



Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]

February 10, 2021

Company name: CareNet, Inc.

Securities code: 2150

Representative: Katsuhiro Fujii, President

Contact: Kaoru Fukazawa, Executive Officer and General Manager, Administrative Management Division

Scheduled date for annual general meeting of shareholders: March 26, 2021

Scheduled date for filing annual securities report:

March 26, 2021

Preparation of supplementary financial results briefing materials: No

Holding of financial results briefing:

Stock exchange listing: Tokyo Stock Exchange

URL: <https://www.carennet.co.jp>

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Scheduled date for commencing dividend payments:

March 29, 2021

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

1. Consolidated financial results for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(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 | % |
| Fiscal year ended December 31, 2020 | 5,304 | 62.3 | 1,510 | 149.3 | 1,506 | 153.9 | 815 | 82.0 |
| Fiscal year ended December 31, 2019 | 3,268 | 12.6 | 605 | 29.1 | 593 | 36.0 | 448 | 70.0 |

(Note) Comprehensive income: Fiscal year ended December 31, 2020: 987 million yen [365.6%]

Fiscal year ended December 31, 2019: 212 million yen [-54.8%]

| | Basic earnings per share | Diluted earnings per share | Return on equity | Ordinary profit to total assets ratio | Operating profit to net sales ratio |
|-------------------------------------|--------------------------|----------------------------|------------------|---------------------------------------|-------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2020 | 78.56 | — | 31.2 | 35.9 | 28.5 |
| Fiscal year ended December 31, 2019 | 42.33 | — | 20.4 | 19.5 | 18.5 |

(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 December 31, 2020 | 5,319 | 3,085 | 57.8 | 296.08 |
| As of December 31, 2019 | 3,079 | 2,155 | 69.8 | 207.19 |

(Reference) Equity: As of December 31, 2020: 3,073 million yen

As of December 31, 2019: 2,150 million yen

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended December 31, 2020 | 1,358 | (332) | (47) | 2,306 |
| Fiscal year ended December 31, 2019 | 278 | (138) | (307) | 1,333 |

2. Dividends

| | Annual dividends | | | | | Total dividends (total) | Dividend payout ratio (consolidated) | Dividend on net assets ratio (consolidated) |
|---|----------------------|-----------------------|----------------------|--------------------|-------|----------------------------|--|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended December 31, 2019 | — | 0.00 | — | 6.00 | 6.00 | 62 | 14.2 | 2.8 |
| Fiscal year ended December 31, 2020 | — | 0.00 | — | 8.00 | 8.00 | 83 | 10.2 | 3.2 |
| Fiscal year ending December 31, 2021 (forecast) | — | 0.00 | — | 8.00 | 8.00 | | 7.8 | |

3. Consolidated financial results forecast for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021) (% 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 |
| First half | 2,595 | 40.7 | 600 | 30.0 | 597 | 29.9 | 369 | 105.1 | 35.56 |
| Full year | 6,000 | 13.1 | 1,700 | 12.6 | 1,692 | 12.3 | 1,066 | 30.8 | 102.72 |

(Note) Please refer to “1. Overview of operating results, (4) Future outlook” on page 4 of the attached materials of the Japanese version for details.

* Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the changes in the scope of consolidation): None
- (2) 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

(3) Number of shares of common stock issued

- 1) Number of shares issued at the end of the period (including treasury stock)
- 2) Number of shares of treasury stock at the end of the period
- 3) Average number of shares of common stock during the period

| | | | |
|--|-------------------|--|-------------------|
| As of December 31, 2020 | 11,048,000 shares | As of December 31, 2019 | 11,048,000 shares |
| As of December 31, 2020 | 666,292 shares | As of December 31, 2019 | 666,247 shares |
| Fiscal year ended December 31, 2020 | 10,381,735 shares | Fiscal year ended December 31, 2019 | 10,583,321 shares |

