



INFORMATION DEVELOPMENT CO., LTD.

Dec. 2016

President and Representative Director
Masaki Funakoshi

TSE 1st section
Code : 4709

- 1. Main Topics**
- 2. Q2 Performance Overview**
- 3. The 3-Year Plan of ID Group
(Structural reform)**

1. Main Topics

Change or Die!

- **Granted the highest “Eruboshi” certification by the Minister of Health, Labour and Welfare, based on the Act of Promotion of Women’s Participation and Advancement in the Workplace (Sep.2016)**
- **Sales of noncurrent assets (company dormitory) (Sep.2016)**
- **Modified the forecast numbers (Oct. 2016)**
 - We revised upward its earnings estimate for the consolidated cumulative second quarter.
(Net sales: **+5.6%**, Operating income: **+18.5%**, Ordinary income: **+18.7%**,
Net income attributable to owners of parent: **+30.3%**)
- **Stock split and Revision of Dividend Forecast(Oct. 2016)**
 - We will carry out a 1-for-1.5 stock split with and effective date of January 1, 2017.
 - We will set the dividend forecast for FY2016 from ¥35.00 to ¥37.00 the year-end dividend
(We will not be adjusted due to the stock split)
 - The dividend-per-share amount will increase from ¥35.00 (previous forecast) to the revised ¥55.50, which is an effective increase of ¥20.50.

2. Q2 Performance Overview

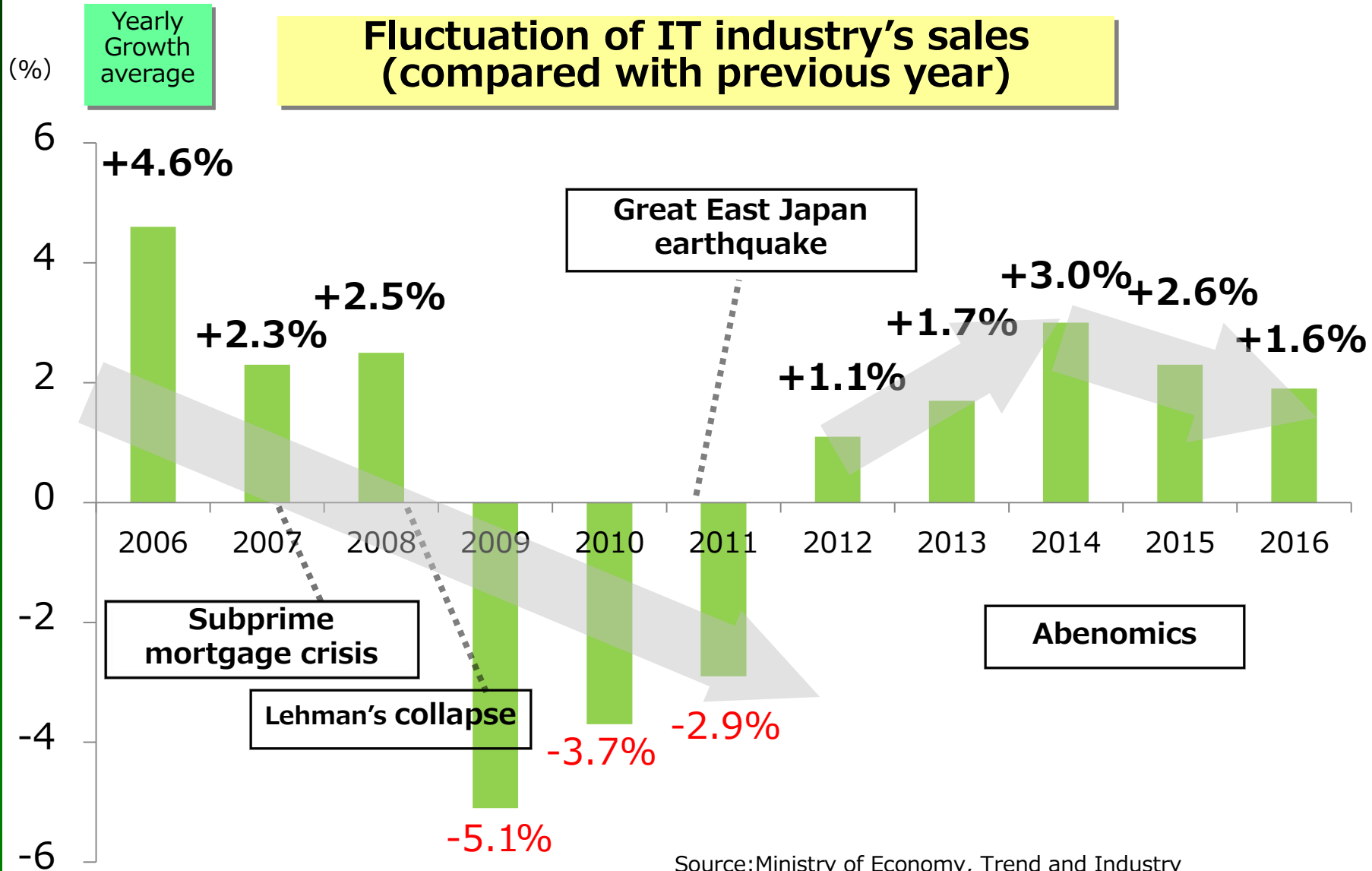
Change or Die!

"Net sales and Income" increased

- **Increase in net sales (+8.8% YoY; The highest sales achieved in the Q2)**
 - Net sales of system operation management in financial institutions grew continuously.
 - Net sales of platform configuration in financial institutions increased due to expansion of business with existing customers.
 - Due to system integration and renewal, net sales of software development services in financial institutions increased sharply.
 - Net sales of software development services in public institutions increased due to rectification of guidelines and regulations.
- **Increase in operating income (+147.8% YoY)**
 - Decrease in costs stemming from moving the head office in the previous fiscal year (SG&A)
 - The convergence of some unprofitable projects in the software development segment that arose in the previous fiscal year
 - The occurrence of outsourcing expenses of ¥20 million associated with TERRA Corporation's share acquisition.
 - With the change in the retirement benefit plan, retirement benefit expenses increased as the amount of required contributions will be charged off.
- **Increase in ordinary income (+133.4% YoY)**
 - Net sales and operating income increase
- **Increase in net income attributable to owners of parent (+252.9% YoY)**
 - Booked ¥239 million as gain on abolishment of the old retirement benefit plan due to the transition to a new retirement benefit plan.

Industry Trend

Change or Die!



Q2 Financial Results① (consolidated)



Change or Die!

