

FINANCIAL RESULTS BRIEFING FOR FY2018

Infocom Corporation

26/04/2019

01

Financial Results for FY2018

02

Earnings Forecast for FY2019

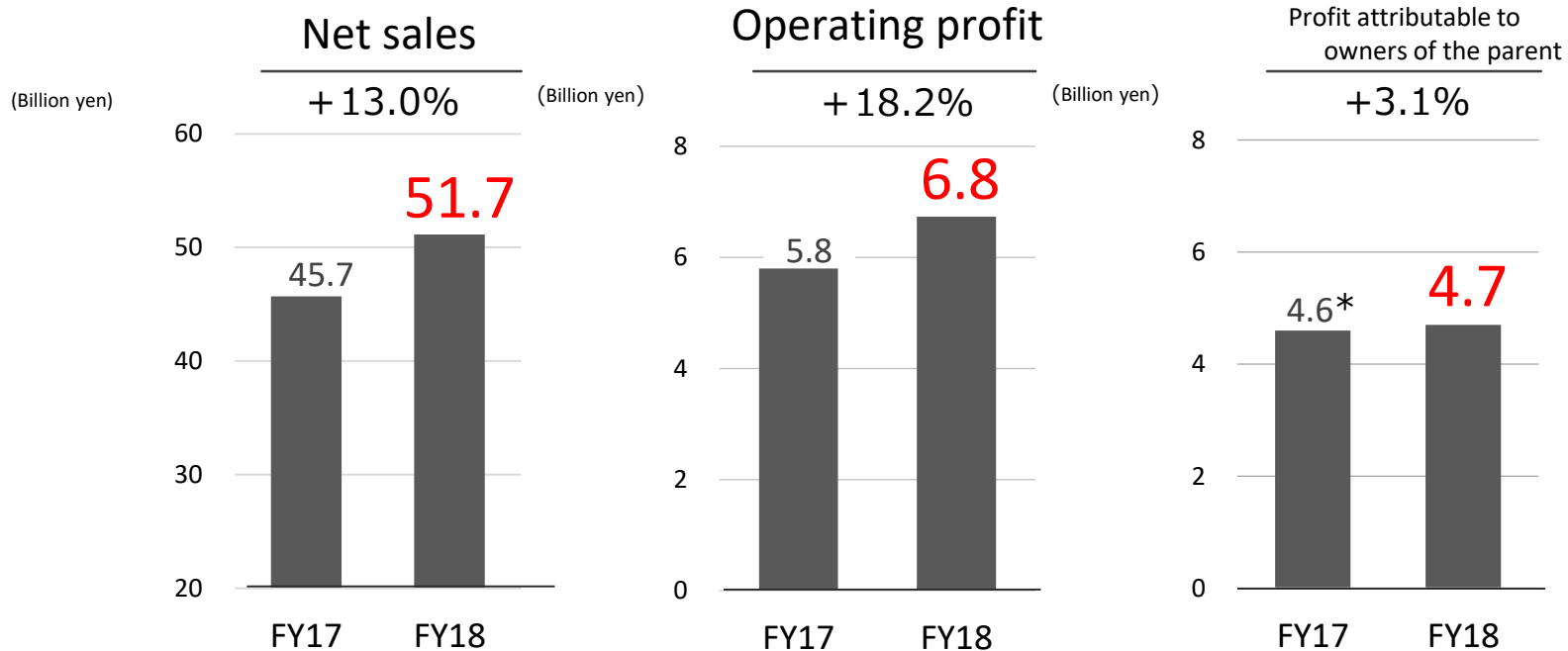
03

Initiatives for FY2019

01

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 (Operating margin)	5.8 (12.7)	6.8 (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 owners of the parent	4.6	4.7	+0.1	+3.1
Net income per share (yen)	84.85 [*]	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 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



