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ELAN REPORT 2022



Purpose
Creating an enriching living environment

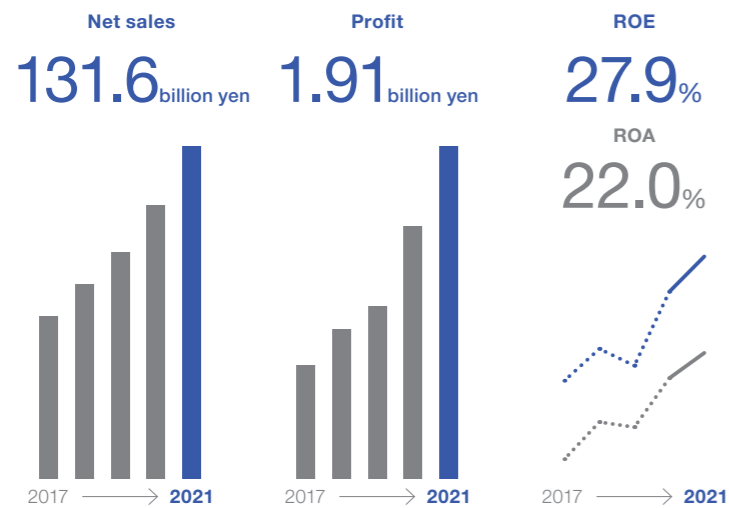
Turning problems in the healthcare field into smiles
 As our life situation changes day to day, we may find ourselves facing a variety of healthcare-related problems and anxieties. Our mission is to resolve such problems and anxieties and bring smiles to the faces of as many people as possible.

Who we are
Hospitalization Support Set Pioneer

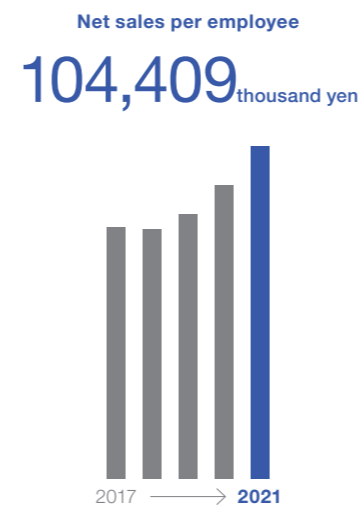
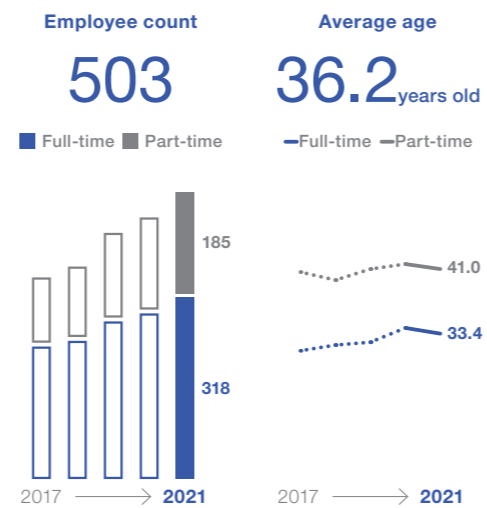
Elan was the first corporate group in the world to launch the CS Set service enabling patients to rent personal items necessary during hospitalization. We are currently the leading company in Japan, with a market share of approximately 12.8%.

At a Glance

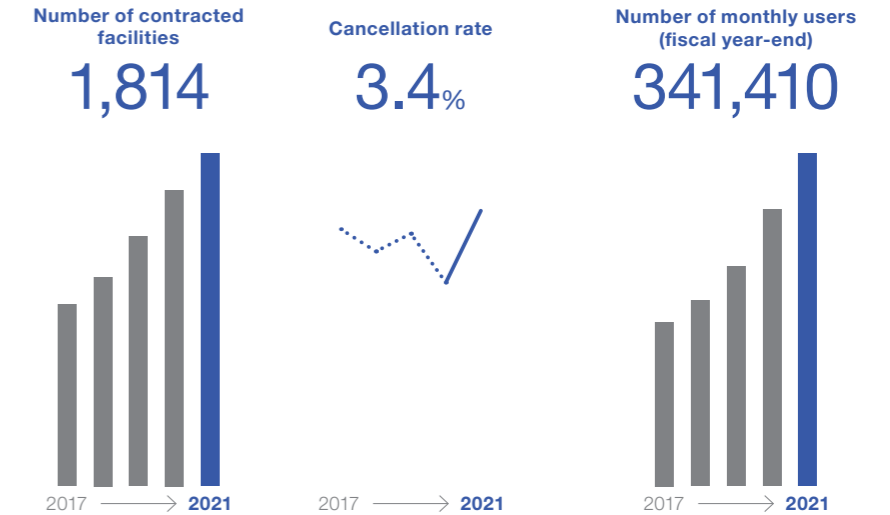
15 consecutive years of sales and profit growth



Human capital is the key to growth



Mainstay CS Sets are used by a wide range of people



Ideas We Cherish

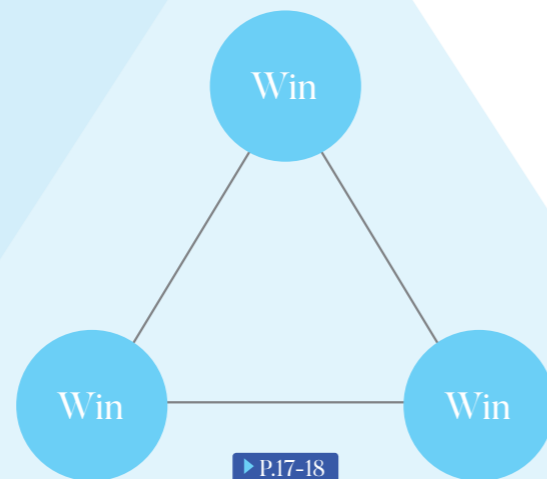
Constant Awareness of the Number 3

▶ E L A N

Elan was founded by three people. In the beginning, there were many financial difficulties, and when faced with overcoming major challenges or determining important strategies, the three founders made decisions together, achieving a balance, and ultimately, solid business results. Similarly, we aim to realize a three-way balance in our business. In so doing, we will create mutually complementary relationships and a mechanism for long-term success. The triangle in Elan's logo represents this aspiration, a value we have cherished since our founding.

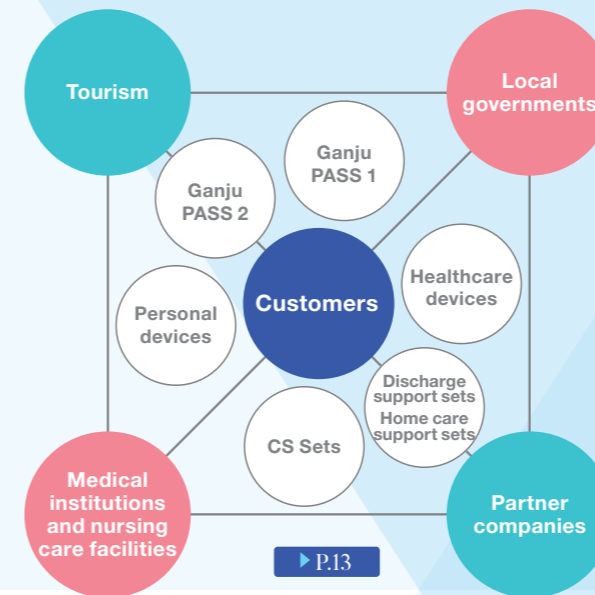
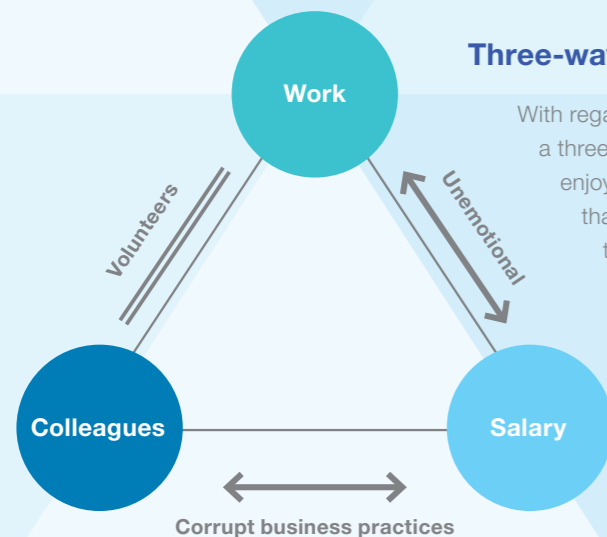
Pursuing Win-Win-Win Relationships Leading to Ongoing Development

CS Sets are supported from three sides: hospitalized patients, hospitals, and suppliers. In this arrangement, even if only one side loses money, it will be difficult to maintain business over the long-term. Achieving a balance that generates profit for all three sides is a key factor in business growth for Elan, which is at the center of the triangle. We have added an additional Win to the standard Win-Win concept, making Win-Win-Win our common language.



Three-way Balance Creates Happiness

With regard to internal affairs, Elan also emphasizes the importance of a three-way balance comprising work, colleagues and salary. Simply enjoying work with colleagues may end up being a volunteer activity that does not generate profit. At the same time, working only for the fellowship of colleagues and a salary often leads to corrupt business practices. If only focused on work and salary, there is no emotional connection and boredom may occur. Elan values earning a salary while engaging in fulfilling and inspiring work alongside trusted colleagues. This is because we believe that making ourselves happy first and providing good service will result in increasing the happiness of all our stakeholders.

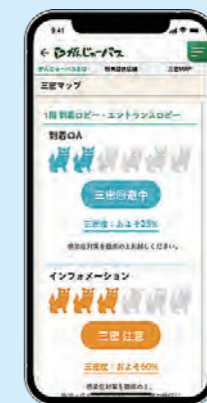


More Points Generate New Ideas

As CS Sets spread across Japan, we became aware that some users were hospitalized at local hospitals while traveling. In the second half of 2020, after the pandemic had begun, we entered Okinawa, one of the top tourist destinations in Japan. At that time, medical institutions wanted to control the number of infected patients, tourism operators did not want to see a decline in tourists, and local governments were caught in the middle. We thought we could resolve this situation ourselves and began with the idea of providing a win for Elan customers, who are also tourists. As a result, we developed the Ganju PASS, adding tourism and local governments to the original triangle of customers, medical institutions and nursing care facilities, and partner companies. The addition of these new stakeholders to the basic triangle provides opportunities to create new businesses outside our core business.

Getting Started Creates Other Opportunities

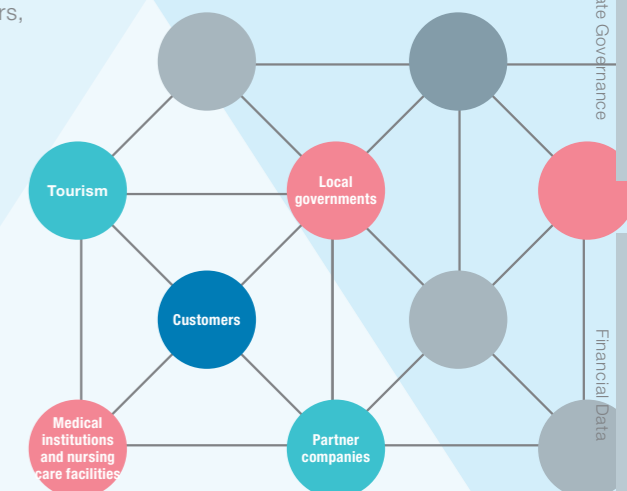
The aforementioned Ganju PASS was originally developed as a medical exam registration app under a different name, designed to visualize congestion at medical institutions and shorten wait times. However, its launch was put on hold due to government policies regarding medical exam registration cards. As the spread of COVID-19 infections highlighted the need to avoid crowds, we thought the app's congestion visualization function would be useful, especially in Okinawa Prefecture, where tourism is important. Hence, we decided to launch the Ganju PASS service (see details on P13). ELAN places importance on a sense of speed and flexible thinking when engaging in new business.



Part of Ganju PASS functions. Able to visualize congestion at specific locations in three levels.

Increasing Triangles to Achieve Our Purpose

The concept of increasing the number of triangles is useful for new business development in Japan, as well as business developments overseas. Regardless of language and cultural differences, some healthcare problems are common throughout the world, and the persons involved can be found just by looking around. From the initial concept of a connection between our three founders, the next step is to create one triangle connecting medical institutions and nursing care facilities, customers, and suppliers in Japan, then another triangle of new businesses derived from the first triangle, and in the future, yet another triangle may be created involving new stakeholders overseas. Elan will continue to develop business focused on the concept of increasing these triangles. We believe that establishing a track record of problem solving using familiar triangles will ultimately resolve the problems of society as a whole and increase the total amount of smiles. This may sound simple and obvious, but it is a value we will resolutely maintain to fulfill our purpose of realizing an enriching living environment.



Transforming Services from a Convenience to a Necessity

Since launching its hospitalization set service, Elan has expanded into the provision of CS Sets. Initially, this service offered optional convenience, but after several years it has become a necessity. To ensure as many people as possible are able to use CS Sets, we are increasing the number of contracted facilities, developing healthcare-related services and expanding globally to continue realizing further growth.

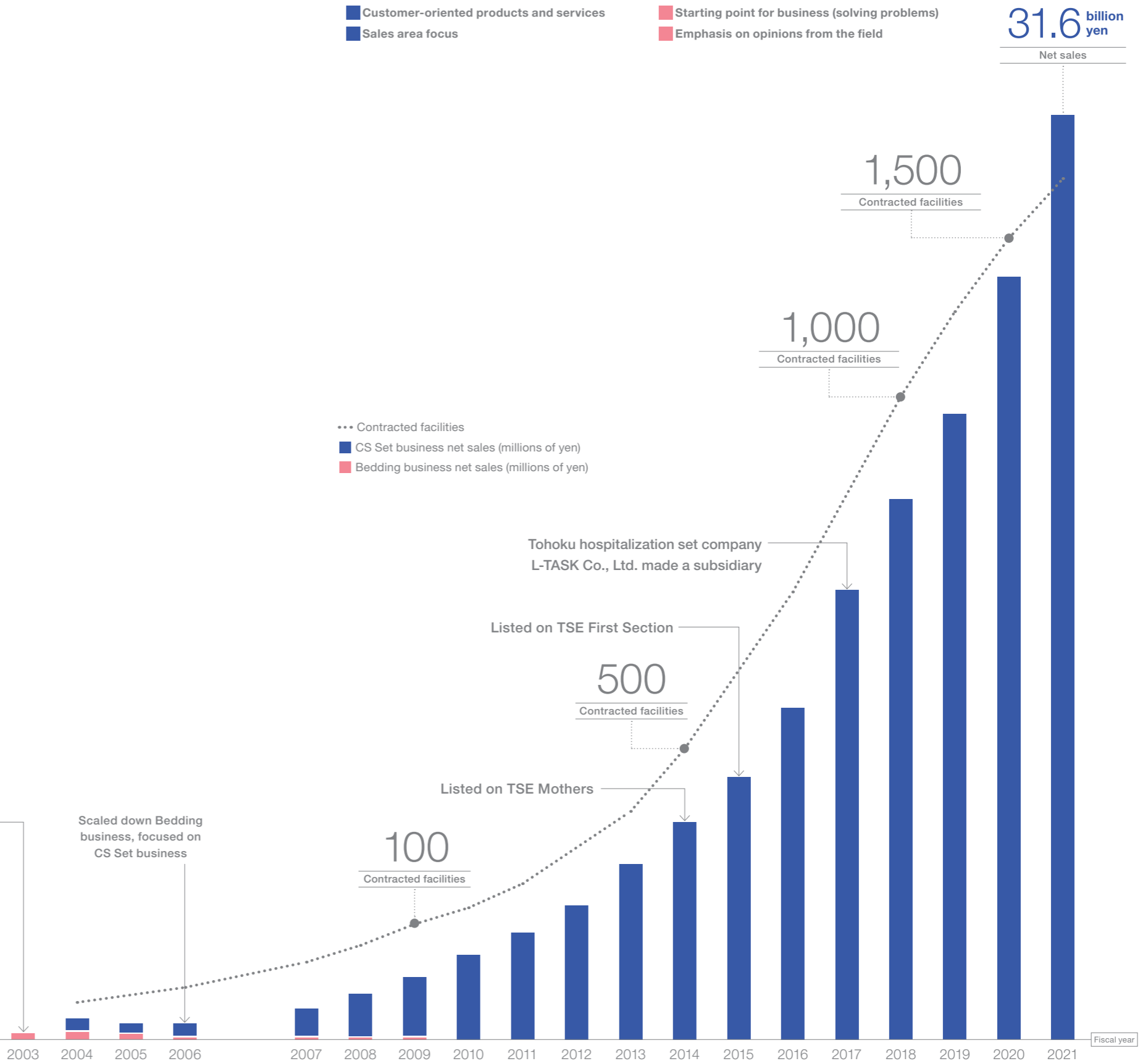


CS Set Business Launch

CS Sets combine the rental of clothing and towels necessary during hospitalization or residential care with the provision of disposable diapers and other daily necessities. As users pay a fixed daily rate rather than rates based on the amount of clothing and towels provided, the necessary items are provided at the required time with no worrying about additional fees. This lessens the burdens on hospitalized patients, care home residents, and their families, as it enables admission, visitation, and discharge without the need to bring anything.

