

FINANCIAL RESULTS BRIEFING FOR Q2 FY2018

Infocom Corporation
10/29/2018

01

Financial Results for Q2 FY18

02

Major First-Half Policies and
Second-Half Initiatives

03

Earnings Forecast for FY18

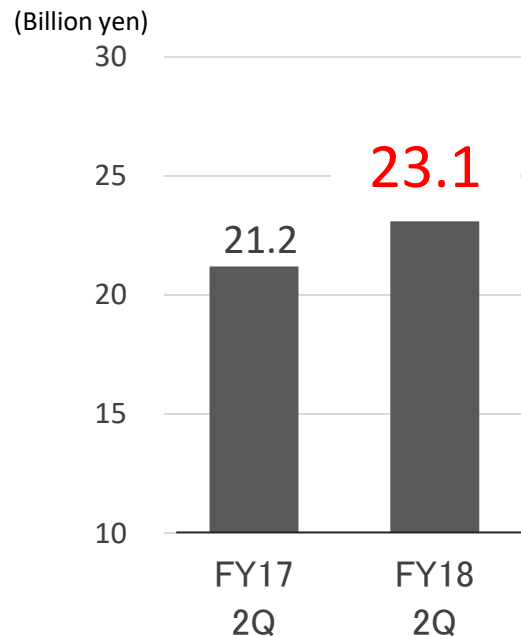
01

Financial Results for Q2 FY18

FY18 Q2 Earnings Highlights (Consolidated)

Net sales

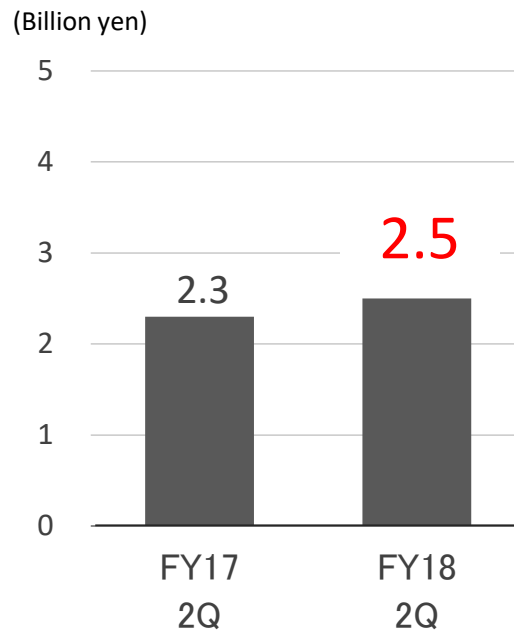
+9.1%



◆ Higher sales, driven by strong e-comic performance

Operating income

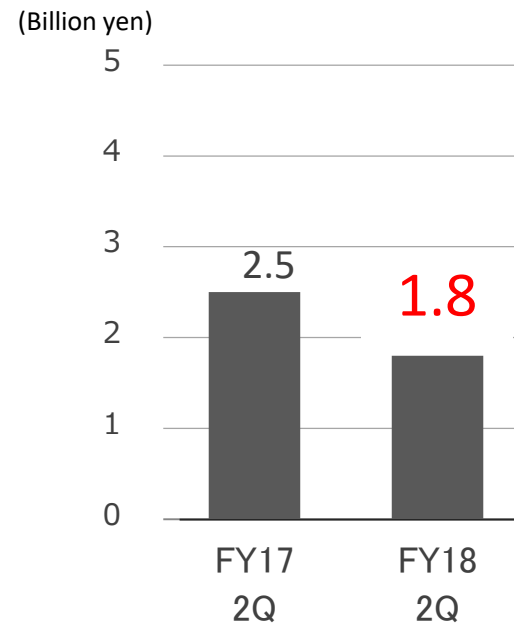
+9.8%



◆ Higher profits due to higher sales

Profit attributable to owners of the parent

(27.1%)



◆ Prior year includes extraordinary gains from sale of data center

Management Performance (Consolidated)

	FY17 Q2	FY18 Q2	Vs. PY		Vs. Forecast	
			YoY	%	Forecast	YoY
Net sales	21.2	23.1	+1.9	+9.1	23.0	+0.1
Operating income	2.3	2.5	+0.2	+9.8	2.6	(0.0)
(Operating margin)	(11.2)	(11.2)			(11.3)	
EBITDA	2.9	3.1	+0.2	+6.9	3.2	(0.0)
Ordinary income	^{*1} 2.6	2.6	(0.0)	(0.7)	2.6	(0.0)
Profit attributable to owners of the parent	^{*2} 2.5	1.8	(0.6)	(27.1)	1.8	+0.0

(Unit: Billion yen, %)

◆ Higher sales and income year on year

*1 Partnership gain recorded as non-operating income (+0.2)

*2 Gain on sale of data center recorded as extraordinary income (+1.1)

Business Areas and Segment Structure

Business Solution Group


Digital Entertainment Group



Health IT

Package services for medical institutions


- Hospitals
- Pharmaceutical companies
- Nursing-care companies
- Health industry



