

Q3 Results: 17 Year Revenue Growth Trend Continues w/- Increased Contracted Facilities & Penetration of High Value-Added Services

In FY24/12 Q3, sales were ¥34.8bn (+14.5% YoY), gross profit was ¥8bn (+11.5%), operating profit was ¥2.7bn (+0.2%) and net profit was ¥1.8bn (-3.0%). While the 17-year sales increase trend continued, net profit dropped due to M&A expenses in Vietnam and M3's TOB.

Since FY22/12 2H, profit margins have been on an apparent downward trend, but this is due to the full-scale introduction of the original "lifte" patient gowns. Since "lifte" is a business model in which procurement costs are recorded in one lump sum at the time of introduction and then recovered over several years through rental fees, the cost of sales expands at the time of introduction, causing a large negative impact on profits. If the "lifte" introduction cost per facility (est. ¥5mn) is added back to the operating profit, the current profit margins become stable.

Sales growth is linked to an increase in the number of contracted facilities. This fiscal year, the company plans to further strengthen sales capabilities in several areas. In addition, the penetration of CS Set R/LC and "lifte" is also helping to boost sales and profits.

Elan's PER, which was in the 40's, rose to over 60 during the pandemic, but has continued to decline since then and is now around 17x. Given that profits have increased since before the pandemic and both ROE and dividend payout ratios are high, Elan appears undervalued. Compared to its major peers, Elan has the second highest ROE after Cintas (ROE 40.3%, PER 55.2), but UniFirst (ROE 7.1%, PER 25.6) has a higher PER, which also makes it seem undervalued. If "lifte's" contribution to earnings actually covers upfront costs, the share price should increase.

Share Price & Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (2024/12/13)	757
YTD High (2024/1/3)	1,105
YTD Low (2024/12/5)	669
All-Time High (2014/11/11)	4,350
All-Time Low (2024/12/5)	669
Shares Issued (mn)	60.6
Market Capitalization (¥ bn)	45.8
EV (¥ bn)	42.1
Equity Ratio (Actual, %)	59.3
ROE (23/12, %)	25.4
PBR (LTM Actual, Times)	16.6
PER (24/12 Forecast, Times)	20.0
PBR (23/12 Actual, Times)	6.2
Yield (24/12 CoE, %)	1.4

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
23/12 Q3	30,426	13.7	2,726	6.4	2,742	6.3	1,888	7.1	31.2	-
24/12 Q3	34,847	14.5	2,731	0.2	2,697	-1.6	1,832	-3.0	30.3	-
FY21/12	31,636	21.4	2,799	35.3	2,819	31.2	1,906	31.8	31.5	9.0
FY22/12	36,265	14.6	3,391	21.2	3,412	21.0	2,083	9.3	34.5	11.0
FY23/12	41,426	14.2	3,665	8.1	3,682	7.9	2,519	20.9	41.7	13.0
FY24/12 CoE	50,000	20.7	4,200	14.6	4,230	14.9	2,850	13.1	47.1	14.0

Source: Strategy Advisors. Based on Company Data

1. Business Performance for FY24/12 Q3 to Expand Steadily

Increased Revenue and Profit Due to the Introduction into New Facilities and an Increase in the Number of Users of CS Sets

Elan's consolidated results for FY24/12 Q3 were sales of ¥34.8bn (+14.5% YoY), gross profit of ¥7.9bn (+11.5%), operating profit of ¥2.7bn (+0.2%), ordinary profit of ¥2.6bn (-1.6%) and net profit for the period of ¥1.8bn (-3.0%). The increase in sales was due to the acquisition of new facilities for CS sets, an increase in the number of users and the passing on of rising purchase prices. The decrease in ordinary profit and below was due to the recording of M&A-related expenses in Vietnam and M3's TOB-related expenses.

Operating Profit Margins Fall Due to M&A-Related Costs in Vietnam and Salary Increases

The gross profit margin fell due to the recording of costs for the introduction of "lifte" in 108 facilities. In addition, the operating profit margin also fell due to an increase in selling and administrative expenses caused by M&A-related expenses in Vietnam and employee salary increases.

The Number of Facilities that Installed CS Sets has Reached 2,503

During the third quarter consolidated cumulative period, the number of facilities with new contracts was 249, while the number of facilities with cancelled contracts was 66. As of the end of the third quarter consolidated fiscal period, the number of facilities with CS sets installed increased by 183 to 2,503 from the end of the previous consolidated fiscal year.

