ELAN | 6099 (TSE Prime)

Company Report

May 29, 2026

Strategy Advisors Co., Ltd.
Hiroyuki Sakaida

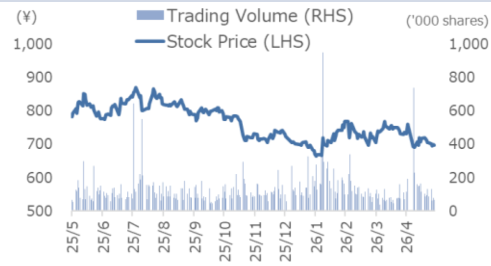
Q1 Results Were in Line with Expectations Full-Year Forecast Remains Unchanged. We Will Be Watching Improvements in Gross Margin Heading Towards the Year-End

ELAN's financial results for the first quarter of FY2026 showed increases in both revenue and profit, primarily due to an increase in the number of contracted facilities, which indicates generally steady progress toward its full-year targets. Revenue increased 9.9% YoY to ¥14.762 billion, while operating profit rose 21.9% YoY to ¥1.441 billion. The number of contracted facilities expanded by 10.3% YoY to 2,856, with sustained sales efforts supporting this growth. In terms of profits, in addition to sales growth, the change in the depreciation method for Lifte from a lump-sum charge to a 3-year amortization schedule, as well as a decline in the SG&A ratio, contributed to the results. The full-year corporate forecast remains unchanged at ¥60.8 billion in revenue & ¥5 billion in operating profit, whilst the full-year dividend forecast also remains unchanged at ¥16.

Going forward, attention will focus on price pass-through and improvements in the cancellation rate. While the operating margin on an adjusted basis (excluding Lifte expenses) has remained largely stable, the gross margin has continued to trend downward due to rising costs. Consequently, the company has identified price pass-through as a key priority and is proceeding with contract redesign and a review of procurement methods, as outlined in its medium-term management plan. Although negotiations will take some time, improvements may begin to materialize around Q4 of this year and this development warrants close attention.

The company strengthened its ties with client facilities, which had weakened since the onset of the COVID-19 pandemic; and also implemented initiatives where sales representatives confirmed usage status and requests. As a result, the cancellation rate peaked at 4.0% in Q1 of FY12/25 and has since declined, stabilizing at 3.5% in Q1 of FY12/26. Going forward, the company plans to pursue further cancellation prevention effects by combining its services with hospital support services through collaboration with M3.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (5/28/26)	696
52-Week High (8/01/25)	870
52-Week Low (1/29/26)	665
All-Time High (1/25/21)	1,662
All-Time Low (3/29/16)	117
Shares Issued (mn)	60.5
Market Capitalization (¥bn)	42.1
EV (¥bn)	37.6
Equity Ratio (FY12/25 Actual, %)	55.1
ROE (FY12/25, %)	20.5
PER (FY12/26 CoE, x)	13.2
PBR (FY12/25 Actual, x)	2.9
Yield (FY12/26 CoE, %)	2.3

Source: Strategy Advisors.

Regarding strategic products, the number of facilities adopting Lifte expanded to 505, with an adoption rate of 17.7%, while Smile wear for nursing care facilities also grew to 74 facilities and an adoption rate of 3.8%. Regarding the situation in the Middle East, the risk of shortages in linens and disposable diapers is low. Even if partial supply disruptions occur, the impact is expected to be limited due to the industry's mutual aid system. On the other hand, cost increases are anticipated, so the progress of passing on these costs to prices will be a key focus going forward.

The stock price fell briefly immediately after the earnings announcement due to overall market sentiment, but there are no major negative factors in the results. Going forward, the benefits of the partnership with M3, a reevaluation of the company as a platform provider and profit growth while maintaining ROE are likely to serve as catalysts for a valuation reassessment.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/25 Q1	13,433	16.9	1,182	11.7	1,175	10.3	800	10.1	13.2	-
FY12/26 Q1	**14,762**	**9.9**	**1,441**	**21.9**	**1,410**	**20.0**	**949**	**18.7**	**15.7**	**-**
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	3,575	-2.5	3,542	-3.8	2,354	-6.5	38.9	13.0
FY12/25	55,448	16.7	4,272	19.5	4,184	18.1	2,767	17.5	45.8	15.0
FY12/26 CoE	60,800	9.7	5,000	17.0	5,000	19.5	3,200	15.6	52.8	16.0

Source: Company Data. Compiled by Strategy Advisors.

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1. Financial Results & Key KPI Trends

1) Q1 FY12/26 Results

Both Revenue & Profit Increased

ELAN reported for Q1 FY12/26, with net sales of ¥14.762 billion (+9.9% YoY), gross profit of ¥3.397 billion (+13.5% YoY), operating profit of ¥1.441 billion (+21.9% YoY), ordinary income of ¥1.410 billion (+20.0% YoY) and net income of ¥949 million (+18.7% YoY), marking a quarter of both revenue and profit growth. The Q1 results represent 28.8% of the full-year forecast for operating income and 28.2% for ordinary income. According to the Company, progress is largely in line with its plans.

