

Note: This document is an English translation of the “Kessan Tanshin” for the fiscal year that ended 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 Fiscal Year Ended March 31, 2020 (J-GAAP)

May 15, 2020

|                                                               |                                                                                                      |  |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--|
| Company name:                                                 | ID Holdings Corporation                                                                              |  |
| Listing:                                                      | Tokyo Stock Exchange, 1st Section                                                                    |  |
| Securities code:                                              | 4709                                                                                                 |  |
| URL:                                                          | <a href="https://www.idnet-hd.co.jp">https://www.idnet-hd.co.jp</a>                                  |  |
| Company representative:                                       | Masaki Funakoshi, President and Representative Director                                              |  |
| Direct inquiries to:                                          | Masayoshi Nakatani, Senior Officer<br>Manager, Corporate Strategy Department<br>Tel: +81 3-3262-5177 |  |
| Scheduled date of the Annual General Meeting of Shareholders: | June 19, 2020                                                                                        |  |
| Scheduled date of dividend payment:                           | June 22, 2020                                                                                        |  |
| Scheduled date of filing of the Annual Securities Report:     | June 22, 2020                                                                                        |  |
| Preparation of supplementary materials on financial results:  | Yes                                                                                                  |  |
| Presentation on results:                                      | No (To prevent further spread of the COVID-19 pandemic, this event has been cancelled.)              |  |

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results for FY2019 (April 1, 2019–March 31, 2020)

#### (1) Consolidated Business Results

(% indicates YoY changes)

|        | Net sales |      | Operating income |      | Ordinary income |      | Net income attributable to owners of parent |      |
|--------|-----------|------|------------------|------|-----------------|------|---------------------------------------------|------|
|        | ¥ million | %    | ¥ million        | %    | ¥ million       | %    | ¥ million                                   | %    |
| FY2019 | 26,377    | -0.5 | 2,073            | 24.3 | 2,111           | 22.4 | 1,297                                       | 26.1 |
| FY2018 | 26,515    | 14.3 | 1,667            | 32.9 | 1,724           | 35.3 | 1,028                                       | 65.2 |

Note: Comprehensive income

FY2019    ¥1,108 million    (-3.7%)

FY2018    ¥1,151 million    (62.9%)

|        | Net income per share | Diluted net income per share | Return on equity | Return on assets | Operating income margin |
|--------|----------------------|------------------------------|------------------|------------------|-------------------------|
|        | ¥                    | ¥                            | %                | %                | %                       |
| FY2019 | 116.71               | 115.73                       | 15.3             | 14.1             | 7.9                     |
| FY2018 | 93.15                | 92.21                        | 12.9             | 12.2             | 6.3                     |

Reference: Equity in income of affiliates

FY2019

¥— million

FY2018

¥— million

#### (2) Consolidated Financial Position

|        | Total assets | Net assets | Equity ratio | Book value per share |
|--------|--------------|------------|--------------|----------------------|
|        | ¥ million    | ¥ million  | %            | ¥                    |
| FY2019 | 15,249       | 8,730      | 57.0         | 779.45               |
| FY2018 | 14,600       | 8,342      | 56.9         | 749.58               |

Reference: Equity

FY2019

¥8,689 million

FY2018

¥8,307 million

#### (3) Consolidated Cash Flow

|        | Cash flows from operating activities | Cash flows from investment activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--------|--------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------------|
|        | ¥ million                            | ¥ million                             | ¥ million                            | ¥ million                                  |
| FY2019 | 3,231                                | -114                                  | -2,219                               | 4,367                                      |
| FY2018 | 1,004                                | -336                                  | -126                                 | 3,489                                      |

## 2. Dividends

|                   | Annual dividends         |                           |                          |                          |            | Total amount of cash dividends (annual) | Payout ratio (consolidated) | Dividend on equity (consolidated) |
|-------------------|--------------------------|---------------------------|--------------------------|--------------------------|------------|-----------------------------------------|-----------------------------|-----------------------------------|
|                   | End of the first quarter | End of the second quarter | End of the third quarter | End of the fiscal period | Total      |                                         |                             |                                   |
| FY2018            | ¥<br>—                   | ¥<br>0.00                 | ¥<br>—                   | ¥<br>40.00               | ¥<br>40.00 | ¥ million<br>456                        | %<br>42.9                   | %<br>5.6                          |
| FY2019            | —                        | 25.00                     | —                        | 25.00                    | 50.00      | 571                                     | 42.8                        | 6.5                               |
| FY2020 (forecast) | —                        | 25.00                     | —                        | 25.00                    | 50.00      |                                         | 46.8                        |                                   |

## 3. Forecasts of Consolidated Results for FY2020 (April 1, 2020–March 31, 2021)

(% indicates YoY changes)

|                           | Net sales           |           | Operating income   |           | Ordinary income    |           | Net income attributable to owners of parent |           | Net income per share |
|---------------------------|---------------------|-----------|--------------------|-----------|--------------------|-----------|---------------------------------------------|-----------|----------------------|
| FY2020 (full fiscal year) | ¥ million<br>24,500 | %<br>-7.1 | ¥ million<br>2,000 | %<br>-3.5 | ¥ million<br>2,040 | %<br>-3.4 | ¥ million<br>1,190                          | %<br>-8.3 | ¥<br>106.74          |

Note: The forecast for Q2 may change significantly after conditions normalize following the current COVID-19 pandemic. For this reason the Group is currently providing a full-year forecast only. For details, please refer to (5) Forecast under Section 1. Summary of Business Results, etc. on page 7 of the Attachment.

\*Notes

(1) Changes in important subsidiaries during the period Yes  
 Changes in specified subsidiaries resulting in change in consolidation scope:  
 New company: INFORMATION DEVELOPMENT CO., LTD.  
 Note: For details, please refer to (5) Notes on Consolidated Financial Statements (Changes in Important Subsidiaries during the Consolidated Fiscal Period) under Section 3. Consolidated Financial Statements and Important Notes on page 17 of the Attachment.

(2) 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 |

(3) Number of shares outstanding (common stock)

|                                                                |        |                   |        |                   |
|----------------------------------------------------------------|--------|-------------------|--------|-------------------|
| (i) Number of shares outstanding (inclusive of treasury stock) | FY2019 | 12,044,302 shares | FY2018 | 12,044,302 shares |
| (ii) Amount of treasury stock                                  | FY2019 | 895,759 shares    | FY2018 | 961,470 shares    |
| (iii) Interim average number of shares                         | FY2019 | 11,113,617 shares | FY2018 | 11,042,191 shares |

Reference: Outline of unconsolidated financial results

**1. Unconsolidated Financial Results for FY2019 (April 1, 2019–March 31, 2020)**

**(1) Unconsolidated Business Results**

(% indicates YoY changes)

|        | Net sales |       | Operating income |       | Ordinary income |       | Net income |       |
|--------|-----------|-------|------------------|-------|-----------------|-------|------------|-------|
|        | ¥ million | %     | ¥ million        | %     | ¥ million       | %     | ¥ million  | %     |
| FY2019 | 1,058     | -95.2 | 273              | -77.3 | 287             | -77.1 | 250        | -70.2 |
| FY2018 | 22,144    | 2.8   | 1,206            | 7.3   | 1,254           | 9.6   | 841        | 103.7 |

|        | Net income per share | Diluted net income per share |
|--------|----------------------|------------------------------|
| FY2019 | ¥ 22.57              | ¥ 22.38                      |
| FY2018 | ¥ 76.17              | ¥ 75.41                      |

Note: The major changes in unconsolidated business results for FY2019 are the result of the transfer of all operations on April 1, 2019 to a company incorporated in an incorporation-type split, INFORMATION DEVELOPMENT CO., LTD, and the switch to a holding-company structure.

In tandem with the above, from FY2019 the Group will appropriate revenues generated by operations after the shift as “operating revenue.” “Operating revenue” in FY2019 is the same item as “net sales” before the switch to the holding-company structure.

**(2) Unconsolidated Financial Position**

|        | Total assets        | Net assets         | Equity ratio | Book value per share |
|--------|---------------------|--------------------|--------------|----------------------|
| FY2019 | ¥ million<br>10,115 | ¥ million<br>7,403 | %<br>73.1    | ¥<br>663.29          |
| FY2018 | ¥ million<br>13,784 | ¥ million<br>8,032 | %<br>58.2    | ¥<br>723.84          |

Reference: Equity FY2019 ¥7,394 million FY2018 ¥8,022 million

- \* The Consolidated Financial Results are not subject to audit 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 the information that was available as of the day the results were announced, and some of this information may be uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (5) Forecast under Section 1. Summary of Business Results, etc. on page 7 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.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)  
 To prevent infection clusters from COVID-19 and protect the health and safety of all participants and persons related to the Group, the briefing on financial results originally scheduled for May 28, 2020 is cancelled. The briefing materials will be made available on the Group website.

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## 1. Summary of Business Results, etc.

