COMPANY RESEARCH AND ANALYSIS REPORT

Qol Holdings Co., Ltd.

3034

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FISCO Ltd. Analyst
Hiroyuki Asakawa

FISCO Ltd.
http://www.fisco.co.jp

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Summary

Aiming to accelerate new pharmacy openings through actively utilizing M&A and alliances with companies in different industries and to build a management foundation to achieve sustainable growth at an early stage

Qol Holdings Co., Ltd. (Qol) <3034> is a major dispensing pharmacy chain positioned at No.2 in dispensing pharmacy store quantity and No.3 in sales (using data from listed companies). Qol's strategy in the Pharmacy Business adopts a two-pronged approach of "one-on-one pharmacies" and new-format pharmacies developed through alliances with companies from other industries. In the BPO (business processing outsourcing) Business, Qol also runs CSO (contract sales organization) business, CRO (contract research organization) business, and dispatching services business.

1. While sales and profits decreased in FY3/19 1H, made steady progress in accordance with the forecasts

Sales and profits decreased in the Company's FY3/19 1H results, with net sales of ¥69,025mn (down 3.3% year-on-year (YoY)), an operating income of ¥3,069mn (down 27.8%). Due to the effects of the revisions to drug prices and dispensing fees in April 2018, sales and profits declined in the mainstay Pharmacy Business, as was initially forecast, but both sales and profits were above their respective forecasts. During the period, dispensing technical fees began to rise and the Company succeeded in keeping down the extent of the decline in the prescription unit price to less than it had expected. In the BPO Business, sales steadily grew, mainly from the CSO and dispatching services businesses, but profits declined because costs were incurred ahead of schedule. Even though sales and profits declined YoY, they were steady and basically in line with forecasts.

2. Seeking sustainable growth with provision of pharmacies sought by patients and scale expansion as main drivers

The Company transitioned to a holding company structure in October 2018. By utilizing an advantage of the holding company structure, of expediting decision making, it intends to realize the growth strategies in both the Pharmacy Business and BPO Business and to accelerate the development and cultivation of new businesses. In the Pharmacy Business, the main axis of the growth strategy is the expansion of scale (the number of pharmacies). For this, the Company's policy is to leverage its feature, of its core business being one-on-one pharmacies, and to actively pursue M&A opportunities. Also, at the same time, for its own pharmacy openings it plans to expand its pharmacy network of foot-traffic pharmacies within shopping districts and within and close to train stations through deepening alliances with companies in other industries. There has been no change to the structure in which the CSO business constitutes the core of the BPO Business, but the Company intends to further strengthen the other businesses, including the dispatching services and CRO businesses, and to further pursue the feature of the BPO Business, of it being highly profitable.

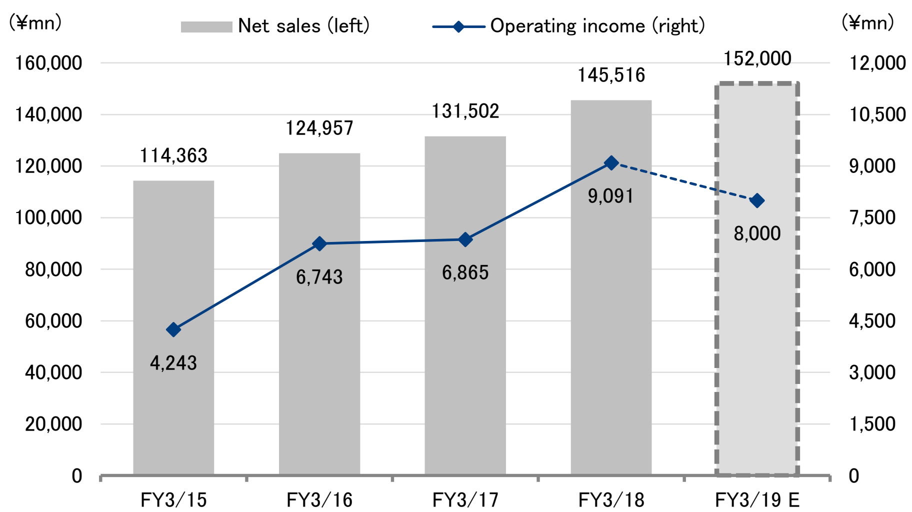
3. Expects lower profits in FY3/19 because of the impact of pharmacy fee revisions, but recovery should be relatively fast

For the FY3/19 full year, the Company is forecasting net sales of ¥152,000mn (up 4.5% YoY) and operating income of ¥8,000mn (down 12.0%). These figures are unchanged from the initial forecasts. In the Pharmacy Business in the 2H, it will accelerate new pharmacy openings and M&A. It will also increase net sales at existing pharmacies through raising the prescription unit price from the recovery of dispensing technical fees and the rise in the number of prescriptions, so the forecast is for sales to increase YoY in the 2H. In the BPO Business also, the Company is aiming to grow sales in each of its businesses in FY3/19 2H, starting with the core CSO business and including the dispatching services, CRO, and publishing-related businesses, and thereby to realize higher sales YoY on a full fiscal year basis.

Key Points

- Aiming to cultivate a new business at an early stage while maintain the twin pillars of the Pharmacy Business and the BPO Business as the core of its growth strategy
- The growth strategy in the Pharmacy Business is the expansion of scale (the number of pharmacies)
- In the CSO business, Qol will expand its earnings by gaining the client's trust by increasing the knowledge in specialist fields to improve CMR quality

Results trends



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

Company profile

Growth driven by robust M&A since being founded in 1992 Transitioned to a holding structure in October 2018 with the aim of further expediting management

1. History

Chairman Masaru Nakamura established Qol in 1992. Qol has steadily expanded its dispensing pharmacy network since opening the first location in Nihombashi Kabutocho in April 1993. It also moved into related and peripheral areas, including SMO (site management organization) business with the founding of PhaseOn Co., Ltd. in 2003, as well as worker dispatching services business in 2008.

Subsequently, the Company arranged its businesses into two business segments, the Pharmacy Business and the BPO Business, and thereby aimed to improve management efficiency and expand its business. Moreover, it transitioned to a holding company structure on October 1, 2018. Following this, the Company changed its corporate name to Qol Holdings Co., Ltd., and it is leading the Group as a whole toward enhancing corporate governance and achieving the medium- to long-term growth strategy.

On the other hand, in terms of the business companies, Qol Co., Ltd., was newly established to conduct the Pharmacy Business and this business was transferred from the Company to Qol Co., Ltd. For the BPO Business, the same as before, APO PLUS STATION Co., Ltd., will be the core business company, including to conduct the CSO and dispatching services businesses.

Business segment income composition in FY3/18 was Pharmacy Business at 93% and BPO Business at 7% in net sales and 87% and 13% respectively in operating income.

Pursuing a two-pronged approach of one-on-one pharmacies and new-format pharmacies (through alliances with companies from other industries)

2. Pharmacy Business

(1) Business scale and positioning in the industry

The content of the Pharmacy Business segment is the management of dispensing pharmacies and shop sales in hospitals. Among them, it is estimated that dispensing pharmacies constitute approximately 97% of the total number of pharmacies and shops, and that they also provide the same percentage of total net sales.

