

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018 [Japanese GAAP]

July 28, 2017

Listed company name: Infocom Corporation
 Securities code: 4348
 Representative: (Position) President and CEO
 Contact: (Position) Head of Corporate Communications Office
 Scheduled date of filing the quarterly securities report: August 8, 2017
 Supplementary materials for the quarterly results: Yes
 Quarterly results briefing: No

Listed on: Tokyo Stock Exchange
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 Scheduled date of payment of cash dividends: -

(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the First Quarter of the FY 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative) (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of FY 2017	9,949	11.7	651	302.4	677	305.8	430	678.2
First quarter of FY 2016	8,906	2.5	161	5.1	166	-3.7	55	-35.8

(Note) Comprehensive income: First quarter of FY 2017: 350 million yen (-%); First quarter of FY 2016: -99 million yen (-%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
First quarter of FY 2017	15.73	15.67
First quarter of FY 2016	2.02	2.01

(2) Consolidated financial position

	Total assets	Net assets	Shareholders equity ratio
	Million yen	Million yen	%
First quarter of FY 2017	31,542	23,641	74.5
FY 2016	32,620	23,665	72.2

(Reference) Shareholders' equity: First quarter of FY 2017: 23,498 million yen; FY 2016: 23,556 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2016	-	10.00	-	15.00	25.00
FY 2017	-	-	-	-	-
FY 2017 (forecasts)	-	10.00	-	25.00	35.00

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

3. Forecasts of Consolidated Business Results for the FY 2017 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders		E.P.S.
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	20,500	6.0	1,900	18.0	1,900	17.0	1,900	81.4	69.49
	46,000	10.1	5,300	11.0	5,300	9.2	4,000	22.7	146.29

(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 results for the current quarter

(1) Explanation of business results

Although the Japanese economy during the first quarter consolidated cumulative first quarter saw concerns over unstable overseas situation, the Japanese economy remained on a gradual recovery trend due to improvements in corporate earnings and income environment.

In the IT-related market, with the rise of consciousness of utilization of IT toward the realization of "How to work in the workplace", IoT, big data, AI (artificial intelligence) Utilization of VR (virtual reality), AR (augmented reality), etc. has progressed, utilization of IT in medical and nursing care areas and e-book market continues to grow. Furthermore, the creation of new business is expected, such as the expansion of open innovation initiatives that combine technologies and ideas inside and outside the company to create new value.

In such a business environment, the Group is proceeding under the basic policy of the medium-term management plan (April 2017 to March 2020) [Pursuit of growth] and [Continuous strengthening of the management base that supports growth] With the aim of continuous long-term development, we are actively pursuing M & A by focusing on electronic comics and healthcare as well as business development utilizing AI and IoT.

As a result, the Group's operating results for the first quarter consolidated interim period, net sales of 9,949 million yen (up 11.7% from the same quarter of the previous year), operating income of 651 million yen (up 302.4%) ordinary income of 677 million yen (up 305.8%), and net income attributable to shareholders of 430 million yen (up 678.2%).

In addition, due to the tendency of the Group's results to concentrate on delivery of products and services for companies and hospitals in March at the end of the fiscal year, sales and profits are relatively low in the first and third quarters, It tends to concentrate in the fourth quarter.

Performance by segment is as follows.

(i) Business Solution Group

In the first quarter consolidated cumulative period, the Business Solution Group recorded strong sales of health IT and IT services, absorbing declines such as withdrawal from data center related business, and sales of 4,707 million yen (up 8.7% from the same quarter of the previous year), and an operating loss of 143 million yen (an operating loss of 336 million yen in the same quarter last year).

In addition to promoting products and services for existing hospitals and pharmaceutical companies, the health IT held a business contest for senior "Digital Health Connect" with a view to new development in the area comprehensive care area. In this business, in addition to expanding the lineup for hospitals and pharmaceutical companies to achieve the full-year sales target of 9 billion yen, in addition to the efforts of "Nursing care whole IT!" In the regional comprehensive care area, and new initiatives using AI and IoT We are strengthening upfront investment to develop healthcare services.

In the IT service for enterprises, we began offering an expense adjustment cloud service in cooperation with the integrated business software package "GRANDIT@" as the first step of "how to work".

In addition, we presented research results of VR / AR which we are conducting research for the purpose of application to telemedicine and nursing care fields at the exhibition.

(ii) Digital Entertainment Group

Digital Entertainment Group results for the first quarter consolidated cumulative period totaled 5,242 million yen (up 14.6% from the same quarter of the previous year) due to steady progress in electronic comic distribution services, and operating income of 793 million yen (up 59.0%).

