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On October 28, 2020, Infocom Corporation announced earnings results for 1H FY03/21 and revisions to its full-year FY03/21 earnings forecast.

Cumulative (JPYmm)	FY03/19				FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.
Sales	10,464	23,128	35,509	51,728	12,687	27,679	41,200	58,375	15,589	33,213			103.8%	32,000
YoY	5.2%	9.1%	13.0%	13.0%	21.2%	19.7%	16.0%	12.8%	22.9%	20.0%				15.6%
Gross profit	4,845	11,058	16,695	24,606	6,099	13,416	20,140	28,271	7,680	16,432				
GPM	46.3%	47.8%	47.0%	47.6%	48.1%	48.5%	48.9%	48.4%	49.3%	49.5%				
SG&A expenses	4,168	8,461	12,891	17,717	4,859	9,553	14,312	20,060	5,589	11,511				
YoY	6.7%	9.8%	12.6%	12.3%	16.6%	12.9%	11.0%	13.2%	15.0%	20.5%				
SG&A ratio	39.8%	36.6%	36.3%	34.3%	38.3%	34.5%	34.7%	34.4%	35.9%	34.7%				
Operating profit	677	2,596	3,804	6,889	1,240	3,863	5,827	8,211	2,091	4,920			117.1%	4,200
YoY	4.0%	9.8%	11.8%	18.2%	83.2%	48.8%	53.2%	19.2%	68.6%	27.4%				
OPM	6.5%	11.2%	10.7%	13.3%	9.8%	14.0%	14.1%	14.1%	13.4%	14.8%				13.1%
Recurring profit	720	2,616	3,849	6,875	1,268	3,876	5,842	8,268	2,126	4,950			117.9%	4,200
YoY	6.4%	-0.7%	4.0%	14.9%	76.1%	48.2%	51.8%	20.3%	67.7%	27.7%				8.4%
RPM	6.9%	11.3%	10.8%	13.3%	10.0%	14.0%	14.2%	14.2%	13.6%	14.9%				13.1%
Net income attrib. to owners of the parent	479	1,877	2,715	4,783	859	2,575	3,976	5,543	1,441	3,377			125.1%	2,700
YoY	11.4%	-27.1%	-19.0%	3.1%	79.3%	37.2%	46.4%	15.9%	67.8%	31.1%				4.9%
Net margin	4.6%	8.1%	7.6%	9.2%	6.8%	9.3%	9.7%	9.5%	9.2%	10.2%				8.4%

Quarterly (JPYmm)	FY03/19				FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Sales	10,464	12,664	12,381	16,219	12,687	14,992	13,521	17,175	15,589	17,624			47.1%	70,500
YoY	5.2%	12.5%	21.2%	13.0%	21.2%	18.4%	9.2%	5.9%	22.9%	17.6%				8.7%
Gross profit	4,845	6,213	5,637	7,911	6,099	7,317	6,724	8,131	7,680	8,752				
GPM	46.3%	49.1%	45.5%	48.8%	48.1%	48.8%	49.7%	0.0%	49.3%	49.7%				
SG&A expenses	4,168	4,293	4,430	4,826	4,859	4,694	4,759	5,748	5,589	5,922				
YoY	6.7%	13.1%	18.2%	11.6%	16.6%	9.3%	7.4%	19.1%	15.0%	26.2%				
SG&A ratio	39.8%	33.9%	35.8%	29.8%	38.3%	31.3%	35.2%	33.5%	35.9%	33.6%				
Operating profit	677	1,919	1,208	3,085	1,240	2,623	1,964	2,384	2,091	2,829			46.9%	10,500
YoY	4.0%	12.0%	16.5%	27.1%	83.2%	36.7%	62.6%	-22.7%	68.6%	7.9%				27.9%
OPM	6.5%	15.2%	9.8%	19.0%	9.8%	17.5%	14.5%	13.9%	13.4%	16.1%				14.9%
Recurring profit	720	1,896	1,233	3,026	1,268	2,608	1,966	2,426	2,126	2,824			47.1%	10,500
YoY	6.4%	-3.1%	15.4%	32.7%	76.1%	37.6%	59.4%	-19.8%	67.7%	8.3%				27.0%
RPM	6.9%	15.0%	10.0%	18.7%	10.0%	17.4%	14.5%	14.1%	13.6%	16.0%				14.9%
Net income attrib. to owners of the parent	479	1,398	838	2,068	859	1,716	1,401	1,567	1,441	1,936			50.4%	6,700
YoY	11.4%	-34.8%	7.9%	60.4%	79.3%	22.7%	67.2%	-24.2%	67.8%	12.8%				20.9%
Net margin	4.6%	11.0%	6.8%	12.8%	6.8%	11.4%	10.4%	9.1%	9.2%	11.0%				9.5%