The Company is ranked second in store volume and third in sales in Japan's pharmacy industry. It had 696 pharmacies (720 in total including 24 shops) at the end of September 2018, putting it second after listed pharmacy chain AIN HOLDINGS INC. <9627>. In sales, it ranks third in the industry among listed companies after AIN HOLDINGS <9627> and NIHON CHOUZAI CO., LTD. <3341>. NIHON CHOUZAI beats the Company in sales as NIHON CHOUZAI's sales per store are higher than the industry average whereas the Company's sales per store are about the industry average. The gap in sales per store is rooted in store strategy differences. We think it is important for pharmacy operators to have clear strategies and concepts in their store approaches and implement them accordingly so sales per store do not necessarily directly affect the superiority of its corporate value.

(2) Pharmacy development strategy

A feature of the Company's business strategy in the Pharmacy Business is that it conducts it through two formats that are largely different in type. The first type is the "one-on-one pharmacies", and the second type is new-format pharmacies through business alliances with the group companies of major convenience store operator Lawson, Inc. <2651>, the West Japan Railway Company (JR-West) <9021> Group, and others .

"One-on-one pharmacy" is a concept that defines the fundamental stance in store operations for ordinary Qol pharmacies. It is also the "core business" in Qol's business model. This concept advocates pharmacy development that fosters a one-on-one relationship between the prescribing medical institution and the Qol pharmacy. One-on-one pharmacies keep spending unrelated to medical service to a minimum and invest these savings to improve patient service. More specifically, these pharmacies adjust physical designs and functions in accordance with the departments of target medical institutions (mainly self-run clinics and smaller hospitals) and local qualities. Funds are obtained from the low cost structure, including better efficiency in drug inventories, a benefit of one-on-one pharmacies. Qol gives primary emphasis to development of pharmacies that provide excellent usage value for patients and are selected by patients under the one-on-one pharmacy concept in its store strategy. The one-on-one pharmacy concept is also an important component of the growth strategy described later.

The catalyst for Qol's pursuit of new-format pharmacies through alliances with companies from other industries was a reform in the Revised Pharmaceuticals Affair Law from June 2009 that lets convenience stores, drugstores, supermarkets, and other industry stores sell OTC drugs as registered businesses. Qol responded to subsequent efforts by companies from other industries to start dispensing pharmacy businesses by arranging business alliances with the two above-mentioned companies. It also entered into business alliances with BICCAMERA INC. <3048> and other partners from different industries.

Qol views stores opened through the alliances as a "new format" because they cater to different target customer segments than the "one-on-one pharmacies" described earlier. "One-on-one pharmacies" have somewhat restricted customer scope that enables Qol to improve efficiencies in drug inventory management and other areas. New-format pharmacies, meanwhile, target undefined customers in locations with heavy people flow, so-called foot-traffic type pharmacies. While these sites require larger inventory investments and other outlays than the "one-on-one pharmacies," they are likely to attract more customers (and thus receive more prescriptions). We think Qol views "one-on-one pharmacies" as its core model and aims to accelerate growth with the new format.

Developing four businesses in the BPO Business, including the core CSO business that dispatch CMRs, and CRO business

3. Overview of the BPO Business

BPO stands for Business Process Outsourcing (continuous outsourcing of some business processes to external specialist companies). The BPO Business segment handles business consignments from other companies. Its four main areas are CSO business, dispatching services business, CRO business, and publishing related business.

(1) CSO business

CSO stands for Contract Sales Organization, and within the BPO Business segment, the CSO business has an overwhelmingly large weight and is positioned as the core business. It seems that the combined net sales of the CSO business and dispatching services business, which as described below is mainly for medical personnel, provide around 90% of net sales in the BPO Business segment. Therefore, when looking at the BPO Business, it can be said that the important points to look at are the CSO industry's business environment and the labor demand-and-supply trends for medical personnel.

The CSO business receives consignments from pharmaceutical companies to support marketing and other sales activities and provide a full range of services related to drug sales based on contracts. It could be called a type of dispatching business. Specifically, APO PLUS STATION hires medical representatives (MR) and dispatches them to pharmaceutical companies that have contracts. These dispatched contract MRs (CMRs) conduct sales of drugs for the pharmaceutical companies they cover to medical institutions and medical personnel.

(2) Dispatching services business

While dispatching services business handle a wide range of medical professionals, it involves a large number of pharmacists. We estimate that the Company ranks in the industry's top ten in dispatching pharmacists.

The Company's dispatching services business continue to grow rapidly amid constant shortages of manpower in the medical industry, and dispatching services business in the BPO Business are positioned for further growth. The Company aims to sustain high growth by pursuing synergies with Pharmacy Business.

(3) CRO business

CRO is an abbreviation of Contract Research Organization. The CRO business provides total solutions from testing and clinical research plans to publications in ethical drug, OTC drug, food, and healthcare fields. The most typical format is support for some clinical tests based on a consignment from pharmaceutical companies and food manufacturers.

(4) Publishing related business

Medical Qol Co., Ltd. handles publishing-related business, such as outsourced production of drug sales promotion materials, pamphlets used by medical personnel and patients, books, magazines, and other materials. The group possesses extensive knowledge of and distribution channel with medical institutions and patients through the Pharmacy Business and CSO and CRO businesses, and publishing business leverages these resources.

Business trends

Sales and profits declined YoY, in line with the initial forecasts

1. Review of FY3/19 1H results

Qol reported FY3/19 1H results with lower sales and profits at ¥69,025mn in net sales (down 3.3% YoY), ¥3,069mn in operating income (down 27.8%), ¥3,171mn in ordinary income (down 26.1%), and ¥1,975mn in profit attributable to owners of parent (down 18.2%).

Compared to the initial forecasts, net sales were 0.8% (¥525mn) above the initial forecast. Operating income was 4.1% (¥131mn) below the initial forecast, but ordinary income was basically as forecast. Therefore, it seems that as a whole, the results can be evaluated as steady, being basically in line with the initial forecasts. Due to the recording of extraordinary profit from a gain on sales of shares held, profit attributable to owners of parent was 9.8% (¥175mn) above the initial forecast.

Overview of FY3/19 1H results

(¥mn)

	FY3/18			FY3/19				
	1H	2H	Full year	1H plan	1H results	YoY	vs. plan	Progress rate
Net sales	71,397	74,119	145,516	68,500	69,025	-3.3%	0.8%	45.4%
Gross profit	9,413	10,235	19,648	-	8,238	-12.5%	-	39.2%
SG&A expenses	5,161	5,396	10,557	-	5,169	0.2%	-	39.8%
Operating income	4,251	4,840	9,091	3,200	3,069	-27.8%	-4.1%	38.4%
Ordinary income	4,290	5,043	9,333	3,200	3,171	-26.1%	-0.9%	39.6%
Profit attributable to owners of parent	2,415	2,571	4,986	1,800	1,975	-18.2%	9.8%	43.9%

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

In the breakdown by business segment, results in both the Pharmacy Business and the BPO Business progressed basically as forecast. Sales and profits decreased in the Pharmacy Business, but this was due to the impact of the revisions to the drug prices and dispensing fees in April 2018. However, the Company was able to keep down the extent of this impact to less than was initially expected. In the BPO Business, the Company maintained its position as the industry leader in the core CSO business in terms of the number of contracting companies, and orders also trended upward. Results in the publishing related business were strong and it secured a YoY increase in net sales. However, profits declined YoY because costs were incurred ahead of schedule.

