

Infocom Corporation

Financial Results Briefing for the fiscal year ended March 31, 2016

April 28, 2016



Net Business



Healthcare



GRANDIT

We would like to express our sincere sympathy for those who are affected by the 2016 Kumamoto earthquake and we hope for the early recovery and reconstruction of the afflicted areas.

Infocom Corporation
Norihiro Takehara, President and CEO

1. Financial Results for the fiscal year ended
March 31,2016
2. Outlook for FY16
3. Major Initiatives in FY16

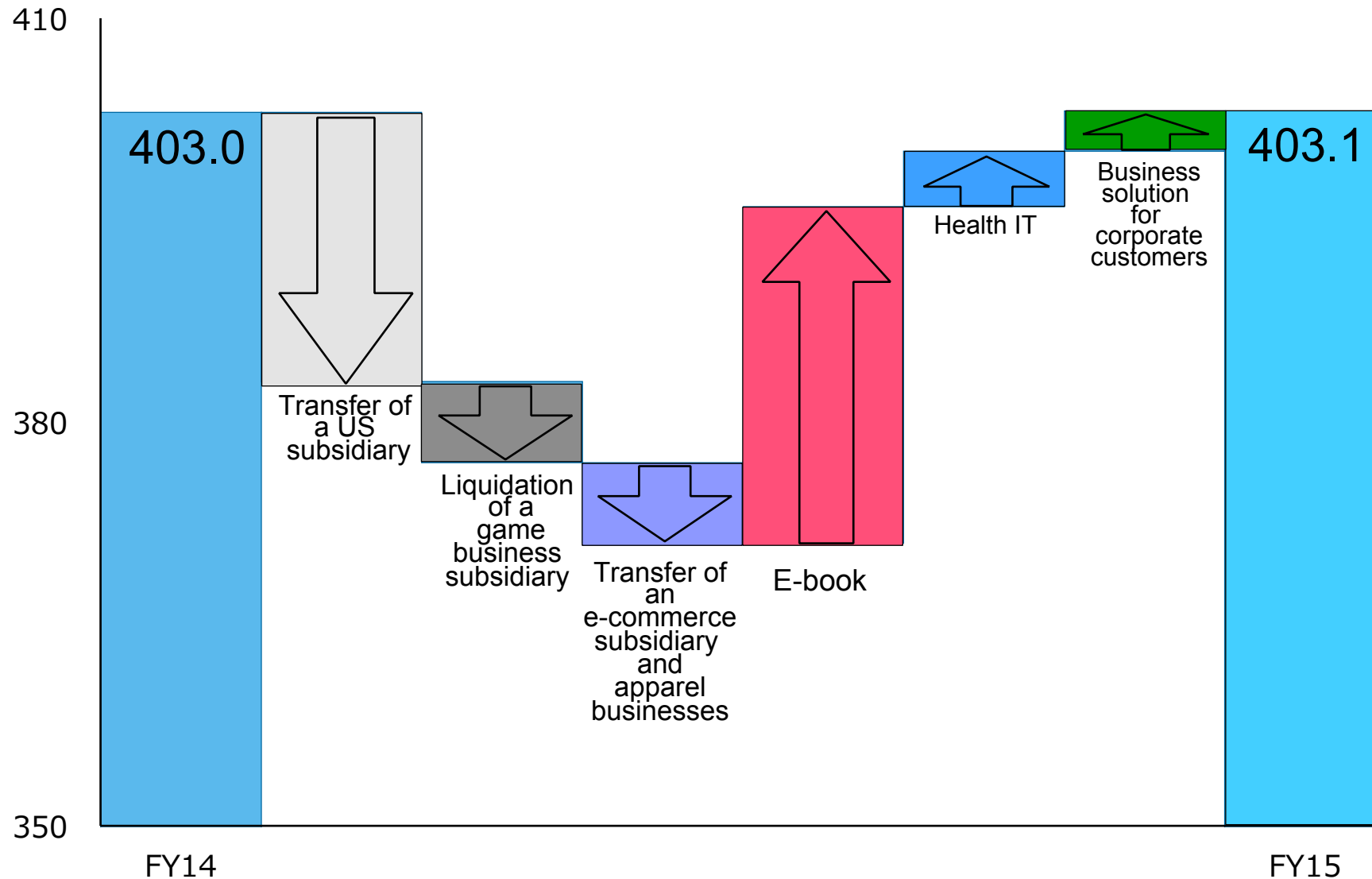
1. Financial Results for the fiscal year ended March 31, 2016

FY15 Earnings Highlights (Consolidated)

(Unit: 100 million yen, %)	FY14	FY15	YoY	
	Amount	Amount	Change	%change
Net Sales	403.0	403.1	+0.1	+0.0
Operating profit (Operating margin)	36.0 (8.9)	44.2 (11.0)	+8.2	+22.8
Ordinary profit	36.9	45.5	+8.6	+23.5
Net profit attributable to owners of parent	21.7	7.2	- 14.4	- 66.5
Net profit per share (yen)	79.43	26.64	- 52.79	- 66.5
ROE (%)	10.9	3.5	- 7.4	

- ◆ Operating profit and ordinary profit increased, which meant the posting of record highs since its listing, driven by implementation of business structural reforms, coupled with steady performance of e-book and health IT business. On the other hand, net profit decreased due to the extraordinary loss of 2.71 billion yen posted for data center related business restructuring expenses.

(Unit: 100 million yen)



Business Solution Group

- Hospitals
- Pharmaceutical companies
- Health industry



Health IT



Business
Software

- **ERP GRANDIT®**
- Emergency contact/safety confirmation
- 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

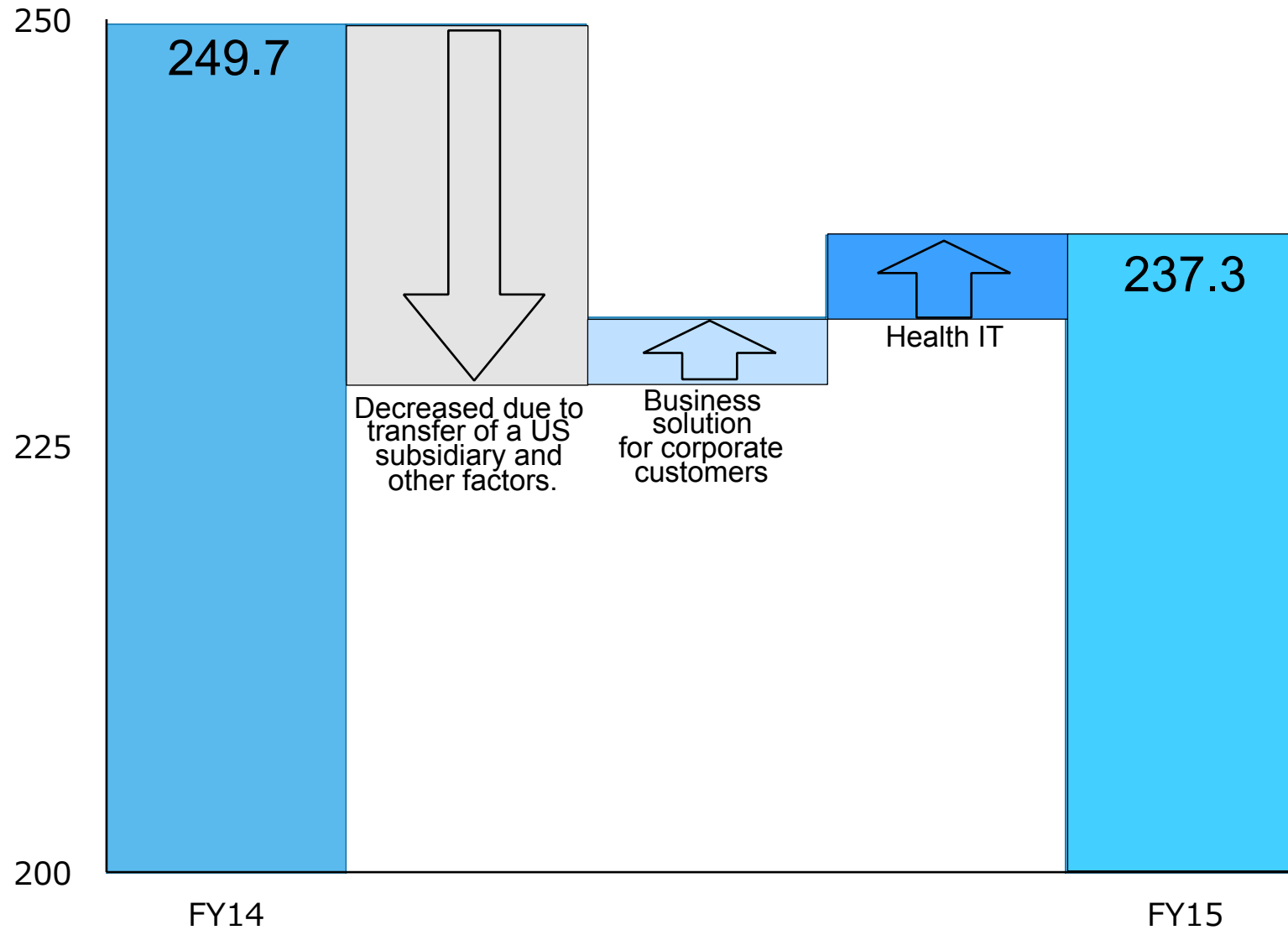
(Note)

Focused businesses in the medium-term business plan are indicated by boldface.

