Company Report

December 4, 2025

Strategy Advisors Inc.
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Progress in Q3 Was Running Behind Pace. Sales Promotion Activities and Collaboration with M3 Progressed

For FY12/25 Q3 cumulative results, sales rose to ¥40.739 bn (+16.9% YoY) and operating profit rose to ¥3.042 bn (+11.4% YoY). While the company's full-year forecasts remained unchanged, progress against those forecasts was slightly slow, at 69% for sales and 64.4% for operating profit. The main reason for the slow sales progress was that the company was unable to achieve its new customer acquisition targets, which had been set somewhat high in anticipation of stronger improvements in sales capabilities. While the slow progress in sales also had an impact on operating profit, the impact was likely due to higher-than-expected initial costs resulting from increased acquisition of Lifte, original patient gowns. The company's full-year dividend forecast remains unchanged at ¥15.

By November 17th, just 6-business days after the financial results were announced (November 7th), the stock price had fallen 7.3%, but since then it has moved in line with TOPIX, and it is thought that the impact of the progress rate has been factored in for the time being.

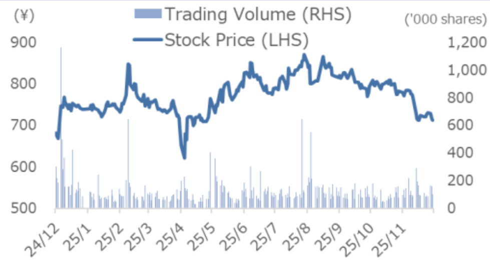
Among the various KPIs, it is noteworthy that the cancellation rate, which began to decline in Q2, continued to decline in Q3. Sales activities to prevent cancellations began in the second half of last year and the effects began to be seen in Q2 of this year. In addition, Smile Wear, a new service that began nationwide rollout in Q2, had been introduced in 38 facilities by the end of Q3, and is progressing smoothly.

Concrete examples of collaboration and synergy with M3 are gradually emerging. In the Q3 financial results presentation, it was reported that CS Set's differentiated products have begun to be introduced to hospitals and that collaboration with M3 has helped prevent cancellations.

From 2018 to 2021, the company's stock price had a PBR of around 10x and a PER of 40-70x. Currently, the PBR is at a relatively high level of 3.4x, but the PER remains low compared to the market average at 14.0x. While the current stock price is supported by a high ROE, it appears that the company's attractive equity story has not yet reached a point where a premium can be added to the PER.

Strategy Advisors believes that: 1) further realization of the benefits of the partnership with M3 and 2) the potential for valuation as a platform company will make the company's future equity story more attractive and will likely lead to a valuation premium once again. We will be paying close attention to the disclosure of related items.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (12/03/25)	712
52-Week High (8/01/25)	870
52-Week Low (4/07/25)	621
All-Time High (1/25/21)	1,662
All-Time Low (3/29/16)	117
Shares Issued (mn)	60.5
Market Capitalization (¥ bn)	43.1
EV (¥ bn)	38.9
Equity Ratio (FY12/24 Actual, %)	57.9
ROE (FY12/24, %)	20.2
PER (FY12/25 CoE, x)	14.0
PBR (FY12/24 Actual, x)	3.4
Yield (FY12/25 CoE, %)	2.1

Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/24 Q1-Q3	34,847	14.5	2,731	0.2	2,697	-1.6	1,832	-3.0	30.3	-
FY12/25 Q1-Q3	**40,739**	**16.9**	**3,042**	**11.4**	**3,025**	**12.1**	**2,022**	**10.4**	**33.5**	**-**
FY12/22	36,264	14.6	3,391	21.2	3,411	21.1	2,082	9.3	34.4	11.0
FY12/23	41,425	14.2	3,665	8.1	3,681	7.9	2,518	20.9	41.6	13.0
FY12/24	47,513	14.7	3,577	-2.4	3,544	-3.7	2,354	-6.5	38.9	13.0
FY12/25 CoE	59,000	24.2	4,720	31.9	4,740	33.7	3,090	31.2	51.0	15.0

Source: Company Data. Compiled by Strategy Advisors.

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1. Financial Results and Key KPI Trends

1) FY12/25 Q3 Cumulative Results & Progress on Initial Forecasts

Both Sales and Profits Increased by Double Digits YoY

ELAN reported for FY12/25 Q3 cumulative sales of ¥40.739 bn (+16.9% YoY), and operating profit of ¥3.042 bn (+11.4% YoY). In addition to an increase in the number of users due to the acquisition of new contracts for the Care Support (CS) Set, contributions were also made by the overseas business, which began to be gradually consolidated from Q4 of the previous fiscal year.

Profit Growth is Currently Lagging, Posing a Risk to the Full-Year Forecast

Meanwhile, progress rates against the company's full-year forecasts were slightly low, at 69% for sales and 64.4% for operating profit. The main reason for the sales figures was that the company was unable to reach the new customer acquisition target, which had been set somewhat high in anticipation of a strong improvement in sales capabilities. While there are areas where acquisitions are going well, such as the number of facilities using Lifte reaching 173 in cumulative Q3, significantly exceeding the 108 facilities YoY; overall sales capabilities do not appear to have improved as expected. The company has begun efforts to improve its sales capabilities, such as measures to share details of sales processes, from this 2H (July to December), and future improvements in sales capabilities are one of the areas to watch.

Regarding operating profit, although the slow progress in sales was partly responsible, the increase in the number of Lifte acquisitions, as mentioned above, caused initial costs to increase more than expected, which significantly impacted the progress rate.

Lifte installations was fast up to Q3, the amount of initial costs recorded in Q4 may be lower than the amount recorded up to Q3, and efforts are being made to reduce expenses in response to delays in profit progress, so the company has not revised its full-year forecast at this time. However, it should be noted that there is a risk of not achieving the target if initial costs increase due to an increase in the number of Lifte installations or if short-term cost reductions are insufficient.

