COMPANY RESEARCH AND ANALYSIS REPORT

internet infinity INC.

6545

Tokyo Stock Exchange Growth Market

27-Aug.-2024

FISCO Ltd. Analyst

Yoichiro Shimizu

FISCO Ltd.

https://www.fisco.co.jp

Index

Summary

Increase in net sales and huge increase in profit in FY3/24. Profit increase due to growth of existing businesses and improved operational efficiency

internet infinity INC. <6545> (hereafter, also “the Company”) is a healthcare solutions company providing new healthcare services both in the real world and online. In the Healthcare Solution Business, it conducts the Record Book Business, which manages Record Book short-time, rehabilitative ambulant care services (daycare services) to increase the healthy life expectancy*1 of the elderly; the Web Solution Business, which provides marketing support for the senior market and support for those balancing their professional and caregiving duties using the care manager network constructed through Care Management Online, its dedicated care manager*2 portal site; and the Active Life Business, which leases and sells welfare equipment and provides residential renovation services. Conversely, in the Home-Centered Service Business, it provides various long-term care insurance services for elderly people living at home.

*1 The period in which people can live their usual daily lives without restrictions due to health problems.
*2 An eldercare support specialist who creates a care plan so that the suitable eldercare services can be used according to the physical and mental conditions and the wishes of the person requiring eldercare.

1. FY3/24 results summary

In the FY3/24 consolidated results, net sales increased 11.1% year on year (YoY) to ¥4,959mn, operating profit rose 139.7% to ¥230mn, ordinary profit increased 85.2% to ¥271mn, and profit attributable to owners of parent rose 286.0% to ¥130mn. Amid positive movement in the external environment, including the normalization of economic and social activities as the COVID-19 pandemic subsided, greater willingness to go out among seniors, and rising interest in health, both the Healthcare Solution Business and Home-Centered Service Business saw increases in sales. In the Healthcare Solution Business, Seikougiken, which became a consolidated subsidiary in the Active Life Business in October 2022, contributed to a rapid increase in net sales. Also, in the Web Solution Business, senior marketing support was a driver for the smooth sales growth of each service. In the Record Book Business, which is a core business, as the total number of users recovered smoothly, the business performed steadily, which included a rise in the capacity utilization rate. However, factors such as plan changes for some franchise contracts meant net sales associated with franchise facilities declined, although this had no impact on profits. In the Home-Centered Service Business, the facility care businesses acquired by business transfer in December 2022 contributed greatly to sales. On the profit front, although some businesses in the Healthcare Solution Business saw a decrease in profit, the Web Solution Business and Home-Centered Service Business played a central role in accumulating solid profits. Although sales decreased in the Record Book Business, it still managed to secure a profit due to an improved capacity utilization rate and the reorganization of unprofitable facilities. Factors such as efforts to make operations efficient that were already being implemented and the shedding of costs associated with M&A which were incurred in the previous fiscal year meant that operating profit and every line of profit below increased sharply.

2. FY3/25 results outlook

For the FY3/25 consolidated results, the Company forecasts increases of 2.9% YoY in net sales to ¥5,102mn, 54.5% in operating profit to ¥355mn, 29.2% in ordinary profit to ¥350mn, and 56.6% in profit attributable to owners of parent to ¥204mn. The Record Book Business, Active Life Business, and Home-Centered Service Business will play central roles in accumulating profits. In the Record Book Business, which is a core business, sales are expected to decline following plan changes for some franchise contracts, but the business will make smooth progress, mainly because the number of monthly users is currently at a record high. The Company plans to reorganize unprofitable facilities and raise the capacity utilization rate to boost earning power, allowing profits to build up. The Company is expecting a profit increase in all of its other businesses except for the Web Solution Business and ambulant care services. The Active Life Business in particular will see a strong performance regarding leases of welfare equipment, while Seikougiken will complete some of the structural reforms it has been engaged in since FY3/24 and contribute to profits from FY3/25. Smooth performance is also forecast in the Home-Centered Service Business, particularly in the home-visit eldercare service where a new business office opened in Funabashi will contribute to an increase in profits. Although the growth rate of net sales will shrink year on year, it is expected that the Active Life Business and Home-Centered Service Business will be drivers of firm growth.

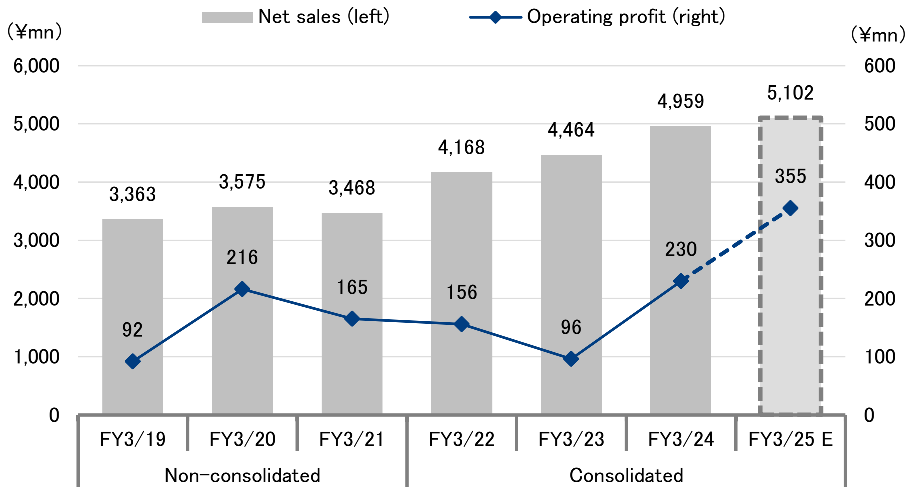
3. Medium-term management policies

The Company's medium-term management policy is to steadily grow its existing businesses, including the Record Book Business, and then use the cash generated by these existing businesses to carry out focused investment in new businesses, thereby accelerating the speed of growth. Under its medium-term vision "IIF Vision 2030: Creating a healthy future with in-person services and technology," the Company sees its main mission as solving the problems of a super-aged society and it is focusing on proactively harnessing technologies to make its existing businesses more competitive and to create new businesses. Specifically, it will develop solutions that utilize AI and other technologies, utilize data gathered via in-person services, and advance the DX of the eldercare workplace. In this way, it will raise the competitiveness and profitability of its existing businesses while also accelerating the growth of business results and further enhancing corporate value. In addition to this, it will continue to focus on building a stable earnings base that is not easily affected by the external environment. Its plan is to make its earnings base more diverse by creating new in-house businesses that are not covered by long-term care insurance, as well as to proactively consider M&A in areas where it can expect to realize synergies. As the result of these efforts, in the final year of the plan period (FY3/28) the Company is targeting net sales of ¥7,395mn, operating profit of ¥980mn, profit attributable to owners of parent of ¥574mn, ROE of 22.0%, and an operating profit margin of 13.3%.

Key Points

- A healthcare solutions company that provides new healthcare services both in the real world and online
- In FY3/24, growth of existing businesses and M&A contributed to an increase in sales. The effects of increased sales and improved operational efficiency led to rapid growth of each line of profit
- Positive business results forecast for FY3/25 with an increase in sales and double-figure increases in profit
- Medium-term plan is to accelerate growth speed by steadily growing existing businesses while focusing on new business development

Results trends



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

Company summary

A healthcare solutions company that provides new healthcare services both in the real world and online

The Company is a healthcare solutions company that provides new healthcare services both in the real world and online. Based on the corporate slogan of "A Healthy Future," its mission is "to provide solutions to issues that a super-aging society faces, through innovation and an appetite for challenges," and toward this, it conducts the Healthcare Solution Business and the Home-Centered Service Business.

A feature of the Company is that it is utilizing its existing assets, of real-world facilities and the Care Management Online portal site, to actively launch peripheral businesses. Recently, the Company has been utilizing M&A to expand its business scope. Through this, it is stabilizing the earnings base and realizing a business structure that is not easily affected by the external environment. Another of its features is that its building business models that can effectively generate profits. Within the Healthcare Solution Business, the strategy for the Record Book Business is to increase franchise facilities that have high profit margins, while in addition, the profit margin is relatively high in the Web Solution Business.

