

Kanamic Network Co., LTD.

3939

Tokyo Stock Exchange First Section

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Summary

The first company specializing in nursing care software to ascend to the First Section of the Tokyo Stock Exchange **An IT mega-venture that supports community-based integrated care via the Cloud** **Double-digit increases in sales and profits continue for FY9/18**

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 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 761 communities*. It listed shares on the Mothers market of the Tokyo Stock Exchange (TSE) in September 2016. The Company was promoted to the First Section of the TSE in July 2018.

* The Ministry of Health, Labour, and Welfare estimates a population of 30,000 within the community-based integrated care system, equivalent to an area covering a middle school district

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). Currently, the Company is extending its platform based on its existing cloud services, and developing links with systems including features such as AI and IoT, links with FinTech, and links with the sharing economy.

2. Results trends

In FY9/18, Kanamic reported double-digit increases in sales and profits, with ¥1,504mn in net sales (+16.5% year on year (YoY)), ¥399mn in operating profit (+20.8%), ¥380mn in ordinary profit (+15.2%), and ¥256mn in profit (+15.0%). Higher sales were driven by steady growth in the mainstay cloud service and all other business segments, including content advertising and services such as consignment development. Operating profit rose 20.8% YoY, exceeding the initial plan by 10.8%. The Company is also making investments for the near future while maintaining high profitability. A feature of the Company’s business structure is its low cost rate of 14.0%, while the SG&A ratio is relatively high at 59.5%. Along with expansions to its scope of business, the SG&A ratio decreased from 66.0% in FY9/16, to 64.7% in FY9/17, to 59.5% in FY9/18, evolving into an earnings structure that made it easier to turn a profit. The company also has a high operating profit margin at 26.5% in FY9/18.

Summary

3. Business outlook

The FY9/19 forecast calls for a continuation of double-digit increases in sales and profits, with ¥1,670mn in sales (+11.0% YoY), ¥450mn in operating profit (+12.8% YoY), ¥440mn in ordinary profit (+15.5% YoY), and ¥290mn (+13.0% YoY). In regard to sales, the mainstay cloud service is expected to continue experiencing growth. Amidst expansion in markets related to nursing care, there is still much more room for growth as there are many municipalities and nursing care businesses that have not yet enlisted the Company's cloud services. The Company's ascension to the First Section of the TSE and its membership in the Keidanren boost its credibility and are likely to have a positive impact in operational aspects. In content services, the market for internet advertising is expanding with favorable conditions. The Company is also forecasting double-digit growth for each profit segment. As with the previous fiscal period, it plans to strengthen systems development, R&D, and employment, with the profit growth rate at the same degree as net sales. The main theme for the Company's investments are various research fields related to platforms (IoT, remote medical care, various payment methods, sharing, etc.) and joint research with Asahikawa Medical University. The Company is also bolstering employment of sales personnel. Due to its earnings structure as a recurring business, profit growth exceeds net sales growth; however, the growth in profit is being allocated to medium-to-long term investments. In the past, the Company has achieved business results at pace that exceed its forecasts, and we at FISCO believe the certainty for profit growth in this fiscal year is high as well.

4. Growth strategy

The Company was transferred to the First Section of the Tokyo Stock Exchange (TSE) in July 2018. After its entry into the Mothers market in September 2016, it rose to the First Section in only two years. The Company is also the first IT company with nursing care software as its core business to be listed in the First Section of the TSE. Favorable conditions can be expected for operations due to an increase in credibility and attention from the nursing care and medical care industries. Furthermore, in terms of personnel employment, it is likely that the Company will become a lucrative place to work.

Continuing on from its listing in the First Section of the TSE, the Company was also approved for membership into the Keidanren (Japan Business Federation) in September 2018. Community-based integrated care is a wellspring of individuals supporting companies and regional vitality, and the Company intends to contribute to its promotion from its position inside this economic organization.

The Company set up a joint research course with Asahikawa Medical University, a national university, in March 2018 to undertake building a global model that uses IoT cloud technology. Asahikawa Medical University has undertaken initiatives in remote medical care in the past as a pioneer in the field. In this joint research, the Company will take on the role of R&D related to new items for information sharing that are necessary for remote medical care and nursing care support, as well as a support system. Asahikawa Medical University's challenge can be shared with regional towns and cities in Japan, with high expectations in a model that has plenty of room for horizontal expansion in the future.

