



High Technology. High Quality. Challenging the unknown

INFORMATION DEVELOPMENT Co.,Ltd.

President and Representative Director
Masaki Funakoshi

Change or Die!

Nov. 2018
TSE 1st section
Code: 4709

1

New Topics

2

Q2 Performance Overview

3

The Final Year of ^{Mid-term Management Plan} 「I-vision 50」

- Nov.**
 - 8th** Managed security service for Seceon OTM launched
 - 1st** Sponsor of ASOCIO Digital Masters Summit 2018
- Oct.**
 - 31st** Notice of transition to holding-company structure by means of incorporation-type company split, partial revision of articles of incorporation and setting of record date for convocation of extraordinary general meeting of shareholders
 - 31st** RPA Business Reform Service launched
 - 26th** Revision of consolidated financial results forecast (upward) of FY2018
 - 5th** Joining of the Hague Security Delta, the Kingdom of the Netherlands, as the first Japanese company
- Sep.**
 - 26th** Beach clean volunteer activities
 - 18th** Organizational and personnel changes
 - 18th** Investment in venture capital 「ff Graphite (v), L.P.」

- Aug.**
 - 31st** Memorandum of agreement concerning agile development with Irish ActionPoint Technology Group
 - 31st** Started collaboration with Keio University in the field of cybersecurity
- Jul.**
 - 26th** Certified as gender equality promoting and female workforce promoting company
 - 23rd** Certified as AWS partner
 - 11th** Classic concert was hosted as a part of patronage of arts
- Jun.**
 - 25th** Award from the Chinese government for ID's overseas subsidiary
 - 14th** Delay of transition to holding company structure, removal of this item from the agenda of shareholders meeting and reduction in directors' remuneration
- Apr.**
 - 24th** Support the environment development project of Mt. Daisen 1300 Years of History festival
 - 16th** Awarded *The Fifth IR Good Visual Award*
 - 3rd** Collaboration agreement with Indica Holding B.V. in the Netherlands

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1

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2

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Net Sales

Increase for 7th straight year

¥13,171 million

+22.5%YoY

System
Operation
Management

- Contribution of acquiring Fess Co., Ltd
- Increased continuously in finance-related
- Platform development operations:
Increased in public-sector-related and decreased in finance-related

Software
Development

- Increased on account of augmented orders in public-sector-related projects
- Decreased in finance-related and transport-related projects

Others

- Increased in consulting and overseas. Remain flat in security products

Operating Income

¥734 million

+149.2%YoY

- Increase in sales
- Sales efforts for increased profitability
- Strengthened project control for boosted productivity
- Contribution of acquiring Fess Co., Ltd.
- The expenses for relocating the headquarters of Fess Co., Ltd.
- The provision for product warranties due to the previous software development, etc.

