

HYUGA PRIMARY CARE

A hand holding a house icon with decorative stars and a circular border. The hand is positioned on the right side of the image, with the fingers gently cupping a white house icon. The house icon has a chimney and a window. The entire scene is set against a dark blue background with a subtle pattern of stars and a circular border around the hand and house.

Financial Results for the First Quarter of the Fiscal Year Ending March 2024

HYUGA PRIMARY CARE Co., Ltd.

7133 TSE Growth Market
August 10, 2023

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, Japanese text shall prevail

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- 02 Primary Care Home Business Overview
- 03 Financial Summary (FY2024 1Q)
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Company Profile/Vision

COMPANY

Company Profile

Company Name	HYUGA PRIMARY CARE Co., Ltd. (HYUGA PRIMARY CARE Co.,Ltd.)	
Representative	President/Pharmacist Tetsuji Kuroki	
Establishment	November 2007	
Head Office	2-2-1 Kasugahara Kitamachi, Kasuga-city, Fukuoka	

Composition of Officers

President and Representative Director	Tetsuji Kurogi
Director	Kohei Shiroo
Director	Takei Yamasaki
Director, Chief Financial Officer	Tomoaki Onishi
Director (Outside)	Shinjirou Ogawa
Director (Outside)	Kyoko Saeki
Full-time Corporate Auditor	Setsuo Matsui
Corporate Auditor (outside)	Kota Takei
Corporate Auditor (outside)	Nobuharu Kumamoto

Business Profile *


- Home-Visit Pharmacy Business (Kirari Pharmacy)
- Kirari Prime Business
- Primary Care Home Business
(Primary Care Home Operation/Care Plan Service/Welfare Equipment Lending Service)
- Other Business (TAISAPO Service/ICT)

Number of Employees

442 (as of March 31, 2023, not including temporary employees)

VISION

Vision



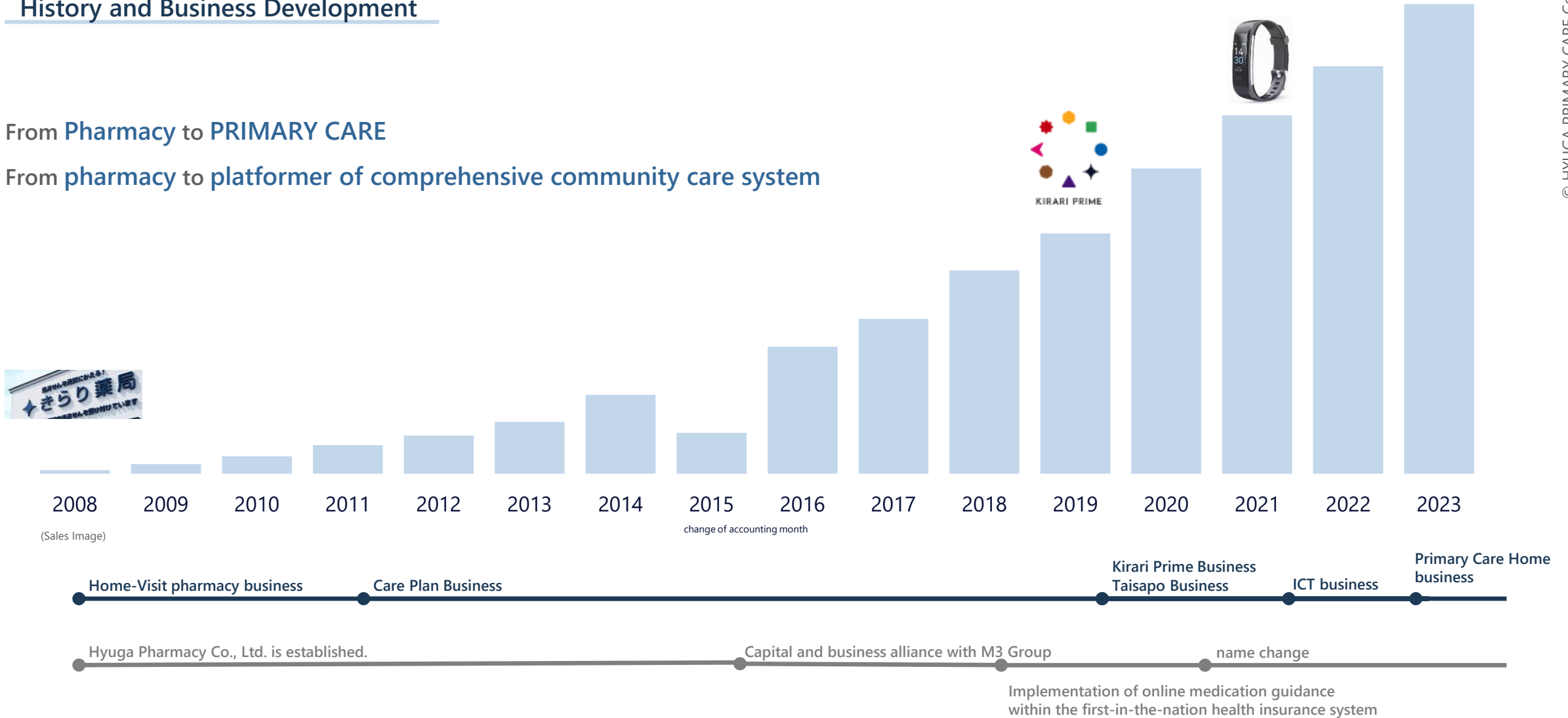
We'll create
a social infrastructure
which means
patients can recuperate
at home in peace
24hours a day,
365days a year.

As Platformer that adapts to the age of home medical care and provides the operation and mechanism of comprehensive community care, We'll aim to build an **important infrastructure** for these two types of care.

History and Business Development

From Pharmacy to PRIMARY CARE

From pharmacy to platformer of comprehensive community care system



Change Segment

- Due to the start of the primary care home business, the internal organization and business management categories will be reviewed from this fiscal year. The "Primary Care Home Business" will become a reportable segment, and the "Care Plan Business" will be transferred to this segment. In addition, the "Taisapo Business", which is considered to be less important as segment disclosure information, will be transferred to the "Other Business" segment. At the same time, we changed the allocation method for each reportable segment. (Previous year's figures have been reclassified according to the segment classification method and allocation method after the change)
- Aiming to become a platform company for primary care from the "Home Visit Pharmacy Business," "Kirari Prime Business" and "Primary Care Home Business" segments.

FY March 2023 Segment and Business
<p>Home-Visit Pharmacy Business</p> <ul style="list-style-type: none"> Operation of Kirari Pharmacy
<p>Kirari Prime Business</p> <ul style="list-style-type: none"> Providing Home Visit Pharmacy Management Know-How for Small and Medium-Sized Pharmacy Businesses
<p>Care Plan Business</p> <ul style="list-style-type: none"> Creating In-Home Service Plans/Renting and Selling Welfare Equipment
<p>Taisapo Business</p> <ul style="list-style-type: none"> Providing nursing homes with referral services for patients discharged from hospitals
<p>Other businesses (ICT business)</p> <ul style="list-style-type: none"> Development of ICT equipment to solve labor shortages of nursing care workers
<p>Other businesses (primary care home business)</p> <ul style="list-style-type: none"> Facility management and provision of regular patrolling and timely home nursing care services



FY March 2024 Segment and Business
<p>Home-Visit Pharmacy Business</p> <ul style="list-style-type: none"> Operation of Kirari Pharmacy
<p>Kirari Prime Business</p> <ul style="list-style-type: none"> Providing Home Visit Pharmacy Management Know-How for Small and Medium-Sized Pharmacy Businesses
<p>Primary Care Home Business</p> <ul style="list-style-type: none"> Facility management and providing "Home Care - Regular and On-demand" (primary care home management) Preparation of home service plan (care plan service) Rental and sale of welfare equipment (welfare equipment rental service)
<p>Other business (Taisapo)</p> <ul style="list-style-type: none"> Providing nursing homes with referral services for patients discharged from hospitals
<p>Other businesses (ICT)</p> <ul style="list-style-type: none"> Development of ICT equipment to solve labor shortages of nursing care workers

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Facility Overview

Facility concept and features

- Our company leases large elderly facilities
- Our company provides "Home Care - Regular and On-demand" for facility residents
- 24 hours a day, 365 days a year medical, nursing and nursing care can be provided in cooperation with cooperating medical institutions
- Contributing to improving the quality of life of users and patients by improving services through inter-business cooperation in our company's home-visit pharmacy business, care plan service, ICT, Tysapo and Kirari Prime business
- Setting a cost system that is friendly to residents so that they can live to the end of their lives in a familiar facility even if their nursing care level increases
- Installing solar power and electric vehicle charging facilities, aiming for local production and local consumption of meals in the facility, and considering ESG



Building 1 'Primary care home Hyuga Kasuga Chickushidai' *

- **Opened on January 13, 2023**
- Address: 132 -1, Chikushidai 5-chome, Kasuga, Fukuoka 816 0822, Japan
- Number of seats: 102



Building 2 'Primary care home Hyuga Hakata Mugino' **

- **Opened on August 1, 2023**
- Address: 22 20, Mugino 2-chome, Hakata-ku, Fukuoka 812 0882, Japan
- Number of seats: 162



24 hours a day, 365 days a year (24/7)
The home makes you reassure and recuperate

Overview of Primary Care Home Business

- Primary Care Home Hyuga Kasuga Chikushidai, the first facility for the elderly, opened in January 2023 with **83 residents and 81.4%** occupancy rate. The facility's profit margin is expected to exceed 20%.
- The second facility, "Primary Care Home Hyuga Hakata Mugino," opened on August 1, 2023, has 162 beds, larger than the first. There were **35 people** who applied for reservations before the facility opened, and the recruitment of residents has been progressing steadily since the facility opened.
- In addition to Fukuoka Prefecture, new facilities are being developed for the fiscal years ending March 2025 and 2026 from several candidate sites in a wide range of areas.

As of August 9, 2023

			Building 1			Building 2		
Name of the facility			Primary care home Hyuga Kasuga Chikushidai			Primary care home Hyuga Hakata Mugino		
Location			Chikushidai, Kasuga-city, Fukuoka			Mugino, Hakata-ward, Fukuoka-city, Fukuoka		
Opening date			January 13, 2023			August 1, 2023		
Number of seats	Number of tenants	Occupancy rate	102 people	83 people	81.4%	162 people	41 people *	25.3%*
Nursing care level (average of residents)		Severe illness rate	3.37		12%			
Unit price per occupant			About 400,000 ~ 420,000 yen			Scheduled to be announced		

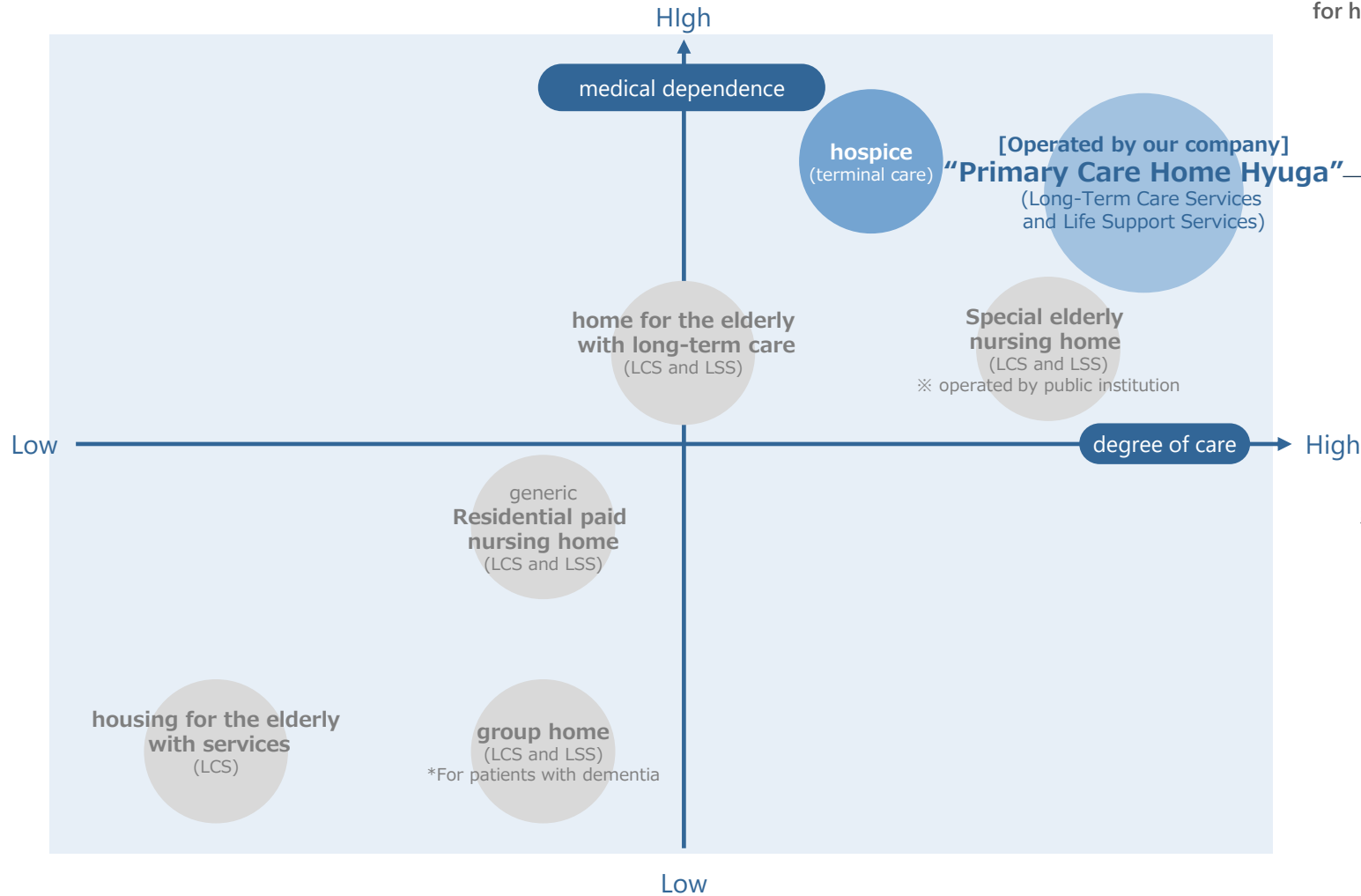
*Including reservation

User fee (Kasuga Chikushidai/Hakata Mugino)

Degree of nursing care requirement	Rent	Food expenses	Common expenses for management	Monthly
Care Needed 1	46,000 yen	43,000 yen	65,000 yen	154,000 yen
Care Needed 2	46,000 yen	43,000 yen	55,000 yen	144,000 yen
Care Needed 3	46,000 yen	43,000 yen	13,000 yen	102,000 yen
Care Needed 4	46,000 yen	43,000 yen	7,000 yen	96,000 yen
Care Needed 5	46,000 yen	43,000 yen	0 yen	89,000 yen

Positioning of Elderly care facilities operated by our company

POSITIONING MAP



Developed as **critical infrastructure** for home medical care and community comprehensive care



services that support the lives of the elderly

- **LSS : Life Support Services (not covered by long-term care insurance)**
Services that can be used by people requiring support and people aged 65 and over, such as safety confirmation, life counseling, housework assistance, support for going out, and promotion of social participation
- **LCS : Long-Term Care Service (Long-Term Care Insurance System)**
A physical care service (Mainly provided as home, facility, and community-based services) that can be used by people who need nursing care for the elderly and the disabled who have been certified as requiring long-term care

Differences from existing nursing homes

Benefits of moving in

Even if the level of nursing care increases, people can live until their last moments

- As their level of nursing care increases, their cost burden increases accordingly.
- However, by reducing the cost (hotel cost) burden associated with moving in, the total cost does not change significantly.

Cooperating with cooperating medical institutions: 24 hours a day, 365 days a year Medical and nursing care is available.

- We've worked with many medical institutions for many years. We can treat any diseases and symptoms. We can also refer you to a specialist.
- We can provide total support by collaborating with our pharmacists and care managers.

Responding to medical needs

- Dementia (moderate to severe)
- Gastrostomy
- tube feeding
- decubitus
- insulin administration
- phlegm aspiration

Medical insurance home nursing

- Total parenteral nutrition (IVH)
- Colostomy
- Home oxygen
- tracheostomy
- ventilator
- balloon catheter
- dialysis
- End-stage malignancy
- Amyotrophic lateral sclerosis (ALS)
- Parkinson's disease
- spinocerebellar degeneration
- myasthenia gravis
- multiple sclerosis
- terminal care

etc.



Degree of nursing care	Monthly amount
Care Level 1	154,000 yen
Care Level 2	144,000 yen
Care Level 3	102,000 yen
Care Level 4	96,000 yen
Care Level 5	89,000 yen

Expenses associated with moving in: Monthly image of personal burden
*There is a separate medical and long-term care cost burden

- 24/7 support "Home Care - Regular and On-demand"
- Improving operational efficiency through ICT



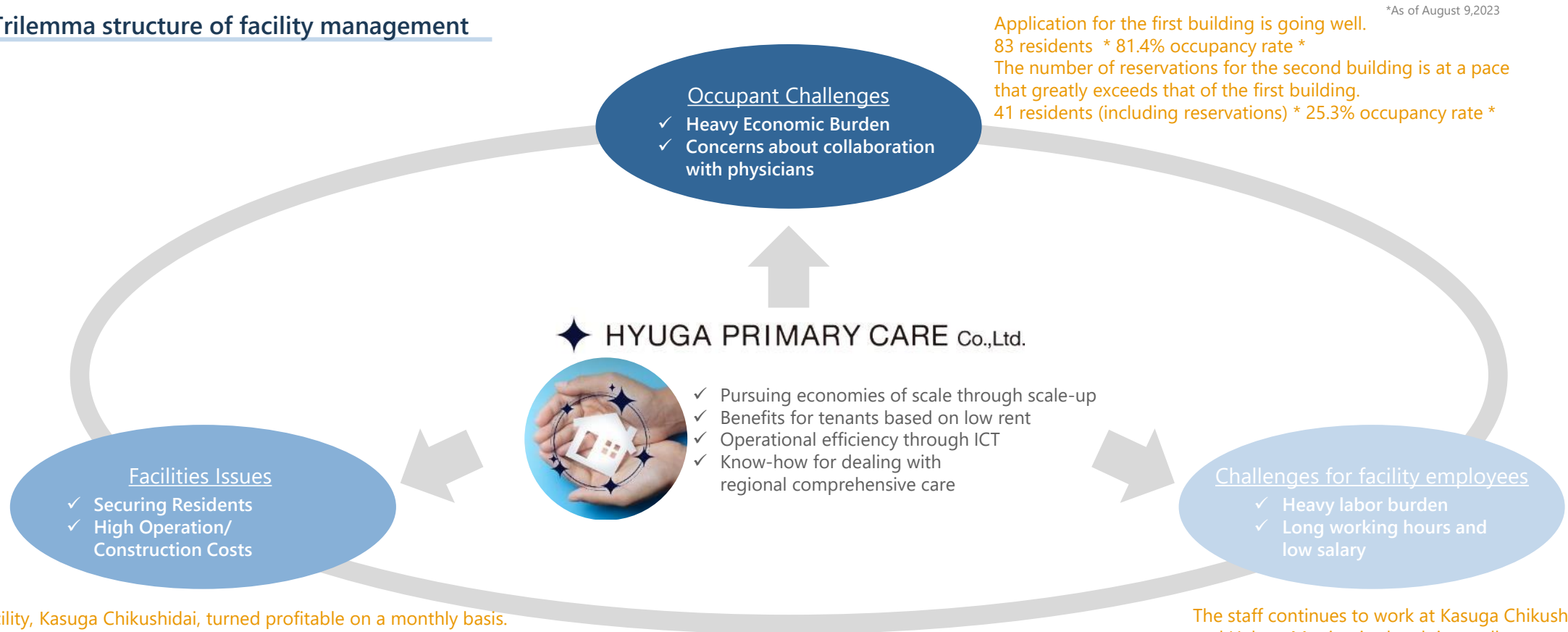
Although it was difficult for conventional fee-based nursing homes

We have made it possible to respond to all medical needs.

