

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

January 30, 2018

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: February 8, 2018  
 Supplementary materials for the quarterly results: Yes, Financial Results Briefing for the 3Q FY 2017  
 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 Third Quarter of the FY 2017 (October 1, 2017 to December 31, 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	%
Third quarter of FY 2017	31,418	8.1	3,402	33.6	3,702	42.1	3,351	98.8
Third quarter of FY 2016	29,072	4.7	2,546	22.4	2,606	22.1	1,685	-

(Note) Comprehensive income: Third quarter of FY 2017: 3,899 million yen (172.2%); Third quarter of FY 2016: 1,432 million yen (-%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Third quarter of FY 2017	122.55	122.05
Third quarter of FY 2016	61.66	61.43

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders equity ratio
	Million yen	Million yen	%
Third quarter of FY 2017	34,357	26,916	77.9
FY 2016	32,620	23,665	72.2

(Reference) Shareholders' equity: Third quarter of FY 2017: 26,775 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: No

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

## 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: No

\* 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 third 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 31,418 million yen (up 8.1% from the same quarter of the previous year), operating income of 3,402 million yen (up 33.6%) ordinary income of 3,702 million yen (up 42.1%), and net income attributable to shareholders of 3,351 million yen (up 98.8%).

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 third quarter consolidated cumulative period, as the Business Solution Group continued to perform well, particularly in IT services for enterprises centering on the health IT, we absorbed the decline in sales due to the withdrawal of data center related business, and sales of 15,502 million yen (up 5.8% from the same quarter of the previous year), and an operating income of 806 million yen (up 102.7%).

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, and a watch over support IoT service to promote work style reforms for care workers. 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 "work-style" reforms.

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. In addition, we began offering RPA solutions that improve work productivity and operations by automating routine tasks.

#### (ii) Digital Entertainment Group

In the Digital Entertainment Group of the third quarter consolidated cumulative period, sales of e-comic distribution services has increased steadily, and sales of 15,916 million yen (up 10.4% from the same quarter of the previous year), and operating income of 2,589 million yen (up 20.5%).

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, the highest sales were renewed. In addition to the online payment service "Yahoo! Wallet" "Rakuten Pay", we have also adapted to "Amazon Pay" in order to diversify means of settlement. Furthermore, we strengthened monopoly precedent delivery by collaborating with Futabasha Publishers Ltd. and SHOGAKUKAN Inc.

As a collaboration project with SHUEISHA Inc., we launched a new trial to monopolize prior distribution of published works as well as releasing "Grand Jump". 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 1,736 million yen compared with the end of the previous consolidated fiscal year to 34,357 million yen due to increases in cash and deposits accompanying the sale of tangible fixed assets. Total liabilities decreased by 1,514 million yen to 7,440 million yen, as a result of a decrease in provision for bonuses and income tax payable, etc. as compared with the end of the previous consolidated fiscal year. Net assets increased by 3,251 million yen compared with the end of the previous consolidated fiscal year to 26,916 million yen.

As a result of the above, the equity ratio rose to 77.9% 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 third quarter consolidated cumulative period totaled 16,938 million yen, an increase of 4,530 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 3,613 million yen (1,752 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 4,910 million yen (2,317 million yen in the same quarter of the previous fiscal year) and 2,213 million yen (1,927 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), payment of corporate taxes 1,523 million yen (1,396 million yen in same quarter of the previous year) and others.

#### [Cash flow from investment activities]

Net cash provided by investing activities was 1,646 million yen (expenditure of 837 million yen in the same quarter last year). This was mainly due to income from the sale of tangible fixed assets of 2,433 million yen (0 million yen in the same quarter of the previous year). Purchases of intangible fixed assets such as software decreased by 597 million yen (637 million yen in the same quarter of the previous year), etc.

#### [Cash flow from financing activities]

Net cash used in financing activities was 726 million yen (952 million yen in the same quarter of the previous year). This is mainly due to the payment of dividends of 683 million yen (874 million yen in the same quarter of the previous year).

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

There are no changes in consolidated operating results forecasts for the full fiscal year announced in "Notice on revisions to operating results forecasts and dividend forecast" on October 26, 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. Quarterly Consolidated Financial Statements and Major Notes

## (1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	12,403	16,934
Notes and accounts receivable-trade	8,784	6,570
Inventories	366	1,013
Other	2,180	1,554
Allowance for doubtful accounts	(4)	(0)
Total current assets	23,731	26,073
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	1,413	233
Other (net)	1,161	656
Total tangible fixed assets	2,575	889
Intangible fixed assets		
Software	2,045	2,015
Goodwill	8	0
Other	45	42
Total intangible fixed assets	2,099	2,059
Investment and other assets		
Investment and other assets	4,305	5,424
Allowance for doubtful accounts	(34)	(34)
Provision for investment loss	(55)	(55)
Total investment and other assets	4,214	5,334
Total fixed assets	8,889	8,283
Total assets	32,620	34,357
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	3,062	2,886
Income taxes payable	908	419
Reserve for bonus	1,176	469
Reserve for loss from business restructuring	423	-
Other reserves and allowances	18	-
Other	3,046	3,117
Total current liabilities	8,636	6,893
Non-current liabilities		
Other	318	547
Total non-current liabilities	318	547
Total liabilities	8,954	7,440
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,448	1,449
Retained earnings	21,132	23,800
Treasury stocks	(819)	(816)
Total shareholders' equity	23,351	26,022
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198	788
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustments	5	(36)
Total accumulated other comprehensive income	204	752
Subscription rights to shares	98	129
Non-controlling interests	11	12
Total net assets	23,665	26,916
Total liabilities and net assets	32,620	34,357

