

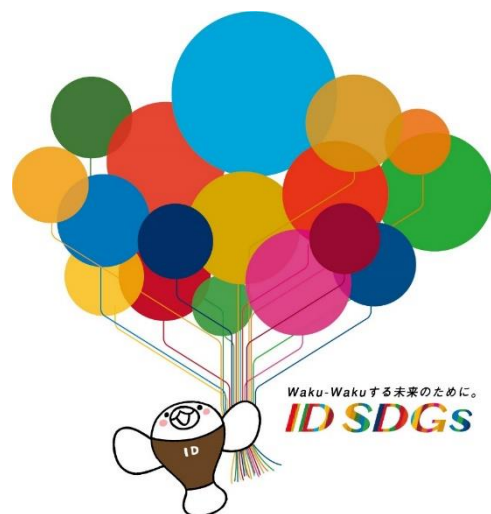
ID Holdings

ID Holdings Corporation
April 1, 2023 – June 30, 2023
Financial Results Presentations

President, Representative Director
and Group CEO
Masaki Funakoshi

TSE Prime Market
Code

4709



* Our website can be
accessed from the
QR Code.



August 15, 2023

1

Performance Overview for Q1

2

Mid-Term Management Plan Next 50 Episode II: Ride on Time

Net Sales

¥7,819 million (+7.2% YoY)



- ⊕ The main businesses, including system management, cybersecurity, consulting and training performed well

Operating Income

¥823 million (+30.7% YoY)



- ⊕ High-margin DX-related business expanded
- ⊕ Rising sales drove up earnings

Financial Results (Consolidated)

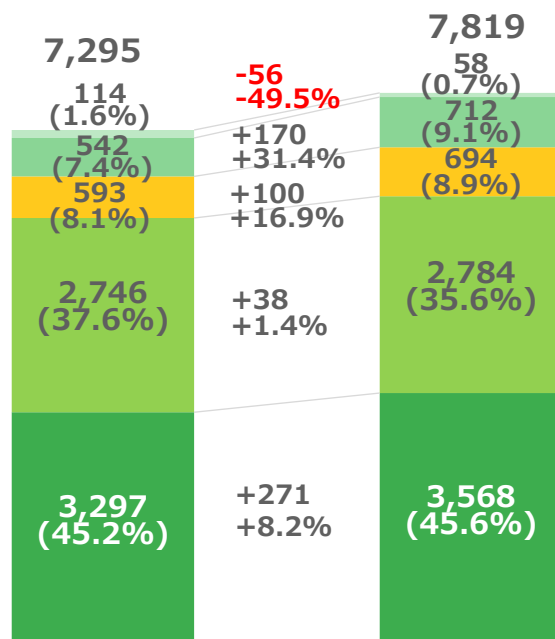
(¥ million)	2022.6		2023.6			
	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	7,295	-	7,819	-	523	+7.2%
Cost of sales	5,606	76.9%	5,949	76.1%	342	+6.1%
Gross profit	1,688	23.1%	1,869	23.9%	180	+10.7%
SG&A expenses	1,058	14.5%	1,045	13.4%	-12	-1.2%
EBITDA ¹	779	10.7%	973	12.4%	193	+24.8%
Operating income	630	8.6%	823	10.5%	193	+30.7%
Ordinary income	668	9.2%	884	11.3%	215	+32.3%
Net income attributable to owners of parent	372	5.1%	514	6.6%	141	+37.8%
Earnings per share (EPS) (¥)	22.48	-	30.96	-	8.48	-
EPS before amortization of goodwill ² (¥)	29.18	-	37.65	-	8.47	-

Note:

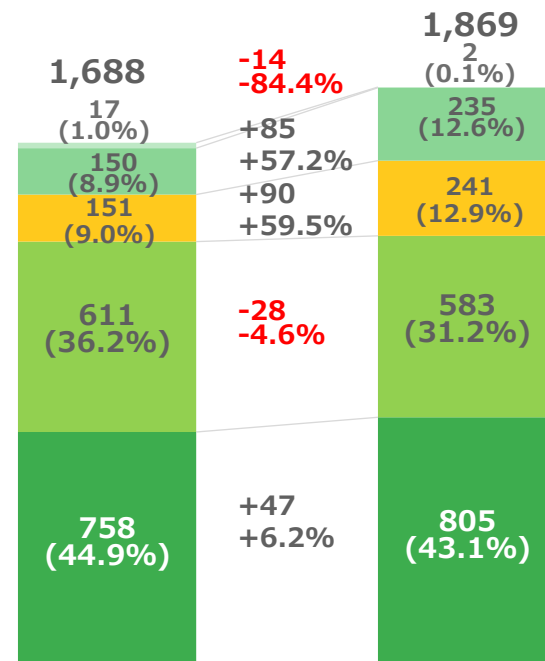
1. EBITDA = Operating income + Depreciation + Amortization of goodwill

2. EPS before amortization of goodwill = (Net income attributable to owners of parent + Amortization of goodwill) ÷ Interim average number of shares

Net Sales



Gross Profit



2022.6 2023.6

■ System Management ■ Software Development ■ IT Infrastructure ■ Cybersecurity, Consulting and Training ■ Others

