Tokyo Stock Exchange (TSE) Prime Market
Securities code: 6099

Bringing smiles to your hospital/elderly facility stay

ELAN

ELAN Corporation

Operating Results for the First Quarter of Fiscal 2024 Ended March 31, 2024

ELAN Corporation

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1. Operating Results for the First quarter of Fiscal 2024

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Summary of Consolidated Financial Results for the First Quarter of 2024

- The factors behind the increase in sales and profits were the acquisition of new facilities for CS sets, an increase in the number of users, and passing on the increase in purchasing prices to prices, etc.
- Gross profit margin was affected by improvements due to progress in price pass-through and the cost of introducing Lifte (original patient clothing) at 22 facilities.
- The increase in SG&A expenses was mainly due to M&A-related expenses in Vietnam and increases in personnel expenses such as regular salary increases and base increases for our employees.

(Millions of yen)

	FY 2023 Q1 ①	FY 2024 Q1 ②	YoY Change ②-①	Main factors
Net sales	9,857	11,486	+1,629	● New CS set contract, increase in users, price pass-through
Gross profit	2,389	2,820	+430	
Gross profit to net sales(%)	24.3	24.6	+0.3	● Progress in price pass-through, Lifte (original patient clothing) introduction costs for 22 facilities
SG&A	1,397	1,761	+364	
SG&A to net sales(%)	14.2	15.3	+1.2	● M&A related expenses in Vietnam, regular salary increases/base increases for employees
Operating profit	992	1,059	+66	
Operating profit to net sales(%)	10.1	9.2	(0.8)	
Ordinary profit	997	1,065	+68	
Ordinary profit to net sales(%)	10.1	9.3	(0.8)	
Profit Attributable to Owners of Parent	695	726	+31	
Profit to net sales(%)	7.1	6.3	(0.7)	

- The reason for the decrease in cash and deposits is due to corporate tax and dividend payments as usual.
- In order to promote the spread of original patient clothing (Lifte) and shorten lead times, the number of "supplies" increased as a result of switching to some in-house inventory.

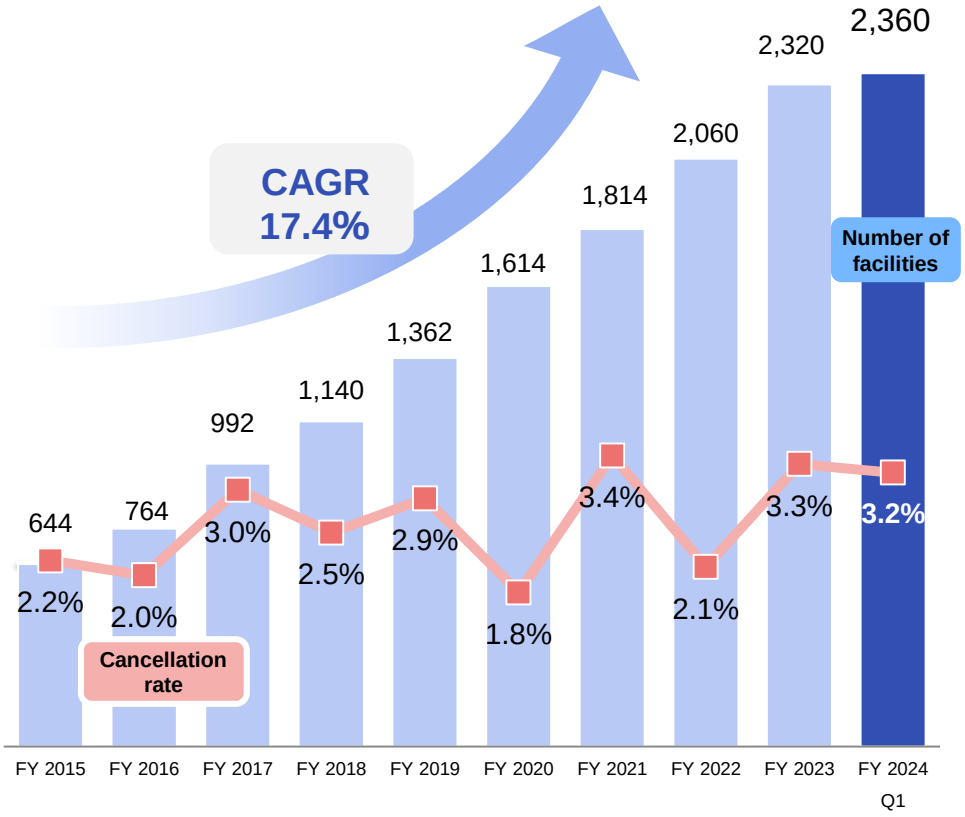
(Millions of yen)

	FY 2023 ①	FY 2024 Q1 ②	YoY Change ②-①	Main factors
Total assets	18,993	18,499	(493)	
Cash and deposits	5,488	5,081	(406)	● For corporate tax and dividend payments
Supplies	520	551	+30	● Inventory of original patient clothes (Lifte)
Total liabilities	8,178	7,713	(465)	
Income taxes payable	724	358	(365)	
Total net assets	10,814	10,786	(27)	● Recording of quarterly net income +726 / Dividend payment -787

Number of Contracted Facilities and Users

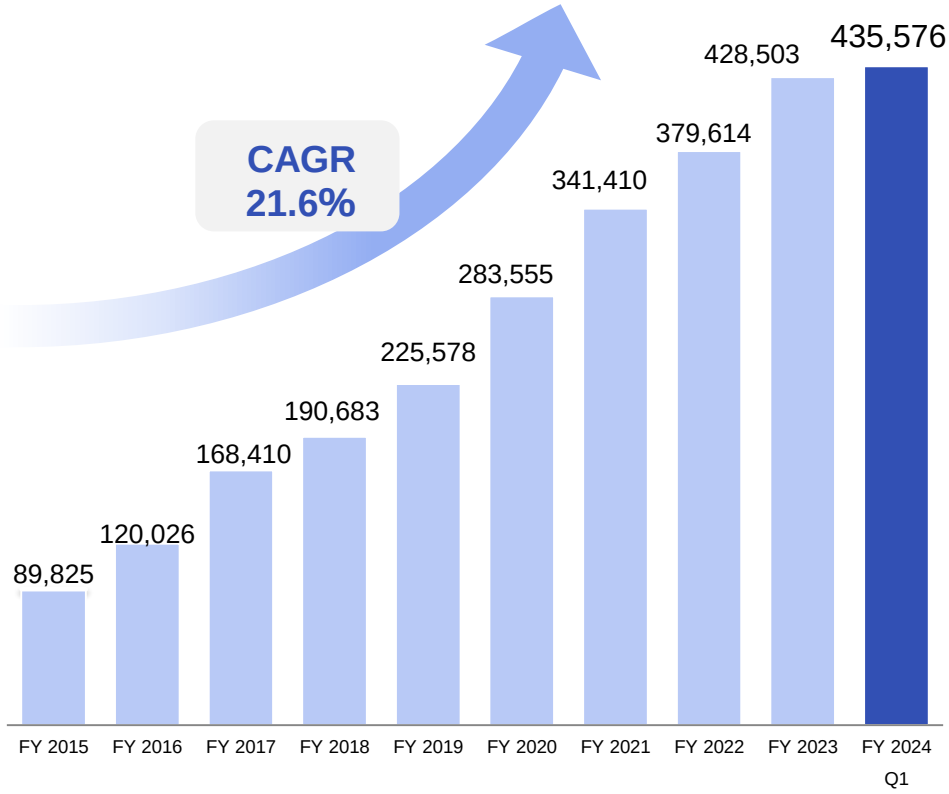
- The number of new contracted facilities increased compared to the previous fiscal year. (FY 2023 Q1: 55 facilities / FY 2024 Q1: **71** facilities)
- The number of facilities that terminated their contracts decreased compared to the previous fiscal year. (FY 2023 Q1: 34 facilities / FY 2024 Q1: **31** facilities)

Contracted Facilities and Cancellation Rate



Note: Cancellation rate for the year = Number of cancellations in current year / (Contracts at end of previous year + New contracts in current year)

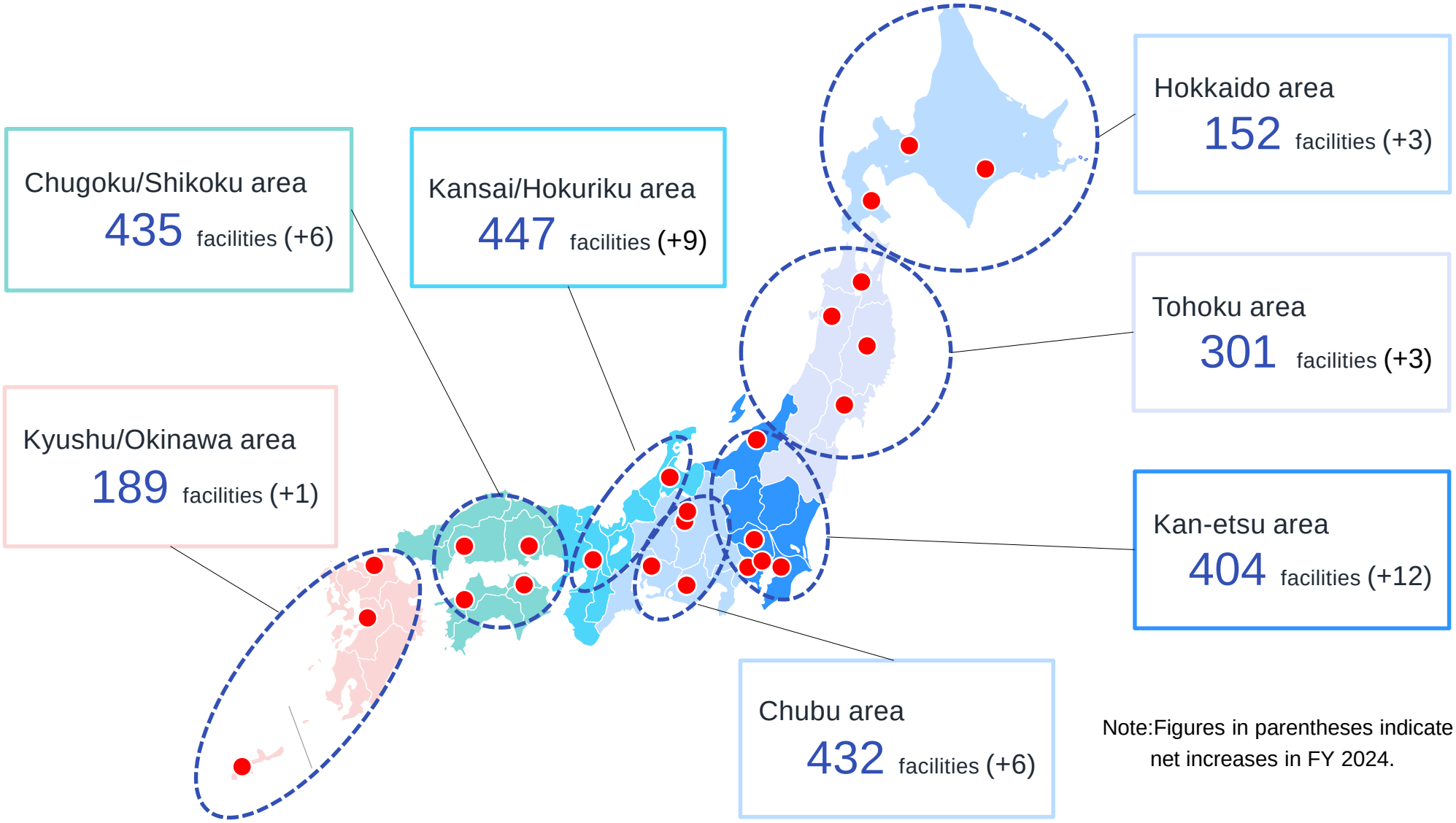
Monthly Users



Note: The number of monthly users above indicates the number of users in the month at the end of each fiscal year.

