COMPANY RESEARCH AND ANALYSIS REPORT

internet infinity INC.

6545

Tokyo Stock Exchange Growth Market

31-Aug.-2023

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Summary

Favorable outlook for operating environment, including COVID-19 being downgraded to Class 5 disease. Advancing structural reforms, including M&A, in anticipation of the post-COVID-19 era

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 lifespan*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 Care Supply Business, which leases and sells eldercare utensils. 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. FY3/23 results summary

In the FY3/23 consolidated results, net sales increased 7.1% year-on-year (YoY) to ¥4,464mn, operating profit fell 36.5% to ¥99mn, ordinary profit decreased 48.4% to ¥149mn, and profit attributable to owners of parent fell 81.2% to ¥35mn. The operating environment improved amid progress with vaccination against COVID-19, socioeconomic activity returning to normal, etc., and the spread of new lifestyles in anticipation of living with COVID-19. In addition, Seikougiken, which became a consolidated subsidiary in October 2022, and the facility care business acquired by business transfer in December 2022 lifted net sales. In Record Book, which is a core business, the Company focused on encouraging existing franchise members to open new facilities, although operation of facilities was restricted by the seventh and eighth waves, etc. of COVID-19. As a result, the number of facilities totaled 220 at end-FY3/23, an increase of 9 from end-FY3/22. The Web Solution, Care Supply, and Home-Centered Service Business all posted YoY sales growth. However, profit was impacted by resuming normal business activities amid the fading impact of the pandemic, investing in systems to improve productivity and profitability going forward, and two M&A deals in FY3/23.

2. FY3/24 results outlook

For the FY3/24 consolidated results, the Company forecasts increased sales and profits, with increases of 12.5% YoY in net sales to ¥5,022mn, 74.2% in operating profit to ¥172mn, 7.5% in ordinary profit to ¥160mn, and 202.6% in profit attributable to owners of parent to ¥106mn. The Company's forecast assumes far less impact of COVID-19 on earnings versus FY3/23, expecting the normalization of social activities and people becoming more motivated to go out and further revitalization of socio-economic activities, etc. after COVID-9 shifted to a Class 5 disease, the same as seasonal influenza, on May 8, 2023, and health awareness increasing among seniors, etc. In this context, the Company plans to resume accelerating the pace of opening new facilities in the Record Book business. It is especially focusing on measures to help existing franchise members open new facilities, and plans to step up the pace of new facility openings by established members, which had slowed due to the pandemic. As well, the Company expects M&A in the Care Supply and Home-Centered Service Business in FY3/23 to lift earnings and steady growth of the Web Solution business as client companies regain their motivation to invest. Although the business environment improved in 2H FY3/23, M&A-related expenses weighed on profit. The Company has factored M&A-related expenses more accurately into its FY3/24 forecast, which makes it more likely that it will attain its targets.

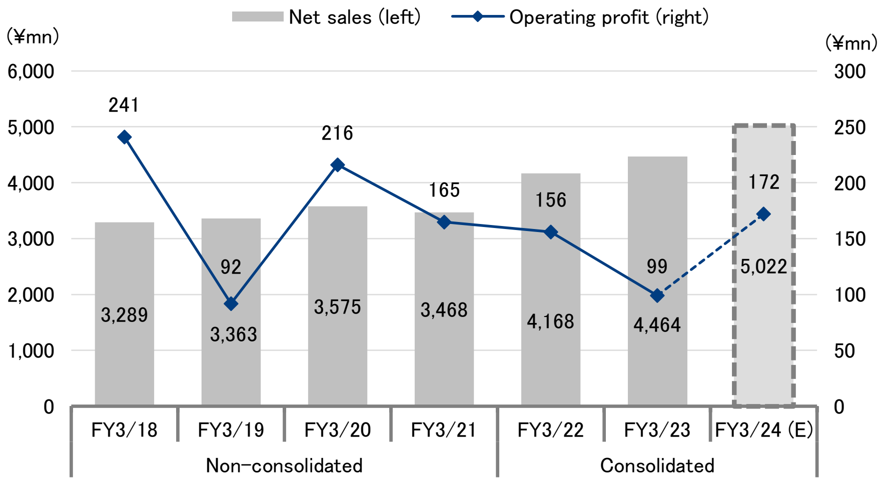
3. Medium-term management policies

In June 2023, the Company announced a new medium-term management policy "IIF Vision 2030: Creating a healthy future with in-person services and technology." It regards its mission as solving the problems of a super-aged society, and aims to expand existing businesses, harness technologies to accelerate growth, and extend healthy lifespans. Specifically, this entails active use of technology in business activities such as progressing DX in the front line of eldercare, utilizing data collected in physical facilities, and developing solutions that harness AI, etc. to make existing businesses more competitive and enhancing added value. It also plans to proactively begin new businesses not covered by long-term care insurance by M&A and other means to diversify its earnings base. In the longer term, the Company aims to offer solutions for extending healthy lives at every stage, from preventative care to services for medium- to high-level users. By promoting these measures, the Company targets in the final year of the plan period (FY3/27) net sales of ¥5,060mn, operating profit of ¥540mn, profit attributable to owners of parent of ¥500mn, ROE of 17.9%, and operating profit margin of 10.6%. Of these targets, the Company identifies ROE and operating profit margin as KPIs. It plans to improve profit margins by providing services with high added value, which will improve ROE.

