

June 21, 2019

To: All Concerned Stakeholders

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## Notice of Establishment of Mid-term Management (Fiscal year ending March 31, 2020 to Fiscal year ending March 31, 2022)

The ID Group has established its Mid-term Management Plan, **Next 50 Episode I: Awakening!**, covering the three years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022. Details are as follows.

### 1. Propose of Mid-to-long-term Management Strategy

The business environment in information services has undergone tremendous changes in recent years. Through digital technologies such as RPA and AI, digital transformation (DX) has advanced rapidly, revolutionizing existing businesses. Business models are shifting from system ownership to system use. Meanwhile, the burgeoning growth of IoT and increasing sophistication of cyber-attacks is fostering rapid diversification of customers' IT needs, dramatically rearranging the management environment.

For the ID Group, these market changes represent a growth opportunity. To position itself for further business expansion, the Group has established its latest Mid-term Management Plan, **Next 50 Episode I: Awakening!**, covering the period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022.

In October 2019 the Group celebrates the 50th anniversary of its foundation. Positioning this new Mid-term Management Plan as a springboard for another 50 years of rapid progress, the ID Group will execute its strategy for further growth and boost enterprise value.

### 2. Overview of Mid-to-long-term Management Strategy

- (1) Name **Next 50 Episode I: Awakening!**
- (2) Plan Period April 1, 2019 to March 31, 2022
- (3) Basic Policies
  - 1) Development of a future-oriented corporate culture
  - 2) Deployment of an upgraded business model based on DX
  - 3) Promoting ESG

(4) < Key numerical targets for FY2021 (consolidated) >

Net sales	¥30 billion
Operating income	¥1.850 billion
Operating income margin	6.2%

For further information, please check the document attached.



From April 2019 to March 2022

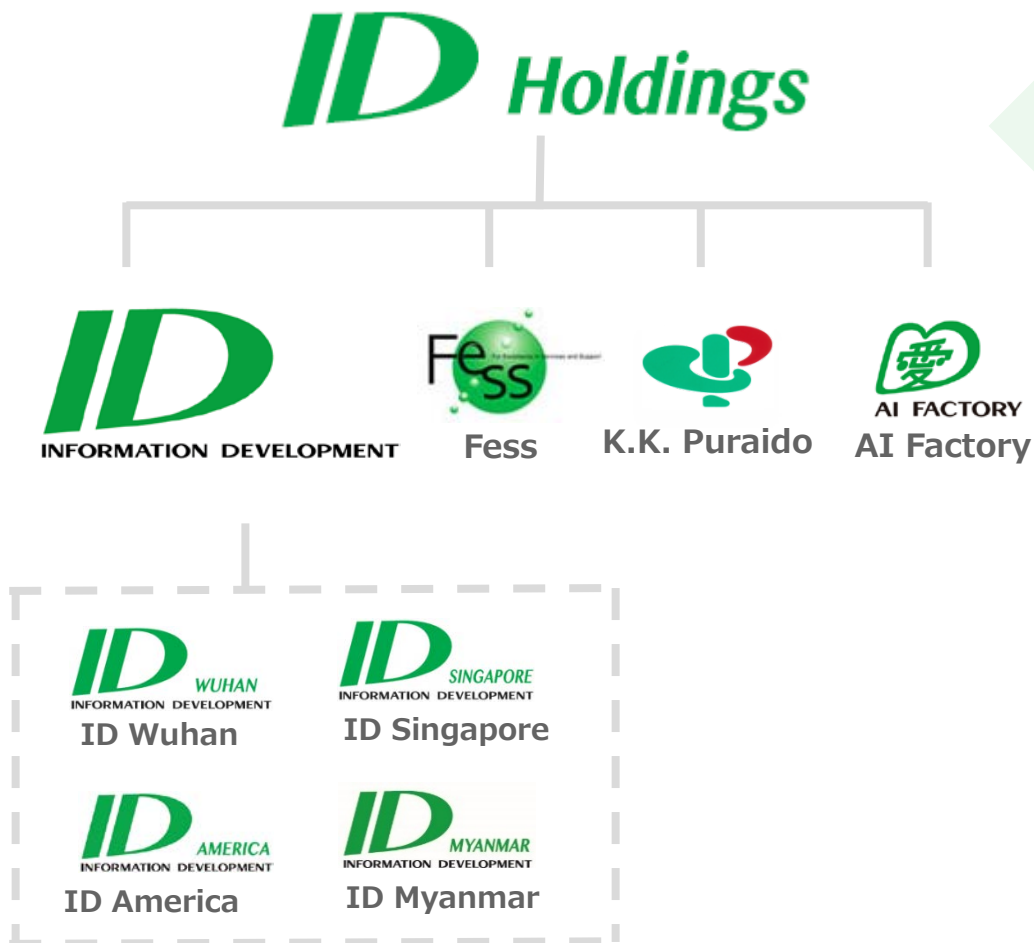
# Mid-term Management Plan

Next 50 Episode I : *Awakening !*



1<sup>st</sup> Section, Tokyo Stock Exchange  
Securities code: 4709

To achieve further sustainable growth and maximize Group-wide corporate value, the ID Group is building a new management structure that separates **Group Management** from **Business Execution**.



### 1. Group growth strategy

With a view to overall optimization, the Group will optimize management resources and invest in growth markets, including through acquisitions.

### 2. Speedy decision-making

Formulating an operating strategy and executive authority are delegated to operating companies, enabling faster, more customer-focused decision-making.