Business Software

ERP • RPA
Business package
cloud services


- Companies
- Government offices
- Local governments



Enterprise Service Management

System integration for major companies

- Textile manufacturers
- Trading companies
- Pharmaceutical wholesalers
- Mobile phone companies



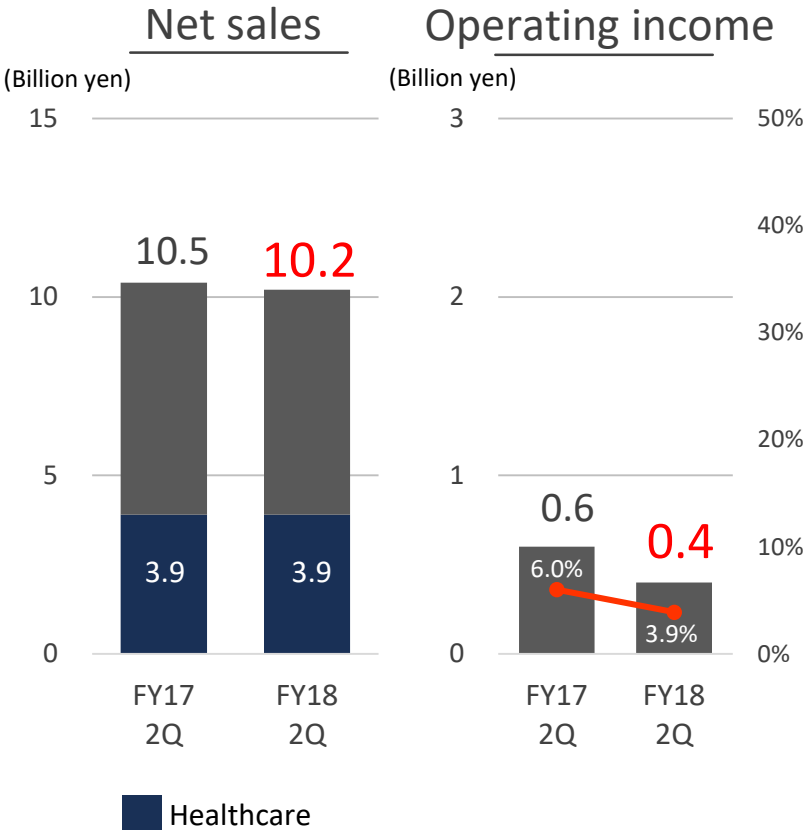
Digital Entertainment

E-comic
E-commerce

- General consumers

IT Services Segment Earnings (Consolidated)

(Unit: Billion yen, %)



	FY17 2Q	FY18 Q2	Vs. PY	
			YoY	%
Net sales	10.5	10.2	(0.2)	(2.4)
Healthcare	3.9	3.9	(0.0)	(2.1)
Operating income	0.6	0.4	(0.2)	(36.0)
(Operating margin)	(6.0)	(3.9)		

Net sales

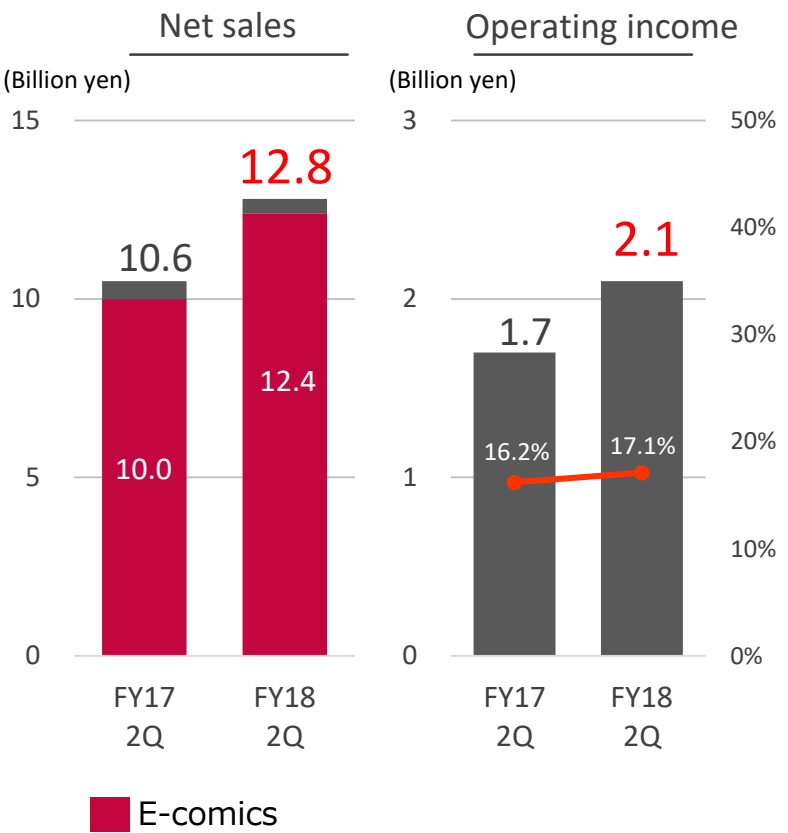
- The Healthcare business performed essentially in line with plan
- Lower sales for corporate IT services

Operating income

- Corporate IT services recorded lower profits due to lower sales
- Ongoing up-front investments

