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ELAN REPORT 2023

We aim to realize a society in which all people around the world, as well as ourselves, can live healthy, enriched lives with smiles on their faces, without sacrificing anyone or anything, without giving up, and by continuing to think through business practices and methods that will make everyone involved happy.



Who We Are

We Are the First Company in the World to Develop CS Sets (Hospitalization Support Sets)

We at Elan listened to problems facing families and nursing and care staff, launching the world's first CS Set (hospitalization support set) service enabling patients to rent personal items necessary during hospitalization.

Across Japan and throughout the world, there must be people facing problems associated with treatment and care.

Elan is a company that is able to listen to these people and solve their problems.

We will passionately contribute to global medical care and health.

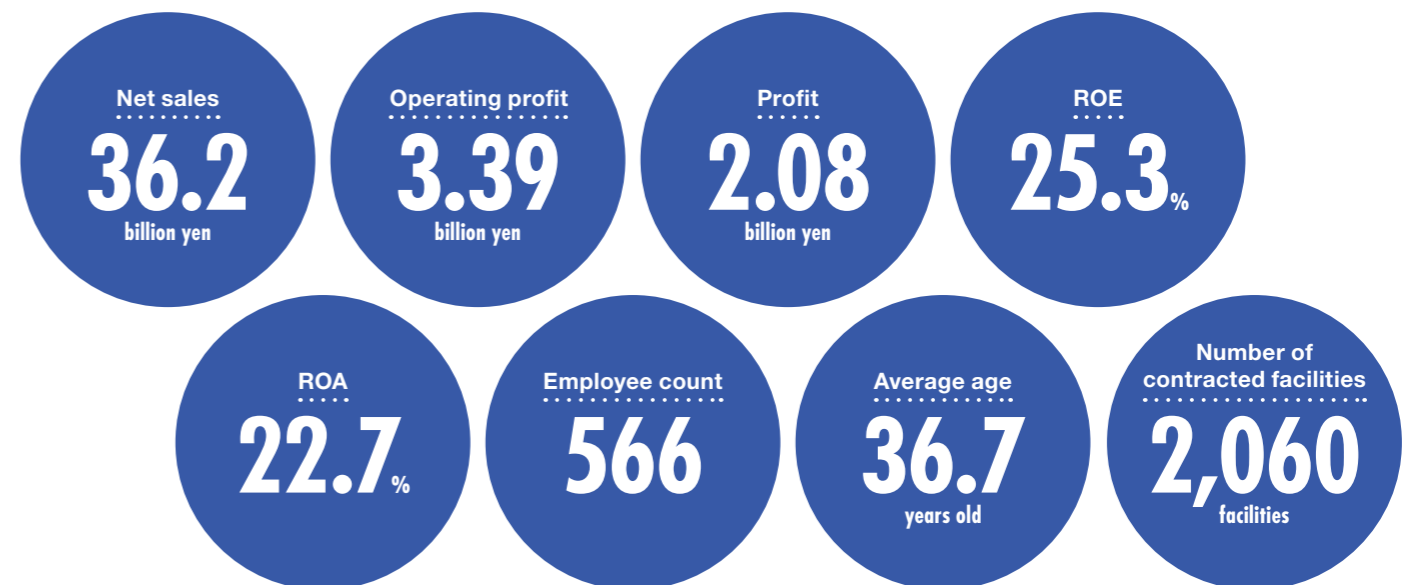
About CS Sets



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. CS Sets are available for use from day one, even in the event of sudden hospitalizations.

At a Glance

About Elan (As of December 2022)



Our Roots: The Reason CS Sets Were Created



Elan was originally in the bedding sales business. In 1995, ELAN Corporation was established in Sagamihara, Kanagawa Prefecture, the birthplace of Chairman Sakurai. In 2001, the headquarters was moved to Matsumoto, Nagano Prefecture, to expand the bedding recycling business. 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 discovered that hospitalized patients, their families, and hospital staff were quite heavily burdened by the need to provide daily necessities. CS Sets were born from our desire to resolve issues faced by many people working in this industry.

Four Unique Points

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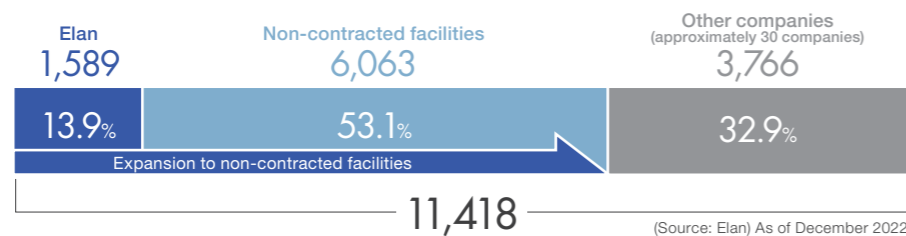
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Share