Realize relaxation/resolution of trilemma structures

- Our company's facility management aims to simultaneously and comprehensively alleviate and resolve the problems faced by residents, facility management, and facility employees suffering from trilemma structures. We aim to establish a sustainable social infrastructure in an aging society by utilizing economies of scale, our company ICT business, and the home-visit pharmacy business
- These functions can be the core hub functions of the comprehensive care system in the community. It is also possible to position it as the starting point of our company business.

Trilemma structure of facility management



The first facility, Kasuga Chikushidai, turned profitable on a monthly basis. Resident applications were strong due to improved awareness of the facility, such as guidance to medical institutions and private viewings.

The staff continues to work at Kasuga Chikushidai and Hakata Mugino is also doing well.

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Financial Summary

- The home-visit pharmacy business and Kirari Prime business grew, and sales increased 17% year-on-year, accelerating growth (up 13.5% in the first quarter of the previous fiscal year).
- The primary care home business, which is the third pillar, also started to get back on track with sales growth.
- We are also focusing on the expansion of each business and the strengthening of sales and operating systems, and expenses are also increasing ahead of us. Operating income decreased year-on-year and was only 27% of the plan, but we believe it was largely in line with the plan.

(millions of yen)	2023/3 1Q	2024/3 1Q		Year-on-Year		Year-on-Year Plan Progress Rate
	Actual	First Half Plan *	Actual Results	Change	Change	
Sales	1,534	3,606	1,795	+260	+17.0%	49.8%
Home-visit pharmacy business	1,351	2,938	1,505	+153	+11.4%	51.2%
Kirari Prime Business	133	351	177	+43	+32.4%	50.3%
Primary Care Home Business **	32	296	106	+73	+226.5%	35.8%
Other Business **	17	20	6	▲ 10	▲ 59.6%	34.0%
Operating income	128	206	55	▲ 73	▲ 56.7%	27.0%
Home visit pharmacy business	153	351	124	▲ 29	▲ 19.1%	35.3%
Kirari Prime Business	70	170	90	+19	+27.8%	53.0%
Primary Care Home Business **	▲ 14	▲ 50	▲ 38	▲ 23	-	-
Other Business **	4	▲ 7	▲ 3	▲ 8	-	-
Adjustments	▲ 85	▲ 257	▲ 116	▲ 31	-	-
Ordinary Income	137	205	55	▲ 82	▲ 59.8%	26.9%
Net income	91	141	36	▲ 55	▲ 60.2%	25.8%

*Earnings forecast announced on May 12, 2023

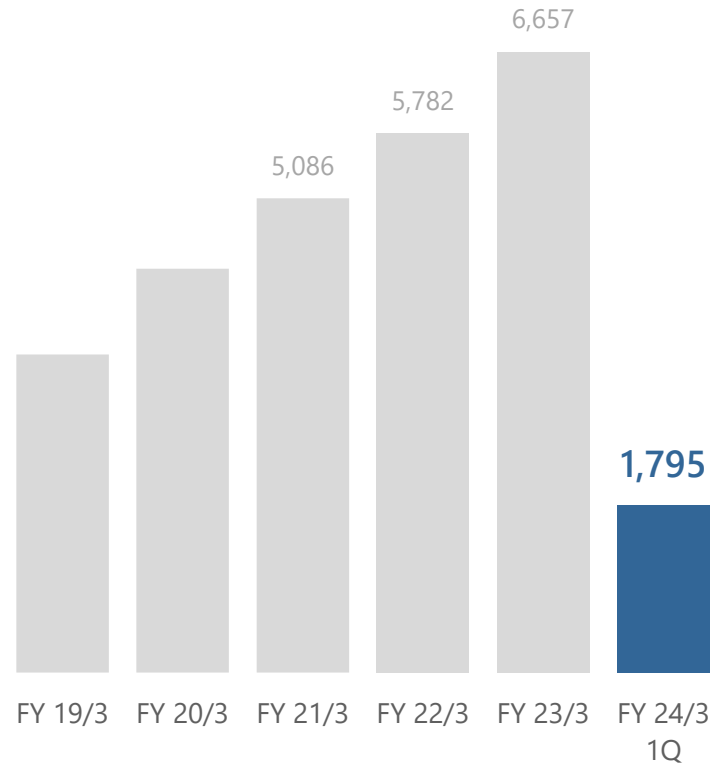
** Segment changes are applied retrospectively, and figures for the previous fiscal year and year-on-year changes are reclassified to the segment classification method after the change.

Performance/Sales Structure

- Sales are trending at a pace of year-on-year increase. In the primary care home business, the first building started to get on track and contributed to sales. Net sales composition ratio increased by 3.5 points from the previous term to 5.9%
- The weight of the Kirari Prime business has also increased steadily, and its sales composition ratio has risen by 0.4pp from the previous term to 9.9%.
- Ordinary profit decreased due to continued high purchase cost, strengthening of sales structure, and cost increase due to promotion of recruitment activities for nursing care workers. Ordinary profit margin also declined.

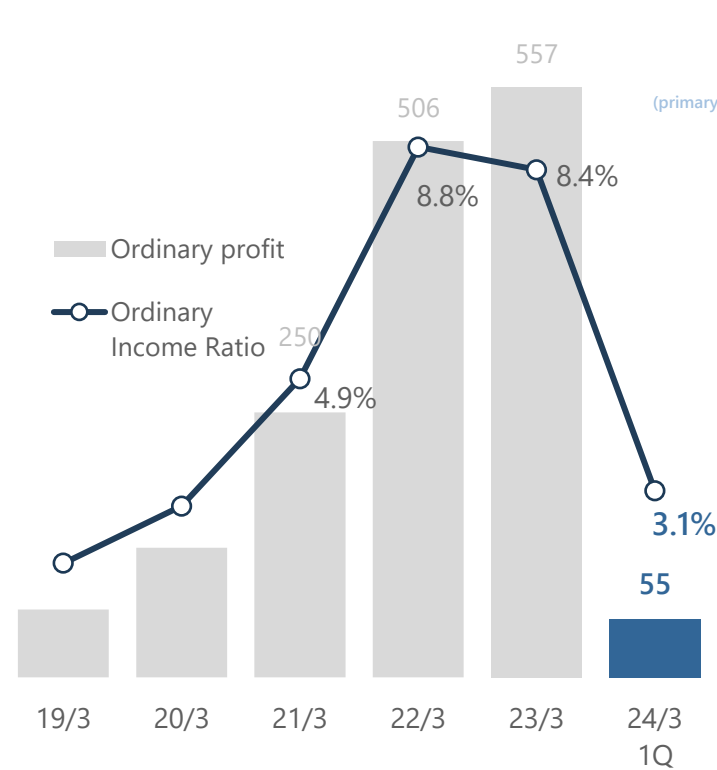
Sales

(millions of yen)



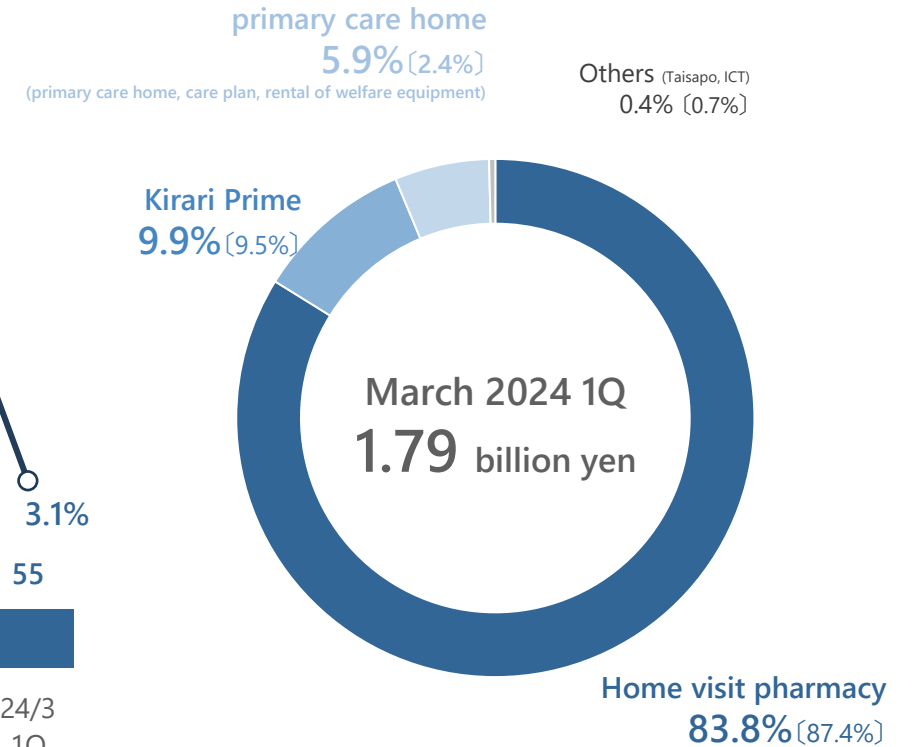
Ordinary Profit/Ordinary Profit Ratio

(millions of yen) (%)



Net Sales Ratio

(%) [] is year-on-year *



*Segment changes were applied retrospectively, and figures for the previous fiscal year and the previous fiscal year are reclassified to the segment classification method after the change.

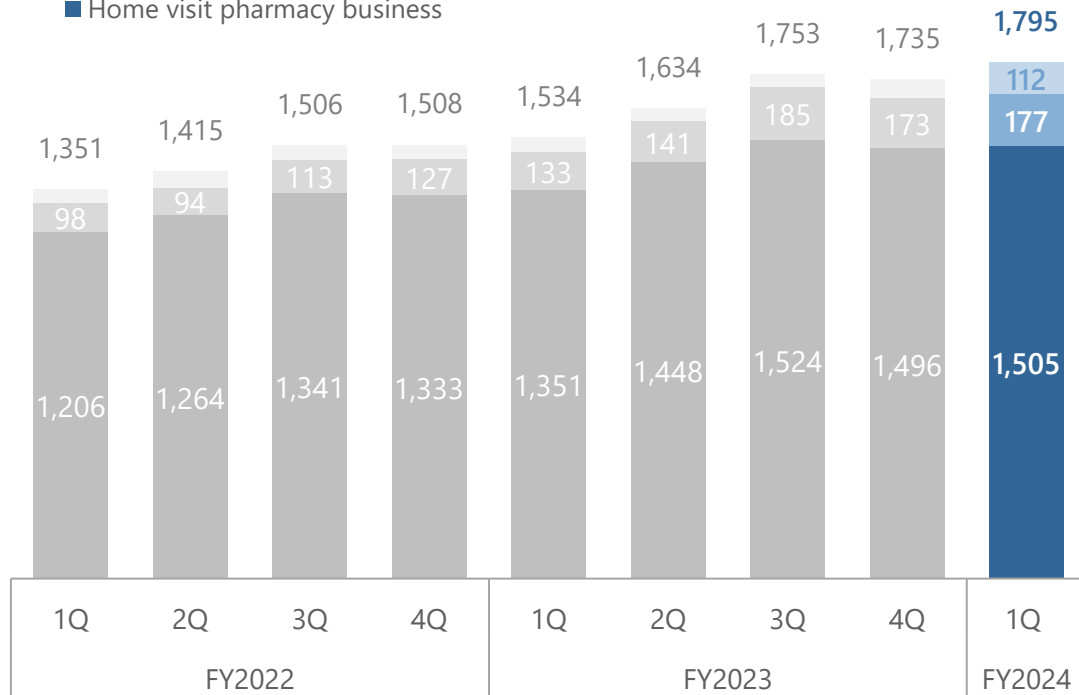
Quarterly Financial Results (1)

- 1Q net sales increased compared to the 4Q of the previous fiscal year and returned to the trend of increasing revenue compared to the previous quarter. 3 businesses expanded: home visit pharmacy business, Kirari Prime business, and primary care home business
- Gross margin decreased by 3.5 percentage points from the previous quarter, mainly due to higher pharmaceutical purchasing costs.
- Operating margin decreased by 4.5 percentage points from the previous quarter, mainly due to the decrease in gross margin and continued investment in the introduction of a revamped system, recruitment of new business personnel, and system strengthening.

Composition of net sales

(millions of yen)

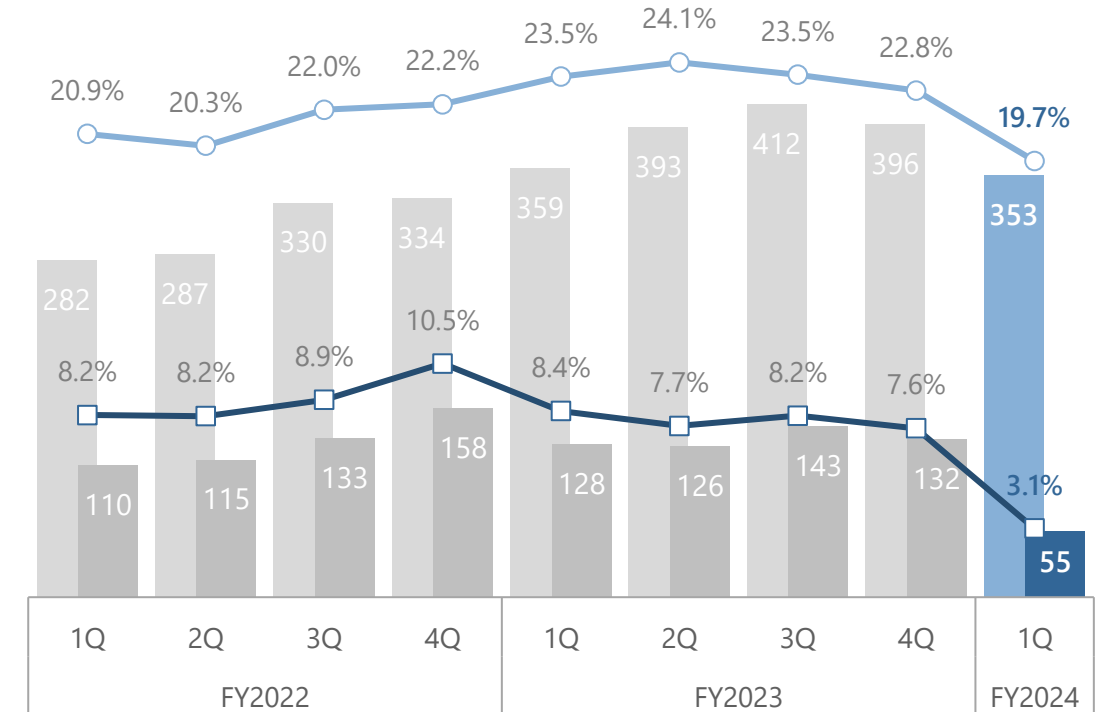
- Primary care home business and other business
- Kirari Prime business
- Home visit pharmacy business



Gross profit and operating profit

(millions of yen) (%)

- Gross profit
- Operating profit
- Gross profit margin
- Operating profit margin



Quarterly Financial Results (2) By Segment

- Although sales of the home visit pharmacy business have remained strong due to the opening of new stores, the cost to purchase ratio has deteriorated by 3% from the previous fiscal year, resulting in a negative impact of about 45 million yen from the same period of the previous fiscal year due to a reduction in profit margins.
- The supply of less profitable antiviral drugs has increased even after the COVID-19 transition to Class 5. It is expected that the supply of these antiviral drugs will stabilize due to the abolishment of public funds from October, and the profit margin is expected to recover from the second half. In addition, we will secure positive growth compared to the previous fiscal year due to increased sales due to new store openings.
- The Kirari Prime business has started operating a new service (Package plans, consulting services), and the number of orders is steadily increasing. New service sales at existing franchisees are also strengthening. Primary care home business begins to take off and contributes to sales in earnest. Preparations are underway for the second primary care home, Hakata Mugino, but the deficit is shrinking.

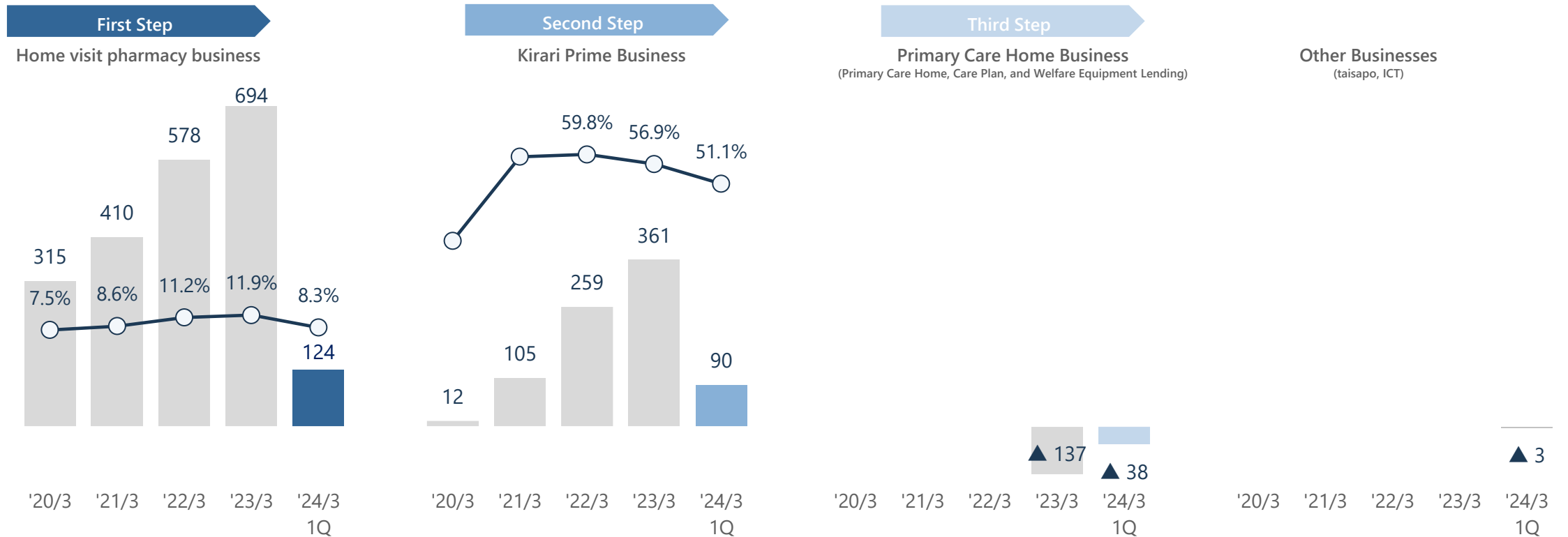
(millions of yen)	2023/3				2024/3
	1Q	2Q	3Q	4Q	1Q
Sales	1,534	1,634	1,753	1,735	1,795
Home visiting pharmacy business	1,351	1,448	1,524	1,496	1,505
Kirari Prime Business	133	141	185	173	177
Primary Care Home Business	32	32	33	57	106
Other Business	17	11	9	8	6
Operating income	128	126	143	132	55
Home visiting pharmacy business	153	185	171	184	124
Kirari Prime Business	70	73	115	101	90
Primary Care Home Business	▲ 14	▲ 26	▲ 37	▲ 60	▲ 38
Other Business	4	▲ 0	▲ 1	▲ 2	▲ 3
Adjustments	▲ 85	▲ 106	▲ 104	▲ 91	▲ 117
Ordinary profit	137	125	142	151	55
Net income	91	87	81	122	36

Operating Income by Segment

- The home-visit pharmacy business, which is responsible for the first step, performed well. Although the cost ratio has remained high and the profit margin has declined, new stores are back on track and growth continues to accelerate.
- The Kirari Prime business, which is the second step, is also doing well. It focused on acquiring and developing human resources and developing new services, and strengthened sales of package plans to new franchisees. It is recognized that following up with existing franchisees is an issue for the future.
- The primary care home business, which is responsible for the third step, is at a stage where sales are beginning to contribute to business results, and we will continue to invest in order to contribute to earnings from the next fiscal year onwards.

