Tokyo Stock Exchange (TSE) First Section
Securities code: 6099

For everyone who knows the value of a smile

ELAN

ELAN Corporation

Operating Results for Fiscal 2018 Ended December 31, 2018

ELAN Corporation

February 25, 2019

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I. Full-Year Operating Results for Fiscal 2018

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◆ Major Initiatives in Fiscal 2018 (Second Half) (1)

- ✓ **Opened the Tokyo Branch Office** to strengthen marketing capabilities in the 23 wards of Tokyo **(July 2)**
- ✓ **Opened the Minamikyushu Sales Office** to reinforce marketing capabilities in Southern Kyushu areas **(November 1)**
- ✓ Started to launch **"CS (Care Support) Set R,"** or the CS Set **equipped with a guarantee for medical expenses**
- ✓ Developed and started preparations for launch of **"CS Set LC Hospitalization Guarantee,"** or the CS Set **equipped with damage liability coverage**
- ✓ **Started a business tie-up** with **Poplar Co., Ltd.** with an aim to promote sales
- ✓ Conducted **equity investment in Boston Ivy Healthcare Solutions Private Limited (BIHS), a medical products wholesaler in India,** to explore the possibility of entering overseas markets

◆ Major Initiatives in Fiscal 2018 (Second Half) (2)

- ✓ **Achieved enhanced profitability** by reviewing the contracting system for our services
- ✓ **Established a new online application system and portal website for users** in order to improve user convenience
- ✓ **Established a new invoicing system (with an automated invoicing function)** to reduce the billing costs
- ✓ Provided relief supplies and the CS Sets gratis in an effort to **support sufferers of the western Japan heavy rain and flood disasters**
- ✓ Provided relief supplies gratis to contracted facilities after the **Hokkaido Eastern Iburi Earthquake**
- ✓ **Conducted a 2-for-1 stock split** in order to establish an environment that makes it easier for investors to invest and thereby further expand the investor base
- ✓ Relocated the headquarters of **LTASK Corporation** to **downtown Morioka** that provides high convenience
  Moreover, worked to **re-construct a cooperation system** by promoting marketing coordination with major vendors **in various prefectures across the Tohoku region**

Fiscal 2018 (Full Year) Highlights

◆ Full-Year Results

- ✓ **Achieved higher sales and profits** over the previous year due to an increase in newly contracted facilities and by implementing measures to improve profitability
- ✓ Number of contracted facilities at the end of the fiscal year **increased by 148 (net) year on year, totaling 1,140**
- ✓ Number of monthly users **increased by 22,000** from the end of the previous fiscal year, totaling **190,000** (for the entire ELAN Group)
- ✓ Year-end dividend **increased by 3 yen** from the initial forecast to **14 yen per share**

	Fiscal 2017 results (millions of yen)	Fiscal 2018 results	YoY change	Fiscal 2018 forecast (Note 1) (millions of yen)	Achievement rate	Fiscal 2018 forecast (Note 2) (millions of yen)	Achievement rate
Net sales	15,466	18,585	20.2%	18,660	99.6%	18,500	100.5%
Operating profit	912	1,278	40.1%	990	129.2%	1,250	102.3%
Operating profit to net sales	*5.9%*	*6.9%*		*5.3%*		*6.8%*	
Ordinary profit	923	1,282	38.9%	990	129.5%	1,250	102.6%
Ordinary profit to net sales	*6.0%*	*6.9%*		*5.3%*		*6.8%*	
Profit attributable to owners of parent	657	865	31.6%	670	129.2%	820	105.5%
Profit to net sales	*4.3%*	*4.7%*		*3.6%*		*4.4%*	

Note 1: Figures announced on February 13, 2018
Note 2: Figures revised on November 9, 2018

Fiscal 2018 (Full Year) Highlights

Net assets increased steadily due to recording of profit

Cash flows from operating activities increased significantly

Consolidated Balance Sheet (millions of yen)

	As of Dec. 31, 2017	As of Dec. 31, 2018
Current assets	**5,926**	**7,150**
Cash and deposits	2,147	3,057
Accounts receivable – trade	2,115	2,477
Merchandise	496	592
Accounts receivable – other	1,294	1,180
Other	146	200
Allowance for doubtful accounts	(271)	(357)
Non-current assets	**600**	**674**
Property, plant and equipment	294	302
Intangible assets	227	238
Goodwill	166	127
Other	61	112
Investments and other assets	79	133
Total assets	**6,527**	**7,824**
Current liabilities	**3,030**	**3,561**
Accounts payable – trade	2,340	2,745
Other	689	816
Total liabilities	**3,030**	**3,561**
Total net assets	**3,497**	**4,262**
Total liabilities and net assets	**6,527**	**7,824**

Consolidated Statement of Cash Flows (millions of yen)

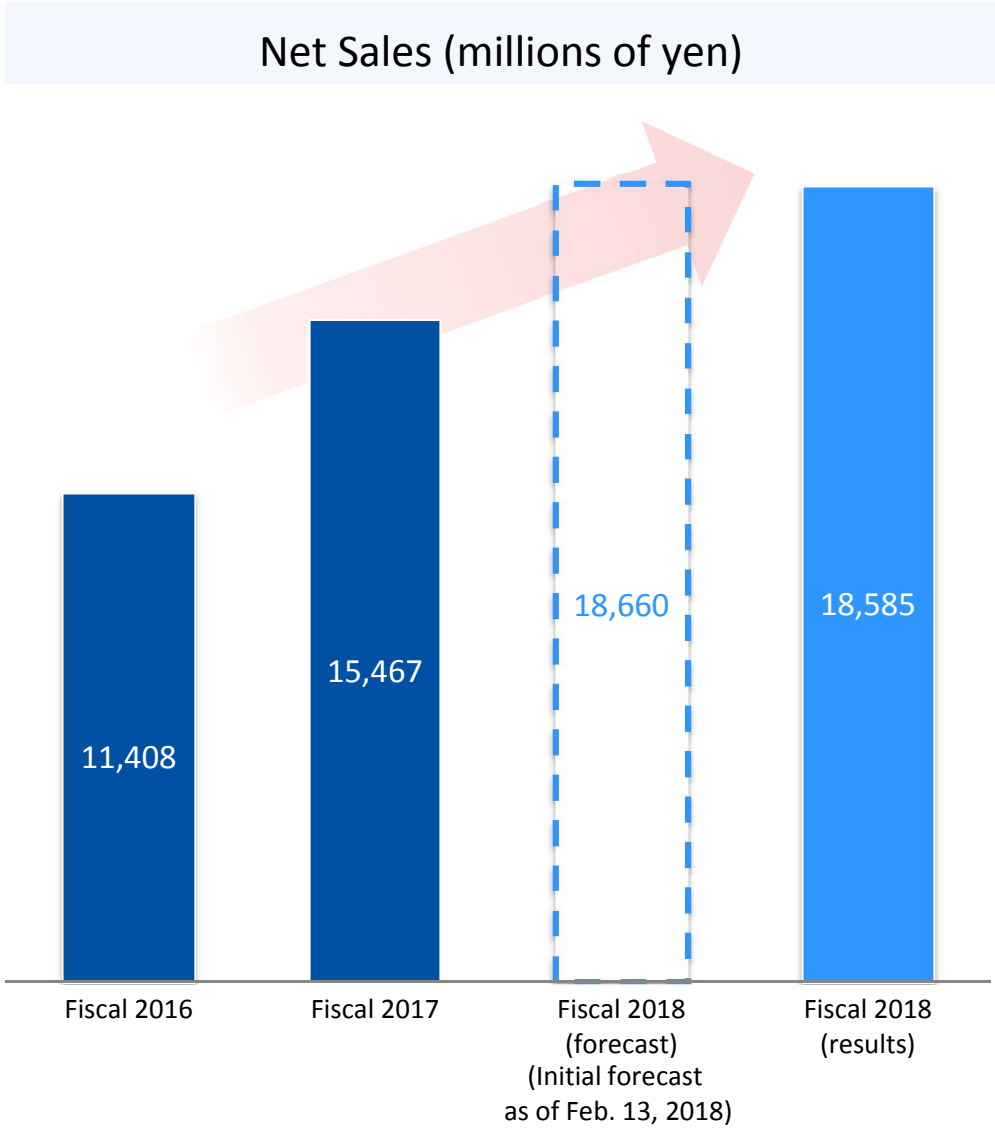
	Fiscal 2017	Fiscal 2018
Cash flows from operating activities	**318**	**1,192**
Profit before income taxes	951	1,282
Decrease (increase) in assets	(770)	(352)
Increase (decrease) in liabilities	377	434
Other	106	203
Income taxes paid	(346)	(375)
Cash flows from investing activities	**(237)**	**(176)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 1)	(160)	-
Purchase of investment securities (Note 2)	-	(67)
Other	(77)	(109)
Cash flows from financing activities	**(81)**	**(103)**
Dividends paid	(89)	(119)
Other	7	15
Net increase (decrease) in cash and cash equivalents	**(1)**	**912**
Cash and cash equivalents at beginning of period	**2,124**	**2,122**
Cash and cash equivalents at end of period	**2,122**	**3,034**

Note 1: Difference between the fund the Company paid to acquire a subsidiary and the fund the subsidiary held upon the acquisition by the Company

Note 2: Equity investment in a medical products wholesaler in India

Fiscal 2018 Net Sales (Consolidated)

Achieved a year-on-year increase in sales thanks to a larger number of facilities newly introducing our services



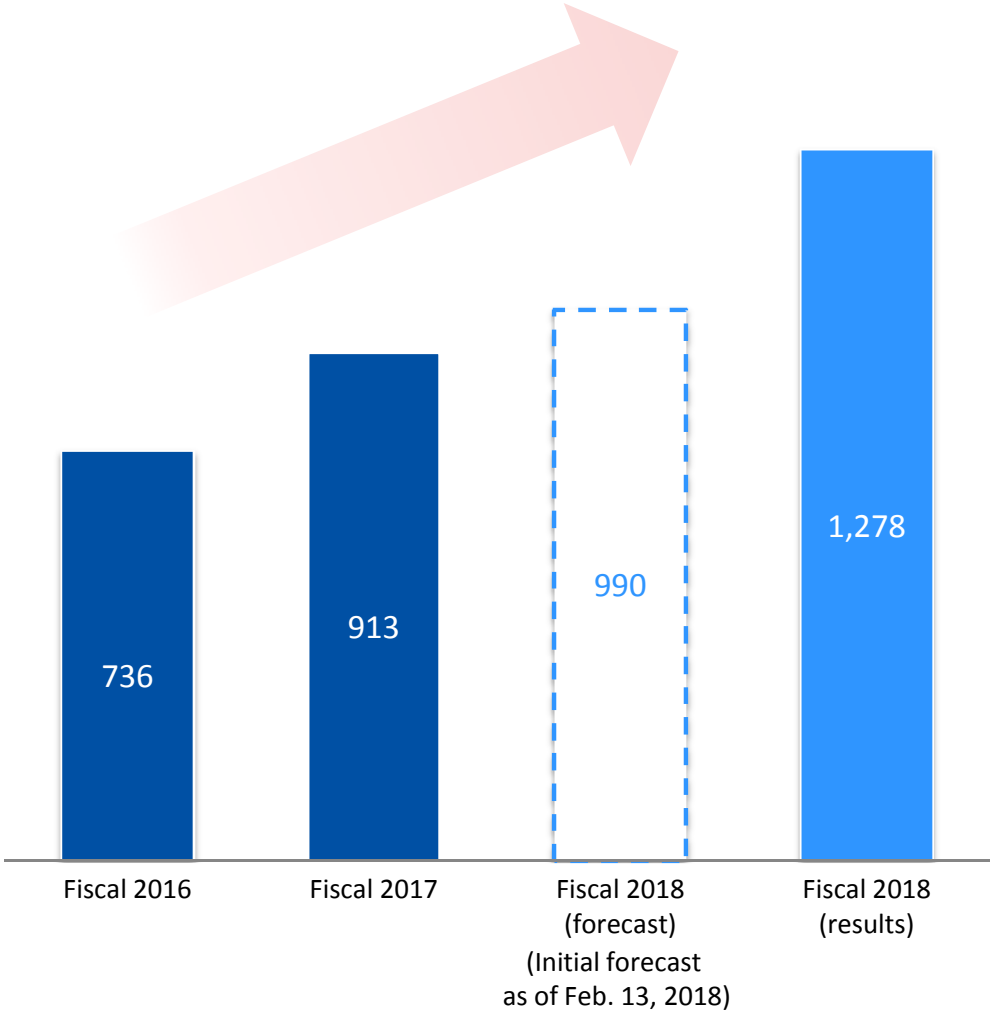
- Sales fell short of the initial consolidated forecast by **0.4%**
- Sales increased by **20.2%** year on year on a consolidated basis

Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Fiscal 2018 Operating Profit (Consolidated)

Achieved a year-on-year increase in profit thanks to a larger number of facilities newly introducing our services and by implementing measures to improve profitability

Operating profit (millions of yen)



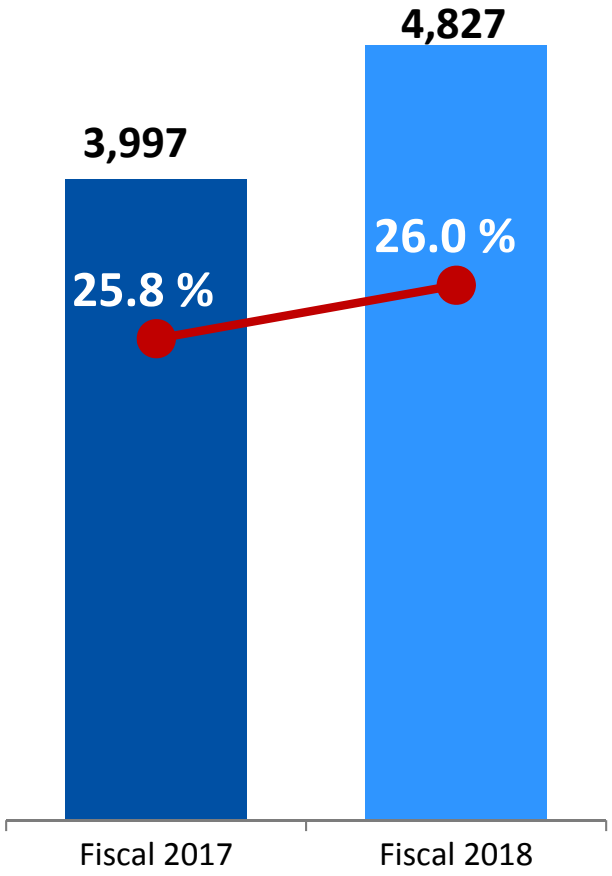
- Operating profit exceeded the initial consolidated forecast by **29.2%**
- Operating profit increased by **40.1%** year on year on a consolidated basis

Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

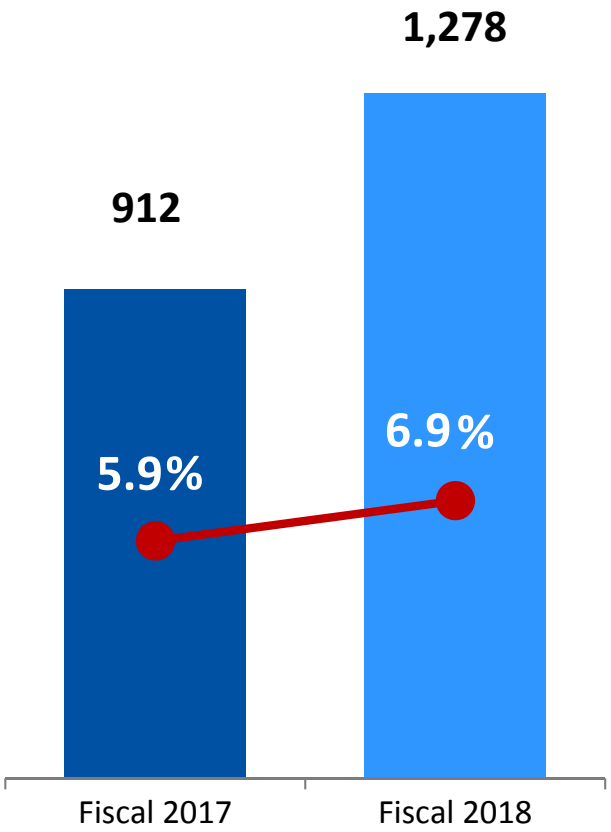
Fiscal 2018 Profit Margin (Consolidated)

Profitability improved as reviews of the contracting system for our services and implementation of cost reductions raised profit margins, while outsourcing of product delivery operations coming to a stop, among other factors.

