

HYUGA PRIMARY CARE

A hand is shown holding a white house icon. The house has a chimney and a window with a grid pattern. The house is surrounded by a circular graphic with four dark blue stars. The background is a dark blue gradient.

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

HYUGA PRIMARY CARE Co., Ltd.

7133 TSE Growth Market
November 13, 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

- 01 Company Profile/Business Profile
- 02 Primary Care Home Business Overview
- 03 Financial Summary (FY2024 2Q)
- 04 Financial Forecasts (FY2024)
- 05 Medium-Term Growth Plan
- 06 Sustainability Management/Appendix

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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
Director
Director
Director, Chief Financial Officer
Director (Outside)
Director (Outside)
Full-time Corporate Auditor
Corporate Auditor (outside)
Corporate Auditor (outside)

Tetsuji Kurogi
Kohei Shiroo
Takei Yamasaki
Tomoaki Onishi
Shinjirou Ogawa
Kyoko Saeki
Setsuo Matsui
Kota Takei
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

488 (as of September 30, 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.

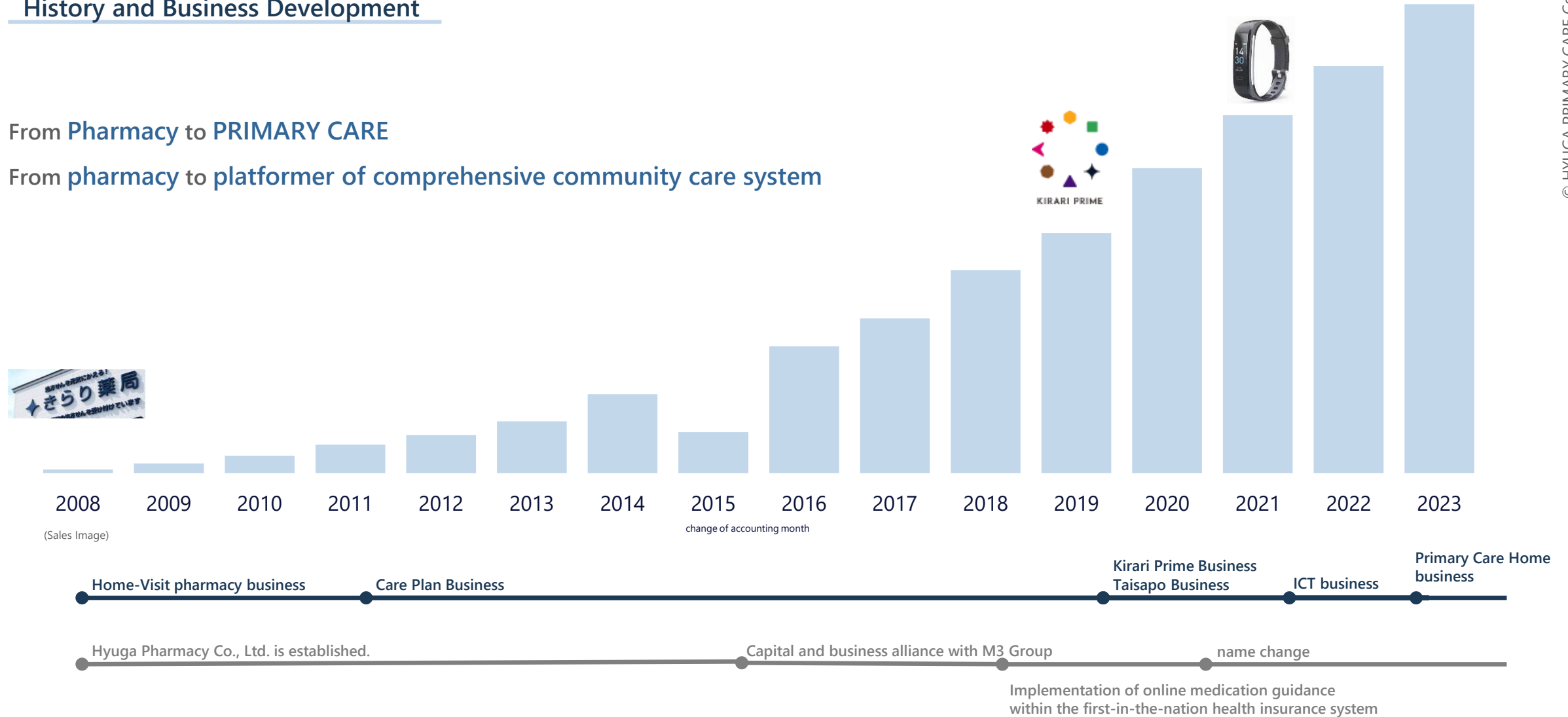


As Platformer that adapts to the age of home medical care and provides the operation and mechanism of comprehensive community care, We'll aim to build an **important infrastructure** for these two types of care.

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 & Positioning of Elderly care facilities operated by our company

Facility concept and features

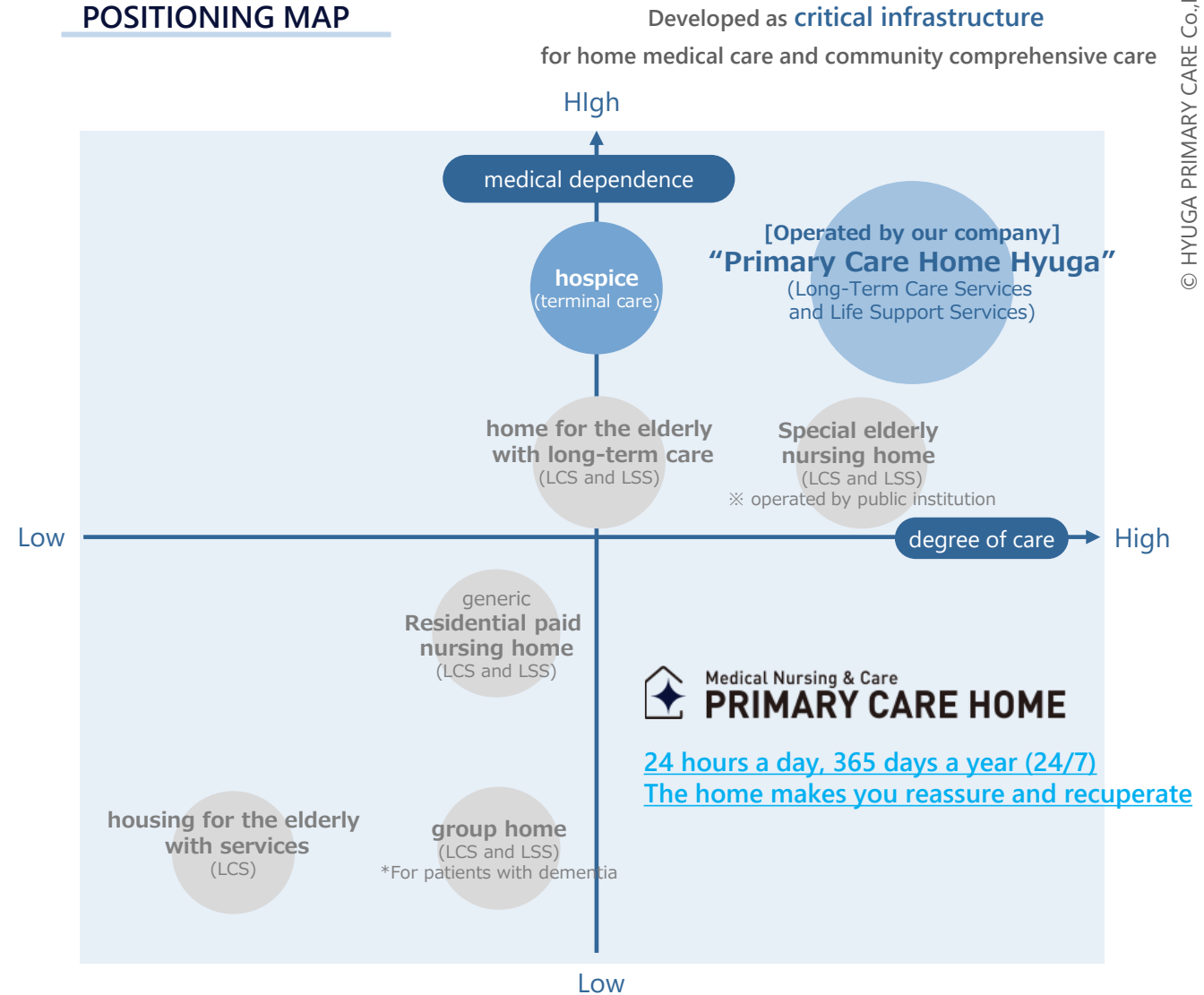
- Our company leases large elderly facilities
- Our company provides “Home Care - Regular and On-demand” for facility residents
- 24 hours a day, 365 days a year medical, nursing and nursing care can be provided in cooperation with cooperating medical institutions
- Contributing to improving the quality 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



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

POSITIONING MAP



Overview of Primary Care Home Business

- Primary Care Home Hyuga Kasuga Chikushidai, the first facility for the elderly, opened in January 2023, has **88 residents** and an occupancy rate of **86.2%**. This facility alone is profitable on a monthly basis. Including reservations and applications for occupancy, the number of residents at this facility will be 94, making it fully operational as expected. The rate of return on the facility itself is expected to remain above 20%.
- Primary Care Home Hyuga Hakata Mugino, the second facility for the elderly, opened in August 2023, has 162 beds and is larger than the first facility. It has **83 residents (including reservations)** and an occupancy rate of **51.2%**, and is expected to become profitable every month.
- In addition to Fukuoka Prefecture, we are developing several potential sites for new openings in a wide range of areas for the fiscal years ending March 2025 and 2026.

As of November 10, 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	88	86.2%	162	83 *	51.2%*
Nursing care level (average of residents)		Severe illness rate	3.62		8%	3.48		15%
Unit price per occupant			About 420,000 ~ 440,000 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

Facility operation status



Building 1 'Primary care home Hyuga Kasuga Chickushidai' *

- Opened on January 13, 2023
- Address: 5-132 -1, Chickushidai, Kasuga City, Fukuoka Prefecture, Japan
- Number of seats: 102



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

- Opened on August 1, 2023
- Address: 2-22-20, Mugino, Hakata Ward, Fukuoka City, Fukuoka Prefecture, Japan
- Number of seats: 162

Building 3 'Primary care home Hyuga Kumamoto Hamasen' (tentative name) ***

- Scheduled to open in October 2024
- Address: 3-120, Tamukae, Minami Ward, Kumamoto City, Kumamoto Prefecture, Japan
- Number of seats: 168

Building 4 'Primary care home Hyuga Kurume in front of St. Mary's Hospital Station' (tentative name) ***

- Scheduled to open in May 2025
- Address: 600-7 Tsufuku Honmachi, Kurume City, Fukuoka Prefecture, Japan
- Number of seats: 150



*Primary care home: Opening announcement <https://www.hyuga-primary.care/ja/news/news-20230113.html>

** Primary care home: Opening announcement <https://www.hyuga-primary.care/ja/news/news-20230801.html>

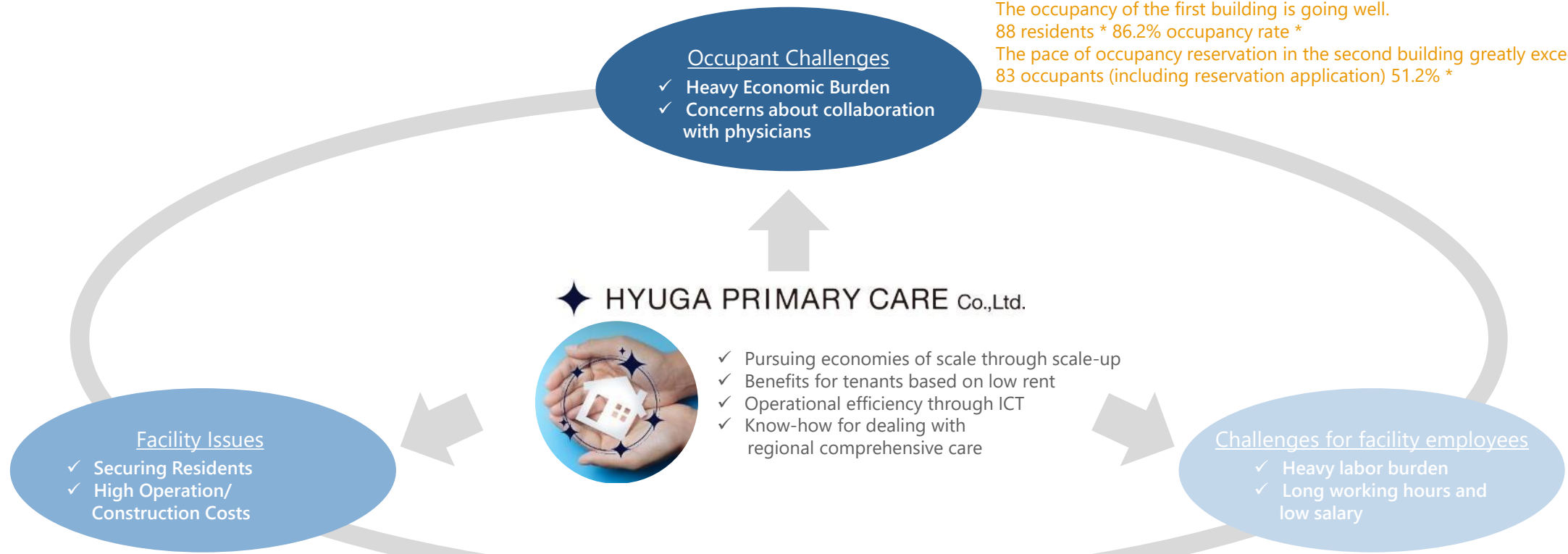
*** Leasing of fixed assets https://www.hyuga-primary.care/ja/ir/news/auto_20230915554982/pdfFile.pdf

Realize relaxation/resolution of trilemma structures

- Our facility management style can improve the problems faced by residents, facility management, and facility employees at the same time. 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 can be the core hub functions of the community comprehensive care system. In the future, we may use this facility operation as a starting point for its business.

Trilemma structure of facility management

*As of November 10, 2023



The occupancy of the first building is going well.

88 residents * 86.2% occupancy rate *

The pace of occupancy reservation in the second building greatly exceeds that of Kasuga

83 occupants (including reservation application) 51.2% *

The first facility, Kasuga Chikushidai, turned a monthly profit on its own.
Awareness of facilities such as guidance to medical institutions and private viewing has improved.
The occupancy rate remains steady.

Recruitment of staff continues to be steady at Kasuga Chikushidai and at Hakata Mugino.
The new employees are transferred to Hakata Mugino after training at Kasuga Chikushidai.

Diaper sensor development and implementation testing initiated

Features

- Installation is possible simply by laying a special sensor on the bed.
- It senses urination and excretion in the diaper and notifies the caregiver when the set amount is reached.
- It notifies the computer and mobile-phone by voice and pop-up.
- It is possible to set the excretion amount about every 100cc, and it is possible to properly assist the excretion according to the diaper used and the user.
- Since the sensor does not touch the body directly, it can be used without causing discomfort to the user.

Diaper sensor



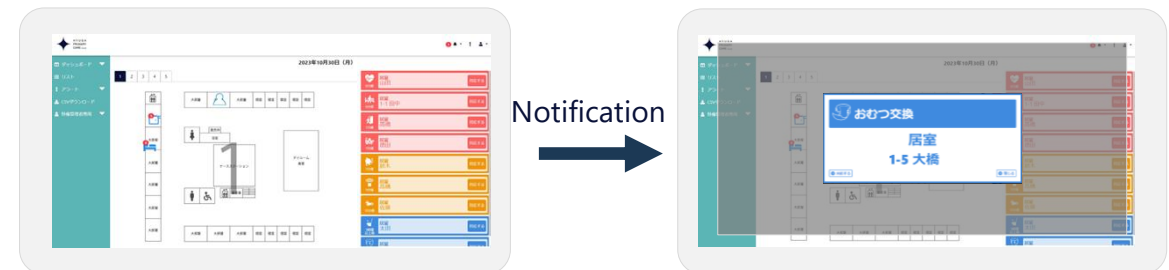
Can be checked on a computer or mobile-phone



Effect of introduction

- 1. Improvement of user comfort**
"No excretion" at the time of replacement and "diaper leakage" due to delayed replacement are greatly reduced, reducing user stress and leading to a good quality of sleep and comfortable life.
- 2. Reduced workload for caregivers**
This eliminates the need for unnecessary patrols and excretion checks, greatly reducing the burden on caregivers.
- 3. Reduces occupancy costs**
It reduces the amount of pats and diapers used by providing excretion assistance at appropriate times

Audio and pop-up notification when replacement is required



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Financial Summary

- Growth in the Home Visit Pharmacy Business and Kirari Prime Business accelerated growth, with sales increasing 23% year-on-year (up 14.5% in the second quarter of the previous fiscal year). This is slightly higher than the initial plan.
- In the primary care home business, which is the third pillar, sales increased due to an increase in users and facilities. On the profit side, although the deficit remained from the initial burden, the growth pitch is almost as expected.
- However, due to the strengthening of the sales and operating structure in line with the expansion of the business, indirect costs increased ahead of the forecast. Operating income decreased 21% year on year, but was generally in line with the plan.

