

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 [Japanese GAAP] (Consolidated)

January 31, 2017

Listed company name: Infocom Corporation Listed on: Tokyo Stock Exchange Securities code: 4348 URL http://www.infocom.co.jp/
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Scheduled date of filing the quarterly securities report: February 8, 2017 Scheduled date of payment of cash dividends:

Supplementary materials for the quarterly results: Yes, Supplementary materials for the quarterly results for the Third quarter of the fiscal year ending March 31, 2017

Quarterly results briefing: No

(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (FY 2016) (April 1, 2016 to December 31, 2016)

(1) Consolidated operating results (cumulative) (Percent figures indicate the rate of changes from the same period of the previous fiscal year)

	Net sales		Operating in	come	Ordinary i	ncome	Profit attributable to ov	vners of
							parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of FY 2016	29,072	4.7	2,546	22.4	2,606	22.1	1,685	-
Third quarter of FY 2015	27,774	-1.2	2,081	110.3	2,134	107.6	-673	-

(Note)Comprehensive income: Third quarter of FY 2016:1,432 million yen (-%); Third quarter of FY 2015: -683 million yen (-%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Third quarter of FY 2016	61.66	61.43
Third quarter of FY 2015	-24.64	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders equity
			ratio
	Million yen	Million yen	%
Third quarter of FY 2016	30,575	21,705	70.6
FY 2015	31,619	21,148	66.5

(Reference) shareholders' equity: Third quarter of FY 2016: 21,593 million yen; FY 2015: 21,036 million yen

2. Dividends

		Dividends per share						
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
FY 2015	-	0.00	-	22.00	22.00			
FY 2016	-	10.00	-					
FY 2016 (forecasts)				15.00	25.00			

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

3. Forecasts of Consolidated Business Results for FY 2016 (April 1, 2016 to March 31, 2017)

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

	(Ference rigates) indicate the rate of changes from the previous fiscal year)								
	Net sales		Net sales Operating income Ord		Ordinary income		Profit attributable to		E.P.S.
							owners of parent		
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	45,000	11.6	5,000	12.9	5,000	9.7	3,000	311.8	109.73

(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 the outlook for 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 their assumptions, please see the attached materials on p. 3 "Explanation of the information on future forecasts including consolidated financial forecasts."

1. Qualitative Information on the Current Quarterly Financial Results

(1) Explanation of Operating Results

For the current consolidated cumulative third quarter, the Japanese economy showed a continuing gradual recovery trend with an improvement in corporate earnings and employment, but its outlook is still uncertain because of concerns about economic slowdown in emerging countries as well as monetary policies and the outcome of the presidential election in U.S.

In the IT-related market, we see expansion of the business use of smartphones and tablets driven by the introduction of the cloud and rising needs for the use of IT in the medical and nursing care areas and the introduction of IT in global companies. The e-book market experiences rapid growth where such instruments are used. Additionally, new businesses are expected to be created because of higher interests in IoT, big data, AI (artificial intelligence), VR (virtual reality), and AR (artificial reality), and the expansion of the initiative to the open-innovation that combination of in-house and outside techniques and ideas creates new value.

Under such a business environment, our group strives to increase competitiveness and expand operations mainly in the focused businesses: Digital Entertainment, Health IT and GRANDIT-ERP, according to the basic policies of the medium-term management plan (published on February 6, 2012) of ["Evolution" by speedy responses to environmental changes], ["Evolution" toward expansion of operations at the focused business areas] and [Continuing enhancement of operating base underpinning "Evolution"].

According to these policies, the project for transferring to the data center of the business tie-up partner is being carried out as scheduled. The transfer is associated with "Discontinuance of providing services from the company's own data center" which was determined in the previous second quarter. We also examined the effective utilization of the land and buildings of our data center after the transfer, and adopted the resolution to sell them. The date of sale will be September 29, 2017 (on schedule), and so there is no effect of the sale of the data center on the current business results.

As a result of the above, our group recorded sales of 29,072 million yen (up 4.7% from the same period of the previous fiscal year), operating income of 2,546 million yen (up 22.4%), ordinary income of 2,606 million yen (up 22.1%), and quarterly profit attributable to owners of the parent of 1,685 million yen (quarterly loss attributable to owners of the parent of 673 million yen for the same period of the previous fiscal year) for the current consolidated cumulative third quarter.

For operating results of our group, sales and operating income tend to be relatively low in the first and third quarters and concentrate in the fourth quarter due to the tendency that delivery deadlines of products and services for companies and hospitals concentrate in the fiscal year end March.

