COMPANY RESEARCH AND ANALYSIS REPORT

internet infinity INC.

6545

Tokyo Stock Exchange Growth Market

31-Aug.-2022

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Summary

A healthcare solutions company providing new healthcare services both in the real world and online. In FY3/22, the impact of customers being discouraged from using services due to COVID-19 was minimal, and net sales increased

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, rehabilitation daycare services to increase the healthy life expectancy*1 of the elderly; the Web Solution Business, which provides silver marketing support and support for people both working and providing eldercare using the care manager network constructed through Care Management Online, its dedicated care manager*2 portal site; and the Care Supply Business, which rents and sells welfare equipment. 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. FY3/22 results summary

In the FY3/22 consolidated results*, net sales increased 20.2% year-on-year (YoY) to ¥4,168mn, operating profit decreased 5.6% to ¥156mn, ordinary profit rose 15.9% to ¥289mn, and profit attributable to owners of parent grew 24.1% to ¥186mn. In the Record Book Business, net sales increased because the total number of facilities rose and the impact of customers being discouraged from using services was minimal. Also, sales increased greatly in the Care Supply Business following the consolidation of FullCare Co., Ltd. In profits, operating profit decreased slightly in the Record Book Business, including because of the return to the normal management system, but non-operating profit increased, mainly from expenses-subsidies revenue, so ordinary profit increased. Profit attributable to owners of parent also increased because of the decrease of the extraordinary losses due to loss on tax purpose reduction entry of non-current assets in relation to expenses subsidies. Topics included that the high operating profit margins were maintained by the Record Book Business (11.7%) and the Web Solution Business (21.3%). This was because the Record Book Business’ main source of earnings is royalty income from the franchise system, while the Web Solution Business is a highly profitable business. Also, in FY3/22, ROE (Return on Equity) was 15.0%. The Company has continuously generated profits since the time it was first listed, and although ROE is currently low compared to its level of 32.1% in FY3/18, which is a period in which net assets were accumulated, it continues to maintain it at a high level.

* The Company transitioned to consolidated results from FY3/22, so the increase and decrease rates are reference values. Also, from FY3/22, it applied the Accounting Standard for Revenue Recognition, etc., and all of the values for FY3/21 are the values before this standard was applied.

2. FY3/23 results outlook

For the FY3/23 consolidated results, the Company is forecasting that net sales will increase 6.1% YoY to ¥4,421mn, operating profit will rise 102.4% to ¥315mn, ordinary profit will grow 8.2% to ¥313mn, and profit attributable to owners of parent will increase 9.4% to ¥203mn. In FY3/22, the impact of the novel coronavirus pandemic (hereafter, COVID-19) on the increase and decrease in the number of users in the Record Book Business and the Home-Centered Service Business was small compared to in FY3/21. So the Company calculated the FY3/23 results forecasts without considering COVID-19 and assuming it would have no effect, such as causing an increase or decrease in the number of users. In the Record Book Business, it will once again accelerate the pace of new facility openings by focusing on increasing facilities among existing franchise members. Also, for existing facilities, including directly-managed facilities, budgets have been formulated assuming that COVID-19 will not have an impact and the forecast is for the number of users to gradually increase up to the end of the period. In the Web Solution Business, sales and profits are forecast to increase through focusing on medical solutions. Conversely, the Company is aiming for the further growth of the Home-Centered Service Business by progressing proprietary measures, including reforms to the personnel structure, following the company split. In FY3/22, the impact of customers being discouraged from using services due to COVID-19 was minimal. So on considering factors such as the current recovery of the number of users and that inquiries are excellent in the Web Solution Business, at FISCO we think that the net sales forecast is at a fully achievable level.

