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Infomart Corp. (2492)

B2B e-commerce platform operator looking to become industry standard for the food sector. Branching out overseas and into other industry sectors with its online B2B platforms.

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Income Statement (Million Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Est.
Total Sales	**2,276**	**2,569**	**2,945**	**3,043**	**3,323**	**3,871**
YoY	16.4%	12.9%	-	3.3%	9.2%	16.5%
Gross Profit	**1,511**	**1,652**	**1,934**	**2,069**	**2,245**	**2,342**
YoY	12.8%	9.3%	-	7.0%	8.5%	4.3%
GPM	66.4%	64.3%	65.6%	68.0%	67.6%	60.5%
Operating Profit	**623**	**659**	**728**	**606**	**649**	**568**
YoY	19.0%	5.7%	-	-16.8%	7.2%	-12.5%
OPM	27.4%	25.6%	24.7%	19.9%	19.5%	14.7%
Recurring Profit	**624**	**662**	**727**	**605**	**645**	**559**
YoY	24.2%	6.0%	-	-16.8%	6.6%	-13.3%
RPM	27.4%	25.8%	24.7%	19.9%	19.4%	14.4%
Net Income	**378**	**388**	**406**	**353**	**360**	**327**
YoY	27.7%	2.4%	-	-13.1%	2.2%	-9.3%
Net Margin	16.6%	15.1%	13.8%	11.6%	10.8%	8.4%
Per Share Data						
Number of Shares	36	36	36	36	36	36
EPS	11,017	10,717	11,786	10,105	10,234	8,900
EPS (Fully Diluted)	9,282	10,085	10,870	9,423	9,781	-
Dividend Per Share	5,510	5,680	6,000	6,622	7,255	5,850
Book Value Per Share	60,536	60,472	65,610	69,029	72,439	-
Balance Sheet (Million Yen)						
Cash and Equivalents	736	774	747	551	1,020	
Total Current Assets	**1,872**	**1,490**	**1,558**	**1,360**	**1,910**	
Tangible Fixed Assets, net	32	43	25	36	42	
Other Fixed Assets	64	54	156	66	94	
Intangible Assets	861	1,080	1,247	1,744	2,386	
Total Assets	**2,829**	**2,667**	**2,986**	**3,205**	**4,431**	
Accounts Payable	222	222	189	174	177	
Short Term Debt	0	0	0	0	424	
Total Current Liabilities	**629**	**558**	**613**	**633**	**1,124**	
Long Term Debt	0	0	0	0	576	
Total Fixed Liabilities	**0**	**0**	**0**	**0**	**576**	
Total Liabilities	**629**	**558**	**613**	**633**	**1,711**	
Net Assets	**2,200**	**2,109**	**2,373**	**2,572**	**2,720**	
Interest Bearing Debt	0	0	0	0	1,000	
Cash Flow Statement (Million Yen)						
Operating Cash Flow	565	572	743	755	895	
Investment Cash Flow	-786	-340	-655	-888	-1,311	
Financing Cash Flow	-20	-478	-113	-53	892	
Financial Ratios						
ROA	14.0%	14.1%	14.4%	11.4%	9.4%	
ROE	18.7%	18.0%	18.5%	15.0%	14.3%	
Equity Ratio	77.8%	79.1%	76.8%	75.9%	58.4%	

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

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Recent Updates

Highlights

SR Inc. initiates coverage of Infomart with this report.

For corporate releases and developments more than three months old please refer to the News & Topics section.

Trends & Outlook

Quarterly Trends

Quarterly Performance (Million Yen)	FY12/10 Q1	Q2	Q3	Q4	FY12/11 Q1	Q2	Q3	Q4	FY12/11 % of FY	FY Est.
Sales	720	745	769	809	780	810	846	888	92.0%	3,611
YoY	*5.3%*	*4.1%*	*2.9%*	*1.3%*	*8.3%*	*8.7%*	*10.1%*	*9.7%*		18.7%
GP	503	499	514	553	513	532	583	617		
YoY	*13.8%*	*8.2%*	*4.7%*	*2.4%*	*2.0%*	*6.5%*	*13.5%*	*11.6%*		
GPM	69.8%	67.0%	66.8%	68.3%	65.8%	65.7%	69.0%	69.5%		
SG&A	319	350	379	415	382	389	419	405		
YoY	*13.9%*	*18.8%*	*21.3%*	*30.3%*	*19.7%*	*11.2%*	*10.6%*	*-2.4%*		
SG&A / Sales	44.3%	47.0%	49.3%	51.3%	48.9%	48.1%	49.5%	45.6%		
OP	184	149	135	138	131	142	165	211	101.9%	637
YoY	*13.6%*	*-10.5%*	*-24.2%*	*-37.7%*	*-28.7%*	*-4.4%*	*21.8%*	*53.7%*		5.4%
OPM	25.5%	20.0%	17.6%	17.0%	16.8%	17.6%	19.5%	23.8%		17.6%
RP	184	149	134	138	132	140	163	210	102.4%	630
YoY	*13.9%*	*-10.7%*	*-24.9%*	*-37.4%*	*-28.3%*	*-6.0%*	*21.2%*	*52.7%*		4.1%
RPM	25.6%	19.9%	17.5%	17.1%	17.0%	17.3%	19.2%	23.7%		17.4%
NI	109	84	78	83	73	79	93	115	101.4%	355
YoY	*14.9%*	*-13.1%*	*-24.8%*	*-25.9%*	*-33.0%*	*-6.1%*	*19.1%*	*40.7%*		0.7%
NPM	15.1%	11.3%	10.2%	10.2%	9.3%	9.7%	11.0%	13.0%		9.8%

Source: Company Data Processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Quarterly Performance (Million)	FY12/10 1Q	1-2Q	1-3Q	1-4Q	FY12/11 1Q	1-2Q	1-3Q	1-4Q
Sales	**720**	**1,465**	**2,233**	**3,043**	**780**	**1,589**	**2,435**	**3,323**
YoY	5.3%	4.7%	4.1%	3.3%	8.3%	8.5%	9.0%	9.2%
ASP Ordering	439	901	1,376	1,881	487	992	1,519	2,071
YoY	14.2%	13.6%	13.1%	12.8%	10.8%	10.0%	10.4%	10.1%
ASP Standardized Merchandise System	70	146	231	318	84	170	262	362
YoY	79.7%	85.8%	78.5%	61.7%	19.3%	16.4%	13.6%	14.0%
ASP Business Contact System	207	409	601	791	181	358	530	700
YoY	-20.3%	-22.4%	-24.9%	-26.5%	-12.6%	-12.5%	-11.8%	-11.5%
ASP Ordering & Contact System	3	8	20	42	24	64	114	173
Cloud Service	-	-	5	11	4	8	13	20
Overseas	0	0	0	0	0	0	0	2
Operating Profit	**184**	**333**	**468**	**606**	**131**	**273**	**438**	**649**
YoY	13.6%	1.4%	-7.6%	-16.8%	-28.7%	-17.8%	-6.4%	7.2%
OPM	25.5%	22.7%	20.9%	19.9%	16.8%	17.2%	18.0%	19.5%
ASP Ordering	211	430	658	909	231	469	748	1,043
YoY	17.2%	19.5%	19.7%	19.0%	9.3%	9.1%	13.7%	14.8%
OPM	48.1%	47.7%	47.8%	48.3%	47.5%	47.3%	49.2%	50.4%
ASP Standardized Merchandise System	11	22	40	54	6	13	24	34
入力 YoY	-	-	-	-	-46.5%	-41.4%	-38.9%	-36.3%
OPM	15.2%	15.0%	17.2%	17.1%	6.8%	7.6%	9.2%	9.4%
ASP Business Contact System	98	158	201	238	42	77	102	136
ASP Ordering & Contact System	-104	-193	-294	-407	-94	-169	-262	-337
Cloud Service	-19	-51	-82	-110	-26	-51	-77	-101
Overseas	-14	-34	-55	-79	-27	-66	-96	-127

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

2011/12 Result vs Plan (Million)	1Q Plan	1Q Actual	1Q Diff	2Q Plan	2Q Actual	2Q Diff	3Q Plan	3Q Actual	3Q Diff	4Q Plan	4Q Actual	4Q Diff	Full-Year Plan	Full-Year Actual	Full-Year Diff
Sales	777	**779**	**2**	839	**809**	**-30**	935	**845**	**-90**	1,060	**888**	**-172**	3,611	**3,323**	**-288**
ASP Ordering	480	**486**	**6**	506	**505**	**-1**	524	**526**	**2**	542	**552**	**10**	2,051	**2,071**	**20**
ASP Standardized Merchandise System	85	**83**	**-2**	90	**86**	**-4**	97	**92**	**-5**	104	**99**	**-5**	376	**362**	**-14**
ASP Business Contact System	184	**181**	**-3**	180	**176**	**-4**	180	**172**	**-8**	183	**169**	**-14**	726	**700**	**-26**
ASP Ordering & Contact System	21	**25**	**4**	44	**39**	**-5**	84	**50**	**-34**	118	**58**	**-60**	267	**173**	**-94**
Cloud Service	7	**4**	**-3**	20	**3**	**-17**	31	**5**	**-26**	43	**6**	**-37**	100	**20**	**-80**
Overseas	0	**0**	**0**	0	**0**	**0**	20	**0**	**-20**	71	**2**	**-69**	90	**2**	**-88**
Gross Profit	489	**512**	**23**	547	**531**	**-16**	640	**583**	**-57**	738	**617**	**-121**	2,414	**2,245**	**-169**
ASP Ordering	336	355	**19**	366	372	**6**	392	411	**19**	416	436	**20**	1,509	1,575	**66**
ASP Standardized Merchandise System	61	60	**-1**	63	62	**-1**	69	67	**-2**	77	73	**-4**	269	263	**-6**
ASP Business Contact System	113	114	**1**	109	106	**-3**	108	100	**-8**	113	98	**-15**	444	419	**-25**
ASP Ordering & Contact System	3	5	**2**	21	15	**-6**	58	22	**-36**	90	26	**-64**	171	70	**-101**
Cloud Service	-5	-7	**-2**	7	-8	**-15**	18	-6	**-24**	31	-5	**-36**	51	-28	**-79**
Overseas	-18	-13	**5**	-19	-15	**4**	-5	-9	**-4**	11	-10	**-21**	-31	-49	**-18**
Operating Profit	55	**131**	**76**	105	**142**	**37**	195	**164**	**-31**	282	**211**	**-71**	637	**649**	**12**
ASP Ordering	214	**230**	**16**	231	**238**	**7**	256	**278**	**22**	279	**296**	**17**	980	**1,043**	**63**
ASP Standardized Merchandise System	-9	**5**	**14**	-2	**7**	**9**	4	**11**	**7**	11	**10**	**-1**	4	**34**	**30**
ASP Business Contact System	40	**41**	**1**	37	**35**	**-2**	37	**24**	**-13**	41	**35**	**-6**	154	**136**	**-18**
ASP Ordering & Contact System	-120	**-93**	**27**	-99	**-75**	**24**	-62	**-92**	**-30**	-29	**-75**	**-46**	-310	**-337**	**-27**
Cloud Service	-30	**-26**	**4**	-18	**-24**	**-6**	-7	**-26**	**-19**	5	**-23**	**-28**	-50	**-101**	**-51**
Overseas	-40	**-27**	**13**	-43	**-38**	**5**	-32	**-30**	**2**	-25	**-30**	**-5**	-140	**-127**	**13**
Recurring Profit	55	**132**	**77**	102	**139**	**37**	193	**162**	**-31**	280	**210**	**-70**	630	**645**	**15**
Net Income	29	**72**	**43**	57	**78**	**21**	110	**93**	**-17**	160	**117**	**-43**	355	**362**	**7**

