internet infinity INC.

6545

Tokyo Stock Exchange Growth Market

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Contents

Summary

1H FY3/25 results saw an increase in sales with a substantial increase in profit. Strong performance in each business and a reduction in fixed costs contributed to rapid profit growth

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. 1H FY3/25 results summary

In the 1H FY3/25 consolidated results, net sales increased 7.6% year on year (YoY) to ¥2,619mn, operating profit rose 271.3% to ¥224mn, ordinary profit increased 217.1% to ¥227mn, and profit attributable to owners of parent rose 322.4% to ¥143mn. Amid positive movement in the business environment, including the normalization of economic and social activities as the COVID-19 pandemic subsided, signs of greater willingness to go out among seniors, and rising interest in health, both the Healthcare Solution Business and Home-Centered Service Business performed strongly, with increases in sales, which lifted net sales overall. In particular, in the Active Life Business, net sales grew 19.7%, mainly reflecting contributions from a solid performance in the existing welfare equipment rental business and the receipt of an order for a large-scale project by Seikougiken Inc. On the profit front, the result mainly reflects contributions from profit growth in both the Healthcare Solution Business and the Home-Centered Service Business, as well as a reduction in fixed costs due to relocation of the Head Office.

2. FY3/25 results outlook

For the FY3/25 consolidated results, the Company's initial forecast remains unchanged, with forecasts for 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. In net sales, a decrease in sales is anticipated in the Record Book Business due to factors such as the impact of plan changes for some franchise contracts. The Web Solution Business is also expected to see a decrease in sales due to factors such as a rebound from the recording of large projects in the previous fiscal year; however, the Company is expected to secure an increase in sales overall on a consolidated basis, led by the Active Life Business and Home-Centered Service Business. On the profit front, the Record Book Business, Active Life Business, and Home-Centered Service Business will play central roles in accumulating profits.

In the Home-Centered Service Business, all services were performing favorably with growth in sales and profits as of the end of 1H, and are expected to make steady progress in 2H as well. Furthermore, in the Record Book Business, which is a core business, the Company plans to reorganize unprofitable facilities and raise the capacity utilization rate to enhance profitability, allowing profits to build up. The capacity utilization rate is currently increasing steadily, and operating profit is expected to exceed the forecast somewhat. The Active Life Business saw slightly soft progress on operating profit at the end of 1H, and will therefore promote efforts to reduce the cost of sales ratio at Seikougiken.

3. Medium-term management policies

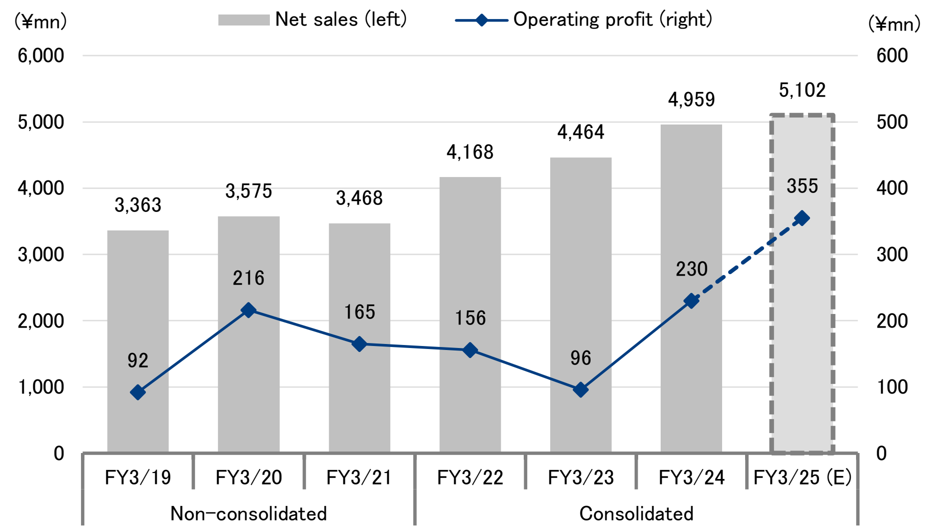
The Company's medium-term management policy is to grow its existing businesses, including the Record Book Business, and then use the cash generated by these existing businesses to carry out focused investment in creating new businesses, thereby accelerating the speed of growth. Under its medium-term vision "IIF Vision 2030: Creating a healthy future with in-person services and technology," the Company sees solving the problems of a super-aged society* as an important mission and it is focusing on 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 that can contribute to existing business growth. 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%.

* Refers to the 2025 problem: a sharp increase in social security expenses that is expected as the baby boomer generation reaches the ages of 75 and above; and the 2040 problem: in which the proportion of the population that is elderly will peak, leading to an acute worsening of nursing care human resource shortages.

