

# Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019 [Japanese GAAP]

July 30, 2018

Listed company name: Infocom Corporation  
 Securities code: 4348  
 Representative: (Position) President and CEO  
 Contact: (Position) Head of Corporate Communications Office  
 Scheduled date to file quarterly securities report: August 7, 2018  
 Preparation of supplementary materials on financial results: Yes  
 Holding of financial results briefing: No

Listed on: Tokyo Stock Exchange  
 URL <https://www.infocom.co.jp/>  
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 Scheduled date to commence dividend payments: -

(Amounts less than one million yen are rounded down)

## 1. Consolidated Business Results for the First Quarter of FY2018 (April 1, 2018 to June 30, 2018)

### (1) Consolidated operating results (cumulative)

(% of change from previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of FY2018	10,464	5.2	677	3.9	720	6.3	479	11.4
First quarter of FY2017	9,949	11.7	651	302.4	677	305.8	430	678.2

(Note) Comprehensive income: First quarter of FY2018: ¥718 million (105.3%); First quarter of FY2017: ¥350 million (— %)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First quarter of FY2018	17.52		17.44	
First quarter of FY2017	15.73		15.67	

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First quarter of FY2018	36,247	28,342	77.7
FY2017	38,237	28,360	73.8

(Reference) Shareholders' equity: First quarter of FY2018: ¥28,181 million; FY2017: ¥28,227 million

## 2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	-	10.00	-	28.00	38.00
FY2018	-				
FY2018 (forecasts)		10.00	-	30.00	40.00

(Note) Adjustment for the most recent forecasts of dividends: None

## 3. Forecasts of Consolidated Business Results for FY2017 (April 1, 2018 to March 31, 2019)

(Percent figures indicate the rate of changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net income attributable to shareholders		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter of FY2018	23,000	8.5	2,600	9.9	2,650	0.6	1,800	(30.1)	65.82
Full-year	50,000	9.2	6,500	11.5	6,550	9.5	4,500	(3.0)	164.56

(Note) Adjustment for the most recent forecasts of dividends: None

\* Statements regarding the proper use of financial forecasts and other special remarks

- Forward-looking statements that include forecasts of business results are based on the information currently available and certain assumptions judged to be rational. Actual business results may differ substantially because of various factors. For the matters to be noted when using the financial forecasts and the assumptions behind these forecasts, please see “(3) Explanation of consolidated earnings forecasts and other forward-looking information” under “1. Qualitative information on the results for the current quarter” on page 3 of the attached materials.

## 1. Qualitative information on the results for the current quarter

### (1) Overview of business results

During the three months ended June 30, 2018, the Japanese economy was in a state of recovery due to strong growth in exports and capital investment, as well as a rebound in personal consumption against the backdrop of steady improvements in corporate earnings and the income and employment situation, despite concerns about overseas risks, such as growing trade friction.

In the IT-related market, overall IT demand was robust. Factors included the use of cloud services via smartphones, tablets, and other mobile devices; the growing business application of such technologies as the internet of things (IoT) and artificial intelligence (AI); and the use of robotic process automation (RPA) to achieve the work-style reforms the Japanese government is promoting.

The e-book market returned to a growth phase, due to the waning impact of pirate sites, which had grown sharply from around August 2017.

In this operating environment, the Infocom Group's medium-term management plan (April 2016 to March 2020) emphasized two fundamental policies: pursue growth and continue strengthening the management foundation to support growth. To this end, we have identified e-comics and healthcare as priority businesses. In these areas, we proactively pursued M&A and sought to develop businesses leveraging AI and IoT.

As a result, during the three months ended June 30, 2018, the Infocom Group generated net sales of ¥10,464 million, up 5.2% year on year. Operating profit rose 3.9%, to ¥677 million; ordinary profit grew 6.3%, to ¥720 million; and net income attributable to owners of parent increased 11.4%, to ¥479 million.

The Group's sales and profit tend to be relatively low in the first and third quarters of the fiscal year, but be concentrated on the fourth quarter. This trend stems from the concentration of deliveries of products and services for companies and hospitals in March, at fiscal year-end.

#### (i) Business Solution Group

Segment sales were ¥4,466 million (-5.1% year on year). Segment operating loss widened to ¥282 million (compared to ¥143 million loss in the first quarter), due to diminished sales of SI projects, along with greater upfront investment in AI and the Health IT subsegment.

