

# FINANCIAL RESULTS BRIEFING FOR FY2018

Infocom Corporation

26/04/2019

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## Financial Results for FY2018

02

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## Earnings Forecast for FY2019

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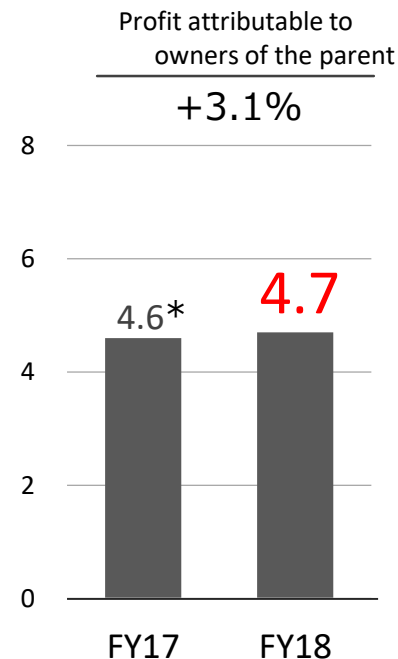
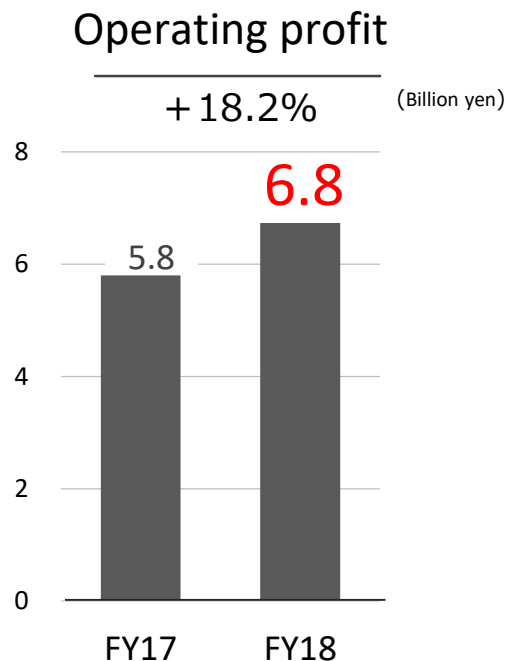
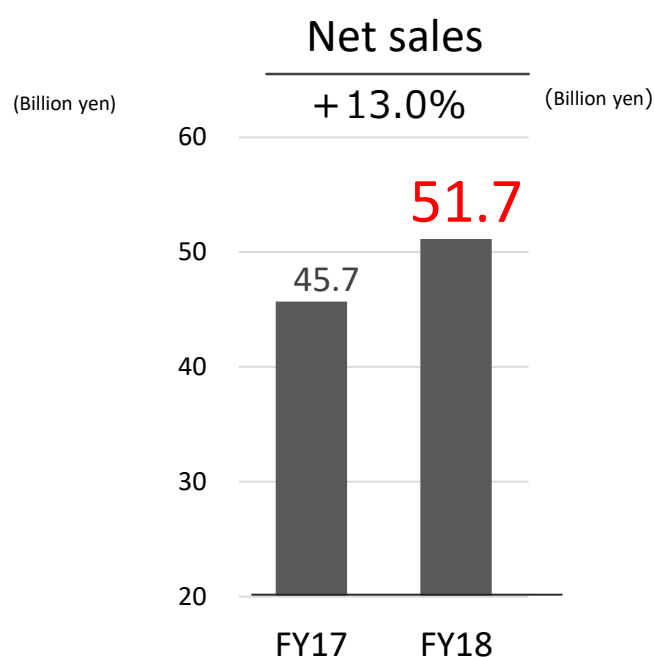
## Initiatives for FY2019

01

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## Financial Results for FY2018

Double-digit growth in net sales and operating profit,  
driven by strong e-comic performance



\* Includes extraordinary gains from sale of data center

# Management Performance (Consolidated)

(Unit: Billion yen,%)

|   | FY17               | FY18          | YoY    |       |
|---|--------------------|---------------|--------|-------|
|   |                    |               | Change | %     |
| Net sales   | 45.7               | 51.7          | +5.9   | +13.0 |
| Operating profit<br>(Operating margin)            | 5.8<br>(12.7)      | 6.8<br>(13.3) | +1.0   | +18.2 |
| EBITDA  | 6.9                | 8.0           | +1.0   | +14.5 |
| Ordinary income                                   | 5.9                | 6.8           | +0.8   | +14.9 |
| Profit attributable to<br>owners of the<br>parent | 4.6                | 4.7           | +0.1   | +3.1  |
| Net income per<br>share (yen)                     | 84.85 <sup>*</sup> | 87.46         | +2.61  | +3.1  |
| ROE (%)   | 17.9               | 15.7          | (2.2)  |       |

