Note: This document is an English translation of "Kessan Tanshin" for the third quarter of the fiscal year ending March 31, 2017 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 Third Quarter of the Fiscal Year Ending March 31, 2017 [J-GAAP]

January 31, 2017

Company name:	INFORMATION DEVELOPMENT CO., LTD.
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	http://www.idnet.co.jp
Company representative:	Masaki Funakoshi, President and Representative Director
Inquiries:	Kayo Yamauchi, Senior Corporate Officer, Corporate Strategy Planning Office Tel: +81 3-3264-3571
Scheduled date of filing quarterly securities report:	February 9, 2017
Scheduled date of dividend payment:	–
Preparation of supplementary material on financial results:	No
Presentation on quarterly results:	No

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results in Q3 of FY2016 (April 1, 2016 - December 31, 2016)

(1) Consolidated Business Results (cumulative)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2016 Q3	16,014	8.4	800	53.6	828	56.8	545	89.4
FY2015 Q3	14,768	6.9	521	△26.6	528	△28.8	288	△29.0

Note: Comprehensive income FY2016 Q3 933million (166.3%) FY2015 Q3 350million (△39.0%)

	Net income per share	Net income per share (diluted)
	¥	¥
FY2016 Q3	50.18	49.69
FY2015 Q3	26.63	26.40

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the net income per share and the net income per share (diluted) on the assumption that the stock split had been carried out at the beginning of the previous consolidated accounting period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
FY2016 Q3	10,407	7,190	68.7
FY2015	10,319	6,509	62.7

Note: Equity FY2016 Q3 ¥7,150 million FY2015 ¥6,471 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	¥	¥	¥	¥	¥
FY2015	–	0.00	–	35.00	35.00
FY2016	–	0.00	–		
FY2016 (forecast)				37.00	37.00

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

2. The Company carried out a 1-for-1.5 stock split of its common stock with an effective date of January 1, 2017. The dividend for FY2015 will be issued based on the number of pre-split shares.
3. As for FY2016 (forecast), the Company will not make adjustments due to the stock split, and it will set the dividend to ¥37.00 taking into account the increased dividend amount due to the revision of the forecast. When converting the pre-stock split year-end dividend forecast per share, the

dividend/share will increase from ¥35.00 (initial forecast) to the revised ¥55.50, which is an effective increase of ¥20.50.

3. Forecasts of Consolidated Results for FY2016 (April 1, 2016 - March 31, 2017)

(% indicates YoY changes)

	Net sales		**Operating income**		**Ordinary income**		**Net income attributable to owners of parent**		**Net income per share**
	million	%	million	%	million	%	million	%	¥
Full-year	21,400	6.6	1,280	31.9	1,260	30.6	830	51.2	76.16

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

2. The Company carried out a 1-for-1.5 stock split of its common stock with an effective date of January 1, 2017. The Company is stating a full-year "net income per share" amount for FY2016 that takes the stock split into account. The full-year "net income per share" amount for the fiscal year ending March 2017 is 114.24 when not factoring in the stock split.

*Notes

(1) Changes in important subsidiaries during the period (changes in specified subsidiaries resulting in the 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: Please see 2. Matters on Summary Information (Notes), (1) Changes in accounting policies, changes in accounting estimates and restatements on page 5 for details.

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock)	FY2016 3Q	12,044,302shares	FY2015	12,044,302shares
(ii) Number of treasury stock	FY2016 3Q	1,145,994shares	FY2015	1,198,165shares
(iii) Average number of shares during period (consolidated total for the quarter)	FY2016 3Q	10,870,485shares	FY2015 3Q	10,814,493shares

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. We therefore calculated the year-end number of shares outstanding and the interim average number of shares on the assumption that the stock split will be executed at the beginning of the previous consolidated accounting period.

*Indication regarding execution of quarterly review procedures

This quarterly consolidated financial report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

*Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items

Earnings estimates represent forecasts that have been determined using information that was available as of the day the earnings were announced. The Company does not guarantee the achievement of earnings estimates since some information is inherently uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See page 4 of the Attachment, **(3) Qualitative Information on the Consolidated Results Forecast, 1. Qualitative Information for FY2016** regarding the assumptions that form the basis of earnings estimates and other things to remember when using earnings estimates.

The Company has also introduced a board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP), and the Company’s shares that are held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the BBT and J-ESOP plans include treasury stock.

