

Japan Animal Referral Medical Center

6039

Tokyo Stock Exchange Growth Market

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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> (hereinafter, also “the Company” and “JARMeC”) operates general animal hospitals (secondary clinics) that specialize in providing advanced medical care for pets (dogs and cats) and aims to be a comprehensive company in the animal medical care industry. 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 complete referrals from regional animal hospitals (primary clinics), which are “family animal hospitals” for pet owners. As its business bases, the Company operates the Kawasaki Main Hospital, Nagoya Hospital, Tokyo Hospital, and Osaka Hospital, which opened in June 2023. 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 “wanting pets to receive the same advanced medical care as people.” In this situation, the Company is realizing an advanced, complete animal medical care system through the division of labor with “family animal hospitals,” which are the primary clinics, in regions throughout the country. As well, its subsidiary CAMIC Co., Ltd. provides a diagnostic imaging service, and another subsidiary terucom Co., Ltd. manufactures, sells, and rents “oxygen houses” necessary for in-home care for animals.

1. Record-high sales in FY3/24, although profits down on one-time expense increase

In the FY3/24 consolidated results, net sales increased 10.3% year-on-year (YoY) to ¥4,270mn, operating profit decreased 14.4% to ¥496mn, ordinary profit declined 8.3% to ¥489mn, and profit attributable to owners of parent decreased 11.4% to ¥337mn. The Company posted double-digit sales growth to mark a record high that surpassed its forecast, although profit turned down due to factors such as an increase in one-time expenses associated with the opening of the Osaka Hospital. Sales broke down into ¥2,917mn (up 12.5% YoY) for secondary medical care services, ¥539mn (up 14.1%) for diagnostic imaging services, and ¥806mn (up 4.0%) for health management equipment rental and sales services. In secondary medical care services, existing hospitals mostly performed well in addition to the contribution of the new Osaka Hospital. For main KPIs, the number of collaborating clinics around the country increased 6.1% YoY to 4,439, while the number of first hospital visits (referrals) went up 8.5% to 8,265—both record highs. Although profits declined in FY3/24, at FISCO we think there is no cause for concern, because the main reason is the rise in one-time expenses and sales are steadily increasing.

2. Forecasting large increases in net sales and profits in FY3/25

For the FY3/25 consolidated results, the Company is forecasting net sales to increase 12.9% YoY to ¥4,820mn, operating profit to rise 25.8% to ¥625mn, ordinary profit to increase 27.6% to ¥625mn, and profit attributable to owners of parent to go up 30.5% to ¥440mn. The Company targets a sharp sales increase as a result of boosting the number of first hospital visits by strengthening collaboration with primary clinics. In terms of profit, the Company forecasts a strong increase despite higher personnel expenses due to aggressive hiring, outsourcing expenses, and depreciation, which it plans to absorb by sales growth, plus the effect of one-time expenses booked in FY3/24 dropping out. The number of collaborating clinics and the number of first hospital visits (on which its earnings depend) are trending up. We at FISCO see upside for the Company’s forecast, taking into account the effect of improved name recognition of the Osaka Hospital in the Kansai area.

