

(English Translation)

This English translation is an abridged version of the original document in Japanese. In the event of any discrepancy, the Japanese version prevails.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [Japanese GAAP]

April 27, 2020

Listed company name: Infocom Corporation
Securities code: 4348
Representative: (Position) President and CEO
Contact: (Position) Head of Corporate Communications Office
Scheduled date of Annual General Shareholders' Meeting: June 16, 2020
Scheduled date to file Securities Report: June 17, 2020
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: No

Listed on: Tokyo Stock Exchange
URL <https://www.infocom.co.jp/>
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Scheduled date to commence dividend payments: June 18, 2020

(Amounts less than one million yen are rounded down.)

1. Consolidated Business Results for the fiscal year ended March 31, 2020

(1) Consolidated operating results (Percentages indicate year-on-year increases.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2020	58,375	12.8	8,211	19.2	8,268	20.3	5,543	15.9
March 31, 2019	51,728	13.0	6,889	18.2	6,875	14.9	4,783	3.1

(Note) Comprehensive income: Year ended March 31, 2020: ¥4,673 million (-12.8%) ; Year ended March 31, 2019: ¥5,360 million (0.2%)

	Earnings per share	Diluted earnings per share	Return on shareholders' equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	101.32	100.86	16.2	18.0	14.1
March 31, 2019	87.46	87.07	15.7	16.8	13.3

(Reference) Equity in earnings (losses) of affiliates: Year ended March 31, 2020: ¥ -1 million; Year ended March 31, 2019: ¥ 2 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	48,087	36,159	74.4	653.82
As of March 31, 2019	43,649	32,707	74.6	595.05

(Reference) Shareholders' equity: Year ended March 31, 2020: ¥35,786 million; Year ended March 31, 2019: ¥32,547 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 the fiscal year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2020	7,355	(2,472)	(1,546)	23,491
March 31, 2019	5,671	(1,024)	(1,105)	20,177

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	Q1	Q2	Q3	Year-end	Total			
Fiscal year ended March 31, 2019	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2019	-	10.00	-	17.00	-	1,203	25.2	4.0
March 31, 2020	-	10.00	-	21.00	31.00	1,696	30.6	5.0
Fiscal year ending March 31, 2021 (forecasts)	-	10.00	-	21.00	31.00		29.8	

(note) Infocom Corporation conducted a two-for-one stock split effective March 1, 2019. Dividends per share for the fiscal year ended March 31, 2019 reflect the impact of this stock split, presented here as - under the annual total. When calculated based on post-split standards, dividends per share for the fiscal year ended March 31, 2019 amounted to ¥22 per share.

3. Forecasts of Consolidated Business Results for the fiscal year ending March 31, 2021

(Percentages indicate year-on-year increases.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	30,500	10.2	3,400	(12.0)	3,400	(12.3)	2,200	(14.6)	40.21
Full-year	67,000	14.8	8,700	6.0	8,700	5.2	5,700	2.8	104.18

(Reference) Overview of individual business results

1. Individual Business Results for the fiscal year ended March 31, 2020

(1) Individual operating results

(Percentages indicate year-on-year increases.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2020	23,070	4.7	2,716	35.3	4,789	42.5	3,804	45.8
March 31, 2019	22,038	(1.0)	2,008	(3.7)	3,361	6.8	2,609	(7.0)

Fiscal year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2020	69.54	69.23
March 31, 2019	47.71	47.50

(2) Individual financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	37,511	23,784	62.9	431.29
As of March 31, 2019	35,865	22,225	61.5	403.45

(Reference) Shareholders' equity: As of March 31, 2020 : ¥23,606 million; As of March 31, 2019: ¥22,067 million

* Explanation regarding the appropriate use of financial forecasts and other special remarks

(Cautions concerning forward-looking statements)

Forward-looking statements, including forecasts of business results, are based on the information currently available and certain assumptions judged to be rational. Actual business results may differ substantially due to various factors. For the matters to be noted when using the financial forecasts and the assumptions behind these forecasts, please refer to "1. Analysis of Business Results, 4) Outlook for the Next Fiscal Year," on page 4 of the attached materials.