### 3. Training the next generation managers

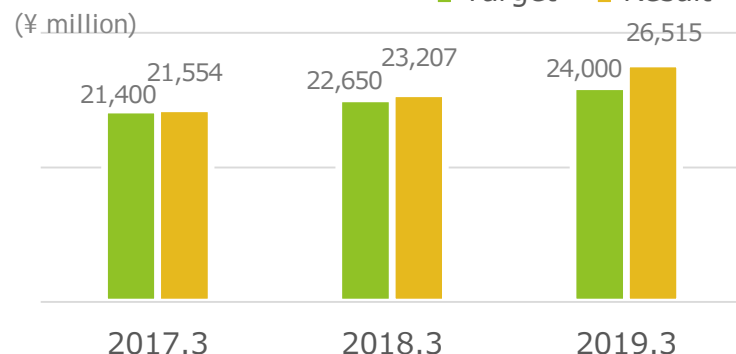
The next generation managers can be developed by delegating authority to the operating company.

This plan promoted work style reforms and promotion of three basic policies (business process reengineering (BPR), building new growth areas and strengthening consolidated management), with targets of net sales of ¥24 billion and operating income margin of 7%.

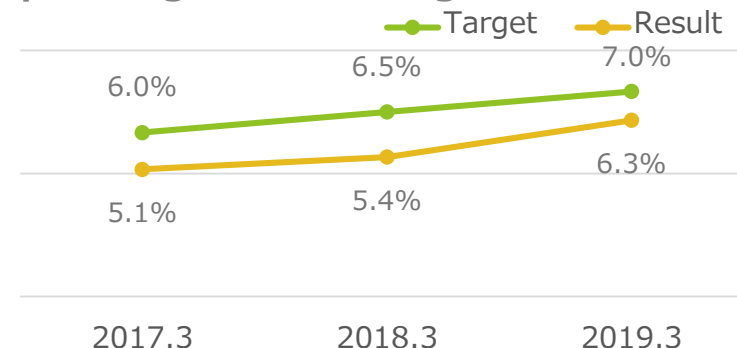
The Company achieved continuous growth for 7 fiscal years in net sales, for 6 fiscal years in operating income and 3 fiscal years in ordinary income, including net income all reaching record levels.

(¥ million)	Plan for FY2018 (Prepared in Apr. 2016)	FY2018	Diff.	Plan for FY2018 (Revised Oct. 2018)
Net sales	24,000	26,515	+2,515	26,600
Operating income	1,680	1,667	-13	1,640
Operating income margin	7.0%	6.3%	-0.7pp	6.2%

## Net sales



## Operating income margin

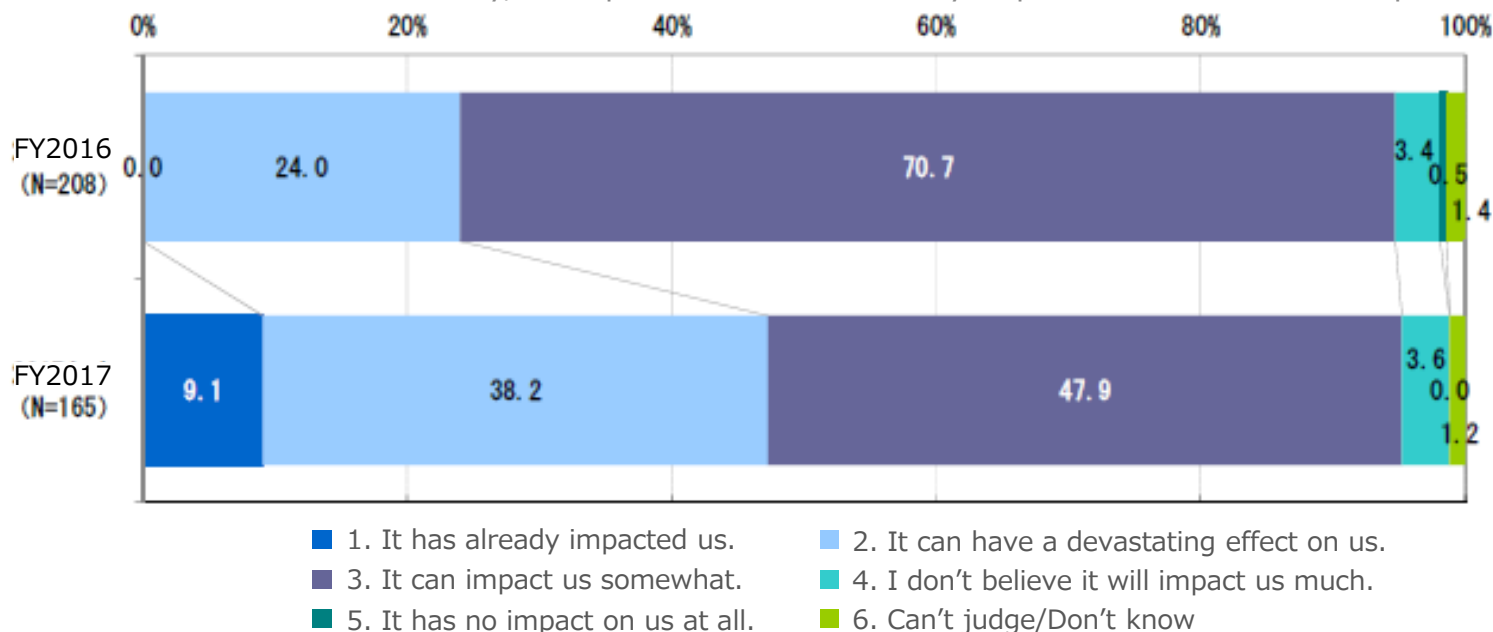


The target for net sales was achieved, primarily as a result of a favorable trend in orders received for projects to integrate systems of financial institutions and projects of system development of energy companies, as well as the conversion of Fess Co., Ltd. into a wholly owned subsidiary.