Segment profit and profit margin

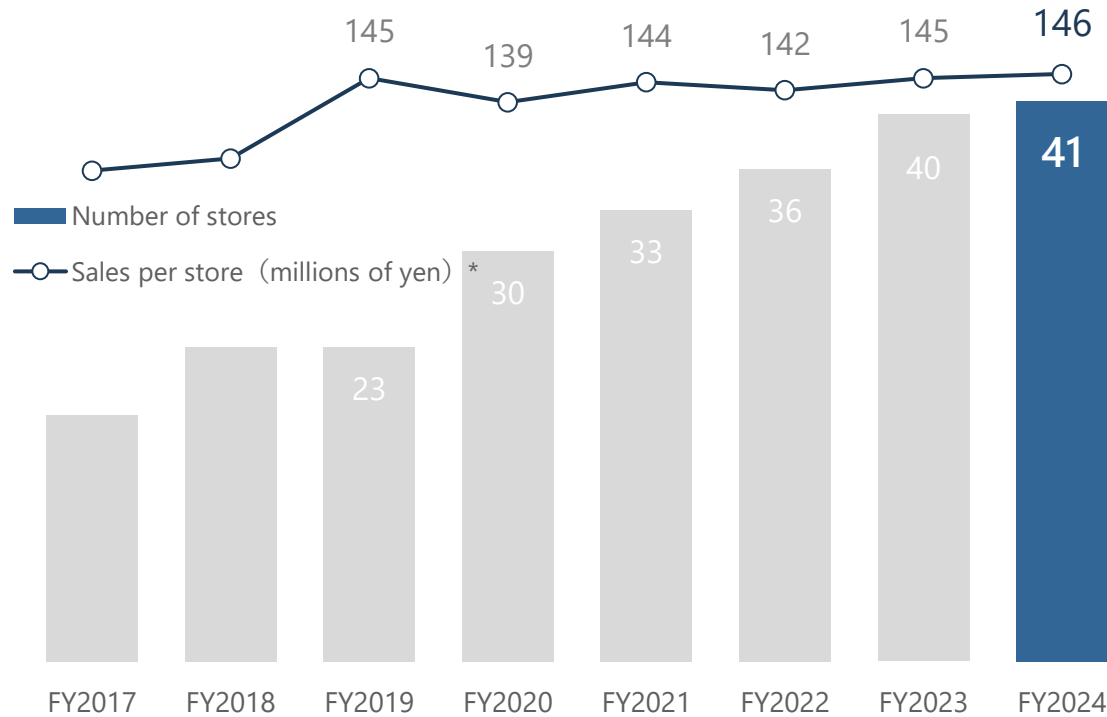
(millions of yen) (%)



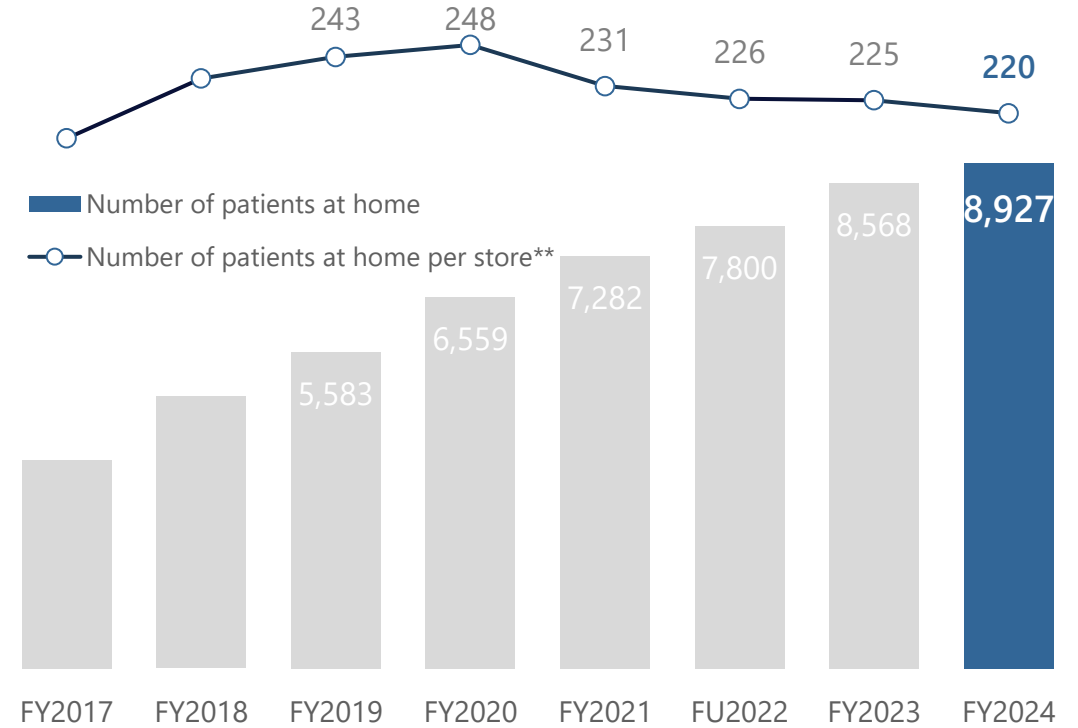
Home Visit Pharmacy Business KPI

- The number of stores was 41, up 1 from the end of the previous fiscal year, after opening in Itoshima City in May. Sales per store were almost unchanged at 146 million yen.
- The number of patients visiting at home increased by 359 from the end of the previous fiscal year, partly due to an increase in the number of residents at the primary care home, Hyuga Kasuga Chikushidai. As a result of the pursuit of optimization to maintain the quality of visiting services, the number of patients per store remained at a level that enables efficient operation.

Sales and number of stores



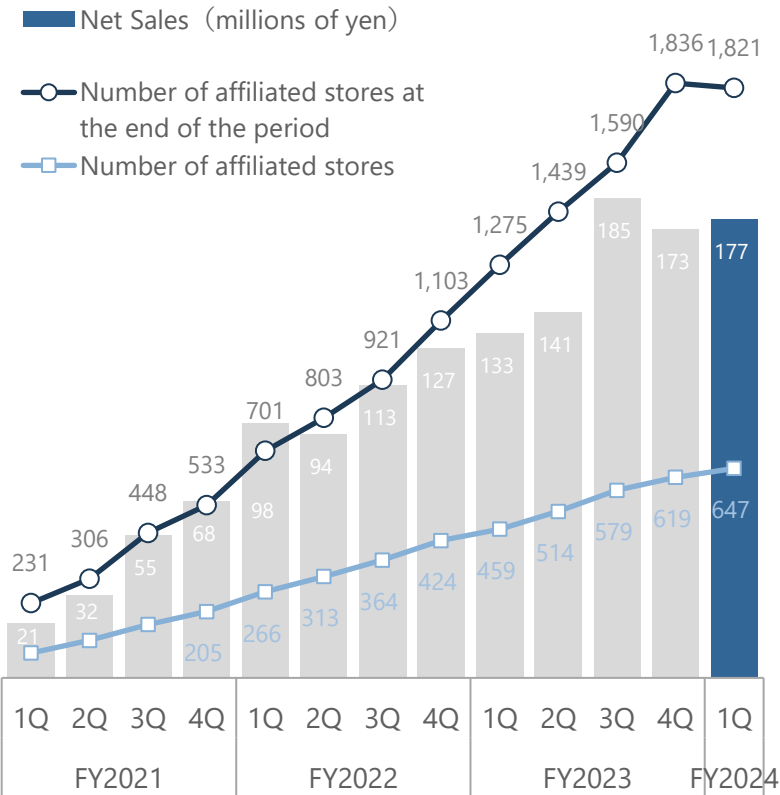
Number of patients visiting at home



Kirari Prime Business KPI

- Sales increased 32% year on year, and franchisees increased by 546 stores. However, the number of franchisees increased by 28 from the previous quarter, but the number of franchisees decreased by 15. The main reason for the withdrawal was the closure of the pharmacy, but a large pharmacy operator with 10~40 branches withdrew due to "inability to utilize the service." These contracts are only for basic membership (12000 yen/month for 1 corporation), and the impact of the decrease in sales is small, but strengthening the follow-up system of existing members is an issue.
- In May, we started offering package plans (basic membership + famcare lending + support for purchasing pharmaceuticals + support for acquiring patients at home) for about 1 million ~4 million yen per year, and the ARPU of new members increased 2.5 times from that of new members in the same period of the previous year in 1Q.

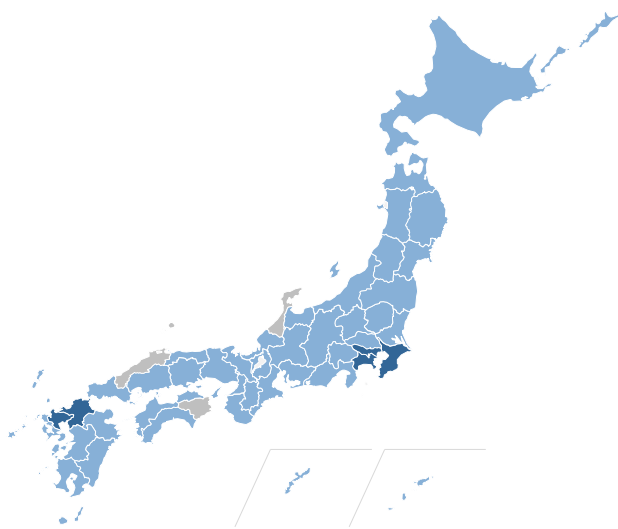
Sales, Number of Affiliated Stores, Number of Corporations



Development Status

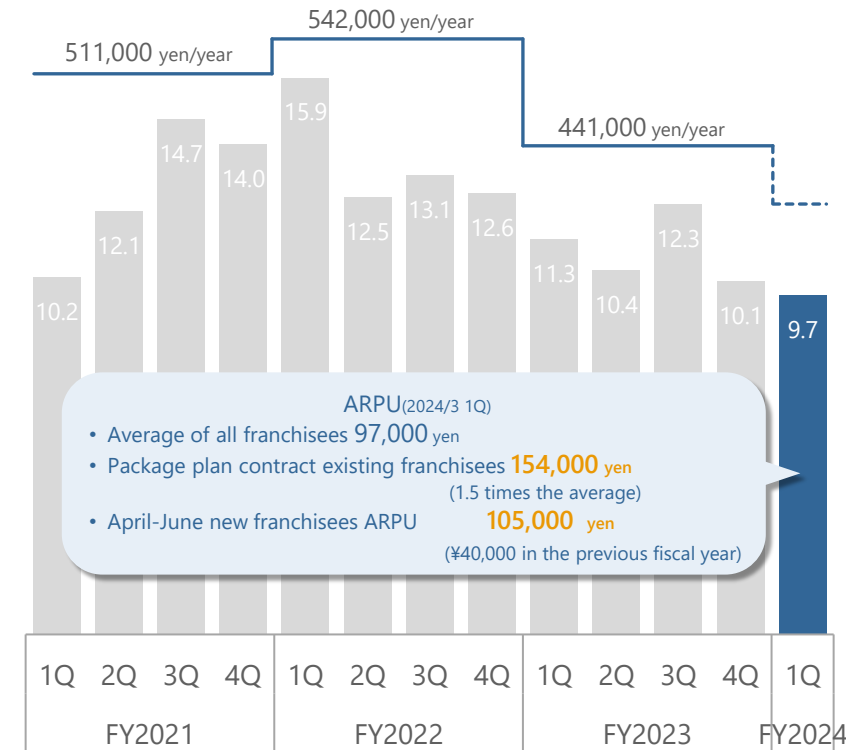
Kirari Pharmacy	5 prefectures	41 stores
Affiliated pharmacies	44 prefectures	1,821 stores

(As of June 2023)



Kirari Prime ARPU**

(10K yen/quarter)



**ARPU= Kirari Prime Sales (including initial revenue)/Average number of stores at the end of the period

Progress of Action Plan for Fiscal 2024

Home visit pharmacy business

- Steady increase in the number of stores to continue expansion of the Dominant strategy, and new stores opening at a higher pace than ever before

Plans are underway to open up to five stores (including existing stores) **In progress**

- Business succession from Kirari Prime member stores
Our company is considering its first store opening. We will reduce the number of aging managers and reduce the churn rate of the Kirari Prime business.

Open stores in July 2023 **In progress**

- Active Deregulation of Online Medication Guidance for Elderly Facilities

In progress

Kirari Prime Business

- Expansion of service menu and revision of price plan
A set of support for sales activities, staff education, and a system to improve operational efficiency, which are barriers to entry for home visiting pharmacies

Package plan now available **In progress**

- Cooperation with major partner companies and strengthening of sales systems
Increase store acquisition and continue recruitment and training of sales staff through cooperation with major companies operating nationwide, and strengthen consulting capabilities for franchisees

Kirari clam school Launches Various Consulting Services **In planning**

- Launch of debt stock trading system
Launch of the system developed in partnership with Falmo to solve the problem of home visiting pharmacies where stockpiles tend to increase

Start of Test Operations **In preparation**

Primary care home business

- Early monetization of Kasuga Chikushidai and Hakata Mugino. Kasuga Chikushidai faced challenges in securing the number of residents in its first month of operation due to the eighth wave of coronavirus. Hakata Mugino secured residents in its first month of operation through a room tour one month before its opening.

Reservation and application for 35 people before opening **In progress**

- Establishment of a facility development system
Information collection regardless of metropolitan area. Verification of whether the development of in-house owned facilities can increase profitability and speed of establishment

Start of projects established in 2024 and 2025 **In planning**

- Start of rental and sales of ICT equipment applied to long-term care insurance
- Development of excretion (diaper sensor) management devices

Diaper sensor prototype completed **In preparation**



Strengthen positioning as a platform company for primary care

balance sheet

- At the end of the first quarter of the 2024/3 fiscal year, the capital adequacy ratio was 49.9%. Continued debt-free management
- There was no change in the trend of increasing accounts receivable with the expansion of the home visit pharmacy business
- Expansion of fixed assets due to the opening of new stores, increased investment in the primary care home businesses

(millions of yen)	2022/3 End of fiscal year	2023/3 End of fiscal year	2024/3 End of fiscal year	Increase (decrease) from the previous year-end	
Current assets	1,896	1,959	1,977	+18	
Cash and deposits	719	567	503	▲ 64	
accounts receivable	996	1,152	1,207	+54	Impact of Business Scale Expansion
Non-current assets	635	955	1,074	+119	
tangible fixed assets	209	276	361	+84	Impact of New Store Opening (Home Visit Pharmacy Business)
intangible fixed assets	295	440	458	+18	Increase in goodwill due to business succession
Total assets	2,531	2,914	3,052	+137	
Liabilities	1,459	1,431	1,530	+98	
accounts payable	632	669	782	+113	Impact of Business Scale Expansion
Interest-bearing debt *	330	193	162	▲ 31	Repayment of long-term debt
Lease liabilities (short-term and long-term)	0	57	60	2	
Net assets	1,072	1,483	1,522	+38	Retained earnings +36 million yen
Liabilities and assets	2,531	2,914	3,052	+137	
Equity ratio	42.4%	50.9%	49.9%	▲1.0pt	
ROE	39.1%	30.0%	—	—	
ROA	14.4%	14.1%	—	—	
total asset turnover	2.5 times	2.4 times	—	—	

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earnings outlook

- In the 2024/3 fiscal year, the primary care home business contributed to sales in earnest, in addition to growth in the home visiting pharmacy business and Kirari Prime business. Expect a 20% increase in sales across the company
- Operating income is expected to increase 36%. The home visit pharmacy business and Kirari Prime business will continue to contribute to earnings. The primary care home business plans to become profitable in the second half due to the segment change, and the facility operation alone is expected to become profitable in the second half.
- Retrospective application of the segment change to the results for the 2023/3 fiscal year and the forecast for the 2024/3 fiscal year is described below.

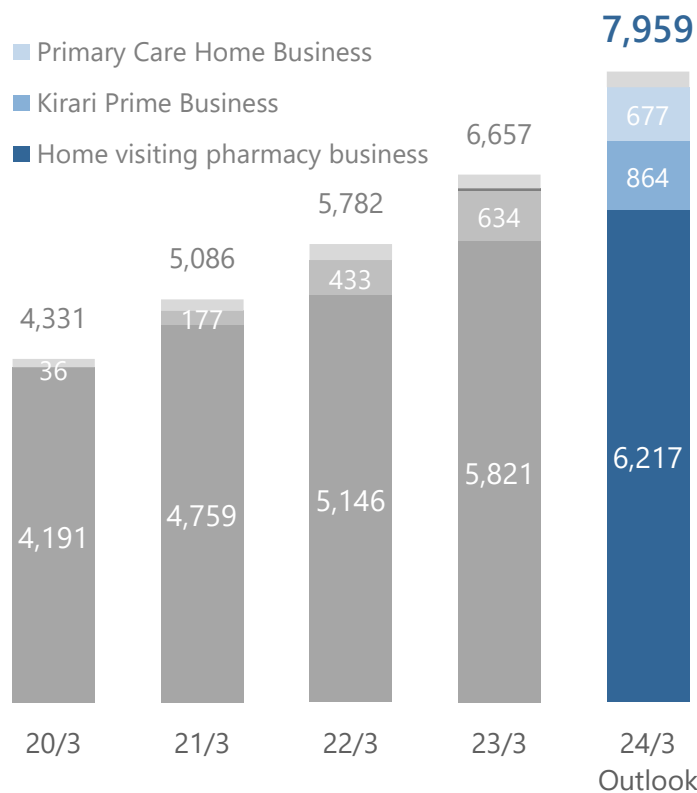
(millions of yen)	Results for the 2023/3 fiscal year			2024/3 outlook			Change YoY			Full Year
	First Half	Second Half	Full Year	First Half	Second Half	Full Year	First Half	second half of the year	Full year	Change
Sales	3,168	3,488	6,657	3,606	4,353	7,959	437	864	1,302	19.6%
Home visit pharmacy business	2,799	3,021	5,821	2,938	3,279	6,217	138	258	396	6.8%
Kirari Prime Business	275	358	634	351	512	864	76	153	230	36.3%
Primary Care Home Business	65	91	156	296	520	816	230	428	659	421.4%
Other Business	28	17	45	20	40	61	▲ 7	23	15	34.2%
Operating income	254	275	530	206	515	721	▲ 48	239	191	36.1%
Home visit pharmacy business	339	355	694	351	410	762	12	54	67	9.7%
Kirari Prime Business	143	217	361	170	310	481	26	93	120	33.3%
Primary Care Home Business	▲ 40	▲ 97	▲ 137	▲ 50	17	▲ 32	▲ 10	115	104	-
Other Business	4	▲ 3	0	▲ 7	8	0	▲ 11	12	0	-
Adjustments	▲ 192	▲ 196	▲ 388	▲ 257	▲ 231	▲ 489	▲ 65	▲ 35	▲ 101	26.2%
Ordinary profit	263	294	557	205	514	720	▲ 57	220	163	29.2%
Net income	178	204	382	141	354	496	▲ 37	150	113	29.7%

KPI Assumptions

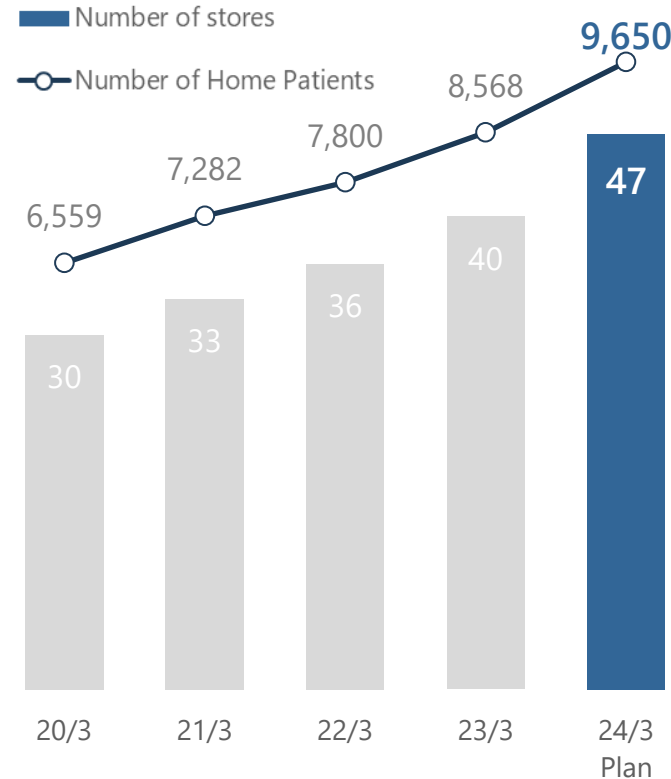
- Net sales forecast is for an increase of 1.3 billion yen from the previous fiscal year: home visit pharmacy business + 400 million yen, Kirari Prime business + 230 million yen, primary care home business + 650 million yen
- The home visit pharmacy business plans to open more stores than usual. The number of home patients is expected to increase by more than 10% year on year by actively absorbing the growing need for home visits.
- In the Kirari Prime business, the number of affiliated stores is expected to increase by 40%. ARPU is expected to decrease due to the focus on acquiring affiliated stores, and we will continue to invest in response to the shortage of personnel and the increase in churn in supporting affiliated stores.