(Unit: 100 million yen, %)	FY14	FY15	YoY	
	Amount	Amount	Change	% Change
Net sales	249.7	237.3	- 12.3	- 4.9
Operating profit (Operating margin)	23.9 (9.6)	24.7 (10.4)	+0.7	+3.0

- ◆ Net sales: Impacted by a sales decrease in the subsidiary that was transferred in FY14, despite sales growth in the health IT business, the primary focus of our company.
- ◆ Operating profit: The increase was driven by sales growth in the health IT business and changes in the sales mix, offsetting the impact of up-front investments in new businesses.

(Unit: 100 million yen)

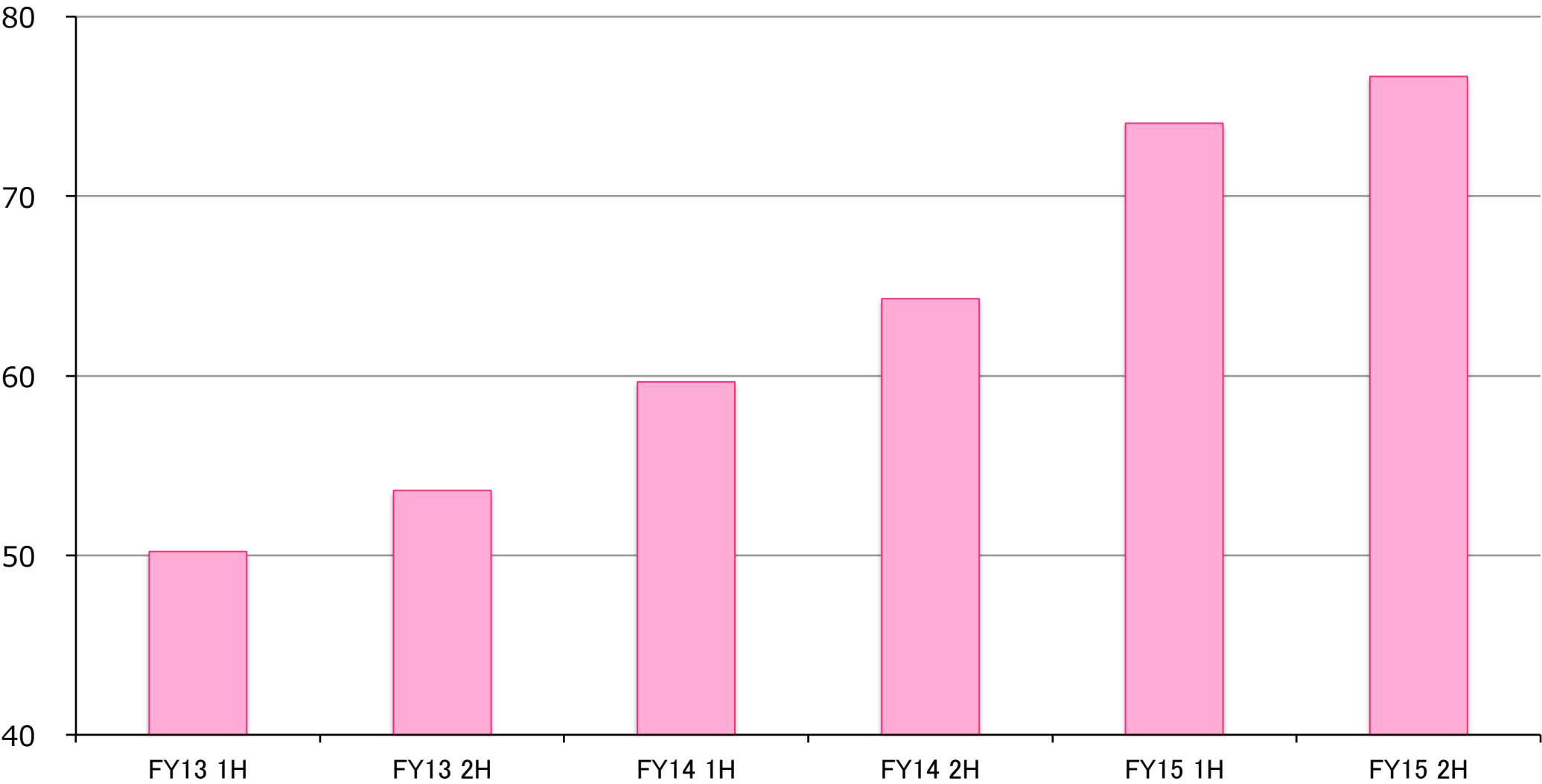


(Unit: 100 million yen, %)	FY14	FY15	YoY	
	Amount	Amount	Change	%Change
Net sales	153.3	165.7	+12.4	+8.1
E-Book Sales	123.9	150.7	+26.8	+21.6
Operating profit (Operating margin)	12.0 (7.9)	19.5 (11.8)	+7.4	+62.0

- ◆ Net sales: E-book distribution services grew more than 20% YoY to exceed 15 billion yen, offsetting declines in sales of the social game and other businesses.
- ◆ Operating profit: E-book distribution services grew and adjustments of the social game business etc. showed an effect.

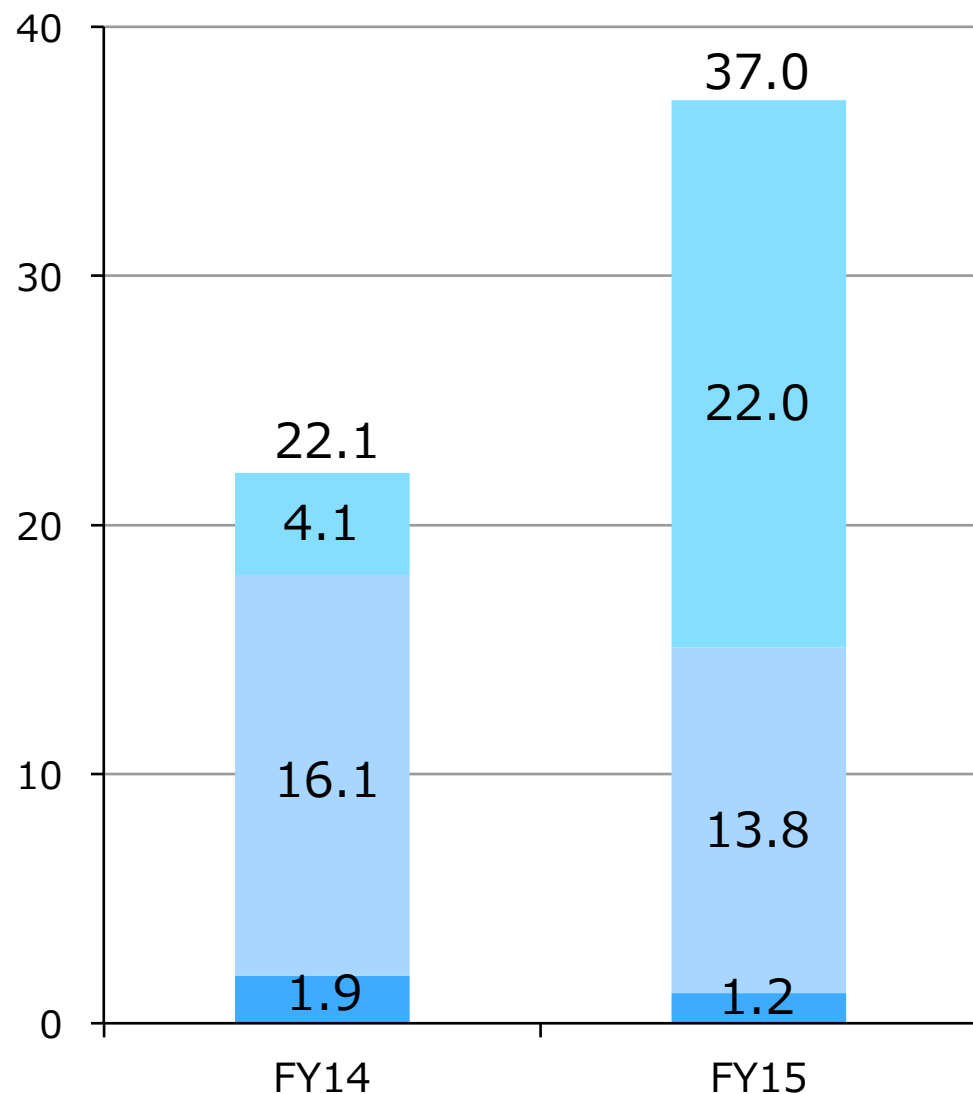
Net sales

(Unit: 100 million yen)



- R&D
- Equipment
- Capital

(Unit:100 million yen)



