

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **July 30, 2019**, Infocom Corporation announced earnings results for Q1 FY03/20 and revisions to its 1H FY03/20 forecast.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	1H Est.
Sales	9,949	21,203	31,418	45,774	10,464	23,128	35,509	51,728	12,687				47.0%	27,000
YoY	11.7%	9.7%	8.1%	9.6%	5.2%	9.1%	13.0%	13.0%	21.2%	-	-	-		16.7%
Gross profit	4,560	10,069	14,853	21,605	4,845	11,058	16,695	24,606	6,099					
GPM	45.8%	47.5%	47.3%	47.2%	46.3%	47.8%	47.0%	47.6%	48.1%	-	-	-		
SG&A expenses	3,908	7,703	11,450	15,776	4,168	8,461	12,891	17,717	4,859					
YoY	3.8%	4.0%	5.5%	6.3%	6.7%	9.8%	12.6%	12.3%	16.6%	-	-	-		
SG&A ratio	39.3%	36.3%	36.4%	34.5%	39.8%	36.6%	36.3%	34.3%	38.3%	-	-	-		
Operating profit	651	2,365	3,402	5,829	677	2,596	3,804	6,889	1,240				37.6%	3,300
YoY	302.4%	46.9%	33.6%	22.0%	4.0%	9.8%	11.8%	18.2%	83.2%	-	-	-		27.1%
OPM	6.5%	11.2%	10.8%	12.7%	6.5%	11.2%	10.7%	13.3%	9.8%	-	-	-		12.2%
Recurring profit	677	2,634	3,702	5,982	720	2,616	3,849	6,875	1,268				38.4%	3,300
YoY	305.8%	62.3%	42.1%	23.2%	6.4%	-0.7%	4.0%	14.9%	76.1%	-	-	-		3,300.0%
RPM	6.8%	12.4%	11.8%	13.1%	6.9%	11.3%	10.8%	13.3%	10.0%	-	-	-		12.2%
Net income attrib. to parent company shareholders	430	2,574	3,351	4,640	479	1,877	2,715	4,783	859				38.2%	2,250
YoY	678.2%	145.8%	98.9%	42.3%	11.4%	-27.1%	-19.0%	3.1%	79.3%	-	-	-		19.9%
Net margin	4.3%	12.1%	10.7%	10.1%	4.6%	8.1%	7.6%	9.2%	6.8%	-	-	-		8.3%

Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,949	11,254	10,215	14,356	10,464	12,664	12,381	16,219	12,687				22.3%	57,000
YoY	11.7%	7.9%	4.9%	13.1%	5.2%	12.5%	21.2%	13.0%	21.2%	-	-	-		10.2%
Gross profit	4,560	5,509	4,784	6,752	4,845	6,213	5,637	7,911	6,099					
GPM	45.8%	49.0%	46.8%	47.0%	46.3%	49.1%	45.5%	48.8%	48.1%	-	-	-		
SG&A expenses	3,908	3,795	3,747	4,326	4,168	4,293	4,430	4,826	4,859					
YoY	3.8%	4.1%	8.7%	8.6%	6.7%	13.1%	18.2%	11.6%	16.6%	-	-	-		
SG&A ratio	39.3%	33.7%	36.7%	30.1%	39.8%	33.9%	35.8%	29.8%	38.3%	-	-	-		
Operating profit	651	1,714	1,037	2,427	677	1,919	1,208	3,085	1,240				15.9%	7,800
YoY	302.4%	18.3%	33.6%	8.8%	4.0%	12.0%	11.8%	27.1%	83.2%	-	-	-		13.2%
OPM	6.5%	15.2%	10.2%	16.9%	6.5%	15.2%	9.8%	19.0%	9.8%	-	-	-		13.7%
Recurring profit	677	1,957	1,068	2,280	720	1,896	1,233	3,026	1,268				16.3%	7,800
YoY	305.8%	34.3%	8.6%	1.4%	6.4%	-3.1%	15.4%	32.7%	76.1%	-	-	-		13.5%
RPM	6.8%	17.4%	10.5%	15.9%	6.9%	15.0%	10.0%	18.7%	10.0%	-	-	-		13.7%
Net income attrib. to parent company shareholders	430	2,144	777	1,289	479	1,398	838	2,068	859				16.5%	5,200
YoY	678.2%	116.1%	21.8%	-18.2%	11.4%	-34.8%	7.9%	60.4%	79.3%	-	-	-		8.7%
Net margin	4.3%	19.1%	7.6%	9.0%	4.6%	11.0%	6.8%	12.8%	6.8%	-	-	-		9.1%

