COMPANY RESEARCH AND ANALYSIS REPORT

internet infinity INC.

6545

Tokyo Stock Exchange Growth Market

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Index

Summary

Increase in net sales and profit in 1H FY3/24. M&A deals contributed to increase in net sales

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. 1H FY3/24 results summary

In the 1H FY3/24 consolidated results, net sales increased 16.8% year on year (YoY) to ¥2,434mn, operating profit rose 71.5% to ¥60mn, ordinary profit increased 35.5% to ¥71mn, and profit attributable to owners of parent rose 25.4% to ¥33mn. Both Seikougiken (which became a consolidated subsidiary in October 2022) and the facility care business acquired by business transfer (in December 2022) from AINOIE contributed to net sales. In Record Book, which is a core business, as the external environment improved, including COVID-19 shifting to a Class 5 disease, the normalization of economic and social activities, and the spread of a new lifestyle amid COVID-19, the total number of users set a new record high. In the franchise business, plan changes for some franchise contracts meant net sales were slightly lower YoY, though this had no impact on profits. However, there was a YoY increase in sales of directly-managed facilities due to factors including the recovery in the number of users, and with this the increase in overall sales in Record Book boosted net sales on a consolidated basis. Also, the Web Solution Business, which has relatively high profitability, showed positive progress, and sales increased YoY in all services. Meanwhile, profit on a consolidated basis increased YoY as existing businesses accumulated solid profits, despite the existence of factors acting to reduce profit, including expenses accompanying the head office relocation aimed at cutting fixed costs and increasing operational efficiency, as well as the fact that the earnings of Seikougiken (acquired via M&A) fell short of expectations.

2. FY3/24 results outlook

For the FY3/24 consolidated results, the Company forecasts increased net sales and profits, with increases of 12.5% YoY in net sales to ¥5,022mn, 79.6% in operating profit to ¥172mn, 9.7% in ordinary profit to ¥160mn, and 213.6% in profit attributable to owners of parent to ¥106mn. These forecasts are unchanged from the initial forecasts. The Company's forecast assumes that the impact of COVID-19 will be minimal versus FY3/23, anticipating the further revitalization of social and economic activities after COVID-19 was reclassified as a Class 5 disease, the same as seasonal influenza, in May 2023 under the Infectious Disease Act, along with the normalization of social activities and people becoming more motivated to go out, as well as health awareness increasing among seniors. In the Record Book business, the Company will focus on measures to help existing franchise members open new facilities, and plans to re-accelerate the pace of new facility openings by existing owners, which had slowed due to the COVID-19 pandemic. Also, the two M&A deals executed in FY3/23 (Seikougiken, the facility care business) are expected to contribute to earnings growth in the Active Life Business and the Home-Centered Service Business. The Company is also expecting steady results in the Web Solution Business due to the fact that client companies have regained their motivation to invest, along with other factors. As of the end of 1H FY3/24, progress in the Record Book Business (for franchise facilities) and the Active Care Business were a bit weak, but the Company will implement various business measures through the end of the fiscal year and will accumulate sales and profit. Specifically, in the Record Book Business, the Company will build a system to study properties within the Company to address the rising demand for properties. In the Active Life Business, the Company is planning to quickly make Seikougiken profitable by diversifying the sales methods and products by transforming the internal system, along with other efforts.

