Note: This document is an English translation of the "Kessan Tanshin" for the first quarter of the fiscal year ending March 31, 2019 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 Three Months of the Fiscal Year Ending March 31, 2019 (J-GAAP)

July 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
Direct inquiries to:	Masayoshi Nakatani, Senior Officer Corporate Strategy Planning Office Tel: +81 3-3262-5177
Scheduled date of filing of Quarterly Securities Report:	August 10, 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 for Q1 of FY2018 (April 1–June 30, 2018)

(1) Consolidated Business Results

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q1 FY2018	6,634	23.9	396	240.7	424	251.3	210	495.3
Q1 FY2017	5,353	3.3	116	–37.6	120	–28.2	35	–85.7

Note: Comprehensive income Q1 FY2018 ¥315 million (507.4%) Q1 FY2017 ¥51 million (–87.1%)

	Net income per share	Diluted net income per share
	¥	¥
Q1 FY2018	19.11	18.91
Q1 FY2017	3.23	3.19

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q1 FY2018	13,165	7,476	56.6
FY2017	13,748	7,617	55.2

Reference: Equity Q1 FY2018 ¥7,446 million FY2017 ¥7,586 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal period	Total
	¥	¥	¥	¥	¥
FY2017	—	0.00	—	40.00	40.00
FY2018	—				
FY2018 (forecast)		0.00	—	40.00	40.00

Note: Revision of most recently published dividend forecast: No

3. Forecasts of Consolidated Results for FY2018 (April 1, 2018–March 31, 2019)

(Percentages show period-over-period changes for the full year and YoY changes for the quarter)

	Net sales		**Operating income**		**Ordinary income**		**Net income attributable to owners of parent**		**Net income per share**
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Q2 FY2018 (cumulative)	12,700	18.4	570	55.3	570	53.6	280	51.9	25.46
FY2018 (full fiscal year)	26,300	13.3	1,480	17.9	1,500	17.7	780	25.3	70.91

Note: Revision of most recently published results forecast: No

*Notes

(1) Changes in important subsidiaries during the period
Changes in specified subsidiaries resulting in 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):	Q1 FY2018	12,044,302	shares	FY2017	12,044,302	shares
(ii) Amount of treasury stock:	Q1 FY2018	1,041,708	shares	FY2017	1,044,686	shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q1 FY2018	11,001,594	shares	Q1 FY2017	10,922,154	shares

* These quarterly consolidated financial results are not subject to quarterly review by a certified public accountant or audit corporation.

* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items

Results forecasts are estimates based on information available as of the day the results were announced. Forecasts are inherently uncertain and do not constitute a guarantee on the part of the ID Group. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (3) Qualitative Information on the Consolidated Results Forecast under Section 1, Qualitative Information for the First Quarter of the Fiscal Year Ending March 31, 2019, on page 5 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.

The ID Group has also introduced a board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP). Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

Contents

1. Qualitative Information on the First Quarter of the Fiscal Year Ending March 31, 2019

(1) Qualitative Information on the Consolidated Business Results

Orders and sales were strong in the first quarter of the ID Group's 2018 consolidated fiscal year (Q1 FY2018: period from April 1, 2018 to June 30, 2018). In our main operating segment, the system operation management segment, subsidiaries acquired in the previous fiscal year contributed to sales, while large orders from public-sector entities supported a favorable order-acceptance environment in the software development segment. Net sales rose 23.9% from the same period of the previous fiscal year (YoY) to ¥6.634 billion.

In earnings terms, despite some notable expenses, the Group benefited from a number of measures to streamline operating costs. The Group appropriated expenses for relocating the headquarters of Fess Co., Ltd. (completed on July 23, 2018) as well as after-sales costs for software development (provision for product warranties*) in the previous fiscal year. However, the purchase of a subsidiary contributed to earnings; strengthened project control boosted productivity and prevented the acceptance of unprofitable projects; and the Group honed its sales capabilities to improve profitability. Thanks in part to these efforts, operating income surged to ¥396 million (+240.7% YoY), ordinary income soared to ¥424 million (+251.3% YoY) and net income attributable to owners of parent ballooned to ¥210 million (+495.3% YoY).

*The provision for product warranties is a provision appropriated to prepare for warranty expenses that may occur over a certain period of time in or after the current fiscal year due to responsibility for free-of-charge warranty contracts and warranties against defects with respect to software developed under contract and already received and inspected by customers in the previous fiscal year.

