

Infocom Corporation

Financial Results Briefing for the 2Q FY2015

October 30, 2015



Net Business



Healthcare



GRANDIT

1. Financial Results for the 2Q FY15
2. Outlook for FY15
3. Major Actions in 1H and 2H Initiatives

1. Financial Results for the 2Q FY15

FY15 2Q Earnings Highlights (Consolidated)

(Unit: 100 million yen, %)	FY14 2Q	FY15 2Q	YoY		Vs. initial outlook *Revised on September 29, 2015	
	Amount	Amount	Change	% Change	Outlook	Change
Net Sales	186.9	187.3	+0.3	+0.2	190.0	-2.7
Operating profit (Operating margin)	5.9 (3.1)	12.0 (6.4)	+6.1	+103.8	10.0	+2.0
Ordinary profit	6.1	12.4	+6.3	+103.4	10.0	+2.4
Quarterly net profit/loss attributable to owners of parent	2.4	-11.0	-13.4	-	-12.5	+1.5

◆ Recorded the highest sales, operating profit, and ordinary profit since its listing, boosted by recovery in the health IT business and steady performance of e-book. On the other hand, an extraordinary loss of 2.71 billion yen was posted for data center related business restructuring expenses.

Business Solution Group

- Hospitals
- Pharmaceutical companies
- Health industry



Health IT



Business
Software

- **ERP GRANDIT®**
- Emergency contact/safety confirmation
Call centers
- Document management, etc.

- Textile makers
- Trading companies
- Pharmaceutical wholesalers
- Cell-phone companies



Enterprise
Service
Management



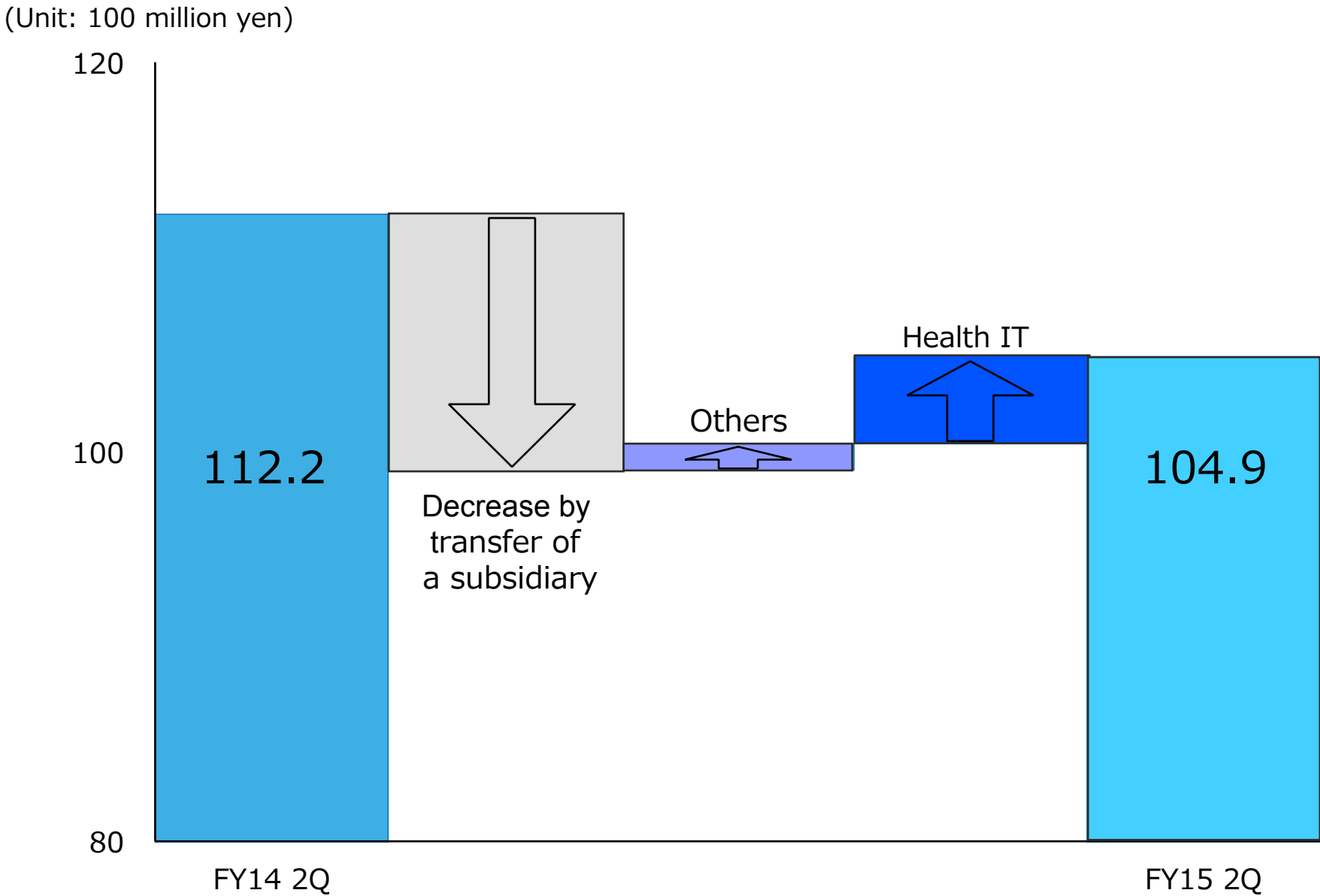
**Digital
Entertainment**

- E-book
- E-commerce
- Contents delivery for women, music

Digital Entertainment Group

(Unit : 100 million yen, %)	FY14 2Q	FY15 2Q	YoY	
	Amount	Amount	Change	% Change
Net sales	112.2	104.9	-7.3	-6.5
Operating profit (Operating margin)	2.6 (2.4)	5.6 (5.4)	+2.9	+111.0

- ◆ Net sales: Despite the recovery in the health IT business, sales were weighed down by the transfer of a subsidiary in FY14.
- ◆ Operating profit: The increase was driven by recovery in the health IT business and changes in the sales mix.