By segment (cumulative) (JPYmm)	FY03/19				FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,464	23,128	35,509	51,728	12,687	27,679	41,200	58,375	15,589	33,213		
Digital Entertainment	5,997	12,828	19,933	27,492	7,823	16,047	24,165	32,983	10,603	22,234		
Business Solution	4,466	10,299	15,575	24,235	4,863	11,632	17,034	25,391	4,986	10,978		
YoY	5.2%	9.1%	13.0%	13.0%	21.2%	19.7%	16.0%	12.8%	22.9%	20.0%		
Digital Entertainment	14.4%	20.5%	25.2%	29.2%	30.4%	25.1%	21.2%	20.0%	35.5%	38.6%		
Business Solution	-5.1%	-2.4%	0.5%	-1.0%	8.9%	12.9%	9.4%	4.8%	2.5%	-5.6%		
Operating profit	677	2,596	3,804	6,889	1,240	3,863	5,827	8,211	2,091	4,920		
Digital Entertainment	957	2,188	3,262	4,391	1,069	2,536	3,933	4,951	1,931	3,827		
Business Solution	-282	403	534	2,487	168	1,321	1,887	3,250	157	1,088		
Adjustments	2	5	7	9	2	4	7	9	2	4		
OPM	6.5%	11.2%	10.7%	13.3%	9.8%	14.0%	14.1%	14.1%	13.4%	14.8%		
Digital Entertainment	16.0%	17.1%	16.4%	16.0%	13.7%	15.8%	16.3%	15.0%	18.2%	17.2%		
Business Solution	-	3.9%	3.4%	10.3%	3.5%	11.4%	11.1%	12.8%	3.1%	9.9%		

By segment (quarterly) (JPYmm)	FY03/19				FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,464	12,664	12,381	16,219	12,687	14,992	13,521	17,175	15,589	17,624		
Digital Entertainment	5,997	6,831	7,105	7,559	7,823	8,224	8,118	8,818	10,603	11,631		
Business Solution	4,466	5,833	5,276	8,660	4,863	6,769	5,402	8,357	4,986	5,992		
YoY	5.2%	12.5%	21.2%	13.0%	21.2%	18.4%	9.2%	5.9%	22.9%	17.6%		
Digital Entertainment	14.4%	26.3%	34.9%	40.8%	30.4%	20.4%	14.3%	16.7%	35.5%	41.4%		
Business Solution	-5.1%	-0.2%	6.6%	-3.7%	8.9%	16.0%	2.4%	-3.5%	2.5%	-11.5%		
Operating profit	677	1,919	1,208	3,085	1,240	2,623	1,964	2,384	2,091	2,829		
Digital Entertainment	957	1,231	1,074	1,129	1,069	1,467	1,397	1,018	1,931	1,896		
Business Solution	-282	685	131	1,953	168	1,153	566	1,363	157	931		
OPM	6.5%	15.2%	9.8%	19.0%	9.8%	17.5%	14.5%	13.9%	13.4%	16.1%		
Digital Entertainment	16.0%	18.0%	15.1%	14.9%	13.7%	17.8%	17.2%	-30.2%	18.2%	16.3%		
Business Solution	-	11.7%	2.5%	22.6%	3.5%	17.0%	10.5%	-22.7%	3.1%	15.5%		

Source: Shared Research based on company data

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

1H FY03/21 (out October 28, 2020)