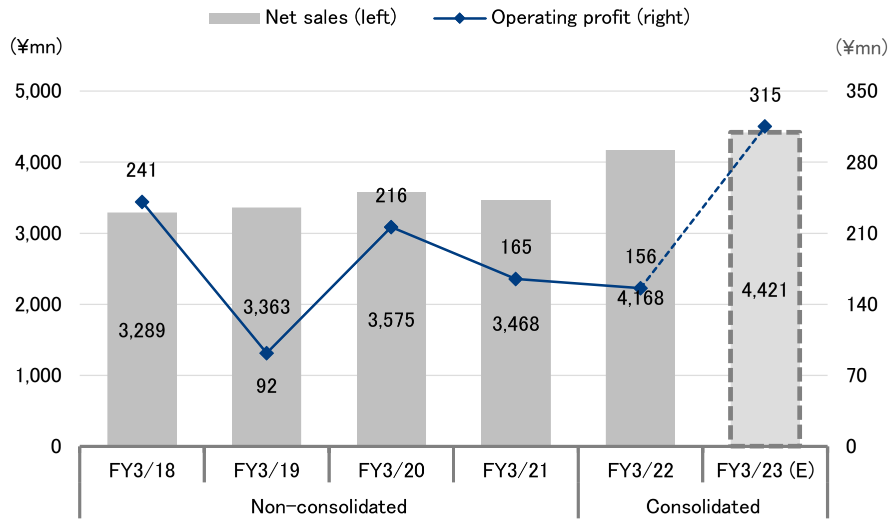
3. Medium-term management policies

For its medium-term management policies, in June 2022 the Company updated the Business Plan and Items relating to Growth Potential. Within it, it formulated Medium-term Vision 2025: Toward the Realization of a Society with Extended Healthy Life Expectancy, which is the Group's medium-term vision toward achieving sustainable growth and improving enterprise value in the medium term. In it, it aims to realize the extension of healthy life expectancy through initiatives for "physical health", "brain and mental health", and "social participation". Also, as its priority strategies, the Company is accelerating initiatives toward the extension of healthy life expectancy by expanding the existing businesses at the same time as developing and providing new solutions. By progressing these initiatives, in FY3/26, which is the plan's final fiscal year, it is targeting net sales of ¥5,900mn, operating profit of ¥750mn, profit attributable to owners of parent of ¥492mn, ROE of 20.0%, and an operating profit margin of 12.9%. Among these targets, ROE and the operating profit margin are the main management indicators, and its policy is to aim to improve the profit margin by providing high value-added services and to increase ROE through this. At FISCO, we think the Company is highly likely to achieve the targets in the medium-term management plan when considering that in the Record Book Business, the number of newly opened facilities and the number of users are both currently trending solidly, that the strategy of encouraging further facility openings by existing franchise members will enable it to open facilities more efficiently and speedily, and that presently medical solution results are strong. In particular, we expect the profit margin to increase even more, including from the expansion of franchise facilities and the Web Solution Business that have high profit margins, and also the market launches of new services.

Key Points

- A healthcare solutions company that provides new healthcare services both in the real world and online
- In FY3/22, the impact of customers being discouraged from using services due to COVID-19 was minimal, and net sales increased
- Is forecasting higher sales and profits in FY3/23. In the Record Book Business, will once again accelerate the pace of new facility openings by focusing on increasing facilities among existing franchise members
- By accelerating initiatives toward the extension of healthy life expectancy, is targeting net sales of ¥5,900mn and operating profit of ¥750mn in FY3/26

Results trends



Note: The Accounting Standard for Revenue Recognition, etc., was applied from FY3/22
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 solve the problems occurring in the super-aging society by taking on the challenge of 'creation and innovation'", 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. 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 elderly care 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 silver marketing support business as a new business. Subsequently in October 2011, it opened Record Book Nihonbashi and started the Record Book Business, 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, which rents and sells welfare equipment and conducts a home 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 through a company split.

In share related, 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

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 conducts the Healthcare Solution Business and the Home-Centered Service Business. 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 silver marketing support and support for people both working and providing eldercare using the care manager network constructed through Care Management Online, the dedicated care manager portal site; and the Care Supply Business, which rents and sells welfare equipment. 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 FY3/22, the Record Book Business provided 43.7%, the Web Solution Business 5.5%, the Care Supply Business 20.2%, and the Home-Centered Service Business 30.6%.

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 to extend healthy lives, to establish living environments for the elderly, to establish and share information on eldercare facilities, and to support silver marketing, and thereby to support people to both work and provide eldercare.