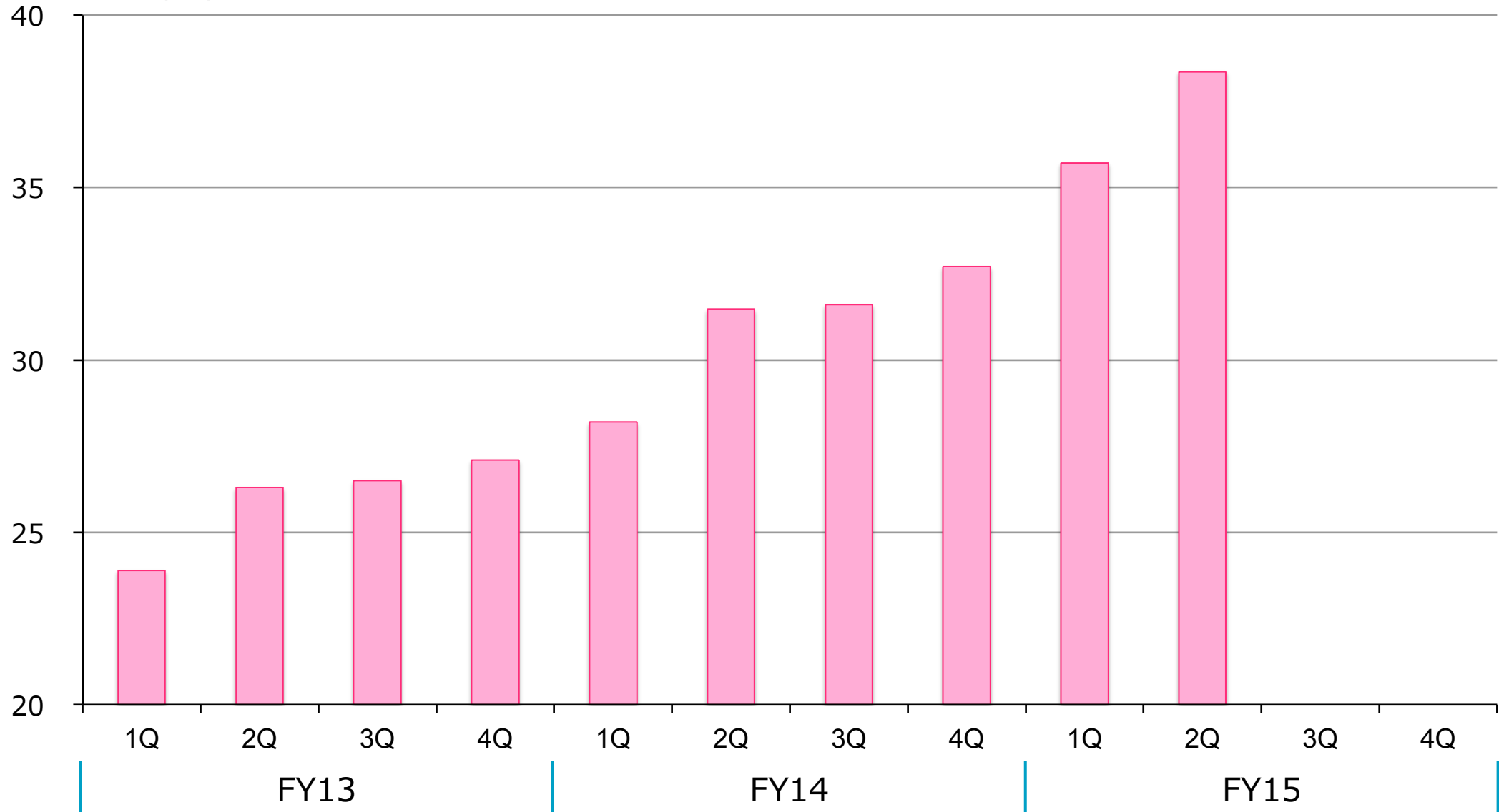


(Unit: 100 million yen, %)	FY14 2Q	FY15 2Q	YoY	
	Amount	Amount	Change	% Change
Net sales	74.7	82.4	+7.7	+10.3
Operating profit (Operating margin)	3.2 (4.3)	6.4 (7.8)	+3.1	+97.9

- ◆ Net sales: E-book distribution services were robust, offsetting a decline in the social game business sales.
- ◆ Operating profit: E-book distribution services grew and adjustments of the social game business showed an effect.

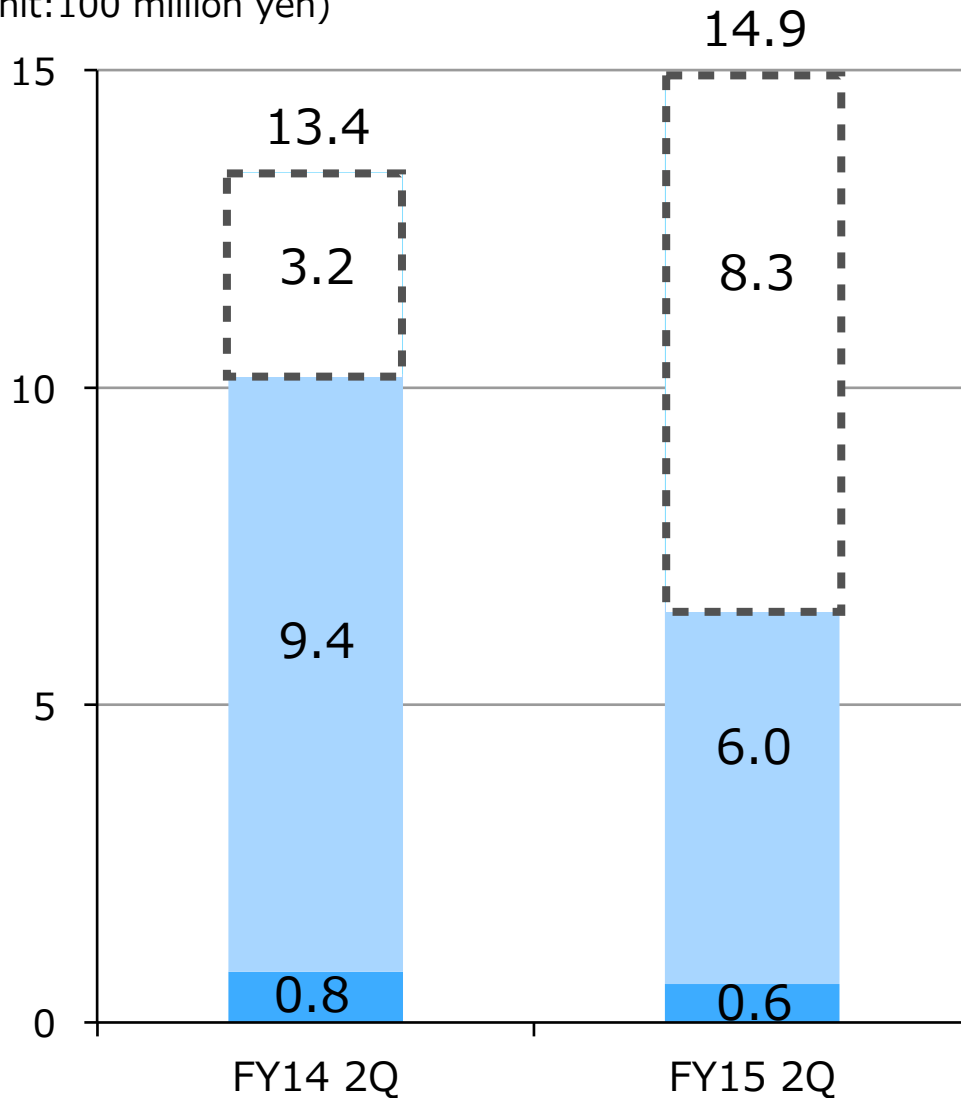
Net sales

(Unit: 100 million yen)



■ R&D ■ Equipment ■ Capital

(Unit: 100 million yen)



