



High Technology. High Quality. Challenging the unknown

INFORMATION DEVELOPMENT Co.,Ltd.

President and Representative Director
Masaki Funakoshi

Nov. 2017
TSE 1st section
Code: 4709

1**What`s ID Group?****2****Q2 Performance Overview****3****The mid-term management of ID Group**

Nov,
2017

ID was recognized as Certified Health Organization

ID was certified Silver Level as Certified Health Organization, held by Health Organization Progress Advance Tokyo Council.

Oct,
2017

Notice of Revision of Dividend Forecast (Increase)

The dividend for the fiscal year ending Mar.2018 ¥37→ ¥40 (forecast)

Post an extraordinary loss and amendment to earnings estimate

48 million yen in Loss on valuation of investment securities
Amend the income downwards of consolidated financial projections for the FY2017

Aug,
2017

The Agreement on Using Drone Efficiently in Minamioguni Town

realglobe Inc.(capital tie-up with ID), Minamioguni Town (Kumamoto Prefecture) and EDAC signed *the Agreement on Using Drone Efficiently in Minamioguni Town*

1**What`s ID Group?****2****Q2 Performance Overview****3****The mid-term management of ID Group**

Increase in net sales

- ✓ Sales in existing finance-related operations and platform development operations continuous increased
- ✓ Sales in transportation-related software development grew sharply
- ✓ A contraction in finance-related software development
- ✓ Sales in security, consulting projects and at overseas bases increased

Decrease in operating income

- ✓ Increase in cost of sales as a result of two unprofitable projects
- ✓ Increase in advertising and publicity expenses through active sales activities of Seceon OTM.

Decrease in net income attributable to owners of parent

- ✓ 239 million yen booked due to gain on abolishment of retirement benefit plan in the previous fiscal year
- ✓ Decrease of 48 million yen in Loss on valuation of investment securities

2Q Financial Results (consolidated)

	Sep.2017 Plan (by Apr. 28)	(% of net sales)	Sep.2017	(% of net sales)	Diff.	Overall Change
(¥ million)						
Net sales	10,621	-	10,749	-	+128	+1.2%
Operating income	600	5.6%	294	2.7%	-305	-50.8%
Ordinary income	600	5.6%	309	2.9%	-290	-48.5%
Net income attributable to owners of parent	400	3.8%	104	1.0%	-295	-73.9%
Net income per share (¥)	36.62	-	9.54	-	-	-

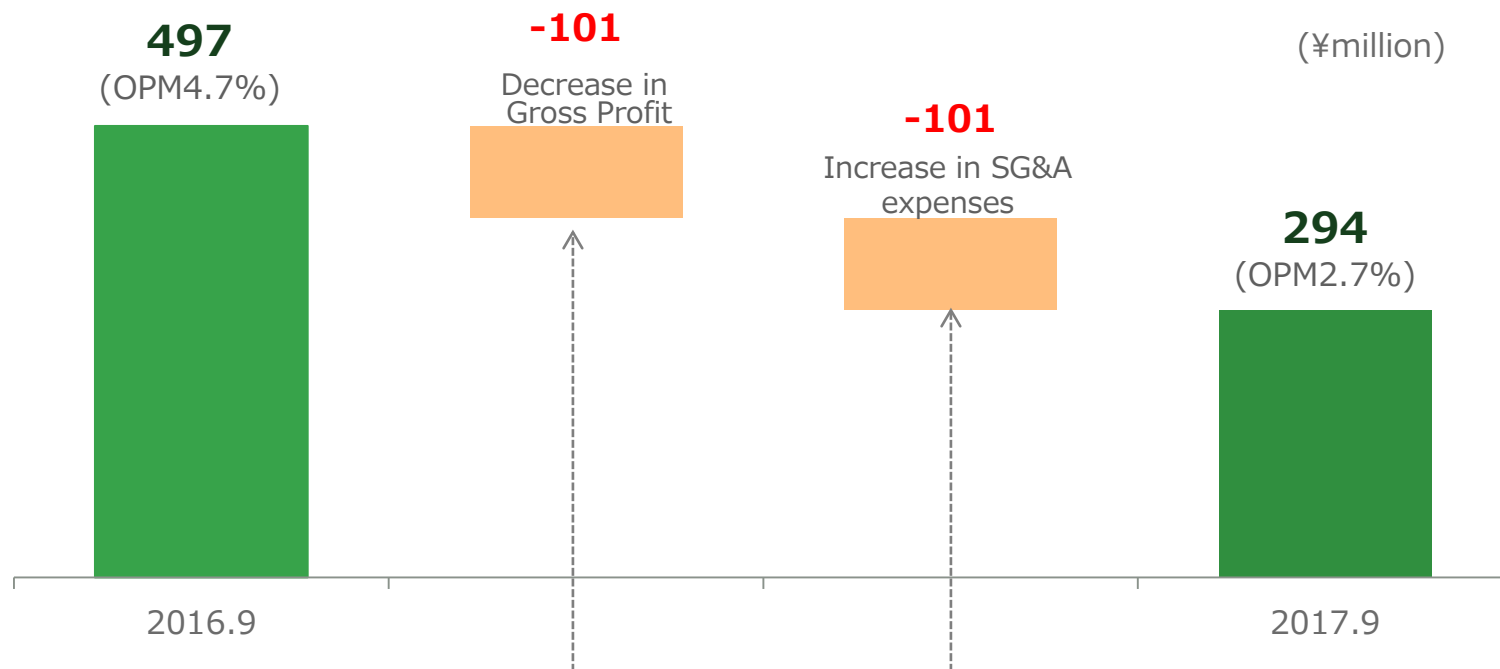
Reasons why profits decreased compared with initial

- Increase in cost of sales due to two unprofitable projects
- Increase in advertising and publicity expenses through active sales activities of Seceon OTM.
- Decrease of 48 million yen in Loss on valuation of investment securities

2Q Financial Results (consolidated)

Change or Die!

(¥ million)	Sep. 2016	(% of net sales)	Sep.2017	(% of net sales)	Diff.	YoY
Net sales	10,586	-	10,749	-	+162	+1.5%
Cost of sales	8,644	81.7%	8,908	82.9%	+263	+3.1%
Gross profit	1,942	18.3%	1,840	17.1%	-101	-5.2%
SG&A expenses	1,444	13.6%	1,545	14.4%	+101	+7.0%
Operating income	497	4.7%	294	2.7%	-202	-40.7%
Ordinary income	486	4.6%	309	2.9%	-177	-36.5%
Net income attributable to owners of parent	338	3.2%	104	1.0%	-234	-69.2%