Key Points

- A healthcare solutions company that provides new healthcare services both in the real world and online
- 1H FY3/25 results saw an increase in sales with a substantial increase in profit. Contribution from growth of existing businesses and reduction in fixed costs
- Positive business results forecast for FY3/25 remains unchanged, with an increase in sales and double-figure increases in profit
- Medium-term plan is to accelerate growth speed by 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-aged 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 it is 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 FULLCARE CO., LTD., 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. In April 2022, Kankeisha succeeded the Home-Centered Service Business and other businesses through a company split. In FY3/23, the Company aggressively expanded its business portfolio, including the acquisition of Seikougiken and two residential-type fee-charging homes for the elderly (Fleur Garden Ichihara and Fleur Garden Sagamihara. Recently, the Record Book Business was succeeded by the Company's consolidated subsidiary, Record Book Inc., in April 2024 in order to promote delegation of authority for decision-making and accelerate the expansion of its facilities network.

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 senior 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
December 2022	Kankeisha succeeded Home-Centered Service Business and other businesses through company split
April 2024	Record Book 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

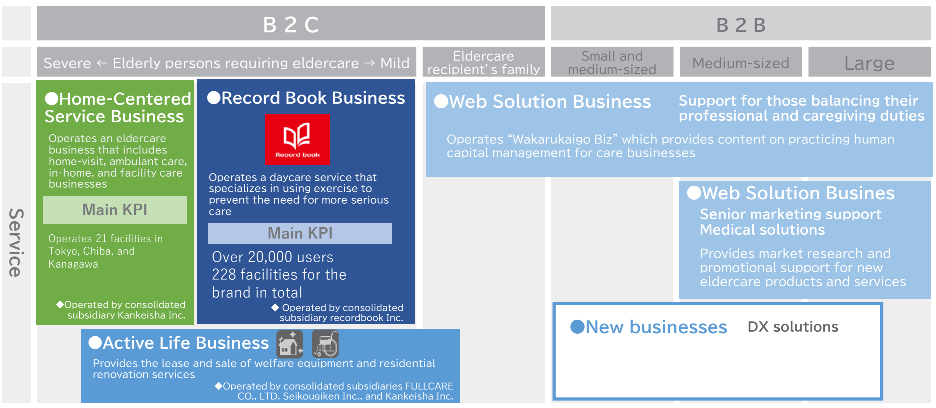
Business summary

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 targeting a wide range of customers through both B2C and B2B channels in the two areas of physical facilities and the internet and technology with a view to resolving issues such as ballooning social security costs, medical and nursing care human resource shortages, and labor shortages. 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 1H FY3/25, the Record Book Business provided 35.3%, the Web Solution Business 6.2%, the Active Life Business 27.2%, and the Home-Centered Service Business 31.4%.

The Company's business areas



Source: The Company's medium-term management plan materials

1. Healthcare Solution Business

To solve the issues facing Japan's super-aged 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 1H FY3/25, the Company had 25 directly-managed facilities and 182 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 228, which was 6 more than at the end of 1H FY3/24. With COVID-19 being reclassified as a Class 5 disease, there has been an increase in inquiries by entities hoping to open facilities. In this situation, the Company made progress on various measures to resolve property development issues, such as promoting outbound calls through an increase in personnel and the establishment of a call center, and steadily accumulated property information. In addition, the Company expedited decision making through the succession of business by the newly established Record Book Inc. In response to the business structure reform and increase in information gathering capability, new store openings are expected to increase steadily toward the fiscal year-end.

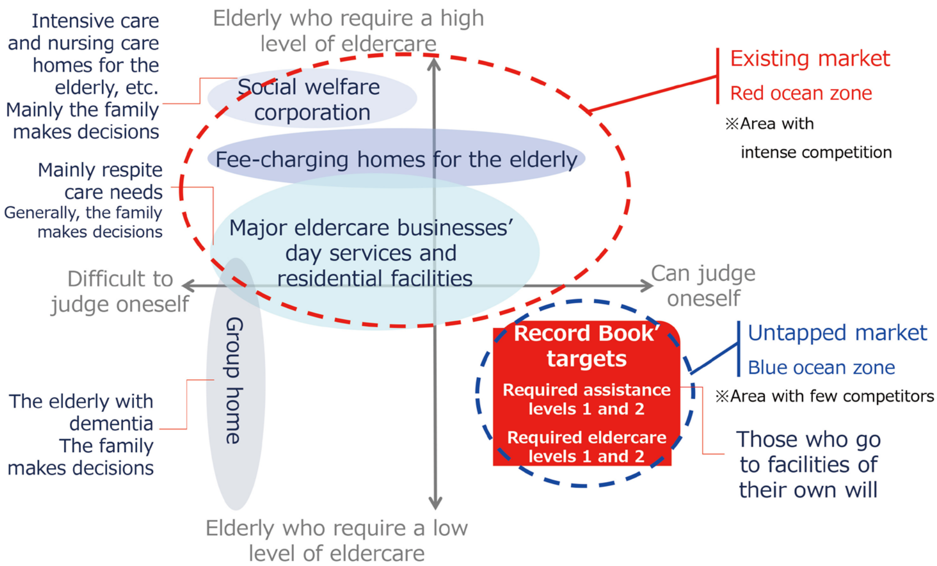
The features of Record Book facilities include “spaces that do not feel like eldercare spaces” that instead look like fitness clubs or dance studios, “professional exercise guidance” that incorporates fully fledged exercise programs based on scientific evidence, and “hospitality” aiming for active communication 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 exercise 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 is deploying 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 plans to provide exercise programs optimized for each user based on data and develop new services that can help prevent falls, and is currently making steady progress on accumulating various types of data.

