

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2024 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, 2024 (J-GAAP)

July 31, 2023

Company name: ID Holdings Corporation
Listing: Tokyo Stock Exchange, Prime Market
Securities code: 4709
URL: <https://www.idnet-hd.co.jp>
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Scheduled date of filing of Quarterly Securities Report: August 4, 2023
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 FY2023 (April 1–June 30, 2023)

(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 FY2023	7,819	7.2	823	30.7	884	32.3	514	37.8
Q1 FY2022	7,295	11.1	630	115.6	668	109.9	372	160.9

Note: Comprehensive income Q1 FY2023 ¥776 million (76.2%) Q1 FY2022 ¥440 million (254.7%)

	Net income per share	Diluted net income per share	EBITDA		EPS before amortization of goodwill	
	¥	¥	¥ million	%	¥	%
Q1 FY2023	30.96	—	973	24.8	37.65	29.0
Q1 FY2022	22.48	—	779	76.3	29.18	97.0

Note: Diluted net income per share is not listed, as the Group has no potential shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q1 FY2023	16,590	10,783	64.7
FY2022	17,519	10,432	59.3

Reference: Equity Q1 FY2023 ¥10,732 million FY2022 ¥10,382 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
FY2022	¥ —	¥ 20.00	¥ —	¥ 25.00	¥ 45.00
FY2023	—	—	—	—	—
FY2023 (forecast)	—	25.00	—	25.00	50.00

Note: Revision of most recently published dividend forecast: No

3. Forecasts of Consolidated Results for FY2023 (April 1, 2023–March 31, 2024)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2023 (full fiscal year)	32,800	5.5	2,630	8.5	2,650	5.8	1,520	8.4	91.55

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2023 (full fiscal year)	3,269	7.8	118.32	6.3

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):
- (ii) Amount of treasury stock:
- (iii) Interim average number of shares
(Consolidated total for the quarter)

Q1 FY2023	18,066,453 shares	FY2022	18,066,453 shares
Q1 FY2023	1,463,989 shares	FY2022	1,471,167 shares
Q1 FY2023	16,602,473 shares	Q1 FY2022	16,590,040 shares

(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, 2024, 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, 2024

(1) Qualitative Information on the Consolidated Business Results

The consolidated fiscal quarter under review (Q1 FY2023: April 1 to June 30, 2023) was a period of mixed economic results. Restrictions on activity imposed in view of the COVID-19 pandemic were eased, supporting gradual economic recovery. On the other hand, resource prices rose steeply, the Japanese yen continued to decline against other currencies and monetary tightening proceeded worldwide. These trends continued to stoke concerns about economic downside risks, fueling continued uncertainty about future prospects.

Fortunately for the ID Group, a firmer footing prevailed in the information services industry, to which the Group belongs. 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.

Amid the environment just described, business results for the ID Group trended favorably in system management*; cybersecurity, consulting and training; and IT infrastructure. Net sales rose 7.2% from the same period of the previous fiscal year (YoY) to ¥7.819 billion.

Earnings results were solid across the board. Growing sales drove increased earnings, while the Group's high-margin DX-related business expanded. Operating income rose 30.7% YoY to ¥823 million, ordinary income improved 32.3% YoY to ¥884 million, and net income attributable to owners of parent leapt 37.8% YoY to ¥514 million. EBITDA increased 24.8% YoY to ¥973 million.

*Beginning with the consolidated fiscal first quarter under review, the service name “system operation management” is changed to “system management.” The content of the service is unchanged.

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, 2022 to June 30, 2022)	Consolidated first quarter under review (April 1, 2023 to June 30, 2023)	Compared with same period of previous fiscal year (YoY)	
				Increase/decrease	Rate of increase/decrease (%)
System management	Net sales	3,297	3,568	271	8.2
	Gross profit	758	805	47	6.2
	Gross profit margin	23.0%	22.6%	-0.4P	—
Software development	Net sales	2,746	2,784	38	1.4
	Gross profit	611	583	-28	-4.6
	Gross profit margin	22.3%	20.9%	-1.4P	—
IT infrastructure	Net sales	593	694	100	16.9
	Gross profit	151	241	90	59.5
	Gross profit margin	25.5%	34.8%	9.3P	—
Cybersecurity, consulting and training	Net sales	542	712	170	31.4
	Gross profit	150	235	85	57.2
	Gross profit margin	27.7%	33.1%	5.4P	—
Others	Net sales	114	58	-56	-49.5
	Gross profit	17	2	-14	-84.4
	Gross profit margin	15.0%	4.6%	-10.4P	—
Total	Net sales	7,295	7,819	523	7.2
	Gross profit	1,688	1,869	180	10.7
	Gross profit margin	23.1%	23.9%	0.8P	—

(i) System management

New orders were received due to redoubling of sales efforts aimed at major IT vendors, while orders accepted from existing clients swelled. Net sales rose 8.2% YoY to ¥3.568 billion.

