

Note: This document is an English translation of the “Kessan Tanshin” for the third quarter of the fiscal year ending March 31, 2020 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, 2020 (J-GAAP)

February, 13, 2020

Company name:	ID Holdings Corporation	
Listing:	Tokyo Stock Exchange, 1st Section	
Securities code:	4709	
URL:	https://www.idnet-hd.co.jp	
Company representative:	Masaki Funakoshi, President and Representative Director	
Direct inquiries to:	Masayoshi Nakatani, Senior Officer Manager, Corporate Strategy Department Tel: +81 3-3262-5177	
Scheduled date of filing of Quarterly Securities Report:	February, 14, 2020	
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 FY2019 (April 1–December 31, 2019)

(1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Q3 FY2019	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q3 FY2019	19,538	-0.8	1,719	33.5	1,752	31.1	1,090	37.9
Q3 FY2018	19,698	20.7	1,287	74.1	1,336	75.0	790	94.7

Note: Comprehensive income Q3 FY2019 ¥1,150 million (38.2%) Q3 FY2018 ¥832 million (70.2%)

	Net income per share	Diluted net income per share
Q3 FY2019	¥ 98.20	¥ 97.37
Q3 FY2018	¥ 71.69	¥ 70.96

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	¥ million		¥ million		%	
Q3 FY2019	14,635		8,771		59.7	
FY2018	14,600		8,342		56.9	

Reference: Equity Q3 FY2019 ¥8,731 million FY2018 ¥8,307 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
FY2018	¥ —	¥ 0.00	¥ —	¥ 40.00	¥ 40.00
FY2019	¥ —	¥ 25.00	¥ —		
FY2019 (forecast)				¥ 25.00	¥ 50.00

Notes: 1. Revision of most recently published dividend forecast: No

2. Hitherto the Group had only distributed dividends once a year, in the year-end dividend. However, to enhance opportunities to return earnings to shareholders, the Group has decided to introduce an interim dividend, beginning with the fiscal year ending March 31, 2020 (FY2019).

3. Forecasts of Consolidated Results for FY2019 (April 1, 2019–March 31, 2020)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
FY2019 (full fiscal year)	¥ million 26,000	% -1.9	¥ million 2,120	% 27.1	¥ million 2,160	% 25.2	¥ million 1,360	% 32.2	¥ 122.04

Note: Revision of most recently published results forecast: Yes

*Notes

(1) Changes in important subsidiaries during the period

Changes in specified subsidiaries resulting in change in consolidation scope:

Yes

New company: INFORMATION DEVELOPMENT CO., LTD.

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Changes in Important Subsidiaries During the Period) under Section 2, Consolidated Financial Statements and Main Notes on page 9 of the Attachment.

(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 FY2019	12,044,302 shares	FY2018	12,044,302 shares
(ii) Amount of treasury stock:	Q3 FY2019	900,096 shares	FY2018	961,470 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q3 FY2019	11,102,457 shares	Q3 FY2018	11,029,123 shares

* 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 and do not constitute a guarantee on the part of the ID Group. 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, 2020, on page 5 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 Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

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1. Qualitative Information on the Third Quarter of the Fiscal Year Ending March 31, 2020

(1) Qualitative Information on the Consolidated Business Results

Business results were overall flat in the first nine months of the ID Group's 2019 consolidated fiscal year (Q3 FY2019: the period from April 1, 2019 to December 31, 2019). In the system infrastructure, cybersecurity and consulting operations, results trended favorably, but orders declined in system operation management and software development, as some major projects reached their conclusions. Net sales declined only marginally, -0.8%, from the same period of the previous fiscal year (YoY) to ¥19.538 billion.

In terms of earnings, a number of efforts bore fruit for the ID Group. The Group advanced proactive sales efforts, strengthened its project management system and shifted engineers into value-added fields related to cybersecurity and digital transformation (DX). In addition, a number of high profitable, large-scale projects in software development continued in the period under review. Operating income soared to ¥1.719 billion (+33.5% YoY), ordinary income leapt to ¥1.752 billion (+31.1% YoY), and net income attributable to owners of parent rose to ¥1.090 billion (+37.9% YoY).

From the first quarter of the 2019 consolidated fiscal year (Q1 FY2019), the Group has combined its reporting segments into a single segment, the information service business. Business results for each service are as listed below.

