

March 31, 2021

To: All Concerned Stakeholders

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## **Notice of Revision of FY2021 Targets, Share Split, Partial Revision of Articles of Incorporation and Dividend Increase**

The ID Group has revised the numerical targets stated in its Mid-term Management Plan, Next 50 Episode I: *Awakening!*, published on June 21, 2019, for the fiscal year ending March 31, 2022 (FY2021).

Moreover, at the Board of Directors meeting held on March 31, 2021, ID Holdings resolved to conduct a share split, partially revise its Articles of Incorporation as a result of the share split, and issue its dividend forecast for the next fiscal year, as follows.

The dividend forecast for the current fiscal year (fiscal year ending March 31, 2021 (FY2020)) is unchanged.

### **I. Revision of the Numerical Targets for the Final Fiscal Year of the Mid-term Management Plan (FY2021)**

#### **1. Background to revision of the numerical targets**

##### **(1) Overview of the Mid-term Management Plan**

In the fiscal year ended March 31, 2020 (FY2019) the ID Group began its current Mid-term Management Plan, Next 50 Episode I: *Awakening!*, covering the three-year period from FY2019 to FY2021.

The Mid-term Management Plan implements three basic policies: Development of a future-oriented corporate culture; deployment of an upgraded business model based on digital transformation (DX); and promoting environmental, social and governance (ESG) criteria. Today's customers are seeking to improve their businesses through cloud adoption, automation and streamlining. To serve this demand, the Group is tackling two challenges. First, the Group is upgrading its services that use digital technologies and increasing their value-added. Second, the Group is developing personnel who can apply digital technology in all fields of a one-stop service, from system operation through IT infrastructure and software development to cybersecurity.

##### **(2) Changes in the management environment and recent efforts**

In FY2020, the spread of COVID-19 significantly impacted the Group's business results. The pandemic prompted corporate clients to revise their plans for systems investment and postpone or suspend projects already in progress, resulting in a decrease in the rate of operation of its engineers.

Also in FY2020, the ID Group acquired three operating companies that offer synergies with the ID Group. The Group believes that these acquisitions, which were carried out in full compliance with its M&A strategy, will

serve as growth drivers for a significant expansion in Group business results. Expected effects include securing a growing customer base, strengthening partnerships with major IT vendors and recruitment of DX engineers with a strong affinity for the Group's existing businesses.

The COVID-19 pandemic also served as a catalyst to hasten certain transformations in business processes. The Group accelerated the move away from stationing personnel at client locations and toward upgrading each of its strengths as a one-stop IT service provider, offering services from consulting through system development, infrastructure and operation to cybersecurity. In addition, the ID Group overhauled its operating environment to achieve enhanced productivity and efficiency for the post-COVID-19 world. Group-wide efforts are under way to establish the necessary environment for remote working, implement free-address offices at Group head office and transfer some head-office functions to other areas, thereby reducing risk and raising efficiency.

## 2. Revisions to numerical targets

In view of the background described above, the ID Group has revised its targets for FY2021, the final year of the current Mid-term Management Plan, as shown in the table below.

Net sales in FY2020 trended downward in comparison with the initial forecast of business results for the full fiscal year, under the impact of the COVID-19 pandemic. However, the three operating companies newly admitted to the ID Group are expected to contribute to business results, providing synergies with existing operating companies, and DX-related services are expected to trend firm. Accordingly, the Group has not changed its original numerical target for net sales.

In operating income, the Group is adjusting its numerical target upward from the original forecast. Although goodwill amortization expenses are rising due to the admission of the three new Group companies, enhancement of value-added in existing services and training of DX-related engineers are expected to contribute to improved profitability.

The ID Group has made no changes in policy regarding the Mid-term Management Plan. The Group will continue to implement the three policies of the Mid-term Management Plan: Development of a future-oriented corporate culture; deployment of an upgraded business model based on DX; and promoting ESG. The entire ID Group, including the three newly admitted Group companies, will work closely together to build enterprise value by transforming existing businesses and creating new value-added.

