Note: This document is an English translation of the "Kessan Tanshin" for the second 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 Six Months of the Fiscal Year Ending March 31, 2019 (J-GAAP)

October 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:	November 12, 2018
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 for H1 FY2018 (April 1–September 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	%
H1 FY2018	13,171	22.5	734	149.2	786	154.2	450	332.6
H1 FY2017	10,749	1.5	294	–40.7	309	–36.5	104	–69.2

Note: Comprehensive income H1 FY2018 ¥437 million (255.4%) H1 FY2017 ¥123 million (–77.2%)

	Net income per share	Diluted net income per share
	¥	¥
H1 FY2018	40.94	40.52
H1 FY2017	9.54	9.43

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
Q2 FY2018	13,195	7,614	57.5
FY2017	13,748	7,617	55.2

Reference: Equity Q2 FY2018 ¥7,582 million FY2017 ¥7,586 million

Note: The Group has been applying the Partial Revision of the Accounting Standards for Tax-effect Accounting (Enterprise Accounting Standard No. 28, February 16, 2018) since the beginning of Q1 of the current consolidated fiscal year. For this reason, these revisions have been applied retroactively to figures from the end of the previous consolidated fiscal year for the purpose of comparison.

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	―	0.00			
FY2018 (forecast)			―	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)

(% indicates YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2018 (full fiscal year)	26,600	14.6	1,640	30.7	1,700	33.4	960	54.2	86.93

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):	Q2 FY2018	12,044,302	shares	FY2017	12,044,302	shares
(ii) Amount of treasury stock:	Q2 FY2018	1,000,525	shares	FY2017	1,044,686	shares
(iii) Interim average number of shares (Consolidated total for the quarter)	Q2 FY2018	11,014,522	shares	Q2 FY2017	10,926,933	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 on the Second Quarter of the Fiscal Year Ending March 31, 2019, on page 6 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.

(Method of obtaining supplementary explanatory materials regarding results and details of the results briefing)
The Company will hold a results briefing for institutional investors and analysts on November 22, 2018. The materials that will be distributed at the briefing will be posted on the Company website promptly after the briefing.

Contents

1. Qualitative Information on the Second 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 six months of the ID Group's 2018 consolidated fiscal year (H1 FY2018: period from April 1, 2018 to September 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 22.5% from the same period of the previous fiscal year (YoY) to ¥13.171 billion.

In earnings terms, 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, as a result of the synergistic effect of subsidiary acquisition in addition to the promotion of initiatives such as sales efforts for increased profitability and strengthened project control for boosted productivity, operating income surged to ¥734 million (+149.2% YoY), ordinary income soared to ¥786 million (+154.2% YoY), and net income attributable to owners of parent ballooned to ¥450 million (+332.6% 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 H1 FY2018 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 ¥8.099 billion (+28.7% 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 ¥4.583 billion (+14.8% YoY).

(iii) Others

In other segments, although the Group's security product sales remained steady, consulting and overseas subsidiary sales increased. Net sales expanded to ¥488 million (+6.1% 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.