The primary driver of the revenue increase was the number of contracted facilities at the end of Q1, which rose to 2,856—a 10.3% YoY increase. The main factors behind the increase in operating profit were the rise in gross profit margin resulting from the change in the depreciation method for "Lifte" from lump-sum depreciation to a three-year depreciation schedule, in addition to the increase in revenue, as well as the continued decline in the SG&A ratio.

2) FY12/26 Full-Year Forecast

The Full-Year Forecast for FY12/26 Remains Unchanged, with Revenue & Profit Expected to Increase

Since Q1 results were in line with plans, the full-year earnings forecast for FY12/26 remains unchanged from the initial forecast. Revenue is projected at ¥60.8 billion (+9.7% YoY), operating income at ¥5 billion (+17.0% YoY), ordinary income at ¥5 billion (+19.5% YoY) and net income at ¥3.2 billion (+15.6% YoY). There is also no change to the dividend forecast: with no dividend at the end of Q2 and a dividend of ¥16 at the end of Q4.

Effective FY12/26, the Depreciation Method for Lifte Was Changed to Reflect Actual Conditions

For Lifte, for which initial costs were expensed in a lump sum during the introduction phase through FY12/25, it has been confirmed through on-site verification that the garments for Lifte have a usable life of at least 3-years, as more than 3-years have passed since their introduction. Consequently, starting in FY12/26, these costs will be expensed over a 3-year period. As a result of this change, the distortion in profits caused by the one-time costs associated with the Lifte system’s introduction will be eliminated; and the operating profit margin for FY12/26 is expected to rise to 8.2% (compared to 7.7% in FY12/25).

Figure1. ELAN: Summary of Financial Results for FY12/26 Q1

(¥ mn)	12/25 Q1	**12/26 Q1 (A)**	YoY	Progress (A)/(B)	12/26 (CE) (B)	YoY
Net Sales	13,433	**14,762**	9.9%	24.3%	60,800	9.7%
Operating Profit	1,182	**1,441**	21.9%	28.8%	5,000	17.0%
Ordinary Profit	1,175	**1,410**	20.0%	28.2%	5,000	19.5%
Profit Attributable to Owners of Parent	800	**949**	18.7%	29.7%	3,200	15.6%

Source: Company Data. Compiled by Strategy Advisors.

ELAN Remains Committed to Reducing Customer Churn

As of the end of Q1 FY12/26, the number of contracted facilities stood at 2,856, representing a net increase of 267 (10.3%) compared to one year earlier (the end of Q1 of the previous fiscal year).

Net growth of around 10% has been sustained over the past year and this pace continues. The cancellation rate, which peaked at 4.0% in Q1 FY12/25, began to decline in Q2 and has stabilized at around 3.5% since Q3 of last year (Figure2). The rate remained at 3.5% in Q1 of FY12/26 as well. To address the lack of communication with contracted facilities resulting from the decline in customer visits triggered by the COVID-19 outbreak, sales representatives have been actively visiting facilities since the second half of 2024 to hold meetings to confirm usage status, user complaints and requests from the facilities. These efforts appear to be yielding results.

Going forward, the company plans to pursue additional churn prevention effects by leveraging synergies with M3. By having customers adopt M3's hospital support services alongside the company's CS Set (Care Support Set, a service that rents clothing and other items necessary for hospital stays at a fixed daily rate), the company expects customers to appreciate the convenience and be less likely to cancel their contracts.

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

(# of Contracts)	12/23				12/24				12/25				12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	2,081	2,171	2,237	2,320	2,360	2,439	2,503	2,570	2,589	2,691	2,761	2,830	2,856
Hokkaido	138	143	145	149	152	163	170	173	172	178	185	190	189
Tohoku	270	279	284	298	301	315	319	331	332	340	351	372	376
Kan-etsu	332	345	371	392	404	422	433	454	458	476	497	511	513
Chubu	406	419	418	426	432	437	444	445	450	460	464	484	487
Kansai/ Hokuriku	375	403	421	438	447	464	481	503	502	526	557	554	554
Chugoku/ Shikoku	407	417	421	429	435	442	450	451	455	472	457	465	464
Kyushu/ Okinawa	153	165	177	188	189	196	206	213	220	239	250	254	273
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%**	**3.4%**	**3.5%**

Source: Company Data. Compiled by Strategy Advisors.

3) Operating Profit Margin Remains Stable, While the Churn Rate Has Improved

The Operating Profit Margin Remains Stable After Adjusting for Lifte Costs

The domestic operating margin (adjusted for R&D expenses) for Q1 was 10.2%, which is lower than the 11.1% recorded in Q1 of FY12/25, but is on par with the 10.2% recorded in Q1 of FY12/24. To eliminate seasonal fluctuations, the 12-month moving average of the operating profit margin (adjusted for Lifte costs) is shown in the upper-right graph of Figure 3, which indicates that it has remained largely flat since 2022. What is also shown in the upper-left graph of Figure 3 is that although the gross profit margin is on a gradual downward trend, this is due to the fact that the SG&A ratio is declining at a similar pace.

With the Change in Lifte's Depreciation Method, it Will Be Easier to Assess its True Profitability Going Forward

Note that, starting in Q1 of FY12/26, the depreciation method for the Lifte was changed from a lump-sum depreciation to a 3-year depreciation. As a result, Lifte installation costs decreased from ¥170 million in Q4 of the previous year to ¥13 million in Q1 of this year. Due to the impact of this accounting change, Q1 Lifte introduction costs (amortization expense) are lower than the typical annual value under a 3-year amortization schedule. As shown in Figurev3, the difference between the gross profit margin and operating profit margin in Q1 - before and after adding back Lifte costs - appears to have virtually disappeared.

