Elan | 6099 (TSE Prime)

Company Report

September 11, 2024

Strategy Advisors Inc.
Yutaro Nishi

High Valued-Added & Contracted Facilities Growth Stable

In FY24/12 Q2, sales were ¥22.8bn (+15.5% YoY) and operating income was ¥1.9bn (+8.5% YoY). Till FY22/12 operating income growth rate exceeded that of sales, but has since fallen below. This is due to the introduction of the original patient gowns "lifte". As the procurement costs of "lifte" are recorded in a lump sum when introduced and then recovered over several years through rental fees, the cost of sales expands on introduction, causing a large negative impact on profits.

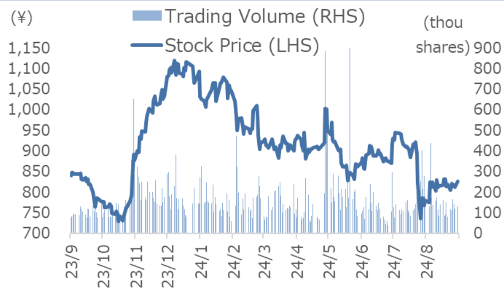
Based on details in the financial results presentation (operating profit exceeded the company's target by ¥250mn due to the failure to introduce to 35 facilities), the installation cost per facility is calculated to be about ¥7mn. If we estimate the profit by adding back the "lifte" installation cost to the operating profit based on this, we estimate that the profit growth rate is currently exceeding the sales growth rate.

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.

Both sales and profits for FY24/1 Q21 exceeded Elan's expectations, but Elan has left its full-year forecast unchanged. The company had planned to accelerate its sales growth in FY24/12 H2, which is thought to be the reason for leaving its forecast unchanged. But, depending on progress in FY24/12 H2, there may be room for an upward revision.

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 below 20. Considering that profits have increased and that both the ROE and dividend payout ratio are high, the stock appears to be undervalued.

Share Price & Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (2024/9/11)	844
YTD High (1/3)	1,105
YTD Low (5/28)	736
52-Week High (2023/12/17)	1 ,120
52-Week Low (2023/10/25)	729
Shares Issued (mn)	60.6
Market Capitalization (¥ bn)	51.1
EV (¥ bn)	45.7
Equity Ratio (Actual, %)	5 8.9
ROE (23/12, %)	25.4
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 Q2	19,781	12.4	1,801	5.1	1,813	5.0	1,253	6.4	20.7	-
24/12 Q2	**22,845**	**15.5**	**1,931**	**7.2**	**1,949**	**7.5**	**1,325**	**5.7**	**21.9**	**-**
FY20/12	26,056	21.1	2,068	38.6	2,148	43.1	1,446	46.1	23.9	14.0
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 Q2, FY24/12 to Expanding Steadily

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

Elan's consolidated results for the second quarter of fiscal year FY24/12 were sales of ¥22.8bn (+15.5% YoY) and operating profit of ¥1.9bn (+8.5% YoY), showing increases in both sales and profits. The factors behind the increases in sales and profits were the acquisition of new facilities for CS sets, an increase in the number of users and the passing on of rising purchase prices.

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 65 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 2,439

During the second quarter consolidated cumulative period, the number of facilities with new contracts was 166, while the number of facilities with cancelled contracts was 47. As a result, the number of facilities with CS sets at the end of the second quarter consolidated accounting period increased by 119 to 2,439 from the end of the previous consolidated fiscal year.

Figure 1. Summary of Elan's Financial Results for FY24/12 Q2

(¥ mn)	23/12 Q2	**24/12 Q2 (A)**	YoY Chg.	vs. H1	Progress rate (A)/(B)	24/12 CoE (B)	vs. Prior Year
Sales	19,781	**22,845**	15.5%	5.5%	45.7%	50,000	20.7%
Operating Profit	1,801	**1,931**	8.5%	3.6%	46.0%	4,200	14.6%
Ordinary Profit	1,813	**1,949**	8.5%	4.3%	46.1%	4,230	14.9%
Net Income	1,253	**1,325**	5.8%	4.7%	46.5%	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 profit situation. In fact, before the introduction of “lifte”, Elan's operating profit growth rate compared to the same period of the previous year exceeded the sales growth rate, but since the introduction of “lifte”, it has been falling behind.

