

November 14, 2024

To: All Concerned Stakeholders

Company : ID Holdings Corporation
Representative : Masaki Funakoshi, President,
Representative Director and Group CEO
(Securities Code: 4709; TSE Prime)
Inquiries : Naoko Hara, Corporate Officer,
Manager, Corporate Strategy Department
TEL : +81 3-3262-5177

Notice Concerning Capital and Business Partnership with BBSec

At a meeting of its Board of Directors on November 14, 2024, ID Holdings Corporation (hereinafter “the Company”) resolved to purchase a stake in BroadBand Security, Inc. (hereinafter “BBSec”) and to work with BBSec in a capital and business partnership, as follows. The purpose of the partnership is to expand the two companies’ cybersecurity businesses.

In tandem with the share purchase and capital and business partnership described above, BBSec becomes an affiliated company accounted for by the equity-method of the Company.

1. Reason for the Capital and Business Partnership

The ID Holdings Group (hereinafter “the Group”) is currently in the final year of the Mid-term Management Plan termed “Next 50 Episode II: Ride on Time,” which covers the period from the fiscal year ended March 31, 2023 (FY2022) to the fiscal year ending March 31, 2025 (FY2024). In the Plan’s IT services strategy, the Group aims for “co-creative digital transformation (DX),” a process of sustainable creation of value for customers and the Group. In co-creative DX, the Group partners with companies in technological fields with strong needs, to support the advancement of DX and develop services from in-house solutions. As part this effort, the Group positions technology related to cybersecurity as a field with enormous growth potential. This is in view of the increasing sophistication of the system management, IT infrastructure and software development fields, which are the Group’s main fields of operation, and of possible synergies with AI-related technologies, which have recently become an area of focus. The Group is taking active steps to move this strategy forward, such as encouraging employees to obtain technical qualifications.

BBSec is a company that specializes in security services for enterprises, possessing strengths in security auditing and vulnerability diagnosis. The company has proclaimed a new management vision, “Vision 2030,” to develop solutions for issues facing society in the years to 2030. In its growth strategy to achieve Vision 2030, termed “Action 2024,” BBSec is striving to create countermeasures for cyberattacks against supply chains and social infrastructure, develop services in security operations for the coming flourishing of AI, establish beachheads in new business areas, enhance profitability, invest proactively in personnel, and continuously expand and raise the

profitability of existing businesses.

Given the close match between the two organizations' strengths and objectives, the Group and BBSec are determined to leverage synergies to achieve further business growth and create fresh business opportunities. For these reasons, the Group and BBSec decided to enter into a capital and business partnership.

2. Details of the Business Partnership

In April 2021, BBSec began cooperation with INFORMATION DEVELOPMENT CO., LTD., a consolidated subsidiary of the Group, in cybersecurity operations. Among other operations, these two companies are partnering to improve the quality of service to clients by strengthening liaison in security operations and providing targeted support, among other initiatives. The aims of the current share acquisition are to advance this partnership still further and create the following synergies:

1) Providing security solutions

BBSec's strengths lie in solutions such as vulnerability diagnosis, penetration testing, digital forensics and SOC¹. By combining these solutions with the Group's solutions in CSIRT² operational support and formation, the Group looks forward to achieving total security services for its customers.

2) Introduction and maintenance of security-related solutions

By adding the Group's services in introduction and maintenance of solutions for endpoints and network-security to its service menu, BBSec will be able to offer its customers a wide range of security-related solutions.

3) Provision of general security services

The partners will achieve remote security operations by combining the Group's support center, which provides operation and maintenance through a multi-cloud environment, with BBSec's strengths in SOC. Moreover, the two companies can combine the technologies and solutions that are their respective foci, such as DevSecOps³ and AI, to develop comprehensive security services, thereby attracting new customer segments.

4) Creation of other business opportunities

Looking beyond the cybersecurity field, the partner companies can offer each other's customers IT-related services in their respective areas of expertise. In this way the companies can create fresh business opportunities.

5) Advancement of collaboration through personnel exchanges, joint projects, etc.

The partners will consider exchanges of personnel and joint projects to promote sales, as well as advancement of active exchanges of engineers. These measures are expected to improve both companies' technologies and accelerate the advancement of co-creation.

