

Note: This document is an English translation of the “Kessan Tanshin” for the fiscal year that ended March 31, 2021 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, 2021 (J-GAAP)

May 7, 2021

| | | |
|---|--|--|
| Company name: | ID Holdings Corporation | |
| Listing: | Tokyo Stock Exchange, 1st Section | |
| Securities code: | 4709 | |
| URL: | https://www.idnet-hd.co.jp | |
| Company representative: | Masaki Funakoshi, President and Representative Director | |
| Direct inquiries to: | Masayoshi Nakatani, Senior Officer Manager, Corporate Strategy Department Tel: +81 3-3262-5177 | |
| Scheduled date of the Annual General Meeting of Shareholders: | June 18, 2021 | |
| Scheduled date of dividend payment: | June 21, 2021 | |
| Scheduled date of filing of the Annual Securities Report: | June 21, 2021 | |
| Preparation of supplementary materials on financial results: | Yes | |
| Presentation on results: | Yes (for institutional investors and financial analysts) | |

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for FY2020 (April 1, 2020–March 31, 2021)

(1) Consolidated Business Results

(% indicates YoY changes)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|--------|-----------|------|------------------|-------|-----------------|-------|---|-------|
| FY2020 | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % |
| FY2019 | 25,766 | -2.3 | 1,372 | -33.8 | 1,553 | -26.4 | 747 | -42.3 |

Note: Comprehensive income FY2020 ¥954 million (-13.8%) FY2019 ¥1,108 million (-3.7%)

| | Net income per share | | Diluted net income per share | | Return on equity | Return on assets | Operating income margin |
|--------|----------------------|--|------------------------------|--|------------------|------------------|-------------------------|
| FY2020 | ¥ | | ¥ | | % | % | % |
| FY2019 | 66.56 | | 66.10 | | 8.3 | 9.7 | 5.3 |

Reference: Equity in income of affiliates FY2020 ¥— million FY2019 ¥— million

| | EBITDA | | EPS before amortization of goodwill | |
|--------|-----------|-------|-------------------------------------|-------|
| FY2020 | ¥ million | % | ¥ | % |
| FY2019 | 1,877 | -24.8 | 97.59 | -30.1 |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | Book value per share |
|--------|--------------|--|------------|--|--------------|----------------------|
| FY2020 | ¥ million | | ¥ million | | % | ¥ |
| FY2019 | 16,796 | | 9,408 | | 55.7 | 819.24 |

Reference: Equity FY2020 ¥9,361 million FY2019 ¥8,689 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 | |
|--------|--------------------------------------|--|---------------------------------------|--|--------------------------------------|--|--|--|
| FY2020 | ¥ million | | ¥ million | | ¥ million | | ¥ million | |
| FY2019 | -607 | | -612 | | 1,490 | | 4,671 | |

3,231

-114

-2,219

4,367

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 | | | |
| FY2019 | ¥ — | ¥ 25.00 | ¥ — | ¥ 25.00 | ¥ 50.00 | ¥ million 571 | % 42.8 | % 6.5 |
| FY2020 | — | 25.00 | — | 25.00 | 50.00 | 571 | 75.1 | 6.3 |
| FY2021 (forecast) | — | 20.00 | — | 20.00 | 40.00 | | 67.2 | |

Note: On July 1, 2021, the Group plans to execute a share split at a ratio of 1.5 new shares per previous common share. In consideration of this share split, the dividend forecast for FY2021 is listed as ¥40.00 per share. When calculated based on the number of shares before the share split, the dividend forecast is ¥60.00 per share. Real increase in dividend is ¥10.00 per share.

3. Forecasts of Consolidated Results for FY2021 (April 1, 2021–March 31, 2022)

(% indicates YoY changes)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|------------------------------|---------------------|--------|--------------------|--------|--------------------|--------|---|--------|----------------------|
| FY2021 (full fiscal year) | ¥ million 30,000 | % — | ¥ million 1,900 | % — | ¥ million 1,950 | % — | ¥ million 1,020 | % — | ¥ 59.51 |

| | EBITDA | | EPS before amortization of goodwill | |
|------------------------------|--------------------|--------|-------------------------------------|--------|
| FY2021 (full fiscal year) | ¥ million 2,597 | % — | ¥ 81.06 | % — |

Notes: 1. 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 8 of the Attachment.
 2. As of the start of FY2021, the Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above forecast of consolidated business results constitutes the figures after the application of this standard. As such, YoY comparisons are not provided.
 3. Effective July 1, 2021, the Group plans to execute a share split at a ratio of 1.5 new shares per previous common share. The figure for net income per share takes this share split into consideration. If the share split is not taken into consideration, the figure for net income in FY2021 is ¥89.26. The figure for EPS before amortization of goodwill if the share split is not taken into consideration is ¥121.59.

*Notes

(1) Changes in important subsidiaries during the period

Changes in specified subsidiaries resulting in change in consolidation scope:

Yes

New: 1 company (Company name: System Design Co., Ltd.)

Excluded: —(Company name: —)

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 19 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) FY2020 | 12,044,302 shares | FY2019 | 12,044,302 shares
- (ii) Amount of treasury stock FY2020 | 617,330 shares | FY2019 | 895,759 shares
- (iii) Interim average number of shares FY2020 | 11,234,344 shares | FY2019 | 11,113,617 shares

(4) Calculation of certain management indices

- EBITDA = Operating income + depreciation + amortization of goodwill
- EPS before amortization of goodwill = Net income after adjustments* ÷ interim average number of shares

*Net income after adjustments = Net income attributable to owners of parent + amortization of goodwill

Reference: Outline of unconsolidated financial results

1. Unconsolidated Financial Results for FY2020 (April 1, 2020–March 31, 2021)

(1) Unconsolidated Business Results

(% indicates YoY changes)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | |
|--------|--------------------|-----------|--------------------|------------|--------------------|------------|--------------------|------------|
| FY2020 | ¥ million 2,062 | % 94.9 | ¥ million 1,298 | % 374.2 | ¥ million 1,345 | % 368.5 | ¥ million 1,214 | % 384.2 |
| FY2019 | 1,058 | -95.2 | 273 | -77.3 | 287 | -77.1 | 250 | -70.2 |

| | Net income per share | Diluted net income per share |
|--------|-------------------------|---------------------------------|
| FY2020 | ¥ 108.10 | ¥ 107.35 |
| FY2019 | 22.57 | 22.38 |

(2) Unconsolidated Financial Position

| | Total assets | Net assets | Equity ratio | Book value per share |
|--------|---------------------|--------------------|--------------|----------------------|
| FY2020 | ¥ million 11,440 | ¥ million 8,481 | % 74.1 | ¥ 741.61 |
| FY2019 | 10,115 | 7,403 | 73.1 | 663.29 |

Reference: Equity

FY2020

¥8,474 million

FY2019

¥7,394 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 8 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 Custody Bank of Japan, 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)

The ID Group will hold a results briefing for institutional investors and analysts on May 27, 2021. The materials that will be distributed at the briefing will be posted on the Group website promptly after the briefing.

