



# INFORMATION DEVELOPMENT CO., LTD.

May 2017

**President and Representative Director  
Masaki Funakoshi**

TSE 1st section  
Code: 4709

**1****New Topics**

2

Performance Overview

3

The mid-term management of ID Group

## ► April, 2017

### 「Seceon OTM」 Commencement of Sales

- AI, Machine Learning State of the Art Security Solutions  
「Seceon OTM」 Marks the start of exclusive sales in Japan

## ► March, 2017

### Sponsorship of 「Hi no maru Sailors」

- In light of our 50<sup>th</sup> corporate anniversary in 2019, we will be sponsoring the Hi no Maru sailors from 2017 until 2020. Some of our employees are scheduled to volunteer at the Tokyo Olympics by cheering, managing, and assisting the set-up of sailing events.

### Drone Entry into the Early Symptoms Sickness Detection Test

- Participated in public demonstration experiment on Ministry of Internal Affairs' demonstration project of IoT utilization model for emergency medical and disaster response
  - Successfully minimized response time to reach victims by using a drone

## ► January, 2017

### Work Style Reform

- We have appointed a senior managing official to review the way we operate and our business systems through serious efforts.

### Started Using “Smart Glasses” in Daily Operations

- We have successfully integrated the use of smart glasses into our daily operation to improve work processes

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New Topics

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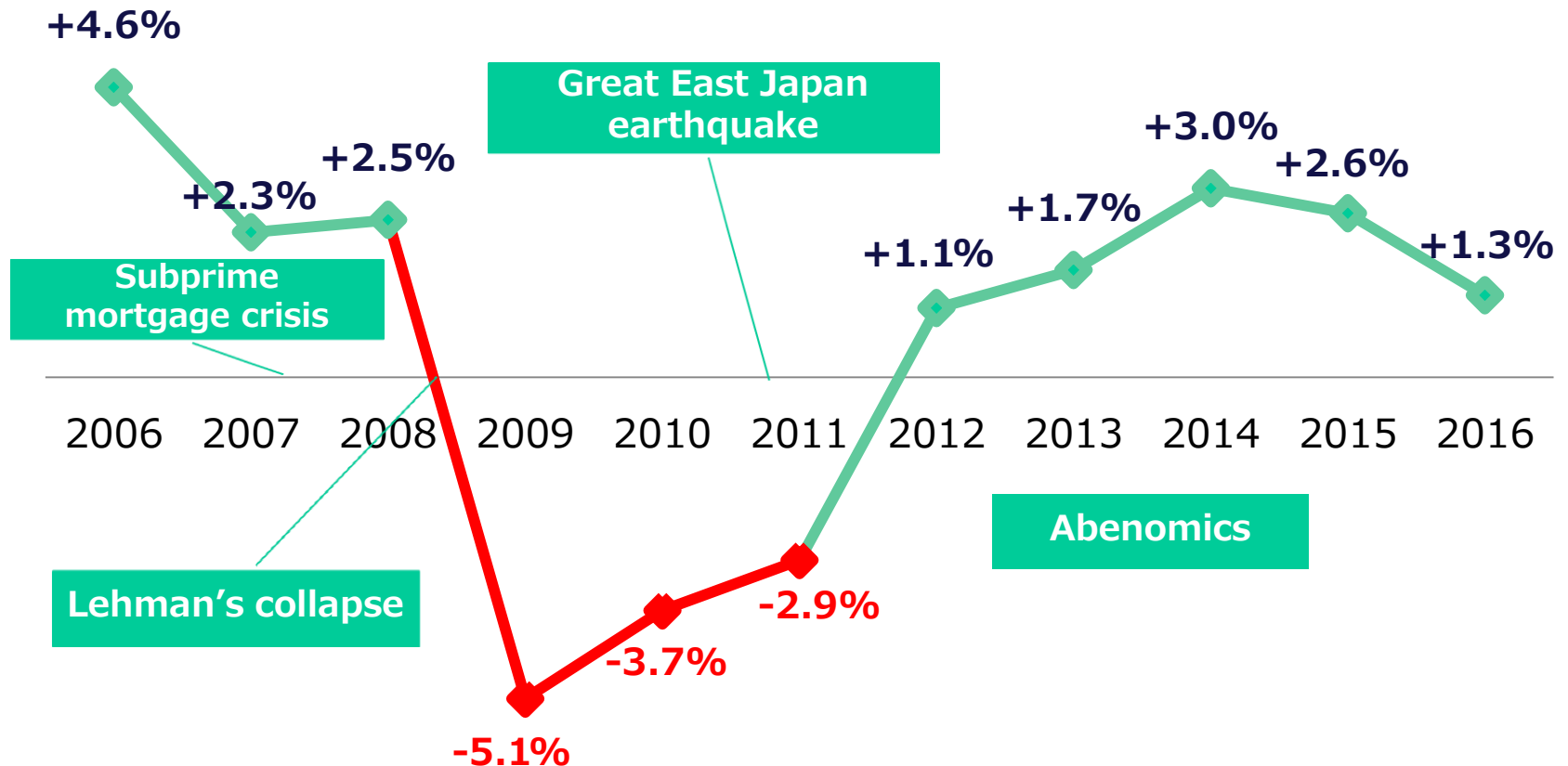
**Performance Overview**

3

The mid-term management of ID Group

## Fluctuation of IT industry's sales (compared with pervious year)

(%) Yearly  
Growth  
Average



Source: Ministry of Economy, Trade and Industry  
"Monthly report on the current survey of selected service industry"

## ➤ Increase in net sales

⇒ Net sales increase consecutive for 5 terms at a record high

- ✓ Sales in existing finance-related operations and platform development operations increased sharply.
- ✓ Sales of software development services in public institutions increased significantly due to amendments and legal reform.
- ✓ Sales of software development services for financial institution increased , due to system integration and renewal.
- ✓ Increase in earnings from security products sales as well as overseas subsidiaries

## ➤ Increase in Operating Profit ⇒ Consecutive for 4 terms

- ✓ Decrease in costs relating to relocation of the head office in the previous fiscal year (SG&A)
- ✓ From the transition to defined contribution company pension system, retirement benefit expenses increased by (Cost of sales and SG&A) 218 million yen.
- ✓ Uptick in outsourcing cost
- ✓ Convergence of unprofitable projects from the previous fiscal year
- ✓ Outsourcing cost of 20 million yen relating to the acquisition of a subsidiary

## ➤ Increase in net income attributable to owners of parent

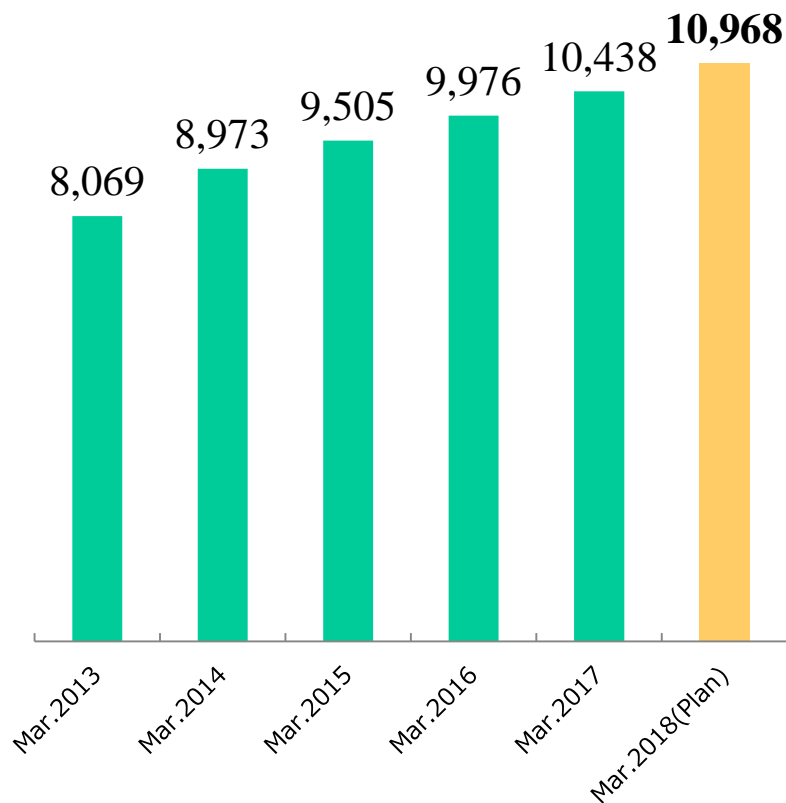
⇒ Profit increase consecutive for 4 terms at a record high

- ✓ Abolishment of retirement benefit plan, 207 million yen
- ✓ Impairment loss by sales of non-current assets, 147 million yen
- ✓ Prevision of allowance for doubtful accounts, bad debts written off , 64 million yen