Earnings overview

- ▷ For 1H FY03/21, Infocom reported sales of JPY33.2bn (+20.0% YoY), operating profit of JPY4.9bn (+27.4% YoY), recurring profit of JPY5.0bn (+27.7% YoY), and net income attributable to owners of the parent of JPY3.4bn (+31.1% YoY).
- ▷ Versus plan: Against upwardly revised 1H FY03/21 forecast (announced July 31, 2020), 1H sales reached 103.8%, operating profit 117.1%, recurring profit 117.9%, and net income attributable to owners of the parent 125.1%, and the company revised upward its full-year FY03/21 earnings forecast once again. Against full-year FY03/21 forecasts* (announced October 28, 2020), 1H sales reached 47.1% (47.4% of full-year FY03/20 results in 1H FY03/20), operating profit 46.9% (47.0%), recurring profit 47.1% (46.9%), and net income attributable to owners of the parent 50.4% (46.5%).
- ▷ Sales up 20.0% YoY: Digital Entertainment sales rose 38.6% YoY, and Business Solution sales fell 5.6% YoY.

- ▷ In the Digital Entertainment segment, in addition to the success of various data analysis-driven measures on its Mecha Comic e-comics store such as the expansion of serial manga, initial exclusive distribution rights agreements, and original comics, the rise in demand spurred by voluntary restrictions on going out caused by the COVID-19 pandemic led to higher sales.
- ▷ In the Business Solution segment, sales to hospitals under the Health IT subsegment were negatively impacted by a drop in one-time demand from 1H FY03/20 (work related to era change and consumption tax rate hike) and the COVID-19 pandemic, but sales to corporate clients were solid owing to creative sales efforts. While sales were down YoY, it still came in 9.8% above the 1H FY03/21 forecast of JPY10.0bn.
- ▷ Operating profit up 27.4% YoY: In Digital Entertainment, operating profit rose 50.9% YoY driven by higher sales and the success of high-margin original comics. Meanwhile, Business Solution was affected by lower sales YoY mainly due to a drop in one-time demand from 1H FY03/20, but operating profit declined by just 17.6% YoY (operating profit of JPY1.1bn versus 1H FY03/21 forecast of JPY300mn) owing to sales efforts and SG&A expense controls. The GPM improved 1.0pp YoY to 49.5% while the SG&A to sales ratio rose by 0.2pp YoY to 34.7%. The OPM was up 0.8pp YoY to 14.8%.
- ▷ FY03/21 earnings forecast: Revised upward as shown below.

*Revision of full-year FY03/21 earnings forecast (announced October 28, 2020)

Sales: JPY70.5bn (previous forecast: JPY69.0bn)

