

Note: This document is an English translation of the “Kessan Tanshin” for the second 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 Six Months of the Fiscal Year Ending March 31, 2024 (J-GAAP)

October 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: November 7, 2023
Scheduled date of dividend payment: December 4, 2023
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 FY2023 (April 1–September 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	%
H1 FY2023	15,938	7.2	1,421	23.0	1,504	24.5	844	24.0
H1 FY2022	14,861	11.4	1,155	63.9	1,209	63.1	680	81.5

Note: Comprehensive income H1 FY2023 ¥1,131 million (27.4%) H1 FY2022 ¥887 million (59.1%)

	Net income per share	Diluted net income per share	EBITDA		EPS before amortization of goodwill	
	¥	¥	¥ million	%	¥	%
H1 FY2023	50.76	—	1,722	18.4	64.12	17.8
H1 FY2022	41.04	—	1,454	44.1	54.43	56.5

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	%
Q2 FY2023	17,384	11,199	64.1
FY2022	17,519	10,432	59.3

Reference: Equity Q2 FY2023 ¥11,144 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	—	25.00			
FY2023 (forecast)			—	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	91.07

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2023 (full fiscal year)	3,269	7.8	117.70	5.7

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 FY2023	18,066,453 shares	FY2022	18,066,453 shares
Q2 FY2023	1,318,995 shares	FY2022	1,471,167 shares
Q2 FY2023	16,633,598 shares	Q2 FY2022	16,590,015 shares

(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 Second Quarter of the Fiscal Year Ending March 31, 2024, on page 6 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 21, 2023. 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, 2024

(1) Qualitative Information on the Consolidated Business Results

During the consolidated fiscal first half under review (H1 FY2023: April 1 to September 30, 2023), a gradual recovery took shape as restrictions on activity imposed in view of the COVID-19 pandemic were eased. However, resource prices rose steeply, the Japanese yen continued to depreciate and monetary tightening proceeded worldwide. These trends continued to stoke concerns about impacts from an economic downturn and other risks, feeding lingering uncertainty.

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 ¥15.938 billion.

Earnings continued on a strong trend. While salaries and other payments to employees advanced, sales grew and the Group's high margin DX related business expanded. Operating income rose 23.0% YoY to ¥1.421 billion, ordinary income improved 24.5% YoY to ¥1.504 billion, and net income attributable to owners of parent rose 24.0% YoY to ¥844 million. EBITDA increased 18.4% YoY to ¥1.722 billion.

*Beginning with the consolidated first quarter of the current fiscal year, 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 ¥)

(Thousands of ¥)

		Previous consolidated cumulative second quarter (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter under review (April 1, 2023 to September 30, 2023)	Compared with same period of previous fiscal year (YoY)	
				Increase/ decrease	Rate of increase/ decrease (%)
System management	Net sales	6,641	7,213	571	8.6
	Gross profit	1,476	1,591	114	7.8
	Gross profit margin	22.2%	22.1%	-0.1P	—
Software development	Net sales	5,647	5,659	11	0.2
	Gross profit	1,210	1,028	-181	-15.0
	Gross profit margin	21.4%	18.2%	-3.2P	—
IT infrastructure	Net sales	1,228	1,396	167	13.6
	Gross profit	310	420	110	35.5
	Gross profit margin	25.3%	30.1%	4.8P	—
Cybersecurity, consulting and training	Net sales	1,130	1,502	371	32.9
	Gross profit	315	488	172	54.6
	Gross profit margin	27.9%	32.5%	4.6P	—
Others	Net sales	212	166	-45	-21.5
	Gross profit	10	54	43	398.7
	Gross profit margin	5.1%	32.6%	27.5P	—
Total	Net sales	14,861	15,938	1,076	7.2
	Gross profit	3,324	3,583	258	7.8
	Gross profit margin	22.4%	22.5%	0.1P	—

(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 8.6% YoY to ¥7.213 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 fields swelled. Net sales grew 0.2% YoY to ¥5.659 billion.

(iii) IT infrastructure

The Group enjoyed increases in orders accepted for major projects with finance-related clients and in transactions with major IT vendors and manufacturing related clients. Net sales increased 13.6% YoY to ¥1.396 billion.

(iv) Cybersecurity, consulting and training

Orders accepted in consulting and cybersecurity swelled, boosting net sales 32.9% YoY to ¥1.502 billion.