Figure 1. ELAN: Summary of Financial Results for FY12/25 Q3

(¥ mn)	12/24 Q3 Cumulative	**12/25 Q3 Cumulative (A)**	YoY	Progress (A)/(B)	12/25 (CE) (B)	YoY
Net Sales	34,847	**40,739**	16.9%	69.0%	59,000	24.2%
Operating Profit	2,731	**3,042**	11.4%	64.4%	4,720	31.9%
Ordinary Profit	2,697	**3,025**	12.1%	63.8%	4,740	33.7%
Profit Attributable to Owners of Parent	1,832	**2,022**	10.4%	65.4%	3,090	31.2%

Source: Company Data. Compiled by Strategy Advisors.

Sales Measures Have Begun to Reduce Cancellations

The number of contracted facilities at the end of Q3 was 2,761, a net increase of 258 YoY. This annual net increase is roughly the same as the average for the past two years (255), but it appears that the company had planned to acquire a slightly higher number of new facilities this fiscal year.

However, a closer look at the breakdown reveals some unfortunate news. The cancellation rate, which had risen through Q1, fell to 3.7% in Q2, continuing its downward trend to 3.5% in Q3 (Figure 2). Increase in cancellations last year is believed to be due to a lack of communication with contracted facilities, as the number of visits following the outbreak of COVID-19 continued through 1H last year. Starting in 2H last year, staff began visiting facilities to discuss usage, user complaints and facility requests. While there has been a slight time lag, these efforts to deepen communication appear to be paying off. As mentioned above, we have also begun implementing measures to strengthen our sales structure for new customer acquisitions in 2H this year. Because these measures likely require a time lag before they are effective, confirmation is needed on next year's data to see whether there are signs of improvement in new customer acquisition.

Figure 2Changes in the Number of Contracted Facilities by Area (Quarterly)

(# of Contracts)	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	2,081	2,171	2,237	2,320	2,360	2,439	2,503	2,570	2,589	2,691	2,761
Hokkaido	138	143	145	149	152	163	170	173	172	178	185
Tohoku	270	279	284	298	301	315	319	331	332	340	351
Kan-etsu	332	345	371	392	404	422	433	454	458	476	497
Chubu	406	419	418	426	432	437	444	445	450	460	464
Kansai/ Hokuriku	375	403	421	438	447	464	481	503	502	526	557
Chugoku/ Shikoku	407	417	421	429	435	442	450	451	455	472	457
Kyushu/ Okinawa	153	165	177	188	189	196	206	213	220	239	250
Total Cancellation Rate	**2.8%**	**3.0%**	**3.2%**	**3.3%**	**3.2%**	**3.2%**	**3.1%**	**3.7%**	**4.0%**	**3.7%**	**3.5%**

Source: Company Data. Compiled by Strategy Advisors.

2) Operating Profit Margin Remains Stable

Lifte Cost-Adjusted Operating Profit Remains Stable

The trends for gross profit margin, SG&A expense ratio and operating profit margin are the same as those up until Q2.

The domestic operating profit margin (adjusted for Lifte expenses) for the cumulative Q3 was 9.5%, which is the same level as 9.4% in FY12/24 Q3 and 9.4% in FY12/23 Q3. To eliminate seasonal fluctuations, the 12-month moving average operating profit margin (adjusted for Lifte expenses) is shown in the graph on the upper right of Figure 3, and it can be seen that it has remained stagnant since 2022. Although the gross profit margin has been on a gradual downward trend, the selling, general and administrative expense ratio has been declining at a similar pace. This trend can be seen continuing in Q3.

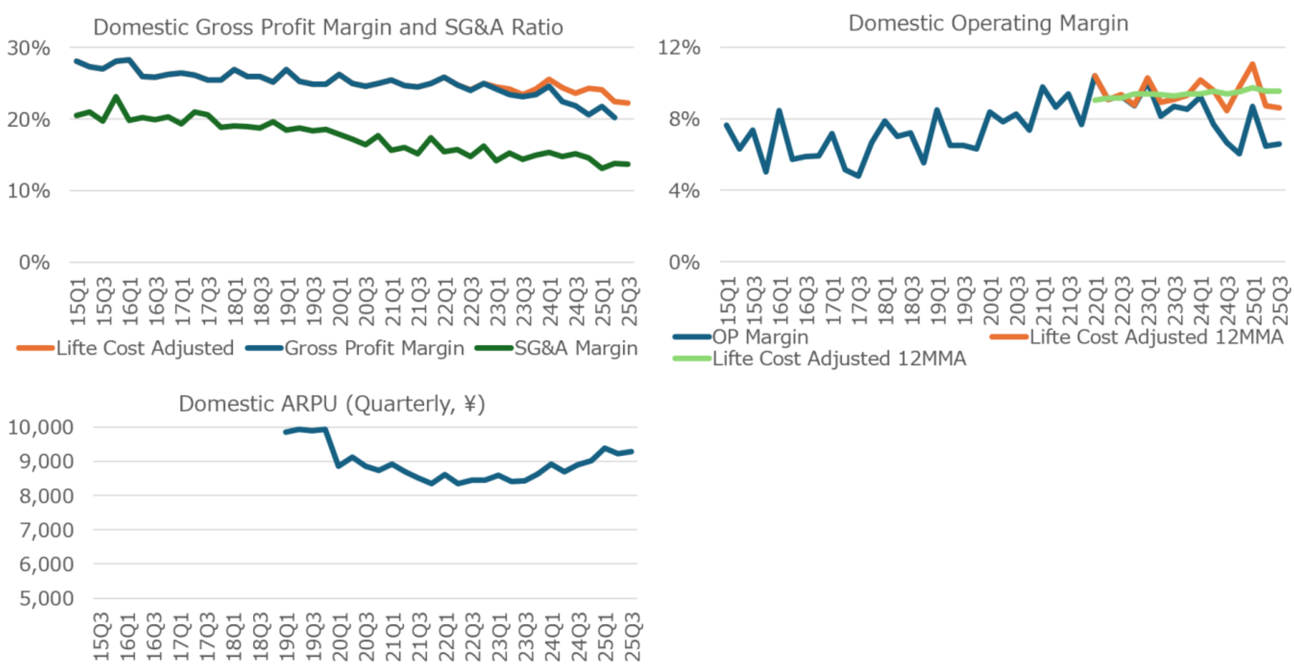
The Company's Lifte Implementation Strategy Will Shift to One That Emphasizes Gross Profit in Q3, With Positive Effects Expected from Q4 Onwards

