Note: This document is an English translation of the "Kessan Tanshin" for the second 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 Six Months of the Fiscal Year Ending March 31, 2022 (J-GAAP)

October 29, 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 filing of Quarterly Securities Report:	November 5, 2021
Scheduled date of dividend payment:	December 6, 2021
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 H1 of FY2021 (April 1–September 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	%
H1 FY2021	13,340	―	704	―	741	―	375	―
H1 FY2020	12,174	–7.6	653	–43.6	704	–39.7	611	–17.3

Note: Comprehensive income H1 FY2021 ¥557 million (―%) H1 FY2020 ¥779 million (25.3%)

	Net income per share	Diluted net income per share	EBITDA		EPS before amortization of goodwill	
	¥	¥	¥ million	%	¥	%
H1 FY2021	21.84	21.77	1,009	―	34.78	―
H1 FY2020	36.50	36.23	871	–36.2	45.23	–13.1

Notes: 1. From the beginning of the consolidated first quarter of this fiscal year, 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 H1 FY2021 consolidated business results constitute the figures after the application of this standard. As such, YoY comparisons are not provided.

2. On 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	%
Q2 FY2021	15,824	9,691	61.0
FY2020	16,796	9,408	55.7

Reference: Equity Q2 FY2021 ¥9,649 million FY2020 ¥9,361 million

Note: From the beginning of the consolidated first quarter of this fiscal year, 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 Q2 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	—	20.00			
FY2021 (forecast)			—	20.00	40.00

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

2. On 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 the amount of the dividend after the share split. 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	—	59.32

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2021 (full fiscal year)	2,597	—	85.27	—

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

2. From the beginning of the consolidated first quarter of this fiscal year, 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 forecasts of consolidated results constitute the figures after the application of this standard. As such, YoY comparisons are not provided.

3. On 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 are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.

*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 (4) Notes on Consolidated Financial Statements (Changes in Accounting Policies) under Section 2. Consolidated Financial Statements and Important Notes on page 13 of the Attachment.

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock):	Q2 FY2021	18,066,453 shares	FY2020	18,066,453 shares
(ii) Amount of treasury stock:	Q2 FY2021	871,190 shares	FY2020	925,995 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q2 FY2021	17,174,843 shares	Q2 FY2020	16,744,227 shares

Note: On 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 Second 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 November 17, 2021. The materials that will be distributed at the briefing will be posted on the Group website promptly after the briefing.

Contents

1. Qualitative Information on the Second Quarter of the Fiscal Year Ending March 31, 2022

(1) Qualitative Information on the Consolidated Business Results

The worldwide COVID-19 pandemic continues to be the cause of lingering uncertainty in the economic picture. While progress in vaccination is raising hopes for a revival in economic activity, the lengthening of the coronavirus' worldwide prevalence is weighing on economic recovery in Japan and overseas.

In the information services industry, to which the ID Group belongs, the introduction and overhaul of IT environments for telework are advancing, driving continued strong demand for services such as shifting information assets to the cloud. Some IT investment projects that were postponed or scaled back due to the pandemic are showing signs of reopening across the industry. At the same time, however, great disparity is seen in the impact given by the COVID-19 pandemic and so as the prospects for recovery according to customers' industry type and condition.

The business results of the ID Group in the consolidated fiscal first half under review (H1 FY2021: April 1 to September 30, 2021) were overall encouraging. Acquired subsidiaries contributed to net sales, while system operation management held to a firm trend. Net sales amounted to ¥13.34 billion.

Earnings gained momentum for the Group despite increases in certain expenses. Amortization of goodwill rose ¥75 million, as a result of acquisition of three subsidiaries in the previous fiscal year, and expenses were incurred in association with the New Normal Adaptation Project*. Office relocation expenses of ¥15 million were also incurred at the three subsidiaries acquired in the previous fiscal year. However, rising sales engendered growth in earnings, resulting in operating income of ¥704 million and ordinary income of ¥741 million. Net income attributable to owners of parent was ¥375 million. EBITDA was ¥1.009 billion.

