

# FreeBit Co., Ltd.

**3843**

Tokyo Stock Exchange First Section

13-Jul.-2018

FISCO Ltd. Analyst

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FISCO Ltd.

<http://www.fisco.co.jp>

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## Summary

### Posted sharply higher operating income in FY4/18 led by the Broadband Business and Ad Technology Business Accelerating growth toward the mid-term business policy goal of ¥5bn in operating income with the core two businesses and HealthTech and Mobile Business as a key point

FreeBit Co., Ltd. <3843> (hereafter, also the Company") provides a variety of Internet-related services mainly to corporations, including infrastructure for Internet service providers (ISPs), support for entering the MVNO\*1 business as a Mobile Virtual Network Enabler (MVNE), cloud infrastructure, particularly virtual data centers (VDCs)\*2, and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services, Internet services to collective housing (condominiums), and other services to individuals.

\*1 MVNO is the abbreviation of Mobile Virtual Network Operator. It is a virtual mobile communications business that involves conducting an independent communication business by piggybacking on the wireless communications infrastructure of other communication businesses, such as NTT DOCOMO, INC. <9437>, KDDI CORPORATION <9433>, and SoftBank Corp. <9984>.

\*2 A mechanism or service for virtually building the functions of a data center so they can be used over the Internet.

In September 2016, the Company launched the HealthTech Business, the core of which is the business of EPARK Health Care, Inc. (currently, FreeBit EPARK Health Care, Inc.), which was made a consolidated subsidiary. In March 2017, it made a consolidated subsidiary of For Members, which conducts a real estate brokerage business, to acquire a foothold in the real estate tech field. In 2016, its listing was reassigned to the First Section of the Tokyo Stock Exchange.

#### 1. FY4/18 result trends

The Company reported higher sales and sharply stronger operating income in FY4/18 consolidated results with ¥38,653mn in net sales (+9.7% YoY), ¥1,851mn in operating income (+40.1%), ¥1,426mn in ordinary income (+76.6%), and a ¥567mn net loss attributable to owners of parent. Key sources of the sales increase were Broadband Business with upbeat activity in condominium Internet service and the start of HealthTech business. Profit rose substantially in the Broadband Business segment's condominium Internet service and Ad Technology Business. For the decline in net profit attributable to owners of parent, while higher corporate taxes and other costs were expected, impairment losses on inefficient assets in the Ad Technology Business, exiting from a portion of the HealthTech Business, and equity-method investment losses came as surprises.

## Summary

**2. FY4/19 outlook**

The Company guides for higher sales in a sixth straight fiscal year and all-time high operating income in FY4/19 consolidated results with net sales at ¥45,000mn (+16.4%), operating income at ¥2,500mn (+35.0%), ordinary income at ¥2,350mn (+64.8%), and net profit attributable to owners of parent at ¥250mn. It expects stable sales growth thanks to further growth in Broadband Business (condominium Internet service), ongoing sales expansion for various products in the Ad Technology Business, and synergy creation, largely at FreeBit EPARK Healthcare, in the HealthTech Business. The anticipated increase in operating income mainly relies on Ad Technology profits along with switches to profits in Mobile Business and HealthTech Business that booked losses in FY4/18. In Broadband Business, a key profit source, the Company intends to continue measures to deal with growing communications traffic and investment in Real Estate Tech. Guidance calls for ¥2,500mn in operating income, despite earnings potential of ¥3,500mn as a whole, because of around ¥1,000mn in investments. We have a favorable view of the formation of a business portfolio that achieves stable growth with an effective mix of businesses making investments and businesses generating profits.

**3. Medium- to long-term growth strategy**

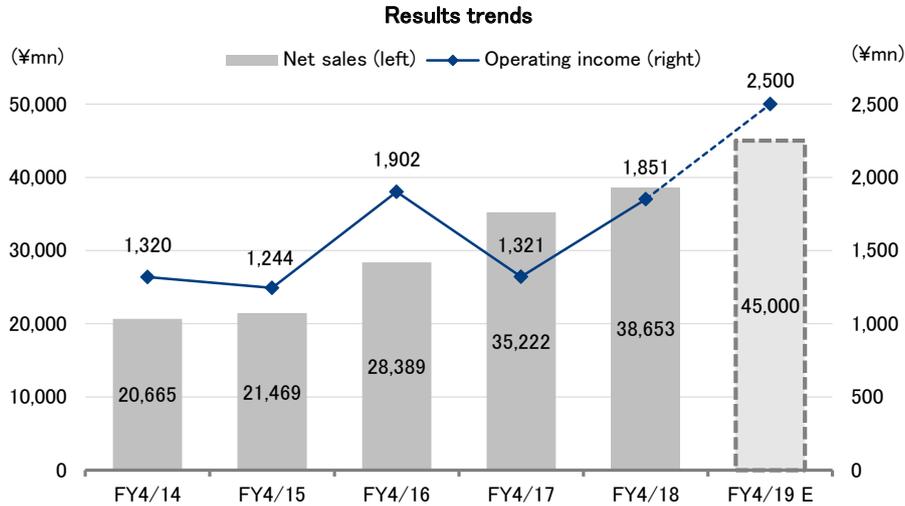
FreeBit announced SiLK VISION 2020, a four-year medium-term business policy, in June 2016 with FY4/20 goals of ¥50,000mn in sales and ¥5,000mn in operating income. Two periods are left, and the goals are within sight. We expect the Company to reach the sales goal based on growth potential up to now because it needs 13.7% in annual growth from the result in FY4/18. While it faces a tough hurdle to the operating income goal at 64.4% annual growth from the FY4/18 result, we think it will move within range if the scenario of shifting from the investment phase thus far to a recouping phase materializes.