One of the reasons for the decline in gross profit margin is that, until now, the company has prioritized the widespread adoption of Lifte, which has resulted in the company not necessarily achieving the expected improvements in unit price and gross profit. However, as Lifte has already become more widely adopted, from FY12/25 Q4 the company has changed its policy to further promote its adoption with the aim of improving profit margins, rather than just promoting its adoption. As a result, an improvement in gross profit is expected from Q4 onwards.

The Average User Price Continues to Rise

The average price per domestic user fell in Q2 due to seasonal factors, but rose again in Q3 as expected. We believe it can be concluded that the upward trend in price per user will continue from 2022 onwards.

Figure 3Quarterly Trends in GPM, SG&A Ratio, OPM & User Price for the Domestic Business



Note: Lifte's profit margin after expenses is an estimate by Strategy Advisors
Source: Company Data. Compiled by Strategy Advisors.

3）Strategic Products "Lifte" and " Smile Wear" and Initiatives for New Businesses

Lifte Increased in Q3

The original patient gown, Lifte, was introduced to 57 new facilities in Q3, bringing the total number of facilities that had introduced it to 425 by the end of Q3, with the percentage of facilities that had introduced it to 15.4% (Figures 4 and 5).

The Number of Facilities Introducing Smile Wear is Increasing

Smile Wear, a new service for nursing care facilities, was rolled out nationwide in FY12/25 Q2 and had been installed in 38 facilities nationwide as of the end of Q3, accounting for 1.4% of facilities. The company believes this expansion is in line with expectations, and we hope for further expansion.

This service allows residents of nursing homes to enjoy choosing clothes just like they would go shopping, with a variety of carefully selected clothing hanging on hangers within the facility by apparel professionals and allows them to wear clothes that they truly want to wear. It is expected that this will have the effect of improving the quality of life of residents, as they can feel more fashionable.

New Business, Discharge and In-Home Sets

Until now, the company has mainly provided services in hospitals and elderly care facilities, but as a new business field, it is developing a new service to support the lives of patients after they are discharged from the hospital. This is the "Discharge Set/In-Home Set".

When hospitalized patients are discharged, they may return home or enter a nursing home, but in either case, unlike in a hospital, they will return to their normal lives. Different services will be required than for impatience and operational methods will need to be devised. It will also be necessary to anticipate cases such as readmission after discharge. If services that continue to support the lives of patients after they are discharged from the hospital can be realized, it will be extremely useful for users and will be a socially significant business.

The company began laying the foundations for this new service in FY12/25 2H. The company has a track record of smoothly introducing and expanding its recently launched new services, Lifte and Smile Wear, and so it is expected that the Discharge/In-Home Set will see a similar business launch and expansion from FY12/26 onwards.

Figure 4 Percentage of Facilities with CS Set R/LC and Lifte Services (Qtrly)

(¥ mn)	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
CS Set R Contracted Facility Ratio	8%	9%	9%	10%	10%	11%	11%	11%	12%	13%	13%
CS Set LC Contracted Facility Ratio	6%	8%	8%	8%	8%	8%	9%	9%	9%	10%	10%
Lifte Introduced Facility Ratio	1%	1%	2%	2%	3%	5%	6%	10%	11%	14%	15%

Source: Company Data. Compiled by Strategy Advisors.

Figure 5Net Sales, Gross Profit, Operating Profit, Introductory Costs (Estimated) and Lifte Cost Return Operating Profit (Estimated) (Qtrly)

(¥ mn)	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	9,857	9,924	10,645	11,000	11,487	11,358	12,002	12,667	13,433	13,407	13,899
(YoY)	12%	13%	16%	16%	17%	14%	13%	15%	17%	18%	16%
Gross Profit	2,390	2,322	2,458	2,581	2,821	2,551	2,619	2,726	2,994	2,772	2,871
(Gross Profit Margin)	24%	23%	23%	23%	25%	22%	22%	22%	22%	21%	21%
Operating Profit	992	809	925	939	1,059	872	800	847	1,187	888	966
(OP Margin)	10%	8%	9%	9%	9%	8%	7%	7%	9%	7%	7%
Number of Facilities with lift (Cumulative)	12	27	35	52	74	117	160	252	293	365	425
Number of Facilities with lift	4	15	8	17	22	43	43	92	41	72	60
Lifte Introduction Costs (Estimated)	20	75	40	85	110	215	215	460	310	290	270
Lift Cost Return Gross Profit	2,410	2,397	2,498	2,666	2,931	2,766	2,834	3,186	3,150	2,898	2,979
(Lifte Cost Return Gross Margin)	**24%**	**24%**	**23%**	**24%**	**26%**	**24%**	**24%**	**25%**	**24%**	**22%**	**22%**
Lifte cost return Operating profit	1,012	884	965	1,024	1,169	1,087	1,015	1,307	1,444	1,126	1,153
(Lifte Cost Return Operating Margin)	**10%**	**9%**	**9%**	**9%**	**10%**	**10%**	**8%**	**10%**	**11%**	**9%**	**9%**

Source: Company Data. Compiled by Strategy Advisors.

