




Financial Results Briefing for the 2Q FY2016

Infocom Corporation

Infocom Corporation

October 31, 2016

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(Digital Entertainment, Health IT)
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Financial Results for the 2Q FY16



Focused businesses in the medium-term business plan

(Digital Entertainment, Health IT)



Outlook for FY16

FY16 2Q Earnings Highlights (Consolidated)

(Unit:100 million yen)

	FY15 2Q	FY16 2Q	YoY		Vs. initial outlook	
	Amount	Amount	Change	Change (%)	Outlook	Change
Net Sales	187.3	193.3	+6.0	+3.2	200.0	-6.6
Operating income (Operating margin)	12.0 (6.4)	16.1 (8.3)	+4.0	+33.8	12.5	+3.6
Ordinary income	12.4	16.2	+3.7	+30.0	12.5	+3.7
Profit attributable to owners of parent	-11.0*	10.4	+21.4	—	7.0	+3.4

* The extraordinary loss of 2.71 billion yen posted for data center related business restructuring expenses

- ◆ Increased YoY both in sales and profit.
While IT Services saw declines in sales and profit, E-book Distribution Services were robust, renewing record highs both in sales and profit.

Business Areas and Segment Structure

Business Solution Group

Digital Entertainment Group



Enterprise Service Management

System integration for major companies

- Textile makers
- Trading companies
- Pharmaceutical wholesalers
- Cell-phone companies



Business Software

Business package cloud services

- ERP GRANDIT®
- Emergency contact/safety confirmation
- Document management, etc.



Health IT

Package services for medical institutions

- Hospitals
- Pharmaceutical companies
- Health industry



Digital Entertainment

Internet contents for consumers

- E-book
- E-commerce
- Contents delivery for women, music

Business Solution Results (Consolidated)

(Unit: 100 million yen)

	FY15 2Q	FY16 2Q	YoY	
	Amount	Amount	Change	Change (%)
Net Sales	104.9	98.3	-6.5	-6.3
Operating income (Operating margin)	5.6 (5.4)	3.6 (3.7)	-1.9	-35.2

◆ Net Sales: decreased in the health IT business, impacted by reductions in IT investments at medical institutions due to factors such as the revision of medical service fees. Corporate services declined due to timing differences for SI projects, etc.

◆ Operating income: the impact of decreases in net sales were offset by cost reduction measures, securing profit at the previous year's level. Regional comprehensive care and IoT-related investments were driven forward as planned.

Digital Entertainment Results (Consolidated)

(Unit:100 million yen)

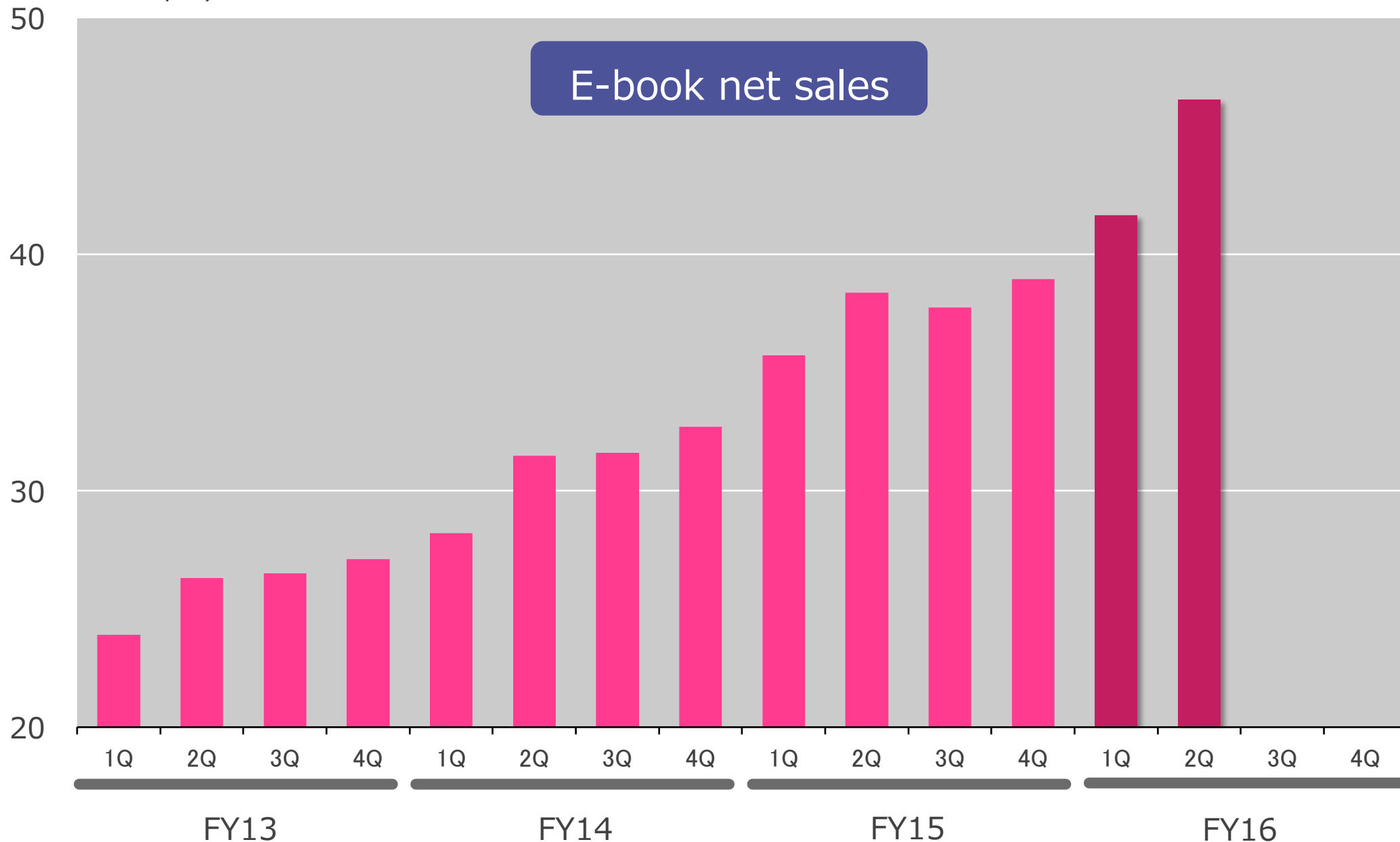
	FY15 2Q	FY16 2Q	YoY	
	Amount	Amount	Change	Change (%)
Net sales	82.4	95.0	+12.5	+15.3
E-book net sales	74.0	88.1	+14.0	+19.0
Operating income (Operating margin)	6.4 (7.8)	12.4 (13.1)	+6.0	+94.6

◆ Net Sales: E-book Distribution Services were robust, with the number of paying members topping 1 million and renewing the quarterly high in both 1Q and 2Q.

◆ Operating income: in addition to sales growth of E-book Distribution Services, effects of continuous cost reduction measures and E-commerce's structural reform were actualized.