By segment (cumulative) (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	9,949	21,203	31,418	45,774	10,464	23,128	35,509	51,728	12,687	-	-	-
Business Solution	4,707	10,553	15,502	24,491	4,466	10,299	15,575	24,235	4,863	-	-	-
Digital Entertainment	5,242	10,649	15,916	21,283	5,997	12,828	19,933	27,492	7,823	-	-	-
YoY	11.7%	9.7%	8.1%	9.6%	5.2%	9.1%	13.0%	13.0%	21.2%	-	-	-
Business Solution	8.7%	7.3%	5.8%	9.3%	-5.1%	-2.4%	0.5%	-1.0%	8.9%	-	-	-
Digital Entertainment	14.6%	12.1%	10.4%	10.0%	14.4%	20.5%	25.2%	29.2%	30.4%	-	-	-
Operating profit	651	2,365	3,402	5,829	677	2,596	3,804	6,889	1,240	-	-	-
Business Solution	-143	630	806	2,459	-282	403	534	2,487	168	-	-	-
Digital Entertainment	793	1,729	2,589	3,360	957	2,188	3,262	4,391	1,069	-	-	-
Adjustments	2	4	7	9	2	5	7	9	2	-	-	-
OPM	6.5%	11.2%	10.8%	12.7%	6.5%	11.2%	10.7%	13.3%	9.8%	-	-	-
Business Solution	-	6.0%	5.2%	10.0%	-	3.9%	3.4%	10.3%	3.5%	-	-	-
Digital Entertainment	15.1%	16.2%	16.3%	15.8%	16.0%	17.1%	16.4%	16.0%	13.7%	-	-	-

By segment (quarterly) (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	9,949	11,254	10,215	14,356	10,464	12,664	12,381	16,219	12,687	-	-	-
Business Solution	4,707	5,846	4,949	8,989	4,466	5,833	5,276	8,660	4,863	-	-	-
Digital Entertainment	5,242	5,407	5,267	5,367	5,997	6,831	7,105	7,559	7,823	-	-	-
YoY	11.7%	7.9%	4.9%	13.1%	5.2%	12.5%	21.2%	13.0%	21.2%	-	-	-
Business Solution	8.7%	6.2%	2.7%	15.8%	-5.1%	-0.2%	6.6%	-3.7%	8.9%	-	-	-
Digital Entertainment	14.6%	9.7%	7.1%	8.8%	14.4%	26.3%	34.9%	40.8%	30.4%	-	-	-
Operating profit	651	1,714	1,037	2,427	677	1,919	1,208	3,085	1,240	-	-	-
Business Solution	-143	773	176	1,653	-282	685	131	1,953	168	-	-	-
Digital Entertainment	793	936	860	771	957	1,231	1,074	1,129	1,069	-	-	-
OPM	6.5%	15.2%	10.2%	16.9%	6.5%	15.2%	9.8%	19.0%	9.8%	-	-	-
Business Solution	-	13.2%	3.6%	18.4%	-	11.7%	2.5%	22.6%	3.5%	-	-	-
Digital Entertainment	15.1%	17.3%	16.3%	14.4%	16.0%	18.0%	15.1%	14.9%	13.7%	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Seasonality of earnings: Since deliveries of Infocom's products and services for companies and hospitals tend to be concentrated in March (at the end of the financial year), sales and profits tend to be comparatively lower in Q1 and Q3, and concentrated in Q4.

