

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

January 31, 2024

Company name:	ID Holdings Corporation
Listing:	Tokyo Stock Exchange, Prime Market
Securities code:	4709
URL:	https://www.idnet-hd.co.jp
Company representative:	Masaki Funakoshi, President, Representative Director and Group CEO
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Scheduled date of filing of Quarterly Securities Report:	February 6, 2024
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 the First Nine Months of FY2023 (April 1–December 31, 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	%
Q3 FY2023	24,106	4.7	2,153	16.0	2,237	15.7	1,329	18.8
Q3 FY2022	23,023	12.9	1,855	51.4	1,934	52.4	1,119	72.3

Note: Comprehensive income Q3 FY2023 ¥1,723 million (26.2%)

Q3 FY2022 ¥1,366 million (85.4%)

	Net income per share		Diluted net income per share		EBITDA		EPS before amortization of goodwill	
	¥		¥		¥ million	%	¥	%
Q3 FY2023	79.75		—		2,606	12.9	99.74	13.9
Q3 FY2022	67.50		—		2,309	36.5	87.59	52.5

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		%	
Q3 FY2023	17,458		11,373		64.8	
FY2022	17,519		10,432		59.3	

Reference: Equity

Q3 FY2023 ¥11,315 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	91.03

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2023 (full fiscal year)	3,269	7.8	117.64	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):	Q3 FY2023	18,066,453 shares	FY2022	18,066,453 shares
(ii) Amount of treasury stock:	Q3 FY2023	1,299,109 shares	FY2022	1,471,167 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q3 FY2023	16,675,709 shares	Q3 FY2022	16,590,487 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 Third 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.

Contents

1. Qualitative Information on the Third Quarter of the Fiscal Year Ending March 31, 2024.....	2 -
(1) Qualitative Information on the Consolidated Business Results	2 -
(2) Qualitative Information on the Consolidated Financial Position.....	6 -
(3) Qualitative Information on the Consolidated Results Forecast.....	6 -
2. Consolidated Financial Statements and Important Notes.....	7 -
(1) Consolidated Balance Sheet.....	7 -
(2) Consolidated Statement of Income and Comprehensive Income.....	9 -
(Consolidated Statement of Income).....	9 -
(Consolidated Cumulative Third Quarter)	9 -
(Consolidated Statement of Comprehensive Income).....	10 -
(Consolidated Cumulative Third Quarter)	10 -
(3) Notes on Consolidated Financial Statements.....	11 -
(Notes on Assumptions Regarding Going Concern).....	11 -
(Notes on Significant Changes (If Any) in Shareholders' Equity).....	11 -
(Additional Information)	11 -
(Material Subsequent Events)	11 -

1. Qualitative Information on the Third Quarter of the Fiscal Year Ending March 31, 2024

(1) Qualitative Information on the Consolidated Business Results

During the consolidated cumulative third quarter under review (Q1–3 FY2023: April 1 to December 31, 2023), a gradual recovery took shape in the Japanese economy. However, rising prices, concerns about international developments and global monetary tightening stoked fears of downside risk, 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*; IT infrastructure, and cybersecurity, consulting and training. Net sales rose 4.7% from the same period of the previous fiscal year (YoY) to ¥24.106 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 16.0% YoY to ¥2.153 billion, ordinary income improved 15.7% YoY to ¥2.237 billion, and net income attributable to owners of parent rose 18.8% YoY to ¥1.329 million. EBITDA increased 12.9% YoY to ¥2.606 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 ¥)

		Previous consolidated cumulative third quarter (April 1, 2022 to December 31, 2022)	Consolidated cumulative third quarter under review (April 1, 2023 to December 31, 2023)	Compared with same period of previous fiscal year (YoY)	
				Increase/decrease	Rate of increase/decrease (%)
System management	Net sales	10,103	10,845	742	7.3
	Gross profit	2,210	2,419	208	9.4
	Gross profit margin	21.9%	22.3%	0.4P	—
Software development	Net sales	8,545	8,629	83	1.0
	Gross profit	1,910	1,630	-280	-14.7
	Gross profit margin	22.4%	18.9%	-3.5P	—
IT infrastructure	Net sales	1,908	2,111	202	10.6
	Gross profit	477	602	125	26.3
	Gross profit margin	25.0%	28.5%	3.5P	—
Cybersecurity, consulting and training	Net sales	2,122	2,276	153	7.2
	Gross profit	450	724	274	60.9
	Gross profit margin	21.2%	31.8%	10.6P	—
Others	Net sales	343	244	-99	-28.8
	Gross profit	40	43	3	9.3
	Gross profit margin	11.7%	17.9%	6.2P	—
Total	Net sales	23,023	24,106	1,083	4.7
	Gross profit	5,088	5,420	331	6.5
	Gross profit margin	22.1%	22.5%	0.4P	—

