

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2023 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, 2023 (J-GAAP)

July 29, 2022

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 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 4709
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 Scheduled date of dividend payment: —
 Preparation of supplementary materials on financial results: Yes
 Presentation on quarterly results: No

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for Q1 of FY2022 (April 1–June 30, 2022)

(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 FY2022	7,295	11.1	630	115.6	668	109.9	372	160.9
Q1 FY2021	6,565	—	292	—	318	—	142	—

Note: Comprehensive income Q1 FY2022 ¥440 million (254.7%) Q1 FY2021 ¥124 million (—%)

	Net income per share	Diluted net income per share	EBITDA		EPS before amortization of goodwill	
	¥	¥	¥ million	%	¥	%
Q1 FY2022	22.48	—	779	76.3	29.18	97.0
Q1 FY2021	8.33	8.29	442	—	14.81	—

- Notes: 1. From the beginning of the consolidated first quarter of the previous fiscal year, the Group has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above Q1 FY2021 consolidated business results constitute the figures after the application of this standard. As such, YoY comparisons are not provided.
2. Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for net income per share, diluted net income per share and EPS before amortization of goodwill are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.
3. Diluted net income per share during the consolidated first quarter under review is not listed, as the Group has no potential shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q1 FY2022	15,620	9,544	60.8
FY2021	16,238	9,446	57.9

Reference: Equity Q1 FY2022 ¥9,499 million FY2021 ¥9,400 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
	¥	¥	¥	¥	¥
FY2021	—	20.00	—	20.00	40.00
FY2022	—	—	—	—	—
FY2022 (forecast)	—	20.00	—	20.00	40.00

Note: Revision of most recently published dividend forecast: No

3. Forecasts of Consolidated Results for FY2022 (April 1, 2022–March 31, 2023)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2022 (full fiscal year)	29,000	4.3	1,950	4.3	2,000	4.0	1,100	5.1	66.31

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2022 (full fiscal year)	2,580	3.5	93.10	6.1

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.: Yes

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies) under Section 2. Consolidated Financial Statements and Important Notes on page 10 of the Attachment.

(4) Number of shares outstanding (common stock)

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

Q1 FY2022	18,066,453 shares	FY2021	18,066,453 shares
Q1 FY2022	1,476,563 shares	FY2021	1,476,462 shares
Q1 FY2022	16,590,040 shares	Q1 FY2021	17,154,640 shares

Note: Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for number of shares outstanding, amount of treasury stock and interim average number of shares are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.

(ii) Amount of treasury stock:

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

(5) Calculation of certain management indices

• EBITDA = Operating income + depreciation + amortization of goodwill

• EPS before amortization of goodwill = Net income after adjustments* ÷ interim average number of shares

*Net income after adjustments = Net income attributable to owners of parent + amortization of goodwill

* 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, 2023, 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 Custody Bank of Japan, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

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1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2023

(1) Qualitative Information on the Consolidated Business Results

During the consolidated fiscal quarter under review (Q1 FY2022: April 1 to June 30, 2022), the Japanese economy was beset by challenges on all sides. As vaccination against COVID-19 progressed nationwide, restrictions on activity were eased, stirring hopes that an economic recovery was in the offing. However, as the Russian invasion of Ukraine dragged on, resource prices spiked and the yen exchange rate slipped, stoking inflation. Future prospects remain stubbornly unclear.

Fortunately for the ID Group, the information services industry, to which the Group belongs, is on a firmer footing. Demand for IT investment related to digital transformation (DX), an approach aimed at establishing new business models and transforming existing ones, was solid and is expected to continue to enjoy steady support. Moreover, while the impact of the COVID-19 pandemic lingers on, corporate clients' needs for IT investment, previously restrained, are continuing to bounce back.

Amid the environment just described, business results for the ID Group trended favorably in software development; system operation management; and cybersecurity, consulting and training. Net sales jumped 11.1% from the same period of the previous fiscal year (YoY) to ¥7.295 billion.

