Earnings Results Briefing for the

Second Quarter, FY2020

And Corporate Profile

May 14, 2020

株式会社カナミックネットワーク

Kanamic Network Co., Ltd

Agenda

1. Company Profile
2. Business Outline
3. Industry Trends
4. Advantages
5. Earnings Forecast & Strategy
6. TOPICS

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1.Company Profile



1-1.Company Profile

Company Name	Kanamic Network Co., Ltd
Date of Establishment	October 20th, 2000
Paid in Capital	JPY324,120,000 as of November 16, 2016
Stock Listings	1st section of the Tokyo Stock Exchange
location	



Business Area	To provide cloud services in medical, nursing and childrearing fields

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1-2.Corporate Philosophy

人生を抱きしめるクラウド

子育てにはじまり、介護まで。
人の幸せを支える、クラウド技術があります。

Our goal is to provide "cloud services for all stages in life".
We support community-based integrated care through our products.



Origin of our name

“Kaigo” (Japanese for “nursing care”) + "Dynamic" + "Network"

Our Philosophy

We aim to create a local and inclusive cloud based care system to support our aging population.

Our company provides ICT platforms that enable information sharing (relating to medicine, nursing, and child care) among multiple professionals regardless of interdisciplinary barriers. The platform service allows for care recipients and their family's to experience a higher quality of medical and nursing care.

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2.Business Outline



KANAMIC NETWORK

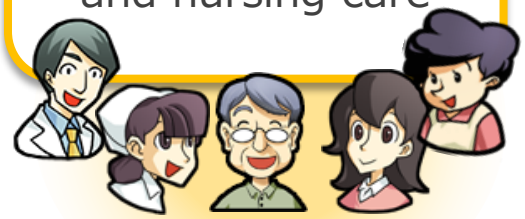
2-1.Business Outline

Internet ads	Fintech	System(AI,IoT,etc..)	Sharing economies	Other
Internet ads Web engineering	T-POINT, etc. Factoring, payroll advances	Care plan system with AI, Telemedicine w/ IoT, Multi-language support, ERP System	Human resources, Care facilities, Care equipment/vehicles	Internet shopping, Public subsidy

Platform Service

- Public administration
- Medical treatment
- Nursing care

Collaboration in medical treatment and nursing care



- Public administration
- Child care
- Medical examination

Parenting support



KANAMIC NETWORK

Our ICT platform spans across all functions

We introduce our operational software to nursing care administrators.



Continuing Care Retirement Community

Local revitalization

Decrease the work load

Creating the ideal work environment for young people

Enhance social involvement

We provide care for all generations

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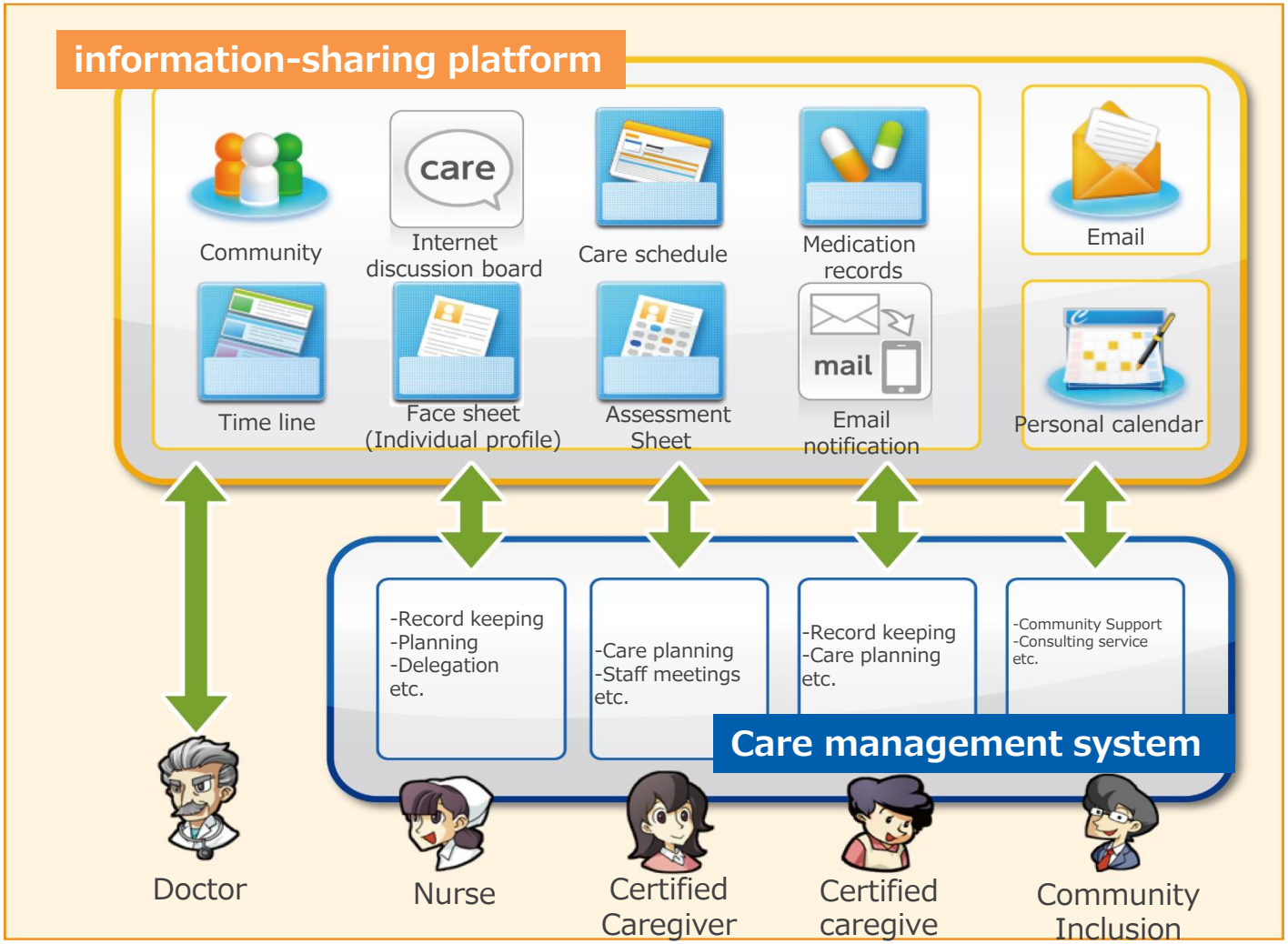
2-2.Cloud Service : Medical & Nursing Care

There is a function elsewhere

2nd layer **information-sharing platform is introduced into the whole area with an aspect**

2nd layer Paying user

- Municipalities
- Regional Comprehensive support centers
- Medical associations
- Central hospitals
- Home care doctors



1st layer Paying user

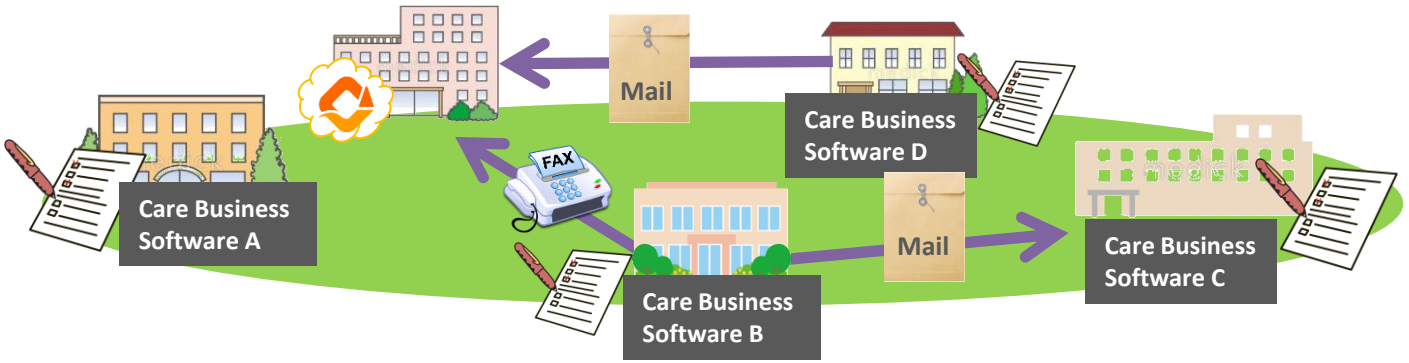
- Care manager
- Care company
- Community inclusion support center

1st layer **Care management system is introduced into every corporation, company**

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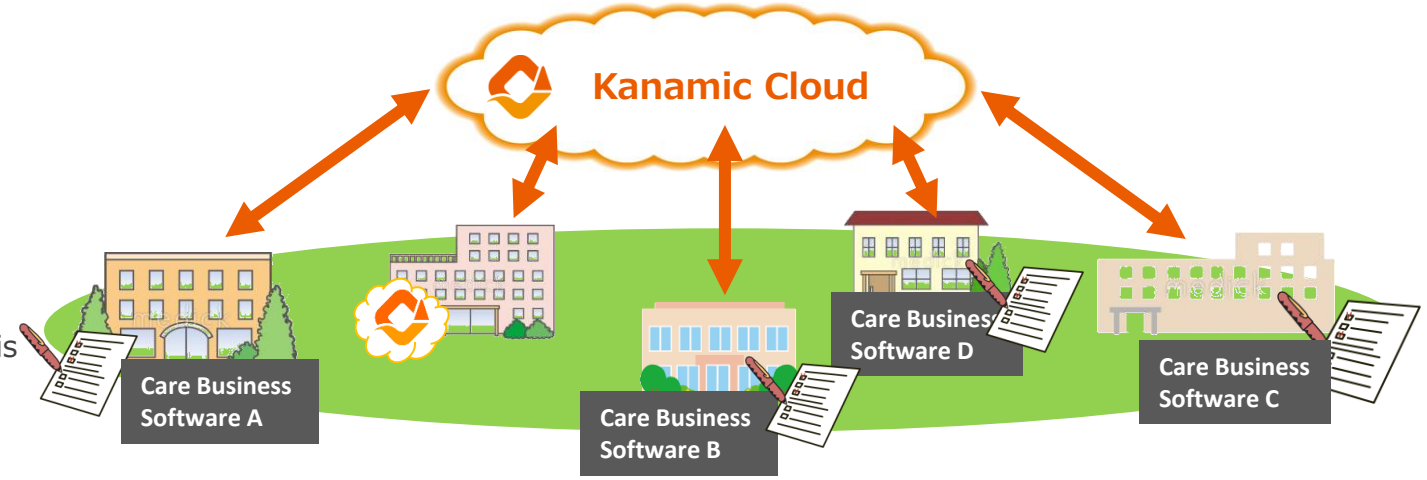
STEP.1

No information distribution system is in place. Each facility uses different software and there are separate communication channels among parties that utilize postal and FAX.



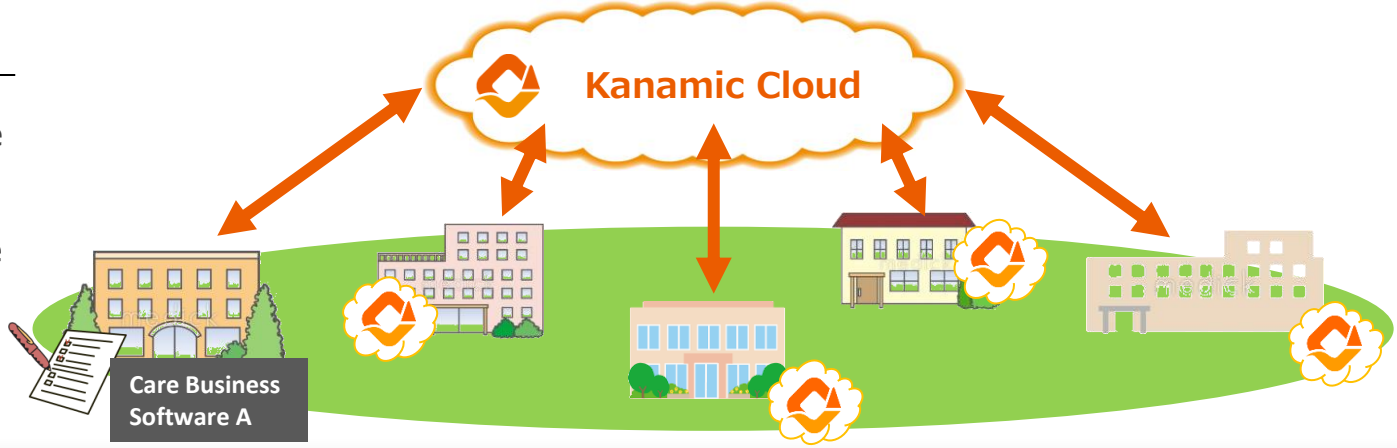
STEP.2

Our product is installed for regional nursing care information distribution(2nd layer), which leads to smoother distribution of information. However paperwork is still required on site.



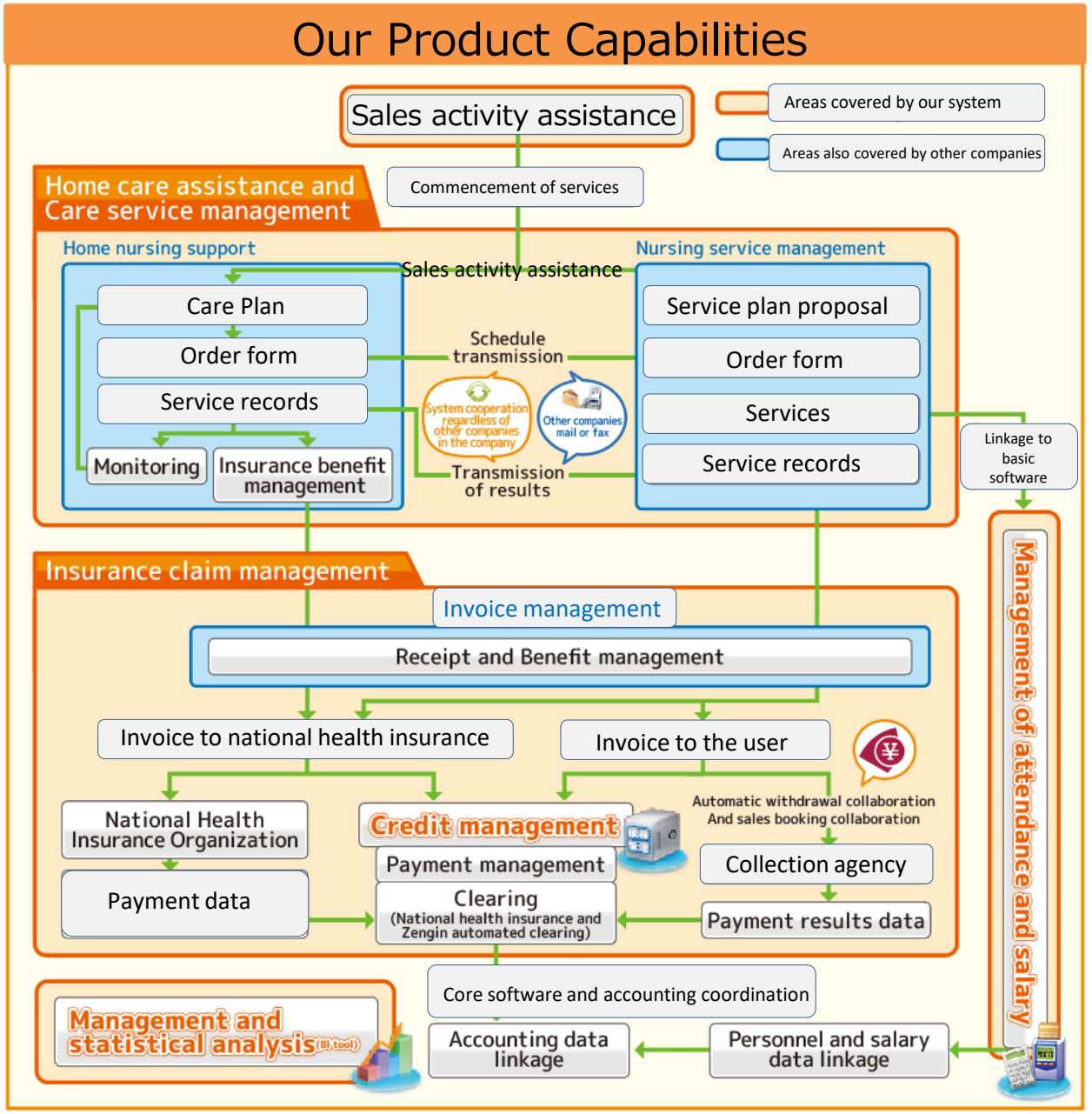
STEP.3

Our product is used in nursing care business administration (1st layer). By using KANAMIC Cloud, administrative work becomes more efficient and leads towards achieving a paperless operation.