Figure 1. Summary of Elan's Financial Results for FY24/12 Q3

(¥ mn)	23/12 Q2	24/12 Q2	YoY	Progress Rate	24/12 CoE	YoY
		(A)		(A)/(B)	(B)	
Sales	30,426	34,847	14.5%	69.7%	50,000	20.7%
Gross Profit	7,170	7,991	11.5%	-	-	-
"lifte" Installation Cost (Estimated)	135	540	300.0%	-	-	-
"lifte" Cost-Return Gross Profit (Estimated)	7,305	8,531	16.8%	-	-	-
Selling And Administrative Expenses	4,443	5,259	18.4%	-	-	-
Operating Profit	2,726	2,731	0.2%	65.0%	4,200	14.6%
Ordinary Profit	2,742	2,697	-1.6%	63.8%	4,230	14.9%
Net Income	1,888	1,832	-3.0%	64.3%	2,850	13.2%

Source: Company Data. Compiled by Strategy Advisors

The Introduction of “lifte” has Made it Difficult to Grasp the Actual Profit Situation

The cost of introducing “lifte”, which is said to be the cause of the decline in gross profit margin, is recorded as a lump sum at the time of introduction; and the cost and profit are recovered through rental fees for “lifte”. Therefore, the negative impact on profits at the time of introduction is large, making it difficult to grasp Elan's actual profits. In fact, gross profit margins and operating profit margins have appeared to decline since the introduction of “lifte”.

Figure 1. Original Patient Gown “lifte”

Started providing costumes for the Netflix drama “Beyond Goodbye”



Source: Company Data

The Cost of Installing the “lifte” System Per Facility Varies Depending on The Size of The Facility, But is Estimated to be Around ¥3mn to ¥7mn

In the Q2 financial results presentation, it is stated that the expected number of “lifte” facilities was 100, but the actual number was only 65, so operating profit were ¥250mn higher than expected. If we assume that the introduction costs for 35 facilities were ¥250mn based on this statement, the introduction cost per facility would be approximately ¥7mn. On the other hand, in the Q3 financial results presentation, it was stated that the reason for the 0.7% YoY decrease in gross profit margin was the cost of installing “lifte” and from this calculation, the installation costs per facility would be approximately ¥3mn (¥221mn for 81 facilities). This is thought to be a fluctuation caused by differences in facility sizes.

We Estimate that the Growth Rate of Operating Profit, Including the Cost of Introducing “lifte”, is Still Higher than the Growth Rate of Sales

The number of facilities that have introduced “lifte” for each quarter from Q3 of FY22/12 onwards can be obtained from the financial results presentation materials, so the cost of introducing “lifte” for each quarter can be estimated (for convenience, the cost of introducing “lifte” per facility is set at approximately ¥5mn). If these estimated values are simply added to the operating profit for each quarter, the results are as shown in the table below, and it can be assumed that the gross profit margin and operating profit margin with the cost of introducing “lifte” added back are still roughly at the same level as before the introduction of “lifte”.

Figure 2 Trends in Sales, Operating Profit, “lifte” Implementation Costs (Estimated) & “lifte” Cost Reimbursement Operating Profit (Estimated) (3-Monthly)

(¥ mn)	22/12				23/12				24/12		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358	12,002
(YoY Change vs Same Period Last Year)	17%	15%	14%	14%	12%	13%	16%	16%	17%	14%	13%
Gross Profit	2,270	2,185	2,200	2,372	2,390	2,322	2,458	2,581	2,821	2,551	2,619
(Gross Profit Margin)	26%	25%	24%	25%	24%	23%	23%	23%	25%	22%	22%
Operating Profit	914	800	848	829	992	809	925	939	1,059	872	800
(Operating Profit Margin)	10%	9%	9%	9%	10%	8%	9%	9%	9%	8%	7%
Number of Facilities Supplied with “lifte” (Cumulative)	-	5	7	8	12	27	35	52	74	117	160
Number of Facilities Supplied with “lifte”	-	-	2	1	4	15	8	17	22	43	43
“lifte” Supply Cost (Estimated)	-	-	10	5	20	75	40	85	110	215	215
“lifte” Cost-Return Gross Profit	-	-	2,210	2,377	2,410	2,397	2,498	2,666	2,931	2,766	2,834
(“lifte” Cost-Return Gross Profit Margin)	-	-	24%	25%	25%	24%	24%	25%	26%	25%	24%
“lifte” Cost-Return Operating Profit	-	-	858	834	1,012	884	965	1,024	1,169	1,087	1,015
(“lifte” Cost-Return Operating Profit Margin)	-	-	9%	9%	10%	9%	9%	9%	10%	10%	8%

Source: Company Data. Compiled by Strategy Advisors

Although the Sales Growth Rate is Linked to User Growth Rates, Recent Increases in Unit Prices Have Become Increasingly Important

As compared to Elan’s sales growth rate (compared to the same period last year), we can see that the rate of change in the number of users is roughly linked to the rate of sales growth and is the main component. On the other hand, the rate of change in unit price per person has started to show an upward trend since Q4 of FY23/12 and is becoming increasingly important as a component of the sales growth rate.

Figure 3YoY Changes in Sales, Number of Users and Unit Price (3-Monthly)

Year-On-Year Change	22/12				23/12				24/12		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	17%	15%	14%	14%	12%	13%	16%	16%	17%	14%	13%
Number of Users	17%	16%	13%	11%	11%	10%	14%	12%	11%	10%	6%
Unit Price Per Person	-4%	-4%	-1%	1%	0%	1%	0%	2%	4%	3%	5%

Source: Company Data. Compiled by Strategy Advisors

Tracking the Number of Contracted Facilities is Important to Grasp Trends of the Number of Users

When comparing the relationship between the rate of change in the number of users, the rate of change in the number of contracted facilities and the rate of change in the number of users per facility; the rate of change in the number of contracted facilities is roughly linked to the rate of change in the number of users, but there is no correlation with the rate of change in the number of users per facility. Therefore, it can be said that in order to track trends in the rate of change in the number of users, it is important to track the number of contracted facilities.