* 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

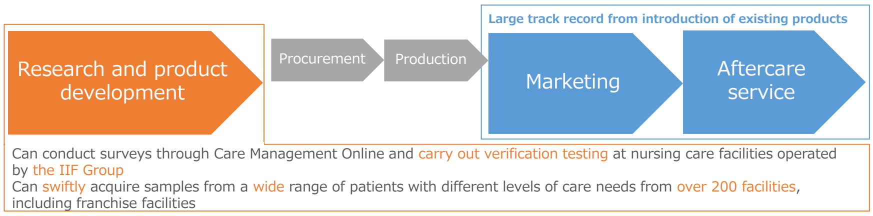
(2) Web Solution Business

a) Marketing support for the senior market

The Company provides support for its customer companies' marketing research, promotions, and other areas 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. 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 document drafting support tool that uses ChatGPT, 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 1H FY3/25, 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 it is focused on improving unit prices 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 manager members of Care Management Online. It 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 welfare service packages* to its customer companies' employees to support them being able to continue working while also providing eldercare. In 1H FY3/25, the number of companies using the Company' services steadily expanded, including Hitachi Group, TOKYO GAS NETWORK Co., Ltd., ITOCHU Human Resources & General Affairs Services Inc., and Nippon Computer Sales Co., Ltd. As of the end of 1H FY3/25, over 220 companies that had introduced the services, with over 2.3 million 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 is increasing. 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 rising further and the number of inquiries from customers is increasing smoothly. The Company has started a new service, Wakarukaigo Biz Light, for small and medium-sized enterprises, predicated on the abovementioned law revision, and demand for this service is expected to increase.

* 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 operates marketing support services for medicinal pharmaceuticals that provide market data, such as on disease awareness and usage conditions, to pharmaceutical manufacturers and medical device manufacturers. It utilizes a network of 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. The outlook for the external environment around the business is also good, and the current steady level of new orders is expected to contribute to further earnings. 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 unit prices 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 in FY3/23. Through the eldercare business office and FULLCARE, which was made a subsidiary in April 2021, this business provides living support-related services and sells 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 provides residential renovation services. Recently, in October 2022, the Company made a subsidiary of 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 were previously outsourced) for FULLCARE within the Group. Furthermore, synergies are also being created from a business activities aspect, such as FULLCARE 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 related to eldercare.

(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 1H FY3/25, 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. In June 2024, a new office was opened in Funabashi City, Chiba Prefecture. At the end of 1H FY3/25, it was managing five business offices.

(3) Ambulant care services (Day services)

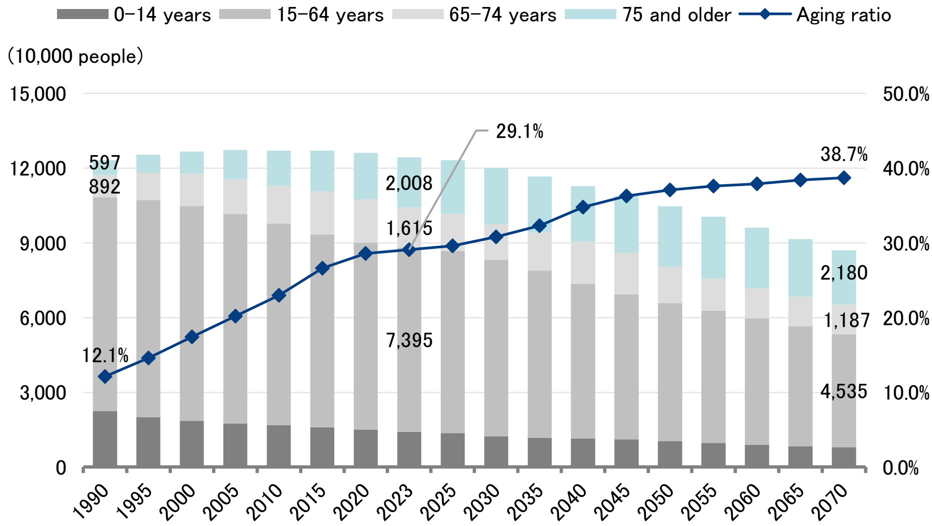
Targeting the elderly who require eldercare and assistance, this business provides eldercare services at day service centers, such as support for bathing, going to the toilet, and eating, and other support for daily living activities. It also provides support services for the elderly's independence, including functional training and recreation activities. At the end of 1H FY3/25, it was managing six business offices.