(ii) Software development

Although some projects with public-sector-related clients drew to a close, reinforced sales efforts aimed at major IT vendors led to expansion in transactions, while orders accepted from existing clients related to the financial and transportation fields swelled. Net sales grew 1.4% YoY to ¥2.784 billion.

(iii) IT infrastructure

The Group enjoyed increases in orders accepted for major projects with finance-related clients and in transactions with manufacturing-related clients. Net sales jumped 16.9% YoY to ¥694 million.

(iv) Cybersecurity, consulting and training

Orders accepted in consulting and cybersecurity swelled, boosting net sales 31.4% YoY to ¥712 million.

(v) Others

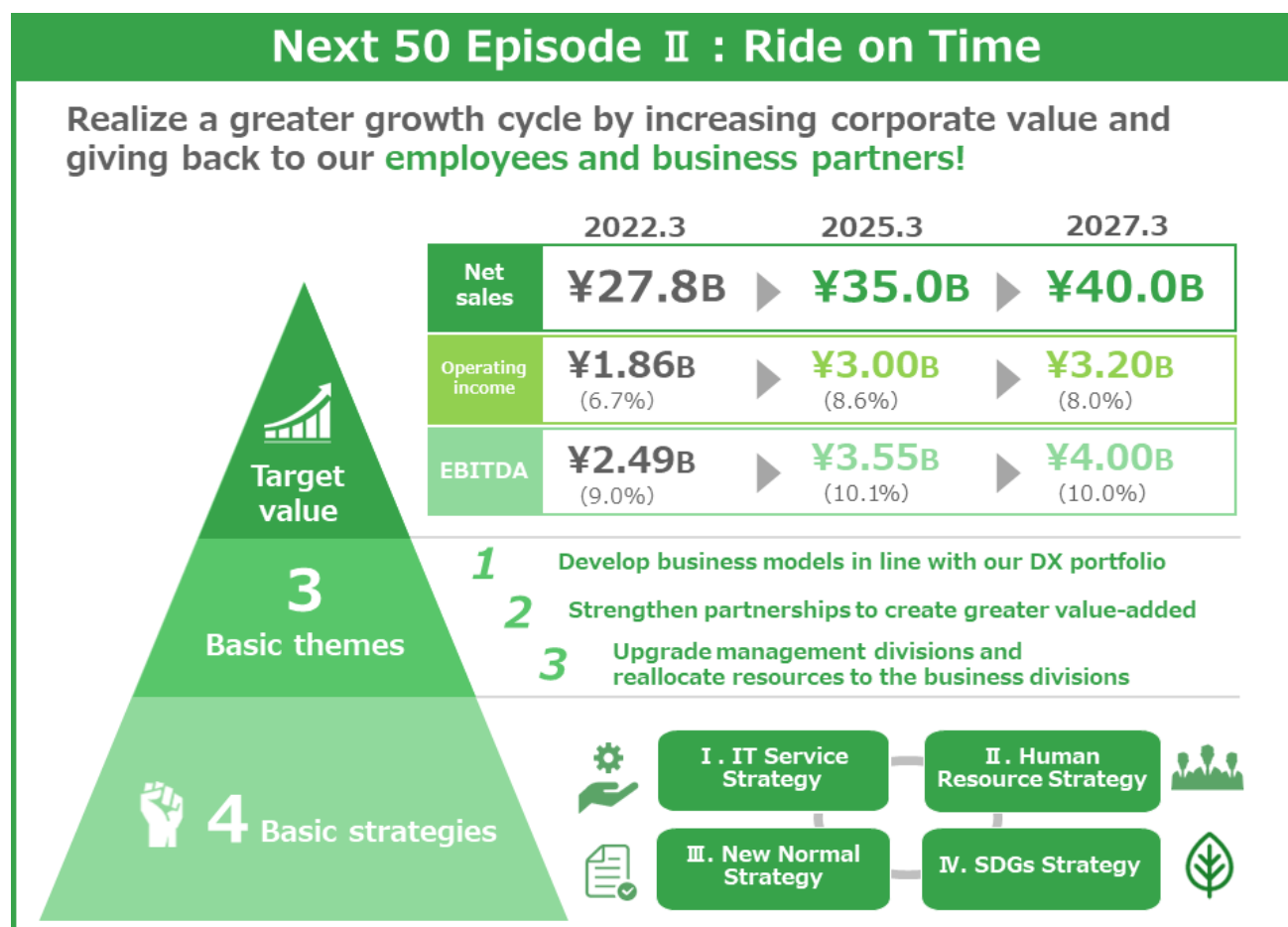
Despite expansion in orders accepted for product sales, changes in service category for some projects engendered a decline in net sales of 49.5% YoY to ¥58 million.