(v) Others

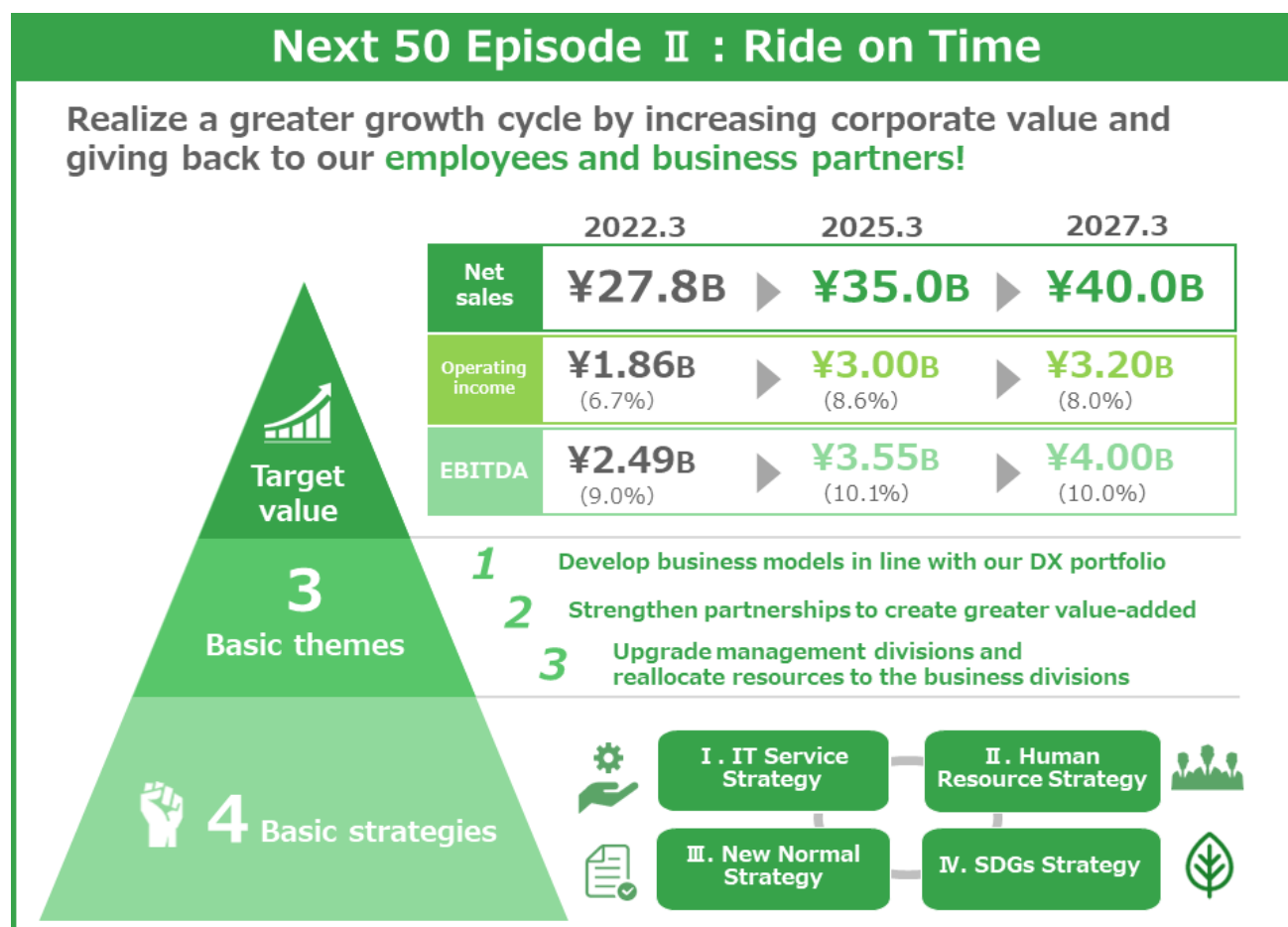
Despite expansion in orders accepted for product sales, changes in service category for some projects engendered a decline in net sales of 21.5% YoY to ¥166 million.

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 a proprietary, dialogue-based AI chatbot service that uses the ChatGPT API, exclusively for in-house use. In August, the Group launched sales of ID AI Concierge, which enables selection of plans according to customers' applications. In addition, the Group released a pilot version of a virtual operations center (VROP) long in the works. Development of this project is now accelerating, with a view to start of service planned for January 2024.

(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. The Group is also taking steps to develop AI engineers. To bolster the AI literacy of all Group employees, the Group launched in-house training by fellow and provided online study plans to some 300 employees.

(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. The ID Group is moving to digitize the duties of management divisions, automate contacts among departments and functions, and centralize the management of information. To make its in-house network secure yet flexible, the Group constructed a Zero Trust Network Access connection. Moreover, the Group overhauled its in-house systems to streamline operations and ensure seamless communications, thereby boosting Group-wide productivity. Through these various initiatives, the Group is working to optimize workflows and radically transform management divisions and other aspects of its in-house environment.

