



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

President, Representative Director
and Group CEO
Masaki Funakoshi

TSE Prime Market
Code

4709



* Our website can be
accessed from the
QR Code.



November 21, 2023

1

Performance Overview for Q2

2

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

Net Sales

¥15,938 million (+7.2% YoY)



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

Operating Income

¥1,421 million (+23.0% YoY)



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

Financial Results (Consolidated)

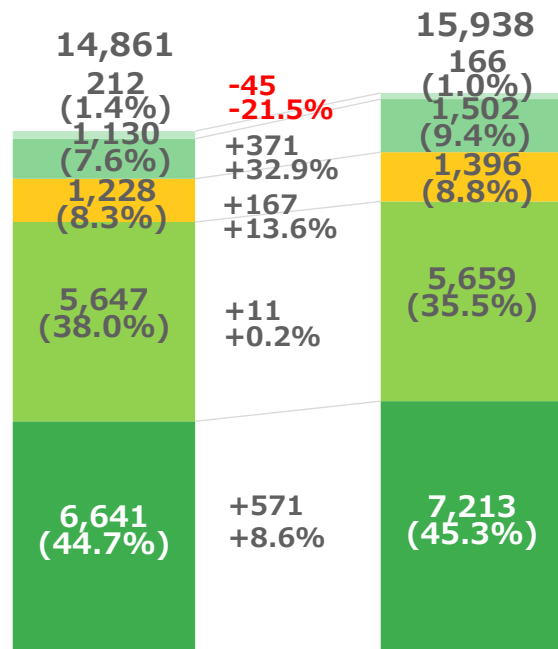
(¥ million)	2022.9		2023.9			
	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
Net sales	14,861	-	15,938	-	1,076	+7.2%
Cost of sales	11,536	77.6%	12,354	77.5%	817	+7.1%
Gross profit	3,324	22.4%	3,583	22.5%	258	+7.8%
SG&A expenses	2,169	14.6%	2,162	13.6%	-7	-0.3%
EBITDA ¹	1,454	9.8%	1,722	10.8%	267	+18.4%
Operating income	1,155	7.8%	1,421	8.9%	266	+23.0%
Ordinary income	1,209	8.1%	1,504	9.4%	295	+24.5%
Net income attributable to owners of parent	680	4.6%	844	5.3%	163	+24.0%
Earnings per share (EPS) (¥)	41.04	-	50.76	-	9.72	-
EPS before amortization of goodwill ² (¥)	54.43	-	64.12	-	9.69	-

Note:

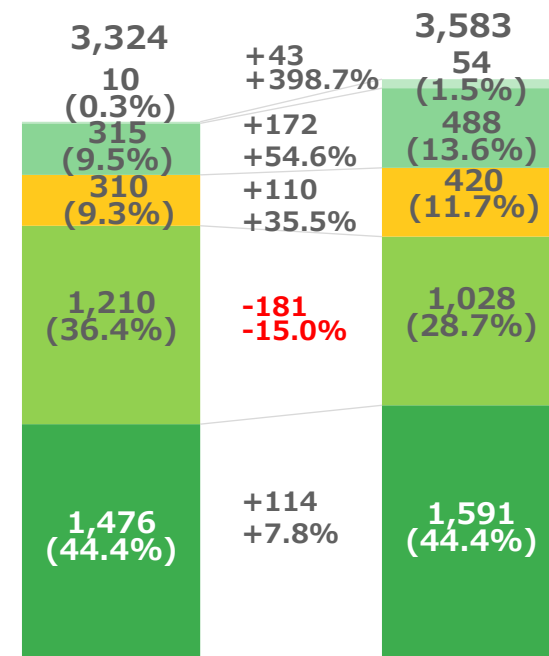
1. EBITDA = Operating income + Depreciation + Amortization of goodwill

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

Net Sales



Gross Profit



2022.9 2023.9

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

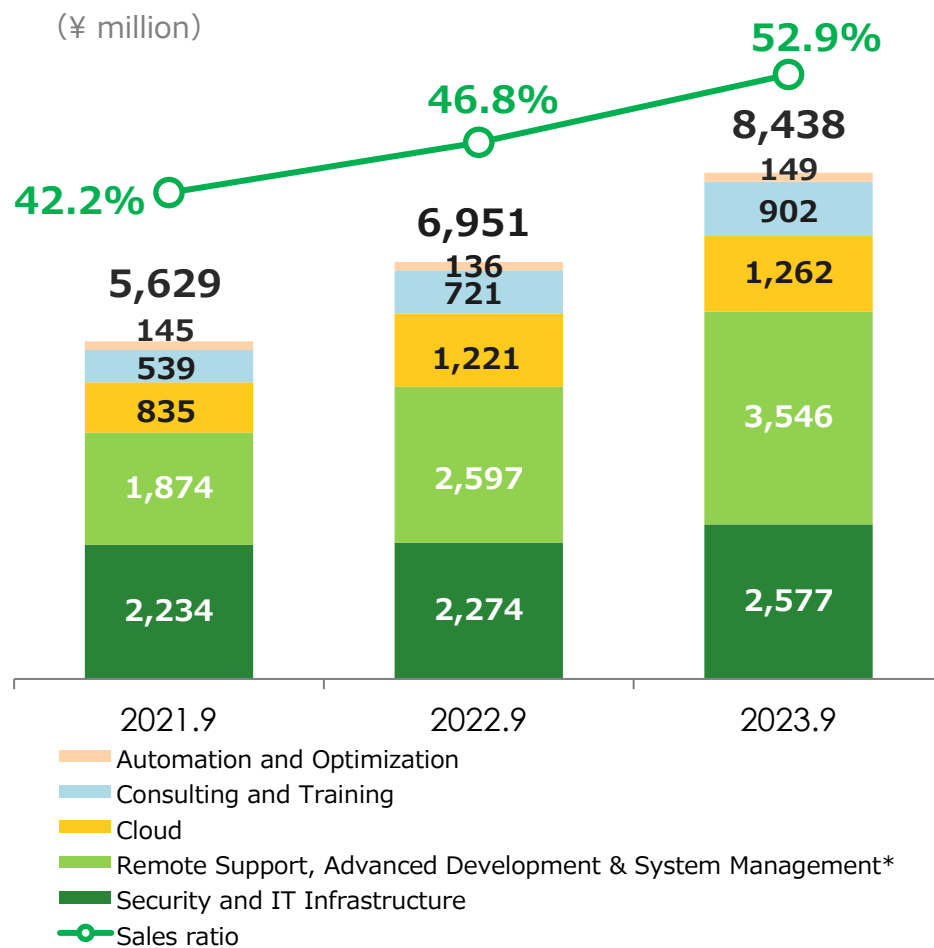
Net Sales by Services

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

DX-related business

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

DX-related sales & sales ratio



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

【 Gross profit margin 】
25.7% (YoY+**0.6P**)

