

Note: This document is an English translation of the “Kessan Tanshin” for the second quarter of the fiscal year ending March 31, 2023 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, 2023 (J-GAAP)

October 31, 2022

Company name: ID Holdings Corporation
 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 4709
 URL: <https://www.idnet-hd.co.jp>
 Company representative: Masaki Funakoshi, President and Representative Director
 Direct inquiries to: Yasuhiro Araki, Senior Officer
 Manager, Corporate Strategy Department
 Tel: +81 3-3262-5177

Scheduled date of filing of Quarterly Securities Report: November 4, 2022
 Scheduled date of dividend payment: December 5, 2022
 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 FY2022 (April 1–September 30, 2022)

(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 FY2022	14,861	11.4	1,155	63.9	1,209	63.1	680	81.5
H1 FY2021	13,340	—	704	—	741	—	375	—

Note: Comprehensive income H1 FY2022 ¥887 million (59.1%) H1 FY2021 ¥557 million (—%)

	Net income per share		Diluted net income per share		EBITDA		EPS before amortization of goodwill	
	¥		¥		¥ million	%	¥	%
H1 FY2022	41.04		—		1,454	44.1	54.43	56.5
H1 FY2021	21.84		21.77		1,009	—	34.78	—

Notes: 1. From the beginning of the consolidated first quarter of the previous fiscal year, the Group has applied 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. 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.

3. Diluted net income per share during the consolidated first half under review is not listed, as the Group has no potential shares.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	¥ million		¥ million		¥ million	%
Q2 FY2022	16,168		9,992		61.5	
FY2021	16,238		9,446		57.9	

Reference: Equity Q2 FY2022 ¥9,943 million FY2021 ¥9,400 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
FY2021	¥ —	¥ 20.00	¥ —	¥ 20.00	¥ 40.00
FY2022	—	20.00	—	—	—
FY2022 (forecast)	—	—	—	20.00	40.00

Note: Revision of most recently published dividend forecast: No

3. Forecasts of Consolidated Results for FY2022 (April 1, 2022–March 31, 2023)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2022 (full fiscal year)	29,000	4.3	1,950	4.3	2,000	4.0	1,100	5.1	66.30

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2022 (full fiscal year)	2,580	3.5	93.10	6.1

Note: Revision of most recently published results forecast: No

*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 FY2022	18,066,453 shares	FY2021	18,066,453 shares
(ii) Amount of treasury stock:	Q2 FY2022	1,476,289 shares	FY2021	1,476,462 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q2 FY2022	16,590,015 shares	Q2 FY2021	17,174,843 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 Second Quarter of the Fiscal Year Ending March 31, 2023, 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 28, 2022. 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, 2023	- 2 -
(1) Qualitative Information on the Consolidated Business Results	- 2 -
(2) Qualitative Information on the Consolidated Financial Position.....	- 6 -
(3) Qualitative Information on the Consolidated Results Forecast.....	- 6 -
2. Consolidated Financial Statements and Important Notes.....	- 7 -
(1) Consolidated Balance Sheet.....	- 7 -
(2) Consolidated Statement of Income and Comprehensive Income.....	- 9 -
(Consolidated Statement of Income).....	- 9 -
(Consolidated Cumulative Second Quarter).....	- 9 -
(Consolidated Statement of Comprehensive Income).....	- 10 -
(Consolidated Cumulative Second Quarter).....	- 10 -
(3) Consolidated Cash Flow Statement	- 11 -
(4) Notes on Consolidated Financial Statements.....	- 13 -
(Notes on Assumptions Regarding Going Concern).....	- 13 -
(Notes on Significant Changes (If Any) in Shareholders' Equity).....	- 13 -
(Changes in Accounting Policies).....	- 13 -
(Additional Information)	- 13 -
(Material Subsequent Events)	- 14 -

1. Qualitative Information on the Second Quarter of the Fiscal Year Ending March 31, 2023

(1) Qualitative Information on the Consolidated Business Results

During the consolidated fiscal first half under review (H1 FY2022: April 1 to September 30, 2022), the Japanese economy was beset by challenges on all sides. As vaccination against COVID-19 progressed nationwide, restrictions on activity were eased, stirring hopes that an economic recovery was in the offing. However, as the Russian invasion of Ukraine dragged on, resource prices spiked and the yen exchange rate slipped, stoking inflation. Future prospects remain stubbornly unclear.