Key Points

- A healthcare solutions company that provides new healthcare services both in the real world and online
- In FY3/23, the Record Book Business, Web Solution Business, Care Supply Business, and Home-Centered Service Business each increased sales, but profit declined due to investments in growth looking to the post-COVID-19 era
- Profit decline despite favorable business environment due to upfront investment in improving future productivity and business portfolio expansion
- Higher sales and profit forecast for FY3/24 by accelerated opening of new facilities in Record Book business and M&A effect
- By accelerating growth through an integration of the real and technology, is targeting net sales of ¥5,060mn and operating profit of ¥540mn in FY3/27

Results trends



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

Company summary

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

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

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

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

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
October 2022	Acquired 100% stake in Seikougiken, which mainly provides home renovation services, and made it a subsidiary in October 2022.
December 2022	Kankeisha succeeded Home-Centered Service Business and other businesses through company split

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 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 Care Supply Business, which leases and sells eldercare utensils. 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 FY 3/23, the Record Book Business provided 42.3%, the Web Solution Business 5.2%, the Care Supply Business 22.7%, and the Home-Centered Service Business 29.7%.

1. Healthcare Solution Business

To solve the issues facing Japan's super-aging society, the Company utilizes the platform comprised of the Record Book facilities network, the care manager network, and eldercare consultation data, etc. to prolong people's healthy lifespans 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. At end-FY3/23, the Company had 31 directly-managed facilities and 168 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 at 220 was 9 more than at end-FY3/22, marking a steady increase despite the impact of COVID-19. The Company has seen an increase in inquiries for opening new facilities after COVID-19 shifted to a Class 5 disease. It plans to re-accelerate the opening of new facilities in FY3/24 onward while focusing on selecting suitable properties for openings.

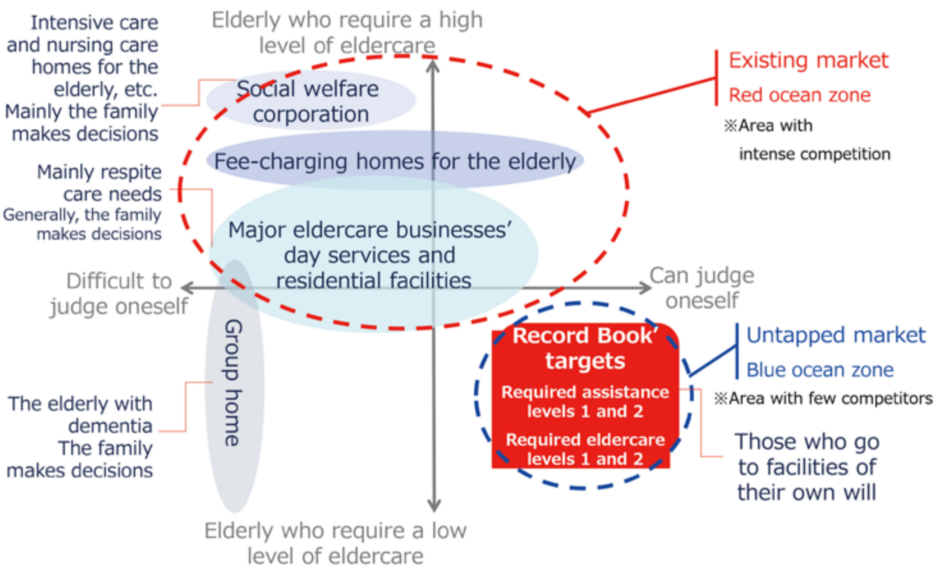
The features of Record Book facilities include "spaces that do not feel like eldercare spaces" that instead look like fitness clubs or dance studios, "professional exercise guidance" that incorporates fully fledged exercise programs based on scientific evidence, and "hospitality" aiming for active communication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

The Company actively utilizes the data collected through this business for the Record Book programs. In April 2022, it developed jointly with LiveSmart KK, a walking-analysis application that utilizes Record Book data and AI and launched a service using it at Record Book directly-managed facilities. The app takes a picture of TUG measurements* and visualizes the walking ability of the 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. Going forward, the Company plans to continue harnessing data and AI to make the business more competitive, considering the development of new services that will help prevent falls.

