
 Chairman & CEO Dai Hirakawa	Medical Net, Inc. (3645)
	

Company Information

Market	TSE Growth
Industry	Information and Communications
Chairman & CEO	Dai Hirakawa
HQ Address	Takara Building, 1-34-14 Hatagaya, Shibuya-ku, Tokyo
Year-end	End of May
Homepage	https://www.medical-net.com

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥331	9,045,270 shares		¥2,993 million	6.4%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥3.00	0.9%	¥23.71	14.0x	¥211.94	1.6x

*The share price is the closing price as of August 17. Each number is from the financial report for the fiscal year ended May 2023. The number of treasury shares was subtracted from the number of shares issued.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
May 2019 (Actual)	1,964	176	182	102	9.49	1.00
May 2020 (Actual)	2,570	106	103	79	9.26	0.75
May 2021 (Actual)	2,904	331	336	129	15.36	4.00
May 2022 (Actual)	3,745	445	449	380	43.44	4.00
May 2023 (Actual)	4,500	379	431	116	12.97	2.50
May 2024 (Forecast)	5,000	380	360	214	23.71	3.00

*Estimates are those of the company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

*In June 2021, a 2-for-1 stock split was conducted. The stock split was reflected in EPS and DPS.

*From FY 5/22, the company has applied the "Accounting Standard for Revenue Recognition," etc. The accounting standards, etc. have been retroactively applied to the net sales from FY 5/19.

This report briefly describes the financial results of Medical Net, Inc. in the term ended May 2023, etc.

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Key Points

- In the term ended May 2023, the company witnessed a 20.2% increase in sales from the previous year. However, operating income declined 14.7% year on year. All three of the company's core business sectors demonstrated sales growth. The company's ongoing commitment to optimizing existing operations runs parallel to its ambitious goal of establishing a medical network economy within the dental sector, positioned as a pivotal digitalization platform for dental healthcare. Additionally, the company has undertaken initiatives to develop a novel service called the "Healthspan Enhancement Platform Business," which stems from oral health. As a result, the business has expanded. In terms of profit, gross profit margin improved, but operating income margin declined due to a significant increase in SG&A expenses, including higher personnel costs. Net income fell 69.4% year on year due to extraordinary losses, including loss on valuation of investment securities and impairment loss. The company paid a year-end dividend of 2.50 yen per share.
- In the term ending May 2024, the company anticipates a 11.1% YoY increase in sales, coupled with a 0.3% YoY growth in operating income. In the medical institution management support business, the real estate business will be launched in earnest along with existing businesses to expand earnings. Furthermore, the company's expansion into dental trade operations in both Japan and Thailand is poised to leverage internal synergy, resulting in amplified revenue growth. In the medical BtoB business, the number of members, including healthcare professionals, which forms the foundation of the business, is steadily increasing. In addition to each service, the dental healthcare professionals' recruitment business was launched and will continue to strengthen profitability. Due to the upfront investment policy for new businesses, SG&A expenses are expected to increase. Regarding dividends, the company plans to offer a term-end dividend of 3.00 yen per share, up 0.50 yen per share from the previous period.
- Despite a YoY decrease in operating income for the term ended May 2023, the company's performance surpassed the forecast. Due to the posting of impairment losses, net income fell below the forecast, but it's a temporary setback, and they do not raise significant long-term concerns. The company sales growth has gained momentum, with revenue consistently rising each quarter in the term ended May 2023. The key challenge lies in effectively translating this revenue growth into higher profit. The media platform business is highly profitable, and the dental field has traditionally been steadily growing, and sales growth in this business is likely to be the key. The forecast for the term ending May 2024 calls for a 11.1% YoY increase in sales and a modest uptick in operating income. They aim to leverage the expansion of its media platform business to amplify growth rate. Considering the modest projected increase in operating income for the term ending May 2024, the company's stock price currently resides within a lower range for the past two years when the substantial sales growth witnessed. Price-to-earnings ratio (PER) remains low compared to the sales growth trajectory, indicating potential for considerable adjustments depending on profit trends.

1. Company Overview

With the corporate philosophy of "Use of the internet to improve the quality of life and health of people and make them smile," the company provides comprehensive support for managing dental clinics through its Dental Care Platform Business. It also offers helpful information related to medical care, including dental care, beauty care, and lifestyle through its Services for Consumers and supports marketing for dentistry-related companies through its Services for Enterprises. Medical Net is the only company with a business model that connects consumers, dental clinics, and dentistry-related companies. As of the end of May 2023, the number of members of the Medical Net Group reached 49,359, which constitutes a significant asset.

【1-1 Corporate History】

2000	Apr.	Japan Internet Media Center was established and began a portal site operation business and a website production business.
	Sep.	A portal site, "Implant Net", was launched.
2001	Jun.	Japan Medical Net Communications, Inc. (present Medical Net, Inc.) was established.
2002	Feb.	The portal sites Kyousei Shika Net (Orthodontic Dentistry Net) and Shinbi Shika Net (Esthetic Dentistry Net) were launched.
2005	Apr.	The portal site Beauty Treatments and Popularity Ranking was launched.
2006	Jan.	West Japan Branch Office opened.
	Oct.	Started web marketing and medical institution management support
2007	Aug.	Business and capital tie-up with So-net M3, Inc. (present name: M3, Inc.) which was listed in the First Section of TSE.
2009	Mar.	Mobile! Haisha-san Net (Mobile! Dentist Net) was launched.
2010	Dec.	Listed in the Mothers of TSE.
2012	Nov.	Acquired Blanc Networks Inc. as a consolidated subsidiary and developed a BtoB medical business.
2014	Sep.	Healthcare information site "4healthcare" was launched.
	Oct.	Beauty care information website Bi LAB. (Beauty LAB.) was launched.
2015	Jan.	Mamma Mia, a child-rearing information website for mothers, was launched.
	Sep.	Business and capital tie-up with MiRTeL Co., Ltd.
2016	Dec.	A corporate name changed to Medical Net, Inc.
2017	Apr.	The public childcare app Moopen was launched.
	May	Entered into a business alliance with Dental Tribune International.
	Sep.	Success Sound Co., Ltd. (present Medical Net Thailand Co., Ltd.) became a consolidated subsidiary and began operating a dental clinic in Bangkok.
	Oct.	Launched the Dental Tribune Japanese Edition as its sole agent in Japan.
	Dec.	Medical Net Thailand Co., Ltd. renovated and reopened the Yutaka Dental Clinic.
2018	Feb.	Established the Fukuoka branch.
	Jun.	Formed capital and business alliances with MiRTeL Co. LTD.
	Dec.	Acquired shares of Okamura Co., Ltd. and made it a wholly owned subsidiary (started a dental dealer business).
2020	Feb.	Absorbed and merged a consolidated subsidiary Blanc Networks, Inc.
	Sep.	Acquired a patent for a new halitosis sensor system for dental clinics, developed through joint research with Okayama University.
	Oct.	Made Pacific Dental Care Co., Ltd. a consolidated subsidiary (second-tier subsidiary).
2021	Jun.	Made Noechi Pharmaceutical Co., Ltd. into a consolidated subsidiary (second-tier subsidiary) and started manufacturing and selling pharmaceuticals and quasi-drugs.

2022	Mar.	Made NU-DENT Co., Ltd., D.D. DENT Co., Ltd., and Fukumori Dental Clinic Co., Ltd. into consolidated subsidiaries (second-tier subsidiaries).
	Apr.	Moved from the Mothers to the Growth Market of TSE, following the reclassification of TSE's market divisions.
	May	Established the consolidated subsidiary (second-tier subsidiary) Okamura Osaka Co., Ltd.
	Jul.	Capital and business alliances with Writeup Co., Ltd.

Many companies targeted dentists and tried to operate their business centered on Internet advertising. However, they could not develop continuous sales to dentists, the majority of which are individual business owners, so most of them withdrew. However, Medical Net has narrowed down its target to self-paid medical treatments (not covered by medical insurance) among dentists and has emphasized not only business success, but also the vision at the time of its founding. It has also exerted continuous efforts for dentists to increase the understanding and dissemination of new treatments, improve local medical care, create an environment where dentists can concentrate on treatment, and provide patients with information on better treatment methods. As a result of all these efforts, the company has won overwhelming sympathy from many dentists and has become a one-of-a-kind company with a business model that connects consumers, dental clinics, and dentistry-related companies.

【1-2 Corporate Philosophy, etc.】

With the corporate philosophy of "Use of the internet to improve the quality of life and health of people and make them smile," the company formulated its mission statement consisting of the following mission, vision, and value.

MISSION	Use of the Internet to improve the quality of life and health of people and make them smile
VISION	Provide innovative services to the public and medical facility operators to become the top Company in Japan in the dental care platform business and the specialized domain platform business
VALUE	<p>No change, no progress (an inexhaustible challenge)</p> <ul style="list-style-type: none"> ◇Passion: aspiration, initiative, responsibility, and mindfulness ◇Speed: consciousness, ideas, judgment, words, and actions ◇Teamwork: cooperation, competition, synergy, and altruism ◇Respect: appreciation, thoughtfulness, respect, and sincerity

The company emphasizes instilling its philosophy and vision in all employees and carries out various initiatives. The change of the company name in December 2016 is also a message from the management to the people inside and outside the company that the company will pursue its corporate philosophy more thoroughly than ever before. CEO Dai Hirakawa and COO Yuji Hirakawa have discussed these values several times when holding group training sessions every two months to nurture mid-career employees and during mid-career hiring. In addition, the company has started a system to quantitatively and qualitatively evaluate the efforts and achievements to realize the vision of each business unit and employee. Through this evaluation system, the company aims to diffuse its vision and philosophy further to build a stronger organization. Furthermore, in recent years, the company has been actively promoting integration within its subsidiaries, contributing to the overall growth of the group.