From the beginning of the consolidated first quarter of this fiscal year, the Group applies the Accounting Standard for Revenue Recognition. For details, please refer to "2. Consolidated Financial Statements and Main Notes (4) Notes on Consolidated Financial Statements (Changes in Accounting Policies)."

*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 cumulative second quarter under review (April 1, 2021 to September 30, 2021)
System operation management	Net sales	6,053
	Gross profit	1,449
	Gross profit margin	24.0%
Software development	Net sales	4,988
	Gross profit	1,096
	Gross profit margin	22.0%
IT infrastructure*	Net sales	1,221
	Gross profit	292
	Gross profit margin	24.0%
Cybersecurity, consulting and training	Net sales	960
	Gross profit	315
	Gross profit margin	32.8%
Others	Net sales	116
	Gross profit	2
	Gross profit margin	2.6%
Total	Net sales	13,340
	Gross profit	3,157
	Gross profit margin	23.7%

*Beginning in Q1, the service name “system infrastructure” is changed to “IT infrastructure.”

(i) System operation management

Some projects with existing medical-related customers concluded. However, the subsidiaries acquired in the previous fiscal year contributed to sales, while bolstered sales efforts toward major IT vendors led to expansion in orders received. The Group also acquired new projects in operational support and support-desk operations. Net sales were ¥6.053 billion.

(ii) Software development

The wrap-up of some large-scale projects with existing public-sector- and financial-related customers in the previous fiscal year left a gap. However, subsidiaries purchased in the previous fiscal year contributed to business results, transactions with existing public-sector- and financial-related customers expanded, and the Group secured new projects at existing manufacturing-related customers. Net sales were ¥4.988 billion.

(iii) IT infrastructure

Although the Group won new projects with medical-related customers, system investment at existing shipping-related customers shrank amid the COVID-19 pandemic, while personnel declined and projects were wrapped up at existing public-sector-related customers. Net sales were ¥1.221 billion.

(iv) Cybersecurity, consulting and training

The ID Group increased sales of cybersecurity products, expanded its roster of operators and won major consulting projects. However, the application of the Accounting Standard for Revenue Recognition had a negative impact of ¥321 million. Net sales were ¥960 million.

(v) Others

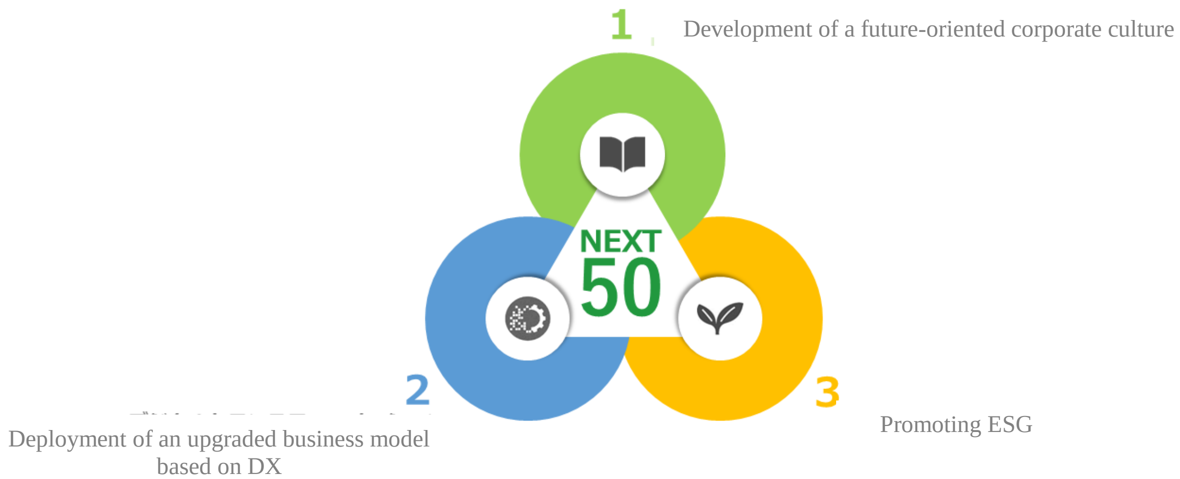
Major orders received in the previous fiscal year left a gap in product sales in H1, while the application of the Accounting Standard for Revenue Recognition had a negative impact of ¥70 million. Net sales were ¥116 million.

