

Financial Results Briefing for Q2 FY03/2020

Infocom Corporation

October 30, 2019

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Financial Results for Q2 FY03/20

02

Earnings Forecast for FY03/20

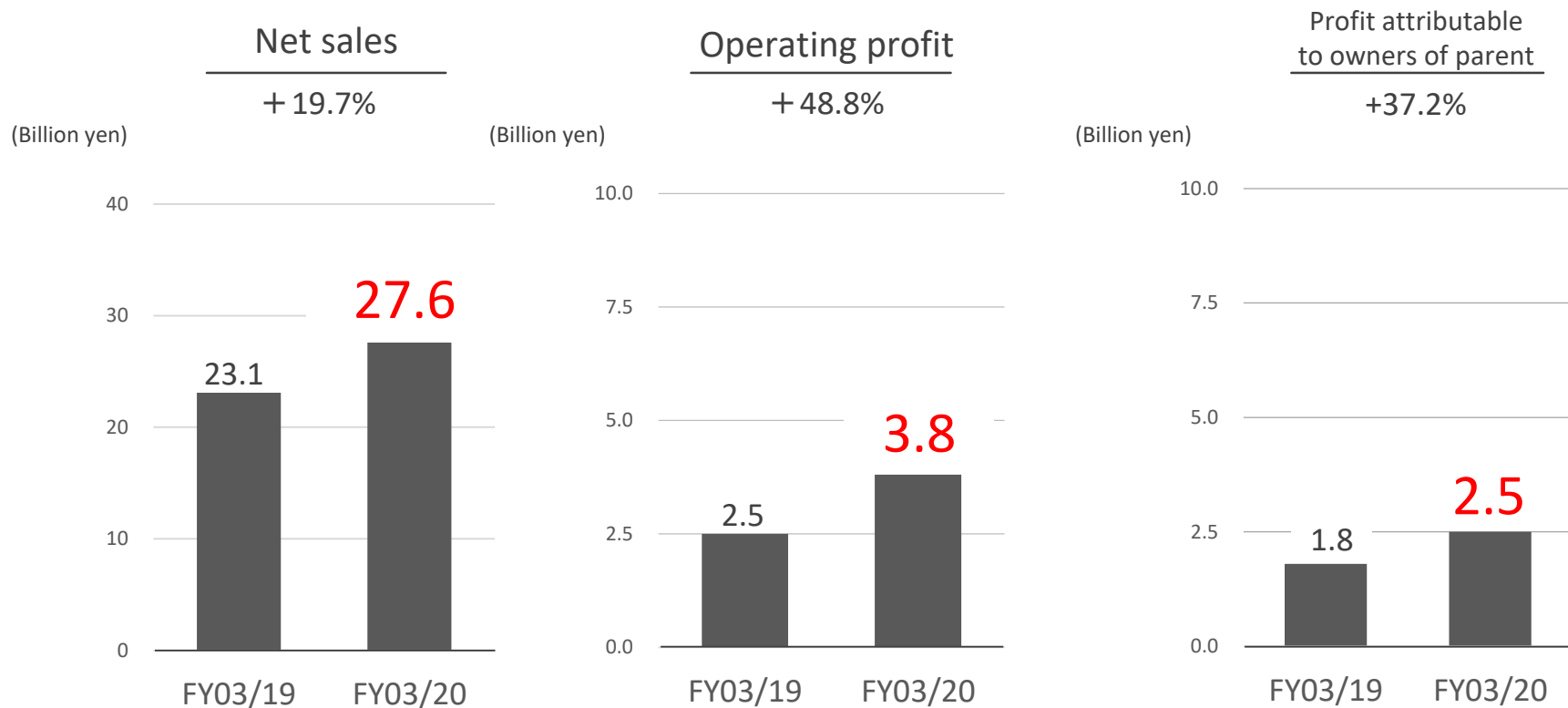
03

Initiatives for FY03/20

01

Financial Results for Q2 FY03/20

Q2 FY03/20 Results (Consolidated)



◆ Core businesses (e-comics, health IT) recorded strong sales and profit performance


Q2 FY03/20 Results (Consolidated)

(Billion yen,%)

	FY03/19	FY03/20	YoY	
			Change	%
Net sales	23.1	27.6	+4.5	+19.7
Operating profit (Operating margin)	2.5 (11.2)	3.8 (14.0)	+1.2	+48.8
EBITDA	3.1	4.4	+1.3	+42.0
Ordinary profit	2.6	3.8	+1.2	+48.1
Profit attributable to owners of parent	1.8	2.5	+0.6	+37.2