Source: Company Data Processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Total Clients	FY12/10 1Q	FY12/10 1-2Q	FY12/10 1-3Q	FY12/10 1-4Q	FY12/11 1Q	FY12/11 1-2Q	FY12/11 1-3Q	FY12/11 1-4Q
ASP Ordering								
No. of Sellers	15,770	16,271	16,667	17,317	17,761	18,294	18,995	19,502
No. of Buyers	697	728	755	784	812	846	874	906
Total Users	16,467	16,999	17,422	18,101	18,573	19,140	19,869	20,408
YoY Growth	2,020	1,916	1,955	2,097	2,106	2,141	2,447	2,307
ASP Ordering System Transaction Value	1,274	2,623	4,057	5,620	1,359	2,828	4,427	6,163
YoY	16.7%	14.6%	14.2%	13.5%	6.7%	7.8%	9.1%	9.7%
ASP Standardized Merchandise System								
No. of Sellers	3,195	3,318	3,372	3,475	3,465	3,572	3,831	4,011
No. of Buyers	141	152	159	171	178	214	266	304
Total Users	3,336	3,470	3,531	3,646	3,643	3,786	4,097	4,315
YoY	447	481	452	451	307	316	566	669
ASP Business Contact System								
No. of Sellers	2,267	2,177	2,063	2,032	1,997	1,953	1,938	1,899
No. of Buyers	2,460	2,415	2,475	2,584	2,873	3,098	3,371	3,654
Total Users	4,727	4,592	4,538	4,616	4,870	5,051	5,309	5,553
YoY	-103	-240	-349	-226	143	459	771	937
ASP Ordering & Contact System								
No. of wholesalers(Sellers)	27	48	89	99	98	121	131	132
No. of stores/restaurants (Buyers)	445	926	1787	4739	5188	9429	12936	12384
ASP Ordering System Transaction Value	1.2	3.8	8.9	27.6	20.1	55.9	112.1	175.5
Total Clients								
No. of Sellers	18,166	18,640	18,988	19,664	20,027	20,537	21,348	21,938
No. of Buyers	2,513	2,478	2,542	2,660	2,955	3,191	3,495	3,797
Total Users	20,679	21,118	21,530	22,324	22,982	23,728	24,843	25,735
YoY	1,819	1,660	1,739	2,084	2,303	2,610	3,313	3,411

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Unit Price per Customer	FY12/10 1Q	FY12/10 2Q	FY12/10 3Q	FY12/10 4Q	FY12/11 1Q	FY12/11 2Q	FY12/11 3Q	FY12/11 4Q
ASP Ordering	9,018	9,205	9,186	9,488	8,844	8,932	9,001	9,153
YoY	-9	-29	-34	-87	-174	-273	-185	-335
ASP Standardized Merchandise System	7,159	7,427	8,108	8,038	7,652	7,733	7,832	7,925
YoY	2,515	2,943	2,517	923	493	306	-276	-113
ASP Business Contact System	14,444	14,433	14,029	13,817	12,739	11,868	11,097	10,422
YoY	501	339	-515	-1,101	-1,705	-2,565	-2,932	-3,395
ASP Ordering & Contact System	83,978	45,957	56,048	78,087	85,740	119,329	132,405	148,271
YoY	-	-	-	-	1,762	73,372	76,357	70,184
Food Info Mart TOTAL	**11,732**	**11,880**	**11,929**	**12,220**	**11,430**	**11,522**	**11,554**	**11,614**
YoY	**497**	**522**	**287**	**-48**	**-302**	**-358**	**-375**	**-606**

Source: Company Data Processed by SR Inc.
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Seasonality: Infomart's core business is Business-to-business e-commerce (B2B e-commerce) for the food industry. Transaction volumes tend to be high in Q4 (particularly, December). Due to this seasonality the bulk of the company's earnings are generated in 2H of its financial year.

FY12/11 Results (Announced on February 14, 2012; please refer to preceding tables)
Increased usage of the ASP Ordering and ASP Standardized Merchandise platforms was behind a 9.2% YoY increase in sales to 3.3 billion yen. However, expenses also rose these included, higher software depreciation charges due to development initiatives, increased labor costs owing to a rise in sales staff and increased investment in the Overseas business. Consequently, operating profit rose by just 7.2% to 649 million yen, an increase of 7.2% YoY.

Sales fell 288 million yen short of the company's forecast (or an 8.0% miss). Top-line at the core ASP Ordering business though came in above forecast, but group-wide sales figures were pulled down by the companies new businesses – the ASP Ordering & Contact system, the Cloud business, and the Overseas business – where sales fell short of projections. However, operating profit ended up slightly exceeding forecast due to system-related (data center and software depreciation expenses), labor, and sales promotion costs all coming in below forecast.

Results for the company's segments were as follows:

- **ASP Ordering (Sales: 2.1 billion yen, +10.1% YoY; Operating profit: 1.0 billion yen, + 14.9% YoY)**

ASP Ordering segment sales were up 10.1% YoY, lifted by new client acquisitions among restaurant chains. Operating profit also rose by 14.9% due to reductions in system-related costs and other factors. Sales beat projections by 20 million yen, similarly, operating profit beat projections by 63 million yen due to system-related costs being kept in check.

- **ASP Standardized Merchandise (Sales: 362 million yen, + 14.1% YoY; Operating profit: 34 million yen, - 36.3% YoY)**

The segment notched up a 14.1% YoY increase in sales benefiting from its focus on food safety. However, operating profit fell 36.3% YoY due to higher labor costs associated with bolstering the sales effort for the platform. Sales fell short of expectations by 14 million yen due to new manufacturers acquisitions falling behind target. On the other hand, costs controls meant operating profit actually beat forecast by 30 million yen.

- **ASP Business Contact System (Sales: 700 million yen, - 11.5% YoY; Operating profit: 136 million yen, - 42.7% YoY)**

Though the number of companies using the system increased, sales fell by 11.5% YoY due to a promotional campaign offering the first year of use for free. Operating profit also tumbled, falling 42.7% YoY. Sales fell short of expectations by 26 million yen due to the number of new sellers and usage volumes for the Account Settlement System not coming on target. Operating profit fell short of expectations by approximately 18 million yen given sales did not hit target.

- **ASP Ordering & Contact (Sales: 173 million. Operating loss: 337 million yen)**

Usage by food wholesalers and restaurants increased. The beauty salon/hairdressing and healthcare industry-focused platforms also made progress. The segment, however, recorded an operating loss due to investment expenses, such as software depreciation, labor, and sales promotion expenses. Sales fell short of forecast by 94 million yen as the company pushed back its target for signing up wholesalers generating 10 million yen or more in monthly transaction volume out till FY12/12. The operating loss was 27 million yen higher than projected.

- **Cloud Service business (Sales: 20 million yen; Operating loss: 101 million yen)**

Usage of the Sales Promotion System by food manufacturers and wholesalers was making headway. Sales fell short of expectations by 80 million yen though due to the number of newly added manufacturers coming in below projections. The operating loss exceeded forecast by 51 million yen.

- **Overseas business (Sales: 2 million yen; Operating loss: 127 million yen)**

The business has focused on selling its product primarily in Beijing and Shanghai. As of end-FY12/11 the unit had signed up one company to use the SaaS Manufacturers System and ten companies for the SaaS Wholesalers and Agencies System. Sales fell short of expectations by 88 million yen due to the number of new users for the SaaS Manufacturers System coming in under forecast. However, the segment operating loss was 13 million yen less than expected due to operational costs not being incurred as a result.

Q3 FY12/11 Results (Announced on October 31, 2012; please refer to preceding tables)
The company maintained its forecast.

Cumulative Q3 sales were 2.4 billion yen, + 9.0% YoY, driven by increased usage of the ASP Ordering and ASP Standardized Document systems. However, operating profit was 438 million yen, -6.4% YoY, due to higher software depreciation charges due to development efforts, increased labor expenses because of a rise in sales staff and higher investment in the Overseas business.

Sales performance fell short of expectations by 115 million yen (4.5%). The main business ASP Ordering performed broadly as planned, but other businesses fell short of projections. Operating profit exceeded expectations by 82 million yen (+23.1%) on the back of lower than expected system-related, labor, and sales promotion costs.

1H FY12/11 Results (Announced on July 29, 2012; please refer to preceding tables)
The company maintained its forecast.

1H sales were 1.6 billion yen, an increase of 8.5% YoY, driven by higher usage of the ASP Ordering and ASP Standardized Merchandise systems. Unfortunately, operating profit fell 17.8% YoY to 273 million yen because of higher software depreciation charges due to development efforts, increased labor expenses because of a rise in sales staff and higher investment in the Overseas and Cloud Service businesses.

Sales came in 27 million yen (-1.7%) below forecast. Results for the main ASP Ordering business were largely in line with the forecast, however, sales performance for the Cloud Service and other businesses fell short of projections. Operating profit was 113 million yen (+70.6%) above forecast given system-related, labour, and sales promotion costs were all lower than predicted.

Q1 FY12/11 Results (Announced on February 28, 2012; please refer to preceding tables)
The company maintained its forecast.

Sales registered an 8.3% rise YoY at 780 million yen driven by increased usage of the ASP Ordering and ASP Standardized Merchandise systems. However, operating profit tumbled 28.7% YoY to 131 million yen, on the back of increased investment for the Cloud Service and Overseas businesses, such as higher depreciation charges related to software development and labor costs due to hiring of more personnel for the sales effort.

Sales came in pretty much in line with forecast. Operating profit though surpassed the forecast by 76 million yen (+138.2%) owing to system-related, labor, and sales promotion costs coming in lower than expected.

For details on previous quarterly and annual results please refer to the Historical Financial Statements section.

FY12/12 Outlook

Please refer to the Future Outlook section for further discussion.

Future Outlook

Mid-Term Plan (Million)	FY12/11 Con.	FY12/12 Est.	FY12/13 Plan	FY12/14 Plan
Sales	**3,323**	**3,871**	**4,677**	**5,552**
YoY	9.2%	16.5%	20.8%	18.7%
ASP Ordering	2,071	2,241	2,411	2,611
YoY	10.1%	8.2%	7.6%	8.3%
ASP Standardized Merchandise System	362	452	564	685
YoY	14.0%	24.9%	24.8%	21.5%
ASP Business Contact System	700	645	682	750
YoY	-11.5%	-7.9%	5.7%	10.0%
ASP Ordering & Contact System	173	425	736	1,038
YoY	311.0%	145.7%	73.2%	41.0%
Cloud Service	20	56	123	214
YoY	86.3%	179.5%	116.7%	73.8%
Overseas	2	55	164	257
YoY	1540.0%	2101.6%	195.6%	56.4%
CoGS	**1,078**	**1,529**	**1,710**	**1,151**
Gross Profit	**2,245**	**2,342**	**2,967**	**4,400**
YoY	8.5%	4.3%	26.7%	48.3%
GPM	67.6%	60.5%	63.4%	79.3%
ASP Ordering	1,575	1,651	1,770	2,139
YoY	14.1%	4.8%	7.2%	20.8%
GPM	76.1%	73.7%	73.4%	81.9%
ASP Standardized Merchandise System	263	284	373	574
YoY	21.0%	8.3%	30.9%	54.1%
GPM	72.7%	62.8%	66.1%	83.8%
ASP Business Contact System	419	231	259	523
YoY	-23.2%	-44.7%	11.7%	102.1%
GPM	59.9%	35.8%	38.0%	69.7%
ASP Ordering & Contact System	70	172	434	889
YoY	-	144.0%	151.6%	104.8%
GPM	40.9%	40.5%	59.0%	85.6%
Cloud Service	-28	2	57	138
Overseas	-49	4	78	140
SG&A	**1,595**	**1,774**	**1,970**	**2,365**
Operating Profit	**649**	**568**	**997**	**2,035**
YoY	7.2%	-12.5%	75.5%	104.1%
OPM	19.5%	14.7%	21.3%	36.7%
ASP Ordering	1,043	1,034	1,064	1,257
YoY	14.8%	-0.9%	2.9%	18.1%
OPM	50.4%	46.1%	44.1%	48.1%
ASP Standardized Merchandise System	34	-12	40	176
YoY	-36.3%	-	-	340.0%
OPM	9.4%	-	7.1%	25.7%
ASP Business Contact System	136	-42	-41	168
YoY	0	-	-	-
OPM	19.4%	-	-	22.4%
ASP Ordering & Contact System	-337	-237	0	382
Cloud Service	-101	-83	-40	25
Overseas	-127	-90	-27	25
Recurring Profit	**645**	**559**	**988**	**2,026**
YoY	6.6%	-13.3%	76.7%	105.1%
RPM	19.4%	14.4%	21.1%	36.5%
Net Income	**360**	**327**	**594**	**1,214**
YoY	2.2%	-9.3%	81.7%	104.4%
NPM	10.8%	8.4%	12.7%	21.9%
EPS	10,234	8,900	15,900	31,800
DPS	7,255	5,850	8,450	15,500

Source: Company Data Processed by SR Inc.