Figure 2. Original Patient Gown "lifte"

Source: Company Data

The Cost of Installing a "lifte" System Per Facility is Estimated to be Approximately ¥7mn

In the financial results presentation, it is stated that the expected number of "lifte" facilities was 100, but the actual number was only 65, so operating profits were ¥250mn higher than expected. If we assume that the introduction costs for 35 facilities were 250mn yen based on this statement, the introduction cost per facility would be approximately ¥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

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. 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 inferred that the growth rate of operating profit with the "lifte" introduction costs added back is currently generally higher than the growth rate of sales.

Figure 1Trends in Sales, Operating Profit, "lifte" Implementation Costs (Estimated) & "lifte" Cost Reimbursement Operating Profit (Estimated) (Every 3-Months)

(¥ mn)	22/12				23/12				24/12	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	8,793	8,811	9,162	9,499	9,857	9,924	10,645	11,000	11,487	11,358
(YoY Change vs Same Period Last Year)	17%	15%	14%	14%	12%	13%	16%	16%	17%	14%
Operating Profit	914	800	848	829	992	809	925	939	1,059	872
(YoY Change vs Same Period Last Year)	24%	20%	12%	30%	9%	1%	9%	13%	7%	8%
Number of Facilities Supplied with "lifte" (Cumulative)	-	5	7	8	12	27	35	52	74	117
Number of Facilities Supplied with "lifte"	-	-	2	1	4	15	8	17	22	43
"lifte" Supply Cost (Estimated)	-	-	14	7	29	107	57	121	157	307
"lifte" Cost-Return Operating Profit	-	-	862	836	1,021	916	982	1,060	1,216	1,179
(YoY Change vs Same Period Last Year)	**-**	**-**	**-**	**-**	**-**	**-**	**14%**	**27%**	**19%**	**29%**

Source: Company Data Compiled by Strategy Advisors

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

Looking at the rate of change in the number of users and the rate of change in unit price per person, which are the components of 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 sales growth rate.

Figure 2YoY Changes in Sales, Number of Users and Unit Price (Every 3-Months)

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

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 3YoY Changes in Number of Users, Number of Contracted Facilities & Number of Users Per Facility (Every 3-Months)

Year-on-Year Change	22/12				23/12				2 4 /12	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Number of Users	17%	16%	13%	11%	11%	10%	14%	12%	11%	10%
Number of Contracted Facilities	13%	12%	12%	12%	11%	10%	10%	11%	12%	11%
Number of Users Per Facility	6%	6%	1%	-1%	1%	0%	4%	1%	-1%	-1%

Source: Company Data Compiled by Strategy Advisors

Facility Numbers Growth Varies Across Regions

Comparing the increase/decrease in the number of contracted facilities as of Q2 between FY22/12-FY23/12 and FY23/12-FY24/12, both the increase and the rate of increase rose, from 226 facilities (+10% YoY) to 268 facilities (+11% YoY). By region, Kan-etsu area saw a large increase, from 29 facilities to 77 facilities, driving the overall expansion. On the other hand, the number of facilities is slowing down in the Chubu area, where the head office is located, due to the fact that historical expansion was faster than in other areas. The Chugoku-Shikoku area and Kyushu-Okinawa area are also showing a slowdown.

Figure 4Changes in the Number of Contracted Facilities by Area (Every 3-Months)