Net Income Attributable to Owners of Parent

¥450 million

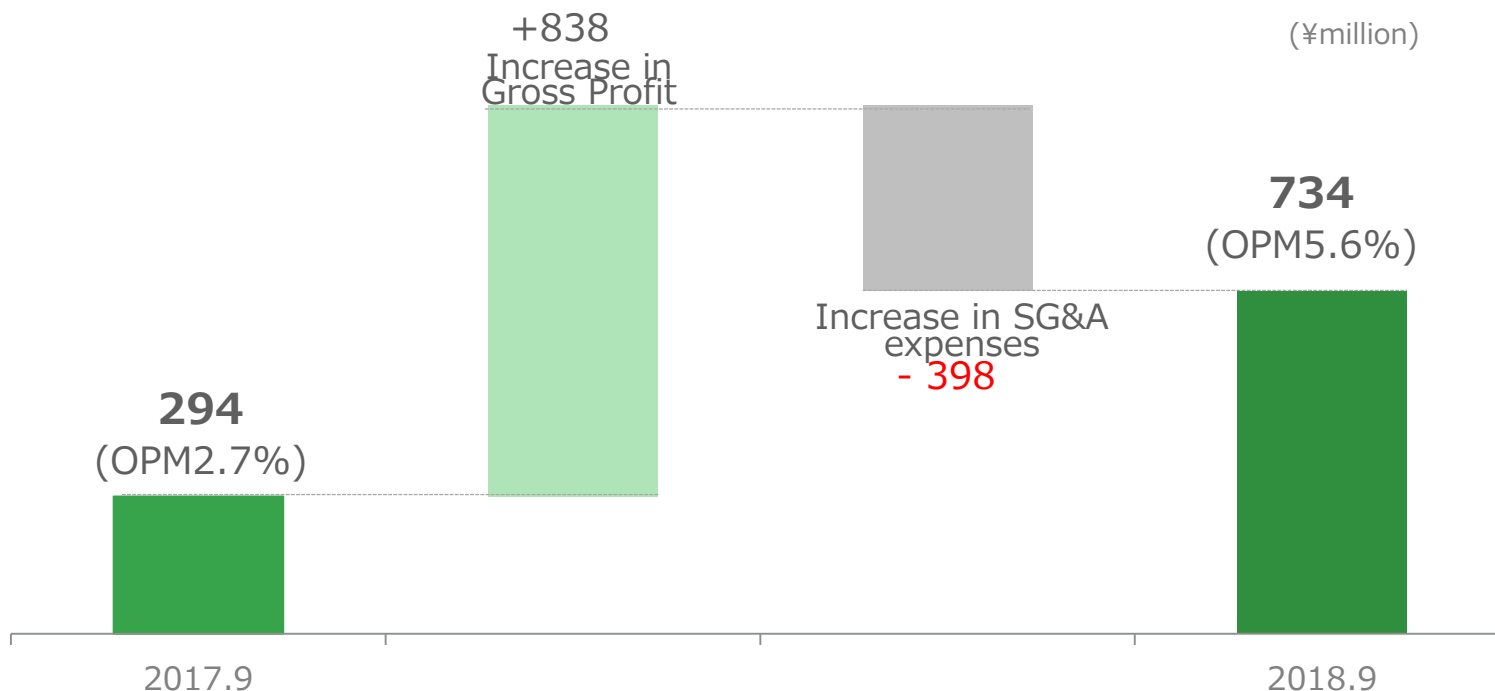
+332.6%YoY

- ¥57 million of extraordinary losses due to the relocation of Fess Co., Ltd.
- A reactionary increase of ¥48 million due to the loss on valuation of investment securities in the previous fiscal year

Q2 Financial Results (consolidated)

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	2017.9		2018.9			
	Results	(% of net sales)	Results	(% of net sales)	Diff.	YoY
(¥ million)						
Net sales	10,749	-	13,171	-	+2,422	+22.5%
Cost of sales	8,908	82.9%	10,492	79.7%	+1,583	+17.8%
Gross profit	1,840	17.1%	2,679	20.3%	+838	+45.6%
SG&A expenses	1,545	14.4%	1,944	14.8%	+398	+25.8%
Operating income	294	2.7%	734	5.6%	+439	+149.2%
Ordinary income	309	2.9%	786	6.0%	+476	+154.2%
Net income attributable to owners of parent	104	1.0%	450	3.4%	+346	+332.6%

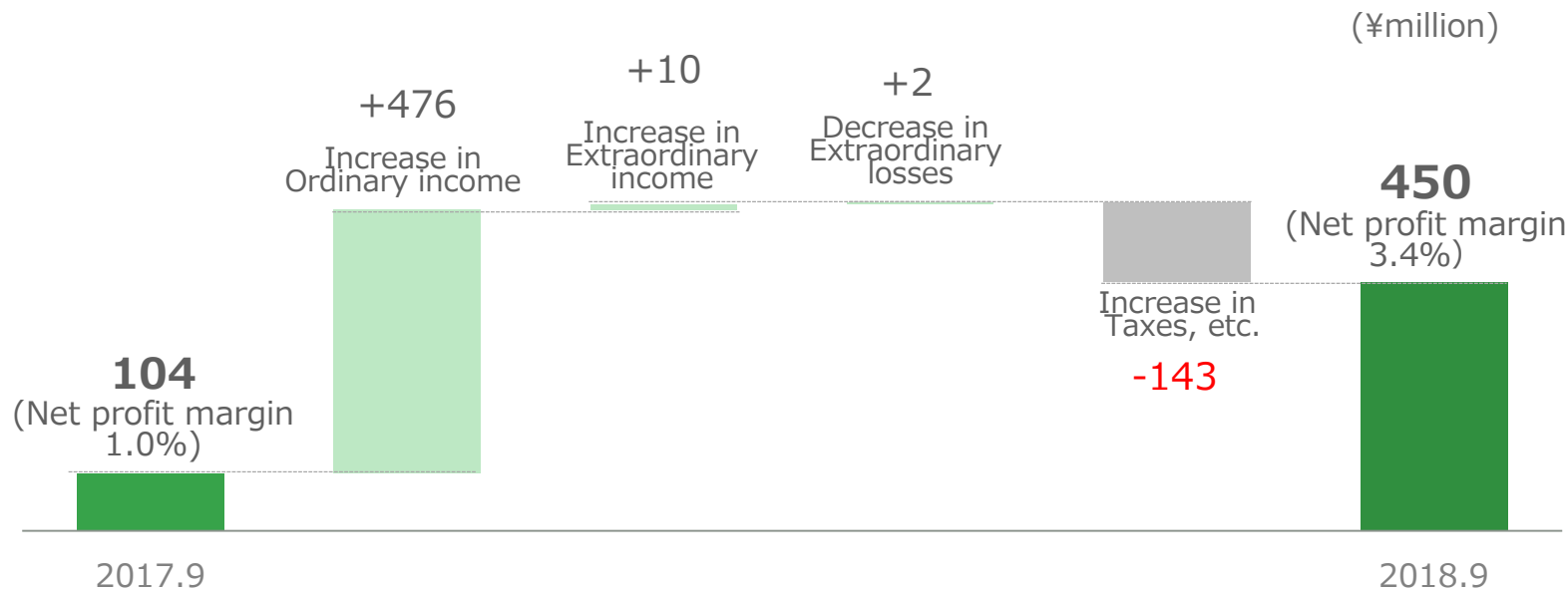


◆ Gross profit	+838
➤ Net Sales	+2,422
➤ Cost of sales	-1,583
<Major changes in cost of sales>	
• Outsourcing expenses	-514
• Personal expenses	-837
• Manufacturing expenses	-190

◆ SG&A expenses	-398
<Major changes in SG&A expenses>	
➤ Personal expenses	-175
➤ Other SG&A expenses	-222

Net Income Attribute to 2Q Owners of Parent Analysis (YoY)

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Extraordinary income +10

Major changes in Extraordinary income

Gain on sales of investment securities	+9
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Extraordinary losses +2