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

No. of Clients (Million)	FY12/11 Con.	FY12/12 Est.	FY12/13 Plan	FY12/14 Plan
ASP Ordering				
No. of Sellers	19,502	21,510	23,790	26,375
No. of Buyers	906	1,045	1,205	1,381
Total Users	**20,408**	**22,555**	**24,995**	**27,756**
YoY	2,307	2,147	2,440	2,761
ASP Standardized Merchandise System				
No. of Sellers	4,011	4,559	5,187	5,979
No. of Buyers	304	366	435	523
Total Users	**4,315**	**4,925**	**5,622**	**6,502**
YoY	669	610	697	880
ASP Business Contact System				
No. of Sellers	1,899	1,902	2,031	2,193
No. of Buyers	3,654	4,700	5,804	6,973
Total Users	**5,553**	**6,602**	**7,835**	**9,166**
YoY	937	1,049	1,233	1,331
ASP Ordering & Contact System				
No. of Sellers	132	167	226	283
No. of Buyers	12,384	40,719	71,319	107,729
Total Clients				
No. of Sellers	21,938	23,940	26,348	29,096
No. of Buyers	3,797	4,984	6,248	7,593
Total Users	**25,735**	**28,924**	**32,596**	**36,689**
YoY	3,411	3,189	3,672	4,093

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

The company released its mid-term plan (covering the period from FY12/12 to FY12/14) on February 14, 2012.

Mid-Term Plan Overview

The mid-term management plan has four parts:

1. Strengthening of the food industry B2B business to build it into the industry standard
   Continue to increase usage of existing systems (ASP Ordering System, ASP Standardized Merchandise System, ASP Business Contact System, ASP Ordering & Contact System) setting the FY12/14 targets as follows:
   - 36,000 companies utilizing the company's services, up from 25,735 in FY12/11
   - 1 trillion yen in system transaction value (ASP Ordering System ASP + Ordering & Contact System) up from 633.8 billion yen in FY12/11.

2. Achieving profitability at subsidiaries Infomart International and InfoRise
   Make both subsidiaries profitable by FY12/14 by growing Infomart International's China business and InfoRise's sales promotion support system.

3. Growing outside of the food industry
   Leverage the company's track record in the food industry to offer its systems in such sectors as beauty and healthcare.

4. Completing of B2B & Cloud platform
   Finish the development of the new B2B platform in FY12/12 and use the new technology to drive further growth for the entire Infomart group.

Situation at the start of the mid-term plan implementation (end-FY12/11)

Sales continued to increase driven by growing usage of the ASP Ordering System. ASP Standardized Merchandise System also grew steadily and ASP Ordering & Contact System became a material contributor to the top line. ASP Business Contact System saw lower revenues due to the falling number of

sellers on the system. The Cloud Service and Overseas businesses, meanwhile, were still in the start-up stage.

Despite earnings increases at ASP Ordering, the overall operating profit growth has stalled since peaking in FY12/09, weighed down by investments in new initiatives such as ASP Ordering & Contact System, Cloud Service, and Overseas business.

Mid-Term Plan Detailed Assumptions

For the final year of its mid-term plan, FY12/14, Infomart is targeting sales of 5.6 billion yen, operating profit of 2.0 billion yen (36.7% OPM), and EPS of 31,800 yen. The targeted dividend payout is at least 50% of parent earnings, translating into a 15,500 yen per share dividend in FY12/14.

The company expects continued sales growth for both its ASP Ordering and ASP Standardized Merchandise systems. The plan is also calling for strong growth at ASP Ordering & Contact. ASP Business Contact is expected to see lower sales in FY12/12 with a recovery from FY13/12. Both the Cloud Service and the Overseas business are projected to become material sales contributors.

The company views ASP Ordering & Contact as the key element in achieving its mid-term goals. Infomart has assumed it can garner 107,729 shops (buyers) by FY12/14 and 283 wholesalers (sellers). However, the company believes it can market ASP Ordering & Contact to approximately 2,000 wholesalers, thus its target wholesaler customer figure of 283 should be a conservative goal.

One important thing to note regarding the plan is the temporary cost impact related to the roll-out of the New B2B Platform. The roll-out will temporarily inflate system-related sales costs in the cost-of-goods-sold (COGS) line of the P/L during FY12/12 and FY3/13. These one-off costs are expected to disappear in FY12/14. All in all, this means lower operating profit in FY12/12, higher operating profit in FY12/13 driven by growing sales, and then doubling operating profit in FY12/14 as COGS fall substantially while sales continue to increase.

	Sales Cost (System Related) (Million)	FY12/11 Con.	FY12/12 Est.	FY12/13 Plan	FY12/14 Plan
a=b+c	**Total**	**927**	**1,351**	**1,493**	**886**
	YoY	96	424	142	-607
b	Data Center	380	354	364	389
	YoY	-6	-26	10	25
c=d+e	Software Depreciation	547	997	1,129	497
	YoY	102	450	132	-632
d	**Existing Platform**	**547**	**818**	**729**	**0**
e	New Platform	0	179	400	497
d=f+g	**Existing Platform Total**	**547**	**818**	**729**	**0**
f	**5-year Depreciation Schedule**	**547**	**512**	**418**	**0**
g=h+i+k+k	**2-year Depreciation Schedule**	**0**	**306**	**310**	**0**
h	(Ordering)	0	87	88	0
i	(Standardized Document System)	0	42	43	0
j	(Sales Negotiation)	0	90	91	0
k	(Sales & Ordering)	0	86	87	0

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

The chart above shows the forecast trends for system-related expenses within sales costs. The company has earmarked 1.3 billion yen (FY12/11: 460 million yen; FY12/12: 800 million yen) in investment for the development of its "New B2B Platform", which is scheduled to conclude in July 2012. Once complete, existing platforms will be migrated over to this new platform and the company will incur depreciation charges against the new platform (see New Platform line item in the preceding chart for details). Existing

platforms were on a straight line depreciation schedule over five years, however, once the new platform comes online the existing platforms will be converted to an accelerated depreciation schedule that is slated to end by FY12/13 (see the Existing Platform line item and the 2-year Depreciation Schedule line item in the preceding chart for more details). Therefore, sales costs are expected to rise temporarily in FY12/12 and FY12/13 as the effects of depreciation charges from both the existing and new platforms are felt. While there will be no cash-flow impact, accelerating the depreciation schedule results in 306 million yen in costs for FY12/12 and 310 million yen for FY12/13 resulting in lower operating profit figures. Ignoring the accelerated depreciation would result in FY12/12 operating profit coming in at 874 million yen (568 million yen + 306 million yen).

According to the company, the roll-out of the next generation B2B Platform should both increase development lead times and cut development costs, thus raising efficiency of investments. This comes in contrast with existing platforms where incremental development tended to be costly and prolonged. SR Inc. understands that the existing platforms lacked system scalability, and the company had to modify the entire system in order to cope with increased transaction volumes, causing software depreciation and other costs to climb. However, once the new platform is implemented, it will be possible to scale and make enhancements through modular modifications, increasing speed and reducing cost of development.

Data center costs (a part of system-related expenses) are lower in FY12/12 versus FY12/11 due to improvements in server organization made during FY12/11. The company mentioned that from FY12/13 onwards it should be able to maintain data center costs at levels similar to those in FY12/12 despite expected increases in the number of users and transaction volumes.

SG&A costs are expected to rise around 11% YoY in FY12/12 and FY12/13, and by about 20% in FY12/14, driven by higher personnel expenses (due to hiring of 10-15 new graduates p.a.) and higher sales promotion costs.

Long-Term Vision

The corporate vision as laid out in Infomart's mid-term plan is to become "a technology group and global B2B infrastructure company providing B2B platforms across various sectors".

More concretely, this long-term vision calls for just under 80 billion yen in annual revenues and a 40% operating profit margin. The company assumes that overseas operations will contribute 60% of top-line with domestic businesses responsible for only 40%. This further assumes that domestically, services related to the food sector will remain the core driver of sales.

The company therefore sees its new mid-term plan only as a stepping stone to achieving its ambitious long-term goals.

Business

Business Description

FOODS Info Mart, a business-to-business (B2B) e-commerce platform specifically focused on the food industry, is the company's core business.

Main Business Segments

Infomart is an Application Service Provider (ASP) that provides business application services to customers via the Internet. The company operates the B2B e-commerce platform FOODS Info Mart, composed of the following four systems:

- **ASP Ordering System**: An Internet-based management system for the entire ordering process from product ordering by restaurant chain operators up till payment confirmation. The system facilitates business transactions and information exchange between mid-stream and downstream food industry players (i.e. between wholesalers, and restaurants & food retailers).
- **ASP Standardized Merchandise System**: a digitized library of standardized product specification documents for the food industry
- **ASP Business Contact System**: a product database that clients can use as a purchasing and sales tool to improve procurement capabilities
- **ASP Ordering & Contact System**: Allows wholesalers to conduct sales and take orders from restaurants and retailers online.

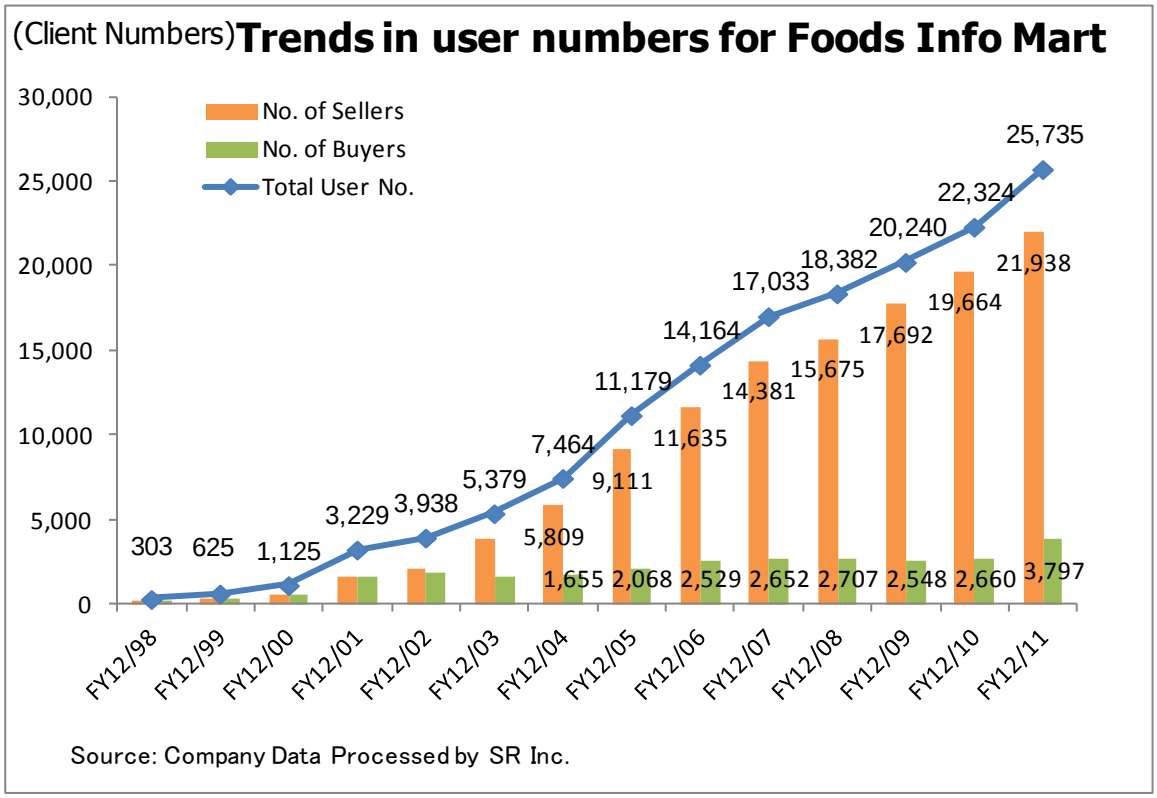
> Note:The "food industry" here refers to the food and retail industries, as well as some service businesses. Specifically, it refers to businesses involved in food manufacturing, sellers of local specialty products, agricultural and fishing cooperatives, wholesalers, producers, restaurants, hotels, ryokan (Japanese-style inns), supermarkets, retailers, department stores, and companies that handle side dishes and provide prepared meals and boxed lunches.