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

Record Book targets the elderly certified as requiring a light level of eldercare (level 1 or 2 support, or level 1 or 2 long-term care) for who 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 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) Marketing support for the senior market

The Company provides support for its customer companies' marketing research and promotions by methods including qualitative and quantitative surveys using questionnaires and other methods, and conducting sampling of the elderly who require eldercare, utilizing the network of care managers registered on Care Management Online. Care Management Online is a portal site that aims to support the work of care managers. It provides the latest information relating to eldercare, including information on the revised Long-Term Care Insurance Act, also tools, manuals, and other items they need for work, and it has become established as an indispensable tool for care managers' work. In FY3/23, 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. Membership recorded a steady increase as a result, with over 100,000 care managers registered as of end-FY3/23. The Company plans to continue making the site more attractive to care managers, including adding more content related to the revision of the Long-Term Care Insurance Act in spring 2024. It also began R&D of new services that utilize generative AI to reduce care managers' workload and improve their productivity.

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 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 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 those that started in FY3/23 include companies in the Hitachi Group and Cornes Group. At the end of FY3/23, 210 companies had introduced such services and had more than 2.1mn 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 filing service, etc.).

c) Medical solutions

The Company provides market data, such as on disease awareness and usage conditions, to pharmaceutical manufacturers and medical device manufacturers, 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. In FY3/23, the Company is bolstering sales activities, focusing on things like holding seminars for pharmaceutical companies and medical device manufacturers as well as promotional activities. It won new orders for several projects, which are expected to further contribute to earnings in the future.

(3) Care Supply Business

Subsidiary Kankeisha succeeded the Care Supply Business accompanying the spin-off at the start of FY3/23. 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 leases and sells eldercare utensils relating to establishing an eldercare environment and preventive care and welfare equipment for the elderly, and residential renovation services. Recently, in October 2022, the Company acquired Seikougiken, based in Hiroshima Prefecture, which mainly provides home renovation services, expanding its business portfolio to services outside the scope of long-term care insurance. By making Seikougiken a consolidated subsidiary, the Company is now able to provide residential renovation services (that was previously outsourced) for FullCare within the Group. Furthermore, synergies are also being created from a business activities aspect, such as FullCare winning projects for 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 Care Supply Business.

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) In-home eldercare support services

Care managers with specialist knowledge create an eldercare support plan (care plan) that incorporates the necessary types and content of eldercare services depending on the wishes of users and their families. Then, they coordinate and conduct adjustments with the providers of the eldercare services and provide support so that the users can smoothly receive the eldercare services. At the end of FY3/23, it was managing eight business offices.

(2) Home-visit eldercare services

Specialist home-visit eldercare nurses (home helpers) visit the homes of the elderly who require eldercare and assistance and provide them with eldercare, such as for bathing, going to the toilet, and eating. They also support their daily living activities, including cleaning, changing clothes, and shopping. At the end of FY3/23, it was managing four business offices.

(3) Ambulant care services (Day services)

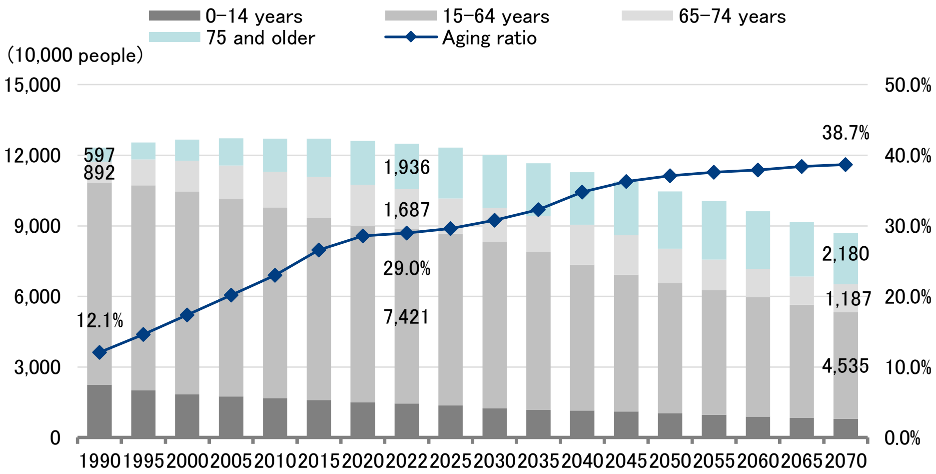
Targeting the elderly who require eldercare and assistance, this business provides eldercare services at day service centers, such as support for bathing, going to the toilet, and eating, and other support for daily living activities. It also provides support services for the elderly's independence, including functional training and recreation activities. At the end of FY3/23, it was managing six business offices.

In addition, in December 2022, consolidated subsidiary Kankeisha acquired residential-type fee-charging homes for the elderly by business transfer to move into the facility care business. This new business will enable the company to grow earnings by helping users at every stage of eldercare extend their healthy lifespans and offering programs to prevent users from requiring a higher level of care that harness its know-how to differentiate its facilities from others.