Earnings results were even more satisfying. Although cost of sales climbed as a result of Group reorganization, the Group's high-margin DX-related business expanded. As sales grew, so did earnings. Operating income more than doubled, soaring 115.6% YoY to ¥630 million, as did ordinary income, which leapt 109.9% YoY to ¥668 million. Net income attributable to owners of parent surged 160.9% YoY to ¥372 million, while EBITDA broadened 76.3% YoY to ¥779 million.

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, 2021 to June 30, 2021)	Consolidated first quarter under review (April 1, 2022 to June 30, 2022)	Compared with same period of previous fiscal year (YoY)	
				Increase/decrease	Rate of increase/decrease (%)
System operation management	Net sales	3,051	3,297	246	8.1
	Gross profit	732	758	25	3.5
	Gross profit margin	24.0%	23.0%	-1.0P	—
Software development	Net sales	2,429	2,746	317	13.0
	Gross profit	509	611	101	20.0
	Gross profit margin	21.0%	22.3%	1.3P	—
IT infrastructure	Net sales	600	593	-6	-1.0
	Gross profit	149	151	2	1.5
	Gross profit margin	24.9%	25.5%	0.6P	—
Cybersecurity, consulting and training	Net sales	444	542	97	21.9
	Gross profit	128	150	21	17.1
	Gross profit margin	28.8%	27.7%	-1.1P	—
Others	Net sales	39	114	75	193.3
	Gross profit	-9	17	27	—
	Gross profit margin	—	15.0%	—	—
Total	Net sales	6,565	7,295	730	11.1
	Gross profit	1,509	1,688	178	11.8
	Gross profit margin	23.0%	23.1%	0.1P	—

(i) System operation management

Orders received from existing finance-related clients swelled, while transactions expanded due to redoubling of sales efforts aimed at major IT vendors. Net sales rose 8.1% YoY to ¥3.297 billion.

(ii) Software development

Although some projects with existing finance-related clients drew to a close, sales in this category were buoyed by expanded transactions from reinforced sales efforts aimed at major IT vendors, rising orders from existing public-sector-related clients, and reopening of major projects previously postponed by existing clients related to the transportation field. Net sales improved 13.0% YoY to ¥2.746 billion.

(iii) IT infrastructure

Although transactions mounted with multiple existing clients in finance and other fields, some projects with existing clients related to communications and the public sector were concluded. Net sales dipped 1.0% YoY to ¥593 million.

(iv) Cybersecurity, consulting and training

In addition to swelling product sales and growing order acceptance in cybersecurity, this category benefited from heightened sales in consulting. Net sales lifted 21.9% to ¥542 million.