It is estimated that the total annual Lifte implementation costs (amortization expenses) will decrease from approximately ¥1 billion in FY12/25 to about one-third of that amount, or ¥300 million, in FY12/26. Since Lifte implementation costs will become a minor factor in profit fluctuations, it is expected that going forward, the company’s true profitability can be assessed based on accounting operating profit itself, without adding back the Lifte implementation costs.

Focusing on Improving the Gross Profit Margin

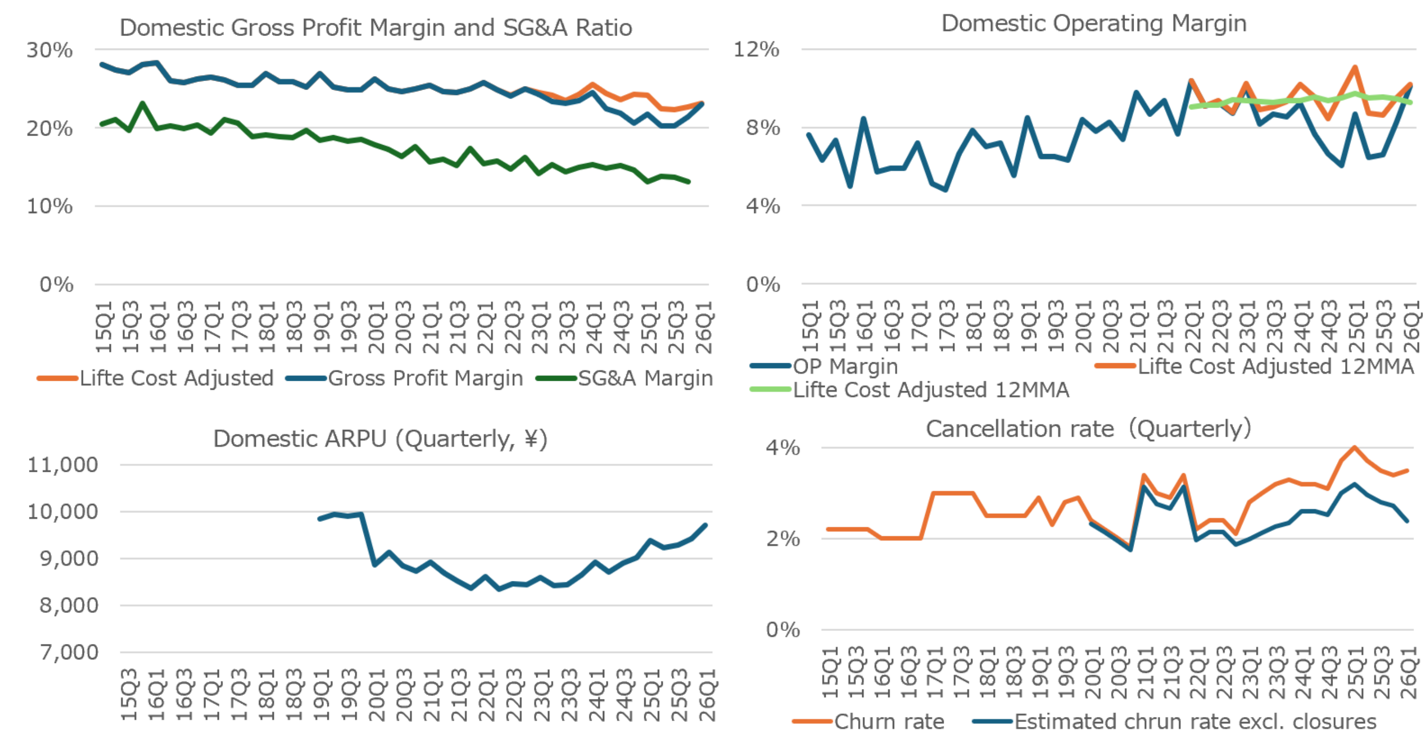
Although the operating profit margin has remained stable, the gross profit margin has been declining because the company has struggled to pass on rising costs to prices.

The company’s management views the decline in the gross profit margin of its domestic operations as a critical issue and has been working to establish an internal framework to negotiate price increases. While the mid-term management plan announced in February stated that the decline in gross profit margin would be curbed through "contract redesign and a review of procurement methods", it appears that full-scale price pass-through negotiations have finally begun this year. Considering the lead time required for these negotiations, it is possible that an increase in the gross profit margin will become apparent around the Q4 of this year.

The Average Revenue Per User Continues to Rise

The average revenue per domestic user typically rises significantly in Q1 each year due to seasonal factors and then decline in Q2; however, we assess that the upward trend observed since 2022 is still continuing. The introduction of new products such as "Lifte" and the increase in facilities for the elderly - where stays tend to be longer than in hospitals - are the primary drivers of the recent rise in revenue per user. Going forward, we will also be monitoring the impact of passing on rising costs to prices.

Figure 3. Quarterly 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.

