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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

April 27, 2023

Company name: INFOCOM CORPORATION

Stock exchange listing: Tokyo

Code number: 4348

URL: <https://www.infocom.co.jp/>

Representative: Jun Kuroda

President and CEO

Contact: Hiroshi Imafuku

Head of Corporate Communications Office

Phone: +81-3-6866-3160

Scheduled date of Annual General Meeting of Shareholders: June 13, 2023

Scheduled date of commencing dividend payments: June 15, 2023

Scheduled date of filing annual securities report: June 14, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended March 31, 2023 | 70,342 | 8.9 | 8,526 | (15.6) | 8,595 | (15.7) | 3,572 | (48.3) |
| March 31, 2022 | 64,586 | (5.1) | 10,098 | (6.6) | 10,196 | (6.8) | 6,912 | 10.1 |

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 3,627 million [(36.0) %]
Fiscal year ended March 31, 2022: ¥ 5,666 million [(21.5) %]

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets ratio | Operating profit to net sales ratio |
|----------------------------------|--------------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended March 31, 2023 | 65.20 | 64.93 | 8.0 | 14.6 | 12.1 |
| March 31, 2022 | 126.20 | 125.65 | 16.1 | 17.9 | 15.6 |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million
Fiscal year ended March 31, 2022: ¥ 11 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|-----------------|-----------------|------------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 60,287 | 45,194 | 74.3 | 817.96 |
| March 31, 2022 | 57,531 | 44,579 | 76.8 | 806.59 |

(Reference) Equity: As of March 31, 2023: ¥ 44,816 million
As of March 31, 2022: ¥ 44,185 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2023 | 8,137 | (1,231) | (3,076) | 35,575 |
| March 31, 2022 | 7,148 | (3,225) | (2,217) | 31,700 |

2. Dividends

| | Annual dividends | | | | | Total dividends | Payout ratio (consolidated) | Dividends to net assets (consolidated) |
|---------------------------|------------------|-----------------|-----------------|----------|-------|-----------------|-----------------------------|--|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| March 31, 2022 | - | 13.00 | - | 37.00 | 50.00 | 2,738 | 39.6 | 6.4 |
| March 31, 2023 | - | 18.00 | - | 32.00 | 50.00 | 2,739 | 76.7 | 6.2 |
| Fiscal year ending | | | | | | | | |
| March 31, 2024 (Forecast) | - | 18.00 | - | 27.00 | 45.00 | | 38.5 | |

(Note) Breakdown of the year-end dividend for the fiscal year ended March 31, 2023 :

| | |
|------------------------|----------|
| Commemorative dividend | 5.00 yen |
| Special dividend | - yen |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|--------------------------------------|-----------------|------|------------------|------|-----------------|------|---|------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2023 | 37,000 | 12.0 | 3,800 | 2.4 | 3,800 | 0.4 | 2,600 | 52.2 | 47.46 |
| Full year | 78,000 | 10.9 | 9,500 | 11.4 | 9,500 | 10.5 | 6,400 | 79.2 | 116.82 |

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

| | | |
|------------|---|------------------|
| New | - | (Company name:) |
| Exclusion: | - | (Company name:) |

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

| | |
|-----------------|-------------------|
| March 31, 2023: | 57,600,000 shares |
| March 31, 2022: | 57,600,000 shares |

2) Number of treasury shares at the end of the period:

| | |
|-----------------|------------------|
| March 31, 2023: | 2,809,562 shares |
| March 31, 2022: | 2,819,167 shares |

3) Average number of shares outstanding during the period:

| | |
|-----------------------------------|-------------------|
| Fiscal Year ended March 31, 2023: | 54,785,373 shares |
| Fiscal Year ended March 31, 2022: | 54,774,659 shares |

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Net income | |
|-------------------|-----------------|-------|------------------|--------|-----------------|------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2023 | 20,109 | (3.3) | 1,958 | 7.2 | 5,347 | 11.3 | 2,306 | (43.5) |
| March 31, 2022 | 20,788 | 0.0 | 1,827 | (16.9) | 4,803 | 13.7 | 4,080 | 58.2 |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| March 31, 2023 | 42.09 | 41.92 |
| March 31, 2022 | 74.50 | 74.18 |

(2) Non-consolidated Financial Position

| As of | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|-----------------|-----------------|------------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 46,416 | 25,307 | 54.1 | 458.01 |
| March 31, 2022 | 46,265 | 26,132 | 56.0 | 473.01 |

(Reference) Equity: As of March 31, 2023: ¥ 25,094 million
As of March 31, 2022: ¥ 25,911 million

1. Analysis of Business Results

1) Overview of Business Results during the Year under Review

During the consolidated fiscal year under review, the Japanese economy moved toward normalization in socioeconomic activities in response to easing restrictions on activities over the latter half of the year, despite cycles of rising and subsiding COVID-19 infections. At the same time, the economic outlook remained uncertain, due to soaring prices stemming from prolonged geopolitical risks and other factors.