Contents

1. Qualitative Information for the Third Quarter of the Fiscal Year Ending March 31, 2017

(1) Qualitative Information on the Consolidated Business Results

Some sectors of the Japanese economy experienced sluggish growth in the consolidated cumulative third quarter (April 1, 2016 to December 31, 2016), but hiring and income improved amid signs of a gradual recovery. The global economy also appeared to be recovering, but there were uncertainties about what policies lay ahead given the US presidential election.

According to the **Survey of Selected Service Industries** (published January 13, 2017) conducted by the Ministry of Economy, Trade, and Industry, sales in the information service industry–the area that the Company operates in–have been generally up over the previous year every month, and there are signs that the business environment is improving. The ID Group continues to undertake human resource training as a top priority in this environment, and is actively seeking to improve operational efficiency and develop cross-sectional group sales with existing customers by sharing and leveraging group management resources.

This has helped to boost sales in the system administration and management segment, one of the Company’s main lines of business. And with the increase in sales in the software development segment, ID Group net sales in the consolidated cumulative third quarter rose to ¥16.014 billion (+8.4% YoY)..

On the revenue side, operating income rose to ¥800 million (+53.6% YoY) and ordinary income rose to ¥828 million (+56.8% YoY). The Company incurred higher expenses* in the form of business consignment expenses (SG&A expenses) associated with the acquisition of Terra Corp., Ltd.’s shares and higher retirement benefit expenses (cost of sales and SG&A expenses) stemming from changes that were made to the retirement benefit plan (the shift to a defined contribution pension plan in April 2016), and there was also an uptick in outsourcing costs. Meanwhile there was a decline in costs stemming from moving the head office in the previous fiscal year (SG&A expenses) and a convergence of some unprofitable projects in the software development segment that arose in the previous fiscal year. Net income attributable to the owners of parent rose to ¥545 million (+89.4% YoY), reflecting an extraordinary gain from the reduction in retirement benefit obligations based on changes to the retirement benefits plan (shift to a defined contribution pension plan) and an extraordinary loss from the sale of a fixed asset (the employee dormitory).

* The Company contributed payments of ¥31 million to pension assets and incurred ¥9 million in expenses as retirement benefit obligations every month in the previous fiscal year. It stopped payments to the pension assets because of the change in the retirement plan this fiscal year, and recorded roughly ¥27 million as an expense in the form of monthly contributions to the defined contribution pension plan. By offsetting the ¥9 million/month expense that the Company had incurred up to the preceding fiscal year, the monthly retirement benefit expense rose to roughly ¥18 million, and the cumulative amount for the third quarter rose to ¥165 million. There will be no impact on the consolidated earnings estimate this fiscal year as these figures have already been reflected in consolidated earnings estimate calculations.

The ID Group’s segment-by-segment results in the consolidated cumulative third quarter are as follows.

(i) System operation management

Sales in finance-related platform development operations* rose dramatically due to the expansion of efforts to cultivate new opportunities with existing customers. Net sales rose to ¥8.966 billion (+2.9% YoY) because of an increase in sales in existing finance-related operations and management business.

(ii) Software development

Public sector sales rose significantly as clients coped with system changes and statutory revisions. Net sales rose to ¥6.481 billion (+18.6% YoY) due to an increase in finance-related sales stemming from clients’ efforts to manage system integrations and renewals.