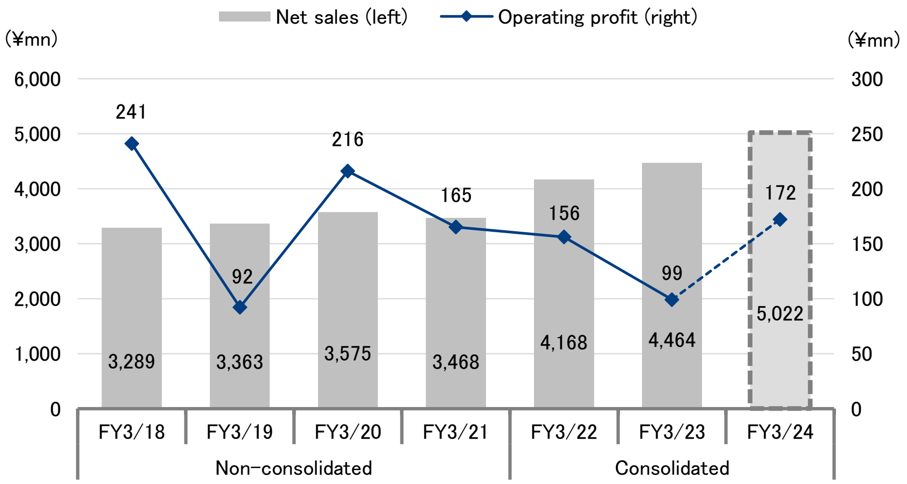
3. Medium-term management policies

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 1H FY3/24, the consolidation of Seikougiken and the facility care business were factors behind the increase in sales
- In terms of profit, negative factors included the operating loss by Seikougiken and head office relocation expenses, but these were covered by the increase in profit in existing businesses
- For FY3/24, the Company is expecting increases in both sales and profit amid the improvement in the business environment
- 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. Recently, the Company has been utilizing M&A to expand its business scope. Through this, it is stabilizing the earnings base and realizing a business structure that is not easily affected by the external environment. Another of its features is that its building business models that can effectively generate profits. Within the Healthcare Solution Business, the strategy for the Record Book Business is to increase franchise facilities that have high profit margins, while in addition, the profit margin is relatively high in the Web Solution Business.

The Company was established by Representative Director Keiichi Beck in May 2001 as internet infinity Ltd. in order to conduct a systems integration business. After around a year had passed from the Company's establishment, it was conducting a work system construction project for a client in the eldercare industry, and during this time, it became aware of the enormous business opportunities in this industry. Therefore, in October 2002, the Company established the home-visit eldercare business office and launched an eldercare-related business. Then in August 2005, it opened Care Management Online, its dedicated care manager portal site, and started a senior marketing support business as a new business. Subsequently in October 2011, it opened Record Book Nihonbashi and started the Record Book Business, which consists of short-time, rehabilitation daycare services, and then started developing Record Book franchise operations in March 2014. In April 2021, it made a subsidiary of 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 (Fleur Garden Ichihara and Fleur Garden Sagamihara), aggressively expanding its business portfolio.

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

History

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

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 marketing support for the senior market and support for those balancing their professional and caregiving duties using the care manager network constructed through Care Management Online, the dedicated care manager portal site; and the Active Life Business, which leases and sells eldercare utensils and provides residential renovation services. Conversely, in the Home-Centered Service Business, it provides various long-term care insurance services for elderly people living at home.

In the percentages of net sales in 1H FY 3/24, the Record Book Business provided 38.1%, the Web Solution Business 5.8%, the Care Supply Business 24.4%, and the Home-Centered Service Business 31.7%.

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-1H FY3/24, the Company had 28 directly-managed facilities and 173 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 222 was 8 more than at end-1H FY3/23, marking a steady increase despite the impact of COVID-19. With COVID-19 being reclassified as a Class 5 disease, there has been an increase in inquiries by entities hoping to open facilities. Although there is currently excess demand due to the fact that the period until property selection is longer than anticipated, the Company will continue to focus on speeding up property selection by bolstering its property development system through the end of FY3/24.

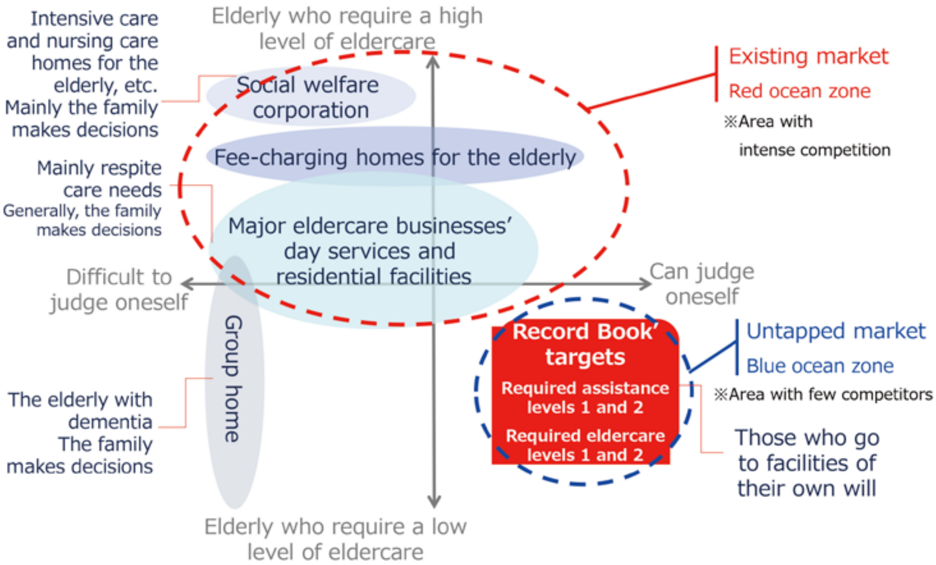
The features of Record Book facilities include "spaces that do not feel like eldercare spaces" that instead look like fitness clubs or dance studios, "professional exercise guidance" that incorporates fully fledged exercise programs based on scientific evidence, and "hospitality" aiming for active communication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