Management Policy Initiatives

In the previous Mid-term Management Plan, the ID Group strove to upgrade its services in various fields by cultivating engineers with a thorough grounding in digital technology, thereby building a foundation for future growth. Beginning in the fiscal year ended March 31, 2023 (FY2022), the Group prepared “Next 50 Episode II: Ride on Time,” the Mid-term Management Plan covering the period FY2022 through FY2024, to bolster profitability based on the following three basic themes:

1. Develop business models in line with our DX portfolio, which is focused on strengthening support for advancement of customers’ DX and development of original solutions
2. Strengthen partnerships to create greater value-added
3. Upgrade management divisions and reallocate resources to the business divisions

Under this Mid-term Management Plan, the Group is pursuing four basic strategies to achieve the above three basic themes: an IT service strategy, a human resource strategy, a “new normal” strategy and a Sustainable Development Goals (SDGs) strategy.



Note: Business partners refers to IT partners collaborating with the Group on projects.

(i) IT Service Strategy

The Group identifies fields of technology where needs are strong and works with corporate partners to support customers in advancing DX and develop original solutions targeting growth fields. For example, the Group is moving forward with research in AI systems for X-ray image diagnostics in the orthopedic-surgery field, based on a joint-research agreement concluded in March 2023 with Tottori University. We are also developing ID Concierge, a proprietary, dialogue-based AI chatbot service that uses the ChatGPT API. By using this service in-house, the Group is aiming to bolster operating efficiency and strengthen AI literacy Group-wide, while creating innovative businesses using AI.

(ii) Human Resource Strategy

To expand its DX services and boost value-added, the Group is further enhancing its training programs, accelerating the development of mid- to senior-level engineers and planning-and-proposal staff. For example, the Group is preparing and deploying in-house training roadmaps for each role of personnel involved in advancing DX, based on the Digital Skill Standards created by the Ministry of Economy, Trade and Industry (METI) and the Information-technology Promotion Agency, Japan. To accelerate development of cybersecurity personnel, for whom demand is burgeoning, the Group will begin enrolling some 200 employees in engineering and sales in outside classes that provide practical security training in cyberspace.

(iii) New Normal Strategy

The ID Group is working to streamline and add value to operations through measures such as overhauling its core in-house systems and is constructing a smart management division. Among measures to improve Group-wide productivity, the ID Group is continuing to digitize the duties of management divisions, automate contacts between departments and functions, and centralize the management of information. Through these various initiatives, the Group hopes to optimize workflows and radically transform management divisions.

(iv) SDGs Strategy

The Group takes concerted steps to advance sustainability through its business activities, aiming for a virtuous circle of solving social problems and enhancing corporate value. To enhance transparency in its management of human capital, the ID Group published a page on its corporate website related to sustainability, entitled “Toward Human Capital Management.” The page discusses human capital and related initiatives throughout the Group. Having identified “Human rights” as a materiality with respect to sustainability, the Group installed barrier-free washrooms, usable by a wide variety of people, in its head-office building. Repeating an initiative in the previous fiscal year, to support activities contributing to society and to culture and the arts, the Group sponsored ID Group Blood Donation Day and classical concerts.

(2) Qualitative Information on the Consolidated Financial Position

(Assets)

Assets at the end of consolidated Q1 decreased by ¥929 million from the end of the previous consolidated accounting period to ¥16.590 billion. Although contract assets increased by ¥493 million and accounts receivable–other rose by ¥282 million, accounts receivable–trade decreased by ¥1.705 billion.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥1.279 billion from the end of the previous consolidated accounting period to ¥5.807 billion. Although other current liabilities increased by ¥573 million, short-term loans payable declined by ¥700 million, provision for bonuses decreased by ¥641 million, and income taxes payable decreased by ¥423 million.

(Net Assets)

Net assets at the end of consolidated Q1 increased by ¥350 million from the end of the previous consolidated accounting period to ¥10.783 billion. Although payment of year-end dividends reduced net assets by ¥426 million, net income attributable to owners of parent increased to ¥514 million, valuation difference on available-for-sale securities rose by ¥169 million, and foreign currency translation adjustment increased by ¥78 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, 2023.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2023	Consolidated first quarter under review As of June 30, 2023
Assets		
Current assets		
Cash and deposits	5,069,433	5,034,481
Notes receivable–trade	2,200	2,200
Accounts receivable–trade	5,903,800	4,197,916
Contract assets	293,657	787,561
Work in process	858	13,696
Accounts receivable–other	153,382	436,045
Other	265,957	294,824
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	11,649,222	10,726,657
Non-current assets		
Property, plant and equipment	1,327,189	1,331,909
Intangible assets		
Goodwill	1,304,134	1,193,017
Software	152,791	146,770
Other	764	757
Total intangible assets	1,457,690	1,340,544
Investments and other assets		
Investment securities	1,865,067	2,107,294
Deferred tax assets	553,277	388,422
Guarantee deposits	285,952	306,582
Other	388,449	396,364
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	3,085,248	3,191,163
Total non-current assets	5,870,127	5,863,617
Total assets	17,519,349	16,590,275