(¥ million)	Sep.2015	(% of net sales)	Sep.2016	(% of net sales)	Diff.	YoY
Net sales	9,729	-	10,586	-	+857	+8.8%
Cost of sales	7,907	81.3%	8,644	81.7%	+737	+9.3%
Gross profit	1,822	18.7%	1,942	18.3%	+120	+6.6%
SG&A expenses	1,621	16.7%	1,444	13.6%	-176	-10.9%
Operating income	200	2.1%	497	4.7%	+296	+147.8%
Ordinary income	208	2.1%	486	4.6%	+278	+133.4%
Net income attributable to owners of parent	96	1.0%	338	3.2%	+242	+252.9%

Q2 Financial Results② (consolidated)



Change or Die!

(¥ million)	Sep.2016	(% of Net sales)	Sep.2016 (forecast)	(% of Net sales)	Diff.
Net sales	10,586	-	10,030	-	+5.6%
Operating income	497	4.7%	420	4.2%	+18.5%
Ordinary income	486	4.6%	410	4.1%	+18.7%
Net income attributable to owners of parent	338	3.2%	260	2.6%	+30.3%

* We modified the forecast numbers on Oct. 27th.

Q2 Financial Results of Consolidated Subsidiary



Change or Die!

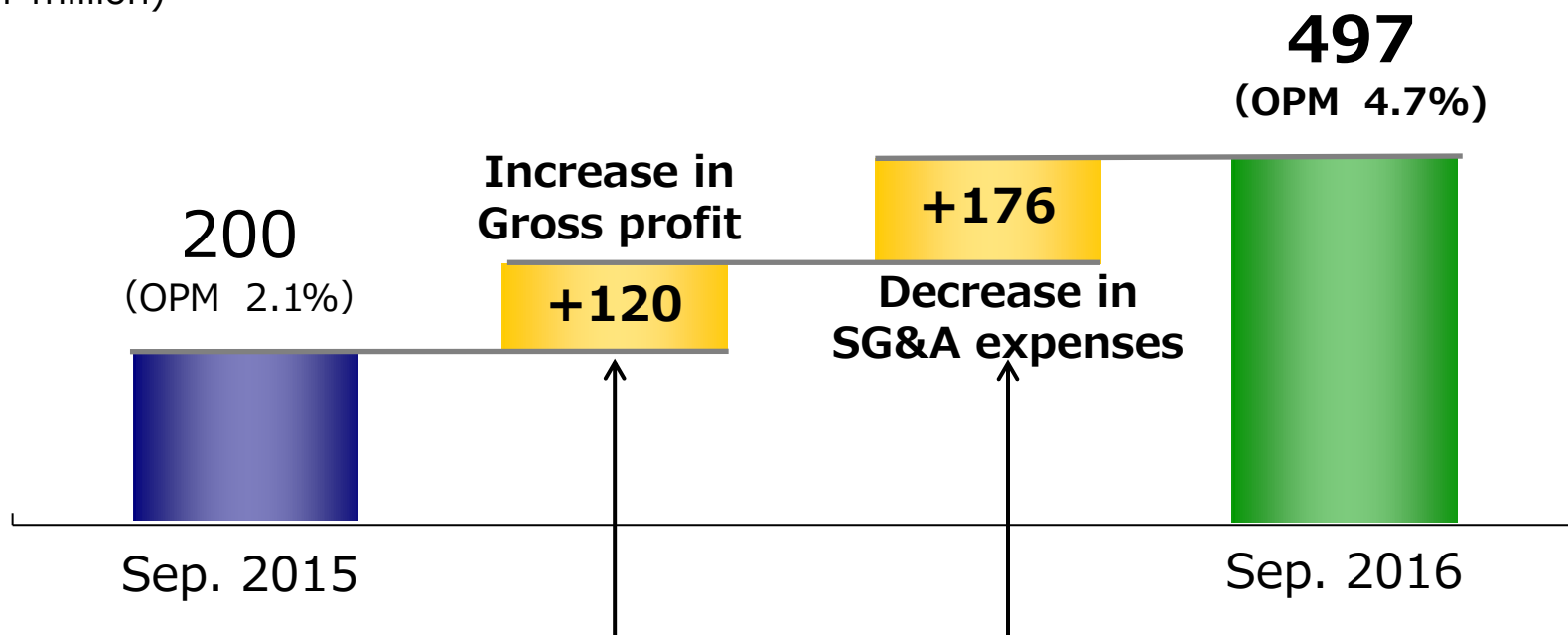
(¥ million)	Net sales				Operating income			
	Sep. 2015	Sep. 2016	Diff.	YoY	Sep. 2015	Sep. 2016	Diff.	YoY
PURAI DO	177	185	+7	+4.4%	25	35	+9	+39.3%
AI FACTORY	1	2	+0.8	+47.3%	-19	-21	-2	-
TERRA Corporation	-	78	-	-	-	5	-	-
ID Wuhan	253	231	-22	-8.7%	1	-13	-14	-
ID Singapore	13	44	+31	+230.8%	-28	-14	+13	-
ID America	11	11	+0.4	+3.6%	-8	-7	+1	-
ID Indonesia	-	3	-	-	-	-7	-	-
λID	-	0.2	-	-	-	-5	-	-

*Figures for each company are on a non-consolidated basis, so that the total does not equals consolidated figures

Q2 Operating income analysis(YoY)



(¥ million)