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



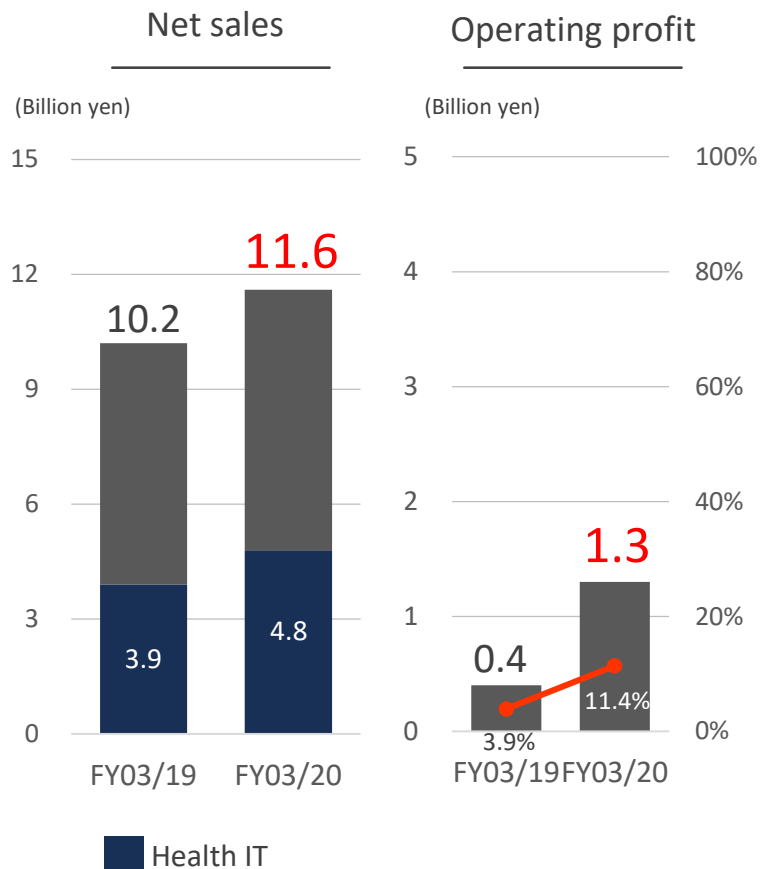
Digital Entertainment

E-comic

- General consumers

Business Solution Results (Consolidated)

(Billion yen,%)



	FY03/19	FY03/20	YoY	
			Change	%
Net sales	10.2	11.6	+1.3	+12.9
Health IT	3.9	4.8	+0.8	+22.8
Operating profit	0.4	1.3	+0.9	+227.6
(Operating margin)	(3.9)	(11.4)		

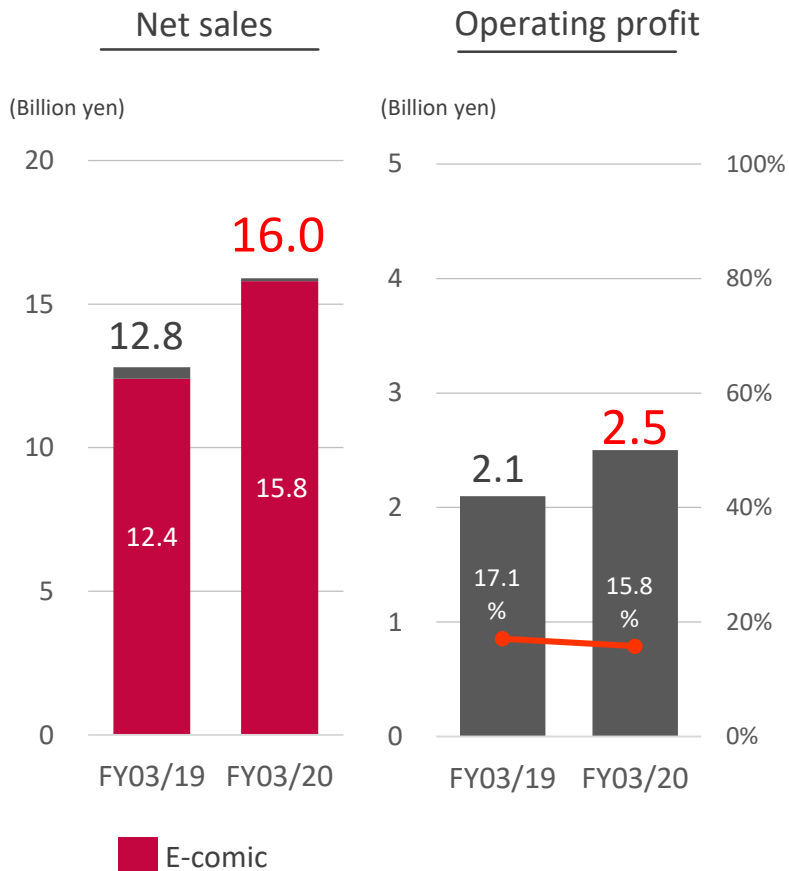
Net sales

Strong performance in services for hospitals/corporate customers
Positive impact of work to convert hospitals to new Imperial era name in Japan and increase in Japan's consumption tax rate