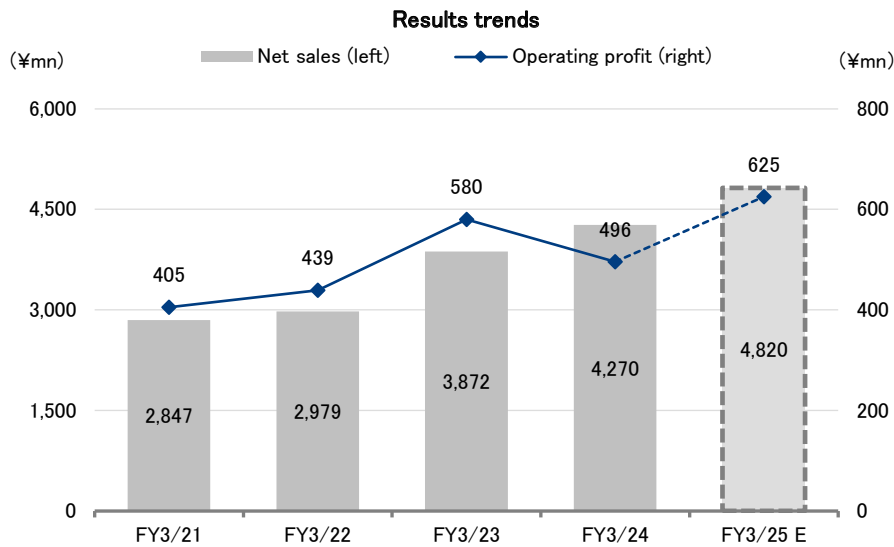
Summary

3. Positive on strengths as general animal hospital and effect of improved name recognition

The market environment for the pet market and advanced medical care for animals is favorable, and there is significant room for further market growth. We at FISCO are positive on the Company's strengths as a general animal hospital that can provide advanced medical care services, as well as its first dividend payment in FY3/24. We also think that its sales are likely to grow not only when it opens a new hospital, but also at existing hospitals due to the effect of increased name recognition, because it has established a strong network of collaborating clinics in the Tokyo, Nagoya and Osaka areas. We are therefore focusing on progress with group synergies driven by services that support primary clinics in multiple ways as well as plans to open new hospitals as it enters a new growth stage.

Key Points

- Operates general animal hospitals specializing in advanced medical care for pets (dogs and cats)
- Record-high sales in FY3/24, although profits down on one-time expense increase
- Forecasting large increases in net sales and profits in FY3/25
- Aiming to be a comprehensive company in the animal medical care industry
- Positive on strengths as general animal hospital and effect of improved name recognition



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 complete referrals from regional animal hospitals (the primary clinics), which are “family animal hospitals” for pet owners. As its business bases, the Company operates the Kawasaki Main Hospital, which is a general hospital specializing in advanced medical care (Takatsu Ward, Kawasaki City, Kanagawa Prefecture), the Nagoya Hospital (Tenpaku Ward, Nagoya City, Aichi Prefecture), the Tokyo Hospital (Adachi Ward, Tokyo), and the Osaka Hospital (Minoo City, Osaka Prefecture).

The JARMeC Group consists of three companies: the Company and consolidated subsidiaries CAMIC and terucom. CAMIC operates animal diagnostic centers (diagnostic imaging services for animals using advanced medical devices) at three bases in Metropolitan Tokyo (in Setagaya Ward and Edogawa Ward in Tokyo, and in Saitama City, Saitama Prefecture). terucom manufactures, sells, and rents “oxygen houses” necessary for in-home care for animals on a nationwide basis.

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. Subsequently, the Company opened the Nagoya Hospital in December 2011, the Tokyo Hospital in January 2018, and the Osaka Hospital in June 2023. In M&A, the Company made CAMIC a subsidiary in January 2014 and terucom a subsidiary in March 2022. In relation to shares, in March 2015, the Company was newly listed on the Tokyo Stock Exchange (TSE) Mothers Market, and in April 2022 the Company’s listing was changed to the TSE’s Growth Market accompanying the TSE’s restructuring of its market segments.

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 |
| February 2019 | Released “PLUS CYCLE,” an IoT health management tool for pets |
| March 2022 | Made terucom Co., Ltd. a subsidiary |
| April 2022 | The Company’s shares were transferred to the TSE’s Growth Market in conjunction with the TSE’s market restructuring |
| June 2023 | Opened the Osaka Hospital |
| May 2024 | Began radiation therapy at the Osaka Hospital |

Source: Prepared by FISCO from Company material

■ Business overview

Provides advanced medical care for animals through the division of labor with local “family animal hospitals.”

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

1. Business summary

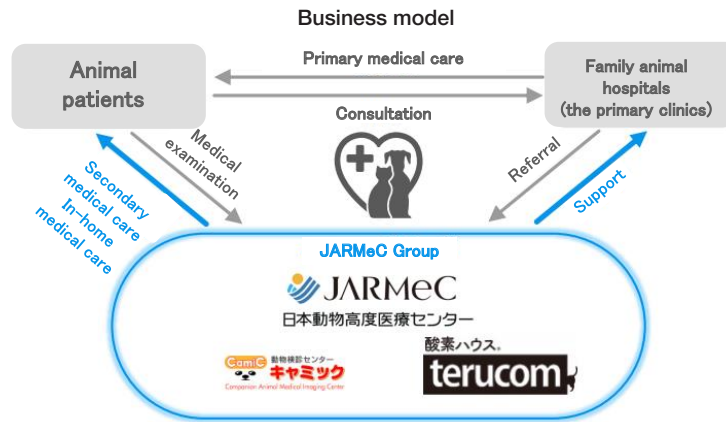
The same as human medical care, the Company has advanced medical care facilities and equipment, such as CT, MRI, and radiation-therapy equipment, and it provides advanced medical care (testing and treatment) for pets, mainly by veterinarians who conduct research and clinical practice on conditions specific to pets. 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 “wanting pets to receive the same advanced medical care as people.” In this situation, the Company is realizing an advanced, complete animal medical care system through the division of labor with “family animal hospitals,” which are the primary clinics, in regions throughout the country. Additionally, 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.

