

(English Translation)

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

July 31, 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: August 7, 2020

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing: No

Listed on: Tokyo Stock Exchange

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(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 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	%
Three months ended								
June 30, 2020	15,589	22.9	2,091	68.6	2,126	67.6	1,441	67.7
June 30, 2019	12,687	21.2	1,240	83.1	1,268	76.1	859	79.4

(Note) Comprehensive income: First quarter of the fiscal year ending March 31, 2021 : ¥2,008 million (-%); First quarter of the fiscal year ended March 31, 2020 : ¥109 million (-84.7%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2020	26.33		26.22	
June 30, 2019	15.71		15.64	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
As of						
June 30, 2020	48,334		37,069		75.9	
March 31, 2020	48,087		36,159		74.4	

(Reference) Shareholders' equity: First quarter of the fiscal year ending March 31, 2021: ¥36,669 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	—				
Fiscal year ending March 31, 2021 (forecast)		10.00	—	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
For the six months ending September 30 2020	32,000	15.6	4,200	8.7	4,200	8.3	2,700	4.8	49.33
Full-year	69,000	18.2	10,100	23.0	10,100	22.2	6,600	19.1	120.58

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

See *Announcement Concerning Revisions to Earning Forecasts* (Japanese version only), published on July 31, 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 4 of the attached materials.

1. Qualitative information on the results for the current quarter

(1) Overview of business results

During the first quarter of the current fiscal year, the Japanese economy was impacted severely by the global spread of COVID-19. We have seen signs of a moderate recovery with the resumption of economic activity subsequent to the cancellation of the declaration of a state of emergency. However, there are concerns about a prolonged economic stagnation, and the future outlook remains 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, the start of new lifestyles in this new normal, and voluntary restraints on non-essential travel outside the home.

In this operating environment, the Infocom Group medium-term management plan (April 2016 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 three months ended June 30, 2020, the Infocom Group generated net sales of ¥15,589 million, up 22.9% year on year. Operating profit rose 68.6%, to ¥2,091 million; ordinary profit grew 67.6%, to ¥2,126 million; and net income attributable to owners of parent increased 67.7%, to ¥1,441 million.

(i) Digital Entertainment Group

During the consolidated first quarter, our Digital Entertainment Group recorded sales of ¥10,603 million (+35.5% year on year), and operating profit of ¥1,931 million (+80.7%).

Our e-comic distribution service provided free series, exclusive first-run distributions, expanded original comic titles, and engaged in stronger marketing via data analysis and AI technology. In addition, we saw increased demand due to voluntary restraints on non-essential travel outside the home. These factors resulted in the segment exceeding first quarter sales of ¥100 million for the first time since we launched this service.

(ii) Business Solution Group

During the consolidated first quarter, our Business Solution Group recorded sales of ¥4,986 million (+2.5% year on year), and operating profit of ¥157 million (-6.6%).

Despite some challenges to our sales activities, the impact of COVID-19 was somewhat less than we expected initially. Sales to hospitals and existing corporate customers progress in line with plan.

(2) Explanation of financial condition

Total assets increased ¥247 million compared with the end of the previous consolidated fiscal year, to ¥48,334 million because of increase in investments and other assets due to increase in valuation of securities. Total liabilities fell ¥662 million, to ¥11,265 million due to declines in provision for bonuses and income taxes payable. Net assets were up ¥909 million, compared with the end of the previous consolidated fiscal year, to ¥37,069 million because of an increase in retained earnings and an increase in valuation difference on available-for-sale securities.