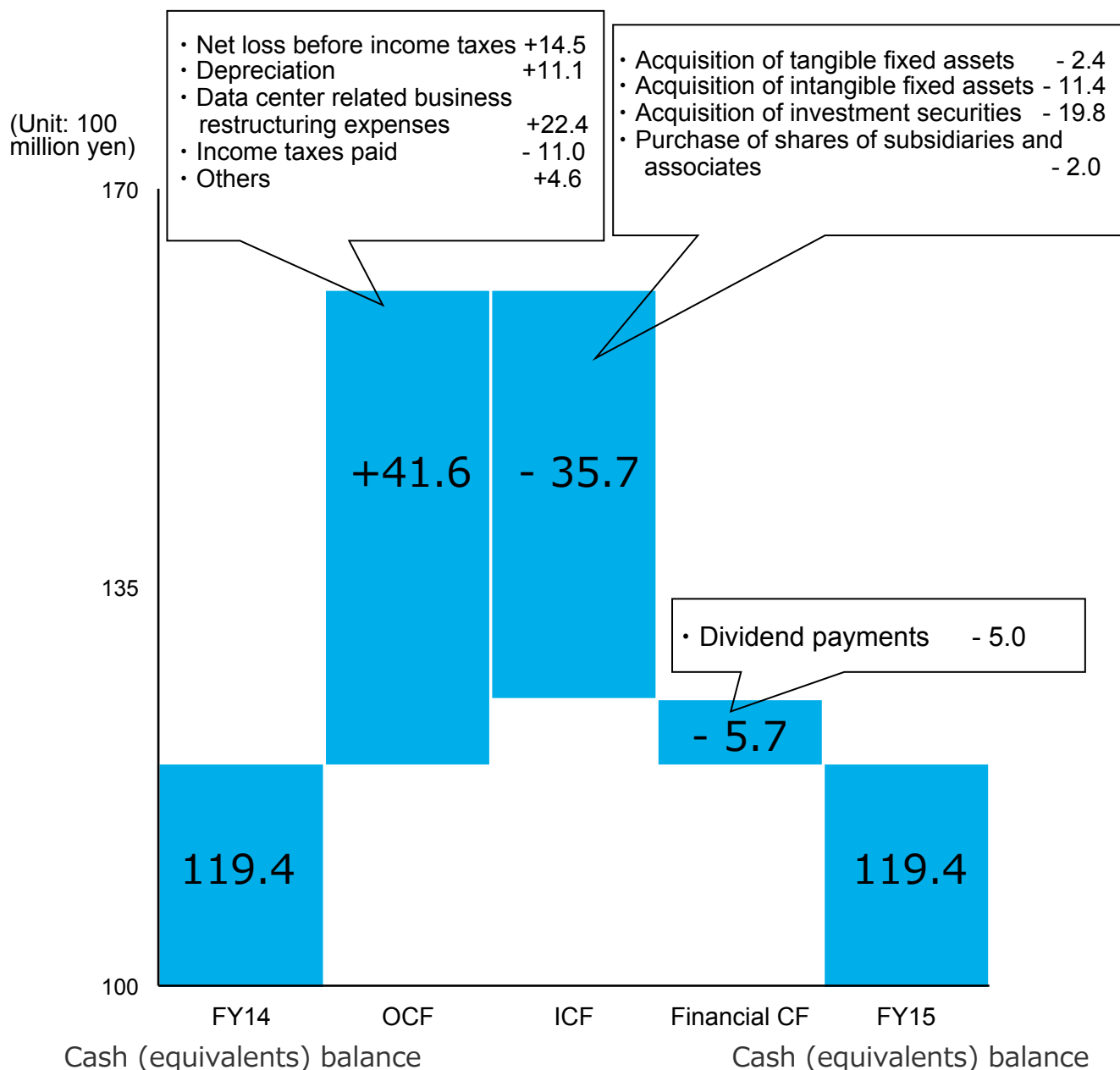
Major Investments (100 million yen)

Capital investment	IoT platform companies Nursing care companies Southeast Asian IT companies	22.0
	E-book distribution services	13.8
	Hospital systems	
Equipment investment	GRANDIT-ERP	
	Emergency contact/ safety confirmation systems	
	Others	
R&D investment	New technology development (company-wide research)	1.2
	Others	

Balance Sheet (Consolidated)

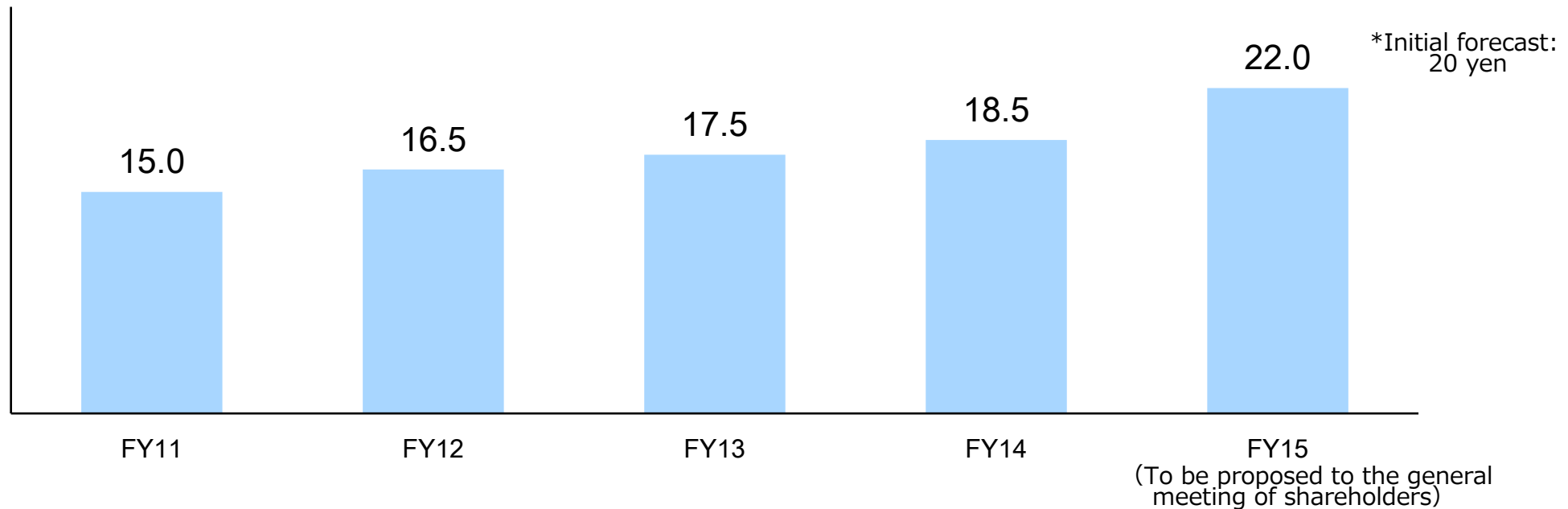
(Unit: 100 million yen, %)	March 31, 2015		March 31, 2016			Major factors for changes
	Amount	Ratio	Amount	Ratio	Change	
Current assets	218.1	76.5	227.5	72.0	+9.4	<ul style="list-style-type: none"> • Notes and accounts receivables +5.5 • Deferred tax assets +2.6
Non-current assets	67.1	23.5	88.6	28.0	+21.5	<ul style="list-style-type: none"> • Investment securities +19.7
Total assets	285.2	100.0	316.1	100.0	+30.9	
Current liabilities	74.0	26.0	99.2	31.4	+25.2	<ul style="list-style-type: none"> • Accounts payable-trade +6.5
Non-current liabilities	2.0	0.7	5.4	1.7	+3.4	
Total liabilities	76.1	26.7	104.7	33.1	+28.6	<ul style="list-style-type: none"> • Data center related business restructuring expenses, etc. +22.4
Total net assets	209.1	73.3	211.4	66.9	+2.3	<ul style="list-style-type: none"> • Retained earnings +2.2
Total liabilities and net assets	285.2	100.0	316.1	100.0	+30.9	
Capital adequacy ratio	73.0%		66.5%			

Cash Flow (Consolidated)



(Unit: 100 million yen)	FY14	FY15	Change
Operating CF	34.6	41.6	+7.0
Investment CF	- 18.3	- 35.7	- 17.4
Free CF	16.3	5.9	- 10.4
Financial CF	- 5.7	- 5.7	- 0.0
Effect of exchange rate change on cash and cash equivalents	1.3	- 0.1	- 1.4
Net increase (decrease) in cash and cash equivalents	11.9	- 0.0	- 11.9
Cash and cash equivalents at beginning of period	107.5	119.4	+11.9
Cash and cash equivalents at end of period	119.4	119.4	- 0.0

■ Annual dividend per share (yen)



Net profit per share	64.78 yen	74.51 yen	73.98 yen	79.43 yen	26.64 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.

