

Financial Results Briefing for FY03/2020

Infocom Corporation

April 28, 2020

We extend our heartfelt condolences to those who have been affected by the passing of friends, neighbors, or relatives due to COVID-19.

We also extend wishes for a rapid recovery to those suffering from COVID-19 symptoms.

01

Financial Results for FY03/20

02

Earnings Forecast for FY03/21

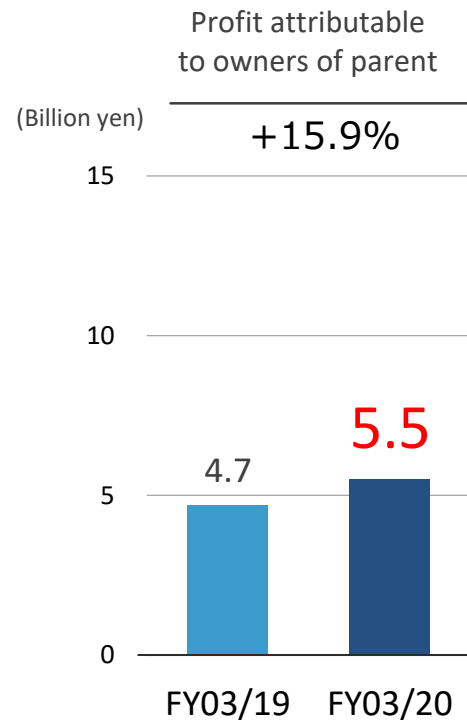
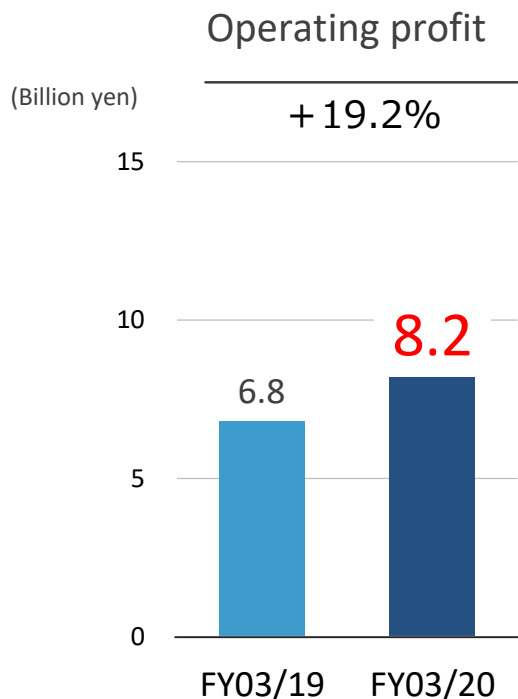
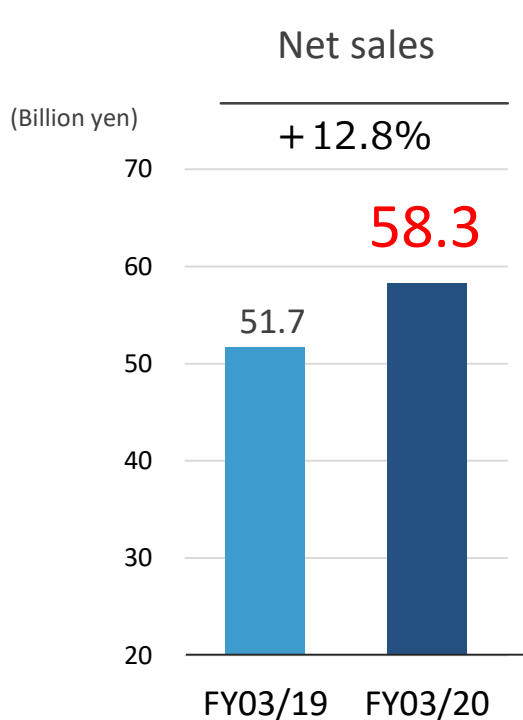
03

Initiatives for FY03/21

01

Financial Results for FY03/20

Record-high net sales and profits due to strong e-comic and health IT performance



FY03/20 Results (Consolidated)


(Billion yen,%)

	FY03/19	FY03/20	YoY	
			Change	%
Net sales	51.7	58.3	+6.6	+12.8
Operating profit (Operating margin)	6.8 (13.3)	8.2 (14.1)	+1.3	+19.2
EBITDA	8.0	9.3	+1.3	+17.3
Ordinary profit	6.8	8.2	+1.3	+20.3
Profit attributable to owners of parent	4.7	5.5	+0.7	+15.9
Net income per share (yen)	87.46	101.32	+13.86	+15.8
ROE(%)	15.7	16.2	+0.5	