Figure 4YoY Changes in Number of Users, Number of Contracted Facilities & Number of Users Per Facility (3-Monthly)

Year-On-Year Change	22/12				23/12				24/12		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Number of Users	17%	16%	13%	11%	11%	10%	14%	12%	11%	10%	6%
Number of Contracted Facilities	13%	12%	12%	12%	11%	10%	10%	11%	12%	11%	11%
Number of Users Per Facility	6%	6%	1%	-1%	1%	0%	4%	1%	-1%	-1%	-4%

Source: Company Data. Compiled by Strategy Advisors

The Number of Facilities is Increasing, Especially in the Kanetsu Area

Comparing the increase/decrease in the number of contracted facilities as of Q3 between FY22/12-FY23/12 and FY23/12-FY24/12, both the increase and the rate of increase rose, from 232 facilities (+10% YoY) to 266 facilities (+11% YoY). By region, the Kan-etsu area saw a large increase from 44 facilities to 62 facilities, leading the overall expansion. On the other hand, the Chugoku-Shikoku area and Kyushu-Okinawa area are showing a slowdown.

Figure 5 Changes in the Number of Contracted Facilities by Area (3-Monthly)

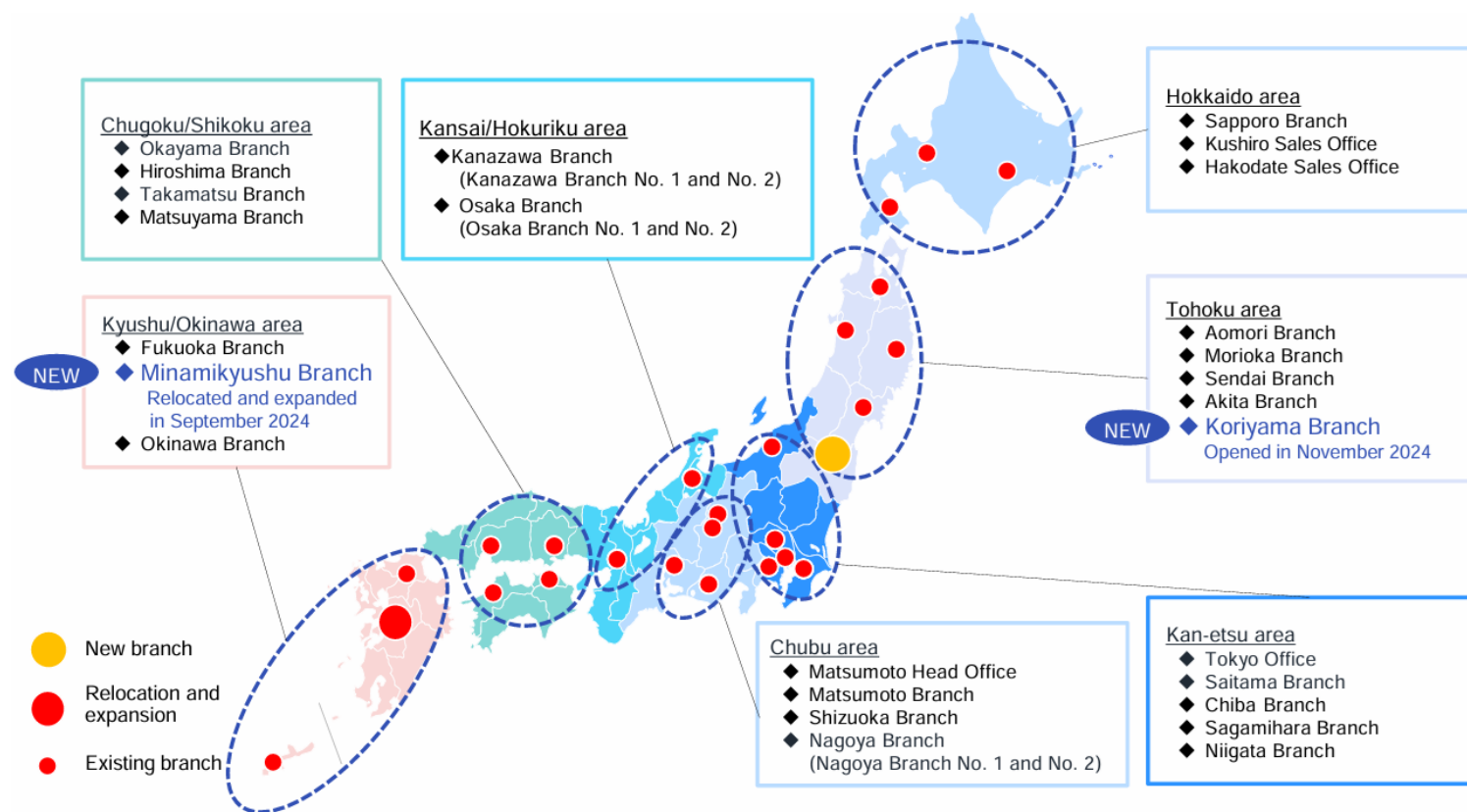
(Subject)	22/12				23/12				24/12			YoY Change (Q3)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	22-23	23-24
Number of Contracted Facilities	1,862	1,945	2,005	2,060	2,081	2,171	2,237	2,320	2,360	2,439	2,503	232	266
Hokkaido	120	127	129	136	138	143	145	149	152	163	170	16	25
Tohoku	235	246	259	269	270	279	284	298	301	315	319	25	35
Kan-etsu	301	316	327	331	332	345	371	392	404	422	433	44	62
Central	388	394	399	405	406	419	418	426	432	437	444	19	26
Kansai Hokuriku	336	351	363	375	375	403	421	438	447	464	481	58	60
Chugoku & Shikoku	368	383	389	400	407	417	421	429	435	442	450	32	29
Kyushu & Okinawa	114	128	139	144	153	165	177	188	189	196	206	38	29