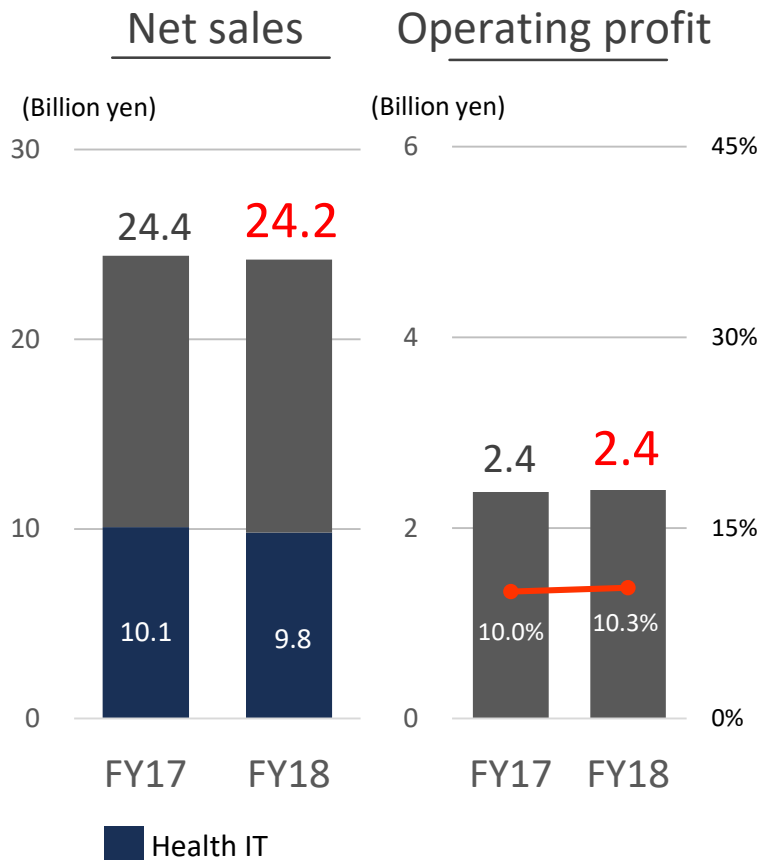
Digital Entertainment

E-comic
E-commerce

- General consumers

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

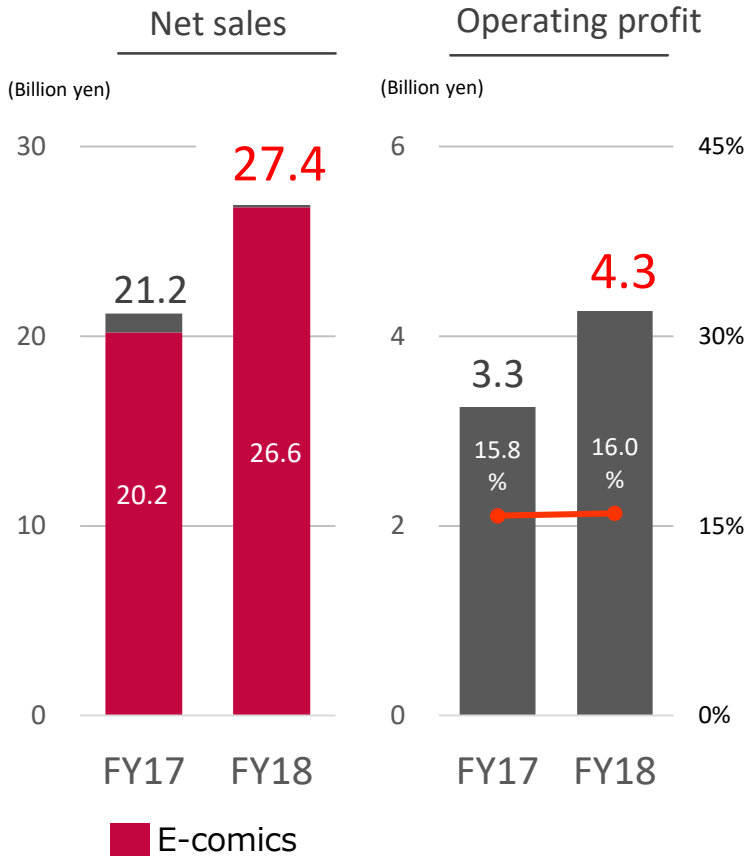
Strong performance of services for hospitals, despite lower sales of services for pharmaceutical companies

Operating profit

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

Digital Entertainment Segment Earnings (Consolidated)

(Unit: Billion yen, %)



	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)		