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Our Product Capabilities



Extensive lineup supporting the management of nursing care business

- Sales Force Automation (SFA)
- Form preparation
- Medical and nursing care insurance claims(receipts)
- Salary calculation
- Credit management
- Operational analysis

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2-5.Cloud Service : Medical & Nursing Care 2nd layer

System screen

Room for each care recipient

2nd layer
Manager

- Municipality
- Medical association
- Central hospital
- Home care doctor

Only accessible to approved persons involved in the care of care recipient



Tabs to monitor changes in the care recipients condition

Information on each care recipient

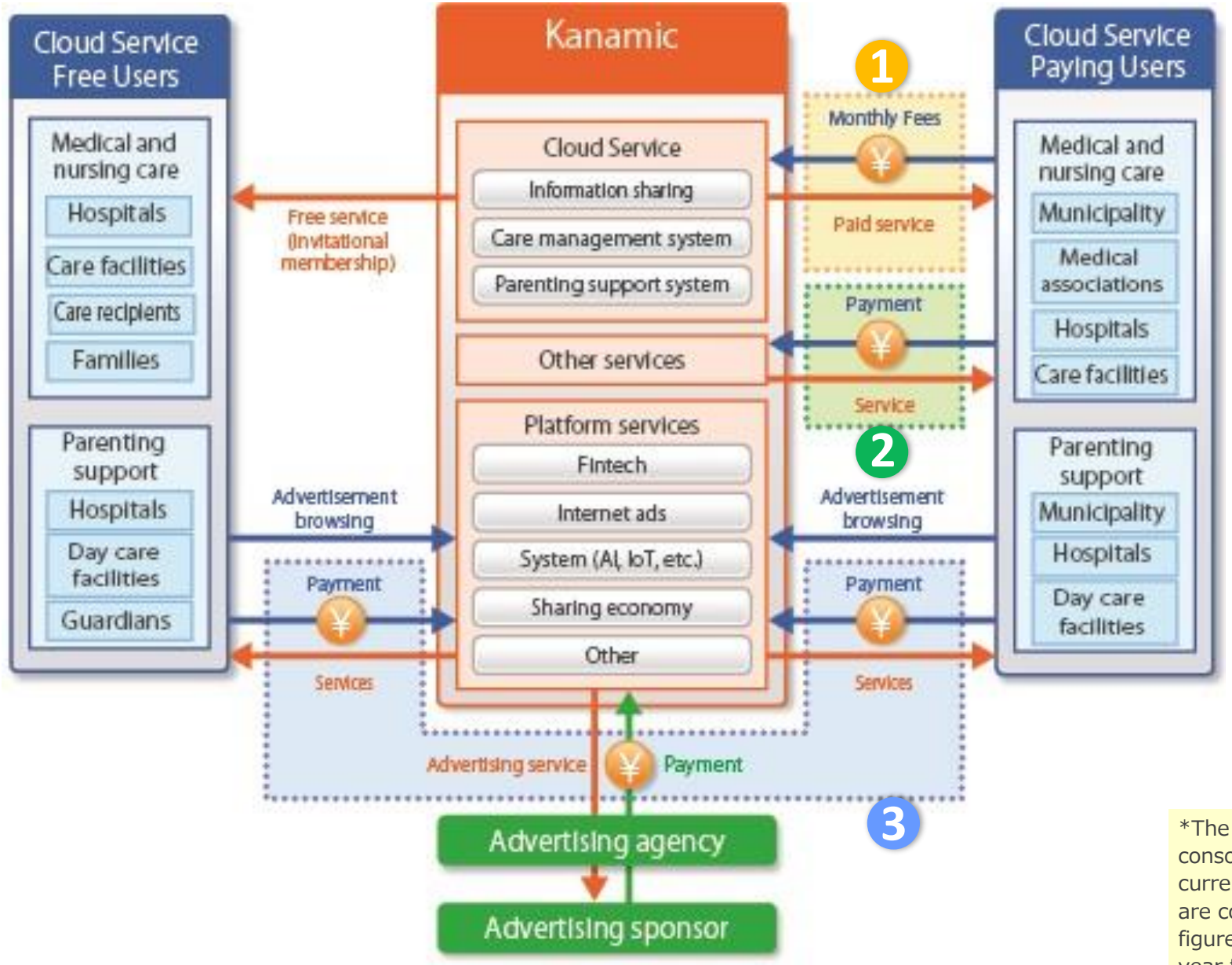
- Face sheet (collaborative information)
- Care schedule
- Medication records

Care record for daily changes

- Care recipient information
- Shared diary
- Care plan
- Vital sign information Consumption /excretion records
- Instructions for visiting nurses
- Medical information etc.

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2-6.Medical and Nursing Care Cloud Service Overview



The Company is a single segment business but sales by service are disclosed.

Second Quarter of FY 2020

1 Cloud

Net Sales : JPY 807mm

(Weighting (%) : 88.8%)

(YoY(%) : 109.8%)

2 Other

Net Sales : JPY 68mm

(Weighting (%) : 7.6%)

(YoY(%) : 136.0%)

3 Platform

Net Sales : JPY 32mm

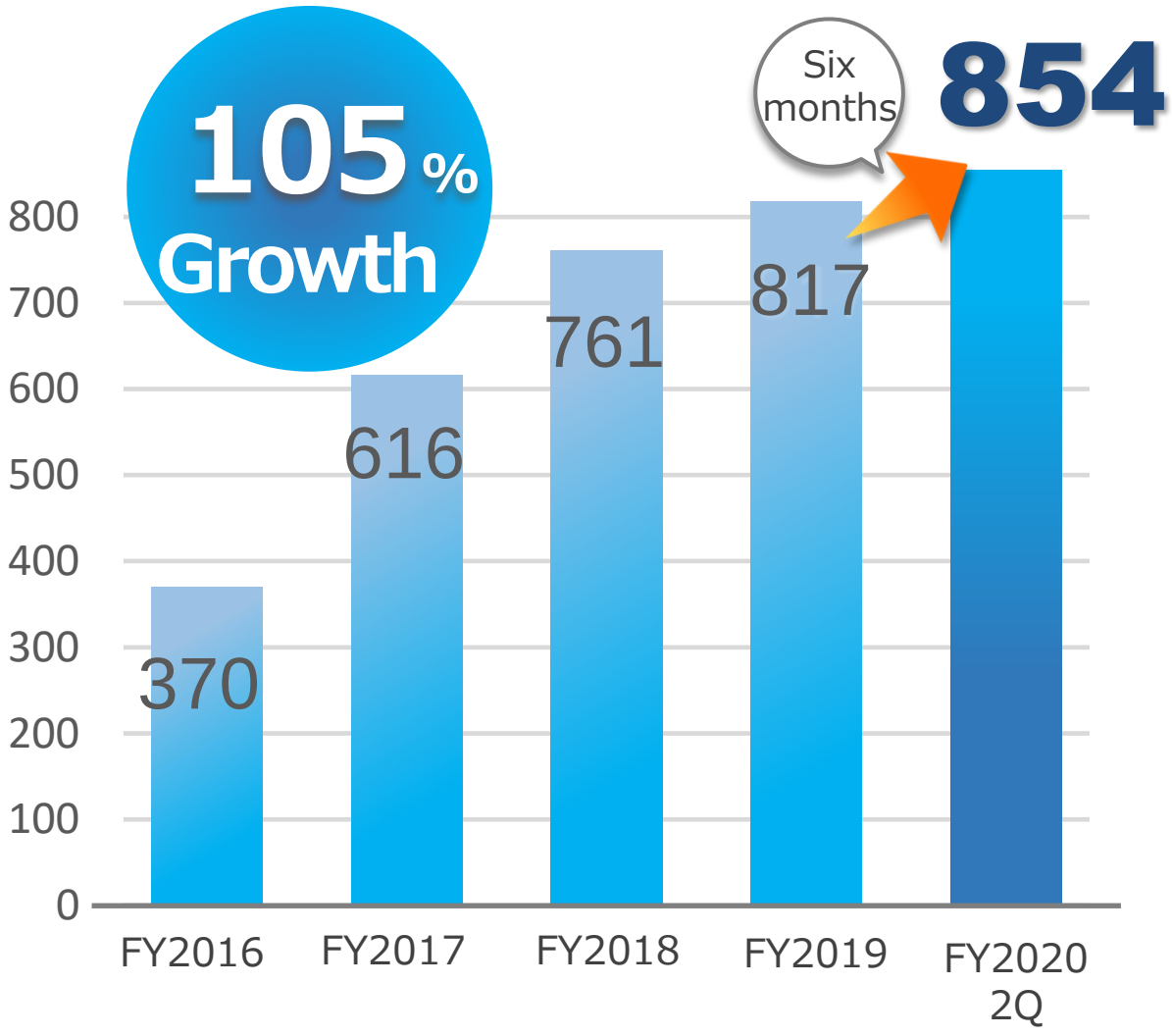
(Weighting (%) : 3.6%)

(YoY(%) : 69.9%)

*The Company changed to consolidated accounting from the current fiscal year, but these results are compared with standalone figures from the previous fiscal year to calculate YoY change.

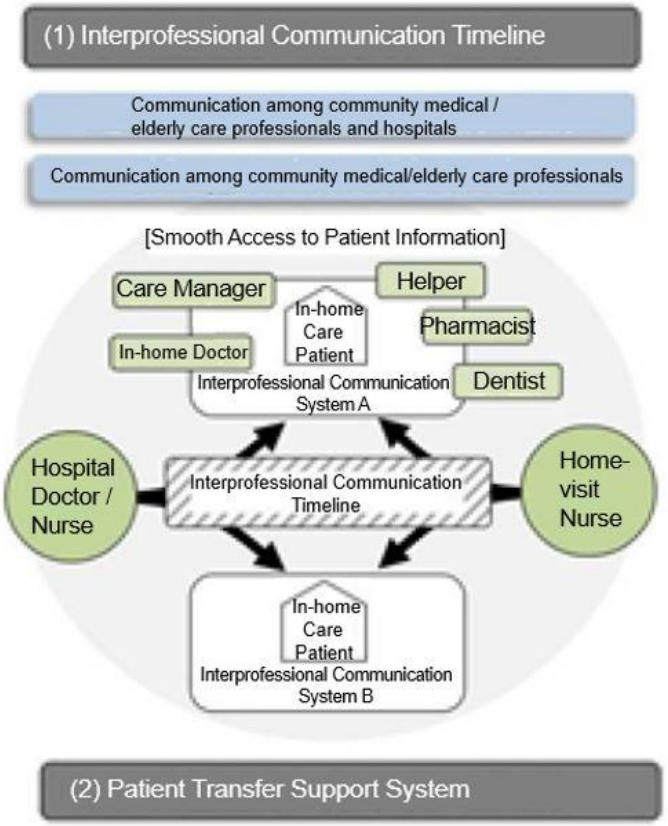
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2-7.The Number of Regions Using Our Cloud Products



※ "Junior high school precinct" of a population of around 30,000 people of the local inclusion care that Ministry of Health, Labour and Welfare assumes the local numerical unit

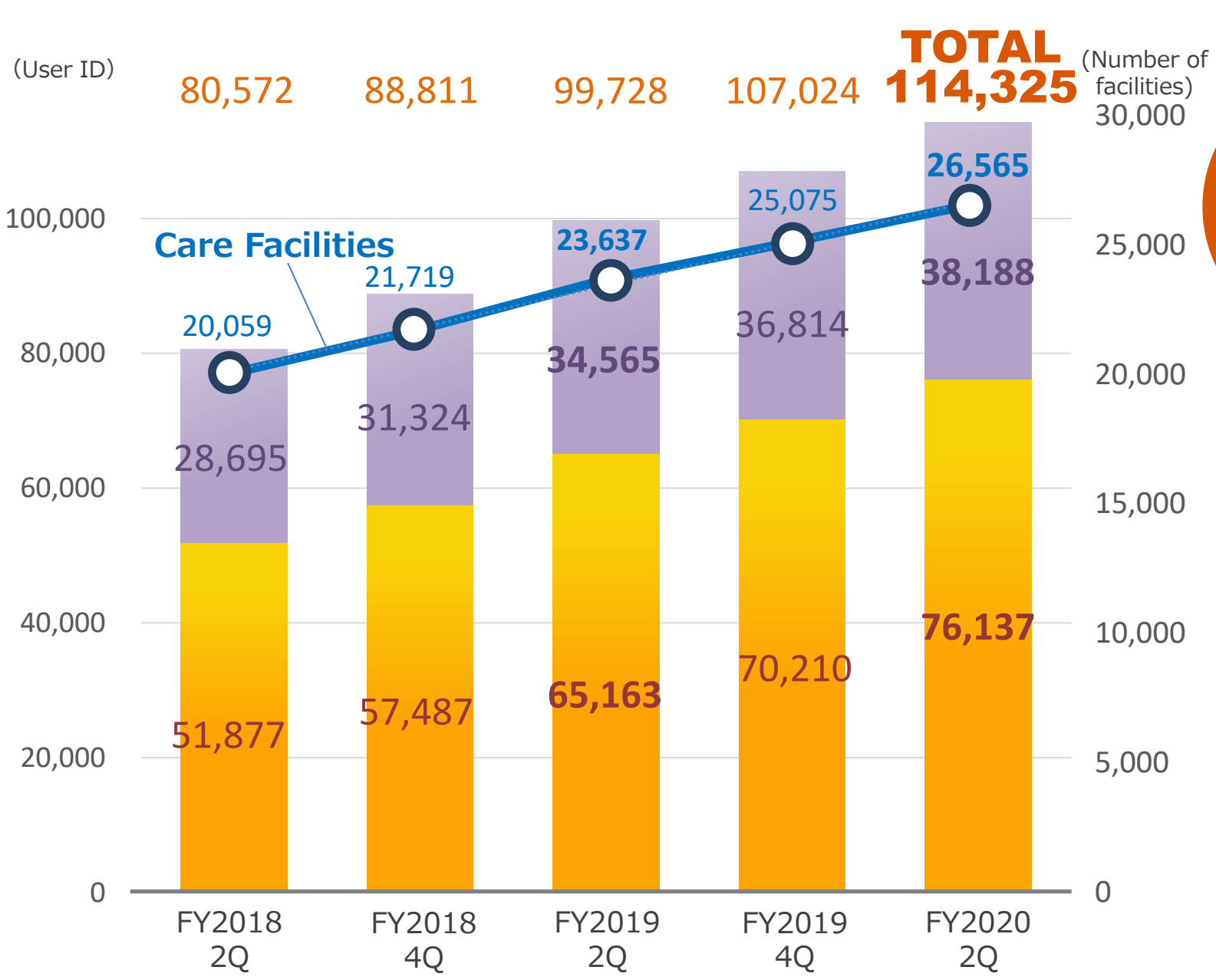
Contracted for Portal Site for All Regions of Tokyo