The Company was established by Representative Director Keiichi Beck in May 2001 as internet infinity Ltd. in order to conduct a systems integration business. After around a year had passed from the Company's establishment, it was conducting a work system construction project for a client in the eldercare industry, and during this time, it became aware of the enormous business opportunities in this industry. Therefore, in October 2002, the Company established the home-visit eldercare business office and launched an eldercare-related business. Then in August 2005, it opened Care Management Online, its dedicated care manager portal site, and started a senior marketing support business as a new business. Subsequently in October 2011, it opened Record Book Nihonbashi and started the Record Book Business, which consists of short-time, rehabilitation daycare services, and then started developing Record Book franchise operations in March 2014. In April 2021, it made a subsidiary of Full Care, which rents and sells welfare equipment and conducts a residential renovation business for the elderly, and also in December of the same year, it established Kankeisha Inc. to progress the company split, including of the Home-Centered Service Business. On April 1, 2022, Kankeisha succeeded the Home-Centered Service Business and other businesses through a company split. In FY3/23, the Company acquired Seikougiken and two residential-type fee-charging homes for the elderly (Fleur Garden Ichihara and Fleur Garden Sagamihara), aggressively expanding its business portfolio. Recently, in April 2024, the Record Book Business was succeeded by recordbook Inc., a consolidated subsidiary of the Company. The company will accelerate the expansion of its facilities network by promoting the delegation of authority regarding decision making.

In relation to shares, the Company was listed on the Tokyo Stock Exchange (TSE) Mothers Market in March 2017, and then its listing was transferred to the Growth Market in April 2022 following the TSE's reorganization of its market categories.

History

Date	Summary
May 2001	internet infinity Ltd. was established in Sumida Ward, Tokyo, to conduct a systems integration business
October 2002	Opened Clover Carestation (home-visit eldercare) in Chuo Ward, Tokyo, and launched an eldercare business
June 2003	Opened the Residential Eldercare Support Center Himawari (care plans, rentals and sales of welfare equipment), in Chuo Ward, Tokyo
July 2004	Changed the organization from a limited company to a stock company
March 2005	Opened Clover Day Services (a daycare-type eldercare facility) in Narashino City, Chiba Prefecture
August 2005	Opened Care Management Online, a dedicated care manager portal site, and launched a silver marketing support business as a new business
December 2009	Acquired the shares and made a subsidiary of Aikea Co., Ltd., which conducts referrals for medical specialist human resources and manages introductions to fee-charging homes for the elderly
July 2010	Launched Wakarukaigo, an eldercare consultation service for individuals to consult with a specialist about eldercare
January 2011	Launched "Wakarukaigo Biz" which is a service to support for people both working and providing eldercare, as a welfare service for company employees
October 2011	Opened Record Book Nihonbashi in Chuo Ward, Tokyo, and launched the Record Book Business, of short-time, rehabilitation daycare services
March 2014	Started Record Book franchise operations
March 2017	Listed on the TSE Mothers market
July 2017	Added the Wakaru Dementia service specializing in dementia support and the Wakarukaigo Consultation Center service that enables face-to-face consultations on eldercare, to the "Wakarukaigo Biz" which is a service to support for people both working and providing eldercare
April 2021	Acquired the shares and made a subsidiary of FullCare Co., Ltd. (currently a consolidated subsidiary), which rents and sells welfare equipment and conducts a home renovation business for the elderly
December 2021	Established Kankeisha Co., Ltd. (currently a consolidated subsidiary) in order to progress the company split of the Home-Centered Service Business
April 2022	Kankeisha succeeded the Home-Centered Service Business through a company split The Company's listing was transferred to the TSE Growth market following the TSE's reorganization of its market categories
October 2022	Acquired 100% stake in Seikougiken, which mainly provides home renovation services, and made it a subsidiary in October 2022
December 2022	Kankeisha succeeded Home-Centered Service Business and other businesses through company split
April 2024	recordbook Inc. succeeded the Record Book Business as a fully-owned subsidiary through a company split (simplified absorption-type)

Source: Prepared by FISCO from the Company's securities report

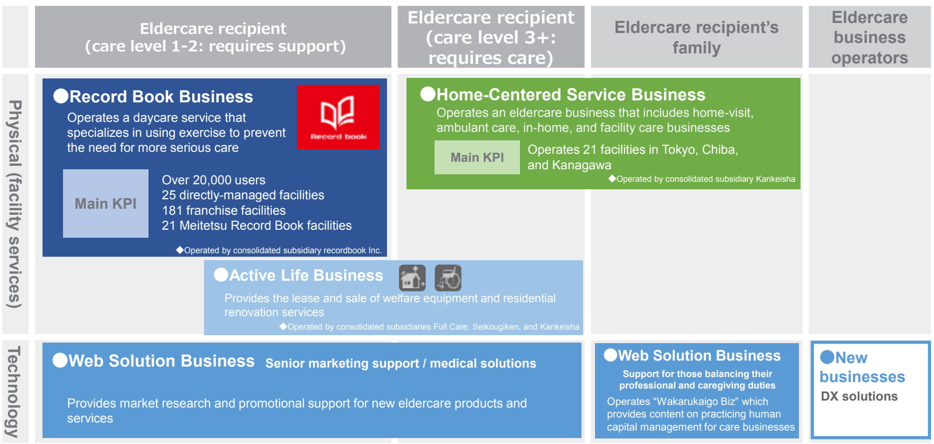
Business summary

Conducts the Healthcare Solution Business and the Home-Centered Service Business

The Company operates the Healthcare Solution Business and the Home-Centered Service Business with the aim of creating a healthy future by conducting business in the two areas of physical facilities and the internet and technology. Within the Healthcare Solution Business, it conducts the Record Book Business, which manages Record Book short-time, rehabilitation daycare services to increase the healthy life expectancy of the elderly; the Web Solution Business, which provides marketing support for the senior market and support for those balancing their professional and caregiving duties using the care manager network constructed through Care Management Online, the dedicated care manager portal site; and the Active Life Business, which leases and sells welfare equipment and provides residential renovation services. Conversely, in the Home-Centered Service Business, it provides various long-term care insurance services for elderly people living at home.

In the percentages of net sales in FY3/24, the Record Book Business provided 36.7%, the Web Solution Business 6.8%, the Active Life Business 25.3%, and the Home-Centered Service Business 31.2%.

The Company's business areas



Source: Reprinted from the Company's Business Plan and Items relating to Growth Potential

1. Healthcare Solution Business

To solve the issues facing Japan's super-aging society, the Company utilizes the platform comprised of the Record Book facilities network, the care manager network, and eldercare consultation data, etc. to prolong healthy life expectancy, to establish living environments for the elderly, to establish and share information on eldercare facilities, and to support marketing for the senior market, and thereby to support people to both work and provide eldercare.

(1) Record Book Business

Targeting the elderly certified as requiring eldercare and those certified as requiring assistance and with the aim of maintaining, recovering, and improving their physical functions, the Company manages Record Book short-time, rehabilitation daycare services. As of the end of FY3/24, the Company had 24 directly-managed facilities and 179 franchise facilities, while Meitetsu Life Support Co., Ltd., a joint venture with Nagoya Railroad Co., Ltd. <9048>, was managing 21 Meitetsu Record Book facilities, mainly in Aichi Prefecture. The total number of facilities was 224, which was four more than at the end of FY3/23. With COVID-19 being reclassified as a Class 5 disease, there has been an increase in inquiries by entities hoping to open facilities, but as the period until property selection is longer than anticipated, the opening of new facilities has been delayed. However, an increase in personnel and the establishment of a call center means the Company is making smooth progress on gathering information on properties through outbound calls, and it is expecting the results of these efforts to manifest toward the end of the fiscal year. By strengthening its property development system and speeding up decision making by transferring operation of the business to a subsidiary, the Company aims to further accelerate the pace of new facility openings.

