

Company Report

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Strategy Advisors Inc.
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Highly Profitable Hospital Services Company that has Increased Sales for 18 Consecutive Years

Elan Corporation is a pioneer in the hospitalization set business, which rents clothing, towels, daily necessities and diapers necessary for hospitalization. It is the industry leader with a market development rate of 20%, double that of the second-placed company. In FY12/2024, the company posted sales of ¥47.5bn (+14% YoY), operating profit of ¥3.6bn (-2% YoY), net income of ¥2.4bn (-7% YoY) and ROE of 20%, representing 18 consecutive years of growth in sales.

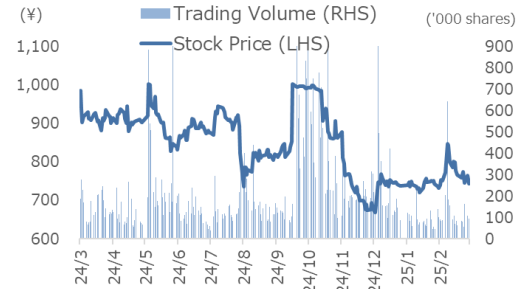
Since FY22/12 2H, profit margins have been on a downward trend, but this is due to the introduction of the “lifte” patient gowns. Since “lifte” is a business model in which procurement costs are recorded in one lump sum at the time of introduction and then recovered over several years through rental fees, the cost of sales expands first, causing a large negative impact on profits. If the “lifte” introduction cost is added back to the operating profit, the current profit margins become stable.

Sales growth is linked to the number of contracted facilities. Elan has strengthened sales capabilities further in several areas. In addition, the penetration of CS Set R/LC and “lifte” is also helping to boost sales.

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 10x. Given that profits have increased since before the pandemic and both ROE and dividend payout ratios are high, Elan appears undervalued.

There are virtually no domestic companies involved in hospital-related linen services that are expanding internationally, including Tokai Corporation (TSE 9729). Overseas companies such as Cintas Corp (NASDAQ CTAS) (PER 43.9) & UniFirst Corp (NYSE UNF) (PER 24.3) are operating internationally.

Share Price & Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (2025/3/19)	737
YTD High (2025/2/12)	847
YTD Low (2025/1/17)	721
All-Time High (2014/11/11)	4,350
All-Time Low (2024/12/5)	669
Shares Issued (mn)	60.6
Market Capitalization (¥ bn)	44.6
EV (¥ bn)	37.8
Equity Ratio (Actual, %)	59.3
ROE (24/12, %)	20.2
PBR (LTM Actual, Times)	14.5
PER (25/12 Forecast, Times)	3.6
PBR (24/12 Actual, Times)	2.0
Yield (25/12 CoE, %)	

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
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	47,514	14.7	3,578	-2.4	3,545	-3.7	2,355	-6.5	38.9	13.0
FY25/12 CoE	59,000	24.2	4,720	31.9	4,740	33.7	3,090	31.2	51.0	15.0

Source: Strategy Advisors. Based on Company Data

1. Current Performance Trends

1) FY12/2024 Results

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 were sales of ¥47.5bn (+14.7% YoY), gross profit of ¥10.7bn (+9.9%), operating profit of ¥3.6bn (-2.4%), ordinary profit of ¥3.5bn (-3.7%) and net profit for the period of ¥2.4bn (-6.5%), representing 18 consecutive years of growth in sales. 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 200 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 2,570

During the third quarter consolidated cumulative period, the number of facilities with new contracts was 350, while the number of facilities that cancelled contracts was 100. As of the end of the third quarter consolidated fiscal period, the number of facilities with CS sets installed therefore increased by 250 to 2,570 from the end of the previous consolidated fiscal year.

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

(¥ mn)	23/12	24/12	YoY	Achievement Rate	24/12 CoE	YoY	25/12 CoE	YoY
		(A)		(A)/(B)	(B)		(B)	
Sales	41,426	47,514	14.7%	95.0%	50,000	20.7%	59,000	24.2%
Domestic	41,426	47,244	14.0%	-	-	-	56,600	19.8%
Overseas	0	269	-	-	-	-	2,400	792.2%
Gross Profit	9,751	10,717	9.9%	-	-	-	-	-
“lifte” Installation Cost (Estimated)	220	1,000	354.6%	-	-	-	-	-
“lifte” Cost-Return Gross Profit (Estimated)	9,971	11,717	17.5%	-	-	-	-	-
Selling And Administrative Expenses	6,086	7,139	17.3%	-	-	-	-	-
Operating Profit	3,665	3,578	-2.4%	85.2%	4,200	14.6%	4,720	31.9%
Ordinary Profit	3,682	3,545	-3.7%	83.8%	4,230	14.9%	4,740	33.7%
Net Income	2,519	2,355	-6.5%	82.6%	2,850	13.2%	3,090	31.2%

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 over several years 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 2. 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

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

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.

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 3. 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	Q4
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358	12,002	12,667
(YoY Change)	17%	15%	14%	14%	12%	13%	16%	16%	17%	14%	13%	15%
Gross Profit	2,270	2,185	2,200	2,372	2,390	2,322	2,458	2,581	2,821	2,551	2,619	2,726
(Gross Profit Margin)	26%	25%	24%	25%	24%	23%	23%	23%	25%	22%	22%	22%
Operating Profit	914	800	848	829	992	809	925	939	1,059	872	800	847
(Operating Profit Margin)	10%	9%	9%	9%	10%	8%	9%	9%	9%	8%	7%	7%
Number of Facilities Supplied with "lifte" (Cumulative)	-	5	7	8	12	27	35	52	74	117	160	252
Number of Facilities Supplied with "lifte"	-	-	2	1	4	15	8	17	22	43	43	92
"lifte" Supply Cost (Estimated)	-	-	10	5	20	75	40	85	110	215	215	460
"lifte" Cost-Return Gross Profit	-	-	2,210	2,377	2,410	2,397	2,498	2,666	2,931	2,766	2,834	3,186
("lifte" Cost-Return Gross Profit Margin)	-	-	24%	25%	25%	24%	24%	25%	26%	25%	24%	25%
"lifte" Cost-Return Operating Profit	-	-	858	834	1,012	884	965	1,024	1,169	1,087	1,015	1,307
("lifte" Cost-Return Operating Profit Margin)	-	-	9%	9%	10%	9%	9%	9%	10%	10%	8%	10%

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 4. YoY 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	Q4
Sales	17%	15%	14%	14%	12%	13%	16%	16%	17%	14%	13%	15%
Number of Users	17%	16%	13%	11%	11%	10%	14%	12%	11%	10%	6%	7%
Unit Price Per Person	-4%	-4%	-1%	1%	0%	1%	0%	2%	4%	3%	5%	6%

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 5. YoY 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	Q4
Number of Users	17%	16%	13%	11%	11%	10%	14%	12%	11%	10%	6%	7%
Number of Contracted Facilities	13%	12%	12%	12%	11%	10%	10%	11%	12%	11%	11%	10%
Number of Users Per Facility	6%	6%	1%	-1%	1%	0%	4%	1%	-1%	-1%	-4%	-3%

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 Q4 between FY22/12-FY23/12 and FY23/12-FY24/12, the increase decreased from 260 facilities to 250 facilities. 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 and Kyushu-Okinawa areas are showing a slowdown. In terms of the absolute value of the increase, the Kanetsu area and the Kansai-Hokuriku area are the areas that contributed the most to sales.