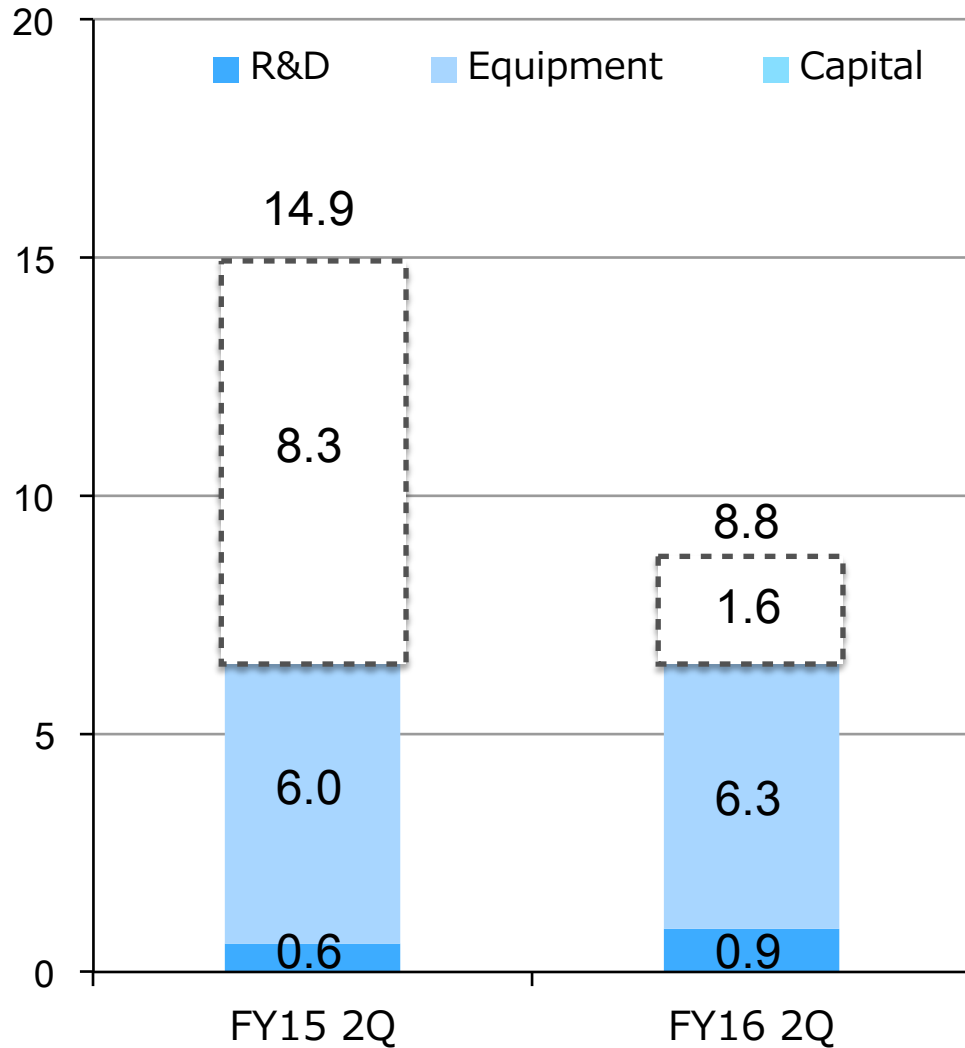
Digital Entertainment E-book Distribution Services Net Sales Results

(Unit:100 million yen)



Investment

(Unit:100 million yen)



Major Investments (100 million yen)

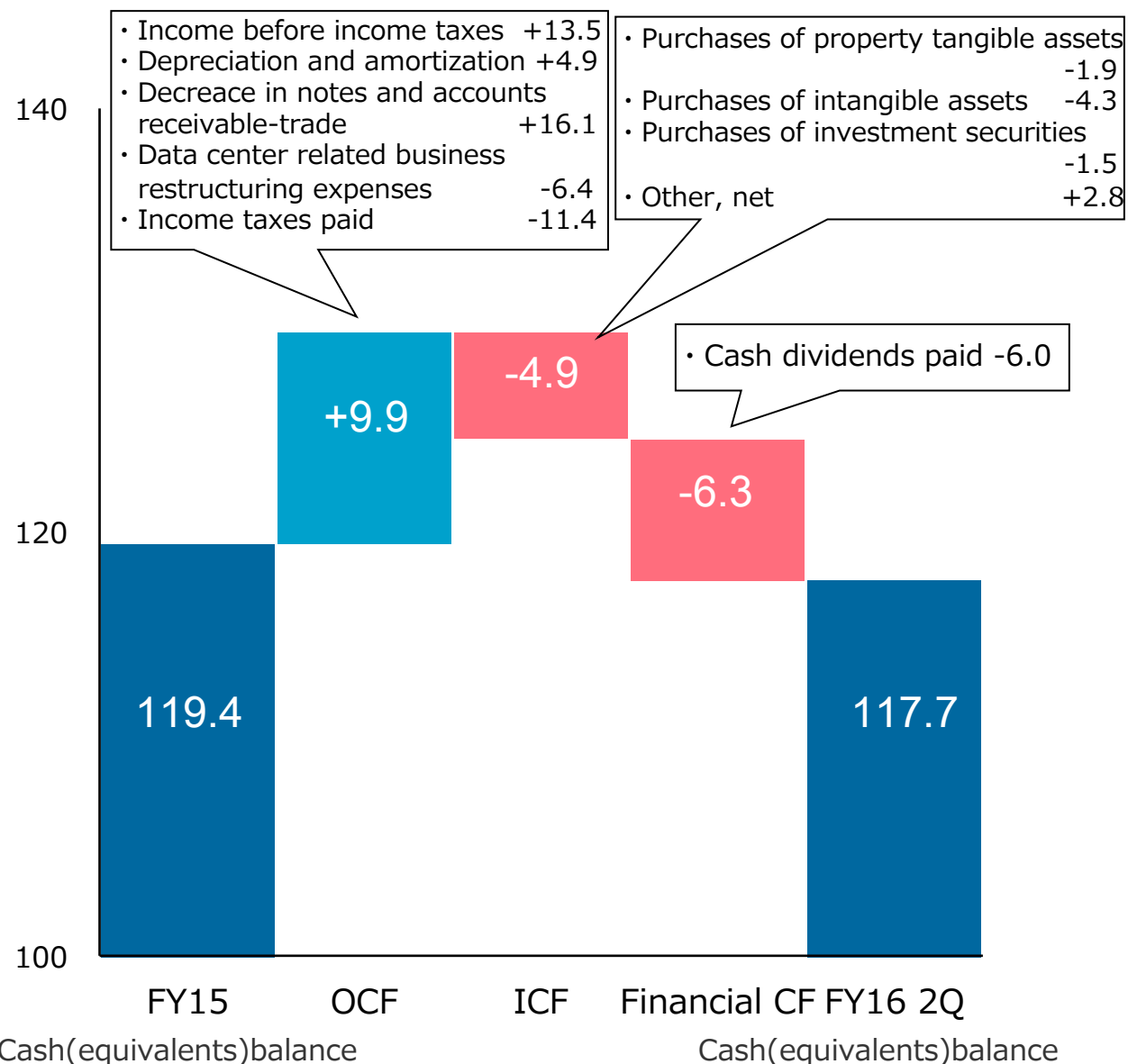
Category	Investment Item	Value (100 million yen)
Capital	Southeast Asian IT companies	1.6
	Others	0.0
Equipment	E-book distribution services	0.0
	Health IT new services	0.0
	GRANDIT-ERP	6.3
	Emergency contact/ safety confirmation systems	0.0
R&D	AI, New technology development (company-wide research)	0.9
	Others	0.0

Balance Sheet (Consolidated)

	March 31, 2016		September 30, 2016			(Unit: 100 million yen, %)
	Amount	Ratio	Amount	Ratio	Change	Major factors for changes
Current assets	227.5	72.0	219.0	71.9	-8.4	• Notes and accounts receivable-trade -16.6
Fixed assets	88.6	28.0	85.4	28.1	-3.2	
Total assets	316.1	100.0	304.4	100.0	-11.7	
Current liabilities	99.2	31.4	89.1	29.2	-10.1	• Account payable-trade -3.3 • Income taxes payable -4.0
Non-current liabilities	5.4	1.7	2.0	0.7	-3.4	
Total liabilities	104.7	33.1	91.1	29.9	-13.5	• Data center related business restructuring expenses, etc. -6.4 (Cumulative total -9.0)
Total net assets	211.4	66.9	213.2	70.1	+1.8	• Retained earnings +4.4
Total liabilities and net assets	316.1	100.0	304.4	100.0	-11.7	
Shareholders equity ratio	66.5%		69.6%			

Cash Flow (Consolidated)

(Unit:100 million yen)



(Unit:100 million yen)

	FY15 2Q	FY16 2Q	Change
Operating CF	15.4	9.9	-5.4
Investment CF	-9.1	-4.9	+4.1
Free CF	6.3	5.0	-1.3
Financial CF	-5.3	-6.3	-0.9
Effect of exchange rate changes on cash and cash equivalents	-0.0	-0.3	-0.3
Net increase (decrease) in cash and cash equivalents	0.9	-1.7	-2.6
The period cash and cash equivalents at beginning of the period	119.4	119.4	-0.0
Cash and cash equivalents at end of the quarter	120.3	117.7	-2.6



Financial Results for the 2Q FY16



Focused businesses in the medium-term business plan
(Digital Entertainment, Health IT)



