

Note: This document is an English translation of the “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2025 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2025 (J-GAAP)

July 31, 2024

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, Representative Director and Group CEO
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Scheduled date of dividend payment:	—
Preparation of supplementary materials on financial results:	Yes
Presentation on results:	No

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results for Q1 of FY2024 (April 1–June 30, 2024)

(1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q1 FY2024	8,487	8.5	729	−11.5	799	−9.6	451	−12.1
Q1 FY2023	7,819	7.2	823	30.7	884	32.3	514	37.8

Note: Comprehensive income Q1 FY2024 ¥639 million (−17.7%) Q1 FY2023 ¥776 million (76.2%)

	Net income per share		Diluted net income per share		EBITDA		EPS before amortization of goodwill	
	¥		¥		¥ million	%	¥	%
Q1 FY2024	26.97		—		893	−8.2	33.60	−10.8
Q1 FY2023	30.96		—		973	24.8	37.65	29.0

Note: Diluted net income per share is not listed, as the Group has no potential shares.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	¥ million		¥ million			%
Q1 FY2024	18,616		12,170			65.1
FY2023	20,061		12,010			59.6

Reference: Equity Q1 FY2024 ¥12,114 million FY2023 ¥11,954 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
	¥	¥	¥	¥	¥
FY2023	—	25.00	—	25.00	50.00
FY2024	—	—	—	—	—
FY2024 (forecast)	—	25.00	—	30.00	55.00

Note: Revision of most recently published dividend forecast: No
Breakdown of year-end dividend for FY2024 (forecast)
Ordinary dividend ¥25.00 Commemorative dividend ¥5.00

3. Forecasts of Consolidated Results for FY2024 (April 1, 2024–March 31, 2025)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2024 (full fiscal year)	35,000	7.1	3,000	8.3	3,000	4.9	1,750	-1.5	104.55

	EBITDA		EPS before amortization of goodwill	
	¥ million	%	¥	%
FY2024 (full fiscal year)	3,550	3.8	127.49	-4.2

Note: Revision of most recently published results forecast: No

*Notes

- (1) Significant changes in the scope of consolidation during the period 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.: No
 - (ii) Changes in accounting policies other than (i): No
 - (iii) Changes in accounting estimates: No
 - (iv) Restatements: No

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock):	Q1 FY2024	18,066,453 shares	FY2023	18,066,453 shares
(ii) Amount of treasury stock:	Q1 FY2024	1,331,888 shares	FY2023	1,297,430 shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q1 FY2024	16,747,098 shares	Q1 FY2023	16,602,473 shares

(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

* Review of the attached quarterly consolidated financial statements by a certified public accountant or audit corporation: No

* 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. Summary of Business Results, etc., 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) plan and Japanese employee stock ownership plan - restricted stock (J-ESOP-RS). Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP-RS plans are included in treasury stock.

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Period

The consolidated fiscal quarter under review (Q1 FY2024: April 1 to June 30, 2024) was a period of mixed economic results. The Japanese economy continued a gradual recovery keynote, with improvements in the employment and income environments.

However, the path forward remained unclear amid concerns regarding the impact of downside events in the global economy, such as continuing high interest rates in Western countries and worries about prospects for the Chinese economy, as well as downside risks in Japan such as rising resource prices, geopolitical tensions, and fluctuations in financial and capital markets, among other issues.

The information services industry, in which the ID Group is a participant, continued on a firm footing. Demand for IT investment related to digital transformation (DX), the use of digital technology to create new business models or transform existing ones, was firmly based. Ongoing growth in the fields of cloud services and generative AI drove heightened investment in construction of data centers in Japan. These positive trends are expected to persist.

Against this background, business results for the ID Group trended favorably in all services, including system management. Net sales rose to ¥8.487 billion (+8.5% YoY).

Earnings declined YoY across the board. Despite increasing revenues and expansion in the high-margin DX-related business, a range of costs increased, including returns to employees and strategic investments to train and retain personnel. Operating income declined to ¥729 million (-11.5% YoY) and ordinary income slid to ¥799 million (-9.6% YoY). Net income attributable to owners of parent retreated to ¥451 million (-12.1% YoY) and EBITDA slipped to ¥893 million (-8.2% YoY).

