

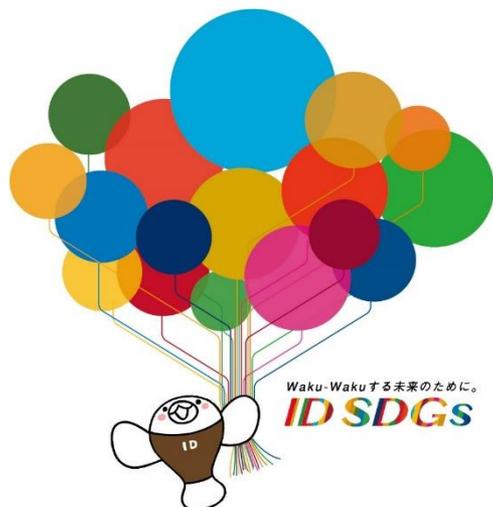
ID Holdings

ID Holdings Corporation
April 1, 2023 – December 31, 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.



February 15, 2024

1

Performance Overview for Q3

2

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

Net Sales

¥24,106 million (+4.7% YoY)



-
- ⊕ System management; cybersecurity; consulting and training; and IT infrastructure all trended favorably.

Operating Income

¥2,153 million (+16.0% YoY)



-
- ⊕ High-margin DX-related business expanded
 - ⊕ Rising sales drove up earnings
 - ⊖ Returning value to employees

Financial Results (Consolidated)

(¥ million)	2022.12		2023.12			
	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	23,023	-	24,106	-	1,083	+4.7%
Cost of sales	17,934	77.9%	18,686	77.5%	751	+4.2%
Gross profit	5,088	22.1%	5,420	22.5%	331	+6.5%
SG&A expenses	3,232	14.0%	3,266	13.6%	33	+1.0%
EBITDA ¹	2,309	10.0%	2,606	10.8%	297	+12.9%
Operating income	1,855	8.1%	2,153	8.9%	297	+16.0%
Ordinary income	1,934	8.4%	2,237	9.3%	302	+15.7%
Net income attributable to owners of parent	1,119	4.9%	1,329	5.5%	210	+18.8%
Earnings per share (EPS) (¥)	67.50	-	79.75	-	12.25	-
EPS before amortization of goodwill ² (¥)	87.59	-	99.74	-	12.15	-

Note:

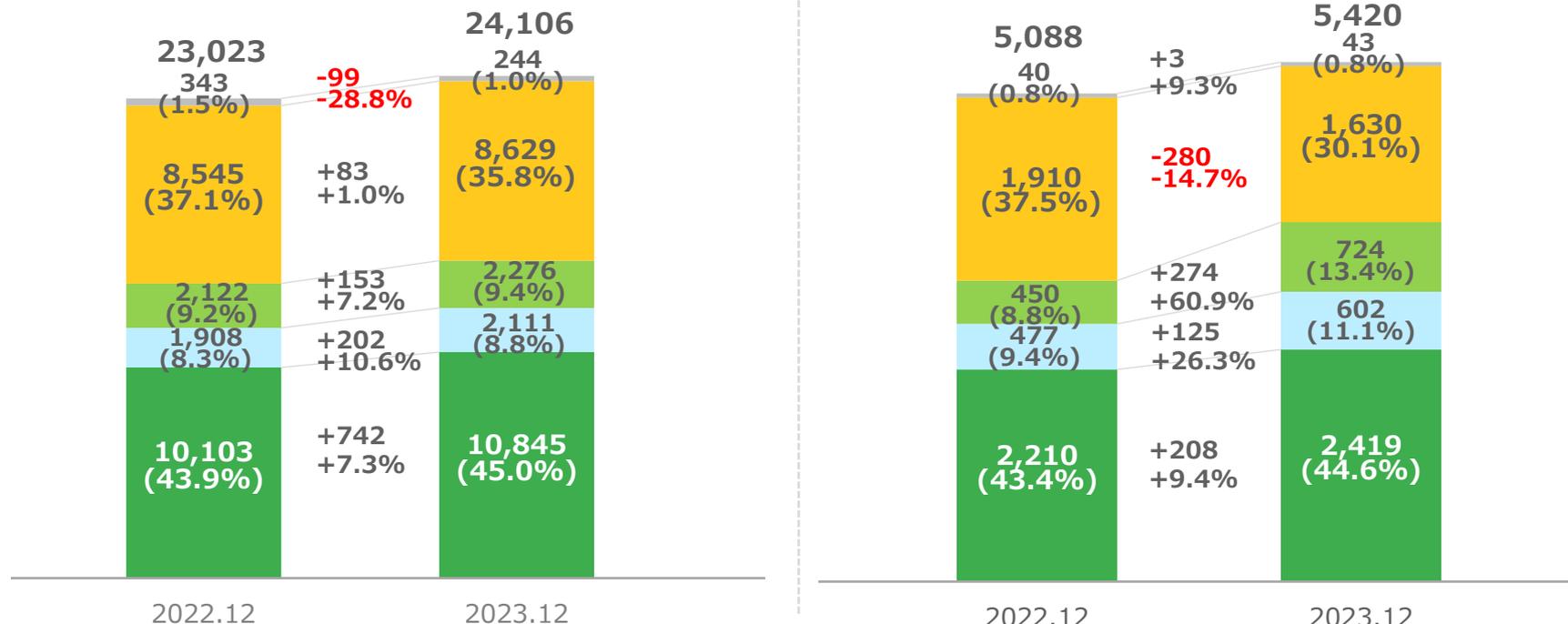
1. EBITDA = Operating income + Depreciation + Amortization of goodwill

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

(¥ million)

Net Sales

Gross Profit



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

Net Sales by Services

■ System Management

■ IT Infrastructure

■ Cybersecurity, Consulting and Training

■ Software Development

⊕ New orders were received due to redoubling of sales efforts aimed at major IT vendors, while orders accepted from existing clients swelled

⊕ Major projects were accepted from finance-related clients, transactions with major IT vendors expanded and orders accepted from transport- and manufacturing-related clients grew

⊕ Orders accepted in consulting expanded and new projects in cybersecurity were obtained