### (1) Summary of Business Results for the Period

In the financial results for the consolidated fiscal year under review (April 1, 2019 to March 31, 2020: FY2019), the picture for net sales was mixed. Revenues from cybersecurity and consulting increased dramatically, while system infrastructure trended favorably. However, in system operation management and in software development, orders received declined as certain major projects wrapped up. Net sales fell 0.5% from the previous fiscal year (YoY) to ¥26.377 billion.

In terms of earnings, a number of efforts bore fruit for the ID Group. The Group took steps such as advancing proactive sales efforts, shifting engineers into value-added fields related to cybersecurity and digital transformation (DX) and strengthening its project management system. In addition, some highly profitable, large-scale projects in software development continued in the period under review. Operating income leapt to ¥2.073 billion (+24.3% YoY), ordinary income soared to ¥2.111 billion (+22.4% YoY), and net income attributable to owners of parent swelled to ¥1.297 billion (+26.1% YoY). These figures marked the seventh straight fiscal year of growth for operating income, fourth fiscal year in a row for ordinary income and second consecutive year for net income, and all represented record highs for the Group.

In consideration of the impact of the rapidly spreading COVID-19 pandemic, the Group is undertaking special measures for its employees, including payment of special allowances and increasing provision for bonuses. As a result of these actions, actual figures for income are slightly lower than those announced on February 13, 2020.

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 accounting period<br>(April 1, 2018 to March 31, 2019) | Consolidated accounting period under review<br>(April 1, 2019 to March 31, 2020) | (Millions of ¥) |                       |
|----------------------------------------|---------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------|-----------------------|
|                                        |                     |                                                                              |                                                                                  | YoY comparison  | Increase/<br>decrease |
| System operation management            | Net sales           | 12,273                                                                       | 11,974                                                                           | -298            | -2.4                  |
|                                        | Gross profit        | 2,710                                                                        | 2,669                                                                            | -40             | -1.5                  |
|                                        | Gross profit margin | 22.1%                                                                        | 22.3%                                                                            | 0.2P            | —                     |
| Software development                   | Net sales           | 9,355                                                                        | 8,941                                                                            | -413            | -4.4                  |
|                                        | Gross profit        | 2,044                                                                        | 2,456                                                                            | 411             | 20.1                  |
|                                        | Gross profit margin | 21.9%                                                                        | 27.5%                                                                            | 5.6P            | —                     |
| System infrastructure                  | Net sales           | 2,310                                                                        | 2,499                                                                            | 189             | 8.2                   |
|                                        | Gross profit        | 548                                                                          | 721                                                                              | 173             | 31.5                  |
|                                        | Gross profit margin | 23.8%                                                                        | 28.9%                                                                            | 5.1P            | —                     |
| Cybersecurity, consulting and training | Net sales           | 1,592                                                                        | 2,091                                                                            | 498             | 31.3                  |
|                                        | Gross profit        | 356                                                                          | 542                                                                              | 185             | 52.1                  |
|                                        | Gross profit margin | 22.4%                                                                        | 25.9%                                                                            | 3.5P            | —                     |
| Others                                 | Net sales           | 983                                                                          | 869                                                                              | -114            | -11.6                 |
|                                        | Gross profit        | -62                                                                          | 19                                                                               | 82              | —                     |
|                                        | Gross profit margin | —                                                                            | 2.3%                                                                             | —               | —                     |
| Total                                  | Net sales           | 26,515                                                                       | 26,377                                                                           | -138            | -0.5                  |
|                                        | Gross profit        | 5,597                                                                        | 6,409                                                                            | 811             | 14.5                  |
|                                        | Gross profit margin | 21.1%                                                                        | 24.3%                                                                            | 3.2P            | —                     |

(i) System operation management

While the Group won some projects from existing customers in the public and financial sectors, some large-scale financial projects were wrapped up. Net sales decreased to ¥11.974 billion (-2.4% YoY).

(ii) Software development

Some major projects continued in the public sector, while orders from existing customers in the 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 ¥8.941 billion (-4.4% YoY).

(iii) System infrastructure

The Group won new orders from existing customers in the public sector and expanded orders received from existing customers in the financial sector. As a result, net sales increased to ¥2.499 billion (+8.2% YoY).

(iv) Cybersecurity, consulting and training

Orders expanded and sales increased for cybersecurity products while consulting sales rose. Net sales surged to ¥2.091 billion (+31.3% YoY).

(v) Others

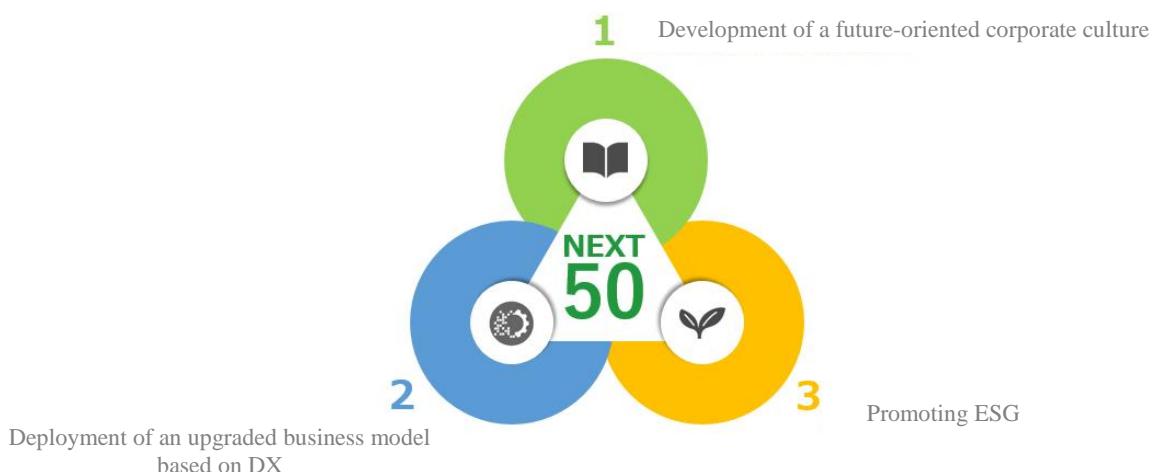
Large orders were received for product sales, but some finance-related projects were ended. Net sales decreased to ¥869 million (-11.6% YoY).

### Management Policy Initiatives

In today's information services industry, customers' IT needs are increasingly diversifying. 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 Mid-term Management Plan, Next 50 Episode I: Awakening!, covering the period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022.

The 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 to implement all three.

Mid-term Management Plan "Next 50 Episode I: Awakening!"  
(FY2019 to FY2021)



\*“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 is hiring and training diverse individuals while continuously overhauling its organization, systems and work environment so that each individual can achieve his or her maximum potential. We are also cultivating a work environment that embraces future-oriented challenge and innovation.

Measures taken to implement this policy include the following:

- The Group is committed to streamlining decision-making by delegating authority and promoting the free flow of personnel within the Group. To this end the Group is eliminating all Divisions and reorganizing around Departments as core units.
- 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.
- Earned a rating of three stars in the 3rd Nikkei Smart Work Management Survey for our effective deployment of personnel, including our efforts to develop engineers and promote diversity.
- The Group is promoting personnel\* diversity (percentage of women in management positions: 16%, percentage of non-Japanese workers at the ID Group: 9%).

\*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 focuses 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:

- The Group has established DX CONSULTING CO., LTD., an organization dedicated to the promotion of DX.
- Invested in a US-based venture fund (“ff Violet (VI), L.P.”) targeting cutting-edge IT startups, to gather information related to the latest IT technologies and accelerate DX in 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 has been certified by the Ministry of Economy, Trade and Industry (METI) as an “Excellent Enterprise of Health and Productivity Management 2020 (White 500)” in the large-enterprise category, as a “Group that views employee health management from a management perspective and addresses the issue strategically.”
- Received Gold Certification under the Sound and Excellent Management Company certification system in recognition of our vigorous efforts to promote sound management and a healthy workplace.
- To enhance work-life balance, the Group designated days on which employees are encouraged to take paid leave.
- 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 a Group affiliate is located. The orphanage is a boarding school for children enrolled in schools from elementary school to high school.
- AI Factory Co., Ltd., a special subsidiary, has obtained certification under JGAP<sup>2</sup>.
- The Group promoted diversity in work styles by participating in Telework Days 2019<sup>1</sup>, expanding telework using remote-access services and making use of satellite offices.
- 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.

Please 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 the newly established DX CONSULTING CO., LTD.

(2) Change in the company name of Fess to ID DATA CENTER MANAGEMENT CO., LTD., pursuant to a company split (absorption-type split) whereby part of ID’s system operation management segment will be succeeded by Fess

The above resolutions came 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.

\* “ITSM segment” is a consulting business focused on system operation management, based on the Information Technology Infrastructure Library (ITIL) guidelines for IT service management.

