Note: This document is an English translation of "Kessan Tanshin" for the third 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.

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018 [J-GAAP]

January 31, 2018

Company name:	INFORMATION DEVELOPMENT CO., LTD.
Listing:	Tokyo Stock Exchange, 1st Section
Securities code:	4709
URL:	https://www.idnet.co.jp
Company representative:	Masaki Funakoshi, President and Representative Director
Inquiries:	Masayoshi Nakatani, Senior Officer Corporate Strategy Planning Office Tel: +81 3-3262-5177
Scheduled date of filing of Quarterly Securities Report:	February 8, 2018
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 Q3 of FY2017 (April 1, 2017 - December 31, 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 Q3	16,323	1.9	739	△7.6	763	△7.8	406	△25.6
FY2016 Q3	16,014	8.4	800	53.6	828	56.8	545	89.4

Note: Comprehensive income FY2017 Q3 ¥488 million (△47.6%) FY2016 Q3 ¥933 million (166.3%)

	Net income per share	Net income per share (diluted)
	¥	¥
FY2017 Q3	37.12	36.69
FY2016 Q3	50.18	49.69

Note: The Company carried out a 1-for1.5 stock split of its common stock effective 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 Q3	12,734	7,413	57.9
FY2016	10,552	7,321	69.0

Note: Equity FY2017 Q3 ¥7,366 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: 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	%	¥
Full-year	22,650	5.1	1,030	-6.9	1,030	-9.1	550	-15.9	50.04

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 Q3	12,044,302 shares	FY2016	12,044,302 shares
(ii) Number of treasury stock	FY2017 Q3	1,052,886 shares	FY2016	1,122,461 shares
(iii) Interim average number of shares (consolidated total for the quarter)	FY2017 Q3	10,939,738 shares	FY2016 Q3	10,870,485 shares

Note: The Company carried out a 1-for1.5 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.

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

(1) Qualitative Information on the Consolidated Business Results

In the consolidated cumulative third quarter (April 1, 2017 - December 31, 2017), the Company posted net sales of ¥16.323 billion (+1.9% 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 7.6% YoY to ¥739 million and ordinary income fell 7.8% YoY to ¥763 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 marketing expenses through active sales activities of Seceon OTM*, a product used in the security business. Net income attributable to owners of parents slumped 25.6% to ¥406 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 caused by the change in the retirement benefit plan as well as an extraordinary loss (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 third quarter are as follows.

(i) System operation management

The existing finance-related operations continued to expand sales due to the cultivation and expansion of the existing customers. The platform development operations* posted net sales of ¥9.466 billion (+5.6% YoY) owing to continued improvements in finance- and public-related sales despite a decline in transportation-related sales.

(ii) Software development

Sales in public- and transportation-related software development marked a significant increase owing to orders for large projects. Meanwhile, net sales were ¥6.160 billion (-5.0% YoY) due to a decline of income followed by the completion of the large-sized project of finance-related software development.

(iii) Others

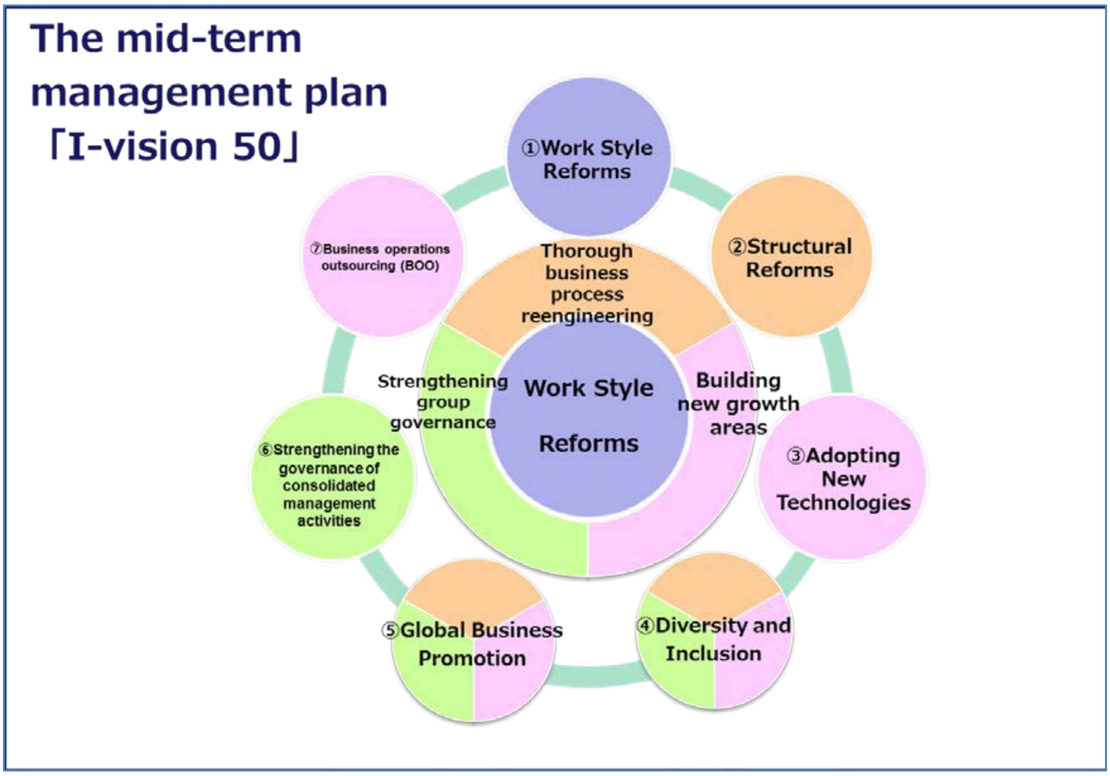
Net sales rose to ¥697 million (+23.1% YoY) as security sales, sales in consulting projects, and sales at overseas bases all increased.

