

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

Bringing smiles to your
hospital/elderly facility stay



Operating Results for the Second Quarter of Fiscal 2019 Ending December 31, 2019

ELAN Corporation

August 23, 2019

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I. Operating Results for the First Half of Fiscal 2019



Initiatives in the First Half of Fiscal 2019

- ✓ As the hospitalization set business has gained recognition and competition with competitors has intensified, it is important to become a “company that continues to be chosen by customers” through continued endeavors to enhance customer satisfaction
- ✓ We steadily conducted measures for that purpose in the first half of fiscal 2019

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 backup organizations to support the sales force

☐ Create new businesses

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

☐ Reinforce the capabilities of the ELAN Group

- Start operations of ELAN Service Corporation



Status of Initiatives in the First Half of Fiscal 2019

The number of facilities newly contracting our services in the first half was a record-high 120

Marketing activities were conducted from 18 operating bases throughout Japan. Focus was also placed on marketing for the CS Set LC and CS Set R, and initiatives were performed to differentiate ELAN from competitors

Started research in areas where we are considering launching new businesses: BIHS, in which we conduct equity investment, and overall Indian market

ELAN Service Corporation started operations on April 1, 2019, as a company specialized in individual invoicing and customer support operations

◆ Operating Results for the First Half of Fiscal 2019

- ✓ **Achieved a year-on-year increase in sales and profit** due to a larger number of facilities newly introducing our services
- ✓ Number of contracted facilities at the end of the fiscal year increased by **96 (net)** year on year, totaling **1,236**
- ✓ Number of monthly users increased by **about 9,300** from the end of the previous fiscal year, totaling **200,000** (for the entire ELAN Group)

(millions of yen)

	Fiscal 2018 First Half results	Fiscal 2019 First Half results	YoY change	Fiscal 2018 results	Fiscal 2019 forecast	YoY change
Net sales	8,995	10,340	15.0%	18,585	21,500	15.7%
Operating profit	667	775	16.1%	1,278	1,430	11.8%
<i>Operating profit to net sales</i>	<i>7.4%</i>	<i>7.5%</i>		<i>6.9%</i>	<i>6.7%</i>	
Ordinary profit	668	780	16.7%	1,282	1,430	11.5%
<i>Ordinary profit to net sales</i>	<i>7.4%</i>	<i>7.5%</i>		<i>6.9%</i>	<i>6.7%</i>	
Profit attributable to owners of parent	434	521	20.0%	865	970	12.1%
<i>Profit to net sales</i>	<i>4.8%</i>	<i>5.0%</i>		<i>4.7%</i>	<i>4.5%</i>	

Highlights for the First Half of Fiscal 2019 (Consolidated)

Cash flows from operating activities increased steadily due to an increase of net sales and operating profit

Consolidated Balance Sheet

(millions of yen)

	As of Dec. 31, 2018	As of Jun. 30, 2019
Current assets	6,992	7,225
Cash and deposits	3,057	2,991
Accounts receivable – trade	2,477	2,642
Merchandise	592	525
Accounts receivable – other	1,180	1,430
Other	43	60
Allowance for doubtful accounts	(357)	(423)
Non-current assets	831	844
Property, plant and equipment	302	309
Intangible assets	238	218
Goodwill	127	107
Other	111	111
Investments and other assets	290	316
Total assets	7,824	8,070
Current liabilities	3,561	3,472
Accounts payable – trade	2,745	2,694
Other	815	779
Non-current liabilities	-	5
Total liabilities	3,561	3,477
Total net assets	4,262	4,592
Total liabilities and net assets	7,824	8,070

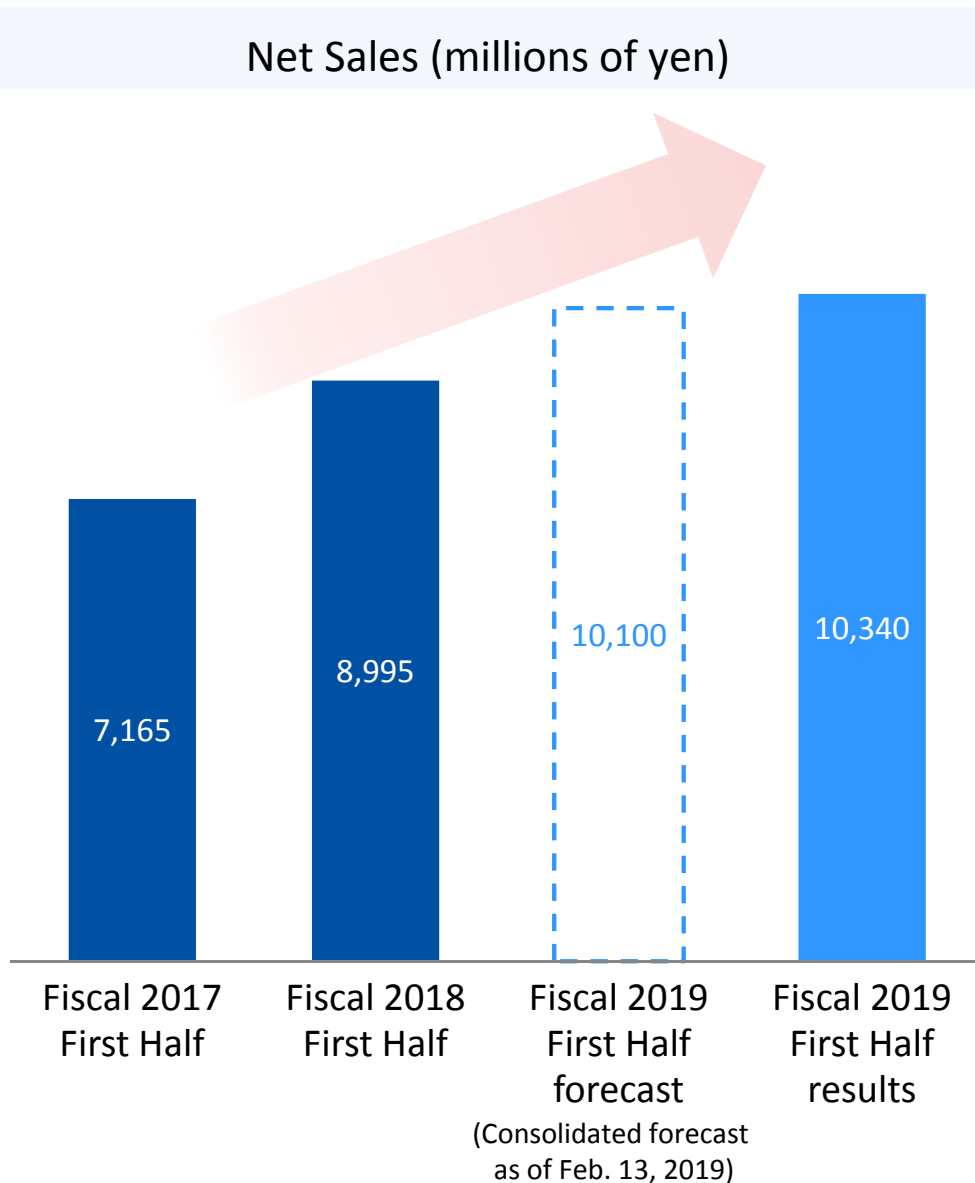
Consolidated Statement of Cash Flows

(millions of yen)

	Fiscal 2018 First Half (Consolidated)	Fiscal 2019 First Half (Consolidated)
Cash flows from operating activities	619	181
Profit before income tax	668	780
Decrease (increase) in assets	(12)	(364)
Increase (decrease) in liabilities	57	(60)
Other	92	135
Income tax paid	(186)	(310)
Cash flows from investing activities	(43)	(35)
Purchase of property, plant and equipment	(8)	(12)
Purchase of intangible assets	(34)	(16)
Other	(0)	(6)
Cash flows from financing activities	(109)	(211)
Dividends paid	(119)	(211)
Other	9	(0)
Net increase (decrease) in cash and cash equivalents	466	(66)
Cash and cash equivalents at beginning of period	2,122	3,033
Cash and cash equivalents at end of period	2,588	2,966

Net Sales for First Half of Fiscal 2019 (Consolidated)

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

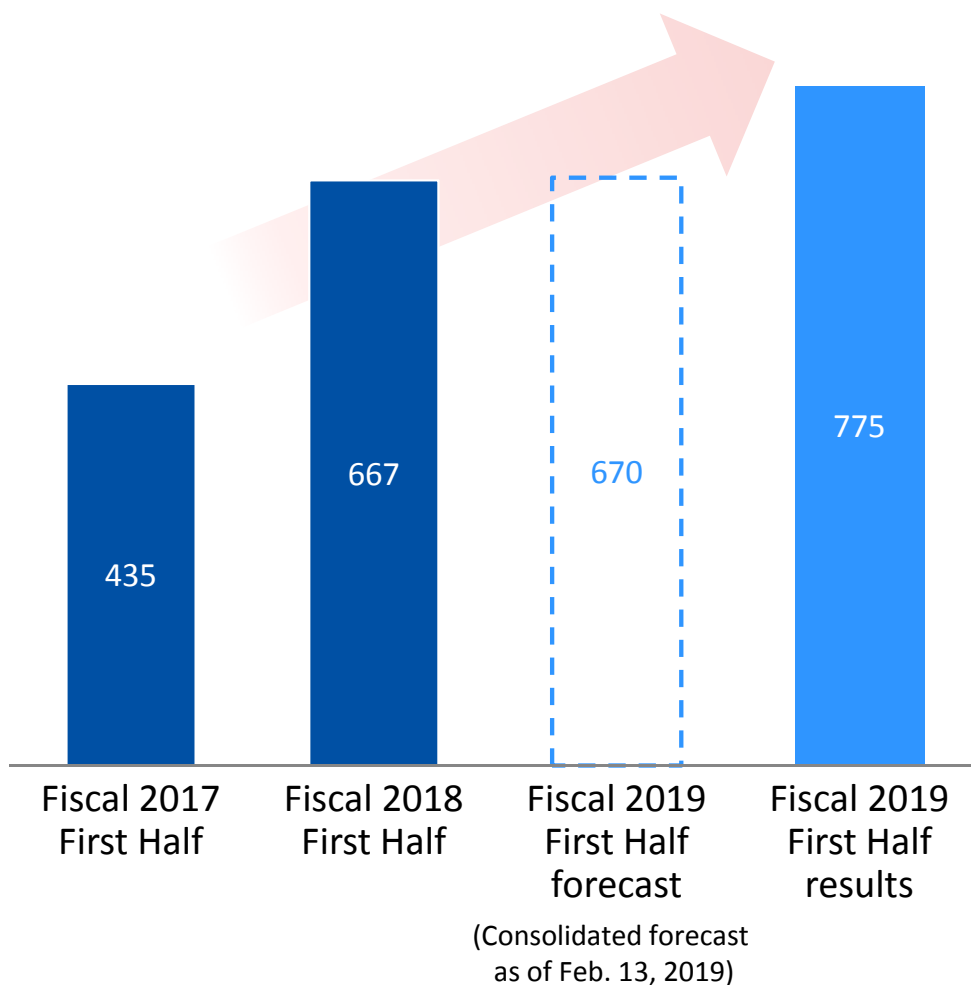


- Sales exceeded the consolidated forecast (first half) by **2.4%**
- Sales increased by **15.0%** year on year on a consolidated basis

Operating Profit for First Half of Fiscal 2019 (Consolidated)

Achieved a year-on-year increase in profit by suppressing SG&A expenses such as personnel expenses while delivery outsourcing fees and other cost of sales increased

Operating profit (millions of yen)

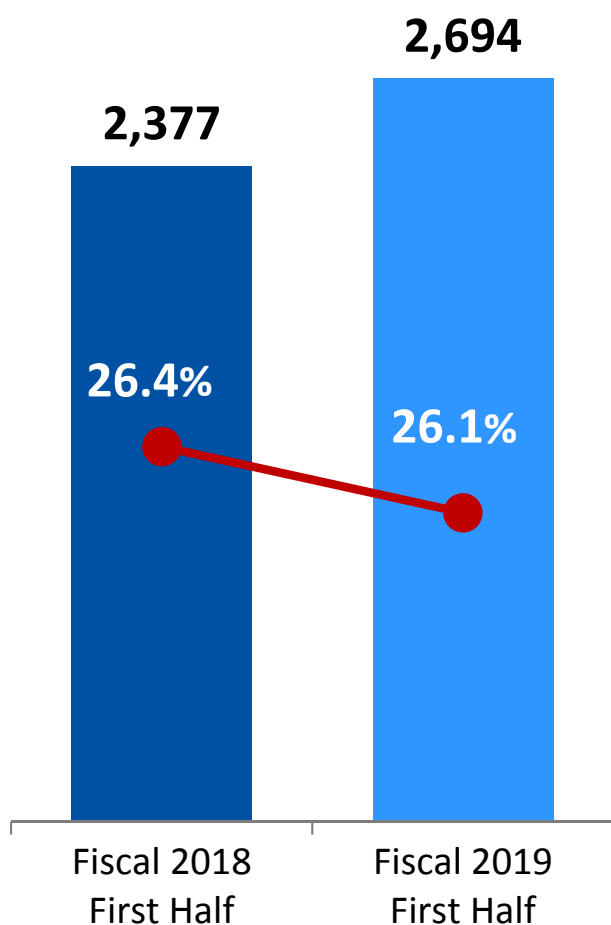


- Operating profit exceeded the consolidated forecast (first half) by **15.7%**
- Operating profit increased by **16.1%** year on year on a consolidated basis

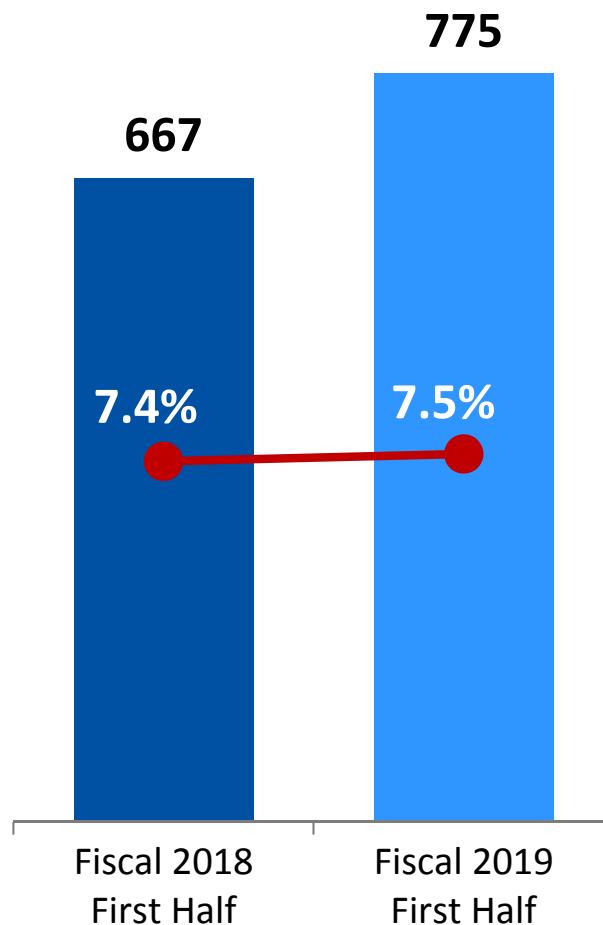
Profit Margin for First Half of Fiscal 2019 (Consolidated)

Operating profit margin improved as a result of sustaining the rate of increase in SG&A expenses through sales efforts and enhancement of operational efficiency, despite the decrease of gross profit margin due mainly to an increase in outsourcing fees for product delivery operations.

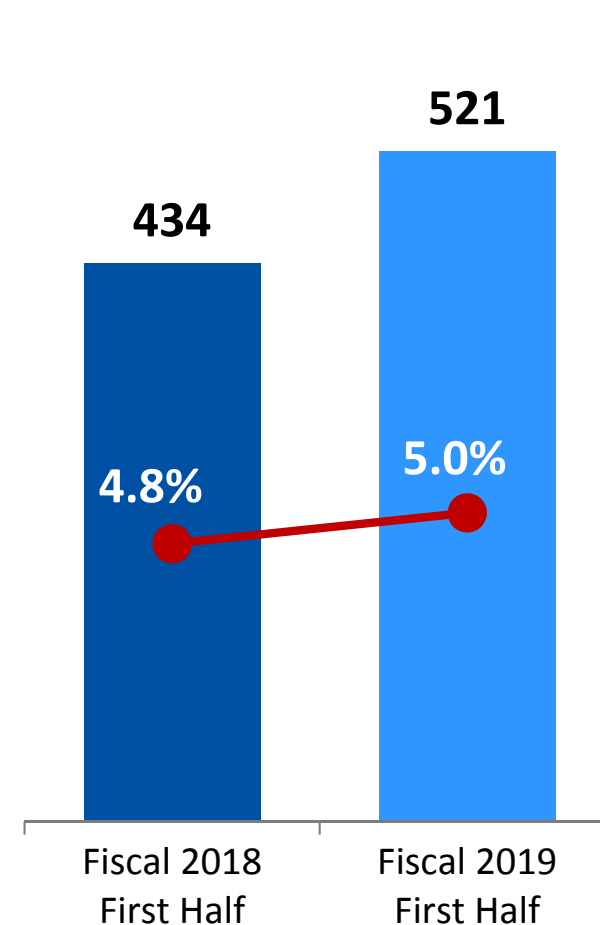
Gross profit (millions of yen)



Operating profit (millions of yen)

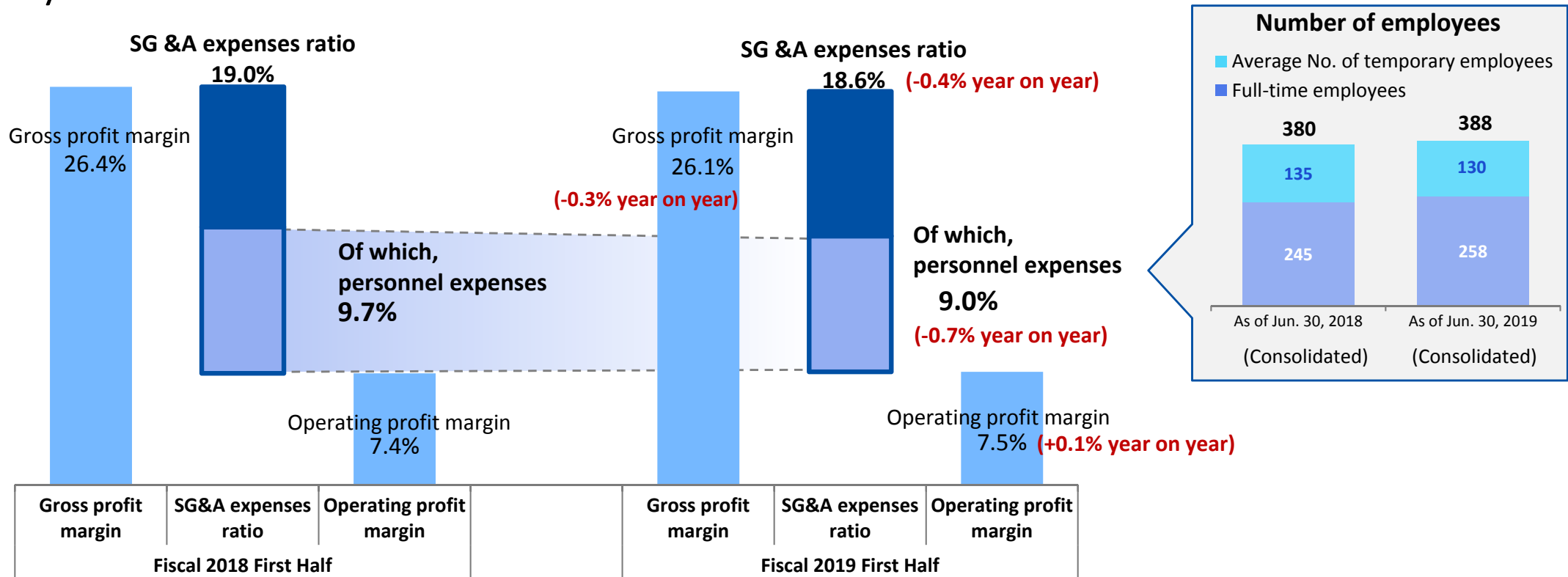


Profit attributable to owners of parent (millions of yen)



Improvement Factors in Profit Margin for First Half of Fiscal 2019

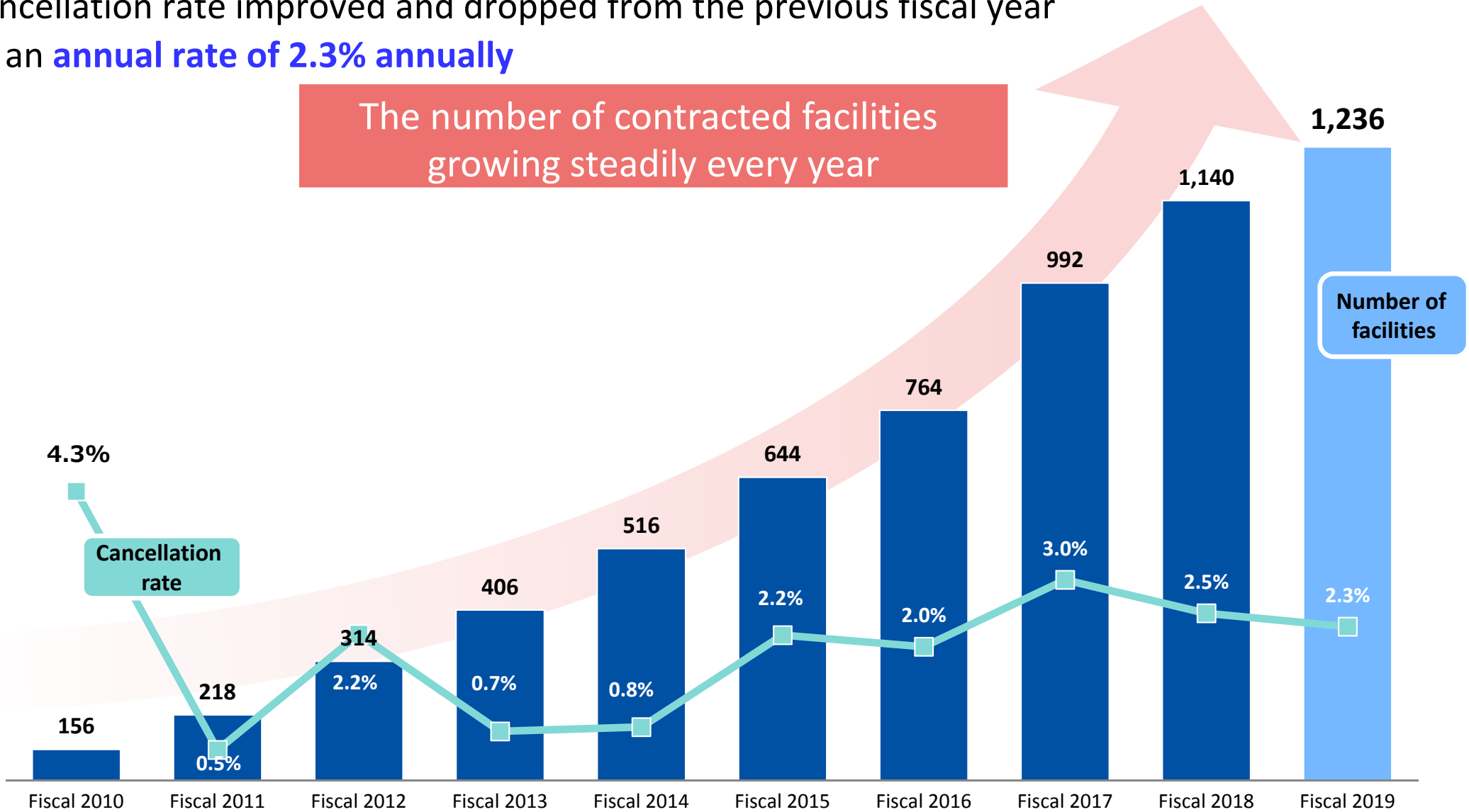
- ✓ SG&A expenses ratio decreased year on year as a result of sustaining the ratio of increase in personnel expenses, etc.
- ✓ SG&A expenses ratio in fiscal 2019 first half decreased 0.4 percentage points year on year to **18.6%**
- ✓ Personnel expense ratio in fiscal 2019 first half decreased 0.7 percentage points year on year to **9.0%**



Changes in the Number of Contracted Facilities and Contract Cancellation Rate

The number of contracted facilities has increased at an **average annual rate of 27.8%** since Fiscal 2009 due to an increase in the number of facilities newly contracting our services. The cancellation rate improved and dropped from the previous fiscal year to an **annual rate of 2.3% annually**

The number of contracted facilities growing steadily every year

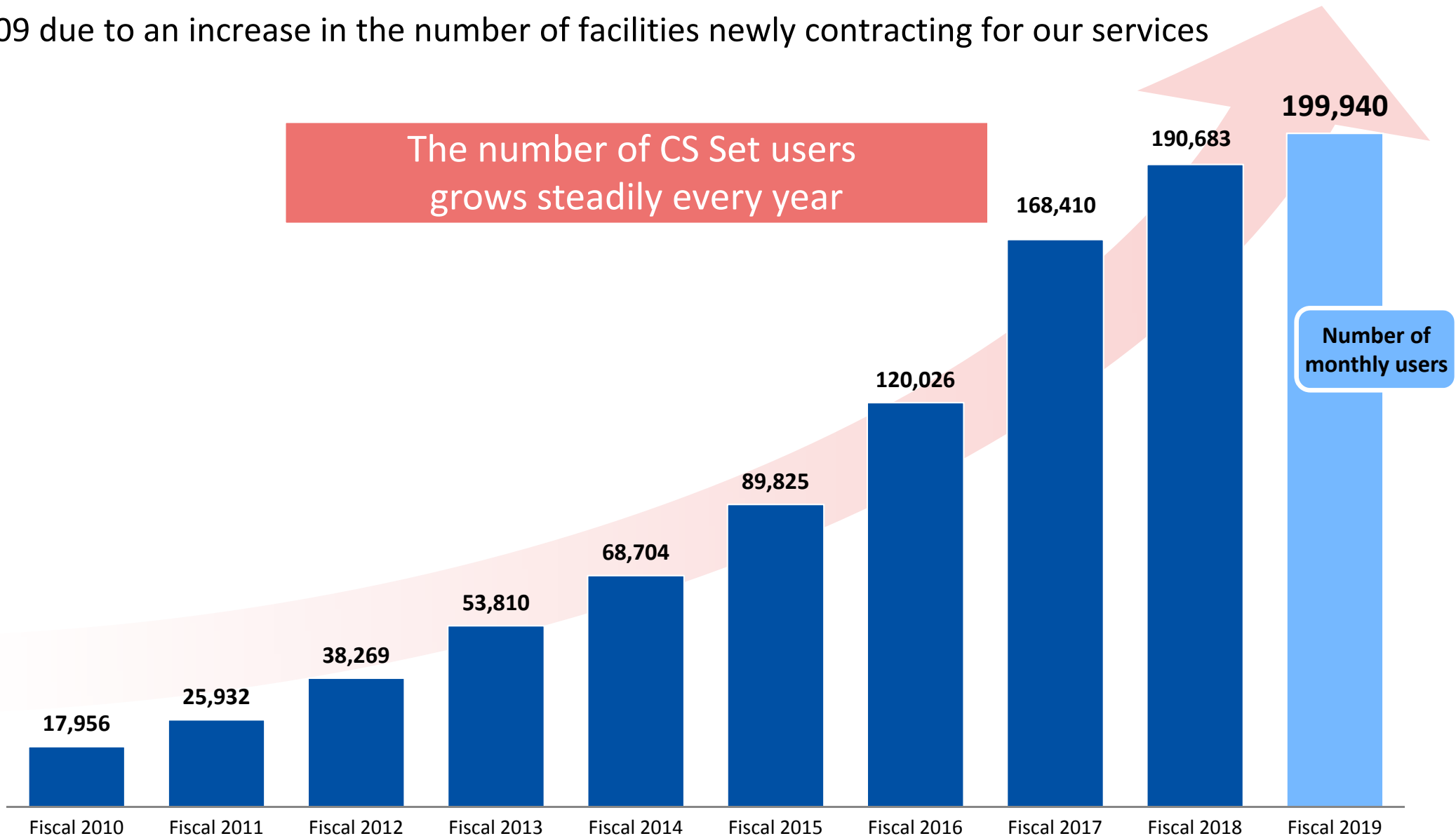


Number of cancellations in last 12 months / (Contracts at end of first half of previous year + New contracts in last 12 months)

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

Change in Number of Monthly Users

The number of monthly users has increased at an **average annual rate of 32.4%** 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 June 30, 2019)

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

Hospital Market by Number of Beds

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

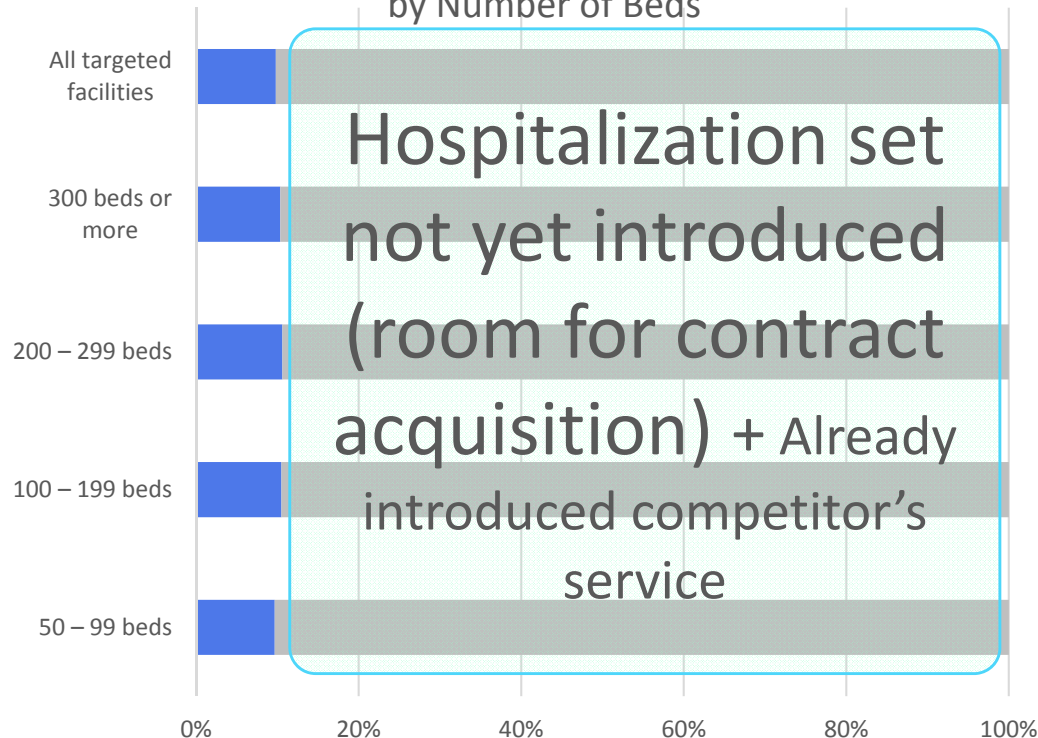
Already contracted with **910** facilities, or **12.1%** of the target

Senior Nursing Care Facilities Market by Number of Beds

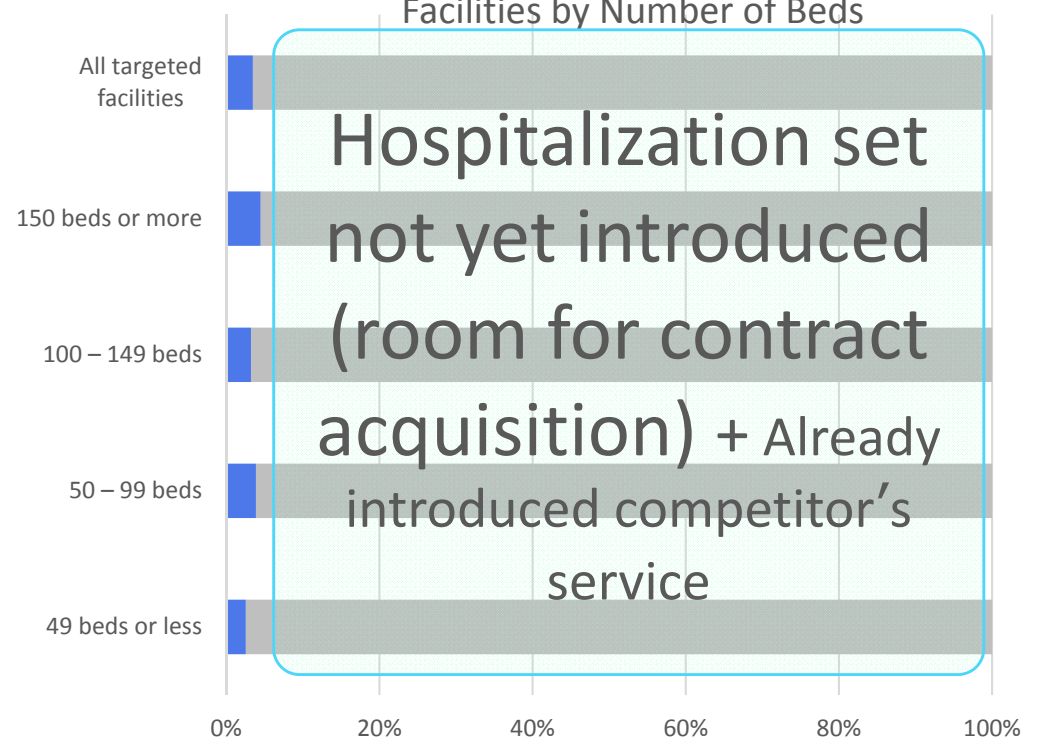
Facilities **targeted** by the ELAN Group (with at least 50 beds) count **3,824**

Already contracted with **160** facilities, or **4.2%** of the target

Contract Rates of Targeted Hospitals by Number of Beds



Contract Rates of Targeted Senior Nursing Care Facilities by Number of Beds

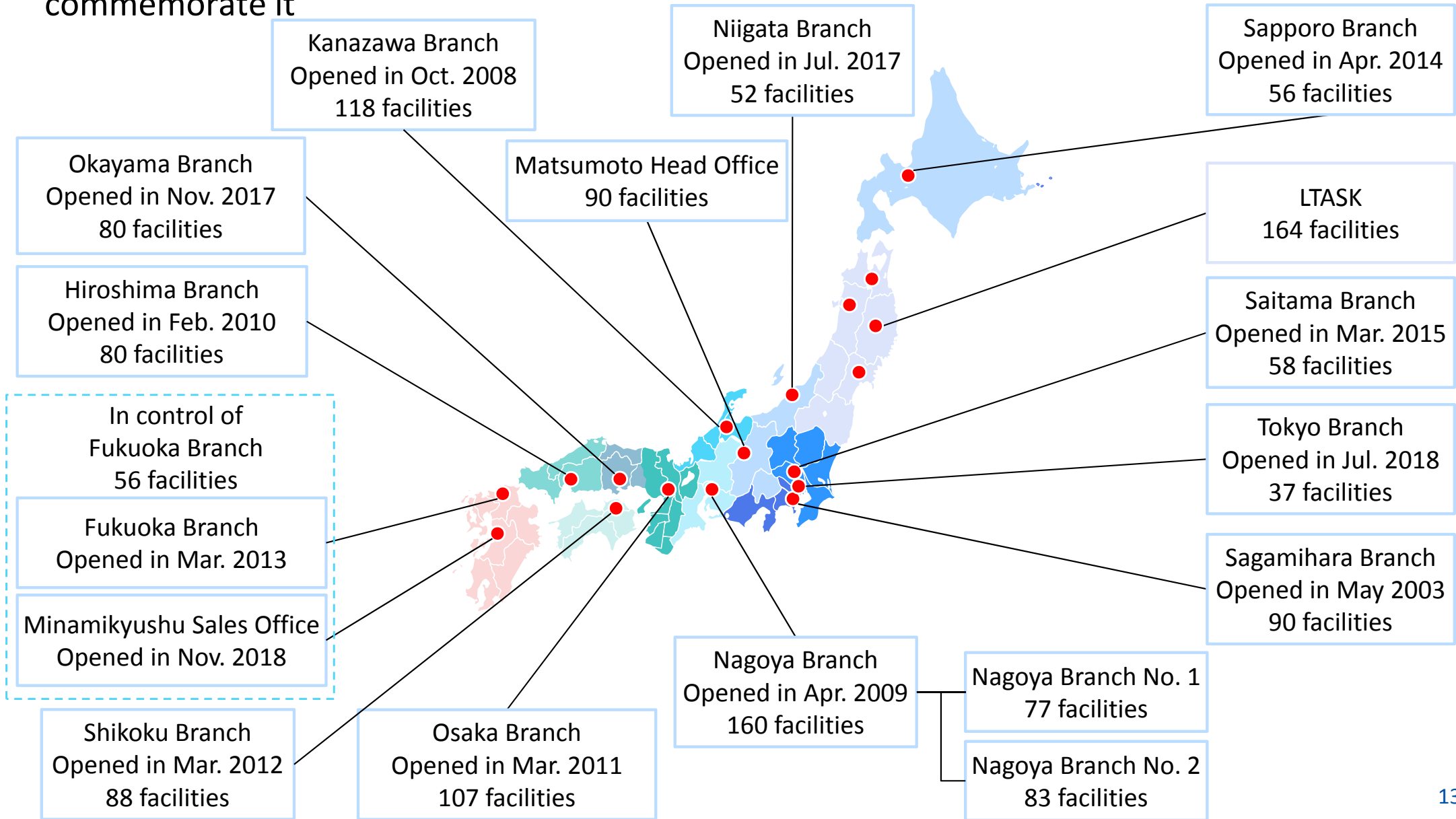


Note 1: The blue parts of the charts above represent the contract rates of ELAN

Note 2: Prepared by ELAN in reference to the survey results of Survey of Medical Facilities 2017 and Survey of Institutions and Establishments for Long-term Care 2017 by Ministry of Health, Labour and Welfare.

ELAN's Operating Bases and Number of Contracted Facilities throughout Japan (as of June 30, 2019)

- ✓ The number of contracted facilities is increasing steadily throughout Japan, totaling 1,236 facilities for the ELAN Group
- ✓ Surpassed the 1,000 facilities mark on a non-consolidated basis and conducted a campaign to commemorate it



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

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- ✓ Aiming for further increase in the number of new contracts, conduct marketing activities from operating bases throughout Japan
- ✓ Proceed preparation for the merger with LTASK in order to consolidate management resources and ensure efficient organization operation, as well as to enhance the brand power and sense of unity among employees, for further expansion

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

Initiatives in Fiscal 2019 Second Half

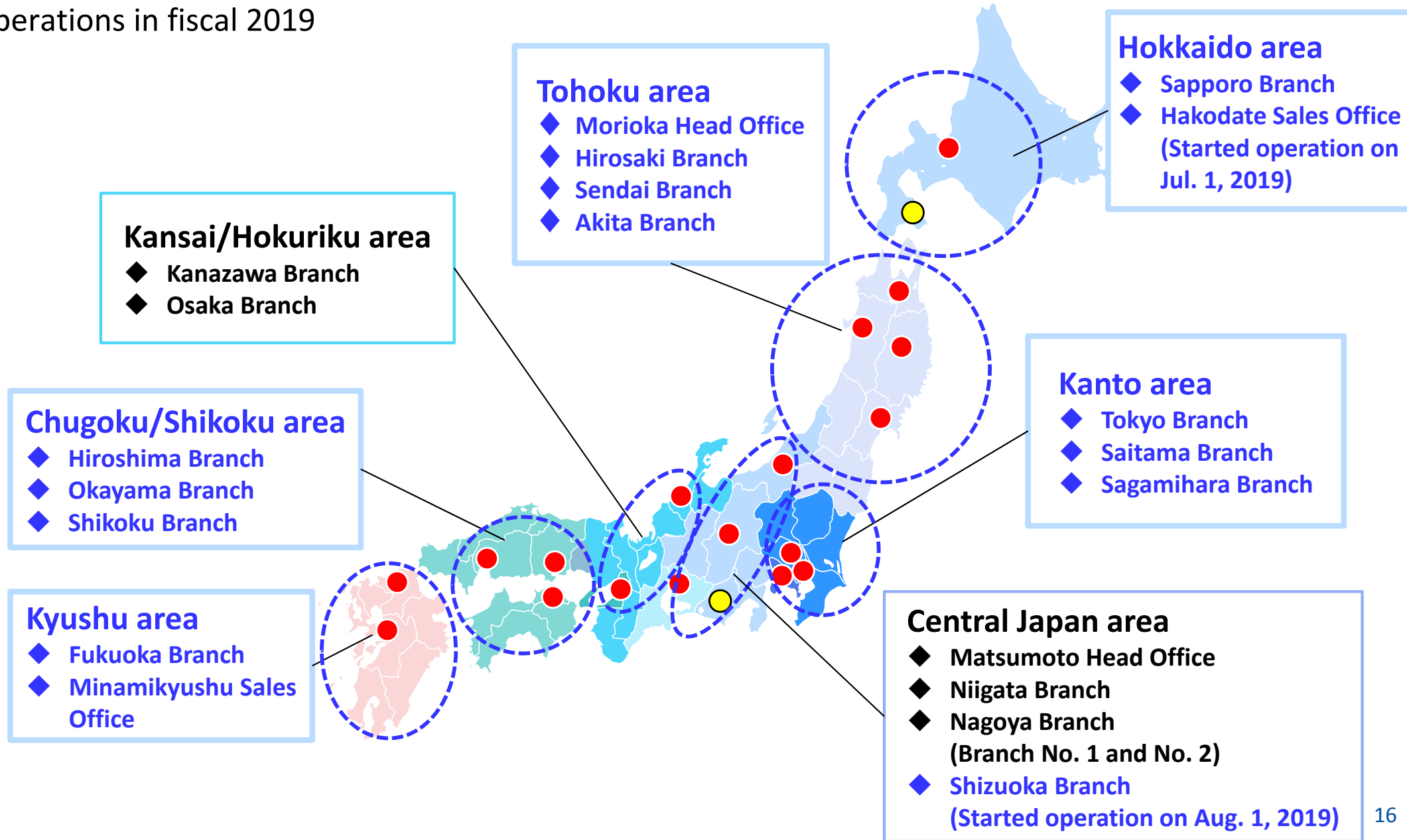
Promote sales activities from the 20 marketing bases throughout Japan including newly opened Hakodate Sales Office and Shizuoka Branch, aiming for increasing the number of new contracts
Focus on marketing of the CS Set LC and CS Set R in coordination with partner companies and subcontractors

Continue investigating overseas operations while proceeding with investigating new business

Improve ELAN Service Corporation's productivity and enhance its capabilities to respond to customers
Proceed preparation for the merger with LTASK (Jan. 1, 2020)

Operating Bases throughout Japan and Respective Marketing Areas (Future Policy)

Divide Japan into seven areas by Jan. 1, 2020, and conduct marketing activities from 20 operating bases throughout Japan, including the Shizuoka Branch and Hakodate Sales Office which started operations in fiscal 2019





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



For better customer satisfaction

Responding to inquiries in foreign languages

- English
- Korean
- Mandarin Chinese
- Portuguese



Accepting application from smart phones or PCs



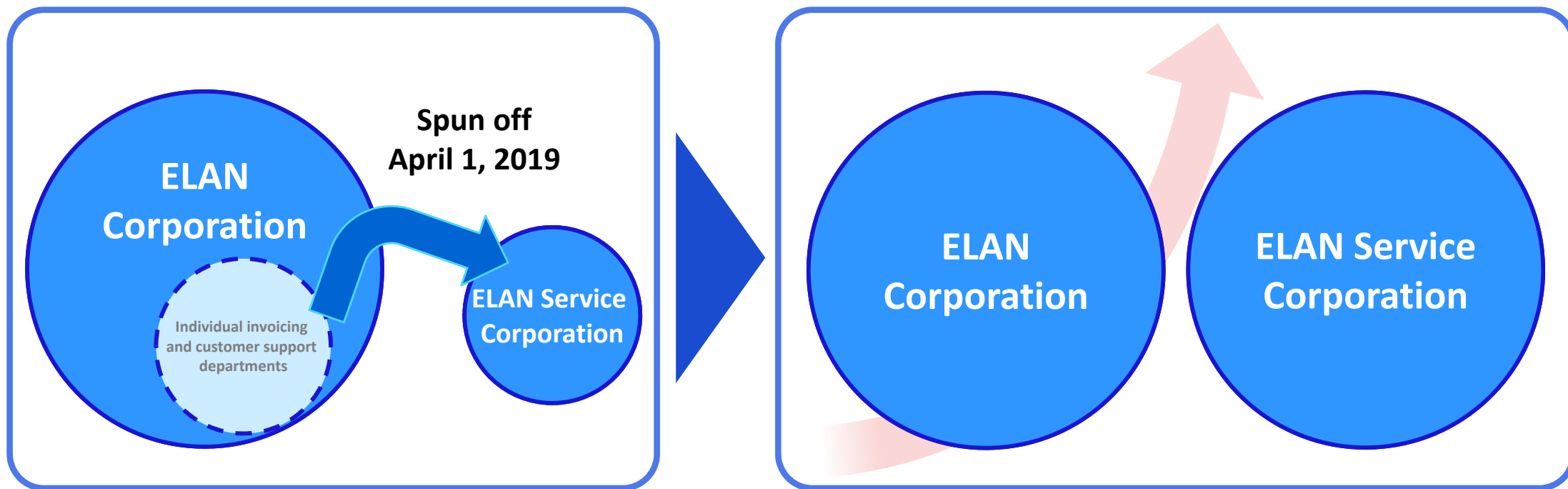
Opening a portal website dedicated for users



Payment for invoices by credit cards, etc.



- ✓ ELAN Service Corporation started operation on April 1, 2019, as a company specialized in individual invoicing and customer support operations
- ✓ Organize the management structure through enhancement of efficiency of decision-making process and other measures to execute smooth business operation Strive for better customer satisfaction



**For better
customer
satisfaction**

**Improvement of productivity by supporting
the new invoicing system**



**Enhancement of customer support departments'
capabilities to respond to customers**

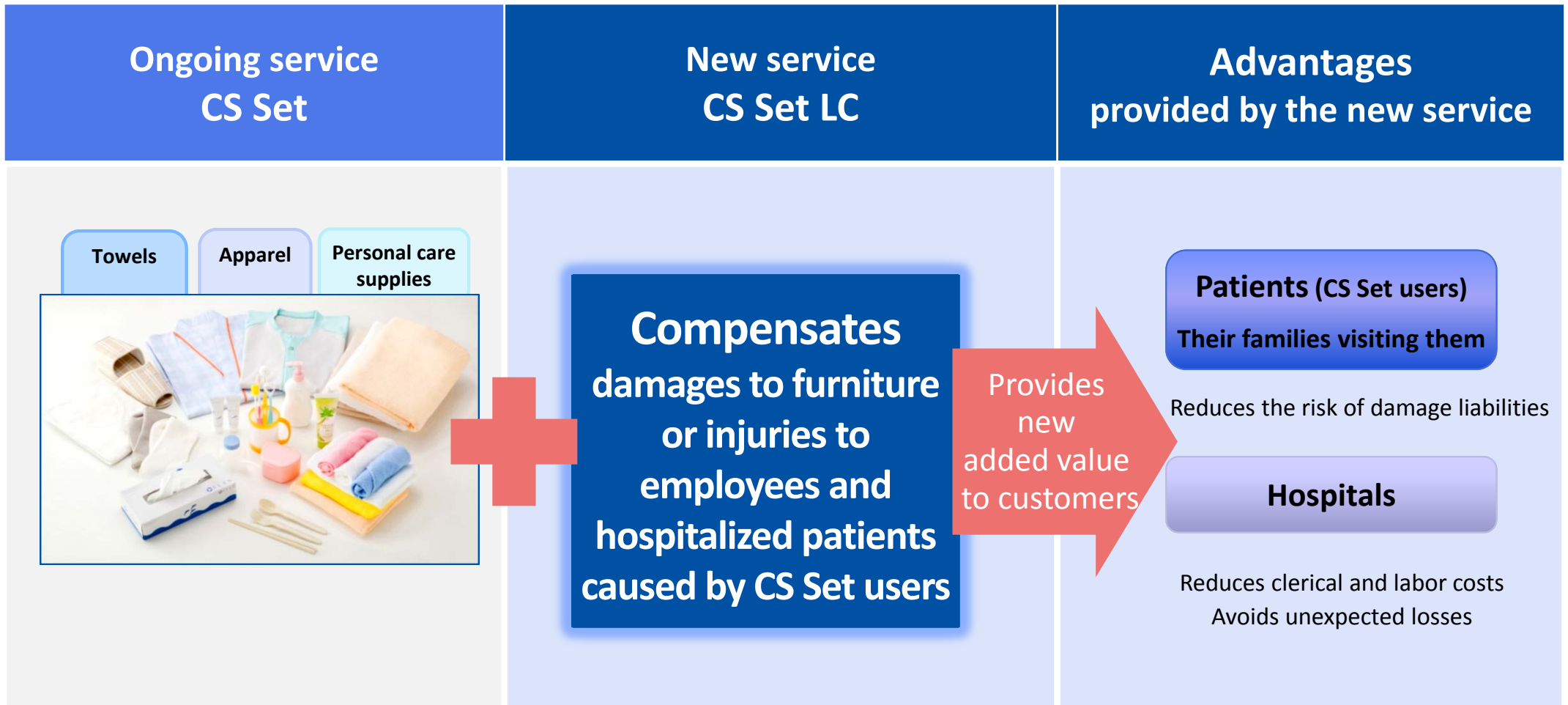




ELAN Corporation tied up with Nippon Souken Ltd. for a new service:

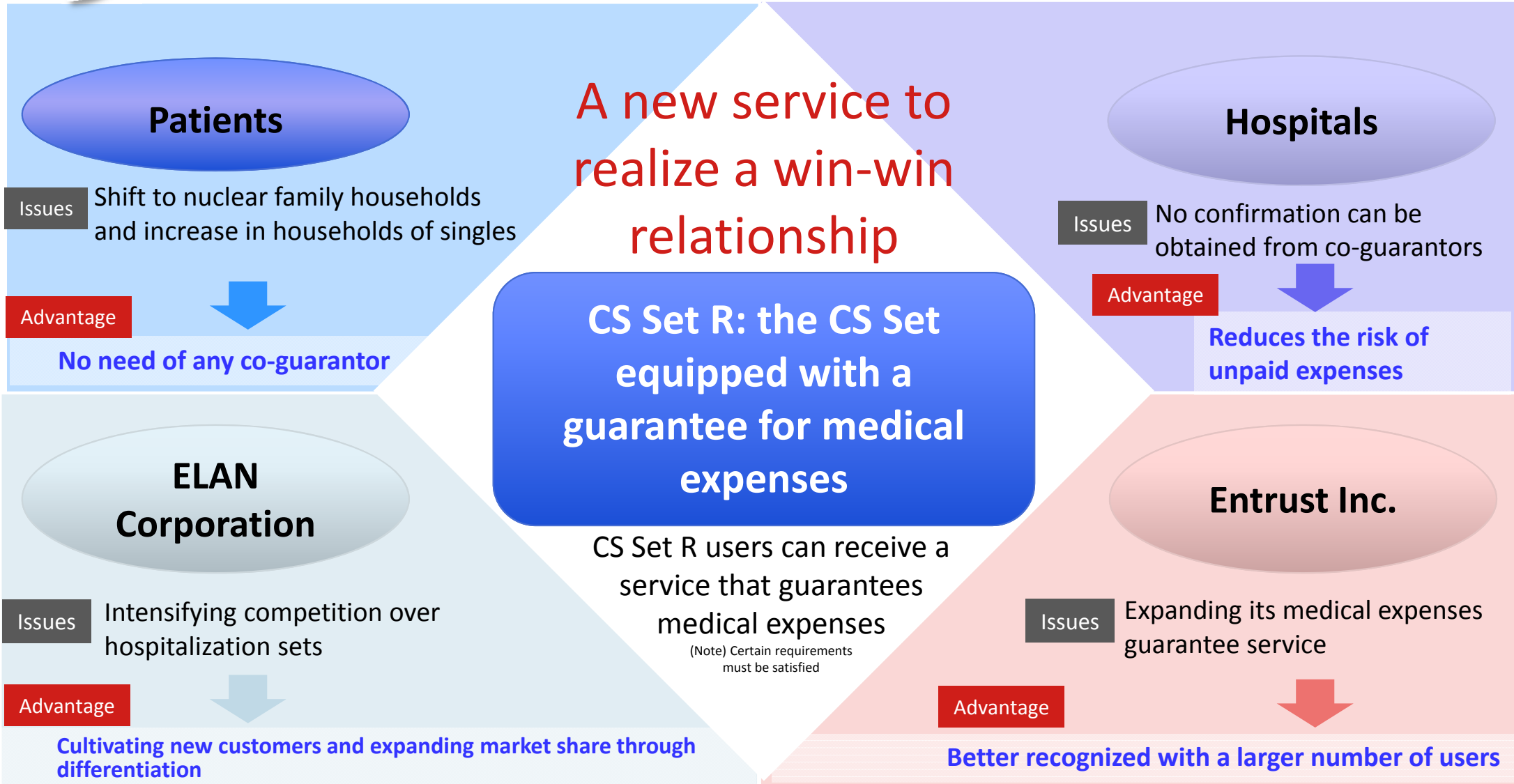
Developed the “CS Set LC (Loss Control) Hospitalization Guarantee”

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





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





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



Base of hospitals, nursing care facilities and other facilities

- ◆ Contracted facilities: 1,236

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 (Creating Shared Value) chain
- ◆ Accelerating opening of stores within company buildings, hospitals and nursing care facilities

Marketing promotion

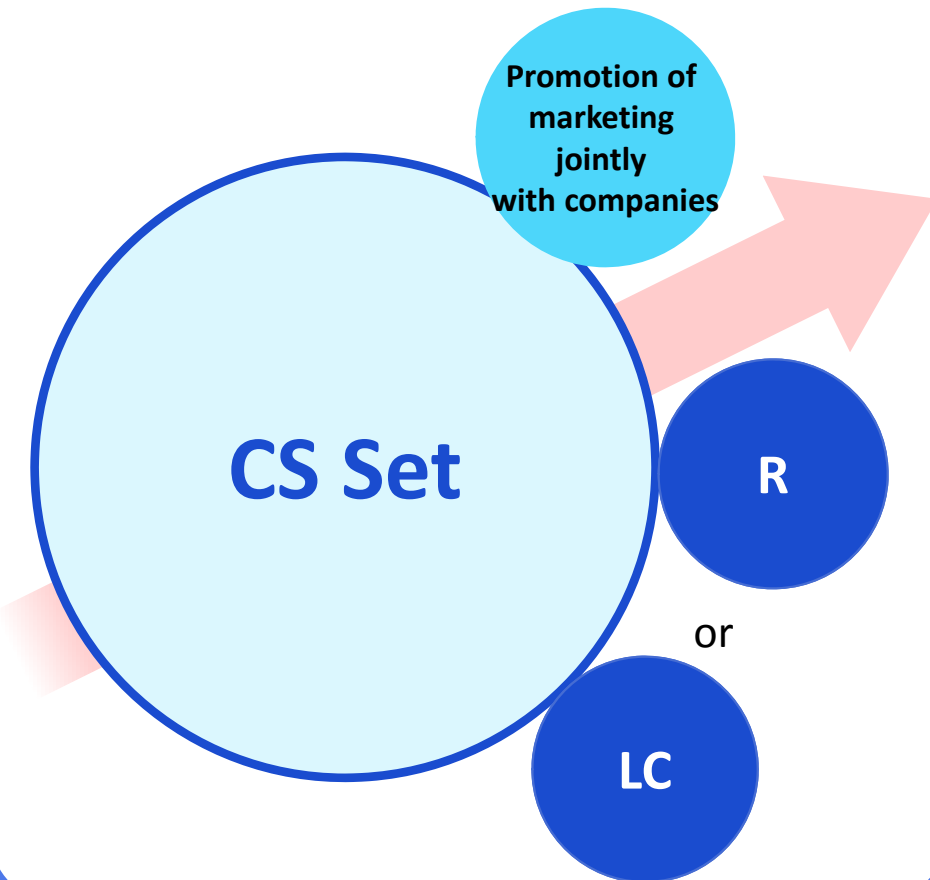
Mutual introduction of possible customers for proposal

Joint proposal of new projects

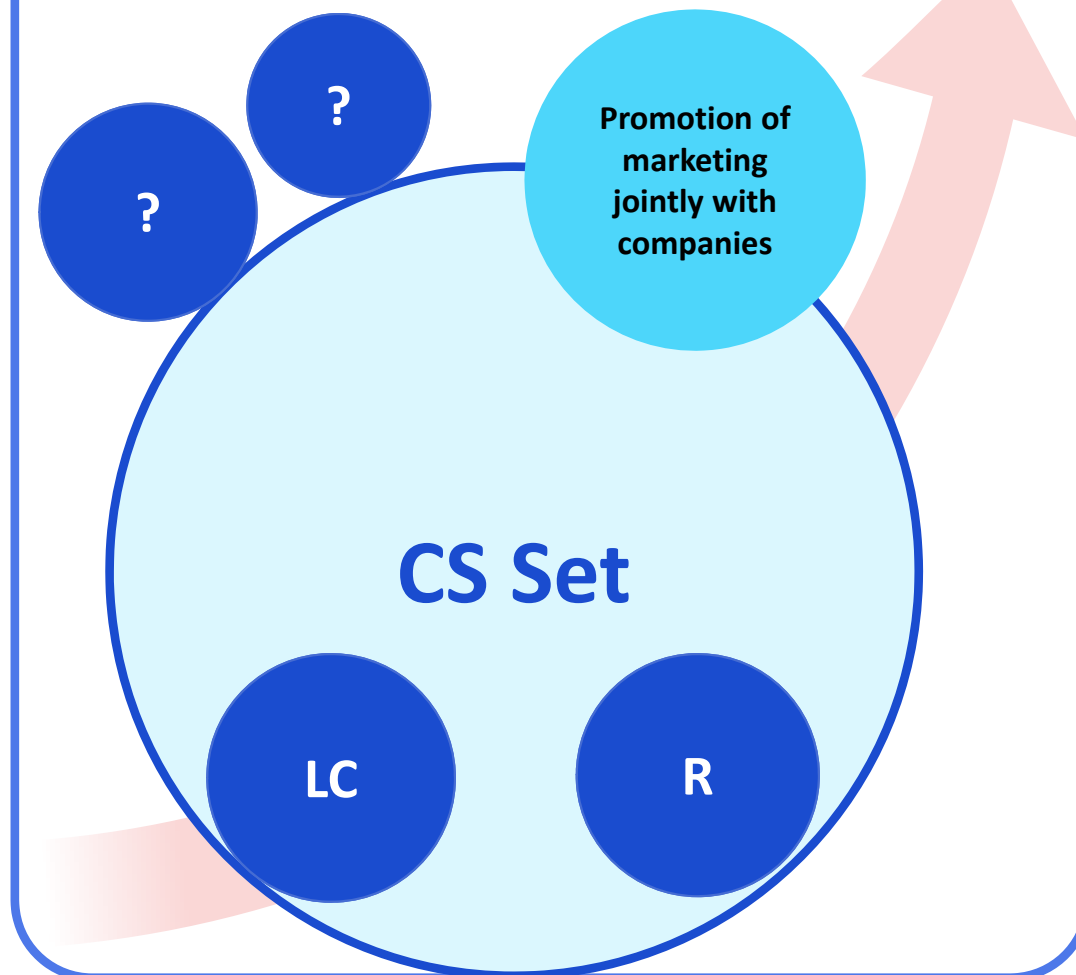
Status of Progress in Fiscal 2019 First Half (Enhanced Added Value/Business Tie-Up)

- ✓ Progress was made for multiple projects for new contracts of the CS Set LC Hospitalization Guarantee and CS Set R
- ✓ In the second half, aim for additional new contracts through organized marketing activities

Currently, added value is supplied to the CS Set in separate fashion.



Going forward, work for new introduction of the CS Set containing added value as the standard, in coordination with partner companies and subcontractors





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.



- ✓ Currently, an Elan employee is staying at BIHS in India and observing the status of management and operation as well as the status of the overall Indian market and business opportunities.

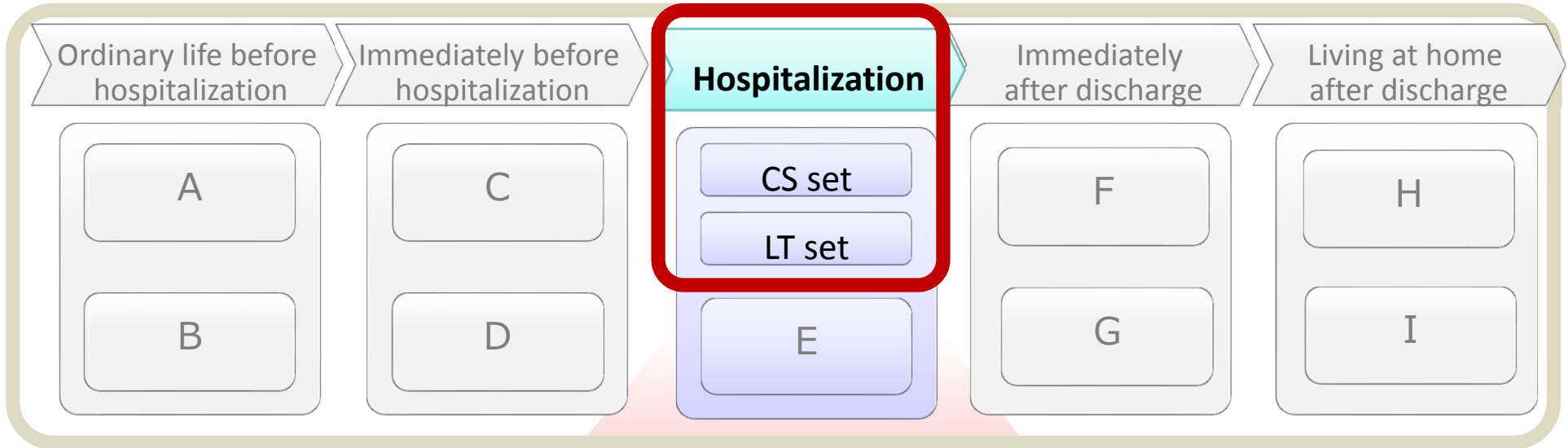


Expand to India, and then, one day, to the rest of the world!

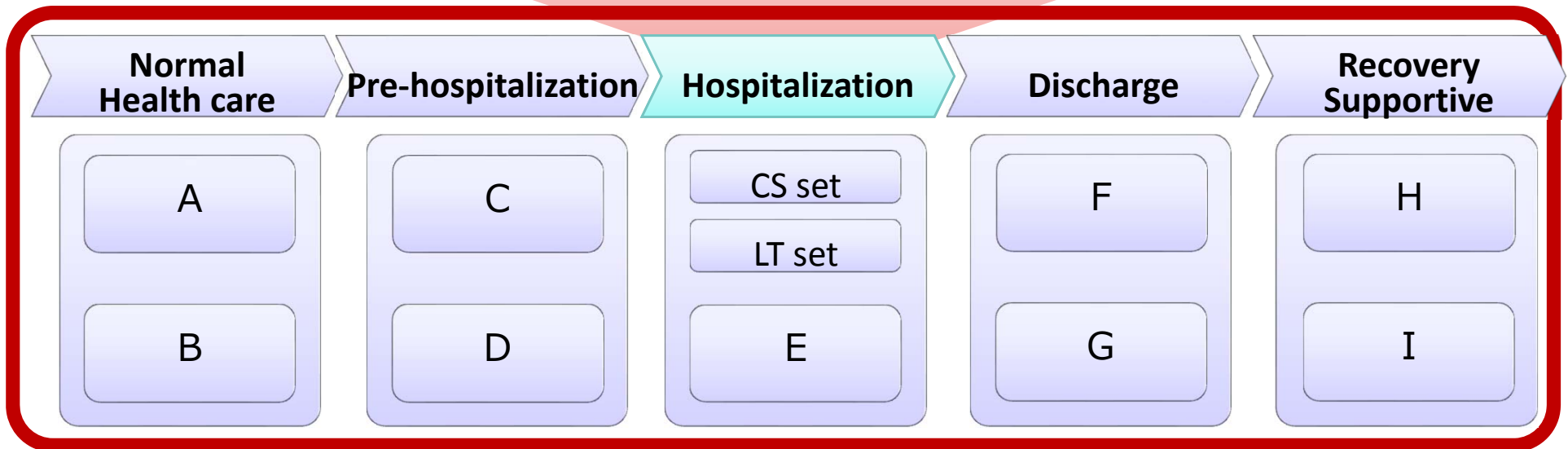




CS (LT) Sets make it a business to address “troubles” during hospitalization



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



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

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

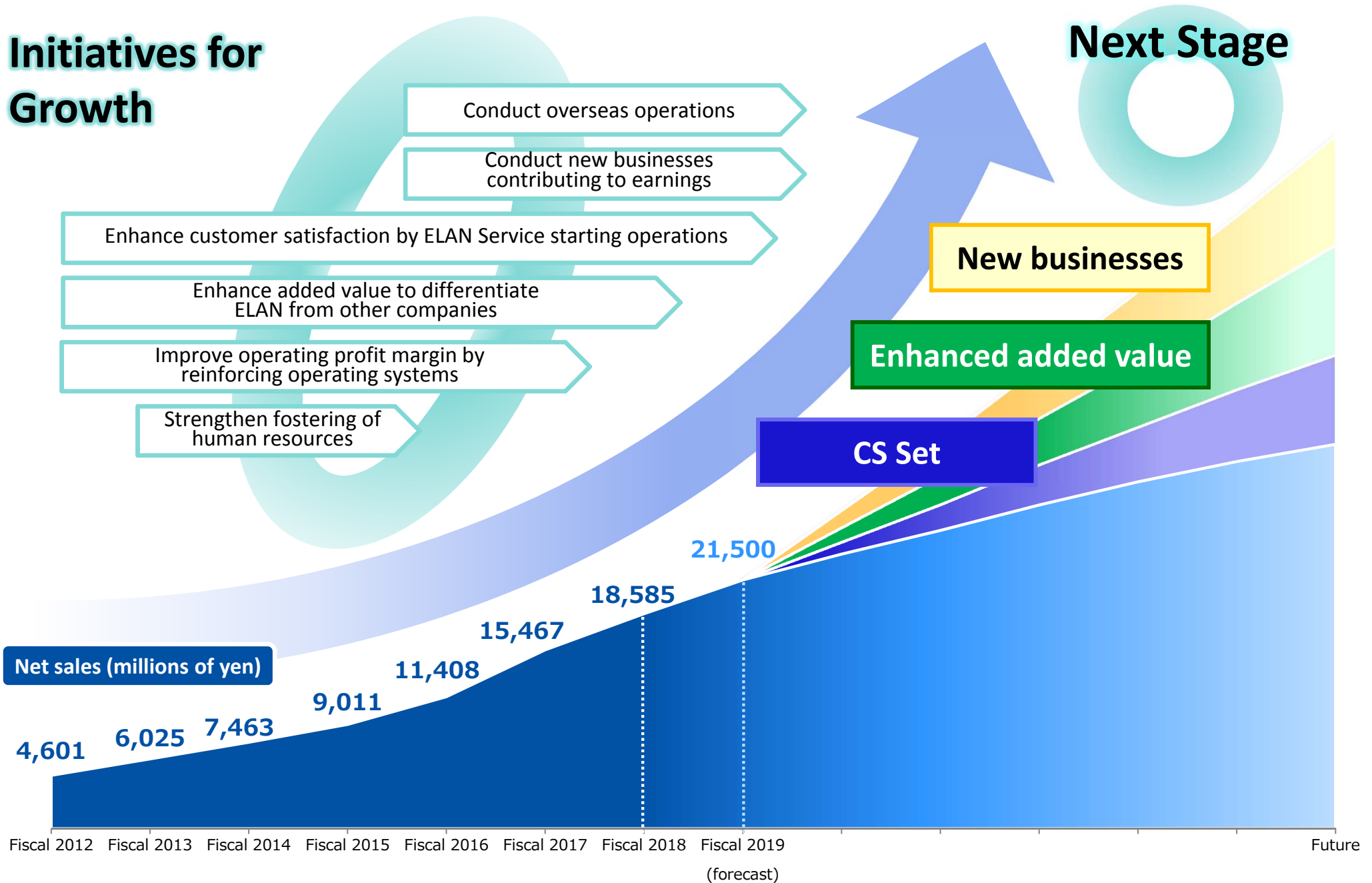
(millions of yen)

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<i>Profit to net sales</i>	<i>4.8%</i>	<i>5.0%</i>		<i>4.7%</i>	<i>4.5%</i>	
Profit per share	14.52 yen	17.20 yen		28.78 yen	32.01 yen	

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

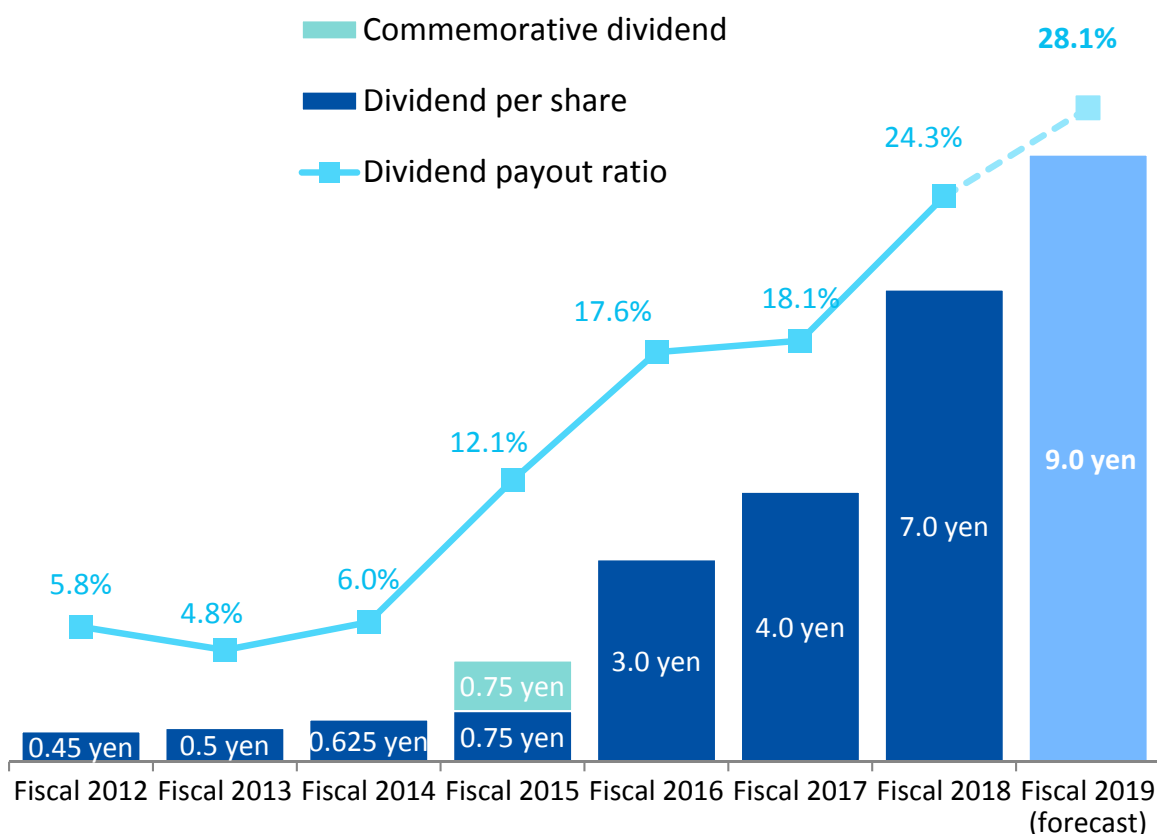


Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

Return to Shareholders (Forecast Dividend for Fiscal 2019)

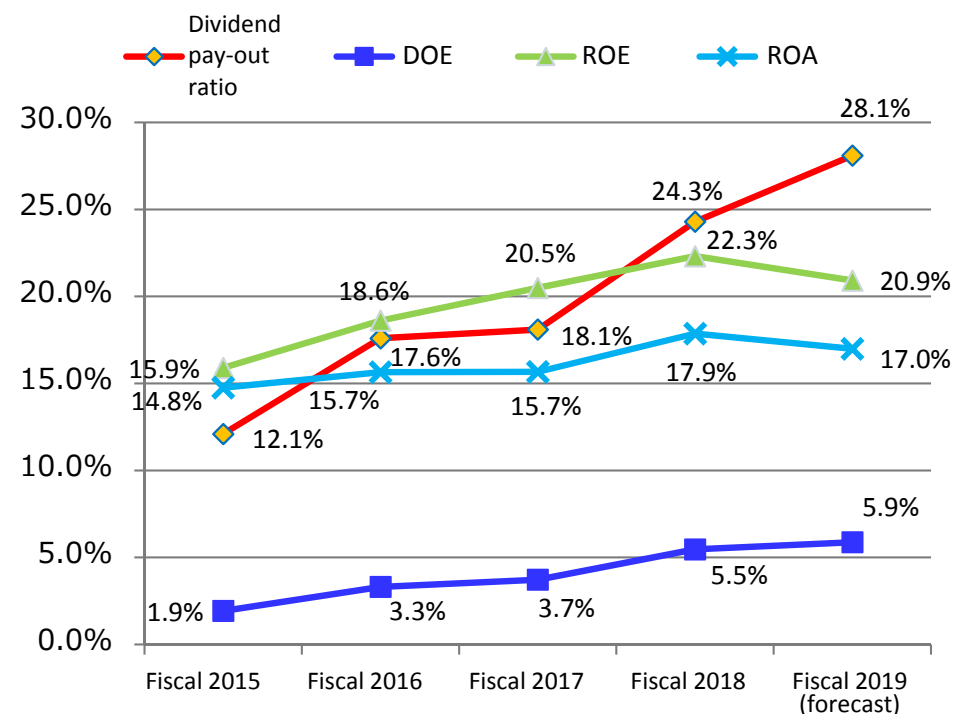
- ◆ Payment of year-end dividend for fiscal 2019 will be **9.0 yen** per share
(A year-on-year increase of 2.0 yen, as the dividend for fiscal 2018 would stand at 7.0 yen when considering the stock split conducted as of January 1, 2019)
- ◆ Consolidated dividend payout ratio for fiscal 2019 will be **28.1%**, up 3.8 percentage points year on year
(24.3% for fiscal 2018)

Changes in dividend per share and dividend payout ratio

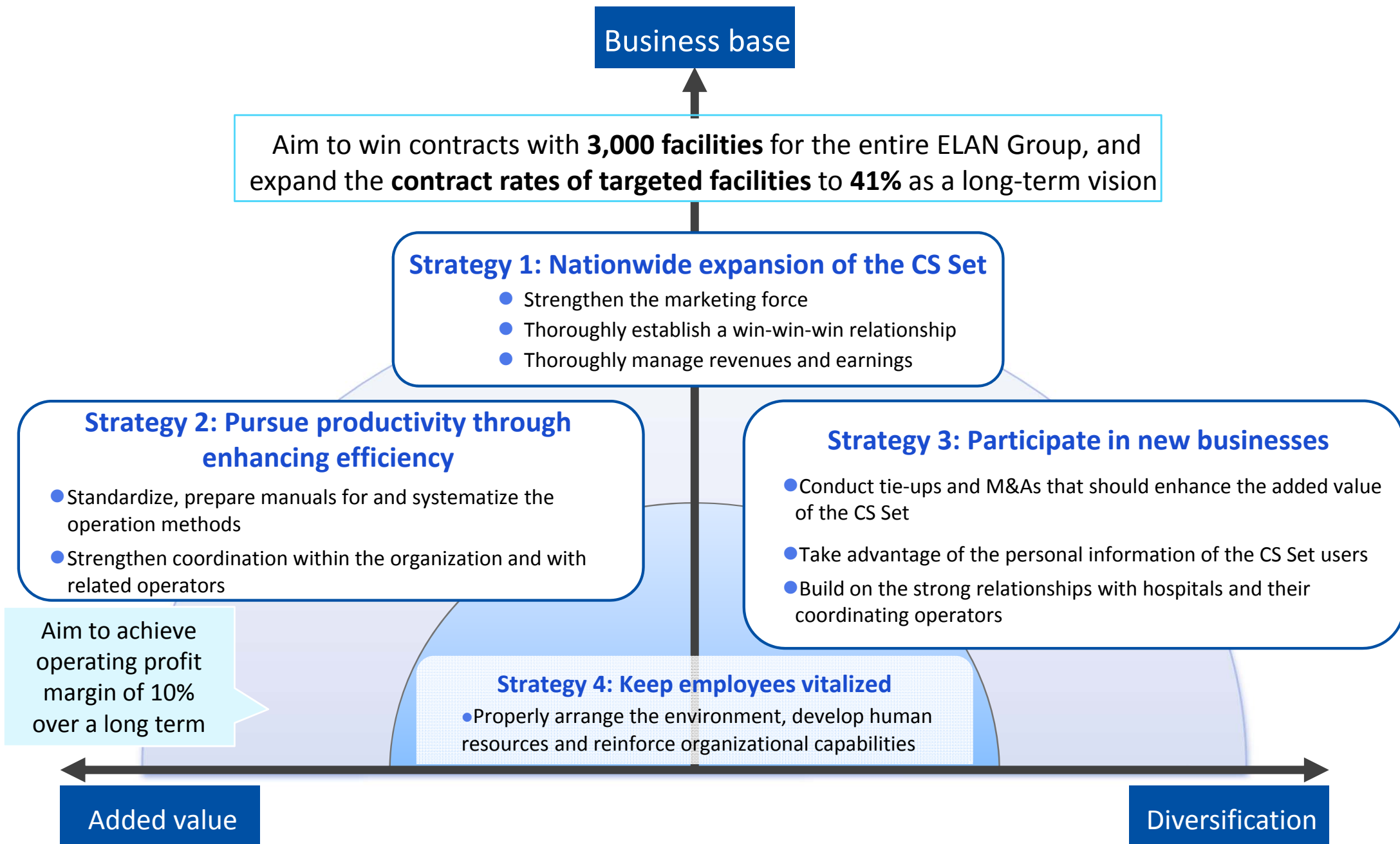


Note: The figures are on a non-consolidated basis through fiscal 2016 and on a consolidated basis for fiscal 2017 and thereafter.

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.



III. Business Descriptions

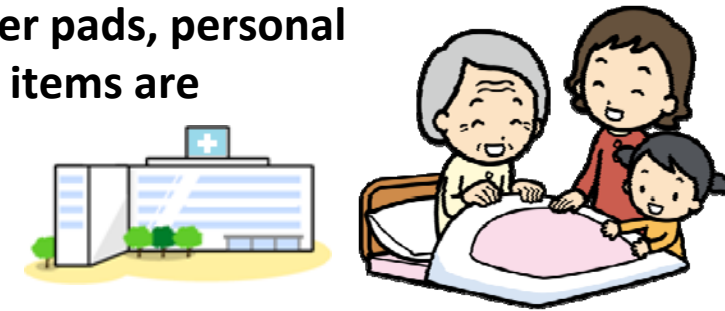
Bringing smiles to your
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What Is the CS (Care Support) Set?

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

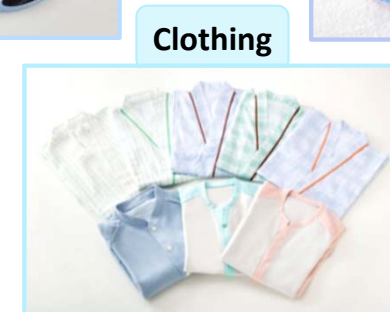
CS Set users can rent clothing and towels, and receive disposable diaper pads, personal care items and other supplies needed during a hospital stay. Required items are available at the time they are needed on a daily basis at a fixed rate.



Example of the CS Set Standard Plan Note: the daily fees shown below are for reference

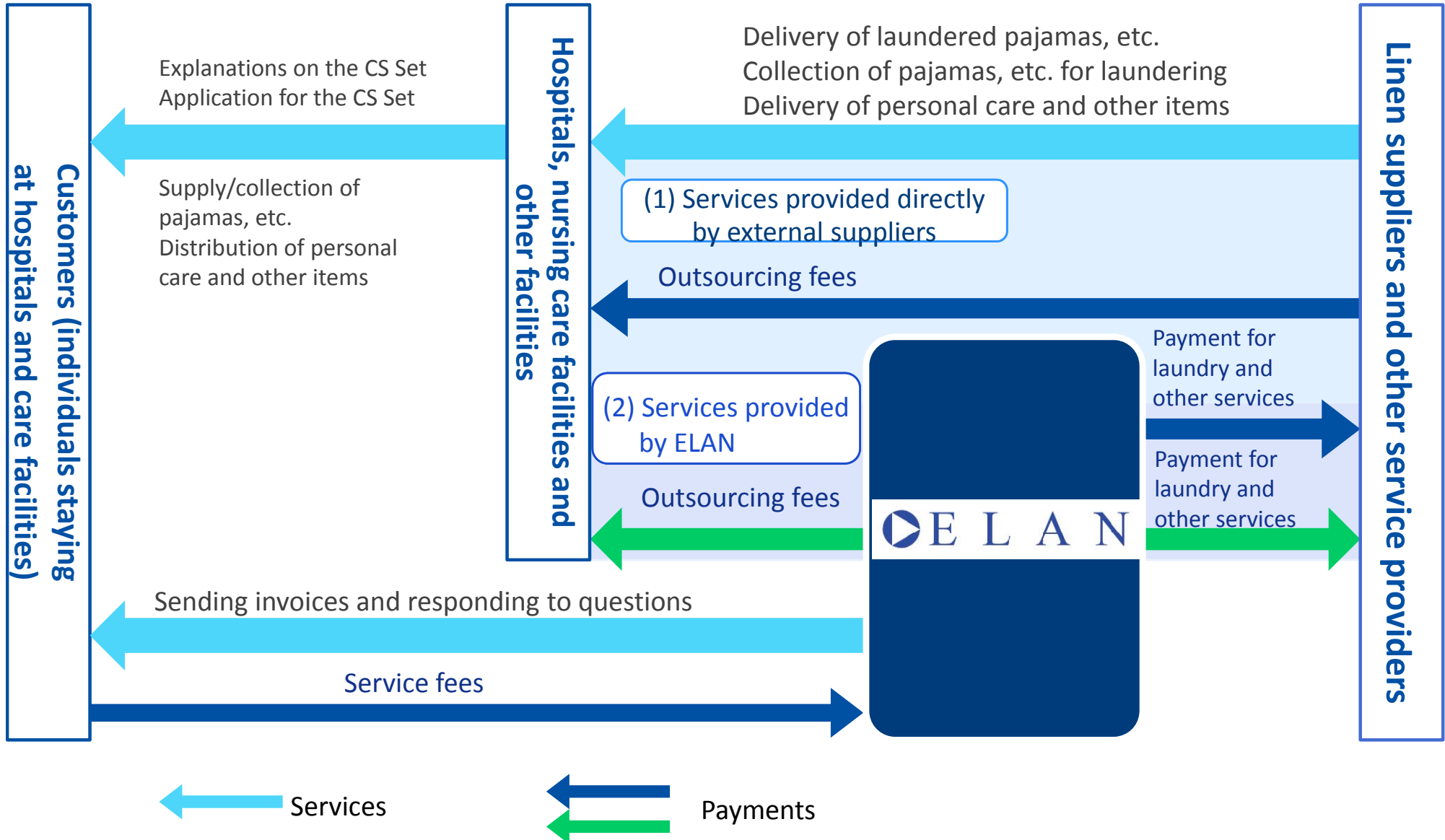
	Plan A Daily fee: 700 yen	Plan B Daily fee: 500 yen	Plan C Daily fee: 300 yen
Towels	Bath towel, face towel, hand towel		
Personal care items	Drinking cups, tissues, shampoo, slippers, etc.		
	Oral care product set		
Clothing	Hospital gown or training wear (top and bottom)		
	Underwear and socks		
	Nursing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

(Example) Seven-day hospital stay under Plan B
 $500 \text{ yen} \times 7 \text{ days} = 3,500 \text{ yen}$

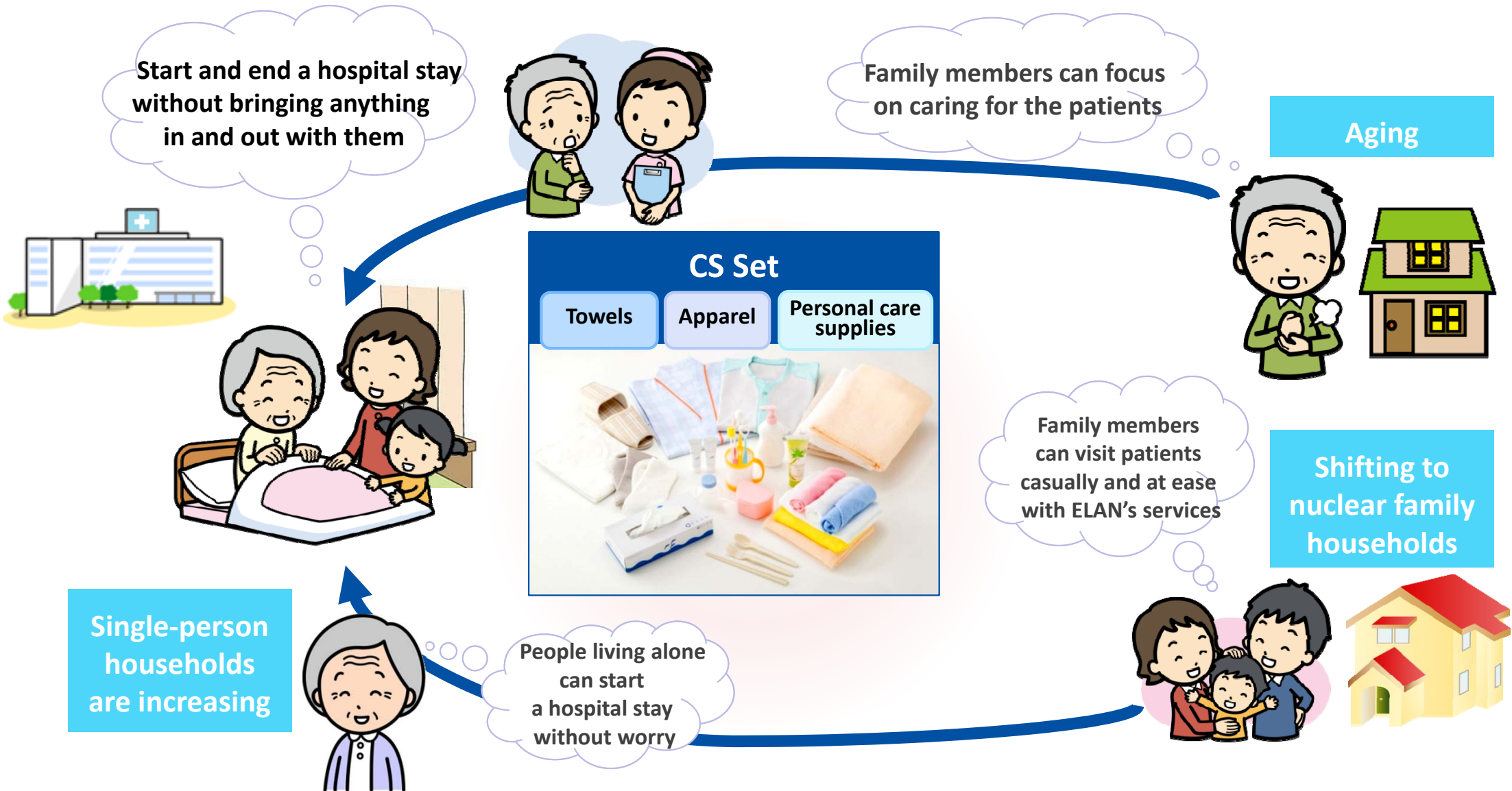


The ELAN Business Model (Services and Payment)

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 provides patients and their family members with ease and comfort



Many advantages for the nursing and care frontlines

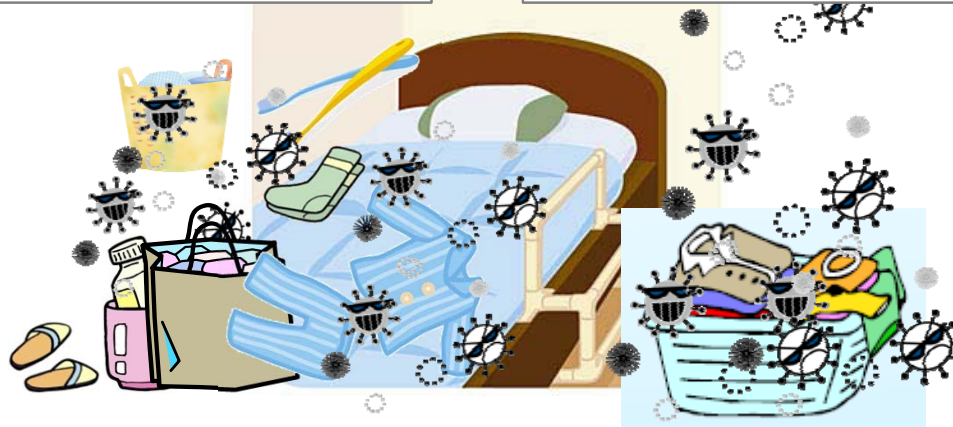
Solves problems for hospitals and nursing care facilities



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

Chronic labor shortage

Hygiene problems

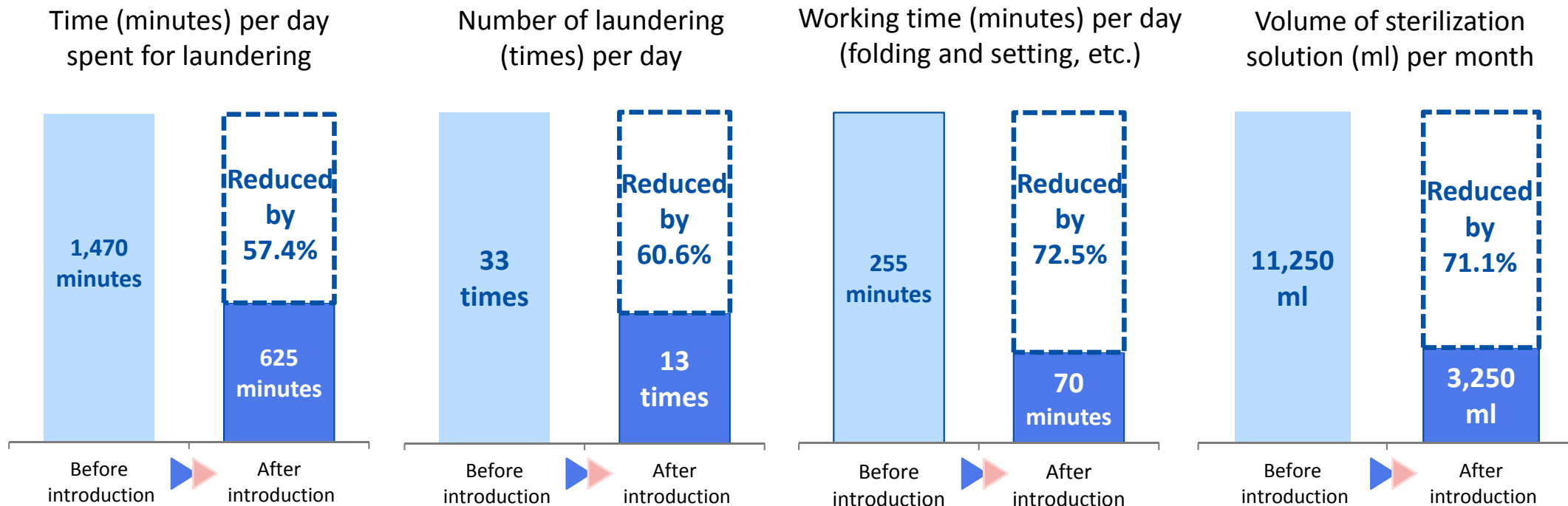


Significant saving of time and labor

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



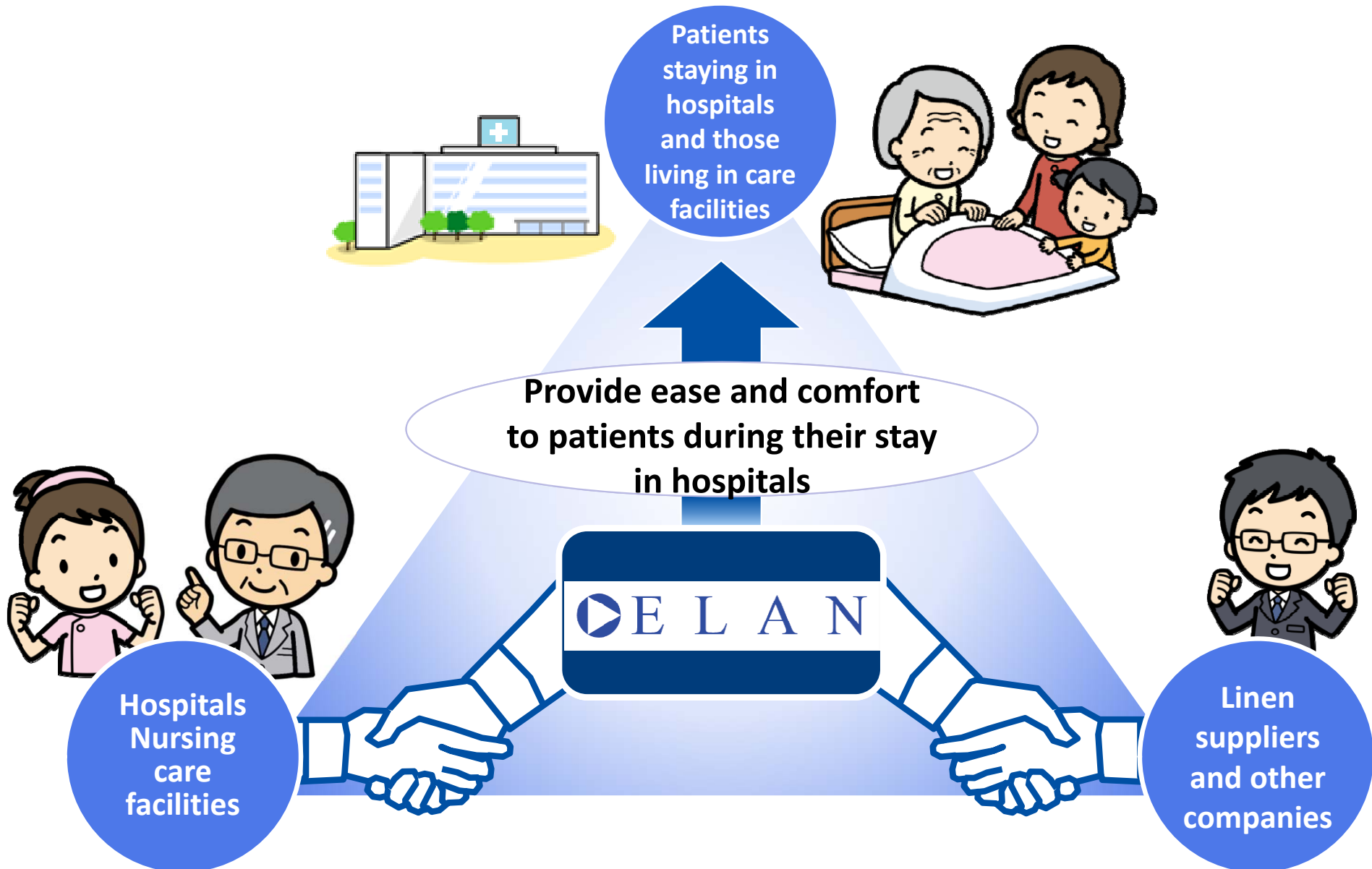
Management issues for operators related to hospitals and nursing care facilities

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

- Increase sales and profits



The CS Set business creates **mutual win-win relationships**



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

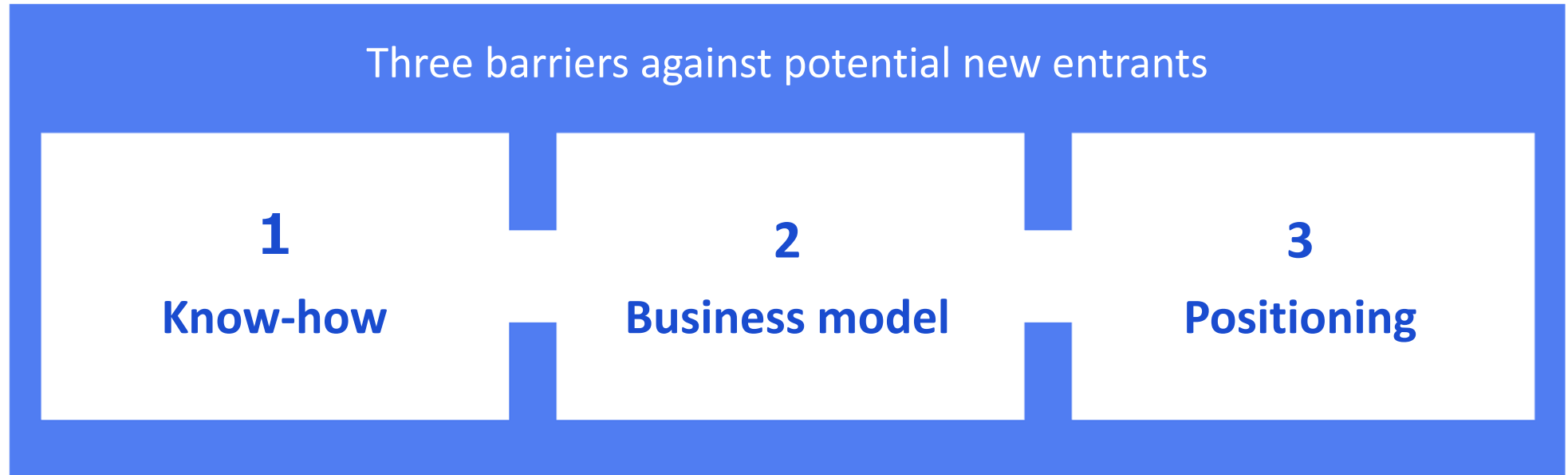
Earnings expand as the number of contracted facilities grow

The number of contracted facilities is growing steadily every year



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



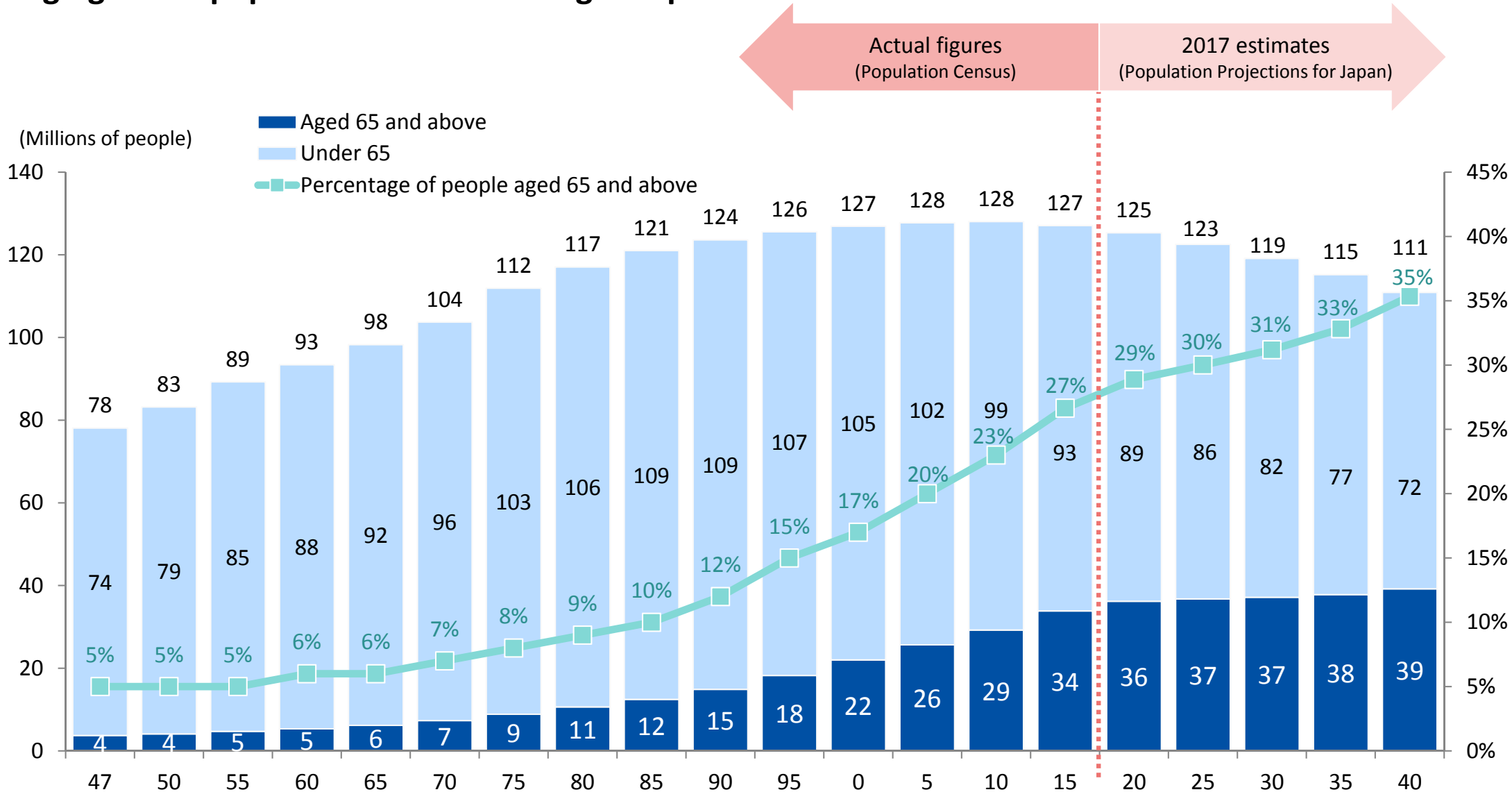
Build even higher barriers against potential new entrants by accumulating know-how and firmly establishing our position in the industry