■Contracted : October 2019
■Operationalized: April 2020（from the Company's third quarter of FY2020）

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2-8.User Growth & Number of Care Facilities



Six months

Growth 107%

TOTAL

Growth 104%

Free Users

Growth 108%

Paying Users

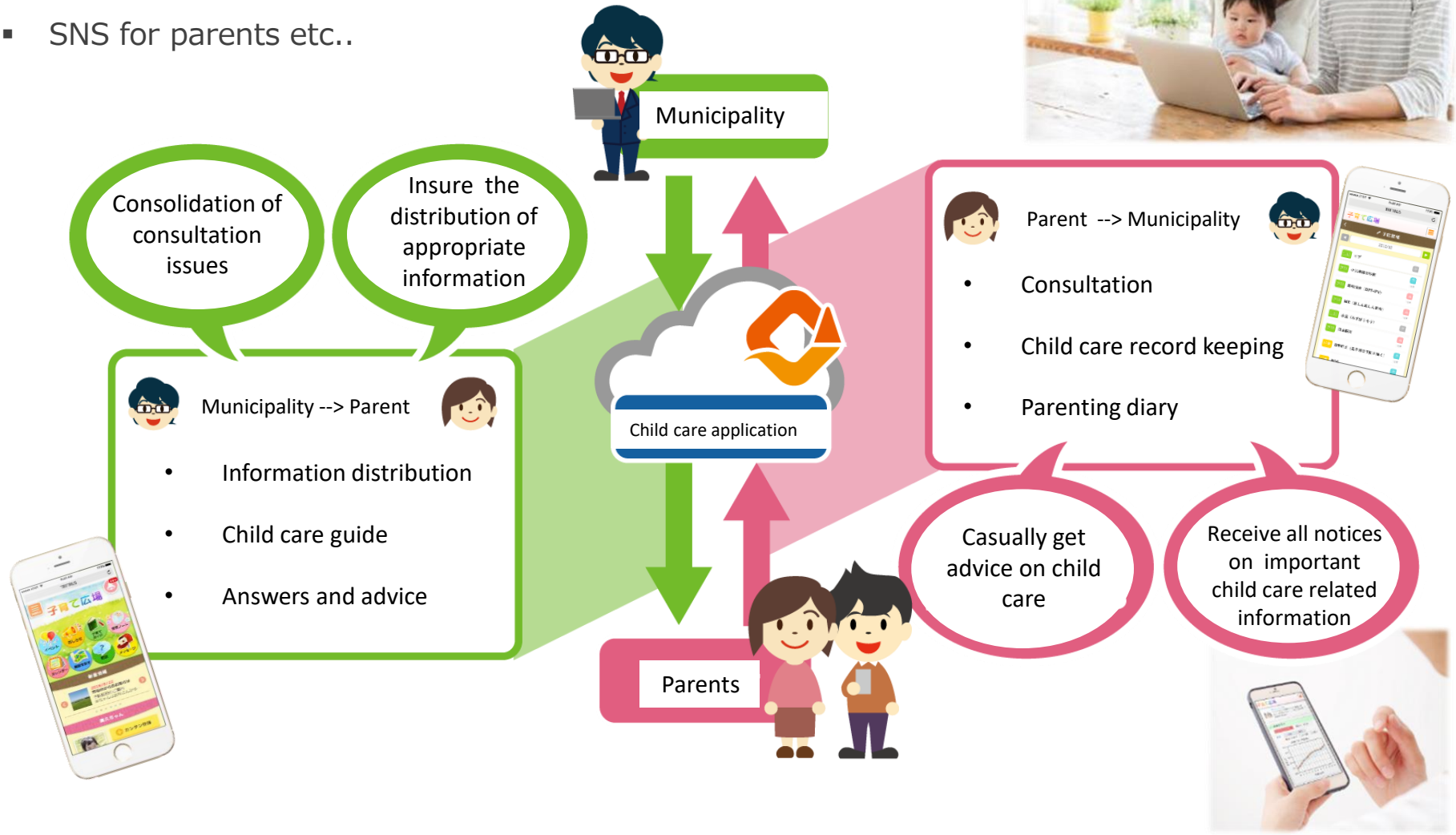
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2-9.Parenting Support System

Local municipal project

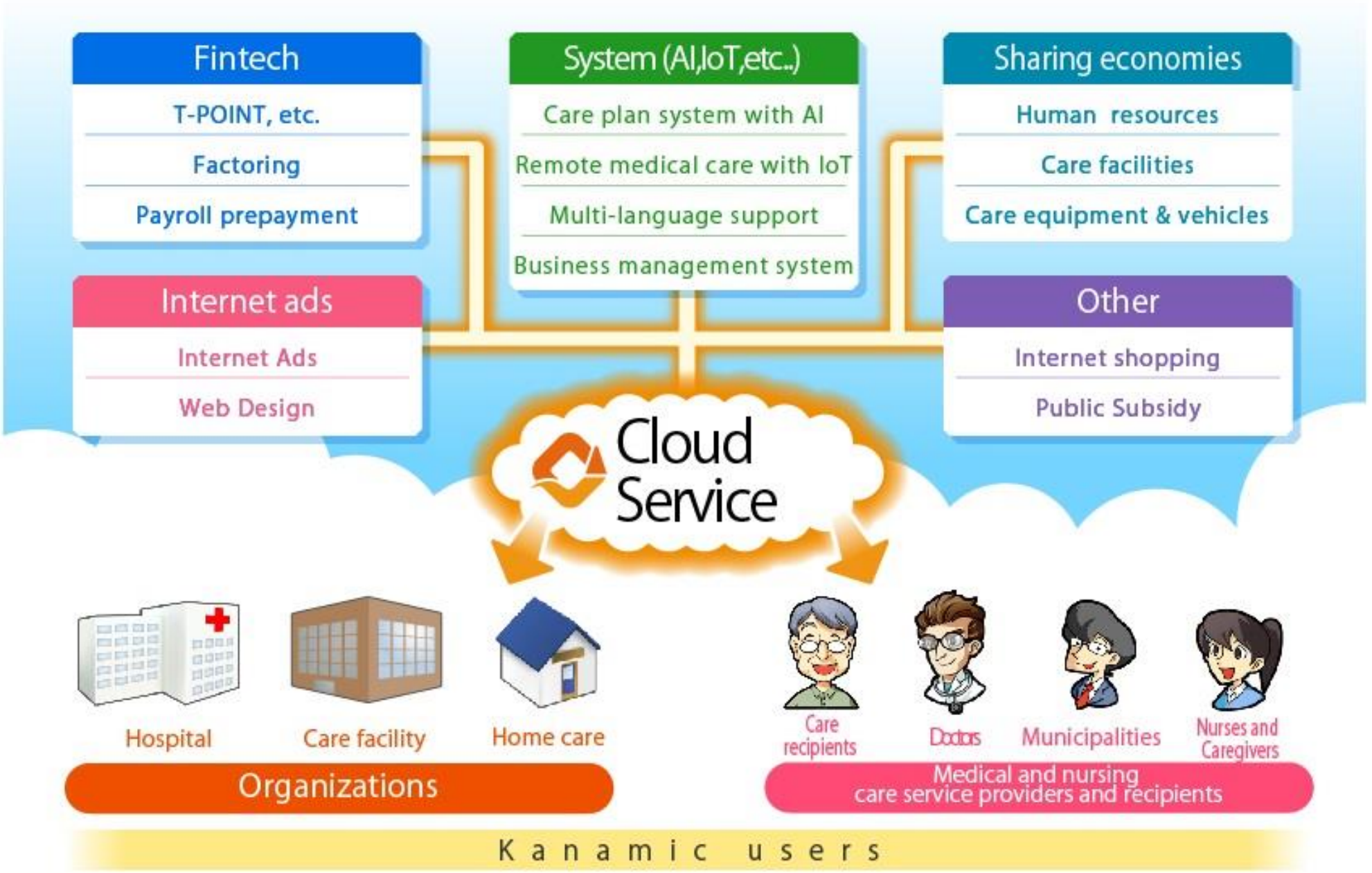
- News distribution and event information distribution to connect municipalities with parents.
- Blog function based on electronic parent and child diaries
- SNS for parents etc..





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2-10.Growth Strategy / Platform Strategy



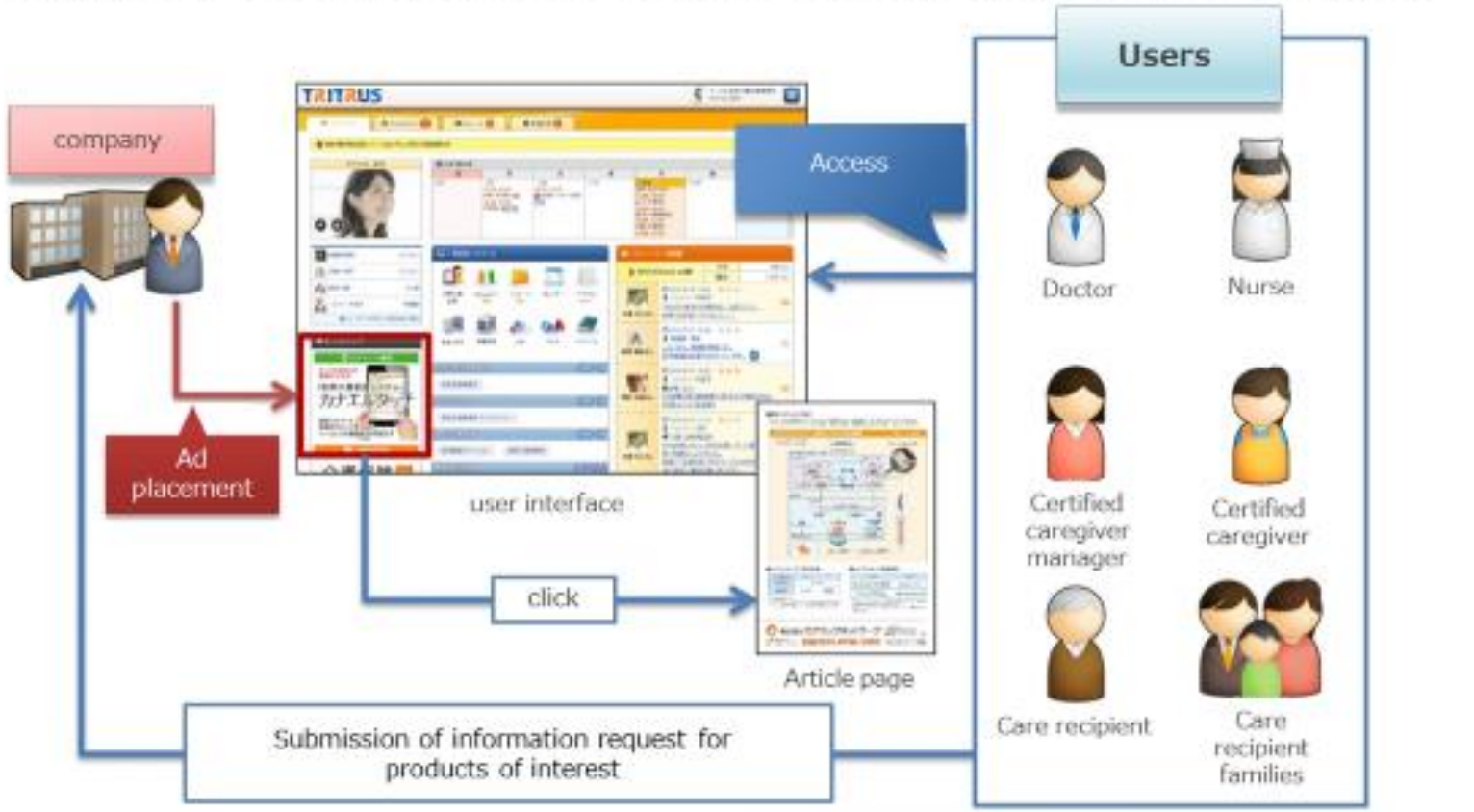
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2-11.Advertising Content Service

Advertising content service focused on medical and nursing professionals

- Pharmaceuticals
- Medical instrument
- oral care
- Assistive products
- Building material
- Food
- sanitary product
- Robot
- Recreation article

etc..