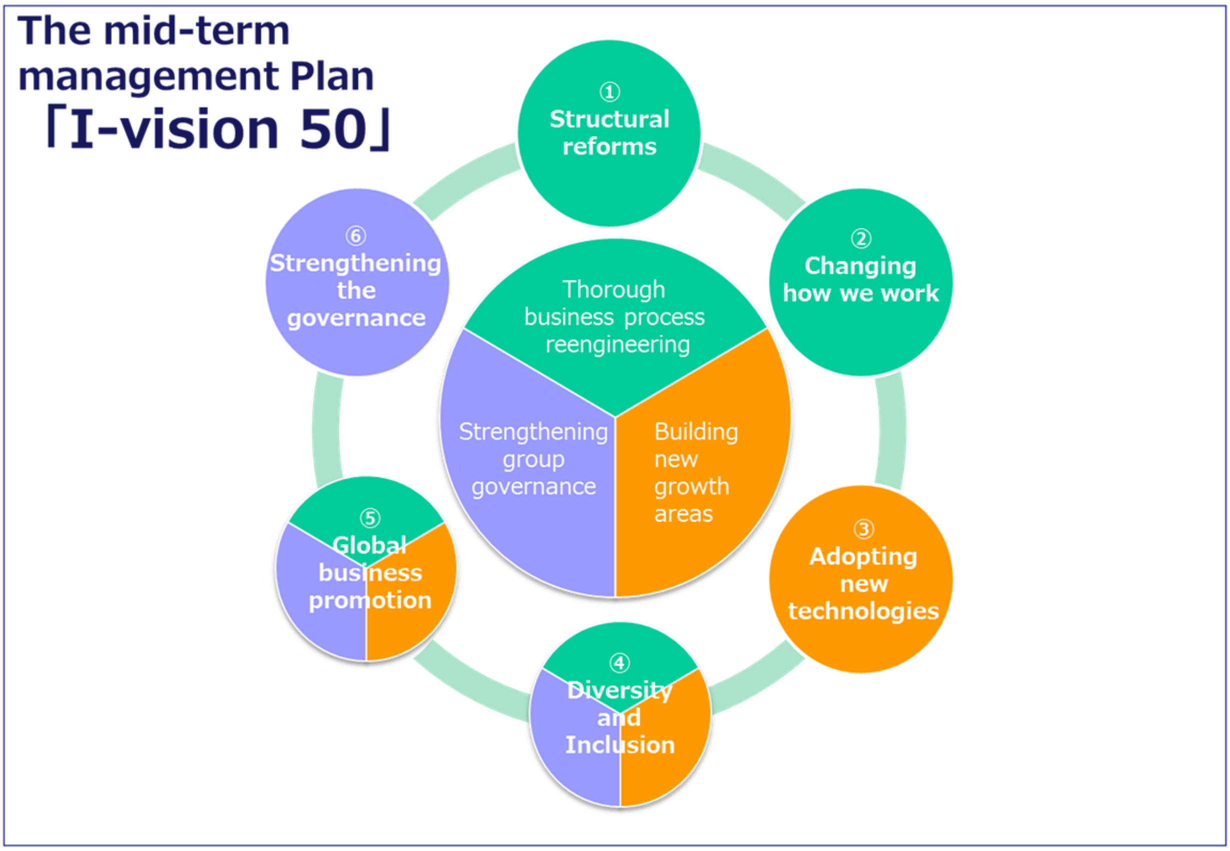
(iii) Others

Security sales rose, and consulting sales fell. Net sales fell to ¥566 million (+3.9% YoY).

*Platform development operations refer to a service we offer that makes optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

<Management Policy Initiatives>

The ID Group adopted the management vision of “better, quicker services for our customers” in the mid-term management plan **I-vision 50** (FY2016 to FY2018) that was devised in April 2016, and the plan called for initiatives to reach ¥24 billion in net sales and ¥1.68 billion in operating income by FY2018. Three basic policies were created to help support the aims of the I-vision 50 plan—**thorough business process reengineering (BRP)**, **the creation of new growth areas**, and **reinforcing group governance**—with a further emphasis on six priority initiatives: (1) structural reforms, (2) changing how we work, (3) taking advantage of and advancing new technologies, (4) diversity and inclusion, (5) global business promotion, and (6) strengthening the governance of consolidated management activities. These moves are helping to create a positive environment in that the Company is connecting increased revenues to employees in the form of higher wages, encouraging them to take on bigger challenges, and maintaining conditions that allows the Company to fairly return profits to other stakeholders besides the employees.



The conditions of the six priority initiatives for the current fiscal year are as described below.

Note: The numbers in brackets below correspond to the relevant priority initiatives.

(1) Structural reforms

The Company is fundamentally reforming how it does business without fixating on past business practices, and creating new business processes. It is also attempting to improve the organization's overall productivity by promoting transfers of authority or IT systemization.

・Overseas bases: Review of Standards on Decision-Making and Management Approval Authority [(1), (6)]

・Indirect divisions: Launch of a project team to review business processes [(1)]

(2) Changing how we work

The entire Company is addressing the way it works, with an emphasis on the importance of a work-life balance and the creation of attractive workplaces, in order to help improve productivity and keep talented personnel*.

・Health & Productivity initiatives [(2)]

・Acquisition of the good-company certification mark "Eruboshi" under the Act on Promotion of Women's Career Activities [(2), (4)]

・Appointment of officers who are in charge of the "changing how we work" initiative [(2)]

*The Company believes that our employees are precious resources, not just a means to an end.