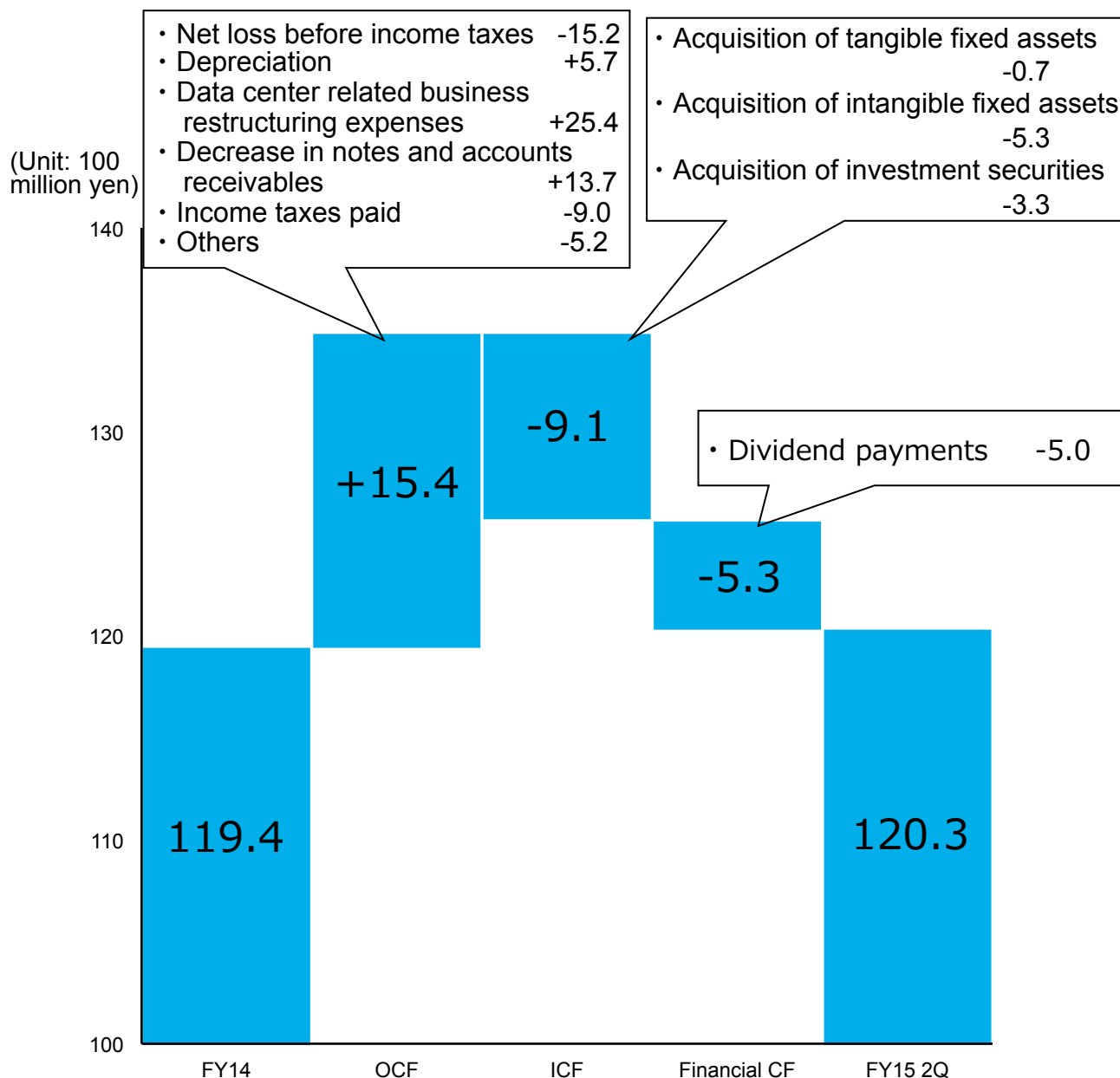
Major Investments (100 million yen)

Capital investment	IoT Comprehensive regional care Southeast Asian IT companies	8.3
Equipment investment	Hospital systems	6.0
	GRANDIT-ERP	
	Emergency contact/ safety confirmation systems	
	Digital contents management systems	
	Others	
R&D investment	New technology development (company-wide research)	0.6
	Others	

Balance Sheet (Consolidated)

(Unit: 100 million yen, %)	March 31, 2015		September 30, 2015			Major factors for changes
	Amount	Ratio	Amount	Ratio	Change	
Current assets	218.1	76.5	213.4	74.7	-4.6	<ul style="list-style-type: none"> • Cash and deposits +0.9 • Notes and accounts receivables -13.7
Non-current assets	67.1	23.5	72.4	25.3	+5.3	<ul style="list-style-type: none"> • Tangible fixed assets -2.8 • Investments and other assets +7.1
Total assets	285.2	100.0	285.9	100.0	+0.6	
Current liabilities	74.0	26.0	79.5	27.8	+5.4	<ul style="list-style-type: none"> • Income taxes payable -4.9
Non-current liabilities	2.0	0.7	12.9	4.5	+10.9	
Total liabilities	76.1	26.7	92.4	32.3	+16.3	<ul style="list-style-type: none"> • Data center related business restructuring expenses, etc. +25.1
Total net assets	209.1	73.3	193.4	67.6	-15.6	<ul style="list-style-type: none"> • Retained earnings -16.0
Total liabilities and net assets	285.2	100.0	285.9	100.0	+0.6	
Capital adequacy ratio	73.0%		67.3%			

Cash Flow (Consolidated)



(Unit: 100 million yen)	FY14 2Q	FY15 2Q	Change
Operating CF	13.8	15.4	+1.6
Investment CF	-9.9	-9.1	+0.8
Free CF	3.8	6.3	+2.4
Financial CF	-5.4	-5.3	+0.0
Effect of exchange rate change on cash and cash equivalents	0.4	-0.0	-0.4
Net increase (decrease) in cash and cash equivalents	-1.1	0.9	+2.0
Cash and cash equivalents at beginning of period	107.5	119.4	+11.9
Cash and cash equivalents at end of period	106.4	120.3	+13.9