\*Net income per share reflects stock split on March 1, 2019

## 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



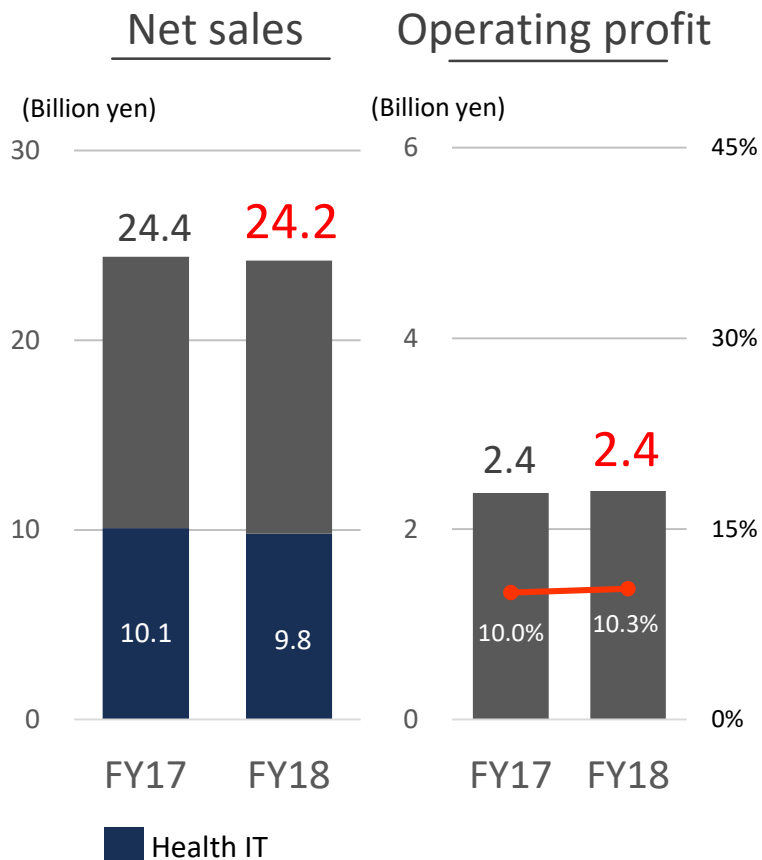
### Digital Entertainment

E-comic  
E-commerce

- General consumers

# Business Solution Segment Earnings (Consolidated)

(Unit: Billion yen, %)



|                    | FY17   | FY18   | vs. PY |       |
|--------------------|--------|--------|--------|-------|
|                    |        |        | Change | %     |
| Net sales          | 24.4   | 24.2   | (0.2)  | (1.0) |
| Health IT          | 10.1   | 9.8    | (0.3)  | (3.1) |
| Operating profit   | 2.4    | 2.4    | +0.0   | +1.1  |
| (Operating margin) | (10.0) | (10.3) |        |       |



## Net sales

Strong performance of services for hospitals, despite lower sales of services for pharmaceutical companies



## Operating profit

Level with prior year as sales of services to hospitals compensates for unprofitable projects

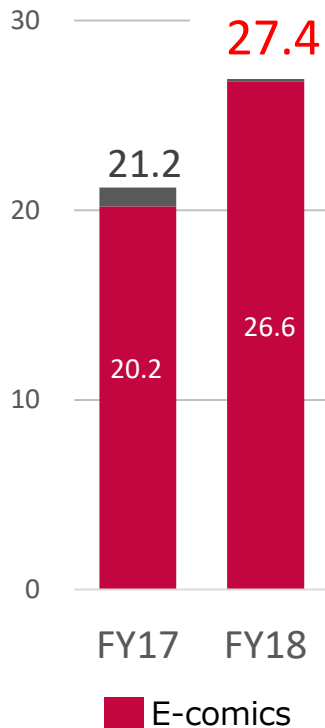
# Digital Entertainment Segment Earnings (Consolidated)

(Unit: Billion yen, %)

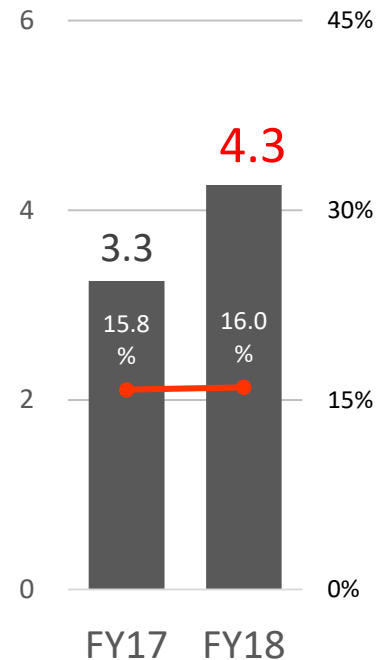
## Net sales

## Operating profit

(Billion yen)



(Billion yen)



|                    | FY17   | FY18   | vs. PY |       |
|--------------------|--------|--------|--------|-------|
|                    |        |        | Change | %     |
| Net sales          | 21.2   | 27.4   | +6.2   | +29.2 |
| E-comics           | 20.2   | 26.6   | +6.4   | +31.8 |
| Operating Profit   | 3.3    | 4.3    | +1.0   | +30.7 |
| (Operating margin) | (15.8) | (16.0) |        |       |