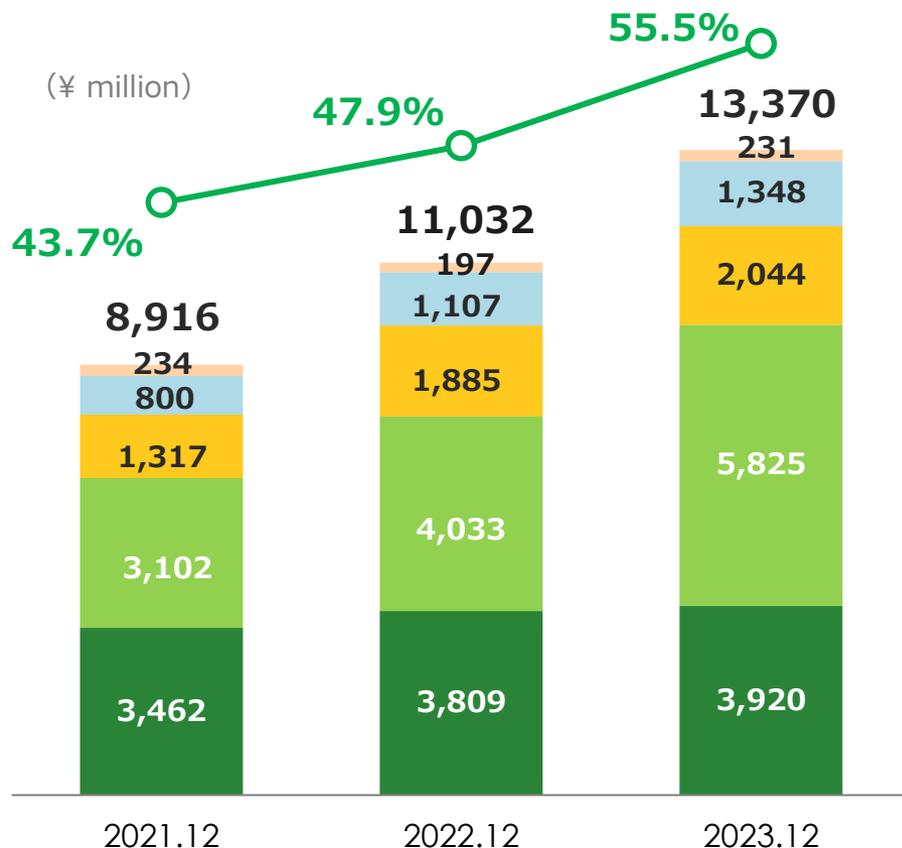
⊕ Transactions expanded as a result of strengthened sales efforts toward major IT vendors, while orders accepted from finance-related clients expanded

⊖ Some projects with public-sector clients wrapped up

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 system management & remote support, cloud, consulting.

【 Gross profit margin 】
25.6% (YoY+**1.7P**)

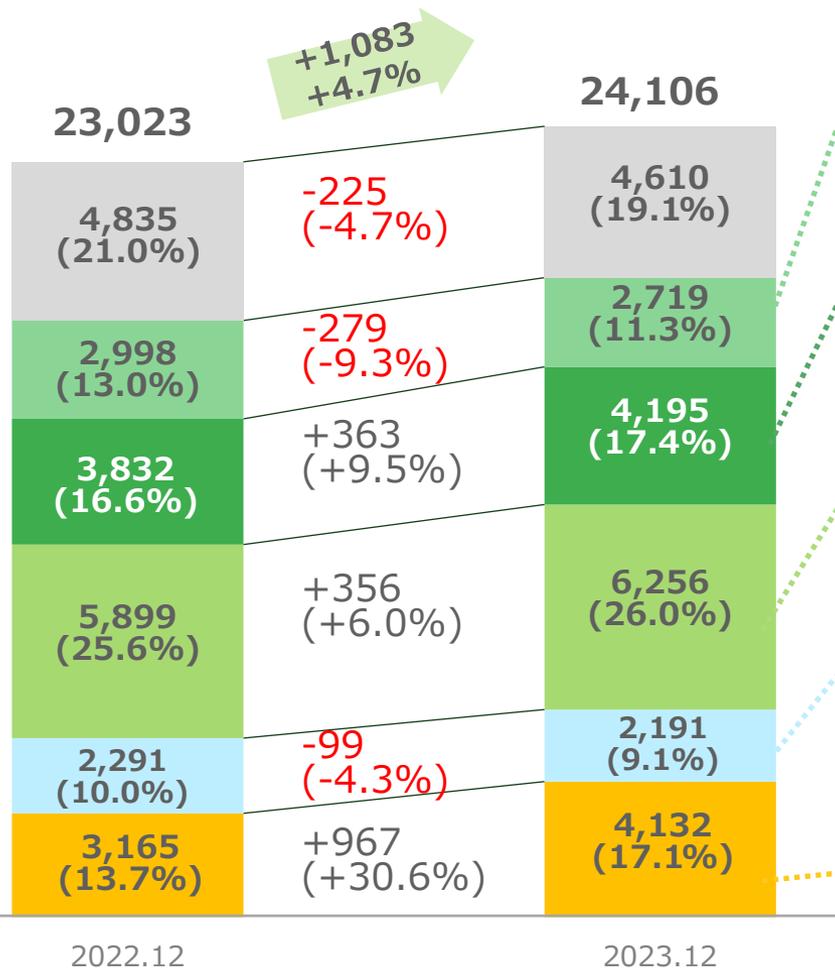
About **6** points higher than non-DX-related business

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

Transactions with major, high-value customers that are actively investing in IT account for over **80%** of net sales.

(¥ million)

Figures in brackets indicate % of net sales



Strategic Partners

- ⊖ Completion of some projects in system management
- ⊖ Withdrawal from low-margin projects in software development

Major Customers (Non-Finance)

- ⊕ Rising orders from customers related to broadcasting, manufacturing, public-sector, and transportation
- ⊖ Wrap-up of some projects with public-sector-related clients

Major Customers (Finance)

- ⊕ Orders accepted for major projects in IT infrastructure
- ⊕ Expansion of orders received in software development

Hitachi Group

- ⊖ Wrap-up of some projects in software development, etc.

IBM Group

- ⊕ Receipt of new orders and expansion of existing transactions

[Reference]

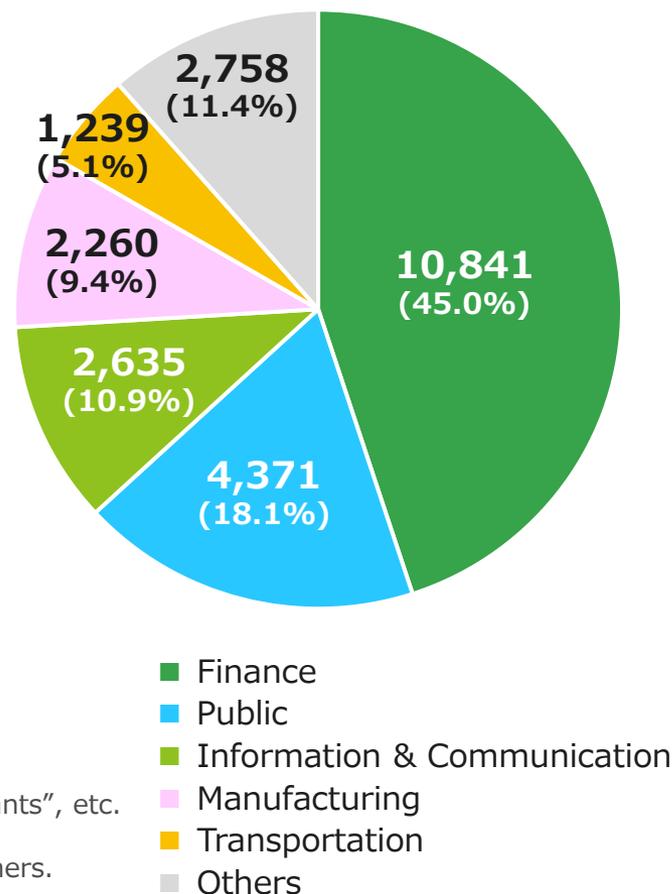
	Kyndryl Japan	MI Digital Services	IBM Japan
2023.12	1,969 (8.2%)	1,419 (5.9%)	744 (3.1%)

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

Transactions with the financial and public sectors account for over **60%** of net sales.