Improvement of operating income margin was improved, primarily because of work style reform and achievement of BPR. However, the final target was not achieved.

- Most companies have already recognized the possibility that the advance of digitalization can impact their businesses.
- The number of respondents selecting “It has already impacted us” increased to 9%; those selecting “It can have a devastating effect on us,” to 38%, indicating a pressing need for innovation in existing businesses.

**Question 6:** To what degree do you believe the advance of digitalization impacts your company’s market position and continuity? (Select only one from options)  
 Note: In FY2016 survey, the option “1. It has already impacted us” was not an option.

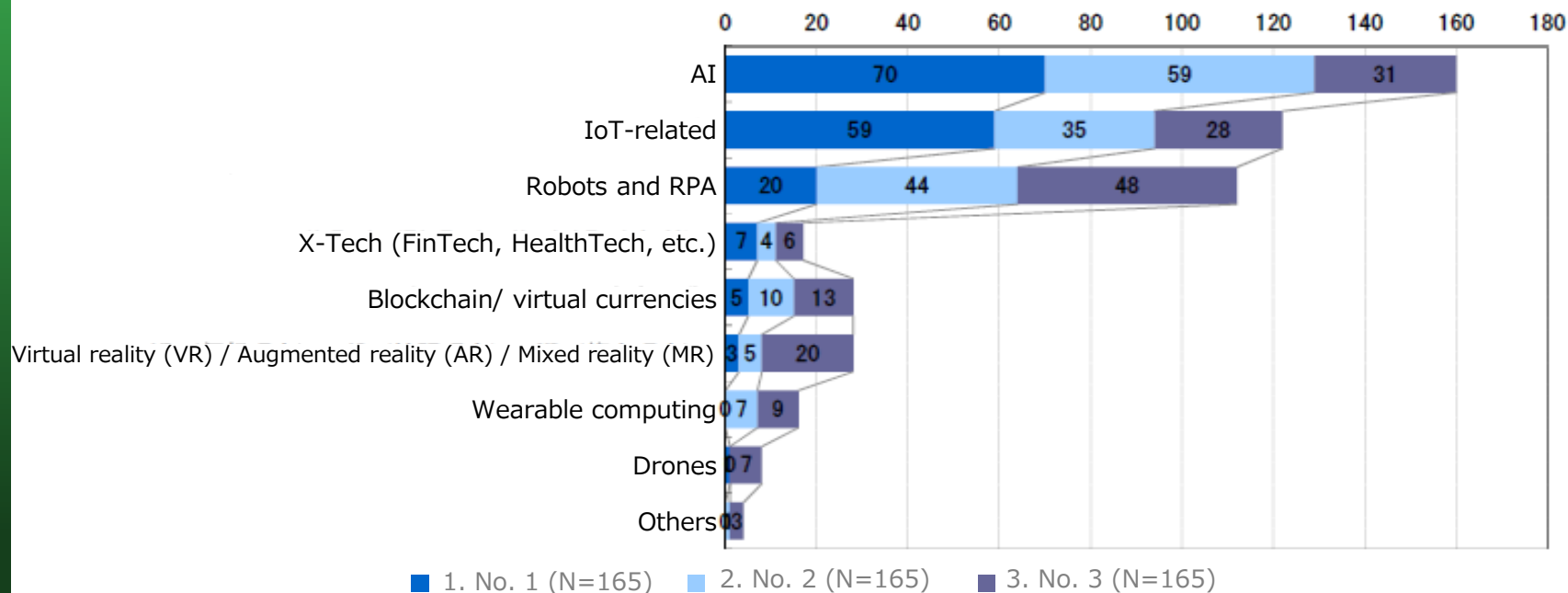


Excerpted from Survey on Digitalization Measures, Japan Users Association of Information Systems (JUAS)

Of the new technologies companies are considering as a response to digital business, by far the most frequently mentioned are 1) AI<sup>1</sup>, 2) IoT<sup>2</sup> and 3) RPA<sup>3</sup>. Companies are under pressure to grapple with these technology fields and reform their businesses.

**Question 19:** Which new technology fields are you looking at to respond to digital business and digitalization?

Please select three fields in order of importance, from first to third. (N=165)



Excerpted from Survey on Digitalization Measures, Japan Users Association of Information Systems (JUAS)

1 AI= Artificial Intelligence: Software systems modeled to use computers to emulate human intellectual capabilities, such as memory, reasoning, judgment and learning

2 IoT = Internet of Things: Generic term for new services and business models made possible by connecting a wide range of objects over the internet, as well as the elementary technologies that make them possible

3 RPA = Robotic Process Automation: Automation and streamlining of standard clerical processes using robotic technologies with software incorporating AI.

- The advance of digitalization has a significant impact on the system operation management business, which is the ID Group's main business.
- The current status and issues in the environment surrounding this business can be summarized in the following three themes.\*

## Current Status of Business Environment

## Issues

### Advance of Digital Technologies (RPA etc.)

- Business-model innovation is advancing in a wide range of organizations, using digital technologies such as RPA and AI.

### Drafting strategies for using RPA, AI, etc.

- ⇒ The time has come for the ID Group to evaluate the possibilities of various technologies and reframe its business strategy.

### Response to Changing Customer Needs

- The ID Group's main customers are also moving forward with structural and business-process innovation. These companies' needs in terms of IT system configuration and operation are changing dramatically (cf. cloud-first policy, business process automation, etc.).