For the diagnostic imaging services of the subsidiary CAMIC, it receives referrals from primary clinics for pet owners who only want a diagnostic imaging service. Through a complete referral 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. Health care equipment manufacturer terucom manufactures, sells, and rents “oxygen houses” (a set comprising an oxygen concentrator, a cage, and an oxygen concentration meter, etc.) which is necessary for in-home health care for animals, on a nationwide basis.

Sales in FY3/24 broke down into secondary medical care services (JARMeC) of 68.3%, diagnostic imaging services (CAMIC) of 12.6%, and health management equipment rental and sales services (terucom) of 18.9%.

Business overview



✓ Business centered on secondary medical care responds to needs among pet owners who “want pets to receive the same advanced medical care as people.”

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

2. Strengths and features

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, and uses them to conduct medical care through multiple medical departments for conditions in concurrent fields and for conditions with symptoms that are difficult to diagnose.

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. 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 determined in accordance with the pet owner’s wishes. The veterinarian can only advise whether or not to perform surgery; the final decision is up to the pet owner. Therefore, the number of surgeries is not necessarily correlated with the number of first hospital visits or the total number of hospital visits.

4. Main KPIs

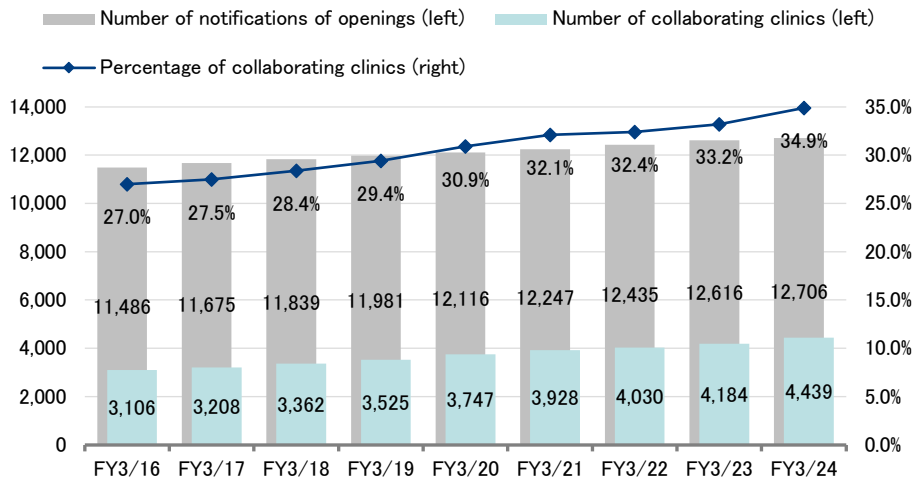
As the number of medical-care services (hospital visits) the Company provides depends on the number of referrals from primary clinics, increases in the number of collaborating clinics results in increases in first hospital visits (the number of cases newly received) and the total number of medical care services provided (the total number of first and subsequent hospital visits); i.e. earnings expansion. Therefore, the Company positions the number of collaborating clinics and the number of first hospital visits as its main KPIs.

Business overview

The Company is continuously promoting academic activities, such as presenting at conferences and holding seminars, with an aim of increasing the number of collaborating clinics. The number of collaborating clinics is trending upward at a rate exceeding the number of notifications of openings of small animal clinics, increasing by 255 YoY to 4,439 clinics at the end of FY3/24. 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, the Tokyo Hospital in January 2018, and the Osaka Hospital in June 2023). 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, up 1.7 percentage points YoY to 34.9% at the end of FY3/24. As a reference, this percentage by area is 50.5% in the Kanto region where the Kawasaki Hospital and Tokyo Hospital are located (2,646 collaborating clinics), 47.2% in the Tokai region where the Nagoya Hospital is located (677 clinics), and 24.6% in the Kinki region (497 clinics; up 208 YoY), where the Osaka Hospital opened in June 2023. Following the opening of the Osaka Hospital as a base in western Japan, the number of collaborating clinics and the percentage of collaborating clinics in nearby Chugoku and Shikoku regions are expected to trend up.

