

Kanamic Network Co., Ltd.

3939

TSE Mothers

22-Jan.-2018

FISCO Ltd. Analyst

Hideo Kakuta



FISCO Ltd.

<http://www.fisco.co.jp>

■ Index

■ Summary	01
1. Business overview	01
2. Results trends	01
3. Business outlook	01
4. Growth strategy	02
■ Company overview	03
1. Company overview	03
2. History	03
3. Business composition	04
■ Business overview	05
1. Business environment	05
2. Cloud service: Overview	05
3. Cloud service: Business model	07
4. Cloud service: Main business indicators	08
5. Cloud service: Strengths and rivals	09
6. Overview of the content service	10
■ Results trends	11
1. FY9/17 results	11
2. Financial conditions and management indicators	12
■ Future outlook	13
● FY9/18 results forecast	13
■ Longer-term growth strategies	14
1. Platform strategy	14
2. Child-rearing support system	16
■ Shareholder return policy	17

Kanamic Network Co., Ltd.

3939 TSE Mothers

22-Jan.-2018

<https://www.kanamic.net/ir/>

Summary

Supports community-based integrated care via cloud service with a theme of “cloud service for all stages of life” Reported all-time high business results in FY9/17 with industry-leading 26% ordinary margin

Kanamic Network Co., Ltd. <3939> (hereafter “Kanamic” and “the Company”) provides medical, nursing care, and child-rearing information service over the cloud. The Company’s new motto of “cloud service for all stages of life” reflects an aim of utilizing ICT to create more vibrant support for child rearing to nursing care. Its corporate mission is “supporting community-based integrated care via cloud service for a highly aged society.” The service provides a platform that facilitates sharing of information that transcends divisions between medical and nursing care and companies and occupations within designated communities. It is a vital service for realizing community-based integrated care promoted by the national government. Kanamic is the overwhelming industry leader in terms of the number of community platform installations with deployments in 616 communities*. It listed shares on the Tokyo Stock Exchange’s Mothers market in September 2016.

* Deployed by municipalities or medical association districts

1. Business overview

Kanamic supplies cloud service, content service, and other services. The mainstay cloud service generates more than 80% of overall sales. It consists of a two-layer structure with an “information-sharing platform” and a “care task management system.” These layers work together mutually to support medical and nursing care collaboration within communities. This framework incorporates efficacy and uniqueness given its development via joint research with the University of Tokyo and refinement in the Kashiwa model of community-based integrated care implemented in Kashiwa, Chiba Prefecture and acquisition of a “Care assistance system and care assistance program” patent (Patent No. 4658225). The cloud service is a classic example of recurring business with steady sales build-up and very high profitability after exceeding the breakeven point (as now).

2. Results trends

In FY9/17, Kanamic reported higher sales and profits with ¥1,291mn in net sales (+14.4% YoY), ¥330mn in operating profit (+25.1%), ¥330mn in ordinary profit (+31.1%), and ¥223mn in profit (+35.3%). Higher sales were driven by steady growth in the mainstay cloud service as well as a contribution from increased sales in the content service with a 26.1% YoY gain. These factors offset the sales drop in other services due to a delay in booking an administrative consignment project. Ordinary profit rose 31.1% YoY and exceeded the initial forecast by 18.0%. Positive trends were benefits from increased sales in the cloud service with strong profitability and a decline in the ratio of other services with many consignment development deals that require manpower. Ordinary margin stands out in the industry at 25.6% (FY9/17).

3. Business outlook

The FY9/18 forecast calls for further sales and profit advances to ¥1,500mn in net sales (+16.1% YoY), ¥360mn in operating profit (+9.0%), ¥332mn in ordinary profit (+0.4%), and ¥230mn in profit (+3.0%). In sales, the mainstay cloud service is slated to continue growing. As for profits, Kanamic only expects slight increases in FY9/18 because of planned investments and spending that target growth from FY9/19.

We encourage readers to review our complete legal statement on “Disclaimer” page.