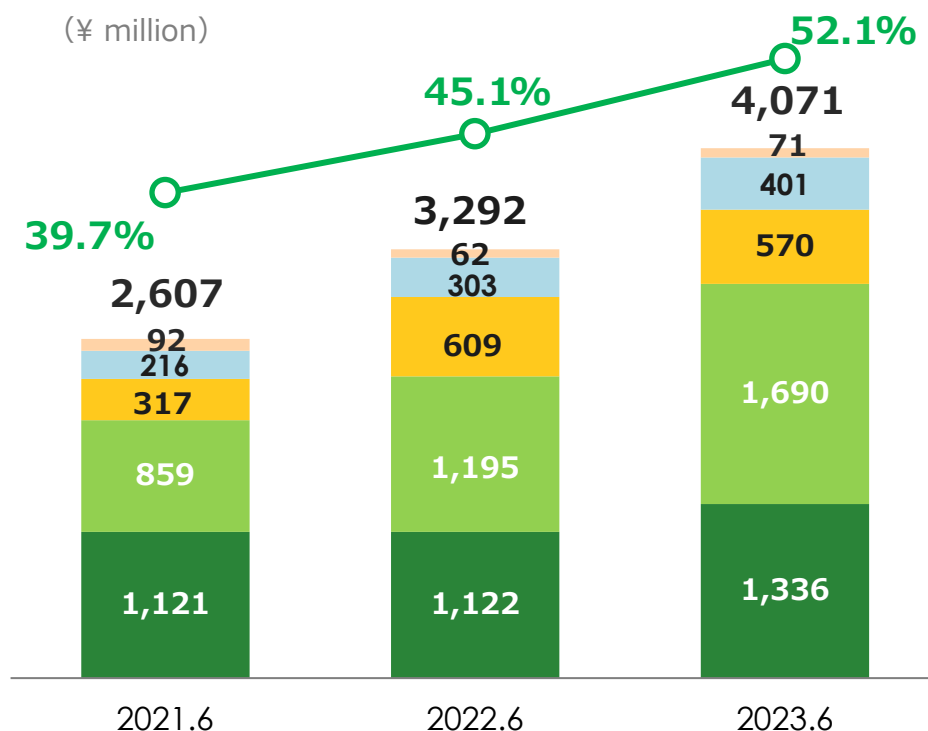
Net Sales by Services

- System Management**
 - ⊕ New orders were received due to redoubling of sales efforts aimed at major IT vendors, while orders accepted from existing clients swelled
- Software Development**
 - ⊕ 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
 - ⊖ Some projects with public-sector-related clients drew to a close
- IT Infrastructure**
 - ⊕ The Group enjoyed increases in orders accepted for major projects with finance-related clients and in transactions with manufacturing-related clients
- Cybersecurity, Consulting and Training**
 - ⊕ Orders accepted in consulting and cybersecurity swelled

DX-related business

Promoting customer's DX by combining existing IT services with cutting-edge technologies such as cloud, AI and IoT.

DX-related sales & sales ratio



✓Expanding focus on advanced development & system management, IT infrastructure, consulting.

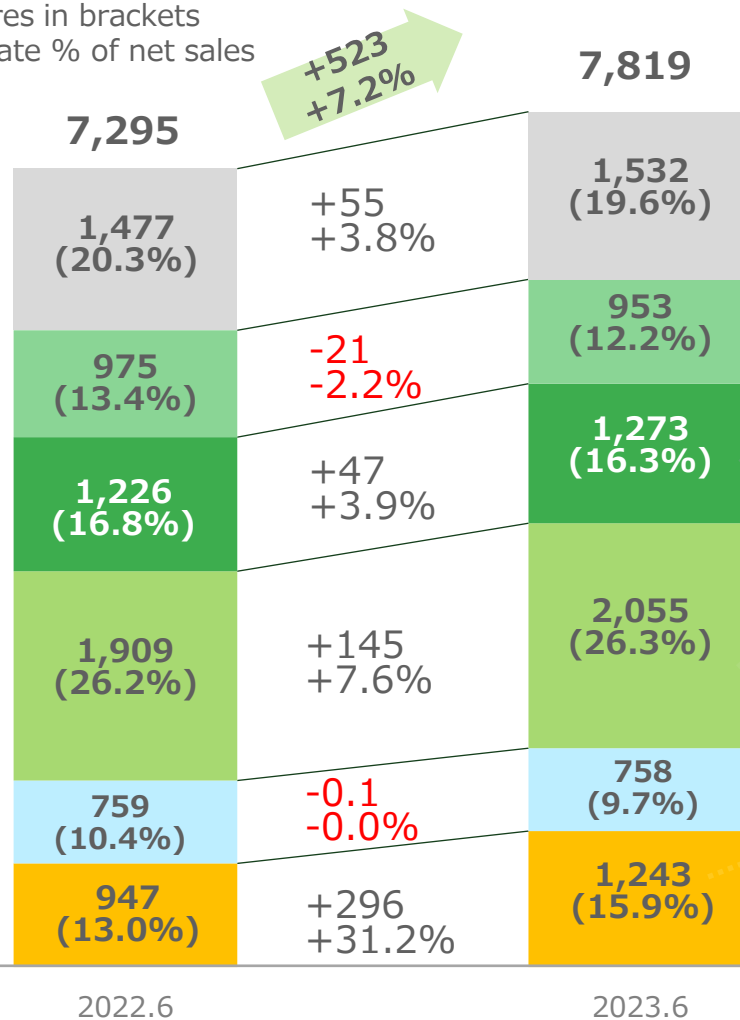
【 Gross profit margin 】
26.6% (YoY +**1.4P**)

About **6** points higher than non-DX-related business

*"Advanced System Management" has been added from the beginning of FY2023.

Net Sales by Strategic Alliances

(¥ million)
Figures in brackets
indicate % of net sales



Strategic Partners

- ⊖ Completion of some projects in system management

Major Customers (Non-Finance)

- ⊕ Rising orders from customers related to manufacturing, transportation, and broadcasting

Major Customers (Finance)

- ⊕ Orders accepted for major projects in IT infrastructure

IBM Group

- ⊕ Receipt of new orders and expansion of existing transactions

[Reference]

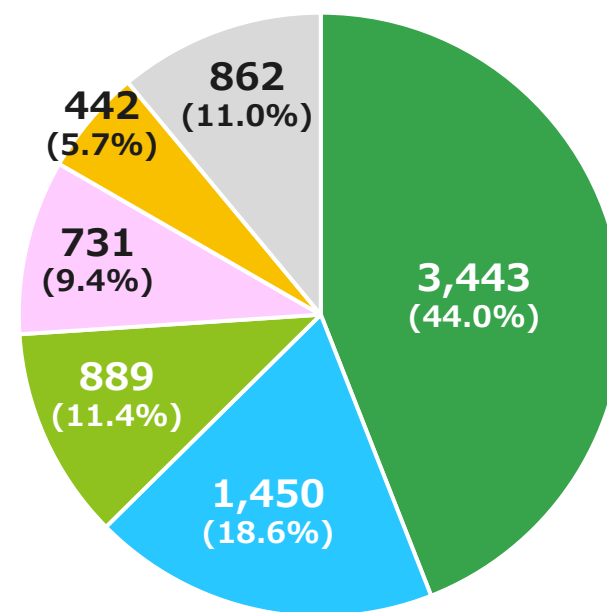
	Kyndryl Japan	MI Digital Services	IBM Japan
2023.6	658 (8.4%)	402 (5.2%)	182 (2.3%)

■ IBM Group
 ■ Hitachi Group
 ■ Major Customers (Finance)
■ Major Customers (Non-Finance)
■ Strategic Partners
■ Others

With a track record of over **1,000** companies, including major and reputable enterprises, more than **60%** of our sales come from finance and public sectors.

(¥ million)	2023.6	(% of net sales)	YoY	
Finance	3,443	44.0%	+148	+4.5%
Public	1,450	18.6%	+264	+22.3%
Information & Communication	889	11.4%	+15	+1.8%
Manufacturing	731	9.4%	+74	+11.3%
Transportation	442	5.7%	+107	+32.0%
Others*	862	11.0%	-86	-9.1%
Total	7,819	100.0%	+523	+7.2%

(¥ million)
Figures in brackets
indicate % of net sales



- Finance
- Public
- Information & Communication
- Manufacturing
- Transportation
- Others

*"Media", "Healthcare", "Construction, Real estate", "Wholesale, Retail, Restaurants", etc.