【1-3 Group Business】

◎ About M&A

As part of its "Recruitment and Team Building" strategy, the company is actively pursuing M&A. They are advancing the platform provider strategy that guides overall health from oral well-being, aiming to create a world filled with smiles, and building a dental medical value chain. While it was not achieved in the term ended May 2023, potential opportunities seem to be emerging.



(from company data)

◎ **Enhancement of Corporate Value**

After joining the group, the company has promoted PMI (Post Merger Integration, a management integration process) to realize Medical Net's purpose, mission, vision, and values in its subsidiaries, from recognition → understanding → empathy → embodiment → practice → habitualization, and introduced the Medical Net's business management method to subsidiaries.

In addition to improving the profitability of subsidiaries, each subsidiary is responsible for one of the businesses of the Medical Net Group, creating synergy.

Introduction of a Business Management System **Management by Sense ⇒ Numerically oriented business management system**
Improvement of each subsidiary's profit margin **Creation of synergy**

【1-4 Market Environment】

◎ **Dental Care Market**

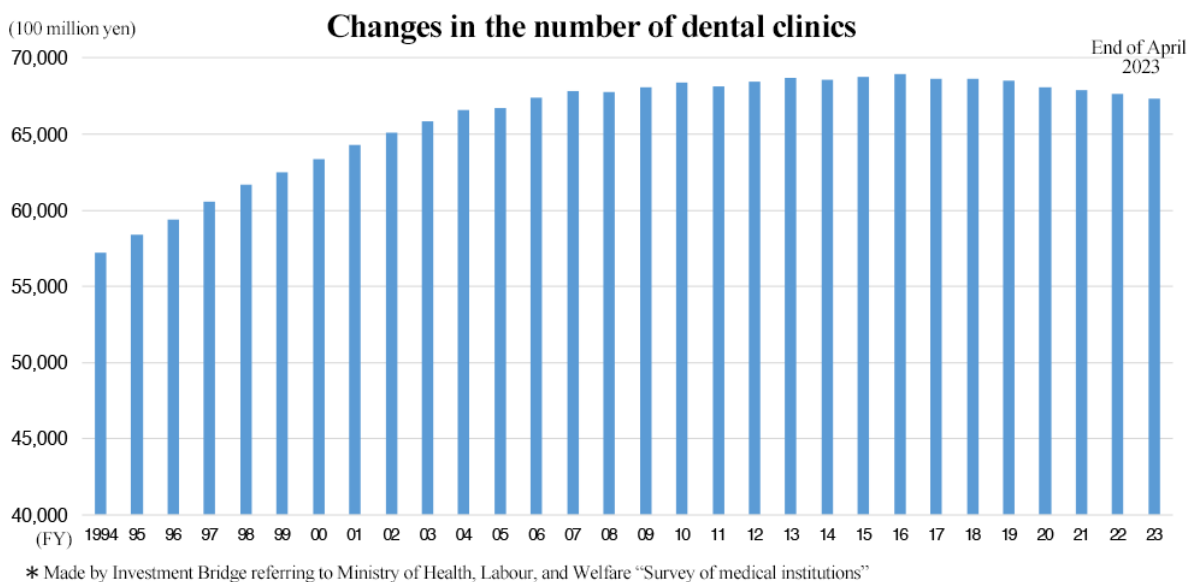
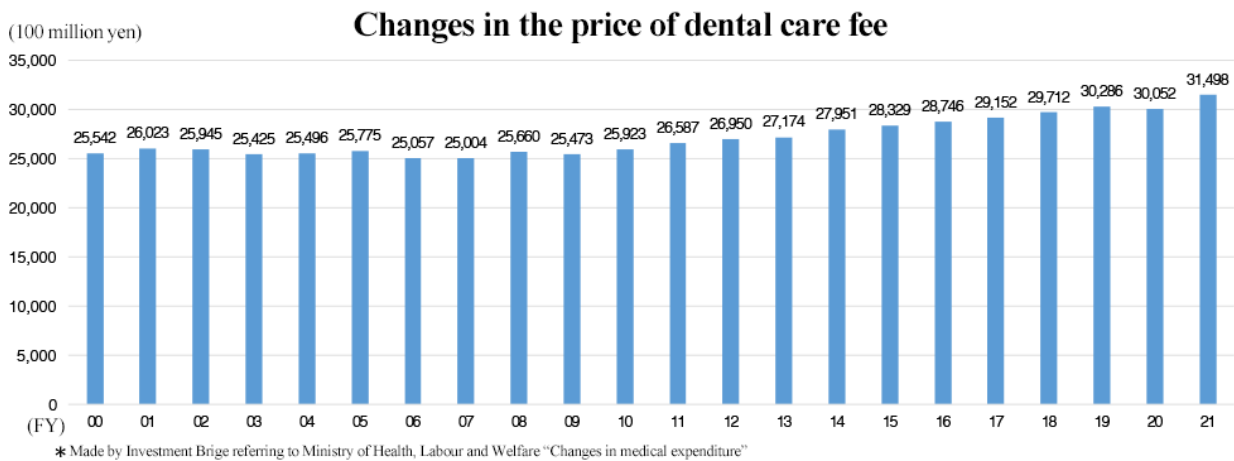
According to a survey by the Ministry of Health, Labor and Welfare, dental care and medical expenses in the fiscal year 2021 were about 3.1 trillion yen, an increase of 4.8% from the previous year.

Due to the spread of COVID-19, there has been an increased demand for self-funded treatments such as implants and orthodontic procedures, driven by heightened awareness of oral hygiene. This has led to a significant growth rate not seen in recent years.

Regarding dental clinics, as of the end of April 2023, there were 67,310 facilities, showing a slight decrease from the same month of the previous year.

Despite the spread of self-paid medical care such as implants and teeth whitening, as well as increased awareness of oral hygiene, dental clinics are in excessive competition amid continuous policies to curb medical costs, and the business environment surrounding them continues to be severe.

Dental clinics seem to have a substantial need for effective measures centered on increasing the number of patients.



◎ **Internet Advertising Market**

Internet advertising, an essential solution for dentists to attract customers in the medical institution management support business, continues to grow rapidly.

According to Dentsu's announcement of "2022 Advertising Expenditure in Japan," the total advertising expenditure in Japan experienced a 11.2% decrease in 2020 due to the impact of COVID-19, but rebounded with a 10.4% increase in 2021, and reached a record high with a 4.4% increase in 2022.

On the other hand, Internet advertising sales increased by 5.9% in 2020. In 2021, it increased by 21.4%, exceeding the four media advertising expenses (newspaper, magazine, radio, and TV media advertising expenses combined) for the first time, leading the Japanese advertising market. In 2022, the high growth continued with a 14.3% increase.

The trend of Internet advertising leading the advertising market in Japan is expected to persist, making Internet advertising an increasingly important marketing tool for dentists.

【1-5 Business Description】

<Service overview>

Under the corporate philosophy of "Use of the internet to improve the quality of life and health of people and make them smile," the company offers the following services to consumers, dental clinics, and dentistry-related companies.

(For patients)

Under the theme of understanding and popularizing dental treatment, the company's various portal sites provide helpful information for patients, such as information on the most suitable dental clinic, basic dental knowledge, and explanations of specialized treatments such as implants.

In addition, the company focuses not only on dentistry, but also on a wide range of services such as medical care, beauty care, and lifestyle.

(For dental clinics)

The company offers management support services to the highly competitive dental clinic industry from various aspects. The company provides comprehensive support such as website creation and online marketing to attract customers, human resources, and career support by operating a job search website for dental professionals, the introduction of consumables and dental materials required for daily dental treatment, and highly controlled medical equipment. The company also offers comprehensive support for opening new dental clinics regarding property, equipment/infrastructure, websites, attracting customers, etc.

(For dentistry-related companies)

The company supports dentistry-related companies that want to expand their business for dental clinics. Dentwave.com, operated by Medical Net and one of the Japan's largest comprehensive dental care information websites, plays a key role here, with 49,359 registered dental care professionals as of May 2023.