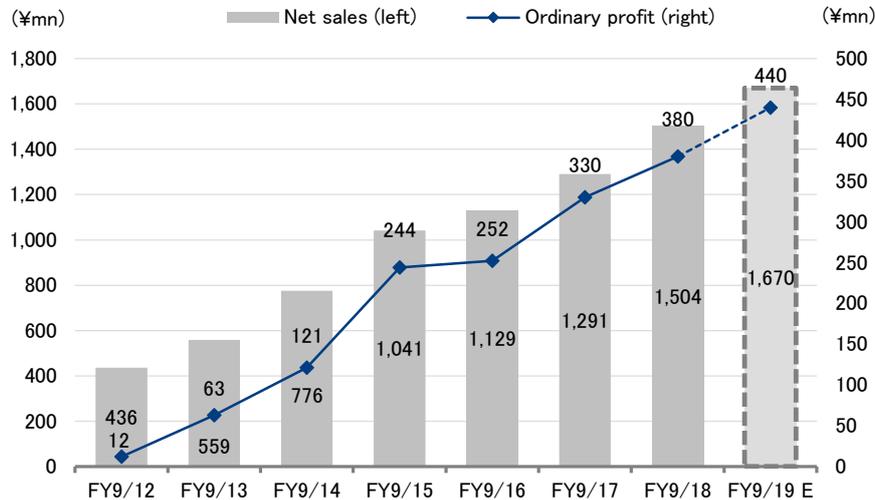
Key Points

- The first company specializing in nursing care software to ascend to the First Section of the TSE. An IT megaventure that supports community-based integrated care via the Cloud
- Continued double-digit increases in sales and profits in FY9/18. Mainstay cloud service and content advertising experienced steady growth
- Currently building a regional model to linked with medical and nursing care via joint research at Asahikawa Medical University
- Launch of unique, lottery-based shareholder incentives. Plans to pay a ¥2.5 dividend in FY9/19, putting the payout ratio at 13.8%

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

Summary

Results trends



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

Company overview

First company specializing in nursing care software to ascend to the First Section of the TSE
An IT mega-venture that supports community-based integrated care via the Cloud

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 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 761 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).

Company overview

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-sharing 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 TSE's Mothers market in September 2016. The Company was promoted to the First Section of the TSE in July 2018.

History

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 Mothers market of the TSE
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
2018	Set up a joint research course with a national university, Asahikawa Medical University
2018	Transferred to the First Section of the TSE

Source: Prepared by FISCO from the Company's annual securities report and website

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 86.3% of total sales (FY9/18). 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 (FY9/18), it has great potential. 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 9.2% of overall sales (FY9/18), but the scale varies year to year.

Company overview

Services content and composition (FY9/18)

Service category	Main business content	FY9/18 sales composition
Cloud service	Information-sharing 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."	86.3%
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.	4.5%
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.	9.2%

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

Business overview

Realization of an information-sharing system that supports community-based integrated care (second layer) and an operating system (first layer) that provides total support for nursing care sites via the Cloud

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 18% of the total population, versus 11% in this group in 2010. 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 ¥7.8tn in 2010 to ¥20tn in 2025. Other projected increases are care service providers from about 270,000 in 2010 to about 700,000 in 2025 and medical entities engaged in home medical care from about 12,500 in 2010 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 Long-Term Care Insurance Act. These initiatives began in all municipalities in April 2018.

The Company also considers revisions to nursing care fees in FY2018 favorable for its business.