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



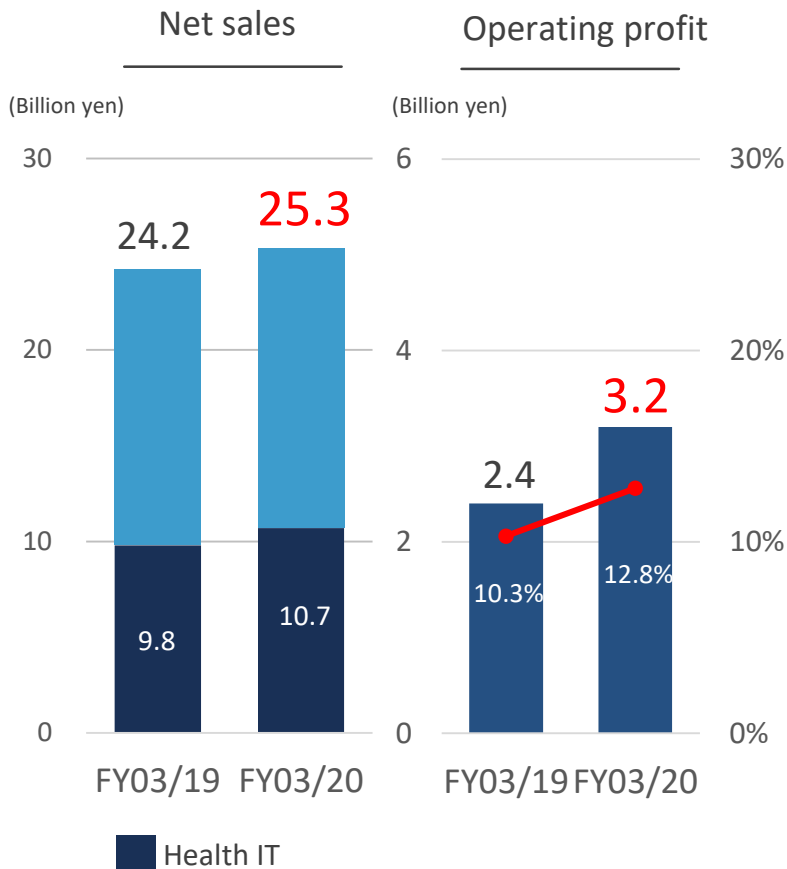
Digital Entertainment

E-comic

- General consumers

Business Solution Results (Consolidated)

(Billion yen,%)



	FY03/19	FY03/20	YoY	
			Change	%
Net sales	24.2	25.3	+1.1	+4.8
Health IT	9.8	10.7	+0.9	+10.0
Operating profit	2.4	3.2	+0.7	+30.7
(Operating margin)	(10.3)	(12.8)		

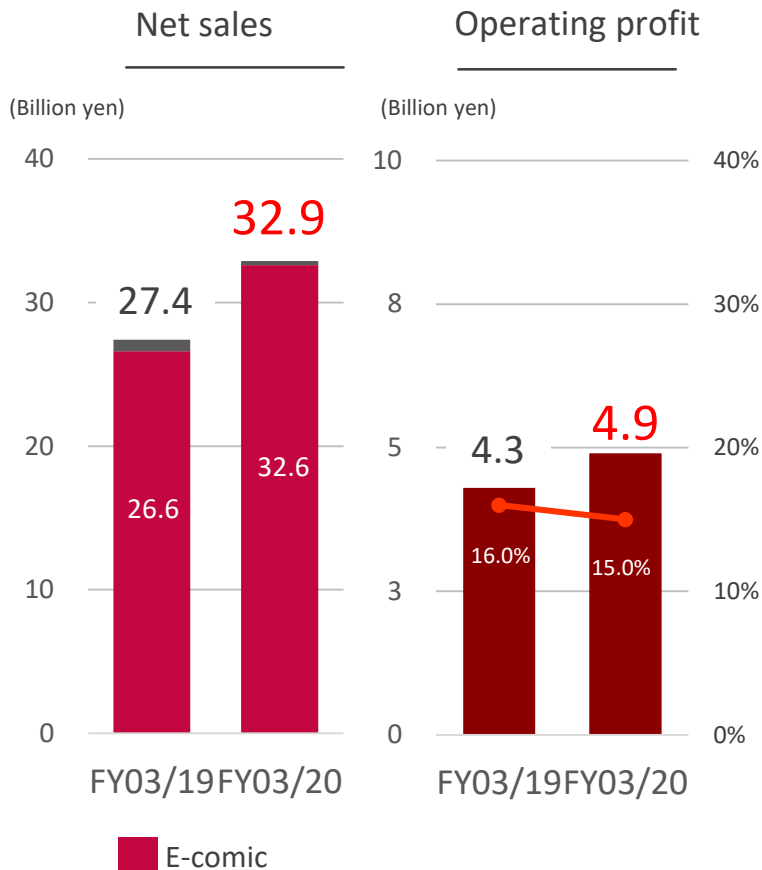
Net sales

- Higher sales driven by strong performance in sales to hospitals
- Stronger leveling tendency than most years (consumption taxes? labor shortages?)

Operating profit

- Significantly higher profits due to strong license sales to hospitals and corporations

Digital Entertainment Results (Consolidated)



	(Billion yen,%)			
	FY03/19	FY03/20	YoY	
			Change	%
Net sales	27.4	32.9	+5.4	+20.0
E-comic	26.6	32.6	+5.9	+22.4
Operating profit	4.3	4.9	+0.5	+12.7
(Operating margin)	(16.0)	(15.0)		