Fortunately for the ID Group, the information services industry, to which the Group belongs, is on a firmer footing. Demand for IT investment related to digital transformation (DX), an approach aimed at establishing new business models and transforming existing ones, was solid and is expected to continue to enjoy steady support. Moreover, while the impact of the COVID-19 pandemic lingers on, corporate clients' needs for IT investment, previously restrained, are continuing to bounce back.

Amid the environment just described, business results for the ID Group trended favorably in software development; system operation management; and cybersecurity, consulting and training. Net sales jumped 11.4% from the same period of the previous fiscal year (YoY) to ¥14.861 billion.

Earnings results were even more satisfying. Although cost of sales climbed as a result of Group reorganization, the Group's high-margin DX-related business expanded. As sales grew, so did earnings. Operating income soared 63.9% YoY to ¥1.155 billion, and ordinary income leapt 63.1% YoY to ¥1.209 billion. Net income attributable to owners of parent surged 81.5% YoY to ¥680 million, while EBITDA broadened 44.1% YoY to ¥1.454 billion.

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

(Millions of ¥)

		Previous consolidated cumulative second quarter (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter under review (April 1, 2022 to September 30, 2022)	Compared with same period of previous fiscal year (YoY)	
				Increase/decrease	Rate of increase/decrease (%)
System operation management	Net sales	6,053	6,641	588	9.7
	Gross profit	1,449	1,476	26	1.8
	Gross profit margin	24.0%	22.2%	-1.7P	—
Software development	Net sales	4,988	5,647	659	13.2
	Gross profit	1,096	1,210	114	10.4
	Gross profit margin	22.0%	21.4%	-0.5P	—
IT infrastructure	Net sales	1,221	1,228	7	0.6
	Gross profit	292	310	17	6.1
	Gross profit margin	24.0%	25.3%	1.3P	—
Cybersecurity, consulting and training	Net sales	960	1,130	169	17.7
	Gross profit	315	315	0	0.2
	Gross profit margin	32.8%	27.9%	-4.9P	—
Others	Net sales	116	212	96	82.4
	Gross profit	2	10	7	265.8
	Gross profit margin	2.6%	5.1%	2.6P	—
Total	Net sales	13,340	14,861	1,520	11.4
	Gross profit	3,157	3,324	167	5.3
	Gross profit margin	23.7%	22.4%	-1.3P	—

(i) System operation management

Reinforced sales efforts toward major IT vendors led to expansion in transactions, while orders received from existing financial-related customers increased. Net sales lifted 9.7% YoY to ¥6.641 billion.

(ii) Software development

Some projects with existing financial-related customers wrapped up. However, reinforced sales efforts toward major IT vendors led to expansion in transactions, while previously postponed major projects with existing transport-related customers were restarted and orders from existing public-sector-related customers grew. Net sales improved 13.2% YoY to ¥5.647 billion.

(iii) IT infrastructure

Although some projects with existing customers related to IT and the public sector were concluded, the Group expanded transactions with multiple existing customers, particularly with those related to finance. Net sales rose 0.6% YoY to ¥1.228 billion.

(iv) Cybersecurity, consulting and training

In addition to swelling product sales and growing order acceptance in cybersecurity, this category benefited from heightened sales in consulting. Net sales lifted 17.7% YoY to ¥1.130 billion.