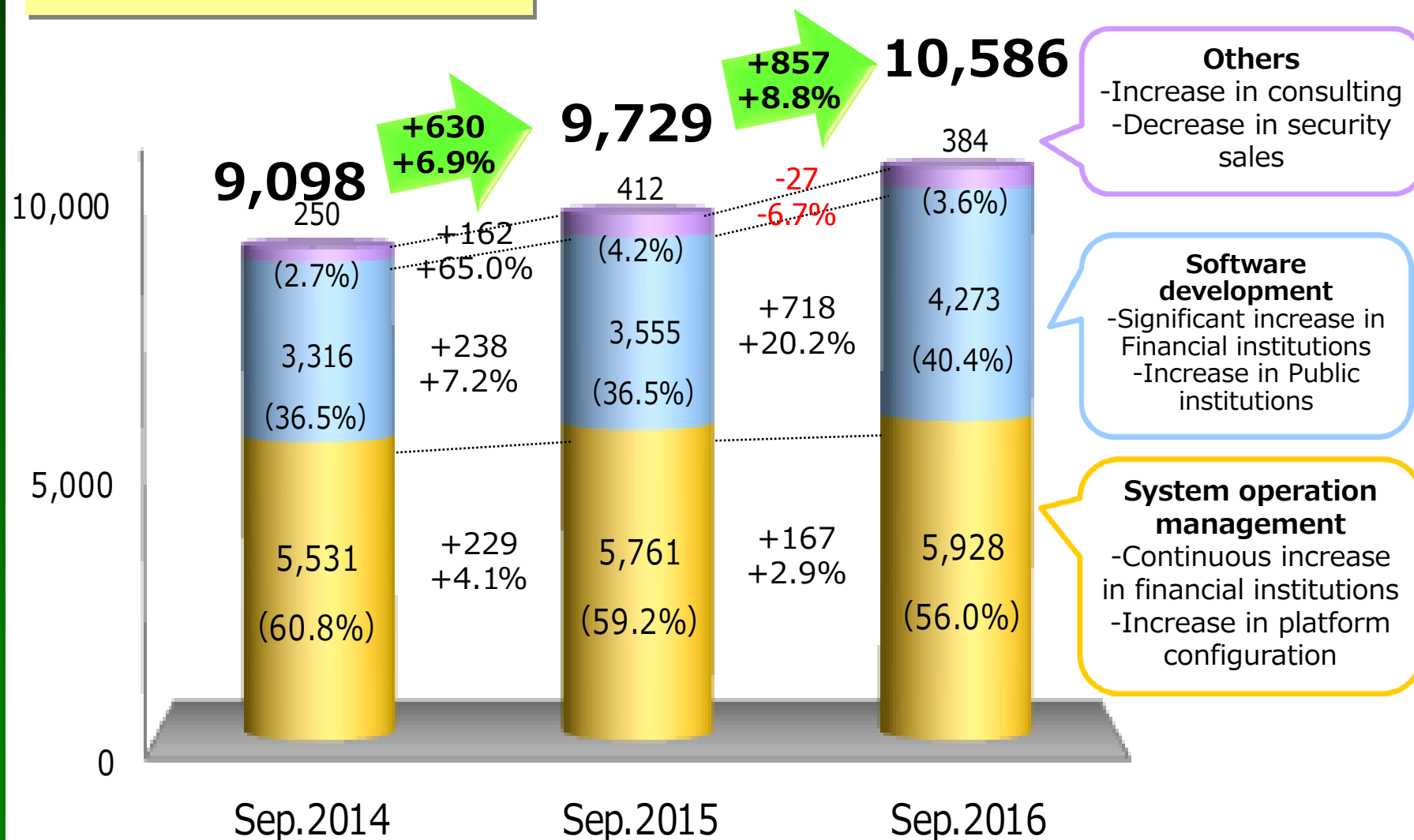
◆ Gross profit	+120
- Net sales	+857
- Cost of sales	+737
<Major changes in cost of sales>	
- Labor cost	+310
- Outsourcing expenses	+497
- Cost of products manufactured	-41
- Purchase of finished goods	-10

◆ SG&A expenses	-176
<Major changes in SG&A>	
- Personal expenses	-3
- Other SG&A expenses	-173

Q2 Feature of ID Group①

Net sales by Business

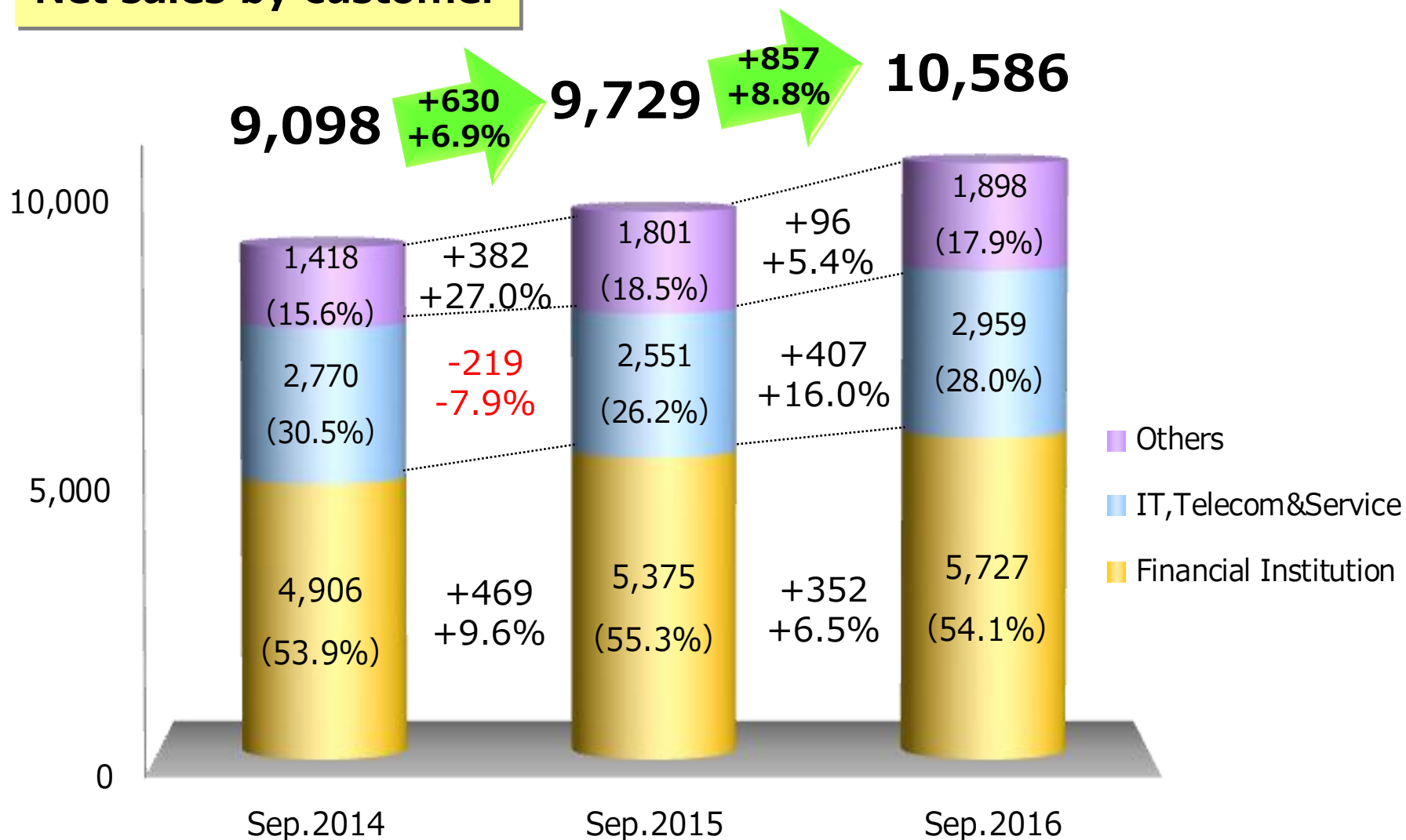
(¥ million) *Figures in brackets indicate % of net sales



