

Note: This document is an English translation of “Kessan Tanshin” for the second 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 Second Quarter of the Fiscal Year Ending March 31, 2018 [J-GAAP]

October 31, 2017

Company name: INFORMATION DEVELOPMENT CO., LTD.
 Listing: Tokyo Stock Exchange, 1st Section
 Securities code: 4709
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Scheduled date of filing of Quarterly Securities Report: November 10, 2017
 Scheduled date of dividend payment: –
 Preparation of supplementary materials on financial results: Yes
 Presentation on quarterly results: Yes (for institutional investors and financial analysts)

(Amounts of less than ¥1 million are truncated)

1. Consolidated Financial Results in Q2 of FY2017 (April 1, 2017 - September 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	%
FY2017 Q2	10,749	1.5	294	-40.7	309	-36.5	104	-69.2
FY2016 Q2	10,586	8.8	497	147.8	486	133.4	338	252.9

Note: Comprehensive income FY2017 Q2 ¥123 million (-77.2%) FY2016 Q2 ¥540 million (445.0%)

	Net income per share	Net income per share (diluted)
	¥	¥
FY2017 Q2	9.54	9.43
FY2016 Q2	31.20	30.95

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	%
FY2017 Q2	10,650	7,032	65.6
FY2016	10,552	7,321	69.0

Note: Equity FY2017 Q2 ¥6,986 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
FY2017	–	0.00	–	–	–
FY2017 (forecast)	–	–	–	40.00	40.00

Note: Revision of most recently published dividend forecast: Yes

Regarding the revision of the above-mentioned dividend forecast, please refer to the Notice on Revision (Dividend Increase) of Dividend Forecast published today (Oct. 31, 2017).

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	%	¥
Full-year	22,650	5.1	1,030	-6.9	1,030	-9.1	550	-15.9	50.33

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)

FY2017 Q2	12,044,302 shares	FY2016	12,044,302 shares
FY2017 Q2	1,096,291 shares	FY2016	1,122,461 shares
FY2017 Q2	10,926,933 shares	FY2016 Q2	10,860,558 shares

(ii) Number of treasury stock

(iii) Interim average number of shares (consolidated total for the quarter)

Note: The Company carried out a 1-for-1.5 stock split of its common stock effective 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 had been 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 differ 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). The Company's shares are held by Trust & Custody Services Bank, Ltd. (Trust Account E) as the trust property regarding the BBT and J-ESOP plans and include treasury stock.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)

The Company plans to hold a results briefing for institutional investors and analysts on November 14, 2017. The materials that will be distributed at the briefing will be posted on the Company website promptly after the briefing.

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1. Qualitative Information for the Second Quarter of the Fiscal Year Ending March 31, 2018

(1) Qualitative Information on the Consolidated Business Results

In the consolidated cumulative second quarter (April 1, 2017 to September 30, 2017), the Company posted net sales of ¥10.749 billion (+1.5% YoY), owing to strengthened sales in its mainstay system operation management segment despite a drop in sales in its software development segment.

On the revenue front, although net sales increased, operating income dropped 40.7% YoY to ¥294 million and ordinary income fell 36.5% YoY to ¥309 million due to two factors: 1) an increase in cost of sales as a result of two unprofitable projects in software development (one of the two projects was aborted in August and the other is scheduled to be ended in January 2018); 2) an increase in advertising and publicity expenses through active sales activities of Seceon OTM*, a product used in the security business. Net income attributable to owners of parent slumped 69.2% to ¥104 million, owing to the drop-out of an 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) and extraordinary losses (loss on valuation of investment securities).

*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 second quarter are as follows.

(i) System operation management

The existing finance-related operations and management business partially contracted but sales continued to improve.

In addition, the platform development operations* posted net sales of ¥6.294 billion (+6.2% YoY) owing to continued improvements in finance-related sales despite a decline in transportation-related sales.

(ii) Software development

Sales in transportation-related software development marked a significant increase owing to orders for large projects. Meanwhile, net sales was ¥3.994 billion (-6.5% YoY) due to a sharp drop in finance-related software development.

(iii) Others

Net sales rose to ¥460 million (+19.7% YoY) as security sales, sales in consulting projects, and sales at overseas bases all 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) promotion of business operations outsourcing (BOO). These seven priority initiatives will motivate the Group's employees and business partners to further 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 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

IT engineers are in high demand, and there is a serious shortage of engineers across the industry. This situation calls for an improvement in work environment to facilitate the recruitment of talented personnel*. 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 work environment and enhance productivity.