ELAN's Operating Bases and Number of Contracted Facilities Throughout Japan (as of March 31, 2024)

- The net increase in the Kan-etsu area and Kansai/Hokuriku area was slightly higher than in other areas.

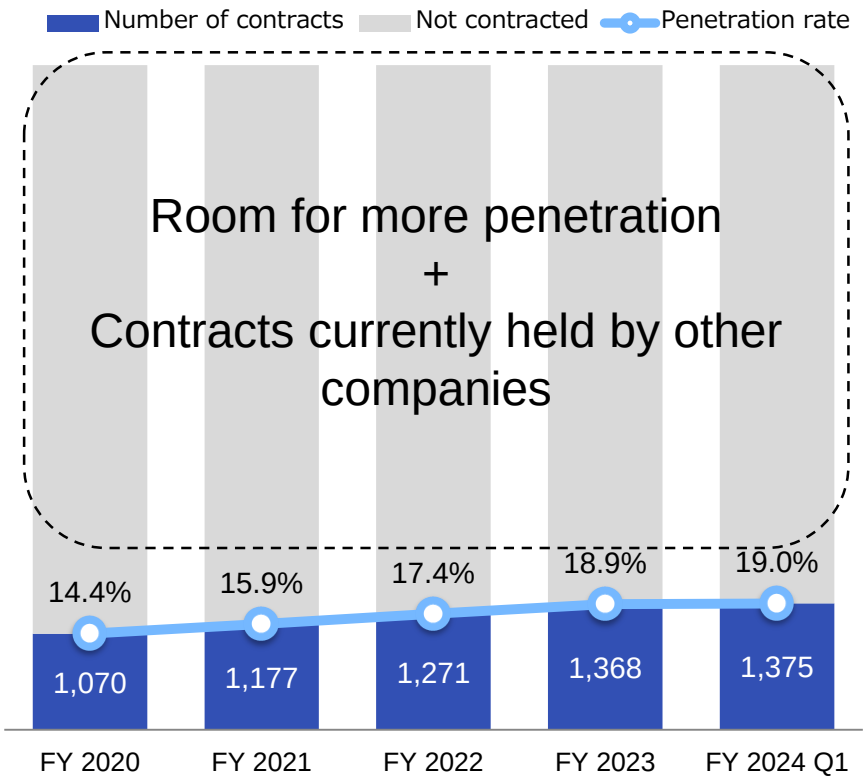


Note:Figures in parentheses indicate net increases in FY 2024.

Facility Penetration Rates

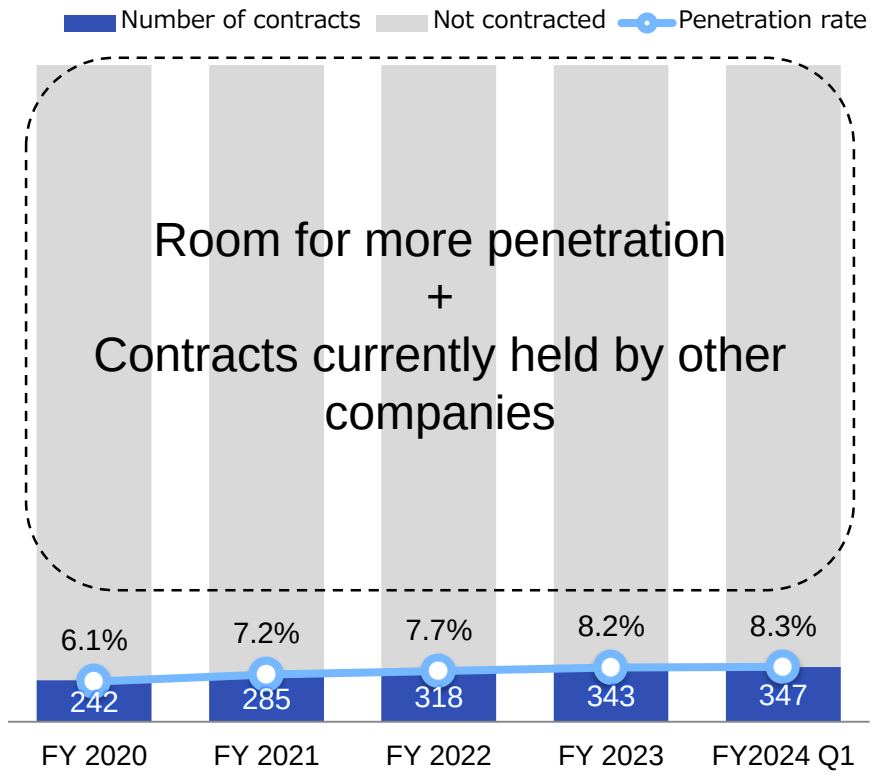
- With the number of contracted hospitals (with 50 or more beds) exceeding 1,300, the penetration rate has reached **19.0%**.
- With the number of contracted long-term care health facilities and integrated facilities for medical and long-term care (with 50 or more beds) exceeding 340, the penetration rate has reached **8.3%**.

Penetration Rate of Hospitals (with 50 or More Beds)



ELAN's target is 7,241 facilities

Penetration Rate of Long-term Care Health Facilities/ Integrated Facilities for Medical and Long-term Care (with 50 or More Beds)



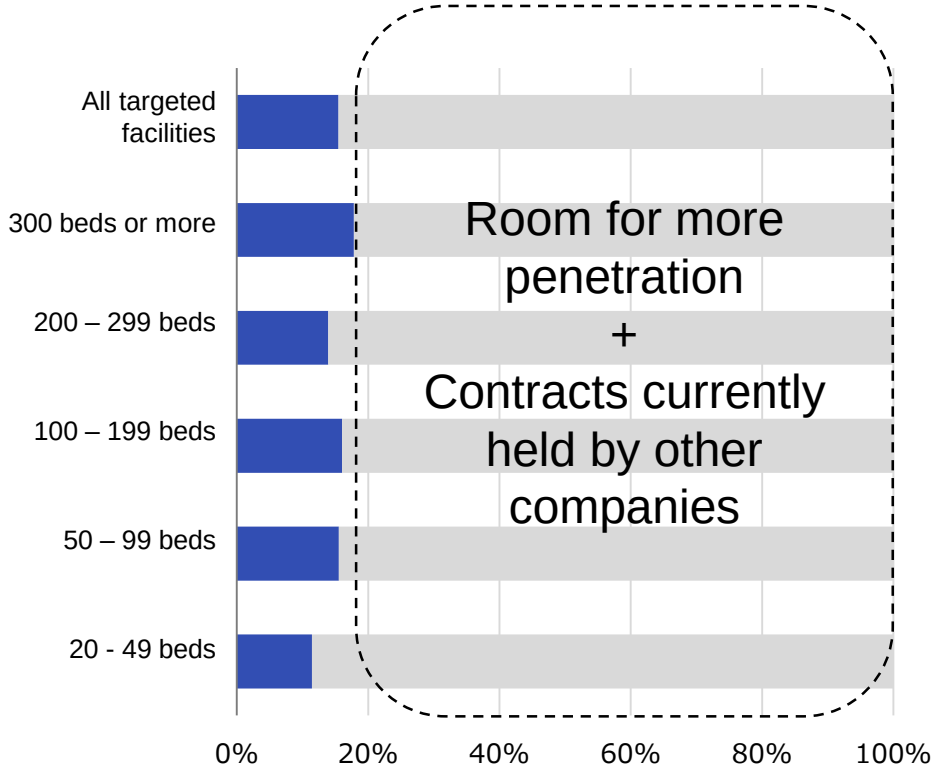
ELAN's target is 4,163 facilities

Notes: Prepared by ELAN with reference to the Survey of Medical Facilities 2022 and the Survey of Institutions and Establishments for Long-term Care 2022 by the Ministry of Health, Labor and Welfare.
From the presentation materials for the first quarter of fiscal 2021, integrated facilities for medical and long-term care were added to long-term care health facilities when calculating the penetration rate. (Thus, the penetration rates for FY 2019 and FY 2020 differ from those presented in past materials.)

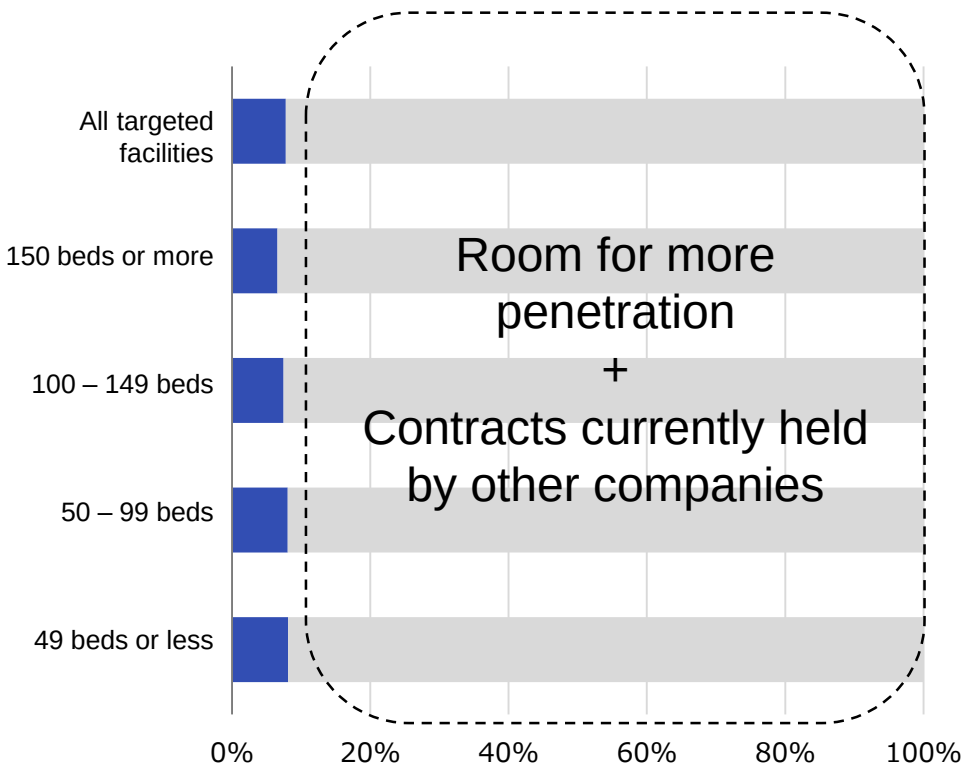
Penetration Rate by Facility Size

- The penetration rate is comparatively low for hospitals with 20–49 beds and 200–299 beds.

