

Note: This document is an English translation of the “Kessan Tanshin” for the third 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 Nine Months of the Fiscal Year Ending March 31, 2022 (J-GAAP)

January 31, 2022

Company name:	ID Holdings Corporation	
Listing:	Tokyo Stock Exchange, 1st Section	
Securities code:	4709	
URL:	<a href="https://www.idnet-hd.co.jp">https://www.idnet-hd.co.jp</a>	
Company representative:	Masaki Funakoshi, President and Representative Director	
Direct inquiries to:	Masayoshi Nakatani, Senior Officer Manager, Corporate Strategy Department Tel: +81 3-3262-5177	
Scheduled date of filing of Quarterly Securities Report:	February 4, 2022	
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 the First Nine Months of FY2021 (April 1–December 31, 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	%
Q3 FY2021	20,396	—	1,225	—	1,269	—	649	—
Q3 FY2020	18,330	-6.2	946	-44.9	1,035	-40.9	781	-28.3

Note: Comprehensive income Q3 FY2021 ¥736 million (—%) Q3 FY2020 ¥931 million (−19.0%)

	Net income per share		Diluted net income per share		EBITDA		EPS before amortization of goodwill	
	¥	¥	¥	¥	¥ million	%	¥	%
Q3 FY2021	37.97		37.88		1,692	—	57.44	—
Q3 FY2020	46.67		46.33		1,295	-36.2	60.65	-21.2

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 Q3 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		¥ million	%
Q3 FY2021	16,009		8,998			55.9
FY2020	16,796		9,408			55.7

Reference: Equity Q3 FY2021 ¥8,953 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 Q3 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
FY2021 (full fiscal year)	¥ million 30,000	% —	¥ million 1,900	% —	¥ million 1,950	% —	¥ million 1,020	% —	¥ 60.06

	EBITDA		EPS before amortization of goodwill	
FY2021 (full fiscal year)	¥ million 2,597	% —	¥ 86.23	% —

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 current consolidated fiscal year. In addition, the Group repurchased 605,600 shares of treasury stock based on the resolution of the Board of Directors meeting held on December 27, 2021. Therefore, "Net income per share" and "EPS before amortization of goodwill" take into account the impact of this increase in treasury stock.

### \*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):	Q3 FY2021	18,066,453 shares	FY2020	18,066,453 shares
(ii) Amount of treasury stock:	Q3 FY2021	1,476,548 shares	FY2020	925,995 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q3 FY2021	17,114,359 shares	Q3 FY2020	16,756,794 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 Third 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 February 15, 2022. 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 Third Quarter of the Fiscal Year Ending March 31, 2022

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

The worldwide COVID-19 pandemic continues to frame expectations for the economy. As vaccination progresses, a recovery in economic activity is expected. However, renewed spread of infection in Japan and overseas, driven by the emergence of new variants, presents cause for concern. As a result, prospects remain shrouded in uncertainty.

The information services industry, to which the ID Group belongs, is overall on a recovery footing. While some IT investment projects continue to be postponed or scaled back due to the pandemic, IT investment needs related to the creation of new business models and digital transformation (DX), which is the transformation of existing business models, is firmly based. At the same time, however, the impact of the COVID-19 pandemic varies greatly by corporate customer, so the prospects for recovery differ considerably by customers' industry type and condition.

The consolidated business results of the ID Group in the cumulative third quarter under review (April 1 to December 31, 2021 (Q1–3 FY2021)) were overall encouraging. Acquired subsidiaries contributed to net sales, while system operation management held to a firm trend. Net sales amounted to ¥20.396 billion.

Earnings gained momentum for the Group despite increases in certain expenses. Amortization of goodwill rose ¥98 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\*. However, rising sales engendered growth in earnings, resulting in operating income of ¥1.225 billion and ordinary income of ¥1.269 billion. Net income attributable to owners of parent was ¥649 million, contrasting with the same period of the previous fiscal year due to ¥309 million gain on sales of investment securities in that period. EBITDA was ¥1.692 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 (3) 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 the opening of THE Ocean Room, a free-address office environment; encouragement of use of THE Forest Room, an existing free-address office; 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 third quarter under review (April 1, 2021 to December 31, 2021)
System operation management	Net sales	9,053
	Gross profit	2,162
	Gross profit margin	23.9%
Software development	Net sales	7,638
	Gross profit	1,655
	Gross profit margin	21.7%
IT infrastructure*	Net sales	1,911
	Gross profit	478
	Gross profit margin	25.1%
Cybersecurity, consulting and training	Net sales	1,515
	Gross profit	464
	Gross profit margin	30.7%
Others	Net sales	277
	Gross profit	103
	Gross profit margin	37.4%
Total	Net sales	20,396
	Gross profit	4,866
	Gross profit margin	23.9%

\*Beginning in Q1, the service name "system infrastructure" is changed to "IT infrastructure."