(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. The Group is working to support employees' health and provide them with a supportive work environment. Barrier-free washrooms, usable by a wide variety of people, were installed in the head office building; health management seminars were presented, with focus on sleep; and support was provided to employees who wished to quit smoking. 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

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

(Assets)

Assets at the end of consolidated Q2 decreased by ¥134 million from the end of the previous consolidated accounting period to ¥17.384 billion. Although contract assets increased by ¥567 million, investment securities rose by ¥210 million and accounts receivable—other increased by ¥108 million, accounts receivable—trade declined by ¥911 million and cash and deposits decreased by ¥156 million.

(Liabilities)

Liabilities at the end of consolidated Q2 decreased by ¥901 million from the end of the previous consolidated accounting period to ¥6.185 billion. Interest-bearing debt declined by ¥1.117 billion.

(Net Assets)

Net assets at the end of consolidated Q2 increased by ¥767 million from the end of the previous consolidated accounting period to ¥11.199 billion. Although payment of year-end dividends reduced net assets by ¥426 million, net income attributable to owners of parent increased to ¥844 million and foreign currency translation adjustment rose by ¥118 million.

(ii) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter “net cash”) at the end of consolidated Q2 under review increased by ¥732 million in comparison with the end of consolidated Q2 in the previous fiscal year, to ¥4.554 billion (+19.2% 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 provided by operating activities was ¥1.447 billion (compared to a net cash increase of ¥364 million in the same period of the previous fiscal year). This result was mainly due to ¥1.505 billion in net income before income taxes, ¥912 million decrease in notes and accounts receivable—trade, and ¥864 million increase in other current assets.

(Cash flows from investing activities)

Net cash used in investing activities was ¥254 million (compared to a net cash decrease of ¥265 million in the same period of the previous fiscal year). This result was mainly due to a net payment of ¥72 million into time deposits, purchase of property, plant and equipment of ¥53 million and other expenditures of ¥107 million (payments for capital investments, etc.).

(Cash flows from financing activities)

Net cash used in financing activities was ¥1.548 billion (compared to a net cash decrease of ¥1.119 billion in the same period of the previous fiscal year). This result was mainly due to a net decrease of ¥900 million in short-term loans payable, repayment of long-term loans payable of ¥216 million, and cash dividends paid of ¥429 million (including cash dividends paid to non-controlling interests).

(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 second quarter under review As of September 30, 2023
Assets		
Current assets		
Cash and deposits	5,069,433	4,913,173
Notes receivable–trade	2,200	2,200
Accounts receivable–trade	5,903,800	4,992,610
Contract assets	293,657	861,415
Work in process	858	3,215
Accounts receivable–other	153,382	261,951
Other	265,957	439,794
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	11,649,222	11,434,293
Non-current assets		
Property, plant and equipment	1,327,189	1,351,369
Intangible assets		
Goodwill	1,304,134	1,081,899
Software	152,791	137,343
Other	764	754
Total intangible assets	1,457,690	1,219,997
Investments and other assets		
Investment securities	1,865,067	2,075,167
Deferred tax assets	553,277	536,064
Guarantee deposits	285,952	304,823
Other	388,449	470,500
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	3,085,248	3,379,055
Total non-current assets	5,870,127	5,950,422
Total assets	17,519,349	17,384,716

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2023	Consolidated second quarter under review As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	1,147,457	1,160,131
Contract liabilities	62,077	53,313
Short-term loans payable	1,400,000	500,000
Current portion of long-term loans payable	375,100	258,633
Income taxes payable	580,112	604,664
Provision for bonuses	1,134,387	1,131,612
Provision for directors' bonuses	31,600	11,749
Provision for product warranties	10,095	6,344
Other	1,216,611	1,363,646
Total current liabilities	5,957,442	5,090,095
Non-current liabilities		
Long-term loans payable	350,000	250,000
Deferred tax liabilities	286,834	354,427
Provision for directors' retirement benefits	29,331	32,886
Net retirement benefit liability	174,944	28,473
Other	288,600	429,282
Total non-current liabilities	1,129,710	1,095,070
Total liabilities	7,087,153	6,185,166
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	754,132	754,132
Retained earnings	8,819,108	9,237,244
Treasury stock	–836,345	–772,099
Total shareholders' equity	9,329,240	9,811,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	755,600	895,422
Deferred gains or losses on hedges	—	18,934
Foreign currency translation adjustment	297,086	415,934
Remeasurements of retirement benefit plans	711	2,520
Total accumulated other comprehensive income	1,053,398	1,332,812
Non-controlling interests	49,557	55,116
Total net assets	10,432,196	11,199,550
Total liabilities and net assets	17,519,349	17,384,716