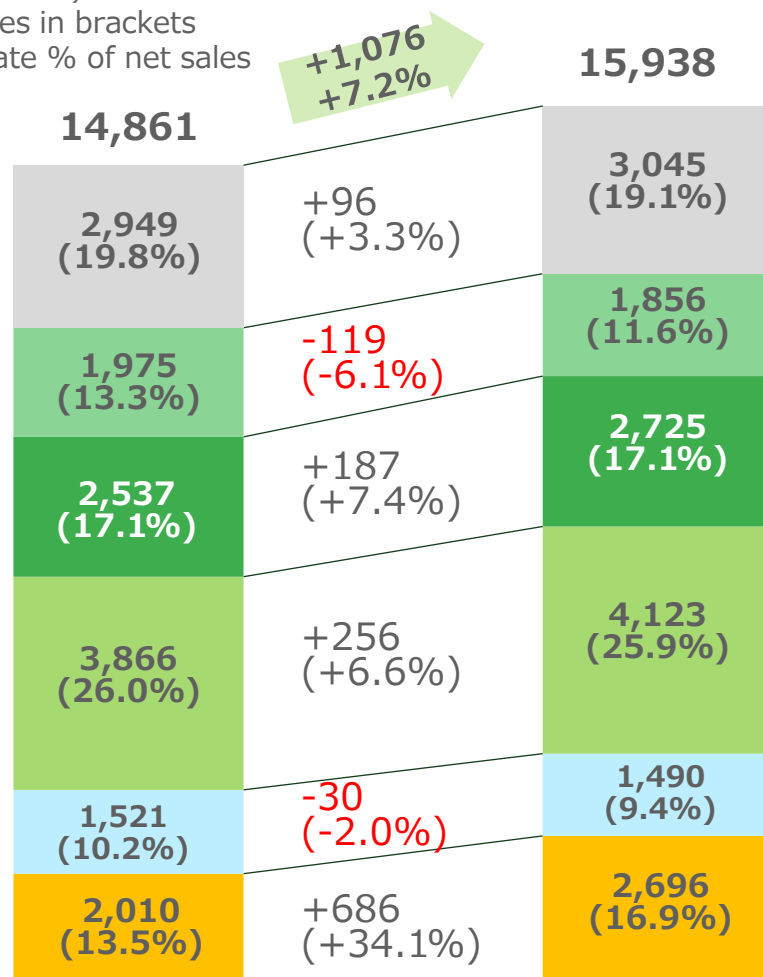
About **6** points higher than non-DX-related business

*"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

Major Customers (Non-Finance)

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

Major Customers (Finance)

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

Hitachi Group

- ⊖ Rebound decline due to wrap-up of major projects in software development in the previous fiscal year

IBM Group

- ⊕ Receipt of new orders and expansion of existing transactions

[Reference]

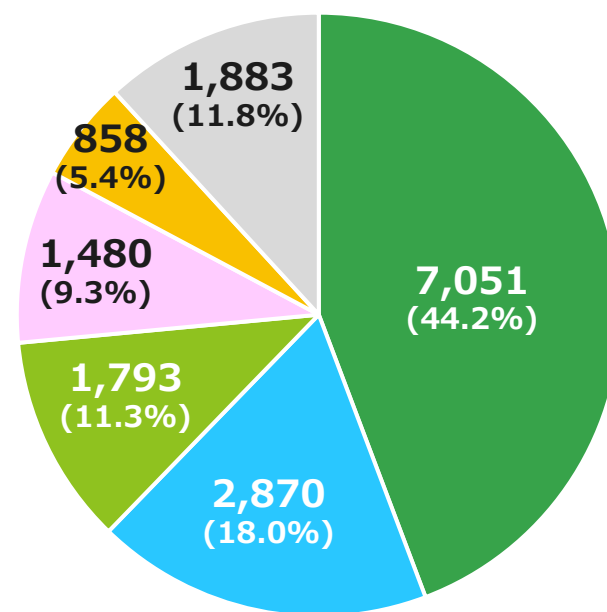
	Kyndryl Japan	MI Digital Services	IBM Japan
2023.9	1,319 (8.3%)	922 (5.8%)	454 (2.9%)

■ 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)	2023.9	(% of net sales)	YoY	
Finance	7,051	44.2%	+276	+4.1%
Public	2,870	18.0%	+244	+9.3%
Information & Communication	1,793	11.3%	+161	+9.9%
Manufacturing	1,480	9.3%	+166	+12.7%
Transportation	858	5.4%	+124	+16.9%
Others*	1,883	11.8%	+103	+5.8%
Total	15,938	100.0%	+1,076	+7.2%

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



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

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

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

Operating Income Analysis (YoY)

Change or Die!

	2022.9	2023.9		Main Reasons in Changes
(¥ million)	Results	Results	Diff.	
Gross profit	3,324	3,583	+258	<ul style="list-style-type: none"> • Increase in net sales +1,076 • Increase in cost of sales +817 <ul style="list-style-type: none"> -Labor cost +302 -Subcontract expenses +503 -Manufacturing expenses +10 -Purchases +5
SG&A expenses	2,169	2,162	-7	<ul style="list-style-type: none"> • Decrease in personnel cost -50 <ul style="list-style-type: none"> -Reassignment of personnel from SG&A divisions to business divisions etc. • Increase in other expenses +42
Operating income	1,155	1,421	+266	

Net Income Attributable to Owners of Parent Analysis (YoY)

	2022.9	2023.9		Main Reasons in Changes
(¥ million)	Results	Results	Diff.	
Ordinary income	1,209	1,504	+295	<ul style="list-style-type: none"> • Increase in operating income +266 • Increase in non-operating income +25 • Decrease in non-operating expenses -3
Extraordinary income	0	0	-	
Extraordinary losses	3	0	-3	<ul style="list-style-type: none"> • Decrease in reaction to loss on retirement of non-current assets in the previous fiscal year -3
Total income taxes	524	660	+136	
Net income attributable to owners of parent	680	844	+163	

Change or Die!