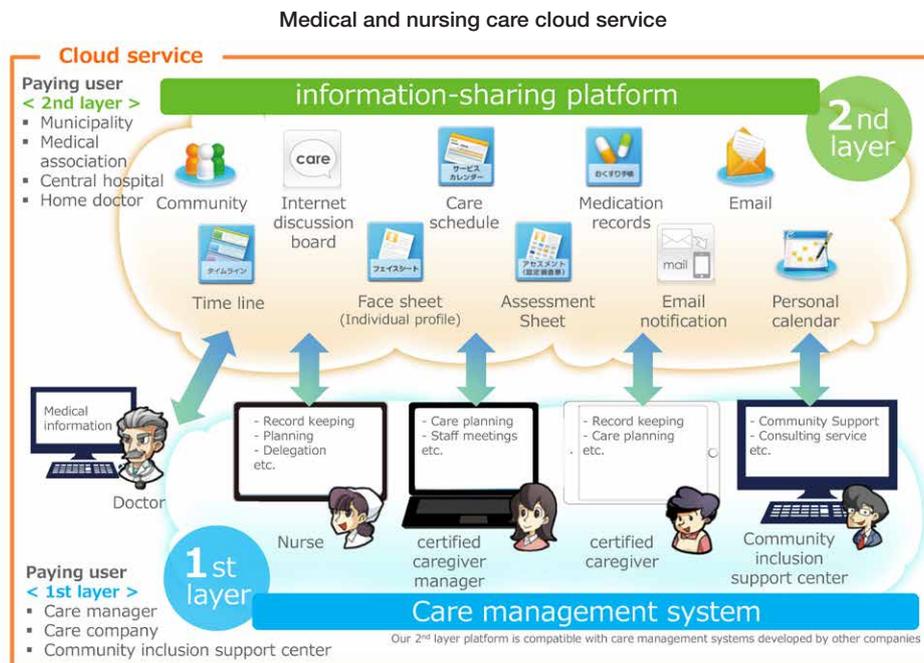
- (1) Revised percentage is +0.54% (upward revision)
- (2) "Promotion of a community-based integrated care system" has been adopted as the main point, with other points raised such as further advancing role-sharing and coordination for medical and nursing care.
- (3) Easing of regulations in community-based integrated care that "facilitate the use of nursing care robots" and "participation in conferences for rehabilitation that uses ICT" have also become topics.

Business overview

There are some issues regarding the promotion of a community-based integrated care system. One issue is the “coordination of medical and nursing care.” There are many elderly people older than 75 who are encumbered by multiple ailments and conditions, and a single elderly person may use many hospitals, clinics, and nursing care services for their conditions. For instance, in the present state of affairs, when a nursing care worker who has frequent daily contact with an elderly person notices a change in their medical condition, that information is not promptly relayed to the relevant medical care personnel, or the nursing care worker does not have an established process to do so. The Company’s cloud system positions itself as a promising solution that resolves these issues in community-based integrated care.

2. Cloud service: Overview

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

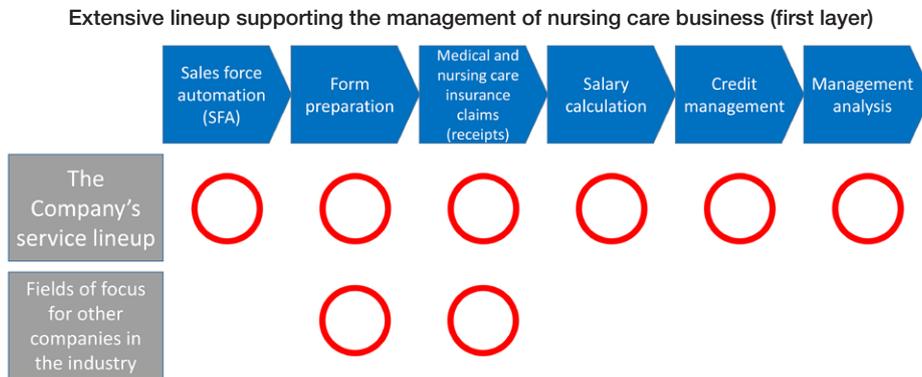


Source: From the Company’s results briefing materials

Customers for the “information-sharing platform (second layer)” are mainly municipalities, medical associations, core hospitals, and home care physicians. The platform is roughly deployed for the area containing these customers. System screens are created for individual patients and their profile (basic information, care plan, etc.) and daily data (vital 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

The “care task management system (first layer)” interacts with the “information-sharing platform (second layer)” 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.



Source: Prepared by FISCO from the Company’s results briefing materials and interviews

3. Cloud services: Steps towards deployment of services and user evolution

There are a number of steps towards regular deployment of the Company’s cloud services

Step 1

A regional information-sharing system is not yet realized in this step. Nursing care providers have deployed specialized nursing care software centered on receipt operations and horizontally linked to post mail or FAX.