## (2) Summary of Financial Condition for the Period

### Assets, liabilities, and net assets

Assets at the end of the consolidated accounting period under review increased by ¥649 million to ¥15.249 billion from ¥14.6 billion at the end of the previous consolidated accounting period, owing to an increase in accounts receivable—other of ¥906 million and a decrease due to amortization of goodwill of ¥254 million.

Liabilities at the end of the consolidated accounting period under review increased by ¥260 million to ¥6.519 billion from ¥6.258 billion at the end of the previous consolidated accounting period. While interest-bearing debt declined by ¥1.493 billion, accrued consumption tax, etc. increased by ¥1.038 billion, income taxes payable increased ¥593 million, and deferred tax liabilities increased by ¥157 million.

Net assets at the end of the consolidated accounting period under review increased by ¥388 million to ¥8.730 billion from ¥8.342 billion at the end of the previous consolidated accounting period, owing to a decrease of ¥741 million due to dividend payments and net income attributable to owners of parent of ¥1.297 billion.

## (3) Summary of Cash Flow for the Period

|                                            |                                       |
|--------------------------------------------|---------------------------------------|
| Cash flows from operating activities       | ¥3.231 billion (+¥2.227 billion YoY)  |
| Cash flows from investment activities      | -¥114 million (+¥221 million YoY)     |
| Cash flows from financing activities       | -¥2.219 billion (-¥2.093 billion YoY) |
| Cash and cash equivalents at end of period | ¥4.367 billion (+¥877 million YoY)    |

Cash flows from operating activities were ¥3.231 billion, as net income before income taxes was ¥2.151 billion, accrued consumption tax, etc. increased ¥1.039 billion, and notes and accounts receivable—trade decreased ¥1 billion.

Cash flows from investment activities were -¥114 million, as purchase of property, plant and equipment was ¥79 million, and purchase of intangible assets was ¥30 million.

Cash flows from financing activities were -¥2.219 billion, as short-term loans payable had a net decrease of ¥1 billion, cash dividends paid were ¥735 million, and repayment of long-term loans payable was ¥499 million.

Thus, cash and cash equivalents at the end of the period rose to ¥4.367 billion, which is an ¥877 million increase over the previous consolidated accounting period.

Reference: Cash flow benchmarks

|                                                      | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|------------------------------------------------------|--------|--------|--------|--------|--------|
| Equity ratio (%)*                                    | 62.7   | 69.0   | 55.2   | 56.9   | 57.0   |
| Equity ratio (%) at fair value                       | 61.2   | 122.5  | 124.1  | 105.5  | 102.3  |
| Ratio of cash flow to interest-bearing debt (annual) | 5.0    | 0.3    | 1.9    | 2.6    | 0.3    |
| Interest coverage ratio (multiple)                   | 20.0   | 229.5  | 159.2  | 63.7   | 263.0  |

\*Equity ratio: Shareholder equity / total assets

Equity ratio at fair value: Market capitalization / total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

1. These benchmarks were calculated based on consolidated financial figures.
2. Market capitalization was calculated based on the closing share price at the end of the period multiplied by the number of shares outstanding (after deducting treasury stock).
3. To determine cash flow, the cash flows from operating activities stated in the Consolidated Cash Flow Statement were used. All debts stated in the consolidated balance sheet on which interest payments are being made are included in the interest-bearing debt. The interest expenses paid stated in the Consolidated Cash Flow Statement were used regarding interest payments.

## (4) Basic Policy on Profit Distributions and Dividends for the Current Period and the Next Period

The Group considers the return of profits to shareholders to be one of its chief management priorities. It is making every effort to

secure a strong business foundation and improve stable revenues and return on equity. The Group's basic policy is to maintain appropriate distributions of profits based on the business results.

The Group intends to distribute a year-end dividend of ¥25 per share for FY2019. This year-end dividend combines with the interim dividend of ¥25 per share, instituted in FY2019, for a total dividend of ¥50 per share. This figure marks an increase of ¥10 per share from the total dividend of ¥40 per share forecast at the beginning of FY2019.

The Group will deploy its internal reserves to expand operations and boost business results. Initiatives include training the engineers the Group needs to deliver value-added IT solutions related to DX; formation of services using new technologies such as AI and IoT; acquisition of new products; and investing in promoting the Group's global strategy, embracing not only China but also Singapore and Myanmar as well as North America and Europe.

Based on the basic policy outlined above, the dividend for FY2020 is expected to consist of an interim dividend of ¥25 per share and a year-end dividend of ¥25 per share, for a total dividend of ¥50 per share, as in FY2019.

## **(5) Forecast**

The global COVID-19 pandemic is expected to continue to impact the domestic and global economies. This prospect creates an uncertain future for economic activity, the management environment of companies and the employment picture.

As a result of the spread of the COVID-19 pandemic, the IT service industry, of which the Group is a part, can expect to encounter a number of emerging needs as well as challenges. These needs include the introduction and upgrading of IT environments for telework purposes and acceleration of transfer of information assets to the cloud. Difficulties will include the cancellation of new software-development projects, the elongation of existing projects and demands from customers for price reductions. The severity of these negative developments may well be unprecedented.

Under this business environment, the Group's forecast of consolidated business results for FY2020 calls for net sales of ¥24.5 billion (-7.1% YoY), operating income of ¥2 billion (-3.5% YoY), ordinary income of ¥2.04 billion (-3.4% YoY) and net sales attributable to owners of parent of ¥1.19 billion (-8.3% YoY).

This forecast of business results is calculated based on the following assumptions.

- (i) The COVID-19 pandemic will come to a temporary conclusion around August 2020 and reemerge around the period from December 2020 to April 2021.
- (ii) A full-fledged resumption of IT investment by corporate customers will occur in or after Q2 FY2020.
- (iii) The Group's employment levels will be preserved.
- (iv) The impact of the COVID-19 pandemic on the fields of system operation management and cybersecurity consulting, which account for most of the Group's consolidated net sales, will be slight.
- (v) In the software development and system infrastructure fields, the expected IT investment policies of corporate customers will change, possibly resulting in the delay or cancellation of projects currently under way.
- (vi) Measures for rationalization and streamlining of management will be implemented to reduce costs.

The forecast for Q2 depends critically on the timing of the conclusion of the pandemic. Accordingly, the Group is providing a forecast for the full fiscal year only.

If any of the above assumptions change, the forecast of business results may change as well.

## **2. Basic Approach to the Selection of Accounting Standards**

The ID Group is currently basing its accounting policies on consolidated financial statements prepared according to Japanese accounting standards, in light of the ability to compare periods and companies on the consolidated financial statements.

The ID Group will comply appropriately with the IFRS standards considering domestic and international conditions.

### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated Balance Sheet

(Thousands of ¥)

|                                              | Previous consolidated accounting period<br>As of March 31, 2019 | Consolidated accounting period<br>under review<br>As of March 31, 2020 |
|----------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|
| <b>Assets</b>                                |                                                                 |                                                                        |
| <b>Current assets</b>                        |                                                                 |                                                                        |
| Cash and deposits                            | 3,797,736                                                       | 4,689,877                                                              |
| Notes and accounts receivable – trade        | 5,232,087                                                       | 4,250,528                                                              |
| Work in process                              | 19,288                                                          | 18,904                                                                 |
| Accounts receivable–other                    | 7,432                                                           | 913,772                                                                |
| Other                                        | 242,311                                                         | 243,207                                                                |
| Total current assets                         | 9,298,856                                                       | 10,116,289                                                             |
| <b>Non-current assets</b>                    |                                                                 |                                                                        |
| Property, plant and equipment                |                                                                 |                                                                        |
| Buildings and structures                     | 1,454,149                                                       | 1,463,954                                                              |
| Accumulated depreciation                     | –697,084                                                        | –747,454                                                               |
| Buildings and structures (net)               | 757,065                                                         | 716,500                                                                |
| Motor vehicles and transport equipment       | 16,349                                                          | 16,349                                                                 |
| Accumulated depreciation                     | –6,668                                                          | –9,891                                                                 |
| Motor vehicles and transport equipment (net) | 9,681                                                           | 6,458                                                                  |
| Machines and equipment                       | 16,955                                                          | 16,869                                                                 |
| Accumulated depreciation                     | –11,965                                                         | –13,813                                                                |
| Machines and equipment (net)                 | 4,990                                                           | 3,056                                                                  |
| Tools, appliances, and accessories           | 523,848                                                         | 529,810                                                                |
| Accumulated depreciation                     | –376,009                                                        | –404,016                                                               |
| Tools, appliances, and accessories (net)     | 147,838                                                         | 125,794                                                                |
| Land                                         | 862,196                                                         | 882,246                                                                |
| Total property, plant and equipment          | 1,781,771                                                       | 1,734,054                                                              |
| Intangible assets                            |                                                                 |                                                                        |
| Goodwill                                     | 1,418,972                                                       | 1,164,231                                                              |
| Software                                     | 94,212                                                          | 84,328                                                                 |
| Other                                        | 742                                                             | 742                                                                    |
| Total intangible assets                      | 1,513,927                                                       | 1,249,301                                                              |
| Investments and other assets                 |                                                                 |                                                                        |
| Investment securities                        | 1,367,953                                                       | 1,139,311                                                              |
| Deferred tax assets                          | 203,067                                                         | 512,200                                                                |
| Guarantee deposits                           | 239,832                                                         | 253,578                                                                |
| Other                                        | 202,757                                                         | 252,437                                                                |
| Allowance for doubtful accounts              | –7,500                                                          | –7,500                                                                 |
| Total investments and other assets           | 2,006,110                                                       | 2,150,027                                                              |
| Total non-current assets                     | 5,301,809                                                       | 5,133,383                                                              |
| <b>Total assets</b>                          | <b>14,600,666</b>                                               | <b>15,249,673</b>                                                      |