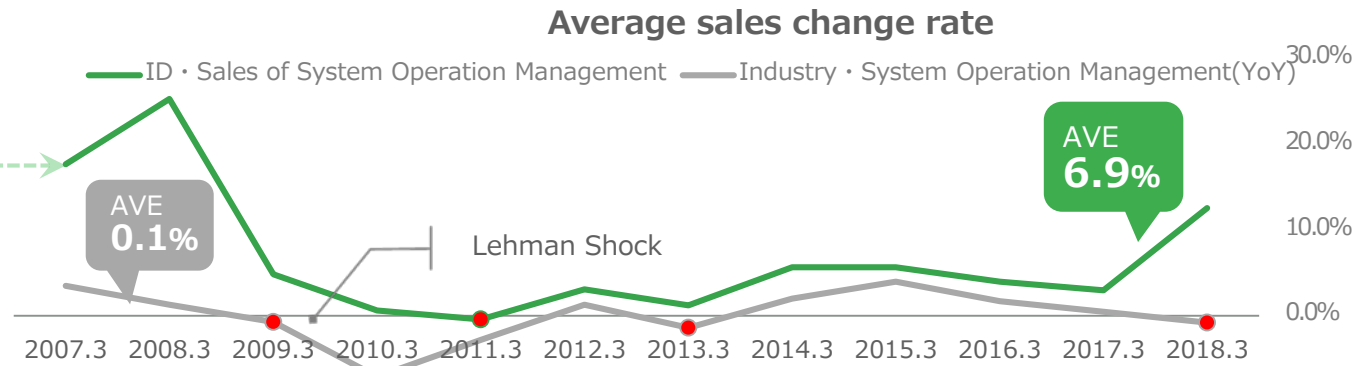
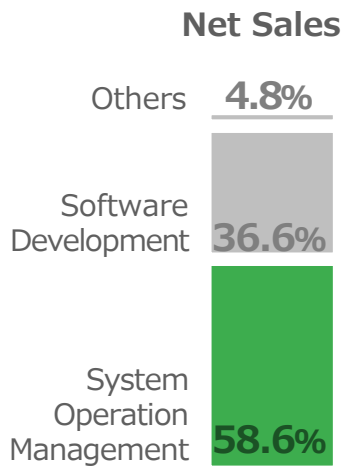
Major changes in Extraordinary losses

A reactionary increase since the loss on valuation of investment securities in the previous fiscal year	+48
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A reactionary increase since impairment loss and loss on retirement of non-current assets in the previous fiscal year	+12
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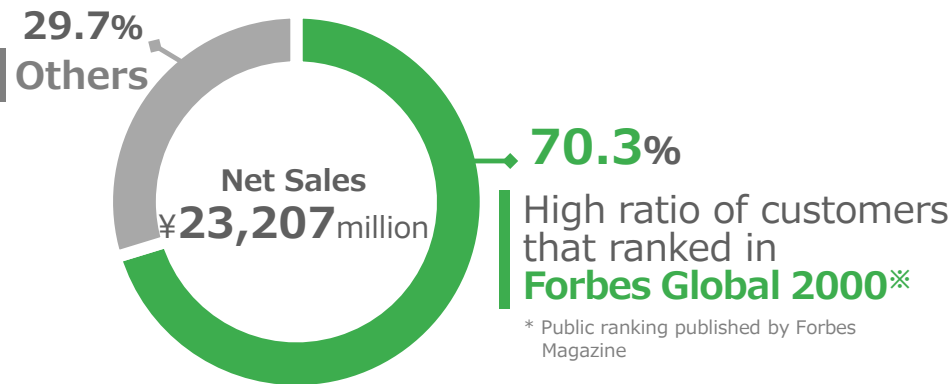
Losses due to the relocation of Fess Co., Ltd.	-57
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1 Sale for System Operation Management over 50%



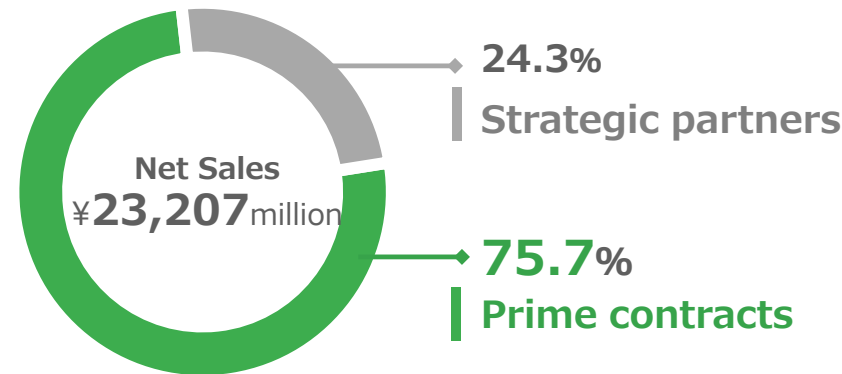
◆ System Operation Management acts as a stock business and supports business performance