1. Analysis of Business Results

1) Overview of Business Results during the Year under Review

The Japanese economy saw the negative impact of consumption tax increases on corporate and consumer activity during the consolidated fiscal year. Further, concerns emerged during second half of fiscal year about the impact of COVID-19 on economic activities in Japan and overseas.

Overall IT-related market demand was robust throughout the period. Factors included the accelerating use of cloud services via smartphones, tablets, and other mobile devices; expanding business applications for the internet of things (IoT), artificial intelligence (AI), and other technologies; and the use of robotic process automation (RPA) to achieve the type of work-style reforms promoted by the Japanese government.

The e-book market continued to grow as smartphone-based reading has become more popular, broadening the e-book user base.

In this operating environment, the Infocom Group has been executing a medium-term management plan (April 2017 to March 2020) emphasizing two fundamental policies: (1) pursue growth and (2) continue strengthening our management foundation to support growth. To this end, we have identified e-comics and healthcare as priority businesses. In these areas, we pursued M&A opportunities actively while also developing businesses that leverage AI and IoT.

As a result, the Infocom Group generated net sales of ¥58,375 million for current consolidated fiscal year, up 12.8% compared to the previous fiscal year. Operating profit rose 19.2% to ¥8,211 million and ordinary profit rose 20.3% to ¥8,268 million. Profit attributable to owners of the parent increased 15.9% to ¥5,543 million.

(i) Business Solution Group

Our Business Solution Group recorded sales of ¥25,391 million for the consolidated fiscal year (+4.8% year on year) and operating profit of ¥3,250 million (+30.7%), driven by steady performance in sales to hospitals stemming from an imperial era change and consumption tax increases.

Our Health IT subsegment reported growth in sales of employment management systems, which support efforts to comply with work-style reform and are effective in managing complicated work schedules in hospitals. In addition, we unveiled a dashboard function for our surgery department systems at a recent trade show. This extended function provides information during disasters. We also signed a venture capital agreement with an entity specializing in healthcare as we broaden our vision to IT services for the hospital markets in Asia. In addition, we launched WELSA, a service for integrated employee health management that also provides analysis and projections related health risks and lifestyle-related diseases, etc

In the community-based comprehensive care field, we made Staffplus (career change support service) a consolidated subsidiary to improve the matching accuracy of our Carestyle career change support service for care workers.

In corporate IT services, we improved our MyQuick document management system, providing links to electronic contract services, adding compatibility with AI-based automated input, and otherwise making the system more efficient. In addition, we launched a new service that combines our integrated business management software package GRANDIT with cloud frameworks*.

*Cloud framework: IT infrastructure service utilizing virtualization technology (Microsoft Azure, Amazon Web Services, etc.)

(ii) Digital Entertainment Group

Our Digital Entertainment Group recorded sales of ¥32,983 million (+20.0% year on year) and operating profit of ¥4,951 million (+12.7%). These results were supported by optimized advertising data analysis in our e-comics distribution service, as well as the contribution of strong results in free series and original comic titles.

Measures to strengthen advertising for this service included an extended broadcast period for TV commercials and serving as a lead sponsor for the Tokyo Yakult Swallows (professional baseball) Meccha Comics Day. We also signed a club sponsorship agreement with FC Tokyo and held Meccha Bookstores in May and November featuring popular Meccha Comics products for sale at physical bookstores. To expand our user base, we released the Meccha Comic app targeting younger readers. We also upgraded functions on our website and launched a Daily Free Reading Series. As a result, sales exceeded ¥30 billion for the first time since the service was launched.

As part of our overseas expansion, we made Korean e-comic distributor Peanutoon a consolidated subsidiary. Further, we announced a new company formed through a joint investment between Amutus Corp. and Papyless Co., Ltd. to conduct business

overseas.

2) Overview of Financial Position for the Current Fiscal Year

Total assets increased ¥4,437 million compared with the end of the previous consolidated fiscal year, amounting to ¥48,087 million. This result was mainly due to an increase in cash and cash deposits. Total liabilities rose ¥986 million to ¥11,927 million due to an increase in accounts payable-trade and accounts payable-other. Net assets grew ¥3,451 million year on year to ¥36,159 million.

3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of March 31, 2020, amounted to ¥23,491 million, up ¥3,313 million from one year earlier.