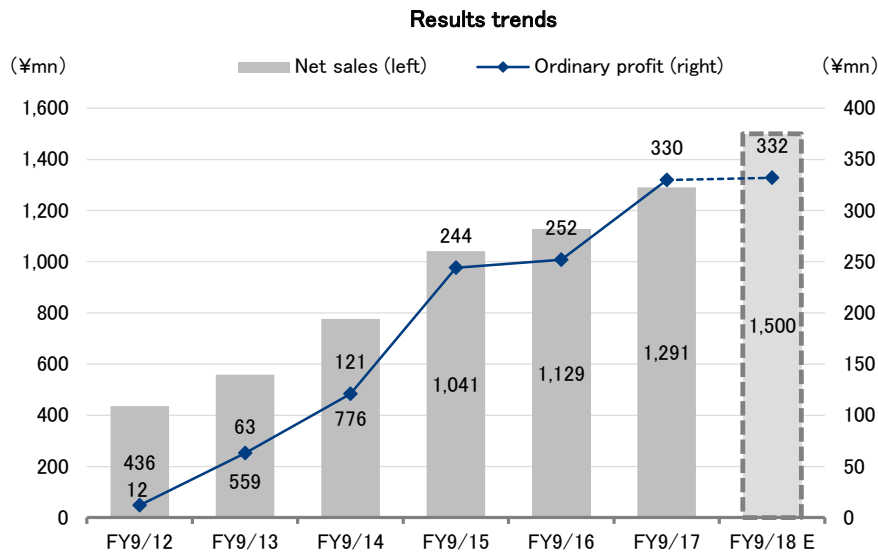
Summary

4. Growth strategy

The Company's growth strategy targets advancement toward becoming a platformer, rather than growth as a cloud vendor. Its disclosed platform vision outlines system collaboration with AI, IoT, and other technologies as well as collaboration with FinTech and the sharing economy. The cloud service will offer the foundation for these activities. Collaboration with suitable partner companies is vital to these services. Examples of system collaboration with AI, IoT, and other technologies include a care plan system and AI, remote medical care and IoT, multi-language support, and a core business system. The overall image of the role of IoT applications in nursing care is becoming more evident. The IoT Service Creation Support Project implemented by the Ministry of Internal Affairs and Communications is looking into ways of obtaining data from IoT devices (such as bed sensors, air conditioner sensors, and drug management calendars) without placing any burden on the care receivers, analyzing and visualizing accumulated big data with AI, reducing the workload of care providers and facilitating individualized service and advancement based on these results. Kanamic hopes to offer such capabilities as a service at the core of its platform strategy.

Key Points

- Supports community-based integrated care using cloud service with a theme of "cloud service for all stages of life"
- Reported all-time high business results with an industry-leading ordinary margin of 26% built on cloud service
- Aims to advance from being a cloud vendor to a platformer



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

■ Company overview

Supports community-based integrated care using cloud service with a theme of “cloud service for all stages of life”

1. Company overview

Kanamic supplies a medical, nursing care, and child-rearing information service over the cloud. Its name comes from combining “care” and “dynamic,” and the new motto of “cloud service for all stages of life” reflects an aim of utilizing ICT to create more vibrant support for child rearing to nursing care. The Company’s corporate mission is “supporting community-based integrated care via cloud service for a highly aged society.” The service provides a platform that facilitates sharing of information that transcends divisions between medical care and nursing care and companies and occupations within designated communities. It is a vital service for realizing community-based integrated care promoted by the national government. President Takuma Yamamoto serves as an intermediary between the private and public sectors with his experience as an engineer at Fujitsu Systems Solutions Limited, as a committee member at the Ministry of Internal Affairs and Communications and Ministry of Health, Labour, and Welfare and as a researcher at the University of Tokyo and National Cancer Center after joining the Company. Kanamic is the overwhelming industry leader in terms of the number of platform installations with deployments in 616 communities. The cloud service is a classic example of recurring business with steady sales build-up and very high profitability after exceeding the breakeven point (as now).

2. History

Kanamic was established in 2000 for the purpose of offering medical and nursing care information services. It solidified its business foundation while developing systems that support a variety of nursing care-related needs, including provision of a care information-sharing system in 2001, home care activity management system in 2002, and a system for community-based integrated support centers in 2006. The Company made great strides with the launch of medical and nursing care information platform service in 2010. In the same year, it opened sales offices in Osaka and Fukuoka and accelerated initiatives that cater to local communities. Kanamic listed shares on the Tokyo Stock Exchange’s Mothers market in September 2016.

Kanamic Network Co., Ltd.
3939 TSE Mothers

22-Jan.-2018

<https://www.kanamic.net/ir/>

Company overview

Company overview

Year	Main events
2000	Established the company (Shinagawa, Tokyo)
2001	Started care information-sharing system service
2002	Started home care activity management system service
2006	Started system service for community-based integrated support centers
2006	Acquired a privacy mark
2008	Received an HP service consignment from the Care Work Foundation
2010	Opened the Osaka and Fukuoka offices
2010	Started medical and nursing care information-sharing platform service
2011	Acquired a "Care assistance system and care assistance program" patent (Patent No. 4658225)
2012	Moved the headquarters to the current location in Shibuya, Tokyo
2013	Launched Kanamic User Network user group
2014	Opened the Nagoya office
2016	Listed shares on the TSE Mothers market
2016	Concluded a T-POINT program contract
2016	Received the Bayer Life Innovation Award 2016
2017	Confirmed as eligible for the Ministry of Economy, Trade, and Industry's subsidies targeting IT enhancement of productivity in services and other areas
2017	Selected as a consignment candidate related to the Ministry of Internal Affairs and Communications' IoT Service Creation Support Project

Source: Prepared by FISCO from Company materials

3. Business composition

Kanamic supplies cloud service, content service, and other services. The cloud service consists of the "information-sharing platform" for community collaboration that supports multi-occupation collaboration among local municipalities, medical associations, care service providers, and others and the "care task management system" and the "child-rearing support system." The cloud service is the Company's main service that generated 86.0% of total sales (FY9/17). The content service provides an Internet advertising service with medical and nursing care information delivered to medical and nursing care personnel who use the cloud service and website creation service for care service providers. While this service is still relatively small at just 4.5% of sales (FY9/17), it is growing rapidly. Other services are related services for the cloud service, such as customization developments for major customers; projects consigned by the Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and other entities; and consultation services for regional revitalization projects and other initiatives. It generated 9.5% of overall sales (FY9/17), but the scale varies year to year.