CS Sets Lead the industry with a **13.9%** target market penetration rate

The hospitalization support set business was launched in 2003 in Kanagawa Prefecture, with Elan capturing top share in the industry just a few years later. The main target for CS Set services consists of 11,418 facilities across Japan (7,297 hospitals with more than 50 beds; 4,121 nursing homes and long-term care facilities with more than 50 beds). Of these, we estimate that 6,063 facilities (53.1%) have not introduced hospitalization support set services, including those provided by companies other than Elan. The facilities that have not yet introduced hospitalization support sets 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. Further, as the market grows, one or two new competitors enter the market each year, and at present, we have identified more than 30 companies. Of these, only one other company provides services throughout Japan, while approximately 30 other companies offer services on a regional basis. The number of competitors is slowly rising, and although the number of facilities migrating to competitors (or from competitors to us) is increasing each year, there are still a significant number of facilities that have yet to introduce this service. During the medium-term vision period ending in fiscal 2025, we will strive to expand market share through sales activities focused on developing new customers in facilities that have not yet introduced hospitalization support sets.



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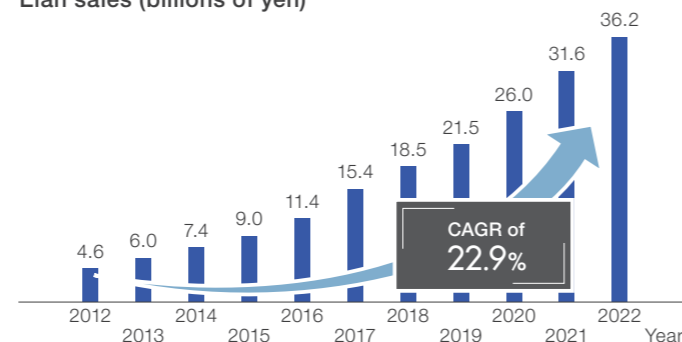
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Growth rate

Elan Has Grown at a Rate of **22.9%** Over the past 10 Years

We have maintained the top market share for over 10 years while achieving an average annual growth rate of 22.9% (sales CAGR from 2012 to 2022). As this is a single CS Set business that had never implemented overall price increase measures prior to 2023, this growth is the result of an increase in CS Set usage. Constant efforts to ensure CS Set items are functional for as many customers as possible, and working closely with facility staff while promoting CS Set usage, has led to Elan achieving the highest growth rate in the industry.

Elan sales (billions of yen)



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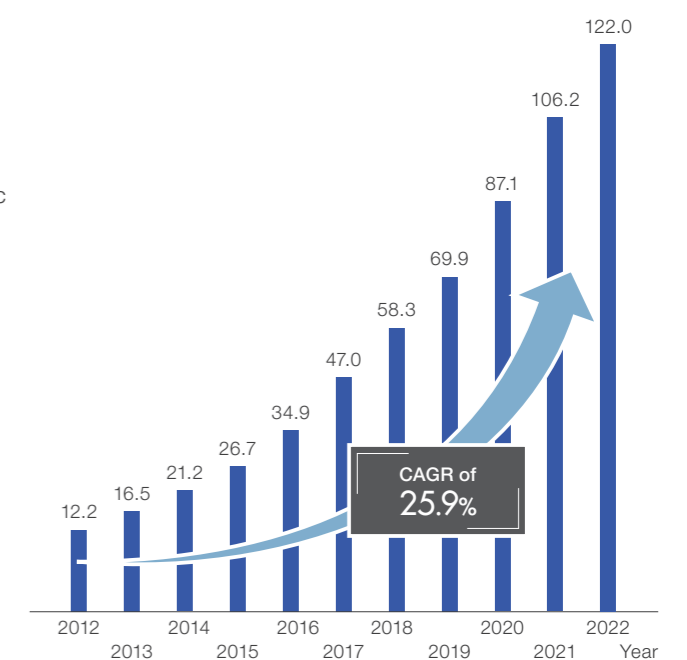
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Growth potential

Market for Hospitalization Support Sets Is Growing at an Average Annual Growth Rate of **25.9%**

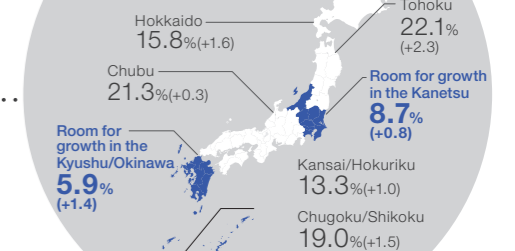
The hospitalization support set market continues to grow, a trend we expect will continue over the medium- to long-term in light of (1) the rising number of contracted facilities due to a heightened focus on infection prevention, including 2021 revisions to nursing care fees making infection countermeasures a mandatory operating criterion (a three-year transitional measure), (2) confirmation that facilities experiencing the convenience of high utilization rates under pandemic countermeasures (prohibitions on visitation) continue to proactively promote the use of Elan services, and (3) expectations that bed utilization rates will increase after the reclassification of COVID-19 to a Class V infectious disease. Looking at the situation by area within Japan, the Tohoku area grew the most compared to last year, up 2.3%. In addition, areas where sales activities started relatively late (Hokkaido and Kyushu/Okinawa) are performing well due to the large untapped potential. In areas where we are conducting advanced sales activities (Kansai/Hokuriku and Chugoku/Shikoku), markets are not yet saturated and growing steadily. We will continue to grow by increasing the number of contracted facilities for CS Sets and maintaining high utilization rates, as well as developing CS Set peripheral services and expanding overseas.