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Period

The global COVID-19 pandemic has caused great concern regarding its impact on the economies of Japan and other countries. Amid this condition, the outlook for business activity, companies' management environment and the employment picture are uncertain.

The information-services industry, in which the ID Group is active, faces the same challenges. Companies are introducing and installing IT environments tailored to the needs of telework, while demand for transfer of information assets to the cloud is accelerating. At the same time, however, the industry faces negative development such as cancellation of projects for software development and system infrastructure and extension of timelines for existing projects.

In the financial results for the consolidated fiscal year under review (April 1, 2020 to March 31, 2021: FY2020), overall results were disappointing despite several bright spots. Net sales maintained a firm trend in cybersecurity, system operation management and system infrastructure, while acquired subsidiaries contributed positively. However, the conclusion of five major projects in software development and system operation management left a gap of ¥2.964 billion in net sales. Net sales slipped 2.3% from the previous fiscal year (YoY) to ¥25.766 billion.

In earnings terms, the Group suffered the double impact of falling revenue and added costs. Sales declined, reducing income, while the COVID-19 pandemic persuaded corporate customers to revise their system investment plans, reducing the operating rate of engineers. A number of expenses were appropriated, including M&A-related expenses of ¥190 million incurred in the acquisition of three subsidiaries, and amortization of goodwill of ¥93 million at the three subsidiaries; and expenses from the New Normal Adaptation Project*. Operating income in the period under review was ¥1.372 billion (-33.8% YoY) and ordinary income was ¥1.553 billion (-26.4% YoY). The Group also appropriated a loss on sales of non-current assets and earned gain on sales of investment securities. Net income attributable to owners of parent was ¥747 million (-42.3% YoY). EBITDA declined to ¥1.877 billion (-24.8% YoY).

*A Group-internal reorganization project aimed at promoting flexible and efficient workstyles for effective coexistence with COVID-19. The project encompasses measures such as the establishment of THE Forest Room, a free-address office environment; the transfer of certain head-office management functions to the Sanin Department; and an overhaul of the Group's website from a marketing perspective.

The Group's business consists of a single segment. Business results for each service are as follows.

| | | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) | (Millions of ¥) | |
|--|---------------------|--|--|-----------------|-------|
| | | | | YoY comparison | |
| System operation management | Net sales | 11,974 | 12,071 | 96 | 0.8 |
| | Gross profit | 2,669 | 2,808 | 139 | 5.2 |
| | Gross profit margin | 22.3% | 23.3% | 1.0P | — |
| Software development | Net sales | 8,941 | 8,404 | -537 | -6.0 |
| | Gross profit | 2,456 | 2,210 | -245 | -10.0 |
| | Gross profit margin | 27.5% | 26.3% | -1.2P | — |
| System infrastructure | Net sales | 2,499 | 2,534 | 34 | 1.4 |
| | Gross profit | 721 | 751 | 29 | 4.0 |
| | Gross profit margin | 28.9% | 29.6% | 0.8P | — |
| Cybersecurity, consulting and training | Net sales | 2,091 | 2,275 | 184 | 8.8 |
| | Gross profit | 542 | 598 | 56 | 10.4 |
| | Gross profit margin | 25.9% | 26.3% | 0.4P | — |
| Others | Net sales | 869 | 481 | -388 | -44.7 |
| | Gross profit | 19 | 11 | -8 | -41.0 |
| | Gross profit margin | 2.3% | 2.4% | 0.2P | — |
| Total | Net sales | 26,377 | 25,766 | -610 | -2.3 |
| | Gross profit | 6,409 | 6,380 | -28 | -0.5 |
| | Gross profit margin | 24.3% | 24.8% | 0.5P | — |

(i) System operation management

The wrap-up of some large-scale projects with existing finance-related customers in the previous fiscal year left a gap in net sales of ¥441 million, while the number of employees deployed in this category decreased. In medical-related business, some projects were completed while new projects dwindled due to the COVID-19 pandemic. However, personnel related to organizational reinforcement by existing finance-related customers increased, subsidiaries purchased in the period under review contributed and new projects were secured from existing clients related to communications and the public sector. Net sales were ¥12.071 billion (+0.8% YoY).

(ii) Software development

Order acceptance increased in this field, powered by contributions from subsidiaries acquired during the fiscal year under review and increased staffing levels on existing manufacturing-related projects. At existing corporate customers related to finance and the public sector, however, the completion of three major projects in the previous fiscal year reduced revenues by ¥1.937 billion. Net sales were ¥8.404 billion (-6.0% YoY).

(iii) System infrastructure

Although some finance-related projects were postponed, subsidiaries purchased in the period under review contributed and a shift in personnel to digital transformation (DX)-related projects for existing clients related to transportation resulted in expansion of orders received. Moreover, the Group secured new projects from existing customers in the public sector. Net sales increased to ¥2.534 billion (+1.4% YoY).

(iv) Cybersecurity, consulting and training

The number of operators in cybersecurity increased, while product sales rose. Net sales increased to ¥2.275 billion (+8.8% YoY).

(v) Others

Some finance-related projects were ended, license sales softened amid the COVID-19 pandemic and some projects were postponed. Some major projects ordered in the previous fiscal year for product sales were lost. Net sales decreased to ¥481 million (-44.7% YoY).

On July 21, 2020, ID Holdings Corporation (“ID Holdings”) resolved to acquire all shares of GI Technos Inc. (“GIT”), in accordance with Article 370 of the Companies Act and Article 25 (Omission of Resolutions of the Board of Directors) of the Articles of Incorporation of ID Holdings. On August 3, 2020, GIT was made a subsidiary of ID Holdings. For a detailed discussion, please refer to “Notice of Acquisition of All Shares of GI Technos (Turning GI Technos into a Subsidiary),” published on July 21, 2020.

At a meeting of the Board of Directors on November 9, 2020, ID Holdings resolved to acquire part of the shares outstanding of With Holdings Co., Ltd. (“WHD”) to convert WHD to a subsidiary of ID Holdings and to later conduct a simplified share exchange to make ID Holdings a wholly owning parent company resulting from a share exchange and WHD a wholly owned subsidiary company resulting from a share exchange. In addition, as of the same day, a contract to transfer shares and a contract to exchange shares were concluded. Under the terms of these contracts, ID Holdings made WHD a subsidiary on January 4, 2021 and a wholly owned subsidiary on January 27, 2021. For details on this acquisition, please refer to “Notice of Conversion of With Holdings Co., Ltd. to a Wholly Owned Subsidiary of the ID Holdings Corporation,” published on November 9, 2020.