*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 Company 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 operation 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.

Since January 2018, Fess Co., Ltd. ("Fess"), whose core businesses are medical-related operations and system operation-related business such as ITIL consulting, is newly included in the Company. This stock acquisition is expected to expand the scope of the system operation management business, a core business of both companies, and to significantly contribute to the development of an efficient operations system. The Company aims at utilizing the synergy effects of Fess to further enhance its core business.



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: 78% 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 (-34.7% 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: 14.7% [(4)]

・Ratio of non-Japanese workers at the Company: 11.4% [(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)]

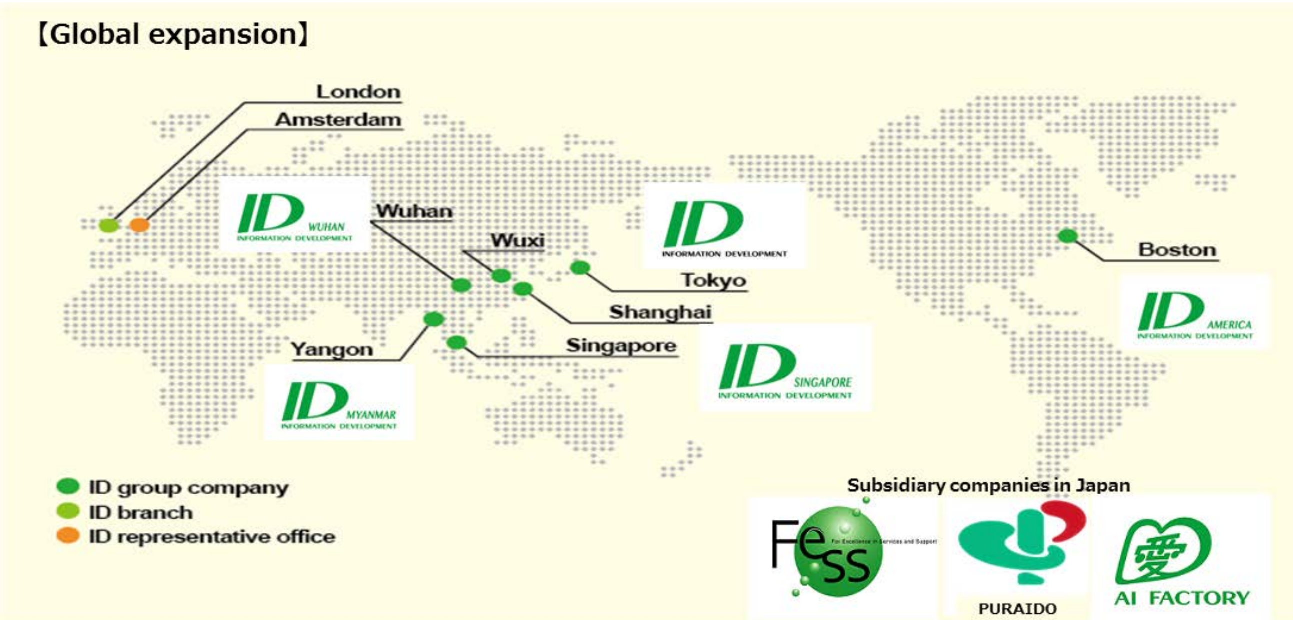
・Conclusion of a business alliance memorandum with OGD ict-diensten* [(5)]

* OGD ict-diensten is a Netherlands-based IT service integrator with a wide variety of customers, from governmental to healthcare organizations, and from mid/small to large size enterprise customers.

