

Japan Animal Referral Medical Center

6039

TSE Mothers

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Summary

Operation of general animal hospitals specializing in advanced medical care for dogs and cats

1. Operation of general animal hospitals specializing in advanced medical care for dogs and cats

Japan Animal Referral Medical Center <6039> (hereafter, also “the Company” and “JARMeC”) operates general animal hospitals (secondary clinics) that specialize in providing advanced medical care for pets (dogs and cats). It provides advanced medical care (secondary medical care) for animals with severe conditions that are difficult to treat at primary clinics in collaboration with the pet owner’s “family animal hospitals” (primary clinics), through a complete referral and reservation system from these primary clinics. Its consolidated subsidiary CAMIC Co., Ltd., provides diagnostic imaging services for animals using advanced medical devices.

The Company’s strengths include the provision of advanced medical care through specialist medical departments, cutting-edge advanced medical care facilities and equipment, the flexible acceptance of and responses to animal patients, and a medical care system through teams. The hurdles are high to enter-into the market for general animal hospitals specializing in advanced medical care that are able to rapidly provide the optimum diagnoses and treatments for animal patients, and this is considered to be an advantage for the Company.

2. Significant sales and profit increase in FY3/19, surpassing the forecasts, including from the full fiscal year operations of the Tokyo Hospital

In the FY3/19 consolidated results, net sales increased 13.5% compared to FY3/18 to ¥2,563mn, operating profit rose 41.9% to ¥397mn, ordinary profit grew 53.7% to ¥404mn, and profit attributable to owners of parent climbed 41.7% to ¥294mn. Sales and profits increased significantly and were above the forecasts (net sales of ¥2,560mn, operating profit of ¥350mn, ordinary profit of ¥350mn, and profit attributable to owners of parent of ¥285mn). Sales increased greatly because the number of first hospital visits rose 23.4%, mainly from the strengthening of the system to accept referrals from the eastern and northern Tokyo Metropolitan areas from the full fiscal year operations of the Tokyo Hospital (which opened in January 2018). In terms of profits, higher sales absorbed the increase in costs, including personnel costs associated with the full-scale operation of Tokyo Hospital.

3. Sales and profits are forecast to increase in FY3/20 from the growth in the number of first hospital visits

For the FY3/20 consolidated results, the Company is forecasting net sales to increase 3.4% compared to FY3/19 to ¥2,650mn, operating profit to rise 3.2% to ¥410mn, ordinary profit to grow 1.2% to ¥410mn, and profit attributable to owners of parent to climb 1.7% to ¥300mn. The effects of the start of operations of the Tokyo Hospital have run their course, but the forecasts are still for higher sales and profits from the growth in the number of first hospital visits. The number of first hospital visits is expected to increase by around 4% compared to FY3/19 from measures including raising name awareness by actively holding various seminars and strengthening the continuous communication with the primary clinics in various regions. The extent of the increases in sales and profits will be small, but the Company has set conservative forecasts after considering factors such as the workstyle reforms and the upper limit on overtime work. So, there would seem to be room for the results to exceed the forecasts from the steady growth in the number of first hospital visits.