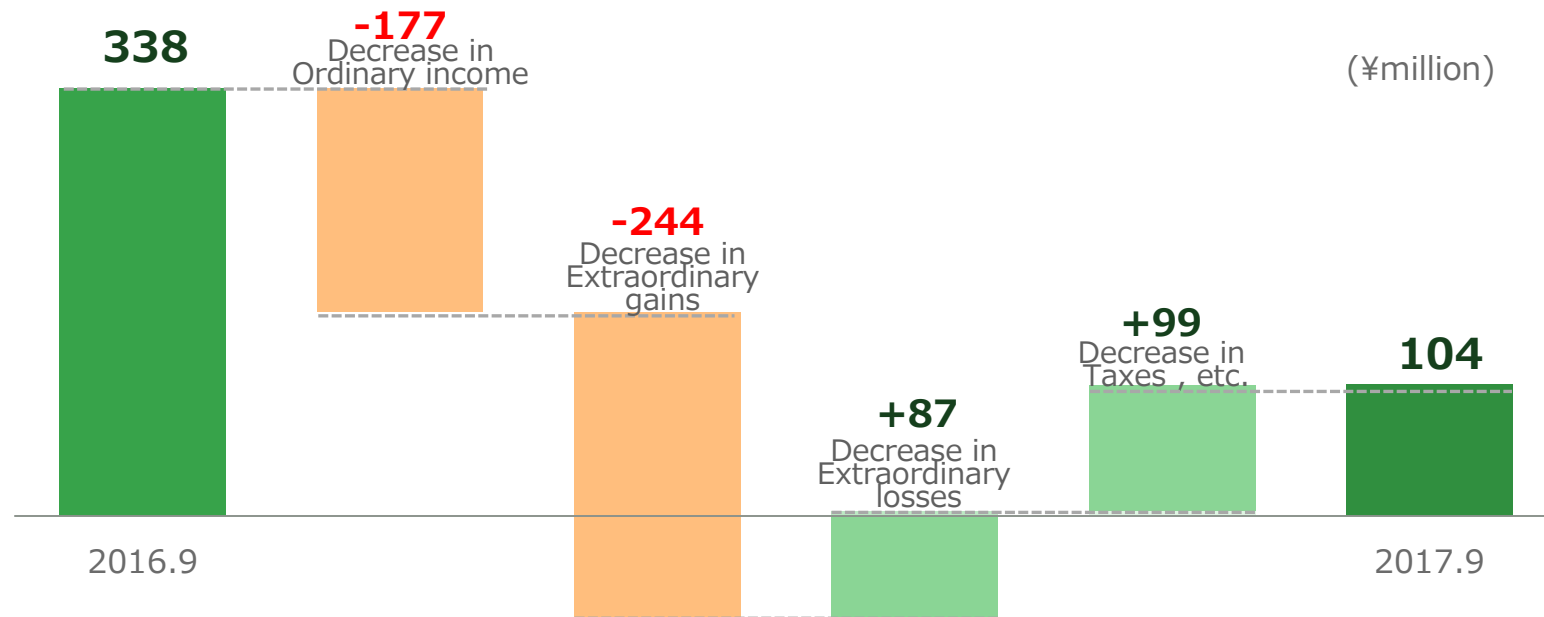
Gross profit -101

- Net Sales + 162
- Cost of sales - 263
- <Major changes in cost of sales>
 - Outsourcing expenses - 239
 - Labor cost + 84

SG&A expenses -101

<Major changes in SG&A expenses>

- Personal expenses - 97
- Other SG&A expenses - 3



Extraordinary income -244

Major changes in Extraordinary income

The gain on abolishment of retirement benefit plan in the previous fiscal year -239

Extraordinary losses +87

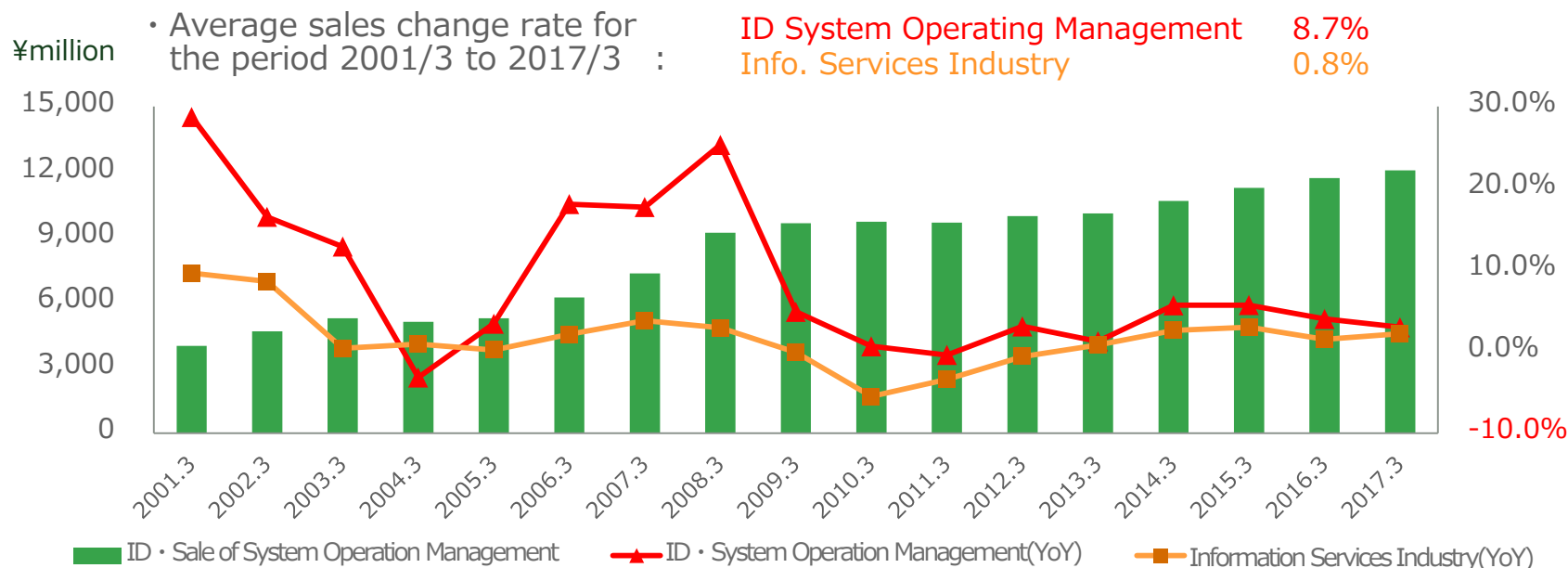
Major changes in Extraordinary losses

Impairment loss booked in the previous fiscal year +147
Loss on valuation of investment securities -48

Business point of view

Sale for System Operation Management for Over 50% ⇒

Stable Earnings
Unaffected by the Economy



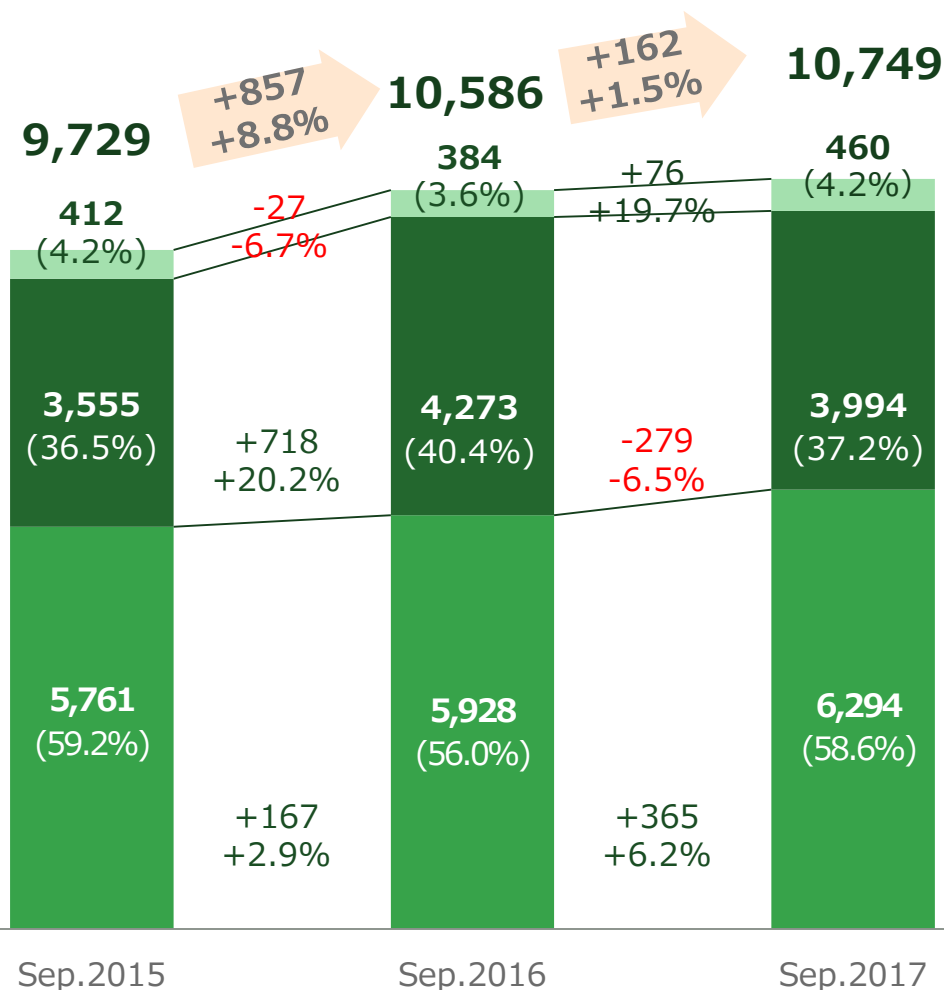
Customer's point of view

About **50** customers are among the **TOP 500** in the Forbes Global 2000

2Q Feature of ID Group① (Net sales by Business)