[Cash flows from operating activities]

Net cash provided by operating activities amounted to ¥7,355 million (¥5,671 million in the previous fiscal year). This result was mainly due to increases stemming from profit before income taxes of ¥8,040 million (¥6,799 million) and depreciation of ¥1,023 million (¥1,118 million) and decreases stemming from income taxes paid of ¥2,653 million (¥2,307 million).

[Cash flows from investing activities]

Net cash used in investing activities amounted to ¥2,472 million (¥1,024 million in the previous fiscal year). This result was mainly due to outlays of ¥1,092 million stemming from the acquisition of subsidiary stock in connection with the change in the scope of consolidation (no such outlays in the year-ago period), as well as ¥691 million (¥615 million) in outlays for the purchase of software and other intangible fixed assets.

[Cash flows from financing activities]

Net cash used in financing activities amounted to ¥1,546 million (¥1,105 million in the previous fiscal year), mainly due to cash dividends paid of ¥1,476 million (¥1,039 million).

(Reference) Changes in cash flow indicators

	3/2016	3/2017	3/2018	3/2019	3/2020
Equity ratio (%)	66.5	72.2	73.8	74.6	74.4
Equity ratio based on market value (%)	135.8	161.4	158.1	230.7	280.8
Interest-bearing debt to cash flow ratio (year)	—	—	—	—	—
Interest coverage ratio	3,545.3	1,643.9	3,239.6	3,390.9	4,406.2

(Notes) Equity ratio: Equity / total assets

Equity ratio based on market value: Total market capitalization / total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

Indicators are calculated based on consolidated financial figures.

Stock market capitalization is calculated by multiplying the closing stock price by the total number of issued shares at the end of the fiscal year (excluding treasury shares).

Operating cash flow uses cash flows from operating activities in the consolidated statements of cash flows.

Interest-bearing debt includes all interest-bearing liabilities recorded on the consolidated balance sheet. Interest payments refers to the amount of interest paid per the consolidated statement of cash flows.

4) Outlook for the Next Fiscal Year

The Japanese economy is expected to experience a significant impact on corporations and consumer activities due to the spread of COVID-19.

The IT-related market is seeing a rise in demand for new technologies to rethink operating processes against the backdrop of the increased reliance on cloud services for smartphones, tablets, and other mobile devices, advanced applications of AI in businesses, and work-style reform initiatives, including measures to fight the spread of pandemics. The impact of COVID-19 is expected to subside during the second half of the fiscal year with a recovery in demand.

The e-book market is experiencing greater use by a more diverse customer base as more consumers use smartphones for reading. Further, we expect the market to continue to grow due to the impact of voluntary restraints in unnecessary travel outside the home and the spread of 5G-compatible mobile phones, factors which are likely to make the use of e-books even more pervasive.

And responses environment, the Infocom Group created a new medium-term management plan covering April 2020 through March 2023. This new plan defines three basic policies: (1) Create continued growth through focus on e-comic and health IT as priority businesses; (2) Pursue business restructuring through shift to services; and (3) Actively pursue co-creation (M&A, overseas expansion).

For the fiscal year ending March 31, 2021, we anticipate net sales of ¥67,000 million (+14.8% year on year), operating profit of ¥8,700 million (+6.0%), ordinary profit of ¥8,700 million (+5.2%), and net income attributable to owners of parent of ¥5,700 million (+2.8%).

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.

5) Basic Policy on Distribution of Profit and Dividends for the Fiscal Years to March 31, 2019 and 2020

We consider the stable return of profits an important management priority for raising shareholder value. Balancing demands for cash, we strive to maintain a sound financial structure and prioritize investments to expand our businesses over the medium to long term. At the same time, we aim to provide stable dividends, targeting a dividend payout ratio of 30% and raising dividends in line with increases in operating performance.

The fiscal year ended March 31, 2020, we plan to propose a dividend of ¥21 per share at the 38th Ordinary General Meeting of Shareholders.

For the fiscal year ending March 31, 2021, we plan to pay an annual dividend of ¥31 per share, consisting of an interim dividend of ¥10 yen per share and a year-end dividend of ¥21 per share.

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.