Because of the above, the equity ratio rose to 75.9% 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 consolidated first quarter and recent performance trends, we have made an upward revision to the consolidated earnings forecasts for the cumulative consolidated second quarter and the full-year consolidated forecasts announced originally on April 27, 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 June 30, 2020
Assets		
Current assets		
Cash and deposits	23,491	23,809
Notes and accounts receivable-trade	11,459	10,098
Inventories	392	562
Other	1,099	1,880
Allowance for doubtful accounts	(6)	(7)
Total current assets	36,436	36,343
Non-current assets		
Property, plant and equipment	965	902
Intangible assets		
Software	1,585	1,558
Goodwill	1,195	1,118
Other	36	35
Total intangible assets	2,818	2,712
Investments and other assets		
Investments and other assets	7,999	8,506
Allowance for doubtful accounts	(132)	(131)
Total investment and other assets	7,867	8,375
Total non-current assets	11,651	11,991
Total assets	48,087	48,334
Liabilities		
Current liabilities		
Accounts payable - trade	4,564	4,700
Income taxes payable	1,346	568
Provision for bonuses	1,411	464
Other provision	69	36
Other	4,412	5,385
Total current liabilities	11,804	11,156
Non-current liabilities		
Net defined benefit liability	8	10
Other	114	98
Total non-current liabilities	123	109
Total liabilities	11,927	11,265
Net assets		
Shareholders' equity		
Capital stock	1,590	1,590
Capital surplus	1,456	1,456
Retained earnings	32,900	33,192
Treasury shares	(805)	(805)
Total shareholders' equity	35,140	35,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	1,381
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(94)	(145)
Total accumulated other comprehensive income	646	1,236
Share acquisition rights	177	228
Non-controlling interests	194	171
Total net assets	36,159	37,069
Total liabilities and net assets	48,087	48,334

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

(Unit: million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	12,687	15,589
Cost of sales	6,587	7,909
Gross profit	6,099	7,680
Selling, general and administrative expenses	4,859	5,589
Operating profit	1,240	2,091
Non-operating income		
Interest and dividend income	43	37
Share of profit of entities accounted for using equity method	1	2
Foreign exchange gains	—	0
Other	2	0
Total non-operating income	47	41
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	—
Partnership losses	18	5
Other	0	0
Total non-operating expenses	18	6
Ordinary profit	1,268	2,126
Extraordinary income		
Gain on sales of investment securities	2	—
Other	0	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	—	3
Bad debts expenses	—	1
Other	—	0
Total extraordinary losses	0	5
Profit before income taxes	1,271	2,121
Income taxes	411	692
Profit	859	1,428
Loss attributable to non-controlling interests	(0)	(12)
Profit attributable to owners of parent	859	1,441

Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
First Quarter

(Unit: million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit	859	1,428
Other comprehensive income		
Valuation difference on available-for-sale securities	(756)	641
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	8	(61)
Total other comprehensive income	(749)	579
Comprehensive income	109	2,008
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	106	2,031
Comprehensive income attributable to non-controlling interests	3	(23)

(3) Quarterly Consolidated Statements of Cash Flow

(Unit: Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,271	2,121
Depreciation	277	228
Share-based remuneration expenses	40	50
Amortization of goodwill	—	50
Increase (decrease) in provision	(789)	(977)
Interest and dividend income	(43)	(37)
Interest expenses	0	0
Loss (gain) on sales of investment securities	—	3
Decrease (increase) in trade receivables	2,763	1,358
Decrease (increase) in inventories	(395)	(169)
Increase (decrease) in trade payables	(288)	138
Other	967	540
Subtotal	3,803	3,307
Interest and dividends received	42	41
Interest paid	(0)	(0)
Income taxes paid	(1,775)	(1,696)
Net cash provided by (used in) operating activities	2,069	1,651
Cash flows from investing activities		
Purchase of property, plant and equipment	(20)	(16)
Purchase of intangible assets	(151)	(122)
Purchase of investment securities	(64)	—
Proceeds from sales of investment securities	5	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,092)	—
Other	2	(0)
Net cash provided by (used in) investing activities	(1,321)	(139)
Cash flows from financing activities		
Repayments of lease obligations	(10)	(14)
Dividends paid	(929)	(1,149)
Other	0	(2)
Net cash provided by (used in) financing activities	(940)	(1,166)
Effect of exchange rate change on cash and cash equivalents	(5)	(27)
Net increase (decrease) in cash and cash equivalents	(196)	318
Cash and cash equivalents at beginning of period	20,177	23,491
Cash and cash equivalents at end of period	19,980	23,809

(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. Three months ended June 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	4,863	7,823	12,687	—	12,687
Intersegment sales or transfers	24	0	24	(24)	—
Total	4,887	7,823	12,711	(24)	12,687
Segment profit(loss)	168	1,069	1,237	2	1,240

(Notes)

1. The ¥2 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. Three months ended June 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	4,986	10,603	15,589	—	15,589
Intersegment sales or transfers	33	—	33	(33)	—
Total	5,019	10,603	15,623	(33)	15,589
Segment profit	157	1,931	2,088	2	2,091

(Notes)

1. The ¥2 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.