The Q&A Summary of FY03/25 Financial Result Briefing

2025.5.12

Q: The current forecasts for fiscal 2025 with regard to the “JARVIS Doubutsu Iryou Center – Tokyo” (tentative translation: JARVIS Animal Medical Center) is for a loss of ¥1.0 billion. Could you please let us know your projections regarding revenue and expenditure, and about any changes you foresee regarding profit/loss during operations in fiscal 2026?

A: We plan to launch in September 2025 and are continuing to make further capital investments. The depreciation associated with this is expected to have a significant impact on our financial results for fiscal 2025, which is why expenditures are so prominent. And while we expect that sales will start growing incrementally from September 2025, we think that, when you factor in the initial investment, it will require a certain amount of time before we are able to break even.

Q: Could you please tell us about your expectations for reaching the target of ¥7.0 billion in recurring profit set out in the Mid-term Management Plan FY2025–FY2027?

A: We are working steadily to ensure that we meet the target for recurring profit of between ¥6.8 and ¥7.3 billion.

Q: What was the background to the ¥1.0 billion repurchase and your thoughts on the continuity aspect of this? Also, could you please talk about the decision to raise the dividend payout ratio to 30%?

A: We have adopted a policy of flexibility in terms of the buying back of the Company’s repurchase while still maintaining dividends as the basis of our Mid-term Management Plan policy when it comes to shareholder returns. As we move forward, there is a possibility that the introduction of ESR (economic solvency ratio) will generate surplus capital and, therefore, we are keen to show our commitment to flexibly increasing dividends while maintaining the right balance between dividends and growth investments.

Q: When do you plan to disclose the amount of surplus capital that will accompany the introduction of ESR (economic solvency ratio)?

A: We are currently making preparations with the aim of disclosing the figure around May 2026. We are currently preparing a framework for ESR and calculation assumptions and looking into the prospect of making an announcement in conjunction with the release of our financial results in May 2026.

Q: I understand that the Mid-Term Management Plan will look to incorporate a certain degree of the increase in the loss ratio while also seeking to reduce the combined ratio through improvements to the expense ratio. Could you please tell us specifically which parts of the expense ratio you are expecting to reduce?

A: The loss ratio is increasing due to the increasing lifespan of pets, but we hope to improve this ratio by incorporating preventative strategies over the next three years. In terms of the expense ratio, we expect that there will be improvements delivered by an increase in operational efficiency brought about by the adoption of AI and other such measures.

Q: Recently, labor costs and the costs of medical supplies have been on the rise at medical institutions. Could you please talk about any measures that you have ready to deploy in the case that the impact of inflation continues or expands, and the loss ratio worsens?

A: The impact of inflation on claims paid can be addressed by raising the insurance premiums. However, it will take a certain amount of time for us to make the necessary preparations, including getting the authorization of the Financial Services Agency, and so there is a possibility that the loss ratio will increase in the short-term. We believe that the impact of the continued increases in medical expenses will be limited by revisions to insurance premiums. Also, our insurance products include a mechanism for structurally limiting the effects of inflation by placing a limit on payments of costs for hospitalization and surgery each day. We believe that these measures should allow us to address the effects of inflation.

Q: With regard to the breakdown of the ¥6.8 to ¥7.3 billion in recurring profit for the fiscal year ending March 31, 2028 as set out in the Mid-term Management Plan FY2025–FY2027, could you please let us know what you think the prospects are regarding improving the deficit in the Synergy-Generating Businesses or even generating a profit?

A: In addition to making upfront investments in a wide-range of fields outside of our insurance-based business, we are also making progress in addressing the deficits in the veterinary clinic and matching businesses and achieving steady results. In particular, when it comes to the business management of our veterinary clinics, there is a lot of room for improvement on the management side of things when compared to medical care for human patients. We believe that reviewing the way we manage our veterinary clinics by drawing from our experience in human medical care should allow us to have the business out of the red and making a profit. Also, in the synergy generation business, we are starting to see a pickup in sales of animal food toppings and other such products at our veterinary clinics and pet shops, which we expect to contribute to sales in future. These efforts represent part of the Company’s policy when it comes to improving recurring profit levels.