The Company actively utilizes the data collected through this business for the Record Book programs. In April 2022, it developed jointly with LiveSmart KK, a walking-analysis application that utilizes Record Book data and AI and launched a service using it at Record Book directly-managed facilities. The app takes a picture of TUG measurements* and 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 whom self-determination is possible, and it has few competitors and has acquired competitive advantages. Compared to the number of subjects targeted by rehabilitation daycare services facilities to which Record Book belongs, there are few facilities for them, and the market 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 fact, in November 2023 Record Book nationwide launched sales of training puzzles for seniors jointly developed with Plaza Create Co., Ltd. In addition to the directly-managed facilities, Record Book has been developing franchise operations since 2014, and the royalty income from franchise members is a stable source of revenue (recurring revenue).

Record Book Business' competitive advantages



Source: Reprinted from the 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 FY3/24, the Company enhanced the quality and quantity of the site's content by brushing up the work support tools and through tie-ups with other companies. In particular, in October 2023, the Company newly developed a work support tool utilizing ChatGPT. This tool helps care managers with writing reports and other tasks, and allows care managers to work much more efficiently. Currently, users of the tool are giving it positive reviews, and there are many inquiries about it. Due to these developments, there has been a steady increase in the number of members, with over 100,000 care managers registered as of the end of 1H FY3/24. The Company plans to continue making the portal site more attractive to care managers, and will focus on further enhancing its content ahead of the revision of the Long-Term Care Insurance Act in spring 2024.

The Company is connected to around 3.6mn 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, and those that started in 1H FY3/24 include 25 Hitachi Group companies as well as ELCARE Co., Ltd. and Marusan Securities <8613>. At the end of 1H FY3/24, 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. Additionally, in November 2023 the Ministry of Health, Labour and Welfare decided on a policy to obligate all companies to inform their employees about eldercare support systems. Under this government policy, demand for this service is expected to increase further.

* 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) Active Life 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 provide residential renovation services. Recently, in October 2022, the Company acquired Seikougiken, based in Hiroshima Prefecture, which mainly provides home renovation services, expanding its business portfolio to services outside the scope of long-term care insurance. By making Seikougiken a consolidated subsidiary, the Company is now able to provide residential renovation services (that was previously outsourced) for FullCare within the Group. Furthermore, synergies are also being created from a business activities aspect, such as FullCare winning projects and introducing them to Seikougiken.

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

In conjunction with the acquisition of Seikougiken, from 1H FY3/24 the Company changed the name of the business from the Care Supply Business to the Active Life Business.

2. Home-Centered Service Business

Targeting the elderly 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 1H FY3/24, it was managing eight business offices.

(2) Home-visit eldercare services

Specialist home-visit eldercare nurses (home helpers) visit the homes of the elderly who require eldercare and assistance and provide them with eldercare, such as for bathing, going to the toilet, and eating. They also support their daily living activities, including cleaning, changing clothes, and shopping. At the end of 1H FY3/24, it was managing four business offices.

(3) Ambulant care services (Day services)

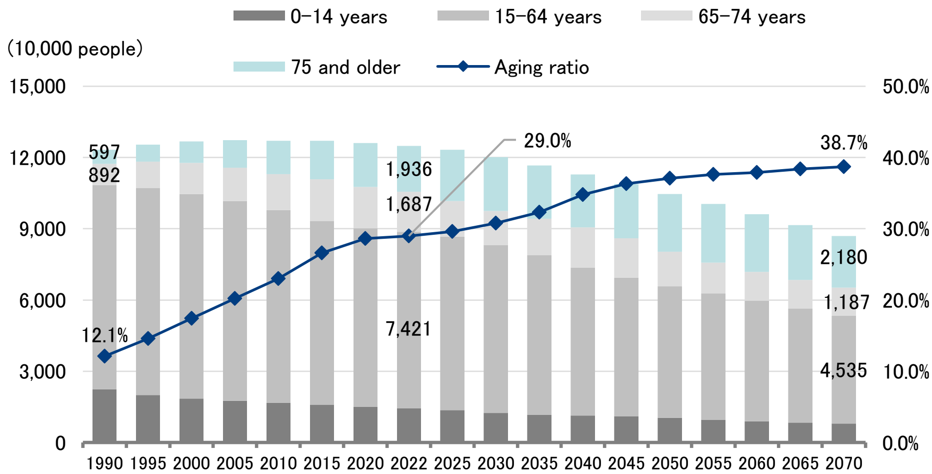
Targeting the elderly who require eldercare and assistance, this business provides eldercare services at day service centers, such as support for bathing, going to the toilet, and eating, and other support for daily living activities. It also provides support services for the elderly's independence, including functional training and recreation activities. At the end of 1H FY3/24, it was managing six business offices.