(1) Record Book Business

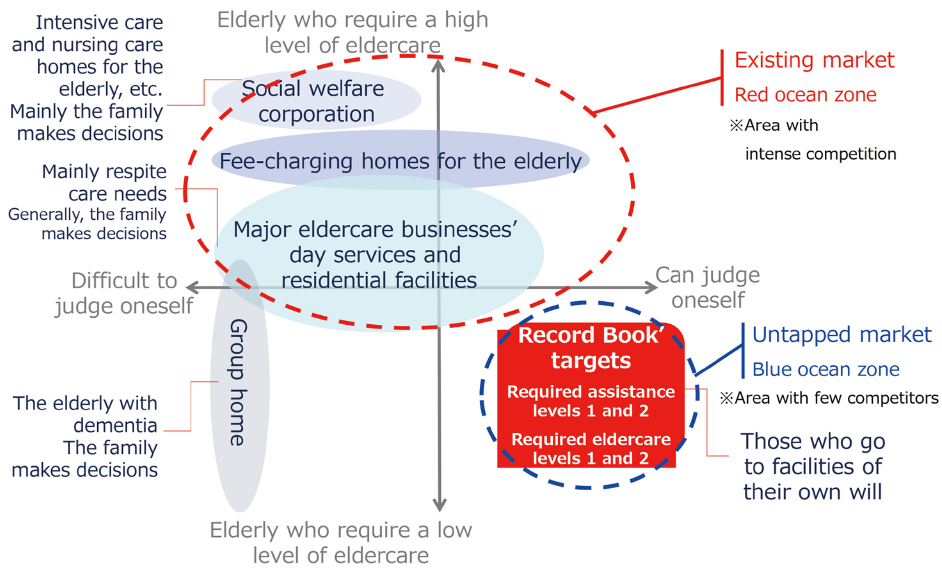
Targeting the elderly certified as requiring eldercare and certified as requiring assistance and with the aim of maintaining, recovering, and improving their physical functions, the Company manages Record Book short-time, rehabilitation daycare services. For the number of facilities, at the end of March 2022 there were 31 directly-managed facilities and 159 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 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 services facilities that leave behind the image that eldercare facilities have had up to the present time. Users have high levels of satisfaction with the enhanced service content, including programs that do not use Record Book' proprietary machines and 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 makes visible the walking ability of the Record Book user, 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.

* 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 used 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 (levels 1 and 2 of required assistance and required eldercare) for who self-determination is possible, and it has few competitors and has acquired competitive advantages. Compared to the number of potential users (around 4.5 million people nationwide) targeted by rehabilitation daycare services facilities to which Record Book belongs, there are few facilities for them (8,349 facilities nationwide), and the market scale 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 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 income (recurring income).

Record Book Business' competitive advantages



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

(2) Web Solution Business

a) Silver marketing support

The Company provides support for its customer companies' marketing research and promotions by methods including utilizing the network of care managers registered on Care Management Online and carrying out qualitative and quantitative surveys using questionnaires and other methods, and conducting sampling of the elderly who require eldercare. Care Management Online is a portal site that aims to support the work of care managers, and at the end of March 2022, more than 100,000 care managers had registered on it as members. It provides the latest information relating to eldercare, including on the revised Long-Term Care Insurance Act, and 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 is connected to around 2.6mn elderly households nationwide through the Care Management Online website and is utilizing this care manager 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 people both working and providing eldercare

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 targeting companies' welfare services* and providing services to its customer companies' employees to support them being able to continue working while also providing eldercare. Companies that started providing services in FY3/22 include LOTTE CO., LTD., Hitachi Academy Co., Ltd., TEIJIN LIMITED <3401>, and KANEMATSU CORPORATION <8020>, and at the end of March 2022, 210 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.

* 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 application agency work, etc.).

c) Medical solutions

The Company provides market data, such as on disease awareness and usage conditions, to pharmaceutical manufacturers and medical device manufacturers, and it also provides 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.

(3) Care Supply Business

Through the residential eldercare business office and FullCare, 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 rents and sells welfare equipment relating to establishing an eldercare environment and preventive care and welfare equipment for the elderly, while it also provides residential renovation services.

2. Home-Centered Service Business

Targeting the elderly living at home, 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) Residential 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 March 2022, it was managing 8 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 March 2022, it was managing 4 business offices.