(3) Taking advantage of and advancing new technologies

The Company is aggressively adopting new technologies to make its existing services more competitive and improve productivity and quality. By doing so, the Company will empower its employees and marshal the overall strengths of the ID Group.

・Launch of cloud-based secure-server service for IoT model verification projects in emergency medical and disaster responses [(3)]

・Launch of managed security services (iD–MSS) for small and medium-sized businesses [(3)]

・Launch of services utilizing smart glass [(3), (1)]

・Execution of an Exclusive Sales Agreement with Seceon Inc. (US) [(3), (5)]

(4) Diversity and inclusion

The Company is refining its training and diversifying its personnel in order to prepare for ever-changing business environments and energize the organization for active pursuit of the global strategies.

・Ratio of women in management positions: 13.6% [(4)]

・Ratio of non-Japanese workers at the Company: 9.8% [(4), (5)]

(5) Global business promotion

The Company is aggressively expanding overseas to assist other Japanese companies with their own overseas expansion and to increase our global competitiveness. The Company has begun to offer higher-quality products and services to overseas clients and provides a 24/7 support system through its nine overseas bases (see the diagram below of our global network).

・Establishment of a representative office in Amsterdam [(5), (3)]

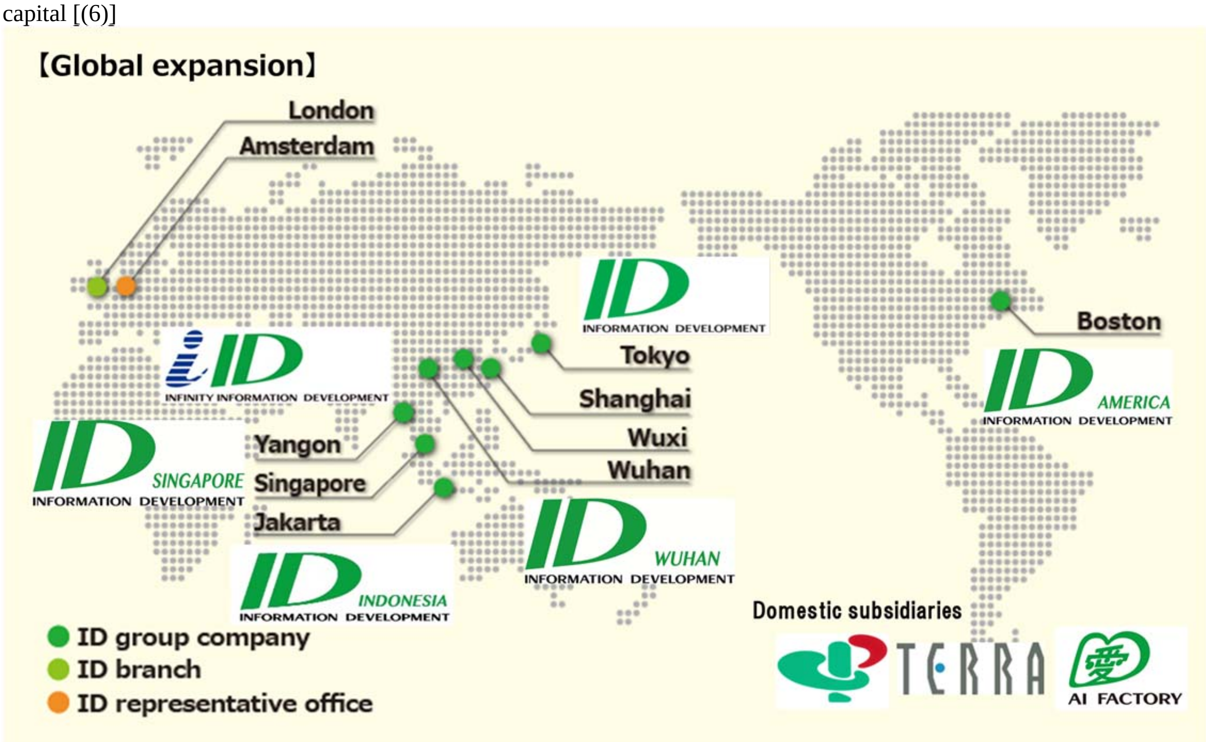
・The consolidated subsidiary INFORMATION DEVELOPMENT Wuhan CO., LTD. achieved Capability Maturity Model Integration (CMMI) Maturity Level 3 [(5)]

・INFORMATION DEVELOPMENT Wuhan CO., LTD. also achieved IT Service Standard Grade 3 in China [(5)]

(6) Strengthening the governance of consolidated management activities

The Company is working to bring together solutions and maximize corporate value by communicating closely with the 12 bases of operations in and outside of Japan (see the diagram below of our global network). The Company strives to quickly ascertain management information, including the personnel and know-how at each base and the state of operations, and to act as a cohesive corporate group in resolving client issues.