Services content and composition (FY9/17)

	Main business content	FY9/16 sales composition	FY9/17 sales composition
Cloud service	Information platform with a community-based collaboration format that supports multi-occupation collaboration among local municipalities, medical associations, and care service providers; cloud service mainly through the "care task management system" and "child-rearing support system."	83.0%	86.0%
Content service	Internet advertising service that supplies information related to medical and nursing care to medical and nursing care personnel using the cloud service and website creation service for care service providers.	4.0%	4.5%
Other services	Services related to the cloud service, such as customization development projects for major customers; project consignments from the Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and others; and consultation services for regional revitalization projects.	13.0%	9.5%

Source: Prepared by FISCO from Company materials

■ Business overview

“Kashiwa model” information-sharing platform developed in joint research with the University of Tokyo is a strength

1. Business environment

Japan’s population pyramid faces a major threshold year in 2025 that is even being referred to as the “2025 problem.” This is the year when baby boomers move past 75 years of age and the population aged 75 and older expands to an estimated 21.79mn people, versus the 15.92mn people in this group in 2014. According to statistics, the ratio of people requiring nursing care will rise sharply from 3% in the “65 to under 75” group to 23.3% in the “75 and older” group. Given this change, nursing care costs in national social entitlement expenses are projected to expand from ¥10tn in 2014 to ¥20tn in 2025. Other projected increases are care service providers from about 350,000 in 2014 to about 700,000 in 2025 and medical entities engaged in home medical care from about 15,000 in 2014 to about 22,000 in 2025. Medical and care personnel are the users of Kanamic’s services, and this segment is also likely to grow substantially going forward.

Community-based integrated care is an initiative advocated and promoted by the Ministry of Health, Labour, and Welfare. It seeks to build a framework for integrated provision of housing, medical care, nursing care, preventive care, and living assistance by 2025 so that even people with extensive care requirements can continue living with dignity in a familiar environment until the end of their lives. Municipalities are the primary players in home medical and nursing care collaboration initiatives as stipulated by the Care Insurance Act. These initiatives begin in all municipalities in April 2018. The Ministry of Health, Labour and Welfare lists a “productivity revolution in medical care, nursing care, and other areas (promoting use of care robots and other technologies and cutting document volume in half with a paperless format that uses ICT)” as a priority. This approach is providing a tailwind for Kanamic’s services.

2. Cloud service: Overview

The cloud service has two main modules – the “information-sharing platform” and the “care task management system.”

Customers for the “information-sharing platform” are mainly municipalities, medical associations, core hospitals, and home care physicians. The platform is roughly deployed for an area covering a middle school district. System screens are created for individual patients and their profile (basic information, care plan, etc.) and daily data (vitals information, meals, water intake, toilet use, drug information, care provision, etc.) are integrated and managed. Only related parties handling the patient can access the page, and it has closed-type SNS functionality. This service provides an important information infrastructure that enables collaboration by various parties related to a single patient (primary physician, home care primary physician, care manager, helper, community-based integrated support center, family members, pharmacist, and home care nurse).

Business overview

Information-sharing system

System screen <top screen>

The screenshot shows the TRITRUS system interface for a patient named '介護 カナ さんの部屋' (Nursing Kanami's Room). The interface includes a top navigation bar, a main content area with a patient profile, a data visualization chart, and a list of related parties. Callouts provide the following details:

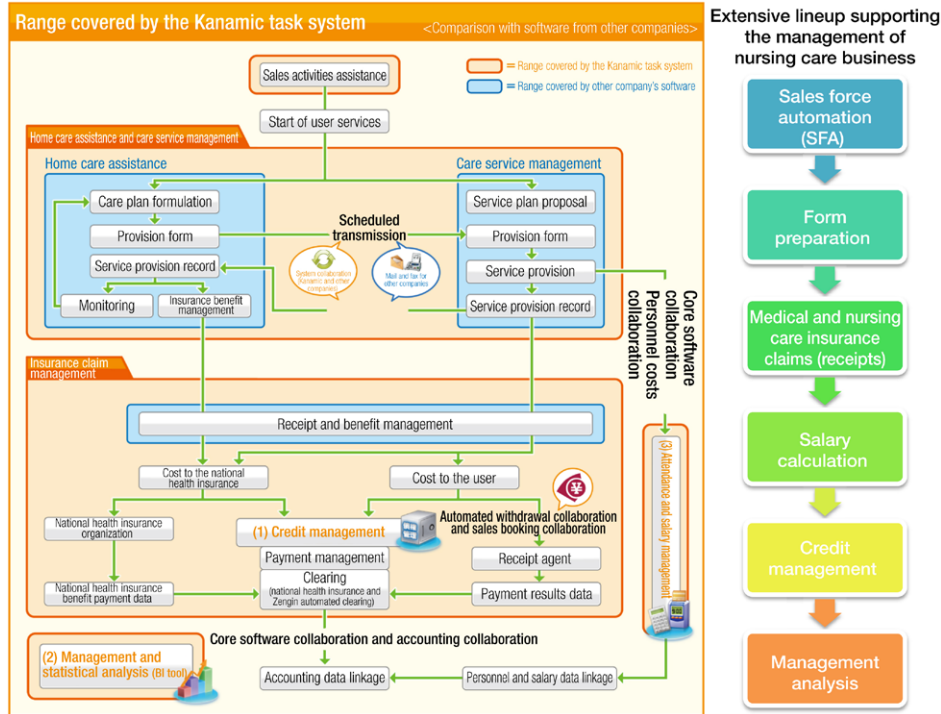
- Create individual patient page:** A callout pointing to the patient profile section.
- Municipality, Medical association, Core hospital, Home care physicians:** A list of related parties shown in the bottom left.
- Two layers: Manager:** A callout pointing to the 'この部屋の管理者' (Room Manager) section.
- Only related parties to the patient invited by the manager can access the page:** A callout pointing to the list of related parties.
- Tab display on the top screen that indicates changes in the patient's state:** A callout pointing to the top navigation tabs.
- Formalized collaborated information for individual patients:** A callout pointing to the data visualization chart, listing: Face sheet (collaborated basic information), Calendar (related party schedules), and Drug diary (shared drug information).
- Care reports that share daily changes:** A callout pointing to the 'ケアレポート' (Care Report) section, listing: Patient information sheet, Contact register, Care plan, Vitals information, Meals, water, and toilet use, Home care nurse instructions, and Medical information documents, etc.

