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Consolidated Financial Results for the Year Ended March 31, 2022 [Japanese GAAP]

April 27, 2022

Company name: INFOCOM CORPORATION

Stock exchange listing: Tokyo

Code number: 4348

URL: <https://www.infocom.co.jp/>

Representative: Norihiro Takehara

President and CEO

Contact: Shinya Tanaka

Head of Corporate Communications Office

Phone: 03-6866-3160

Scheduled date of Annual General Meeting of Shareholders: June 14, 2022

Scheduled date of commencing dividend payments: June 16, 2022

Scheduled date of filing annual securities report: June 15, 2022

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 01, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2022	64,586	(5.1)	10,098	(6.6)	10,196	(6.8)	6,912	10.1
March 31, 2021	68,055	16.6	10,812	31.7	10,936	32.3	6,276	13.2

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥ 5,666 million [(21.5)%
Fiscal year ended March 31, 2021: ¥ 7,216 million [54.4%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	126.20	125.65	16.1	17.9	15.6
March 31, 2021	114.61	114.10	16.2	20.9	15.9

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2022: ¥ 11 million
Fiscal year ended March 31, 2021: ¥ 8 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	57,531	44,579	76.8	806.59
March 31, 2021	56,435	41,839	73.5	757.76

(Reference) Equity: As of March 31, 2022: ¥ 44,185 million
As of March 31, 2021: ¥ 41,503 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 period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	7,148	(3,225)	(2,217)	31,700
March 31, 2021	9,871	(1,643)	(1,761)	29,956

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	-	10.00	-	27.00	37.00	2,026	32.3	5.2
March 31, 2022	-	13.00	-	37.00	50.00	2,738	39.6	6.4
Fiscal year ending								
March 31, 2023 (Forecast)	-	18.00	-	27.00	45.00		35.2	

(Note) Breakdown of the year-end dividend for the fiscal year ended March 31, 2022 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2022	33,000	1.7	4,000	(20.0)	4,000	(20.9)	2,700	(21.6)	49.29
Full year	70,000	8.4	10,500	4.0	10,500	3.0	7,000	1.3	127.80

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022: 57,600,000 shares

March 31, 2021: 57,600,000 shares

2) Total number of treasury shares at the end of the period:

March 31, 2022: 2,819,167 shares

March 31, 2021: 2,829,423 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2022: 54,774,659 shares

Fiscal Year ended March 31, 2021: 54,759,562 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 01, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	20,788	0.0	1,827	(16.9)	4,803	13.7	4,080	58.2
March 31, 2021	20,783	(9.9)	2,198	(19.1)	4,222	(11.8)	2,579	(32.2)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	74.50	74.18
March 31, 2021	47.10	46.90

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	46,265	26,132	56.0	473.01
March 31, 2021	45,078	25,671	56.4	464.53

(Reference) Equity: As of March 31, 2022: ¥ 25,911 million
As of March 31, 2021: ¥ 25,442 million

1. Analysis of Business Results

1) Overview of Business Results during the Year under Review

During the consolidated fiscal year under review, the Japanese economy continued to face uncertainties, impacted by the prolonged COVID-19 pandemic and geopolitical risks.

The e-book market grew further with an increase in users, even as the impact of pirate sites has expanded.

The IT-related markets showed signs of recovery for IT investment, which had been limited due to the moderate nature of the recovery in economic activities, which had been stagnant in the wake of the COVID-19 pandemic.

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 identified e-comics and healthcare as priority businesses. In these areas, we pursued continued growth, endeavored to evolve into a services-oriented business, and engaged in co-creation (M&A, overseas expansion).

In addition, we completed the relocation of our headquarters, undertaken to pursue work-style reform, on schedule.

As a result, the Infocom Group generated net sales of ¥64,586 million, down 5.1% compared to the previous fiscal year. This result was mainly due to firm IT services performance, despite sluggish growth in e-comic sales. Operating profit amounted to ¥10,098 million, down 6.6%, mainly due to cost increases associated with our headquarters relocation. Ordinary income was ¥10,196 million, down 6.8%, and profit attributable to owners of the parent amounted to 6,912 million yen, up 10.1% and representing a new record high.

The following paragraphs describe our results by segment.

