

Note: This document is an English translation of “Kessan Tanshin” for the first quarter of the fiscal year ending March 31, 2018 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 First Quarter of the Fiscal Year Ending March 31, 2018 [J-GAAP]

July 28, 2017

Company name:	INFORMATION DEVELOPMENT CO., LTD.
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	<a href="https://www.idnet.co.jp">https://www.idnet.co.jp</a>
Company representative:	Masaki Funakoshi, President and Representative Director
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Scheduled date of filing Quarterly Securities Report:	August 9, 2017
Scheduled date of dividend payment:	—
Preparation of supplementary materials on financial results:	No
Presentation on quarterly results:	No

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results in Q1 of FY2017 (April 1, 2017 - June 30, 2017)

(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	%
<b>FY2017 Q1</b>	5,353	3.3	116	-37.6	120	-28.2	35	-85.7
FY2016 Q1	5,182	9.2	186	-0.9	168	-12.3	247	100.8

Note: Comprehensive income      FY2017 Q1      ¥51 million (-87.1%)      FY2016 Q1      ¥402 million (111.0%)

	Net income per share	Net income per share (diluted)
	¥	¥
<b>FY2017 Q1</b>	3.23	3.19
FY2016 Q1	22.84	22.64

Note: The Company carried out a 1-for-1.5 stock split of its common stock on January 1, 2017. The Company 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	%
<b>FY2017 Q1</b>	10,184	6,951	67.8
FY2016	10,552	7,321	69.0

Note: Equity      FY2017 Q1      ¥6,909 million      FY2016      ¥7,281 million

### 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	¥	¥	¥	¥	¥
FY2016	—	0.00	—	37.00	37.00
<b>FY2017</b>	—	—	—	—	—
<b>FY2017 (forecast)</b>	—	0.00	—	37.00	37.00

Note: Revision of most recently published dividend forecast:      No

### 3. Forecasts of Consolidated Results for FY2017 (April 1, 2017 - March 31, 2018)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
<b>Second quarter</b> (cumulative)	10,621	0.3	600	20.6	600	23.3	400	18.1	36.62
<b>Full-year</b>	22,650	5.1	1,470	32.9	1,450	28.0	980	49.8	89.72

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 revisions of accounting standards, etc.: No
  - (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) Interim average number of shares  
(consolidated total for the quarter)

FY2017 Q1	12,044,302 shares	FY2016	12,044,302 shares
FY2017 Q1	1,121,227 shares	FY2016	1,122,461 shares
FY2017 Q1	10,922,154 shares	FY2016 Q1	10,848,327 shares

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

\*This summary of financial results is not subject to quarterly review.

#### \*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 5 of the Attachment, **(3) Qualitative Information on the Consolidated Results Forecast, 1. Qualitative Information for FY2017** 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, 2018

## (1) Qualitative Information on the Consolidated Business Results

The Japanese economy saw improvements in hiring and income amid signs of a gradual recovery in the consolidated cumulative first quarter (April 1, 2017 to June 30, 2017). The global economy also appeared to be recovering modestly, although the path forward is unclear given concerns about US administrative policy, elevated geopolitical risks in Europe, and the direction of the economies of China and other emerging countries in Asia.

According to the **Survey of Selected Service Industries** (published July 11, 2017) conducted by the Ministry of Economy, Trade, and Industry, net sales in the information service industry—the area that the ID Group operates in—have been up over the previous year every month, and the business environment appears to be in good condition. 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.

These efforts led to a decline in sales in the software development segment. However, ID Group net sales in the consolidated accounting period increased to ¥5.353 billion (+3.3% YoY) as sales increased in the system operation management segment, the company's core operating area.

On the revenue side, operating income fell to ¥116 million (-37.6% YoY) and ordinary income fell to ¥120 million (-28.2% YoY). The Company incurred an increase in the cost of sales due to an unprofitable software development project, an increase in advertising and publicity expenses through an expansion of sales of Seceon OTM\*, a product used in the security business, and the like. Net income attributable to owners of parent fell to ¥35 million (-85.7% YoY) as a negative reaction to extraordinary income of ¥239 million in the previous fiscal year that the Company booked due to a reduction in retirement benefit obligations (the reduction stemmed from a change the Company made to its retirement benefits plan in the previous fiscal year).

