

(English Translation)

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## Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 [Japanese GAAP]

January 27, 2021

Listed company name: Infocom Corporation

Securities code: 4348

Representative: (Position) President and CEO

Contact: (Position) Head of Corporate Communications Office

Scheduled date to file securities report: February 9, 2021

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 Third Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to December 31, 2020)

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

(Percentages indicate year-on-year increases.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2020	48,914	18.7	7,110	22.0	7,213	23.5	4,925	23.9
December 31, 2019	41,200	16.0	5,827	53.2	5,842	51.8	3,976	46.4

(Note) Comprehensive income: Third quarter of the fiscal year ending March 31, 2021 : ¥6,282 million (64.1%); Third quarter of the fiscal year ended March 31, 2020 : ¥3,828 million (23.8%)

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	89.96	89.56
December 31, 2019	72.68	72.35

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Million yen	Million yen	%
December 31, 2020	53,105	40,905	76.3
March 31, 2020	48,087	36,159	74.4

(Reference) Shareholders' equity: Third quarter of the fiscal year ending March 31, 2021: ¥40,351 million; Third quarter of The fiscal year ended March 31, 2020: ¥35,786 million

### 2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	10.00	—	21.00	31.00
Fiscal year ending March 31, 2021	—	10.00	—		
Fiscal year ending March 31, 2021 (forecast)				27.00	37.00

(Note) Adjustment for the most recent forecasts of dividends: Yes

### 3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2021

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	70,500	20.8	10,500	27.9	10,500	27.0	6,700	20.9	122.37

(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 cumulative consolidated third quarter of the current fiscal year, the Japanese economy experienced the severely negative global impact of COVID-19, while the future outlook remained uncertain.

The IT-related markets were affected negatively by temporary suspensions of corporate capital investment due to the slowdown in economic activity. Meanwhile, we have seen a recovery in software demand related to work-style reform and labor shortages during the COVID-19 pandemic.

The e-book market continues its upward trajectory, driven by a growing user base and the emergence of new lifestyles in the *new normal* resulting from stay-at-home requests.

In this operating environment, the Infocom Group medium-term management plan (April 2020 to March 2023) emphasized two fundamental policies: (1) pursue growth and (2) continue strengthening our management foundation to support growth. To this end, we have identified e-comics and healthcare as priority businesses. In these areas, we pursued continued growth, a shift toward services, and co-creation (M&A, overseas expansion).

As a result, during the nine months ended December 31, 2020, the Infocom Group generated net sales of ¥48,914 million, up 18.7% year on year. Operating profit rose 22.0%, to ¥7,110 million; ordinary profit grew 23.5%, to ¥7,213 million; and net income attributable to owners of parent increased 23.9%, to ¥4,925 million.

### (i) Digital Entertainment Group

During the consolidated third quarter, our Digital Entertainment Group recorded sales of ¥33,102 million (+37.0% year on year), and operating profit of ¥5,815 million (+47.9%).

Our e-comic distribution service reported successful measures based on data analysis of *Mecha Comics* (free series, exclusive first-run distributions, original comics, etc.). Further, voluntary restraints on travel outside the home drove demand higher. The combination of these factors resulted in sales for the cumulative consolidated third quarter exceeding sales for the entire twelve months of the prior fiscal year.

### (ii) Business Solution Group

During the consolidated third quarter, our Business Solution Group recorded sales of ¥15,811 million (-7.2% year on year), and operating profit of ¥1,287 million (-31.8%).

Our Health IT business saw a decline in sales to hospitals due to a negative rebound from special demand in the prior year (change in the imperial era, consumption tax hike) and COVID-19. On the other hand, sales to companies progressed in line with plan.

### (2) Explanation of financial condition

Total assets increased ¥5,018 million compared with the end of the previous consolidated fiscal year, to ¥53,105 million because of increase in cash and deposits and increase in investments and other assets due to increase in valuation of securities, while trade receivables decreased. Total liabilities increased ¥272 million, to ¥12,200 million due to increase in trade payables while provision for bonuses decreased. Net assets were up ¥4,745 million, compared with the end of the previous consolidated fiscal year, to ¥40,905 million.

Because of the above, the equity ratio rose to 76.3% from 74.4% at the end of the previous consolidated fiscal year.

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

As of the release of this document, we have not made any revisions to the consolidated earnings forecasts as detailed in *Notice Regarding Revised Earnings Forecasts*, published on October 28, 2020.

