

INFORMATION DEVELOPMENT CO., LTD.

(4709, TSE 1st Section)

July 10, 2017

Sustained Growth in Revenue and Operating Income

Basic Report

Quick Corporation
Toshiaki Maeda

Company Outline

Headquarters	Chiyoda-ku, Tokyo
Representative	Masaki Funakoshi
Established	October 1969
Capital	¥592 million
(as of March 31, 2017)	
Listed on	November 11, 1998
URL: https://www.idnet.co.jp	
Business type	Information and telecommunications

Key benchmarks as of July 5, 2017

Share price	¥1,459
Year-to-date high	¥1,520 (6/27)
Year-to-date low	¥1,047 (4/17)
Shares outstanding	12,044,302 shares
Trading units	100 shares
Market capitalization	¥17,573 million
Projected dividend (Company)	¥37.0
Projected EPS (Analyst)	¥88.81
PBR (Results)	2.19

Independent information service company. Core strength: System operation

An independent information service company whose core strength is providing operational support through its system operation management business.

Markets software development and other lines of business to support system building. Key customers are financial institutions and banks.

More than 50% of consolidated net sales from servicing financial institutions.



Net sales +7%, operating income +14% in FY2016

Net sales were ¥21.6 billion (+7% YoY) and operating income was ¥1.11 billion (+14% YoY) in the consolidated financial results for FY2016. The system operation management and software development segments both grew, leading to record net sales. Operating income grew for the fourth consecutive year, topping the billion-yen level for the first time in eight years. Orders reached ¥21.2 billion yen (+6% YoY). The software development and system operation management segments also grew. Orders received at the end of FY2016 were ¥1.9 billion yen (+33% YoY). Orders for both segments rose.

Further growth expected in private-sector investment in software development

According to the Bank of Japan's June 2017 Tankan Survey (released in July 2017), investment in software development for all industries (including financial institutions) increased 3.9% YoY in FY2016: the sixth consecutive year of growth. The Bank of Japan is forecasting 5.8% YoY growth in software development investment for all industries (including financial institutions) in FY2017 as well.

QUICK Corporation ("we," "us," or "Quick") expects net sales of ¥22.6 billion (+5% YoY) and operating income of ¥1.45 billion (+31% YoY) in FY2017 consolidated financial results. We estimate that net sales (for the sixth consecutive year) and operating income (for the fifth consecutive year) will increase. We also anticipate more orders from clients such as financial institutions and agencies in the public sector. The high level of orders received at the end of the previous year will contribute to growth. We see operating income margin increasing 6.4% (+5.1% YoY).

Results		Net sales ¥ million	YoY %	Operating income ¥ million	YoY %	Ordinary income ¥ million	YoY %	Net income ¥ million	YoY %	EPS ¥
FY2016	Results	21,554	7.3	1,105	14.0	1,133	17.5	654	19.2	60.13
FY2017	Company estimates (Announced April 2017)	22,650	5.1	1,470	32.9	1,450	28.0	980	49.8	89.73
	Analyst estimates	22,600	4.8	1,450	31.1	1,430	26.2	970	48.2	88.81
FY2018	Analyst estimates	23,700	4.9	1,600	10.3	1,580	10.5	1,070	10.3	97.97

Company Outline

Company Outline

● Company Outline

An independent information service company whose core strength is providing operational support for installed systems through the system operation management business. Markets software development and other lines of business to support system building. Main customers are financial institutions and banks. More than 50% of consolidated net sales from servicing financial institutions.

● Management

Masaki Funakoshi, President and Representative Director

Corporate Philosophy

● Corporate Philosophy

The logo for IDentity, featuring the word "IDentity" in a stylized green font. The "I" and "D" are large and bold, while "entity" is smaller and in a script-like font.

Innovation Driven Visionary Company

■Pride

We will always make decisions based on business ethics rather than profitability.

■Mission

We are an information service company dedicated to the creation of exciting futures for everyone.

■Attributes

- High technology is ID's life force.
- High quality service is ID's mission.
- Challenging the unknown is ID's proposition.

■Organization

- Organization that promotes forward thinking.
- Organization that promotes organizational innovation.
- Organization that promotes employee personal growth.

Company Outline

History

● History

1969	October	Established to provide a broad range of technical services for advanced computing purposes.
	December	Purchased and began doing data entry using IBM0024 punching machines and IBM0056 verifying machines. Provided direct data entry services for the first time for Yasuda Trust & Banking Co., Ltd. (now Mizuho Trust & Banking Co., Ltd.).
1970	May	Launched system operation management business. Performed system operation management for The Industrial Bank of Japan, Ltd. (now Mizuho Bank).
	July	Launched software development business. Provided software development services to Yasuda Trust & Banking Co., Ltd. (now Mizuho Trust & Banking Co., Ltd.).
1982	September	Software Development Co., Ltd. was jointly established with Nihon Unisys Ltd. to expand the software development segment.
1998	November	Information Development Co., Ltd. registered with the Japan Securities Dealers Association.
2004	April	Established Information Development Wuhan Co., Ltd. (now a consolidated subsidiary) in Wuhan, China to secure a base of operations for producing software.
2011	May	Formed a business alliance with Syscom Inc., a US company that builds data centers and provides enterprise resource planning (ERP).
	September	Formed a business alliance with Newton IT Co., a UK company that builds, operates, and maintains IT configurations.
2012	February	Formed a business alliance with Kawatec Pte., Ltd., a Singaporean company that provides technical support and builds and operates LANs.
	August	Established Information Development America Inc. (now a consolidated subsidiary) in Boston, Massachusetts to attract and train global personnel.
2013	July	Achieved JASDAQ standard listing on the Tokyo Stock Exchange in conjunction with the combination of the Tokyo Stock Exchange and the Osaka Stock Exchange.
	December	Listed on the second section of the Tokyo Stock Exchange
2014	March	To expand IT services in Southeast Asia, formed a business alliance with DeClout and its subsidiary (providers of a broad range of IT services, including cloud solutions, disaster recovery services, and network building services), whose headquarters is located in Singapore.
	September	Listed on the first section of the Tokyo Stock Exchange
2016	April	Acquired all the shares of Terra Corp., Ltd., making it a wholly owned subsidiary
2017	January	Formed a business alliance with the US company Seceon Inc.