What has changed | What will never change

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ Business focus (from bedding to hospitalization support sets) ■ Customer-oriented products and services ■ Sales area focus | <ul style="list-style-type: none"> ■ Value placed on existing frameworks and relationships ■ Starting point for business (solving problems) ■ Emphasis on opinions from the field |
|--|--|



1 Share

Leads industry with 12.8% market share

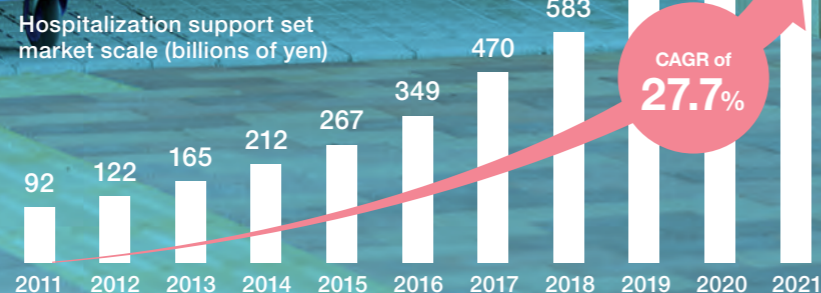
* In general, the market share is used as an indicator in this context, but we use the term "market penetration rate," because we include in the denominator the number of facilities that have not yet introduced hospitalization support services (i.e., potential customers) when calculating our market presence.

2 Barriers to entry

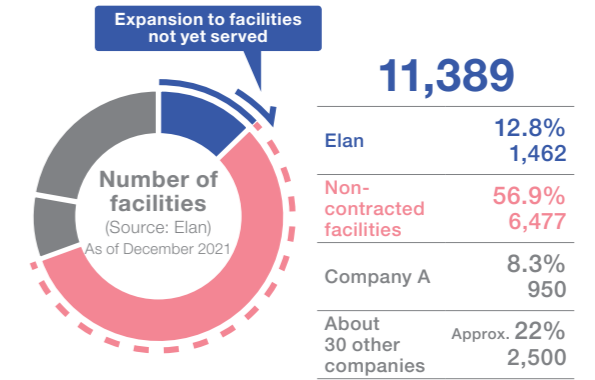
Unique business model creates barriers to entry

3 Market scale and growth potential

Market for hospitalization support sets is expected to grow at a compound annual growth rate (CAGR) of 27.7%



The history of hospitalization support sets is the history of Elan. We target 11,389 facilities across Japan (7,413 hospitals with more than 50 beds; 3,976 nursing homes and long-term care facilities with more than 50 beds). The 6,477 facilities that have not yet introduced our products offer services such as single-item clothing and towel rentals and sales of individual disposable diapers, but there are no sets enabling patients to be admitted to the hospital or residential care facility without bringing anything. We will work to increase market share through a priority focus on facilities that have not yet introduced our services.



Hospitalization support sets are not the same in every hospital, but vary according to facility type, size, hospital canteens, regional characteristics and facility management policies. Know-how accumulated over many years is useful for listening to the requests of nurses and caregivers and creating plans that maximize service utilization while striking a balance between quality and price. Elan maintains an open position, and has no bias toward any particular medical corporation or business partner. When contracting with new facilities, we partner with trusted linen and other supply companies with whom we have long-term relationships, which we expect will defend us against competitors and lead to referrals to nearby facilities.

Reasons for barriers to entry

- Determination of profitability threshold
- Collaboration with nurses and caregivers
- Independent and open positioning not affiliated with any corporate group
- Business model built on ongoing business relationships with partners

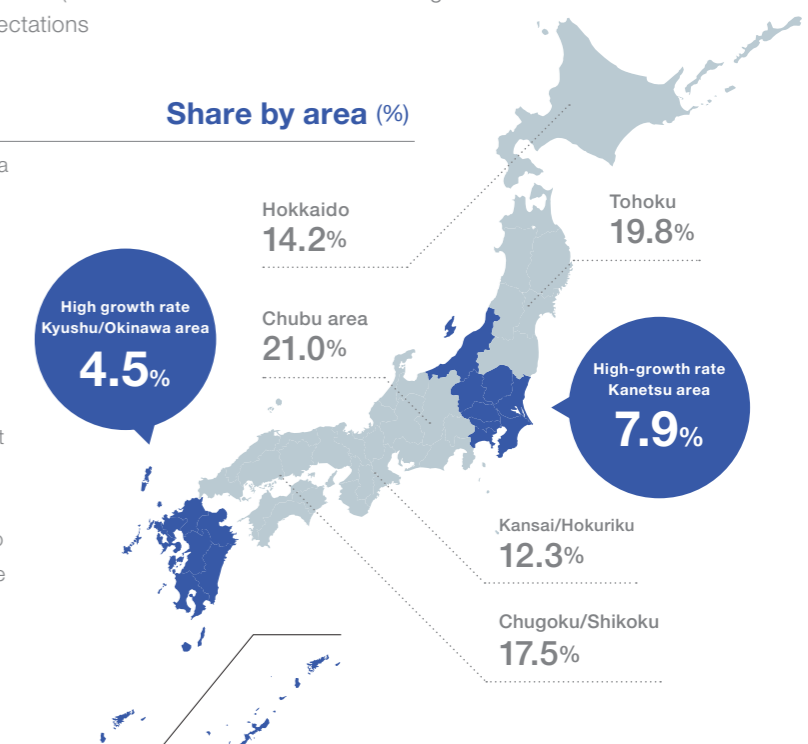
The hospitalization support set market continues to grow at a high rate, a trend we expect will continue in light of (1) the rising number of contracted facilities due to a heightened focus on infection prevention, including 2021 revisions to nursing care fees making infection countermeasures a mandatory operating criterion (a three-year transitional measure), and (2) expectations

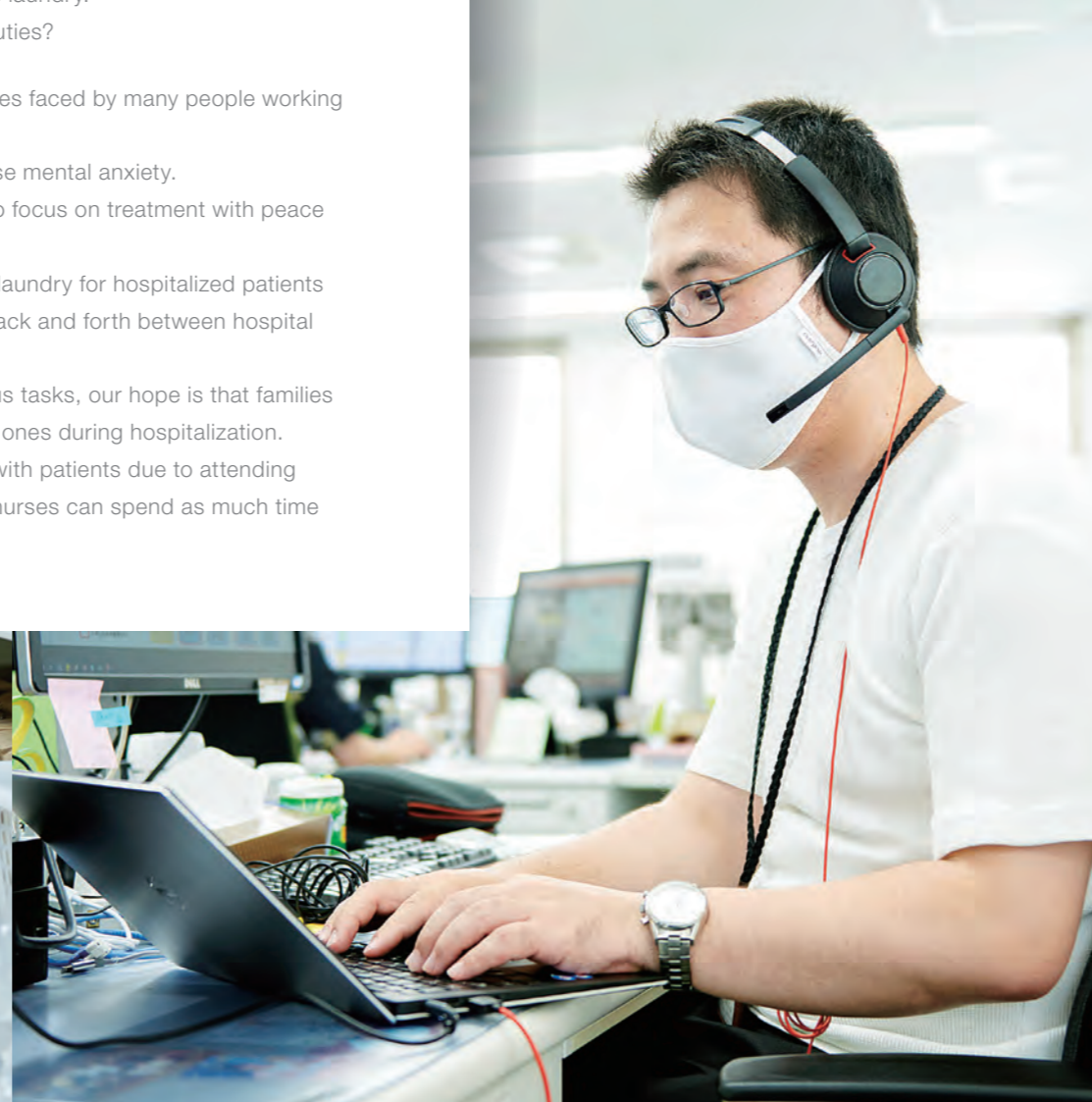
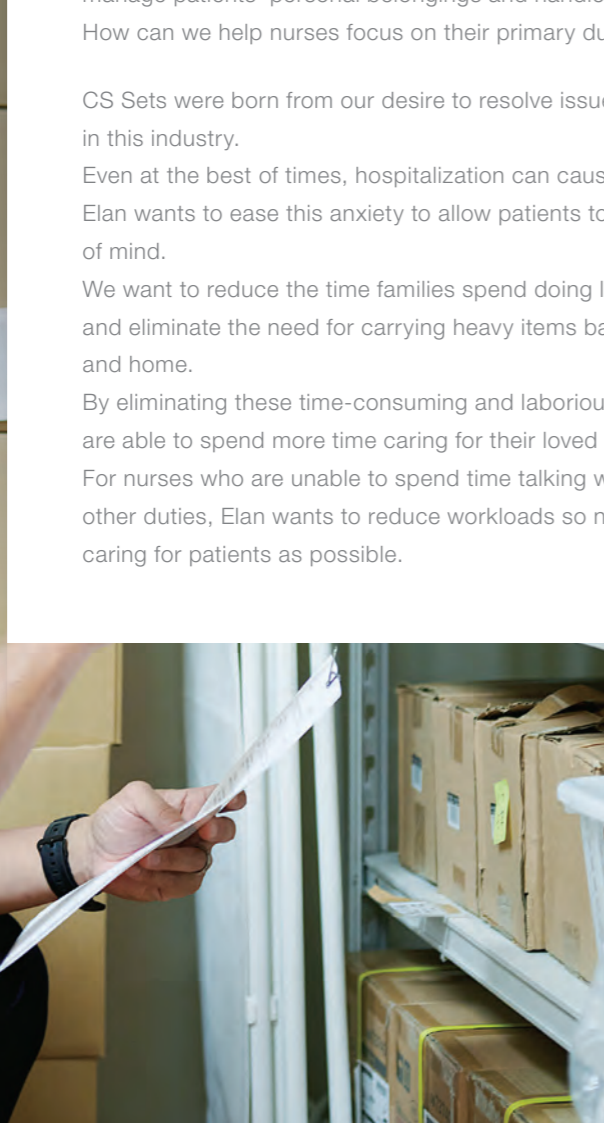
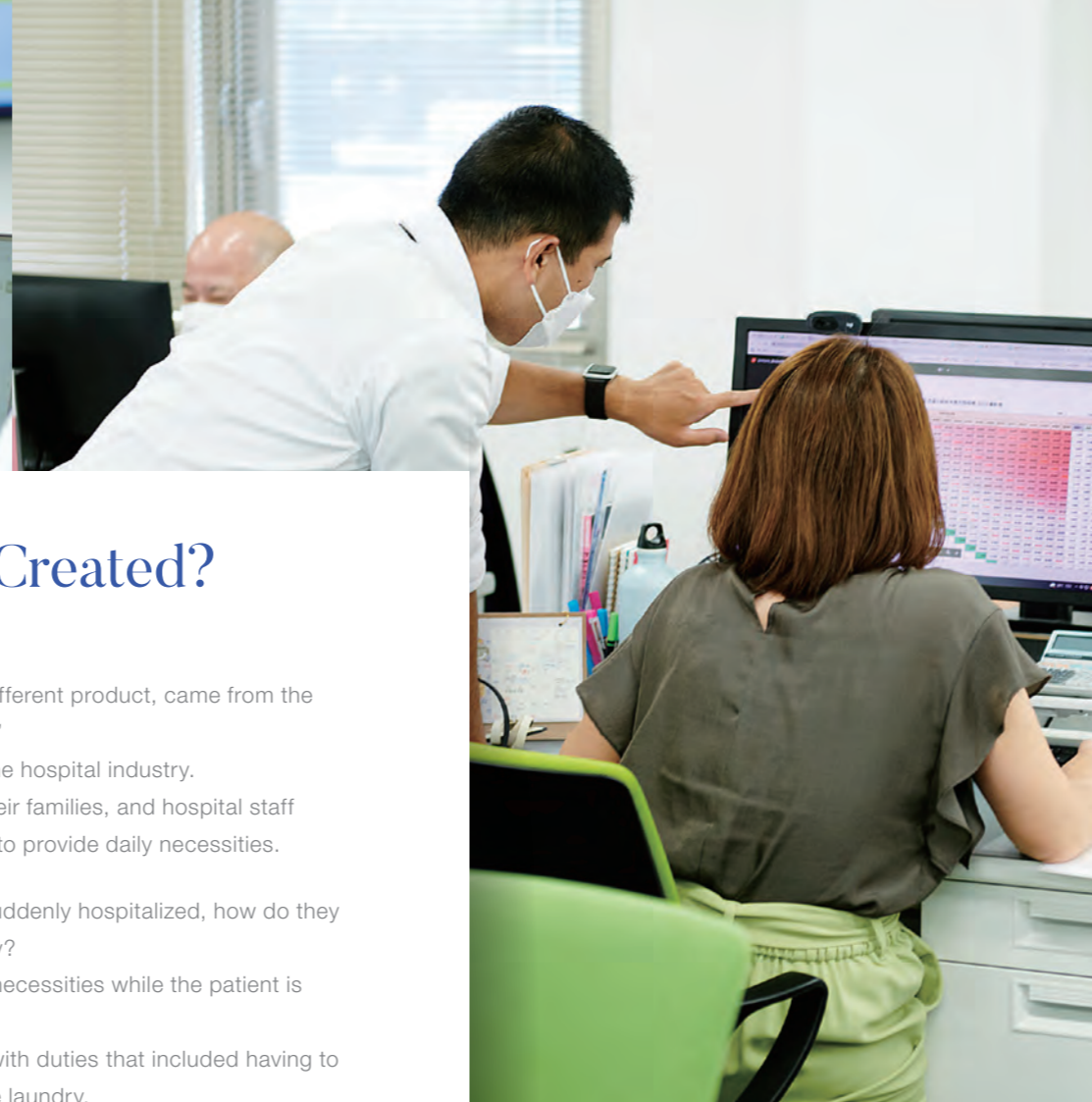
that facilities experiencing the convenience of high utilization rates under pandemic countermeasures (prohibitions on visitation) will continue to proactively promote the use of Elan services. We expect the market to expand going forward, driven by the rising number of contracted facilities and higher utilization rates.

Expectations for Potential Growth in the Largest Market

Elan has a 7.9% share in the Kanetsu area, and a 4.5% share in Kyushu and Okinawa. Compared to other regions, the acquisition rate is still quite low. In the Tokyo Metropolitan area, there was a tendency for hospitalization support sets to place heavy financial burdens on users, which slowed new acquisitions. Now that Elan has increased market share in other areas, we have some leeway in terms of determining pricing that more easily facilitates proposals from the user perspective. Moreover, Kyushu and Okinawa are latecomers, where many facilities have yet to introduce hospitalization support sets, hence we expect growth in these areas going forward.

Share by area (%)





Why Were CS Sets Created?

Elan was originally in the bedding business. The impetus for creating CS Sets, a completely different product, came from the inquiry, “Does Elan handle bedding for hospitals?” This led to the beginning of Elan’s research into the hospital industry. We soon discovered that hospitalized patients, their families, and hospital staff were actually quite heavily burdened by the need to provide daily necessities.

For example, when someone who lives alone is suddenly hospitalized, how do they prepare the items necessary for their hospital stay? Who will take care of laundry and replenish daily necessities while the patient is hospitalized? Further, hospital nursing staff was overwhelmed with duties that included having to manage patients’ personal belongings and handle laundry. How can we help nurses focus on their primary duties?

CS Sets were born from our desire to resolve issues faced by many people working in this industry. Even at the best of times, hospitalization can cause mental anxiety. Elan wants to ease this anxiety to allow patients to focus on treatment with peace of mind. We want to reduce the time families spend doing laundry for hospitalized patients and eliminate the need for carrying heavy items back and forth between hospital and home. By eliminating these time-consuming and laborious tasks, our hope is that families are able to spend more time caring for their loved ones during hospitalization. For nurses who are unable to spend time talking with patients due to attending other duties, Elan wants to reduce workloads so nurses can spend as much time caring for patients as possible.

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Editorial Policy

Publication of the ELAN REPORT began in fiscal 2021 with the aim of facilitating stakeholder understanding of Company efforts to enhance corporate value from a medium- to long-term perspective. 2022 marks the second year of publication. The report was compiled with a focus on our New Medium-term Management Vision (2023-2025). The report covers the period from January 1, 2021 to December 31, 2021, and when necessary, also touches on developments in fiscal 2022.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements in this report are based on management assumptions and beliefs in light of information available when the report was compiled. Please note actual results may differ from forecasts due to a variety of factors.



Representative Director and Chairman
Hideharu Sakurai

Never Satisfied with the Status Quo, Elan Aims to Become a Group Realizing Continuous Growth

Existing Business Largely in Line with Plans

Taking another look back at fiscal 2021, I score our performance at about 60 points. Assuming a passing score of 70 points, my evaluation is that, unfortunately, we fell short of the target.