**From FY2023, we have changed the accounting classification for some customers.
The figures of previous fiscal year have been adjusted based on changes

Operating Income Analysis (YoY)

Change or Die!

	2022.6	2023.6		Main Reasons in Changes
(¥ million)	Results	Results	Diff.	
Gross profit	1,688	1,869	+180	<ul style="list-style-type: none"> • Increase in net sales +523 • Increase in cost of sales +342 <ul style="list-style-type: none"> -Labor cost +105 -Subcontract expenses +216 -Manufacturing expenses +24 -Purchases +11
SG&A expenses	1,058	1,045	-12	<ul style="list-style-type: none"> • Decrease in personnel cost -21 <ul style="list-style-type: none"> -Reassignment of personnel from SG&A divisions to business divisions etc. • Increase in other expenses +8
Operating income	630	823	+193	

	2022.6	2023.6		Main Reasons in Changes
(¥ million)	Results	Results	Diff.	
Ordinary income	668	884	+215	<ul style="list-style-type: none"> • Increase in operating income +193 • Increase in non-operating income +18 • Decrease in non-operating expenses -3
Extraordinary income	0	0	-	
Extraordinary losses	1	0	-1	<ul style="list-style-type: none"> • Decrease in reaction to loss on retirement of non-current assets in the previous fiscal year -1
Total income taxes	293	370	+76	
Net income attributable to owners of parent	372	514	+141	

(¥ million)

2023.3

Assets 17,519	Liabilities 7,087
	Net assets 10,432

Main Factors

- Accounts receivable
-trade decreased
-1,705
- Contract assets
increased
+493
- Accounts receivable
-other rose
+282

Main Factors

- Short-term loans
payable declined
-700
- Provision for
bonuses decreased
-641
- Income taxes payable
decreased
-423
- Other current
liabilities increased
+573