2 More than 70% of the Transaction Revenue Comes from Global Leading Companies



◆ Actively stabilizing relation with leading companies for IT investments

3 Near 80% of the contracts are prime contracts

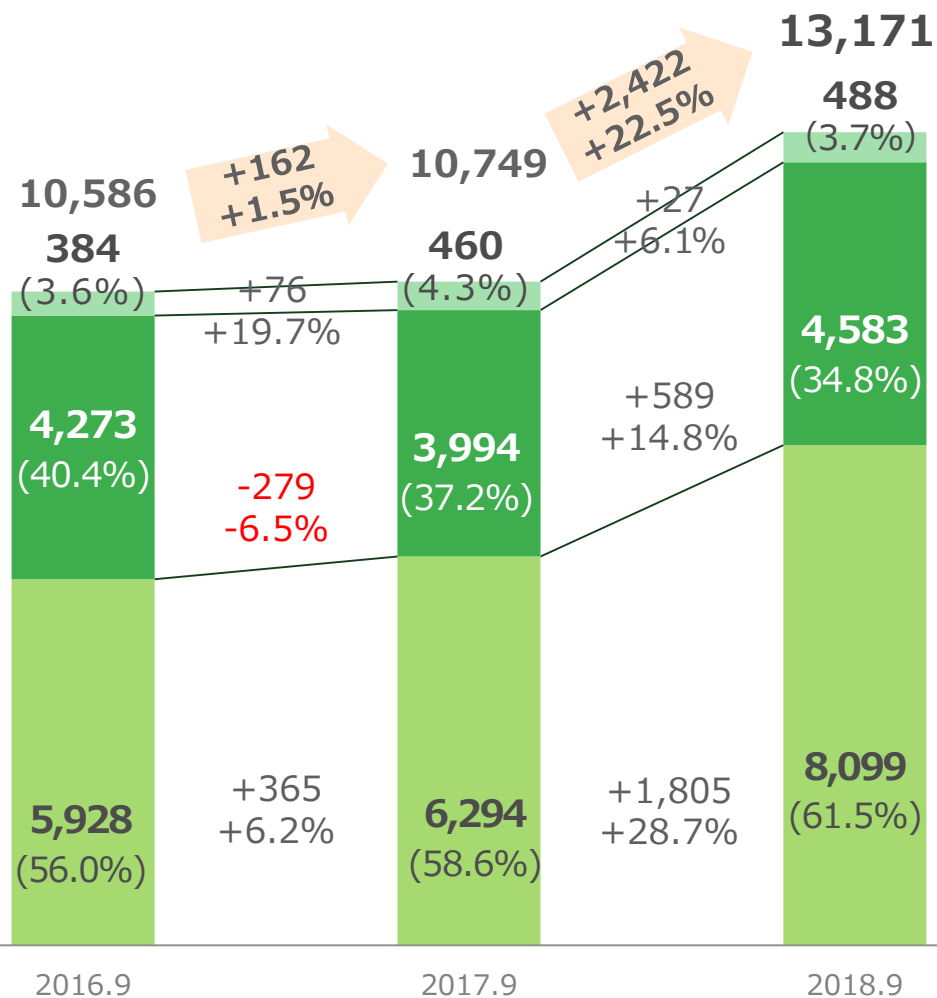


◆ Directly understanding customer needs and creating appropriate proposals

Q2 Feature of ID Group① (Net sales by Segment)

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



Others

- Increase in consulting projects and overseas sales
- Remain flat in security related