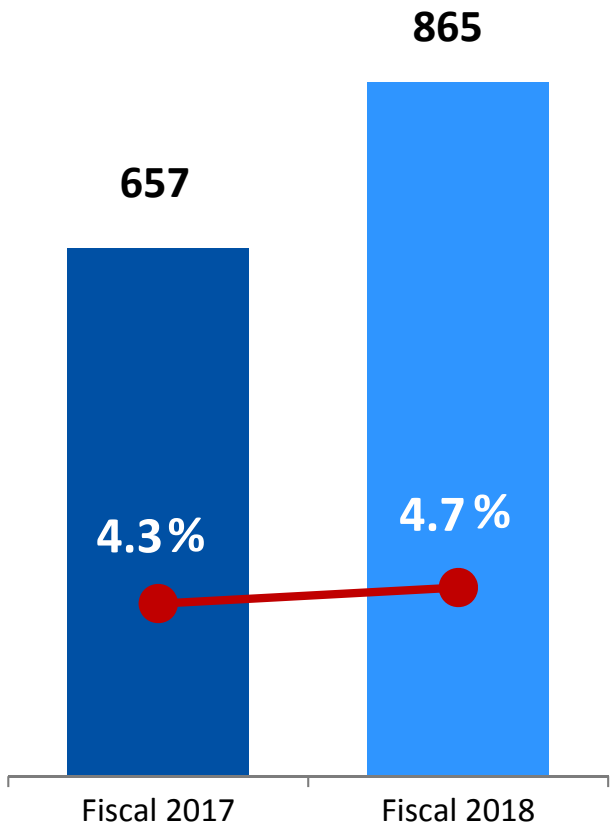
Gross profit (millions of yen)



Operating profit (millions of yen)

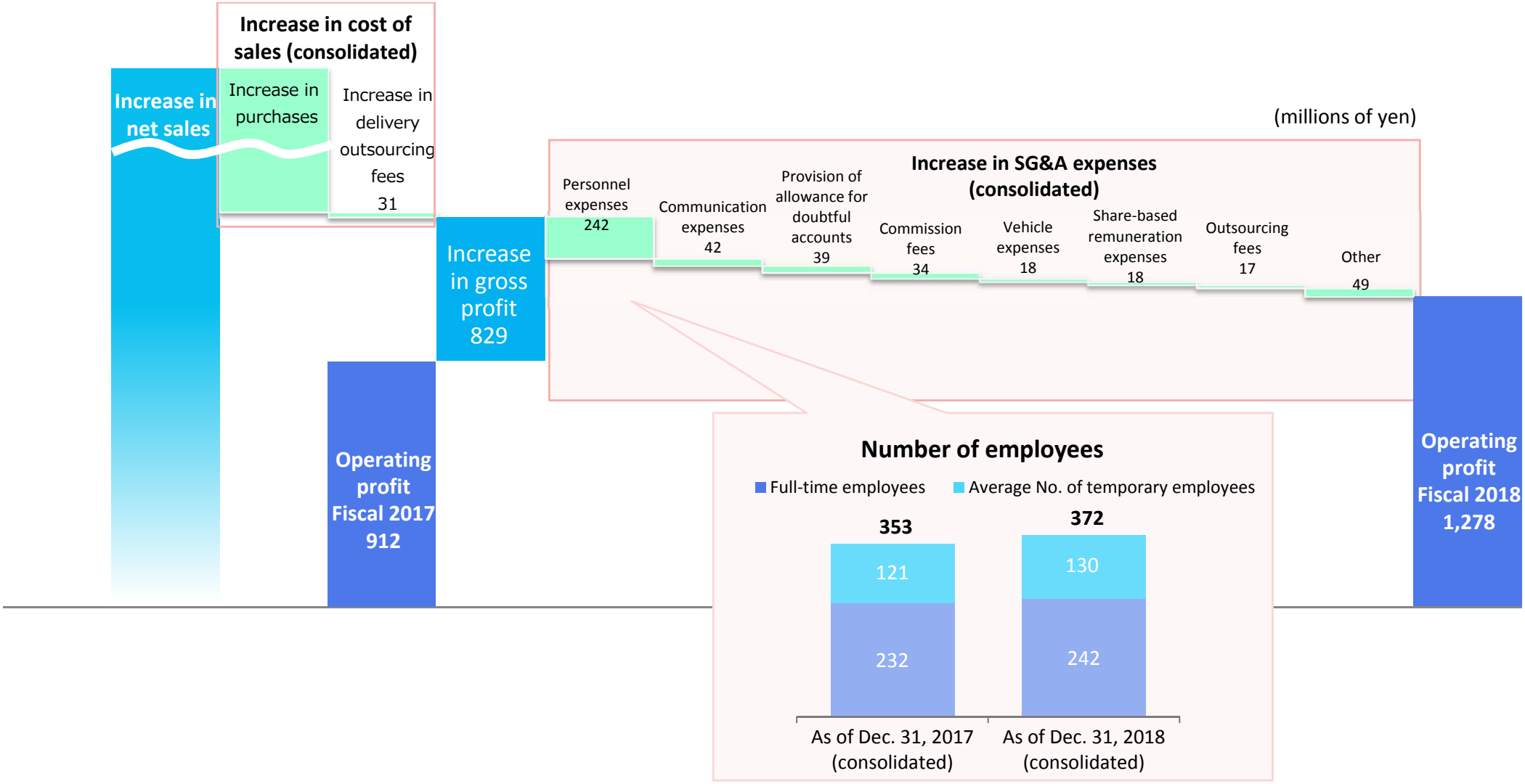


Profit attributable to owners of parent (millions of yen)



Analysis of Changes in Gross Profit and Operating Profit (Fiscal 2018 Operating Results)

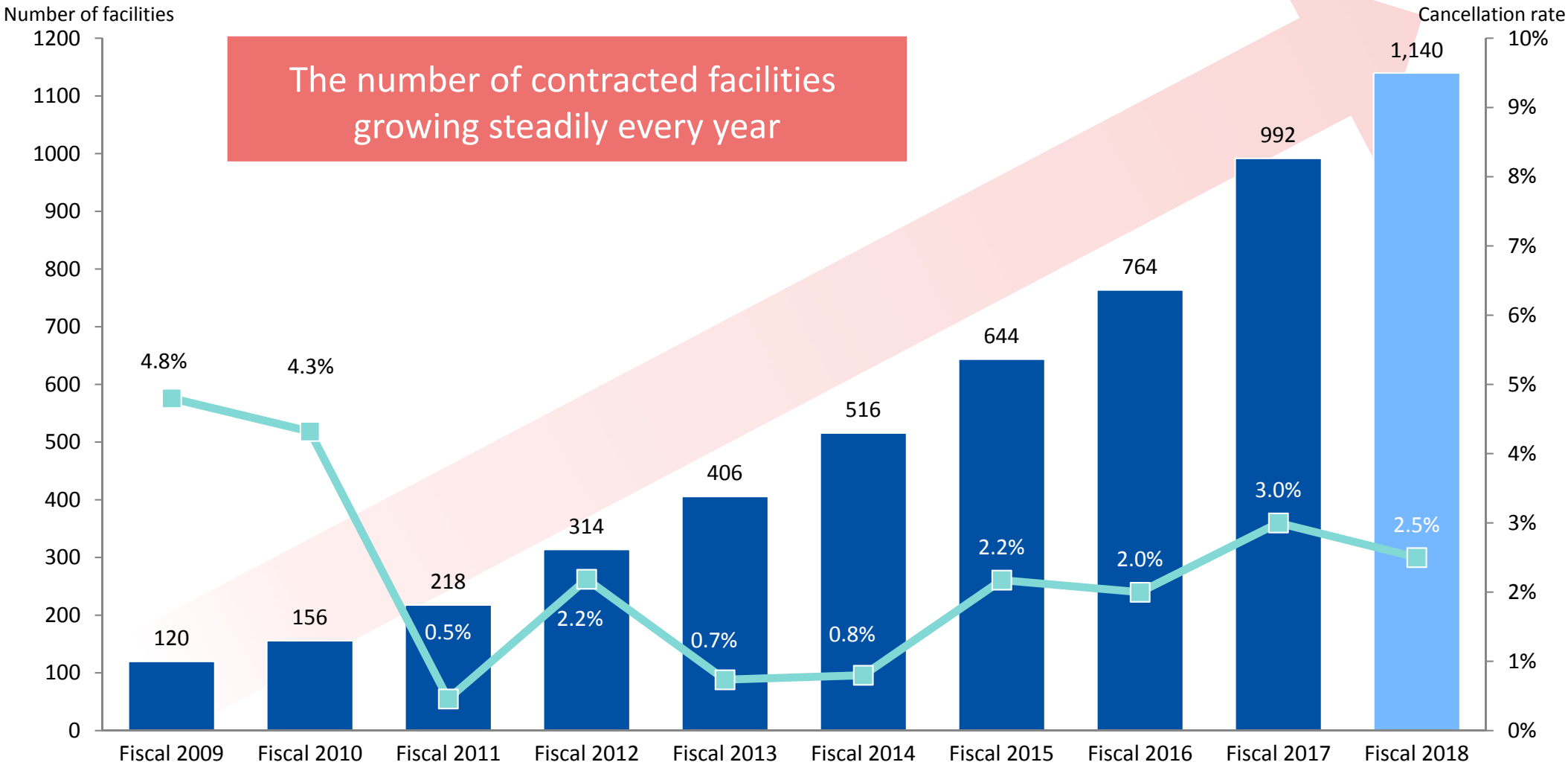
- The rate of increase in outsourcing fees for product delivery operations and personnel expenses proved to be lower than in the previous fiscal year
- Operating profit increased by 40.1% year on year



Changes in the Number of Contracted Facilities and Contract Cancellation Rate

The number of contracted facilities has increased at an average annual rate of 28.4% since Fiscal 2009 due to an increase in the number of facilities newly contracting for our services

The cancellation rate, which had risen in the previous fiscal year, improved and dropped to 2.5% annually in fiscal 2018

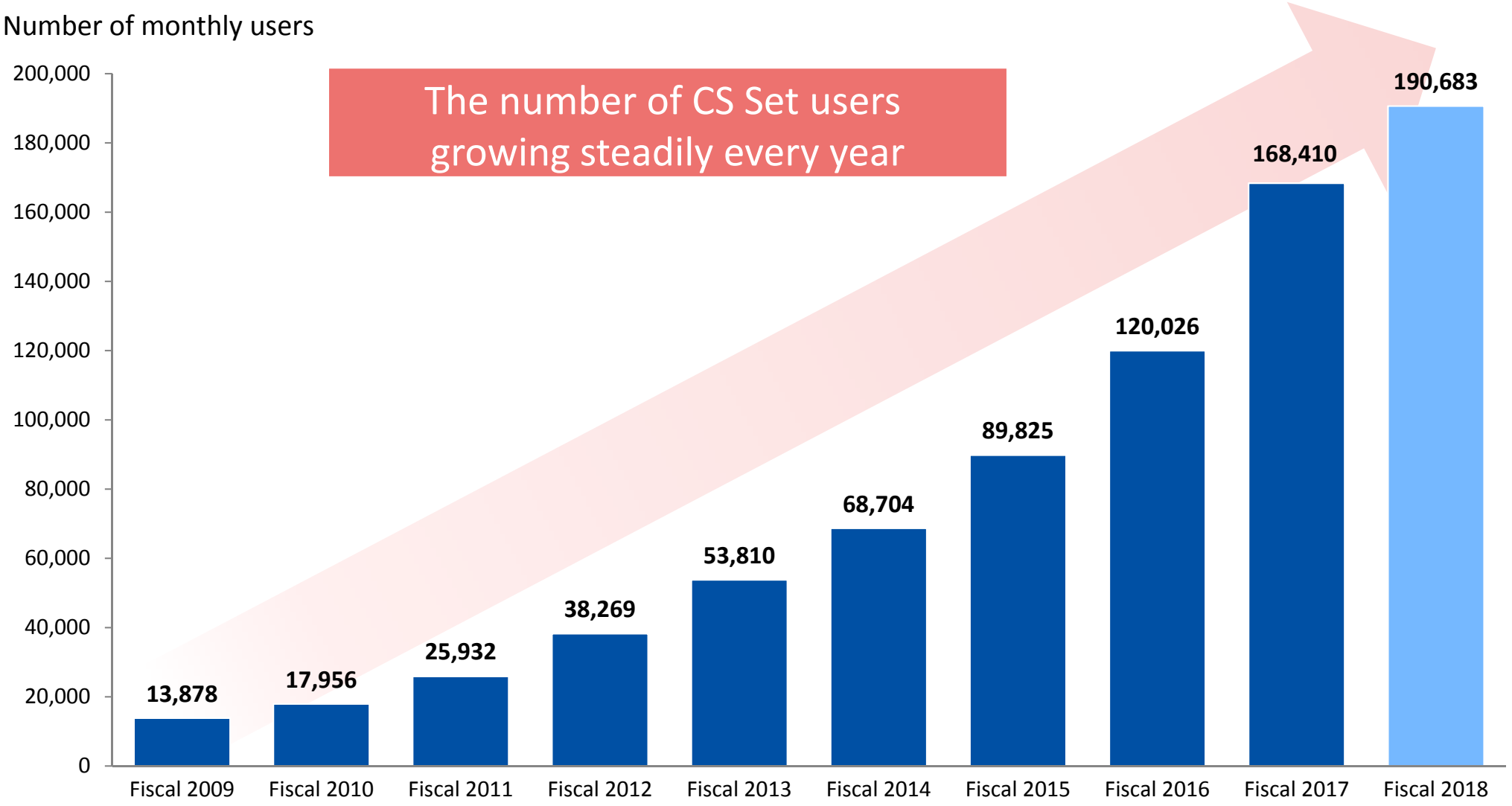


Annual cancellation rate = Number of cancellations in current year / (Contracts at end of previous year + New contracts in current year)

(Note) The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Changes in the Number of Monthly Users

The number of monthly users has increased at an average annual rate of 33.8% since fiscal 2009 due to an increase in the number of facilities newly contracting for our services



The numbers of monthly users shown above represent the figures at the end of each fiscal year.

(Note) The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

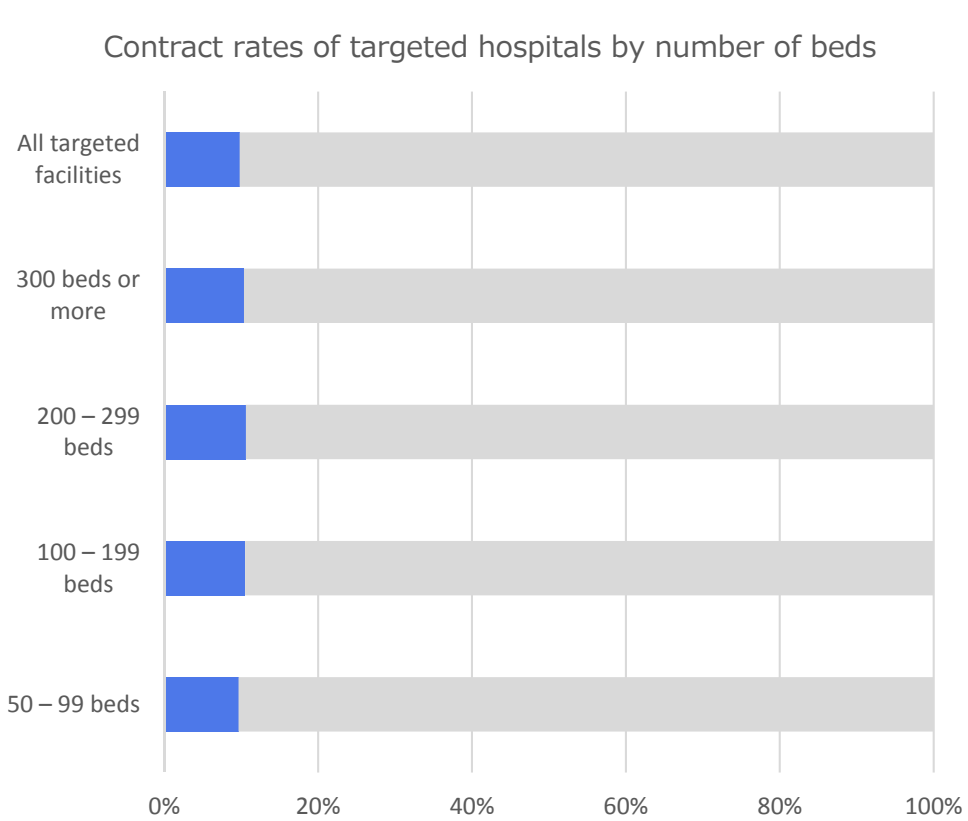
Status of CS Set Operations for Facilities by Number of Beds (as of December 31, 2018)

Activating the market with growing recognition, the hospitalization set service has entered the phase of wider public acceptance