(¥ million)

*Figures in brackets indicate % of net sales



Others

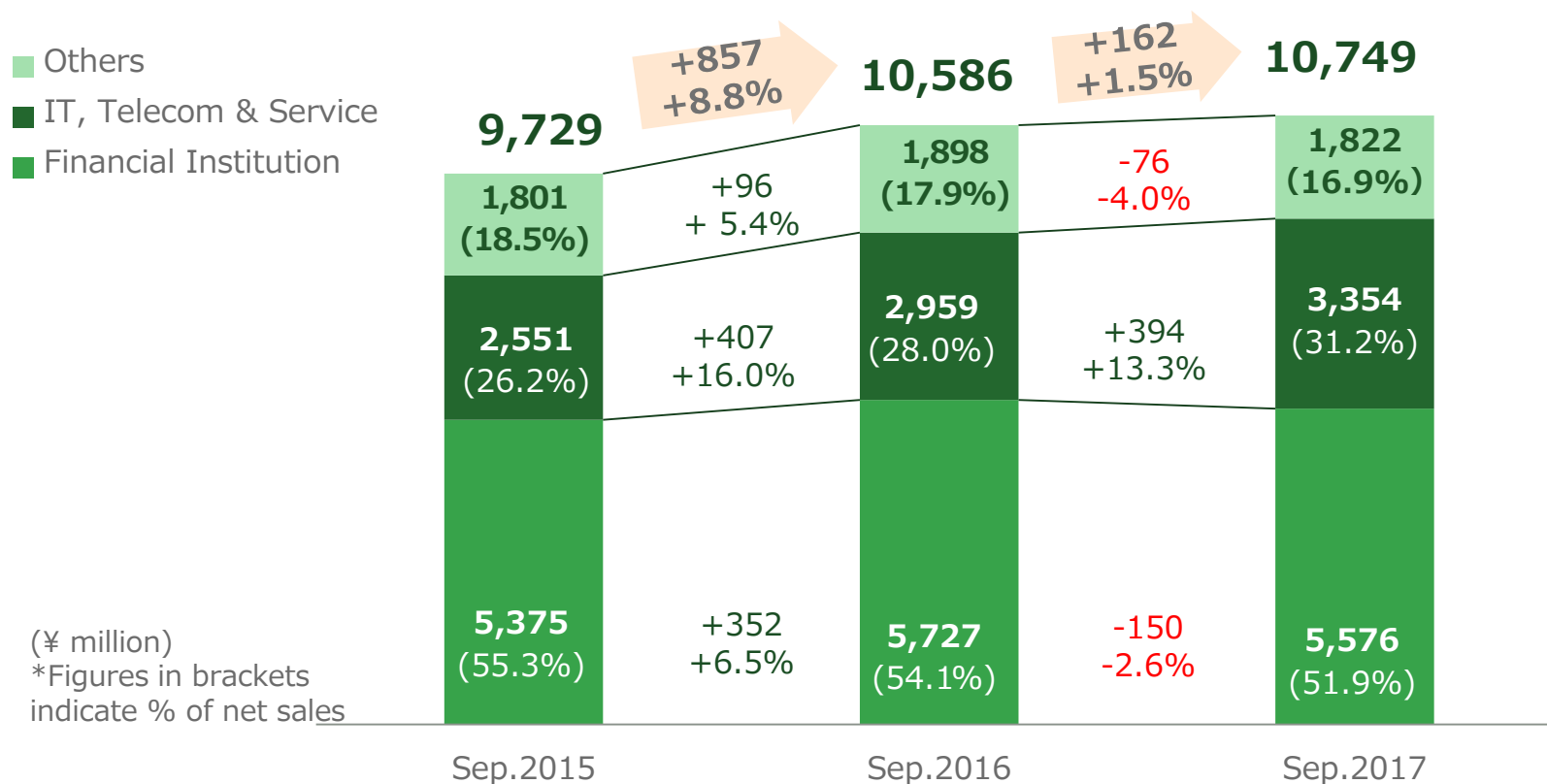
- Increase in sales in/at
 - Security
 - Consulting projects
 - Overseas bases

Software Development

- Significant increase in transportation-related projects
- Decreased in finance-related projects

System Operation Management

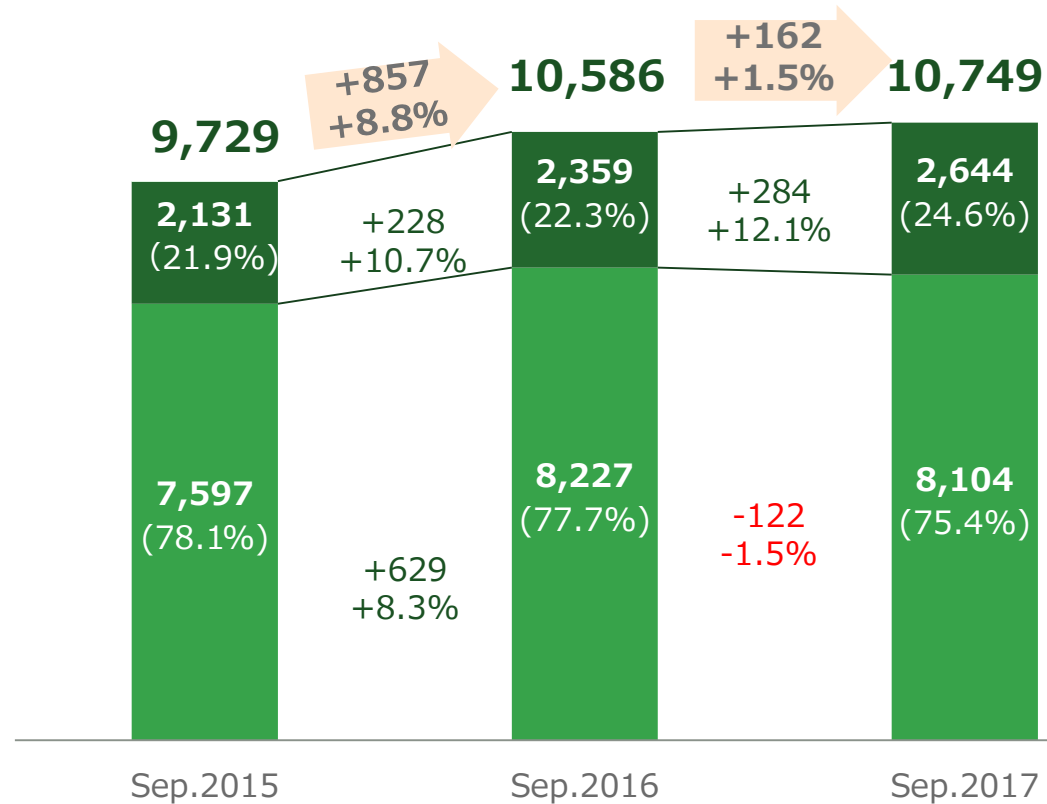
- Continuous increase in existing financial-related project
- Platform development operations:
 - Continuous increase in financial-related
 - Decrease in transportation-related



2Q Feature of ID Group③ (Net sales by Contracts)

- Strategic partners
- Prime contracts

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



■ Prime contracts	■ Strategic partners
<ul style="list-style-type: none"> ✓Financial Institutions ✓IT, Telecom & Service ✓Others (Manufacturing, Transportation, Public Office, Utility, etc.) 	<ul style="list-style-type: none"> ✓ Major IT Vendors

2Q Financial Position (Consolidated)