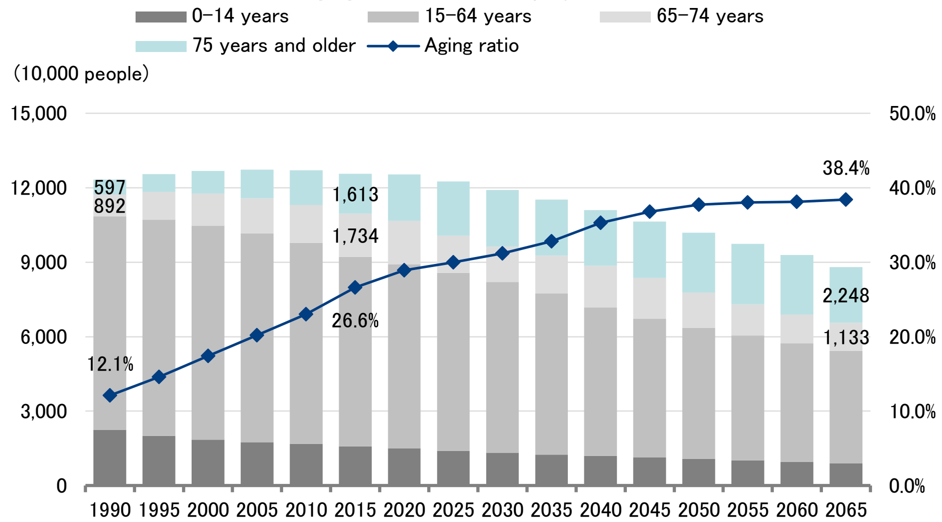
(3) Day eldercare services

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 March 2022, it was managing 6 business offices.

3. The business environment

The elderly, who 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 FY 2019" issued by the Cabinet Office, the elderly population aged 65 and above in 1990 was 14.89mn, but by 2018 this had rapidly increased by 139.0% to 35.58mn. Also, by 2065, the elderly population will be 33.81mn, which is slightly lower than in 2018, 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 38.4%.

Aging trend and future projections



Source: Prepared by FISCO from the Annual Report on the Ageing Society FY 2019 by the Cabinet Office

Moreover, the Government's formulation of the health expenditure regulation 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 extend healthy lives," 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. From 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 long-term 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.

Results trends

In the Record Book Business in FY3/22, the impact of customers being discouraged from using services was minimal and net sales increased

1. FY3/22 results summary

In the FY3/22 consolidated results, net sales increased 20.2% YoY to ¥4,168mn, operating profit declined 5.6% to ¥156mn, ordinary profit rose 15.9% to ¥289mn, and profit attributable to owners of parent grew 24.1% to ¥186mn. In the Record Book Business, net sales increased because the total number of facilities rose and also the impact of customers being discouraged from using services was minimal. Also, sales increased greatly in the Care Supply Business following the consolidation of FullCare. In profits, operating profit decreased slightly in the Record Book Business, such as because of the return to the normal management system, but non-operating profit increased, mainly from expenses-subsidies revenue, so ordinary profit increased. Profit attributable to owners of parent also increased because of the decrease of the extraordinary losses due to a loss on tax purpose reduction entry of non-current assets in relation to expenses subsidies.

FY3/22 consolidated results

(¥mn)

	FY3/21 (non-consolidated)		FY3/22 (consolidated)		Increase/decrease	
	Result	Composition ratio	Result	Composition ratio	Amount	Ratio
Net sales	3,468	-	4,168	-	699	20.2%
Healthcare Solution Business	2,217	63.9%	2,893	69.4%	675	30.5%
Record Book Business	1,796	51.8%	1,819	43.7%	22	1.2%
Web Solution Business	225	6.5%	230	5.5%	4	2.2%
Silver marketing support	102	3.0%	86	2.1%	-15	-15.7%
Support for people both working and providing eldercare	121	3.4%	133	3.2%	12	9.9%
Medical solutions	1	0.1%	10	0.2%	8	900.0%
Care Supply Business	194	5.6%	843	20.2%	648	333.0%
Home-Centered Service Business	1,251	36.1%	1,274	30.6%	23	1.9%
Day-services eldercare	441	12.7%	445	10.7%	4	0.9%
Home-visit eldercare	504	14.6%	508	12.2%	3	0.8%
Residential eldercare support	305	8.8%	320	7.7%	14	4.9%
Gross profit	1,121	32.3%	1,467	35.2%	346	30.9%
Operating profit	165	4.8%	156	3.7%	-9	-5.6%
Healthcare Solution Business	351	15.9%	338	11.7%	-13	-3.8%
Record Book Business	253	14.1%	212	11.7%	-41	-16.2%
Web Solution Business	40	17.8%	49	21.3%	9	23.3%
Care Supply Business	58	29.9%	76	9.0%	18	31.3%
Home-Centered Service Business	373	29.8%	377	29.6%	4	1.2%
Adjustment amount	-559	-	-559	-	0	-
Ordinary profit	249	7.2%	289	6.9%	39	15.9%
Profit attributable to owners of parent	150	4.3%	186	4.5%	36	24.1%

Note: The Accounting Standard for Revenue Recognition, etc., was applied from FY3/22, and all of the FY3/21 values are from before the application of this standard.
The Company changed to consolidated results from FY3/22, so the increase/decrease ratios are reference values. Also, in FY3/21 net income was recorded.
The composition ratios of operating profit by segment show the percentages relative to net sales by segment (the segment operating profit margin)
Source: Prepared by FISCO from the Company's financial results and financial briefing materials

The results by segment are described below.