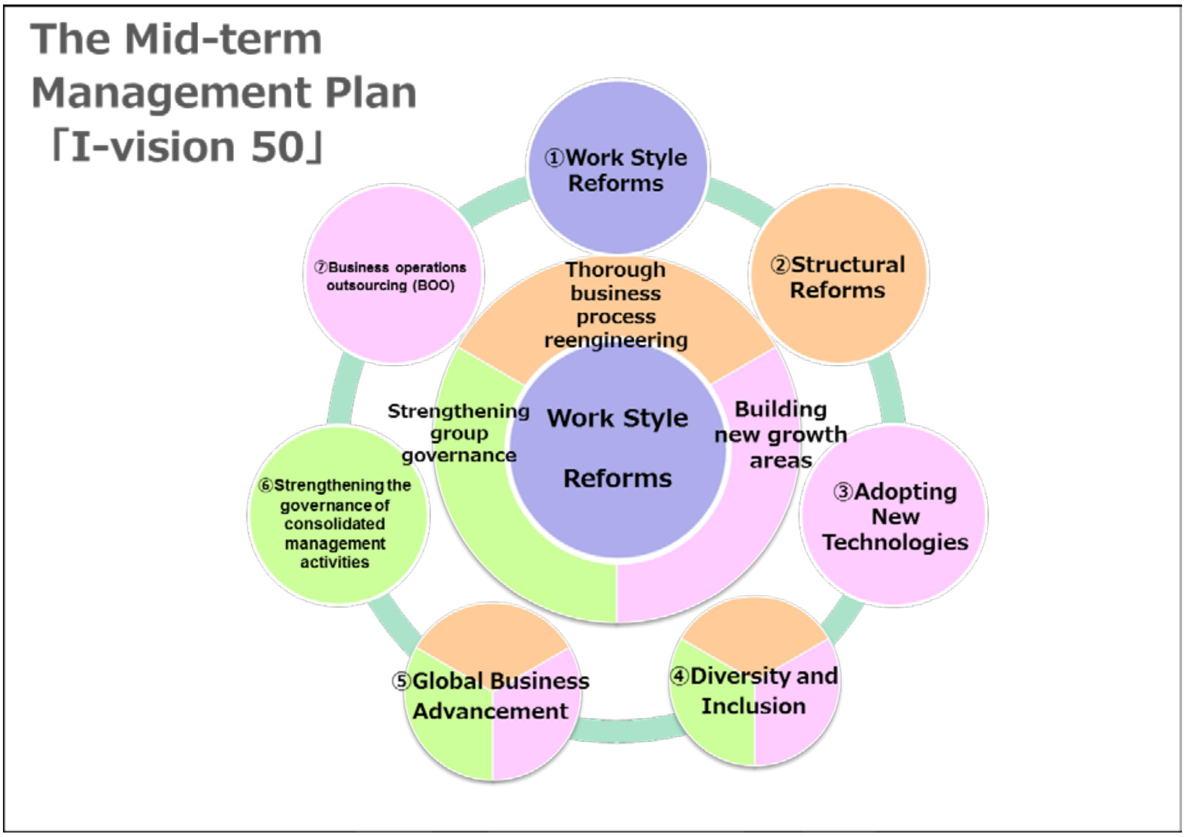
Management Policy Initiatives

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.

In addition, although the Group revised its schedule for moving to a holding-company structure, preparations for the transition have recently been completed, and the shift is scheduled to be applied on April 1, 2019, pending approval at an Extraordinary General Meeting of Shareholders to be held on January 24, 2019.

*BOO (Business Operation Outsourcing) refers to a total IT outsourcing service provided by the Group. This service provides a single client with a complete package that includes consulting, software development, system operation management, cloud services, and cyber-security.



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)]
・Introduction of the volunteer leave system [(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 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)]
・The Group invested in the ff Graphite (v), L.P. Venture Fund, a fund targeting cutting-edge IT technology [(3)]
・The Group started a cooperative business with Keio University in the cyber-security field [(3)]
・The Group held the "Night for Considering Technology Promotion and Business Innovation Powered by ID" at Venture Café Tokyo, of which the Group is a sponsor [(3)]
・The Group started training technicians in "Agile Development," a leading software development management method for rapid development with adaptability and reduced risk [(3)]
・The Group executed a memorandum with the Ireland's ActionPoint Technology Group regarding Agile Development [(3), (5)]

(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: 14% [(4)]
・Percentage of non-Japanese workers at the ID Group: 9% [(4), (5)]