Breakdown by business segments

(¥mn)

		FY3/18			FY3/19		
		1H	2H	Full year	1H	YoY	Change
Net sales	Pharmacy Business	66,137	68,972	135,109	63,751	-3.6%	-2,386
	BPO Business	5,362	5,462	10,824	5,526	3.1%	164
	Prior to adjustment	71,499	74,435	145,934	69,277	-3.1%	-2,222
	Adjusted value	-101	-316	-417	-252	149.5%	-151
	Net sales total	71,397	74,119	145,516	69,025	-3.3%	-2,372
Operating income	Pharmacy Business	3,903	4,749	8,652	2,850	-27.0%	-1,053
	BPO Business	755	586	1,341	657	-13.0%	-98
	Prior to adjustment	4,659	5,335	9,994	3,507	-24.7%	-1,152
	Adjusted value	-407	-495	-902	-438	7.6%	-31
	Operating income total	4,251	4,840	9,091	3,069	-27.8%	-1,182
Operating margin	Pharmacy Business	5.9%	6.9%	6.4%	4.5%		
	BPO Business	14.1%	10.7%	12.4%	11.9%		
	Company total	6.0%	6.5%	6.2%	4.4%		

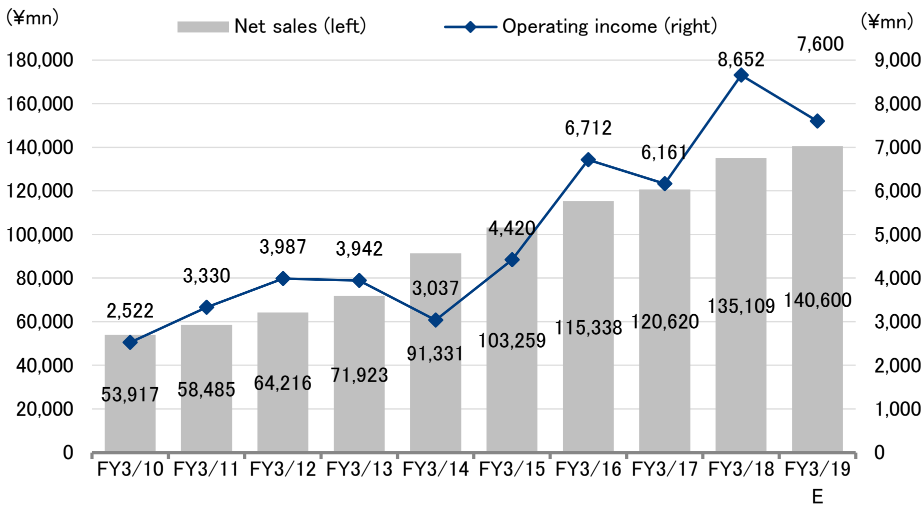
Source: Prepared by FISCO from the Company's financial results

Sales and profits declined due to the impact of the revisions to drug prices and dispensing fees
The pace of new pharmacy openings in the 1H was slow, but both sales and profits were above forecast, including from the recovery of the prescription unit price

2. Detailed trends in Pharmacy Business

Pharmacy Business recorded lower sales and profits with net sales at ¥63,751mn (-3.6% YoY) and operating income at ¥2,850mn (-27.0%).

Results trends in Pharmacy Business segment



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

The Company analyzes and discloses net sales from prescriptions* into three categories; from existing pharmacies, new pharmacies, and M&A and related. For the pharmacies opened by the Company itself, of existing and new pharmacies, they are classified by the pharmacy-opening period, and new pharmacies refers to the pharmacies that were opened during the relevant period. On the other hand, as the name suggests, M&A, etc. express pharmacies acquired through M&A and other business transfers. There is no breakdown by the pharmacy-opening period for this, but shows the total of existing pharmacies and pharmacies newly acquired during the period.

* Net sales from prescriptions is calculated by deducting sales of pharmacies from the Pharmacy Business net sales, which for the Company constitutes dispensing net sales in the narrow sense. It can be calculated by multiplying the prescription unit price and the number of prescriptions, which can be used to accurately analyze trends in the Pharmacy Business. In the FY3/19 1H results, net sales from prescriptions were ¥58,049mn, which was 91.1% of the Pharmacy Business net sales of ¥63,739mn.

In FY3/19 1H, net sales from existing pharmacies declined 1.5% YoY. Looking at this in more detail, this was due to the fall in the prescription unit price (down 6.0% YoY) following the impact of the revisions was recovered to a certain extent by the increase in the number of prescriptions (up 4.8%). As is described below, only 3 new pharmacies (the Company's pharmacy openings) were opened in FY3/19 1H. As 16 pharmacies were opened in the same period in the previous fiscal year, net sales and the number of prescriptions declined significantly YoY. Net sales from M&A pharmacies decreased 4.7% to ¥38,578mn. Breaking this down, the prescription unit price fell 5.6%, but the number of prescriptions increased 1.0%. The number of new pharmacy openings through M&A in FY3/19 1H was 10 pharmacies. When considering this is basically the same number as in the same period in the previous fiscal year, of 9 pharmacies, in a situation in which the Pharmacy Business have more or less trended steadily, at FISCO we estimate that the growth in the number of prescriptions in the M&A pharmacies was the part for which dissatisfaction remains.

Details of prescription net sales, the prescription unit price, and the number of prescriptions by the pharmacy opening period and format

(¥mn)

	FY3/19 1H					
	Prescription net sales		Number of prescriptions		Prescription unit price	
	Growth rate	Net sales	Growth rate	Prescriptions (thousands)	Growth rate	Price (¥)
Existing pharmacies	-1.5%	19,102	4.8%	1,928	-6.0%	9,907
New pharmacies	-49.3%	368	-50.9%	43	3.3%	8,463
M&A, etc.	-4.7%	38,578	1.0%	4,509	-5.6%	8,555
All pharmacies	-4.2%	58,049	1.4%	6,481	-5.5%	8,957

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

In terms of changes in pharmacies in FY3/19 1H, the Company newly opened 13 pharmacies (including from M&A, etc.) and closed 11 pharmacies (including business transfers). As a result, the number of pharmacies at the end of the period was 720, a net increase of 2 pharmacies. Breaking down the 13 new pharmacy openings, 3 pharmacies were organic openings by the Company itself, and 10 pharmacies were from M&A, etc. (9 pharmacies from making a company a subsidiary and 1 pharmacy from a business transfer). For the breakdown of 11 closed pharmacies, 10 were Qol pharmacies and 1 was a Lawson pharmacy.

Status of changes in pharmacies in FY3/19 1H

		End of FY3/18	Opened		Closed	End of FY3/19 2Q
Qol pharmacies		650	The Company's pharmacy openings	3	10	653
			M&A, etc.	10		
New format	Lawson	35	0		1	34
	BICCAMERA	4	0		0	4
	JR-West	5	0		0	5
Shops		24	0		0	24
Total		718	13		11	720

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

The Company has set opening 100 new pharmacies a year (including from M&A, etc.) as one of its target, and compared to this, the pace of pharmacy openings during FY3/19 1H, of 13 pharmacies, would appear slow. However, this is not a cause for concern as it was ultimately mainly due to the impact of timing, straddling across September. In a period of little over a month, from the end of 1H to November 5, there were 20 pharmacy openings (7 opened by the Company itself and 13 from M&A) and subsequently also, new pharmacy openings are planned.