Source: Company Data. Compiled by Strategy Advisors

New Branch Openings in Tohoku & Kyushu/Okinawa

This fiscal year, the company plans to further strengthen their sales capabilities in these areas by opening a new Fukushima branch in the Tohoku area (November) expanding and relocating the Minami Kyushu branch in the Kyushu/Okinawa area (September).

Figure 6 Opening of New Branches and Relocation/Expansion



Source: Company Data

Penetration of High Value-Added Services Contributes to Increased Profit Margins

The estimated operating profit margin, which includes the introduction costs of “lifte”, has been gradually increasing from the 9% range to the 10% and then 11% range. In Q3 FY24/12, it remained at 9% despite the recording of M&A and TOB-related expenses. This is due to the gradual penetration of higher value-added services such as CS Set R/LC and “lifte”. The most recent contract facility ratios are 11% for CS Set R, 9% for CS Set LC and 6% for “lifte”. Of particular note, the contract facility ratio for “lifte” has increased by 4% over the past year.

Figure 7 Estimated Operating Profit Margin After Cost Reimbursement by “lifte” & the Ratio of Facilities that have Introduced CS Set R/LC & “lifte” Services (3-Monthly)

(\$ mn)	22/12				23/12				24/12			YoY Change (Q3)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	22-23	23-24
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358	12,002	1,483	1,357
“lifte” Cost-Return OP (Estimate)	-	-	858	834	1,012	884	965	1,024	1,169	1,087	1,015	858	834
“lifte” Cost-Return OP Margin (Estimate)	-	-	9%	9%	10%	9%	9%	9%	10%	10%	8%	9%	9%
CS Set R Contract Facility Ratio	6%	6%	7%	7%	8%	9%	9%	10%	10%	11%	11%	2%	2%
CS Set LC Contract Facility Ratio	5%	5%	5%	6%	6%	8%	8%	8%	8%	8%	9%	3%	1%
“lifte” Introduction Facility Ratio	0%	0%	0%	0%	1%	1%	2%	2%	3%	5%	6%	2%	4%

Source: Company Data. Compiled by Strategy Advisors

2. Current Business Outlook

Revenue and Profit Growth Forecast for the Full Fiscal Year Ending December 2024

Elan's full-year forecast for the fiscal year ending December 2024 is sales of ¥50.0bn yen (+20.7% YoY), operating income of ¥4.2bn (+14.6% YoY), ordinary income of ¥4.2bn (+14.9% YoY) and net income of ¥2.9bn (+13.1% YoY). The company plans to further expand the number of facilities that install CS sets from its 28 sales bases nationwide and to secure an advantage over competitors by increasing the added value of its services, thereby promoting an increase in the number of new facilities that install CS sets and an increase in the number of users. In addition, the company plans to further promote the development of various systems to improve business efficiency and productivity, thereby increasing the profitability of the entire group.

Sales Growth Expected to Accelerate in the Second Half of the Year

In the cumulative results for Q3 FY2024/12, sales increased by 14.5% YoY, and operating profit increased by 7.8%. There have been no changes to the full year earnings forecast, but considering that the progress rate for sales and profits as of Q3 was only in the 60% range, there is a possibility that the earnings forecast will not be achieved.

3. Stock Price Trends

Despite Rising ROE & Dividend Payout Ratio's, PER is falling

Elan's stock price rose between 2017 and 2019 along with PER, with the backdrop of business growth and increased shareholder returns. In 2020, PER rose to over 60x due to expectations of increased demand for hospitalization sets due to the COVID-19 pandemic, reaching a peak of ¥1,736 in January 2021. The stock price then fell as the pandemic subsided, and although there was a period when the stock price temporarily rose due to a tender offer by M3, the PER is currently in the 16x range. Despite the fact that ROE and dividend payout ratio are at the same or higher levels now compared to 2017 to 2019 before the COVID-19 pandemic, PER is lower and it can be said that the stock appears to be undervalued compared to past performance.