### Grasping customer needs and reassessing the Group's business

- ⇒ The ID Group is required to understand its main customers' needs in terms of the system operation business and examine policies for responding to them on time.

### Training of Personnel in View of Future Business Development

- The competition to recruit people with skill sets in RPA, AI, etc. is intense, not only in Japan but worldwide.
- The Group's customers are also beginning to train the personnel who can drive development in the digital field.

### Drafting personnel training plans to respond to new technologies

- ⇒ The ID Group needs to define a personnel model that takes into account directions in technological innovation and draft personnel training plans on that basis.



From April 2019 to March 2022

## Next 50 Episode 1: *Awakening !*

Episode 1 of the REVOLUTION toward a NEW 50 YEARS  
~Toward creating a exciting (Waku-Waku🐳) future~

We are not a giant,  
but EARNEST and DILIGENT company



## 1 Development of a Future-oriented Corporate Culture

- Human resource management (HRM)
- Continuous promotion of diversity and inclusion

## 2

### Deployment of an Upgraded Business Model Based on Digital Transformation (DX)

- Promotion of DX and deep cultivation of existing fields which will not be automated

## 3 Promotion of ESG\*

- Contributing to society through the provision of IT
- Promoting the development and deployment of diverse personnel
- Strengthening corporate governance
- Philanthropy

\* ESG = Environmental, social and governance. Refers to the view that an appropriate response in each of these fields is a driver of long-term corporate growth and plays a valuable role in the formation of a sustainable society.

## Continuous promotion of diversity and inclusion

- Including work style reforms



## Promotion of DX and deep cultivation of existing fields which will not be automated



HRM

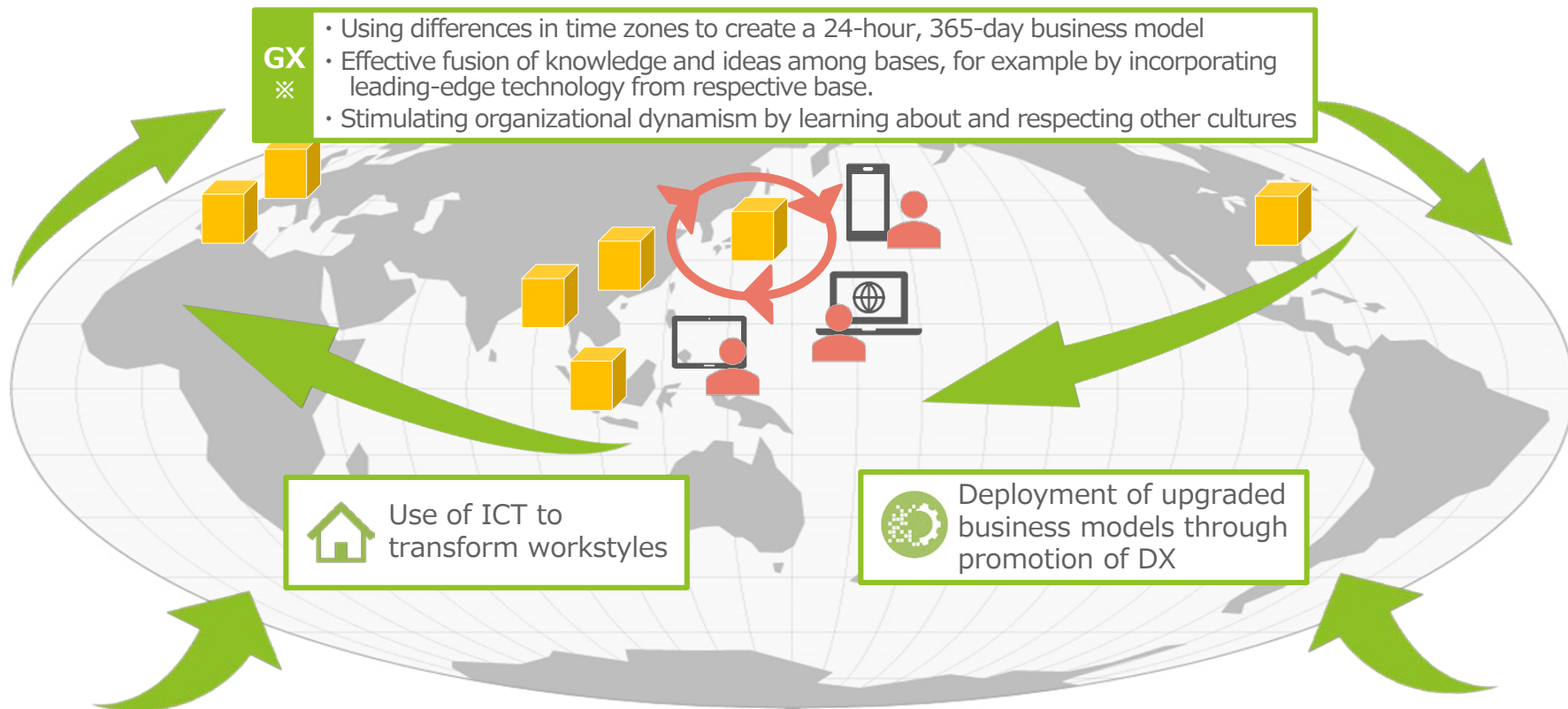


## Development of HR

- Leadership
- Communication skills
- Troubleshooting skills

## Promoting Diversity & Inclusion - Stage 2

The ID Group will create innovation by fusing diverse value and further strengthen connections with overseas bases.