(v) Global business advancement

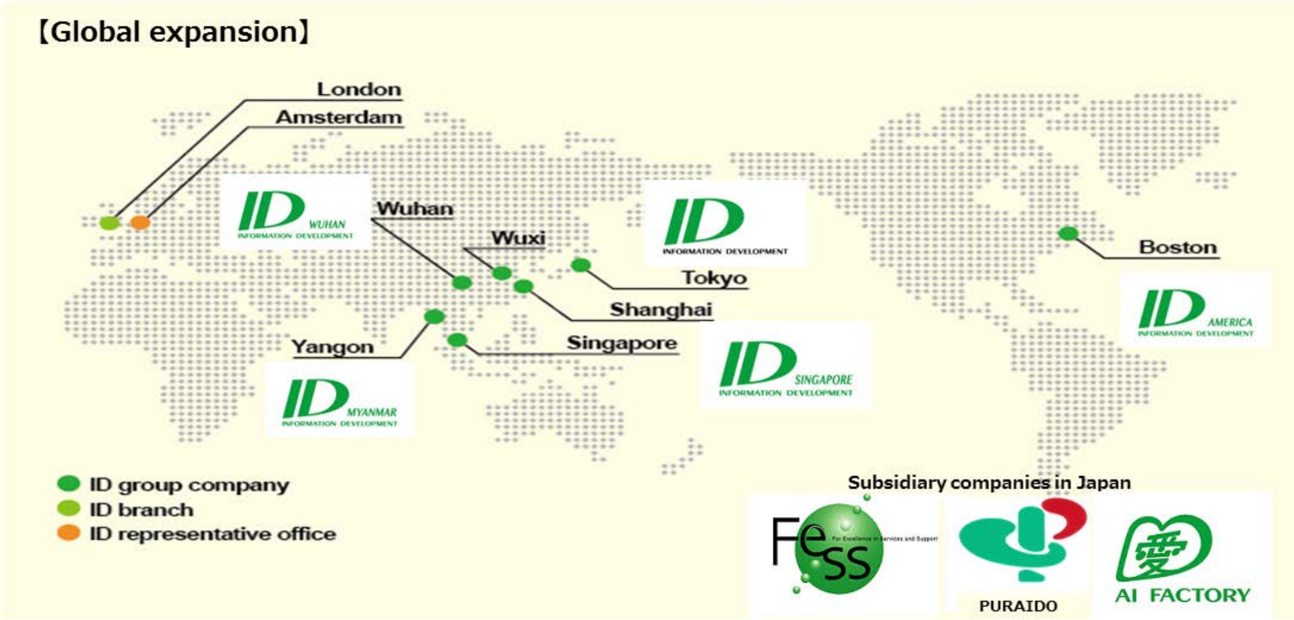
The ID Group is aggressively expanding overseas to assist other Japanese companies with their own overseas expansion and to increase its global competitiveness. The ID Group has begun to offer higher quality products and services to overseas clients and provides a 24/7 support system through its eight 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)]
・Became the first Japanese company to participate as a member of the Netherlands' Hague Security Delta [(3), (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

(i) Changes in the ID Group's financial position

(Assets)

Assets at the end of consolidated Q2 decreased by ¥553 million to ¥13.195 billion from ¥13.748 billion at the end of the previous consolidated accounting period, owing to a decrease in cash and deposits of ¥122 million, a decrease in notes and accounts receivable–trade of ¥354 million, and a decrease in goodwill of ¥127 million, etc.

(Liabilities)

Liabilities at the end of consolidated Q2 decreased by ¥550 million to ¥5.581 billion from ¥6.131 billion at the end of the previous consolidated accounting period, owing to a decrease in notes and accounts payable–trade of ¥223 million, a decrease in interest-bearing debt of ¥218 million, and a decrease in accrued consumption tax, etc. of ¥127 million, etc.

(Net Assets)

Net assets at the end of consolidated Q2 decreased by ¥2 million to ¥7.614 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 ¥450 million, a decrease of ¥455 million due to dividend payments, and a decrease in valuation difference on available-for-sale securities of ¥34 million, etc.

(ii) Cash flows

The balance of cash and cash equivalents ("cash") at the end of consolidated Q2 under review increased by ¥290 million compared with the end of consolidated Q2 in the previous fiscal year, to ¥2.653 billion (+12.3% YoY).

The cash flow and factors affecting cash flow for H1 of the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥609 million (+653.9% YoY).

This result was mainly due to ¥738 million in net income before income taxes, a decrease of ¥469 million in notes and accounts receivable–trade, a decrease of ¥223 million in notes and accounts payable–trade, and ¥442 million in corporation tax, etc. paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥255 million (+143.9% YoY).

This result was mainly due to payments into time deposits of ¥149 million, purchase of property, plant and equipment of ¥59 million, and purchase of investment securities of ¥56 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥670 million (+3,132.3% YoY).

This result was mainly due to a net decrease of ¥1.720 billion in short-term loans payable, proceeds from long-term loans payable of ¥1.5 billion, and cash dividends paid of ¥453 million (including cash dividends paid to non-controlling interests).