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[1], and promoting ESG[2]. 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 achieve further improvements in operating efficiency and risk diversification, the Group advanced New Normal Adaptation Project STEP 2, an internal reorganization project.

・The Group began application of Tottori Business Personnel Matching and Activation Support. The purpose of this move was to introduce a side-job system, with a view to upgrading employees' skills and achieving diverse workstyles.

・Aiming to build a new, subscription-based business model, the Group established a subscription-based business-model proposal system.

・To support employees in obtaining qualifications, the Group began making use of satellite offices as self-study space.

(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.
- ID began operations in collaboration with SecurityScorecard, a provider of services to visualize and quantify current security countermeasures, to augment support for customer security.
- ID improved the convenience to customers of IDEye, a remote work support system, by expanding its feature set and adding support for use of the system overseas.

(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.
- The ID Group earned a mention in *Weekly Toyo Keizai* magazine as one of "500 companies representing Japan in the SDGs" for the Group's advancement of women in the workplace.
- To support performers who have been restricted in their activities by the COVID-19 pandemic, the ID Group presented the Tanabata Concert.
- INFORMATION DEVELOPMENT Wuhan CO., LTD. donated medical and emergency-relief supplies in response to flood disasters in Henan Province, China.
- The Group participated in the Task Force on Climate-related Financial Disclosures (TCFD) Consortium, aiming to encourage renewed awareness of the environmental impact of business activities and expand appropriate disclosure regarding climate-related financial matters.

(2) Qualitative Information on the Consolidated Financial Position

(i) Changes in the ID Group's financial position

(Assets)

Assets at the end of consolidated Q2 decreased by ¥971 million from the end of the previous consolidated accounting period to ¥15.824 billion. Although investment securities increased by ¥269 million, cash and deposits decreased by ¥428 million, notes and accounts receivable–trade, and contract assets declined by ¥419 million, and accounts receivable–other fell by ¥283 million.

(Liabilities)

Liabilities at the end of consolidated Q2 decreased by ¥1.255 billion from the end of the previous consolidated accounting period to ¥6.132 billion, as interest-bearing debt decreased by ¥1.049 billion and provision for bonuses declined by ¥112 million.

(Net Assets)

Net assets at the end of consolidated Q2 increased by ¥283 million from the end of the previous consolidated accounting period to ¥9.691 billion. Although payment of year-end dividends reduced net assets by ¥291 million, net income attributable to owners of parent grew by ¥375 million and valuation difference on available-for-sale securities rose by ¥169 million.

(ii) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "net cash") at the end of consolidated Q2 under review increased by ¥246 million in comparison with the end of consolidated Q2 in the previous fiscal year, to ¥4.250 billion (+6.1% YoY).

The cash flow and factors affecting cash flow for H1 of the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥967 million (compared to a net cash decrease of ¥1.245 billion in the same period of the previous fiscal year).

This result was mainly due to ¥730 million in net income before income taxes and ¥305 million in depreciation and amortization of goodwill.

(Cash flows from investing activities)

Net cash used in investing activities was ¥58 million (compared to a net cash increase of ¥34 million in the same period of the previous fiscal year).

This result was mainly due to purchase of property, plant and equipment of ¥44 million and purchase of investment securities of ¥25 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1.333 billion (compared to a net cash increase of ¥854 million in the same period of the previous fiscal year).

This result was mainly due to a net decrease of ¥660 million in short-term loans payable, repayment of long-term loans payable of ¥372 million, and cash dividends paid of ¥297 million (including cash dividends paid to non-controlling interests).