(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 7.3% YoY to ¥10.845 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 1.0% YoY to ¥8.629 billion.

(iii) IT infrastructure

The Group enjoyed increases in orders accepted for major projects with finance-related clients, in transactions with major IT vendors, and in orders accepted from transportation- and manufacturing-related clients. Net sales increased 10.6% YoY to ¥2.111 billion.

(iv) Cybersecurity, consulting and training

Large-scale cybersecurity projects wrapped up and shifted into a maintenance phase, engendering a rebound effect. However, order acceptance expanded in consulting, while the Group secured new projects in cybersecurity. Net sales rose 7.2% YoY to ¥2.276 billion.

(v) Others

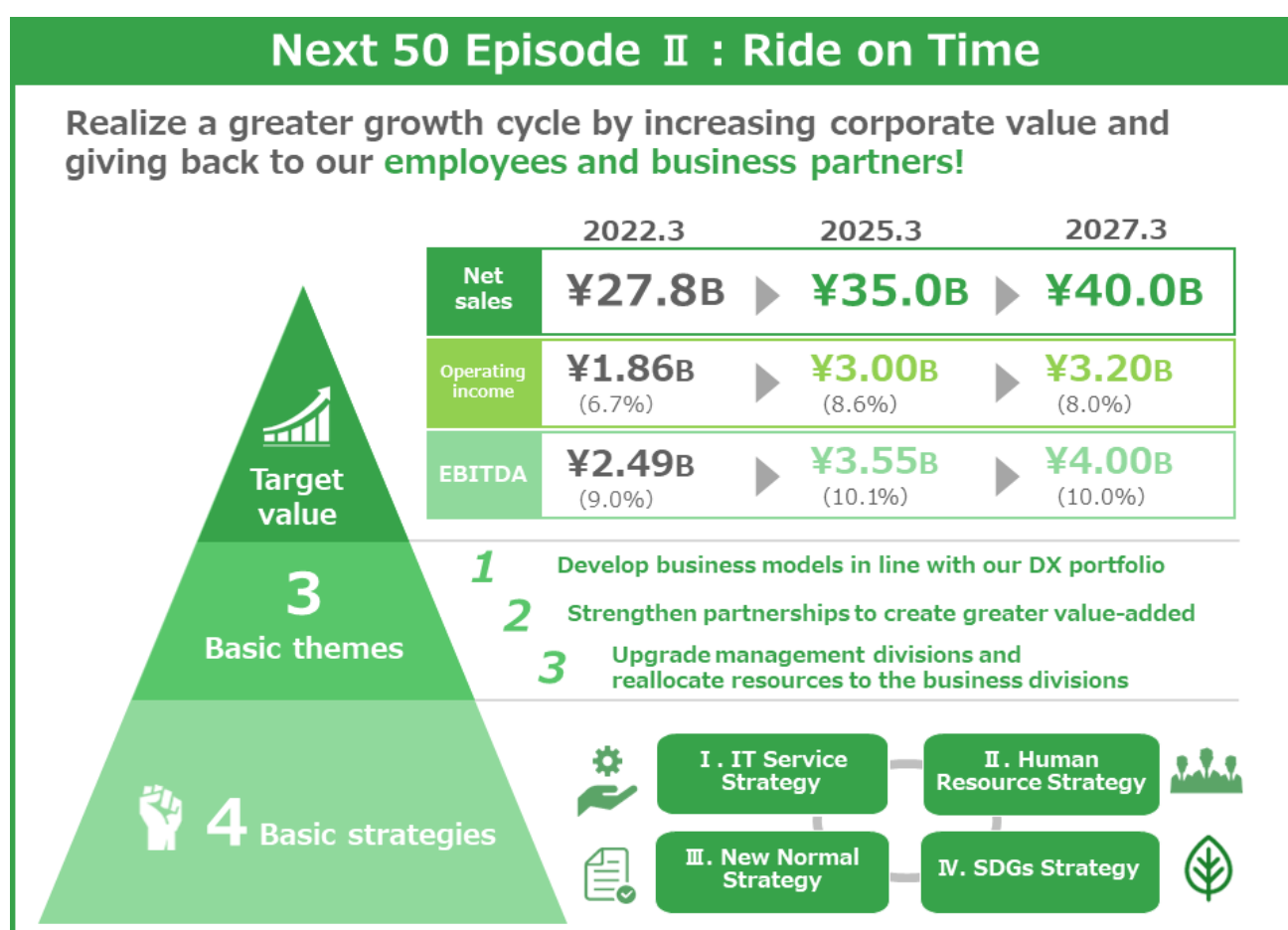
Despite expansion in orders accepted for product sales, changes in service category for some projects engendered a decline in net sales of 28.8% YoY to ¥244 million.