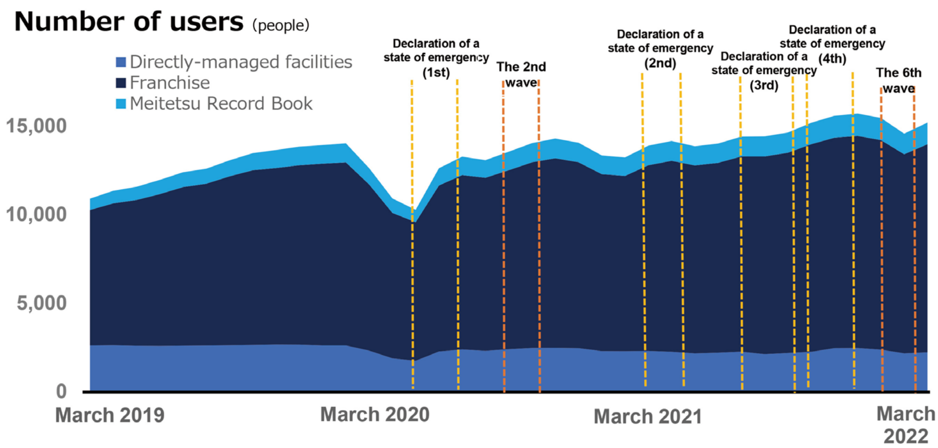
(1) Healthcare Solution Business

In the Healthcare Solution Business, net sales increased 30.5% YoY to ¥2,893mn and operating profit decreased 3.8% to ¥338mn.

a) Record Book Business

In the Record Book Business, net sales increased 1.2% YoY to ¥1,819mn and operating profit decreased 16.2% to ¥212mn. Net sales increased because the total number of Record Book facilities increased by 9 on the end of the previous period and also as the impact of customers being discouraged from using services was minimal. In terms of the effects of COVID-19, the mutations of the novel coronavirus had an effect in the 4Q and net sales decreased slightly, but understanding is progressing among the elderly on the importance of the exercise habit. So even while the spread of the virus had an effect, the number of users has still been basically recovering, and at the end of December 2021, the number of Record Book users reached a new record high. Since the end of FY3/22, the number has once again been recovering from April onwards.

Trend in the number of Record Book users



※Reflects the period in which a declaration of a state of emergency was issued for Metropolitan Tokyo

Source: The Company's results briefing materials

In profits, profits decreased because of the return to the normal management structure, but the segment profit margin was still high at 11.7% and the Company has constructed a business model that effectively generates profits. In this business, the main source of earnings is royalty income from the franchise method.

b) Web Solution Business

In the Web Solution Business, net sales increased 2.2% YoY to ¥230mn and operating profit rose 23.3% to ¥49mn. Compared to in the previous period in which sales were restricted due to COVID-19, conditions for acquisitions of new projects recovered and both sales and profits increased. Topics included that inquiries were strong for medical solutions, which is a marketing support service for pharmaceutical and medical device manufacturers. The profit margin is also high in this business at 21.3%, and it can be said to be a highly profitable business.

c) Care Supply Business

In the Care Supply Business, net sales increased 333.0% YoY to ¥843mn and operating profit rose 31.3% to ¥76mn. The Company made a subsidiary of FullCare in April 2021 in order to strengthen this business, and following this, net sales increased significantly. The aim is for FullCare to also contribute to profits by sharing aspects such as its work improvements and sales expertise.

(2) Home-Centered Service Business

In the Home-Centered Service Business, net sales increased 1.9% YoY to ¥1,274mn and operating profit rose 1.2% to ¥377mn, and this business has continued to stably generate earnings even during the prolonged COVID-19 pandemic. In the 4Q, operating rates declined slightly, particularly in the day-services eldercare business, due to the impact of the novel coronavirus mutations, but they recovered moderately from the end of the previous period through to April.