\*Seceon OTM is a cybersecurity product made by the US company Seceon Inc., and is a cutting-edge security solution that utilizes artificial intelligence (AI) and machine learning. The Company entered into an exclusive distribution agreement with Seceon in January 2017.

The ID Group's segment-by-segment sales results in the consolidated cumulative first quarter are as follows.

### (i) System operation management

Sales continue to rise in existing finance-related operations and management business. Net sales increased to ¥3.158 billion (+7.3% YoY) due to increasing sales in finance-related platform development operations\*.

### (ii) Software development

Sales in transportation-related software development grew sharply due to an order for a large-scale project. Meanwhile, net sales fell to ¥1.995 billion (-2.7% YoY) given a slight contraction in finance-related software development.

### (iii) Others

Net sales rose to ¥199 million (+6.4% YoY), as security sales declined, while sales in consulting projects and at overseas bases increased.

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

## <Management Policy Initiatives>

Following the Company's philosophy of "better, quicker services for our customers" set out in the mid-term management plan **I-vision 50** (adopted in April 2016; for the FY2016 to FY2018 period), the ID Group is implementing initiatives to reach ¥24 billion in net sales and ¥1.68 billion in operating income by FY2018. **I-vision 50** supports three basic principles that are aimed at work style reforms: thorough business process reengineering (BRP), the creation of new growth areas, and strengthening group governance. The Company is undertaking the following seven priority initiatives: (1) work style reforms, (2) structural reforms, (3) adopting new technologies, (4) diversity and inclusion, (5) global business promotion, (6) strengthening the governance of consolidated management activities, and (7) business operation outsourcing (BOO). These seven priority initiatives will motivate our employees and business partners to grow the business, which will in turn help generate higher revenues and better wages. In doing so, the Company aims to create an environment that produces a virtuous cycle of taking on increasingly tougher challenges and enabling a fair return of profits to stakeholders other than the employees.

## The mid-term management plan 「I-vision 50」



The following is a summary on the state of each of the initiatives.

Note: The numbers in brackets below match each of the priority initiatives listed above.

### (1) Work style reforms

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 to help improve productivity and keep talented personnel\*.

- Implementation of super flex-time system [(1)]

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

### (2) 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 and IT systemization.

- Review of the Standards on Decision-Making and Management Approval Authority [(2)]

### (3) Adopting new technologies

The Company is aggressively adopting new technologies to make its existing services more competitive and improve productivity and quality.

- Commencement of sales of Seceon OTM, a cutting-edge security solution that uses AI and machine learning [(3), (5)]
- Seceon OTM was selected as a finalist in the Best of Show Award (AI division) at Interop Tokyo 2017 [(3), (5)]

### (4) Diversity and inclusion

As it pursues global strategies, the Company is refining its training techniques and diversifying to activate the organization and keep pace with the ever-changing business environment.

- Ratio of women in management positions: 13.5% [(4)]
- Ratio of non-Japanese workers at the Company: 10.2% [(4), (5)]