Internet advertisement
Impression ads
Article ads
Video ads

Participation in user group meetings
Invitation to participate in regularly held user meetings

Web questionnaire
Product marketing
Market research

Distribution of samples
Provide samples to care recipients via service providers

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3.Industry Trends

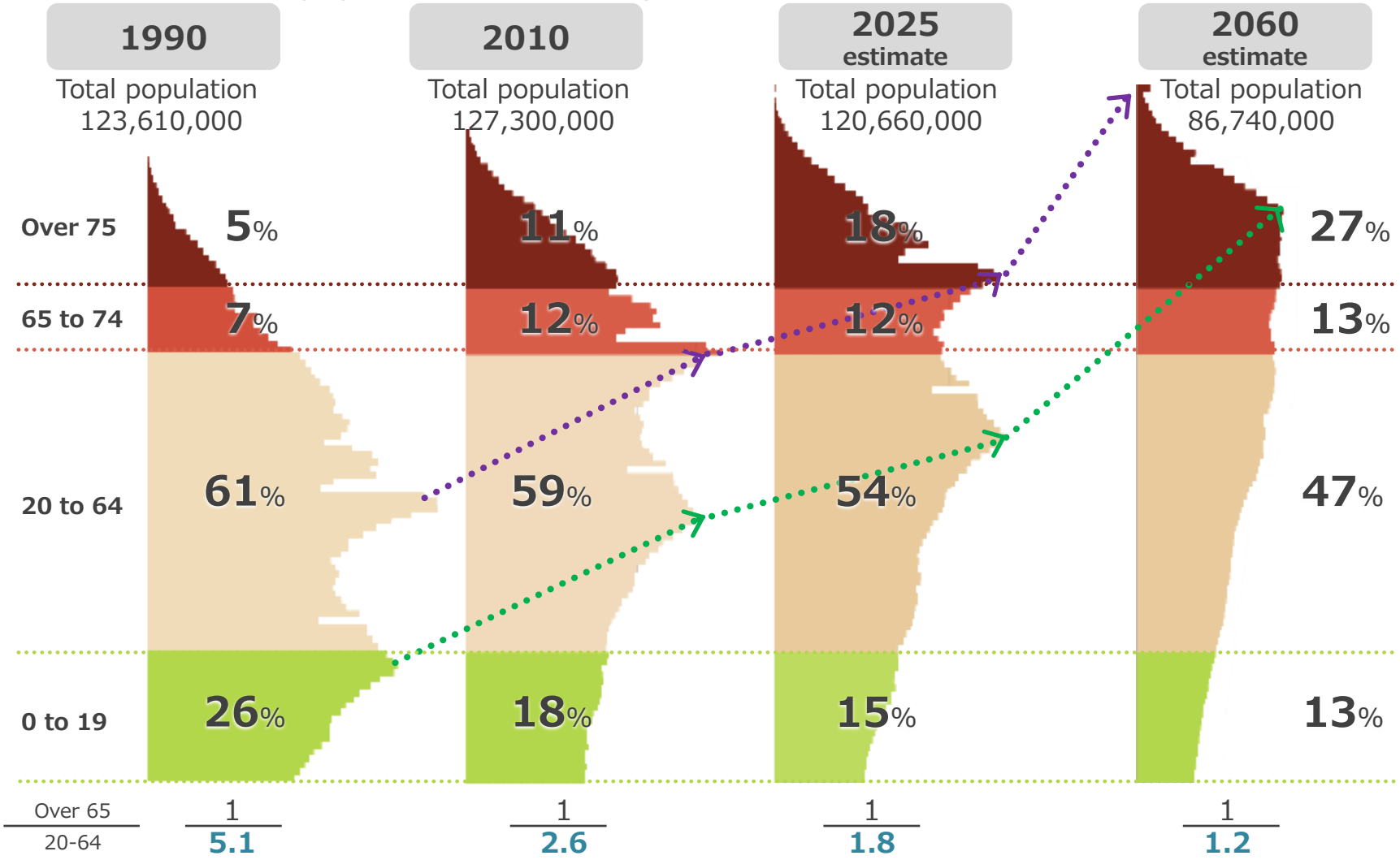


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3-1.Market Size of Medical Care & Nursing Care

Japan's Changing Population

In 2025, 18% of the total population will be 75 years and over.
The population will continue to age.
In 2060, 40% of the population will be 65 years and older.



source : Ministry of Internal Affairs and communications

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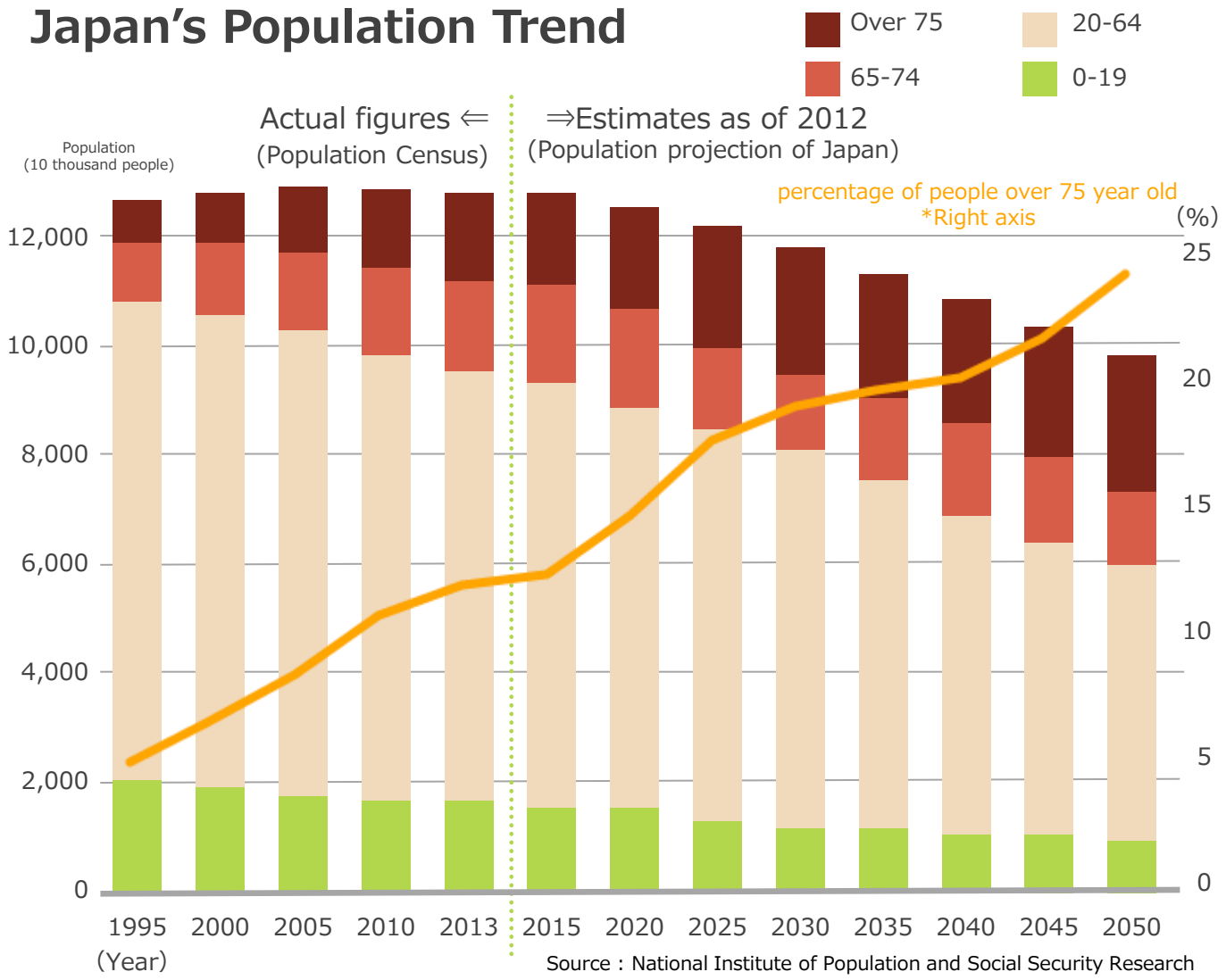
3-2.Market Size of Medical Care & Nursing Care

People over the age of 75 require more nursing care.
It is believed that the he proportion of elderly people will increase significantly in the future.

Certification of long-term care need

65-74	
Support	Certification of long-term care
231 (1.4%)	491 (3.0%)
Over 75	
Support	Certification of long-term care
1,357 (8.8%)	**3,611 (23.3%)**

Japan's Population Trend

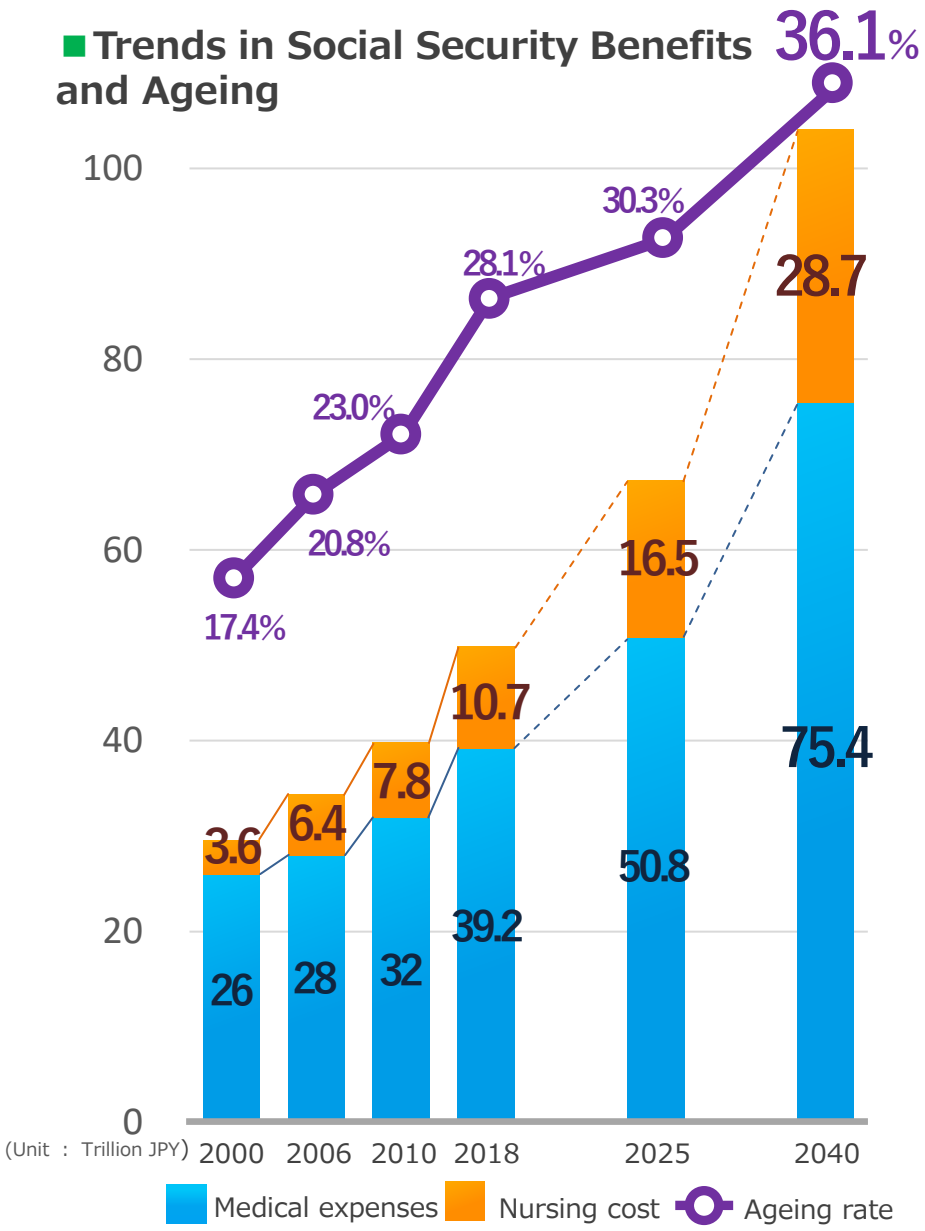


Source : National Institute of Population and Social Security Research

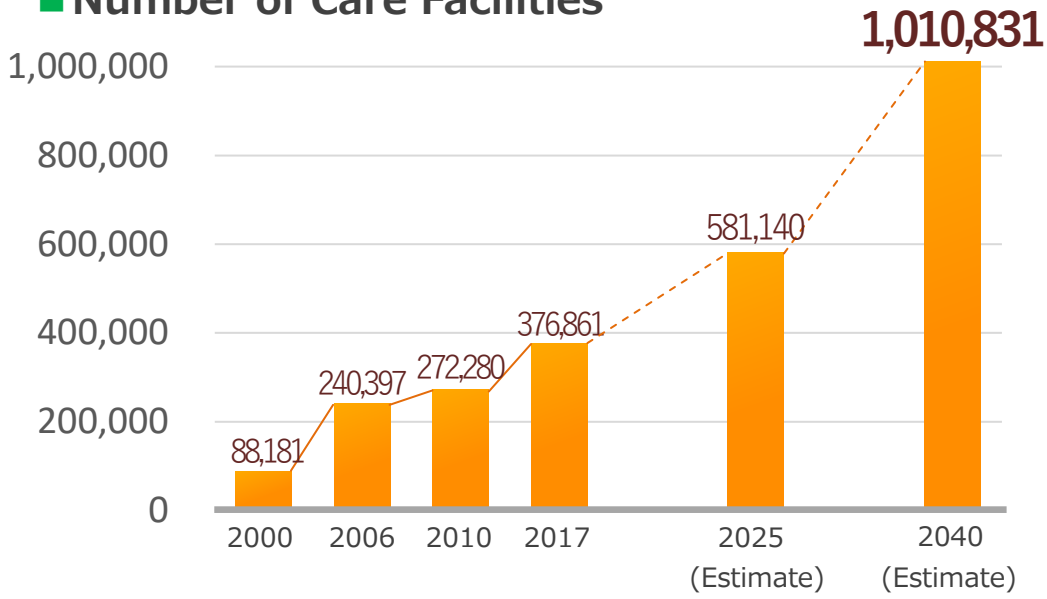
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3-3.Market Size of Medical Care & Nursing care

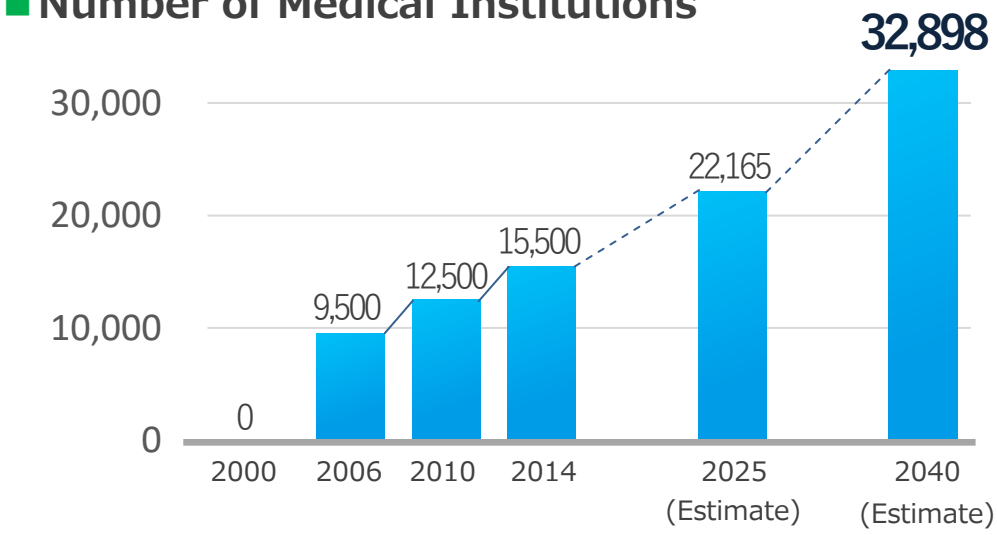
Trends in Social Security Benefits and Ageing



Number of Care Facilities



Number of Medical Institutions



Source : Ministry of Health, Ministry of Labor and Welfare, Ministry of finance and cabinet office documents
Number of care facilities in 2025 are estimated based on the social security budget