In the Health IT subsegment, in addition to existing sales promotions on goods and services for hospitals and pharmaceutical companies, sales of clinical information management systems expanded along with medical treatment fee revisions. Additionally, "care-ring," a search engine for medical institutions and nursing care facilities, was launched as a new initiative in the area of community-based comprehensive care. Infocom also launched the beta version of "Carestyle," a direct recruiting platform which specializes in the nursing profession. In order to meet full-year sales targets, the company is increasing upfront investment to expand the subsegment's product lineup and continue enhancing the sales structure.

For corporate IT services, in addition to the new version of the company's integrated business management software package, GRANDIT3.0, Infocom began offering optional products such as the RPA Solution for GRANDIT and the "Food Temperature Management IoT Service," which leverages IoT.

#### (ii) Digital Entertainment Group

Segment sales were ¥5,997 million (+14.4% year on year). Operating profit for the segment was ¥957 million (+20.7%). The e-comics distribution business continued to post strong returns with both increased sales and profits.

In the e-comics distribution business, as the second joint project with Shueisha, Inc., the company began initial exclusive distribution of the comics published in the magazine Grand Jump simultaneously with the release of the print version. In addition, the company expanded its lineup with the launch of comics published by KADOKAWA.

With an eye toward meeting the segment sales target of ¥23.0 billion in the fiscal year ending March 31, 2019, Infocom is striving to further enhance service content.

Furthermore, in an effort to combat pirate sites and promote a healthy market, consolidated subsidiary Amutus Corporation established the Japan E-Bookstore Association in cooperation with four e-bookstores.

## (2) Explanation of financial condition

### (i) Consolidated financial condition

Total assets decreased ¥1,990 million compared with the end of the previous consolidated fiscal year, to ¥36,247 million due to a decrease in notes and accounts receivable. Total liabilities fell ¥1,972 million, to ¥7,904 million due to declines in provision for bonuses and income taxes payable. Net assets were down ¥17 million, compared with the end of the previous consolidated fiscal year, to ¥28,342 million.

As a result of the above, the equity ratio rose to 77.7% from 73.8% at the end of the previous consolidated fiscal year.

### (ii) Consolidated cash flow

Cash and cash equivalents as of June 30, 2018, amounted to ¥16,541 million, down ¥88 million from the end of the previous consolidated fiscal year.

#### [Cash flows from operating activities]

Net cash provided by operating activities amounted to ¥1,242 million (¥1,739 million in the same quarter of the previous fiscal year). Principal sources of cash were profit before income taxes of ¥720 million (¥637 million) and a decrease in notes and accounts receivable of ¥3,268 million (¥2,471 million). The reason for this decline was a ¥769 million decrease in provision (¥745 million) and income taxes paid of ¥1,682 million (¥999 million).

#### [Cash flow from investing activities]

Net cash used in investing activities amounted to ¥551 million (¥325 million in the same quarter of the previous fiscal year). Primary uses of cash included ¥164 million (¥167 million) for the purchase of intangible assets, including software, and ¥279 million (¥106 million) for the purchase of investment securities.

#### [Cash flow from financing activities]

Net cash used in financing activities amounted to ¥781 million (¥423 million in the same quarter of previous fiscal year), mainly due to cash dividends paid of ¥765 million (¥410 million).

## (3) Explanation of consolidated earnings forecasts and other forward-looking information

Consolidated results for the first quarter of FY2018 are on schedule; we have made no changes to the consolidated earnings forecast for the first half and the full fiscal year from those figures announced in “Consolidated Financial Results for the Year Ended March 31, 2018” on April 26, 2018.

Please note that the above forecasts are based on information available as of the publication date of this material, so actual results may differ from forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Major Notes  
 (1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	16,625	16,537
Notes and accounts receivable-trade	9,707	6,439
Inventories	270	762
Other	1,033	1,456
Allowance for doubtful accounts	(0)	(0)
Current assets	27,636	25,195
Fixed assets		
Property, plant and equipment	1,004	980
Intangible assets		
Software	1,968	1,943
Other	42	41
Intangible assets	2,010	1,984
Investments and other assets		
Investments and other assets	7,693	8,187
Allowance for doubtful accounts	(107)	(100)
Total investments and other assets	7,586	8,086
Total non-current assets	10,601	11,051
Total assets	38,237	36,247
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,457	3,119
Income taxes payable	1,539	297
Provision for bonuses	1,211	442
Other	3,460	3,847
Total current liabilities	9,667	7,706
Non-current liabilities		
Other	209	197
Total non-current liabilities	209	197
Total liabilities	9,876	7,904
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,449	1,449
Retained earnings	25,089	24,802
Treasury shares	(816)	(816)
Total shareholders' equity	27,312	27,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	964	1,264
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustment	(49)	(110)
Accumulated other comprehensive income	915	1,155
Share acquisition rights	128	157
Non-controlling interests	4	3
Total net assets	28,360	28,342
Total liabilities and net assets	38,237	36,247