2023.6

Assets 16,590	Liabilities 5,807
	Net assets 10,783

Equity Ratio

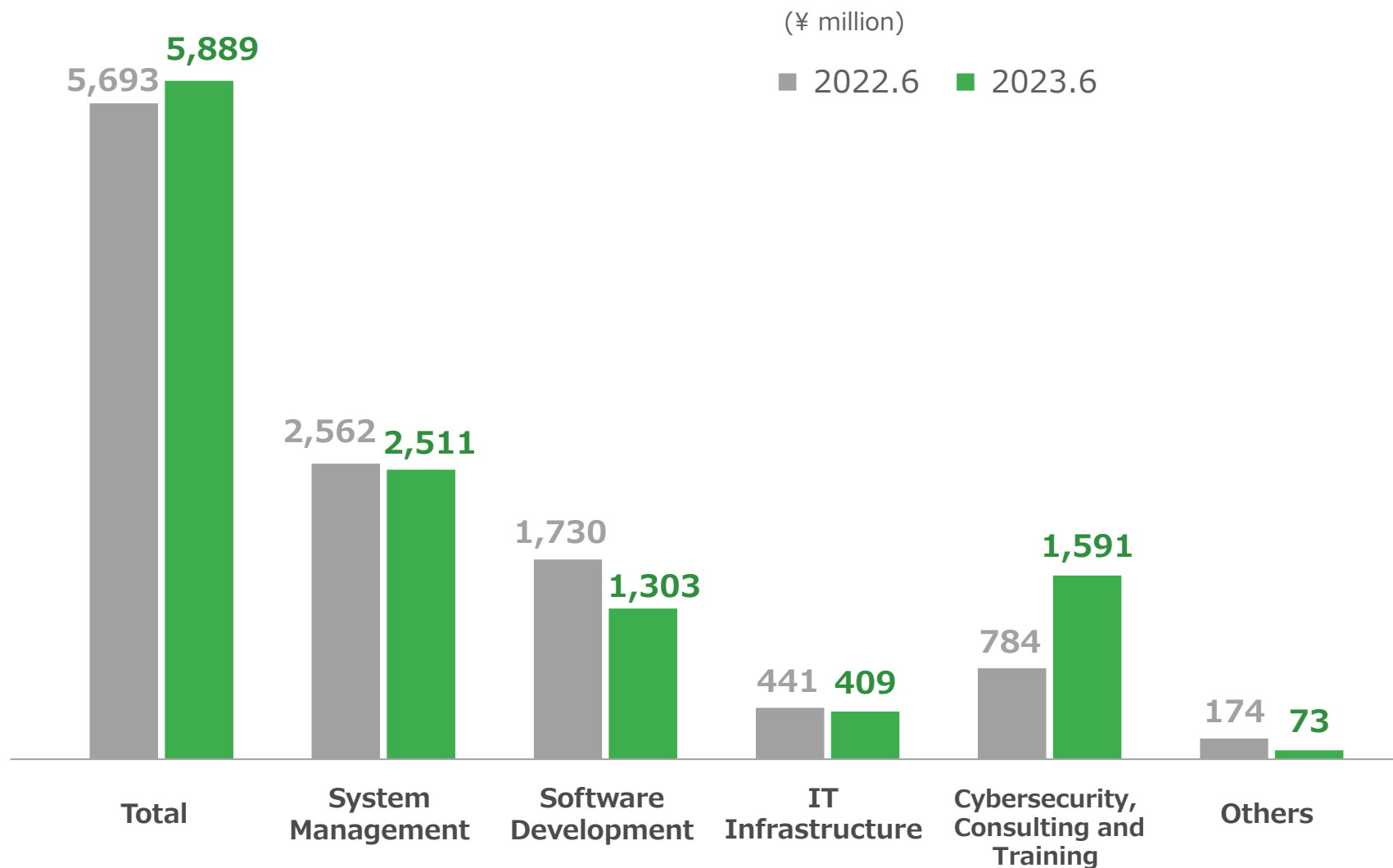
64.7%

Current Ratio

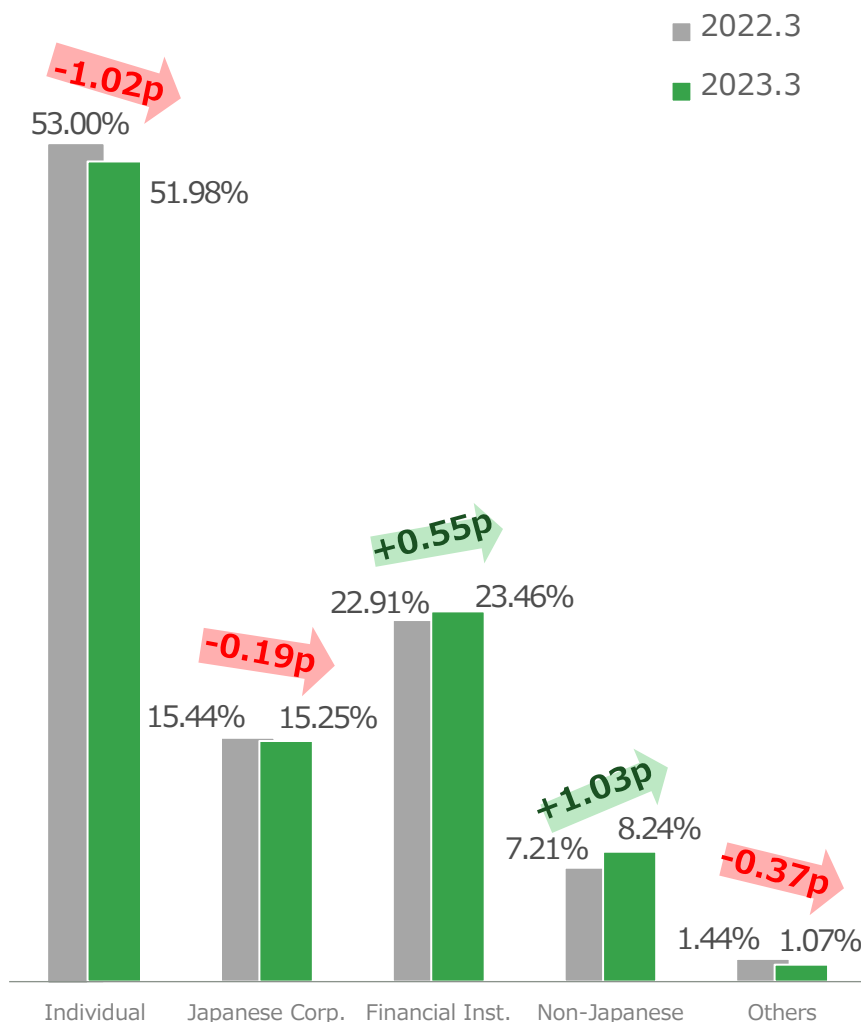
232.0%

Goodwill

¥1,193million



Shareholding by investor type



Major shareholders

- ✓ No. of shareholders: 6,121
(+138 since March 31, 2022)
- ✓ **No. of shareholders with voting rights: 5,063**
(-4 since March 31, 2022)
- ✓ Treasury stocks (1,018 thousand shares) are not included when calculating the ratio of shareholdings.

	Major shareholders	% of total shares
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.41%
2	A.K. Corporation	9.18%
3	ID Employee Ownership Account	6.93%
4	Custody Bank of Japan, Ltd. (Trust Account)	4.50%
5	PERSHING-DIV. OF DLJ SECS. CORP.	4.45%
6	Mizuho Trust & Banking Co., Ltd.	3.72%