Step 2

The Company’s cloud services (second layer) are deployed for full regional information-sharing. Information-sharing becomes more stream-lined, but some location operations are still paper-based.

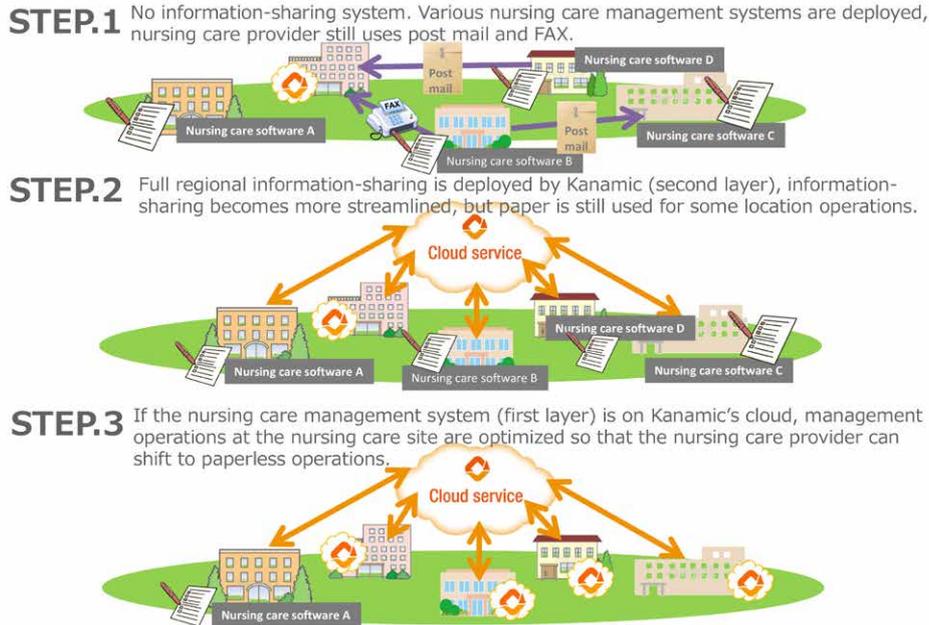
Step 3

In addition to regional information-sharing, the Company’s cloud operations system (first layer) is deployed at nursing care providers. Management operations at nursing care sites are optimized, allowing sites to proceed with paperless operations.

When the second and first layers align, there is no interruption in data entry and the information can be conveyed in a timely manner, with the merit of reducing the burden at nursing care sites.

Business overview

Medical and nursing care cloud service solutions



Source: From the Company's results briefing materials

4. Cloud services: 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. Once the cloud service starts to be used, its effectiveness improves as data is accumulated and as a result, it is also characterized by few users giving it up. Kanamic is already past the breakeven point and possesses a robust earnings structure.

5. Cloud service: Main business indicators

The cloud service is rapidly spreading as seen in an increase of 145 communities from the end of FY9/17 to 761 communities deploying the information-sharing system at the end of FY9/18. Cloud service user IDs also increased by 17,944 to 88,811, including paying and non-paying IDs. Growth in non-paying users has been particularly vibrant. Given these trends, cloud service sales steadily expanded ¥188mn YoY to ¥1,299mn in FY9/18.