(i) Digital Entertainment Group

Our Digital Entertainment Group recorded sales of ¥40,530 million (-7.9% year on year). This result was mainly due to our curbing advertising in our e-comic distribution service owing to the impact of pirate sites and declining effectiveness of advertising. A decline in special demand associated with voluntary restraints on travel outside the home and the lack of major hits in original content also contributed to this result. Despite the impact of lower sales, operating profit amounted to ¥7,760 million (-1.9%), mainly as a result of cost reductions from reduced advertising.

In our *Mecha Comic* business, we bolstered the production of original comics and pursued measures to expand our business fields, including advancing the dramatization of our titles. In addition to measures for the Japanese market, we made preparations for the launch of services in the U.S. Market.

Amutus Corporation is the consolidated subsidiary that operates *Mecha Comic*. During the period, the company endeavored to acquire content, expand its business fields, and grow the market. To improve usability, we created AmuLink Corporation as a means to strengthen our systems infrastructure. AmuLink is responsible for planning and developing systems for our e-comic distribution service in collaboration with Link-U.

(ii) Business Solution Group

Despite the impact of COVID-19, sales remained steady, amounting to ¥24,055 million and up 0.1% compared with the previous year. While the aforementioned advancements in work-style reform contributed to higher operating margin, operating profit fell 19.5% to ¥2,329 million, mainly due to the recording of ¥850 million yen in headquarters relocation expenses.

Sales of radiology systems and work management systems for hospitals in our Health IT business remained strong throughout the year. Overseas, we entered into a business alliance with Docquity, a provider of social media platforms for doctors, to

expand sales of our products in Southeast Asia.

In terms of enterprise sales, we began offering GRANDIT miraimil, a cloud service for the integrated ERP GRANDIT software package.

In addition, we made MEDICAL CREATE a subsidiary to expand the scale of sales in the Health IT business and to improve service quality. We also converted Alterbooth to a subsidiary, aiming to advance our services-oriented business and improve development technology for cloud and other services.

2) Overview of Financial Position for the Current Fiscal Year

Total assets increased ¥1,095 million from the end of the previous fiscal year to ¥57,531 million. This result was mainly due to an increase in cash and deposits and goodwill resulting from the acquisition of MEDICAL CREATE and Alterbooth as consolidated subsidiaries. This increase was offset in part by a decrease in the market value of investment securities.

Total liabilities amounted to ¥12,951 million, down ¥1,644 million compared with the end of the previous fiscal year. This result was mainly due to decrease in accounts payable-trade and income taxes payable, offset in part by contractual liabilities stemming from the adoption of *Accounting Standard for Revenue Recognition*.

Net assets rose ¥2,740 million compared with the end of the previous consolidated fiscal year to ¥44,579 million. This result was mainly due to the posting of profit attributable to owners of the parent, offset in part by a decrease in retained earnings at the beginning of the period in connection with the adoption of *Accounting Standard for Revenue Recognition* and dividend payments.

3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of March 31, 2022 amounted to ¥31,700 million, up ¥1,744 million from one year earlier. The following paragraphs describe cash flows and reasons for major changes in cash flows.

[Cash flows from operating activities]

Net cash provided by operating activities amounted to ¥7,148 million (¥9,871 million in the previous fiscal year). This result was mainly due to increases stemming from profit before income taxes of ¥10,050 million (¥9,721 million in the previous fiscal year), depreciation (non-cash item) of ¥1,333 million (¥1,142 million), and decreases in accounts receivable-trade and contract assets of ¥1,789 million (¥1,045 million increase in the previous fiscal year). These increases were offset in part by a decrease stemming from ¥4,661 million in income taxes paid (¥2,370 million in the previous fiscal year).

[Cash flows from investing activities]

Net cash used in investing activities amounted to ¥3,225 million (¥1,643 million in the previous fiscal year). This result was mainly due to purchases of property, plant and equipment of ¥735 million (¥244 million in the previous fiscal year), purchases of software and other intangible assets of ¥989 million (¥767 million), and purchase of shares of MEDICAL CREATE and Alterbooth, both becoming consolidated subsidiaries, of ¥1,055 million (no similar transactions in the previous fiscal year).

[Cash flows from financing activities]

Net cash used in financing activities amounted to ¥2,217 million (¥1,761 million in the previous fiscal year). This result was mainly due to cash dividends paid of ¥2,190 million (compared to ¥1,697 million in the previous fiscal year).

4) Outlook for the Next Fiscal Year

The Japanese economy is expected to gradually recover with the greater adoption of measures to prevent the spread of COVID-19. However, the future remains uncertain due to the impact of geopolitical risks and other factors.