Penetration Rate of Targeted Hospitals by Number of Beds



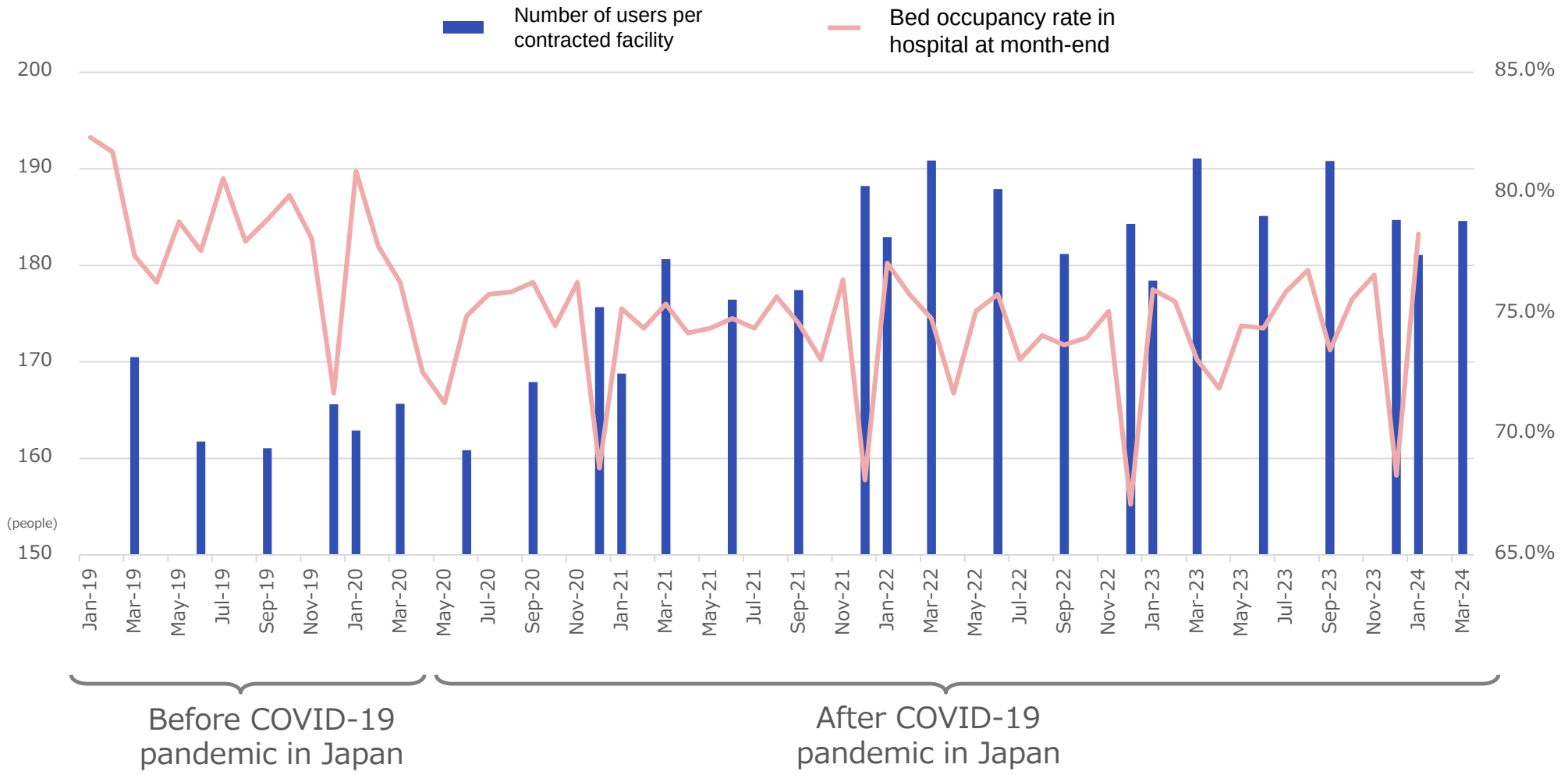
Penetration Rate of Targeted Long-term Care Health Facilities/
Integrated Facilities for Medical and Long-term Care by Number of Beds



Notes: The blue parts of the charts above represent the penetration rate of our service.
Prepared by ELAN with reference to the Survey of Medical Facilities 2022 and the Survey of Institutions and Establishments for Long-term Care 2022 by the Ministry of Health, Labor and Welfare.
Beginning with presentation materials for the first quarter of fiscal 2021, integrated facilities for medical and long-term care were added to long-term care health facilities when calculating the penetration rate.

Trend analysis of CS set usage rate

- “Bed occupancy rate in hospital at month-end” was 78.3% in January 2024, an increase of 2.3 points compared to the same month last year.
- “Number of users per contracted facility of CS set (last month of each quarter)” remains strong (CS set maintain a high usage rate).

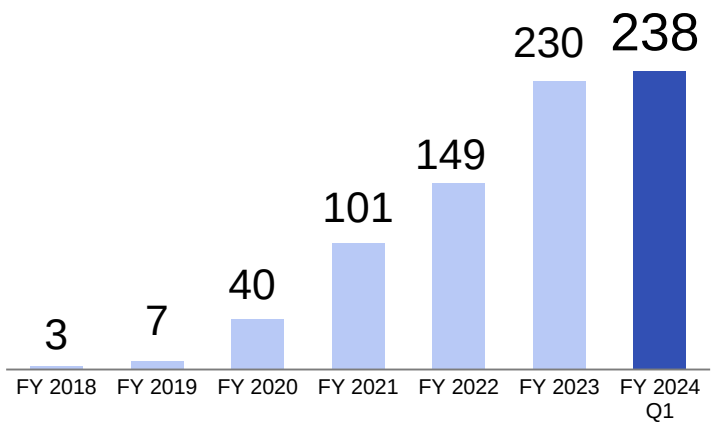


Notes: Prepared by ELAN with reference to the hospital report by the Ministry of Health, Labor and Welfare.

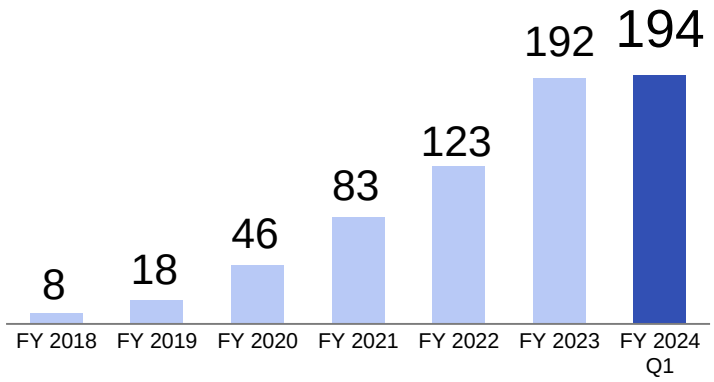
Expand Acceptance of CS Sets R and LC

- **14** facilities have introduced R, and **6** facilities have canceled (of these, 5 facilities canceled their contract with the CS set at the same time, and 1 facility canceled their contract only for R)
- **12** facilities introduced LC, **10** facilities canceled (of these, 9 facilities in the same group canceled their LC contracts, and 1 facility closed)

Number of Facilities Contracts for CS Set R



Number of Facilities Contracts for CS Set LC



※Introduction of CS Set R and CS Set LC is on p31.

Development and introduced of original patient wear

- Lifte was introduced in 22 facilities in the first quarter of 2024 (13 new contract facilities, 9 existing contract facilities).
- Aiming for contracts with over 200 facilities in 2024.

ELAN 株式会社エラン × Classico

lifte

Development of original patient wear

Name: lifte

Meaning: Lift the quality and feeling of life at hospitals and facilities

Fabric: Comfortable texture and design

Remains soft and comfortable even with industrial laundering





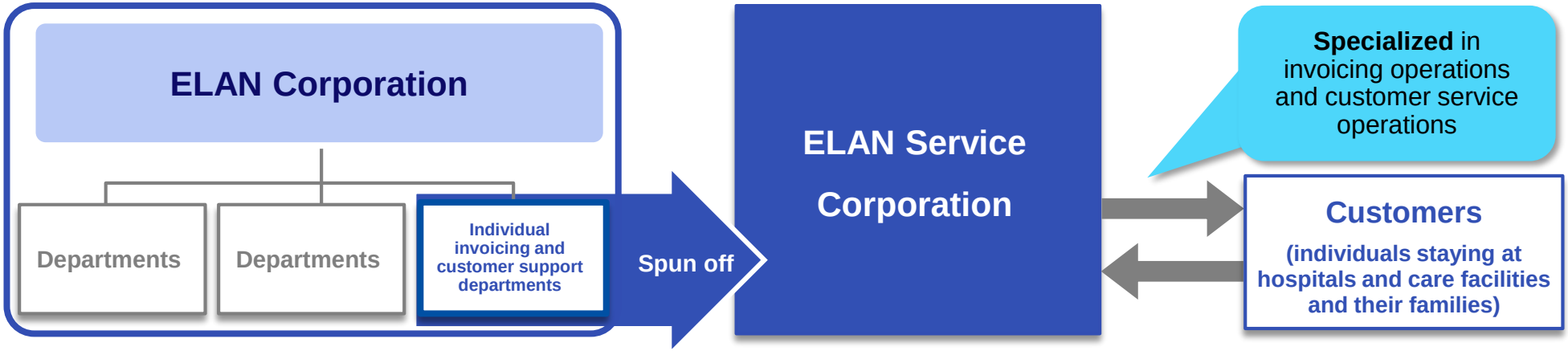


Number of Lifte contract facilities (as of March 31, 2024)

	2021	2022	2023	2024 Q1
Contract facilities	1	7	44	22
New contract facility	0	3	34	13
Existing contract facility	1	4	10	9
Forecast	-	-	100	200 or more

Expansion and Reinforcement of the Operations of ELAN Service Corporation

- Contracted with 9 companies providing hospitalization set services and received contracts from **37** facilities.
- Contracted with 2 nursery school management companies and received contracts from 2 facilities.