Business overview

Main business indicators

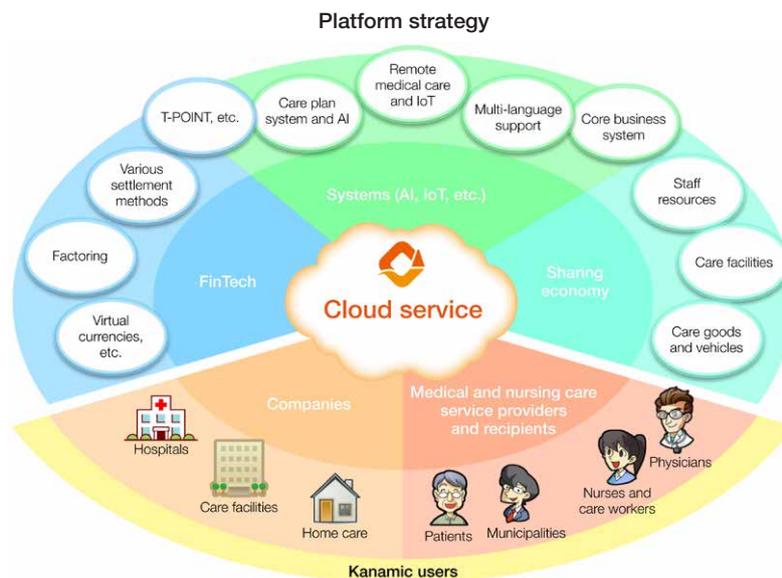
	FY9/15 results	FY9/16 results	FY9/17 results	FY9/18	
				results	Change from end of the previous fiscal year
Number of communities with deployments of Kanamic's information-sharing system	202	370	616	761	145
Number of cloud service users (total, number of IDs)	43,876	51,421	70,867	88,811	17,944
Paying IDs	31,389	35,472	46,002	57,487	11,485
Non-paying IDs	12,487	15,949	24,865	31,324	6,459
Cloud service sales (¥mn)	849	937	1,110	1,299	188

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

6. Basic strategy: Shift to a platform provider

The Company's basic strategy is to evolve from a cloud vendor to a platform provider. Its vision for shifting to platform services involves creating links to systems through features such as AI and IoT, links to FinTech, and links to the sharing economy. This will improve convenience for Kanamic users by interconnecting and adding basic cloud services for them to use.

Examples of system links to 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 care plan system and AI and the remote medical care and IoT are at the R&D stage, while multi-language support and the core business system are already taking shape. Concrete examples of FinTech links include electric money, virtual currency, factoring, various settlements, and T-POINT, with T-POINT in particular already completing deployment. A link to the sharing economy 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. The Company has also launched nursing care personnel matching in collaboration with CAREER CO., LTD. In addition, the Company undertakes initiatives in nursing care bed sharing, with improvements expected in quality of service through increases in information volume. The shift to a platform provider is not just a simple concept for the Company; it is steadily evolving towards connecting platform services to actual benefits for users.



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

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7. Overview of the content service

Japan's Internet advertising market grew 15.2% YoY to ¥1.51tn in 2017. 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 17,944 YoY to 88,811, and this trend is contributing to increases in the number of advertising companies and impressions (advertisement slots). There is a tendency for advertisers to increasingly include those in other industries, and also to increasingly diversify their usage.

Results trends

Continued double-digit increases in sales and profits in FY9/18. Mainstay cloud service and content advertising experienced steady growth

1. FY9/18 results

In FY9/18, Kanamic reported double digit higher sales and profits with ¥1,504mn in net sales (+16.5% YoY), ¥399mn in operating profit (+20.8%), ¥380mn in ordinary profit (+15.2%), and ¥256mn in profit (+15.0%).

Higher sales were driven by steady growth in the mainstay cloud service and all other business segments, including content advertising and services such as consignment development. Kanamic's cloud service deployment area expanded to 761 communities, an increase of 145 communities from the end of the previous fiscal year, and paid user IDs grew to 57,487 IDs, an increase of 11,485 YoY. As a result, net sales for Kanamic's cloud services increased to ¥1,299mn (+17.0% YoY). Other service segments such as consignment development trended steadily with an increase of 12.0% YoY. The main factors for this increase were customization development for major customers and consignment of businesses that support creation of IoT services (Ministry of Internal Affairs and Communications). Net sales in content services and cloud services experienced stable growth (+16.3% YoY) through growth in user numbers.

Operating profit rose 20.8% YoY, exceeding the initial plan by 10.8%. The Company is also making investments towards its future while steadily maintaining high profitability. A feature of the Company's business structure is its low cost rate of 14.0%, while the SG&A ratio is relatively high at 59.5%. Along with expansions to its scope of business, the SG&A ratio decreased from 66.0% in FY9/16, to 64.7% in FY9/17, to 59.5% in FY9/18, evolving into an earnings structure that made it easier to turn a profit. The company also has a high operating profit margin at 26.5% in FY9/18.