### Securing diverse personnel

- Adoption and long-term employment of a diverse, global workforce
- Expansion of career models for women to achieve a 1:1 male-to-female ratio by 2029
- Raising the percentage of non-Japanese employees to 40% through connections with overseas bases

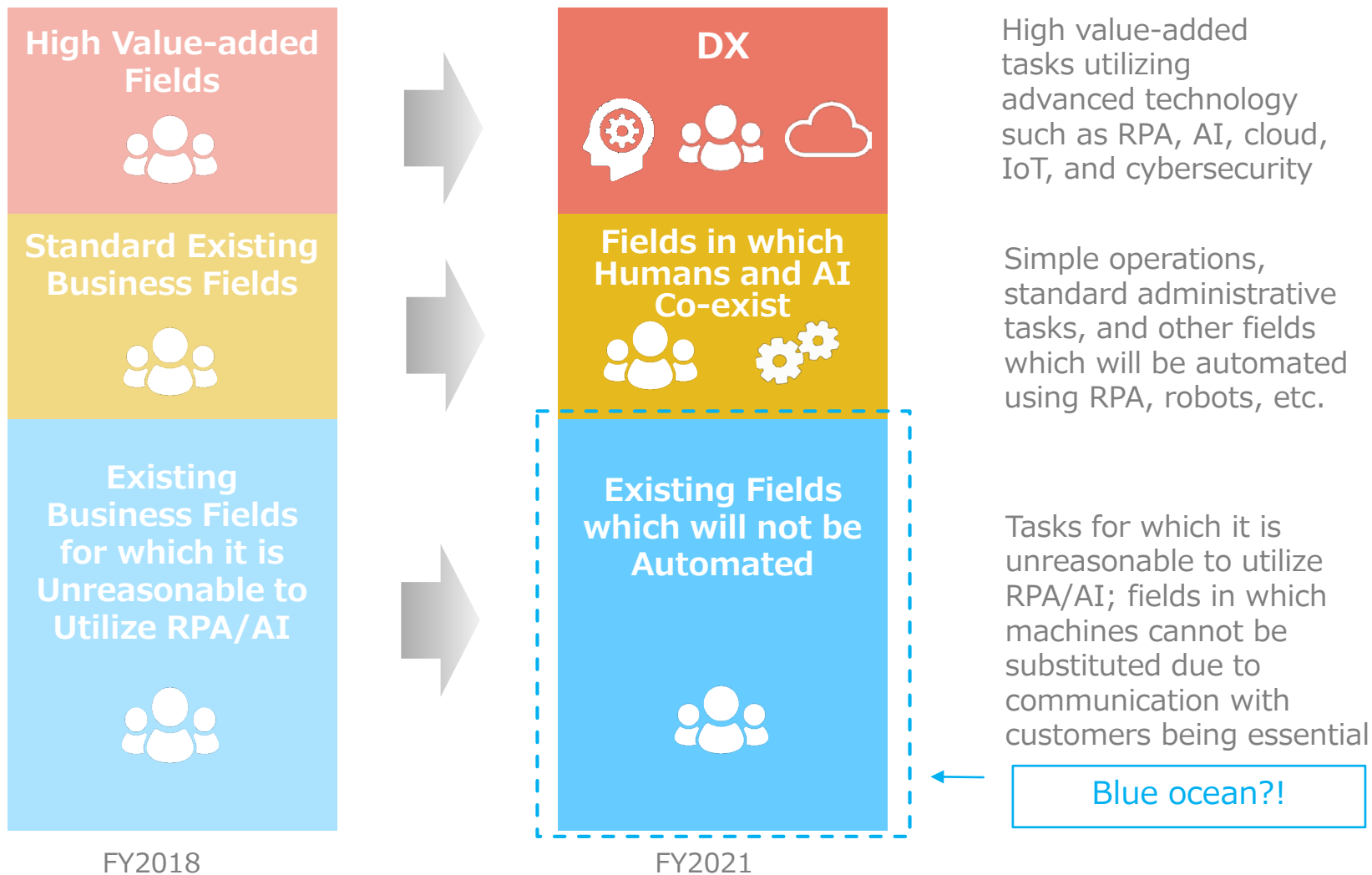
### Awakening:

#### Training and support to awaken employees

- Career consulting for executives
- Training of a cohort of new
- Training on the integration of ideas
- Open innovation

\* GX = Global Transformation: The transformation in business models and operations that occurs when companies put their global bases to effective use, in consideration of changes among customers, the emergence of new technologies and the advance of globalization

Through the rapid advancement of new technology, our company's existing business will be divided into the following three categories in the future. The ID Group will work on **digital transformation (DX)** and **deep cultivation of existing fields which will not be automated.**