Company Outline

Corporate Events

- Recent Corporate Events

Carried out a 1.5-for-1 stock split of common stock with an ex-rights date of December 28, 2016

Major Shareholders

- Major Shareholders

	Shareholder	Number of shares (1,000s)	Shareholding ratio (%)
1	A.K. Corporation	1,243	10.32
2	Mizuho Trust Systems Co., Ltd.	1,023	8.50
3	ID Employee Ownership Account	739	6.14
4	Trust & Custody Services Bank, Ltd. (Trust Account E)	453	3.76
5	Mizuho Trust & Banking Co., Ltd.	422	3.51
6	有限会社福田商事	300	2.49
7	TDC Software Engineering Inc.	284	2.35
8	Akemi Funakoshi	198	1.64
9	Kaori Marubayashi	179	1.49
10	Northern Trust Co. (AVFC), Re Northern Trust Guernsey Non Treaty Clients (permanent agent) Hongkong and Shanghai Banking Corporation, Tokyo Branch Custody Operations Department, Senior Manager, Operation	160	1.32
	Total	5,005	41.56

(Source) Annual Securities Report (FY2016)

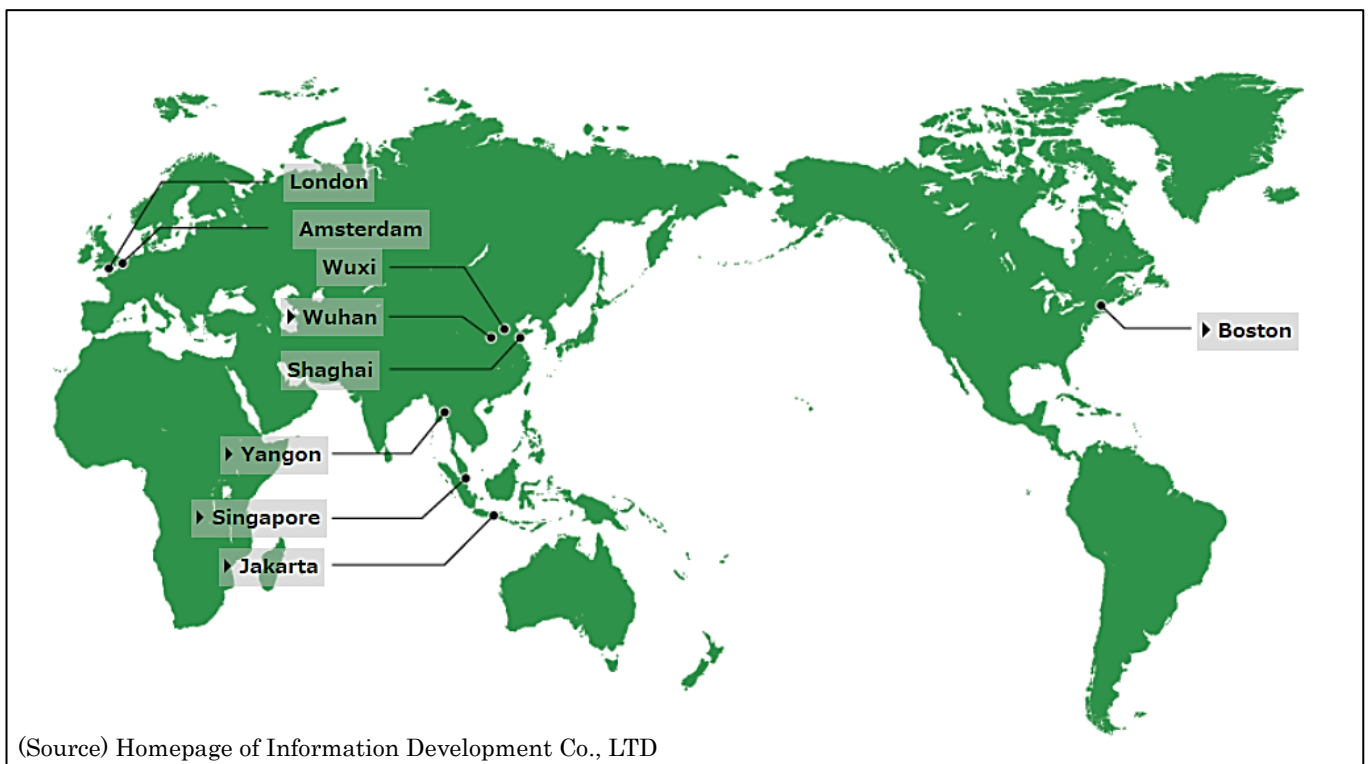
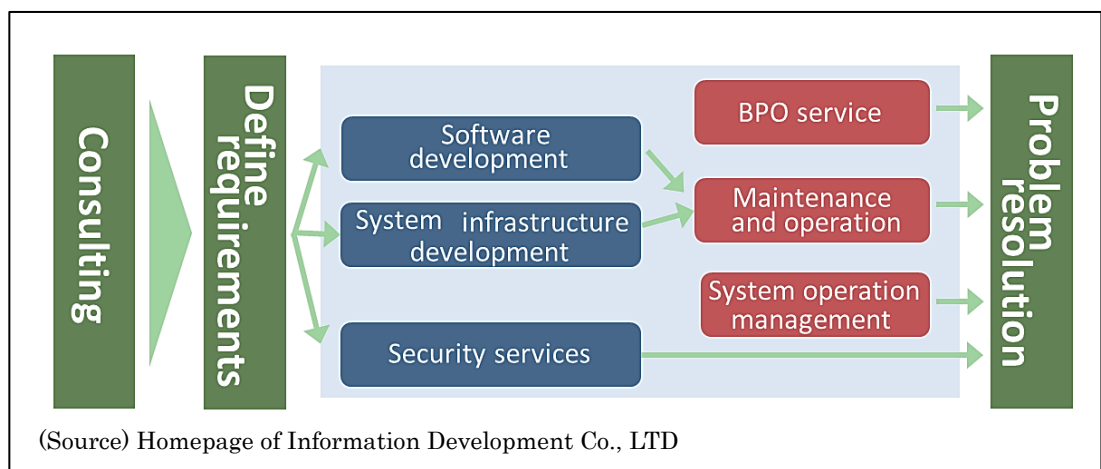
As of March 31, 2017

Corporate Overview

Services

- Services

Information Development (the “company”) is a one-stop IT service provider, providing the comprehensive outsourcing service i-Bos24®, as well as everything from consultation services to system operation management, software development, cloud security, and BPO (Business Process Outsourcing). The company’s main business development efforts are in Japan, but it has also begun to expand overseas, starting with the establishment of a local office in Wuhan, China in 2004, followed by the establishment of subsidiaries in Singapore, the US, Indonesia, and Myanmar. The company leverages its global network to support overseas business activities.