The e-book market is projected to continue trending larger, backed by factors that include a growing user base in connection with in-home demand.

The IT-related market should see a recovery in IT demand, spurred by increased use of cloud services as investments, which stagnated during the COVID-19 pandemic, recovers.

In this environment, the Infocom Group medium-term management plan (April 2020 to March 2023) emphasizes 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.

For the fiscal year ending March 31, 2023, we forecast net sales of ¥70,000 million (+8.4% year on year), operating profit of ¥10,500 million (+4.0%), ordinary profit of ¥10,500 million (+3.0%), and profit attributable to owners of parent of ¥7,000 million (+1.3%).

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.

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.

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of March 31,2022
Assets		
Current assets		
Cash and deposits	29,956	31,700
Notes and accounts receivable - trade	12,502	-
Notes receivable - trade	-	14
Accounts receivable - trade	-	10,744
Contract assets	-	155
Inventories	167	86
Other	1,345	2,472
Allowance for doubtful accounts	(7)	(7)
Total current assets	43,964	45,166
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,023	767
Accumulated depreciation	(541)	(121)
Buildings and structures, net	481	645
Machinery, equipment and vehicles	1	6
Accumulated depreciation	(1)	(5)
Machinery, equipment and vehicles, net	0	1
Tools, furniture and fixtures	1,548	1,517
Accumulated depreciation	(1,049)	(945)
Tools, furniture and fixtures, net	499	571
Leased assets	365	335
Accumulated depreciation	(291)	(295)
Leased assets, net	73	40
Construction in progress	0	0
Total property, plant and equipment	1,054	1,259
Intangible assets		
Software	1,592	1,894
Goodwill	-	1,169
Other	47	34
Total intangible assets	1,639	3,097
Investments and other assets		
Investment securities	7,494	5,744
Shares of subsidiaries and associates	242	53
Deferred tax assets	686	1,421
Other	1,551	789
Allowance for doubtful accounts	(198)	(1)
Total investments and other assets	9,776	8,007
Total non-current assets	12,471	12,364
Total assets	56,435	57,531

(Million yen)

	As of March 31,2021	As of March 31,2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,975	4,377
Lease liabilities	48	25
Accounts payable - other	1,768	1,303
Income taxes payable	2,729	1,298
Accrued consumption taxes	1,189	683
Contract liabilities	-	2,725
Advances received	901	-
Provision for bonuses	1,402	1,336
Other	1,225	681
Total current liabilities	14,241	12,432
Non-current liabilities		
Lease liabilities	32	19
Retirement benefit liability	16	48
Deferred tax liabilities	235	-
Other	70	451
Total non-current liabilities	355	519
Total liabilities	14,596	12,951
Net assets		
Shareholders' equity		
Share capital	1,590	1,590
Capital surplus	1,556	1,480
Retained earnings	37,479	41,402
Treasury shares	(795)	(792)
Total shareholders' equity	39,829	43,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,827	512
Foreign currency translation adjustment	(153)	(6)
Total accumulated other comprehensive income	1,673	505
Share acquisition rights	228	220
Non-controlling interests	107	173
Total net assets	41,839	44,579
Total liabilities and net assets	56,435	57,531

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Net sales	68,055	64,586
Cost of sales	34,347	33,226
Gross profit	33,708	31,359
Selling, general and administrative expenses	22,896	21,261
Operating profit	10,812	10,098
Non-operating income		
Interest and dividend income	102	144
Share of profit of entities accounted for using equity method	8	11
Other	18	4
Total non-operating income	130	161
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	1	5
Partnership loss	3	52
Other	0	4
Total non-operating expenses	5	62
Ordinary profit	10,936	10,196
Extraordinary income		
Gain on sale of investment securities	0	53
Other	-	0
Total extraordinary income	0	53
Extraordinary losses		
Impairment losses	1,002	43
Loss on retirement of non-current assets	14	11
Loss on valuation of investment securities	23	95
Loss on sale of shares of subsidiaries and associates	-	46
Provision of allowance for doubtful accounts	172	-
Other	3	2
Total extraordinary losses	1,215	199
Profit before income taxes	9,721	10,050
Income taxes - current	3,705	3,233
Income taxes - deferred	(171)	(13)
Total income taxes	3,533	3,219
Profit	6,188	6,831
Profit attributable to non-controlling interests	(88)	(81)
Profit attributable to owners of parent	6,276	6,912