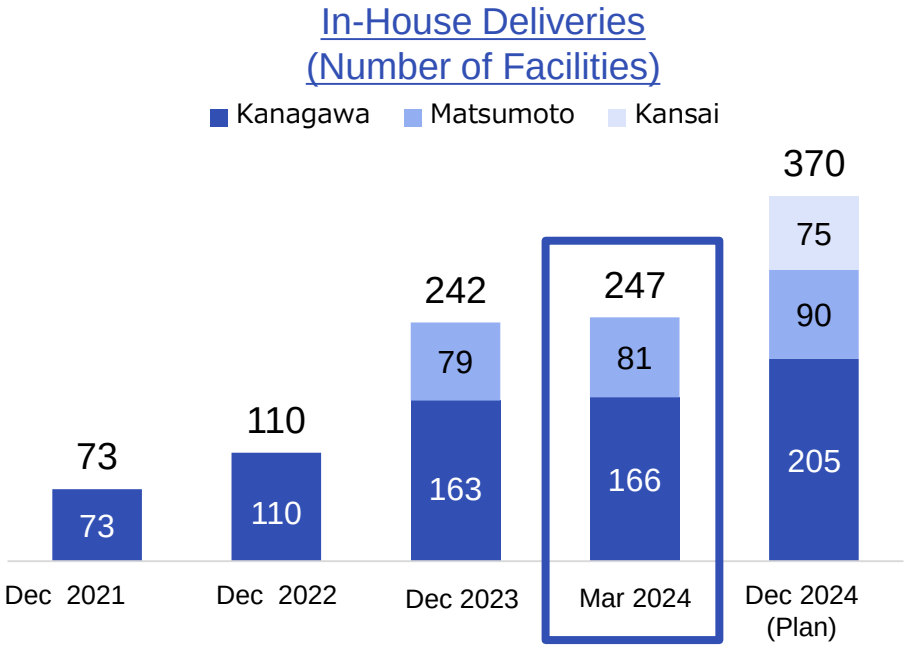
Aiming to enhance customer satisfaction

- **Response to inquiries in other languages**
  - English / Mandarin Chinese / Korean Portuguese / Vietnamese / Tagalog / Thai
- **Applications accepted from smartphones and PCs**
- **Opening of a portal website dedicated for users**
- **Usage fee payments by credit card or other digital payment methods**
- **24-hour call center support Operating throughout the year (including on weekends and holidays)**
- **Start handling individual invoicing and customer support for other companies' hospitalization sets**

Expansion of In-house Logistics

- Taking steps to expand our own warehouses and logistics capabilities to better handle deliveries during disasters and mitigate shortage risks.
- The number of in-house delivery facilities is scheduled to increase to a total of 370 facilities by the end of December 2024.





Note: Figures indicate the number of facilities to which in-house deliveries were being made, as of month-end.

ELAN COULEUR Corporation

- On August 18, 2023, our subsidiary Elan Rules was certified as a “special subsidiary” based on the “Act on Promotion of Employment of Persons with Disabilities.”
- **14** people with disabilities were engaged in in-hospital resident work for the CS set, goods management work in the distribution warehouse, and clerical work in the customer support department.
- In the future, in addition to contracting out some in-hospital operations from hospitals, we are also considering supporting the employment of people with disabilities on the hospital side, creating employment opportunities for people with disabilities.

Employment of people with disabilities
(as of March 31, 2024)

	2023	2024 Q1
Total	13	14
physical disability	4	4
Intellectual disability	3	3
Mental disability	6	7

Special subsidiary certificate issuance ceremony
(August 29, 2023)



Left: Tomohiro Minezaki, ELAN Corporation COO
Right: Akira Ishizuka, ELAN COULEUR Corporation president.

Company Overview

(1) Headquarters : Matsumoto, Nagano Prefecture
(2) Base location : Nagoya, Aichi Prefecture
(3) Capital : 30 million yen
(4) Date of establishment : January 4, 2023
(5) President : Akira Ishizuka

Overseas Business Expansion

- The GREEN stock transfer scheduled for March 2024 will be postponed to May 2024 or later.
- In June 2024, we plan to acquire 51% of the shares in TMC (a company that provides laundry services for major hospitals mainly in Hanoi, Vietnam) and make it a subsidiary.
- We will continue to investigate the feasibility of hospital-related businesses in Southeast Asia, with a focus on India and Vietnam.

Country	Company	Business type	Investment ratio	Consolidated balance sheet	Companies accounted for using the equity method
India	Boston Ivy Healthcare Solution Pvt. Ltd. (BIHS)	Sales of medical materials, etc.	5% or less	×	×
India	Quick Smart Wash Pvt. Ltd. (QSW)	Laundry service for hospitals	42.18%	×	×
India	AKAL	Temporary staffing	5% or less	×	×
Vietnam	GREEN LAUNDRY JOINT STOCK COMPANY (GREEN)	Laundry service for hospitals	100% (forecast)	○ (forecast)	-
Vietnam	**TMC VIET NAM TRADING AND SERVICE JOINT STOCK COMPANY (TMC)**	Laundry service for hospitals	51% (forecast)	○ (forecast)	-

Bringing smiles to your hospital/elderly facility stay

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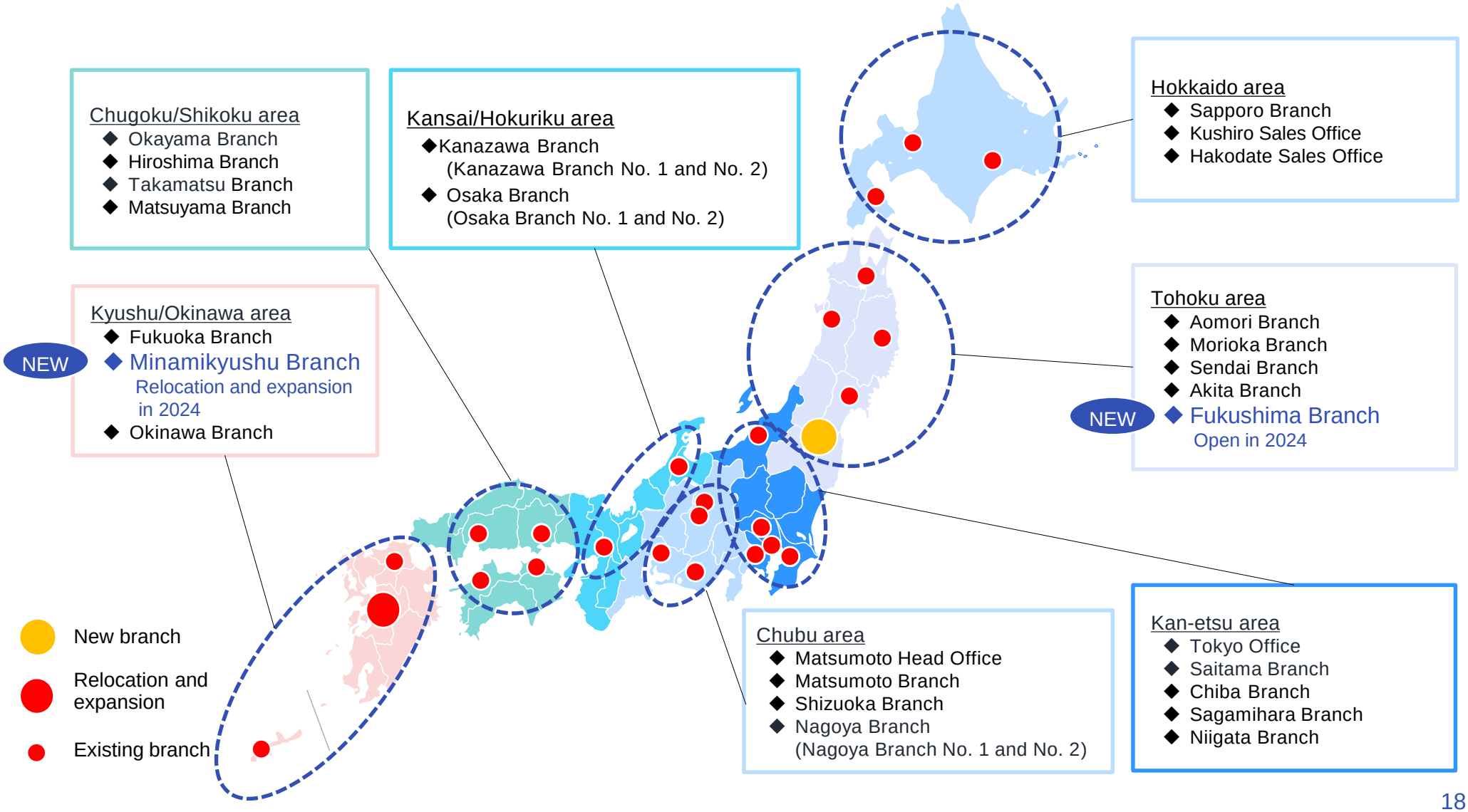
2. Earnings forecast of Fiscal 2024

Open New Branches in 2024

- The store opening plan remains unchanged from the information released on February 26, 2024 (financial results briefing materials).
- Open new branches (Kushiro). Existing branches relocation and expansion (Morioka and Niigata). To strengthen salesforce.



Forecast of Operating Results for Fiscal 2024

- Consolidated earnings forecasts remain unchanged from figures announced on February 14, 2024 (financial results summary)
- The reason for the expected decline in profits in the first half is that we are anticipating increased sales of original patient clothing (Lifte) and M&A-related expenses in Vietnam.
- The sales growth rate in the second half is expected to be due to an improvement in the sales environment for CS sets, an increase in bed utilization rate, progress in price pass-through, etc.

(Millions of yen)

	Fiscal 2023 First Half Results	Fiscal 20234 First Half Forecast	YoY Change	Fiscal 2023 Results	Fiscal 2024 Forecast	YoY Change
Net sales	19,781	22,600	14.3%	41,425	50,000	20.7%
Operating profit	1,801	1,680	(6.7%)	3,665	4,200	14.6%
Operating profit to net sales	9.1%	7.4%		8.8%	8.4%	
Ordinary profit	1,813	1,700	(6.2%)	3,681	4,230	14.9%
Ordinary profit to net sales	9.2%	7.5%		8.9%	8.5%	
Profit Attributable to Owners of Parent	1,253	1,150	(8.2%)	2,518	2,850	13.2%
Profit to net sales	6.3%	5.1%		6.1%	5.7%	
EPS	20.73円	19.02円		41.66円	47.14円	

Figures According to the Medium-Term Management Vision

- Medium-term management vision remains unchanged from figures announced on February 26, 2024 (financial results briefing materials)
- In 2025, the final year of our medium-term management vision, we aim for sales of 60 billion yen from CS sets and 8 billion yen from new businesses and overseas businesses.
- We are aiming for a double-digit operating profit margin through systems such as individual billing for CS sets and inventory management to improve operational efficiency.