7	Custody Bank of Japan, Ltd. (Trust Account E)	2.65%
8	TDC SOFT Inc.	2.49%
9	Akemi Funakoshi	1.74%
10	Kaori Marubayashi	1.58%

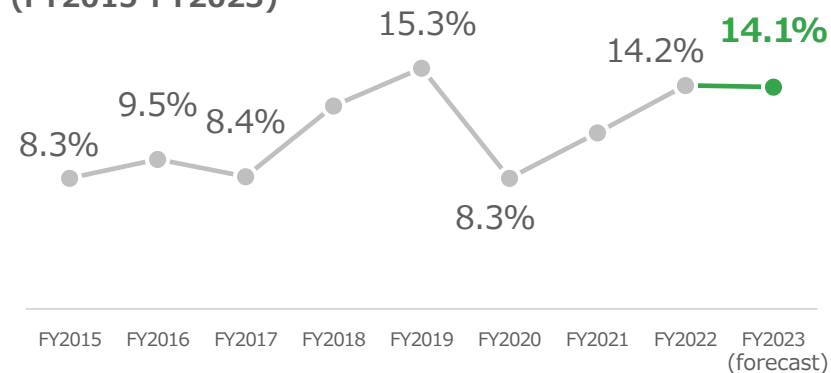
Measures to improve capital efficiency

$$\text{ROE} = \frac{\text{Net income}}{\text{Equity}}$$

- Expansion of net sales through M&A strategy and promotion of DX business
- Improvement of income margin by shifting to a service-based business model
- Investment in human resources for further growth
- Enhancement of return to shareholders through dividend distribution

ROE

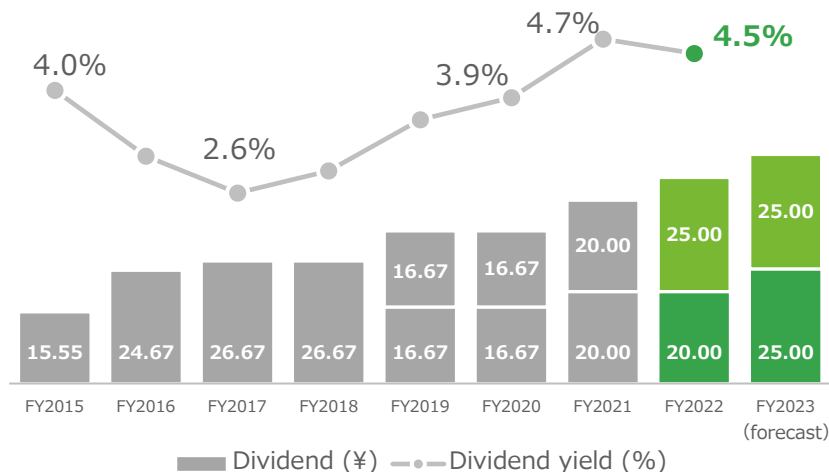
Average : Approx. **11.0%**
(FY2015-FY2023)



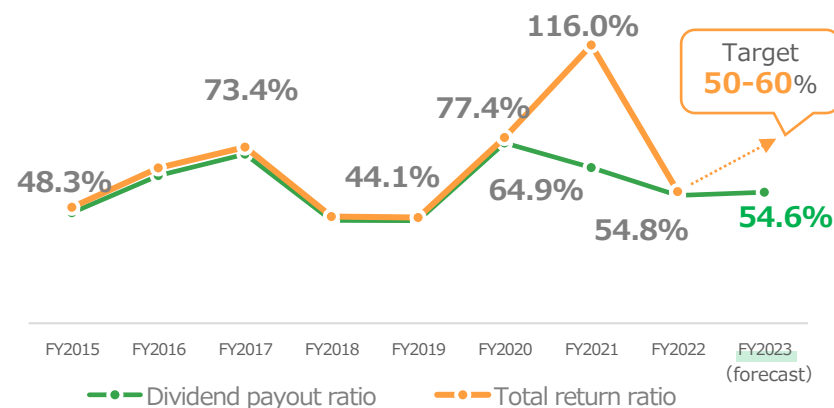
Enhancement of return to shareholders

Dividend increase : **5** times, Stock split : **Twice**
(FY2015-FY2022)