Outlook for FY16



Digital Entertainment

Marketing strategy of the E-book



Health IT

Development to the care domain



Others

Overseas expansion of the open innovation

Transfer of the data center



Digital Entertainment

Marketing strategy of the E-book



Health IT

Development to the care domain



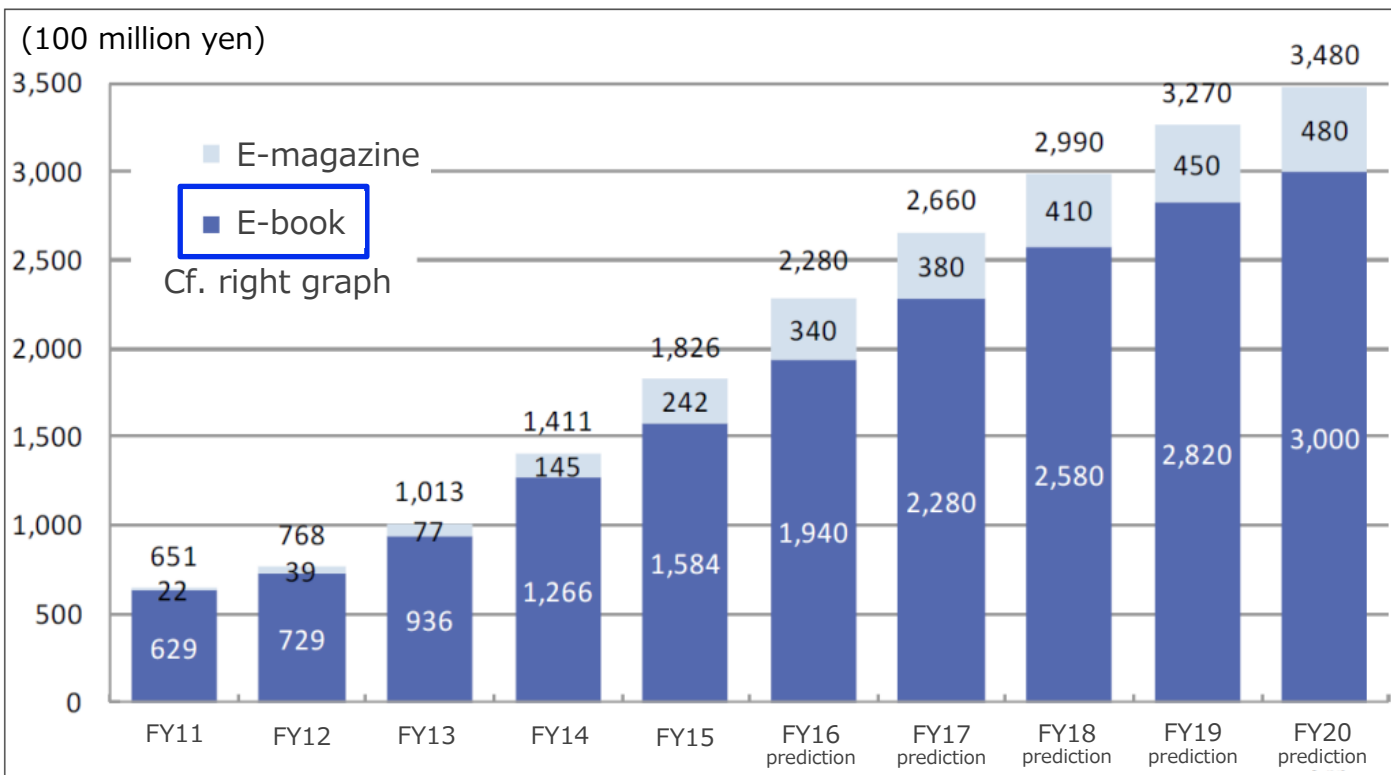
Others

Overseas expansion of the open innovation

Transfer of the data center

Digital Entertainment E-book Market

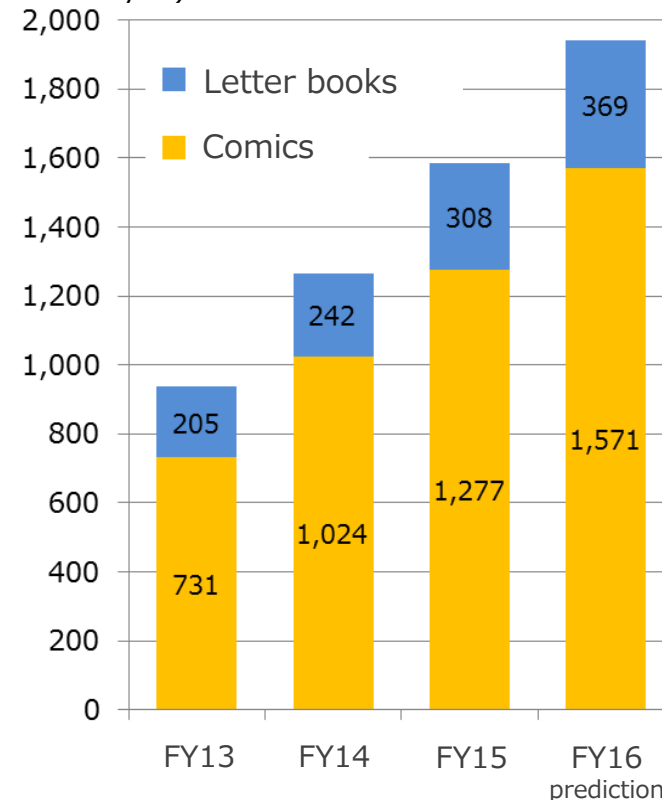
〈E-book + E-magazine〉



The source is Impress Corporation

〈E-book〉

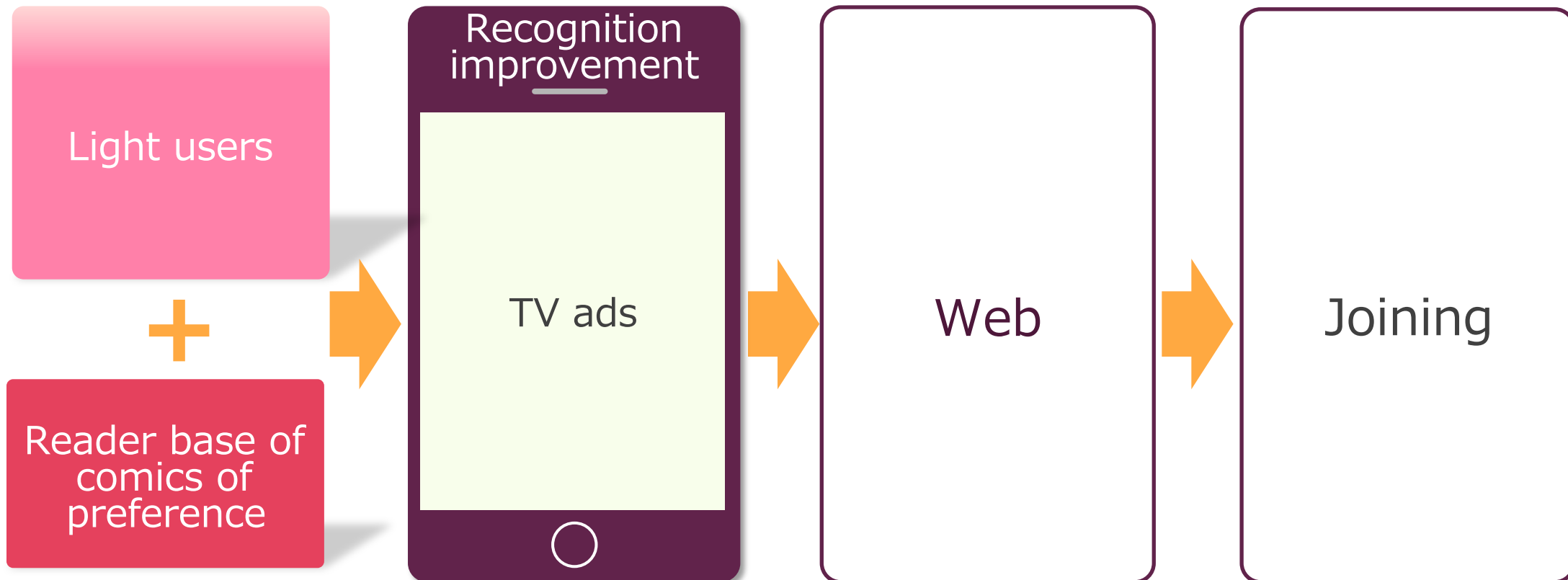
(100 million yen)