(v) Others

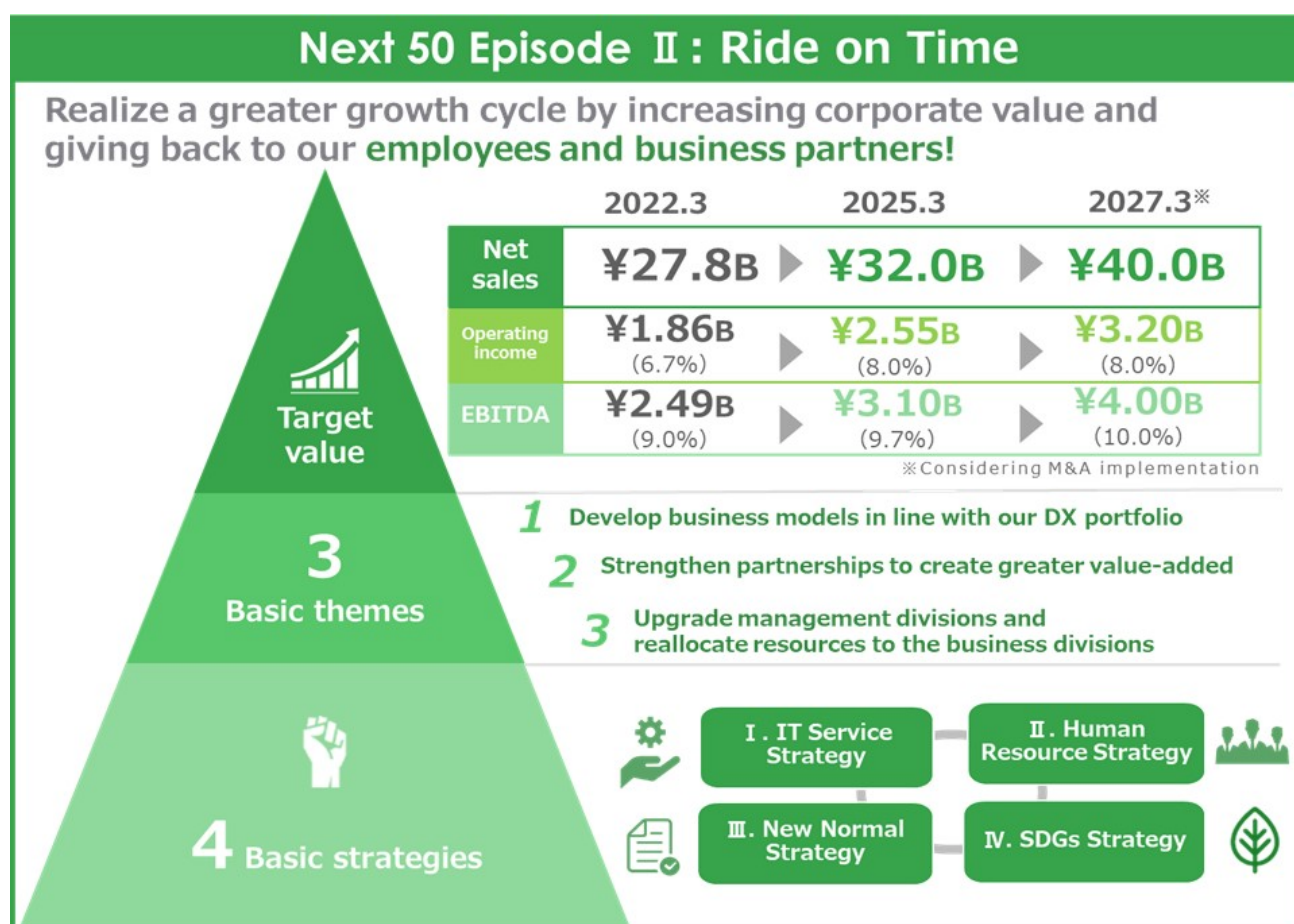
Orders accepted for data entry and product sales expanded. Net sales rose 82.4% YoY to ¥212 million.

Management Policy Initiatives

Guided by its previous Mid-term Management Plan, Next 50 Episode I: Awakening!, the Group strove to develop engineers who are experts in digital technology and boost the quality of service in each domain, while establishing a solid foundation for future growth. The ID Group also composed its next Mid-term Management Plan, Next 50 Episode II: Ride on Time, which covers the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. Aiming to achieve further improvements in profitability, starting in the fiscal year ending March 31, 2023, the Plan focuses on three basic themes:

- 1) Develop business models in line with the Group’s DX portfolio of a) strengthening support for clients’ advancement of DX and b) development of Group proprietary solutions
- 2) Strengthen partnerships to create greater value-added
- 3) Upgrade management divisions and reallocate resources to the business divisions

To achieve success in the three basic themes of the next Mid-term Management Plan as outlined above, the ID Group is advancing four basic strategies: an IT Service Strategy, a Human Resource Strategy, a New Normal Strategy and an SDGs Strategy.