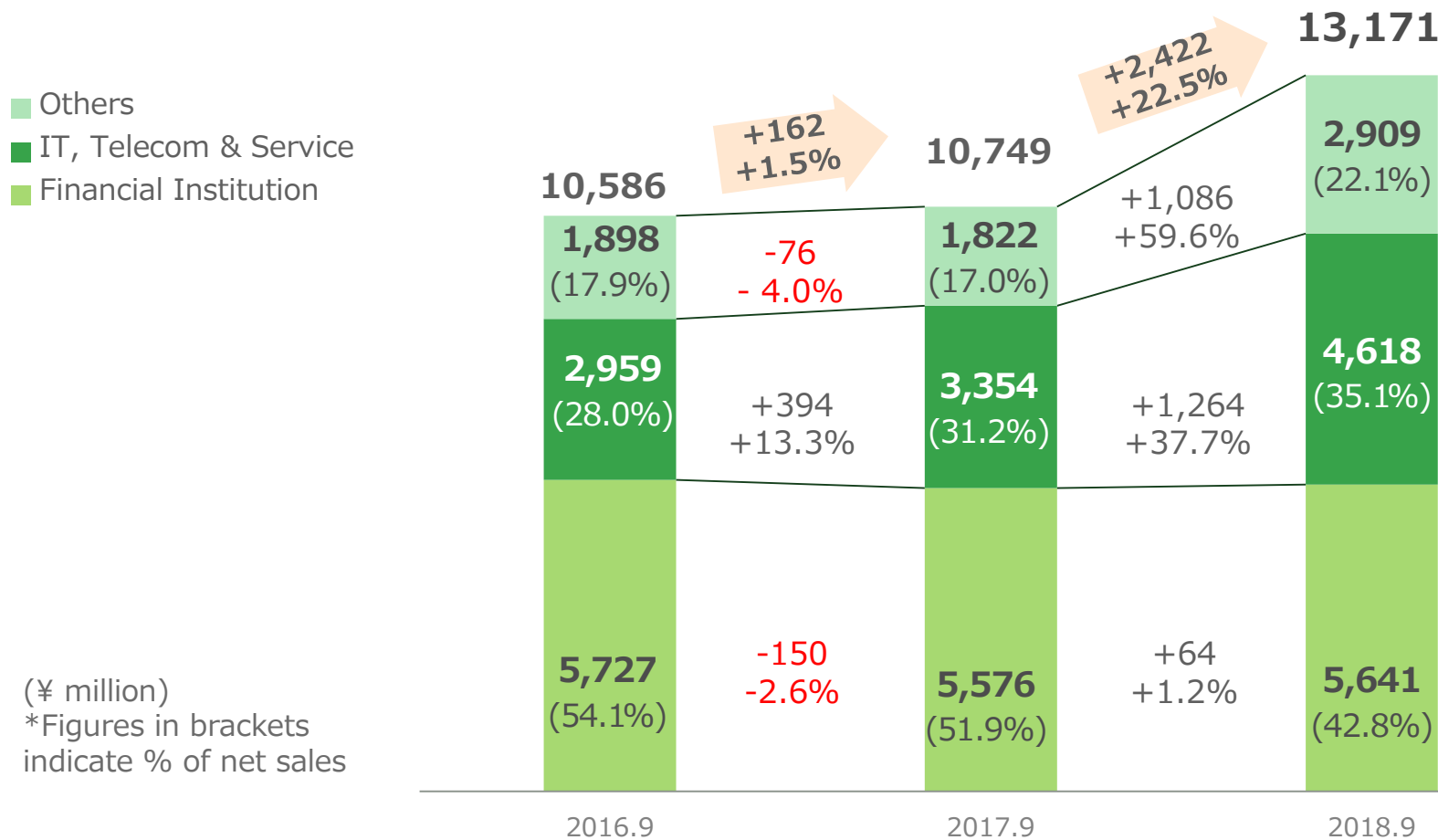
Software Development

- Increase as a result of augmented orders in public-sector-related projects
- Decrease in finance-related and transportation-related projects

System Operation Management

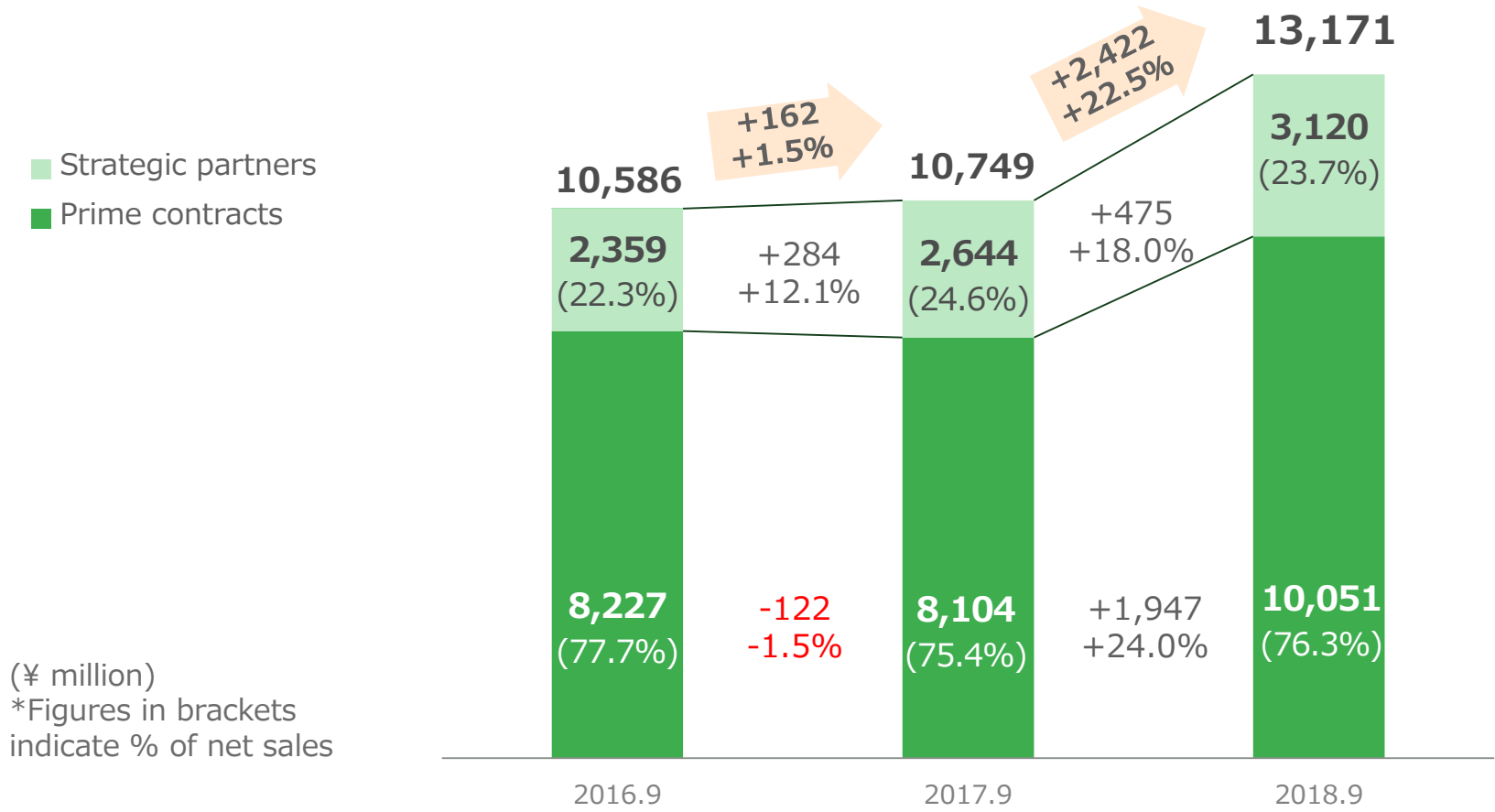
- Contribution of Fess Co., Ltd.
- Continuous increase in finance-related projects
- Increase in public-sector-related and decrease finance-related platform development projects

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Q2 Feature of ID Group③ (Net sales by Contracts)