(¥ million)	2023.12	(% of net sales)	YoY	
Finance	10,841	45.0%	+450	+4.3%
Public	4,371	18.1%	+79	+1.9%
Information & Communication	2,635	10.9%	+199	+8.2%
Manufacturing	2,260	9.4%	+257	+12.8%
Transportation	1,239	5.1%	+118	+10.6%
Others*	2,758	11.4%	-21	-0.8%
Total	24,106	100.0%	+1,083	+4.7%

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



Change or Die!

*"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!

	2022.12	2023.12		Main Reasons in Changes
(¥ million)	Results	Results	Diff.	
Gross profit	5,088	5,420	+331	<ul style="list-style-type: none"> • Increase in net sales +1,083 • Increase in cost of sales +751 <ul style="list-style-type: none"> -Labor cost +368 -Subcontract expenses +709 -Manufacturing expenses +51 -Purchases -363
SG&A expenses	3,232	3,266	+33	<ul style="list-style-type: none"> • Decrease in personnel cost -90 <ul style="list-style-type: none"> -Reassignment of personnel from SG&A divisions to business divisions etc. • Increase in other expenses +123
Operating income	1,855	2,153	+297	

Net Income Attributable to Owners of Parent Analysis (YoY)

(¥ million)	2022.12	2023.12		Main Reasons in Changes
	Results	Results	Diff.	
Ordinary income	1,934	2,237	+302	<ul style="list-style-type: none"> • Increase in operating income +297 • Increase in non-operating income +1 • Decrease in non-operating expenses -3
Extraordinary income	0	50	+50	<ul style="list-style-type: none"> • Increase in gain on sales of investment securities +50
Extraordinary losses	13	1	-12	<ul style="list-style-type: none"> • Decrease in reaction to loss on retirement of non-current assets in the previous fiscal year -13
Total income taxes	800	956	+155	
Net income attributable to owners of parent	1,119	1,329	+210	

Change or Die!

(¥ million)

2023.3

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

2023.12

Assets 17,458	Liabilities 6,084
	Net assets 11,373

Main Factors

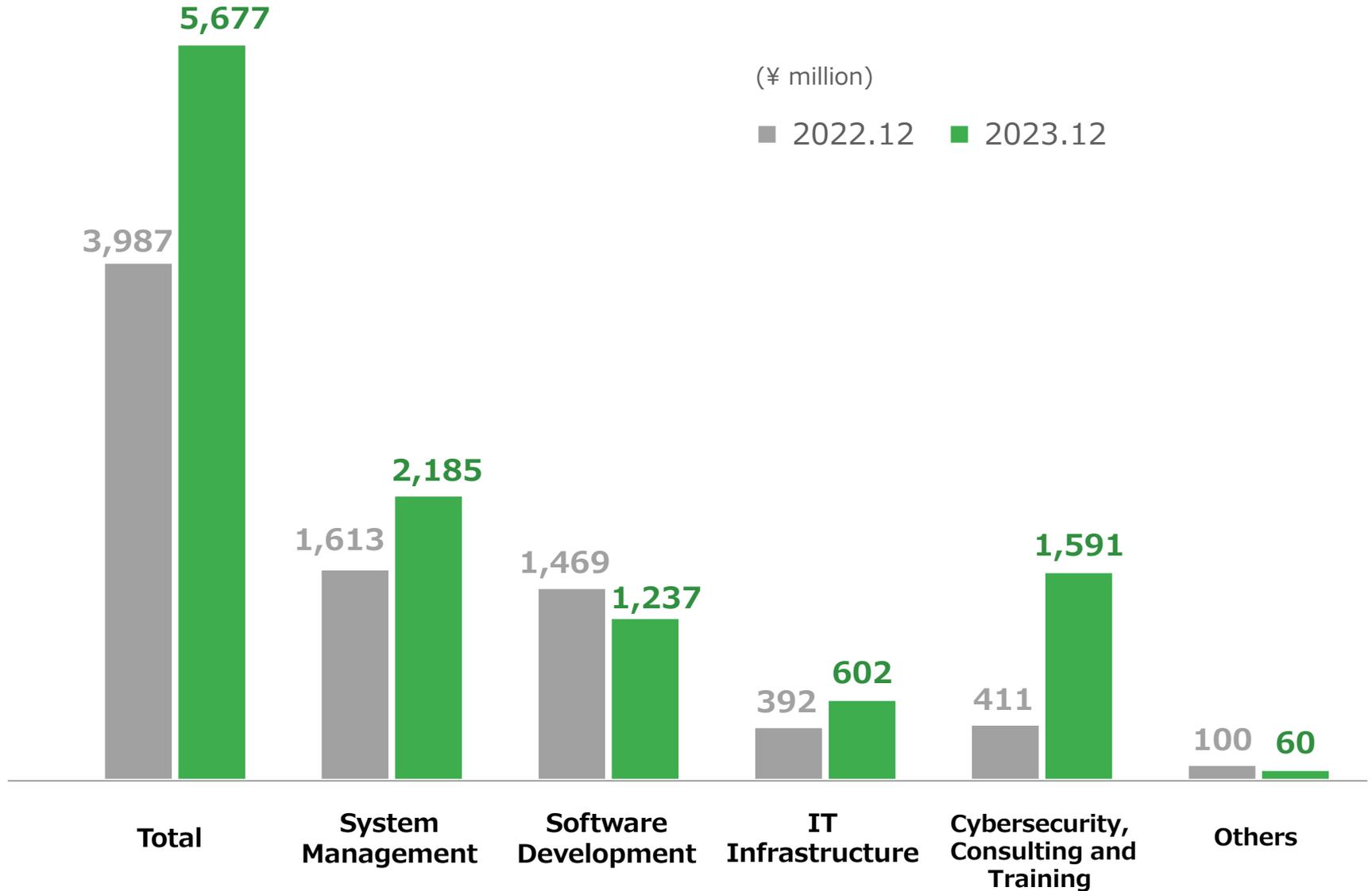
- Accounts receivable
–trade decreased
-778
- Cash and deposits
decreased
-515
- Decrease due to
amortization of goodwill
-333
- Contract assets
increased
+835
- Investment securities
increased
+439
- Accounts receivable
–other increased
+225