Results trends

FY9/18 results

(¥mn)

	FY9/17		FY9/18		YoY
	Results	% of sales	Results	% of sales	
Net sales	1,291	100.0%	1,504	100.0%	16.5%
Cost of sales	125	9.7%	210	14.0%	67.1%
Gross profit	1,166	90.3%	1,294	86.0%	11.0%
SG&A expenses	835	64.7%	895	59.5%	7.1%
Operating profit	330	25.6%	399	26.5%	20.8%
Ordinary profit	330	25.6%	380	25.3%	15.2%
Profit	223	17.3%	256	17.1%	15.0%

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

Equity ratio 78.8%, maintaining high financial stability

2. Financial conditions and management indicators

At the end of FY9/18, net assets were reported as ¥1,487mn, up ¥189mn YoY, with increases of ¥112mn in current assets and ¥77mn in non-current assets. Increases of ¥101mn in cash and deposits were the main factors behind the rise in current assets, with an increase of ¥79mn in software as the main factor behind the rise in non-current assets.

Total liabilities decreased by ¥26mn YoY to ¥315mn due to a ¥11mn decline in current liabilities and a ¥15mn decline in non-current liabilities. Interest-bearing debt declined from ¥35mn at the end of the previous fiscal year to ¥19mn.

Total net assets increased ¥216mn to ¥1,172mn due mainly to a rise in retained earnings.

Looking at management indicators, the equity ratio, which reflects longer-term stability, remained at a high level of 78.8% and the current ratio, which depicts short-term stability, was well above 200%, the level that is generally considered healthy, at 347.4%.

Consolidated balance sheet/Management indicator

(¥mn)

	FY9/17	FY9/18	Change
Current assets	927	1,039	112
(Cash and deposits)	788	889	101
Non-current assets	370	448	77
(software)	259	339	79
Total assets	1,298	1,487	189
Current liabilities	310	299	-11
Non-current liabilities	31	15	-15
Total liabilities	342	315	-26
Net assets	956	1,172	216
Liabilities and net assets	1,298	1,487	189
Stability			
Current ratio (current assets ÷ current liabilities)	298.8%	347.4%	-
Equity ratio (shareholders' equity ÷ total assets)	73.6%	78.8%	-

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

Business outlook

Forecasts for double-digit growth to continue on in FY9/19 Bolstering of systems development, R&D, employment towards medium- to long-term growth

● FY9/19 results forecast

The FY9/19 forecast calls for continued double-digit higher sales and profit with ¥1,670mn in net sales (+11.0% YoY), ¥450mn in operating profit (+12.8%), ¥440mn in ordinary profit (+15.5%), and ¥290mn in profit (+13.0%).

In regard to sales, the mainstay cloud service is expected to continue experiencing growth. Amidst expansion in markets related to nursing care, there is still much more room for growth as there are many municipalities and nursing care businesses that have not yet enlisted the Company's cloud services. The Company's ascension to the First Section of the TSE and its membership in the Keidanren boost its credibility and are likely to have a positive impact in operational aspects. In content services, the market for internet advertising is expanding with favorable conditions. With the increase in the number of paying and non-paying user IDs, the Company's value as a media entity is also increasing, and further growth can be expected in these services.

The Company is also forecasting double-digit growth for each profit segment. As with the previous fiscal period, it plans to strengthen systems development, R&D, and employment, with the profit growth rate at the same as net sales. The main theme for the Company's investments are various research fields related to platforms (IoT, remote medical care, various payment methods, sharing, etc.) and joint research with Asahikawa Medical University. The Company is also bolstering employment of sales personnel. Due to its earnings structure as a recurring business, profit growth exceeds net sales growth; however, the growth in profit is being allocated to medium-to-long term investments. In the past, the Company has achieved business results at pace that exceed its forecasts, and we at FISCO believe the certainty for profit growth in this fiscal year is high as well.

FY9/19 consolidated results forecast

	FY9/18		FY9/19		YoY
	Results	% of sales	Forecast	% of sales	
Net sales	1,504	100.0%	1,670	100.0%	11.0%
Operating profit	399	26.5%	450	26.9%	12.8%
Ordinary profit	380	25.3%	440	26.3%	15.5%
Profit	256	17.1%	290	17.4%	13.0%

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

Longer-term growth strategies

Ascended to the First Section of the TSE. Currently building a regional model to linked with medical and nursing care via joint research at Asahikawa University

1. Ascended to the First Section of the TSE, membership in the Keidanren

The Company was transferred to the First Section of the TSE in July 2018. After its entry into the Mothers market in September 2016, it rose to the First Section in only two years. The Company is also the first IT company with nursing care software as its core business to be listed in the First Section of the TSE. Favorable conditions can be expected for operations due to an increase in credibility and attention from the nursing care and medical care industries. Furthermore, in terms of personnel employment, it is likely that the Company will become a lucrative place to work.