## Net sales

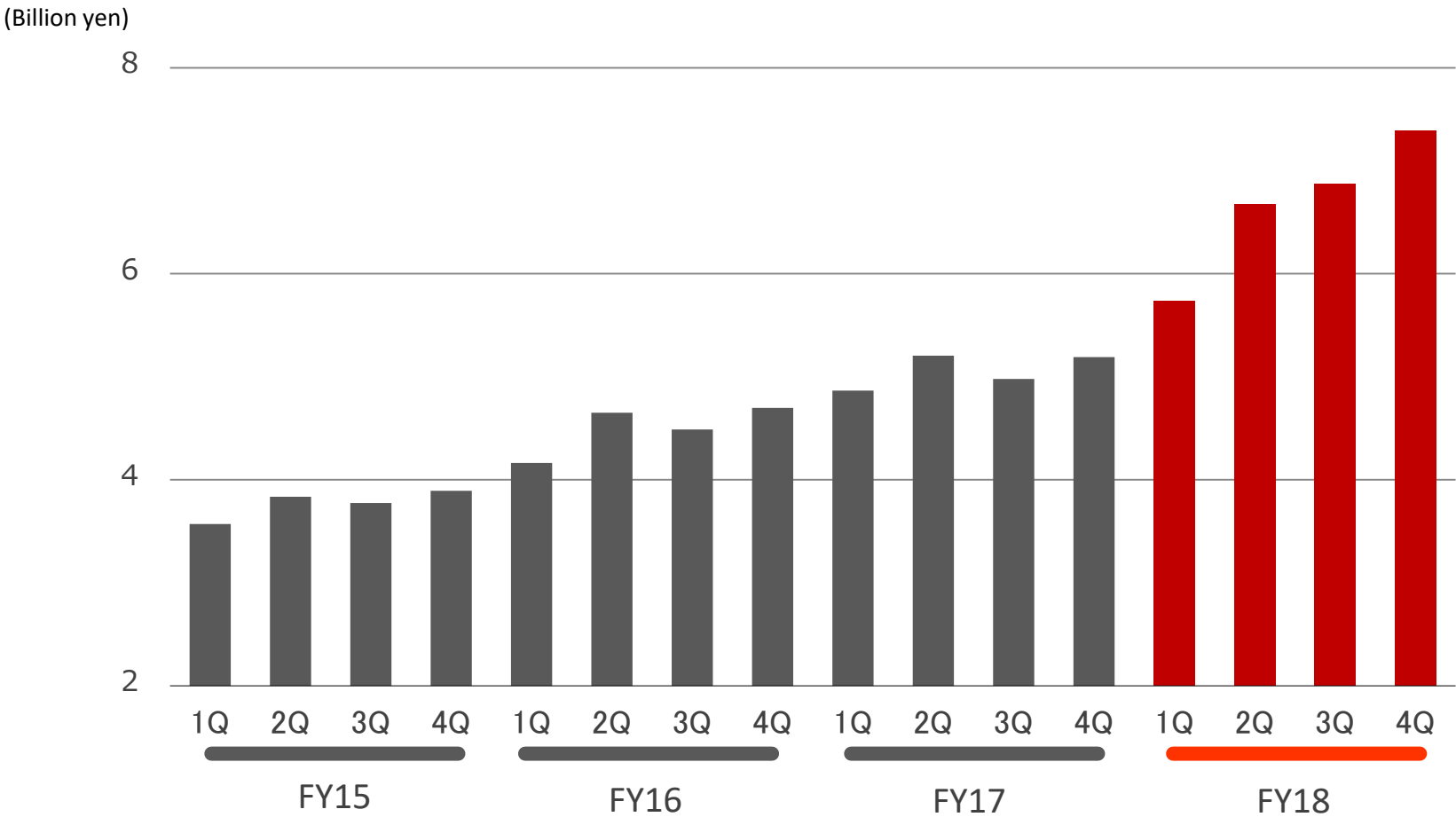
Impact of data analysis and initial exclusive distribution, as well as contribution of stepped-up promotions in Q3, leads to record-high results

## Operating profit

Higher profits due to increase in e-comic sales



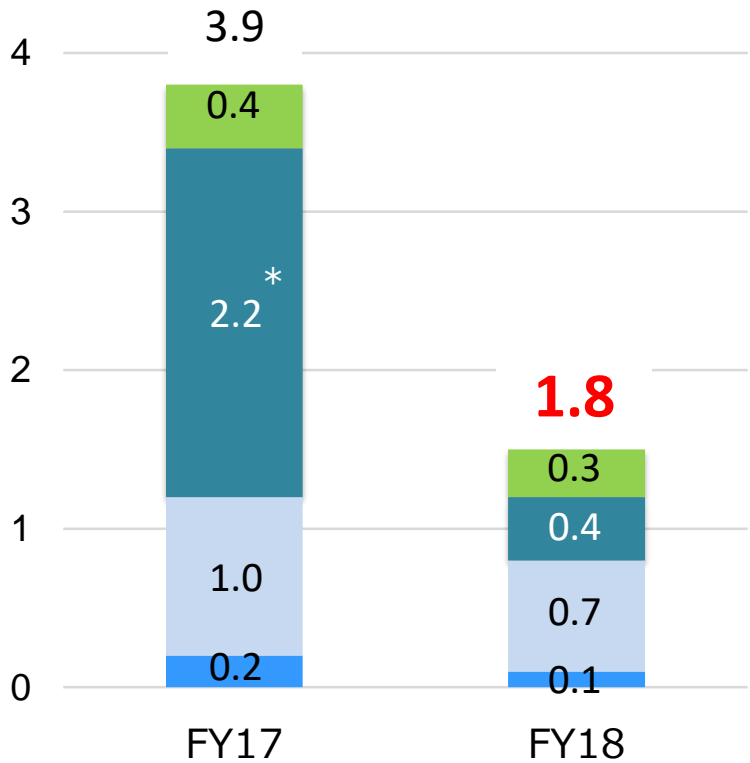
# E-Comic Distribution Service Earnings (Net Sales by Quarter)



# Investments

(Billion yen)

R&D   Capital   Equity   Bus. Development



\* Papyrus Co., Ltd.

(Billion yen)