(¥ million)

2023.3

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

2023.9

Assets 17,384	Liabilities 6,185
	Net assets 11,199

Main Factors

- Accounts receivable
–trade decreased
-911
- Cash and deposits
decreased
-156
- Contract assets
increased
+567
- Investment securities
increased
+210
- Accounts receivable
–other increased
+108

Main Factors

- Interest-bearing debt
decreased
-1,117

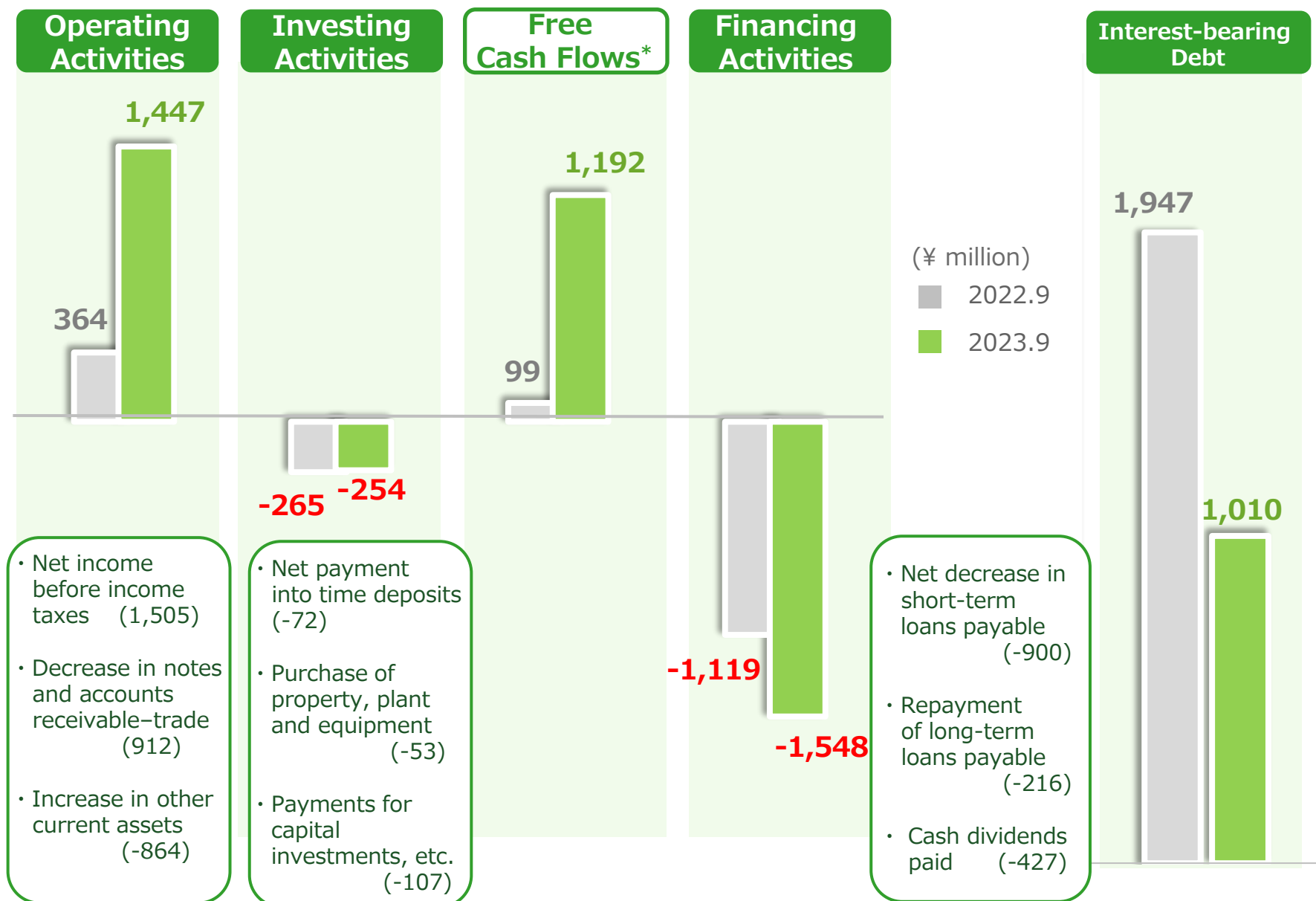
Equity Ratio
64.1%

Current Ratio
224.6%

Goodwill
¥1,081million

Cash Flows and Interest-bearing Debt

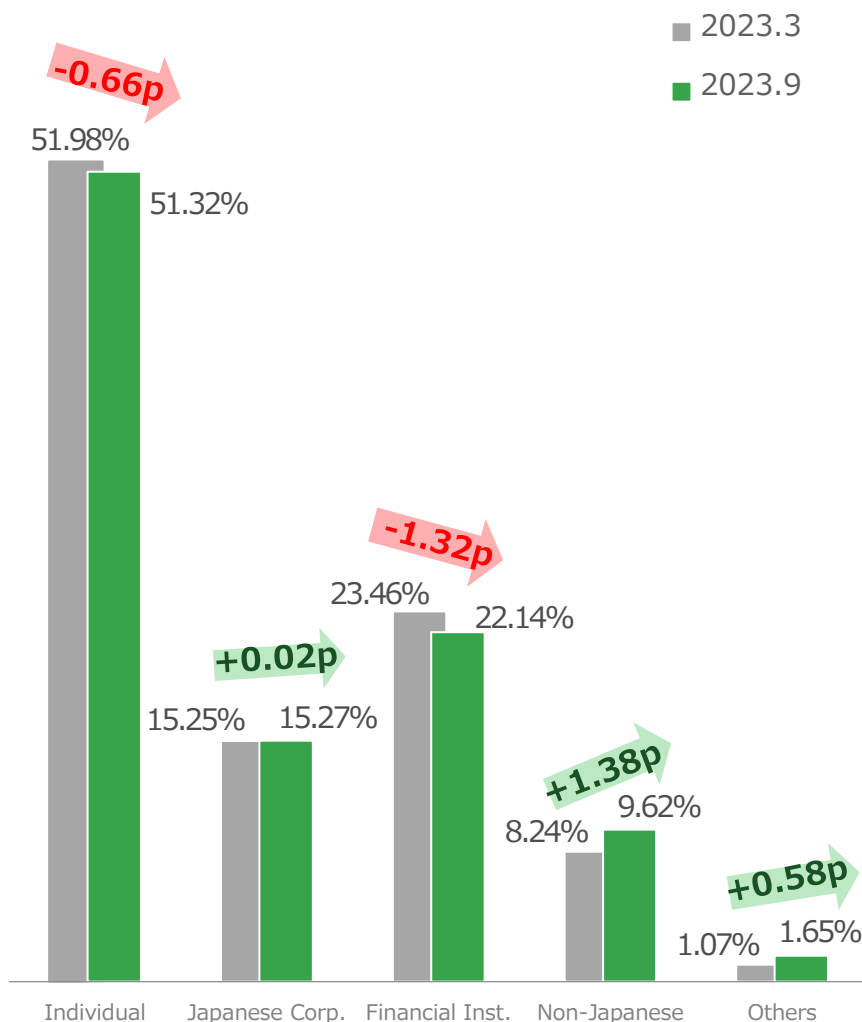
Change or Die!