4) Trends in Our Strategic Products "Lifte" and "Smile Wear" and Our Initiatives in New Business Ventures

The Company is Increasingly Prioritizing a Strategy That Emphasizes the Revenue-Boosting Effects of Introducing Lifte

The number of facilities adopting the original patient gown "Lifte" increased by 34 in Q1, bringing the total to 505 facilities by the end of Q1, and raising the adoption rate to 17.7% (Figure4). Although the number of new facilities adopting Lifte has decreased from 41 in Q1 of last year, this is reportedly in line with the plan. Until last year, the company focused primarily on increasing the number of Lifte installations, but a certain level of market penetration has already been achieved. Starting this fiscal year, the company plans to prioritize installations that will drive higher unit prices.

The Rollout of Smile Wear, a Solution Designed for the Long-Term Care Facility Market, is Proceeding Smoothly

Smile Wear, a new service for nursing care facilities that began its nationwide rollout in Q2 of FY12/25, had been introduced to 74 facilities across the country by the end of Q1. The adoption rate stands at 3.8%, and the company considers this to be progressing smoothly.

This service features a selection of clothing carefully curated by apparel professionals, displayed on hangers within the facilities. It allows residents to enjoy choosing clothes as if they were shopping, enabling them to live a life where they wear clothes they truly want to wear. Since dressing up can Lifte one's spirits, the service is expected to improve the quality of life for facility residents.

5) Status of the Collaboration with M3

The number of synergy initiatives with M3 increased by 9 during Q1. Although the specific details of these synergies have not been disclosed, the introduction of M3 products is expected to offer benefits such as, 1) expanding the scope of sales efforts when acquiring new clients and 2) reducing the risk of contract cancellations by incorporating M3 products that cannot be replicated by competitors.

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

	12/24				12/25				12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
CS Set R Contracted Facility Ratio	10%	11%	11%	11%	12%	13%	13%	13%	13%
CS Set LC Contracted Facility Ratio	8%	8%	9%	9%	9%	10%	10%	10%	10%
Lifte Introduced Facility Ratio	3%	5%	6%	10%	11%	14%	15%	17%	18%
Percentage of Facilities Using Smile wear	NA	NA	NA	0.3%	NA	0.9%	1.4%	2.3%	3.8%
Number of synergy initiatives realized with M3								100	109

Source: Company Data. Compiled by Strategy Advisors.

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

(¥ mn)	12/24				12/25				12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	11,487	11,358	12,002	12,667	13,433	13,407	13,899	14,709	14,762
(YoY)	17%	14%	13%	15%	17%	18%	16%	16%	10%
Gross Profit	2,821	2,551	2,619	2,726	2,994	2,772	2,871	3,237	3,397
(Gross Profit Margin)	25%	22%	22%	22%	22%	21%	21%	22%	23%
Operating Profit	1,059	872	800	847	1,187	888	966	1,231	1,441
(OP Margin)	9%	8%	7%	7%	9%	7%	7%	8%	10%
# of Facilities with Lifte (Cumulative)	74	117	160	252	293	365	425	471	505
Number of Facilities with Lifte	22	43	43	92	41	72	60	46	34
Lifte Introduction Costs (Estimated)	110	215	215	460	310	290	270	170	13
Lifte Cost Return Gross Profit	2,931	2,766	2,834	3,186	3,150	2,898	2,979	3,144	3,314
(Lifte Cost Return Gross Margin)	**26%**	**24%**	**24%**	**25%**	**24%**	**22%**	**22%**	**23%**	**23%**
Lifte cost return Operating profit	1,169	1,087	1,015	1,307	1,444	1,126	1,153	1,318	1,464
(Lifte Cost Return Operating Margin)	**10%**	**10%**	**8%**	**10%**	**11%**	**9%**	**9%**	**9%**	**10%**

Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Performance Trends (¥ mn)

FY	12/24				12/25				**12/26**
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Net Sales	**11,486**	**11,358**	**12,003**	**12,666**	**13,433**	**13,407**	**13,899**	**14,709**	**14,762**
(YoY)	16.5%	14.4%	12.8%	15.2%	17.0%	18.0%	15.8%	16.1%	9.9%
Cost of Sales	8,665	8,807	9,384	9,940	10,439	10,634	11,028	11,473	11,365
Gross Profit	**2,820**	**2,552**	**2,618**	**2,726**	**2,993**	**2,773**	**2,871**	**3,237**	**3,397**
(Gross Profit Margin)	24.6%	22.5%	21.8%	21.5%	22.3%	20.7%	20.7%	22.0%	23.0%
SG&A Expenses	1,761	1,680	1,818	1,880	1,806	1,885	1,904	2,006	1,956
Operating Profit	**1,059**	**871**	**801**	**846**	**1,187**	**888**	**967**	**1,230**	**1,441**
(OP Margin)	9.2%	7.7%	6.7%	6.7%	8.8%	6.6%	7.0%	8.4%	9.8%
Non- Operating Income/Expenses	6	12	-52	1	-7	-20	10	-71	-31
Ordinary Profit	**1,065**	**883**	**749**	**847**	**1,180**	**868**	**977**	**1,159**	**1,410**
(Ordinary Profit Margin)	9.3%	7.8%	6.2%	6.7%	8.8%	6.5%	7.0%	7.9%	9.6%
Extraordinary Income/Losses	0	0	0	0	0	0	0	0	0
Profit Before Income Taxes	**1,065**	**883**	**749**	**847**	**1,180**	**868**	**977**	**1,159**	**1,410**
Total Income Tax	338	285	242	325	373	289	308	385	470
(Corporate Tax Rate)	31.7%	32.3%	32.3%	38.4%	31.6%	33.3%	31.5%	33.2%	33.3%
Profit Attributable to Owners of Parent	**726**	**599**	**507**	**522**	**800**	**567**	**655**	**745**	**949**
Net Profit Margin	6.3%	5.3%	4.2%	4.1%	6.0%	4.2%	4.7%	5.1%	6.4%

Source: SPEEDA. Created by Strategy Advisors.