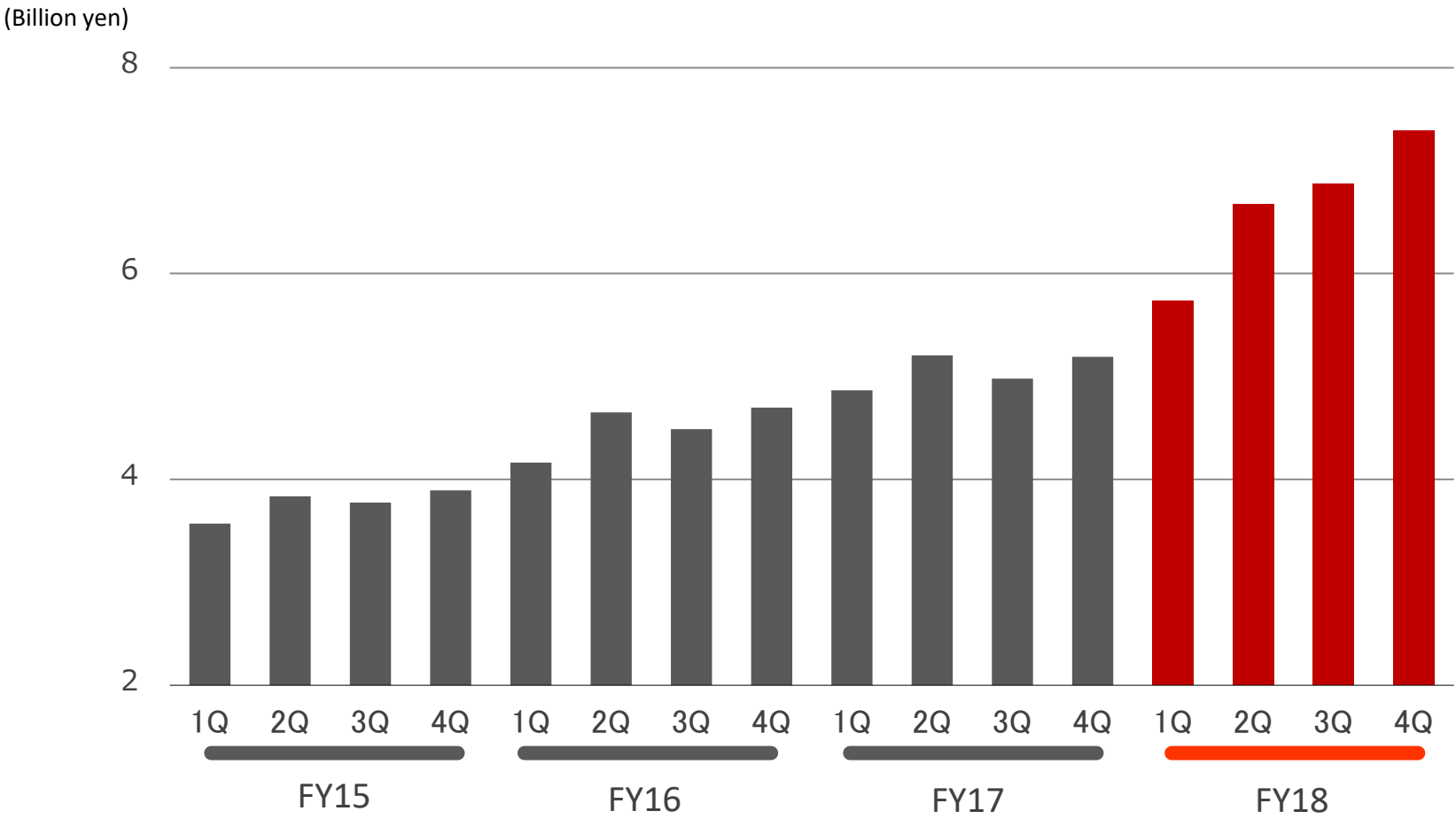
Net sales

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

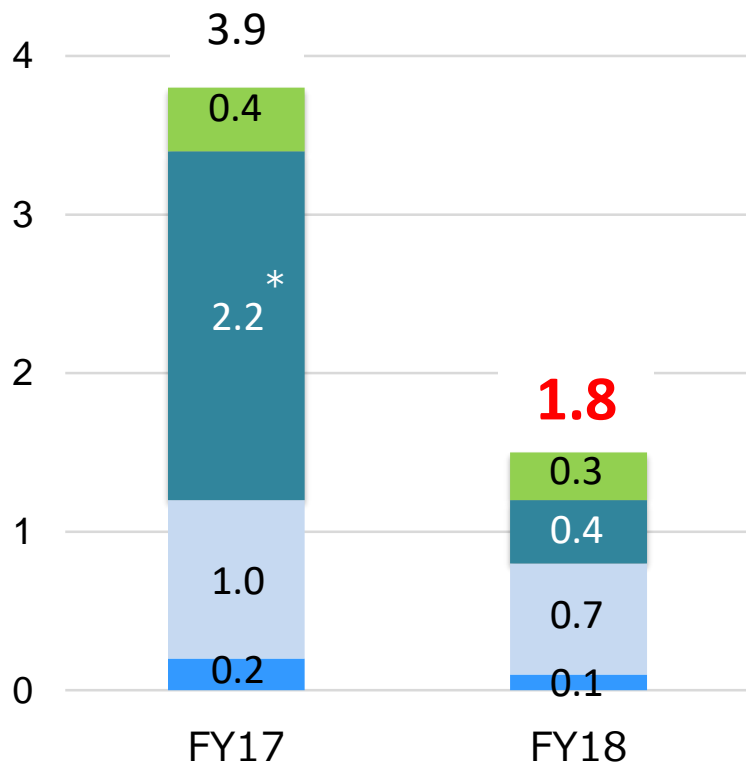
E-Comic Distribution Service Earnings (Net Sales by Quarter)