Note: “Business partners” refers to IT partners with whom we will collaborate on project execution.

(i) IT Service Strategy

After identifying technology domains where needs are highest, the Group will collaborate with partners to support the advancement of customers' DX, while working to develop proprietary solutions in growth fields. To respond to customers' needs to strengthen and streamline their business continuity plans, the Group began offering Smart Unyo, a SaaS-type system operation service. To enable companies to run their businesses anywhere and anytime, the Group began work on proof-of-concept for a virtual operation center, using the metaverse. We also launched ID-Ashura, a service brand focused on cybersecurity.

(ii) Human Resource Strategy

To expand its DX services and boost their value-added, the Group is further enhancing its training system while cultivating mid-to senior-level engineers and planning-and-proposal personnel. In addition to building and operating a Japanese-style job-description system, the Group aims to encourage sharing of technical knowledge among employees through in-house systems. For example, the development division created training programs on the subjects of cloud computing, low-code computing and AI and began supporting employees' efforts to obtain qualifications. The Group also provided employees with a DX-related training environment, enlisting 182 participants in the fiscal half-year under review.

(iii) New Normal Strategy

The ID Group is overhauling its in-house trunk systems to bolster work efficiency and quality and is assembling a smart administrative division. To boost Group-wide productivity, the Group made several moves to adjust its internal systems, including centralization of management of data using a shared information platform and exploring options for overhauling its workflow systems. The Group also reassigned personnel from the administrative division to the operating division, reduced duplication of operations and moved forward with work sharing.

(iv) SDGs Strategy

By improving sustainability through its business activities, the ID Group is aiming to achieve a virtuous cycle between "solving social issues" and "enhancing corporate value." The Group concluded an agreement with the Town of Kofu in Tottori Prefecture to advance DX in administration and move toward regional coexistence. The Group also switched the electricity used at its head office building to renewable energy, dramatically reducing its generation of greenhouse gases. Moreover, the Group carried out activities to contribute to communities, such as by donating food and picture books to Kodomo Shokudo, a children's charity. We also supported culture and fine arts through activities such as presenting classical concerts.

(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 ¥70 million from the end of the previous consolidated accounting period to ¥16.168 billion. Although contract assets increased by ¥448 million and investment securities rose by ¥147 million, cash and deposits decreased by ¥837 million.

(Liabilities)

Liabilities at the end of consolidated Q2 decreased by ¥616 million from the end of the previous consolidated accounting period to ¥6.176 billion. Although contract liabilities increased by ¥118 million and provision for bonuses rose by ¥140 million, interest-bearing debt declined by ¥778 million.

(Net Assets)

Net assets at the end of consolidated Q2 increased by ¥545 million from the end of the previous consolidated accounting period to ¥9.992 billion. Although payment of year-end dividends reduced net assets by ¥339 million, net income attributable to owners of parent grew by ¥680 million and foreign currency translation adjustment rose by ¥132 million.

(ii) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "net cash") at the end of consolidated Q2 under review decreased by ¥429 million in comparison with the end of consolidated Q2 in the previous fiscal year, to ¥3.821 billion (-10.1% 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 ¥364 million (compared to a net cash increase of ¥967 million in the same period of the previous fiscal year). This result was mainly due to ¥1.205 billion in net income before income taxes, ¥342 million decrease in notes and accounts payable-trade, and ¥480 million increase in other current assets.

(Cash flows from investing activities)