Source: Prepared by FISCO from the Company's results briefing materials

The “care task management system” interacts with the “information-sharing platform” and is deployed at care-related companies and other entities (community-based integrated support center, care manager, and care service provider). Thanks to the cloud format, it can be used at the care provision site via smartphone and tablet operations. This system establishes a paper-free environment at the care site and improves task efficiency. It also reduces overlapping input and other burdens that are an issue in collaboration involving multiple occupations. The home care service management system, which is one of the service lines, integrates the full range of related tasks, including the home care plan, care records, monitoring, shift management, insurance claims, salary management, and credit management. While software products from other companies focus on individual tasks (such as form creation and receipt management), Kanamic’s system offers broad coverage from sales force automation (SFA) to attendance and salary management as well as business analysis and emphasizes visualization of overall business management.

Business overview

Care task management system



Source: Prepared by FISCO from the Company's results briefing materials

3. Cloud service: Business model

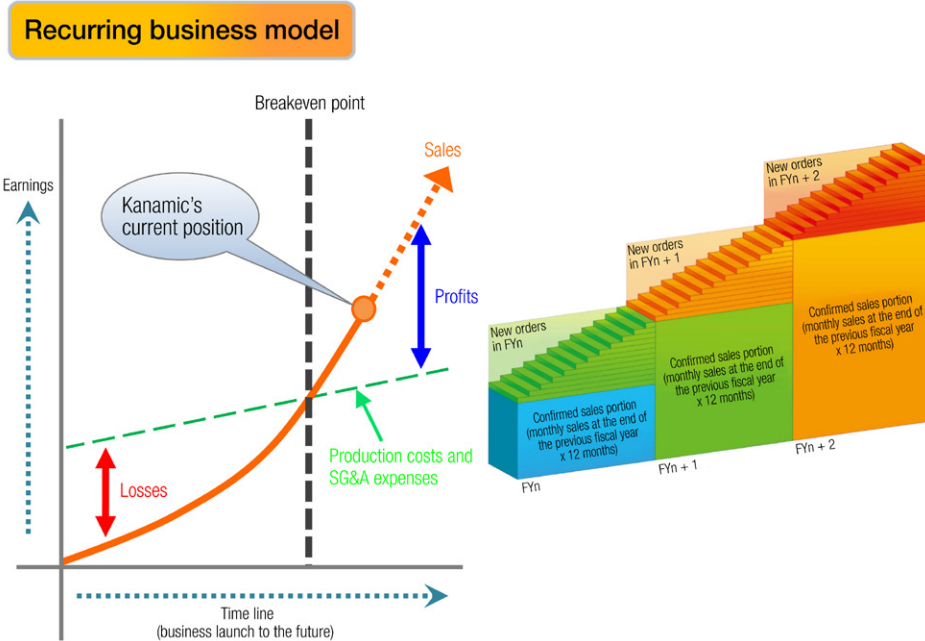
The cloud service consists of two major layers – the first layer is the “care task management system” and the second layer is the “information-sharing platform.” These layers mutually interact and support medical and nursing care collaboration within communities. Kanamic fundamentally utilizes a “freemium”* business model that lets customers use the second layer (“information-sharing platform”) to experience the efficacy of collaboration and encourages them to adopt the first layer (“care task management system”). Kanamic obtained a “Care assistance system and care assistance program” patent (Patent No. 4658225) in 2011, giving the framework uniqueness.

* This approach supplies basic services and products at no cost and charges for advanced and special functions.

Furthermore, the cloud service is a classic example of a recurring business model with steady sales build-up. While it requires a large initial development investment, profitability is strong after user volume growth exceeding the breakeven point. This happens because of the high repeat ratio and limited customization per user. Kanamic is already past the breakeven point and possesses a robust earnings structure.

Business overview

Earnings structure in recurring business



Source: Prepared by FISCO from the Company's results briefing materials

4. Cloud service: Main business indicators

The cloud service is rapidly spreading as seen in the 66.5% YoY rise to 616 communities deploying the information-sharing system at the end of FY9/17. Cloud service user IDs also increased 37.8% to 70,867, including paying and non-paying IDs. Growth in non-paying users has been particularly vibrant. Given these trends, cloud service sales expanded by a healthy 18.5% YoY to ¥1,110mn in FY9/17.