(¥million)	Mar.2017	Sep.2017	Diff.	Main reasons
Current assets	6,901	7,090	+189	<ul style="list-style-type: none"> • Increase in accounts receivable (+116) • Decrease in tangible fixed assets (-100) • Increase in investment securities (+41)
Noncurrent assets	3,650	3,559	-91	
Total assets	10,552	10,650	+98	
Current liabilities	2,890	3,295	+405	<ul style="list-style-type: none"> • Increase in interest-bearing debt (+397) • Decrease in income taxes payable (-133) • Decrease in provision for bonuse (+101)
Noncurrent liabilities	340	322	-18	
Total liabilities	3,230	3,618	+387	
Total net assets	7,321	7,032	-288	<ul style="list-style-type: none"> • Net income attributable to owners of parent (+104) • Decrease of payment of dividends (-420)
Total liabilities and net assets	10,552	10,650	+98	

(¥ million)	FY2017 Plan (by Apr. 28)	(% of net sales)	Revised FY2017 Plan (by Oct. 20)	(% of net sales)	Diff.	Overall change
Net sales	22,650	-	22,650	-	-	-
Operating income	1,470	6.5%	1,030	4.5%	-440	-29.9%
Ordinary income	1,450	6.4%	1,030	4.5%	-420	-29.0%
Net income attributable to owners of parent	980	4.3%	550	2.4%	-430	-43.9%
Net income per share (¥)	89.73	-	50.33	-	-	-

Reason for the revisions:

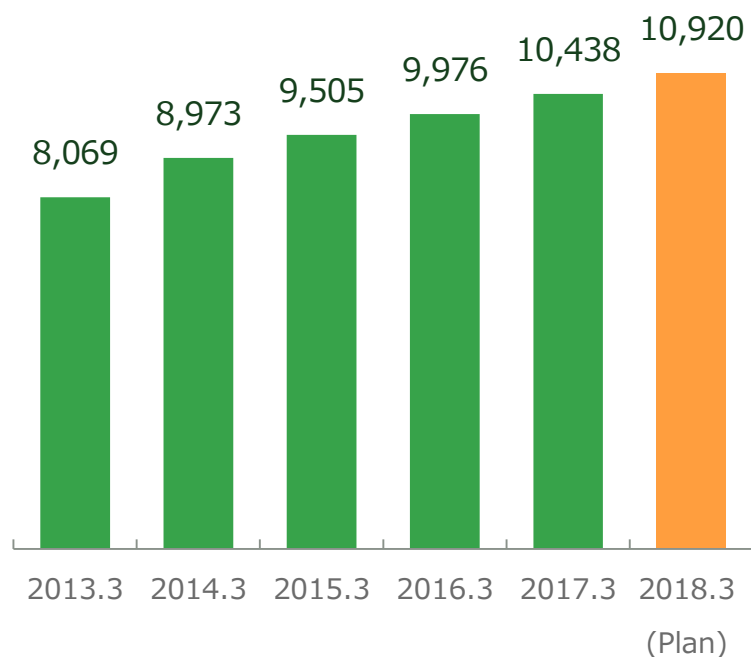
With respect to the consolidated financial projections for the FY2017, that is forecast to remain at the initially projected level for the third and fourth quarters though, we amended downwards due to the impact of previous unprofitable projects.

Forecasts of Results for FY2017 (Consolidated)

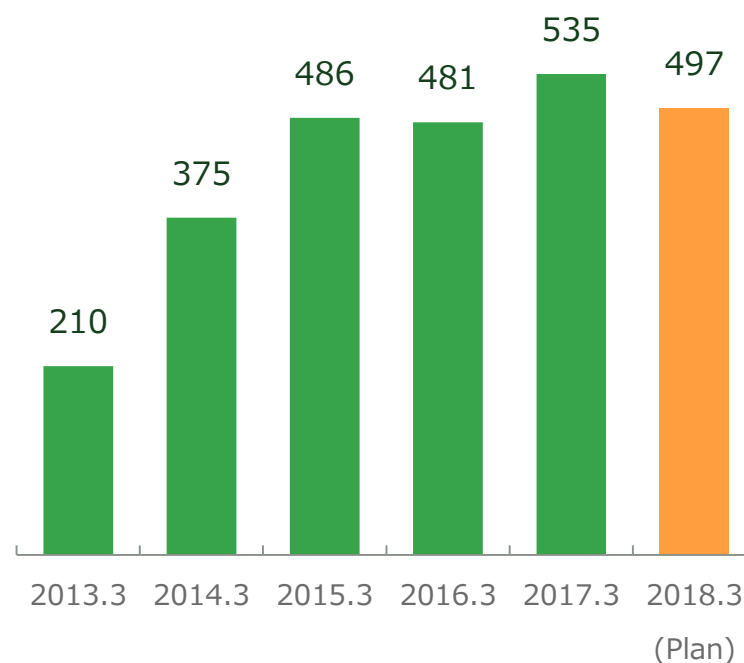
	(¥ million)	Mar.2017	(% of net sales)	Revised FY2017 Plan (by Oct. 20)	(% of net sales)	Diff.	YoY
Net sales		21,554	-	22,650	-	+1,095	+5.1%
Operating income		1,105	5.1%	1,030	4.5%	-75	-6.9%
Ordinary income		1,133	5.3%	1,030	4.5%	-103	-9.1%
Net income attributable to owners of parent		654	3.0%	550	2.4%	-104	-15.9%
Net income per share (¥)		60.13	-	50.33	-	-	-

(¥ thousand)

Sales per Employee

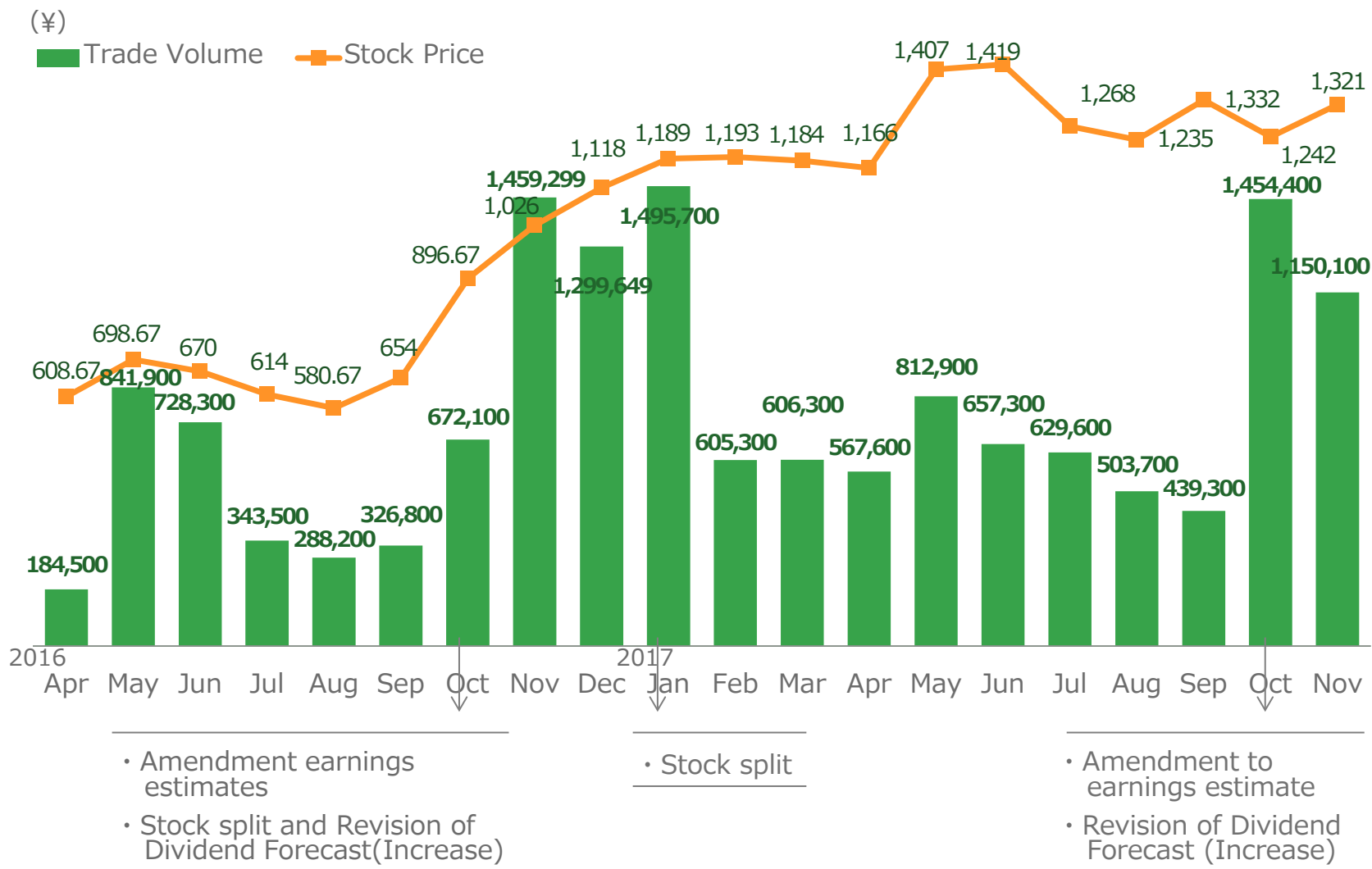


Operating Income per Employee



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

Monthly Stock Prices and Trade Volume Chart



*1 We calculate the stock price for from Apr.2016 to Dec.2016 using the number of revision of the stock split.