Figure 6 Performance Trends (¥ mn)

FY	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	**9,857**	**9,924**	**10,645**	**11,000**	**11,487**	**11,358**	**12,002**	**12,667**	**13,433**	**13,407**	**13,899**
(YoY)	12.1%	12.6%	16.2%	15.8%	16.5%	14.4%	12.7%	15.2%	17.0%	18.0%	15.8%
Cost of Sales	7,467	7,603	8,187	8,417	8,666	8,806	9,385	9,940	10,440	10,633	11,028
Gross Profit	**2,390**	**2,322**	**2,458**	**2,581**	**2,821**	**2,551**	**2,619**	**2,726**	**2,994**	**2,772**	**2,871**
(Gross Profit Margin)	24.2%	23.4%	23.1%	23.5%	24.6%	22.5%	21.8%	21.5%	22.3%	20.7%	20.7%
SG&A Expenses	1,397	1,513	1,533	1,643	1,762	1,680	1,817	1,880	1,806	1,885	1,905
Operating Profit	**992**	**809**	**925**	**939**	**1,059**	**872**	**800**	**847**	**1,187**	**888**	**966**
(OP Margin)	10.1%	8.2%	8.7%	8.5%	9.2%	7.7%	6.7%	6.7%	8.8%	6.6%	7.0%
Non- Operating Income/Expenses	5	7	4	1	7	11	-52	1	-8	-19	10
Ordinary Profit	**997**	**816**	**929**	**940**	**1,066**	**883**	**749**	**847**	**1,180**	**868**	**976**
(Ordinary Profit Margin)	10.1%	8.2%	8.7%	8.5%	9.3%	7.8%	6.2%	6.7%	8.8%	6.5%	7.0%
Extraordinary Income/Losses	0	0	0	0	0	0	0	0	0	0	0
Profit Before Income Taxes	**997**	**816**	**929**	**940**	**1,066**	**883**	**749**	**847**	**1,180**	**868**	**976**
Total Income Tax	302	258	293	310	339	284	243	324	374	288	308
(Corporate Tax Rate)	30.3%	31.6%	31.5%	33.0%	31.8%	32.2%	32.4%	38.3%	31.7%	33.2%	31.6%
Profit Attributable to Owners of Parent	**696**	**557**	**636**	**630**	**727**	**598**	**507**	**523**	**800**	**567**	**656**
Net Profit Margin	7.1%	5.6%	6.0%	5.7%	6.3%	5.3%	4.2%	4.1%	6.0%	4.2%	4.7%

Source: SPEEDA. Compiled by Strategy Advisors.

2. Recent Topics

1) Progress of Collaboration & Synergies with M3

There Were Updates in 3 Areas of This Financial Statement

Collaboration and synergies with M3 (2413 TSE Prime) are planned in the following 4 areas: 1) developing new businesses and adding value to the CS Set through collaboration with M3's services, 2) cross-selling to clients of both companies, 3) leveraging M3's resources to enhance competitiveness and 4) supporting overseas expansion (Figure 7). Of these, there were updates in 3 areas in the FY12/25 Q3 financial statements. The items in blue in Figure 7 are the updates.

Progress in CS Set Collaboration

CS Set has been developing and testing a differentiated product for some time, but it appears that it began rolling it out as a business in Q3. The Q2 financial results briefing stated, "We are developing a differentiated product. We plan to conduct a demonstration trial soon", but the Q3 financial results briefing now states, "We have begun developing and rolling out a differentiated product", suggesting progress.

Also noteworthy is the statement "strengthening the foundation for solution-based sales," which was not included in the Q2 financial results briefing materials. M3's staff are familiar with the overall hospital process and conduct solution-based sales to address the hospital's problems and issues. Meanwhile, the company's staff are familiar with the care of hospitalized patients and take an approach that resolves the patient's problems. The company's sales staff accompany M3's sales teams to learn about M3's areas of expertise, and are beginning to strengthen the foundation for joint development of new solution-based sales.

Effectiveness in Preventing Cancellations

Until now, even if a hospital wanted to cancel their service, they could only make proposals within the scope of their own services. By collaborating with M3, they are now able to make proposals that combine M3 and their own services. In fact, there have been cases where such efforts have prevented cancellations.

Exploring Ways to Improve Gross Profit Margins

Among the various know-how that M3 possesses, there are many initiatives that the company has not yet undertaken. Although details are currently unknown, the company has apparently launched a joint project to incorporate new initiatives.

Figure 7Collaborations and Expected Synergies with M3

1	Promoting new business development and enhancing the added value of CS Sets through collaboration with M3's existing services	■ CS Set: **Development and deployment of differentiated CS set products commenced. Concurrently, strengthening the foundation for solution-based sales is being implemented.**
2	Cross-selling to business partners of both parties	■ Implementing joint proposals to medical institutions to achieve new contract and **prevent contract cancellations**
3	Enhancing the competitiveness by leveraging M3's resources	■ Cost reduction effects by taking advantage of the Group's purchasing power began to emerge ■ **Exploring ways to improve gross profit margins through more fundamental cost reductions**
4	Support for overseas expansion	■ Information provision and sales cooperation for expanding our overseas operations

Source: Company Materials.

2）Equity Method Affiliate Classico Goes Public

Equity Method Affiliate Classico Listed in November

On November 5, 2025, Classico (442A TSE Growth), an equity method affiliate, was listed on the Tokyo Stock Exchange Growth Market. Classico's market capitalization at that point in time was ¥4.2 bn, and with the Company's ownership ratio at 28.73%, the valuation of the Company's holdings came out to be ¥1.2 bn.