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 FY3/22, total assets had increased ¥483mn on the end of the previous period to ¥2,829mn. Within this amount, current assets increased ¥418mn to ¥1,951mn, mainly because cash and deposits rose ¥285mn due to the adjustment of funds on hand, and accounts receivable increased ¥125mn following the consolidation of FullCare. Non-current assets increased ¥65mn to ¥878mn, mainly because goodwill rose due to the acquisition of FullCare's shares and intangible assets grew ¥203mn. Total liabilities increased ¥254mn to ¥1,584mn, mainly as short-term borrowing increased ¥190mn due to the adjustment of funds on hand. Net assets increased ¥228mn to ¥1,245mn, primarily as retained earnings rose ¥206mn due to the recording of profit attributable to owners of parent. As a result, the equity ratio rose 0.6 of a percentage point (pp) to 44.0%.

ROE was 15.0%. The Company has continuously generated profits since it was first listed, and although ROE has currently declined compared to its level of 32.1% in FY3/18, during which time assets were accumulated, it continues to be maintained at a high level. The Company also has an abundance of funds on hand of ¥1,951mn, while the current ratio is 174.1% and the non-current ratio is 70.5%, so it will have no problems with liquidity on hand in the short or long term. Therefore at FISCO, we think the Company's financial position is sound.

In FY3/22, cash flow from operating activities was ¥271mn. The main items were that there were increases of net income before taxes of ¥286mn and depreciation of ¥131mn, while income taxes paid was ¥147mn. Cash flow used in investing activities was ¥236mn. This was mainly due to expenditure of ¥274mn to acquire the shares of a subsidiary following a change in the scope of consolidation. Cash flow from financing activities was ¥250mn, with the main items including short- and long-term borrowing (net) of ¥259mn. As a result, cash and cash equivalents increased ¥285mn and the balance at the end of the period was ¥1,130mn. Although the Company spent ¥274mn to acquire the shares of a subsidiary following a change in the scope of consolidation, it can be said to be conducting investing activities with an awareness of maintaining financial soundness, while it can also be highly evaluated for actively investing in business expansion.

The balance sheet and management indicators

(¥mn)

	FY3/21 (non-consolidated)	FY3/22 (consolidated)	Increase/decrease amount
Current assets	1,533	1,951	418
Cash and deposits	845	1,130	285
Non-current assets	813	878	65
Property, plant and equipment	438	340	-98
Intangible assets	37	240	203
Total assets	2,346	2,829	483
Total liabilities	1,329	1,584	254
Current liabilities	957	1,120	163
Non-current liabilities	371	463	92
Net assets	1,017	1,245	228
Retained earnings	592	798	206
Total liabilities and net assets	2,346	2,829	483
[Management indicators]			
Equity ratio	43.4%	44.0%	0.6pt
[Profitability]			
ROA (Return on Assets)	10.4%	10.2%	-0.2pt
ROE (Return on Equity)	16.1%	15.0%	-1.1pt
Current ratio	160.1%	174.1%	14.0pt
Non-current ratio	79.9%	70.5%	-9.4pt

Note: The Company transitioned to consolidated results from FY3/22, so the increase and decrease rates are reference values
Source: Prepared by FISCO from the Company's financial results

Cash flow statement

(¥mn)

	FY3/21 (non-consolidated)	FY3/22 (consolidated)
Cash flow from operating activities	361	271
Cash flow from investing activities	-104	-236
Cash flow from financing activities	-342	250
Cash and cash equivalents increase/decrease amount	-84	285
Cash and cash equivalents balance at the end of the period	845	1,130

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

Future outlook

Is forecasting higher sales and profits in FY3/23. In the Record Book Business, it will once again accelerate the pace of new facility openings by focusing on increasing facilities among existing franchise members

● FY3/23 results outlook

For the FY3/23 consolidated results, the Company is forecasting that net sales will increase 6.1% YoY to ¥4,421mn, operating profit will rise 102.4% to ¥315mn, ordinary profit will grow 8.2% to ¥313mn, and profit attributable to owners of parent will increase 9.4% to ¥203mn, In FY3/22, the impact of COVID-19 on the increase and decrease in the number of users in the Record Book Business and the Home-Centered Service Business was small compared to in FY3/21. So the Company calculated the FY3/23 results forecasts without considering COVID-19 and assuming it would have no effect, such as causing an increase or decrease in the number of users.