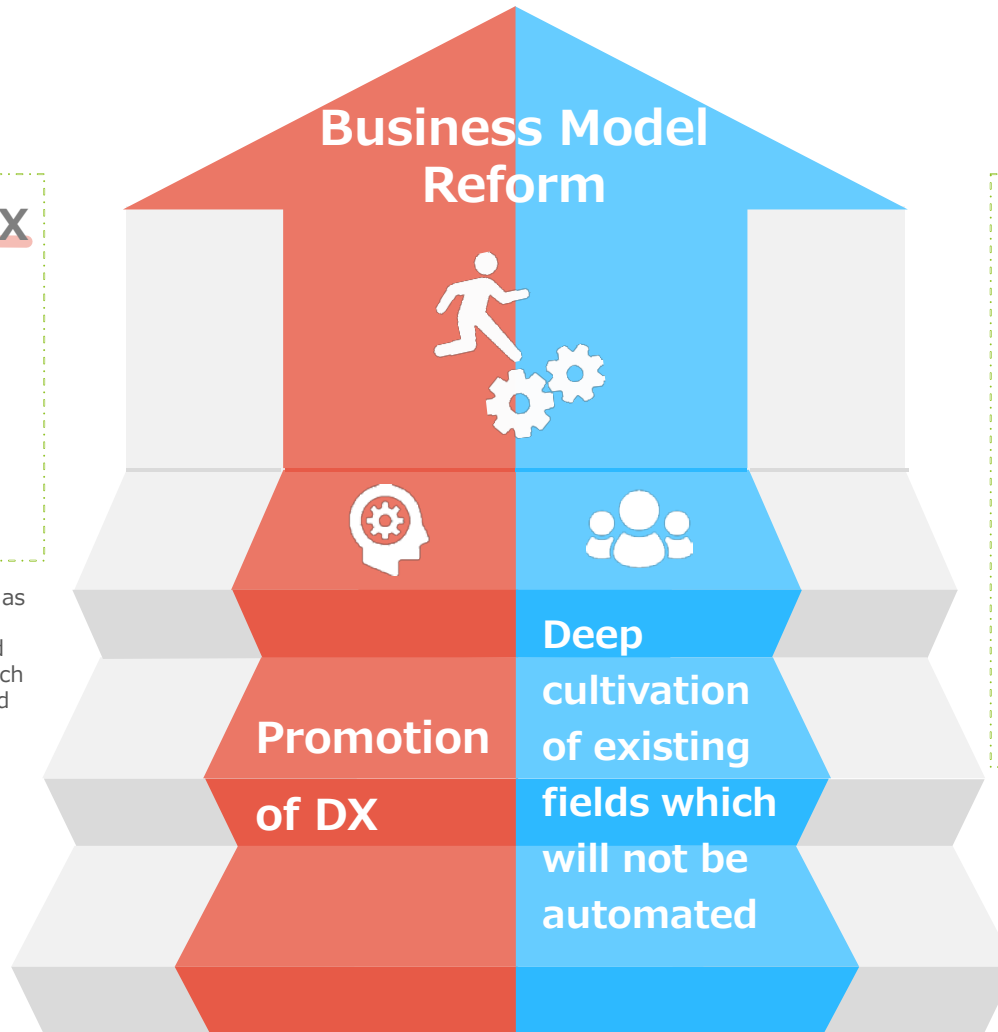


- Concurrently promote **digital transformation (DX)** in existing fields which will not be automated and seek coexistence between **AI** and **Humans**.

### Promotion of DX

Seek to provide even higher value-added services by combining advanced technology\* with existing service solutions.

\*Advanced technology fields such as RPI, AI, cloud, IoT, and cybersecurity, as well as advanced information management fields such as Agile, project management, and IT service management (ITSM).

