

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

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 regional animal hospitals that are the pet owners’ “family animal hospitals” (the primary clinics), through referrals from these primary clinics. The Company’s strengths include its provision of advanced medical care through specialist medical departments 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.

1. Posted higher sales and profits YoY in FY3/20, exceeding the Company forecast

In the FY3/20 consolidated results, net sales increased 6.6% year-on-year (YoY) to ¥2,734mn, operating profit rose 8.4% to ¥430mn, ordinary profit grew 11.4% to ¥450mn, and profit attributable to owners of parent increased 6.1% to ¥312mn. This was the second year since the opening of the Tokyo Hospital (opened in January 2018), so the growth rates slowed down compared to the previous fiscal year, but sales and profits still increased and were higher than forecast. The number of first hospital visits increased more than initially expected (up approximately 4%), and alongside this, the total number of medical care services provided and the number of surgeries also both steadily rose. All of the number of collaborating clinics, the number of first hospital visits, the total number of medical care services provided, and the number of surgeries were new record highs.

2. The FY3/21 consolidated results forecasts are conservative, with profits to remain basically unchanged YoY

For the FY3/21 consolidated results, the Company is forecasting net sales to increase 2.4% YoY to ¥2,800mn, operating profit to rise 1.0% to ¥435mn, ordinary profit to decrease 1.3% to ¥445mn, and profit attributable to owners of parent to increase 0.7% to ¥315mn. Sales will be higher due to the increase in the number of first hospital visits (expected to rise 3.2% YoY). However, each profit item is forecast to remain basically unchanged YoY as recruitment expenses and personnel expenses will grow to the increase in the number of veterinarians and veterinary nurses in advance of the opening of the Osaka Hospital (scheduled to open around the fall of 2021). The impact of the COVID-19 pandemic will be limited, but the Company has set conservative forecasts based on the possibility that its impact will become prolonged. But if the number of first hospital visits steadily increases, it seems there is room for the results to exceed the forecasts.

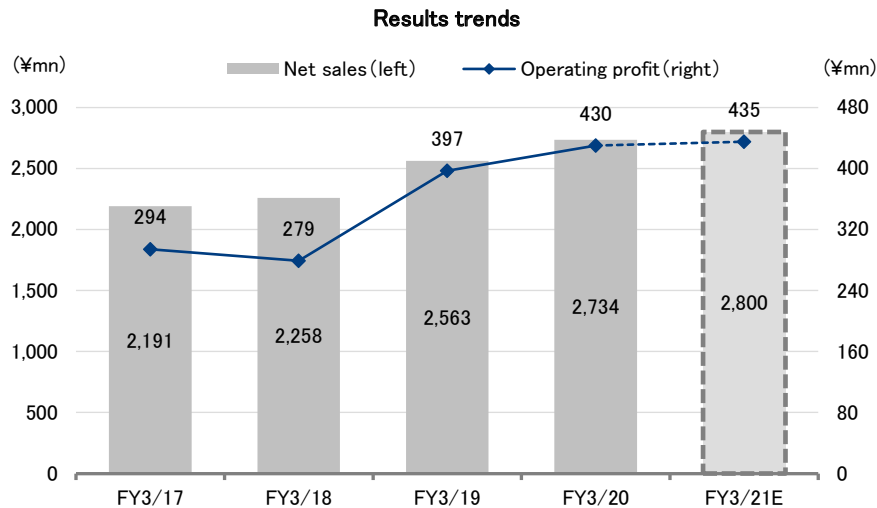
3. Aiming to be a comprehensive company in the animal medical care industry

The market environment for advanced medical care for animals is excellent. In general, pet medical care is provided by family animal hospitals (primary medical care) located close to the homes of the pet owners. But among owners, needs have further risen for advanced medical care (secondary medical care) from “wanting pets to have the same advanced medical care as people.” With this business environment as the backdrop, the Company’s medium-term growth strategy is to increase the number of bases and collaborating clinics, to secure and train human resources, and to expand new businesses, and it is aiming to be a comprehensive company in the animal medical care industry. It is expected to grow in the medium- to long-term by actively developing its business while leveraging its strength of having comprehensive animal hospitals that can provide advanced medical care services.

Summary

Key Points

- Operates general animal hospitals specializing in advanced medical care for pets (dogs and cats)
- The FY3/21 consolidated results forecasts are conservative, with profits to remain basically unchanged YoY
- Aiming to be a comprehensive company in the animal medical care industry



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

The Company operates general animal hospitals (secondary clinics) that specialize in providing advanced medical care for pets (dogs and cats). The Company operates animal hospitals that provide advanced, specialized medical care (secondary medical care) for animals with severe conditions that are difficult to treat at primary clinics through referrals from regional animal hospitals (the primary clinics), which are family animal hospitals for pet owners. Its consolidated subsidiary CAMIC Co., Ltd., provides diagnostic imaging services for animals using advanced medical devices.