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	

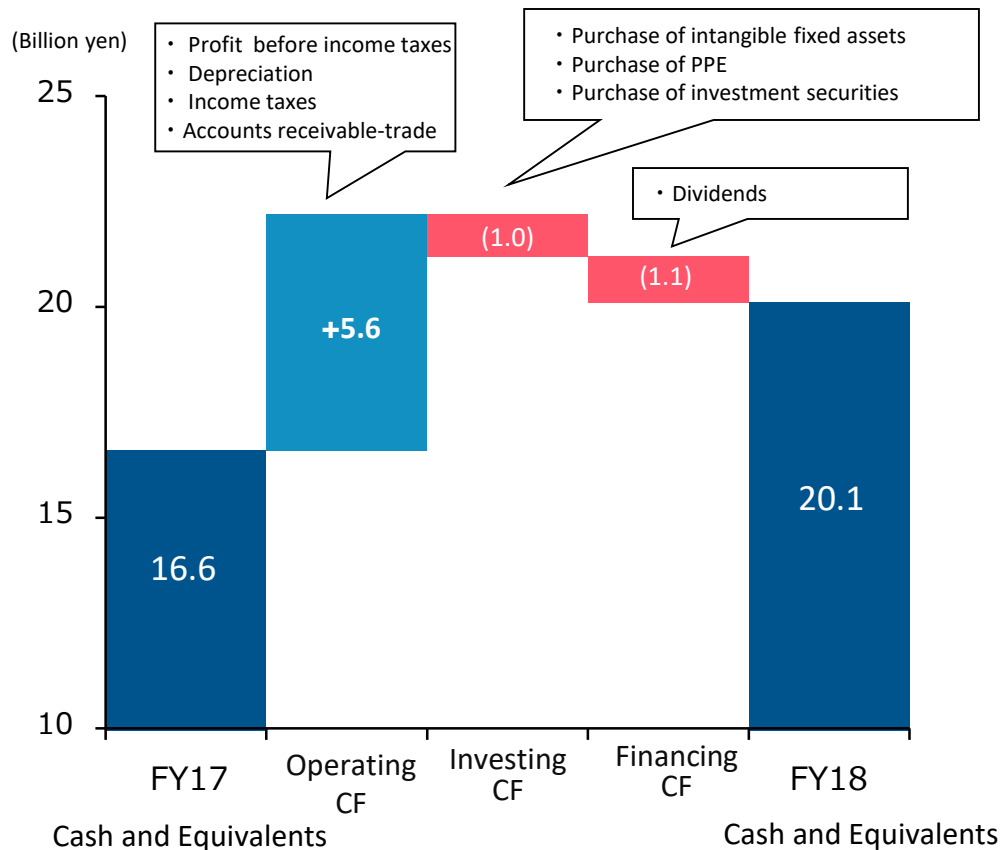
Balance Sheets (Consolidated)

(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"> • Cash and deposits +3.5 • Notes and accounts receivable +0.8 • PPE (0.1) • Investment securities +0.8
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"> • Accounts payable-trade +0.7 • Accounts payable-other, accrued income taxes (0.1) • Accrued consumption tax +0.1
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	<ul style="list-style-type: none"> • 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

Earnings Forecast for FY2019

Earnings Forecast for FY2019 (Consolidated)

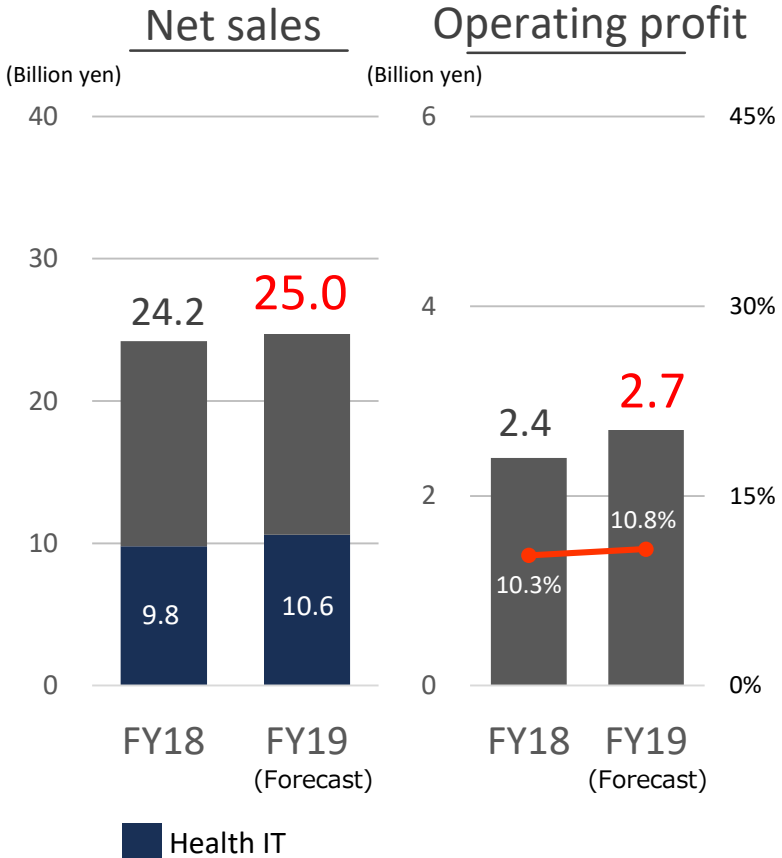
(Unit: Billion yen,%)