*Free Cash Flows = Cash Flows from Operating Activities + Cash Flows from Investment Activities

©2023 ID Holdings Corporation. All Rights Reserved.

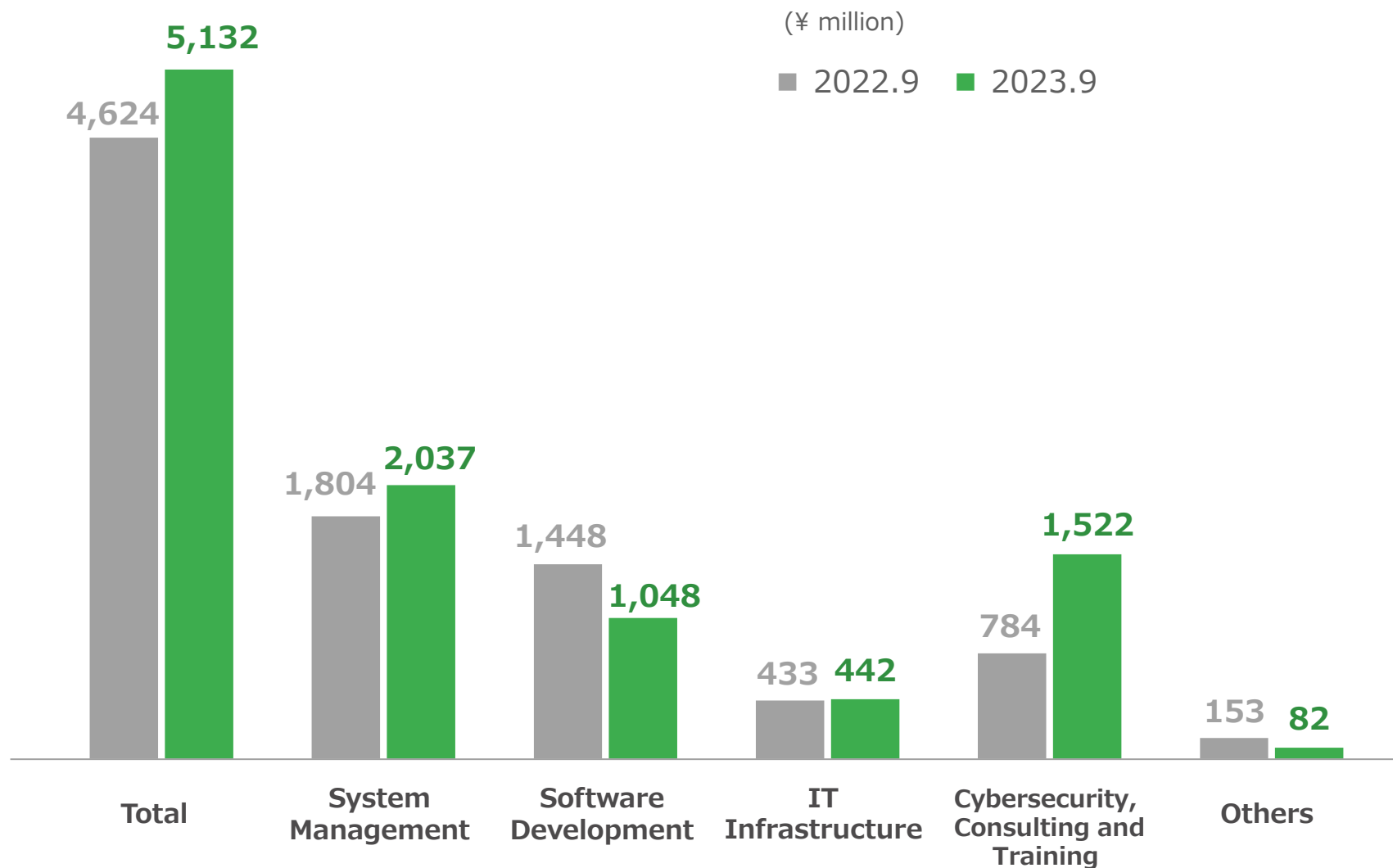
Shareholding by investor type



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%



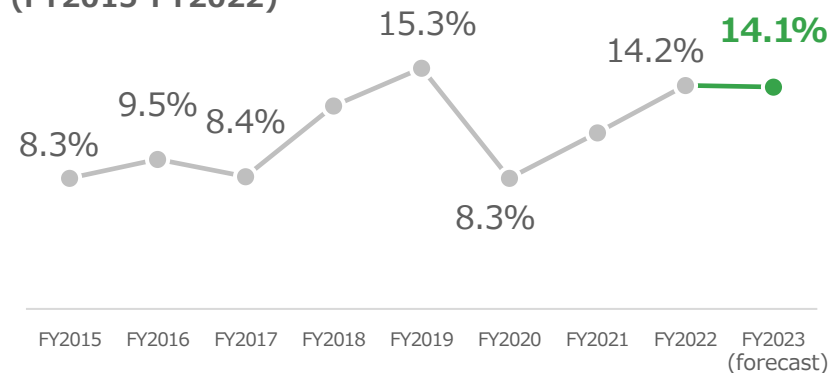
Measures to improve capital efficiency

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

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

ROE

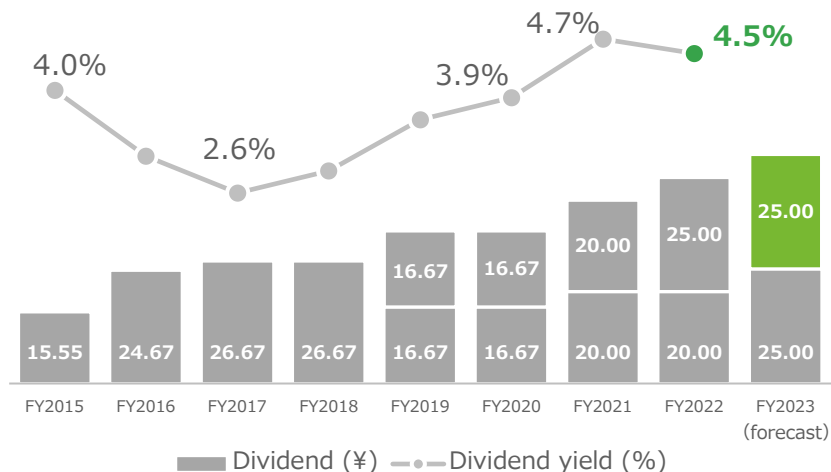
Average : Approx. **11.0%**
(FY2015-FY2022)