Sales Outlook

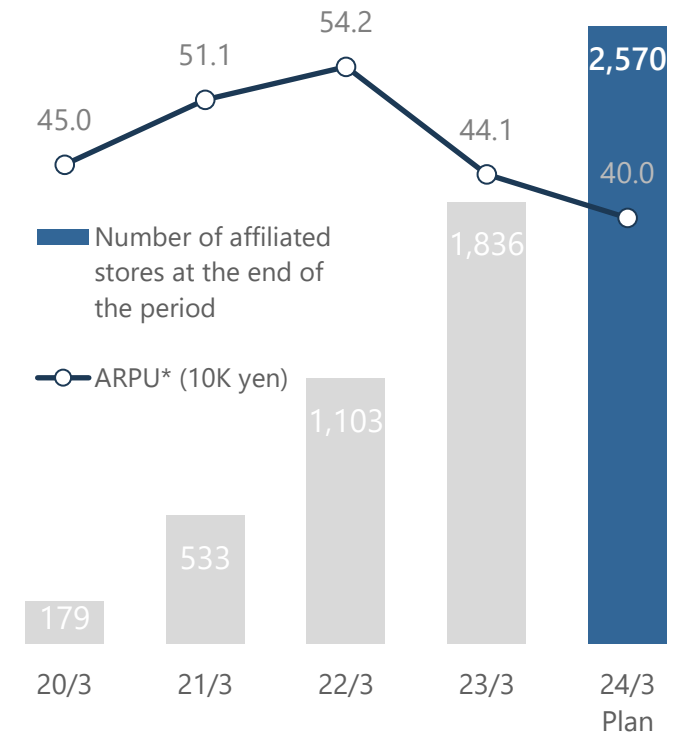
(millions of yen)



Home Visit Pharmacy Business KPI Assumption



Kirari Prime Business KPI Assumption



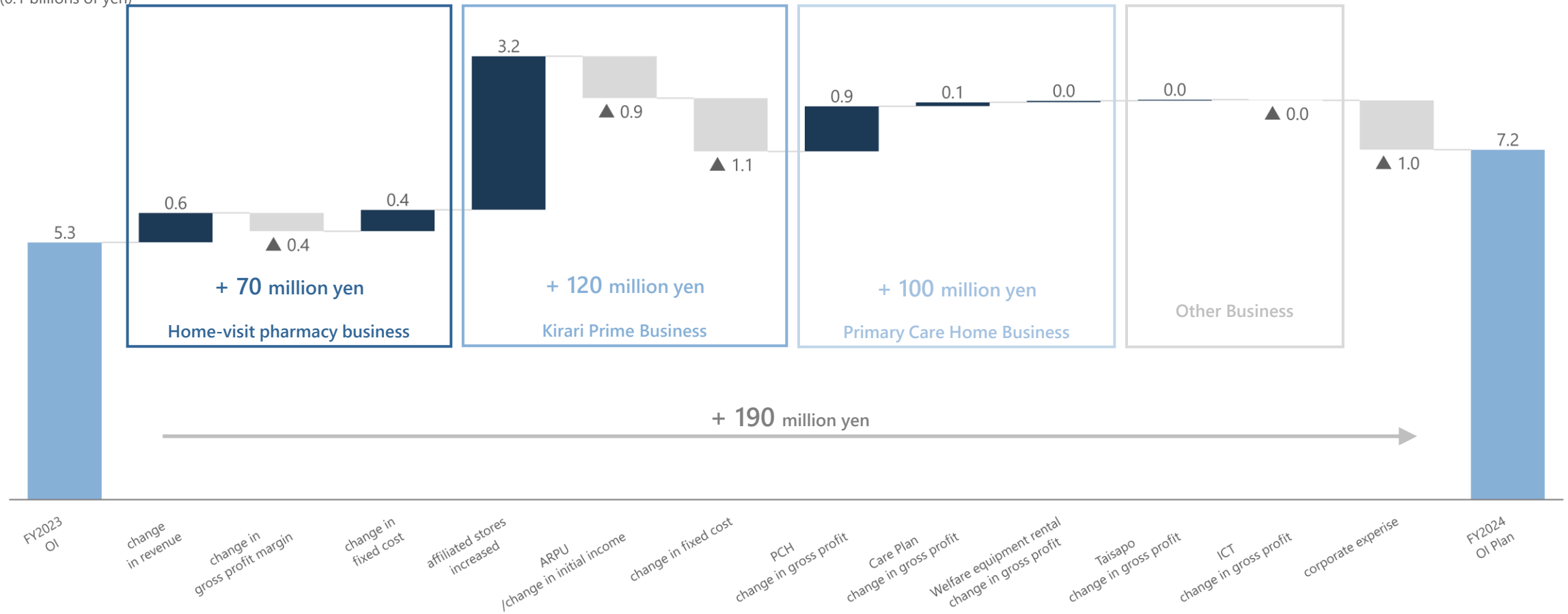
*ARPU= Kirari Prime Business Sales (including initial revenue) ÷ Average number of affiliated stores at the beginning and end of the period

Factor Analysis of Assumed Operating Income

- The Kirari Prime Business and the Primary Care Home Business are leading the company's earnings growth. In the Kirari Prime Business, the increase in franchisees contributed. The decline in the average ARPU for the fiscal year and the increase in management costs are expected to be absorbed. The primary care home business, where upfront costs were a factor in the previous fiscal year, is also expected to show a significant improvement in profitability as facility occupancy rates increase. Both businesses are expected to generate more than the company-wide increase in profit.
- The home-visit pharmacy business is expected to increase revenue due to the increase in store openings, but the gross margin is expected to decline due to the COVID-19 pandemic.

Operating Income Factors

(0.1 billions of yen)

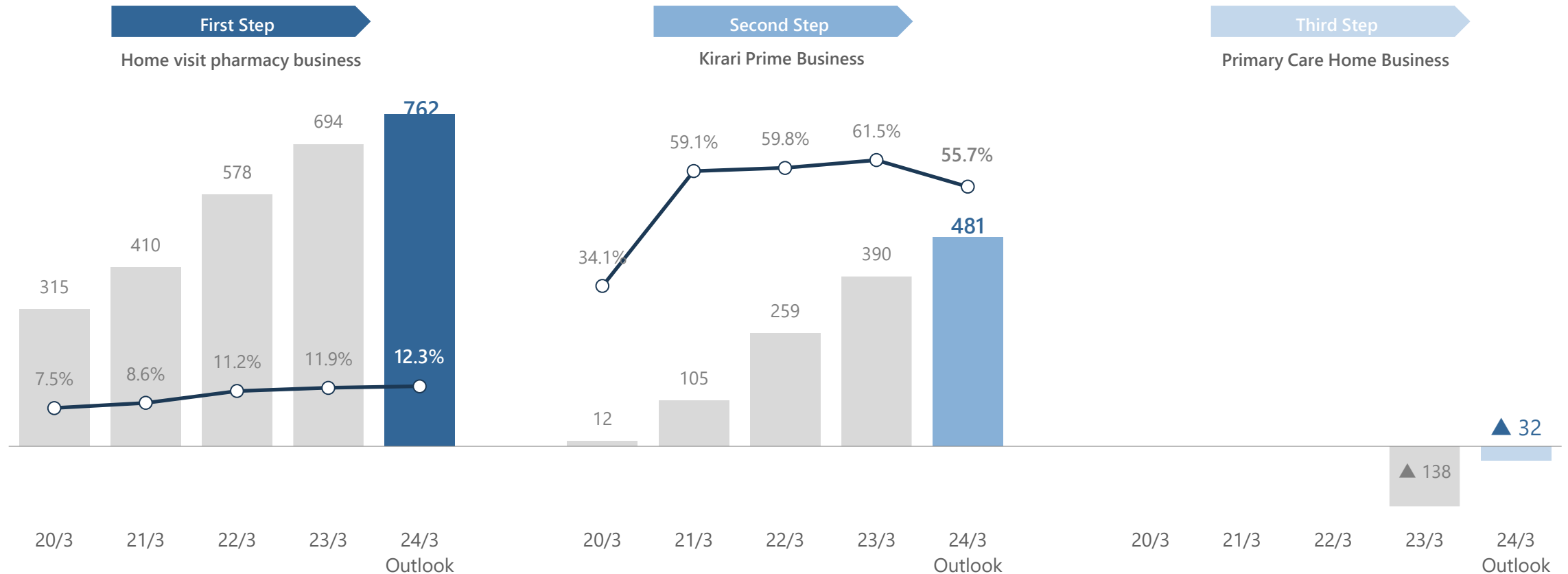


Earnings Forecast by Segment

- The first-step home visit pharmacy business is expected to continue stable growth. Maintain sales growth while maintaining profit margins through steady opening of new stores
- The Kirari Prime business in the second step is expected to increase profit by 28%, but ARPU and profit margins are expected to decrease due to prioritizing acquisition of franchisees and support of franchisees
- In the primary care home business in the third step, facility operations will contribute to sales. In terms of profit and loss, profitability is on the horizon. Full-scale contribution to earnings will start in the 2025/3 period.

Segment profit and profit margin

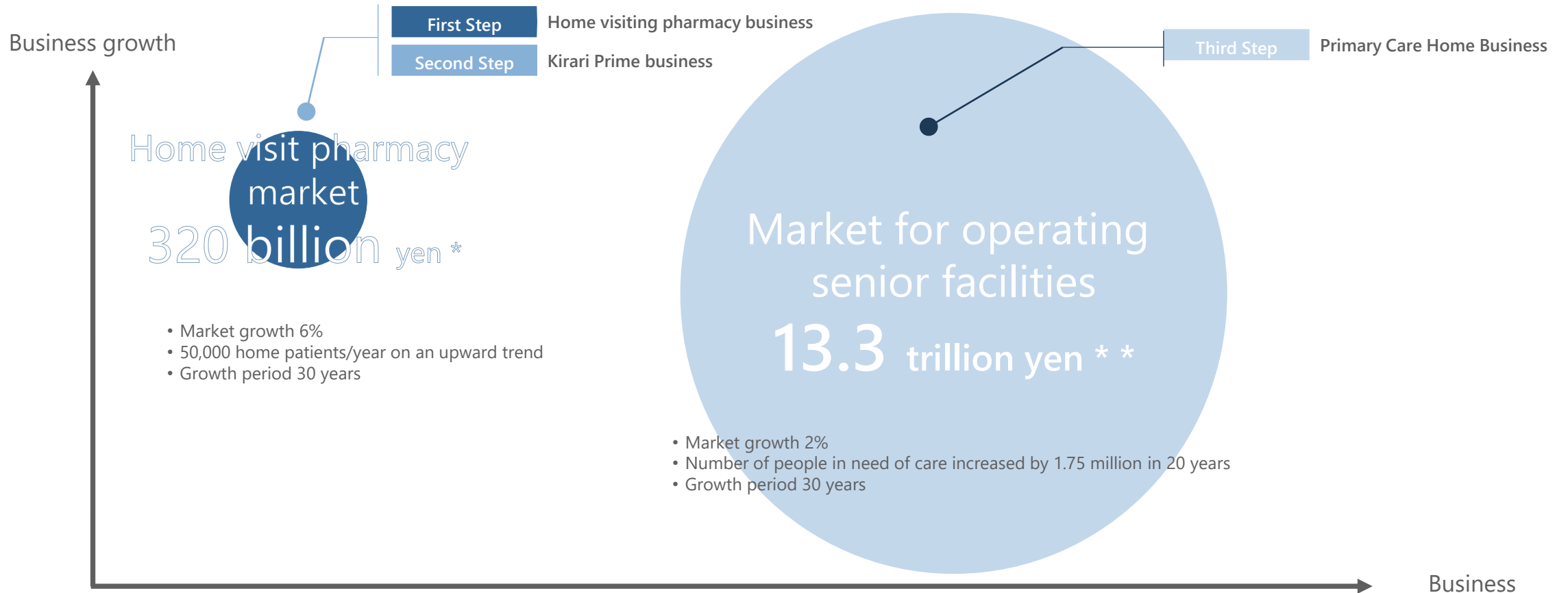
(millions of yen) (%)



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market analysis

- Recognizing that both the home-visiting pharmacy market and the senior citizens' facility operations market will expand over the long term due to an aging population and an increase in the number of home patients
- Developing a strategy that combines the large and profitable primary care home business (the third step of growth) with the high-growth home-visiting pharmacy business and the Kirari Prime business (the first and second steps of growth)



*Home visiting pharmacy TAM: 900,000 patients at home (Nikkei Medical June 2021 Social Medical Practice Survey Analysis) x average sales per patient of 360,000 yen (our company results) = 320 billion yen

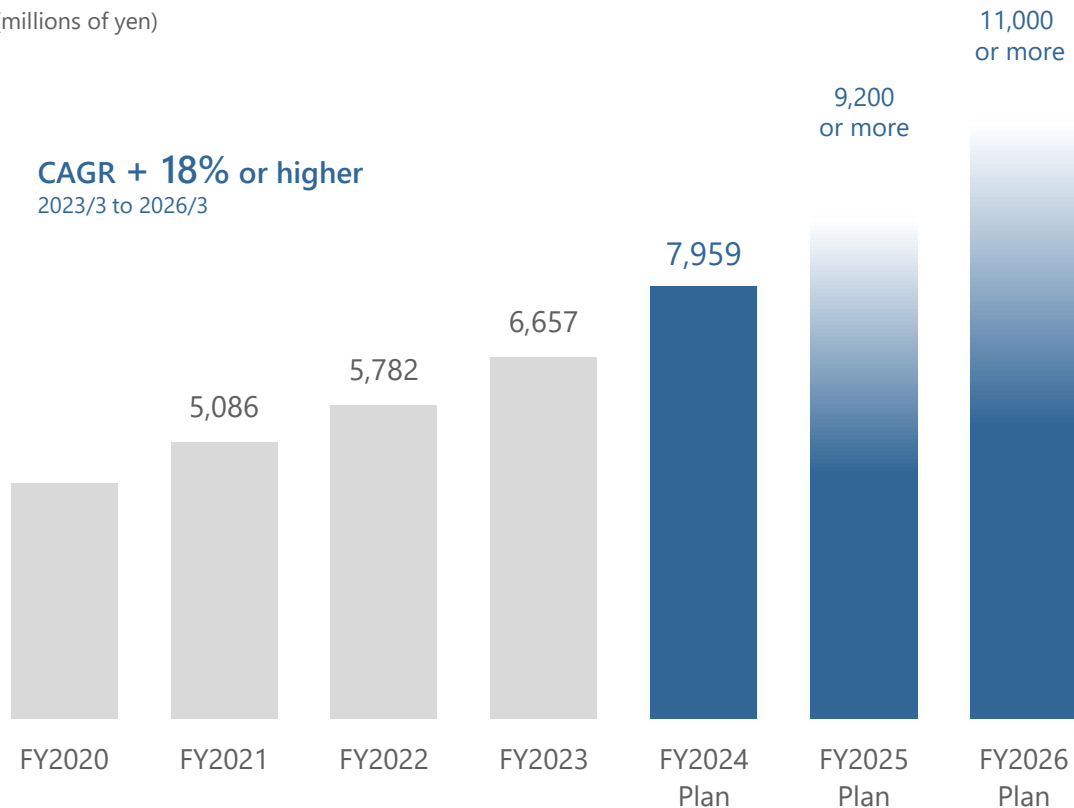
** Primary care home business TAM : 6.89 million people requiring long-term care (the Ministry of Health, Labour and Welfare Report on the Status of Long-Term Care Insurance Business, February 2022) x rate of utilization of in-home services (calculated from the 2021 Survey on Long-term Care Benefit Expenses, etc.) 38.6% x average sales per patient of 5 million yen (actual results in our company) = 13.3 trillion yen

Medium-Term Growth Plan

- Some revisions from the plan announced in May 2022. Sales target revised upward due to launch of the Primary Care Home business, profit target revised downward due to expected increase in facility opening costs
- The immediate targets are sales of at least 9.2 billion yen and an ordinary profit margin of at least 10% for the 2025/3 fiscal year. No change in strategy to further accelerate growth
- The growth was driven by three businesses, including the home-visit pharmacy business and the Kirari Prime business plus the Primary Care Home business. The policy is to quickly put the Primary Care Home business, which is positioned as the third step of growth for long-term expansion, on a growth path.