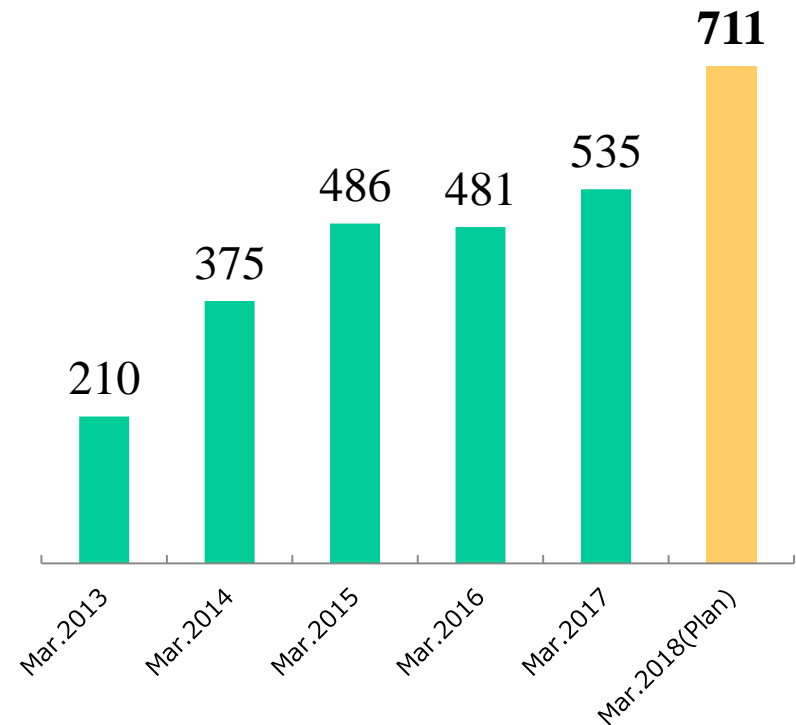
# Productivity Index

(JPY thousand)

## Sales per Employee



## Operating Income per Employee



※The calculation for Mar.2018 was based off of the amount of employees at the time of Mar.2017

# Financial Results (consolidated)



Change or Die!

	Mar.2016	(% of net sales)	Mar.2017	(% of net sales)	Diff.	YoY
(¥ million)						
<b>Net sales</b>	20,082	-	<b>21,554</b>	-	+1,472	+7.3%
<b>Cost of sales</b>	16,108	80.2%	<b>17,569</b>	81.5%	+1,460	+9.1%
<b>Gross profit</b>	3,973	19.8%	<b>3,985</b>	18.5%	+11	+0.3%
<b>SG&amp;A expenses</b>	3,003	15.0%	<b>2,879</b>	13.4%	-124	-4.1%
<b>Operating income</b>	970	4.8%	<b>1,105</b>	5.1%	+135	+14.0%
<b>Ordinary income</b>	964	4.8%	<b>1,133</b>	5.3%	+168	+17.5%
<b>Net income attributable to owners of parent</b>	548	2.7%	<b>654</b>	3.0%	+105	+19.2%



# Financial Results (consolidated)

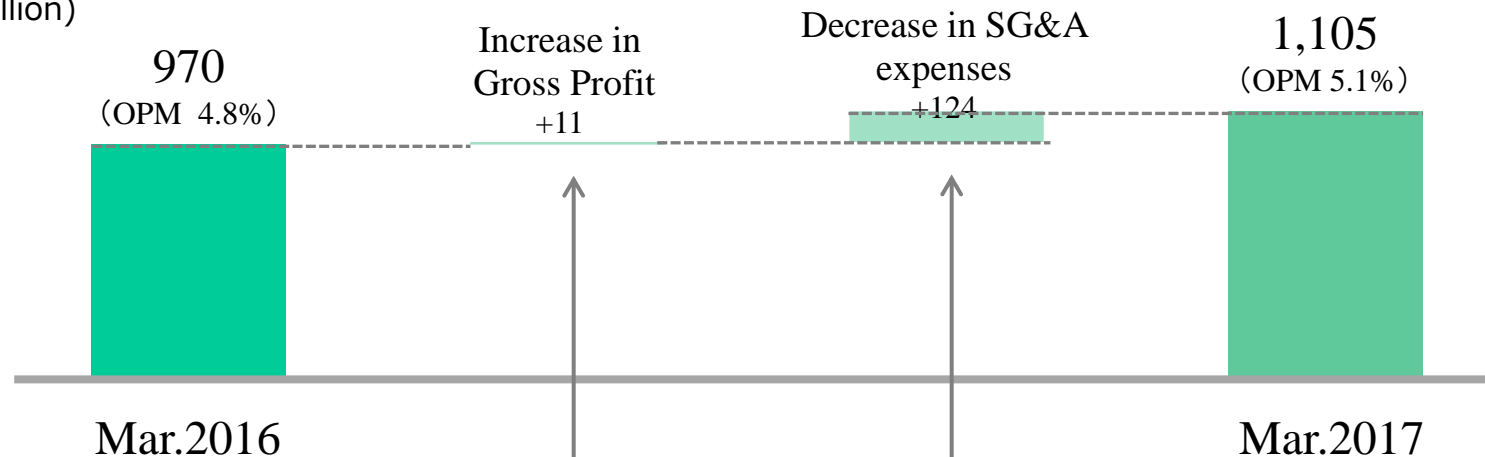


Change or Die!

	Mar.2017 (¥ million) (plan)	(% of net sales)	Mar.2017	(% of net sales)	Diff.	YoY
Net sales	21,400		21,554	-	+154	+0.7%
Cost of sales	17,118	80.0%	17,569	81.5%	+451	+2.6%
Gross profit	4,281	20.0%	3,985	18.5%	-296	-6.9%
SG&A expenses	3,001	14.0%	2,879	13.4%	-122	-4.1%
Operating income	1,280	6.0%	1,105	5.1%	-174	-13.6%
Ordinary income	1,260	5.9%	1,133	5.3%	-126	-10.1%
Net income attributable to owners of parent	830	3.9%	654	3.0%	-175	-21.2%

# Operating income analysis (YoY)

(¥million)



◆ Gross profit + 11

- Net Sales + 1,472
- Cost of sales -1,460
- < Major changes in cost of sales >
- Labor cost - 503
  - ( Retirement benefit expenses - 199)
  - ( Bonuses - 101)
  - ( Remuneration - 96
  - Overtime [Non-consolidated] -12)
- Outsourcing expenses - 948

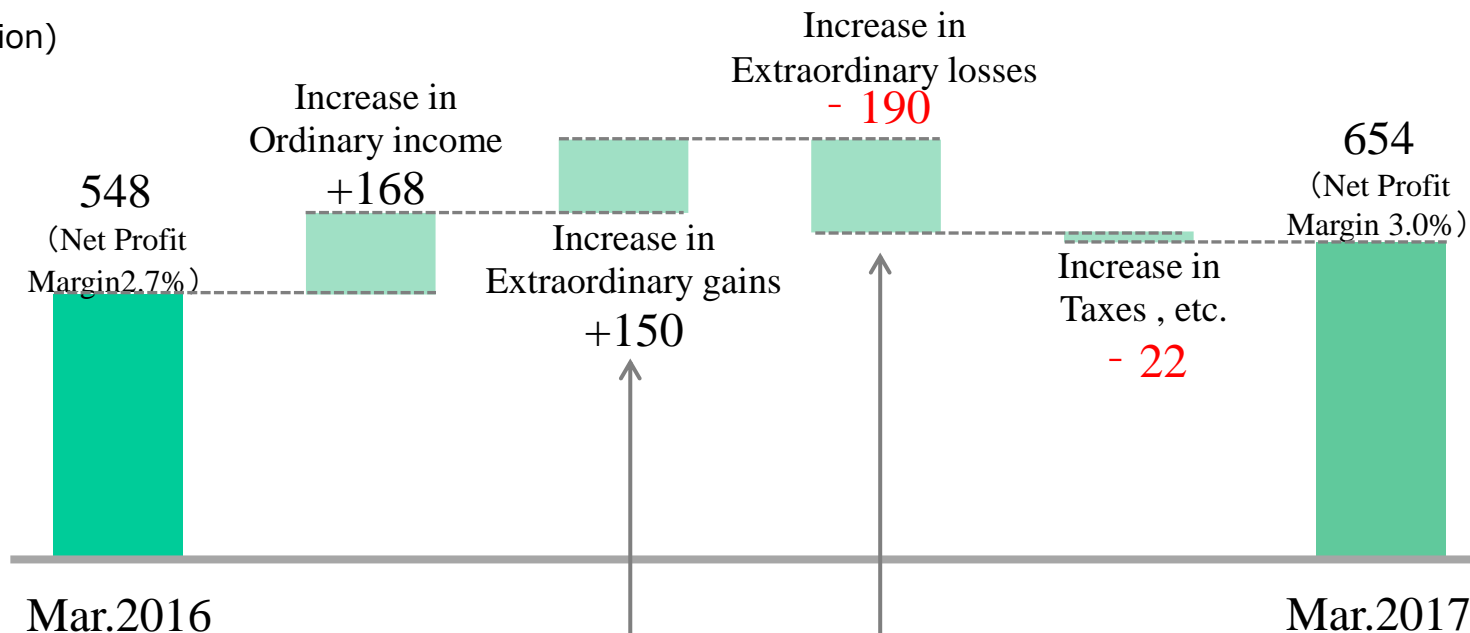
◆ SG&A expenses + 124

## <Major changes in SG&A expenses>

- Personal expenses - 29
  - ( Retirement benefit expenses -26 )
- Other SG&A expenses + 153
  - ( Moved the head office in the previous year + 231)