Operating profit

Significant growth in profits due to strong performance in hospital/corporate license sales

Digital Entertainment Results (Consolidated)



(Billion yen,%)

	FY03/19	FY03/20	YoY	
			Change	%
Net sales	12.8	16.0	+3.2	+25.1
E-comic	12.4	15.8	+3.4	+27.8
Operating profit	2.1	2.5	+0.3	+15.9
(Operating margin)	(17.1)	(15.8)		

Net sales

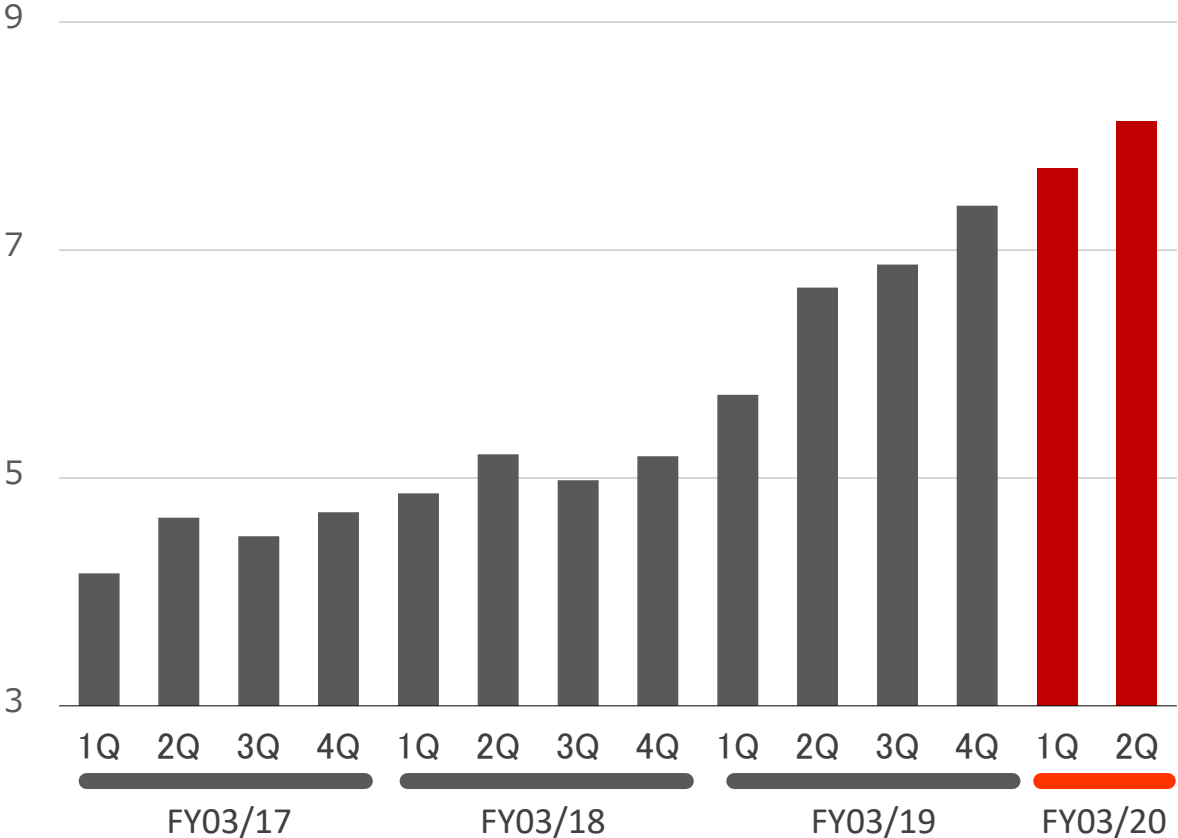
E-comic distribution service experienced strong performance

Operating profit

Higher profits; absorbed investment-related costs for overseas expansion, and app development