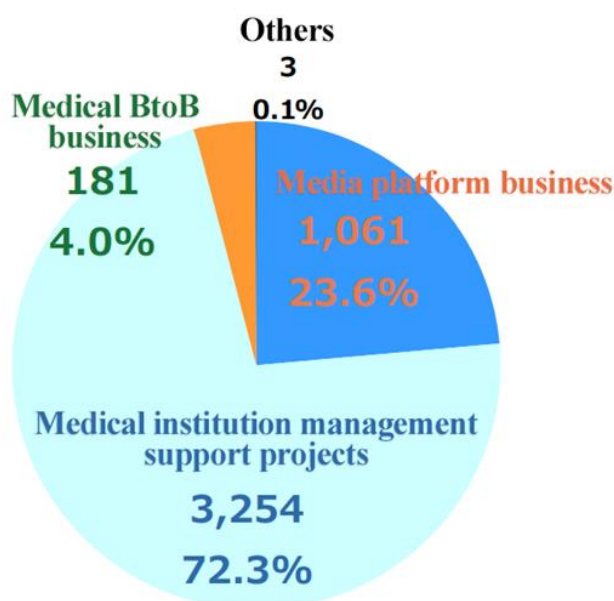
In addition to advertisements such as banner advertisements on Dentwave.com and e-mail magazines, Dent Research, an online survey for registrants, is also highly evaluated as an effective tool for marketing. It can perform quick and highly accurate surveys, flexibly supports screening for details such as occupation, specialty, age, and area, and is used by many dentistry-related companies.

Moreover, the company creates websites, landing pages, catalogs, etc., for academic societies and companies and initiatives include planning, attracting visitors, and managing dental conventions and events such as online dental shows with the number of visitors being around 10,000.

<Segments to be reported>

There are three segments for disclosure: Media Platform Business, Medical Institution Management Support Business, and Medical BtoB Business.

FY23/5 (Unit: millions of yen)



(from company data)

(1) Media Platform Business

The company develops and operates websites that provide information specializing in the body, health, and beauty. It operates a total of 61 websites in dentistry, beauty care/salons, and child-rearing from various perspectives.

(Dental field)

Implant Net	A portal site that specializes in disseminating information on dental implants, which are special self-paid treatments.	<ul style="list-style-type: none"> • Implant Net (nationwide version) • Implant Net (smartphone version)
Kyousei Shika Net (Orthodontic Net)	A portal site that specializes in disseminating information on orthodontic treatments, which are special self-paid treatments.	<ul style="list-style-type: none"> • Kyousei Shika Net (Orthodontic Net) (nationwide version) • Kyousei Shika Net (Orthodontic Net) (smartphone version)
Shinbi Shika Net (Esthetic Dentistry Net)	A portal site that specializes in disseminating information on esthetic treatments, which are special self-paid treatments.	<ul style="list-style-type: none"> • Shinbi Shika Net (Esthetic Dentistry Net) (nationwide version) • Shinbi Shika Net (Esthetic dentistry Net) (smartphone version)
Other dentistry-related services	Haisha-san Net (Dentist Net)	A portal site that targets a wide range of customers by introducing dental clinics that mainly provide treatments covered by insurance, such as cavity treatments and periodontal disease treatments.
	Ask Dentist	Dental Q&A website where dentists answer questions and consultations about teeth and oral cavities from Internet users.
	Denty, a dental recruitment website	It is a recruitment website that specializes in the dental industry. Taking advantage of its track record of operating dental portal sites, the company strives to disseminate job information from the perspective of job seekers.

In addition to the search for dental clinic and introduction of dental clinics and dentists, the main portal sites post content such as treatment explanations and frequently asked questions and their answers as information for patients.

(Beauty Care and Salon Field)

Beauty salon-related websites	Targeting women with a high sense of beauty, the company operates eight websites, including the portal site Beauty Treatments and Popularity Ranking, which provides information on beauty salons.
Cosmetic surgery-related websites	Targeting women with a high sense of beauty, it operates three websites, mainly the portal site "Curious! Cosmetic Surgery Overall Ranking," which provides information on cosmetic surgery.

The main contents are beauty salon searches, introductions, overall popularity rankings, campaign popularity rankings, course popularity rankings, experience reports about impressions of treatments received at beauty salons, etc.

*Business Model

Each portal site is operated with income from advertising fees, targeting dental clinics, beauty salons, and the like as customers.

Internet users can freely search and view information on dental clinics and beauty salons on each portal site.

The specifics of advertising revenue are mainly (1) the initial creation fee and monthly posting fee for the client introduction page and (2) the monthly posting fee for banner advertisements that link to the client's webpage.

The revenue model is a recurring-revenue business since the contract format is, in principle, a 12-month continuous contract (automatic renewal).

(2) Medical Institution Management Support Business

① SEM Services

The company offers SEO (search engine optimization) services to display websites at a higher position in the search engine's search results and management services for listing advertising (search-linked advertising) on portal sites operated by Yahoo Japan Corporation and Google LLC.

(A) SEO

The company provides SEO services for clients, who utilize search engines to attract customers to their websites and disseminate information through their websites, by analyzing the search engine's display ranking criteria (algorithm) and optimizing the website's state, to improve the keyword evaluation for websites by the search engine and display in a higher position in the search engine's search results.

There is a monthly flat-rate service that displays search results of the website at a higher position in Yahoo! JAPAN or Google with multiple keywords and a performance fee service that charges according to the ranking of the website in Yahoo! Japan or Google search results using specific keywords.

(B) Listing advertisement (search-linked advertisement)

The company provides listing advertising (search-linked advertising) management services on portal sites operated by Yahoo Japan Corporation and Google LLC.

Listing Ads are advertisements that are displayed in the ad space set on the search results page of search engines, and the advertiser is charged only when an Internet user clicks on the ad.

To realize highly cost-effective advertising operations for clients, the company offers comprehensive services ranging from proposals for keywords and advertisement manuscripts to adjustment of bid prices and budget management on the operational side.

② Website Creation and Maintenance Services

The company is mainly engaged in website creation and maintenance services related to body, health, and beauty (dental clinics, beauty salons, etc.).

The company works on web designs emphasizing cleanliness and luxury so that Internet users can feel at ease about the dental clinics and beauty salons. The company, which specializes in dentistry, beauty care, and beauty salons, also uses its unique medical and beauty care knowledge to create websites that can convey information to Internet users in an easy-to-understand manner, such as posting the views of patients and clients regarding medical and beauty care.

Moreover, the company has started offering a web reception support system equipped with artificial intelligence (AI) functions. This is the first initiative in the dental industry.

③ Dental Clinic Operation

The company operates its dental clinic in Bangkok, Thailand. Dental clinics are operated through the company's consolidated subsidiary, Medical Net Thailand Co., Ltd., its consolidated second-tier subsidiary, Pacific Dental Care Co., Ltd., and Fukumori Dental Clinic Co., Ltd. The management of dental clinics in Thailand is the first step of the company's efforts toward popularizing advanced Japanese dental care in overseas countries.

④ Sale of Dental Equipment and Pharmaceuticals

Dental equipment materials and pharmaceuticals are sold by Okamura Co., Ltd. and Okamura Osaka Co., Ltd., with the aim of further expanding their business scale. Additionally, in Bangkok, Thailand, the company engages in a comprehensive dental trading business through NU-DENT Co., Ltd. and D. D. DENT Co., Ltd.



⑤ Manufacturing and Sale of Pharmaceuticals and Quasi-Pharmaceuticals

In June 2021, the company made Noechi Pharmaceutical Co., Ltd. a consolidated subsidiary and launched the pharmaceutical manufacturing and sales business.

⑥ Dental Clinic Administrative Task Outsourcing, Start-up Assistance, and Management Support

With the mission "Creating an environment in which dentists can dedicate themselves to dental care," the company offers an industry-leading one-stop service that supports dental clinics from start-up to management. The company is expanding its range of management support services and has launched a specialized portal site called "MediSapo."

(3) Medical BtoB Business

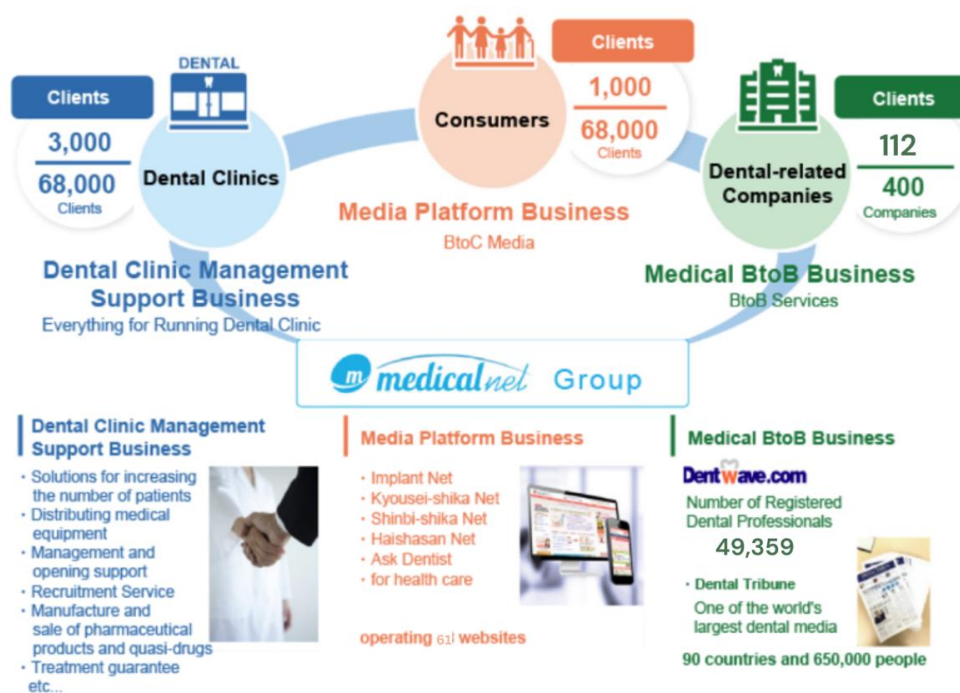
The company operates a BtoB website for comprehensive information on dental care, Dentwave.com, that connects dental care professionals and dentistry-related companies.