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

(i) System operation management

In platform development operations*, an increase in sales to public institutions was partially offset by a decline in sales to the financial sector. However, contribution from acquired subsidiaries and an intensified focus on existing customers in the finance-related operations management business boosted sales. Net sales increased to ¥4.073 billion (+29.0% YoY).

(ii) Software development

Although large projects concluded in the financial and transportation sectors, the Group accepted other large-scale projects in the public sector, boosting sales. Net sales rose to ¥2.302 billion (+15.4% YoY).

(iii) Others

In other segments, the Group enjoyed rising security product sales, consulting revenue and sales by overseas subsidiaries. Net sales expanded to ¥259 million (+30.3% YoY).

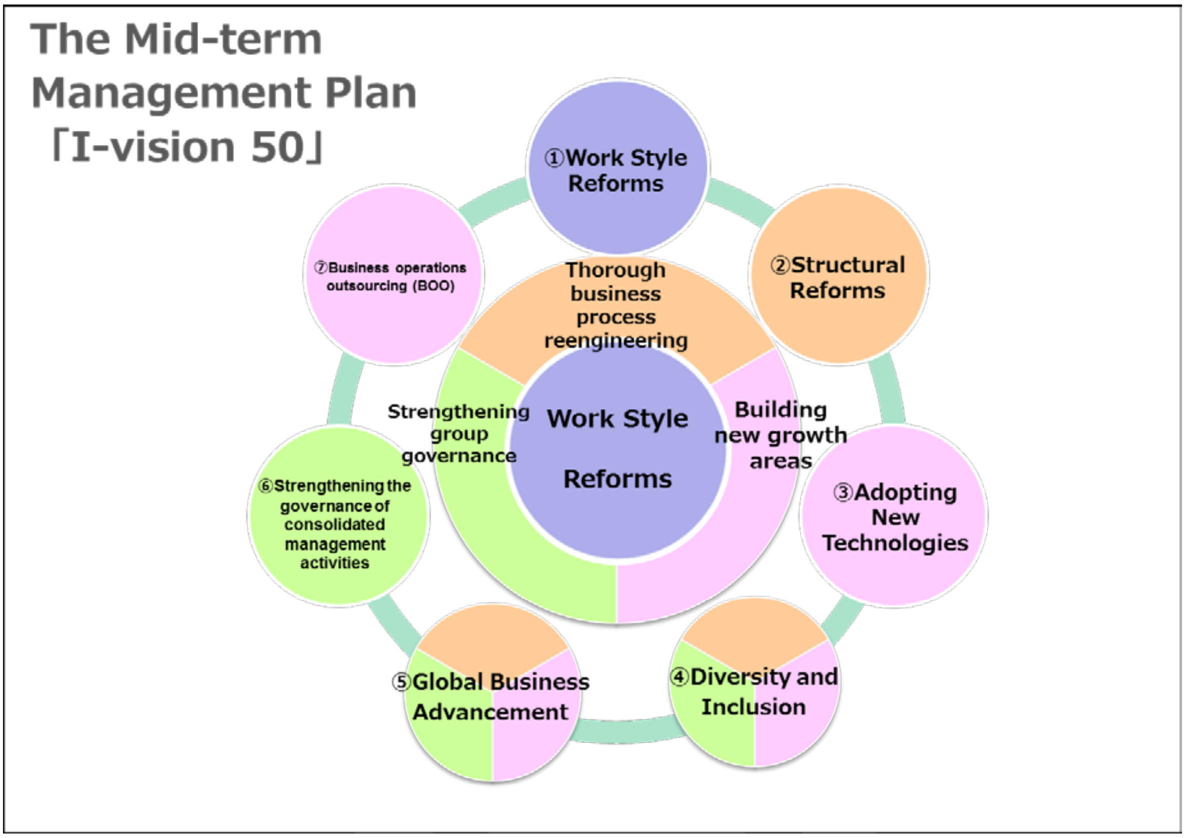
*Platform development operations refer to the ID Group's service of making optimal use of hardware, operating systems, and middleware to design and build low-cost, reliable system operational environments.