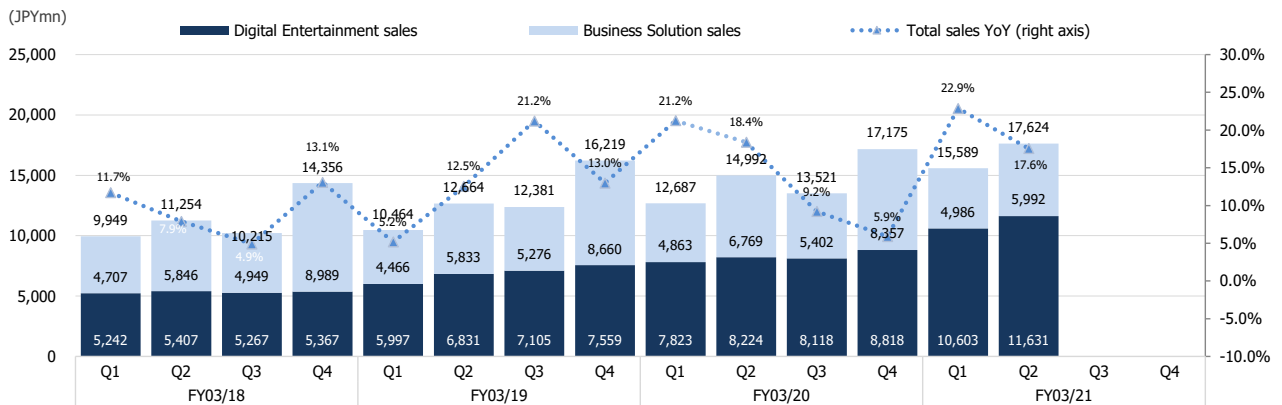
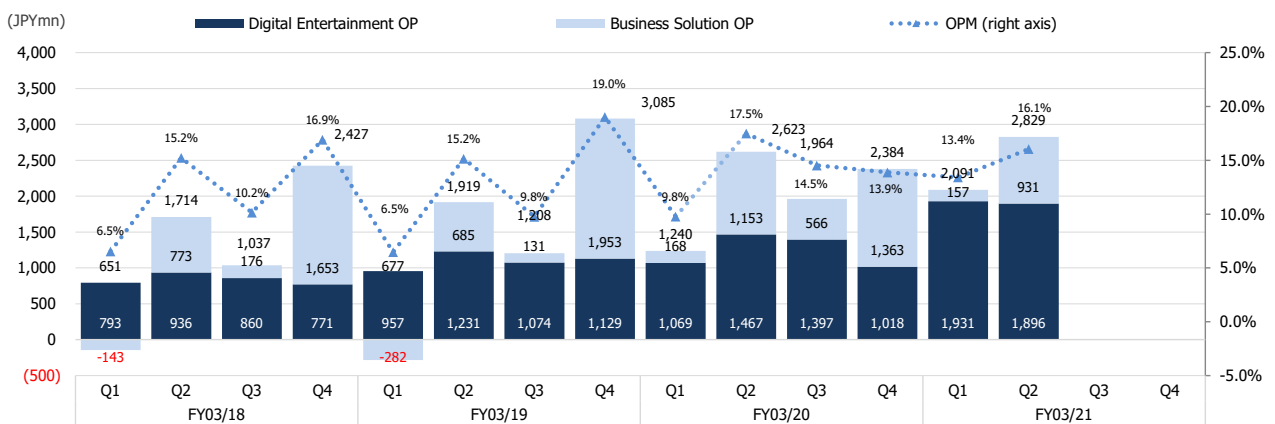
Operating profit: JPY10.5bn (JPY10.1bn)

Recurring profit: JPY10.5bn (JPY10.1bn)

Net income attributable to owners of the parent: JPY6.7bn (JPY6.6bn)

Reasons for revision

The e-comics distribution in the Digital Entertainment segment performed well in 1H FY03/21, and the company expects continued strong performance through 2H. In the Business Solution segment, the company expects its business targeting hospitals to see longer project lead times and a stronger-than-usual Q4 weighting of results. At the same time, the company expects steady growth in its business for corporate clients as it leverages web meetings and online seminars to tap into IT demand. Due to these factors, the company made upward revisions to its full-year sales and profit forecasts.

Quarterly sales and YoY comparison

Quarterly operating profit and OPM


Source: Shared Research based on company data

By segment
Digital Entertainment segment

Segment sales were JPY22.2bn (+38.6% YoY) and segment operating profit was JPY3.8bn (+50.9% YoY). In the e-comic distribution business, various data analysis-driven measures on its Mecha Comic e-comics store such as the expansion of serial manga, initial exclusive distribution rights agreements, and original comics, proved successful. In addition, demand rose due to voluntary restrictions on going out, and 1H sales surpassed the JPY20.0bn mark for the first time, rising 39.8% YoY to JPY22.2bn. On top of higher sales, operating profit rose 50.9% YoY driven by the success of high-margin original comics.

Business Solution segment

Segment sales were JPY11.0bn (-5.6% YoY) and segment operating profit was JPY1.1bn (-17.6% YoY). Sales to hospitals under the Health IT subsegment were negatively impacted by a drop in one-time demand from 1H FY03/20 (work related to era change and consumption tax rate hike) and the COVID-19 pandemic, but sales to corporate clients were solid owing to creative sales efforts. While sales were down 5.6% YoY, it still came in 9.8% above the 1H FY03/21 forecast of JPY10.0bn. Business Solution was affected by lower sales YoY mainly due to a drop in one-time demand from 1H FY03/20, but operating profit declined by just 17.6% YoY (operating profit of JPY1.1bn versus 1H FY03/21 forecast of JPY300mn) owing to sales efforts and SG&A expense controls.