	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 (Operating margin)	2.5 (11.2)	4.2 (15.0)	6.8 (13.3)	2.9 (11.2)	4.9 (15.8)	7.8 (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 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 [*]			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, %)



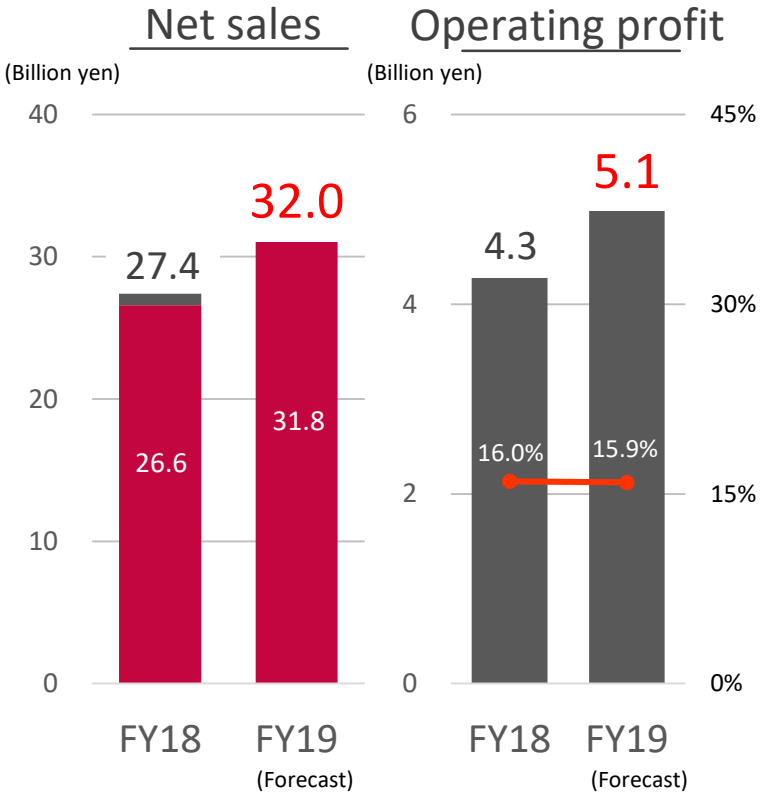
	FY18 Actual	FY19 Forecast	vs. PY	
			Change	%
Net sales	24.2	25.0	+0.7	+3.2
Health IT	9.8	10.6	+0.8	+8.7
Operating Profit	2.4	2.7	+0.2	+8.6
(operating margin)	(10.3)	(10.8)		

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 Actual	FY19 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)		