2. Impact of the Situation in the Middle East

ELAN is Unlikely to Run Out of Stock

In terms of the impact of the situation in the Middle East, it is unlikely that products such as linen and disposable diapers will be out of stock (Figure7). While there is a risk of shortages for certain consumables, such as plastic gloves, the overall impact on the company is expected to be limited.

ELAN is Preparing to Pass on Rising Costs

On the other hand, cost increases are expected across the board for these products and other items. However, since the company had been working to establish the necessary systems for passing on price increases - an issue that had been a challenge until early this year - it is expected to utilize those systems to pass on the cost increases.

Figure 7. Impact Forecast by Sector

	Possibility of stockout	Possibility of rising costs
Linen (clothing and towels)	Low	High
Personal care items	Middle (certain consumable items)	High
Disposable diapers	Low	HIgh

Source: Company Materials.

The Linen Supply Industry Relies on a Mutual Aid System to Cope with Supply Disruptions

ELAN’s key business partners - linen supply factories - use gas or heavy oil to power the washing of sheets, clothing and towels, with approximately 50% of these factories rely on heavy oil. While disruptions to the supply of these fuels are currently unlikely, a mutual aid system is in place to mitigate any impact should factory operations be suspended for any reason.

The Japan Hospital Linen Association, an organization representing linen supply companies, operates a mutual aid system known as the "Business Substitution Guarantee System". This system ensures that if an association member is unable to supply linens and other items to a hospital due to unforeseen circumstances such as natural disasters, other members will step in to perform the duties on their behalf, thereby preventing a disruption in supply. Since 1975, 111 member companies have provided operational support to 36 companies that suffered some form of damage.

While many linen supply companies are small-scale enterprises, this system serves to prevent disruptions to their customers, such as hospitals and senior care facilities.

Figure 8. Overview of the Japan Hospital Bedding Association

Overview: Japan Hospital Bedding Association

Name	Japan Hospital Bedding Association (General Incorporated Association)	
Location	〒103-0026 8th Floor, Y's Building, 16-5 Nihonbashi Kabuto-Cho, Chuo-Ku, Tokyo Tel : 03-5623-0321 FAX : 03-5623-0322 www.nbsk.net	
Date of Incorporation	12/14/1964	
Chairman	Koji Onogi	
Number of Members (as of 07/01/2025)	190 members (Companies) Regular Members: 137 companies Supporting Members: 53 companies (Supporting Member System introduced on 04/01/2013)	
Logo and Slogan	NBSK	Slogan: "Delivering Cleanliness to People and Society" (Design Concept) Using soft bedding as a motif, the design conveys a sense of cleanliness through a refreshing blue color, while the 3 lines represent the initial "S" for bedding, cleanliness and trust.

Source: The Japan Hospital Bedding Association Website.

3. Stock Prices and Valuations

1) Recent Stock Price Movements

The Stock Price Fell on the Business Day Following the Earnings Announcement, Partly Due to Market Movements

On the business day following the Q1 earnings announcement (Released at 3:30 pm on May 1st), the company's stock price fell by 8.8% (while TOPIX rose by 3.0%). The Q1 recurring profit reported by the company represented 28.2% of the full-year target. Since the full-year forecast remained unchanged, it appears there were no specific factors that should be viewed as particularly negative. There are likely 2 factors behind the stock price decline following this earnings announcement.

First, on May 7th, the stock market rose sharply, led by semiconductor-related stocks; the Nikkei Stock Average closed up 5.6% and briefly exceeded ¥63,000 during trading hours. This is believed to have had a negative impact on ELAN's stock price, as the company is viewed as a defensive stock.

Second, the 5.5% decline in the share price of its parent company, M3, on May 7th may also have had an impact.

Although the closing price on May 7th fell to ¥693, the share price has since remained largely flat, closing at ¥696 on May 28th.

2）The Former P/E Premium Has Narrowed

From 2018 to 2022, PBR Was Around 10x

As detailed in the FY12/25 Q2 Earnings Report, the company's stock valuation remained at a high level relative to its peers from 2018 through 2022. It is believed that the rise in the stock price was supported by increased market attention following the acquisition of ELTASK - a competitor initially operating in the Tohoku region (made a subsidiary in 2017 and absorbed via merger in 2020) - as well as subsequent profit growth driven by the consolidation of ELTASK. Subsequently, the stock price rose further in 2020 as the number of users of the CS set increased due to changes in hospital operations (such as visitation restrictions) caused by the COVID-19 pandemic, reaching a record high of ¥1,662 at the close on 01/25/2021. From 2018 to 2022, the company maintained a high valuation of around 10x PBR.