The number of facilities introducing our mainstay CS Sets grew by 200 facilities compared to fiscal 2020. Our product has become the standard, used in 1,814 hospitals and nursing care facilities across Japan. With family members prohibited from visiting loved ones due to the spread of COVID-19, there are concerns regarding the infection risks posed by bringing personal items into hospitals and other facilities. This has led to an increase in the number of newly contracted facilities, as users are focused on CS

Set benefits that include not only improved operations and profitability, but also the prevention of infection.

As a result, net sales were 31.6 billion yen, amounting to 121% of the 31.0 billion yen targeted in our initial forecast. Operating profit was approximately 2.8 billion yen (+135% YoY), and profit amounted to approximately 1.9 billion yen (+131% YoY), both of which were generally in line with initial forecasts. Although face-to-face sales, originally one of our strengths, have been restricted due to the pandemic, these results nevertheless reflect the sales division's use of online resources and the creation of opportunities for new customers to use our services. We will accelerate market development to achieve our Medium-Term Management Vision for fiscal 2022, which targets net sales of 37.0 billion yen and operating profit of 3.0 billion yen.

New Medium-Term Management Vision 2023-2025

| Results and Forecast | 2021 | 2022 | 2025 |
|--------------------------------|------------------|------------------|---|
| | Results | Forecast | Forecast |
| Net sales | 31.6 billion yen | 37.0 billion yen | 68.0 billion yen (CS Set 60.0 billion yen) |
| Operating profit | 2.79 billion yen | 3.0 billion yen | 7.0 billion yen |
| Operating profit margin | 8.8% | 8.1% | 10.3% |
| ROE | 27.9% | 24.4% | 26.0% |
| Dividend payout ratio | 28.6% | 30.0% | 30.0% |
| Target market penetration rate | 12.8% | 16.0% | 26.0% |

Substantial Delays in Creating New Pillars of Business

While existing businesses progressed according to plan, we were unfortunately unable to proceed as expected with regards to creating new pillars of business through new business developments and expansion overseas. Originally, we planned to launch new services for patients and their families based on CS sets, complete demonstration experiments in fiscal 2021, and launch two or three new services in fiscal 2022. However, the ongoing pandemic forced us to substantially revise this schedule.

Taking on the Challenge of Making Infection Countermeasures a Top Priority

In April 2022, Elan launched the Ganju PASS app, a healthcare content service supporting new lifestyles in Okinawa Prefecture. Okinawa has the only subtropical climatic zone in Japan and hosts many US military bases. It has a thriving tourism industry and sees a large influx of people from other prefectures, making it the most vulnerable area in Japan in terms of the spread of viruses and infectious diseases. That being said, medical infrastructure is not as widespread as in Tokyo and other large urban areas. When the pandemic began to spread, hospital workers became overwhelmed, with both staff and nurses quitting their jobs, making the situation even more difficult for hospitals. For example, even when tourists came down with fever at their hotel, there was no communication with hospitals and no ambulances could be arranged. As this was occurring throughout the prefecture, we wanted to quickly create a system connecting everyone digitally, enabling users to confirm the availability of hospital beds in real time. Providing information through the app on which surgery outpatient services are available, which internal medicine clinics are open, and where orthopedic services are being offered reduced the workload on hospital workers, hotel staff and emergency services. At the same time, Okinawa Prefecture is home to a great many people who make their living in the tourism and restaurant industries, for whom the loss of visitors from other prefectures is a matter of survival. Local governments were caught in the middle between healthcare institutions wary of admitting tourists, and the tourism and restaurant industries, which wanted to proactively attract tourists again. In response, we added functions aimed at preventing the spread of infections, including information on which shops were open for business and implementing strict infection control measures, the vaccination status of shop workers and PCR testing locations, all with the aim of facilitating economic recovery and lessening the burden on hospitals. The Ganju PASS initiative has just begun and we are still verifying this service, which if successful in Okinawa, will be deployed in other prefectures. Our aim

Ganju PASS is a health pass developed in Okinawa, the word pass comes from passport, which permits users to take the Ganju (healthy) path. This app was developed by subsidiary Ryukyu Elan to provide a new approach to healthcare at a time when people are required to adapt to new lifestyles and are more "Ganju-conscious" than ever.



for now is to achieve success in Okinawa, where Japan's infection countermeasures are a top priority.

What is Occurring in Japan Will Also Occur Overseas

Next, with regard to overseas expansion, in fiscal 2021 I was unable to make overseas visits due to travel restrictions. In fiscal 2022, we finally reached a point where limited travel became possible again. Our overseas expansion targets Asian nations, including India, Vietnam, Indonesia and Malaysia. At present, these nations have fragile medical systems, but as their economies grow, the number of hospitals will rise in line with the rapid development of medical infrastructure, hence we believe these areas represent a tremendous opportunity.

Further, Japan is becoming the world's first super-aged society, but what is occurring in Japan will also occur overseas. Accordingly, services created in Japan will surely become necessary in other countries. When we initially launched our mainstay CS Set business, we were told that hospitalization was something families take care of and not viable as a business. However, we saw that when a customer's wife was hospitalized, the husband was extremely pleased with the existence of this service, leading to its expansion. We believe this realization can happen anywhere in the world. In addition to China, aged populations in Italy and Spain lag behind Japan, but the number of aged citizens will rapidly increase in the next five to 10 years, indicating the possibility of significant opportunities outside Asia.



Creating Platforms for Families

Fiscal 2022 is the final year of the current Medium-Term Management Vision. A new Medium-Term Management Vision was announced in August 2022.

Put simply, this new vision comprises a framework for transitioning from the single business pillar of CS Sets, to two or even three business pillars. In short, we will expand the new businesses and overseas developments I mentioned above to increase mainstay businesses before our existing business reaches maturity.

In our current mainstay CS Set business, relationships with patients and their families begin with hospitalization, but these relationships are temporarily severed after discharge. Although relationships resume upon subsequent hospitalization, I think there are many other problems that occur in the interim. Incidentally, although 30–40% of patients are readmitted to hospital within 12 months, the problems they face differ by patient and family. Problems faced by family members increase in relation to readmissions, particularly when the patient is elderly, as there is no end to the number of issues for the family to think about, such as raising money for hospital expenses, inheritance, guarantors and guardians, care after discharge, and renovations ensuring the home is barrier free. To resolve these issues, I want to create a platform for families. For example, we can create a mechanism for resolving problems faced by customers through collaborations with highly-trusted professionals across Japan. To this end, the key is Kikumimi peripheral services, which were launched in July 2020 to gather feedback from

patients and their families. We are beginning to collaborate with numerous partners nationwide based on feedback received thus far. In selecting partners, we do not simply choose anyone possessing qualifications, but limit partnerships to professionals who are trusted in their local communities. Although this requires a lot of time and effort, this quality comprises the heart of this service. We will partner with lawyers, tax accountants, paralegals, real estate appraisers and a variety of other professionals to establish new earnings pillars, creating business around a platform for families supporting all aspects of healthcare, from hospitalization to end of life.

Transitioning to a Structure Able to Take on Necessary Risks

To realize our Medium-Term Management Vision, we implemented a two-person representative director structure. There is still room for growth in the existing CS Set business. Mr. Minezaki, who has driven existing business expansion as a sales representative since the early days of this service, will continue to steadily expand existing business centered on CS Sets as the Representative Director and President. For my part, I will be in charge of new business and overseas development. With clearly defined roles, we will approach these challenges in our own way while resolutely taking the necessary risks. As change intensifies even further going forward, Elan will respond accordingly and continue to grow. As the world's problems change with the times, we aim to be a corporate Group that remains unsatisfied with the status quo while realizing ongoing growth.

Value Creation Process

Social issues related to business activities

Coming super-aged society (2025 issues)
Nursing care issues
(elderly taking care of elderly, overburdened family)
Risk of nosocomial infection due to new viruses
Healthcare worker shortages

Issues to address

Realize a decarbonized society
Promote workstyle reforms
Promote active participation by women



Input

| Financial capital | |
|--|-------------------------|
| Total assets | 13,947,800,000 yen |
| Shareholders' equity | 7,494,360,000 yen |
| Intellectual capital | |
| Plan creation tool for determining profitability threshold of hospitalization support sets | |
| Unique billing system proprietary developed specifically for hospitalization support sets | |
| Network with investee companies in India | |
| Human capital | |
| Employees | 503 |
| Five-year period | +142.5% |
| Average temporary hires | 185 |
| Investments in human capital (Training, etc.) | 42,390,000 yen |
| Manufacturing capital | |
| Sales bases | 24 locations nationwide |
| Logistics center | 1 location |
| Social capital | |
| Facilities using CS Sets | 1,814 |
| Natural capital | |
| Elan | |
| Gasoline used | 140,822 liters |
| Light oil | 9,845 liters |
| Kerosene | 8,180 liters |
| 8.4% of Elan vehicles are hybrids or other fuel-efficient models | |
| Suppliers | |
| Electricity used | 5,438,000 kWh/year |



Outcome

| Financial capital | |
|--------------------------------------|---|
| Net sales | 31,635,890,000 yen |
| Operating profit | 2,798,670,000 yen |
| Profit | 195,920,000 yen |
| Total dividends | 545,390,000 yen |
| Intellectual capital | |
| Invoice digitalization progress rate | 76.6% |
| Human capital | |
| Resigned employees | 25 (Attrition rate 8.7%) |
| Net sales per employee | +32.3% (Five years) |
| Manufacturing capital | |
| Markedly low rate of delivery claims | 0.05% (28,098 deliveries in one year) |
| Social capital | |
| Annual users | 3,675,517 (+25.3% on an annual basis) |
| Natural capital | |
| CO ₂ emissions | 12,455 tCO ₂ (Part of Scope 1 and 3) |

Vision

Making a World with More Smiles

Introduction Message How We Create Value New Medium-Term Management Plan Corporate Governance Financial Data

Win-Win-Win

Avoiding Adversarial Relationships with a Unique Business Model

We developed our CS Set (hospitalization set) business model based on the concept of **avoiding adversarial relationships**. Respecting existing relationships, we place the utmost importance on ensuring everyone involved feels better when Elan is there to help. We are confident that our business model, which aims to bring smiles to the faces of everyone we work with, then spread the smiles even further, is **rare and unique anywhere in the world**. Increasing the number of partners participating our business model will give rise to new added value and services.

Before

- Changing and washing clothes is troublesome
- Difficult to buy and replenish daily necessities
- Difficult to know what to prepare

Benefits

- Includes laundry, making a change of clothes unnecessary
- Consumables are also included in sets, no purchases are required
- All items specified by the facility are available in a single package

Q Would you recommend CS Sets to other people?
n = 5,041 responses

Don't recommend 6%

Recommend 94%

Benefits

- Leads to improved hygiene, preventing the spread of infection
- Immediate availability when needed, no need for reminders
- Use of standardized supplies increases business efficiency, leaving laundry to the specialists
- Lower cost of goods and labor, higher fees

| Time spent on laundry | Loads of laundry | Time spent folding and setting |
|--|--|---|
| 57.4% reduction 1,470 minutes → 625 minutes | 60.6% reduction 33 loads → 13 loads | 72.5% reduction 255 minutes → 70 minutes |
| 1DAY | 1DAY | 1DAY |

Benefits

- High set usage rates → increase the use of clothing and towels, resulting in higher sales
- Elan handles B2C operations (handles billing, inquiries, complaint and reminders)
- Contracts can be maintained by partnering with Elan

Hospitals and nursing care facilities

Patients and their families

Linen supply company

ELAN

Rental product provision

Payments

Rental contract

Outsourcing fees

Outsourcing contracts

Outsourcing contracts

Payments

Delivery of rental items






Before

- Hygiene-related concerns regarding personal belongings brought in or taken home
- Time-consuming phone calls to family members
- Managing patient personal belongings was troublesome, laundry taken for granted
- Daily necessities provided free of charge

Before

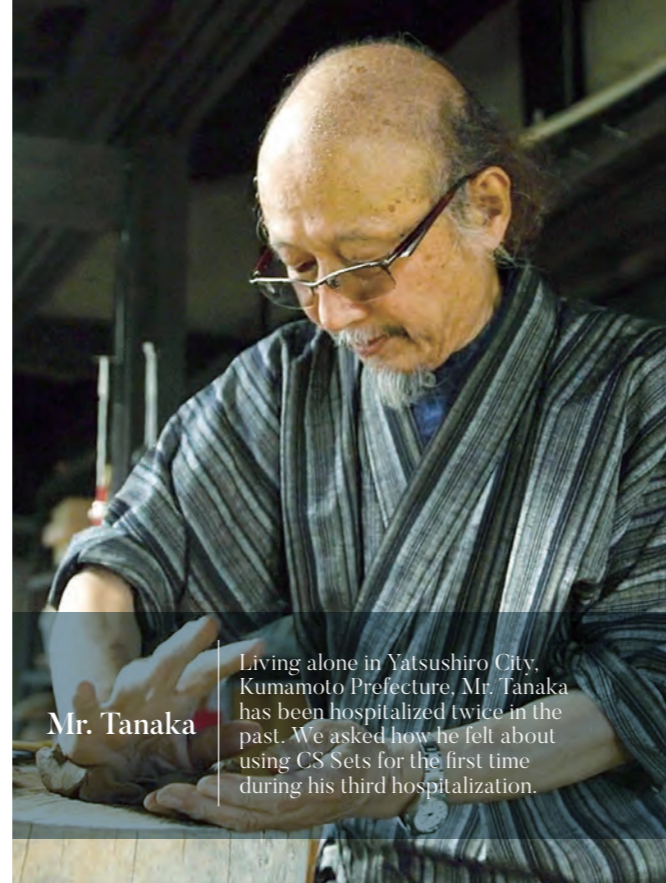
- Single items rentals make it difficult to increase usage and unit prices are low
- B2B business model lacks resources for serving individual customers
- Constant risk of losing customers to rivals

To remain a company that is able to contribute to society, Elan places great importance on creating mechanisms used in daily business activities that enable us to ascertain various stakeholder opinions and share them with senior management. While further deepening relationships of trust built with stakeholders, Elan will make efforts to expand its partner network and enhance corporate value.

| | Why we engage | Stakeholders' interest | How we respond |
|---|--|--|--|
|  | <p>Hospitalized patients, nursing care facility residents, and their families</p> <p>Our customers are end-users—hospitalized patients and nursing care facility residents—and their families who pay fees. To maintain our focus on personalized products, services, and support systems, Elan regularly conducts customer surveys and continuously gathers requests through facility sales reps and staff assigned to the facility.</p> | <ul style="list-style-type: none"> ■ Provision of daily necessities during hospitalization or care facility residence with no need to do laundry enables patients to focus on treatment or rehabilitation and enjoy a comfortable stay ■ Prompt response to inquiries related to products, services, payments, or other issues | <ul style="list-style-type: none"> ■ Provision of services covering items necessary during hospitalization or care facility residence at a price anyone can afford ■ 24-hour call center support/foreign language support/ various payment options |
|  | <p>Hospitals and nursing care facilities</p> <p>Elan emphasizes the importance of building close, caring relationships with hospitals and nursing care facilities, our partners in delivering CS Sets to customers. In order to provide the best services to our customers, we consider the opinions of nurses and caregivers closest to users, as well as administrative staff responsible for hospital and facility management.</p> | <ul style="list-style-type: none"> ■ Nurse and caregiver shortages/eliminate overwork/ reduce attrition rate ■ Appropriate support for administrative audits | <ul style="list-style-type: none"> ■ Adoption of hospitalization support sets and other services that reduce nurse and caregiver workloads and stress ■ Enhanced knowledge related to government policies reflected in products and services |
|  | <p>Shareholders and investors</p> <p>To ensure an understanding of Elan management conditions and approach to sustainable growth and corporate value enhancement, senior management provides as many opportunities as possible for direct Q&A at seminars and participation in one-on-one interviews. We take all requests and opinions seriously, leading to timely and appropriate information disclosure.</p> | <ul style="list-style-type: none"> ■ Sustainable growth ■ Medium- to long-term enhancement of corporate value ■ Fair, timely, and appropriate disclosure | <ul style="list-style-type: none"> ■ Sound financial standing ■ Growth strategy for sustainable growth ■ Shareholder and investor engagement activities by senior management, IR office, and other staff members |
|  | <p>Business partners</p> <p>Through our continued favorable relationships with partners in each business and industrial organization, we have created a stable supply chain for patient clothing, towels, disposable diapers, and other daily consumables indispensable for CS Sets.</p> | <ul style="list-style-type: none"> ■ Establish businesses as new source of earnings in Japan, where the number of hospital beds will decline in the future ■ Stable sales | <ul style="list-style-type: none"> ■ CS Set management that does not harm the profit of existing service providers/increase purchase volumes (higher supplier sales) through higher CS Set usage rates/new business development ■ Implementation of measures to lengthen contracts with facilities/no unnecessary product changes |
|  | <p>Employees and their families</p> <p>Elan will place importance on dialogues with employees to make career design easier and ensure an adequate human resource system, while also striving to create a work environment where employees can assist and encourage one another to improve.</p> | <ul style="list-style-type: none"> ■ Enable individuals to increase their value through work ■ Safe and secure workplaces ■ Mutually respectful coworkers ■ Contributes to healthcare and nursing care (meaningful work) | <ul style="list-style-type: none"> ■ Creation of compensation system commensurate with individual qualities and aspirations (management, professional, etc.)/implementation of career design survey ■ Promotion of workstyle reforms (overtime reductions, annual, maternity, and paternity leave promotion, telework, women's active participation in the workplace, etc.)/maintain stable financial base ■ Implementation of joint training sessions, online term-end gatherings, company trips, and other events ■ Development of customer-oriented products and services |

One day, I noticed something wrong and went to the hospital, where I discovered that I had an inguinal hernia. The hardest part of hospitalization is preparing the necessary personal items. The past two hospitalizations were especially difficult. If you live alone and have to go in the hospital, you have to do everything yourself. I did the shopping on my own, carrying heavy bags all by myself. Having become frustrated with the hassle of preparing for hospitalization, I came across CS Sets. Everything I needed was already included, so I didn't have to prepare anything by myself, nor did I have to do laundry. This made everything easier, with nothing left to be desired.