In addition, in December 2022, consolidated subsidiary Kankeisha acquired residential-type fee-charging homes for the elderly and other operations 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 population aged 65 and above in 1990 was 14.89mn, but by 2023 this had rapidly increased by 143.3% compared to 1990 to 36.23mn. Also, by 2070, the population aged 65 and above 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-aged 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 eldercare and medical 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 eldercare and medical 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 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

Profits grew sharply atop steady growth in existing businesses and fixed cost reductions. Operating profit increased 271.3% YoY

1. 1H FY3/25 results summary

In the 1H FY3/25 consolidated results, net sales increased 7.6% year on year (YoY) to ¥2,619mn, operating profit rose 271.3% to ¥224mn, ordinary profit increased 217.1% to ¥227mn, and profit attributable to owners of parent rose 322.4% to ¥143mn. Amid positive movement in the business environment, including the normalization of economic and social activities, signs of greater willingness to go out among seniors, and rising interest in health, both the Healthcare Solution Business and Home-Centered Service Business performed strongly, with increases in sales, which lifted net sales overall. In particular, in the Active Life Business, net sales grew 19.7%, mainly reflecting contributions from a solid performance in the existing welfare equipment rental business and the receipt of an order for a large-scale project by Seikougiken. The Record Book Business in the Healthcare Solution Business saw a slight decrease in sales of 0.8%, mainly reflecting the reorganization of unprofitable facilities and conversion of facilities to franchises in order to increase operating efficiency. Nevertheless, profitability improved with a contribution from the aforementioned profitability enhancement measures as well as an increase in the capacity utilization rate of existing facilities. On the profit front, the result mainly reflects contributions from sales growth in both the Healthcare Solution Business and the Home-Centered Service Business, as well as a reduction in fixed costs due to relocation of the Head Office. Looking at progress rates for 1H on the full-year results forecasts, net sales was at 51.3%, operating profit at 63.1%, ordinary profit at 65.0%, and profit attributable to owners of parent at 70.0%. Progress on net sales has been broadly in line with expectations, while profits have progressed faster than expected, reflecting the increase in the capacity utilization rate of existing Record Book facilities as well as steady performance in other businesses.

1H FY3/25 consolidated results

(¥mn)

	1H FY3/24		1H FY3/25		YoY change	
	Result	% of net sales	Result	% of net sales	Amount	% change
Net sales	2,434	-	2,619	-	185	7.6%
Healthcare Solution Business	1,662	68.3%	1,797	68.6%	135	8.1%
Record Book Business	925	38.0%	923	35.3%	-2	-0.2%
Web Solution Business	141	5.8%	161	6.2%	19	14.1%
Marketing support for the senior market	60	2.5%	59	2.3%	-1	-1.7%
Support for those balancing their professional and caregiving duties	69	2.8%	70	2.7%	1	1.7%
Medical solutions	11	0.5%	31	1.2%	19	166.6%
Active Life Business	594	24.4%	712	27.2%	117	19.7%
Home-Centered Service Business	771	31.7%	822	31.4%	50	6.6%
Residential eldercare support	175	7.2%	182	7.0%	6	3.5%
Home-visit eldercare	240	9.9%	257	9.8%	16	6.8%
Ambulant care	231	9.5%	248	9.5%	16	7.1%
Facility care	122	5.0%	134	5.1%	11	9.5%
Gross profit	883	36.3%	1,041	39.7%	158	17.9%
Operating profit	60	2.5%	224	8.6%	163	271.3%
Healthcare Solution Business	155	9.4%	263	14.6%	107	69.2%
Record Book Business	124	13.4%	192	20.8%	68	54.8%
Web Solution Business	23	16.5%	33	20.6%	9	42.4%
Active Life Business	7	1.3%	37	5.3%	29	373.2%
Home-Centered Service Business	177	23.0%	197	24.0%	19	11.3%
Adjustment amount	-272	-	-236	-	36	-
Ordinary profit	71	3.0%	227	8.7%	155	217.1%
Profit attributable to owners of parent	33	1.4%	143	5.5%	109	322.4%

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

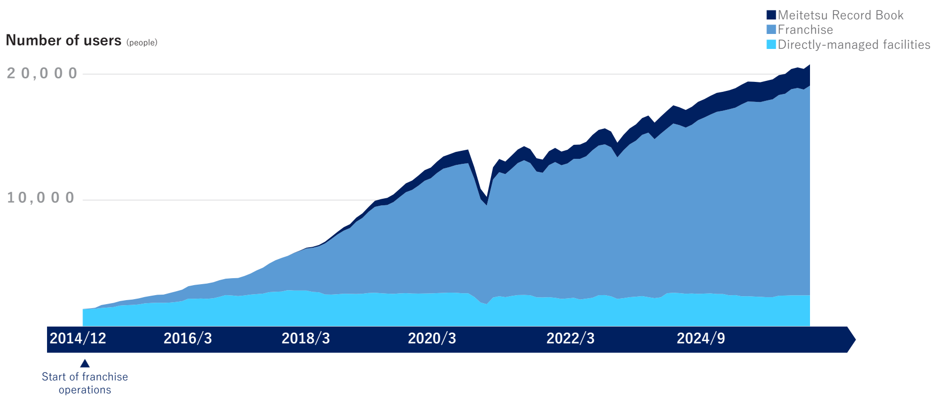
In the Healthcare Solution Business, net sales increased 8.1% YoY to ¥1,797mn and operating profit increased 69.2% to ¥263mn.