Management Policy Initiatives

The ID Group remains as committed as ever to its philosophy of "better, quicker services for our customers," set out in Mid-term Management Plan **I-vision 50** (adopted in April 2016 for the FY2016 to FY2018 period). In light of the current operating environment, the ID Group is implementing initiatives to achieve net sales of ¥26.3 billion and operating income of ¥1.48 billion in FY2018. **I-vision 50** supports three basic principles that are aimed at work style reforms: thorough business process reengineering (BPR), building new growth areas, and strengthening group governance. The ID Group is also undertaking the following seven priority initiatives: (i) work style reforms, (ii) structural reforms, (iii) adopting new technologies, (iv) diversity and inclusion, (v) global business advancement, (vi) strengthening the governance of consolidated management activities, and (vii) business operations outsourcing (BOO). These seven priority initiatives will motivate our employees and business partners to grow the business, supporting higher revenues and better wages. In doing so, the ID Group aims to create an environment that produces a virtuous cycle of taking on increasingly tougher challenges leading to fair return of profits to stakeholders other than the employees.

As of January 2018, Fess Co., Ltd. ("Fess"), whose core businesses are medical-related operations and system operation-related business such as ITSM consulting, is newly included in the ID Group. The inclusion of Fess expands the Group's operating base in system operation management, the core field of both companies, and creates a more efficient operating structure, setting the stage for further growth in this mainstay field.

The ID Group had planned to move to a holding-company structure as of October 1, 2018. However, some legal requirements remain unfulfilled, leading the Group to withdraw certain related agenda items at the Annual General Meeting of Shareholders convened June 22, 2018. The adoption of a holding-company structure is currently postponed.



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.

(i) 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 the work environment and enhance productivity.

・The ID Group is certified by Tottori Prefecture as an “enterprise that promotes equal participation in the workplace by men and women.” (San’in Branch) [(1), (4)]

・The ID Group is certified and registered by Tottori Prefecture as an “outstanding enterprise that empowers women.” (San’in Branch) [(1), (4)]

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

(ii) Structural reforms

The ID Group 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 or IT systemization.

・Implementation of business reform and improvement activities based on company-wide call for suggestions [(1), (2)]

・The Group has established a Committee for Visualization of Personnel Affairs, aiming for visualization of employees’ skills, experience and career paths. [(2), (4)]

(iii) Adopting new technologies

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

・The Group has newly established an Advanced Technology Office, tasked with promoting the Group's beneficial use of new technologies such as robotic process automation (RPA), AI and IoT. [(3)]

(iv) Diversity and inclusion

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

・Percentage of women in management positions: 12.3% [(4)]

・Percentage of non-Japanese workers at the ID Group: 9.1% [(4), (5)]

(v) Global business advancement

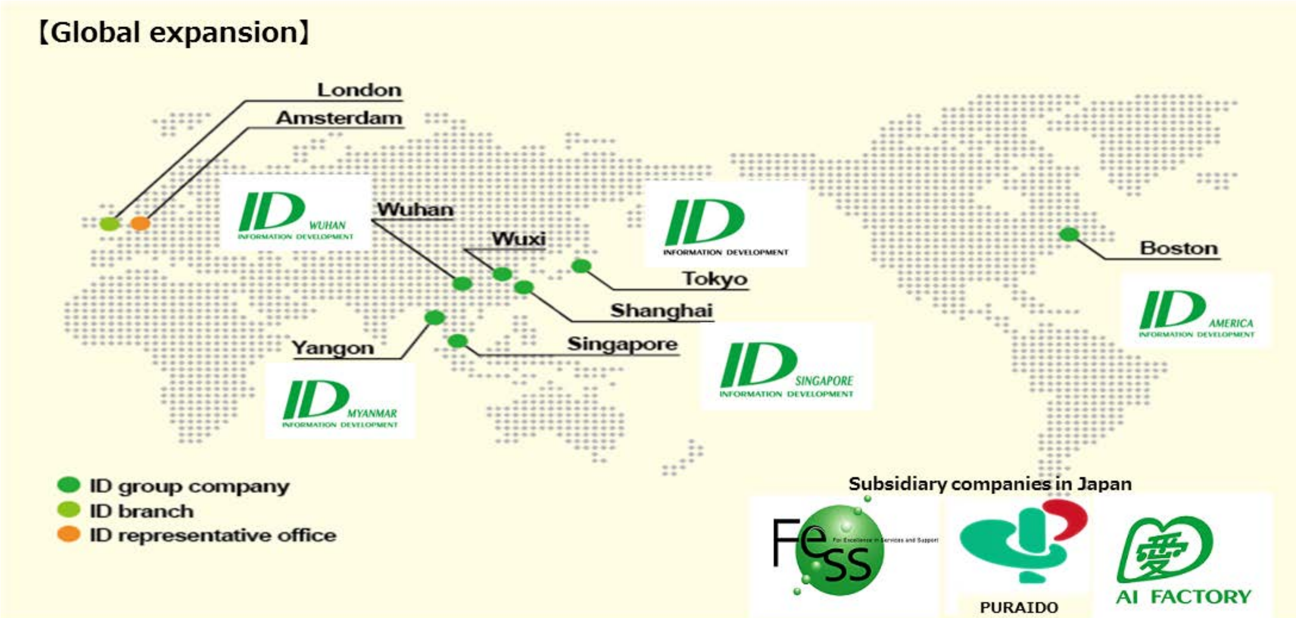
The ID Group is aggressively expanding overseas to assist other Japanese companies with their own overseas expansion and to increase its global competitiveness. The ID Group has begun to offer higher quality products and services to overseas clients and provides a 24/7 support system through its eight overseas bases (see the diagram below of our global network).