The e-book market showed signs of recovery as the impact of pirate sites began to subside. However, growth moderated due to the end of special demand for in-home consumption due to COVID-19 and other factors.

The IT-related market is undergoing a structural shift. The cloud computing market is driving expansion while traditional IT businesses are growing at a more moderate pace. Suppressed during the COVID-19 pandemic, IT investment is recovering. The situation remains fluid, however, with a mixture of positive and negative sentiment, depending on the industry.

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 identified e-comics and healthcare as priority businesses. In these areas, we pursued continued growth, endeavored to evolve into a services-oriented business, and engaged in co-creation (M&A, overseas expansion).

As a result, the Infocom Group generated a historic high net sales of ¥70,342 million for the current consolidated fiscal year, up 8.9% year on year. Operating profit mounted to ¥8,526 million, down 15.6% year-on-year due to increased costs resulting from stepped-up marketing efforts. Ordinary income was ¥8,595 million, down 15.7%, and profit attributable to owners of the parent amounted to ¥3,572 million, down 48.3% due to impairment loss on goodwill related to consolidated subsidiaries and loss on valuation of investment securities.

The following paragraphs describe our results by segment.

(i) Digital Entertainment Group

Our Digital Entertainment Group posted record-high net sales of ¥46,244 million, up 14.1% compared with the previous consolidated fiscal year. This result was due to expanded content and stronger marketing in e-comic distribution service, as well as several hits in original e-comic titles. Operating profit amounted to ¥6,042 million, down 22.1% year on year due to increased costs stemming from stepped-up marketing efforts.

In our *Mecha Comic* business, we bolstered the production of original comics and pursued measures to expand our business fields, including advancing the dramatization of our titles. In addition to measures for the Japanese market, we launched an e-comic distribution service for the U.S. market, as well as a new pay-as-you-go system to further improve usability.

Amutus Corporation is the consolidated subsidiary that operates *Mecha Comic*. The company entered into an equity and business alliance with TWIN ENGINE Inc. to grow the e-comics business through value co-creation in partnership with animation production companies and to conduct research into new business areas.

(ii) Business Solution Group

Business Solution Group sales rose 0.2% year on year to ¥24,097 million and operating profit increased 6.6% to ¥2,483 million. Corporate software sales remained firm, even while investment sentiment cooled due to the COVID-19 pandemic and delays in hardware delivery caused hospital-related projects to be postponed.

Health IT business sales of work management systems for hospitals were solid in response to the addition of functions complying with overtime caps for physicians scheduled for fiscal 2024 adoption. Overseas, we concluded a strategic equity and business alliance agreement with HealthMetrics Sdn Bhd., a Malaysian health tech company. We also began sales and marketing activities with HealthMetrics, selling our drug information system to medical institutions in Malaysia and Indonesia.

We signed on more enterprise sales partners for GRANDIT miraimil, a cloud service for our integrated ERP GRANDIT software package, building a sales and support structure across a wide range of industries.

2) Overview of Financial Position for the Current Fiscal Year

Total assets increased ¥2,756 million compared with the end of the previous consolidated fiscal year, amounting to ¥60,287 million. This result was mainly due to increases in cash and deposits and accounts receivable-trade, offset in part by a decrease in goodwill and a decrease in the market value of investment securities. Total liabilities rose ¥2,141 million to ¥15,093 million due to an increase in accounts payable-trade. Net assets rose ¥614 million compared with the end of the previous consolidated fiscal year to ¥45,194 million. This result was mainly due to the posting of profit attributable to owners of the parent, offset in part by a decrease in retained earnings due to dividend payments.

3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of March 31, 2023 amounted to ¥35,575 million, up ¥3,874 million from one year earlier. The following paragraphs describe cash flows and reasons for major changes in cash flows.

[Cash flows from operating activities]

Net cash provided by operating activities amounted to ¥8,137 million (¥7,148 million in the previous fiscal year). This result was mainly due to increases stemming from profit before income taxes of ¥6,342 million (¥10,050 million in the previous fiscal year), depreciation (non-cash item) of ¥954 million (¥1,333 million), impairment loss of ¥728 million (¥43 million), and loss on valuation of investment securities of ¥1,519 million (¥95 million). These increases were offset in part by a decrease stemming from ¥3,078 million in income taxes paid (¥4,661 million).