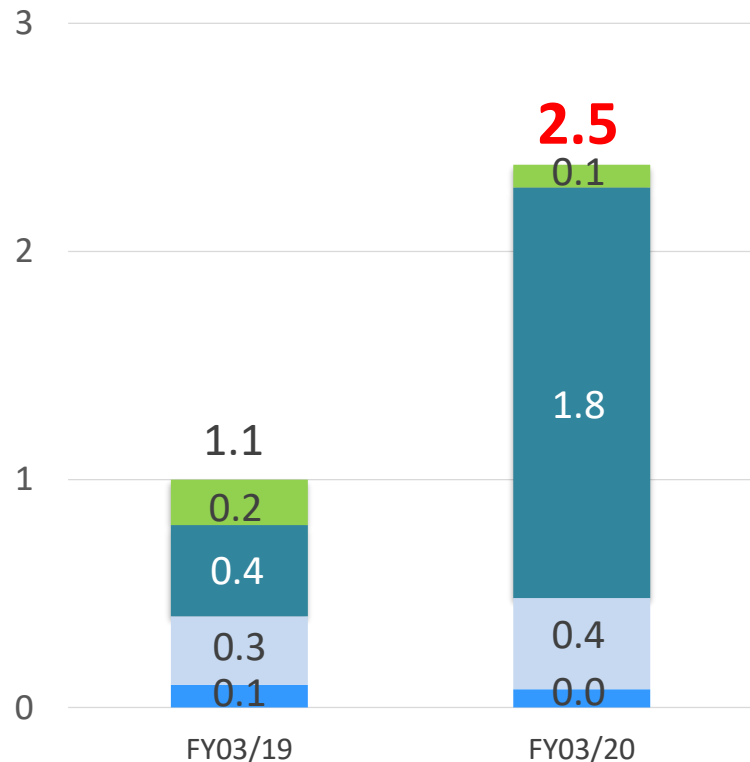
Q2 FY03/20 Results of E-Comic Distribution Service

(Billion yen)



Investments

(Billion yen) ■ R&D ■ Capital ■ Equity ■ Bus. Development



(Billion yen)

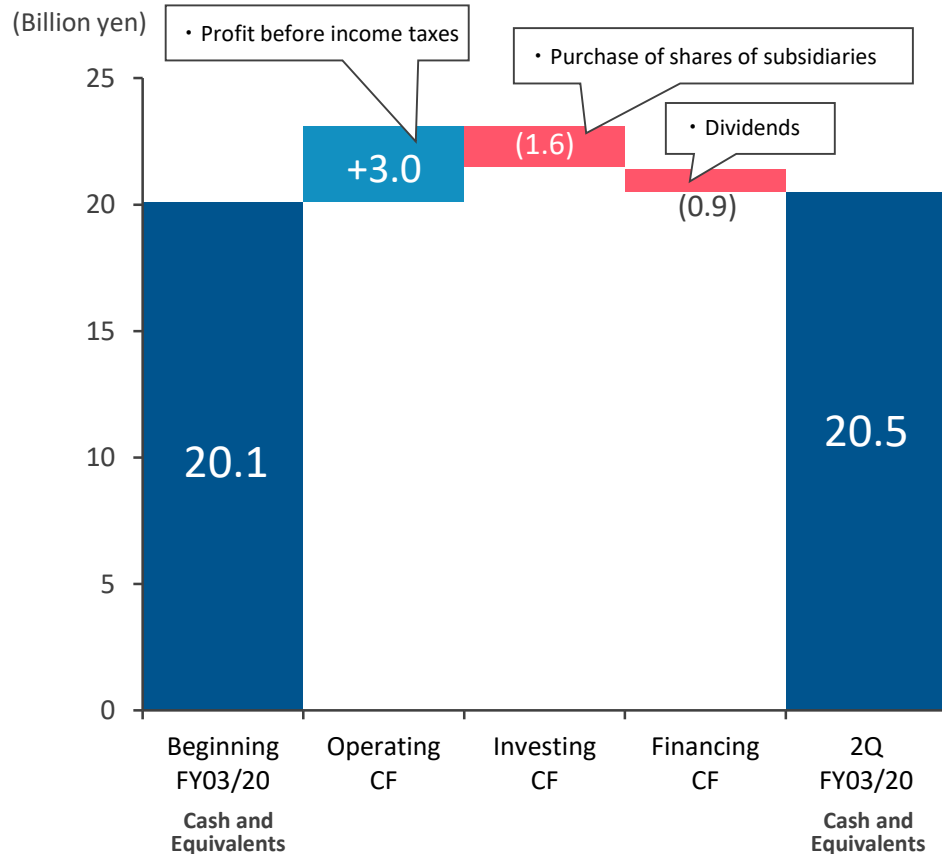
Category	Main Details	Amount
Business Development	New business planning, research, demonstration tests, etc.	0.1
Equity Investment	Conversion of Korean e-comic distribution business to a consolidated subsidiary Conversion of nursing professional recruitment company to a consolidated subsidiary, etc.	1.8
Capital Investment	E-comic (App development, Enhancement of server facilities, etc.)	0.4
	Health IT	
	GRANDIT	
	Other	
R&D Investment	AI, new technology research, etc.	0.0