Digital Entertainment Segment Earnings (Consolidated)

(Unit: Billion yen, %)

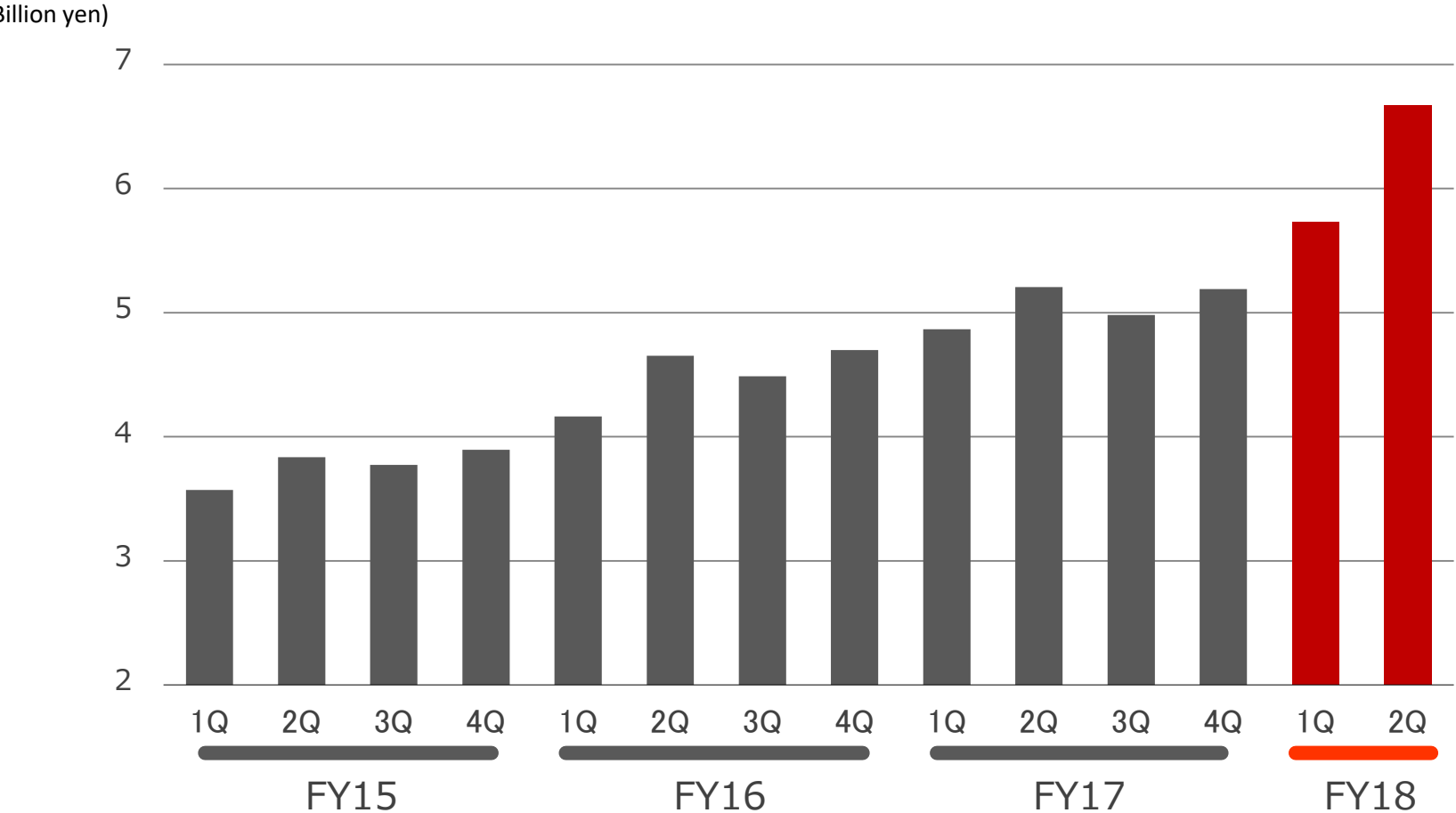


	FY17 Q2	FY18 Q2	Vs. PY	
			YoY	%
Net sales	10.6	12.8	+2.1	+20.5
E-comics	10.0	12.4	+2.3	+23.2
			Apr-Jun	+17.9
			Jul-Sep	+28.2
Operating income	1.7	2.1	+0.4	+26.5
(Operating margin)	(16.2)	(17.1)		

Net sales
E-comics distribution service experienced strong performance; new record for sales on both single-month and quarter basis