Continuing on from its listing in the First Section of the TSE, the Company was also approved for membership into the Keidanren (Japan Business Federation) in September 2018. Community-based integrated care is a wellspring of individuals supporting companies and regional vitality, and the Company intends to contribute to its promotion from its position inside this economic organization.

Listed on the Tokyo Stock Exchange, First Section



Source: From the Company's results briefing materials

2. Aiming for establishment of a regional model via joint research with Asahikawa Medical University

The Company set up a joint research course with Asahikawa Medical University, a national university, in March 2018, has started building a global model that uses IoT cloud technology, and is conducting full-fledged joint research. Asahikawa Medical University has undertaken initiatives in remote medical care in the past. In this joint research, the Company will take on the role of R&D related to new items for information sharing that are necessary for remote medical care and nursing care support, as well as a support system.

Longer-term growth strategies

Originally, the Company pursued joint research with the University of Tokyo to create the “Kashiwa model,” with the city of Kashiwa in Chiba prefecture. If the “Kashiwa model” is an urban model, the “Asahikawa model” launched by this new joint research is a regional model. Characteristics of the regional model include clarification and easy linking to a tree-shaped network of hospitals (with universities and university hospitals at the top), clinics, and nursing care facilities; a shortage of doctors that makes it impossible to follow-up with treatment after being discharged from a hospital; and effective care through technology such as remote medical care, IoT sensors and online diagnoses due to being located a long distance away from the site. These characteristics are shared by many of Japan’s regional towns and cities, with high expectations in a model that has plenty of room for horizontal expansion in the future.

Comparison of the Kashiwa model and the Asahikawa model

「Kashiwa model (Urban)」	↔	「Asahikawa model (Regional)」
<ul style="list-style-type: none"> ■ Joint research with the University of Tokyo 	↔	<ul style="list-style-type: none"> ■ Joint research with Asahikawa Medical University
<ul style="list-style-type: none"> ■ Star-shaped network <ul style="list-style-type: none"> • Many large hospitals, complex network • Diverse group of nursing care providers 	↔	<ul style="list-style-type: none"> ■ Tree-shaped network <ul style="list-style-type: none"> • The respective roles of acute care hospitals, core hospitals, clinics, etc. are clear • Higher proportion of nursing care provided at home
<ul style="list-style-type: none"> ■ Lenient shortage of doctors 	↔	<ul style="list-style-type: none"> ■ Remarkable shortage of doctors (difficult to follow-up for nursing care)
<ul style="list-style-type: none"> ■ Many medical and nursing care-related entities, high demand for information-sharing 	↔	<ul style="list-style-type: none"> ■ Greater obstacles for receiving treatment at hospitals, high expectations in technology such as remote medical care and IoT sensors

Source: Prepared by FISCO from the Company’s results briefing materials and interviews

The outline for the research and development schedule is as follows.

(1) 2018

Building a community-based integrated care model (an infrastructure model for packaged medical and nursing care through IoT cloud) in the city of Asahikawa.