Figure 8 Elan's Stock Price and Major Indicators

	17/12	18/12	19/12	20/12	21/12	22/12	23/12	LTM
Stock Price (¥)	355	674	805	1,499	1,110	938	1,116	675
Net Income (¥ mn)	658	865	990	1,446	1,906	2,083	2,519	2,462
PER (Times)	32.2	47.2	49.3	62.8	35.2	27.2	19.6	16.6
ROE	20.5%	22.3%	21.3%	25.8%	27.9%	25.3%	25.4%	22.3%
Dividend Payout Ratio	18.2%	24.5%	27.6%	29.3%	28.5%	31.9%	31.2%	-

Source: Company Data. Compiled by Strategy Advisors

Servizi Italia Expected to Be Taken Private

Comparing the stock price trends over the past year for eight companies in the same industry, including Elan, Elan has fallen; while the other six companies, excluding Vestis (VSTS NYSE), have risen on the back of expanding business performance. In particular, Servizi Italia (SRI Italy) has remained high due to the impact of its major shareholder, Coopservice (unlisted), a facility management service company, launching a tender offer with the aim of making it a wholly owned subsidiary. The purpose of making it a wholly owned subsidiary is to gain management flexibility and agility.

Servizi Italia Expands Smoothly in India

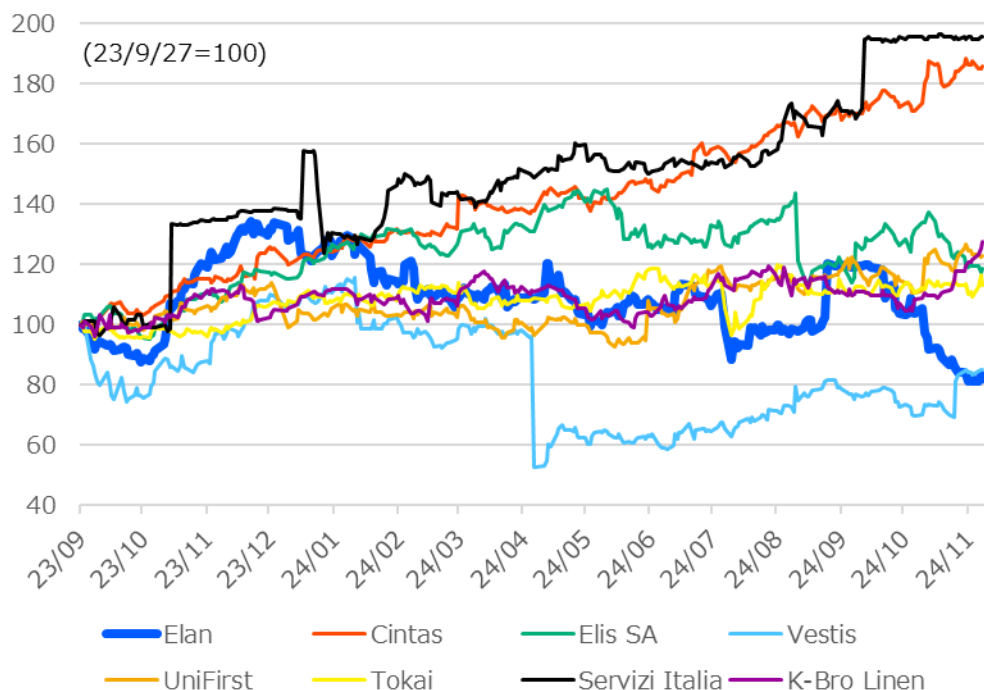
Servizi Italia, which has also expanded into India like Elan, is expanding its business by seeing an opportunity in the fact that the rate of outsourcing of laundry services in Indian medical facilities is still low and the sales revenue of its invested companies in fiscal year 2023 was approximately ¥640mn.

Elis Was Looking to Buy Vestis And Unifirst But Failed To Reach An Agreement And Instead Bought Unlisted Dutch And Spanish Competitors

Vestis lost a major customer and significantly revised down its earnings forecast, causing its stock price to fall by about 40%, and has been sluggish ever since. In response to this situation, Elis (ELIS Paris), which operates in Europe, entered into acquisition negotiations for Vestis in September and also entered into parallel acquisition negotiations for UniFirst (UNF NYSE).

However, in October, both negotiations were abandoned as no agreement was reached, while at the end of October, it acquired Wasned (unlisted), a Dutch competitor, and at the end of November, Carsan Renting & Laundry (unlisted) and Alquitex Renting Textil (unlisted), both Spanish competitors.

Figure 9 Elan and Major Competitors' Stock Prices



*23/9/27 is the start date for Vestis trading.

Source: Compiled by Strategy Advisors. Based on Company Data

Cintas has the Highest ROE & PER

Comparing the most recent key financial indicators and PER (actual results), Cintas has the highest ROE and PER. The main reason for Cintas' high ROE is its high net profit margins. It is the only company among the comparison targets with a double-digit net profit margin.

Elan is Cheaper than UniFirst & K-Bro Linen

Elan has the second highest ROE, mainly due to its high total asset turnover. However, UniFirst Corp, which has a significantly lower ROE, has a higher PER of 25.6 than Elan's 16.6. K-Bro Linen, which also has a significantly lower ROE than Elan, has a PER of 22.4, which is close to Elan's. Compared to these companies, Elan's stock price can be said to be undervalued.