In the e-comic distribution service, in addition to utilizing AI for the operation of the site of 'Mecha comic', we promoted sales strategies such as continuing television commercials in major urban areas across the country at the same period for the purpose of maintaining and raising awareness As a result, sales reached record highs. The service will continue to enrich the service content to achieve the full-year sales target of 21 billion yen.

(2) Explanation about financial condition

(i) Consolidated financial condition

Total assets decreased by 1,077 million yen compared with the end of the previous consolidated fiscal year to 31,542 million yen due to a decrease in notes and accounts receivable. Total liabilities decreased by 1,053 million yen compared with the end of the previous consolidated fiscal year to 7,901 million yen due to decreases in provision for bonuses and income taxes payable. Net assets decreased by 24 million yen compared with the end of the previous consolidated fiscal year to 23,641 million yen.

As a result of the above, the equity ratio rose to 74.5% from 72.2% at the end of the previous consolidated fiscal year.

(ii) Consolidated cash flow

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the first quarter consolidated cumulative period totaled 13,395 million yen, an increase of 987 million yen from the end of the previous consolidated fiscal year. The status of each cash flow and the main factor of their increase / decrease are as follows.

[Cash flow from operating activities]

Net cash provided by operating activities amounted to 1,739 million yen (757 million yen in the same quarter of the previous fiscal year). It increased mainly because of net income before income taxes and minority interests was 637 million yen (net loss before income taxes and minority 117 million yen in the same quarter of the previous fiscal year) and decrease in notes and accounts receivable 2,471 million yen (2,610 million yen for the same quarter of the previous year) and decreased because of decrease in provision of 745 million yen (638 million yen in the same quarter of the previous year), expenditure of restructuring related to data center related business restructuring of 293 million yen (previous year: 300 million yen) and payment of corporation tax etc. 999 million yen (1,141 million yen in the same quarter of the previous year) etc.

[Cash flow from investment activities]

Net cash used in investing activities was 325 million yen (329 million yen in the same quarter of the previous year). This was mainly due to expenditure of 167 million yen (177 million yen in the same quarter of the previous year) for acquisition of intangible fixed assets such as software and expenditure of 106 million yen (135 million yen in the same quarter of the previous year) for purchase of investment securities Thing.

[Cash flow from financing activities]

Net cash used in financing activities was 423 million yen (619 million yen in the same quarter of the previous year). This is mainly due to the payment of dividends of 410 million yen (601 million yen in the same quarter of the previous year).

(3) Explanation about future forecast information such as consolidated earnings forecast

Consolidated results for the first quarter of the FY 2017 are on schedule, there is no change in the consolidated earnings forecast for the second quarter cumulative period and full year for the full fiscal year that was announced in "Consolidated Financial Results for the Year Ended March 31, 2017" on April 27, 2017.

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, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	12,403	13,391
Notes and accounts receivable-trade	8,784	6,313
Inventories	366	549
Other	2,180	2,514
Allowance for doubtful accounts	(4)	(0)
Total current assets	23,731	22,768
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	1,413	1,406
Other (net)	1,161	1,114
Total tangible fixed assets	2,575	2,521
Intangible fixed assets		
Software	2,045	1,997
Goodwill	8	5
Other	45	44
Total intangible fixed assets	2,099	2,047
Investment and other assets		
Investment and other assets	4,305	4,295
Allowance for doubtful accounts	(34)	(34)
Provision for investment loss	(55)	(55)
Total investment and other assets	4,214	4,204
Total fixed assets	8,889	8,774
Total assets	32,620	31,542
Liabilities		
Current liabilities		
Accounts payable-trade	3,062	2,858
Income taxes payable	908	225
Reserve for bonus	1,176	451
Reserve for loss from business restructuring	423	85
Other reserves and allowances	18	1
Other	3,046	3,986
Total current liabilities	8,636	7,609
Non-current liabilities		
Other	318	292
Total non-current liabilities	318	292
Total liabilities	8,954	7,901
Net assets		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,448	1,448
Retained earnings	21,132	21,152
Treasury stocks	(819)	(817)
Total shareholders' equity	23,351	23,373
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198	166
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustments	5	(41)
Total accumulated other comprehensive income	204	124
Subscription rights to shares	98	131
Non-controlling interests	11	11
Total net assets	23,665	23,641
Total liabilities and net assets	32,620	31,542