Q1 FY03/20 (out July 30, 2019)

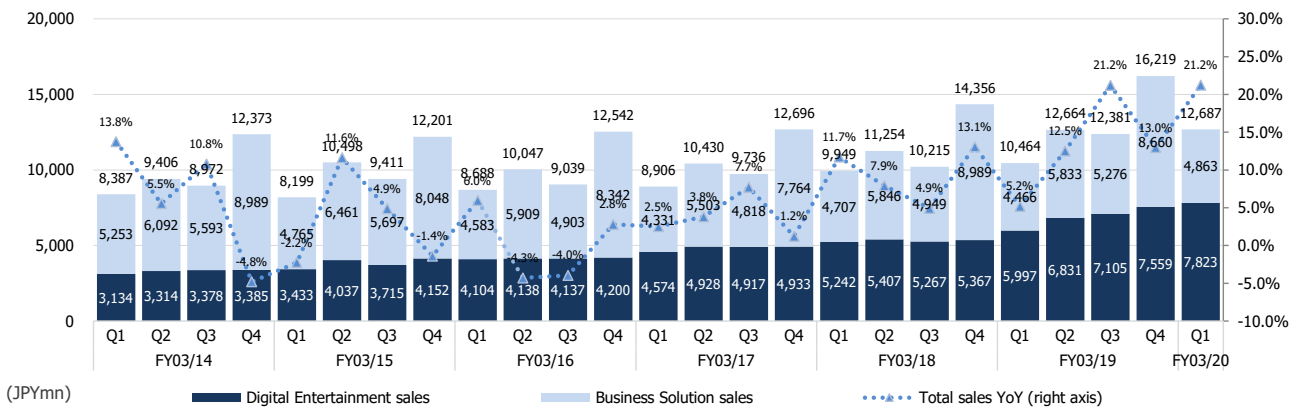
Earnings overview

- ▷ In Q1 FY03/20, Infocom reported sales of JPY12.7bn (+21.2% YoY), operating profit of JPY1.2bn (+83.2% YoY), recurring profit of JPY1.3bn (+76.1% YoY), and net income attributable to parent company shareholders of JPY859mn (+79.3% YoY).

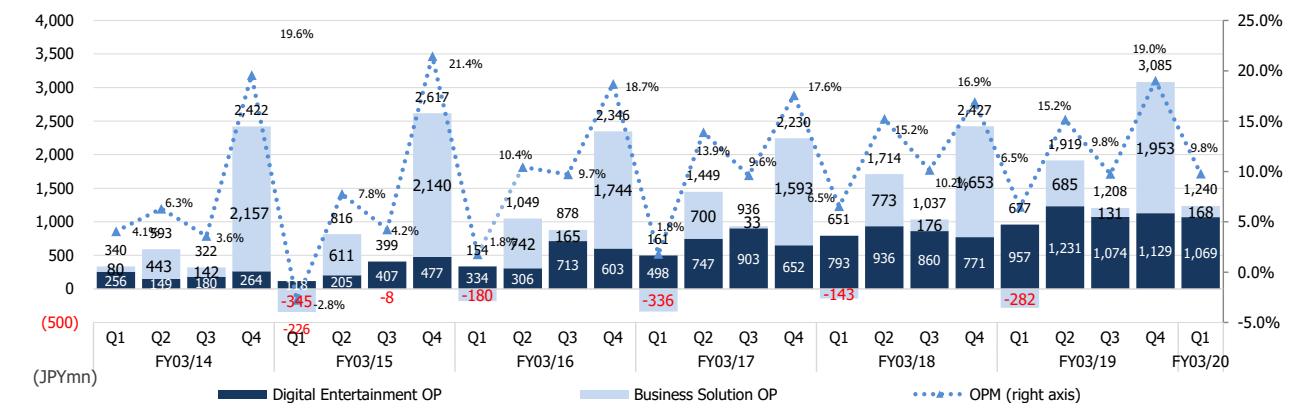
- ▷ Sales up 21.2% YoY: IT service for hospitals in the Health IT subsegment and e-comics distribution service performed well.
- ▷ Operating profit up 83.2% YoY: In Business Solution, operating profit was up due to sales growth and a change in sales mix. E-comics operating profit also increased, having absorbed the cost increase for strengthening advertising and overseas expansion, and investment in data analysis. The GPM improved 1.8pp YoY to 48.1% while the SG&A to sales ratio declined by 1.5pp YoY to 38.3%. The OPM was up 3.3pp YoY to 9.8%.
- ▷ Against 1H FY03/20 forecasts, Q1 sales reached 47.0% (45.2% of 1H FY03/19 results in Q1 FY03/19), operating profit 37.6% (26.1%), recurring profit 38.4% (27.5%), and net income attributable to parent company shareholders 38.2% (25.5%). Against full-year FY03/20 forecasts, Q1 sales reached 22.3% (20.2% of full-year FY03/19 results in Q1 FY03/19), operating profit 15.9% (9.8%), recurring profit 16.3% (10.5%), and net income attributable to parent company shareholders 16.5% (10.0%).
- ▷ Revised up 1H FY03/20 forecast*: The company revised up its 1H sales and profit forecasts to reflect the robust performance of IT service for hospitals in the Health IT subsegment and e-comics distribution service, but left its full-year forecast unchanged due to many uncertainties as of end-Q1, although it expects the focus businesses of Health IT and e-comics to remain brisk. Infocom commented that it will disclose without delay any earnings forecast revisions that it considers necessary based on earnings trends going forward.

