

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2022 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.



## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 (J-GAAP)

July 30, 2021

Company name: ID Holdings Corporation  
 Listing: Tokyo Stock Exchange, 1st Section  
 Securities code: 4709  
 URL: <https://www.idnet-hd.co.jp>  
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Scheduled date of filing of Quarterly Securities Report: August 5, 2021  
 Scheduled date of dividend payment: —  
 Preparation of supplementary materials on financial results: Yes  
 Presentation on quarterly results: Yes (for institutional investors and financial analysts)

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results for Q1 of FY2021 (April 1–June 30, 2021)

#### (1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q1 FY2021	6,565	—	292	—	318	—	142	—
Q1 FY2020	5,881	–10.4	231	–54.5	270	–47.5	137	–57.8

Note: Comprehensive income Q1 FY2021 ¥124 million (–%) Q1 FY2020 ¥273 million (20.8%)

	Net income per share	Diluted net income per share	EBITDA		EPS before amortization of goodwill	
	¥	¥	¥ million	%	¥	%
Q1 FY2021	8.33	8.29	442	—	14.81	—
Q1 FY2020	8.20	8.13	328	–46.2	12.00	–48.6

Notes: 1. From the beginning of the consolidated first quarter under review, the Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above Q1 FY2021 consolidated business results constitute the figures after the application of this standard. As such, YoY comparisons are not provided.

2. Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for net income per share, diluted net income per share and EPS before amortization of goodwill are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q1 FY2021	15,764	9,257	58.4
FY2020	16,796	9,408	55.7

Reference: Equity Q1 FY2021 ¥9,213 million FY2020 ¥9,361 million

Note: From the beginning of the consolidated first quarter under review, the Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above Q1 FY2021 consolidated business results constitute the figures after the application of this standard.

## 2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
	¥	¥	¥	¥	¥
FY2020	—	25.00	—	25.00	50.00
FY2021	—				
FY2021 (forecast)		20.00	—	20.00	40.00

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

2. Effective July 1, 2021, the Group executed 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
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2021 (full fiscal year)	30,000	—	1,900	—	1,950	—	1,020	—	59.40

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2021 (full fiscal year)	2,597	—	85.37	—

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

2. 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.

3. From the beginning of the consolidated first quarter under review, the Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above consolidated business results for Q1 FY2021 constitute the figures after the application of this standard. As such, YoY comparisons are not provided.

4. Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for net income per share and EPS before amortization of goodwill in FY2021 reflect the impact of the share split.

### \*Notes

(1) Changes in important subsidiaries during the period  
Changes in specified subsidiaries resulting in change in consolidation scope No

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements:  
(i) Changes in accounting policies due to revisions of accounting standards, etc.: Yes  
(ii) Changes in accounting policies other than (i): No  
(iii) Changes in accounting estimates: No  
(iv) Restatements: No

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies) under Section 2. Consolidated Financial Statements and Important Notes on page 11 of the Attachment.

(4) Number of shares outstanding (common stock)

- (i) Number of shares outstanding (inclusive of treasury stock):
- (ii) Amount of treasury stock:
- (iii) Interim average number of shares (Consolidated total for the quarter)

Q1 FY2021	18,066,453 shares	FY2020	18,066,453 shares
Q1 FY2021	894,562 shares	FY2020	925,995 shares
Q1 FY2021	17,154,640 shares	Q1 FY2020	16,728,337 shares

Note: Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for number of shares outstanding, amount of treasury stock and interim average number of shares are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.

(5) 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

\* These quarterly consolidated financial results are not subject to quarterly review by a certified public accountant or audit corporation.

\* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items  
Results forecasts are estimates based on information available as of the day the results were announced. Forecasts are inherently uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (3) Qualitative Information on the Consolidated Results Forecast under Section 1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2022, on page 6 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 quarterly results and details of the quarterly results briefing)  
The ID Group will hold a quarterly results briefing for institutional investors and analysts on August 23, 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. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2022

### (1) Qualitative Information on the Consolidated Business Results

As the global COVID-19 pandemic lengthens, its economic impact in Japan and worldwide is causing growing concern. Prospects for business activity, the corporate management environment and employment remain fraught with uncertainty. In the information services industry, to which the ID Group belongs, the changes engendered by the COVID-19 pandemic are evident on several fronts. Market needs are intensifying in areas such as the introduction and overhaul of IT environments for telework and the accelerating shift of information assets to the cloud. At the same time, some market participants are displaying a cautious posture in terms of investment in software development and IT infrastructure.<sup>1</sup>

The business results of the ID Group in the consolidated fiscal quarter under review (Q1 FY2021: April 1 to June 30, 2021) were overall encouraging. Acquired subsidiaries contributed to net sales, while system operation management held to a firm trend. Net sales amounted to ¥6.565 billion.