For other details about the business partnership, please refer to the press release "ID Holdings Concludes Capital and Business Partnership with BBSec to Strengthen its Cybersecurity Business."

- 1 Security Operation Center (SOC): A dedicated operational center that monitors an organization's security status 24 hours a day, 365 days a year, detecting, analyzing and responding to cyberattacks, intrusions and security incidents
- 2 Computer Security Incident Response Team (CSIRT): A dedicated team that responds rapidly when security incidents occur within an organization to minimize damage, investigate the causes, draft measures to prevent recurrence, etc.
- 3 DevSecOps: Development security operations. A development method that focuses on cybersecurity from the initial phases of software development. In this approach, the development team and operational team work together to enhance the safety of applications while providing customers with prompt and continuous service.

3. Overview of the Capital Partnership

The Company will conclude a share transfer agreement with SBI FinTech Solutions Co., Ltd., a current shareholder of BBSec, by which SBI FinTech Solutions transfers 964,000 common shares of BBSec to the Company. (As of June 30, 2024, these shares constituted 21.39% of issued shares in BBSec, not including treasury shares.) The Company expects to execute the acquisition of these shares on January 20, 2025, for an acquisition price of ¥1,976,200,000. The share acquisition is subject to receipt of notice that the Fair Trade Commission does not issue a cease-and-desist order against the acquisition based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

4. Overview of the Other Party in the Capital and Business Partnership

(1)	Name	BroadBand Security, Inc.								
(2)	Address	8-5-1 Nishi-shinjuku, Shinjuku-ku, Tokyo								
(3)	Representative name and title	Takashi Takizawa, President and Representative Director								
(4)	Content of business	Security monitoring and consultation services, vulnerability diagnostic services, IT services to respond to information leaks								
(5)	Capital	¥295 million (as of June 30, 2024)								
(6)	Date established	November 30, 2000								
(7)	Major shareholders and shareholding ratio (As of June 30, 2024; not including treasury shares)	<table border="0"> <tr> <td>Global Security Experts Inc.</td> <td>22.43%</td> </tr> <tr> <td>SBI FinTech Solutions Co., Ltd.</td> <td>21.39%</td> </tr> <tr> <td>SBI Incubation Co., Ltd.</td> <td>15.50%</td> </tr> </table>			Global Security Experts Inc.	22.43%	SBI FinTech Solutions Co., Ltd.	21.39%	SBI Incubation Co., Ltd.	15.50%
Global Security Experts Inc.	22.43%									
SBI FinTech Solutions Co., Ltd.	21.39%									
SBI Incubation Co., Ltd.	15.50%									
(8)	Relationship between the Company and BBSec	Capital relationship	Not applicable							
		Personnel relationship	Not applicable							
		Business relationship	BBSec has provided the Company with security training services for employees.							
		Status as related party	Not applicable							
(9)	Business performance and financial conditions of BBSec for the three most recent accounting periods									
	Accounting period	FY ended June 2022	FY ended June 2023	FY ended June 2024						
	Net assets (millions of yen)	1,237	1,628	2,066						
	Total assets (millions of yen)	3,148	3,567	4,127						
	Net assets per share (yen)	282.57	370.42	467.98						
	Net sales (millions of yen)	5,216	5,904	6,457						
	Operating income (millions of yen)	509	531	689						
	Ordinary income (millions of yen)	497	528	694						
	Net income (millions of yen)	352	416	455						
	Net income per share (yen)	79.90	94.89	103.37						
	Dividends per share (yen)	10.00	10.00	10.00						

5. Schedule

(1)	Date of resolution of the Board of Directors	November 14, 2024
(2)	Date of conclusion of capital and business partnership	November 14, 2024
(3)	Date of share transfer and date of start of ops based on the business partnership	January 20, 2025 (scheduled)*

* Or another date agreed separately between the seller and buyer, if the submissions to the Fair Trade Commission based on the Antimonopoly Act regarding the share transfer are not permitted by this date.

6. Future Directions

The Company is currently assessing the impact of this capital and business partnership on its business results for FY2024. If any important items occur that merit disclosure, the Company will disclose said matters promptly.

DISCLAIMER

This English translation is only for reference purpose. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.