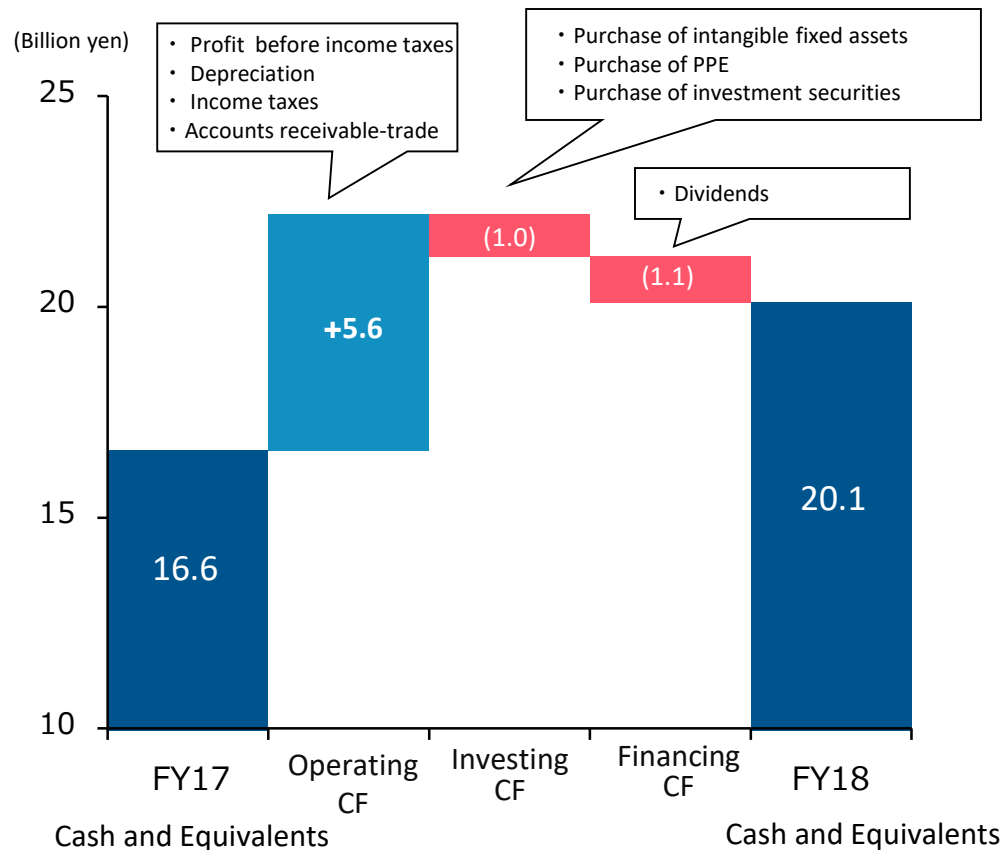
| Category             | Main Details  | Amount |
|----------------------|---|--------|
| Business Development | New business planning, research, demonstration tests, etc.                    | 0.3    |
| Equity Investment    | E-comics, Health IT, overseas startups, etc.                                  | 0.4    |
| Capital Investment   | E-comic distribution service  | 0.7    |
|                      | Health IT 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   |                   | FY18   |                   |      | Major Change Factors  |
|----------------------------------|--------|-------------------|--------|-------------------|------|---|
|                                  | Amount | Composition Ratio | Amount | Composition Ratio | YoY  |   |
| Current assets                   | 27.6   | 72.3              | 32.4   | 74.3              | +4.8 | <ul style="list-style-type: none"> <li>• Cash and deposits +3.5</li> <li>• Notes and accounts receivable +0.8</li> <li>• PPE (0.1)</li> <li>• Investment securities +0.8</li> </ul>   |
| Fixed assets                     | 10.6   | 27.7              | 11.2   | 25.7              | +0.6 |   |
| Total assets                     | 38.2   | 100.0             | 43.6   | 100.0             | +5.4 |   |
| Current liabilities              | 9.6    | 25.3              | 10.6   | 24.4              | +0.9 | <ul style="list-style-type: none"> <li>• Accounts payable-trade +0.7</li> <li>• Accounts payable-other, accrued income taxes (0.1)</li> <li>• Accrued consumption tax +0.1</li> </ul> |
| Non-current liabilities          | 0.2    | 0.5               | 0.2    | 0.7               | +0.0 |   |
| Total liabilities                | 9.8    | 25.8              | 10.9   | 25.1              | +1.0 |   |
| Total net assets                 | 28.3   | 74.2              | 32.7   | 74.9              | +4.3 | • Retained earnings +3.7  |
| Total liabilities and net assets | 38.2   | 100.0             | 43.6   | 100.0             | +5.4 |   |
| Shareholders' equity ratio       | 73.8%  |                   | 74.6%  |                   |      |   |

# Cash Flows (Consolidated)



(Unit: Billion yen)

|   | FY17  | FY18  | Change |
|---|-------|-------|--------|
| Operating CF  | 5.6   | 5.6   | (0.0)  |
| Investing CF  | (0.6) | (1.0) | (0.3)  |
| Free CF   | 4.9   | 4.6   | (0.3)  |
| Financing CF  | (0.7) | (1.1) | (0.3)  |
| Effects of exchange rate changes on cash and cash equivalents | (0.0) | 0.0   | +0.0   |
| Change in cash and cash equivalents                           | 4.2   | 3.5   | (0.6)  |
| Cash and cash equivalents, beginning of period                | 12.4  | 16.6  | +4.2   |
| Cash and cash equivalents, end of quarter                     | 16.6  | 20.1  | +3.5   |

02

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## Earnings Forecast for FY2019

# Earnings Forecast for FY2019 (Consolidated)

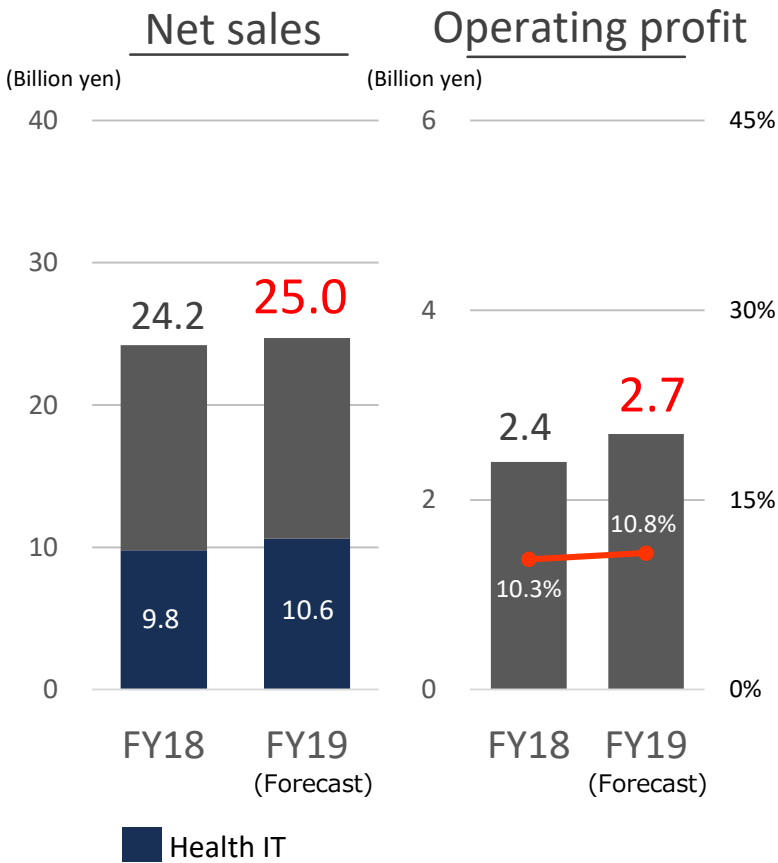
(Unit: Billion yen,%)