(millions of yen)	2023/3 2Q	2024/3 2Q Cumulative		Year-on-Year		Earnings Assumed Difference	Fiscal Year 2024/3	
	Actual	Initial Plan *	Actual	Change Amount	Change Rate		Outlook	Progress Rate
Sales	3,168	3,606	3,899	+730	+23.0%	+292	7,959	49.0%
Home visit pharmacy business	2,799	2,938	3,218	+418	+14.9%	+280	6,217	51.8%
Kirari Prime Business	275	351	377	+101	+37.0%	+25	864	43.6%
Primary Care Home Business **	65	296	287	+222	+341.2%	- 8	816	35.2%
Other Business **	28	20	16	- 12	- 43.5%	- 4	61	26.1%
Operating income	254	206	201	- 53	- 21.1%	- 5	721	27.9%
Home visit pharmacy business	339	351	297	- 41	- 12.3%	- 54	762	39.1%
Kirari Prime Business	143	170	205	+61	+43.1%	+35	481	42.8%
Primary Care Home Business **	- 40	- 50	- 67	- 26	+66.7%	- 16	- 32	-
Other Business **	4	- 7	- 5	- 9	- 239.9%	+1	0	-
Adjustments	- 192	- 257	- 229	- 37	+19.6%	+28	- 489	-
Ordinary profit	263	205	199	- 63	- 24.2%	- 6	720	27.7%
Net income	178	141	134	- 44	- 24.8%	- 6	496	27.1%

*Earnings forecast announced on May 12, 2023

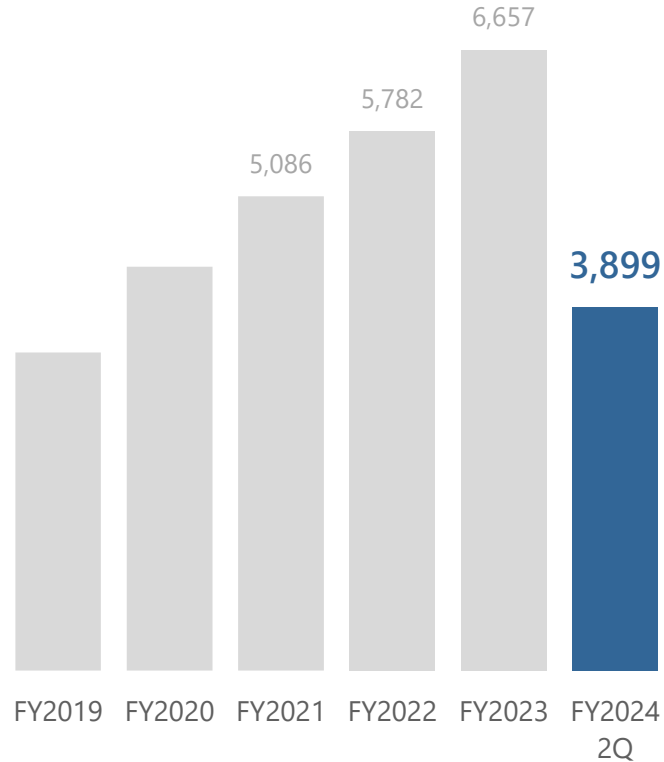
** Segment changes are applied retrospectively, and figures for the previous fiscal year and year-on-year changes are reclassified to the revised segment classification method.

Performance/Sales Structure

- The trend of sales expansion remains unchanged. The primary care home business has begun to take off in the second facility, contributing to sales. The ratio of sales to total sales rose 5.0 percentage points to 7.4%.
- The weight of the Kirari Prime business also rose steadily, and the ratio of sales to total sales rose to 9.7%.
- Ordinary profit, on the other hand, started off slowly due to higher purchasing costs, increased headquarters expenses, and increased recruitment activities. Those causes have already been resolved. The recovery is expected in the second half.

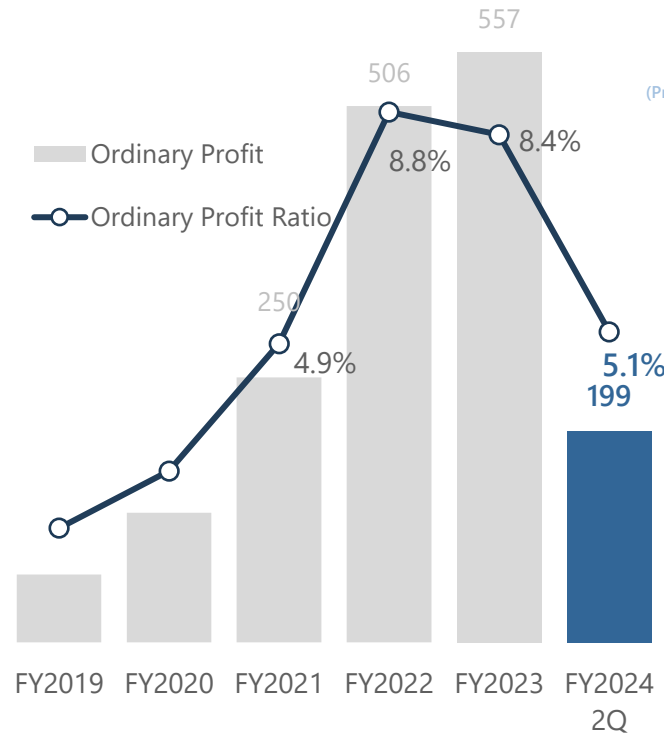
Sales

(millions of yen)



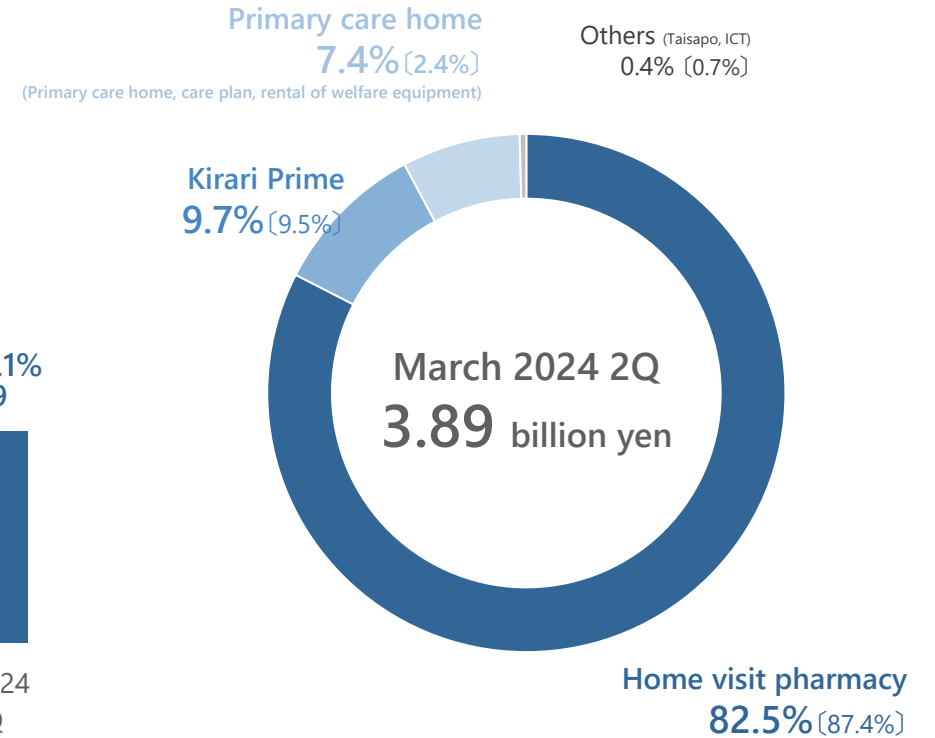
Ordinary Profit/Ordinary Profit Ratio

(millions of yen) (%)



Ratio of Net Sales

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

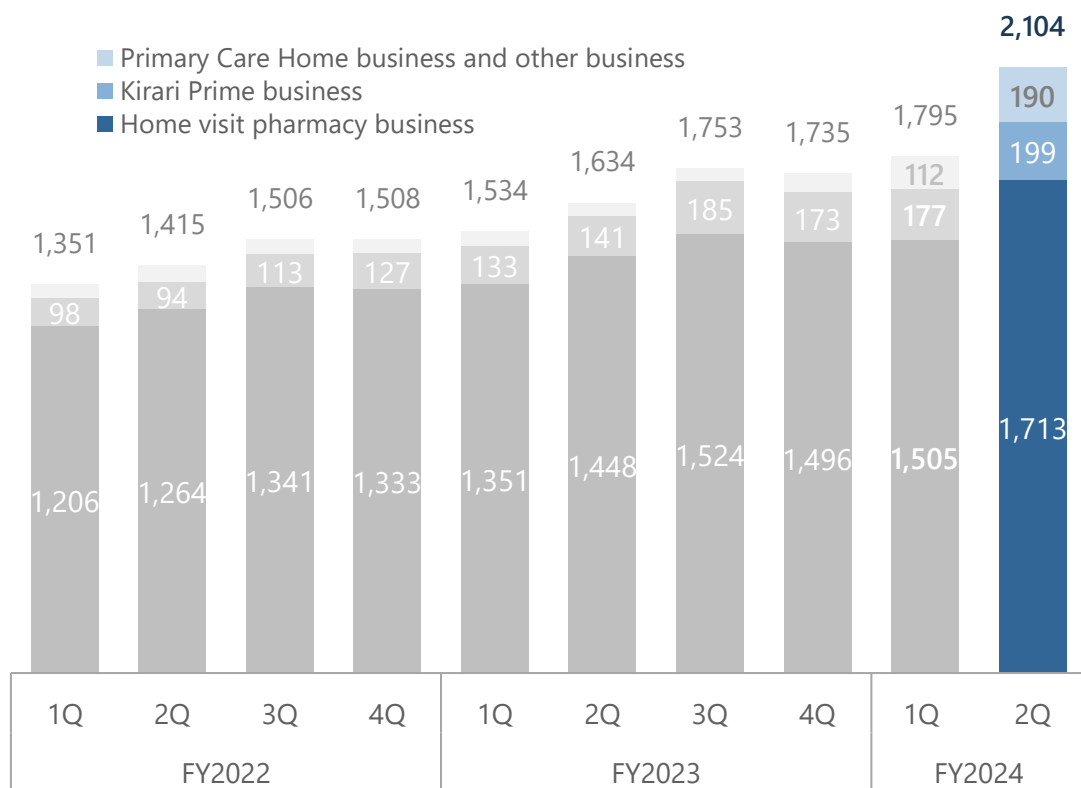


Quarterly Financial Results (1)

- Net sales in the 2Q also increased compared to the 1Q of the previous fiscal year, and continued to increase on a quarterly basis. The home visit pharmacy business, Kirari Prime business, and primary care home business expanded. Sales on a quarterly basis set a new record.
- Gross margin/operating margin gradually recovered to a normal basis as one-time expenses such as system-related expenses that had been incurred in the 1Q subsided. This was a significant improvement over the 1Q. However, the decrease in profitability due to the increase in the number of oral drugs for COVID-19 and the cost of strengthening the system such as recruitment of human resources remain. These costs are expected to be resolved in the second half of the year.

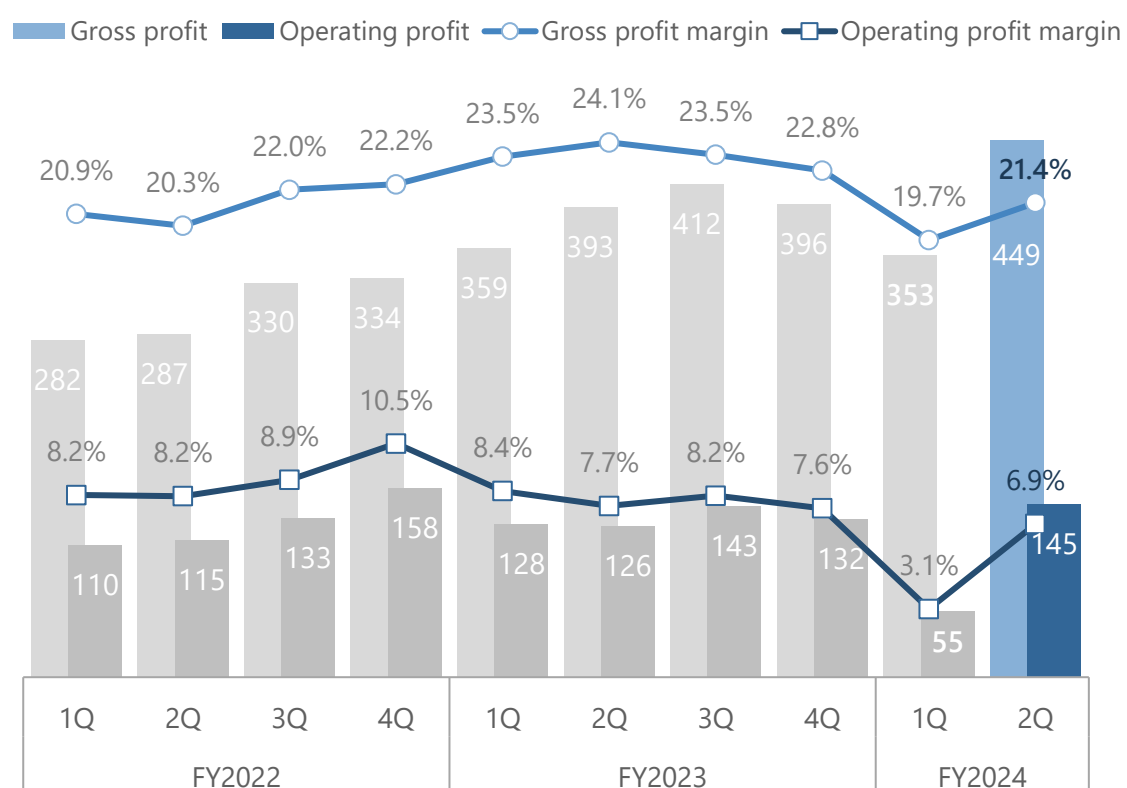
Composition of sales

(millions of yen)



Gross profit and operating profit

(millions of yen) (%)



Quarterly Financial Results (2) By Segment

- Sales of the Home Visit Pharmacy Business increased 14% from the first quarter due to an increase in the number of patients following the opening of new stores and facilities. Operating income returned to the 10% range as temporary expenses settled. Sales in this business also set a new quarterly record.
- The Kirari Prime business launched a new service, (Package plans, consulting services). The number of orders is steadily increasing. As a result, although the number of franchisees decreased net from the previous quarter in the first quarter, it returned to net growth in the second quarter and recovered to an expanding trend. At the same time, we strengthened new service sales to existing franchisees and increased ARPU.
- In the primary care home business, occupancy of the second facility is progressing steadily. The first facility is profitable and the second facility is on the verge of being profitable every month within the first few months of operation. We continue to lose money in the segment as a whole due to the heavy burden of expenses associated with preparations for the third and subsequent facilities. However, we have been able to reduce the deficit even while recording the cost of starting the second facility.

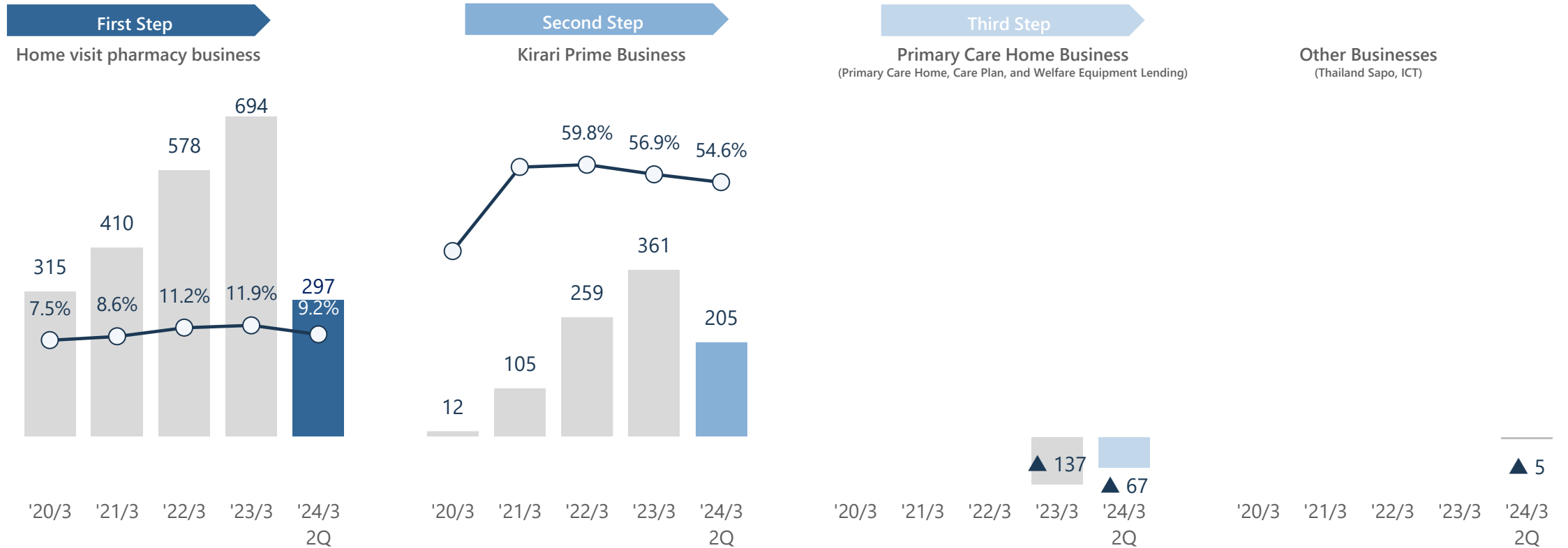
(millions of yen)	FY2023				FY2024	
	1Q	2Q	3Q	4Q	1Q	2Q
Sales	1,534	1,634	1,753	1,735	1,795	2,104
Home visit pharmacy business	1,351	1,448	1,524	1,496	1,505	1,713
Kirari Prime Business	133	141	185	173	177	199
Primary Care Home Business	32	32	33	57	106	181
Other Business	17	11	9	8	6	9
Operating Income	128	126	143	132	55	145
Home visit pharmacy business	153	185	171	184	124	173
Kirari Prime Business	70	73	115	101	90	115
Primary Care Home Business	- 14	- 26	- 37	- 60	- 38	- 28
Other Business	4	- 0	- 1	- 2	- 3	- 1
Adjustments	- 85	- 106	- 104	- 91	- 116	- 113
Ordinary Income	137	125	142	151	55	144
Net income	91	87	81	122	36	98

Operating Income by Segment

- The home-visit pharmacy business, which is responsible for the first step, is performing well. The temporary effects of COVID-19 oral drugs are expected to subside. New stores are also making good profits. The high growth pitch continues
- The Kirari Prime business, which is responsible for the second step, is also making steady profits. We are focusing on the acquisition and development of human resources and the development of new services, and strengthening our package plan sales to new franchisees. ARPU has increased.
- The primary care home business, which is the third step, although the first facility will become profitable, the overall upfront investment is still heavy. We plan to continue the investment so that we can achieve results quickly.