Net sales

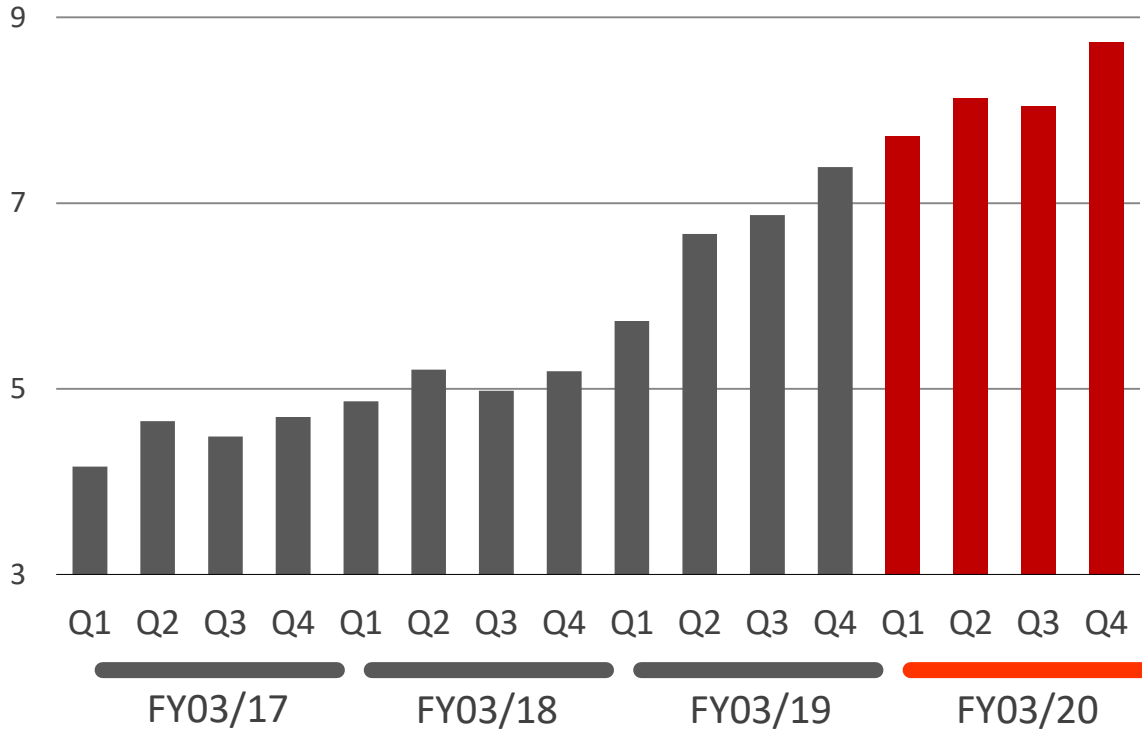
- Revenues higher in excess of 20% due to optimized advertising based on data analysis and contribution of strong performance from free series and original comics

Operating profit

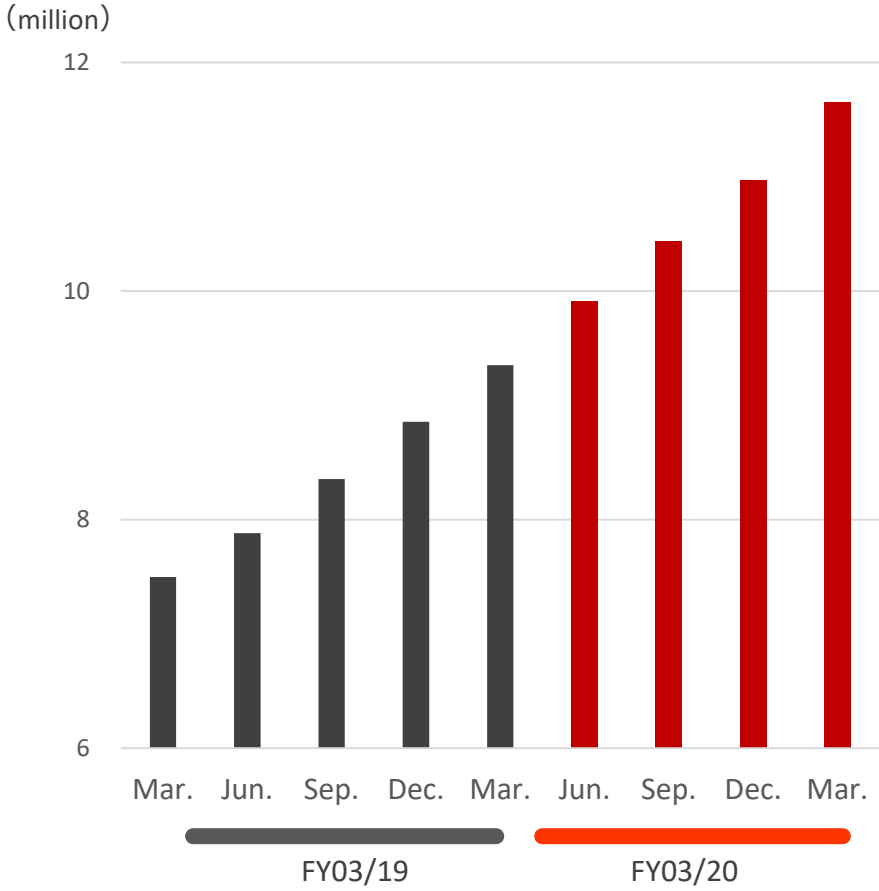
- Higher profits as we were able to absorb advertising and infrastructure upgrade costs
- Added content and made additional investment in advertising in anticipation of demand increase in Q4

FY03/20 Results of E-Comic Distribution Service

(Billion yen)