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Non-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 | % |
| Fiscal year ended December 31, 2020 | 5,216 | 59.6 | 1,619 | 157.5 | 1,612 | 162.1 | 925 | 96.9 |
| Fiscal year ended December 31, 2019 | 3,268 | 12.6 | 628 | 33.7 | 615 | 40.9 | 470 | 78.2 |

| | Basic earnings per share | Diluted earnings per share |
|--|-----------------------------|-------------------------------|
| | Yen | Yen |
| Fiscal year ended December 31, 2020 | 89.17 | — |
| Fiscal year ended December 31, 2019 | 44.42 | — |

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

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2020 | 5,399 | 3,203 | 59.3 | 308.61 |
| As of December 31, 2019 | 3,084 | 2,172 | 70.4 | 209.27 |

(Reference) Equity: As of December 31, 2020: 3,203 million yen
As of December 31, 2019: 2,172 million yen

* These financial results are not subject to audit procedures to be performed by certified public accountants or an audit firm.

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

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.

Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Thousand yen)

| | Previous fiscal year (As of December 31, 2019) | Fiscal year under review (As of December 31, 2020) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,433,080 | 2,406,402 |
| Notes and accounts receivable – trade | 853,741 | 1,758,667 |
| Inventories | 30,088 | 30,217 |
| Prepaid expenses | 40,766 | 45,179 |
| Other | 118,426 | 85,317 |
| Total current assets | 2,476,103 | 4,325,784 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 32,903 | 33,228 |
| Accumulated depreciation | (27,402) | (28,516) |
| Buildings, net | 5,501 | 4,712 |
| Tools, furniture and fixtures | 48,280 | 85,901 |
| Accumulated depreciation | (36,596) | (49,063) |
| Tools, furniture and fixtures, net | 11,683 | 36,837 |
| Total property, plant and equipment | 17,184 | 41,550 |
| Intangible assets | | |
| Software | 54,944 | 99,794 |
| Goodwill | – | 80,747 |
| Other | 606 | 606 |
| Total intangible assets | 55,550 | 181,147 |
| Investments and other assets | | |
| Investment securities | 274,684 | 477,623 |
| Guarantee deposits | 62,515 | 69,044 |
| Deferred tax assets | 132,542 | 165,066 |
| Other | 113,122 | 116,151 |
| Allowance for doubtful accounts | (51,808) | (56,955) |
| Total investments and other assets | 531,056 | 770,929 |
| Total non-current assets | 603,791 | 993,627 |
| Total assets | 3,079,895 | 5,319,411 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 47,394 | 71,406 |
| Accounts payable – other | 201,749 | 464,075 |
| Accrued consumption taxes | 65,519 | 237,067 |
| Accrued expenses | 51,257 | 68,055 |
| Income taxes payable | 82,274 | 608,791 |
| Advances received | 3,145 | 11,223 |
| Provision for bonuses for directors (and other officers) | 97,030 | 220,000 |
| Provision for point card certificates | 354,429 | 525,665 |
| Other | 7,130 | 3,147 |
| Total current liabilities | 909,930 | 2,209,431 |
| Non-current liabilities | | |
| Long-term borrowings | – | 10,000 |
| Asset retirement obligations | 14,393 | 14,622 |
| Total non-current liabilities | 14,393 | 24,622 |
| Total liabilities | 924,324 | 2,234,053 |

(Thousand yen)

| | Previous fiscal year (As of December 31, 2019) | Fiscal year under review (As of December 31, 2020) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 627,045 | 627,045 |
| Capital surplus | 551,182 | 551,260 |
| Retained earnings | 1,456,911 | 2,210,214 |
| Treasury shares | (450,956) | (451,038) |
| Total shareholders' equity | 2,184,183 | 2,937,483 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (29,470) | 138,388 |
| Foreign currency translation adjustment | (3,747) | (2,049) |
| Total accumulated other comprehensive income | (33,217) | 136,339 |
| Non-controlling interests | 4,604 | 11,535 |
| Total net assets | 2,155,570 | 3,085,357 |
| Total liabilities and net assets | 3,079,895 | 5,319,411 |