		Previous consolidated cumulative third quarter (April 1, 2018 to December 31, 2018)	Consolidated cumulative third quarter under review (April 1, 2019 to December 31, 2019)	(Millions of ¥)	
				YoY comparison	
				Increase/decrease	Rate of increase/decrease (%)
System operation management	Net sales	9,198	8,985	-213	-2.3
	Gross profit	2,055	2,098	42	2.1
	Gross profit margin	22.4%	23.4%	1.0P	—
Software development	Net sales	6,912	6,685	-227	-3.3
	Gross profit	1,495	1,837	342	22.9
	Gross profit margin	21.6%	27.5%	5.9P	—
System infrastructure	Net sales	1,755	1,827	71	4.1
	Gross profit	377	535	157	41.8
	Gross profit margin	21.5%	29.3%	7.8P	—
Cybersecurity, consulting and training	Net sales	1,095	1,334	238	21.8
	Gross profit	263	343	80	30.4
	Gross profit margin	24.0%	25.7%	1.7P	—
Others	Net sales	736	706	-29	-4.0
	Gross profit	-16	35	51	—
	Gross profit margin	—	5.0%	—	—

(i) System operation management

Although the Group won some projects from existing customers in the financial sector, due to some large-scale financial projects reaching a conclusion, net sales decreased to ¥8.985 billion (-2.3% YoY).

(ii) Software development

A number of projects continued in the public sector, while orders from existing customers in transportation and manufacturing sectors expanded. However, some large-scale projects in the public sector from the previous fiscal year were brought to a conclusion. Net sales decreased to ¥6.685 billion (-3.3% YoY).

(iii) System infrastructure

Net sales decreased for the transportation and finance sectors, but orders expanded for the public sector and new projects were received from existing clients in the manufacturing sector. As a result, net sales increased to ¥1.827 billion (+4.1% YoY).

(iv) Cybersecurity, consulting and training

Sales of cybersecurity products increased, as did consulting sales. Net sales increased to ¥1.334 billion (+21.8% YoY).

(v) Others

Large orders were received for product sales, but some finance-related businesses were ended. As a result, net sales decreased to ¥706 million (-4.0% YoY).

Management Policy Initiatives

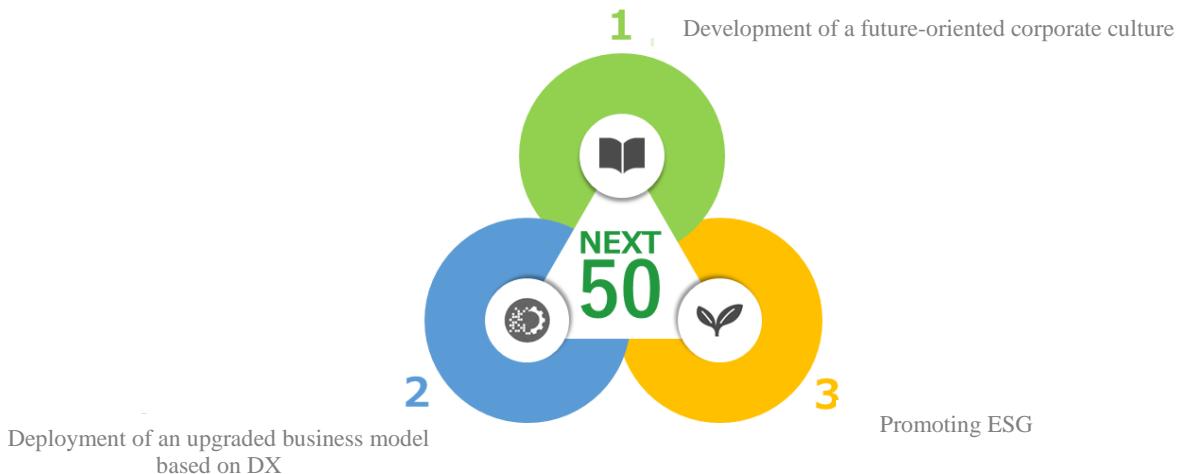
In today's information services industry, customers' IT needs are increasingly diversifying. Digital transformation (DX) is advancing rapidly, as companies transform existing businesses through digital technologies such as robotic process automation (RPA) and AI. Businesses are shifting from system ownership to system use, IoT devices are proliferating rapidly, and cyberattacks are becoming ever more sophisticated. These developments are driving profound changes in the IT management environment. For the ID Group, market shifts such as these represent a growth opportunity. To set the stage for further expansion in operations, the Group has established a new 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. For FY2021, the final year of the plan, the group is targeting net sales of ¥30 billion and operating income of ¥1.85 billion.

To achieve these targets, the new Mid-term Management Plan sets three Basic Policies: Development of a future-oriented corporate culture, deployment of an upgraded business model based on DX, and promoting ESG*. The Group is working vigorously on all three fronts.