The number of first hospital visits (referrals) is also on the rise, linked to the increase in the number of collaborating clinics. In FY3/24, the number of first hospital visits increased by 645 YoY to 8,265. Although the total number of medical care services provided and the number of surgeries are not necessarily linked to the number of first hospital visits, they are also on a general upward trend. In FY3/24, the total number of medical care services provided was up by 813 YoY to 28,974, while the number of surgeries was up by 266 to 2,531.

Trends in the number of notifications of openings of small animal care facilities* and the percentage of collaborating clinics



* The number of notifications of openings is based on Ministry of Agriculture, Forestry and Fisheries data (number of other small animal care facilities as of December 31, 2023)
Source: Prepared by FISCO from the Company's financial briefing materials

5. Risk factors

The Company's risk factors include its reliance on referrals from primary clinics; changes in its business environment, such as the decrease in the number of pets reared and increasing competition; errors when providing medical care services and epidemics among animals receiving medical care; the strengthening of regulations through amendments to laws and regulations, 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. However, the Company's business model is that it does not compete directly with these primary clinics, but rather it collaborates with them and divides labor. 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 is considered to be small.

6. Promoting hiring and training of human resources

At the end of FY3/24, the Company had 221 employees on a standalone basis, CAMIC had 37, and terucom 40 for a total of 298 on a consolidated basis. In terms of hiring and training 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 Veterinary Nurses for Companion Animals Act 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 first national examination for Veterinary Nurses for Companion Animals was held in February 2023. It is expected that the utilization of veterinary nurses will lead to a reduction in veterinarians' workload and improved work efficiency. The Company plans to continue strengthening hiring and training of personnel (mainly veterinarians and veterinary nurses) to expand its business and enhance its human capital.

Results trends

Record-high sales in FY3/24, although profits down on one-time expense increase

1. Summary of FY3/24 consolidated results

In the FY3/24 consolidated results, net sales increased 10.3% YoY to ¥4,270mn, operating profit decreased 14.4% to ¥496mn, ordinary profit declined 8.3% to ¥489mn, and profit attributable to owners of parent decreased 11.4% to ¥337mn. Although profit turned down and fell short of the Company's forecast due to factors such as an increase in one-time expenses associated with the opening of the Osaka Hospital, sales recorded double-digit growth to surpass the Company's forecast and mark a record high.

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Results trends

Consolidated results for FY3/24

| Item | FY3/23 | | FY3/24 | | (¥mn) | | | | |
|--|---------|------------|---------|------------|---------------|----------|------------------|------------|---------------|
| | Results | % of sales | Results | % of sales | YoY | | | Vs. plan | |
| | | | | | Change amount | Change % | Initial forecast | Difference | Achievement % |
| Net sales | 3,872 | 100.0% | 4,270 | 100.0% | 397 | 10.3% | 4,140 | 130 | 103.1% |
| Gross profit | 1,442 | 37.3% | 1,464 | 34.3% | 21 | 1.5% | - | - | - |
| SG&A expenses | 862 | 22.3% | 967 | 22.7% | 105 | 12.2% | - | - | - |
| Operating profit | 580 | 15.0% | 496 | 11.6% | -83 | -14.4% | 555 | -58 | 89.5% |
| Ordinary profit | 534 | 13.8% | 489 | 11.5% | -44 | -8.3% | 565 | -75 | 86.7% |
| Profit attributable to owners of parent | 380 | 9.8% | 337 | 7.9% | -43 | -11.4% | 385 | -48 | 87.6% |
| Sales breakdown | | | | | | | | | |
| Secondary medical care services | 2,594 | 67.0% | 2,917 | 68.3% | 323 | 12.5% | - | - | - |
| Diagnostic imaging services | 472 | 12.2% | 539 | 12.6% | 66 | 14.1% | - | - | - |
| Health management equipment rental and sales services | 774 | 20.0% | 806 | 18.9% | 31 | 4.0% | - | - | - |
| Main KPIs | | | | | | | | | |
| Total number of collaborating clinics | 4,184 | - | 4,439 | - | 255 | 6.1% | - | - | - |
| Percentage of collaborating clinics (%) | 33.2 | - | 34.9 | - | 1.7 | - | - | - | - |
| Number of first hospital visits (number of referrals) | 7,620 | - | 8,265 | - | 645 | 8.5% | - | - | - |
| Total number of medical care services provided (total of first and subsequent hospital visits) | 28,161 | - | 28,974 | - | 813 | 2.9% | - | - | - |
| Number of surgeries | 2,265 | - | 2,531 | - | 266 | 11.7% | - | - | - |