# Net income attribute to owners of parent analysis (YoY)

(¥million)



◆ Extraordinary income +150

<Major changes in Extraordinary income>

- Gain on abolishment of retirement benefit plan +207
- Gain on sales of investment securities in previous year -53

◆ Extraordinary losses -190

<Major changes in Extraordinary losses>

- Impairment loss (sales of company dormitory etc.) -146
- Prevision of allowance for doubtful accounts, bad debts written off -64

# Quarterly Results (Consolidated)



(¥ million)		Apr.- Jun.	Jul.- Sep.	Total (Apr. - Sep.)	Oct.- Dec.	Jan.- Mar.	Total (Oct.- Mar.)
Mar.2016	Net Sales	4,746	4,982	9,729	5,038	5,314	10,353
	Operating income	188	12	200	320	448	769
	OPM	4.0%	0.3%	2.1%	6.4%	8.4%	7.4%
Mar.2017	Net Sales	5,182	5,404	10,586	5,427	5,540	10,967
	Operating income	186	311	497	303	304	608
	OPM	3.6%	5.8%	4.7%	5.6%	5.5%	5.5%
YoY	Net Sales	+9.2%	+8.5%	+8.8%	+7.7%	+4.3%	+5.9%
	Operating income	-0.9%	+2,374.3%	+147.8%	-5.4%	-32.1%	-21.0%
	OPM	-0.4PP	+5.5pp	+2.6pp	-0.8pp	-2.9PP	-1.9PP

# Strength of ID Group

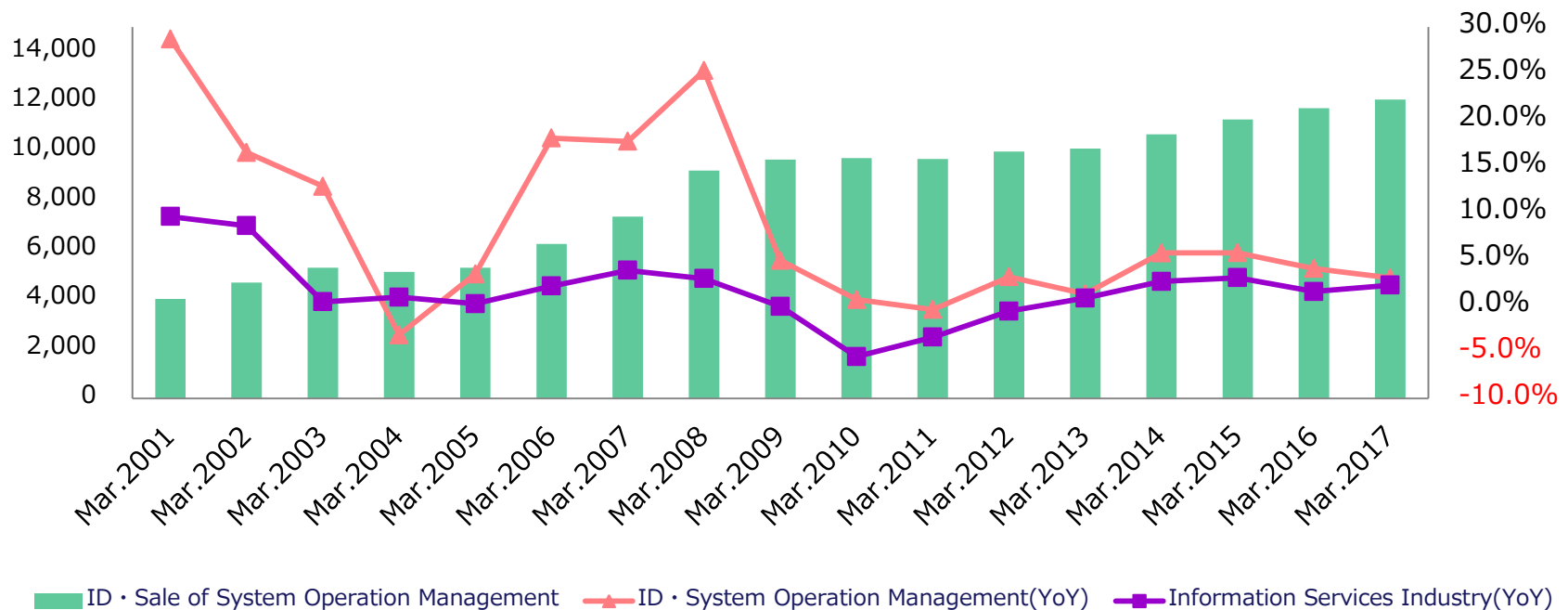


## <Business point of view>

• Sale for System Operation Management for Over 50% ⇒ Stable Earnings Unaffected by the Economy

– Average sales change rate for the period 2001/3 to 2017/3 : ID System Operating Management 8.7%  
Info. Services Industry 0.8%

¥million



## <Customer's point of view>

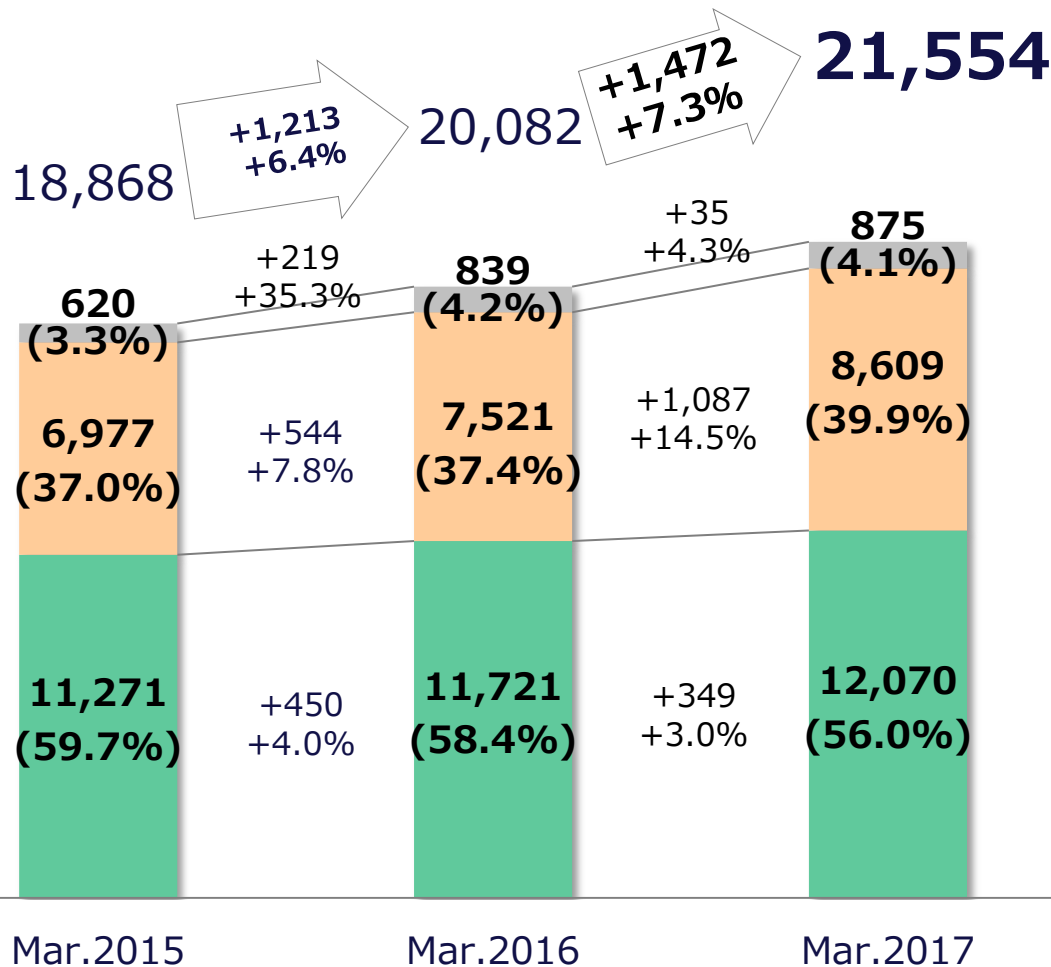
• About 50 customers are among the top 500 in the Forbes Global 2000