In addition, in December 2022, consolidated subsidiary Kankeisha acquired residential-type fee-charging homes for the elderly by business transfer to move into the facility care business. 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, whom the Company targets, continue to trend upwards both in terms of their absolute number and their percentage of the total population. According to the "Annual Report on the Ageing Society 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 143.3% 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 FY2023" 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

Results for Record Book Business and Home-Centered Service Business were generally as expected. Results for the Web Solution Business were positive, but results for the Active Life Business fell short of the forecast

1. 1H FY3/24 results summary

In the 1H FY3/24 consolidated results, net sales increased 16.8% to ¥2,434mn, operating profit rose 71.5% to ¥60mn, ordinary profit increased 35.5% to ¥71mn, and profit attributable to owners of parent rose 25.4% to ¥33mn. In net sales, in addition to steady growth in sales in the existing businesses of Record Book, Web Solution, and Home-Centered Service, both Seikougiken (which became a consolidated subsidiary in October 2022) and the facility care business acquired by business transfer (in December 2022) from AINOIE both grew their sales. Record Book, which is a core business, solidly increased sales as the external environment improved, including COVID-19 being reclassified as a Class 5 disease. Although net sales of franchise facilities declined YoY due to factors including plan changes for some franchise contracts, there was a YoY increase in sales of directly-managed facilities due to factors including the recovery in the number of users, and this offset the decline in franchise facility sales. Meanwhile, profit on a consolidated basis increased YoY as existing businesses accumulated solid profits, despite the existence of factors acting to reduce profit, including expenses accompanying the head office relocation aimed at cutting fixed costs and increasing operational efficiency, as well as the fact that the earnings of Seikougiken (acquired via M&A) fell short of expectations.

1H FY3/24 consolidated results

(¥mn)

	1H FY3/23		1H FY3/24		YoY	
	Result	% of net sales	Result	% of net sales	Amount	% change
Net sales	2,083	-	2,434	-	350	16.8%
Healthcare Solution Business	1,445	69.4%	1,662	68.3%	217	15.0%
Record Book Business	920	44.2%	925	38.1%	4	0.5%
Web Solution Business	103	5.0%	141	5.8%	38	36.9%
Marketing support for the senior market	34	1.7%	60	2.5%	26	76.5%
Support for those balancing their professional and caregiving duties	63	3.0%	69	2.8%	5	9.5%
Medical solutions	5	0.3%	11	0.5%	5	120.0%
Active Life Business	420	20.2%	594	24.4%	174	41.4%
Home-Centered Service Business	638	30.6%	771	31.7%	133	20.9%
Ambulant care	214	10.3%	231	9.5%	17	7.9%
Home-visit eldercare	248	11.9%	240	9.9%	-7	-3.2%
Residential eldercare support	174	8.4%	175	7.2%	1	0.6%
Facility care	-	-	122	5.1%	122	-
Gross profit	736	35.3%	883	36.3%	146	19.9%
Operating profit	35	1.7%	60	2.5%	25	71.5%
Healthcare Solution Business	156	10.8%	155	9.4%	0	-0.4%
Record Book Business	109	11.8%	124	13.4%	14	13.8%
Web Solution Business	14	13.6%	23	16.3%	9	64.3%
Active Life Business	31	7.4%	7	1.2%	-24	-77.4%
Home-Centered Service Business	143	22.5%	177	23.0%	33	23.3%
Adjustment amount	-264	-	-272	-	-	-
Ordinary profit	53	2.5%	71	3.0%	18	35.5%
Profit attributable to owners of parent	27	1.3%	33	1.4%	6	25.4%

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

The results by segment are described below.