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

Sales broke down into ¥2,917mn (up 12.5% YoY) for secondary medical care services, ¥539mn (up 14.1%) for diagnostic imaging services, and ¥806mn (up 4.0%) for health management equipment rental and sales services. All businesses posted solid sales growth, although there were negative factors such as temporary suspension of radiation therapy due to replacement of medical equipment at the Kawasaki Main Hospital, discontinuing ophthalmology treatment, and temporary drop in capacity utilization of existing hospitals because of assigning veterinary staff to the Osaka Hospital. In secondary medical care services, existing hospitals mostly performed well in addition to the contribution of the new Osaka Hospital. For main KPIs, the number of collaborating clinics around the country rose 6.1% YoY to 4,439, the percentage of collaborating clinics was up 1.7 percentage points to 34.9%, the number of first hospital visits (referrals) went up 8.5% to 8,265, the total number of medical care services provided increased 2.9% to 28,974, and the number of surgeries as up 11.7% to 2,531—all record highs. In terms of costs, personnel expenses, consumables expenses, outsourcing expenses, and depreciation increased, including one-time expenses associated with the opening of the Osaka Hospital. Gross profit was up a modest 1.5% YoY, while the gross profit margin fell 3.0 percentage points to 34.3%. SG&A expenses rose 12.2% YoY and the SG&A expense ratio was up 0.4 percentage points to 22.7%. As a result, the operating profit margin fell 3.4 percentage points to 11.6%. Although profits declined in FY3/24, at FISCO we think there is no cause for concern, because the main reason is the rise in one-time expenses and sales are steadily increasing.

Results trends

2. Financial conditions

Looking at the financial condition, at the end of FY3/24 total assets were ¥8,770mn, up ¥191mn compared to the end of the previous fiscal year. The main factors were a ¥578mn decrease in cash and deposits and an ¥818mn increase in property, plant and equipment for the opening of the Osaka Hospital and the acquisition of radiation therapy and other equipment for the Kawasaki Main Hospital. Total liabilities increased ¥85mn to ¥4,958mn. The main factor was a ¥210mn increase in accounts payable – other. Interest-bearing liabilities decreased ¥119mn to ¥3,856mn. Net assets increased ¥105mn to ¥3,811mn. Treasury shares decreased ¥238mn, but retained earnings increased ¥337mn. As a result, the equity ratio was up 0.2 percentage points to 43.5%. Although the Company's reliance on interest-bearing debt is somewhat high at 44%, it is not at a level that causes concern, and we at FISCO believe it has maintained financial soundness, given the rise in the equity ratio and no particular issues regarding its cash flows.

Consolidated balance sheet

| | (¥mn) | | | | | |
|---------------------------|---------------|---------------|---------------|---------------|---------------|--------|
| | End of FY3/20 | End of FY3/21 | End of FY3/22 | End of FY3/23 | End of FY3/24 | Change |
| Total assets | 5,928 | 5,844 | 6,966 | 8,578 | 8,770 | 191 |
| (Current assets) | 1,464 | 1,457 | 1,539 | 2,396 | 1,777 | -619 |
| (Non-current assets) | 4,464 | 4,386 | 5,427 | 6,182 | 6,992 | 810 |
| Total liabilities | 3,794 | 3,507 | 4,456 | 4,872 | 4,958 | 85 |
| (Current liabilities) | 840 | 914 | 965 | 1,269 | 1,538 | 268 |
| (Non-current liabilities) | 2,953 | 2,593 | 3,491 | 3,603 | 3,420 | -183 |
| Total net assets | 2,133 | 2,336 | 2,509 | 3,706 | 3,811 | 105 |
| [Reference] | | | | | | |
| Interest-bearing debt | 3,404 | 3,074 | 3,921 | 3,975 | 3,856 | -119 |
| Equity ratio (%) | 36.0 | 40.0 | 36.0 | 43.2 | 43.5 | 0 |

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

Outlook

Forecasting large increases in net sales and profits in FY3/25

● Consolidated results forecast for FY3/25

For the FY3/25 consolidated results, the Company is forecasting net sales to increase 12.9% YoY to ¥4,820mn, operating profit to rise 25.8% to ¥625mn, ordinary profit to increase 27.6% to ¥625mn, and profit attributable to owners of parent to go up 30.5% to ¥440mn. The Company targets a sharp sales increase as a result of boosting the number of first hospital visits by strengthening collaboration with primary clinics. In terms of profit, the Company forecasts a strong increase despite increases in personnel expenses due to aggressive hiring, outsourcing expenses, and depreciation, which it plans to absorb by sales growth, plus the effect of one-time expenses booked in FY3/24 dropping out. The number of collaborating clinics and the number of first hospital visits (on which its earnings depend) are trending up. We at FISCO see upside for the Company's forecast, taking into account the effect of improved name recognition of the Osaka Hospital in the Kansai area.