*Revision of 1H FY03/20 consolidated earnings forecast
 Sales: JPY27.0bn (previous forecast: JPY26.0bn)
 Operating profit: JPY3.3bn (JPY2.9bn)
 Recurring profit: JPY3.3bn (JPY2.9bn)
 Net income attributable to parent company shareholders: JPY2.3bn (JPY2.0bn)

Quarterly sales and YoY comparison



Quarterly operating profit and OPM



Source: Shared Research based on company data

By segment
Business Solution segment

Segment sales were JPY4.9bn (+8.9% YoY) and segment operating profit was JPY168mn (JPY282mn loss in Q1 FY03/19). Sales rose YoY, mainly supported by strong performance of IT service for hospitals. Profit was up on sales growth and a change in sales mix. As a rule, sales are weak in Q1 (start of FY) and the segment tends to post an operating loss, because users' capital spending is concentrated in Q4 (end of FY). However, the segment posted a profit in Q1 FY03/20.

The Health IT subsegment recorded growth in sales of employment management systems that are effective in handling complex work schedules of hospital employees in response to working style reforms. In comprehensive regional care, the company began a reservation and management service specializing in short stay** service providers. Infocom also made recruitment agency Staff Plus a subsidiary to improve the matching accuracy of Carestyle, a service that supports care workers looking for work.

**Short stay: A care and support service that takes clients for relatively short periods.

Digital Entertainment segment

Segment sales were JPY7.8bn (+30.4% YoY) and segment operating profit was JPY1.1bn (+11.7% YoY). The e-comics distribution business continued to post strong returns with both increased sales and profits. Operating profit grew 11.7% YoY, absorbing the cost increase for strengthening advertising and overseas expansion, and investment in data analysis.

To strengthen advertising, the company aired its first TV commercial in June 2019 and bought seat advertising at Meiji Jingu baseball stadium. It also launched a second round of Meccha Honya, a promotional event for popular Meccha Comics titles in bookstores. Overseas, the company made Peanutoon, an e-comics company in South Korea, a consolidated subsidiary. As well, subsidiary Amutus and Papyrus Co., Ltd. (JASDAQ: 3641) formed a joint venture to run an overseas business.