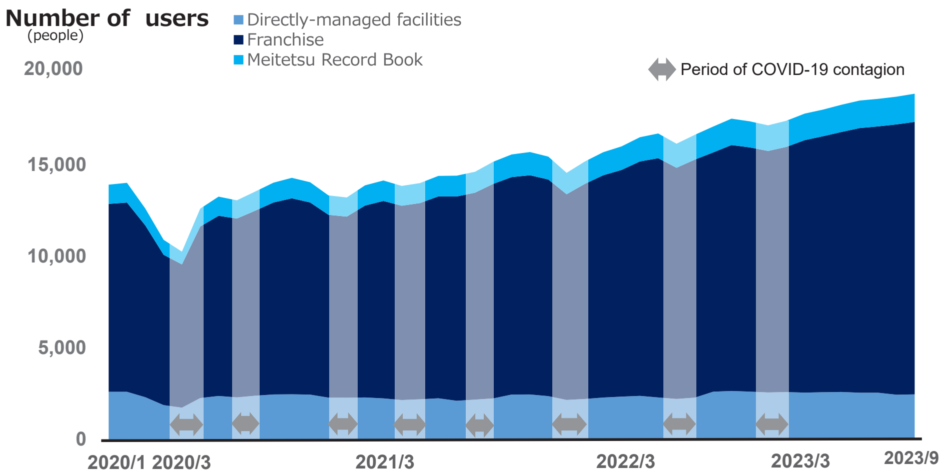
(1) Healthcare Solution Business

In the Healthcare Solution Business, sales increased and profits decreased, as net sales increased 15.0% YoY to ¥1,662mn, and operating profit decreased 0.4% to ¥155mn.

a) Record Book Business

In the Record Book Business, net sales increased 0.5% to ¥925mn and operating profit rose 13.8% to ¥124mn. Although net sales of franchise facilities declined YoY due to factors including plan changes for some franchise contracts, there was a YoY increase in sales of directly-managed facilities due to factors including the recovery in the number of users, and this covered the decline in franchise facility sales. Amid the improvement in the external environment, including COVID-19 being reclassified as a Class 5 disease as well as seniors becoming more aware of the importance of regular exercise, the number of users of both franchise and existing facilities steadily increased, and the total number of Record Book users hit a record high. In addition, the increase in the capacity utilization rate rose due to the increase in the number of facilities by existing franchise owners, and this contributed to the growth in the total number of users. With the rise in the capacity utilization rate and other factors under the strategy of focusing on increasing facilities by existing owners, the segment operating profit rose 1.6pp YoY to 13.4%. Meanwhile, regarding the opening of new facilities, there was a decline of two YoY for a cumulative total of six facility openings. Despite the robust demand for facility openings accompanying the normalization of socio-economic activities, property selection has been taking a little bit longer than anticipated, and the Company continues to struggle to fully respond to the robust demand. Going forward, the Company will bolster its in-house property development system and expects to open approximately 15 facilities by the end of FY3/24.

Trend in the number of Record Book users



Source: The Company's financial results briefing materials

b) Web Solution Business

In the Web Solution Business, net sales increased 36.9% to ¥141mn and operating profit rose 64.3% to ¥23mn, as both sales and profit rose sharply. In its focus on the profitable Web Solution Business, the Company recorded strong growth in sales and profit in all services, including marketing support for the senior market, support for those balancing their professional and caregiving duties, and medical solutions.

Regarding support for those balancing their professional and caregiving duties, amid robust demand based on the tailwinds from a business environment in which companies are promoting SDGs and ESG, the Company advanced marketing strategies including cross-selling to large clients, and this helped with efficient cultivation of new clients. During the period, new companies the Company began providing services to included 25 companies in the Hitachi Group, ELCARE, and Marusan Securities. Also, the "Wakarukaigo Biz" service expanded steadily, and with the collaboration with Trinity Technology Co., Ltd. in August 2023, the Company introduced basic knowledge and examples of family trusts to "Wakarukaigo Biz" clients, and the Company started providing services supporting the resolution of issues related to asset freezes. Going forward, the outlook for the business environment is bright, as for example, with the aim of preventing people from quitting work in order to provide care to elderly family members, the Ministry of Health, Labour and Welfare decided on a policy to obligate all companies to inform employees about eldercare support systems. Amid this, we at FISCO think that an increasing number of companies will introduce the Company's services based on the Company's ongoing efforts to bolster its lineup of services.

With respect to elderly customer marketing support, the enhancement of marketing activities led to the Company receiving orders for large projects. In this service, the strategy is to become involved in clients' marketing activities from further upstream processes by boosting its ability to propose solutions. By increasing its value-added, the Company's per project unit price has increased, and this has led to larger projects. Also, by implementing high-value-added pitches, profitability is also expected to increase over the medium to long term.