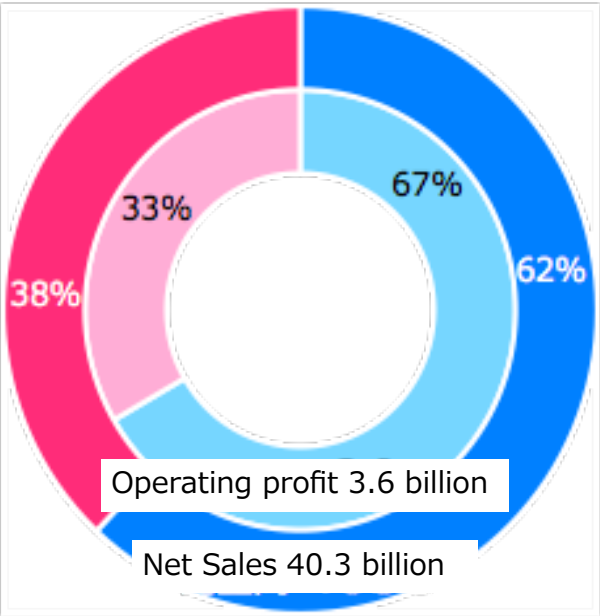
- ◆ Dividend: A dividend increase of 3.5 yen is expected for the FY15
(Announced on September 29, 2015)
- ◆ Preferential benefits for shareholders will be provided to shareholders recorded on the shareholders' register as of September 30, 2015, holding shares of one unit or more.

2. Outlook for FY16

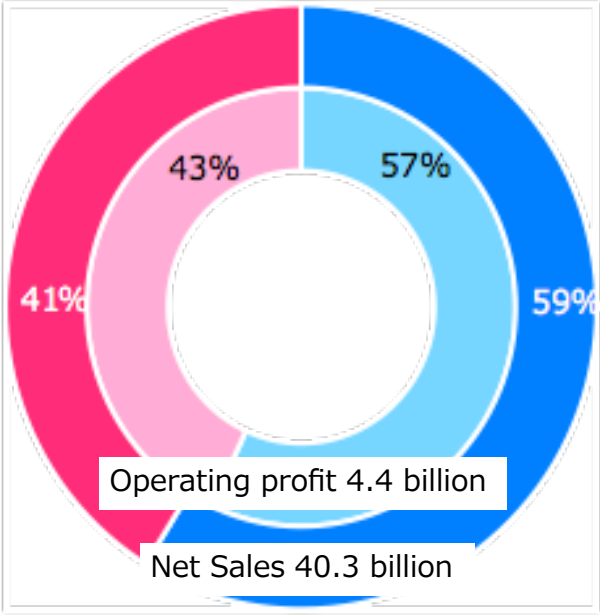
FY16 Full Year Outlook (Consolidated)

(Unit: 100 million yen, %)	FY15			FY16 Outlook				
	1H	2H	Full year	1H	2H	Full year	Change (Full year)	%change (Full year)
Net sales	187.3	215.8	403.1	200.0	250.0	450.0	+46.9	+11.6
Operating profit (Operating margin)	12.0 (6.4)	32.2 (14.9)	44.2 (11.0)	12.5 (6.3)	37.5 (15.0)	50.0 (11.1)	+5.8	+12.9
Ordinary profit	12.4	33.1	45.5	12.5	37.5	50.0	+4.5	+9.7
Net profit attributable to owners of parent	-11.0	18.2	7.2	7.0	23.0	30.0	+22.8	+311.8
Net profit per share (yen)	26.64			109.72			+83.08	+311.9
ROE (%)	3.5			13.3			+9.8	

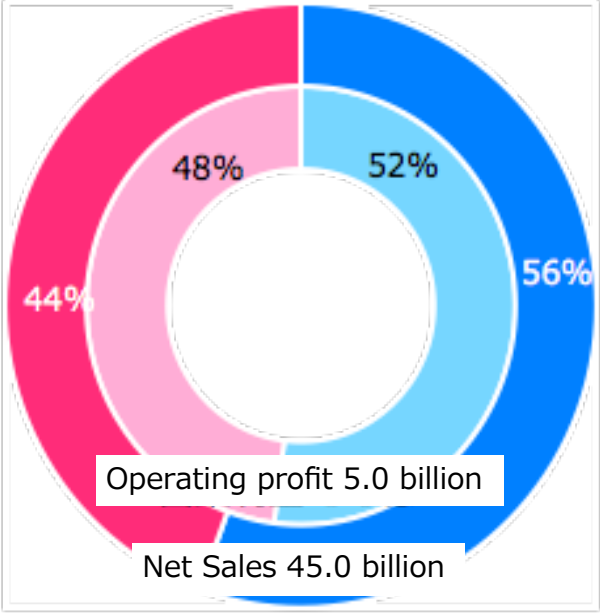
FY14



FY15



FY16 Outlook



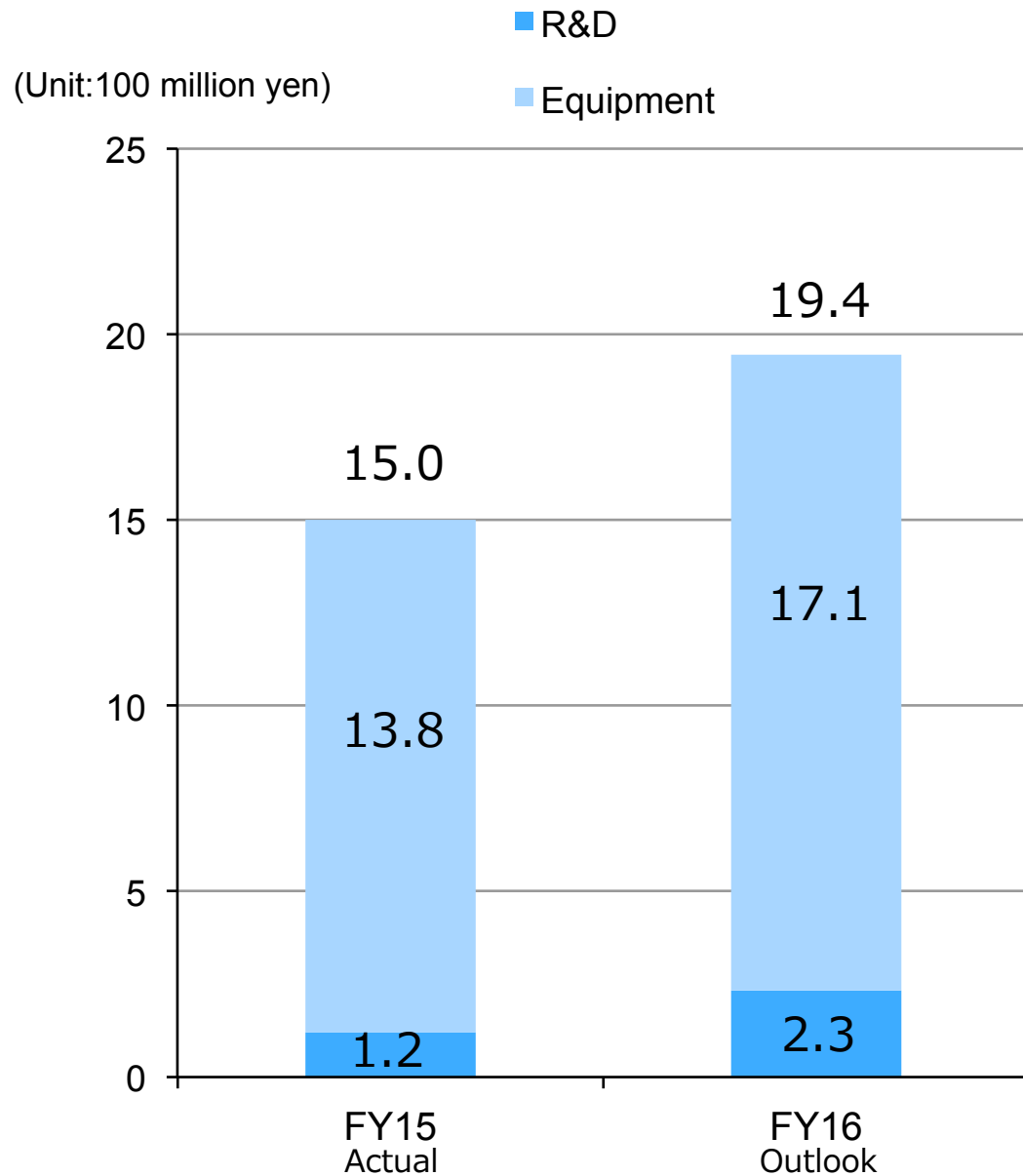
Business Solution Digital Entertainment

(Unit: 100 million yen, %)	FY15	FY16 Outlook		
	Full year	Full year	Change	%change
Net sales	237.3	250.0	+12.7	+5.4
Operating profit (Operating margin)	24.7 (10.4)	26.0 (10.4)	+1.3	+5.3