Q2 Feature of ID Group②

Net sales by customer

(¥ million) *Figures in brackets indicate % of net sales



Q2 Feature of ID Group③

Net sales by contract

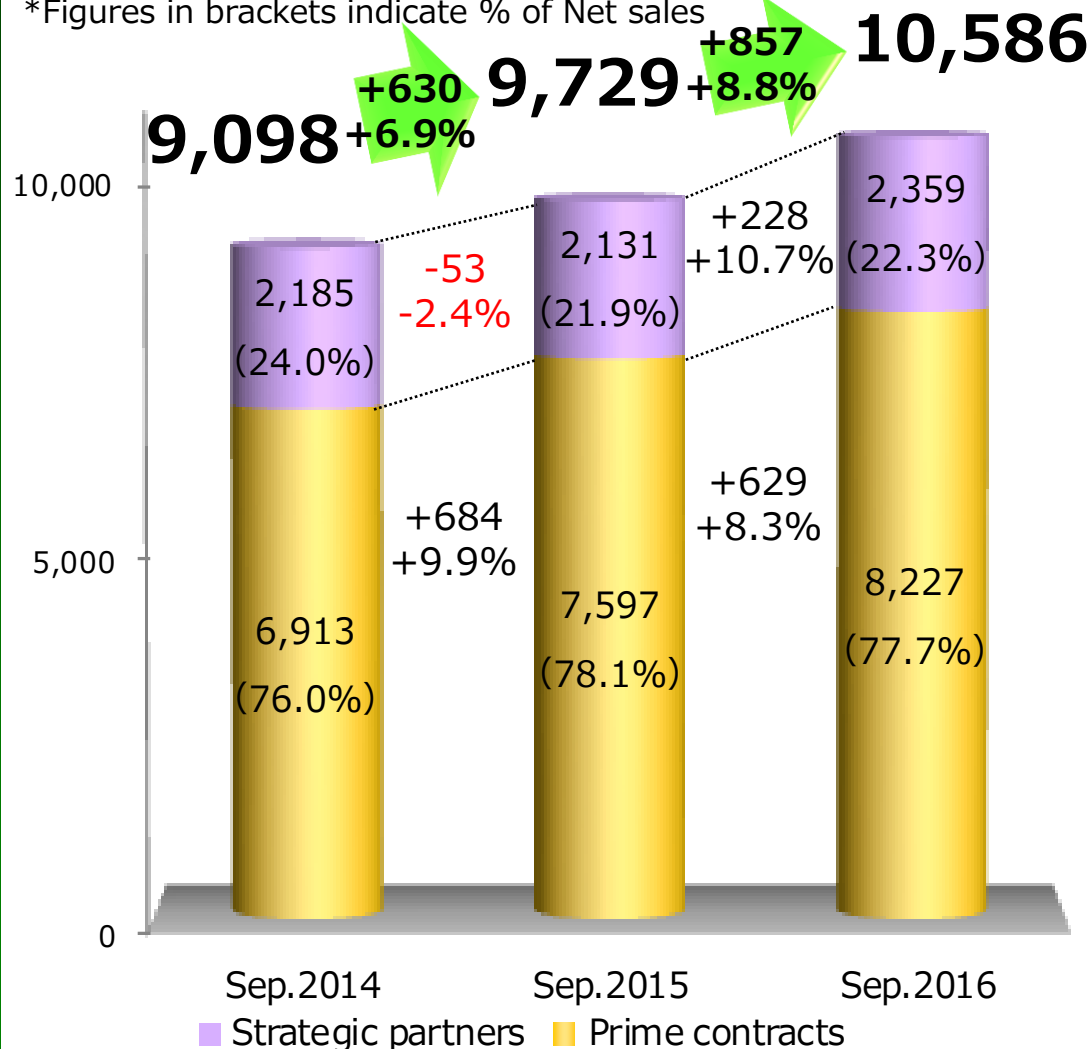
(¥ million)

*Figures in brackets indicate % of Net sales

About 50 customers are among the top 500 in the Forbes Global 2000

<Major customers>

Prime contracts



- Financial Institution
- IT, Telecom & Services
- Others
(Manufacturing, Transportation, Public Office, Utility, etc.)

Strategic partners

- Major IT Vendors

Q2 Financial Position (consolidated)



Change or Die!

(¥ million)	Mar. 2016	Sep. 2016	Diff.	Main reasons
Current assets	6,551	6,152	-399	-Decrease in cash and deposits (-270)
Noncurrent assets	3,768	3,701	-66	-Decrease in accounts receivable (-252)
Total assets	10,319	9,853	-465	
Current liabilities	3,105	2,786	-318	-Increase in provision for bonuses (+154)
Noncurrent liabilities	705	275	-430	-Decrease in net defined benefit liability (-522)
Total liabilities	3,810	3,061	-749	-Decrease in liabilities with interest (-412)
Total net assets	6,509	6,792	+283	-Net income attributable to owners of parent (+338) -Increase in accumulated other comprehensive income due to the transition to a new retirement benefit plan (+197) -Decrease of payment of dividends (-264)
Total liabilities and net assets	10,319	9,853	-465	

Q2 Order Backlog

Change or Die!

(¥ million)	Orders received	YoY	Backlog	YoY
System operation management	7,543	-1.4%	2,281	-8.8%
Software development	4,517	+3.1%	1,025	+8.0%
Others	24	-53.0%	13	-66.9%
Total	12,085	+0.0%	3,320	-4.9%

Mar.2017 Performance Plan (consolidated)



Change or Die!

(¥ million)	Mar.2016		Mar.2017		
	Results	(% of net sales)	Forecast	(% of net sales)	YoY
Net sales	20,082	-	21,400	-	+6.6%
Operating income	970	4.8%	1,280	6.0%	+31.9%
Ordinary income	964	4.8%	1,260	5.9%	+30.6%
Net income attributable to owners of parent	548	2.7%	830	3.9%	+51.2%
EPS (¥)	76.09	-	76.25 (※114.38)	-	+50.3% ※
DPS (¥)	35.00	-	37.00 (※55.50)	-	+58.6% ※

※We will carry out a 1-for-1.5 stock split with and effective date of January 1, 2017.
We do not consider the stock split when we calculate EPS and DPS.