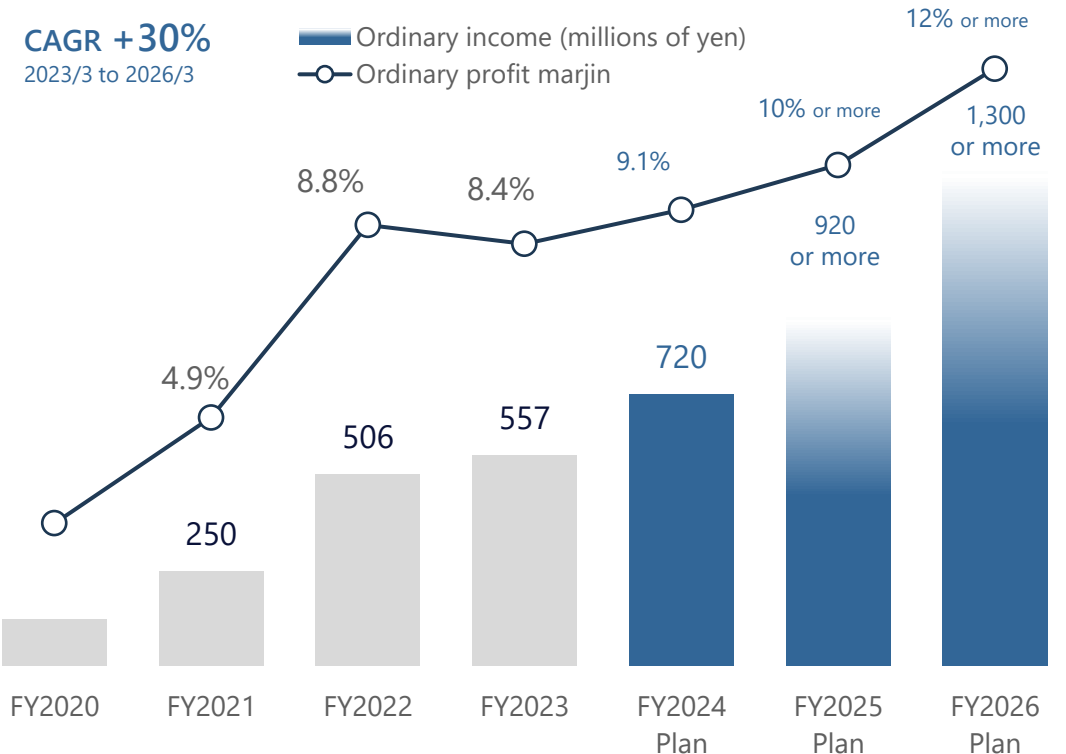
Net sales

(millions of yen)



Ordinary Profit/Ordinary Profit Ratio

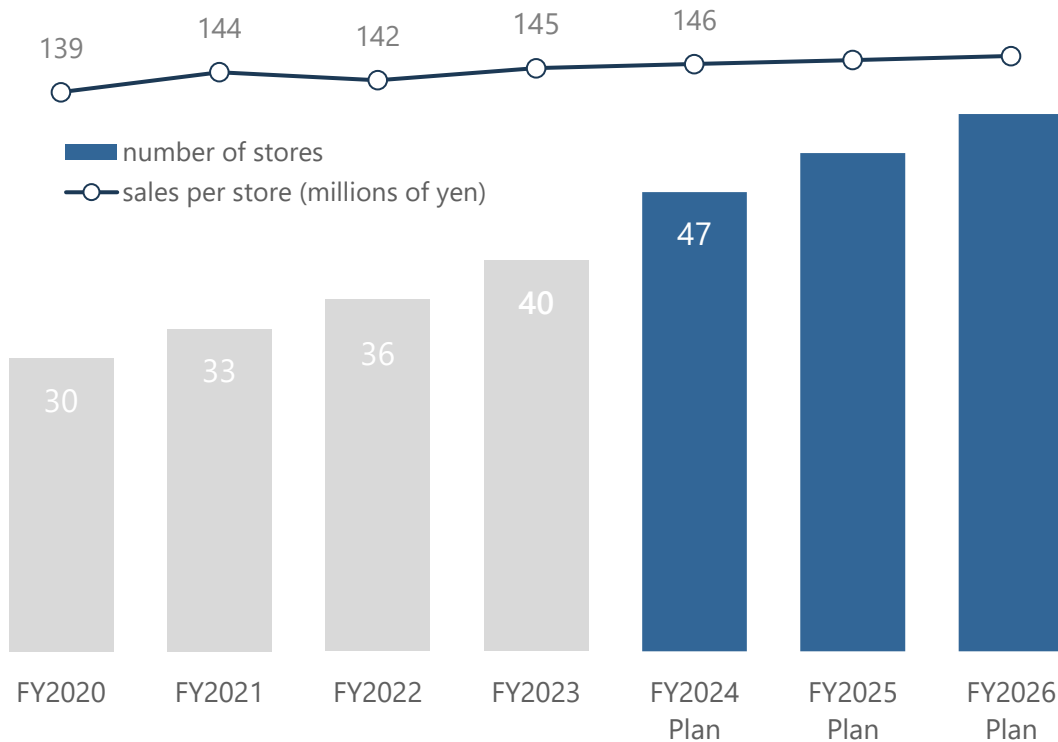
(millions of yen) (%)



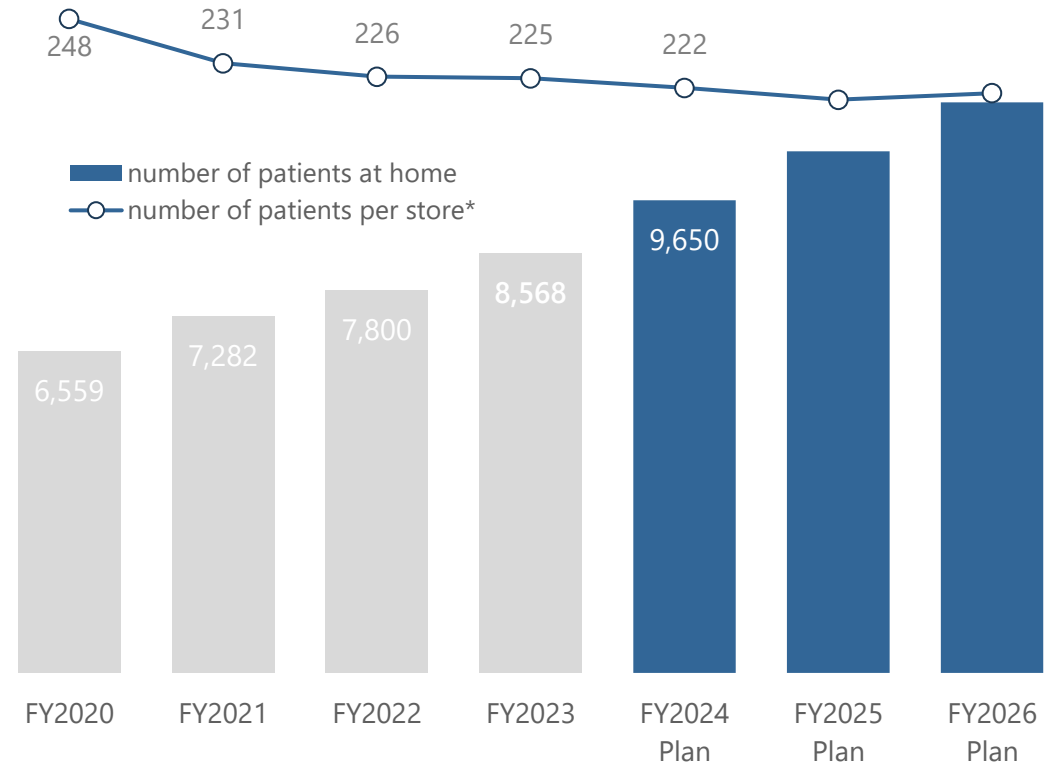
Home visiting pharmacy business strategy

- Directly managed home-visit pharmacy plans to increase sales by 40% from 2023/3 by 2026/3 while maintaining per-store sales
- The number of home visiting patients will also increase by about 40% by 2026/3 in line with store expansion. The number of patients per store will remain at the current level for operational efficiency
- While the increase in the number of elderly people and those in need of care and the expansion of the government's home care program will be a tailwind, we will carefully and proactively expand our operations while carefully assessing where we will open stores.

Plan for number of pharmacies at home



Plan for number of patients at home

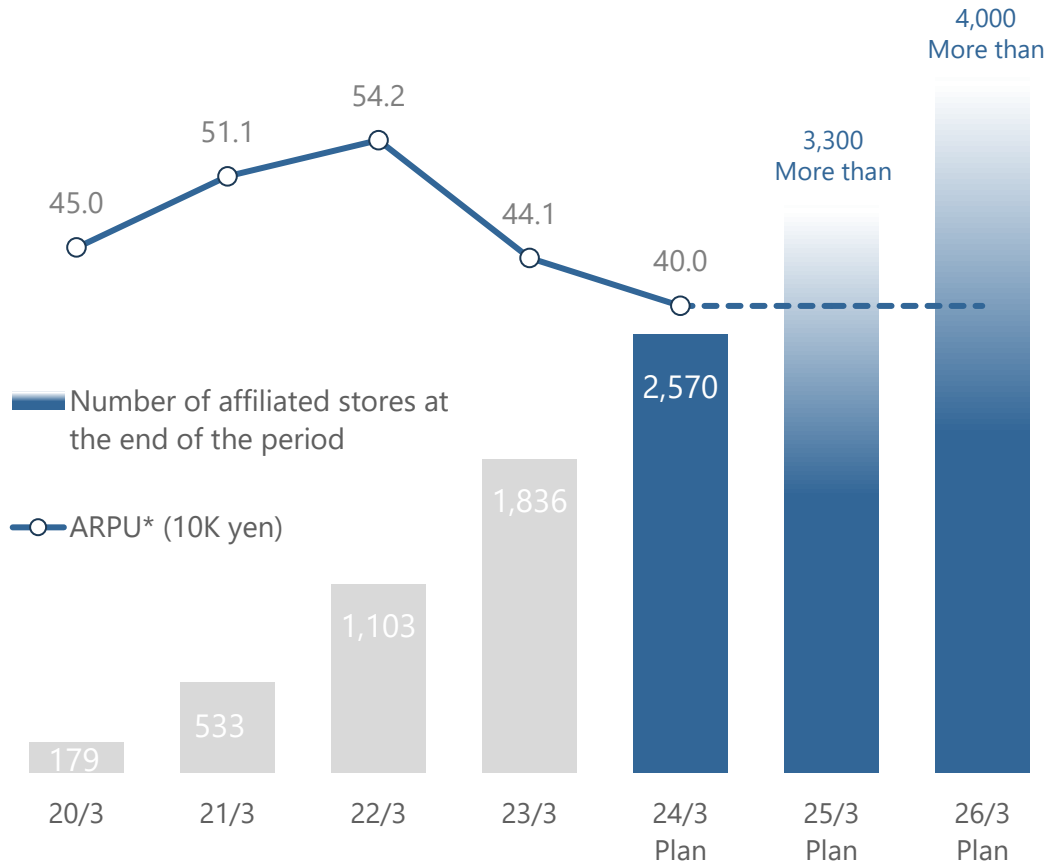


*Number of patients per store = Number of patients at home at end of period/Average number of stores at end of period

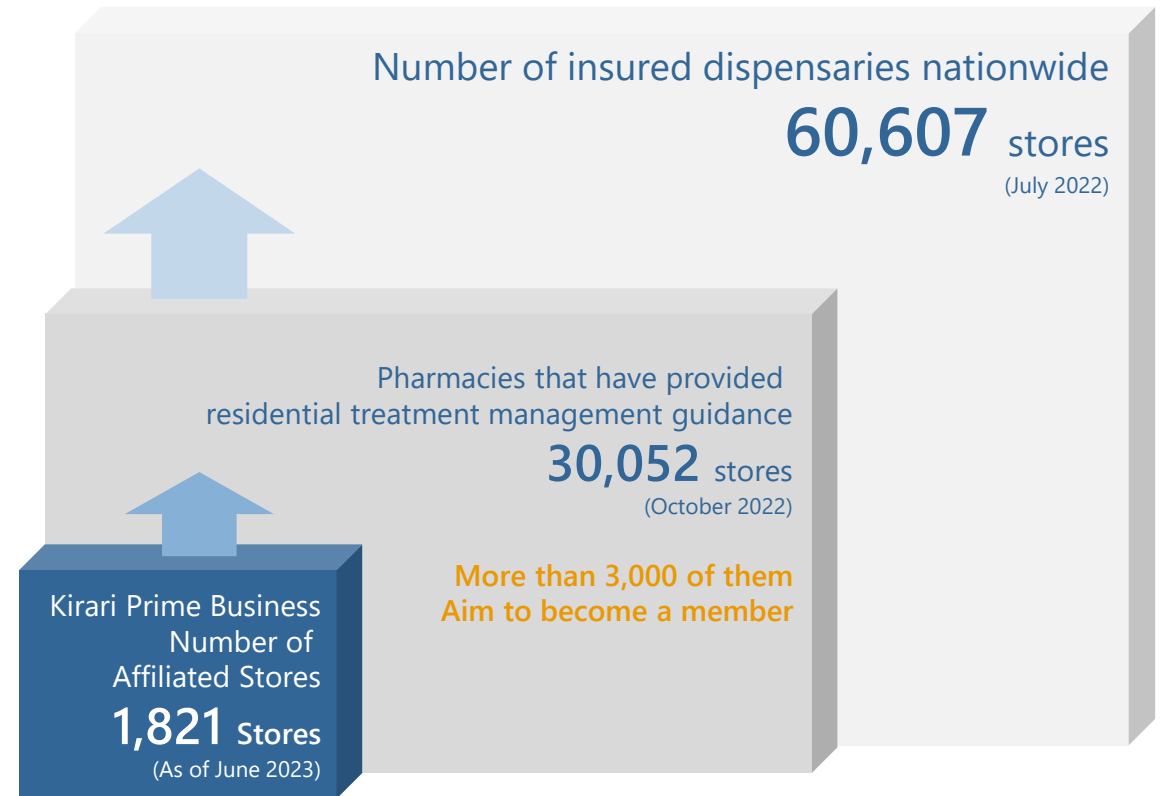
Kirari Prime Business Strategy

- The number of affiliated stores will increase to more than 3,000 by fiscal year 2025/3. Target is about 26,000 stores with a track record of home visits. Of these, plans to capture more than 10%
- Promote the provision of more convenient know-how and infrastructure services to member pharmacies. The active introduction of Fam Care will also accelerate the reduction of the human burden on pharmacies. We will continue to appeal to pharmacies that believe it is inevitable to strengthen the home-visit business in an aging society, as well as to small and medium-sized pharmacies in difficult business conditions.

Kirari Prime Business Plan



Kirari Prime Market Size **



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Our company's approach to sustainability management

HYUGA PRIMARY CARE Co., Ltd.

"Creating a social infrastructure that allows patients and users to recuperate at home 24 hours a day, 365 days a year"

is our business philosophy.

In order to realize this business philosophy, our company

- I. Contributing to the enhancement and development of community health care
- II. Providing safe and secure medicines
- III. Environmental Protection and Load Reduction
- IV. Supporting the Development and Active Performance of Human Resources and the Revitalization of Medical and Nursing Care Situations
- V. Strengthening Governance

We will move forward on the above.

Sustainability Report

The screenshot displays the 'Sustainability Report' page. It features a 'トップメッセージ' (Top Message) section with a photo of a man and text about the company's mission since 2007. Below this is the 'ESG経営方針の全体像 (1) 中長期ビジョンとSDGsへの考え方' (Overall ESG Strategy (1) Mid-term Vision and Thinking on SDGs). This section includes '中長期ビジョン' (Mid-term Vision) and 'SDGsへの考え方' (Thinking on SDGs). A 'マテリアリティマッピング' (Materiality Mapping) diagram shows the relationship between business priorities and SDGs. At the bottom, a table titled '重点課題グループとSDGs17の目標への貢献' (Contribution of Key Issue Groups to SDG 17 Goals) lists five groups and their corresponding SDG contributions.

重点課題グループ	SDGs 17の目標
I 地域包括ケアシステムのプラットフォームとしての地域医療の充実・発展への貢献	3, 4, 9, 11, 12, 17
II 社会インフラとしての安全安心な医薬品供給	9, 11, 12, 13, 17
III 環境保護・負荷軽減への対応	7, 12, 13
IV 多様な人材の育成・活躍と医療・介護現場の活性化支援	4, 5, 8, 9, 10
V ガバナンス強化	16

URL: <https://www.hyuga-primary.care/ja/ir/library/sustainabilityreport.html>

Organizing Materiality

Our company organizes matters considered important in five areas

Key Issues Group	Materiality
<p>I Contributing to the enhancement and development of community health care as a platformer of a community comprehensive care system</p>	<ol style="list-style-type: none"> 1. Contribution to community health care as a family pharmacy and pharmacist 2. Strengthen pharmacy functions by enhancing community medical care, including cancer alleviation 3. Promotion of online medicine using DX and IT tools 4. Providing health education, medical and nursing care information to local communities 5. Contributing to social security by promoting proper use of pharmaceuticals 6. Implementation of a bridge and community comprehensive care system in both the medical and nursing care fields through the spread of home health care 7. Contributing to the enhancement of community health care using the network established by the Kirari Prime Business
<p>II Safe and secure pharmaceutical supply as social infrastructure</p>	<ol style="list-style-type: none"> 8. Ensuring the quality and safety of the pharmaceutical products to be provided and appropriate management 9. Enhancing resilience to disasters and pandemics to ensure stable and sustainable pharmacy operations 10. Ensuring procurement stability by strengthening supply chain management
<p>III Measures to protect the environment and reduce environmental impact</p>	<ol style="list-style-type: none"> 11. Reducing waste, including pharmaceuticals, and improving the efficiency of resource use 12. Reducing CO2 Emissions by Making Energy Use More Efficient and Using Renewable Energy
<p>IV Supporting the development and performance of diverse human resources and the revitalization of medical and nursing care sites</p>	<ol style="list-style-type: none"> 13. Promote work-life balance through the realization of diverse work styles 14. Providing places of activity and managing working hours according to the way you work 15. Establishing a work environment that promotes employee health and job satisfaction 16. Respect for Human Rights and Promote Diversity (Promote Elderly Employment/Promote Women's Participation/Support LGBTQ Understanding) 17. Securing human resources to support company growth 18. Establishing a personnel system to promote growth 19. Effective utilization of human resources through promotion of DX
<p>V Strengthening governance</p>	<ol style="list-style-type: none"> 20. Sustained Strengthening of Corporate Governance 21. Highly transparent disclosure 22. Enhancing Information Security 23. Compliance

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Financial Highlights

		10 fiscal year	11 fiscal year	12 fiscal year	13 fiscal year	14 fiscal year	15 fiscal year	16 fiscal year
Year ended		March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Sales	(thousands of yen)	2,197,243	2,884,128	3,410,342	4,331,638	5,086,031	5,782,604	6,657,448
Ordinary profit	(thousands of yen)	32,896	58,882	64,181	122,368	250,720	506,182	557,751
Net income attributable to owners of the parent	(thousands of yen)	28,668	13,273	14,197	32,903	97,140	328,454	382,876
Capital	(thousands of yen)	100,000	100,000	100,000	100,000	104,742	171,915	185,912
Total number of shares outstanding	(share)	10,900	11,074	11,074	11,074	11,369	3,499,100	3,572,000*
Net assets	(thousands of yen)	422,454	455,737	469,935	502,838	609,463	1,072,264	1,483,134
Total assets	(thousands of yen)	1,246,403	1,472,458	1,658,986	1,771,859	2,015,029	2,531,605	2,914,911
Net assets per share	(Yen)	129.19	137.18	141.45	151.36	178.69	306.44	207.61**
Net income per share	(Yen)	8.77	4	4.27	9.9	28.99	95.8	53.92**
Capital ratio	(%)	33.9	31.0	28.3	28.4	30.2	42.4	50.9
return on equity	(%)	7.0	3.0	3.1	6.8	17.5	39.1	30.0
Operating cash flow	(thousands of yen)	-	-	-	34,733	351,821	484,597	342,252
Invested Cash Flow	(thousands of yen)	-	-	-	▲165,236	▲77,591	▲320,255	▲383,393
Financial cash flows	(thousands of yen)	-	-	-	▲6,259	36,641	16,927	▲110,728
Cash and cash equivalents at end of year	(thousands of yen)	-	-	-	227,416	538,288	719,557	567,688
Number of employees (Average number of other temporary employees)	(persons)	150 (58)	190 (59)	226 (68)	283 (93)	312 (96)	329 (102)	442 (100)

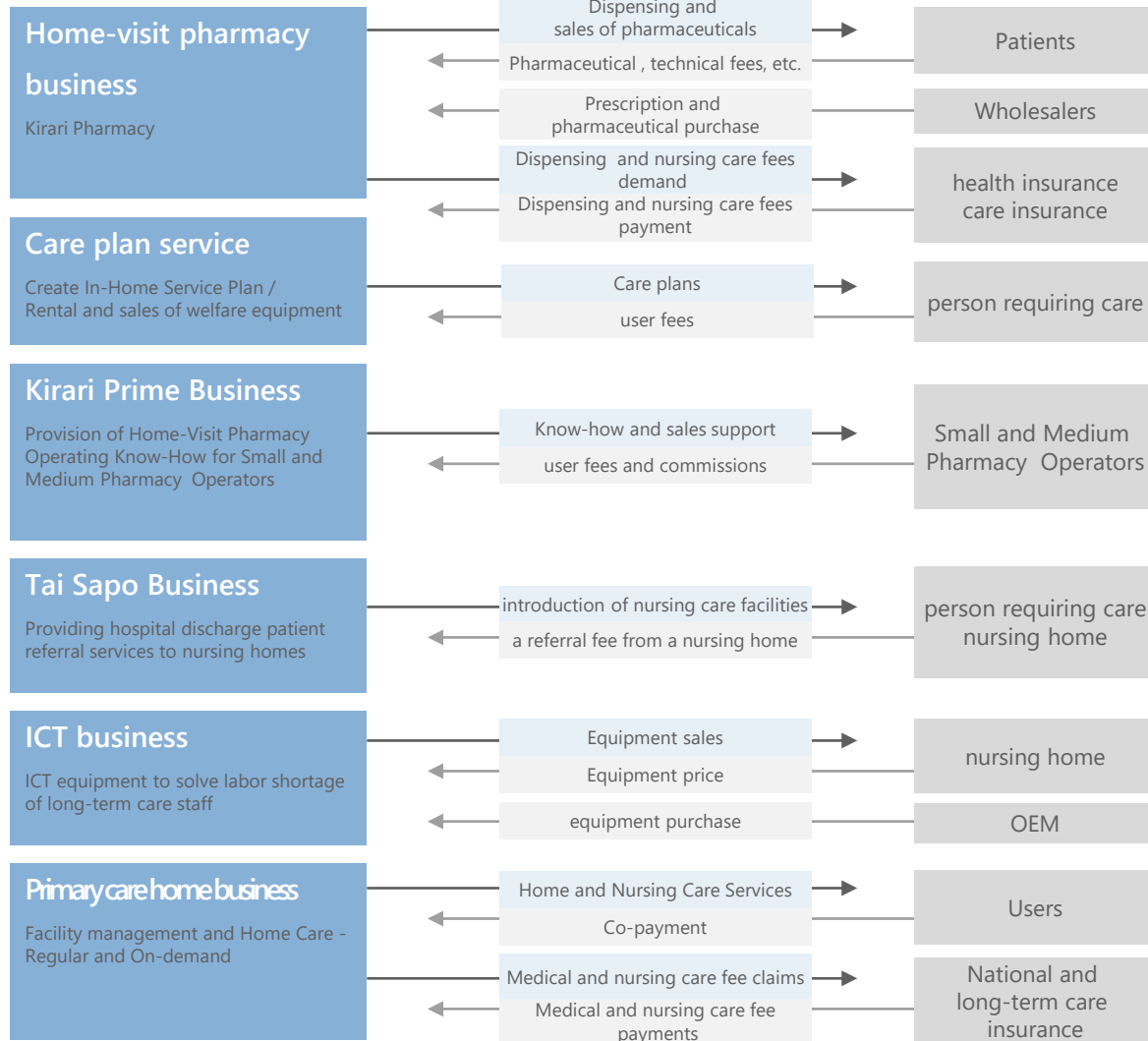
*On April 1, 2023, our company executed a two-for-one stock split of its common stock. The total number of issued shares after the split is 7,144,000 shares

**On April 1, 2023, our company executed a two-for-one stock split of its common stock. Net assets per share and net income per share are calculated assuming that the stock split took place at the beginning of the 16 fiscal year.