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4.Advantages

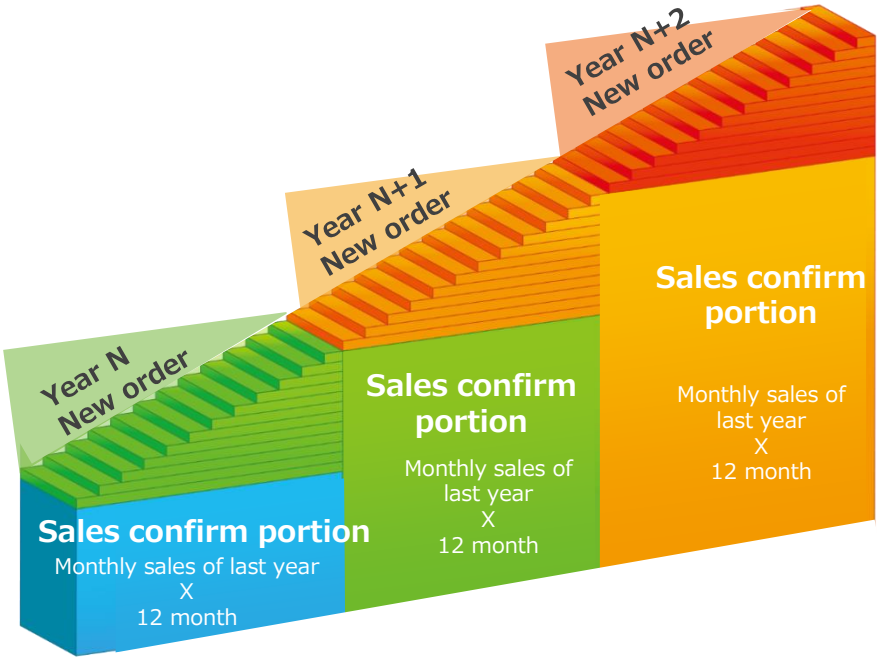


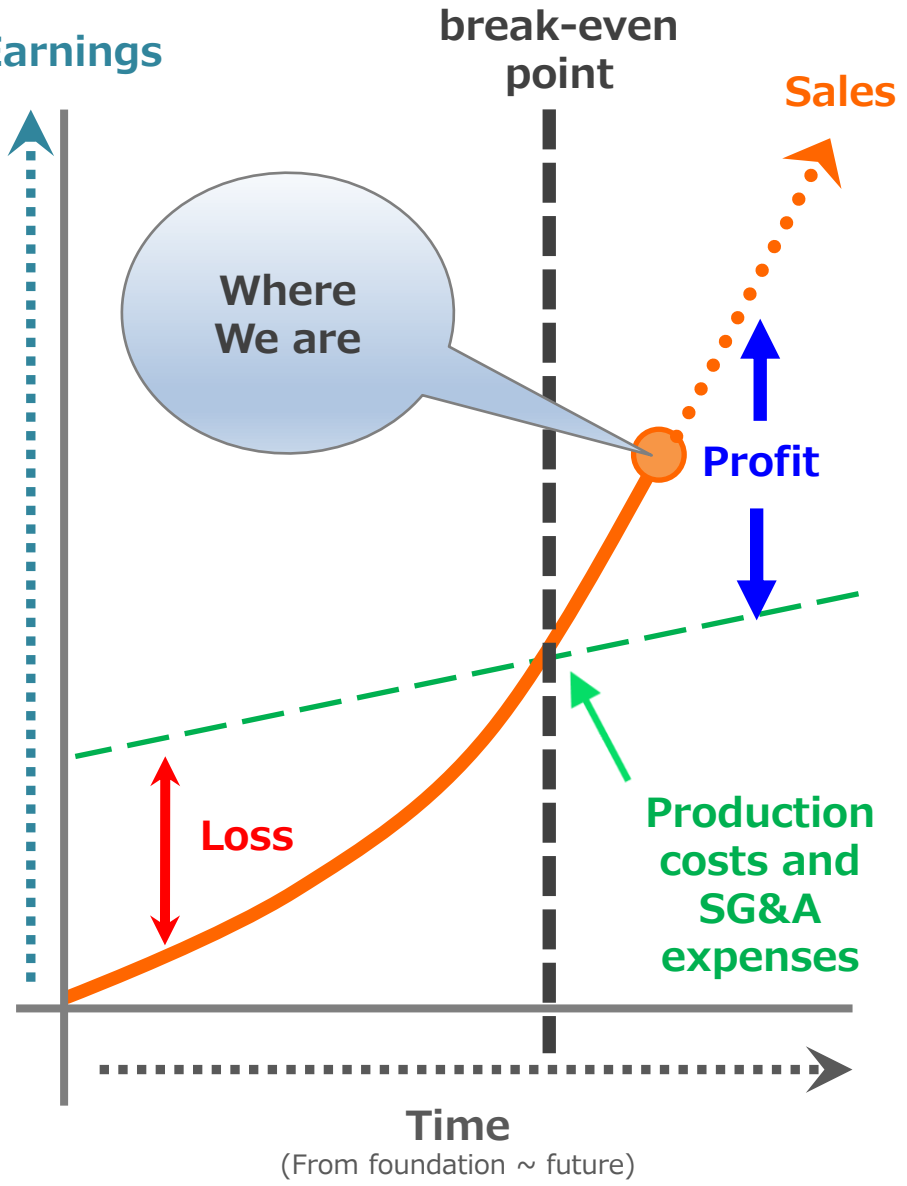
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4-1.Profit structure

Our current focus of providing cloud services results in a "Recurring Business Model" leading to high returns.

Earnings structure in recurring business





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Our medical care collaboration cloud has been developed through joint research with the Institute of Gerontology, the University of Tokyo. It has been built as a local & comprehensive care system which we call ”Kashiwa Model”

東京大学 THE UNIVERSITY OF TOKYO　東京大学 高齢社会総合研究機構 INSTITUTE OF GERONTOLOGY, The University of Tokyo

About ideal town for this institute

In order to accomplish a local & comprehensive care system,

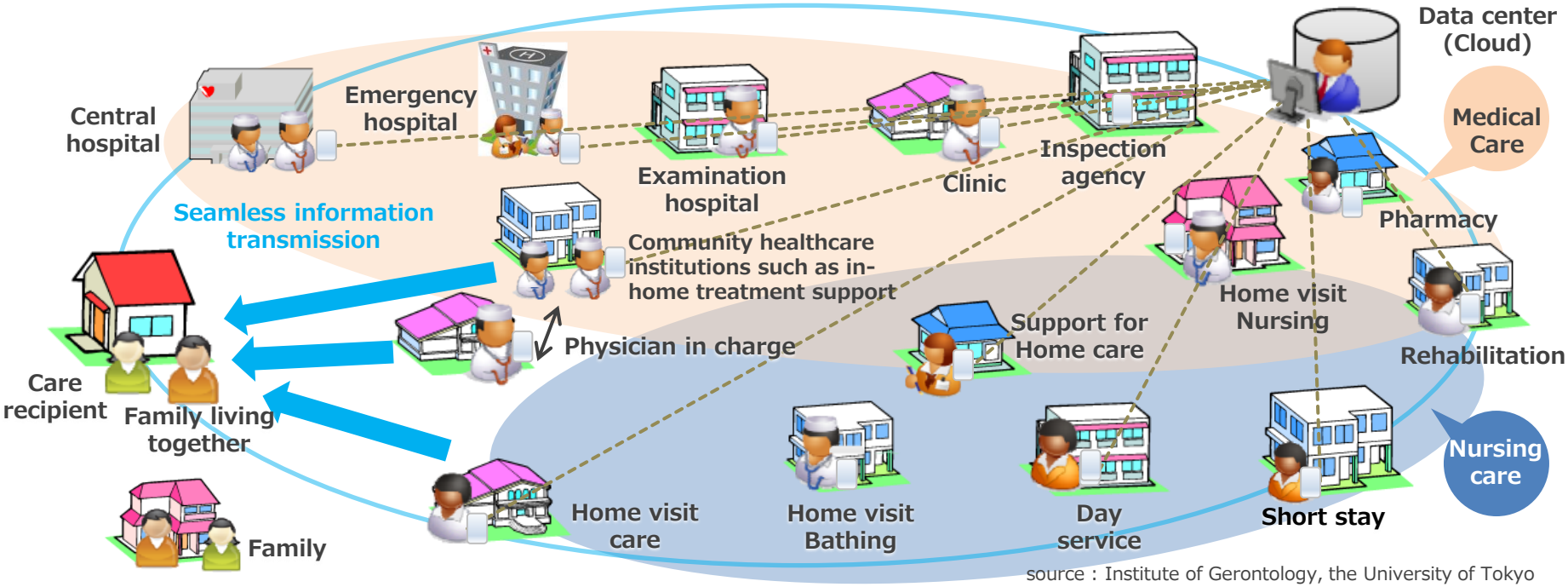
1.Construct home medical care system
2.Create more visiting nursing care (enabling a 24 hours visiting nursing care system)
3.Create more care services (enabling a 24 hour care system)
4.Provide housing for the elderly with inclusive services

In order to get jobs for elderly people,

1.Fallow land agriculture, small-sized vegetable factory, rooftop farming
2.Better childcare services, founding child rearing support centers, reserving spaces for child visitations
3.Livelihood support service
4.Services to support local food such as the creation of dining rooms and the implementation of delivery food services

Constructing information sharing systems

An easier way to share information that allows for multidisciplinary collaboration in home medicine and nursing care services.

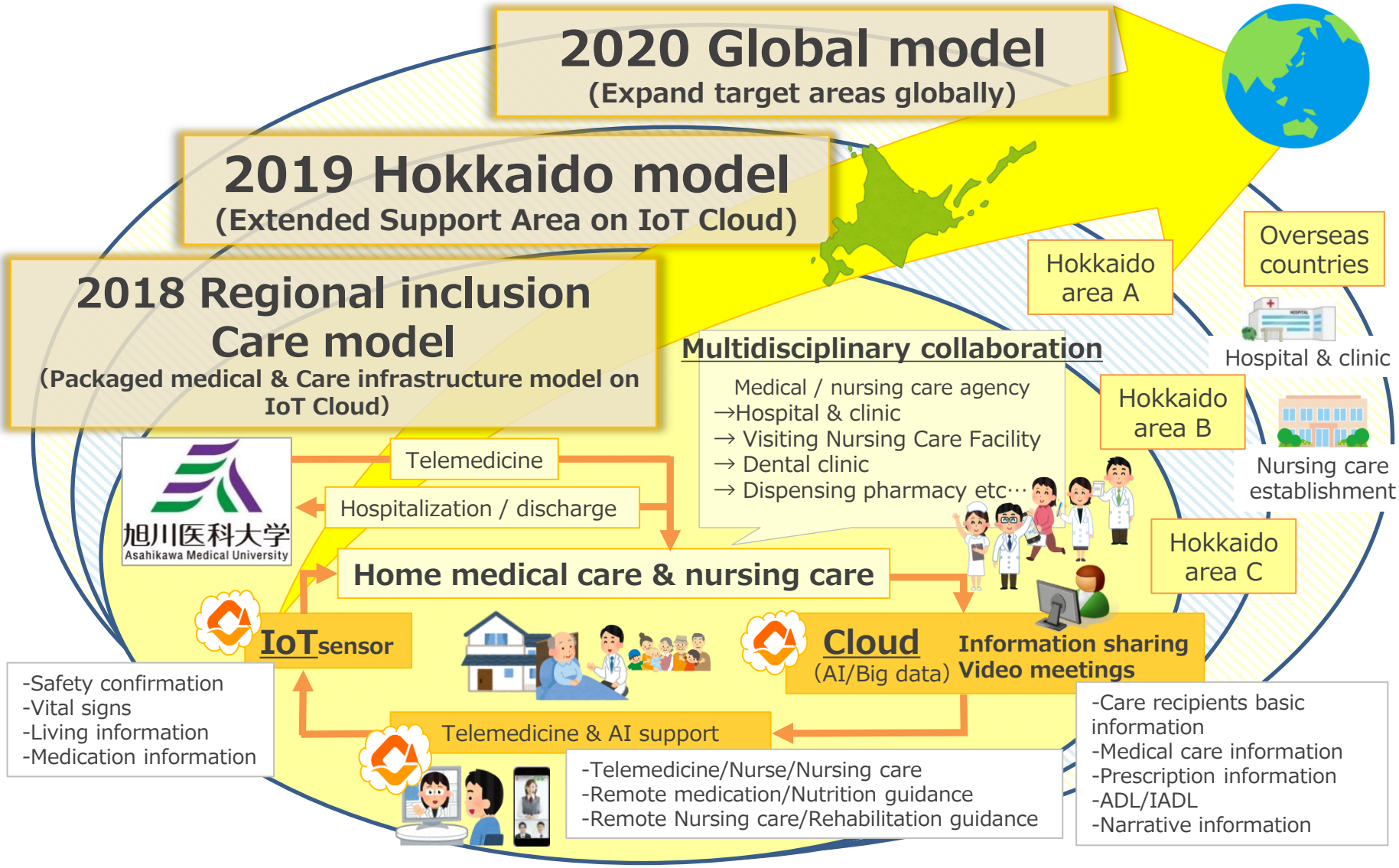


source : Institute of Gerontology, the University of Tokyo

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4-3.Growth Strategy / Research Collaboration

We set up a collaborative research course at Asahikawa Medical University. Together we aim to "create a global model using IoT clouds". Our role in this project is to research and develop new information sharing and support systems related to telemedicine and nursing support.

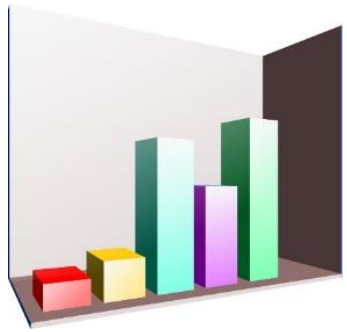


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4-4.Big-data & IoT(Internet of Things)

By analyzing big-data on regional networks and daily business tasks, we are aiming to establish AI to improve medical and nursing care service.