Operating income
Higher profits due to higher sales and operational efficiencies

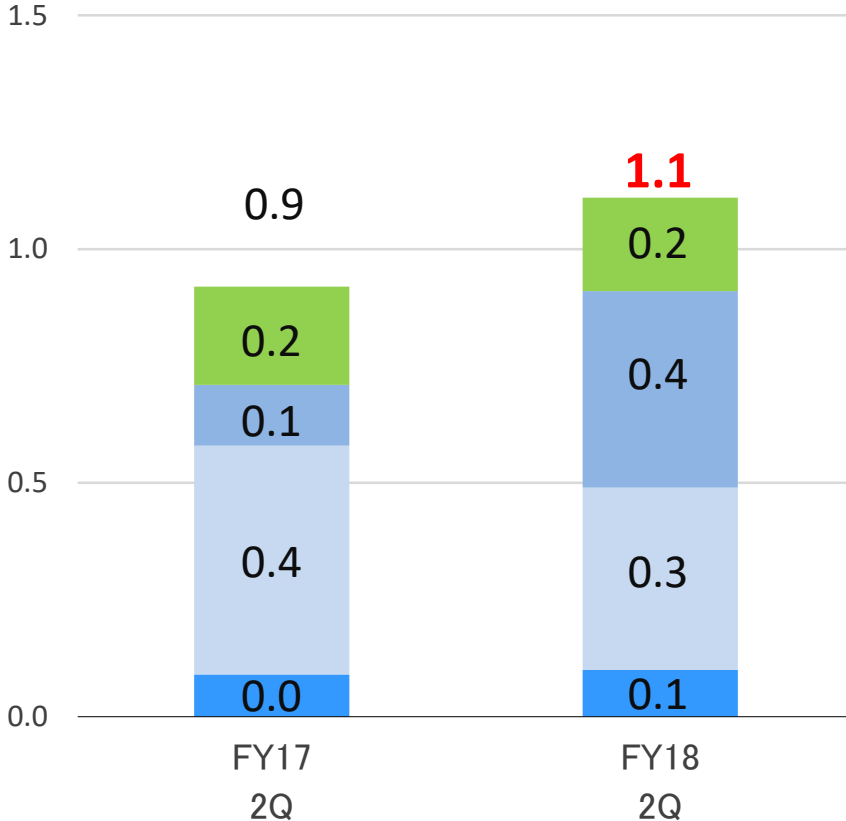
E-Comic Distribution Service Earnings (Net Sales by Quarter)



Investments

(Billion yen)

■ R&D Investment ■ Capital Investment ■ Equity Investment ■ Business Development



Major Investments (Billion yen)

Business Development	New business planning, research, demonstration tests, etc.	0.2
Equity Investment	E-comics, overseas startups, etc.	0.4
Capital Investment	E-comic distribution service	0.3
	Healthcare Hospitals, community-based comprehensive care, drug companies, etc.	
	GRANDIT	
	Other	
R&D Investment	AI, community-based comprehensive care, new technology research, etc.	0.1
	Other	

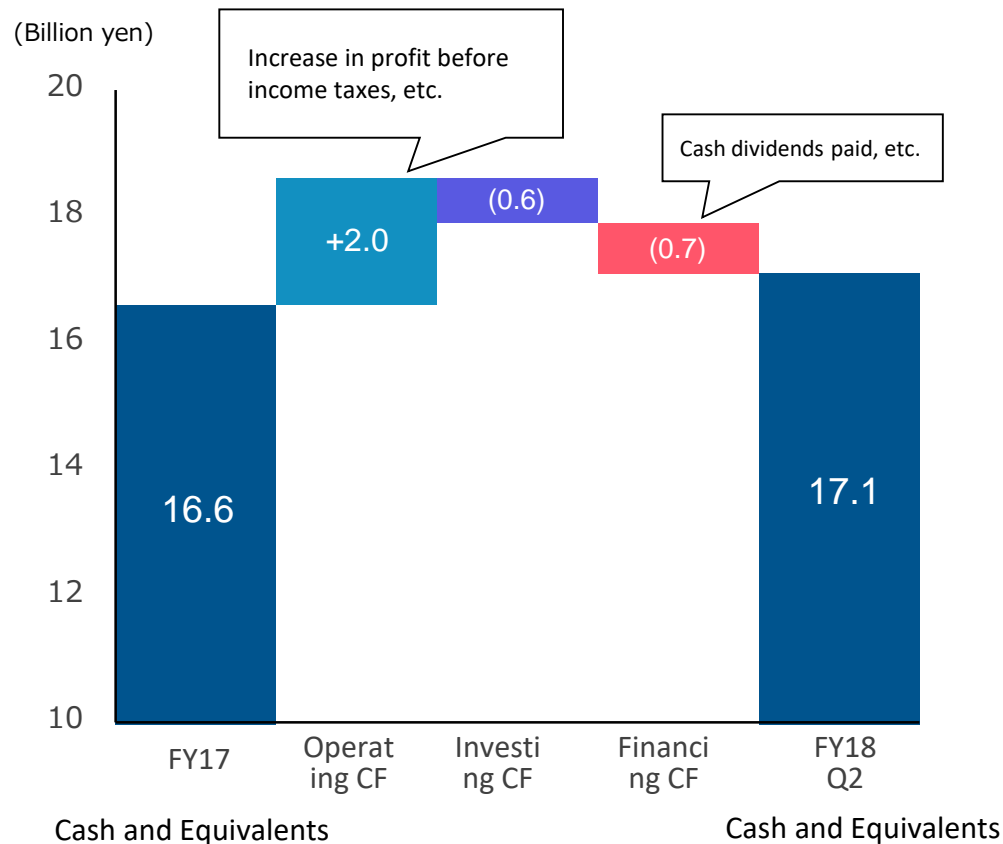
Balance Sheets (Consolidated)

