

(English Translation)

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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 [Japanese GAAP]

October 28, 2020

Listed company name: Infocom Corporation
Securities code: 4348
Representative: (Position) President and CEO
Contact: (Position) Head of Corporate Communications Office
Scheduled date to file securities report: November 10, 2020
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: Yes

Listed on: Tokyo Stock Exchange
URL <https://www.infocom.co.jp/>
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Scheduled date to commence dividend payments: November 30, 2020

(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year increases.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2020	33,213	20.0	4,920	27.4	4,950	27.7	3,377	31.1
September 30, 2019	27,679	19.7	3,863	48.8	3,876	48.1	2,575	37.2

(Note) Comprehensive income: Second quarter of the fiscal year ending March 31, 2021 : ¥4,806 million (115.9%); Second quarter of the fiscal year ended March 31, 2020 : ¥2,226 million (-33.2%)

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	61.70	61.43
September 30, 2019	47.08	46.87

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Million yen	Million yen	%
September 30, 2020	52,464	39,977	75.5
March 31, 2020	48,087	36,159	74.4

(Reference) Shareholders' equity: Second quarter of the fiscal year ending March 31, 2021 : ¥39,585 million; The fiscal year ended March 31, 2020 : ¥35,786 million

2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	10.00	—	21.00	31.00
Fiscal year ending March 31, 2021	—	10.00			
Fiscal year ending March 31, 2021 (forecast)			—	21.00	31.00

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

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2021

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	70,500	20.8	10,500	27.9	10,500	27.0	6,700	20.9	122.37

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

See *Announcement Concerning Revisions to Earning Forecasts* (Japanese version only), published on October 28, 2020, for more concerning consolidated earnings forecasts.

* Statements regarding the proper use of financial forecasts and other special remarks

- Forward-looking statements that include forecasts of 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 the assumptions behind these forecasts, please see “(3) Explanation of consolidated earnings forecasts and other forward-looking information” under “1. Qualitative information on the results for the current quarter” on page 3 of the attached materials.

1. Qualitative information on the results for the current quarter

(1) Overview of business results

During the Second quarter of the current fiscal year, the Japanese economy was impacted severely by the global spread of COVID-19. Concerns remain regarding a prolonged sluggishness in economic activities after the cancellation of the declaration of the state of emergency. Although certain industries are showing signs of recovery, the outlook continues to be uncertain.

The IT-related markets were affected negatively by temporary suspensions of corporate capital investment due to the slowdown in economic activity. Meanwhile, we have seen a recovery in software demand related to work-style reform and labor shortages during the COVID-19 pandemic.

The e-book market continues its upward trajectory, driven by a growing user base and the emergence of new lifestyles in the *new normal* resulting from stay-at-home requests.

In this operating environment, the Infocom Group medium-term management plan (April 2020 to March 2023) emphasized 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 continued growth, a shift toward services, and co-creation (M&A, overseas expansion).

As a result, during the six months ended September 30, 2020, the Infocom Group generated net sales of ¥33,213 million, up 20.0% year on year. Operating profit rose 27.4%, to ¥4,920 million; ordinary profit grew 27.7%, to ¥4,950 million; and net income attributable to owners of parent increased 31.1%, to ¥3,377 million.

(i) Digital Entertainment Group

During the consolidated second quarter, our Digital Entertainment Group recorded sales of ¥22,234 million (+38.6% year on year), and operating profit of ¥3,827 million (+50.9%).

Our e-comic distribution service implemented successful measures based on data analysis (free series, exclusive first-run distributions, expanded original comic titles, etc.). In addition to further increased demand due to stay-at-home requests, the segment exceeded cumulative second quarter sales that exceeded ¥20.0 billion for the first time since we launched this service.

(ii) Business Solution Group

During the consolidated second quarter, our Business Solution Group recorded sales of ¥10,978 million (-5.6% year on year), and operating profit of ¥1,088 million (-17.6%).

Our Health IT business saw a decrease in sales to hospitals as a reaction to the special demand in the previous year (prior to the tax code revision and consumption tax hike) and the impact of the COVID-19 pandemic. Corporate IT services sales were firm in response to stronger sales activities and other measures on our part.

(2) Explanation of financial condition

Total assets increased ¥4,377 million compared with the end of the previous consolidated fiscal year, to ¥52,464 million because of increase in cash and deposits and increase in investments and other assets due to increase in valuation of securities. Total liabilities increased ¥559 million, to ¥12,487 million due to increase in trade payables while provision for bonuses decreased. Net assets were up ¥3,818 million, compared with the end of the previous consolidated fiscal year, to ¥39,977 million.

Because of the above, the equity ratio rose to 75.5% from 74.4% at the end of the previous consolidated fiscal year.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

Given our performance for the cumulative consolidated second quarter and recent performance trends, we have made an upward revision to the consolidated earnings forecasts for the full year originally on July 31, 2020.

For more information, see “Notice on Revision to Earnings Forecasts,” published on October 28, 2020.