Earnings brightened across the board. Despite expenses such as amortization of goodwill of ¥50 million and office moving expenses of ¥12 million at the three subsidiaries acquired in the previous fiscal year, as well as expenses associated with the New Normal Adaptation Project<sup>2</sup>, rising sales drove up earnings, resulting in operating income of ¥292 million and ordinary income of ¥318 million. Net income attributable to owners of parent was ¥142 million. EBITDA was ¥442 million.

From the beginning of the consolidated first quarter under review, the Group applies the Accounting Standard for Revenue Recognition. For details, please refer to “2. Consolidated Financial Statements and Main Notes (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies).”

Notes:

1. Beginning in Q1, the service name “system infrastructure” is changed to “IT infrastructure.”
2. A Group-internal reorganization project aimed at promoting flexible and efficient workstyles for effective coexistence with COVID-19. The project encompasses measures such as encouragement of use of THE Forest Room, a free-address office environment; the transfer of certain core head-office management functions to the Sanin Business Process Outsourcing Center; 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.

(Millions of ¥)

		Consolidated first quarter under review (April 1, 2021 to June 30, 2021)
System operation management	Net sales	3,051
	Gross profit	732
	Gross profit margin	24.0%
Software development	Net sales	2,429
	Gross profit	509
	Gross profit margin	21.0%
IT infrastructure	Net sales	600
	Gross profit	149
	Gross profit margin	24.9%
Cybersecurity, consulting and training	Net sales	444
	Gross profit	128
	Gross profit margin	28.8%
Others	Net sales	39
	Gross profit	-9
	Gross profit margin	—
Total	Net sales	6,565
	Gross profit	1,509
	Gross profit margin	23.0%

(i) System operation management

The wrap-up of some large-scale projects with existing public-sector-related customers in the previous fiscal year left a gap. However, subsidiaries purchased in the previous fiscal year contributed to business results, personnel increased as a result of organizational reinforcement by existing finance-related customers, and new support-desk projects were secured. Net sales were ¥3.051 billion.

(ii) Software development

The wrap-up of some large-scale projects with existing public-sector-related customers in the previous fiscal year left a gap. However, subsidiaries purchased in the previous fiscal year contributed to business results, projects suspended at existing finance-related customers were restarted, and new projects at existing manufacturing-related customers were secured. Net sales were ¥2.429 billion.

(iii) IT infrastructure

Although new system renewal projects were secured at existing financial-related customers, system investment at existing shipping-related customers shrank amid the COVID-19 pandemic and personnel declined at existing public-sector-related. Net sales were ¥600 million.

(iv) Cybersecurity, consulting and training

The ID Group secured new consulting projects for the public sector, increased sales of cybersecurity products and expanded its roster of operators. However, the application of the Accounting Standard for Revenue Recognition had a negative impact of ¥194 million. Net sales were ¥444 million.