Integrated business flow/community comprehensive care system platform

Business development and business flow

Business genealogy



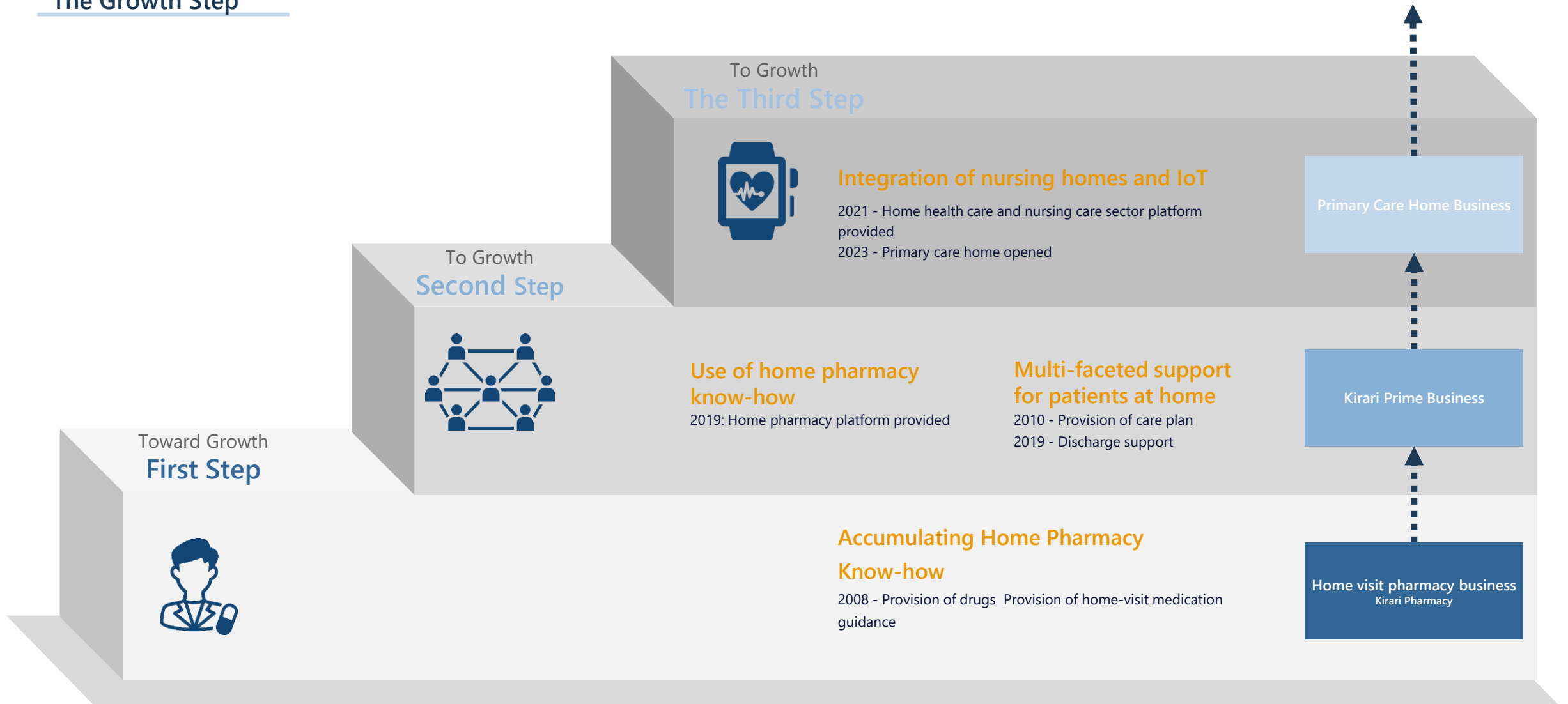
As a platform for comprehensive community care systems
 Providing one-stop services to patients and customers



Strengthening the Third Step to Growth

The Growth Step

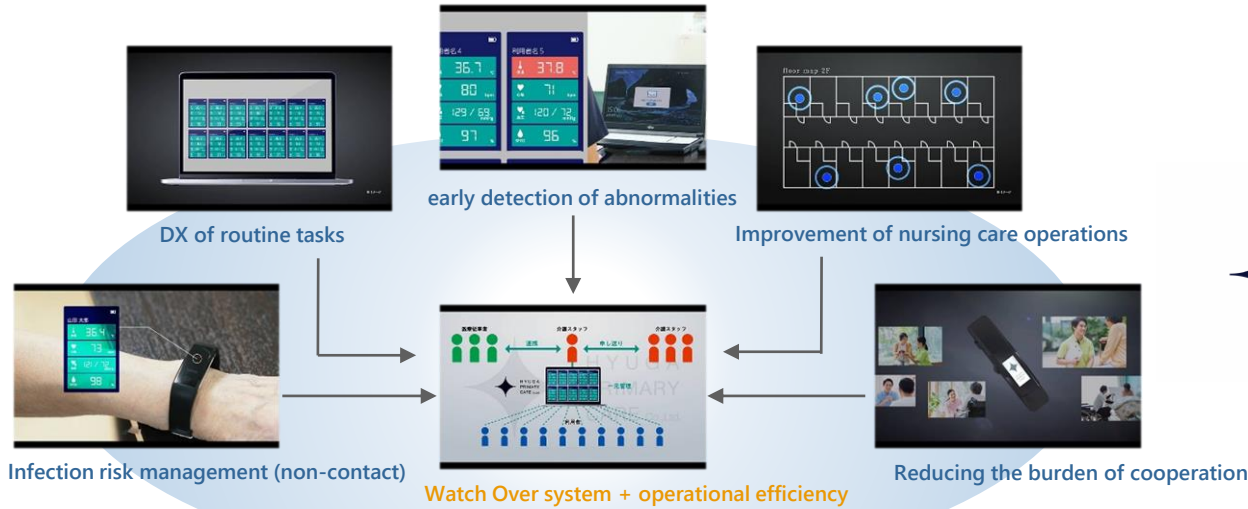
Expanding the Platform for Community Comprehensive Care Systems



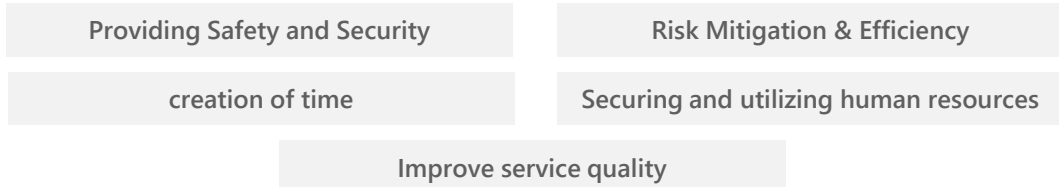
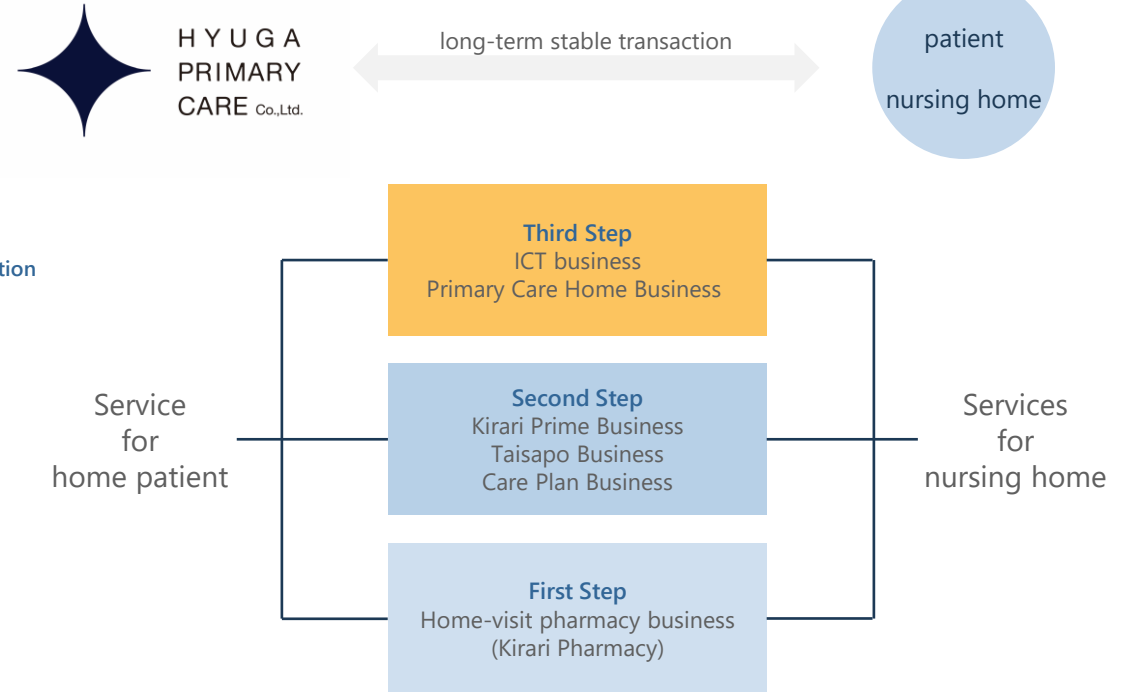
Strengthening the Third Step toward Growth ICT Business

Primary Care Robot®

Watch Over system



to automate the process of measuring multiple times a day
Contribute to labor saving



Improvement of patient QOL and Construction of sustainable care system

Strengthening the Third Step for Growth Primary Care Home business

- We started the Primary Care Home business from January 2023.
- Home nursing care services for the elderly are provided through the operation of facilities for the elderly. These businesses have a high affinity for sharing know-how with home-visit pharmacy businesses.

New Business Overview *

Facility Management for the Elderly (Home Care - Regular and On-demand)

◇ Facility Concept

① Upsizing & Utilization of ICT

- Scale up to 100 beds and increase the number of rooms to reduce the burden on individuals
- Reduce workload with in-house developed ICT equipment

② Providing Home Care - Regular and On-demand

- 24 hours a day, 365 days a year, medical and nursing care are available

③ Less expense for patients

- Individual burden amount set according to the level of care

*About "Home Care - Regular and On-demand"

A combination of regular visiting services provided on a regular basis based on a home-visit nursing care plan for each user and as-needed visiting services provided as needed. Patients can receive nursing care services 24 hours a day, 365 days a year, and can perform medical procedures under the direction of a physician.

Affinity with home-visit pharmacy business

Our nursing care services "Home Care - Regular and On-demand"

Home-Visit Pharmacy Business

Periodic patrol

10 to 15 minutes at a time offered multiple times a day

Periodic home visits to provide medication instructions

Responding

Required services are arranged 24 hours a day, 365 days a year

24 Hours 365 Days (24/7) On-Call System

Occasional visit

Visiting service 24 hours a day, 365 days a year

Available 24 hours a day, 365 days a year (24/7)

home nursing

Medical treatment under the direction of a physician

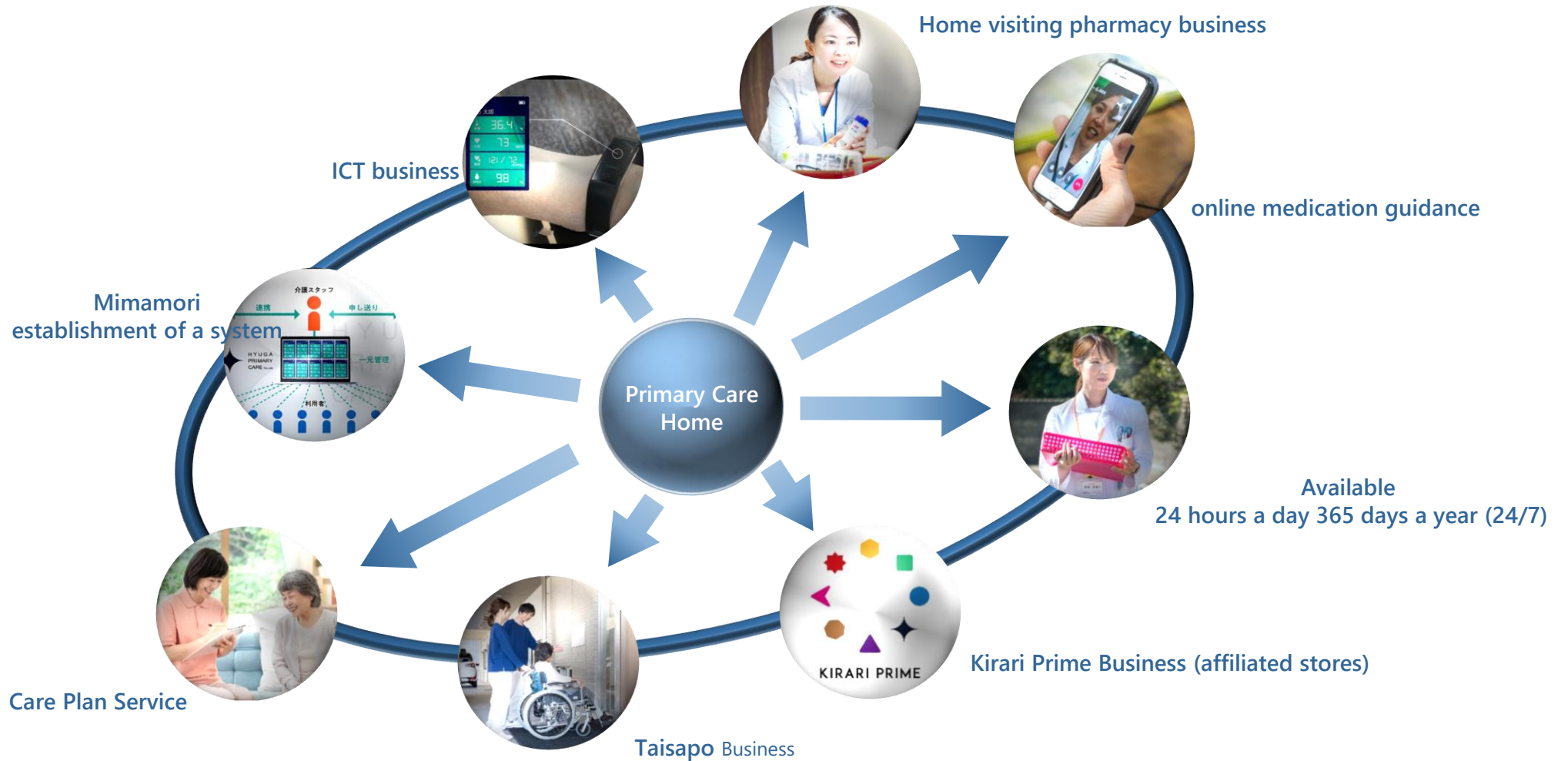
Reporting to physicians and cooperation with medical institutions

*Announced on March 15, 2022 https://www.hyuga-primary.care/ja/ir/news/auto_20220315505670/pdfFile.pdf

Strengthening the third step for growth

Establishing a cross-cell structure centered on facility management

- The facilities for the elderly operated in the third step will be the starting point of cross-selling with the Home-Visit Pharmacy Business, Kirari Prime Business, Taisapo Business, and Care Plan Business.
- Maximize business opportunities in our company by generating synergies among businesses
- At the same time, improve the QOL of users and patients by improving services through cooperation between businesses.



Home visit pharmacy business

About the Home-Visit Pharmacy Business

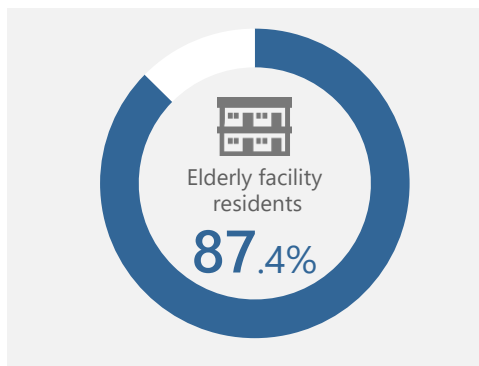
One of the social infrastructures that enable people to receive medical care with peace of mind at home, 24 hours a day, 365 days a year (24/7).