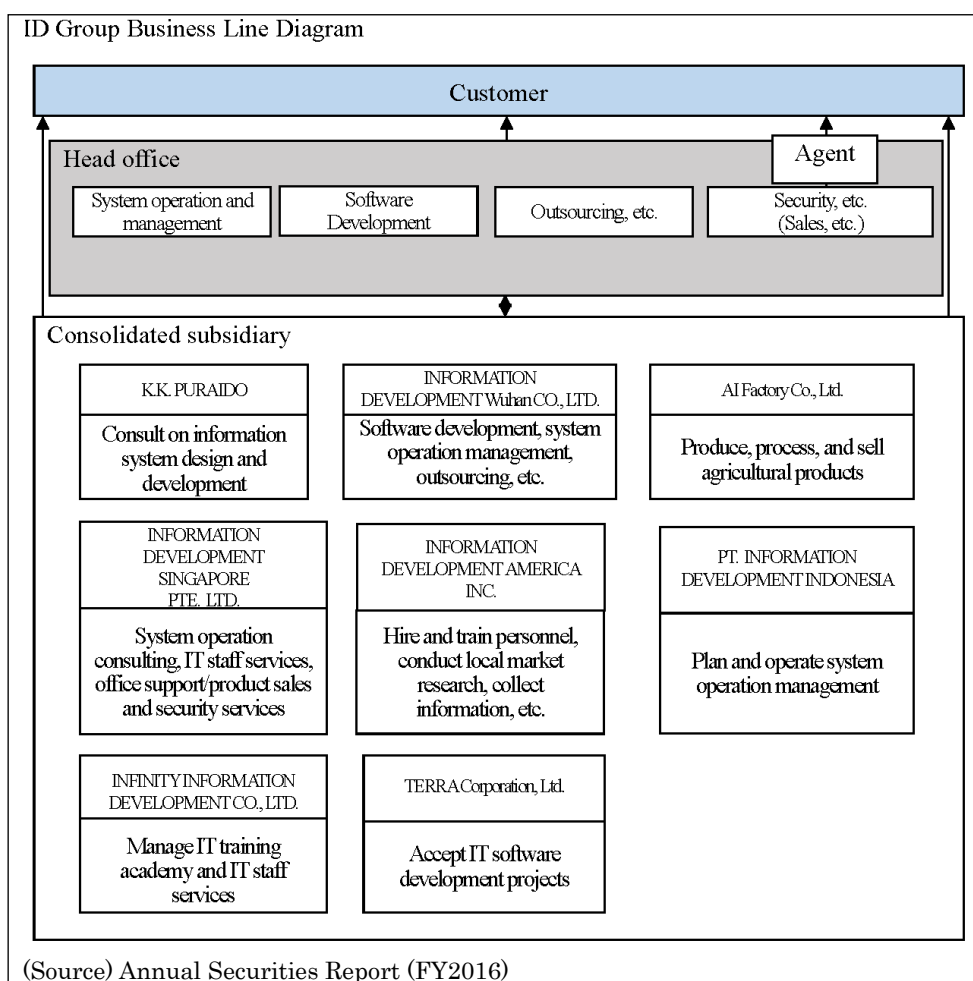


Corporate Overview

The company has two core businesses: system operation management and software development. In its main system operation management business, the company permanently stations staff at customers' computer departments to manage, administer, and operate information processing systems, and to help administer or build systems when newly installing systems or reconfiguring them. The company provides customers with everything from middleware customization and hardware maintenance services to 24-hour system operations.

On the software development side, the company runs end-to-end software development projects for clients or places staff at customers' offices and carries out on-site software development activities. The company provides services to a wide range of clients, including financial institutions (mainly banks), transportation and energy companies, and many others.

Other business activities include network security product sales, security system building/installation support, and training and consulting on information system development and operations technologies.



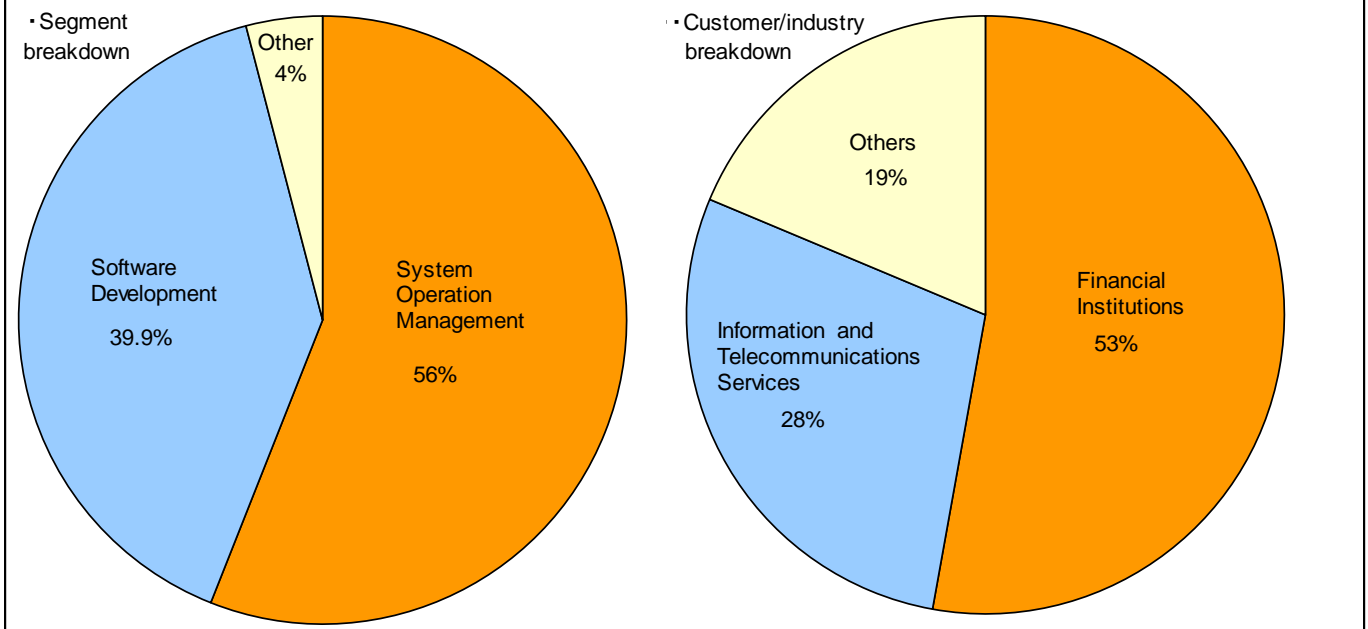
Corporate Overview

Breakdown of Sales

● Sales Breakdown

The sales composition by segment in FY2016 (outside customer basis) was as follows: system operation management 56.0%, software development 39.9%, others 4.1%. The sales breakdown by customer and industry is: 52.8% from financial institutions, 28.5% from information, telecommunication, and services, and 18.7% from others. Top-customer sales were: 15.6% from Mizuho Trust Systems and 11.6% from IBM Japan.