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 2023" issued by the Cabinet Office, the elderly population aged 65 and above in 1990 was 14.89mn, but by 2022 this had rapidly increased by 143.4% to 36.23mn. Also, by 2070, the elderly population will be 33.67mn, which is slightly lower than in 2022, 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 FY 2023 by the Cabinet Office

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

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

Results trends

Sales increased in FY3/23 on improved business environment and M&A effect, but profits down on system investment and M&A-related expenses in anticipation of the post-COVID-19 era

1. FY3/23 results summary

In the 1H FY3/23 consolidated results, net sales increased 7.1% to ¥4,464mn, operating profit fell 36.5% to ¥99mn, ordinary profit decreased 48.4% to ¥149mn, and profit attributable to owners of parent fell 81.2% to ¥35mn. The operating environment improved amid progress with vaccinations against COVID-19, socioeconomic activity returning to normal, etc., and the spread of new lifestyles in anticipation of living with COVID-19. In addition, Seikougiken, which became a consolidated subsidiary in October 2022, and the facility care business acquired by business transfer in December 2022 lifted net sales. As a result of the above factors, sales increased across all segments including the Record Book, Web Solution, Care Supply, and Home-Centered Service businesses. Although businesses performed well, profit declined due to investment in systems to improve future productivity and profitability, reviewing salary levels amid normal business activity resuming, and M&A, etc., for business portfolio expansion. Although profit declined due to M&A-related and other expenses, the M&A was executed to expand users' healthy lifespans as part of the Company's medium-term vision. Business portfolio expansion to include those outside the scope of long-term care insurance has already shown synergy effects with existing businesses and can be expected to contribute to earnings expansion going forward.

FY3/23 consolidated results

(¥mn)

	FY3/22		FY3/23		Increase/decrease	
	Result	% of sales	Result	% of sales	Amount	Ratio
Net sales	4,168	-	4,464	-	296	7.1%
Healthcare Solution Business	2,893	69.4%	3,136	70.3%	243	8.4%
Record Book Business	1,819	43.6%	1,887	42.3%	68	3.7%
Web Solution Business	230	5.5%	233	5.2%	3	1.3%
Marketing support for the senior market	86	2.1%	90	2.0%	4	4.7%
Support for those balancing their professional and caregiving duties	133	3.2%	127	2.8%	-6	-4.5%
Medical solutions	10	0.2%	15	0.3%	5	50.0%
Care Supply Business	843	20.2%	1,015	22.7%	172	20.4%
Home-Centered Service Business	1,274	30.6%	1,327	29.7%	53	4.2%
Ambulant care	445	10.7%	406	9.1%	-39	-8.8%
Home-visit eldercare	508	12.2%	482	10.8%	-26	-5.1%
Residential eldercare support	320	7.7%	350	7.8%	30	9.4%
Facility care	-		88	2.0%		
Gross profit	1,467	35.2%	1,649	36.9%	182	12.4%
Operating profit	156	3.7%	99	2.2%	-57	-36.5%
Healthcare Solution Business	338	11.7%	417	9.3%	79	23.4%
Record Book Business	212	11.7%	284	15.1%	72	34.0%
Web Solution Business	49	21.3%	53	22.7%	4	8.2%
Care Supply Business	76	9.0%	79	7.8%	3	3.9%
Home-Centered Service Business	377	29.6%	284	21.4%	-93	-24.7%
Adjustment amount	-559	-	-603	-	-	-
Ordinary profit	289	6.9%	149	3.3%	-140	-48.4%
Profit attributable to owners of parent	186	4.5%	35	0.8%	-151	-81.2%

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 briefing materials

The results by segment are described below.

(1) Healthcare Solution Business

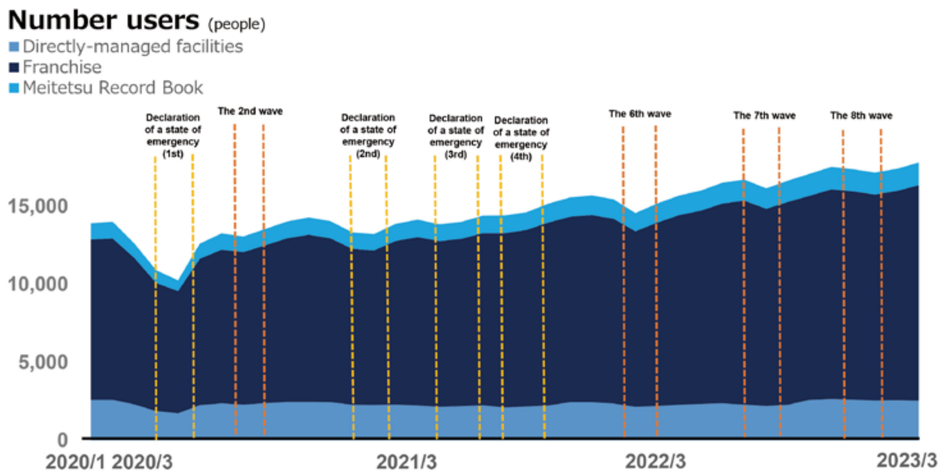
In the Healthcare Solution Business, sales and profits grew, as net sales increased 8.4% YoY to ¥3,136mn, and operating profit increased 23.4% to ¥417mn.

a) Record Book Business

In the Record Book Business, net sales increased 3.7% to ¥1,887mn and operating profit rose 34.0% to ¥284mn. Royalty income from franchise facilities increased YoY, because the Company focused on measures for existing franchise members to open new facilities and steadily increased the number of new franchise facilities even while undergoing the impact of COVID-19, and the overall capacity utilization rate of existing Record Book facilities recovered as a result of greater understanding of the importance of regular exercise among the elderly. The segment operating profit margin rose 3.4pp YoY to 15.1% due to the steady increase of profitable franchise facilities.