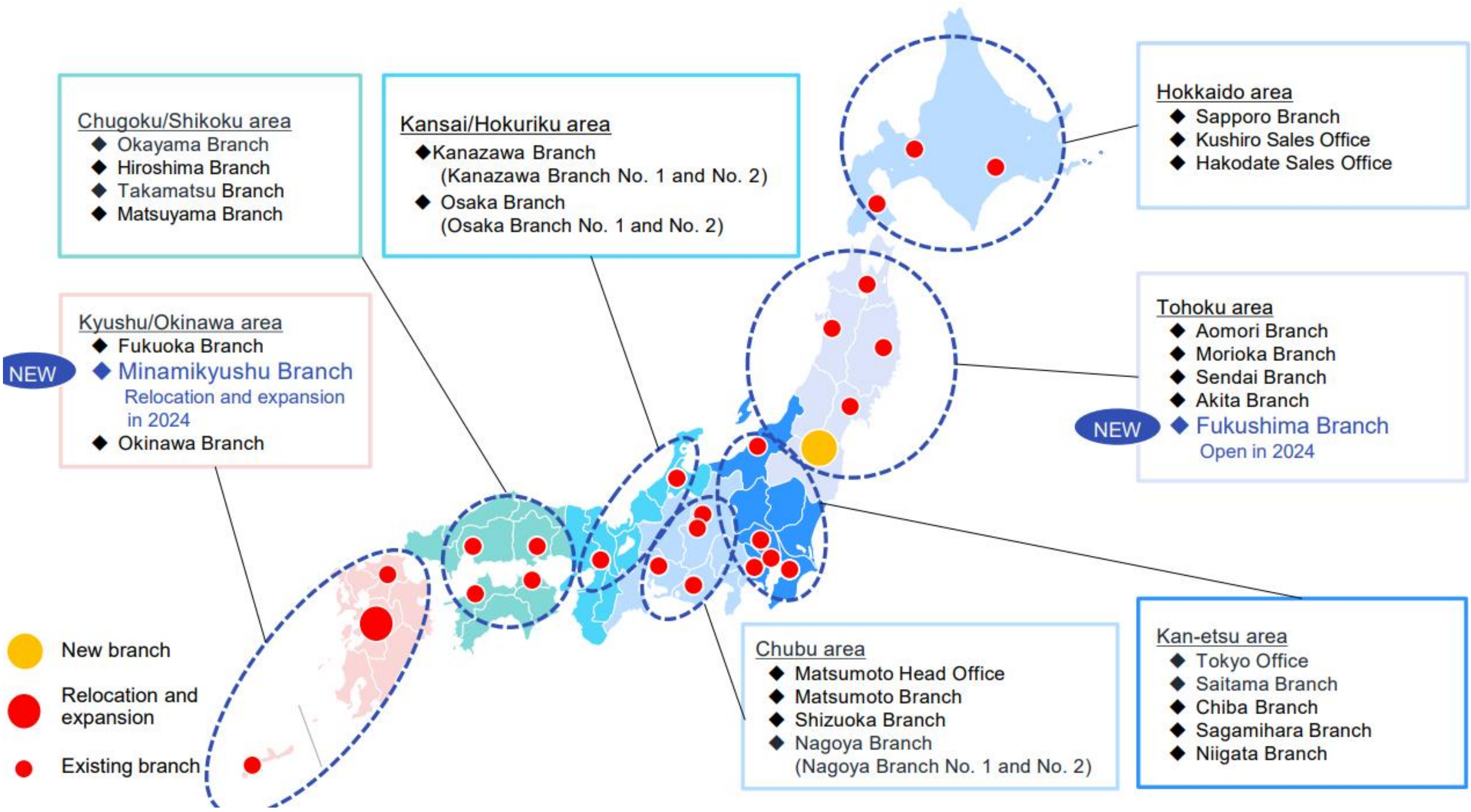
(Subject)	22/12				23/12				2 4 /12		YoY Change (Q2)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	22-23	23-24
Number of Contracted Facilities	1,862	1,945	2,005	2,060	2,081	2,171	2,237	2,320	2,360	2,439	226	268
Hokkaido	120	127	129	136	138	143	145	149	152	163	16	20
Tohoku	235	246	259	269	270	279	284	298	301	315	33	36
Kan-etsu	301	316	327	331	332	345	371	392	404	422	29	77
Central	388	394	399	405	406	419	418	426	432	437	25	18
Kansai Hokuriku	336	351	363	375	375	403	421	438	447	464	52	61
Chugoku & Shikoku	368	383	389	400	407	417	421	429	435	442	34	25
Kyushu & Okinawa	114	128	139	144	153	165	177	188	189	196	37	31

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 and expanding and relocating the Minami Kyushu branch in the Kyushu/Okinawa area.

