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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 [Japanese GAAP]

July 31, 2024

Company name: INFOCOM CORPORATION

Listing: Tokyo

Securities code: 4348

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	20,862	10.8	1,282	(29.3)	1,311	(29.5)	831	(32.5)
June 30, 2023	18,824	-	1,814	-	1,860	-	1,231	-

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 849 million [(37.3)%]
Three months ended June 30, 2023: ¥ 1,355 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	15.14	15.09
June 30, 2023	22.48	22.38

(Note) Figures for the first quarter of FY03/24 have been adjusted retroactively to reflect the changes in translation method of revenues and expenses of overseas subsidiaries applied from the first quarter of FY03/25. Consequently, the rate of increase/decrease compared to the same quarter of the previous year is not stated for the first quarter of FY03/24.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	64,966	48,437	74.1
March 31, 2024	67,324	49,158	72.4

(Reference) Equity: As of June 30, 2024: ¥ 48,130 million
As of March 31, 2024: ¥ 48,761 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	18.00	-	27.00	45.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

As announced in the "Notice regarding the Revision of Dividend Forecast (No Dividend) and the Abolition of the Shareholder Benefit Program for the Fiscal Year Ending March 2025" published on June 18, 2024, our company has decided not to pay dividends for the fiscal year ending March 2025.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	44,500	11.1	4,300	2.9	4,300	1.5	2,900	2.7	52.87
Full year	94,000	11.3	11,000	12.4	11,000	11.2	7,300	10.4	133.09

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: Yes
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

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

June 30, 2024: 57,600,000 shares
March 31, 2024: 57,600,000 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 2,679,208 shares
March 31, 2024: 2,714,682 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 54,894,665 shares
Three months ended June 30, 2023: 54,791,188 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

* Proper use of earnings forecasts, and other special matters

1. Overview of Business Results for the Quarterly Consolidated Cumulative Period

The summary of the financial position, operating results, and cash flows of our group (the Company and its consolidated subsidiaries) for the first quarter of the current consolidated cumulative period is as follows.

(1) Explanation of Operating Results

Under the slogan, United Innovation Value Co-Creation and Beyond, the Infocom Group pursues a medium-term management plan (FY03/23 - FY03/25) based on policies to pursue growth and continue strengthening our management foundation to support growth.

Under pursue growth, we emphasize contributing solutions to social issues through co-creation, continuing growth and overseas expansion in E-Comic and Health IT, Continuing evolution into a services-oriented business, and focusing resources in growth areas. Under continue to strengthen our management foundation to support growth, we engage in strengthening human capital, aiming to achieve our financial targets.

The consolidated fiscal quarter under review is the second year of this medium-term plan, we recorded net sales of ¥20,862 million, up 10.8% year on year, operating profit of ¥1,282 million (down 29.3%), ordinary income of ¥1,311 million (down 29.5%), and profit attributable to owners of the parent of ¥831 million (down 32.5%). ordinary income of ¥1,311 million (down 29.5%), and profit attributable to the owners of the parent of ¥831 million (down 32.5%).

The following paragraphs describe our results by segment.

(i) Digital Entertainment Group

Digital Entertainment reported net sales of ¥15,235 million (up 12.8% year on year) and operating income of ¥1,930 million yen (up 4.4%) in the first quarter of the current consolidated fiscal year.

The e-comics distribution service maintained double-digit growth, driven by exclusive first-run hit titles.

(ii) Business Solution Group

The Business Solution reported net sales of ¥5,626 million (up 5.7% year on year) and an operating loss of ¥637 million (compared with an operating loss of ¥30 million in the year-ago period) for the first quarter of the current consolidated fiscal year.

Sales increased due to firm small- and medium-sized hospitals sales, despite business for large-scale hospitals weighted more in the second half of the year.

On the other hand, operating losses increased compared to the year-ago period. This result was mainly due to increased costs stemming from TOB-related expenses and higher personnel expenses resulting from higher compensation levels.

(2) Explanation of financial position

1) Consolidated financial position

Assets at the end of the first quarter of the current fiscal year decreased ¥2,358 million compared with the end of the previous consolidated fiscal year to ¥64,966 million due to decreases in notes and accounts receivable-trade.

Liabilities decreased ¥1,637 million to ¥16,528 million due to decreases in income taxes payable and provision for bonuses.

Net assets decreased ¥720 million compared with the end of the previous consolidated fiscal year to ¥48,437 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 due to dividend payments.

2) Consolidated cash flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year amounted to ¥37,425 million, down ¥462 million from the end of the previous consolidated fiscal year. 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 ¥1,403 million (¥2,856 million in the year-ago period). This result was mainly due to increases stemming from profit before income taxes of ¥1,306 million (¥1,858 million) and decreases in notes and accounts receivable-trade and contract assets of ¥2,286 million (¥2,199 million), as well as a decrease of ¥1,886 million in income taxes paid (¥1,978 million).

[Cash flows from investing activities]

Net cash used in investing activities amounted to ¥296 million (¥2,104 million in the year-ago period). This result was mainly due to purchases of software and other intangible fixed assets of ¥227 million (¥146 million).

[Cash flows from financing activities]

Net cash used in financing activities amounted to ¥1,607 million (¥1,767 million in the year-ago period). This result was mainly due to cash dividends paid of ¥1,481 million (¥1,753 million).

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

At this time, the Company has not made any changes to its earnings forecast announced on April 25, 2024.