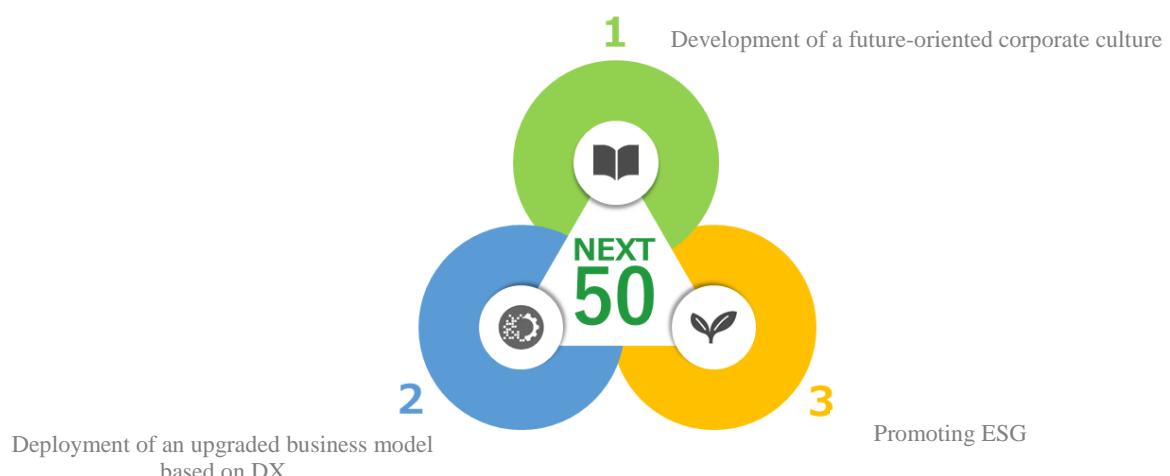
As part of efforts to raise efficiency within the Group, on March 1, 2021, WHD was merged with System Design Co., Ltd., its wholly owned subsidiary, making System Design the surviving company in the merger.

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 DX¹, and promoting ESG². The Group is working vigorously to implement all three.

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



- 1 Digital transformation (DX) is the transformation of existing businesses by combining existing service solutions with advanced technologies such as robotic process automation (RPA), artificial intelligence (AI) and the Internet of Things (IoT).
- 2 “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:

- In the software development field, INFORMATION DEVELOPMENT CO., LTD. (“ID”) established a Global Innovation Center (GIC). The purpose of the GIC is to strengthen management of projects ordered in batches and enable appropriate allocation of personnel at Group locations in Japan and overseas.
- To promote flexible and efficient work styles in view of the need to coexist with COVID-19, the ID Group launched an internal reorganization called the New Normal Adaptation Project.
- To promote reorganization, including the distribution of Tokyo head office duties to regional centers, ID transferred some head-office functions and established the Sanin Business Process Outsourcing Center.
- The Group established THE Forest Room, a free-address office, to invigorate communication and foster innovation.
- Through the use of remote-access services and satellite offices, the Group supports diverse employee workstyles.
- The Group established the New Normal Idea Proposal Award System. The purpose of this System is to promote sharing of ideas and technologies Group-wide to generate new business.
- The Group introduced a personnel management system, to centralize data on in-house personnel* and propose personnel strategies for flexible and rapid response to management issues.
- To bolster employee capabilities, the Group released ID Campus, an in-house e-learning system that facilitates sharing of operational expertise and engineering skills.
- The Group canvassed proposals for projects expected to be beneficial for itself and its clients and established the Koreyamema Award System as a means of reworking existing operations and customs.

*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 (RPA, AI, the cloud, cybersecurity, IoT and other digital technologies, as well as advanced management techniques such as IT service management and agile management).

To make this service model a reality, during this three-year period the ID Group will invest vigorously in education, focusing 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:

- ID established the ID Cloud Management Center in Yonago, Tottori Prefecture and began provision of ID-Cross, a multi-cloud solution service that supports operations from cloud environment design and implementation to operation and maintenance after system migration.
- ID established a new Department, the Enterprise Sales Department. The purposes of the new Department are to propose new marketing strategies to adapt to the New Normal, gather information on technical trends and the like, discover and promote sales of new products and strengthen the Group’s sales framework.
- DX CONSULTING CO., LTD. (“DXC”) opened the first courses in Japan certified by the EXIN BCS Artificial Intelligence Foundation. This foundation is operated by EXIN Holding B.V., an international testing agency.
- ID added new features to IDEye, a remote work support system, achieving dramatic improvements in operational efficiency.
- ID began supplying Network Detection and Response (NDR), a network monitoring and incident response service that uses

Seceon OTM, an advanced security product.

- DXC launched Raku Raku Implementation Support Service, a service that enables remote implementation of IT service management tools and other operational-support tools.
- ID exhibited a virtual booth and delivered talks at PALO ALTO NETWORKS DAY 2020 VIRTUAL, one of the industry's largest conferences on next-generation cybersecurity technology.
- K.K. PURAIDO's consulting services were evaluated and awarded the Information Systems Society of Japan (ISSJ)'s Shoji Ura Prize (Practical). These services are based on PURAIDO's original methodology for implementing DX for clients.
- DXC opened an advanced course in SIAM® (Service Integration and Management), a framework for optimizing the development and operation of IT systems in a multivendor environment.
- ID co-sponsored the 2020 MPOWER Cybersecurity Summit, presenting a virtual booth at the online event. Sponsored by McAfee Co., Ltd., the MPOWER Cybersecurity Summit explores the latest trends in information security, with participation by knowledgeable figures in a wide range of public- and private-sector fields.
- The advancement of DX in measures such as the Group's drafting of a management vision, formation of an operating strategy and promotional framework and appropriate disclosure was evaluated and DX certification was accorded to the Group based on Ministry of Economy, Trade and Industry (METI) guidelines.
- ID deployed IDEye, a remote-work support system, in a proving test of "online shopping and rehabilitation" at the National Institute of Technology, Yonago College.
- ID began handling Cloudflare One from Cloudflare Japan. Cloudflare One is a new platform that provides remote access with improved security for telework and remote conferencing, a field currently experiencing booming demand.

(iii) Promoting ESG

Through its provision of information services, the ID Group actively strives to develop solutions to society's problems while creating sustainable growth and social value. The ID Group launched the ESG Promotion Department. By strengthening the Group's efforts in each of the fields of environment, society and governance, the Department strives to ensure growth and development together with all stakeholders, including customers, shareholders and employees.