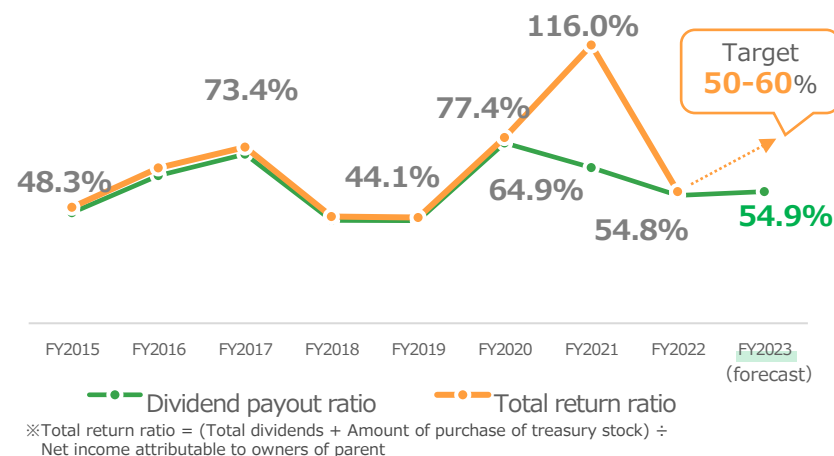
Enhancement of return to shareholders

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

Dividend per share & dividend yield



Dividend payout ratio & total return ratio



1

Performance Overview for Q2

2

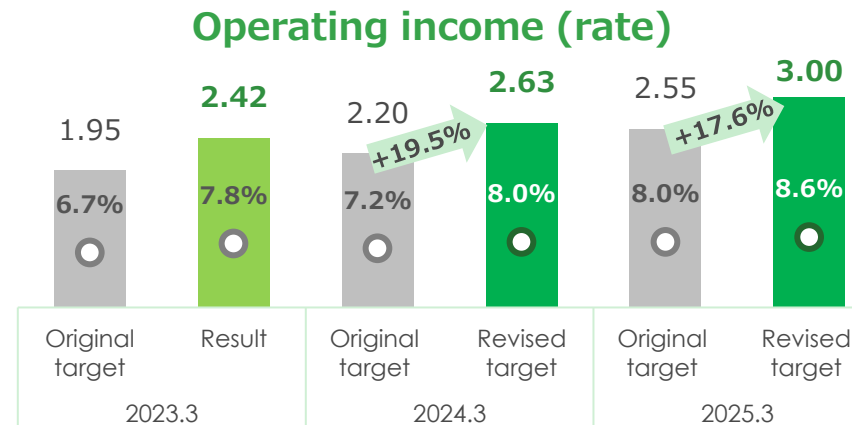
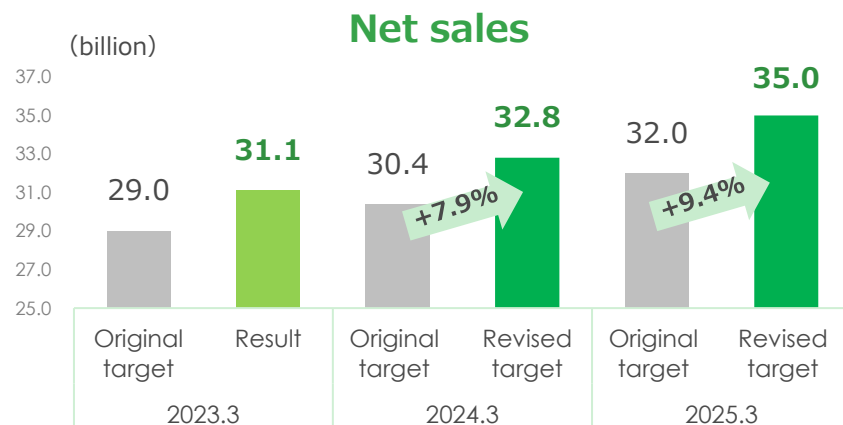
**Mid-Term Management Plan
Next 50 Episode II: Ride on Time**

Key Numerical Targets for the Mid-Term Management Plan

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

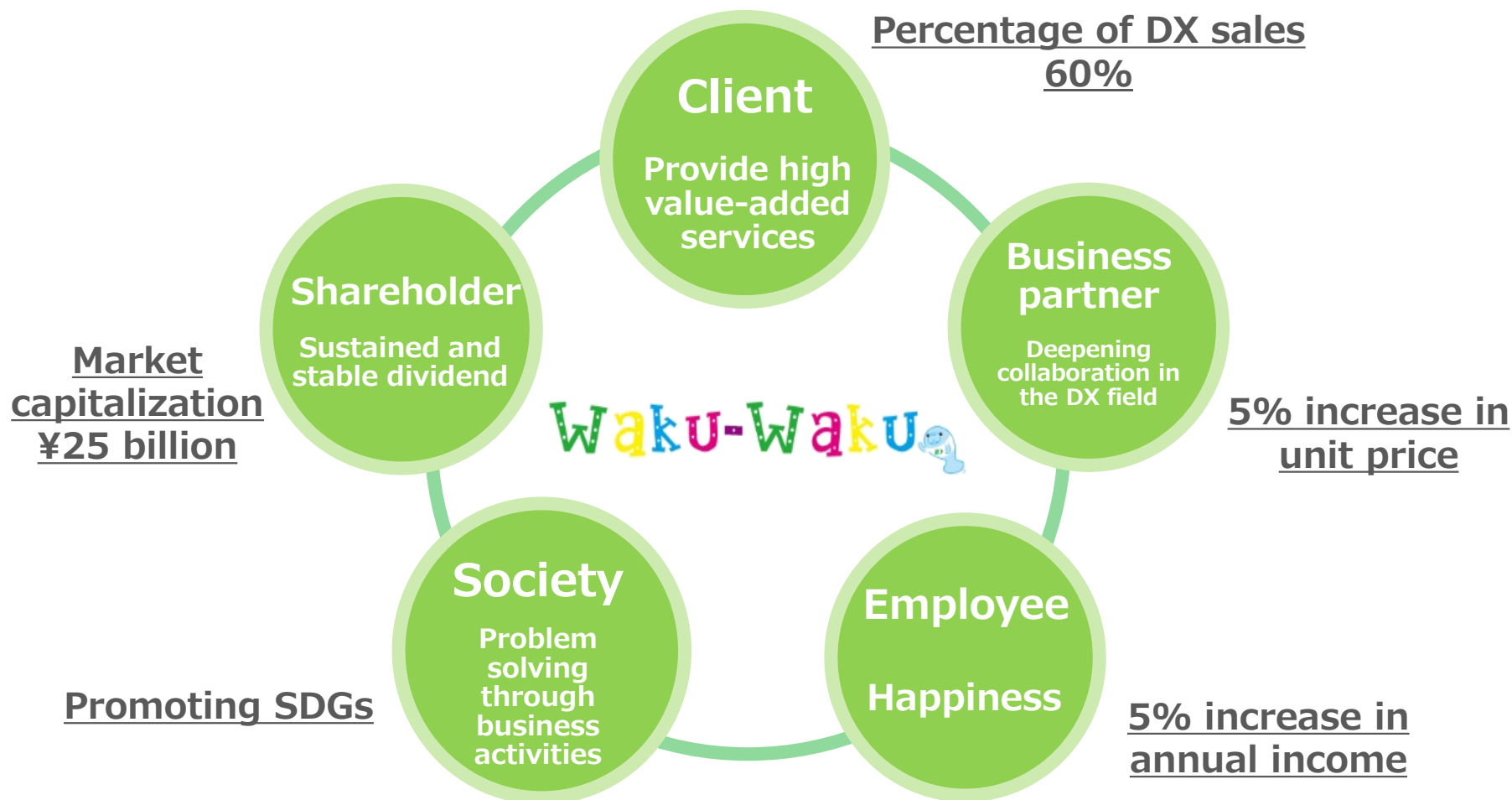
The target for net sales in the final fiscal year of the Plan has been revised upward to **¥35.0 billion.**