・Acquisition of shares in Infinity Information Development Co., Ltd. (made it a subsidiary) and increased subsidiary capital [(6)]



(2) Qualitative Information on the Consolidated Financial Position

Changes in the Company's financial position

(Assets)

Assets at the end of the consolidated accounting period for Q3 rose to ¥10,407 million from ¥10,319 million at the end of the previous consolidated accounting period. Cash and deposits rose ¥383 million, accounts receivable fell ¥235 million, deferred tax assets fell ¥194 million, and investment securities rose ¥141 million.

(Liabilities)

Liabilities at the end of the consolidated accounting period for Q3 fell to ¥3,216 million from ¥3,810 million at the end of the previous consolidated accounting period. Income taxes payable fell ¥206 million, deferred tax liabilities rose ¥176 million, and net defined benefit liabilities fell ¥521 million.

(Net Assets)

Net assets at the end of the consolidated accounting period for Q3 rose to ¥7,190 million from ¥6,509 million at the end of the previous consolidated accounting period. Net income attributable to owners of parent was ¥545 million, there was a decrease of ¥264 million due to the payment of dividends, and accumulated other comprehensive income, such as the partial termination of the retirement benefit plan, rose ¥383 million.

(3) Qualitative Information on the Consolidated Results Forecast

There has been no change to the consolidated earnings estimate for FY2016 that were publicly announced on April 28, 2016.

2. Matters on Summary Information (Notes)

(1) Changes in accounting policies, changes in accounting estimates, and restatements

Changes in accounting policies

(Application of Practical Treatment regarding Changes to the Depreciation Method Due to FY 2016 Revisions to the Tax Code)

The Company applied the **Practical Treatment regarding Changes to the Depreciation Method Due to FY 2016 Revisions to the Tax Code** (Practical Solution No. 32, June 17, 2016) attendant to the revision of the Corporation Tax Act to the first quarter consolidated accounting period, and changed the depreciation method for buildings, appurtenant equipment, and structures acquired on and after April 1, 2016 from the fixed-rate method to the straight-line method.

This change led to an increase in operating income, ordinary income, and net income before taxes and other adjustments in the period of ¥625,000 respectively.

(2) Additional Information

(Shift to Retirement Benefit Contribution Plan)

The Company shifted part of its defined benefit corporate pension plan to a defined contribution benefit pension plan on April 1, 2016. It applied the **Accounting for Transfers between Retirement Benefit Plans** (ASBJ Guidance No. 1, January 31, 2002) and the **Practical Treatment of Accounting for Transfers, etc. between Retirement Benefit Plans** (Practical Solution No. 2, February 7, 2007), and treated the retirement benefit plan as partially terminated with respect to the part of the plan that was transferred to the defined contribution corporate pension plan.

An extraordinary gain of ¥239,063,000 was recorded in the consolidated cumulative period for 3Q due to a reduction in retirement benefit obligations stemming from this shift.

(Application of Applicable Guidelines on Recoverability of Deferred Tax Assets)

The Company applied the **Application Guidelines on Collectible Deferred Tax Assets** (ASBJ Guidance No 26, March 28, 2016) from the first quarter consolidated accounting period.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(thousands of ¥)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	2,267,365	2,650,939
Notes and accounts receivable – trade	3,836,114	3,600,432
Works-in-process	26,753	99,054
Other	421,722	349,915
Allowance for doubtful accounts	-64	-64
Total current assets	6,551,890	6,700,276
Non-current assets		
Property, plant and equipment		
Land	1,047,790	834,180
Other, net	1,151,557	1,121,867
Total property, plant and equipment	2,199,347	1,956,047
Intangible assets		
Goodwill	53,230	67,070
Software	100,587	89,557
Other	770	762
Total intangible assets	154,587	157,391
Investments and other assets	1,414,064	1,593,557
Total non-current assets	3,768,000	3,706,995
Total assets	10,319,890	10,407,272
Liabilities		
Current liabilities		
Accounts payable – trade	643,294	645,906
Short-term loans payable	860,000	760,000
Current portion of long-term loans payable	60,000	15,000
Income taxes payable	254,426	47,810
Provision for bonuses	556,661	366,767
Provision for directors’ bonuses	17,225	18,000
Provision for loss on orders received	54,633	—
Other	659,008	1,003,795
Total current liabilities	3,105,249	2,857,280
Non-current liabilities		
Net retirement benefit liability	563,124	41,753
Provision for directors’ retirement benefits	13,700	4,114
Other	128,725	313,256
Total non-current liabilities	705,550	359,124
Total liabilities	3,810,800	3,216,405
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	569,688	568,937
Retained earnings	5,789,599	6,064,243
Treasury stock	-562,633	-540,829
Total shareholders’ equity	6,388,999	6,684,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	209,691	311,576
Foreign currency translation adjustment	150,305	154,576
Remeasurements of retirement benefit plans	-277,597	—
Total accumulated other comprehensive income	82,398	466,152
Subscription rights to shares	16,144	14,357
Non-controlling interests	21,547	25,660
Total net assets	6,509,090	7,190,867