Hospitalization support set market scale (billions of yen)



Penetration rates by area

Note: Figures in parentheses indicate an increase from 2021



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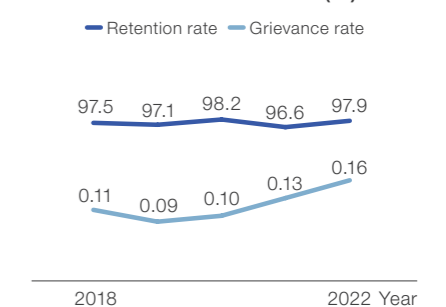
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Customer satisfaction

Contracted Facility Retention Rate over **96%** For Five Consecutive Years

Elan CS Sets are characterized by a high degree of customer satisfaction and a high contract renewal rate. We believe that earning the trust of customers, which include hospital patients and care facility residents, is the most important element in terms of achieving high contract renewal rates. As a specific measure, we established four call centers across Japan as dedicated customer contact points to address detailed questions and concerns. Further, major requests and complaints are connected to a dedicated customer service team with specialized knowledge, which analyzes the detail and number of complaints, and discusses them at management meetings with the aim of making improvements. Going forward, we will continue implementing customer-oriented policies to earn the trust of facilities and maintain high renewal rates.

Retention / Grievance rates (%)



Our Business Model Resolves Super-Aged Society and Post-pandemic Issues

In Japan, which has the highest proportion of elderly people in the world, the role of medical institutions and nursing care facility staff will continue to grow in importance, and the burden on patients and families of those who require care will continue to increase.

Our business model plays a role in supporting these people, and has developed in tandem with the aging of the population.

It also addresses issues highlighted during the pandemic, including medical supply shortages, staff resignations, and leaves of absence.

Our mission is to work with multiple partner companies in maintaining a system ensuring uninterrupted logistics and service provision, reducing burdens on medical institution and nursing care facility staff to the extent possible.

Medical institution and nursing care facility issues

- ▶ 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

Value provided

- ▶ 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 1 day	60.6% reduction 33 loads → 13 loads 1 day	72.5% reduction 255 minutes → 70 minutes 1 day

Hospitalized patient and family issues

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

Would you recommend CS Sets to other people?
n = 14,152 responses



Value provided

- ▶ 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

Partner company issues

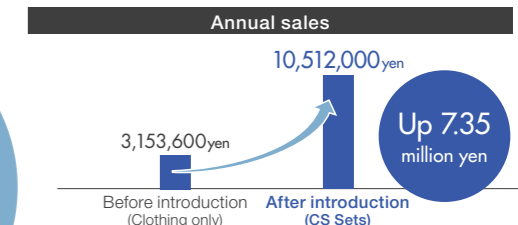
- ▶ Single-item rentals make it difficult to increase usage and unit prices are low
- ▶ B2B business model lacks resources for serving individual customers
- ▶ Constant risk of losing customers to rivals