Figure 1. Sales composition (FY2016)



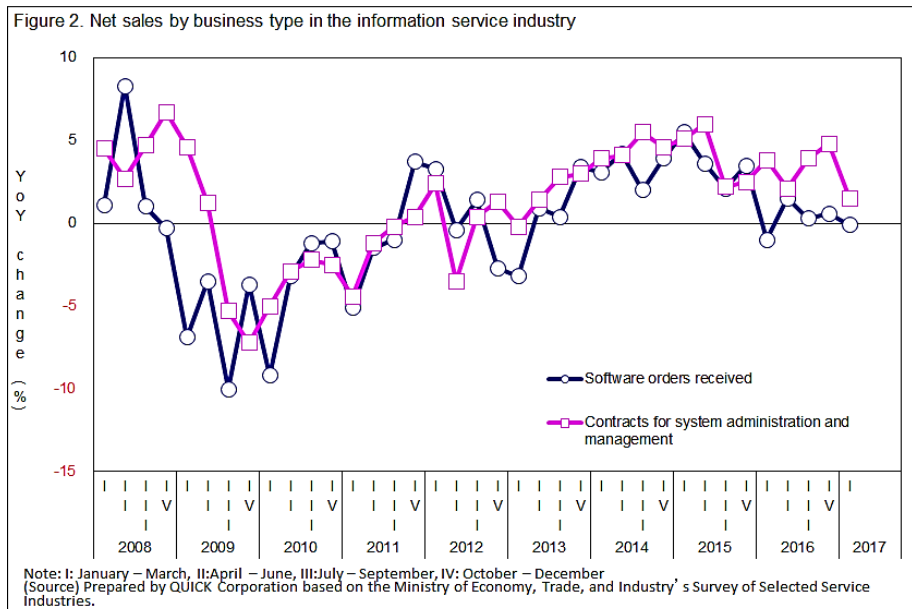
(Source) Prepared by QUICK Corporation based on Information Development's Summary of Financial Results (Tanshin) and closing-of-accounts statements

Steady growth in information services for system administration and management

● Business Environment

IT investment delays and project cancellations were prominent in the information service industry after the collapse of Lehman Brothers in 2008. Industry growth stagnated for years. However, there has been a gradual recovery in the past few years. This trend is evident based on the information service sales figures reported in the Survey of Selected Service Industries published by the Ministry of Economy, Trade, and Industry. Figure 2 shows net sales for system administration and management contracts and orders for software development in relation to the company's system operation management and software development businesses.

Software development orders plummeted in 2009, and shortly thereafter system administration and management sales began to decline. Severe operating conditions persisted through 2011. Sales were uneven, but conditions began to improve from 2011. Software development orders in 4Q FY2015 declined YoY, and fell slightly again in 4Q FY2016. While we believe that these results are due to one-time adjustments, the situation merits further attention. Growth in system administration and management is steady.

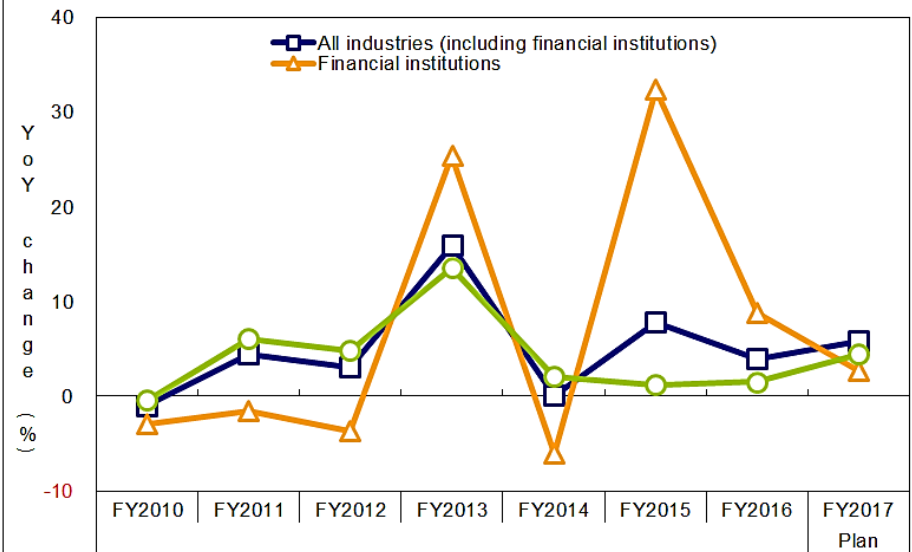


Increased private-sector software development investment expected in FY2017

According to the Bank of Japan's June 2017 Tankan Survey (released in July 2017) (see Figure 3), investment in software development for all industries (including financial institutions) increased 3.9% YoY in FY2016. That represents the sixth consecutive year of growth. Sales to financial institutions—one of ID's core customer industries—were strong, increasing 8.8% YoY. Sales in the banking, insurance, and other industries also grew sharply. ID experienced solid 2.1% YoY sales growth in all industries excluding financial institutions. Sales were strong in motor vehicle and transportation equipment, power and gas, wholesale, retail, and other industries.

The Bank of Japan is forecasting 5.8% YoY growth in software development investment for all industries (including financial institutions) in FY2017. This is an upward revision over the March Tankan Survey. Investment by financial institutions is expected to grow a steady 2.7% YoY, but banks, which are also core clients of the company, are forecast to decline 11.3% YoY. We see the decline as a natural pause, given the elevated pace of investment in system integrations and in other areas. We see continued strong investment growth of 7.0% YoY across all industries.

Figure 3. Software development investment by private companies

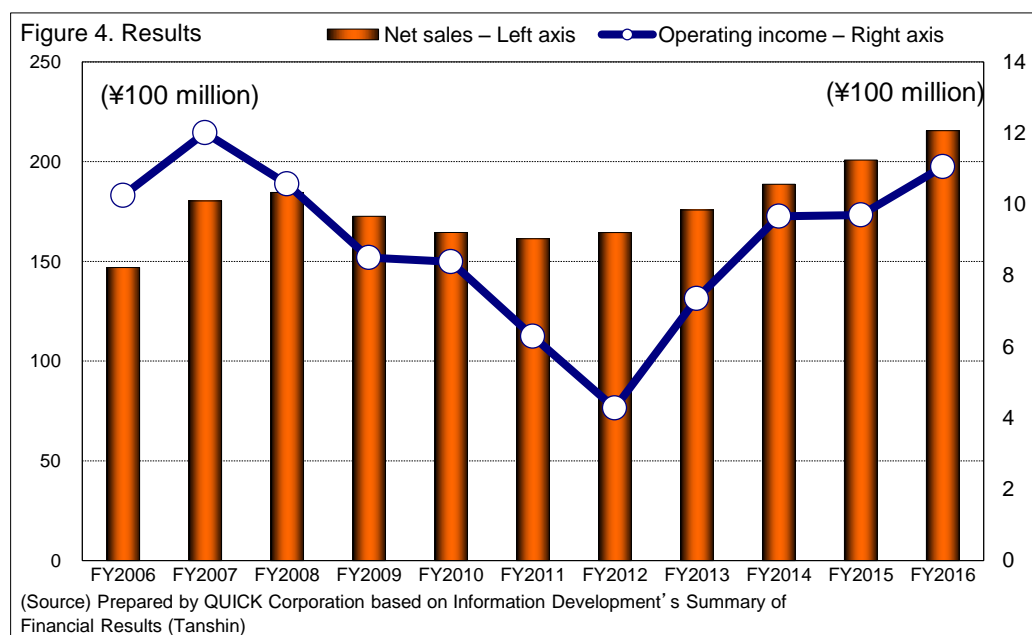


(Source) Prepared by QUICK Corporation based on the Tankan Survey. Plan for FY2017

Growth Phase

- Financial Analysis

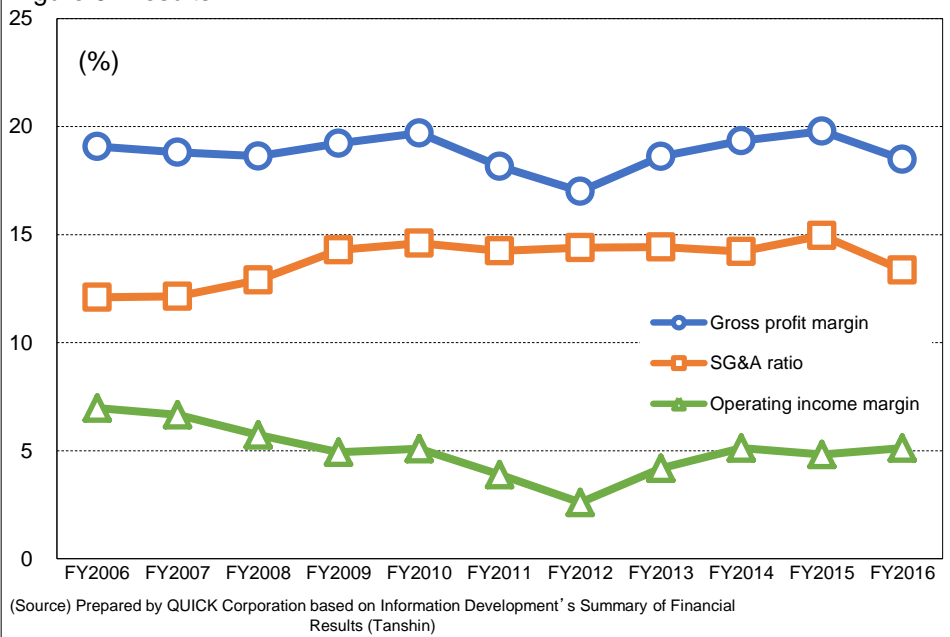
Past results (see Figure 4) show the various business cycles experienced by the company: from a pullback, to stagnation, recovery, and now growth. As we explained in the Business Environment section, restrained corporate IT investment led to years of stagnation. Net sales began to decline from the second half of FY2008. The company could not cut costs fast enough to keep up with the decline in operating income margin, and this decline continued unabated until FY2012. The company launched a structural reform initiative in response by implementing an early retirement incentive program and laying off personnel. ID reviewed its holdings and took other steps as well.



Results have rebounded due to the structural reforms as well as renewed IT investment by financial institutions (a core customer industry) and other companies. Net sales increased for the fifth consecutive year and operating income increased for the fourth consecutive year in FY2016. The former reached record levels, but the latter did not. That operating income margin has not come all the way back is significant (see Figure 5). Operating income margin began to come off its low in FY2012, but there is a gap between FY2016 and FY2006. The reason for this is that gross profit margin has slipped while the SG&A ratio has increased slightly.

Under the mid-term management plan (discussed below), ID recorded an operating income margin of 7.0% (5.1% in FY2016). Considering past results, we think there is room for the company to improve both the gross profit margin and the SG&A ratio. "Structural reform" is one of the priority initiatives set out in the mid-term plan. Under this initiative, the company is endeavoring to improve the productivity of the entire organization, such as by re-evaluating work processes at back-office departments and creating project teams. This should help improve the SG&A ratio.

Figure 5. Results



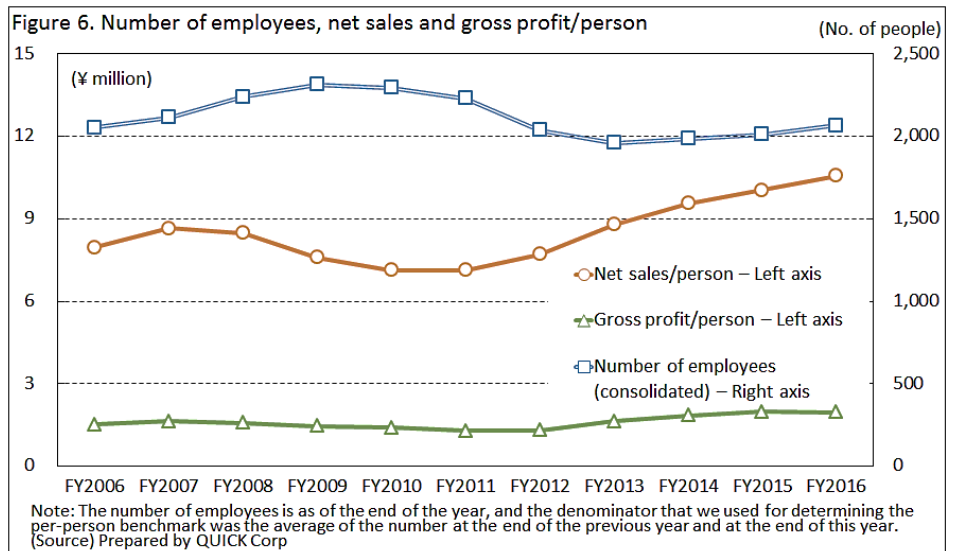
Net sales/person is
on the rise

Faced with lower utilization rates of its engineers due to the decline in orders, the company imposed a hiring freeze for ongoing projects and implemented a strategy of using outside personnel (working with cooperating companies) in accordance with work volumes. Information service companies often use a variable-expense business model, by substituting labor costs (fixed costs) with outsourcing costs (outside personnel). While the success of this strategy will depend on finding outside personnel as the occasion arises, it should help keep results from fluctuating.