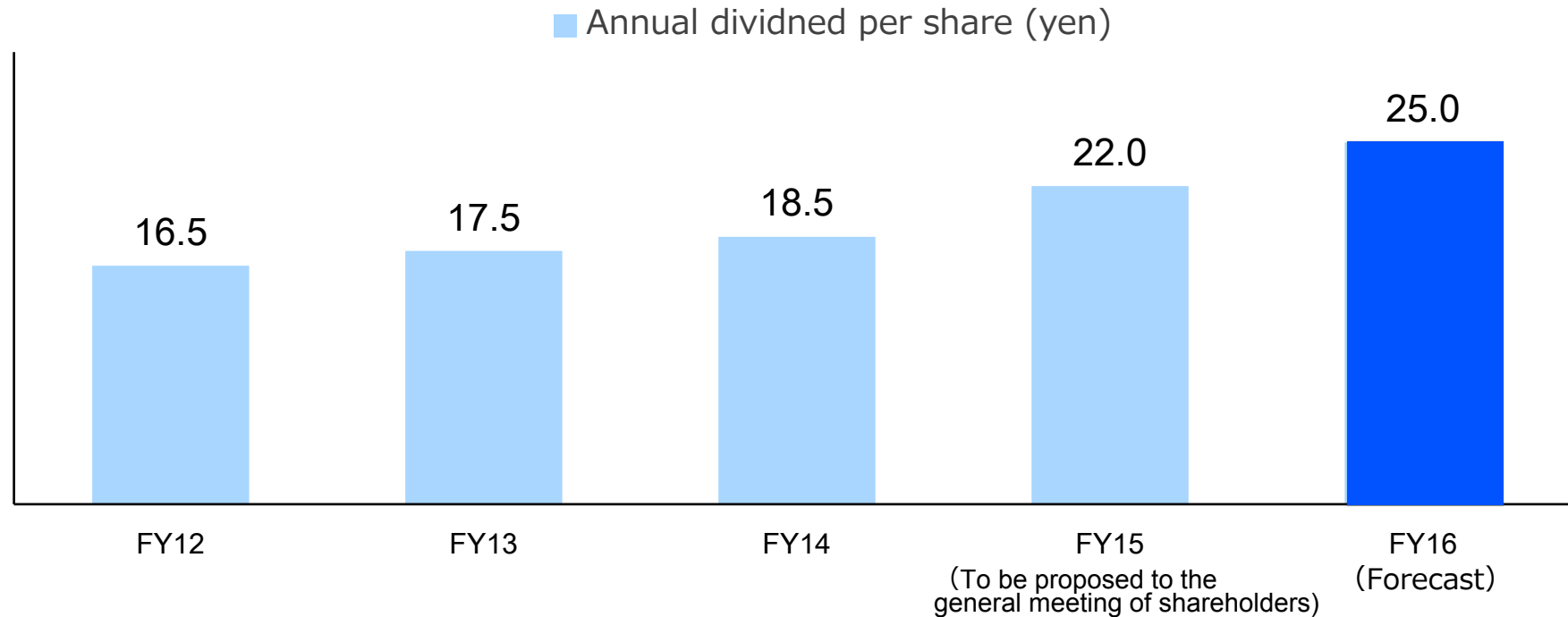
- ◆ Net sales: Increased because of strong health IT and corporate SI/package sales.
- ◆ Operating profit: Increased after offsetting up-front investments in new businesses.

	FY15	FY16 Outlook		
	Full year	Full year	Change	%change
(Unit: 100 million yen, %)				
Net sales	165.7	200.0	+34.3	+20.7
E-Book Sales	150.7	180.0	+29.3	+19.4
Operating profit (Operating margin)	19.5 (11.8)	24.0 (12.0)	+4.5	+23.1

- ◆ Net sales: Target 18 billion yen for e-book distribution services.
- ◆ Operating profit: Achieve a profit increase by growth of the e-book distribution service business.



Major Investments (100 million yen)		
Equipment investment	E-book distribution services	17.1
	Hospital systems	
	GRANDIT-ERP	
	IoT	
	Comprehensive regional care	
	Others	2.3
R&D investment	New technology development (company-wide research)	
	Others	



Net profit per share	74.51 yen	73.98 yen	79.43 yen	26.64 yen	109.73 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: Interim dividend, year-end dividend and total annual dividend for FY16 are forecasted to be 10 yen, 15 yen, and 25 yen, respectively.
- ◆ Preferential benefits for shareholders will be provided to shareholders recorded on the shareholders' register as of September 30, 2016, holding shares of one unit or more.

3. Major Initiatives in FY16

Digital Entertainment

- E-Book

Health IT

- Hospitals
- Pharmaceutical companies
- New service development

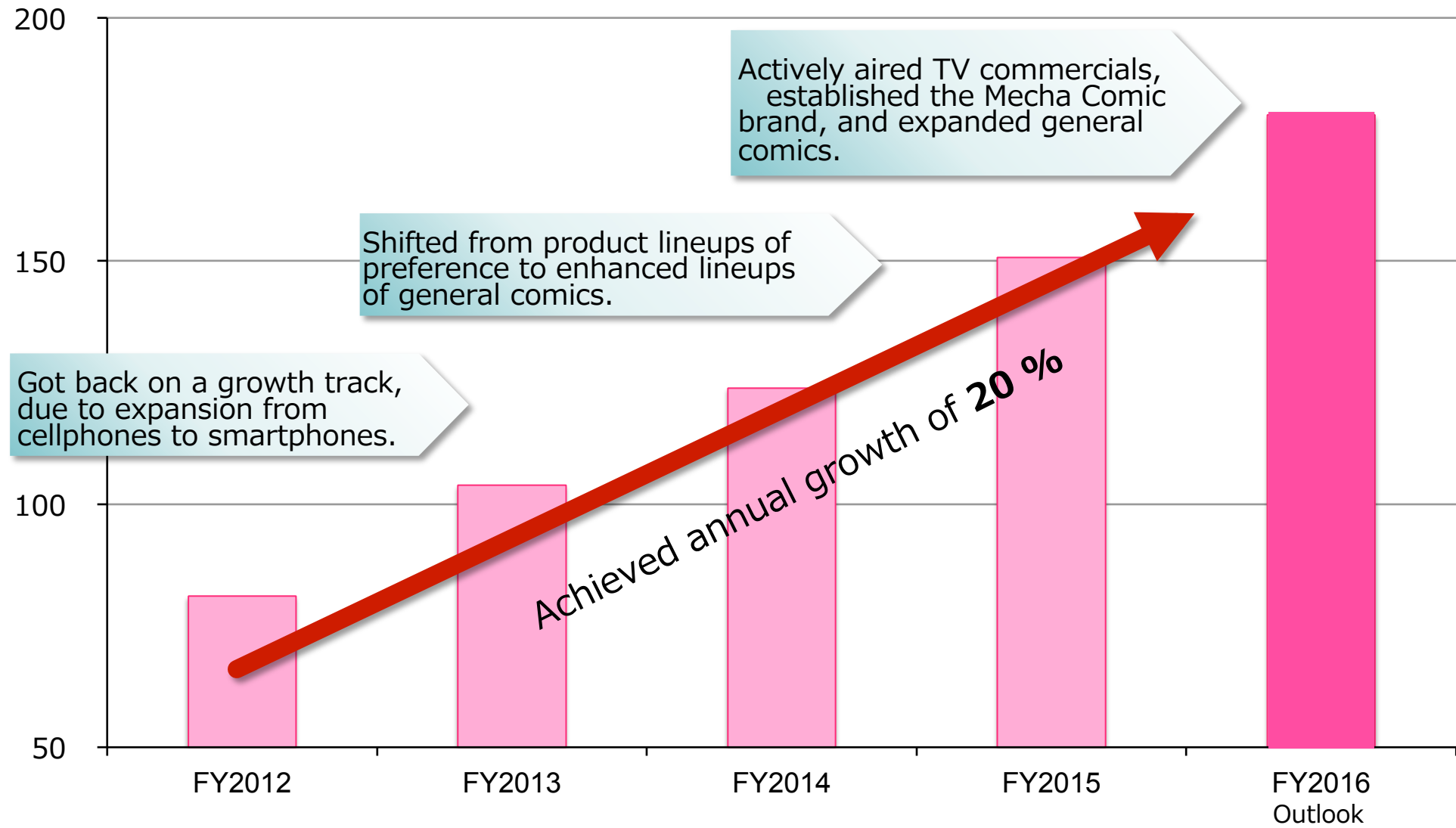
GRANDIT-ERP

- ERP package
(Integrated business software package)

