

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

October 26, 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: November 9, 2017
 Supplementary materials for the quarterly results: Yes, Financial Results Briefing for the 2Q FY 2017
 Quarterly results briefing: Yes, for investors

Listed on: Tokyo Stock Exchange
 URL <http://www.infocom.co.jp/>
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 Scheduled date of payment of cash dividends: November 28, 2017

(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the Second Quarter of the FY 2017 (April 1, 2017 to September 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	%
Second quarter of FY 2017	21,203	9.7	2,365	46.9	2,634	62.3	2,574	145.8
Second quarter of FY 2016	19,336	3.2	1,610	33.8	1,623	30.0	1,047	-

(Note) Comprehensive income: Second quarter of FY 2017: 2,899 million yen (285.0%); Second quarter of FY 2016: 735 million yen (-%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Second quarter of FY 2017	94.16	93.77
Second quarter of FY 2016	38.32	38.18

(2) Consolidated financial position

	Total assets	Net assets	Shareholders equity ratio
	Million yen	Million yen	%
Second quarter of FY 2017	34,204	26,190	76.2
FY 2016	32,620	23,665	72.2

(Reference) Shareholders' equity: Second quarter of FY 2017: 26,048 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	-	10.00	-	-	-
FY 2017 (forecasts)	-	-	-	28.00	38.00

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

FY 2017 (Forecast) Breakdown of year-end dividends: Ordinary dividend 26.00 yen Commemorative dividend 2.00 yen

For details on revising dividend forecasts, please refer to "Notice on Revisions to Earnings Forecasts and Dividend Forecasts" announced today (October 26, 2017).

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	46,000	10.1	5,600	17.2	5,800	19.5	4,500	38.0	164.56

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

For details on revising consolidated business forecasts, please refer to "Notice on Revisions to Earnings Forecasts and Dividend Forecasts" announced today (October 26, 2017).

* 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 second 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 second quarter consolidated interim period, net sales of 21,203 million yen (up 9.7% from the same quarter of the previous year), operating income of 2,365 million yen (up 46.9%) ordinary income of 2,634 million yen (up 62.3%), and net income attributable to shareholders of 2,574 million yen (up 145.8%).

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 second quarter consolidated cumulative period, as the Business Solution Group continued to perform well, particularly in the health IT, we absorbed the decline in sales due to the withdrawal of data center related business, and sales of 10,553 million yen (up 7.3% from the same quarter of the previous year), and an operating income of 630 million yen (up 73.0%).

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. We also started a stress management service through collaborative research with the University of Tokyo. 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

In the Digital Entertainment Group of the second quarter consolidated cumulative period, e-comic distribution services continued to perform well, and sales of 10,649 million yen (up 12.1% from the same quarter of the previous year), and operating income of 1,729 million yen (up 38.9%).

In the e-comic distribution service, in addition to utilizing AI for the operation of the site of 'Meccha 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 10 billion yen in September one month earlier than the previous year, and the highest sales were renewed. 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 increased by 1,584 million yen compared with the end of the previous consolidated fiscal year to 34,204 million yen due to increases in cash and deposits accompanying the sale of tangible fixed assets. Total liabilities decreased by 940 million yen to 8,013 million yen, as a result of a decrease in provision for bonuses and reserve for business restructuring, etc. as compared with the end of the previous consolidated fiscal year. Net assets increased by 2,524 million yen compared with the end of the previous consolidated fiscal year to 26,190 million yen.

As a result of the above, the equity ratio rose to 76.2% 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 second quarter consolidated cumulative period totaled 16,180 million yen, an increase of 3,772 million yen from the end of the previous consolidated fiscal year. The status of each cash flow and the main factor of their increase or decrease are as follows.