(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 12 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

Changes in the Company's financial position

(Assets)

Assets at the end of the consolidated accounting period for Q3 increased by ¥2.182 billion to ¥12.734 billion from ¥10.552 billion at the end of the previous consolidated accounting period, owing to an increase in cash and deposits of ¥2.004 billion, an increase in notes and accounts receivable of ¥385 million, a decrease in property, plant, and equipment of ¥122 million, and a decrease in deferred tax liability of ¥131 million, etc.

(Liabilities)

Liabilities at the end of the consolidated accounting period for Q3 increased by ¥2.09 billion to ¥5.321 billion from ¥3.23 billion at the end of the previous consolidated accounting period, owing to an increase in interest-bearing debt of ¥2.476 billion, and a decrease in income taxes payable of ¥311 million, etc.

(Net Assets)

Net assets at the end of the consolidated accounting period for Q3 increased by ¥91 million to ¥7.413 billion from ¥7.321 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parents of ¥406 million, a decrease in dividends paid by ¥420 million, and an increase in valuation difference on available-for-sale securities of ¥52 million, 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. The impact that the stock acquisition of Fess Co., Ltd., to make it a wholly owned subsidiary released on November 29, 2017, will have on the consolidated results of the Company's Group is currently being reviewed.

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 (March 31, 2017)	Consolidated cumulative third quarter (December 31, 2017)
Assets		
Current assets		
Cash and deposits	2,491,228	4,495,878
Notes and accounts receivable – trade	3,874,257	4,259,282
Work in process	48,987	62,158
Other	487,114	348,199
Allowance for doubtful accounts	-64	-64
Total current assets	6,901,521	9,165,455
Non-current assets		
Property, plant and equipment	1,932,805	1,810,534
Intangible assets		
Goodwill	57,816	47,139
Software	93,870	86,299
Other	760	(millions of yen)
Total intangible assets	152,447	134,418
Investments and other assets	1,565,511	1,624,193
Total non-current assets	3,650,765	3,569,146
Total assets	10,552,287	12,734,602
Liabilities		
Current liabilities		
Accounts payable – trade	722,429	711,896
Short-term loans payable	380,000	2,860,000
Income taxes payable	352,877	41,590
Provision for bonuses	615,998	350,862
Provision for directors’ bonuses	15,165	18,000
Provision for loss on orders received	31,625	843
Other	771,915	989,056
Total current liabilities	2,890,012	4,972,250
Non-current liabilities		
Net retirement benefit liabilities	47,458	27,646
Provision for directors’ retirement benefits	4,780	7,139
Other	288,730	314,290
Total non-current liabilities	340,969	349,075
Total liabilities	3,230,981	5,321,325
Net assets		
Shareholders’ equity		
Capital stock	592,344	592,344
Capital surplus	568,829	568,383
Retained earnings	6,173,153	6,158,319
Treasury stock	-533,302	-506,760
Total shareholders’ equity	6,801,025	6,812,287
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	358,560	410,801
Foreign currency translation adjustment	121,757	143,903
Total accumulated other comprehensive income	480,317	554,705
Subscription rights to shares	13,953	12,742
Non-controlling interests	26,009	33,541
Total net assets	7,321,305	7,413,276
Total liabilities and net assets	10,552,287	12,734,602

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Consolidated Cumulative Third Quarter)

(thousands of ¥)