FY3/23 consolidated results outlook

(¥mn)

	FY3/22		FY3/23		Increase/decrease	
	Result	% of net sales	Forecast	% of net sales	Amount	Ratio
Net sales	4,168	-	4,421	-	253	6.1%
Healthcare Solution Business	2,893	69.4%	3,133	70.9%	240	8.3%
Record Book Business	1,819	43.7%	2,008	45.4%	189	10.4%
Web Solution Business	230	5.5%	272	6.2%	41	18.3%
Care Supply Business	843	20.2%	853	19.3%	9	1.2%
Home-Centered Service Business	1,274	30.6%	1,287	29.1%	13	1.0%
Operating profit	156	3.7%	315	7.1%	159	102.4%
Healthcare Solution Business	338	11.7%	559	17.8%	220	65.2%
Record Book Business	212	11.7%	369	18.4%	157	74.1%
Web Solution Business	49	21.3%	89	32.7%	39	81.6%
Care Supply Business	76	9.0%	100	11.7%	24	31.6%
Home-Centered Service Business	377	29.6%	345	26.8%	-32	-8.6%
Adjustment amount	-559	-	-588	-	-28	-
Ordinary profit	289	6.9%	313	7.1%	24	8.2%
Profit attributable to owners of parent	186	4.5%	203	4.6%	17	9.4%

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 briefing materials

In the Record Book Business, the Company will once again accelerate the pace of new facility openings by focusing on increasing facilities among existing franchise members. Also, for existing facilities, including directly-managed facilities, budgets have been formulated assuming that COVID-19 will not have an impact and the forecast is for the number of users to gradually increase up to the end of the period. In the Web Solution Business, sales and profits are forecast to increase through focusing on medical solutions. Conversely, the Company is aiming for the further growth of the Home-Centered Service Business by progressing proprietary measures, including reforms to the personnel structure, following the company split. So on considering factors such as that in FY3/22 the impact of customers being discouraged from using services due to COVID-19 was minimal, the current recovery of the number of users, and that inquiries are excellent in the Web Solution Business, at FISCO we think that the net sales forecast is at a fully achievable level. Sales from systems installations, etc., to promote DX are forecast to be ¥9mn while subsidiary income, such as to subsidize expenses and which the Company has utilized so far for measures to deal with the novel coronavirus pandemic, is basically not expected to be recorded. However, the outlook is that through strengthening measures, franchise income, which has a high profit margin, will increase, and while focusing on the Web Solution Business that has a high profit margin, at FISCO we think that it is highly likely that the Company will achieve an operating profit margin of 7.1% (an improvement of 3.4pp YoY).

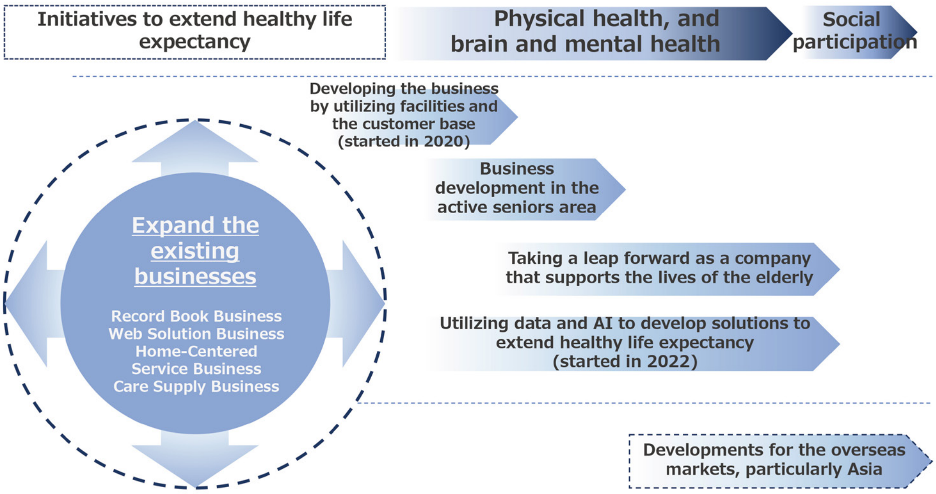
Medium-term management policies

In FY3/26, is aiming for net sales of ¥5,900mn and operating profit of ¥750mn by accelerating initiatives to extend healthy life expectancy