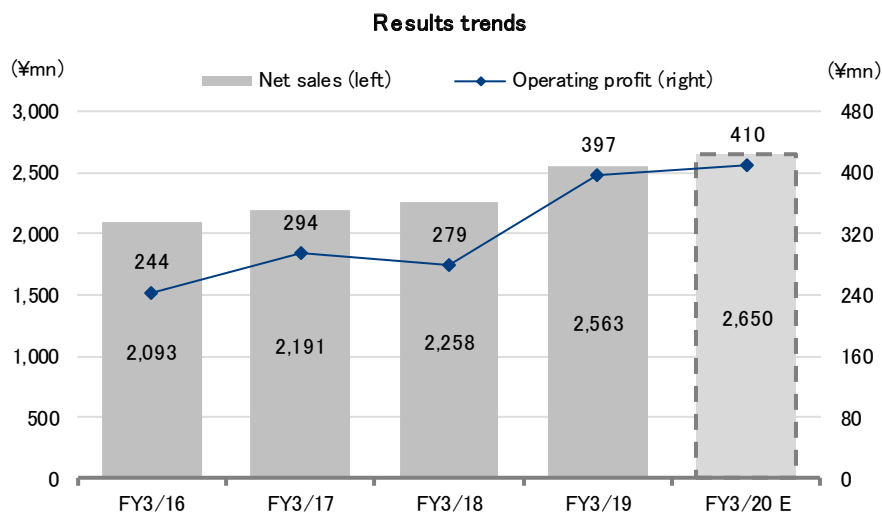
Summary

4. Aiming to be a comprehensive company in the animal medical care industry

The Company's growth strategies include expanding bases, strengthening external activities, developing and securing human resources, and growing new businesses. To expand its bases, it is progressing the development of facilities in major cities nationwide and strengthening the referral acceptance system. Following the opening of the Tokyo Hospital in January 2018, it has strengthened the system to accept referrals from the eastern and northern Tokyo Metropolitan areas. Around the fall of 2021, it plans to open the Osaka Hospital (provisional name, the land has already been acquired). After that, it intends to accelerate increasing the number of collaborating clinics and referrals particularly from the Tokyo, Nagoya, and Osaka bases. For new businesses, in February 2019 it released "plus cycle," an IoT health management tool for pets. It is a "pet tech" tool that links to a smartphone to measure the daily activity of a pet (to make visible the "health status" of the pet), and it detects abnormalities in the pet at an early stage before they become severe. By progressing these strategies, the Company is aiming to be a comprehensive company in the animal medical care industry. There remains high growth potential in the market for advanced medical care for animals to grow, and we can expect the Company to grow in the medium- to long-term from its active business development, while it also leverages its strength of operating general animal hospitals that can provide advanced medical care services.

Key Points

- Operates general animal hospitals specializing in advanced medical care for pets (dogs and cats)
- Forecasts are for higher sales and profits in FY3/20
- There remains high growth potential in the market for advanced medical care for animals, and the Company is expected to grow in the medium-term



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

■ Company profile

Operation of general animal hospitals specializing in advanced medical care for dogs and cats

1. Company profile

Japan Animal Referral Medical Center <6039> (hereafter, also “the Company” and “JARMeC”) operates general animal hospitals (secondary clinics) that specialize in providing advanced medical care for pets (dogs and cats). It provides advanced medical care (secondary medical care) for animals with severe conditions that are difficult to treat at primary clinics in collaboration with the pet owner’s “family animal hospitals” (primary clinics), through a complete referral and reservation system from these primary clinics. Its consolidated subsidiary CAMIC Co., Ltd., provides diagnostic imaging services for animals using advanced medical devices.

At the end of FY3/19, capital was ¥381mn, shareholder equity ratio was 30.0%, net assets per share was ¥755.20, the total number of outstanding shares (including treasury shares) was 2,421,700 shares, and the total number of Group employees was 200 (169 on a stand-alone basis).

2. History

Japan Animal Referral Medical Center was established in Takatsu Ward, Kawasaki City, Kanagawa Prefecture in September 2005, and it opened the Kawasaki Main Hospital in June 2007. In March 2009, it was designated “clinical practice medical facilities for small animals” by the Minister of Agriculture, Forestry and Fisheries, the first such designation in the private sector. It was newly listed on the Tokyo Stock Exchange (TSE) Mothers market in March 2015.