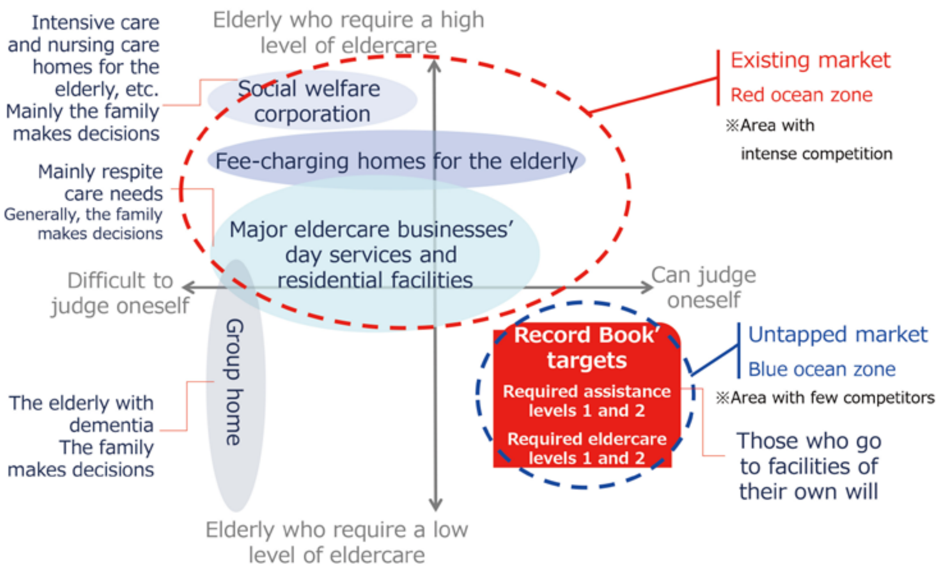
The features of Record Book facilities include “spaces that do not feel like eldercare spaces” that instead look like fitness clubs or dance studios, “professional exercise guidance” that incorporates fully fledged exercise programs based on scientific evidence, and “hospitality” aiming for active communication by creating lively spaces that are full of warm hospitality. They are rehabilitation daycare service facilities that deviate from the image that eldercare facilities have had up to the present time. Users have high levels of satisfaction with the enhanced service content, including Record Book’s proprietary program that does not use machines and setting aside tea times, and the continuous membership rate is high.

The Company actively utilizes the data collected through this business for the Record Book programs. In April 2022, it developed jointly with LiveSmart KK, a walking-analysis application that utilizes Record Book data and AI and launched a service using it at Record Book directly-managed facilities. The app takes a picture of TUG measurements* and automatically analyzes and evaluates items such as the walking score and balance score, and creates a report. It then proposes advice and recommends programs based on the measurement results. Other than this, the Company is developing solutions that utilize AI and IoT to extend healthy life expectancy, including the joint development of another exercise program with the University of Tsukuba. Going forward, the Company plans to continue harnessing data and AI to increase competitiveness. Specifically, the Company will work to provide exercise programs optimized for each user based on data and develop new services that can help prevent falls.

* TUG (Timed Up and Go) measurements are an indicator used worldwide as a test to comprehensively judge aspects such as walking ability, dynamic balance, and agility. It is generally adopted as a useful test for the elderly who have a high risk of falling.

Record Book targets the elderly certified as requiring a light level of eldercare (level 1 or 2 support, or level 1 or 2 long-term care) for whom self-determination is possible, and it has few competitors and has acquired competitive advantages. Compared to the number of subjects targeted by rehabilitation daycare services facilities to which Record Book belongs, there are few facilities for them, and the market has room to grow and there are many potential new users, so this business is expected to further expand. Also, as the Company targets the elderly certified as requiring light eldercare, it can sell products and provide other services within its facilities. In November 2023 Record Book nationwide launched sales of training puzzles for seniors jointly developed with Plaza Create Co., Ltd. In addition to the directly-managed facilities, Record Book has been developing franchise operations since 2014, and the royalty income from franchise members is a stable source of revenue (recurring revenue).

Record Book Business' competitive advantages



Source: Reprinted from the Company's financial results briefing materials

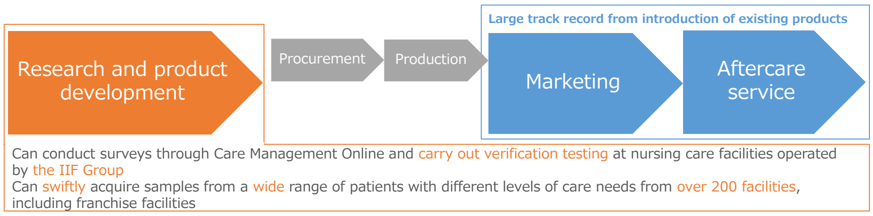
(2) Web Solution Business

a) Marketing support for the senior market

The Company provides support for its customer companies' marketing research and promotions by methods including qualitative and quantitative surveys using questionnaires and other methods, and conducting sampling of the elderly who require eldercare, utilizing the network of care managers registered on Care Management Online. Care Management Online is a portal site that aims to support the work of care managers. It provides the latest information relating to eldercare, including information on the revised Long-Term Care Insurance Act, also tools, manuals, and other items they need for work, and it has become established as an indispensable tool for care managers' work. In FY3/24, the Company enhanced the quality and quantity of the site's content by brushing up the work support tools and through tie-ups with other companies. In October 2023, it launched a new function that uses ChatGPT to help care managers with writing reports and other tasks, and in May 2024, it added a new function that uses ChatGPT to enable the handling of revisions to nursing care fees. The response from users to these functions has been good as they are enhancing the productivity of care managers and the Company has received many inquiries about them. In addition to new functions utilizing ChatGPT, it has launched collaborations with the Kuroneko Monitoring Service HelloLight Visit Plan provided by Yamato Transport Co., Ltd. (December 2023) and the Kurashi no Partner senior support service provided by Curapis, Inc. (March 2024). Through these collaborations, the Company will contribute to lightening the burden on care managers and improving operational efficiency. Ongoing efforts to enhance content have resulted in a steady increase in the number of members and as of the end of March 2024, over 100,000 care managers had registered. The Company plans to continue making the portal site more attractive to care managers and enhance its appeal as a platform.

Also, in FY3/24, the Company started engaging in upstream processes in the value chain in order to raise the added value of the services it provides, and this has led to improvements in cost price and profitability. Specifically, it has launched a consulting service that supports customers from the research and product development stage, including the design and testing of products. By adding upstream consulting services to its existing lineup of services, the Company is able to provide customers with wide-ranging support.

Areas covered by the service and its characteristics



Source: Reprinted from the Company's Business Plan and Items relating to Growth Potential

The Company is connected to around 3.6mn elderly households nationwide through the Care Management Online website and is utilizing this network to support its customer companies' marketing. It has a track record of projects for many customers, including for a major food manufacturer.

b) Support for those balancing their professional and caregiving duties

The number of people providing eldercare while still working is increasing, and in this situation, the number of people having to leave or change their job in order to provide eldercare is also rising. In this sort of situation, the Company is providing services* to its customer companies' employees to support them being able to continue working while also providing eldercare. Companies that started adopting services in FY3/22 include LOTTE CO., LTD., Hitachi Academy Co., Ltd., TEIJIN LIMITED <3401>, and KANEMATSU CORPORATION <8020>, and those that started in FY3/23 include companies in the Hitachi Group and Cornes Group, and those that started in FY3/24 include 40 Hitachi Group companies as well as ELCARE Co., Ltd., Marusan Securities Co., Ltd. <8613>, and TOKYO GAS NETWORK Co., Ltd. At the end of FY3/24, 220 companies had introduced such services and had more than 2.3mn members. Interest is rising in companies' initiatives for ESG and SDGs, and in this situation, at FISCO we think that the number of companies considering introducing these services in order to improve the lives and the satisfaction levels of their employees will increase. Additionally, in May 2024, the Ministry of Health, Labour and Welfare revised the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members with the aim of preventing people quitting their jobs due to nursing care responsibilities. It has decided on a policy that means from April 2025, all companies will be obligated to inform their employees about eldercare support systems and to establish suitable employment environments, including providing workers with training. Under this government policy, demand for the service is expected to rise further and the number of inquiries from customers is increasing smoothly.

* Specifically, it holds eldercare seminars, etc., manages an eldercare information website, and has an eldercare concierge service (introductions of care managers by telephone or e-mail, introductions of eldercare facilities, long-term care insurance filing service, etc.).

c) Medical solutions

The Company provides market data, such as on disease awareness and usage conditions, to pharmaceutical manufacturers and medical device manufacturers, through marketing support services for medicinal pharmaceuticals. It utilizes the care managers registered on Care Management Online to conduct online questionnaires of its care-manager members who specialize in the medical area and to develop education contents on Care Management Online. Going forward, the Company is also aiming to grow the Web Solution Business by creating a medical solutions business. Since FY3/23, the Company has been bolstering sales activities, focusing on things like holding seminars for pharmaceutical manufacturers and medical device manufacturers as well as promotional activities. In FY3/24, the Company won new orders for several projects, which are expected to further contribute to earnings in the future. The outlook for the external environment around the business is also good. According to the Company, the Pharmaceutical and Medical Device Act, which was formulated with the purpose of improving health and hygiene (protecting lives by safeguarding public health) by assuring the quality, efficacy, and safety of pharmaceuticals, is tightening the regulation of online adverts. The Company is building a business model through which it can approach its physical assets, or in other words, the care managers registered with Care Manager Online, and the relative predominance of its services is expected to rise. In a similar approach to which it is using for senior marketing support, it is focusing on improving cost price and profitability by getting involved in upstream processes in customer value chains.