Total liabilities and net assets	10,319,890	10,407,272

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

(Consolidated Statement of Income)

(Consolidated Cumulative Third Quarter)

(thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2015 to December 31, 2015)	Consolidated cumulative third quarter (April 1, 2016 to December 31, 2016)
Net sales	14,768,152	16,014,343
Cost of sales	11,917,036	13,044,889
Gross profit	2,851,116	2,969,454
Selling, general, and administrative expenses	2,329,752	2,168,594
Operating income	521,364	800,860
Non-operating income		
Interest income	6,810	6,389
Dividend income	13,690	12,808
Subsidy income	4,654	11,527
Other	6,672	18,330
Total non-operating income	31,828	49,055
Non-operating expense		
Interest expenses	6,710	4,172
Commitment line fees	17,321	17,141
Others	689	52
Total non-operating expense	24,721	21,366
Ordinary income	528,470	828,549
Extraordinary income		
Gain on sales of non-current assets	5	7
Gain on sales of investment securities	53,536	—
Subsidy income	7,852	—
Gain on abolishment of retirement benefit plan	—	239,063
Gain on step acquisitions	—	5,159
Others	345	115
Total extraordinary income	61,740	244,345
Extraordinary losses		
Loss on sales of non-current assets	16	25
Loss on retirement of non-fixed assets	5,289	415
Loss on reduction of non-current assets	7,852	—
Loss on sale of investment securities	—	178
Loss on valuation of right of using facilities	7,252	—
Impairment loss	1,445	147,772
Other	350	—
Total extraordinary losses	22,205	148,391
Net income before income taxes	568,005	924,503
Income taxes–current	30,513	150,880
Income taxes–deferred	246,358	223,693
Total income taxes	276,872	374,573
Net income	291,133	549,929
Net income attributable to non-controlling interests	3,094	4,498
Net income attributable to owners of parent	288,038	545,430

(Consolidated Statement of Comprehensive Income)

(Consolidated Cumulative Third Quarter)

(thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2015 to December 31, 2015)	Consolidated cumulative third quarter (April 1, 2016 to December 31, 2016)
Net income	291,133	549,929
Other comprehensive income		
Valuation difference on available-for-sale securities	113,327	102,169
Foreign currency translation adjustment	-5,652	4,270
Remeasurements of retirement benefit plans	-48,081	277,597
Total other comprehensive income	59,593	384,038
Comprehensive income	350,727	933,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	347,509	929,184
Comprehensive income to non-controlling interests	3,217	4,783

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

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

None.

(Material Subsequent Events)

The Company resolved to carry out a stock split at the board of directors meeting held on October 31, 2016.

1. Purpose of the stock split

To improve the liquidity of the Company's shares and broaden the investor base by lowering the value per investment unit.

2. Method of the stock split

The common stock of the Company held by the shareholders entered or recorded in the final shareholder register on December 31, 2016 (Saturday) will be subject to a 1.5-for-1 stock split effective January 1, 2017 (Monday).

3. Increase in the number of shares due to the stock split

Number of outstanding shares before the stock split 8,029,535 shares
Increased number of shares due to the split 4,014,767 shares
Number of outstanding shares after the stock split 12,044,302 shares
Total number of authorized shares after the stock split 36,000,000 shares

4. Impact on per-share data

The Company calculated the per-share data on the assumption that the stock split will be carried out at the beginning of the previous consolidated accounting period, and the impact of the split in the relevant areas.