History

Date	Major event
September 2005	Japan Animal Referral Medical Center was established in Takatsu Ward, Kawasaki City, Kanagawa Prefecture
June 2007	Opened the Kawasaki Main Hospital
March 2009	Designated “clinical practice medical facilities for small animals” by the Minister of Agriculture, Forestry and Fisheries, the first such designation in the private sector
December 2011	Opened the Nagoya Hospital
January 2014	Made CAMIC Co., Ltd. a subsidiary by acquiring its shares from Olympus Business Creates Co., Ltd.
March 2015	Newly listed on the TSE Mothers market
January 2018	Opened the Tokyo Hospital

Source: Prepared by FISCO from Company material

3. Business bases

As its business bases, the Company operates the Kawasaki Main Hospital, which is a general hospital specializing in advanced medical care (opened in June 2007, Takatsu Ward, Kawasaki City, Kanagawa Prefecture), the Nagoya Hospital (opened in December 2011, Tenpaku Ward, Nagoya City, Aichi Prefecture), and the Tokyo Hospital (opened in January 2018, Adachi Ward, Tokyo).

The consolidated subsidiary CAMIC provides diagnostic imaging services for animals using advanced medical devices at four bases in Metropolitan Tokyo (in Edogawa Ward, Nerima Ward, and Setagaya Ward in Tokyo, and in Kawaguchi City in Saitama Prefecture).

Business overview

General animal hospitals specializing in advanced medical care in collaboration with family animal hospitals

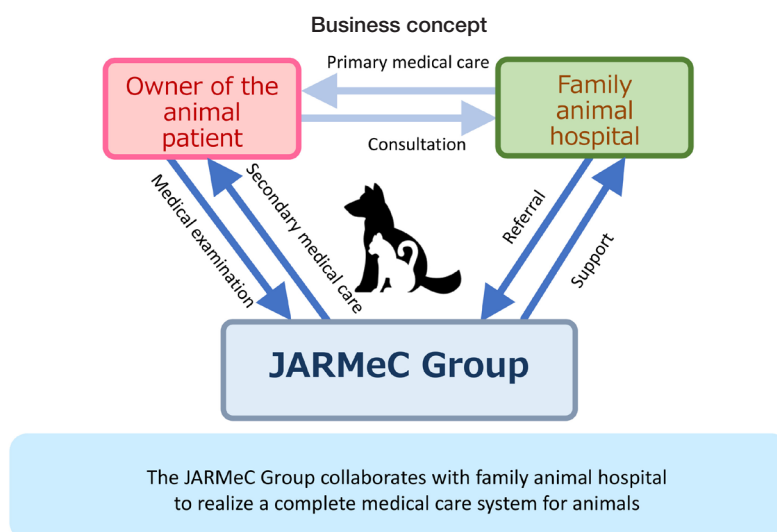
1. Business concept

The Company operates general animal hospitals (secondary clinics) that specialize in providing advanced medical care for pets (dogs and cats). It provides advanced medical care (secondary medical care) for animals with severe conditions that are difficult to treat at primary clinics in collaboration with regional animal hospitals that function as the pet owner's "family animal hospitals" (primary clinics), through a complete referral and reservation system from these primary clinics, with which it has concluded a memorandum of understanding. These hospitals do not provide primary medical care, such as vaccinations and prevention, and they also request that the care after their medical care is provided by the referring primary clinic.

The same as human medical care, the Company has advanced medical care facilities and equipment, such as CT, MRI, radiation-therapy equipment, and PET-CT, and it provides advanced medical care (testing and treatment) for dogs and cats, mainly by veterinarians who conduct research and clinical practice on conditions specific to dogs and cats. It collaborates with "family animal hospitals," which are the primary clinics located in every region across the country, to realize a complete system of medical care for animals.

In March 2009, it was designated "clinical practice medical facilities for small animals" by the Minister of Agriculture, Forestry and Fisheries, the first such designation in the private sector, and the Company is aiming to operate highly specialized facilities that are open to the public. Also, at the Kanto-Tokyo Joint Veterinarian Conference, it has received the President's Award and the Encouragement Award for six consecutive years since FY2013.

For the diagnostic imaging services of the subsidiary CAMIC, the same as for the Company's secondary clinics, it receives referrals from primary clinics for pet owners who only want a diagnostic imaging service. Through a complete referral and reservation system, it takes images using MRI and CT and reports its findings to the primary clinics, and its basic stance is positioned as a supporter of the primary clinics.