(v) Others

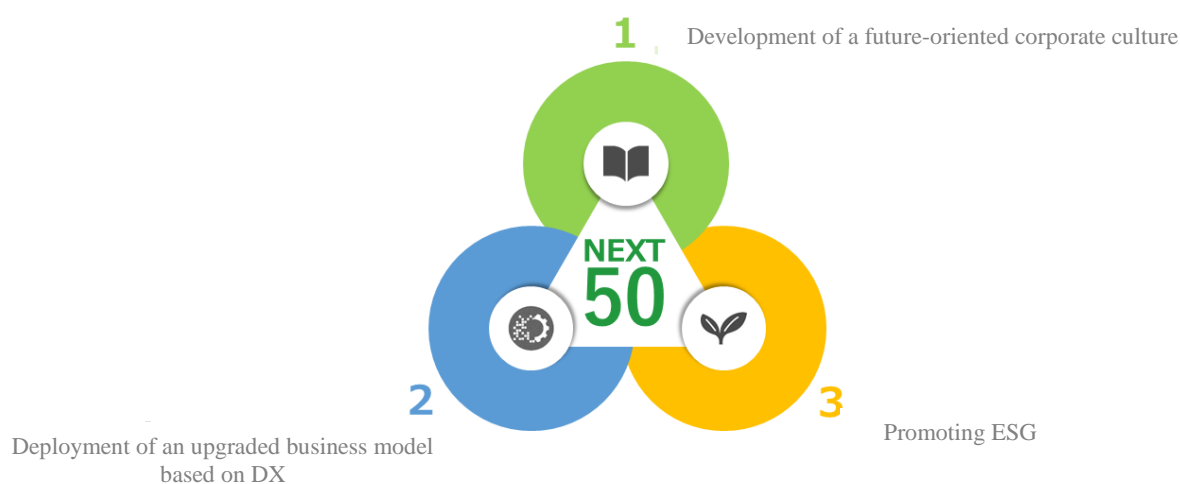
Product sales were adversely affected by a decline in license sales from the previous fiscal year, while net sales were impacted by a ¥36 million accounting charge from the application of the Accounting Standard for Revenue Recognition. Net sales were ¥39 million.

### 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<sup>1</sup>, and promoting ESG<sup>2</sup>. 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:

- To shift to a project-based organization and enable one-stop service proposals that break down the barriers between software development and IT infrastructure, INFORMATION DEVELOPMENT CO., LTD. (“ID”) folded the No. 1, No. 2 and No. 3 SIS Departments and the ITPS Department into the Global Innovation Center (GIC).
- To shift core administrative operations to regional centers and advance further improvements in operating efficiency and risk diversification, the Group launched New Normal Adaptation Project STEP 2, an internal reorganization project.
- To enhance employees' skills and achieve diverse workstyles, the Group deployed the Tottori Business Personnel Matching

and Activation Support system and introduced a sideline-business system.

(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:

- To shorten development lead time and optimize system configuration processes, ID began system development using WebPerformer, a tool for low-code, super-high-speed application development.
- Aiming to lighten customer workload and implement advanced security measures, ID began providing the ID-Cross Managed Security Service.
- ID began offering ID-Cross Cloud Training (AWS version), a cloud engineer training program, advancing into the field of cloud engineer training.
- To respond to the diversification in customer workstyles caused by the widening adoption of remote work, ID began offering the ID-Cross PC Management Service, in which ID conducts PC operation management on behalf of customers.

(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:

- The ID Group continued to serve as a proud sponsor of the Japan Sailing Federation's Sailing Team Japan, with the aim of giving the Japan sailing team an edge in the Tokyo Olympics.
- To achieve environmentally friendly business activities on a continuous basis, the ID Group took steps to acquire certification under the ISO 14001 environmental management system.
- The ID Group established the Sustainability Committee, to accelerate efforts to grapple with issues in sustainability.
- Reacting to a drop in blood donorship due to the COVID-19 pandemic, the ID Group conducted ID Group Blood Donation Day, continuing from the previous year.
- To support performers who have been restricted in their activities by the COVID-19 pandemic, the ID Group presented the Tanabata Concert.



**(2) Qualitative Information on the Consolidated Financial Position**

**(Assets)**

Assets at the end of consolidated Q1 decreased by ¥1,031 million from the end of the previous consolidated accounting period to ¥15.764 billion. Although accounts receivable—other increased by ¥220 million, cash and deposits decreased by ¥380 million, while notes and accounts receivable—trade declined by ¥714 million.

**(Liabilities)**

Liabilities at the end of consolidated Q1 decreased by ¥880 million from the end of the previous consolidated accounting period to ¥6.507 billion, as interest-bearing debt decreased by ¥488 million and provision for bonuses declined by ¥476 million.

**(Net Assets)**

Net assets at the end of consolidated Q1 decreased by ¥150 million from the end of the previous consolidated accounting period to ¥9.257 billion. While net income attributable to owners of parent contributed an increase of ¥142 million, year-end dividend payments engendered a decrease of ¥291 million.

**(3) Qualitative Information on the Consolidated Results Forecast**

There have been no changes to the full-year results projections as released by the ID Group on May 7, 2021.