- Implementation of super flex-time system [(1)]
- Percentage of target paid holidays taken: 50% achieved (Annual target percentage of paid holidays taken: 70%) [1]

*The Company believes its employees are precious resources, not just liabilities or expenses.

(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)]
- Implementation of business reform and improvement activities based on company-wide call for suggestions [(1), (2)]
- Reduction of overtime work hours (-13.2% YoY) [(1), (2)]

(3) Adopting new technologies

The Company is actively 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)]
- Implementation of partnership with Seceon Inc. and investments for reinforcement of development capabilities and business expansion [(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: 14.1% [(4)]
- Ratio of non-Japanese workers at the Company: 10.8% [(4), (5)]

(5) Global business promotion

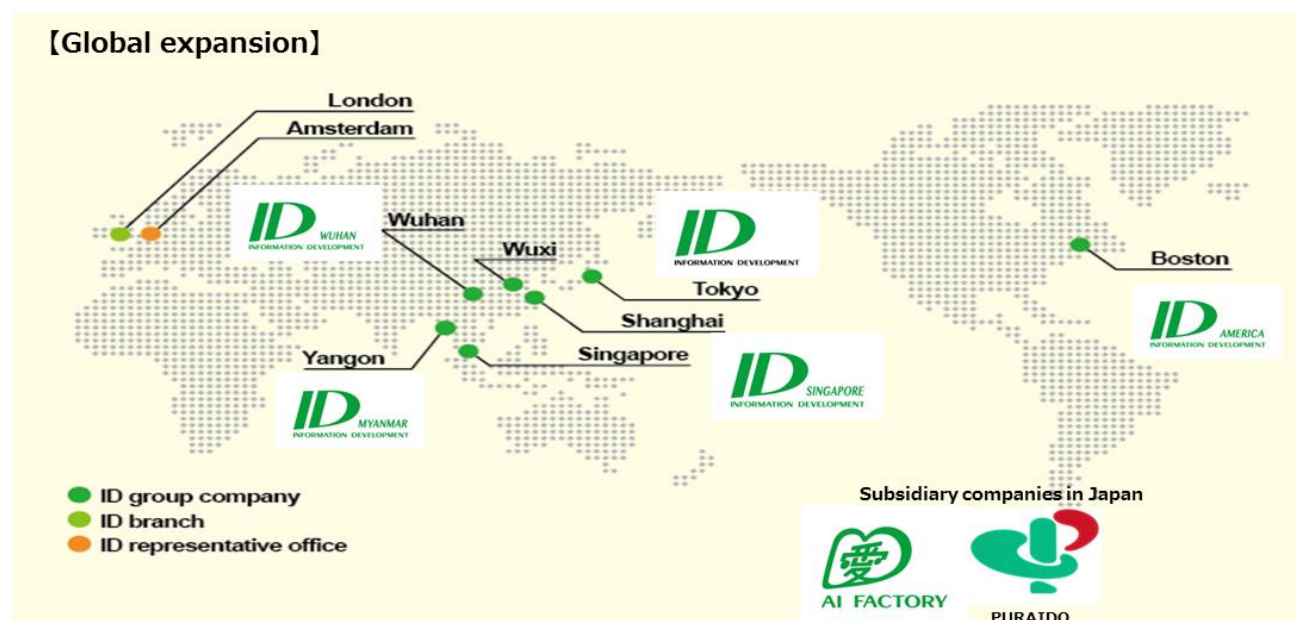
The Company is aggressively expanding overseas to assist other Japanese companies with their overseas expansion and to increase the Company's global competitiveness. The Company is now raising the quality of products and services for overseas clients, and provides a 24/7 support system through eight 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 inside and outside of Japan (see the global network diagram below). Emphasis is placed on quick assessment of management information—the personnel and know-how at each base, the state of operations—to cohesively resolve customers' issues as a group.

- Absorption-type merger with Terra Corp., Ltd. [(6)]



(7) Promotion of business operations outsourcing (BOO)

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

(i) Changes in the Company's financial position

(Assets)

Assets at the end of the consolidated accounting period for Q2 increased by ¥98 million to ¥10.650 billion from ¥10.552 billion at the end of the previous consolidated accounting period, owing to an increase in notes and accounts receivable of ¥116 million, a decrease in property, plant, and equipment of ¥100 million, and an increase in investment securities of ¥41 million, etc.

(Liabilities)

Liabilities at the end of the consolidated accounting period for Q2 increased by ¥387 million to ¥3.618 billion from ¥3.23 billion at the end of the previous consolidated accounting period, owing to an increase in interest-bearing debt of ¥397 million, a decrease in income taxes payable of ¥133 million, and an increase in provision for bonuses of ¥101 million, etc.