Operationally, Infomart's business has a number of defining features:

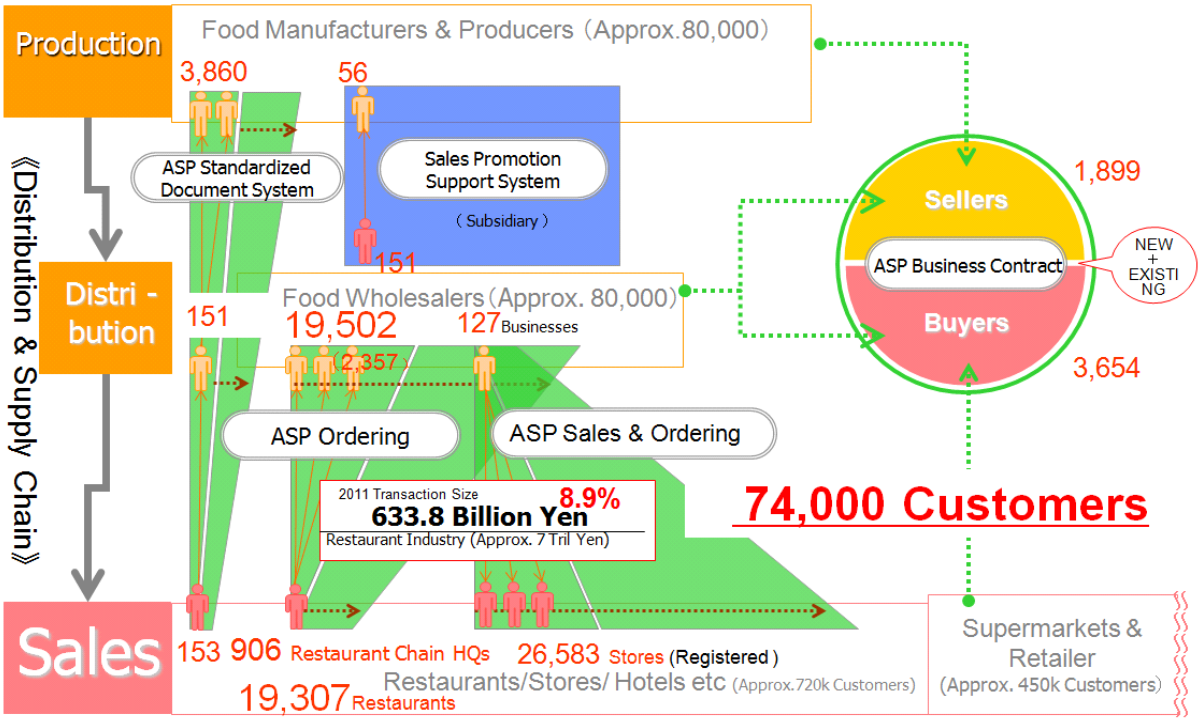
- Ability to provide services at relatively low cost using its ASP systems
- Provision of a "one-stop" service to allows users to utilize the four systems described above to develop new accounts; engage in business negotiations and transactions; place and receive orders; and settle accounts
- Leveraging groupware to share information between it and existing customer accounts to increase business efficiency

The company's business is composed of six segments, four of which fall under its FOODS Info Mart platform: ASP Ordering, ASP Standardized Merchandise, ASP Business Contact; and the ASP Ordering & Contact. The remaining two segments are the Overseas and the Cloud Service segments.

The Overseas and the Cloud Service segments are both new businesses that the company has been developing, the company's other new businesses are its non-food industry B2B e-commerce services: healthcare and beauty sectors (these are grouped under the ASP Ordering & Contact segment).



As of end-December 2011 there were 25,735 companies using FOODS Info Mart of which there were 21,938 sellers and 3,797 buyers.



Classification	Providing System		Monthly Payment Plans
ASP Ordering	ASP Ordering System	B2B system targeting daily order and sales transactions between restaurant chains (buyers) and wholesalers (sellers)	Buyers.Chain restaurant HQs: 18,000 yen Restaurants/stores: 1,300 yen Initial fee: 300,000 – 1 million yen Optional functions – Uploads Sellers,HQs: 30,000 yen,Stores: 800 yen
ASP Standardized Merchandise System	ASP Standardized Merchandise System	Online B2B system offering database of standardized product specification documents for use and exchange between buyers, wholesalers and manufacturers.	Buyers 30,000 yen Wholesalers 25,000 yen Food manufacturers chose from a flat rate or volume-linked fee Flat-rate fee 25,000 yen Volume-linke fee 1,000 -15,000 yen Initial fee (Buyers) from 200,000 yen Wholesalers from 50,000 yen
ASP Business Contact System	ASP Business Contact System	Allows clients to conduct all aspects of the sales negotiation process online. Users can conduct system searches for new customers using the platform database	Buyers 5,000 yen; Sellers 25,000 yen Stores: 800 yen Account Settlement System (handling charge of 5.0% of transaction value) Outlet Mall (handling charge of 10.0% of transaction value) Sellers Initial fee 100,000 yen Account Settlement System usage possible
ASP Ordering & Contact System	ASP Ordering & Contact System	B2B system targeting for managing orders between wholesalers (sellers) and small mom & pop-style stores. Product catalogues also featured	Sellers transaction value based system (1+2+3) 1. 3.0% of monthly transaction value up to 10 million yen in monthly transaction 2. 0.5% of monthly transaction value above 10 million yen in monthly transactions 3. 0.1% of of monthly transaction value above 100 million yen in monthly transactions Initial fee (for sellers) 100,000-300,000 yen
Cloud Service	Sales Promotion Support System	Cloud-platform based sales promotion business for manufacturers and wholesalers	Information providers charged 25,000 yen per month per entry + 500 yen per month for each representative login ID + 800 yen per month per company. Initial fee 300,000- 900,000 yen
Overseas	Chinese B to B System	SaaS Manufacturers System	Manufacturers 2,000 yuan Initial fee (for manufacturers) 15,000 yuan
		SaaS Wholesalers and Agencies System	Wholesalers and agents 300 yuan Initial fee (for wholesalers and agents) 8,000 yuan
		SaaS Ordering System	Buyers (HQs: 300 yuan/Stores: 30 yuan) Initial fee (for buyers) 8,000 yuan Sellers:1% of monthly transaction value (capped at 2000 yuan month)

Source: Company Data Processed by SR Inc.

Sales and profitability at the segment-level are broken out in the following table, as one can see, the ASP Ordering System is a major driver of profits.

Segment Sales & Profit (Million)	FY12/07 Par.	FY12/08 Par.	FY12/09 Con.	FY12/10 Con.	FY12/11 Con.
Sales	**2,276**	**2,569**	**2,945**	**3,043**	**3,323**
YoY	16.4%	12.9%	-	3.3%	9.2%
ASP Ordering	1,212	1,501	1,668	1,881	2,071
YoY	32.6%	23.9%	11.1%	12.8%	10.1%
Composition	53.3%	58.4%	56.6%	61.8%	62.3%
ASP Standardized Merchandise System	-	-	196	318	362
YoY	-	-	-	61.7%	14.0%
Composition	-	-	6.7%	10.4%	10.9%
ASP Business Contact System	1,063	1,068	1,077	791	700
YoY	2.2%	0.4%	0.8%	-26.5%	-11.5%
Composition	46.7%	41.6%	36.6%	26.0%	21.1%
ASP Sales & Ordering	-	-	-	42	173
Composition	-	-	-	0	5.2%
Cloud Service	-	-	-	11	20
Overseas	-	-	4	0	2
Gross Profit	**1,511**	**1,652**	**1,934**	**2,069**	**2,245**
YoY	12.8%	9.3%	-	7.0%	8.5%
GPM	66.4%	64.3%	65.6%	68.0%	67.6%
ASP Ordering	863	1,068	1,221	1,381	1,575
YoY	25.3%	23.8%	14.4%	13.0%	14.1%
GPM	71.2%	71.1%	73.2%	73.4%	76.1%
ASP Standardized Merchandise System	-	-	123	217	263
YoY	-	-	-	76.8%	21.0%
GPM	-	-	62.6%	68.4%	72.7%
ASP Business Contact System	649	585	588	546	419
YoY	-0.5%	-9.9%	0.5%	-7.1%	-23.2%
GPM	61.0%	54.7%	54.6%	69.0%	59.9%
ASP Sales & Ordering	-	-	-	0	70
Cloud Service	-	-	-	-22	-28
Overseas	-	-	1	-53	-49
Operating Profit	**623**	**659**	**728**	**606**	**649**
YoY	19.0%	5.7%	-	-16.8%	7.2%
OPM	27.4%	25.6%	24.7%	19.9%	19.5%
ASP Ordering	-	-	764	909	1,043
YoY	-	-	-	19.0%	14.8%
OPM	-	-	45.8%	48.3%	50.4%
Composition	-	-	105.0%	150.0%	160.7%
ASP Standardized Merchandise System	-	-	-8	54	34
YoY	-	-	-	-	-36.3%
OPM	-	-	-	17.1%	9.4%
Composition	-	-	-	9.0%	5.2%
ASP Business Contact System	-	-	5	238	136
YoY	-	-	-	-	0
OPM	-	-	0.5%	0	19.4%
Composition	-	-	0.7%	0	21.0%
ASP Sales & Ordering	-	-	-	-407	-337
Cloud Service	-	-	-	-110	-101
Overseas	-	-	-34	-79	-127

Source: Company Data Processed by SR Inc.

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

Pre FY12/08 ASP Business Contact System values based on EMP Business figures

Pre FY12/08 ASP Ordering System values based on ASP Business figures

ASP Ordering

ASP Ordering (Clients,Million)	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11
New Clients Total	**3,127**	**2,423**	**2,359**	**2,403**	**2,602**
No. of Sellers	2,985	2,235	2,189	2,253	2,435
No. of Buyers	142	188	170	150	167
Cancellation Clients	**-272**	**-411**	**-312**	**-306**	**-295**
No. of Sellers	-250	-371	-276	-269	-250
No. of Buyers	-22	-40	-36	-37	-45
Balance	**2,855**	**2,012**	**2,047**	**2,097**	**2,307**
No. of Sellers	2,735	1,864	1,913	1,984	2,185
No. of Buyers	120	148	134	113	122
No.of Clients in the end of FY	**12,648**	**14,660**	**16,004**	**18,101**	**20,408**
No. of Sellers	12,217	14,081	15,333	17,317	19,502
No. of Buyers	431	579	671	784	906
ASP Ordering System Transaction Value	**341,000**	**420,100**	**495,200**	**562,000**	**616,300**
YoY	40.3%	23.2%	17.9%	13.5%	9.7%
Sales	**1,212**	**1,501**	**1,668**	**1,881**	**2,071**
YoY	32.6%	23.9%	11.1%	12.8%	10.1%
CoGS	**349**	**433**	**447**	**501**	**495**
Gross Profit	**863**	**1,068**	**1,221**	**1,381**	**1,575**
YoY	25.3%	23.8%	14.4%	13.0%	14.1%
GPM	71.2%	71.1%	73.2%	73.4%	76.1%
SG&A	**-**	**-**	**458**	**472**	**531**
SG&A / Sales	-	-	27.4%	25.1%	25.6%
Operating Profit	**-**	**-**	**764**	**909**	**1,043**
YoY	-	-	-	19.0%	14.8%
OPM	-	-	45.8%	48.3%	50.4%

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Pre-FY12/08 ASP Ordering System values based on ASP Business figures

The ASP Ordering System allows ordering and invoice processing on a daily basis between sellers and buyers over the Internet.