Collaboration in medical treatment and nursing

Parenting support





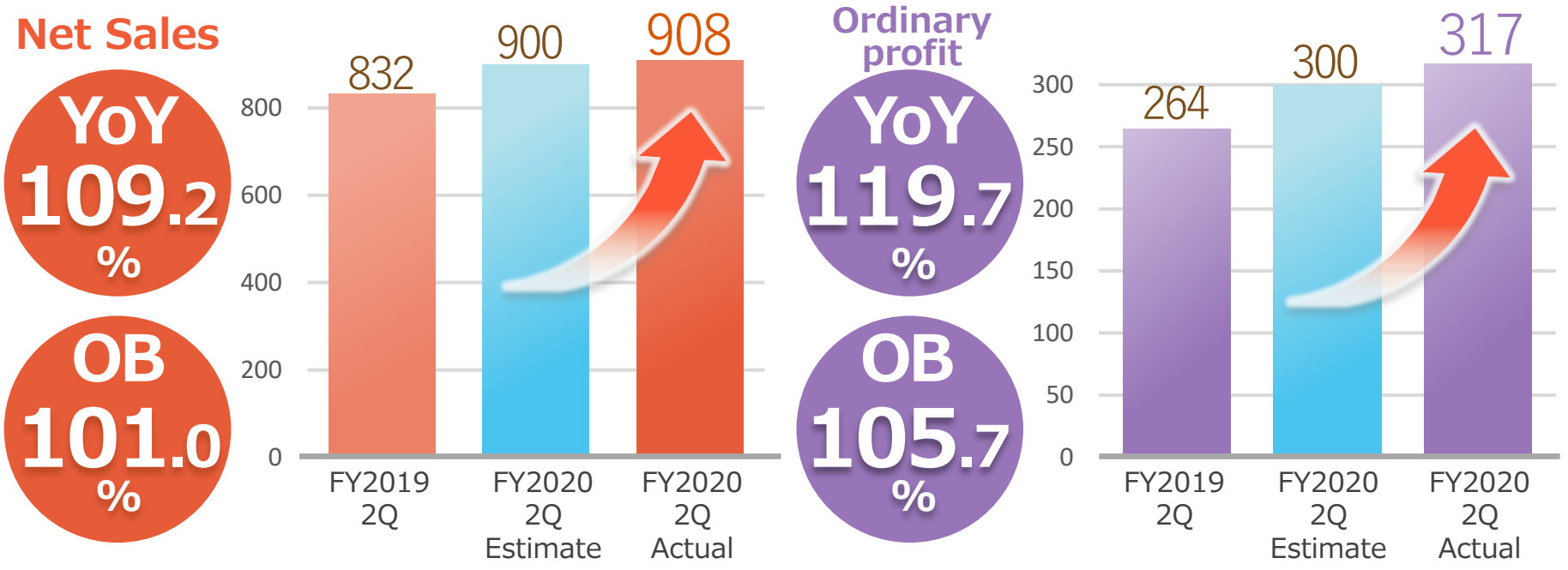
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5.Earnings Forecast & Strategy



KANAMIC NETWORK

5-1. FY 2020, 2Q Results



(Unit : million JPY, %)

	YoY	FY 2020, 2Q			Difference	
	Actual	Estimate	Actual	Margin (%)	YoY (%)	Achievement Rate (%)
Net sales	832	900	**908**	**100.0**	109.2	101.0
Operating profit	264	280	**297**	**32.7**	112.2	106.2
Ordinary profit	264	300	**317**	**34.9**	119.7	105.7
Net income	173	195	**212**	**23.4**	123.1	109.2

Net income per share	4.05	4.42

(Unit : JPY)

The Company changed to consolidated accounting from the current fiscal year, but results for the previous fiscal year are standalone figures.

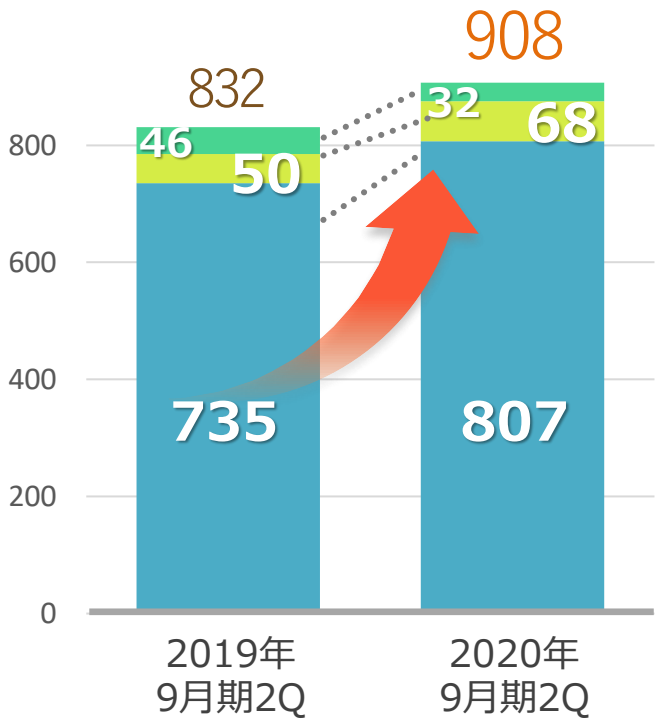
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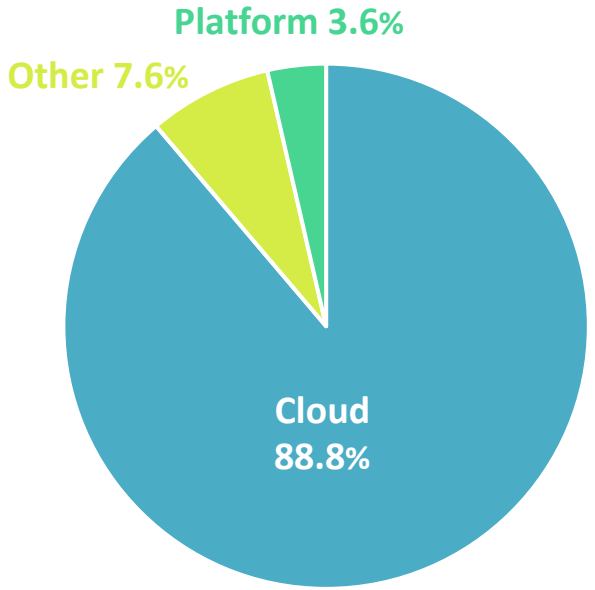
5-2.FY2020, 2Q Results (by product)

Cloud
YoY 109.8%

Other
YoY 136.0%

Platform
YoY 69.9%





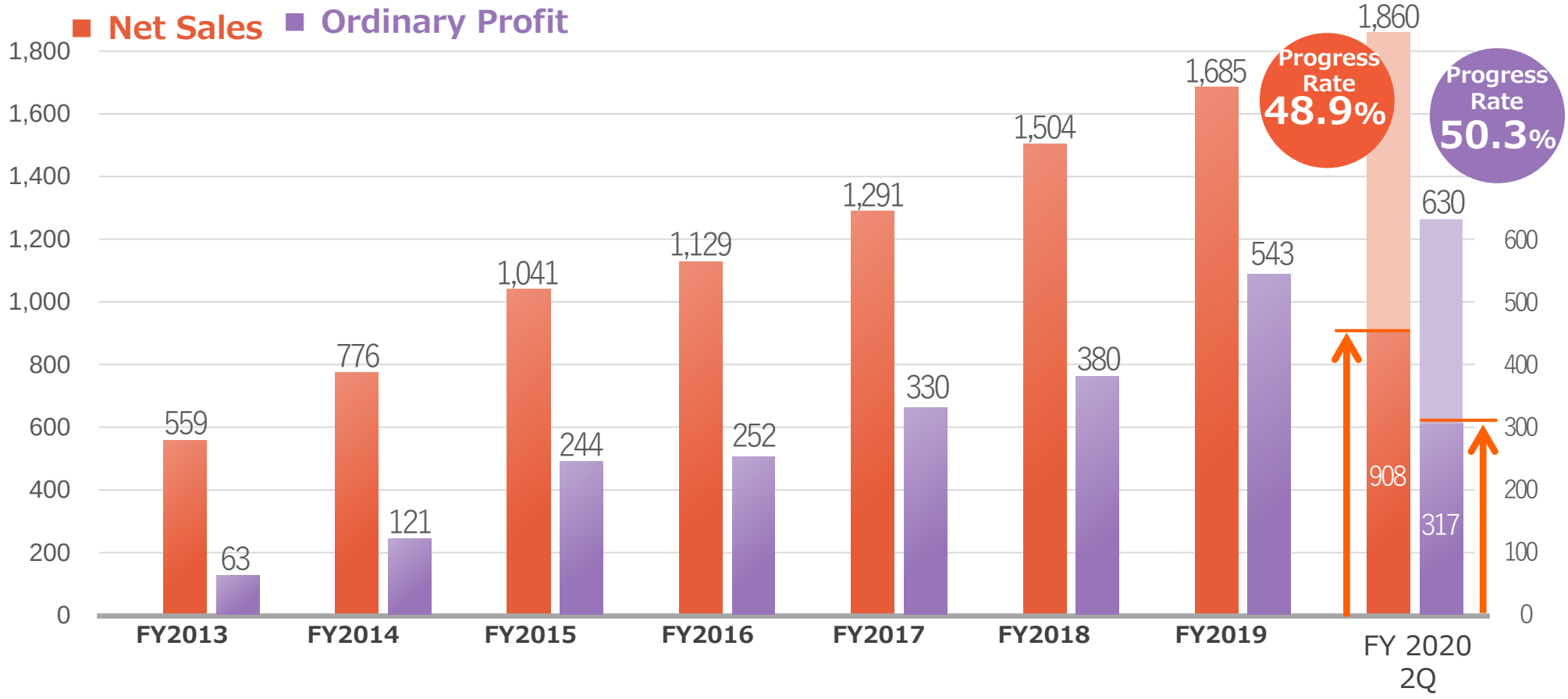
(Unit : million JPY, %)

	FY 2019 2Q		FY 2020 2Q		YoY	
	Sales	(%)	Sales	(%)	Sales	(%)
Cloud	735	88.3	**807**	**88.8**	72	109.8
Other	50	6.1	**68**	**7.6**	18	136.0
Platform	46	5.6	**32**	**3.6**	-14	69.9
Total	832	100.0	**908**	**100.0**	76	109.2

The Company changed to consolidated accounting from the current fiscal year, but results for the previous fiscal year are standalone figures.

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5-3. FY 2020, 2Q YTD Progress



(Unit : million JPY)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 Estimate	FY2020 interim results	
									1Q	2Q
Net Sales	559	776	1,041	1,129	1,291	1,504	1,685	1,860	419	489
Operating Profit	65	122	244	264	330	399	544	610	100	197
Ordinary Profit	63	121	244	252	330	380	543	630	101	215
Net Income	33	76	161	165	223	256	357	410	69	143

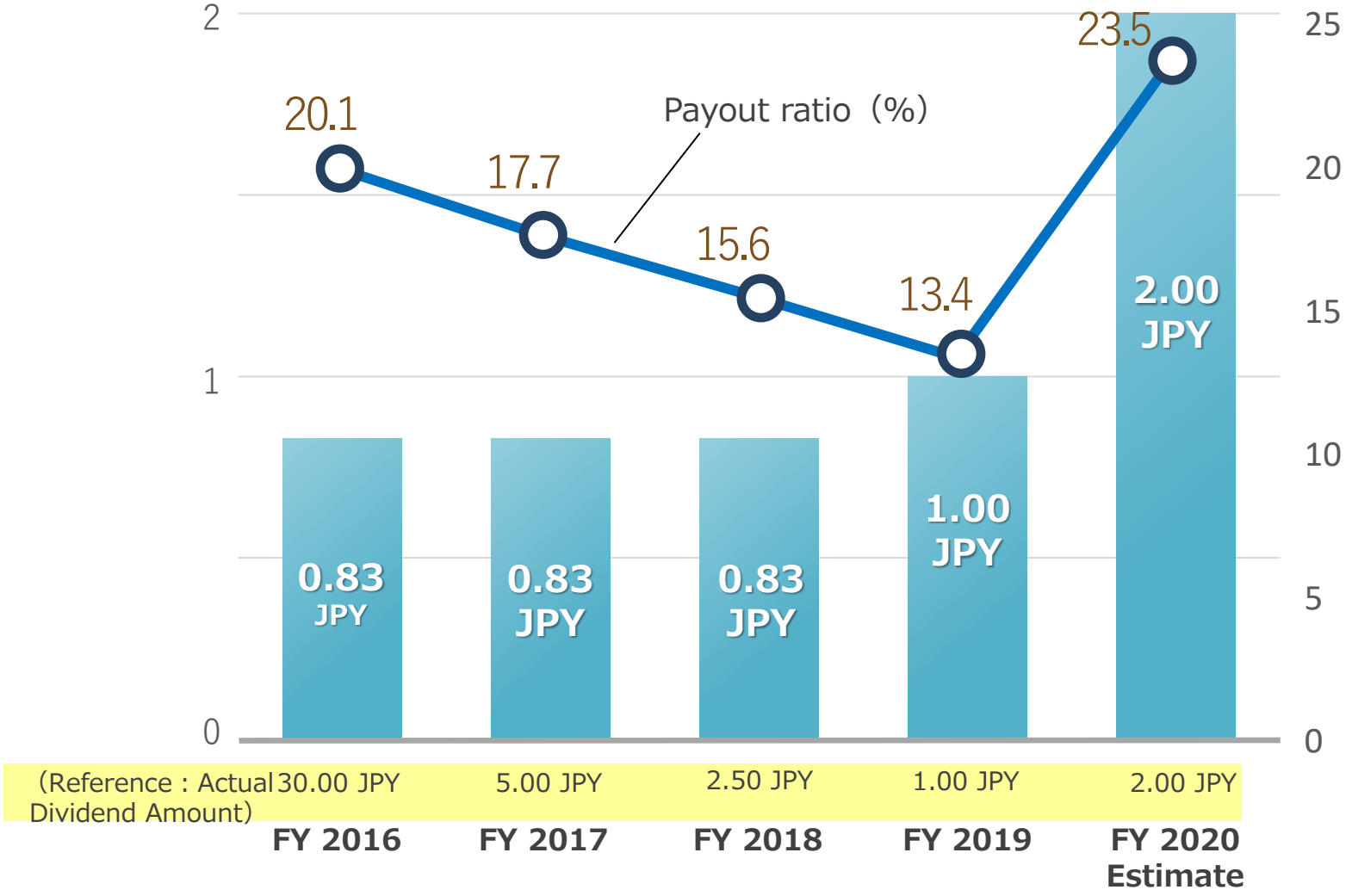
The Company changed to consolidated accounting from the current fiscal year, but results for the previous fiscal year are standalone figures.