At the end of FY3/20, capital was ¥384mn, the equity ratio was 36.0%, net assets per share was ¥879.93, the total number of outstanding shares (including treasury shares) was 2,433,700 shares. Also, at the end of April 2020, the total number of Group employees was 217 people (including 20 part-time employees).

Company profile

2. History

The Company 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 for dogs and cats in collaboration with family animal hospitals

1. Business summary

The Company operates comprehensive animal hospitals (secondary clinics) that specialize in providing advanced medical care to pets (dogs and cats).

It operates animal hospitals that provide advanced, specialist medical care for animals with severe conditions that are difficult to treat at primary clinics, through a complete referral and reservation system from regional animal hospitals (the primary clinics) that are family animal hospitals for pet owners.

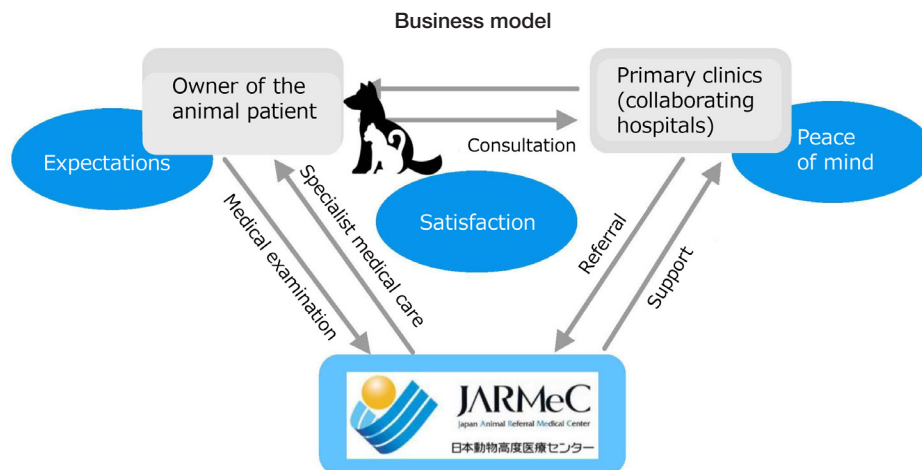
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Business overview

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 does not provide primary medical care, such as vaccinations and preventive medicine. Also, it requests that the care after its medical treatment be carried out by the referring primary clinics.

As pets are becoming part of the family, are living longer, and their medical conditions are becoming more diverse, needs are rising among pet owners for more varied and advanced animal medical care, from them “wanting pets to receive the same advanced medical care as people.” In this situation, the Company is realizing a complete animal medical care system through the division of labor with the family animal hospitals, which are the primary clinics, in regions throughout the country.

In March 2009, the Company 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. The Company is aiming to contribute widely to society by providing advanced medical care, as venues to conduct training and research such as establishing an environment to train human resources who will be active in clinical and educational settings in the animal medical care industry and taking on challenges in conducting clinical research to improve animal medical care technologies.



Source: Reprinted from the Company's financial briefing materials

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.

The Company's strengths and features include advanced medical care from specialist medical departments and a medical care system through teams

2. Strength and feature

As an operator of general animal hospitals specializing in advanced medical care for pets (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, radiation and diagnostic imaging, and anesthesiology. 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 FY3/20, the total number of first hospital visits was 6,476. In the percentages of first hospital visits by medical department, urology and gastroenterology provided about 38%, neurology and orthopedics about 25%, oncology about 23%, cardiology and respiratory about 12%, and ophthalmology about 2%.

Looking at the comparison with competing veterinary university hospitals and single-department secondary medical care facilities, as an operator of general hospitals specializing in advanced medical care with 11 specialist medical departments, 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. 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.

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. The content of the medical care is provided in accordance with the pet owner's wishes.