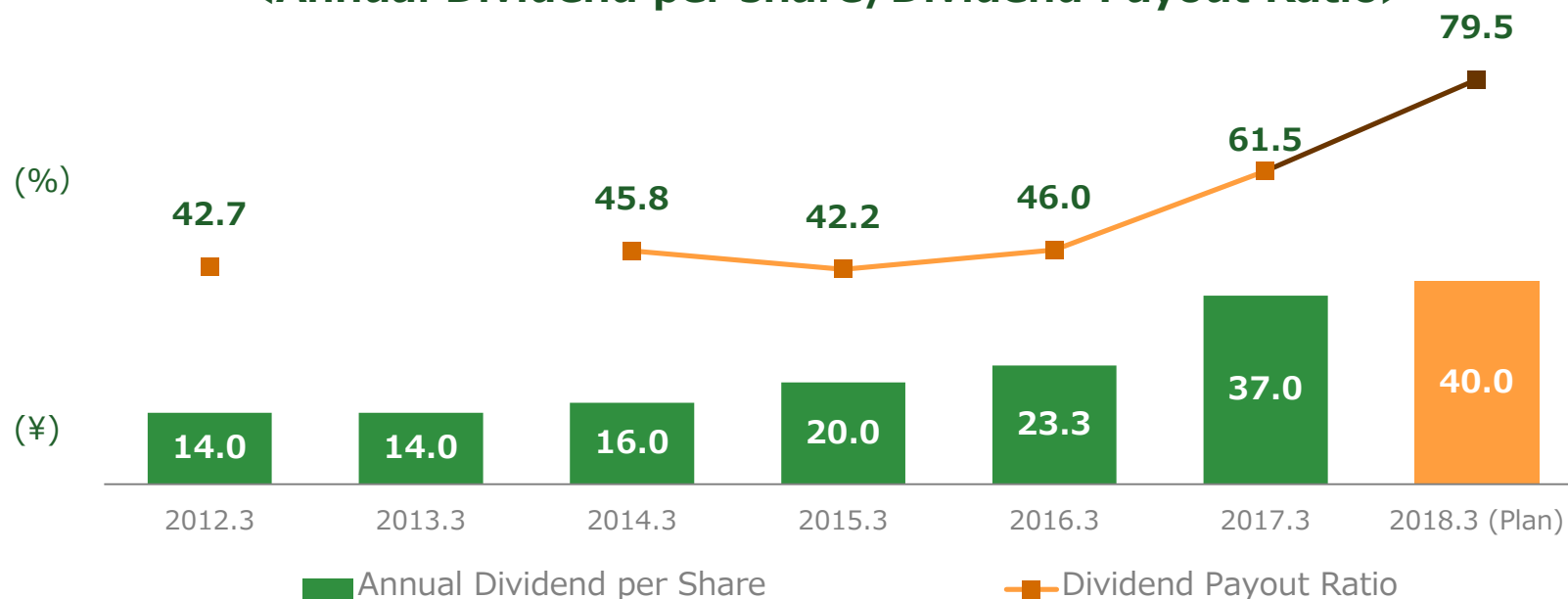
*2 Volume is cumulative for each month, stock price lists closing price for each month .

The dividend for the FY2017: ¥37→¥40 (forecast)

Why we increase

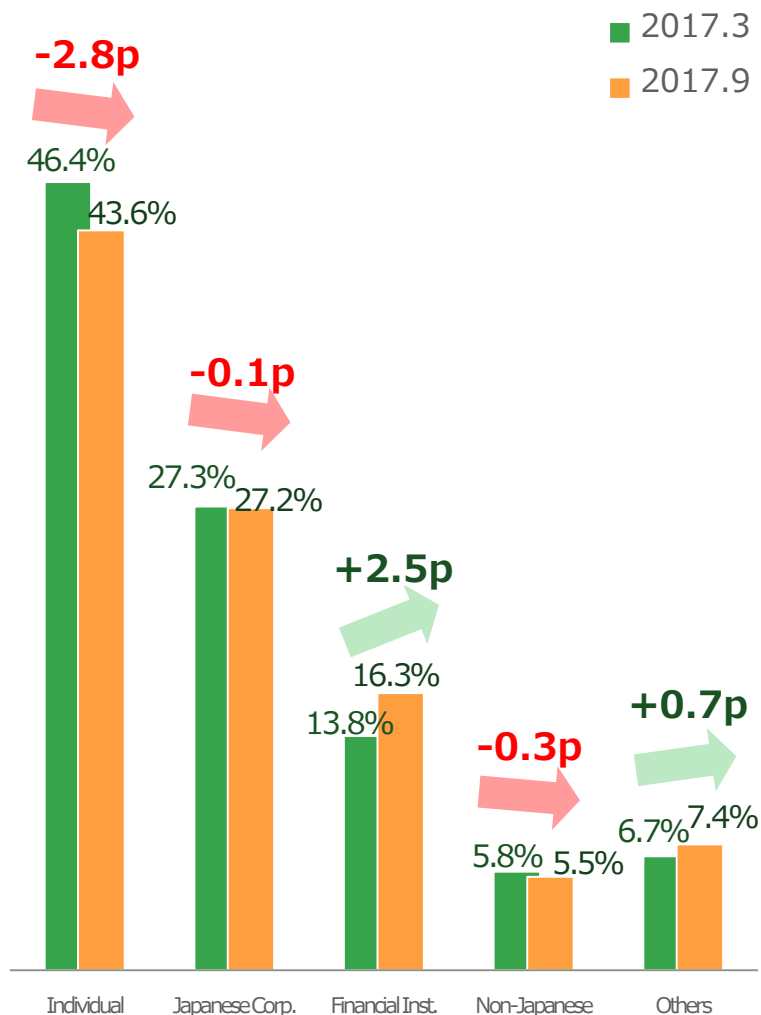
- We take redistribution of profits to shareholders as an important management issue
- Profits are expected to decline temporarily due to two unprofitable projects this fiscal year
- As the consideration of business development and financial conditions from next year onwards

<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.