Figure 6. Changes in the Number of Contracted Facilities by Area (3-Monthly)

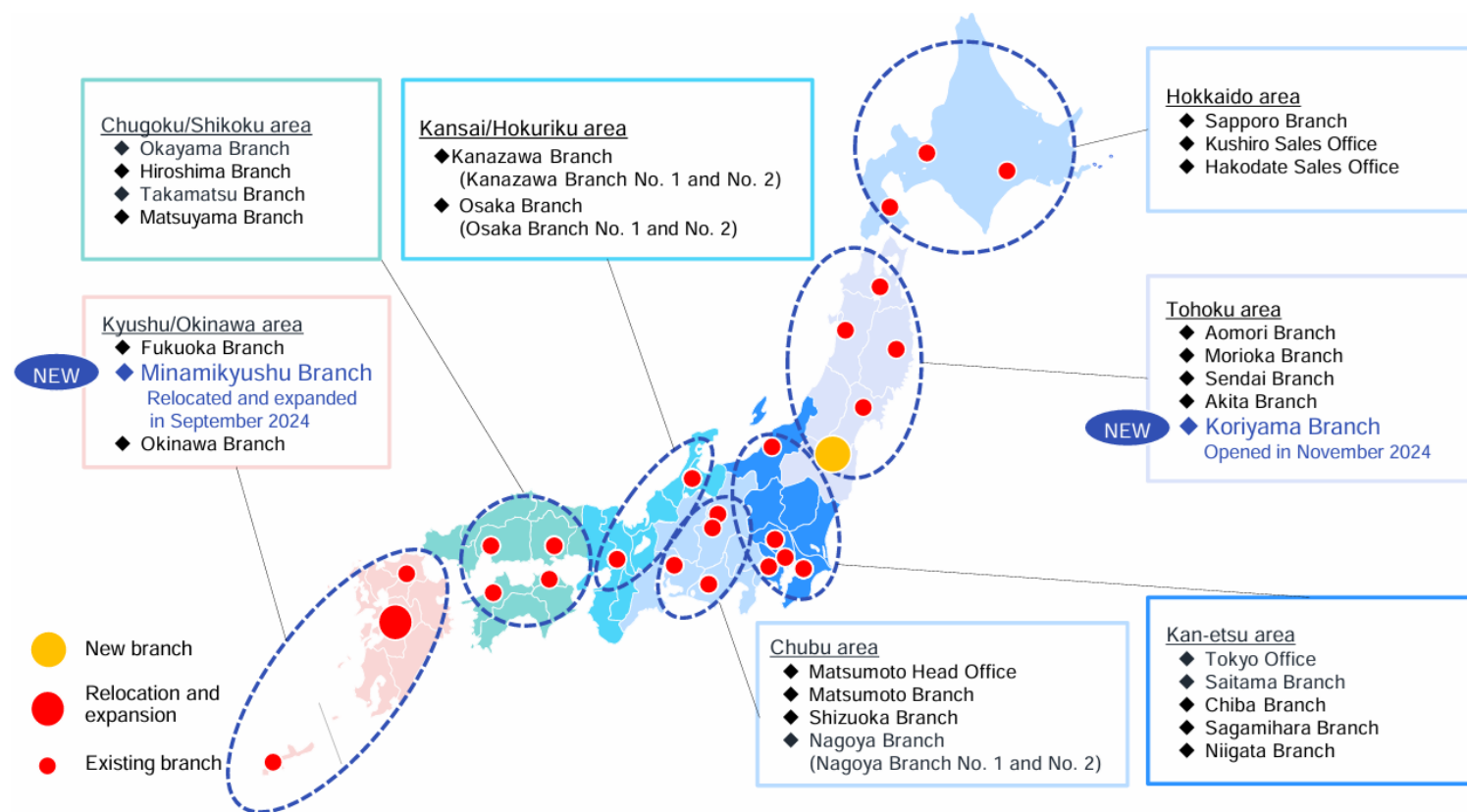
(Subject)	22/12				23/12				24/12				YoY Change (Q4)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	22-23	23-24
Number of Contracted Facilities	1,862	1,945	2,005	2,060	2,081	2,171	2,237	2,320	2,360	2,439	2,503	2,570	260	250
Hokkaido	120	127	129	136	138	143	145	149	152	163	170	173	13	24
Tohoku	235	246	259	269	270	279	284	298	301	315	319	331	29	33
Kanetsu	301	316	327	331	332	345	371	392	404	422	433	454	61	62
Central	388	394	399	405	406	419	418	426	432	437	444	445	21	19
Kansai Hokuriku	336	351	363	375	375	403	421	438	447	464	481	503	63	65
Chugoku & Shikoku	368	383	389	400	407	417	421	429	435	442	450	451	29	22
Kyushu & Okinawa	114	128	139	144	153	165	177	188	189	196	206	213	44	25

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 7. 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 10% for “lifte”. Of particular note, the contract facility ratio for “lifte” has increased by 8% over the past year.

Figure 8. 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 (Q4)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	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	12,667	1,501	1,667
“lifte” Cost-Return OP (Estimate)	-	-	858	834	1,012	884	965	1,024	1,169	1,087	1,015	1,307	190	283
“lifte” Cost-Return OP Margin (Estimate)	-	-	9%	9%	10%	9%	9%	9%	10%	10%	8%	10%	1%	1%
CS Set R Contract Facility Ratio	6%	6%	7%	7%	8%	9%	9%	10%	10%	11%	11%	11%	3%	1%
CS Set LC Contract Facility Ratio	5%	5%	5%	6%	6%	8%	8%	8%	8%	8%	9%	9%	2%	1%
“lifte” Introduction Facility Ratio	0%	0%	0%	0%	1%	1%	2%	2%	3%	5%	6%	10%	2%	8%

Source: Company Data. Compiled by Strategy Advisors

Figure 9. Quarterly Performance Trends (Unit: ¥ mn)

Accounting Period	22/12				23/12				24/12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358	12,002	12,667
(YoY Comparison)	16.9%	14.5%	13.6%	13.7%	12.1%	12.6%	16.2%	15.8%	16.5%	14.4%	12.7%	15.2%
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	9,940
Gross Profit	2,270	2,185	2,200	2,372	2,390	2,322	2,458	2,581	2,821	2,551	2,619	2,726
(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%	21.5%
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	1,880
Operating Profit	914	800	848	829	992	809	925	939	1,059	872	800	847
(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%	6.7%
Non-Operating Profit/Loss	4	7	7	2	5	7	4	1	7	11	14	16
Ordinary Profit	918	808	855	831	997	816	929	940	1,066	883	749	847
(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%	6.7%
Extraordinary Income/Loss	0	0	0	-377	0	0	0	0	0	0	0	0
Profit Before Tax	918	808	855	454	997	816	929	940	1,066	883	749	847
Total Corporate Tax, etc.	291	257	269	136	302	258	293	310	339	284	243	324
(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%	38.3%
Net Income	627	551	585	320	696	557	636	630	727	598	507	523
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%	4.1%

Source: Company Data. Compiled by Strategy Advisors

2) Forecast for FY12/2025

Forecasting Increased Sales & Profit for FY12/25 Also

For FY12/2025, the company forecasts sales of ¥59.0bn (+24.2% YoY), operating profit of ¥4.7bn (+31.9% YoY), recurring profit of ¥4.7bn (+33.7% YoY) and net income of ¥3.1bn (+31.2% YoY). The company plans to further develop the number of facilities that use “CS Set’s” from its 28 sales offices nationwide and by enhancing the added value of its services, secure a competitive advantage over competitors and promote an increase in the number of new facilities and the number of users. In addition, the company plans to increase the profitability of the entire group by improving operational efficiency and productivity through further promotion of various types of systemization.