Net cash used in investing activities was ¥265 million (compared to a net cash decrease of ¥58 million in the same period of the previous fiscal year). This result was mainly due to payments into time deposits of ¥131 million and purchase of investment securities of ¥50 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1.119 billion (compared to a net cash decrease of ¥1.333 billion in the same period of the previous fiscal year). This result was mainly due to a net decrease of ¥560 million in short-term loans payable, repayment of long-term loans payable of ¥216 million, and cash dividends paid of ¥341 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 April 28, 2022.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2022	Consolidated second quarter under review As of September 30, 2022
Assets		
Current assets		
Cash and deposits	4,908,300	4,070,525
Notes receivable–trade	2,200	4,200
Accounts receivable–trade	4,503,942	4,497,323
Contract assets	419,034	867,775
Work in process	18,010	15,486
Accounts receivable–other	297,217	236,212
Other	233,028	692,974
Allowance for doubtful accounts	–40,068	–40,068
Total current assets	10,341,666	10,344,429
Non-current assets		
Property, plant and equipment	1,398,451	1,391,188
Intangible assets		
Goodwill	1,748,603	1,526,369
Software	105,729	166,998
Other	6,194	779
Total intangible assets	1,860,527	1,694,147
Investments and other assets		
Investment securities	1,515,460	1,663,319
Deferred tax assets	526,419	472,832
Guarantee deposits	308,601	312,498
Other	295,259	297,491
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	2,638,241	2,738,642
Total non-current assets	5,897,220	5,823,978
Total assets	16,238,886	16,168,407

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2022	Consolidated second quarter under review As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable–trade	945,314	967,846
Contract liabilities	47,510	165,770
Short-term loans payable	1,560,000	1,000,000
Current portion of long-term loans payable	432,933	432,933
Income taxes payable	647,216	453,485
Provision for bonuses	827,876	968,214
Provision for directors' bonuses	13,324	7,750
Provision for loss on orders received	—	59,608
Other	1,021,163	989,348
Total current liabilities	5,495,341	5,044,958
Non-current liabilities		
Long-term loans payable	725,100	508,633
Deferred tax liabilities	234,376	251,668
Provision for directors' retirement benefits	25,332	26,001
Net retirement benefit liability	51,832	56,620
Other	260,686	288,482
Total non-current liabilities	1,297,328	1,131,405
Total liabilities	6,792,669	6,176,364
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	733,644	733,680
Retained earnings	8,096,543	8,438,233
Treasury stock	–817,549	–817,762
Total shareholders' equity	8,604,982	8,946,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567,216	634,681
Foreign currency translation adjustment	224,026	356,798
Remeasurements of retirement benefit plans	4,477	5,834
Total accumulated other comprehensive income	795,720	997,314
Non-controlling interests	45,514	48,232
Total net assets	9,446,217	9,992,043
Total liabilities and net assets	16,238,886	16,168,407

(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, 2021 to September 30, 2021)	Consolidated cumulative second quarter under review (April 1, 2022 to September 30, 2022)
Net sales	13,340,714	14,861,566
Cost of sales	10,183,129	11,536,883
Gross profit	3,157,584	3,324,683
Selling, general, and administrative expenses	2,452,863	2,169,415
Operating income	704,721	1,155,268
Non-operating income		
Interest income	1,254	1,084
Dividend income	19,302	22,700
Subsidy income	7,448	8,935
Other	39,093	30,514
Total non-operating income	67,097	63,235
Non-operating expenses		
Interest expenses	10,328	8,436
Commitment line fees	17,004	308
Other	3,182	584
Total non-operating expenses	30,514	9,329
Ordinary income	741,303	1,209,174
Extraordinary income		
Gain on sales of non-current assets	1,015	—
Gain on reversal of subscription rights to shares	4,036	—
Total extraordinary income	5,051	—
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	373	3,530
Office relocation expenses	15,269	—
Total extraordinary losses	15,643	3,530
Net income before income taxes	730,711	1,205,644
Income taxes—current	387,032	478,926
Income taxes—deferred	–37,689	40,453
Total income taxes	349,342	519,379
Net income	381,369	686,264
Net income attributable to non-controlling interests	6,264	5,470
Net income attributable to owners of parent	375,105	680,794

(Consolidated Statement of Comprehensive Income)
(Consolidated Cumulative Second Quarter)

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter under review (April 1, 2022 to September 30, 2022)
Net income	381,369	686,264
Other comprehensive income		
Valuation difference on available-for-sale securities	169,025	67,464
Foreign currency translation adjustment	5,959	132,772
Remeasurements of retirement benefit plans	1,537	1,356
Total other comprehensive income	176,523	201,593
Comprehensive income	557,892	887,858
(Breakdown)		
Comprehensive income attributable to owners of parent	551,628	882,388
Comprehensive income attributable to non-controlling interests	6,264	5,470