Segment profit and profit margin

(millions of yen) (%)

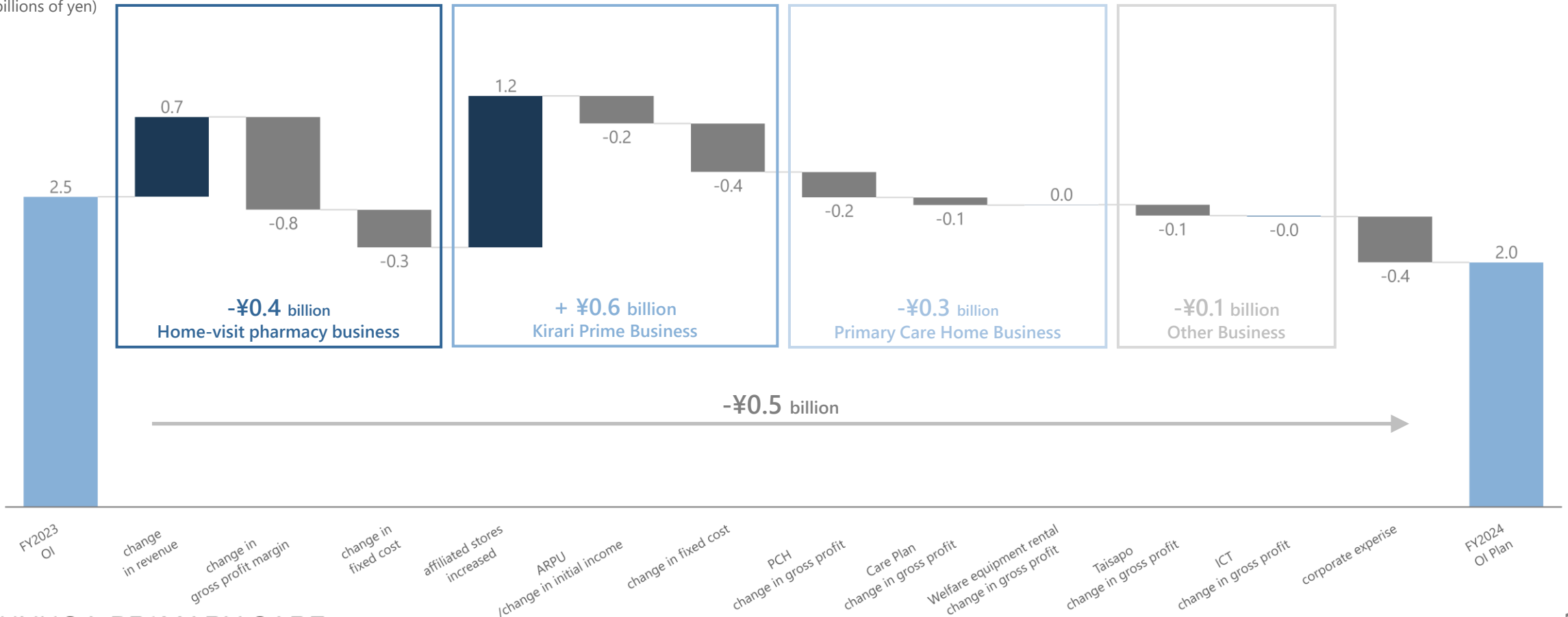


Analysis of operating income growth factors

- Home visit pharmacy business: Special factors such as one-time costs in the 1Q and an increase in low-margin products in the first quarter had an impact. This was not covered by the increase in revenue, resulting in a 40 million yen decrease in profit. However, we recognize that the decrease in profit margin is temporary.
- Kirari Prime business: It increased its profit by 60 million yen as it absorbed the negative factors of the decrease in ARPU and increase in fixed costs by increasing the number of franchisees. Although ARPU will stop declining, it is still low compared to the previous year.
- Primary care home: both the first and the second facilities are doing well. We will continue to invest in the third facility and beyond. Once initial costs are added, this business will inevitably continue to lose money.

Operating income growth factors

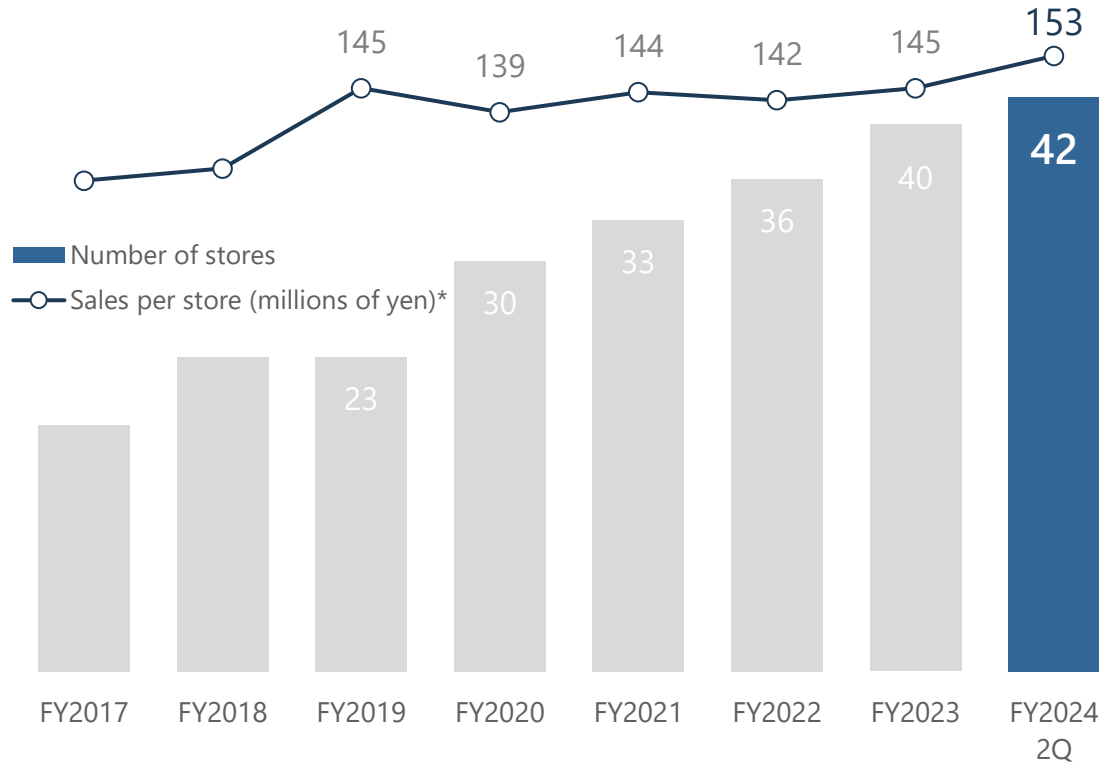
(0.1 billions of yen)



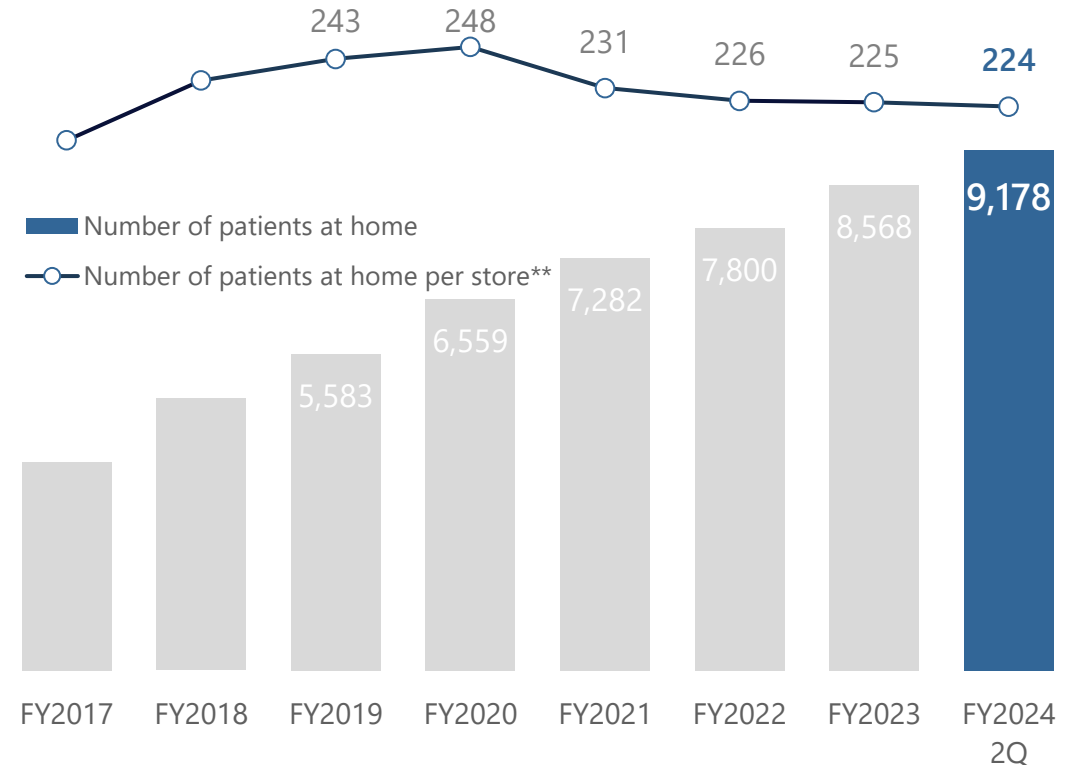
Home Visit Pharmacy Business KPI

- In July, we opened a new store in Shinagawa Ward, Tokyo, and the number of stores increased by 2 from the previous year-end to 42 ***. Sales per branch rose slightly to 150 million yen.
- The number of patients at home increased by 610 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/Hakata Mugino. We will pursue optimization to maintain the quality of visiting services. On the other hand, in stores/areas where the burden of dealing with patients is increasing locally, we are not looking to expand dominants but to reorganize.

Sales and number of stores



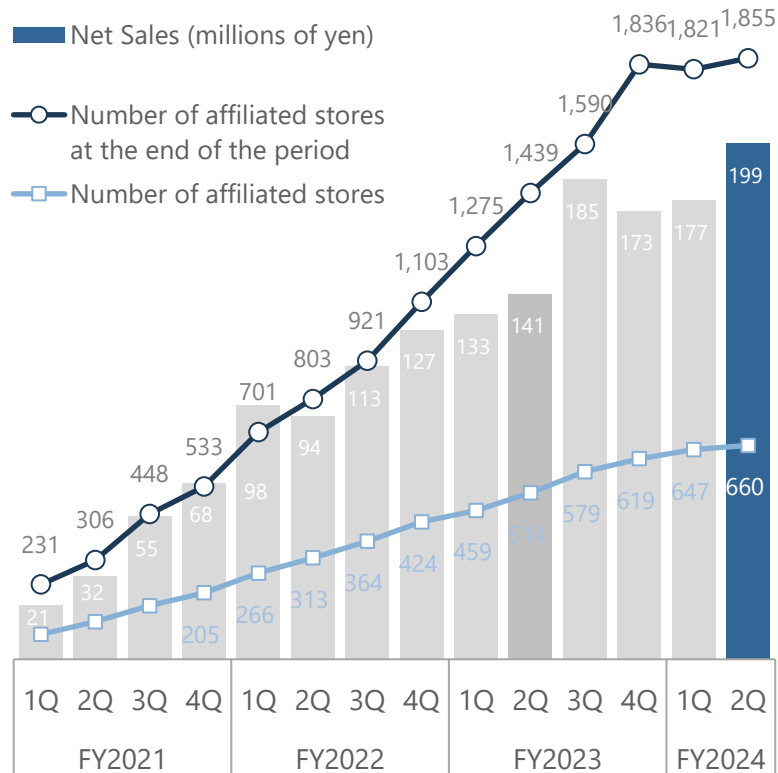
Number of patients visiting home



Kirari Prime Business KPI

- Sales increased 37% year on year, and franchisees grew 416 stores year on year. The number of franchisees increased by 13 corporations and franchisees increased by 34 stores year on year.
- Although there have been departures due to closures and non-utilization of services, these are mainly corporations with basic contracts (12000 yen/month per corporation). We continue to strengthen our follow-up system to existing franchisees with high ARPU
- The increase in ARPU in 2Q was due to the package plan (Provision of a set plan including basic membership + lending of famcare + support for purchase of medicines + support for acquisition of patients at home for around 1 million ~4 million yen per year) that we started offering in May. The ARPU of new franchisees in the first half of the year was 2.2 times higher than that of new franchisees in the same period of the previous year.

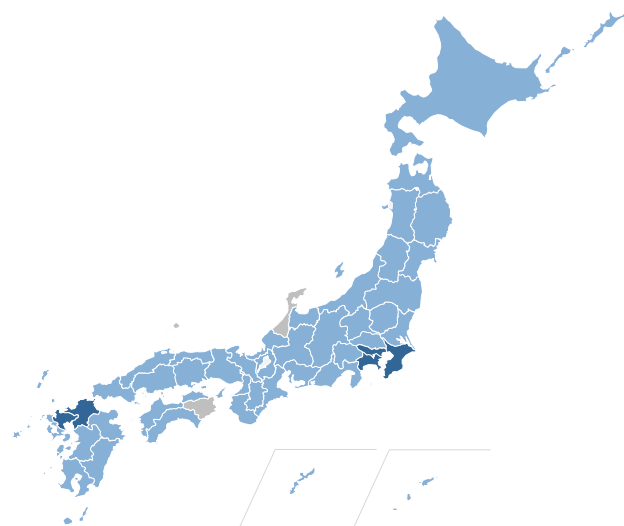
Sales, number of franchisees, and number of corporations



Development Status

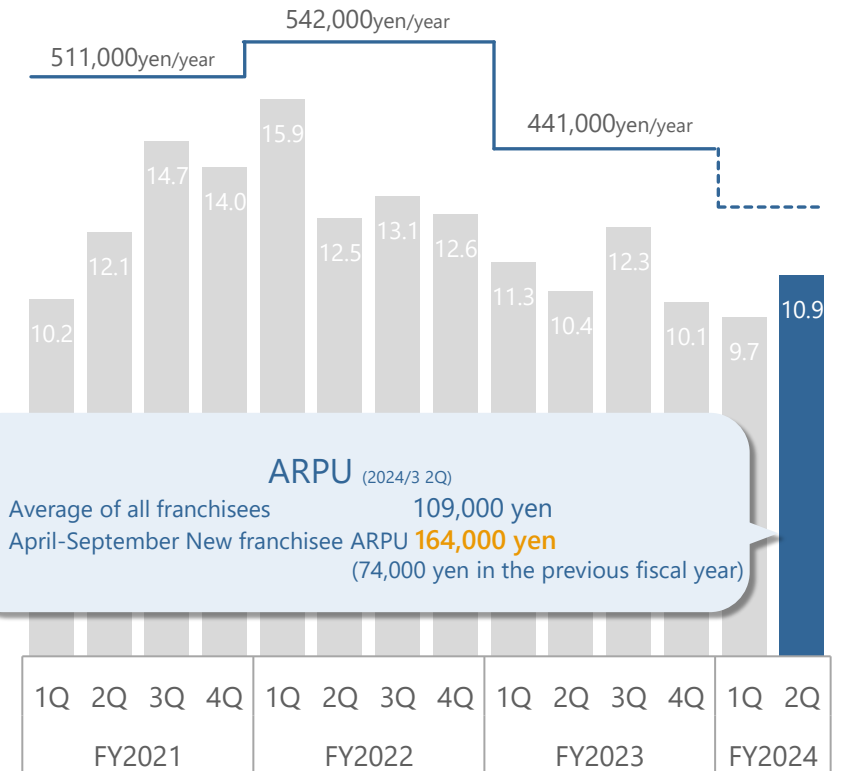
Kirari Pharmacy	5 prefectures	42 stores
Affiliated pharmacies	45 prefectures	1,855 stores

(As of September 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.

Opened stores in July 2023 Responded

- Active Deregulation of Online Medication Guidance for Elderly Facilities

Responded

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 Responded

- 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 progress

- 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

Starting of test operations at its own facilities 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.

Kasuga Chikushidai : 88 residents In progress
Hakata Mugino : 83 residents (Subscription and reservation)

- 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

3rd facility, 2024, Kumamoto City (planned) In planning
4th facility, 2025, Kurume City (planned)

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

Diaper sensor mounting test started In preparation



Strengthen positioning as a platform company for primary care

balance sheet

- At the end of the second quarter of the 2024/3 fiscal year, the capital adequacy ratio was 39.7%. Although the ratio was down 11 points from the previous fiscal year, the acquisition of new stores and other items were procured through borrowings. The Company continues to maintain a debt-free operation.
- Receivables and debts are both increasing. These are related to business expansion, particularly the expansion of the home-visit pharmacy business.
- Fixed assets are also expanding due to the opening of new pharmacies and increased investment in the primary care home business.