(Net Assets)

Net assets at the end of the consolidated accounting period for Q2 decreased by ¥288 million to ¥7.032 billion from

¥7.321 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥104 million and decrease in dividends paid by ¥420 million, etc.

(ii) Cash flows

The balance of cash and cash equivalents at the end of the consolidated accounting period for Q2 (“cash”) increased by ¥477 million compared to the previous consolidated accounting period totaling ¥2.362 billion (+25.4% YoY).

The cash flow and factors affecting cash flow for the consolidated cumulative second quarter are as follows.

(Cash flows from operating activities)

Cash from operating activities was ¥80 million (-87.1% YoY).

This was mainly due to the ¥248 million yen of net income before income taxes, an increase of provision for bonuses of ¥100 million, an increase of notes and accounts receivable of ¥156 million, an increase of accrued expenses of ¥135 million, and a payment amount of income taxes of ¥276 million.

(Cash flows from investing activities)

Cash from investing activities was ¥104 million (-46.0% YoY).

This was mainly due to the payment of ¥45 million for purchase of property, plant and equipment, income of ¥50 million from sales of property, plant and equipment, and payment of ¥94 million for purchase of investment securities, etc.

(Cash flows from financing activities)

Cash from financing activities was ¥20 million (-96.9% YoY).

This was mainly due to the net increase in short-term loans payable of ¥400 million and dividend payment amount of ¥418 million (including cash dividends paid to non-controlling interests), etc.

(3) Qualitative Information on the Consolidated Results Forecast

There have been no changes to the full-year results projections that the Company released on October 20, 2017.

At the Board of Directors Meeting held on October 31, 2017, the Company decided to raise the year-end dividend payout for FY2017 by ¥3 to ¥40 from the regular dividend of ¥37, based on a comprehensive consideration of the Company’s business operations and financial position in the next accounting period onward despite the temporary drop in profits in this accounting period due to two unprofitable projects in software development.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(thousands of ¥)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	2,491,228	2,513,820
Notes and accounts receivable – trade	3,874,257	3,990,804
Work in process	48,987	52,333
Other	487,114	534,019
Allowance for doubtful accounts	-64	-64
Total current assets	6,901,521	7,090,913
Non-current assets		
Property, plant and equipment	1,932,805	1,832,016
Intangible assets		
Goodwill	57,816	50,713
Software	93,870	86,265
Other	760	1,247
Total intangible assets	152,447	138,226
Investments and other assets		
Investment securities	1,118,795	1,160,476
Other	510,316	436,479
Allowance for doubtful accounts	-63,600	-7,500
Total investments and other assets	1,565,511	1,589,455
Total non-current assets	3,650,765	3,559,699
Total assets	10,552,287	10,650,613
Liabilities		
Current liabilities		
Accounts payable – trade	722,429	686,617
Short-term loans payable	380,000	780,000
Income taxes payable	352,877	219,655
Provision for bonuses	615,998	717,124
Provision for directors' bonuses	15,165	12,000
Provision for loss on orders received	31,625	24,994
Other	771,915	854,970
Total current liabilities	2,890,012	3,295,362
Non-current liabilities		
Provision for directors' retirement benefits	4,780	6,292
Net retirement benefit liabilities	47,458	26,897
Other	288,730	289,648
Total non-current liabilities	340,969	322,839
Total liabilities	3,230,981	3,618,201
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,829	568,774
Retained earnings	6,173,153	5,856,533
Treasury stock	-533,302	-523,366
Total shareholders' equity	6,801,025	6,494,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	358,560	356,208
Foreign currency translation adjustment	121,757	136,371
Total accumulated other comprehensive income	480,317	492,579
Subscription rights to shares	13,953	13,838
Non-controlling interests	26,009	31,707
Total net assets	7,321,305	7,032,411
Total liabilities and net assets	10,552,287	10,650,613

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income)
(Consolidated Cumulative Second Quarter)

(thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2016 to September 30, 2016)	Consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)
Net sales	10,586,966	10,749,164
Cost of sales	8,644,668	8,908,527
Gross profit	1,942,297	1,840,636
Selling, general, and administrative expenses	1,444,675	1,545,688
Operating income	497,622	294,948
Non-operating income		
Interest income	4,325	1,614
Dividend income	11,762	16,316
Other	16,272	15,153
Total non-operating income	32,361	33,084
Non-operating expenses		
Interest expenses	3,124	2,086
Commitment line fees	16,553	16,622
Foreign exchange loss	23,576	–
Other	43	59
Total non-operating expenses	43,297	18,768
Ordinary income	486,686	309,264
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	95
Loss on retirement of non-current assets	412	2,947
Loss on sales of investment securities	178	–
Loss on valuation of investment securities	–	48,643
Impairment loss	147,772	9,233
Total extraordinary losses	148,388	60,920
Net income before income taxes	582,525	248,344
Income taxes—current	210,776	171,672
Income taxes—deferred	29,566	-34,136
Total income taxes	240,343	137,535
Net income	342,182	110,809
Net income attributable to non-controlling interests	3,361	6,552
Net income attributable to owners of parent	338,821	104,256