Measures taken to implement this policy include the following:

- A Group Internal Controls Meeting was established. The purpose of this Conference is to conduct regular evaluation of the maintenance and operation of the Group's internal control systems and to discuss and examine necessary improvement measures.
- The Group strengthened measures on health management. Initiatives focused on key themes of employee health issues were carried out, including presentation of seminars on preventative living habits and introduction of an app to encourage walking.
- To strengthen employees' environmental awareness and to support and improve their living environments, the ID Group conducted the Happy Earth Challenge, a month-long initiative to improve the ID Group's environment.
- The Group posted a musical-performance video on its official website, to provide support to artists whose activities were restricted due to the COVID-19 pandemic and as an expression of gratitude to healthcare workers during this difficult time.
- The Group established ID Group Blood Donation Day and obtained recognition from the Japanese Red Cross Society as a blood-donation supporter.
- The Group contributed funding to Keio University for research on COVID-19.
- To contribute to the discovery and education of people to support the IT industry of the future, the Group co-sponsored the activities of the Committee for the Japanese Olympiad in Informatics.
- INFORMATION DEVELOPMENT Wuhan CO., LTD. ("ID Wuhan") contributed hygiene products to measures against COVID-19 at Huazhong University of Science and Technology in Wuhan, Hubei Province, China.
- ID Wuhan employees conducted cleaning activities in the East Lake Moshan Scenic Area.
- In consideration of the health of employees and their families, and to assist even in some small way to bringing the pandemic to an end, the Group introduced a vaccination-leave system, available to all Group employees.
- Continuing from the previous fiscal year, the Group received certification as an "Excellent Enterprise of Health and Productivity Management (White 500)," as a "Group that views employee health management from a management perspective and addresses the issue strategically."
- AI FACTORY CO., LTD., a special subsidiary, received the Chugoku-Shikoku Regional Agricultural Administration Office Director General's Award in the FY2020 Contest on Promotion of Sustainable Agriculture Linked to the Future of Chugoku & Shikoku, sponsored by the Ministry of Agriculture, Forestry and Fisheries (MAFF).
- To expand its environmental-preservation activities, the Group joined the World Wide Fund for Nature (WWF) Japan as a corporate member.

- To raise awareness of environmental issues and promote international understanding among children, the Group donated picture books themed on the SDGs to daycare facilities in Japan.

(2) Summary of Financial Condition for the Period

Assets, liabilities, and net assets

Assets at the end of consolidated accounting period under review increased by ¥1.546 billion from the end of the previous fiscal year, to ¥16.796 billion. Cash and deposits rose by ¥326 million. Lifted by the acquisition of three subsidiaries, goodwill increased by ¥1.028 billion.

Liabilities at the end of the consolidated accounting period under review increased by ¥869 million to ¥7.388 billion from the end of the previous consolidated accounting period. While income taxes payable declined by ¥594 million, short-term loans payable increased by ¥2.160 billion.

Net assets at the end of the consolidated accounting period under review increased by ¥677 million to ¥9.408 billion from the end of the previous consolidated accounting period. Although net income attributable to owners of parent increased by ¥747 million, year-end and interim dividend payments decreased by ¥571 million and increase by share exchanges raised net assets by a further ¥271 million.

(3) Summary of Cash Flow for the Period

| | |
|--|--------------------------------------|
| Cash flows from operating activities | –¥607 million (–¥3.839 billion YoY) |
| Cash flows from investment activities | –¥612 million (–¥497 million YoY) |
| Cash flows from financing activities | ¥1.490 billion (+¥3.710 billion YoY) |
| Cash and cash equivalents at end of period | ¥4.671 billion (+¥304 million YoY) |

Cash flows from operating activities were –¥607 million, as net income before income taxes was ¥1.401 billion, accrued consumption tax, etc. decreased ¥1.133 billion, and corporation tax, etc. paid was ¥1.012 billion. A decrease in accrued consumption tax, etc. resulted from a large payment of accrued consumption tax, etc. in the period under review. This figure had temporarily increased at the end the previous consolidated fiscal year at ID, a new spinoff company, as a result of the shift to a holding-company structure at the beginning of the previous consolidated fiscal year.

Cash flows from investment activities were –¥612 million, as purchase of investments in subsidiaries resulting in change in scope of consolidation was ¥1.049 billion and proceeds from sales of investment securities were ¥324 million.

Cash flows from financing activities were ¥1.490 billion, as short-term loans payable had a net increase of ¥2.083 billion and cash dividends paid were ¥569 million.

Thus, cash and cash equivalents at the end of the period rose to ¥4.671 billion, which is a ¥304 million increase over the previous consolidated accounting period.

Reference: Cash flow benchmarks

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--|--------|--------|--------|--------|--------|
| Equity ratio (%)* | 69.0 | 55.2 | 56.9 | 57.0 | 55.7 |
| Equity ratio (%) at fair value | 122.5 | 124.1 | 105.5 | 102.3 | 86.7 |
| Ratio of cash flow to interest-bearing debt (annual) | 0.3 | 1.9 | 2.6 | 0.3 | –5.7 |
| Interest coverage ratio (multiple) | 229.5 | 159.2 | 63.7 | 263.0 | –33.6 |

*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

(i) Basic policy on profit distributions

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.

(ii) Dividends for the current period

The Group forecasts a year-end dividend for the period under review of ¥25 per share. When combined with the interim dividend of ¥25 per share already distributed, the total dividend per share in the period under review is forecast to be ¥50 per share.

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 Cloud, 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.

(iii) Dividends for the next period (share split and increase in dividends)

The Group expects consolidated business results to continue on a firm trend. Accordingly, in the next fiscal period, the Group plans to distribute an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, for a total annual dividend of ¥40 per share.

The Group intends to execute a share split, distributing 1.5 new shares for each old share, with a record date of June 30, 2021. The purpose of the share split is to improve the liquidity of its shares and expand its range of prospective investors. When the expected dividend described above is converted to annual dividend per share before the share split, the dividend is effectively increased by ¥10 per share. (For details, please refer to "Notice of Revision of FY2021 Targets, Share Split, Partial Revision of Articles of Incorporation and Dividend Increase," published on March 31, 2021.)

(5) Forecast

The global COVID-19 pandemic will continue to raise concerns regarding its impact on the domestic and global economies. Uncertain conditions are therefore expected to persist for economic activity, the management environment of companies and the employment picture.

Under these circumstances, new needs and challenges are arising for the IT service industry, of which the Group is a part. These needs include the introduction and upgrading of IT environments for telework purposes and acceleration of transfer of information assets to the cloud. Demand for these services is expected to continue. On the other hand, a number of negative trends have emerged, including the cancellation of new software-development projects, the extension of existing projects and demands from customers for price reductions.