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. The Group moved 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 also developed ID AI Concierge, a dialogue-based AI chat service that uses the ChatGPT API and is dedicated to corporate users. The Group moved forward with in-house use of ID AI Concierge and launched sales of a Lite version in August 2023. At the same time, the Group redoubled research aimed at launching a Pro version in January 2024, which will be secure and will give answers based on regulations and other in-house data. In addition, the Group released a pilot version of a virtual operations center (VROP) long in the works. Development of this project continued, with a view to starting service in 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 working hard to develop personnel who can serve in technical fields where needs are greatest. To improve employees' AI literacy Group-wide, the Group is providing in-house training led by fellows and providing online training plans to some 300 employees. Also, 100 young employees are receiving hands-on training to become certified cybersecurity technicians (CCTs).

(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. In addition to activities to achieve sustainable transformation of business, the Group plans to shift further back-office functions to Sanin Business Process Outsourcing Center, thereby further streamlining the operations of 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. 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. The Group also carried out activities to contribute to communities and support culture and fine arts. Continuing from the previous fiscal year, the Group conducted ID Group Blood Donation Day, sponsored classical concerts and participated in volunteer beach cleaning activities. In November the Group's efforts on diversity, respect for human rights and management of human capital earned high praise, receiving three and a half stars in the Nikkei surveys of smart-work management as well as in SDGs management.

(2) Qualitative Information on the Consolidated Financial Position

(Assets)

Assets at the end of consolidated Q3 FY2023 decreased by ¥61 million from the end of the previous fiscal year, to ¥17.458 billion. Contract assets increased by ¥835 million, investment securities rose by ¥439 million and accounts receivable–other increased by ¥225 million. However, accounts receivable–trade declined by ¥778 million, cash and deposits decreased by ¥515 million and amortization of goodwill reduced assets by ¥333 million.

(Liabilities)

Liabilities at the end of consolidated Q3 FY2023 decreased by ¥1.002 billion from the end of the previous fiscal year, to ¥6.084 billion. Interest-bearing debt declined by ¥926 million.

(Net Assets)

Net assets at the end of consolidated Q3 FY2023 increased by ¥941 million from the end of the previous fiscal year, to ¥11.373 billion. Although payment of year-end and interim dividends reduced net assets by ¥852 million, net income attributable to owners of parent increased to ¥1.329 billion and valuation difference on available-for-sale securities rose by ¥301 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 third quarter under review As of December 31, 2023
Assets		
Current assets		
Cash and deposits	5,069,433	4,554,028
Notes receivable–trade	2,200	—
Accounts receivable–trade	5,903,800	5,125,621
Contract assets	293,657	1,128,752
Work in process	858	19,862
Accounts receivable–other	153,382	378,695
Other	265,957	442,778
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	11,649,222	11,609,670
Non-current assets		
Property, plant and equipment	1,327,189	1,326,392
Intangible assets		
Goodwill	1,304,134	970,782
Software	152,791	127,031
Other	764	754
Total intangible assets	1,457,690	1,098,568
Investments and other assets		
Investment securities	1,865,067	2,304,519
Deferred tax assets	553,277	319,518
Guarantee deposits	285,952	323,239
Other	388,449	483,921
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	3,085,248	3,423,700
Total non-current assets	5,870,127	5,848,660
Total assets	17,519,349	17,458,331