Main Factors

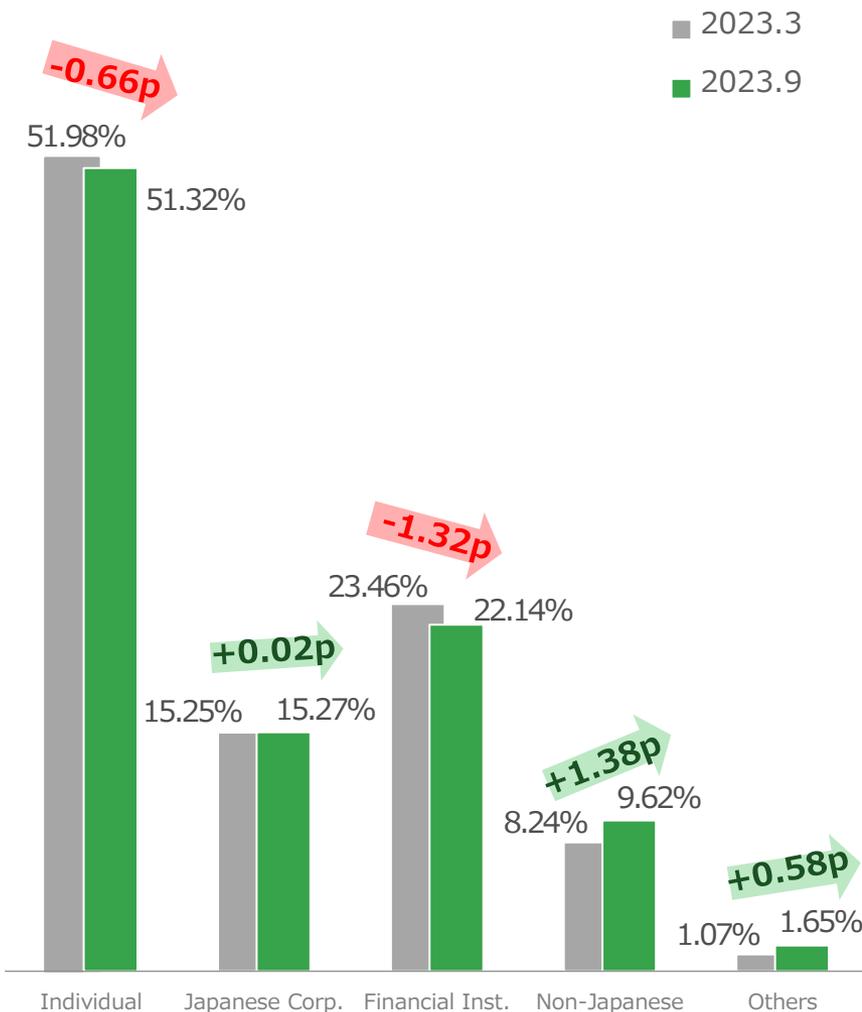
- Interest-bearing debt
decreased
-926

Equity Ratio
64.8%
Current Ratio
230.8%
Goodwill
¥970million

Change or Die!



Shareholding by investor type



Major shareholders

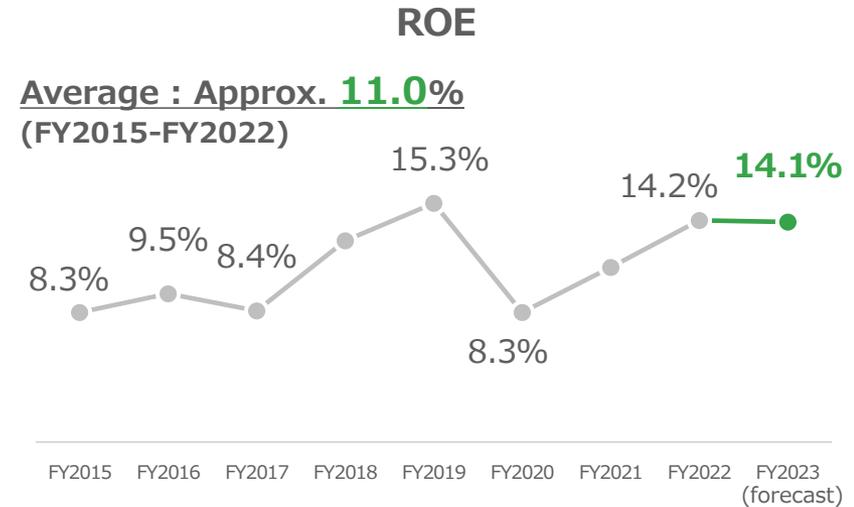
- ✓ No. of shareholders: 6,424
(+303 since March 31, 2023)
- ✓ **No. of shareholders with voting rights: 5,227**
(+164 since March 31, 2023)
- ✓ Treasury stocks (1,019 thousand shares) are not included when calculating the ratio of shareholdings.

Major shareholders		% of total shares
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.33%
2	A.K. Corporation	9.18%
3	ID Employee Ownership Account	7.02%
4	PERSHING-DIV. OF DLJ SECS. CORP.	5.20%
5	Custody Bank of Japan, Ltd. (Trust Account)	4.70%
6	Mizuho Trust & Banking Co., Ltd.	3.72%
7	TDC SOFT Inc.	2.49%
8	Custody Bank of Japan, Ltd. (Trust Account E)	1.75%
9	Akemi Funakoshi	1.74%
10	Kaori Marubayashi	1.58%

Measures to improve capital efficiency

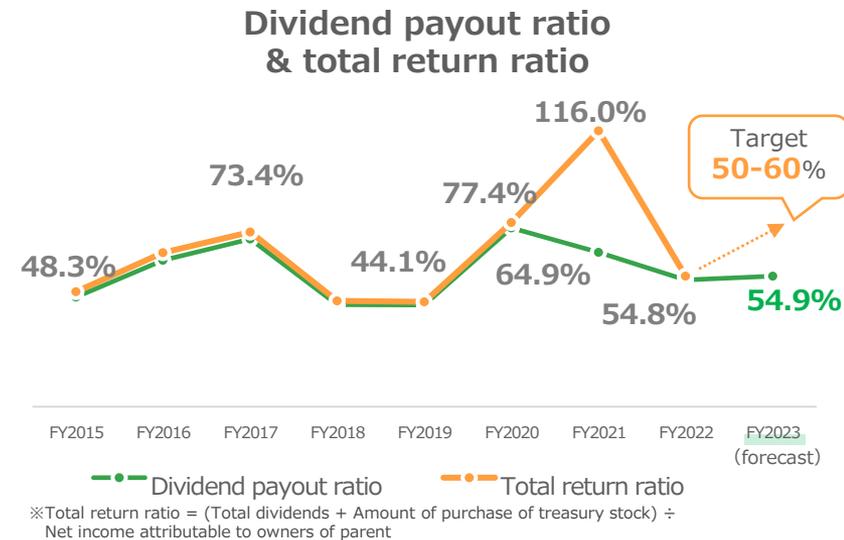
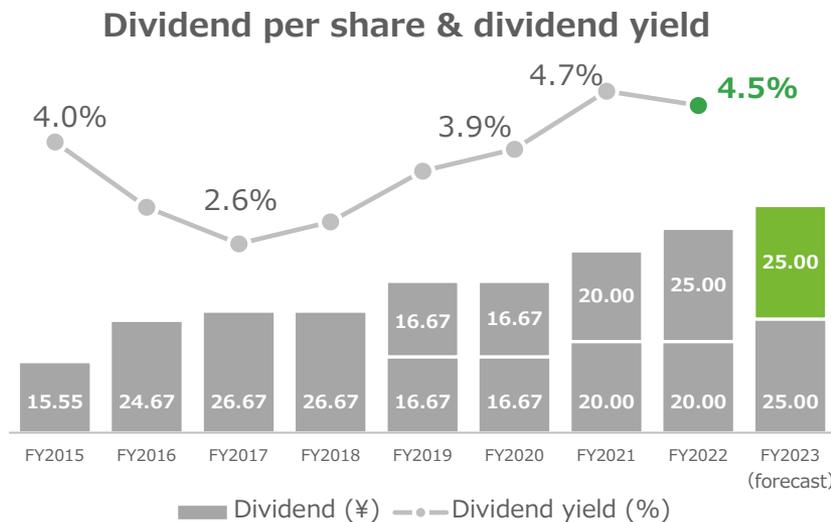
ROE = $\frac{\text{Net income}}{\text{Equity}}$