Value provided

- ▶ 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

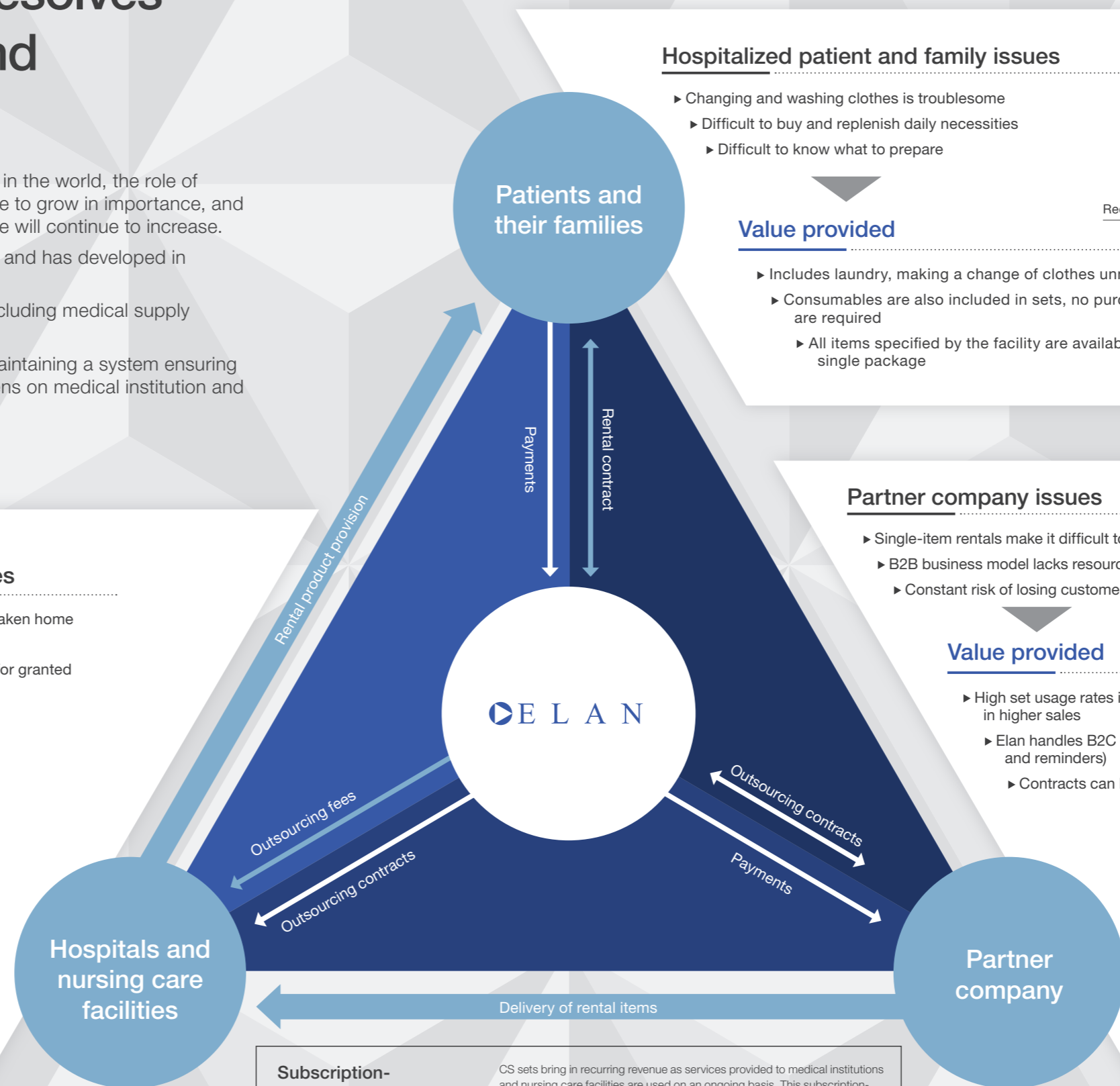
Business simulation

Example when hospitals and facilities supplying only clothing introduce CS Sets (plan that includes daily necessities)



Simulation conditions

- Hospital beds: 199 permitted beds (general ward)
- Sets used (annually): 52,560 (used by 144 of 199 bed occupants)
- Prior to the introduction of CS Sets, only hospital gowns were leased to hospitals on a daily rate
- After the introduction of CS Sets, a 500 yen per day usage price plan went into effect
- Before CS Set introduction, the unit price was 60 yen, and 200 yen after introduction



Subscription-based business model
CS sets bring in recurring revenue as services provided to medical institutions and nursing care facilities are used on an ongoing basis. This subscription-based business model with relatively low additional costs for newly contracted facilities also makes it easy to scale up as demand increases.

Why Does Elan Want to Contribute to Global Medical Care and Health?

Eliminating Problems Associated with Treatment and Care

If possible, we want always to be healthy. However, hospitalization due to injury or illness always occurs unexpectedly. During these unexpected hospitalizations, we listen to problems faced by patients due to a variety of circumstances. From having “no change of clothing due to sudden hospitalization,” to having “no one nearby to make the necessary preparations,” and having “no one to ask for help with laundry during hospitalization,” many people are almost completely unprepared for hospitalization in times of good health. The Elan CS Set was created to solve these problems. This service enables hospital patients to rent clothing, towels, disposable diapers, and other daily necessities essential during hospitalization at a fixed daily rate.

Unexpected hospitalization also creates problems for patient families. When this occurs, we listen to the problems faced by families. From the “difficulty of replenishing fresh clothing and daily necessities,” to the “inability to keep up with laundry,” and “not knowing what to bring,” CS Sets are the solution to family problems. Reducing the time and effort spent by family members in dealing with these issues means there is more time to visit with loved ones in the hospital.

Further, we listen to the problems of nursing and care home staff, who want to devote more time to caring for patients and residents during their daily work activities. From “time-consuming phone calls to families,” to “cumbersome management of patients’ personal belongings,” and “patient dependence on hospital laundry,” we would like to assist in solving these problems.

We listen to the problems of CS Set users, families, nursing and care home staff. We believe that users and operators of medical institutions and nursing care facilities in Japan and around the world are facing the same problems. Elan is unable to directly contribute to disease treatments or nursing care improvements. This is best left to those who specialize in these areas. We are focused on uncovering and solving problems associated with medical treatment and nursing care. We want to expand our potential to the wider world.

To eliminate the anxiety that accompanies medical treatment and nursing care, and deliver smiles to everyone, Elan will continue to develop the CS Set.