Realized a major recovery for the generic drug dispensing system premium

3. The effects of the 2018 revisions to drug price and dispensing fees

The content of the 2018 revisions to the drug prices and dispensing fees included three areas; 1) the basic dispensing fee, 2) the generic drug dispensing system premium, and 3) the abolition of the standards for dispensing premium and the establishment of the new community support system premium. For the major dispensing pharmacy chains, including the Company, these revisions were extremely harsh (for details, please refer to the previous report of August 2, 2018).

Up to the most recent revisions, each company had left in place measures from the past to recover the number of premium points that were reduced by the revisions, and they had been able to recover earnings by implementing them. But following the 2018 revisions, it became difficult for each of these companies to satisfy the requirements for the basic dispensing fee and the community support system premium. Also, acquiring the community support system premium is a high hurdle to be cleared, to the extent that it is considered basically impossible for those pharmacies that had been unable to receive the basic dispensing fee 1. In this situation, the Company did not decide to fundamentally overhaul its approach, of changing to opening pharmacies and the management method toward acquiring premiums, and instead is working to achieve its own target that it is pursuing, of "creating pharmacies required by patients."

On the other hand, for the generic drug dispensing system premium, the results of the three months prior to the notification are evaluated, so it is a framework in which a recovery during the period is possible. The Company's using generic drugs rate was 76.7% (as of September 2018) for the operating company Qol Co., Ltd. basis, which is still below the government's target of 80% (intends to achieve it as early as possible, by September 2020), and therefore it has been working tirelessly to increase this percentage. As a result, there was significant change between April and September 2018 for the percentage of pharmacies acquiring premiums, and it succeeded in recovering the average number of points for the generic drug dispensing system premium from 12.2 points in April to 14.8 points in September.

Trends in the percentage of pharmacies receiving the generic drug dispensing system premium and the average number of points

March 2018		
Classification	Points	% of pharmacies
Premium 1	18	28.4%
Premium 2	22	54.1%
No premiums	0	17.4%
Average	17.0	100%
No. of pharmacies	689	

April 2018		
Classification	Points	% of pharmacies
Premium 1	18	24.5%
Premium 2	22	22.9%
Premium 3	26	10.4%
No premiums	0	42.2%
Average	12.2	100%
No. of pharmacies	690	

September 2018		
Classification	Points	% of pharmacies
Premium 1	18	22.9%
Premium 2	22	25.4%
Premium 3	26	19.6%
No premiums	0	32.1%
Average	14.8	100%
No. of pharmacies	694	

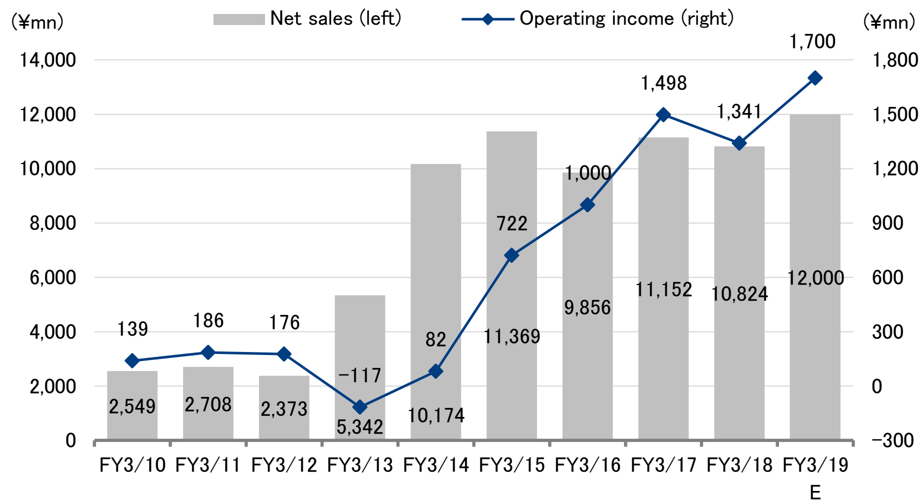
Source: Prepared by FISCO from the Company's results briefing materials

In the mainstay CSO business, the Company is maintaining No.1 share for the number of contracting companies for dispatching services
The dispatching services business is also steadily growing

4. Detailed trends in BPO Business

The BPO Business reported higher sales on lower profits with ¥5,526mn in net sales (up 3.1% YoY) and ¥657mn in operating income (down 13.0%).

Results trends in BPO Business segment



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

As previously stated, in the BPO Business, APO PLUS STATION is developing the CSO, dispatching services, and CRO businesses.

In the CSO business, the MR dispatch market is transitioning from being unchanged YoY to contracting, and in this situation, the Company has maintained its position as the leader in the industry for the number of contracting companies. Also, toward the development of new customers and the extension of contracts with existing customers, the Company focused on training highly specialized MR and strengthening sales to pharmaceutical companies. Reflecting these efforts, orders have trended upward.

In the dispatching services business, in the context of the strengthening sense of a labor shortage not only of pharmacists, but also of medical personnel as a whole, the Company renewed its website and achieved increases in the number of entries for each occupation. It has also expanded the target occupations and has newly started dispatching services business for medical clerical staff and registered dieticians, which also contributed to sales increased. In addition, in the CRO business, it continues to work to strengthen sales toward increasing the number of ordered projects.

As a result of these efforts, toward achieving the FY3/19 full year forecasts for the APO PLUS STATION results (¥10,900mn in net sales and ¥1,680mn in operating income) it would seem that net sales trended basically in line with the forecast. But it is estimated that profits were below forecast due to costs being incurred ahead of schedule, including costs to train human resources in the CSO business and to acquire human resources in dispatching services business.

In the publishing related business, it seems that orders in Medical Qol trended in line with the forecast and sales increased YoY.

Medium- to long-term growth strategy

Aiming to cultivate a new business at an early stage while maintain the twin pillars of the Pharmacy Business and the BPO Business as the core of its growth strategy

1. Overview of the medium- to long-term growth strategy

The Company transitioned to a holding company structure on October 1, 2018. The four objectives of this were as follows; 1) strengthen the Group management strategy promotion function, 2) expedite decision making by clarify authorities and responsibilities, 3) enhance corporate governance with a focus on the compliance management system, and 4) maximize Group synergies.

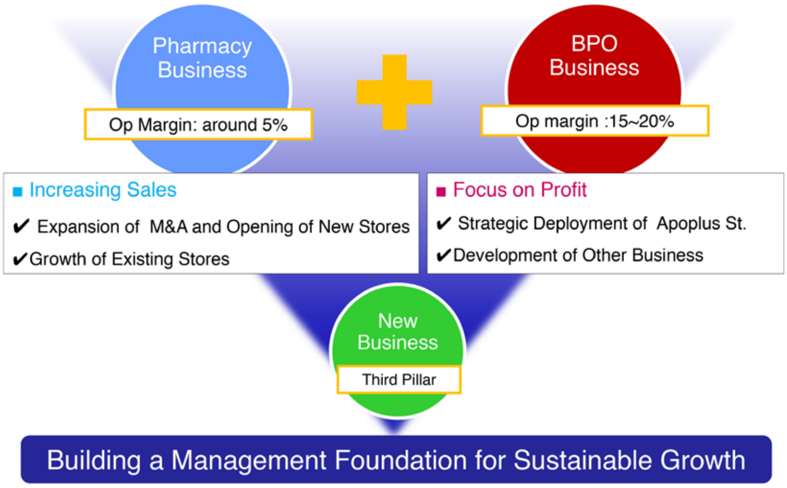
Even in the new holding company structure, fundamentally there have been no changes to the Company's medium- to long-term growth strategy. This is that, with the core remaining as the existing Pharmacy Business and the BPO Business, it will cultivate a new business to be the third pillar at an early stage and to build a management foundation toward realizing sustainable growth.