The company has reduced its workforce from a peak of about 2,300 individuals to slightly less than 2,000 (see Figure 6). The company achieved record net sales in FY2016 while keeping the number of its employees to just over 2,000 individuals at the end of FY2016. Net sales/person increased substantially, proving that the outsourcing strategy is a success. However, gross profit/person increased only slightly because outsourcing costs have ballooned.

There is a personnel shortage in the information service industry, which has led to an unanticipated spike in outsourcing costs and efforts to improve gross profit margin. We think the company will be better able to withstand future downturns through increasing the percentage of work that it outsources as it intended, but we would like to see it improve its gross profit margin.

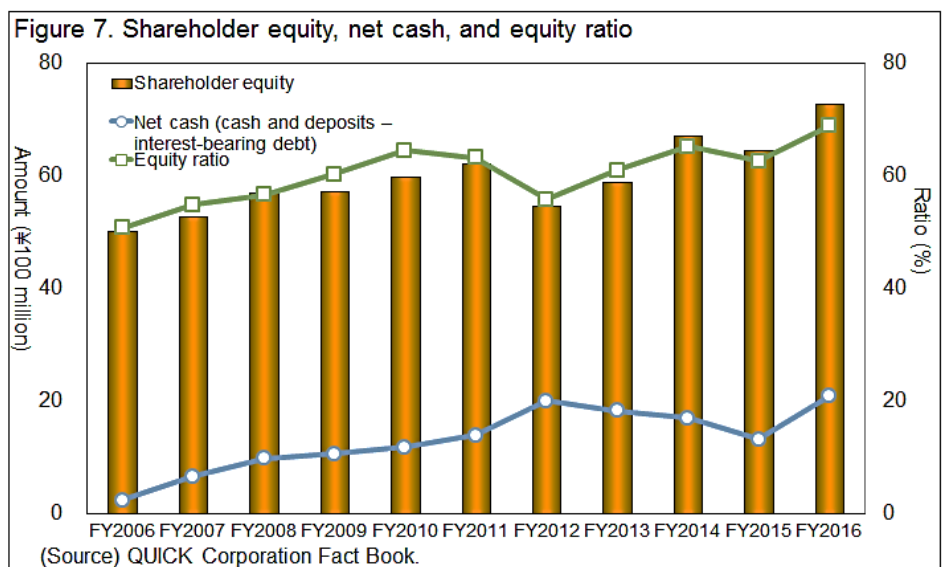
The company does not expect outsourcing costs to continue to rise, but it does expect them to stay elevated for some time. Therefore, increasing unit costs for orders in line with the increase in broad-based personnel costs (personnel expenses, both for employees and outside personnel) is the key to improving gross profit margin.



Effectively debt free.
 Sound financial position.

Let's turn to the financial side (see Figure 7). The equity ratio at the end of FY2016 was 69%, and net cash (cash and deposits – interest-bearing debt) was greater than ¥2 billion. The company is essentially debt free (net cash positive) compared with FY2006; they have built up their shareholder equity and cash and deposits by accumulating profits every year, and have thus strengthened their financial position. However, saving cash and deposits (which do not produce a profit) more than necessary can be a drag on capital efficiency. It will be interesting to see if the company can effectively utilize cash and deposits in the future, such as by making new investments or providing greater shareholder distributions.

Internal reserves are being used to invest in operational areas to expand the business and improve results. Targeted areas include the training of skilled technicians in platform development operations (a high-demand service area), building services using AI, IoT, and other new technologies, acquiring new materials, and investing in the ID Group's global strategy, including China, Singapore, Myanmar, Indonesia, the US, and Europe.



Net sales +7%,
operating income
+14% in FY2016

● Results Analysis

Net sales were ¥21.6 billion (+7% YoY), and operating incomes was ¥1.11 billion (+14% YoY) in the consolidated financial results for FY2016. The system operation management and software development segments both grew, leading to record net sales. Operating income grew for the fourth consecutive year, topping the billion-yen level for the first time in eight years.

On the expense side, the company incurred contracting expenses relating to the acquisition of Terra Corp., Ltd.'s shares, as well as increased retirement benefit expenses due to changing the company's retirement benefit system (the companies shifted to a defined contribution pension plan in April 2016). Some outsourcing costs also went up. Meanwhile, there were some unprofitable software development projects in the previous year, and the company incurred expenses to move its head office. The mitigation of these two factors contributed to double-digit increases in gross profit. However, the rate of cost increases (labor and outsourcing costs) outpaced the rate of net sales growth, and gross profit margin fell. Contributing factors include a personnel shortage and increasing unit costs for technicians requested by cooperating companies. It would be best if the company passed on the unit cost increase to customers, but it is struggling with this. Unit costs and outsourcing costs increase in tandem with increases in orders, but the company has struggled to pass on the cost increase through pricing to clients, and profit margins have shrunk.

Orders reached ¥21.2 billion yen (+6% YoY). The software development and system operation management segments also grew. Orders received at the end of FY2016 were ¥1.9 billion yen (+33% YoY). The order backlog for both segments increased.

Table 1. Results

¥ million

	FY2015 Full-year A	B	FY2016 Full-year	
			B/A	B-A
Net sales	20,082	21,554	7.3%	1,472
By segment				
System operation management	11,721	12,070	3.0%	349
Software development	7,521	8,609	14.5%	1,087
Others	839	875	4.3%	36
Cost of sales	16,108	17,569	9.1%	1,461
Gross profit	3,973	3,985	0.3%	11
SG&A	3,003	2,879	-4.1%	-124
Operating income	970	1,105	14.0%	136
(Operating income margin)	4.8%	5.1%	-	-
Ordinary income	964	1,133	17.5%	168
Net income	548	654	19.2%	105

(Source) Prepared by QUICK Corporation based on Information Development's Summary of Financial Results (Tanshin) and other materials

Segment net sales show that system operation management reached ¥12.1 billion, a 3% YoY increase. Existing finance-related operations and management business grew, as did finance-related platform development operations (the design and configuration of low-cost, high-reliability system operation environments) given successful efforts by the company to cultivate new opportunities with existing clients. Software development was ¥8.6 billion, a 14% YoY increase.

Public projects increased substantially due to system revisions and efforts to comply with revised laws, as did finance-related system integration or upgrade projects. Other segments of the business reached ¥900 million, a 4% YoY increase. Strong security-product sales and expanding business at overseas bases helped make up for stunted consulting business growth.