(3) Active Life Business

Subsidiary Kankeisha succeeded the Active Life Business accompanying the spin-off at the start of FY3/23. Through the residential eldercare business office and Full Care, which was made a wholly owned subsidiary in April 2021, this business sells living support-related products that are needed by the elderly and their families. Among these products, it mainly leases and sells welfare equipment relating to establishing an eldercare environment and preventive care and welfare equipment for the elderly, and provide residential renovation services. Recently, in October 2022, the Company acquired Seikougiken, based in Hiroshima Prefecture, which mainly provides home renovation services, expanding its business portfolio to services outside the scope of long-term care insurance. By making Seikougiken a consolidated subsidiary, the Company is now able to provide residential renovation services (that was previously outsourced) for Full Care within the Group. Furthermore, synergies are also being created from a business activities aspect, such as Full Care winning projects and introducing them to Seikougiken.

The Company plans to begin a welfare equipment sales and rental business that leverages the motor function assessment know-how of the Record Book Business. It aims to support each user's overall lifestyle by using data obtained in Record Book in the Active Life Business, and the Company will also advance preventative care for users in the home as well.

In FY3/24, the Company changed the name of the business from the Care Supply Business to the Active Life Business.

2. Home-Centered Service Business

Targeting the elderly with medium- to high-level nursing care needs, this business provides a range of long-term care insurance services. Also, the Wakarukaigo Consultation Center provides various types of consultations and support services.

(1) In-home eldercare support services

Care managers with specialist knowledge create an eldercare support plan (care plan) that incorporates the necessary types and content of eldercare services depending on the wishes of users and their families. Then, they coordinate and conduct adjustments with the providers of the eldercare services and provide support so that the users can smoothly receive the eldercare services. At the end of FY3/24, it was managing eight business offices.

(2) Home-visit eldercare services

Specialist home-visit eldercare nurses (home helpers) visit the homes of the elderly who require eldercare and assistance and provide them with eldercare, such as for bathing, going to the toilet, and eating. They also support their daily living activities, including cleaning, changing clothes, and shopping. At the end of FY3/24, it was managing four business offices, but it is opening a new business office in Funabashi, Chiba Prefecture, in June 2024, bringing the total to five.

(3) Ambulant care services (Day services)

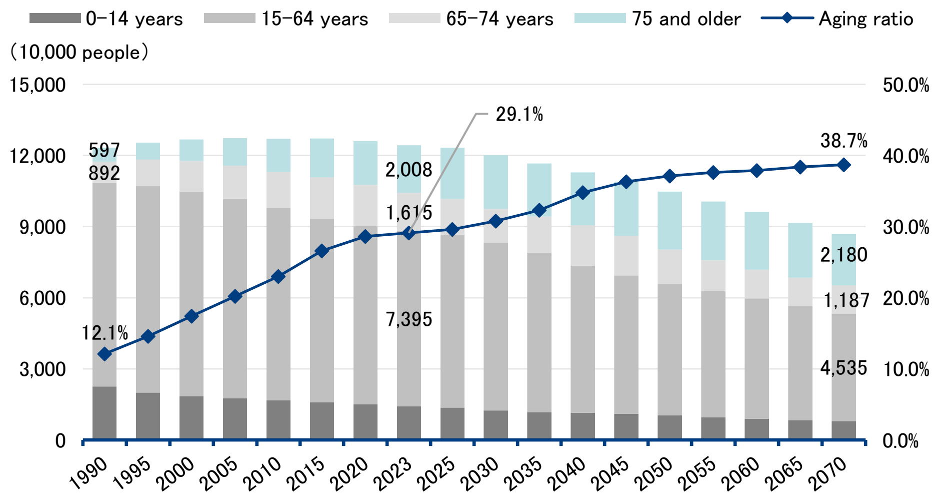
Targeting the elderly who require eldercare and assistance, this business provides eldercare services at day service centers, such as support for bathing, going to the toilet, and eating, and other support for daily living activities. It also provides support services for the elderly's independence, including functional training and recreation activities. At the end of FY3/24, it was managing six business offices.

In addition, in December 2022, consolidated subsidiary Kankeisha acquired residential-type fee-charging homes for the elderly by business transfer to move into the facility care business. As a result, it can provide services that help users at every stage of eldercare extend their healthy life expectancy. Going forward, it will leverage the know-how related to nursing care that it has cultivated over more than 20 years since its founding to differentiate from competing companies and grow the sales and profits of existing facilities.

3. The business environment

The elderly, whom the Company targets, continue to trend upwards both in terms of their absolute number and their percentage of the total population. According to the "Annual Report on the Ageing Society FY2024" issued by the Cabinet Office, the elderly population aged 65 and above in 1990 was 14.89mn, but by 2023 this had rapidly increased by 143.3% to 36.23mn. Also, by 2070, the elderly population will be 33.67mn, which is slightly lower than in 2023, but because of the decline of the total population, it is projected that the aging ratio (the percentage of the total population aged 65 or above) will have risen to as high as 38.7%.

Aging trend and future projections



Source: Prepared by FISCO from the "Annual Report on the Ageing Society FY2024" by the Cabinet Office

Moreover, the government's formulation of the medical expense optimization plan to maintain a high-quality medical provision system using the national insurance system is also proving to be advantageous for the Company. In this plan, the government has indicated its policy that "the growth of medical expenses for the elderly must be gradually lowered in the medium- to long-term" as a specific measure to optimize medical expenses on the arrival of the super-aging society. The average life expectancy has increased due to the progress of medical technologies and changes to dietary habits, but the gap between life expectancy and healthy life expectancy has widened to around 10 years, and during this period, the burden of medical and eldercare expenses becomes extremely large. In order to narrow the gap between average life expectancy and healthy life expectancy, or in other words "to prolong healthy life expectancy," it can be said that it will be important to reduce medical and eldercare expenses alongside the increase in the elderly population. Record Book facilities managed by the Company are also effective in improving the certification level of required eldercare and lead to the expansion of users' range of activities and also their quality of life. Based on this, at FISCO we think that the Company has a role to play in applying the brakes to the increase in social security expenses, which is an issue for the government, and that social needs for its services will increase.

In the Record Book Business and Home-Centered Service Business, there is the risk that earnings will decrease due to revisions to the long-term care insurance system or to nursing care fees. To mitigate this risk, the Company is strengthening profitability by providing services other than long-term care insurance services at Record Book facilities. It also intends to quickly launch new businesses that are not dependent on the long-term care insurance system, and made Seikougiken, which mainly provides home renovation services not covered by long-term care insurance, into a subsidiary in October 2022.

Results trends

Sharp rise in operating profit due to the growth of existing businesses and operational streamlining, and each line of profit exceeded initial forecasts

1. FY3/24 results summary

In the FY3/24 consolidated results, net sales increased 11.1% year on year (YoY) to ¥4,959mn, operating profit rose 139.7% to ¥230mn, ordinary profit increased 85.2% to ¥271mn, and profit attributable to owners of parent rose 286.0% to ¥130mn. Amid positive movement in the external environment, including the normalization of economic and social activities as the COVID-19 pandemic subsided, greater willingness to go out among seniors, and rising interest in health, both the Healthcare Solution Business and Home-Centered Service Business performed well and saw increases in sales. In the Healthcare Solution Business, Seikougiken, which became a consolidated subsidiary in the Active Life Business in October 2022, contributed to a rapid increase in sales. Also, in the Web Solution Business, senior marketing support was a driver for the smooth sales growth of each service. In the Record Book Business, which is a core business, as the total number of users recovered smoothly, the business performed steadily, which included a rise in the capacity utilization rate. However, factors such as plan changes for some franchise contracts meant sales declined. In the Home-Centered Service Business, the facility care business acquired by business transfer in December 2022 contributed greatly to sales. On the profit front, although the Active Life saw a decrease in profit, the Web Solution Business and Home-Centered Service Business played a central role in accumulating solid profits. Although sales decreased in the Record Book Business, it still managed to secure a profit due to an improved capacity utilization rate and the reorganization of unprofitable facilities. Factors such as efforts to make operations efficient that were already being implemented and the shedding of costs associated with M&A which were incurred in the previous fiscal year meant that operating profit for the overall Company rose sharply. Ordinary profit and profit attributable to owners of parent also rose by 85.2% and 286.0% respectively, demonstrating profit growth that far surpassed top line growth. One of the factors that contributed to ordinary profit was the transfer of three directly-managed stores to franchise members in the Record Book Business, resulting in non-operating income from gain on sale of businesses. As for profit attributable to owners of parent, despite the downward pressure from head office relocation expenses, the removal of the impairment losses incurred in the previous fiscal year resulted in a profit increase. A comparison with initial forecasts shows that net sales were 1.2% lower than forecast, but operating was 33.9% higher, ordinary profit was 69.5% higher, and profit attributable to owners of parent was 23.2% higher, demonstrating that each line of profit considerably exceeded initial forecasts.