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



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

Together we will **Ride on Time!**



Next 50 Episode II : Ride on Time

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

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



Target value

3

Basic themes

1

Develop business models in line with our DX portfolio

2

Strengthen partnerships to create greater value-added

3

Upgrade management divisions and reallocate resources to the business divisions



4 Basic strategies



I . IT Service Strategy

II . Human Resource Strategy

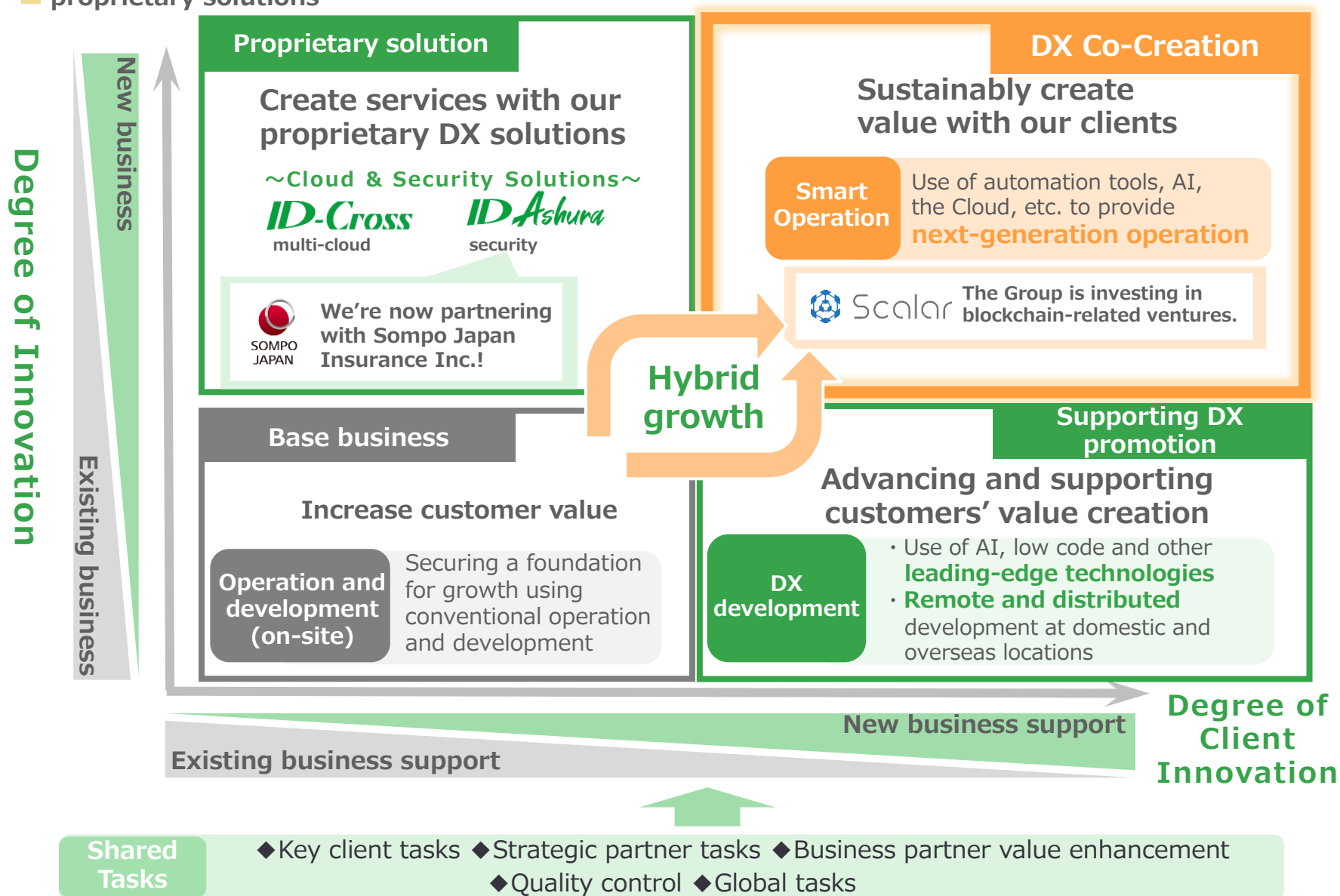


III . New Normal Strategy

IV . SDGs Strategy



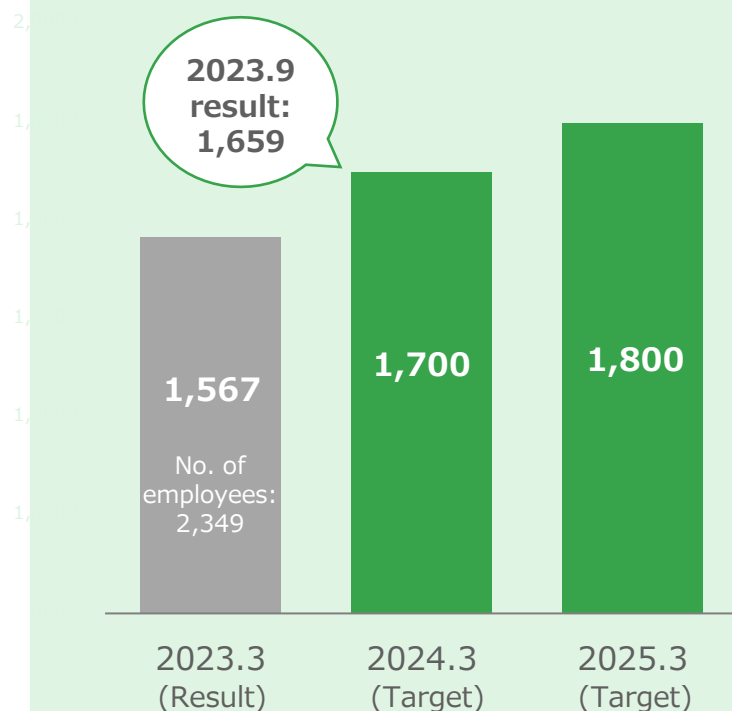
- Secure revenue from base business, and expand our support for DX promotion by our clients and proprietary solutions