Digital Entertainment

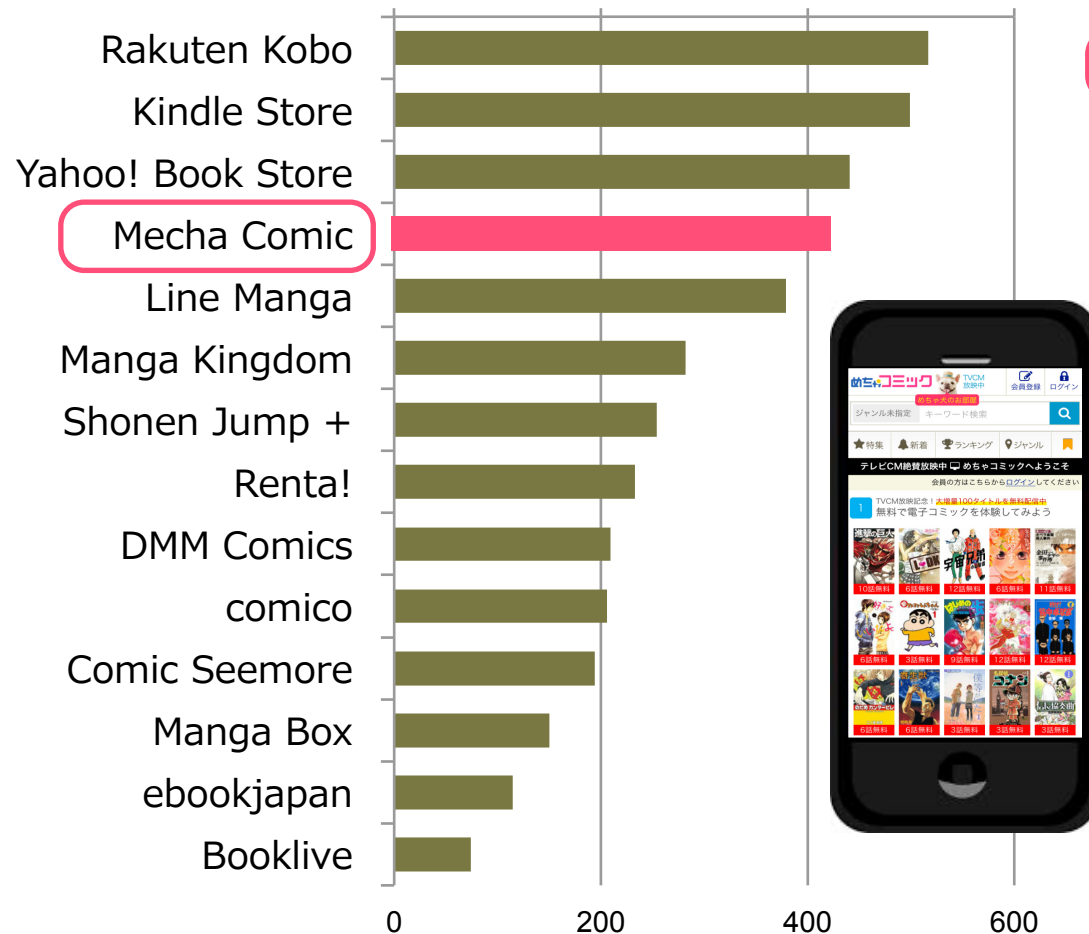
Net Sales

(Unit: 100 million yen)



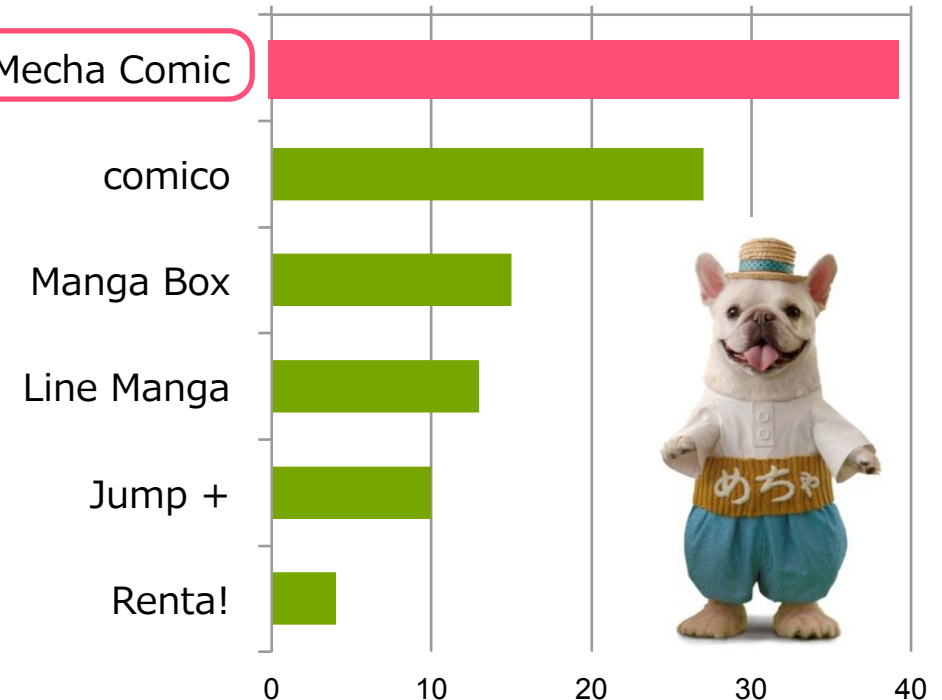
TV commercials led to the top-level recognition and likability.

Brand recognition



Likability of commercials

Mecha Comic



Brand Recognition: August 2015 name recognition comparison, parameter of 1,854
 Likability of commercials: unaided recall of favorite commercials, parameter of 3,000
 (research by CM Data Bank)

Focus on winning new members by leveraging the high recognition of the service.

Readers

Recognition

Motivating

Action

Light users



Reader base of
comics of
preference

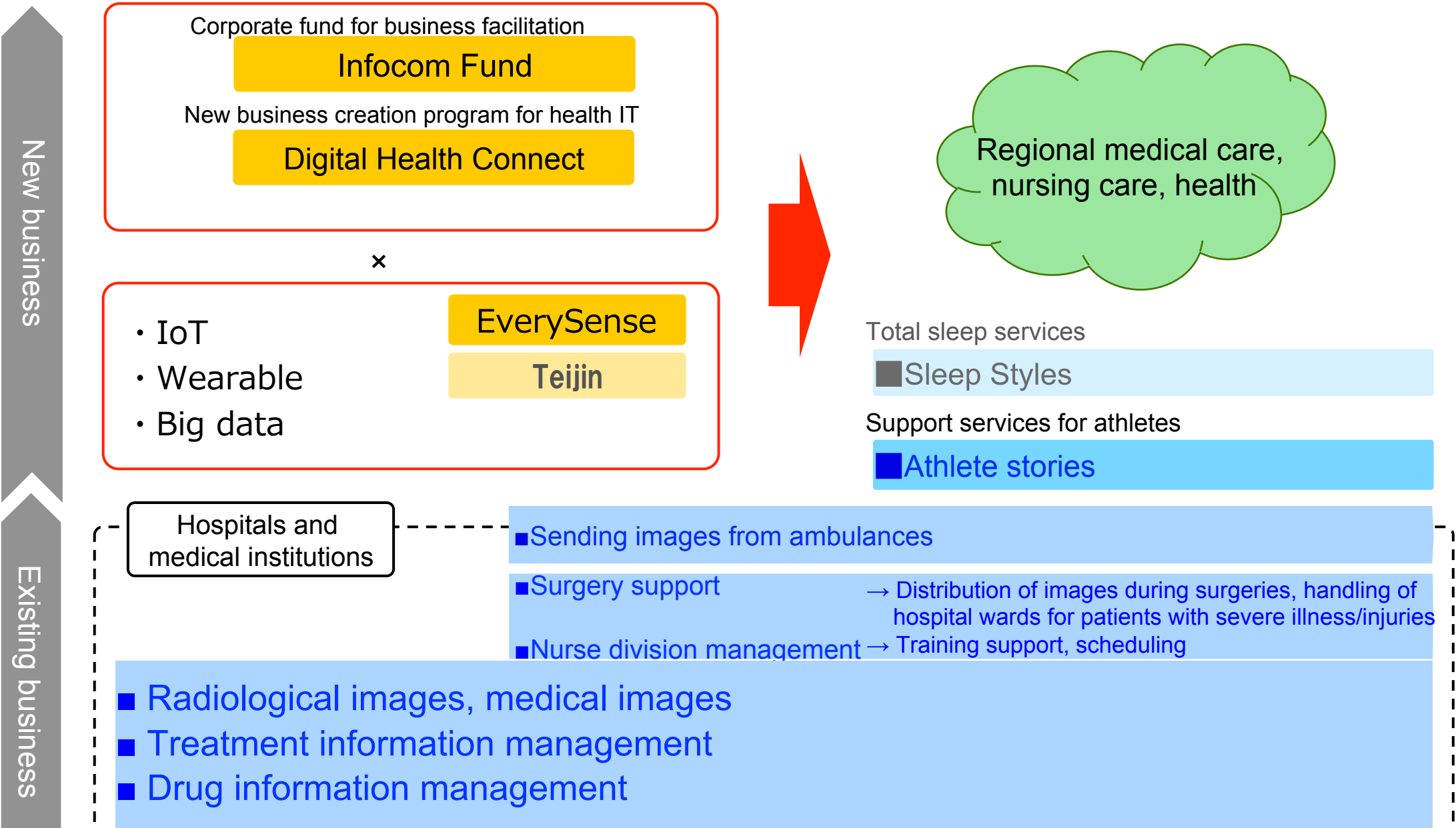
TV ads

- Enhance web ads
- Strengthen SEO measures
- Diversify payment methods
- Improve the landing page