Contents

Who We Are

- 01-02 At a Glance
- 03-04 Unique Points
- 05-06 Business Model
- 07-08 Our Purpose

CEO Message

- 09-12 CEO Message

How We Create Value

- 13-14 Our Vision
- 15-16 What We Value
- 17-18 Value Creation Process
- 19-20 Importance of Unified Aspirations
- 21-22 Business Environment Analysis
- 23-24 Advantages Established Since Our Founding
- 25-26 Stakeholder Engagement

Strategy

- 27-30 Growth Strategy
- 31-32 COO Message
- 33-34 Medium-term Management Vision KPIs (Financial and Non-financial)
- 35-36 Sustainability Strategy
- 37-44 Material Issues

Corporate Governance

- 45-46 Directors
- 47-50 Corporate Governance Basic Policy
- 51 Risk Management and Compliance

Data Section

- 53-54 Financial Statements Over the Past 11 Years
- 55-56 Consolidated Balance Sheets / Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
- 57-58 Consolidated Statements of Cash Flows / Company Information

Publication of the Integrated Report

The ELAN REPORT 2023 integrated report was published to promote dialogues with a wide range of stakeholders and make our values known to potential future business partners.

Period covered by report

Fiscal 2022 (January 1, 2022–December 31, 2022)
Note: Some periods not covered are also referenced.

Organizations covered

This report covers four Group companies (Elan, Elan Services, Ryukyu Elan, and Elan Couleur) Throughout the report, the terms “Elan,” “the Company,” and “we/our” refer, in principle, to the Elan Group.

Cautionary note regarding forecasts

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,
Chairman, and CEO

Hideharu Sakurai

CEO Message

Creating an Indispensable Company in the Healthcare Industry

New Appreciation for CS Set's Infection Prevention Benefits Provides a Strong Tailwind

Fiscal 2022 was the final year of Medium-term Management Vision (2020-2022), making it important in terms of summarizing the entire three-year period. In fiscal 2019, the year immediately prior to the start of this plan, net sales amounted to 21,518 million yen, operating profit was 1,492 million yen, and the target market penetration rate was 10.2%, compared to net sales of 36,264 million yen, operating profit of 3,391 million yen, and the target market penetration rate of 13.9% in fiscal 2022. Over the same three-year period, the net increase in CS Set introductions amounted to 698 facilities. Our Medium-term Management Vision was formulated before the pandemic, which arrived soon after, so we had to revise the plan and attempt to pursue growth while facing many unexpected developments, making management very difficult over the past three years. It is with great regret that we have had to postpone some of our plans over the past three years, including new service demonstration experiments and overseas expansion.

Meanwhile, in our core CS Set business, the pandemic has prompted a new appreciation for the infection prevention benefit of our service. Despite our previous efforts, this benefit had not been fully understood. As a result, we were able to increase the number of newly contracted facilities even during the pandemic, when it was difficult to promote sales activities to hospitals and care facilities. This provides a strong tailwind for our future market penetration.

Main Financial Indicators

	2019	2020	2021	2022
Net sales	21.5 billion yen	26.0 billion yen	31.6 billion yen	36.2 billion yen
Operating profit	1.4 billion yen	2.0 billion yen	2.7 billion yen	3.3 billion yen
Operating profit margin	6.9%	7.9%	8.8%	9.4%
ROE	21.4%	25.8%	27.9%	25.3%
Dividend payout ratio	27.6%	29.3%	28.6%	31.9%
Target market penetration rate	10.2%	11.7%	12.8%	13.9%

In-house Delivery Network and DX Advances During the Pandemic

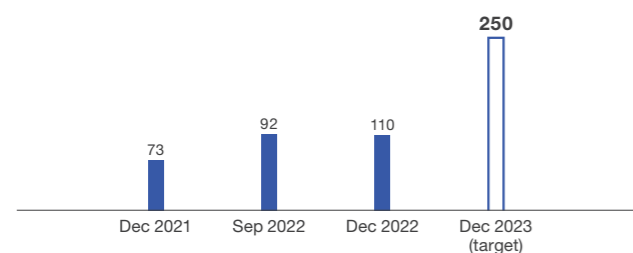
The pandemic was also a catalyst for advancing our own services. These included expanding our in-house delivery network centered on our in-house logistics function, and promoting digital transformations (DX).

Many of you may remember that masks, alcohol sanitizers, wet wipes, and diapers disappeared from store shelves amid the spread of COVID-19 infections. These are products that can be said to potentially impact the lives and quality of life of hospitalized patients and nursing care facility residents. During the pandemic, although we ignored prices and managed to source items from all over the world, we keenly realized the necessity of having a certain amount of inventory in-house. To this end, we established an in-house logistics base in 2020 and began developing an in-house delivery network. The conditions are the same for pandemics as for natural disasters, which have been on the rise in recent years. Regarding natural disasters, there have been many cases where hospitals themselves have been damaged, and logistics networks frequently experience severe disruptions. For this reason, item shortages in hospitals and nursing care facilities have become a major issue. In fiscal 2022, we relocated the existing Yokohama Logistics Center, substantially expanding its floor space, and changing its name to Kanagawa Logistics Center, marking a significant advance for our in-house logistics function. We also established a new logistics base in Matsumoto, Nagano Prefecture, bringing the number of in-house distribution facilities to 110 locations nationwide. We plan to expand this number to 250 facilities in fiscal 2023.