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2023	Consolidated first quarter under review As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	1,147,457	1,106,205
Contract liabilities	62,077	52,512
Short-term loans payable	1,400,000	700,000
Current portion of long-term loans payable	375,100	316,866
Income taxes payable	580,112	156,548
Provision for bonuses	1,134,387	493,007
Provision for directors' bonuses	31,600	5,874
Provision for product warranties	10,095	1,731
Other	1,216,611	1,790,552
Total current liabilities	5,957,442	4,623,298
Non-current liabilities		
Long-term loans payable	350,000	300,000
Deferred tax liabilities	286,834	380,534
Provision for directors' retirement benefits	29,331	30,996
Net retirement benefit liability	174,944	176,394
Other	288,600	295,987
Total non-current liabilities	1,129,710	1,183,912
Total liabilities	7,087,153	5,807,211
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	754,132	754,132
Retained earnings	8,819,108	8,906,950
Treasury stock	–836,345	–833,653
Total shareholders' equity	9,329,240	9,419,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	755,600	925,410
Deferred gains or losses on hedges	—	9,694
Foreign currency translation adjustment	297,086	375,839
Remeasurements of retirement benefit plans	711	1,615
Total accumulated other comprehensive income	1,053,398	1,312,560
Non-controlling interests	49,557	50,728
Total net assets	10,432,196	10,783,064
Total liabilities and net assets	17,519,349	16,590,275

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2022 to June 30, 2022)	Consolidated first quarter under review (April 1, 2023 to June 30, 2023)
Net sales	7,295,545	7,819,091
Cost of sales	5,606,936	5,949,848
Gross profit	1,688,608	1,869,242
Selling, general, and administrative expenses	1,058,410	1,045,411
Operating income	630,197	823,831
Non-operating income		
Interest income	552	1,732
Dividend income	22,160	22,613
Subsidy income	4,790	653
Foreign exchange gains	—	30,877
Other	17,224	7,526
Total non-operating income	44,728	63,404
Non-operating expenses		
Interest expenses	4,816	3,135
Commitment line fees	308	—
Foreign exchange loss	1,361	—
Other	224	33
Total non-operating expenses	6,711	3,168
Ordinary income	668,214	884,067
Extraordinary losses		
Loss on retirement of non-current assets	1,733	—
Total extraordinary losses	1,733	—
Net income before income taxes	666,480	884,067
Income taxes—current	121,359	185,091
Income taxes—deferred	169,593	181,726
Total income taxes	290,953	366,818
Net income	375,527	517,248
Net income attributable to non-controlling interests	2,540	3,219
Net income attributable to owners of parent	372,987	514,029

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2022 to June 30, 2022)	Consolidated first quarter under review (April 1, 2023 to June 30, 2023)
Net income	375,527	517,248
Other comprehensive income		
Valuation difference on available-for-sale securities	-36,961	169,809
Deferred gains or losses on hedges	—	9,694
Foreign currency translation adjustment	101,316	78,753
Remeasurements of retirement benefit plans	678	904
Total other comprehensive income	65,034	259,162
Comprehensive income	440,561	776,411
(Breakdown)		
Comprehensive income attributable to owners of parent	438,021	773,191
Comprehensive income attributable to non-controlling interests	2,540	3,219

(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 corporate officers (“Directors, etc.”), and a “Japanese employee stock ownership plan (J-ESOP)” for Group employees. The plans are designed to encourage Directors, etc. and employees to contribute to better mid- to long-term results and greater corporate value. At a meeting held on April 28, 2023, the Board of Directors resolved to revise J-ESOP into a restricted-stock plan (“J-ESOP-RS”), a stock-provision trust that places restrictions on transfer of shares provided to employees before retirement.

(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-RS, 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 employees based on factors such as years of service and promotions, issuing Company shares to employees in proportion to accrued points, once they become eligible to receive the shares based on certain conditions. When employees receive the Company shares while still employed with the Group, before receiving the shares the employees conclude a transfer restriction agreement with the Company. This measure restricts employees' ability to transfer or otherwise dispose of Company shares acquired while employed with the Company before they retire. Shares awarded to employees, including shares to be awarded in the future, are acquired using funds from 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-RS 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 ¥208,371,000 at the end of the previous consolidated fiscal period and was ¥204,637,000 at the end of the consolidated first quarter under review. The number of shares was 452,217 at the end of the previous consolidated fiscal period and was 444,139 at the end of the consolidated first quarter under review.

(Material Subsequent Events)

None.