Dividend per share & dividend yield



Dividend payout ratio & total return ratio



※Total return ratio = (Total dividends + Amount of purchase of treasury stock) ÷ Net income attributable to owners of parent

1

Performance Overview for Q1

2

**Mid-Term Management Plan
Next 50 Episode II: Ride on Time**

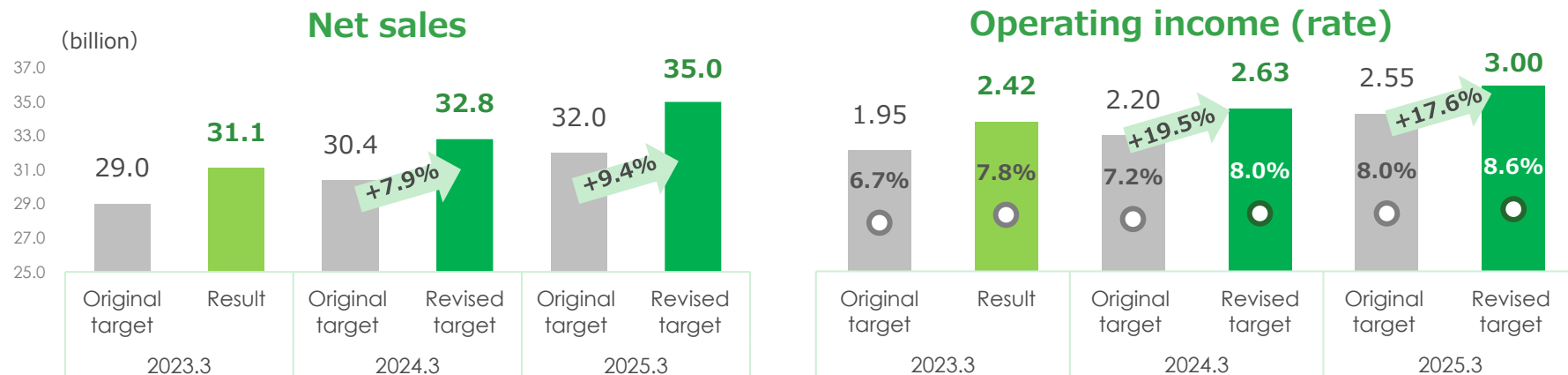
Key Numerical Targets for the Mid-Term Management Plan

The Group has **achieved its numerical targets ahead of schedule.**

The target for net sales in the final fiscal year of the Plan has been revised upward to **¥35.0 billion.**

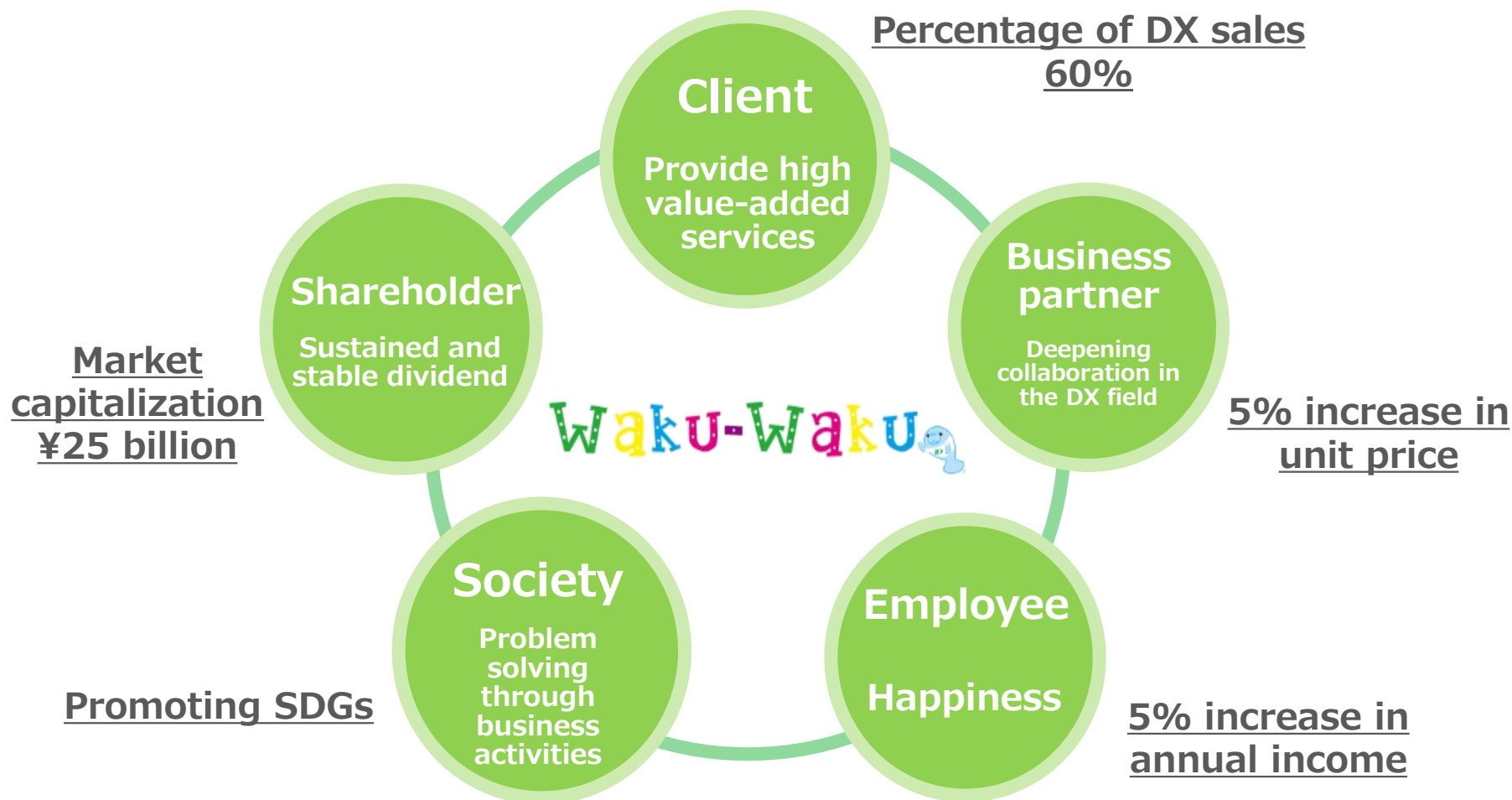
	2023.3		2024.3		2025.3		2027.3
	Original target	Result	Original target	Revised target	Original target	Revised target	Original target
Net sales	¥29.0 billion	¥31.1 billion	¥30.4 billion	¥32.8 billion	¥32.0 billion	¥35.0 billion	¥40.0 billion
Operating income (rate)	¥1.95 billion (6.7%)	¥2.42 billion (7.8%)	¥2.20 billion (7.2%)	¥2.63 billion (8.0%)	¥2.55 billion (8.0%)	¥3.00 billion (8.6%)	¥3.20 billion (8.0%)
DX Net sales (rate)	¥13.9 billion (48.0%)	¥14.8 billion (47.6%)	¥16.1 billion (53.0%)	¥17.3 billion (53.0%)	¥19.2 billion (60.0%)	¥21.0 billion (60.0%)	¥28.0 billion (70.0%)
EBITDA (rate)	¥2.58 billion (8.9%)	¥3.03 billion (9.8%)	¥2.80 billion (9.2%)	¥3.26 billion (10.0%)	¥3.10 billion (9.7%)	¥3.55 billion (10.1%)	¥4.00 billion (10.0%)
NEW Return to shareholders	Total return ratio : Target of 50–60%						