Viewed by segment, Ad Technology is on track to surpassing the Broadband Business as the top earner in FY4/20. Both businesses have potential to post about ¥2bn in operating income and should deliver stable income excluding investments and irregular events. Mobile Business and HealthTech trends are still fairly uncertain. The Company hopes to realize profits in these areas in FY4/19, and the extent of progress is likely to be an important indicator of whether it attains ¥5bn in operating income.

**Key Points**

- Mega-venture company with strengths in Internet and mobile infrastructure provision; focusing on ramp-up of HealthTech and Real Estate Tech
- Posted sharply higher operating income in FY4/18 led by the Broadband Business (condominium Internet service) and Ad Technology Business
- Accelerating growth toward the mid-term business policy goal of ¥5bn in operating income with the core two businesses and HealthTech and Mobile Business as a key point

Summary



Source: Prepared by FISCO from the Company's financial results

## Company profile

### Mega-venture company with strengths in Internet and mobile infrastructure provision; focusing on ramp-up of HealthTech and Real Estate Tech

#### 1. Company profile

The Company provides a variety of Internet-related services mainly to corporations, including infrastructure for ISPs, support for entering the MVNO business as an MVNE, cloud infrastructure, particularly VDCs, and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services to individuals, as well as Internet services to collective housing (condominiums), and other services.

The Group has many companies, including GIGAPRIZE Co., Ltd. <3830>, Full Speed Inc. <2159>, DREAM TRAIN INTERNET INC. (wholly owned subsidiary), For it Inc. (wholly owned subsidiary of Full Speed Inc.), FreeBit EPARK HealthTech, Inc. (subsidiary), Tone mobile inc. (equity-method affiliate).

Company profile

**2. Company history**

The Company was founded in Shibuya Ward, Tokyo, in 2000 (its predecessor was FreeBit.com Co. Ltd.). Its business grew mainly for services for ISPs and it was listed on the Mothers market of the Tokyo Stock Exchange in 2007. Using the opportunity of its listing, it accelerated the expansion of its business areas through M&A. It made a consolidated subsidiary of DREAM TRAIN INTERNET INC. in that same year and of GIGAPRIZE Co., Ltd. in 2009. In 2010, alongside making a consolidated subsidiary of Full Speed Inc., which is an Internet advertising agency, the Company also made consolidated subsidiaries of For it Inc., which conducts an affiliate advertising business, and BEKKOAME INTERNET. INC., which conducts an IT platform business. In this way, it is expanding its business areas based on its corporate philosophy of "Being the NET frontier! Expand the Internet and contribute to society." In 2011, it entered the MVNE/MVNO business and also accelerated growth in the mobile business field. In 2016, it entered the health care business, using an M&A as the first step. In March 2017, to acquire a foothold in the real estate tech field, it made a consolidated subsidiary of For Members, which conducts a real estate brokerage business. In 2016, its listing was reassigned to the First Section of the Tokyo Stock Exchange.

**Company history**

Date	Main events
May 2000	Founded as FreeBit.com Co., Ltd. in Shibuya Ward, Tokyo, to provide Internet business support
December 2002	Changed its corporate name from FreeBit.com Co., Ltd. to FreeBit Co., Ltd.
March 2007	Listed on the Mothers market of the Tokyo Stock Exchange
August 2007	Made a consolidated subsidiary of DREAM TRAIN INTERNET INC., which operates an ISP business for individuals
March 2009	After making a consolidated subsidiary of Media Exchange Co., Ltd., which had been listed on the Mothers market of the Tokyo Stock Exchange (delisted after becoming the Company's wholly owned subsidiary and merged with DREAM TRAIN INTERNET through an absorption merger), its subsidiary GIGAPRIZE Co., Ltd. <3830>, which conducts a condominium ISP business, was also made a consolidated subsidiary
August 2010	Made consolidated subsidiaries of Full Speed Inc. <2159>, which operates an Internet advertising agency, For it Inc., which operates an affiliate advertising business and provides its proprietary program Affiliate B, and BEKKOAME INTERNET. INC., which operates an IT platform business
March 2011	Entered into the MVNO business (as a MVNE)
June 2012	Full Speed launched the advertising management integration program AdMatrix series
July 2013	Started providing the freebit MVNO Pack, an MVNE (MVNO supporter) service for MVNOs through an L2 connection from NTT DOCOMO, INC. <9437>
November 2013	DREAM TRAIN INTERNET started providing freebit mobile, an MVNO service that offers all aspects, from terminal development through to user support, in an integrated manner
January 2015	Established FreeBit Mobile, Inc., which conducts an MVNO business (currently, Tone mobile inc., a joint-venture company with Culture Convenience Club Co., Ltd.)
April 2015	Founded freebit investment inc. with the objective of conducting investments for business expansion
September 2015	DREAM TRAIN INTERNET started providing DTI SIM, a mobile, high-speed data communications service
December 2015	Full Speed established GoJapan Inc. as a joint-venture company with Asia Smart Travel (Beijing) Information Technology Co., Ltd. and started a travel app business for tourists visiting Japan
March 2016	Started to provide mobabiji, a cloud PBX service for corporations
July 2016	Listing changed to the First Section of the Tokyo Stock Exchange
September 2016	Made a consolidated subsidiary of EPARK Health Care, Inc., which provides health care solutions services
February 2017	Changed the corporate name of EPARK Health Care to FreeBit EPARK Health Care, Inc.
March 2017	GIGAPRIZE made a consolidated subsidiary of For Members
April 2017	GIGAPRIZE merged with its wholly owned subsidiary ESP Co., Ltd. through an absorption merger
May 2017	Full Speed conducted a company split for the video ad network business for smartphones and established Calmbold Inc. (currently, CRAID Inc.)
August 2017	Acquired Medip inc., a digital signage provider for medical facilities, as a consolidated subsidiary
October 2017	Made GIGA TECH Co., Ltd., established by GIGAPRIZE to expand ISP business for multi-household dwellings, a consolidated subsidiary