Collaboration and Synergy with M3

The collaboration and synergy with M3, with which they have formed a capital and business alliance, will entail 4 items: 1) developing new businesses and increasing added value of CS sets through collaboration with M3's services, 2) cross-selling to clients of both companies, 3) strengthening competitiveness by utilizing M3's resources and 4) support for overseas expansion. Specific actions have already begun to be taken, such as M3 employees accompanying Elan on sales visits.

3) M3 Becomes a Consolidated Subsidiary while Remaining Listed on the Stock Exchange and Pursuing Synergies in Multiple Fields

M3 Launched a Tender Offer for Elan in September 2024

On September 19, 2024, M3, Inc. (2413 TSE Prime) announced the commencement of a tender offer for Elan and the conclusion of a capital and business alliance agreement. The tender offer period was 20-business days from September 20 to October 21, with the purchase price of ¥1,040 (a 28.08% premium to the closing price of ¥812 yen on September 6), and the ownership ratio of the planned purchase amount is limited to 50.10% at the lower end and 55.00% at the upper end, making this a TOB that will both make Elan a consolidated subsidiary and maintain its listing.

M3 is a Global Leader in Providing Information to Doctors

M3 operates a members-only information site for doctors, "m3.com", which provides medical news, overseas papers and a forum for the exchange of opinions on specific topics. It also provides similar services overseas, particularly in Europe and the United States, with approximately 90% of the doctors in Japan (290,000 people) and roughly half of the doctors in the world (6.5 million people) as members. M3 also operates information sites for patients, such as AskDoctors, which allows users to easily consult with doctors online, and QLife, which provides hospital and drug searches and information on cancer and hereditary diseases.

There is a Possibility of Realizing Various Patterns of Synergy

Elan's hospitalization set "CS Set" is that medical institutions first decide whether to introduce it and then patients once admitted to the medical institution decide whether to use it or not. Therefore, if sales promotion measures for the CS Set are implemented on "m3.com", which is used by 90% of doctors, it could be a powerful weapon to promote its introduction to medical institutions. In addition, if information about the CS Set is displayed on M3's patient information site and patients' awareness of the Set increases, the probability of using the CS Set when they are admitted to hospital may increase. There are several other business fields that can be linked, and synergies could extend to the expansion of hospitalization sets, Elan's expansion into Europe and the United States and the expansion of M3's doctor career business. On the other hand, Elan's competitors are focusing on simple expansion strategies and Elan's strategy of pursuing synergies with other businesses stands out.

2. Comparison with Competitors in the Industry and Market Trends

1) Comparing Elan's Global Business Portfolio with Domestic and International Peers

Comparison of Elan Group with 15 Domestic and International Peer Companies

While Elan's domestic business is limited to the "CS Set" business, it is involved in a wide range of overseas businesses, including linen and garment leasing to hospitals in India and Vietnam and related goods sales and human resource-related businesses in India. With this in mind, in addition to the nine domestic companies that provide hospitalization set services, six major listed companies involved in linen leasing to hospitals overseas were included in Elan's comparison.

The Top 4 Companies in Terms of Sales are European and U.S. Companies with Customers in Diverse Industries

The TOP 4 companies in terms of sales are from Europe and the U.S. These companies rent a wide variety of items, including uniforms, workplace equipment, toiletries and linen. Therefore, their customers include not only hospitals, but also accommodation facilities, restaurants, various retailers, factories and beyond. Cintas, the largest company in terms of revenue, is the leading provider of uniforms, towels and mats for employees. Elis, in second place, provides uniforms, linens and beverage rental and maintenance services for the workplace and Vestis, in third place, rents uniforms, mats, towels, linens and other workplace supplies. UniFirst, in fourth place, provides workplace uniforms and protective clothing. In Europe and the United States, hospitals offer their own inpatient set-up services.

Elan | 6099 (TSE Prime)

The Largest in Japan is Watakyu Seimoa, an Equity-Method Affiliate of ITOCHU Corporation

Other than Elan, none of the other Japanese companies have overseas operations, almost all of which are focused solely on Japan. The largest is Watakyu Seimoa Corporation (unlisted), an equity method affiliate of ITOCHU Corporation (TSE 8001), which has expanded its scale through multiple acquisitions in the same industry. The company has a large presence in an industry where many companies are community-based, with offices throughout Japan.

Second in Japan is Tokai, a Publicly Listed Company That Also Operates a Dispensing Pharmacy

Second to Watakyu Seimoa in terms of sales is Tokai Corp. (TSE 9729). Tokai started its business in 1955 in Gifu Prefecture, Japan, renting bedding to construction workers. Today, the company is involved in linen supply for hospitals, "hospitalization and move-in sets", linen and bedding supply for hotels and inns, nursing care equipment rental and finally dispensing pharmacies.

Amenity, a Latecomer to the Hospitalization Set Business, Reached Half of Elan's Sales Through a Low-Priced Offensive

While most of the domestic linen washing companies, including Watakyu Seimoa and Tokai, have their own linen washing factories, Amenity Co. (unlisted), a latecomer relative to Elan, entered the hospitalization set business and has grown to about half Elan's sales off the back of its low pricing strategy.

In Vietnam, Where the Overall Market is Growing, Elan has Laundry Factories

In Japan, Elan specializes in the hospitalization set business, does not operate a linen leasing business for hospitals and nursing care facilities and does not own a laundry. This is a decision made to avoid excessive competition in a mature market where the company is a latecomer. On the other hand, unlike in Japan, the markets in India and Vietnam are still growing and linen leasing services are not widely available in those countries. The company plans to introduce the hospitalization set business after the linen leasing service has been established to a certain extent.

Entering the Medical Supplies Sales Business in a Way that has Potential for Business Growth

In addition, some companies in the same industry are taking advantage of their strong ties to hospitals and nursing care facilities to wholesale medical-related equipment and supplies to these facilities. However, these businesses are localized, lack price transparency and lack business expansion capability. Against this backdrop, Elan invested in Boston Ivy Healthcare Solutions, which operates India's largest healthcare B2B e-commerce platform. The platform allows many industry players to participate without geographical restrictions and ensures price transparency, making it a business with high growth potential.