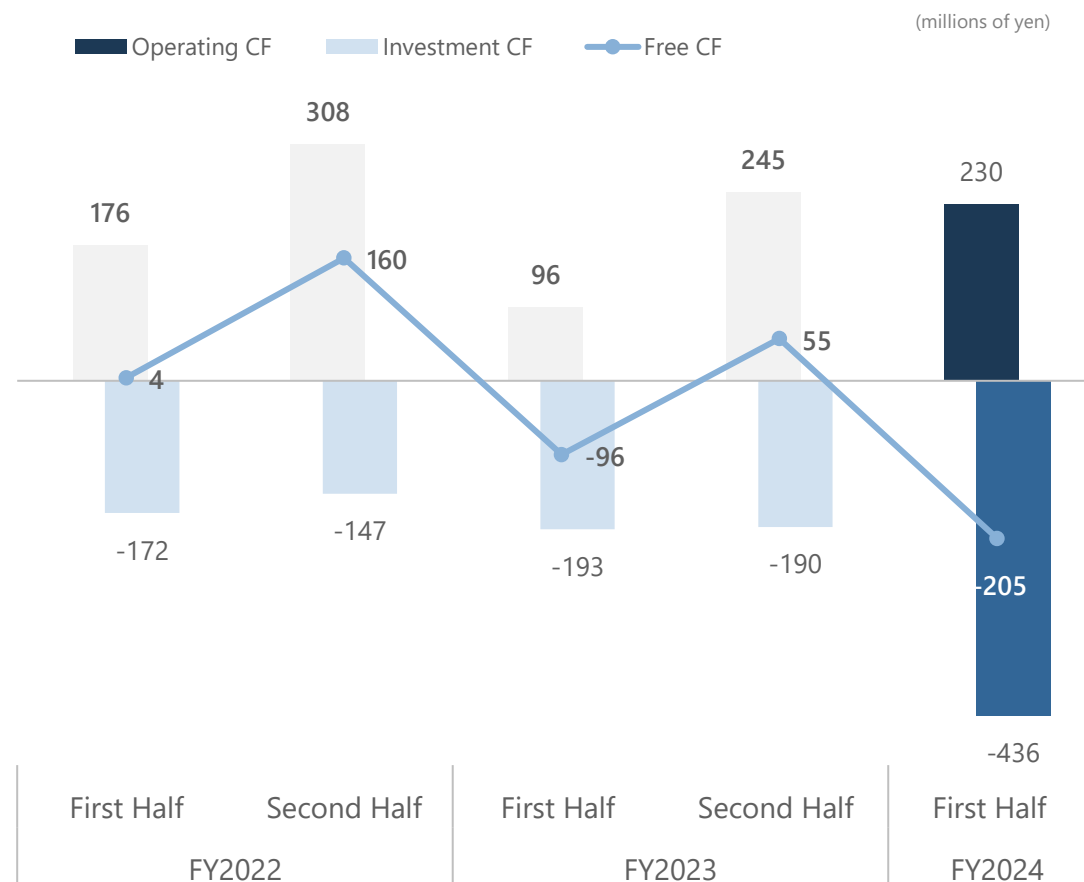
(millions of yen)	2022/3 End of fiscal year	2023/3 period	2024/3 period	Increase (decrease) from the previous period	
Current assets	1,896	1,959	2,552	+592	
Cash and deposits	719	567	853	+286	
accounts receivable	996	1,152	1,409	+257	Impact of business expansion
Non-current assets	635	955	1,419	+464	Impact of security deposits and deposits related to care homes
tangible fixed assets	209	276	471	+195	Impact of new store opening (home-visit pharmacy business)
intangible fixed assets	295	440	436	- 3	
Total assets	2,531	2,914	3,971	+1,056	
Liabilities	1,459	1,431	2,394	+963	
accounts payable	632	669	886	+216	Impact of business expansion
Interest-bearing debt *	330	193	734	+541	Procurement of fixed asset acquisition costs
Lease obligations (short-term and long-term)	0	57	161	+103	
Net assets	1,072	1,483	1,576	+93	Retained earnings +134 million yen
Liabilities and assets	2,531	2,914	3,971	+1,056	
Equity ratio	42.4%	50.9%	39.7%	-11.2pt	
ROE	39.1%	30.0%	—	—	
ROA	14.4%	14.1%	—	—	
total asset turnover	2.5 times	2.4 times	—	—	

cash flow

- FCF for the first half of the 2024/3 fiscal year was - 200 million yen. In addition to growth investments in the famcare and primary care home businesses, long-term loans to building owners contributed to a record high of 430 million yen in investment CF payments. The FCF deficit was addressed by increasing borrowings to maintain liquidity.
- We plan to continue investing for growth. We aim to maintain a certain level of financial stability so that we can respond to funds quickly.

cash flow transition

(millions of yen)	2023/3		2024/3	Year-on-Year
	First Half	Second Half	First Half	
Operating CF	96	245	230	+133
Profit before income taxes	263	270	199	- 63
Depreciation	36	44	69	+33
Amortization of goodwill	5	5	7	+2
Increase (decrease) in receivables and debts	- 34	- 85	- 40	- 6
Investment CF	- 193	- 190	- 436	- 243
Capital investment	- 130	- 135	- 172	- 41
Free CF	- 96	55	- 205	- 109
Financial CF	56	- 167	491	+435
Change in borrowings	30	- 166	541	+510
Issuance of new shares	26	1	2	- 24
Cash at the end of the period	679	567	853	+173



*Free CF (FCF) = Operating CF+ Investment CF

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earnings outlook

- The full-year earnings outlook remains unchanged from the initial forecast. We expect a 20% increase in revenue and a 30% increase in ordinary income. In the second half, we expect sales and profits to increase year on year and the first half.
- When we compare the outlook for the second half of the fiscal year on year, we expect a decrease in revenue in the home visit pharmacy business due to a decrease in demand for oral drugs for COVID-19, but a steady expansion in other businesses. The primary care home business is expected to drive company-wide sales due to the contribution of new facility sales.
- As a topic of profit and loss, the improvement in profitability of the home visiting pharmacy business will contribute. The primary care home business also plans to become profitable in the second half.

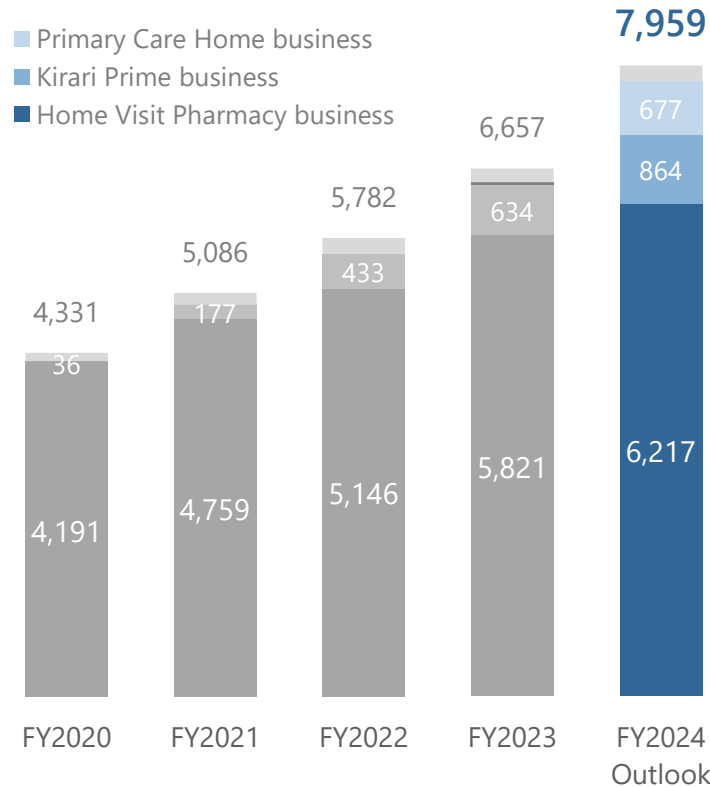
(millions of yen)	2023/3 Results		2024/3 period		Change in the second half		2023/3	2024/3	Change
	First half	Second half	First half results	Second half forecast	YoY	HoH	Actual results	Forecast	
Sales	3,168	3,488	3,899	4,060	+572	+161	6,657	7,959	+19.6%
Home visit pharmacy business	2,799	3,021	3,218	2,999	- 22	- 218	5,821	6,217	+6.8%
Kirari Prime Business	275	358	377	487	+129	+109	634	864	+36.3%
Primary Care Home Business	65	91	287	529	+438	+240	156	816	+421.4%
Other Business	28	17	16	45	+28	+29	45	61	+34.2%
Operating income	254	275	201	520	+245	+319	530	721	+36.1%
Home visit pharmacy business	339	355	315	447	+92	+166	694	762	+9.7%
Kirari Prime Business	143	217	210	271	+54	+69	361	481	+33.3%
Primary Care Home Business	- 40	- 97	- 64	32	+129	+101	- 137	- 32	-
Other Business	4	- 3	- 19	19	+22	+12	0	0	-
Adjustments	- 192	- 196	- 240	- 249	- 53	- 30	- 388	- 489	+26.2%
Ordinary profit	263	294	199	521	+227	+321	557	720	+29.2%
Net income	178	204	134	362	+158	+227	382	496	+29.7%

KPI Assumptions

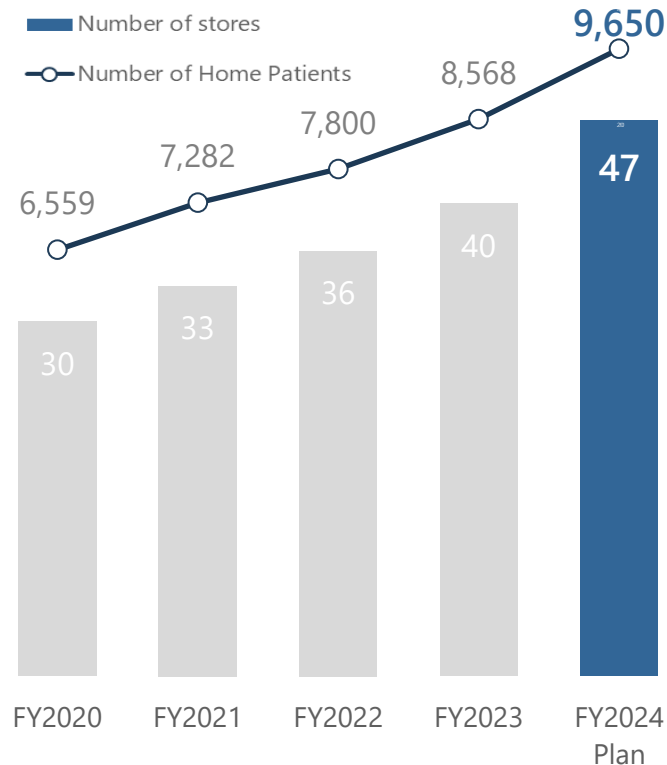
- Compared to the previous fiscal year, net sales forecast is for an increase of 1.3 billion yen from the previous fiscal year: home visit pharmacy business + 400 million yen, Kirari Prime business + 230 million yen, and primary care home business + 650 million yen.
- The home visit pharmacy business is planning to open more stores than usual. We will respond to the growing need for home visit services. We expect the number of home patients to increase by more than 10% year on year.
- In the Kirari Prime business, we will focus on acquiring franchise stores and aim for a 40% increase in sales. On the other hand, with the introduction of package plans, we intend to increase ARPU. We will continue to invest in response to the shortage of staff and the increase in churn at franchisees.

Sales Outlook

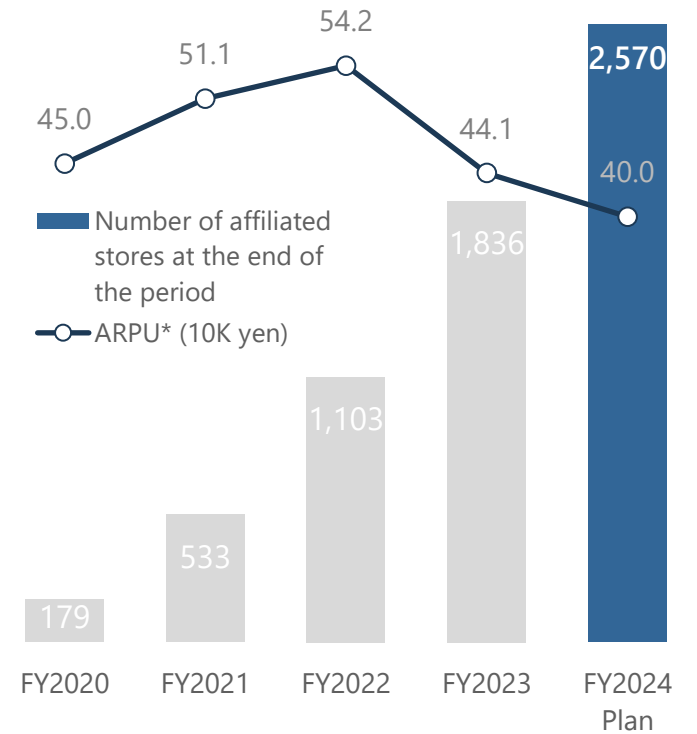
(millions of yen)



Home Visit Pharmacy Business KPI Assumption



Kirari Prime Business KPI Assumption



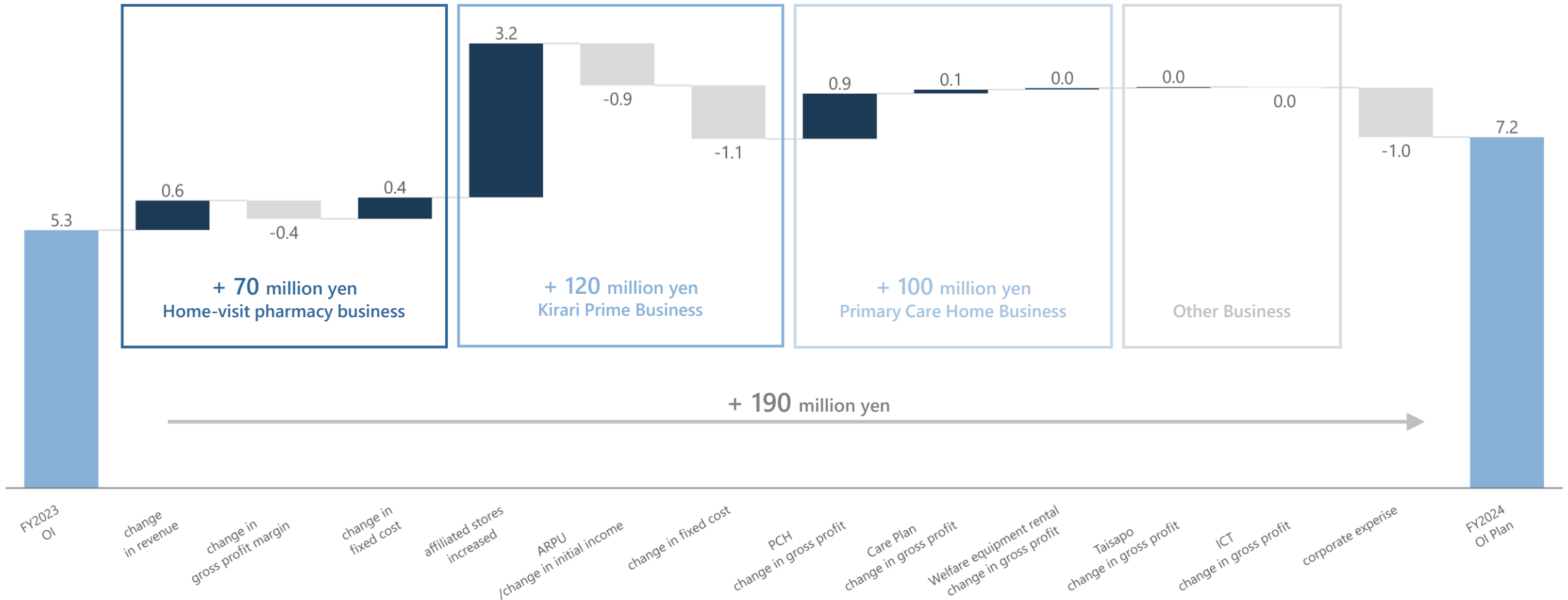
*ARPU= Kirari Prime Sales (including initial revenue) ÷ Average number of franchisees at the beginning and end of the period

Factor Analysis of Assumed Operating Income

- The Kirari Prime Business and the Primary Care Home Business led the increase in earnings across the company. In the Kirari Prime Business, the increase in franchisees contributed. This is expected to absorb the decrease in the average ARPU and the increase in management costs. The primary care home business, which had a large upfront cost in the previous fiscal year, is also expected to show a significant improvement in profitability as the facility utilization rate increases. We assume that both of our businesses will generate more than the company-wide increase in profit.
- Although the home-visit pharmacy business will benefit from an increase in sales due to an increase in store openings, the gross margin is expected to decline due to the impact of the concentrated distribution of oral drugs for COVID-19 in the first half of the fiscal year.

Operating Income Factors

(0.1 billions of yen)

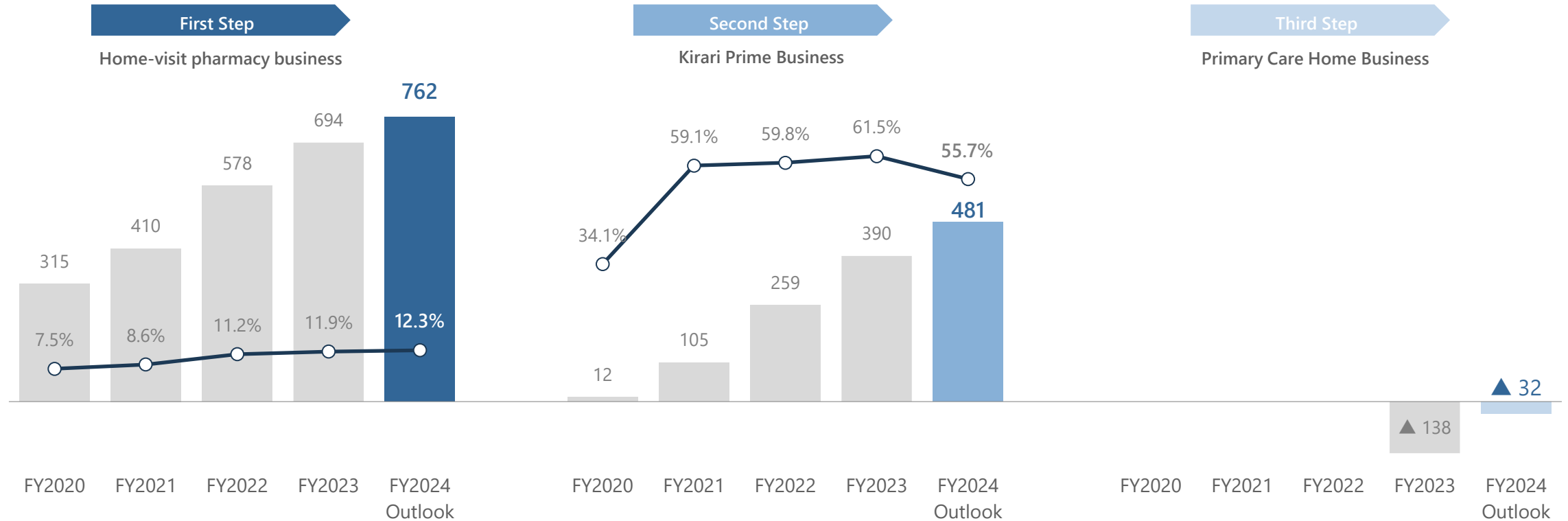


Earnings Forecast by Segment

- The first-step, Home visit pharmacy business will continue to grow steadily. We will proceed with opening stores smoothly. This business will maintain the growth trend while maintaining the profit margin.
- The second step, Kirari Prime is expected to increase profit by 28%. However, ARPU and profit margins are expected to decrease as we prioritize merchant acquisition and merchant support.
- The third step, Primary care home business sales from facility operations began to contribute. Profit and loss in this business is likely to become profitable. We assume that the full-scale contribution to the company's business results will be after the FY2025