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

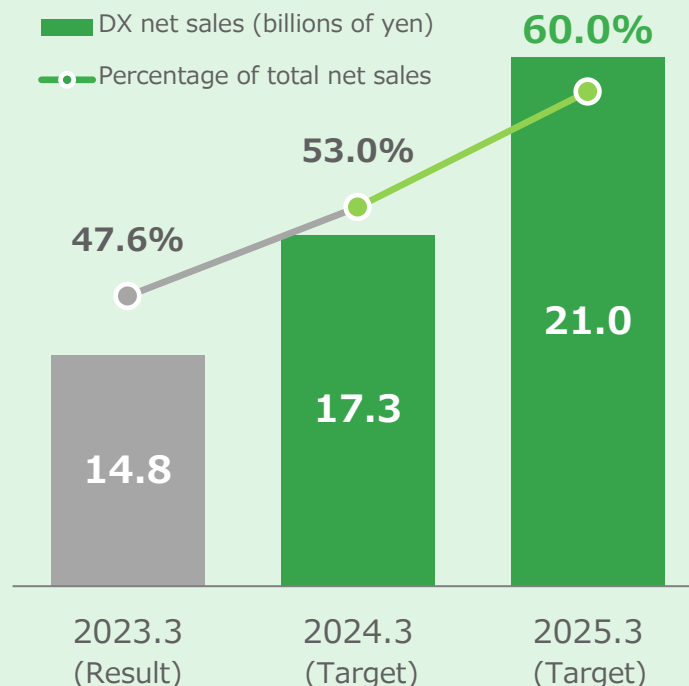
Trend in number of DX-related engineers

Development of personnel focused on cloud computing, AI and security



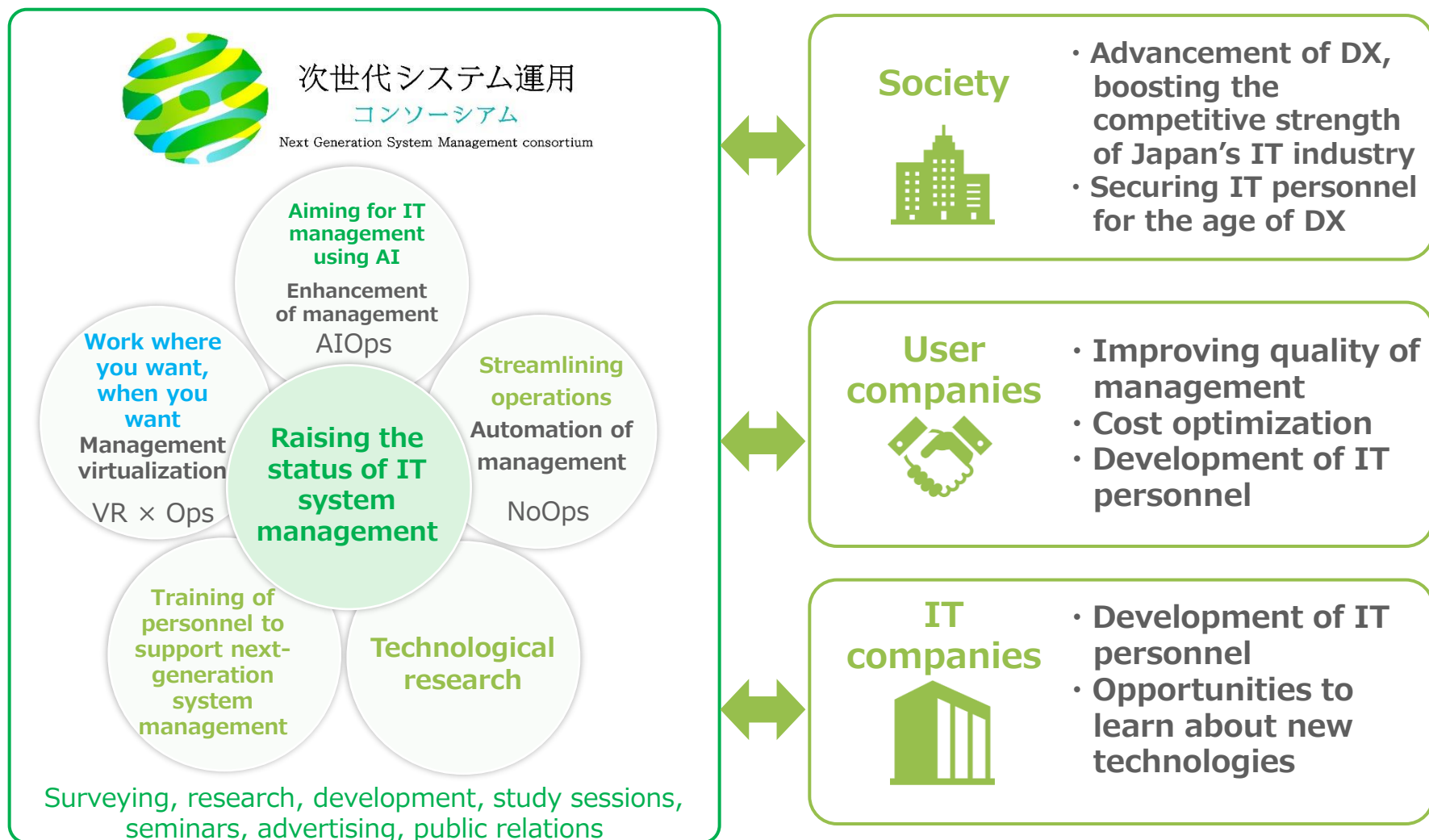
Trend in DX-related net sales

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



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.