Aiming to Expand Provision of IT-Based Human Resource-Related Solutions

Furthermore, similarly with regard to healthcare-related staffing and placement, while there are other companies in the same industry that utilize their usual connections to conduct business within a geographically limited scope for medical institutions and nursing care facilities, Elan does not conduct business that lacks such a broad business focus. Elan has realized an investment in Akal Information Systems, a human resource-related IT services company in India and is looking for an opportunity to provide human resource-related solutions utilizing IT.

Capital and Business Alliance with M3 will Inevitably Lead to an Increase in Competitors

M3, which has entered into a capital and business alliance with Elan, operates a member-only information site for doctors called "m3.com", which provides medical news, overseas papers and a forum for the exchange of opinions on specific topics. It also operates similar services overseas, particularly in Europe and the United States, with approximately 90% of the doctors in Japan (290,000) and approximately half of the doctors in the world (6.5 million) as members. In Japan, it has the largest market share, surpassing its competitors MedPeer (6095 TSE Prime) and CareNet (2150 TSE Prime); and globally, it has more members than a similar service operated by major publishing company Wolters Kluwer (WKL Amsterdam). M3 also operates information sites for patients, such as "AskDoctors", which allows users to easily consult with doctors online, and "QLife", which provides hospital and drug searches and information on cancer and hereditary diseases, which is a major difference from its competitors, who specialize in providing information to doctors.

Figure 10. Major Information Site Operators for Doctors

Company Name	Consolidated Sales (¥ mn)	Ticker	Country	Number of Members ('000)		Patient Website
				JPN	World	
Wolters Kluwer	949,280	WKL	Netherlands	-	3,000	None
M3	238,883	2413	Japan	290	6,500	Yes
MedPeer	14,541	6095	Japan	160	-	None
CareNet	10,236	2150	Japan	230	-	None

Source: Company Data. Compiled by Strategy Advisors

Figure 11. Main Business Portfolios of Major Companies Involved in the Linen Leasing and Information Provision Services for Hospital Fields

Company Name	Consolidated Sales (¥ mn)	Ticker	Country	Main Business Portfolio								
				Hospitalization Sets	Information Site		Linen & Clothing Leasing		Product Sales	Human Resources		
					Patients	Doctors	Hospital	Hotel /Food		Dispatch	IT Services	
Cintas Corp	1,439,492	CTAS	US	-	-	-	Y	Y	Y	-	-	
Wolters Kluwer	946,560	WKL	Netherlands	-	-	Y	-	-	-	-	-	
Elis SA	731,776	ELIS	France	-	-	-	Y	Y	-	-	-	
Vestis Corp	420,873	VSTS	US	-	-	-	Y	Y	-	-	-	
UniFirst Corp	364,115	UNF	US	-	-	-	Y	Y	-	-	-	
M3	238,883	2413	Japan	-	Y	Y	-	-	-	Y	-	
			North America, Europe, Asia	-	-	Y	-	-	-	Y	-	
Watakyu Seimore	185,867	-	Japan	Y	-	-	Y	Y	Y	-	-	
Tokai	138,222	9729	Japan	Y	-	-	Y	Y	Y	-	-	
Elan Group												
Elan	47,514	6099	Japan	Y	-	-	Y	-	-	-	-	
TMC Vietnam	910	-	Vietnam	-	-	-	Y	-	Y	-	-	
Green Laundry	433	-	Vietnam	-	-	-	Y	-	-	-	-	
Quick Smart Wash	552	-	India	-	-	-	Y	-	-	-	-	
Boston Ivy	-	-	India	-	-	-	-	-	Y	-	-	
Akal Information	-	-	India	-	-	-	-	-	-	-	Y	
K-Bro Linen	35,297	KBL	Canada	-	-	-	Y	Y	-	-	-	
Koyama	33,800	-	Japan	Y	-	-	Y	Y	Y	-	-	
Yamashita	30,380	-	Japan	Y	-	-	Y	Y	-	-	-	
Shibahashi Company	28,900	-	Japan	Y	-	-	Y	Y	-	Y	-	
Amenities	27,700	-	Japan	Y	-	-	-	-	-	Y	-	
Koyama Company	25,600	-	Japan	Y	-	-	Y	Y	-	-	-	
MedPeer	14,948	6095	Japan	-	-	Y	-	-	-	Y	-	
CareNet	11,183	2150	Japan	-	-	Y	-	-	-	Y	-	
Nick	8,362	-	Japan	Y	-	-	Y	-	-	-	-	
Benec	7,500	-	Japan	Y	-	-	Y	Y	-	-	-	

*Calculated at ¥150 to the US Dollar, ¥160 to the Euro and ¥110 to the Canadian Dollar.

Source: Company Data. Compiled by Strategy Advisors

2) Comparison Across Countries of Operation

U.S. Companies have a Limited Number of Countries of Operation. Whilst European Companies Operate in a Larger Number of Countries

Comparing the countries in which each company operates, 3 U.S. companies; Cintas, Vestis and UniFirst, have operations only in the U.S. and Canada; both countries are big enough to cover a large geographic area, but the number of countries themselves is small. Elis is present in about 20 European countries, including France and the UK and 4 South American countries (Mexico, Brazil, Chile and Colombia), but not active in Asia. Servizi Italia operates in Albania, Morocco, Türkiye, India and Brazil, in addition to Italy.

In Addition to Elan, Yamashita is the Only Other Japanese Company to Expand Overseas

In addition to Elan's operations in Vietnam and India, Japanese firm Yamashita Corporation (unlisted) operates a welfare equipment rental and sales business and a nursing care renovation business in China.

Elan and M3 have Complementary Business Operations in Each Country

M3 operates in major European and US countries in addition to Japan and China, and is in a complementary relationship with Elan's operations. Wolters Kluwer operates in over 150 countries and regions around the world and this figure includes not only medical-related services; but also, tax and accounting information services, information services for legal professionals and finance and risk-related information services.

Figure 12. Major Business Expansion Countries - Representative Companies Involved in Linen Leasing to Hospitals

Company	Country	Recent Sales (¥ mn)	Main Business Development Countries										
			Japan	China	Vietnam	India	Türkiye	Italy	France	UK	USA	Canada	
Cintas Corp.	US	1,439,492	-	-	-	-	-	-	-	-	-	Y	Y
Wolters Kluwer	Netherlands	946,560	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Elis SA	France	731,776	-	-	-	-	-	-	Y	Y	Y	-	-
Vestis Corp.	US	420,873	-	-	-	-	-	-	-	-	-	Y	Y
UniFirst Corp.	US	364,115	-	-	-	-	-	-	-	-	-	Y	Y
M3	Japan	238,883	Y	Y	-	Y	-	-	-	Y	Y	Y	Y
Watakyu Seimoa Corp.	Japan	185,867	Y	-	-	-	-	-	-	-	-	-	-
Tokai	Japan	138,222	Y	-	-	-	-	-	-	-	-	-	-
ELAN	Japan	47,514	Y	-	Y	Y	-	-	-	-	-	-	-
K-Bro Linen	Canada	35,297	-	-	-	-	-	-	-	-	Y	-	Y
Koyama Corp.	Japan	33,800	Y	-	-	-	-	-	-	-	-	-	-
Yamashita	Japan	30,380	Y	Y	-	-	-	-	-	-	-	-	-
Shibahashi Shokai	Japan	28,900	Y	-	-	-	-	-	-	-	-	-	-
Amenity	Japan	27,700	Y	-	-	-	-	-	-	-	-	-	-
Koyama Shokai	Japan	25,600	Y	-	-	-	-	-	-	-	-	-	-
MedPeer	Japan	14,948	Y	-	-	-	-	-	-	-	-	-	-
CareNet	Japan	11,183	Y	-	-	-	-	-	-	-	-	-	-
NIC	Japan	8,362	Y	-	-	-	-	-	-	-	-	-	-
Benex	Japan	7,500	Y	-	-	-	-	-	-	-	-	-	-

*Calculated at ¥150 to the US Dollar, ¥160 to the Euro and ¥110 to the Canadian Dollar.