3. Consolidated Financial Statements and Major Notes

1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	20,173	23,491
Notes and accounts receivable-trade	10,576	11,459
Inventories	558	392
Other	1,142	1,099
Allowance for doubtful accounts	(4)	(6)
Total current assets	32,445	36,436
Non-current assets		
Property, plant and equipment		
Buildings and structures	645	684
Accumulated depreciation	(393)	(428)
Buildings and structures, net	252	256
Machinery, equipment and vehicles	10	1
Accumulated depreciation	(9)	(1)
Machinery, equipment and vehicles, net	1	0
Tools, furniture and fixtures	1,249	1,484
Accumulated depreciation	(797)	(920)
Tools, furniture and fixtures, net	451	564
Leased asset	401	382
Accumulated depreciation	(219)	(255)
Leased asset (net)	182	127
Construction in progress	5	18
Total tangible fixed assets	892	965
Intangible assets		
Software	1,700	1,585
Goodwill	-	1,195
Other	38	36
Total intangible assets	1,738	2,818
Investment and other assets		
Investment securities	7,034	5,964
Shares of subsidiaries and associates	230	237
Deferred tax assets	520	758
Other	912	1,037
Allowance for doubtful accounts	(124)	(132)
Total investment and other assets	8,573	7,867
Total non-current assets	11,204	11,651
Total assets	43,649	48,087

(Unit: million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	4,159	4,564
Lease obligations	66	59
Accounts payable - other	1,345	1,851
Income taxes payable	1,472	1,346
Accrued consumption taxes	716	868
Advances received	693	759
Provision for bonuses	1,222	1,411
Provision for loss on order received	158	69
Other	811	873
Total current liabilities	10,645	11,804
Non-current liabilities		
Lease obligations	135	81
Retirement benefit liability	—	8
Deferred tax liabilities	135	—
Other	26	32
Total non-current liabilities	296	123
Total liabilities	10,941	11,927
Net assets		
Shareholders' equity		
Share capital	1,590	1,590
Capital surplus	1,447	1,456
Retained earnings	28,833	32,900
Treasury shares	(816)	(805)
Total shareholders' equity	31,054	35,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,549	740
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	(58)	(94)
Total accumulated other comprehensive income	1,492	646
Share acquisition rights	157	177
Non-controlling interests	2	194
Total net assets	32,707	36,159
Total liabilities and net assets	43,649	48,087

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net Sales	51,728	58,375
Cost of sales	27,121	30,103
Gross profit	24,606	28,271
Selling, general and administrative expenses	17,717	20,060
Operating profit	6,889	8,211
Non-operating income		
Interest and dividend income	85	79
Share of profit of entities accounted for using equity method	2	—
Other	2	3
Total non-operating income	90	83
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	0	3
Share of loss of entities accounted for using equity method	—	1
Partnership losses	101	20
Other	0	0
Total non-operating expenses	103	26
Ordinary profit	6,875	8,268
Extraordinary income		
Gain on sales of investment securities	171	2
Total extraordinary income	171	2
Extraordinary losses		
Impairment loss	55	94
Loss on retirement of non-current assets	5	8
Loss on valuation of shares of subsidiaries and associates	45	21
Loss on valuation of investment securities	106	40
Provision of allowance for doubtful accounts	18	63
Other	15	3
Total extraordinary losses	247	230
Profit before income taxes	6,799	8,040
Income taxes – current	2,246	2,522
Income taxes - deferred	(230)	(5)
Total income tax	2,016	2,516
Profit	4,783	5,523
Loss attributable to non-controlling interests	(0)	(20)
Profit attributable to owners of parent	4,783	5,543

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	4,783	5,523
Other comprehensive income		
Valuation difference on available-for-sale securities	584	(808)
Deferred gains or losses on hedges	1	(1)
Foreign currency translation adjustment	(8)	(40)
Total other comprehensive income	577	(850)
Comprehensive income	5,360	4,673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,361	4,696
Comprehensive income attributable to non-controlling interests	(0)	(23)

3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2019 (Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,590	1,449	25,089	(816)	27,312
Changes in items during period					
Dividends of surplus			(1,039)		(1,039)
Profit attributable to owners of parent			4,783		4,783
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		(2)			(2)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(2)	3,744	(0)	3,741
Balance at end of period	1,590	1,447	28,833	(816)	31,054