Operating results by segment are as follows:

(i) Business Solution Group

For the current consolidated cumulative third quarter, the business solution group generated sales of 14,652 million yen (down 4.8% from the same period of the previous fiscal year) with a continuing effect on the health IT business of reductions in IT investments at medical institutions as a result of revisions to medical service fees and the steady performance of SI deals for corporate customers. Operating income was 397 million yen (down 45.3% from the same period of the previous fiscal year) because of the effect of the sales decline and up-front investments in the new business areas, regional comprehensive care, and IoT-related areas, made as planned.

As for efforts by business, in the health IT business, we implemented sales promotions of radiology information systems and medical information management systems for hospitals, whose functions had been expanded in the previous fiscal year, and started development of regional comprehensive care systems. We also developed dementia care solutions with IoT and started displaying the solutions at exhibitions, etc. for reference.

In the ERP GRANDIT business, we started sale of the new version of the integrated business software package GRANDIT® with expanded group management function and added the cloud service for expense settlement and the approval workflow expansion function to expand the business support function. Pacific Systems Corporation joined the GRANDIT Consortium as a business partner, and this strengthened the selling system for GRANDIT®.

In the field of IoT, we developed a soil environment monitoring solution, in addition to the above-mentioned dementia care solutions, and started displaying the solutions at exhibitions, etc. for reference. Also in IT services for

general companies, we expanded new products and services and developed new customers and will continue to improve project and quality management.

(ii) Digital Entertainment Group

For the consolidated cumulative third quarter, the digital entertainment group generated sales of 14,419 million yen (up 16.5% from the same period of the previous fiscal year) as e-book distribution service remained robust and the 2,148 million yen operating income (up 58.7%) with the growth in net sales of the said service absorbing an increase in actively used advertisement expenses.

For the e-book distribution service, we implemented the sales strategy to include broadcasting TV commercials for the same period as the previous period, expanding the broadcasting areas all over the nation for the purpose of maintaining and increasing the recognition of *Mecha Comic*, the largest e-comic store in Japan, effectively utilizing banner advertisements leading to the site of Mecha Comic, and exclusively distributing new books of popular series linked with advertisements. As a result of supporting the "social login function" and taking measures to improve convenience at the time of membership registration and login, in addition to the above, the number of paid members exceeded 1 million and quarterly sales reached new highs for the first and second quarters. Also for the third quarter, quarterly sales were largely higher than that for the same period of the previous fiscal year, and consequently, cumulative sales exceeded 10 billion yen over one month earlier than in the previous fiscal year. For the e-book distribution service, which celebrated the 10th anniversary of the start of its operation, we will strive to improve the details of the services to achieve a sales goal for the full year of 18,000 million yen including memorial campaigns.

(2) Explanation of Financial Positions

(i) Consolidated Financial Positions

Total assets decreased 1,044million yen from the end of the previous consolidated fiscal year to 30,575 million yen mainly due to a decrease in notes and accounts receivable. Liabilities decreased 1,601 million yen from the end of the previous consolidated fiscal year to 8,869 million yen mainly due to a decrease in accrued income taxes and a decrease in reserve for loss from business restructuring. Net assets increased 557 million yen from the end of the previous consolidated fiscal year to 21,705 million yen. As a result of the above, the equity ratio increased to 70.6% from 66.5% at the end of the previous consolidated fiscal year.

(ii) Consolidated cash flow

Cash and cash equivalents (hereinafter the "cash") amounted to 11,877 million yen at the end of the current consolidated cumulative third quarter, down 66 million yen from the end of the previous consolidated fiscal year. The status of individual cash flows and major factors for their changes are as follows:

[Cash flow from operating activities]

Net cash provided by operating activities amounted to 1,752million yen (2,965 million yen for the same period of the previous fiscal year). It increased mainly because of the depreciation of 780 million yen (849 million yen for the same period of the previous fiscal year) and a decrease in notes and accounts receivable of 1,927 million yen (2,147 million yen for the same period of the previous fiscal year) and decreased because of expenditures of 1,035 million yen for business restructuring arising from the business structural reform in relation to the data center (77 million yen for the same period of the previous fiscal year) and income taxes paid of 1,396 million yen (1,104 million yen for the same period of the previous fiscal year).

[Cash flow from investment activities]

Net cash used in investment activities amounted to 837 million yen (2,865 million yen for the same period of the previous fiscal year). This was mainly due to payments for purchases of intangible fixed assets that included software of 637 million yen (865 million yen for the same period of the previous fiscal year).

[Cash flow from financing activities]

Net cash used in financing activities amounted to 952 million yen (547 million yen for the same period of the previous fiscal year). This was mainly due to payments of dividends of 874 million yen (505 million yen for the same period of the previous fiscal year).

(3) Explanation of the Information concerning Future Forecasts including Consolidated Operating Results Forecasts

There are no changes in consolidated operating results forecasts for the full year of FY 2016 as of the announcement date of the materials.