Cash (equivalents) balance

Cash (equivalents) balance

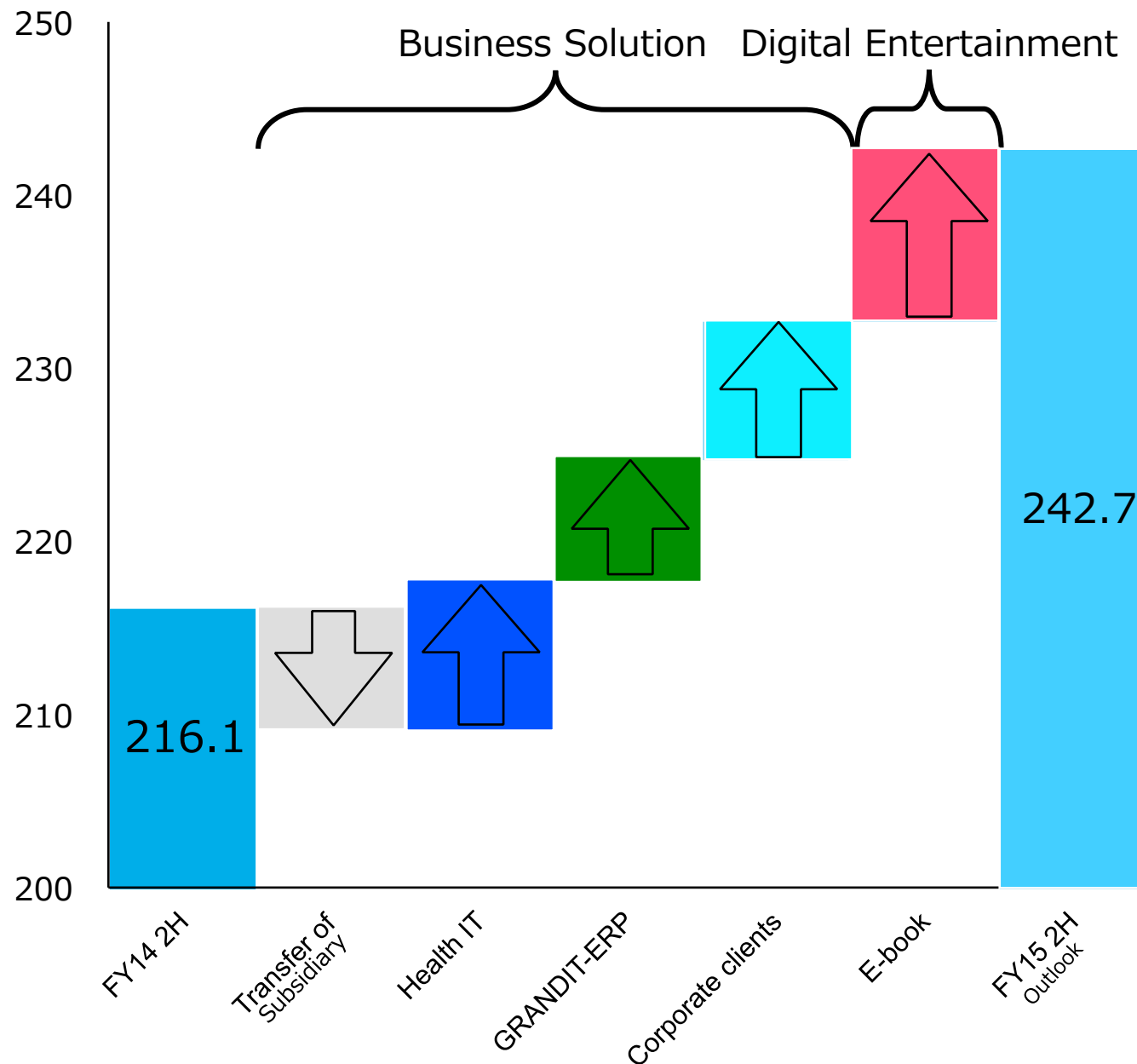
2. Outlook for FY15

FY15 Full Year Outlook (Consolidated)

(Unit: 100 million yen, %)	FY14			FY15 Outlook				Initial outlook
	1H	2H	Full year	1H (Actual)	2H	Full year	Change (Full year)	Full year
Net sales	186.9	216.1	403.0	187.3	242.7	430.0	+27.0	430.0
Operating profit (Operating margin)	5.9 (3.2)	30.1 (14.0)	36.0 (8.9)	12.0 (6.4)	32.0 (13.2)	44.0 (10.2)	+8.0 (+1.3)	42.0 (9.8)
Ordinary profit	6.1	30.7	36.9	12.4	31.6	44.0	+7.1	42.0
Net profit attributable to owners of parent	2.4	19.2	21.7	-11.0	19.5	8.5	-13.2	26.0
Net profit per share (yen)	79.43			31.09			-48.34	95.10
ROE	10.9			4.2				12

◆No change in the full year outlook (announced on September 29, 2015)

(Unit: 100 million yen)



◆ YoY up 2.66 billion yen

[Business Solution]

• **Health IT**

Strong sales for systems to hospitals

• **GRANDIT-ERP**

Robust sales due to recovery in IT investment

• Corporate clients

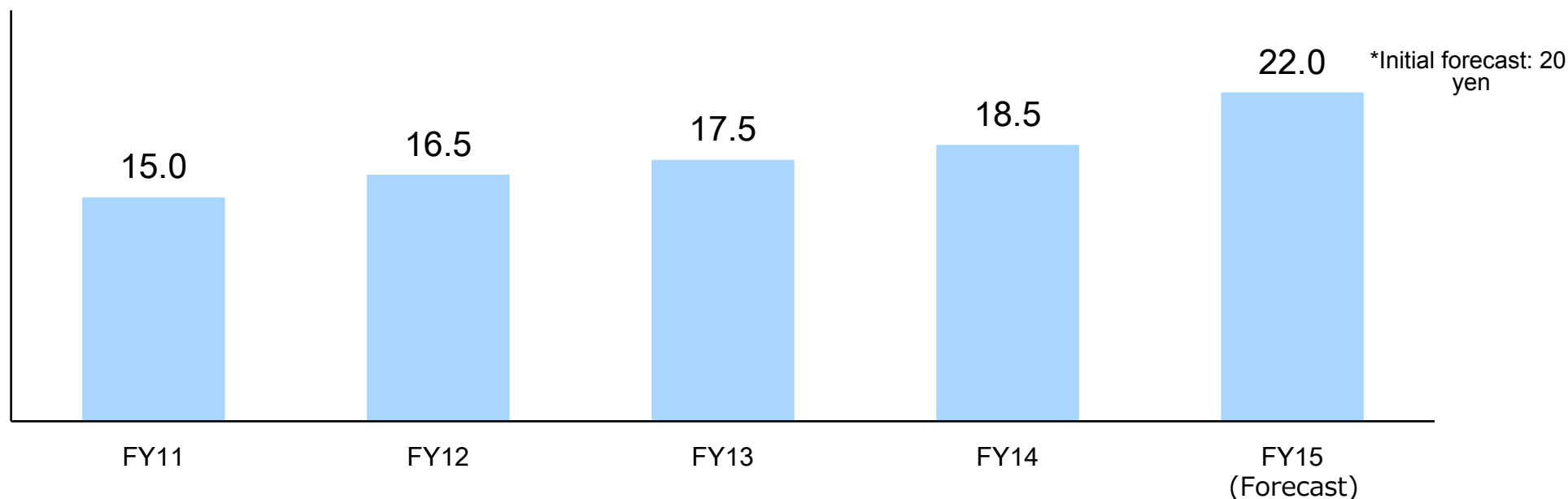
Increase in sales of packaged products

[Digital Entertainment]

• E-book

Continued to be strong

■ Annual dividend per share (yen)



Net profit per share	64.78 yen	74.51 yen	73.98 yen	79.43 yen	31.09 yen
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Note: The Company conducted a 200-for-1 stock split of common stock effective October 1, 2013. The annual dividend per share and net profit per share before the share split are adjusted to figures that take into account the share split.