## 2. Consolidated Financial Statements and Important Notes

### (1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2021	Consolidated first quarter under review As of June 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,016,411	4,636,103
Notes and accounts receivable – trade	4,823,774	—
Notes and accounts receivable – trade, and contract assets	—	4,109,675
Work in process	47,227	33,673
Accounts receivable–other	389,611	609,767
Other	250,064	324,425
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	10,487,021	9,673,576
<b>Non-current assets</b>		
Property, plant and equipment	1,437,746	1,378,795
<b>Intangible assets</b>		
Goodwill	2,193,073	2,081,955
Software	114,106	111,969
Other	823	816
Total intangible assets	2,308,003	2,194,741
<b>Investments and other assets</b>		
Investment securities	1,441,241	1,423,435
Deferred tax assets	542,039	502,815
Guarantee deposits	301,655	311,789
Other	286,159	287,289
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	2,563,596	2,517,829
Total non-current assets	6,309,345	6,091,366
Total assets	16,796,366	15,764,943

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2021	Consolidated first quarter under review As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	904,237	849,255
Short-term loans payable	2,520,000	2,220,000
Current portion of bonds payable	—	26,000
Current portion of long-term loans payable	493,733	365,833
Income taxes payable	324,581	136,201
Provision for bonuses	795,940	319,011
Provision for directors' bonuses	18,272	5,888
Other	1,179,380	1,611,328
Total current liabilities	6,236,145	5,533,518
Non-current liabilities		
Bonds payable	26,000	—
Long-term loans payable	408,033	349,800
Deferred tax liabilities	228,840	219,890
Provision for directors' retirement benefits	125,502	36,537
Net retirement benefit liability	142,915	142,109
Other	220,901	225,965
Total non-current liabilities	1,152,193	974,301
Total liabilities	7,388,338	6,507,820
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	734,925	734,100
Retained earnings	7,680,821	7,544,399
Treasury stock	–313,516	–303,474
Total shareholders' equity	8,694,574	8,567,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543,118	522,162
Foreign currency translation adjustment	120,224	119,700
Remeasurements of retirement benefit plans	3,520	4,151
Total accumulated other comprehensive income	666,863	646,014
Subscription rights to shares	6,746	5,131
Non-controlling interests	39,843	38,606
Total net assets	9,408,028	9,257,122
Total liabilities and net assets	16,796,366	15,764,943

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2020 to June 30, 2020)	Consolidated first quarter under review (April 1, 2021 to June 30, 2021)
Net sales	5,881,550	6,565,040
Cost of sales	4,549,237	5,055,190
Gross profit	1,332,312	1,509,849
Selling, general, and administrative expenses	1,101,082	1,217,604
Operating income	231,229	292,245
Non-operating income		
Interest income	665	678
Dividend income	18,463	18,641
Subsidy income	14,776	4,748
Other	24,030	26,429
Total non-operating income	57,935	50,497
Non-operating expenses		
Interest expenses	2,791	5,474
Commitment line fees	15,580	16,247
Other	434	2,700
Total non-operating expenses	18,806	24,423
Ordinary income	270,359	318,318
Extraordinary income		
Gain on sales of non-current assets	—	1,015
Total extraordinary income	—	1,015
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	59	0
Office relocation expenses	—	12,849
Total extraordinary losses	59	12,849
Net income before income taxes	270,299	306,485
Income taxes—current	50,951	129,692
Income taxes—deferred	79,589	31,741
Total income taxes	130,541	161,434
Net income	139,758	145,050
Net income attributable to non-controlling interests	2,639	2,090
Net income attributable to owners of parent	137,119	142,960

**(Consolidated Statement of Comprehensive Income)**  
**(Consolidated First Quarter)**

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2020 to June 30, 2020)	Consolidated first quarter under review (April 1, 2021 to June 30, 2021)
Net income	139,758	145,050
Other comprehensive income		
Valuation difference on available-for-sale securities	130,015	-20,956
Foreign currency translation adjustment	3,026	-523
Remeasurements of retirement benefit plans	756	630
Total other comprehensive income	133,797	-20,849
Comprehensive income	273,556	124,201
(Breakdown)		
Comprehensive income attributable to owners of parent	270,917	122,111
Comprehensive income attributable to non-controlling interests	2,639	2,090

**(3) Notes on Consolidated Financial Statements**  
**(Notes on Assumptions Regarding Going Concern)**

None.