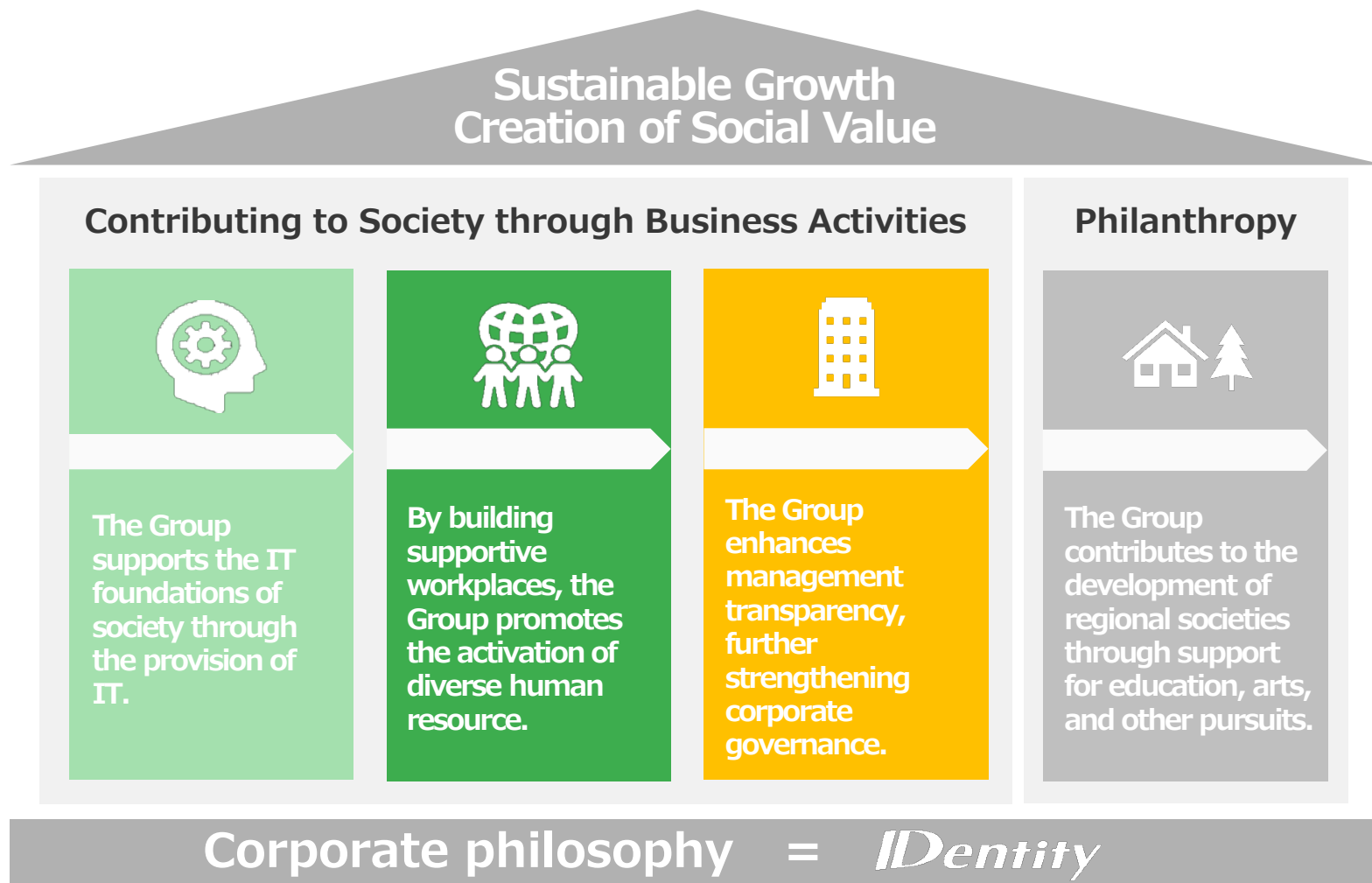


### Deep cultivation of existing fields which will not be automated

Seek new business opportunities by engaging in deep cultivation of creative services which can only be done by human beings and services for which automation is unreasonable.

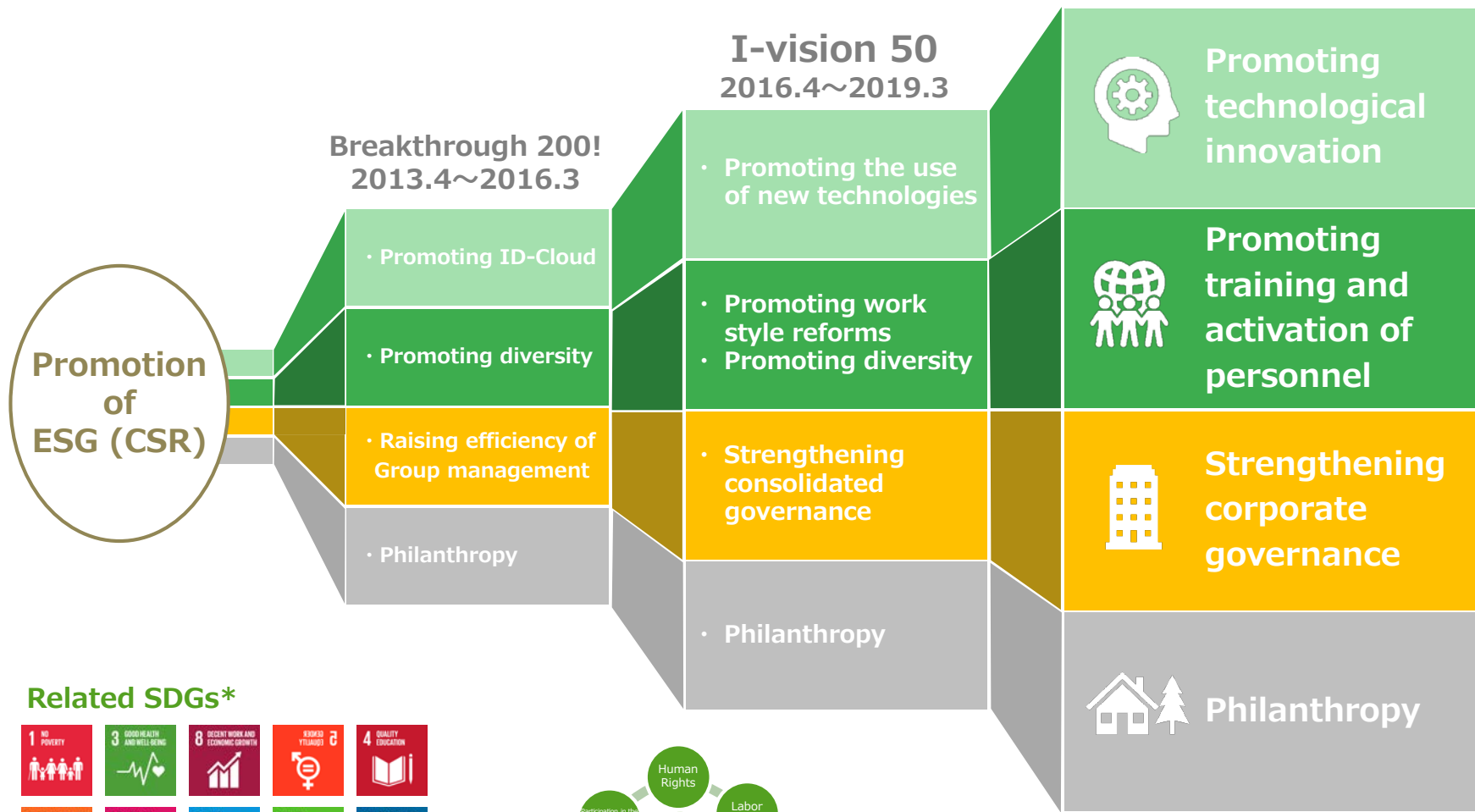
## Basic policy

To create an exciting future ( **Waku-Waku** ), the ID Group aims to solve social issues through the provision of information services, while growing sustainably and creating social value.



## Steps to promotion of ESG (CSR)

Next 50 Episode I: *Awakening!*  
2019.4~2022.3



### Related SDGs\*



\* Sustainable Development Goals, defined by the United Nations



### Measures toward ISO26000\*

\* ISO26000 is an international standard published in 2010. It provides guidelines for organizations in dealing with social responsibilities.



