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Consolidated Financial Results for the First Quarter of the fiscal year ending March 31, 2017 [J-GAAP]

July 29, 2016

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
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Scheduled date of filing of Quarterly Business Report: November 10, 2016
 Scheduled date of dividend payment: -
 Preparation of supplementary material on financial results: Yes
 Presentation on quarterly results: Yes (for institutional investors and financial analysts)

(Amounts of less than ¥1 million yen are truncated)

1. Consolidated Financial Results in Q1 of FY2016 (April 1, 2016 - June 30, 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 Q1	5,182	9.2	186	-0.9	168	-12.3	247	100.8
FY2015 Q1	4,746	5.4	188	-10.6	191	-6.7	123	0.2

Note: Comprehensive income FY2016 Q1 ¥402 million (111.0%) FY2015 Q1 ¥190 million (56.9%)

	Net income per share	Net income per share (diluted)
	¥	¥
FY2016 Q1	34.25	33.96
FY2015 Q1	17.14	16.98

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
FY2016 Q1	9,893	6,642	66.8
FY2015	10,319	6,509	62.7

Note: Equity FY2016 Q1 ¥6,606 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	—				
FY2016 (forecast)		0.00	—	35.00	35.00

Note: Revision of most recently published dividend forecast: No

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	%	¥
Second quarter (cumulative)	10,030	3.1	420	109.2	410	96.6	260	170.8	35.94
Full-year	21,400	6.6	1,280	31.9	1,260	30.6	830	51.2	114.72

Note: Revision of most recently published results forecast: No

*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 a revisions of accounting standards etc.: Yes

(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)

(ii) Number of treasury stock

(iii) Average number of shares during period (consolidated total for the quarter)

FY2016 Q1	8,029,535 shares	FY2015	8,029,535 shares
FY2016 Q1	794,367 shares	FY2015	798,777 shares
FY2016 Q1	7,232,218 shares	FY2015 Q1	7,198,387 shares

*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 3 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.

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1. Qualitative Information for the first quarter of the fiscal year ending March 31, 2017

(1) Qualitative Information on the Consolidated Business Results

Hiring and income showed signs of improvement in the Japanese economy in the period (April 1, 2016 to June 30, 2016), but corporate profits were flat. Further, the business conditions in emerging countries and resource-rich countries slowed down and there were palpable concerns about Britain's exit from the EU, so it is not clear where things are headed.

According to the **Survey of Selected Service Industries** (published July 11, 2016) 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 led solid net sales in the system administration and management segment, one of the Company's main lines of business. Net sales in the software development segment also rose, so ID Group net sales in the consolidated cumulative first quarter rose to 5.182 billion yen (+9.2% YoY).

On the revenue side, the Company incurred higher expenses* in the form of business consignment expenses (SG&A expenses) associated with the acquisition of TERRA Corporation. 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 (shift to a defined contribution pension plan in April 2016), and retirement benefit expenses will increase* due to contribution-related expenses going forward. As a result, operating income fell to 186 million yen (-0.9% YoY) and ordinary income fell to 168 million yen (-12.3% YoY) due the occurrence of an exchange loss. Meanwhile, the reduction in retirement benefit obligations based on changes to the retirement benefits plan (shift to a defined contribution pension plan) led to extraordinary gains, so net income attributable to owners of parent rose to 247 million yen (+100.8% YoY).

*The Company contributed payments of 31 million yen to pension assets and incurred 9 million yen in expenses as retirement benefit obligations every month in the previous fiscal year. The payments to the pension assets have ceased because of the change in the retirement plan this fiscal year, and 27 million yen was recorded as an expense in the form of monthly contributions to the defined contribution pension plan, so by offsetting the monthly 9 million yen expense that the Company incurred up to the preceding fiscal year, the monthly retirement benefit expense rose to 18 million yen, and to 54 million yen for the quarter. 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 second quarter are as follows.

(i) System operation management

The Company concluded some projects regarding existing finance-related operations and management business, but net sales have continued to rise. Net sales in finance-related platform development operations* rose dramatically due to the expansion of efforts to deepen relations and find new opportunities with existing customers, and net sales rose to 2.944 billion yen (+3.9% YoY).