(Unit: Billion yen)

	FY17		FY Q2			Major Change Factors
	Amount	Composition Ratio	Amount	Composition Ratio	YoY	
Current assets	27.6	72.3	27.4	68.3	(0.2)	<ul style="list-style-type: none"> • Cash and deposits +0.5 • Notes and accounts receivable - trade -1.8 • Inventories, Other +1.0
Fixed assets	10.6	27.7	12.7	31.7	+2.1	<ul style="list-style-type: none"> • Investments and other assets +2.2
Total assets	38.2	100.0	40.1	100.0	+1.9	
Current liabilities	9.6	25.3	8.3	20.8	(1.3)	<ul style="list-style-type: none"> • Income taxes payable -0.7 • Provision for bonuses -0.3
Non-current liabilities	0.2	0.5	0.8	2.1	+0.6	<ul style="list-style-type: none"> • Deferred tax liabilities +0.6
Total liabilities	9.8	25.8	9.1	22.9	(0.6)	
Total net assets	28.3	74.2	30.9	77.1	+2.5	<ul style="list-style-type: none"> • Retained earnings +1.1 • Valuation difference on available-for-sale securities +1.4
Total liabilities and net assets	38.2	100.0	40.1	100.0	+1.9	
Shareholders' equity ratio	73.8%		76.7%			

Cash Flows (Consolidated)

(Unit: Billion yen)



	FY17 Q2	FY18 Q2	Change
Operating CF	2.3	2.0	(0.3)
Investing CF	1.8 ^{*1}	(0.6)	(2.5)
Free CF	4.2	1.3	(2.8)
Financing CF	(0.4)	(0.7)	(0.3)
Effects of exchange rate changes on cash and cash equivalents	(0.0)	0.0	+0.0
Change in cash and cash equivalents	3.7 ^{*1}	0.5	(3.2)
Cash and cash equivalents, beginning of period	12.4	16.6	+4.2
Cash and cash equivalents, end of quarter	16.1	17.1	+0.9

*1 Sale of data center, etc.

02

Major First-Half Policies and Second-Half Initiatives

- E-comics
- Healthcare
- Others

02

Major First-Half Policies and Second-Half Initiatives

● E-comics

Aiming to outperform market growth as the leading company in the industry

1. Expand collaborations with publishers

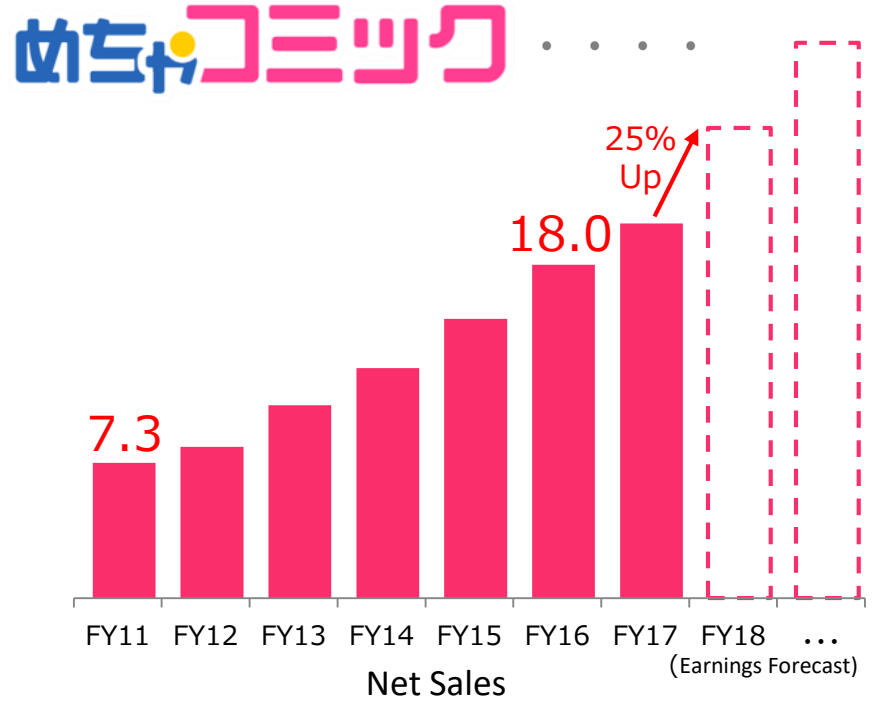
- Expand exclusive first-run distributions

2. Strengthen data analysis capabilities

- More effective targeted advertising

3. Expand scale of business

- Expand overseas to Korea, Taiwan



2016

2017

2018-

Automatic Tagging

Identify Topics and Keyword from Product Information Using AI

Operational Efficiencies
Increase Sales

Launch of Big Data Analysis

Infrastructure to Handle Large Data Volume
Big Data Analysis (Purchase History, Behavior History)

Improve Processing Speed
Use in Marketing
(Improve Website Design)

Improve Level of Data Analysis

Also Capture Qualitative Data for Analysis
Use Machine Learning to Study Analysis and Prediction Methods