For its medium-term management policies, in June 2022 the Company updated the Business Plan and Items relating to Growth Potential. Within it, it formulated the Medium-term Vision 2025: Toward the Realization of a Society with Extended Healthy Life Expectancy, which is the Group's medium-term vision toward achieving sustainable growth and improving enterprise value in the medium term. In it, it aims to realize an extension of healthy life expectancy through initiatives for "physical health", "brain and mental health", and "social participation". Also, as the priority strategies, the Company is accelerating initiatives toward the extension of healthy life expectancy by expanding the existing businesses at the same time as developing and providing new solutions. By progressing these initiatives, in FY3/26, which is the plan's final fiscal year, it is targeting net sales of ¥5,900mn, operating profit of ¥750mn, profit attributable to owners of parent of ¥492mn, ROE of 20.0%, and an operating profit margin of 12.9%. Among these targets, ROE and the operating profit margin are the main management indicators, and its policy is to work to improve the profit margin by providing high value-added services and to increase ROE through this.

Medium-term management policies

Important strategies in the medium-term vision



Source: The Company's results briefing materials

Medium-term management plan

(¥mn)

	FY3/22 Result	FY3/23 Forecast	FY3/24 Target	FY3/25 Target	FY3/26 Target
Net sales	4,168	4,421	5,080	5,630	5,900
Record Book Business	1,819	2,008	2,470	2,760	2,850
Web Solution Business	230	272	310	380	500
Care Supply Business	843	853	910	940	990
Home-Centered Service Business	1,274	1,287	1,390	1,550	1,560
Operating profit	156	315	540	650	750
Operating profit margin	3.7%	7.1%	10.7%	11.7%	12.9%
Profit attributable to owners of parent	186	203	355	427	492
ROE	15.0%	15.1%	21.8%	21.2%	20.0%

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

The sales targets by segment are described below.

(1) Record Book Business

The net sales target for FY3/26 is ¥2,850mn. The Company will focus on supporting improved results at the facilities of existing members and will encourage openings of their second and third facilities, while for the future, it plans to increase the total number of Record Book facilities to 400 facilities, centered on franchise members. As a result, profitability is forecast to improve through strengthening the competitiveness of the Record Book brand and also through collaborations, including between products sales and the Care Supply Business and the Web Solution Business.

(2) Web Solution Business

The net sales target for FY3/26 is ¥500mn. The Company's policy is to expand this business by focusing on medical solutions, and it is aiming to create a medical solutions business by creating solutions that utilize data and AI to extend healthy life expectancy. 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, through tie-ups with other companies and by strengthening its provision of information and tools that are useful for care managers, it is targeting increasing the number of members to 110,000 people by FY3/26 (compared to approximately 100,000 people at the end of FY3/22).

(3) Care Supply Business

The net sales target for FY3/26 is ¥990mn. The Company is aiming to expand this business through synergies with the Record Book Business (capturing peripheral needs) by utilizing the expertise of both consolidated subsidiaries, FullCare and Kankeisha, to deepen and grow the business. Its policy is also to improve the profit margin by sharing their sales expertise and their customer bases.

(4) Home-Centered Service Business

The net sales target for FY3/26 is ¥1,560mn. Through the business being split-off and succeeded by Kankeisha in April 2022, authorities are being transferred, decision-making is being sped-up, and flexible business execution is being progressed. The Company also intends to actively conduct M&A and open new facilities in order to expand this business. Specifically, its policy is to take on the challenge of eldercare for the elderly who require medium- to high-level services and to extend healthy lives through eldercare at every stage, from the active senior group to the elderly who require a high level of eldercare.

(5) Others

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

At FISCO, we think it is highly likely that the Company will achieve the targets in the medium-term management plan when considering that in the Record Book Business, the number of newly opened facilities and the number of users are both currently trending solidly, that the strategy of encouraging further facility openings by existing franchise members will enable it to open facilities more efficiently and speedily in the future, and that presently medical solution results are strong. In particular, we expect the profit margin to increase even more, including from the expansion of franchise facilities and the Web Solution Business that have high profit margins, and also the market launches of new services.

Returns to shareholders

Policy is to improve shareholder value through business expansion. Is also considering paying a dividend in the future

The Company considers returning profits to shareholders to be one of its most important management issues. But it is currently in a growth process and so intends to supplement internal reserves in order to secure and develop human resources and to actively develop its businesses and to strengthen its management foundation, such as by actively investing in order to expand the network of Record Book facilities. Therefore, it has not paid a dividend up to the present time and its policy for the time being is to supplement internal reserves. However, it intends to pay a dividend in the future after taking into consideration its business results and financial condition and maintaining a balance with internal reserves.

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