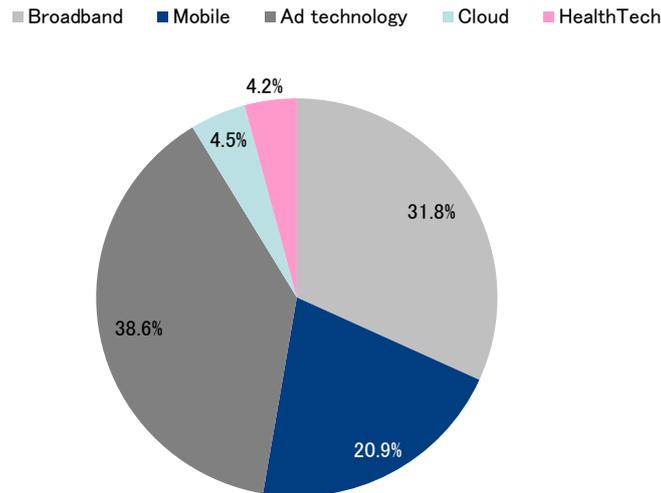
Source: Prepared by FISCO from the Company's website

Company profile

3. Segment descriptions

In FY4/18, segment sales breakdown consisted of Broadband Business at 31.8%, Mobile Business at 20.9%, Ad Technology Business at 38.6%, Cloud Business at 4.5%, and HealthTech Business at 4.2%.

Percentage of net sales by segment (FY4/18)