Full-year company forecasts

Earnings (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18			FY03/19			FY03/20		
	FY Act.	FY Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	40,309	40,316	41,768	21,203	24,571	45,774	23,128	28,600	51,728	27,000	30,000	57,000
YoY	3.0%	0.0%	3.6%	9.7%	9.5%	9.6%	9.1%	16.4%	13.0%	16.7%	4.9%	10.2%
Operating profit	3,606	4,427	4,776	2,365	3,464	5,829	2,596	4,293	6,889	3,300	4,500	7,800
YoY	-1.9%	22.8%	7.9%	46.9%	9.4%	22.0%	9.8%	23.9%	18.2%	27.1%	4.8%	13.2%
OPM	8.9%	11.0%	11.4%	11.2%	14.1%	12.7%	11.2%	15.0%	13.3%	12.2%	15.0%	13.7%
Recurring profit	3,692	4,558	4,854	2,634	3,348	5,982	2,616	4,259	6,875	3,300	4,500	7,800
YoY	0.1%	23.5%	6.5%	62.3%	3.6%	23.2%	-0.7%	27.2%	14.9%	26.1%	5.7%	13.5%
RPM	9.2%	11.3%	11.6%	12.4%	13.6%	13.1%	11.3%	14.9%	13.3%	12.2%	15.0%	13.7%
Net income attrib. to parent company shareholders	2,171	728	3,261	2,574	2,066	4,640	1,877	2,906	4,783	2,250	2,950	5,200
YoY	6.3%	-66.5%	347.9%	145.8%	-6.7%	42.3%	-27.1%	40.7%	3.1%	19.9%	1.5%	8.7%
Net margin	5.4%	1.8%	7.8%	12.1%	8.4%	10.1%	8.1%	10.2%	9.2%	8.3%	9.8%	9.1%
By segment (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18			FY03/19			FY03/20		
	FY Act.	FY Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	40,309	40,316	41,768	21,203	24,571	45,774	23,128	28,600	51,728	27,000	30,000	57,000
Business Solution	24,971	23,737	22,416	10,553	13,938	24,491	10,299	13,936	24,235	-	-	25,000
Digital Entertainment	15,337	16,579	19,352	10,649	10,634	21,283	12,828	14,664	27,492	-	-	32,000
YoY	3.0%	0.0%	3.6%	9.6%	9.5%	9.6%	9.1%	16.4%	13.0%	16.7%	4.9%	10.2%
Business Solution	-1.8%	-4.9%	-5.6%	7.3%	10.8%	9.3%	-2.4%	-0.0%	-1.0%	-	-	3.2%
Digital Entertainment	11.8%	8.1%	16.7%	12.1%	8.0%	10.0%	20.5%	37.9%	29.2%	-	-	16.4%
Operating profit	3,606	4,427	4,776	2,365	3,464	5,829	2,596	4,293	6,889	3,300	4,500	7,800
Business Solution	2,398	2,471	1,990	630	1,829	2,459	403	2,084	2,487	-	-	2,700
Digital Entertainment	1,207	1,956	2,800	1,729	1,631	3,360	2,188	2,203	4,391	-	-	5,100
OPM	8.9%	11.0%	11.4%	11.2%	14.1%	12.7%	11.2%	15.0%	13.3%	12.2%	15.0%	13.7%
Business Solution	9.6%	10.4%	8.9%	6.0%	13.1%	10.0%	3.9%	15.0%	10.3%	-	-	10.8%
Digital Entertainment	7.9%	11.8%	14.5%	16.2%	15.3%	15.8%	17.1%	15.0%	16.0%	-	-	15.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

On July 30, 2019, Infocom announced revisions to its 1H FY03/20 forecast* along with its Q1 FY03/20 results. The company left its full-year forecast unchanged due to many uncertainties as of end-Q1, although it expects the focus businesses of Health IT and e-comics to remain brisk. The company commented that it will disclose without delay any earnings forecast revisions that it considers necessary based on earnings trends going forward.

*Revision of 1H FY03/20 consolidated earnings forecast
 Sales: JPY27.0bn (previous forecast: JPY26.0bn)
 Operating profit: JPY3.3bn (JPY2.9bn)

Recurring profit: JPY3.3bn (JPY2.9bn)

Net income attributable to parent company shareholders: JPY2.3bn (JPY2.0bn)

Reasons for the revision

The company revised up its 1H sales and profit forecasts to reflect the robust performance of IT service for hospitals in the Health IT subsegment and e-comics distribution service, but left its full-year forecast unchanged due to many uncertainties as of end-Q1, although it expects the focus businesses of Health IT and e-comics to remain brisk. Infocom commented that it will disclose without delay any earnings forecast revisions that it considers necessary based on earnings trends going forward.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp