ELAN
6099 Tokyo Stock Exchange
First Section

14-Apr.-16

Important disclosures
and disclaimers appear
at the end of this document.

FISCO Ltd. Analyst
Masanobu Mizuta

Expectations for medium-term growth as a pioneer in hospitalization CS Set services

Elan <6099> (hereafter, also "the Company") was established in February 1995, newly listed on the Tokyo Stock Exchange (TSE) Mothers market in November 2014, and transferred to the TSE 1st Section in November 2015.

As a nursing- and medical care-related business, it provides the CS (Care Support) Set service that combines rental items with a laundry service, such as of clothes and towels, and daily necessities like oral care products, so that people entering into hospitals, nursing facilities for the elderly, or other such facilities can "enter empty handed" and "leave empty handed." It is the pioneer and the largest operator in the organized business development of set services for people entering into these facilities.

In the CS Set business model, through the facilities like the hospitals and the nursing facilities for the elderly, the Company concludes a CS Set usage agreement (rental agreement) with the person entering into the hospital or other such facility, and in return receives from them service usage fees (rental fees), which become the Company's sales. For some of the operations, it concludes outsourcing agreements with the hospitals, nursing facilities for the elderly, and other such facilities, and outsources these operations to them, and also with linen suppliers and other suppliers, to which it respectively pays outsourcing fees, laundry fees, and other fees.

The Company's strengths include service management that complies with laws and regulations, independent expertise in ascertaining profitable lines, independent expertise in setting plans (customization of the product configuration and fees to meet the characteristics of the region, the hospital or the nursing facility for the elderly, and user needs), a co-existence and co-prosperity model that utilizes existing business relations without any changes (business relations with hospitals and nursing facilities for the elderly, and with linen suppliers in each region), and an open positioning in which it does not belong to any specific affiliation of companies.

The number of agreement facilities (facilities such as hospitals and nursing facilities for the elderly with which the Company has concluded an agreement) at the end of FY12/15 was 644 facilities (an increase of 128 compared to the end of FY12/14), while the number of monthly users in December 2015 (single month) had increased to as high as 89,825 people (an increase of 21,121 people compared to December 2014). Taking the end of FY12/9 as the starting point for the rates of increase, the number of agreement facilities increased by 32.3% a year, while number of monthly users grew 36.5% a year.

The FY12/15 results (unconsolidated) exceeded the targets for major increases in sales and profits. The numbers of agreement facilities and monthly users both grew steadily, which meant the Company was able to absorb the higher costs, including in personnel expenses in order to recruit additional personnel toward strengthening the sales and management foundations, and the costs relating to its re-designation to the TSE 1st Section in November 2015.

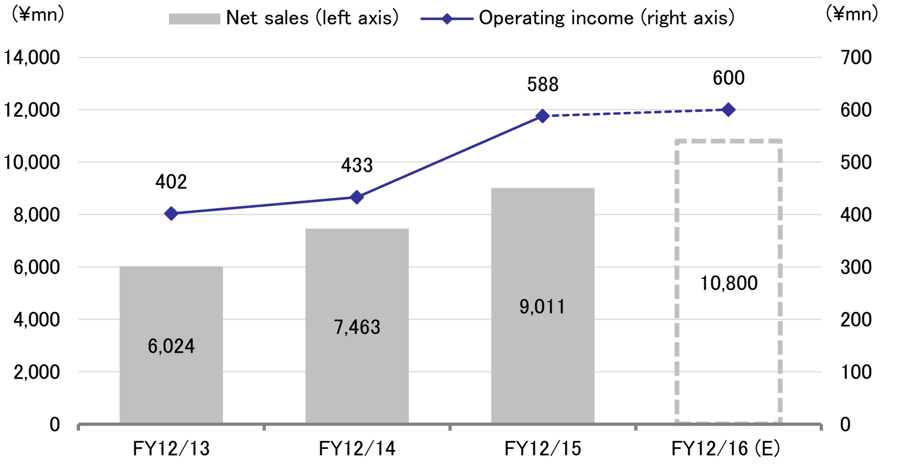
The FY12/16 results (unconsolidated) forecasts are for both the number of agreement facilities and users to steadily increase for double-digit sales growth, but for profits to rise only a small extent because of the costs of upfront investment. The dividend is expected to once again increase, for a full-year dividend of ¥8.

The market has only just entered its expansion stage and there is plenty of room for the Company to acquire new customers, and it is aiming to have 1,000 agreement facilities by FY12/18, and its goal after that is 3,000 facilities. The policy to improve the profitability per full-time employee (net sales and operating income) is also expected to contribute to medium-term growth.

Check Point

- The pioneer and the largest operator for the organized business development of hospitalization CS Set services.
- Had 644 agreement facilities nationwide at the end of FY12/15, and facility numbers are trending upward
- A stock-type revenue model, with the number of service users increasing alongside the growth in the number of agreement facilities
- The forecasts for FY12/16 are for only a slight increase in profits due to the costs of upfront investment, but a double-digit growth in sales and once again a higher dividend
- Aiming for 3,000 agreement facilities in the medium term
- Highly financially sound and practices debt-free management

Results trends



Company profile

Developing CS (Care Support) Set services in the nursing- and medical care-related business

The Company provides its CS (Care Support) Set service that combines rental items with a laundry service, such as of clothes and towels, and a set of daily necessities, like oral care products and skin care products, so that people entering into hospitals, nursing facilities for the elderly, or other such facilities can “enter empty handed” and “leave empty handed.”

February 1995, Limited Company Elan was established for the sales of bedding (Sagamihara City, Kanagawa Prefecture). October 1997, organization was changed to Elan Corporation May 1998, launched a bedding renewal business. June 2001, relocated head office to Matsumoto City, Nagano Prefecture (Minamihara) to expand the bedding renewal business. May 2003, launched a nursing- and medical care-related business (launched CS Set services from the Sagamihara branch office). December 2006, reduced the scales of the bedding sales business and the bedding renewal business in order to concentrate management resources into the nursing- and medical care-related business. September 2012, relocated the head office to Matsumoto City, Nagano Prefecture (Idegawa Town), its current location. November 2014, newly listed on TSE Mothers. November 2015, was transferred to TSE 1st Section.

At the end of FY12/15, the Company had 10 sales bases; the Matsumoto Head Office (Matsumoto City, Nagano Prefecture), the Sagamihara branch office (Sagamihara City, Kanagawa Prefecture), the Kanazawa branch office (Kanazawa City, Ishikawa Prefecture), the Nagoya branch office (Nagoya City, Aichi Prefecture), the Hiroshima branch office (Hiroshima City, Hiroshima Prefecture), the Osaka branch office (Suita City, Osaka Prefecture), the Shikoku branch office (Takamatsu City, Kagawa Prefecture), the Fukuoka branch office (Fukuoka City, Fukuoka Prefecture), the Sapporo branch office (Sapporo City, Hokkaido), and the Saitama branch office (Saitama City, Saitama Prefecture).

At the end of FY12/15, capital was ¥557mn, the equity ratio was 57.0%, and net assets per share was ¥333.86, and the Company is highly financially sound and practicing debt-free management. It had 218 employees at the end of FY12/15.

The number of outstanding shares at the end of December 2015 was 7,360,000 shares following the onehundred-for-one share split of July 28, 2014, the issue of new shares in conjunction with the listing on TSE Mothers in November 2014, and the two-for-one share split of July 1, 2015.

Company history

Date	Main events
February 1995	Limited Company Elan was established for bedding sales in Sagamihara City, Kanagawa Prefecture
September 1997	Relocated head office to Zama City, Kanagawa Prefecture, to expand the business
October 1997	Organization was changed to Elan Corporation
May 1998	Launched a bedding renewal business
November 1998	Opened a Matsumoto branch office in Matsumoto City, Nagano Prefecture (Minamihara)
June 2001	Relocated head office to Matsumoto City, Nagano Prefecture (Minamihara) to expand the bedding renewal business
August 2001	Opened a Nagano branch office in Nagano City, Nagano Prefecture, to expand the bedding renewal business
May 2003	Opened a Sagamihara branch office in Chuo Ward, Sagamihara City, Kanagawa Prefecture
	Launched a nursing- and medical care-related business
	Launched CS Set services for hospitals and nursing facilities for the elderly from the Sagamihara branch office
January 2006	Launched CS Set services from the Matsumoto head office
December 2006	Integrated the Nagano branch office into the Matsumoto head office
	Reduced the scales of the bedding sales business and bedding renewal business in order to concentrate management resources into the nursing- and medical care-related business
September 2008	Relocated head office to Matsumoto City, Nagano Prefecture (Takamiya-higashi)
October 2008	Opened a Kanazawa branch office in Kanazawa City, Ishikawa Prefecture
April 2009	Opened a Nagoya branch office in Naka Ward, Nagoya City, Aichi Prefecture
February 2010	Opened a Hiroshima branch office in Naka Ward, Hiroshima City, Hiroshima Prefecture
March 2011	Opened an Osaka branch office in Suita City, Osaka Prefecture
March 2012	Opened a Shikoku branch office in Takamatsu City, Kagawa Prefecture
September 2012	Relocated head office to Matsumoto City, Nagano Prefecture (Idegawa Town)
January 2013	Launched an education and recreation set service in the Sagamihara branch office
March 2013	Opened a Fukuoka branch office in Hakata Ward, Fukuoka City, Fukuoka Prefecture
April 2014	Opened a Sapporo branch office in Shiroishi Ward, Sapporo City, Hokkaido
November 2014	Listed on TSE Mothers
March 2015	Opened a Saitama branch office in Omiya Ward, Saitama City, Saitama Prefecture
November 2015	Listing was transferred to the TSE 1st Section

Source: prepared by FISCO based on Company materials

Business description, characteristics, and strengths

What is the CS Set?

The CS Set is a service that combines rental items with a laundry service, such as of clothes (hospital gown, sweat shirt and sweat pants, underwear, socks, towels, and a food bib), and a set of daily necessities (oral care products and skin care products). It is intended for people entering into a hospital, nursing facility for the elderly, or other such facility so that they do not have to prepare any of the items they may need and can “enter empty handed” and “leave empty handed.”

A feature of the Company’s service usage fees is that it has adopted a daily fee system rather than calculating fees based on “how much” of “what” is used. This makes it easy to calculate the fees from the number of days after entering into the hospital or facility, regardless of the frequency with which items like clothes or towels are replaced.

The CS Set System, the CS Set, and the CS Plan are the Company’s registered trademarks. CS is an abbreviation of “care support,” but also stands for “customer satisfaction,” “communication services,” “carrier smile,” “country spirit,” and “create solutions.”

A business model of revenue from the service usages fees from the people entering into the hospital or other facility

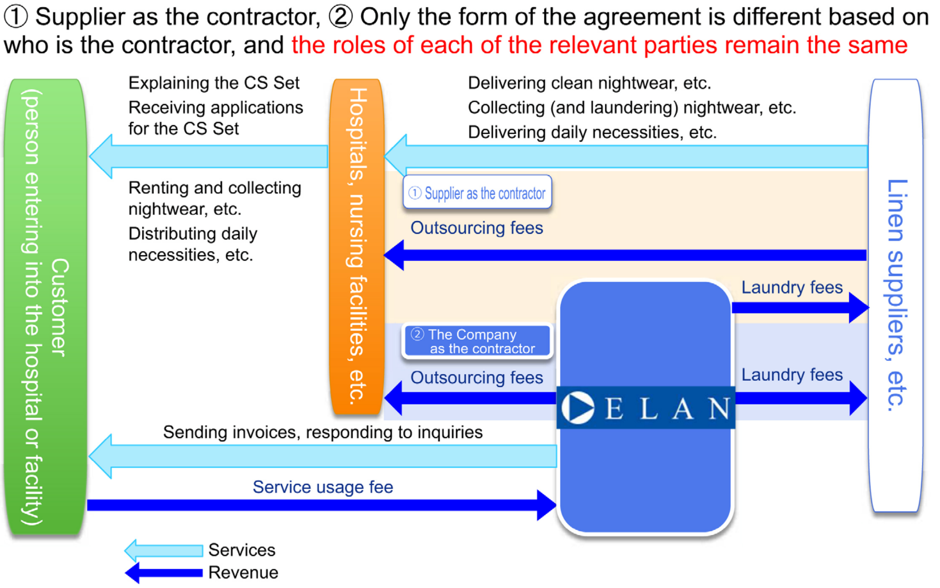
In the CS Set business model, through the hospitals, nursing facilities for the elderly, and other such facilities, the Company concludes CS Set usage agreements (rental agreements) with the people entering into the hospital or facility, and collects service usage fees (rental fees) as revenue from them, which become the Company's sales. It outsources the operation of some services to the hospitals and the nursing facilities for the elderly, and also to linen suppliers and suppliers of consumables.

The Company concludes outsourcing agreements with the hospitals, nursing facilities for the elderly, and other such facilities. These facilities carry out the operations outsourced to them, including explaining to patients or residents the CS Set and accepting applications for it, renting and collecting the rental fee for items like clothing and towels, and distributing daily necessities. In return, the Company pays them outsourcing fees.

The Company also concludes rental agreements and goods-delivery agreements with linen suppliers, suppliers of consumables, and other suppliers. It outsources to these suppliers the delivery of clean clothes and towels, the collection of used clothes and towels, and the delivery of daily necessities. In return, it pays them laundry fees, fees to purchase the items, and other such fees.

There are two agreement forms; an agreement in which the Company is the contractor (the Company as the contractor) and an agreement in which the linen suppliers or other suppliers are the contractor (supplier as the contractor). However, in whichever form of the agreement, the same fundamental roles for the CS Set management are played by each of the Company, the hospital or the nursing facility for the elderly, and the linen suppliers, the suppliers of consumables, and the other suppliers. The basic business model does not change, in that the Company concludes a CS Set usage agreement (rental agreement) with the person entering into the hospital or facility, and collects service usage fees (rental fees) from them.

Business model (the sequence for the services and the revenue)



Source: Company materials

The advantages for the people entering into the hospital or nursing facilities for the elderly and for the linen suppliers

The CS Set is a service that offers major advantages not just to the services users of the people entering into the hospital or other facilities and their families, but also to the hospitals and nursing facilities for the elderly, and moreover to the linen suppliers and other suppliers. Therefore, a feature of the CS Set business is that it can build "Win-Win-Win" relations, with the Company at the center.

For the service users of the people entering into the hospital or other facilities and their families, the CS Set offers the advantage that when they are entering into the hospital or other facility, they do not have to prepare any items and can "enter empty handed" and then "leave empty handed." In the case of a short stay in a hospital or facility, rather than having to buy the necessary personal items, the set offers reasonable prices (an economic advantage), and also can reduce the work and time they would have to spend on changing and washing daily items like clothes and towels and replenishing daily necessities (physical, temporal, and psychological advantages). The set is proving to be very popular with families, because instead of visiting their relative with the main purpose of their visit being to replenish their daily necessities, they are able to devote the visit to spending quality time with their relative. It also has the advantage that the people entering into the hospital or other facility dislike the fact that their families have to prepare and replenish their daily necessities. Many of the users are elderly, for whom the set's advantages are greater than for the young. There are many people in two-income households and one-person households who cannot rely on their families to prepare and replenish their daily necessities during their stay in a hospital or other such facility, and consequently they highly evaluate the CS Set that allows them to "enter it empty handed."

The Company has prepared multiple plans in terms of the details of the CS Set (components and fees). Also, one of the set's strengths that differentiates it from competitors and helps to maintain the gross margin is its customization of components and fees according to the respective characteristics of each region, user needs, and the type of facility, such as hospitals or nursing facilities for the elderly.

A situation has continued in hospitals, nursing facilities for the elderly, and other such facilities of a chronic shortage of nurses and care workers. By introducing the Company's CS Set, the work they are required to do to provide patients and residents with daily necessities during their stay in the hospital or other such facility (for example, contacting the family when there is a shortage of items, and exchanging, washing, and disinfecting clothes and towels) is reduced, and they can concentrate solely on the nursing and care-related tasks that they were originally meant to do. Therefore, the Set's advantages also include improving the work and the working environment of nurses and care workers. In addition, compared to when the person entering into the hospital or other facility independently brings with them the daily necessities they will require for their stay, the area around the bed is kept in a tidy and pristine condition (for example, because the dirty clothes and towels the person brought with them are no longer kept in the vicinity of the bed). This offers advantages for the facilities in terms of their measures to prevent infections within their facility and for thorough hygiene management.

Also, with regards to services outside of the scope of insurance, when the hospital, nursing facility for the elderly, or other such facility itself bills the person entering into the facility for the usage fees, they must strictly comply with the administrative guidelines set forth by the Ministry of Health, Labour, and Welfare. But as the Company provides the CS Set in a form that complies with these administrative guidelines, the risk of non-compliance with the administrative guidelines can be reduced. Further, as the outsourcing fees are revenue outside of the scope of insurance, for the hospital, the nursing facility for the elderly, or other such facility, the Set has the advantage of increasing revenue that is outside of the scope of insurance and creating opportunities to generate such revenue.

In terms of the needs of the various hospitals, nursing facilities for the elderly, or other such facilities for the introduction of the CS Set, it seems there is strong demand for increased revenue and opportunities to generate revenue in large cities, to improve the working environments of nurses and care workers in medium-sized cities, and to improve services for the people entering into the hospital or other facility in regional cities.

Linen suppliers and other suppliers conclude an agreement with the hospital, nursing facility for the elderly, or other such facility to deliver the bedding covered by medical insurance and nursing insurance (futons, wrapping linen, sheets, pillows, and pillow cases), and to provide a laundry outsourcing service. For these linen suppliers and other suppliers, introducing the Company's CS Set has the advantage of creating new opportunities for revenue from the laundry of clothes and towels and the sale of daily necessities that they did not previously handle.

In addition, the Company is not considering itself entering into the linen supply business, and when proposing the CS Set, its basic policy is to outsource the laundry of linens to the linen suppliers or other such suppliers with which the respective hospital, nursing facility for the elderly, or other facility in each area already has an agreement and is doing business with. Due to this basic policy, many linen suppliers or other such suppliers feel the benefit of collaborating with the Company (the threat for linen suppliers is the participation of their competitors in the hospitals and other facilities to which they supply bedding and provide laundry and other services).

A WIN-WIN-WIN circle

Source: Company materials

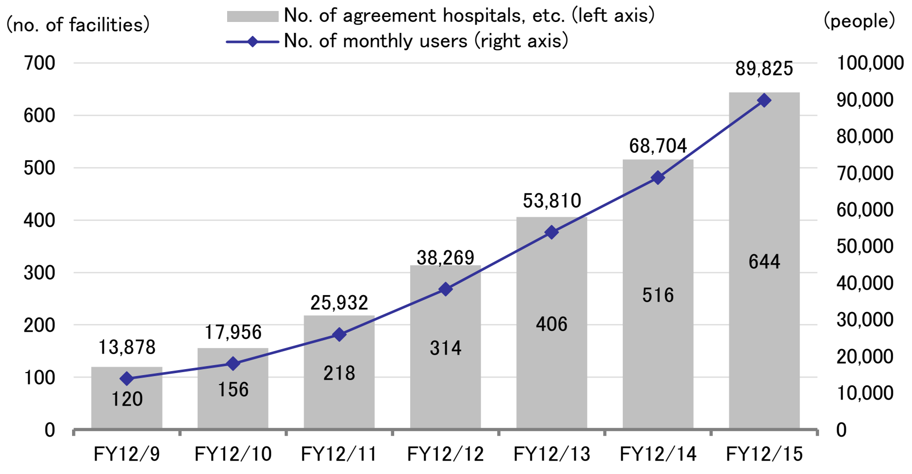
The numbers of CS Set agreement facilities and users are trending upward

The Company is a pioneer in the organized business development of the CS Set service as a set for people entering into a hospital or other such facility, and it is the biggest operator in this industry with an overwhelming lead over its industry peers who entered after it. At first glance, it seems that the barriers to entry are low, but it is not easily to accumulate the necessary expertise in this field and in fact, the barriers to entry are higher than anticipated.

The Company's strengths include service management that complies with the administrative guidance, independent expertise in ascertaining profitable lines, independent expertise in setting plans (customizing the product configuration and fees to meet the characteristics of the region, the hospital or the nursing facilities for the elderly, and user needs), a co-existence and co-prosperity model that utilizes existing business relations without any changes (business relations with hospitals and nursing facilities for the elderly, and with linen suppliers in each region), and an open positioning in which it does not belong to any specific affiliation of companies.

The number of agreement facilities(hospitals, nursing facilities for the elderly, or other such facilities) at the end of FY12/15 were 644 facilities (an increase of 128, or 24.8%, from the end of FY12/14). The number of monthly users in December 2015 (single month) had grown as high as 89,825 people (an increase of 21,121 people, or 30.7%, compared to December 2014). Taking the end of FY12/9 as the starting point for the rates of increase, the number of agreement facilities increased by 32.3% a year and the number of monthly users increased by 36.5% a year.

Trends in the numbers of agreement facilities and monthly users



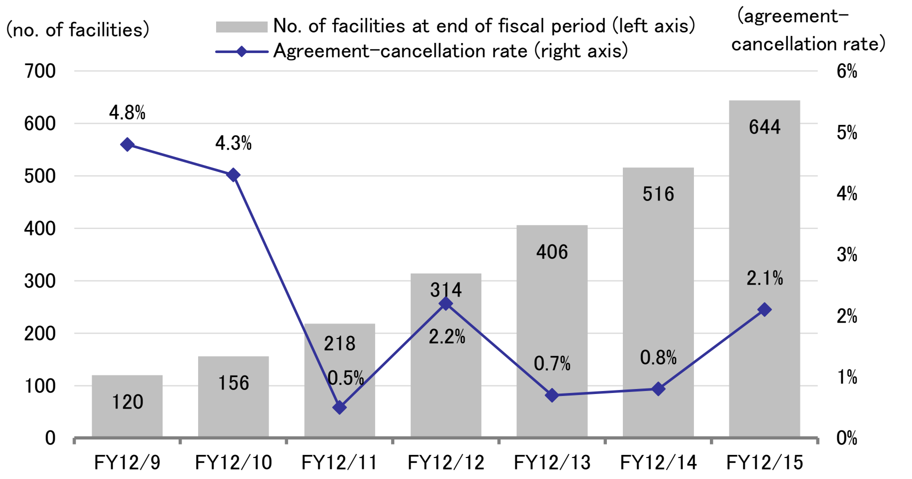
Source: prepared by FISCO based on Company materials

A stock-type revenue model, with the service usages fees increasing alongside the growth in the number of facilities

The agreement cancellation rate of the agreement facilities (hospitals, nursing facilities for the elderly, or other such facilities) is at the low level of around 1 to 2%. The number of service uses increase alongside the growth in the number of agreement facilities. This is characteristic of a stock-type revenue model.

The Company does not disclose the average services usage rate per facility or the average usage unit price per user, but it seems that there are facilities with a usage rate of above 90%, but also facilities with low usage rates that do not enjoy the benefits that the hospitalization set provides to facilities, such as improving operations and the working environment, and therefore it is continually shoring-up these facilities. If the Company is able to improve the service usage rate among its agreement facilities, the benefit of a reduction in the operating expenses ratio is likely to occur.

Growth potential and earnings power of a stock-type business model



Source: prepared by FISCO based on Company materials

Results trends

FY12/15 results (unconsolidated) exceeded targets for major increases in sales and profits

In the FY12/15 results (unconsolidated), net sales increased 20.7% y-o-y to ¥9,011mn, operating income rose 35.7% to ¥588mn, ordinary income grew 36.1% to ¥591mn, and net income increased 40.2% to ¥363mn. Each of net sales, operating income, ordinary income, and net income were above the initial forecasts, for major increases in sales and profits exceeding the targets.

The numbers of agreement facilities and monthly users steadily increased, for the ninth consecutive fiscal year of higher sales. At the end of FY12/15, the number of agreement facilities had increased by 128, or 24.8%, compared to the end of FY12/14, to 644 facilities. Breaking down this increase of 128 facilities, 142 newly introduced the CS set and 14 cancelled their agreement. The reasons for the cancellations included switching to the hospitalization sets of other companies, stopping using a hospitalization set as it had not resulted in an increase in user numbers, and the closure of the hospital or other such facility. Also, the number of monthly users on a single-month basis in December 2015 was 89,825 people, which was an increase of 21,121 people, or 30.7%, compared to the single month of December 2014.

Looking at the number of agreement facilities by sales office at the end of FY12/15, the Matsumoto head office had 95 facilities, an increase of 16 facilities; the Sagamihara branch office had 92 facilities, a decrease of 6; the Kanazawa branch office had 82 facilities, an increase of 16; the Nagoya branch office had 94 facilities, an increase of 15; the Hiroshima branch office had 106 facilities, an increase of 21; the Osaka branch office had 62 facilities, an increase of 12; the Shikoku branch office had 52 facilities, an increase of 12; the Fukuoka branch office had 26 facilities, an increase of 11; the Sapporo branch office had 11 facilities, an increase of 7; and the Saitama branch office (opened March 2015) had 24 facilities, an increase of 24. The decline at the Sagamihara branch office was due to the transfer of 16 facilities to the Saitama branch office and its number actually increased when this transfer is excluded.

In terms of costs, toward strengthening its sales and management foundations, the Company recorded increased personnel costs and other costs following the opening of the Saitama branch office in March 2015 and to recruit additional personnel (recruited 21 new graduates and 9 mid-career hires). Further, it recorded SG&A expenses of approximately ¥50m for various costs relating to its transfer in November 2015 from the TSE Mothers market to the TSE 1st Section. But these costs were absorbed by the increase in gross profit from the higher sales, and it recorded a major growth in profits.

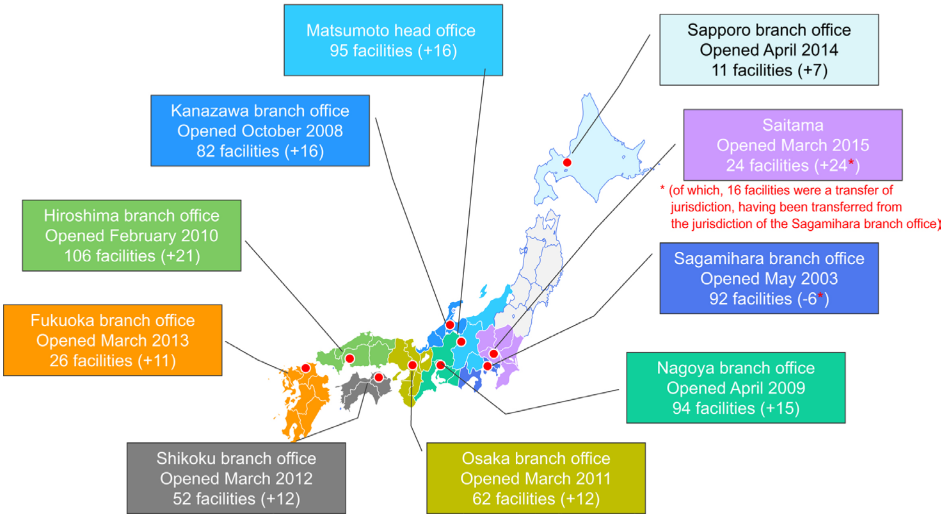
Gross profit was ¥2,491mn, an increase of 21.2% y-o-y, while the gross margin climbed 0.1 of a percentage point to 27.6%. SG&A expenses rose 17.4% to ¥1,903mn, for an SG&A expenses ratio of 21.1%, down 0.6 of a percentage point. In non-operating income, the refunded of premiums from cancelled insurance policies of ¥11mn recorded in FY12/14 was completed, while in non-operating expenses, the recording of ¥9mn in share issuance costs were also completed.

Toward improving efficiency in logistics- and inventory-related operations, the Company has been developing a system that was scheduled to become operational in December 2015. But following a review of the development schedule (it will not be a large scale system and the development is continuing while focusing on high-priority inventory-related functions, with its launch being postponed until FY12/16), a loss on retirement of non-current assets of ¥19mn was recorded as an extraordinary loss.

The FY12/15 operating income margin was 6.5%, an increase of 0.7 of a percentage point y-o-y. ROE fell 1.8 percentage points to 15.9%, and the equity ratio was unchanged at 57.0%. The Company conducted a 1:2 share split on July 1, 2015.

Number of agreement facilities at the sales offices nationwide

The driving forces behind the increase in the number of agreement facilities in FY12/15 were the Hiroshima branch office (up 21 facilities), the Matsumoto head office (up 16 facilities), the Kanazawa branch office (up 16 facilities), and the Nagoya branch office (up 15 facilities)
(numbers in brackets are the changes in the fiscal year.)



Source: Company materials

The forecasts for the FY12/16 results (unconsolidated) are for a double-digit rise in sales, but a small increase in profits due to upfront investment

The forecasts for the FY12/16 results (unconsolidated) are for net sales to increase 19.8% y-o-y to ¥10,800mn, operating income to rise 2.0% to ¥600mn, ordinary income to grow 1.5% to ¥600mn, and net income to increase 4.7% to ¥380mn

The numbers of agreement facilities and users are expected to steadily grow for the double-digit increase in sales. The target for the number of agreement facilities at the end of FY12/16 is 742, which is an increase of 98, or 15.2%, compared to the end of FY12/15.

Although sales are expected to increase by double digits, profits are forecast to only increase by a small amount due to factors including the costs of upfront investment. In order to respond to the growth in the numbers of agreement facilities and users, the Company continues to actively recruit full-time employees (new graduates and mid-career hires). Moreover, it plans to open a Tokyo office in 2H (when opened, the Sales Planning Department and the Internal Audit Office will be located within it), and the resulting increase in SG&A expenses, mainly in personnel expenses, is expected to keep down the growth in profits. It expects to have 248 employees at the end of FY12/16, which will be an increase of 30 compared to the end of FY12/15.

The Company has positioned FY12/16 as a “year of reforms in order to prevent a slowdown in the growth rate and to strengthen the organization.” Toward the mobilization of employees to match the pace of business growth and to improve profitability per full-time employee (net sales and operating income), its policy is to bolster its personnel training system, including by providing training both inside and outside of the Company.

In terms of sales, the Company will abolish the east-west area system, strengthen support activities for each sales office through a sales planning department, and will advance the standardization and Company-wide deployment of sales methods, CS Set management methods, and responses to users through collecting and analyzing case studies. These measures will result in more effective and efficient sales activities. In terms of systems, it is pursuing improvements to the in-Company systems-processing capacity and to efficiency in order to respond to the rapid expansion of operations. Within the measures to reform the personnel system to deal with the increase in employee numbers, the plan is to confirm the details of the new system in FY12/16 and start operations of it from FY12/17.

Trends in results (unconsolidated)

(unit: ¥mn, ¥)

Fiscal year	FY12/13	FY12/14	FY12/15	FY12/16 (E)
Net sales	6,024	7,463	9,011	10,800
Operating income	402	433	588	600
Ordinary income	401	434	591	600
Net income	247	258	363	380
EPS	41.30	41.95	49.51	51.63
Dividend	2.00	2.50	6.00	8.00
BPS	135.05	287.81	333.86	-

Note: the per-share values for FY12/13 and FY12/14 have been retroactively adjusted following the onehundred-for-one share split of July 28, 2014, and the two-for-one share split of July 1, 2015.
Source: prepared by FISCO based on Company materials

Business environment

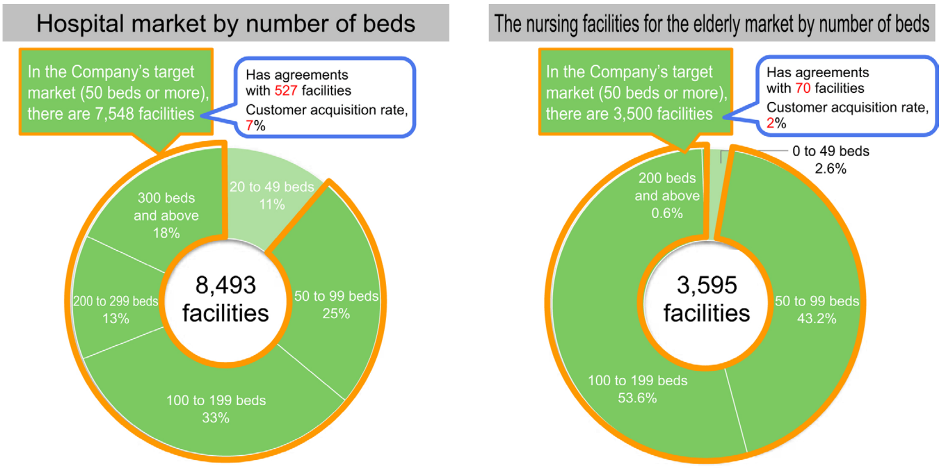
The hospitalization set market is still in its expansion stage and there remains plenty of room to acquire new customers

The Company's main target markets are hospitals, nursing facilities for the elderly, or other such facilities with at least 50 beds. The CS Set is a hospitalization set business, and this market is still in its expansion stage and there remains plenty of room to acquire new customers.

According to the Suvey of Medical Facilities (as of October 2014) by the Minstry of Health, Labour and Welfare, nationwide there are 8,493 hospitals and related medical facilities with 20 or more beds. Within them, there are 7,548 facilities with 50 beds or more, which is the Company's target market. This gives a customer acquistion rate of 7% from the 527 facilities it had agreements with among these facilities at the end of FY12/15.

Also, within the 3,595 facilities from the full-member subscriptions and membership application conditions for the Japan Association of Geriatric Health Services Facilities (as of January 31, 2016), there are 3,500 nursing facilities for the elderly that have 50 beds or more, which are the Company's main target market. This gives a customer acquistion rate of 2% from the 70 facilities it had agreements with among these facilities at the end of FY12/15

CS Set deployment conditions



Source: Survey of Medical Facilities (as of October 2014) by the Ministry of Health, Labour and Welfare

The Japan Association of Geriatric Health Services Facilities Full-member subscriptions and membership application conditions (as of January 31, 2016)

Source: Company materials

Medium-term growth strategy

Aiming for 3,000 agreement facilities in the medium term

As the medium-term growth strategy, the Company's policy is to deploy the CS Set nationwide (expand the sales area; develop human resources by recruiting personnel, strengthening training, and rebuilding the personnel system; and bolstering alliances with other companies), and improve profitability and productivity (improve sales efficiency, operational processing capacity, and user satisfaction) and enter into new businesses (utilize the personal information of CS Set users and strong relations with related parties such as hospitals and other facilities).

Compared to the 644 agreement facilities at the end of FY12/15, the Company is first aiming to reach 1,000 facilities in FY12/18 and after that 3,000 facilities. After the nationwide deployment of the CS Set, it also intends to start full-fledged measures to acquire customers from among medium- and small-scale facilities. In addition, for the management target values, in the medium term it is aiming for an ordinary income to sales ratio of 10%, while it is expected that its measures to improve profitability per full-time employee (net sales and operating income) will contribute to medium-term growth.

Returns to shareholders

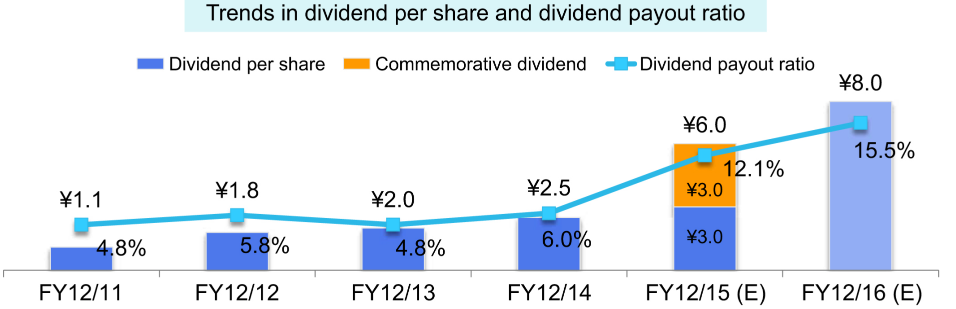
Once again forecasting an increase in dividend in FY12/16

With regards to the distribution of profits, the Company is aware that appropriately returning profits to shareholders is an important management issue, and its basic policy is to return profits to shareholders through dividends after comprehensively considering factors such as the state of its internal reserves, the profit level in each fiscal year, and the outlook for results and its capital needs in subsequent fiscal years.

The FY12/15 full-year dividend was ¥6 (an ordinary dividend of ¥3+dividend to commemorate the transfer to the TSE 1st Section market of ¥3, paid together at the end of the fiscal year). This is an increase of ¥3.50 compared to the FY12/14 full-year dividend of ¥2.50 (retroactively adjusted value following the two-for-one share split of July 1, 2015), for a dividend payout ratio of 12.1% (FY12/14 dividend payout ratio, 6.0%).

The forecast for FY12/16 is for a full-year dividend of ¥8 (ordinary dividend of ¥8, paid at the end of the fiscal year), which is an increase of ¥2 from the full-year dividend of ¥6 paid in FY12/15 (ordinary dividend of ¥3+dividend to commemorate the transfer to the TSE 1st Section market of ¥3). Comparing only the ordinary dividends, it will be an increase of ¥5 for a forecast dividend payout ratio of 15.5%.

Dividend and dividend payout ratio



* The dividend per share has been retroactively adjusted to take into account the effects of the fifty-for-one share split of August 17, 2012 and the onehundred-for-one share split of July 28, 2014 and two-for-one share split of July 1, 2015.

Source: Company materials

Main management indicators (unconsolidated)

(unit: ¥mn)

Item	FY12/13	FY12/14	FY12/15
Net sales	6,024	7,463	9,011
Cost of sales	4,369	5,408	6,519
Gross profit	1,654	2,055	2,491
SG&A expenses	1,252	1,621	1,903
Operating income	402	433	588
Non-operating income	3	13	2
Non-operating expenses	5	12	0
Ordinary income	401	434	591
Extraordinary income	0	0	0
Extraordinary losses	0	-	19
Net income before income taxes	401	434	572
Total income taxes, etc.	153	175	209
Net income	247	258	363
Total assets	2,267	3,702	4,309
(current assets)	1,949	3,378	3,967
(non-current assets)	318	323	341
Total liabilities	1,457	1,592	1,851
(current liabilities)	1,266	1,592	1,851
(non-current liabilities)	191	-	-
Net assets, total	810	2,109	2,457
(Shareholders' equity)	809	2,108	2,455
Capital	30	556	557
No. of shares outstanding at end of fiscal year, excluding treasury shares (shares)	6,000,000	7,330,000	7,360,000
Net income per share (¥)	41.30	41.95	49.51
Net assets per share (¥)	135.05	287.81	333.86
Dividend per share (¥)	2.00	2.50	6.00
Equity ratio (%)	35.7	57.0	57.0
Return on equity (%)	35.9	17.7	15.9
Cash flow from operating activities	262	264	323
Cash flow from investing activities	-43	-17	-70
Cash flow from financing activities	-40	819	-37
Cash and cash equivalents at end of fiscal year	588	1,654	1,869
No. of employees (including temporary employees) (people)	142	186	218

Note: The number of shares outstanding at end of the fiscal year excluding treasury shares and the per-share values for FY12/13 and FY12/14 have been retroactively adjusted to reflect the onehundred-for-one share split of July 28, 2014, and the two-for-one share split of July 1, 2015.
Source: prepared by FISCO based on Company materials

Disclaimer

FISCO Ltd. (the terms “FISCO”, “we”, mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange,and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “JASDAQ INDEX” are the intellectual properties of the Tokyo Stock Exchange, and therefore all rights to them belong to the Tokyo Stock Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness,or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose,investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.