- ◆ Dividend: A dividend increase of 3.5 yen is expected for the FY15
(Announced on September 29, 2015)
- ◆ Share buyback will be flexibly conducted if necessary.
- ◆ Preferential benefits for shareholders will be provided to shareholders recorded on the shareholders' register as of September 30, 2015, holding shares of one unit or more.
(To be informed at the end of November)

3. Major Actions in 1H and 2H Initiatives

Digital Entertainment

- E-Book

Health IT

- Hospitals
- Pharmaceutical companies
- New service development

GRANDIT-ERP

- ERP package
(Integrated business software package)

Digital Entertainment

1. Drove growth strategies for the e-book distribution services (Mecha Comic)

- Strengthened service platforms
- Enhanced content
- Executed advertisement strategies
- Expanded distribution channels



2. Reviewed social game business strategies

- Discontinued in-house development and delivery (end June)
- Became specialized in distribution of popular mini games in and outside Japan

Disseminated and spread the Mecha Comic brand

- Aired TV commercials in major cities in Japan.
- Run commercials on on-street screens in front of three major terminal stations: Shibuya, Shinjuku, and Ikebukuro.
- Run in-train screen advertising on seven lines including the Yamanote Line, Chuo Line, and Keihintohoku Line.

Enhanced selection of general comics

- Started offering popular comics by Shueisha from April 24.
- Started offering popular comics by Akita Shoten from the end of June.

Expanded business overseas

- Started distribution of comics across China through an alliance with a major Chinese company.
- Established a comics industry association for protecting copyright in Asia in cooperation with the Chinese government and other organizations.

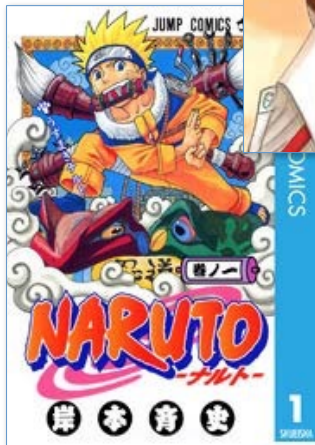
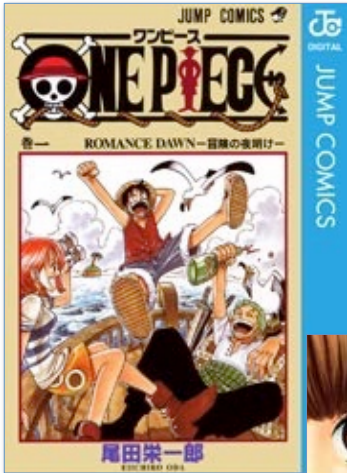
Contributed to sales increases



Enhanced content

Started distribution of comics by Shueisha and other publishers

1Q



Improved convenience

Introduced bulk buying functions

2Q



- ✓ Select episodes for bulk purchase
- ✓ 10% bulk discount

*For covered episodes only.

Better operability

Improved viewer functions

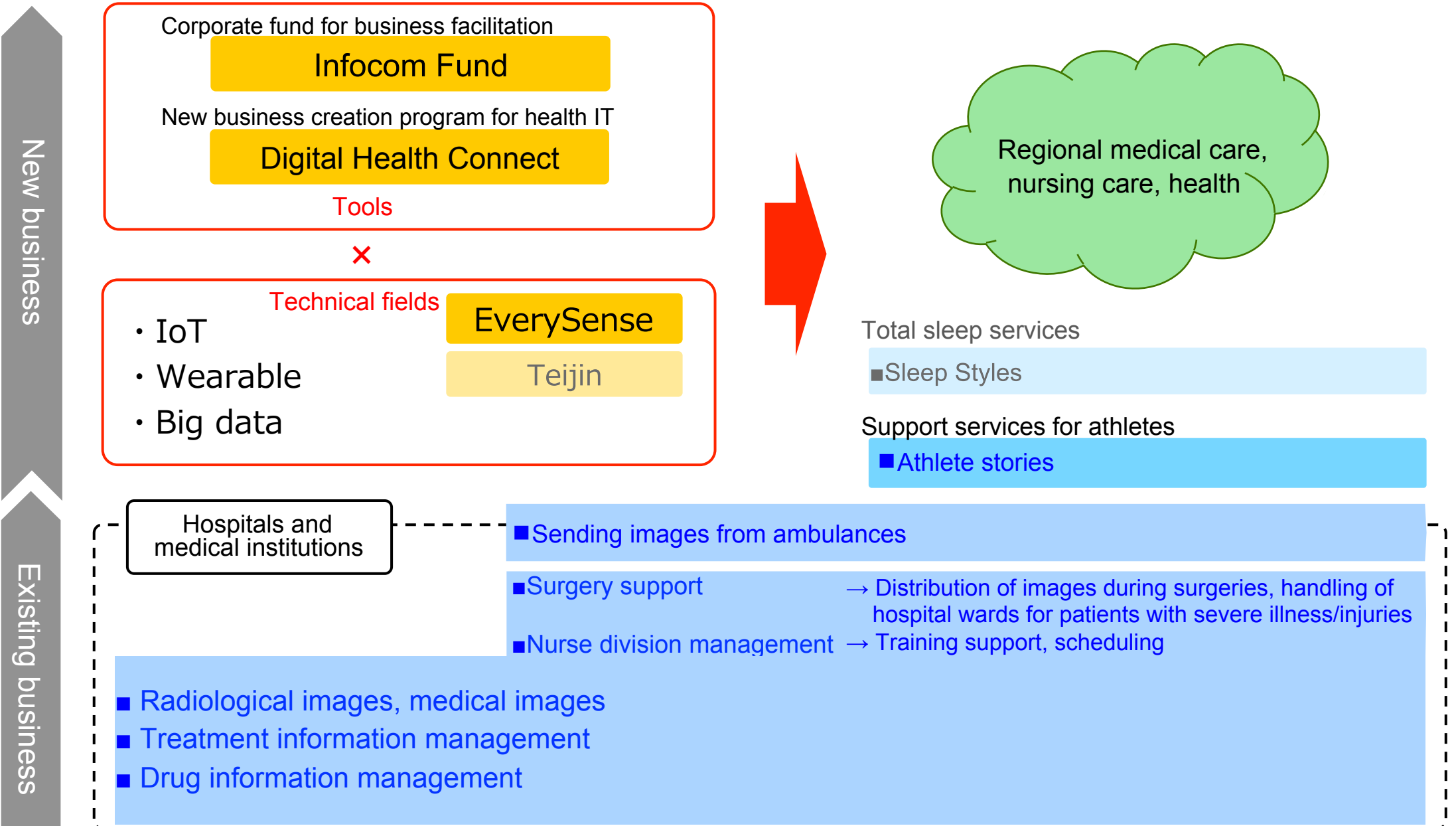
2Q

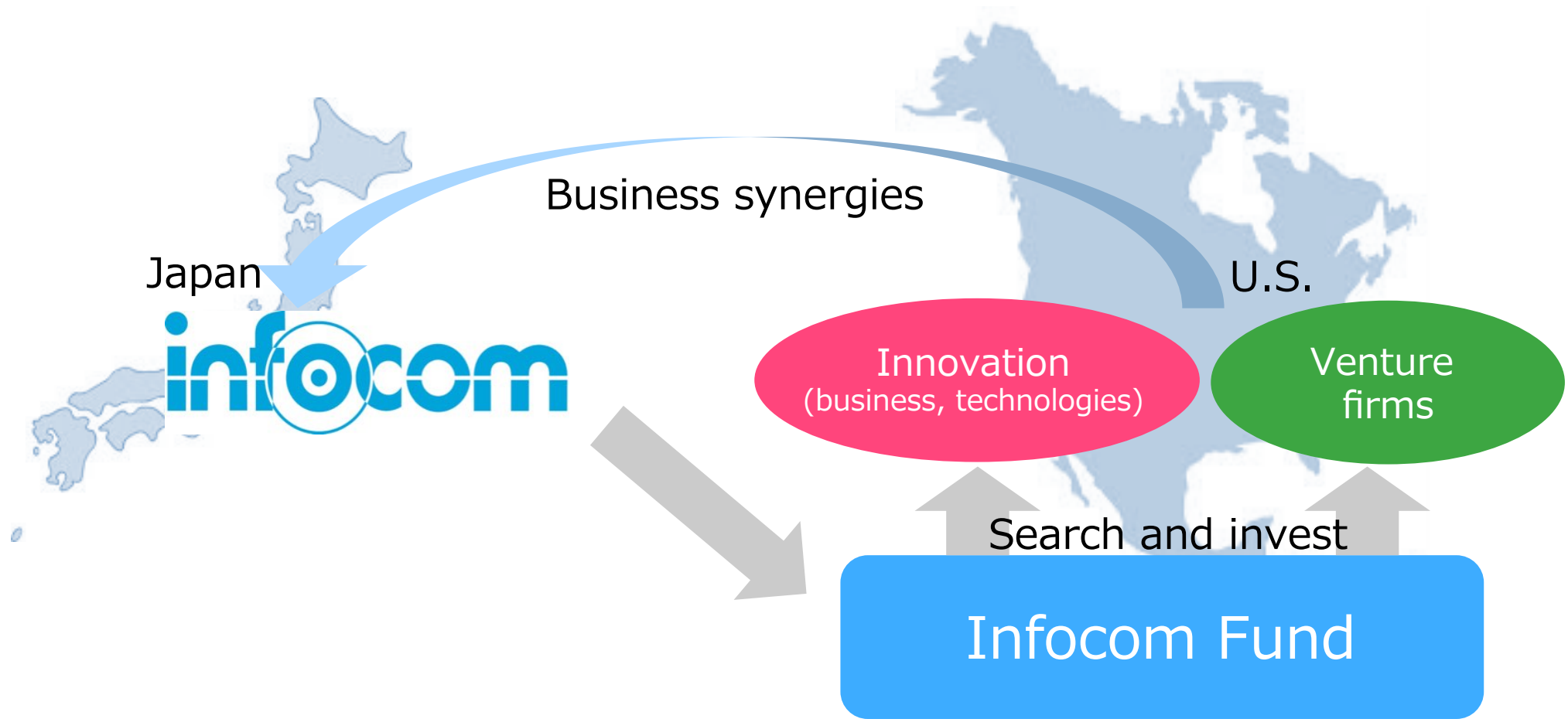


- ✓ Revamped design
- ✓ Added skip, auto frame advance, zoom and other functions

Health IT

◆ Medical IT to healthcare services





- ◆ We aim to achieve global-level commercialization of new businesses, leveraging the fund. Established in US Silicon Valley, the 2-billion yen fund searches and finds new businesses that have the potential to expand globally, and spurs new business areas. The fund invested in 20 firms.

Japan's first health IT innovation program

Digital Health Connect provides forums for entrepreneurs and the healthcare industry to meet.



Collaboration event
with US Aging2.0
(October 6, 2015)

GRANDIT-ERP

Enhanced cloud

- Started Microsoft Azure support.

Promote and support handling of My Number system

- All versions including GRANDIT's latest version offer support for the My Number system free of charge.

Facilitate engineer development

- Promote learning by leveraging the e-learning system across the consortium.

- ◆ GRANDIT-ERP implementation
850 companies, more than 3,800 sites
- Development and evolution centered on needs of customers -



GRANDIT DAYS 2015 exhibition booth (October 2015)

New Initiatives

Comprehensive regional care

- System development
- IT service

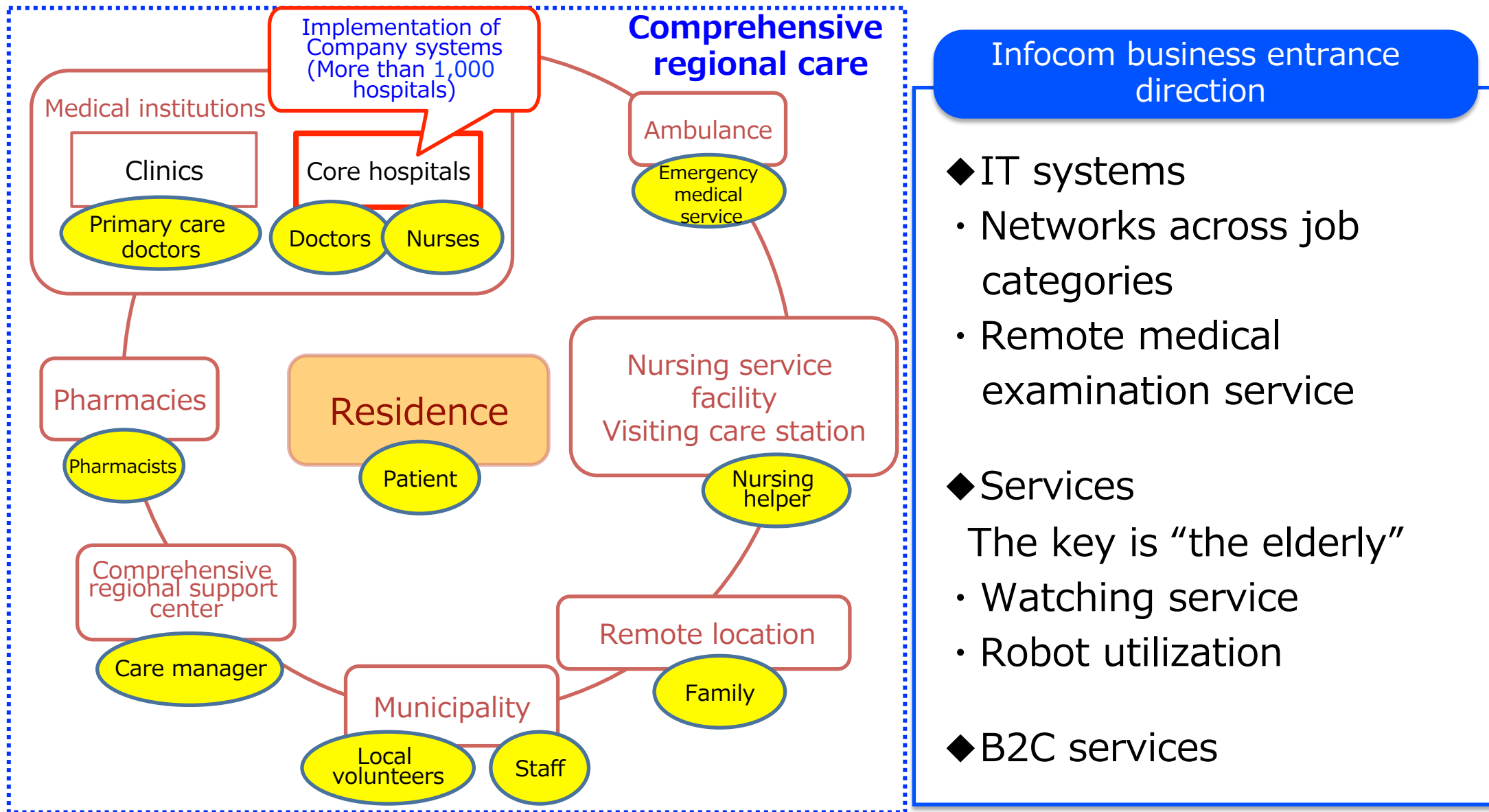
IoT

- IT service
- Data analysis

Data center

- Establish and relocate new service platforms
- Examine and implement asset utilization