(v) Others

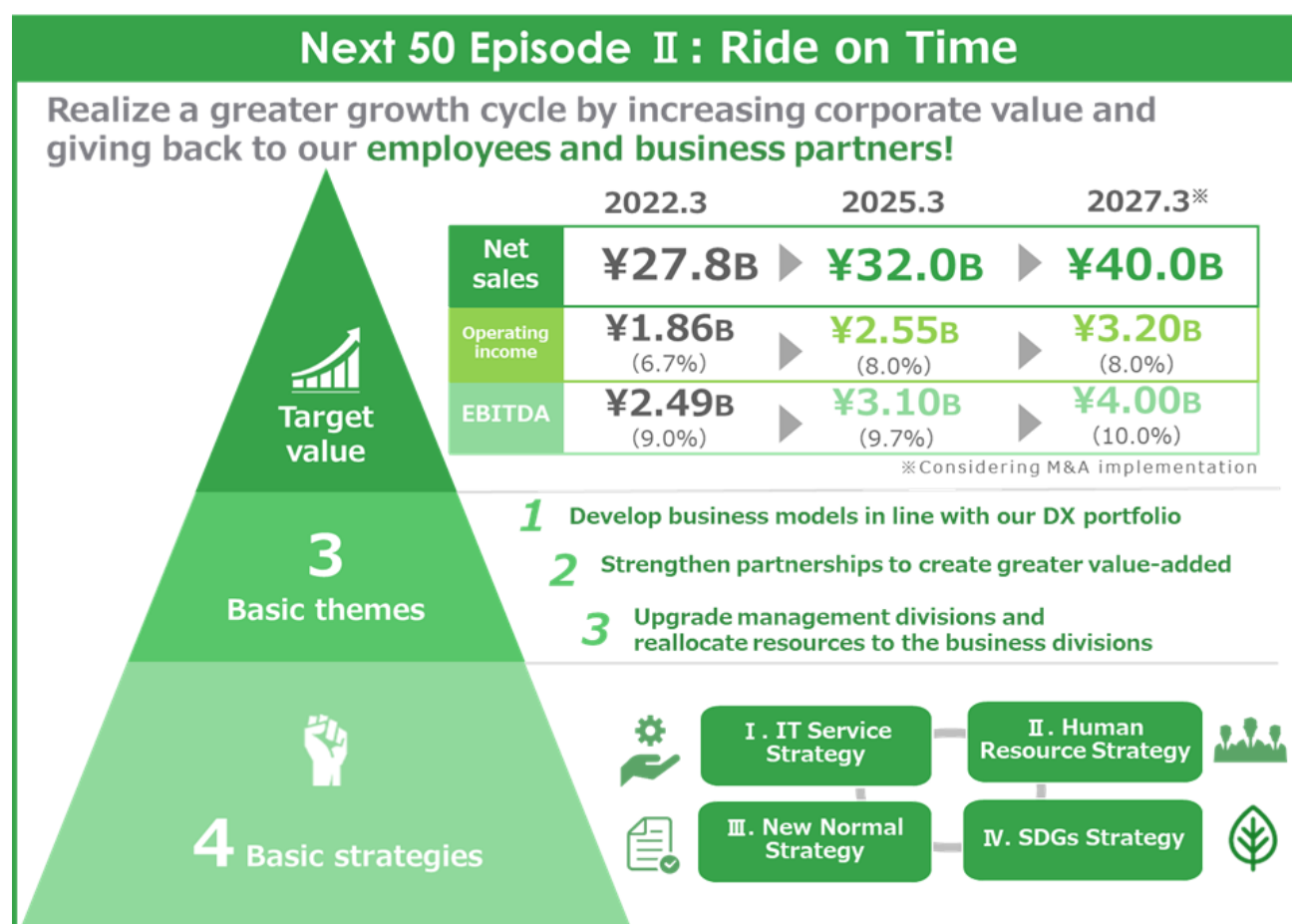
Orders accepted for data entry and product sales expanded. Net sales almost tripled, rising 193.3% YoY to ¥114 million.

Management Policy Initiatives

Guided by its previous Mid-term Management Plan, Next 50 Episode I: Awakening!, the Group strove to develop engineers who are experts in digital technology and boost the quality of service in each domain, while establishing a solid foundation for future growth. The ID Group also composed its next Mid-term Management Plan, Next 50 Episode II: Ride on Time, which covers the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. Aiming to achieve further improvements in profitability, starting in the fiscal year ending March 31, 2023, the Plan focuses on three basic themes:

- 1) Develop business models in line with the Group's DX portfolio of a) strengthening support for clients' advancement of DX and b) development of Group proprietary solutions
- 2) Strengthen partnerships to create greater value-added
- 3) Upgrade management divisions and reallocate resources to the business divisions

To achieve success in the three basic themes of the next Mid-term Management Plan as outlined above, the ID Group is advancing four basic strategies: an IT Service Strategy, a Human Resource Strategy, a New Normal Strategy and an SDGs Strategy.



Note: "Business partners" refers to IT vendors with whom we will collaborate on project execution.

(i) IT Service Strategy

After identifying technology domains where needs are highest, the Group will collaborate with partners to support the advancement of customers' DX, while working to develop proprietary solutions in growth fields. For example, in the system operation division, we will help clients to move forward with remote operation and automation, thereby responding to client needs for strengthening and streamlining of business continuity plans (BCPs). The Group has also launched ID-Ashura, a service brand focused on cybersecurity. The ID Group expects to strengthen clients' DX foundations through synergies between ID-Ashura and ID-Cross, the Group's cloud service.