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Thousand yen)

| | Previous fiscal year (January 1, 2019 to December 31, 2019) | Fiscal year under review (January 1, 2020 to December 31, 2020) |
|---|---|---|
| Net sales | 3,268,443 | 5,304,372 |
| Cost of sales | 1,063,033 | 1,592,335 |
| Gross profit | 2,205,409 | 3,712,037 |
| Selling, general and administrative expenses | 1,599,608 | 2,201,959 |
| Operating profit | 605,801 | 1,510,077 |
| Non-operating income | | |
| Interest income | 671 | 459 |
| Dividend income | 3,013 | 4,997 |
| Commission income | 1,677 | 2,231 |
| Dividend income of insurance | 1,968 | 1,650 |
| Gain on forgiveness of consumption taxes | — | 4,021 |
| Miscellaneous income | 392 | 692 |
| Total non-operating income | 7,722 | 14,053 |
| Non-operating expenses | | |
| Interest expenses | 1,251 | 4,643 |
| Foreign exchange losses | 1,927 | 7,256 |
| Provision of allowance for doubtful accounts | 14,852 | 5,146 |
| Miscellaneous loss | 2,165 | 405 |
| Total non-operating expenses | 20,197 | 17,453 |
| Ordinary profit | 593,326 | 1,506,676 |
| Extraordinary income | | |
| Gain on sales of investment securities | 19,033 | — |
| Total extraordinary income | 19,033 | — |
| Extraordinary losses | | |
| Loss on valuation of investment securities | — | 120,600 |
| Total extraordinary losses | — | 120,600 |
| Profit before income taxes | 612,359 | 1,386,076 |
| Income taxes – current | 163,425 | 649,703 |
| Income taxes – deferred | 1,046 | (81,501) |
| Total income taxes | 164,472 | 568,202 |
| Profit | 447,887 | 817,874 |
| Profit (loss) attributable to non-controlling interests | (119) | 2,281 |
| Profit attributable to owners of parent | 448,007 | 815,593 |

(Consolidated statements of comprehensive income)

(Thousand yen)

| | Previous fiscal year (January 1, 2019 to December 31, 2019) | Fiscal year under review (January 1, 2020 to December 31, 2020) |
|---|---|---|
| Profit | 447,887 | 817,874 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (236,194) | 167,858 |
| Foreign currency translation adjustment | 366 | 1,698 |
| Total other comprehensive income | (235,827) | 169,557 |
| Comprehensive income | 212,059 | 987,431 |
| Comprehensive income attributable to: | | |
| Owners of parent | 212,179 | 985,150 |
| Non-controlling interests | (119) | 2,281 |

(3) Consolidated statements of changes in equity
Previous fiscal year (January 1, 2019 to December 31, 2019)

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 627,045 | 551,182 | 1,073,084 | (208,150) | 2,043,162 |
| Changes during period | | | | | |
| Dividends of surplus | | | (64,179) | | (64,179) |
| Profit attributable to owners of parent | | | 448,007 | | 448,007 |
| Purchase of treasury shares | | | | (242,806) | (242,806) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | — | 383,827 | (242,806) | 141,021 |
| Balance at end of current period | 627,045 | 551,182 | 1,456,911 | (450,956) | 2,184,183 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|--|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 206,723 | (4,113) | 202,610 | 4,724 | 2,250,497 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (64,179) |
| Profit attributable to owners of parent | | | | | 448,007 |
| Purchase of treasury shares | | | | | (242,806) |
| Net changes in items other than shareholders' equity | (236,194) | 366 | (235,827) | (119) | (235,947) |
| Total changes during period | (236,194) | 366 | (235,827) | (119) | (94,926) |
| Balance at end of current period | (29,470) | (3,747) | (33,217) | 4,604 | 2,155,570 |

Fiscal year under review (January 1, 2020 to December 31, 2020)