Segment profit and profit margin

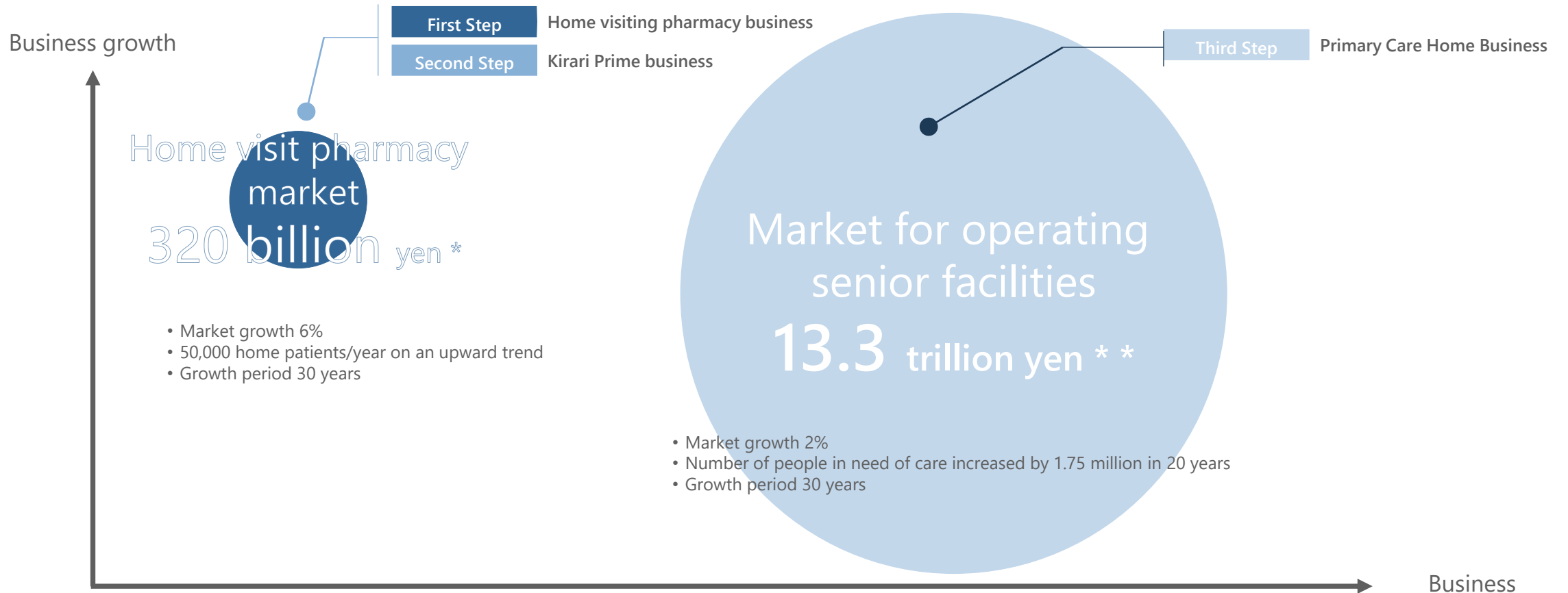
(millions of yen) (%)



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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

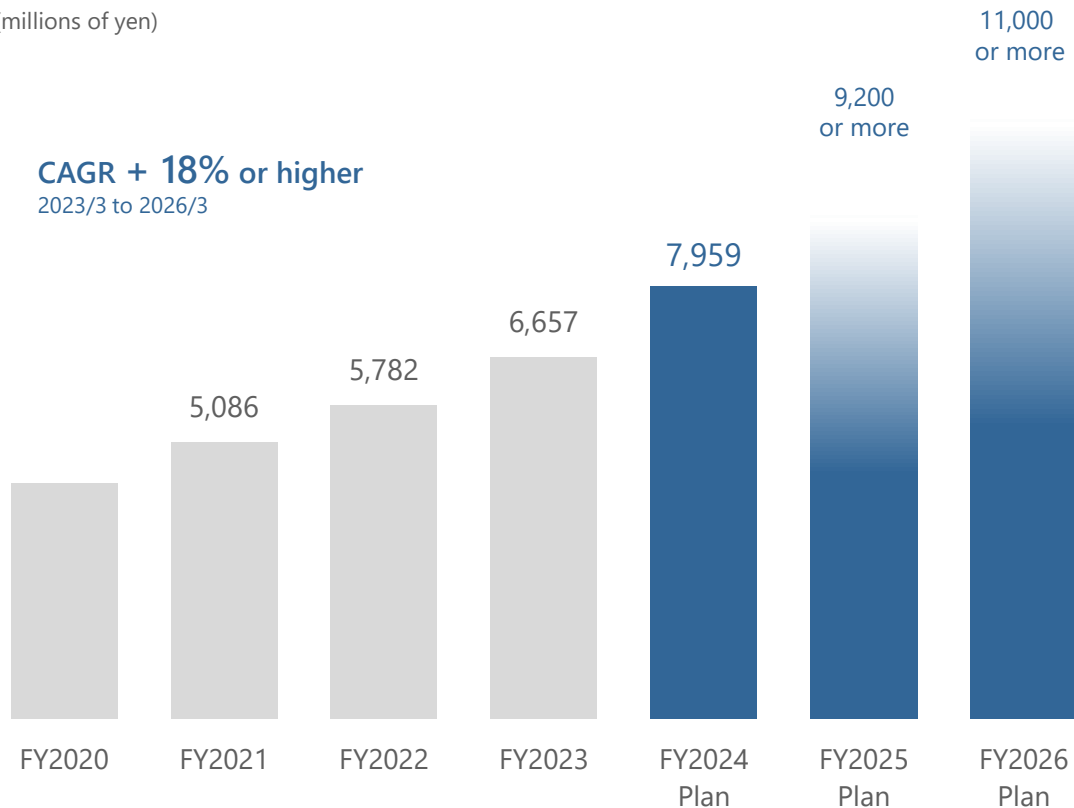
** Primary care home business TAM : 6.89 million people requiring long-term care (the Ministry of Health, Labour and Welfare Report on the Status of Long-Term Care Insurance Business, February 2022) x rate of utilization of in-home services (calculated from the 2021 Survey on Long-term Care Benefit Expenses, 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.

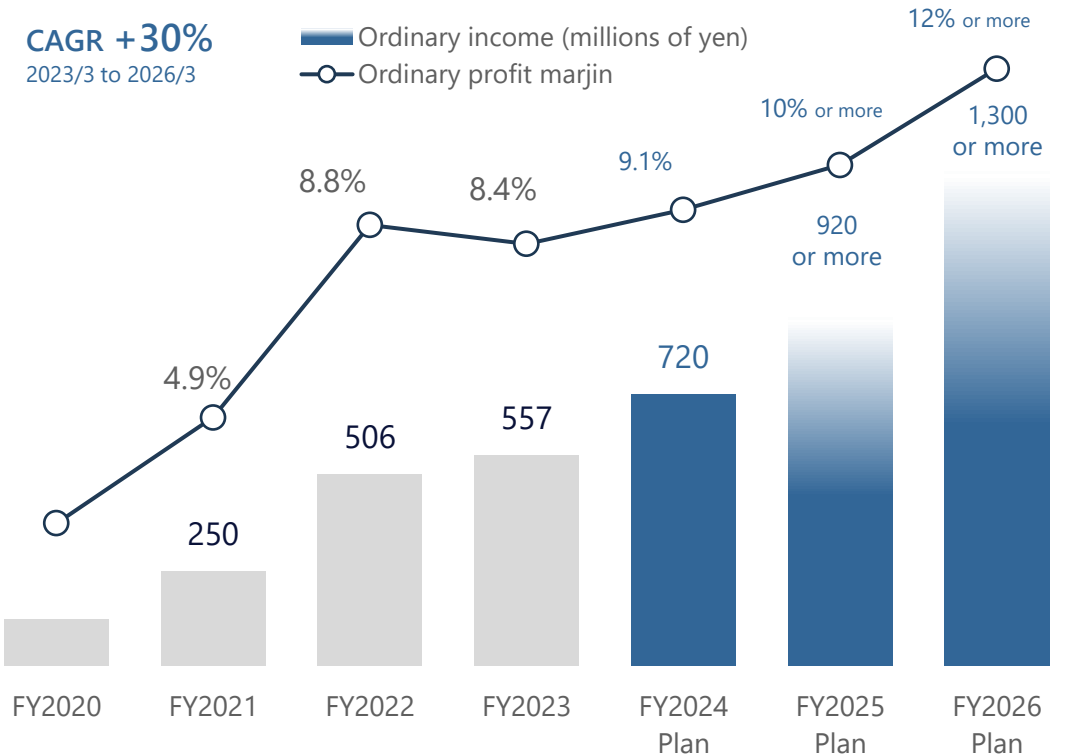
Net sales

(millions of yen)



Ordinary Profit/Ordinary Profit Ratio

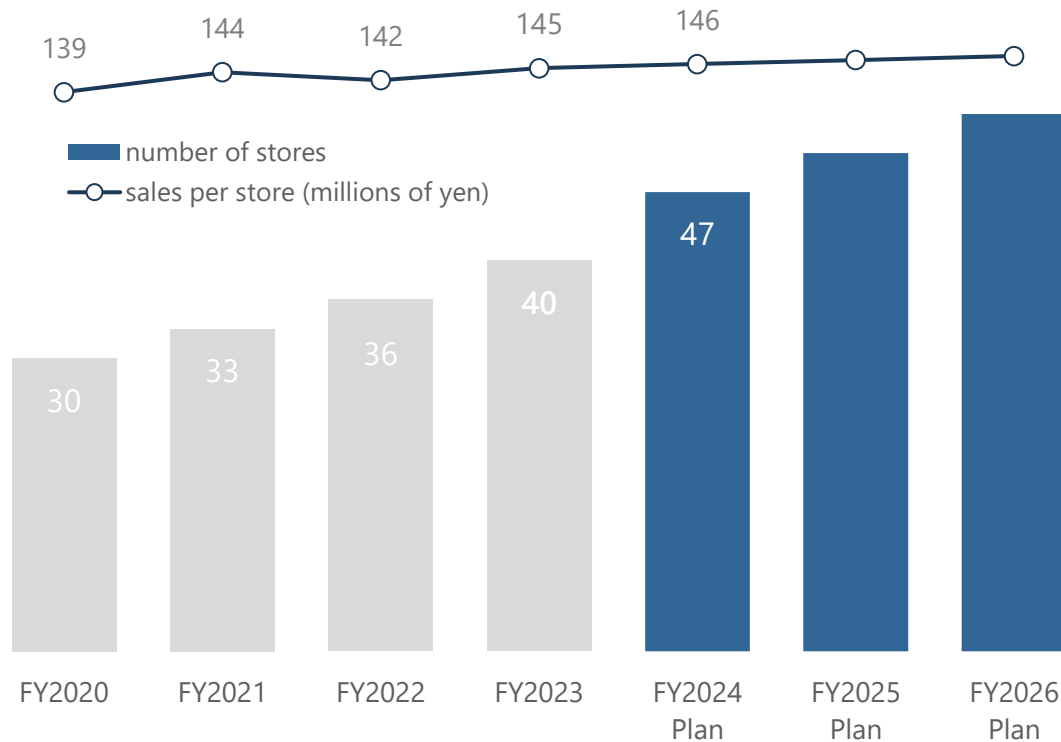
(millions of yen) (%)



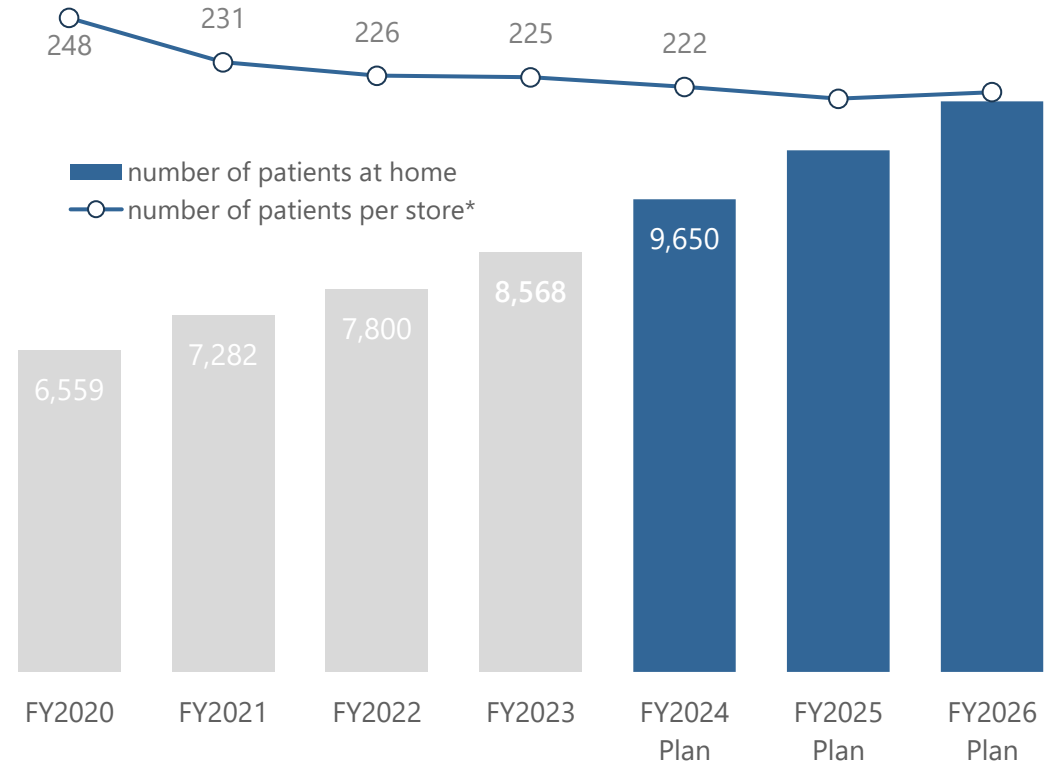
Home visiting pharmacy business strategy

- 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

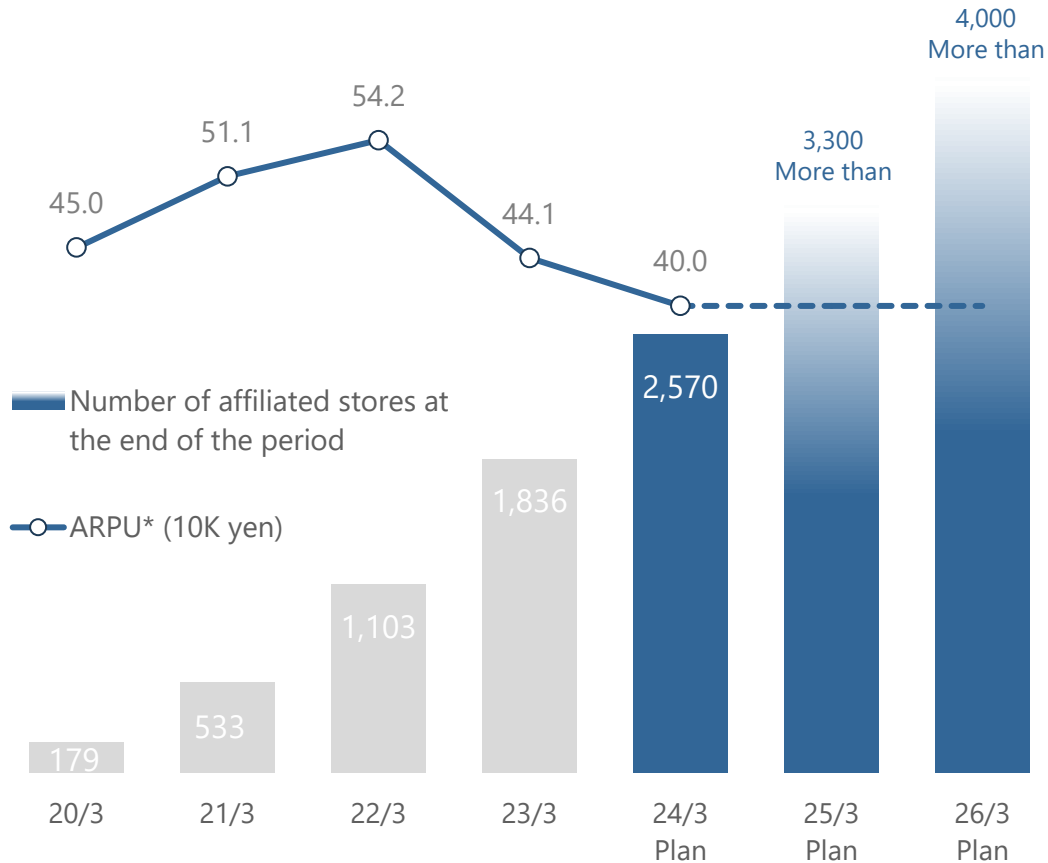


*Number of patients per store = Number of patients at home at end of period / Average number of stores at end of period