The details are given below, but with the growth in net sales in the Pharmacy Business as the primary goal, the Company has established two axes toward realizing this goal; increasing the number of pharmacies (through the Company's pharmacy openings and M&A) and growing existing pharmacies (expansion of the number of pharmacies).

The strategy for the BPO Business is to utilize its high profit margin. In the Pharmacy Business, the operating income margin is around 5%, but in contrast, the level in the BPO Business is around 15 to 20%. While maintaining this high level of profitability, the Company's policy is to strategically expand and grow the businesses of APO PLUS STATION, which is the core business company.

It would seem that the Company does not yet have a specific image of a business for this new business. However, in the sense of buying time, it intends to accelerate the development of the third earnings pillar, while actively utilizing M&A.

Overview of the growth strategy



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

Pursuing growth with three main points at the core: scale expansion, provision of pharmacies sought by patients, and cultivating personnel

2. Growth strategy for the Pharmacy Business

The Company's pharmacy business growth strategy is consistent on the same two points; namely, the expansion of scale (the number of pharmacies) and "creating pharmacies required by patients" In terms of results, "opening pharmacies sought by patients" can be expected to lead to the growth of the existing pharmacies.

Actually, it is also essential to secure pharmacists working at work sites other than pharmacies, such as stores, and to improve their quality. Therefore, the Company is working to expand the Pharmacy Business based on the three themes of 1) expansion of scale, 2) "creating pharmacies required by patients," and 3) training human resources. It goes without saying that all three of these factors are important, but it is also evident that it is the expansion of scale (the number of pharmacies) that is directly and immediately connected to the evaluation axis of net sales.

(1) Overall image of the pharmacy openings and pharmacies development strategy

For the expansion of scale (the number of pharmacies), the Company has actively utilized M&A (including making companies its subsidiaries and business transfers), and it has also clarified that its policy will remain the same going forward. This is clearly expressed by the fact that within the FY3/19 1H dispensing net sales (net sales from prescriptions = the number of prescriptions x prescription unit price) of ¥58,049mn, two thirds (66%) of this amount of ¥38,578mn,, were from the sales of pharmacies acquired through M&A.

Incidentally, the key point for the Company's business format is that it is developing two broad types; QOL pharmacies that it itself develops independently, and new-format pharmacies from alliances with companies in different industries. On the point of pharmacy type, which is the basic concept for opening pharmacies, while maintaining the one-on-one type as the core business, it is also developing the hospital-adjacent type and the foot-traffic-type, which target an unspecified number of customers. As previously explained, the pharmacy-opening methods are to open pharmacies organically by the Company itself, and also by actively utilizing M&A.

Overall image of the pharmacies development strategy

Business format	Pharmacy type	Location	Function	Opening method	Degree of focus
Qol pharmacies	One-on-one	Urban type. Clinic-adjacent	Family pharmacist and pharmacy function, health support function	Organic, M&A	◎
	Hospital-adjacent pharmacies	Hospitals of a certain size	Family pharmacist and pharmacy function, advanced pharmaceutical management function, health support function	Organic, M&A	○
New format pharmacies	Foot-traffic pharmacies	Within shopping districts, within and near to train stations	Family pharmacist and pharmacy function, health support function	Organic	◎

Source: Prepared by FISCO from Company materials and interviews

The Company's policy is to develop the QOL pharmacies basically as the one-on-one type. The one-on-one type is as previously described in the Company Outline section. The hospital-adjacent type generally refers to pharmacies located next to hospitals (of a comparatively large size, such as university hospitals). The one-on-one and the hospital-adjacent pharmacies have the point in common that they target the patients of specific medical institutions. It is not the case that there is a strict distinction between them, such in terms of the size of the medical institutions they target, and they are also both affected by changes to the surrounding environment. Therefore, there are cases in which the boundary separating them is ambiguous, and cases in which the Company had in mind opening a one-on-one pharmacy, but it ended up being a hospital adjacent pharmacy. In this situation, ultimately the Company's stance is that its basic type is the one-on-one pharmacy, but that it will open hospital-adjacent pharmacies (including "in-hospital" pharmacies located within hospital's gate) depending on the conditions and the circumstances.

In relation to the pharmacy-opening method, pharmacies acquired through M&A become the Qol format type. This point can be said to be a natural one, as the new format pharmacy presupposes an alliance with a company in a different industry. The pharmacies acquired through M&A include those that do not necessarily correspond to either the one-on-one or the hospital-adjacent types, and the Company responds flexibly on this point. With regards to the pharmacy brand also, it basically changes to QOL pharmacy but it maintains the original brand depending on to conditions, such as regional characteristics and the extent of penetration to customers. This point also applies to the methodologies available to the acquired company, as it decides according to the circumstances whether to survive as a subsidiary or to be absorbed into Qol.

For the new format pharmacies, the Company itself (in actuality, the operating company Qol Co., Ltd.) develops the pharmacies while taking the initiative and progressing alliances with other companies. Therefore, the pharmacy-opening method is organic openings in all cases. The pharmacy type is the foot-traffic-type, which targets an unspecified number of customers. When considering this based on the foot-traffic pharmacy concept, at FISCO we think that this strategy is extremely rational and persuasive for conducting alliances with businesses that have established pharmacies in locations with a lot of foot traffic.

In the same way as increasing the number of pharmacies, the Company pays particular attention to the actual opening of pharmacies; in other words, the characteristics and functions of the pharmacies and their roles in their local community. On classifying the functions of each of the pharmacies in accordance with the three functions cited in the Vision of Pharmacies for Patients by the Japanese Government (by the Ministry of Health, Labour and Welfare), it aims to have all of its pharmacies equipped with the family pharmacist and pharmacy function as the basic function. Next, corresponding to the location and the customer group, it focuses on equipping the Qol one-on-one and the new format pharmacies with the health support function, and the Qol hospital-adjacent pharmacies with the advanced pharmaceutical management function.

The Company intends to open pharmacies in the future with a focus on Qol and one-on-one pharmacies, and new format pharmacies. It is considered that cases of the Company itself opening the hospital-adjacent pharmacies will be limited and that these openings will be mainly through M&A.

(2) Initiatives for new pharmacy development

As previously explained, the Company is also constantly focusing on developing new formats and services, while maintaining the foundation of its pharmacy openings and pharmacies strategy.

a) Namba SkyO pharmacy

This pharmacy is located within the building directly connected to the Osaka Namba Station. There are also clinics located within this building, and the basic concept is for it to be a QOL pharmacy and one-on-one type targeting prescriptions from these clinics. However, due to it being highly convenient, of being located in a building directly connected to the train station, it also acquires many prescriptions from the station's users (an unspecified number). Therefore, it has the additional characteristic of being a foot-traffic pharmacy, which could be said to suggest a new choice for pharmacy openings in the future.

b) Healthcare strengthened-type Lawson store (Lawson Jingumae 6-chome store)

The Company did not open this as a dispensing pharmacy and ultimately it is in the convenience store category. However, a feature of this store is that a medicine consultation counter has been established within it, and a registered sales person is constantly stationed on this counter 24 hour a day, the same as the opening hours of the convenience store. It is a framework intended to accelerate sales of the OTC medicines displayed at the front of the convenience store through the provision of advice at the consultation counter and by a registered sales person. The Company has received a positive response to this initiative and intends to accelerate this type of in-store opening in the future. It is considered that this initiative itself will only provide earnings from the dispatch of registered sales people, but it could be positioned as a preliminary investigation into a dispensing pharmacy-combined type. It is thought that the pharmacies for this type will be limited to those in urban and downtown areas, but we shall pay attention to developments in the future.