Source: Prepared by FISCO from the Company's results briefing materials

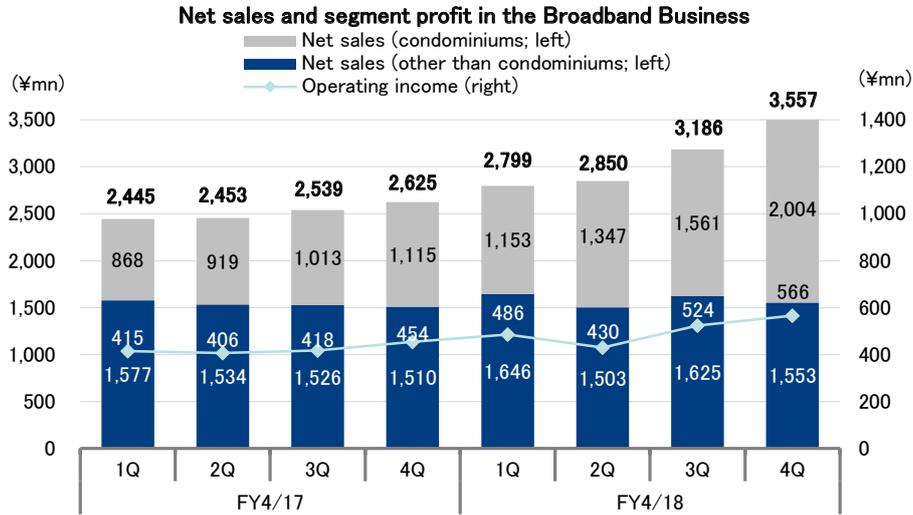
## Business overview

### Mainly driven by the Broadband Business and Ad Technology Business

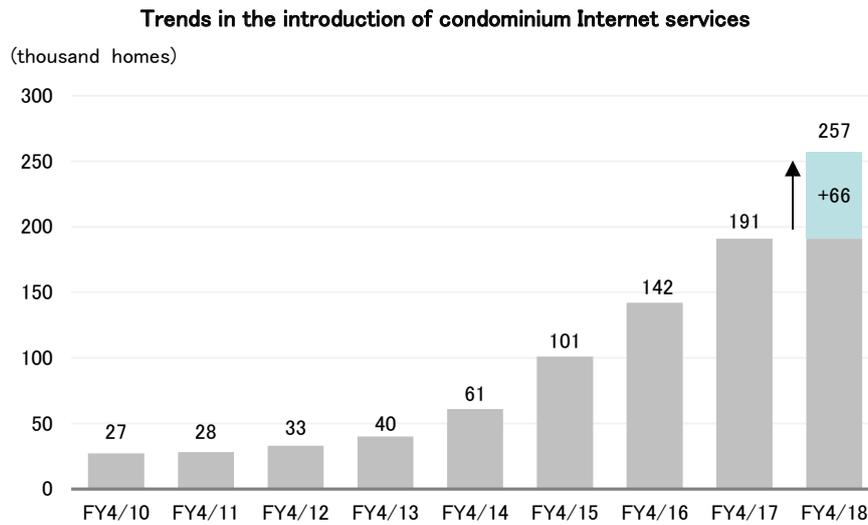
#### 1. Broadband Business

Broadband Business primarily supplies ISP business assistance service and Internet connection service using fixed lines to corporations, multifamily dwellings, and individuals. The market for communications services over the fixed-line network has slowed to moderate pace due to exhausting adoption of the high-speed broadband environment and faster communications service through the mobile network. Despite these conditions, the condominium Internet business at GIGAPRIZE is sustaining strong growth thanks to accelerated deployments via joint business with multiple extremely large house manufacturers. Cumulative deployment climbed by 66,000 units from the end of the previous fiscal year to 257,000 units. Broadband Business delivered sharply higher sales and profits in FY4/18 at ¥12,393mn in sales (+23.1% YoY) and ¥2,007mn in segment profit (+18.5%). Operating income margin is high at 16.2% (FY4/18), and this segment has been positioned as “the money tree” that generates cash for the Company as a whole. For Members, a strategic subsidiary promoting Real Estate Tech, comes under this segment.

Business overview



Source: Prepared by FISCO from the Company's results briefing materials

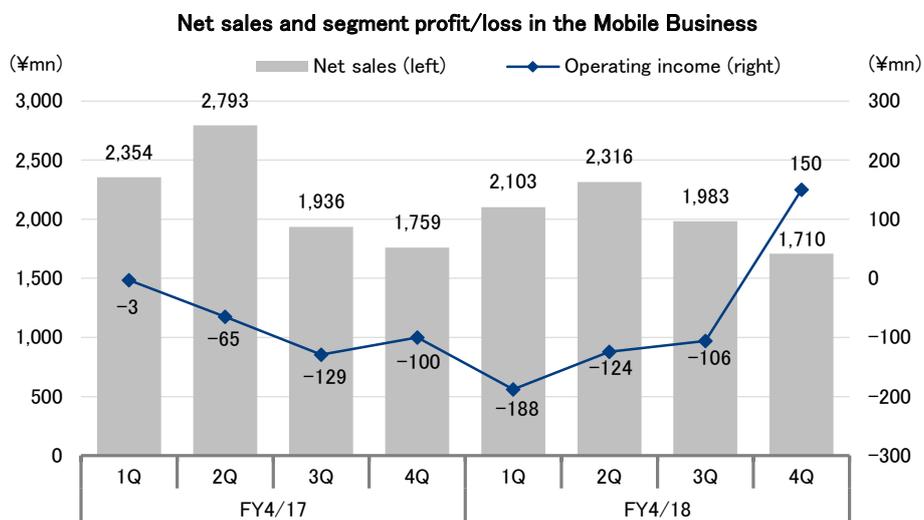


Source: Prepared by FISCO from the Company's results briefing materials

Business overview

2. Mobile Business

Mobile Business provides MVNO business assistance service (MVNE) and mobile communications service to individuals. It faces uncertainty in its business environment because of the impact of management strategies at MVNOs, its customers. It booked ¥8,115mn in sales (-9.0% YoY) and a ¥268mn segment loss (vs. a ¥289mn loss in the previous fiscal year) in FY4/18. Sales dropped because of non-recurrence of large one-time sales of smartphone devices to Tone mobile in FY4/17 and decline in SIM initial issuance. Segment income, however, is improving, and reached a ¥150mn profit in 4Q FY4/18, mainly due to healthier IP phone service and DTI SIM income and adjustments from a price change by NTT docomo. The Company aims to improve the income structure via full-fledged expansion of Mobabiji business phone sales and other trends.



Source: Prepared by FISCO from the Company's results briefing materials

3. Ad Technology Business

Ad Technology Business supplies Internet marketing services to companies. The Internet advertising market continues to growth due to steady shift from conventional reserved-type ads to managed-type ads (such as listing ads and ads utilizing ad technology) and upbeat momentum from video ads, social media ads, and mobile ads. AdMatrix, the Company core proprietary advertising integration platform, is making further strides with new video functionality and unique data acquisition and holds the No.1 DSP\*1 in Japan. The affiliate platform "afb"\*2, which is supplied by affiliate service provider (ASP)\*3 For it, is maintaining business expansion having been highly evaluated for proprietary functions and as the leader in media user satisfaction.

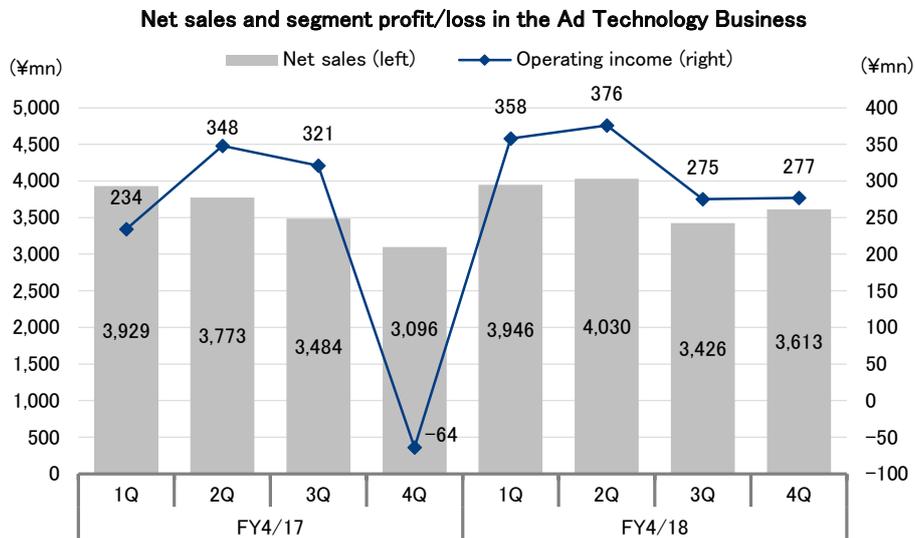
\*1 Demand Side Platform

\*2 Service provider that distributes ads with performance-based fees

\*3 Network of over 550,000 partner sites. Utilizing PC knowhow to deploy services to tablets, smartphones, and mobile devices. Formerly called "Affiliate B."

This segment reported higher sales and profits at ¥15,016mn in net sales (+5.1% YoY) and ¥1,288mn in profit (+53.4%) in FY4/18. Growth in DSP ads, affiliate ads, and social media marketing led profits sharply higher.

Business overview

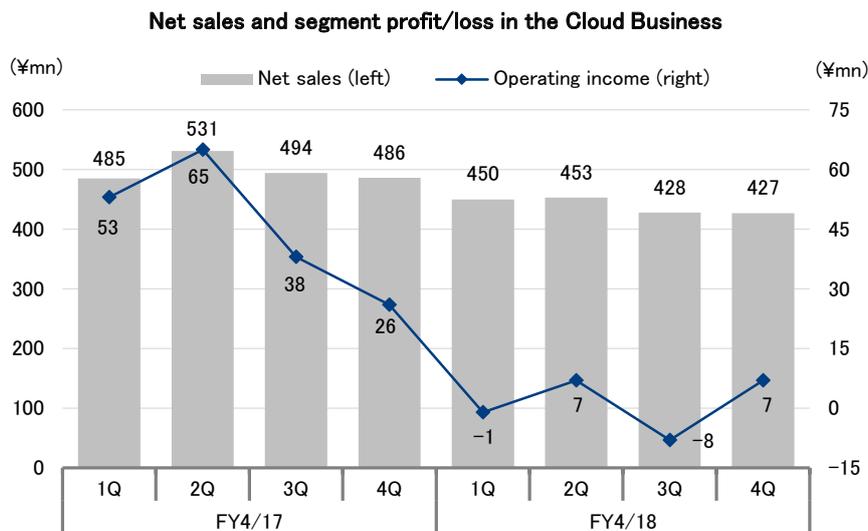


Source: Prepared by FISCO from the Company's results briefing materials

#### 4. Cloud Business

Cloud Business\* handles cloud services for companies and individuals and is an essential infrastructure for the Company's other businesses. Sales and profits declined in FY4/18 to ¥1,759mn in net sales (-11.9%) and ¥4mn in segment profit (-97.6%). Profit fell on an increase in shared costs related to absorbing a group subsidiary amid ongoing reorganization of legacy services.

\* Cloud refers to the format of supplying software and other contents through a network to users and data centers and servers that store and manage related data. A public cloud is a service or system that anyone can use from the Internet. A private cloud is a service or system used by a large company or others on a self-operated network. A hybrid cloud has both aspects and combines advantages of the two formats to enhance security and cost management.



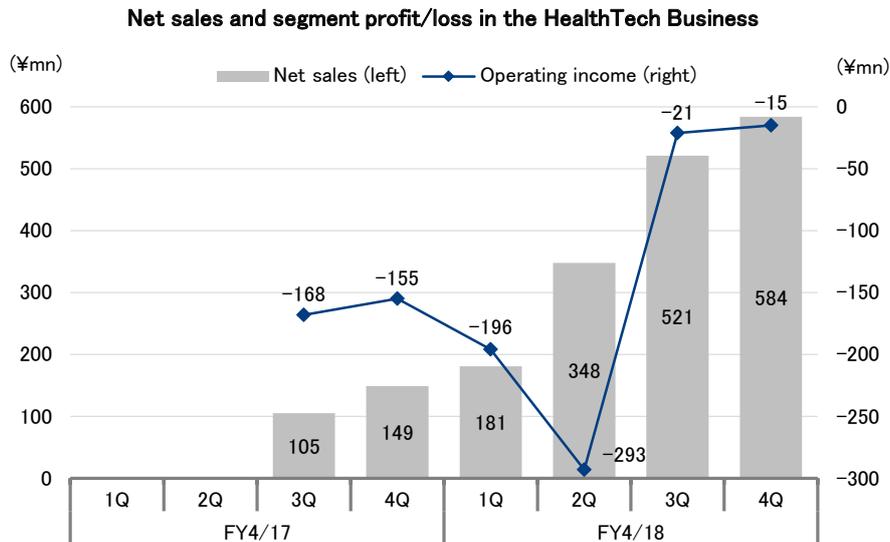
Source: Prepared by FISCO from the Company's results briefing materials

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Business overview

5. HealthTech Business

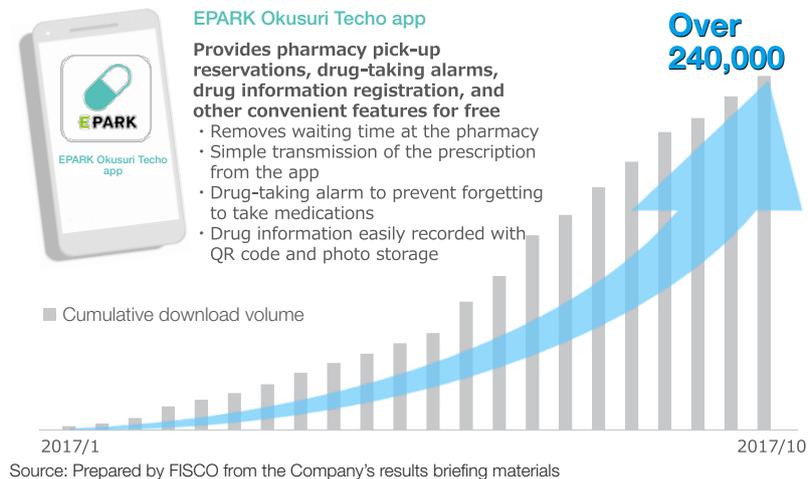
HealthTech Business provides a solution service to pharmacies, including operation of EPARK Kusuri-no-Madoguchi, a comprehensive pharmacy portal site. In September 2016, the Company acquired the shares (acquired 47.5% of voting rights) and made a consolidated subsidiary of EPARK Health Care, which runs this business. In February 2017, it changed the corporate name to FreeBit EPARK Health Care. The business concept is for the Company to enhance the media platform that connects end users (patients) and dispensing pharmacies with its technological capabilities and to provide information and highly convenient reservation, delivery, and other services to these end users. The revenue models are diverse and include commission from transferring patients and reservation system usage fees. "EPARK Okusuri Techo" is a free app handled as a service for end users (patients), and it has been attracting attention for its highly convenient functions, including pharmacy-reception reservations, an alarm to indicate when it is time to take medicine, and drug-information registration. Cumulatively it has been downloaded more than 240,000 times (as of April 2018), making it the No.1 app of its kind, including help from mass-media exposure. The number of reservations at pharmacies is steadily rising and per store reservations are also increasing. In FY4/18, net sales climbed sharply to ¥1,636mn, while the segment loss expanded to ¥527mn (from a ¥324mn loss a year earlier) due to an investment phase. Core segment company FreeBit EPARK Health Care achieved single-month profitability in November 2017 and a standalone half-year profit in 2H FY4/18. With the aim of further expanding the HealthTech Business, the Company obtained a care records system business and established a joint venture with a company closely tied to care facilities in 4Q FY4/18.



Source: Prepared by FISCO from the Company's results briefing materials

## Business overview

## Downloads of the EPARK Okusuri Techo app

**Cumulative downloads of the EPARK Okusuri Techo app at over 240,000**


## Results trends

### Posted sharply higher operating income in FY4/18 led by the Broadband Business (condominium Internet service) and Ad Technology Business

#### 1. FY4/18 results

In the FY4/18 consolidated results, the Company posted increased sales and a significant increase in operating income. Net sales increased 9.7% YoY to ¥38,653mn, operating income increased 40.1% to ¥1,851mn, ordinary income increased 76.6% to ¥1,426mn, and the loss attributable to owners of parent was ¥567mn (compared to a loss of ¥150mn in the previous year).

#### FY4/18 results

	FY4/17		FY4/18		YoY
	Result	Ratio to sales	Result	Ratio to sales	
Net sales	35,222	-	38,653	-	9.7%
Cost of sales	27,007	76.7%	27,986	72.4%	3.6%
Gross profit	8,214	23.3%	10,667	27.6%	29.8%
SG&A expenses	6,893	19.6%	8,815	22.8%	27.9%
Operating income	1,321	3.8%	1,851	4.8%	40.1%
Ordinary income	807	2.3%	1,426	3.7%	76.6%
Loss attributable to owners of parent	-150	-0.4%	-567	-	-

Source: Prepared by FISCO from the Company's financial results

#### Results trends

Net sales strengthened on Broadband Business with upbeat condominium Internet service activity (+¥2,339mn YoY) and HealthTech Business started in 3Q FY4/17 (+¥1,381mn). Ad Technology Business posted higher sales too. Decline in Mobile Business sales occurred due to non-recurrence of heavy sales of mobile devices in the previous fiscal year and was expected.

Gross margin increased by 4.3ppt from 23.3% in FY4/17 to 27.6% thanks to curtailment of the rise in network-related costs in COGS to just 3.6% YoY because of a change in prices at telecom companies. SG&A expenses were up 27.9% due to higher personnel costs and other expenses related to expansion of Real Estate Tech Business and HealthTech Business. Operating income hence improved sharply with a 40.1% gain. In segment earnings, profit rose substantially in condominium Internet and other services under Broadband Business (+¥795mn YoY) and Ad Technology Business (+¥448mn). HealthTech Business and Real Estate Tech Business, which are key areas, incurred negative impacts from planned investments (+¥636mn combined) and weaker smartphone device sales and impairment losses on returned inventories (+¥297mn).

Ordinary income climbed sharply on higher operating income (+¥530mn) and other factors. For the decline in net profit attributable to owners of parent, while higher corporate taxes and other costs were expected (+¥454mn), impairment losses on inefficient software assets in the Ad Technology Business (+¥256mn), exiting from a portion of digital signage in the HealthTech Business (+¥160mn), and equity-method investment losses (¥315mn) came as surprises.

## Capitalizing on leverage while maintaining soundness, possesses surplus cash and deposits

### 2. Financial position and management indicators

Gross assets at end-FY4/18 were up ¥5,199mn from the end of the previous fiscal year to ¥30,796mn. Current assets increased by ¥4,861mn, mainly on ¥3,406mn in additional cash and deposits and ¥861mn in higher promissory notes received and sales receivables. Fixed assets grew by ¥337mn with a ¥540mn rise in investments and other assets as the main boost. The Company has extensive cash and deposits with a ¥13,656mn balance and is prepared to dynamically respond to M&A deals and other opportunities.

Liabilities grew by ¥5,775mn from the end of the previous fiscal year to ¥20,121mn. Within this, non-current liabilities increased by ¥4,999mn (mainly ¥4,005mn higher long-term borrowing and ¥800mn higher bonds payable).

Soundness-related business indicators at the end of FY4/18 were a 215.1% current ratio and 28.8% capital ratio. The Company wants to achieve growth by utilizing leverage, but is also maintaining financial safeness.

## Results trends

## Consolidated balance sheet and management indicators

	End-FY4/17	End-FY4/18	Change
(mn)			
Current assets	17,414	22,276	4,861
(Cash and deposits)	10,249	13,656	3,406
(Notes and accounts receivable - trade)	4,226	5,088	861
(Merchandise and finished goods)	202	286	84
Non-current assets	8,182	8,520	337
(Intangible assets)	4,708	4,269	-439
(Investments and other assets)	1,587	2,128	540
<b>Total assets</b>	<b>25,597</b>	<b>30,796</b>	<b>5,199</b>
Current liabilities	9,579	10,356	776
Non-current liabilities	4,766	9,765	4,999
<b>Total liabilities</b>	<b>14,346</b>	<b>20,121</b>	<b>5,775</b>
<b>Total net assets</b>	<b>11,251</b>	<b>10,675</b>	<b>-576</b>
<b>Total liabilities and net assets</b>	<b>25,597</b>	<b>30,796</b>	<b>5,199</b>
<Soundness>			
Current ratio (current assets ÷ current liabilities)	182.4%	215.1%	-
Equity ratio (shareholders' equity ÷ total assets)	37.7%	28.8%	-

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### Expecting a sixth straight year of higher sales and all-time high operating income in FY4/19

#### ● FY4/19 outlook

The forecasts for the FY4/19 full year consolidated results are for higher sales for the 6th consecutive years and record-high profits, with net sales to increase 16.4% YoY to ¥45,000mn, operating income to rise 35.0% to ¥2,500mn, ordinary income to grow 64.8% to ¥2,350mn, and profit attributable to owners of parent of ¥250mn.

The Company expects stable sales growth thanks to further growth in Broadband Business (condominium Internet service), ongoing sales expansion for various products in the Ad Technology Business, and synergy creation, mainly at FreeBit EPARK Healthcare, in the HealthTech Business. The anticipated increase in operating income mainly relies on Ad Technology profits along with switches to profits in Mobile Business and HealthTech Business that booked losses in FY4/18. In Broadband Business, a key profit source, the Company strategically forecasts lower profits due to continuing measures to deal with growing communications traffic and investment in Real Estate Tech. Guidance calls for ¥2,500mn in operating income, despite earnings potential of ¥3,500mn as a whole, because of around ¥1,000mn in investments. We have a favorable view of the formation of a business portfolio that achieves stable growth with an effective mix of businesses making investments and businesses generating profits.

Outlook

Outlook for FY4/19

(mn)

	FY4/18		FY4/19		YoY
	Result	Ratio to sales	Forecast	Ratio to sales	
Net sales	38,653	100.0%	45,000	100.0%	16.4%
Operating income	1,851	4.8%	2,500	5.6%	35.0%
Ordinary income	1,426	3.7%	2,350	5.2%	64.8%
Profit/loss attributable to owners of parent	-567	-	250	0.6%	-

Source: Prepared by FISCO from the Company's financial results

## ■ Medium- to long-term growth strategy

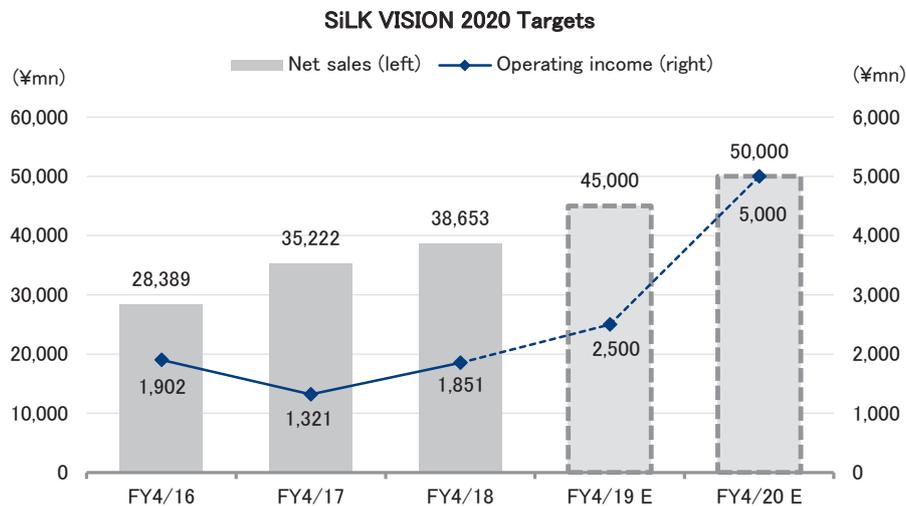
### Accelerating growth toward the mid-term business policy goals of ¥50bn in net sales and ¥5bn in operating income with the core two businesses and HealthTech and Mobile Business as a key point

#### 1. Progress on medium-term business policy SiLK VISION 2020

The Company announced SiLK VISION 2020, its four-year medium-term business policy, in June 2016, which targets net sales of ¥50bn and operating income of ¥5bn in FY4/20. Two periods are left, and the goals are within sight. We expect the Company to reach the sales goal based on growth potential up to now because it needs 13.7% in annual growth from the result in FY4/18. While it faces a tough hurdle to the operating income goal at 64.4% annual growth from the FY4/18 result, we think it will move within range if the scenario of shifting from the investment phase thus far to a recouping phase materializes.

Viewed by segment, Ad Technology is on track to surpassing the Broadband Business as the top earner in FY4/20. Both businesses have potential to post about ¥2bn in operating income and should deliver stable income excluding investments and irregular events. Mobile Business and HealthTech trends are still fairly uncertain. The Company hopes to realize profits in these areas in FY4/19, and the extent of progress is likely to be an important indicator of whether it attains ¥5bn in operating income.

Medium- to long-term growth strategy



Source: Prepared by FISCO from the Company's results briefing materials

## 2. Advances in the HealthTech Business: Acquired a care records system business

The Company acquired a care records system business from TEAC ONKYO SOLUTIONS CORPORATION, a joint venture between TEAC Corporation <6803> and ONKYO Corporation <6628>. Comet Care, the care assistance system for care facilities provided by this business, is the “standard for care records software,” which enables easy entry, storage, and sharing of important care records in care business via tablets and other devices. Input records can be shared in real time within the facility, a well-received feature from facilities using the system due to supporting centralized and integrated management of multiple facilities. The business supplies service to the industry’s second largest care facility operator and is likely to deliver healthy growth. The transfer cost was ¥363mn, and the transfer date was June 1, 2018.

The Company hopes to achieve robust synergies with FreeBit EPARK Healthcare, its core entity in the HealthTech field. We will be focusing on growth in this business on a standalone basis and also contributions to the overall HealthTech Business.

### Acquired a care records system business

Added a care records system business that provides services to the industry’s second largest care facility operator (in terms of sales)

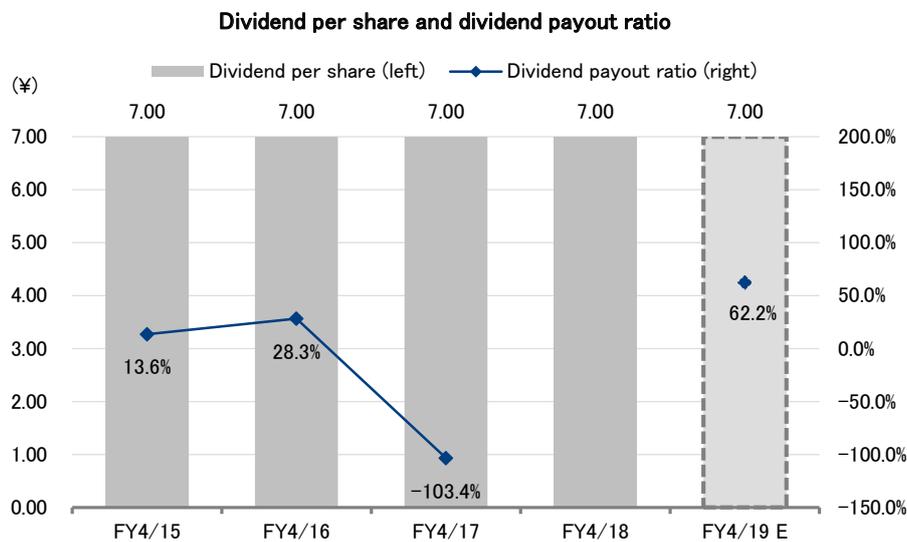


Source: The Company's results briefing materials

## Shareholder return policy

### Planning to maintain a ¥7 dividend for FY4/19

The Company returns profits to shareholders through paying dividends. Its basic dividend policy is to prioritize continuously returning profits to shareholders while also supplementing internal reserves and investing for business expansion. It recorded a net loss in FY4/18, but even so it maintained an annual dividend per share of ¥7. The forecast annual dividend per share for FY4/19 is the same, of ¥7, for a dividend payout ratio of 62.2%.



Source: Prepared by FISCO from the Company's financial results



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