[Reference] E-Comic Distribution Service Total Subscribers

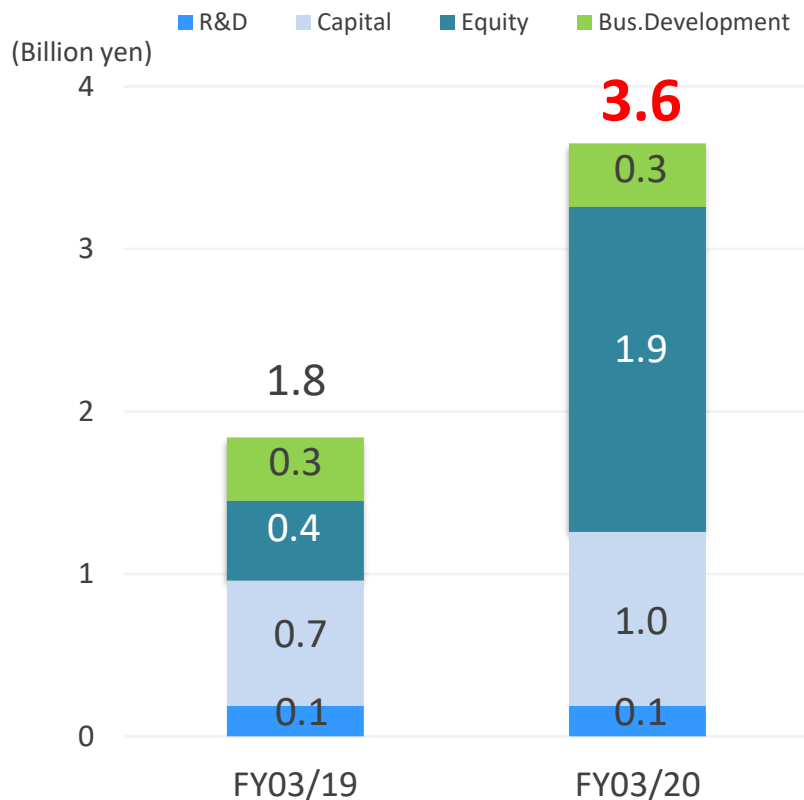


Total subscribers topped 10 million due to market tactics based on data analysis, free series, and other measures

Total Subscribers: Combined total of free and paid members

Investments

(Billion yen)



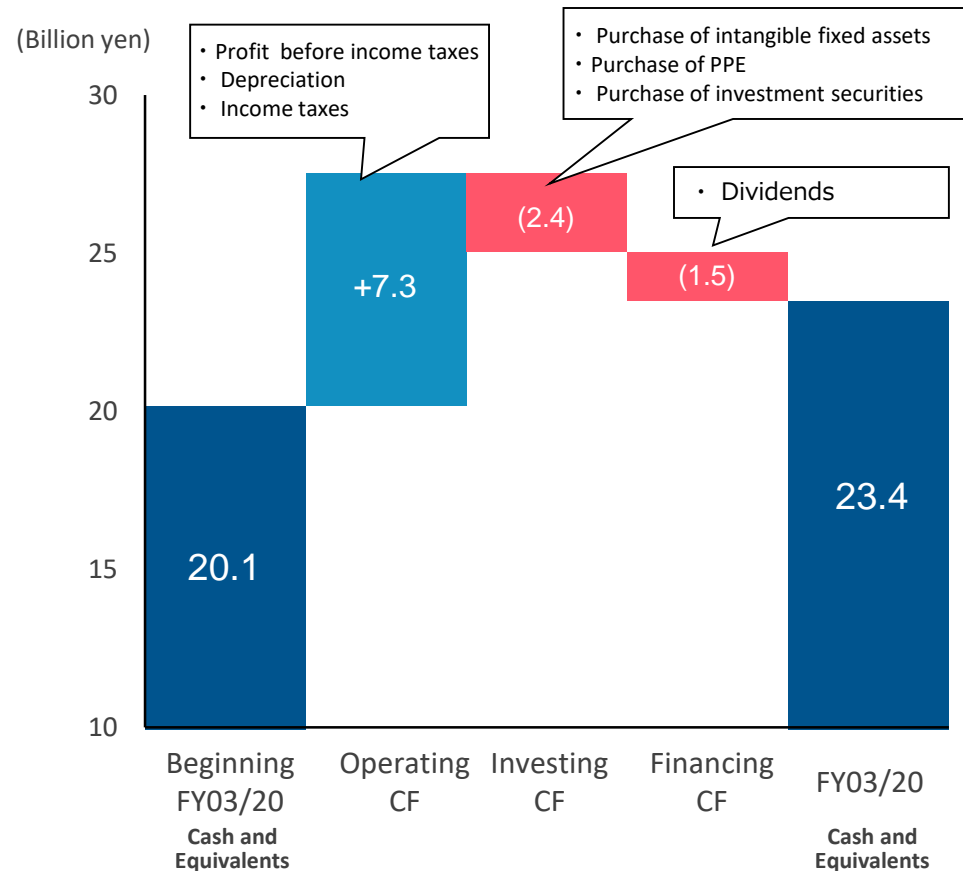
Category	Main Details	Amount
Business Development	New business planning, research, demonstration tests, etc.	0.3
Equity Investment	Korean e-comic distribution Company Nursing professional recruitment company VC fund specializing in the Asian healthcare field ... etc.	1.9
Capital Investment	E-comic (App development, Enhancement of server facilities, etc.)	1.0
	Health IT	
	GRANDIT Other	
R&D Investment	AI, new technology research, etc.	0.1