Figure 10 Comparison of Valuations with Other Companies in the Same Industry (Most Recent Results)

Company	Country	Code	Results Date	S/Price (12/5) (¥)	Mkt Cap (¥ mn)	PER Actual (Times)	PER Actual (Times)	PBR Actual (% YoY)
Cintas Corp	America	CTAS	24/8	33,624	13,057,713	55.2	22.4	40.3
Elis SA	France	ELIS	24/9	3,020	714,567	20.3	1.4	7.2
Vestis Corp	America	VSTS	24/9	2,460	307,131	102.6	2.4	2.4
UniFirst Corp	America	UNF	24/8	30,124	538,669	25.6	1.8	7.1
Tokai	Japan	9729	24/9	2,232	75,080	12.1	0.9	7.4
Services Italy	Italy	SRI	24/9	375	10,865	14.8	-	-
Elan	Japan	6099	24/9	675	40,813	16.6	3.4	22.3
K-Bro Linen	Canada	KBL	24/9	4,275	44,209	22.4	2.2	10.3

Source: Compiled by Strategy Advisors. Based on Company Data

Figure 11 Comparison of Profitability with Competitors (Full Year)

Company Name	Country	Code	Accounting Period	Sales (¥ mn)	Operating Profit (¥ mn)	OPM (%)	ROE (%)	ROIC (%)	Equity Capital Ratio (%)
Cintas Corp	America	CTAS	24/5	1,439,550	310,350	21.6	38.3	24.7	47.1
Elis SA	France	ELIS	23/12	689,440	89,280	13.0	7.9	5.2	37.4
Vestis Corp	America	VSTS	24/9	422,399	23,779	5.6	2.4	6.1	30.8
UniFirst Corp	America	UNF	24/8	3 66,195	27,694	7.6	7.1	6.5	78.2
Tokai	Japan	9729	24/3	138,222	8,082	5.8	6.9	6.3	75.0
Services Italy	Italy	SRI	23/12	46,080	1, 920	4.1	4.1	4.6	34.0
Elan	Japan	6099	23/12	41,426	3,665	8.8	25.4	25.3	56.9
K-Bro Linen	Canada	KBL	23/12	33,705	2,940	8.9	10.0	8.3	47.8

Source: Compiled by Strategy Advisors. Based on Company Data

Figure 12. Quarterly Performance Trends (Cumulative) (Unit: ¥ mn)

Accounting Period	23/12				24/12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Forecast
Sales	9,857	19,781	30,426	41,426	11,487	22,845	34,847	50,000
(YoY Comparison)	12.1%	12.4%	13.7%	14.2%	16.5%	15.5%	14.5%	20.7%
Cost of Sales	7,467	15,070	23,257	31,674	8,666	17,472	26,857	
Gross Profit	2,390	4,712	7,170	9,751	2,821	5,372	7,991	
(Gross Profit Margin)	24.2%	23.8%	23.6%	23.5%	24.6%	23.5%	22.9%	
SG&A Expenses	1,397	2,910	4,443	6,086	1,762	3,442	5,259	
Operating Profit	992	1,801	2,726	3,665	1,059	1,931	2,731	4,200
(Operating Profit Margin)	10.1%	9.1%	9.0%	8.8%	9.2%	8.5%	7.8%	8.4%
Non-Operating Profit/Loss	12	18	24	33	11	22	36	
Ordinary Profit	997	1,813	2,742	3,682	1,066	1,949	2,698	4,230
(Ordinary Profit Margin)	10.1%	9.2%	9.0%	8.9%	9.3%	8.5%	7.7%	8.5%
Extraordinary Income/Loss	0	0	0	0	0	0	0	
Profit Before Tax	997	1,813	2,742	3,682	1,066	1,949	2,698	
Total Corporate Tax, etc.	302	560	853	1,163	339	623	866	
(Corporate Tax Rate)	30.3%	30.9%	31.1%	31.6%	31.8%	32.0%	32.1%	
Net Income	696	1,253	1,889	2,519	727	1,325	1,832	2,850
Net Profit Margin	7.1%	6.3%	6.2%	6.1%	6.3%	5.8%	5.3%	5.7%

Source: Company Data. Compiled by Strategy Advisors

Figure 13. Quarterly Performance Trends (Unit: ¥ mn)