Balance Sheets (Consolidated)

(Billion yen,%)

	FY03/19		2Q FY03/20			Major Change Factors
	Amount	Composition Ratio	Amount	Composition Ratio	YoY	
Current assets	32.4	74.3	31.8	72.6	(0.6)	• Cash and deposits +0.3 • Notes and accounts receivable -1.1
Fixed assets	11.2	25.7	12.0	27.4	+0.8	• Goodwill +1.2 • Investments and other assets -0.4
Total assets	43.6	100.0	43.8	100.0	+0.2	
Current liabilities	10.6	24.4	9.3	21.4	(1.2)	• Accounts payable-trade -0.1 • Income taxes payable -0.4
Non-current liabilities	0.2	0.7	0.2	0.5	(0.0)	• Provision for bonuses -0.3
Total liabilities	10.9	25.1	9.6	21.9	(1.3)	
Total net assets	32.7	74.9	34.2	78.1	+1.5	• Retained earnings +1.6
Total liabilities and net assets	43.6	100.0	43.8	100.0	+0.2	
Shareholders' equity ratio	74.6%		77.2%			

Cash Flows (Consolidated)



(Billion yen)

	2Q FY03/19	2Q FY03/20	Change
Operating CF	2.0	3.0	+0.9
Investing CF	(0.6)	(1.6)	(0.9)
Free CF	1.3	1.3	+0.0
Financing CF	(0.7)	(0.9)	(0.1)
Effects of exchange rate changes on cash and cash equivalents	0.0	(0.0)	(0.0)
Change in cash and cash equivalents	0.5	0.3	(0.1)
Cash and cash equivalents, beginning of period	16.6	20.1	+3.5
Cash and cash equivalents, end of quarter	17.1	20.5	+3.3

02

Earnings Forecast for FY03/20

Earnings Forecast for FY03/20 (Consolidated)

(Billion yen,%)

	FY03/19 Results	FY03/20 New Forecast	YoY		FY03/20 Initial Forecast
			Change	%	
Net sales	51.7	58.5	+6.7	+13.1	57.0
Operating profit (Operating margin)	6.8 (13.3)	8.2 (14.0)	+1.3	+19.0	7.8 (13.7)
EBITDA	8.0	9.4	+1.3	+17.4	9.0
Ordinary income	6.8	8.2	+1.3	+19.3	7.8
Profit attributable to owners of the parent	4.7	5.5	+0.7	+15.0	5.2
Net income per share (yen)	87.46	100.53	+13.08	+15.0	95.07
ROE (%)	15.7	15.9	+0.2		15.1

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

Progress Toward Medium-Term Management Plan Targets (Growth, Profitability)

(Billion yen,%)

		FY03/20 Target	FY03/20 Forecast	target achievement ratio(%)
Growth	Net sales	60 to 80	58.5	97.5
	EBITDA (* 1)	7 to 10	9.4	134.3
	Ratio of core businesses (* 2)	70%	75.0%	107.1
Profitability	ROE	10% and over	15.9%	159.1

- ◆ Forecast general achievement of targets based on growth in core e-comic and health IT businesses
- ◆ Continue M&A activities

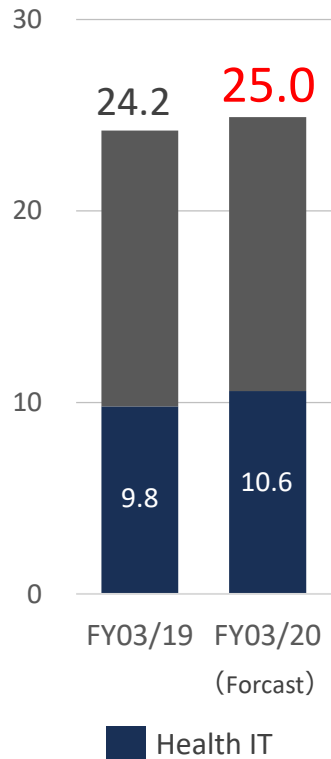
(*1) Operating income + depreciation and amortization

(*2) Ratio of sales from core businesses (e-comic, health IT) to total consolidated sales

Business Solution Group Earnings Forecast (Consolidated)