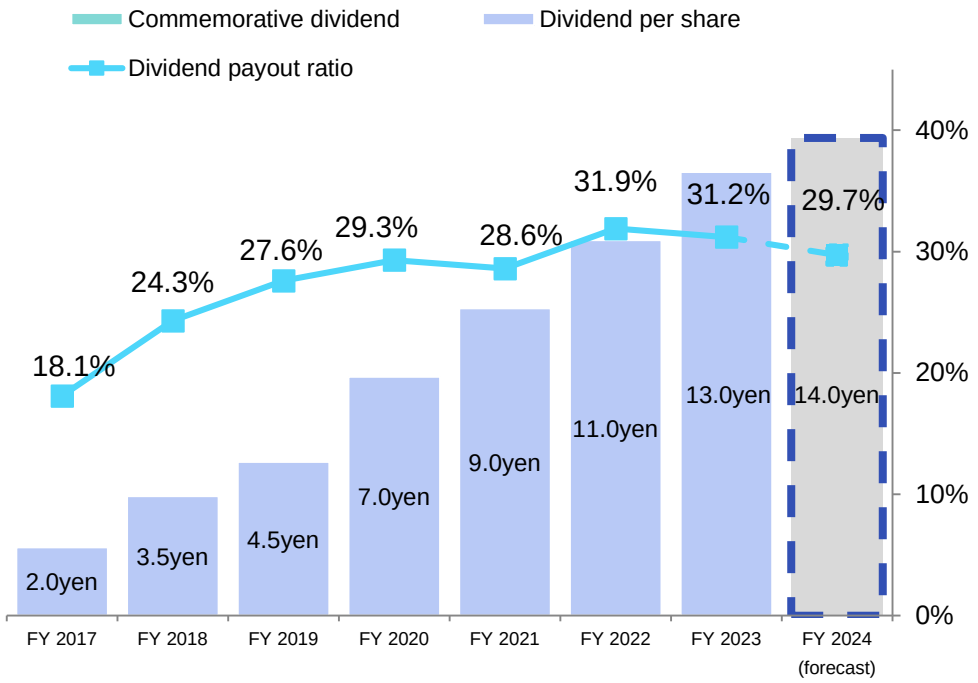
	2022 (Results)	2023 (Results)	2024 (Forecast)	2025 (Forecast)
Net sales	36.2 billion yen	41.4 billion yen Forecast:43.7 billion yen	50.0 billion yen	68.0 billion yen (CS sets 60.0 billion yen)
Operating profit	3.39 billion yen	3.66 billion yen Forecast:3.60 billion yen	4.20 billion yen	7.00 billion yen
Operating profit to net sales	9.4%	8.8% Forecast:8.2%	8.4%	10.3%
ROE	25.3%	25.4% Forecast:25.2%	24.1%	26.0%
Dividend payout ratio	31.9%	31.2% Forecast:29.0%	29.7%	30.0%
Penetration rate of the target market	13.9%	15.0% Forecast:16.7%	18.5%	26.0%

2023 to 2025 Medium-Term Management Vision

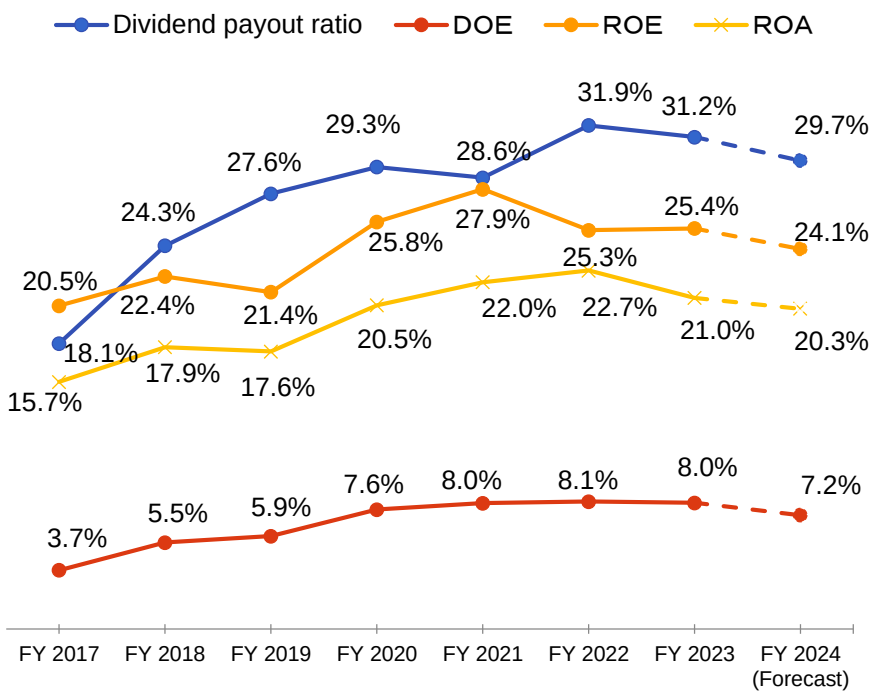
Return to Shareholders

- Dividend forecast remains unchanged from figures announced on February 14, 2024 (Summary of Financial Results).
- The year-end dividend forecast for fiscal 2024 is 14.0 yen per share.
- The consolidated payout ratio for fiscal 2024 is projected to be 29.7%.

Dividend per Share and Dividend Payout Ratio



Financial Indicators



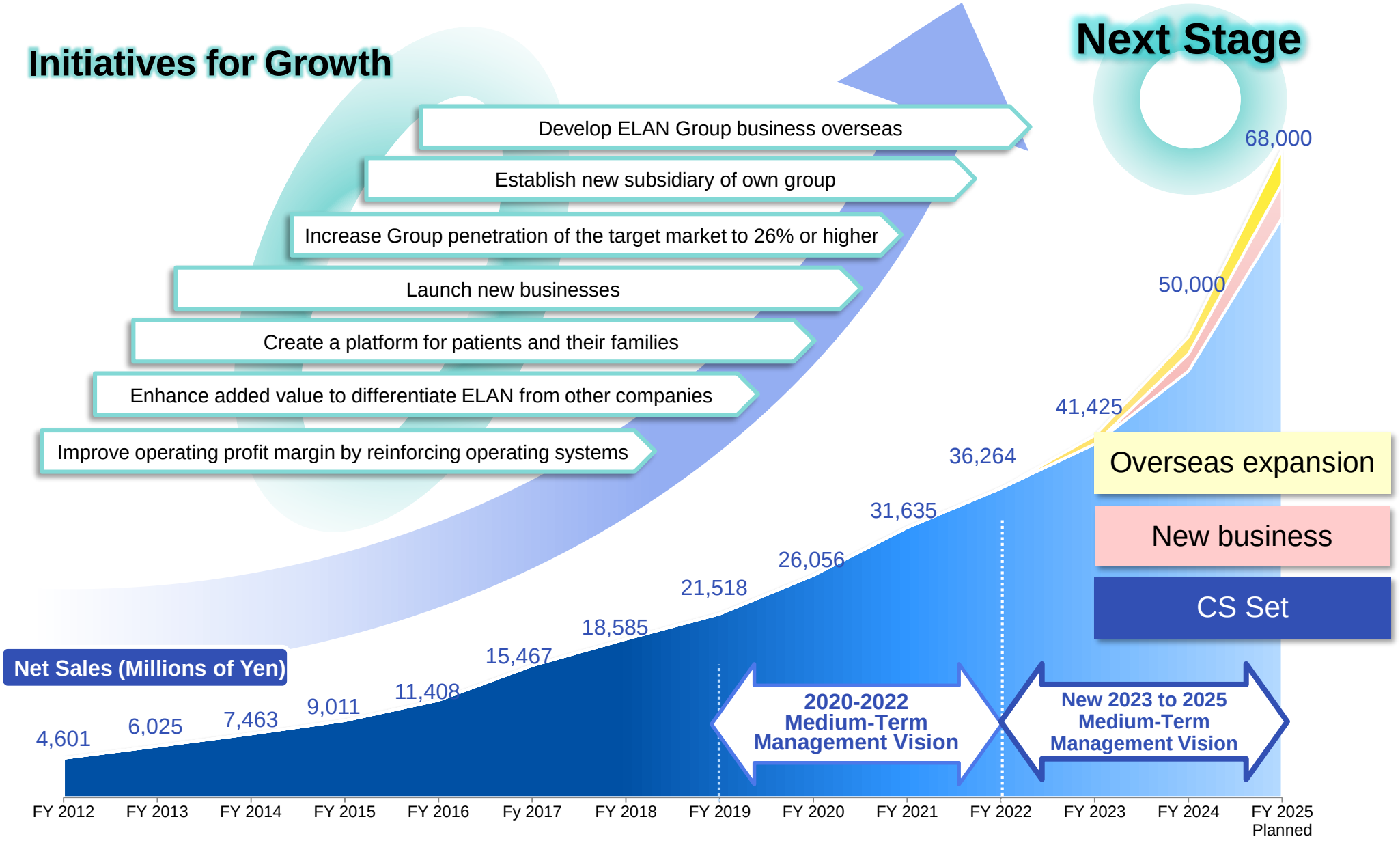
Note 1: Dividend per share in the above graph has been retroactively adjusted to reflect the 2-for-1 stock split on October 1, 2017, the 2-for-1 stock split on January 1, 2019, and the 2-for-1 stock split on January 1, 2021.
Note 2: Dividend payout ratio is on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Growth Through Further Expansion

Initiatives for Growth

- Develop ELAN Group business overseas
- Establish new subsidiary of own group
- Increase Group penetration of the target market to 26% or higher
- Launch new businesses
- Create a platform for patients and their families
- Enhance added value to differentiate ELAN from other companies
- Improve operating profit margin by reinforcing operating systems

Next Stage



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

3. Reference Materials

Bringing smiles to your hospital/elderly facility stay

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Company Overview



Matsumoto Head Office in Nagano Prefecture

We seek to provide the best products and services that satisfy our customers, and we focus our passion on contributing to the realization of a society in which people live fulfilling lives



Tomohiro Minezaki,
COO

Company name	ELAN Corporation
Business	Medical and nursing care-related business (CS Set)
Established	February 6, 1995
Capital	573 million yen
Net sales	41,425 million yen (fiscal 2023)
Ordinary profit	3,681 million yen (fiscal 2023)
Headquarters	Matsumoto, Nagano Prefecture
Representative	COO: Tomohiro Minezaki
Number of employees	692 (as of December 31, 2023)
Business locations	Headquarters in Matsumoto Tokyo office (business strategy and marketing) Location in Matsumoto Murai (customer response) Sales bases Hokkaido area Sapporo/Hakodate/Kushiro Tohoku area Aomori/Morioka/Sendai/Akita Kan-etsu area Saitama/Chiba/Tokyo/Sagamihara/Niigata Chubu area Matsumoto/Shizuoka/Nagoya Kansai/Hokuriku area Kanazawa/Osaka Chugoku/Shikoku area Okayama/Hiroshima/Takamatsu/Matsuyama Kyushu/Okinawa area Fukuoka/Minami-Kyushu/Okinawa Logistics Center Kanagawa/Matsumoto
Subsidiaries	ELAN Service Corporation (invoicing), Ryukyu ELAN Corporation, ELAN COULEUR Corporation, ELAN LOGISTICS Corporation
Listing	Tokyo Stock Exchange (TSE) Prime Market (Securities code: 6099)
Certifications	Privacy mark system, Eruboshi certification, Kurumin certification

Introduction of Our Product: What Is the CS Set?