(i) System operation management

Negative impact was felt from the conclusion of infrastructure-strengthening projects with existing finance-related clients in the previous fiscal year. However, subsidiaries acquired during the previous fiscal year contributed to sales and the Group expanded orders from existing clients in the public sector and wholesaling. Net sales were ¥9.053 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, while system investment by existing customers in the shipping sector declined. However, subsidiaries purchased in the previous fiscal year contributed to business results, the Group secured new projects at existing manufacturing-related customers, and transactions with existing public-sector- and financial-related customers expanded. Net sales were ¥7.638 billion.

(iii) IT infrastructure

System investment by existing shipping-related customers shrank, while personnel reductions unfolded at existing public-sector-related customers. On the other hand, the Group secured new projects and expanded orders with existing finance-related customers. Subsidiaries purchased in the previous fiscal year contributed. Net sales were ¥1.911 billion.

(iv) Cybersecurity, consulting and training

The application of the Accounting Standard for Revenue Recognition had a negative impact of ¥418 million. However, the Group secured major projects in consulting, increased its team of operators in cybersecurity and boosted product sales. Net

sales were ¥1.515 billion.

(v) Others

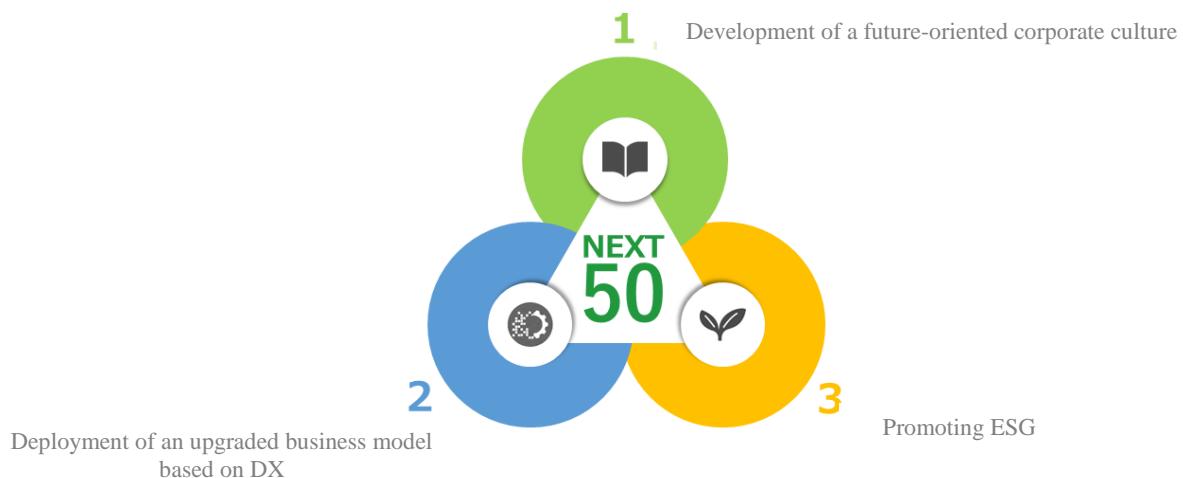
Although product orders increased, the application of the Accounting Standard for Revenue Recognition had a negative impact of ¥198 million. Net sales were ¥277 million.

**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 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.
- The Group established THE Ocean Room, a free-address office environment, to establish hybrid workstyles and generate synergies by fostering communication among Group companies.
- The Group opened the President's Seminar, in which non-Japanese employees of diverse backgrounds propose business models and appropriate use of human resources\* based on fresh perspectives.
- To deepen understanding of gender diversity, including LGBT, and to create an environment in which a wide range of personnel can work comfortably and effectively, the Group launched LGBT Seminars and other measures to raise employee awareness.