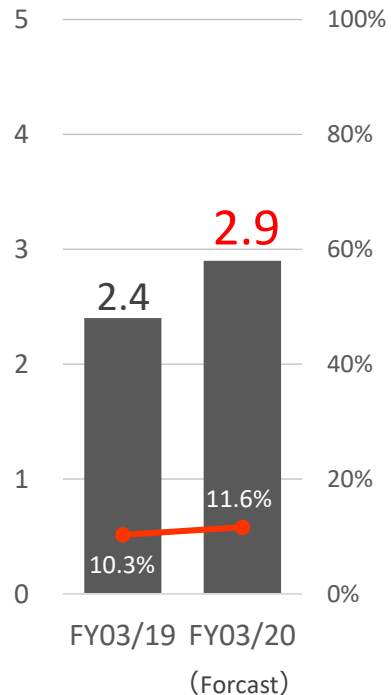
Net sales

(Billion yen)



Operating profit

(Billion yen)



(Billion yen,%)

	FY03/19 Results	FY03/20 Forecast	YoY	
			Change	%
Net sales	24.2	25.0	+0.7	+3.2
Health IT	9.8	10.6	+0.8	+8.7
Operating profit (Operating margin)	2.4 (10.3)	2.9 (11.6)	+0.4	+16.6

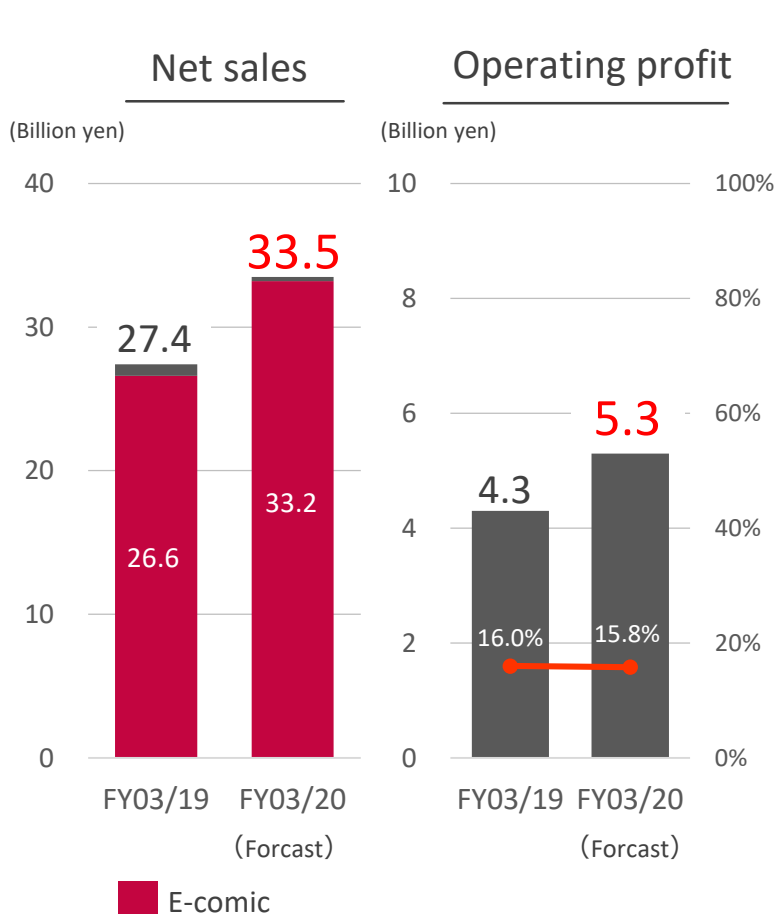
Net sales

Expecting favorable performance in Q3 health IT, despite earlier up-front purchases ahead of consumption tax increase

Operating profit

Expecting higher profits driven by sales to hospitals/corporate customers

Digital Entertainment Segment Earnings Forecast (Consolidated)



(Billion yen,%)

	FY03/19 Results	FY03/20 Forecast	YoY	
			Change	%
Net sales	27.4	33.5	+6.0	+21.9
E-comic	26.6	33.2	+6.5	+24.5
Operating profit	4.3	5.3	+0.9	+20.7
(Operating margin)	(16.0)	(15.8)		