The system reduces business costs by improving the efficiency of and digitizing ordering procedures between buyers placing orders (such as head offices and stores), and those product sellers receiving orders. Infomart also notes the system has a number of other compelling features, such as its capacity to systemize and organize information on the status of sales and product stock; store management; and accounts payable and receivable in real time.

The ASP Ordering System was launched in 2003 and experienced rapid growth with the segment becoming Infomart's core business. As of December 2011, there were 20,408 companies in total using the system with 19,502 sellers and 906 buyers. In FY12/11 the total value transacted on Infomart's system reached 616.3 billion yen.

The majority of buyers are restaurant chains and izakayas (Japanese-style pubs), but meal catering services, ready-made meal companies, hotels, wedding halls, golf courses, and other similar establishments are using the system as well. Initially, the platform's focus was on catering to chain operators with at least 15 restaurants, however client volumes have grown dramatically since inception, and as of February 2012 the target segment was operators with five restaurants or more.

Consequently, a large number of relatively small restaurant chain operators utilize the service, the breakdown as of end-September 2011 was:
1 to 10 restaurants - 59%
11 to 30 restaurants - 26%
31 to 50 restaurants - 8%
51 to 100 restaurants - 4%

101+ restaurants - 3%

Sellers on the system are general and specialized commercial food wholesalers.

Many of the major buyers brought multiple sellers (and vice versa) with them when they began using ASP Ordering.

The company's Alliance Partner Program, launched in October 2006, has been one driving factor behind the ASP Ordering business expansion. Until then ASP Ordering relied on two methods to grow its client base: introductions from existing customers and new inquiries as the system gained acceptance. The Alliance Partner Program has accelerated the take-up rate for the platform. Food wholesalers who utilize the company's ASP Ordering System are selected as Alliance Partners and can then refer their clients (i.e. buyers) to the system, thus increasing the system's penetration rate. By utilizing the electronic ordering system, Alliance Partners can increase the number of their accounts and improve both their operational efficiency and that of their customers.

System usage fees are levied monthly with buyers billed an initial charge of between 300,000 to one million yen depending on the number of stores they operate and then a monthly charge of 18,000 yen per month for the head office and 1,300 yen per month for each store. Sellers meanwhile can choose from two payment plans: a flat 28,000 yen monthly fee or 1.1% of their total monthly transaction value (both exclusive of tax). Sellers who use the transaction value plan have their fees waived if they conduct less than 100,000 yen of transactions in a month. The company credits this last feature with boosting the number of users as it keeps the cost down for small operators, making the service more accessible.

"Suma for Tencho" (Literal translation - Smartphone for Shop Managers)
Suma for Tencho is an ASP Ordering System service that debuted in December 2011. Smartphone users can place orders, inspect products, and check inventory. Infomart believes the service may prove a major boost as customers who had to use bulky PCs to manage their orders can do so via smartphones on-site, while checking stock in their storage areas or refrigerators.

Suma for Tencho is free for customers using the company's PC-based service and is available for both iPhones and Android-based smartphones.

ASP Standardized Merchandise System

ASP Standardized Merchandise System (Clients,Million)	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11
New Clients Total	**-**	**-**	**723**	**627**	**944**
No. of Sellers	-	-	691	584	800
No. of Buyers	-	-	32	43	144
Cancellation Clients	**-**	**-**	**-242**	**-176**	**-275**
No. of Sellers	-	-	-221	-174	-264
No. of Buyers	-	-	-21	-2	-11
Balance	**-**	**-**	**481**	**451**	**669**
No. of Sellers	-	-	470	410	536
No. of Buyers	-	-	11	41	133
No.of Clients in the end of FY	**-**	**-**	**3,195**	**3,646**	**4,315**
No. of Sellers	-	-	3,065	3,475	4,011
No. of Buyers	-	-	130	171	304
Sales	**-**	**-**	**196**	**318**	**362**
YoY	-	-	-	61.7%	14.0%
CoGS	**-**	**-**	**73**	**100**	**99**
Gross Profit	**-**	**-**	**123**	**217**	**263**
YoY	-	-	-	76.8%	21.0%
GPM	-	-	62.6%	68.4%	72.7%
SG&A	**-**	**-**	**131**	**163**	**228**
SG&A / Sales	-	-	66.5%	51.4%	63.0%
Operating Profit	**-**	**-**	**-8**	**54**	**34**
YoY	-	-	-	-	-36.3%
OPM	-	-	-	17.1%	9.4%

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

The ASP Standardized Merchandise System maintains a database of standardized product specification documents for the food industry which can be exchanged between users of the system.

Product specification documents are forms that sellers provide buyers with to confirm the specifications of products for sale. The documents contain basic information, such as product specifications/features and ingredient, labeling, manufacturing process and product quality information. While companies have used different product specification document formats, Infomart established the first standardized industry platform for registering such product information and used it to create a product specification database that can be easily disseminated. The company believes product specifications have become increasingly important with society paying more attention to food safety.

The number of companies utilizing the service as of end-December 2011 was 4,315 (including 153 restaurant buyers, 151 food wholesalers, and 3,860 food manufacturers).

System usage fees are charged monthly with buyers billed 30,000 yen per month and food wholesalers 25,000 yen per month. Food manufacturers can select from a flat rate of 25,000 yen per month fee or a volume-linked fee (ranging from 1,000 to 15,000 yen per month). Buyers are charged an initial fee of 200,000 yen upwards (depending upon the number of accounts) and wholesalers pay an initial fee of 50,000 yen upwards (for both buyers and wholesalers these fees are exclusive of tax).

ASP Business Contact System

ASP Business Contact System (Clients,Million)	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11
New Clients Total	**1,539**	**1,386**	**1,155**	**926**	**1,828**
No. of Sellers	981	894	787	379	391
No. of Buyers	558	492	368	547	1,437
Cancellation Clients	**-1,525**	**-1,663**	**-1,236**	**-1,152**	**-891**
No. of Sellers	-970	-1,078	-719	-688	-524
No. of Buyers	-555	-585	-517	-464	-367
Balance	**14**	**-277**	**-81**	**-226**	**937**
No. of Sellers	11	-184	68	-309	-133
No. of Buyers	3	-93	-149	83	1,070
No.of Clients in the end of FY	**4,385**	**4,108**	**4,842**	**4,616**	**5,553**
No. of Sellers	2,164	1,980	2,341	2,032	1,899
No. of Buyers	2,221	2,128	2,501	2,584	3,654
Sales	**1,063**	**1,068**	**1,077**	**791**	**700**
YoY	2.2%	0.4%	0.8%	-26.5%	-11.5%
CoGS	**415**	**484**	**489**	**245**	**280**
Gross Profit	**649**	**585**	**588**	**546**	**419**
YoY	-0.5%	-9.9%	0.5%	-7.1%	-23.2%
GPM	61.0%	54.7%	54.6%	69.0%	59.9%
SG&A	**-**	**-**	**582**	**306**	**282**
SG&A / Sales	-	-	54.1%	38.8%	40.3%
Operating Profit	**-**	**-**	**5**	**238**	**136**
YoY	-	-	-	-	0
OPM	-	-	0.5%	0	19.4%

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Pre-FY12/08 ASP Business Contact System values based on EMP Business figures

The ASP Business Contact system, which allows clients to conduct all aspects of the sales negotiations process online, is the original service that Infomart has been offering since its founding.

The ASP Business Contact System does everything from helping match buyers and sellers of food products to allowing clients to conduct business with their existing customers. Clients utilize groupware provided with the system to communicate both internally at their own firm and with customers.

For example, producers, food wholesalers and other sellers looking for new customers register their product information in Infomart's product database, which displays product photos and descriptions, wholesale prices, size limits for orders, product origins, delivery dates and times. Restaurants, mass retailers and other buyers can register their respective procurement needs (desired products, price range, delivery volumes, time and date of delivery, etc) in Infomart's procurement database. The Automated Matching System then allows customers to use search criteria to look for similar products registered in the system and receive email notifications with information that match their requirements. The platform also offers users an 'one-stop shop' functionality allowing them to conduct everything from negotiations, order placement, and product dispatch to payment settlements

As of December 2011, the number of companies utilizing the ASP Business Contact System totaled 5,553 (1,899 sellers and 3,654 buyers).

The cost of using the system is 25,000 yen/monthly (excluding tax) for sellers and 5,000 yen/monthly for buyers, on an annual contract basis. In addition, sellers using the Local Specialty Products Mart or Outlet Mart membership plans must pay an additional 100,000 yen initial fee for these (excluding tax). Monthly fees for both, meanwhile, are levied according to transaction value.

The company provides an optional Account Settlement System consisting of an accounts receivable guarantee service and a lump-sum payment service. Sellers are charged 5.0% of the transaction value for using the Account Settlement System. Buyers and sellers can select from the Account Settlement option or

a direct sale between themselves each time they conduct a transaction. When the Account Settlement System is selected, the company pays the seller via a payment site. Accounts close at the end of the month and payments are settled with the sellers on the 10th of the following month; buyers then pay Infomart their outstanding balances in a lump sum. Collection of receivables from the buyer is guaranteed or paid in advance by factoring, and/or credit companies. Therefore, even if payment from the buyer is late, or they fail to pay, the company does not bear any default risk. However, the company pays a fee to its factoring/credit companies out of the 5% transaction charge to bear this risk.

The ASP Business Contact system also houses an online "Outlet Mart" where Infomart also acts as a direct participant in the sales process by stocking excess and irregular products for the purpose of clearing inventory for clients. The company charges sellers a transaction fee of 10% of the value of the purchase for this service. In the ASP Business Contact system, the company effectively acts as a system administrator; it does not get involved directly in the sales process. The exception is the Outlet Mart, an optional service where the company does have a participant role in the sales process by acting as an intermediary in stocking sellers' goods to sell them onto buyers. Infomart though only takes on inventory once a purchase has been confirmed between the end buyer and seller; in principle, the company does not take on inventory risk.

ASP Ordering & Contact Business

The ASP Ordering & Contact System is intended for use by food wholesalers to let them receive orders from and make sales to small-scale restaurants and related companies (i.e. small, non-chain operator owned establishments). Up until FY12/10 it was counted as part of the ASP Business Contact System but since then has been broken out as a separate segment.

The purpose of the ASP Ordering & Contact system is to streamline and systemize the entire sales process, from ordering to invoicing, and thus generate operating efficiencies and cut costs. Food wholesalers can incorporate the ASP Ordering and Contact system into their homepage free of charge enabling small restaurant operators to make online orders. Since restaurants access wholesalers' websites each time they place their orders, wholesalers have the added advantage of being able to advertise featured products and run promotions on their own websites.

Many wholesalers already receive online orders from mid and large restaurant chains via these restaurant chains' proprietary systems or through Infomart's ASP Ordering System. However, the roll-out of the ASP Ordering & Contact System has meant that the majority of wholesalers' customers are now able to execute online orders, resulting in significant cost savings.

As of December 2011, there were 132 wholesalers (receiving orders) and 12,384 shops (sending orders) on the ASP Ordering & Contact system.

System usage fees are charged monthly: the system is free for individual stores (small restaurants), while wholesalers (food wholesalers) are charged according to monthly transaction value. Up to 10 million yen in monthly transactions sellers are charged 3.0%; 0.5% for all transactions above the 10 million yen ceiling and 0.1% for transactions above a 100 million yen monthly transaction value ceiling. An initial fee between 100,000 yen and 300,000 yen is also charged (all fees are before consumption tax).