Expand Personalization
(Recommendations, Site Design)
Identify Best-Sellers

02

Major First-Half Policies and Second-Half Initiatives

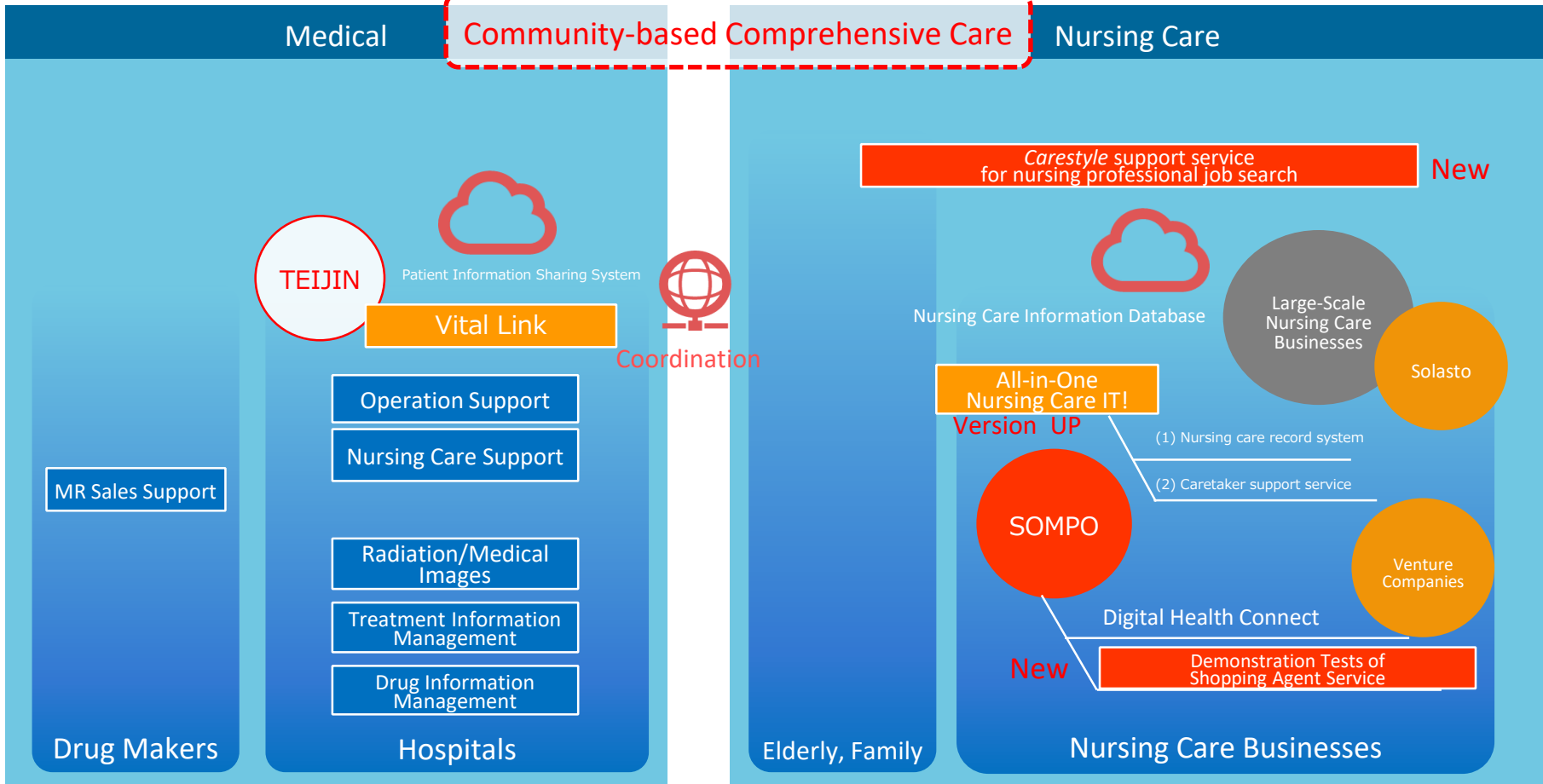
- Healthcare

1. Accelerate of community-based comprehensive care business

- Promote complete IT nursing care solution and expand peripheral services
 - ✓ IoT Caretaker Services MIMAMORE 2.0 (version upgrade; sensor independent)
 - ✓ Release of *Care Style* support service for nursing professionals job search
 - ✓ Demonstration tests of shopping agent service for nursing facility patients (partnership with SOMPO Holdings)

2. Strong sales of products for hospitals, driven by revised laws

- Positive impact of revised medical services payment law and work-style reform in hospitals provide prime opportunities
 - ✓ Clinical Information Systems Expanding requirements for clinical information systems in hospitals
 - ✓ Employment Management System Ministry of Health, Labour and Welfare requiring more effective tracking of work hours



02

Major First-Half Policies and Second-Half Initiatives

● Others

Use as foundational technology for our own services

Launch New Services

RPA × *AI*



Use RPA and AI-OCR, coordinate with GRANDIT Automated Solution for Paper-Based Vouchers

IoT

Conforms to HACCP for Restaurants, Retail IoT Food Temperature Management Service