(Thousands of ¥)

|                                                       | Previous consolidated accounting period<br>As of March 31, 2019 | Consolidated accounting period<br>under review<br>As of March 31, 2020 |
|-------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|
| <b>Liabilities</b>                                    |                                                                 |                                                                        |
| Current liabilities                                   |                                                                 |                                                                        |
| Accounts payable – trade                              | 975,479                                                         | 901,141                                                                |
| Short-term loans payable                              | 1,360,000                                                       | 360,000                                                                |
| Current portion of long-term loans payable            | 499,600                                                         | 499,600                                                                |
| Income taxes payable                                  | 325,600                                                         | 919,004                                                                |
| Accrued consumption tax, etc.                         | 285,794                                                         | 1,324,503                                                              |
| Provision for bonuses                                 | 954,331                                                         | 1,094,196                                                              |
| Provision for directors' bonuses                      | 22,700                                                          | 42,325                                                                 |
| Provision for loss on orders received                 | 34,479                                                          | —                                                                      |
| Other                                                 | 835,700                                                         | 716,491                                                                |
| Total current liabilities                             | 5,293,685                                                       | 5,857,263                                                              |
| Non-current liabilities                               |                                                                 |                                                                        |
| Long-term loans payable                               | 749,400                                                         | 249,800                                                                |
| Deferred tax liabilities                              | —                                                               | 157,800                                                                |
| Provision for directors' retirement benefits          | 11,799                                                          | 16,413                                                                 |
| Net retirement benefit liability                      | 29,888                                                          | 30,927                                                                 |
| Other                                                 | 173,664                                                         | 206,925                                                                |
| Total non-current liabilities                         | 964,752                                                         | 661,867                                                                |
| Total liabilities                                     | 6,258,438                                                       | 6,519,130                                                              |
| <b>Net assets</b>                                     |                                                                 |                                                                        |
| Shareholders' equity                                  |                                                                 |                                                                        |
| Capital stock                                         | 592,344                                                         | 592,344                                                                |
| Capital surplus                                       | 568,352                                                         | 567,587                                                                |
| Retained earnings                                     | 6,947,709                                                       | 7,502,863                                                              |
| Treasury stock                                        | –470,069                                                        | –443,682                                                               |
| Total shareholders' equity                            | 7,638,336                                                       | 8,219,113                                                              |
| Accumulated other comprehensive income                |                                                                 |                                                                        |
| Valuation difference on available-for-sale securities | 557,514                                                         | 395,479                                                                |
| Foreign currency translation adjustment               | 109,840                                                         | 74,194                                                                 |
| Remeasurements of retirement benefit plans            | 1,807                                                           | 997                                                                    |
| Total accumulated other comprehensive income          | 669,162                                                         | 470,671                                                                |
| Subscription rights to shares                         | 10,609                                                          | 8,937                                                                  |
| Non-controlling interests                             | 24,119                                                          | 31,820                                                                 |
| Total net assets                                      | 8,342,227                                                       | 8,730,542                                                              |
| Total liabilities and net assets                      | 14,600,666                                                      | 15,249,673                                                             |

**(2) Consolidated Statement of Income and Comprehensive Income**

**(Consolidated Statement of Income)**

(Thousands of ¥)

|                                                     | Previous consolidated accounting period<br>(April 1, 2018 to<br>March 31, 2019) | Consolidated accounting period<br>under review<br>(April 1, 2019 to<br>March 31, 2020) |
|-----------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Net sales                                           | 26,515,319                                                                      | 26,377,088                                                                             |
| Cost of sales                                       | 20,917,801                                                                      | 19,967,682                                                                             |
| <b>Gross profit</b>                                 | <b>5,597,518</b>                                                                | <b>6,409,406</b>                                                                       |
| Selling, general, and administrative expenses       |                                                                                 |                                                                                        |
| Directors' compensation                             | 172,310                                                                         | 209,483                                                                                |
| Salary allowances and bonuses                       | 1,542,111                                                                       | 1,650,701                                                                              |
| Provision for bonuses                               | 149,711                                                                         | 224,275                                                                                |
| Provision for directors' bonuses                    | 22,700                                                                          | 42,335                                                                                 |
| Retirement benefit expenses                         | 43,639                                                                          | 50,819                                                                                 |
| Provision for directors' retirement benefits        | 879                                                                             | 1,171                                                                                  |
| Statutory welfare expenses                          | 350,295                                                                         | 385,901                                                                                |
| Land rent                                           | 173,756                                                                         | 181,067                                                                                |
| Depreciation                                        | 139,535                                                                         | 132,487                                                                                |
| Amortization of goodwill                            | 254,740                                                                         | 254,740                                                                                |
| Other                                               | 1,080,340                                                                       | 1,203,333                                                                              |
| Total selling, general, and administrative expenses | 3,930,020                                                                       | 4,336,317                                                                              |
| <b>Operating income</b>                             | <b>1,667,497</b>                                                                | <b>2,073,088</b>                                                                       |
| Non-operating income                                |                                                                                 |                                                                                        |
| Interest income                                     | 5,052                                                                           | 5,049                                                                                  |
| Dividend income                                     | 38,385                                                                          | 23,535                                                                                 |
| Insurance proceeds and dividends                    | 10,082                                                                          | 5,064                                                                                  |
| Subsidy income                                      | 10,702                                                                          | 8,887                                                                                  |
| Foreign exchange gains                              | 13,615                                                                          | —                                                                                      |
| Other                                               | 13,482                                                                          | 33,114                                                                                 |
| Total non-operating income                          | 91,320                                                                          | 75,652                                                                                 |
| Non-operating expenses                              |                                                                                 |                                                                                        |
| Interest expenses                                   | 15,778                                                                          | 12,289                                                                                 |
| Commitment line fees                                | 18,209                                                                          | 17,691                                                                                 |
| Foreign exchange loss                               | —                                                                               | 5,514                                                                                  |
| Other                                               | 240                                                                             | 1,537                                                                                  |
| Total non-operating expenses                        | 34,229                                                                          | 37,033                                                                                 |
| <b>Ordinary income</b>                              | <b>1,724,588</b>                                                                | <b>2,111,707</b>                                                                       |

(Thousands of ¥)

|                                                      | Previous consolidated accounting period<br>(April 1, 2018 to<br>March 31, 2019) | Consolidated accounting period<br>under review<br>(April 1, 2019 to<br>March 31, 2020) |
|------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Extraordinary income                                 |                                                                                 |                                                                                        |
| Gain on sales of non-current assets                  | 2,495                                                                           | 1,068                                                                                  |
| Gain on sales of investment securities               | 9,495                                                                           | 38,886                                                                                 |
| Gain on reversal of subscription rights to shares    | 115                                                                             | 115                                                                                    |
| Other                                                | 4                                                                               | —                                                                                      |
| Total extraordinary income                           | 12,111                                                                          | 40,070                                                                                 |
| Extraordinary losses                                 |                                                                                 |                                                                                        |
| Loss on sales of non-current assets                  | 27                                                                              | —                                                                                      |
| Loss on retirement of non-current assets             | 2,126                                                                           | 114                                                                                    |
| Office transfer loss                                 | 57,701                                                                          | —                                                                                      |
| Total extraordinary losses                           | 59,855                                                                          | 114                                                                                    |
| Net income before income taxes                       | 1,676,845                                                                       | 2,151,663                                                                              |
| Income taxes—current                                 | 658,340                                                                         | 922,402                                                                                |
| Income taxes—deferred                                | −17,172                                                                         | −77,704                                                                                |
| Total income taxes                                   | 641,168                                                                         | 844,698                                                                                |
| Net income                                           | 1,035,676                                                                       | 1,306,965                                                                              |
| Net income attributable to non-controlling interests | 7,124                                                                           | 9,940                                                                                  |
| Net income attributable to owners of parent          | 1,028,552                                                                       | 1,297,024                                                                              |