[Cash flows from investing activities]

Net cash used in investing activities amounted to ¥1,231 million (¥3,225 million in the previous fiscal year). This result was mainly due to cash outlays of ¥1,047 million in acquisition of software and other intangible fixed assets (versus ¥989 million in the previous fiscal year) and outlays of ¥655 million for investment securities (¥430 million). These amounts were offset in part by ¥771 million in the receipt of guarantee deposits (¥2 million).

[Cash flows from financing activities]

Net cash used in financing activities amounted to ¥3,076 million (¥2,217 million in the previous fiscal year). This result was

mainly due to cash dividends paid of ¥3,013 million (¥2,190 million in the previous fiscal year).

4) Outlook for the Next Fiscal Year

The Japanese economy is expected to be supported by further progress toward the normalization of economic and social activities, which will be a driving force to support the economy. Other positive factors include the movement toward digital transformation (DX), including IT investments. However, the future remains uncertain due to the impact of geopolitical risks and other factors.

The e-book market is projected to experience moderate growth, backed by factors that include a growing user base in connection with in-home demand. In addition, we expect investments in the e-book market overseas to become more active.

The IT-related market should see positive movement in corporate IT investment, centered on expanded use of cloud services. At the same time, we recognize the risk of a contraction in corporate investment in response to changes in business confidence.

In response to this environment, the Infocom Group will continue to focus on e-comics and healthcare as priority businesses, as we implement a new medium-term management plan (April 2023 to March 2026) that emphasizes human resources in support of growth.

For the fiscal year ending March 31, 2024, we forecast net sales of ¥78,000 million (up 10.9% year on year), operating profit of ¥9,500 million (up 11.4%), ordinary profit of ¥9,500 million (up 10.5%), and profit attributable to owners of parent of ¥6,400 million (up 79.2%).

The above-stated performance forecasts are based on information as of the date these materials were released. Accordingly, actual results may differ materially from these forecasts, due to a variety of future factors.

2. Basic Perspective on Selection of Accounting Standards

Our company applies Japanese standards.

We are preparing for the application of IFRS, and to this end we are developing a Group settlement system and in-house manual. We are also considering the timing for the application of IFRS.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 31,700 | 35,575 |
| Notes receivable - trade | 14 | 114 |
| Accounts receivable - trade | 10,744 | 11,263 |
| Contract assets | 155 | 379 |
| Inventories | 86 | 83 |
| Other | 2,472 | 1,695 |
| Allowance for doubtful accounts | (7) | (0) |
| Total current assets | 45,166 | 49,111 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 767 | 750 |
| Accumulated depreciation | (121) | (155) |
| Buildings and structures, net | 645 | 595 |
| Machinery, equipment and vehicles | 6 | 1 |
| Accumulated depreciation | (5) | (0) |
| Machinery, equipment and vehicles, net | 1 | 1 |
| Tools, furniture and fixtures | 1,517 | 1,382 |
| Accumulated depreciation | (945) | (849) |
| Tools, furniture and fixtures, net | 571 | 532 |
| Leased assets | 335 | 265 |
| Accumulated depreciation | (295) | (254) |
| Leased assets, net | 40 | 10 |
| Construction in progress | 0 | 0 |
| Total property, plant and equipment | 1,259 | 1,140 |
| Intangible assets | | |
| Software | 1,894 | 2,198 |
| Goodwill | 1,169 | 419 |
| Other | 34 | 33 |
| Total intangible assets | 3,097 | 2,650 |
| Investments and other assets | | |
| Investment securities | 5,744 | 4,800 |
| Shares of subsidiaries and associates | 53 | 53 |
| Deferred tax assets | 1,421 | 1,661 |
| Other | 789 | 871 |
| Allowance for doubtful accounts | (1) | (1) |
| Total investments and other assets | 8,007 | 7,385 |
| Total non-current assets | 12,364 | 11,176 |
| Total assets | 57,531 | 60,287 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,377 | 5,212 |
| Lease liabilities | 25 | 12 |
| Accounts payable - other | 1,303 | 1,992 |
| Income taxes payable | 1,298 | 1,437 |
| Accrued consumption taxes | 683 | 849 |
| Contract liabilities | 2,725 | 3,142 |
| Provision for bonuses | 1,336 | 1,302 |
| Other | 681 | 668 |
| Total current liabilities | 12,432 | 14,619 |
| Non-current liabilities | | |
| Lease liabilities | 19 | 6 |
| Retirement benefit liability | 48 | 67 |
| Other | 451 | 399 |
| Total non-current liabilities | 519 | 474 |
| Total liabilities | 12,951 | 15,093 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,590 | 1,590 |
| Capital surplus | 1,480 | 1,485 |
| Retained earnings | 41,402 | 41,961 |
| Treasury shares | (792) | (790) |
| Total shareholders' equity | 43,680 | 44,246 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 512 | 390 |
| Foreign currency translation adjustment | (6) | 178 |
| Total accumulated other comprehensive income | 505 | 569 |
| Share acquisition rights | 220 | 213 |
| Non-controlling interests | 173 | 164 |
| Total net assets | 44,579 | 45,194 |
| Total liabilities and net assets | 57,531 | 60,287 |