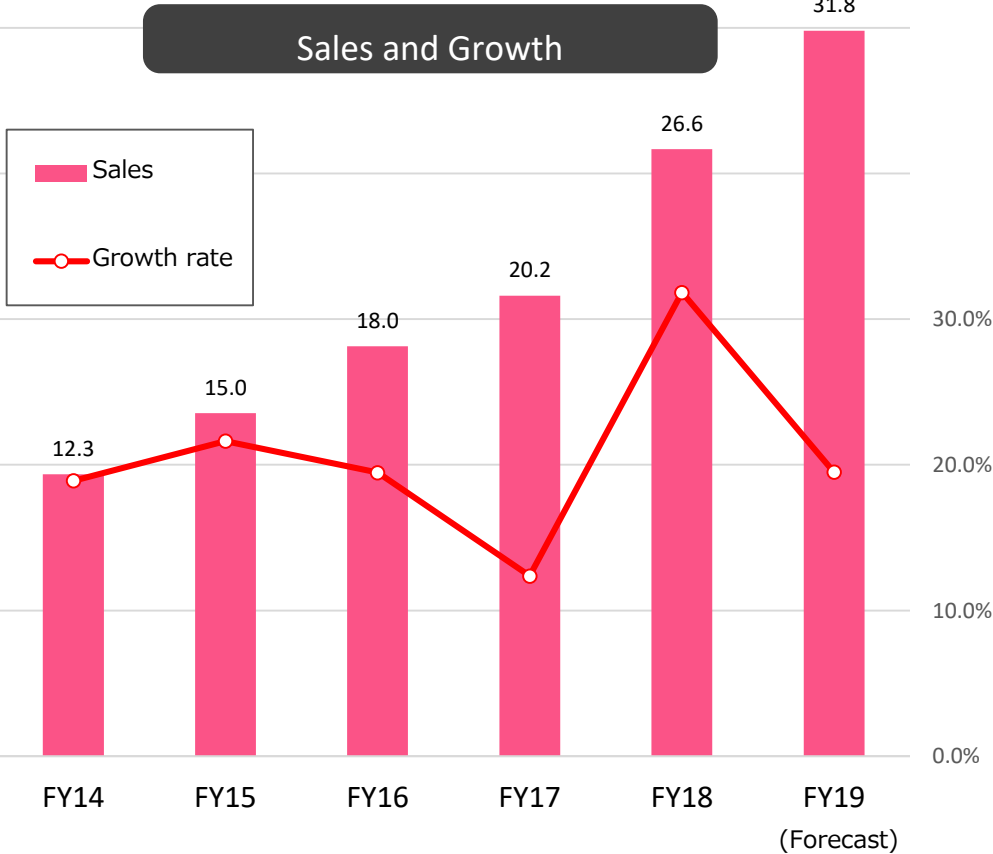
Net sales

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

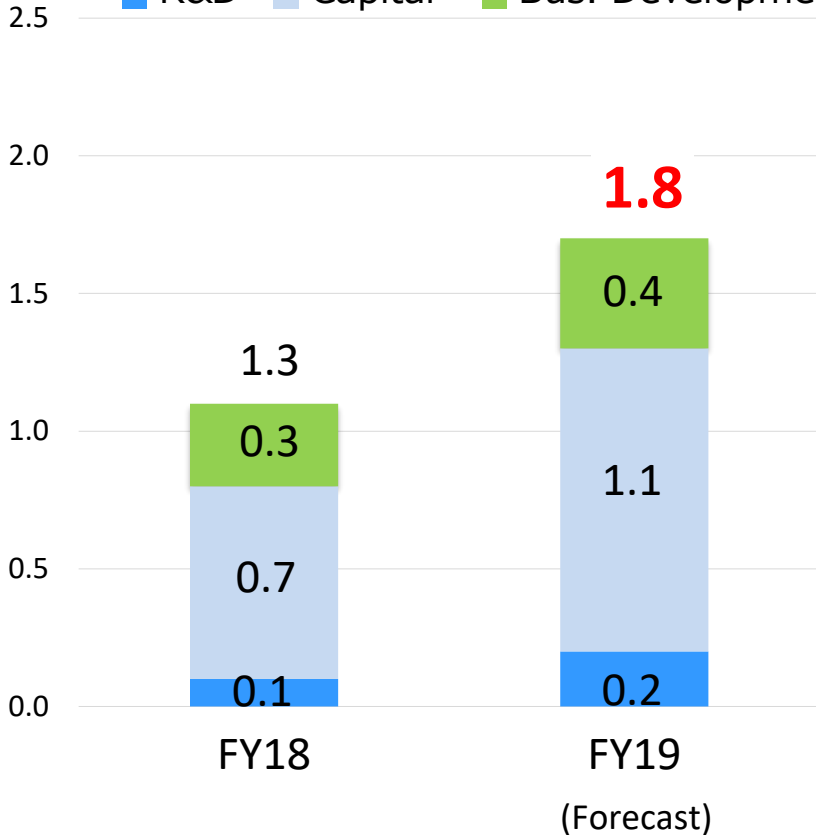


◆ Sales growth around 20%

Investments

(Billion yen)

■ R&D ■ Capital ■ Bus. Development



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

(Billion yen)