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 winning multiple new projects.

c) Active Life Business

In the Active Life Business, the Company recorded higher sales and lower profits, as net sales increased 41.4% to ¥594mn and operating profit declined 77.4% to ¥7mn. In addition to solid performance in the existing welfare equipment rental business, the consolidation of Seikougiken which was acquired via M&A in October 2022 helped lift net sales. Meanwhile, on the profit front, the operating loss recorded by Seikougiken had an impact. The reason that net sales fell short of expectations was that it took time for the new marketing style to get established. Going forward, the Company is planning to quickly make Seikougiken profitable by adopting new marketing methods utilizing online tools as well as by diversifying the products it sells. Additionally, in conjunction with the acquisition of Seikougiken via M&A, from 1H FY3/24 the Company changed the name of this business from the Care Supply Business to the Active Life Business.

(2) Home-Centered Service Business

In the Home-Centered Service Business, net sales increased 20.9% to ¥771mn and operating profit rose 23.3% to ¥177mn. In net sales, although net sales declined YoY in the home-visit eldercare business alone, the other existing businesses (ambulant care services and in-home eldercare support services) saw an increase in net sales, while sales increased in the facility care business which the Company took over in December 2022 by business transfer. In terms of profit, the facility care business alone recorded a decline in profit due to PMI-related expenses, but there was an increase in profit in all other businesses.

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

2. Financial condition and management indicators

At the end of 1H FY3/24, total assets increased ¥74mn from the end of the previous period to ¥3,258mn, of which current assets increased ¥77mn to ¥2,126mn. This is mainly due to a ¥33mn increase in cash and deposits and a ¥25mn increase in notes and accounts receivable – trade. Non-current assets decreased ¥3mn to ¥1,132mn due to a decline of ¥40mn in property, plant and equipment and a ¥16mn decline in intangible assets, despite an increase of ¥53mn in investments and other assets. Total liabilities increased ¥71mn to ¥1,967mn, of which current liabilities increased ¥156mn to ¥1,613mn due to factors including increases of ¥94mn in deposits received and ¥38mn in provision for bonuses, despite a ¥17mn decline in income taxes payable. Non-current liabilities decreased ¥85mn to ¥354mn, chiefly because of a ¥64mn decrease in long-term borrowings. Net assets increased ¥3mn to ¥1,291mn, mainly reflecting an increase in retained earnings of ¥33mn due to the recording of profit attributable to owners of parent and a ¥32mn increase in treasury stock. As a result, the equity ratio declined 0.9pp to 39.6%, the current ratio fell 8.8pp to 131.8%, and the non-current ratio dropped 0.4pp to 87.7%. Although the equity ratio and the current ratio worsened slightly, they remain at levels that are not a cause for concern. We at FISCO therefore believe that the Company's financial position remains sound.

Consolidated balance sheet and management indicators

(¥mn)

	FY3/23	1H FY3/24	Increase/decrease amount
Current assets	2,048	2,126	77
Cash and deposits	1,107	1,140	33
Non-current assets	1,135	1,132	-3
Property, plant and equipment	280	240	-40
Intangible assets	472	455	-16
Total assets	3,184	3,258	74
Total liabilities	1,896	1,967	71
Current liabilities	1,456	1,613	156
Non-current liabilities	439	354	-85
Net assets	1,288	1,291	3
Retained earnings	821	855	33
Total liabilities and net assets	3,184	3,258	74
[Safety]			
Equity ratio	40.5%	39.6%	-0.9pp
Current ratio	140.6%	131.8%	-8.8pp
Non-current ratio	88.1%	87.7%	-0.4pp

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

In 1H FY3/24, cash flow provided by operating activities was ¥197mn. The main inflows were increases in deposits received of ¥84mn and depreciation of ¥81mn, which exceeded outflows including ¥57mn in income taxes paid. Cash flow used in investment activities was ¥60mn. This was mainly due to the fact that the outflows including ¥38mn from payments for guarantee deposits and ¥32mn from the purchase of property, plant and equipment exceeded inflows including ¥17mn from the recovery of guarantee deposits. Cash flow used in financing activities was ¥103mn. This was due to factors including outflows of ¥53mn for repayment of long-term borrowings and ¥46mn for the acquisition of treasury shares. As a result, cash and cash equivalents increased ¥33mn to ¥1,140mn at the end of 1H FY3/24.

Consolidated statements of cash flows

(¥mn)

	1H FY3/23	1H FY3/24
Cash flow from operating activities	214	197
Cash flow from investing activities	-4	-60
Cash flow from financing activities	-58	-103
Net increase/decrease in cash and cash equivalents	151	33
Cash and cash equivalents at end of period	1,282	1,140

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

Future outlook

Uncertainties include Seikougiken and Record Book (franchise facilities), but the outlook for the Web Solution Business is positive

● **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, 79.6% in operating profit to ¥172mn, 9.7% in ordinary profit to ¥160mn, and 213.6% in profit attributable to owners of parent to ¥106mn. These forecasts are unchanged from the initial forecasts. The Company's forecast assumes that the impact of COVID-19 will be minimal versus FY3/23, anticipating the further revitalization of social and economic activities after COVID-19 was reclassified as a Class 5 disease, the same as seasonal influenza, in May 2023 under the Infectious Diseases Act, along with the normalization of social activities and people becoming more motivated to go out, as well as health awareness increasing among seniors. As the external environment improves, the Company will expand earnings by steadily growing existing businesses and with Seikougiken and the facility care business it acquired.