・INFORMATION DEVELOPMENT Wuhan CO., LTD.: Won the award for "most influential enterprise in the software and information service industries in China in FY2017–FY2018." [(5)]

(vi) Strengthening the governance of consolidated management activities

The ID Group is working to bring together solutions and maximize corporate value by communicating closely with the 12 bases of operations in and outside of Japan (see the diagram below of our global network). The ID Group strives to quickly ascertain management information, including the personnel and expertise at each base and the state of operations, and resolve customers' issues as a cohesive group.

・Fess Co., Ltd.: Moved to the head office of the parent company to improve business efficiency by pursuing synergies and centralizing management functions. [(6)]



(vii) 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 ID Group's financial position

(Assets)

Assets at the end of consolidated Q1 decreased by ¥583 million to ¥13.165 billion from ¥13.748 billion at the end of the previous consolidated accounting period, owing to an increase in cash and deposits of ¥340 million, a decrease in notes and accounts receivable–trade of ¥840 million, and a decrease in deferred tax assets of ¥161 million, etc.

(Liabilities)

Liabilities at the end of consolidated Q1 decreased by ¥442 million to ¥5.688 billion from ¥6.131 billion at the end of the previous consolidated accounting period, owing to a decrease in income taxes payable of ¥435 million, a decrease in provision for bonuses of ¥455 million, and an increase in other current liabilities of ¥436 million, etc.

(Net Assets)

Net assets at the end of consolidated Q1 decreased by ¥140 million to ¥7.476 billion from ¥7.617 billion at the end of the previous consolidated accounting period, owing to a net income attributable to owners of parent of ¥210 million, a decrease of ¥455 million due to dividend payments, and an increase in valuation difference on available-for-sale securities of ¥93 million, etc.

(3) Qualitative Information on the Consolidated Results Forecast

There have been no changes to the consolidated first half or full-year results projections as released by the ID Group on April 27, 2018.

The Group began applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) at the beginning of Q1 of the current consolidated fiscal year. Figures are therefore compared with the figures at the end of the previous consolidated fiscal year after retroactive processing of the financial position.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of ¥)

	Previous consolidated accounting period As of March 31, 2018	Consolidated first quarter under review As of June 30, 2018
Assets		
Current assets		
Cash and deposits	3,145,324	3,485,774
Notes and accounts receivable – trade	4,911,145	4,070,419
Work in process	51,743	64,735
Other	235,990	253,037
Allowance for doubtful accounts	–64	—
Total current assets	8,344,139	7,873,966
Non-current assets		
Property, plant and equipment		
Land	834,180	834,180
Other, net	956,944	933,089
Total property, plant and equipment	1,791,124	1,767,269
Intangible assets		
Goodwill	1,673,712	1,610,027
Software	90,443	83,793
Other	749	2,638
Total intangible assets	1,764,906	1,696,459
Investments and other assets		
Deferred tax assets	233,414	72,075
Other	1,622,872	1,763,226
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	1,848,787	1,827,801
Total non-current assets	5,404,818	5,291,530
Total assets	13,748,957	13,165,496
Liabilities		
Current liabilities		
Accounts payable – trade	956,721	839,512
Short-term loans payable	2,280,000	2,360,000
Income taxes payable	497,043	61,686
Provision for bonuses	930,104	474,962
Provision for directors' bonuses	20,847	3,900
Provision for product warranties	—	48,197
Allowance for loss on transfer	—	56,160
Other	1,239,280	1,625,139
Total current liabilities	5,923,997	5,469,558
Non-current liabilities		
Net retirement benefit liability	46,117	41,784
Provision for directors' retirement benefits	7,985	8,832
Other	153,605	168,736
Total non-current liabilities	207,708	219,352
Total liabilities	6,131,706	5,688,911
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,970	568,858
Retained earnings	6,374,935	6,129,401
Treasury stock	–502,870	–501,466
Total shareholders' equity	7,033,380	6,789,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	451,852	545,659
Foreign currency translation adjustment	103,481	112,649
Remeasurements of retirement benefit plans	–1,892	–1,200