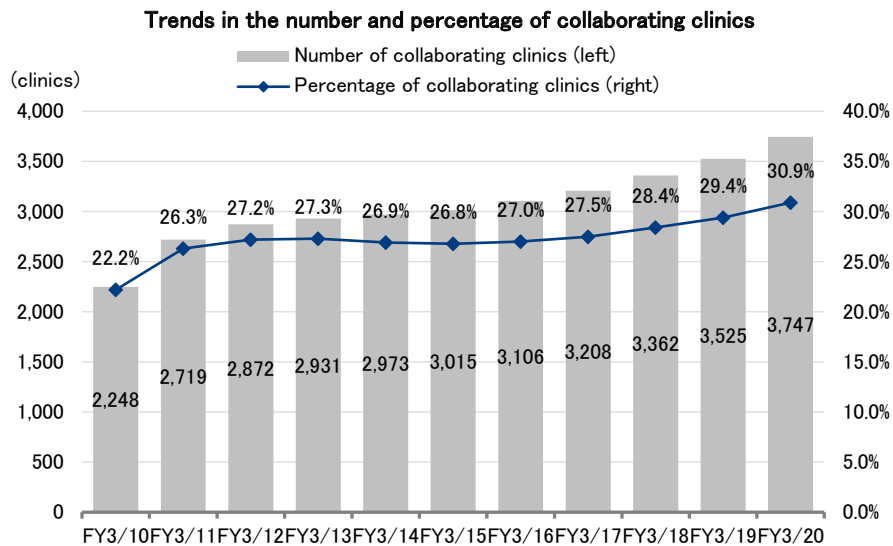
In the percentages of total sales in FY3/20, the Company's secondary medical care services provided approximately 82% (the Kawasaki Main Hospital provided around 45%, the Nagoya Hospital about 16%, the Tokyo Hospital around 21%), while the subsidiary CAMIC's diagnostic imaging services provided around 18%, and other (business development) provided about 0%.

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 based on registration application 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.

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 3,747 clinics at the end of March 2020. 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 (the Nagoya Hospital in December 2011 and the Tokyo Hospital in January 2018). Also, alongside the increase in the number of collaborating clinics, the percentage of collaborating clinics out of the number of small animal medical care facilities nationwide is rising, increasing from 22.2% at the end of March 2010 to 30.9% at the end of March 2020, the first time it has exceeded 30%. Within it, the percentage in the Kanto area has risen to as high as in the 45% to 49% range from the contribution of the start of operations of the Tokyo Hospital.



Source: Prepared by FISCO from the Company's financial briefing materials

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 FY3/20, the number of first hospital visits increased 7.4% compared to FY3/19 to 6,476, total medical care services provided rose 6.2% to 25,307, and the number of surgeries grew 9.7% to 1,977. These percentages have been greatly increasing following the opening of the Tokyo Hospital in March 2019.

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 12,116 at the end of 2019). 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 30.9% at the end of March 2020. 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

On a standalone basis at the end of FY3/20, the Company had 185 employees, of who, 72 were veterinarians and 53 were veterinary nurses providing medical care in the animal hospitals. Due to the shortage of veterinarians, the situation is that it is difficult to recruit many veterinarians and increase their number. But having high-quality veterinarians and veterinary nurses to provide the advanced medical care services is essential, so the Company is focusing on training and securing human resources toward growth in the medium term.

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.

Business overview

Expectations are also rising for the utilization of veterinary nurses. To respond to the increasing sophistication of animal medical care, the Pet Veterinary Nurses Bill was established and promulgated in June 2019. The law makes veterinary nursing a national qualification and allows the nurses to perform the same medical actions as nurses perform for people, such as collecting blood and administering medication. The Council for the Certification of Registered Veterinary Nurses is the designated examining agency, and the 1st Pet Veterinary Nurse National Examination is expected to be held by the end of December 2023, at the latest. As the Company's veterinary nurses have already acquired private-sector qualifications, through this law they will be able to transition smoothly to having a national qualification, and the utilization of veterinary nurses is expected to lead to a reduction in veterinarians' work load and to improved work efficiency.

Results trends

Posted higher sales and profits YoY in FY3/20, exceeding the Company forecast

1. Summary of FY3/20 consolidated results

In the FY3/20 consolidated results, net sales increased 6.6% compared to FY3/19 to ¥2,734mn, operating profit rose 8.4% to ¥430mn, ordinary profit grew 11.4% to ¥450mn, and profit attributable to owners of parent climbed 6.1% to ¥312mn.

This was the second year since the opening of the Tokyo Hospital (opened in January 2018), so the growth rates slowed down compared to in the previous fiscal year. But even so, sales and profits increased and were higher than forecast (net sales of ¥2,650mn, operating profit of ¥410mn, ordinary profit of ¥410mn, and profit attributable to owners of parent of ¥300mn).