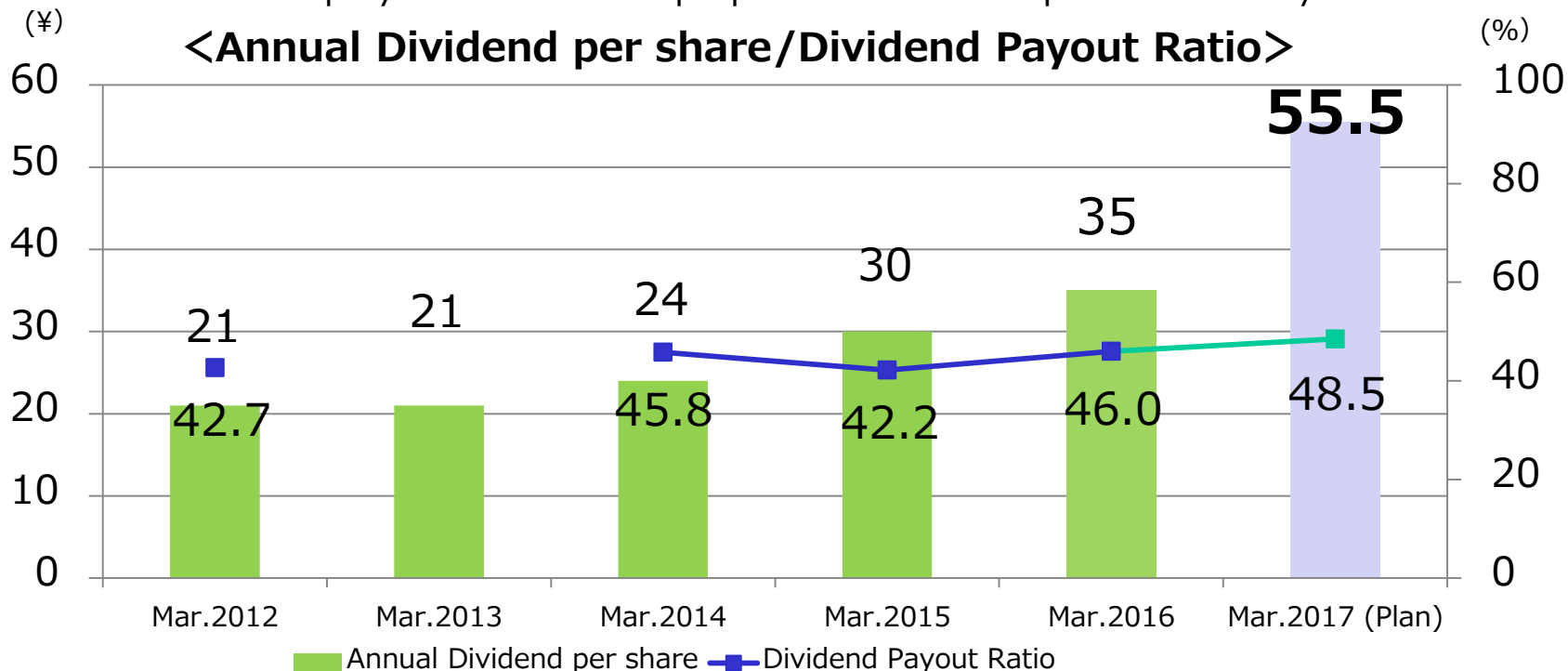
Return to Shareholders

The dividend for FY2016

¥35 → ¥37 (calculated after the stock split)
⇒ **¥55.5** (It is an effective dividend increase of ¥20.5)*

○ Basic Dividend Policy

We will strive to secure a solid financial footing and stable profit, and work to increase the return on equity to continue the proper distribution of profit backed by financial results.

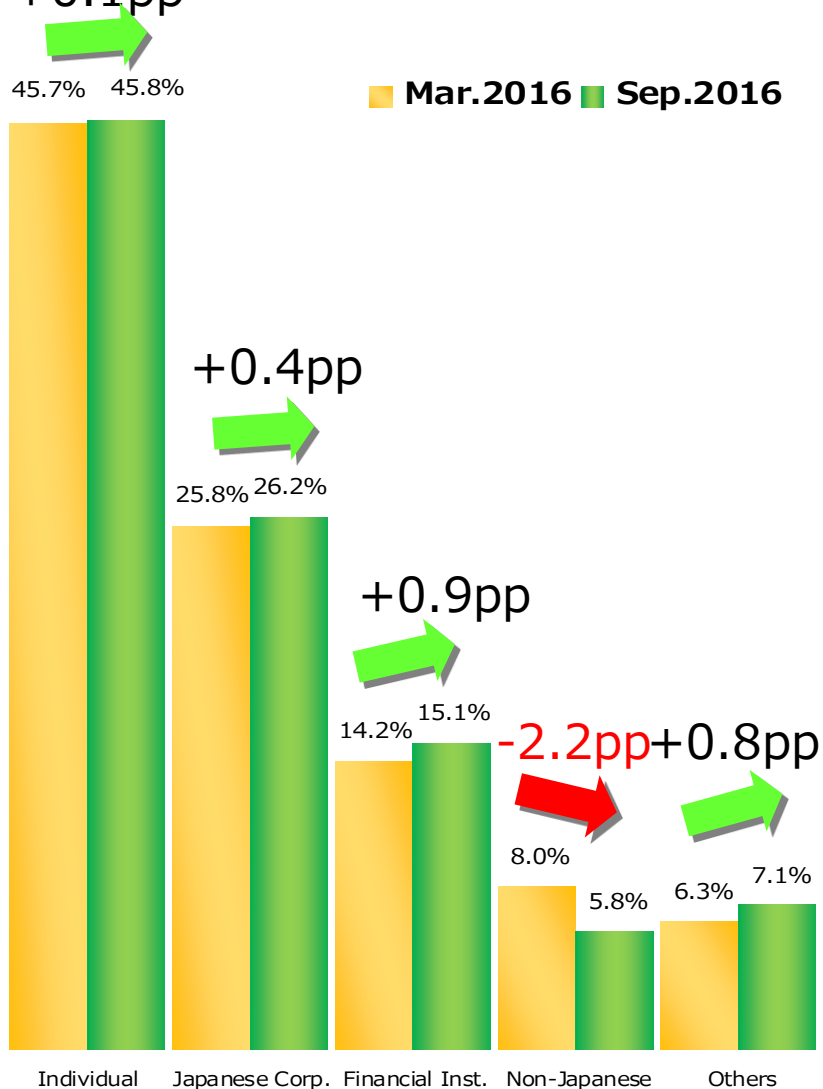


* We calculate the dividend for FY2016(forecast) using the number of shares before the stock split.
We calculate dividend payout ratio based on the number of shares after the stock split.