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

(Millions of ¥)

		Previous consolidated first quarter (April 1, 2023 to June 30, 2023)	Consolidated first quarter under review (April 1, 2024 to June 30, 2024)	Compared with same period of previous fiscal year (YoY)	
				Increase/decrease	Rate of increase/decrease (%)
System management	Net sales	3,568	3,758	189	5.3
	Gross profit	805	919	113	14.2
	Gross profit margin	22.6%	24.5%	1.9P	—
Software development	Net sales	2,784	2,953	168	6.1
	Gross profit	583	589	5	1.0
	Gross profit margin	20.9%	19.9%	-1.0P	—
IT infrastructure	Net sales	694	845	151	21.8
	Gross profit	241	245	3	1.5
	Gross profit margin	34.8%	29.0%	-5.8P	—
Cybersecurity, consulting and training	Net sales	712	836	123	17.3
	Gross profit	235	223	-12	-5.1
	Gross profit margin	33.1%	26.8%	-6.3P	—
Others	Net sales	58	93	35	60.4
	Gross profit	2	6	4	150.3
	Gross profit margin	4.6%	7.2%	2.6P	—
Total	Net sales	7,819	8,487	667	8.5
	Gross profit	1,869	1,984	115	6.2
	Gross profit margin	23.9%	23.4%	-0.5P	—

(i) System management

Order acceptance expanded and new projects were won, including projects for the relocation of data centers for major IT vendors and clients in the financial sector. Unit prices were revised in view of increasing labor and outsourcing expenses. Net sales rose to ¥3.758 billion (+5.3% YoY).

(ii) Software development

Orders accepted from clients in the public and financial sectors swelled, while reinforced sales efforts aimed at major IT vendors led to expansion in transactions. Net sales grew to ¥2.953 billion (+6.1% YoY).

(iii) IT infrastructure

The Group enjoyed increases in transactions with major IT vendors and in orders accepted with clients related to finance, the public sector and shipping. Net sales leaped to ¥845 million (+21.8% YoY).

(iv) Cybersecurity, consulting and training

Orders accepted in cybersecurity and consulting broadened. Net sale improved to ¥836 million (+17.3% YoY).

(v) Others

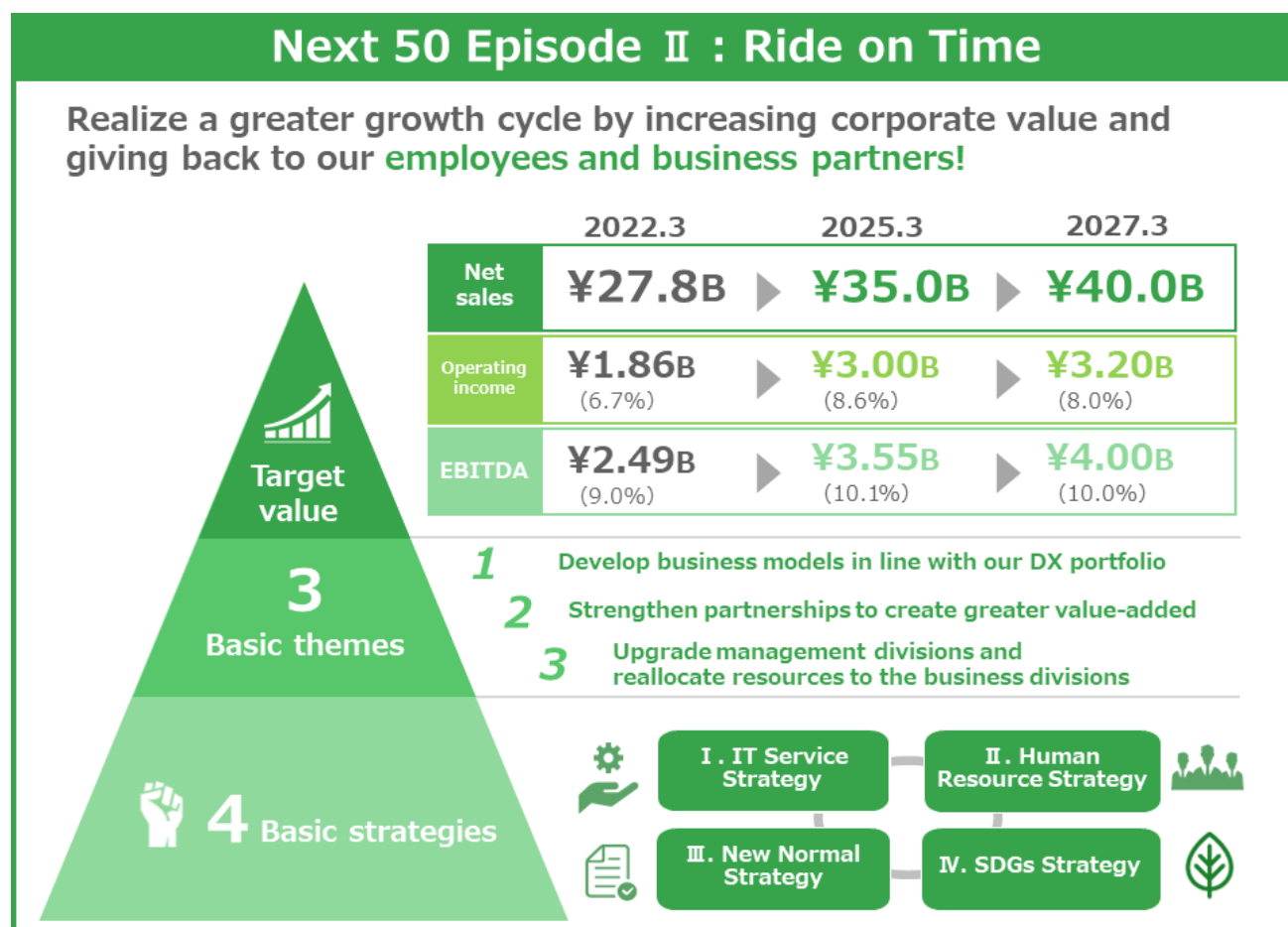
Orders accepted for product sales expanded. Net sales rose to ¥93 million (+60.4% YoY).