● QUICK'S Projections

As we explained in the Business Environment section, we see private-sector (and financial institutions') investment in software development going up. This should help the company, as servicing financial institutions is one of its core strengths. We estimate the following: a double-digit drop in orders from banks, which will likely put pressure on orders as this is an overlapping service area of the company, but we see orders growing on the whole; net sales of ¥22.6 billion (+5% YoY) and operating income of ¥1.45 billion (+31% YoY) in FY2017 consolidated financial results, which constitutes an increase in net sales (for the sixth consecutive year) and operating income (for the fifth consecutive year); and, increased orders from financial institutions (key customer industry) and public institutions. The high level of orders received at the end of the previous year will contribute to growth. We also see increasing revenue in the software development and system operation management segments. We estimate that operating income margin will grow 6.4% (+5.1% YoY).

The company's outsourcing costs will go up in tandem with outsourcing a greater percentage of its operations, but we see the company benefiting from the increased revenue. We also see the company limiting unprofitable projects by strengthening its management system and taking other steps. Outsourcing unit costs will go up slightly because of the personnel shortage, but we also see the company increasing unit costs for orders received to compensate, and we expect them to avoid profit deterioration.

As for net sales by segment, we see orders for software development from financial and public institutions increasing, and project net sales of ¥9.3 billion (+8% YoY). As for system operation management, we see an increase in orders for platform development operations, leading to ¥12.4 billion (+3% YoY).

Projecting increases in net sales (+5%) and operating income (+31%) in FY2017

Table 2. Results estimates

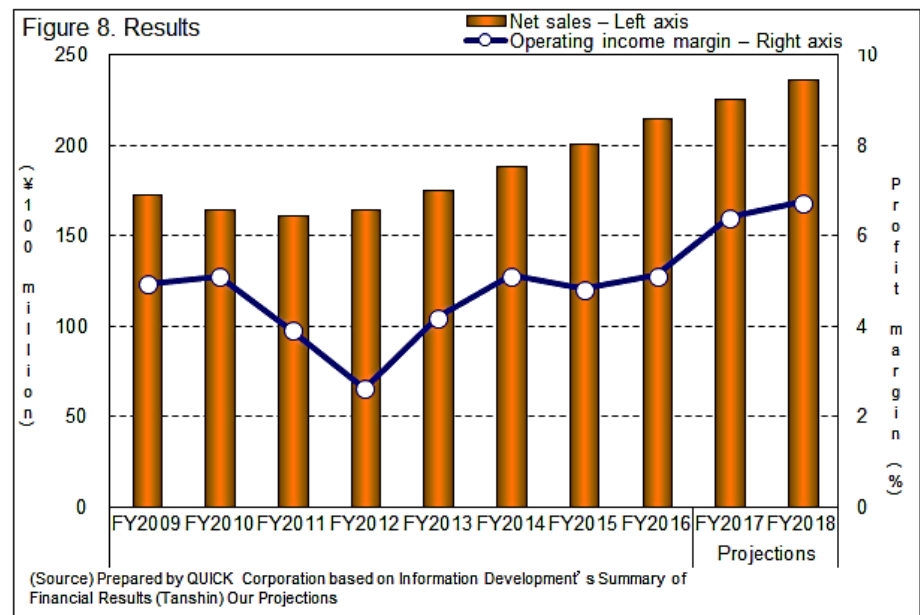
¥ million

		FY2016 Results A	FY2017		FY2018		
			Company Plan	QUICK projections B	QUICK projections C	QUICK projections C/B	
Net sales		21,554	22,650	22,600	4.8%	23,700	4.9%
By segment	System operation management	12,070		12,400	2.7%	12,800	3.2%
	Software development	8,609		9,300	8.0%	10,000	7.5%
	Others	875		900	2.8%	900	0.0%
Operating income		1,105	1,470	1,450	31.1%	1,600	10.3%
(Operating income margin)		5.1%	6.5%	6.4%	-	6.8%	-
Ordinary income		1,133	1,450	1,430	26.2%	1,580	10.5%
Net income		654	980	970	48.2%	1,070	10.3%

(Source) Prepared by QUICK Corporation based on Information Development's Summary of Financial Results (Tanshin) and other materials.

Projecting increases in net sales (+5%) and operating income (+10%) in FY2018

We estimate that net sales will reach ¥23.7 billion (+5% YoY) and operating income will reach ¥1.6 billion (+10% YoY) in FY2018. Corporate investment in software development should continue to gradually increase, and orders should increase as well, mostly from financial institutions. We see revenue increasing in the software development and system operation management segments.



● Mid-Term Management Plan

The company is currently operating under the mid-term management plan I-vision 50 for the FY2016 to FY2018 period. Plans are usually re-evaluated at the beginning of each year, with projections for the third year being updated (rolling basis projections), but the company intends to achieve the figures in this mid-term plan without re-evaluating them. The mid-term plan calls for reaching ¥24.0 billion yen in net sales and ¥1.68 billion yen in operating income (operating income margin of 7.0%) in FY2018, the last year of the plan.

The mid-term management plan emphasizes work style reforms, and sets out three basic policies: 1. Thorough business process reengineering (BPR), 2. the creation of new growth areas, and 3. reinforcing group governance. It also calls for seven priority initiatives (see Table 3).

Under work style reforms, the company is addressing the way it works by emphasizing the importance of a work-life balance and creating attractive workplaces to help improve productivity and keep talented personnel. Under structural reform, the company is fundamentally reforming how it does business—without fixating on past business practices—and creating new business processes. It is seeking to improve the organization's overall productivity by promoting transfers of authority or IT systemization. Under adopting new technologies, the company is aggressively adopting new technologies to make its existing services more competitive and improve productivity and quality. Under diversity and inclusion, the company is refining its training techniques and diversifying so that it can keep pace with the ever-changing business environment and stimulate the organization as it pursues global strategies.