|  | FY18 Actual   |               |                    | FY19 Forecast |               |               | vs. PY |       |
|--|---------------|---------------|--------------------|---------------|---------------|---------------|--------|-------|
|  | H1            | H2            | FY                 | H1            | H2            | FY            | Change | %     |
| Net sales                                      | 23.1          | 28.5          | 51.7               | 26.0          | 31.0          | 57.0          | +5.2   | +10.2 |
| Operating profit<br>(Operating margin)         | 2.5<br>(11.2) | 4.2<br>(15.0) | 6.8<br>(13.3)      | 2.9<br>(11.2) | 4.9<br>(15.8) | 7.8<br>(13.7) | +0.9   | +13.2 |
| EBITDA   | 3.1           | 4.8           | 8.0                | 3.5           | 5.5           | 9.0           | +0.9   | +12.4 |
| Ordinary income                                | 2.6           | 4.2           | 6.8                | 2.9           | 4.9           | 7.8           | +0.9   | +13.5 |
| Profit attributable to<br>owners of the parent | 1.8           | 2.9           | 4.7                | 1.9           | 3.2           | 5.2           | +0.4   | +8.7  |
| Net income per share (yen)                     |               |               | 87.46 <sup>*</sup> |               |               | 95.07         | +7.61  | +8.7  |
| ROE (%)  |               |               | 15.7               |               |               | 15.1          | (0.6)  |       |

\*Net income per share reflects stock split on March 1, 2019

# Business Solution Group Earnings Forecast (Consolidated)

(Unit: Billion yen, %)



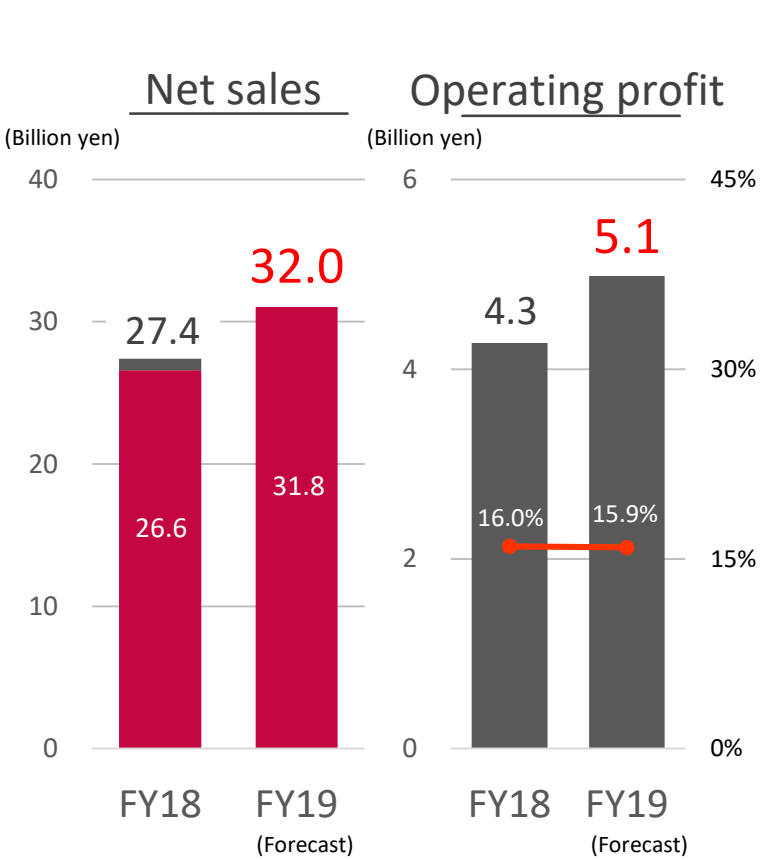
|                    | FY18<br>Actual | FY19<br>Forecast | vs. PY |      |
|--------------------|----------------|------------------|--------|------|
|                    |                |                  | Change | %    |
| Net sales          | 24.2           | 25.0             | +0.7   | +3.2 |
| Health IT          | 9.8            | 10.6             | +0.8   | +8.7 |
| Operating Profit   | 2.4            | 2.7              | +0.2   | +8.6 |
| (operating margin) | (10.3)         | (10.8)           |        |      |

- ## Net sales

Higher sales due to strong Health IT sales to hospitals
- ## Operating profit

Higher profits due to increased Health IT sales

# Digital Entertainment Segment Earnings Forecast (Consolidated)



(Unit: Billion yen, %)

|                    | FY18<br>Actual | FY19<br>Forecast | vs. PY |       |
|--------------------|----------------|------------------|--------|-------|
|                    |                |                  | Change | %     |
| Net sales          | 27.4           | 32.0             | +4.5   | +16.4 |
| E-comics           | 26.6           | 31.8             | +5.2   | +19.5 |
| Operating Profit   | 4.3            | 5.1              | +0.7   | +16.1 |
| (Operating margin) | (16.0)         | (15.9)           |        |       |