Main business

- ① Pharmacists regularly visit patients at home
- ② The pharmacist reports the results of the visit to the prescribing physician/care manager.
- ③ New medication proposals were made to prescribing physicians according to the patient's condition

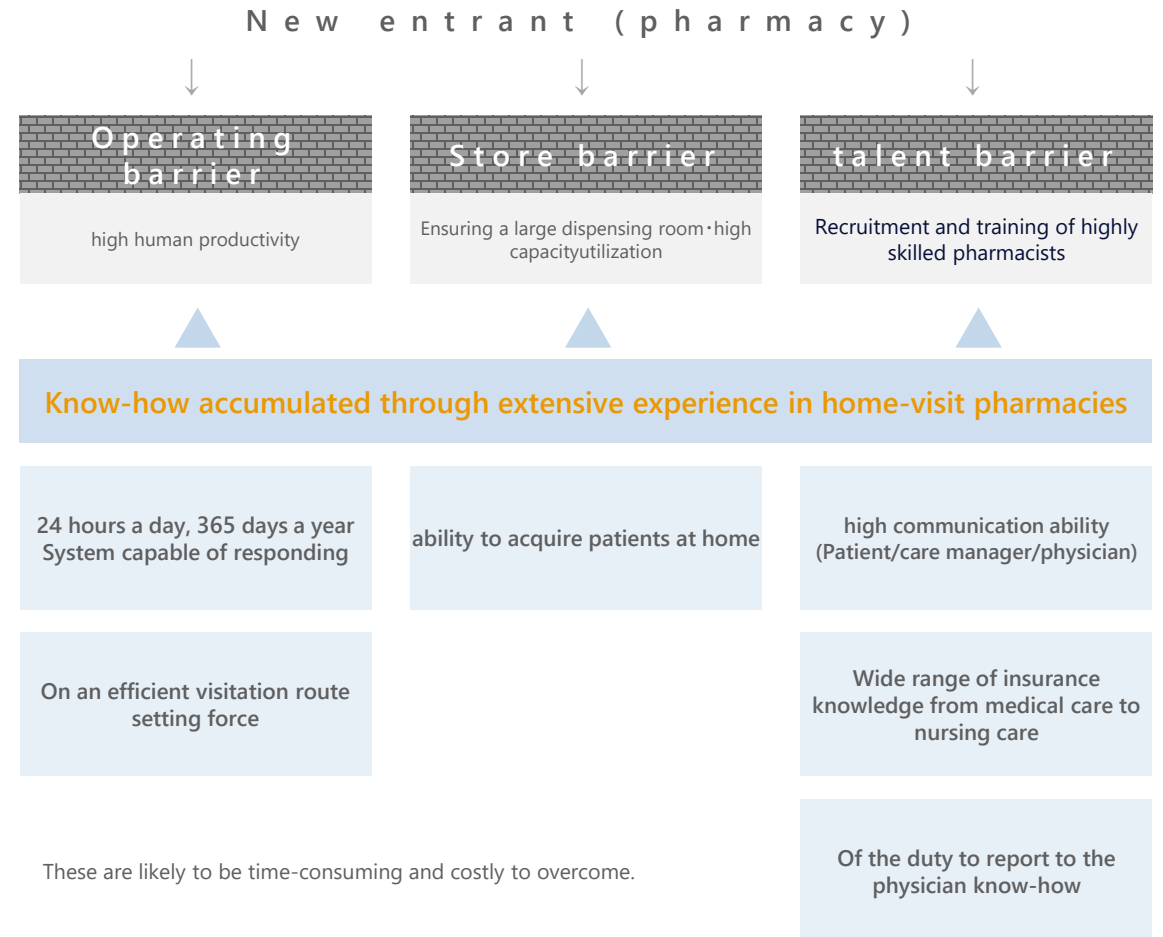
patient attributes

(as of the end of March 2022)



high entry barriers

Conventional pharmacies entering the home pharmacy business

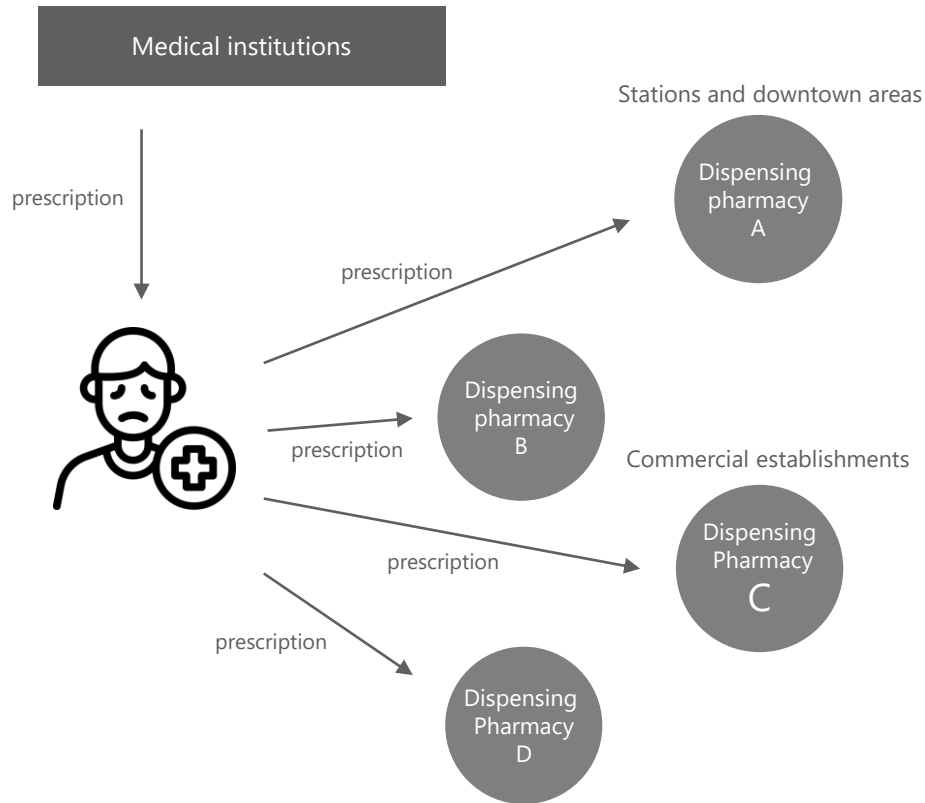


Home visiting pharmacy business (2) Aim and location of new stores

Pharmacies near medical institutions

"Outpatients themselves visit pharmacies"

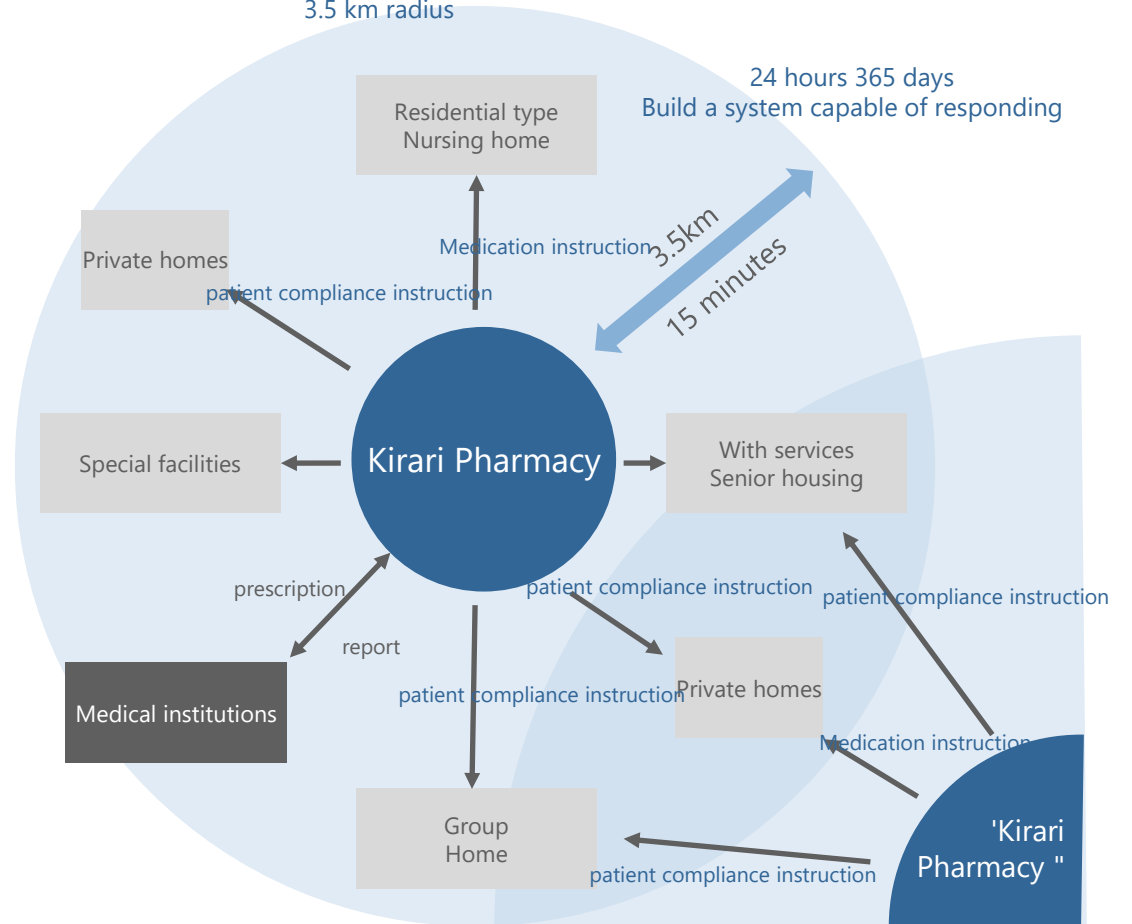
- Open stores near medical institutions where outpatient visits are expected
- Therefore, there are many cases where the store is located close to competing pharmacies
- The cost of opening a store tends to be higher because location is important



Home visit Pharmacy

"Pharmacist visits after signing contract with patient"

- No specific requirements for opening stores
- **Ability to form long-term partnerships with residents of senior living facilities who have difficulty visiting hospitals**
- Improve visiting efficiency by pursuing a dominant approach with a 3.5 km radius

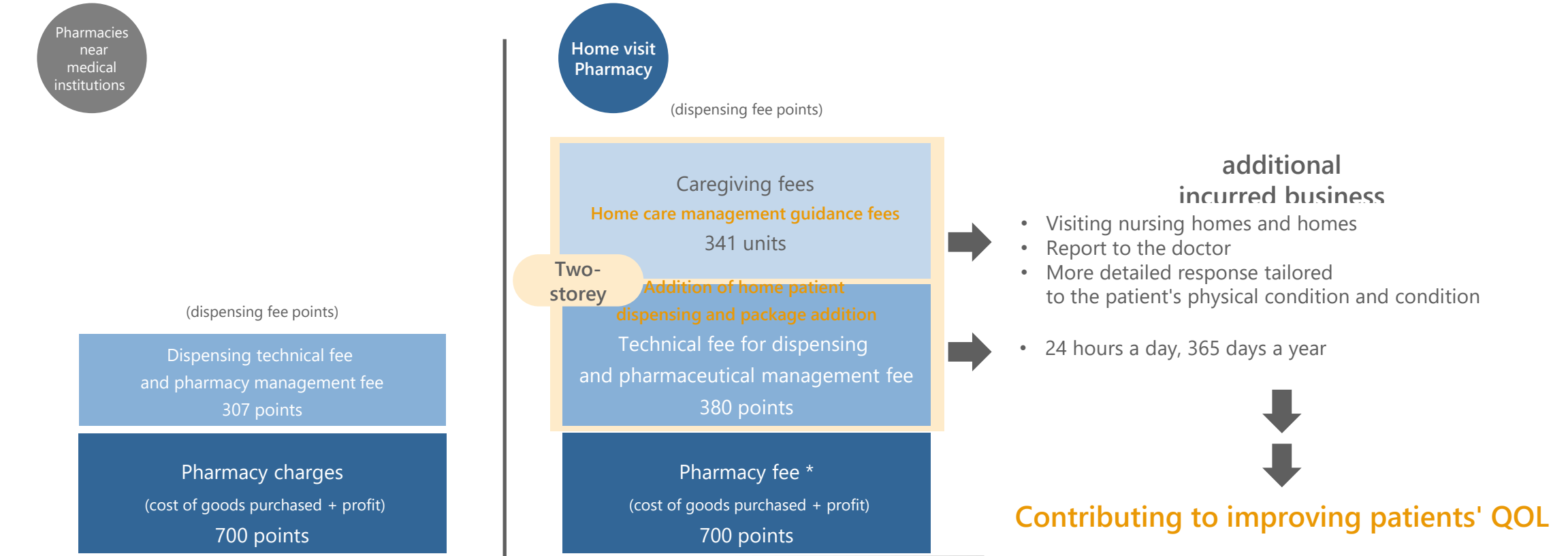


Home visiting pharmacy business (3) Number of dispensing fees

Comparison of dispensing fee points

Home-based dispensing has about double the number of reward points compared to conventional dispensing methods. That means more work, but more business opportunities

On the other hand, the human connection with the patient is stronger, and the possibility of signing a long-term contract is higher. Collaborating with doctors, etc. can also contribute to improving the QOL of patients



*There are more types of medications to be prescribed than for outpatients, and drug prices per prescription tend to be higher.

Comparative example per prescription for 14 days of oral medication

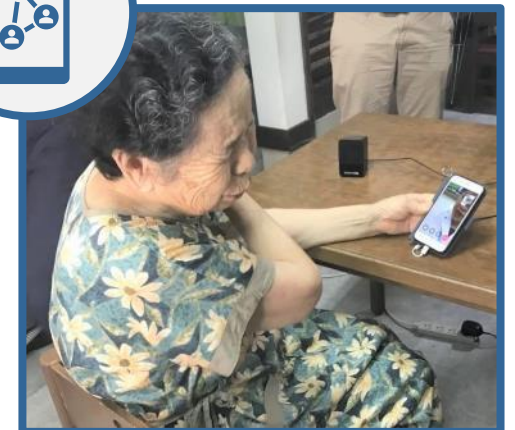
Home-visit pharmacy business “Online medication instruction for nursing homes”

- Online medication instruction for nursing homes was deregulated in April 2022.
- After the online medication instruction, the office staff provides door-to-door delivery of medications. By separating the “guidance” and “door-to-door delivery” that pharmacists used to do, and entrusting the latter to the office staff, we can improve operational efficiency.

「規制改革実施計画」（令和3年6月18日閣議決定）（抄）

オンライン診療・オンライン服薬指導の特例措置の恒久化

- a オンライン診療・服薬指導については、新型コロナウイルス感染症が収束するまでの間、現在の時限的措置を着実に実施する【a:新型コロナウイルス感染症が収束するまでの間、継続的に措置】
- b 医療提供体制におけるオンライン診療の果たす役割を明確にし、オンライン診療の適正な実施、国民の医療へのアクセスの向上等を図るとともに、国民、医療関係者双方のオンライン診療への理解が進み、地域において、オンライン診療が幅広く適正に実施されるよう、オンライン診療の更なる活用に向けた基本方針を策定し、地域の医療関係者や関係学会の協力を得て、オンライン診療活用の好事例の展開を進める
- c 情報通信機器を用いたオンライン診療については、初診からの実施は原則、かかりつけ医による実施（かかりつけ医以外の医師が、あらかじめ診療録、診療情報提供書、地域医療ネットワーク、健康診断結果等の情報により患者の状況を把握できる場合を含む。）とする
健康な勤労世代等かかりつけ医がいない患者や、かかりつけ医がオンライン診療を行わない患者で上記の情報を有さない患者については、医師が、初回のオンライン診療に先立って、別に設定した患者本人とのオンラインでのやりとりの中でこれまでの患者の医療履歴や基礎疾患、現在の状況等につき、適切な情報が把握でき、医師・患者双方がオンラインでの診療が可能であると判断し、相互に合意した場合にはオンライン診療を認める方向で一定の要件を含む具体案を検討する。その上で、対面診療との関係を考慮し、診療報酬上の取扱いも含めて実施に向けた取組を進める
- d オンライン服薬指導については、患者がオンライン診療又は訪問診療を受診した場合に限定しない。また、薬剤師の判断により初回からオンライン服薬指導することも可能とする。介護施設等に居住する患者への実施に係る制約は撤廃する。これらを踏まえ、オンライン服薬指導の診療報酬について検討する
- e オンライン資格確認等システムを基盤とした電子処方箋システムの運用を開始するとともに、薬剤の配送における品質保持等に係る考え方を明らかにし、一気通貫のオンライン医療の実現に向けて取り組む
- 【b～e:令和3年度から検討開始、令和4年度から順次実施（電子処方箋システムの運用については令和4年夏目途措置）】



High barrier to entry in the home-visit pharmacy business

"A pharmacy that can efficiently handle a large volume of dispensing operations"



Kirari Pharmacy Onjo

- The size of the dispensary is 65m², and there are approximately 5 full-time equivalent pharmacists.
- More than 3 times the size of the standard 18.9m² dispensary facility for 5 pharmacists.
- Responsible for dispensing approximately 720 * visiting patients

Compared to ambulatory pharmacies, home pharmacies require sufficient space to do the work due to the large number of dispensing processes

High barrier to entry in the home-visit pharmacy business "personalized treatment tailored to patients and facilities and ingenuity to eliminate erroneous drugs"



Same patient's medicine set for one week
Change the color of the line every time you take it to make it easier to understand



A set of medicines taken by patients on the same floor of the facility at the time of taking them.
The facility staff gave it the best reviews. (It also takes the most time and effort)



Many calendar sets for patients in private homes
Reading QR code reveals drug information inside



After the patient's medicine is packed in one package by the packer, color line drawing and stapling of the medicine that can not be packed is done manually.



Setting work scene. Outpatient pharmacy type dispensaries are difficult to work in because they do not have such space.



Name, date, time of administration, name of prescribing hospital, etc. are printed on the medicine package.
Many are prescribed by multiple hospitals, including internal medicine, psychiatry, and orthopedics, and pharmacists make final confirmation of the combination.

High barrier to entry in the home-visit pharmacy business

“Pharmacists in home-visit pharmacies that don't just deliver drugs”



User (patient)

Pharmacists

Check your physical condition and side effects from casual conversations and facial expressions with patients.



Caregiver

Pharmacist

Depending on the type of nursing home, staffing and residents' dependence on medical care also vary. Understand it and communicate with it



Nurse

Pharmacist

Sharing information with facility staff about medications is mandatory
Not only verbally, but also through the company's at-home medication support system



Pharmacist

Doctor

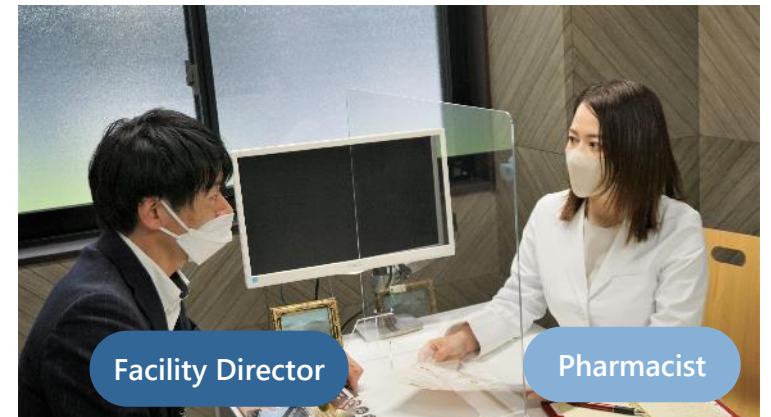
Consultation with doctors to suggest changes to the most appropriate medication according to the patient's situation. Also involved in prescription design



Care Manager

Pharmacist

Communicate drug side effects to other care providers through a care manager and suggest medication assistance



Facility Director

Pharmacist

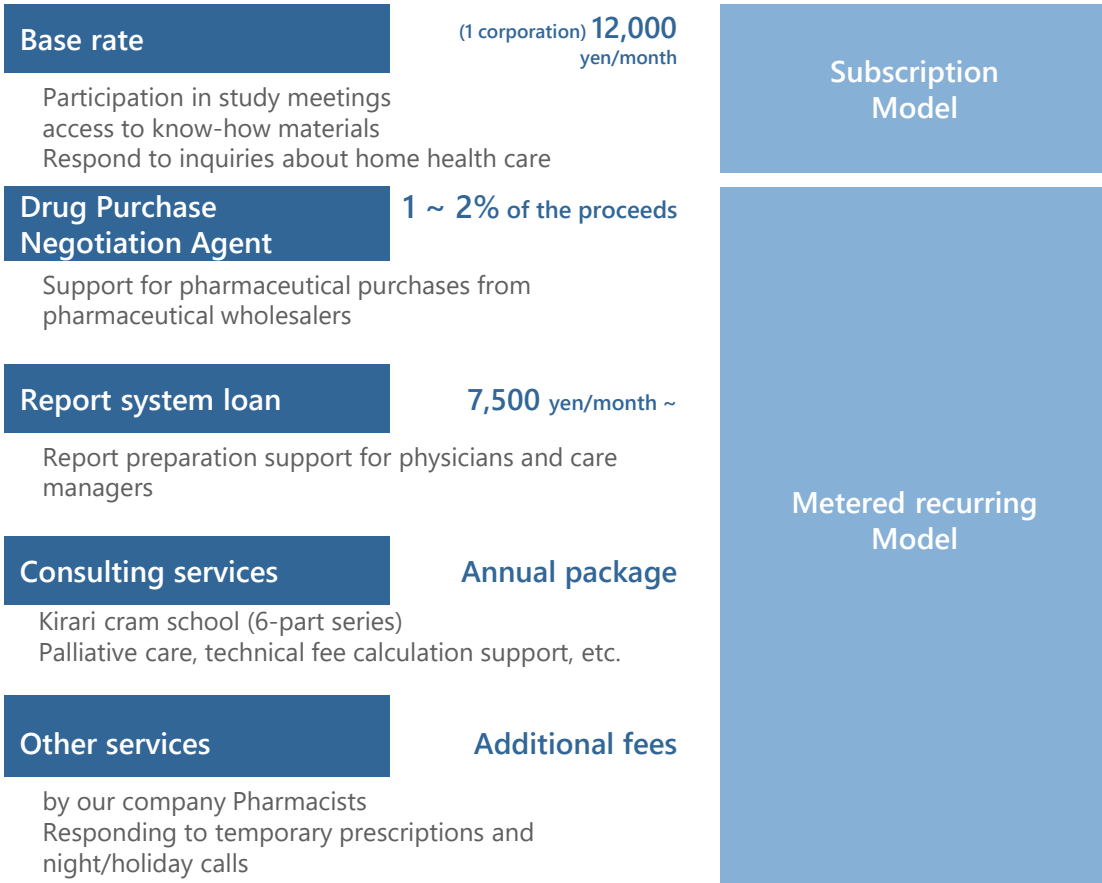
Discussions with care providers occur as needed, such as when starting new business. Negotiation and sales skills are required while listening to other parties' requests.