At a meeting held on June 18, 2024, the Company Board of Directors resolved not to pay interim and year-end dividends, as announced in the "Notice regarding the Revision of Dividend Forecast (No Dividend) and the Abolition of the Shareholder Benefit Program for the Fiscal Year Ending March 2025" released on the same day.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	37,888	37,425
Notes and accounts receivable - trade, and contract assets	13,354	11,173
Inventories	111	199
Other	1,666	2,007
Allowance for doubtful accounts	(9)	(9)
Total current assets	53,011	50,795
Non-current assets		
Property, plant and equipment	1,443	1,404
Intangible assets		
Software	2,562	2,477
Goodwill	798	780
Other	803	780
Total intangible assets	4,164	4,038
Investments and other assets		
Investments and other assets	8,707	8,729
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	8,705	8,728
Total non-current assets	14,313	14,170
Total assets	67,324	64,966
Liabilities		
Current liabilities		
Accounts payable - trade	6,044	5,960
Income taxes payable	1,871	614
Provision for bonuses	1,390	590
Other provisions	35	37
Other	8,072	8,634
Total current liabilities	17,413	15,837
Non-current liabilities		
Retirement benefit liability	85	90
Other provisions	52	52
Other	615	548
Total non-current liabilities	753	691
Total liabilities	18,166	16,528
Net assets		
Shareholders' equity		
Share capital	1,590	1,590
Capital surplus	1,618	1,637
Retained earnings	45,882	45,231
Treasury shares	(763)	(754)
Total shareholders' equity	48,327	47,704
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	195	85
Foreign currency translation adjustment	238	340
Total accumulated other comprehensive income	434	425
Share acquisition rights	197	169

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Non-controlling interests	198	137
Total net assets	49,158	48,437
Total liabilities and net assets	67,324	64,966

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	18,824	20,862
Cost of sales	10,171	11,393
Gross profit	8,653	9,469
Selling, general and administrative expenses	6,838	8,186
Operating profit	1,814	1,282
Non-operating income		
Interest and dividend income	43	36
Partnership gain	2	-
Other	1	2
Total non-operating income	48	38
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	1	3
Partnership loss	-	4
Other	0	0
Total non-operating expenses	2	8
Ordinary profit	1,860	1,311
Extraordinary income		
Gain on sale of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	1	5
Total extraordinary losses	1	5
Profit before income taxes	1,858	1,306
Income taxes	643	449
Profit	1,215	856
Profit (loss) attributable to non-controlling interests	(15)	25
Profit attributable to owners of parent	1,231	831

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,215	856
Other comprehensive income		
Valuation difference on available-for-sale securities	94	(109)
Foreign currency translation adjustment	45	102
Total other comprehensive income	139	(7)
Comprehensive income	1,355	849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,371	822
Comprehensive income attributable to non-controlling interests	(16)	26

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,858	1,306
Depreciation	269	333
Share-based payment expenses	9	14
Amortization of goodwill	14	17
Increase (decrease) in provisions	(742)	(793)
Interest and dividend income	(43)	(36)
Interest expenses	0	0
Decrease (increase) in accounts receivable - trade, and contract assets	2,199	2,286
Decrease (increase) in inventories	(167)	(87)
Increase (decrease) in trade payables	275	(83)
Increase (decrease) in deposits received	959	302
Other, net	159	(12)
Subtotal	4,793	3,248
Interest and dividends received	41	41
Interest paid	(0)	(0)
Income taxes paid	(1,978)	(1,886)
Net cash provided by (used in) operating activities	2,856	1,403
Cash flows from investing activities		
Purchase of property, plant and equipment	(28)	(69)
Purchase of intangible assets	(146)	(227)
Purchase of investment securities	(510)	-
Payments of guarantee deposits	(86)	(0)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,331)	-
Other, net	(0)	1
Net cash provided by (used in) investing activities	(2,104)	(296)
Cash flows from financing activities		
Repayments of lease liabilities	(6)	(3)
Dividends paid	(1,753)	(1,481)
Dividends paid to non-controlling interests	-	(88)
Other, net	(8)	(34)
Net cash provided by (used in) financing activities	(1,767)	(1,607)
Effect of exchange rate change on cash and cash equivalents	21	37
Net increase (decrease) in cash and cash equivalents	(993)	(462)
Cash and cash equivalents at beginning of period	35,575	37,888
Cash and cash equivalents at end of period	34,581	37,425

Notes on the consolidated financial statements

(Changes in accounting policies)

(Changes in translation method of revenues and expenses of overseas subsidiaries)

The Company has previously translated revenues and expenses of overseas subsidiaries into yen using the spot exchange rate on the closing date. Beginning in the first quarter of the current consolidated fiscal year, the Company switched to using the average exchange rate to translate revenues and expenses of overseas subsidiaries into yen in light of the expected increase in importance of overseas sales of overseas subsidiaries. By switching calculation rates, the Company aims to mitigate the impact of temporary fluctuations in exchange rates on periodic income (loss) and reflect the performance of overseas subsidiaries more appropriately in the Company consolidated financial statements.

The Company applied this change in accounting policy retrospectively to the quarterly consolidated financial statements and consolidated financial statements for the first quarter of the previous consolidated fiscal year and the previous consolidated fiscal year. Effects of this change in accounting policy were immaterial on profit (loss) for the first quarter of the previous consolidated fiscal year.

Retained earnings at the beginning of the previous consolidated fiscal year increased by 43 million yen due to the cumulative effect on net assets. The balance of foreign currency translation adjustments at the beginning of the previous consolidated fiscal year decreased by the same amount.