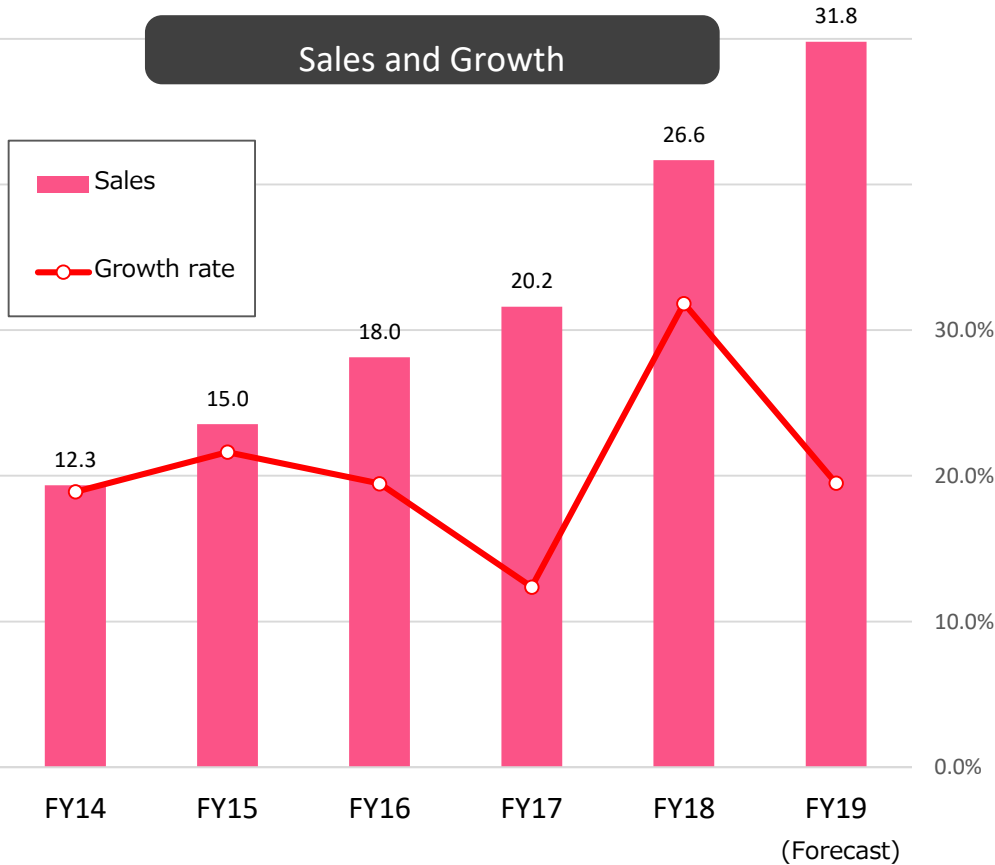
- ### Net sales

Higher sales due to strong e-comic performance
- ### Operating profit

Higher profit as increased sales of e-comics compensates for cost increases incurred for up-front investments in AI and overseas growth