Current Valuations Do Not Show the High Premiums Seen in the Past

Since then, as market expectations have cooled, the stock price has gradually declined. While the PBR remains high at 2.9x compared to the market average, the PER stands at 13.2x, which is below the market average. Although the current stock price is supported by a high ROE (25.20% for FY12/25), it appears that the company has not yet reached a point where its PER commands a premium based on an attractive equity story.

3）Factors That Will Support Future Valuation

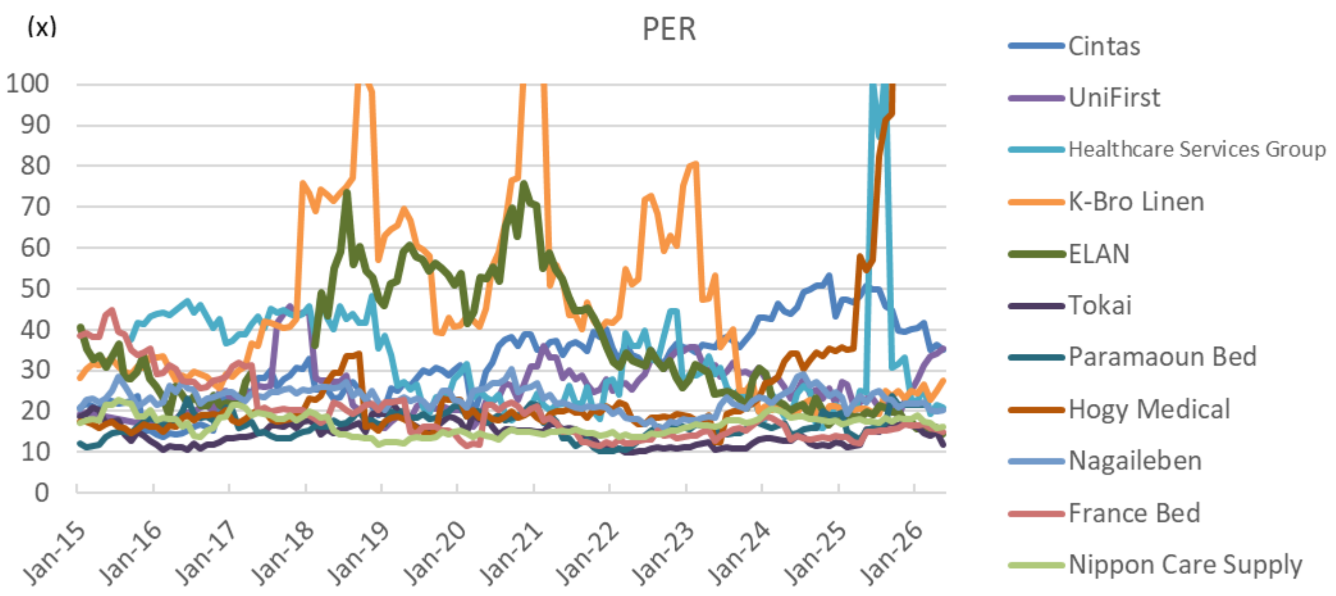
Benefits of the Partnership with M3 & Appeal as a Platform Company and Profit Growth While Maintaining a 25% ROE

Factors that could drive the company's valuation higher going forward include the further realization of the benefits from its partnership with M3 and the potential for the company to be reevaluated as a platform business. Additionally, if the company succeeds in achieving M&A investment and profit growth while maintaining the 25% ROE target set out in its new mid-term management plan, this could also serve as a positive factor for its valuation.

Price Pass-Through & Profit Margins Are Also Key Points to Watch

We should also keep an eye on the progress of cost pass-through. If we see a stabilization in the gross profit margin or an improvement in the operating profit margin, this could mark a turning point from past trends and serve as a factor that shifts the stock market's perspective.