# Feature of ID Group① (Net sales by Business)



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

■ System Operation Management ■ Software Development ■ Others



## Others

-Increase in security sales

## Software Development

-Significant increase in Public institutions  
-Increase in Financial institutions

## System Operation Management

-Significant increase in financial institutions  
-Significant increase in platform development operations

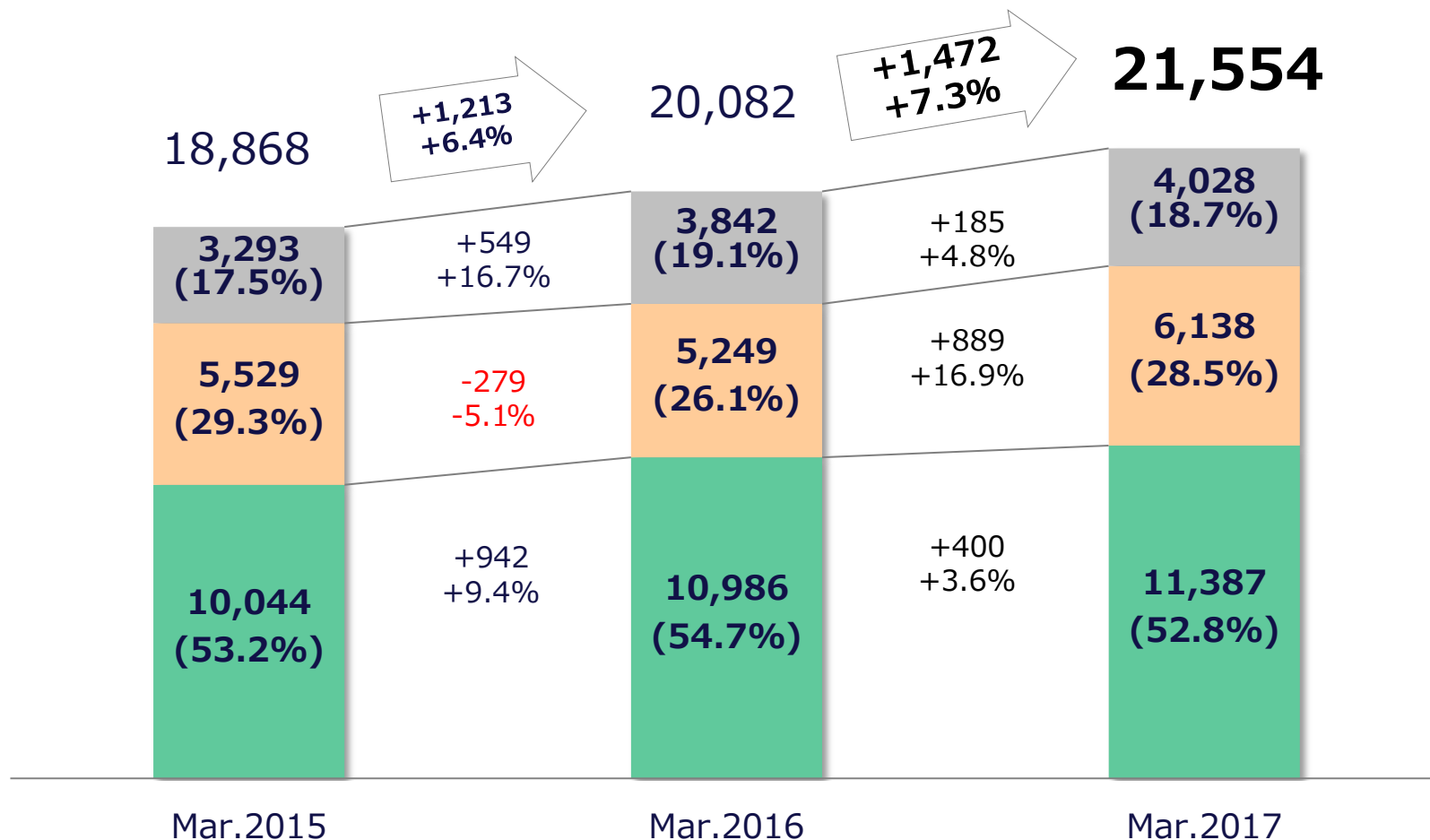
Change or Die!

# Feature of ID Group<sup>②</sup> (Net sales by Customer)



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

■ Financial Institution ■ IT, Telecom & Service ■ Others

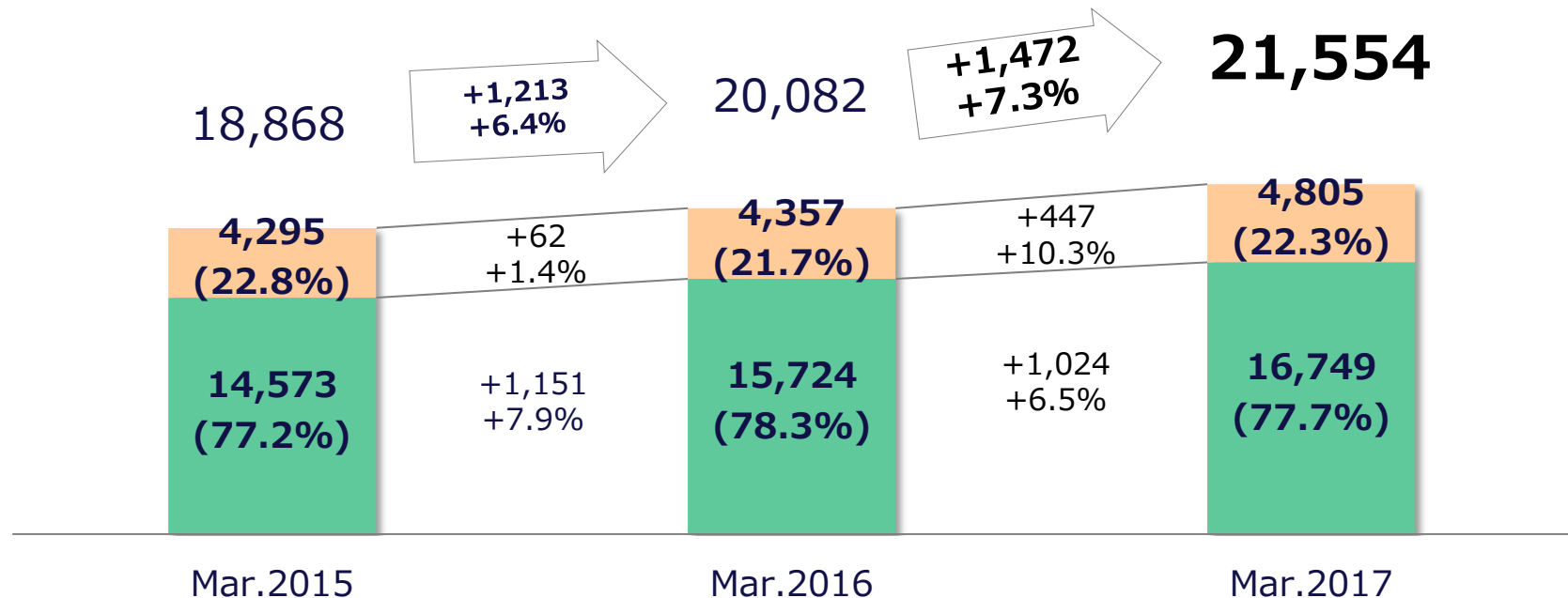


# Feature of ID Group③ (Net sales by Contracts)



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

■ Prime contracts ■ Strategic partners



Prime contracts		Strategic partners
✓Financial Institutions	✓IT, Telecom & Service	✓Major IT Vendors
✓Others (Manufacturing, Transportation, Public Office, Utility, etc.)		