a) Record Book Business

In the Record Book Business, net sales decreased 0.2% YoY to ¥923mn and operating profit rose 54.8% to ¥192mn. Amid positive movement in the business environment, including the normalization of economic and social activities, signs of greater willingness to go out among seniors, and rising interest in health, royalty income increased, mainly due to an increase in users at franchise facilities. In response to initiatives such as reorganization of unprofitable facilities and franchise conversion aimed at increasing operational efficiency, net sales at directly-managed facilities fell slightly by 0.8% to ¥537mn, but this was covered by the increase in revenue from franchises, and the decrease in sales for the Record Book Business overall was kept to just 0.2%. Also, the Company has articulated a policy of strengthening the functions of its Franchise Department in order to support profitability enhancement at franchise facilities. Under this policy, initiatives such as strengthening sales activities and increasing brand recognition through TV commercials in certain areas contributed to an increase in capacity utilization rates. Despite a decrease in sales at directly-managed facilities, the capacity utilization rate increased steadily, leading to a sharp increase in operating profit of 177.6% to ¥118mn. Franchise facilities saw a decrease in operating profit, mainly reflecting a replacement of systems aimed at increasing productivity over the medium to long term; however, the sharp increase in profit at directly-managed facilities contributed to overall profit growth of the Record Book Business.

Due to the favorable business environment and various initiatives to increase the capacity utilization rate, the capacity utilization rate increased steadily. In fact, in May 2024, the monthly number of Record Book users continued its steady upward trend after reaching a record high at over 20,000, and in September 2024 the monthly number of users reached a new record high.

Trend in the number of Record Book users



Source: The Company's financial results briefing materials

b) Web Solution Business

In the Web Solution Business, net sales increased 14.1% YoY to ¥161mn and operating profit rose 42.4% to ¥33mn. Net sales saw a contribution from sales of support for those balancing their professional and caregiving duties, which rose 1.7% to ¥70mn, and sales of medical solutions, which were up 166.6% to ¥31mn. Regarding support for those balancing their professional and caregiving duties, the Company proactively implemented promotion activities such as seminars ahead of the revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in April 2025, which resulted in the acquisition of new customers. In addition, the Company launched new light versions of products with limited functionality for small and medium-sized enterprises. The Company expects inquiries from small and medium-sized enterprises to increase going forward and has prepared a product lineup to meet their needs. Medical solutions, which makes up a relatively small proportion of overall sales, nonetheless contributed to the sharp increase in net sales, mainly through the promotion of a basic strategy of encouraging companies that have introduced its services on a trial basis to switch to a full-scale introduction, and the capture of a large-scale project to implement patient awareness-raising measures for care managers nationwide, which will be conducted from the planning stage. Senior marketing support sales decreased 1.7%, but remained steady overall with a constant stream of orders for medium-sized projects from both existing and new customers. Under a strategy of increasing the unit price per project and profitability through involvement from the upstream process, the Company intensified its customer proposal activities and is currently aiming to convert projects now in the negotiation stage into orders. Profit increase outpaced sales growth as the Company made steady progress with its strategy to increase profitability through proposal activities from the upstream stage.

c) Active Life Business

In the Active Life Business, net sales increased 19.7% YoY to ¥712mn and operating profit rose 373.2% to ¥37mn. In addition to solid performance in the existing welfare equipment rental business, the receipt of a large-scale project by Seikougiken also contributed. Seikougiken conducted measures such as developing new sales channels using the internet, and optimizing the allocation of personnel to cultivate new customers. These measures led to the receipt of an order for a large-scale project. In addition, the Company is making progress in building a revenue base that is less influenced by the eldercare insurance system as it steadily utilized synergies in its business activities, such as receiving orders for renovation projects not covered by long-term care insurance from FULLCARE customers. On the profit front, profit increased, mainly due to the effect of higher sales. Seikougiken is continuing to promote various measures to reduce the cost ratio in an effort to increase profitability.

(2) Home-Centered Service Business

In the Home-Centered Service Business, net sales increased 6.6% YoY to ¥822mn and operating profit rose 11.3% to ¥197mn. All services performed favorably with increases in sales and profits. The newly transferred facility care businesses, in particular, have achieved profitability, with a contribution from higher capacity utilization rates due to an increase in residents. Ambulant care services newly acquired a functional training premium through an increase in nursing personnel, which contributed to earnings growth. Home visit eldercare contributed through steady growth in the number of service provisions at existing business offices, as well as the establishment of a new business office in Funabashi City, Chiba Prefecture, in June 2024.