The Company continues to see a certain level of new facility openings even amid COVID-19. In addition to new members, the Company is focusing on supporting improved results at the facilities of existing members to encourage openings of their second and third facilities, and the strategy to encourage them is going well. The number of users is on an uptrend as a result of the gradual easing of various restrictions related to COVID-19 and increased understanding among the elderly of the importance of regular exercise as a measure for preventing secondary health conditions. The eighth wave of COVID-19 has been mild compared to previous waves; the number of users in March 2023 reached a record high.

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

b) Web Solution Business

In the Web Solution Business, net sales increased 1.3% to ¥233mn and operating profit rose 8.2% to ¥53mn. In its focus on the profitable Web Solution Business, the Company recorded sales growth of marketing support for the senior market and medical solutions business, but sales of support for those balancing their professional and caregiving duties declined slightly YoY.

The number of companies adopting the support for those balancing their professional and caregiving duties service steadily increased, including companies in the Hitachi Group and Cornes Group amid a favorable business environment of companies promoting SDGs and ESG initiatives. The Company also noted that the new cloud service "Wakarukaigo Biz Cloud" launched in October 2022 was highly rated by users. However, sales turned down due to some companies terminating their contracts.

The Company strengthened sales activities in the medical solutions field by holding seminars for pharmaceutical companies and medical device manufacturers as well as concentrating on promotional activities. This proved successful, resulting in multiple new projects. The Company recorded solid sales growth of marketing support for the senior market despite customer companies paring their marketing budgets due to the COVID-19 impact.

In terms of topics, the Company launched the aforementioned Wakarukaigo Biz Cloud service in October 2022. The service offers significantly improved operability and convenience, because it enables centralized management via the cloud of various content, from that pertaining to customer companies conducting surveys to assess their employees' conditions to the analysis and comparison of survey results and examination and implementation (requesting) of necessary support measures. The service also enhances safety on the information management and security fronts by enabling verification via the cloud of various measures' implementation status and results as well as created content. The Company plans to strengthen its lineup of services provided via Wakarukaigo Biz Cloud in FY3/24 onward and will continue focusing on cross-selling and upselling.

Dashboard functions

Source: Prepared by FISCO from the Company's press release

c) Care Supply Business

In the Care Supply Business, the Company recorded increased sales and profits, as net sales increased 20.4% to ¥1,015mn and operating profit rose 3.9% to ¥79mn. Net sales grew sharply due to brisk performance of existing businesses and making Seikougiken a consolidated subsidiary in October 2022. Although profit increased, the growth rate was modest compared to that of net sales due to booking expenses, etc., related to the M&A of Seikougiken.

Synergy effects between FullCare and Seikougiken have materialized in terms of both sales activities and the value chain in the Care Supply Business, as stated earlier. We at FISCO expect the Company's earnings expansion to continue, driven by these synergy effects.

(2) Home-Centered Service Business

In the Home-Centered Service Business, net sales increased 4.2% to ¥1,327mn and operating profit fell 24.7% to ¥284mn. Net sales increased as a result of acquiring two residential-type fee-charging homes for the elderly previously operated by Ainoie (Fleur Garden Ichihara and Fleur Garden Sagamihara) in December 2022. However, profit declined due to expense increases associated with the spin-off of Kankeisha at the start of FY3/23 and acquisition of the facility care business by business transfer.

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 FY3/23, total assets increased ¥356mn from the end of the previous period to ¥3,185mn, of which current assets increased ¥97mn to ¥2,048mn. This is mainly due to a ¥95mn increase in notes and accounts receivable – trade. Non-current assets increased ¥258mn to ¥1,137mn due to increases of ¥208mn in intangible assets and ¥109mn in investments and other assets. Total liabilities increased ¥312mn to ¥1,896mn, of which current liabilities increased ¥336mn to ¥1,456mn due to factors including increases of ¥100mn in short-term borrowings, ¥73mn in deposits, and ¥60mn in income taxes payable. Non-current liabilities decreased ¥24mn to ¥439mn, chiefly because of a ¥36mn decrease in long-term borrowings offset against a ¥15mn increase in asset retirement obligations. Net assets increased ¥44mn to ¥1,289mn, mainly reflecting an increase in retained earnings of ¥24mn due to the recording of profit attributable to owners of parent and ¥19mn decrease in treasury stock. As a result, the equity ratio declined 3.5pps to 40.5%, the current ratio fell 33.5pps to 140.6%, and the non-current ratio rose 17.7pps to 88.2%. These three management indicators have worsened slightly, but remain within the acceptable range. We at FISCO therefore believe that the Company's financial position remains sound.