(ii) Software development

Finance-related sales rose significantly due to addressing system integrations and renewals. Public works-related sales also rose due to addressing system changes and statutory revisions. Net sales rose to 2.05 billion yen (+21.3% YoY).

(iii) Others

Due to a decline in consulting and security sales, net sales fell to 187 million yen (-15.1% YoY).

*Platform development operations refer to a service offered by the company where we make optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

<Management Policy Initiatives>

The ID Group further reinforced its mainstay system operation and management business, and focused on certain initiatives, including **Diversity & Inclusion, Business Operation Outsourcing, Cloud Services, Globalization, and Improving business processes for more efficient group management** that are included in the ID Group's Mid-Term Management Plan.

Diversity & Inclusion: The Company is looking to stimulate the organization through human resource training and hiring a diversity of personnel to advance its global strategy. The Company is also taking diversity and inclusion initiatives seriously, as evidenced by the proportion of women in management positions (15.2%) and the proportion of non-Japanese employees (9.6%)

in the Company's workforce.

Business Operations Outsourcing: The Company will deepen relations and find new opportunities with existing customers through the provision of existing IT services centering on system operation and management, software development, and platform development operations, as well as through proposing system security services and security consulting.

Globalization and Improving business processes for more efficient group management: The Company acquired all the shares of its affiliate, Infinity Information Development Co., Ltd., in May 2016, and executed a capital increase in Infinity Information Development in June 2016. With advances in democracy in Myanmar, the business environment there is undergoing monumental change. The Company acquired the shares to increase the flexibility and speed of its management, and executed the capital increase to make its service offerings more robust, such as by providing support to obtain IT infrastructure-building technology using Myanmar engineers and by managing IT staff outsourcing in Myanmar and other Southeast Asian countries that are undergoing tremendous economic growth.

***Business Operations Outsourcing (BOO)** refers to the provision of a comprehensive outsourcing service to individual customers, from consulting to software development, system administration and management, cloud security, and BPO.

(2) Qualitative Information on the Consolidated Financial Position

Changes in the Company's financial position

(Assets)

Assets at the end of the first quarter consolidated accounting period fell to 9.893 billion yen, which is a decrease of 426 million yen from 10.319 billion yen at the end of the previous consolidated accounting period, because of a decrease in sales receivables of 515 million yen and an increase in cash and deposits of 56 million yen, etc.

(Liabilities)

Liabilities at the end of the first quarter consolidated accounting period fell to 3.25 billion yen, which is a decrease of 559 million yen from 3.81 billion yen at the end of the previous consolidated accounting period, because of a decrease in net retirement benefit liability of 523 million yen, etc.

(Net Assets)

Net assets at the end of the first quarter consolidated accounting period rose to 6.642 billion yen, which is a 133 million yen increase from 6.59 billion yen at the end of the previous consolidated accounting period, because of the 247 million yen of net income attributable to owners of parent, the decrease of 264 million yen due to the payment of dividends, and the increase of accumulated other comprehensive income, such as the partial termination of the retirement benefit plan, of 154 million yen, etc.

(3) Explanation of Consolidated Earnings Estimates and Future Projections

First quarter results were largely in line with expectations. No changes have been made to earnings estimates for the consolidated cumulative second quarter or the full year that the Company 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 FY2016 Revisions to the Tax Code)

The Company applied the **Practical Treatment regarding Changes to the Depreciation Method Due to FY2016 Revisions to the Tax Code** (Practical Solution No. 32, June 17, 2016) to the period attendant to the revision of the Corporation Tax Act, 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 58,000 yen, respectively.