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5-4.Dividends

From FY 2020, the target dividend payout ratio is 20% or better

■ Dividend （Reflects Share Splits）



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5-5.Shareholder Benefits Program

To increase the attractiveness of our shares、and attract more shareholders Kanamic Network has implemented a lottery style shareholder benefit program

Benefit ①

Shareholders recorded in Registry of Shareholders as of September 30th of each year who hold 100 or more shares

200,000 JPY worth of travel vouchers presented to 10 shareholders by lottery

W チャンス

Benefit ②

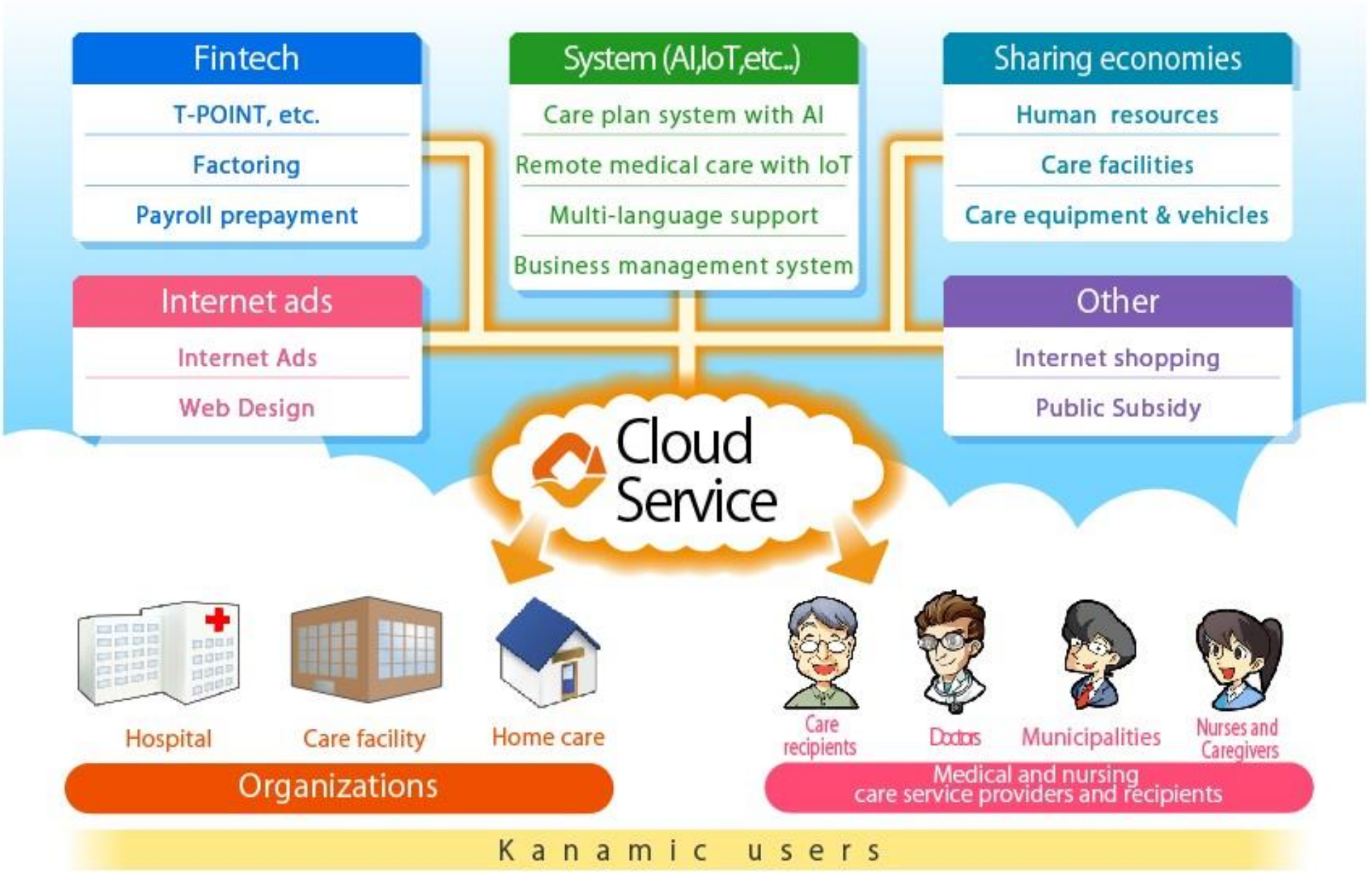
Shareholders who have held 100 or more shares continuously for 1 year or longer (recorded in the company's year end/interval Registry of Shareholders with the same shareholder number for at least 3 consecutive times)

200,000 JPY worth of travel vouchers presented to 3 shareholders by lottery

The lottery will be impartially conducted at a lottery event, which follows the Ordinary General Shareholders' meeting, and in the presence of Mitsubishi UFJ Trust and Banking Corporation, the Company's shareholder registry administrator. The lottery results will be announced by posting successful shareholders' shareholder numbers on the company website. We plan to send the travel vouchers during the 2nd third of January each year.

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5-6.Growth Strategy / Platform Strategy (Repeated)



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5-7.Growth strategy / Platform x IoT

Monitoring assistance system

PARAMOUNT BED

Human monitoring sensor

NISSHA

Air conditioner monitoring system

Panasonic

Wireless call system

ジーコム株式会社

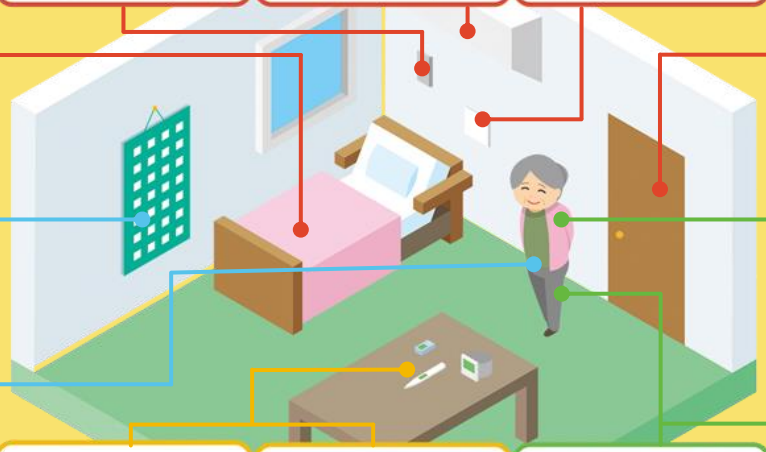
株式会社レオン

Beacon monitoring

NAKAYO

Drug management calender

DNP 大日本印刷



Wearable Vital Sensor

MITSUFUJI

Toilet timing prediction wearable device

トリプル・ダブリュージャパン株式会社

Blood pressure meter thermometer, oximeter

NISSEI 日本精密測器株式会社

Blood pressure meter thermometer, oximeter

TERUMO

Lifestyle improvement support service

京セラ株式会社

Wearable Spirometry device

一般財団法人 日本予防医学協会

Sleep monitoring

Detects sleep time and quality mood upon awakening, ambulation, room temperature, humidity, illumination, presence/absence, and other

Meal, drug intake, And toilet use

Detects timing and number of excretions(defecation and urination),meal intake volume and calories, meal timing. hydration, and drug intake.

Vitals

Measures and records body temperature, blood pressure, pulse, blood oxygen saturation, and other

Activity

Detects movement methods, timing and frequency, calorie consumption, and visceral fat

Data utilization and integration

Cloud service

- Automated linkage
- Simple information sharing
- Time Savings from improved efficiency

Verification field

株式会社 礎

株式会社リエイ

学研 Cocofump

イリーゼ

ZENKOUKAI

株式会社エスケアメイト

Kanamic's activities in the Ministry of Internal Affairs and Communications "IoT service creation support project"

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5-8 Strategy −Teleconference System−

[Joining rehabilitation meetings using ICT]

During the 2018 care composition revision, teleconference was suggested as one of the recommended means to get doctors involved in the meetings.







Kanamic Cloud

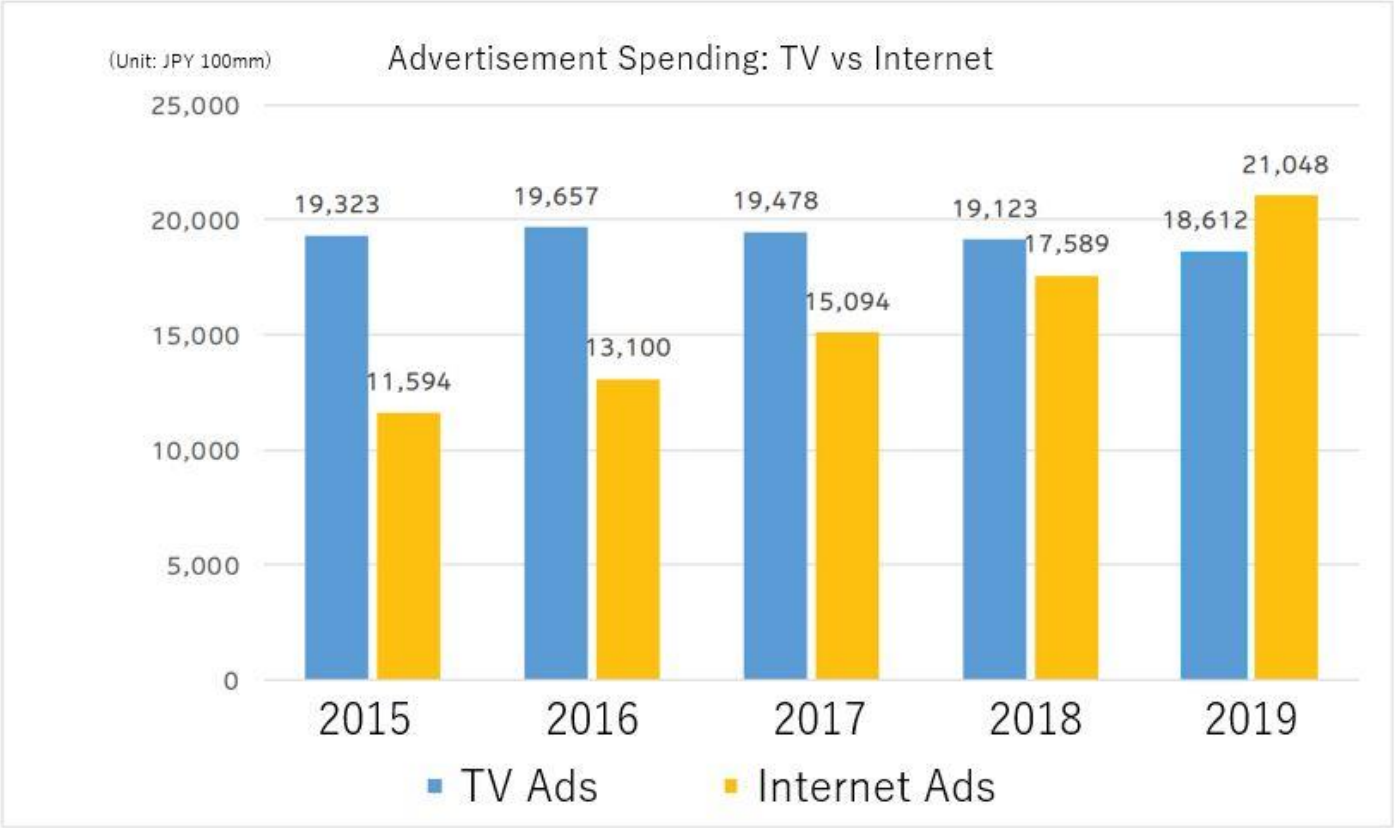
The teleconference function allows for multidisciplinary connectivity, telemedicine and conferences utilizing ICT

Source : Ministry of Health, Labor and Welfare “Outline of the revision of the Long-Term Care Insurance System in 2018”

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5-9. Growth Strategy−Advertisement−

Internet ads surpassed JPY 2 trillion for the first time.



Source: Dentsu

After 6 years of double digit growth, internet ads internet adds accounted for 30.3% of advertisement spending, surpassing TV ad spending for the first time and breaking the JPY 2 trillion threshold.

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5-10. There is Still Room for Growth

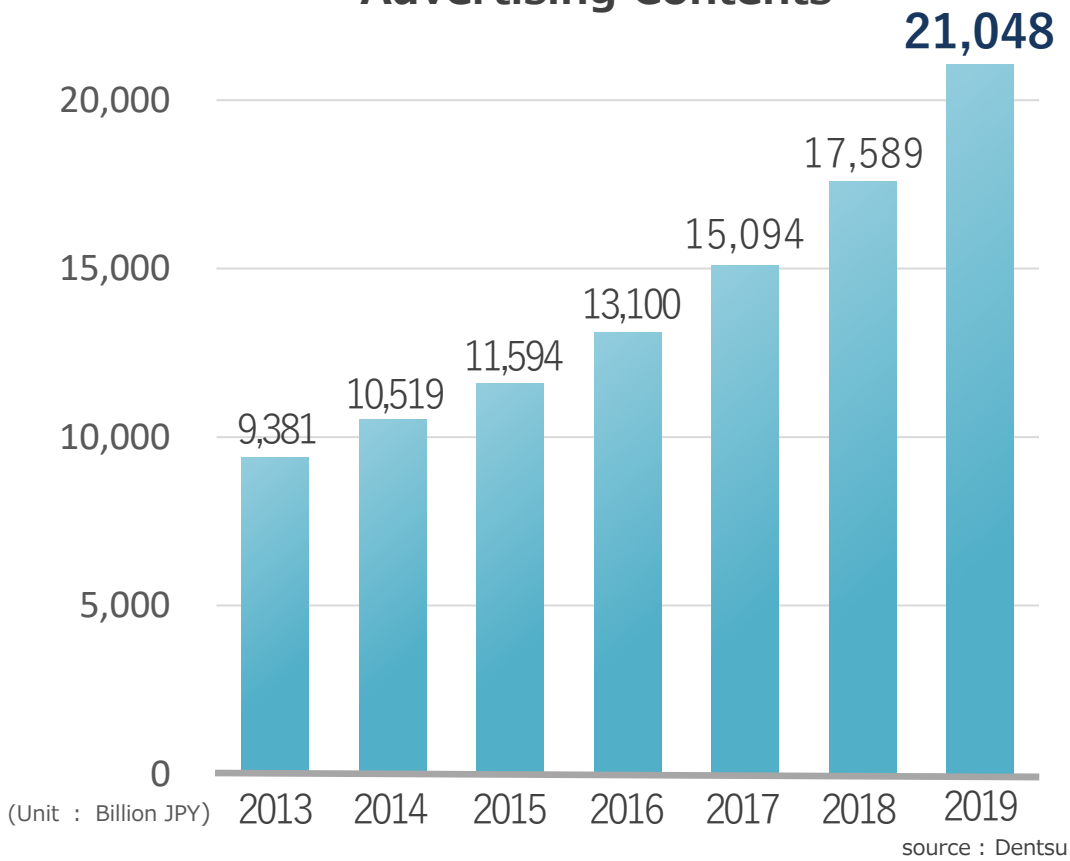
Each business area has great growth potential