Shareholders (September 30, 2016) **ID GROUP**

◆ Shareholding by investor type

+0.1pp



◆ Major shareholders

-No. of shareholders: 3,200

(+45 since Mar. 2016)

-No. of shareholders with voting rights: 2,763

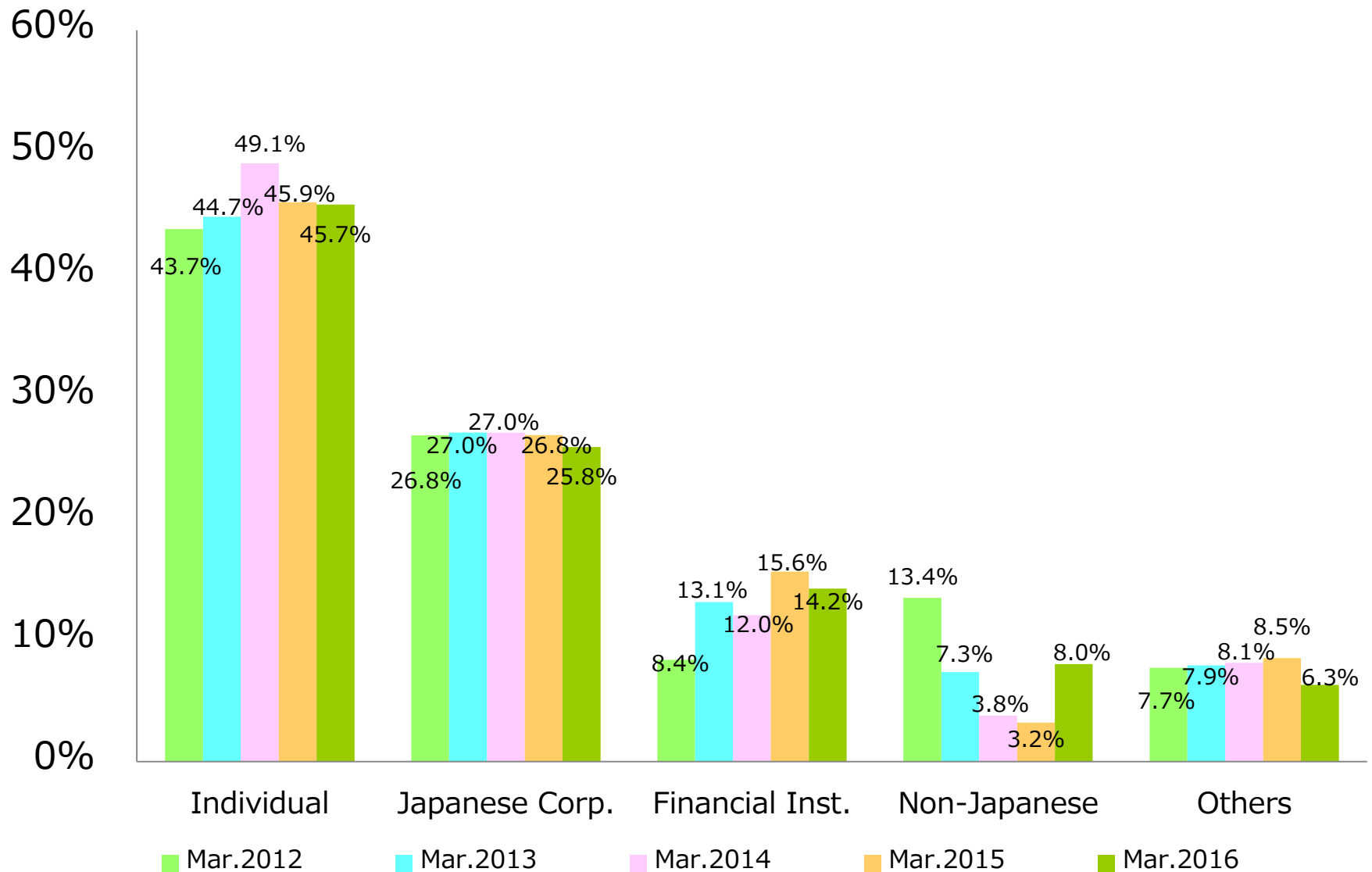
(+50 since Mar. 2016)

*Treasury stocks(455 thousand;5.68%) isn't included in the list below

	Major shareholders	% of total shares
1	A. K. Corporation	10.33%
2	Mizuho Trust Systems Co., Ltd.	8.50%
3	ID Employee Ownership Account	6.25%
4	Trust & Custody Services Bank, Ltd.	3.95%
5	Mizuho Trust & Banking Co., Ltd.	3.51%
6	MSCO CUSTOMER SECURITIES	2.79%
7	TDC SOFTWARE ENGINEERING Inc.	2.36%
8	NORTHERN TRUST CO.(AVFC) RE NORTHERN TRUST GUERNSEY NON TREATY CLIENTS	1.75%
9	Akemi Funakoshi	1.64%
10	Kaori Marubayashi	1.49%

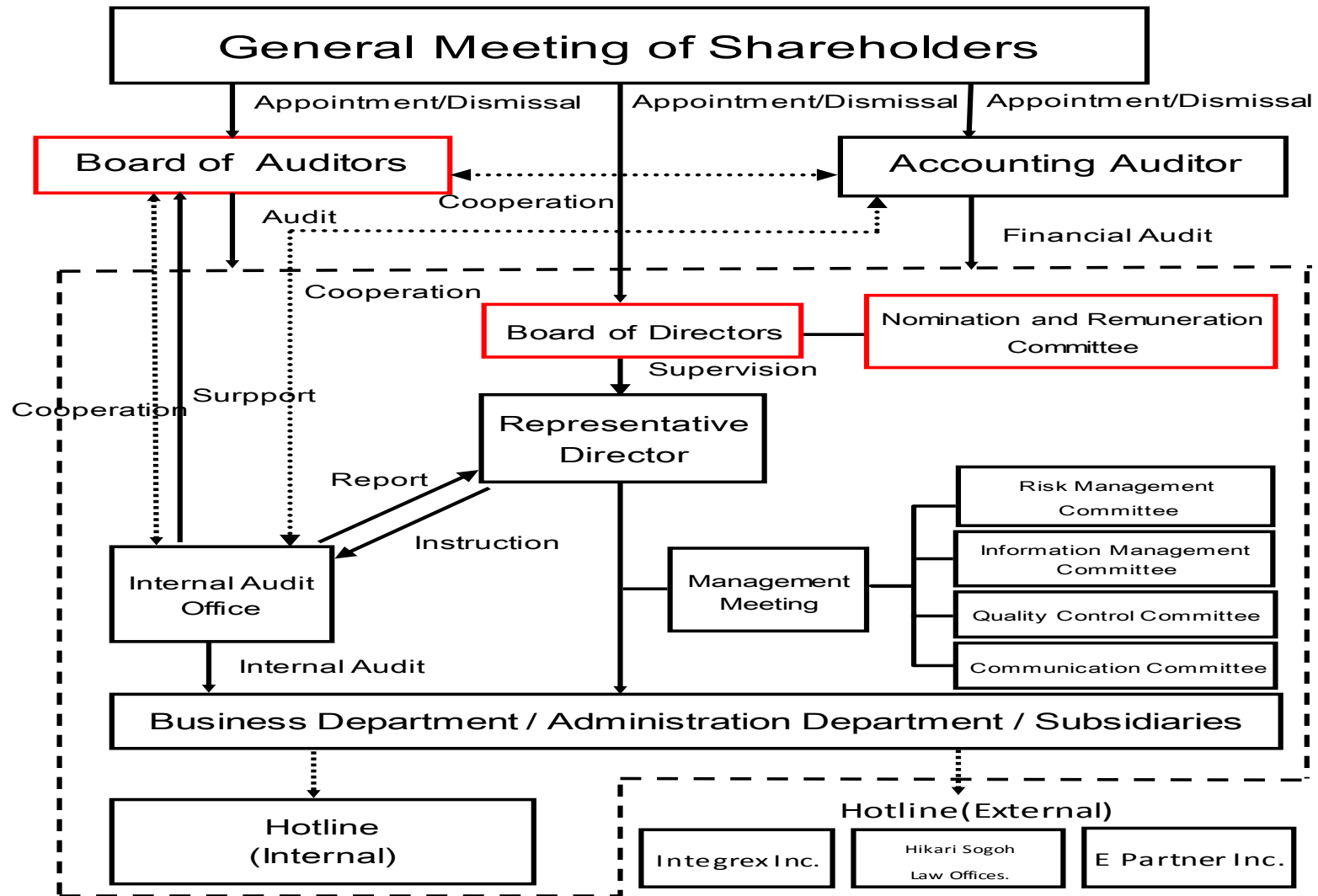
Shareholdings by investor type **ID GROUP**