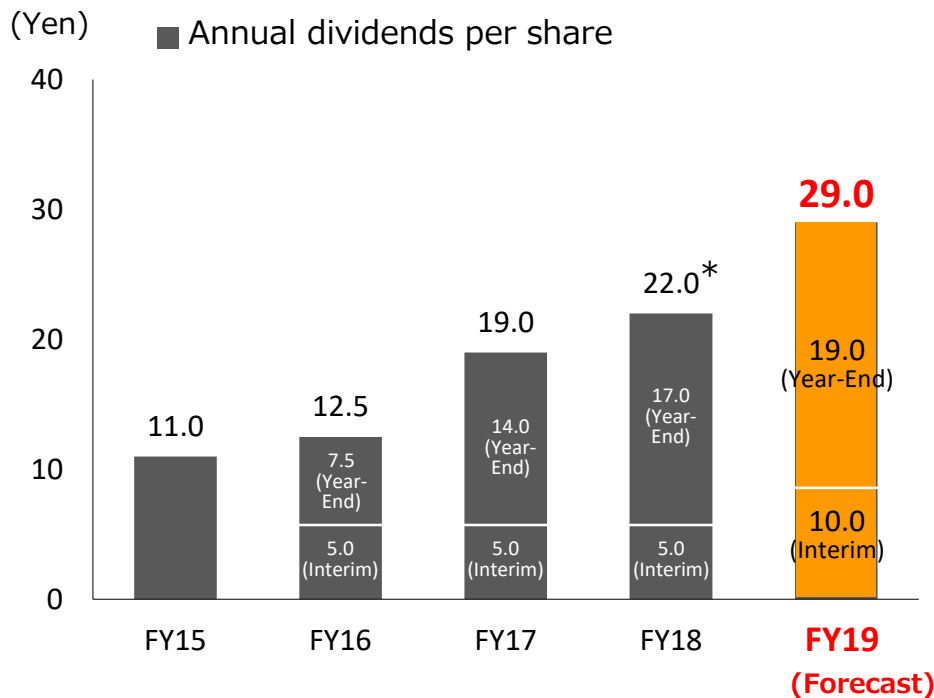
Amount

0.4

1.1

0.2

Shareholder Returns



Net income per share (yen)	FY15	FY16	FY17	FY18	FY19
	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

Initiatives for FY2019

- E-Comics
- Health IT

めっちゃコミック



Responding to Changes in the Market Environment

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

Market Changes

Sophisticated Data Analysis

Raise sophistication of analysis using the latest US-based tools

- >Customer analysis
- >Forecast popular sellers

Original Content

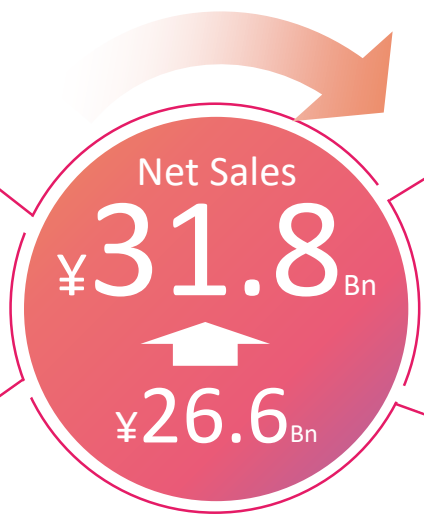
- >Increase sales of in-house titles
- >Major hit in [title] *RISKY~Fukushu wa Tsumi no Aji~*

Stronger Marketing

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

Overseas Expansion

- >Launch Korean distribution business



Initiatives

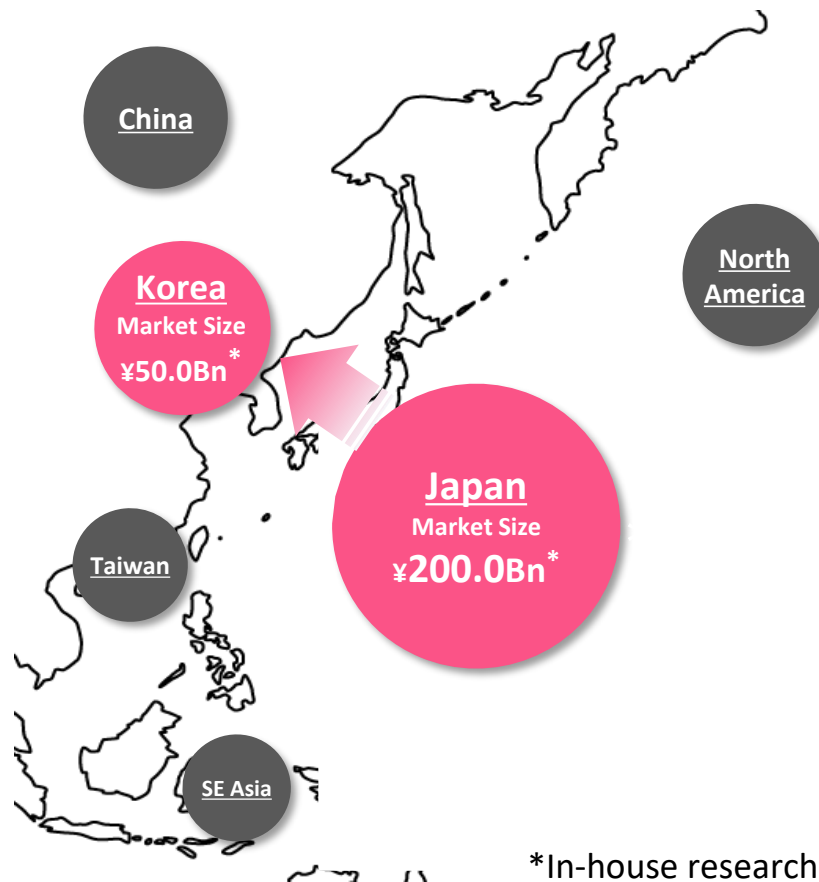
Enter the Korean e-comic distribution service market