[Cash flow from operating activities]

Net cash provided by operating activities amounted to 2,390 million yen (999 million yen in the same quarter of the previous fiscal year). This was mainly due to an increase in income before income taxes and minority interests of 3,773 million yen (1,350 million yen in the same quarter of the previous fiscal year) and 1,048 million yen (1,618 million yen in the same quarter of the previous year) Gain on sales of assets 1,138 million yen (0 million yen in the same quarter of the previous fiscal year), expenditure of restructuring 346 million yen (648 million yen in the same quarter of the previous year) and payment of corporate taxes 1,006 million yen (1,142 million yen in same quarter of the previous year) and others.

[Cash flow from investment activities]

Net cash provided by investing activities was 1,822 million yen (expenditure of 498 million yen in the same quarter last year). This was mainly due to income from the sale of tangible fixed assets of 2,432 million yen (0 million yen in the same quarter of the previous year). Purchases of intangible fixed assets such as software decreased by 375 million yen (432 million yen in the same quarter of the previous year), etc.

[Cash flow from financing activities]

Net cash used in financing activities was 437 million yen (635 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

Full-year forecasts upwardly revised the forecasts announced on April 27, 2017 based on the results for the second quarter consolidated cumulative period and recent business trends.

For details, please refer to "Notice on Revising Earnings Forecasts and Dividend Forecasts" announced on October 26, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	12,403	16,176
Notes and accounts receivable-trade	8,784	7,735
Inventories	366	663
Other	2,180	1,634
Allowance for doubtful accounts	(4)	(0)
Total current assets	23,731	26,209
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	1,413	238
Other (net)	1,161	691
Total tangible fixed assets	2,575	929
Intangible fixed assets		
Software	2,045	2,001
Goodwill	8	2
Other	45	43
Total intangible fixed assets	2,099	2,047
Investment and other assets		
Investment and other assets	4,305	5,108
Allowance for doubtful accounts	(34)	(34)
Provision for investment loss	(55)	(55)
Total investment and other assets	4,214	5,017
Total fixed assets	8,889	7,994
Total assets	32,620	34,204
Liabilities		
Current liabilities		
Accounts payable-trade	3,062	3,076
Income taxes payable	908	689
Reserve for bonus	1,176	900
Reserve for loss from business restructuring	423	-
Other reserves and allowances	18	1
Other	3,046	2,877
Total current liabilities	8,636	7,545
Non-current liabilities		
Other	318	468
Total non-current liabilities	318	468
Total liabilities	8,954	8,013
Net assets		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,448	1,449
Retained earnings	21,132	23,297
Treasury stocks	(819)	(816)
Total shareholders' equity	23,351	25,519
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198	572
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustments	5	(44)
Total accumulated other comprehensive income	204	529
Subscription rights to shares	98	129
Non-controlling interests	11	11
Total net assets	23,665	26,190
Total liabilities and net assets	32,620	34,204

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

Quarterly Consolidated Statements of Income

Second Quarter Consolidated Period

(Unit: million yen)

	Second quarter of FY2016 (from April 1, 2016 to September 30, 2016)	Second quarter of FY2017 (from April 1, 2017 to September 30, 2017)
Net Sales	19,336	21,203
Cost of sales	10,317	11,134
Gross profit	9,018	10,069
Selling, general and administrative expenses	7,408	7,703
Operating income	1,610	2,365
Non-operating income		
Interest and dividends income	35	48
Equity in earnings affiliates	2	5
Exchange gain	-	0
Gain from partnership	-	214
Other	2	1
Total non-operating income	40	269
Non-operating expenses		
Interest expenses	0	0
Exchange loss	20	-
Loss from partnership	5	-
Other	0	0
Total non-operating expenses	27	0
Ordinary income	1,623	2,634
Extraordinary gains		
Gains on sales of fixed assets	0	1,138
Relocation compensation	15	-
Other	-	51
Total extraordinary gains	15	1,189
Extraordinary loss		
Impairment loss	4	2
Loss on valuation of investment securities	-	39
Loss from sale of shares of subsidiaries	273	-
Other	10	7
Total extraordinary loss	288	50
Income before income taxes	1,350	3,773
Income taxes	300	1,199
Net income	1,049	2,574
Net income (loss) attributable to non-controlling shareholders	2	(0)
Net income attributable to shareholders	1,047	2,574