Classico's High Design is the Source of Lifte's Product Competitiveness

The clothing for the original patient gown Lifte is sourced from Classico. Since its founding, Classico has operated its business using a D2C (Direct to Consumer, direct sales on its own e-commerce site) model. By directly reflecting the opinions of end users, medical professionals, in product development, Classico provides products that combine functionality and fashion. When launching Lifte, Classico entered into a capital and business alliance with Classico, which has these characteristics and they have been providing Lifte products. It is a win-win relationship in that increased sales through Lifte contribute to Classico's performance, while the highly designed Lifte clothing also contributes to the company's business development.

3. Stock Price and Valuation

1) Recent Stock Price Movements

The Stock Price Fell 6 Business Days After the Financial Results Were Announced

The company's stock price fell 7.3% by November 17, 6 business days after the financial results were announced (November 7). Since then it has moved in line with TOPIX and it is thought that the impact of the slow progress rate up to Q3 has been factored in for the time being.

2) For Valuations to Rise Again

From 2018 to 2022, PBR Was Around 10x Higher

In the FY12/25 Q2 financial report, the company's stock valuation was higher than that of its peers from 2018 to 2022. Initially, increased attention following the acquisition of ELTASK and subsequent profit growth from the ELTASK consolidation likely supported the stock price rise. Subsequently, the number of CS Set users increased due to changes in hospital operations (such as visitation restrictions) caused by the COVID-19 pandemic, leading to a further rise in stock price in 2020, closing at a peak of ¥1,662 on January 25, 2021. From 2018 to 2022, the company maintained a high valuation of around 10x PBR.

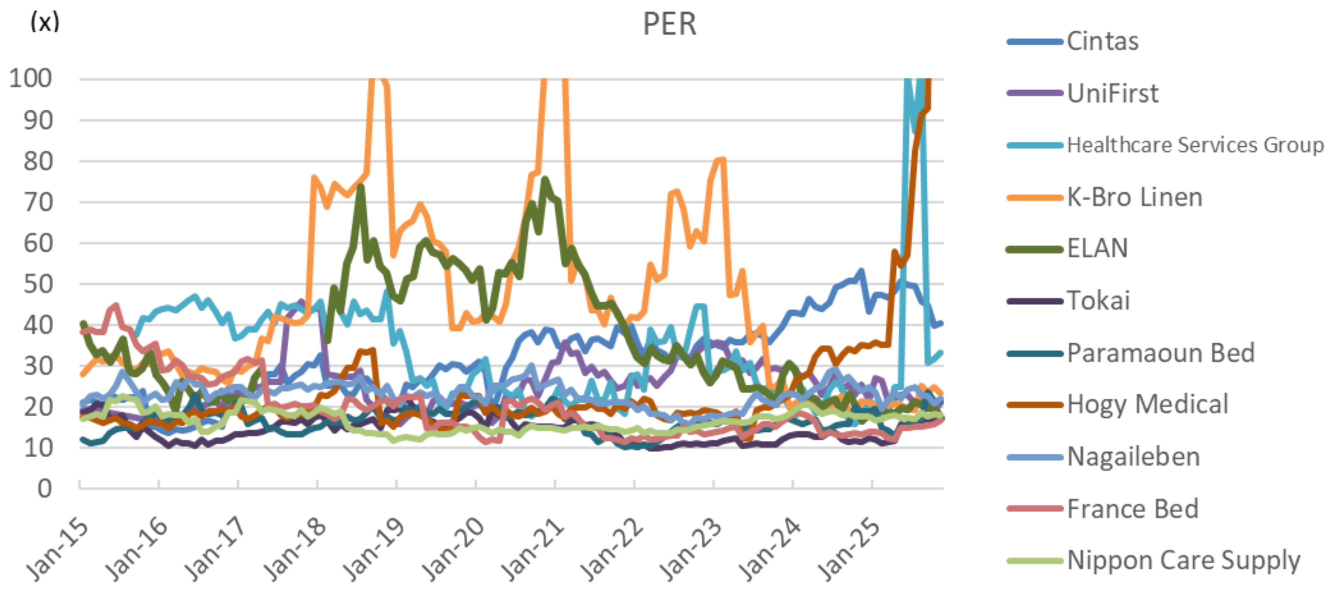
No Premium Observed at Current Valuation

Since then, as expectations have calmed down, the share price has gradually declined. The PBR is still at a relatively high level of 3.4x, but the PER remains lower than the stock market average at 14.0x. Although the current share price is supported by a high ROE (20.2% in FY12/24), it is believed that the situation has not yet reached the point where an attractive equity story can give a premium to the PER.

The Key to Success of the Partnership with M3 & its Reputation as a Platform Company

Two factors that could potentially drive the company's valuation higher in the future are the further realization of the benefits of its partnership with M3 and the possibility of it being reevaluated as a platform company.