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

Quarterly Consolidated Statements of Income

Third Quarter Consolidated Period

(Unit: million yen)

	Third quarter of FY2016 (from April 1, 2016 to December 31, 2016)	Third quarter of FY2017 (from April 1, 2017 to December 31, 2017)
Net Sales	29,072	31,418
Cost of sales	15,670	16,565
Gross profit	13,402	14,853
Selling, general and administrative expenses	10,855	11,450
Operating income	2,546	3,402
Non-operating income		
Interest and dividends income	56	72
Equity in earnings affiliates	6	9
Exchange gain	4	1
Gain from partnership	-	215
Other	2	2
Total non-operating income	69	301
Non-operating expenses		
Interest expenses	1	1
Loss from partnership	9	-
Other	0	0
Total non-operating expenses	10	1
Ordinary income	2,606	3,702
Extraordinary gains		
Gains on sales of fixed assets	0	1,138
Relocation compensation	15	-
Other	-	110
Total extraordinary gains	15	1,248
Extraordinary loss		
Impairment loss	4	2
Loss on valuation of investment securities	-	39
Loss from sale of shares of subsidiaries	273	-
Other	25	8
Total extraordinary loss	303	50
Income before income taxes	2,317	4,901
Income taxes	629	1,549
Net income	1,687	3,351
Net income attributable to non-controlling shareholders	2	0
Net income attributable to shareholders	1,685	3,351

## Quarterly Consolidated Statements of Comprehensive Income

## Consolidated Cumulative Third Quarter

	(Unit: million yen)	
	Third quarter of FY2016 (from April 1, 2016 to December 31, 2016)	Third quarter of FY2017 (from April 1, 2017 to December 31, 2017)
Net income (loss)	1,687	3,351
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(50)	589
Deferred gains or losses on hedges	4	0
Foreign currency translation adjustment	(208)	(42)
Total other comprehensive income	(255)	547
Quarterly comprehensive income (loss)	1,432	3,899
(items)		
Comprehensive income attributable to owners of parent	1,433	3,899
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 December 31, 2016)	Second quarter of FY2017 (from April 1, 2017 to December 31, 2017)
Cash flow from operating activities		
Income before income taxes	2,317	4,901
Depreciation and amortization	780	838
Impairment loss	4	2
Share-based compensation expense	27	34
Amortization of goodwill	11	7
Increase (decrease) in allowance for doubtful accounts	(659)	(729)
Interest and dividends income	(56)	(72)
Interest expenses	1	1
Loss (gains) on sale of fixed assets	(0)	(1,138)
Decrease (increase) in notes and accounts receivable-trade	1,927	2,213
Decrease (increase) in inventories	(631)	(647)
Increase (decrease) in notes and accounts payable-trade	(202)	(186)
Other, net	606	(79)
Subtotal	4,128	5,145
Interest and dividends income received	56	67
Interest expenses paid	(1)	(1)
Payments for business restructuring	(1,035)	(346)
Income taxes paid	(1,396)	(1,523)
Income taxes refund amount	-	270
Net cash provided by operating activities	1,752	3,613
Cash flow from investment activities		
Purchases of property tangible assets	(236)	(136)
Purchases of intangible assets	(637)	(597)
Proceeds from the sale of tangible fixed assets	0	2,433
Proceeds from handworks related to the sale of tangible fixed assets	282	-
Purchases of investment securities	(247)	(129)
Proceeds from sales of investment securities	8	112
Proceeds from sales of shares of subsidiaries resulting in changes in the scope of consolidation	4	-
Payments for guarantee deposits	(28)	(48)
Revenue from collection of deposit guarantee money	8	9
Other, net	9	2
Net cash used in investing activities	(837)	1,646
Cash flow from financing activities		
Repayment of lease obligations	(49)	(43)
Cash dividends paid	(874)	(683)
Proceeds from share issuance to non-controlling shareholders	1	1
Purchases of shares of subsidiaries without change in the scope of consolidation	(30)	-
Other, net	-	(0)
Net cash used in financing activities	(952)	(726)
Effect of exchange rate changes on cash and cash equivalents	(29)	(2)
Net increase (decrease) in cash and cash equivalents	(66)	4,530
The period cash and cash equivalents at beginning of the period	11,943	12,408
Cash and cash equivalents at end of the quarter	11,877	16,938



#### (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 2016 (from April 1, 2016 to December 31, 2016)

1. Information on net sales and income or loss for each reportable 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	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 (loss)	397	2,148	2,546	(0)	2,546

(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 Third quarter of FY 2017 (from April 1, 2017 to December 31, 2017)

1. Information on net sales and income or loss for each reportable 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	15,502	15,916	31,418	-	31,418
Intersegment sales or transfers	434	4	438	(438)	-
Total	15,936	15,920	31,857	(438)	31,418
Segment income (loss)	806	2,589	3,395	7	3,402

(Note)

1 Adjustments of segment income of 7 million yen are eliminations of intersegment transactions and corporate expenses.

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