Note that the Group has resolved to execute the following changes at the Board of Directors meeting held on January 20, 2020: (1) company split (absorption-type split) whereby the ITSM segment of wholly-owned subsidiary Fess Co., Ltd. ("Fess") and the RPA Promotion segment of wholly-owned subsidiary INFORMATION DEVELOPMENT CO., LTD. ("ID") will be succeeded by DX CONSULTING CO., LTD., which is scheduled to be newly established; (2) change in the company name of Fess to ID DATA CENTER MANAGEMENT CO., LTD. subsequent to a company split (absorption-type split) whereby part of ID's System Operation Management segment will be succeeded by Fess. These resolutions will come into force as of April 1, 2020.

For details, please refer to "Notice of Group Restructuring (Establishment of New Company and Company Split between Subsidiaries, etc.)" published on January 20, 2020.

*"ESG" stands for "environmental, social and governance." The ESG approach holds that an appropriate response to each of these three areas of concern is a core driver of the long-term growth of an enterprise and plays a valuable role in the formation of a sustainable society.



(i) Development of a future-oriented corporate culture

Diversity of personnel and fostering of innovation are indispensable for the sustainable growth of the ID Group. The ID Group will hire and train diverse individuals while continuously overhauling its organization, systems and work environment so that each personnel can achieve their maximum potential. We will also cultivate a work environment that embraces future-oriented challenge and innovation.

Measures taken to implement this policy include the following:

- To enable talented engineers from overseas to play active roles in Japan, INFORMATION DEVELOPMENT AMERICA INC., an overseas subsidiary (sub-subsidiary) of the Group, established a country headquarters in Japan.
- To ensure effective personnel assignment, the Group's software development segment has scrapped the divisional-headquarters system, promoting more fluid assignment of personnel.
- To enable cross-organizational response in personnel and quality-control matters, the Group has appointed an executive responsible for general personnel matters and an executive responsible for quality.
- A Globalization Department is established to strengthen communication between bases in Japan and overseas.
- Received a Gold Certification under the Sound and Excellent Management Company certification system in recognition of our active efforts to promote sound management and a healthy workplace.
- Obtained three stars in the 3rd Nikkei Smart Work Management Survey in recognition of our personnel utilization capabilities as exemplified by our efforts to foster engineers and promote diversity.
- The Group is promoting personnel* diversity (percentage of women in management positions: 17%, percentage of non-Japanese workers at the ID Group: 10%).

*The ID Group believes that our employees are precious resources, not just a means to an end.

(ii) Deployment of an upgraded business model based on DX

Amid today's rapid trend toward digitalization, the ID Group's corporate clients are moving forward with the introduction and use of innovative technologies. Informed by knowledge and expertise in customer systems accumulated over many years, the ID Group will roll out an upgraded service model that brings added value to customer needs by combining existing service solutions with advanced technologies.

To make this service model a reality, during this three-year period the ID Group will focus squarely on engineer training. By shifting existing services to more upstream processes, the ID Group will transition from a worker-time-based business model to a result-reward-type business model. In this way, while expanding existing businesses, the Group will invest aggressively in new fields, bolstering its competitive position and enhancing profitability.

Measures taken to implement this policy include the following:

- Invested in a US-based venture fund (“ff Violet (VI), L.P.”) targeting cutting-edge IT startups in order to collect information related to the latest IT technologies and accelerate the digital transformation of the Group's businesses.
- In collaboration with Keio University, whose research activities the Group supports, the Group presented a digital-

- technology symposium “Advances in Infrastructure and the Status of Data in the DX Era.”
- ID has concluded a development-resource partnership agreement with UiPath.
- To transform existing businesses, the Group has established a DX strategic task team, under the direct responsibility of the president of ID as the executive in charge.
- The training environment for RPA service providers UiPath and WinActor have been brought in-house, providing training for 121 employees.
- US-based RealWear, Inc. has certified the ID Group as an ISV partner for its remote work support system, IDEye.
- Venture Café Tokyo*, an operation co-sponsored by the Group, has partnered with Keio University to present “Cyber Technology & Fusion of Startup/Enterprise Night.”

*In keeping with its mission of “Connecting innovators to make things happen,” Venture Café Tokyo conducts a wide range of programming events that bring venture companies, entrepreneurs and investors together. In so doing, the organization aims to cultivate innovation that can change the world. Sponsors of Venture Café Tokyo include the Group, Japan Tobacco Inc., MORI Building Co., Ltd., SOMPO Holdings, Inc. and TEPCO i-Frontiers, Inc.