As of the end of May 2023, the website has registered 49,359 dental professionals, becoming one of the largest websites in Japan. Through this membership, the company offers services such as advertising solutions, research, and commissioned management of conventions to dentistry-related companies. In February 2020, it merged and absorbed Blanc Networks, which it operates.

In addition, the company has a business alliance with Dental Tribune International, the world's largest dental media outlet. The company operates the Japanese version of Dental Tribune. Dental Tribune has 650,000 dentists in 90 countries around the world as its users, and publishes a magazine.

[1-5 Characteristics and Strengths]

(1) The only company with a platform that connects consumers, dental clinics, and dentistry-related companies



(from company data)

The company has built a platform that connects consumers, dental clinics, and dentistry-related companies, mainly in dental care. No other companies have created such a platform, which is a significant feature of the company.

Through this strong and unique platform, the company provides numerous services for consumers, dental clinics, and dentistry-related companies, and this is a substantial competitive advantage.

The company believes that it is highly challenging for new companies to enter the market, given the solid positioning it has built over the more than 20 years since its founding.

◎ **For consumers: to provide highly reliable, fair, and neutral information through its media outlets**

The company, which has built and operated many media outlets while directly communicating with dentists and other specialists, has a wealth of specialized knowledge in dental care.

Therefore, it can provide consumers with highly reliable and easy-to-understand information. The quality of this information is high to the extent that doctors sometimes use the content of the websites operated by the company when explaining to patients.

Regarding content with more specialized themes, the company asks dentists to write it based on a relationship of trust it has built up with them over many years.

Regarding themes with various opinions, the company asks multiple dentists to express their views and also mention the disadvantages of treatment methods, providing consumers with fair and neutral information.

Most of the company's sales come from services for dentists, and under its vision and philosophy, it always provides dentists with advice that emphasizes the perspective of consumers and users, which has led to further improvement in the company's reliability.

◎ **For dentists: Comprehensive web services × various offline services × consulting services**

The company, which has built various in-house media platforms and websites for businesses, offers comprehensive services from website construction to planning and implementation of SEM measures. Furthermore, the company provides comprehensive services in the real domain, such as real estate introduction at start-up, administrative director agency services after start-up, personnel introduction, specialized equipment, office supplies, and subsidy application support.

In addition, the company offers a wide range of management support consulting services for dental clinics by understanding the dentist's specialized field and issues, then identifying and analyzing the business conditions and proposing personnel, equipment, and business plans that combine effectively sending and attracting patients using the Internet and offline business.

◎ **For dentistry-related companies: approaches to becoming excellent dental clinics and conducting market research**

As mentioned above, the company operates Dentwave.com, a website for dental professionals with the highest number of members.

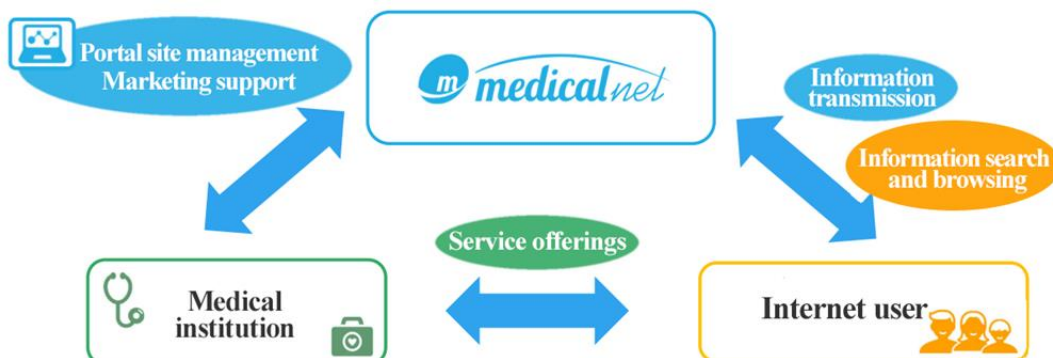
Many members are in good financial condition and are willing to expand their business. Manufacturers and suppliers such as medical device manufacturers and wholesalers can advertise and propose products and services to these excellent customers.

(2) Stable earnings structure through the subscription model business

Ad placements in the portal site operation business are, in principle, 12-month continuous contracts (automatic renewal). Therefore, the revenue model is a recurring-revenue business, which brings stability to the company's revenue base.

The company intends to develop new customers and further strengthen its business foundation.

Revenue model of the media platform business



(From the reference material of the company)

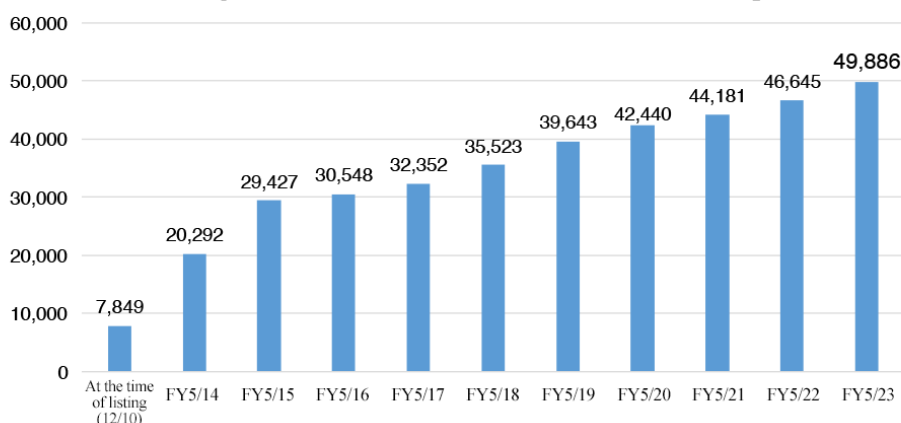
(3) Overwhelming number of members

The number of members of the Medical Net Group, which consists of members engaged in dental care, reached 49,886 at the end of the fiscal year ended May 2023, an increase of 6.4 times since the listing.

These members are customers of the business targeting dental clinics and also support the company's business base as they are essential assets in the business targeting dentistry-related companies.

The company estimates that there are about 100,000 dentists in Japan and aims to increase membership to 80,000, or 80% of the total.

Change in Number of Members of Medical Net Group

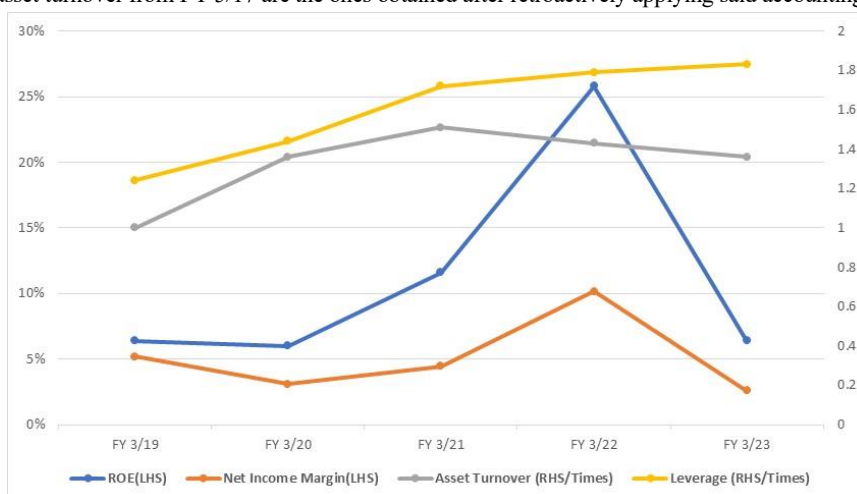


* Created by Investment Bridge based on disclosed material of the company.

【1-6 ROE Analysis】

	FY 5/17	FY 5/18	FY 5/19	FY 5/20	FY 5/21	FY 5/22	FY 5/23
ROE (%)	5.6	5.8	6.4	6.0	11.6	25.8	6.4
Net income margin (%)	6.47	5.88	5.20	3.09	4.46	10.15	2.58
Total asset turnover (times)	0.74	0.82	1.00	1.36	1.51	1.43	1.36
Leverage (x)	1.18	1.20	1.24	1.44	1.72	1.79	1.83

*From FY 5/22, the company has applied the “Accounting Standard for Revenue Recognition,” etc. The values of net income margin and total asset turnover from FY 5/17 are the ones obtained after retroactively applying said accounting standards, etc.



* Created by Investment Bridge based on disclosed material of the company.

In FY 5/21, ROE considerably exceeded 8%, thanks to the evident improvements in total asset turnover and leverage, as it is generally said that Japanese enterprises should aim to achieve an ROE of 8%.

ROE rose further in FY 5/22, thanks to the significant rise in net income margin.

For the term ended May 2023, net income margin declined to below 8%, partly due to temporary factors.