Balance Sheets (Consolidated)

(Billion yen,%)

	FY03/19		FY03/20			Major Change Factors
	Amount	Composition Ratio	Amount	Composition Ratio	YoY	
Current assets	32.4	74.3	36.4	75.8	+3.9	<ul style="list-style-type: none"> • Cash and deposits +3.3 • Notes and accounts receivable +0.8 • Goodwill +1.1 • Investment securities -1.0
Fixed assets	11.2	25.7	11.6	24.2	+0.4	
Total assets	43.6	100.0	48.0	100.0	+4.4	
Current liabilities	10.6	24.4	11.8	24.5	+1.1	<ul style="list-style-type: none"> • Accounts payable-trade +0.4 • Income taxes payable +0.3 • Provision for bonuses +0.1
Non-current liabilities	0.2	0.7	0.1	0.3	(0.1)	
Total liabilities	10.9	25.1	11.9	24.8	+0.9	
Total net assets	32.7	74.9	36.1	75.2	+3.4	<ul style="list-style-type: none"> • Retained earnings +4.0
Total liabilities and net assets	43.6	100.0	48.0	100.0	+4.4	
Shareholders' equity ratio	74.6%		74.4%			

Cash Flows (Consolidated)



(Billion yen)

	FY03/19	FY03/20	Change
Operating CF	5.6	7.3	+1.6
Investing CF	(1.0)	(2.4)	(1.4)
Free CF	4.6	4.8	+0.2
Financing CF	(1.1)	(1.5)	(0.4)
Effects of exchange rate changes on cash and cash equivalents	0.0	(0.0)	(0.0)
Change in cash and cash equivalents	3.5	3.3	(0.2)
Cash and cash equivalents, beginning of period	16.6	20.1	+3.5
Cash and cash equivalents, end of period	20.1	23.4	+3.3

02

Earnings Forecast for FY03/21











Earnings Forecast for FY03/21 (Consolidated)

(Billion yen,%)

	FY03/20 Results			FY03/21 Forecast			YoY	
	1H	2H	FY	1H	2H	FY	Change	%
Net sales	27.6	30.6	58.3	30.5	36.5	67.0	+8.6	+14.8
Operating profit (Operating margin)	3.8 (14.0)	4.3 (14.2)	8.2 (14.1)	3.4 (11.1)	5.3 (14.5)	8.7 (13.0)	+0.4	+6.0
EBITDA	4.4	4.9	9.3	4.1	6.0	10.1	+0.7	+7.5
Ordinary income	3.8	4.3	8.2	3.4	5.3	8.7	+0.4	+5.2
Profit attributable to owners of the parent	2.5	2.9	5.5	2.2	3.5	5.7	+0.1	+2.8
Net income per share(yen)			101.32			104.18	+2.86	+2.8
ROE(%)			16.2			15.1	(1.1)	

Impact of COVID-19 on Financial Results

◆ Assuming impact of COVID-19 continues through the fiscal first half

	1 Q	2 Q	3 Q	4 Q
Domestic Economic Activity	 Weakness due to COVID-19	 Signs of limited recovery	 Nearly recovered	 Significant recovery, including rush demand at the end of the fiscal year
Infocom Business Solution Group	 Suspension of product adoptions; lower sales and profits	 Ongoing project delays, even after recommencement of sales activities	 Positive rebound effect from the first half; significant recovery in results	
Infocom Digital Entertainment Group	 Continued increase in demand due to stay-at-home requests		 Steady stream of new subscribers from the first half and continued high growth	

Business Solution Group Earnings Forecast (Consolidated)

(Billion yen,%)

	1H			2H			FY		
	FY03/20 Results	FY03/21 Forecast	YoY(%)	FY03/20 Results	FY03/21 Forecast	YoY(%)	FY03/20 Results	FY03/21 Forecast	YoY(%)
Net sales	11.6	9.5	(18.3%)	13.7	14.5	+5.4%	25.3	24.0	(5.5%)
Health IT	4.8	4.3	(8.7%)	5.9	6.1	+3.3%	10.7	10.5	(2.1%)
Operating profit	1.3	0.2	(84.9%)	1.9	2.0	+3.7%	3.2	2.2	(32.3%)
(Operating margin)	(11.4)	(2.1)		(14.0)	(13.8)		(12.8)	(9.2)	

Net sales

First Half: Lower sales stemming from weak sales activities due to COVID-19
 Second Half: Higher sales as product purchases consolidate in the second half

Operating profit

First Half: Lower profit due to lower sales
 Second Half: Higher profit as projects concentrate in the second half, including delayed first-half sales

Digital Entertainment Group Earnings Forecast (Consolidated)

(Billion yen,%)

	1H			2H			FY		
	FY03/20 Results	FY03/21 Forecast	YoY(%)	FY03/20 Results	FY03/21 Forecast	YoY(%)	FY03/20 Results	FY03/21 Forecast	YoY(%)
Net sales	16.0	21.0	+30.9%	16.9	22.0	+29.9%	32.9	43.0	+30.4%
E-comic	15.8	20.8	+31.5%	16.7	21.8	+30.2%	32.6	42.7	+30.8%
Operating profit	2.5	3.2	+26.5%	2.4	3.3	+36.3%	4.9	6.5	+31.3%
(Operating margin)	(15.8)	(15.2)		(14.3)	(15.0)		(15.0)	(15.2)	