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Profit	6,188	6,831
Other comprehensive income		
Valuation difference on available-for-sale securities	1,086	(1,315)
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	(58)	150
Total other comprehensive income	1,028	(1,164)
Comprehensive income	7,216	5,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,303	5,744
Comprehensive income attributable to non-controlling interests	(87)	(78)

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,590	1,456	32,900	(805)	35,140
Changes during period					
Dividends of surplus			(1,697)		(1,697)
Profit attributable to owners of parent			6,276		6,276
Restricted stock compensation		99		10	109
Net changes in items other than shareholders' equity					
Total changes during period	-	99	4,578	10	4,688
Balance at end of period	1,590	1,556	37,479	(795)	39,829

	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	740	0	(94)	646	177	194	36,159
Changes during period							
Dividends of surplus							(1,697)
Profit attributable to owners of parent							6,276
Restricted stock compensation							109
Net changes in items other than shareholders' equity	1,086	(0)	(58)	1,027	50	(86)	991
Total changes during period	1,086	(0)	(58)	1,027	50	(86)	5,679
Balance at end of period	1,827	-	(153)	1,673	228	107	41,839

For the fiscal year ended March 31,2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,590	1,556	37,479	(795)	39,829
Cumulative effects of changes in accounting policies			(798)		(798)
Restated balance	1,590	1,556	36,680	(795)	39,030
Changes during period					
Dividends of surplus			(2,190)		(2,190)
Profit attributable to owners of parent			6,912		6,912
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		4		3	7
Restricted stock compensation		1		0	1
Capital increase of consolidated subsidiaries		(81)			(81)
Net changes in items other than shareholders' equity					
Total changes during period	-	(75)	4,721	3	4,649
Balance at end of period	1,590	1,480	41,402	(792)	43,680

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,827	(153)	1,673	228	107	41,839
Cumulative effects of changes in accounting policies						(798)
Restated balance	1,827	(153)	1,673	228	107	41,040
Changes during period						
Dividends of surplus						(2,190)
Profit attributable to owners of parent						6,912
Purchase of treasury shares						(0)
Disposal of treasury shares						7
Restricted stock compensation						1
Capital increase of consolidated subsidiaries						(81)
Net changes in items other than shareholders' equity	(1,315)	147	(1,167)	(7)	65	(1,110)
Total changes during period	(1,315)	147	(1,167)	(7)	65	3,539
Balance at end of period	512	(6)	505	220	173	44,579

Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Cash flows from operating activities		
Profit before income taxes	9,721	10,050
Depreciation	1,142	1,333
Impairment losses	1,002	43
Share-based payment expenses	77	36
Amortization of goodwill	210	25
Increase (decrease) in allowance for doubtful accounts	172	(0)
Increase (decrease) in provision for bonuses	(8)	(83)
Increase (decrease) in provision for loss on orders received	(69)	-
Interest and dividend income	(102)	(144)
Loss (gain) on valuation of investment securities	23	95
Loss (gain) on sale of investment securities	(0)	(53)
Loss (gain) on sale of shares of subsidiaries and associates	-	46
Decrease (increase) in trade receivables and contract assets	(1,045)	1,789
Decrease (increase) in inventories	224	74
Decrease (increase) in other assets	(196)	(259)
Increase (decrease) in trade payables	413	(587)
Increase (decrease) in other liabilities	572	(704)
Subtotal	12,137	11,661
Interest and dividends received	105	148
Interest paid	(1)	(0)
Income taxes paid	(2,370)	(4,661)
Net cash provided by (used in) operating activities	9,871	7,148
Cash flows from investing activities		
Purchase of property, plant and equipment	(244)	(735)
Purchase of intangible assets	(767)	(989)
Purchase of investment securities	(178)	(430)
Proceeds from sale of investment securities	6	99
Proceeds from sale of shares of subsidiaries and associates	-	150
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,055)
Payments of guarantee deposits	(478)	(3)
Proceeds from refund of guarantee deposits	2	2
Other, net	16	(262)
Net cash provided by (used in) investing activities	(1,643)	(3,225)
Cash flows from financing activities		
Repayments of lease liabilities	(54)	(46)
Dividends paid	(1,697)	(2,190)
Other, net	(9)	19
Net cash provided by (used in) financing activities	(1,761)	(2,217)
Effect of exchange rate change on cash and cash equivalents	(1)	38
Net increase (decrease) in cash and cash equivalents	6,465	1,744
Cash and cash equivalents at beginning of period	23,491	29,956
Cash and cash equivalents at end of period	29,956	31,700