Source: Company profile material

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Strengths include advanced medical care from specialist medical departments and a medical care system through teams

2. Strengths

As an operator of general animal hospitals specializing in advanced medical care for dogs and cats, a feature is that it provides advanced and comprehensive veterinary medical care

The Company has in place specialist medical departments and cutting-edge medical facilities and devices that cover a wide range of fields that are greatly related to the lives or the quality of life of animals, such as for cardiology and respiratory, urogenital and gastroenterology, oncology, neurology and orthopedics, ophthalmology, anesthesiology, and radiation and diagnostic imaging. It uses them to provide medical care specialized for specific medical fields, and also medical care through multiple medical departments for conditions in concurrent fields and for conditions with symptoms that are difficult to diagnose.

In FY3/19, the total number of first hospital visits was 6,032. In the percentages of first hospital visits by medical department, gastroenterology and urology provided about 37%, neurology and orthopedics about 26%, oncology about 23%, cardiology and respiratory about 12%, and ophthalmology about 2%.

Looking at the comparison with veterinary university hospitals and single-department medical care facilities, which are considered to be its competitors, as an operator of general hospitals specializing in advanced medical care with 11 specialist medical departments (as of the end of March 2019), the Company strengths include the provision of advanced medical care through specialist medical departments, cutting-edge advanced medical care facilities and equipment, the flexible acceptance of and responses to animal patients, and a medical care system through teams.

Earnings are mainly medical care fees

3. Earnings model

The Company's earnings are mainly medical care fees collected from pet owners. There are no referral fees with the primary clinics.

Veterinary medical care fees are liberalized medical care, so these fees are set individually by each animal hospital. The Antimonopoly Act prohibits veterinarian organizations setting standard fees and veterinarians concluding agreements to set fees. For this reason, there are discrepancies in medical care fees depending on the animal hospital. In the case of the Company, it sets medical care fees based on the consideration of its depreciation of capital investment and personnel expenses.

In the percentages of total sales in FY3/19, the Company's secondary medical care services provided approximately 82% (the Kawasaki Main Hospital provided around 48%, the Nagoya Hospital about 15%, the Tokyo Hospital around 18%, and others and product sales approximately 0%), while the subsidiary CAMIC's diagnostic imaging services provided around 18%.

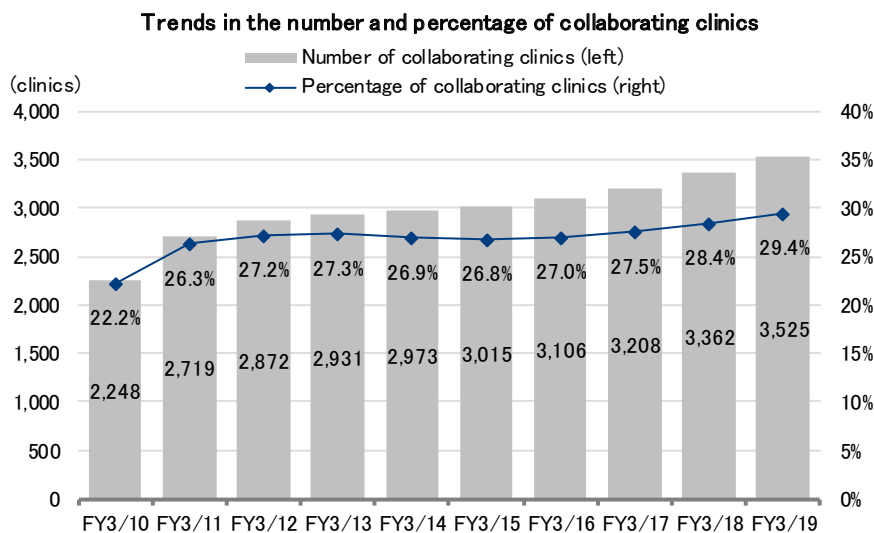
The number of collaborating clinics and the number of first hospital visits are increasing

4. The number of collaborating clinics and the number of first hospital visits

As the number of medical-care services the Company provides depends on the number of referrals from primary clinics, it positions the number of first hospital visits (the number of cases newly received) as the most important management indicator. Therefore, increasing the number of collaborating clinics will lead to increases in the number of first hospital visits and the total number of medical care services provided (the total number of first and subsequent hospital visits), or in other words, it will lead to a growth in earnings.