\*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:

- 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.
- ID launched a cyber-threat tracing and analysis service. The purpose of this service is to reduce customer risk from cyber-threats by examining and investigating past cyber-threats.
- As a company that has earned high regard for its support and improvement of the quality of its security services, ID obtained certification under the Information Security Service Evaluation Program, which evaluates the degree to which companies conform to the Information Security Standards of the Ministry of Economy, Trade and Industry (METI).

#### (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.
- The ID Group established the Sustainability Committee, to accelerate efforts to grapple with issues in sustainability.
- 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.

- 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<sup>1</sup>, aiming to encourage renewed awareness of the environmental impact of business activities and expand appropriate disclosure regarding climate-related financial matters.
- In Nikkei's Smart Work Management Survey and SDGs Management Survey, the Group was recognized for its appropriate use of human resources and measures to grapple with social issues, receiving a higher evaluation than in the previous fiscal year.
- To contribute to environmental conservation activities, the Group carried out volunteer cleanup activities at locations such as the Shonan coast in Japan's Kanagawa Prefecture and Moshan in China's East Lake Scenic Area.
- Reacting to a drop in blood donorship due to the COVID-19 pandemic, the ID Group conducted a twice-yearly ID Group Blood Donation Day, continuing from the previous year.
- AI FACTORY CO., LTD., a special Group subsidiary, became the first company in the City of Tottori, Tottori Prefecture, to obtain certification under the Nofuku Japan Agricultural Standards (Nofuku JAS). These standards recognize the social value of agriculture-and-social services<sup>2</sup> collaborative products.
- To support performers who have been restricted in their activities by the COVID-19 pandemic, the ID Group presented the Tanabata Concert and New Year Concert both at Suntory Hall.
- The Group obtained certification under the ISO 14001 environmental management system and advanced measures for the continuous achievement of environmentally friendly business activities.

- 1 The TCFD Consortium was established as a forum for the discussion and promotion of measures by financial institutions and other companies that endorse the TCFD Declaration for effective disclosure of climate-related financial information and the application of said information in making appropriate investment decisions.
- 2 Agriculture-and-social-services collaboration is a series of measures aimed at enabling disabled persons and others to participate in society with confidence and motivation through activity in the agricultural sector.

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

### (Assets)

Assets at the end of consolidated Q3 FY2021 decreased by ¥787 million from the end of the previous fiscal year, to ¥16.009 billion. Cash and deposits decreased by ¥175 million, notes and accounts receivable—trade, and contract assets declined by ¥274 million, and amortization of goodwill reduced assets by ¥333 million.

### (Liabilities)

Liabilities at the end of consolidated Q3 FY2021 amounted to ¥7.010 billion, down ¥378 million from the end of the previous fiscal year. Although accounts payable—trade increased by ¥52 million, interest-bearing debt decreased by ¥111 million and provision for bonuses declined by ¥399 million.

### (Net Assets)

Net assets at the end of consolidated Q3 FY2021 decreased by ¥409 million from the end of the previous fiscal year, to ¥8.998 billion. Although net income attributable to owners of parent increased to ¥649 million, payment of year-end and interim dividends reduced net assets by ¥643 million and acquisition of treasury stock decreased them by a further ¥503 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 third quarter under review As of December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,016,411	4,840,799
Notes and accounts receivable – trade	4,823,774	—
Notes and accounts receivable – trade, and contract	—	4,549,454
Work in process	47,227	43,598
Accounts receivable–other	389,611	306,756
Other	250,064	310,632
Allowance for doubtful accounts	—40,068	—40,068
Total current assets	10,487,021	10,011,173
<b>Non-current assets</b>		
Property, plant and equipment	1,437,746	1,423,823
Intangible assets		
Goodwill	2,193,073	1,859,721
Software	114,106	110,553
Other	823	5,120
Total intangible assets	2,308,003	1,975,394
<b>Investments and other assets</b>		
Investment securities	1,441,241	1,523,351
Deferred tax assets	542,039	478,916
Guarantee deposits	301,655	310,980
Other	286,159	293,167
Allowance for doubtful accounts	—7,500	—7,500
Total investments and other assets	2,563,596	2,598,915
<b>Total non-current assets</b>	<b>6,309,345</b>	<b>5,998,134</b>
<b>Total assets</b>	<b>16,796,366</b>	<b>16,009,308</b>