(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 second quarter under review As of September 30, 2021
Assets		
Current assets		
Cash and deposits	5,016,411	4,588,180
Notes and accounts receivable – trade	4,823,774	—
Notes and accounts receivable – trade, and contract assets	—	4,404,718
Work in process	47,227	17,805
Accounts receivable–other	389,611	105,711
Other	250,064	390,734
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	10,487,021	9,467,082
Non-current assets		
Property, plant and equipment	1,437,746	1,404,855
Intangible assets		
Goodwill	2,193,073	1,970,838
Software	114,106	110,694
Other	823	2,407
Total intangible assets	2,308,003	2,083,940
Investments and other assets		
Investment securities	1,441,241	1,710,988
Deferred tax assets	542,039	569,439
Guarantee deposits	301,655	305,651
Other	286,159	289,912
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	2,563,596	2,868,492
Total non-current assets	6,309,345	6,357,289
Total assets	16,796,366	15,824,372

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2021	Consolidated second quarter under review As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable – trade	904,237	923,267
Short-term loans payable	2,520,000	1,860,000
Current portion of bonds payable	—	13,000
Current portion of long-term loans payable	493,733	237,933
Income taxes payable	324,581	413,154
Provision for bonuses	795,940	683,612
Provision for directors’ bonuses	18,272	11,626
Other	1,179,380	975,433
Total current liabilities	6,236,145	5,118,027
Non-current liabilities		
Bonds payable	26,000	—
Long-term loans payable	408,033	291,566
Deferred tax liabilities	228,840	301,538
Provision for directors’ retirement benefits	125,502	38,802
Net retirement benefit liability	142,915	148,678
Other	220,901	233,833
Total non-current liabilities	1,152,193	1,014,419
Total liabilities	7,388,338	6,132,446
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	734,925	733,615
Retained earnings	7,680,821	7,776,544
Treasury stock	–313,516	–296,745
Total shareholders’ equity	8,694,574	8,805,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543,118	712,144
Foreign currency translation adjustment	120,224	126,183
Remeasurements of retirement benefit plans	3,520	5,058
Total accumulated other comprehensive income	666,863	843,386
Subscription rights to shares	6,746	—
Non-controlling interests	39,843	42,780
Total net assets	9,408,028	9,691,925
Total liabilities and net assets	16,796,366	15,824,372

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Consolidated Cumulative Second Quarter)

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter under review (April 1, 2021 to September 30, 2021)
Net sales	12,174,198	13,340,714
Cost of sales	9,231,905	10,183,129
Gross profit	2,942,292	3,157,584
Selling, general, and administrative expenses	2,289,154	2,452,863
Operating income	653,137	704,721
Non-operating income		
Interest income	1,395	1,254
Dividend income	19,071	19,302
Subsidy income	30,450	7,448
Other	35,926	39,093
Total non-operating income	86,843	67,097
Non-operating expenses		
Interest expenses	7,793	10,328
Commitment line fees	16,351	17,004
Foreign exchange loss	9,525	—
Other	1,849	3,182
Total non-operating expenses	35,520	30,514
Ordinary income	704,461	741,303
Extraordinary income		
Gain on sales of non-current assets	1,356	1,015
Gain on sales of investment securities	308,660	—
Gain on reversal of subscription rights to shares	—	4,036
Total extraordinary income	310,016	5,051
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	59	373
Office relocation expenses	—	15,269
Total extraordinary losses	59	15,643
Net income before income taxes	1,014,417	730,711
Income taxes–current	279,938	387,032
Income taxes–deferred	117,030	–37,689
Total income taxes	396,968	349,342
Net income	617,449	381,369
Net income attributable to non-controlling interests	6,296	6,264
Net income attributable to owners of parent	611,152	375,105

(Consolidated Statement of Comprehensive Income)

(Consolidated Cumulative Second Quarter)

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter under review (April 1, 2021 to September 30, 2021)
Net income	617,449	381,369
Other comprehensive income		
Valuation difference on available-for-sale securities	163,091	169,025
Foreign currency translation adjustment	–2,576	5,959
Remeasurements of retirement benefit plans	1,512	1,537
Total other comprehensive income	162,027	176,523
Comprehensive income	779,476	557,892
(Breakdown)		
Comprehensive income attributable to owners of parent	773,179	551,628
Comprehensive income attributable to non-controlling interests	6,296	6,264