Change or Die!



Corporate Governance System **ID GROUP**

Change or Die!



※Board of Directors consists of 6 (2 external)

※Board of Auditors consists of 4 (3 external)

3. The 3-Year Plan of ID Group (Structural reform)

Change or Die!

3 basic policies to support the 3 year plan

Thorough
**Structural
reforms
(BPR)**

Construction of
**New Areas of
Growth**

**Consolidated
management
Strengthening
(Governance)**



**Skill improvement and activation
of employees**

Aspiration 「Management Vision」

“Upgrading the speed of delivery of high quality services to our customers”

○Goal (Mar. 2019)

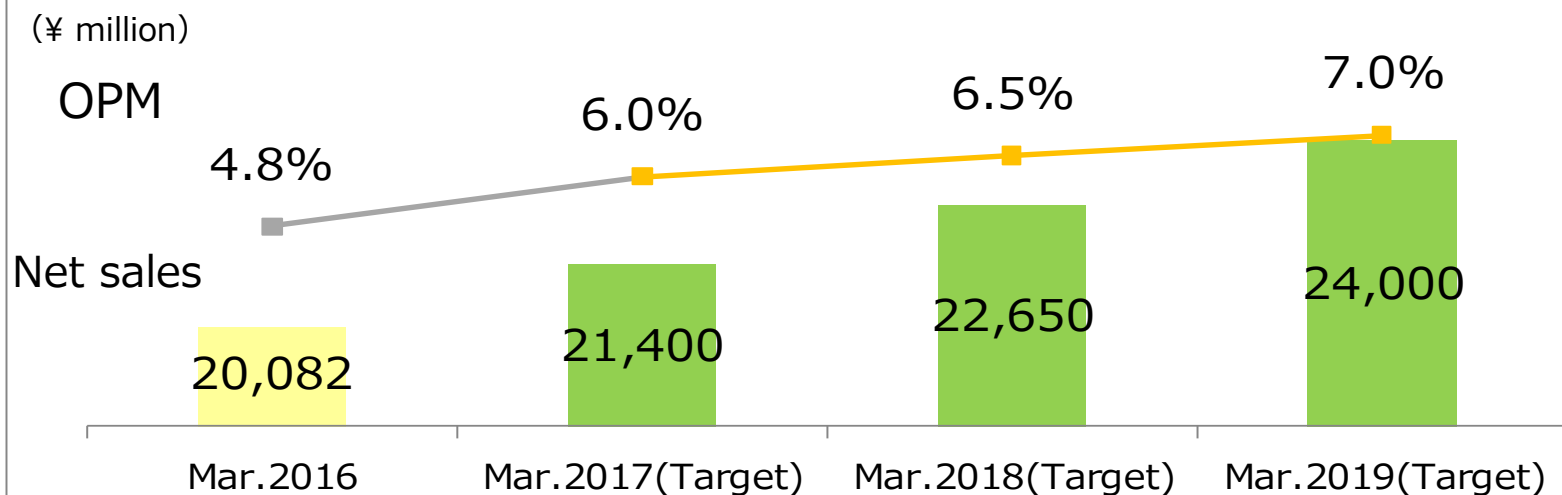
Net sales	¥ 24 billion
Operating income	¥ 1.68 billion
OPM	7.0%
ROE	13.5%

○Second structural reforms (BPR)