Shareholding by investor type



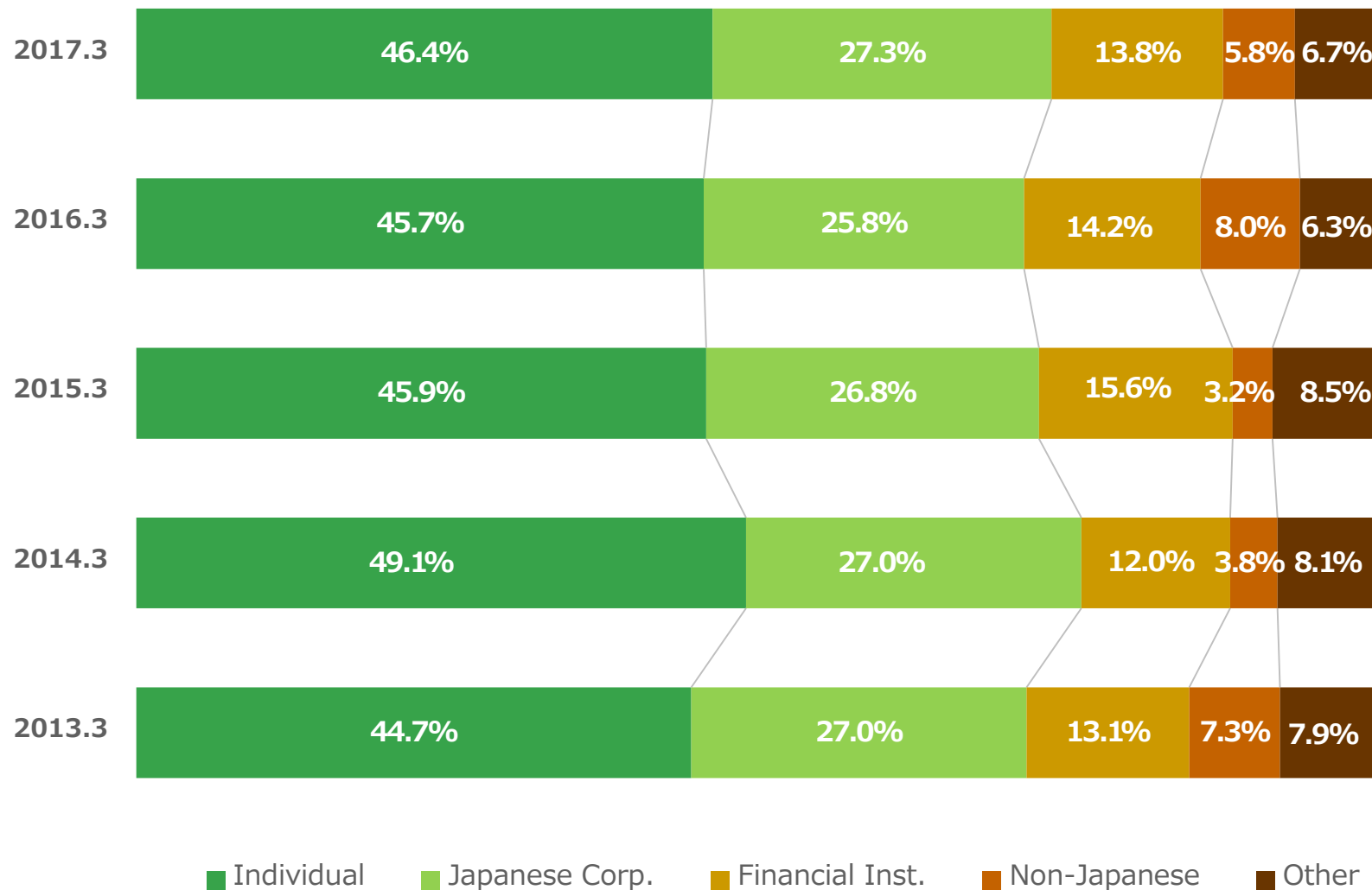
Major shareholders

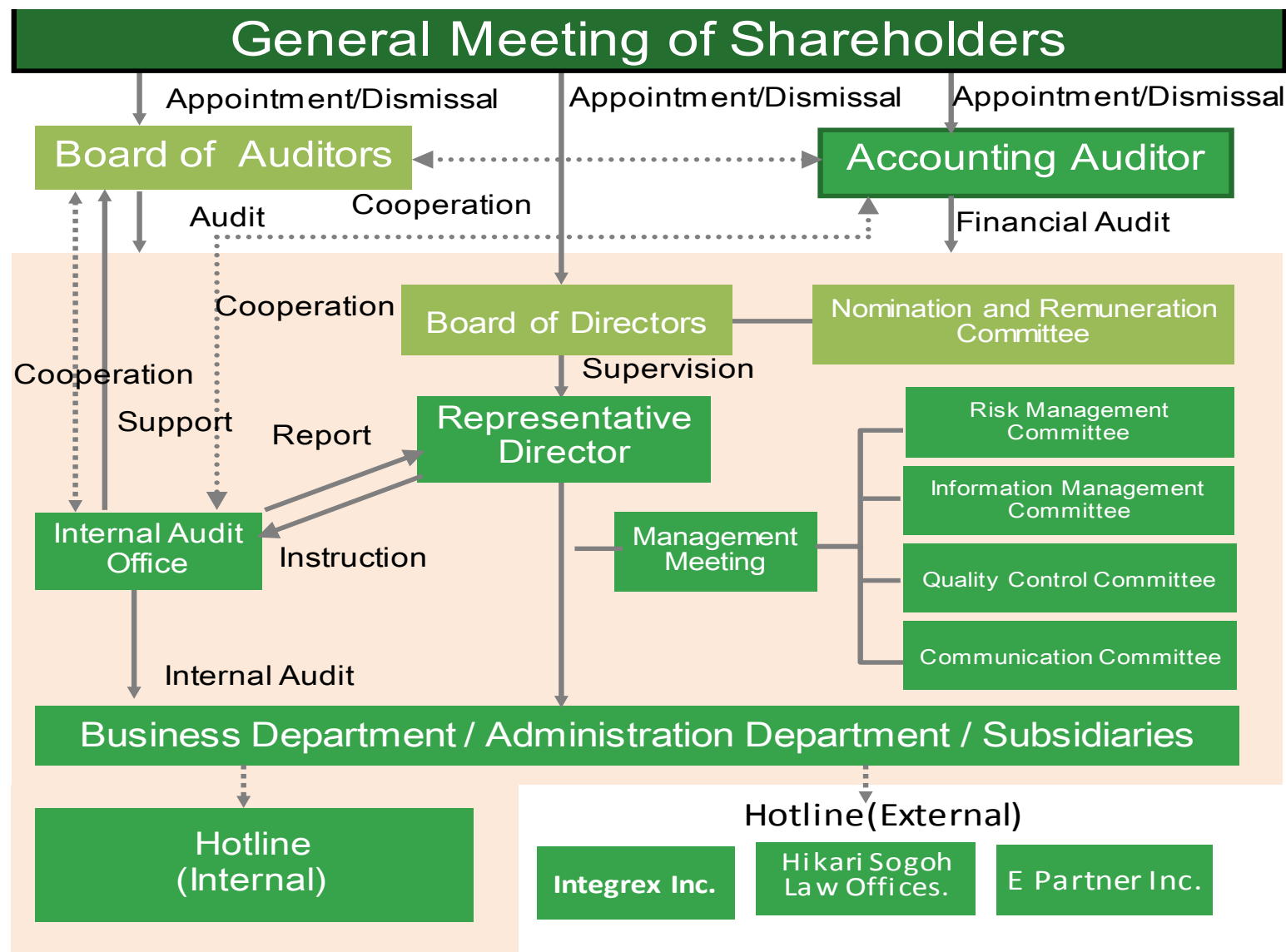
- ✓ No. of shareholders: 3,771 (-140 since Mar. 2017)
- ✓ **No. of shareholders with voting rights: 3,323** (-178 since Mar. 2017)
- ✓ Treasury stocks: 668,272 (5.54%) isn't included in the list below.