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 1H FY3/25, total assets decreased ¥74mn from the end of the previous fiscal year to ¥3,676mn, of which current assets decreased ¥30mn to ¥2,572mn. This is mainly due to decreases of ¥13mn in notes and accounts receivable - trade, and contract assets and ¥1mn in cash and deposits. Non-current assets decreased ¥44mn to ¥1,103mn, mainly due to decreases of ¥18mn in property, plant and equipment and ¥38mn in intangible assets, partially offset by an increase of ¥12mn in investments and other assets. Total liabilities decreased ¥204mn to ¥2,158mn. Within this, current liabilities decreased ¥185mn to ¥1,895mn, mainly reflecting decreases of ¥186mn in other, which includes accounts payable, due to payment, etc. of software production costs recorded in the previous fiscal year, and ¥47mn in the current portion of long-term borrowings, while short-term borrowings increased by ¥100mn. Non-current liabilities decreased by ¥19mn to ¥263mn, mainly due to a decrease of ¥19mn in long-term borrowings. Net assets increased by ¥129mn to ¥1,517mn, mainly due to an increase of ¥116mn in retained earnings due to the recording of profit attributable to owners of parent, as well as a decrease of ¥13mn in treasury shares. As a result, all indicators improved, with the equity ratio increasing 4.3pp to 41.3%, the current ratio rising 10.6pp to 135.7%, and the non-current ratio dropping 10.0pp to 72.7%. The equity ratio is at a healthy level, and the levels of the current ratio and non-current ratios also present no issues. We at FISCO therefore believe there to be no issue with the Company's long- and short-term liquidity.

Consolidated balance sheet and management indicators

(¥mn)

	FY3/24	1H FY3/25	Increase/ decrease amount
Current assets	2,603	2,572	-30
Cash and deposits	1,563	1,561	-1
Non-current assets	1,148	1,103	-44
Property, plant and equipment	243	224	-18
Intangible assets	563	524	-38
Total assets	3,751	3,676	-74
Total liabilities	2,363	2,158	-204
Current liabilities	2,081	1,895	-185
Non-current liabilities	282	263	-19
Net assets	1,388	1,517	129
Retained earnings	952	1,068	116
Total liabilities and net assets	3,751	3,676	-74
[Safety]			
Equity ratio	37.0%	41.3%	4.3pp
Current ratio	125.1%	135.7%	10.6pp
Non-current ratio	82.7%	72.7%	-10.0pp

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

In 1H FY3/25, cash flow provided by operating activities was ¥162mn. The main inflows were increases in profit before income taxes of ¥227mn and depreciation of ¥53mn, which exceeded outflows of ¥63mn in income taxes paid. Cash flow used in investment activities was ¥167mn. This was mainly due to outflows of ¥158mn for purchases of property, plant and equipment. Cash flow provided by financing activities was ¥3mn, as an increase in cash due to factors such as a net increase in short-term borrowings of ¥100mn was partially offset by decreases in cash, including outflows of ¥66mn for repayment of long-term borrowings and ¥26mn for payment of dividends. As a result, cash and cash equivalents decreased by ¥1mn from the end of FY3/24, with the balance at the end of 1H FY3/25 standing at ¥1,561mn.

Consolidated statements of cash flows

(¥mn)

	1H FY3/24	1H FY3/25
Cash flow from operating activities	197	162
Cash flow from investing activities	-60	-167
Cash flow from financing activities	-103	3
Net increase/decrease in cash and cash equivalents	33	-1
Cash and cash equivalents at end of period	1,140	1,561

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, with double-digit growth for each line of profit

● **FY3/25 results outlook**

For the FY3/25 consolidated results, the Company's initial forecast remains unchanged, with forecasts for 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. In addition to sales expansion, double-digit growth is expected at all profit levels due to improvements in the profit margins of each business.

Although decreases in sales are anticipated in the Record Book Business and Web Solution Business, the other businesses are expected to 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. The Record Book Business in particular is forecast to exceed the full-year plan slightly as the capacity utilization rate for directly-managed facilities increases due to operational efficiency gains resulting from reorganization of unprofitable facilities and franchise conversion. In the Active Life Business, the Company plans to accumulate profits by continuing to execute various measures to reduce costs, although Seikougiken is an uncertain element. For the ambulant care business profits are forecast to decrease, however at the end of 1H, results were trending favorably, and it is highly possible that the final result may show a profit increase.

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. In directly-managed facilities, operating profit is expected to exceed the forecast slightly due to an increase in capacity utilization rates. At franchise facilities, new openings are expected to proceed steadily in 2H, while favorable capacity utilization rates at existing franchise facilities are expected to result in steady royalty income in 2H as well. The Company plans to expand the number of facilities by strengthening the functions of its Franchise Department and encouraging existing owners who have increased capacity utilization rates to open second and third facilities. Through these measures, the Company is expecting around 12 new facility openings for the full year, on a par with the previous fiscal year.