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

First Quarter

(Unit: million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Net sales	9,949	10,464
Cost of sales	5,389	5,619
Gross profit	4,560	4,845
Selling, general and administrative expenses	3,908	4,168
Operating profit	651	677
Non-operating income		
Interest and dividend income	21	56
Share of profit of entities accounted for using equity method	4	4
Partnership gain	0	—
Other	0	0
Total non-operating income	26	60
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	0
Partnership losses	—	15
Other	0	0
Total non-operating expenses	0	17
Ordinary profit	677	720
Extraordinary income		
Gain on sales of investment securities	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	39	—
Total extraordinary losses	40	0
Profit before income taxes	637	720
Income taxes	207	241
Profit	430	478
Loss attributable to non-controlling interests (Δ)	(0)	(0)
Loss attributable to owners of parent	430	479

Quarterly Consolidated Statements of Comprehensive Income

First Quarter

(Unit: million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	430	478
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	299
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustment	(47)	(61)
Total other comprehensive income	(79)	239
Comprehensive income	350	718
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	350	719
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	637	720
Depreciation	289	259
Share-based compensation expenses	34	29
Amortization of goodwill	2	—
Increase (decrease) in provision	(745)	(769)
Interest and dividend income	(21)	(56)
Interest expenses	0	0
Decrease (increase) in notes and accounts receivable - trade	2,471	3,268
Decrease (increase) in inventories	(183)	(491)
Increase (decrease) in notes and accounts payable - trade	(214)	(337)
Other	742	246
<b>Subtotal</b>	<b>3,013</b>	<b>2,869</b>
Interest and dividend income received	19	55
Interest expenses paid	(0)	(0)
Payments for business restructuring	(293)	—
Income taxes paid	(999)	(1,682)
<b>Net cash provided by (used in) operating activities</b>	<b>1,739</b>	<b>1,242</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(52)	(137)
Purchase of intangible assets	(167)	(164)
Purchase of investment securities	(106)	(279)
Proceeds from sales of investment securities	0	30
Others	0	(0)
<b>Net cash provided by (used in) investing activities</b>	<b>(325)</b>	<b>(551)</b>
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(14)	(15)
Cash dividends paid	(410)	(765)
Proceeds from share issuance to non-controlling shareholders	1	—
Other	0	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>(423)</b>	<b>(781)</b>
Effect of exchange rate change on cash and cash equivalents	(3)	1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>987</b>	<b>(88)</b>
Cash and cash equivalents at beginning of period	12,408	16,630
<b>Cash and cash equivalents at end of period</b>	<b>13,395</b>	<b>16,541</b>

#### (4) Notes on the Quarterly Consolidated Financial Statements

(Note on going concern assumption)

Not applicable

(Note in case of significant changes in shareholders' equity)

Not applicable

(Segment information)

[Segment information]

I. First quarter of FY2017 (from April 1, 2017 to June 30, 2017)

1. Information on net sales and profit or loss for each reporting segment

(Unit: million yen)

	Reportable segment		Total	Adjustments (Note) 1	Amounts stated in the quarterly consolidated statements of income (Note) 2
	Business solution	Digital entertainment			
Net sales					
Sales to external customers	4,707	5,242	9,949	—	9,949
Intersegment sales or transfers	131	0	131	(131)	—
Total	4,838	5,242	10,081	(131)	9,949
Segment profit (loss)	(143)	793	649	2	651

(Notes)

1. The ¥2 million adjustment in segment profit is due to the elimination of intersegment transactions and corporate expenses.
2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated income statement.

II. First quarter of FY2018 (from April 1, 2018 to June 30, 2018)

1. Information on net sales and profit or loss for each reporting segment

(Unit: million yen)

	Reportable segment		Total	Adjustments (Note) 1	Amounts stated in the quarterly consolidated statements of income (Note) 2
	Business solution	Digital entertainment			
Net sales					
Sales to external customers	4,466	5,997	10,464	—	10,464
Intersegment sales or transfers	21	0	22	(22)	—
Total	4,488	5,998	10,487	(22)	10,464
Segment profit (loss)	(282)	957	674	2	677

(Notes)

1. The ¥2 million adjustment in segment profit is due to the elimination of intersegment transactions and corporate expenses.
2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated income statement.