Non-food industry systems

Since FY12/11 the company has been developing the BEAUTY Info Mart platform aimed at the beauty industry and the MEDICAL Info Mart platform for the healthcare industry (with a particular focus on veterinary clinics). Both these new initiatives are included in the ASP Ordering & Contact segment.

BEAUTY Info Mart provides wholesalers (sellers) with an Internet-based system that makes taking product orders (e.g. for shampoo, perm lotion etc.) and sales more efficient. Once a client is registered on the

system, wholesalers can create and send product catalogues, mail magazines etc. to them. In addition to receiving order and invoice notifications the system allows wholesalers to run various functions, such as sales analysis.

For buyers (i.e., beauty salons and clinics), BEAUTY Info Mart offers them a system through which they can order products and manage inventory. Businesses that operate a chain of salons can use the system to share data between head office, their shops, and their wholesalers, which makes the creation of order forms and the matching of orders with invoices more efficient. Ordering inventory via fax and/or telephone still remains widespread among beauty and hairdressing salons, resulting in wasted sales opportunities and inefficient use of personnel costs.

The fee structure is identical to the FOODS Info Mart.

MEDICAL Info Mart provides a B2B sales and ordering system for veterinary medical supplies to medical supply wholesalers dealing with veterinary hospitals. For buyers, such as veterinary hospitals, the system offers an online ordering system and for general hospitals (of the human kind) it offers a system for conducting online orders of medical devices and instruments.

The fee structure is identical to the FOODS Info Mart.

Overseas

In May 2009 the company established Infomart International Ltd. in Hong Kong with Mitsui Ventures Global Fund (currently Mitsui Global Investment, MGI) (a subsidiary of Mitsui & Co. (TSE 8031)).

Originally, the company planned to form a partnership with Kfood, which operates an online site with information about the Chinese food industry and license its technology to them. However, as the number of companies using Kfood's services failed to grow, the company turned Kfood into a subsidiary and has used it as the vehicle to penetrate the Chinese market on its own.

In China, the company has been rolling out the following products since July 2011:

- SaaS (Software as a Service) Manufacturers System which connects food manufacturers with wholesalers
- SaaS Wholesalers and Agencies System (the equivalent of ASP Ordering & COntact) aimed at wholesalers and restaurants
- SaaS Ordering System (the equivalent of ASP Ordering)

While the trade names are slightly different, these systems correspond almost exactly to those used in Japan.

System usage fees are charged monthly. For the SaaS Manufacturers System, manufacturers pay an initial fee of 15,000 yuan followed by a 2,000 yuan monthly fee, while wholesalers can use the service free of charge. On the Wholesalers and Agencies System, wholesalers and agencies both pay an initial fee of 8,000 yuan and a monthly fee of 300 yuan. As for the SaaS Ordering System, buyers (i.e. stores and restaurants) pay an intial fee starting from 5,000 yuan and buyers' HQ office pays a monthly fee of 300 yuan with each individual store/restaurant paying 30 yuan per month. Sellers, meanwhile, pay 1% of their monthly trading volume as their fee (capped at 2,000 yuan per month).

Cloud Service business

Foods Info Rise Promotion Support System is the name of the cloud service operated by the company. The service is a database that allows food manufacturers to upload product information and recipes (including images) that can be used for promotional purposes, and distribute this information on to food wholesalers.

The system is designed to streamline the exchange and creation of data, pamphlets and other forms of product-related promotional material between manufacturers and food wholesalers. Groupware for the platform allows sales promotional materials to be shared among individual sales representatives with adjustable access permission settings available for this. Manufacturers can control the information distribution themselves, indicating which product and recipe information it wishes to sends out to a specific food wholesaler and which information to send to all wholesalers etc.

In January 2010 the company founded InfoRise Corp. in collaboration with Hitachi Information Systems Ltd. (Currently Hitachi Systems Ltd.; unlisted) and launched its Cloud Service. The company had previously created systems to link food wholesalers with restaurant chains and individual restaurants, whereas Foods Info Rise Promotional Support is a system to link manufacturers with food wholesalers, i.e. firms higher up the supply chain. Assuming its offering gets traction then this would mean Infomart will have the entire food supply chain covered.

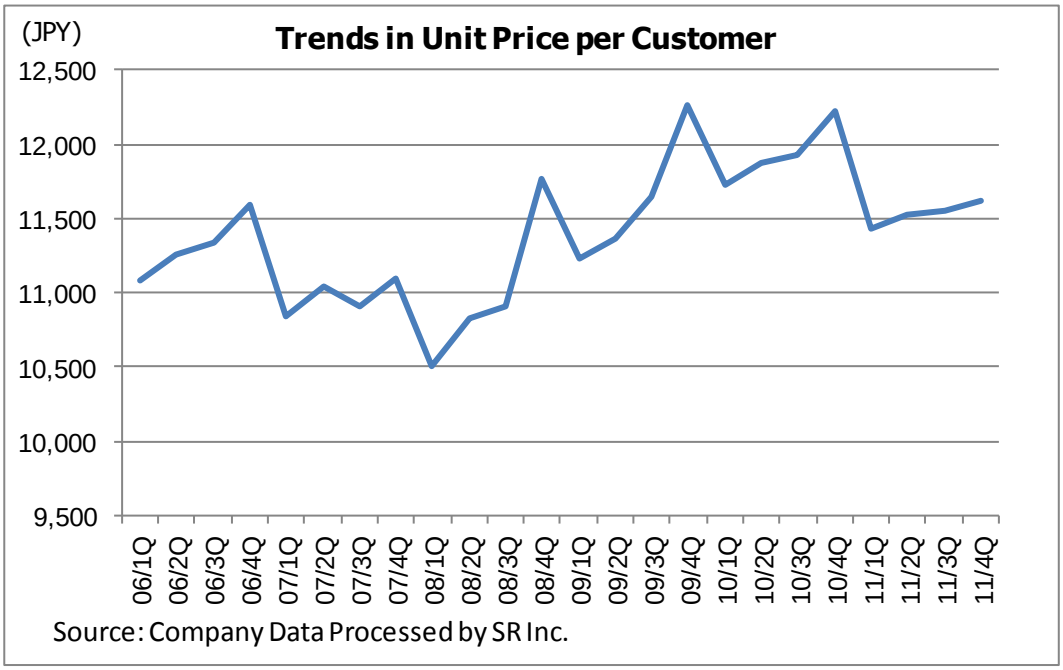
As of December 2011 the number of food manufacturers utilizing Foods Info Rise Promotional Support was 56 companies, while 151 food wholesalers were registered on the system.

System usage fees are charged monthly. Food manufacturers and other companies providing information are charged 25,000 yen per month for each entry, 500 yen per month for each representative login ID and 800 yen per month per company. Food manufacturers are required to pay an initial fee ranging from 300,000 to 900,000 yen (before consumption tax).

Business Model

Infomart operates a B2B e-commerce platform and provides consulting services to platform users. Its sales are the fees charged to users of the system. Because the company involved with such vital daily business activities of its customers as ordering, the customers tend to be very "sticky" and cancellation rates are low. Thanks to this, the business model is one of a stable recurring revenue type in which sales growth is tied to the number of companies using its system. At the same time, cancellations have been a issue for the earliest system developed and offered by Infomart, the ASP Business Contact system, negatively affecting revenue growth there.

Sales are basically a function of the number of companies utilizing the services times the unit price paid by customers (i.e., the usage fee paid per company). Some system usage fees are flat rates, but some services are charged on a volume basis (i.e., the fee paid varies depending on the volume of business conducted by the customer).



While sellers on the company's core ASP Ordering system can choose between the flat-rate plan or the transaction value fee offering, 80% of sellers use the latter option (i.e., pay fees according to their monthly transaction value). Given the number of customers on the system, this implies many of them are small companies (whereas larger companies tend to trade large volumes). In fact, sellers whose monthly business volume is 100,000 yen or less do not pay usage fees. This and other measures keep the usage fees down, which has meant the services are available to even small and medium sized companies, thus increasing the number of companies that use the company's services.

The company has been growing the business by primarily expanding the number of companies using its services, rather than raising prices or revenues per customer. However, one way to maximize the unit price per customer would be via cross-selling of the systems within FOODS Info Mart. The company was formulating a cross-selling strategy, starting with its ASP Ordering & Contact Business, but as of end-2011 this effort was still in progress. In case of the ASP Ordering & Contact System, the sellers pay a percentage of monthly transaction value and if this business grows as expected, it should contribute to improving the pricing mix and unit spend per customer at the FOODS Info Mart platform.

Profitability Snapshot, Financial Ratios

Over the past several years Infomart has been growing its sales but the operating profit growth has been sluggish. This was due to upfront costs associated with launching its overseas and cloud service businesses. The operating profit at the parent level has continued to grow over the same period.

(Million)	FY12/08	FY12/09	FY12/10	FY12/11
Cons.				
Sales	-	2,945	3,043	3,323
YoY	-	-	3.3%	9.2%
Gross Profit	-	1,934	2,069	2,245
YoY	-	-	7.0%	8.5%
GPM	-	65.6%	68.0%	67.6%
Operating Profit	-	728	606	649
YoY	-	-	-16.8%	7.2%
OPM	-	24.7%	19.9%	19.5%
Par.				
Sales	2,569	2,941	3,032	3,307
YoY	12.9%	14.5%	3.1%	9.1%
Gross Profit	1,652	1,932	2,144	2,329
YoY	9.3%	16.9%	11.0%	8.7%
GPM	64.3%	65.7%	70.7%	70.4%
Operating Profit	659	761	794	877
YoY	5.7%	15.6%	4.3%	10.5%
OPM	25.6%	25.9%	26.2%	26.6%
Cons.-Par.				
Sales	-	4	11	17
Gross Profit	-	1	-75	-84
Operating Profit	-	-34	-189	-228

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

When it comes to the parent company's cost structure, in FY12/10 software depreciation and amortization, and personnel & other fixed costs totaled 1.4 billion yen, and the marginal profit ratio was approximately 61% (variable costs include the cost of data centers, payment commissions etc.).

The incremental profitability of Infomart's businesses should theoretically be quite high and one would expect to see operating profit margins to rise as the top line grows. However, this has not been the case in recent years. There are several reasons for this. Firstly, as the company has been adding server capacity its data center costs were rising. Secondly, the company has been developing software to improving its system performance. That led not only to higher depreciation costs but also meant heavier personnel costs as people were added to cope with development needs. Finally, sales staff increases have been pushing the costs further as the company is trying to increase the number of accounts, particularly in its yet-to-scale ASP Ordering & Contact System.

Profit Margins (Million Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Gross Profit	1,511	1,652	1,934	2,069	2,245
Gross Profit Margin	66.4%	64.3%	65.6%	68.0%	67.6%
Operating Profit	623	659	728	606	649
OP Margin	27.4%	25.6%	24.7%	19.9%	19.5%
EBITDA	859	976	1,116	1,104	1,287
EBITDA Margin	37.7%	38.0%	37.9%	36.3%	38.7%
Net Profit Margin	16.6%	15.1%	13.8%	11.6%	10.8%
Financial Ratios					
ROA	14.0%	14.1%	14.4%	11.4%	9.4%
ROE	18.7%	18.0%	18.5%	15.0%	14.3%
Total Asset Turnover	0.84	0.93	1.04	0.98	0.87
Inventory Turnover	-	-	-	-	-
Days of Inventory	-	-	-	-	-
Working Capital Requirement	319	405	485	539	619
Current Ratio	297.7%	267.1%	254.1%	214.8%	169.9%
OCF / Current Liabilities	0.83	0.96	1.27	1.21	1.02
Net Debt / Equity	-33.4%	-36.7%	-31.5%	-21.4%	-0.7%
OCF / Total Liabilities	0.9	1.0	1.2	1.2	1.4
Cash Cycle (days)	-18.4	-5.3	6.5	15.2	23.5
Changes in Working Capital	43	86	79	54	80

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

One of the goals of the New B2B platform, which the company intends to implement over its current mid-term plan, is to alleviate this investment burden. If the initiative delivers as planned then it should positively impact the company's earnings structure, improving operating profit margins.