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Net sales | 64,586 | 70,342 |
| Cost of sales | 33,226 | 37,100 |
| Gross profit | 31,359 | 33,241 |
| Selling, general and administrative expenses | 21,261 | 24,715 |
| Operating profit | 10,098 | 8,526 |
| Non-operating income | | |
| Interest and dividend income | 144 | 119 |
| Share of profit of entities accounted for using equity method | 11 | - |
| Other | 4 | 16 |
| Total non-operating income | 161 | 135 |
| Non-operating expenses | | |
| Interest expenses | 0 | 1 |
| Foreign exchange losses | 5 | 3 |
| Partnership loss | 52 | 59 |
| Other | 4 | 1 |
| Total non-operating expenses | 62 | 66 |
| Ordinary profit | 10,196 | 8,595 |
| Extraordinary income | | |
| Gain on sale of investment securities | 53 | - |
| Other | 0 | - |
| Total extraordinary income | 53 | - |
| Extraordinary losses | | |
| Impairment losses | 43 | 728 |
| Loss on retirement of non-current assets | 11 | 3 |
| Loss on valuation of investment securities | 95 | 1,519 |
| Loss on sale of shares of subsidiaries and associates | 46 | - |
| Other | 2 | 1 |
| Total extraordinary losses | 199 | 2,252 |
| Profit before income taxes | 10,050 | 6,342 |
| Income taxes - current | 3,233 | 2,969 |
| Income taxes - deferred | (13) | (187) |
| Total income taxes | 3,219 | 2,781 |
| Profit | 6,831 | 3,560 |
| Loss attributable to non-controlling interests | (81) | (11) |
| Profit attributable to owners of parent | 6,912 | 3,572 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Profit | 6,831 | 3,560 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,315) | (121) |
| Foreign currency translation adjustment | 150 | 187 |
| Total other comprehensive income | (1,164) | 66 |
| Comprehensive income | 5,666 | 3,627 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,744 | 3,636 |
| Comprehensive income attributable to non-controlling interests | (78) | (8) |

Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 1,590 | 1,556 | 37,479 | (795) | 39,829 |
| Cumulative effects of changes in accounting policies | | | (798) | | (798) |
| Restated balance | 1,590 | 1,556 | 36,680 | (795) | 39,030 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,190) | | (2,190) |
| Profit attributable to owners of parent | | | 6,912 | | 6,912 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | 4 | | 3 | 7 |
| Restricted stock compensation | | 1 | | 0 | 1 |
| Capital increase of consolidated subsidiaries | | (81) | | | (81) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (75) | 4,721 | 3 | 4,649 |
| Balance at end of period | 1,590 | 1,480 | 41,402 | (792) | 43,680 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 1,827 | (153) | 1,673 | 228 | 107 | 41,839 |
| Cumulative effects of changes in accounting policies | | | | | | (798) |
| Restated balance | 1,827 | (153) | 1,673 | 228 | 107 | 41,040 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,190) |
| Profit attributable to owners of parent | | | | | | 6,912 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 7 |
| Restricted stock compensation | | | | | | 1 |
| Capital increase of consolidated subsidiaries | | | | | | (81) |
| Net changes in items other than shareholders' equity | (1,315) | 147 | (1,167) | (7) | 65 | (1,110) |
| Total changes | (1,315) | 147 | (1,167) | (7) | 65 | 3,539 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--------------------------|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| during period | | | | | | |
| Balance at end of period | 512 | (6) | 505 | 220 | 173 | 44,579 |