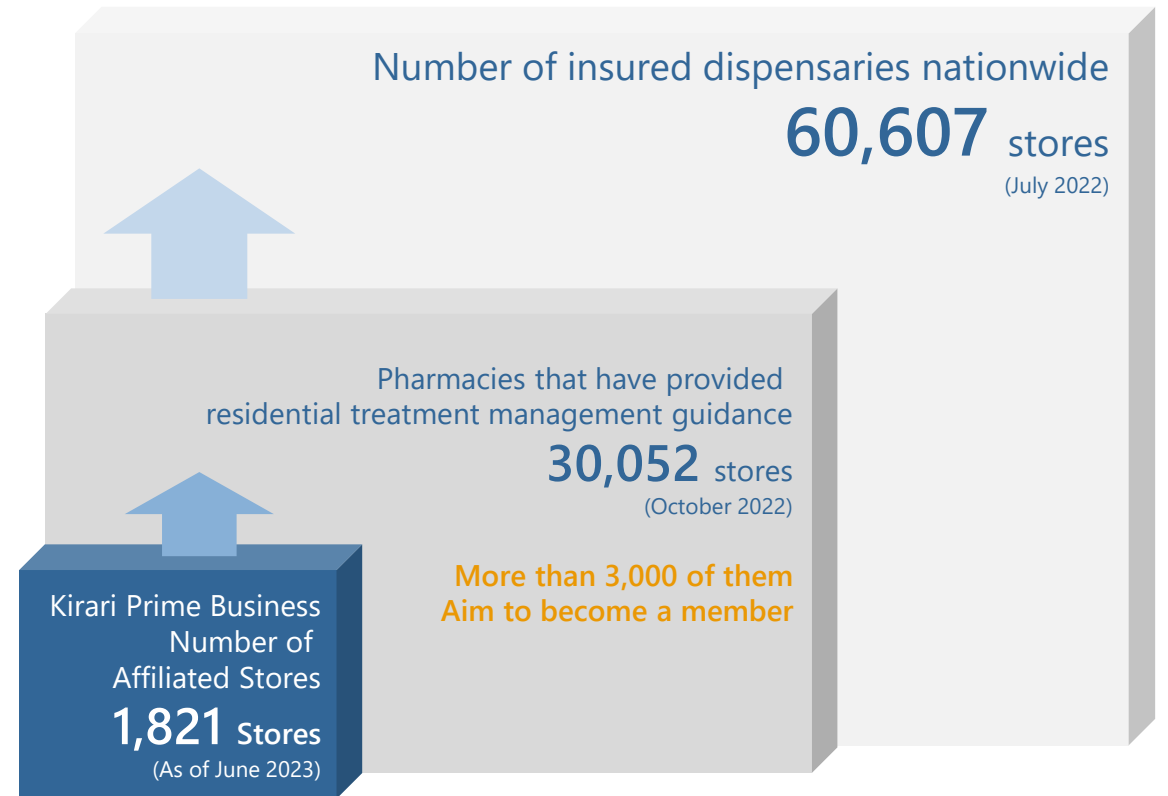
Kirari Prime Business Strategy

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

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 image displays several overlapping screenshots from the company's Sustainability Report website. Key sections visible include:

- トップメッセージ** (Top Message): A message from a company representative.
- 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 Business Strategy (1) Mid-to-long-term Vision and Thinking on SDGs): A section detailing the company's vision and approach to SDGs, divided into '中長期ビジョン' (Mid-to-long-term Vision) and 'SDGsへの考え方' (Thinking on SDGs).
- マテリアリティマッピング** (Materiality Mapping): A diagram mapping the company's business activities to various ESG issues and SDGs.
- マテリアリティとSDGs17の目標への貢献** (Contribution to SDG 17 Goals through Materiality): A table or chart showing the company's contribution to the 17 SDGs.
- 重点課題グループとSDGs17の目標への貢献** (Contribution to SDG 17 Goals through Key Issue Groups): A section detailing the company's contribution to the 17 SDGs through key issue groups.

Organizing Materiality

Our company organizes matters considered important in five areas

Key Issues Group	Materiality
I Contributing to the enhancement and development of community health care as a platformer of a community comprehensive care system	<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
II Safe and secure pharmaceutical supply as social infrastructure	<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
III Measures to protect the environment and reduce environmental impact	<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
IV Supporting the development and performance of diverse human resources and the revitalization of medical and nursing care sites	<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
V Strengthening governance	<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)

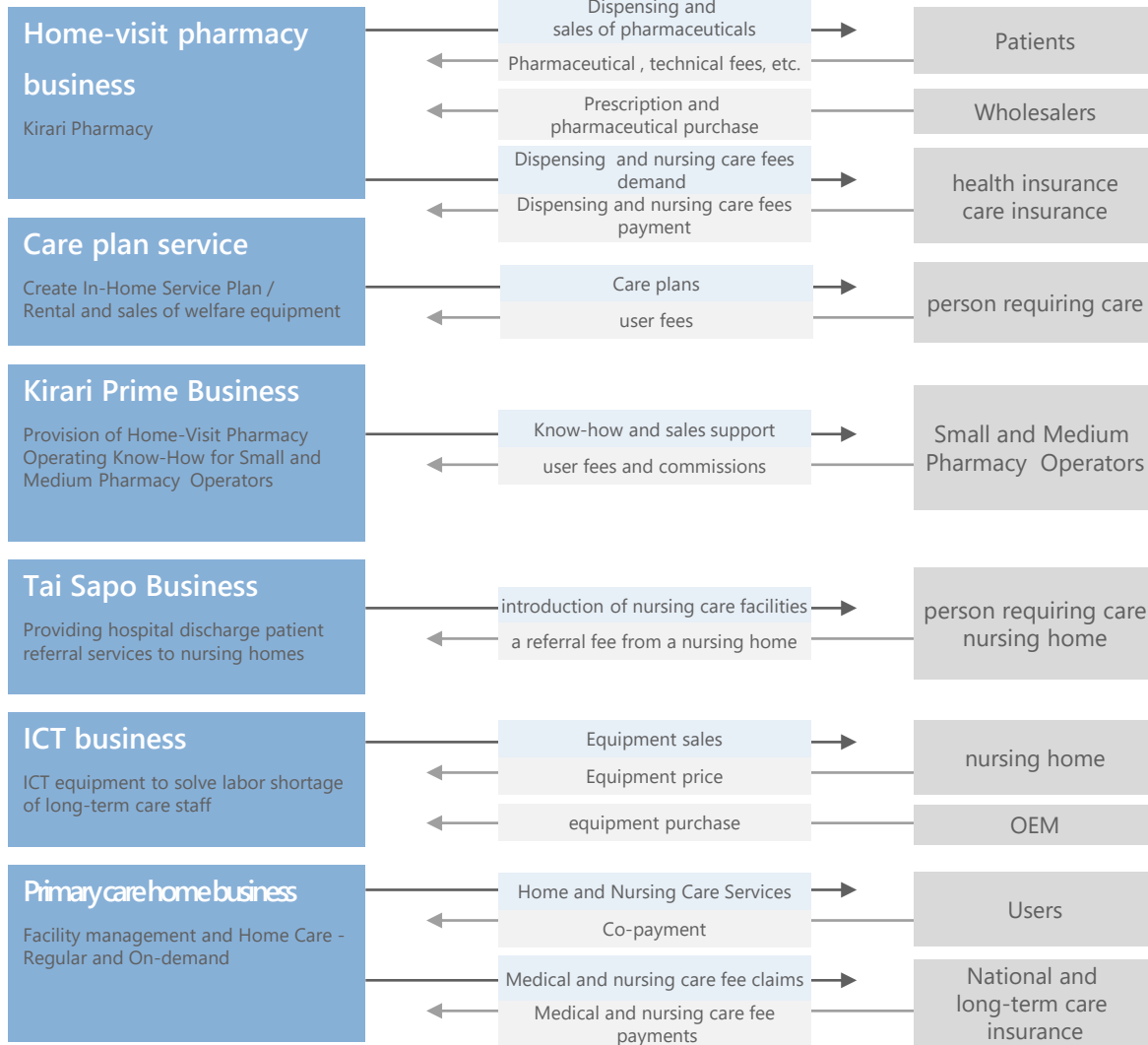
*On April 1, 2023, our company executed a two-for-one stock split of its common stock. The total number of issued shares after the split is 7,144,000 shares

**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



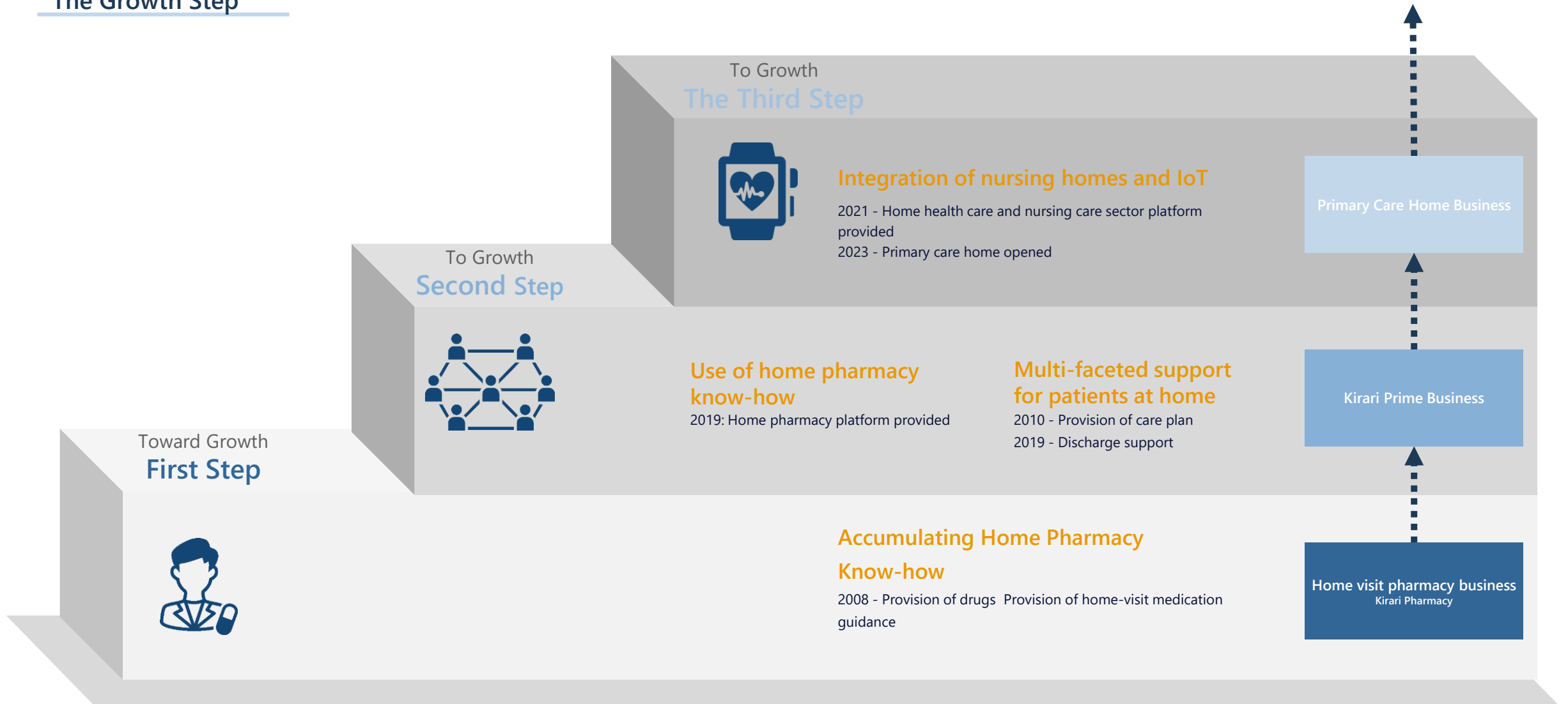
As a platform for comprehensive community care systems
 Providing one-stop services to patients and customers



Strengthening the Third Step to Growth

The Growth Step

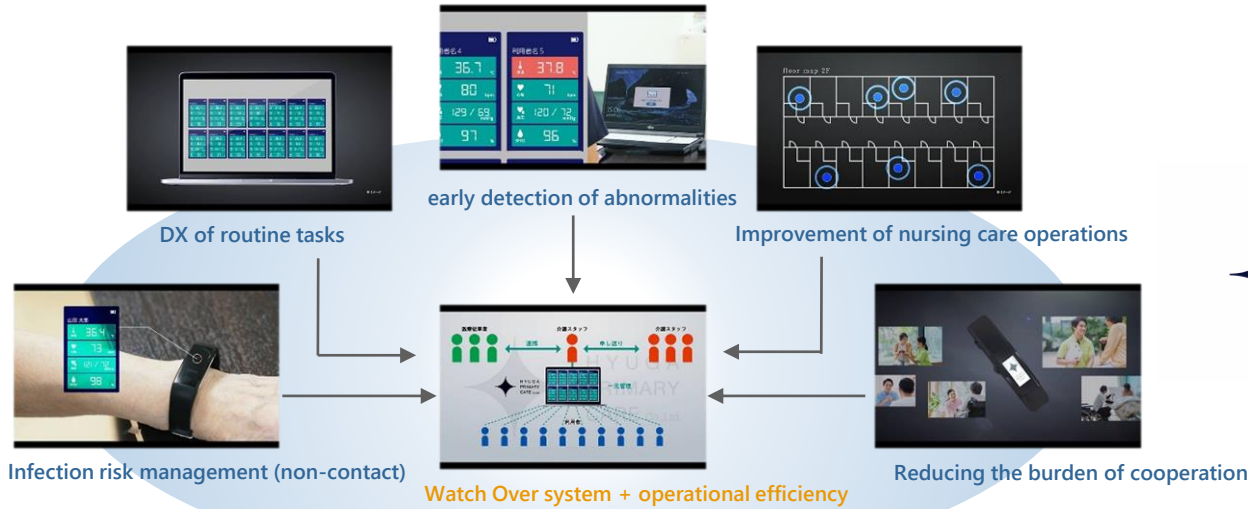
Expanding the Platform for Community Comprehensive Care Systems



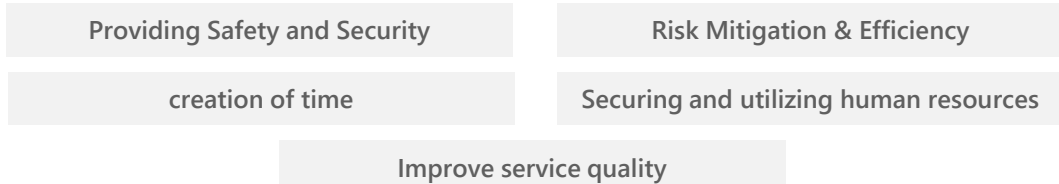
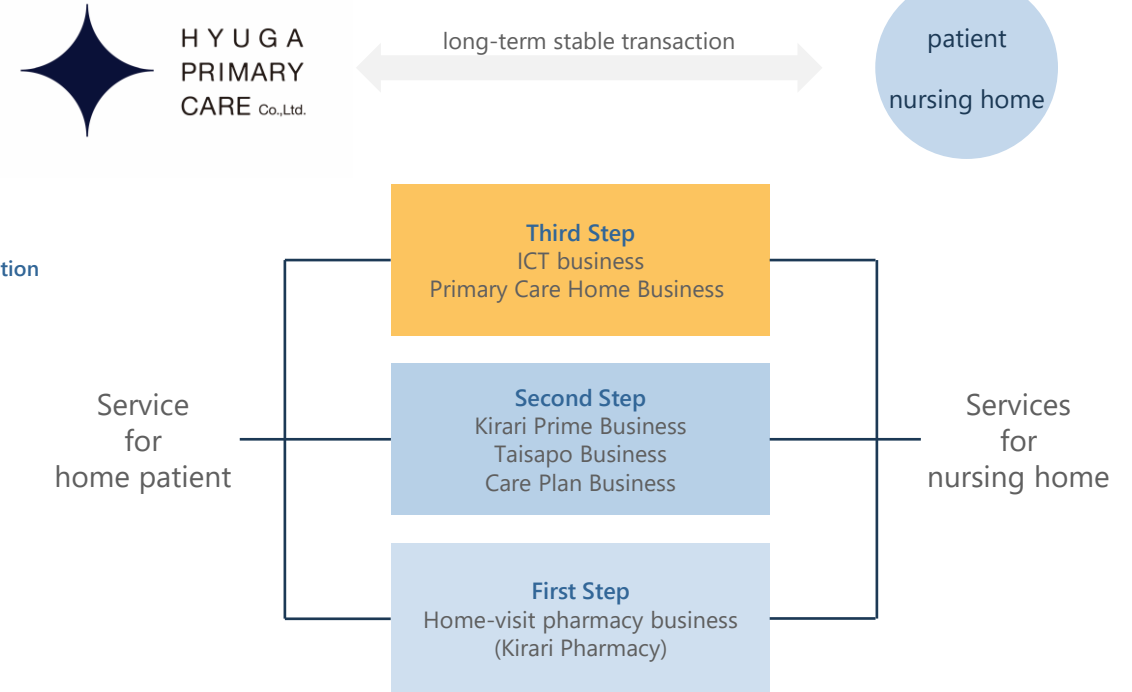
Strengthening the Third Step toward Growth ICT Business

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

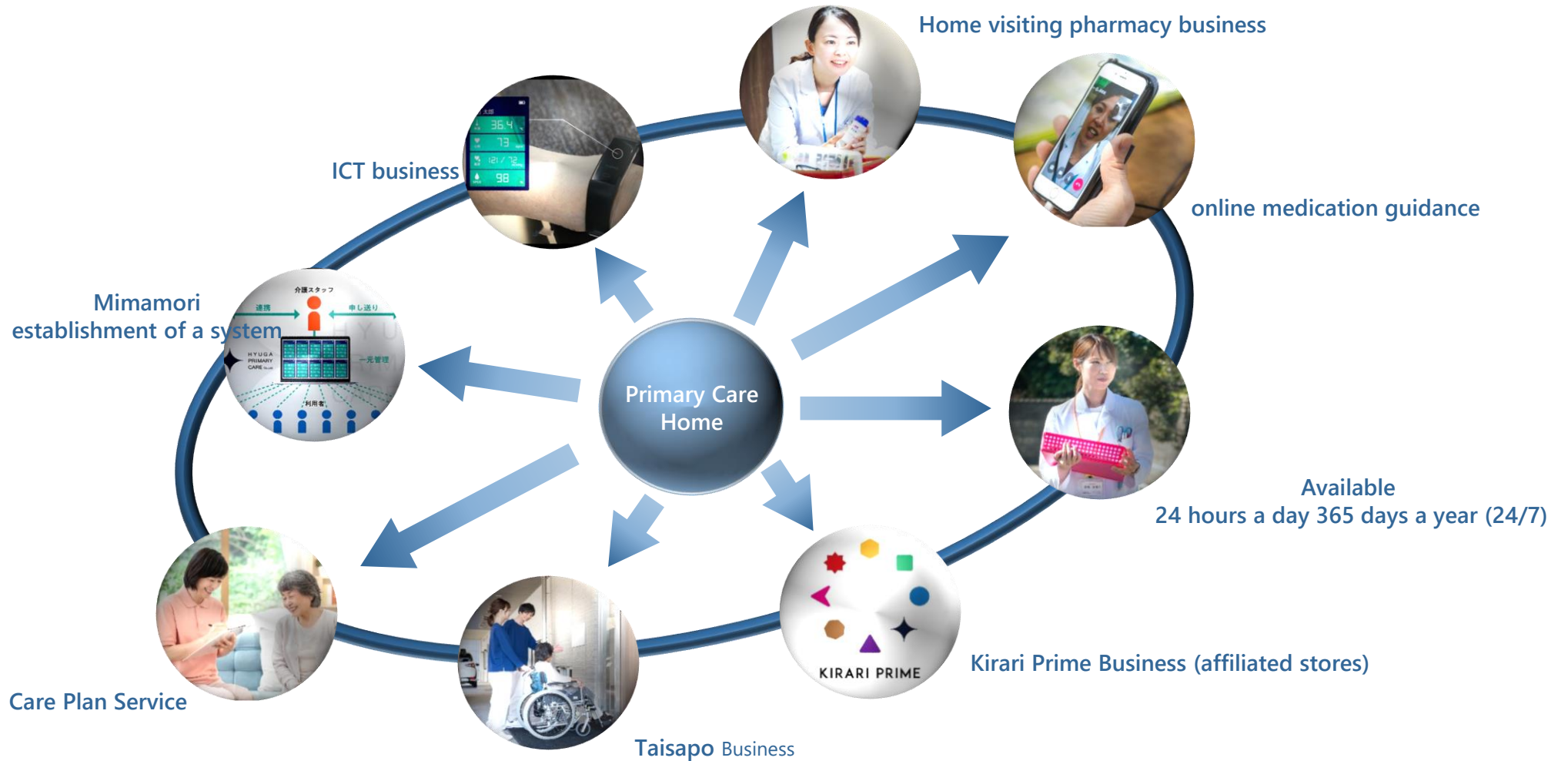
Reporting to physicians and cooperation with medical institutions

*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

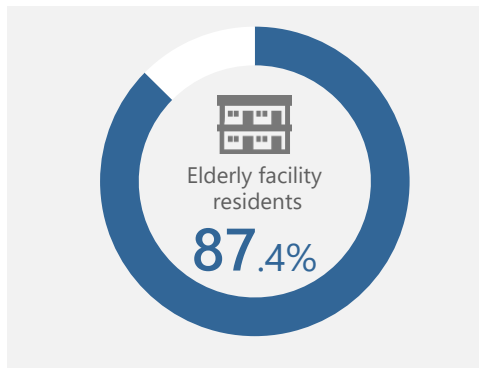
One of the social infrastructures that enable people to receive medical care with peace of mind at home, 24 hours a day, 365 days a year (24/7).