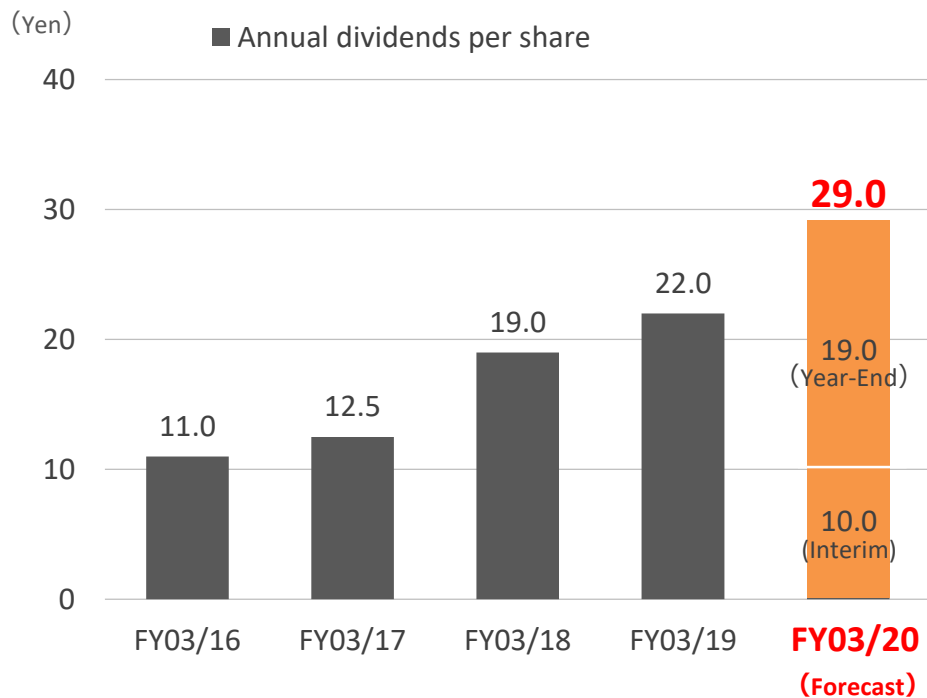
Net sales

Expect strong performance in e-comic
20%-plus growth year on year

Operating profit

Higher profits due to increase in e-comic sales

Shareholder Returns



◆ Dividends

Implement interim dividend of ¥10 per share for FYE March 2020

Project year-end dividend of ¥19 per share for an annual dividend of ¥29 per share

◆ Shareholder benefits

Implement for shareholders of record as of September 30, 2019 who own at least one trading unit (announcement scheduled for the end of November)

Net income per share (yen)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
	13.32	59.64	84.85	87.46	100.53

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

E-comic



- First-Half Initiatives
 - Optimize digital advertising through data analysis
 - Release of Meccha Comics mobile app
- Second-Half Initiatives
 - Improve recommendation function
 - Digital signage in Yamanote Line train cars
 - Free content promotion tied to TV commercials
- Other
 - Korean Business

Health IT

- First-Half Initiatives
 - Expand services for medical/nursing care employees
- Second-Half Initiatives
 - Employment management system for nursing care field
 - Career change support service for nursing professionals who tend to serve longer periods of employment with employers
 - Overseas expansion

Create new healthcare-related businesses across Southeast Asia

Southeast Asian Healthcare Market

- Rising awareness of health, driven by increase in lifestyle diseases
- Medical costs in 10 ASEAN countries rising 10%-plus in recent years
- Rising demand for use of healthcare IT with advancements in health care

Infocom Initiatives

Feb. 2016 Launched *GnB Accelerator*, startup venture support program in Indonesia
 ⇒ Investigate potential business expansion

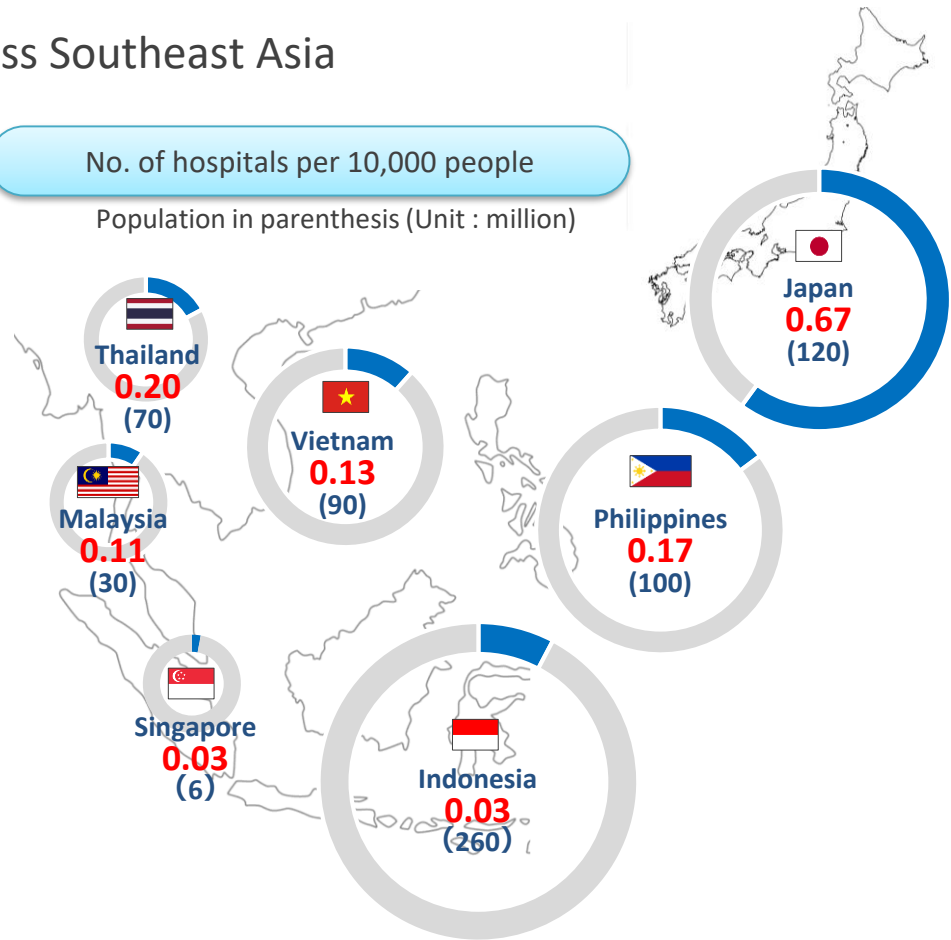
Oct. 2019 Signed agreement with *HealthXCapital*, venture capital fund specializing in healthcare