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2021	Consolidated third quarter under review As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	904,237	956,688
Short-term loans payable	2,520,000	2,060,000
Current portion of bonds payable	—	13,000
Current portion of long-term loans payable	493,733	434,933
Income taxes payable	324,581	341,757
Provision for bonuses	795,940	396,198
Provision for directors' bonuses	18,272	17,364
Other	1,179,380	1,288,872
Total current liabilities	6,236,145	5,508,814
Non-current liabilities		
Bonds payable	26,000	—
Long-term loans payable	408,033	833,333
Deferred tax liabilities	228,840	246,134
Provision for directors' retirement benefits	125,502	41,067
Net retirement benefit liability	142,915	138,538
Other	220,901	242,445
Total non-current liabilities	1,152,193	1,501,519
Total liabilities	7,388,338	7,010,333
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	734,925	733,644
Retained earnings	7,680,821	7,699,955
Treasury stock	–313,516	–817,215
Total shareholders' equity	8,694,574	8,208,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	543,118	581,899
Foreign currency translation adjustment	120,224	156,952
Remeasurements of retirement benefit plans	3,520	5,827
Total accumulated other comprehensive income	666,863	744,678
Subscription rights to shares	6,746	—
Non-controlling interests	39,843	45,566
Total net assets	9,408,028	8,998,974
Total liabilities and net assets	16,796,366	16,009,308

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

**(Consolidated Statement of Income)**

**(Consolidated Cumulative Third Quarter)**

(Thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2020 to December 31, 2020)	Consolidated cumulative third quarter under review (April 1, 2021 to December 31, 2021)
Net sales	18,330,864	20,396,045
Cost of sales	13,877,729	15,529,775
Gross profit	4,453,135	4,866,269
Selling, general, and administrative expenses	3,506,341	3,640,403
Operating income	946,793	1,225,866
Non-operating income		
Interest income	2,159	1,946
Dividend income	20,265	20,947
Subsidy income	63,360	9,877
Other	42,623	46,985
Total non-operating income	128,408	79,757
Non-operating expenses		
Interest expenses	11,977	13,726
Commitment line fees	17,116	18,939
Foreign exchange loss	9,053	—
Other	1,906	3,895
Total non-operating expenses	40,053	36,561
Ordinary income	1,035,148	1,269,061
Extraordinary income		
Gain on sales of non-current assets	1,356	1,015
Gain on sales of investment securities	309,635	—
Gain on reversal of subscription rights to shares	—	4,036
Total extraordinary income	310,991	5,051
Extraordinary losses		
Loss on sales of non-current assets	5,499	0
Loss on retirement of non-current assets	147	373
Office relocation expenses	—	15,755
Other	13	—
Total extraordinary losses	5,660	16,129
Net income before income taxes	1,340,480	1,257,983
Income taxes—current	360,367	544,423
Income taxes—deferred	187,126	54,757
Total income taxes	547,493	599,181
Net income	792,986	658,802
Net income attributable to non-controlling interests	11,028	9,050
Net income attributable to owners of parent	781,958	649,752

**(Consolidated Statement of Comprehensive Income)**  
**(Consolidated Cumulative Third Quarter)**

(Thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2020 to December 31, 2020)	Consolidated cumulative third quarter under review (April 1, 2021 to December 31, 2021)
Net income	792,986	658,802
Other comprehensive income		
Valuation difference on available-for-sale securities	140,429	38,781
Foreign currency translation adjustment	-4,262	36,728
Remeasurements of retirement benefit plans	2,268	2,306
Total other comprehensive income	138,435	77,815
Comprehensive income	931,422	736,618
(Breakdown)		
Comprehensive income attributable to owners of parent	920,393	727,567
Comprehensive income attributable to non-controlling interests	11,028	9,050

**(3) Notes on Consolidated Financial Statements**  
**(Notes on Assumptions Regarding Going Concern)**  
None.

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

Based on a resolution of its Board of Directors on December 27, 2021, ID Holdings acquired 605,600 treasury shares. By means of this acquisition of treasury stock, ID Holdings increased the value of its treasury stock by ¥503,698,000 in the consolidated nine-month period under review. The value of treasury stock at the end of the consolidated third quarter under review was ¥817,215,000.

**(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 Q1–3 is reduced by ¥662,078,000; cost of sales is reduced by ¥644,684,000; 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 Q1–3 FY2021 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 third 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 ¥133,467,000 at the end of the consolidated third quarter under review. The number of shares was 246,990 at the end of the previous consolidated fiscal period and was 365,871 at the end of the consolidated third 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.