During the fiscal period under review, the Group undertook a number of measures to grapple with this business environment. The Group acquired three companies with which it expects to enjoy synergies. These acquisitions were conducted in full accord with the Group's M&A strategy and so are expected to contribute significantly to the improvement of the Group's performance as drivers of growth, for example by attracting customer bases with strong prospects for growth, strengthening partnerships with major IT vendors and securing DX engineers with close affinity to existing businesses.

The COVID-19 pandemic is also serving as a catalyst to hasten certain transformations in business processes. The Group is accelerating its 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 is overhauling 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.

Under this business environment, the Group's forecast of consolidated business results for FY2021 calls for net sales of ¥30.00 billion. The three newly acquired operating companies are expected to continue to contribute to business results and synergies with existing operating companies, while DX-related services are anticipated to trend favorably.

Turning to income, the Group forecasts operating income of ¥1.900 billion, ordinary income of ¥1.950 billion and net income attributable to owners of parent of ¥1.020 billion. Despite an increase in amortization of goodwill due to the addition of the three new subsidiaries, factors such as enhancement of value-added in current services and training of DX-related engineers are expected to contribute to improvement in income.

As of the start of FY2021, the Group applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) of J-

GAAP. The numerical figures in the above forecast of consolidated business results constitutes the figures after the application of this standard. As such, YoY comparisons are not provided.

The above forecast of business results was prepared based on information available at the time of publication. Actual business results may differ from those forecast due to various factors.

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 As of March 31, 2020 | Consolidated accounting period under review As of March 31, 2021 |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,689,877 | 5,016,411 |
| Notes and accounts receivable – trade | 4,250,528 | 4,823,774 |
| Work in process | 18,904 | 47,227 |
| Accounts receivable–other | 913,772 | 389,611 |
| Other | 243,207 | 250,064 |
| Allowance for doubtful accounts | — | —40,068 |
| Total current assets | 10,116,289 | 10,487,021 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,463,954 | 1,486,651 |
| Accumulated depreciation | —747,454 | —639,971 |
| Buildings and structures (net) | 716,500 | 846,680 |
| Motor vehicles and transport equipment | 16,349 | 19,136 |
| Accumulated depreciation | —9,891 | —9,391 |
| Motor vehicles and transport equipment (net) | 6,458 | 9,745 |
| Machines and equipment | 16,869 | 16,869 |
| Accumulated depreciation | —13,813 | —15,728 |
| Machines and equipment (net) | 3,056 | 1,141 |
| Tools, appliances, and accessories | 529,810 | 562,501 |
| Accumulated depreciation | —404,016 | —420,369 |
| Tools, appliances, and accessories (net) | 125,794 | 142,132 |
| Land | 882,246 | 438,048 |
| Total property, plant and equipment | 1,734,054 | 1,437,746 |
| Intangible assets | | |
| Goodwill | 1,164,231 | 2,193,073 |
| Software | 84,328 | 114,106 |
| Other | 742 | 823 |
| Total intangible assets | 1,249,301 | 2,308,003 |
| Investments and other assets | | |
| Investment securities | 1,139,311 | 1,428,364 |
| Deferred tax assets | 512,200 | 542,039 |
| Guarantee deposits | 253,578 | 301,655 |
| Other | 252,437 | 299,037 |
| Allowance for doubtful accounts | —7,500 | —7,500 |
| Total investments and other assets | 2,150,027 | 2,563,596 |
| Total non-current assets | 5,133,383 | 6,309,345 |
| Total assets | 15,249,673 | 16,796,366 |

(Thousands of ¥)

| | Previous consolidated accounting period As of March 31, 2020 | Consolidated accounting period under review As of March 31, 2021 |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 901,141 | 904,237 |
| Short-term loans payable | 360,000 | 2,520,000 |
| Current portion of long-term loans payable | 499,600 | 493,733 |
| Income taxes payable | 919,004 | 324,581 |
| Provision for bonuses | 1,094,196 | 795,940 |
| Provision for directors' bonuses | 42,325 | 18,272 |
| Other | 2,040,995 | 1,179,380 |
| Total current liabilities | 5,857,263 | 6,236,145 |
| Non-current liabilities | | |
| Bonds payable | — | 26,000 |
| Long-term loans payable | 249,800 | 408,033 |
| Deferred tax liabilities | 157,800 | 228,840 |
| Provision for directors' retirement benefits | 16,413 | 125,502 |
| Net retirement benefit liability | 30,927 | 142,915 |
| Other | 206,925 | 220,901 |
| Total non-current liabilities | 661,867 | 1,152,193 |
| Total liabilities | 6,519,130 | 7,388,338 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 592,344 | 592,344 |
| Capital surplus | 567,587 | 734,925 |
| Retained earnings | 7,502,863 | 7,680,821 |
| Treasury stock | –443,682 | –313,516 |
| Total shareholders' equity | 8,219,113 | 8,694,574 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 395,479 | 543,118 |
| Foreign currency translation adjustment | 74,194 | 120,224 |
| Remeasurements of retirement benefit plans | 997 | 3,520 |
| Total accumulated other comprehensive income | 470,671 | 666,863 |
| Subscription rights to shares | 8,937 | 6,746 |
| Non-controlling interests | 31,820 | 39,843 |
| Total net assets | 8,730,542 | 9,408,028 |
| Total liabilities and net assets | 15,249,673 | 16,796,366 |

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

(Thousands of ¥)

| | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|---|---|--|
| Net sales | 26,377,088 | 25,766,736 |
| Cost of sales | 19,967,682 | 19,386,301 |
| Gross profit | 6,409,406 | 6,380,434 |
| Selling, general, and administrative expenses | | |
| Directors' compensation | 209,483 | 300,052 |
| Salary allowances and bonuses | 1,650,701 | 1,890,798 |
| Provision for bonuses | 224,275 | 172,725 |
| Provision for directors' bonuses | 42,335 | 19,940 |
| Retirement benefit expenses | 50,819 | 75,574 |
| Provision for directors' retirement benefits | 1,171 | 1,270 |
| Statutory welfare expenses | 385,901 | 431,993 |
| Land rent | 181,067 | 265,960 |
| Depreciation | 132,487 | 128,026 |
| Amortization of goodwill | 254,740 | 348,544 |
| Other | 1,203,333 | 1,372,663 |
| Total selling, general, and administrative expenses | 4,336,317 | 5,007,549 |
| Operating income | 2,073,088 | 1,372,884 |
| Non-operating income | | |
| Interest income | 5,049 | 3,420 |
| Dividend income | 23,535 | 21,231 |
| Insurance proceeds and dividends | 5,064 | 50,866 |
| Subsidy income | 8,887 | 79,621 |
| Other | 33,114 | 70,924 |
| Total non-operating income | 75,652 | 226,063 |
| Non-operating expenses | | |
| Interest expenses | 12,289 | 18,061 |
| Commitment line fees | 17,691 | 17,855 |
| Foreign exchange loss | 5,514 | 2,368 |
| Other | 1,537 | 7,115 |
| Total non-operating expenses | 37,033 | 45,401 |
| Ordinary income | 2,111,707 | 1,553,546 |