(Thousand yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 627,045 | 551,182 | 1,456,911 | (450,956) | 2,184,183 |
| Changes during period | | | | | |
| Dividends of surplus | | | (62,290) | | (62,290) |
| Profit attributable to owners of parent | | | 815,593 | | 815,593 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 78 | | | 78 |
| Purchase of treasury shares | | | | (81) | (81) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 78 | 753,303 | (81) | 753,299 |
| Balance at end of current period | 627,045 | 551,260 | 2,210,214 | (451,038) | 2,937,483 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | (29,470) | (3,747) | (33,217) | 4,604 | 2,155,570 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (62,290) |
| Profit attributable to owners of parent | | | | | 815,593 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | 4,649 | 4,727 |
| Purchase of treasury shares | | | | | (81) |
| Net changes in items other than shareholders' equity | 167,858 | 1,698 | 169,557 | 2,281 | 171,838 |
| Total changes during period | 167,858 | 1,698 | 169,557 | 6,930 | 929,786 |
| Balance at end of current period | 138,388 | (2,049) | 136,339 | 11,535 | 3,085,357 |

(4) Consolidated statements of cash flows

(Thousand yen)

| | Previous fiscal year (January 1, 2019 to December 31, 2019) | Fiscal year under review (January 1, 2020 to December 31, 2020) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 612,359 | 1,386,076 |
| Depreciation | 28,464 | 45,334 |
| Amortization of goodwill | — | 14,249 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 54,366 | 122,970 |
| Increase (decrease) in provision for point card certificates | 41,222 | 171,235 |
| Increase (decrease) in allowance for doubtful accounts | 14,852 | 5,146 |
| Interest and dividend income | (671) | (5,457) |
| Interest expenses | 1,251 | 4,643 |
| Foreign exchange losses (gains) | 1,836 | 6,863 |
| Loss (gain) on sales of investment securities | (19,033) | — |
| Loss (gain) on valuation of investment securities | — | 120,600 |
| Decrease (increase) in trade receivables | (295,634) | (904,925) |
| Decrease (increase) in inventories | (11,369) | (128) |
| Increase (decrease) in trade payables | (197) | 24,012 |
| Increase (decrease) in accounts payable – other | 58,887 | 274,275 |
| Increase (decrease) in accrued consumption taxes | 33,059 | 171,547 |
| Increase (decrease) in accrued expenses | 10,870 | 16,894 |
| Increase (decrease) in advances received | (683) | 8,078 |
| Other | (16,703) | 40,566 |
| Subtotal | 512,879 | 1,501,984 |
| Interest and dividend income received | 66 | 5,667 |
| Interest paid | (1,251) | (4,643) |
| Income taxes paid | (234,242) | (144,869) |
| Net cash provided by (used in) operating activities | 278,050 | 1,358,138 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (8,475) | (30,472) |
| Purchase of intangible assets | (6,833) | (85,133) |
| Purchase of investment securities | (90,800) | (100,504) |
| Proceeds from sales of investment securities | 19,033 | — |
| Loan advances | (3,449) | (6,680) |
| Collection of loans receivable | 98 | 6,014 |
| Payments for acquisition of businesses | — | (109,090) |
| Payments for investments in capital | (50,000) | — |
| Payments of guarantee deposits | — | (6,528) |
| Proceeds from refund of guarantee deposits | 1,456 | — |
| Other | (76) | — |
| Net cash provided by (used in) investing activities | (138,785) | (332,396) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | — | 10,000 |
| Purchase of treasury shares | (242,806) | (81) |
| Dividends paid | (64,260) | (61,771) |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | — | 4,689 |
| Net cash provided by (used in) financing activities | (307,066) | (47,163) |
| Effect of exchange rate change on cash and cash equivalents | (1,479) | (5,255) |
| Net increase (decrease) in cash and cash equivalents | (169,281) | 973,322 |
| Cash and cash equivalents at beginning of period | 1,502,361 | 1,333,080 |
| Cash and cash equivalents at end of period | 1,333,080 | 2,306,402 |