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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	23,491	26,225
Notes and accounts receivable-trade	11,459	10,670
Inventories	392	303
Other	1,099	1,803
Allowance for doubtful accounts	(6)	(4)
Total current assets	36,436	38,998
Non-current assets		
Property, plant and equipment	965	885
Intangible assets		
Software	1,585	1,564
Goodwill	1,195	1,071
Other	36	35
Total intangible assets	2,818	2,671
Investments and other assets		
Investments and other assets	7,999	10,038
Allowance for doubtful accounts	(132)	(129)
Total investment and other assets	7,867	9,908
Total non-current assets	11,651	13,465
Total assets	48,087	52,464
Liabilities		
Current liabilities		
Accounts payable - trade	4,564	4,949
Income taxes payable	1,346	1,361
Provision for bonuses	1,411	932
Other provision	69	—
Other	4,412	4,581
Total current liabilities	11,804	11,825
Non-current liabilities		
Net defined benefit liability	8	12
Other	114	649
Total non-current liabilities	123	661
Total liabilities	11,927	12,487
Net assets		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,456	1,556
Retained earnings	32,900	35,128
Treasury shares	(805)	(795)
Total shareholders' equity	35,140	37,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	2,261
Deferred gains or losses on hedges	0	—
Foreign currency translation adjustment	(94)	(155)
Total accumulated other comprehensive income	646	2,106
Share acquisition rights	177	228
Non-controlling interests	194	163
Total net assets	36,159	39,977
Total liabilities and net assets	48,087	52,464

(2) Quarterly consolidated statement of income and comprehensive income
Quarterly Consolidated Statements of Income
Second Quarter

(Unit: million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Net sales	27,679	33,213
Cost of sales	14,262	16,780
Gross profit	13,416	16,432
Selling, general and administrative expenses	9,553	11,511
Operating profit	3,863	4,920
Non-operating income		
Interest and dividend income	45	38
Share of profit of entities accounted for using equity method	1	6
Foreign exchange gains	—	0
Other	2	3
Total non-operating income	49	49
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	—
Partnership losses	34	19
Other	0	0
Total non-operating expenses	35	19
Ordinary profit	3,876	4,950
Extraordinary income		
Gain on sales of investment securities	2	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of shares of subsidiaries and associates	20	—
Loss on valuation of investment securities	—	3
Provision of allowance for doubtful accounts	49	—
Bad debts expenses	2	1
Other	0	0
Total extraordinary losses	72	5
Profit before income taxes	3,806	4,945
Income taxes	1,234	1,589
Profit	2,571	3,355
Loss attributable to non-controlling interests	(4)	(22)
Profit attributable to owners of parent	2,575	3,377

Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
Second Quarter

(Unit: million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit	2,571	3,355
Other comprehensive income		
Valuation difference on available-for-sale securities	(266)	1,520
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	(76)	(69)
Total other comprehensive income	(344)	1,451
Comprehensive income	2,226	4,806
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,237	4,838
Comprehensive income attributable to non-controlling interests	(10)	(31)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	3,806	4,945
Depreciation	539	482
Share-based remuneration expenses	40	59
Amortization of goodwill	52	102
Increase (decrease) in provision	(401)	(548)
Interest and dividend income	(45)	(38)
Interest expenses	0	0
Loss on valuation of shares of subsidiaries and associates	20	—
Loss (gain) on sales of investment securities	—	3
Decrease (increase) in trade receivables	1,199	786
Decrease (increase) in inventories	29	88
Increase (decrease) in trade payables	(198)	387
Other	(297)	(173)
Subtotal	4,745	6,094
Interest and dividends received	47	41
Interest paid	(0)	(0)
Income taxes paid	(1,790)	(1,652)
Net cash provided by (used in) operating activities	3,001	4,481
Cash flows from investing activities		
Purchase of property, plant and equipment	(145)	(77)
Purchase of intangible assets	(338)	(303)
Purchase of investment securities	(96)	(157)
Proceeds from sales of investment securities	5	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,092)	—
Other	7	(0)
Net cash provided by (used in) investing activities	(1,660)	(538)
Cash flows from financing activities		
Repayments of lease obligations	(31)	(28)
Dividends paid	(929)	(1,149)
Other	(2)	(4)
Net cash provided by (used in) financing activities	(964)	(1,182)
Effect of exchange rate change on cash and cash equivalents	(34)	(26)
Net increase (decrease) in cash and cash equivalents	342	2,734
Cash and cash equivalents at beginning of period	20,177	23,491
Cash and cash equivalents at end of period	20,519	26,225

(4) Notes on the Quarterly Consolidated Financial Statements

(Note on going concern assumption)

Not applicable

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

Not applicable

(Segment information)

[Segment information]

I. Six months ended September 30, 2019

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	11,632	16,047	27,679	—	27,679
Intersegment sales or transfers	50	0	50	(50)	—
Total	11,682	16,047	27,730	(50)	27,679
Segment profit(loss)	1,321	2,536	3,858	4	3,863

(Notes)

1. The ¥4 million adjustment in segment profit or loss is due to the elimination of intersegment transactions and corporate expenses.
2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated statements of income.

II. Six months ended September 30, 2020

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	10,978	22,234	33,213	—	33,213
Intersegment sales or transfers	75	—	75	(75)	—
Total	11,054	22,234	33,289	(75)	33,213
Segment profit	1,088	3,827	4,916	4	4,920

(Notes)

1. The ¥4 million adjustment in segment profit is due to the elimination of intersegment transactions and corporate expenses.
2. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.