(iii) Promoting ESG

Through its provision of information services, the ID Group strives to develop solutions to society’s problems while creating sustainable growth and social value. By strengthening its commitment to each aspect of ESG investment, the ID Group is working to achieve growth and development for all stakeholders, including customers, shareholders and employees.

Measures taken to implement this policy include the following:

- The Group promoted diversity in work styles by participating in Telework Days 2019¹, using remote-access services and making use of satellite offices.
- To enhance work-life balance, the Group designated days on which employees are encouraged to take paid leave.
- The Group established a Health Management Policy to enable employees to work with motivation and enthusiasm, healthy in mind and body.
- To seek solutions to environmental issues on a Group-wide basis, the Group produced an Environmental Policy.
- Based on ISO 26000, the international standard for organizational social responsibility, the Group is framing its ESG response.
- To strengthen its corporate-governance system, the Group has established a Group Board of Auditors, a Management Committee and a Group Risk Management Committee.
- Started supporting an orphanage run by nuns in Myanmar, where the Group’s affiliate is located. The orphanage is a boarding school for children in elementary school to high school.
- AI Factory Co., Ltd., a special subsidiary, has obtained certification under JGAP².
- As part of its Mecenat activities, the Group sponsors a Tanabata (Star Festival) concert at Suntory Hall in Minato Ward, Tokyo.
- The Group participates in the Business Consortium to Promote Non-smoking.

1 Telework Days are a national-movement project to promote work-style reforms, leveraging the excitement of the Tokyo 2020 Olympic and Paralympic Games. The project is conducted by the Ministry of Internal Affairs and Communications (MIC), Ministry of Health, Labour and Welfare (MHLW), Ministry of Economy, Trade and Industry (METI), Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Cabinet Office Secretariat and Cabinet Office, in partnership with the government of Metropolitan Tokyo and related organizations.

2 Japan Good Agricultural Practice (JGAP) certification is certification provided to farms that have been confirmed through examination by third-party organizations to ensure food safety, environmental preservation and other good agricultural practices, based on standards of appropriate farm management. Examinations are conducted in five categories: farm operation, food safety, environmental preservation, occupational safety, and human rights/social services. The aim of JGAP is to earn the trust of consumers and establish sustainable farm management through the certification process.

(2) Qualitative Information on the Consolidated Financial Position

Changes in the ID Group’s financial position

(Assets)

Assets at the end of consolidated Q3 increased by ¥34 million to ¥14.635 billion from ¥14.6 billion at the end of the previous consolidated accounting period, owing to an increase in cash and deposits of ¥681 million, a decrease in notes and accounts

receivable-trade of ¥1.201 billion, an increase in accounts receivable—other of ¥512 million, etc.

(Liabilities)

Liabilities at the end of consolidated Q3 decreased by ¥394 million to ¥5.864 billion from ¥6.258 billion at the end of the previous consolidated accounting period, owing to a decrease in interest-bearing debt of ¥866 million, an increase in income taxes payable of ¥531 million, etc.

(Net Assets)

Net assets at the end of consolidated Q3 increased by ¥428 million to ¥8.771 billion from ¥8.342 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥1.090 billion, a decrease of ¥741 million due to dividend payments, an increase in valuation difference on available-for-sale securities of ¥64 million, etc.

(3) Qualitative Information on the Consolidated Results Forecast

The Group revised its consolidated financial forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020) announced on May 8, 2019, in consideration of recent business performance. For details, please refer to “Notice on Revisions to Consolidated Earnings Forecasts for the Full Year” published today (February 13, 2020).