(3) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter under review (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Net income before income taxes	1,014,417	730,711
Depreciation	71,823	82,847
Amortization of goodwill	146,238	222,234
Gain on reversal of subscription rights to shares	—	–4,036
Loss on retirement of non-current assets	59	373
Loss (gain) on sales of non-current assets	–1,356	–1,015
Office relocation expenses	—	15,269
Loss (gain) on sales of investment securities	–308,660	—
Increase (decrease) in provision for bonuses	–481,489	–112,340
Increase (decrease) in provision for directors' bonuses	–32,863	–26,645
Increase (decrease) in net retirement benefit assets (liabilities)	–1,077	8,114
Increase (decrease) in provision for directors' retirement benefits	2,168	–86,700
Interest income and dividend income	–20,466	–20,556
Interest expenses	7,793	10,328
Foreign exchange losses (gains)	–6	–11
Decrease (increase) in notes and accounts receivable–trade	529,119	—
Decrease (increase) in notes and accounts receivable–trade, and contract assets	—	426,624
Decrease (increase) in inventories	–41,459	28,323
Increase (decrease) in notes and accounts payable–trade	–201,987	–66,768
Increase (decrease) in amounts payable–other	–365,423	–51,341
Increase (decrease) in accrued expenses	–52,033	–46,515
Increase (decrease) in accrued consumption tax, etc.	–1,183,422	–83,952
Decrease (increase) of other current assets	544,898	214,759
Increase (decrease) in other current liabilities	–18,237	–23,192
Decrease (increase) in other non-current assets	–868	1,266
Increase (decrease) in other non-current liabilities	2,271	15,115
Other	–3,463	24,566
Subtotal	–394,024	1,257,458
Interest and dividend income received	21,742	20,535
Interest expenses paid	–7,793	–10,328
Office relocation expenses paid	—	–15,269
Corporation tax, etc. paid	–865,879	–284,494
Net cash provided by (used in) operating activities	–1,245,955	967,901
Cash flows from investing activities		
Payments into time deposits	—	–13,200
Proceeds from withdrawal of time deposits	118,837	13,200
Purchase of property, plant and equipment	–55,037	–44,015
Proceeds from sales of property, plant and equipment	1,356	27,915
Purchase of intangible assets	–16,304	–20,131
Purchase of investment securities	–22,311	–25,018
Proceeds from sales of investment securities	311,160	20
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–303,886	—
Other	1,058	2,298
Net cash provided by (used in) investing activities	34,873	–58,931

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter under review (April 1, 2021 to September 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,393,332	–660,000
Repayment of long-term loans payable	–255,312	–372,266
Redemption of bonds	–3,000	–13,000
Purchase of treasury stock	–436	–1,928
Proceeds from sales of treasury stock	14,238	14,679
Cash dividends paid	–286,848	–294,317
Cash dividends paid to non-controlling interests	–3,008	–3,328
Other	–4,081	–3,215
Net cash provided by (used in) financing activities	854,884	–1,333,376
Effect of exchange rate changes on cash and cash equivalents	–6,404	3,958
Net increase (decrease) in cash and cash equivalents	–362,602	–420,447
Cash and cash equivalents at beginning of period	4,367,141	4,671,217
Cash and cash equivalents at end of period	4,004,539	4,250,770

(4) 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 H1 is reduced by ¥437,709,000; cost of sales is reduced by ¥420,316,000; gross profit, operating income, ordinary income and net income before income taxes are all reduced by ¥17,393,000; and income taxes–deferred are reduced by ¥5,809,000. The result of these reductions is that net income is reduced by ¥11,583,000. Moreover, the balance of retained earnings at the beginning of the current fiscal year 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 H1 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 second 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 ¥133,635,000 at the end of the consolidated second quarter under review. The number of shares was 246,990 at the end of the previous consolidated fiscal period and was 366,546 at the end of the consolidated second quarter under review.

On 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 figure for the previous consolidated fiscal period is based on 370,485 shares.