AI

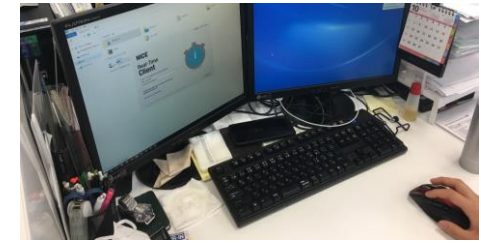


Built-In AI Credit Engine Credit Approval Service *at score*

Use to improve productivity in internal operations (work-style reform)

RPA

Automate, make everyday tasks more efficient to encourage work-style reform



AI

Accumulate expertise through repeated cycle of technical research and hands-on operations



03

Earnings Forecast for FY18

Earnings Forecast for FY18 (Consolidated)

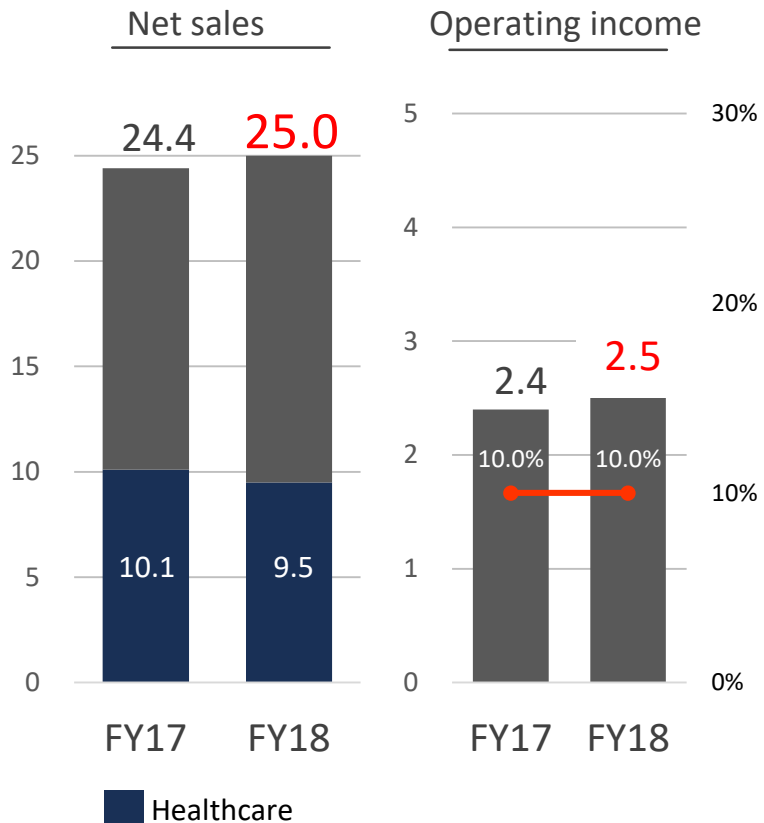
(Unit: Billion yen; %)

	FY17 Actual	FY18 Revised Forecast	Vs. PY		FY18 Initial Forecast
			YoY	%	
Net sales	45.7	51.0	+5.2	+11.4	50.0
IT Services	24.4	25.0	+0.5	+2.1	26.0
Digital Entertainment	21.2	26.0	+4.7	+22.2	24.0
Operating income	5.8	6.7	+0.8	+14.9	6.5
IT Services	2.4	2.5	+0.0	+1.7	2.7
Digital Entertainment	3.3	4.2	+0.8	+25.0	3.8
(Operating margin)	(12.7)	(13.1)			(13.0)
EBITDA	6.9	7.9	+0.9	+13.0	7.7
Ordinary income	5.9	6.7	+0.7	+12.0	6.5
Profit attributable to owners of the parent	4.6	4.6	(0.0)	(0.9)	4.5
ROE (%)	17.9	15.3	(2.6)	—	1.5

◆ Upward revision of fiscal year forecasts based on first-half results and outlook for key businesses

IT Services Segment Earnings Forecast

(Unit: Billion yen, %)



	FY17 Actual	FY18 Revised Forecast	Vs. PY	
			YoY	%
Net sales	24.4	25.0	+0.5	+2.1
Healthcare	10.1	9.5	(0.6)	(6.1)
Operating income	2.4	2.5	+0.0	+1.7
(Operating margin)	(10.0)	(10.0)		