## ⊕ Positive Facts

- Robust demand among corporate clients for the advancement of DX
- Realization of high net sales through the shift of the skill sets of Group engineers toward DX
- Increasing investment by customers in IT consulting and cybersecurity

## ⊖ Negative Facts

- Completion of system integration at some major financial institutions
- Completion of major software development projects for energy companies
- Period of transition to DX services



- Shift from conventional services to services using digital technologies.
- New three-year Mid-term Management Plan: Focus on investment in training of DX engineers to build a growth platform for the next 50 years.

	Result	Target	
(¥ millions)	FY2018	FY2019	FY2021
Net sales	26,515	<b>26,800</b>	<b>30,000</b>
Operating income	1,667	<b>1,670</b>	<b>1,850</b>
Operating income margin	6.3%	<b>6.2%</b>	<b>6.2%</b>
(Reference) Total investment in DX* and HRM*	—	<b>(150)</b>	<b>(120)</b>

\* DX Investment is an educational investment aimed at learning digital technology and adds to traditional training costs.

\* HRM Investment refers to the investment in human resource management systems.

The ID Group will actively invest in **constructing new business models** leveraging DX.

### Investment in Education

AI engineers, advanced cybersecurity engineers, ITIL engineers, RPA engineers, etc.

### Investment in systems

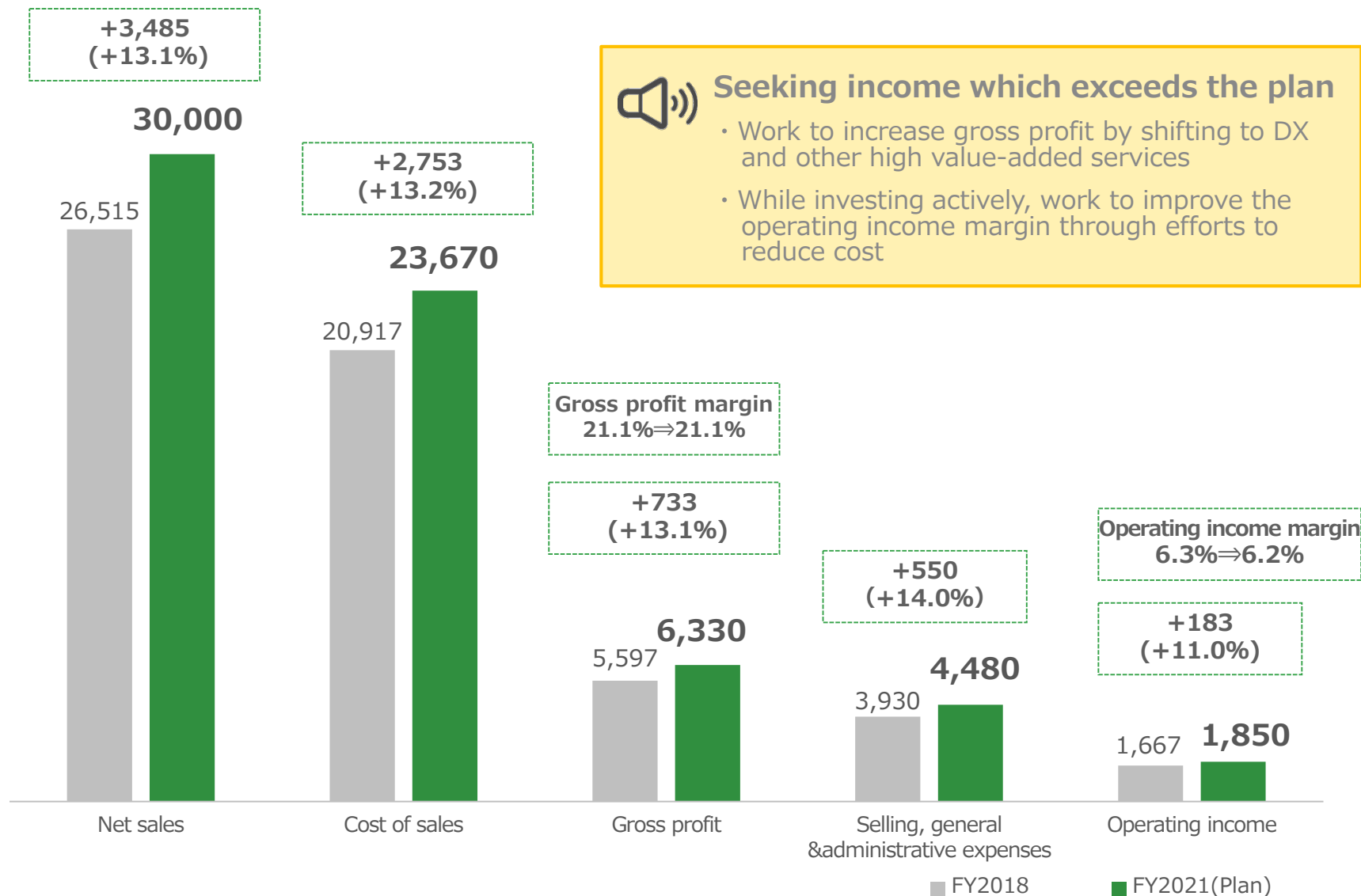
Construction and introduction of human resource management systems, etc.

### Investment in funds

- Collection of information on advanced IT technologies and application of the same to the ID Group business.
- Pursuit business or capital alliance with venture companies holding advanced technologies.

# Comparison of Profits in FY2018 and FY2021 (Planned)

(¥ million)



## Disclaimer

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

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