*Total return ratio = (total dividends + amount of purchase of treasury stock) ÷ net income attributable to owners of parent



■ Becoming an indispensable IT engineering partner that brings about an exciting **Waku-Waku** future for our 5 stakeholders.

Together we will **Ride on Time!**



Next 50 Episode II : Ride on Time

- Realize a greater growth cycle by increasing corporate value and giving back to our **employees and business partners!**

	2022.3	2025.3	2027.3
Net sales	¥27.8B	▶ ¥35.0B	▶ ¥40.0B
Operating income	¥1.86B (6.7%)	▶ ¥3.00B (8.6%)	▶ ¥3.20B (8.0%)
EBITDA	¥2.49B (9.0%)	▶ ¥3.55B (10.1%)	▶ ¥4.00B (10.0%)



Target value

3

Basic themes

1

Develop business models in line with our DX portfolio

2

Strengthen partnerships to create greater value-added

3

Upgrade management divisions and reallocate resources to the business divisions



4 Basic strategies



I . IT Service Strategy

II . Human Resource Strategy

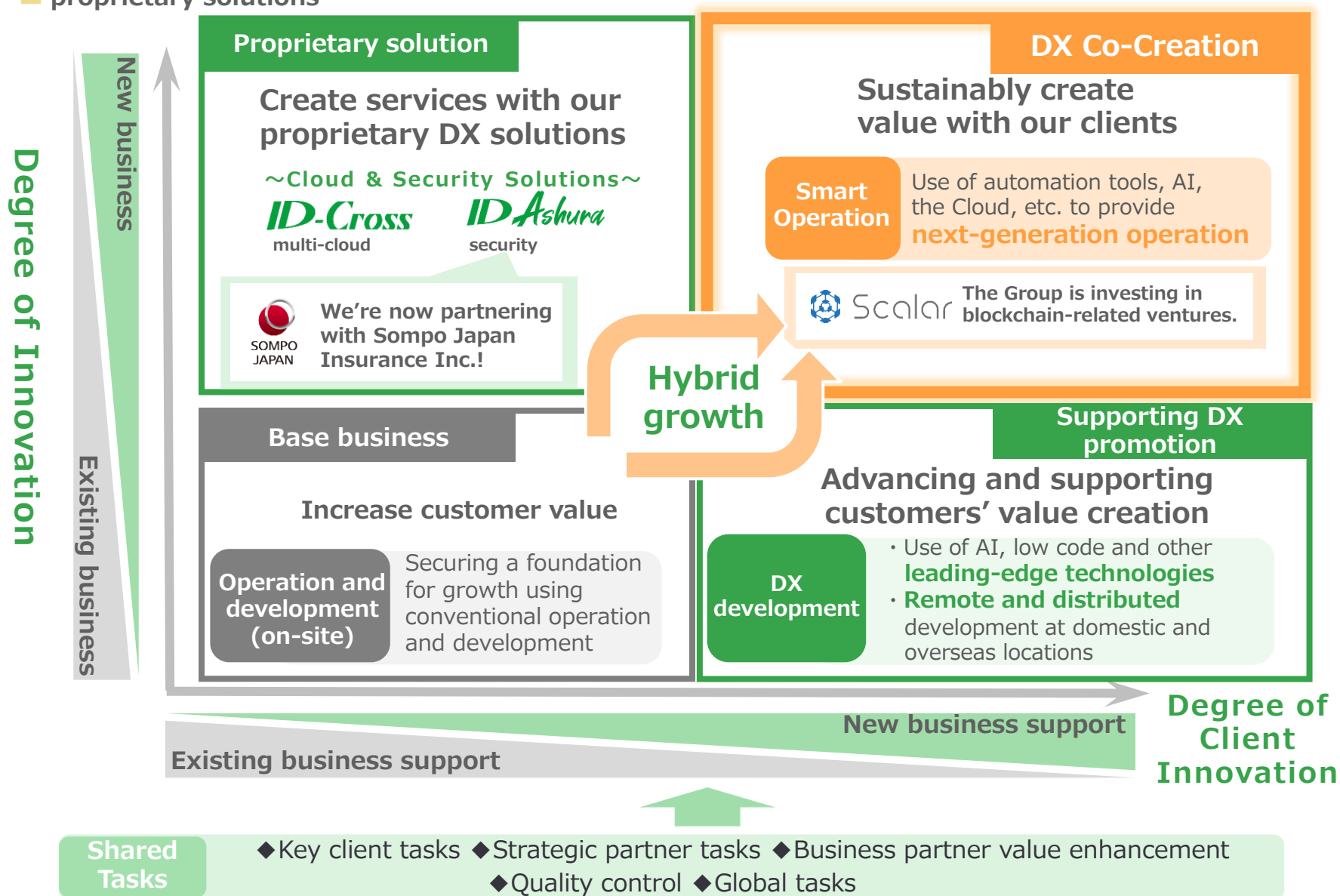


III . New Normal Strategy

IV . SDGs Strategy



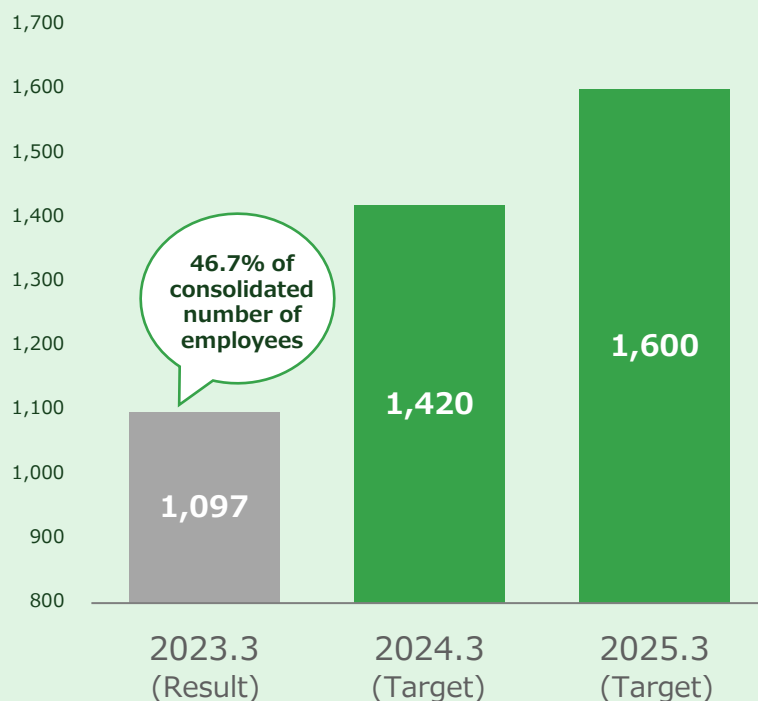
- Secure revenue from base business, and expand our support for DX promotion by our clients and proprietary solutions



- The Group is developing engineers for DX-related business, aiming to boost profitability.

Trend in number of DX-related engineers

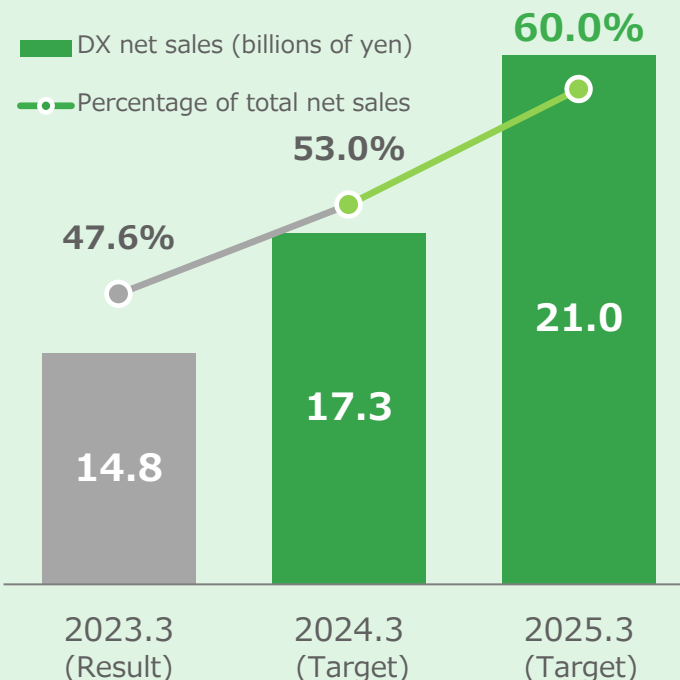
Development of personnel focused on cloud computing, AI and security



Trend in DX-related net sales

Aiming to raise DX-related net sales to **60%** of total

DX-related income margin is approximately 3 points higher than for conventional business.



What is System management?

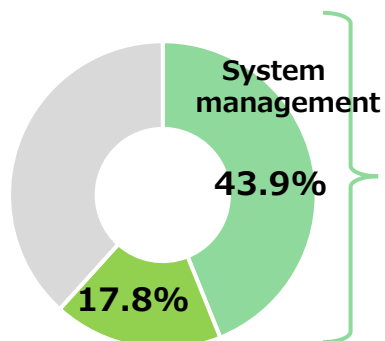
System management is a business that **operates and monitors customer systems 24 hours a day, 365 days a year**, and supports vital infrastructure. Barriers to entry are formidable in this field, so the Group enjoys steady revenues from it as a stock business.



Thanks to growth in the scale of the data-center market, the Group expects **demand for its System management business to increase.**

The Group is advancing the transition from conventional operations to smart operations, creating **a new paradigm in system management.**

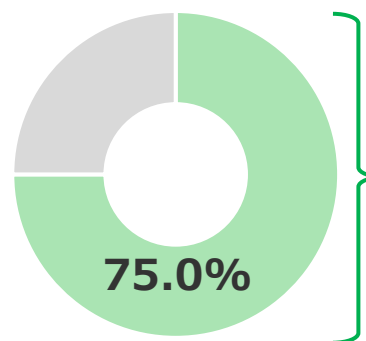
FY2022
consolidated net sales



61.7%

Future
orientation

Aims to increase System management to a **75%** share of net sales by **promoting high added value.**