Total accumulated other comprehensive income	553,441	657,108
Subscription rights to shares	11,993	11,762
Non-controlling interests	18,435	18,574
Total net assets	7,617,250	7,476,585
Total liabilities and net assets	13,748,957	13,165,496

(2) **Consolidated Statement of Income and Comprehensive Income**

(Consolidated Statement of Income)

(Consolidated first Quarter)

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2017 to June 30, 2017)	Consolidated first quarter under review (April 1, 2018 to June 30, 2018)
Net sales	5,353,405	6,634,933
Cost of sales	4,432,501	5,258,409
Gross profit	920,904	1,376,523
Selling, general, and administrative expenses	804,395	979,602
Operating income	116,509	396,920
Non-operating income		
Interest income	662	657
Dividend income	15,408	34,287
Other	5,180	12,557
Total non-operating income	21,251	47,503
Non-operating expenses		
Interest expenses	701	3,697
Commitment line fees	16,221	16,247
Other	26	47
Total non-operating expenses	16,950	19,993
Ordinary income	120,810	424,431
Extraordinary income		
Gain on sales of non-current assets	—	1,204
Gain on sales of investment securities	—	9,495
Reversal of allowance for doubtful accounts	—	4
Total extraordinary income	—	10,705
Extraordinary losses		
Loss on sales of non-current assets	62	196
Impairment loss	9,344	—
Provision of allowance for loss on transfer	—	56,160
Total extraordinary losses	9,407	56,356
Net income before income taxes	111,403	378,780
Income taxes–current	25,081	47,344
Income taxes–deferred	48,175	119,611
Total income taxes	73,257	166,955
Net income	38,146	211,824
Net income attributable to non-controlling interests	2,831	1,579
Net income attributable to owners of parent	35,314	210,245

(Consolidated Statement of Comprehensive Income)

(Consolidated First Quarter)

(Thousands of ¥)

	Previous consolidated first quarter (April 1, 2017 to June 30, 2017)	Consolidated first quarter under review (April 1, 2018 to June 30, 2018)
Net income	38,146	211,824
Other comprehensive income		
Valuation difference on available-for-sale securities	8,541	93,806
Foreign currency translation adjustment	5,253	9,168
Remeasurements of retirement benefit plans	—	692
Total other comprehensive income	13,795	103,667
Comprehensive income	51,941	315,492
(Breakdown)		
Comprehensive income attributable to owners of parent	48,935	313,912
Comprehensive income to non-controlling interests	3,005	1,579

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions regarding Going Concern)

None.

(Notes on Significant Changes (If Any) in Shareholder Equity)

None.

(Additional Information)

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

The ID Group 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 mid- 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 ID Group, 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 ID Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

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

The ID Group 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 ID Group shares held in trust

Shares in the ID Group held by BBT and J-ESOP at the end of the consolidated first quarter under review are listed in the consolidated balance sheet under "Net Assets" as "Treasury Stock." The book value of these shares was ¥191,437,000 at the end of the previous consolidated fiscal period and was ¥191,437,000 at the end of the consolidated first quarter under review. The number of shares was 394,869 at the end of the previous consolidated fiscal period and was 394,869 at the end of the consolidated first quarter under review.

(Application of the Partial Revision of the Accounting Standards for Tax-effect Accounting)

The Group began applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) at the beginning of Q1 of the current consolidated fiscal year. Deferred tax assets are therefore listed in the category "Investment and Other Assets," while deferred tax liabilities are listed in the category "Non-current Liabilities."