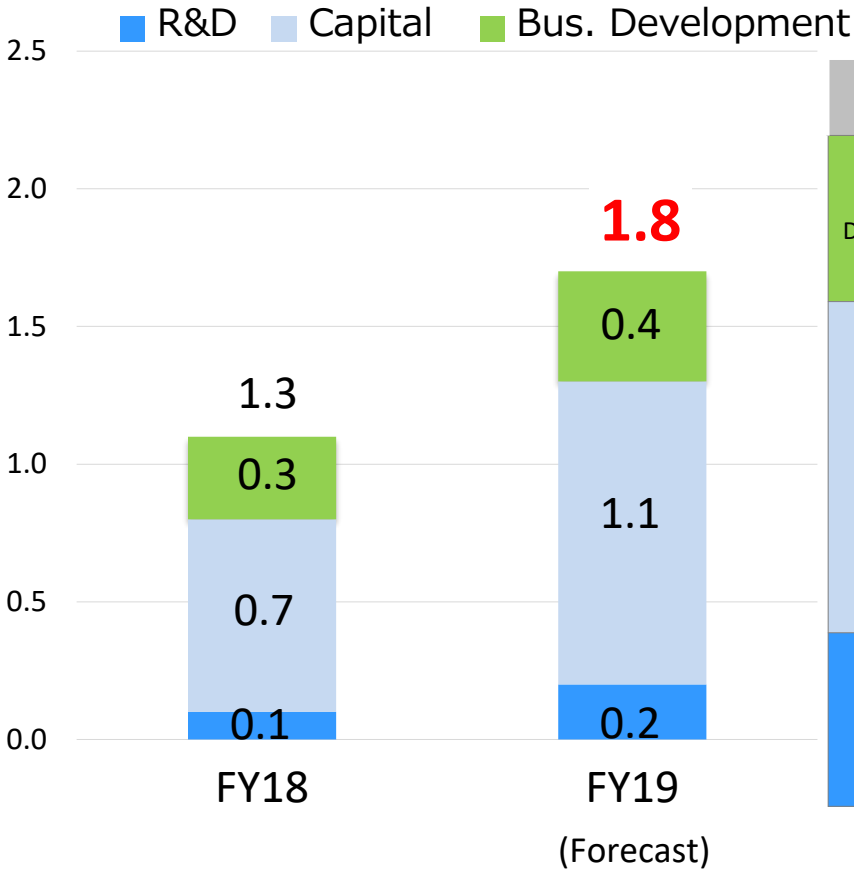
# E-Comic Distribution Service Growth



◆ Sales growth around 20%

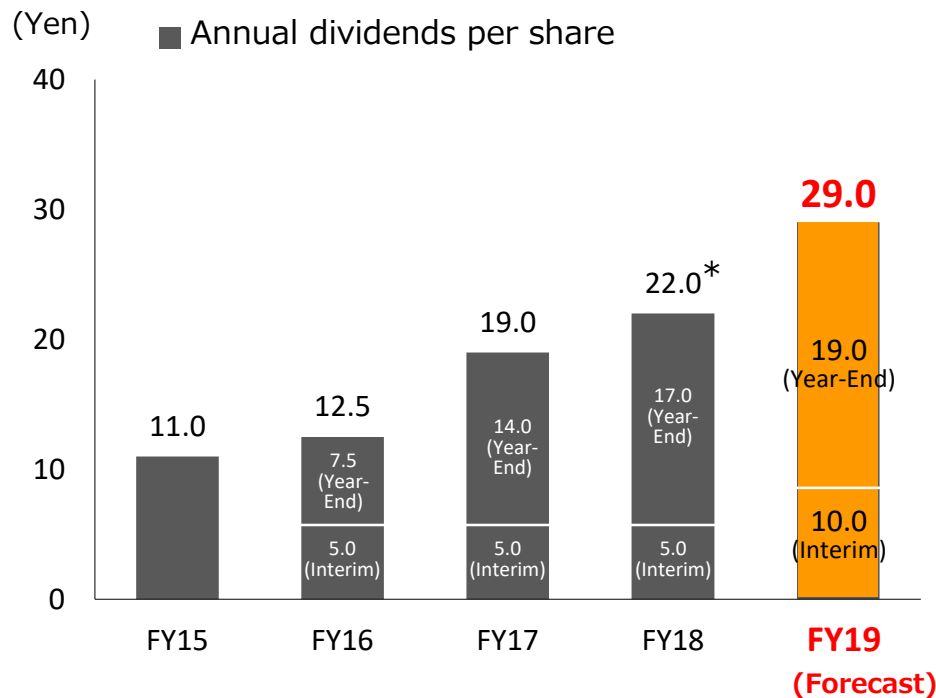
# Investments

(Billion yen)



| (Billion yen)        |   |        |
|----------------------|---|--------|
| Category             | Main Details  | Amount |
| Business Development | New business planning, research, demonstration tests, etc.            | 0.4    |
| Capital Investment   | E-comics, overseas startups, etc.                                     | 1.1    |
|                      | E-comic distribution service  |        |
|                      | GRANDIT   |        |
|                      | Other   |        |
| R&D Investment       | AI, community-based comprehensive care, new technology research, etc. | 0.2    |
|                      | Other   |        |

# Shareholder Returns



|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| Net income per share (yen) | 13.32 | 59.64 | 84.85 | 87.46 | 95.07 |
|----------------------------|-------|-------|-------|-------|-------|

## ◆ Dividends

Forecast FYE March 2020 interim dividend of 10 yen, year-end dividend of 19 yen for annual dividend of 29 yen per share (30.5% payout ratio)

## ◆ Shareholder Benefits

Planning to offer benefits to shareholders owning at least one trading unit who are listed on the shareholders' register as of September 30, 2019

\*22 yen (regular dividend: 20 yen; dividend to commemorate change in listed market: 2 yen)

\*Dividends per share and net income per share reflect stock split performed on March 1, 2019

03

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## Initiatives for FY2019

- E-Comics
- Health IT

# めちゅコミック



# Responding to Changes in the Market Environment

Market  
Changes

## Publishers

Accelerating shift to digital

## E-Bookstores

Clear Bookstore Classifications

- Digital versions of print *manga*
- *Manga* as content

## Users

Broaden customer segments

Expand into overseas markets

## Sophisticated Data Analysis

Raise sophistication of analysis using the latest US-based tools

- >Customer analysis
- >Forecast popular sellers

## Original Content

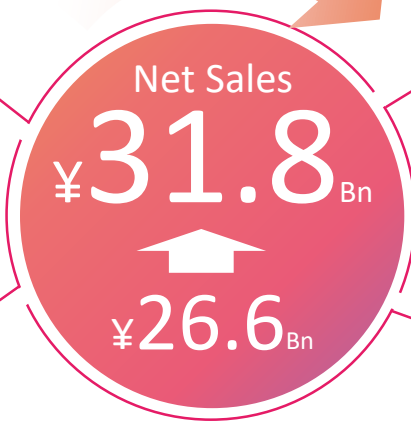
- >Increase sales of in-house titles
- >Major hit in [title] *RISKY~Fukushu wa Tsumi no Aji~*

## Stronger Marketing

- >Large-scale TV-integrated promotions
- >Targeted ads
- >Recommendations

## Overseas Expansion

- >Launch Korean distribution business



Initiatives

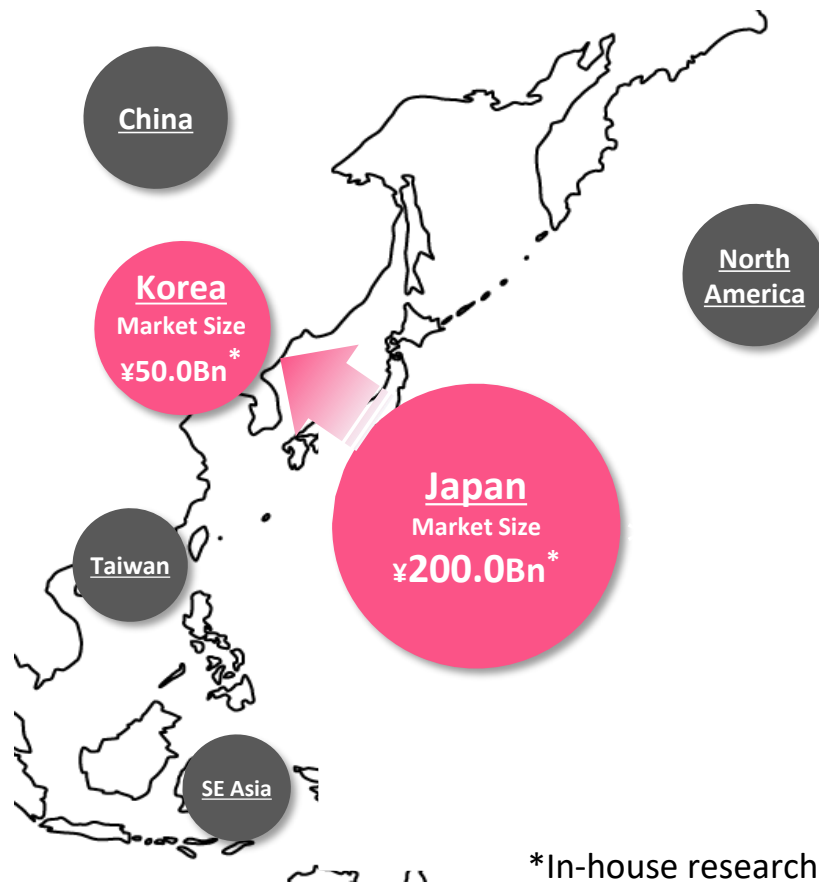
## Enter the Korean e-comic distribution service market