	Major shareholders	% of total shares
1	A.K. Corporation	10.32%
2	Mizuho Trust Systems Co., Ltd.	8.50%
3	ID Employee Ownership Account	6.13%
4	Trust & Custody Services Bank, Ltd. (Trust Account E)	3.55%
5	Mizuho Trust & Banking Co., Ltd.	3.51%
6	Japan Trustee Services Bank, Ltd. (Trust Account)	3.26%
7	有限会社福田商事	2.49%
8	TDC SOFTWARE ENGINEERING Inc.	2.35%
9	Akemi Funakoshi	1.64%
10	Kaori Marubayashi	1.49%

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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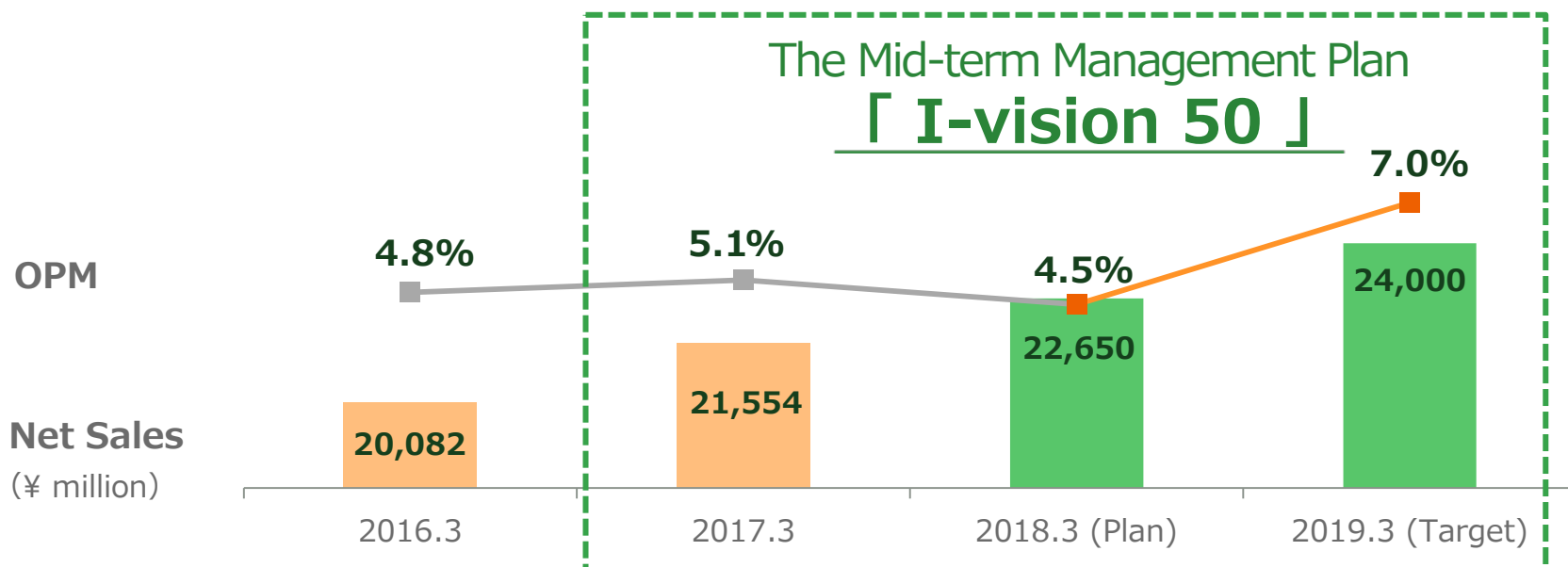
Skill improvement and invigoration of employees and partners

This can be achieved by a greater understanding of technology and effective communication, as elements of learning and growth.



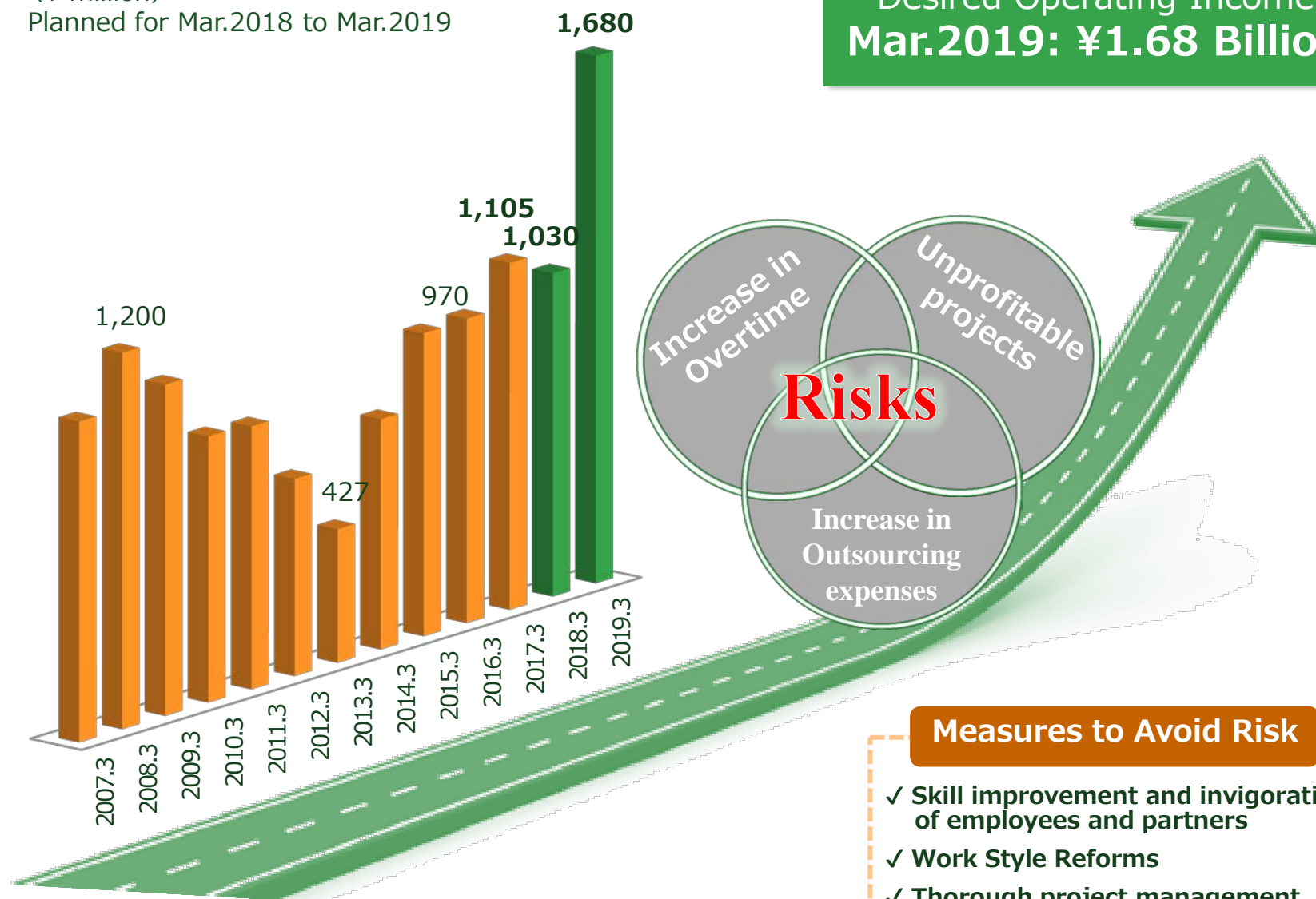
“Upgrading the speed of delivery of high quality services to our customers”

(¥ million)	Mar.2018(Plan)	Mar.2019(Target)
Net sales	22,650	24,000 (diff. Mar.2017+11.3%)
Operating income	1,030	1,680 (diff. Mar.2017+51.9%)
OPM	4.5%	7.0% (diff. Mar.2017+1.9pp)