Management Policy Initiatives

In the previous Mid-term Management Plan, the ID Group strove to upgrade its services in various fields by cultivating engineers with a thorough grounding in digital technology, thereby building a foundation for future growth. Beginning in the fiscal year ended March 31, 2023 (FY2022), the Group prepared “Next 50 Episode II: Ride on Time,” the Mid-term Management Plan covering the period FY2022 through FY2024, to bolster profitability based on the following three basic themes:

1. Develop business models in line with our DX portfolio, which is focused on strengthening support for advancement of customers’ DX and development of original solutions
2. Strengthen partnerships to create greater value-added
3. Upgrade management divisions and reallocate resources to the business divisions

Under this Mid-term Management Plan, the Group is pursuing four basic strategies to achieve the above three basic themes: an IT service strategy, a human resource strategy, a “new normal” strategy and a Sustainable Development Goals (SDGs) strategy.



Note: Business partners refers to IT partners collaborating with the Group on projects.

(i) IT Service Strategy

The Group identifies fields of technology where needs are strong and works with corporate partners to support customers in advancing DX and develop original solutions targeting growth fields. Aiming for further expansion in revenues in the high-margin fields of advanced operations and IT infrastructure, the Group is focusing on strategic placement of engineers and strengthening cooperation with business partners. In April 2024 the Group established a company focused on AI, ID AI Factory Co., Ltd. Supported by its amassed wealth of AI-related technologies, the Group is enhancing the sophistication of its service domains, namely system management, cybersecurity and software development. In June 2024, the Group launched an AI literacy training service. The service offers a curriculum ranging from basic knowledge of AI to methods of practical application, supporting customers in creating business opportunities and boosting productivity.

(ii) Human Resource Strategy

To expand its DX services and boost value-added, the Group is further enhancing its training programs, accelerating the development of mid- to senior-level engineers and planning-and-proposal staff. For example, the Group is deploying in-house training roadmaps for each role of personnel involved in advancing DX, promoting personnel development. We are providing technical training related to DX, including in security and AI, to support employees in obtaining qualifications. As a result, some 150 employees have taken the Generalist Test (“G-test”), which evaluates technical skill and basic knowledge of AI. Moreover, aiming to expand fields of advanced operations and IT infrastructure, the Group is moving vigorously forward with training of strategic IT infrastructure engineers and rotation of personnel.

(iii) New Normal Strategy

The ID Group is working to streamline and add value to operations through measures such as overhauling its core in-house systems and is constructing a smart management division. Among measures to further streamline the duties of the management division, the ID Group is actively deploying systems such as ID AI Concierge, an AI chatbot service. We are also transferring back-office functions to the Sanin Business Process Outsourcing Center and revising work processes as part of that endeavor.

(iv) SDGs Strategy

The Group takes concerted steps to advance sustainability through its business activities, aiming for a virtuous circle of solving social problems and enhancing corporate value. To create a supportive work environment in which employees can work enthusiastically and in good health, the Group offered health management seminars, an activity continued from the previous fiscal year, and provides support for those who wish to stop smoking. In two of several efforts to strengthen health management further, in the current fiscal year the Group launched a health advancement project and a subsidy for treatments to stop smoking. To support activities contributing to society, the Group continues to sponsor ID Group Blood Donation Day.