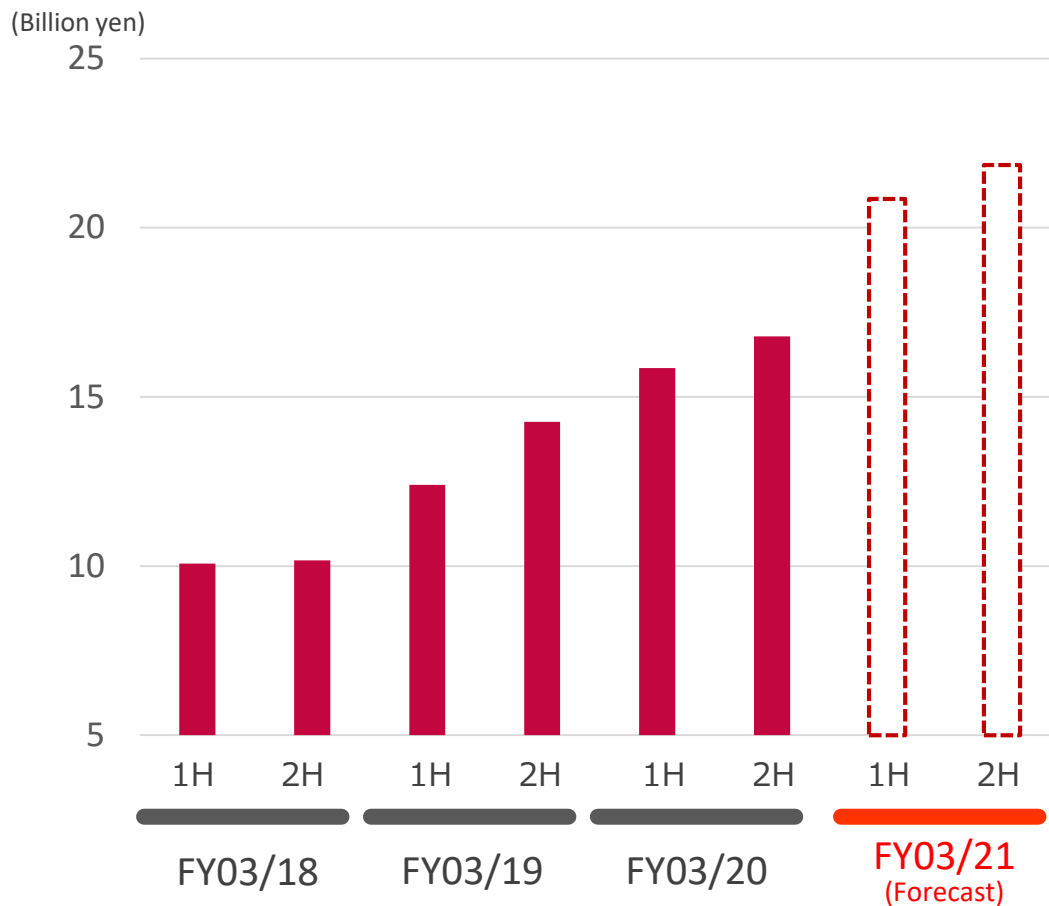
Net sales

First Half: Higher sales due to ongoing demand growth due to stay-at-home requests
 Second Half: Higher e-comic sales (Over 30% year on year) as we maintain strong performance