## (5) Global business promotion

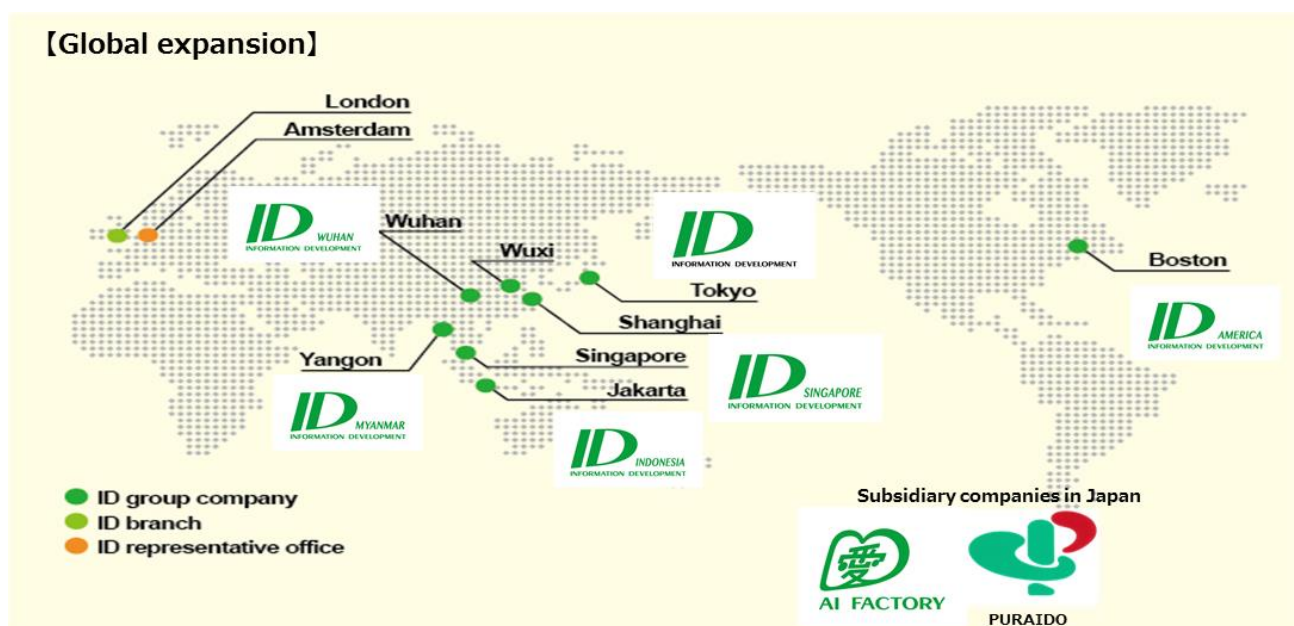
The Company is aggressively expanding overseas to assist other Japanese companies with their overseas expansion and to increase the Company's global competitiveness. The Company is now raising the quality levels of products and services for overseas clients, and provides a 24/7 support system through nine overseas bases (see the global network diagram below).

- Creation of the Asia & Oceania Regional Strategy and Management Department [(5), (6)]

## (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 11 bases of operations in and outside of Japan (see the global network diagram below). Emphasis is given to quick assessment of management information—the personnel and know-how at each base, the state of operations—to resolve customers' issues and work together cohesively as a group.

- Absorption-type merger with Terra Corp., Ltd.



## (7) Business operations outsourcing (BOO)

The ID Group has a diverse line-up of businesses, ranging from system operation management, software development, cybersecurity, and consulting.

BOO is a strategy for providing a wide range of services to individual customers, and the ID Group aims to provide these services to customers in Japan and overseas.

## (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 Q1 fell to ¥10.184 billion, which is a decrease of ¥367 million from ¥10.552 billion at the end of the previous consolidated accounting period, due to an increase in cash and deposits of ¥337 million and a decrease in accounts receivables of ¥614 million, etc.

(Liabilities)

Liabilities at the end of the consolidated accounting period for Q1 increased to ¥3.232 billion, which is an increase of ¥1 million from ¥3.230 billion at the end of the previous consolidated accounting period based on an increase in interest-bearing debt of ¥378 million and a decrease in income taxes payable of ¥310 million, etc.

(Net Assets)

Net assets at the end of the consolidated accounting period for Q1 fell to ¥6.951 billion, which is a decrease of ¥369 million from ¥7.321 billion at the end of the previous consolidated accounting period. Net income attributable to owners of parent was ¥35 million, and there was a decrease of ¥420 million due to the payment of dividends, etc.

(3) Qualitative Information on the Consolidated Results Forecast

There have been no changes to the consolidated cumulative second quarter or full-year results projections that the Company released on April 28, 2017.

## 2. Consolidated Financial Statements and Important Notes

### (1) Consolidated Balance Sheet

(thousands of ¥)

	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	2,491,228	2,828,602
Notes and accounts receivable – trade	3,874,257	3,259,496
Works-in-process	48,987	41,986
Others	487,114	438,248
Allowance for doubtful accounts	-64	-64
Total current assets	6,901,521	6,568,270
Non-current assets		
Property, plant and equipment		
Land	834,180	834,180
Other, net	1,098,625	1,073,152
Total property, plant and equipment	1,932,805	1,907,332
Intangible assets		
Goodwill	57,816	54,253
Software	93,870	90,206
Others	760	1,121
Total intangible assets	152,447	145,581
Investments and other assets	1,565,511	1,563,315
Total non-current assets	3,650,765	3,616,230
Total assets	10,552,287	10,184,500
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	722,429	708,192
Short-term loans payable	380,000	760,000
Income taxes payable	352,877	42,278
Provision for bonuses	615,998	337,870
Provision for directors' bonuses	15,165	6,000
Provision for loss on orders received	31,625	17,167
Others	771,915	1,033,381
Total current liabilities	2,890,012	2,904,890
Non-current liabilities		
Net retirement benefit liability	47,458	26,310
Provision for directors' retirement benefits	4,780	5,446
Others	288,730	296,299
Total non-current liabilities	340,969	328,055
Total liabilities	3,230,981	3,232,946
<b>Net assets</b>		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,829	568,774
Retained earnings	6,173,153	5,787,591
Treasury stock	-533,302	-532,943
Total shareholders' equity	6,801,025	6,415,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	358,560	366,927
Foreign currency translation adjustment	121,757	127,010
Total accumulated other comprehensive income	480,317	493,938
Subscription rights to shares	13,953	13,838
Non-controlling interests	26,009	28,010
Total net assets	7,321,305	6,951,554
Total liabilities and net assets	10,552,287	10,184,500