- 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



Enhancement of return to shareholders

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



Indicators related to share price¹ (as of January 31, 2024)

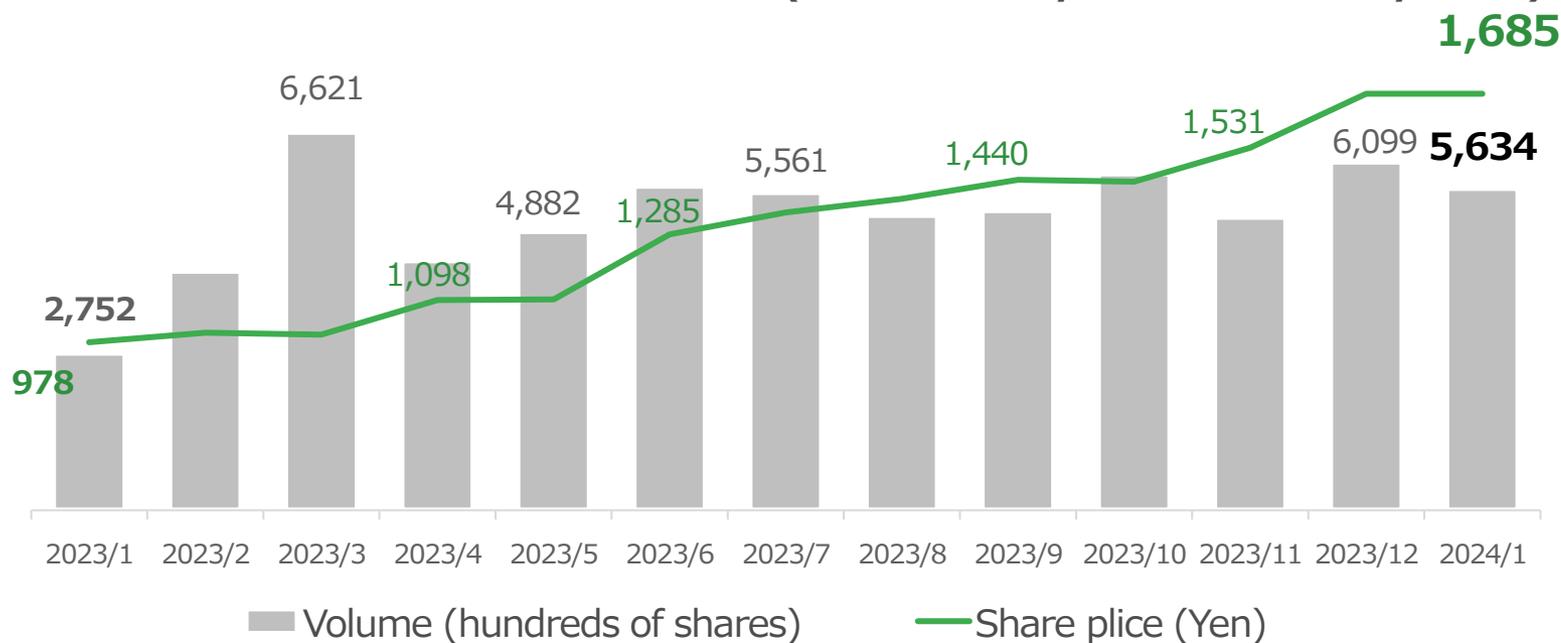
Price Earnings Ratio (PER)

19.9x

Price Book-value Ratio (PBR)

2.7x

Trends in Share Price and Volume² (From January 2023 to January 2024)



Note:

1 PER and PBR are calculated based on net income per share as of March 2023, net assets per share as of March 2023 and the closing share price on January 31, 2024.

2 Volume is a monthly cumulative figure. Share price is the closing price on the last day of each month.

1**Performance Overview for Q3****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
	Original target	Result	Original target	Revised target	Original target	Revised 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

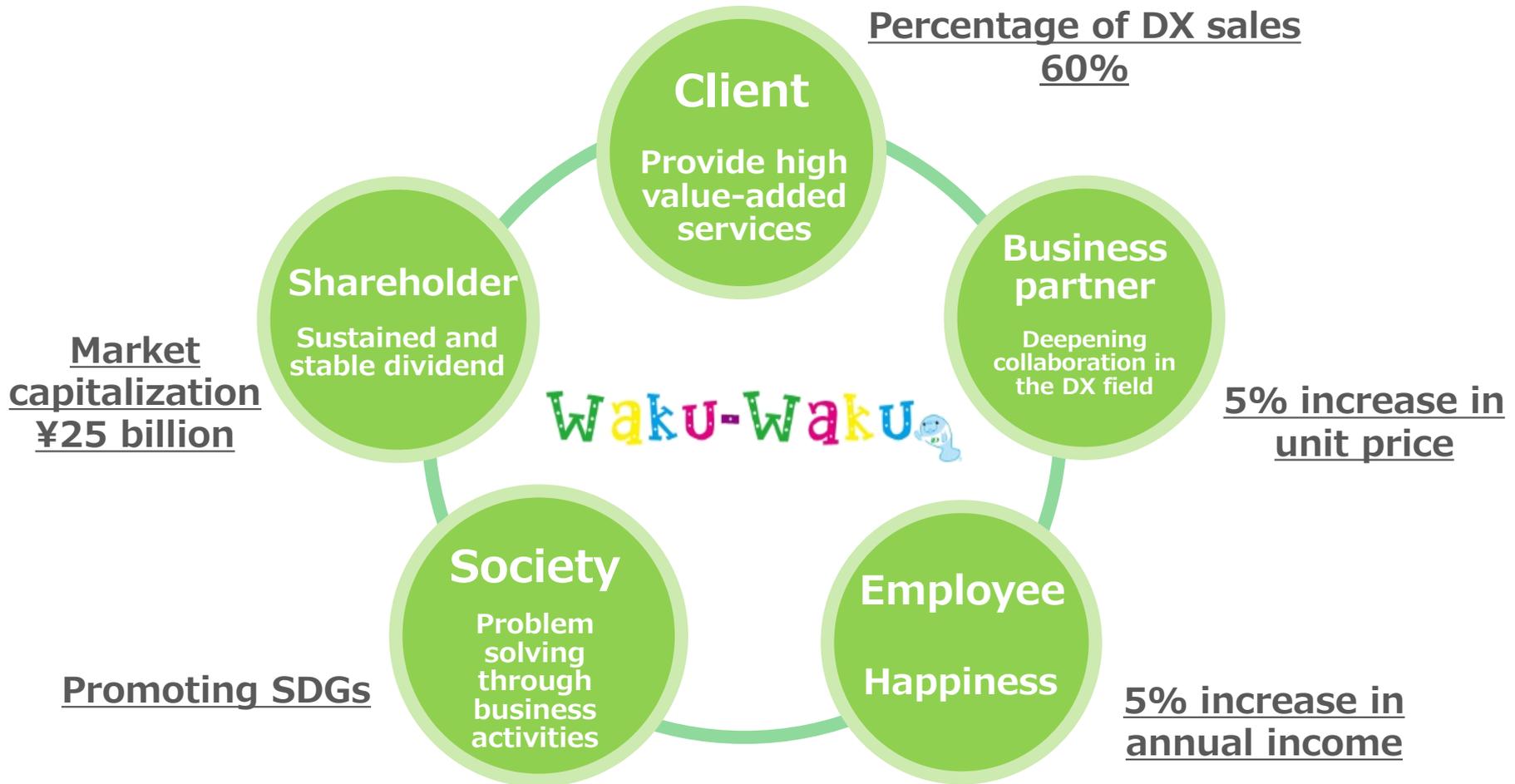


Change or Die!