**(Consolidated Statement of Comprehensive Income)**

(Thousands of ¥)

|                                                                   | Previous consolidated accounting period<br>(April 1, 2018 to<br>March 31, 2019) | Consolidated accounting period<br>under review<br>(April 1, 2019 to<br>March 31, 2020) |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Net income                                                        | 1,035,676                                                                       | 1,306,965                                                                              |
| Other comprehensive income                                        |                                                                                 |                                                                                        |
| Valuation difference on available-for-sale securities             | 105,661                                                                         | -162,034                                                                               |
| Foreign currency translation adjustment                           | 6,359                                                                           | -35,646                                                                                |
| Remeasurements of retirement benefit plans                        | 3,699                                                                           | -809                                                                                   |
| Total other comprehensive income                                  | 115,721                                                                         | -198,490                                                                               |
| Comprehensive income                                              | 1,151,398                                                                       | 1,108,474                                                                              |
| (Breakdown)                                                       |                                                                                 |                                                                                        |
| Comprehensive income attributable to owners of<br>parent          | 1,144,274                                                                       | 1,098,534                                                                              |
| Comprehensive income attributable to non-controlling<br>interests | 7,124                                                                           | 9,940                                                                                  |

**(3) Consolidated Statement of Changes in Shareholders' Equity**

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balances at the beginning of the period              | 592,344              | 568,970         | 6,374,935         | -502,870       | 7,033,380                  |
| Changes during the period                            |                      |                 |                   |                |                            |
| Dividends from surplus                               |                      |                 | -455,779          |                | -455,779                   |
| Net income attributable to owners of parent          |                      |                 | 1,028,552         |                | 1,028,552                  |
| Acquisition of treasury stock                        |                      |                 |                   | -256           | -256                       |
| Disposition of treasury stock                        |                      | -618            |                   | 33,056         | 32,438                     |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during the period                      | -                    | -618            | 572,773           | 32,800         | 604,955                    |
| Balances at the end of the period                    | 592,344              | 568,352         | 6,947,709         | -470,069       | 7,638,336                  |

|                                                      | Accumulated other comprehensive income                |                                         |                                            |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|--------------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of retirement benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balances at the beginning of the period              | 451,852                                               | 103,481                                 | -1,892                                     | 553,441                                      | 11,993                        | 18,435                    | 7,617,250        |
| Changes during the period                            |                                                       |                                         |                                            |                                              |                               |                           |                  |
| Dividends from surplus                               |                                                       |                                         |                                            |                                              |                               |                           | -455,779         |
| Net income attributable to owners of parent          |                                                       |                                         |                                            |                                              |                               |                           | 1,028,552        |
| Acquisition of treasury stock                        |                                                       |                                         |                                            |                                              |                               |                           | -256             |
| Disposition of treasury stock                        |                                                       |                                         |                                            |                                              |                               |                           | 32,438           |
| Net changes of items other than shareholders' equity | 105,661                                               | 6,359                                   | 3,699                                      | 115,721                                      | -1,383                        | 5,684                     | 120,021          |
| Total changes during the period                      | 105,661                                               | 6,359                                   | 3,699                                      | 115,721                                      | -1,383                        | 5,684                     | 724,977          |
| Balances at the end of the period                    | 557,514                                               | 109,840                                 | 1,807                                      | 669,162                                      | 10,609                        | 24,119                    | 8,342,227        |

Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

(Thousands of ¥)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balances at the beginning of the period              | 592,344              | 568,352         | 6,947,709         | -470,069       | 7,638,336                  |
| Changes during the period                            |                      |                 |                   |                |                            |
| Dividends from surplus                               |                      |                 | -741,870          |                | -741,870                   |
| Net income attributable to owners of parent          |                      |                 | 1,297,024         |                | 1,297,024                  |
| Acquisition of treasury stock                        |                      |                 |                   | -436           | -436                       |
| Disposition of treasury stock                        |                      | -764            |                   | 26,823         | 26,058                     |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during the period                      | -                    | -764            | 555,154           | 26,387         | 580,777                    |
| Balances at the end of the period                    | 592,344              | 567,587         | 7,502,863         | -443,682       | 8,219,113                  |

|                                                      | Accumulated other comprehensive income                |                                         |                                            |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|--------------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of retirement benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balances at the beginning of the period              | 557,514                                               | 109,840                                 | 1,807                                      | 669,162                                      | 10,609                        | 24,119                    | 8,342,227        |
| Changes during the period                            |                                                       |                                         |                                            |                                              |                               |                           |                  |
| Dividends from surplus                               |                                                       |                                         |                                            |                                              |                               |                           | -741,870         |
| Net income attributable to owners of parent          |                                                       |                                         |                                            |                                              |                               |                           | 1,297,024        |
| Acquisition of treasury stock                        |                                                       |                                         |                                            |                                              |                               |                           | -436             |
| Disposition of treasury stock                        |                                                       |                                         |                                            |                                              |                               |                           | 26,058           |
| Net changes of items other than shareholders' equity | -162,034                                              | -35,646                                 | -809                                       | -198,490                                     | -1,672                        | 7,700                     | -192,462         |
| Total changes during the period                      | -162,034                                              | -35,646                                 | -809                                       | -198,490                                     | -1,672                        | 7,700                     | 388,314          |
| Balances at the end of the period                    | 395,479                                               | 74,194                                  | 997                                        | 470,671                                      | 8,937                         | 31,820                    | 8,730,542        |

**(4) Consolidated Cash Flow Statement**

(Thousands of ¥)

|                                                                     | Previous consolidated accounting period<br>(April 1, 2018 to<br>March 31, 2019) | Consolidated accounting period<br>under review<br>(April 1, 2019 to<br>March 31, 2020) |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Cash flows from operating activities</b>                         |                                                                                 |                                                                                        |
| Net income before income taxes                                      | 1,676,845                                                                       | 2,151,663                                                                              |
| Depreciation                                                        | 179,194                                                                         | 167,390                                                                                |
| Amortization of goodwill                                            | 254,740                                                                         | 254,740                                                                                |
| Loss on retirement of non-current assets                            | 2,126                                                                           | 114                                                                                    |
| Loss (gain) on sales of non-current assets                          | -2,468                                                                          | -1,068                                                                                 |
| Loss (gain) on sales of investment securities                       | -9,495                                                                          | -38,886                                                                                |
| Increase (decrease) in allowance for doubtful accounts              | -2,279                                                                          | —                                                                                      |
| Increase (decrease) in provision for bonuses                        | 24,822                                                                          | 139,269                                                                                |
| Increase (decrease) in provision for directors' bonuses             | 2,579                                                                           | 23,625                                                                                 |
| Increase (decrease) in provision for loss on orders received        | 34,479                                                                          | -34,479                                                                                |
| Increase (decrease) in net defined benefit liability                | -10,943                                                                         | -199                                                                                   |
| Increase (decrease) in provision for directors' retirement benefits | 3,813                                                                           | 4,614                                                                                  |
| Interest income and dividend income                                 | -43,437                                                                         | -28,584                                                                                |
| Interest expenses                                                   | 15,778                                                                          | 12,289                                                                                 |
| Foreign exchange losses (gains)                                     | 67                                                                              | 127                                                                                    |
| Decrease (increase) in notes and accounts receivable—trade          | -313,235                                                                        | 1,000,861                                                                              |
| Decrease (increase) in inventories                                  | 31,720                                                                          | 2,780                                                                                  |
| Increase (decrease) in notes and accounts payable—trade             | 13,405                                                                          | -89,003                                                                                |
| Increase (decrease) in accrued consumption tax, etc.                | -102,922                                                                        | 1,039,788                                                                              |
| Decrease (increase) of other current assets                         | -46,331                                                                         | -806,782                                                                               |
| Increase (decrease) in other current liabilities                    | -24,960                                                                         | -141,927                                                                               |
| Decrease (increase) in other non-current assets                     | 3,535                                                                           | -46,641                                                                                |
| Increase (decrease) in other non-current liabilities                | 9,119                                                                           | 80,111                                                                                 |
| Other                                                               | 94,348                                                                          | -60,295                                                                                |
| <b>Subtotal</b>                                                     | <b>1,790,501</b>                                                                | <b>3,629,510</b>                                                                       |
| Interest and dividend income received                               | 42,434                                                                          | 26,338                                                                                 |
| Interest expenses paid                                              | -15,778                                                                         | -12,289                                                                                |
| Corporation tax, etc. paid                                          | -812,618                                                                        | -411,582                                                                               |
| <b>Net cash provided by (used in) operating activities</b>          | <b>1,004,538</b>                                                                | <b>3,231,976</b>                                                                       |
| <b>Cash flows from investment activities</b>                        |                                                                                 |                                                                                        |
| Payments into time deposits                                         | -94,624                                                                         | -158,738                                                                               |
| Proceeds from withdrawal of time deposits                           | 10,000                                                                          | 143,704                                                                                |
| Purchase of property, plant and equipment                           | -125,708                                                                        | -79,095                                                                                |
| Proceeds from sales of property, plant and equipment                | 3,286                                                                           | 6,503                                                                                  |
| Purchase of intangible assets                                       | -38,676                                                                         | -30,736                                                                                |
| Purchase of investment securities                                   | -65,405                                                                         | -24,955                                                                                |
| Proceeds from sales of investment securities                        | 14,000                                                                          | 70,424                                                                                 |
| Collection of long-term loans receivable                            | 517                                                                             | 710                                                                                    |
| Other                                                               | -39,562                                                                         | -42,186                                                                                |
| <b>Net cash provided by (used in) investing activities</b>          | <b>-336,173</b>                                                                 | <b>-114,368</b>                                                                        |