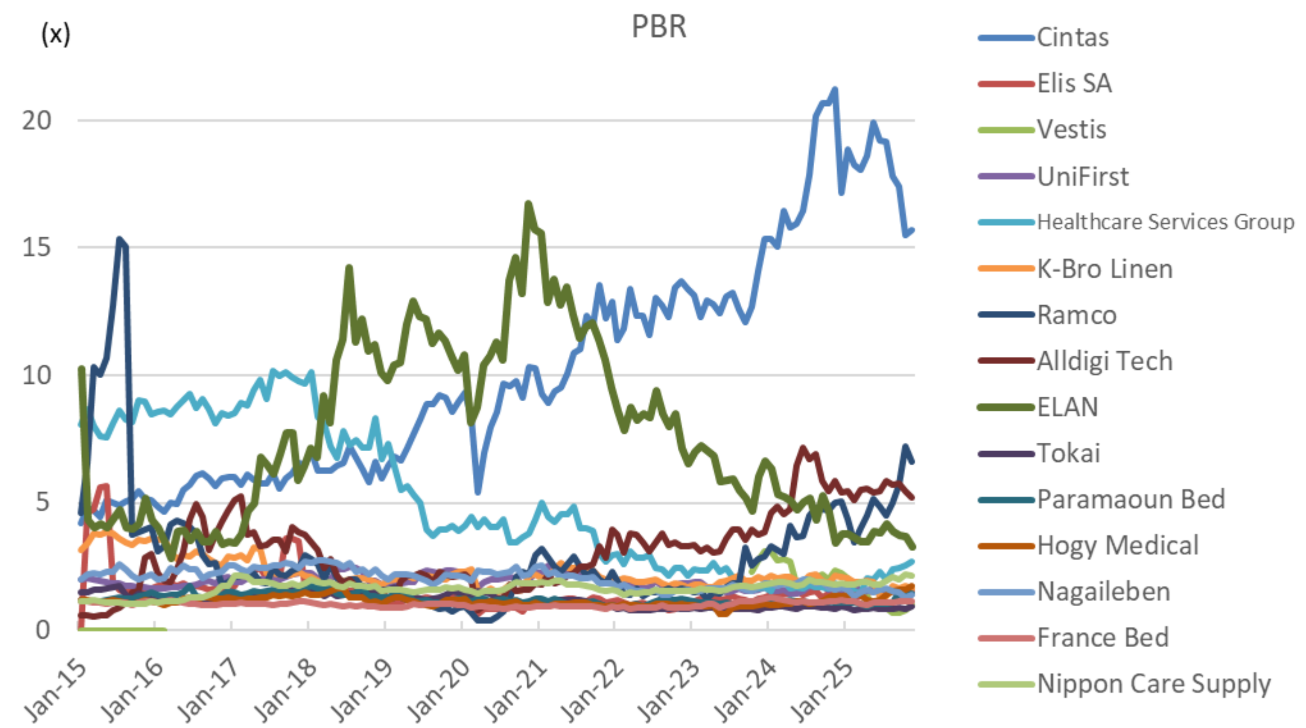
Figure 8PER Comparison



Note: PER of 100 or more is Omitted.

Source: SPEEDA, Strategy Advisors.

Figure 9PBR Comparison



Source: SPEEDA. Created by Strategy Advisors.

3) Conditions for Valuation to Rise: Effect of Partnership with M3

Although Progress Has Been Made, the Effects Have Not Yet Been Clearly Visible in the Figures

The effects of the partnership with M3 are updated in each quarterly financial results presentation. As mentioned in Chapter 2, the FY12/25 Q3 financial results presentation suggests that there has been progress in some areas compared to the Q2 financial results presentation. However, at this point, the rollout has begun and the effects are beginning to be seen, but the effects have not yet been clearly reflected in numerical figures.

Focus on the Impact on Disclosed KPIs

However, the company discloses detailed KPIs on a quarterly basis, such as the number of contracts, cancellation rate, number of new service introductions, etc. As the effects of the partnership with M3 begin to appear in figures, it is expected that these disclosures will help to make the effects more widely understood by external parties.

4) Conditions for Rising Valuations: Possibility of Evaluation as a Platform Company

Fragmented Industry Structure

The industry to which ELAN belongs is characterized by a fragmented industrial structure consisting of many small players, both in terms of customers, such as hospitals and nursing care facilities and the business partners who provide linen and other services to their customers. Although there are some major companies in the linen industry, such as Watakyu Seimoa (unlisted), it appears that even major companies do not necessarily have unified control over their business sites by their headquarters. Therefore, there is still room for industry to cooperate with each other and operate more efficiently.

A Business Model That Solves the Problems of Users, Facilities, and Business Partners

Figure 10 shows the company's business model. Among the industry characteristics mentioned above, its unique feature is its coexistence and co-prosperity model that utilizes existing business relationships. If hospitals and linen companies were to individually handle applications for use with hospitalized patients, send invoices, and collect fees, this could be inefficient. By taking on all of these tasks, the company can achieve a win-win-win relationship that benefits all parties involved, as stated in the Company's Credo (code of conduct).