Quarterly Consolidated Statements of Comprehensive Income
Consolidated Cumulative Second Quarter

	(Unit: million yen)	
	Second quarter of FY2016 (from April 1, 2016 to September 30, 2016)	Second quarter of FY2017 (from April 1, 2017 to September 30, 2017)
Net income (loss)	1,049	2,574
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(104)	373
Deferred gains or losses on hedges	(0)	1
Foreign currency translation adjustment	(191)	(50)
Total other comprehensive income	(296)	324
Quarterly comprehensive income (loss)	753	2,899
Comprehensive income attributable to owners of parent	753	2,900
Comprehensive income (loss) attributable to non-controlling shareholders	(0)	(0)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	Second quarter of FY2016 (from April 1, 2016 to September 30, 2016)	Second quarter of FY2017 (from April 1, 2017 to September 30, 2017)
Cash flow from operating activities		
Income before income taxes	1,350	3,773
Depreciation and amortization	490	564
Impairment loss	4	2
Share-based compensation expense	27	34
Amortization of goodwill	7	5
Increase (decrease) in allowance for doubtful accounts	(185)	(296)
Interest and dividends income	(35)	(48)
Interest expenses	0	0
Loss (gains) on sale of fixed assets	(0)	(1,138)
Decrease (increase) in notes and accounts receivable-trade	1,618	1,048
Decrease (increase) in inventories	(369)	(298)
Increase (decrease) in notes and accounts payable-trade	(315)	3
Other, net	163	(224)
Subtotal	2,757	3,427
Interest and dividends income received	33	45
Interest expenses paid	(0)	(0)
Payments for business restructuring	(648)	(346)
Income taxes paid	(1,142)	(1,006)
Income taxes refund amount	-	270
Net cash provided by operating activities	999	2,390
Cash flow from investment activities		
Purchases of property tangible assets	(195)	(117)
Purchases of intangible assets	(432)	(375)
Proceeds from the sale of tangible fixed assets	0	2,432
Proceeds from handworks related to the sale of tangible fixed assets	282	-
Purchases of investment securities	(157)	(129)
Proceeds from sale of shares of subsidiaries resulting in changes in the scope of consolidation	4	-
Payments for guarantee deposits	(3)	(0)
Revenue from collection of deposit guarantee money	2	8
Other, net	0	2
Net cash used in investing activities	(498)	1,822
Cash flow from financing activities		
Repayment of lease obligations	(35)	(29)
Cash dividends paid	(601)	(410)
Proceeds from share issuance to non-controlling shareholders	1	1
Other, net	-	(0)
Net cash used in financing activities	(635)	(437)
Effect of exchange rate changes on cash and cash equivalents	(37)	(2)
Net increase (decrease) in cash and cash equivalents	(172)	3,772
The period cash and cash equivalents at beginning of the period	11,943	12,408
Cash and cash equivalents at end of the quarter	11,771	16,180

(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 Second quarter of FY 2016 (from April 1, 2016 to September 30, 2016)

1. Information on net sales and income 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	9,834	9,502	19,336	-	19,336
Intersegment sales or transfers	336	1	338	(338)	-
Total	10,171	9,503	19,674	(338)	19,336
Segment income (loss)	364	1,245	1,610	(0)	1,610

(Note)

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

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

II Second quarter of FY 2017 (from April 1, 2017 to September 30, 2017)

1. Information on net sales and income 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	10,553	10,649	21,203	-	21,203
Intersegment sales or transfers	295	0	296	(296)	-
Total	10,849	10,650	21,500	(296)	21,203
Segment income (loss)	630	1,729	2,360	4	2,365

(Note)

1 Adjustments of segment income of 4 million yen are eliminations of intersegment transactions and corporate expenses.

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