Consolidated balance sheet and management indicators

(¥mn)

	End of FY3/22	End of FY3/23	Increase/decrease amount
Current assets	1,951	2,048	97
Cash and deposits	1,130	1,107	-23
Non-current assets	878	1,137	258
Property, plant and equipment	340	280	-60
Intangible assets	240	449	208
Total assets	2,829	3,185	356
Total liabilities	1,584	1,896	312
Current liabilities	1,120	1,456	336
Non-current liabilities	463	439	-24
Net assets	1,245	1,289	44
Retained earnings	798	822	24
Total liabilities and net assets	2,829	3,185	356
[Safety]			
Equity ratio	44.0%	40.5%	-3.5pt
Current ratio	174.1%	140.6%	-33.5pt
Non-current ratio	70.5%	88.2%	17.7pt

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

In FY3/23, cash flow provided by operating activities was ¥302mn. The main inflows were depreciation of ¥126mn and profit before income taxes of ¥107mn. Cash flow used in investment activities was ¥301mn. The main inflow was ¥35mn from a business transfer and the main outflow was ¥258mn due to the acquisition of a business. Cash flow used in financing activities was ¥24mn. The main inflow was a ¥100mn net increase in short-term borrowings. The main outflow was ¥115mn for repayment of long-term borrowings. As a result, cash and cash equivalents decreased ¥23mn to ¥1,107mn at the end of FY3/23.

Consolidated statements of cash flows

(¥mn)

	FY3/22	FY3/23
Cash flow from operating activities	271	302
Cash flow from investing activities	-236	-301
Cash flow from financing activities	250	-24
Cash and cash equivalents increase/decrease amount	285	-23
Cash and cash equivalents balance at the end of the quarter	1,130	1,107

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

Future outlook

Outlook for sales and profit growth driven by M&A effect and DX investment in FY3/24; to step up pace of opening new Record Book facilities again

● **FY3/24 results outlook**

For the FY3/24 consolidated results, the Company forecasts increases in sales and profits, with increases of 12.5% YoY in net sales to ¥5,022mn, 74.2% in operating profit to ¥172mn, 7.5% in ordinary profit to ¥160mn, and 202.6% in profit attributable to owners of parent to ¥106mn. The Company's forecast assumes far less impact of COVID-19 on earnings versus FY3/23, expecting the normalization of social activities and people becoming more motivated to go out and further revitalization of socio-economic activities, etc. after COVID-9 shifted to a Class 5 disease, the same as seasonal influenza, on May 8, 2023, and health awareness increasing among seniors. In this context, the Company expects the M&A of Seikougiken and facility care business (Fleur Garden Ichihara and Fleur Garden Sagamihara) conducted in FY3/23 to begin contributing to top-line earnings growth. It also looks for sharp profit growth driven by improvements in productivity and profitability as a result of investment in IT systems.

In the Record Book business, where the impact of the pandemic is fading, the Company has seen an increase in inquiries for opening new facilities. It plans to place particular focus on re-accelerating the opening of new facilities by existing franchise members. It plans to open 30 facilities in FY3/24 for a total number of users of around 18,000 at end-FY3/24.

As the impact of the pandemic fades, client companies of the senior marketing support business are regaining their motivation to invest. The business environment has also become more favorable, such as resuming in-person sales activities. In this context, the Company plans to strengthen sales activities further to focus on acquiring new clients.

The operating environment is improving for support for those balancing their professional and caregiving duties, because companies are promoting SDGs and ESG initiatives and the government is supporting workers who balance work and caregiving. The Company plans to develop new services for dementia patients and others to expand its service lineup and grow earnings by cross-selling and up-selling. It also aims to expand earnings efficiently by strengthening sales activities that target major corporate groups.

The Company forecasts steep earnings growth for medical solutions, due in part to winning new orders from companies in FY3/23 that adopted the service in earnest. It will also continue to acquire new customers through running seminars and strengthening up promotions.

In the Care Supply Business, the Company plans to expand earnings by accelerating business activities centered on FullCare and Seikougiken, which it acquired in FY3/23. It also plans to enhance its competitiveness further through collaboration with other businesses, including a welfare equipment sales and rental business that leverages the motor function assessment know-how of the Record Book business.

The Company looks for a gradual recovery of services in the Home-Centered Service business despite the significant impact of COVID-19 on fluctuations of user numbers, etc. It also expects the facility care business acquired in FY3/23 to contribute to earnings growth.