(Thousands of ¥)

| | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|--|---|--|
| Extraordinary income | | |
| Gain on sales of non-current assets | 1,068 | 1,432 |
| Gain on sales of investment securities | 38,886 | 316,454 |
| Gain on reversal of subscription rights to shares | 115 | — |
| Total extraordinary income | 40,070 | 317,886 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | — | 439,878 |
| Other | 114 | 30,534 |
| Total extraordinary losses | 114 | 470,413 |
| Net income before income taxes | 2,151,663 | 1,401,020 |
| Income taxes—current | 922,402 | 435,146 |
| Income taxes—deferred | −77,704 | 207,077 |
| Total income taxes | 844,698 | 642,223 |
| Net income | 1,306,965 | 758,796 |
| Net income attributable to non-controlling interests | 9,940 | 11,031 |
| Net income attributable to owners of parent | 1,297,024 | 747,765 |

(Consolidated Statement of Comprehensive Income)

(Thousands of ¥)

| | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|--|---|--|
| Net income | 1,306,965 | 758,796 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -162,034 | 147,638 |
| Foreign currency translation adjustment | -35,646 | 46,029 |
| Remeasurements of retirement benefit plans | -809 | 2,523 |
| Total other comprehensive income | -198,490 | 196,191 |
| Comprehensive income | 1,108,474 | 954,988 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 1,098,534 | 943,957 |
| Comprehensive income attributable to non-controlling interests | 9,940 | 11,031 |

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous consolidated accounting period (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 |

Consolidated accounting period under review (April 1, 2020 to March 31, 2021)

(Thousands of ¥)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balances at the beginning of the period | 592,344 | 567,587 | 7,502,863 | -443,682 | 8,219,113 |
| Changes during the period | | | | | |
| Dividends from surplus | | | -571,812 | | -571,812 |
| Net income attributable to owners of parent | | | 747,765 | | 747,765 |
| Acquisition of treasury stock | | | | -900 | -900 |
| Disposition of treasury stock | | -1,104 | | 27,532 | 26,428 |
| Increase by share exchanges | | 168,442 | | 103,533 | 271,975 |
| Other | | | 2,004 | | 2,004 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the period | — | 167,338 | 177,957 | 130,165 | 475,461 |
| Balances at the end of the period | 592,344 | 734,925 | 7,680,821 | -313,516 | 8,694,574 |

| | 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 | 395,479 | 74,194 | 997 | 470,671 | 8,937 | 31,820 | 8,730,542 |
| Changes during the period | | | | | | | |
| Dividends from surplus | | | | | | | -571,812 |
| Net income attributable to owners of parent | | | | | | | 747,765 |
| Acquisition of treasury stock | | | | | | | -900 |
| Disposition of treasury stock | | | | | | | 26,428 |
| Increase by share exchanges | | | | | | | 271,975 |
| Other | | | | | | | 2,004 |
| Net changes of items other than shareholders' equity | 147,638 | 46,029 | 2,523 | 196,191 | -2,191 | 8,023 | 202,024 |
| Total changes during the period | 147,638 | 46,029 | 2,523 | 196,191 | -2,191 | 8,023 | 677,485 |
| Balances at the end of the period | 543,118 | 120,224 | 3,520 | 666,863 | 6,746 | 39,843 | 9,408,028 |

(4) Consolidated Cash Flow Statement

(Thousands of ¥)

| | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|---|---|--|
| Cash flows from operating activities | | |
| Net income before income taxes | 2,151,663 | 1,401,020 |
| Depreciation | 167,390 | 156,061 |
| Amortization of goodwill | 254,740 | 348,544 |
| Loss on retirement of non-current assets | 114 | 6,810 |
| Loss (gain) on sales of non-current assets | -1,068 | 438,446 |
| Loss (gain) on sales of investment securities | -38,886 | -316,434 |
| Increase (decrease) in provision for bonuses | 139,269 | -348,205 |
| Increase (decrease) in provision for directors' bonuses | 23,625 | -12,053 |
| Increase (decrease) in provision for loss on orders received | -34,479 | — |
| Increase (decrease) in net defined benefit liability | -199 | -33,568 |
| Increase (decrease) in provision for directors' retirement benefits | 4,614 | 4,088 |
| Interest income and dividend income | -28,584 | -24,651 |
| Interest expenses | 12,289 | 18,061 |
| Foreign exchange losses (gains) | 127 | -50 |
| Other extraordinary loss (income) | — | 23,704 |
| Decrease (increase) in notes and accounts receivable—trade | 1,000,861 | 102,170 |
| Decrease (increase) in inventories | 2,780 | 48,735 |
| Increase (decrease) in notes and accounts payable—trade | -89,003 | -180,307 |
| Increase (decrease) in amounts payable—other | -21,366 | -415,603 |
| Increase (decrease) in accrued consumption tax, etc. | 1,039,788 | -1,133,676 |
| Decrease (increase) of other current assets | -806,782 | 435,464 |
| Increase (decrease) in other current liabilities | -120,561 | -113,390 |
| Decrease (increase) in other non-current assets | -46,641 | -16,599 |
| Increase (decrease) in other non-current liabilities | 80,111 | 16,357 |
| Other | -60,295 | -7,968 |
| Subtotal | 3,629,510 | 396,954 |
| Interest and dividend income received | 26,338 | 26,665 |
| Interest expenses paid | -12,289 | -18,061 |
| Corporation tax, etc. paid | -411,582 | -1,012,947 |
| Net cash provided by (used in) operating activities | 3,231,976 | -607,388 |
| Cash flows from investment activities | | |
| Payments into time deposits | -158,738 | -76,722 |
| Proceeds from withdrawal of time deposits | 143,704 | 187,017 |
| Purchase of property, plant and equipment | -79,095 | -133,364 |
| Proceeds from sales of property, plant and equipment | 6,503 | 196,774 |
| Purchase of intangible assets | -30,736 | -55,648 |
| Purchase of investment securities | -24,955 | -31,192 |
| Proceeds from sales of investment securities | 70,424 | 324,317 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | — | -1,049,184 |
| Collection of long-term loans receivable | 710 | 333 |
| Other | -42,186 | 25,597 |
| Net cash provided by (used in) investing activities | -114,368 | -612,071 |

(Thousands of ¥)

| | Previous consolidated accounting period (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|--|---|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | −1,000,000 | 2,083,334 |
| Proceeds from long-term loans payable | — | 700,000 |
| Repayment of long-term loans payable | −499,600 | −595,317 |
| Redemption of bonds | — | −140,000 |
| Purchase of treasury stock | −436 | −900 |
| Proceeds from sales of treasury stock | 24,501 | 24,237 |
| Cash dividends paid | −735,220 | −569,950 |
| Cash dividends paid to non-controlling interests | −2,240 | −3,008 |
| Other | −6,710 | −7,883 |
| Net cash provided by (used in) financing activities | −2,219,706 | 1,490,511 |
| Effect of exchange rate changes on cash and cash equivalents | −20,611 | 33,025 |
| Net increase (decrease) in cash and cash equivalents | 877,289 | 304,076 |
| Cash and cash equivalents at beginning of period | 3,489,851 | 4,367,141 |
| Cash and cash equivalents at end of period | 4,367,141 | 4,671,217 |

(5) Notes on Consolidated Financial Statements
(Notes on Assumptions Regarding Going Concern)

None.