	Previous consolidated cumulative third quarter (April 1, 2016 to December 31, 2016)	Consolidated cumulative third quarter (April 1, 2017 to December 31, 2017)
Sales	16,014,343	16,323,437
Cost of sales	13,044,889	13,310,897
Gross operating income	2,969,454	3,012,540
Selling, general, and administrative expenses	2,168,594	2,272,572
Operating income	800,860	739,968
Non-operating income		
Interest income	6,389	2,802
Dividend income	12,808	18,258
Subsidy income	11,527	9,401
Other	18,330	14,234
Total non-operating income	49,055	44,697
Non-operating expenses		
Interest expenses	4,172	3,268
Commitment line fees	17,141	17,300
Other	52	191
Total non-operating expenses	21,366	20,759
Ordinary income	828,549	763,906
Extraordinary income		
Gain on sales of non-current assets	7	4
Gain on sales of investment securities	—	6,948
Gain on abolishment of retirement benefit plan	239,063	—
Gain on step acquisitions	5,159	—
Other	115	288
Total extraordinary income	244,345	7,240
Extraordinary losses		
Loss on sales of non-current assets	25	179
Loss on retirement of non-current assets	415	2,973
Loss on sales of investment securities	178	—
Loss on valuation of investment securities	—	48,643
Impairment loss	147,772	9,233
Other	—	6,830
Total extraordinary losses	148,391	67,861
Net income before income taxes	924,503	703,286
Income taxes–current	150,880	166,485
Income taxes–deferred	223,693	121,716
Total income taxes	374,573	288,202
Net income	549,929	415,083
Net income attributable to non-controlling interests	4,498	9,040
Net income attributable to owners of parent	545,430	406,043

(Consolidated Statement of Comprehensive Income)

(Consolidated Cumulative Third Quarter)

(Unit: thousand yen)

	Previous consolidated cumulative third quarter (April 1, 2016 to December 31, 2016)	Consolidated cumulative third quarter (April 1, 2017 to December 31, 2017)
Net income	549,929	415,083
Other comprehensive income		
Valuation difference on available-for-sale securities	102,169	51,738
Foreign currency translation adjustment	4,270	22,146
Remeasurements of retirement benefit plans	277,597	-
Total other comprehensive income	384,038	73,884
Comprehensive income	933,967	488,968
(Breakdown)		
Comprehensive income attributable to owners of parent	929,184	480,430
Comprehensive income attributable to non-controlling interests	4,783	8,537

(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 ("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 Q3 are stated as treasury stocks 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 ¥191,437,000 in the consolidated accounting period for Q3; the number of shares was 453,219 shares in the previous accounting period, and 394,869 shares in the consolidated accounting period for Q3.

(Material Subsequent Events)

(Acquisition of a company, etc. through stock acquisition)

The Company reached a resolution, at the Board of Directors meeting held on November 29, 2017, to obtain all stocks of Fess Co., Ltd. (“Fess”) to make it a wholly owned subsidiary and concluded a stock transfer agreement on December 12, 2017. Under the agreement, the Company obtained all stocks of Fess and made it a wholly owned subsidiary on January 4, 2018.

(1) Overview of business combination

(1) Names and details of operations of acquired company

Name of acquired company: Fess Co., Ltd.

Details of operations: systems management service, help desk service, consulting & training service, medical systems operations and help desk service, temporary staffing service

(2) Date of business combination

January 4, 2018

(3) Legal form of business description

Cash acquisition of stocks

(4) Name of a company after business combination

The name of the company after business combination remains unchanged.

(5) Number of voting rights acquired

100％

(6) Grounds for determining acquiring company

The Company’s cash acquisition of stocks

(7) Main reasons for the business combination

Ever since ID’s founding in 1969, the company has been providing IT services to customers in diverse business fields, especially in finance. In recent years, it has been further enhancing its mainstay system operation management business as part of its ongoing efforts to adapt to the rapid changes in the IT service sector.

Fess Co., Ltd. was established in 1999 as a subsidiary of Saison Information Systems Co., Ltd. mainly for the business purpose of providing system operation agency service. Later, it expanded its scope of operations to medical operation service and, more recently, to ITIL consulting service, taking on new changes to transform “conventional operation” to “next-generation IT service management.”

The scheduled stock acquisition is expected to expand the scope of system operation management business, a core business of both companies, and to significantly contribute to the development of an efficient operation system. Furthermore, the stock acquisition will allow both companies to share their long-accumulated skills and knowledge and to provide an even broader range of services to their respective major clientele. Comprehensively taking these synergistic effects into consideration, the Company carried out this stock acquisition.

(2) Acquisition cost of acquired company and details of consideration by type

Cash 2,000 million yen

(3) Details and amount of major acquisition-related expenses

Compensation and fees for advisory 600 million yen

(4) Amount of goodwill occurred, cause of occurrence and amortization method/period

They are yet to be determined.

(5) Amount and details of assets received and liabilities assumed on the date of business combination

They are yet to be determined.

(6) Method of financing

The Company borrowed funds on December 29, 2017 to acquire stocks of Fess Co., Ltd.

1. Lender: Mizuho Bank Ltd.
2. Amount of borrowing: 2,000 million yen
3. Applicable rate: Interest rates are determined based on market interest rate.
4. Date of borrowing: December 29, 2017
5. Contract period: 1 year