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

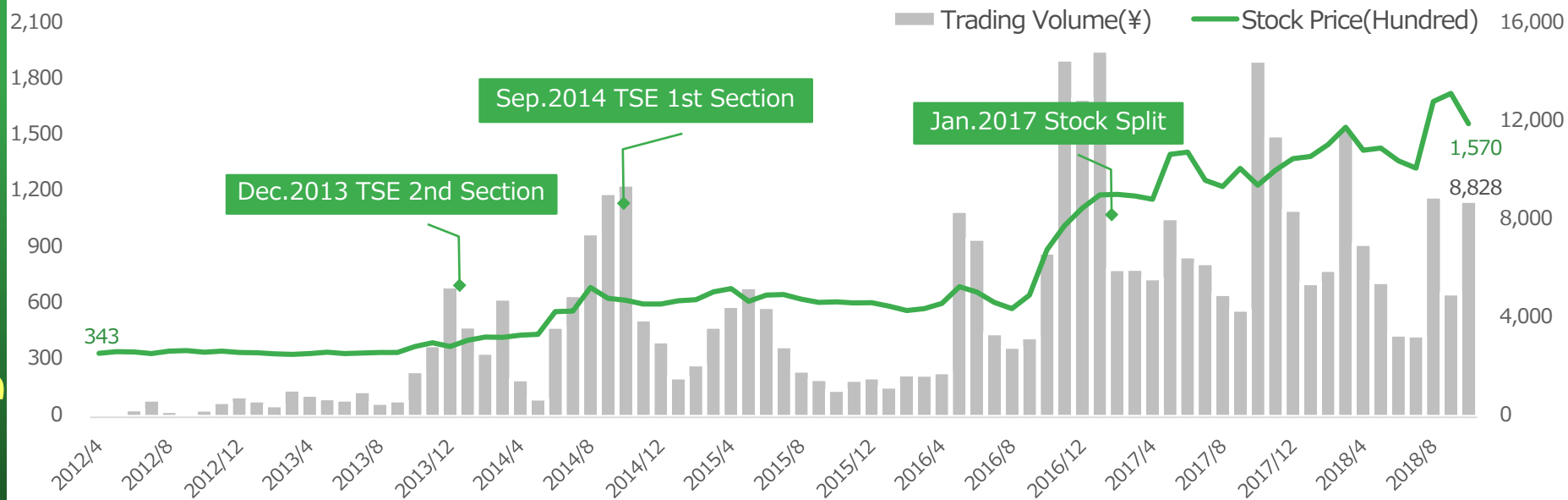
Prime contracts	Strategic partners
✓ Financial Institutions, Energy Transportation and Manufacturing	✓ Major IT Vendors

Q2 Financial Position (Consolidated)

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	2018.3	2018.9		Main Reasons
(¥million)	Results	Results	Diff.	
Current assets	8,344	7,907	-436	<ul style="list-style-type: none"> • Decrease in cash and deposits(-122) • Decrease in notes and accounts receivable-trade(-354) • Decrease in goodwill(-127)
Non-current assets	5,404	5,287	-117	
Total assets	13,748	13,195	-553	
Current liabilities	5,923	4,361	-1,562	<ul style="list-style-type: none"> • Decrease in notes and accounts payable-trade(-223) • Decrease in interest-bearing debt(-218) • Decrease in accrued consumption tax, etc. (-127)
Non-current liabilities	207	1,219	+1,011	
Total liabilities	6,131	5,581	-550	
Total net assets	7,617	7,614	-2	<ul style="list-style-type: none"> • Net income attributable to owners of parent (+450) • Decrease in cash dividends paid(-455) • Decrease in valuation difference on available-for-sale securities(-34)
Total liabilities and net assets	13,748	13,195	-553	

Turnover Ratio 85.6% (2017.4-2018.3) **38.3%** (2018.4-2018.9)



Market capitalization ¥18,909 million (as of 2018/10/31)

Outstanding shares 12,044,302 shares (Unit: hundred)

*1 We calculate the stock price for from Apr. 2012 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.

1

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2

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3

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Forecasts of Results for FY2018(Consolidated)

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	FY2018 Plan(4.27 Published)		FY2018 Plan (10.26 Revised)			
(¥million)	Results	(% of net sales)	Plan	(% of net sales)	Diff.	Overall change
Net sales	26,300	-	26,600	-	+300	+1.1%
Operating income	1,480	5.6%	1,640	6.2%	+160	+10.8%
Ordinary income	1,500	5.7%	1,700	6.4%	+200	+13.3%
Net income attributable to owners of parent	780	3.0%	960	3.6%	+180	+23.1%
Net income per share(¥)	70.91	-	86.93	-	+16.02	-

Reason for Revision

- The second quarter's performance is moving smoothly, and we anticipate that the results of FY2018 will be stronger than the previously announced estimates.