Main business indicators

	FY9/15 results	FY9/16 results	FY9/17	
			results	YoY (%)
Number of communities with deployments of Kanamic's information-sharing system	202	370	616	66.5%
Number of cloud service users (total, number of IDs)	43,876	51,421	70,867	37.8%
Paying IDs	31,389	35,472	46,002	29.7%
Non-paying IDs	12,487	15,949	24,865	55.9%
Cloud service sales (¥mn)	849	937	1,110	18.5%

Source: Prepared by FISCO from the Company's securities registration statement and results briefing materials

Business overview

5. Cloud service: Strengths and rivals

A key strength, which prevents other companies from copying its model, is Kanamic's development of a medical and nursing care collaboration cloud service via joint research with the University of Tokyo's Institute of Gerontology and refinement through the Kashiwa model of community-based integrated care implemented in Kashiwa, Chiba Prefecture. The Kashiwa model is a precursor in promotion of home medical care in which the administration plays a leading role in multi-occupation collaboration among physicians, nurses, care service providers, and others. Usage has spread to a new application in May 2017 for initial-phase intensive support for dementia. The Ministry of Health, Labour and Welfare has outlined success cases, and this model is attracting a steady flow of observation tours from other communities.

Joint development with the University of Tokyo (Kashiwa model)

Kanamic developed a medical and nursing care collaboration cloud service through joint research with the University of Tokyo's Institute of Gerontology and refinement in the Kashiwa model of community-based integrated care.

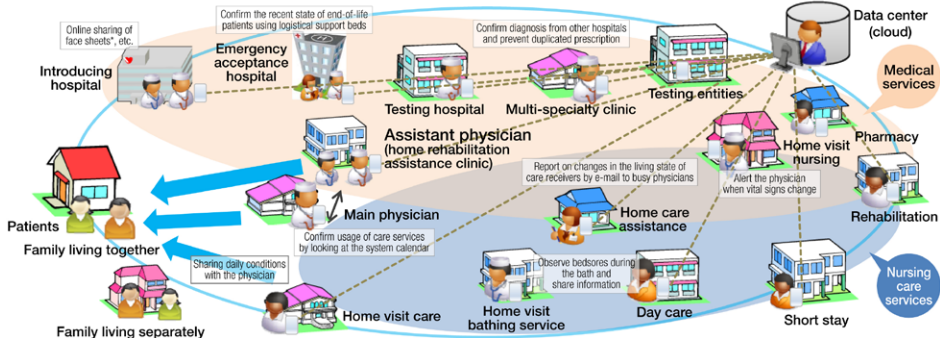


Community image targeted by the Aging Society Research Group

- To realize a community-based integrated care system
 - (1) Build a system that promotes home medical care
 - (2) Enhance home nursing care (develop a framework for 24-hour visit nursing)
 - (3) Enhance nursing care services (develop a framework for 24-hour short-hour and round-visit care)
 - (4) Build senior housing with care services
- To realize employment that inspires seniors
 - (1) Follow land farming, mini vegetable plants, rooftop gardening
 - (2) Improve nursery services, create child-rearing support center, and secure places for children
 - (3) Living assistance service
 - (4) Community cafeteria and meal delivery services that support community's dietary needs

Construction of the information-sharing system

Build an information-sharing system that transcends institutional and service divisions to simplify the formation of multi-occupational teams for home medicine and care



* Face sheet based on Chiba Prefecture's community living collaboration sheet Source: "Town Development for a Long-Lived Society" by the Aging Society Research Group - Toyoshikidai community in Kashiwa City

Source: Prepared by FISCO from the Company's results briefing materials

Kanamic is a pioneer in community information-sharing systems and holds an overwhelming No.1 share. For the "care task management system," meanwhile, it faces numerous rivals and ND Software Co., Ltd. <3794> and others have larger market shares. Kanamic hopes to differentiate itself with its cloud service format, "information-sharing platform," and visualization of the overall business by covering a wide range of business systems.