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, 2020	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	23,491	28,211
Notes and accounts receivable-trade	11,459	9,209
Inventories	392	559
Other	1,099	1,680
Allowance for doubtful accounts	(6)	(4)
Total current assets	36,436	39,655
Non-current assets		
Property, plant and equipment	965	1,024
Intangible assets		
Software	1,585	1,553
Goodwill	1,195	1,023
Other	36	72
Total intangible assets	2,818	2,648
Investments and other assets		
Investments and other assets	7,999	9,903
Allowance for doubtful accounts	(132)	(127)
Total investment and other assets	7,867	9,776
Total non-current assets	11,651	13,449
Total assets	48,087	53,105
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	4,564	4,626
Income taxes payable	1,346	1,313
Provision for bonuses	1,411	505
Other provision	69	—
Other	4,412	4,864
Total current liabilities	11,804	11,310
Non-current liabilities		
Net defined benefit liability	8	14
Other	114	876
Total non-current liabilities	123	890
Total liabilities	11,927	12,200
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,456	1,556
Retained earnings	32,900	36,128
Treasury shares	(805)	(795)
Total shareholders' equity	35,140	38,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	2,228
Deferred gains or losses on hedges	0	—
Foreign currency translation adjustment	(94)	(176)
Total accumulated other comprehensive income	646	2,052
Share acquisition rights	177	228
Non-controlling interests	194	145
Total net assets	36,159	40,905
Total liabilities and net assets	48,087	53,105

(2) Quarterly consolidated statement of income and comprehensive income  
Quarterly Consolidated Statements of Income  
Third Quarter

(Unit: million yen)

	For the nine months ended December, 2019	For the nine months ended December 31, 2020
Net sales	41,200	48,914
Cost of sales	21,059	24,959
Gross profit	20,140	23,955
Selling, general and administrative expenses	14,312	16,844
Operating profit	5,827	7,110
Non-operating income		
Interest and dividend income	72	101
Share of profit of entities accounted for using equity method	1	7
Foreign exchange gains	—	0
Other	3	18
Total non-operating income	77	127
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	2	—
Partnership losses	58	23
Other	0	0
Total non-operating expenses	62	24
Ordinary profit	5,842	7,213
Extraordinary income		
Gain on sales of investment securities	2	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Loss on valuation of shares of subsidiaries and associates	20	—
Loss on valuation of investment securities	—	2
Provision of allowance for doubtful accounts	56	—
Bad debts expenses	2	1
Other	0	0
Total extraordinary losses	82	5
Profit before income taxes	5,762	7,208
Income taxes	1,796	2,324
Profit	3,966	4,883
Loss attributable to non-controlling interests	(10)	(42)
Profit attributable to owners of parent	3,976	4,925

Quarterly Consolidated Statements of Comprehensive Income  
Quarterly Consolidated Statements of Income  
Third Quarter

(Unit: million yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Profit	3,966	4,883
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	1,488
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	(107)	(89)
Total other comprehensive income	(137)	1,398
Comprehensive income	3,828	6,282
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,852	6,331
Comprehensive income attributable to non-controlling interests	(24)	(49)

## (3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,762	7,208
Depreciation	771	761
Share-based remuneration expenses	40	68
Amortization of goodwill	102	153
Increase (decrease) in provision	(839)	(975)
Interest and dividend income	(72)	(101)
Interest expenses	1	0
Loss on valuation of shares of subsidiaries and associates	20	—
Loss (gain) on sales of investment securities	—	2
Decrease (increase) in trade receivables	3,192	2,247
Decrease (increase) in inventories	(381)	(166)
Increase (decrease) in trade payables	(474)	64
Other	406	289
Subtotal	8,531	9,552
Interest and dividends received	72	103
Interest paid	(1)	(0)
Income taxes paid	(2,649)	(2,365)
Net cash provided by (used in) operating activities	5,953	7,289
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(205)	(107)
Purchase of intangible assets	(527)	(527)
Purchase of investment securities	(252)	(179)
Proceeds from sales of investment securities	5	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,092)	—
Other	(69)	17
Net cash provided by (used in) investing activities	(2,141)	(797)
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(47)	(41)
Dividends paid	(1,477)	(1,697)
Other	(4)	(5)
Net cash provided by (used in) financing activities	(1,528)	(1,744)
Effect of exchange rate change on cash and cash equivalents	(49)	(27)
Net increase (decrease) in cash and cash equivalents	2,234	4,719
Cash and cash equivalents at beginning of period	20,177	23,491
Cash and cash equivalents at end of period	22,411	28,211

#### (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. Nine months ended December 31, 2019

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	17,034	24,165	41,200	—	41,200
Intersegment sales or transfers	74	0	74	(74)	—
Total	17,108	24,165	41,274	(74)	41,200
Segment profit(loss)	1,887	3,933	5,820	7	5,827

(Notes)

1. The ¥7 million adjustment in segment profit or loss 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 statements of income.

II. Nine months ended December 31, 2020

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	15,811	33,102	48,914	—	48,914
Intersegment sales or transfers	129	0	129	(129)	—
Total	15,941	33,102	49,044	(129)	48,914
Segment profit	1,287	5,815	7,103	7	7,110

(Notes)

1. The ¥7 million adjustment in segment profit is due to the elimination of intersegment transactions and corporate expenses.
2. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.