(2) 2019

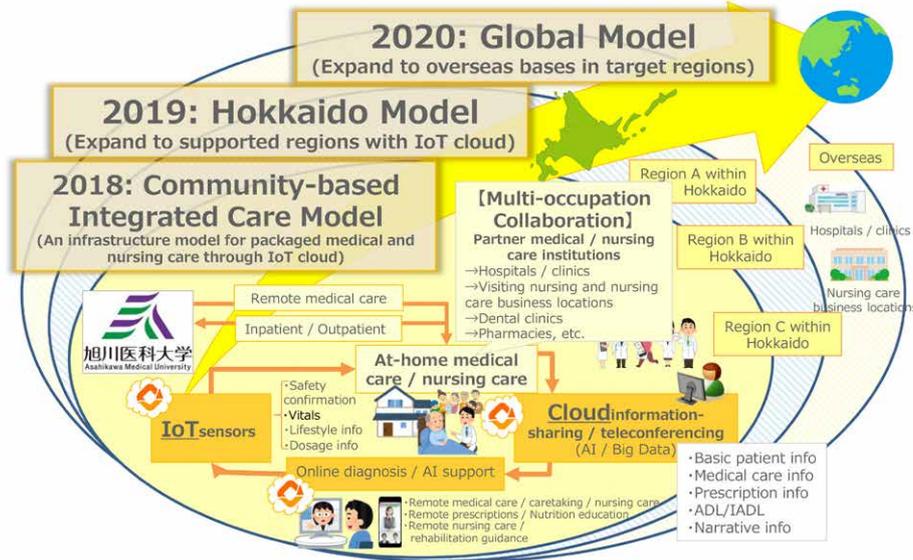
Hokkaido model (supports the Dohoku and Doto areas with IoT cloud and online diagnosis)

(3) 2020

Global model (expand to overseas bases in target regions)

Longer-term growth strategies

Joint research with Asahikawa Medical University



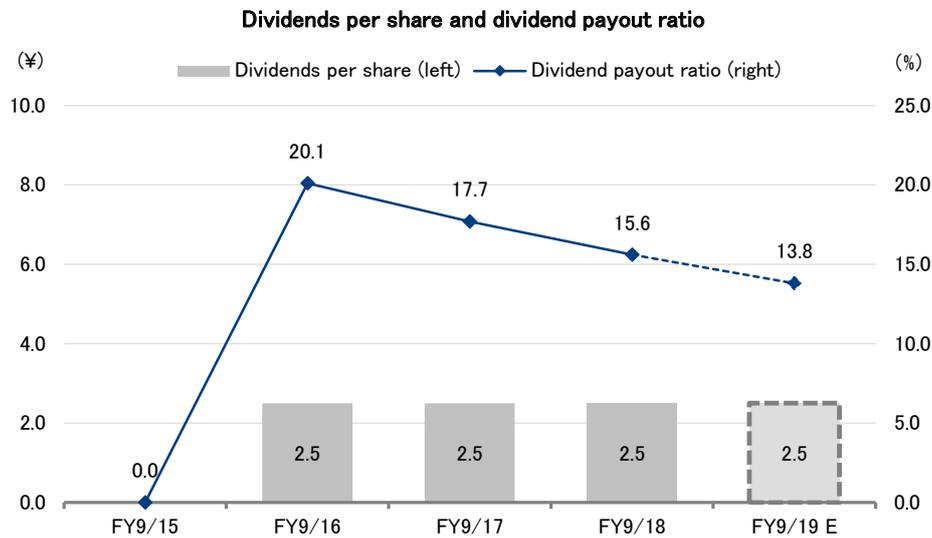
Source: From the Company's results briefing materials

Shareholder return policy

Launch of unique, lottery-based shareholder incentives Plans to pay a ¥2.5 dividend in FY9/19, putting the payout ratio at 13.8%

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 FY9/18, Kanamic paid a dividend of ¥2.5 per share that worked out to a payout ratio of 15.6%. It plans to pay a ¥2.5 dividend in FY9/19 too (unchanged YoY), putting the payout ratio at 13.8%.

Shareholder return policy



Note: The Company made a 2-for-1 share split on April 1, 2018.
 Source: Prepared by FISCO from the Company's financial results

As part of shareholder return activities, the Company introduced a lottery-type shareholder incentive system. The purpose of the system is to have longer retention from more shareholders. Shareholders have two chances to receive incentives.

Incentive 1

Every year on September 30, ten individuals on the shareholder register who retain 100 or more stocks at that time will be chosen from a lottery to receive a travel ticket gift worth ¥200,000.

Incentive 2

Three shareholders who retain 100 or more stocks for at least one year (listed successively for at least three times in the interim fiscal and fiscal year-end shareholder registers) will be chosen from a lottery to receive a travel ticket gift worth ¥200,000. The Incentive 2 program will be introduced from FY9/20.

Along with highly reliable dividends, it appears that the Company will be able to gather attention from a greater pool of investors with this lineup of highly-anticipated lottery-type gifts.



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