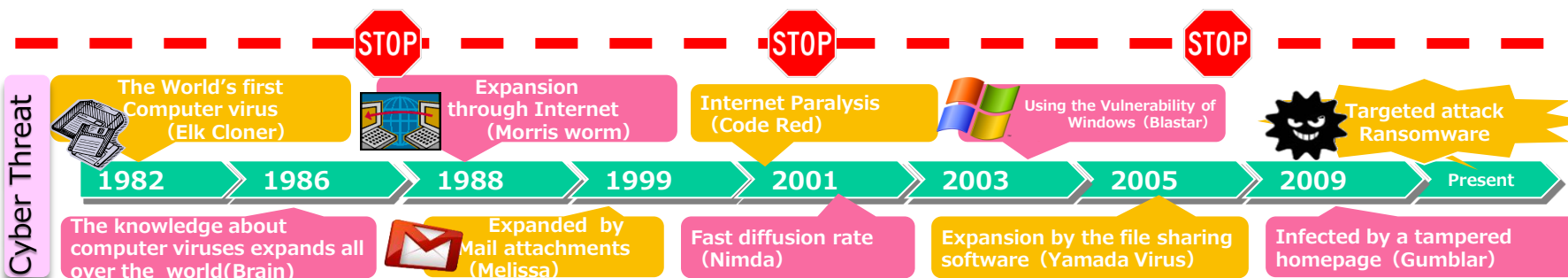
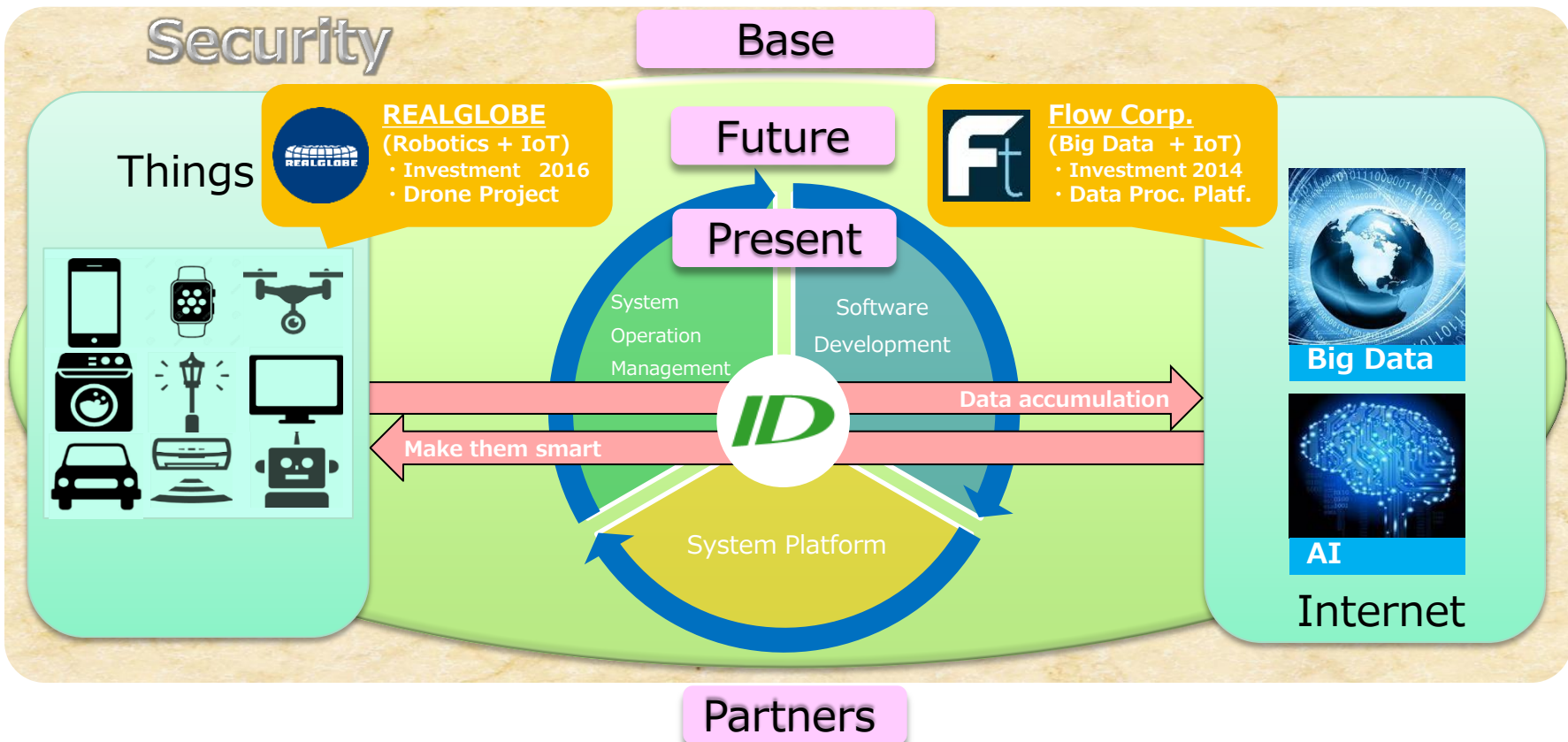
OPM Improved by more than **2%**

Numerical Targets

(¥ million)	Mar. 2016	Mar. 2019 (Target)
Net sales	20,082	24,000 (Diff. +3,918)
Operating income	970	1,680 (Diff. +710)
OPM	4.8%	7.0% (Diff. +2.2pp)
ROE	8.3%	13.5% (Diff. +5.2pp)



1	Diversity & Inclusion	<ul style="list-style-type: none"> ◆ Set out an objective of female managerial position ratio and monitor periodically ◆ Raise the number of bilingual employees for vitalization of the company <ul style="list-style-type: none"> -Objective by 2020: Female managerial position ratio to 30% -Objective by 2018: Foreign employees ratio to 15% ◆ Granted the highest “Eruboshi” certification by the Minister of Health, Labour and Welfare
2	Business Operation Outsourcing	<ul style="list-style-type: none"> ◆ Pursue cross-selling to existing customers and develop new customers ◆ Provide one-stop service called i-Bos24®
3	Cloud Service iD-CLOUD	<ul style="list-style-type: none"> ◆ Provide innovative services with world-class security products and reliable cloud system operation ◆ Leverage our design capabilities of the cloud platform by inputting more resources and increase Net sales ◆ Verification testing of wearable device
4	Globalization	<ul style="list-style-type: none"> ◆ Enhance collaboration with our subsidiaries and business partners in China, Singapore, Myanmar, Indonesia, US and UK ◆ Use of international subsidiaries to create business alliance with indigenous companies. ◆ Formed a joint venture company in Myanmar, opened IT training academy ◆ Established a subsidiary company in Indonesia ◆ Established a representative office in Amsterdam, the Netherlands
5	Improve business processes for more efficient group management	<ul style="list-style-type: none"> ◆ Raise the level of human resources by merger of subsidiary companies in Japan ◆ Enhance cooperation within the Group in terms of sales activities ◆ Improving operational processes such as increasing productivity, assigning personnel to suitable positions, and tightening the control on working overtime ◆ Acquisition of Terra Corporation subsidiary



BOO (Business Operations Outsourcing)

Promote Business Operations Outsourcing* to expand services for existing and new customers of ID Group

*One stop service. From software development, system operation management, cloud & security service and BPO to consulting.

	A	B	C	D	E	F	G	H	I	J
System operation management	Existing Business Expansion	Existing Business	Existing Business	Existing Business Expansion	<u>Target</u>	Existing Business	Existing Business	<u>Target</u>	Existing Business	<u>Target</u>
IT platform	Existing Business	<u>Target</u>	Existing Business	Existing Business	Existing Business Expansion	<u>Target</u>	Existing Business	Existing Business	<u>Target</u>	Existing Business
Software development	Existing Business	Existing Business	<u>Target</u>	Existing Business	Existing Business	Existing Business	<u>Target</u>	Existing Business	Existing Business	Existing Business
Cloud	<u>Target</u>	<u>Target</u>	<u>Target</u>	Existing Business	New	<u>Target</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
Security	Existing Business	<u>Target</u>	Existing Business	Existing Business	New	New	<u>Target</u>	New	<u>Target</u>	Existing Business
Global	Existing Business New	<u>Target</u>	<u>Target</u>	<u>Target</u>	Existing Business	<u>Target</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>	Existing Business New

* As of Mar. 31, 2016

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