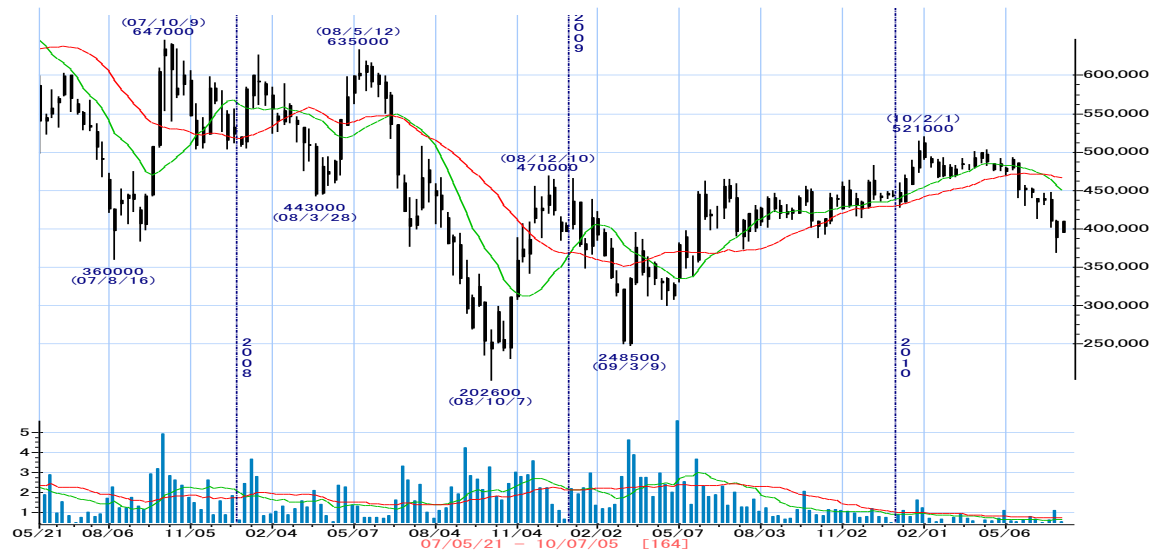
Results

Under global business promotion, the company is aggressively expanding overseas to assist other Japanese companies with their overseas expansion and to increase its global competitiveness. Under 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 in and outside of Japan. The company seeks to quickly assess management information—the personnel and know-how at each base, the state of operations—to resolve customers' issues as a cohesive group. Under business operation outsourcing (BOO), the company intends to offer a wide range of services to individual clients. The ID Group offers an array of services both in Japan and overseas.

Table 3. Priority initiatives under the management strategy

1	Work style reforms	<ul style="list-style-type: none"> ◆ Health & Productivity initiatives ◆ Appointment of officers in charge of the “work style reforms” initiative <ul style="list-style-type: none"> ▪ Number of meetings reduced by 20%; Taking of paid-leave target 70.0%
2	Structural reforms	<ul style="list-style-type: none"> ◆ Review of domestic Standards on Decision-Making and Management Approval Authority ◆ Work-process improvements in back-office departments
3	Adopting new technologies	<ul style="list-style-type: none"> ◆ Aggressively adopting new technologies <ul style="list-style-type: none"> ▪ Execution of an Exclusive Sales Agreement with Seceon Inc.(US)
4	Diversity and inclusion	<ul style="list-style-type: none"> ◆ Female work reinstatement rate (after giving birth to first child): 75% or higher ◆ Ratio of women in management positions by 2020: 30% ◆ Ratio of multinational employees by 2018: 15%
5	Global business promotion	<ul style="list-style-type: none"> ◆ Uncovering promising leads ◆ Train global talent
6	Strengthening the governance of consolidated management activities	<ul style="list-style-type: none"> ◆ Improve business planning precision ◆ Reinforce information-based collaborations with overseas bases ◆ Reinforce overseas risk management
7	Business operation outsourcing (BOO)	<ul style="list-style-type: none"> ◆ Accumulate management resources for key customers ◆ Promote cross-sectional sales activities

(Source) Prepared by QUICK Corporation based on Information Development's closing-of-accounts materials



(Source) QUICK Corporation

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			FY2014	FY2015	FY2016	FY2017 (Analyst)
Share price	Share price (52-week high)	¥	726.0	698.0	1,260.0	-
	Share price (52-week low)	¥	403.3	544.0	526.7	-
	Average monthly volume	100's of shares	6,472	3,731	9,395	-
Results	Net sales	¥ million	18,868	20,082	21,554	22,600
	Operating income	¥ million	966	970	1,105	1,450
	Ordinary income	¥ million	998	964	1,133	1,430
	Net income	¥ million	508	548	654	970
	EPS	¥	47.37	50.73	60.13	88.81
	ROE	%	8.1	8.3	9.5	12.8
Main balance sheet items	Total current assets	¥ million	6,731	6,551	6,901	-
	Total non-current assets	¥ million	3,571	3,768	3,650	-
	Total assets	¥ million	10,303	10,319	10,552	-
	Total current liabilities	¥ million	3,331	3,105	2,890	-
	Total non-current liabilities	¥ million	210	705	340	-
	Total liabilities	¥ million	3,542	3,810	3,230	-
	Total shareholders' equity	¥ million	6,044	6,388	6,801	-
	Total net assets	¥ million	6,760	6,509	7,321	-
Main cash flow statement items	Cash flow from operating activities	¥ million	506	187	1,185	-
	Cash flow from investment activities	¥ million	-430	-219	-137	-
	Cash flow from financing activities	¥ million	-272	-231	-801	-
	Cash and cash equivalent balance at end of period	¥ million	2,485	2,167	2,391	-

Note: The company carried out a 1-for-1.5 stock split with an ex-rights date of December 28, 2016. The share price, average monthly volume, and EPS have been retroactively revised to reflect the stock split.

Risk Analysis

Business Risks

- Business Risks

- Risks in the Execution of Software Development and Infrastructure-Building Projects

The software development and infrastructure-building industries face ever-increasing levels of sophistication and complexity, as well as demands for shorter turnaround times. Information Development has implemented the ISO 9001 quality management system to mitigate the risk of problems that may arise with mid-project requirement changes, reduced quality levels, delivery delays, and the like. The project and systems division and quality management division monitors three criteria for every project—quality, cost, and deliveries (QCD)—with the aim of detecting or predicting glitches, quickly implementing countermeasures, and keeping projects on track. The company may not be able to prevent problems from happening despite this initiative, and it is possible that additional costs may make some projects unprofitable or affect the company's results.

- Risks in the Execution of System Operation Management Projects

System failures and service delays may arise due to operational errors in system operation management. To address this risk, the company has created a quality management division to prevent such errors, and plans and implements initiatives including error-prevention training, problem analysis and feedback, and on-site inspections. The company obtained the ISO 9001 certification and always strives to improve the quality of its services. However, if a service provided by the company leads to a major system failure, the company may be liable for damages, which could negatively affect results.

- Personnel Risks

Hiring talented personnel is critically important for the company to keep up with the latest information technology and improve customer satisfaction. The company is reevaluating its human resource system and devoting resources to hiring activities so that it can retain qualified personnel who will add value to the business. However, if the company cannot hire and train talented personnel or cannot fill positions that match its needs in a way that is aligned with the changing business environment, it could potentially harm the company's results.

- Bringing on Personnel from Partner Companies

The company is actively bringing on personnel from partner companies to flexibly match personnel to the needs of each project. Through deepening cooperative relationships with over 150 partner companies and finding new partner companies, the company will continue along this line. However, the inability to successfully place personnel in the way may negatively affect the company's results.

- Reliance on Specific Trading Partners

A large percentage of Information Development's net sales is to companies affiliated with the Mizuho Financial Group. Changes to the orders from that Group may negatively affect the company's results.

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