Forecasts of Results for FY2018(Consolidated)

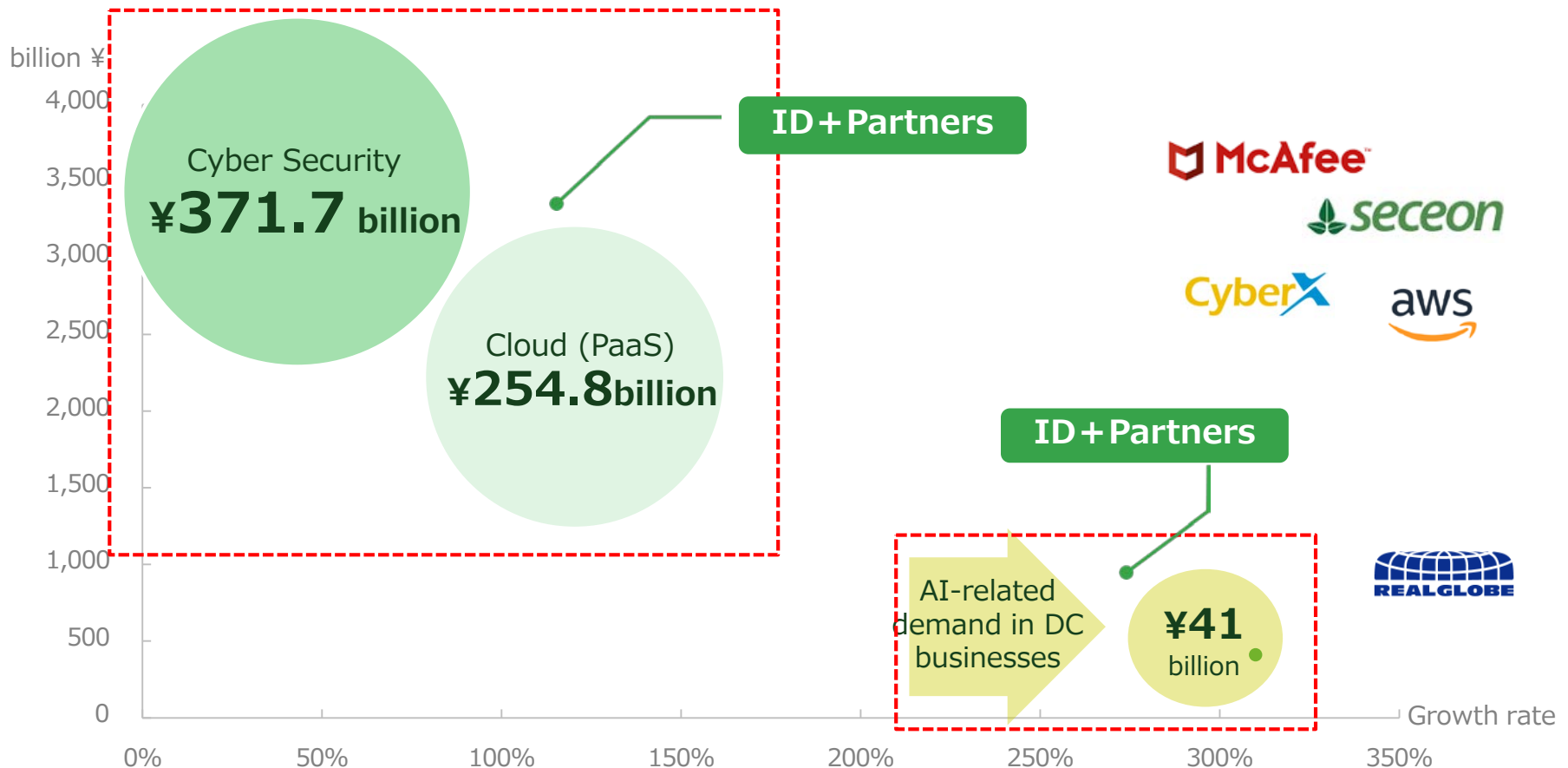
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	FY2017		FY2018 Plan (10.26 Published)			
(¥million)	Results	(% of net sales)	Plan	(% of net sales)	Diff.	Overall change
Net sales	23,207	-	26,600	-	+3,392	+14.6%
Operating income	1,254	5.4%	1,640	6.2%	+385	+30.7%
Ordinary income	1,274	5.5%	1,700	6.4%	+425	+33.4%
Net income attributable to owners of parent	622	2.7%	960	3.6%	+337	+54.2%
Net income per share(¥)	56.84	-	86.93	-	+30.09	-

AI-related demand in Cyber Security, Cloud Service and DC businesses is expected to grow rapidly in the near future. (growth rates of 35.2%, 124.3% and 310% over the next three years)

To target the above field, ID Group plans on collaborating with external partners

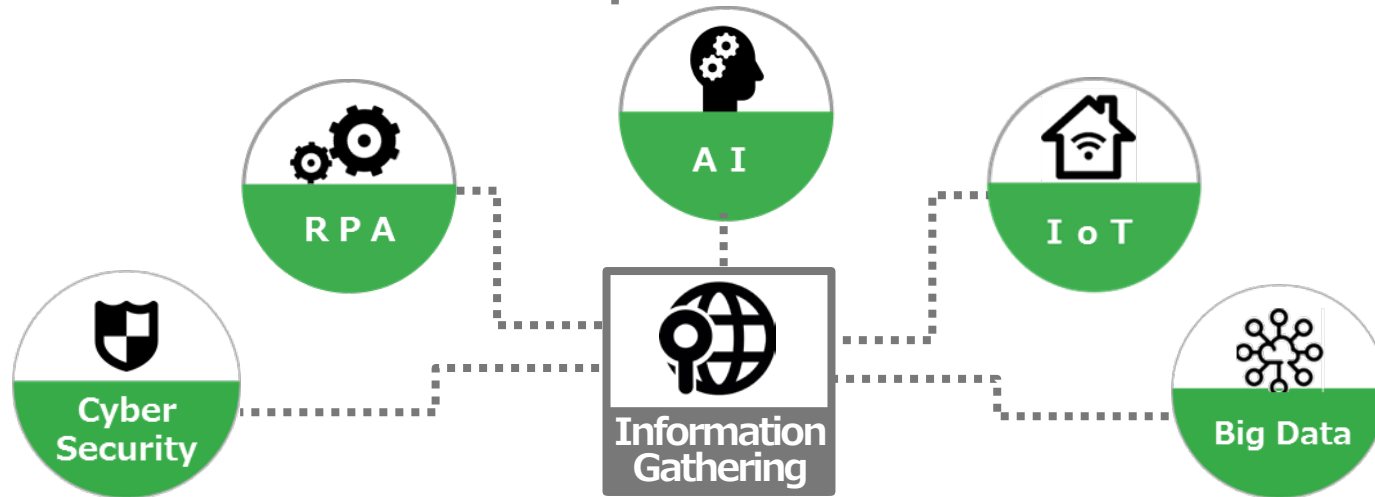
Figure below: Market size in 2020 and growth rate from 2017 to 2020