The Company is also working to increase earnings from its existing pharmacies, with two typical examples of such efforts being "Care Lawson" and health support pharmacies.

Care Lawson are Lawson stores in which nutrition and nursing care consultation desk and a full lineup of nursing care items have been installed. Compared to in the past, they have a track record of increasing the number of prescriptions filed by around 20% and convenience store daily sales by approximately 10%. The success of Care Lawson shows that they can play important roles for both an economic effect, of increasing the number of prescriptions, and also in building the local comprehensive care system. The problem is the pace of expansion in the future. As of the end of September 2018, the Company had 34 such pharmacies jointly opened within a Lawson store, but the point would seem to be that the only a limited number of pharmacies can be introduced into Lawson stores. Apart from locations with poor marketability, we will be paying attention to how the Company overcomes the problem of facing hurdles to introduce pharmacies even in locations with marketability

Health support pharmacies are those pharmacies equipped with a function to actively support the independent maintenance and promotion of health by citizens (a health support function), in addition to having a family pharmacist and pharmacy function. Specifically, they establish a separate consultation counter to widely provide health-related consultations, including on general medicines and health foods. They also have other functions, such as handling nursing care products and related products, and recommending consultations and introducing medical institutions according to needs. If they clear these criteria of a certain level, they are able to display that they are a "health support pharmacy." As of the end of September 2018, the Company had increased its number of these health support pharmacies to as many as 59 pharmacies, which is an increase of 28 pharmacies compared to a year before Its target at the current time is to establish a structure of 100 of these pharmacies at an early stage.

In the CSO business, Qol will expand its earnings by gaining the client's trust by increasing the knowledge in specialist fields to improve CMR quality

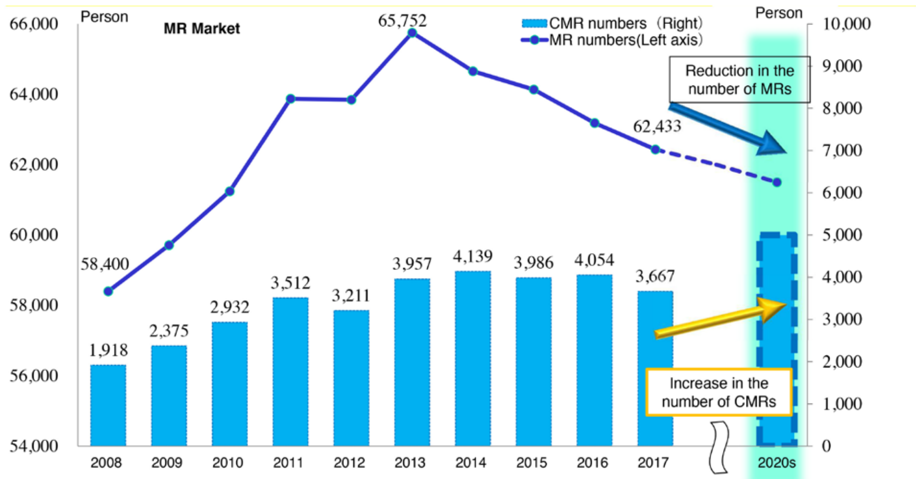
3. Growth strategy in the BPO Business

The BPO Business involves the CSO, dispatching services, CRO, and publishing-related businesses. The Company is aiming to expand the scope of each of these businesses while utilizing coordination with the QOL pharmacies. The businesses are conducted by two companies, APO PLUS STATION and Medical Qol, with APO PLUS STATION developing the CSO, dispatching services, and CRO businesses, and Medical Qol developing the publishing related business.

(1) Growth strategy in the CSO business

The CSO business involves the dispatch of CMR (abbreviation of Contract Medical Representatives, meaning MR who work after being dispatched to work sites) to pharmaceutical companies. As for the business environment of the CSO business, it is generally recognized, including by the Company itself, that the demand for CMR will continue to increase in the future. In the background to this is the movement to reduce the number of full-time MR in pharmaceutical companies. In 2013, there were 65,752 MRs in the pharmaceutical industry as a whole, but since this peak, the number has been declining and it is forecast to continue to decline in the future also. This work that was conducted by these former MRs is now being outsourced to CMR businesses, including the Company.

Trends in the number of MR and CMR



CMR ratio	3.3%	4.0%	4.8%	5.5%	5.0%	6.0%	6.4%	6.2%	6.4%	5.9%

(Source: MR White Paper)

(*) CMR: Contract MR (dispatched MR)

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

Within this business environment, the Company's growth strategy is to increase its CMR share (the percentage of the Company's own CMR to the total number of CMR). In FY3/18, the Company's share was 14.2%, which is forecast to increase to 20% by FY3/22. By that point in time, it is anticipated that the total number of CMR will be from 4,500 to 5,000. So it is aiming to build a structure for 900 to 1,000, which corresponds to 20% of the total number, and thereby acquire a 20% share, and establish itself as the No.2 in the CSO industry.

An important point is that CSO business can exhibit higher income volatility than general dispatching businesses. CMR demand often increases on a project basis when drug companies release new drugs and pursue sales to medical institutions nationwide. CMRs return to their dispatching service provider after the project finishes. The issue is the number of people. Projects can involve more than 100 people. Resulting movement of CMRs on a scale of 100 people back and forth between the dispatching company to customers in a relatively short period leads to significant volatility in income.

One of the measures to suppress this sort of results volatility is customer dispersion. On this point, as of the end of September 2018, the Company was dispatching CMR to 46 customer companies, and it was maintaining its No.1 position in the industry for the number of dispatching service provider. Moreover, it is working to differentiate itself from other companies in order to stably capture CMR demand, with the biggest point for this being its measures to secure CMR quality. As the specific action for securing quality, it is working to increase its knowledge about these fields with the goal of its CMR having specialist fields. The Company intends to urgently establish a positive spiral, where having many CMR who possess specialist knowledge would leads to an increase in the trust placed in it by customers, which in turn would lead to the acquisition of human resources and earnings growth in the CSO business.

(2) The dispatching services business growth strategy

The dispatching services business is maintaining its continuous increases in sales and profits, and they are expected to continue to grow in the future. The forecast is for net sales to have doubled by FY3/21 compared to in FY3/16.

A strength of the Company's dispatching services business is that it handles a wide variety of occupations within the field of medical personnel. Looking at the current breakdown by occupation, approximately 60 to 65% of its registered staff are pharmacists, and at FISCO, we estimate that the majority of the remainder are divided into two groups, of nurses and registered sales people. Other than these, it also dispatches registered dieticians and medical clerical staff. Conversely, it does not handle doctors in consideration of factors such as differences in marketability.

It is estimated that the pharmacist business is within the top 10 for size in the industry as a whole, and it comes after Nihon Chouzai (developed under the "Pharma Staff" brand) as a pharmacist dispatch business that manages a major dispensing pharmacy chain.