Regarding DX efforts, we changed our system for the ordering and delivery of CS sets, which had been mostly paper-based, to an ordering system that utilizes tablet devices implemented at nearly all facilities over the past three years. The reason for introducing this system was to prevent the spread of infections, but it has also resulted in significantly improved operational efficiency. As a result, this system has enabled us to promote DX with a considerable sense of speed. This was also a major achievement in terms of future developments.

**In-house Delivery Facilities
(Hospitals and Nursing Care Facilities)**

Note: Number of facilities receiving in-house deliveries at each month-end. (Facilities)



Targeting Net Sales of 68.0 Billion Yen, Operating Profit of 7.0 Billion Yen, and a Target Market Penetration Rate of 26.0%

In fiscal 2023, we launched a new Medium-term Management Vision (2023–2025). Over the three years, we intend to lay the groundwork for achieving our medium- to long-term goals, which include a target market penetration rate of 30% and an operating profit margin of 10%. We are focused on three themes, CS Set expansion, creating new pillars of business in Japan, and creating new pillars of business overseas. This plan targets net sales of 68.0 billion yen, operating profit of 7.0 billion yen, and a target market penetration rate of 26.0% in fiscal 2025. President (COO) Minezaki is responsible for existing CS Set expansion, and I myself am responsible for creating new pillars of business in Japan and overseas. As we needed to solidify the foundation for moving forward with the plan, including responding to price hikes necessitated by the weak yen, high cost of living, and rising energy costs, we were a little late in getting off to a good start, but the environment for sales and other activities has improved compared to the past, and we have been making solid progress since then.

Developing New Markets Based on the Theme of “Time Spent at Home”

In terms of creating new pillars of business in Japan, I have discussed our goal of becoming a healthcare company centered on CS Sets. According to a survey we conducted, approximately 40% of hospitalized patients are readmitted within one year. Of course, if patients are satisfied with CS Sets during their hospital stay, I think they will use them again during their next hospitalization. Listening to patients and families, we realized many face problems stemming from the long periods of time patients spend at home after discharge while undergoing treatment and rehabilitation before their next hospital stay. The same is true for customers utilizing daycare services at nursing care facilities. As time spent undergoing treatment and rehabilitation at home is far longer than time spent in the hospital, there are more ways in which we can become involved, and this is an area where we feel a sense of mission and see great potential from a business perspective.

Although these efforts were delayed by the pandemic for a few years, we were finally able to commence demonstration experiments. In addition to creating services no other company can match, we will develop a new market based on time spent at home.

Promoting the Introduction of Electronic Medical Records through ELAN Quartet

Electronic medical records are another area where we are focusing efforts. The use of electronic medical records at large general hospitals and town clinics is advancing. This is because large, well-capitalized general hospitals can introduce electronic medical record systems on their own, while town clinics can utilize systems that lack system integration but are relatively inexpensive. The introduction of electronic medical record systems is lowest among relatively small general hospitals with 100–300 beds. These hospitals need to introduce systems similar to those used in large general hospitals, but the inability of hospital management to absorb the associated costs is the main reason introduction is lagging in this area. These hospitals still use paper-based medical records, which makes it difficult to attract young, talented physicians, and is becoming increasingly difficult to manage. In addition, despite being important community medical institutions, these hospitals are also unable to integrate their data with clinics and local governments. In light of these conditions, we launched the ELAN Quartet service enabling hospitals to introduce CS Sets and electronic medical records together, with the majority of electronic medical record introduction costs being covered by CS Set outsourcing fees (income for the hospital). This enables hospitals to introduce electronic medical records at a low cost, while Elan and electronic medical record providers can acquire large, long-term contracts. We will increase the number of electronic medical record companies we partner with, similar to how we expanded the number of linen company partners when promoting the use of CS Sets. We look at this as another promising area.

The Difficulties of Doing Business in India Are Themselves Business Opportunities

Overseas, most of our investment up to now has been focused in India. Initially, we invested in a company called Boston Ivy Healthcare Solution Pvt. Ltd. This company creates systems facilitating the accurate management of hospital medical materials and equipment inventories, which are increasing in line with economic developments, and also handles deliveries. The second company we invested in was Quick Smart Wash Pvt. Ltd., which operates a linen supply business in India. We have now decided to invest in AKAL, a company engaged in the human resources business. AKAL dispatches highly skilled professionals to companies in India

and overseas. India has a sizable workforce, and the question arises as to how companies can effectively secure talented employees. I believe this will be crucial for business success in the future. Companies we have invested in previously were also struggling to secure talented human resources, a challenge that many Indian companies are facing.