**(2) Consolidated Statement of Income and Comprehensive Income**  
**(Consolidated Statement of Income)**  
**(Consolidated Cumulative First Quarter)**

(thousands of ¥)

	Previous consolidated cumulative first quarter (April 1, 2016 to June 30, 2016)	Consolidated cumulative first quarter (April 1, 2017 to June 30, 2017)
Net sales	5,182,860	5,353,405
Cost of sales	4,252,155	4,432,501
Gross profit	930,705	920,904
Selling, general, and administrative expenses	744,089	804,395
Operating income	186,615	116,509
Non-operating income		
Interest income	2,053	662
Dividend income	11,085	15,408
Others	7,044	5,180
Total non-operating income	20,183	21,251
Non-operating expense		
Interest expenses	1,705	701
Commitment line fees	16,114	16,221
Foreign exchange loss	20,567	—
Others	61	26
Total non-operating expense	38,448	16,950
Ordinary income	168,350	120,810
Extraordinary income		
Gain on sales of non-current assets	5	—
Gain on abolishment of retirement benefit plan	239,063	—
Gain on step acquisitions	5,159	—
Total extraordinary income	244,228	—
Extraordinary losses		
Loss on sales of non-current assets	25	62
Loss on retirement of non-current assets	56	—
Impairment loss	—	9,344
Total extraordinary losses	81	9,407
Net income before income taxes	412,497	111,403
Income taxes—current	5,192	25,081
Income taxes—deferred	159,490	48,175
Total income taxes	164,683	73,257
Net income	247,813	38,146
Net income attributable to non-controlling interests	78	-2,831
Net income attributable to owners of parent	247,735	35,314

(Consolidated Statement of Comprehensive Income)  
(Consolidated Cumulative First Quarter)

(thousands of ¥)

	Previous consolidated cumulative first quarter (April 1, 2016 to June 30, 2016)	Consolidated cumulative first quarter (April 1, 2017 to June 30, 2017)
Net income	247,813	38,146
Other comprehensive income		
Valuation difference on available-for-sale securities	-43,338	8,541
Foreign currency translation adjustment	-79,247	5,253
Remeasurements of retirement benefit plans	277,597	—
Total other comprehensive income	155,012	13,795
Comprehensive income	402,825	51,941
(Breakdown)		
Comprehensive income attributable to owners of parent	402,713	48,935
Comprehensive income to non-controlling interests	111	3,005

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

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

None.

(Additional Information)

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The Company introduced two performance pay plans: a “board benefit trust (BBT) plan” for Company directors and executive officers (the “Directors, etc.”), and a “Japanese employee stock ownership plan (J-ESOP)” for Company employees. The former is designed to encourage Directors, etc. to contribute to better medium- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

(1) How the Plans Work

The board of directors meeting held on April 30, 2015 approved the BBT for Directors, etc. as a way to provide directors' compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the Company, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the Company. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the Company awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit rules previously established by the Company.

The Company awards points to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through a previously established trust, and those shares are segregated and managed as trust property.

(2) Notes on the Company shares held in trust

The Company shares held in the BBT and the J-ESOP at the end of the consolidated accounting period for Q1 are stated as treasury stock under Net Assets on the consolidated balance sheet. The book value of these shares was ¥213,260,000 in the previous consolidated accounting period and ¥213,260,000 in the consolidated accounting period for Q1; the number of shares was 453,219 shares in the previous accounting period, and 453,219 shares in the consolidated accounting period for Q1.