(Thousands of ¥)

|                                                              | Previous consolidated accounting period<br>(April 1, 2018 to<br>March 31, 2019) | Consolidated accounting period<br>under review<br>(April 1, 2019 to<br>March 31, 2020) |
|--------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Cash flows from financing activities</b>                  |                                                                                 |                                                                                        |
| Net increase (decrease) in short-term loans payable          | −920,000                                                                        | −1,000,000                                                                             |
| Proceeds from long-term loans payable                        | 1,500,000                                                                       | —                                                                                      |
| Repayment of long-term loans payable                         | −251,000                                                                        | −499,600                                                                               |
| Purchase of treasury stock                                   | −256                                                                            | −436                                                                                   |
| Proceeds from sales of treasury stock                        | —                                                                               | 24,501                                                                                 |
| Cash dividends paid                                          | −454,704                                                                        | −735,220                                                                               |
| Cash dividends paid to non-controlling interests             | −1,440                                                                          | −2,240                                                                                 |
| Other                                                        | 1,235                                                                           | −6,710                                                                                 |
| Net cash provided by (used in) financing activities          | −126,165                                                                        | −2,219,706                                                                             |
| Effect of exchange rate changes on cash and cash equivalents | 3,127                                                                           | −20,611                                                                                |
| Net increase (decrease) in cash and cash equivalents         | 545,327                                                                         | 877,289                                                                                |
| Cash and cash equivalents at beginning of period             | 2,944,523                                                                       | 3,489,851                                                                              |
| Cash and cash equivalents at end of period                   | 3,489,851                                                                       | 4,367,141                                                                              |

**(5) Notes on Consolidated Financial Statements**  
**(Notes on Assumptions regarding Going Concern)**  
None.

**(Changes in Important Subsidiaries during the Consolidated Fiscal Period)**

In the consolidated fiscal period under review, as a result of the Company's switch to a holding-company structure, as of April 1, 2019 the name of the Company is changed to ID Holdings Corporation. INFORMATION DEVELOPMENT CO., LTD., a company incorporated in an incorporation-type split, is included in the scope of consolidation.

**(Changes in Accounting Policies)**

None.

**(Changes in Method of Representation)**

(Items related to the consolidated balance sheet)

In the previous consolidated fiscal period, "Accounts receivable—other," was included in "Other" under current assets, while "Accrued consumption tax, etc.," was included in "Other" under current liabilities. Because these items have increased in importance, from the current consolidated fiscal year these items are listed as separate categories. To reflect this change in method of representation, the consolidated balance sheet for the previous consolidated fiscal year has been rearranged.

In the previous consolidated fiscal year, accounts receivable—other amounted to ¥7,432,000, while accrued consumption tax, etc. totaled ¥285,794,000.

**(Additional Information)**

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The Company 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

The Board of Directors Meeting held on April 30, 2015 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 Company, 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 Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the Company awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit Rules previously established by the Group.

The Company awards points 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 Company shares held in trust

Shares in the Company held by BBT and J-ESOP at the end of the consolidated fiscal period 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 fiscal period 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 fiscal period under review.

**(Segment Information, etc.)**

[Segment Information]

I. Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

Please refer to “[Items Related to Changes in Reporting Segments]” under “[II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020).”

II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

**(Items Related to Changes in Reporting Segments)**

Previously, the Group had two reporting segments, “system operation management” and “software development.” Business segments not included in the reporting segments were gathered in the category “other.” Beginning in the current consolidated fiscal year, however, the Group is merging these reporting segments into a single reporting segment, “information service business.”

In tandem with its switch to a holding-company system on April 1, 2019, the Group reorganized, eliminating parts of the divisional-headquarters system in its operating segments and revising its business management methods. In view of these changes in its business management framework, the Group rethought its reporting segments and decided to merge them into a single segment.

Because the Group now consists of a single segment, listing of segments for the previous consolidated fiscal year and the current consolidated fiscal year is omitted.

[Related Information]

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

1. Information by Product and Service

As stated in “[Items Related to Changes in Reporting Segments]” in “[II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020).” under “[Segment Information],” from the consolidated fiscal year under review the Group has only one segment, so this item is omitted.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

| Client designation or name | Net sales | Related segment name |
|----------------------------|-----------|----------------------|
| IBM Japan, Ltd.            | 3,014,080 | —                    |
| MHTS Co., Ltd.             | 3,005,853 | —                    |

Note: The Group has only one segment, so the related segment name is omitted.

Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

1. Information by Product and Service

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

2. Information by Region

(1) Net sales

Omitted. Net sales to external clients in Japan make up more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Omitted. The amount of property, plant and equipment located in Japan makes up more than 90% of the amount of the property, plant and equipment reported in the consolidated balance sheet.

3. Information by Major Client

(Thousands of ¥)

| Client designation or name | Net sales | Related segment name |
|----------------------------|-----------|----------------------|
| IBM Japan, Ltd.            | 3,652,887 | —                    |
| MHTS Co., Ltd.             | 3,072,040 | —                    |

Note: The Group has only one segment, so the related segment name is omitted.

[Information on Non-current Asset Impairment Losses by Reporting Segment]

None.

[Information on Depreciated Amount of Goodwill and Balance of Undepreciated Balance for Each Reporting Segment]

Previous consolidated accounting period (April 1, 2018 to March 31, 2019)

As stated in “(Items Related to Changes in Reporting Segments)” in “II. Consolidated accounting period under review (April 1, 2019 to March 31, 2020)” under “[Segment Information],” from the consolidated fiscal year under review the Group has only one segment, so this item is omitted.

Consolidated accounting period under review (April 1, 2019 to March 31, 2020)

The Group has only one segment, “information service business.” Accordingly, this item is omitted.

[Information on Gain on Bargain Purchase by Reporting Segment]

None.

**(Per-Share Information)**

|                              | Previous consolidated accounting period<br>(April 1, 2018 to March 31, 2019) | Consolidated accounting period under review<br>(April 1, 2019 to March 31, 2020) |
|------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Book value per share         | ¥749.58                                                                      | ¥779.45                                                                          |
| Net income per share         | ¥93.15                                                                       | ¥116.71                                                                          |
| Diluted net income per share | ¥92.21                                                                       | ¥115.73                                                                          |

Notes: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were treasury stock at the end of the period for calculating the book value per share, and is included in the treasury stock to be deducted in the calculation of the interim average number of shares for calculating the net income per share and the diluted net income per share.

The trust account held 327,977 shares at the end of the previous consolidated accounting period, and 282,227 shares at the end of the current consolidated accounting period. The interim average number of shares was 360,224 shares in the previous consolidated accounting period, and 306,540 shares for the current consolidated accounting period.

2. The basis for calculating the net income per share and the diluted net income per share is stated below.

|                                                                                                                                       | Previous consolidated accounting period<br>(April 1, 2018 to March 31, 2019) | Consolidated accounting period under review<br>(April 1, 2019 to March 31, 2020) |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Net income per share                                                                                                                  |                                                                              |                                                                                  |
| Net income attributable to owners of parent                                                                                           | ¥1,028,552,000                                                               | ¥1,297,024,000                                                                   |
| Amounts not attributable to common shareholders                                                                                       | —                                                                            | —                                                                                |
| Net income attributable to owners of parent regarding common stock                                                                    | ¥1,028,552,000                                                               | ¥1,297,024,000                                                                   |
| Interim average number of shares                                                                                                      | Common stock: 11,042,191 shares                                              | Common stock: 11,113,617 shares                                                  |
| Diluted net income per share                                                                                                          |                                                                              |                                                                                  |
| Adjusted net income attributable to owners of parent                                                                                  | —                                                                            | —                                                                                |
| Increase in common stock                                                                                                              | 112,066 shares                                                               | 93,817 shares                                                                    |
| (portion of these shares that are stock options deriving from the subscription-rights-to-shares method)                               | (112,066 shares)                                                             | (93,817 shares)                                                                  |
| Summary of residual securities excluded from the calculation of the diluted net income per share because there was no dilutive effect | —                                                                            | —                                                                                |

Note: 1. The number of Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP) is included in the number of common shares that were interim average treasury stock for calculating the net income per share and the diluted net income per share.

**(Material Subsequent Events)**

None.