Source: Company Data. Compiled by Strategy Advisors

3) Comparison of Key Financial Indicators & PER

Cintas Has the Highest ROE & PER

Comparing key financial indicators and PER (listed companies only) for the most recent fiscal year, Cintas has the highest 3-year average ROE and PER, mainly due to its high net income margin, making it the only company in the comparison group with a double-digit net income margin.

Elan is Less Expensive 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 much lower ROE, has a PER of 24.3, higher than Elan's 18.9. K-Bro Linen, which also has a much lower ROE than Elan, has a PER of 20.0, which is close to Elan's. Compared to these companies, Elan's share price is undervalued. As for Vestis, its high PER is the result of a significant decline in profits due to a decrease in contracts, price cuts and rising costs.

Figure 13. Key Indicators for the Most Recent Fiscal Year for Representative Companies Involved in Linen Leasing to Hospitals

Company	Country	Key Indicators for the Most Recent Fiscal Year							
		Recent Sales (¥ mn)	3 Years CAGR	Net Profit Margin	Total Asset Turnover	Financial Leverage	ROE	3-Year Average ROE	PER
Cintas Corp.	US	1,439,492	10.5%	16.3%	1.1	2.2	38.3%	37.0%	43.9
Elis SA	France	731,776	14.5%	7.4%	0.5	2.6	9.6%	8.0%	13.2
Vestis Corp.	US	420,873	4.5%	0.7%	0.9	3.4	2.4%	7.8%	93.4
UniFirst Corp.	US	364,115	10.0%	6.0%	0.9	1.3	7.1%	6.0%	24.3
Watakyu Seimoa Corp.	Japan	185,867	5.0%	3.5%	1.9	2.0	13.1%	11.2%	-
Tokai	Japan	138,222	5.4%	4.2%	1.2	1.3	6.9%	7.4%	13.3
Elan	Japan	47,514	14.5%	5.0%	2.3	0.7	20.2%	23.3%	18.9
K-Bro Linen	Canada	35,297	17.7%	5.5%	0.9	2.0	10.0%	5.5%	20.0
Koyama Corp.	Japan	33,800	-	6.1%	1.0	1.3	7.9%	9.6%	-
Yamashita	Japan	30,380	-	-	-	-	-	-	-
Shibahashi Shokai	Japan	28,900	-	2.9%	1.3	2.8	10.6%	6.3%	-
Amenity	Japan	27,700	-	-	-	-	-	-	-
Koyama Shokai	Japan	25,600	-	-	-	-	-	-	-
NIC	Japan	8,362	-	-	-	-	-	-	-
Benex	Japan	7,500	4.9%	-	-	-	-	-	-

*Calculated at ¥150 to the US Dollar, ¥160 to the Euro and ¥110 to the Canadian Dollar.

Source: Company Data. Compiled by Strategy Advisors

4) Domestic Hospitalization Set Market

The Aging Population Rate Will Not Stop Rising Soon

As of February, 2025, the population aged 65 and over in Japan was 36.24mn, accounting for 29.3% of the total population (estimated population by the Statistics Bureau of the Ministry of Internal Affairs and Communications). 38.7% of the population is expected to be aged 65 and over by 2070, with one out of every 2.6 persons aged 65 and over and one out of every four aged 75 and over. Hence, the market size for Elan's services is expected to grow further due to the aging of the population.

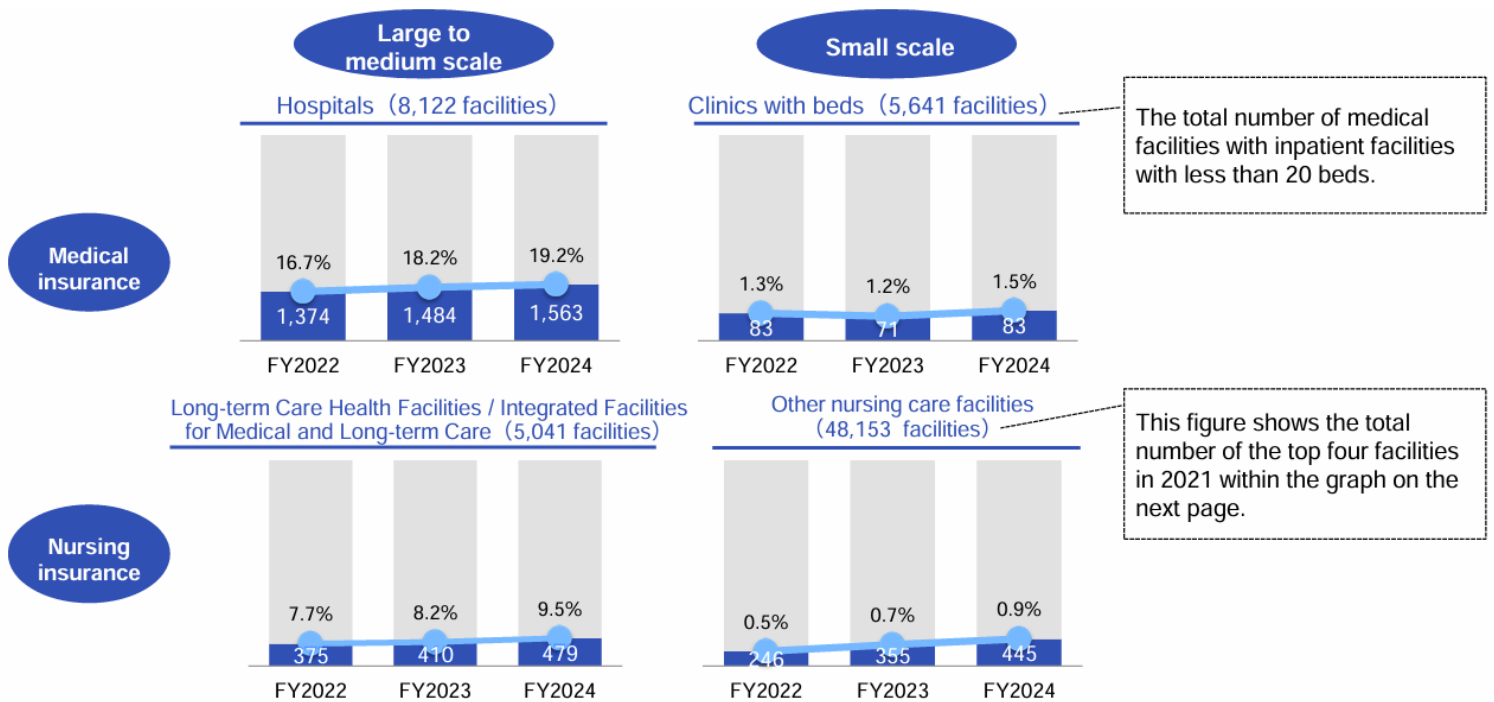
Market Size Expanded 10x in 10 years

The domestic hospitalization set market (CS market) is worth ¥122bn in FY2022, growing 10-fold from ¥12.2bn in FY2012. The average annual growth rate is 25.9%.