Joining

Health IT

◆ Medical IT to healthcare services



■ Faster

Radiology information system (RIS)



■ Enable management of wide-ranging medical information

Medical information management system Medi-Bank



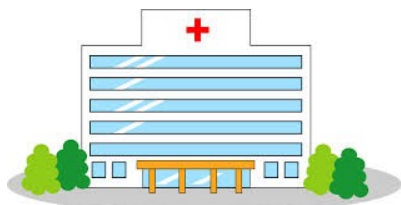
(PC screen example)

■ Record and distribute high-definition video data

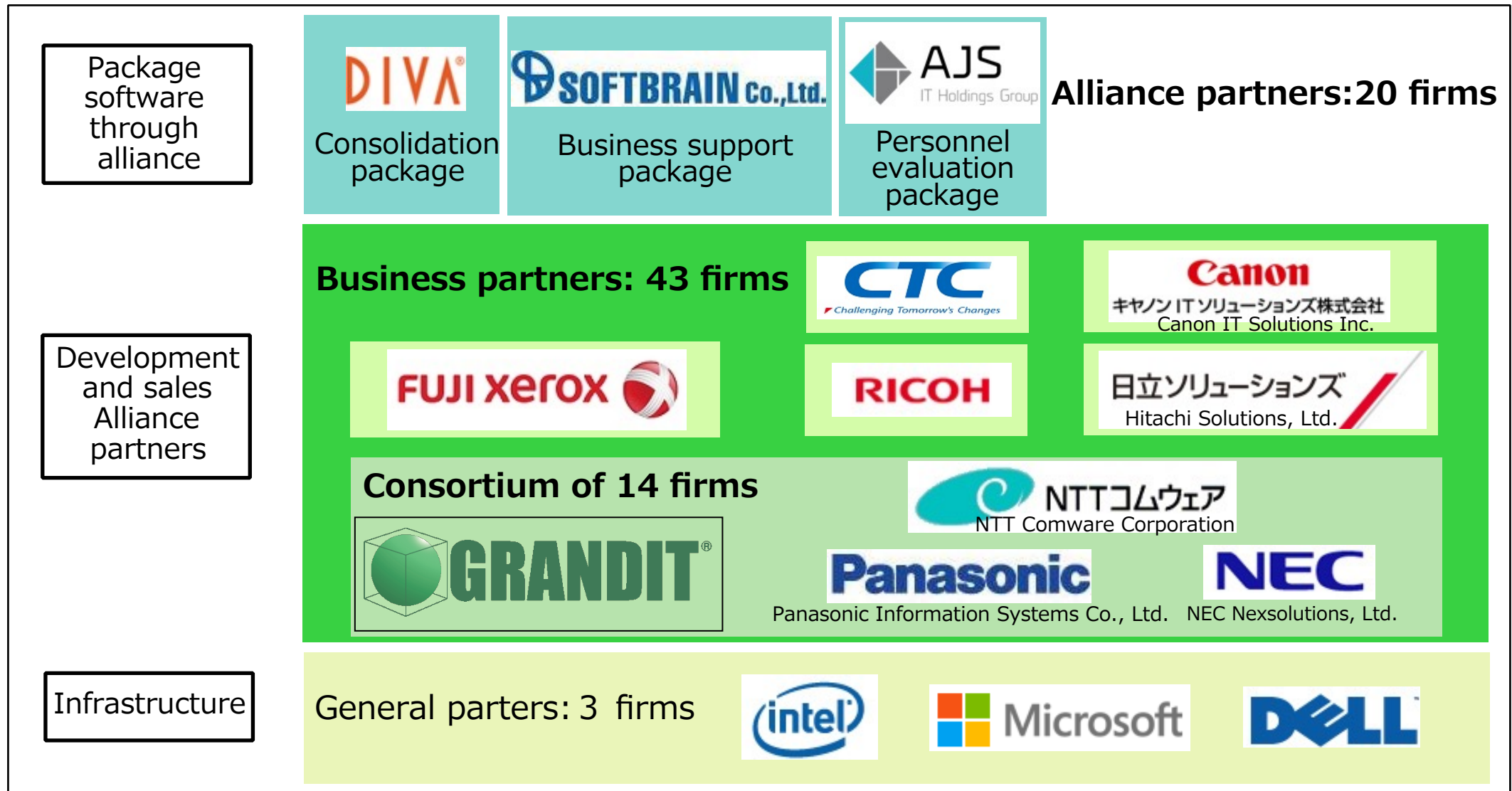
High-definition video archiving system 「V-Station」



→ Effective use for
remote medical care
in the future



GRANDIT-ERP



- ◆ Expand and enhance software by alliance and add development/sales partners.
- ◆ Respond to the My Number regulations.

New Initiatives

Establish a dedicated organization to accelerate business creation.

Business creation tool

Open innovation

- Start-up program
- Business expansion into the USA and Asia
- Facilitating mergers and acquisitions

- ◆ Digital Health Connect
 - Hold a competition for senior healthcare service providers.
- ◆ Athlete stories
 - Start distributing apps for trainers.
- ◆ Overseas accelerator program

Technical area

IoT

- Marketing, technology research
- Partner search
- Provision of solutions to general firms

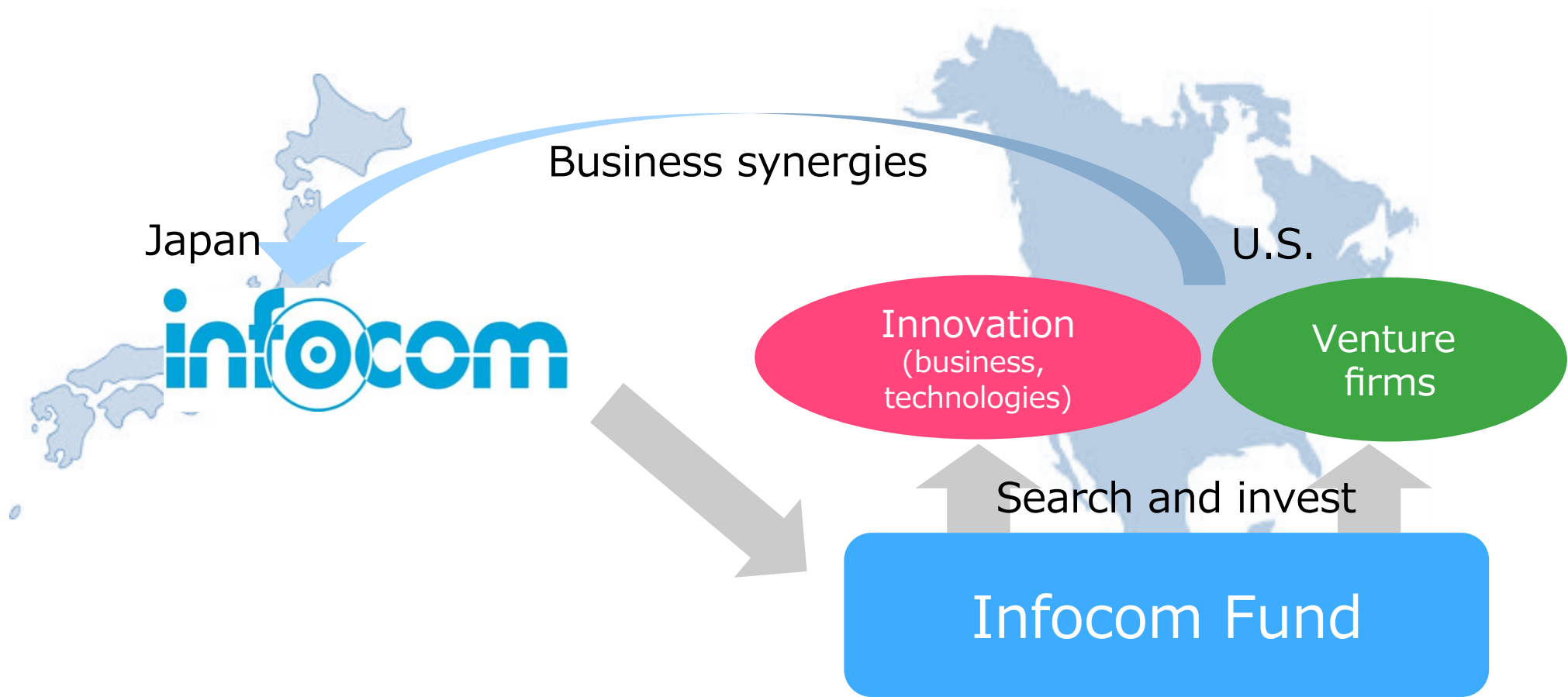
- ◆ Business alliance with Afero
- ◆ Starting joint research for supporting fisheries

Bossiness area

Comprehensive regional care

- Planning and facilitating businesses in the area of nursing care services

- ◆ Business alliance with Solasto Corporation
 - ⇒ coordinate and improve efficiency in medical/nursing care
- ◆ Facility information search services
- ◆ Regional web communities