(ii) Human Resource Strategy

To expand its DX services and boost their value-added, the Group is further enhancing its training system while cultivating mid- to senior-level engineers and innovative leaders. In addition to building and operating a Japanese-style job-description system, the Group aims to encourage sharing of technical knowledge among employees through in-house systems. For example, the ID Group is providing Group employees with a DX-related research environment; in the cumulative fiscal quarter under review, 105 trainees signed up. Also, the development division created training programs in the fields of cloud computing, low-code programming and AI and is supporting employees in acquiring qualifications.

(iii) New Normal Strategy

The ID Group is overhauling its in-house trunk systems to bolster work efficiency and quality and is assembling a smart administrative division. To improve productivity Group-wide, the Group is centralizing data through a shared information platform and is conducting continuous examination and analysis to eliminate unneeded work processes and raise operating efficiency. Additionally, the Group is reassigning personnel from administrative posts to operating divisions while launching optimized designs for in-house systems.

(iv) SDGs Strategy

By improving sustainability through its business activities, the ID Group is aiming to achieve a virtuous cycle between "solving social issues" and "enhancing corporate value". Under the terms of a pact with the Town of Kofu in Tottori Prefecture, which the Group concluded in June, the Group is supporting regional coexistence by promoting DX in government and striving to achieve "SDGs in regional revitalization." Moreover, to support activities that contribute to society and support culture and the arts, the ID Group sponsored an ID Group Blood Donation Day and a Tanabata concert, as it had in the previous fiscal year.

(2) Qualitative Information on the Consolidated Financial Position

(Assets)

Assets at the end of consolidated Q1 decreased by ¥618 million from the end of the previous consolidated accounting period to ¥15.620 billion. Although contract assets increased by ¥347 million and other current assets rose by ¥471 million, cash and deposits decreased by ¥886 million and accounts receivable–trade fell by ¥521 million.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥716 million from the end of the previous consolidated accounting period to ¥6.075 billion. Although other current liabilities increased by ¥550 million, income taxes payable declined by ¥559 million and provision for bonuses decreased by ¥414 million.

(Net Assets)

Net assets at the end of consolidated Q1 increased by ¥98 million from the end of the previous consolidated accounting period to ¥9.544 billion. Although payment of year-end dividends reduced net assets by ¥339 million, net income attributable to owners of parent grew by ¥372 million and foreign currency translation adjustment rose by ¥101 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 April 28, 2022.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2022	Consolidated first quarter under review As of June 30, 2022
Assets		
Current assets		
Cash and deposits	4,908,300	4,021,861
Notes receivable–trade	2,200	5,500
Accounts receivable–trade	4,503,942	3,982,744
Contract assets	419,034	767,024
Work in process	18,010	15,697
Accounts receivable–other	297,217	593,096
Other	233,028	704,251
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	10,341,666	10,050,107
Non-current assets		
Property, plant and equipment	1,398,451	1,381,200
Intangible assets		
Goodwill	1,748,603	1,637,486
Software	105,729	125,127
Other	6,194	786
Total intangible assets	1,860,527	1,763,400
Investments and other assets		
Investment securities	1,515,460	1,462,748
Deferred tax assets	526,419	356,114
Guarantee deposits	308,601	317,217
Other	295,259	297,192
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	2,638,241	2,425,772
Total non-current assets	5,897,220	5,570,373
Total assets	16,238,886	15,620,481

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2022	Consolidated first quarter under review As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable-trade	945,314	968,233
Contract liabilities	47,510	115,858
Short-term loans payable	1,560,000	1,300,000
Current portion of long-term loans payable	432,933	432,933
Income taxes payable	647,216	87,780
Provision for bonuses	827,876	413,747
Provision for directors' bonuses	13,324	4,049
Other	1,021,163	1,571,802
Total current liabilities	5,495,341	4,894,404
Non-current liabilities		
Long-term loans payable	725,100	616,866
Deferred tax liabilities	234,376	217,930
Provision for directors' retirement benefits	25,332	24,336
Net retirement benefit liability	51,832	55,069
Other	260,686	267,166
Total non-current liabilities	1,297,328	1,181,369
Total liabilities	6,792,669	6,075,774
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	733,644	733,644
Retained earnings	8,096,543	8,130,426
Treasury stock	-817,549	-817,766
Total shareholders' equity	8,604,982	8,638,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567,216	530,255
Foreign currency translation adjustment	224,026	325,342
Remeasurements of retirement benefit plans	4,477	5,155
Total accumulated other comprehensive income	795,720	860,754
Non-controlling interests	45,514	45,302
Total net assets	9,446,217	9,544,707
Total liabilities and net assets	16,238,886	15,620,481