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

(thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2016 to September 30, 2016)	Consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)
Net income	342,182	110,809
Other comprehensive income		
Valuation difference on available-for-sale securities	16,958	-2,201
Foreign currency translation adjustment	-96,401	14,614
Remeasurements of retirement benefit plans	277,597	-
Total other comprehensive income	198,154	12,412
Comprehensive income	540,337	123,222
(Breakdown)		
Comprehensive income attributable to owners of parent	536,736	116,519
Comprehensive income attributable to non-controlling interests	3,600	6,702

(3) Consolidated Cash Flow Statement

(thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2016 to September 30, 2016)	Consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Net income before income taxes	582,525	248,344
Depreciation	102,051	99,272
Impairment loss	147,772	9,233
Amortization of goodwill	38,590	7,156
Loss on retirement of non-current assets	412	2,947
Loss (gain) on sales of non-current assets	19	95
Loss (gain) on valuation of investment securities	–	48,643
Loss (gain) on sales of investment securities	178	–
Loss (gain) on step acquisitions	-5,159	–
Increase (decrease) in provision for bonuses	150,064	100,663
Increase (decrease) in provision for directors' bonuses	-5,225	-3,165
Increase (decrease) in allowance for doubtful accounts	-150	-55,710
Increase (decrease) in provision for loss on orders received	-28,423	-6,631
Increase (decrease) in net retirement benefit assets and liabilities	-269,919	15,594
Increase (decrease) in provision for directors' retirement benefits	-41,151	1,512
Interest income and dividends income	-16,088	-17,930
Interest expenses	3,124	2,086
Foreign exchange losses (gains)	-23,576	-5,153
Decrease (increase) in notes and accounts receivable–trade	279,753	-156,169
Decrease (increase) in inventories	-46,837	-3,379
Increase (decrease) in notes and accounts receivable–trade	-33,030	-31,752
Increase (decrease) in amounts payable–other	-48,713	-25,674
Increase (decrease) in accrued expenses	40,672	135,464
Increase (decrease) in accrued consumption taxes	-14,644	35,036
Decrease (increase) in other current assets	-12,418	-32,196
Increase (decrease) in other current liabilities	18,050	-28,175
Decrease (increase) in other non-current assets	-11,425	-27,576
Increase (decrease) in other non-current liabilities	10,872	16,769
Other	11,469	11,365
Subtotal	828,795	340,671
Interest and dividends income received	13,627	18,585
Interest expenses paid	-2,847	-2,038
Corporation tax, etc. paid	-214,879	-276,387
Cash flows from operating activities	624,695	80,830
Cash flows from investing activities		
Payments into time deposits	-3	–
Proceeds from withdrawal of time deposits	19,035	–
Purchase of property, plant and equipment	-106,051	-45,626
Proceeds from sales of property, plant and equipment	6	50,210
Purchase of intangible assets	-8,000	-11,419
Purchase of investment securities	-1,238	-94,112
Proceeds from sales of investment securities	1,042	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-92,011	–
Payments of loans receivable	-680	-1,040
Collection of loans receivable	1,866	1,812
Other	-7,591	-4,475
Cash flows from investing activities	-193,626	-104,651

(thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2016 to September 30, 2016)	Consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-380,000	400,000
Repayment of long-term loans payable	-30,000	-
Purchase of treasury stock	-241	-711
Proceeds from sales of treasury stock	3,015	547
Cash dividends paid	-262,354	-417,458
Cash dividends paid to non-controlling interests	-670	-1,005
Other	-2,103	-2,103
Cash flows from financing activities	-672,354	-20,730
Effect of exchange rate changes on cash and cash equivalents	-41,177	16,218
Net increase (decrease) in cash and cash equivalents	-282,462	-28,334
Cash and cash equivalents at beginning of period	2,167,365	2,391,228
Cash and cash equivalents at end of period	1,884,902	2,362,893

(4) 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 (“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 Q2 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 ¥203,330,000 in the consolidated accounting period for Q2; the number of shares was 453,219 shares in the previous accounting period, and 428,019 shares in the consolidated accounting period for Q2.