(Changes in Important Subsidiaries during the Consolidated Fiscal Period)

Based on a contract to transfer shares and a contract to exchange shares concluded with With Holdings Co., Ltd. (“WHD”), ID Holdings made WHD a subsidiary on January 4, 2021 and a wholly owned subsidiary on January 27, 2021.

WHD was taken over by System Design Co., Ltd., a wholly owned subsidiary of WHD, on March 1, 2021.

Also, although it is not applicable as a change in a specified subsidiary, during the consolidated fiscal year under review, GI Technos Inc. was made a wholly owned subsidiary of ID Holdings by means of share acquisition. It is now included in the scope of consolidation of accounts.

(Changes in Accounting Policies)

None.

(Additional Information)

(Estimation of accounts in view of the COVID-19 pandemic)

The Group calculates the estimates in its accounts of amounts of recoverable deferred tax assets based on information available at the time of preparation of the consolidated financial statements.

It is impossible to predict with any accuracy when the COVID-19 pandemic will end. However, its impact on Group operations during the consolidated accounting period under review was limited. For this reason, the estimates of accounts are based on the assumption that the impact of the pandemic will be limited in the future as well.

If changes occur in the economic environment as a result of the COVID-19 pandemic, those changes may impact the financial condition and business results of the Group as well.

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

The ID Group introduced two performance pay plans: a “board benefit trust (BBT) plan” for Group directors and executive officers (“Directors, etc.”), and a “Japanese employee stock ownership plan (J-ESOP)” for Group employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(1) How the Plans Work

At a meeting held on April 30, 2015, the Board of Directors approved the BBT for Directors, etc. as a way to provide directors’ compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the ID Group, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the ID Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

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

The ID Group awards 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 ID Group shares held in trust

Shares in the ID Group 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 ¥149,179,000 at the end of the previous consolidated fiscal period and was ¥135,344,000 at the end of the consolidated fiscal period under review. The number of shares was 282,227 at the end of the previous consolidated fiscal period and was 246,990 at the end of the consolidated fiscal period under review.

(Revision of the Articles of Incorporation with respect to the share split and total number of authorized shares)

At a meeting of the Board of Directors on March 31, 2021, ID Holdings resolved to conduct a split of common shares as detailed below. This share split is effective as of July 1, 2021.

1. Purpose of revision of the Articles of Incorporation with respect to the share split and total number of authorized shares
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. For this reason, the Group is exercising a split of common shares in a ratio of 1.5 new shares for each old share.

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 total number of authorized shares as listed in the Articles of Incorporation is changed as of Thursday, July 1, 2021.

2. 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. 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. Impact on per-share information

The per-share information for the previous consolidated fiscal year and the consolidated fiscal year under review if the share split had been executed at the beginning of the previous consolidated fiscal year is as follows.

Net assets per share

| | |
|---------------------------------------|---------|
| Previous consolidated fiscal year | ¥519.63 |
| Consolidated fiscal year under review | ¥546.16 |

Net income per share

| | |
|---------------------------------------|--------|
| Previous consolidated fiscal year | ¥77.80 |
| Consolidated fiscal year under review | ¥44.37 |

5. Changes to Articles of Incorporation regarding total number of authorized shares

(1) Changes

(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> . |

(2) Timing of changes

Effective date Effective date of above share split: Scheduled for July 1, 2021

(Segment Information, etc.)

[Segment Information]

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

[Related Information]

Previous consolidated accounting period (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 | — |

Notes: 1. The Group has only one segment, so the related segment name is omitted.

2. On January 1, 2021, Mizuho Trust Systems Co., Ltd. merged with Mizuho Information & Research Institute, Inc., changing its name to Mizuho Information & Research Institute, Inc. On April 1, 2021, Mizuho Information & Research Institute, Inc. merged with Mizuho Research Institute Ltd., changing its name to Mizuho Research & Technologies, Ltd.

Consolidated accounting period under review (April 1, 2020 to March 31, 2021)

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. | 2,679,823 | — |

| | | |
|---|-----------|---|
| Mizuho Information & Research Institute, Inc. | 2,587,200 | — |
|---|-----------|---|

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]

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 (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|------------------------------|--|--|
| Book value per share | ¥779.45 | ¥819.24 |
| Net income per share | ¥116.71 | ¥66.56 |
| Diluted net income per share | ¥115.73 | ¥66.10 |

Notes: 1. The number of Company shares held by Custody Bank of Japan, 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 282,227 shares at the end of the previous consolidated accounting period, and 246,990 shares at the end of the current consolidated accounting period. The interim average number of shares was 306,540 shares in the previous consolidated accounting period, and 262,036 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 (April 1, 2019 to March 31, 2020) | Consolidated accounting period under review (April 1, 2020 to March 31, 2021) |
|---|--|--|
| Net income per share | | |
| Net income attributable to owners of parent | ¥1,297,024,000 | ¥747,765,000 |
| Amounts not attributable to common shareholders | — | — |
| Net income attributable to owners of parent regarding common stock | ¥1,297,024,000 | ¥747,765,000 |
| Interim average number of shares | Common stock: 11,113,617 shares | Common stock: 11,234,344 shares |
| Diluted net income per share | | |
| Adjusted net income attributable to owners of parent | — | — |
| Increase in common stock | 93,817 shares | 77,940 shares |
| (portion of these shares that are stock options deriving from the subscription-rights-to-shares method) | (93,817 shares) | (77,940 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 Custody Bank of Japan, 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 As of March 31, 2020 | Current fiscal year As of March 31, 2021 |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 178,883 | 456,145 |
| Prepaid expenses | 36,437 | 18,618 |
| Short-term loans receivable | — | 50,000 |
| Accounts receivable—other | 1,143,829 | 513,260 |
| Other | 2,034 | 36,518 |
| Total current assets | 1,361,185 | 1,074,542 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 1,214,457 | 851,673 |
| Accumulated depreciation | −656,771 | −389,822 |
| Buildings (net) | 557,686 | 461,850 |
| Structures | 31,674 | 30,640 |
| Accumulated depreciation | −23,492 | −23,739 |
| Structures (net) | 8,182 | 6,901 |
| Tools, appliances, and accessories | 216,293 | 227,341 |
| Accumulated depreciation | −164,862 | −175,905 |
| Tools, appliances, and accessories (net) | 51,430 | 51,436 |
| Land | 864,101 | 326,860 |
| Total property, plant and equipment | 1,481,402 | 847,049 |
| Intangible assets | | |
| Goodwill | 12,209 | — |
| Total intangible assets | 12,209 | — |
| Investments and other assets | | |
| Investment securities | 1,139,311 | 1,363,312 |
| Affiliate shares | 5,587,328 | 7,642,375 |
| Long-term prepaid expenses | — | 1,163 |
| Deferred tax assets | 169,534 | 108,656 |
| Guarantee deposits | 204,670 | 241,281 |
| Other | 159,636 | 161,946 |
| Total investments and other assets | 7,260,482 | 9,518,735 |
| Total non-current assets | 8,754,094 | 10,365,784 |
| Total assets | 10,115,279 | 11,440,327 |