Hospital Market by Number of Beds

Hospitals **targeted** by the ELAN Group (with at least 50 beds) count **7,493**

Already contracted with **855** hospitals, or **11.4**% of the target

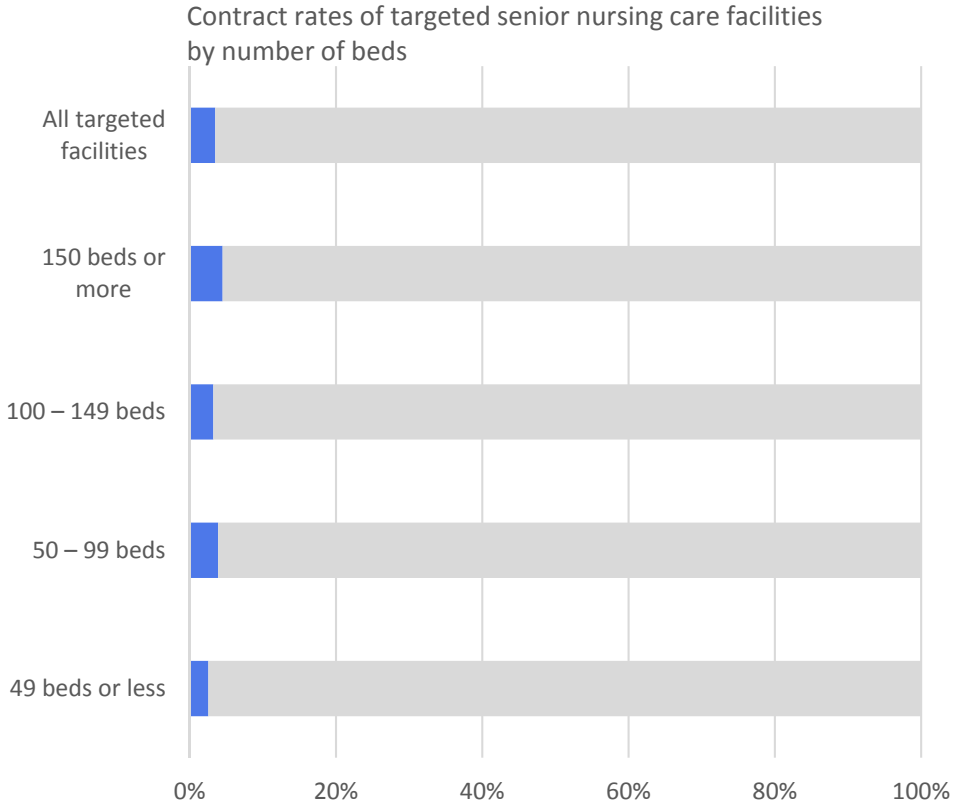


Source: Survey of Medical Facilities 2017, Ministry of Health, Labour and Welfare

Senior Nursing Care Facilities Market by Number of Beds

Facilities **targeted** by the ELAN Group (with at least 50 beds) count **3, 824**

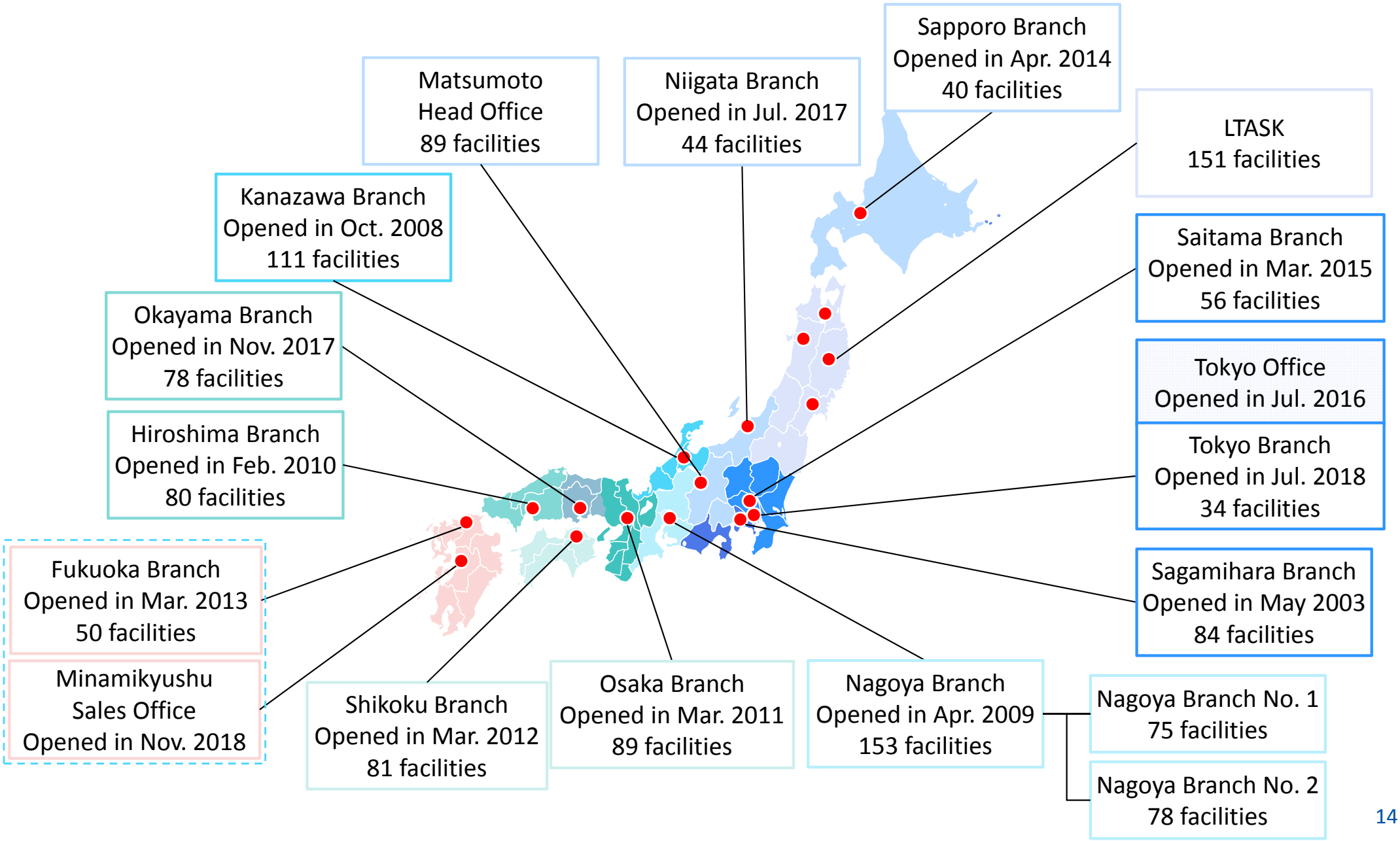
Already contracted with **143** facilities, or **3.7%** of the target



Source: Survey of Institutions and Establishments for Long-term Care 2017, Ministry of Health, Labour and Welfare

ELAN's Operating Bases and Number of Contracted Facilities throughout Japan (as of December 31, 2018)

The number of contracted facilities is increasing steadily throughout Japan



Synergies with LTASK (Fiscal 2018)

LTASK and the ELAN Group companies conducted personnel exchanges, sharing of information and know-how, and promotion of sales activities on a national scale

Expected synergies	Materialized effects		
	Fiscal 2017 (Note 1) (Results)	Fiscal 2018 (Note 2) (Planned)	**Fiscal 2018 (Note 1) (Results)**
◆ Sharing of ELAN and LTASK strengths			
✓ Personnel exchanges	△	○	**○**
✓ Sharing of information and know-how	△	○	**○**
✓ Advantages from using equipment and supplies common to both	×	△	**×**
◆ Advantages of conducting operations nationwide			
✓ Marketing activities for large-scale group hospitals	△	○	**○**
✓ Nationwide marketing activities with partner operators	△	○	**○**
✓ Enhanced capabilities to respond to customers introduced by the other party	○	○	**○**
◆ Establishing the position as the leading company in the hospitalization set business			
✓ Enhanced recognition of the CS Set (LT Set)	△	○	**○**
✓ Adding new partner operators (expanding the win-win relationships)	○	○	**○**
✓ Larger possibilities of developing new businesses	×	○	**○**

(Note 1) ○ Proved effective △ Doing but not proved effective yet × Yet to be done
(Note 2) ○ Done in Fiscal 2018 and proved effective △ May be done in fiscal 2019 or later

Issues for the ELAN Group and Initiatives Taken in Fiscal 2018

Issues for the ELAN Group

◆ Slowing pace of adding newly contracted facilities

✓ Adding newly contracted facilities slowed as less time was spent on cultivating new customers due to our focus on adopting best practices at facilities already using our services

◆ Cancellation rate rising

✓ Cancellation rate rose as competition with other companies intensified in accordance with growing recognition of the hospitalization set services.

◆ Declining profitability

✓ While working to outsource product delivery and data input operations, no added value that surpasses the incurring outsourcing costs has been generated yet.

✓ Profits from services for large-scale acute care hospitals tend to be low; profitability of these operations must be improved.

Business Strategies for Fiscal 2018	Results
☐ Reinforce marketing capabilities (working to add more newly contracted facilities, lower cancellation rate and improve profitability) • Establish the Corporate Sales Department under the Sales Division • Quicken decision-making by utilizing newly established offices and dividing operations into regional business units • Adopt best practices throughout the company	○
☐ Strengthen operation systems (improve profitability) • Strengthen application functions in order to enhance convenience for users, etc. • Strengthen invoicing and settlement functions to reduce costs for invoicing and receiving payments	○
☐ Create new businesses (offer new values to customers) • Establish the Business Development Department that is devoted to investigating new businesses	○

II. Forecast of Operating Results for Fiscal 2019 and Growth Strategy

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Business Strategies for Fiscal 2019

Aim to achieve further growth by implementing the growth strategies for fiscal 2019

Business Strategies for Fiscal 2018	Results
☐ **Reinforce marketing capabilities** (working to add more newly contracted facilities, lower cancellation rate and improve profitability)	○
☐ **Strengthen operation systems** (improve profitability)	○
☐ **Create new businesses** (offer new values to customers)	○

Business Strategies for Fiscal 2019

☐ **Reinforce marketing capabilities**

- Enhance added value and expand acceptance of the CS Set
- Work to clearly differentiate ELAN from competitors
- Reinforce the backup organizations to support the sales force

☐ **Create new businesses**

- Create new added value of the CS Set
- Launch new businesses and investigate overseas operations

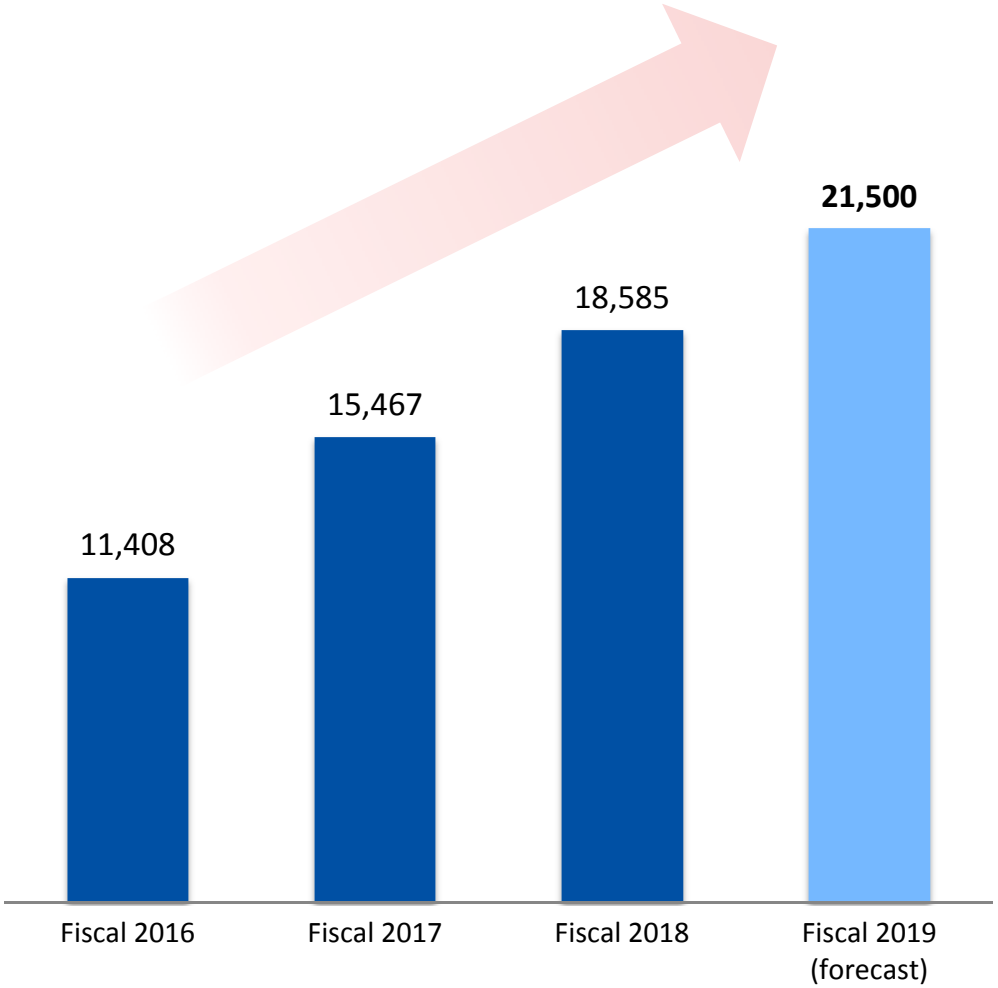
☐ **Reinforce the capabilities of the ELAN Group**

- Start operations of ELAN Service Corporation

Forecast of Operating Results for Fiscal 2019: Net Sales (Consolidated)

Expect to achieve a year-on-year increase in net sales with a larger number of facilities newly contracting our services

Net sales (millions of yen)

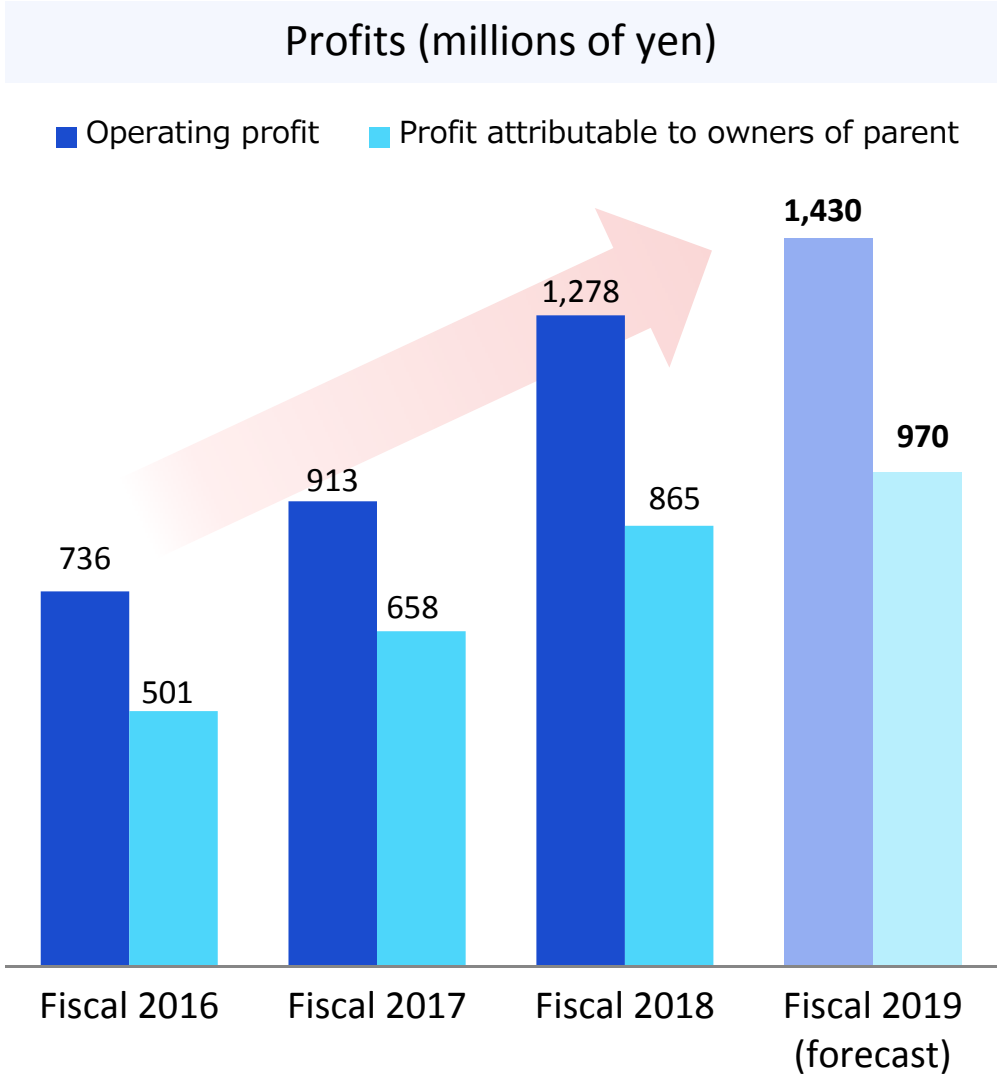


- Net sales forecast to increase **15.7%** year on year on a consolidated basis
- Net increase in the number of contracted facilities for fiscal 2019 anticipated to be **260 facilities** throughout the ELAN Group

Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Forecast of Operating Results for Fiscal 2019: Profits (Consolidated)

Forecast a year-on-year increase in profits as operating results are expected to remain strong



- Operating profit forecast to increase **11.8%** year on year on a consolidated basis
- Profit attributable to owners of parent forecast to increase **12.1%** year on year

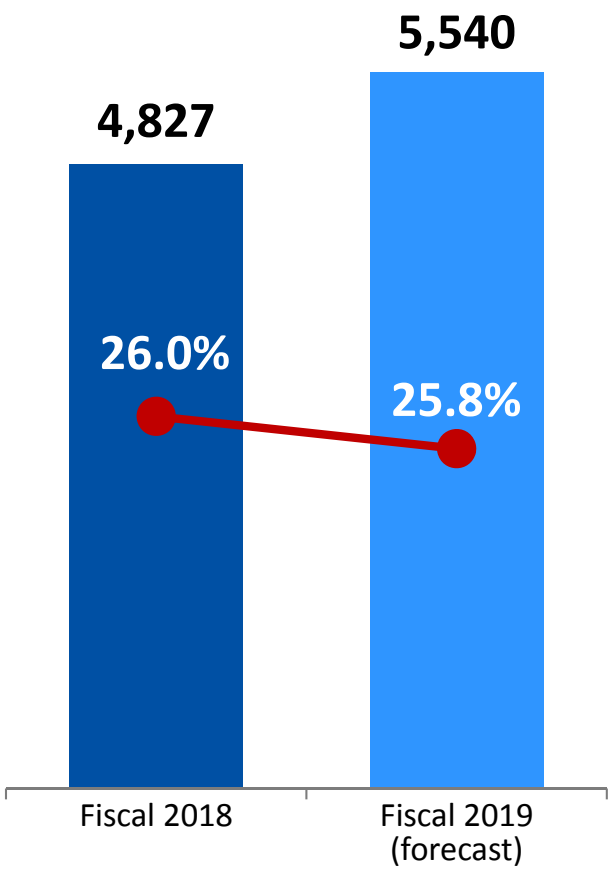
Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Forecast of Operating Results for Fiscal 2019: Profit Margin (Consolidated)

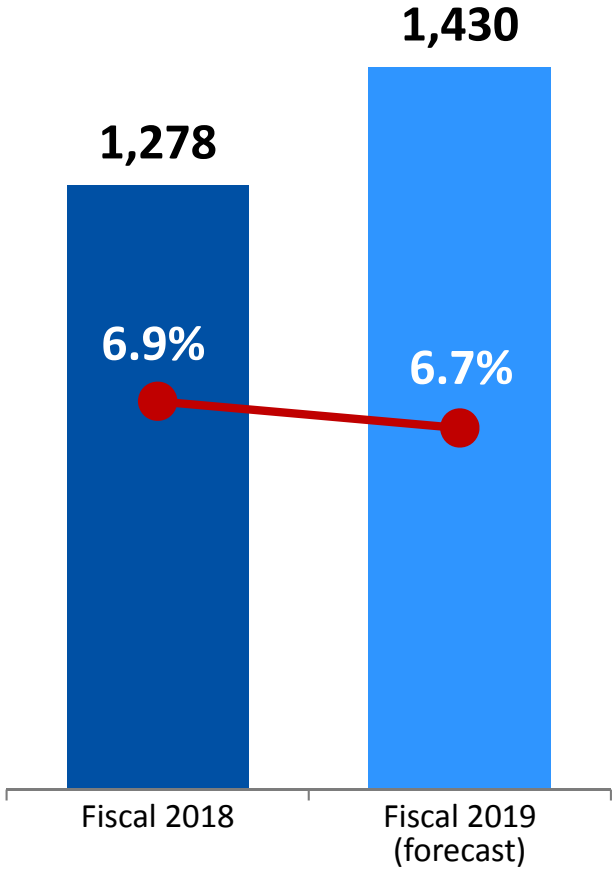
Profit margin is forecast to decrease slightly due to an increase in delivery outsourcing fees in accordance with a rise in fuel charges and personnel expenses

Full-on operation of new invoicing system is anticipated to start suppressing SG&A expenses in 2020 and thereafter

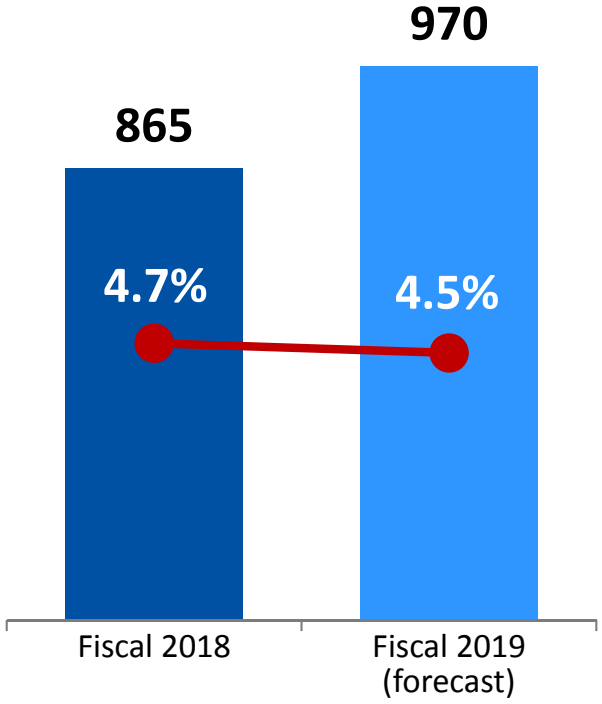
Gross profit (millions of yen)



Operating profit (millions of yen)



Profit attributable to owners of parent (millions of yen)



Forecast double-digit year-on-year increase both in sales and profits, although profit margin is anticipated to decrease due to an increase in delivery outsourcing fees

(millions of yen)

	2018 First Half results	2019 First Half forecast	YoY change	Fiscal 2018 results	Fiscal 2019 forecast	YoY change
Net sales	8,995	10,100	12.3%	**18,585**	21,500	15.7%
Operating profit	667	670	0.4%	**1,278**	1,430	11.8%
Operating profit to net sales	*7.4%*	*6.6%*		***6.9%***	*6.7%*	
Ordinary profit	668	670	0.2%	**1,282**	1,430	11.5%
Ordinary profit to net sales	*7.4%*	*6.6%*		***6.9%***	*6.7%*	
Profit attributable to owners of parent	434	450	3.6%	**865**	970	12.1%
Profit to net sales	*4.8%*	*4.5%*		***4.7%***	*4.5%*	
Profit per share	14.52 yen	14.85 yen		**28.78 yen**	32.01 yen	

Forecast of Operating Results for Fiscal 2019: Statement of Income (Non-Consolidated)

Operating profit is forecast to decrease year on year due to an increase in SG&A expenses on the non-consolidated statement of income as internal transactions with ELAN Service Corporation will incur

Meanwhile, ordinary profit is forecast to increase year on year as non-operating income also increases due to the similar internal transactions

(millions of yen)

	Fiscal 2018 results	Fiscal 2019 forecast	YoY change
Net sales	16,474	18,900	14.7%
Operating profit	**1,050**	**760**	**-27.6%**
Operating profit to net sales	*6.4%*	*4.0%*	
Ordinary profit	**1,134**	**1,230**	**8.4%**
Ordinary profit to net sales	*6.9%*	*6.5%*	
Profit	781	850	8.7%
Profit to net sales	*4.7%*	*4.5%*	
Profit per share	26.01 yen	28.05 yen	

Operating profit is forecast to decrease year on year due to an increase in SG&A expenses relating to ELAN Service Corporation

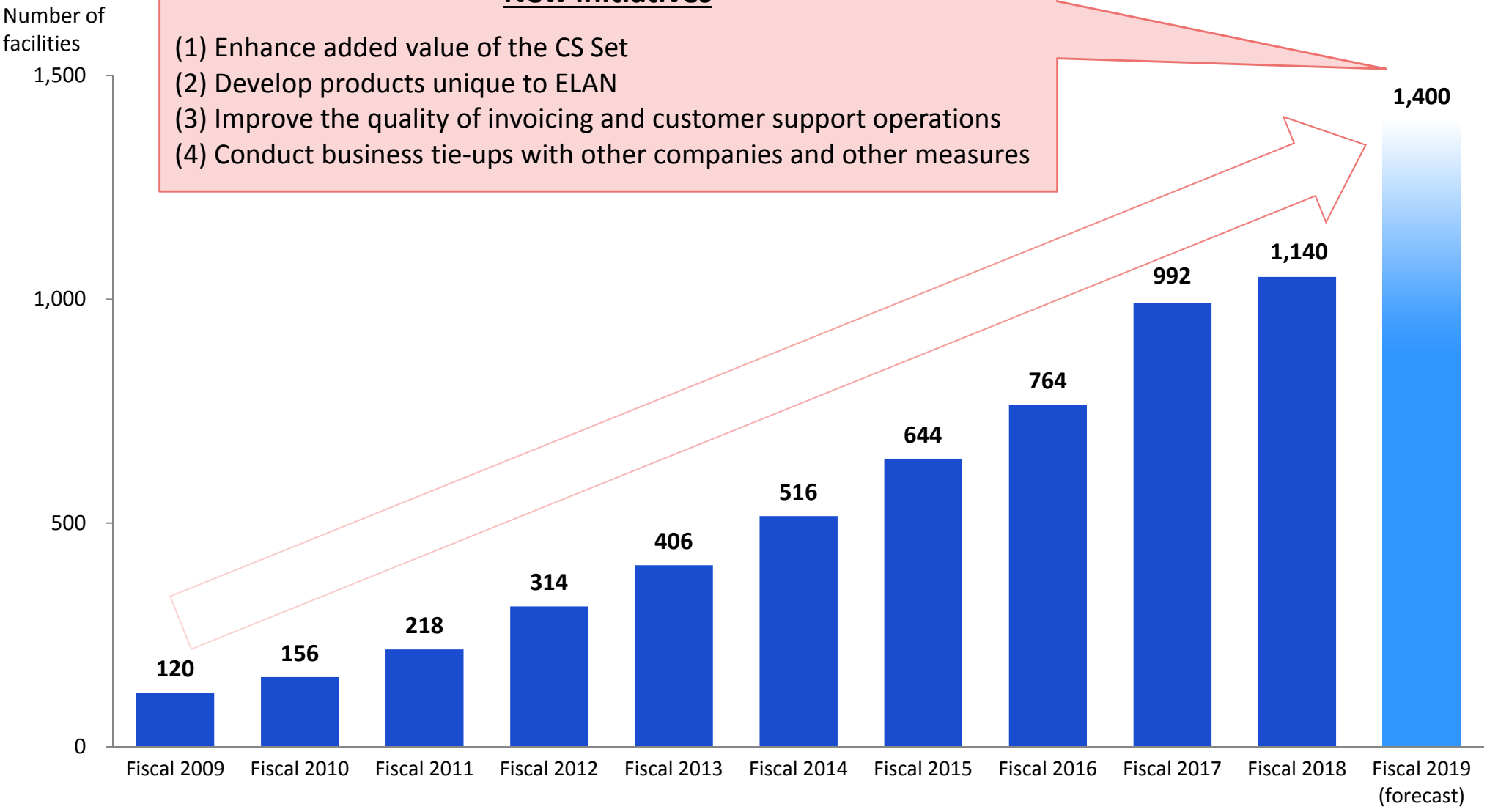
Ordinary profit is forecast to increase year on year due to an increase in non-operating income relating to ELAN Service Corporation

For Further Expanding the Number of Contracted Facilities for the CS Set

ELAN will continue its endeavors as a company to offer services chosen by customers

New initiatives

(1) Enhance added value of the CS Set
(2) Develop products unique to ELAN
(3) Improve the quality of invoicing and customer support operations
(4) Conduct business tie-ups with other companies and other measures

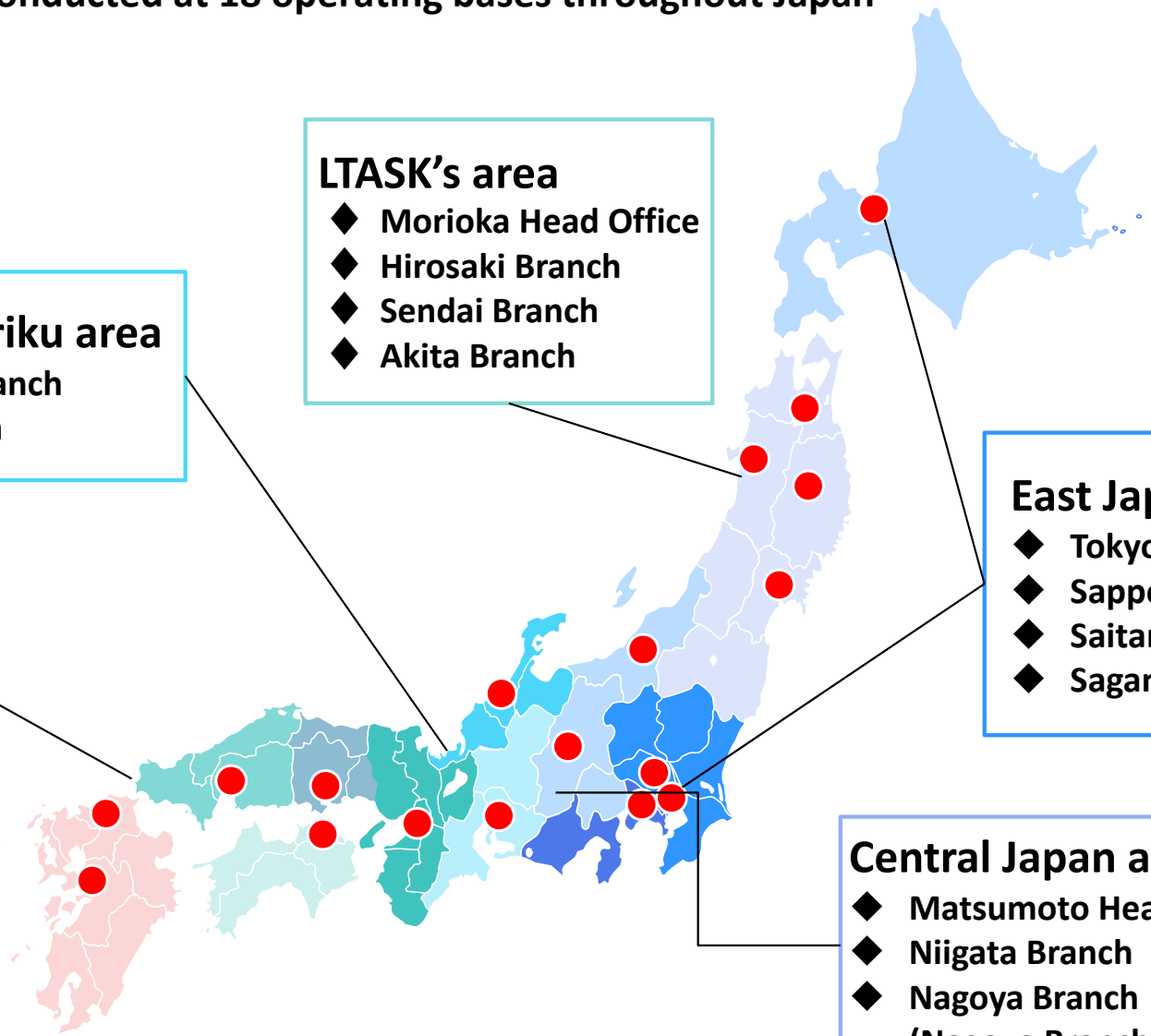


Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Operating Bases throughout Japan and Respective Marketing Areas (as of December 31, 2018)

Business is conducted in 5 regional blocks nationwide: 4 areas covered by ELAN plus LTASK's area

Marketing activities are conducted at 18 operating bases throughout Japan



LTASK's area
- Morioka Head Office
- Hirosaki Branch
- Sendai Branch
- Akita Branch

Kansai/Hokuriku area
- Kanazawa Branch
- Osaka Branch

East Japan area
- Tokyo Branch
- Sapporo Branch
- Saitama Branch
- Sagamihara Branch

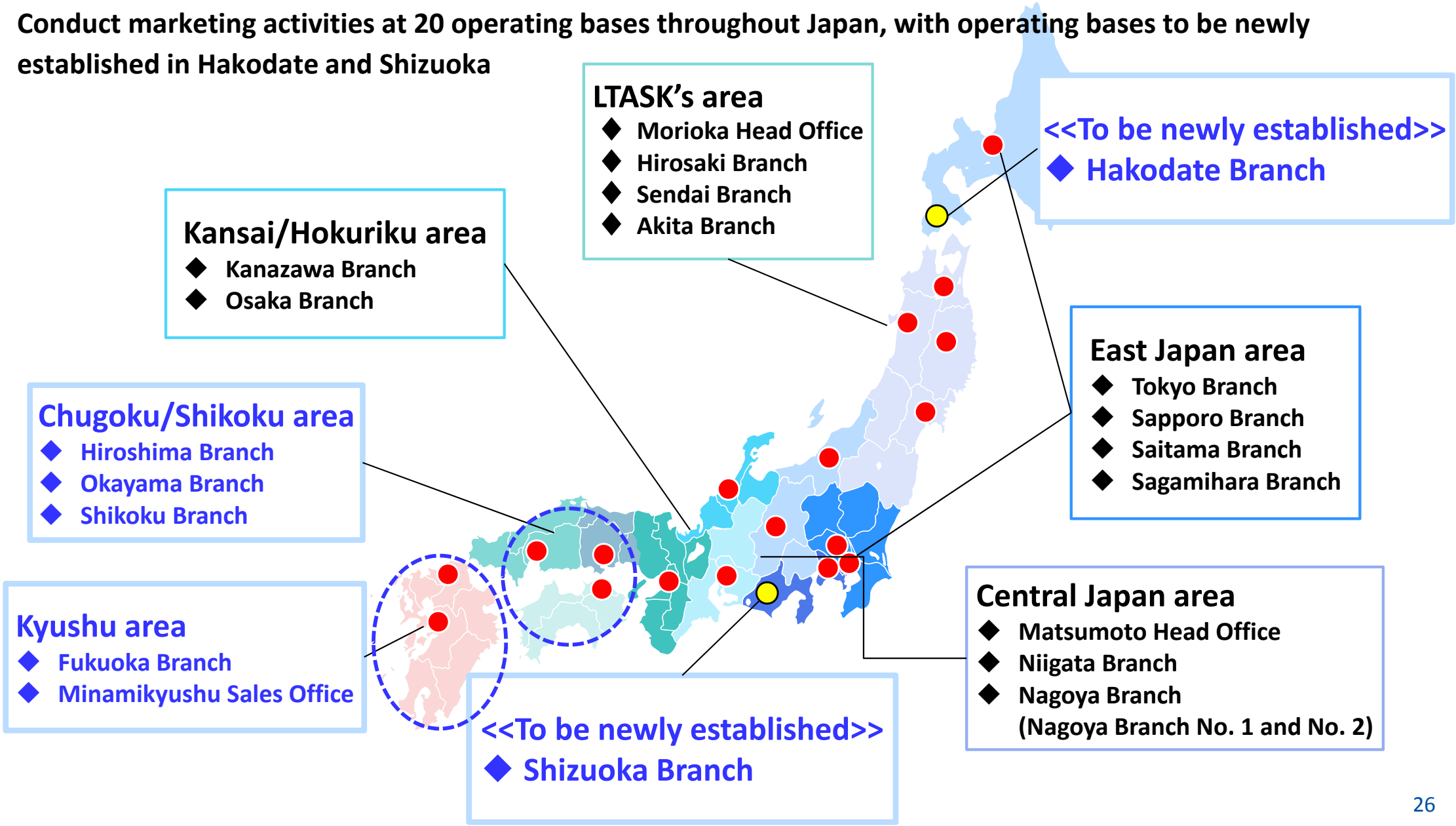
West Japan area
- Hiroshima Branch
- Okayama Branch
- Shikoku Branch
- Fukuoka Branch
- Minamikyushu Sales Office

Central Japan area
- Matsumoto Head Office
- Niigata Branch
- Nagoya Branch
  (Nagoya Branch No. 1 and No. 2)

Operating Bases throughout Japan and Respective Marketing Areas (Policy for Fiscal 2019)

Conduct business in 6 regional blocks nationwide by dividing the West Japan area into two: 5 areas covered by ELAN plus LTASK's area

Conduct marketing activities at 20 operating bases throughout Japan, with operating bases to be newly established in Hakodate and Shizuoka



Initiatives for Further Expansion (Enhancing Customer Satisfaction)



As of April 1, 2019, ELAN Corporation separated its individual invoicing and customer support departments relating to the CS Set into a company:

ELAN Service Corporation started operations

Built on the strengths of know-how in individual invoicing and customer support operations relating to the CS Set, ELAN Service works to improve customer satisfaction in an effort to further enhance productivity and added value

An operating company specialized in individual invoicing and customer support operations

ELAN Corporation

Each department

Each department

Individual invoicing and customer support departments

Separated

ELAN Service Corporation

Specialized in invoicing and customer service operations

Customers (hospitalized patients and residents of elderly facilities)

For better customer satisfaction

Responding to inquiries in foreign languages
- English
- Mandarin Chinese
- Korean
- Portuguese



Accepting application from smart phones or PCs



Opening a portal website dedicated for users



Payment for invoices by credit cards, etc.



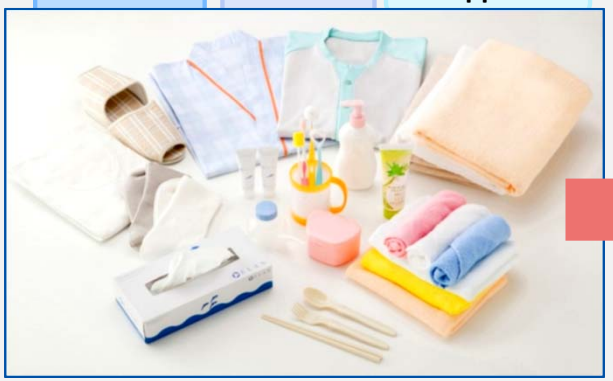
Initiatives for Further Expansion (Enhancing Added Value)



ELAN Corporation tied up with Nippon Souken Ltd. for a new service:

Developed the “CS Set LC (Loss Control) Hospitalization Guarantee”

CS Set automatically equipped with a service to compensate damage accidents caused by patients using the CS Set

Ongoing service CS Set	New service CS Set LC	Advantages provided by the new service
Towels / Apparel / Personal care supplies 	**Compensates damages to furniture or injuries to employees and hospitalized patients caused by CS Set users**	Provides new added value to customers **Patients** (CS Set users) **Their families visiting them** Reduces the risk of damage liabilities **Hospitals** Reduces clerical and labor costs Avoids unexpected losses

Initiatives for Further Expansion (Enhancing Added Value)



CS Set R: hospitalization set with a service to guarantee hospitalization expenses

Patients

Issues: Shift to nuclear family households and increase in households of singles

Advantage: **No need of any co-guarantor**

Hospitals

Issues: No confirmation can be obtained from co-guarantors

Advantage: **Reduces the risk of unpaid expenses**

A new service to realize a win-win relationship

CS Set R: the CS Set equipped with a guarantee for medical expenses

CS Set R users can receive a service that guarantees medical expenses

(Note) Certain requirements must be satisfied

ELAN Corporation

Issues: Intensifying competition over hospitalization sets

Advantage: **Cultivating new customers and expanding market share through differentiation**

Entrust Inc.

Issues: Expanding its medical expenses guarantee service

Advantage: **Better recognized with a larger number of users**

Initiatives for Further Expansion (Business Tie-Up)



Business tie-up with Poplar Co., Ltd. with an aim to promote sales

Joint promotion of ELAN's hospitalization set business and Poplar's in-facility model

Joint promotion of the in-facility model

ELAN's Hospitalization set business

Hospital and nursing care facility base
◆Contracted facilities: 1,140

Marketing capabilities
◆18 marketing bases throughout Japan



Poplar's shops within facilities

Ability to set up and operate stores within facilities

◆Operating highly original CSV (Creasing Shared Value) chain

◆Accelerating opening of stores within company buildings, hospitals and facilities

Marketing promotion

Mutual introduction of possible customers for proposal

Joint proposal of new projects

Initiatives for Further Expansion (New Businesses / Overseas Operations)



Equity investment in a medical products wholesaler in India

Conclusion of a stock subscription agreement with Boston Ivy Healthcare Solutions Private Limited (BIHS)

ELAN Corporation acquired 2.64% of shares newly issued by BIHS through third-party allotment

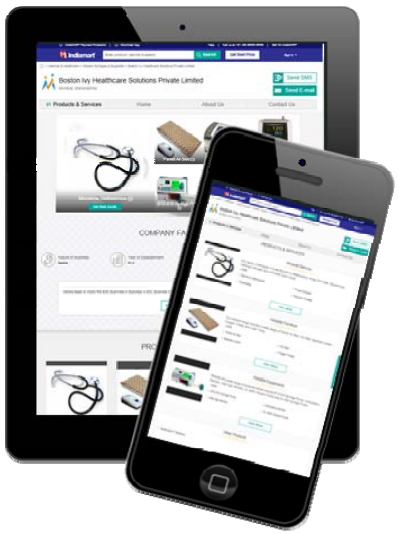


[Overview of BIHS]

(1) Company name	: Boston Ivy Healthcare Solutions Private Limited
(2) Location	: Mumbai, Maharashtra, Republic of India
(3) Established	: 2014
(4) Representative	: Vivek Tiwari
(5) Line of business	: B2B online wholesale of medical supplies and medical equipment

BIHS conducts on-line wholesale of medical supplies and medical equipment in India.

In an effort to further expand its business going forward, ELAN Corporation will explore the possibilities of a new business – not plausible in Japan – in India where the economy is growing notably.





CS (LT) Sets make it a business to address “troubles” during hospitalization

Ordinary life before hospitalization	Immediately before hospitalization	**Hospitalization**	Immediately after discharge	Living at home after discharge
A	C	Care Support set	F	H
B	D	E	G	I

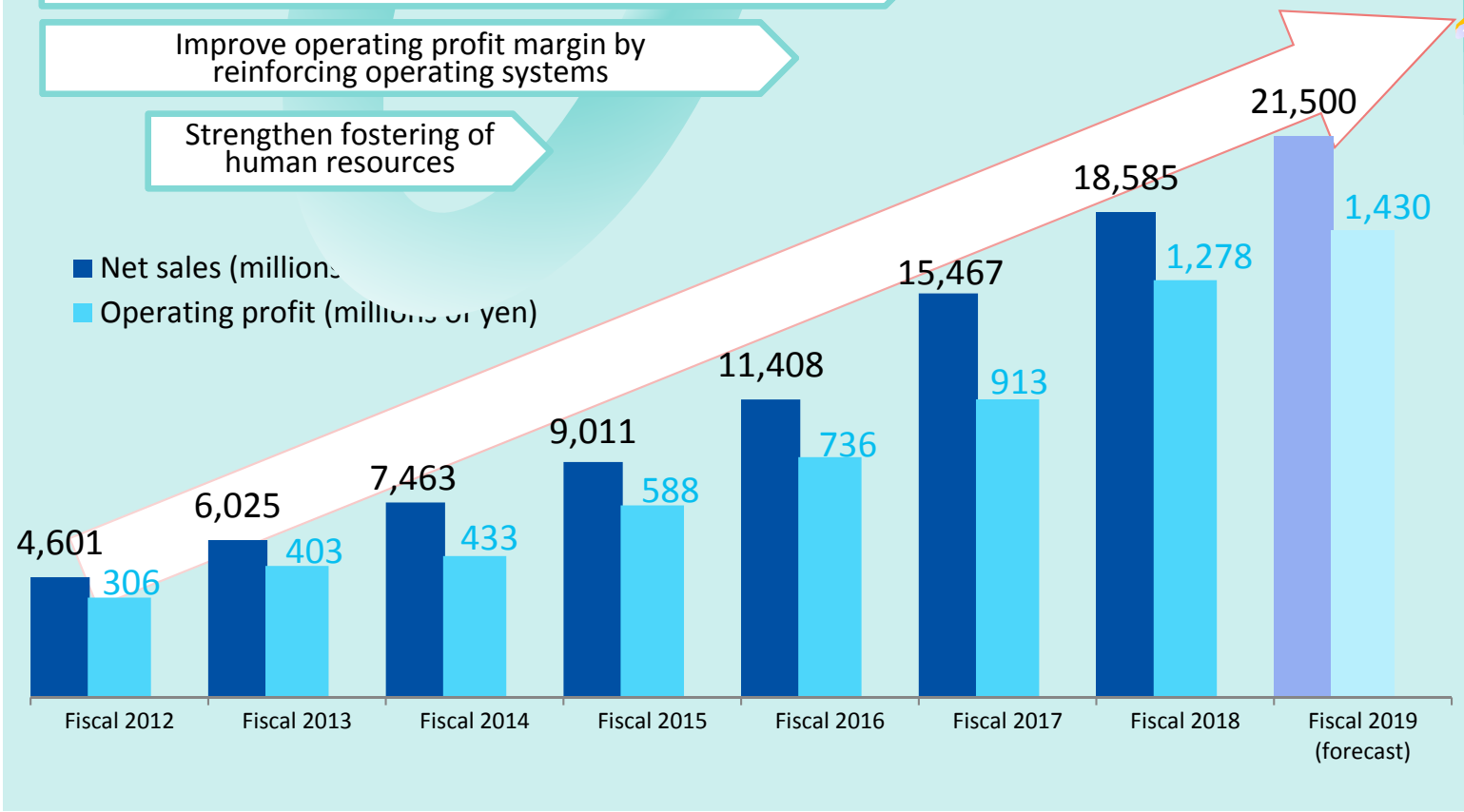
Make it a business to address “troubles” at all stages and make everybody smile

Normal Health care	**Pre-hospitalization**	**Hospitalization**	**Discharge**	**Recovery Supportive**
A	C	Care Support set	F	H
B	D	E	G	I

Illustrative Description of Growth through Further Expansion

Initiatives for Growth

- Conduct overseas operations
- Conduct new businesses contributing to earnings
- Enhance customer satisfaction by ELAN Service starting operations
- Enhance added value to differentiate ELAN from other companies
- Improve operating profit margin by reinforcing operating systems
- Strengthen fostering of human resources



Next Stage

- New businesses
- Enhanced added value
- CS Set

Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Return to Shareholders (Forecast Dividend for Fiscal 2019)

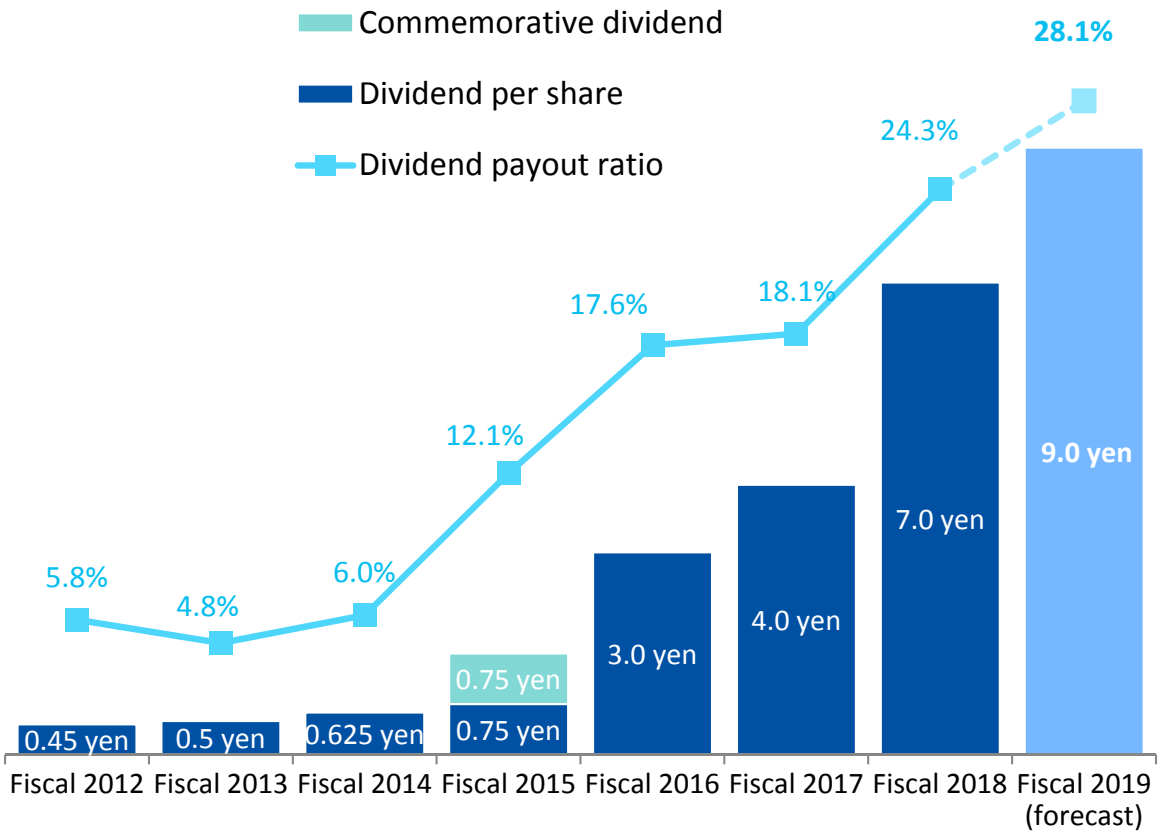
- Payment of year-end dividend for fiscal 2019 will be 9.0 yen per share

  (A year-on-year increase of 2.0 yen, as the dividend for fiscal 2018 would stand at 7.0 yen when considering the stock split conducted as of January 1, 2019)

- Consolidated dividend payout ratio for fiscal 2019 will be 28.1%, up 3.8 points year on year

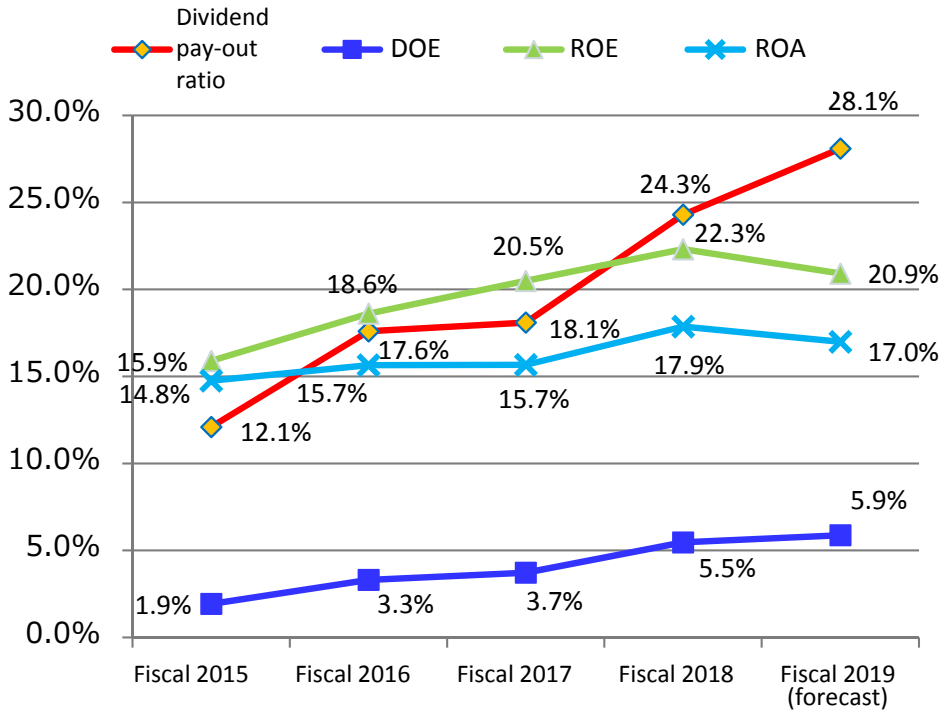
  (24.3% for fiscal 2018)

Changes in dividend per share and dividend payout ratio



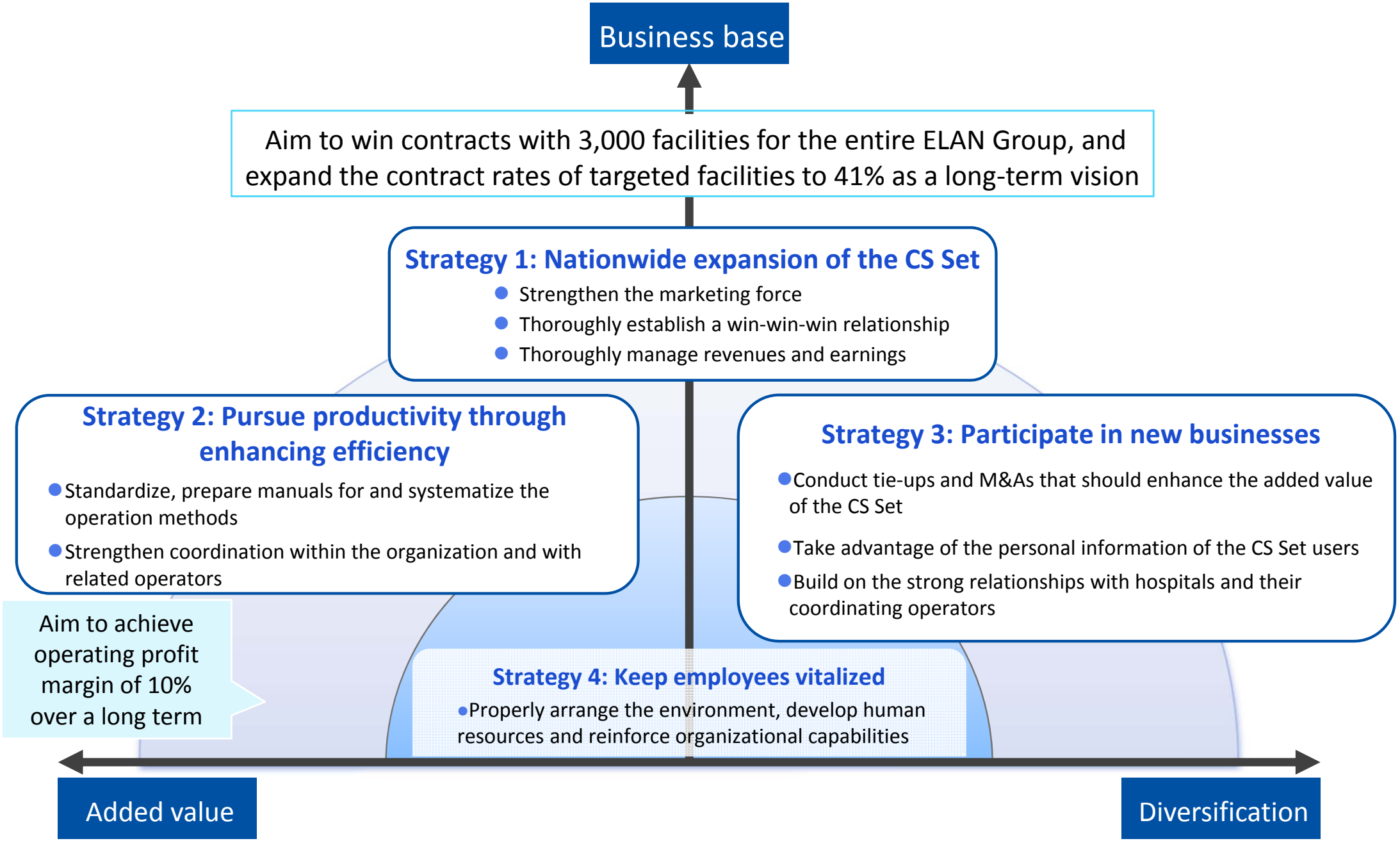
Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Changes in financial indicators



(Note) The dividends per share in the graph to the left have been retroactively adjusted to reflect the 50-for-1 stock split on August 17, 2012, the 100-for-1 stock split on July 28, 2014, the 2-for-1 stock split on July 1, 2015, the 2-for-1 stock split on October 1, 2017 and the 2-for-1 stock split on January 1, 2019.

Medium- to Long-term Growth Strategies of the ELAN Group



III. Business Descriptions

For everyone who knows
the value of a smile

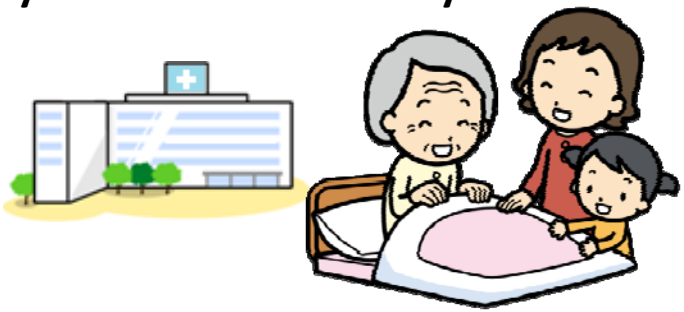
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What is the CS (Care Support) Set?

The CS Set allows people to start hospitalization and end a hospital stay without bringing anything in and out with them. There is no need for patients to assemble hospitalization supplies on their own.

The CS Set users receive apparel, towels, disposable diaper pads, personal care items and other supplies needed during a hospital stay. Required items are available at the time they are needed on a daily basis.



Standard Plans of the CS Set

	Plan A Daily fee: 800 yen	Plan B Daily fee: 500 yen	Plan C Daily fee: 300 yen
Towels	Bath towel, face towel, hand towel		
Apparel	Hospital gown or training wear (top and bottom)		
	Underwear and socks		
	Nursing care pajamas, mealtime apron		
Personal care supplies	Oral care product set		
	Skin care product set		

(Example) Seven-day hospital stay using Plan B
500 yen × 7 days = 3,500 yen

Towels



Apparel

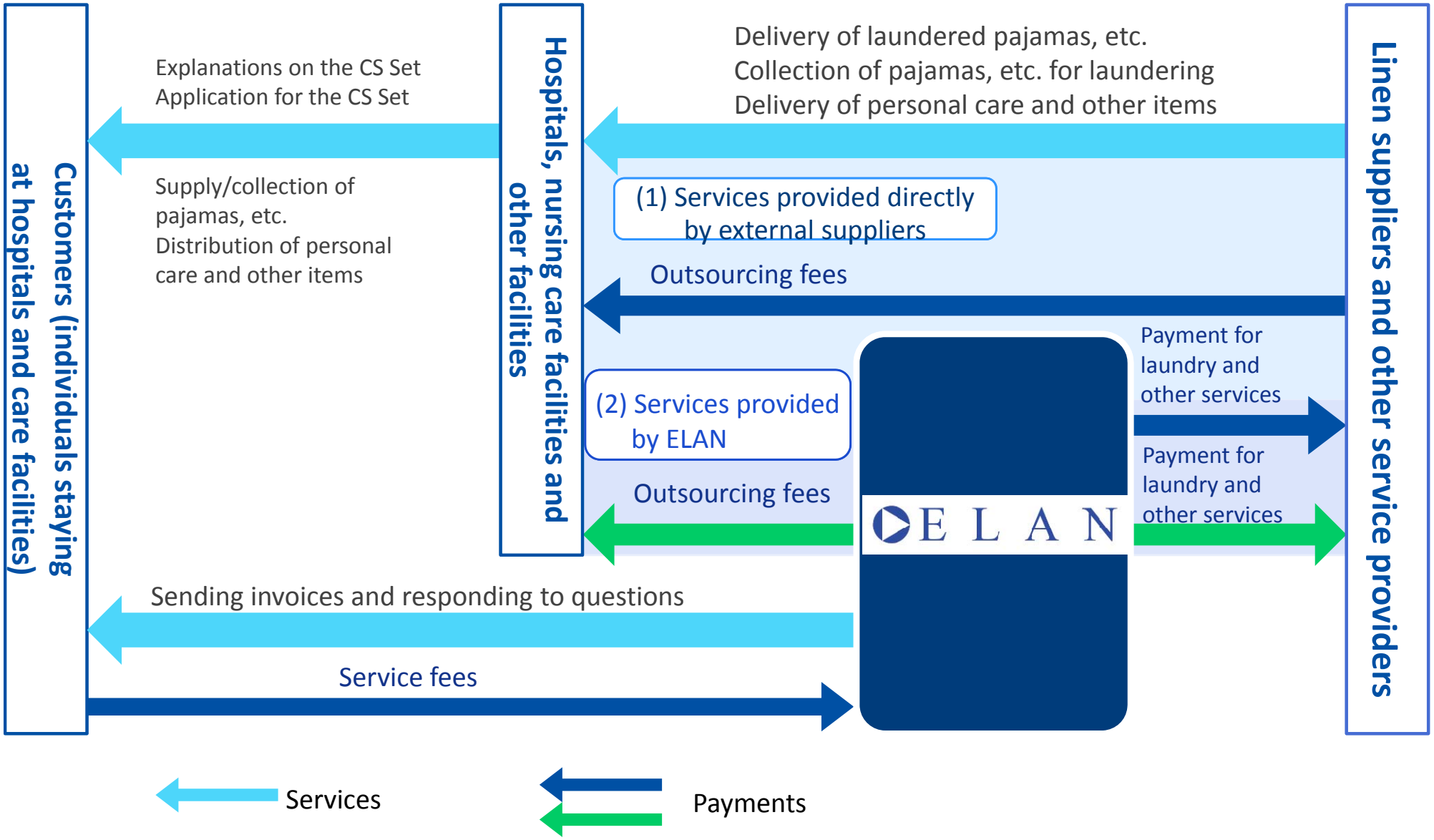


Personal care



The ELAN Business Model (Services and Payment)

For (1) services provided directly by external suppliers and (2) services provided by ELAN, the roles of all parties involved are the same; only the contract format is different.



The CS Set Eliminates Worries for Patients and Their Family Members

The CS Set provides patients and their family members with ease and comfort

Start and end a hospital stay without bringing anything in and out with them



Family members can focus on caring for the patients

Aging







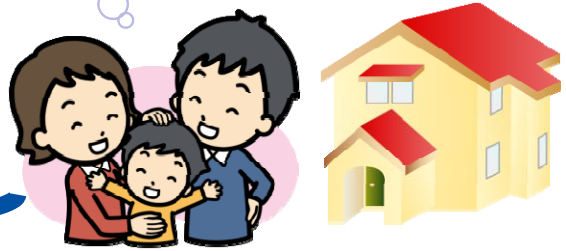
CS Set

Towels | Apparel | Personal care supplies



Family members can visit patients casually and at ease with ELAN's services

Shifting to nuclear family households



Single-person households are increasing



People living alone can start a hospital stay without worry

Many advantages for the nursing and care frontlines

Solves problems for hospitals and nursing care facilities

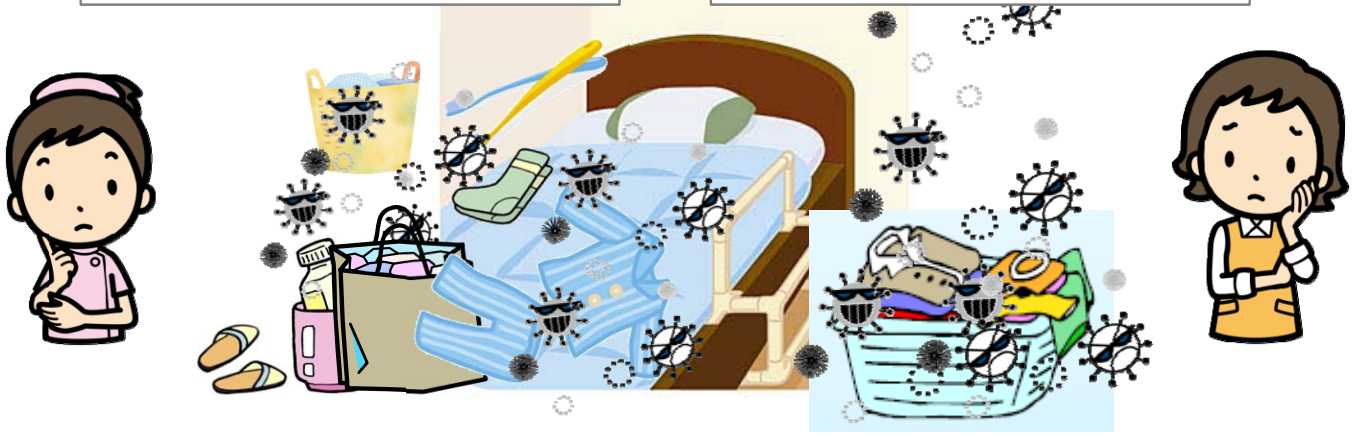




The staff can now focus on their nursing and care duties!

Chronic labor shortage

Hygiene problems



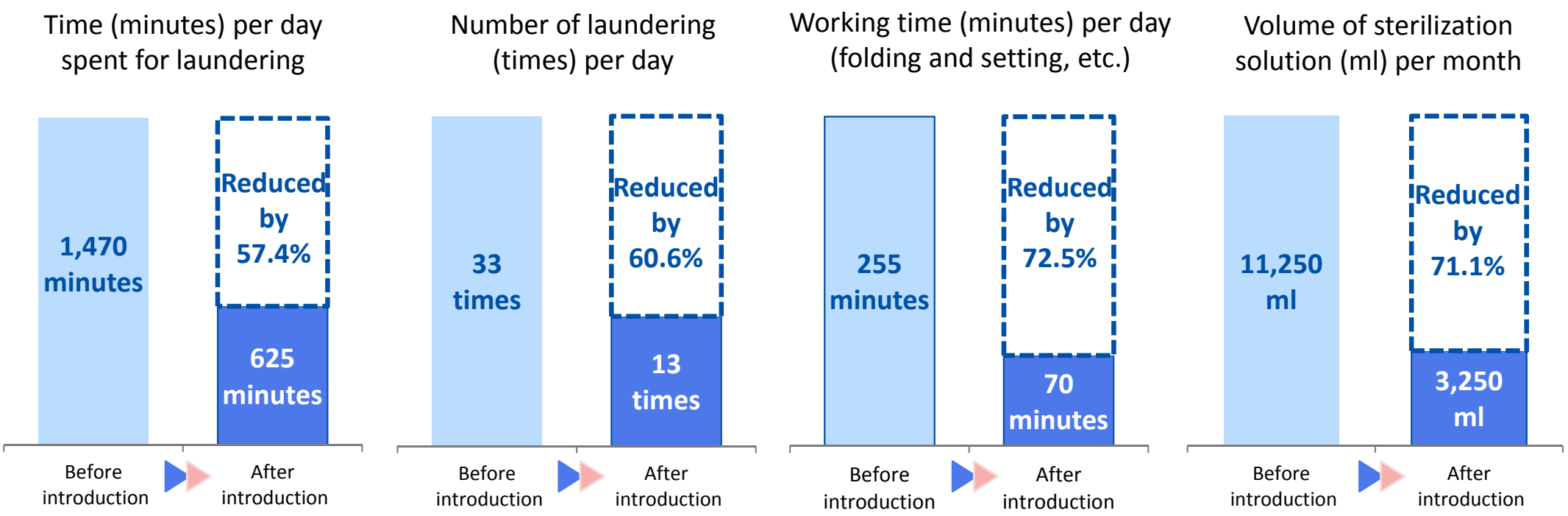
Illustrative Description of Operational Improvements at Hospitals

Significant saving of time and labor

The staff can focus on their nursing and care duties

Effects of introducing the CS Set: a case

For using towels and mealtime aprons at a hospital with 250 beds



*The figures represent accumulated total values for 6 hospitals.

Generating an economic impact for the entire hospital/nursing care industry



Management issues for hospitals and nursing care facilities

- Difficult operating environment for hospitals
- Risks involving government guidance for revenues not based on the national health insurance system

- Secure new revenue resources
- Reduce risks involving government guidance



ELAN



Management issues for operators related to hospitals and nursing care facilities

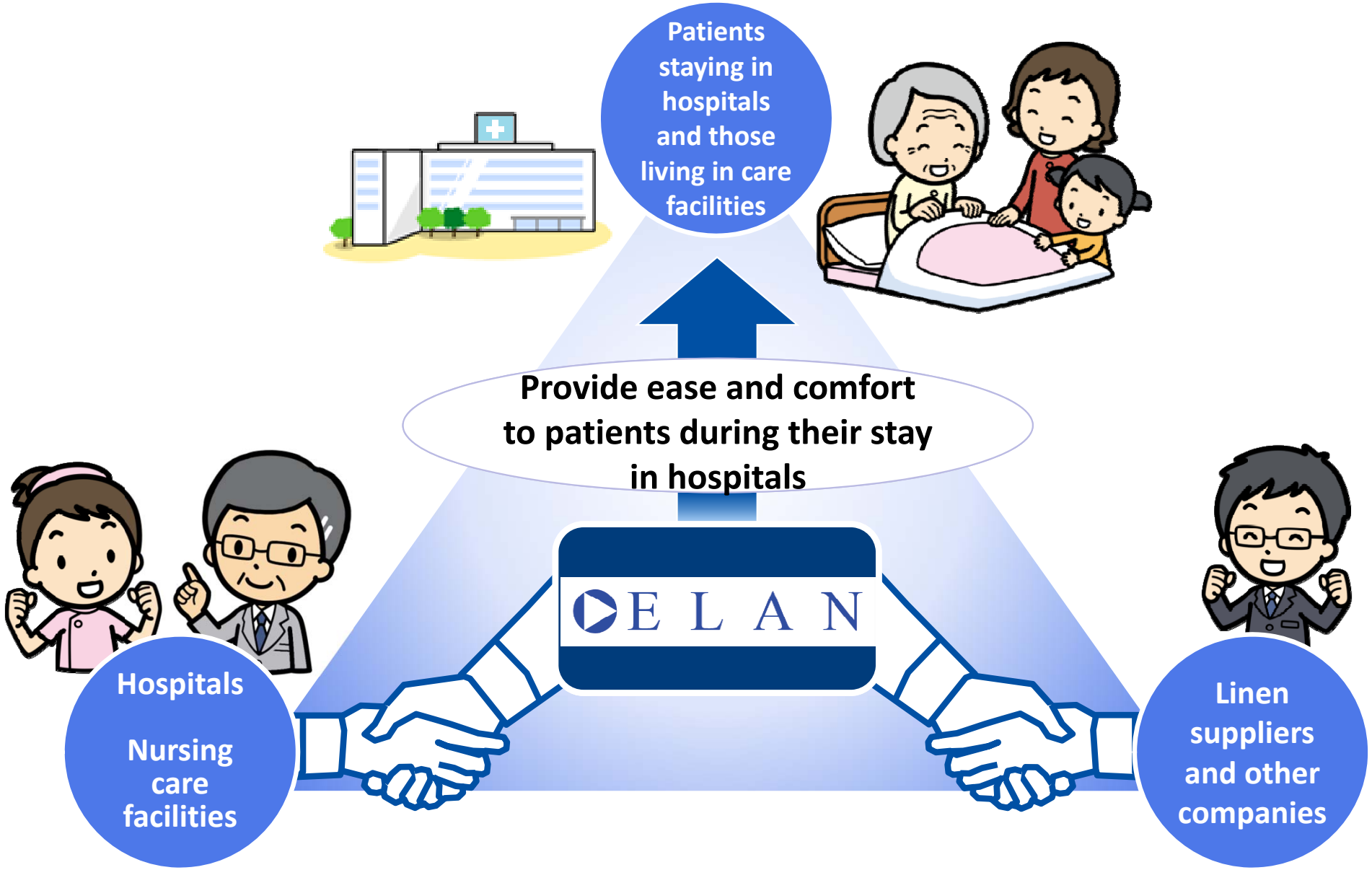
- Existing hospital-related businesses are saturated
- Cost reductions are strongly requested
- New opportunities for earning profits are needed

- Increase sales and profits



Mutual Win-Win Relationships

The CS Set business creates mutual win-win relationships



Characteristics and Strengths of ELAN

1. The CS Set has a solid history in the hospitalization support set business

2. Growth potential and earnings-generating capabilities of the business model built on the accumulation of contracted facilities

3. Barriers to new entrants are growing

ELAN has pioneered the hospitalization support set business in an organized fashion

Three factors that have enabled ELAN, the pioneer, to predominantly lead the late starters

1 Know-how

- Ability to determine where the profitability threshold stands
- Explanations to nursing and care staff and operational skills
- Provision of services in a manner consistent with government guidance
- Efficient invoicing and payment receipt operations

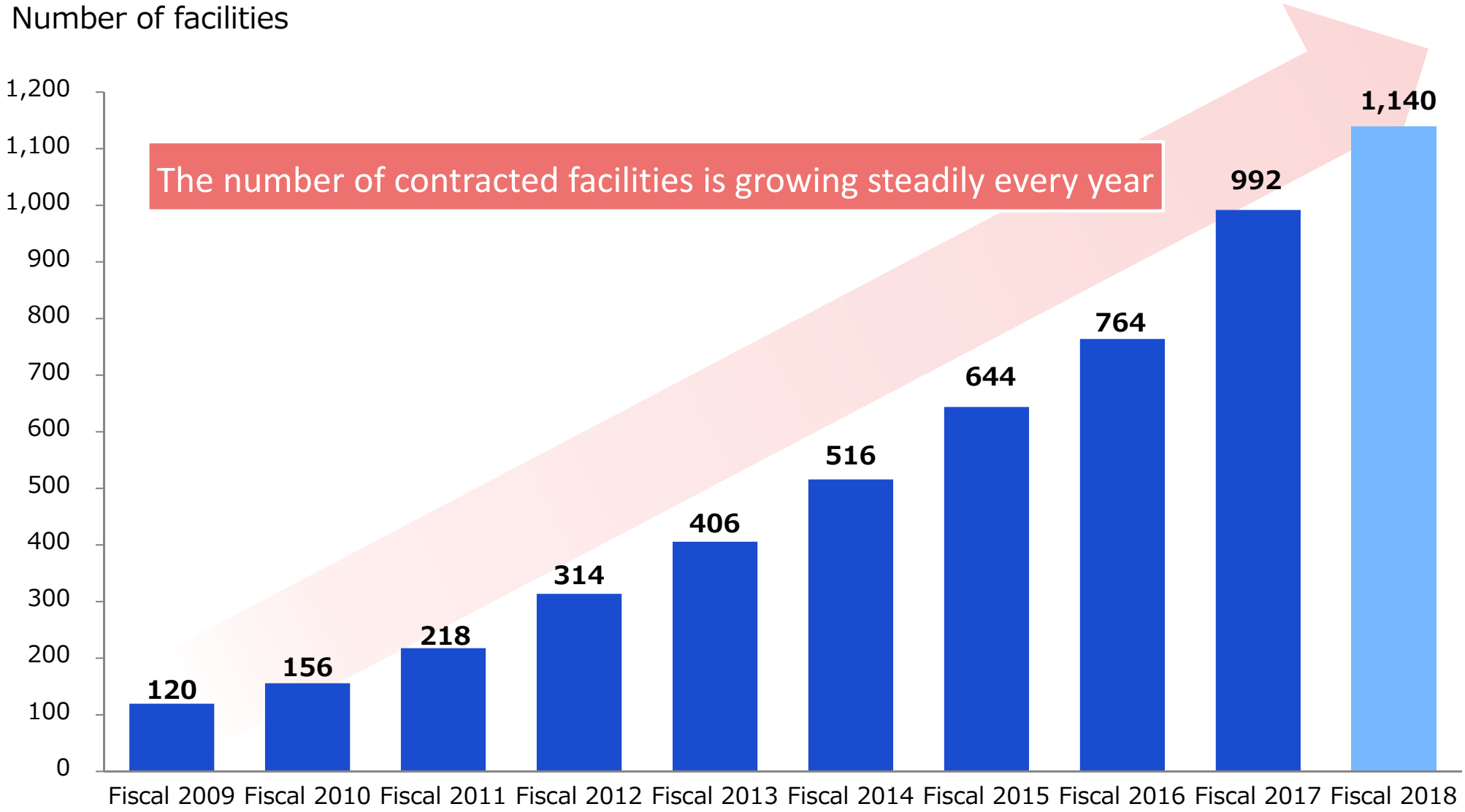
2 Business model

- A business model built on ongoing business relationships with partners to achieve mutual success

3 Positioning

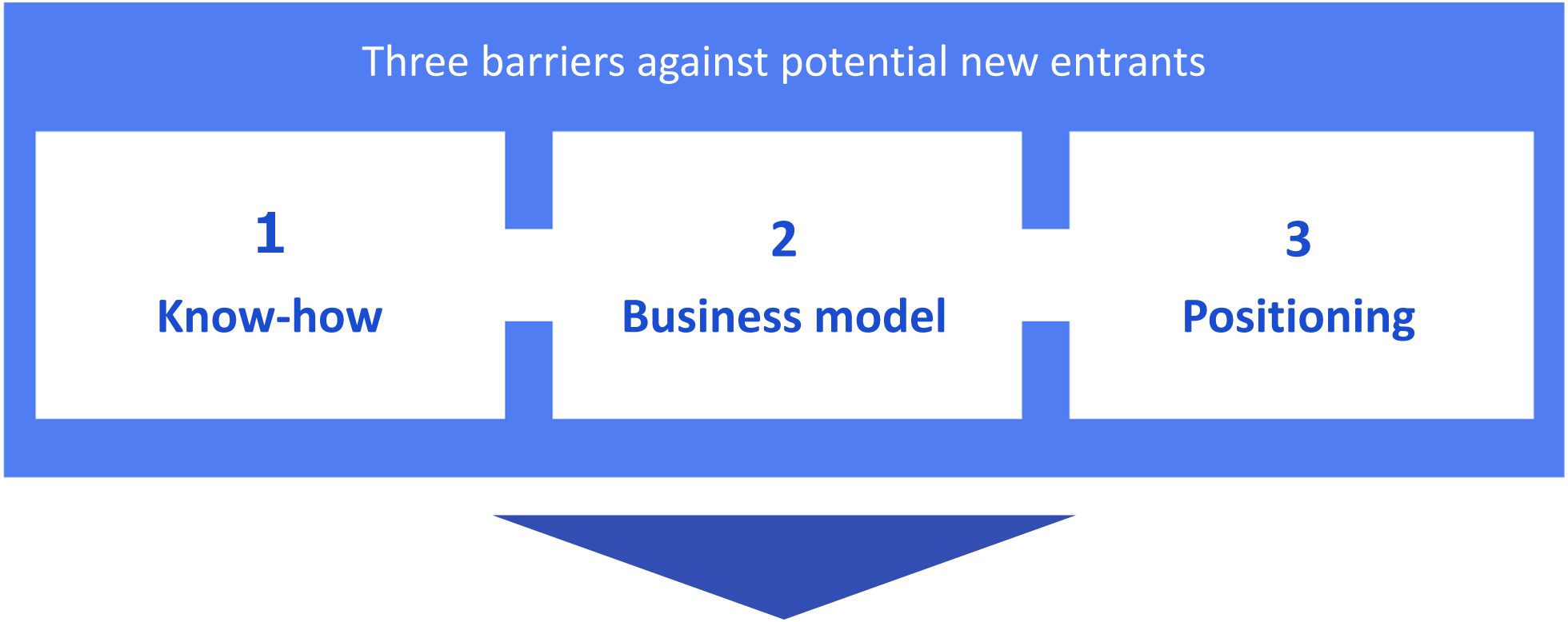
- ELAN stands independent and open without being affiliated by any corporate group

Earnings expand as the number of contracted facilities grow



Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Barriers to entry appear to be low but are actually high



Build **even higher barriers against potential new entrants** by accumulating know-how and firmly establishing our position in the industry

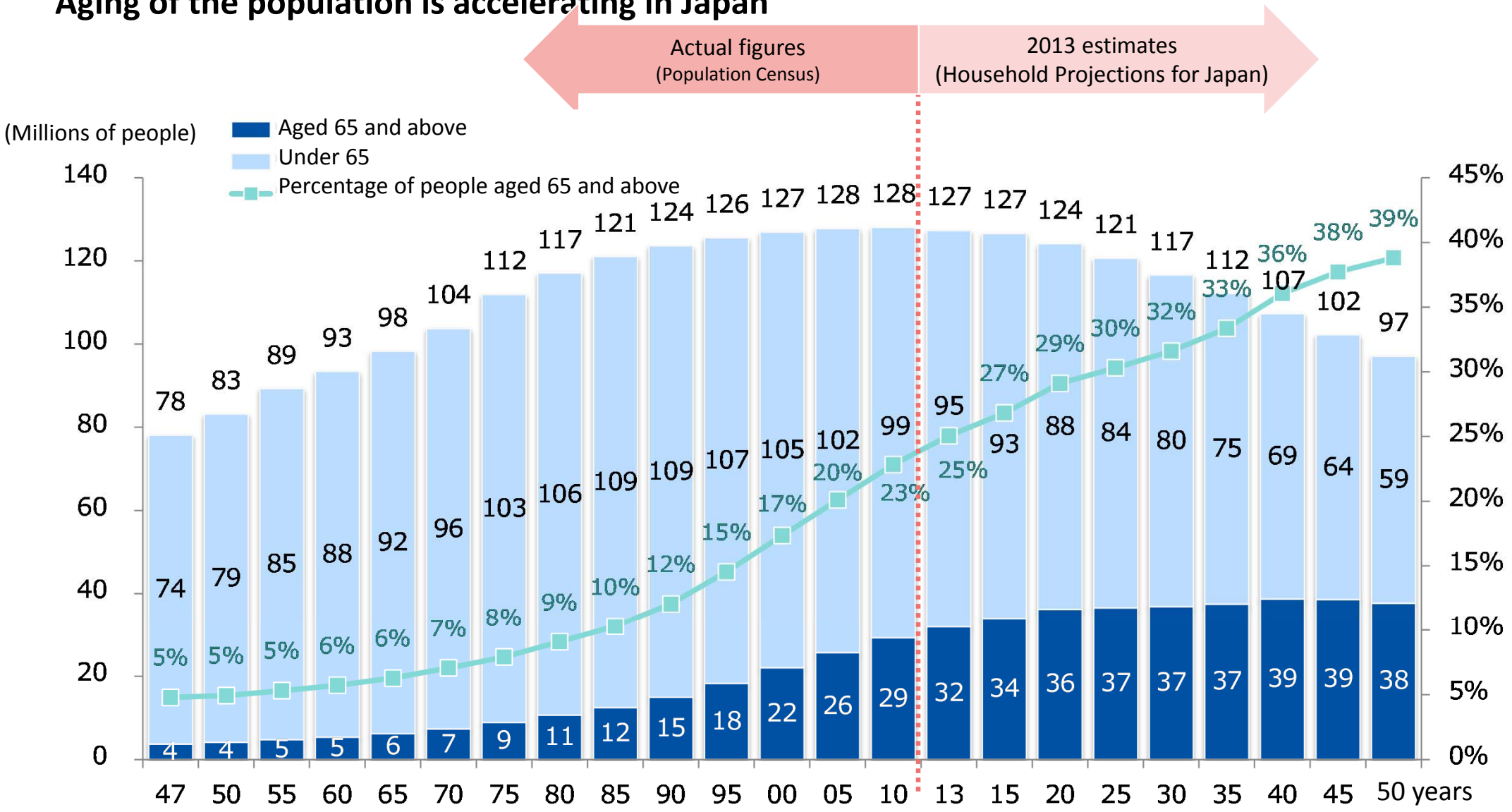
IV. Reference Materials

For everyone who knows
the value of a smile

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Aging of the population is accelerating in Japan

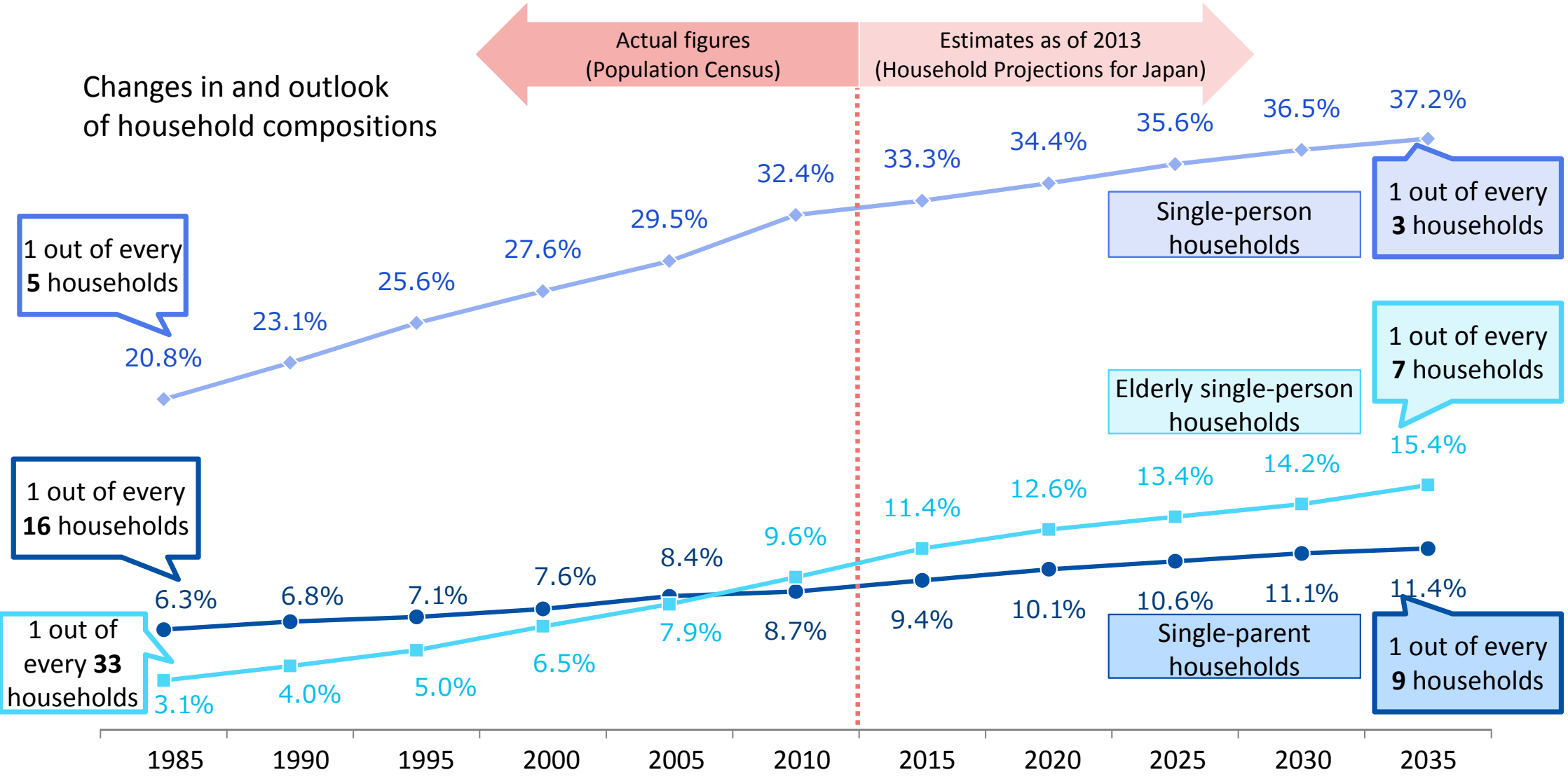


(Source) Based on the Population Census Results, Statistics Bureau, Ministry of Internal Affairs and Population Projections for Japan (January 2013 estimates) (based on assumptions for fertility and mortality using the medium variant), National Institute of Population and Social Security Research. The figures are as of October 1 each year. Okinawa Prefecture was not included for 1947 through 1970. The total figures include those whose ages are unknown.