#### 4. Unconsolidated Financial Statements and Important Notes

##### (1) Balance Sheet

(Thousands of ¥)

|                                                 | Previous fiscal year<br>As of March 31, 2019 | Current fiscal year<br>As of March 31, 2020 |
|-------------------------------------------------|----------------------------------------------|---------------------------------------------|
| <b>Assets</b>                                   |                                              |                                             |
| Current assets                                  |                                              |                                             |
| Cash and deposits                               | 2,198,817                                    | 178,883                                     |
| Accounts receivable – trade                     | 4,565,063                                    | —                                           |
| Work in process                                 | 15,962                                       | —                                           |
| Supplies                                        | 1,608                                        | —                                           |
| Advance payments                                | 134                                          | —                                           |
| Prepaid expenses                                | 169,303                                      | 36,437                                      |
| Accounts receivable–other                       | 23,499                                       | 1,143,829                                   |
| Other                                           | 5,237                                        | 2,034                                       |
| Total current assets                            | 6,979,628                                    | 1,361,185                                   |
| Non-current assets                              |                                              |                                             |
| Property, plant and equipment                   |                                              |                                             |
| Buildings                                       | 1,262,584                                    | 1,214,457                                   |
| Accumulated depreciation                        | –636,763                                     | –656,771                                    |
| Buildings (net)                                 | 625,820                                      | 557,686                                     |
| Structures                                      | 31,674                                       | 31,674                                      |
| Accumulated depreciation                        | –22,116                                      | –23,492                                     |
| Structures (net)                                | 9,558                                        | 8,182                                       |
| Motor vehicles and transport equipment          | 16,120                                       | —                                           |
| Accumulated depreciation                        | –6,438                                       | —                                           |
| Motor vehicles and transport equipment<br>(net) | 9,681                                        | —                                           |
| Tools, appliances, and accessories              | 466,095                                      | 216,293                                     |
| Accumulated depreciation                        | –331,432                                     | –164,862                                    |
| Tools, appliances, and accessories (net)        | 134,663                                      | 51,430                                      |
| Land                                            | 862,196                                      | 864,101                                     |
| Total property, plant and equipment             | 1,641,920                                    | 1,481,402                                   |
| Intangible assets                               |                                              |                                             |
| Goodwill                                        | 24,419                                       | 12,209                                      |
| Software                                        | 88,742                                       | —                                           |
| Other                                           | 734                                          | —                                           |
| Total intangible assets                         | 113,896                                      | 12,209                                      |
| Investments and other assets                    |                                              |                                             |
| Investment securities                           | 1,367,953                                    | 1,139,311                                   |
| Affiliate shares                                | 3,334,673                                    | 5,587,328                                   |
| Capital investments                             | 100                                          | —                                           |
| Long-term loans                                 | 2,192                                        | —                                           |
| Long-term prepaid expenses                      | 3,094                                        | —                                           |
| Deferred tax assets                             | 121,287                                      | 169,534                                     |
| Guarantee deposits                              | 232,095                                      | 204,670                                     |
| Facilities use memberships                      | 41,099                                       | —                                           |
| Other                                           | 150,480                                      | 159,636                                     |
| Allowance for doubtful accounts                 | –7,500                                       | —                                           |
| Allowance for investment loss                   | –196,512                                     | —                                           |
| Total investments and other assets              | 5,048,962                                    | 7,260,482                                   |
| Total non-current assets                        | 6,804,779                                    | 8,754,094                                   |
| <b>Total assets</b>                             | <b>13,784,407</b>                            | <b>10,115,279</b>                           |

(Thousands of ¥)

|                                                       | Previous fiscal year<br>As of March 31, 2019 | Current fiscal year<br>As of March 31, 2020 |
|-------------------------------------------------------|----------------------------------------------|---------------------------------------------|
| <b>Liabilities</b>                                    |                                              |                                             |
| <b>Current liabilities</b>                            |                                              |                                             |
| Accounts payable – trade                              | 929,478                                      | —                                           |
| Short-term loans payable                              | 1,360,000                                    | 1,600,000                                   |
| Current portion of long-term loans payable            | 499,600                                      | 499,600                                     |
| Lease obligations                                     | 4,980                                        | —                                           |
| Accounts payable – other                              | 180,809                                      | 39,813                                      |
| Accrued expenses                                      | 435,299                                      | 17,609                                      |
| Income taxes payable                                  | 268,361                                      | 16,516                                      |
| Accrued consumption tax, etc.                         | 228,249                                      | 84,132                                      |
| Advances received                                     | 1,150                                        | 1,203                                       |
| Deposits                                              | 56,209                                       | 4,765                                       |
| Provision for bonuses                                 | 789,354                                      | —                                           |
| Provision for directors' bonuses                      | 20,700                                       | 25,000                                      |
| Provision for loss on orders received                 | 34,479                                       | —                                           |
| Other                                                 | 20,870                                       | 1                                           |
| <b>Total current liabilities</b>                      | <b>4,829,543</b>                             | <b>2,288,641</b>                            |
| <b>Non-current liabilities</b>                        |                                              |                                             |
| Long-term loans payable                               | 749,400                                      | 249,800                                     |
| Lease obligations                                     | 6,950                                        | —                                           |
| Long-term accounts payable – other                    | 165,750                                      | 173,230                                     |
| <b>Total non-current liabilities</b>                  | <b>922,100</b>                               | <b>423,030</b>                              |
| <b>Total liabilities</b>                              | <b>5,751,643</b>                             | <b>2,711,672</b>                            |
| <b>Net assets</b>                                     |                                              |                                             |
| <b>Shareholders' equity</b>                           |                                              |                                             |
| Capital stock                                         | 592,344                                      | 592,344                                     |
| Capital surplus                                       |                                              |                                             |
| Capital reserve                                       | 543,293                                      | 543,293                                     |
| Other capital surplus                                 | 26,876                                       | 26,111                                      |
| <b>Total capital surplus</b>                          | <b>570,170</b>                               | <b>569,405</b>                              |
| <b>Retained earnings</b>                              |                                              |                                             |
| Legal retained earnings                               | 43,687                                       | 43,687                                      |
| Other retained earnings                               |                                              |                                             |
| Voluntary reserve                                     | 4,210,000                                    | 4,210,000                                   |
| Special depreciation reserve                          | 505                                          | —                                           |
| Retained earnings brought forward                     | 2,517,861                                    | 2,027,295                                   |
| <b>Total retained earnings</b>                        | <b>6,772,055</b>                             | <b>6,280,983</b>                            |
| Treasury stock                                        | —470,069                                     | —443,682                                    |
| <b>Total shareholders' equity</b>                     | <b>7,464,500</b>                             | <b>6,999,050</b>                            |
| <b>Valuation and translation adjustments</b>          |                                              |                                             |
| Valuation difference on available-for-sale securities | 557,653                                      | 395,619                                     |
| <b>Total valuation and translation adjustments</b>    | <b>557,653</b>                               | <b>395,619</b>                              |
| Subscription rights to shares                         | 10,609                                       | 8,937                                       |
| Total net assets                                      | 8,032,763                                    | 7,403,607                                   |
| <b>Total liabilities and net assets</b>               | <b>13,784,407</b>                            | <b>10,115,279</b>                           |

(2) Statement of Income

(Thousands of ¥)

|                                                     | Previous fiscal year<br>(April 1, 2018 to<br>March 31, 2019) | Current fiscal year<br>(April 1, 2019 to<br>March 31, 2020) |
|-----------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------|
| Net sales                                           | 22,144,093                                                   | —                                                           |
| Operating revenue                                   | —                                                            | 1,058,114                                                   |
| Cost of sales                                       | 17,565,994                                                   | —                                                           |
| Gross profit                                        | 4,578,098                                                    | —                                                           |
| Selling, general, and administrative expenses       |                                                              |                                                             |
| Directors' compensation                             | 153,135                                                      | —                                                           |
| Salaries and allowances                             | 1,182,292                                                    | —                                                           |
| Bonuses                                             | 137,424                                                      | —                                                           |
| Provision for bonuses                               | 137,705                                                      | —                                                           |
| Provision for directors' bonuses                    | 20,700                                                       | —                                                           |
| Retirement benefit expenses                         | 44,492                                                       | —                                                           |
| Statutory welfare expenses                          | 305,774                                                      | —                                                           |
| Entertainment expenses                              | 76,704                                                       | —                                                           |
| Education and training expenses                     | 56,161                                                       | —                                                           |
| Land rent                                           | 130,654                                                      | —                                                           |
| Outsourcing expenses                                | 241,805                                                      | —                                                           |
| Depreciation                                        | 114,552                                                      | —                                                           |
| Amortization of goodwill                            | 12,209                                                       | —                                                           |
| Other                                               | 758,070                                                      | —                                                           |
| Total selling, general, and administrative expenses | 3,371,683                                                    | —                                                           |
| Operating expenses                                  | —                                                            | 784,220                                                     |
| Operating income                                    | 1,206,415                                                    | 273,894                                                     |
| Non-operating income                                |                                                              |                                                             |
| Interest income                                     | 381                                                          | 0                                                           |
| Interest from securities                            | 1,708                                                        | 1,707                                                       |
| Dividend income                                     | 56,745                                                       | 23,535                                                      |
| Insurance proceeds and dividends                    | 9,861                                                        | 294                                                         |
| Foreign exchange gains                              | 2,114                                                        | 0                                                           |
| Other                                               | 11,114                                                       | 2,177                                                       |
| Total non-operating income                          | 81,925                                                       | 27,715                                                      |
| Non-operating expenses                              |                                                              |                                                             |
| Interest expenses                                   | 15,776                                                       | 14,192                                                      |
| Commitment line fees                                | 18,209                                                       | —                                                           |
| Other                                               | 18                                                           | 164                                                         |
| Total non-operating expenses                        | 34,004                                                       | 14,357                                                      |
| Ordinary income                                     | 1,254,335                                                    | 287,251                                                     |