FY3/24 consolidated results outlook

(¥mn)

	FY3/23		FY3/24		Increase/decrease	
	Result	% of sales	Forecast	% of sales	Amount	Ratio
Net sales	4,464	-	5,022	-	558	12.5%
Healthcare Solution Business	3,136	70.3%	3,449	68.7%	313	10.0%
Record Book Business	1,887	42.3%	1,883	37.5%	-4	-0.2%
Web Solution Business	233	5.2%	291	5.8%	58	24.9%
Marketing support for the senior market	90	2.0%	104	2.1%	14	15.6%
Support for those balancing their professional and caregiving duties	127	2.8%	133	2.6%	6	4.7%
Medical solutions	15	0.3%	54	1.1%	39	260.0%
Care Supply Business	1,015	22.7%	1,274	25.4%	259	25.5%
Home-Centered Service Business	1,327	29.7%	1,573	31.3%	246	18.5%
Ambulant care	406	9.1%	442	8.8%	36	8.9%
Home-visit eldercare	482	10.8%	503	10.0%	21	4.4%
Residential eldercare support	350	7.8%	362	7.2%	12	3.4%
Facility care	88	2.0%	264	5.3%	176	200.0%
Operating profit	99	2.2%	172	3.4%	73	73.7%
Healthcare Solution Business	417	9.3%	535	28.4%	118	28.3%
Record Book Business	284	15.1%	361	19.2%	77	27.1%
Web Solution Business	53	22.7%	57	19.6%	4	7.5%
Care Supply Business	79	7.8%	116	9.1%	37	46.8%
Home-Centered Service Business	284	21.4%	364	23.1%	80	28.2%
Adjustment amount	-603	-	-727	-	-	-
Ordinary profit	149	3.3%	160	3.2%	11	7.4%
Profit attributable to owners of parent	35	0.8%	106	2.1%	71	202.9%

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

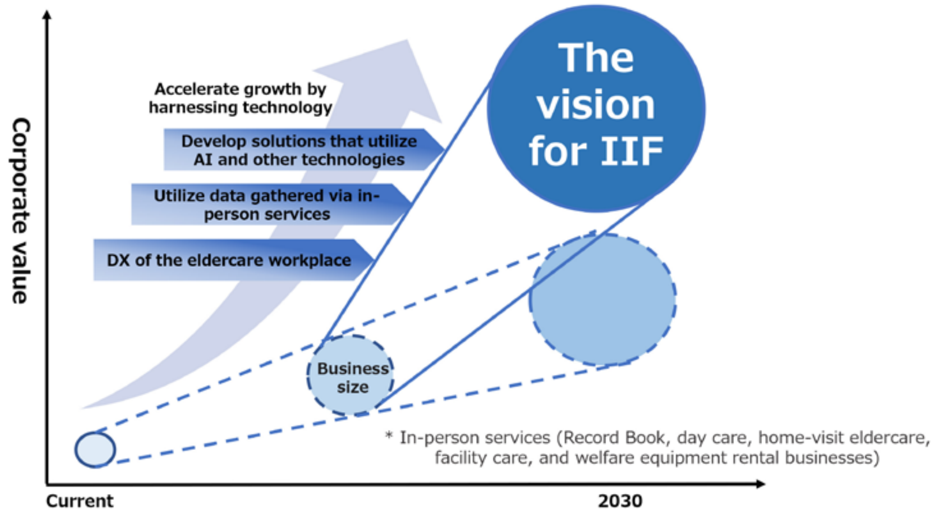
Medium-term management policies

Updated medium-term vision as IIF Vision 2030; harnessing technology to extend healthy lifespans and expand earnings

In June 2023, the Company once again updated its Medium-Term Vision 2025 and priority strategies in its Medium-Term Strategy to formulate release "IIF Vision 2030: Creating a healthy future with in-person services and technology." It regards its mission as solving the problems of a super-aged society, and aims to expand existing businesses, harness technologies to accelerate growth, and extend healthy lifespans. Specifically, this entails active use of technology in business activities such as progressing DX in the front line of eldercare, utilizing data collected in physical facilities, and developing solutions that harness AI to make existing businesses more competitive and enhancing added value. It also plans to proactively begin new businesses not covered by long-term care insurance by M&A and other means to diversify its earnings base. In the longer term, the Company aims to offer solutions for extending healthy lives at every stage, from preventative care to services for medium- to high-level users. By promoting these measures, the Company targets in the final year of the plan period (FY3/27) net sales of ¥5,060mn, operating profit of ¥540mn, profit attributable to owners of parent of ¥500mn, ROE of 17.9%, and operating profit margin of 10.6%. Of these targets, the Company identifies ROE and operating profit margin as KPIs. It plans to improve ROE by providing services with high added value, which will improve profit margins.

The trend of an aging population is expected to continue in the medium to long term. Consequently, demand for the Company's healthcare services will likely remain robust. Earnings of the profitable Web Solution business are also brisk. As a result, we expect the Company's profitability to trend up in the longer term.