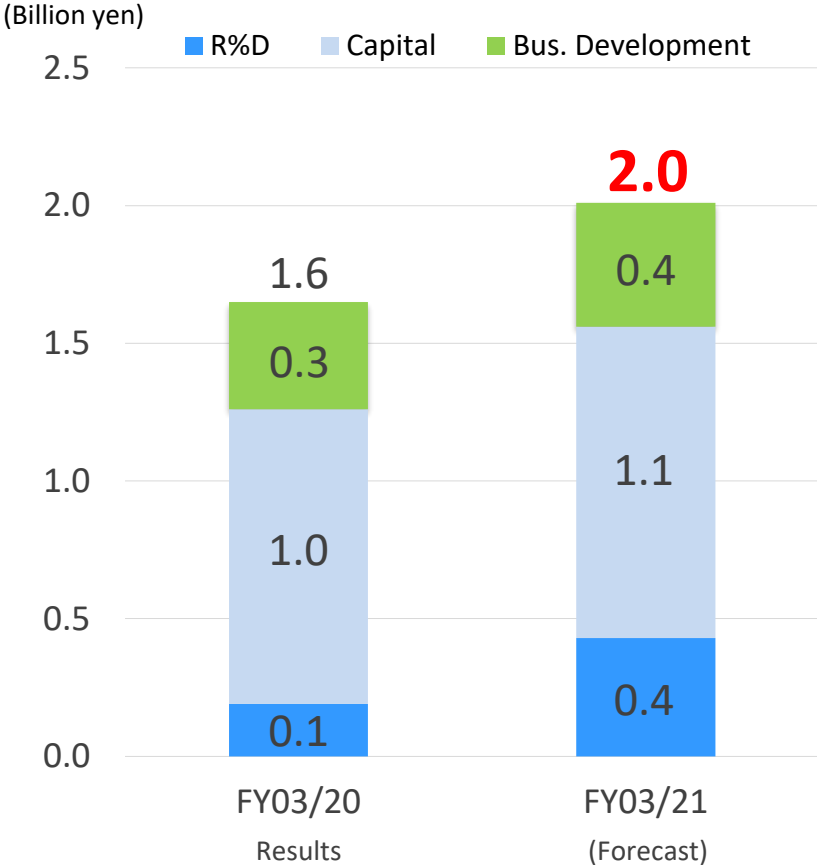
Operating profit

First Half: Higher profit due to higher sales
 Second Half: Higher profit as we absorb costs for adding content, full-scale app publishing, and additional advertising

Earnings Forecast of E-Comic Distribution Service



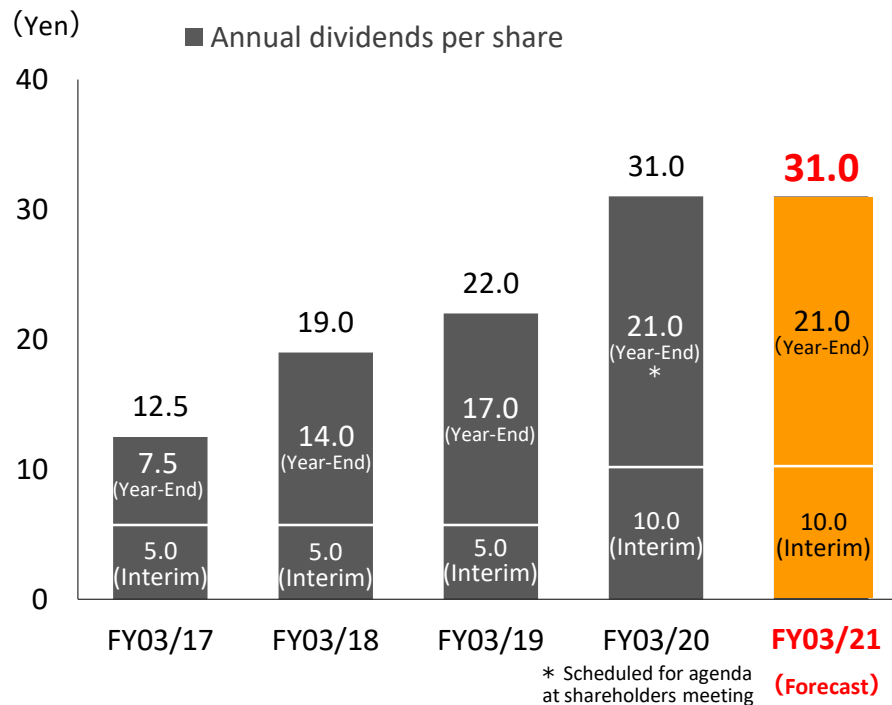
Investments



(Billion yen)

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

Shareholder Returns



Net income per share (yen)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	59.64	84.85	87.46	101.32	104.18

◆ Dividends

Forecast FYE March 2021 interim dividend of 10 yen, year-end dividend of 21 yen for annual dividend of 31 yen per share (29.8% payout ratio)

◆ Shareholder benefits

Implement for shareholders of record as of September 30, 2020 who own at least one trading unit

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

03

Initiatives for FY03/21

- E-comic
- Health IT

* We intend to share more details related to our initiatives when we announce our medium-term management plan (April 2020 to March 2023)

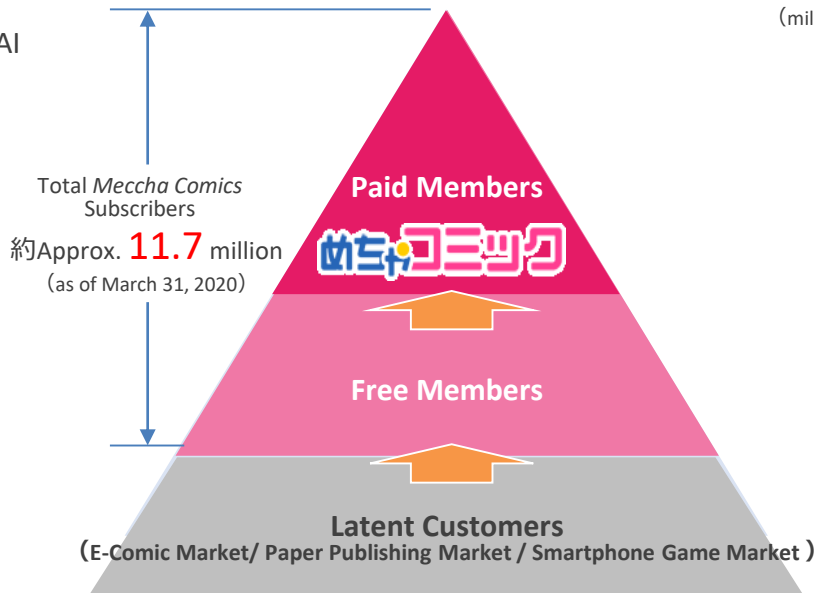
Initiatives for FY03/21 [E-comic]