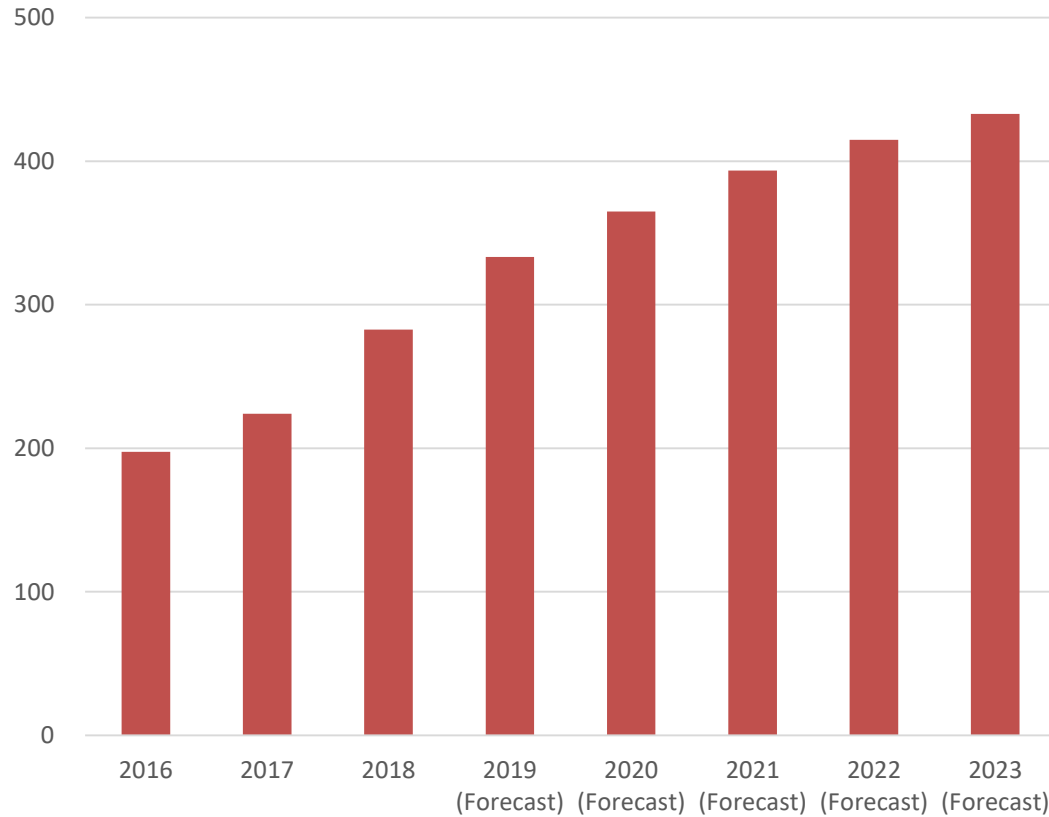
*Fund investing in healthcare ventures dealing in healthcare IT, diagnostic and medical treatment equipment, etc.

No. of hospitals per 10,000 people

Population in parenthesis (Unit : million)



(Billion yen)



Source: *E-Book Business Survey Report 2019*
(July 31, 2019); Impress Corporation

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