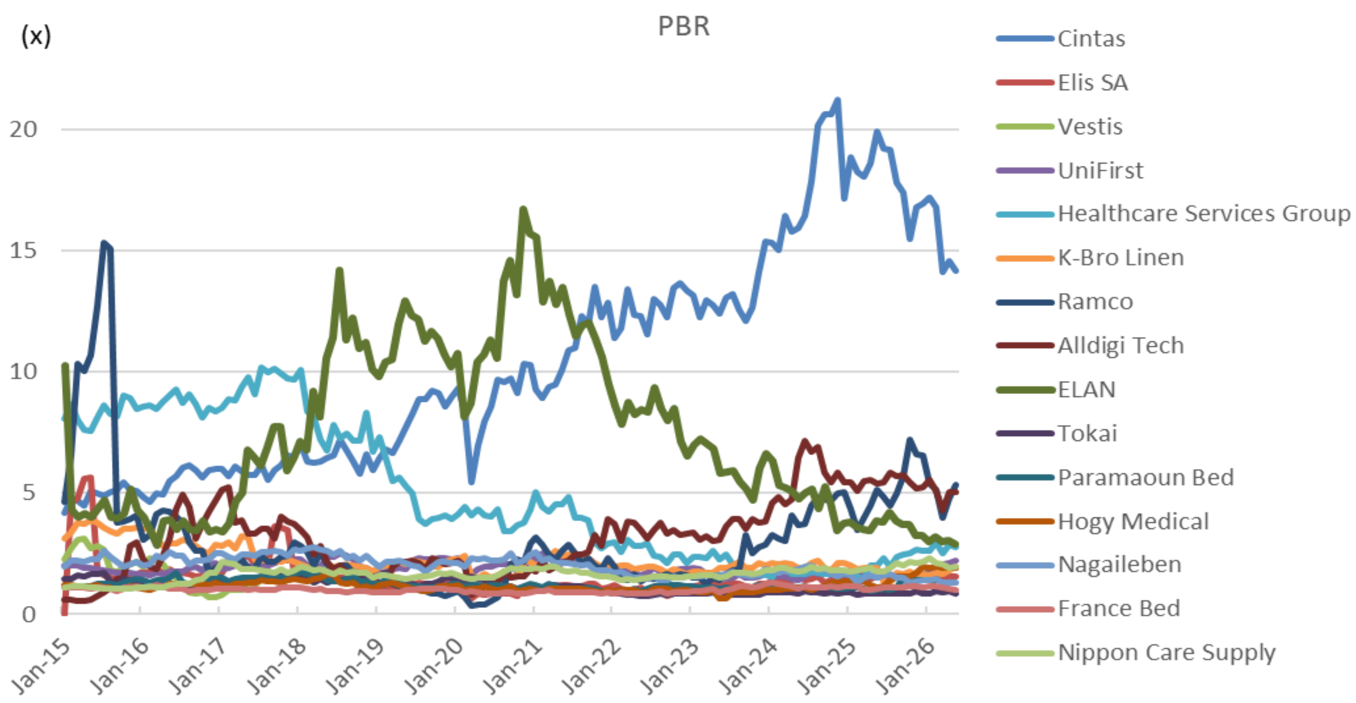
Figure 9. PER Comparison



Note: PER of 100 or more is Omitted.

Source: SPEEDA. Created by Strategy Advisors.

Figure 10. PBR Comparison



Source: SPEEDA. Created by Strategy Advisors.

Figure 11. Consolidated Income Statement (¥ mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/16 CoE
Net Sales	**18,585**	**21,518**	**26,056**	**31,635**	**36,264**	**41,425**	**47,513**	**55,448**	**60,800**
Domestic	18,585	21,518	26,056	31,635	36,264	41,425	47,244	53,214	
Overseas	-	-	-	-	-	-	269	2,234	
Cost of Sales	13,758	16,045	19,492	23,758	27,237	31,674	36,796	43,574	
Gross Profit	**4,827**	**5,473**	**6,563**	**7,876**	**9,027**	**9,751**	**10,716**	**11,874**	
Domestic	4,827	5,473	6,563	7,876	9,027	9,751	10,545	11,131	
Overseas	-	-	-	-	-	-	171	742	
Gross Profit Margin	26.0%	25.4%	25.2%	24.9%	24.9%	23.5%	22.6%	21.4%	
SG&A Expenses	3,548	3,980	4,495	5,078	5,635	6,085	7,139	7,601	
Operating Profit	**1,278**	**1,492**	**2,068**	**2,798**	**3,391**	**3,665**	**3,577**	**4,272**	**5,000**
Domestic	1,278	1,492	2,068	2,798	3,391	3,665	3,480	4,001	
Overseas	-	-	-	-	-	-	96	270	
OP Margin	6.9%	6.9%	7.9%	8.8%	9.4%	8.8%	7.5%	7.7%	8.2%
Non-Operating Income	4	13	82	25	27	32	51	117	
Gain on Sale of Assets	0	0	0	1	1	0	3	6	
Late Charges Income	-	6	16	15	13	11	10	13	
Consulting Fee Income	-	-	-	-	4	4	4	4	
Subsidy Income	1	2	0	3	1	6	5	8	
Non-Operating Expenses	0	4	2	5	7	16	84	205	
Loss on Retirement of Non-current Assets	0	4	0	1	2	3	3	3	
Loss on Investments in Investment Partnerships	-	-	-	3	4	4	18	45	
Ordinary Profit	**1,282**	**1,501**	**2,148**	**2,818**	**3,411**	**3,681**	**3,544**	**4,184**	**5,000**
Ordinary Profit Margin	6.9%	7.0%	8.2%	8.9%	9.4%	8.9%	7.5%	7.5%	8.2%
Extraordinary Profit/Loss	0	0	0	0	-376	0	0	0	
Gain on Step Acquisitions	0	0	0	0	0	0	0	0	
Loss on Valuation of Investment Securities	0	0	0	0	-376	0	0	0	
Profit before Income Taxes	1,282	1,501	2,148	2,818	3,035	3,681	3,544	4,184	
Pre-Tax Profit Margin	6.9%	7.0%	8.2%	8.9%	8.4%	8.9%	7.5%	7.5%	
Corporate Taxes	417	511	702	912	952	1,162	1,190	1,355	
Profit Attributable to Owners of Parent	**865**	**989**	**1,446**	**1,905**	**2,082**	**2,518**	**2,354**	**2,767**	**3,200**
Net Profit Margin	4.7%	4.6%	5.5%	6.0%	5.7%	6.1%	5.0%	5.0%	5.3%