The above-mentioned operating results forecasts are based on the information available as of the announcement date of the materials, and actual business results may differ from forecasts because of various factors in future.

2. Matters on Summary Information (Notes)

(1) Changes of Accounting Policies/Changes and Restatements of Accounting Estimates Changes of Accounting Policies

(Application of the practical solution on a change in depreciation method due to Tax Reform 2016)

As a result of revisions to the Corporation Tax Act, we applied the practical solution on a change in depreciation method due to Tax Reform 2016 (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) in the current consolidated first quarter and changed the depreciation method for buildings and accompanying facilities and structures to be acquired on or after April 1, 2016 from the declining balance method to the straight line method. In the current consolidated cumulative third quarter, the changes had impact on the quarterly consolidated financial statements.

(2) Additional Information

(Application of the Implementation Guidelines on Recoverability of Deferred Tax Assets)

We have applied the Implementation Guidelines on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the current consolidated first quarter.

3. Quarterly Consolidated Financial Statements(1) Quarterly Consolidated Balance Sheet

		(Unit: million yen)
	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	11,940	11,873
Notes and accounts receivable-trade	8,373	6,401
Inventories	274	904
Other	2,177	2,776
Allowance for doubtful accounts	(15)	(6)
Total current assets	22,750	21,948
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	1,461	1,438
Other (net)	1,031	1,130
Total tangible fixed assets	2,493	2,568
Intangible fixed assets		
Software	2,285	2,113
Goodwill	33	21
Other	50	47
Total intangible fixed assets	2,369	2,182
Investment and other assets	4,006	3,875
Total fixed assets	8,868	8,626
Total assets	31,619	30,575
Liabilities		
Current liabilities		
Accounts payable-trade	3,107	2,887
Income taxes payable	932	543
Reserve for bonus	1,109	449
Reserve for loss from business restructuring	1,887	1,214
Other reserves and allowances	12	21
Other	2,875	3,548
Total current liabilities	9,924	8,665
Non-current liabilities		
Reserve for loss from business restructuring	361	-
Other	185	204
Total non-current liabilities	546	204
Total liabilities	10,471	8,869
Net assets		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,448	1,447
Retained earnings	18,746	19,557
Treasury stocks	(820)	(820)
Total shareholders' equity	20,964	21,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	(16)
Deferred gains or losses on hedges	(0)	3
Foreign currency translation adjustments	38	(168)
Total accumulated other comprehensive income	71	(180)
Subscription rights to shares	73	100
Non-controlling interests	39	11
Total net assets	21,148	21,705
Total liabilities and net assets	31,619	30,575
	, ,	

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

Quarterly Consolidated Statements of Income Consolidated Cumulative Third Quarter

Income taxes

Net income (loss)

Profit attributable to non-controlling shareholders

Profit (loss) attributable to owners of parent

(Unit: million yen) Third quarter of FY2015 Third quarter of FY2016 (from April 1, 2015 to (from April 1, 2016 to December 31, 2015) December 31, 2016) Net Sales 27,774 29,072 Cost of sales 15,461 15,670 Gross profit 12,312 13,402 Selling, general and administrative expenses 10,231 10,855 2,546 2,081 Operating income Non-operating income Interest and dividends income 33 56 Equity in earnings affiliates 6 0 Foreign exchange gains 4 Gain from partnership 14 Other 4 2 Total non-operating income 54 69 Non-operating expenses Interest expenses 0 1 Loss from partnership 9 Other 0 0 Total non-operating expenses 0 10 Ordinary income 2,134 2,606 Extraordinary gains Compensation for transfer 15 0 Total extraordinary gains 15 Extraordinary loss Impairment loss 228 4 Loss from business restructuring 2,545 Loss from sale of shares of subsidiaries 273 Other 142 25 Total extraordinary loss 2,916 303 Income (loss) before income taxes (781)2,317

(108)

(672)

(673)

0

629

1,687

1,685

Quarterly Consolidated Statements of Comprehensive Income Consolidated Cumulative Third Quarter

		(Unit: million yen)
	Third quarter of FY 2015	Third quarter of FY 2016
	(from April 1, 2015 to	(from April 1, 2016 to
	December 31, 2015)	December 31, 2016)
Net income (loss)	(672)	1,687
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	6	(50)
Deferred gains or losses on hedges	(0)	4
Foreign currency translation adjustment	(17)	(208)
Total other comprehensive income	(11)	(255)
Quarterly comprehensive income (loss)	(683)	1,432
Comprehensive income attributable to owners of parent	(684)	1,433
Comprehensive income (loss) attributable to non-controlling shareholders	0	(0)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