2. Fiscal Year Ended May 2023 Earnings Results

(1) Business Results

	FY 5/22	Ratio to Sales	FY 5/23	Ratio to Sales	YoY	Company Forecast	Ratio to Forecast
Net Sales	3,745	100.0%	4,500	100.0%	+20.2%	4,500	+0.0%
Gross Profit	1,460	39.0%	1,781	39.6%	+22.0%	-	-
SG&A	1,014	27.1%	1,401	31.1%	+38.1%	-	-
Operating Income	445	11.9%	379	8.4%	-14.7%	320	+18.6%
Ordinary Income	449	12.0%	431	9.6%	-4.0%	321	+34.5%
Net Income	380	10.1%	116	2.6%	-69.4%	190	-38.9%

*Unit: million yen. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply. Company forecasts are forecasts at the time of the 3Q results announcement.

*From FY 5/22, the company has applied the "Accounting Standard for Revenue Recognition," etc.

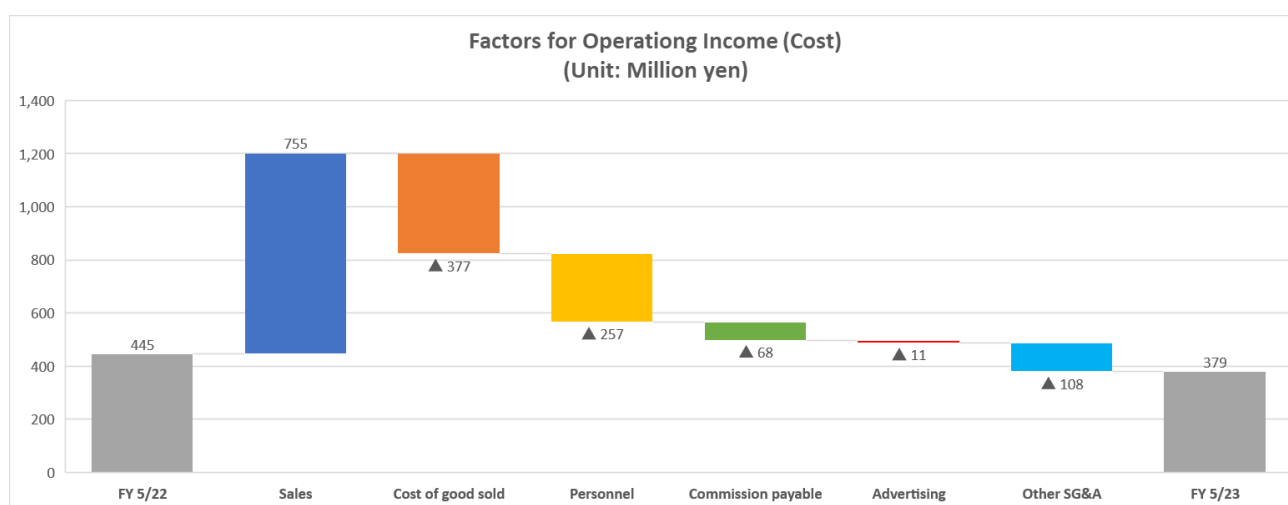
Sales significantly increased, but operating income decreased due to an increase in SG&A expenses

Sales increased 20.2% year on year to 4.5 billion yen. All three core businesses experienced growth in sales, with the Medical Institution Management Support business showing particularly significant expansion.

The company's ongoing commitment to optimizing existing operations runs parallel to its ambitious goal of establishing a medical network economy within the dental sector, positioned as a pivotal digitalization platform for dental healthcare. Additionally, the company has undertaken initiatives to develop a novel service called the "Healthspan Enhancement Platform Business," which stems from oral health. As a result, the business has expanded.

Operating income decreased 14.7% from the previous period to 379 million yen. In terms of profitability, although the gross profit margin improved from 39.0% in the previous period to 39.6%, the significant increase in SG&A expenses from 1,014 million yen (27.1% of sales) to 1,401 million yen (31.1% of sales) resulted in a decline in operating income margin from 11.9% in the previous period to 8.4%. The increase in SG&A expenses was primarily driven by higher personnel costs due to the strengthened recruitment for business expansion. However, it seems that recruitment turned out to be more efficient than initially planned. Also, there is an increase in payment commissions.

The major causes for fluctuations in operating income are as follows.



*Created by Investment Bridge based on disclosed material of the company. ▲ of expense account indicates that the expense has increased.

Due to a non-operating increase in foreign exchange gains from 8 million yen to 45 million yen, recurring profit decreased by 4.0% to 431 million yen. Furthermore, extraordinary losses of 40 million yen from valuation losses on investment securities and 143 million yen from impairment losses were recorded, leading to a 69.4% decrease in net income to 116 million yen.

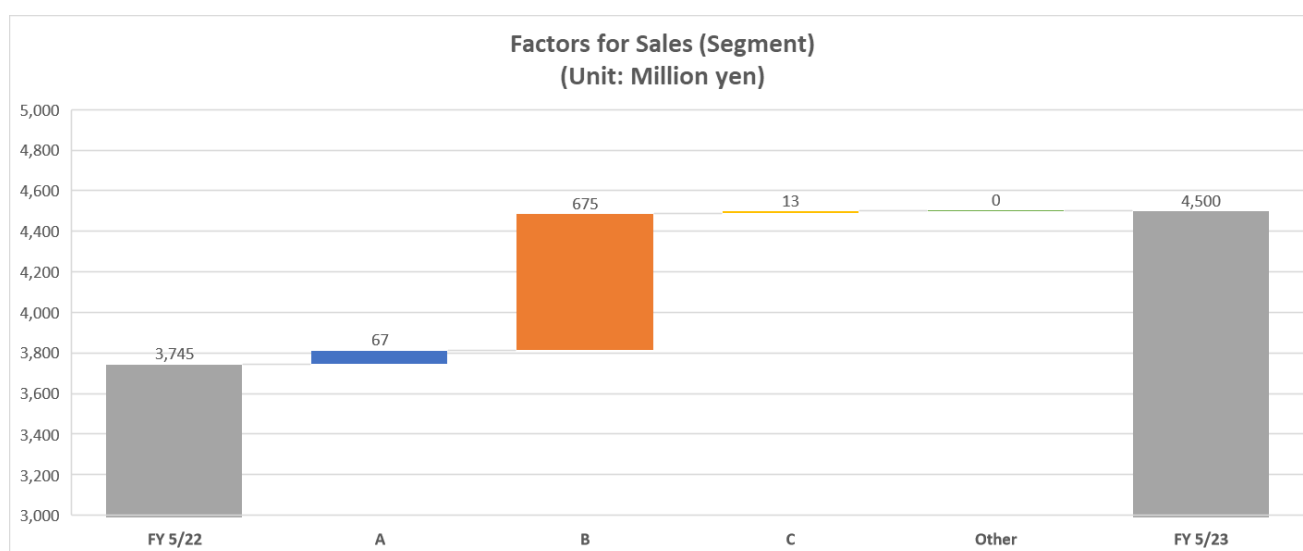
The company paid a term-end dividend of 2.50 yen per 1 share.

(2) Trend in each segment

	FY 5/22	Ratio to Sales	FY 5/23	Ratio to Sales	YoY
Media platform business	994	26.5%	1,061	23.6%	+6.7%
Medical institution management support business	2,579	68.9%	3,254	72.3%	+26.2%
Medical BtoB business	168	4.5%	181	4.0%	+7.5%
Other	3	0.1%	3	0.1%	-0.2%
Adjustment	-0	-	-0	-	-
Total sales	3,745	100.0%	4,500	100.0%	+20.2%
Media platform business	616	62.0%	628	59.3%	+2.0%
Medical institution management support business	202	7.9%	147	4.5%	-27.2%
Medical BtoB business	58	34.6%	49	27.4%	-14.9%
Other	3	100.0%	3	100.0%	-0.2%
Adjustments	-436	-	-450	-	-
Total operating income	445	11.9%	379	8.4%	-14.7%

*Unit: million yen.

* Ratio of operating income to sales is operating income margin. "Other" indicates business of undertaking administrative tasks, a business segment not included in reported segments.



*A : Media platform business, B : Medical institution management support business, C : Medical BtoB business.

Created by Investment Bridge based on disclosed material of the company

◎ **Media platform business**

Sales stood at 1,061 million yen, up 6.7% year on year, and operating income was 628 million yen, up 2.0% year on year. While advertising expenses on the Internet advertisement market keep growing, demand on the dental market increased due to long-lasting COVID-19 pandemic as the good oral environment is effective for decreasing infection risk, leading to a rise in the number of patients in the voluntary dental care field. Amid such situation, the relationship between the oral health and overall physical health has become clearer. “Basic Policy on Economic and Fiscal Management and Reform 2021,” approved by the Council on Economic and Fiscal Policy in June 2021, states that “the Government will promote measures to establish and strengthen the dental healthcare provision system, including the provision of appropriate information on evidence related to the importance of oral health and its relationship with whole health,” and dental care is becoming increasingly important.

The dental sector is performing well, as progress has been made in responding to the effects of changes in Google's algorithm and demand for free treatment has increased, with dental clinics becoming more willing to advertise. In the beauty and esthetics sector, the situation has changed in that a certain path to the convergence of the Corona disaster has begun to emerge amid a downward trend in the total market size of esthetic salons. The company has worked to improve the recognition of each of the portal sites operated by the group, continued to expand smartphone advertising and put in place a structure to enable the provision of new services. However, the situation regarding the placement of advertisements on portal sites in the beauty and esthetic field remains difficult.

◎ **Medical institution management support business**

Sales grew to 3,254 million yen, down 26.2% year on year, and operating income increased to 147 million yen, down 27.2% year on year.

(SEM services)

Regarding SEO services, it is now difficult to pursue higher search result positions in a short term due to recent changes in the Google algorithm. However, the company has launched a new service which allows for both increasing access and improving the search result position, and as they continuously secured revenues, their sales grew.

Moreover, as the mechanism has changed and it is now difficult to seek performance results for multiple keywords in a short term, there has been a rise in clients who seek listing advertisement (search-linked advertisement) as a method to substitute SEO, as their effects are manifested with relative ease. Amid such situation, the company endeavored to expand their services in order to address the diversified and detailed needs of users, such as launching a management service for LINE advertisements, etc. in addition to listing advertisement (search-linked advertisement) on Yahoo! and Google, which they originally offered. As a result, sales increased.

(Website creation and maintenance service)

The company aims for “websites which are valuable especially to consumers,” not only dental clinics which are their clients, and they are providing information beneficial to consumers while offering web design which emphasizes a “clean and luxurious impression” so that consumers can feel at ease about dental clinics, beauty salons, etc. The company steadily increased the number of orders for website creation, leading to a growth in sales, against the backdrop of the rise in the number of social network users, creating an environment which allows for easy sharing of information without the need for professional knowledge.

(Operation of dental clinics)

In November 2021, Thailand opened borders to ease COVID-19 restrictions, leading to an increase in the travel of both nationals and foreigners. As a result of focusing on the training of Thai staff, fostering human resources and making an organizational reform during this period, the clinics in Bangkok successfully grew into reliable international clinics. Sales increased owing to changes in external factors, improvement of internal organization and inclusion of Fukumori Dental Clinic Co., Ltd. in the scope of consolidation.

(Sale of dental equipment and pharmaceuticals)

The company is now operating at the two sites of Tokyo and Osaka in Japan. The business has expanded as Okamura Osaka Co., Ltd. was included in the scope of consolidation and transactions with new clients have been launched in Tokyo, such as the school insurance business. In Bangkok, Thailand, they are striving to offer products of higher quality to patients by increasing products imported from Japan and other foreign countries. Furthermore, they are providing academic support to

dentists and organize training courses for learning about new dental products, which has garnered positive reviews as a form of social return. Sales increased owing to the expansion of the business in Japan and inclusion of NU-DENT Co., Ltd. and D.D.DENT Co., Ltd. in Bangkok, Thailand, in the scope of consolidation.

(Manufacturing and sale of pharmaceuticals and quasi-drugs)

In 2022, there was a trend of decrease in drugstore customers due to the impact of another spread of COVID-19. Amid such circumstances, buyers tended to purchase pharmaceuticals, etc. in a bulk, which led the company to release a large volume size to allow for stocking up by shopping just once, and thus reinforced their lineup. Furthermore, they newly released a Chinese herbal medicine (Dentor Chinese herbal tablets) effective in the treatment of bruxism, irritation, insomnia, etc. as the first product in collaboration with Medical Net. However, sales declined as there are now more e-commerce users in the pharmaceuticals retail industry, causing a drop in the frequency of visits to physical stores.

(Supporting dental clinics in administrative task outsourcing, opening and management)

Marketing activities for services offering support for opening and management of dental clinics were impacted by COVID-19. However, the company has improved the recognition of these services by enhancing the offer of management support services, establishing the professional portal site “Medisapo,” etc. and reinforced the marketing system through proactive recruitment of personnel. Amid such situation, sales grew as the company received the first order for support in opening a dental clinic, significantly boosting their sales.

◎ Medical BtoB business

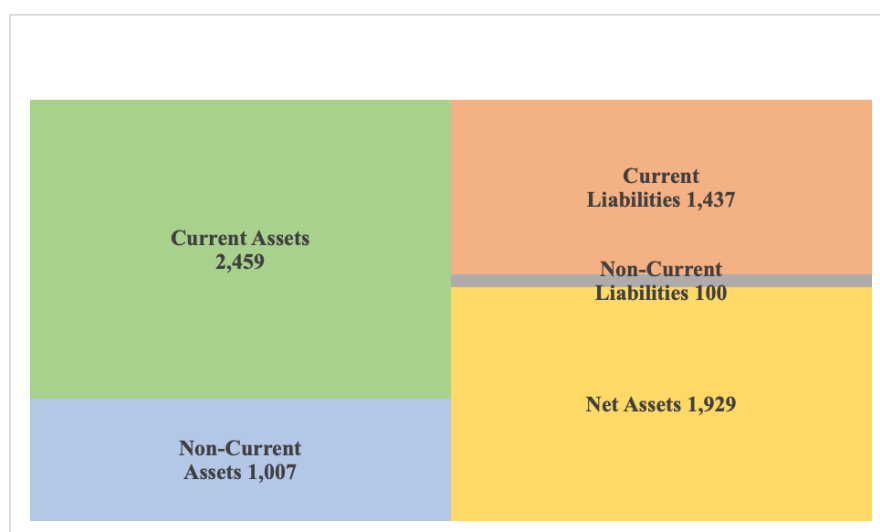
Sales grew to 181 million yen, up 7.5% year on year, and operating income was 49 million yen (down 14.9% year on year). Offline academic meetings and exhibitions such as dental shows, which had been restricted, were held again in 2022. On the other hand, dental medicine professionals remain highly motivated to utilize digital resources in gathering information. Amid such situation, the company organized the Online Dental Show (DDS) and an online event “Dental Hygienist Festival” alongside expanding the advertisements, webinar streaming and research support on “Dentwave.com.”

(3) Financial Condition and Cash Flows

◎ Main BS

	End of May 2022	End of May 2023		End of May 2022	End of May 2023
Current assets	2,077	2,459	Current liabilities	1,300	1,437
Cash and deposits	1,133	1,518	Trade payable	259	322
Trade receivable	664	693	Non-current liabilities	116	100
Non-current assets	1,071	1,007	Long term interest-bearing liabilities	111	82
Property, plant and equipment	106	111	Total liabilities	1,416	1,538
Intangible assets	472	305	Net assets	1,732	1,929
Investments and other assets	492	590	Retained earnings	1,629	1,710
Total assets	3,149	3,467	Total liabilities and net assets	3,149	3,467

*Unit: million yen.



* Created by Investment Bridge based on disclosed material of the company.

Total assets stood at 3,467 million yen, up 317 million yen from the end of the previous term. This is mainly due to the increase of 384 million yen in cash and deposits, 30 million yen in accounts receivable (part of trades receivable) and 78 million yen in long-term prepaid expenses.

Total liabilities stood at 1,538 million yen, up 121 million yen from the end of the previous term. This is mainly due to accounts payable (trades payable) increasing by 63 million yen and short-term loans increasing by 50 million yen. Total net assets grew 196 million yen from the end of the previous term to 1,929 million yen. This was caused mainly by the growth of 49 million yen in capital surplus and decrease of 67 million yen in treasury stock in addition to recording profit attributable to owners of the parent of 116 million yen.

Equity ratio was 55.3% (54.1% at the end of the previous term).

◎ Cash Flow

	FY 5/22	FY 5/23	Increase/decrease	YoY
Operating Cash Flow	342	429	+86	+25.3%
Investing Cash Flow	-355	-62	+292	-
Free Cash Flow	-12	366	+379	-
Financing Cash Flow	282	-17	-300	-
Balance of Cash and Equivalents at Year-end	1,128	1,513	+384	+34.1%

*Unit: million yen.

Cash and cash equivalents at the end of FY 5/23 stood at 1,513 million yen, up 384 million yen from the end of the previous term. There was an income of 429 million yen in operating cash flow. This decline can be attributed mainly to increased impairment losses, augmented valuation losses on investment securities, elevated trade payables, and corporate tax payments. However, this was partly mitigated by the posting of net income before tax adjustments.

There was an expenditure of 62 million yen in investing cash flow. These expenses were mainly incurred due to the purchase of property, plant and equipment, payments for investment securities, and purchase of insurance funds.

There was a purchase of 282 million yen in financing cash flow. This was caused by net increase in short-term loans, etc. despite the repayments of long-term loans payable.

3. Fiscal Year Ending May 2024 Earnings Forecasts

(1) Full-year Earnings Forecasts

	FY 5/23	Ratio to Sales	FY 5/24 (Est.)	Ratio to Sales	YoY
Net Sales	4,500	100.0%	5,000	100.0%	+11.1%
Operating Income	379	8.4%	380	7.6%	+0.3%
Ordinary Income	431	9.6%	360	7.2%	-16.7%
Net Income	116	2.6%	214	4.3%	+84.6%

*Unit: million yen.

*Estimates are those of the company.

For FY 5/24, it is forecasted that sales will grow 11.1% and operating income will increase 0.3%.

For the term ending May 2024, it is projected that sales will grow 11.1% year on year to 5 billion yen, operating income will rise 0.3% year on year to 380 million yen, ordinary income will decline 16.7% year on year to 360 million yen, and net income will increase 84.6% year on year to 214 million yen.

In the medical institution management support business, the company will strive to expand the share of its SEM services in the programmatic ad market in the medical field, by utilizing the experience accumulated based on its original ad operation standards for complying with the guidelines for medical ads, and improve its revenue model by offering new services as its basic policy. For the services of producing and maintaining websites, the company will keep creating high-quality websites and aim to attract new clients.

In the context of supporting the establishment and management of dental clinics, the company aims to enhance its portfolio of management support services, with a continued focus on strengthening revenue generation. Additionally, the company is making strides in fully launching its real estate business to drive revenue expansion.

Regarding the operation of dental clinics in Bangkok, Thailand, strategies have been implemented to further expand the dental clinic operation business in Thailand. This includes addressing the decline in visits by Japanese patients during the pandemic, attracting foreign patients through medical tourism, and implementing initiatives to cater to the local Thai population. In the dental trading business, efforts are being directed toward advancing the development of the dental platform to facilitate the growth of the business.

Regarding the sale of dental apparatus materials and pharmaceutical products, the company aims to expand the scale of the wholesale of dental apparatus materials and pharmaceutical products in cooperation with Okamura, Noechi Pharmaceutical, and Okamura Osaka. In Noechi Pharmaceutical's business of planning, producing, and selling pharmaceutical products, they will develop and sell new products. When it becomes possible to conduct the dental goods trading business in Japan and Thailand, they become able to sell Japanese dental equipment in Thailand and vice versa. The company is expected to increase revenues, by expanding the sales channels of private-brand products of consolidated subsidiaries by utilizing synergetic effects inside the corporate group.

Within the medical BtoB sector, the membership base of healthcare professionals, among others, is steadily increasing. Leveraging this membership base, the company is expanding its offerings to include services such as research, convention management, and advertising solutions. Furthermore, the company is introducing a new service of recruiting dental healthcare professionals, aiming to strengthen revenue generation. To further enhance the acquisition of dental healthcare professional members, new initiatives such as hosting online dental shows are being pursued. It's worth noting that the outlook for these segments, along with the proactive investment policy for new business initiatives, implies an anticipated increase in SG&A expenses.

Regarding dividends, the company plans to offer a term-end dividend of 3.00 yen per share, up 0.50 yen from the previous period.

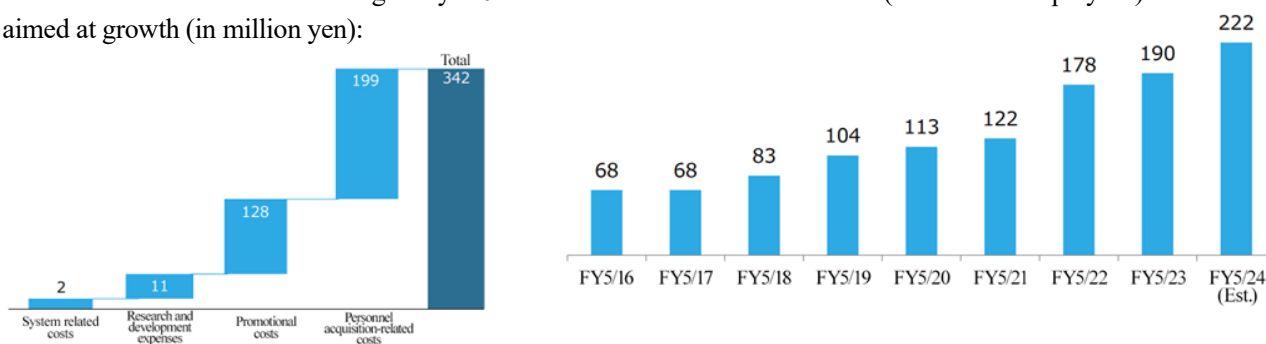
The company will continue active investment for growth in FY24/5.

Currently, the increase in personnel is not progressing as planned, and it appears that new graduate recruitment is limited to eight individuals.

Human investment	<p>*Personnel cost is projected to augment 22.1% year on year.</p> <ul style="list-style-type: none"> ▪ Recruitment of 29 mid-career workers ▪ Enhancement of recruitment of professionals <p>*The company plans to employ 10 new graduates in Apr. 2024.</p>
Business investment	<ul style="list-style-type: none"> ▪ New business ▪ V-shaped recovery and further expansion of the medical BtoB business ▪ Overseas expansion of the dental business ▪ Expansion of the dental dealer business ▪ Synergy in the business of selling pharmaceutical and quasi-pharmaceutical products ▪ Collaborative research with colleges

Investments for the term ending May 2024 aimed at growth and Human Resources Investment

Investments for the term ending May 2024 Human Resources Investment (Number of employees) aimed at growth (in million yen):



(from company data)

(2) Initiatives in each business

Particularly, comprehensive support is anticipated across the spectrum of the medical institution management support business. This includes supporting dental clinic establishment and management, extending to personal life support for individual dentists.

Business	Initiatives
Media platform Dentistry and beauty care	<ul style="list-style-type: none"> ● To strengthen human resources ● To improve and enrich services, and enhance the promotion of services with sales staff ● To improve specialized contents ● To help enhance general health by treating the mouth
Medical institution management support business	<ul style="list-style-type: none"> ● Cultivation of new channels and establishment of a revenue model ● Comprehensive support, including the support for the opening and management of dental clinics via multiple channels and the life support for individual dentists ● To find projects for supporting the opening and management of clinics through seminars, colleges, and study groups ● To expand the dental dealer business ● Sale of pharmaceutical and quasi-pharmaceutical products ● Expansion of the dental business in Thailand ● The company is set to fully initiate its real estate business.

Medical B to B	<ul style="list-style-type: none"> ● To enhance measures for increasing members ● Development of new services, and enhancement of sale ● Holding of digital and real dental shows
Business development and management plans	<ul style="list-style-type: none"> ● New business ● Continuity of collaborative research with Okayama University

(3) Assumptions for the plans

Sales are expected to grow in each business.

Business	Sales condition
Media platform	In the dental field, the number of orders received is expected to be healthy like in the previous year, expecting to achieve revenue expansion through the introduction of new services. Efforts will be concentrated on enhancing customer referrals in the beauty sector to achieve revenue growth.
Medical institution management support business	To strengthen the system, launch new business, release new products, and brush up the earning capacity of existing businesses, revenues are projected to expand. Synergy will emerge between the pharmaceutical products sale business and the dental dealer business, and both businesses are expected to grow. In Thailand, the company aims to increase revenues by starting the dental dealer business in addition to the business of supporting dental clinics in management Additionally, the company is launching its real estate business in earnest.
Medical B to B	The company will make efforts to increase sales by enriching the services of Dentwave.com and releasing new services.

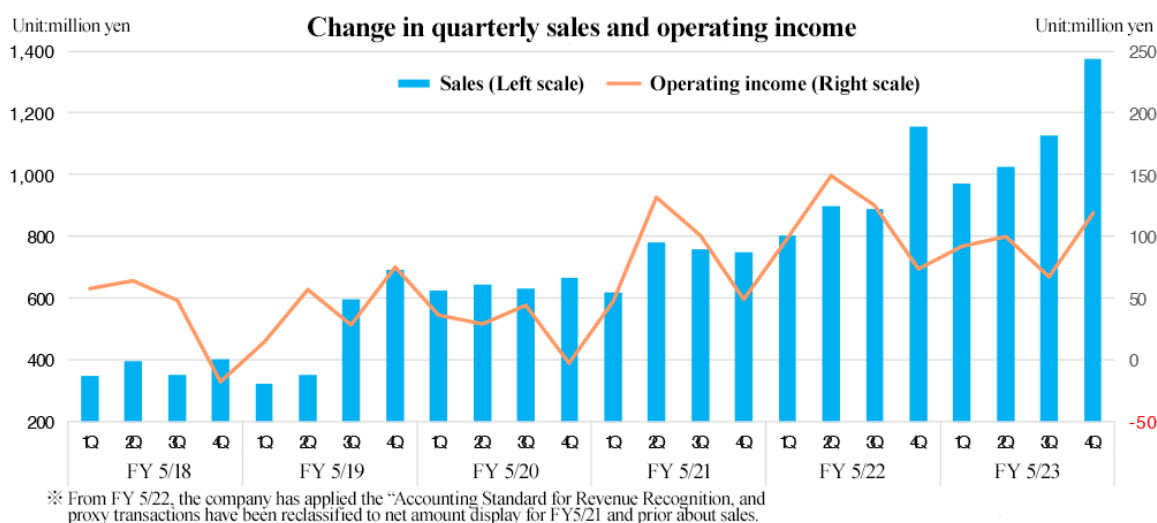
Cost of goods purchased and personnel expenses are projected to augment.

Expenses	Outlook
Cost of sales (procurement amount)	The amount of goods purchased will increase, due to the sales growth of the dental dealer business and the start of the pharmaceutical goods sale business. The company will make efforts to diversify its services, by enriching its existing websites and developing new websites, and labor costs are forecasted to augment through business expansion.
SGA (personnel expenses)	Costs for human resources and new services are projected to augment, as the company will fortify its organizational structure.

4. Conclusions

In the term ended May 2023, despite a 14.7% decrease in operating income, the company exceeded its expectations. Due to the posting of impairment losses, net income fell below the forecast. It is a temporary setback, and they do not raise significant long-term concerns. The sales growth gained momentum. As shown in the graph below, sales grew every quarter in the term ended May 2023. The key challenge lies in effectively translating this revenue growth into higher profits. The media platform business is highly profitable, and sales growth in this business is likely to be the key. While the dental field has been steadily growing, the beauty care sector, which had been stagnant for a while, has been making a comeback since the second half of the term ended May 2023, and is worthy of attention. The company is forecasting an 11.1% increase in sales and a slight increase in operating income for the term ending May 2024, but it hopes to increase its profit margin by expanding its media platform business.

Considering the modest projected increase in operating income for the term ending May 2024, the company's stock price currently resides within a lower range for the past two years when the substantial sales growth witnessed. Price-to-earnings ratio (PER) remains low compared to the sales growth trajectory, indicating potential for considerable adjustments depending on profit trends.



(Produced by Investment Bridge with reference to the brief financial report)

◎ Shareholder benefits (original QUO cards)

1,000 yen for shareholders holding 100 or more shares for 1 or more years

1,500 yen for shareholders holding 600 or more shares for 1 or more years

1,500 yen for shareholders holding 1,000 or more shares for 1 or more years and less than 3 years

2,000 yen for shareholders holding 1,000 or more shares for 3 or more years

<Reference 1: Future growth strategy—Concentration on preventive medicine and healthcare for presymptomatic diseases>

While aiming to grow further, the company considers that important keywords are “preventive medicine and healthcare for presymptomatic diseases.”

A significant environmental change is occurring in the dental field, where the company secured a position as the only one enterprise.

In Japan, dental therapy used to imply the treatment of cavities.

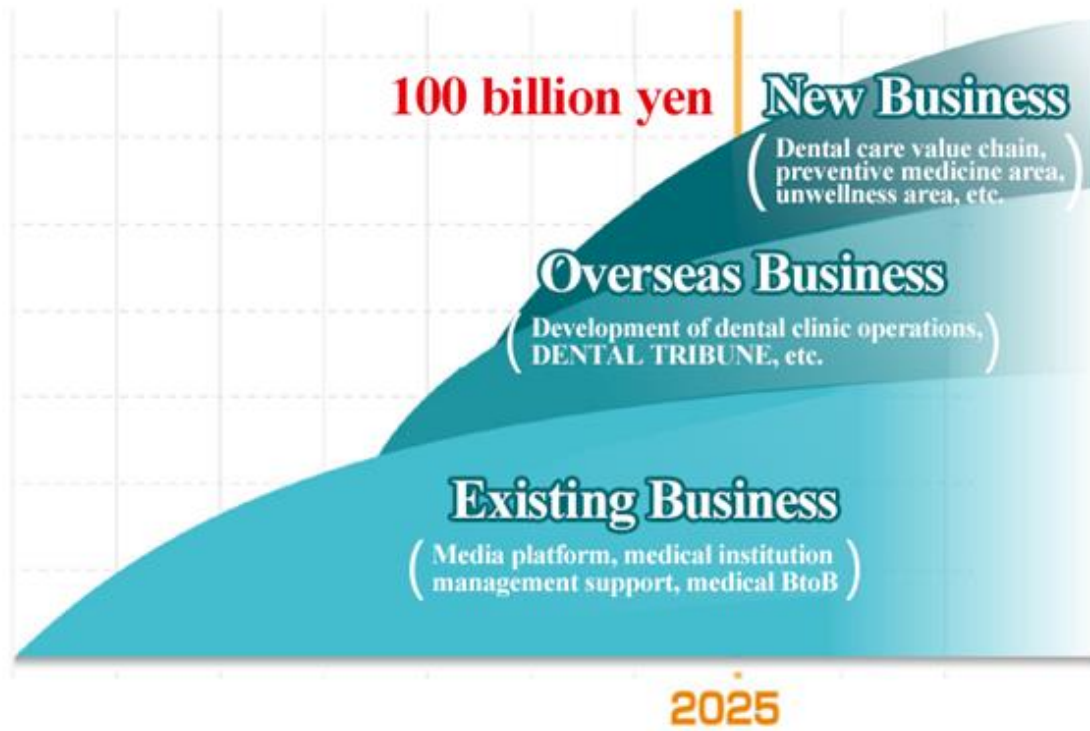
On the other hand, in Europe and the U.S., it is generally considered that periodontal diseases would cause various diseases, including arteriosclerosis, myocardial infarction, brain infarction, diabetes, and Alzheimer's disease, so keeping teeth healthy would prevent such diseases.

It is expected that the concept of “preventive dentistry and dental care for presymptomatic diseases,” which would contribute to general health and longevity, will be considered as important also in Japan.

In addition to the existing recurring-revenue business, the company will operate “overseas business,” including the operation of dental clinics and the utilization of Dental Tribune, and “new business,” including preventive medicine and healthcare for presymptomatic diseases, and develop brands for accelerating growth, with the aim of achieving sales of 10 billion yen in the term ending May 2025.

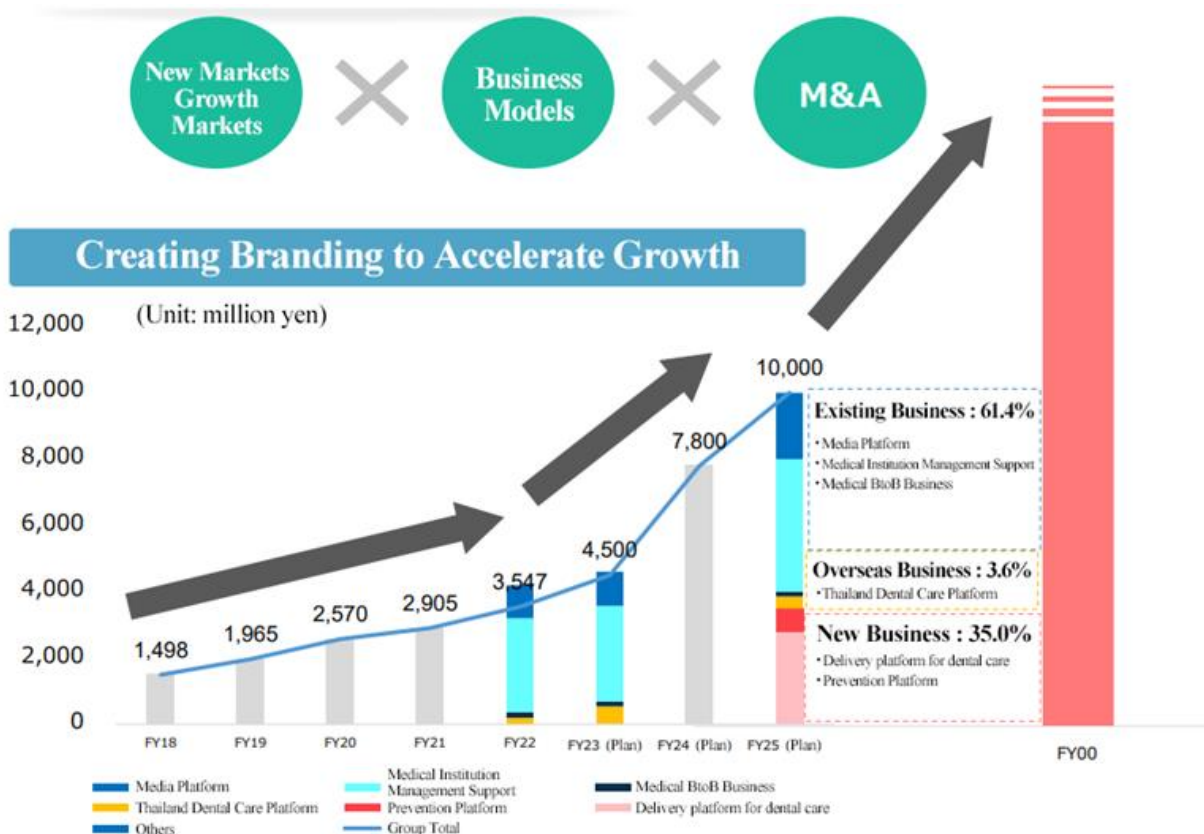
Furthermore, the initial target of 10 billion yen in sales before the spread of the COVID-19 remains unchanged, but the composition ratio may change based on the current situation.

—For achieving sales of 10 billion yen in the term ending May 2025



(Taken from the reference material of the company)

Future growth strategy and driver



(Taken from the reference material of the company)

<Reference 2: Regarding Corporate Governance>

◎Organization type and the composition of directors

Organizational Type	Company with audit & supervisory board
Directors	5 directors, including 1 outside directors
Auditors	3 auditors, including 3 outside auditors

◎Corporate Governance Report

Last update date: August 31, 2022

<Basic Concept>

Our basic policy for corporate governance is to fulfill social responsibilities toward all stakeholders, including shareholders, clients, end users, employees, and local communities, as a member of the corporate society based on the soundness, efficiency, and transparency of our business administration, while maximizing the interests of shareholders.

To do so, we will tighten our corporate governance according to changes in the business environment without resting on our laurels and strive to maximize our corporate value.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

It is written that “Our company follows all of the basic principles of the Corporate Governance Code.”

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