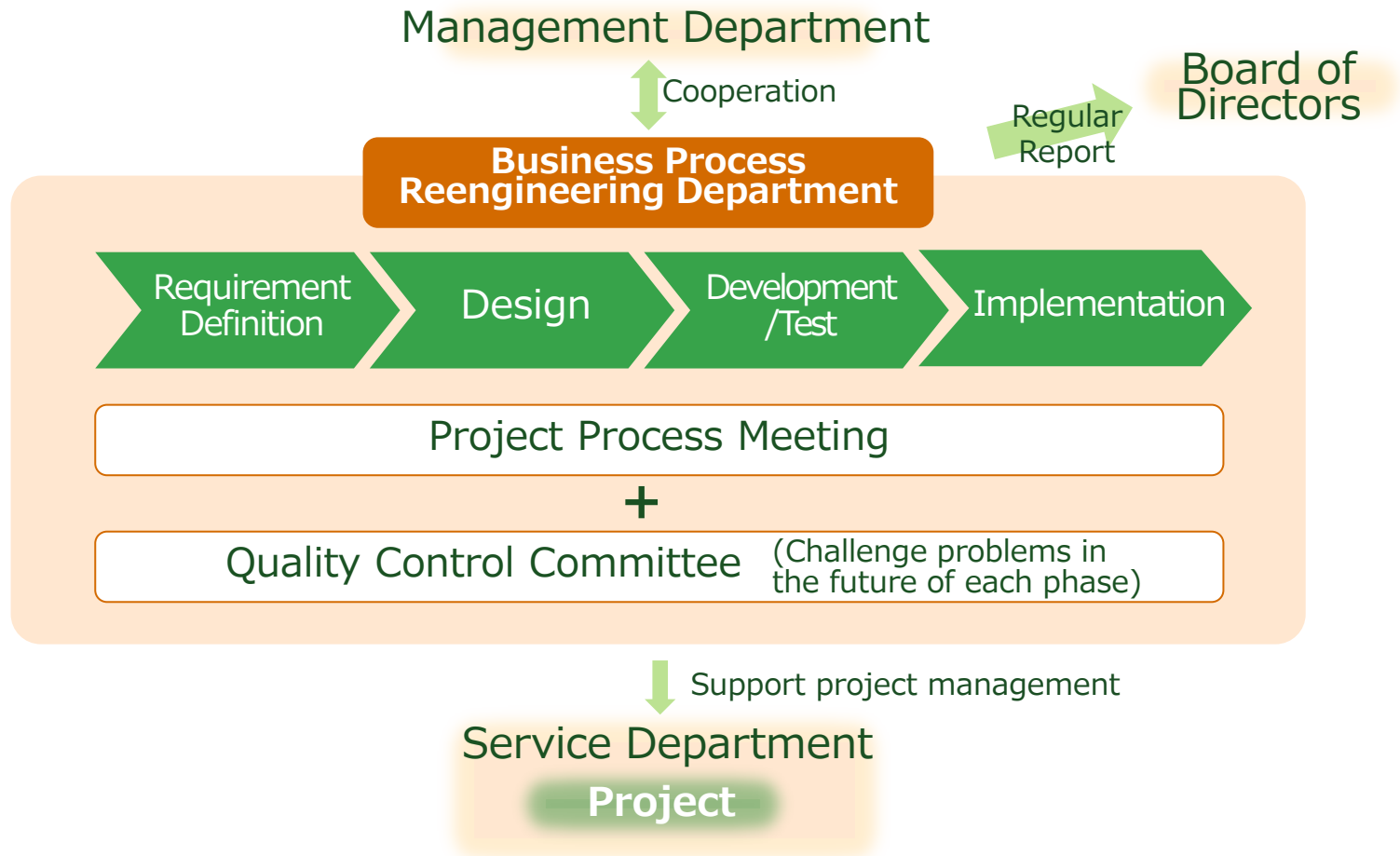
(¥ million)
Planned for Mar.2018 to Mar.2019

Desired Operating Income
Mar.2019: ¥1.68 Billion



Strengthen Project Management System

The new Business Process Reengineering Department centrally manages project progress & quality.



Work Style Reforms

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

Structural Reforms

- Review of the Standards on Decision-Making and Management Approval Authority
- Implementation of business reform and improvement activities based on company-wide call for suggestions

Adopting New Technologies

- Aggressively adopt new technologies
- Implementation of partnership with Seceon Inc, a cutting-edge security solution that uses AI and machine learning

Diversity and Inclusion

- Make female return to work rate after first child birth to more than 75%
- 2020 target on the ratio of women in management: least 30% (14.1% as of Sep.30,2017)
- 2018 target on the ratio of non-Japanese employees: 15% (10.8% as of Sep.30,2017)

Global Business Promotion

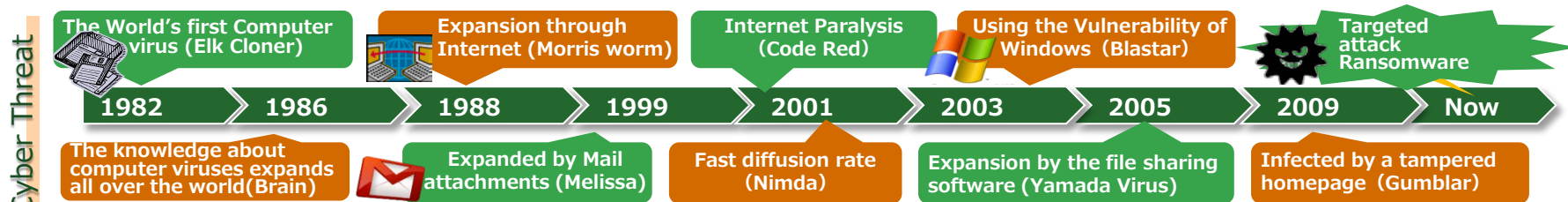
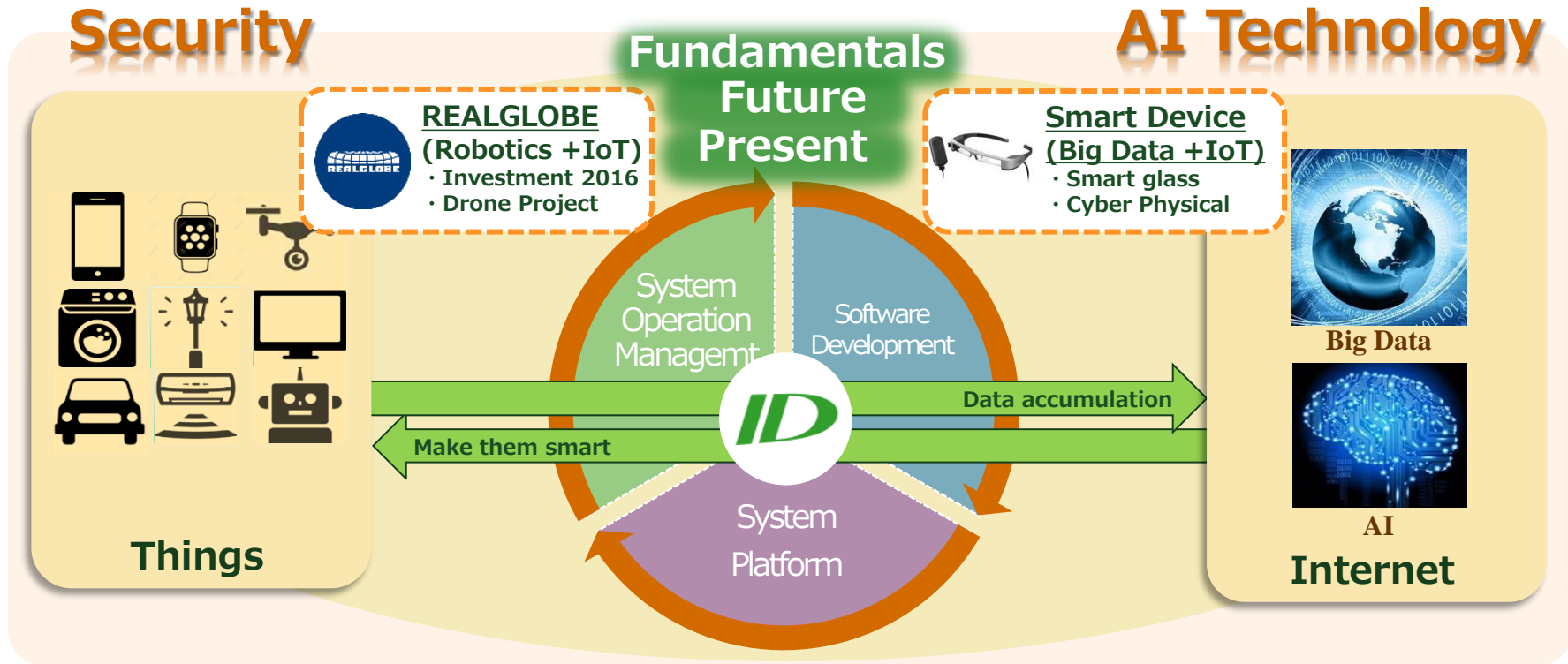
- Discovering advantageous prospects
- Train personnel to be equipped with technical and linguistic abilities to handle international business

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



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	Existing Business Expansion	Existing Business Expansion	Existing Business 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

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