The CS Set allows people to start hospitalization and end a hospital stay as well as hospital visitations without the need to bring anything. There is no need for patients to assemble hospitalization supplies on their own.

CS Set users can rent clothing and towels, and receive 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 at a fixed rate.





Example of the CS Set Standard Plan

Note: The daily fees shown below are for reference.

	Plan A Daily fee: 700 yen	Plan B Daily fee: 500 yen	Plan C Daily fee: 300 yen
Towels	Bath towel, face towel, hand towel		
Personal care items	Drinking cups, tissues, shampoo, slippers, etc.		
	Oral care product set		
Clothing	Hospital gown or training wear (top and bottom)		
	Underwear and socks		
	Nursing care pajamas, mealtime apron		

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

Personal care items



Towels

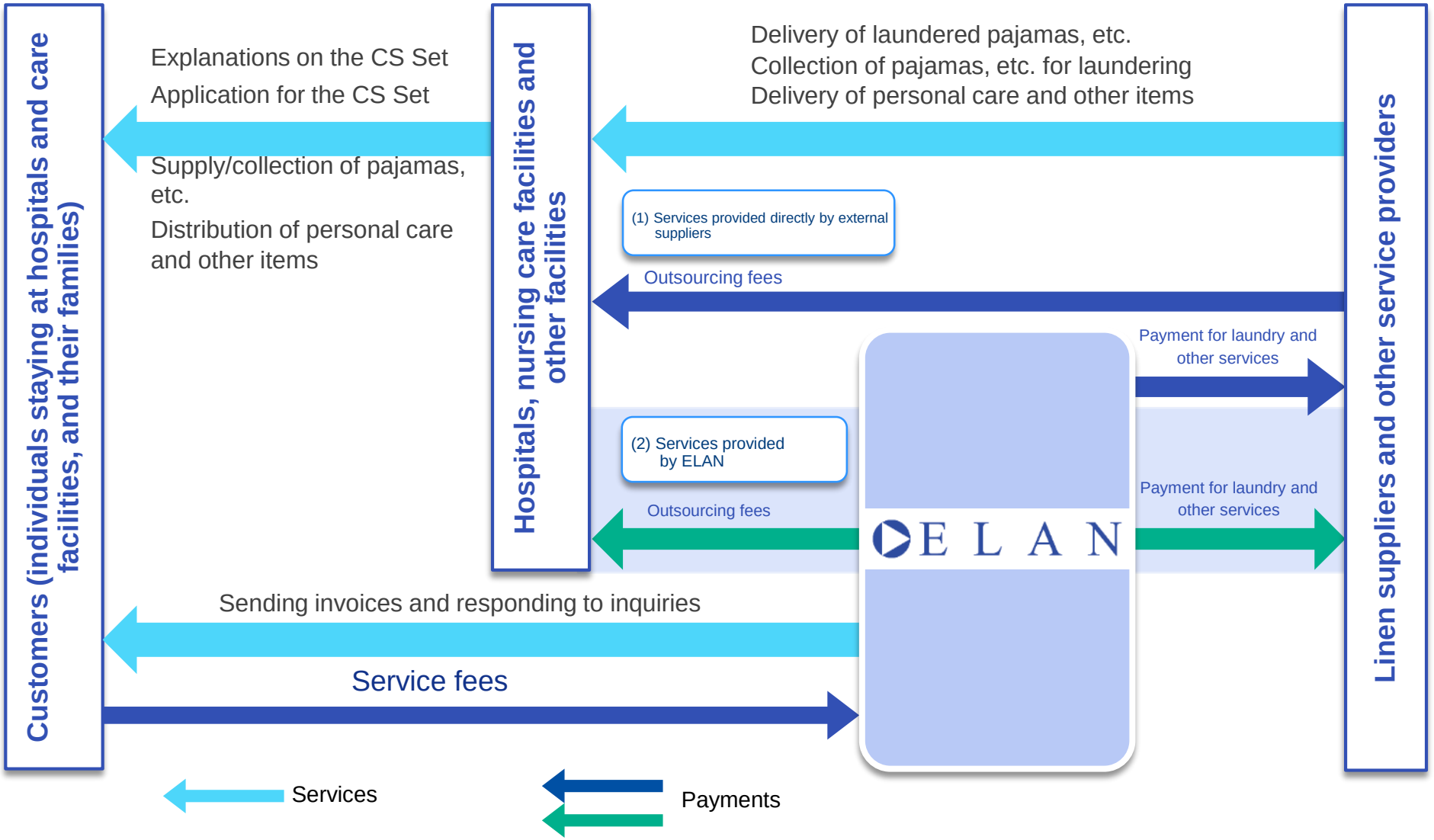


Clothing



Business Model

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 provides patients and their family members with ease and comfort