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Consolidated Balance Sheet (¥ mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Cash and Deposits	3,057	3,472	4,497	5,632	6,036	5,488	6,849	6,845
Trade Receivables	3,658	4,476	5,044	5,848	7,104	8,621	8,178	9,319
Inventory	595	767	995	1,080	1,332	1,899	2,292	2,965
Others	-159	-388	-356	-431	-397	-502	-447	-658
Current Assets	**7,150**	**8,327**	**10,180**	**12,129**	**14,075**	**15,506**	**16,872**	**18,471**
Land	114	114	114	114	269	269	269	269
Other Tangible Fixed Assets	188	197	202	227	292	270	306	1,129
Tangible Fixed Assets	**302**	**311**	**316**	**341**	**561**	**539**	**575**	**1,398**
Goodwill	127	87	48	9	-	-	427	1,266
Other Intangible Fixed Assets	111	108	114	96	92	108	585	631
Intangible Fixed Assets	**238**	**195**	**162**	**105**	**92**	**108**	**1,012**	**1,897**
Investments and Other Assets	**133**	**401**	**1,029**	**1,371**	**1,342**	**2,837**	**3,241**	**4,464**
Total Fixed Assets	**674**	**909**	**1,508**	**1,817**	**1,996**	**3,486**	**4,829**	**7,760**
Total Assets	**7,824**	**9,236**	**11,689**	**13,947**	**16,072**	**18,993**	**21,702**	**26,232**
Trade Payables	2,745	3,340	4,157	4,868	5,567	6,427	7,222	8,384
Accounts Payable and Accrued Expenses	368	397	563	616	622	699	783	970
Unpaid Corporate Taxes, etc.	390	425	713	846	729	858	797	1,096
Current Liabilities	58	49	68	87	93	104	116	507
Current Liabilities	**3,561**	**4,211**	**5,501**	**6,417**	**7,011**	**8,088**	**8,918**	**10,957**
Long-Term Debt	-	-	-	-	-	-	76	399
Provision for Stock Benefits	-	-	-	13	20	27	38	44
Provision for Stock Benefits for Officers	-	-	-	31	49	62	60	27
Other Fixed Liabilities	0	4	3	3	1	1	108	123
Fixed Liabilities	**0**	**4**	**3**	**47**	**70**	**90**	**282**	**593**
Total Liabilities	**3,561**	**4,215**	**5,504**	**6,464**	**7,082**	**8,178**	**9,200**	**11,550**
Capital and Surplus	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116
Retained Earnings	3,141	3,919	5,092	6,574	8,111	9,964	11,530	13,510
Treasury Stock	0	0	0	-197	-194	-194	-191	-163
Shareholders' Equity	**4,258**	**5,035**	**6,209**	**7,494**	**9,034**	**10,886**	**12,456**	**14,464**
Valuation Difference	-13	-14	-25	-10	-45	-72	45	-21
Stock Acquisition Rights	18	-	-	-	-	-	-	-
Total Net Assets	**4,262**	**5,021**	**6,184**	**7,483**	**8,989**	**10,814**	**12,501**	**14,681**
Liabilities & Net Assets	**7,824**	**9,236**	**11,689**	**13,947**	**16,072**	**18,993**	**21,702**	**26,232**

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Cash Flow Statement (¥ mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Profit Before Tax	1,282	1,501	2,148	2,818	3,035	3,681	3,542	4,184
Depreciation	99	110	117	119	143	187	919	1,348
Unrealized Gains & Losses on Securities & Investment Securities	0	0	0	0	376	8	0	0
Allowance for Doubtful Accounts	86	119	23	74	-43	102	70	242
Working Capital	60	-445	13	-162	-728	-1,069	1,151	-517
Corporate Tax Paid	-375	-559	-562	-916	-1,081	-1,098	-1,282	-1,215
Other Operating Cash Flows	39	53	208	173	-121	-31	100	243
Cash Flows from Operating Activities	**1,191**	**779**	**1,947**	**2,106**	**1,581**	**1,780**	**4,500**	**4,285**
Acquisition of Securities & Investment Securities	-67	-70	-550	-267	-210	-1,474	-353	-212
Acquisition of Tangible & Intangible Fixed Assets	-102	-71	-87	-78	-347	-194	-896	-1,137
Acquisition of Subsidiary Shares	-	-	-	-	-	-	-867	-1,082
Deposits	-7	-12	-14	-11	-68	9	-13	-57
Others	0	2	3	-1	1	-2	-104	-897
Cash Flows from Investing Activities	**-176**	**-151**	**-648**	**-357**	**-624**	**-1,661**	**-2,233**	**-3,385**
Issuance of Shares	15	0	0	0	3	0	0	0
Redemption & Cancellation of Shares	0	0	0	-196	0	0	0	0
Dividend Payment	-119	-211	-272	-415	-554	-665	-788	-787
Other Financial Cash flows	1	-1	-1	-3	-1	-2	-61	-119
Cash Flows from Financing Activities	**-103**	**-212**	**-273**	**-614**	**-552**	**-667**	**-849**	**-906**
Free Cash Flow	**1,015**	**627**	**1,300**	**1,748**	**956**	**120**	**2,266**	**900**

Source: Company Data. Compiled by Strategy Advisors.

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Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061, Japan