(Thousands of ¥)

|                                                   | Previous fiscal year<br>(April 1, 2018 to<br>March 31, 2019) | Current fiscal year<br>(April 1, 2019 to<br>March 31, 2020) |
|---------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------|
| <b>Extraordinary income</b>                       |                                                              |                                                             |
| Gain on sales of investment securities            | 9,495                                                        | 38,886                                                      |
| Gain on sales of non-current assets               | 2,495                                                        | 1,046                                                       |
| Gain on reversal of subscription rights to shares | 115                                                          | 115                                                         |
| Other                                             | 4                                                            | —                                                           |
| <b>Total extraordinary income</b>                 | <b>12,111</b>                                                | <b>40,048</b>                                               |
| <b>Extraordinary losses</b>                       |                                                              |                                                             |
| Loss on retirement of non-current assets          | 695                                                          | 0                                                           |
| <b>Total extraordinary losses</b>                 | <b>695</b>                                                   | <b>0</b>                                                    |
| <b>Net income before income tax</b>               | <b>1,265,752</b>                                             | <b>327,299</b>                                              |
| Income taxes—current                              | 438,096                                                      | 53,303                                                      |
| Income taxes—deferred                             | −13,448                                                      | 23,197                                                      |
| <b>Total income taxes</b>                         | <b>424,647</b>                                               | <b>76,501</b>                                               |
| <b>Net income</b>                                 | <b>841,104</b>                                               | <b>250,798</b>                                              |

**(3) Statement of Changes in Shareholders' Equity**

Previous fiscal year (April 1, 2018 to March 31, 2019)

(Thousands of ¥)

|                                                      | Shareholders' equity |                 |                       |                       |                         |                         |       |           |                         |
|------------------------------------------------------|----------------------|-----------------|-----------------------|-----------------------|-------------------------|-------------------------|-------|-----------|-------------------------|
|                                                      | Capital stock        | Capital surplus |                       |                       | Retained earnings       |                         |       |           |                         |
|                                                      |                      | Capital reserve | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings |       |           | Total retained earnings |
| Balances at the beginning of the period              | 592,344              | 543,293         | 27,495                | 570,788               | 43,687                  | 4,210,000               | 1,011 | 2,132,030 | 6,386,730               |
| Changes during the period                            |                      |                 |                       |                       |                         |                         |       |           |                         |
| Draw-down of special depreciation reserve            |                      |                 |                       |                       |                         |                         | -505  | 505       | —                       |
| Dividends from surplus                               |                      |                 |                       |                       |                         |                         |       | -455,779  | -455,779                |
| Net income                                           |                      |                 |                       |                       |                         |                         |       | 841,104   | 841,104                 |
| Acquisition of treasury stock                        |                      |                 |                       |                       |                         |                         |       |           |                         |
| Disposition of treasury stock                        |                      |                 | -618                  | -618                  |                         |                         |       |           |                         |
| Net changes of items other than shareholders' equity |                      |                 |                       |                       |                         |                         |       |           |                         |
| Total changes during the period                      | —                    | —               | -618                  | -618                  | —                       | —                       | -505  | 385,830   | 385,325                 |
| Balances at the end of the period                    | 592,344              | 543,293         | 26,876                | 570,170               | 43,687                  | 4,210,000               | 505   | 2,517,861 | 6,772,055               |

|                                                      | Shareholders' equity |                            | Valuation and translation adjustments                 |                                             | Subscription rights to shares | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|-------------------------------|------------------|
|                                                      | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                               |                  |
| Balances at the beginning of the period              | -502,870             | 7,046,992                  | 451,991                                               | 451,991                                     | 11,993                        | 7,510,978        |
| Changes during the period                            |                      |                            |                                                       |                                             |                               |                  |
| Draw-down of special depreciation reserve            |                      | —                          |                                                       |                                             |                               | —                |
| Dividends from surplus                               |                      | -455,779                   |                                                       |                                             |                               | -455,779         |
| Net income                                           |                      | 841,104                    |                                                       |                                             |                               | 841,104          |
| Acquisition of treasury stock                        | -256                 | -256                       |                                                       |                                             |                               | -256             |
| Disposition of treasury stock                        | 33,056               | 32,438                     |                                                       |                                             |                               | 32,438           |
| Net changes of items other than shareholders' equity |                      |                            | 105,661                                               | 105,661                                     | -1,383                        | 104,278          |
| Total changes during the period                      | 32,800               | 417,507                    | 105,661                                               | 105,661                                     | -1,383                        | 521,785          |
| Balances at the end of the period                    | -470,069             | 7,464,500                  | 557,653                                               | 557,653                                     | 10,609                        | 8,032,763        |

Current fiscal year (April 1, 2019 to March 31, 2020)

(Thousands of ¥)

|                                                      | Shareholders' equity |                 |                       |                       |                         |                         |      |           |                         |
|------------------------------------------------------|----------------------|-----------------|-----------------------|-----------------------|-------------------------|-------------------------|------|-----------|-------------------------|
|                                                      | Capital stock        | Capital surplus |                       |                       | Retained earnings       |                         |      |           |                         |
|                                                      |                      | Capital reserve | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings |      |           | Total retained earnings |
| Balances at the beginning of the period              | 592,344              | 543,293         | 26,876                | 570,170               | 43,687                  | 4,210,000               | 505  | 2,517,861 | 6,772,055               |
| Changes during the period                            |                      |                 |                       |                       |                         |                         |      |           |                         |
| Draw-down of special depreciation reserve            |                      |                 |                       |                       |                         |                         | -505 | 505       | -                       |
| Dividends from surplus                               |                      |                 |                       |                       |                         |                         |      | -741,870  | -741,870                |
| Net income                                           |                      |                 |                       |                       |                         |                         |      | 250,798   | 250,798                 |
| Acquisition of treasury stock                        |                      |                 |                       |                       |                         |                         |      |           |                         |
| Disposition of treasury stock                        |                      |                 | -764                  | -764                  |                         |                         |      |           |                         |
| Net changes of items other than shareholders' equity |                      |                 |                       |                       |                         |                         |      |           |                         |
| Total changes during the period                      | -                    | -               | -764                  | -764                  | -                       | -                       | -505 | -490,565  | -491,071                |
| Balances at the end of the period                    | 592,344              | 543,293         | 26,111                | 569,405               | 43,687                  | 4,210,000               | -    | 2,027,295 | 6,280,983               |

|                                                      | Shareholders' equity |                            | Valuation and translation adjustments                 |                                             | Subscription rights to shares | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|-------------------------------|------------------|
|                                                      | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                               |                  |
| Balances at the beginning of the period              | -470,069             | 7,464,500                  | 557,653                                               | 557,653                                     | 10,609                        | 8,032,763        |
| Changes during the period                            |                      |                            |                                                       |                                             |                               |                  |
| Draw-down of special depreciation reserve            |                      | -                          |                                                       |                                             |                               | -                |
| Dividends from surplus                               |                      | -741,870                   |                                                       |                                             |                               | -741,870         |
| Net income                                           |                      | 250,798                    |                                                       |                                             |                               | 250,798          |
| Acquisition of treasury stock                        | -436                 | -436                       |                                                       |                                             |                               | -436             |
| Disposition of treasury stock                        | 26,823               | 26,058                     |                                                       |                                             |                               | 26,058           |
| Net changes of items other than shareholders' equity |                      |                            | -162,034                                              | -162,034                                    | -1,672                        | -163,706         |
| Total changes during the period                      | 26,387               | -465,449                   | -162,034                                              | -162,034                                    | -1,672                        | -629,156         |
| Balances at the end of the period                    | -443,682             | 6,999,050                  | 395,619                                               | 395,619                                     | 8,937                         | 7,403,607        |

**(4) Notes on Unconsolidated Financial Statements**

**(Notes on Assumptions regarding Going Concern)**

None.

**(Changes in Method of Representation)**

(Items related to the balance sheet)

In the previous fiscal period, "Accounts receivable—other," was included in "Other" under current assets. Because this item has increased in financial importance, from the current fiscal year onward this item is listed as a separate category. To reflect this change in method of representation, the balance sheet for the previous fiscal year has been rearranged.

In the previous fiscal year, accounts receivable—other amounted to ¥23,499,000.