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 1,590 | 1,480 | 41,402 | (792) | 43,680 |
| Changes during period | | | | | |
| Dividends of surplus | | | (3,013) | | (3,013) |
| Profit attributable to owners of parent | | | 3,572 | | 3,572 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | 4 | | 2 | 7 |
| Restricted stock compensation | | 0 | | 0 | 0 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | 5 | 559 | 2 | 566 |
| Balance at end of period | 1,590 | 1,485 | 41,961 | (790) | 44,246 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 512 | (6) | 505 | 220 | 173 | 44,579 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (3,013) |
| Profit attributable to owners of parent | | | | | | 3,572 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 7 |
| Restricted stock compensation | | | | | | 0 |
| Net changes in items other than shareholders' equity | (121) | 185 | 63 | (7) | (8) | 47 |
| Total changes during period | (121) | 185 | 63 | (7) | (8) | 614 |
| Balance at end of period | 390 | 178 | 569 | 213 | 164 | 45,194 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 10,050 | 6,342 |
| Depreciation | 1,333 | 954 |
| Impairment losses | 43 | 728 |
| Share-based payment expenses | 36 | 36 |
| Amortization of goodwill | 25 | 111 |
| Increase (decrease) in allowance for doubtful accounts | (0) | (6) |
| Increase (decrease) in provision for bonuses | (83) | (34) |
| Interest and dividend income | (144) | (119) |
| Loss (gain) on valuation of investment securities | 95 | 1,519 |
| Loss (gain) on sale of investment securities | (53) | - |
| Loss (gain) on sale of shares of subsidiaries and associates | 46 | - |
| Decrease (increase) in trade receivables and contract assets | 1,789 | (836) |
| Decrease (increase) in inventories | 74 | 3 |
| Decrease (increase) in other assets | (259) | 101 |
| Increase (decrease) in trade payables | (587) | 835 |
| Increase (decrease) in accounts payable - other | (225) | 639 |
| Increase (decrease) in other liabilities | (479) | 606 |
| Subtotal | 11,661 | 10,879 |
| Interest and dividends received | 148 | 113 |
| Interest paid | (0) | (1) |
| Income taxes paid | (4,661) | (3,078) |
| Income taxes refund | - | 225 |
| Net cash provided by (used in) operating activities | 7,148 | 8,137 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (735) | (168) |
| Purchase of intangible assets | (989) | (1,047) |
| Purchase of investment securities | (430) | (655) |
| Proceeds from sale of investment securities | 99 | - |
| Proceeds from sale of shares of subsidiaries and associates | 150 | - |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,055) | - |
| Payments of guarantee deposits | (3) | (129) |
| Proceeds from refund of guarantee deposits | 2 | 771 |
| Other, net | (262) | (2) |
| Net cash provided by (used in) investing activities | (3,225) | (1,231) |
| Cash flows from financing activities | | |
| Repayments of lease liabilities | (46) | (23) |
| Dividends paid | (2,190) | (3,013) |
| Other, net | 19 | (39) |
| Net cash provided by (used in) financing activities | (2,217) | (3,076) |
| Effect of exchange rate change on cash and cash equivalents | 38 | 44 |
| Net increase (decrease) in cash and cash equivalents | 1,744 | 3,874 |
| Cash and cash equivalents at beginning of period | 29,956 | 31,700 |
| Cash and cash equivalents at end of period | 31,700 | 35,575 |

(Significant Subsequent Events)

(Business Combination Through Acquisition)

At a meeting held April 19, 2023, the Infocom Corporation board of directors resolved to acquire 100% of the outstanding shares of J-MAC SYSTEM, Inc., making the company an Infocom subsidiary.

We acquired said shares on April 24, 2023, as described below.

(1) Outline of the business combination

a. Name and business description of acquired company

Name of acquired company: J-MAC SYSTEM, Inc.

Business description: Planning, development, sales, etc., of diagnostic imaging systems for medical facilities

b. Main reasons for the business combination

Under the fundamental policy of *pursue growth* defined our medium-term management plan, Infocom Corporation develops radiology information systems and other products for large-scale medical facilities under our Health IT business, one of our priority businesses. J-MAC SYSTEM, Inc., employs a large number of highly skilled radiology technicians, and the company develops and sells its own medical diagnostic imaging systems using cloud computing and AI image analysis technology.

With this acquisition, we plan to expand our product lineup and accelerate our expansion into the market for small- and medium-sized medical facilities. We also expect to continue to grow our existing businesses and expand our operations through M&A and other means.

c. Date of business combination

April 24, 2023

d. Legal form of business combination

Stock acquisition

e. Name of company after business combination

No change.

f. Percentage of voting rights to be acquired

100%

g. Main basis for determining acquiring company

Infocom Corporation acquired shares for cash consideration.

(2) Acquisition cost of the acquired company and detail by type of consideration

Due to a confidentiality agreement between the parties, we will refrain from disclosing this information.

(3) Details and amounts of major acquisition-related expenses

Not determined as of this time.

(4) Amount, cause, amortization method, and period of goodwill related to the acquisition

Not determined as of this time.

(5) Amount and major components of assets to be acquired and liabilities to be assumed on the date of business combination

Not determined as of this time.