- ◆ Promote capital investment in nursing care companies
- ◆ Tapping needs by having access with people on the ground



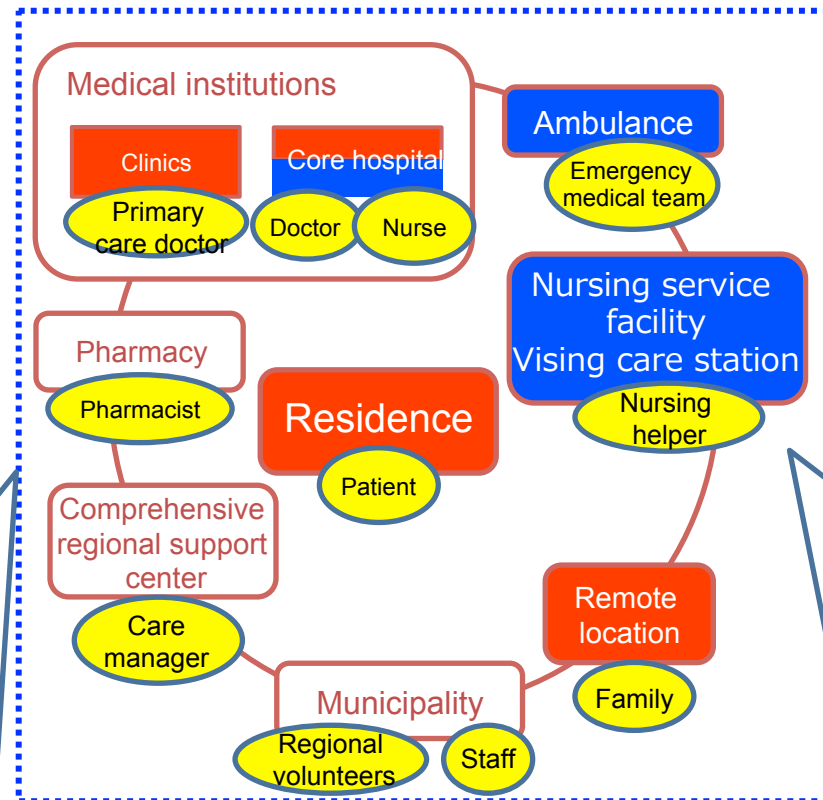
TEIJIN

Teijin
Healthcare
products and services

- HOT(domiciliary oxygen therapy) device
- CPAP(Continuous Positive Airway Pressure) device



Comprehensive regional care

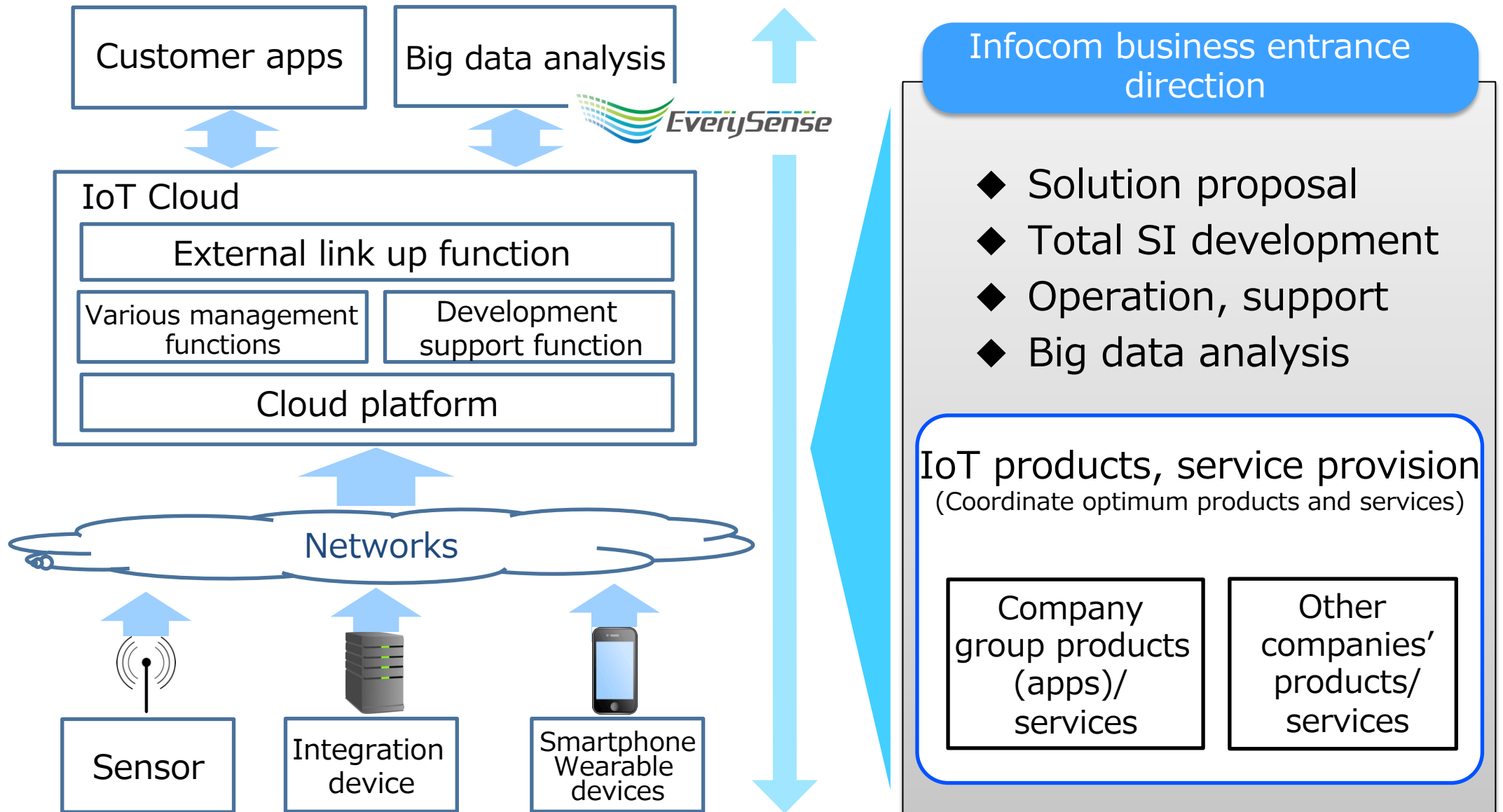


Infocom health IT
systems

- Radiological/medical images
- Treatment information management
- Drug information
- Medical document preparation
- Document management
- Video transmission of disaster events, ambulances



- ◆ Promote capital investments in EverySense and other IoT cloud platform companies and sensor development companies.