Business model and pricing system

Share of Kirari Prime Business Sales

Subscription Recurring Sales Ratio 90%

(Fiscal year ended March 2022)

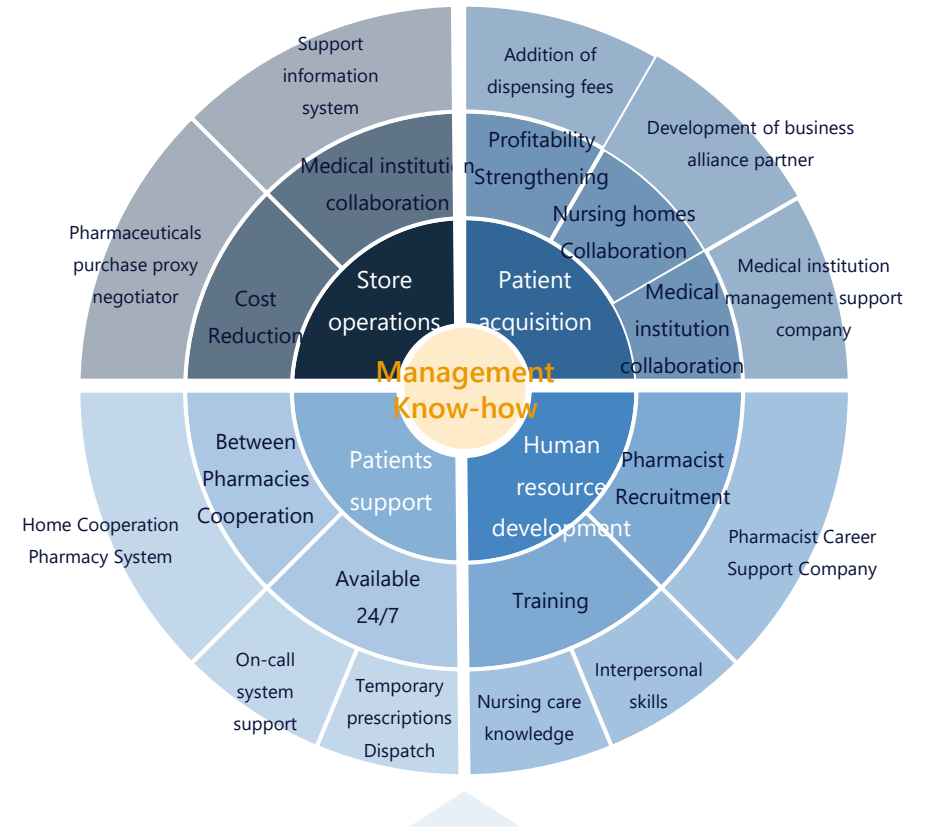


Competitiveness, Policy and Environment

the Ministry of Health, Labour and Welfare's Pharmacy Vision for Patients

Pharmacies near medical institutions → Home Visit Pharmacy/

Expansion of comprehensive community care



Impact of drug price lowering/Expansion of major dispensing pharmacy stores

Survival as a dispensing pharmacy by small and medium sized pharmacy store

01 In addition to an increase in the **Population aged 75 and over** and elderly single households, **Number of persons certified as requiring long-term care** is expected to maintain high levels

- There is an urgent need to establish a new social system and medical infrastructure: a comprehensive community care system and regular measures to control social security costs by revising medical fees and drug prices

02 Demand for home medical care is expected to increase significantly due to **Aging population** and **Functional differentiation and collaboration of hospital beds due to regional medical care plans.**

- In response to the expected increase in the number of patients at home, Urgent need to create functions that seamlessly link nursing care and medical care and networks capable of providing essential home dispensing
- In order to provide safe, secure, high-quality, effective and efficient medical and nursing care services, it is also effective in the pharmacotherapy of patients. Need to ensure continuous access to safe drug therapy

Increase in the number of people aged 75 and over and elderly single households

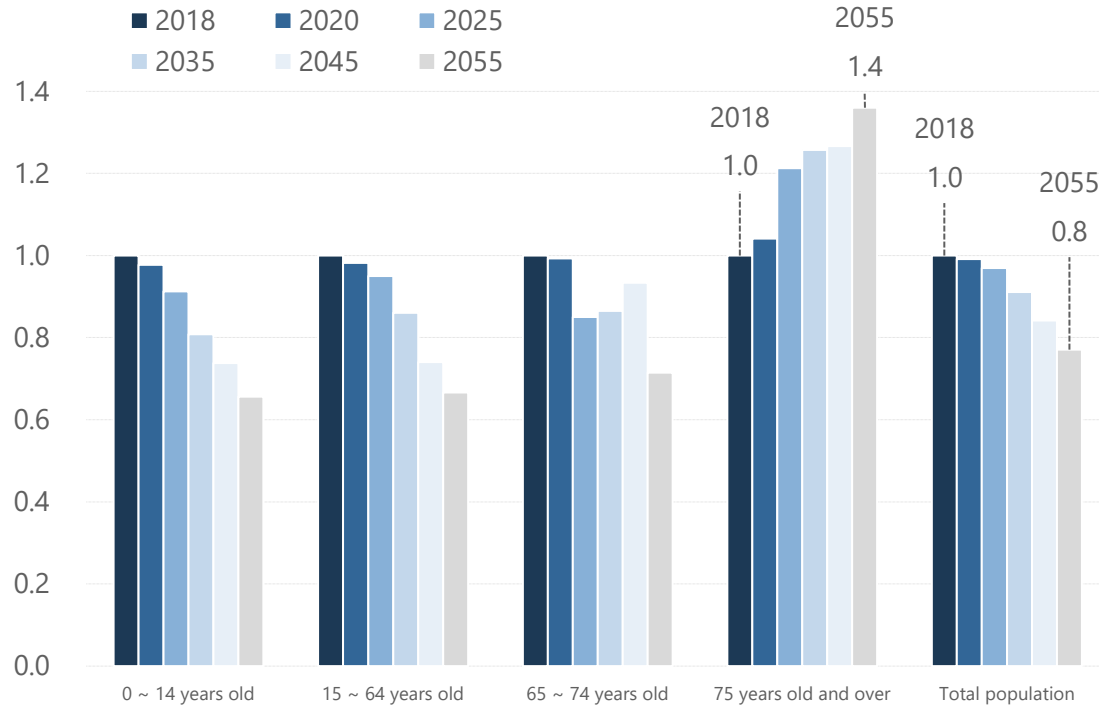
- While the total population of Japan is decreasing, the number of people aged 75 and over is increasing, and in 2055, the number was 1.4 times that of 2018 (the total population was 0.8 times in the same period). The number of single households aged 65 and over is expected to increase, with a 1.5 fold increase in 2040 compared to 2015.
- Who is going to care for you and where is going to care for you could become a bigger problem in the future.

Changes in population by age group

(2018 years = 1)

Population aged 75 and over

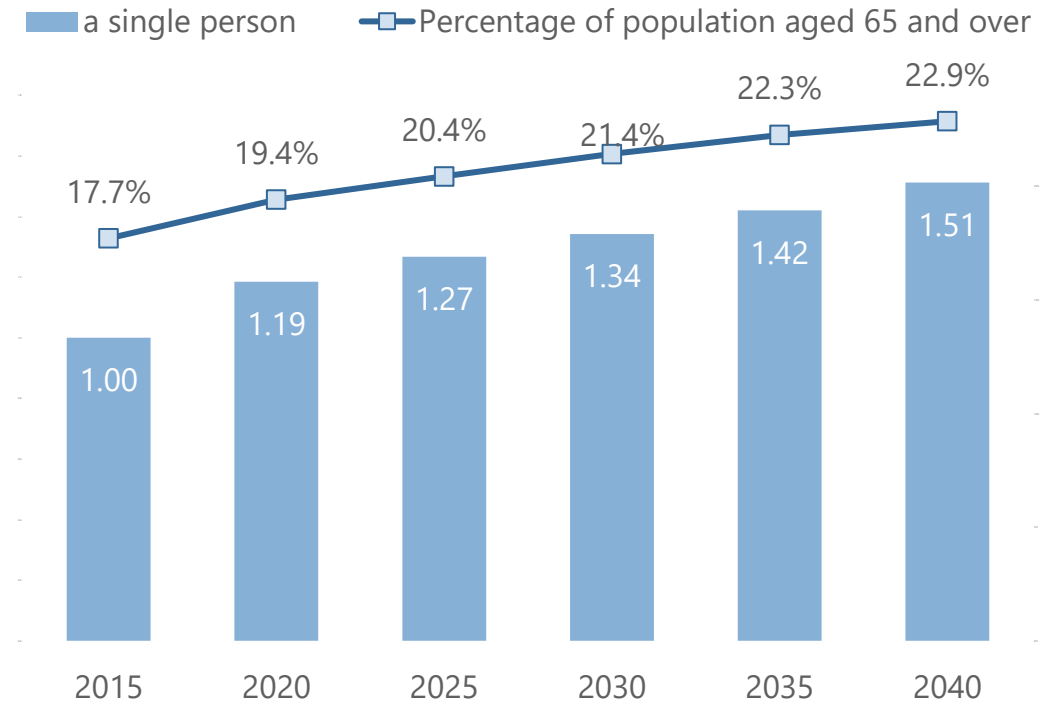
17.98 million (2018) → **24.46 million** (2055)



Number of single elderly households *

Families aged 65 and older living alone (2015 = 1)

5.93 million households (2015) → **8.96 million households** (2040)



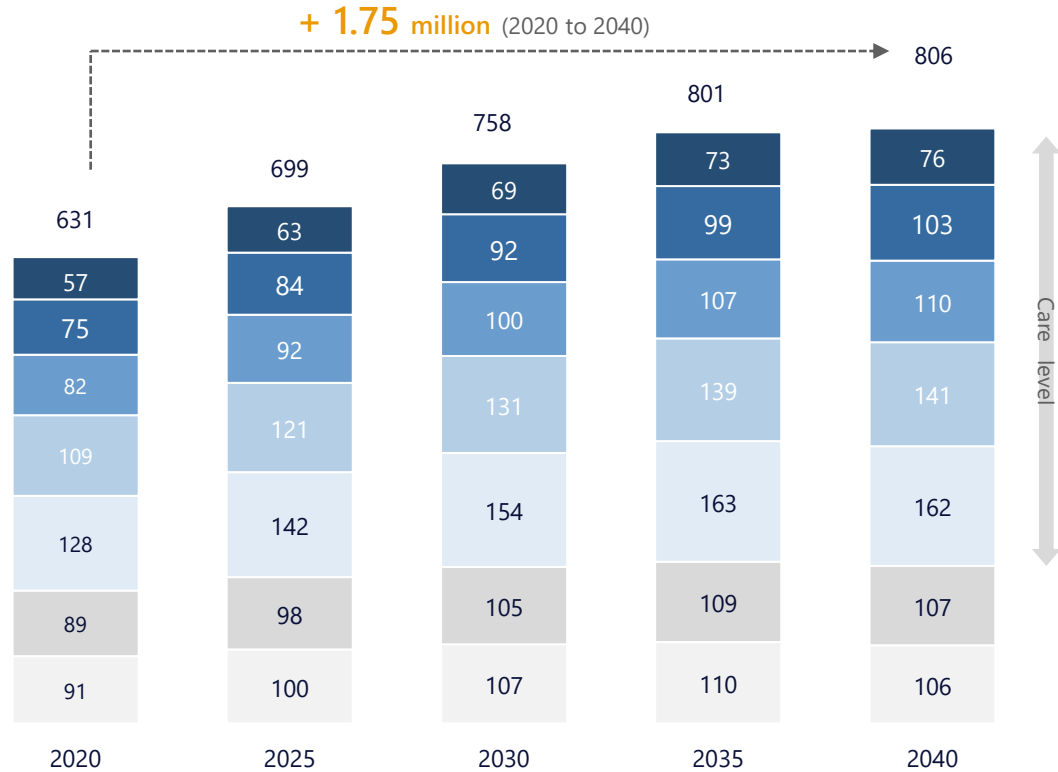
Source: Cabinet Office's "White Paper on Aging Society in Reiwa 2"

Business environment Number of people certified as needing long-term care

- The number of persons certified as requiring long-term care support or care is expected to exceed 8 million in 2035 and reach 8.06 million in 2040, an increase of 28% (compared to 2020)
- In particular, the number of people who are certified as requiring nursing care level 3 ~ 5 has increased by more than 30%, making it even more important to develop a nursing care support system.

Prospects for the number of persons certified as requiring long-term care

(10k persons)



Rate of increase and number of increase by certified category

(from 2020 to 2040)

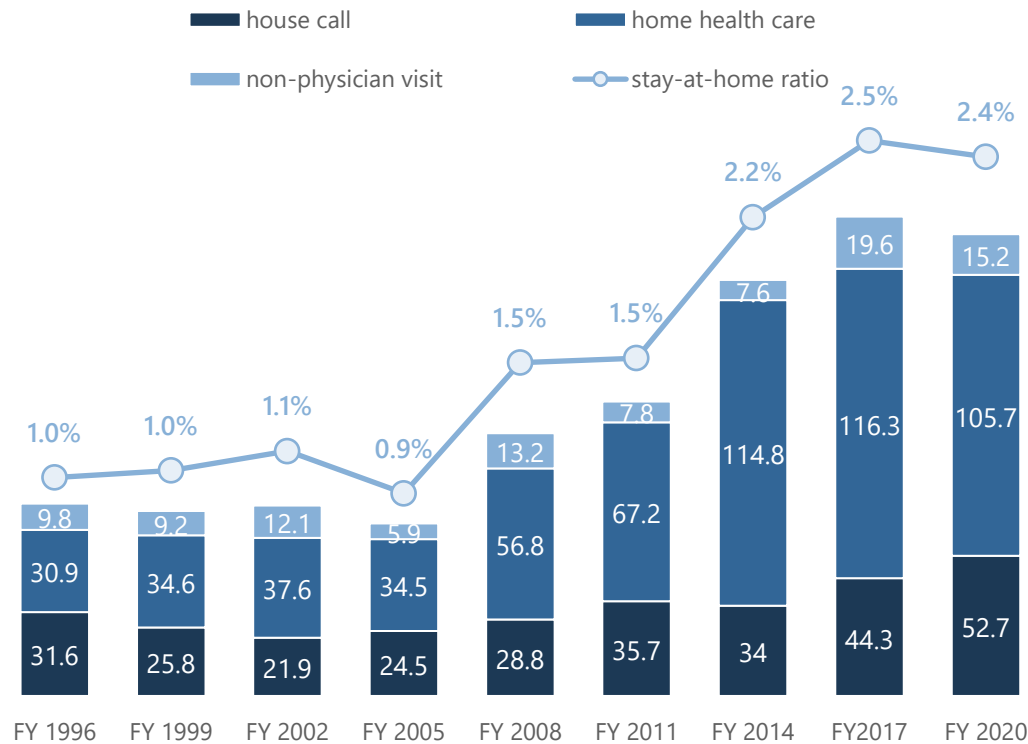
	rate of increase	number of increase
Care-Needed 5	33 %	190,000 people
Care-Needed 4	37 %	280,000 people
Care-Needed 3	34 %	280,000 people
Care Needed 2	29 %	320,000 people
Care Needed 1	27 %	340,000 people
Needed Support 2	20 %	180,000 people
Needed Support 1	16 %	150,000 people
Total	28 %	1.75 million people

Business Environment Home Patient and Home Pharmacy

- The number of patients eligible for home health care has been on the rise. The number of elderly patients has increased rapidly since around 2008, reaching 173000 per day in 2020.
- The ratio of home patients to the total number of patients has also accelerated in tandem with the promotion of a comprehensive care system. Rising to 2.4% in 2020

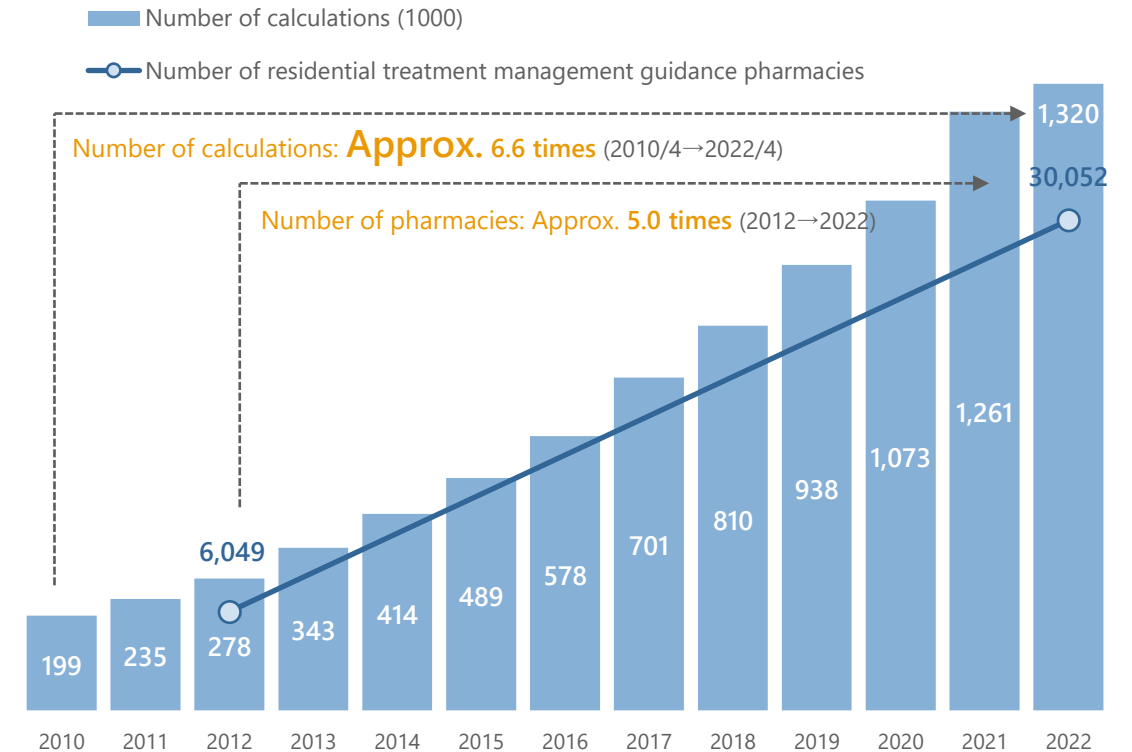
Number of patients at home Ratio of patients at home to all patients

(1000 patients/day)



Number of pharmacies providing in-home medical care management guidance (contract with patients) Number of calculated residential treatment management guidance expenses for pharmacies

(stores) · (1000 times in April each year)



Source: the Ministry of Health, Labour and Welfare "Summary of Patient Survey"/"Monthly Statistics Report on Long-Term Care Benefit Expenditures, etc."

Handling of this material

This material has been prepared by our company for informational purposes only.

The forward-looking statements contained in this document are based on our company's beliefs and assumptions and on information currently available to our company.

Forward-looking statements include, but are not limited to, our company's business plans, market size, competitive landscape, industry information and growth potential.

As a result, these forward-looking statements are subject to a variety of risks and uncertainties that may cause actual results to differ materially from those expressed or implied by the forward-looking statements.

This material contains information on areas outside of our company such as the competitive environment in our company and changes in the general social structure.

Our company does not warrant the accuracy, reasonableness or appropriateness of such information.