In the senior marketing support business, net sales are expected to decrease by 17.1% YoY 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 fact, the Company is currently receiving a constant stream of medium-sized projects from both existing and new customers. Although sales are expected to decrease, mainly due to a rebound from the recording of large projects in the previous fiscal year, in 2H the Company will continue to execute a strategy of increasing the unit price per project and profitability by involving itself from the upstream stage, thereby expanding sales and accumulating profits. In particular, we at FISCO believe that net sales could be boosted if orders are received for projects that are currently being negotiated.

Net sales associated with support for those balancing their professional and caregiving duties are forecast to decrease slightly by 1.4% YoY to ¥141mn. The Company will focus on promoting sales of services it provides in preparation for April 2025, when all companies in Japan will be subject to obligations such as informing their employees about support systems for balancing work and eldercare. In topics, the Company has launched new light versions of its products into the market for small- to medium-sized enterprises. These products are expected to see an increase in demand toward the end of the fiscal year, and we at FISCO believe it is highly possible that rush demand will escalate even after the revision of the law.

Net sales for medical solutions are forecast to increase 22.0% YoY to ¥50mn. The Company will continue to focus on capturing new customers by holding seminars and strengthening promotions. It will also aim to enhance business results by encouraging companies that have introduced its services on a trial basis to switch to a full-scale introduction. Several companies are currently trialing the services, and the Company will focus on capturing large-scale projects by having them switch to full-scale introduction. In addition, the Pharmaceutical and Medical Device Act is tightening the regulation of online adverts, which is expected to raise the relative predominance of the Company's services. These changes in the external environment are also expected to serve as a tailwind for the Company.

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. The welfare equipment leasing business is expected to continue to perform strongly in 2H. On the other hand, although Seikougiken reported a steady increase in net sales, mainly due to the acquisition of large-scale projects, it still needs to make further improvements in terms of profitability. Now that it has completed various cost-cutting measures, such as reducing the cost ratio and optimizing human resource allocation, the Company will look to accumulate profits by aggressively winning orders for highly profitable projects where it can leverage its strengths.

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. User numbers of all services are expected to continue rising steadily in 2H. Although profit from ambulant care services alone is forecast to decline slightly, the remaining in-home eldercare support, home-visit eldercare, and facility care services are expected to achieve increases in both sales and profit. As mentioned above, the home-visit eldercare services is also considered highly likely to see profit increase given its current strong performance.

FY3/25 consolidated results outlook

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of net sales	Forecast	% 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%
Residential eldercare support	344	7.0%	366	7.2%	21	6.4%
Home-visit eldercare	493	10.0%	555	10.9%	62	12.6%
Ambulant care	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

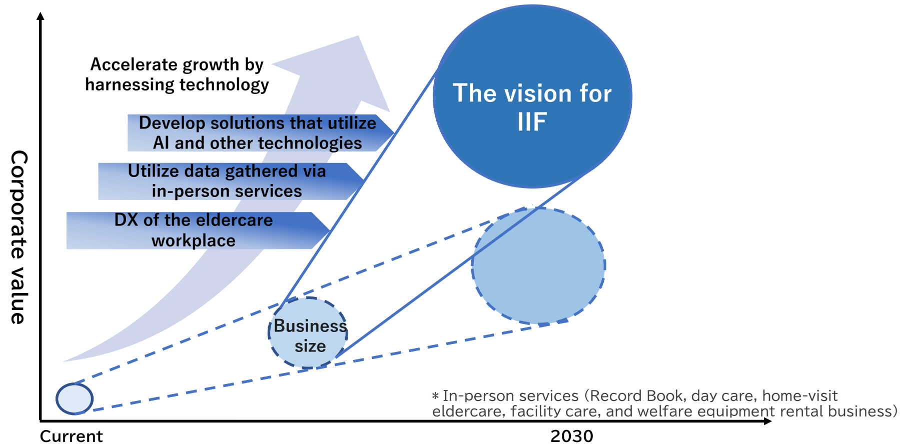
Medium-term management policies

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

In August 2024, the Company announced its first medium-term management plan. Up to this point, it had announced its medium- to long-term growth strategies as items related to business plans and growth potential. Now it has reorganized them into a medium-term management plan. There are no changes to specific strategies, etc., but the Company has emphasized that it plans to expand growth and develop new businesses to help resolve the 2025 problem, as well as the 2040 problem of worsening human resource shortages in nursing care.

The Company's medium-term management policy is to 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 solving the problems of a super-aged society as an important mission and it is focusing on 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 that will contribute to the growth of its existing businesses. 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 Vision2030



Source: The Company's medium-term management plan materials

In June 2023, with the subsidence of the COVID-19 pandemic, the Company once again updated its Medium-Term Vision 2025 and priority strategies in its Medium-Term Strategy to newly formulate IIF Vision 2030. Subsequently, in June 2024 it updated its growth strategies and profit plans 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. 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 net sales growth, the Company's strategy is to further raise the profitability of each business. 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. The accuracy of the Company's forecast for medium-term management plan numerical targets is increased by considering existing business and new business separately. Through its growth investments to date, the Company has built a business portfolio that is able to stably increase sales and profits, centered on the Record Book Business. For this reason, numerical targets for the existing business are highly accurate and we at FISCO believe the Company is highly likely to achieve its consolidated results forecast.