Industry Leader Elan's Strategy is to Add Value to Avoid Price Competition

Elan leads the industry with a 15.0% share of the "CS Set" market (as of FY12/2023), targeting 11,404 facilities (7,241 hospitals with 50 or more beds and 4,163 geriatric healthcare facilities and long-term care hospitals with 50 or more beds). The number of hospital contracts (50 beds or more) was 1,368, for a development rate of 18.9%. The number of contracts for geriatric healthcare facilities and long-term care medical care hospitals (50 beds or more) was 343, for a development rate of 8.2%. Elan is the leader in the CS market, but in order to avoid homogenization of services and price competition, the company is working to add value through the development of peripheral services.

Figure 14. Yearly Change in Development Rate



Source: Company Data

Second Place is Amenity, with About Half of Elan's Sales

The next largest company in terms of market size after Elan is Amenity, which is involved in hospitalization sets. Amenity is about half the size of Elan. Other major competitors in the industry include Watakyu Seimoa and Tokai, although sales figures are not available.

Tokai is Also Increasing Sales

One of Tokai's main products is the "hospitalization and occupancy set," a set of clothing, towels and daily necessities for hospitalization and occupancy with rental services provided on a per day basis (daily billing). The number of contracts for linen supply services is approximately 1,000 for hospitals and 2,700 for nursing care facilities. Sales figures for "hospitalization and occupancy sets" were not disclosed, although sales for FY2022 grew by 11.2% YOY.

Medium to Long-Term Market Growth is Expected to Continue

According to Elan, the CS market is expected to continue growing over the medium to long term for the following reasons. First, new introductions are increasing due to increased attention to infection prevention, such as the 2021 revision of nursing care fees that will make infection control mandatory under operating standards (with a 3-year transitional measure). Second, facilities that experienced the convenience of high utilization rates in response to the new coronavirus (ban on visits) are continuing to actively promote its use. Third, the new coronavirus was moved to category 5 illness and the utilization rate of hospital beds is expected to increase in the future.

5) Global Hospital Linen Leasing Market

Projected to Grow at an Annual Rate of Nearly 10%

According to Market.US, the global hospital linen leasing market is expected to grow at a CAGR of 9.8% over the 10-year period from 2022 to 2032 on the back of rising hygiene awareness due to the COVID-19 pandemic and increasing awareness that it is ultimately cheaper to outsource to specialized hospital vendors. Currently, the largest market is North America, but future growth driver is expected to be the Asia-Pacific region.

Figure 15. Global Hospital Linen Leasing Market

(U\$ bn)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	CAGR
Global Market	11.5	12.7	13.9	15.3	16.8	18.4	20.2	22.2	24.4	26.7	29.4	-
(YoY)	-	10.4%	9.4%	10.1%	9.8%	9.5%	9.8%	9.9%	9.9%	9.4%	10.1%	9.8%

Source: Company Data. Compiled by Strategy Advisors

6) Linen Leasing Market for Hospitals in India

QSW Plans to Aggressively Increase Facility Capacity in Anticipation of Growth in the Indian Market

According to QSW, the company currently handles 35 tons per day and aims to increase its capacity to 200 tons per day to capture 10% of the industry market share. Therefore, the total daily throughput for the Indian market is approximately 2,000 tons, which means that QSW's current market share is approximately 2% and since QSW's sales for the most recent fiscal year were ₹246mn, the total market size is approximately ₹14 bn. As mentioned above, the average growth rate of the global market as a whole is about 10%, with the Asia-Pacific region leading growth, so the Indian market is expected to grow at a pace exceeding 10%.

7) India's Human Resources-Related IT Services Market

The Human Resources-Related IT Services Market is Expected to Grow at an Annual Rate of Approximately 26%

According to TechSci Research, a U.S. research firm, the Indian market for human resources-related IT services was worth \$344mn in 2023 and is expected to grow at a CAGR of 26.2% until 2029. This is largely due to the fact that Indian companies are recognizing the importance of IT for human resource-related administrative tasks and are working on IT for more and more administrative tasks. Another factor supporting the promotion of IT is the fact that the regulations set by states in India differ greatly from state to state, making reporting to state governments extremely complex.

Akal Information's Peers are Also Experiencing Rapid Sales Growth

Akal Information Systems, a subsidiary of Elan, does not disclose its results publicly, but its peers Allsec Technologies Ltd (Mumbai 532633) and Greytip Software Pvt Ltd (unlisted) have had sales growth rates in the neighborhood of or exceeding 20% for the last three years.

3. Valuation

1) Undervalued Compared to Past Performance

PER Down Despite Higher ROE & Dividend Payout Ratio

Elan's share price rose from 2017 to 2019, along with its PER, off the back of business growth and increased shareholder returns. In 2020, PER rose to over 60x on expectations of increased demand for hospitalization sets due to the COVID-19 pandemic, reaching a high of ¥1,736 in January 2021. Since then, the share price has declined as the COVID-19 pandemic subsided and PER is currently below 20x. PER is lower now than it was in 2017-2019, before the COVID-19 pandemic, despite higher ROE and dividend payout ratios and the company is now undervalued compared to past performance.

Figure 16. Elan's Share Price and Key Indicators

	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Share Price (¥)	355	674	805	1,499	1,110	938	1,116	738
Net Profit (¥ mn)	658	865	990	1,446	1,906	2,083	2,519	2,355
PER (Times)	32.2	47.2	49.3	62.8	35.2	27.2	19.6	18.9
ROE (%)	20.5%	22.3%	21.3%	25.8%	27.9%	25.3%	25.4%	20.2%
Dividend Payout Ratio	18.2%	24.5%	27.6%	29.3%	28.5%	31.9%	31.2%	33.4

Source: Company Data. Compiled by Strategy Advisors

2) Undervalued Compared to Peer Companies

Elan is Less Expensive Than UniFirst & K-Bro Linen

As mentioned earlier, Elan has the second highest ROE, mainly due to its high total asset turnover. However, UniFirst Corp, which has a much lower ROE, has a PER of 24.3, higher than Elan's 18.9. K-Bro Linen, which also has a much lower ROE than Elan, has a PER of 20.0, which is close to Elan's. Compared to these companies, Elan's share price is undervalued.