In the Record Book business, the Company will focus on measures to help existing franchise members open new facilities, and plans to re-accelerate the pace of new facility openings by existing owners, which had slowed due to the pandemic. In terms of progress as of the end of 1H FY3/24, progress was generally as expected for directly-managed facilities, but progress was slightly less than the expectation for franchise facilities. This was mainly due to the fact that changes of contract plans were occurring faster than expected, and sales such as land rent that have no impact on profit are declining faster than initially expected, as well as the fact that the pace of new facility openings fell short of the Company's forecast. Going forward, amid robust demand for new facility openings, the Company will shorten the period required to select properties by building a system that allows it to focus on property studies, and thereby accelerate the pace of business openings. With this, the Company is expecting to open approximately 15 new facilities by the end of 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 as before. In this context, the Company plans to strengthen sales activities further to focus on acquiring new clients, and to enhance project unit prices and profitability by getting involved in clients' projects from the upstream stage.

The business environment is improving for support for those balancing their professional and caregiving duties, amid the social trend for SDGs and ESG among other factors. In addition, with the aim of preventing people from quitting work in order to provide care to elderly family members, the Ministry of Health, Labour and Welfare has decided a policy to obligate all companies to inform employees about eldercare support systems, and this will provide a tailwind for the Company. While continuously catching up to the government's policies, the Company will continue to focus on enhancing its service lineup.

Regarding medical solutions, the business environment is positive, including more proactive marketing activities amid the resumption of socio-economic activities following the COVID-19 pandemic. Under these circumstances, the Company aims to increase the number of new companies that introduce the Company's services by continuing to hold seminars and strengthening promotions as well as appealing to clients about the effectiveness of direct marketing using care managers. In addition, through the end of FY3/24, the Company will focus on switching to full-scale introduction by companies that have introduced its services on a trial basis, with the aim of enhancing business results.

In the Active Life Business, the Company plans to develop the business centered on FullCare and Seikougiken, which it acquired in FY3/23. Initially, the Company anticipated growing both sales and profits with the addition of Seikougiken, but as of the end of 1H FY3/24, sales were lower than expected and also with an increase in the cost of sales ratio accompanying soaring resource prices, Seikougiken posted an operating loss. With this, the Active Life Business expects full-year net sales and operating profit to both fall short of the forecast. Going forward, the Company will focus on quickly making Seikougiken profitable. Specifically, considering the continuity and future growth prospects of the conventional sales methods centered on in-home eldercare visits, the Company will switch to a strategy of attracting clients and winning orders utilizing online tools, as it aims to stably grow its top line.

In the Home-Centered Service Business, although the impact of the COVID-19 pandemic will have a considerable impact on fluctuations in the number of users, the Company is expecting a gradual recovery in each service. As of the end of 1H FY3/24, progress on both net sales and operating profit were largely as expected. Regarding the facility care business, although the results were slightly lower than the initial plan due to a large number of people moving in and moving out in 1H, due to the recent strengthening of sales activities and promotion of collaboration with local governments, the vacancy rate is on the decline, and the Company's outlook is for sales to grow through the end of FY3/24. In addition, in the in-home eldercare business, the Company is expecting top-line growth towards the end of FY3/24 as a result of the increase in helpers.

FY3/24 consolidated results outlook

(¥mn)

	FY3/23		FY3/24		YoY	
	Result	% of net sales	Result	% of net sales	Amount	% change
Net sales	4,464	-	5,022	-	558	12.5%
Healthcare Solution Business	3,136	70.3%	3,449	68.7%	312	10.0%
Record Book Business	1,887	42.3%	1,883	37.5%	-3	-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	2.9%	133	2.6%	5	4.7%
Medical solutions	15	0.3%	54	1.1%	38	260.0%
Active Life Business	1,015	22.8%	1,274	25.4%	258	25.5%
Home-Centered Service Business	1,327	29.7%	1,573	31.3%	245	18.5%
Ambulant care	406	9.1%	442	8.8%	35	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	13.3%	509	14.8%	92	22.1%
Record Book Business	284	15.1%	360	19.1%	76	26.8%
Web Solution Business	53	22.7%	57	19.6%	3	7.5%
Active Life Business	79	7.8%	91	7.1%	12	15.2%
Home-Centered Service Business	282	21.3%	355	22.6%	73	25.9%
Adjustment amount	-603	-	-692	-	-89	-
Ordinary profit	146	3.3%	160	3.2%	14	9.7%
Profit attributable to owners of parent	33	0.8%	106	2.1%	73	213.6%