For sales, the number of first hospital visits was higher than initially expected (up approximately 4%), and alongside this, the total number of medical care services provided and the number of surgeries also both steadily increased. The operating profit margin rose 0.3 of a percentage point (pp) YoY to 15.8%. SG&A expenses, including recruitment expenses, increased, but this was absorbed by the effects of the higher sales and the improvement to the gross profit margin (which rose 0.9 of a pp).

Consolidated results for FY3/20

	FY3/19	FY3/20	Change %
			(¥mn)
Net sales	2,563	2,734	6.6%
Gross profit	923	1,008	9.1%
SG&A expenses	526	577	9.7%
Operating profit	397	430	8.4%
Ordinary profit	404	450	11.4%
Profit attributable to owners of parent	294	312	6.1%
EPS (¥)	122.06	128.79	-
Dividend (¥)	-	-	-
BPS (¥)	755.20	879.93	-

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

Results trends

2. The number of first hospital visits was a new record high

Breaking down net sales, sales of the Company's secondary medical care services (the total of the Kawasaki Main Hospital, the Nagoya Hospital, and the Tokyo Hospital) increased approximately 7% YoY, sales of the subsidiary CAMIC's diagnostic imaging services rose around 4%, and sales of others (business development) grew approximately 29%. Sales grew greatly including from the strengthening of referrals received by the Tokyo Hospital from the eastern and northern parts of the Tokyo metropolitan area, which drove the results as a whole.

The number of collaborating clinics had increased 6.3% on the end of FY3/19 to 3,747 clinics, the percentage of collaborating small animal medical care facilities nationwide had risen 1.5 of a percentage point (pp) to 30.9%, the number of first hospital visits had grown 7.4% YoY to 6,476, the total number of medical care services provided had climbed 6.2% to 25,307, and the number of surgeries had increased 9.7% to 1,977. All were new record highs.

The equity ratio rose

3. Financial and cash flow conditions

Looking at the financial condition, at the end of FY3/20 total assets were down ¥159mn on the end of the previous fiscal period to ¥5,928mn. Interest-bearing debt decreased ¥430mn and net assets increased ¥305mn. As a result, the equity ratio rose 6.0pp to 36.0% and the Company's financial soundness improved. Alongside the large-scale investments for the Tokyo Hospital (opened in January 2018) and the Osaka Hospital (scheduled to open around the fall of 2021), the extent of the reliance on interest-bearing debt is somewhat high, at 57.4%, but it declined 5.6pp compared to the end of the previous fiscal period.

For cash flow (CF), net cash provided by operating activities declined YoY to ¥537mn due to a rebound to the consumption tax rebates in 2Q FY3/19. There were no large-scale investments in FY3/20, so free cash flow (FCF = cash flows from operating activities + cash flows from investing activities) was ¥444mn.

Simplified balance sheet

	(¥mn)			
	End of FY3/17	End of FY3/18	End of FY3/19	End of FY3/20
Total assets	5,125	5,932	6,088	5,928
(Current assets)	1,101	1,154	1,480	1,464
(Non-current assets)	4,023	4,778	4,607	4,464
Total liabilities	3,897	4,404	4,259	3,794
(Current liabilities)	1,727	735	890	840
(Non-current liabilities)	2,169	3,668	3,368	2,953
Total net assets	1,228	1,527	1,828	2,133
Total liabilities and net assets	5,125	5,932	6,088	5,928
[Reference]				
Interest-bearing debt	3,608	4,110	3,834	3,404
Equity ratio (%)	24.0	25.8	30.0	36.0

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

Results trends

Summary of the consolidated statement of cash flows

	(¥mn)			
	FY3/17	FY3/18	FY3/19	FY3/20
Cash flows from operating activities	428	344	741	537
Cash flows from investing activities	-1,120	-797	-108	-93
Cash flows from financing activities	699	485	-273	-445
Cash and cash equivalents at end of period	758	790	1,150	1,149
(Reference) Free cash flow	-692	-453	633	444

Note: Free cash flow = cash flows from operating activities + cash flows from investing activities
 Source: Prepared by FISCO from the Company's financial results

Future outlook

The FY3/21 consolidated results forecasts are conservative, with profits to remain basically unchanged YoY

1. Consolidated results forecast for FY3/21

For the FY3/21 consolidated results, the Company is forecasting net sales to increase 2.4% compared to FY3/20 to ¥2,800mn, operating profit to rise 1.0% to ¥435mn, ordinary profit to decline 1.3% to ¥445mn, and profit attributable to owners of parent to climb 0.7% to ¥315mn.