This is particularly helpful for seniors such as myself who live alone and have physical disabilities. I even think younger people who are single or whose partners are busy with work would appreciate this service, so I was compelled to tell as many people as possible about it. It means hospitalization no longer feels like an inconvenience. Only people who have actually used this service will understand. The more experience one has being hospitalized, the deeper the appreciation for this service, which provides everything one needs and brings new items immediately. I truly appreciate CS Sets.



Mr. Tanaka

Living alone in Yatsushiro City, Kumamoto Prefecture, Mr. Tanaka has been hospitalized twice in the past. We asked how he felt about using CS Sets for the first time during his third hospitalization.



Head Nurse
Ayako Komeiji

Director of Nursing
Chiharu Tsunoda

CS Sets Put Smiles on People's Faces

In the past, we purchased daily necessities for hospitalized patients for shared use with the fixed common expense we received from them, but this was discontinued in line with healthcare laws and regulations. Readying changes of clothing and towels is a substantial burden on patients and their families. In the event of long-term hospitalization in particular, the accumulation of laundry was unhygienic and hindered the prevention of infections. This is where Elan stepped in and introduced CS Sets, which after internal discussions, were adopted in July 2014.

Since introducing CS Sets, fresh changes of clothing are always available, eliminating burdens on the family. From the hospital's perspective, this service has reduced the need to contact family members regarding changes of clothing and laundry pickups, easing the burden on nurses and administrative staff. Due to the spread of COVID-19 during the past few years, there have been ongoing restrictions on visitations, with family members having great difficulty in replenishing daily necessities, but this was not a problem faced by CS Set users. Our hospital is located in an area where many people live alone and are elderly, so CS Sets are a huge help. Many of the patients transferred from other hospitals in our group continue to use CS Sets. In fact, my family is also a CS Set user, the merits of which I

experienced firsthand when my mother-in-law was hospitalized.

Elan representatives visit us every month without fail, and constantly listen to our requests. When we initially introduced CS Sets, the hospital received numerous inquiries from patients and their families. Elan became the point of contact for these inquiries, eliminating the burden on hospital staff, which was a tremendous help. Further, we informed Elan that it was difficult for patients and their families to understand the service using pamphlets alone to make decisions, so Elan immediately prepared a basket of samples comprising a complete set of service items. Listening to our opinions, Elan also devised hospital gowns with wide cuffs to accommodate patients on an intravenous drip, as well as hospital gowns with narrow cuffs for patients undergoing rehabilitation. They consider the opinions of dentists and dental hygienists when selecting oral care products and have improved body soaps and creams based on opinions gathered from the field.

Going forward, I will redouble my efforts to convey the excellence of CS Sets by regularly announcing service content, product changes, and other information to spread smiles among even more patients, their families, and hospital staff.



Mr. and Mrs. Ishimatsu

Mr. and Mrs. Ishimatsu reside in Fukuoka City, Fukuoka Prefecture. In 2010, Shigeaki was hospitalized with stomach cancer. And in 2018, Noriko was hospitalized with odontogenic maxillary sinusitis. We asked them to share their thoughts on the CS Sets we provided.

Noriko As my husband had stomach cancer, I was very anxious and had no idea what to bring when he was hospitalized. He lost 23 kilograms after surgery, so the pajamas I brought from home no longer fit, and we had difficulty preparing the necessary personal items.

Shigeaki When my wife was in the hospital, I had concerns about clothing. As I needed to bring her clothes to the hospital myself, I had to go out and buy them.

Noriko Even if a man goes to a shop to look at ladies' pajamas, I think it is very difficult for him to make a choice. With CS Sets, patient clothing can be rented, so you only need to choose the correct size, and they also provide the necessary personal items. You don't need to take your clothes with you or bring them back, as this convenient service even does the laundry.

Shigeaki CS Sets were very helpful as they provided nearly all personal items needed during hospitalization.

Noriko I had no concerns about my taking care of myself, enabling me to relax and receive treatment. My husband came to visit every day, and although he just stopped in to check on me, it was very reassuring psychologically.

Shigeaki Being married to someone for decades means understanding each other without the need to say anything, as my heart is always full of appreciation and thankfulness. Our relationship has become stronger through our hospitalization experiences.

Noriko As we get older, we support one another. It is reassuring to know someone else is there, and a blessing to be needed.

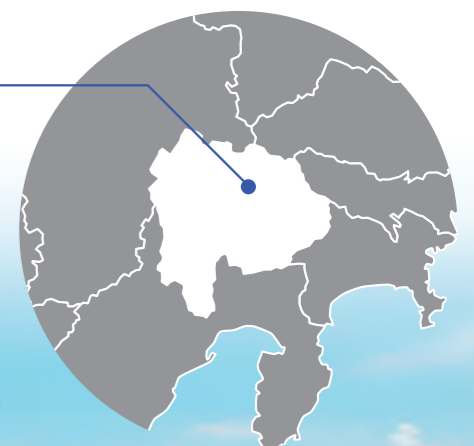


— Yamanashi Koseikai Enzan Citizen Hospital

| | |
|------------------------|--|
| Location | 433-1 Enzankawada, Koshu City, Yamanashi Prefecture |
| Established | September 14, 1998 |
| Administrator/Operator | Hospital Director: Masato Tawata/Chairman: Kenji Arizumi |
| Scale | Permitted beds: 161 beds [General: 102 beds/Recuperative: 59 beds] Emergency designated hospital |

Former representatives Shingo Takashima (middle) and Shuhei Nakajima (left), current representative Koji Yamamoto (right). Team members supporting Enzan Citizen Hospital since the introduction of CS Sets.

Team ELAN



Making a world with more smiles

Without sacrificing people or principles, never giving up, and continuing to think of businesses and methods that will make everyone involved happy, Elan aims to realize a society in which all people around the world, as well as ourselves, can live healthy, enriching lives with smiles on our faces.

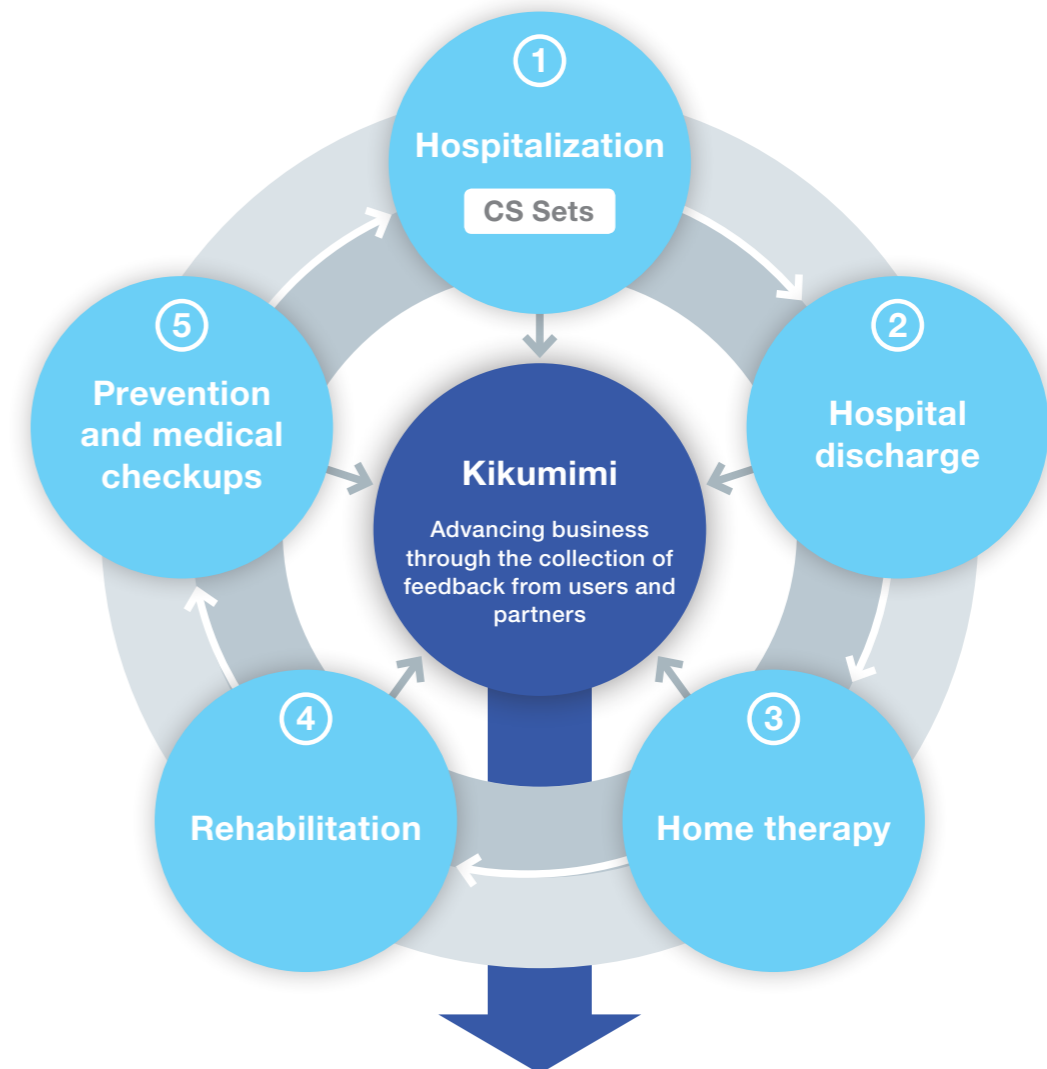
Ideal Medium- to Long-term Positioning

Target market penetration rate 30%
Operating profit margin 10%

Elan established the medium- to long-term goal of first expanding the CS Set (hospitalization support set) target market penetration rate to 30%. In addition to increasing scale, we plan to enhance operational efficiencies through the use of digital technologies for individual billing, thereby incrementally improving operating profit each fiscal year going forward.

Becoming a Healthcare Support Company Starting with CS Sets

Amid daily changes in our life stages, we face various problems and anxieties related to healthcare. Elan's mission is resolve these issues and concerns, bringing smiles to the faces of as many people as possible.



Developing businesses providing users with comprehensive support after hospitalization

Three Strategic Pillars

- 1 **Deploy CS Sets nationwide**
Having completed the deployment of CS sets to all prefectures in 2022, we are now in a position to provide services nationwide. In the next stage, we aim to further expand market share.
- 2 **Enhance Group capabilities**
Elan Service, established in 2018, is expanding contracted services supporting hospitalization support set billing, call centers, and debt collection for other companies. In 2020, we launched deliveries of daily consumables and in-house inventory management, and at present, is expanding the number of facilities handling deliveries.
- 3 **Develop New Businesses**
Elan aims to strengthen its mainstay business by adding new value to CS sets, creating new earnings pillars through the development of post-discharge and other services, and overseas expansion in India and Southeast Asia, where the markets for hospital-related businesses are expanding.



Representative Director,
President, and COO

Tomohiro Minezaki

Enhancing Quality of Communications, Accelerating Business Growth

Role as Representative Director and President

Since joining Elan in August 2003, I have made consistent efforts to drive the CS Set business on the frontlines, mainly by developing new business and establishing offices in various locations to expand our sales area. In 2017, having been appointed director of subsidiary L Task Co., Ltd., I then became Operations Division Manager, Sales & Marketing Division Manager, Administration Division Manager, and Managing Executive Officer. I was appointed Representative Director and COO in fiscal 2022.

2022 is truly a year of change for Elan. A variety of needs related to CS Sets and healthcare in general are emerging throughout the world. To accelerate M&A and overseas business development, mainly in Asia, founder and Chairman Sakurai will lead business developments overseas. At the same time, as there is still substantial room for development in Japan, I will assume responsibility for further business expansion.

I was on the frontlines as our business grew in the early startup and expansion phases. I want to leverage this strength to facilitate deeper cooperation than ever before between management and employees working on the frontlines. Today, the number of competitors has increased substantially compared to those early days.

When reexamining the impact of this competition, we listened to facilities and learned that, while not obvious from the numbers, services provided by other companies have improved, and interest in those services is rising. We immediately took various steps that included expanding service offerings and how we approach potential customers. It is essential that management accurately recognizes these issues. This reaffirms my belief that listening to the frontlines enables us to implement countermeasures before an issue becomes apparent in business performance.

We must also remember that we have a social mission as a leading company. In Japan, where nuclear families and aging populations are on the rise, the ongoing provision of an environment facilitating worry-free hospitalization, even in the event of sudden illness or injury, is also a form of social contribution. In reality, nearly half of all facilities in Japan have yet to introduce hospitalization support sets. Services must be expanded and awareness must be raised industry-wide. Elan's role and most critical task in Japan is capturing a dominant share of the market to take the initiative and promote our services throughout the industry.

New Medium-term Management Plan

Under the new medium-term management plan, we are targeting net sales of 60 billion yen in the domestic CS

Set business by 2025, and a market penetration rate of 26% by 2025, compared to 12.8% in fiscal 2021. As of June 30, 2022, Elan had over 1,945 contracted facilities, and although we have steadily increased our share of the overall market to approximately 30%, there is still much room for development. To this end, we have three specific strategies.

The first strategy is to shorten the time required for service launch. When introducing our services to a new facility, a substantial amount of time is spent coordinating with stakeholders, who include both the decision-making authorities, as well as the heads of each ward and other nursing staff who assist patients, medical affairs division staff in charge of explaining hospitalization procedures, and the linen companies, consumable goods wholesalers, and other suppliers we work with. The same is true for our internal decision-making process, which is complicated by price quotations and menu decisions, and used to require 12–18 months of lead time from initial decision to launch of services. In response, we began distributing video service briefings for staff in each hospital ward, and independently launched an in-house online decision-making and approval system. This now enables us to reduce lead time to six months. Going forward, we will continue to promote digital transformation (DX) internally and make changes aimed at reducing the lead time to just three months. Examples of ideas being considered within the Company include an online system for automatically proposing CS Set menus and prices based on facility size and type of wards, as well as a support system that centrally manages various stakeholder information up to the launch of services.

The second strategy is to attract fans of customers, their families and existing facilities. We established a customer consultation office within our call center to gather customer requests and complaints. In receiving feedback directly from end-users and promptly sharing it with management, we are able to create products and services meeting end-user needs. At present, the cancellation rate is stable at 2–3%, and we will make every effort to maintain this low level going forward. In the extremely demanding healthcare industry, regardless of how much progress is made in terms of DX, it is impossible to promote the introduction of services or increase utilization rates without cultivating deep personal connections with a wide range of hospital staff and suppliers on the frontlines. In areas where Elan has a large market share, cancellation rates tend to be low because of strong relationships of trust between sales representatives and facilities. Strong relationships between sales representatives and key facility personnel enable us to quickly learn about proposals from other companies and prevent cancellations. While it has been difficult to visit facilities during the pandemic, we will instruct our sales staff to increase points of contact with facilities, both during contract renewals and at all other

times, to continue promoting service enhancements from the frontlines.

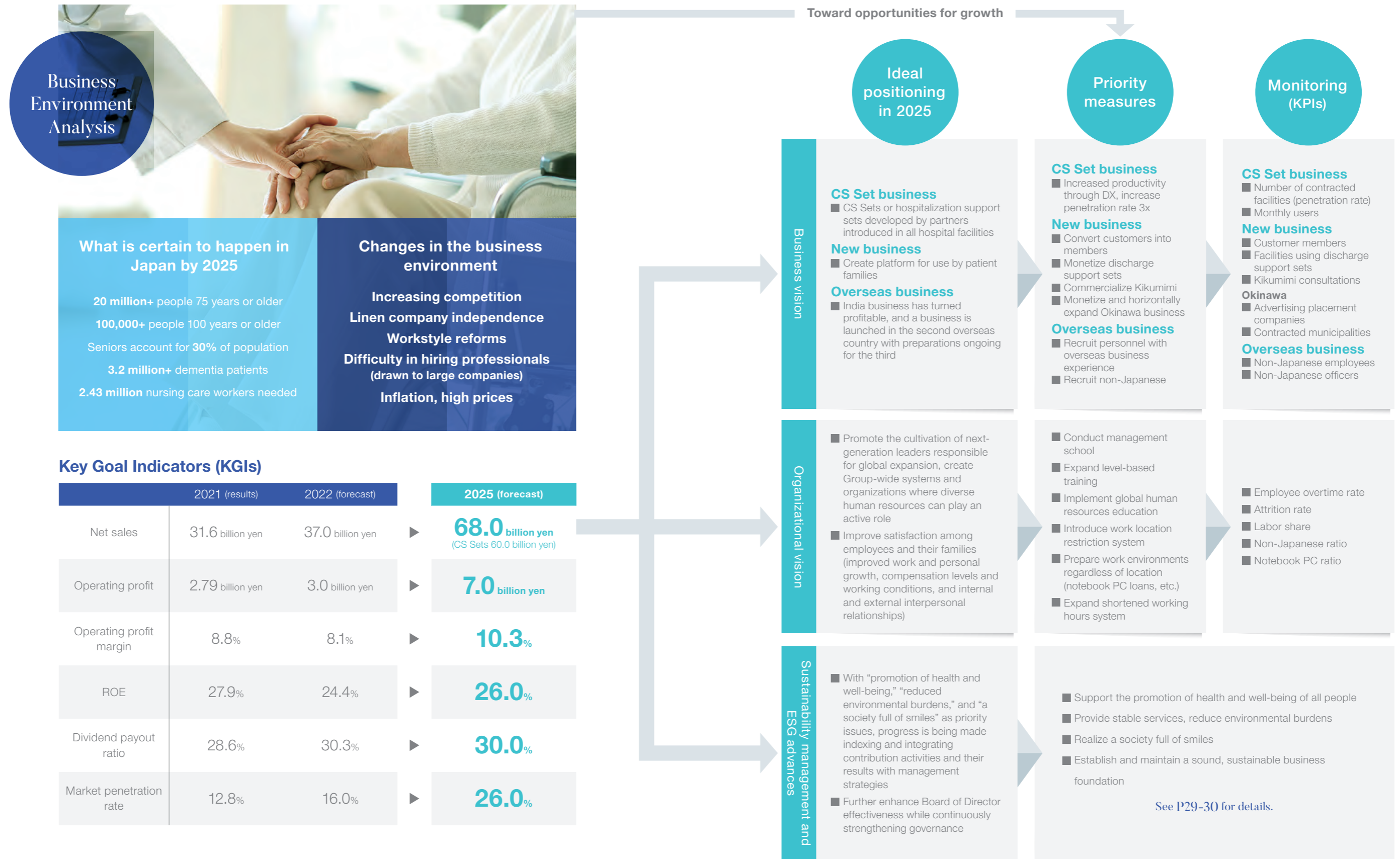
The third strategy is to strengthen our network with other businesses. As previously mentioned, in the hospitalization support set business, relationships with local suppliers are indispensable. Elan is only successful when each supplier provides quality services. Nearly half of all new acquisitions come from supplier referrals. This provides suppliers with an incentive, as the introduction of CS Sets to existing customers leads to an increase in the number of new items and higher sales. Going forward, Elan will maintain tie-ups with companies sympathetic to our philosophy. For example, in 2022, we developed “lifte” original patient wear through a tie-up with Classico Co., Ltd. We have received inquiries on this garment from suppliers other than hospitals due to its combination of soft and comfortable fabric that stands up to industrial laundering. We also aim to uncover new service needs and acquire new business opportunities by strengthening synergies with convenience stores inside hospitals, television companies, and a variety of other industries.

Focusing Efforts on Human Resource Development

To prepare for the second stage of changes, namely, overseas business development and domestic business expansion, we must make greater efforts than ever before to develop human resources. In the past, we focused on knowledge pertaining to hospitalization and CS Sets, sales training, and other pressing issues. Going forward, we will remain focused on human resource development with a view toward global expansion. This includes developing skills required for management, such as English language proficiency and MBA training, as well as the proactive recruiting of professional human resources. Elan has launched efforts aimed at the creation of a system enabling employees to recognize the skills they need and proactively acquire them, with these skills incorporated into the evaluation system.

At the same time, efforts to increase employee loyalty are also essential. In the past, we were able to interact with employees during company trips and at dinner parties, but such opportunities have been curtailed due to the pandemic. It takes two to three years after joining the company for Elan sales representatives to become self-sufficient due to the complex industry knowledge and diverse relationship building required. Although our most recent attrition rate remains comparatively low at 8.7%, there is no denying the impact of environmental changes brought about by the pandemic. We will build systems and mechanisms which can respond to ongoing social changes, while also creating an organization that enables the entire Company to work together to achieve loftier goals by inculcating Elan-ism in all employees.

Elan has set the goal of increasing the CS Set (hospitalization support set) market penetration rate to 26% by 2025. By expanding scale, we plan to enhance operational efficiency and increase the operating profit margin from about 8% at present to 10%. As we are targeting a market penetration rate that is 10% higher than at present, the entire Elan Group will work single-mindedly toward steadily achieving this goal.



To fulfill our mission of realizing an enriching living environment, Elan has identified social issues critical for the Group over the medium to long term, as well as priority issues (materiality) that must be addressed straightaway.

Materiality Identification Process, Formulation of Specific Initiatives and KPIs

1 Ascertaining and organizing priority issues

We created a long list comprising 77 items after organizing social issues with reference to stakeholder feedback, Elan's organizational awareness, SASB, GRI, SGDs, and other international frameworks, MSCI, FTSE and other rating agency indices, issues in Japanese society, healthcare-related company trends and other factors.

2 Evaluation

At management and board meetings, we have identified material issues as well as opportunities and risks by analyzing our business environment based on the long list of 77 items.

3 Formulating specific initiatives and KPIs

We have formulated specific initiatives to tackle the material issues and set target KPIs for the initiatives.

| Material issues | Opportunities | Risks | Related social issues | Initiatives | KPI | 2021 Results | 2022 Estimates | 2023 Targets | 2024 Targets | 2025 Targets |
|---|--|---|---|--|---|--------------|----------------|--------------|--------------|--------------|
| Support the promotion of health and well-being of all people | <ul style="list-style-type: none"> Demand for hospitalization support sets and post-discharge services increases due to the aging of the population Information on service users and their families is accumulated, leading to new business development | <ul style="list-style-type: none"> Market contracts due to a shrinking population Personal information leaks deteriorate social credibility and may lead to damage claims | Entry into a super-aged society | Resolve issues that may arise at the time of hospitalization with CS Sets | Number of CS Set users (monthly, 1,000 persons) | 340 | 400 | 480 | 580 | 720 |
| | | | Increased need for elderly care | Resolve issues that may arise post-discharge and during at-home care | Number of discharge support and home care support set users (monthly, persons) | 0 | 100 | 1,000 | 5,000 | 10,000 |
| | | | Difficulty accessing necessary services due to overflowing of information | Connect various issues that hospitalization brings to light with those who can solve them | Number of Kikumimi users (monthly, persons) | 30 | 30 | 1,000 | 5,000 | 10,000 |
| Provide stable services, reduce environmental burdens | <ul style="list-style-type: none"> Business opportunities are created through the provision of products and services with low environmental impact Paperless operations help improve business efficiency and lower costs | <ul style="list-style-type: none"> Natural disasters cause operations to come to a halt at linen factories, logistics centers, medical institutions, nursing care facilities, and sales bases, making it difficult to provide services Failure to comply with laws and regulations undermines social credibility and drives up costs for necessary measures | Response to natural disasters | Deliver necessities such as water and tissue to facilities during times of natural disasters | Number of bases installed | 24 | 27 | 29 | 31 | 33 |
| | | | Prevention of environmental pollution | Reduce the amount of plastic used in daily necessities included in CS Sets | Share of non-plastic items (no. of items) | 0 | 30 | 60 | 120 | 240 |
| | | | Energy saving | Promote electricity saving through the use of CS Sets | Amount of electricity saved (household washing machines and dryers vs. linen factories, monthly, kwh) | 781,206 | 928,854 | 1,104,408 | 1,313,141 | 1,561,324 |
| | | | Water saving | Promote water saving through the use of CS Sets | Amount of water saved (household washing machines and dryers vs. linen factories, monthly, liter) | 73,927,688 | 87,900,020 | 104,513,124 | 124,266,105 | 147,752,399 |
| | | | Shortage of nursing care providers | Increase productivity in the frontlines of medical and nursing care through the use of CS Sets | Reduction in hours dedicated to non-core tasks (monthly, hours) | 556,652 | 640,149 | 736,172 | 846,598 | 973,587 |
| Realize a society full of smiles | <ul style="list-style-type: none"> A fulfilling work environment facilitates hiring of talented personnel, productivity improvement, and strengthening of capabilities to respond to market changes, leading to discovery of new business opportunities Employee retention enables the establishment of a stable foundation for growth Contributing to regional economies boosts social credibility | <ul style="list-style-type: none"> Difficulty hiring new graduates and specialists hinders business base expansion and overall business growth Inappropriate responses lower employee motivation and lead to personnel outflow Personnel increases and business area expansion may undermine internal control | Work-life balance | Reduce overtime work | % of employees that have logged extended overtime (over 360 hours a year, %) | 10.1 | 19.9 | 15 | 12 | 10 |
| | | | | Promote male employees to take parental leave | % of male employees taking paternity leave | 44.4 | 36.4 | 50 | 80 | 100 |
| | | | Promotion of diversity | Hire foreign national employees | Number of foreign national employees | 3 | 4 | 5 | 7 | 9 |
| | | | | Encourage employees in 20s and 30s to participate in management | Number of executives in their 20s and 30s (by the year they began participating) | 3 | 2 | 2 | 3 | 3 |
| | | | Women's empowerment | Actively appoint women to managerial positions | % of female managers | 13.5 | 14 | 15 | 20 | 25 |
| | | | | Actively appoint women to executive positions | Number of female executives | 1 | 1 | 1 | 3 | 5 |
| | | | Personnel investment | Expand personnel investment | Amount of personnel investment (yen) | 42,392,070 | 46,631,277 | 51,294,405 | 56,423,845 | 62,066,230 |
| | | | Regional revitalization | Contribute to revitalization of regional economies | Number of prefectures in which Elan has business bases | 21 | 22 | 23 | 24 | 25 |
| | | | Promotion of employment of persons with disabilities | Actively hire persons with disabilities | Number of employees with disabilities | 6 | 7 | 20 | 50 | 60 |
| | | | Enhancement of QOL for the elderly | Provide comfortable patient wear | Number of facilities that have adopted life original patient wear | 0 | 15 | 50 | 100 | 200 |
| Establish and maintain a sound, sustainable business foundation | <ul style="list-style-type: none"> Having a diverse management team facilitates the discovery of new business opportunities and strengthens capabilities to respond to changes, leading to the establishment of a stable foundation for growth Conducting business with high ethical standards enables partnerships and collaborations with firm and capable partners | <ul style="list-style-type: none"> A compliance breach hurts social credibility and may result in a financial loss Traffic accidents and an increase in whistleblower reports diminish employee motivation and drive up costs to respond to them | Reinforcement of corporate governance | Ensure diversity of directors and executive officers | % of outside directors | 44 | 40 | 40 | 40 | 40 |
| | | | Thorough legal compliance | Strengthen compliance training | % of employees that have taken compliance tests | 98.6 | 99.6 | 99.6 | 99.6 | 99.6 |
| | | | | Practice safe driving | Number of traffic accidents | 37 | 40 | 35 | 35 | 35 |



CS Sets are adopted by all medical institutions (including Elan's contract services), and a total of over 700,000 persons per month are using the sets with high satisfaction

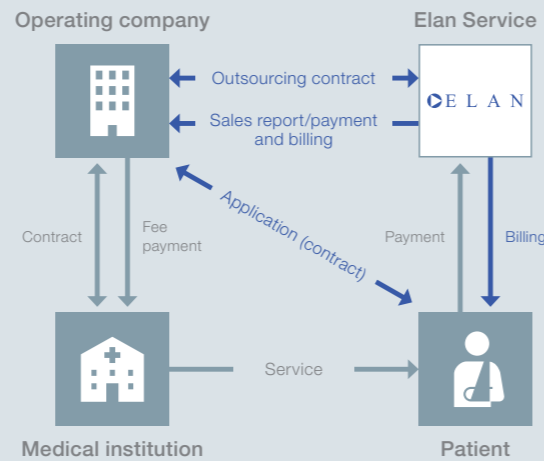
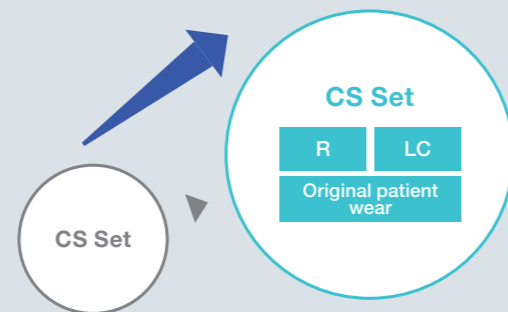
Competitive differentiation of CS Sets

Hospitalization support sets offered by various companies are increasingly becoming similar despite some minute differences in items included, such as patient wear, towels, daily necessities and consumables, and disposable diapers. Elan's competitive differentiation policy does not involve engaging in price competition, i.e., lowering costs, but instead focuses on increasing the value-added of its services.

Measures to respond to the expanding hospitalization support set market

An increasing number of companies are entering the hospitalization support set business, but they are facing the issue of increased workload, including individual billing and responding to inquiries, accompanying growth in service users. Elan, a specialized organization with know-hows cultivated through its operation of the CS Set business over many years, seeks to resolve this issue. While allowing industry peers to provide hospitalization support sets under their own brand, Elan undertakes the time-consuming task of individual billing on their behalf with the aim of maximizing its success in the expanding hospitalization support set market.

Development of new services to enhance the value-added of CS Sets



1 Increase in Value-added

Developed R and LC services that can be added to CS Set

| | Benefits to service users and their families | Benefits to medical institutions and nursing care facilities | Number of facilities that have introduced the service (as of June 30, 2022) |
|---|--|--|---|
| CS Set R Service with a hospitalization/nursing care fee (receivables) guarantee | <ul style="list-style-type: none"> Removes the need for a joint guarantor or lump-sum hospitalization payments Prepares service users for sudden hospitalization | <ul style="list-style-type: none"> Eliminates the risk of uncollectible hospitalization/nursing care fees Reduces dunning and collection work for unsettled hospitalization fees | |
| LC Hospitalization Guarantee Service with a guarantee for compensation for damages caused by service users during hospitalization | <ul style="list-style-type: none"> Covers compensation for facility equipment damages and staff injuries caused by service users | <ul style="list-style-type: none"> Reduces administrative costs and psychological burden related to handling property damage claims | 95 facilities |

Original patient wear lifte

- Wearing well-designed gowns even during hospital stays or at nursing care facilities creates a satisfying, pleasant environment
- Proprietary design makes it easy to dress and undress
- Easy to partner with linen suppliers that find making large initial investments difficult

lifte

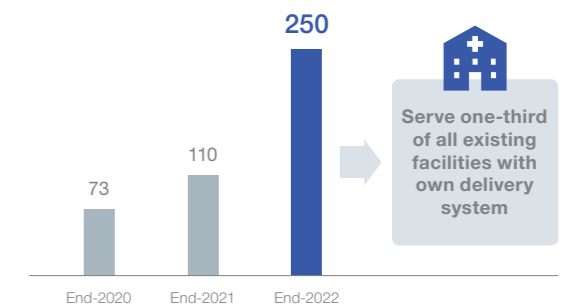
ELAN × Classico



2 Provision of Sustainable Services

Amid the global pandemic that began in 2020, plastic gloves and aprons (bibs) became in short supply. Prior to the pandemic, our management policy was to not hold inventory, but now, to provide sustainable services, we are keeping a stock of some products for which we believe maintaining a certain level of inventory is necessary at rental warehouses. Further, to be prepared for typhoons and damages caused by heavy rains, we intend to manage inventory and deliver daily necessities and consumables to one-third of contracted facilities using our own means of transportation in the future.

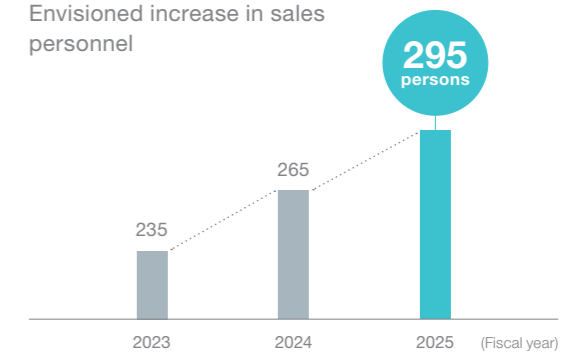
Number of facilities Elan delivers to using its own system



3 Recruitment and Retention of Sales Personnel

Increasing the number of sales personnel is crucial for growing the number of contracted facilities for CS Set and preventing existing facilities from cancelling contracts. We plan to hire about 30 persons annually, mainly new graduates, to add to our sales force. At the same time, we will promote hiring of local personnel, build a remote work environment for sales operations, manage employee health, and practice sustainable management to retain employees.

Envisioned increase in sales personnel





Medium-term management plan 2023-2025

New and Overseas Businesses

Visions for new and overseas businesses

New business

A platform is in place to provide necessary services to users throughout their lifetime, and revenue sources include subsidies and advertising income in addition to service usage fees from users.

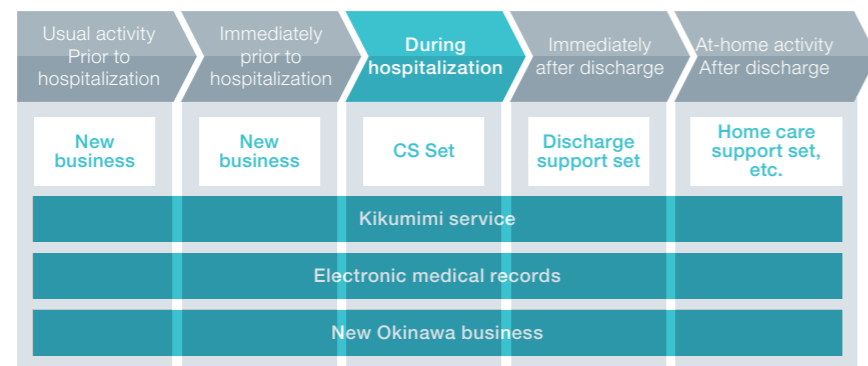
Overseas business

India business has turned profitable, and a business is launched in the second overseas country with preparations ongoing for the third.

New business areas

Create a business that addresses issues at all stages from the point of hospitalization

Currently, we only operate the CS Set business which provides hospitalization support sets, but we are making advances in the development of new services and products to expand points of contact with customers. Some examples include a service allowing patients to continue using the hospitalization support set after they are discharged from hospitals and while receiving at-home care, and a support service available until patients are completely healed and able to return to their normal life. Another example of a new service is Kikumimi, which gathers information on the needs of customers. Electronic medical record and Okinawa businesses aim to provide enhanced services to users through collaboration with medical institutions.



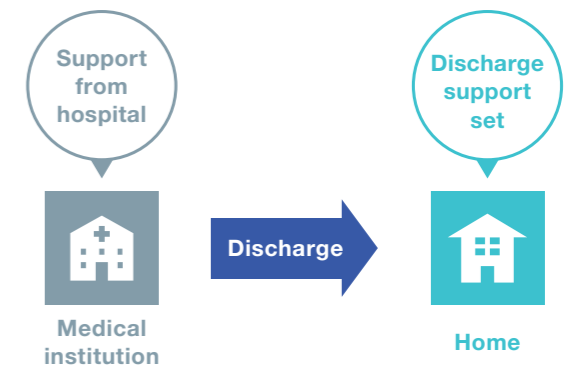
1 Kikumimi

Being admitted to hospitals or moving into nursing care facilities involves a major life stage transition. Not only the patients themselves but also their families feel a greater sense of uncertainty. To provide free counselling to address concerns about hospitalization and discharge, as well as moving into and out of nursing care facilities, we have set up a telephone counselling service Kikumimi. The service offers counseling on a range of topics including real estate appraisal, inheritance, securing a guarantor, and home assistance. It also refers users to specialists, including Elan's partnering businesses. Kikumimi earns revenue from referral fees, but by ascertaining users' needs, it can also lead to new business development.