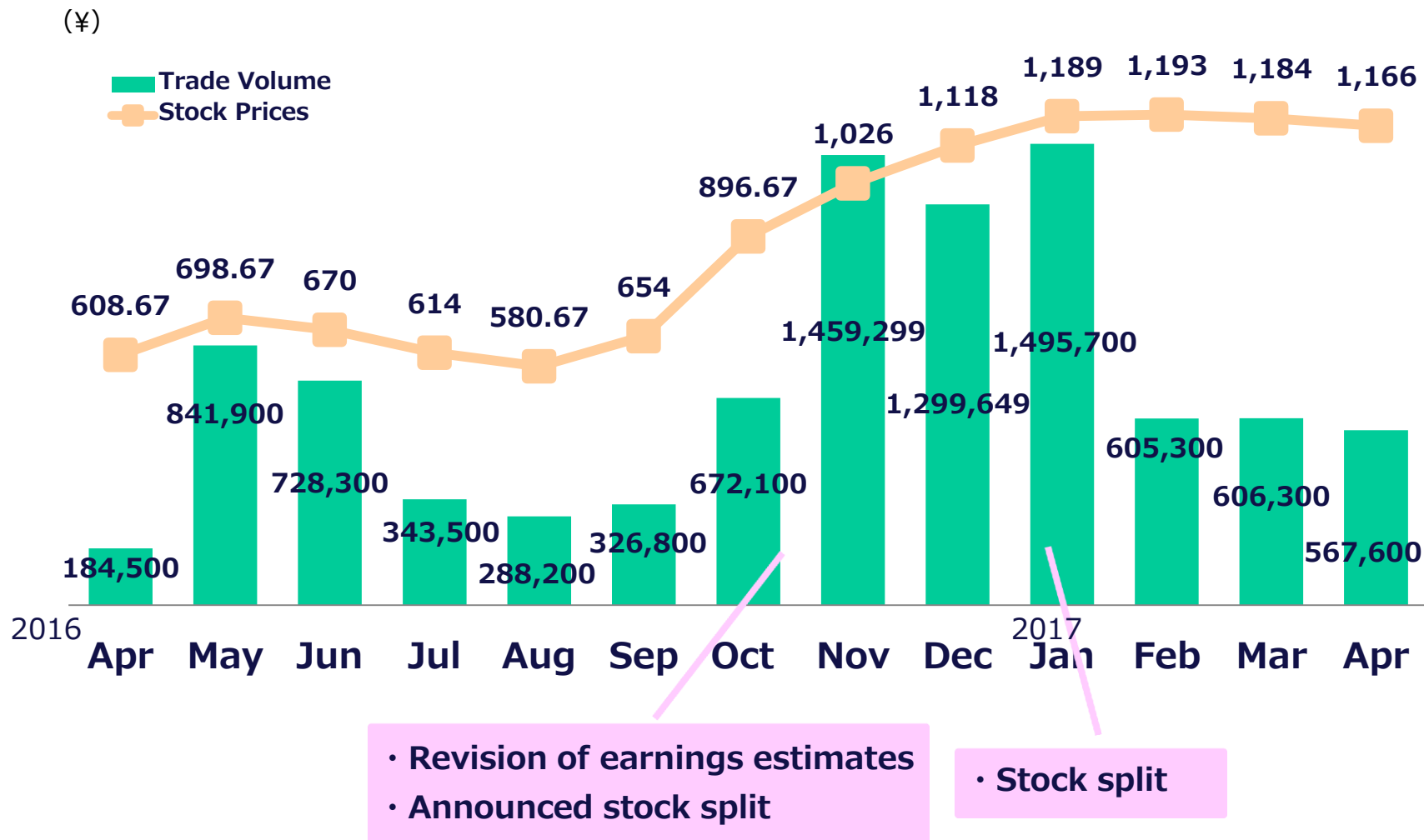


# Financial Position(consolidated)

	2016.3	2017.3	Diff.	Main reasons
(¥ million)				
Current assets	6,551	6,901	+349	<ul style="list-style-type: none"> <li>• Increase in cash and deposits(+223)</li> <li>• Decrease in land(-213)</li> </ul>
Noncurrent assets	3,768	3,650	-117	<ul style="list-style-type: none"> <li>• Increase in investment securities(+209)</li> <li>• Increase in Allowance for doubtful</li> </ul>
Total assets	10,319	10,552	+232	
Current liabilities	3,105	2,890	-215	<ul style="list-style-type: none"> <li>• Increase in trade payables(+79)</li> <li>• Decrease in interest-bearing debt(-544)</li> </ul>
Noncurrent liabilities	705	340	-364	<ul style="list-style-type: none"> <li>• Decrease in net defined benefit liabilities(-515)</li> </ul>
Total liabilities	3,810	3,230	-579	
Total net assets	6,509	7,321	+812	<ul style="list-style-type: none"> <li>• Net income attributable to owners of parent(+654)</li> <li>• Decrease of payment of dividends(-264)</li> <li>• Increase in accumulated other</li> </ul>
Total liabilities and net assets	10,319	10,552	+232	

# Monthly Stock Prices and Trade Volume Chart

Change or Die!



\* We calculate the stock price for from Apr.2016 to Dec.2016 using the number of revision of the stock split. Volume is cumulative for each month, stock price lists closing price for each month .

# Return to Shareholders

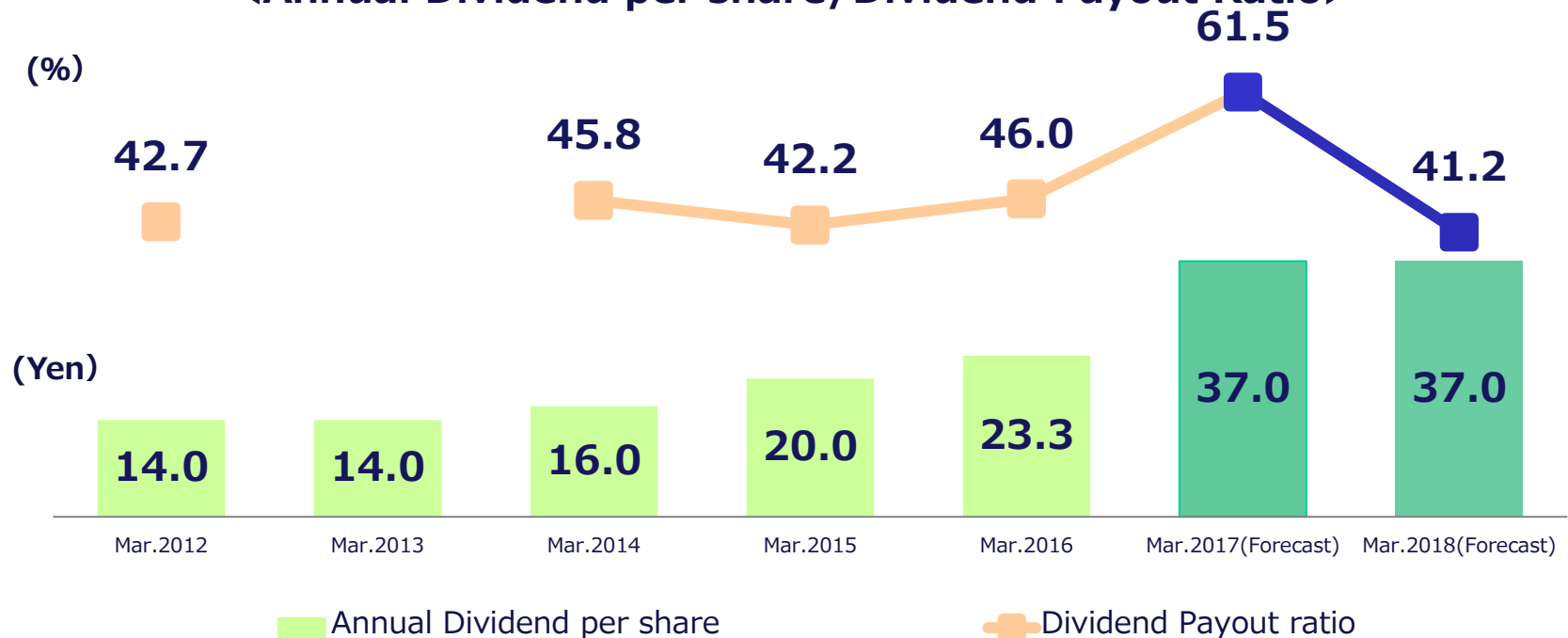
The dividend for the fiscal year ended Mar.2017

23.3yen (\*) → **37yen** (forecast)