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

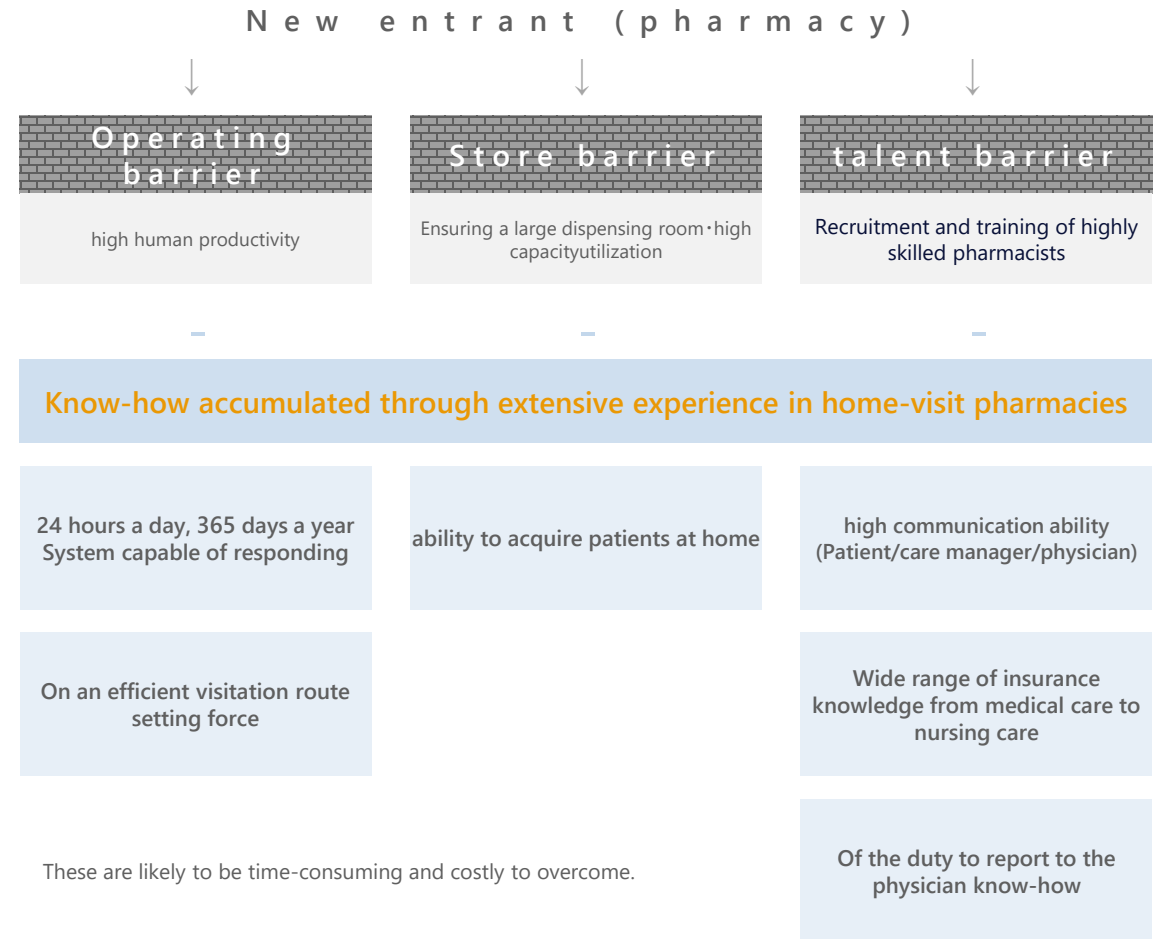
patient attributes

(as of the end of March 2022)



high entry barriers

Conventional pharmacies entering the home pharmacy business

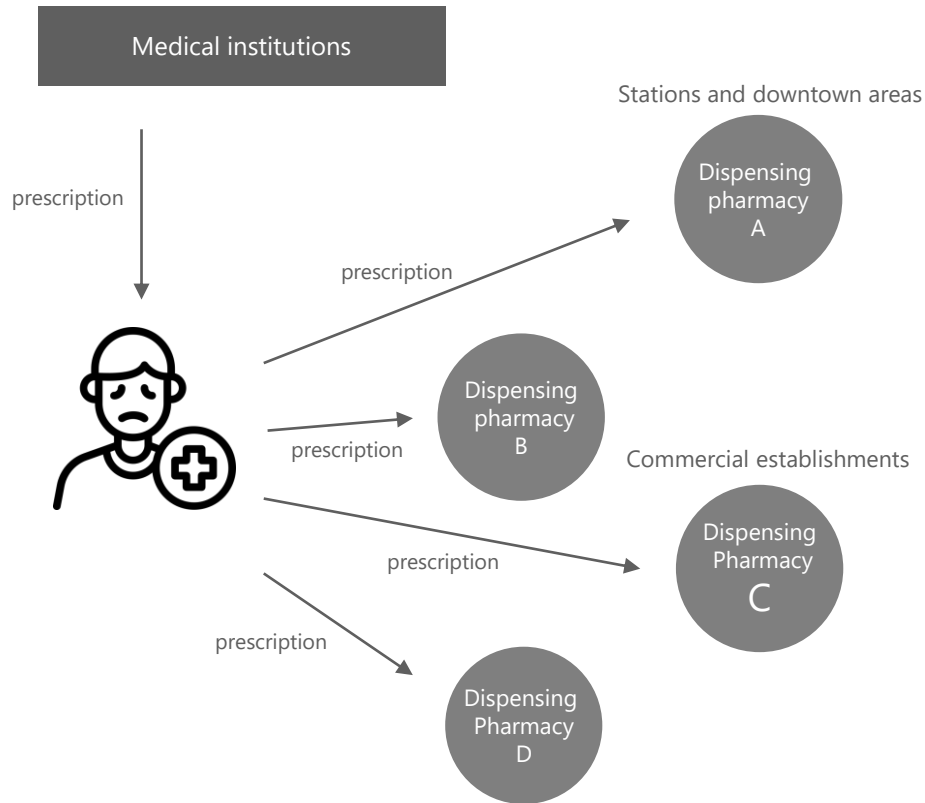


Home visiting pharmacy business (2) Aim and location of new stores

Pharmacies near medical institutions

"Outpatients themselves visit pharmacies"

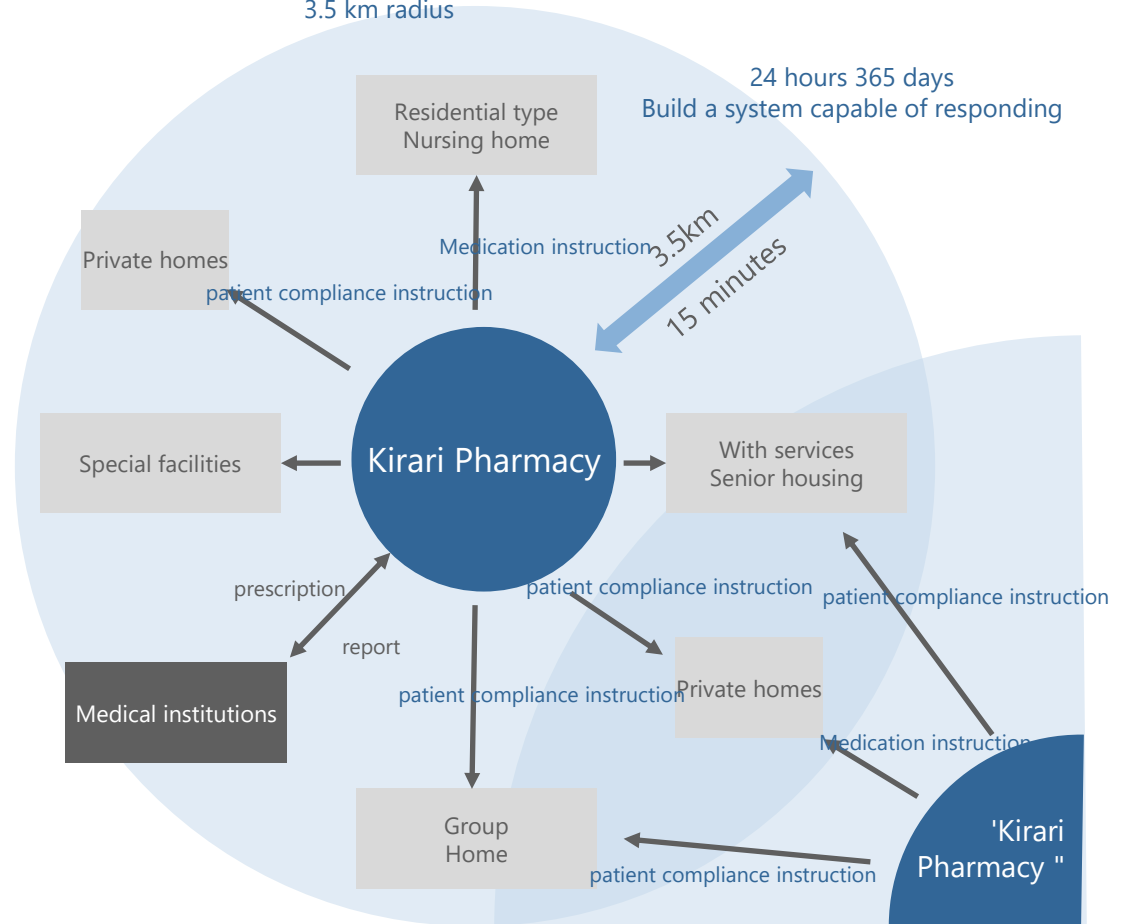
- Open stores near medical institutions where outpatient visits are expected
- Therefore, there are many cases where the store is located close to competing pharmacies
- The cost of opening a store tends to be higher because location is important



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

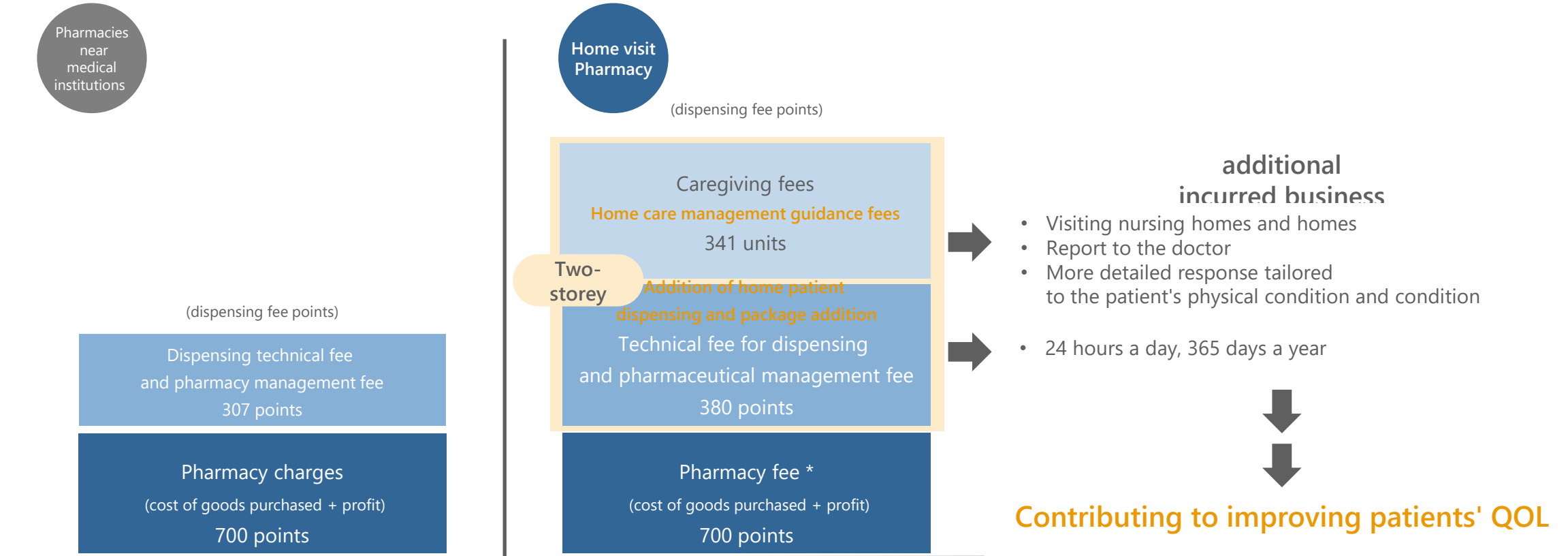


Home visiting pharmacy business (3) Number of dispensing fees

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

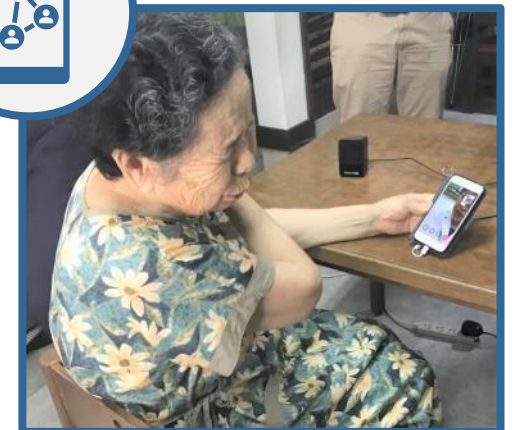
Home-visit pharmacy business “Online medication instruction for nursing homes”

- 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が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

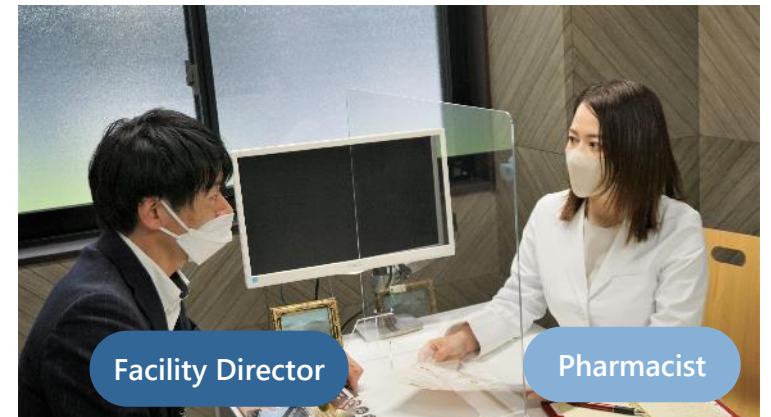
Consultation with doctors to suggest changes to the most appropriate medication according to the patient's situation. Also involved in prescription design



Care Manager

Pharmacist

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



Facility Director

Pharmacist

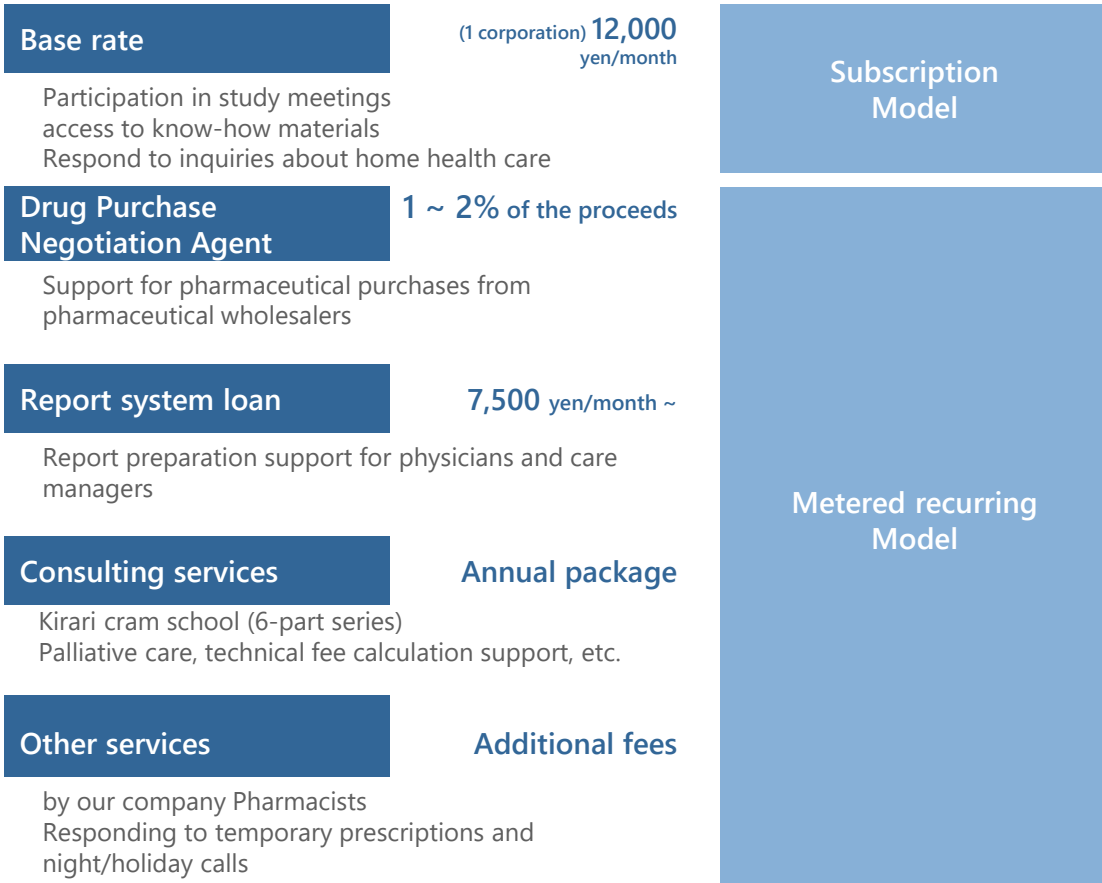
Discussions with care providers occur as needed, such as when starting new business. Negotiation and sales skills are required while listening to other parties' requests.