Figure 17. Key Indicators for the Most Recent Fiscal Year for Representative Firms Involved in Linen Leasing to Hospitals (Restated)

Company	Country	Key Indicators for the Most Recent Fiscal Year							
		Recent Sales (¥ mn)	3 Years CAGR	Net Profit Margin	Total Asset Turnover	Financial Leverage	ROE	3-Year Average ROE	PER
Cintas Corp.	US	1,439,492	10.5%	16.3%	1.1	2.2	38.3%	37.0%	43.9
Elis SA	France	731,776	14.5%	7.4%	0.5	2.6	9.6%	8.0%	13.2
Vestis Corp.	US	420,873	4.5%	0.7%	0.9	3.4	2.4%	7.8%	93.4
UniFirst Corp.	US	364,115	10.0%	6.0%	0.9	1.3	7.1%	6.0%	24.3
Watakyu Seimoa Corp.	Japan	185,867	5.0%	3.5%	1.9	2.0	13.1%	11.2%	-
Tokai	Japan	138,222	5.4%	4.2%	1.2	1.3	6.9%	7.4%	13.3
Elan	Japan	47,514	14.5%	5.0%	2.3	0.7	20.2%	23.3%	18.9
K-Bro Linen	Canada	35,297	17.7%	5.5%	0.9	2.0	10.0%	5.5%	20.0
Koyama Corp.	Japan	33,800	-	6.1%	1.0	1.3	7.9%	9.6%	-
Yamashita	Japan	30,380	-	-	-	-	-	-	-
Shibahashi Shokai	Japan	28,900	-	2.9%	1.3	2.8	10.6%	6.3%	-
Amenity	Japan	27,700	-	-	-	-	-	-	-
Koyama Shokai	Japan	25,600	-	-	-	-	-	-	-
NIC	Japan	8,362	-	-	-	-	-	-	-
Benex	Japan	7,500	4.9%	-	-	-	-	-	-

*Calculated at ¥150 to the US Dollar, ¥160 to the Euro and ¥110 to the Canadian Dollar.

Source: Company Data. Compiled by Strategy Advisors

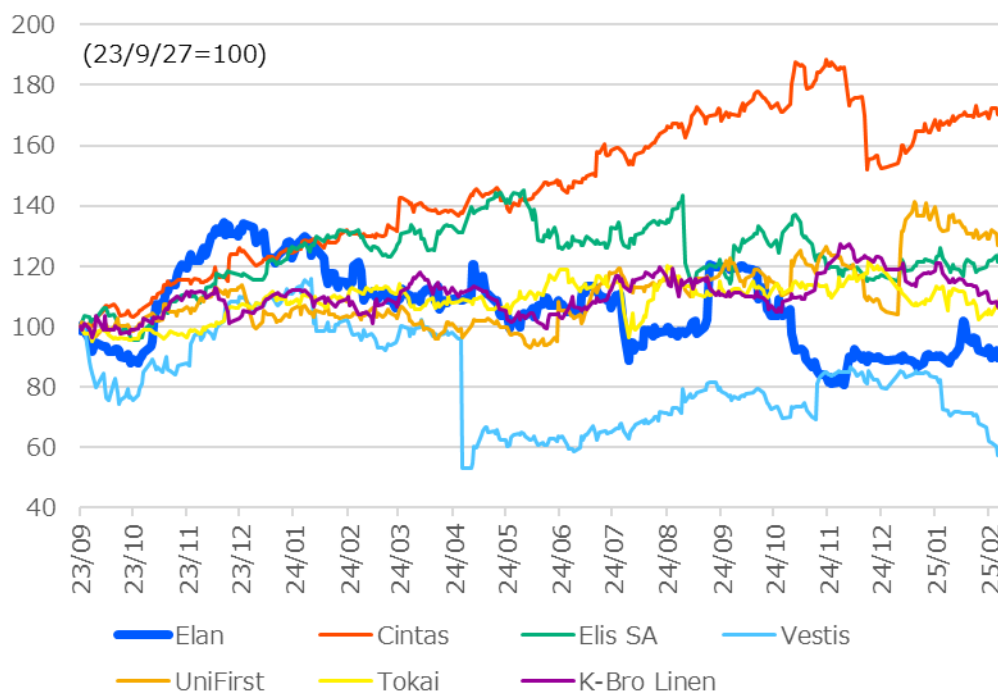
Elis Was Looking to Buy Vestis And Unifirst But Failed To Reach An Agreement & Instead Bought Unlisted Dutch & Spanish Competitors

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.

Cintas Made an Acquisition Proposal for UniFirst in January 2025

Fast forward to 2025 and Cintas made a takeover bid for UniFirst in January for \$275 per share (a premium of over 60%). Despite this significantly higher offer, UniFirst's board of directors unanimously rejected the offer, stating that it was not in the best interests of the company and its stakeholders. This is not Cintas' first attempt to acquire UniFirst; in February 2022, it also made a \$255 per share offer (a premium of 43%) that was rejected.

Figure 18. Elan and Major Competitors' Stock Prices



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

Source: Company Data. Compiled by Strategy Advisors

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 24.3 than Elan's 18.9. (UniFirst's high PER has continued since before Cintas' acquisition proposal.) K-Bro Linen, which also has a significantly lower ROE than Elan, has a PER of 20.0, which is close to Elan's. Compared to these companies, Elan's stock price can be said to be undervalued.