FY3/24 consolidated results

(¥mn)

	FY3/23		FY3/24		YoY change	
	Result	% of net sales	Result	% of net sales	Amount	% change
Net sales	4,464	-	4,959	-	494	11.1%
Healthcare Solution Business	3,136	70.3%	3,414	68.8%	277	8.8%
Record Book Business	1,887	42.3%	1,820	36.7%	-66	-3.5%
Web Solution Business	233	5.2%	337	6.8%	103	44.5%
Marketing support for the senior market	90	2.0%	152	3.1%	62	69.0%
Support for those balancing their professional and caregiving duties	127	2.9%	143	2.9%	15	12.4%
Medical solutions	15	0.3%	41	0.8%	25	166.8%
Active Life Business	1,015	22.8%	1,256	25.3%	240	23.7%
Home-Centered Service Business	1,327	29.7%	1,544	31.2%	217	16.4%
Residential eldercare support	350	7.8%	344	7.0%	-5	-1.6%
Home-visit eldercare	482	10.8%	493	10.0%	10	2.3%
Ambulant care	406	9.1%	463	9.3%	56	14.0%
Facility care	88	2.0%	243	4.9%	155	175.7%
Gross profit	1,649	36.9%	1,843	37.2%	193	11.8%
Operating profit	96	2.2%	230	4.6%	134	139.7%
Healthcare Solution Business	417	13.3%	421	12.3%	3	0.9%
Record Book Business	284	15.1%	292	16.0%	7	2.6%
Web Solution Business	53	22.7%	95	28.2%	41	77.1%
Active Life Business	79	7.8%	34	2.7%	-44	-56.8%
Home-Centered Service Business	282	21.2%	339	22.0%	57	20.4%
Adjustment amount	-603	-	-530	-	-	-
Ordinary profit	146	3.3%	271	5.5%	124	85.2%
Profit attributable to owners of parent	33	0.8%	130	2.6%	96	286.0%

Note: The composition ratio of operating profit by segment shows the percentage relative to net sales by segment (the segment operating profit margin)
Source: Prepared by FISCO from the Company's financial results and financial results briefing materials

The results by segment are described below.

(1) Healthcare Solution Business

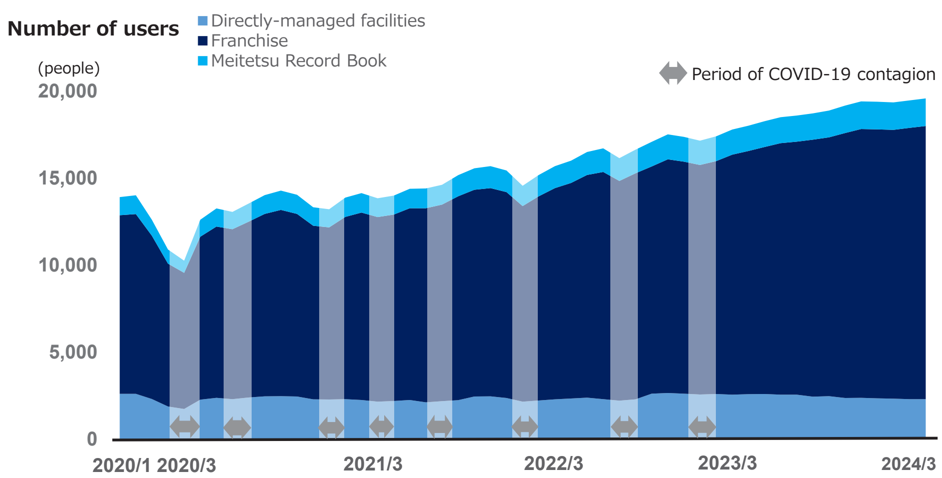
In the Healthcare Solution Business, sales increased and profits decreased, as net sales increased 8.8% YoY to ¥3,414mn, and operating profit increased 0.9% to ¥421mn.

a) Record Book Business

In the Record Book Business, net sales decreased 3.5% to ¥1,820mn and operating profit rose 2.6% to ¥292mn. As social and economic activities normalized after COVID-19 was reclassified as a Class 5 disease under the Infectious Diseases Act, there was a greater willingness to go out among seniors and rising interest in health, which raised the capacity utilization rate of both directly managed and franchise facilities. As a result, net sales from directly managed facilities and royalty revenue from franchise facilities increased year on year. On the other hand, plan changes for some franchise contracts meant sales such as land rent that have no impact on profit declined, which was a factor in the decrease in net sales. Additionally, the period until property selection needed to open a new facility has been longer than anticipated, which has slowed the pace of new openings, so revenue such as new membership fees that accompany the opening of a new franchise facility decreased year on year. Accordingly, sales for the overall Record Book Business fell. Looking at profit, amid smooth growth in facility user numbers, which included the number of monthly users hitting a record high in FY3/24, the capacity utilization rate of both directly managed and franchise facilities rose, driving profits upward. Regarding directly managed facilities, the Company reorganized its unprofitable facilities, which also contributed to the profit increase. Even though sales fell, the business secured a firm profit and the operating profit margin rose 0.9pp YoY to 16.0%. The number of new store openings was 12, four fewer than in the previous fiscal year.

Another topic to be looked at is the strengthening of communication to external parties. From December 2023 to January 2024, the Company broadcasted a TV commercial through three TV stations in Miyagi Prefecture: Higashinippon Broadcasting, Tohoku Broadcasting, and Miyagi Television Broadcasting. In March 2024, it was also featured on Nanairo Biyori!, a TV program broadcast by TV Tokyo. The strengthening of brand promotion also seems to have contributed to the increase in the number of users.

Trend in the number of Record Book users



Source: Reprinted from the Company's financial results briefing materials

b) Web Solution Business

In the Web Solution Business, net sales increased 44.5% to ¥337mn and operating profit rose 77.1% to ¥95mn, as both sales and profit rose sharply. The Company recorded strong growth in sales and profit in all services, including marketing support for the senior market, support for those balancing their professional and caregiving duties, and medical solutions.

Sales associated with senior marketing support increased sharply by 69.0% YoY, driving the business results of the Web Solution Business upward. One of the factors in this results growth was that in addition to providing promotional support and market research, the Company also focused on providing a consulting service for processes upstream in the value chain, which expanded the size of projects. This added to the value of services provided and enhanced profitability.

Regarding support for those balancing their professional and caregiving duties, in addition to general movement in society toward promoting the SDGs and ESG, the Japanese government has set policy that obligates all companies to inform their employees about eldercare support systems from April 2025. As a result, there was smooth growth in inquiries from customers. Amid this tailwind from the external environment, the Company is working energetically to enhance the content of services to increase their competitiveness. In March 2024, it launched a collaboration with the Kurashi no Partner senior support service provided by Curapis. Employees of companies that have introduced the Company's services can use this service through "Wakarukaigo Biz" to reduce the daily burden of nursing care. The reputation of this service among customer companies is steadily rising, as is the ratio of contract renewals.

In medical solutions, which the Company is focused on cultivating as a new business, performance was positive and new orders were received from multiple customers, including pharmaceutical manufacturers. The steady capture of new orders created solid profit, which contributed to increasing the profit of the Web Solution Business as a whole.

c) Active Life Business

In the Active Life Business, the Company recorded higher sales but lower profits, as net sales increased 23.7% to ¥1,256mn and operating profit declined 56.8% to ¥34mn. In addition to solid performance in the existing welfare equipment rental business, the consolidation of Seikougiken in October 2022 contributed to the full-year business results, helping to lift net sales. Meanwhile, on the profit front, downward pressures included Seikougiken recording net sales that were lower than anticipated and steep rises in resource prices. However, the profitability of Seikougiken is already rising. In the second half of FY3/24, the Company steadily implemented a variety of measures, including utilizing synergies with Full Care to cross-sell and upsell, developing new sales channels using the internet, and optimizing the allocation of personnel to cultivate new customers. These measures are growing sales and the Company is also reviewing its suppliers with a view to mitigating the impact of rising resource prices, resulting in a steady rise in profitability.