Business model and pricing system

Share of Kirari Prime Business Sales

Subscription Recurring Sales Ratio 90%

(Fiscal year ended March 2022)

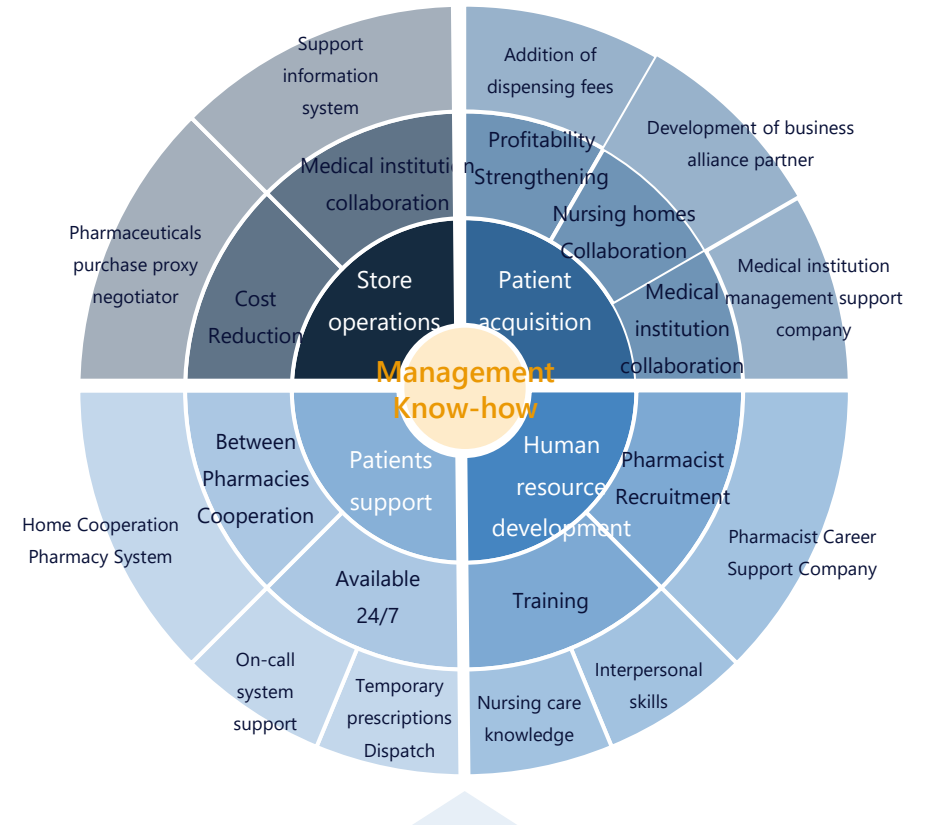


Competitiveness, Policy and Environment

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

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.

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

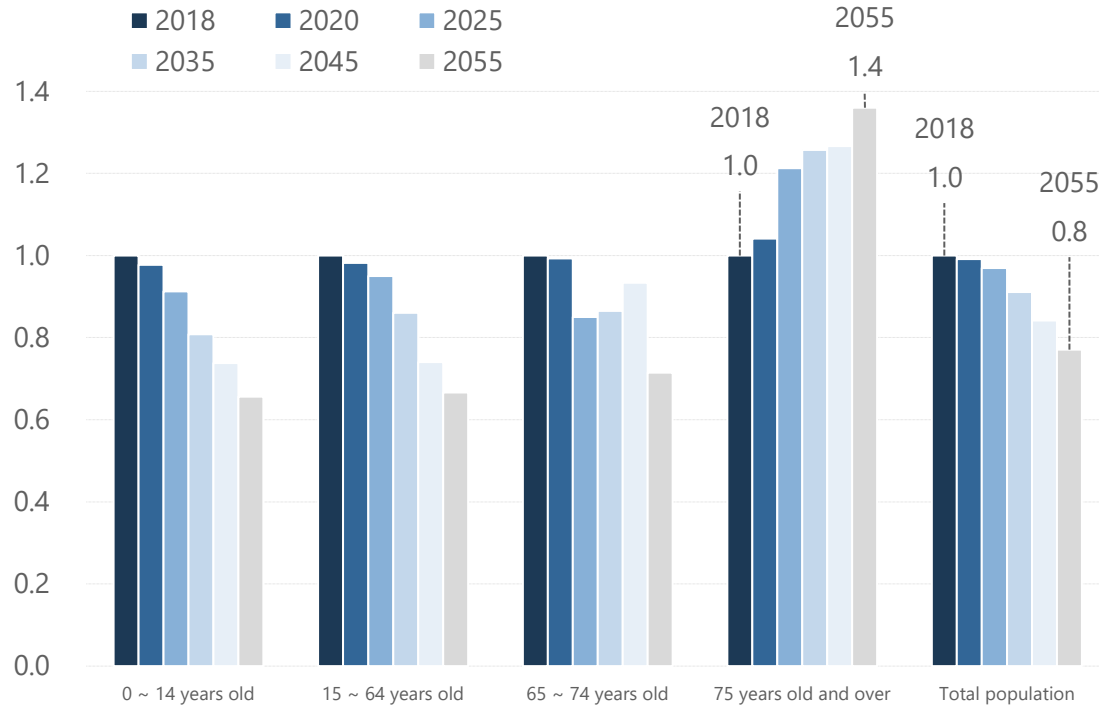
- While the total population of Japan is decreasing, the number of people aged 75 and over is increasing, and in 2055, the number was 1.4 times that of 2018 (the total population was 0.8 times in the same period). The number of single households aged 65 and over is expected to increase, with a 1.5 fold 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

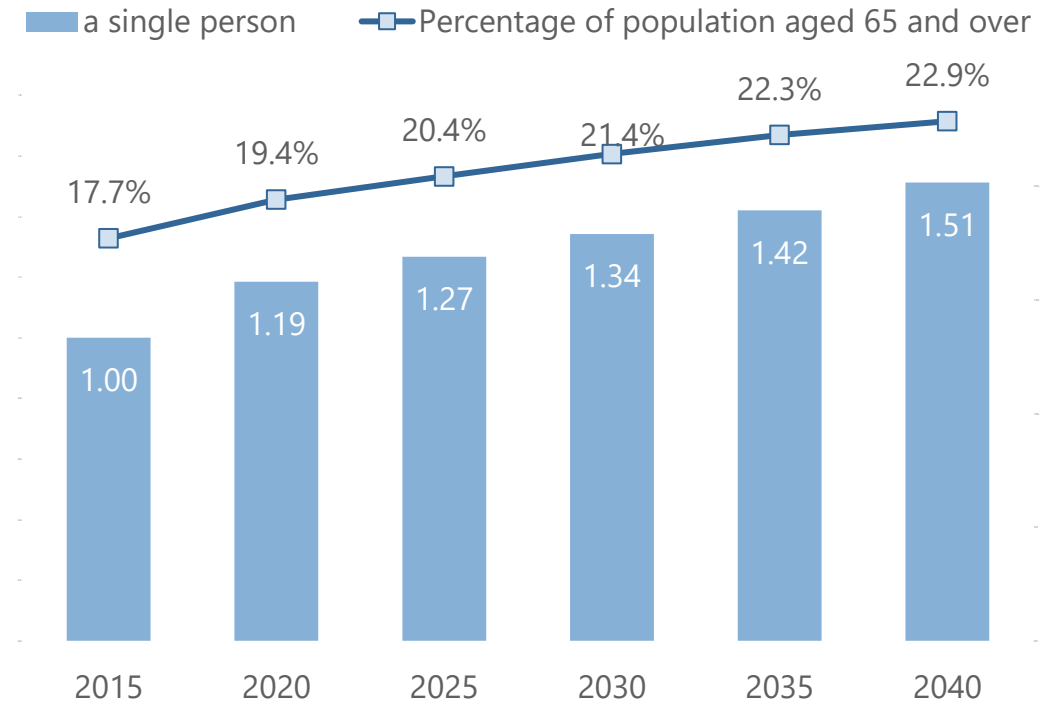
17.98 million (2018) → **24.46 million** (2055)



Number of single elderly households *

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

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



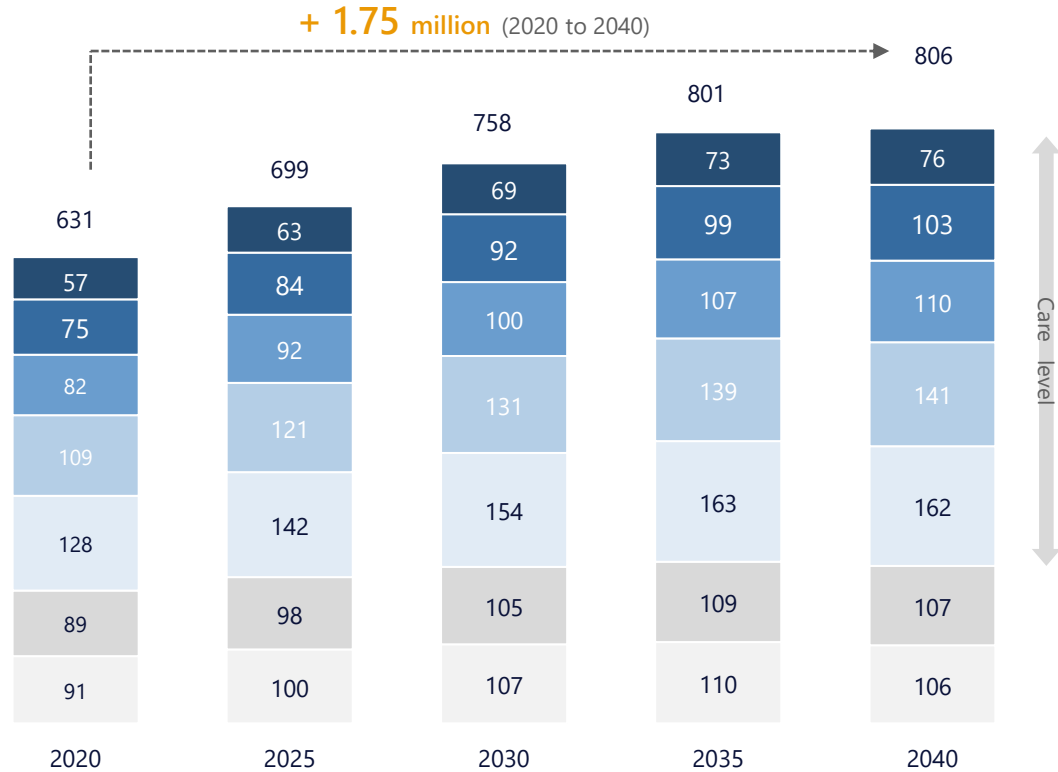
Source: Cabinet Office's "White Paper on Aging Society in Reiwa 2"

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

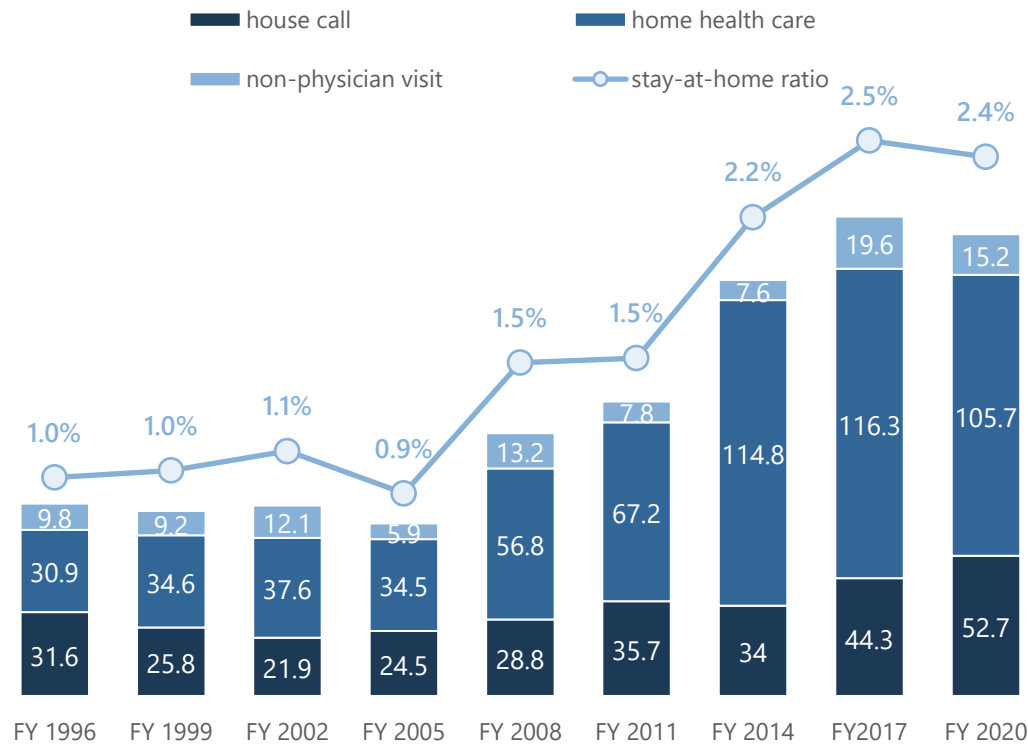
Sources: "Population Estimates (October 30)" (the Ministry of Internal Affairs and Communications), "Long-Term Care Insurance Business Status Report (October 30)" (the Ministry of Health, Labour and Welfare), "Japan's Future Population Estimates (April 29) (Mid-Birth (Mid-Death) Estimates)" (the National Institute of Population and Social Security Research)

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

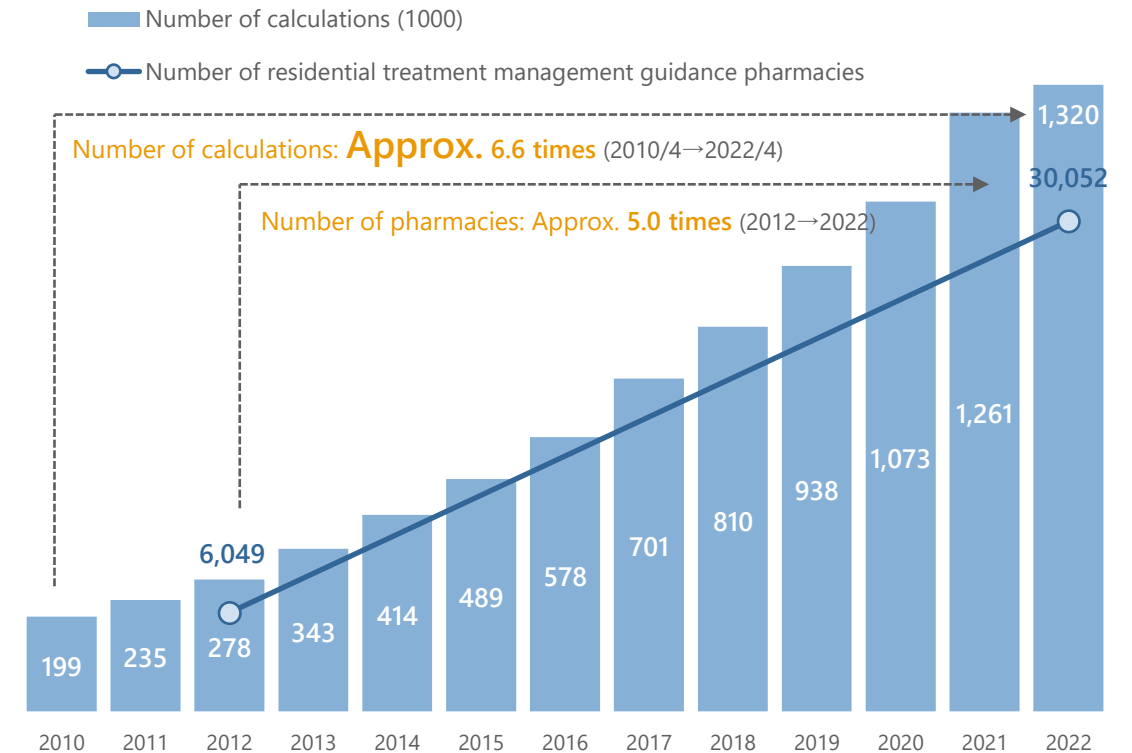
Number of patients at home Ratio of patients at home to all patients

(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."