The Company projects sales to increase from the rise in the number of first hospital visits (expected to increase 3.2% YoY to 6,680 visits). But each profit item is forecast to remain basically unchanged YoY, as recruitment expenses and personnel expenses will grow due to the increase in the number of veterinarians and veterinary nurses in advance of the opening of the Osaka Hospital (scheduled to open around the fall of 2021).

Consolidated results forecast for FY3/21

	(¥mn)		
	FY3/20	FY3/21 forecast	Change %
Net sales	2,734	2,800	2.4%
Operating profit	430	435	1.0%
Ordinary profit	450	445	-1.3%
Profit attributable to owners of parent	312	315	0.7%
EPS (¥)	128.79	133.49	-
Dividend (¥)	-	-	-
BPS (¥)	879.93	-	-

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

2. The impact of and the response to the COVID-19 outbreak

The COVID-19 outbreak may have a slight impact on sales activities and recruitment activities alongside the postponements and cancellations of academic society presentations and various seminars. But its impact on results as a whole is expected to be limited. The Company has set conservative forecasts for the FY3/21 consolidated results, based on the possibility that the impact of the COVID-19 pandemic will become prolonged.

Future outlook

In terms of its specific responses, as its top priority the Company is working to ensure the safety of and preventing infection among employees and their families and the pet owners visiting hospitals. It also intends to continue to strengthen communication with primary clinics and to increase the number of first hospital visits. If the number of first hospital visits steadily increases, there seem room for results to exceed the Company's forecasts.

■ Medium- to long-term growth strategy

The market environment for advanced medical care for animals is excellent

1. The market environment

The market environment for advanced medical care for animals is excellent. This is because while in general, pet medical care (primary medical care) is provided by family animal hospitals located close to the homes of the pet owners, needs have further risen among owners for advanced medical care (secondary medical care) from “wanting pets to have the same advanced medical care as people.”

According to Company materials, the number of dogs and cats being kept as pets had been trending downward due to changes to demographics and living environments, but recently this number has changed direction and started increasing, driven by the popularity of cats. Also, according to the same materials, alongside pets becoming members of the family, spending on animal hospitals per household is trending upward as well, and the scale of the animal hospitals market is growing. Moreover, the scale of the pet insurance market continues to grow by double digits, but the rate of subscription to pet insurance in Japan is only 10%, which is low compared to the rates of 30% to 40% in Western countries. So it is forecast that this market still has plenty of room to grow in scale.

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

With this business environment as the backdrop, the Company's medium-term growth strategy is to increase the number of bases and collaborating clinics, to secure and train human resources, and to expand new businesses, and it is aiming to be a comprehensive company in the animal medical care industry.

In order to increase the numbers of bases and collaborating clinics, the Company will open clinics in the major cities nationwide and promote academic activities, including giving presentations at academic conferences and holdings seminars. For new bases, following on from the Tokyo Hospital, which it opened in January 2018, it plans to open the Osaka Hospital (provisional name) in the fall of 2021. With the opening of the Osaka Hospital, the Company intends to increase the collaborating-clinics rate in West Japan. Subsequently, with the bases in Tokyo, Nagoya, and Osaka as the core bases, it will accelerate the increase in the number of collaborating clinics, including in regional cities, and in the number of referrals.

Medium- to long-term growth strategy

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, following the enforcement of the Pet Veterinary Nurses Bill, it will encourage its veterinary nurses to acquire the national qualification and promote the utilization of veterinary nurses in order to reduce veterinarians' work load and to improve work efficiency and productivity.

For new businesses, together with expanding the business areas through utilizing M&A, the Company will support sick animals, pet owners, and primary clinics in areas other than medical care, and its policy is to take on the challenge of new businesses that will lead to improved levels of convenience. In February 2019, it 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 (it makes visible the "health status" of the pet), and it enables the detection of abnormalities in the pet at an early stage before they become severe. The Company is presently at the stage of promoting sales via animal hospitals and spreading its use, while it is currently conducting negotiations with several major companies toward collaborations.

The market for advanced medical care for animals has plenty of room to grow. So the Company is also expected to grow in the medium- to long-term by actively developing its business, while leveraging its strength of having comprehensive animal hospitals that can provide advanced medical care services.

■ 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 FY3/20, 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. The opening of the Osaka Hospital (provisional name), which is scheduled for around the fall of 2021, will basically complete the Company's large-scale capital investment. Therefore, looking to the future, it is contemplating returning profits to shareholders while considering business results and the financial condition. However, at the current time, it has not decided on the possibility or the timing of dividend payments.

To return profits to shareholders and to make possible the implementation of a flexible capital policy, the Company acquired 100,000 treasury shares from March to the end of April 2020.



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