Start and end a hospital stay without bringing anything





Family members can focus on caring for the patients

Aging



CS Set

Towels | Clothing | Personal care items



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

Shifting to nuclear family households



People living alone can start a hospital stay without worry

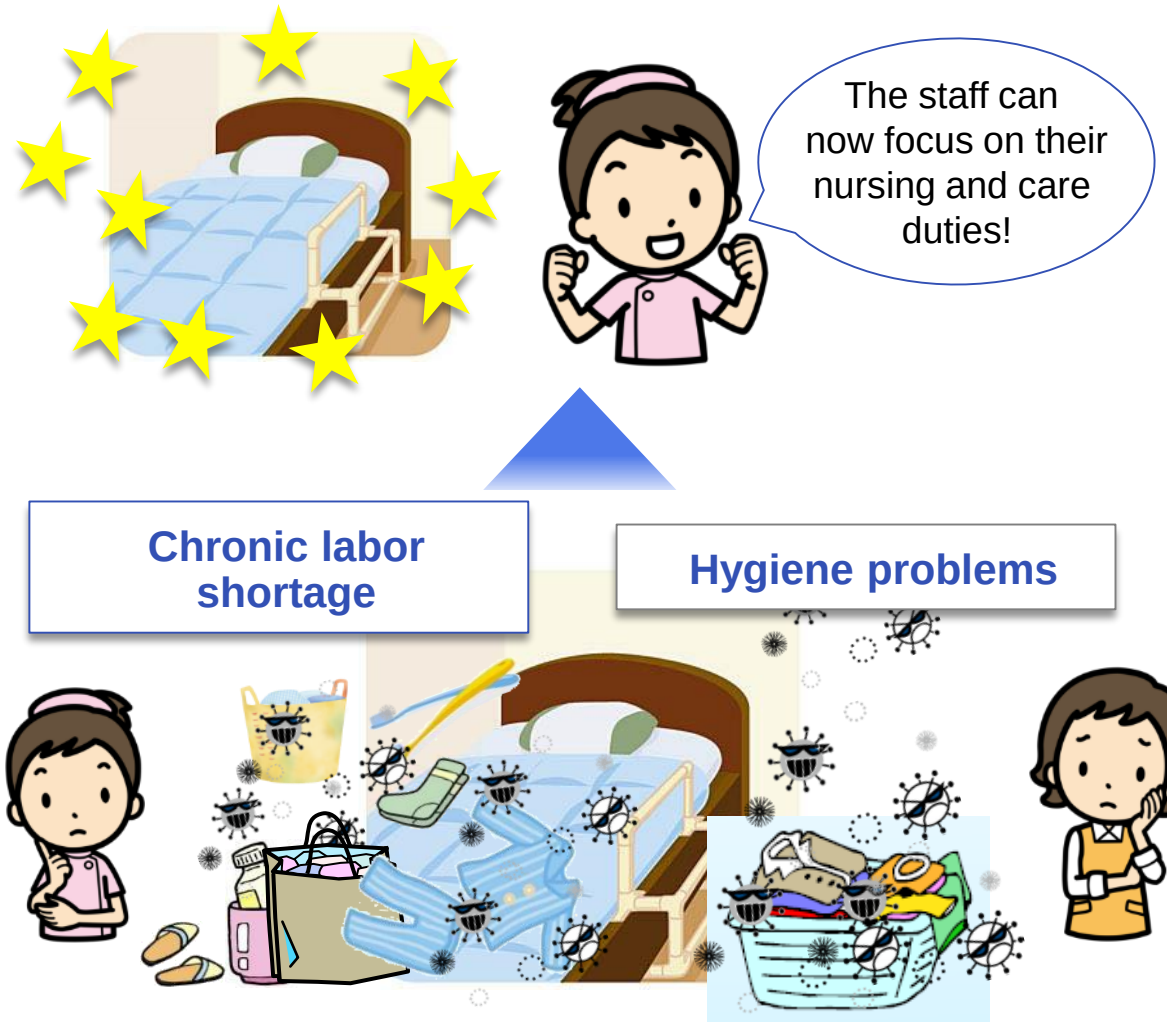


Single-person households are increasing



Many advantages for the nursing and care frontlines

Solves problems for hospitals and nursing care facilities

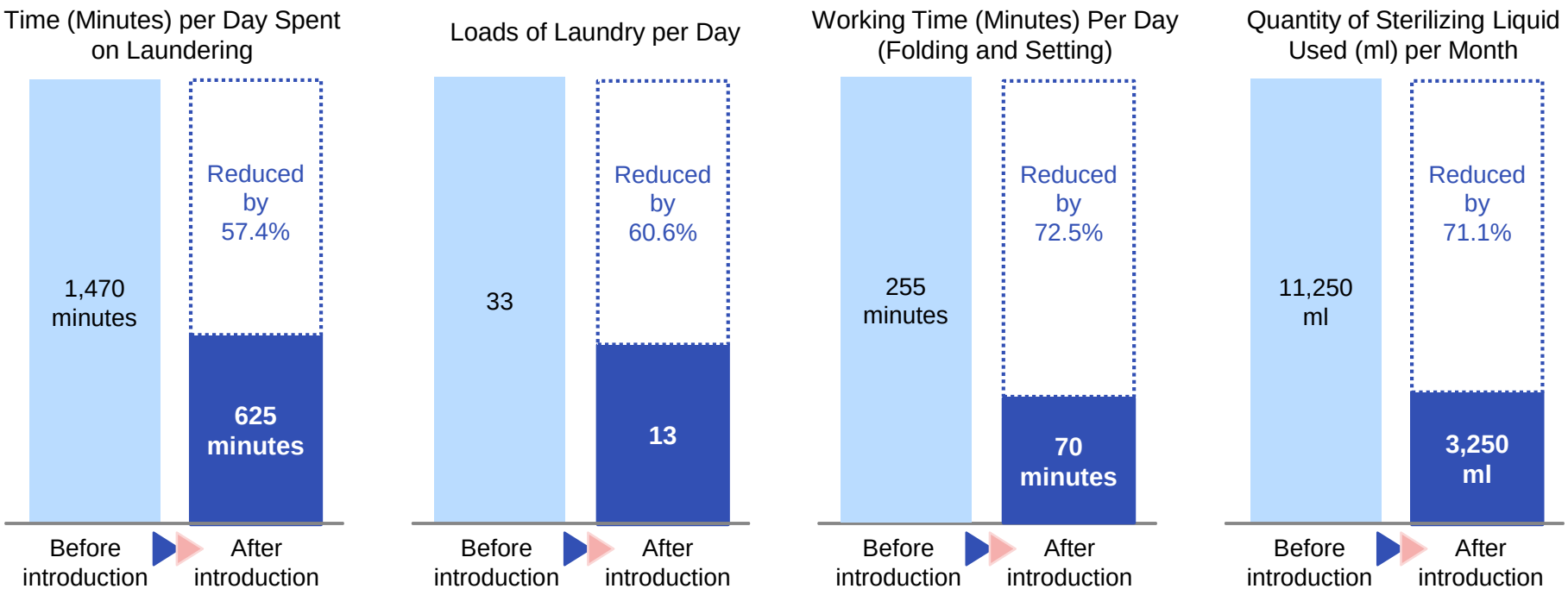


Significant saving of time and labor

Staff can focus on their nursing and care duties

Effects of Introducing the CS Set: A Case Example

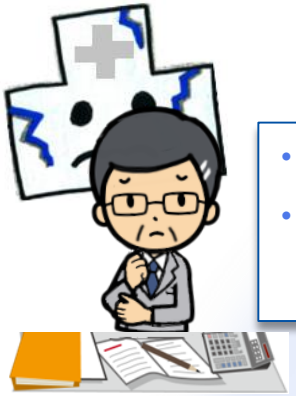
For using towels and mealtime aprons at a hospital with 250 beds



Note: Figures represent total values for six hospital wards.

Solving Management Issues for Hospitals, Nursing Care Facilities and Associated Operators

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



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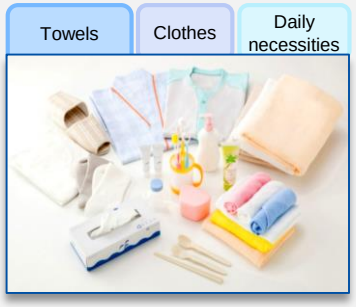
Management issues for operators related to hospitals and nursing care facilities

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

- Increase sales and profits



New R/LC services can be added to CS Sets

CS Sets	New services	Merits
	+ Compensation for unpaid hospitalization expense CSセットR 	Users and their families • No need for co-guarantors or lump sum hospital payments • Peace of mind even during emergency hospitalizations Hospitals and nursing care facilities • Avoids risk of unpaid hospitalization expenses • Reduces payment demand and collection efforts when bills are unpaid
	+ Compensation for damages or accidents during hospitalization LC入院保証 	Users and their families • Compensation for expenses incurred as a result of damage to facility equipment or injuries to staff Hospitals and nursing care facilities • Helps reduce administrative costs and psychological stress related to property damage claim procedures

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

2. Growth potential and earnings-generating capabilities of the subscription-based business model

3. Barriers to new entrants are growing

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

Three main factors have enabled ELAN, the pioneer, to gain a lead over market latecomers.

1 Know-how

- Ability to determine break-even points
- 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

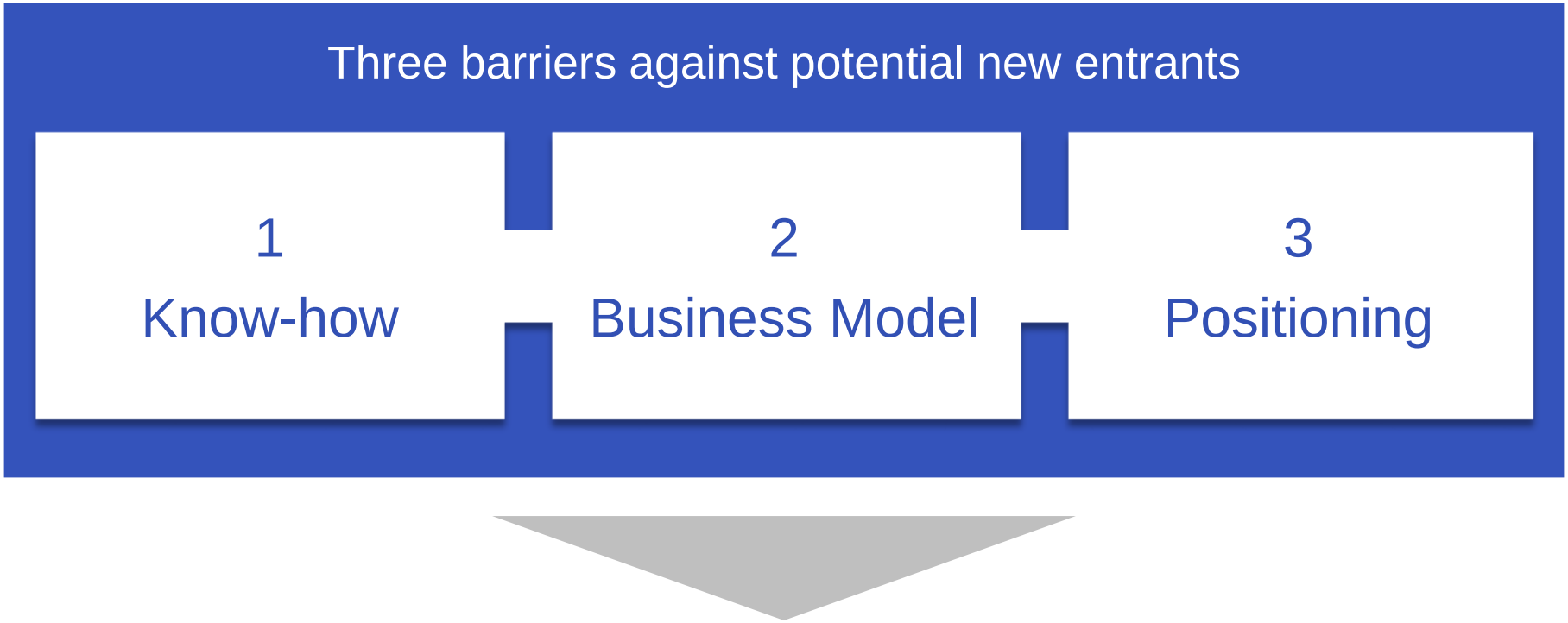
2 Business Model

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

3 Positioning

- ELAN is independent and open, being unaffiliated with any other corporate group

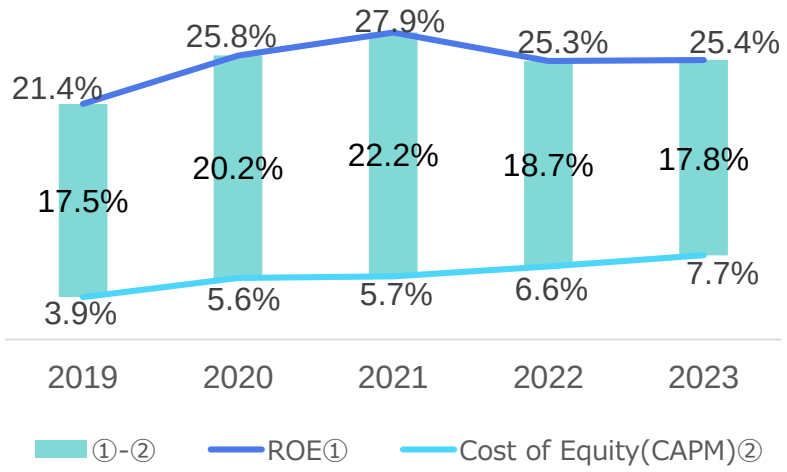
Barriers to entry appear to be low but are actually high.



We are building even higher barriers to entry by accumulating know-how and firmly establishing our position in the industry.

Analysis of current state of capital costs and future measures

Trends in capital cost and ROE using CAPM



Decomposition of cost of equity

	2019	2020	2021	2022	2023	想定
Cost of Equity	**3.9%**	**5.6%**	**5.7%**	**6.6%**	**7.7%**	
Risk free rate	-0.03%	0.02%	0.07%	0.41%	0.62%	Japan's 10-year government bond yield
B	0.62	1.02	1.03	1.11	1.29	Calculation period: 5 years
Risk premium	6.27%	5.45%	5.49%	5.62%	5.45%	Japanese stocks over the past 50 years -Japan's 10-year government bond yield

Points of past trends

- ROE > Cost of equity, which means that the company continues to generate profits that exceed the expected profits of shareholders.
- The main reasons for the downward trend in "ROE-Cost of equity" from FY2022 are:
  - ① Due to delays in price pass-through, etc., net profit margin decreased and ROE also decreased.
  - ② Increase in cost of equity due to increase in β.

Points for future response

- Make growth investments to achieve sustainable growth and aim to increase profitability and ROE.
- Aim to reduce capital costs by enhancing information disclosure, proactive IR activities, sustainability management, and strengthening governance.
- Through each measure, improve corporate value.

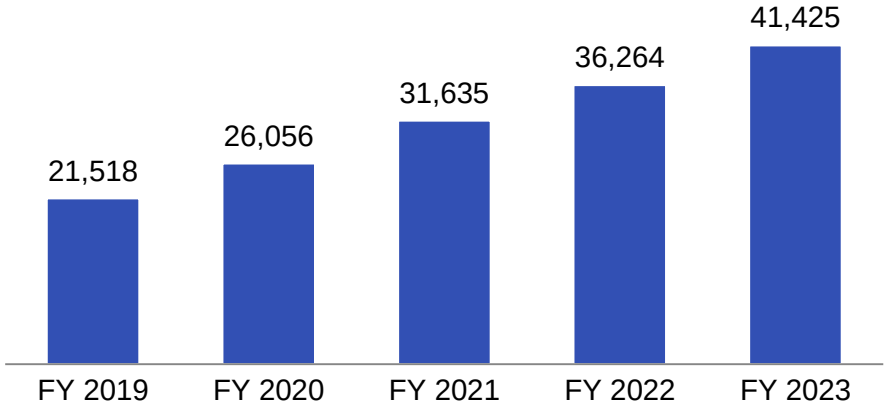
Sustainability Roadmap

- Policy to enhance ESG response and information disclosure to improve shareholder value over the medium to long term.
- Disclosed GHG emissions Scope 1 to 3 in the integrated report "ELAN REPORT 2023" released in December 2023.
- In the securities report for the fiscal year ending December 2023, we have completed the disclosure of information regarding human capital management and climate change.