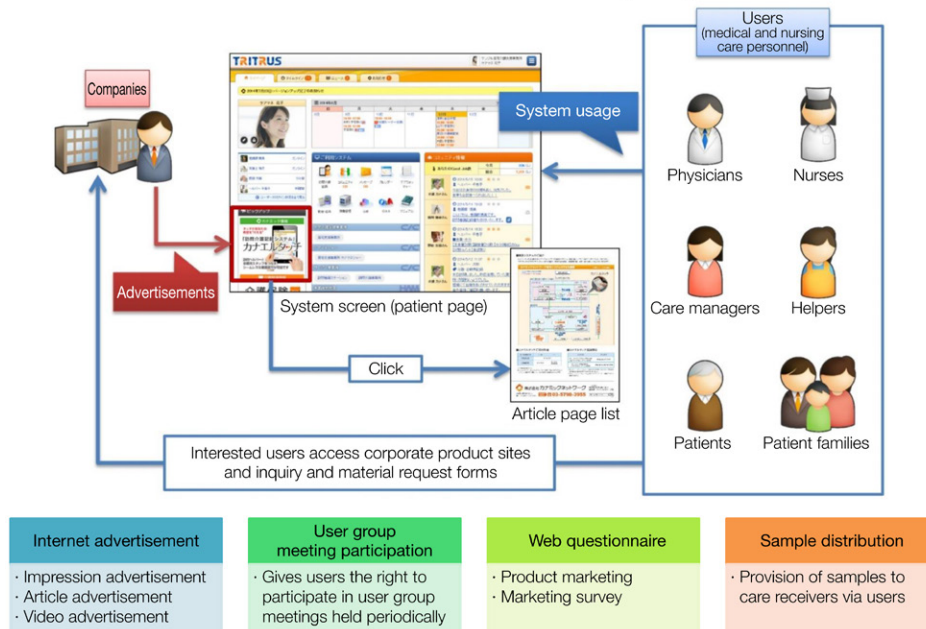
Business overview

6. Overview of the content service

Japan's Internet advertising market grew 13.0% YoY to ¥1.31tn in 2016. Kanamic's content service handles Internet advertising distribution that focuses on medical and nursing care personnel (it can be used by patients and their families as well). For companies placing advertisements, the effectiveness is clear as it is easy to pinpoint distinct targets and regions. Besides Internet advertising, services include user group meeting participation, web questionnaires, and sample distribution. Media value is proportional to the number of user IDs (non-paying and paying users) for the cloud service that sees advertisements. The number of user IDs were up 37.8% YoY to 70,867, and this trend is contributing to increases in the number of advertising companies and impressions (advertisement slots). Content service sales rose 26.1% YoY to ¥57mn in FY9/17. While its scale is still modest, this business is growing at a fast pace.

Overview of the content service

Internet advertisement distribution service for medical and nursing care personnel



Source: Prepared by FISCO from the Company's results briefing materials

Results trends

Reported all-time high business results with an industry-leading ordinary margin of 26% built on cloud service

1. FY9/17 results

1. In FY9/17, Kanamic reported higher sales and profits with ¥1,291mn in net sales (+14.4% YoY), ¥330mn in operating profit (+25.1%), ¥330mn in ordinary profit (+31.1%), and ¥223mn in profit (+35.3%).

Healthy expansion in the mainstay cloud service is the primary driver of sales growth. The cloud service deployment area expanded during FY9/17 with an increase of 246 communities from the end of the previous fiscal year to 616 communities. Paid user IDs grew by 10,530 to 46,002 IDs, driving an 18.5% YoY gain in cloud service sales to ¥1,110mn. Content service sales rose 26.1% YoY, contributing to higher sales. These factors offset the sales drop in other services due to a period delay in booking an administrative consignment project.

Ordinary profit rose 31.1% YoY and exceeded the initial forecast by 18.0%. Positive trends were benefits from increased sales in the cloud service with strong profitability and a decline in the ratio of other services with many consignment development deals that require manpower. Ordinary margin stands out in the industry at 25.6% (FY9/17).

FY9/17 results

	FY9/16		FY9/17		YoY
	Results	% of sales	Results	% of sales	
Net sales	1,129	100.0%	1,291	100.0%	14.4%
Gross profit	120	10.7%	125	9.7%	4.5%
Gross profit margin	1,008	89.3%	1,166	90.3%	15.6%
SG&A expenses	744	66.0%	835	64.7%	12.2%
Operating profit	264	23.4%	330	25.6%	25.1%
Ordinary profit	252	22.3%	330	25.6%	31.1%
Profit	165	14.6%	223	17.3%	35.3%

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

Extremely stable financial position with low interest-bearing debt

2. Financial conditions and management indicators

On the balance sheets, Kanamic reported ¥1,298mn in net assets at the end of FY9/17, up ¥284mn YoY with increases of ¥224mn in current assets and ¥60mn in non-current assets. Business expansion was the main factor behind the rise in current assets, including increases of ¥169mn in cash and deposits and ¥36mn in accounts receivable - trade.

Total liabilities increased by ¥73mn YoY to ¥342mn due to a ¥89mn rise in current liabilities and a ¥15mn decline in non-current liabilities. Current liabilities rose due mainly to increases of ¥38mn in income taxes payable and ¥29mn in accounts payable. Interest-bearing debt declined from ¥54mn at the end of previous fiscal year to ¥35mn.

Total net assets increased ¥211mn to ¥956mn due mainly to a ¥187mn rise in retained earnings.

Looking at management indicators, the equity ratio, which reflects longer-term stability, remained at a high level of 73.6% and the current ratio, which depicts short-term stability, was well above 200%, the level that is generally considered healthy, at 298.8%.

Consolidated balance sheet/Management indicator

	(¥mn)		
	FY9/16	FY9/17	Change
Current assets	703	927	224
(Cash and deposits)	619	788	169
(Accounts receivable - trade)	60	96	36
Non-current assets	310	370	60
Net assets	1,013	1,298	284
Current liabilities	221	310	89
Non-current liabilities	47	31	-15
Total liabilities	268	342	73
Total net assets	744	956	211
Total liabilities and net assets	1,013	1,298	284
<Stability>			
Current ratio (current assets ÷ current liabilities)	317.8%	298.8%	-
Equity ratio (shareholders' equity ÷ total assets)	73.5%	73.6%	-

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

Future outlook

Expecting higher sales and profits again in FY9/18 Profits only likely to rise slightly because of growth investments and outlays

● FY9/18 results forecast

The FY9/18 forecast calls for further sales and profit advances to ¥1,500mn in net sales (+16.1% YoY), ¥360mn in operating profit (+9.0%), ¥332mn in ordinary profit (+0.4%), and ¥230mn in profit (+3.0%).

In sales, the mainstay cloud service is slated to continue growing. The content service is likely to realize rapid growth amid heightened media value accompanied by increases in the number of paying and non-paying user IDs.

In earnings, Kanamic only expects slight increases in FY9/18 because of planned investments and outlays targeting growth from FY9/19. Under development activities, the Company needs to make system adjustments to accommodate planned revisions to medical and nursing care fees in spring 2018. In sales activities, Kanamic plans to steadily open sales offices in areas that have started community-based integrated care systems, along the lines of the Chiba sales office opened in FY9/17.