Strengths & Weaknesses

Strengths

- **Top management's flexibility and skill in identifying and rapidly responding to user needs:** Driven by the President Murakami's ability to identify user needs, generate ideas, and quickly execute, the company has launched a number of new strategies and businesses. The ASP Ordering System, the current core product originally borne out of listening to customers, is an example. SR Inc. sees this ability as a key element in sustaining the company's growth.
- **Market dominance and position neutrality:** FOODS Info Mart appears to have a top market share among B2B platforms in the business of supplying food to restaurants. This creates a network effect as more companies use the system and erects a formidable barrier to entry. Low cost for users further helps to sustain the advantage reducing viability of any competitive entry. Another important strength of Info Mart is that it is not a part of any manufacturing, logistics, or financial company. This helps wide adoption and probably means that the growth in adoption should continue unchallenged.
- **Strong financials:** While the business requires substantial upfront software development costs, there is practically no working capital requirement, making the company highly profitable, well capitalized and with little debt. That in turn allows the company to relatively easily finance new product and business development and increases it resilience to economic downturns.

Weaknesses

- **Relatively small size:** The company's size is a weakness versus larger counterparts. For example, the investment burden and costs related to new businesses have a major effect on the overall company's earnings.
- **Uncertainty over success of new businesses:** Over the past few years Infomart launched such new initiatives as the Cloud Service and the overseas business, and has been investing in building them up. While these businesses are young and therefore judging their success is premature, ASP Ordering System clearly remains the only major earnings pillar. To ensure stable future the company probably needs other core revenue streams.
- **Still few steps away from becoming an industry standard:** Given prices the company charges users, SR Inc. believes there is room to increase fees. However, Infomart has so far placed more emphasis on growing user numbers than on raising prices. SR Inc. believes one reason for the company's reluctance to raise fees is low absolute penetration of its services, even in the restaurant-related food sector where Infomart has a leading position. Despite this leadership, its share of the overall market's transaction volume in the restaurant business is still in the single digits. There is still some work to be done to establish Infomart's services as a de facto standard.

Group Companies

- InfoRise Corp.: the company is 51.0% owned by InfoMart and 49.0% by Hitachi Systems Ltd., it provides a cloud-based sales promotion and information platform for manufactures and wholesalers.
- Infomart International Ltd.: Infomart holds a 66.7% stake in the company and Mitsui & Co. Global Investment Ltd. the remaining 33.3%. The company licenses B2B food industry e-commerce platforms overseas.
- Infomart (Beijing) Consulting Ltd.: A wholly owned subsidiary of Infomart International Ltd., this company offers consulting services for Infomart's food industry e-commerce platform in China.

Market and Value Chain

Market Overview

According to the Japan Food Service Association, the 2009 restaurant industry (restaurants, eating and drinking establishments in lodging facilities, group caterers, etc.) market was worth 23.9 trillion yen. If ingredients are 30.0% of this figure, then ingredient procurement for the restaurant industry is worth approximately 7.2 trillion yen. Against this the company registered 616.3 billion yen in transaction value over its ASP Ordering system in FY12/11 given an estimated share for the company of 8.6%.

Market Trends (Billion Yen)	2001	2006	2007	2008	2009	2010	2011	CAGR
Restaurant Industry Market	269,925	245,523	245,908	244,836	239,156	-	-	
(YoY)		0.7%	0.2%	-0.4%	-2.3%	-	-	-1.3%
Infomart Target Market (Est)	80,978	73,657	73,772	73,451	71,747	*71,747*	*71,747*	
ASP Ordering System Transaction	-	2,430	3,410	4,201	4,952	5,620	6,163	
(YoY)	-	83.5%	40.3%	23.2%	17.9%	13.5%	9.7%	29.2%
(Estimated Share)	-	3.3%	4.6%	5.7%	6.9%	7.8%	8.6%	

Note: Assumes Infomart's target market equals 30% of overall restaurant industry market
Source: Japan Food Service Association Data Processed by SR Inc.

The company's growth up to now has been driven by the lateness of the food industry to digitize information. Until recently, sellers in the food industry had relied upon product fairs and printed materials as the main methods to grow customers and the phone or fax was the main method to place and dispatch orders. For buyers, obtaining product information in a timely matter when relying solely on printed materials was problematic, whereas sellers faced cost and other issues when it came to participating in product fairs, such as travel expenses and work involved in materials updates, etc. Infomart's systems have leveraged the strengths of the Internet for both buyers and sellers, making product searches more efficient and expanding sales channels nationwide. Telephone and fax-based ordering has a host of efficiency issues, and online systems offered by Infomart have made ordering and document handling more efficient and less costly for users.

The restaurant industry, worth 27.0 trillion yen in 2001, has been since shrinking at an annual rate of a little over 1.0%, and it is unlikely to expand going forward. On the other hand, Infomart probably still has plenty of room for expansion given that there is no other platform capable of becoming the industry standard, the company's total market share is still small, and a large part of the food industry have still yet to digitize their information/data.

The company's market share is thus likely to track e-commerce penetration rates for the food industry. Indeed, as more companies use Infomart's systems they benefit from a network effect. Consequently, market share growth for the company will tend to follow an S-curve rather than a linear growth path.

An obstacle to wider adoption of the company's e-commerce systems is the level of psychological attachment to phone and fax-based ordering given their long-standing use and that companies have come to value these methods as central in their customer relationships. However, this psychological resistance will likely weaken in the future, especially with the increased popularity of smartphones since 2011. Despite their relatively small screens, smartphones are becoming a formidable rival to PCs given no need to wait for them to boot-up etc. Since December 2011 the ASP Ordering system has been available on smartphones (previously it was available only as a PC-based platform). According to MM Research Institute, smartphones are expected to increase their share of the Japanese mobile phone market to 57.1% by 2015, up from 8.8% in 2010. SR Inc. thus believes trends in smartphone use and the company's share of the market should be monitored carefully.

Barriers to Entry

The company's services are available on the Internet, and in principle anyone could attempt launching a similar service. However, it appears to SR Inc. that the costs of developing and maintaining the systems

as well as a substantial effort and expense required to drive users away from Infomart's platform to a new one would be an exercise in economic futility.

Competition

There are many companies offering B2B e-commerce platforms. However, there not really any rival companies in the segment the company is focused on - the food industry.

Substitutes

Many wholesalers, and retailers have created their own distribution systems; an obvious example of this is the fast food business. However, there are almost no other alternative B2B platforms as versatile and housing as many companies on the system as the one the company operates.

Strategy

Infomart's strategy is to become the de facto industry B2B platform for the sectors it operates in by raising the operational efficiency of their customers. The company's initial focus was on the Japanese food industry, but it has since begun expanding into industries outside of the food sector and also branching out overseas.

Given that business practices differ according to industry and that the company must create new networks when it expands it business, there is no guarantee of it replicating the success it has had in the food industry when it moves into new industry groups. Nonetheless, the company believes that the operational know-how and technology that it cultivated in the food sector can be applied to other industries. SR Inc. thinks that one indicator of the company's future success – including its expansion into other industries – is whether or not its food industry B2B platform becomes a true industry standard.

Increases in the number of companies using the company's platforms should create a network externality. As the number of users rises, it's the utility of the platform increases for all its participants. This is likely to drive an S-curve adoption path as the company's platform gets closer to becoming the industry standard.

There are indications that the network effect is occurring; the main channel through which Infomart acquires new customers for its ASP Ordering System is via referrals from existing customers. However, other systems have yet to reach this tipping point. One could view each platform system as separate "points" across the food industry and these points have yet to be connected. If these points can become interconnected then the company can realize a true network effect within the food industry with its B2B platforms.

At the same time, the company's overseas ventures remain an unknown at present. Linguistic, cultural and business practice differences will probably act as hurdles. The company is aware of these problems and has chosen licensing, joint ventures, and M&A as the means to establish overseas presence. As a result, the success of Infomart's overseas ventures ultimately rests on its ability to select and negotiate with appropriate partners.

Historical Financial Statements

Income Statement

Income Statement (Million Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Est.
Total Sales	**2,276**	**2,569**	**2,945**	**3,043**	**3,323**	**3,871**
YoY	16.4%	12.9%	-	3.3%	9.2%	16.5%
CoGS	764	917	1,012	974	1,078	1,529
Gross Profit	**1,511**	**1,652**	**1,934**	**2,069**	**2,245**	**2,342**
YoY	12.8%	9.3%	-	7.0%	8.5%	4.3%
GPM	66.4%	64.3%	65.6%	68.0%	67.6%	60.5%
SG&A	888	994	1,206	1,463	1,595	1,774
SG&A / Sales	39.0%	38.7%	40.9%	48.1%	48.0%	45.8%
Operating Profit	**623**	**659**	**728**	**606**	**649**	**568**
YoY	19.0%	5.7%	-	-16.8%	7.2%	-12.5%
OPM	27.4%	25.6%	24.7%	19.9%	19.5%	14.7%
Non-Operating Income	2	4	0	3	2	
Non-Operating Expenses	1	1	0	3	6	
Recurring Profit	**624**	**662**	**727**	**605**	**645**	**559**
YoY	24.2%	6.0%	-	-16.8%	6.6%	-13.3%
RPM	27.4%	25.8%	24.7%	19.9%	19.4%	14.4%
Extraordinary Gains			0	0	0	
Extraordinary Losses	0	2	31	9	23	
Tax Charges	245	272	302	324	361	
Implied Tax Rate	39%	41%	43%	54%	58%	
Net Income	**378**	**388**	**406**	**353**	**360**	**327**
YoY	27.7%	2.4%	-	-13.1%	2.2%	-9.3%
Net Margin	16.6%	15.1%	13.8%	11.6%	10.8%	8.4%

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

FY12/07

Sales increased 16.4% YoY to 2.3 billion yen driven by increases in customer numbers for ASP Ordering, higher transaction volume, and the successful launch of FOODS Reliability Net (currently known as ASP Standardized Merchandise System). Despite gross profit margin falling owing to higher system-related costs, operating profit was up 19.0% YoY at 623 million yen due to income sales growth at the high margin ASP businesses and a lower SG&A-to-sales ratio.

FY12/08

Sales were up 12.9% YoY at 2.6 billion yen on the back of more companies using the ASP Ordering system and increased transaction volume. ASP Ordering continued to pick up new customers, primarily restaurant chains. However, operating profit growth stalled, rising just 5.7% YoY to 659 million yen due to higher system-related expenses caused by increases in new server equipment and system development costs.

FY12/09

The company began issuing consolidated financial statements from FY12/09. Consolidated sales came in at 2.9 billion yen and operating profit at 728 million yen. For reference, parent-level performance registered a 14.5% YoY increase in sales to 2.9 billion yen and operating profit a 15.6% YoY rise to 761 million yen. Sales were driven by the ASP Ordering system. The company noted in addition to ASP Ordering's operating performance and low system utilization fees, increases in the number of buyers introduced to the system by sellers helped lift results at this business. Even though software depreciation costs have been increasing since the company began a policy since FY12/07 of investing heavily in system development, higher sales have helped offset this and income account for the operating profit figure.

FY12/10

Top-line rose 3.3% YoY to 3.0 billion yen as growth in the ASP Ordering and the ASP Standardized Merchandise systems offset the impact from a change in accounting method for sales at the ASP Business Contact system's Outlet Mart (which resulted in an 8.2% YoY drop in sales, equivalent to 240 million yen).

Nonetheless, operating profit dropped16.8% YoY to 606 million yen due to promotional expenses related to the new ASP Ordering & Contact system, and costs from the launching of the Overseas Licensing and Cloud Service ventures. At the parent-level, sales increased 3.1% YoY to 3.0 billion yen and operating profit increased 4.3% YoY to 794 million yen.