As the growth strategy for the future, it would seem that the first policy is to increase the number of registrants. For the point, in FY3/19 1H the Company renewed the dedicated website and results approved. Also, measures that leverage its feature of handling a wide variety of occupations to add further thickness to its business 'trunk' are also likely to be important. For this point, its policy is to expand sales bases and increase the number of dispatch customers. On the other hand, it is also planning to improve efficiency by upgrading the core business system, which is expected to further increase net sales and the profit margin.

(3) CRO business

The CRO business provides clinical trial support services, including for medical pharmaceuticals, OTC pharmaceuticals, and food. The size of the CRO market in Japan is considered to be around ¥200bn. The CRO business can be broadly broken down into two segments, pharmaceuticals and foods, with the pharmaceuticals segment being larger than the foods segment.

The Company's CRO business is demonstrating its strength in foods CRO, and sales for foods contribute the majority of net sales. It is also benefiting from the expansion of the market for foods for specific health purposes.

For the future, the Company has positioned the expansion of CRO for pharmaceuticals as the growth engine. The Company's CRO business has grown in the past through making subsidiaries of foods- and pharmaceuticals-related companies. Therefore, it has sufficient knowledge and expertise in CRO for pharmaceuticals, and the CRO for pharmaceuticals business is expected to steadily grow through the strengthening of sales.

(4) H&B business

H&B stands for Health & Beauty, and it mainly involves supporting proposals for health support products handled by medical institutions and for sales promotions. A business department was established as one part of the measures to diversify APO PLUS STATION and to develop new businesses.

Currently, the content of this business involves the sales of health support products, such as health foods and supplements manufactured and sold by other companies, including at the Company Group's pharmacies, medical institutions, and third party pharmacies. The main product is iMUSE Professional for medical institutions, which features the use of plasma lactic acid bacteria (plasma lactic acid bacteria + barrier vitamin C) of the iMUSE series that is manufactured and sold by the Kirin Group.

The Company can be highly evaluated on the points that it maintains a support system, including for product proposals with expert knowledge, study meetings for medical personnel, and consulting for sales expertise, and that in addition, it is playing a role in supporting the building of "the health support function" by pharmacies. It seems that it will pursue growth in the future while expanding the lineup of products that it handles.

(5) Overseas business

APO PLUS STATION also works on the overseas business and it supports companies' entries into overseas markets, such as into ASEAN with healthcare products, including pharmaceuticals and cosmetics. The recent progress includes the conclusion of a contract by APO PLUS STATION (THAILAND) to support the Thai business of Fuji Pharma Co., Ltd. <4554>.

The Company will be responsible for supporting the sales and marketing in Thailand of the generic injection pharmaceuticals manufactured by Fuji Pharma. Using this opportunity, it is thought that the Company is aiming to expand its business scope by supporting the entry into Thailand of other Japanese and foreign companies.

(6) Publishing business

The publishing business is undertaken by Medical Qol. Medical Qol was originally the subsidiary of a pharmaceutical manufacturer. But since joining the Company's Group, it has been developing this business by leveraging its strength, of possessing knowledge about the needs and information of both the pharmaceutical company side and the dispensing pharmacy side.

Its recent progress including starting a Web distribution business as a new business apt for the times. For this, it set up a studio within Medical Qol where it shoots videos, such as promotions for pharmaceuticals and product explanations, based on outsourcing requests from the pharmaceutical manufacturers. The sequence is that customers utilize Medical Qol's studio to produce video content at low cost, and then distribute this content on the Internet. It is located in Nihonbashi, Tokyo, where several pharmaceutical companies are concentrated, and the use of the studio is expected to grow in the future.

Outlook

Maintaining the initial forecasts of higher sales but lower profits. Sales are expected to change direction and increase in the 2H from the acceleration of pharmacy openings in the Pharmacy Business.

FY3/19 outlook

The Company has left the initial forecast unchanged for FY3/19. The Company expects a 4.5% YoY rise in net sales to ¥152,000mn, a 12.0% decrease in operating income to ¥8,000mn, a 14.3% fall in ordinary income to ¥8,000mn, and a 9.7% drop in profit attributable to owners of parent to ¥4,500mn.

Overview of FY3/19 outlook

(¥mn)

	FY3/18			FY3/19				
	1H	2H	Full year	1H	2H E	YoY	Full year E	YoY
Net sales	71,397	74,119	145,516	69,025	82,975	11.9%	152,000	4.5%
Gross profit	9,413	10,235	19,648	8,238	12,757	24.6%	20,995	6.9%
SG&A expenses	5,161	5,396	10,557	5,169	7,826	45.0%	12,995	23.1%
Operating income	4,251	4,840	9,091	3,069	4,931	1.9%	8,000	-12.0%
Operating margin	6.0%	6.5%	6.2%	4.4%	5.9%	-	5.3%	-
Ordinary income	4,290	5,043	9,333	3,171	4,829	-4.2%	8,000	-14.3%
Profit attributable to owners of parent	2,415	2,571	4,986	1,975	2,525	-1.8%	4,500	-9.7%

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

For the Pharmacy Business, the forecasts are net sales of ¥140,600mn (up 4.1% YoY) and operating income of ¥7,600mn (down 12.2%). The segment forecasts are also unchanged from the initial forecasts. As previously explained, the Pharmacy Business made steady progress in the 1H, with both net sales and operating income performing above forecast. It seems that the better-than-expected progress in improving the prescription unit price, mainly the dispensing technical fee, contributed to this results.

The Company is forecasting an increase of 100 pharmacies (including through M&A) in FY3/19, so the pace of pharmacy openings during FY3/19 1H, of 13 pharmacies, would appear slow in light of this forecast for the full fiscal year. However, this pace is set to accelerate in the 2H, and it would seem to have made steady progress for new pharmacy openings on entering the 2H, of opening 20 pharmacies during a period of around the first month. It is forecasting that the effects of the higher sales from these new pharmacy openings will absorb the impact of the 2018 revisions, and that sales will increase YoY.

In the BPO Business, the full fiscal year forecasts remain the same as the initial forecasts, with net sales of ¥12,000mn (up 10.9% YoY) and operating income of ¥1,700mn (up 26.8%). In the 1H, net sales progressed as forecast and increased YoY. But profits declined because costs were incurred ahead of schedule, such as for training human resources in the CSO business. In the 2H, earnings are expected to grow, mainly in the mainstay CSO business and dispatching services business, and the Company intends to achieve higher sales and profits as forecast.