Accounting Period	22/12				23/12				24/12		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358	12,002
(YoY Comparison)	16.9%	14.5%	13.6%	13.7%	12.1%	12.6%	16.2%	15.8%	16.5%	14.4%	12.7%
Cost of Sales	6,523	6,626	6,962	7,127	7,467	7,603	8,187	8,417	8,666	8,806	9,385
Gross Profit	2,270	2,185	2,200	2,372	2,390	2,322	2,458	2,581	2,821	2,551	2,619
(Gross Profit Margin)	25.8%	24.8%	24.0%	25.0%	24.2%	23.4%	23.1%	23.5%	24.6%	22.5%	21.8%
SG&A Expenses	1,356	1,385	1,352	1,543	1,397	1,513	1,533	1,643	1,762	1,680	1,817
Operating Profit	914	800	848	829	992	809	925	939	1,059	872	800
(Operating Profit Margin)	10.4%	9.1%	9.3%	8.7%	10.1%	8.2%	8.7%	8.5%	9.2%	7.7%	6.7%
Non-Operating Profit/Loss	4	7	7	2	5	7	4	1	7	11	14
Ordinary Profit	918	808	855	831	997	816	929	940	1,066	883	749
(Ordinary Profit Margin)	10.4%	9.2%	9.3%	8.7%	10.1%	8.2%	8.7%	8.5%	9.3%	7.8%	6.2%
Extraordinary Income/Loss	0	0	0	-377	0	0	0	0	0	0	0
Profit Before Tax	918	808	855	454	997	816	929	940	1,066	883	749
Total Corporate Tax, etc.	291	257	269	136	302	258	293	310	339	284	243
(Corporate Tax Rate)	31.7%	31.8%	31.5%	30.0%	30.3%	31.6%	31.5%	33.0%	31.8%	32.2%	32.4%
Net Income	627	551	585	320	696	557	636	630	727	598	507
Net Profit Margin	7.1%	6.3%	6.4%	3.4%	7.1%	5.6%	6.0%	5.7%	6.3%	5.3%	4.2%

Source: Company Data. Compiled by Strategy Advisors

Figure 14. Consolidated Income Statement (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	Scheduled for 24/12
Sales	15,467	18,585	21,519	26,056	31,636	36,265	41,426	50,000
Cost of Sales	11,469	13,758	16,045	19,493	23,759	27,238	31,674	
Gross Profit	3,998	4,827	5,473	6,564	7,877	9,027	9,751	
Gross Profit Margin	25.8%	26.0%	25.4%	25.2%	24.9%	24.9%	23.5%	
SG&A Expenses	3,085	3,548	3,981	4,495	5,078	5,636	6,086	
Operating Profit	913	1,279	1,492	2,068	2,799	3,391	3,665	4,200
OPM	5.9%	6.9%	6.9%	7.9%	8.8%	9.4%	8.8%	8.4%
Non-Operating Income	12	4	14	82	26	28	33	
Gain on Sales of Fixed Assets	2	0	1	0	2	1	0	
Late Receipt Penalty	-	-	7	17	16	14	11	
Management Guidance Fee	3	-	-	-	-	4	4	
Subsidy Income	1	1	3	0	3	1	6	
Non-Operating Expenses	1	1	5	2	6	7	16	
Loss on Sale or Disposal of Fixed Assets	1	0	4	0	1	2	4	
Investment Partnership Losses	-	-	-	-	3	5	5	
Ordinary Profit	924	1,282	1,501	2,148	2,819	3,412	3,682	4,230
Ordinary Profit Margin	6.0%	6.9%	7.0%	8.2%	8.9%	9.4%	8.9%	8.5%
Extraordinary Profit and Loss	27	0	0	0	0	-377	0	
Gain on Step Acquisitions	27	0	0	0	0	0	0	
Loss on Valuation of Investment Securities	0	0	0	0	0	-377	0	
Net Income before Taxes and Other Adjustments	951	1,282	1,501	2,148	2,819	3,035	3,682	
Pre-Tax Profit Margin	6.1%	6.9%	7.0%	8.2%	8.9%	8.4%	8.9%	
Corporate Tax etc.	293	417	512	702	913	953	1,163	
Corporate Tax, etc. - Current Period	328	469	547	778	973	1,066	1,219	
Corporate Tax Adjustments - Deferred	-35	-51	-35	-76	-60	-114	-56	
Net Income	658	865	990	1,446	1,906	2,083	2,519	2,850
Net Profit Margin	4.3%	4.7%	4.6%	5.5%	6.0%	5.7%	6.1%	5.7%

Source: Company Data. Compiled by Strategy Advisors

Figure 15 Consolidated Balance Sheet (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12
Cash and Deposits	2,147	3,057	3,472	4,498	5,632	6,036	5,489
Trade Receivables	3,409	3,658	4,476	5,044	5,848	7,105	8,622
Inventory	499	595	767	995	1,080	1,332	1,899
Deferred Tax Assets	110	157	0	0	0	0	0
Other Current Assets	-239	-317	-388	-357	-430	-397	-503
Current Assets	5,926	7,150	8,327	10,180	12,130	14,076	15,507
Land	114	114	114	114	114	269	269
Other Tangible Fixed Assets	180	188	198	203	227	292	271
Tangible Fixed Assets	294	302	312	317	341	561	540
Goodwill	166	127	88	49	10	0	0
Other Intangible Fixed Assets	61	112	108	113	95	92	109
Intangible Fixed Assets	227	239	196	162	105	92	109
Investments and Other Assets	79	133	402	1,030	1,371	1,342	2,838
Total Fixed Assets	601	674	909	1,509	1,818	1,996	3,486
Total Assets	6,527	7,824	9,236	11,689	13,948	16,072	18,993
Trade Payables	2,340	2,746	3,340	4,158	4,868	5,568	6,427
Accounts Payable and Accrued Expenses	335	369	397	564	617	622	700
Unpaid Corporate Taxes, etc.	250	390	425	712	847	730	859
Current Liabilities	105	57	49	68	85	92	103
Current Liabilities	3,030	3,562	4,211	5,502	6,417	7,012	8,089
Provision for Stock Benefits	-	-	-	-	14	20	28
Provision for Stock Benefits for Officers	-	-	-	-	31	50	63
Other Fixed Liabilities	0	0	4	3	2	1	0
Fixed Liabilities	0	0	4	3	47	71	90
Total Liabilities	3,030	3,562	4,215	5,505	6,464	7,083	8,179
Capital and Surplus	1,102	1,116	1,116	1,116	1,116	1,116	1,116
Retained Earnings	2,396	3,142	3,919	5,093	6,575	8,112	9,964
Treasury Stock	0	0	0	0	-197	-194	-194
Shareholders' Equity	3,497	4,263	5,021	6,184	7,484	8,990	10,814
Valuation Difference	0	-14	-15	-25	-11	-45	-73
Stock Acquisition Rights	0	18	0	0	0	0	0
Total Net Assets	3,497	4,263	5,021	6,184	7,484	8,990	10,814
Liabilities & Net Assets	6,527	7,824	9,236	11,689	13,948	16,072	18,993