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

	(Thousands of ¥)	
	Previous consolidated accounting period As of March 31, 2019	Consolidated third quarter under review As of December 31, 2019
Assets		
Current assets		
Cash and deposits	3,797,736	4,479,487
Notes and accounts receivable – trade	5,232,087	4,030,116
Work in process	19,288	105,883
Other	249,744	808,197
Total current assets	<u>9,298,856</u>	<u>9,423,686</u>
Non-current assets		
Property, plant and equipment	1,781,771	1,737,711
Intangible assets		
Goodwill	1,418,972	1,227,916
Software	94,212	82,773
Other	742	742
Total intangible assets	<u>1,513,927</u>	<u>1,311,432</u>
Investments and other assets		
Investment securities	1,367,953	1,464,961
Deferred tax assets	203,067	204,035
Other	442,590	500,946
Allowance for doubtful accounts	-7,500	-7,500
Total investments and other assets	<u>2,006,110</u>	<u>2,162,444</u>
Total non-current assets	<u>5,301,809</u>	<u>5,211,588</u>
Total assets	<u>14,600,666</u>	<u>14,635,274</u>
Liabilities		
Current liabilities		
Accounts payable – trade	975,479	772,673
Short-term loans payable	1,360,000	860,000
Current portion of long-term loans payable	499,600	499,600
Income taxes payable	325,600	413,800
Provision for bonuses	954,331	405,439
Provision for directors' bonuses	22,700	18,772
Provision for loss on orders received	34,479	—
Other	1,121,494	1,997,980
Total current liabilities	<u>5,293,685</u>	<u>4,968,265</u>
Non-current liabilities		
Long-term loans payable	749,400	374,700
Net retirement benefit liability	29,888	26,881
Provision for directors' retirement benefits	11,799	15,205
Deferred tax liabilities	—	280,254
Other	173,664	198,955
Total non-current liabilities	<u>964,752</u>	<u>895,996</u>
Total liabilities	<u>6,258,438</u>	<u>5,864,262</u>
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,352	567,758
Retained earnings	6,947,709	7,296,095
Treasury stock	-470,069	-445,579
Total shareholders' equity	<u>7,638,336</u>	<u>8,010,618</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	557,514	621,780
Foreign currency translation adjustment	109,840	95,689
Remeasurements of retirement benefit plans	1,807	3,814
Total accumulated other comprehensive income	<u>669,162</u>	<u>721,284</u>
Subscription rights to shares	10,609	9,283
Non-controlling interests	24,119	29,825
Total net assets	<u>8,342,227</u>	<u>8,771,011</u>
Total liabilities and net assets	<u>14,600,666</u>	<u>14,635,274</u>

(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, 2018 to December 31, 2018)	Consolidated cumulative third quarter under review (April 1, 2019 to December 31, 2019)
Net sales	19,698,745	19,538,893
Cost of sales	15,522,417	14,687,913
Gross profit	4,176,327	4,850,979
Selling, general, and administrative expenses	2,888,412	3,131,738
Operating income	1,287,915	1,719,240
Non-operating income		
Interest income	2,833	3,719
Dividend income	37,531	22,625
Foreign exchange gains	16,253	—
Other	21,834	38,432
Total non-operating income	78,453	64,777
Non-operating expenses		
Interest expenses	11,627	9,947
Commitment line fees	17,715	17,084
Other	200	4,337
Total non-operating expenses	29,543	31,368
Ordinary income	1,336,824	1,752,649
Extraordinary income		
Gain on sales of non-current assets	1,204	1,068
Gain on sales of investment securities	9,495	38,886
Other	4	115
Total extraordinary income	10,705	40,070
Extraordinary losses		
Loss on sales of non-current assets	27	—
Loss on retirement of non-current assets	862	114
Office transfer loss	57,701	—
Total extraordinary losses	58,590	114
Net income before income taxes	1,288,939	1,792,604
Income taxes—current	299,614	444,674
Income taxes—deferred	193,363	249,728
Total income taxes	492,977	694,402
Net income	795,961	1,098,202
Net income attributable to non-controlling interests	5,276	7,945
Net income attributable to owners of parent	790,685	1,090,256

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

(Thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2018 to December 31, 2018)	Consolidated cumulative third quarter under review (April 1, 2019 to December 31, 2019)
Net income	795,961	1,098,202
Other comprehensive income		
Valuation difference on available-for-sale securities	36,377	64,265
Foreign currency translation adjustment	-2,340	-14,150
Remeasurements of retirement benefit plans	2,076	2,007
Total other comprehensive income	36,113	52,121
Comprehensive income	832,075	1,150,323
(Breakdown)		
Comprehensive income attributable to owners of parent	826,798	1,142,378
Comprehensive income attributable to non-controlling interests	5,276	7,945

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

(Notes on Significant Changes (If Any) in Shareholders' Equity)

None.

(Changes in Important Subsidiaries During the Period)

In tandem with the ID Group's transition to a holding-company structure in Q1, on April 1, 2019 the Company changed its name to ID Holdings Corporation. The new company created by the company split, INFORMATION DEVELOPMENT CO., LTD., was included in the scope of consolidation.

(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 executive officers ("Directors, etc."), and a "Japanese employee stock ownership plan (J-ESOP)" for Group employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(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, 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 point to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through 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 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 ¥166,289,000 at the end of the previous consolidated fiscal period and was ¥149,179,000 at the end of the consolidated third quarter under review. The number of shares was 327,977 at the end of the previous consolidated fiscal period and was 282,227 at the end of the consolidated third quarter under review.