(3) Qualitative Information on the Consolidated Results Forecast

There have been no changes to the full-year results projections as released by the ID Group on October 26, 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 second quarter under review As of September 30, 2018
Assets		
Current assets		
Cash and deposits	3,145,324	3,022,434
Notes and accounts receivable – trade	4,911,145	4,556,868
Work in process	51,743	59,540
Other	235,990	268,824
Allowance for doubtful accounts	–64	—
Total current assets	8,344,139	7,907,668
Non-current assets		
Property, plant and equipment	1,791,124	1,783,747
Intangible assets		
Goodwill	1,673,712	1,546,342
Software	90,443	80,819
Other	749	744
Total intangible assets	1,764,906	1,627,906
Investments and other assets		
Deferred tax assets	233,414	284,281
Other	1,622,872	1,599,350
Allowance for doubtful accounts	–7,500	–7,500
Total investments and other assets	1,848,787	1,876,132
Total non-current assets	5,404,818	5,287,787
Total assets	13,748,957	13,195,455
Liabilities		
Current liabilities		
Accounts payable – trade	956,721	733,550
Short-term loans payable	2,280,000	560,000
Current portion of long-term loans payable	—	500,800
Income taxes payable	497,043	372,925
Provision for bonuses	930,104	932,308
Provision for directors’ bonuses	20,847	7,800
Provision for loss on orders received	—	27,626
Provision for product warranties	—	108,395
Other	1,239,280	1,118,234
Total current liabilities	5,923,997	4,361,640
Non-current liabilities		
Long-term loans payable	—	999,200
Net retirement benefit liability	46,117	40,066
Provision for directors’ retirement benefits	7,985	9,821
Other	153,605	170,314
Total non-current liabilities	207,708	1,219,402
Total liabilities	6,131,706	5,581,042
Net assets		
Shareholders' equity		
Capital stock	592,344	592,344
Capital surplus	568,970	568,774
Retained earnings	6,374,935	6,370,133
Treasury stock	–502,870	–485,764
Total shareholders’ equity	7,033,380	7,045,487
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	451,852	417,448
Foreign currency translation adjustment	103,481	119,987
Remeasurements of retirement benefit plans	–1,892	–508
Total accumulated other comprehensive income	553,441	536,927
Subscription rights to shares	11,993	11,589
Non-controlling interests	18,435	20,407
Total net assets	7,617,250	7,614,413
Total liabilities and net assets	13,748,957	13,195,455

(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, 2017 to September 30, 2017)	Consolidated cumulative second quarter under review (April 1, 2018 to September 30, 2018)
Net sales	10,749,164	13,171,826
Cost of sales	8,908,527	10,492,412
Gross profit	1,840,636	2,679,414
Selling, general, and administrative expenses	1,545,688	1,944,468
Operating income	294,948	734,945
Non-operating income		
Interest income	1,614	1,780
Dividend income	16,316	35,393
Foreign exchange gains	—	21,790
Other	15,153	16,227
Total non-operating income	33,084	75,192
Non-operating expenses		
Interest expenses	2,086	6,866
Commitment line fees	16,622	17,004
Other	59	131
Total non-operating expenses	18,768	24,001
Ordinary income	309,264	786,136
Extraordinary income		
Gain on sales of non-current assets	—	1,204
Gain on sales of investment securities	—	9,495
Other	—	4
Total extraordinary income	—	10,705
Extraordinary losses		
Loss on sales of non-current assets	95	27
Loss on retirement of non-current assets	2,947	733
Loss on valuation of investment securities	48,643	—
Impairment loss	9,233	—
Office transfer loss	—	57,701
Total extraordinary losses	60,920	58,462
Net income before income taxes	248,344	738,379
Income taxes–current	171,672	320,419
Income taxes–deferred	–34,136	–36,429
Total income taxes	137,535	283,989
Net income	110,809	454,389
Net income attributable to non-controlling interests	6,552	3,412
Net income attributable to owners of parent	104,256	450,977

(Consolidated Statement of Comprehensive Income)

(Consolidated Cumulative Second Quarter)