2 Discharge Support Set

Patients can receive various support from the hospital while they are hospitalized, but the care environment changes drastically in the four weeks or so after they are discharged, placing a significant physical and psychological burden on the patients themselves and their families. We provide a comprehensive support service to help patients and family members deal with all the issues that may arise as they adjust to life at home. Starting with a discharge support service, we intend to expand the service lineup to cover subsequent stages after discharge.



3 Overseas Business

In India, where the medical infrastructure market is expected to expand sharply, we have invested in medical products wholesaler Boston Ivy Healthcare Solution Pvt. Ltd. (BIHS) and in-hospital laundry service provider Quick Smart Wash Pvt. Ltd. (QSW). We have investigated the feasibility of operating a healthcare business in India, and invested in the two

companies with the goal of creating a new business in collaboration with them. Overseas, in addition to hospitalization support sets, we are considering launching a range of peripheral services for and relating to medical institutions and nursing care facilities, and plan to expand into Southeast Asia in addition to India.

Develop Indian market and export to other countries

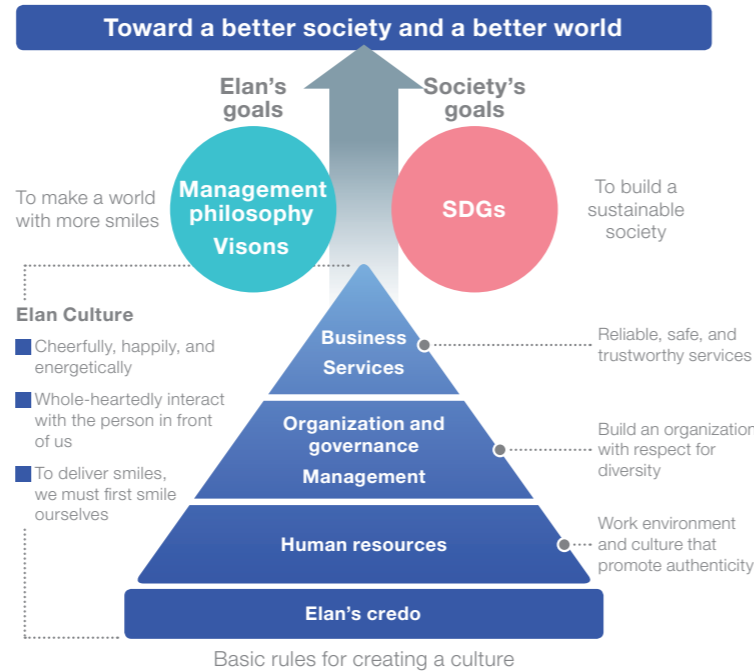
Understand India's linen supply market trends

Investigate the feasibility of operating a healthcare business in India

Understand the logistics structure of India's healthcare industry

Elan and SDGs

Elan's business has undergone three major changes since founding. We started with bedding sales, then moved into bedding recycling and now hospitalization support set (CS Set) business. We believe our business will continue evolving with the changing times. However, while some things may change, e.g., business, some things do not, namely philosophy, guidelines, and policies. We have summarized these matters into an easy-to-understand, straightforward credo and instilled the concept in all our employees. We are conducting various activities to firmly establish the credo as the basis for our everyday business operations. We will contribute to achieving SDGs by continuing to create businesses that can resolve various issues the world is facing, toward building a better society and a better world.



Contribute to healthcare and social welfare

We are supporting Momiji no Ie, a short-term stay medical facility of the National Center for Child Health and Development, through the Foundation for Severely-Ill Children and Their Families (KidsFam) by providing a towel rental service free of charge.



Left: Matsumoto Yamaga FC's home stadium, Sunpro Alwin
Middle: Seiji Ozawa Matsumoto Festival (OMF)
Right: Matsumoto Winter Festival

Contribute to regional communities through promotion of sports and culture

We at Elan are supporting Matsumoto Yamaga Football Club (FC) of J-League based in Matsumoto, Nagano Prefecture, where our headquarters is also located, as an official sponsor, together with local residents.

In the 2021 season, we were appointed a Team Towel Sponsor to support the FC "through towels" by utilizing our expertise garnered through operating the CS Set business, and since then we have provided a towel maintenance service—provision of towels and laundry service—to the FC's top team.

We are also an official sponsor of Seiji Ozawa Matsumoto Festival, a global music festival held every summer in Matsumoto, Nagano Prefecture.

Further, we supported the Matsumoto Winter Festival 2021–2022, held from December 1, 2021 to February 28, 2022 in Matsumoto, Nagano Prefecture, to help revitalize the regional community amid the COVID-19 pandemic. Our logo was laser-projected onto the stone wall of Matsumoto Castle before and after the special laser light show held at the castle.



Other support activities

- April 2021** Donated towels to Matsumoto Yamaga FC's Youth Academy
 - To empower young people and women and to promote sports, donated a total of 210 towels bearing the same design as the original towels provided to Matsumoto Yamaga FC's top team as a team towel sponsor to all members of U-18, U-15, U-12, and Ladies U-15 teams who will lead the next generation of soccer.
- 2020** Spread of COVID-19
 - Provided disposable hospital gowns and towels for hospitalized COVID-19 patients, helping to lessen the disinfecting workload for nurses and prevent secondary infections.
 - Provided consumables and other supplies that were in short supply because of the pandemic to medical institutions and nursing care facilities.
 - Endorsed M3 Co., Ltd.'s "Support for COVID-19 countermeasures," and provided 2 million masks free of charge to about 15,000 medical institutions serving in the front lines of the fight against the pandemic. (Source: homepage of M3 Co., Ltd.)
- July 2020** Heavy rain in July 2020
 - Provided CS Sets at no charge to disaster victims at facilities that have adopted CS Sets in the Kuma River basin area in Kumamoto Prefecture, which suffered severe damage.
- October 2019** 2019 East Japan Typhoon
 - A total of 23 Elan employees carried out restoration support activities for eight days at facilities that have adopted CS Sets in the Chikuma River basin area in Nagano Prefecture (removing accumulated mud, silt, and sand, cleaning equipment, etc.).
 - Because a partner linen supplier in the Abukuma River basin area in Fukushima Prefecture had to suspend operations due to damages caused by the typhoon, we purchased towels, patient wear, and underwear and received donations of some resources from a partner linen supplier in the neighboring prefecture, and delivered them (approximately 1,650 patient wear and 2,000 towels) to facilities that have adopted CS Sets and were damaged by the typhoon. We requested a linen supplier located in the city for laundry service, and handled collection and delivery ourselves.
 - Provided relief supplies (water, clothing, towels, snacks, consumables, etc.) to facilities that have adopted CS Sets and were damaged by the typhoon in the above area.
 - Waived service usage fees for a period of time for facilities that have adopted CS Sets and were damaged by the typhoon and disaster victims using the sets.
- September 2019** 2019 Boso Peninsula Typhoon
 - Sent relief supplies (water, food, towels, consumables, etc.) to hospitals and other facilities that have adopted CS Sets in affected areas in Chiba Prefecture from nearby regional bases, and visited the facilities.
 - Sent relief supplies (water, towels, food, consumables, etc.) from our business bases in other regions (West Japan).
- September 2018** 2018 Hokkaido Eastern Iburi Earthquake
 - Shipped relief supplies from Matsumoto Headquarters and a group company (former L-Task Co., Ltd.) in the Tohoku region to damaged facilities that have adopted CS Sets, and provided disposable diapers and other paper goods as well as food free of charge.
- July 2018** Heavy rain in July 2018
 - Waived service usage fees for a period of time (about 27 days) for disaster victims using CS Sets at facilities that have adopted the sets in Hiroshima, Okayama, and Ehime prefectures.
 - Provided relief supplies (water, consumables, daily necessities, paper goods, portable toilet, etc.) free of charge to facilities that have adopted CS Sets and evacuation centers.
- April 2016** 2016 Kumamoto Earthquake
 - Donated 1 million yen through The Japanese Red Cross Society.
 - Provided relief supplies such as water, food, and paper goods to facilities that have adopted CS Sets in Kumamoto and Oita prefectures.
 - Waived service usage fees for a period of time for facilities that have adopted CS Sets in Kumamoto Prefecture and persons that have notified the prefectural government that they were disaster victims.



Donated towels to Matsumoto Yamaga FC's Youth Academy members



Heavy rain in Kumamoto Prefecture



Elan employees participated in restoration support activities and delivered resources.



Typhoon damages in Boso Peninsula



Kumamoto earthquake

STAKEHOLDER INTERVIEW

Born in Yamanashi Prefecture. After graduating from Tokyo Gakugei University, he joined Ventforett Kofu in 2000, starting his career as a professional soccer player. In 2005, he moved to Matsumoto Yamaga FC, where he played and retired that same year. In 2012, he joined Matsumoto Yamaga Co., Ltd.. After working in sales and as Director and General Manager of the Administration Division, he was appointed Representative Director and President in 2015.



Matsumoto Yamaga Co., Ltd.
Representative Director
Fumiyuki Kanda

Elan Corporation
Manager, Management Planning Section
Mizue Hamano

Contributing to Local Communities as Only We Can.



Matsumoto Yamaga FC was founded in 1965 as the Yamaga Club by regular customers and the owner of Yamaga, a cafe in front of Matsumoto Station. The club was promoted to J. League Division 2 (J2 League) in 2012, and is currently supported by hometowns in 10 municipalities, sponsored by over 700 companies, and supported by volunteers, with numerous fans coming out to cheer every match played at the club's home ground, Sunpro Alwin stadium. In addition to popularizing and promoting soccer, visiting nursery schools and kindergartens to provide coaching, and conducting exercise classes at welfare facilities, Matsumoto Yamaga FC focuses on social cooperation activities to resolve local issues. The club was promoted to the J1 League in 2015 and 2019. Currently, the club is playing hard in the J3 League, led by manager Hiroshi Nanami under the slogan "One Soul, Back to the Roots."



©Matsumoto Yamaga FC

Hamano We have been an official sponsor of Matsumoto Yamaga FC (hereinafter "Yamaga") since 2014 for the purpose of contributing to the local community and promoting sports. In 2021, we leveraged know-how from the CS Set business to become a "team towel sponsor" to support the team in a unique fashion. My first encounter with Yamaga was in 2014, when President Kanda, then a sales manager, visited Elan for the first time. I heard that when you saw Chairman Sakurai ...

Kanda I said "I had the privilege of coaching your child ..."

Hamano To which Chairman Sakurai replied "Coach Kanda!" in happy recognition. This was the year that Elan intended to list company shares on the First Section of the Tokyo Stock Exchange and Yamaga was aiming for promotion to the J1 League, while at the same time, we were also beginning to focus on regional contributions and sports promotion from the perspective of CSR. The timing of these events gave me an extremely strong sense that this relationship was meant to be.

Kanda We sincerely thank you for all your support since then. By the way, team towel sponsorship is a groundbreaking idea, isn't it?

Hamano This idea was born from a passionate discussion (at an izakaya dining) about how Elan could do something interesting to solve problems faced by Yamaga as only we can. In fact, we heard that, as with hospital staff, Yamaga staff and athletes are also burdened by the need for fresh towels and laundry. We thought that supporting Yamaga with CS Set know-how

would enable the club to focus more on matches and practice. We expect this will lead to victory for Yamaga and smiles on local community faces, and decided to make the project a reality. There are many Yamaga fans at Elan who share feedback and appreciation from fellow local supporters, which makes all employees very happy.

Kanda And every year, Elan donates towels for athletes in the top team as well as the Youth Academy, our developmental organization.

Hamano We listen carefully to athlete requests when making these towels. Youth ladies' athletes indicated there was no place to change, so we prepared bath towels that can be wrapped around the body for privacy when changing clothes.

Kanda The athletes have praised these towels, indicating they are the perfect size, easy to use and very helpful.

Encouraged by Support from a Company Engaging in Business Locally.

Hamano Working in Matsumoto, I have directly experienced how soccer has become part of daily life. Many people I see on the street and at work talk about soccer in their everyday life. I believe this is due to the energy and enthusiasm Yamaga brings to the people of Matsumoto.

Kanda When arriving in Matsumoto from Yamanashi, I



felt the strong love the residents have for their hometown. I truly appreciate the presence of all supporters and residents. My image of Elan is that you have the back of the local community, and although you are based in Matsumoto, you are active throughout Japan. It is very encouraging to receive the long-term support of a company developing business locally.



Enlivening the Community with Victory.

Hamano What issues do you feel Matsumoto is facing?

Kanda This is just my opinion, but I think we need to more clearly define Matsumoto as a regional city. I believe we definitely have the potential to be the best club team in Japan in terms of regional excitement. We want to maximize our appeal by connecting with supporters, governments, and businesses.

Hamano What specific efforts are you engaged in?

Kanda For example, we continue to focus on local activities, such as utilizing idle farmland to grow edamame (soybeans). Our concept is to strengthen the club while improving the community, an attitude we have always maintained.

Hamano I see, so you are also entering a stage where you will contribute in areas other than soccer. That is very interesting. And looking ahead, what type of club do you aim to become?

Kanda We will increase sales and generate profit as a company to establish a management base facilitating the creation of a strong team. With the support of the local community, we will achieve solid results and enliven the community with victory. Ms. Hamano, as an employee, what kind of corporate group should Elan aim to become?

Creating a Cascade of Smiles with Elan Services

Hamano Personally, I want to create a cascade of even more smiles with Elan employees who also love to smile. Our service involves engaging with people who are suffering because their family member is ill or they do not know who to talk to, and putting a smile on their face. I will always remember the people who helped me when I was suffering and in pain. We also want to help people in trouble, create smiles and become an irreplaceable presence that people will remember and call upon in times of need.

Kanda Looking at Elan, which consistently achieves results, we also want to be in a winning position again. Similar to Elan, which is performing strongly in the top echelon of listed companies (Prime Market), we too strive to be in the top category.

Hamano I am very impressed by how close Yamaga is with supporters and your ability to get people involved. I would very much like to see the club promoted to the J1 League, and I would like to work with you to do something interesting that will contribute to the community. I look forward to working with you in the future.



| | | | | | | | | | |
|--|---|------------------|------------------|------------------|------------------|---|---|---|---|
| Representative Director, Chairman, and CEO | Representative Director, President, and COO | Director and CFO | Director and CMO | Director and CSO | Outside Director | Director (Full-time Audit & Supervisory Committee Member) | Outside Director (Audit & Supervisory Committee Member) | Outside Director (Audit & Supervisory Committee Member) | Outside Director (Audit & Supervisory Committee Member) |
| Hideharu Sakurai | Tomohiro Minezaki | Daiki Akiyama | Takao Sakurai | Akira Ishizuka | Naomi Emori | Hiroshi Eyama | Koji Fujita | Nobuyuki Takagi | Naohide Aikawa |

| | | | | | | | | | |
|--------------------------------------|---|---|---|---|---|---|---|---|---|
| Overall management | ● | | | | | | ● | ● | |
| Industry knowledge | ● | ● | | ● | ● | ● | | | |
| Marketing and sales | ● | ● | | ● | ● | | | | |
| Legal compliance and risk management | | | ● | | | ● | | | ● |
| Accounting and finances | | | ● | | ● | ● | | ● | |
| International business | | | | | | | ● | | |

Note: Regardless of specialty and experience of each director, all directors promote, and are engaged in sustainable management.

Hideharu Sakurai (born March 28, 1970)

April 1988 Joined Honda Clio Sagami-hara Co., Ltd. (now Honda Cars Kanagawanishi Co., Ltd.)

January 1990 Joined Nippon Columbia DCS Sales Co., Ltd

February 1991 Joined Kaho Ltd. (now People Co., Ltd.)

February 1995 Established ELAN Corporation, Representative Director

November 2008 L Task Co., Ltd., Representative Director

October 2016 ELAN Corporation, Representative Director, President, and Sales & Marketing Division Manager

February 2017 L Task Co., Ltd., Chairman and Representative Director

January 2018 ELAN Corporation, Representative Director and President

March 2020 ELAN Corporation, Representative Executive Officer

April 2021 Ryukyu ELAN Corporation, Representative Director and President (current)

March 2022 ELAN Corporation, Representative Director, Chairman, Executive Officer, and CEO (current)

Daiki Akiyama (born September 17, 1978)

November 2003 Joined Grant Thornton Yamada & Partners

March 2012 Joined ELAN Corporation

February 2017 L Task Co., Ltd., Director

April 2017 ELAN Corporation, Administration Division, Business Administration Department Manager

January 2019 ELAN Corporation, Administration Division Manager and Business Administration Department Manager

March 2019 L Task Co., Ltd., Audit & Supervisory Board Member

January 2020 ELAN Corporation, Director, Administration Division Manager, and Business Administration Department Manager

January 2020 ELAN Corporation, Director and Administration Division Manager (current)

March 2020 ELAN Corporation, Executive Officer (current)

March 2022 ELAN Corporation, Director, Executive Officer, CFO, and Administration Division Manager (current)

Naomi Emori (Born February 21, 1959)

April 1980 Joined Japanese Red Cross Kyoto Daiichi Hospital

April 1983 Joined Fukui Medical School Hospital

Seconded to Toyama Medical and Pharmaceutical University Hospital

April 1989 Fukui Medical School Hospital, Deputy Chief Nurse

April 1991 Fukui Medical School Hospital, Chief Nurse

April 2013 University of Fukui Hospital, Deputy Director of Nursing

April 2015 University of Fukui Hospital, Director of Nursing and Deputy Director of Hospital

June 2019 Japanese Nursing Association, District Director (current)

Fukui Nursing Association, Chairperson (current)

ELAN Corporation, Outside Director (current)

Nobuyuki Takagi (February 25, 1953)

April 1977 Joined Nomura Securities Co., Ltd.