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

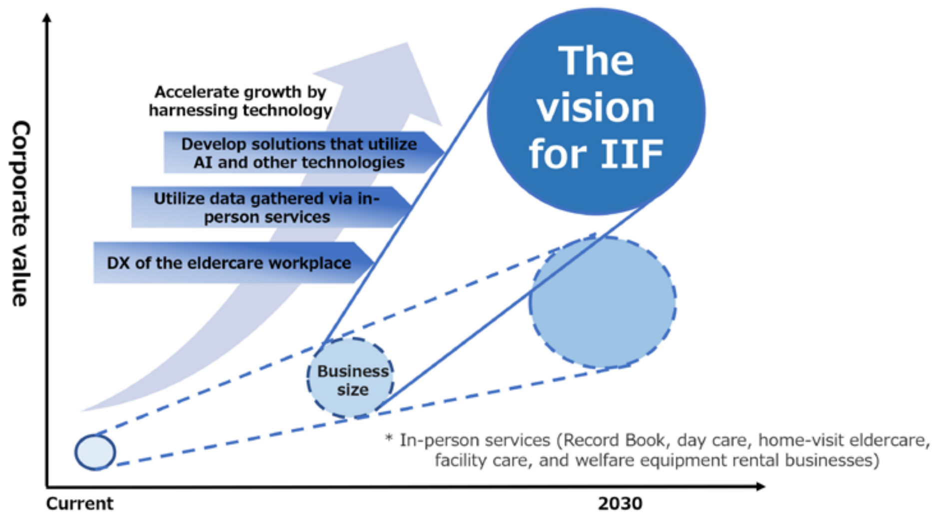
Medium-term management policies

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 "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



* The "Long-Term Vision 2025" and "Key Strategies in the Medium-Term Strategy" announced in June 2022 were revised based on the conclusion of the COVID-19 pandemic, and newly released as "IIF Vision 2030."
Source: The Company's financial results briefing materials

Medium-term management plan

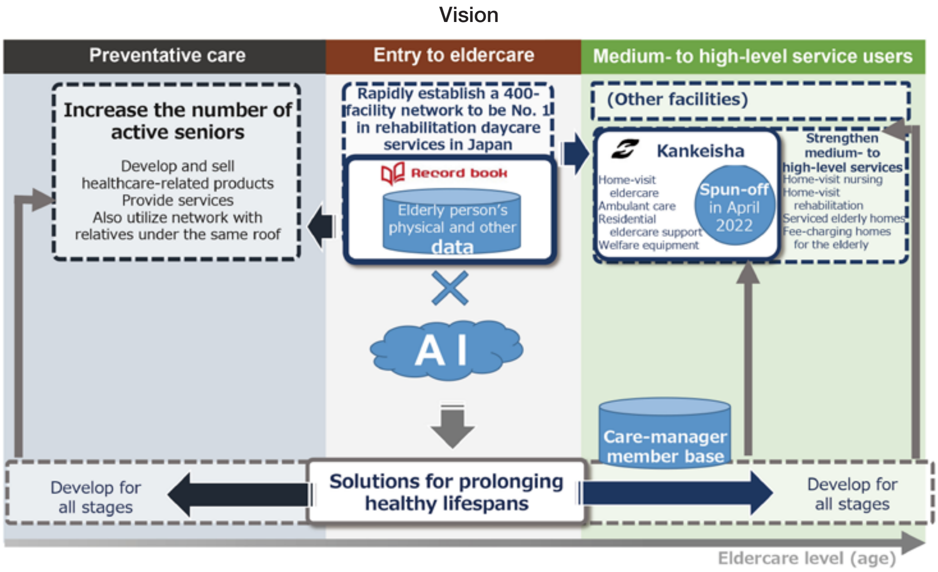
(¥mn)

	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
Active Life 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	33	106	230	280	500
ROE	2.7%	7.9%	15.6%	16.3%	17.9%

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



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 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. Additionally, by becoming involved in clients' projects from further in the upstream stages, the Company is working to increase project unit prices and improve the profitability of projects, and further contributions to earnings are expected going forward.

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 1H FY3/24).

(3) Active Life 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 extending 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.

Disclaimer

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