FY9/18 consolidated results forecast

	FY9/17		FY9/18		
	Result	% of sales	Forecast	% of sales	YoY
Net sales	1,291	100.0%	1,500	100.0%	16.1%
Operating profit	330	25.6%	360	24.0%	9.0%
Ordinary profit	330	25.6%	332	22.1%	0.4%
Profit	223	17.3%	230	15.3%	3.0%

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

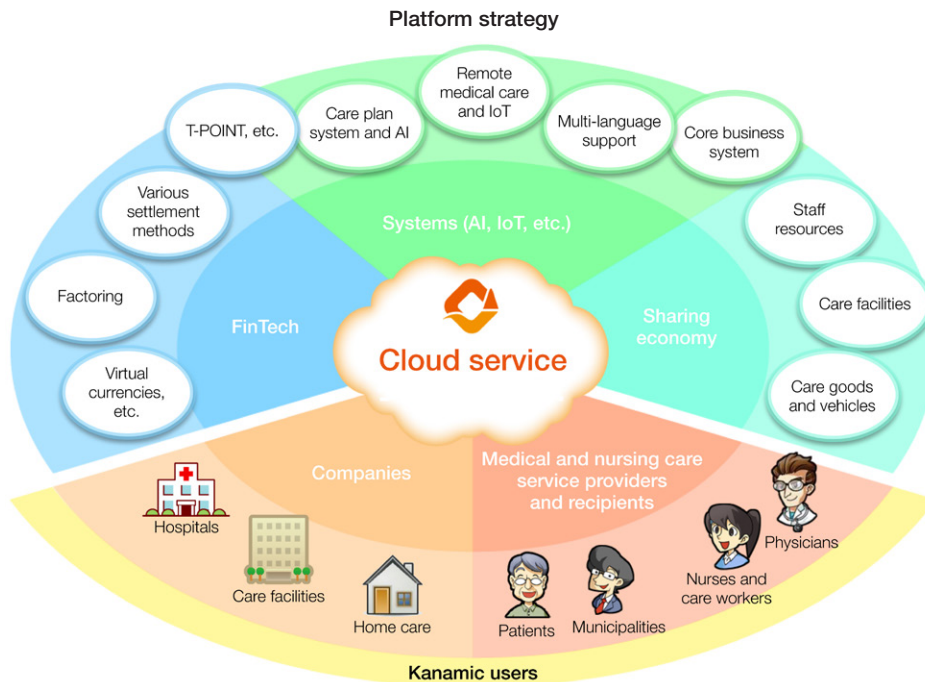
Longer-term growth strategies

Aims to advance from being a cloud vendor to a platformer

1. Platform strategy

The Company's growth strategy targets advancement toward becoming a platformer, rather than growth as a cloud vendor. Its disclosed platform vision outlines system collaboration with AI, IoT, and other technologies as well as collaboration with FinTech and the sharing economy based on the cloud service foundation. Collaboration with suitable partner companies is vital to these services.

Examples of system collaboration with AI, IoT, and other technologies include a care plan system and AI, remote medical care and IoT, multi-language support, and a core business system. Some of these concepts are already taking shape. FinTech collaboration includes virtual currency, factoring, various settlements, and T-POINT. Nursing care-related settlements present strong demand for security and reduced burden, though adoption of cashless methods is lagging. Sharing economy collaboration addresses staff personnel, care facilities, and care goods and vehicles. A matching function that resolves unevenness in human resources is needed in the nursing care industry, which faces serious manpower shortages.



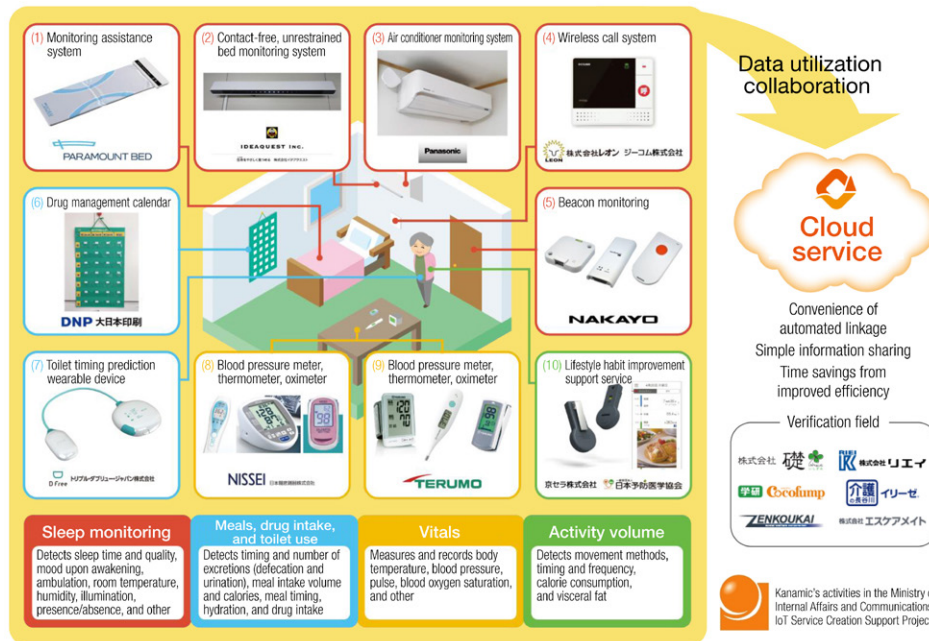
Source: Prepared by FISCO from the Company's results briefing materials