June 1997 Nomura Securities Co., Ltd., Financial Research Institute, Corporate Research Department Manager

December 1998 Nomura Securities Co., Ltd., Underwriting Department Manager

July 2004 Nomura Securities Co., Ltd., Financial & Economic Research Institute, Corporate Research Department Manager

July 2007 Nomura Securities Co., Ltd., Head of Financial & Economic Research Institute and Investment Research Department Manager

Nomura Securities Co., Ltd., Managing Research Director of Global Research Division

February 2009 Shiga University, Faculty of Economics, Risk Research Center, Visiting Professor

April 2009 Shibaura Institute of Technology, Graduate School of Engineering Management, Part-time Lecturer

March 2013 ELAN Corporation, Outside Audit & Supervisory Board Member

June 2013 Meito Transportation Co., Ltd., Outside Director

October 2015 Chilled & Frozen Logistics Holdings Co., Ltd., Outside Audit & Supervisory Board Member

February 2016 Lacto Japan Co., Ltd., Outside Director

May 2017 Lotte Corporation, Part-time Advisor (current)

March 2019 Nakano Refrigerators Co., Ltd., Outside Director

June 2019 Chilled & Frozen Logistics Holdings Co., Ltd., Outside Director (Audit & Supervisory Committee Member) (current)

March 2020 ELAN Corporation, Outside Director (Audit & Supervisory Committee Member) (current)

Hiroshi Eyama (born February 2, 1970)

November 2007 Joined ELAN Corporation

April 2012 Joined Sogo Kaikei Co., Ltd.

November 2014 Joined Sogo Kaikei Tax Accountant Office

October 2016 Joined ELAN Corporation

January 2018 ELAN Corporation, Head of Internal Audit Office

January 2019 ELAN Corporation, Assistant to Senior Managing Director

March 2019 L Task Co., Ltd., Audit & Supervisory Board Member

ELAN Service Corporation, Audit & Supervisory Board Member (current)

March 2019 ELAN Corporation, Full-time Audit & Supervisory Board Member

March 2020 ELAN Corporation, Director (Full-time Audit & Supervisory Committee Member) (current)

April 2021 Ryukyu ELAN Corporation, Audit & Supervisory Board Member (current)

Tomohiro Minezaki (born September 7, 1972)

April 1997 Joined Yuzo Nakajima Tax Accountant Office

August 2003 Joined ELAN Corporation

January 2009 ELAN Corporation, Sales Department Manager

July 2011 ELAN Corporation, Director and Sales Department Manager

October 2012 ELAN Corporation, Director and East Japan Area Sales Department Manager

February 2017 L Task Co., Ltd., Director

January 2018 ELAN Corporation, Director and Operations Division Manager

September 2018 ELAN Service Corporation, Director

January 2019 ELAN Corporation, Director and Sales & Marketing Division Deputy Manager

January 2020 ELAN Corporation, Director and Sales & Marketing Division Manager

March 2021 ELAN Corporation, Managing Director, Administration Division Manager, and Managing Executive Officer

April 2022 ELAN Corporation, Representative Director, President, Executive Officer, and COO (current)

Takao Sakurai (born June 9, 1973)

November 2000 Joined ELAN Corporation

April 2014 ELAN Corporation, East Japan Area Sales Department Manager

January 2019 ELAN Corporation, Sales & Marketing Division, Sales Department Manager

January 2020 ELAN Corporation, Sales & Marketing Division Deputy Manager

March 2020 ELAN Corporation, Executive Officer (current)

January 2021 ELAN Corporation, Sales & Marketing Division Manager

March 2021 ELAN Corporation, Director and Sales & Marketing Division Manager (current)

March 2022 ELAN Corporation, Director, Executive Officer, CMO, and Sales & Marketing Division Manager (current)

Akira Ishizuka (born August 8, 1970)

August 2005 Medical Care Service Company Inc., Director

March 2010 Medical Care Service Company Inc., Managing Director

March 2016 Sanko Sofian Co., Ltd., Managing Director

October 2016 REALWORLD, Inc., Executive Officer

April 2017 REALWORLD, Inc., Executive Officer and CFO

December 2017 REALWORLD, Inc., Director and CFO

April 2019 Joined ELAN Corporation

July 2019 ELAN Corporation, General Affairs & Human Resources Division Manager and Human Resources Department Manager

January 2020 ELAN Corporation, Management Strategy Division Manager and Management Planning Department Manager (current)

March 2020 ELAN Corporation, Executive Officer (current)

December 2021 Classico Co., Ltd., Outside Director (current)

March 2022 ELAN Corporation, Director, Executive Officer, CSO, and Management Strategy Division Manager (current)

Koji Fujita (born January 29, 1953)

April 1976 Joined Daiichi Chuo Kisen Kaisha

June 2006 Daiichi Chuo Kisen Kaisha, Director

June 2009 Daiichi Chuo Kisen Kaisha, Director and Managing Executive Officer

June 2013 Daiichi Chuo Kisen Kaisha, Representative Director and Senior Executive Officer

March 2017 ELAN Corporation, Outside Director

March 2020 ELAN Corporation, Outside Director (Audit & Supervisory Committee Member) (current)

Naohide Aikawa (born September 17, 1977)

October 2004 Joined Miura & Partners

September 2007 Established Aikawa Law Office, Director (current)

April 2011 Shinshu University, Graduate School of Law, Adjunct Associate Professor

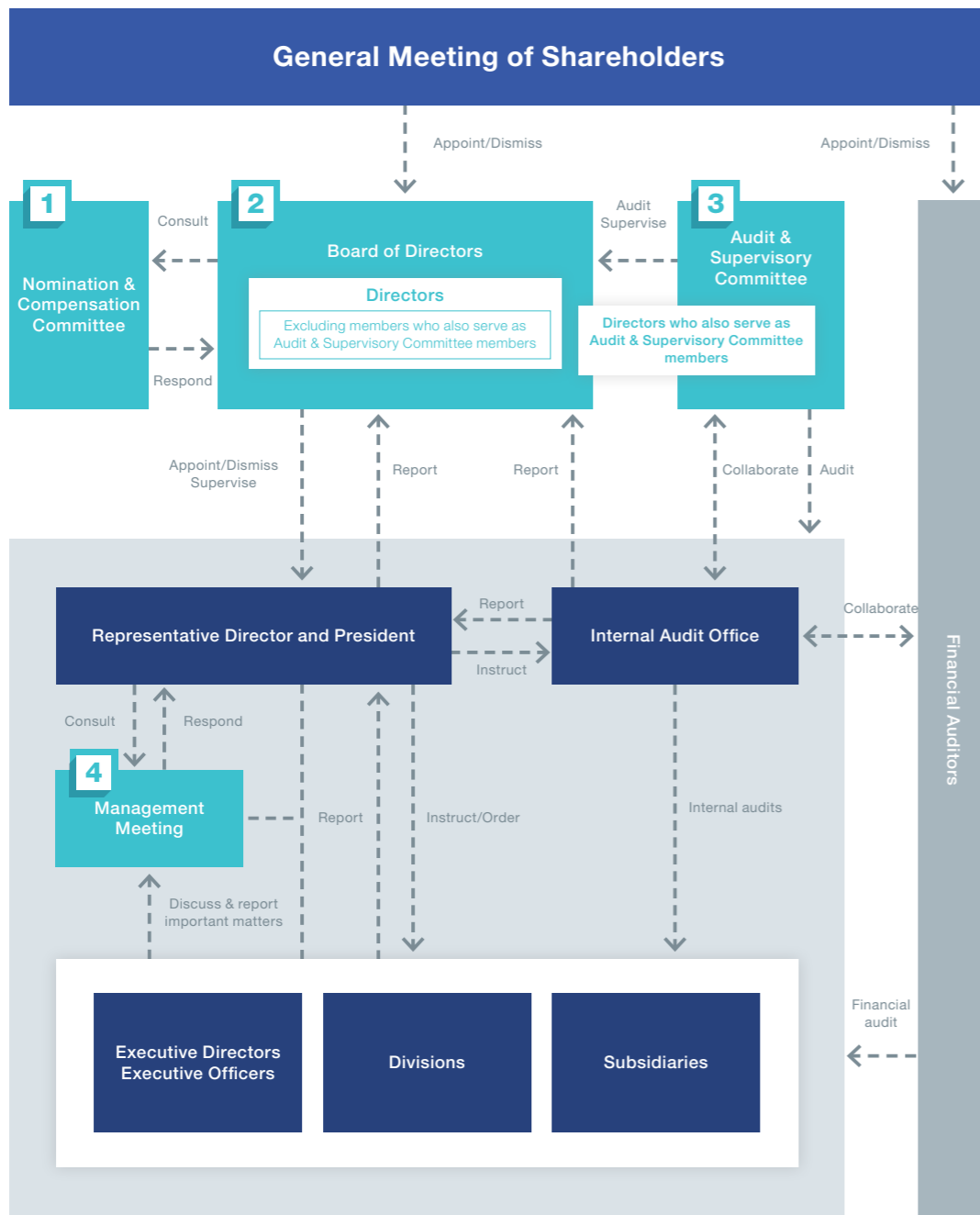
March 2014 ELAN Corporation, Outside Audit & Supervisory Board Member

March 2020 ELAN Corporation, Outside Director (Audit & Supervisory Committee Member) (current)

Basic Approach

The Elan Principle is to pursue the best products and services that satisfy our customers and contribute to the realization of an enriching living environment through our passionate actions. We respect the interests of CS Set users and all other stakeholders, and recognize that the establishment of corporate governance is an important management issue for the long-term, ongoing enhancement of corporate value.

Based on this recognition, Elan directors, executive officers and employees understand their roles and continuously work to improve awareness of laws and regulations, social norms, and ethics, while also developing and operating an appropriate management structure, which will be revised as necessary going forward in line with growth stage changes and other factors.



Corporate Governance Structure

In accordance with a resolution at the 26th Annual General Meeting of Shareholders held on March 25, 2020, Elan transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee.

The following is an overview of the Elan corporate governance structure.

1 Nomination & Compensation Committee

Number of meetings in fiscal 2021

6

Separate from the Board of Directors, Elan established a Nomination & Compensation Committee comprising mainly independent outside directors as an advisory body to the Board of Directors with the aim of further strengthening our corporate governance structure by enhancing the independence, objectivity, transparency and accountability of Board of Director functions. This committee deliberates matters relating to the nomination of candidates for director and executive officer positions, as well as compensation for directors and executive officers, and reports the outcome of deliberations to the Board of Directors. The committee is made up of members selected by Board of Directors resolution, the majority of whom are selected from among independent outside directors.

2 Board of Directors

Number of meetings in fiscal 2021

18

Making decisions regarding management policies and strategies, business plans, the acquisition and disposal of important assets, important organizational matters, and personnel, the Board of Directors comprises six members (including one outside director) not concurrently serving on the Audit & Supervisory Committee, and four directors (including three outside directors) who concurrently serve on the Audit & Supervisory Committee. In addition to regular monthly meetings, the Board holds extraordinary meetings whenever important matters arise.

The Board determines the duties of executive directors and appoints and determines the duties of executive officers. Executive officers are asked to attend Board meetings when necessary to explain management decisions, leading to the prompt execution of business by executive directors and executive officers.

3 Audit & Supervisory Committee

Number of meetings in fiscal 2021

12

The Audit & Supervisory Committee comprises four directors concurrently serving as Audit & Supervisory Committee members (one full-time Audit & Supervisory Committee member and three outside Audit & Supervisory Committee members) and meets once a month. This Committee strives to ascertain director compliance with laws, regulations and Elan's Articles of Incorporation, and ensure the effective implementation of operating and accounting audits.

4 Management Meeting

Number of meetings in fiscal 2021

23

The Management Meeting, comprising executive directors, executive officers, individuals appointed by the Representative Director and President, and full-time Audit & Supervisory Committee members, is an advisory body to the Representative Director and President that meets twice a month to deliberate important matters relating to the execution of business, as well as matters to be discussed by the Board of Directors that require prior consultation, with executive directors and executive officers reporting on the execution of their duties.

Matters delegated by the Board of Directors for important business execution decisions are deliberated at the Management Meeting before being decided by the Representative Director and President.

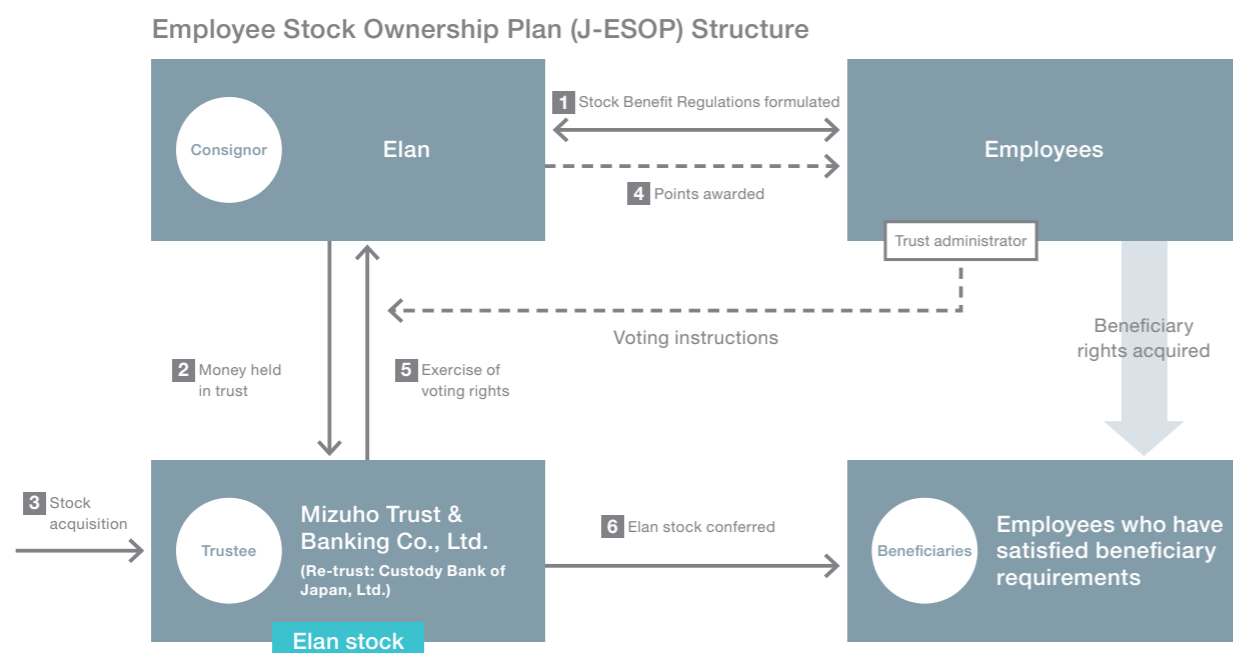
Compensation System

Elan introduced a Board Benefit Trust (BBT) performance-linked stock compensation program for directors and executive officers, and an Employee Stock Ownership Plan (J-ESOP) incentive plan conferring Company shares to employees to increase motivation and morale with the aim of improving Elan share price and business performance.

Under the BBT, points are awarded to directors and executive officers each fiscal year according to their position, contributions, business execution and other performance metrics, with the amount of stock-based compensation corresponding to the number of points. Points vary according to medium-term management

plan target achievement. In principle, shares are conferred after retirement.

Under the J-ESOP, points are awarded to employees based on individual contributions that include performance and rewards, length of service, promotion to new positions, and various individual life events. When employees have satisfied conditions granting the right to receive benefits, Company shares are conferred in an amount equivalent to the number of points accumulated. This system is expected to heighten employee interest in improving Elan share price and business performance, while ambitiously engaging in work duties.



Risk Management and Compliance

Serving as Elan's leading unit, the Administration Division shares information with each department in an effort to quickly identify and prevent risks. Elan Group internal reporting regulations stipulate that, in the event executives or employees become aware of illegal activities, the violation of internal rules and regulations, or misconduct of any other kind perpetrated by other Elan executives or employees, the details should be reported to a consultation desk comprising individuals appointed by the Representative Director and President, full-time Audit & Supervisory Committee members, and an attorney with no potential conflicts of interest with the Company. In establishing a mechanism for the proper handling of the aforementioned activities, Elan attempts to prevent and quickly detect fraudulent activities and other misconduct.

We also formulated crisis management rules

stipulating responses when the Company faces a management crisis.

Information on daily sales and operational advances is shared with managers of the Sales & Marketing Division, Operations Management Division, Operations Division, Management Strategy Division, Business Development Division, and Administration Division as needed, and promptly reported to the President through directors and executive officers. Information is shared across the organization to ensure the appropriate risk management measures are taken, including reporting to the Management Meeting and the Board of Directors when necessary.

We also created a compliance manual as a compliance framework for directors, executive officers, and employees to ensure corporate activities benefit society and comply with laws and regulations.