		(Onit. Million yen)
	Third quarter (from April 1, 2015 to December 31, 2015)	Third quarter (from April 1, 2016 to December 31, 2016)
Cash flow from operating activities	, ,	,
Income (loss) before income taxes	(781)	2,317
Depreciation and amortization	849	780
Impairment loss	228	4
Loss from business restructuring	2,545	_
Share-based compensation expense	30	27
Amortization of goodwill	11	11
Increase (decrease) in allowance for doubtful accounts	(558)	(659)
Interest and dividends income	(33)	(56)
Interest expenses	0	1
Decrease (increase) in notes and accounts		
receivable-trade	2,147	1,927
Decrease (increase) in inventories	(608)	(631)
Increase (decrease) in notes and accounts payable-trade	144	(202)
Other, net	143	606
Subtotal	4,120	4,128
Interest and dividends income received	27	56
Interest expenses paid	(0)	(1)
Payments for business restructuring	(77)	(1,035)
Income taxes paid	(1,104)	(1,396)
Net cash provided by operating activities	2,965	1,752
Cash flow from investment activities	2,703	1,732
	(102)	(226)
Purchases of property tangible assets	(103)	(236)
Purchases of intangible assets	(865)	(637)
Proceeds from sales of property tangible assets	0	0
Proceeds from sales of intangible assets Deposit income on sales of property tangible assets	0	282
Purchases of investment securities	(1,928)	
	(1,928)	(247)
Proceeds from sale of shares of subsidiaries resulting in	-	4
changes in the scope of consolidation	(2)	(20)
Payments for guarantee deposits	(2)	(28)
Proceeds from collection of guarantee deposits	22	8
Other, net	11	17
Net cash used in investing activities	(2,865)	(837)
Cash flow from financing activities	(51)	(10)
Repayment of lease obligations	(51)	(49)
Cash dividends paid	(505)	(874)
Proceeds from share issuance to non-controlling shareholders	10	1
Purchases of sale of shares of subsidiaries resulting in changes in the scope of consolidation	-	(30)
Net cash used in financing activities	(547)	(952)
Effect of exchange rate changes on cash and cash equivalents	(13)	(29)
Net increase (decrease) in cash and cash equivalents	(460)	(66)
The period cash and cash equivalents at beginning of the	11,946	11,943
period	11 405	11 077
Cash and cash equivalents at end of the quarter	11,485	11,877

(4) Notes on the Quarterly Consolidated Financial Statements

(Note on going concern assumption)

Not applicable

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

Not applicable

(Segment information)

[Segment information]

- I Third quarter of FY 2015 (from April 1, 2015 to December 31, 2015)
- 1. Information about sales and profit or loss for each reportable segment

(Unit: million yen)

	Reportabl	e segment			Amounts stated in the	
	Business solution	Digital Total entertainment		Adjustments (Note)1	quarterly consolidated statements of income (Note)2	
Net Sales						
Sales to external	15,395	12,379	27,774	_	27,774	
customers	13,393	12,379	21,774	-	27,774	
Intersegment sales or	367	4	372	(372)		
transfers	307	4	312	(372)	-	
Total	15,762	12,383	28,146	(372)	27,774	
Segment income	727	1,353	2,081	0	2,081	

(Notes)

- 1 Adjustments of segment income of 0 million yen represent elimination of transactions between segments and expenses of the whole company.
- 2 Segment income was adjusted to operating profit stated in the quarterly consolidated statements of income.
- 2. Information on impairment loss on fixed assets or goodwill by reportable segment (Significant impairment loss on fixed assets)

As part of the business structural reforms for further growth based on medium- and long-term viewpoints, our group decided to discontinue provision of services from the Shin-Yokohama data center by the end of June 2017. In the IT service segment and as a result of this, the book values of the relevant assets were reduced to their recoverable amounts and the reduction amount of 209 million yen was recorded as impairment loss in extraordinary loss.

II Third quarter of FY 2016 (from April 1, 2016 to December 31, 2016)

1. Information about sales and profit or loss for each reportable segment

(Unit: million yen)

	Reportabl	e segment			Amounts stated in the quarterly consolidated statements of income (Note)2	
	Business solution	Digital entertainment	Total	Adjustments (Note)1		
Net Sales						
Sales to external customers	14,652	14,419	29,072	-	29,072	
Intersegment sales or transfers	543	5	549	(549)	-	
Total	15,196	14,425	29,621	(549)	29,072	
Segment income	397	2,148	2,546	(0)	2,546	

(Notes)

- 1 Adjustments of segment income of -0 million yen represent elimination of transactions between segments and expenses of the whole company.
- 2 Segment income was adjusted to operating profit stated in the quarterly consolidated statements of income.