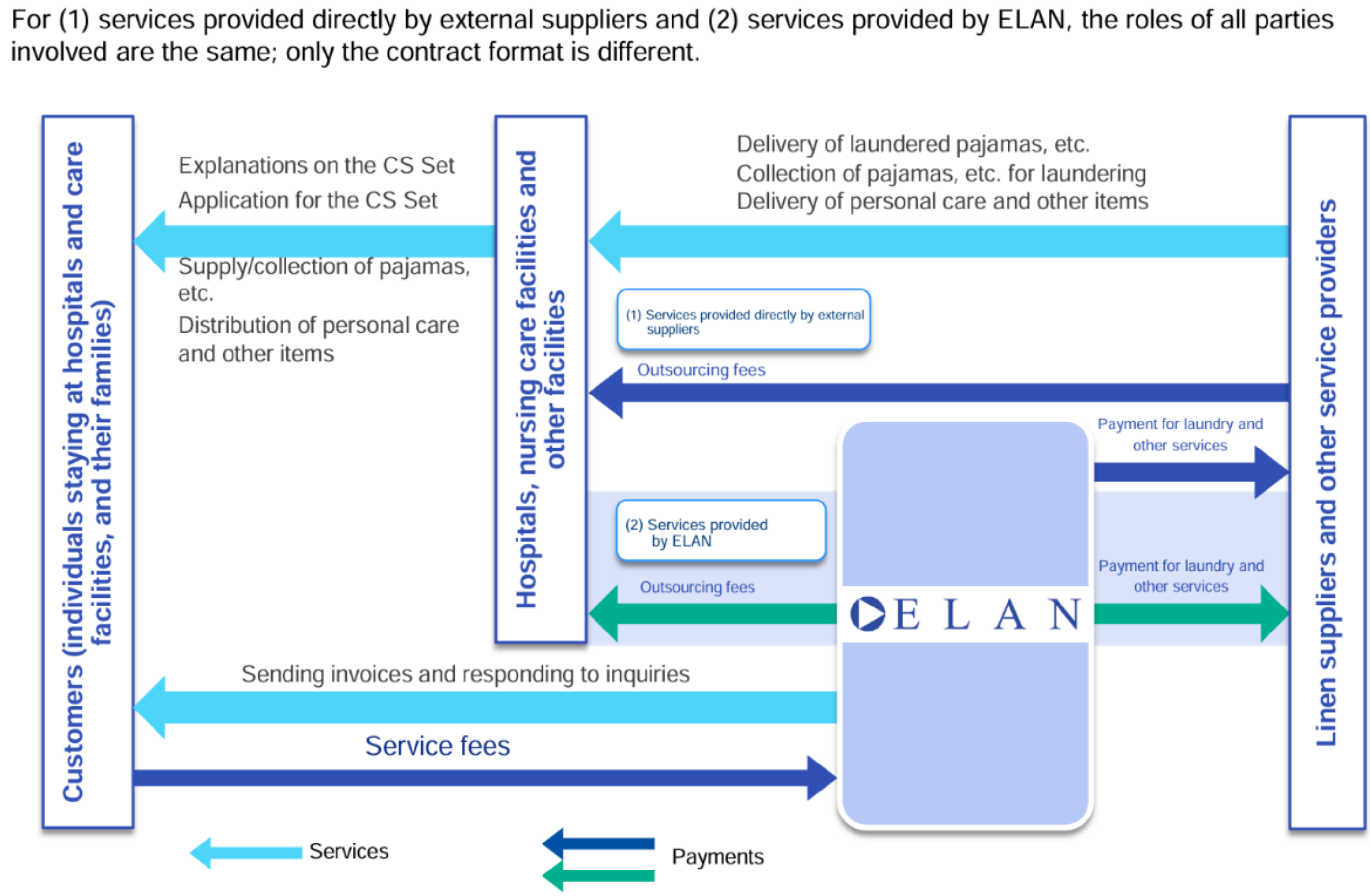
Platform-like Business Structure

The company's business structure involves connecting numerous users, inpatient/residential facilities and many business partners who directly handle operations such as linen supply at the sites. This structure is considered to possess “platform” characteristics. By devising a system, the more contracted facilities the company has, the more efficient its procurement and supply will become; we believe that it will be possible to maintain and improve profit margins. In fact, the company's SG&A ratio has been declining almost continuously for the past 10 years. This is because the systematization of management operations implemented after the company went public has created a system that prevents labor costs from increasing even when the number of users increases.

Expanding Platform Capabilities to Increase Revenue Contribution

The partnership with M3, a platform company, is expected to further demonstrate the strengths of the company's platform structure. If the company increases its collaboration with business partners and other related parties and is viewed as a platform company; and at the same time the number of contracted facilities and users continues to increase steadily, it is possible that the company will be reevaluated as a platform company, which could have a positive impact on the company's valuation.

Figure 10ELAN's Business Model



Source: Company Materials.

Figure 11. Consolidated Income Statement (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Net Sales	**15,466**	**18,585**	**21,518**	**26,056**	**31,635**	**36,264**	**41,425**	**47,513**	**59,000**
Domestic	15,466	18,585	21,518	26,056	31,635	36,264	41,425	47,244	56,600
Overseas	-	-	-	-	-	-	-	269	2,400
Cost of Sales	11,468	13,758	16,045	19,492	23,758	27,237	31,674	36,796	-
Gross Profit	**3,997**	**4,827**	**5,473**	**6,563**	**7,876**	**9,027**	**9,751**	**10,716**	**-**
Domestic	3,997	4,827	5,473	6,563	7,876	9,027	9,751	10,545	-
Overseas	-	-	-	-	-	-	-	171	-
Gross Profit Margin	25.8%	26.0%	25.4%	25.2%	24.9%	24.9%	23.5%	22.6%	-
SG&A Expenses	3,084	3,548	3,980	4,495	5,078	5,635	6,085	7,139	-
Operating Profit	**912**	**1,278**	**1,492**	**2,068**	**2,798**	**3,391**	**3,665**	**3,577**	**4,720**
Domestic	912	1,278	1,492	2,068	2,798	3,391	3,665	3,480	-
Overseas	-	-	-	-	-	-	-	96	-
OP Margin	5.9%	6.9%	6.9%	7.9%	8.8%	9.4%	8.8%	7.5%	8.0%
Non-Operating Income	11	4	13	82	25	27	32	51	-
Gain on Sale of Assets	2	0	0	0	1	1	0	3	-
Late Charges Income	-	-	6	16	15	13	11	10	-
Consulting Fee Income	3	-	-	-	-	4	4	4	-
Subsidy Income	1	1	2	0	3	1	6	5	-
Non-Operating Expenses	1	0	4	2	5	7	16	84	-
Loss on Retirement of Non-current Assets	1	0	4	0	1	2	3	3	-
Loss on Investments in Investment Partnerships	-	-	-	-	3	4	4	18	-
Ordinary Profit	**923**	**1,282**	**1,501**	**2,148**	**2,818**	**3,411**	**3,681**	**3,544**	**4,740**
Ordinary Profit Margin	6.0%	6.9%	7.0%	8.2%	8.9%	9.4%	8.9%	7.5%	8.0%
Extraordinary Profit/Loss	27	0	0	0	0	-376	0	0	-
Gain on Step Acquisitions	27	0	0	0	0	0	0	0	-
Loss on Valuation of Investment Securities	0	0	0	0	0	-376	0	0	-
Profit before Income Taxes	950	1,282	1,501	2,148	2,818	3,035	3,681	3,544	-
Pre-Tax Profit Margin	6.1%	6.9%	7.0%	8.2%	8.9%	8.4%	8.9%	7.5%	-
Corporate Taxes	292	417	511	702	912	952	1,162	1,190	-
Profit Attributable to Owners of Parent	**657**	**865**	**989**	**1,446**	**1,905**	**2,082**	**2,518**	**2,354**	**3,090**
Net Profit Margin	4.3%	4.7%	4.6%	5.5%	6.0%	5.7%	6.1%	5.0%	5.2%

Source: Company Data. Compiled by Strategy Advisors.