The Goals of the Mid-Term Management Plan



■ Becoming an indispensable IT engineering partner that brings about an exciting **Waku-Waku** future for our 5 stakeholders. Together we will **Ride on Time!**



Change or Die!

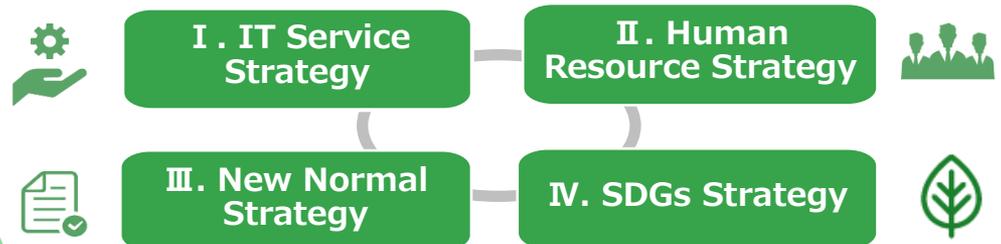
Next 50 Episode II : Ride on Time

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

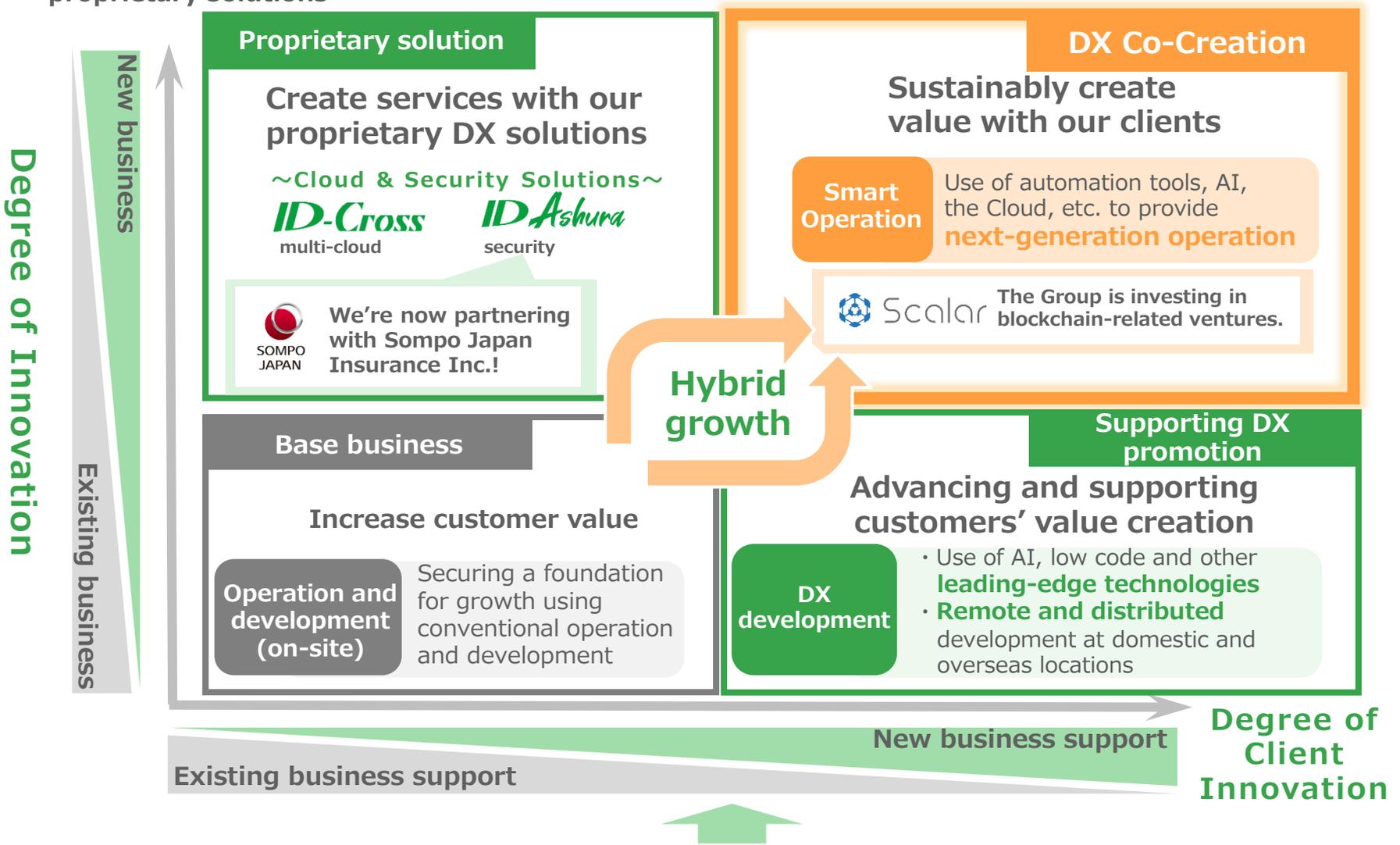
	2022.3	2025.3	2027.3
Net sales	¥27.8B	▶ ¥35.0B	▶ ¥40.0B
Operating income	¥1.86B (6.7%)	▶ ¥3.00B (8.6%)	▶ ¥3.20B (8.0%)
EBITDA	¥2.49B (9.0%)	▶ ¥3.55B (10.1%)	▶ ¥4.00B (10.0%)



- 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



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



Change or Die!

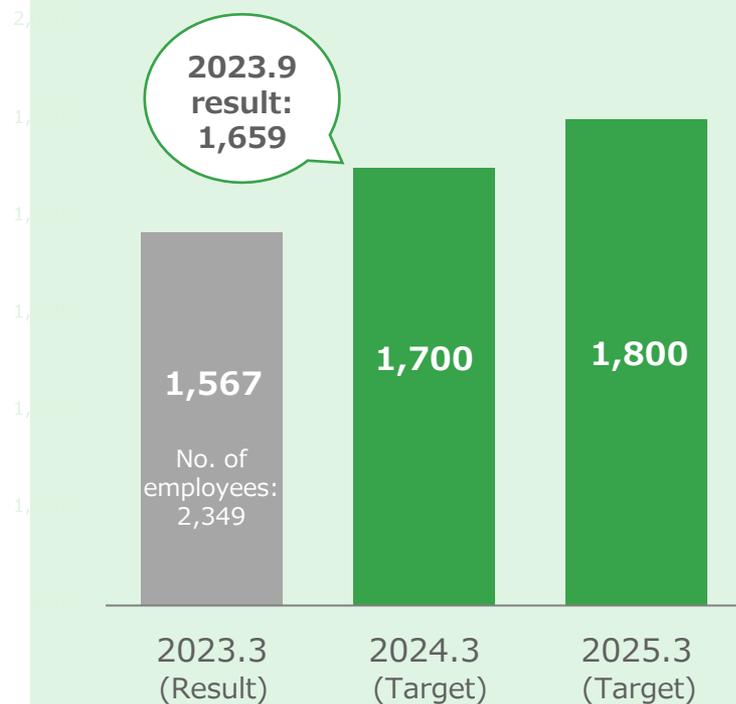
- Shared Tasks**
- ◆ Key client tasks
 - ◆ Strategic partner tasks
 - ◆ Business partner value enhancement
 - ◆ Quality control
 - ◆ Global tasks

※ Source: "2021 White paper of information service industry" p.6 "DX Business Portfolio" partially revised
 ©2024 ID Holdings Corporation. All Rights Reserved.