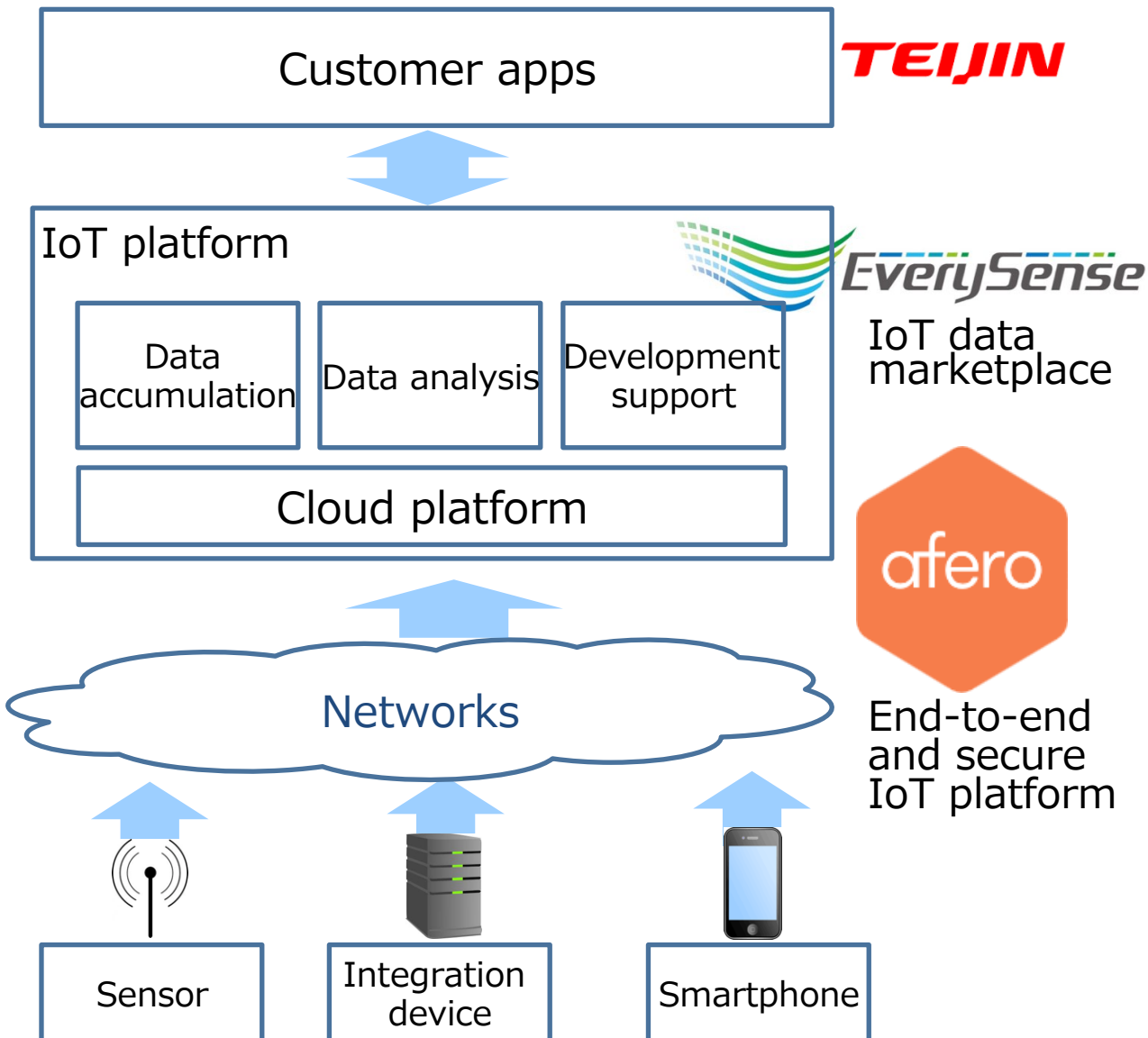


- ◆ We aim to achieve global-level commercialization of new businesses, leveraging the fund.
Established in US Silicon Valley, the 2-billion yen fund searches and finds new businesses that have the potential to expand globally, and spurs new business areas. The fund invested in 20 firms.

- ◆ We launched the Acceleration Program for supporting start-ups in Indonesia, where the use of information technologies is spreading rapidly along with the economic growth, jointly with Capital Fenox Venture.



Aim to achieve early commercialization by conducting research on needs and technologies through projects.



Examples of project participation

IoT fishery support (joint research)

Develop a platform for distributing marine information, aiming to improve productivity of the fishing industry.

Experimental tests of environmental monitoring

Monitor office environment data, aiming to create new services, such as controlling ventilation and energy.

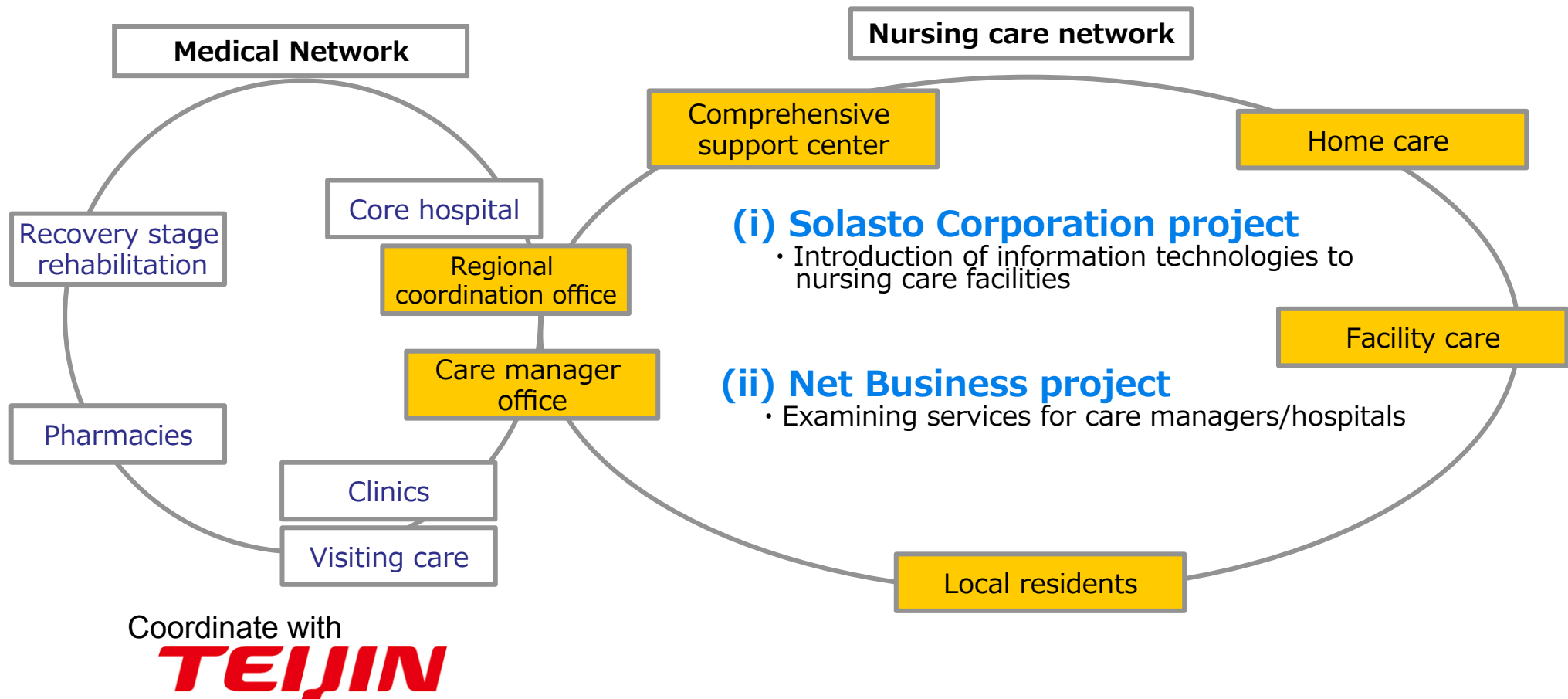
Working together and supporting Teijin

Wearables, piezoelectric fabrics

Supporting disaster-relief operations

Monitor biological information at disaster-relief sites, aiming to manage safety of rescuers (e.g., body temperature, falling down detection.)

Promote projects toward creation of new businesses.



(Reference) Overview of Solasto Corporation and Alliance Objectives

Number of employees: 24,406 (as of March 2015) / Net sales: 60.1 billion yen (2014 results)

Medical services



- No. 2 in the industry after Nichii Gakkan Company
- 45 offices across Japan for dispatching medical processors
- More than 500 health information management professionals

Business overview

Nursing care services



- More than 200 facilities located mainly in large metropolitan areas
- Nichii Gakkan and Solasto are the only companies engaged in both medical and nursing care services.

(Alliance objectives) To identify issues of nursing care sites and commercialize businesses in the area of regional comprehensive care.

Alliance overview

- Mutually cooperate in business activities at hospitals.
- Develop systems that contribute to operational efficiency.
- Jointly conducts tests and validations on new services.

- ◆ End the provision of services 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

[Temporary charges]

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

[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



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Contract
information

Infocom Corporation

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