	Original target for FY2021 (As of June 21, 2019) (A)	Revised target* for FY2021 (As of March 31, 2021) (B)	Increase/decrease (B - A)	(Reference) Full-year forecast of business results for FY2020
Net sales	¥30 billion	¥30 billion	—	¥25.7 billion
Operating income	¥1.85 billion	¥1.9 billion	+¥50 million	¥1.42 billion
Operating income margin	6.2%	6.3%	+0.1p	5.5%

\* The numerical targets in the revised forecast for FY2021 are the figures after application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP).

## II. Share Split and Partial Revision of the Articles of Incorporation Accompanying the Share Split

### 1. Purpose of share split

By reducing the price per investment unit, the ID Group aims to improve the liquidity of its shares and expand its range of prospective investors.

### 2. Overview of share split

#### (1) Method of share split

Shares will be split at a ratio of 1.5 new shares for each common share held by investors recorded or registered in the final shareholder registry of June 30, 2021. Fractional numbers of shares arising from the share split will be sold or purchased in bulk and the proceeds from disposal of the fractional shares will be distributed to the shareholders that generate the fractional shares, according to the number of fractional shares generated by each.

#### (2) Increase in number of shares due to the share split

1) Total number of issued shares before the share split	12,044,302 shares
2) Increase in number of shares from the share split	6,022,151 shares
3) Total number of issued shares after the share split	18,066,453 shares
4) Total number of authorized shares after the share split	54,000,000 shares

#### (3) Change in amount of capital stock

This share split does not result in a change in the amount of capital stock.

### 3. Schedule of share split

(1) Date of announcement of record date	Tuesday, June 1, 2021
(2) Record date	Wednesday, June 30, 2021
(3) Effective date	Thursday, July 1, 2021

### 4. Adjustment of exercise price of share warrants

In tandem with this share split, the exercise price per share of share warrants is adjusted as shown in the table below, on and after Thursday, July 1, 2021.

Date of resolution of the Board of Directors	Persons affected	Exercise price before adjustment	Exercise price after adjustment
July 29, 2011	Directors, statutory auditors and employees of ID Holdings and its subsidiaries	¥365	¥244

### 5. Partial revision of the Articles of Incorporation accompanying the share split

#### (1) Partial revision of the Articles of Incorporation accompanying the share split

In tandem with the share split, and in accordance with a resolution of the Board of Directors based on Article 184, Section 2 of the Companies Act, the number of authorized shares as listed in Article 6 of the Articles of Incorporation is changed as of Thursday, July 1, 2021.

(2) Details of changes to Articles of Incorporation

(Changed text is highlighted in italics.)

Current Articles of Incorporation	Articles of Incorporation after change
(Total Number of Authorized Shares)	(Total Number of Authorized Shares)
Article 6: The total number of authorized shares of the Company shall be <i>36 million</i> .	Article 6: The total number of authorized shares of the Company shall be <i>54 million</i> .

III. Dividend Forecast for the Next Fiscal Year

The basic policy of ID Holdings on distribution of earnings is to maintain the continuous, long-term, stable return of earnings to shareholders.

In the dividend forecast for the next fiscal year, as stated in “I. Revision of the Numerical Targets for the Final Fiscal Year of the Mid-term Management Plan (FY2021)” above, the ID Group expects consolidated business results to trend favorably in FY2021. Accordingly, ID Holdings forecasts a full-year dividend of ¥40 per share after adjustment for the share split. When converted into the forecast of full-year dividend per share before the share split, this forecast represents an effective increase in dividend of ¥10 per share.

Please note that the above amounts are subject to change due to future trends in business results and changes in investment conditions.

	Full-year dividend per share		
	End of the second quarter	End of the fiscal period	Total
Forecast for the next fiscal year (FY2021) (Before conversion of share split)	¥20.00 (¥30.00)	¥20.00 (¥30.00)	¥40.00 (¥60.00)
Reference: Forecast for the current fiscal year (FY2020)	¥25.00	¥25.00	¥50.00
Reference: Results for the previous fiscal year (FY2019)	¥25.00	¥25.00	¥50.00

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