Net sales

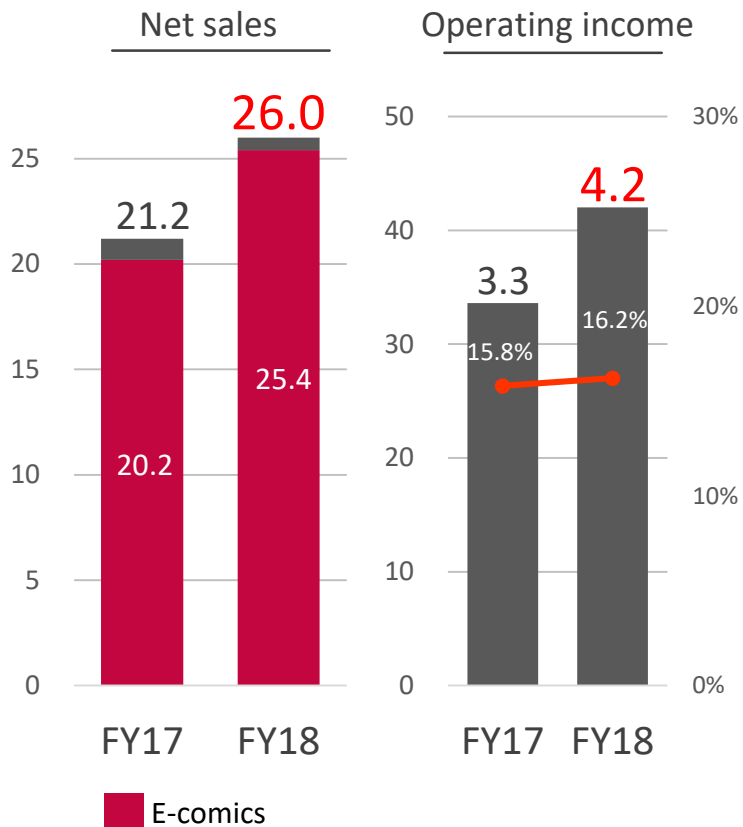
We expect to feel the negative impact of a shift in a major systems integration project for a drug manufacturer to a later period. Despite this shift, we expect hospital sales to be strong, and we forecast higher sales.

Operating income

Expect sales to be level with the prior year

Digital Entertainment Segment Earnings Forecast

(Unit: Billion yen, %)



	FY17 Actual	FY18 Revised Forecast	Vs. PY	
			YoY	%
Net sales	21.2	26.0	+4.7	+22.2
E-comics	20.2	25.4	+5.1	+25.5
			First Half	+23.2
			Second Half	+27.8
Operating income	3.3	4.2	+0.8	+25.0
(Operating margin)	(15.8)	(16.2)		

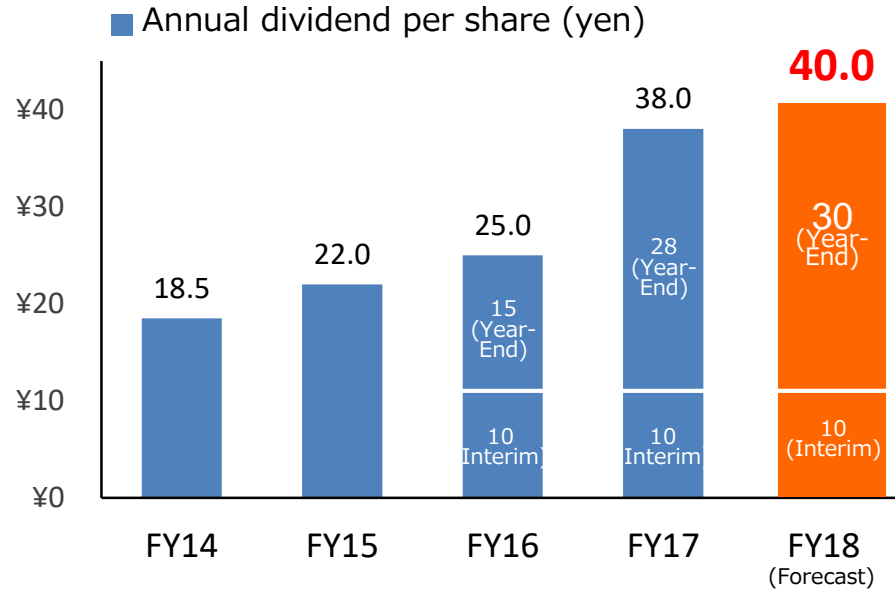
Net sales

E-comics will continue to show high growth rates during the second half
We expect sales of 25.4 billion yen, 25% higher year on year

Operating income

Despite ongoing up-front investments in data analysis and AI, e-comic sales increases should drive higher profits

Shareholder Returns



◆ Dividends

Interim dividend of 10 yen for the fiscal year ending March 2019

Year-end dividend of 30 yen, resulting in a projected full-year dividend of 40 yen (dividend payout ratio of 23.8%)

◆ Shareholder Benefits

Provided to shareholders owning at least one trading unit per the register of shareholders as of September 30, 2018

(Announcement scheduled for early December)

Net income per share	79.43	26.64	119.28	169.70	168.20
----------------------	-------	-------	--------	--------	--------

* On August 21, 2018, INFOCOM applied for approval to change our listing to the main markets of the Tokyo Stock Exchange.

Infocom Corporation
Corporate Communications Office

TEL: +81-3-6866-3160 Email: pr@infocom.co.jp



This document is provided for the purpose of providing information about the Company and its performance, not for the solicitation of investments in securities issued by the Company. In addition, because yen figures in this document are stated in billions of yen and rounded off after the first decimal place, management indicators, year-on-year changes, and percentage changes are approximate. With certain exceptions, this document is based on data as of September 30, 2018.

The names of the companies, services, and products stated in this document are trademarks or registered trademarks of their respective companies. The opinions and forecasts included in this document are judgments of the Company as of the date this document was prepared. The Company does not guarantee the accuracy or completeness of information contained herein, which might change as new data becomes available.