Strengths of the ID Group

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

One of Japan's largest teams of system management engineers



High-quality, stable service over many years



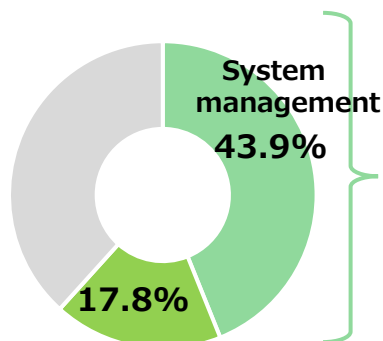
High barriers to entry for potential competitors



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

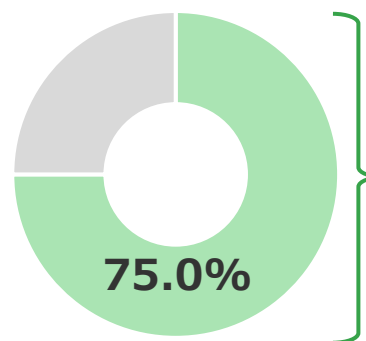


Cybersecurity, Platform, etc.

61.7%

Future orientation

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



Smart operation

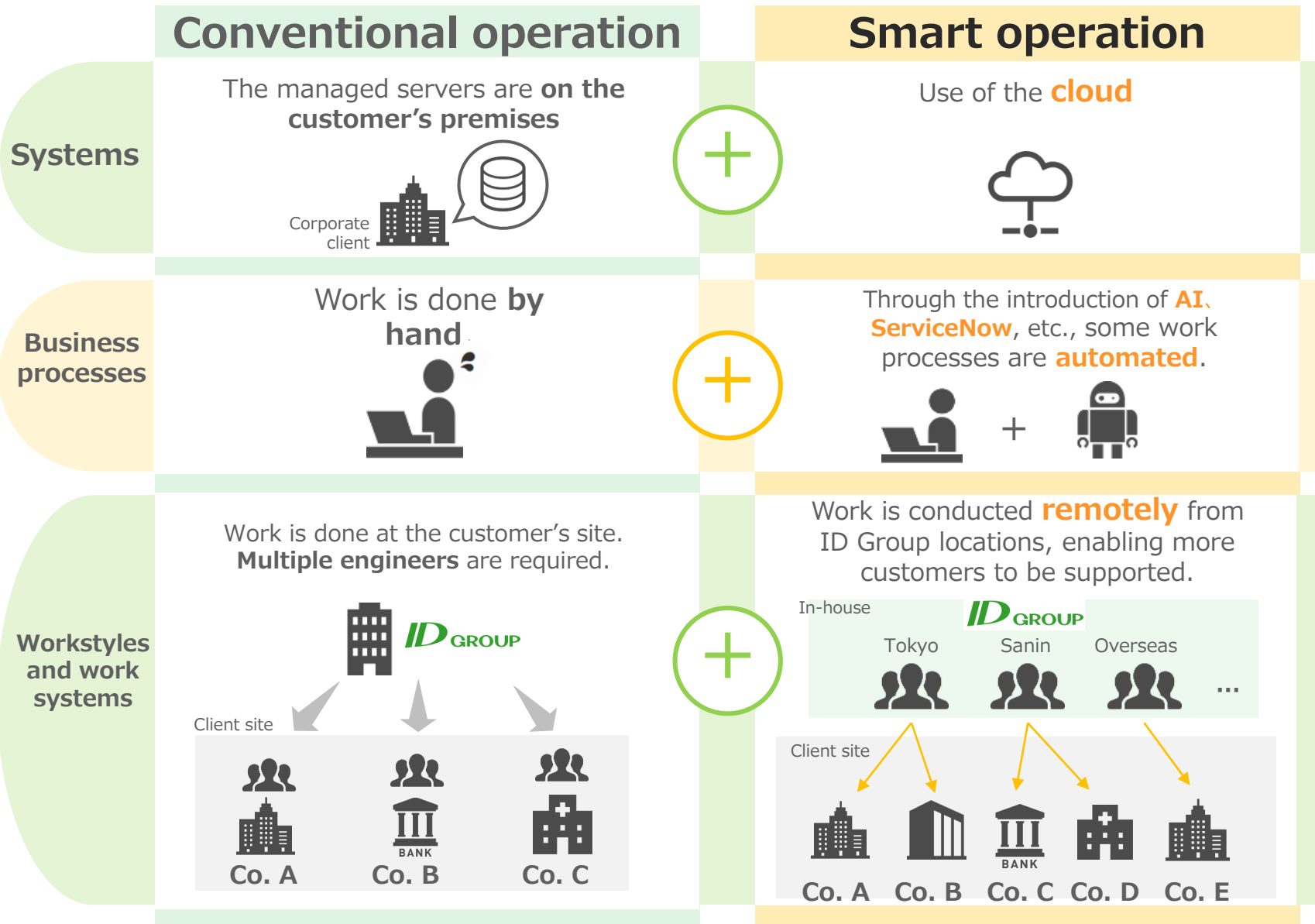


Cybersecurity



Platform

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



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

ID-VR^{OP}

ID Virtual Reality Operation center



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



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

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

1 Using virtual spaces for lessons in cybersecurity



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



AI

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

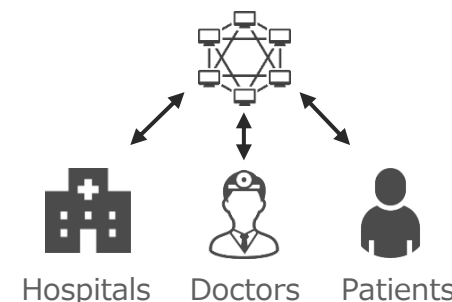


3 Acquisition of patent* using advanced technology



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



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

Activities of the ID Group

SUSTAINABLE DEVELOPMENT GOALS



Employing disabled people for plant cultivation



Support for Kodomo Shokudo



ID-Cross

ID Ashura

ID-VR-OP
ID Virtual Reality Operation center

ID Ai コンシェルジュ

Provision of DX solution services



Achieving gender equality
Hiring and deployment of a global workforce



Support for cultural activities and the fine arts



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

Third-party evaluations



Recognized for 4 years in succession



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)

	2023.3		2024.3			
(¥ million)	Results	(% of net sales)	Plan	(% of net sales)	Diff.	YoY
Net sales	31,101	-	32,800	-	+1,698	+5.5%
EBITDA	3,033	9.8%	3,269	10.0%	+235	+7.8%
Operating income	2,424	7.8%	2,630	8.0%	+205	+8.5%
Ordinary income	2,504	8.1%	2,650	8.1%	+145	+5.8%
Net income attributable to owners of parent	1,402	4.5%	1,520	4.6%	+117	+8.4%
Earnings per Share(EPS)(¥)	84.54	-	91.07	-	+6.53	-
EPS before Amortization of Goodwill(¥)	111.33	-	117.70	-	+6.37	-
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.