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

Quarterly Consolidated Statements of Income

First Quarter Consolidated Period

(Unit: million yen)

	First quarter of FY2016 (from April 1, 2016 to June 30, 2016)	First quarter of FY2017 (from April 1, 2017 to June 30, 2017)
Net Sales	8,906	9,949
Cost of sales	4,979	5,389
Gross profit	3,926	4,560
Selling, general and administrative expenses	3,764	3,908
Operating income	161	651
Non-operating income		
Interest and dividends income	18	21
Equity in earnings affiliates	2	4
Gain from partnership	0	0
Other	1	0
Total non-operating income	22	26
Non-operating expenses		
Interest expenses	0	0
Exchange loss	17	0
Other	0	0
Total non-operating expenses	17	0
Ordinary income	166	677
Extraordinary gains		
Gains on sales of investment securities	-	0
Total extraordinary gains	-	0
Extraordinary loss		
Loss on valuation of investment securities	-	39
Loss from sale of shares of subsidiaries	273	-
Other	10	0
Total extraordinary loss	284	40
Income (loss) before income taxes	(117)	637
Income taxes	(171)	207
Net income (loss)	53	430
Net income (loss) attributable to non-controlling shareholders	(1)	(0)
Net income attributable to shareholders	55	430

Quarterly Consolidated Statements of Comprehensive Income
Consolidated Cumulative Third Quarter

	(Unit: million yen)	
	First quarter of FY2016 (from April 1, 2016 to June 30, 2016)	First quarter of FY2017 (from April 1, 2017 to June 30, 2017)
Net income (loss)	53	430
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(68)	(32)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(85)	(47)
Total other comprehensive income	(153)	(79)
Quarterly comprehensive income (loss)	(99)	350
Comprehensive income attributable to owners of parent	(97)	350
Comprehensive income (loss) attributable to non-controlling shareholders	(2)	(0)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	First quarter of FY2016 (from April 1, 2016 to June 30, 2016)	First quarter of FY2017 (from April 1, 2017 to June 30, 2017)
Cash flow from operating activities		
Income (loss) before income taxes	(117)	637
Depreciation and amortization	253	289
Share-based compensation expense	27	34
Amortization of goodwill	3	2
Increase (decrease) in allowance for doubtful accounts	(638)	(745)
Interest and dividends income	(18)	(21)
Interest expenses	0	0
Decrease (increase) in notes and accounts receivable-trade	2,610	2,471
Decrease (increase) in inventories	(309)	(183)
Increase (decrease) in notes and accounts payable-trade	(546)	(214)
Other, net	919	742
Subtotal	2,184	3,013
Interest and dividends income received	15	19
Interest expenses paid	(0)	(0)
Payments for business restructuring	(300)	(293)
Income taxes paid	(1,141)	(999)
Net cash provided by operating activities	757	1,739
Cash flow from investment activities		
Purchases of property tangible assets	(19)	(52)
Purchases of intangible assets	(177)	(167)
Purchases of investment securities	(135)	(106)
Proceeds from sale of shares of subsidiaries resulting in changes in the scope of consolidation	4	-
Payments for guarantee deposits	(3)	(0)
Other, net	1	1
Net cash used in investing activities	(329)	(325)
Cash flow from financing activities		
Repayment of lease obligations	(18)	(14)
Cash dividends paid	(601)	(410)
Proceeds from share issuance to non-controlling shareholders	1	1
Other, net	-	(0)
Net cash used in financing activities	(619)	(423)
Effect of exchange rate changes on cash and cash equivalents	(19)	(3)
Net increase (decrease) in cash and cash equivalents	(210)	987
The period cash and cash equivalents at beginning of the period	11,943	12,408
Cash and cash equivalents at end of the quarter	11,733	13,395

(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 First quarter of FY 2016 (from April 1, 2016 to June 30, 2016)

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	4,331	4,574	8,906	-	8,906
Intersegment sales or transfers	151	1	152	(152)	-
Total	4,482	4,575	9,058	(152)	8,906
Segment income (loss)	(336)	498	161	(0)	161

(Note)

1 Adjustment of segment profit or loss -0 million yen is elimination of intersegment transactions and corporate expenses.

2 Segment income or loss is adjusted with operating income in the quarterly consolidated income statement.

II First quarter of FY 2017 (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 income (loss)	(143)	793	649	2	651

(Note)

1 Adjustments of segment profit or loss of 2 million yen are eliminations of intersegment transactions and corporate expenses.

2 Segment income or loss is adjusted with operating income in the quarterly consolidated income statement.