## ○ 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.

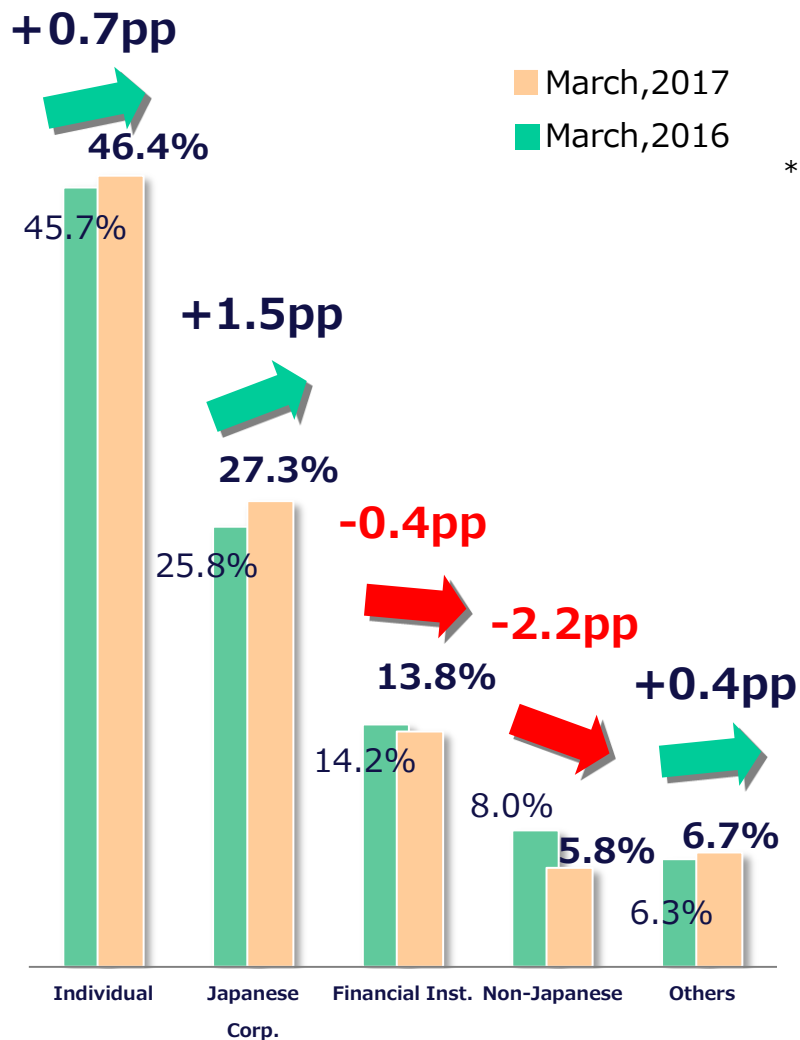
### <Annual Dividend per share/Dividend Payout Ratio>



\* On January 1, 2017 a common stock split of 1.5-for-1 came into effect.  
For dividends before March 2016, the recorded values are adjusted to reflect stock split above.

# Shareholders (March 31, 2017)

## ◆ Shareholding by investor type



## ◆ Major shareholders

-No. of shareholders: 3,911  
(+756 since Mar.2016)

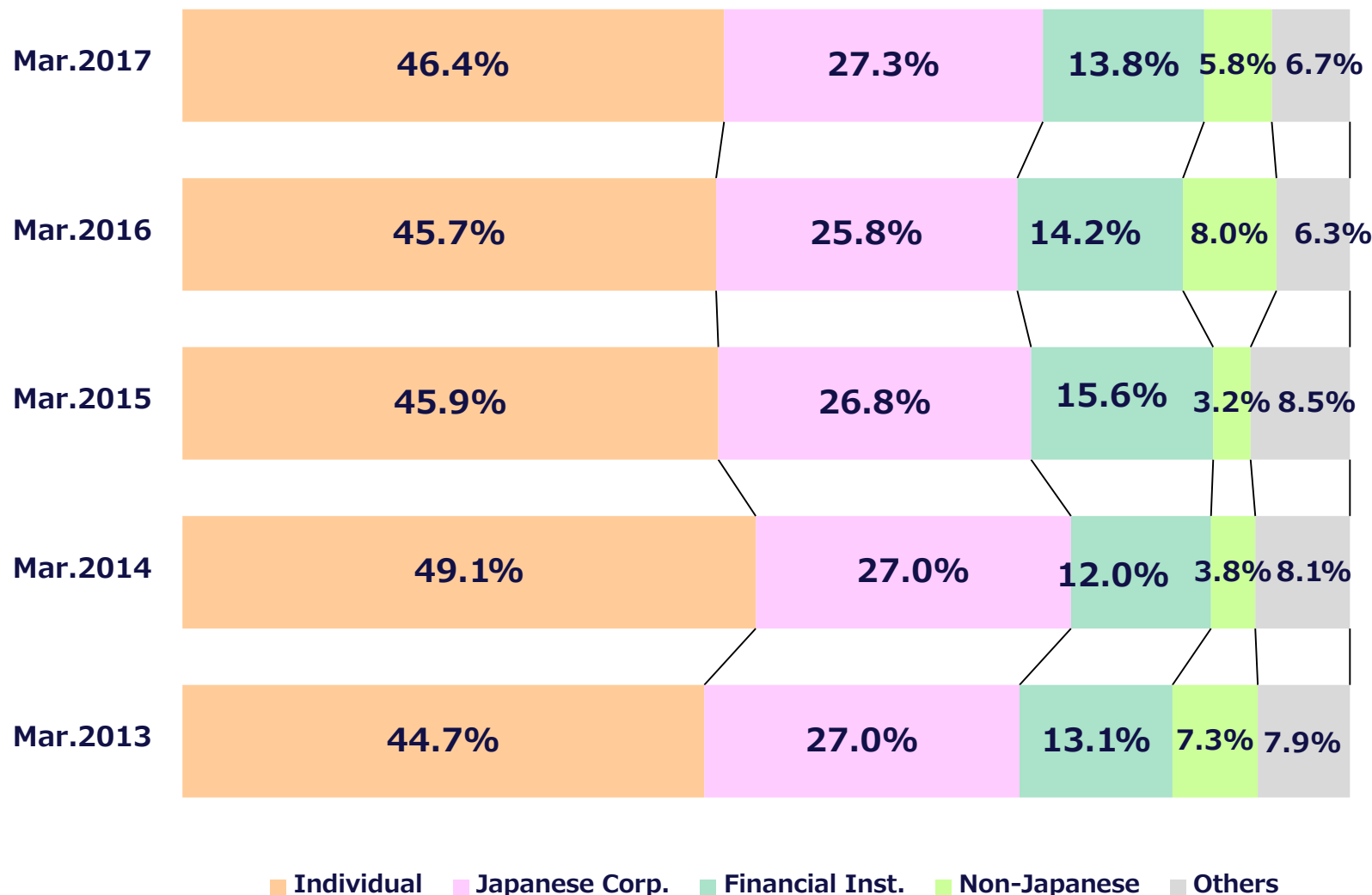
-No. of shareholders with voting rights: 3,501  
(+788 since Mar.2016)

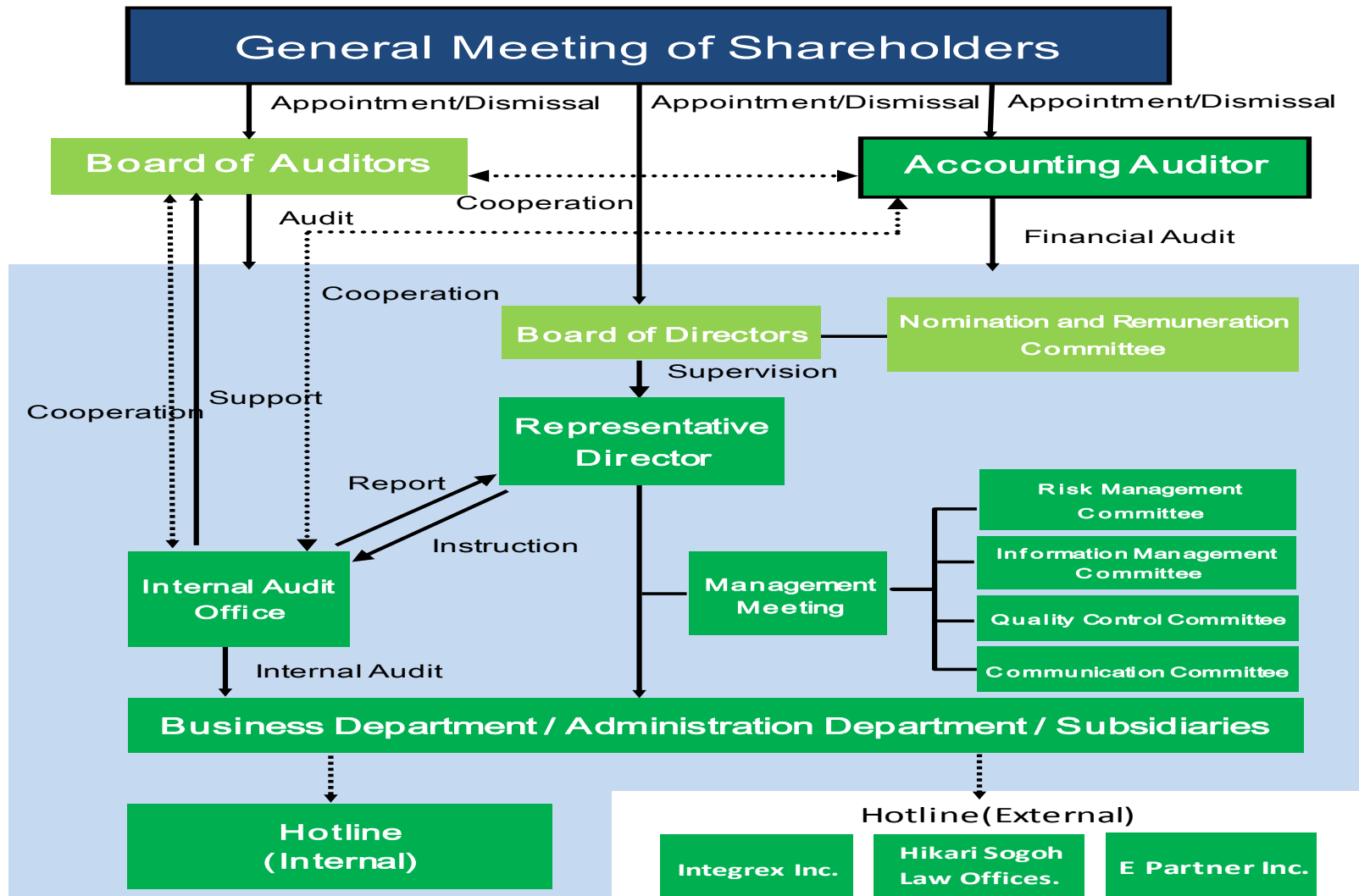
\*Treasury stocks(669 thousand;5.55%) isn't included in the list below.