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	964	0	(49)	915	128	4	28,360
Changes in items during period							
Dividends of surplus							(1,039)
Profit attributable to owners of parent							4,783
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							(2)
Net changes in items other than shareholders' equity	584	1	(8)	577	29	(1)	605
Total changes in items during period	584	1	(8)	577	29	(1)	4,346
Balance at end of period	1,549	1	(58)	1,492	157	2	32,707

Fiscal year ended March 31, 2020 (Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,590	1,447	28,833	(816)	31,054
Changes in items during period					
Dividends of surplus			(1,477)		(1,477)
Profit attributable to owners of parent			5,543		5,543
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		9		10	20
Net changes in items other than shareholders' equity					
Total changes in items during period	—	9	4,066	10	4,086
Balance at end of period	1,590	1,456	32,900	(805)	35,140

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,549	1	(58)	1,492	157	2	32,707
Changes in items during period							
Dividends of surplus							(1,477)
Profit attributable to owners of parent							5,543
Purchase of treasury shares							(0)
Disposal of treasury shares							20
Net changes in items other than shareholders' equity	(808)	(1)	(36)	(846)	20	191	(634)
Total changes in items during period	(808)	(1)	(36)	(846)	20	191	3,451
Balance at end of period	740	0	(94)	646	177	194	36,159

4) Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	6,799	8,040
Depreciation	1,118	1,023
Impairment loss	55	94
Share-based remuneration expenses	29	40
Amortization of goodwill	—	157
Increase (decrease) in allowance for doubtful accounts	23	62
Increase (decrease) in provision for bonuses	10	184
Increase (decrease) in retirement benefit liability	—	0
Increase (decrease) in provision for loss on order received	158	(88)
Interest and dividend income	(85)	(79)
Interest expenses	1	1
Share of loss (profit) of entities accounted for using equity method	(2)	1
Loss (gain) on sales of investment securities	(171)	(2)
Loss on valuation of shares of subsidiaries and associates	45	21
Loss (gain) on valuation of investment securities	106	40
Loss (gain) on sales of non-current assets	0	0
Loss on retirement of non-current assets	5	8
Decrease (increase) in trade receivables	(868)	(834)
Decrease (increase) in inventories	(287)	165
Decrease (increase) in other assets	(2)	71
Increase (decrease) in trade payables	702	406
Increase (decrease) in other liabilities	252	615
Subtotal	7,891	9,931
Interest and dividend income received	88	79
Interest paid	(1)	(1)
Income taxes paid	(2,307)	(2,653)
Net cash provided by operating activities	5,671	7,355
Cash flows from investment activities		
Purchase of property, plant and equipment	(252)	(349)
Purchase of intangible assets	(615)	(691)
Purchase of investment securities	(496)	(275)
Proceeds from sales of investment securities	313	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,092)
Payments of guarantee deposits	(3)	(90)
Proceeds from refund of guarantee deposits	19	7
Other, net	10	4
Net cash used in investing activities	(1,024)	(2,472)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Repayment of lease obligations	(62)	(62)
Dividends paid	(1,039)	(1,476)
Dividends paid to non-controlling interests	(3)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2)	—
Other, net	1	(7)
Net cash used in financing activities	(1,105)	(1,546)
Effect of exchange rate change on cash and cash equivalents	5	(23)
Net increase (decrease) in cash and cash equivalents	3,547	3,313
Cash and cash equivalents at beginning of period	16,630	20,177
Cash and cash equivalents at end of period	20,177	23,491

(5) Notes on the consolidated financial statements

(Note on going concern assumption)

Not applicable

(Segment information)

1. Overview of reportable segments

Infocom Group reportable segments are business units of the group for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors, which makes decisions about resources to be allocated to the segment and assesses segment performance.

The Group has two reportable segments: the Business Solution segment and the Digital Entertainment segment.

The Business Solution segment provides IT services such as planning, development, operation and management of information systems. This segment sells services to companies, pharmaceutical and medical institutions, care providers, public research institutes, and educational research facilities.

The Digital Entertainment segment offers BtoC e-comic distribution services for smartphones and mobile devices.

2. Method of calculating sales, profit or loss, assets, liabilities, and other items by reportable segment

Reportable segment profits are based on operating profit. Intersegment sales or transfers are based on prevailing market prices.