Outlook by business segments

(¥mn)

		FY3/18			FY3/19					
		1H	2H	Full year	1H	2H E	YoY	Full year E	YoY	Change
Net sales	Pharmacy Business	66,137	68,972	135,109	63,751	76,849	11.4%	140,600	4.1%	5,491
	BPO Business	5,362	5,462	10,824	5,526	6,474	18.5%	12,000	10.9%	1,176
	Prior to adjustment	71,499	74,435	145,934	69,277	83,323	11.9%	152,600	4.6%	6,666
	Adjusted value	-101	-316	-417	-252	-348	-	-600	-	-183
	Net sales total	71,397	74,119	145,516	69,025	82,975	11.9%	152,000	4.5%	6,484
Operating income	Pharmacy Business	3,903	4,749	8,652	2,850	4,750	0.0%	7,600	-12.2%	-1,052
	BPO Business	755	586	1,341	657	1,043	78.0%	1,700	26.8%	359
	Prior to adjustment	4,659	5,335	9,994	3,507	5,793	8.6%	9,300	-6.9%	-694
	Adjusted value	-407	-495	-902	-438	-862	-	-1,300	-	-398
	Operating income total	4,251	4,840	9,091	3,069	4,931	1.9%	8,000	-12.0%	-1,091
Operating margin	Pharmacy Business	5.9%	6.9%	6.4%	4.5%	4.5%	-	5.4%	-	-
	BPO Business	14.1%	10.7%	12.4%	11.9%	11.9%	-	14.2%	-	-
	Company total	6.0%	6.5%	6.2%	4.4%	4.4%	-	5.3%	-	-

Source: Prepared by FISCO from the Company's supplemental results materials

Income statement and main indicators

(¥mn)

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	
					1H	Full year E
Net sales	114,363	124,957	131,502	145,516	69,025	152,000
YoY	13.3%	9.3%	5.2%	10.7%	-3.3%	4.5%
Gross profit	13,989	15,793	16,876	19,648	8,238	-
Gross margin	12.2%	12.6%	12.8%	13.5%	11.9%	-
SG&A expenses	9,745	9,050	10,010	10,557	5,169	-
SG&A expense ratio	8.5%	7.2%	7.6%	7.3%	7.5%	-
Operating income	4,243	6,743	6,865	9,091	3,069	8,000
YoY	101.6%	-	1.8%	32.4%	-27.8%	-12.0%
Operating margin	3.7%	5.4%	5.2%	6.2%	4.4%	5.3%
Ordinary income	4,262	6,688	7,065	9,333	3,171	8,000
YoY	93.0%	-	5.6%	32.1%	-26.1%	-14.3%
Profit attributable to owners of parent	2,155	3,709	4,353	4,986	1,975	4,500
YoY	177.3%	-	17.4%	14.5%	-18.2%	-9.7%
Split-adjusted EPS	63.33	107.78	128.35	141.19	51.46	117.22
Split-adjusted dividend	20.00	24.00	24.00	28.00	14.00	28.00
Split-adjusted BPS	557.42	602.36	652.42	936.74	-	-

Note: YoY not presented for profit items in FY3/16 because of changes in accounting policy
Source: Prepared by FISCO from the Company's financial results

Balance sheet

(¥mn)

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19 1H
Current assets	26,534	37,824	36,578	42,288	42,957
Cash and deposits	8,236	16,523	14,174	19,820	21,848
Notes and accounts receivable-trade	12,079	15,242	15,785	16,640	14,549
Inventory assets	4,306	4,254	4,660	4,719	5,482
Noncurrent assets	33,023	31,996	44,668	44,952	44,655
Property, plant and equipment	8,276	8,969	10,373	10,544	10,595
Intangible assets	20,380	18,474	29,483	27,938	27,786
Investments and other assets	4,366	4,551	4,812	6,469	6,273
Deferred assets	15	27	43	29	25
Total assets	59,573	69,847	81,290	87,270	87,638
Current liabilities	26,312	29,334	31,183	33,991	30,827
Accounts payable-trade	15,212	18,096	17,626	18,265	15,849
Short-term loans payable, etc.	5,394	4,696	6,373	6,199	6,663
Noncurrent liabilities	14,108	19,481	28,473	17,343	19,523
Long-term loans payable, etc.	12,793	18,498	27,234	16,361	18,463
Shareholders' equity	19,059	20,394	21,149	35,694	37,223
Capital stock	2,828	2,828	2,828	5,786	5,786
Capital surplus	10,880	9,354	9,366	13,489	13,489
Retained earnings	6,938	9,680	13,137	17,245	18,676
Treasury stock	-1,588	-1,469	-4,182	-827	-729
Total accumulated other comprehensive income	92	368	167	241	63
Non-controlling interests	-	259	315	-	-
Total net assets	19,152	21,022	21,632	35,935	37,287
Total liabilities and net assets	59,573	69,847	81,290	87,270	87,638

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

Cash flow statement

(¥mn)

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19 1H
Cash flow from operating activities	7,841	7,539	5,813	11,116	1,596
Cash flow from investing activities	-5,066	-3,348	-15,392	-3,775	-1,667
Cash flow from financing activities	278	4,085	7,435	-1,685	2,098
Net increase (decrease) in cash and cash equivalents	3,053	8,275	-2,143	5,656	2,027
Cash and cash equivalents at the beginning of the period	4,957	8,011	16,287	14,144	19,800
Cash and cash equivalents at the end of the period	8,011	16,287	14,144	19,800	21,828

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

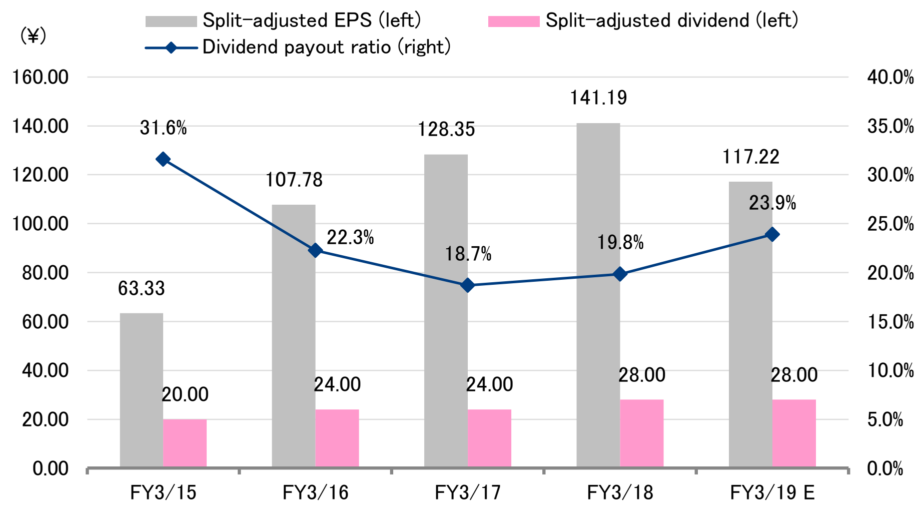
Shareholder returns

Plans to keep the dividend unchanged YoY in FY3/19 with ¥28

Qol primarily relies on dividends as shareholder compensation. Its basic policy advocates steady return of profits to shareholders while also retaining profits in order to pursue future business initiatives and reinforce corporate operations. It does not set an official payout ratio or other standards on dividend value.

For FY3/19, the Company has announced a dividend forecast of ¥28 (an interim dividend of ¥14 and a year-end dividend of ¥14), which is the same as in the previous fiscal year. At the time the Q2 results ended, the dividend forecast was unchanged from the initial forecast. Based on the forecast earnings per share (EPS), the dividend payout ratio will be 23.9%. Profits are expected to decrease YoY due to the impact of the FY3/19 revisions to drug prices and dispensing fees. But it is considered that the Company has decided to leave the dividend forecast unchanged based on its fundamental stance, of continuously paying stable dividends.

Dividends per share and dividend payout ratio



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

Information security

Manages drug records and other personal data in a cloud service with strong security
Focuses on employee education too

Qol has robust capabilities in information security because its group companies handle highly confidential information, such as customer drug and illness records, in the Pharmacy Business. In particular Qol Co., Ltd. (it's the operating company) took steps to acquire a privacy mark as an indicator of personal information protection and already received it. It also promotes employee education and awareness and conducts security checks periodically and often. The company switched from an on-premise site to a more secure cloud format in personal information management. This approach reduces business risk and improves security.

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