Smart operation

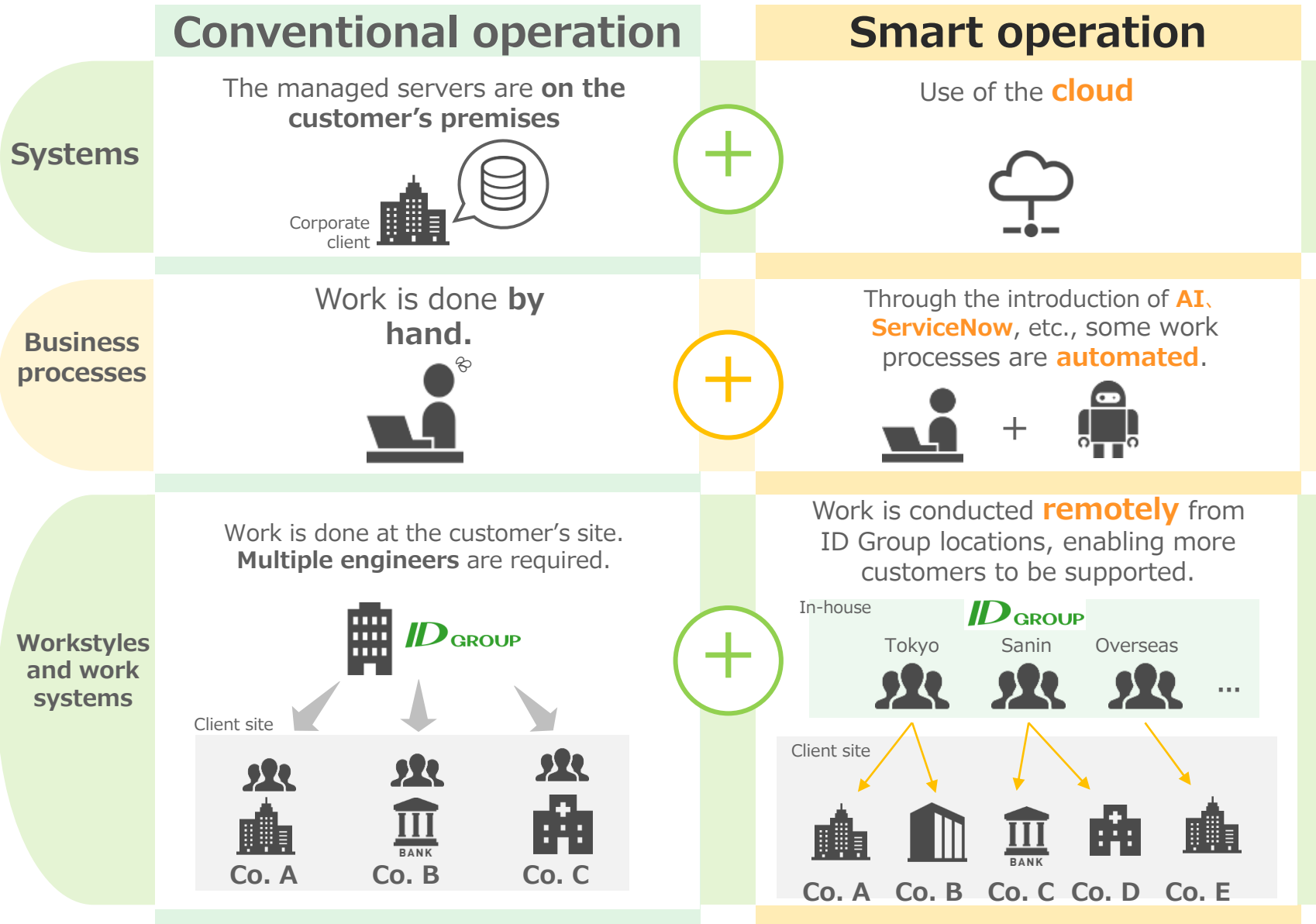


✗ Cybersecurity

✗ Platform

Cybersecurity,
Platform, etc.

- In addition to conventional operations, the ID Group is focusing on SaaS-type **Smart operation** service.



To achieve operations free of the constraints of time and space, we are developing an operation center that runs in a virtual environment.

ID-VR^{OP}

ID Virtual Reality OPERATION center



Employees can easily access the service from physically distant locations! Operations can continue smoothly even in the event of disaster.



Shifting from a worker-hour-focused business to a service-focused business

Service is scheduled to launch in January 2024 as a subscription-based SaaS.

1 Using virtual spaces for lessons in cybersecurity



Cyberattacks are growing in sophistication day by day. A cyber range recreates these cyberattacks in a virtual practice environment in which users can train. The Company is partnering with SimSpace, the United States' leader in the cyber-range field, to support customers' training of security personnel.



2 AI can read X-ray images and provide a diagnosis.



Combining its leading-edge technology with the knowledge of Tottori University Hospital, the Company is moving forward with joint development of an AI system that can read X-ray images and provide a diagnosis. By applying AI in this way, we aim to support physicians in their work and solve problems in regional healthcare.



3 Sales launched for the “ID AI Concierge” chat-type AI running on the Azure OpenAI Service



“ID AI Concierge” is an AI chatbot service specially designed for companies. It includes abundant template functions such as planning, translation, and meeting minutes drafting which are used to provide effective responses with ease. In addition, we also provide consulting and training services as a robust support network for customers who have concerns about introducing AI.



The ID Group is strengthening its global sales and production networks, which are strongly rooted in the regional communities of countries worldwide. Our aim is to establish a **“glocalized” IT service model**.

Sales network



Japan



China



Singapore



America



Amsterdam



London

Production network



We are making efforts to provide solutions to a wide variety of social issues through our business activities.

Activities of the ID Group

SUSTAINABLE DEVELOPMENT GOALS



Employing disabled people for plant cultivation



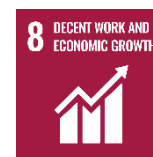
Support for Kodomo Shokudo



ID-Cross
ID-Ashura

ID-VR-OP
ID Virtual Reality Operation center

Provision of DX solution services



Achieving gender equality
Hiring and deployment of a global workforce



Support for cultural activities and the fine arts



The ID Group supports numerous artists as a patron of the arts and culture.

Third-party evaluations



Recognized for 4 years in succession



A++ in appropriate use of human resources



Rated S for social value

(Reference) KPIs of the Mid-Term Management Plan

	KPI	2023.3 Result	2024.3 Target	2025.3 Target
IT Service Strategy	DX Net sales	¥14.8B	¥17.3B*	¥21.0B*
	DX Net sales ratio	47.6%	53%	60%
Human Resource Strategy	Number of DX certifications (Annual)	315	1,000	1,000
	Number of DX engineers	1,097 people	1,420 people	1,600 people
	Percentage of female employees	23.0%	28%	30%
	Percentage of female managers	16.3%	25%	30%
	Percentage of foreign employees	7.9%	13%	15%
New Normal Strategy	Improvement in SG&A ratio	14.1%	14.6%	13.9%
SDGs Strategy	Reduction in CO2 emissions (from electricity use) Note: compared to FY2020 electricity use	Down 100%	Down 18%	Down 20%
	Reduction in paper consumption Note: compared to FY2020	Down 30.9%	Down 20%	Down 23%
	Participation in environmental volunteer activities (Total number of people per year)	228 people	200 people	200 people

*Targets are revised in accordance with revisions to numerical targets in the Mid-Term Management Plan.

Forecast of Consolidated Financial Results for FY2023 (YoY)

	2023.3		2024.3			
(¥ million)	Results	(% of net sales)	Plan	(% of net sales)	Diff.	YoY
Net sales	31,101	-	32,800	-	+1,698	+5.5%
EBITDA	3,033	9.8%	3,269	10.0%	+235	+7.8%
Operating income	2,424	7.8%	2,630	8.0%	+205	+8.5%
Ordinary income	2,504	8.1%	2,650	8.1%	+145	+5.8%
Net income attributable to owners of parent	1,402	4.5%	1,520	4.6%	+117	+8.4%
Earnings per Share(EPS)(¥)	84.54	-	91.55	-	+7.01	-
EPS before Amortization of Goodwill(¥)	111.33	-	118.32	-	+6.99	-
Cash flows from operating activities	1,654	-	1,880	-	+226	-

Change or Die!

Disclaimer

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Forecasts and plans contained in these non-historical information are based on our judgment in accordance with the information available at the time of publication.

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