IIF Vision2030



Source: The Company's materials, the Business Plan and Items relating to Growth Potential

Medium-term management plan

(¥mn)

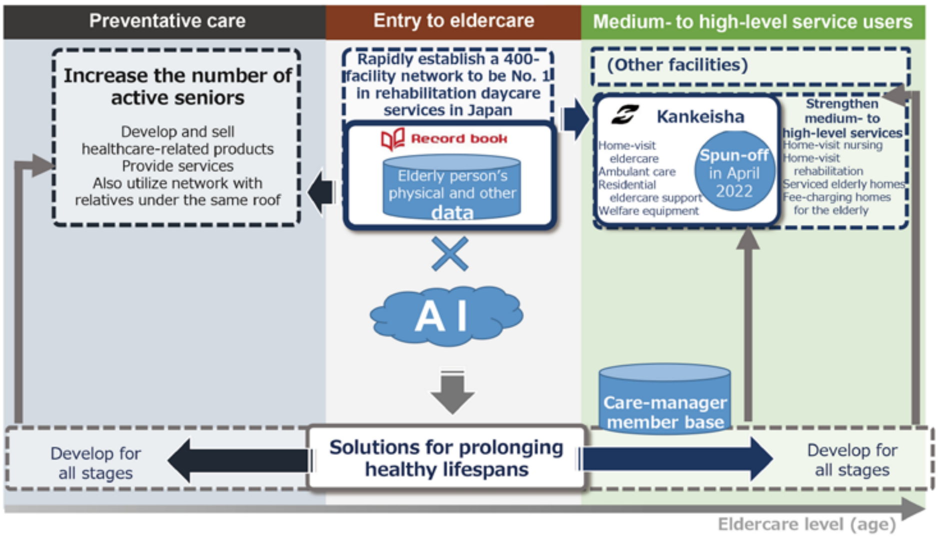
	FY3/23 Result	FY3/24 Forecast	FY3/25 Target	FY3/26 Target	FY3/27 Target
Net sales	4,464	5,022	4,880	4,850	5,060
Healthcare Solution Business	3,136	3,449	3,237	3,199	3,406
Record Book Business	1,887	1,883	1,558	1,445	1,576
Web Solution Business	233	291	335	377	419
Care Supply Business	1,015	1,274	1,344	1,377	1,411
Home-Centered Service Business	1,327	1,573	1,641	1,646	1,658
Operating profit	99	172	350	420	540
Operating profit margin	2.2%	3.4%	7.2%	8.7%	10.6%
Profit attributable to owners of parent	35	106	230	280	500
ROE	2.8%	7.9%	15.6%	16.3%	17.9%

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

Further, the Company is promoting structural reforms, including M&A, with a view to the post-COVID era. As stated earlier, in FY3/23, it executed two M&A transactions. In the future, it plans to offer solutions for extending healthy lives at every stage, from preventative care to services for medium- to high-level users. The Company also plans to focus on building an earnings base that is resistant to long-term care insurance price revisions.

Medium-term management policies

Vision



Source: The Company's results briefing materials

The sales targets by segment are described below.

(1) Record Book Business

The net sales target for FY3/27 is ¥1,576mn. The Company lowered its net sales forecast after reviewing plans to increase the number of franchise facilities. With regard to its strategy for new facilities, it plans to focus on helping existing franchise members improve their earnings by opening second and third facilities. The Company targets a total of 400 Record Book facilities (mainly franchise facilities) in FY3/27, with a further increase to about 1,000 facilities in the 2030s. It forecasts profit margin improvement from increased royalty revenue despite a one-time dip in net sales as it promotes franchise members rooted in their communities, which will likely reduce the number of directly managed facilities with big sales. The Company also plans to lift profitability further by differentiating its facilities by the use of data and AI and collaborating with other businesses.

(2) Web Solution Business

The net sales target for FY3/27 is ¥419mn. 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. As previously mentioned, bolstered sales activities helped the Company win new orders for several projects in FY3/23, which are expected to further contribute to earnings.

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, by 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 revised Long-Term Care Insurance Act, 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 FY3/27 is ¥1,411mn. The Company made a large upward revision to its earnings plan after making Seikougiken a subsidiary in October 2022. In terms of strategy, 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. We expect synergy effects between FullCare, which has provided a home renovation service in the area for over 20 years, and new subsidiary Seikougiken (70% of whose clients are seniors) by sharing sales expertise and customer base. Seikougiken will also help the Company diversify its business portfolio beyond long-term care insurance-related work, because it operates a home renovation business mainly outside the scope of long-term care insurance. In this way, the Company aims to increase its earnings capability by building an earnings base that is not easily affected by long-term care insurance fee revisions.

(4) Home-Centered Service Business

The net sales target for FY3/27 is ¥1,658mn. 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 medium-to high-level users and to prolong healthy lifespans through eldercare at every stage, from the active senior group to the elderly who require a high level of eldercare. Under this policy, Kankeisha took over two residential-type fee-charging homes for the elderly and business accompanying them from Ainoie in December 2022. The Company aims to acquire facility care know-how quickly, as well as expand earnings through interactions leveraging the environment located near Kankeisha's existing offices. It also aims to contribute to healthy life expectancy for users in various stages of long-term care in the future.

(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

To begin paying dividends in FY3/24; targeting dividend payout ratio of 20% going forward

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 plans to pay a dividend of ¥4.0 per share in FY3/24. 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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