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

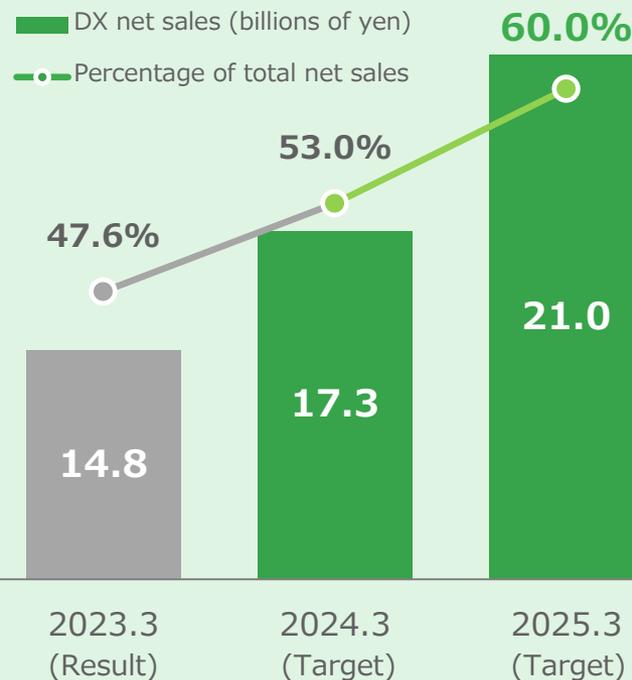
Trend in number of DX-related engineers

Development of personnel focused on cloud computing, AI and security



Trend in DX-related net sales

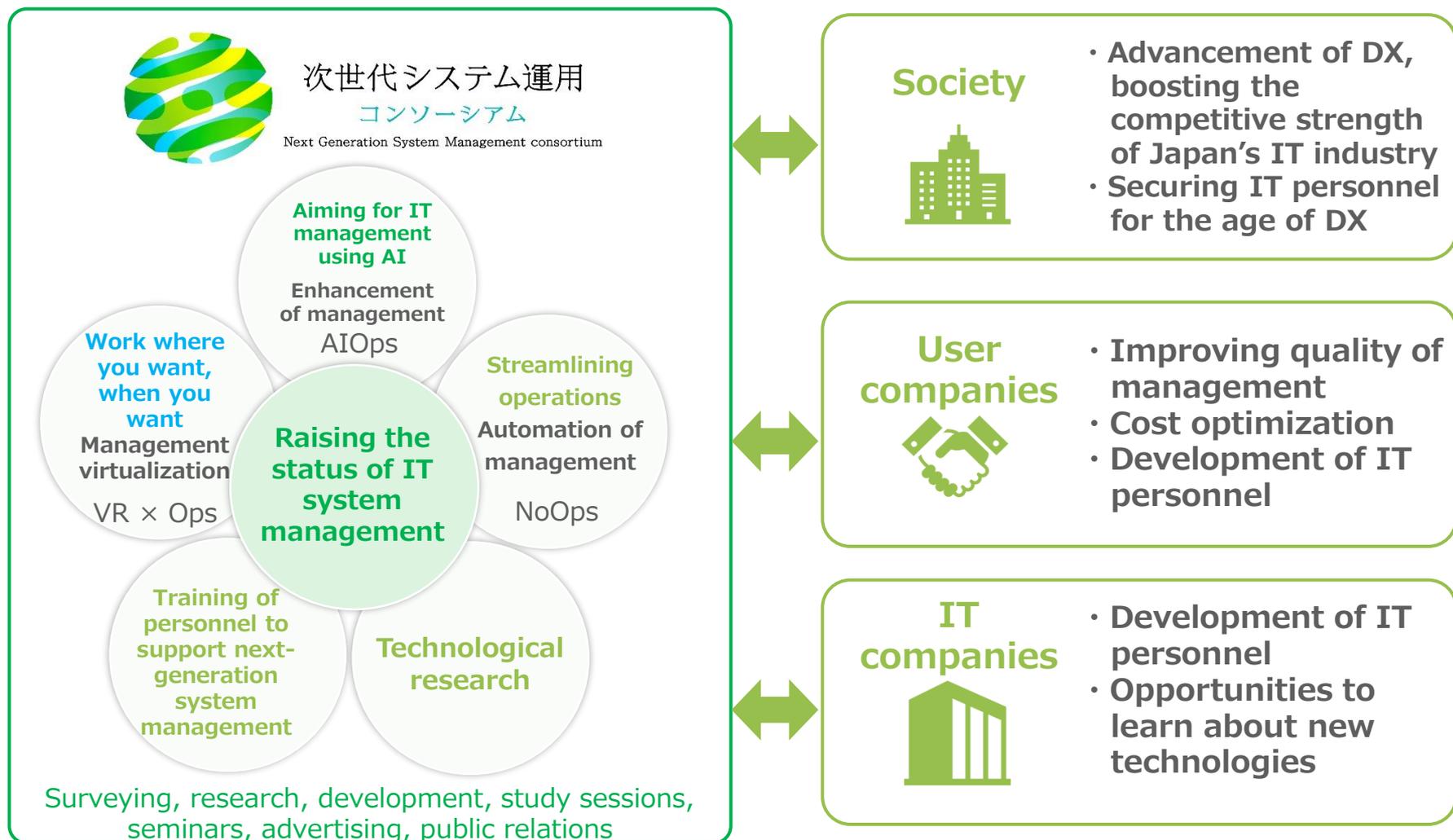
Aiming to raise DX-related net sales to **60%** of total



Note: The definition of “DX-related engineer” and the target number of DX-related engineers were revised based on the DX advancement skill standard established by METI and IPA in July 2023.

ID Holdings has joined a number of companies, including Kyndryl Japan KK, user companies and seven IT companies to form the **Next Generation System Management consortium(NGSM)**. The purpose of the consortium is to propose solutions for and raise the profile of IT system management in Japan.

Change or Die!



Strengths of the ID Group

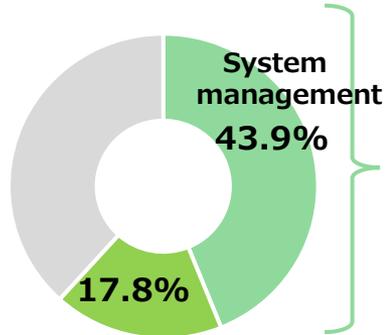
The ID Group secures sustainable earnings by making system management its **stock business**.