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)



*In-house research

Services for Hospitals



IT! For Nursing Care



Expansion Into the Nursing Care Field

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.)

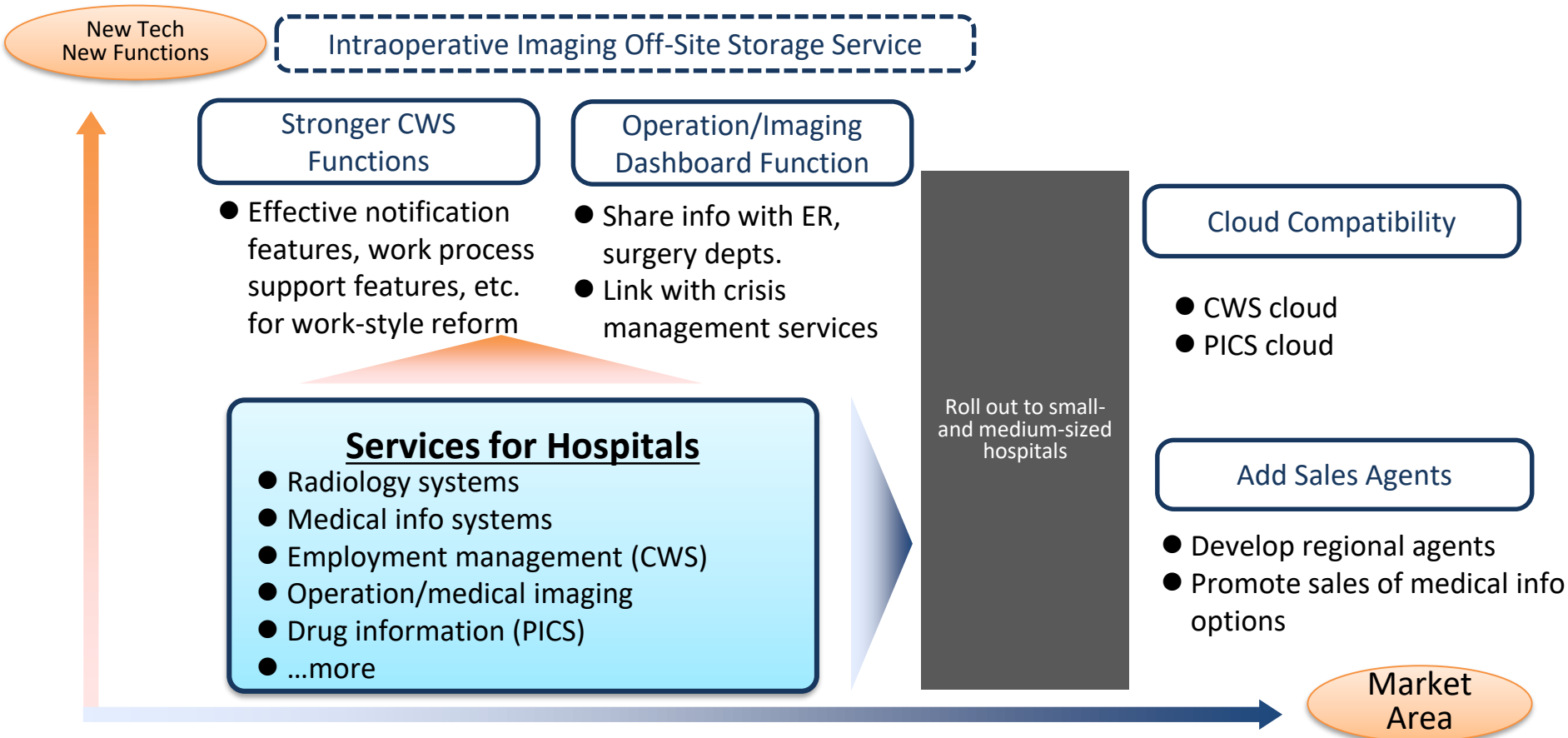
Launch business

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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