Longer-term growth strategies

The overall image of the role of IoT applications in nursing care is becoming more evident. In February 2017, Kanamic was selected as a consignment candidate related to the IoT Service Creation Support Project implemented by the Ministry of Internal Affairs and Communications. Out of the 17 selected companies and organizations, Kanamic is the only entity in the nursing care field. This initiative seeks to verify an operating model that delivers high-quality care services to individual users and alleviates the burden on care staff by accumulating data from a variety of medical and nursing care sensors daily and making effective use of the data at care facilities. Specifically, it is looking into ways of obtaining data from IoT devices (such as bed sensors, air conditioner sensors, and drug management calendars) without placing any burden on the care receivers. It will then analyze and visualize accumulated big data with AI. Results will be utilized effectively to reduce the workload of care providers and facilitate individualized service and advancement. The IoT Service Creation Support Project aims to build a model that promotes data utilization in an IoT and big-data era and clarify necessary rules. We think results from this project are likely to become a standard nationwide. Kanamic hopes to offer these capabilities as a service at the core of its platform strategy.

Additionally, Kanamic announced a business alliance with Career Co., Ltd. <6198> in September 2017. Career runs a senior work business that promotes creation of work opportunities for active seniors and a senior care business that dispatches nurses, care workers, and other certified human resources. With Career, Kanamic aims to develop a framework for rapid human resource supply to its cloud service users.

Platform IoT collaboration



Source: Prepared by FISCO from the Company's results briefing materials

Longer-term growth strategies

2. Child-rearing support system

Child-rearing support is an important service for Kanamic with its theme of “cloud service for all stages of life.” Accumulation of lifestyle data throughout a person’s life (life log) and health data (personal health code) should start from the childhood years. For example, accumulating and retaining a log of information about when a certain person received vaccinations provides value for the individual and society. Kanamic’s “child-rearing support system” currently has a role in the regional revitalization project framework and handles information distribution from municipalities to parents, child blogs that extend the electronic mother and child health handbook, and SNS for the mothers’ network. As a specific example, Fuefuki, Yamanashi Prefecture introduced the official Fuefuki Child-Rearing Plaza app that utilizes the “child-rearing support system” from Kanamic in June 2017. It includes a consulting function for requests to administrative personnel and medical and childcare specialists and a growth record function (electronic mother and child health handbook) to record and share child height, weight, and other growth graphs, daily living activities such as meals and sleep, and photos.

Child-rearing support system

Utilized in the regional revitalization projects

Connects municipalities and parents with news and event distributions
Child blogs that extend the electronic mother and child health handbook
SNS function for the mothers’ network, etc.

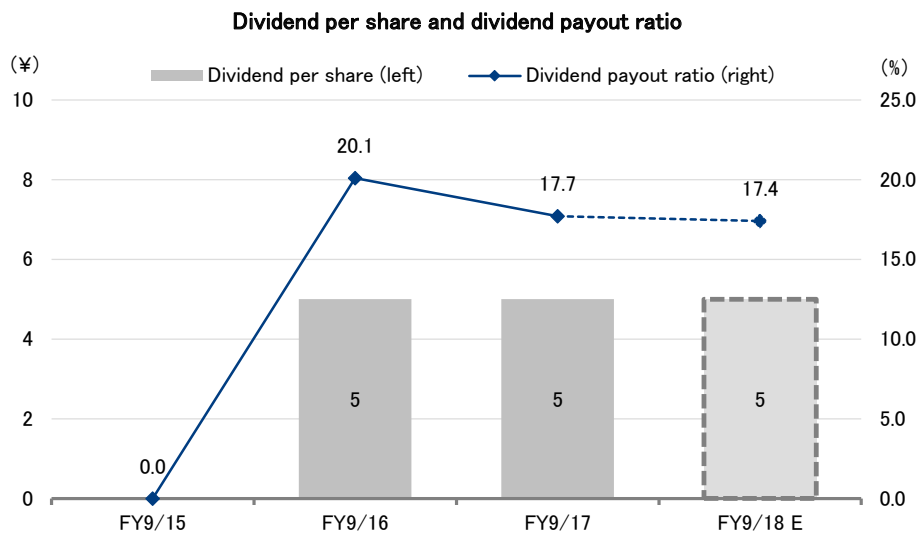


Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

Plans to pay a ¥5 dividend in FY9/18 (unchanged YoY), putting the payout ratio at 17.4%

Kanamic positions returning profits to shareholders as one of its priorities and is currently at a stage of strengthening internal reserves and aggressively developing business to realize long-term shareholder returns. In FY9/17, Kanamic paid a dividend of ¥5 per share that worked out to a payout ratio of 17.7%. It plans to pay a ¥5 dividend in FY9/18 too (unchanged YoY), putting the payout ratio at 17.4%.



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



Disclaimer

FISCO Ltd. (the terms “FISCO”, “we”, mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange, and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “JASDAQ INDEX” are the intellectual properties of the Tokyo Stock Exchange, and therefore all rights to them belong to the Tokyo Stock Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness, or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose, investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

All intellectual property rights to this report, including copyrights to its text and data, are held exclusively by FISCO. Any alteration or processing of the report or duplications of the report, without the express written consent of FISCO, is strictly prohibited. Any transmission, reproduction, distribution or transfer of the report or its duplications is also strictly prohibited.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.