In 2023, India surpassed China to become the world’s most populous country. In line with population growth and economic development, the number of hospitals is increasing at a brisk pace, but the reality is that the infrastructure surrounding hospitals is not at all well developed. In India, even large hospitals do not have canteens, nor have linen companies entered the market. Instead, hospitals purchase their own washing machines and dry towels, sheets, and other items on hospital balconies. I would like to pursue opportunities to provide services that are commonplace in Japan, but nonexistent in most Indian hospitals. When I think about it, Japan also went through a similar period in the past. We launched CS Sets even though we were being told it was “something families are supposed to handle.” We are also told that it is difficult to business in India, and I happen to agree. However, I feel strongly that the difficulties of doing business in India are themselves business opportunities. I want to solve the problems of as many patients and their families in India as possible.

Importance of Priorities

In these ways, we will continue to take on various challenges in Japan and overseas, but there is one way of thinking that has been important to me in conducting business since the Company’s founding: “The best work, with the best people, for the best salary.” The order here is key. In other words, the order of priorities. The first priority is to do “the best work.” The best work makes a great many people happy and is appreciated. And, the best work is done with the best people. To continue doing the best work over the long term, it is important to carefully consider profit-making mechanisms. It is difficult to continue work over the long term without making profits. However, simply prioritizing profits, or working with the best people, will not lead to the development of new markets. We have achieved growth up to now based on this way of thinking, and will continue to conduct business on this basis when taking on challenges in new areas. In creating the best work, with the best people, for the best salary, we hope to make Elan a company that is indispensable for the healthcare industry, patients, and their families. We will focus on maintaining various balances and aim to be a corporate group that achieves steady growth without taking excessive risks. I hope the Elan Group meets your expectations.



The Future We Envision

We formulated our Vision in 2020.

As we achieved growth driven mainly by CS Sets, our colleagues, including employees and partner companies, steadily increased, and it was around this time that we began to see a completely different perspective.

We place high value on the aspirations, dreams, and desires of each individual.



The Vision of Society Elan Aims to Realize

Our Vision is unique in that it does not state “what we want the Company to be,” but rather, “the society we want to realize.” At the root of our philosophy is the idea that no people or principles should be sacrificed nor given up, and that everyone involved should be happy. To make everyone happy, we cannot achieve our goals by seeking only to enrich ourselves. Our Vision aims to create conditions that fill more people, and society as a whole, with smiles as we promote business activities. Although this differs slightly from most other companies, we will continue pursuing growth under this Vision.

Increasing Empathic Colleagues Around the World

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. We believe these areas represent a tremendous opportunity. We want to create businesses in these areas based on problems in the healthcare field that will lead to the resolution of social issues. As we gather the colleagues necessary for overseas expansion, we will engage in robust dialogues to ensure they share Elan’s Vision as we expand M&A and collaboration efforts.

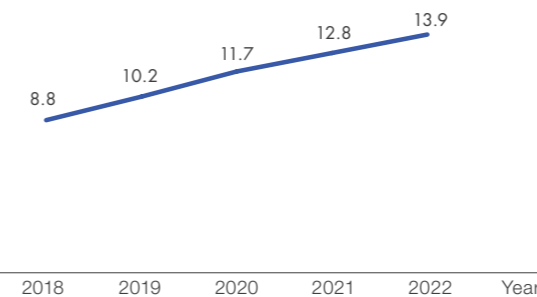
Medium- to Long-term Objectives for Achieving Our Vision

TARGET 1

CS Set target market penetration rate of 30%

We aim to expand our CS Set target market penetration rate to 30% over the medium to long term. In 2022, CS Sets were introduced in all 47 prefectures, and we are now ready to provide services throughout Japan. As CS Sets bring smiles to our partner companies as well as our customers, we will promote horizontal development through referrals to achieve our goals as soon as possible.

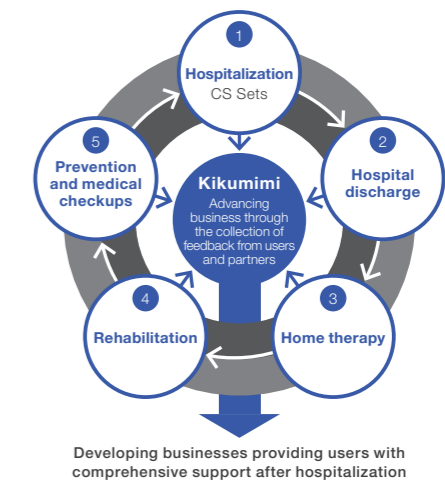
Target Market Penetration Rate (%)



TARGET 2

Becoming a Healthcare Support Company Starting with CS Sets

CS Sets are a service used only during hospitalization, but in the future, we will develop services corresponding to changing life stages triggered by hospitalization, aiming to become a Company that resolves social issues in the healthcare field.



TARGET 3

Expanding Services to Asia

We are currently preparing to expand business in India and Southeast Asia, part of efforts aimed at the overseas deployment of businesses successful in Japan, which has the highest proportion of elderly people in the world. There is a remarkable increase in the number of hospitals in developing countries, leading to a wide range of business opportunities. Although there are likely to be many competitors in this high-profile market, we will maintain our focus on solving the problems of people involved in fields other than health insurance, and aim to expand into hospital peripheral services.