Maximize *Meccha Comics* income

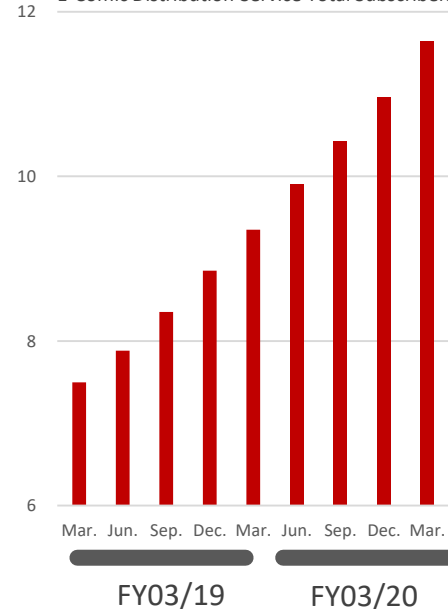
- Stronger marketing via data analysis, AI
- Exclusive distribution
- More original comics
- Improved image quality (5G)
- Full-scale app publishing
 - Complete re-releases
 - Stronger promotions

Other

- Overseas expansion (Korea distribution business, etc.)
- M&A



(million) E-Comic Distribution Service Total Subscribers



E-Comic Market

FY2019/¥323.6B
amutus forecast

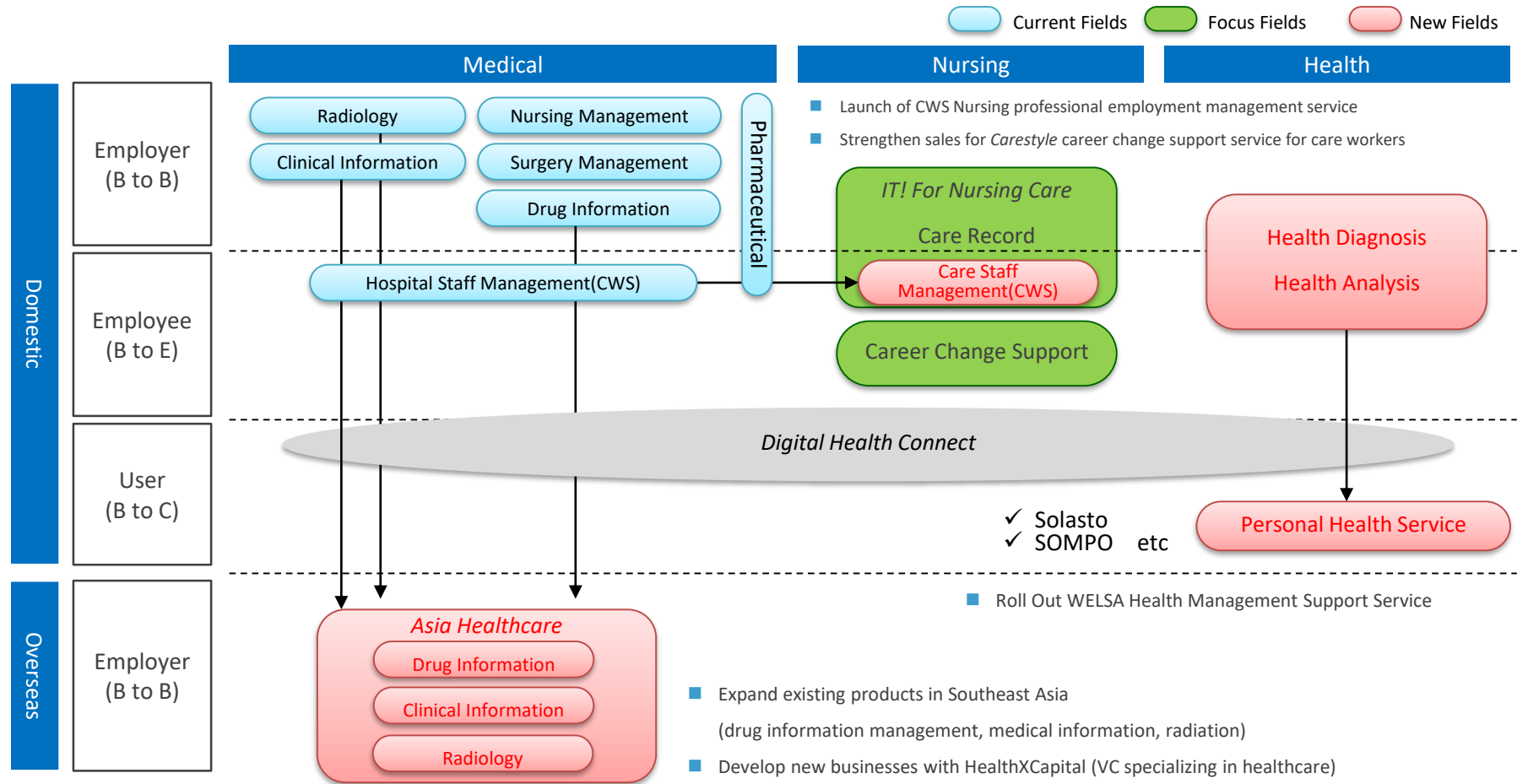
Paper Publishing Market

2018/¥1,292.1B
AJPEA Survey

Smartphone Game Market

FY2019/¥1,100.0B
Yano Research Institute forecast

Initiatives for FY03/21 [Health IT]



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