Full-year company forecast

Earnings (JPYmn)	FY03/17	FY03/18	FY03/19			FY03/20			FY03/21		
	FY Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	41,768	45,774	23,128	28,600	51,728	27,679	30,696	58,375	33,213	37,287	70,500
YoY	3.6%	9.6%	9.1%	16.4%	13.0%	19.7%	7.3%	12.8%	20.0%	21.5%	20.8%
Operating profit	4,776	5,829	2,596	4,293	6,889	3,863	4,348	8,211	4,920	5,580	10,500
YoY	7.9%	22.0%	9.8%	23.9%	18.2%	48.8%	1.3%	19.2%	27.4%	28.3%	27.9%
OPM	11.4%	12.7%	11.2%	15.0%	13.3%	14.0%	14.2%	14.1%	14.8%	15.0%	14.9%
Recurring profit	4,854	5,982	2,616	4,259	6,875	3,876	4,392	8,268	4,950	5,550	10,500
YoY	6.5%	23.2%	-0.7%	27.2%	14.9%	48.2%	3.1%	20.3%	27.7%	26.4%	27.0%
RPM	11.6%	13.1%	11.3%	14.9%	13.3%	14.0%	14.3%	14.2%	14.9%	14.9%	14.9%
Net income attrib. to owners of the parent	3,261	4,640	1,877	2,906	4,783	2,575	2,968	5,543	3,377	3,323	6,700
YoY	347.9%	42.3%	-27.1%	40.7%	3.1%	37.2%	2.1%	15.9%	31.1%	12.0%	20.9%
Net margin	7.8%	10.1%	8.1%	10.2%	9.2%	9.3%	9.7%	9.5%	10.2%	8.9%	9.5%
By segment (JPYmn)	FY03/17	FY03/18	FY03/19			FY03/20			FY03/21		
	FY Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	41,768	45,774	23,128	28,600	51,728	27,679	30,696	58,375	33,213	37,287	70,500
Digital Entertainment	19,352	21,283	12,828	14,664	27,492	16,047	16,936	32,983	22,234	23,766	46,000
Business Solution	22,416	24,491	10,299	13,936	24,235	11,632	13,759	25,391	10,978	13,522	24,500
YoY	76.0%	9.6%	9.1%	16.4%	13.0%	19.7%	7.3%	12.8%	20.0%	21.5%	20.8%
Digital Entertainment	16.7%	10.0%	20.5%	37.9%	29.2%	25.1%	15.5%	20.0%	38.6%	40.3%	39.5%
Business Solution	-5.6%	9.3%	-2.4%	-0.0%	-1.0%	12.9%	-1.3%	4.8%	-5.6%	-1.7%	-3.5%
Operating profit	4,776	5,829	2,596	4,293	6,889	3,863	4,348	8,211	4,920	5,580	10,500
Digital Entertainment	2,800	3,360	2,188	2,203	4,391	2,536	2,415	4,951	3,827	4,173	8,000
Business Solution	1,990	2,459	403	2,084	2,487	1,321	1,929	3,250	1,088	1,412	2,500
OPM	11.4%	12.7%	11.2%	15.0%	13.3%	14.0%	14.2%	14.1%	14.8%	15.0%	14.9%
Digital Entertainment	14.5%	15.8%	17.1%	15.0%	16.0%	15.8%	14.3%	15.0%	17.2%	17.6%	17.4%
Business Solution	8.9%	10.0%	3.9%	15.0%	10.3%	11.4%	14.0%	12.8%	9.9%	10.4%	10.2%

Source: Shared Research based on company data

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

Company forecast for FY03/21

The full-year FY03/21 company forecast (revised on October 28, 2020*) calls for consolidated sales of JPY70.5bn (+20.8% YoY), operating profit of JPY10.5bn (+27.9% YoY), recurring profit of JPY10.5bn (+27.0% YoY), and net income of JPY6.7bn (+20.9% YoY).

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

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