Figure 19. Consolidated Income Statement (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12	25/12E
Sales	15,467	18,585	21,519	26,056	31,636	36,265	41,426	47,514	59,000
Domestic	15,467	18,585	21,519	26,056	31,636	36,265	41,426	47,244	56,600
Overseas	-	-	-	-	-	-	-	269	2,400
Cost of Sales	11,469	13,758	16,045	19,493	23,759	27,238	31,674	36,797	
Gross Profit	3,998	4,827	5,473	6,564	7,877	9,027	9,751	10,717	
Domestic	3,998	4,827	5,473	6,564	7,877	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	3,085	3,548	3,981	4,495	5,078	5,636	6,086	7,139	
Operating Profit	913	1,279	1,492	2,068	2,799	3,391	3,665	3,578	4,720
Domestic	913	1,279	1,492	2,068	2,799	3,391	3,665	3,480	
Overseas	-	-	-	-	-	-	-	96	
OPM	5.9%	6.9%	6.9%	7.9%	8.8%	9.4%	8.8%	7.5%	8.0%
Non-Operating Income	12	4	14	82	26	28	33	52	
Gain on Sales of Fixed Assets	2	0	1	0	2	1	0	3	
Late Receipt Penalty	-	-	7	17	16	14	11	11	
Management Guidance Fee	3	-	-	-	-	4	4	4	
Subsidy Income	1	1	3	0	3	1	6	6	
Non-Operating Expenses	1	1	5	2	6	7	16	85	
Loss on Sale or Disposal of Fixed Assets	1	0	4	0	1	2	4	3	
Investment Partnership Losses	-	-	-	-	3	5	5	18	
Ordinary Profit	924	1,282	1,501	2,148	2,819	3,412	3,682	3,545	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 and Loss	27	0	0	0	0	-377	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	-377	0	0	
Net Income before Taxes and Other Adjustments	951	1,282	1,501	2,148	2,819	3,035	3,682	3,545	
Pre-Tax Profit Margin	6.1%	6.9%	7.0%	8.2%	8.9%	8.4%	8.9%	7.5%	
Corporate Tax etc.	293	417	512	702	913	953	1,163	1,190	
Net Income	658	865	990	1,446	1,906	2,083	2,519	2,355	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 20. Consolidated Balance Sheet (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12
Cash and Deposits	2,147	3,057	3,472	4,498	5,632	6,036	5,489	6,849
Trade Receivables	3,409	3,658	4,476	5,044	5,848	7,105	8,622	8,179
Inventory	499	595	767	995	1,080	1,332	1,899	2,293
Deferred Tax Assets	110	157	0	0	0	0	0	-448
Other Current Assets	-239	-317	-388	-357	-430	-397	-503	16,873
Current Assets	5,926	7,150	8,327	10,180	12,130	14,076	15,507	269
Land	114	114	114	114	114	269	269	307
Other Tangible Fixed Assets	180	188	198	203	227	292	271	576
Tangible Fixed Assets	294	302	312	317	341	561	540	814
Goodwill	166	127	88	49	10	0	0	102
Other Intangible Fixed Assets	61	112	108	113	95	92	109	916
Intangible Fixed Assets	227	239	196	162	105	92	109	3,241
Investments and Other Assets	79	133	402	1,030	1,371	1,342	2,838	4,733
Total Fixed Assets	601	674	909	1,509	1,818	1,996	3,486	21,606
Total Assets	6,527	7,824	9,236	11,689	13,948	16,072	18,993	7,223
Trade Payables	2,340	2,746	3,340	4,158	4,868	5,568	6,427	783
Accounts Payable and Accrued Expenses	335	369	397	564	617	622	700	630
Unpaid Corporate Taxes, etc.	250	390	425	712	847	730	859	468
Current Liabilities	105	57	49	68	85	92	103	9,104
Current Liabilities	3,030	3,562	4,211	5,502	6,417	7,012	8,089	77
Provision for Stock Benefits	-	-	-	-	14	20	28	39
Provision for Stock Benefits for Officers	-	-	-	-	31	50	63	60
Other Fixed Liabilities	0	0	4	3	2	1	0	10
Fixed Liabilities	0	0	4	3	47	71	90	186
Total Liabilities	3,030	3,562	4,215	5,505	6,464	7,083	8,179	9,104
Capital and Surplus	1,102	1,116	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	11,531
Treasury Stock	0	0	0	0	-197	-194	-194	-191
Shareholders' Equity	3,497	4,263	5,021	6,184	7,484	8,990	10,814	12,502
Valuation Difference	0	-14	-15	-25	-11	-45	-73	45
Stock Acquisition Rights	0	18	0	0	0	0	0	0
Total Net Assets	3,497	4,263	5,021	6,184	7,484	8,990	10,814	12,502
Liabilities & Net Assets	6,527	7,824	9,236	11,689	13,948	16,072	18,993	21,606

Source: Company Data. Compiled by Strategy Advisors

Figure 21. Consolidated Operating Cash Flow (Unit: ¥ mn)

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12
Profit Before Tax	951	1,282	1,501	2,148	2,819	3,035	3,682	3,545
Depreciation	79	99	110	117	120	144	188	897
Unrealized Gains & Losses on Securities & Investment Securities	0	0	0	0	0	377	8	0
Allowance for Doubtful Accounts	60	87	120	24	75	-44	102	70
Working Capital	-394	60	-445	13	-162	-728	-1,069	1,151
Corporate Tax Paid	-346	-376	-560	-563	-916	-1,082	-1,098	-1,283
Other Operating Cash Flows	-32	39	53	209	170	-121	-32	120
Cash Flows from Operating Activities	318	1,191	779	1,948	2,106	1,581	1,781	4,500
Acquisition of Securities & Investment Securities	0	-68	-71	-550	-268	-211	-1,475	-354
Acquisition of Tangible & Intangible Fixed Assets	-74	-102	-71	-87	-78	-347	-195	-896
Acquisition of Subsidiary Shares	-161	-	-	-	-	-	-	-867
Deposits	-8	-8	-12	-14	-11	-68	-9	-13
Others	5	2	2	3	-1	1	18	-104
Cash Flows from Investing Activities	-238	-176	-152	-648	-358	-625	-1,661	-2,234
Issuance of Shares	7	16	0	0	0	3	0	0
Redemption & Cancellation of Shares	0	0	0	0	-197	0	0	0
Dividend Payment	-89	-119	-212	-272	-416	-555	-666	-788
Other Financial Cash flows	0	-1	-1	-2	-1	-1	-1	-62
Cash Flows from Financing Activities	-82	-104	-213	-274	-614	-553	-667	-850
Free Cash Flow	80	1,015	627	1,300	1,748	956	120	2,266

Source: Company Data. Compiled by Strategy Advisors

Figure 22. Stock Price Index, ROE & KPI's

Accounting Period	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12	25/12E
EPS (¥)	44.2	28.8	32.7	23.9	31.5	34.5	41.7	38.9	51.0
BPS (¥)	233.9	140.1	165.7	102.1	123.8	148.7	178.9	206.8	
Dividend Per Share (¥)	8.0	14.0	9.0	14.0	9.0	11.0	13.0	13.0	15.0
Dividend Payout Ratio	18.2	24.5	27.6	29.3	28.5	31.9	31.2	33.4	29.4
Closing Price (¥)	1,418	1,347	1,610	1,499	1,110	938	1,116	738	
PER (Times)	32.2	47.2	49.3	62.8	35.2	27.2	26.8	18.9	14.9
PBR (Times)	6.1	9.6	9.7	14.7	9.0	6.3	6.2	3.6	
Number of Shares Issued at End of Period ('000)	14,950	15,150	30,300	30,300	60,600	60,600	60,600	60,600	
Number of Treasury Stocks (Shares)	162	220	440	469	140,969	138,769	138,795	138,912	
Number of Treasury Stocks Excluded ('000 Shares)	14,950	15,150	30,300	30,300	60,459	60,461	60,461	60,462	
Market Capitalization (¥ mn)	21,199	40,814	48,782	90,839	67,110	56,713	67,475	44,622	
Shareholders' Equity Ratio	53.6	54.5	54.4	52.9	53.7	55.9	56.9	57.9	
Interest-Bearing Debt Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77	
D/E Ratio	-0.6	-0.7	-0.7	-0.7	-0.8	-0.7	-0.5	0.0	
EV (Enterprise Value)	19,052	37,757	45,310	86,341	61,478	50,677	61,986	37,850	
EBITDA (¥ mn)	992	1,378	1,602	2,185	2,919	3,535	3,853	4,495	5,637
EV/EBITDA Multiple	19.2	27.4	28.3	39.5	21.1	14.3	16.1	8.4	7.0
ROE	20.5	22.3	21.3	25.8	27.9	25.3	25.4	20.2	22.6
ROIC (Invested Capital)	-	22.2	21.1	24.4	27.6	29.6	25.3	20.4	
ROIC (Business Assets)	-	103.7	124.0	208.7	329.7	402.0	288.7	139.9	
Number of Employees	232	242	276	290	320	349	378	-	

Source: Company Data. Compiled by Strategy Advisors

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