The Company provides services to the collaborating clinics, including introducing them as its collaborating clinics on its website, providing them with academic and other information, their participation in medical surgeries, and their use of the Company's facilities (for a fee).

It is continuously promoting academic activities, such as presenting at academic conferences and holding seminars, with an aim of increasing the number of collaborating animal hospitals. The number of collaborating clinics is trending upward, increasing from 2,248 clinics at the end of March 2010 to 3,525 clinics at the end of March 2019. Moreover, it has increased to 3,614 clinics as of the end of September 2019. The referrals acceptance system is strengthened when a new hospital opens for business, so the number of collaborating clinics has also tended to increase significantly when new hospitals opened for business (Nagoya Hospital in December 2011 and Tokyo Hospital in January 2018). Also, alongside the increase in the number of collaborating clinics, the percentage of collaborating small animal medical care facilities nationwide is rising, increasing from 22.2% at the end of March 2010 to 29.4% at the end of March 2019.



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

Business overview

The number of first hospital visits and the total number of medical care services provided are trending upward, linked to the increase in the number of collaborating clinics. In addition, the percentage of services that run from a first hospital visit to a surgery is trending at around one third, and therefore the number of surgeries is increasing alongside the rise in the number of first hospital visits. In FY3/19 (full fiscal year), the number of first hospital visits increased 23.4% compared to FY3/18 to 6,032, total medical care services provided rose 15.1% to 23,819, and the number of surgeries grew 13.1% to 1,802.

The barriers to entry in the general hospitals business specializing in advanced medical care are high, so competition risk is low

5. Earnings characteristics, risk factors and its measures

The Company's earnings characteristics and risk factors include its reliance on referrals from primary clinics; the fluctuations in earnings alongside the openings of new hospitals; changes in its business environment, such as the decrease in the number of pets reared and competition; errors when providing medical care services and epidemics among animals receiving medical care; the strengthening of regulations through law amendments, such as to the Veterinarians Act and the Veterinary Practice Act; and training and securing human resources.

With regards to competition, the number of primary animal hospitals is trending upward (according to a survey by the Ministry of Agriculture, Forestry and Fisheries, the number of small animal medical care facilities nationwide had increased from 10,135 at the end of 2009 to 11,981 at the end of 2018). However, the Company's business model is that it does not compete directly with these primary clinics, but rather it collaborates with them. The number of collaborating clinics is trending upwards, and so the percentage of collaborating small animal medical care facilities nationwide is also rising, increasing from 22.2% at the end of March 2010 to 29.4% at the end of March 2019. Also, the barriers to entry in the general hospitals business specializing in advanced medical care that are able to rapidly provide optimal testing, diagnoses, and treatment for animal patients are high, so the risk of competition intensifying is considered to be small.

Focusing on developing and securing high quality veterinarians and veterinary nurses

6. Training and securing human resources

Having high quality veterinarians and veterinary nurses is essential in order to provide advanced medical services, and the Company is focusing on training and securing human resources toward achieving growth in the medium-term.

On a stand-alone basis, the number of Company employees at the end of March 2019 was 169 employees (an increase of 20 employees from the end of March 2018). Of these, 76 are veterinarians and 49 are nurses providing medical care at work sites. The situation is that due to the shortage of veterinarians, it is difficult to recruit large numbers of employees and to increase employee numbers, and the Company is affected by factors such as the upper limit on the amount of overtime work. But despite this, it is still making steady progress in training and securing human resources.