Future Orientation

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

FY2022 consolidated net sales

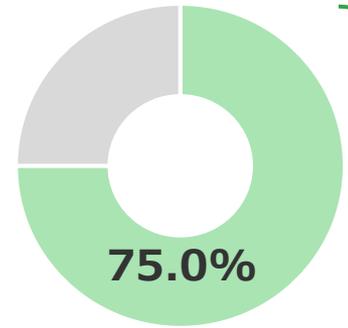


Cybersecurity, Platform, etc.

61.7%



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



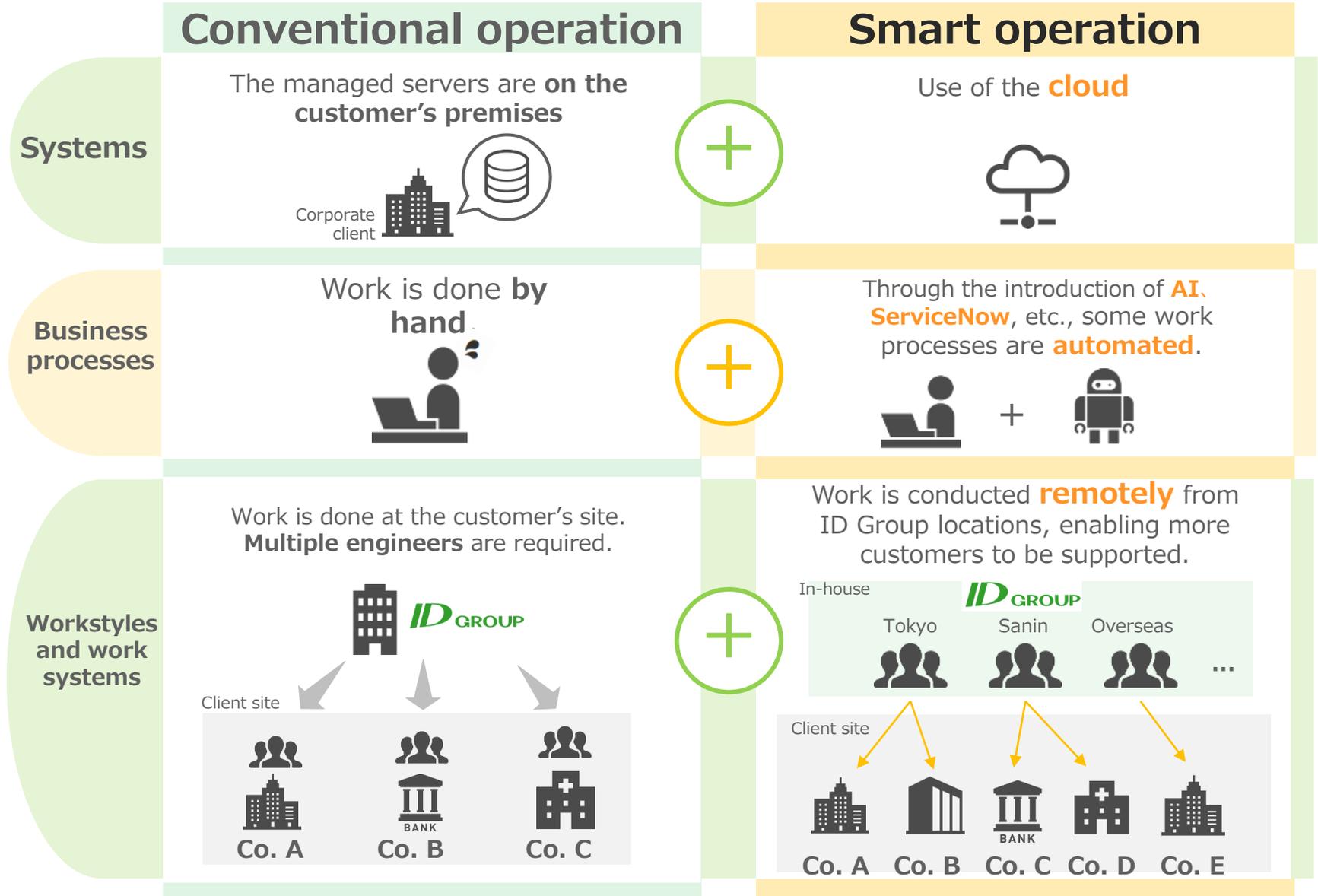
Smart operation

- ✗
- ✗
- ✗

Introduction to Smart Operation

Change or Die!

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



In January 2024, the ID Group began sales of the Virtual Operation Center (VROP), a subscription-based SaaS service.

ID-VROP

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.



Client systems are monitored on a large monitor



A wide range of communication modes are available, including voice conversation and chat

Watch a video introducing the features of VROP here.
<https://www.youtube.com/watch?v=juCYgQO1uW8>



1 Using virtual spaces for lessons in cybersecurity



Cyber Range

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 Launch of ID AI Concierge Pro



AI

ID AI Concierge is an AI chatbot dedicated to corporate needs. The chatbot supports a wide range of corporate activities, including translation, summaries of minutes and creating ideas for business plans. The Pro version can answer questions based on in-house information (company regulations, manuals, etc.), supporting further streamlining of business processes.

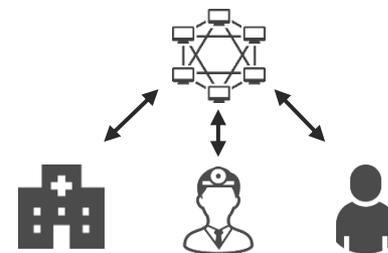


3 Acquisition of patent* using advanced technology



Blockchain

The Company has acquired a patent for a solution for shared management of diagnostic information using a blockchain. This technology delivers excellent security enabling hospitals to share diagnostic data safely, thereby contributing to improved quality of medical service. Going forward, the Company aims to use the technology for electronic medical records and other diagnostic information systems.



***Patent number:** Patent no. 7357174 **Names of invention:** Browsing procedure management system, browsing procedure management method

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



Change or Die!

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

Activities of the ID Group



Employing disabled people for plant cultivation



Support for Kodomo Shokudo



Provision of DX solution services



Achieving gender equality
Hiring and deployment of a global workforce



Investment in ARTREOSS Inc.



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



Rated S for human resource utilization



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**	1,567 people	1,700 people	1,800 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.

** The definition of “DX-related engineer” and the target number of DX-related engineers were revised based on the DX advancement skill standard established by METI and IPA in July 2023.

Forecast of Consolidated Financial Results for FY2023 (YoY)

(¥ million)	2023.3		2024.3		Diff.	YoY
	Results	(% of net sales)	Plan	(% of net sales)		
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	-	91.03	-	+6.49	-
EPS before Amortization of Goodwill(¥)	111.33	-	117.64	-	+6.31	-
Cash flows from operating activities	1,654	-	1,880	-	+226	-

Change or Die!

Disclaimer

This presentation material contains statements and information about future forecasts, including financial projections, strategies and business plans of ID Holdings Corporation.

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.

These forward-looking statements and information also incorporate potential risks and uncertainties caused by changing economic trends, the competitive environment, and other factors. The Company's actual results, business development progress, and financial situation may differ significantly from forward-looking statements and information contained herein, due to competition in the industry, market demand, exchange rates, and other socioeconomic and political factors.

This English translation is only for reference purpose. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.