IV. Reference Materials

Bringing smiles to your
hospital/elderly facility stay



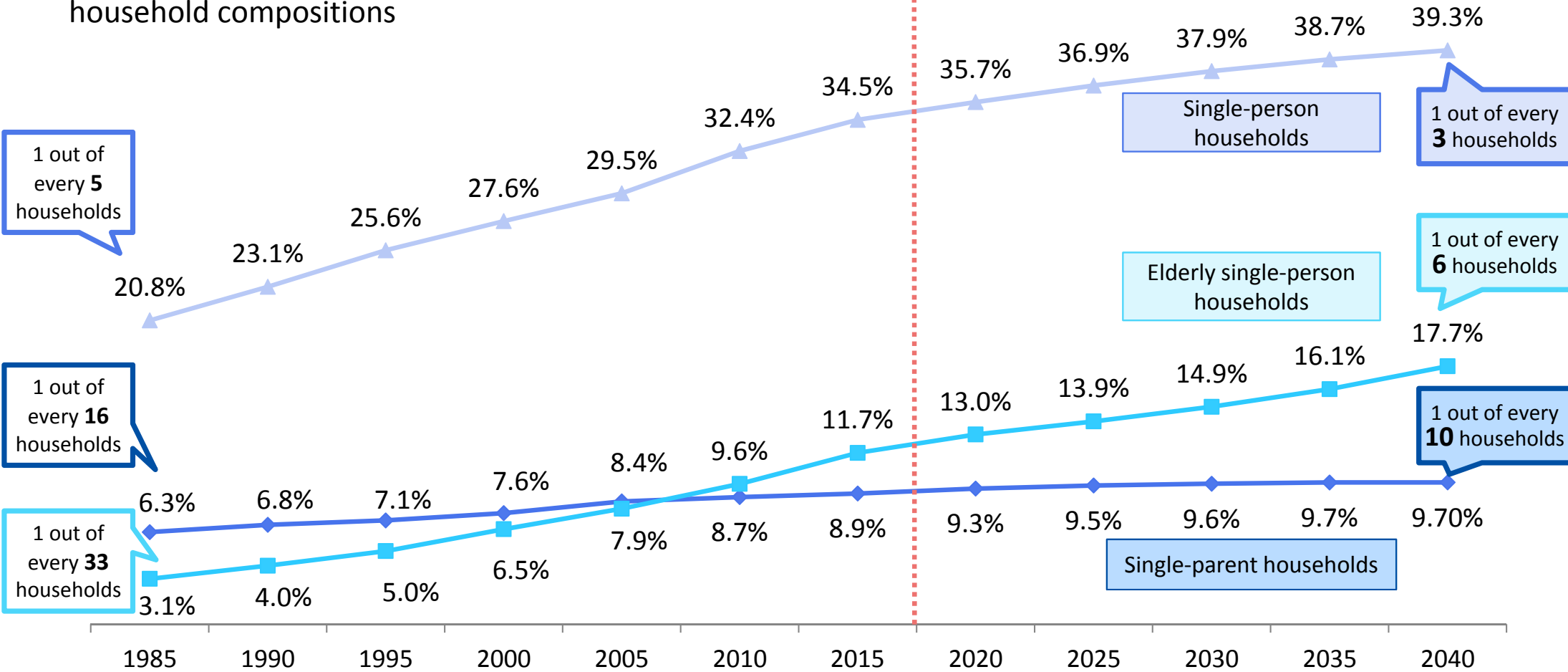
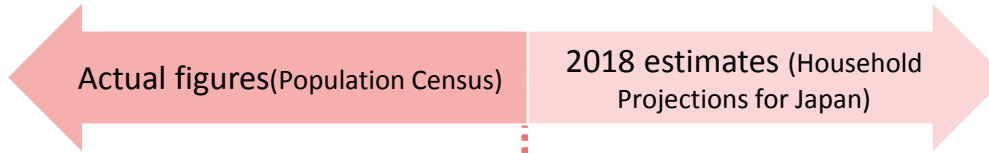
Aging of the population is accelerating in Japan



(Source) Based on the Population Census Results, Statistics Bureau, Ministry of Internal Affairs (2015) and Population Projections for Japan (2017 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.

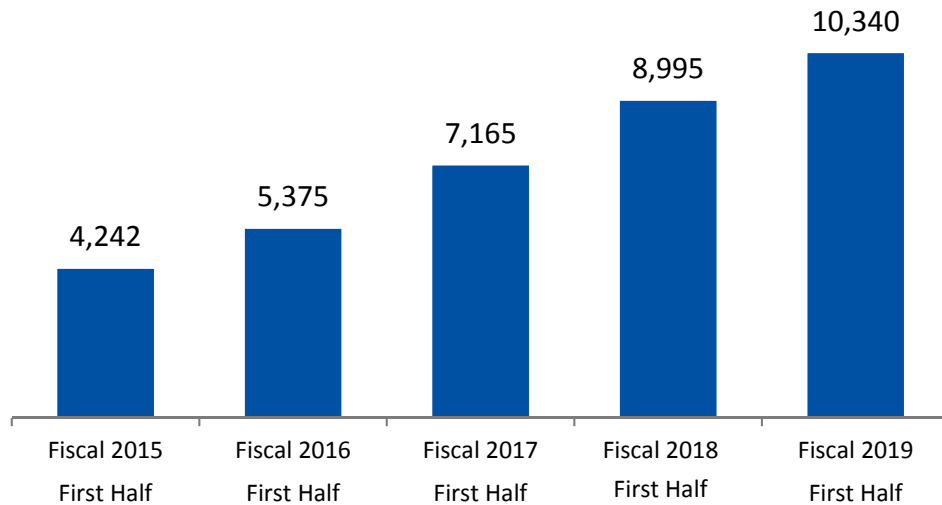
The targeted customer base for the CS Set will continue to grow

Changes in and outlook of household compositions

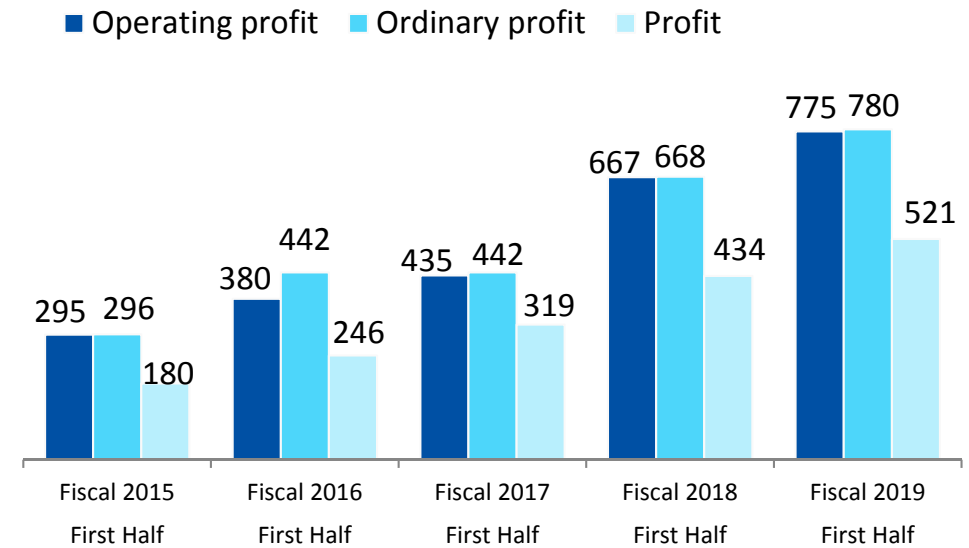


(Source) Population Census, Statistics Bureau, Ministry of Internal Affairs (2015) and Population and Projections for Japan (National Estimates) (Estimate as of 2018), National Institute of Population and Social Security Research
 (Note) Elderly households are those with the head of the family being 65 years old and above

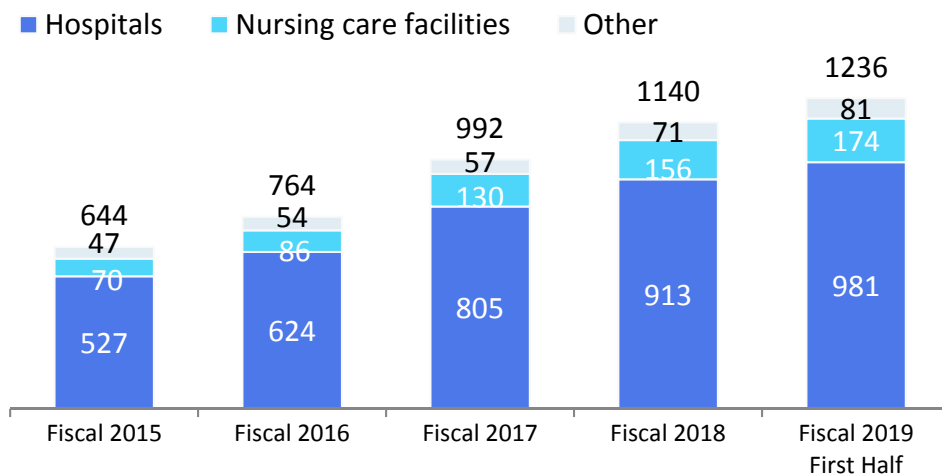
Change in Net Sales (millions of yen)



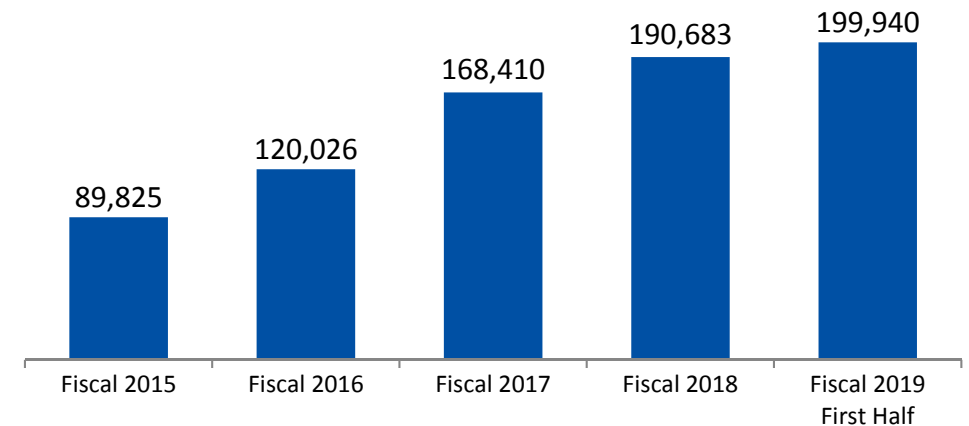
Change in Profits (millions of yen)



Change in Number of Contracted Facilities



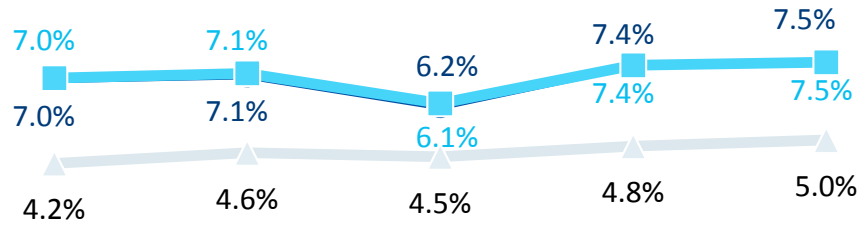
Change in Number of Monthly Users (people)



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

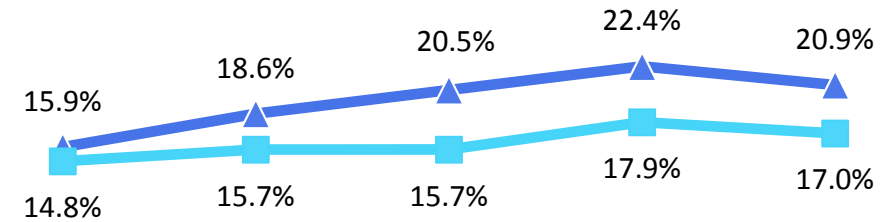
Change in Profit Margins

Operating profit margin Ordinary profit margin Profit margin



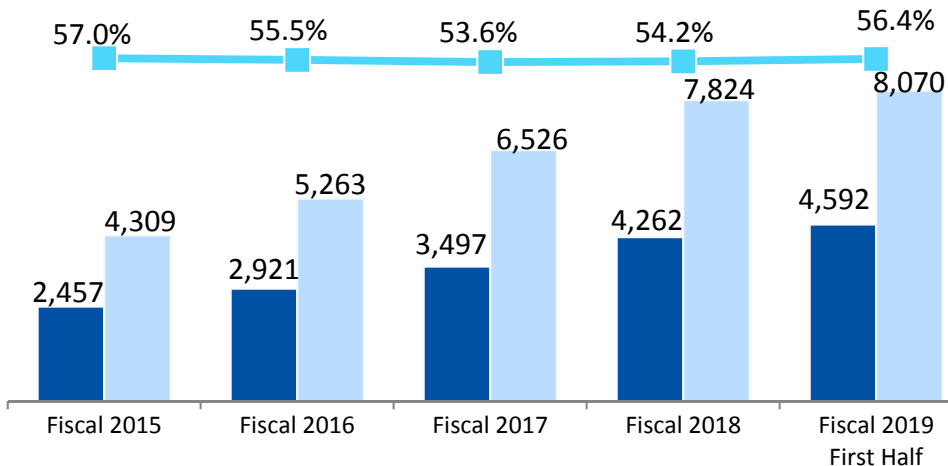
Change in ROE and ROA

ROE ROA



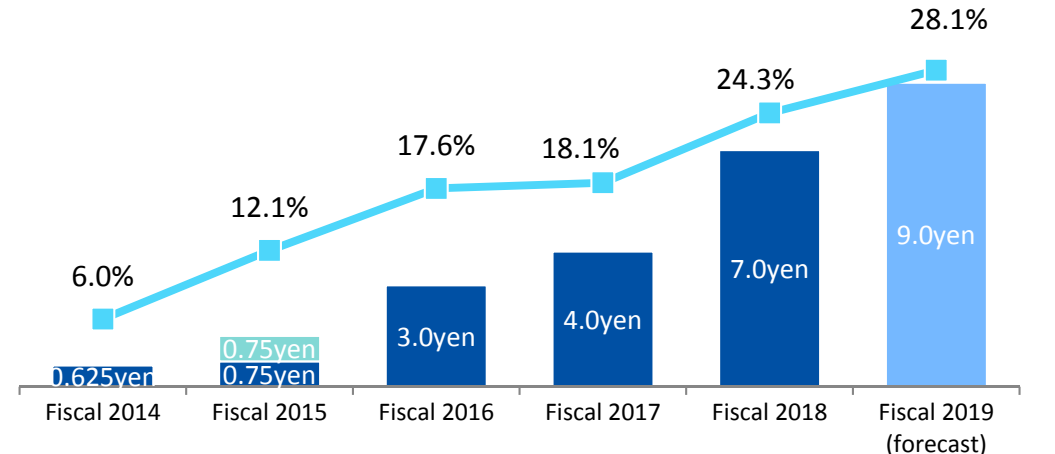
Change in Total Assets, Net Assets and Equity Ratio (millions of yen)

Equity capital Total capital Equity ratio



Change in Dividend per Share and Dividend Payout Ratio

Commemorative dividend Dividend per share 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.

(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.

[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, 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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