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2021 to June 30, 2021)	Consolidated first quarter under review (April 1, 2022 to June 30, 2022)
Net sales	6,565,040	7,295,545
Cost of sales	5,055,190	5,606,936
Gross profit	1,509,849	1,688,608
Selling, general, and administrative expenses	1,217,604	1,058,410
Operating income	292,245	630,197
Non-operating income		
Interest income	678	552
Dividend income	18,641	22,160
Subsidy income	4,748	4,790
Other	26,429	17,224
Total non-operating income	50,497	44,728
Non-operating expenses		
Interest expenses	5,474	4,816
Commitment line fees	16,247	308
Foreign exchange loss	—	1,361
Other	2,700	224
Total non-operating expenses	24,423	6,711
Ordinary income	318,318	668,214
Extraordinary income		
Gain on sales of non-current assets	1,015	—
Total extraordinary income	1,015	—
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	1,733
Office relocation expenses	12,849	—
Total extraordinary losses	12,849	1,733
Net income before income taxes	306,485	666,480
Income taxes—current	129,692	121,359
Income taxes—deferred	31,741	169,593
Total income taxes	161,434	290,953
Net income	145,050	375,527
Net income attributable to non-controlling interests	2,090	2,540
Net income attributable to owners of parent	142,960	372,987

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2021 to June 30, 2021)	Consolidated first quarter under review (April 1, 2022 to June 30, 2022)
Net income	145,050	375,527
Other comprehensive income		
Valuation difference on available-for-sale securities	-20,956	-36,961
Foreign currency translation adjustment	-523	101,316
Remeasurements of retirement benefit plans	630	678
Total other comprehensive income	-20,849	65,034
Comprehensive income	124,201	440,561
(Breakdown)		
Comprehensive income attributable to owners of parent	122,111	438,021
Comprehensive income attributable to non-controlling interests	2,090	2,540

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

None.

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

None.

(Changes in Accounting Policies)

(On application of *Implementation Guidance on Accounting Standard for Fair Value Measurement*)

The ID Group applies ASBJ Guidance No. 31 (revised June 17, 2021), *Implementation Guidance on Accounting Standard for Fair Value Measurement* (hereinafter "*Implementation Guidance on Accounting Standard for Fair Value Measurement*") as of the beginning of the consolidated first quarter under review. In accordance with transitional handling in Paragraph 27-2 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*, the Group has decided to apply the new accounting policy stipulated in *Implementation Guidance on Accounting Standard for Fair Value Measurement* now and in the future. The application of this new accounting policy does not impact the consolidated financial statements for the financial quarter under review.

(Additional Information)

(Estimation of accounts in view of the COVID-19 pandemic)

The Group calculates the estimates in its accounts of amounts of recoverable deferred tax assets based on information available at the time of preparation of the quarterly consolidated financial statements.

It is impossible to predict with any accuracy when the COVID-19 pandemic will end. However, its impact on Group operations during the quarterly consolidated accounting period under review was limited. For this reason, the estimates of accounts are based on the assumption that the impact of the pandemic will be limited in the future as well.

If changes occur in the economic environment as a result of the COVID-19 pandemic, those changes may impact the financial condition and business results of the Group as well.

(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 ¥133,298,000 at the end of the previous consolidated fiscal period and was ¥211,461,000 at the end of the consolidated first quarter under review. The number of shares was 365,197 at the end of the previous consolidated fiscal period and was 458,873 at the end of the consolidated first quarter under review.

(Material Subsequent Events)

None.