Business Environment (2)

The targeted customer base for the CS Set will continue to grow

Changes in and outlook of household compositions

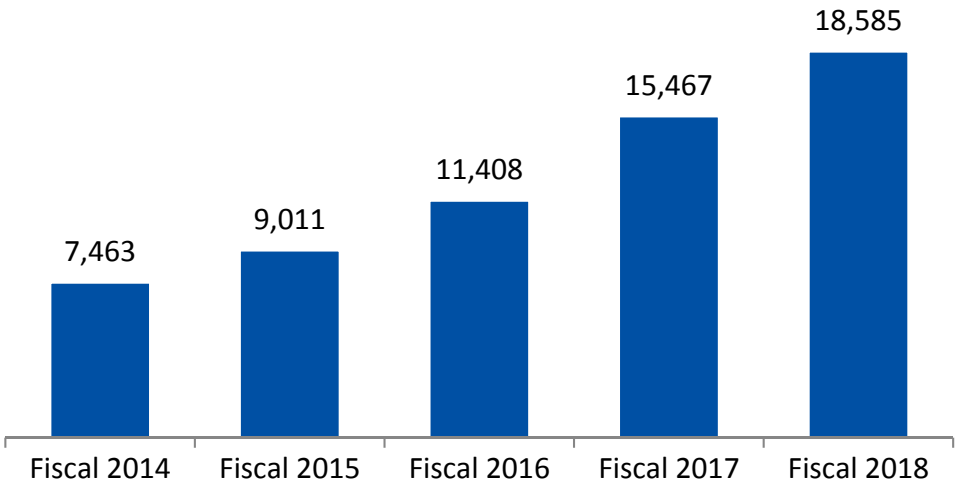


(Source) Population Census, Statistics Bureau, Ministry of Internal Affairs and Population and Projections for Japan (National Estimates) (Estimate as of January 2013), National Institute of Population and Social Security Research

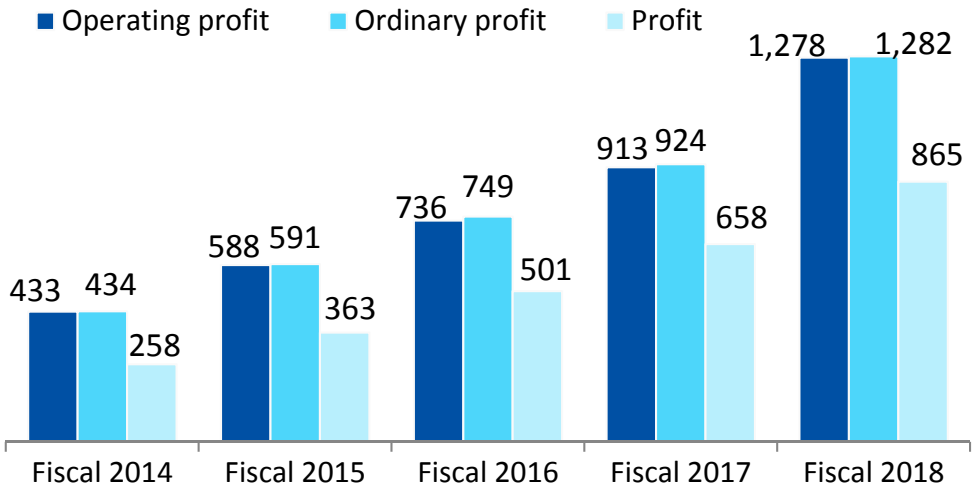
(Note) The elderly households are those with the head of the family being 65 years old or above

Financial Highlights (1)

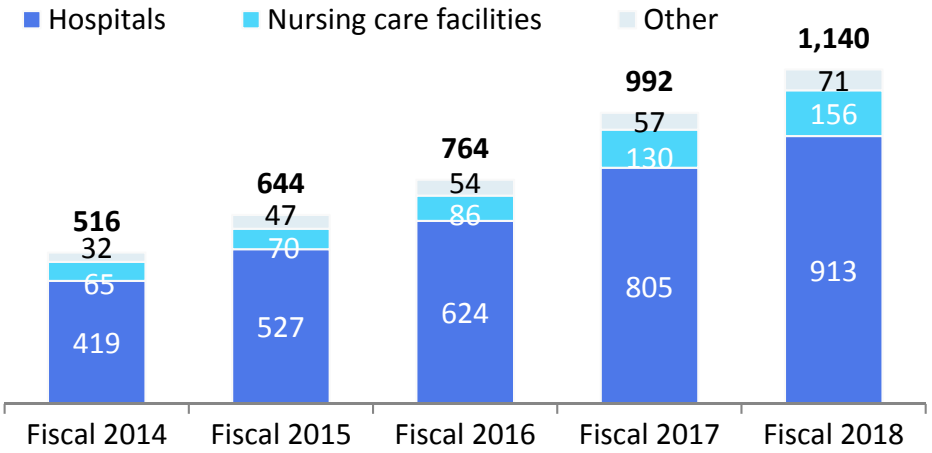
Changes in net sales (millions of yen)



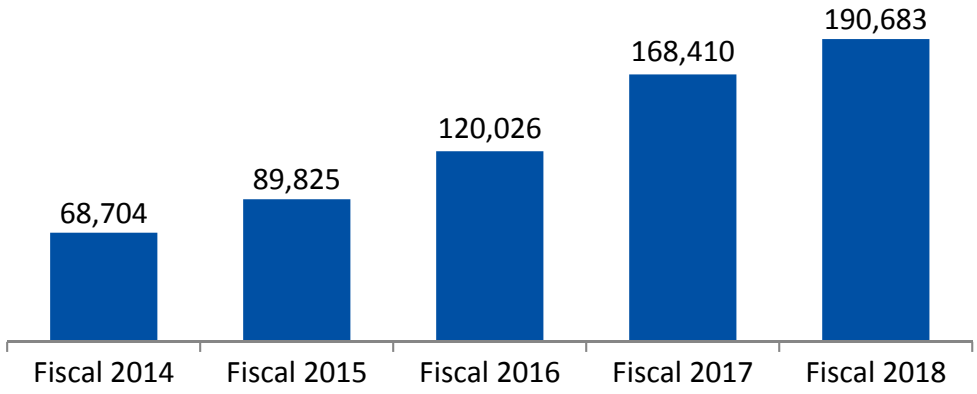
Changes in profits (millions of yen)



Changes in the number of contracted facilities



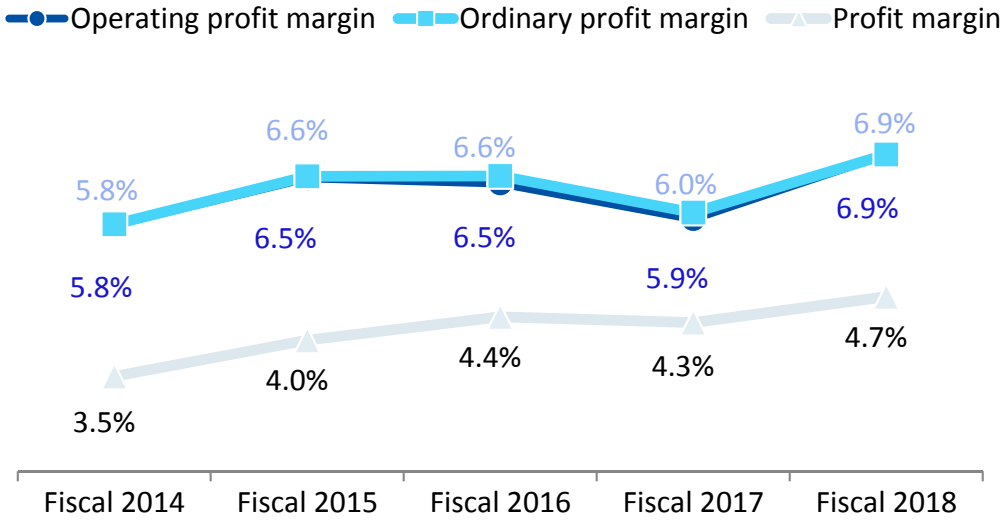
Changes in the number of monthly users (people)



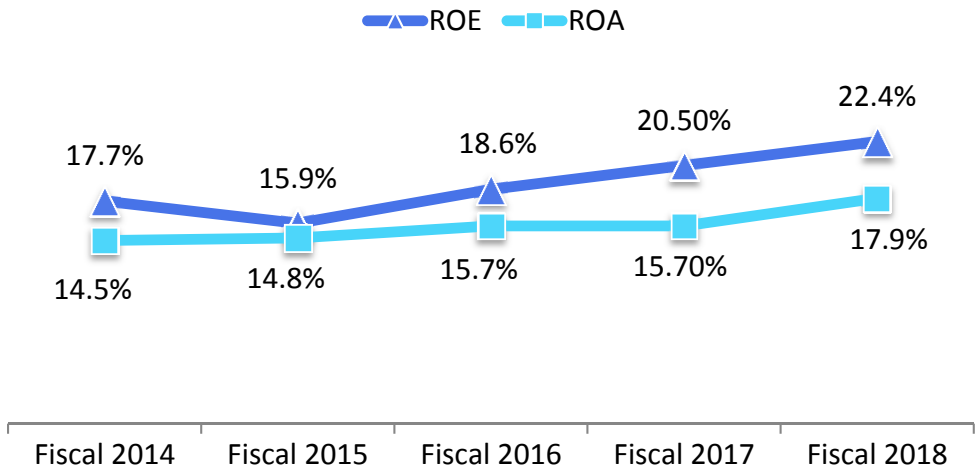
Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Financial Highlights (2)

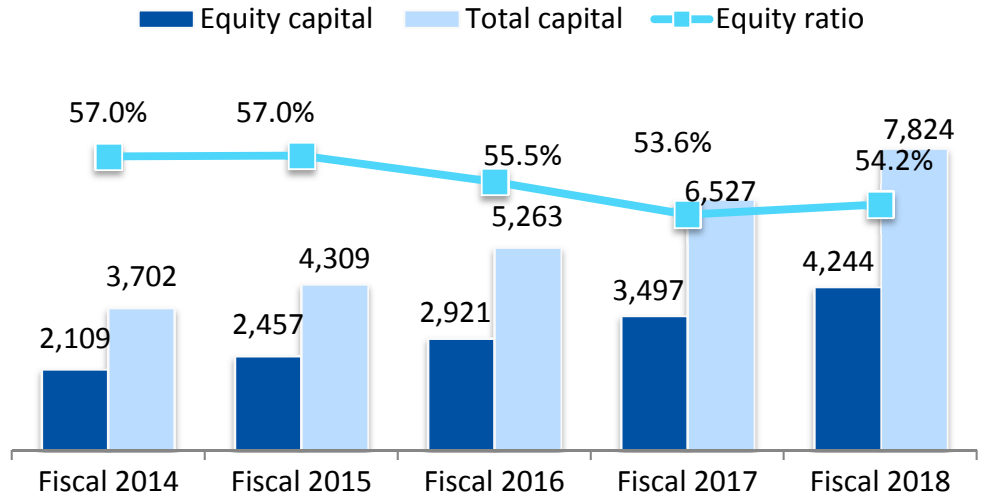
Changes in profit margins



Changes in ROE and ROA

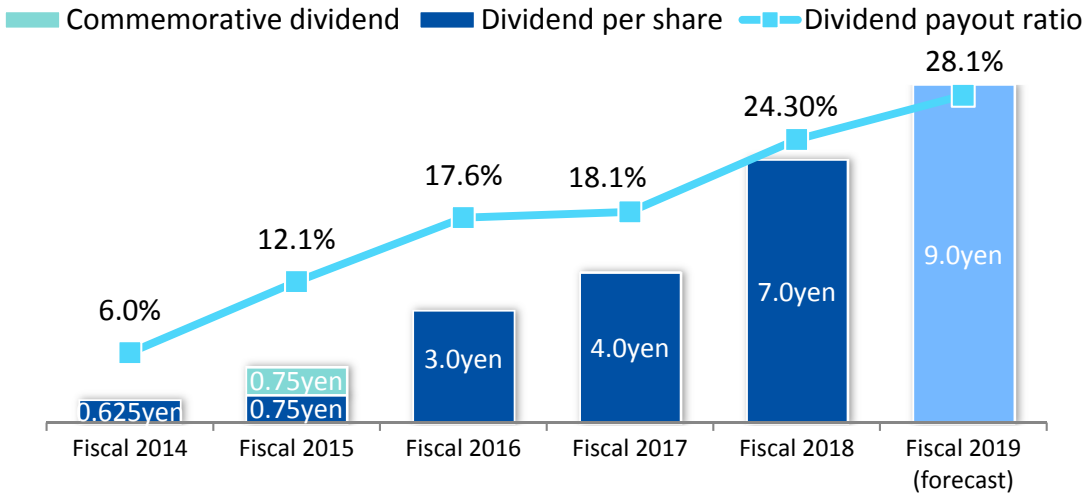


Changes in total assets, net assets and equity ratio (millions of yen)



Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Changes in dividend per share and dividend payout ratio



(Note) The dividends per share in the graph to the left have been retroactively adjusted to reflect the 50-for-1 stock split on August 17, 2012, the 100-for-1 stock split on July 28, 2014, the 2-for-1 stock split on July 1, 2015, the 2-for-1 stock split on October 1, 2017 and the 2-for-1 stock split on January 1, 2019.

Quarterly Changes in Number of Contracted Facilities and Monthly Users

- Endeavors on marketing for potentially new customers significantly increased the number of facilities that newly contracted our services in fiscal 2018
- The number of cancellations decreased in the second half of fiscal 2018

Number of contracted facilities at the end of each quarter and year end

	Consolidated							
	Fiscal 2017				Fiscal 2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of contracted facilities at the end of each quarter and year end	904	936	963	992	1,006	1,050	1,078	1,140
Increase during the period	21	38	37	38	27	55	31	64
Decrease during the period	(6)	(6)	(10)	(9)	(13)	(11)	(3)	(2)
Number of monthly users (Note 2)	127,116	151,227	158,214	168,410	177,817	174,933	177,165	190,683

(Note 1) The number of contracted facilities at the end of each quarter and year end has included the portions of LTASK Corporation since the first quarter of fiscal 2017.
(Note 2) The number of monthly users indicates the figure for the final month of each quarter.
(Note 3) The number of monthly users has included the portions of LTASK Corporation since the second quarter of fiscal 2017.

[Warning]

This material has been prepared by ELAN Corporation.

This material includes forward-looking statements such as strategies and outlooks. These statements are based on the judgments of ELAN at the time this material was prepared, and include risk factors and uncertainties. Such statements may be changed due to a variety of reasons including changes in the business environment.

[Contact]

Management Department, ELAN Corporation

Tel: +81-263-29-2684 / Fax: +81-263-88-7950

E-mail: ir-info@kkelan.com

15-12 Idegawa-machi, Matsumoto, Nagano 390-0826, Japan