(2) Home-Centered Service Business

In the Home-Centered Service Business, higher sales and profits were achieved, as net sales increased 16.4% to ¥1,544mn and operating profit increased 20.4% to ¥339mn. After the Company took over two facility care businesses by business transfer in December 2022, net sales associated with facility care have risen by a considerable 175.7% YoY. Despite a slight decrease in sales of in-home eldercare support services, the Company worked to secure personnel by reforming its human resources systems and increase the frequency of services provided, which led to increases in sales of ambulant care services and home-visit eldercare services. The effects of these sales increases among other factors meant that profits from ambulant care services and home-visit eldercare services grew, while profits from in-home eldercare support services and facility care fell slightly. In regard to the facility care business, although facilities are currently operating at almost full capacity, a significant number of resident departures in the first half of the fiscal year left an impact.

No problems with liquidity on hand in the short or long term and is highly financially sound

2. Financial condition and management indicators

At the end of FY3/24, total assets increased ¥567mn from the end of the previous period to ¥3,751mn, of which current assets increased ¥554mn to ¥2,603mn. This is mainly due to a ¥456mn increase in cash and deposits and a ¥86mn increase in notes and accounts receivable – trade. Non-current assets increased ¥12mn to ¥1,148mn due to an increase of ¥90mn in intangible assets, despite a decline of ¥37mn in property, plant and equipment and a ¥41mn decline in investments and other assets. Total liabilities increased ¥466mn to ¥2,363mn, of which current liabilities increased ¥624mn to ¥2,081mn due to factors including increases of ¥250mn in short-term borrowings, ¥172mn in accounts payable - other, and ¥101mn in deposits received. Non-current liabilities decreased ¥157mn to ¥282mn, chiefly because of a ¥139mn decrease in long-term borrowings. Net assets increased ¥100mn to ¥1,388mn, mainly reflecting an increase in retained earnings of ¥130mn due to the recording of profit attributable to owners of parent and a ¥32mn increase in treasury stock. As a result, the equity ratio declined 3.5pp to 37.0%, the current ratio fell 15.5pp to 125.1%, and the non-current ratio dropped 5.5pp to 82.7%. Although the equity ratio and the current ratio worsened slightly, they remain at levels that are not a cause for concern. We at FISCO therefore believe that the Company's financial position remains sound.

Consolidated balance sheet and management indicators

(¥mn)

	FY3/23	FY3/24	Increase/ decrease amount
Current assets	2,048	2,603	554
Cash and deposits	1,107	1,563	456
Non-current assets	1,135	1,148	12
Property, plant and equipment	280	243	-37
Intangible assets	472	563	90
Total assets	3,184	3,751	567
Total liabilities	1,896	2,363	466
Current liabilities	1,456	2,081	624
Non-current liabilities	439	282	-157
Net assets	1,288	1,388	100
Retained earnings	821	952	130
Total liabilities and net assets	3,184	3,751	567
[Safety]			
Equity ratio	40.5%	37.0%	-3.5pt
Current ratio	140.6%	125.1%	-15.5pt
Non-current ratio	88.2%	82.7%	-5.5pt

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

In FY3/24, cash flow provided by operating activities was ¥379mn. The main inflows were increases in profit before income taxes of ¥243mn and depreciation of ¥123mn, which exceeded outflows of ¥136mn in income taxes paid. Cash flow provided in investment activities was ¥15mn. This was mainly due to the fact that the inflows including ¥86mn from payments for guarantee deposits and ¥55mn from gain on sale of businesses exceeded outflows including ¥56mn from the purchase of property, plant and equipment, and ¥40mn from payments for guarantee deposits. Cash flow provided by financing activities increased ¥250mn due to short-term borrowings that exceeded outflows of ¥132mn for repayment of long-term borrowings and ¥46mn for the acquisition of treasury shares. As a result, cash and cash equivalents increased ¥456mn to ¥1,563mn at the end of FY3/24.

Consolidated statements of cash flows

(¥mn)

	FY3/23	FY3/24
Cash flow from operating activities	302	379
Cash flow from investing activities	-301	15
Cash flow from financing activities	-24	61
Net increase/decrease in cash and cash equivalents	-23	456
Cash and cash equivalents at end of period	1,107	1,563

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

Future outlook

Record Book Business and Active Life Business to play central roles in accumulating profits.
Double-figure growth forecast for each line of profit following efforts to enhance profitability

● **FY3/25 results outlook**

For the FY3/25 consolidated results, the Company forecasts increases of 2.9% YoY in net sales to ¥5,102mn, 54.5% in operating profit to ¥355mn, 29.2% in ordinary profit to ¥350mn, and 56.6% in profit attributable to owners of parent to ¥204mn. Although decreases in sales are anticipated in the Record Book Business and Web Solution Business, the Active Life Business and Home-Centered Service Business will drive overall growth, resulting in an increase in sales on a consolidated basis. On the profit front, the Company is expecting profit increases in all of its businesses except for the Web Solution Business and ambulant care services. The Record Book Business and Active Life Business in particular are forecast to achieve high profitability, resulting in double-figure growth forecast for each line of profit.

In the Record Book Business, sales are forecast to decrease 2.4% YoY to ¥1,776mn, but operating profit will increase 48.3% to ¥433mn. Sales are expected to decline following plan changes for some franchise contracts, but the business plans to accumulate profit by reorganizing its less-profitable directly managed facilities, and increasing the capacity utilization rate and profitability of its existing facilities. As mentioned previously, amid positive movement in the external environment, user numbers are currently growing steadily and the capacity utilization rate of existing facilities is expected to rise. Also, the Company will strengthen the functions of its Franchise Department in order to support profitability enhancement at franchise facilities and bolster efforts to increase the number of franchise facilities. Since April 2024, the business has been operated by the newly established subsidiary recordbook Inc. By splitting off the business and delegating authority to a subsidiary, the Company aims to speed up decision making, as well as to accelerate the pace of new facility openings by strengthening its property development system. In May 2024, the monthly number of Record Book users reached a new record high at over 20,000. At FISCO, we think user numbers will continue to grow steadily, which will also raise profits.

In the senior marketing support business, net sales are forecast to decrease by 17.1% to ¥126mn. The outlook for the business environment is favorable, considering that the investment appetite of customer companies recovered as COVID-19 subsided, and that marketing activities can once again be carried out face to face. In this environment, the Company will continue to focus on providing consulting services for upstream processes, with the aim of increasing the size of orders and enhancing profitability. Although the business is forecast to make smooth progress, sales will decrease due to factors such as a rebound from the recording of large projects in the previous fiscal year. However, as these projects include business activities aimed at capturing orders in FY3/25, the forecast can be considered slightly conservative.

Net sales associated with the balancing of professional and caregiving duties are forecast to decrease slightly by 1.4% YoY to ¥141mn. The Company will review the services it provides in preparation for April 2025, when all companies in Japan will be obligated to inform their employees about support systems for balancing work and eldercare. Looking at the specifics, until now the Company has provided full-spec services, mainly to large companies, but it plans to develop and rollout light versions of product services that will be easier for small and medium-sized enterprises to adopt following the revisions to the law. It will advance the development of these services from summer through to fall 2024 and at present, the number of inquiries from customers is increasing steadily. By enhancing its lineup of services, it will expand the scope of customers it can target.

Net sales for medical solutions are forecast to increase 22.0% YoY to ¥50mn. As mentioned previously, the Pharmaceutical and Medical Device Act is tightening the regulation of online adverts which is expected to considerably raise the predominance of the Company's services. It is focusing on capturing new customers by continuing to hold seminars and strengthening promotions. It also plans to increase the unit price per customer and enhance business results by encouraging companies that have introduced its services on a trial basis to switch to a full-scale introduction.

In the Active Life Business, the forecast is for net sales to increase 8.7% YoY to ¥1,365mn and operating profit to increase by 194.1% to ¥100mn. As in the previous fiscal year, the welfare equipment leasing business will continue to perform strongly, contributing to the increases in sales and profit. Furthermore, the synergistic effects of strengthening collaboration between Full Care and Seikougiken will begin to manifest, which should grow Seikougiken's sales. Seikougiken will also complete some of the structural reforms it has been engaged in with the aim of increasing orders and enhancing profitability. It is expected to contribute to profits from FY3/25 onward.

In the Home-Centered Service Business, the forecast is for net sales to increase 6.3% YoY to ¥1,642mn and operating profit to increase by 5.9% to ¥359mn. As the effects of the COVID-19 pandemic disappear, the user numbers of all services are expected to rise steadily. Therefore, although profit from ambulant care services is forecast to slightly decline, the remaining in-home eldercare support, home-visit eldercare, and facility care services are expected to achieve increases in both sales and profit. The home-visit eldercare service in particular is expected to contribute considerably to business results once it opens a new business office in Funabashi, Chiba Prefecture, in June 2024.