- P.45 Financial Statements Over the Past 11 Years
- P.47 Consolidated Balance Sheets
- P.48 Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
- P.49 Consolidated statements of cash flows

Financial Section

Financial Statements Over the Past 11 Years

(Unit: Thousands of yen, unless otherwise indicated)

| | Fiscal 2011 The 18th Term | Fiscal 2012 The 19th Term | Fiscal 2013 The 20th Term | Fiscal 2014 The 21st Term | Fiscal 2015 The 22nd Term | Fiscal 2016 The 23rd Term | Fiscal 2017 The 24th Term | Fiscal 2018 The 25th Term | Fiscal 2019 The 26th Term | Fiscal 2020 The 27th Term | Fiscal 2021 The 28th Term | |
|-----------------------------|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------|
| Profit and loss | Net sales | 3,647,993 | 4,601,430 | 6,024,780 | 7,463,667 | 9,011,284 | 11,407,598 | 15,466,664 | 18,585,306 | 21,518,666 | 26,056,360 | 31,635,891 |
| | Gross profit | 983,310 | 1,259,982 | 1,654,912 | 2,055,296 | 2,491,946 | 3,028,370 | 3,997,846 | 4,827,130 | 5,473,394 | 6,563,613 | 7,876,942 |
| | Selling, general and administrative expenses | 741,108 | 954,191 | 1,252,223 | 1,621,624 | 1,903,457 | 2,292,301 | 3,084,921 | 3,548,406 | 3,980,954 | 4,495,382 | 5,078,271 |
| | Operating profit | 242,201 | 305,790 | 402,689 | 433,671 | 588,488 | 736,069 | 912,925 | 1,278,724 | 1,492,440 | 2,068,230 | 2,798,670 |
| | Operating profit margin | 6.6% | 6.6% | 6.7% | 5.8% | 6.5% | 6.5% | 5.9% | 6.9% | 6.9% | 7.9% | 8.8% |
| | Ordinary profit | 244,545 | 309,227 | 401,000 | 434,411 | 591,406 | 749,323 | 923,597 | 1,282,455 | 1,501,385 | 2,148,379 | 2,818,548 |
| | Profit attributable to owners of parent | 136,569 | 184,685 | 247,794 | 258,894 | 363,050 | 500,670 | 657,726 | 865,411 | 989,595 | 1,446,372 | 1,905,925 |
| Financial condition | Total assets | 1,249,072 | 1,737,274 | 2,267,937 | 3,702,422 | 4,309,085 | 5,263,754 | 6,526,975 | 7,824,440 | 9,236,452 | 11,689,074 | 13,947,800 |
| | Cash and deposits | 425,107 | 433,547 | 612,326 | 1,679,154 | 1,894,111 | 2,148,551 | 2,146,632 | 3,057,392 | 3,472,071 | 4,497,677 | 5,632,051 |
| | Interest-bearing debt | 59,411 | 262,701 | 233,186 | 22,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Equity capital | 392,276 | 571,156 | 810,296 | 2,109,613 | 2,457,237 | 2,921,290 | 3,497,028 | 4,262,675 | 5,021,024 | 6,184,203 | 7,483,722 |
| | Equity ratio | 31.4% | 32.9% | 35.7% | 57.0% | 57.0% | 55.5% | 53.6% | 54.2% | 54.4% | 52.9% | 53.7% |
| | Accounts receivable - trade | 462,059 | 573,264 | 770,702 | 1,057,223 | 1,257,600 | 1,537,862 | 2,114,530 | 2,477,293 | 2,779,071 | 3,279,413 | 3,891,204 |
| | Accounts payable - trade | 565,771 | 674,967 | 894,413 | 1,149,759 | 1,357,347 | 1,750,653 | 2,340,491 | 2,745,825 | 3,340,056 | 4,157,946 | 4,868,493 |
| Cash flows | Cash flows from operating activities | 138,200 | 86,570 | 262,623 | 264,651 | 323,192 | 396,367 | 317,905 | 1,191,027 | 779,201 | 1,947,758 | 2,106,198 |
| | Cash flows from investing activities | (4,959) | (278,424) | (43,834) | (17,498) | (70,554) | (106,557) | (237,838) | (176,349) | (151,900) | (648,329) | (357,677) |
| | Free cash flows | 133,241 | (191,854) | 218,789 | 247,153 | 252,638 | 289,810 | 80,067 | 1,014,678 | 627,301 | 1,299,429 | 1,748,521 |
| | Cash flows from financing activities | (54,460) | 196,690 | (40,315) | 819,670 | (37,685) | (35,376) | (81,989) | (103,919) | (212,625) | (273,824) | (614,149) |
| Investments, etc. | Capital expenditures | - | - | - | 35,689 | 60,041 | 60,547 | 69,861 | 124,646 | 96,788 | 85,201 | 83,906 |
| | Depreciation | 12,385 | 18,038 | 33,292 | 28,139 | 29,340 | 33,900 | 50,381 | 60,497 | 71,389 | 78,399 | 80,703 |
| Per share indicators | Net assets per share (yen) | 8.17 | 11.90 | 16.88 | 35.98 | 41.73 | 49.21 | 58.48 | 70.04 | 82.86 | 102.05 | 123.78 |
| | Profit per share (yen) | 2.85 | 3.85 | 5.16 | 5.24 | 6.19 | 8.50 | 11.06 | 14.39 | 16.33 | 23.87 | 31.49 |
| | Annual dividend per share (yen) | 0.1375 | 0.2250 | 0.2500 | 0.3125 | 0.8 | 1.5 | 2.0 | 3.5 | 4.5 | 7.0 | 9.0 |
| | Dividend payout ratio | 4.8% | 5.8% | 4.8% | 6.0% | 12.1% | 17.6% | 18.1% | 24.3% | 27.6% | 29.3% | 28.6% |
| Other key data | Return on equity (ROE) | 41.7% | 38.2% | 35.8% | 17.7% | 15.9% | 18.6% | 20.5% | 22.4% | 21.4% | 25.8% | 27.9% |
| | Return on assets (ROA) | 22.3% | 20.7% | 20.0% | 14.5% | 14.8% | 15.7% | 15.7% | 17.9% | 17.6% | 20.5% | 22.0% |
| | Contracted facilities at fiscal year-end | 218 | 314 | 406 | 516 | 644 | 764 | 992 | 1,140 | 1,362 | 1,614 | 1,814 |
| | Hospitals | 168 | 248 | 329 | 419 | 527 | 624 | 805 | 913 | 1,056 | 1,190 | 1,313 |
| | Nursing care facilities | 35 | 46 | 52 | 61 | 70 | 86 | 130 | 156 | 211 | 281 | 332 |
| | Others | 15 | 20 | 25 | 36 | 47 | 54 | 57 | 71 | 95 | 143 | 169 |
| | Revenue per facility | 16,734 | 14,654 | 14,839 | 14,464 | 13,993 | 14,931 | 15,591 | 16,303 | 15,799 | 16,144 | 17,440 |
| | Users at fiscal year-end | 25,932 | 38,269 | 53,810 | 68,704 | 89,825 | 120,026 | 168,410 | 190,683 | 225,578 | 283,555 | 341,410 |
| | Cancellations | 1 | 7 | 3 | 4 | 14 | 15 | 31 | 29 | 40 | 30 | 64 |
| | Cancellation rate | 0.5% | 2.2% | 0.7% | 0.8% | 2.1% | 1.9% | 3.0% | 2.5% | 2.9% | 1.8% | 3.4% |
| | Market penetration rate (facilities with 50 or more beds) | 1.6% | 2.3% | 3.0% | 4.4% | 5.4% | 5.9% | 7.8% | 8.8% | 10.2% | 11.7% | 12.8% |
| | Sales bases | 6 | 7 | 8 | 9 | 10 | 11 | 16 | 18 | 20 | 21 | 24 |
| Employees | 61 | 74 | 93 | 115 | 143 | 160 | 232 | 242 | 276 | 290 | 318 | |
| Average temporary hires | 19 | 35 | 49 | 71 | 75 | 95 | 121 | 130 | 155 | 168 | 185 | |

Elan began compiling consolidated financial statements in fiscal 2017. Note: Per share indicators have been retroactively adjusted to take into account the effect of stock splits.

Consolidated Balance Sheets

| | (Thousands of yen) | |
|---|----------------------------|----------------------------|
| | As of December 31, 2020 | As of December 31, 2021 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,497,677 | 5,632,051 |
| Accounts receivable - trade | 3,279,413 | 3,891,204 |
| Merchandise | 982,361 | 1,068,647 |
| Supplies | 12,992 | 11,640 |
| Accounts receivable - other | 1,765,497 | 1,957,416 |
| Other | 83,241 | 55,927 |
| Allowance for doubtful accounts | △441,059 | △486,903 |
| Total current assets | 10,180,124 | 12,129,983 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 234,833 | 252,102 |
| Accumulated depreciation | △87,550 | △98,393 |
| Buildings and structures, net | 147,283 | 153,708 |
| Machinery, equipment and vehicles | 45,409 | 60,905 |
| Accumulated depreciation | △29,297 | △26,148 |
| Machinery, equipment and vehicles, net | 16,112 | 34,756 |
| Land | 114,018 | 114,018 |
| Other | 98,228 | 113,420 |
| Accumulated depreciation | △58,866 | △74,819 |
| Other, net | 39,361 | 38,600 |
| Total property, plant and equipment | 316,775 | 341,085 |
| Intangible assets | | |
| Software | 109,363 | 73,066 |
| Goodwill | 48,856 | 9,771 |
| Other | 4,072 | 22,583 |
| Total intangible assets | 162,291 | 105,421 |
| Investments and other assets | | |
| Investment securities | 662,964 | 941,920 |
| Deferred tax assets | 290,221 | 350,189 |
| Other | 136,952 | 168,518 |
| Allowance for doubtful accounts | △60,255 | △89,318 |
| Total investments and other assets | 1,029,882 | 1,371,309 |
| Total non-current assets | 1,508,950 | 1,817,816 |
| Total assets | 11,689,074 | 13,947,800 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,157,946 | 4,868,493 |
| Accounts payable - other | 504,063 | 547,426 |
| Accrued expenses | 59,585 | 69,437 |
| Income taxes payable | 557,417 | 610,067 |
| Accrued consumption taxes | 154,932 | 236,865 |
| Other | 67,887 | 84,773 |
| Total current liabilities | 5,501,831 | 6,417,063 |
| Non-current liabilities | | |
| Provision for share awards | — | 13,858 |
| Provision for share awards for directors (and other officers) | — | 31,417 |
| Other | 3,039 | 1,737 |
| Total non-current liabilities | 3,039 | 47,013 |
| Total liabilities | 5,504,871 | 6,464,077 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 573,496 | 573,496 |
| Capital surplus | 543,496 | 543,496 |
| Retained earnings | 5,092,828 | 6,574,561 |
| Treasury shares | △320 | △197,189 |
| Total shareholders' equity | 6,209,500 | 7,494,363 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | △25,297 | △10,640 |
| Total accumulated other comprehensive income | △25,297 | △10,640 |
| Total net assets | 6,184,203 | 7,483,722 |
| Total liabilities and net assets | 11,689,074 | 13,947,800 |

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

| | (Thousands of yen) | |
|--|--|--|
| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
| Consolidated statements of income | | |
| Net sales | 26,056,360 | 31,635,891 |
| Cost of sales | 19,492,746 | 23,758,949 |
| Gross profit | 6,563,613 | 7,876,942 |
| Selling, general and administrative expenses | 4,495,382 | 5,078,271 |
| Operating profit | 2,068,230 | 2,798,670 |
| Non-operating income | | |
| Gain on sale of non-current assets | 467 | 1,595 |
| Subsidy income | 291 | 3,155 |
| Late charges income | 16,980 | 15,868 |
| Gain on consumption tax and other exemptions | 59,814 | — |
| Other | 4,737 | 5,231 |
| Total non-operating income | 82,292 | 25,851 |
| Non-operating expenses | | |
| Loss on retirement of non-current assets | — | 1,447 |
| Loss on sale of non-current assets | 124 | — |
| Commitment fees | 2,000 | — |
| Loss on investments in investment partnerships | — | 3,159 |
| Other | 19 | 1,367 |
| Total non-operating expenses | 2,143 | 5,974 |
| Ordinary profit | 2,148,379 | 2,818,548 |
| Profit before income taxes | 2,148,379 | 2,818,548 |
| Income taxes - current | 778,195 | 972,590 |
| Income taxes - deferred | △76,188 | △59,967 |
| Total income taxes | 702,007 | 912,622 |
| Profit | 1,446,372 | 1,905,925 |
| Profit attributable to non-controlling interests | — | — |
| Profit attributable to owners of parent | 1,446,372 | 1,905,925 |
| Consolidated statements of comprehensive income | | |
| Profit | 1,446,372 | 1,905,925 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △10,415 | 14,657 |
| Total other comprehensive income | △10,415 | 14,657 |
| Comprehensive income | 1,435,956 | 1,920,582 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 1,435,956 | 1,920,582 |
| Comprehensive income attributable to non-controlling interests | — | — |

Consolidated statements of cash flows

(Thousands of yen)

| | Fiscal year ended December 31, 2020 | Fiscal year ended December 31, 2021 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,148,379 | 2,818,548 |
| Depreciation | 78,399 | 80,703 |
| Amortization of goodwill | 39,085 | 39,085 |
| Increase (△decrease) in allowance for doubtful accounts | 23,999 | 74,906 |
| Increase (△decrease) in provision for share awards | — | 13,858 |
| Increase (△decrease) in provision for share awards for directors (and other officers) | — | 31,417 |
| Interest and dividend income | △46 | △53 |
| Loss (△gain) on investments in investment partnerships | — | 3,159 |
| Loss (△gain) on sale of non-current assets | △343 | △1,595 |
| Loss on retirement of non-current assets | — | 1,447 |
| Decrease (△increase) in trade receivables | △575,891 | △787,274 |
| Decrease (△increase) in inventories | △228,801 | △84,933 |
| Decrease (△increase) in other current assets | △47,443 | △19,714 |
| Increase (△decrease) in trade payables | 817,889 | 710,546 |
| Increase (△decrease) in accounts payable - other | 239,747 | 40,242 |
| Increase (△decrease) in other current liabilities | 15,702 | 100,454 |
| Other, net | △52 | 1,609 |
| Subtotal | 2,510,624 | 3,022,409 |
| Interest and dividends received | 46 | 54 |
| Income taxes paid | △562,912 | △916,265 |
| Net cash provided by (used in) operating activities | 1,947,758 | 2,106,198 |
| Cash flows from investing activities | | |
| Payments into time deposits | △24,289 | △24,291 |
| Proceeds from withdrawal of time deposits | 24,287 | 24,289 |
| Purchase of property, plant and equipment | △43,490 | △56,644 |
| Proceeds from sale of property, plant and equipment | 2,518 | 1,967 |
| Purchase of investment securities | △550,000 | △267,891 |
| Purchase of intangible assets | △43,910 | △21,344 |
| Payments of leasehold deposits | △14,369 | △12,116 |
| Proceeds from refund of leasehold deposits | 419 | 660 |
| Other, net | 504 | △2,306 |
| Net cash provided by (used in) investing activities | △648,329 | △357,677 |
| Cash flows from financing activities | | |
| Purchase of treasury shares | △81 | △196,869 |
| Dividends paid | △272,440 | △415,976 |
| Repayments of lease liabilities | △1,302 | △1,302 |
| Net cash provided by (used in) financing activities | △273,824 | △614,149 |
| Net increase (△decrease) in cash and cash equivalents | 1,025,604 | 1,134,371 |
| Cash and cash equivalents at beginning of period | 3,447,783 | 4,473,388 |
| Cash and cash equivalents at end of period | 4,473,388 | 5,607,760 |

Company Information (As of December 31, 2021)

Company Overview

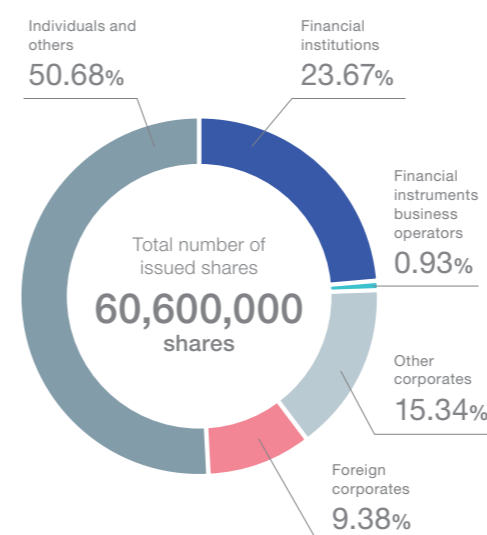
| | | | |
|--------------|--|----------------------|---|
| Company name | ELAN Corporation | Business description | Nursing care business |
| Headquarters | 15-12 Idegawa, Matsumoto, Nagano Prefecture | | <ul style="list-style-type: none"> CS Set daily necessities rental services enabling hassle-free hospital stays for patients CS Set R service CS Set LC Hospitalization Guarantee service Original patient's clothing brand "liffe" |
| Founded | February 6, 1995 | | Kikumimi, a consultation service specializing in hospital admissions and |
| Capital | 573,496,250 yen | | Elan Online Shop, a mail-order site for nursing care products |
| Employees | 503 | Group companies | ELAN Service Corporation Ryukyu ELAN Corporation |

Stock Information

| | | | |
|------------------|--------------------------------------|--|-------------------------------------|
| Exchange listing | Prime Market of Tokyo Stock Exchange | Annual General Meeting of Shareholders | Annually in March |
| Listing date | November 7, 2014 | Shareholder record date | Annually on December 31 |
| Securities code | 6099 | Surplus dividend record date | Annually on December 31 and June 30 |
| Fiscal year | January 1 to December 31 | Stock trading unit | 100 shares |

Shareholder Composition (As of December 31, 2021)

Shareholding status by owner



Top shareholders

| Rank | Shareholder name | Shares held | Shareholding ratio |
|------|---|-------------|--------------------|
| 1 | Eiji Sakurai | 12,000,000 | 19.80 |
| 2 | Nobuhiro Nakajima | 9,240,000 | 15.25 |
| 3 | Custody Bank of Japan, Ltd. (Trust account) | 5,373,500 | 8.87 |
| 4 | The Master Trust Bank of Japan, Ltd. (Trust account) | 4,449,200 | 7.34 |
| 5 | HMC SAKURA Corp. | 3,760,000 | 6.20 |
| 6 | N-Style Co., Ltd. | 3,160,000 | 5.21 |
| 7 | ES Co., Ltd. | 1,960,000 | 3.23 |
| 8 | Custody Bank of Japan, Ltd. (Trust account 9) | 1,668,300 | 2.75 |
| 9 | Custody Bank of Japan, Ltd. (Securities investment trust account) | 1,646,700 | 2.72 |
| 10 | BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC SECURITIES / UCITS ASSETS | 710,500 | 1.17 |

Note: Shareholding ratio calculation excludes treasury stock (969 shares). Treasury stock (969 shares) does not include Elan shares (140,000 shares) held by the stock benefit trusts (BBT and J-ESOP).