### E-comic market in Korea

- Main format is the webtoon (vertical scroll)
- 20% growth in 2019 (in-house estimate)
- Closing more pirate sites through stronger enforcement

### Initiatives

- 2016 • Entered agency business: Offered original content
- 2018 • Test marketing: Prove return on ad investment
- 2019 • **Convert Peanutoon to a subsidiary**  
Optimum online advertising using Meccha Comics expertise  
Introduce Japanese titles (initial exclusives)



レポート作成 - Infocore 画面

患者情報 診断 検査リポート 検査結果 検査項目

0000000001 患者 太郎 27歳

CT 2016/05/28 09:00

検査項目 (検査) 頭部 CT

検査結果 脳出血 / 脳挫伤 診断 1

レポート作成

手動保存 印刷 印刷範囲指定

レポートテンプレートを選択してください

印刷 100% (印刷範囲指定)

印刷 2016/05/28 検査項目と比較  
診断項目と検査項目の相違点を表示します

診断

脳出血に伴った外傷性頭蓋内出血。  
脳挫傷に伴った脳挫傷を要する。

脳出血に伴った外傷性頭蓋内出血。  
脳挫傷に伴った脳挫傷を要する。

0002 脳出血 0003 脳挫傷 0004 脳出血

5-画像リポート 印刷



## IT!For Nursing Care

IoT-Based Monitoring Service  
*mima-more™*

Nursing Care Digital Recording  
System  
*Daily*

Career Change Support for Care  
Workers  
*Carestyle*

2018

2019

Rebuild data infrastructure  
Expand sensor lineup

- Expand applications from ambulation monitoring to pulse monitoring (for home-care patients)

Adjacent services leveraging  
sensor data

- Reduce burden/generate efficiencies in nursing care via sleep analysis, excretion prediction

More features (nursing care record  
support)  
Improve usability

Sales  
(identify sales agents, etc.)

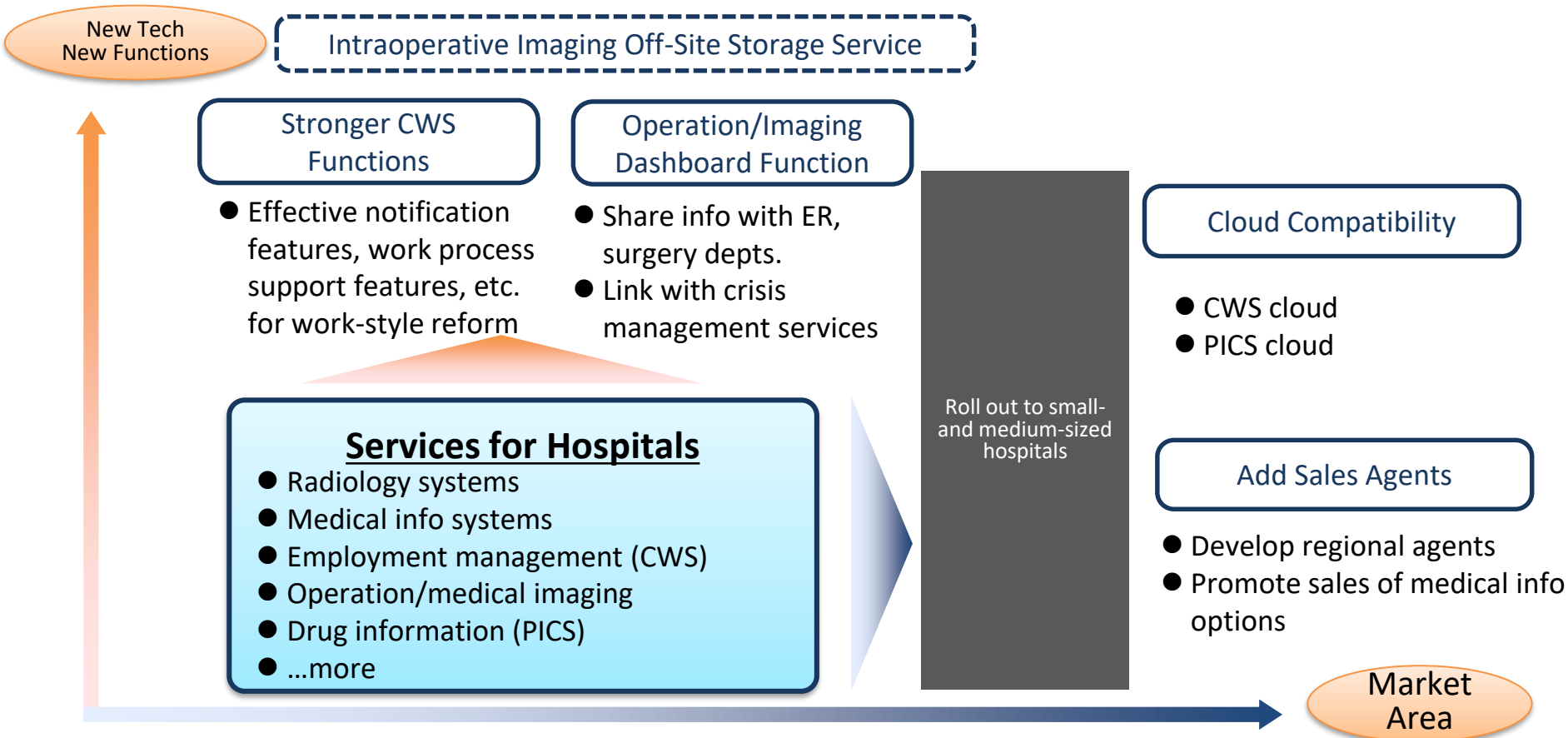
Launch business

Growth through M&A  
(care worker agency  
businesses)

Employee retention service

- Use AI to project risk of care worker turnover and improve retention

# Expand Services for Hospitals



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