Software



6% market share

Advertising Contents



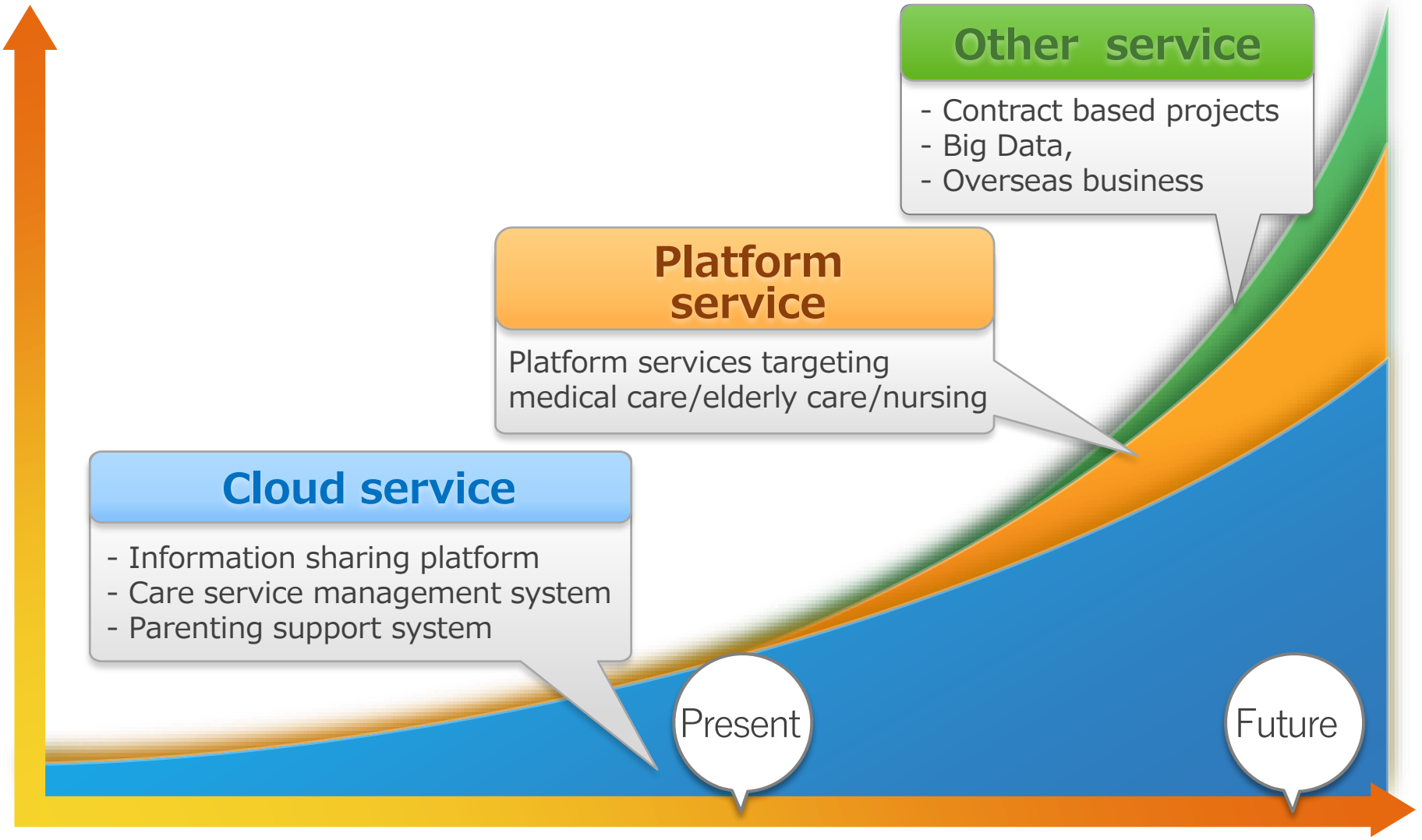
source : Dentsu

The expenditure by companies on internet advertising tends to increase year by year

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5-11.Future Growth Potential

The sales of each service volume will increase steadily



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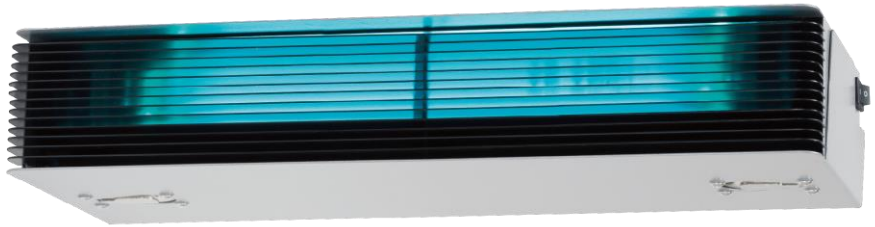
6.TOPICS

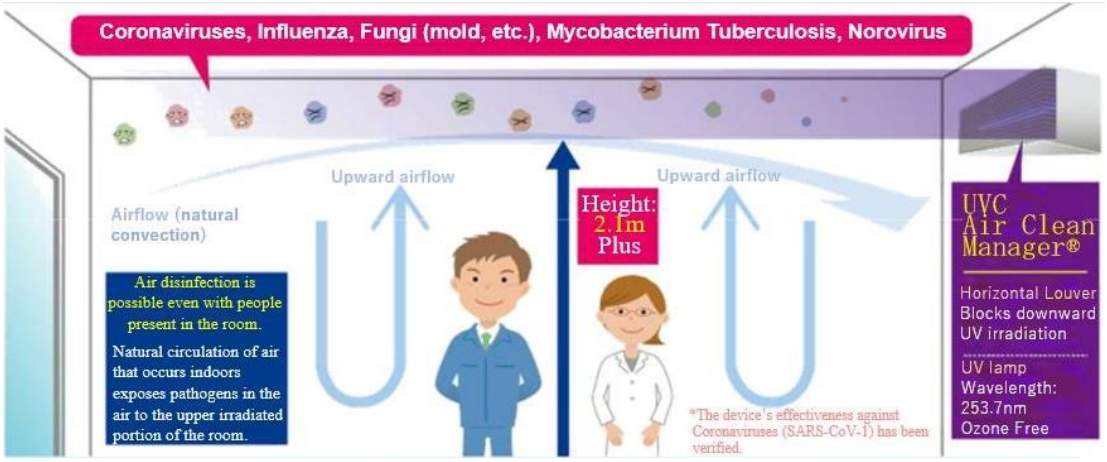
KANAMIC NETWORK

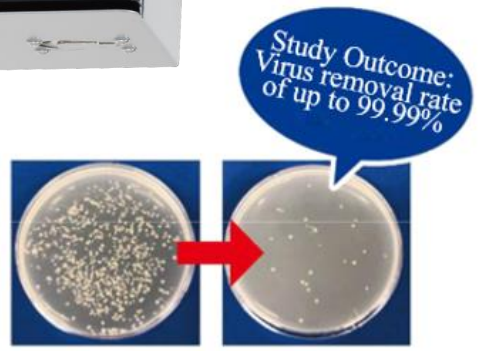
6-1.Novel Coronavirus Countermeasures①

Announced April 23, 2020

Commenced Selling Indoor Air Disinfection Device "UVC Air Clean Manager ®"







unit:pfu	Substitute virus		
minutes after virus inserted	test machine not activated	test machine activated	Removal Rate
0	1.3×10^{6}	1.3×10^{6}	–
15	1.2×10^{6}	6.0×10^{4}	95.0
30	1.1×10^{6}	3.0×10^{3}	99.73
45	1.0×10^{6}	5.0×10^{2}	99.95
60	9.4×10^{5}	1.9×10^{2}	99.98
90	8.4×10^{5}	1.8×10^{2}	99.99

Measured: Influenza-substitute virus
Table Values: Number of plaque formations (plaque formation unit, pfu) / 10 Liters of Air)

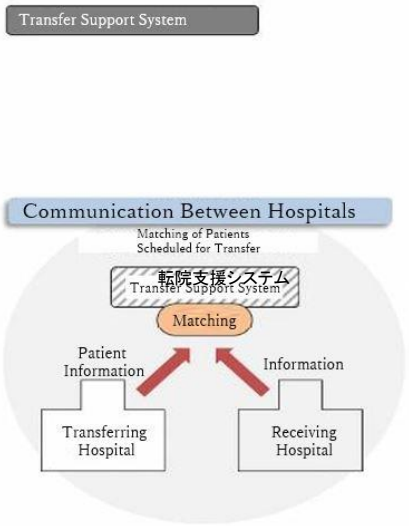
Commenced selling indoor air ultraviolet disinfection device "UVC Air Clean Manager" manufactured by COMRACK Inc. (Headquarters: Misato City, Saitama, Representative Director: Hirochika Hatano) to medical institutions, elderly care providers, schools / childcare facilities, restaurants, etc.

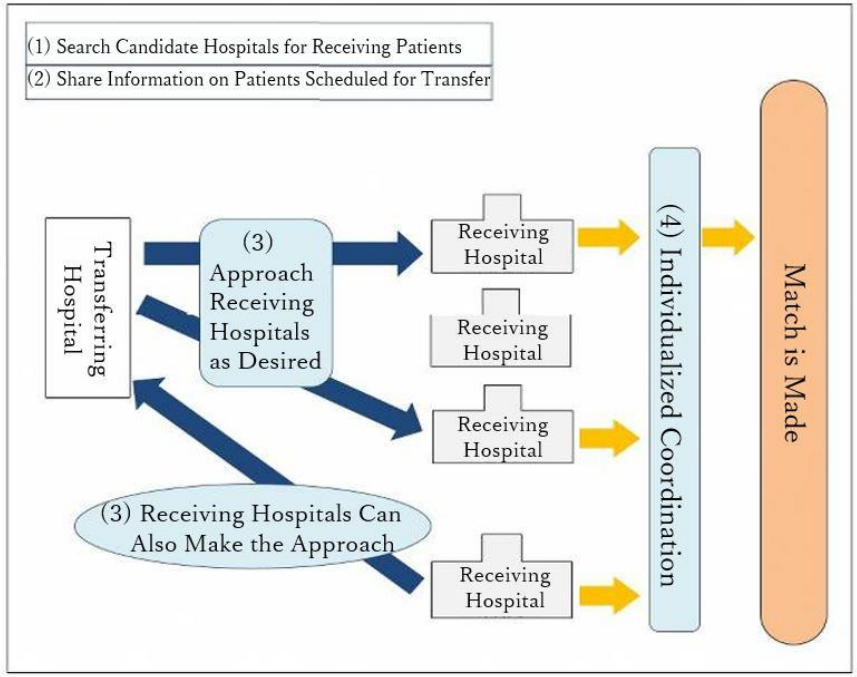
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6-2. Novel Coronavirus Countermeasures ②

Announced April 21, 2020

"Medical Institution Search System for Coping with Novel Coronavirus Patients" added to the "Tokyo Interprofessional Communication Portal Site"





New Function Added

The Company was contracted to construct and has subsequently released the "Medical Institution Search System for Coping with Novel Coronavirus Patients" as a new function to the "Tokyo Interprofessional Communication Portal Site" which it previously developed under contract from the Tokyo Metropolis Government.

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6-3. Novel Coronavirus Countermeasures ③

Announced April 17, 2020

Collaborating with "#SAVE YOUR LIFE" Project to reduce the shortage of sanitary supplies



N95 Medical Masks
(US FDA Certified)



Disposable Masks



Hand clean gel

To help reduce the shortage of sanitary supplies faced by medical, nursing, elderly care, and childcare providers, the Company has collaborated with PIALA Inc. (Headquarters: Shibuya-ku, Tokyo; CEO: Takao Asuka) as a sales collaborator to PIALA's "#SAVE YOUR LIFE" project.

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6-4. Novel Coronavirus Countermeasures ④

Announced April 3 – April 13, 2020

Kanamic Network and BabyBus jointly donated about 350,000 masks to healthcare, nursing, elderly care, and childcare providers in Japan.





We received 3,347 masks requests（spanning 13,373 care facilities）

Kanamic and Baby Bus (Fujian) Network Technology Co., Ltd., a company that offers early education content using videos and apps, teamed up to masks to those that need them most.

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6-5. Novel Coronavirus Countermeasures ⑤

Announced March, 31 2019

Nursing / Elderly Care Telework Case Study: "Nurse Care Group" Implements Telework Using the "Kanamic Cloud Service”







Yumi Sugahara is the founder of "National Visit Volunteer Nurse Association, Cannas" and manager of various care services operated under the Nurse Care Group, including home-visit nursing services, home-visit caregiver services, and elderly daycare services.

Along with the spread of the novel coronavirus, avoiding public outings and working from home have been encouraged. Within this context, Ms. Sugahara and Nurse Care Group are striving to achieve “work style reform” via telework solutions powered by Kanamic Network’s technology.

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6-6. Novel Coronavirus Countermeasures ⑥

Announced March 23, 2020

“Kanamic Cloud Service” is Recognized as an In-scope Tool for Applications to the First Round of the Ministry of Economy, Trade and Industry (METI) “IT Implementation Subsidiary”



During the first call for applications for the subsidiary (implemented ahead of schedule from March 13th as an economic measure related to the spread of the novel coronavirus), businesses that adopt the Company’s “Kanamic Cloud Service” can apply to receive subsidiary funds through METI’s Support Project.

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6-7. Improving the workplace environment and promoting employee health

Announced March 9, 2020

Kanamic Network Recognized under the “2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program”

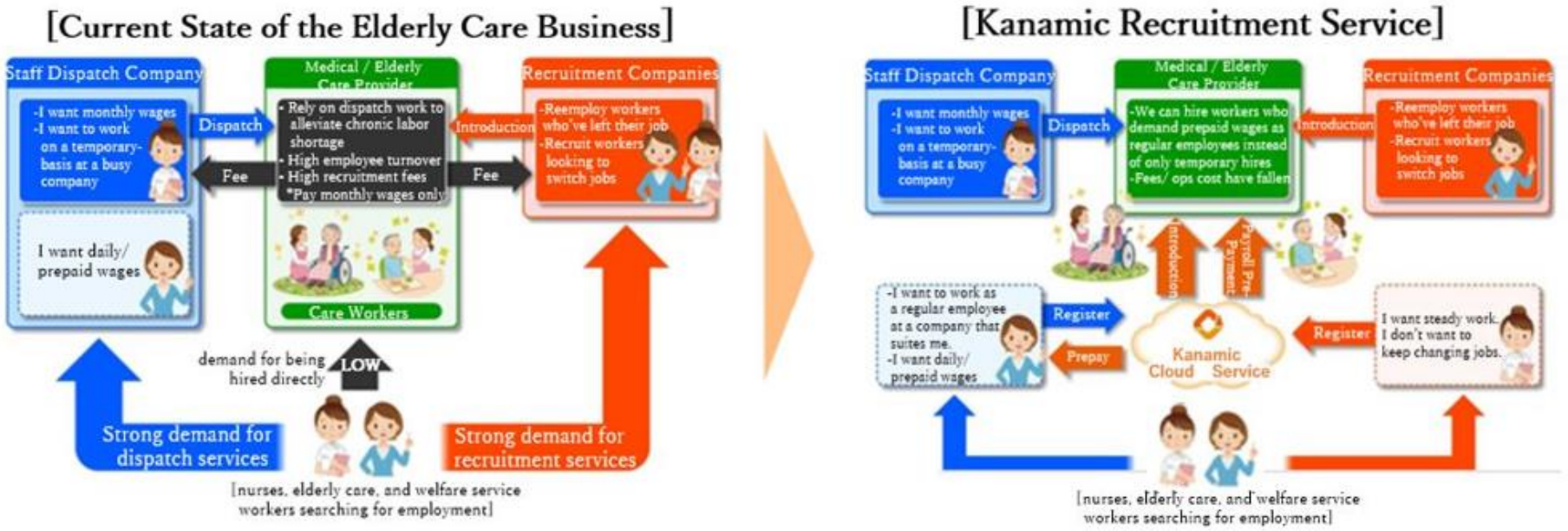


Through this award, the Ministry of Economy, Trade and Industry (METI), the Ministry of Health, Labour and Welfare (MHLW), and Nippon Kenko Kaigi jointly recognize large enterprises, SMEs and other organizations engaging in initiatives for overcoming health-related challenges in communities or for promoting health-conscious activities led by the Nippon Kenko Kaigi, and recognizes outstanding enterprises engaging in efforts for health and productivity management.

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Announced January 6, 2020

Commencement Recruitment and Payroll Prepayment Services for the Medical Care, Nursing, and Elderly Care Industries



As a response to difficulty with recruitment, a low retention rate, and a high turnover rate currently faced by the medical and elderly care industries, the Company will provide a low-charge recruitment service as well as a comprehensive service for meeting the needs of job seekers who desire prepaid salaries. In addition, the Company began providing IT support services for the payroll prepayment system.

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