER used for calculation, net income after income tax per share for the most recent three terms were used to value the stock value adequately. The stock value range of WHD calculated according to the above method is as follows.

Method	Calculation Results (per share)
Comparable company valuation method	¥8,168 to ¥12,601

IDHD and WHD comprehensively considered factors including the financial and asset situations and future prospects of WHD by referring to the above calculation results and repeated careful discussions. As a result, a decision was made to regard the value per WHD's common share as ¥10,668 in both the Share Acquisition and the Share Exchange and set the share exchange ratio in the Share Exchange as described in 4. (3) above.

(6) Overview of Companies Concerned in the Share Exchange

	Wholly owning parent company resulting from the share exchange	Wholly owned subsidiary resulting from the share exchange
(1) Name	ID Holdings Corporation	With Holdings Co., Ltd.
(2) Location	Banchokaikan, 12-1, Goban-cho, Chiyoda-ku, Tokyo	Koyo Building 2 nd Floor, 2-36-10, Minamisuna, Koto-ku, Tokyo
(3) Name and position of representative director	Masaki Funakoshi, President and Representative Director	Naohito Hata, Chairman and Representative Director Kazuo Ogishima, President and Representative Director
(4) Details of operations	Planning and management of Group operations, management of subsidiaries, etc., through ownership of shares	Management guidance to subsidiaries, contracted administrative work
(5) Capital stock	¥592 million (as of March 31, 2020)	¥99 million (as of December 31, 2019)
(6) Date of establishment	October, 1969	January, 2019
(7) Number of shares issued	12,044,302 shares (as of March 31, 2020)	131,231 shares (as of December 31, 2019)
(8) Fiscal terms	March 31	December 31
(9) Number of employees (consolidated)	2,224 (as of March 31, 2020)	193 (as of December 31, 2019)

(10) Major customers (consolidated)	IBM Japan, Ltd. MHTS Co., Ltd. (as of March 31, 2020)	Hitachi, Ltd. Hitachi Industry & Control Solutions, Ltd. (as of December 31, 2019)				
(11) Major financing banks	Mizuho Trust & Banking Co., Ltd., Mizuho Bank, Ltd., The Norinchukin Bank, MUFG Bank, Ltd.	The Joyo Bank Ltd., Mizuho Bank, Ltd., The Ashikaga Bank, Ltd.				
(12) Major shareholders and shareholding ratio	1. A.K.Corporation (9.1%) 2. MHTS Co., Ltd. (7.2%) 3. ID Employee Ownership Account (6.2%) 4. The Master Trust Bank of Japan, Ltd. (Trust Account) (5.5%) 5. Japan Trustee Services Bank, Ltd. (Trust Account) (5.4%) Note: Japan Trustee Services Bank, Ltd. changed its corporate name to Custody Bank of Japan, Ltd. as of July 27, 2020. (as of March 31, 2020)	1. Koichi Nakajima (17.9%) 2. Naohito Hata (13.9%) 3. Soshi Hata (10.1%) 4. Yusuke Suzuki (6.6%) 5. Motonobu Suzuki (6.3%) (as of December 31, 2019)				
(13) Relationships among the companies concerned						
Capital relationships	None					
Personal relationships						
Business relationships						
Applicable status of related parties	Since With Holdings Co., Ltd. will become a consolidated subsidiary of IDHD due to the Share Acquisition described in 3. above, With Holdings Co., Ltd. will be considered a related party.					
(14) Business performance and financial status for the last 3 years (Millions of ¥)						
Fiscal terms	ID Holdings Corporation (consolidated)			With Holdings Co., Ltd. (consolidated)*		
	FY ended Mar. 31, 2018	FY ended Mar. 31, 2019	FY ended Mar. 31, 2020	FY ended Dec. 31, 2017	FY ended Dec. 31, 2018	FY ended Dec. 31, 2019
Net assets	7,617	8,342	8,730	515	654	707
Total assets	13,748	14,600	15,249	1,566	1,614	1,445
Net assets per share (¥)	689.74	749.58	779.45	3,928.55	4,986.21	5,390.40
Net sales	23,207	26,515	26,377	2,489	2,636	2,797
Operating income	1,254	1,667	2,073	130	237	176
Ordinary income	1,274	1,724	2,111	138	250	193
Net income attributable to owners of parent	622	1,028	1,297	73	165	118
Net income per share (¥)	56.84	93.15	116.71	557.72	1,257.65	904.19

Dividend per share (¥)	40.00	40.00	50.00	200.00	500.00	300.00
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* For business performance and financial status of WHD in the above table, the figures of financial statements of SD are listed for the fiscal year ended December 31, 2017 and the fiscal year ended December 31, 2018. For the figures for the fiscal year ended December 31, 2019, in consideration of the fact that WHD did not create consolidated financial statements, estimated figures based on the financial statements of WHD and SD which became a core subsidiary of WHD are used.

For the accounting process due to the Share Exchange, the plan is to use the accounting process of Acquisition in Accounting Standard for Business Combinations. As a result, goodwill is expected to be generated, but the value of goodwill generated is not fixed yet at this point.

5. Forecast

The Share Acquisition and the Share Exchange are expected to have minimal impact on the ID Group's consolidated business results for the fiscal year ending March 31, 2021.

Reference: The ID Group's Consolidated Financial Results Forecasts (Released on May 15, 2020) and Consolidated Financial Results for the Previous Fiscal Year

(Millions of ¥)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Forecasts of consolidated financial results for the FY ending Mar. 31, 2021	24,500	2,000	2,040	1,190
Consolidated financial results for the FY ended Mar. 31, 2020	26,377	2,073	2,111	1,297

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