TEIJIN

■ Piezoelectric fabric



(Robot picture by Yoshiro Tajitsu Laboratory, Kansai University)

■ RFID shelf management system called Reco Pick



(Book shelf: Chiba University Library)

■ Wearable electrode clothes for cardiac electrogram measurements



■ Sleep total services Sleep Styles

Sleep StylesTM

くらしにあった私スタイルへ

◆ End services by using the Shin-Yokohama Data Center owned by the Company by the end of June 2017.

→ Continue to provide services by using data centers of other companies.

【Environmental changes】

Technological
changes

Changes in
customer needs

Development of
data and network
virtualization

Heightened disaster
recovery awareness
(After 3.11 earthquake)

Commoditization of data centers

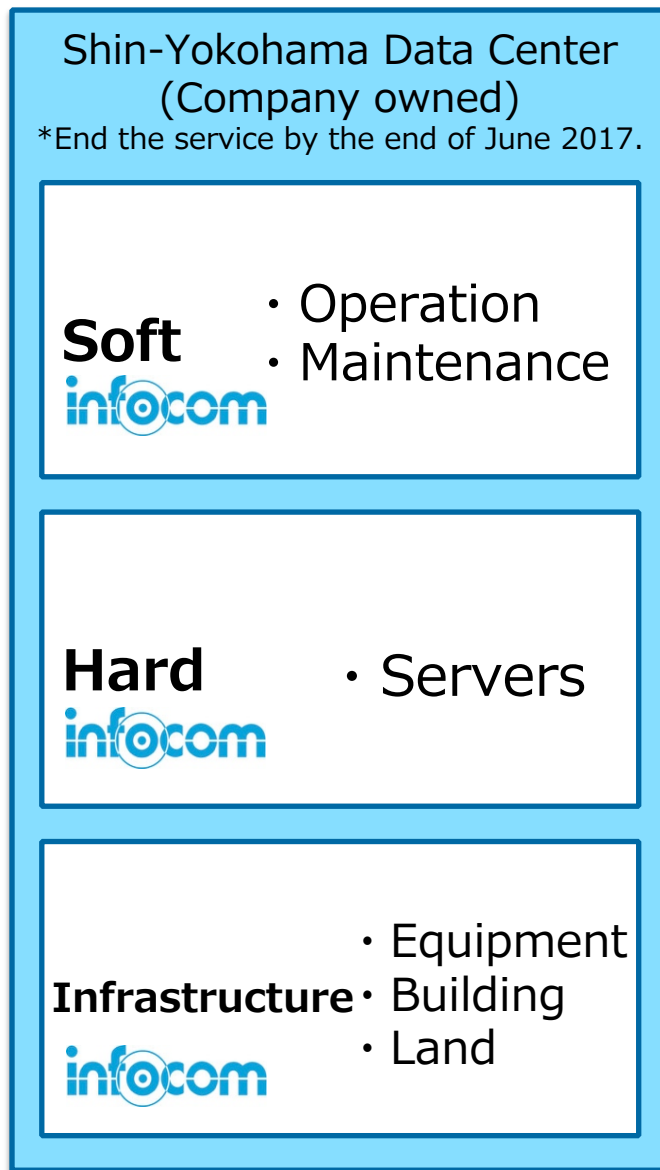
[Overview of Shin-Yokohama Data Center]

- Location: Northern Yokohama
(About 7 km from the central area)
- Building: building dedicated to data center
- Completion: 1993
- Structure: SRC anti-seismic structure
- Area: site area 7,663 m²
building area 2,863 m²
floor area 13,045 m²

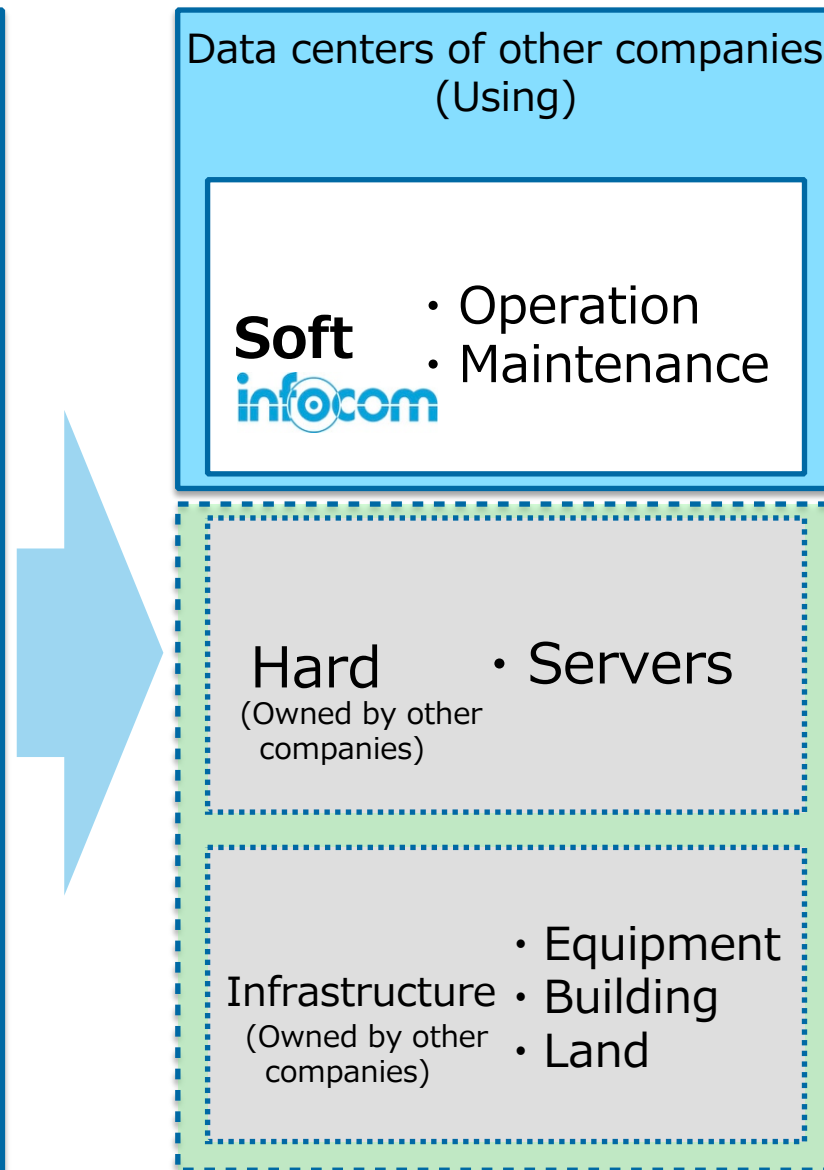


- ◆ Change from the policy of “owning” to “using,” with the aim of maximizing corporate value.

Current



After change



【Temporary charges】

- Approx. 2.7 billion yen (Breakdown)
 - Business restructuring expenses 2.5 billion yen
 - Impairment loss 0.2 billion yen

【Future effect】

- Reduction in operation costs
- Reduction in investments in buildings/equipment



Cut expenses by approx.
4 billion yen in 10 years

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Contract
information

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