※ The figure is compiled by ID Group and based on information from ITR's 'Cyber Security Services Market Trend 2018', 'Cloud Computing Market 2017(PaaS Market)' and the Fuji Chimera Research Institute's 'Data Center Business Market Report 2017 (AI-related demand)'.

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Collect information on cutting-edge IT technology and utilize it for future business development.

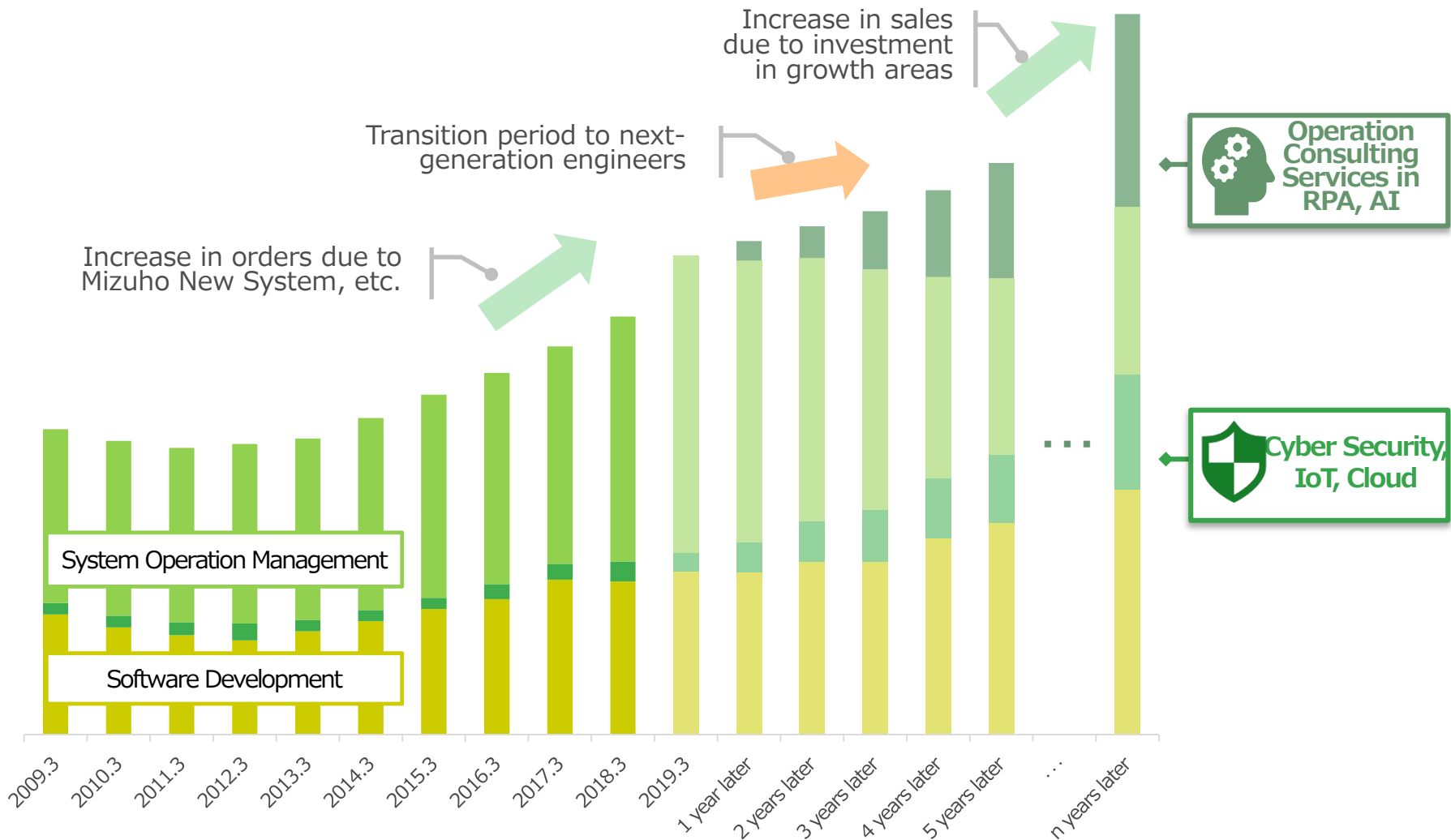


Overview of Investment in ff Graphite (v), L.P.

Operating Company	ff Venture Capital
Head Office Location	USA, State of New York
Established	2008
Fund Target Industries	AI, cyber security, drones, data analytics, FinTech, IoT, etc.
Post-Commitment Period	10 Years
Amount of Investing Companies	60~70 Companies estimated

Increase sales by expanding business in growth areas (Cyber Security, IoT, Cloud, RPA, AI)

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