(2) Additional Information

(Shift to Retirement Benefit Contribution Plan)

The Company shifted part of its retirement 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 yen was recorded in the consolidated cumulative first quarter 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 Recoverability of Deferred Tax Assets** (ASBJ Guidance No 26, March 28, 2016) from the first quarter consolidated accounting period.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	2,267,365	2,324,093
Notes and accounts receivable – trade	3,836,114	3,320,776
Works in process	26,753	76,513
Other	421,722	403,480
Allowance for doubtful accounts	-64	-64
Total current assets	6,551,890	6,124,800
Noncurrent assets		
Property, plant and equipment		
Land	1,047,790	1,047,790
Other, net	1,151,557	1,156,877
Total property, plant and equipment	2,199,347	2,204,667
Intangible assets		
Goodwill	53,230	106,438
Software	100,587	97,701
Other	770	767
Total intangible assets	154,587	204,906
Investments and other assets	1,414,064	1,359,261
Total noncurrent assets	3,768,000	3,768,835
Total assets	10,319,890	9,893,635
Liabilities		
Current liabilities		
Accounts payable – trade	643,294	622,196
Short-term loans payable	860,000	960,000
Current portion of long-term loans payable	60,000	45,000
Income taxes payable	254,426	28,425
Provision for bonuses	556,661	336,599
Provision for directors' bonuses	17,225	6,000
Provision for loss on order received	54,633	39,518
Other	659,008	941,353
Total current liabilities	3,105,249	2,979,093
Noncurrent liabilities		
Net retirement benefit liability	563,124	39,689
Provision for directors' retirement benefits	13,700	2,782
Other	128,725	229,241
Total noncurrent liabilities	705,550	271,713
Total liabilities	3,810,800	3,250,806
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	569,688	569,455
Retained earnings	5,789,599	5,766,547
Treasury stock	-562,633	-559,512
Total shareholders' equity	6,388,999	6,368,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	209,691	166,319
Foreign currency translation adjustment	150,305	71,058
Remeasurements of retirement benefit plans	-277,597	—
Total accumulated other comprehensive income	82,398	237,377
Subscription rights to shares	16,144	15,625
Non-controlling interests	21,547	20,989
Total net assets	6,509,090	6,642,829
Total liabilities and net assets	10,319,890	9,893,635

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Earnings
Consolidated Cumulative first quarter

(in thousands of yen)

	Previous consolidated cumulative first quarter (April 1, 2015 to June 30, 2015)	Consolidated cumulative first quarter (April 1, 2016 to June 30, 2016)
Net sales	4,746,886	5,182,860
Cost of sales	3,814,609	4,252,155
Gross profit	932,277	930,705
Selling, general and administrative expenses	744,036	744,089
Operating income	188,240	186,615
Non-operating income		
Interest income	2,177	2,053
Dividend income	12,103	11,085
Subsidy income	1,150	4,508
Foreign exchange gains	5,501	—
Other	965	2,536
Total non-operating income	21,897	20,183
Non-operating expense		
Interest expenses	1,958	1,705
Commitment line fees	16,249	16,114
Foreign exchange losses	—	20,567
Other	12	61
Total non-operating expense	18,220	38,448
Ordinary income	191,917	168,350
Extraordinary income		
Gain on sales of noncurrent assets	2	5
Gain on sales of investment securities	33,983	—
Gain on abolishment of retirement benefit plan	—	239,063
Gain on step acquisitions	—	5,159
Total extraordinary income	33,985	244,228
Extraordinary loss		
Loss on sales of noncurrent assets	2	25
Loss on retirement of noncurrent assets	—	56
Impairment loss	1,445	—
Total extraordinary loss	1,447	81
Net income before income taxes	224,455	412,497
Income taxes—current	8,555	5,192
Income taxes—deferred	91,448	159,490
Total income taxes	100,004	164,683
Net income	124,450	247,813
Net income attributable to non-controlling interests	1,063	78
Net income attributable to owners of parent	123,386	247,735

Consolidated Statement of Comprehensive Income
Consolidated Cumulative first quarter

	Previous consolidated cumulative first quarter (April 1, 2015 to June 30, 2015)	Consolidated cumulative first quarter (April 1, 2016 to June 30, 2016)
Net income	124,450	247,813
Other comprehensive income		
Valuation difference on available-for-sale securities	62,464	-43,338
Foreign currency translation adjustment	20,292	-79,247
Remeasurements of retirement benefit plans	-16,330	277,597
Total other comprehensive income	66,425	155,012
Comprehensive income	190,876	402,825
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	189,737	402,713
Comprehensive income to non-controlling interests	1,139	111

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

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

None.