3. Information related to sales, profits or losses, assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2019

	Business Solution	Digital Entertainment	Total	Adjustments (Note 1)	(Unit: million yen) Amount recorded in the consolidated financial statements (Note 2)
Net sales					
Sales to external customers	24,235	27,492	51,728	—	51,728
Intersegment sales or transfers	95	6	102	(102)	—
Total	24,331	27,498	51,830	(102)	51,728
Segment profit	2,487	4,391	6,879	9	6,889
Segment assets	17,267	16,835	34,102	9,547	43,649
Other items					
Depreciation	1,075	43	1,118	—	1,118
Share of profit of entities accounted for using equity method	—	2	2	—	2
Investment in entities accounted for using equity method	—	189	189	—	189
Increase in property, plant and equipment and intangible assets	692	80	773	—	773

(Notes)

1. Adjustment amounts are as follows.

(1) The segment profit adjustment of ¥9 million is for the elimination of intersegment transactions and corporate expenses.

(2) The segment asset adjustment of ¥9,547 million includes ¥8,712 million for the elimination of receivables from the headquarters management department and ¥18,260 million corporate assets not allocated to individual reportable segments. Corporate assets are mainly cash and cash equivalents at the Company, and assets related to the administration department.

2. Segment profit is adjusted in operating profit in the consolidated income statement.

Fiscal year ended March 31, 2020

(Unit: million yen)

	Business Solution	Digital Entertainment	Total	Adjustments (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
Net sales					
Sales to external customers	25,391	32,983	58,375	—	58,375
Intersegment sales or transfers	101	0	102	(102)	—
Total	25,493	32,983	58,477	(102)	58,375
Segment profit	3,250	4,951	8,201	9	8,211
Segment assets	17,386	19,456	36,843	11,244	48,087
Other items					
Depreciation	958	65	1,023	—	1,023
Amortization of goodwill	76	80	157	—	157
Share of profit of entities accounted for using equity method	—	(1)	(1)	—	(1)
Investment in entities accounted for using equity method	—	184	184	—	184
Increase in property, plant and equipment and intangible assets	843	226	1,069	—	1,069

(Notes)

1. Adjustment amounts are as follows.

(1) The segment profit adjustment of ¥9 million is for the elimination of intersegment transactions and corporate expenses.

(2) The segment asset adjustment of ¥11,244 million includes ¥8,886 million for the elimination of receivables from the headquarters management department and ¥20,130 million corporate assets not allocated to individual reportable segments. Corporate assets are mainly cash and cash equivalents at the Company, and assets related to the administration department.

2. Segment profit is adjusted in operating profit in the consolidated income statement.

(Per share information)

(Unit: yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	595.05	653.82
Net income per share	87.46	101.32
Diluted net income per share	87.07	100.86

(Note 1). The basis for calculating net income per share and diluted net income per share is as follows.

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income per share		
Net income attributable to owners of parent	4,783	5,543
Net income not attributable to owners of parent	—	—
Net income attributable to owners of parent related to common stock	4,783	5,543
Average number of common shares during the period	54,696,893	54,714,477
Diluted net income per share		
Adjusted net income attributable to owners of parent	—	—
Increase in common stock	245,213	245,931
(Of which, share acquisition rights)	(245,213)	(245,931)
Overview of potential shares not included in the calculation of diluted net income per share as they have no dilutive effect	—	—

(Note 2). The basis for calculating net assets per share is as follows.

(Unit: million yen)

	As of March 31, 2019	As of March 31, 2020
Total net assets	32,707	36,159
Deductions from total net assets	160	372
(Of which, share acquisition rights)	(157)	(177)
(Of which, non-controlling interests)	(2)	(194)
Net assets at the end of the fiscal year related to ordinary shares	32,547	35,786
Number of common shares at the end of the fiscal year used to calculate net assets per share	54,696,858	54,734,777

(Important subsequent events)

At the Board of Directors meeting held on April 27, 2020, our company reviewed the executive compensation system and resolved to introduce the stock compensation system with transfer restrictions. We have resolved to submit a proposal regarding the introduction of this system to the 38th Ordinary General Meeting of Shareholders scheduled to be held on June 16, 2020.

For details, please refer to “Notice Regarding Introduction of Restricted Stock Compensation Plan(Japanese only)” announced April 27, 2020.