Figure 5Opening 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 11% range. 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, 8% for CS Set LC and 5% for “lifte”. Of particular note, the contract facility ratio for “lifte” has increased by 4% over the past year.

Figure 6Estimated Operating Profit Margin After Cost Reimbursement by "lifte" & the Ratio of Facilities that have Introduced CS Set R/LC & "lifte" Services (Every 3-Months)

(¥ mn)	22/12				23/12				2 4 /12		YoY Change (Q2)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	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	1,113	1,434
"lifte" Cost-Return OP (Estimate)	-	-	862	836	1,021	916	982	1,060	1,216	1,179	916	263
"lifte" Cost-Return OP Margin (Estimate)	-	-	9%	9%	10%	9%	9%	10%	11%	10%	-	1%
CS Set R Contract Facility Ratio	6%	6%	7%	7%	8%	9%	9%	10%	10%	11%	3%	2%
CS Set LC Contract Facility Ratio	5%	5%	5%	6%	6%	8%	8%	8%	8%	8%	3%	0%
"lifte" Introduction Facility Ratio	0%	0%	0%	0%	1%	1%	2%	2%	3%	5%	1%	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 2014 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

For the first half of fiscal year 2024/12, sales were expected to increase by 14.3% year on year, but the actual results exceeded the forecast and came in at +15.5%. However, there has been no change to the full-year earnings forecast, and the forecast remains that the pace of sales growth will accelerate in the second half of fiscal year 2024/12, resulting in a full-year increase of +20.7% year on year. The reason for the acceleration in the pace of sales growth in the second half is that the business environment for CS sets is expected to improve, hospital bed occupancy rates are increasing and price pass-through progress is expected in the second half of the year.

3. Stock Price Trends

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

Elan's stock price rose between 2017 to 2019 along with their PER, against the backdrop of business growth and increased shareholder returns. In 2020, the PER rose to over 60 times 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 the PER is currently at a level below 20 times. Despite the ROE and dividend payout ratio being higher now than in 2017 to 2019, before the COVID-19 pandemic, the PER is lower, and it can be said that the stock appears undervalued compared to past performance.

Figure 7Elan'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	812
Net Income (¥ mn)	658	865	990	1,446	1,906	2,083	2,519	2,591
PER (Times)	32.2	47.2	49.3	62.8	35.2	27.2	19.6	19.3
ROE	20.5%	22.3%	21.3%	25.8%	27.9%	25.3%	25.4%	24.7%
Dividend Payout Ratio	18.2%	24.5%	27.6%	29.3%	28.5%	31.9%	31.2%	-

Source: Company Data Compiled by Strategy Advisors

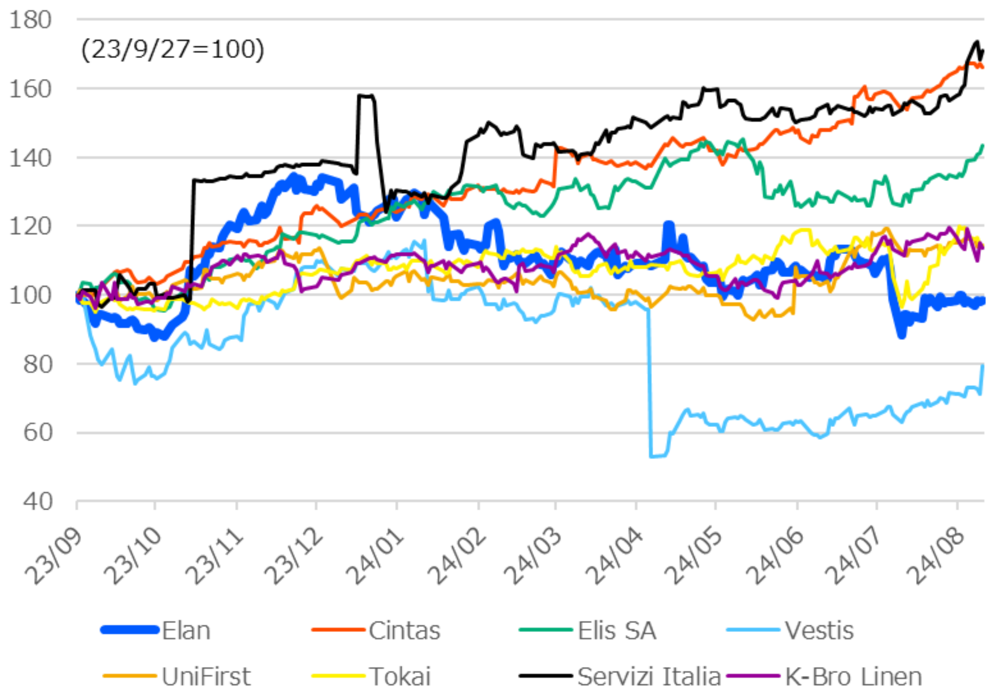
Elis, which has Expanded into Malaysia, has Made an Acquisition Proposal to Vestis. The Vestis Stock Price has Plummeted. Elis Has Plans to Enter the US Market