Source: Company Data. Compiled by Strategy Advisors

Figure 16 Consolidated Operating Cash Flow (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12
Profit Before Tax	951	1,282	1,501	2,148	2,819	3,035	3,682
Depreciation	79	99	110	117	120	144	188
Unrealized Gains & Losses on Securities & Investment Securities	0	0	0	0	0	377	8
Allowance for Doubtful Accounts	60	87	120	24	75	-44	102
Working Capital	-394	60	-445	13	-162	-728	-1,069
Corporate Tax Paid	-346	-376	-560	-563	-916	-1,082	-1,098
Other Operating Cash Flows	-32	39	53	209	170	-121	-32
Cash Flows from Operating Activities	318	1,191	779	1,948	2,106	1,581	1,781
Acquisition of Securities & Investment Securities	0	-68	-71	-550	-268	-211	-1,475
Acquisition of Tangible & Intangible Fixed Assets	-74	-102	-71	-87	-78	-347	-195
Acquisition of Subsidiary Shares	-161	-	-	-	-	-	-
Deposits	-8	-8	-12	-14	-11	-68	-9
Others	5	2	2	3	-1	1	18
Cash Flows from Investing Activities	-238	-176	-152	-648	-358	-625	-1,661
Issuance of Shares	7	16	0	0	0	3	0
Redemption & Cancellation of Shares	0	0	0	0	-197	0	0
Dividend Payment	-89	-119	-212	-272	-416	-555	-666
Other Financial Cash flows	0	-1	-1	-2	-1	-1	-1
Cash Flows from Financing Activities	-82	-104	-213	-274	-614	-553	-667
Free Cash Flow	80	1,015	627	1,300	1,748	956	120

Source: Company Data. Compiled by Strategy Advisors

Figure 17. Stock Price Index, ROE & KPI's

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	Scheduled for 24/12
EPS (¥)	44.2	28.8	32.7	23.9	31.5	34.5	41.7	47.1
BPS (¥)	233.9	140.1	165.7	102.1	123.8	148.7	178.9	
Dividend Per Share (¥)	8.0	14.0	9.0	14.0	9.0	11.0	13.0	14.0
Dividend Payout Ratio	18.2	24.5	27.6	29.3	28.5	31.9	31.2	
Closing Price (¥)	1,418	1,347	1,610	1,499	1,110	938	1,116	
PER (Times)	32.2	47.2	49.3	62.8	35.2	27.2	26.8	18.7
PBR (Times)	6.1	9.6	9.7	14.7	9.0	6.3	6.2	
Number of Shares Issued at End of Period ('000)	14,950	15,150	30,300	30,300	60,600	60,600	60,600	
Number of Treasury Stocks (Shares)	162	220	440	469	140,969	138,769	138,795	
Number of Treasury Stocks Excluded ('000 Shares)	14,950	15,150	30,300	30,300	60,459	60,461	60,461	
Market Capitalization (¥ mn)	21,199	40,814	48,782	90,839	67,110	56,713	67,475	
Shareholders' Equity Ratio	53.6	54.5	54.4	52.9	53.7	55.9	56.9	
Interest-Bearing Debt Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
D/E Ratio	-0.6	-0.7	-0.7	-0.7	-0.8	-0.7	-0.5	
EV (Enterprise Value)	19,052	37,757	45,310	86,341	61,478	50,677	61,986	
EBITDA (¥ mn)	992	1,378	1,602	2,185	2,919	3,535	3,853	4,388
EV/EBITDA Multiple	19.2	27.4	28.3	39.5	21.1	14.3	16.1	10.9
ROE	20.5	22.3	21.3	25.8	27.9	25.3	25.4	
ROIC (Invested Capital)	-	22.2	21.1	24.4	27.6	29.6	25.3	
ROIC (Business Assets)	-	103.7	124.0	208.7	329.7	402.0	288.7	
Number of Employees	232	242	276	290	320	349	378	

Source: Company Data. Compiled by Strategy Advisors

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