(Thousands of ¥)

| | Previous fiscal year As of March 31, 2020 | Current fiscal year As of March 31, 2021 |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Short-term loans payable | 1,600,000 | 1,800,000 |
| Current portion of long-term loans payable | 499,600 | 482,733 |
| Accounts payable – other | 39,813 | 31,997 |
| Accrued expenses | 17,609 | 13,459 |
| Income taxes payable | 16,516 | 3,826 |
| Accrued consumption tax, etc. | 84,132 | 14,328 |
| Advances received | 1,203 | — |
| Deposits | 4,765 | 10,484 |
| Provision for directors' bonuses | 25,000 | 11,458 |
| Other | 1 | — |
| Total current liabilities | 2,288,641 | 2,368,288 |
| Non-current liabilities | | |
| Long-term loans payable | 249,800 | 408,033 |
| Long-term accounts payable – other | 173,230 | 182,936 |
| Total non-current liabilities | 423,030 | 590,969 |
| Total liabilities | 2,711,672 | 2,959,257 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 592,344 | 592,344 |
| Capital surplus | | |
| Capital reserve | 543,293 | 543,293 |
| Other capital surplus | 26,111 | 193,449 |
| Total capital surplus | 569,405 | 736,743 |
| Retained earnings | | |
| Legal retained earnings | 43,687 | 43,687 |
| Other retained earnings | | |
| Voluntary reserve | 4,210,000 | 4,210,000 |
| Retained earnings brought forward | 2,027,295 | 2,669,863 |
| Total retained earnings | 6,280,983 | 6,923,551 |
| Treasury stock | —443,682 | —313,516 |
| Total shareholders' equity | 6,999,050 | 7,939,122 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 395,619 | 535,200 |
| Total valuation and translation adjustments | 395,619 | 535,200 |
| Subscription rights to shares | 8,937 | 6,746 |
| Total net assets | 7,403,607 | 8,481,069 |
| Total liabilities and net assets | 10,115,279 | 11,440,327 |

(2) Statement of Income

(Thousands of ¥)

| | Previous fiscal year (April 1, 2019 to March 31, 2020) | Current fiscal year (April 1, 2020 to March 31, 2021) |
|---|--|---|
| Operating revenue | 1,058,114 | 2,062,629 |
| Operating expenses | 784,220 | 763,798 |
| Operating income | 273,894 | 1,298,830 |
| Non-operating income | | |
| Interest income | 0 | 1,954 |
| Interest from securities | 1,707 | — |
| Dividend income | 23,535 | 21,230 |
| Insurance proceeds and dividends | 294 | — |
| Outsourcing service income | — | 9,234 |
| Consumption taxes refund | — | 7,695 |
| Compensation income | — | 14,952 |
| Other | 2,177 | 8,231 |
| Total non-operating income | 27,715 | 63,299 |
| Non-operating expenses | | |
| Interest expenses | 14,192 | 16,195 |
| Other | 164 | 290 |
| Total non-operating expenses | 14,357 | 16,485 |
| Ordinary income | 287,251 | 1,345,645 |
| Extraordinary income | | |
| Gain on sales of investment securities | 38,886 | 316,454 |
| Gain on sales of non-current assets | 1,046 | — |
| Gain on reversal of subscription rights to shares | 115 | — |
| Total extraordinary income | 40,048 | 316,454 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | — | 433,537 |
| Other | 0 | 6,109 |
| Total extraordinary losses | 0 | 439,646 |
| Net income before income tax | 327,299 | 1,222,452 |
| Income taxes—current | 53,303 | 8,739 |
| Income taxes—deferred | 23,197 | —666 |
| Total income taxes | 76,501 | 8,072 |
| Net income | 250,798 | 1,214,380 |

(3) Statement of Changes in Shareholders' Equity

Previous 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 |

Current fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of ¥)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------|-----------------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | |
| | | Capital reserve | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Voluntary reserve | Retained earnings brought forward |
| Balances at the beginning of the period | 592,344 | 543,293 | 26,111 | 569,405 | 43,687 | 4,210,000 | 2,027,295 | 6,280,983 |
| Changes during the period | | | | | | | | |
| Dividends from surplus | | | | | | | -571,812 | -571,812 |
| Net income | | | | | | | 1,214,380 | 1,214,380 |
| Acquisition of treasury stock | | | | | | | | |
| Disposition of treasury stock | | | -1,104 | -1,104 | | | | |
| Increase by share exchanges | | | 168,442 | 168,442 | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes during the period | - | - | 167,338 | 167,338 | - | - | 642,567 | 642,567 |
| Balances at the end of the period | 592,344 | 543,293 | 193,449 | 736,743 | 43,687 | 4,210,000 | 2,669,863 | 6,923,551 |

| | 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 | -443,682 | 6,999,050 | 395,619 | 395,619 | 8,937 | 7,403,607 |
| Changes during the period | | | | | | |
| Dividends from surplus | | -571,812 | | | | -571,812 |
| Net income | | 1,214,380 | | | | 1,214,380 |
| Acquisition of treasury stock | -900 | -900 | | | | -900 |
| Disposition of treasury stock | 27,532 | 26,428 | | | | 26,428 |
| Increase by share exchanges | 103,533 | 271,975 | | | | 271,975 |
| Net changes of items other than shareholders' equity | | | 139,581 | 139,581 | -2,191 | 137,390 |
| Total changes during the period | 130,165 | 940,071 | 139,581 | 139,581 | -2,191 | 1,077,462 |
| Balances at the end of the period | -313,516 | 7,939,122 | 535,200 | 535,200 | 6,746 | 8,481,069 |

(4) Notes on Unconsolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.