Comparing the stock price trends over the past year for eight companies in the same industry, including Elan, Elan has remained flat, whilst the other six companies, excluding Vestis (VSTS NYSE), have risen off the back of expanding business performances. Vestis' stock price fell by about 40% after losing a major customer and significantly revised its business forecast downward and has remained sluggish since then. In response to this situation, Elis (ELIS Paris), which operates in Europe, entered into acquisition negotiations for Vestis in September. If the acquisition is successful, Elis will enter the US market. Elis also entered Asia by acquiring a Malaysian company in July, but the Malaysian company in question provides laundry services for clean rooms used in semiconductor manufacturing, a different business field from Elan.

Servizi Italia Expands Smoothly in India

Servizi Italia (SRI Italy), 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.

Figure 8Elan 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 and 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 and 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 higher PER of 26.4 times than Elan's 19.3 times. K-Bro Linen, which also has a significantly lower ROE than Elan, has a PER of 21.8 times, which is close to Elan's. Compared to these companies, Elan's stock price is undervalued.

Figure 9Comparison of Valuations with Other Companies in the Same Industry (Most Recent Results)

Company	Country	Code	Results Date	S/Price (9/7) (¥)	Mkt Cap (¥ mn)	PER Actual (Times)	PER Comp (F) (Times)	PBR Actual (Times)	ROE Actual (% YoY)
Cintas Corp	America	CTAS	24/5	119,835	12,075,900	50.3	-	18.2	38.3
Elis SA	France	ELIS	24/6	3,699	871,040	18.9	-	1.3	7.2
Vestis Corp	America	VSTS	24/6	2,294	301,500	16.2	-	2.1	12.9
UniFirst Corp	America	UNF	24/5	27,995	521,100	26.4	-	1.6	6.3
Tokai	Japan	9729	24/6	2,201	79,327	11.8	13.4	0.9	7.6
Services Italy	Italy	SRI	24/6	331	9,600	8.8	-	0.4	5.0
Elan	**Japan**	**6099**	**24/6**	**812**	**49,207**	**19.3**	**17.5**	**4.4**	**24.7**
K-Bro Linen	Canada	KBL	24/6	3,750	39,165	21.8	-	2.1	9.8

Source: Compiled by Strategy Advisors Based on Company Data

Figure 10Comparison of Profitability with Competitors (Full Year)

Company Name	Country	Code	Accounting Period	Sales (¥ mn)	Operating Profit (¥ mn)	Sales Operating Profit Margin (% YoY)	ROE (% YoY)	ROIC (% YoY)	Equity Capital Ratio (% YoY)
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	23/9	423,750	32,700	7.7	13.3	8.4	27.8
UniFirst Corp	America	UNF	23/8	334,950	20,100	6.0	5.3	4.8	78.0
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 11Quarterly Performance Trends (Unit: ¥ mn)

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

Source: Company Data Compiled by Strategy Advisors

Figure 12Consolidated 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	
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	
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	
Net Income	658	865	990	1,446	1,906	2,083	2,519	
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 13Consolidated 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 14Consolidated 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 and losses on securities and 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 and investment securities	0	-68	-71	-550	-268	-211	-1,475
Acquisition of tangible and 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 and 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 15Stock Price Index, ROE and 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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