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

None.

**(Changes in Accounting Policies)**

(Application of the Accounting Standard for Revenue Recognition and related matters)

From the start of Q1, the Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter "the Accounting Standard for Revenue Recognition"). Under this standard, once control of a promised good or service is transferred to the customer, the Group recognizes revenue at the amount that the Group expects to receive in exchange for the good or service.

By the application of this standard, some revenue from software development and the like that had previously been recognized upon completion of receiving inspection is changed to be recognized over a certain period, if the customer receives a benefit in proportion to the degree to which the duty of performance is fulfilled.

In the past, in the case of sales of certain cybersecurity and other products, the amount recognized as revenue was the total amount of the consideration received from the customer. Under the Accounting Standard for Revenue Recognition, if the transaction is one in which the Group plays the role of an agent in providing a good or service to the customer, the amount recognized as revenue is the total amount of the consideration received from the customer minus the amount paid to the supplier.

In applying the Accounting Standard for Revenue Recognition, the Group follows the transitional handling stipulated in the proviso in Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative financial effect of applying the new accounting policy retroactively to events before the beginning of Q1 is added to or subtracted from the retained earnings at the beginning of Q1, and the new accounting policy is applied from the balance at the beginning of Q1 onward.

However, the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition is also applied. The new accounting policy is not applied retroactively to contracts in which most revenue is recognized in accordance with the handling before the beginning of Q1. In addition, the method stipulated in the proviso (1) in Paragraph 86 of the Accounting Standard for Revenue Recognition is applied. With respect to contract changes conducted before the beginning of Q1, accounting is conducted based on the contract terms after all of the contract changes are reflected, and the cumulative financial effect is added to or subtracted from the retained earnings at the beginning of Q1.

As a result, net sales in Q1 is reduced by ¥273,524,000; cost of sales is reduced by ¥258,569,000; gross profit, operating income and net income before income taxes are all reduced by ¥15,740,000; and income taxes—deferred are reduced by ¥5,237,000. The result of these reductions is that net income is reduced by ¥10,502,000. Moreover, the balance of retained earnings at the beginning of Q1 is increased by ¥12,466,000.

Because the Accounting Standard for Revenue Recognition is applied, the item "Notes and accounts receivable—trade" listed under "Current Assets" in the consolidated balance sheet for the previous consolidated fiscal year is included in "Notes and accounts receivable—trade, and contract assets" from Q1 onward.

In accordance with the stipulation on transitional handling in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, accounting items are not reorganized for the previous consolidated fiscal year as a result in the new method of representation.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Statement No. 30, July 4, 2019) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter "the Accounting Standard for Fair Value Measurement") is applied from the beginning of Q1. In accordance with the stipulations on transitional handling in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan (ASBJ) Statement No. 10, July 4, 2019), the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. will be applied in the future. This application has no effect on the quarterly consolidated financial statements.

## **(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 quarterly 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 quarterly 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 first quarter under review are listed in the consolidated balance sheet under “Net Assets” as “Treasury Stock.” The book value of these shares was ¥135,344,000 at the end of the previous consolidated fiscal period and was ¥135,344,000 at the end of the consolidated first quarter under review. The number of shares was 246,990 at the end of the previous consolidated fiscal period and was 246,990 at the end of the consolidated first quarter under review.

Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. Reflecting the impact of this share split, the figures for both the previous consolidated fiscal period and the consolidated first quarter under review are based on 370,485 shares.

**(Material Subsequent Events)**

(Share split and partial revision of the Articles of Incorporation based on the share split)

The Group executed a share split as follows, based on a resolution of the meeting of the Board of Directors on March 31, 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 exercised 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 was changed as of Thursday, July 1, 2021.

2. Method of share split

Shares were 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 were sold or purchased in bulk and the proceeds from disposal of the fractional shares were distributed to the shareholders that generate the fractional shares, according to the number of fractional shares generated by each.

3. Increase in number of shares as a result of the share split

1) Total number of issued shares before the share split	12,044,302 shares
2) Increase in number of shares as a result of 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

4. Effect on per-share information

The per-share information is calculated as if the share split had been executed at the beginning of the previous consolidated fiscal year. The effect on the per-share information is listed in the appropriate items in the summary information.