Business overview

To train and secure human resources, the Company is strengthening recruitment through building relationships and forming networks of contacts with universities, vocational colleges, and various organizations, while it is also training veterinarians through a postgraduate clinical training system (launched in April 2008). The postgraduate clinical training system is based on a systematic curriculum and teaching system for two years after graduation from university. The aim of the system is to develop students to have the personalities and values required of veterinarians and for them to learn the basic medical skills in order to systematically examine and treat animal patients.

Expectations are also rising for the utilization of nurses. At the present time, in accordance with the Veterinarians Act, veterinary nurses can only assist veterinarians. But in order to respond to the increasing sophistication of animal medical care, a bill (the Pet Veterinary Nurses Bill) has been passed to enable veterinary nurses to acquire a national qualification and perform medical actions the same as nurses for people, such as collecting blood and administering medication. The Company's nurses have already obtained private-sector qualifications, and the transition for them to acquire this national qualification is expected to progress smoothly, and the utilization of nurses is expected to lead to a reduction in the burden placed on veterinarians and improved work efficiency.

Results trends

Significant sales and profit increase in FY3/19, surpassing the forecasts, including from the full fiscal year operations of the Tokyo Hospital

1. Summary of FY3/19 consolidated results

In the FY3/19 consolidated results, net sales increased 13.5% compared to FY3/18 to ¥2,563mn, operating profit rose 41.9% to ¥397mn, ordinary profit grew 53.7% to ¥404mn, and profit attributable to owners of parent climbed 41.7% to ¥294mn. Sales and profits increased significantly and were above the forecasts (net sales of ¥2,560mn, operating profit of ¥350mn, ordinary profit of ¥350mn, and profit attributable to owners of parent of ¥285mn). Sales increased greatly because the number of first hospital visits rose 23.4%, mainly from the strengthening of the system to accept referrals from the eastern and northern Tokyo Metropolitan areas from the full fiscal year operations of the Tokyo Hospital (which opened in January 2018). In terms of profits, higher sales absorbed the increase in costs, including personnel costs associated with the full-scale operation of Tokyo Hospital.

Consolidated results for FY3/19

Item	FY3/18	FY3/19	Change %
Net sales	2,258	2,563	13.5%
Gross profit	782	923	18.1%
SG&A expenses	502	526	4.8%
Operating profit	279	397	41.9%
Ordinary profit	263	404	53.7%
Profit attributable to owners of parent	208	294	41.7%
EPS (¥)	87.63	122.06	-
Dividend (¥)	-	-	-
BPS (¥)	634.10	755.20	-

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

Results trends

Breaking down the net sales, sales of the Company's secondary medical care services increased 16.6% to ¥2,090mn and of the subsidiary CAMIC's diagnostic imaging services rose 1.5% to ¥473mn. For the percentages of total net sales, the Company's secondary medical care services provided approximately 82% (the Kawasaki Main Hospital about 48%, the Nagoya Hospital around 15%, the Tokyo Hospital around 18%, and others and product sales around 0%), while the subsidiary CAMIC's diagnostic imaging services provided about 18%.

At the end of FY3/19, the number of collaborating clinics had increased 2.6% on the end of FY3/18 to 3,525 clinics, the percentage of collaborating small animal medical care facilities nationwide had risen 0.4 of a percentage point (pp) to 29.4%, the number of first hospital visits had grown 23.4% to 6,032, the total number of medical care services provided had climbed 15.1% to 23,819, and the number of surgeries had increased 13.1% to 1,802. The number of tests conducted by the subsidiary CAMIC was unchanged, at 5,237.

Profits increased significantly, as although expenses rose following the opening of the Tokyo Hospital, including personnel expenses, medical equipment maintenance fees, and depreciation expenses, this was absorbed by the effects of the higher sales. The gross profit margin rose 1.4pp to 36.0%, the SG&A expenses ratio fell 1.7pp to 20.5%, and the operating profit margin increased 3.1pp to 15.5%.