Medium-term management plan

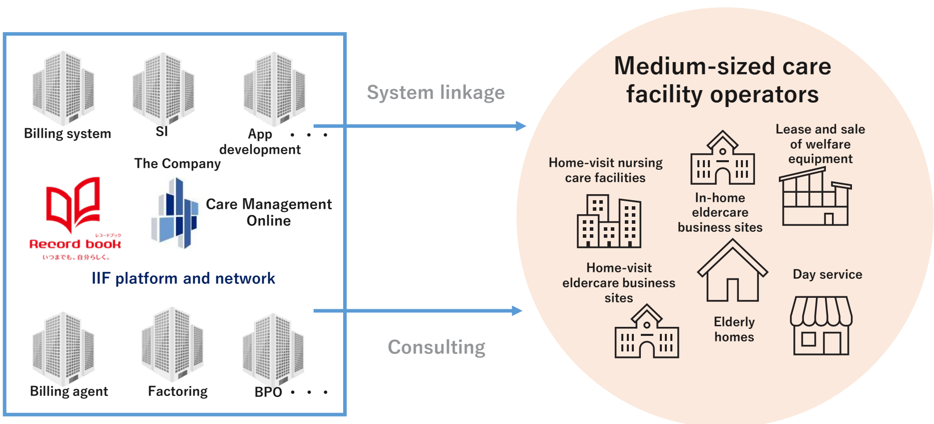
(¥mn)

	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	4,118
Record Book Business	1,820	1,776	1,854	1,992	2,196
(Previous disclosure)	(1,883)	(1,558)	(1,445)	(1,576)	(-)
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 and initiatives	-	-	351	839	1,101
Operating profit	230	355	530	727	980
(Previous disclosure)	(172)	(350)	(420)	(540)	(-)
Healthcare Solution Business	421	600	754	902	1,103
(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 and initiatives	-	-	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 medium-term management plan materials and 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. Looking ahead, it will aim to execute M&As to help provide DX solutions that will contribute to increased productivity of care facility operators with a view to resolving nursing care human resource shortages and labor shortages, which are the challenges presented as the 2040 problem.

New business (DX solutions for medium-sized care facility operators)



Source: The Company's medium-term management plan 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 operating profit upward due to factors including a change in outlook regarding capacity utilization rates following the recent recovery in these rates, and the revised assumptions on 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 aim to resolve property development issues and expand the number of facilities. 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 grow sales and profit by focusing on expanding the number of companies that introduce 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 in the value chain.

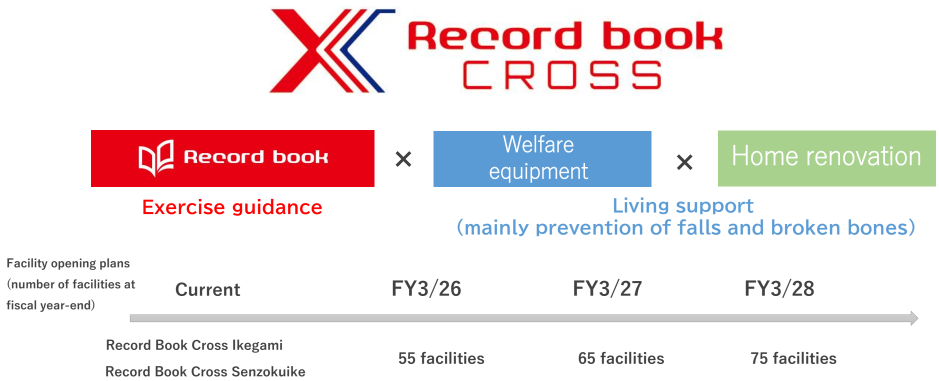
Also, to strengthen the care manager network that will be the foundation for this, it intends to continue to implement measures to increase the number of people registering with Care Management Online and to improve the value of the member network. Specifically, the Company plans to continue strengthening 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.

For the Web Solution Business, 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 its exercise programs to care facilities other than Record Book. 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 grow its existing welfare equipment rental business, while improving business results through the structural reforms at Seikougiken. In regard to Seikougiken, the Company will continue to pursue sales expansion and increase in profitability. Furthermore, it will focus on increasing home renovation projects and the unit price through collaboration between FULLCARE and Seikougiken. 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. The Company will aim not only to contribute to lengthening healthy life expectancy, but also to resolve the issues of 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.

Future plan for Record Book Cross



Source: The Company's medium-term management plan materials

(4) Home-Centered Service Business

The FY3/28 targets are for net sales of ¥2,175mn and operating profit of ¥410mn. The Company will aim to grow sales and profit by 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 incorporate 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

FY3/25 dividend forecast of ¥8.0 per share, up ¥3.0 YoY

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 initial plan by ¥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.

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