FY3/25 consolidated results outlook

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of net sales	Result	% of net sales	Amount	% change
Net sales	4,959	-	5,102	-	143	2.9%
Healthcare Solution Business	3,414	68.8%	3,460	67.8%	45	1.3%
Record Book Business	1,820	36.7%	1,776	34.8%	-44	-2.4%
Web Solution Business	337	6.8%	318	6.2%	-18	-5.6%
Marketing support for the senior market	152	3.1%	126	2.5%	-25	-17.1%
Support for those balancing their professional and caregiving duties	143	2.9%	141	2.8%	-2	-1.4%
Medical solutions	41	0.8%	50	1.0%	8	22.0%
Active Life Business	1,256	25.3%	1,365	26.8%	108	8.7%
Home-Centered Service Business	1,544	31.2%	1,642	32.2%	97	6.3%
Ambulant care	344	7.0%	366	7.2%	21	6.4%
Home-visit eldercare	493	10.0%	555	10.9%	62	12.6%
Residential eldercare support	463	9.3%	470	9.2%	7	1.5%
Facility care	243	4.9%	249	4.9%	6	2.5%
Operating profit	230	4.6%	355	7.0%	125	54.5%
Healthcare Solution Business	421	12.3%	600	17.3%	179	42.5%
Record Book Business	292	16.0%	433	24.4%	141	48.3%
Web Solution Business	95	28.2%	66	20.8%	-28	-30.5%
Active Life Business	34	2.7%	100	7.3%	66	194.1%
Home-Centered Service Business	339	22.0%	359	21.9%	20	5.9%
Adjustment amount	-530	-	-604	-	-	-
Ordinary profit	271	5.5%	350	6.9%	79	29.2%
Profit attributable to owners of parent	130	2.6%	204	4.0%	74	56.6%

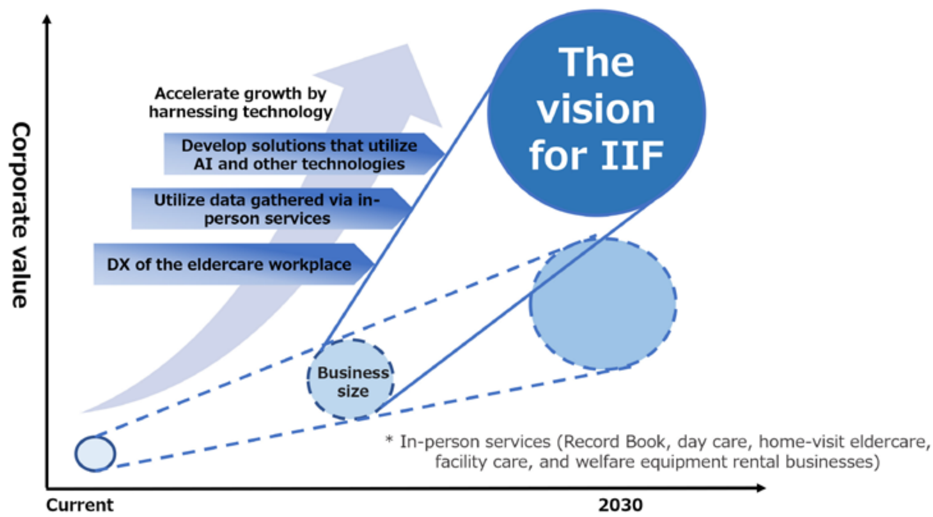
Note: The composition ratios of operating profit by segment show the percentages relative to net sales by segment (segment operating profit margin)
Source: Prepared by FISCO from the Company's financial results and financial results briefing materials

Medium-term management policies

Under IIF Vision 2030, the Company will accelerate the speed of growth by growing existing businesses while actively engaging in new business development

The Company's medium-term management policy is to steadily grow its existing businesses, including the Record Book Business, and then use the cash generated by the existing businesses to carry out focused investment in creating new businesses, thereby accelerating the speed of growth. Under its medium-term vision "IIF Vision 2030: Creating a healthy future with in-person services and technology," the Company sees its main mission as solving the problems of a super-aged society and it is focusing on proactively harnessing technologies to make its existing businesses more competitive and to create new businesses. Specifically, it will develop solutions that utilize AI and other technologies, utilize data gathered via in-person services, and advance the DX of the eldercare workplace. In this way, it will raise the competitiveness and profitability of its existing businesses while also accelerating the growth speed of business results and further enhancing corporate value. In addition to this, it will continue to focus on building a stable earnings base that is not easily affected by the external environment. Its plan is to make its earnings base more diverse by creating new in-house businesses that are not covered by long-term care insurance, as well as to proactively consider M&A in areas where it can expect to realize synergies. As a result of these efforts, in the final year of the plan period (FY3/28) the Company is targeting net sales of ¥7,395mn, operating profit of ¥980mn, profit attributable to owners of parent of ¥574mn, ROE of 22.0%, and an operating profit margin of 13.3%.

IIF Vision 2030



Source: Reprinted from the Company's Business Plan and Items relating to Growth Potential

In June 2023, the Company once again updated its Medium-Term Vision 2025 and priority strategies in its Medium-Term Strategy to formulate "IIF Vision 2030: Creating a healthy future with in-person services and technology." In June 2024, it updated its growth strategies to the latest versions, taking into account factors such as current business result trends. This mainly involved revising results forecasts for the Record Book Business and Home-Centered Service Business upward, and raising the forecasts for consolidated net sales and operating profit to higher levels than in the previously disclosed plan. It is also predicting that new businesses will contribute to business result growth from FY3/26. As the steady growth of existing businesses and creation of new businesses drives top line growth, the Company's strategy is to further raise the profitability of each business, so it has upwardly revised its operating profit margin forecast from the previous disclosure. The aging of society is expected to continue into the medium to long term, so steady demand is anticipated for the Company's healthcare services. Furthermore, the capacity utilization rate of the Record Book Business is currently rising and the highly profitable Web Solution Business is generating good business results. Although the COVID-19 pandemic had a certain amount of impact, from FY3/25 onward, the Company is expecting to return to the speed of growth it was achieving before the pandemic.

Medium-term management plan

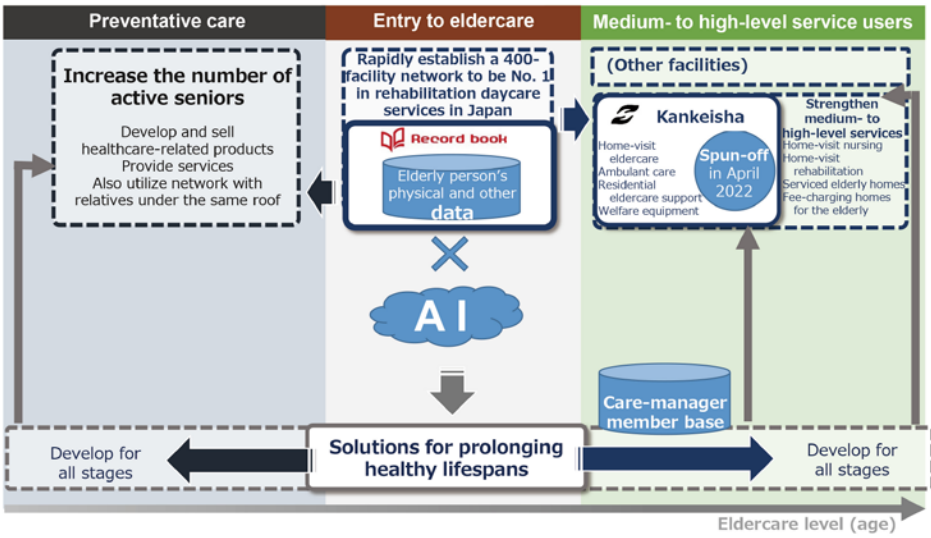
(¥mn)