The source is Impress Corporation
 ※FY16: Prediction by Amutus Corporation

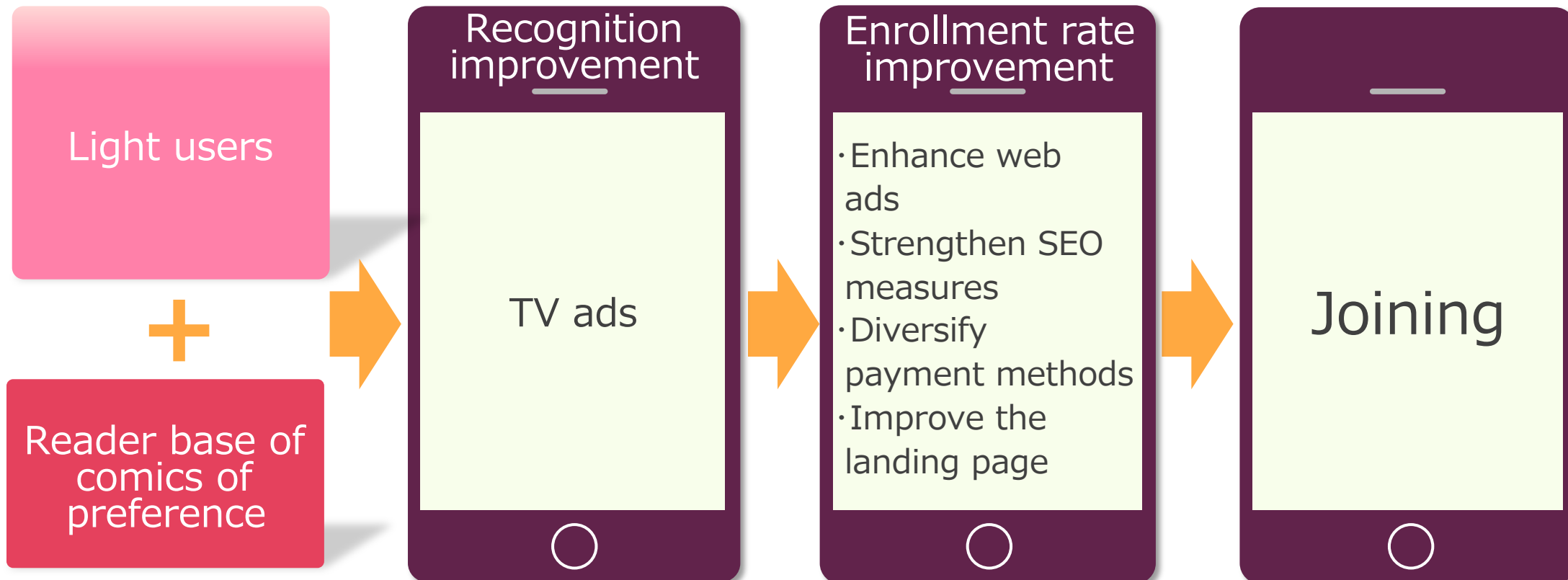
Digital Entertainment Marketing Strategy of the E-book

Focus on winning new members by leveraging the high recognition of the service.



Digital Entertainment Marketing Strategy of the E-book

Focus on winning new members by leveraging the high recognition of the service.



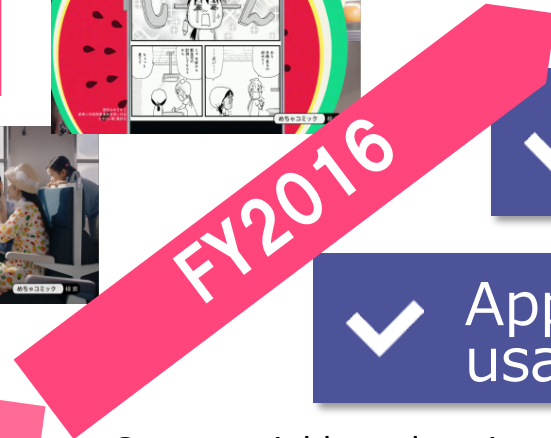
Digital Entertainment TV CM of the E-book

Industry's top-level brand recognition rate



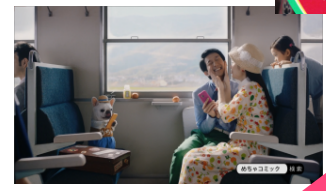
✓ Appeal of works

✓ Appeal of usage scenes

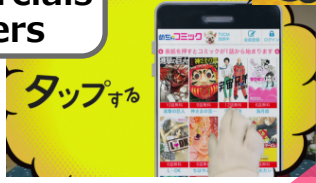


Commercial broadcasting area: almost nationwide

BRAND OF THE YEAR 2015
Won award for commercials that moved consumers



BRAND OF THE YEAR 2014
Won award for commercials that moved consumers



✓ Service content explanation

Commercial broadcasting area: Kanto, Kansai, Chukyo, other major cities



✓ **めちやく三ツ勾**
Expanded recognition

✓ Expanded recognition of "Mecha Inu"



Commercial broadcasting area: Kanto

Main actions

- ◆ TV Commercials
- ◆ Web advertisements
- ◆ Exclusive distribution contents
- ◆ Interlocking TV/internet/contents
- ◆ Enhanced SEO measures
- ◆ Strengthened ad recommendation engine
- ◆ 10th year opening anniversary events





Digital Entertainment

Marketing strategy of the E-book



Health IT

Development to the care domain

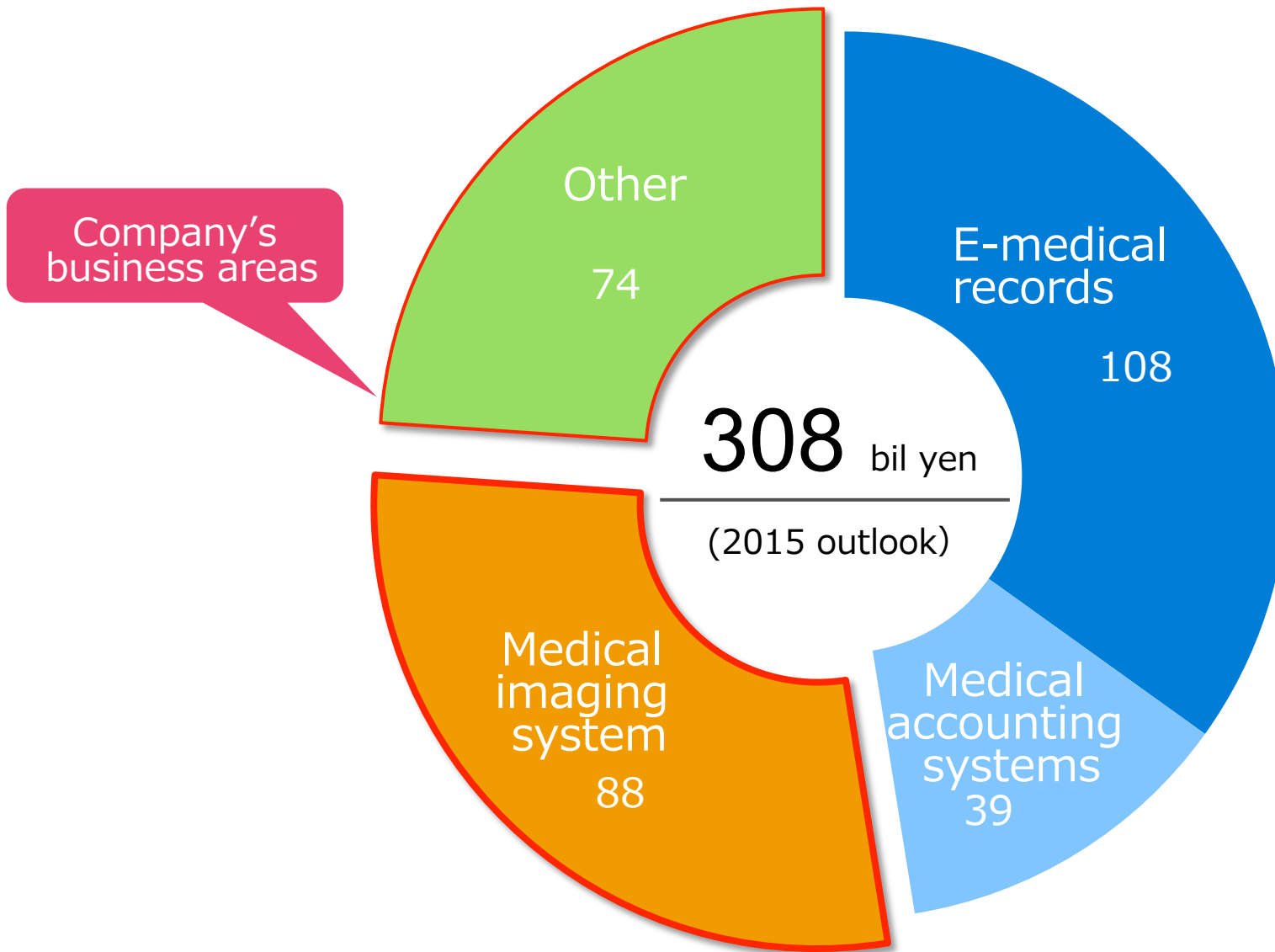


Others

Overseas expansion of the open innovation

Transfer of the data center

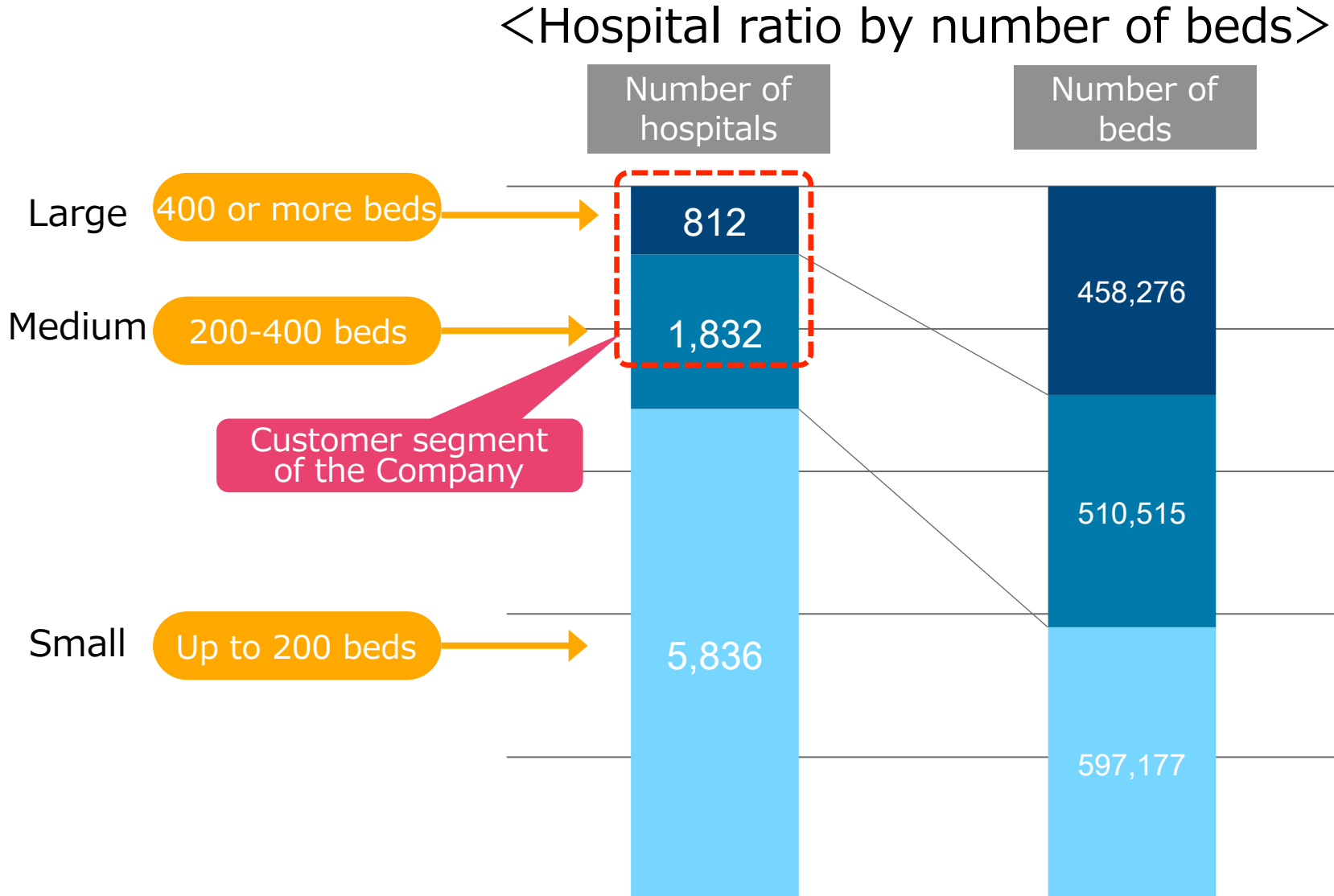
Health IT Scale of the Medical IT Market



Source: Outlook for medical information systems market 2016 by Yano Research Institute

Health IT Main Customer of the Existing Business

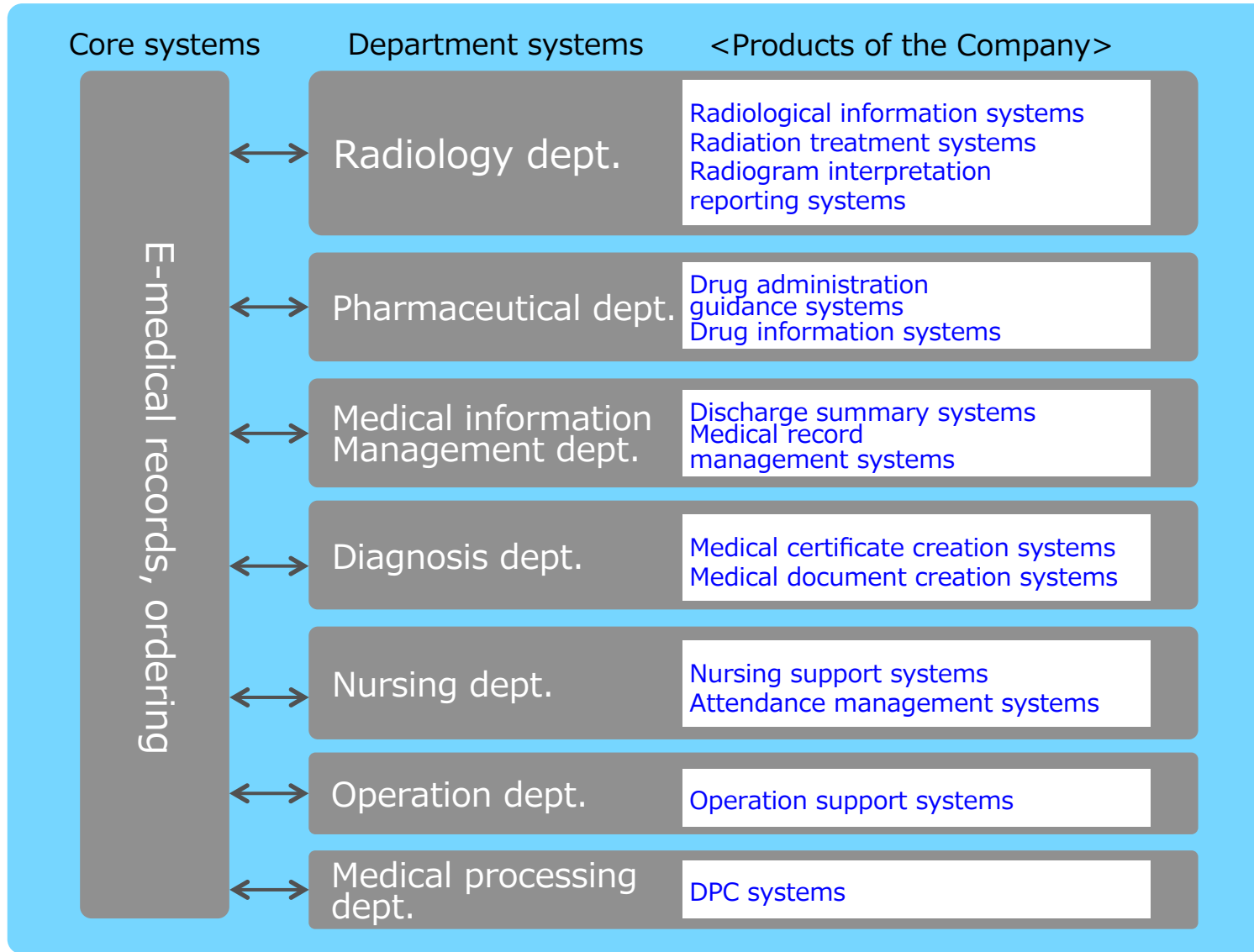
- ◆ Providing department systems to large- and medium-sized hospitals (packaged). Going forward, expansion into small- and medium-sized hospitals is also put into perspective



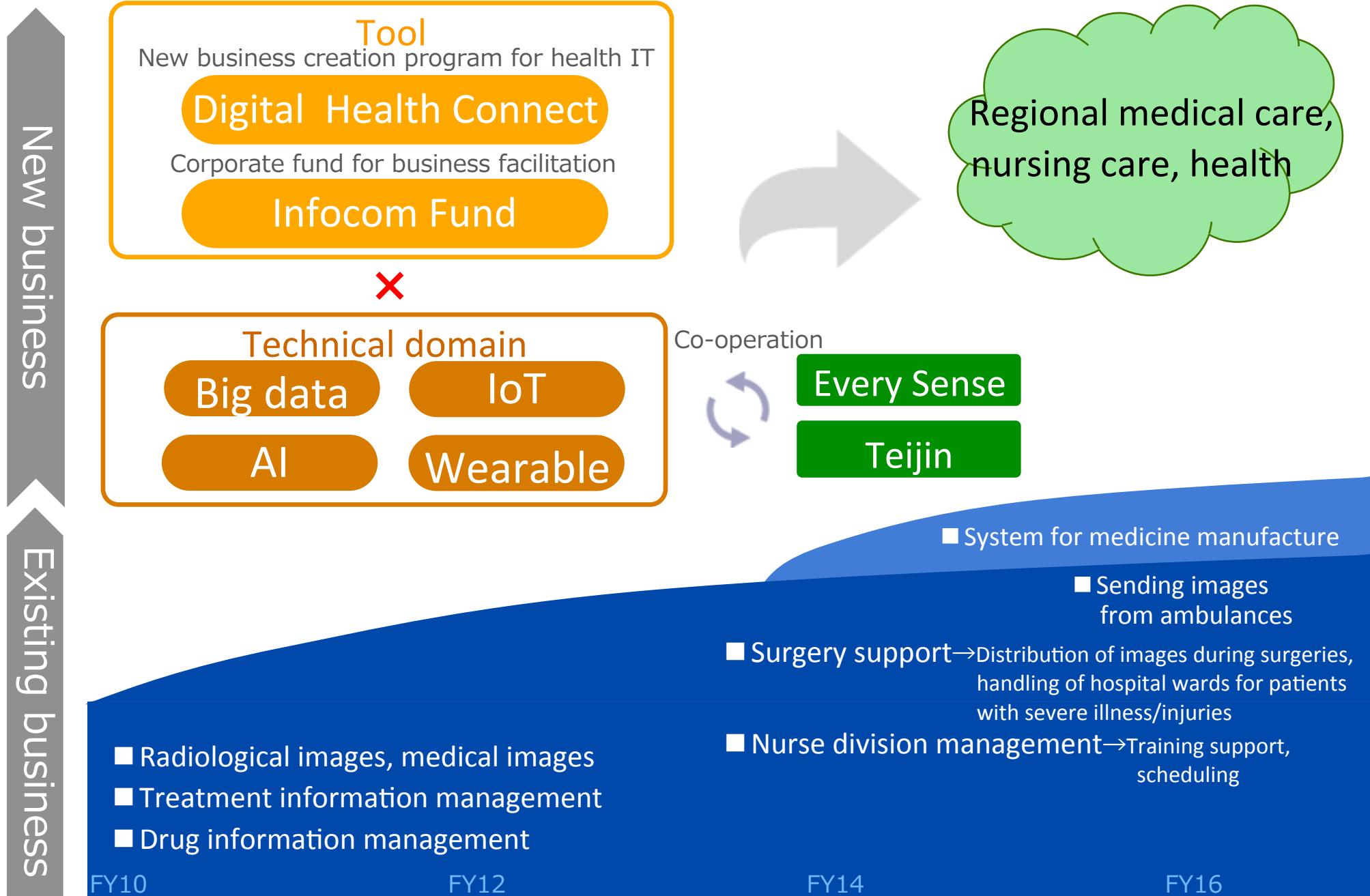
Source: 2015 survey on medical facilities by the Ministry of Health, Labour and Welfare

Health IT Our Medical Information System

Hospitals



Health IT Development to the Frontier





“Japan’s first health IT innovation program”

Digital Health Connect provides for entrepreneurs and healthcare industry to meet and create new business.



Networking seminar



Business plan contest

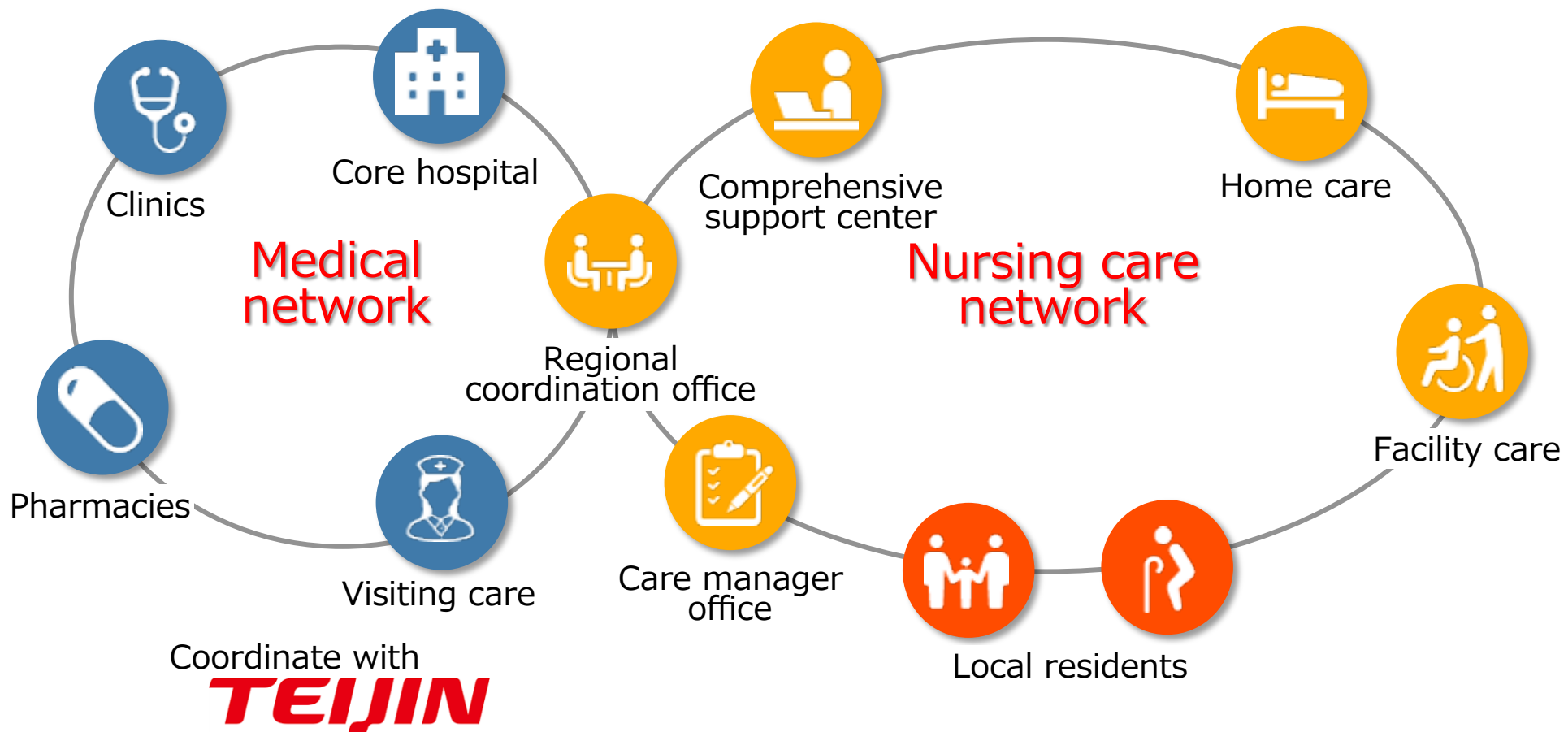


Startup, Entrepreneur support



Collaboration event with US Aging2.0(October 6,2015)

Health IT Development to the Care Domain



Health IT Alliance with Solasto Corporation

◆ Recognizing issues of nursing care sites and commercialization in the areas of regional comprehensive care

Use of IT for Solasto's nursing care-related facilities

- Surveying current status of nursing care services
- Conducting trials and evaluations of new services



Nursing care

12.8 bil yen (FY2015)

Home/facility care services

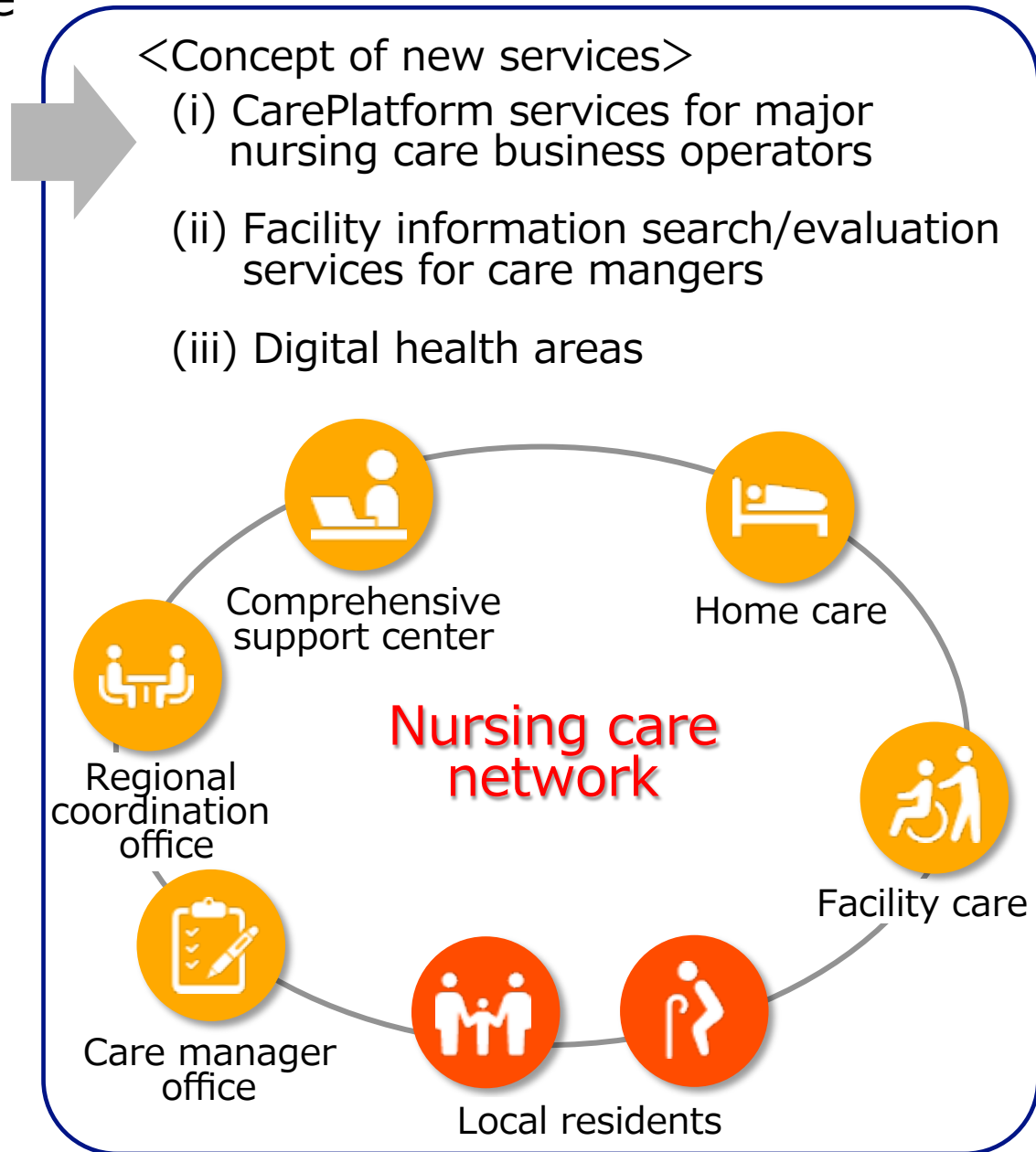
- Have **200 facilities** mainly in big cities

Medical care

49.4 bil yen (FY2015)

Medical processing
(outsourcing, staffing)

- **Industry No. 2** after Nichiigakkan
- **More than 500 health information administrators**





Digital Entertainment

Marketing strategy of the E-book



Health IT

Development to the care domain



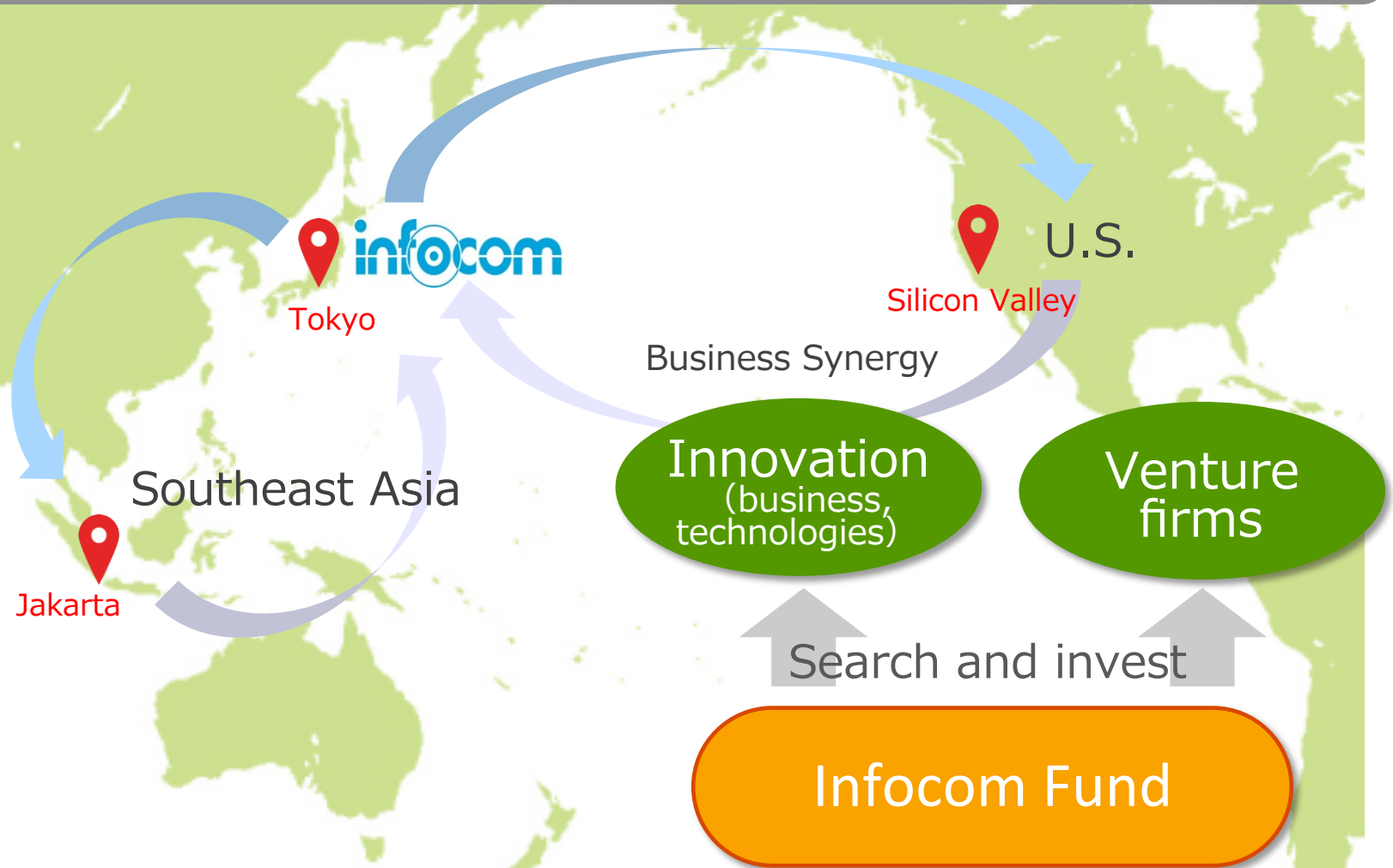
Others

Overseas expansion of the open innovation

Transfer of the data center

Open Innovation Infocom Fund

- ◆ We aim to achieve global-level commercialization of new businesses, leveraging the fund.
Established in US Silicon Valley, the 2-billion yen fund searches and finds new businesses that have the potential to expand globally, and spurs new business areas. The fund invested in 30 firms.



Open Innovation Action in Foreign Countries

Implemented acceleration programs for start-ups in Indonesia



- ◆ Schedule
May 9 – Aug 19 (Demo Day)
- ◆ Number of selected teams (firms)
6 teams (350 teams applied)
- ◆ Demo Day
Number of participants: 254
(More than 100 investors, 20 media organizations)



Transfer of the Data Center

Notice on transfer of fixed assets and recording of an extraordinary profit (released on September 29, 2016)

◆Background

Discontinuation of services provided by the Company-owned data center was decided in September last year, and an extraordinary loss of 2.7 billion yen for business restructuring and other expenses was recorded in the fiscal year ended March 2016.

◆Assets to be transferred: Shin-Yokohama Data Center

Site area 7,663.29m², Building area 12,991m²



◆Transfer schedule: Property handover date	September 29, 2017 (plan)
Transfer settlement date	September 29, 2017 (plan)

◆Impact on business performance: No impact on the full-year results for the fiscal year ending March 2017

(Reference) At the closing of the fiscal year ending March 2018, an estimated extraordinary profit of 900 million yen after excluding the book value and transfer-related expenses from the transfer price will be recorded.



Financial Results for the 2Q FY16



Focused businesses in the medium-term business plan

(Digital Entertainment, Health IT)



Outlook for FY16

FY16 Outlook (Consolidated)

(Unit:100 million yen,%)

	FY15			FY16 Outlook				
	1H	2H	Full year	1H	2H	Full year	Change (Full year)	%change (Full year)
Net sales	187.3	215.8	403.1	193.3	256.7	450.0	+46.9	+11.6
Operating income (Operating margin)	12.0 (6.4)	32.2 (14.9)	44.2 (11.0)	16.1 (8.3)	33.9 (13.2)	50.0 (11.1)	+5.8	+12.9
Ordinary income	12.4	33.1	45.5	16.2	33.8	50.0	+4.5	+9.7
Profit attributable to owners of parent	-11.0	18.2	7.2	10.4	19.6	30.0	+22.8	+311.8
E.P.S.(yen)		26.64			109.72		+83.08	+311.9
ROE (%)		3.5			13.3		+9.8	

- ◆ There has been no change from the performance outlook released on April 28, 2016.

Business Solution Outlook (Consolidated)

(Unit: 100 million yen, %)

	FY15	FY16 Initial outlook			FY16 Revised outlook		
	Full year	Full year	Change	%Change	Full year	Change	%Change
Net sales	237.3	250.0	+12.7	+5.4	250.0	+12.7	+5.4
Operating income (Operating margin)	24.7 (10.4)	26.0 (10.4)	+1.3	+5.3	23.0 (9.2)	-1.7	-6.9

- ◆ Net sales: the health IT business is expected to be flat YoY in 2H. SI/packaged sales for corporations are expected to increase.
- ◆ Operating income: expected to decrease compared to initial earnings forecast due to sales mix variance.

Digital Entertainment Outlook (Consolidated)

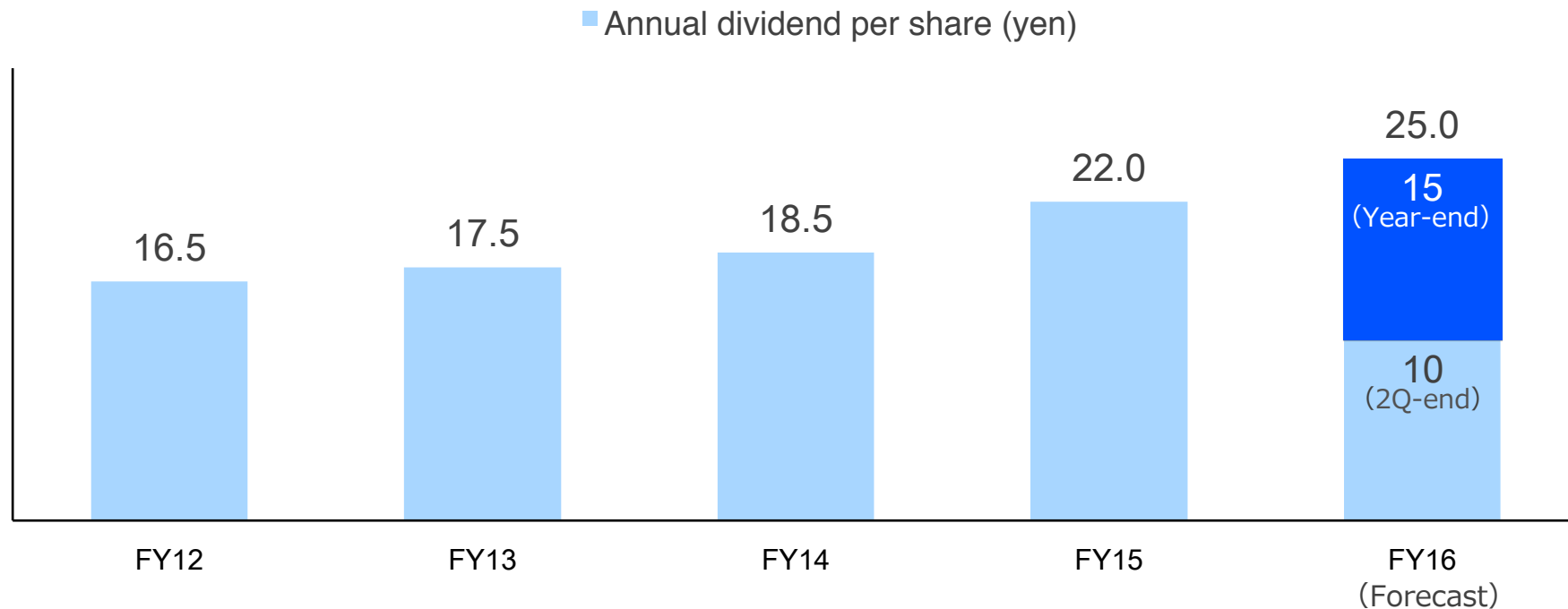
(Unit:100 million yen,%)

	FY15	FY16 Initial outlook			FY16 Revised outlook		
	Full year	Full year	Change	%Change	Full year	Change	%Change
Net sales	165.7	200.0	+34.3	+20.7	200.0	+34.3	+20.7
E-book net sales	150.7	180.0	+29.3	+19.4	180.0	+29.3	+19.4
Operating income	19.5	24.0	+4.5	+23.1	27.0	+7.5	+38.5
(Operating margin)	(11.8)	(12.0)			(13.5)		

◆ Net sales: E-book Distribution Services are expected to be robust and record 18 billion yen, up 20% YoY

◆ Operating income: expected to be higher than the initial earnings forecast with increased advertisements for interlocking contents of E-book Distribution Services.

Return to Shareholders



E.P.S.	74.51 yen	73.98 yen	79.43 yen	26.64 yen	109.73 yen
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Note: The Company conducted a 200-for-1 stock split of common stock effective October 1, 2013. The annual dividend per share and net profit per share before the share split are adjusted to figures that take into account the share split.

◆ Dividend: Interim dividend, year-end dividend and total annual dividend for FY16 are forecasted to be 10 yen, 15 yen, and 25 yen, respectively.

◆ Preferential benefits for shareholders will be provided to shareholders recorded on the shareholders' register as of September 30, 2016, holding shares of one unit or more.

Infocom Corporation

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