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2023	Consolidated third quarter under review As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	1,147,457	1,387,214
Contract liabilities	62,077	106,105
Short-term loans payable	1,400,000	800,000
Current portion of long-term loans payable	375,100	200,000
Income taxes payable	580,112	318,673
Provision for bonuses	1,134,387	541,648
Provision for directors' bonuses	31,600	17,624
Provision for product warranties	10,095	—
Other	1,216,611	1,658,724
Total current liabilities	5,957,442	5,029,990
Non-current liabilities		
Long-term loans payable	350,000	200,000
Deferred tax liabilities	286,834	435,378
Provision for directors' retirement benefits	29,331	34,776
Net retirement benefit liability	174,944	28,813
Other	288,600	355,772
Total non-current liabilities	1,129,710	1,054,740
Total liabilities	7,087,153	6,084,731
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	754,132	754,132
Retained earnings	8,819,108	9,296,674
Treasury stock	–836,345	–764,079
Total shareholders' equity	9,329,240	9,879,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	755,600	1,057,150
Deferred gains or losses on hedges	—	11,062
Foreign currency translation adjustment	297,086	364,868
Remeasurements of retirement benefit plans	711	3,425
Total accumulated other comprehensive income	1,053,398	1,436,507
Non-controlling interests	49,557	58,020
Total net assets	10,432,196	11,373,599
Total liabilities and net assets	17,519,349	17,458,331

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income)
(Consolidated Cumulative Third Quarter)

(Thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2022 to December 31, 2022)	Consolidated cumulative third quarter under review (April 1, 2023 to December 31, 2023)
Net sales	23,023,583	24,106,583
Cost of sales	17,934,642	18,686,249
Gross profit	5,088,940	5,420,334
Selling, general, and administrative expenses	3,232,965	3,266,676
Operating income	1,855,974	2,153,658
Non-operating income		
Interest income	1,604	7,008
Dividend income	33,455	26,353
Subsidy income	17,843	8,742
Foreign exchange gains	1,552	25,632
Other	36,714	24,738
Total non-operating income	91,170	92,476
Non-operating expenses		
Interest expenses	11,450	6,308
Commitment line fees	308	—
Other	1,090	2,750
Total non-operating expenses	12,850	9,058
Ordinary income	1,934,295	2,237,076
Extraordinary income		
Gain on sales of non-current assets	—	632
Gain on sales of investment securities	—	50,300
Total extraordinary income	—	50,933
Extraordinary losses		
Loss on retirement of non-current assets	13,684	1,481
Total extraordinary losses	13,684	1,481
Net income before income taxes	1,920,610	2,286,528
Income taxes—current	553,675	700,277
Income taxes—deferred	238,750	245,825
Total income taxes	792,425	946,102
Net income	1,128,184	1,340,425
Net income attributable to non-controlling interests	8,369	10,511
Net income attributable to owners of parent	1,119,815	1,329,914

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

(Thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2022 to December 31, 2022)	Consolidated cumulative third quarter under review (April 1, 2023 to December 31, 2023)
Net income	1,128,184	1,340,425
Other comprehensive income		
Valuation difference on available-for-sale securities	177,159	301,550
Deferred gains or losses on hedges	—	11,062
Foreign currency translation adjustment	58,624	67,782
Remeasurements of retirement benefit plans	2,035	2,714
Total other comprehensive income	237,818	383,109
Comprehensive income	1,366,003	1,723,534
(Breakdown)		
Comprehensive income attributable to owners of parent	1,357,634	1,713,023
Comprehensive income attributable to non-controlling interests	8,369	10,511

(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. 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 third 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 ¥134,283,000 at the end of the consolidated third quarter under review. The number of shares was 452,217 at the end of the previous consolidated fiscal period and was 278,721 at the end of the consolidated third quarter under review.

(Material Subsequent Events)

None.