	Major shareholders	% of total shares
1	A.K.Corporation	10.32
2	Mizuho Trust Systems Co., Ltd.	8.50
3	ID Employee Ownership Account	6.14
4	Trust & Custody Services Bank, Ltd.(Trust Account E)	3.76
5	Mizuho Trust & Banking Co., Ltd.	3.51
6	有限会社福田商事	2.49
7	TDC SOFTWARE ENGINEERING Inc.	2.35
8	Akemi Funakoshi	1.64
9	Kaori Marubayashi	1.49
10	NORTHERN TRUST CO.(AVFC)	1.32

# Shareholdings by investor type

Change or Die!





※Board of Directors consists of 6 (2 external)

※Board of Auditors consists of 4 (3 external)

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New Topics

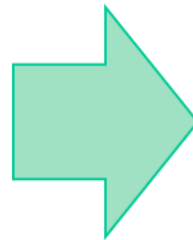
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Performance Overview

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The mid-term management of ID Group

# 3 basic policies to support the Mid-term Management Plan



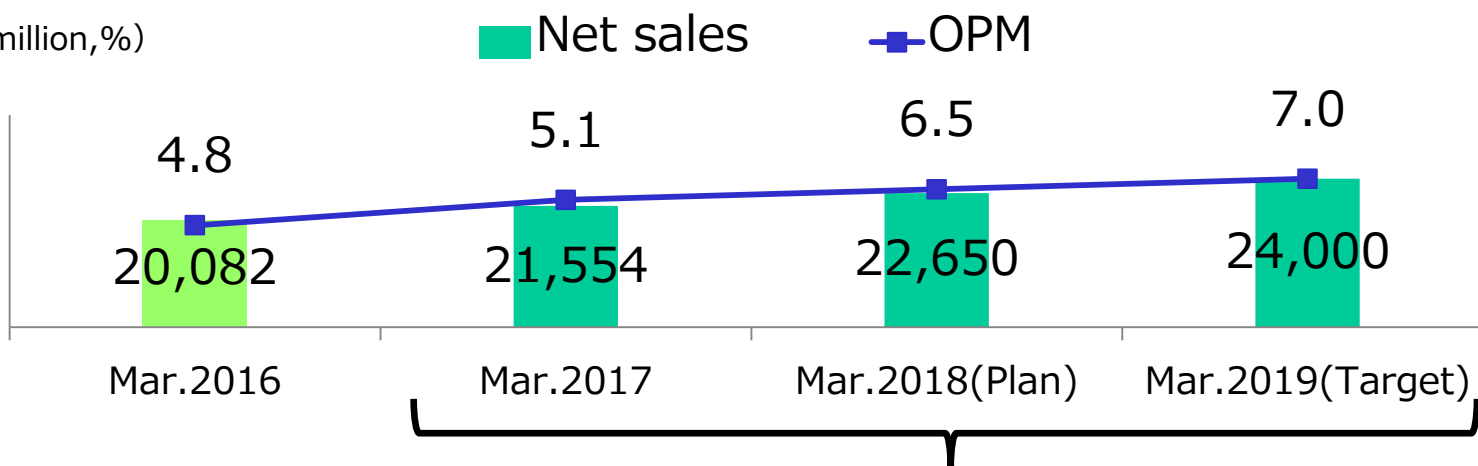


# The Mid-term Management Plan 「I-vision 50」 & Numerical targets

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

(¥ million)	Mar.2018(Plan)	Mar.2019(Target)
Net sales	22,650	<b>24,000</b> (diff. Mar.2017 +11.3%)
Operating income	1,470	<b>1,680</b> (diff. Mar.2017 +51.9%)
OPM	6.5%	<b>7.0%</b> (diff. Mar.2017 +1.9pp)

(¥ million,%)

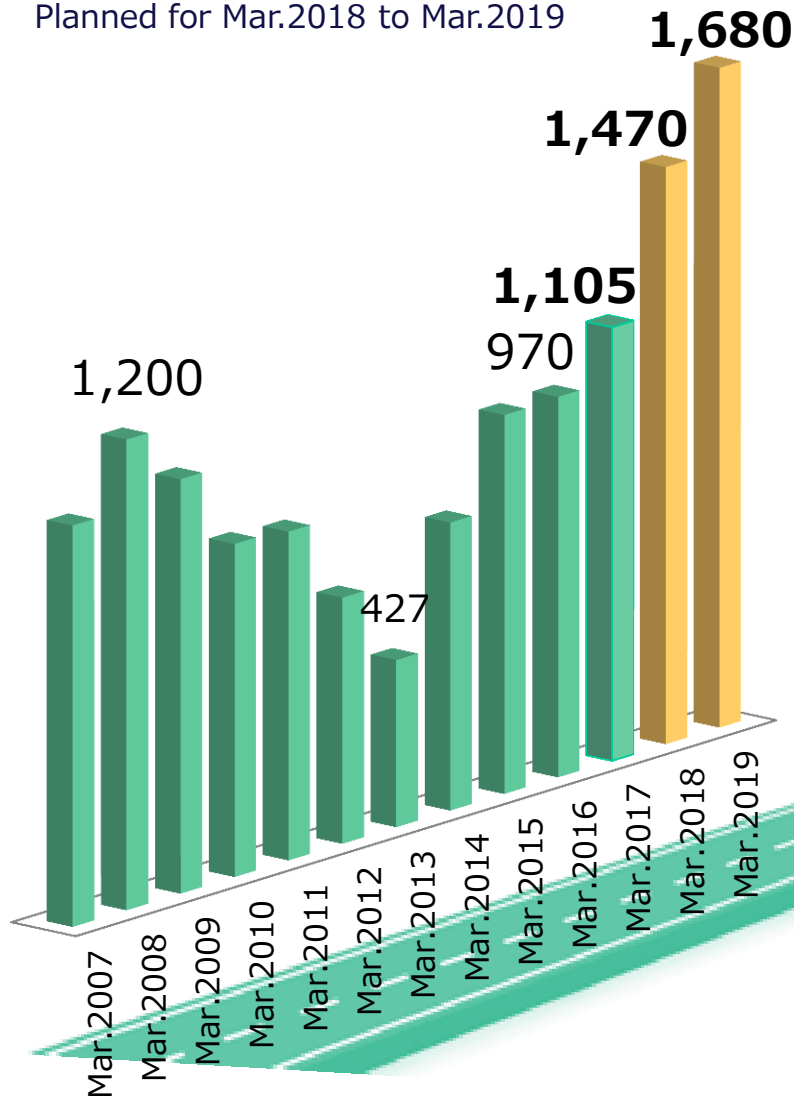


The Mid-term Management Plan 「I-vision 50」

# Achieving Desired Operating Income

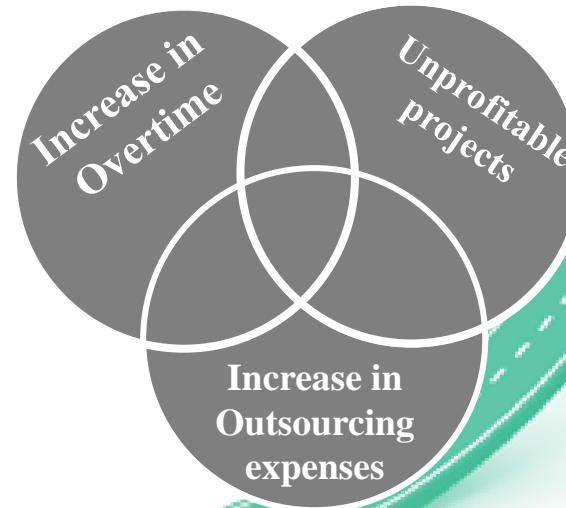
(¥ million)

Planned for Mar.2018 to Mar.2019



Desired Operating Income  
March, 2019:  
1.68 Billion Yen

## Risks



## Measures to Avoid Risk

- ① Skill improvement and invigoration of employees and partners
- ② Work Style Reforms
- ③ Thorough project management

# Priority Initiatives

Change or Die!