(3) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter under review (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Net income before income taxes	730,711	1,205,644
Depreciation	82,847	77,120
Amortization of goodwill	222,234	222,234
Gain on reversal of subscription rights to shares	-4,036	—
Loss on retirement of non-current assets	373	3,530
Loss (gain) on sales of non-current assets	-1,015	—
Office relocation expenses	15,269	—
Increase (decrease) in provision for bonuses	-112,340	139,910
Increase (decrease) in provision for directors' bonuses	-26,645	-25,574
Increase (decrease) in provision for loss on orders received	—	59,608
Increase (decrease) in net retirement benefit assets (liabilities)	8,114	6,862
Increase (decrease) in provision for directors' retirement benefits	-86,700	669
Interest income and dividend income	-20,556	-23,785
Interest expenses	10,328	8,436
Foreign exchange losses (gains)	-11	-12,386
Decrease (increase) in notes and accounts receivable—trade	751,046	5,512
Decrease (increase) in inventories	28,323	5,093
Increase (decrease) in notes and accounts payable—trade	-66,768	-342,511
Increase (decrease) in amounts payable—other	-51,341	-66,777
Increase (decrease) in accrued expenses	-46,515	5,190
Increase (decrease) in accrued consumption tax, etc.	-83,952	17,639
Decrease (increase) of other current assets	-117,193	-480,443
Increase (decrease) in other current liabilities	-15,662	112,108
Decrease (increase) in other non-current assets	1,266	269
Increase (decrease) in other non-current liabilities	15,115	29,186
Other	24,566	78,902
Subtotal	1,257,458	1,026,441
Interest and dividend income received	20,535	23,790
Interest expenses paid	-10,328	-8,436
Office relocation expenses paid	-15,269	—
Corporation tax, etc. paid	-284,494	-677,016
Net cash provided by (used in) operating activities	967,901	364,778
Cash flows from investing activities		
Payments into time deposits	-13,200	-131,910
Proceeds from withdrawal of time deposits	13,200	7,009
Purchase of property, plant and equipment	-44,015	-29,996
Proceeds from sales of property, plant and equipment	27,915	—
Purchase of intangible assets	-20,131	-46,540
Purchase of investment securities	-25,018	-50,904
Proceeds from sales of investment securities	20	—
Other	2,298	-12,834
Net cash provided by (used in) investing activities	-58,931	-265,176

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter under review (April 1, 2022 to September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-660,000	-560,000
Repayment of long-term loans payable	-372,266	-216,466
Redemption of bonds	-13,000	-
Purchase of treasury stock	-1,928	-534
Proceeds from sales of treasury stock	14,679	357
Cash dividends paid	-294,317	-338,844
Cash dividends paid to non-controlling interests	-3,328	-2,752
Other	-3,215	-1,703
Net cash provided by (used in) financing activities	-1,333,376	-1,119,944
Effect of exchange rate changes on cash and cash equivalents	3,958	128,581
Net increase (decrease) in cash and cash equivalents	-420,447	-891,760
Cash and cash equivalents at beginning of period	4,671,217	4,713,364
Cash and cash equivalents at end of period	4,250,770	3,821,603

(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)

(On application of *Implementation Guidance on Accounting Standard for Fair Value Measurement*)

The ID Group applies ASBJ Guidance No. 31 (revised June 17, 2021), *Implementation Guidance on Accounting Standard for Fair Value Measurement* (hereinafter "*Implementation Guidance on Accounting Standard for Fair Value Measurement*") as of the beginning of the consolidated first quarter of this fiscal year. In accordance with transitional handling in Paragraph 27-2 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*, the Group has decided to apply the new accounting policy stipulated in *Implementation Guidance on Accounting Standard for Fair Value Measurement* now and in the future. The application of this new accounting policy does not impact the consolidated financial statements for the financial quarter under review.

(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 ¥133,298,000 at the end of the previous consolidated fiscal period and was ¥211,271,000 at the end of the consolidated second quarter under review. The number of shares was 365,197 at the end of the previous consolidated fiscal period and was 458,425 at the end of the consolidated second quarter under review.

(Material Subsequent Events)

None.