Figure 12Consolidated Balance Sheet (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Cash and Deposits	2,146	3,057	3,472	4,497	5,632	6,036	5,488	6,849
Trade Receivables	3,409	3,658	4,476	5,044	5,848	7,104	8,621	8,178
Inventory	499	595	767	995	1,080	1,332	1,899	2,292
Others	-128	-159	-388	-356	-431	-397	-502	-447
Current Assets	**5,926**	**7,150**	**8,327**	**10,180**	**12,129**	**14,075**	**15,506**	**16,872**
Land	114	114	114	114	114	269	269	269
Other Tangible Fixed Assets	179	188	197	202	227	292	270	306
Tangible Fixed Assets	**293**	**302**	**311**	**316**	**341**	**561**	**539**	**575**
Goodwill	166	127	87	48	9	-	-	813
Other Intangible Fixed Assets	61	111	108	114	96	92	108	102
Intangible Fixed Assets	**227**	**238**	**195**	**162**	**105**	**92**	**108**	**915**
Investments and Other Assets	**79**	**133**	**401**	**1,029**	**1,371**	**1,342**	**2,837**	**3,241**
Total Fixed Assets	**600**	**674**	**909**	**1,508**	**1,817**	**1,996**	**3,486**	**4,733**
Total Assets	**6,526**	**7,824**	**9,236**	**11,689**	**13,947**	**16,072**	**18,993**	**21,605**
Trade Payables	2,340	2,745	3,340	4,157	4,868	5,567	6,427	7,222
Accounts Payable and Accrued Expenses	335	368	397	563	616	622	699	783
Unpaid Corporate Taxes, etc.	250	390	425	713	846	729	858	797
Current Liabilities	104	58	49	68	87	93	104	302
Current Liabilities	**3,029**	**3,561**	**4,211**	**5,501**	**6,417**	**7,011**	**8,088**	**9,104**
Long-Term Debt	-	-	-	-	-	-	-	76
Provision for Stock Benefits	-	-	-	-	13	20	27	38
Provision for Stock Benefits for Officers	-	-	-	-	31	49	62	60
Other Fixed Liabilities	0	0	4	3	3	1	1	11
Fixed Liabilities	**0**	**0**	**4**	**3**	**47**	**70**	**90**	**185**
Total Liabilities	**3,029**	**3,561**	**4,215**	**5,504**	**6,464**	**7,082**	**8,178**	**9,104**
Capital and Surplus	1,101	1,116	1,116	1,116	1,116	1,116	1,116	1,116
Retained Earnings	2,395	3,141	3,919	5,092	6,574	8,111	9,964	11,530
Treasury Stock	0	0	0	0	-197	-194	-194	-191
Shareholders' Equity	**3,497**	**4,258**	**5,035**	**6,209**	**7,494**	**9,034**	**10,886**	**12,456**
Valuation Difference	0	-13	-14	-25	-10	-45	-72	45
Stock Acquisition Rights	-	18	-	-	-	-	-	-
Total Net Assets	**3,497**	**4,262**	**5,021**	**6,184**	**7,483**	**8,989**	**10,814**	**12,501**
Liabilities & Net Assets	**6,526**	**7,824**	**9,236**	**11,689**	**13,947**	**16,072**	**18,993**	**21,605**

Source: Company Data. Compiled by Strategy Advisors.

Figure 13Consolidated Cash Flow Statement (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Profit Before Tax	950	1,282	1,501	2,148	2,818	3,035	3,681	3,544
Depreciation	79	99	110	117	119	143	187	896
Unrealized Gains & Losses on Securities & Investment Securities	0	0	0	0	0	376	8	0
Allowance for Doubtful Accounts	59	86	119	23	74	-43	102	70
Working Capital	-394	60	-445	13	-162	-728	-1,069	1,151
Corporate Tax Paid	-345	-375	-559	-562	-916	-1,081	-1,098	-1,282
Other Operating Cash Flows	-32	39	53	208	173	-121	-31	121
Cash Flows from Operating Activities	**317**	**1,191**	**779**	**1,947**	**2,106**	**1,581**	**1,780**	**4,500**
Acquisition of Securities & Investment Securities	-	-67	-70	-550	-267	-210	-1,474	-353
Acquisition of Tangible & Intangible Fixed Assets	-74	-102	-71	-87	-78	-347	-194	-896
Acquisition of Subsidiary Shares	-160	-	-	-	-	-	-	-867
Deposits	-7	-7	-12	-14	-11	-68	9	-13
Others	4	0	2	3	-1	1	-2	-104
Cash Flows from Investing Activities	**-237**	**-176**	**-151**	**-648**	**-357**	**-624**	**-1,661**	**-2,233**
Issuance of Shares	7	15	0	0	0	3	0	0
Redemption & Cancellation of Shares	0	0	0	0	-196	0	0	0
Dividend Payment	-89	-119	-211	-272	-415	-554	-665	-788
Other Financial Cash flows	1	1	-1	-1	-3	-1	-2	-61
Cash Flows from Financing Activities	**-81**	**-103**	**-212**	**-273**	**-614**	**-552**	**-667**	**-849**
Free Cash Flow	**80**	**1,015**	**627**	**1,300**	**1,748**	**956**	**120**	**2,266**

Source: Company Data. Compiled by Strategy Advisors.

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