Outlook

Consolidated results forecast for FY3/25

| Item | FY3/24 | | FY3/25 | | | |
|---|---------|-------------|----------|-------------|---------------|----------|
| | Results | Composition | Forecast | Composition | Change amount | Change % |
| Net sales | 4,270 | 100.0% | 4,820 | 100.0% | 549 | 12.9% |
| Operating profit | 496 | 11.6% | 625 | 13.0% | 128 | 25.8% |
| Ordinary profit | 489 | 11.5% | 625 | 13.0% | 135 | 27.6% |
| Profit attributable to owners of parent | 337 | 7.9% | 440 | 9.1% | 102 | 30.5% |

(¥mn)

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

Growth strategy

The market environment for advanced medical care for animals is excellent.

Paid first dividend in FY3/24; forecasts dividend increase in FY3/25

1. The market environment

The market environment for advanced medical care for animals is excellent. The number of pet dogs and cats in Japan totaled 15,913,000 in 2023 (source: Japan Pet Food Association 2023 survey on the number of cats and dogs owned by families in Japan) and has been trending at a high level of around 16,000,000. As pets are becoming part of the family, the pet-related market (pet food and products, pet animals, other) is expanding and the pet insurance market is maintaining double-digit growth. 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 for advanced medical care (secondary medical care) have further risen among owners from “wanting pets to have the same advanced medical care as people.”

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

2. Medium- to long-term growth targets

JARMeC's medium- to long-term growth vision is to help pets and their owners live healthy lives by supporting the health of pets as family members. Its medium- to long-term growth targets are sales of ¥5,707mn in FY3/27 (¥4,270mn in FY3/24), breaking down into ¥4,151mn for secondary medical care (¥2,917mn) and ¥1,556mn for others (¥1,352mn). Targets for the number of veterinarians and number of first hospital visits, which form the basis for growth, are 120 (82) and 11,604 (8,265), respectively. Secondary medical care sales targets by hospital are ¥1,786mn for the Kawasaki Main Hospital (¥1,453mn in FY3/24), ¥900mn for the Tokyo Hospital (¥651mn), ¥687mn for the Nagoya Hospital (¥601mn), ¥725mn for the Osaka Hospital (¥211mn), and ¥53mn for new business bases. The Company also targets ROE of over 12% (13.8% in FY3/27) by implementing management with an awareness of cost of capital and reviewing its management resource allocation.

Growth strategy

Its basic strategies for growth are solid growth of secondary medical care services (JARMeC and subsidiary CAMIC) and rolling out new services, including terucom's "oxygen houses" and consideration for new health maintenance (disease prevention) services rather than just treatment to become a comprehensive company in the animal medical care industry.

3. Shareholder returns

The Company positions returning profits to shareholders as one of its most important management issues. Its basic policy for shareholder returns is to consider distribution of profit to shareholders while taking into account its management performance and financial condition. The Company paid its first dividend (¥20.00 per share at period-end) in FY3/24, because major capital expenditures had run their course following the opening of the Osaka Hospital, for a dividend payout ratio of 16.0%. In FY3/25, the Company forecasts dividend per share of ¥25.00 (period-end), an increase of ¥5.00 per share, for a dividend payout ratio of 15.3%.

4. FISCO's view

The market environment for the pet market and advanced medical care for animals is favorable, and there is significant room for further market growth. We at FISCO are positive on the Company's strengths as a general animal hospital that can provide advanced medical care services, as well as its first dividend payment in FY3/24. We also think that its sales are likely to grow not only when it opens a new hospital, but also at existing hospitals due to the effect of increased name recognition, because it has established a strong network of collaborating clinics in the Tokyo, Nagoya and Osaka areas. We are therefore focusing on progress with group synergies driven by services that support primary clinics in multiple ways as well as plans to open new hospitals as it enters a new growth stage.

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