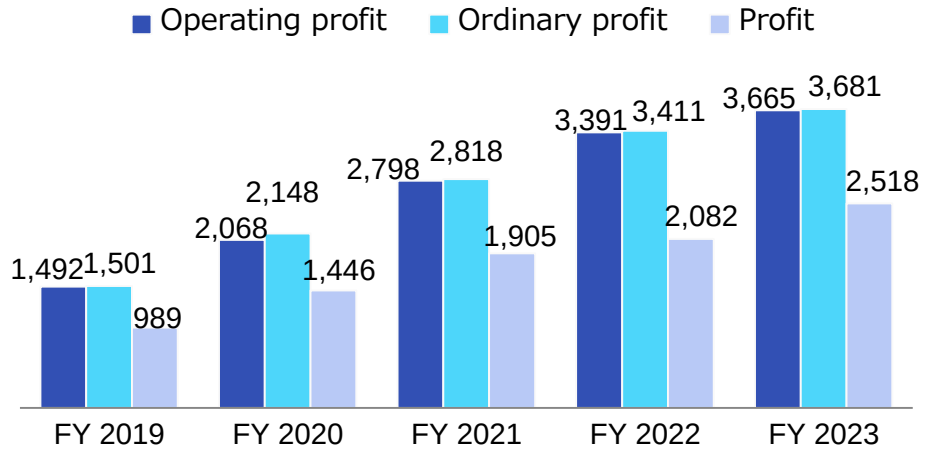
Materiality		2022	2023	2024	2025	2030
Whole			●Identifying materiality and setting goals ●Establishment of Sustainability Committee			
Environment	Provide stable services, reduce environmental burdens		● Build own warehouse and logistics →			
			● Climate change-related information disclosure based on TCFD recommendations →			
Social	Support the promotion of health and wellbeing of all people／Realize a society full of smiles		● Establishment ELAN COULEUR Corporation (with the aim of creating employment opportunities for people with disabilities) →			
			● Enhancing information disclosure regarding human capital management →			
Governance	Establish and maintain a sound, sustainable business foundation		●Strengthening corporate governance →			
			● Enforce safe driving →			
			● Strengthening compliance education →			

Financial Highlights (1)

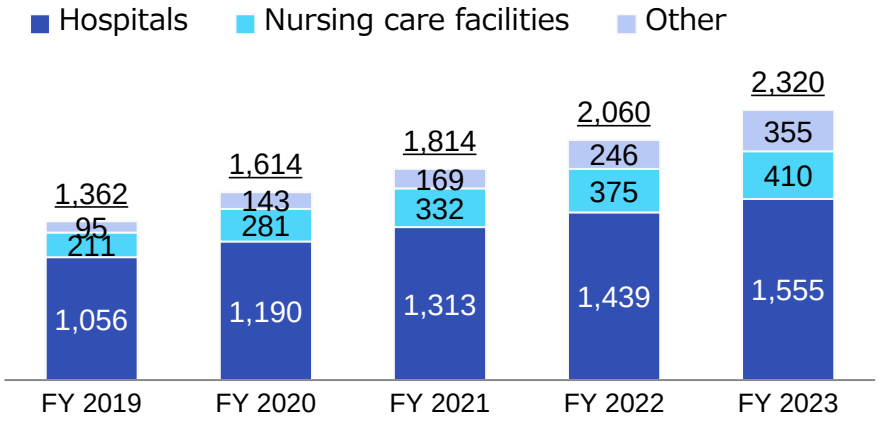
Net Sales (Millions of Yen)



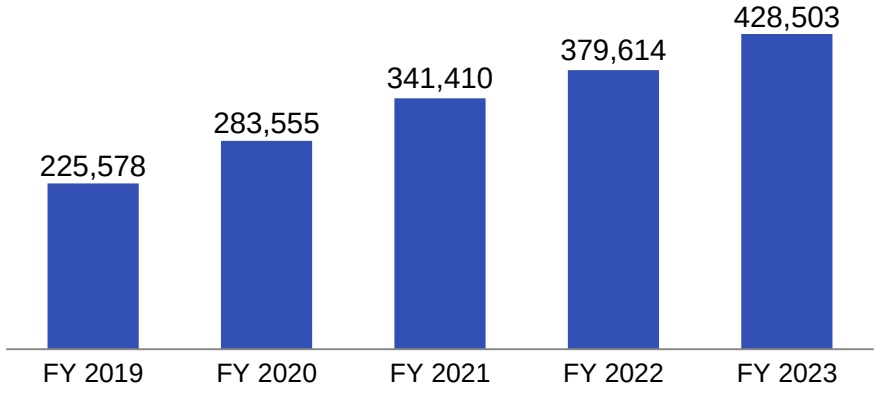
Profits (Millions of Yen)



Number of Contracted Facilities

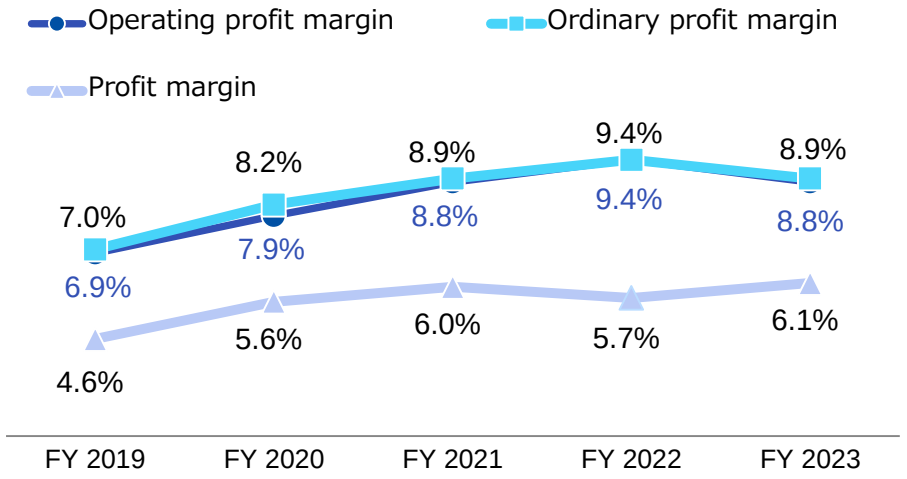


Number of Monthly Users (People)

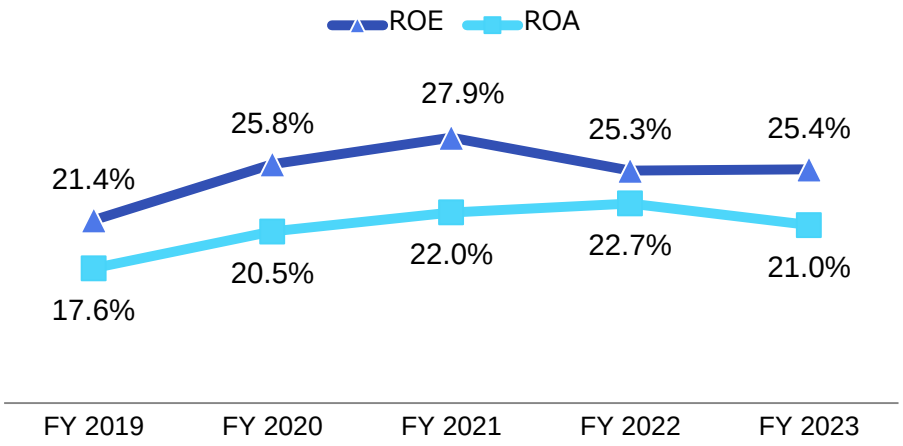


Financial Highlights (2)

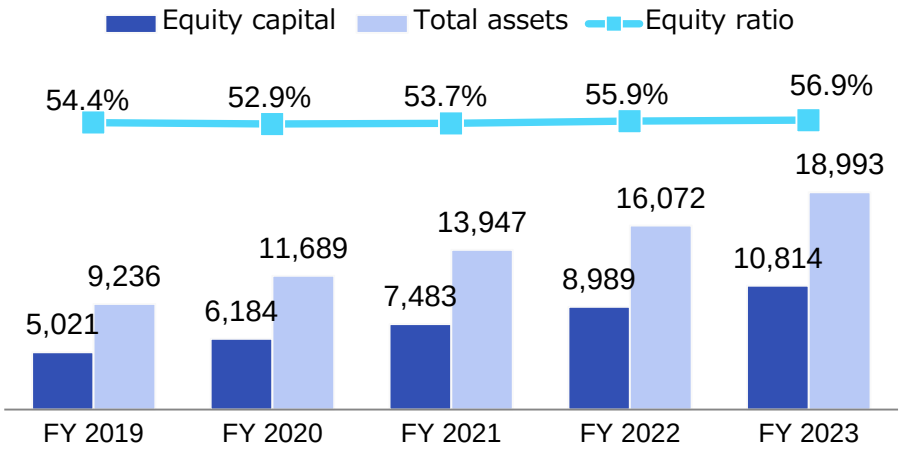
Profit Margins



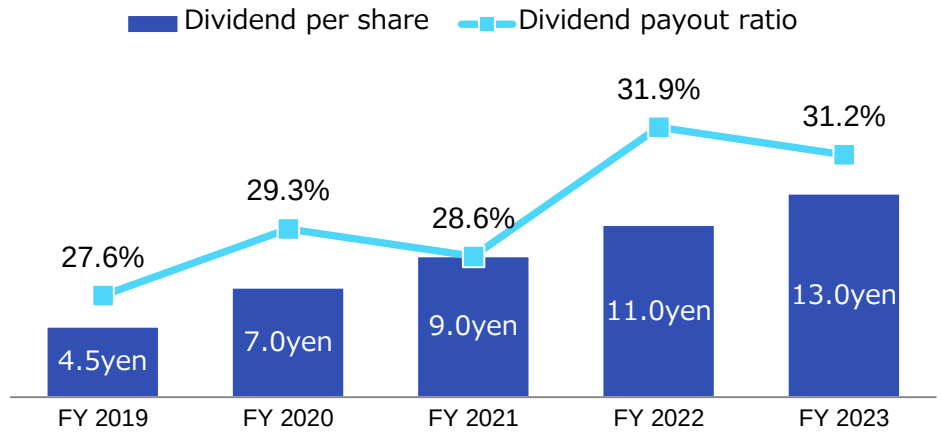
ROE and ROA



Total Assets, Equity Capital and Equity Ratio (Millions of Yen)



Dividend per Share and Dividend Payout Ratio



Note: Dividend per share has been retroactively adjusted to reflect the 2-for-1 stock split on January 1, 2019, and the 2-for-1 stock split on January 1, 2021.

Disclaimer

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 (May 9, 2024) and include risk factors and uncertainties.
Such statements may be changed due to a variety of reasons including changes in the business environment.

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