Shareholder equity ratio rose and the extent of the reliance on interest-bearing debt fell

2. Financial position

Looking at the Company's financial position, at the end of FY3/19 total assets had increased ¥155mn from the end of FY3/18 to ¥6,088mn. The main increasing and decreasing items were a ¥360mn increase in cash and deposits due to the higher sales and a ¥276mn decrease in interest-bearing debt.

Due to the steady accumulation of net profit, net assets increased ¥300mn to ¥1,828mn and the shareholder equity ratio rose 4.2pp to 30.0%. Alongside the large-scale investments in the Tokyo Hospital (became operational in January 2018) and the Osaka Hospital (scheduled to become operational around the fall of 2021), the extent of the Company's reliance on interest-bearing debt is somewhat high, at 63.0%, but this is down 6.3pp on the end of FY3/18.

In cash flows, operating cash flow increased significantly, but there were no large-scale investments in FY3/19 and investment cash flow decreased greatly. As a result, free cash flow increased significantly.

Summary of the consolidated balance sheets

	(¥mn)		
	End of FY3/17	End of FY3/18	End of FY3/19
Total assets	5,125	5,932	6,088
(Current assets)	1,101	1,154	1,480
(Non-current assets)	4,023	4,778	4,607
Total liabilities	3,897	4,404	4,259
(Current liabilities)	1,727	735	890
(Non-current liabilities)	2,169	3,668	3,368
Total net assets	1,228	1,527	1,828
Total liabilities and net assets	5,125	5,932	6,088
[Reference]			
Interest-bearing debt	3,608	4,110	3,834
Shareholder equity ratio (%)	24.0	25.8	30.0

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

Results trends

Summary of the consolidated statement of cash flows

	FY3/17	FY3/18	FY3/19
Cash flows from operating activities	428	344	741
Cash flows from investing activities	-1,120	-797	-108
Cash flows from financing activities	699	485	-273
Cash and cash equivalents at end of period	758	790	1,150

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

Future outlook

The forecasts for FY3/20 are for higher sales and profits from the growth in the number of first hospital visits

For the FY3/20 consolidated results, the Company is forecasting net sales to increase 3.4% compared to FY3/19 to ¥2,650mn, operating profit to rise 3.2% to ¥410mn, ordinary profit to grow 1.2% to ¥410mn, and profit attributable to owners of parent to climb 1.7% to ¥300mn.

Consolidated results forecast for FY3/20

Item	FY3/19	FY3/20 forecast	Change %
Net sales	2,563	2,650	3.4%
Operating profit	397	410	3.2%
Ordinary profit	404	410	1.2%
Profit attributable to owners of parent	294	300	1.7%
EPS (¥)	122.06	123.88	-
Dividend (¥)	-	-	-
BPS (¥)	755.20	-	-

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

In terms of sales, the significant increase in sales associated with the Tokyo Hospital's start of operation will settle down in FY3/20, but the forecast is still for higher sales and profits from the growth in the number of first hospital visits. The number of first hospital visits is expected to increase by around 4% compared to FY3/19 from various measures, including raising name awareness by actively holding various seminars and strengthening the continuous communication with the local primary clinics. Profits are also expected to grow, as the effects of the higher sales will absorb the rise in personnel costs and other costs.

The extent of the increases in sales and profits will be small as the effects of the start of operations of the Tokyo Hospital will have run their course, and the Company has set conservative forecasts after considering factors such as the workstyle reforms and the upper limit on overtime work. However, there would still seem to be room for the results to exceed the forecasts from the steady growth in the number of first hospital visits.

■ Medium- to long-term growth strategy

Aiming to be a comprehensive company in the animal medical care industry

The Company's growth strategies include expanding bases, strengthening external activities, developing and securing human resources, and growing new businesses.