Historical Performance vs. Estimates

Initial CE vs. Results (Million Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Sales (Initial CE)	2,455	2,740	3,067	3,445	3,611
Sales (Results)	2,276	2,569	2,945	3,043	3,323
Initial CE vs. Results	**-7.3%**	**-6.2%**	**-4.0%**	**-11.7%**	**-8.0%**
Operating Profit (Initial CE)	-	747	721	800	637
Operating Profit (Results)	623	659	728	606	649
Initial CE vs. Results	**-**	**-11.8%**	**0.9%**	**-24.3%**	**1.9%**
Recurring Profit (Initial CE)	620	750	720	800	630
Recurring Profit (Results)	624	662	727	605	645
Initial CE vs. Results	**0.6%**	**-11.8%**	**1.0%**	**-24.3%**	**2.4%**
Net Profit (Initial CE)	341	413	417	463	355
Net Profit (Results)	378	388	406	353	360
Initial CE vs. Results	**11.0%**	**-6.1%**	**-2.5%**	**-23.7%**	**1.4%**

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Looking back at the company's initial forecasts and actual performance, it is apparent that results have generally come in line with its projections.

Nonetheless, the company did issue a downward revision to its FY12/10 forecast as the ASP Ordering & Contact system, Overseas business, and Cloud Service were not launched in time.

Balance Sheet

Balance Sheet (Million yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
ASSETS					
Cash and Equivalents	736	774	747	551	1,020
Accounts Receivable	540	627	673	713	796
Other Current Assets	596	89	138	96	94
Total Current Assets	**1,872**	**1,490**	**1,558**	**1,360**	**1,910**
Total Tangible Fixed Assets	**32**	**43**	**25**	**36**	**42**
Investments					30
LT Loans			54		
Deposits Made	63	53	99	65	
Total Other Fixed Assets	**64**	**54**	**156**	**66**	**94**
Software	852	1,065	1,167	1,488	1,805
Software in progress	2	4	71	143	487
Goodwill				100	80
Other	6	10	10	13	14
Total Intangible Assets	**861**	**1,080**	**1,247**	**1,744**	**2,386**
Total Fixed Assets	**957**	**1,177**	**1,428**	**1,846**	**2,522**
Total Assets	**2,829**	**2,667**	**2,986**	**3,205**	**4,431**
LIABILITIES					
Accounts Payable	222	222	189	174	177
Short Term Debt					424
Other Current Liabilities	407	336	424	459	523
Total Current Liabilities	**629**	**558**	**613**	**633**	**1,124**
Long Term Debt					576
Total Long Term Liabilities	**0**	**0**	**0**	**0**	**576**
Total Interest Bearing Debt	**0**	**0**	**0**	**0**	**1,000**
Total Liabilities	**629**	**558**	**613**	**633**	**1,711**
SHAREHOLDER EQUITY (Net Assets)					
Issued Capital	1,000	1,001	1,001	1,001	1,001
Reserves	437	438	438	438	438
Retained Earnings	763	904	1,069	1,180	1,269
Treasury Stock		-234	-204	-162	-90
Minority Interest			81	141	131
Total Shareholder Equity (Net Assets)	**2,200**	**2,109**	**2,373**	**2,572**	**2,720**
Working Capital	319	405	485	539	619
Interest Bearing Debt	0	0	0	0	1,000
Net Debt	-736	-774	-747	-551	-20

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Assets

The company's main assets are software and cash & deposits. The Accounts Receivable line item on the company's balance sheet is credit taken on from the operation of ASP Business Contact segment's Account Settlement System. However, as explained earlier in the ASP Business Contact section (LINK), the company does not assume the credit risk at its Account Settlement System.

Liabilities

Up until FY12/10 the company carried no interest-bearing liabilities, however, in FY12/11 the company took on borrowings related to system development of Foods Info Mart (which is scheduled to be completed by July 2012). Interest-bearing liabilities should remain low considering the company's cash generative business.

Net assets

The company floated in August 2006 and then in September 2006 also conducted a third-party allocation of new shares. Shareholders' capital also increased from August 2006 to November 2007 due to the exercise of new share options. Asides from these events, growth in net assets has tracked trends in net income. As the company is almost debt-free, it has a high capital ratio.

Per Share Data

Per Share Data (Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
No. of shares (Thousands)	**36.3**	**36.3**	**36.4**	**36.4**	**36.4**
Earnings Per Share	11,017.3	10,716.5	11,786.3	10,105.4	10,234.0
EPS (Fully Diluted)	9,282.4	10,085.5	10,870.2	9,422.8	9,780.5
Dividend Per Share	5,510.0	5,680.0	6,000.0	6,622.0	7,255.0
Book Value Per Share	60,535.6	60,471.6	65,610.1	69,028.7	72,439.0

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

The company conducted a five-for-one stock-split on December 5, 2005.

Statement of Cash Flows

Cash Flow Statement (Million Yen)	FY12/07 Par.	FY12/08 Par.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Operating Cash Flow (1)	565	572	743	755	895
Investment Cash Flow (2)	-786	-340	-655	-888	-1,311
Free Cash Flow (1+2)	**-221**	**231**	**89**	**-133**	**-416**
Financial Cash Flow	-20	-478	-113	-53	892
Depreciation & Amortization (A)	236	317	388	499	638
Capital Expenditures (B)	-572	-550	-553	-891	-1,277
Working Capital Changes (C)	43	86	79	54	80
Simple FCF (NI + A + B - C)	**0**	**69**	**162**	**-93**	**-359**

Source: Company Data Processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Operating Cash Flow

Since the company requires little operating capital, its operating capital mainly moves in tandem with net income and depreciation costs.

Investment Cash Flow

Investment cash flow moves according to expenditures related to the acquisition of intangible fixed assets (i.e. software etc.) for Foods Info Mart, and other system development-related factors.

Financial Cash Flow

While the company took on borrowings in FY12/11, financial cash flow has primarily been driven by dividend payouts, and minority interest derived dividend income.

Other Information

History

When Infomart founder and the current president Katsuteru Murakami turned thirty, he started looking for business opportunities that would allow him to realize his dream of becoming an entrepreneur. He was looking for a model that would both benefit customers and the society, and be original and differentiated. An acquaintance, a department store executive, told him that in department stores, food and cosmetics were least affected by economic conditions. Murakami decided to look for ideas in a food sector, starting his search in 1997.

He saw that both buyers and sellers had problems. Buyers wanted new and differentiated products but did not have information. Sellers may have had the product but lacked money to have broad enough sales force. There was no media that would allow to match buyers and sellers. Murakami considered distributing magazines to buyers or holding trade exhibitions, but both required substantial capital. He realized though that Internet use would become increasingly widespread and that there were no food industry-focused B2B sites. With that insight he started the company in February 1998.

In June of that year Food and Ingredient Market, an e-marketplace, was launched - this later became the ASP Business Contact system. The company enjoyed a good market reception on launch, something that Murakami attributed to the vogue for Internet ventures at the time, his targeting of businesses of all sizes as potential customers, and the latent need for a B2B platform dealing with non-luxury, low-cost foods products.

In June of that year Food and Ingredient Market (what is now the ASP Business Contact System) was launched to a strong market reception. Murakami attributes Infomart's early success to lucky timing – the Internet was getting hot, a potential need for a B2B website dealing with low-price food items, and the fact that he went after all businesses, large and small, as his potential customers.

In 2000, Mitsubishi Corp. (TSE 8058), Mitsui & Co. (TSE 8031), and the Japanese division of U.S. venture capital firm ICG (now Hutchison Harbour Ring Technology Investment Ltd.) offered financing to help fund Infomart's expansion. Also in 2000 the company started a joint venture with the Japan Food Service Association, a restaurant industry group, and in 2001 did the same the Japan Self-Service Association, a supermarket industry group. The objective behind these efforts was to increase the adoption of the company's platform among buyers.

Numerous other e-marketplaces were launched in Japan by trading companies and start-ups around the year 2000. However, many of these have since shut down, failing to attract enough users. The market peaked in 2001 with a total of approximately 300 companies but by 2003 had shrunk to only about 50.

Four years after Infomart was founded, there were approximately 3,000 companies using its service. However, an increasing number of cancellations meant the churn as also high. Interviews with companies revealed that one of the reasons behind the high churn rate was that food wholesalers and restaurant chains (buyers) used the services at different rates. Specifically, sellers tended to use the service daily whereas buyers generally used the service only when they wanted to find new suppliers, which amounted to only a few times a year. At the same time, buyers indicated that they wanted an online service they could use in their daily operations and they wanted the account settlement service that they could use with their existing customers and not only new users. The company used this information to launch its ASP Ordering System in February 2003. ASP Ordering has since become a growth driver and the company's main business.

In 2005 FOODS Reliability Net (now known as ASP Standardized Merchandise) was launched in the midst of a series of scandals that shook confidence in food safety in Japan.

In 2006 the company listed on the TSE Mothers market.

Since 2009 the company has been pursuing new ventures, such as its overseas business and expanding into other industries. InfoMart International was founded in 2009 as a vehicle for overseas expansion, especially into China. In 2011, the company entered the B2B e-commerce space for the healthcare and beauty industries after seeing demand from wholesalers dealing with animal clinics and beauty salons. CEO Murakami has said that while the company's initial focus has been on the food industry he had always hoped to expand into other sectors once his company had a stable presence in the food food space.

February 1998	Infomart founded starting B2B platform FOODS Info Mart focused on the food industry
June 1998	E-Marketplace service launched
July 2000	JF FOODS Info Mart launched, a joint venture with the Japan Food Service Association targeting the restaurant industry
October 2000	Mitsubishi Corp. (TSE 8058), Mitsui & Co. (TSE 8031), Daiwa Capital Co. (now known as Mitsubishi UFJ Capital Co.), and ICG Japan Co. (now known as Hutchison Harbour Ring Technology Investment Ltd.) make investments in Infomart
November 2000	Account Settlement System launched
June 2001	Outlet Mart service launched
July 2001	JSSA FOODS Info Mart launched (currently known as NSAJ FOODS Info Mart), a JV with retail indsutry group the Japan Self-Service Association (now known as the New Japan Supermarket Association)
July 2001	"The Business Mall" tie-up with Osaka Chamber of Commerce and Industry
September 2002	Automated Matching System launched
February 2003	ASP Ordering service launched
April 2005	FOODS Reliability Net service launched
August 2006	TSE Mothers market listing
March 2008	FOODS Reliability Net re-launched as ASP Standardized Merchandise service
May 2009	Infomart International eastablished in Hong Kong to develop overseas business
August 2009	Infomart (Beijing) Consulting Ltd. founded in Beijing, China
November 2009	ASP Ordering and Contact service launched
January 2010	InfoRise founded to provide a B2B cloud-type system to manufacturers and wholesalers
March 2011	BEAUTY Info Mart (beauty industry) and MEDICAL Info Mart (healthcare industry) services launched – Infomart's first venture into other industries

News & Topics

Top Management

Katsuteru Murakami, President and Representative Director

Born in 1965, Murakami started working for the Yamaguchi Prefecture Credit Federation of Agricultural Cooperatives in 1984 and then moved to Home Creation Co. in 1995, where he went on to assume the role of President and Representative Director. In 1998 he founded Infomart and is currently President and Representative Director of the company.

Employees

The company employed 207 staff on a consolidated basis as of end-December 2011. At the parent-level it employed 244 staff, of which 189 were full-time employees and 55 were part-time/contract workers.

The average age of employees was 33.1, and the average number of years they had worked at the company was 4.07 years.

Major Shareholders

Top Shareholders	Amount Held
Katsuteru Murakami	17.09%
The Master Trust Bank of Japan, Ltd. (Trust account)	7.44%
THE SFP VALUE REALIZATION MASTER FUND LIMITED	6.17%
Shoji Metabi	5.62%
Tadao Isshiki	3.85%
Bank of New York GCM Client Account JPRD ISG (FE-AC)	3.22%
Japan Trustee Services Bank, Ltd. (Trust account)	3.11%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.75%
JF GOURMET CARD	2.75%
Naotake Fujita	2.42%

Source: Company Data Processed by SR Inc.

(As of end-June 2011)

Dividends and Shareholder Benefits

The company's dividend policy is to target a dividend payout ratio of at least 50% of the parent earnings.

Investor Relations

The company hosts semiannual results meetings after 1H and full year announcements.

By The Way

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