Research and Development Activities

During Q1 FY2024, Group expenditures on research and development activities totaled ¥65 million.

The ID Group is focusing intensively on research and development, determined to create innovative businesses that put state-of-the-art technologies to work. Principal among these efforts is a proof-of-concept (PoC) of a logging system that uses a patented blockchain technology developed by ID, which the Group is implementing in partnership with NTT Data Intellilink Corporation and SBI R3 Japan Co., Ltd. The purpose of this PoC is to use blockchain technology to strengthen transparency of log data and prevent tampering, thereby establishing a framework for highly reliable system operation.

Another key R&D initiative is ID-VROP, a virtual operation center that enables system operation in a virtual space. The Group is currently testing this product and intends to enhance it with major functional additions.

We are also conducting research in the AI space. Focusing on use of large language models (LLM), a field now growing at an eye-watering pace, the Group is committing resources to R&D on voice- and image-recognition technologies. At ID AI Factory Co., Ltd., a subsidiary established in April 2024, the Group is moving forward with development of AI services to contribute to the enhancement of its business domains.

(2) Summary of Financial Condition for the Period

(Assets)

Assets at the end of consolidated Q1 decreased by ¥1.444 billion from the end of the previous consolidated accounting period to ¥18.616 billion. Although contract assets increased by ¥419 million and accounts receivable–other rose by ¥152 million, cash and deposits fell by ¥1.124 billion and accounts receivable–trade decreased by ¥877 million.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥1.604 billion from the end of the previous consolidated accounting period to ¥6.446 billion. Although other current liabilities increased by ¥296 million, short-term loans payable declined by ¥800 million, provision for bonuses decreased by ¥584 million, and income taxes payable fell by ¥506 million.

(Net Assets)

Net assets at the end of consolidated Q1 increased by ¥160 million from the end of the previous consolidated accounting period to ¥12.170 billion. Although payment of year-end dividends reduced net assets by ¥426 million, net income attributable to owners of parent increased to ¥451 million, valuation difference on available-for-sale securities rose by ¥97 million, and foreign currency translation adjustment increased by ¥83 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 April 15, 2024.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2024	Consolidated first quarter under review As of June 30, 2024
Assets		
Current assets		
Cash and deposits	5,920,631	4,796,344
Accounts receivable–trade	6,029,880	5,151,978
Contract assets	793,644	1,212,779
Work in process	636	25,525
Accounts receivable–other	271,421	423,720
Other	886,256	976,704
Total current assets	13,902,470	12,587,052
Non-current assets		
Property, plant and equipment	1,374,298	1,358,209
Intangible assets		
Goodwill	859,665	748,547
Software	135,577	125,786
Other	754	754
Total intangible assets	995,997	875,088
Investments and other assets		
Investment securities	2,457,655	2,620,806
Deferred tax assets	530,266	326,849
Guarantee deposits	328,933	376,845
Other	478,918	479,505
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	3,788,272	3,796,506
Total non-current assets	6,158,567	6,029,804
Total assets	20,061,038	18,616,856

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2024	Consolidated first quarter under review As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable–trade	1,211,827	1,197,386
Contract liabilities	111,302	119,051
Short-term loans payable	* 2,200,000	* 1,400,000
Current portion of long-term loans payable	200,000	200,000
Income taxes payable	634,985	128,513
Provision for bonuses	1,157,594	573,408
Provision for directors' bonuses	24,454	6,120
Other	1,519,504	1,816,017
Total current liabilities	7,059,670	5,440,496
Non-current liabilities		
Long-term loans payable	150,000	100,000
Deferred tax liabilities	455,922	503,596
Provision for directors' retirement benefits	36,666	38,556
Net retirement benefit liability	22,569	26,267
Other	325,794	337,239
Total non-current liabilities	990,952	1,005,658
Total liabilities	8,050,623	6,446,155
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	754,132	754,132
Retained earnings	9,743,914	9,769,438
Treasury stock	-762,970	-813,085
Total shareholders' equity	10,327,421	10,302,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,176,088	1,273,358
Deferred gains or losses on hedges	—	3,433
Foreign currency translation adjustment	441,618	525,158
Remeasurements of retirement benefit plans	8,942	9,811
Total accumulated other comprehensive income	1,626,649	1,811,761
Non-controlling interests	56,344	56,109
Total net assets	12,010,415	12,170,700
Total liabilities and net assets	20,061,038	18,616,856