To expand its bases, it will promote the development of facilities in major cities nationwide and strengthen the referrals acceptance system. Following the opening of the Tokyo Hospital in January 2018, it strengthened the system to accept referrals from the eastern and northern Tokyo Metropolitan areas. Around the fall of 2021, it plans to open the Osaka Hospital (provisional name; the total investment amount is scheduled to be around ¥1.7bn and the land has already been acquired). After that, it intends to accelerate increasing the numbers of collaborating clinics and referrals, particularly from the Tokyo, Nagoya, and Osaka bases. It has completed the large-scale capital investment to open the Osaka Hospital (provisional name), so the capital investment amount required for the subsequent expansion of bases is expected to be on a slightly smaller scale.

In strengthening external activities, the Company intends to accelerate the increases in the numbers of collaborating clinics and referrals by conducting academic activities, such as presenting at conferences and holding seminars, and continue to promote the collaborations with local animal hospitals, toward improving name recognition. At the end of March 2019, the percentage of collaborating small animal medical care facilities nationwide was 29.4%. Of which, the percentage in the Kanto area had risen to as high as around 45%, including from the contribution of the Tokyo Hospital's start of operations, and it is expected to rise to above 50% during FY3/20.

To train and secure human resources, the Company is focusing on strengthening relationships and forming networks of contacts with universities, vocational colleges, and various organizations, and it is actively conducting recruitment activities. It also intends to respond to the expansion in bases by progressing the development of veterinarians through its postgraduate clinical training system. Moreover, once a bill (the Pet Veterinary Nurses Bill) comes into effect to enable veterinary nurses to acquire a national qualification and perform medical actions the same as nurses for people, such as collecting blood and administering medication, it intends to actively recruit nurses also.

For new businesses, in fields other than medical care in animal medicine, the Company will grow new businesses to support the animal patients, the pet owners, and the primary clinics.

In the new business of devices sales, in February 2019 the Company released "plus cycle," which is an IoT health management tool for pets. It is a "pet tech" tool that links to a smartphone to measure the daily activity of a pet (dogs and cats; it makes visible the "health status" of the pet), and it detects abnormalities in the pet at an early stage before they become severe. For the time being, sales will be mainly via online shops, but through sharing the data on the amounts of activity, it will promote the spread of its use as a communication tool that connects the Company, pet owners, and family animal hospitals, with the aim of growing sales via animal hospitals and through alliances with major companies.

By actively progressing these strategies, it is aiming to become a comprehensive company in the animal medical care industry

■ Shareholder return policy

Continues to not to pay a dividend at the present time, as it is prioritizing supplementing internal reserves

The Company positions returning profits to shareholders as one of its most important management issues. However, as it is currently in the process of expanding its businesses, it intends to supplement its internal reserves to strengthen its management foundation and to actively develop its businesses, and to enhance investment in order to strengthen its financial structure and for business expansion. It considers that aiming to further expand the scope of its business in this way will lead to the greatest return of profits to shareholders in the future.

Therefore, since its establishment up to FY3/19, the Company has not paid a dividend. Going forward also, for the time being it intends to supplement internal reserves as the funds necessary to recruit excellent human resources and for the capital investment that will contribute to improving services. In the future, it will consider distributing profits to shareholders while considering factors such as management performance and the financial condition. But at the current time, it has not yet determined aspects like the possibility of paying a dividend and the time period for such a payment.

It has completed the large-scale capital investment to open the Osaka Hospital (provisional name), which is scheduled to be opened in the fall of 2021, so the capital investment amount required for the subsequent expansion of bases is expected to be on a slightly smaller scale. Therefore, it may consider starting dividend payments after it opens the Osaka Hospital (provisional name).

■ Information security measures

Formulation of system-management regulations and detailed rules

Large-scale cyber-attacks against companies are increasing, so companies' interest in information security measures is also rising. In this situation, the Company recognizes information security and the appropriate protection of information assets to be one of its most important management issues, and it has formulated system-management regulations and detailed rules. Going forward, it intends to implement information security measures on a Group-wide basis, while responding to situational changes.



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