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)	Consolidated cumulative second quarter under review (April 1, 2018 to September 30, 2018)
Net income	110,809	454,389
Other comprehensive income		
Valuation difference on available-for-sale securities	–2,201	–34,404
Foreign currency translation adjustment	14,614	16,506
Remeasurements of retirement benefit plans	―	1,384
Total other comprehensive income	12,412	–16,513
Comprehensive income	123,222	437,876
(Breakdown)		
Comprehensive income attributable to owners of parent	116,519	434,464
Comprehensive income attributable to non-controlling interests	6,702	3,412

(3) Consolidated Cash Flow Statement

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)	Consolidated cumulative second quarter under review (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Net income before income taxes	248,344	738,379
Depreciation	99,272	95,332
Impairment loss	9,233	－
Amortization of goodwill	7,156	127,370
Loss on retirement of non-current assets	2,947	733
Loss (gain) on sales of non-current assets	95	–1,177
Loss (gain) on valuation of investment securities	48,643	－
Loss (gain) on sales of investment securities	－	–9,495
Increase (decrease) in provision for bonuses	100,663	1,814
Increase (decrease) in provision for directors' bonuses	–3,165	–13,047
Increase (decrease) in allowance for doubtful accounts	–55,710	–64
Increase (decrease) in provision for loss on orders received	–6,631	27,626
Increase (decrease) in provision for product warranties	－	108,395
Increase (decrease) in net retirement benefit assets (liabilities)	15,594	–2,140
Increase (decrease) in provision for directors' retirement benefits	1,512	1,835
Interest income and dividend income	–17,930	–37,174
Interest expenses	2,086	6,866
Foreign exchange losses (gains)	–5,153	–15,819
Decrease (increase) in notes and accounts receivable–trade	–156,169	469,231
Decrease (increase) in inventories	–3,379	–7,582
Increase (decrease) in notes and accounts payable–trade	–31,752	–223,564
Increase (decrease) in amounts payable–other	–25,674	–5,216
Increase (decrease) in accrued expenses	135,464	–86,039
Increase (decrease) in accrued consumption tax, etc.	35,036	–127,743
Decrease (increase) of other current assets	–32,196	–33,781
Increase (decrease) in other current liabilities	–28,175	–25,595
Decrease (increase) in other non-current assets	–27,576	2,359
Increase (decrease) in other non-current liabilities	16,769	15,204
Other	11,365	14,712
Subtotal	340,671	1,021,417
Interest and dividend income received	18,585	37,686
Interest expenses paid	–2,038	–6,849
Corporation tax, etc. paid	–276,387	–442,913
Net cash provided by (used in) operating activities	80,830	609,340
Cash flows from investing activities		
Payments into time deposits	－	–149,130
Purchase of property, plant and equipment	–45,626	–59,023
Proceeds from sales of property, plant and equipment	50,210	1,216
Purchase of intangible assets	–11,419	–12,983
Purchase of investment securities	–94,112	–56,983
Proceeds from sales of investment securities	－	14,000
Payments of loans receivable	–1,040	－
Collection of loans receivable	1,812	－
Other	–4,475	7,658
Net cash provided by (used in) investing activities	–104,651	–255,246

(Thousands of ¥)

	Previous consolidated cumulative second quarter (April 1, 2017 to September 30, 2017)	Consolidated cumulative second quarter under review (April 1, 2018 to September 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	400,000	–1,720,000
Proceeds from long-term loans payable	—	1,500,000
Purchase of treasury stock	–711	–319
Proceeds from sales of treasury stock	547	2,407
Cash dividends paid	–417,458	–452,296
Cash dividends paid to non-controlling interests	–1,005	–1,440
Other	–2,103	1,568
Net cash provided by (used in) financing activities	–20,730	–670,080
Effect of exchange rate changes on cash and cash equivalents	16,218	24,592
Net increase (decrease) in cash and cash equivalents	–28,334	–291,393
Cash and cash equivalents at beginning of period	2,391,228	2,944,523
Cash and cash equivalents at end of period	2,362,893	2,653,130

(4) 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 second 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 ¥176,724,000 at the end of the consolidated second quarter under review. The number of shares was 394,869 at the end of the previous consolidated fiscal period and was 355,877 at the end of the consolidated second 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."