(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, 2022 to September 30, 2022)	Consolidated cumulative second quarter under review (April 1, 2023 to September 30, 2023)
Net sales	14,861,566	15,938,283
Cost of sales	11,536,883	12,354,635
Gross profit	3,324,683	3,583,647
Selling, general, and administrative expenses	2,169,415	2,162,232
Operating income	1,155,268	1,421,415
Non-operating income		
Interest income	1,084	6,047
Dividend income	22,700	24,173
Subsidy income	8,935	6,389
Foreign exchange gains	5,749	31,189
Other	24,764	20,958
Total non-operating income	63,235	88,758
Non-operating expenses		
Interest expenses	8,436	4,368
Commitment line fees	308	—
Other	584	980
Total non-operating expenses	9,329	5,348
Ordinary income	1,209,174	1,504,825
Extraordinary income		
Gain on sales of non-current assets	—	632
Total extraordinary income	—	632
Extraordinary losses		
Loss on retirement of non-current assets	3,530	231
Total extraordinary losses	3,530	231
Net income before income taxes	1,205,644	1,505,226
Income taxes—current	478,926	636,649
Income taxes—deferred	40,453	16,647
Total income taxes	519,379	653,296
Net income	686,264	851,929
Net income attributable to non-controlling interests	5,470	7,607
Net income attributable to owners of parent	680,794	844,322

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

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter under review (April 1, 2023 to September 30, 2023)
Net income	686,264	851,929
Other comprehensive income		
Valuation difference on available-for-sale securities	67,464	139,822
Deferred gains or losses on hedges	—	18,934
Foreign currency translation adjustment	132,772	118,847
Remeasurements of retirement benefit plans	1,356	1,809
Total other comprehensive income	201,593	279,413
Comprehensive income	887,858	1,131,343
(Breakdown)		
Comprehensive income attributable to owners of parent	882,388	1,123,736
Comprehensive income attributable to non-controlling interests	5,470	7,607

(3) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter under review (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Net income before income taxes	1,205,644	1,505,226
Depreciation	77,120	78,705
Amortization of goodwill	222,234	222,234
Loss on retirement of non-current assets	3,530	231
Loss (gain) on sales of non-current assets	—	–632
Increase (decrease) in provision for bonuses	139,910	–3,229
Increase (decrease) in provision for directors' bonuses	–25,574	–39,850
Increase (decrease) in provision for loss on orders received	59,608	—
Increase (decrease) in provision for product warranties	—	–3,750
Increase (decrease) in net retirement benefit assets (liabilities)	6,862	–143,703
Increase (decrease) in provision for directors' retirement benefits	669	3,555
Interest income and dividend income	–23,785	–30,221
Interest expenses	8,436	4,368
Foreign exchange losses (gains)	–12,386	–11,241
Decrease (increase) in notes and accounts receivable—trade	5,512	912,941
Decrease (increase) in inventories	5,093	–745
Increase (decrease) in notes and accounts payable—trade	–342,511	18,608
Increase (decrease) in amounts payable—other	–66,777	–40,955
Increase (decrease) in accrued expenses	5,190	207,099
Increase (decrease) in accrued consumption tax, etc.	17,639	–20,973
Decrease (increase) of other current assets	–480,443	–864,351
Increase (decrease) in other current liabilities	112,108	11,886
Decrease (increase) in other non-current assets	269	8,066
Increase (decrease) in other non-current liabilities	29,186	141,196
Other	78,902	73,950
Subtotal	1,026,441	2,028,416
Interest and dividend income received	23,790	30,226
Interest expenses paid	–8,436	–4,368
Corporation tax, etc. paid	–677,016	–607,011
Net cash provided by (used in) operating activities	364,778	1,447,262
Cash flows from investing activities		
Payments into time deposits	–131,910	–197,292
Proceeds from withdrawal of time deposits	7,009	124,425
Purchase of property, plant and equipment	–29,996	–53,487
Proceeds from sales of property, plant and equipment	—	902
Purchase of intangible assets	–46,540	–10,325
Purchase of investment securities	–50,904	–11,643
Other	–12,834	–107,455
Net cash provided by (used in) investing activities	–265,176	–254,876

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter under review (April 1, 2023 to September 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-560,000	-900,000
Repayment of long-term loans payable	-216,466	-216,466
Purchase of treasury stock	-534	-1,221
Proceeds from sales of treasury stock	357	—
Cash dividends paid	-338,844	-427,664
Cash dividends paid to non-controlling interests	-2,752	-2,048
Other	-1,703	-1,192
Net cash provided by (used in) financing activities	-1,119,944	-1,548,593
Effect of exchange rate changes on cash and cash equivalents	128,581	109,007
Net increase (decrease) in cash and cash equivalents	-891,760	-247,200
Cash and cash equivalents at beginning of period	4,713,364	4,801,503
Cash and cash equivalents at end of period	3,821,603	4,554,302

(4) 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. 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 second 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 ¥142,904,000 at the end of the consolidated second quarter under review. The number of shares was 452,217 at the end of the previous consolidated fiscal period and was 299,007 at the end of the consolidated second quarter under review.

(Material Subsequent Events)

None.