	FY3/24 Result	FY3/25 Forecast	FY3/26 Target	FY3/27 Target	FY3/28 Target
Net sales	4,959	5,102	5,869	6,831	7,395
(Previous disclosure)	(5,022)	(4,880)	(4,850)	(5,060)	(-)
Healthcare Solution Business	3,414	3,460	3,622	3,839	4118
Record Book Business	1,820	1,776	1,854	1,992	2,196
(Previous disclosure)	(1883)	(1558)	(1445)	(1576)	(-)
Web Solution Business	337	318	345	376	402
(Previous disclosure)	(291)	(335)	(377)	(419)	(-)
Active Life Business	1,256	1,365	1,421	1,470	1,519
(Previous disclosure)	(1,274)	(1,344)	(1,377)	(1,411)	(-)
Home-Centered Service Business	1,544	1,642	1,896	2,152	2,175
(Previous disclosure)	(1,573)	(1,641)	(1,646)	(1,658)	(-)
New businesses	-	-	351	839	1101
Operating profit	230	355	530	727	980
(Previous disclosure)	(172)	(350)	(420)	(540)	(-)
Healthcare Solution Business	421	600	754	902	1103
(Operating profit margin)					
Record Book Business	292	433	540	647	809
(Operating profit margin)	(16.0%)	(24.4%)	(29.1%)	(32.5%)	(36.8%)
Web Solution Business	95	66	89	110	132
(Operating profit margin)	(28.2%)	(20.8%)	(25.8%)	(29.3%)	(32.8%)
Active Life Business	34	100	124	144	161
(Operating profit margin)	(2.7%)	(7.3%)	(8.7%)	(9.8%)	(10.6%)
Home-Centered Service Business	339	359	412	411	410
(Operating profit margin)	(22.0%)	(21.9%)	(21.7%)	(19.1%)	(18.9%)
New businesses	-	-	37	102	173
Profit attributable to owners of parent	130	204	309	426	574
(Previous disclosure)	(106)	(230)	(280)	(500)	(-)
ROE	9.8%	13.8%	17.7%	20.2%	22.0%
(Previous disclosure)	(7.9%)	(15.6%)	(16.3%)	(17.9%)	(-)
Operating profit margin	4.6%	7.0%	9.0%	10.7%	13.3%
(Previous disclosure)	(3.4%)	(7.2%)	(8.7%)	(10.6%)	(-)

Source: Prepared by FISCO from the Company's Business Plan and Items relating to Growth Potential

Further, the Company is promoting structural reforms, including M&A. As stated earlier, in FY3/23, it executed two M&A transactions. It plans to contribute to extending healthy life expectancy in the medium to long term by establishing business structures that can provide services at every stage, from preventative care to services for medium- to high-level users. The Company also plans to focus on building an earnings base that is resistant to long-term care insurance price revisions.

Vision



Source: Reprinted from the Company's financial results briefing materials

Profit targets and growth strategies by segment are described below.

(1) Record Book Business

The FY3/28 targets are for net sales of ¥2,196mn and operating profit of ¥809mn. The Company revised its targets for both net sales and profit upward due to factors including a change in outlook regarding capacity utilization rates following the recent recovery in these rates, and the revision of the number of directly managed facilities in accordance with changes in the timing for turning directly managed facilities into franchise facilities. Looking at the strategy for Record Book facility openings, the Company will focus on supporting franchise members to improve their business results and then encouraging them to open a second or even third facility. Its target is to increase the number of facilities to a total of around 400 in three- or four-years' time, with the majority comprising franchise facilities (it is targeting a total of around 1,000 facilities by the 2030s). It will also strengthen its property development system to speed up openings. User numbers are growing steadily and the number of monthly users is currently at a record high. As user numbers grow, the Company plans to stabilize capacity utilization rates at a high level and then improve operational efficiency by gradually changing directly managed facilities into franchise facilities, increasing the profitability of the business.

(2) Web Solution Business

The FY3/28 targets are for net sales of ¥402mn and operating profit of ¥132mn. The Company plans to build up sales and profit by focusing on expanding the number of companies that have introduced its support services for balancing their professional and caregiving duties. In the senior marketing support and medical solutions fields, it will aim to enhance project unit prices and profitability by continuing to get involved in clients' projects from the upstream stage.

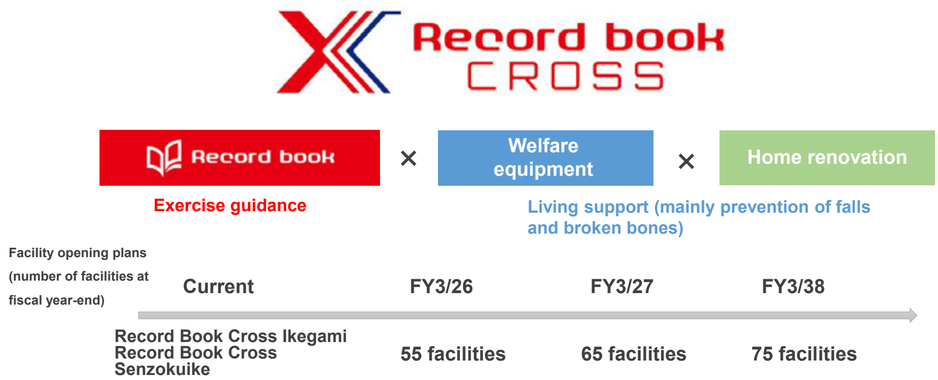
Also, to strengthen the care manager network that will be the foundation for this, it intends to continue to implement measures to increase the number of people registering with Care Management Online and to improve the value of the member network. Specifically, the Company plans to continue strengthening its provision of information and tools that are useful for care managers which includes the refinement of its work support tools, tie-ups with other companies, and the latest information about the Long-Term Care Insurance Act.

Although targets for net sales and profit have been revised downward compared to the previous disclosure, this is due to the focus being on developing new businesses. Specifically, it is planning to develop various new businesses, including Record Book-derived DX solutions and DX solutions for medium-sized care facility operators. In regard to Record Book-derived DX solutions, it plans to utilize the data collected at facilities to realize the automated generation of exercise programs that are optimized for each individual and then to sell these exercise programs to other companies. DX solutions for medium-sized care facility operators will involve providing these operators with systems linkage and consulting services that utilize various data and networks, as well as the operational know-how cultivated by the Company through the operation of care facilities.

(3) Active Life Business

The FY3/28 targets are for net sales of ¥1,519mn and operating profit of ¥161mn. The Company will steadily grow its existing welfare equipment rental business, while improving business results through the completion of structural reforms at Seikougiken. In regard to Seikougiken, the Company will work to grow the top line while advancing structural reforms that will enhance profitability, with the aim of building a structure that can quickly contribute to profits. Furthermore, it will focus on creating synergies through collaboration between Full Care and Seikougiken to raise both the number of home renovation projects and the money earned from each project. As a subsidiary that engages in home renovation business, Seikougiken has expanded the Group’s business portfolio to services outside the scope of long-term care insurance, as the Company aims to build an earnings base that will not be easily affected by revisions to the long-term care insurance system. The Company will also develop new businesses such as Record Book Cross. Record Book Cross will lease and sell welfare equipment to Record Book users, enabling them to engage in preventative care, such as exercises to prevent falls and broken bones, during times when they are not in facilities. This not only contributes to lengthening healthy life expectancy, but also helps control spiraling nursing care and medical expenses. There are currently two Record Book Cross facilities but the Company plans to expand this number to 75 by FY3/28. Going forward, it will further diversify its services through new business development and M&A.

Overview of Record Book Cross



Source: Reprinted from the Company’s Business Plan and Items relating to Growth Potential

(4) Home-Centered Service Business

The FY3/28 targets are for net sales of ¥2,175mn and operating profit of ¥410mn. The Company will grow sales and profit by steadily increasing the number of users for existing services. In December 2022, it acquired two residential-type fee-charging homes for the elderly by business transfer. This has had a positive effect by strengthening and expanding its lineup of services for medium- to high-level nursing care needs and going forward, it will actively use M&A to open new facilities and expand into peripheral business areas in order to keep in step with diversifying needs.

(5) Others

In the future, it seems that the Company has in its sights utilizing its expertise in providing eldercare services for overseas business development, particularly in Asia.

Returns to shareholders

Planned dividend for FY3/24 revised upward to ¥5.0 per share. Increase of ¥3.0 forecast for FY3/25 to give dividends of ¥8.0 per share

The Company considers returning profits to shareholders to be one of its most important management issues, although it believes that it is also important to build up internal reserves for business expansion. It therefore intends to continue to strengthen its financial condition, supplement internal reserves as required, and pay dividends after taking into consideration its business results and balance sheet. Based on this policy, the Company began paying dividends in FY3/24. As profits were higher than anticipated, it has raised the dividend for FY3/24 from the planned ¥1.0 to ¥5.0 per share. With an increase in profits forecast for FY3/25, it plans to raise the annual divided by ¥3.0 YoY to ¥8.0 per share. Thereafter, it will target a dividend payout ratio of 20% with a view to stable and sustained increases in dividend payments.

Disclaimer

FISCO Ltd. (“FISCO”) offers stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers’ securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp