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Consolidated Financial Results for the Six Months Ended June 30, 2024 [Under Japanese GAAP]

August 13, 2024

Company name: CareNet, Inc.
Securities code: 2150
Representative: Katsuhiko Fujii, President
Contact: Kanji Fujii, Director and CFO
Scheduled date to file semi-annual securities report:
August 13, 2024

Stock exchange listing: Tokyo Stock Exchange
URL: <https://www.carenet.co.jp>
Phone: +81-3-5214-5800
Scheduled date to commence dividend payments: —

Preparation of supplementary material on financial results: None
Holding of financial results briefing: Yes (for analysts)

(Amounts of less than one million yen are truncated.)

1. Consolidated financial results for the six months ended June 30, 2024 (January 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2024	5,149	2.7	986	(25.2)	983	(26.4)	557	(35.2)
Six months ended June 30, 2023	5,014	17.3	1,318	(12.1)	1,337	(11.1)	859	(13.9)

(Note) Comprehensive income: For the six months ended June 30, 2024: 662 million yen [(21.9)%]
For the six months ended June 30, 2023: 848 million yen [(15.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2024	12.50	—
Six months ended June 30, 2023	19.29	—

(Note) Diluted earnings per share is not stated as there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	13,944	11,517	81.4	254.61
As of December 31, 2023	14,168	11,501	79.3	252.23

(Reference) Equity: As of June 30, 2024: 11,345 million yen As of December 31, 2023: 11,237 million yen

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	—	0.00	—	12.00	12.00
Fiscal year ending December 31, 2024	—	0.00			
Fiscal year ending December 31, 2024 (forecast)			—	12.00	12.00

(Note) Revision to the most recently announced dividend forecast: None

3. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024) (% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,600	13.3	2,200	(9.4)	2,200	(10.8)	1,500	(0.7)	33.66

(Note) Revision to the most recently announced financial results forecast: None

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 3 companies (Method360, Inc., Satt Co., Ltd, and LinDo K.K.)

Excluded: 1 company (Health Data Science, Inc.)

(Note) For details, please see “2. Semi-annual consolidated financial statements and major notes (4) Notes to semi-annual consolidated financial statements (Changes in scope of consolidation or equity method)” on page 8 of the Japanese version of this attachment.

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to application of new or revised accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury stock)

As of June 30, 2024	46,872,000 shares	As of December 31, 2023	46,872,000 shares
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2) Number of shares of treasury stock at the end of the period

As of June 30, 2024	2,313,002 shares	As of December 31, 2023	2,320,702 shares
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3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	44,554,395 shares	Six months ended June 30, 2023	44,564,298 shares
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(Note) The Company’s shares held by the “Board Benefit Trust (BBT)” and the “Board Benefit Trust (J-ESOP)” are included in the treasury stock deduced in the calculation of the average number of shares outstanding during the period.

* Japanese-language originals of the semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Explanation on appropriate use of financial results forecasts and other matters of note

1. Financial results forecasts and other forward-looking statements provided in these materials are estimated based on information available to the Company as of the date of publication. Actual financial results may differ from these forecasts owing to changes in future economic conditions and other factors.

2. Semi-annual consolidated financial statements and major notes

(1) Semi-annual consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Six months under review (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	8,857,120	8,926,764
Accounts receivable – trade, and contract assets	2,177,913	1,679,718
Electronically recorded monetary claims – operating	308,408	33,288
Inventories	34,112	40,480
Prepaid expenses	222,540	214,439
Other	171,812	80,126
Allowance for doubtful accounts	(5,656)	(5,656)
Total current assets	11,766,250	10,969,159
Non-current assets		
Property, plant and equipment	214,647	205,686
Intangible assets		
Goodwill	1,099,107	1,025,888
Other	37,174	86,154
Total intangible assets	1,136,281	1,112,042
Investments and other assets	1,051,602	1,657,818
Total non-current assets	2,402,531	2,975,547
Total assets	14,168,782	13,944,707

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Six months under review (As of June 30, 2024)
Liabilities		
Current liabilities		
Accounts payable – trade	179,364	97,275
Current portion of long-term borrowings	26,330	33,278
Income taxes payable	411,542	364,924
Advances received	60,570	144,676
Provision for bonuses	8,456	11,109
Provision for point card certificates	943,444	933,571
Other	818,676	572,455
Total current liabilities	2,448,385	2,157,290
Non-current liabilities		
Long-term borrowings	71,092	115,514
Deferred tax liabilities	–	53
Retirement benefit liability	15,027	16,717
Asset retirement obligations	51,797	51,842
Provision for share awards for directors (and other officers)	59,598	70,434
Provision for share awards for employees	8,265	–
Other	13,100	14,973
Total non-current liabilities	218,879	269,535
Total liabilities	2,667,265	2,426,825
Net assets		
Shareholders' equity		
Share capital	2,405,636	2,405,636
Capital surplus	3,073,797	3,073,797
Retained earnings	6,486,661	6,504,459
Treasury shares	(700,753)	(692,268)
Total shareholders' equity	11,265,340	11,291,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(28,292)	53,489
Total accumulated other comprehensive income	(28,292)	53,489
Share acquisition rights	0	0
Non-controlling interests	264,467	172,766
Total net assets	11,501,516	11,517,881
Total liabilities and net assets	14,168,782	13,944,707

(2) Semi-annual consolidated statements of income and comprehensive income
(Semi-annual consolidated statements of income)
(For the six months ended June 30)

(Thousand yen)

	Previous six month period (January 1, 2023 to June 30, 2023)	Six months under review (January 1, 2024 to June 30, 2024)
Net sales	5,014,099	5,149,632
Cost of sales	1,867,742	2,063,897
Gross profit	3,146,357	3,085,734
Selling, general and administrative expenses	1,827,569	2,099,523
Operating profit	1,318,788	986,211
Non-operating income		
Interest income	1,359	2,095
Dividend income	26	27
Share of profit of entities accounted for using equity method	4,171	—
Dividend income of insurance	2,255	—
Foreign exchange gains	10,829	16,913
Miscellaneous income	1,572	2,360
Total non-operating income	20,214	21,396
Non-operating expenses		
Interest expenses	393	291
Share of loss of entities accounted for using equity method	—	11,470
Share issuance costs	0	—
Loss on investments in investment partnerships	95	83
Loss on retirement of non-current assets	97	—
Loss on sale of investment securities	—	8,000
Consumption tax adjustments	—	2,000
Miscellaneous loss	994	1,854
Total non-operating expenses	1,580	23,700
Ordinary profit	1,337,421	983,906
Extraordinary income		
Gain on sale of shares of subsidiaries	12,876	—
Total extraordinary income	12,876	—
Extraordinary losses		
Loss on valuation of investment securities	—	48,018
Total extraordinary losses	—	48,018
Profit before income taxes	1,350,297	935,888
Income taxes – current	474,476	332,195
Income taxes – deferred	10,781	22,863
Total income taxes	485,258	355,059
Profit	865,039	580,828
Profit attributable to non-controlling interests	5,178	23,806
Profit attributable to owners of parent	859,861	557,021

(Semi-annual consolidated statements of comprehensive income)

(For the six months ended June 30)

(Thousand yen)

	Previous six month period (January 1, 2023 to June 30, 2023)	Six months under review (January 1, 2024 to June 30, 2024)
Profit	865,039	580,828
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,701)	81,781
Total other comprehensive income	(16,701)	81,781
Comprehensive income	848,338	662,609
Comprehensive income attributable to:		
Owners of parent	843,159	638,803
Non-controlling interests	5,178	23,806

(3) Semi-annual consolidated statements of cash flows

(Thousand yen)

	Previous six month period (January 1, 2023 to June 30, 2023)	Six months under review (January 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	1,350,297	935,888
Share of loss (profit) of entities accounted for using equity method	(4,171)	11,470
Depreciation	37,074	39,917
Amortization of goodwill	88,211	93,759
Share-based compensation expenses	85,737	58,575
Increase (decrease) in allowance for doubtful accounts	1,945	—
Interest and dividend income	(1,385)	(2,122)
Interest expenses	393	291
Foreign exchange losses (gains)	(10,580)	(16,950)
Increase (decrease) in provision for bonuses	550	—
Increase (decrease) in provision for bonuses for directors (and other officers)	(135,871)	—
Increase (decrease) in provision for point card certificates	32,715	(9,872)
Increase (decrease) in provision for share awards for directors (and other officers)	10,836	10,836
Increase (decrease) in provision for share awards for employees	—	(8,265)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2,250	—
Increase (decrease) in retirement benefit liability	4,693	1,690
Loss (gain) on sale of investment securities	—	8,000
Loss (gain) on valuation of investment securities	—	48,018
Loss (gain) on sales of shares of subsidiaries	(12,876)	—
Decrease (increase) in trade receivables	718,274	785,488
Decrease (increase) in inventories	(5,618)	(6,014)
Increase (decrease) in trade payables	(17,347)	(89,524)
Increase (decrease) in accounts payable – other	(424,877)	(217,058)
Increase (decrease) in accrued consumption taxes	(38,253)	(31,906)
Increase (decrease) in accrued expenses	(16,543)	(1,941)
Increase (decrease) in advances received	(11,648)	(3,060)
Other	17,624	75,974
Subtotal	1,671,429	1,683,193
Interest and dividend income received	924	2,490
Interest paid	(393)	(291)
Income taxes refund (paid)	(529,253)	(376,759)
Net cash provided by (used in) operating activities	1,142,707	1,308,633
Cash flows from investing activities		
Purchase of investment securities	—	(14,000)
Proceeds from sale of investment securities	—	7,000
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	9,668
Purchase of shares of associates accounted for using equity method	—	(650,000)
Proceeds from collection of loans receivable	—	30,000
Purchase of property, plant and equipment	(24,116)	(11,390)
Purchase of intangible assets	(7,685)	(42,604)
Payments for acquisition of businesses	(10,000)	(33,636)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(39,391)	—
Other	(4,722)	(3,254)
Net cash provided by (used in) investing activities	(85,915)	(708,217)

(Thousand yen)

	Previous six month period (January 1, 2023 to June 30, 2023)	Six months under review (January 1, 2024 to June 30, 2024)
Cash flows from financing activities		
Proceeds from long-term borrowings	80,000	—
Repayments of long-term borrowings	(93,920)	(12,768)
Repayments of lease liabilities	(1,404)	(1,404)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,000)	—
Dividends paid	(268,029)	(536,796)
Net cash provided by (used in) financing activities	(285,354)	(550,969)
Effect of exchange rate change on cash and cash equivalents	3,206	8,652
Net increase (decrease) in cash and cash equivalents	774,644	58,099
Cash and cash equivalents at beginning of period	7,665,911	8,672,022
Cash and cash equivalents at end of period	8,440,555	8,730,122