## Work Style Reforms

- Health & Productivity initiatives
- Appointment of officers in charge of the “Work Style Reform” initiative
  - Decrease amount of business meetings by 20%
- Increase rate of paid leave taken to total 70%

## Structural Reforms

- Review of standards on decision-making and management approval authority
- Improve the business processes of indirect divisions

## Adopting New Technologies

- Aggressively adopt new technologies
  - Execution of an exclusive sales agreement with Seceon Inc. (US)

## Diversity and Inclusion

- Make female return to work rate after first child birth to more than 75%
- Objective by 2020: Have at least 30% of managerial positions filled by female employees
- Objective by 2018: Increase amount of international employees to 15%

## Global Business Promotion

- Discovering advantageous prospects
- Train personnel to be equipped with technical and linguistic abilities to handle international business

## Strengthening the governance of consolidated management activities

- Improve accuracy of business plans
- Strengthen information sharing between offices
- Strengthen of overseas risk management

## Business operations outsourcing (BOO)

- Concentrate our management resources to our main clients
- Promote cross-sectional sales activities

# BOO (Business Operations Outsourcing)

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

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

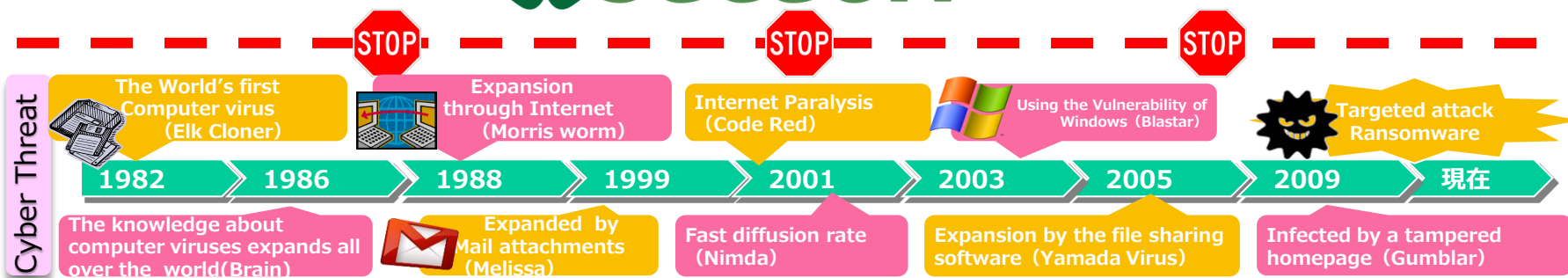
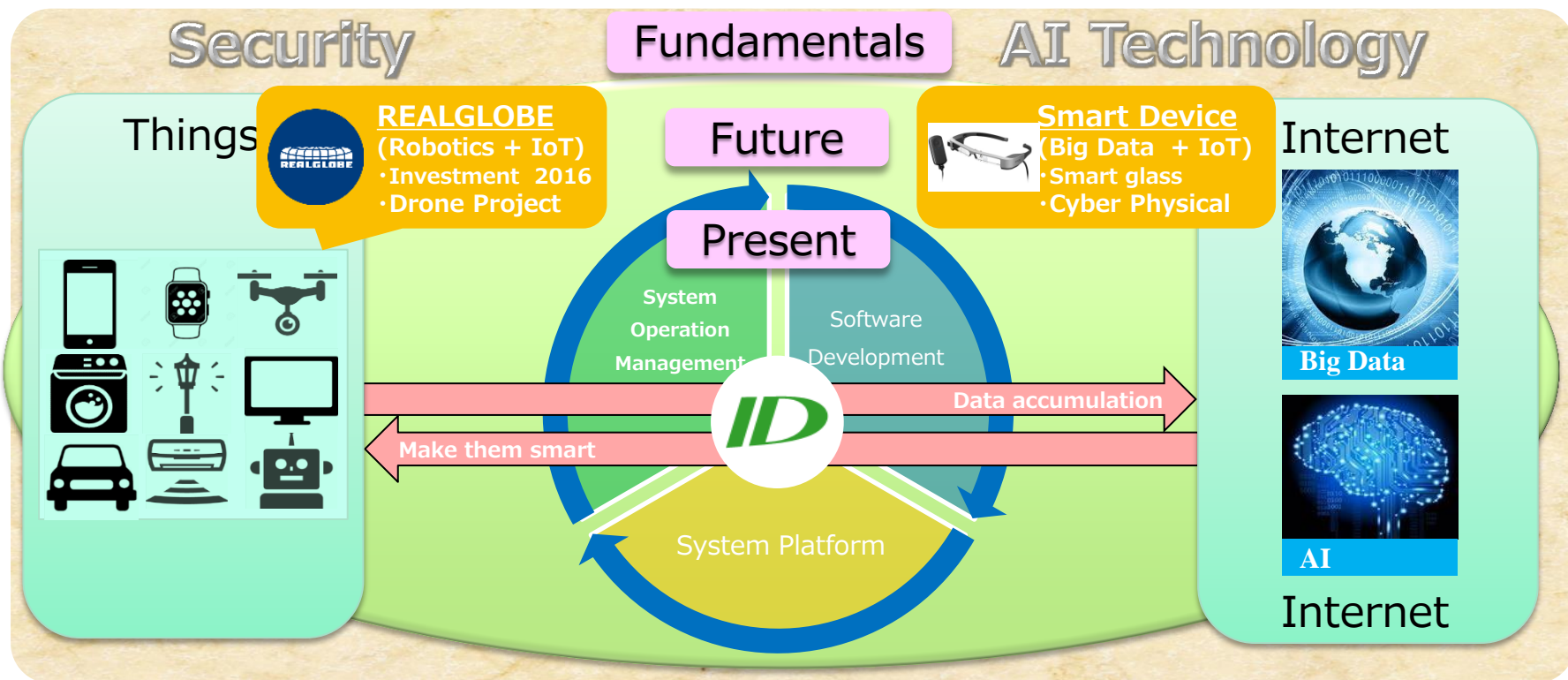
Existing Business Expansion

	A社	B社	C社	D社	E社	F社	G社	H社	I社
System operation management	Existing Business	Existing Business	Target	Target	Target	Existing Business	Target	Target	Existing Business
IT platform	Existing Business Expansion	Existing Business	Existing Business	Existing Business	Existing Business	Target	Existing Business	Existing Business	Existing Business
Software development	Existing Business	Existing Business	Existing Business Expansion	Expansion	Expansion	Expansion	Existing Business	Existing Business	Target
Cloud	Target	Existing Business	Target	Target	Target	Target	Target	Target	Target
Security	Existing Business	Existing Business	Existing Business	Existing Business	Target	Target	Existing Business	Existing Business	Existing Business
Global	Existing Business	Target	Target	Target	Target	Target	Target	Existing Business	Target

\* As of Mar. 31, 2017

# Construction of New Areas of Growth **ID GROUP**

Change or Die!



	Mar.2017 (¥ million)	(% of net sales)	Mar.2018 (forecast)	(% of net sales)	diff.	YoY
Net Sales	21,554	-	22,650	-	+1,095	+5.1%
Operating income	1,105	5.1%	1,470	6.5%	+364	+32.9%
Ordinary income	1,133	5.3%	1,450	6.4%	+316	+28.0%
Net income attribute to owners of parent	654	3.0%	980	4.3%	+325	+49.8%
EPS (¥)	60.13	-	89.73	-	+29.60	-
DPS (¥)	37.00	-	37.00	-	-	-

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