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2023 to June 30, 2023)	Consolidated first quarter under review (April 1, 2024 to June 30, 2024)
Net sales	7,819,091	8,487,080
Cost of sales	5,949,848	6,502,502
Gross profit	1,869,242	1,984,578
Selling, general, and administrative expenses	1,045,411	1,255,194
Operating income	823,831	729,383
Non-operating income		
Interest income	1,732	2,632
Dividend income	22,613	36,565
Subsidy income	653	360
Foreign exchange gains	30,877	11,459
Other	7,526	24,887
Total non-operating income	63,404	75,904
Non-operating expenses		
Interest expenses	3,135	4,822
Other	33	994
Total non-operating expenses	3,168	5,817
Ordinary income	884,067	799,471
Extraordinary income		
Gain on sales of non-current assets	—	2,280
Total extraordinary income	—	2,280
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Total extraordinary losses	—	0
Net income before income taxes	884,067	801,751
Income taxes—current	185,091	141,465
Income taxes—deferred	181,726	206,227
Total income taxes	366,818	347,693
Net income	517,248	454,057
Net income attributable to non-controlling interests	3,219	2,420
Net income attributable to owners of parent	514,029	451,636

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

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2023 to June 30, 2023)	Consolidated first quarter under review (April 1, 2024 to June 30, 2024)
Net income	517,248	454,057
Other comprehensive income		
Valuation difference on available-for-sale securities	169,809	97,269
Deferred gains or losses on hedges	9,694	3,433
Foreign currency translation adjustment	78,753	83,540
Remeasurements of retirement benefit plans	904	868
Total other comprehensive income	259,162	185,112
Comprehensive income	776,411	639,170
(Breakdown)		
Comprehensive income attributable to owners of parent	773,191	636,749
Comprehensive income attributable to non-controlling interests	3,219	2,420

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

None.

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

None.

(Notes on Consolidated Balance Sheet)

To improve the flexibility and efficiency of its fundraising, the Group has concluded overdraft agreements with five of its correspondent banks.

The Group's balance of unexecuted loans payable based on the above agreement is as follows.

	Previous consolidated accounting period As of March 31, 2024	Consolidated first quarter under review As of June 30, 2024
Maximum amount of overdraft	¥4,100,000 thousand	¥4,100,000 thousand
Balance of executed loans payable	¥2,200,000 thousand	¥1,400,000 thousand
Difference	¥1,900,000 thousand	¥2,700,000 thousand

(Notes on Consolidated Cash Flow Statement)

The Group has not prepared consolidated cash flow statement for the consolidated first quarter under review. However, depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the consolidated first quarter are as follows.

	Previous consolidated first quarter (April 1, 2023 to June 30, 2023)	Consolidated first quarter under review (April 1, 2024 to June 30, 2024)
Depreciation	¥38,441 thousand	¥52,924 thousand
Amortization of goodwill	¥111,117 thousand	¥111,117 thousand

(Notes on Segment Information, etc.)

[Segment Information]

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

(Additional Information)

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

The ID Group introduced two performance pay plans: a performance-based stock remuneration plan called a “board benefit trust (BBT) plan,” for Group directors and corporate officers (“Directors, etc.”), and a stock remuneration plan called a “Japanese employee stock ownership plan - restricted-stock (J-ESOP-RS),” for Group employees. The plans are designed to encourage Directors, etc. and employees to contribute to better mid- to long-term results and greater corporate value. J-ESOP-RS places restrictions on transfer of shares provided to employees before retirement.

(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-RS, 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 employees based on factors such as years of service and promotions, issuing Company shares to employees in proportion to accrued points, once they become eligible to receive the shares based on certain conditions. When employees receive the Company shares while still employed with the Group, before receiving the shares the employees conclude a transfer restriction agreement with the Company. This measure restricts employees’ ability to transfer or otherwise dispose of Company shares acquired while employed with the Company before they retire. Shares awarded to employees, including shares to be awarded in the future, are acquired using funds from 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-RS at the end of the consolidated first quarter under review are listed in the consolidated balance sheet under “Net Assets” as “Treasury Stock.” The book value of these shares was ¥132,921,000 at the end of the previous consolidated fiscal period and was ¥132,921,000 at the end of the consolidated first quarter under review. The number of shares was 275,516 at the end of the previous consolidated fiscal period and was 275,516 at the end of the consolidated first quarter under review.

(Notes on Material Subsequent Events)

None.