TARGET 4

Increasing Satisfaction Among Employees and Their Families

To realize our Vision, we must ensure that employees and their families have a high degree of satisfaction. The Company’s role is to maintain work-life balance while creating an environment providing opportunities for growth and self-realization that puts smiles on the faces of employees and their families. The pandemic accelerated the pace of change in the way we work. We are changing our work structure and training methods to keep pace with the times. Over the past two to three years, we have implemented a variety of measures.

Remote work system Employees can choose from four courses: In-office four days per week, in-office two days per week, in-office once per month, or full-time remote.	Flextime system Work hours are 11:00–15:00, employees choose other hours freely (monthly work hours must equal eight hours x days worked)
Regional restriction system Supports employees who intend to live near their workplace, families wishing to stay together, etc.	Partial enrollment in management school/MBA coursework Outside training to develop next generation of management
Incorporating Nikkei tests, essays, and qualification acquisition as part of promotion requirements Aimed at developing human resources able to work in a variety of fields to achieve diversification and globalization	

The Future We Envision

What We Value in Realizing Our Vision



Starting from the Resolution of Social Issues

We have grown our business by solving the problems of the day. When the Company was founded in 1995, we were engaged in bedding sales, and in 1998, after realizing that about 40% of all bulk waste in Japan consisted of bedding, we launched a bedding recycling business that reused bedding instead of disposing it. This was a big hit, and led to requests

for the recycling of hospital bedding as well. We then discovered that, compared to bedding, the management of towels, clothing, and other personal belongings was an even greater problem, and this led to the creation of the towel and clothing rental business. Initially, we were focused on benefits for hospitals in terms of reducing

workloads for nursing and care staff, but we began to receive positive feedback from overjoyed families and users, which gave us a sense of the positive response to this business.

Going forward, we will continue to provide added value through the resolution of problems.

In working with colleagues who share our Vision, we remain a company that is able to create value over the long term.



Exterior of office (Matsumoto headquarters) at time of Company founding

Without Sacrificing People or Principles

In formulating our Vision, one of the themes we emphasize is that no people or principles should be sacrificed.

Rather than making specific people smile, our goal is to make everyone involved smile. Sacrificing a general "someone" for

the sake of someone specific is not the future we want to achieve. We must also avoid sacrificing the environment and planet for the sake

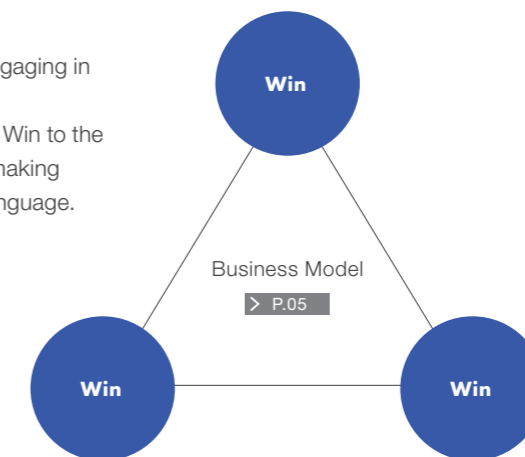
of people. Sacrificing the planet is not the future we are striving for.

We Will Never Seek to Benefit Only Ourselves

CS Sets are supported from three sides: hospitalized patients, hospitals, and suppliers. An arrangement whereby any one of these three loses or only one party gains a great deal will upset the

balance and make it difficult to maintain business over the long term. To ensure all parties benefit, Elan is at the center of this triangle and continuously maintains the balance to create mutually complementary

relationships and continue engaging in business over the long term. We have added an additional Win to the standard Win-Win concept, making Win-Win-Win our common language.



COLUMN

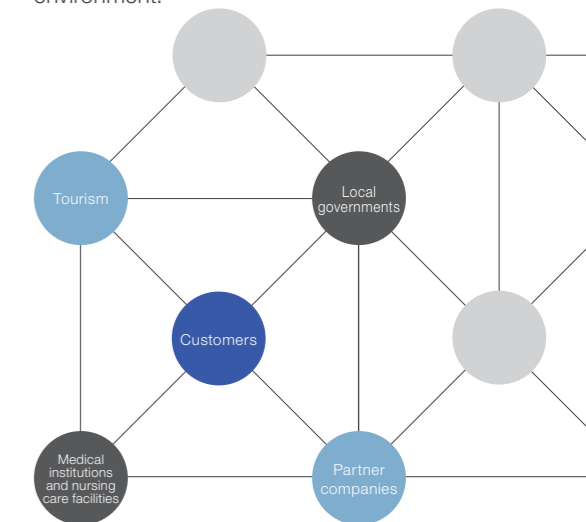
Realizing Our Purpose Using Triangles

Elan is engaged in efforts based on the concept of increasing the number of triangles.

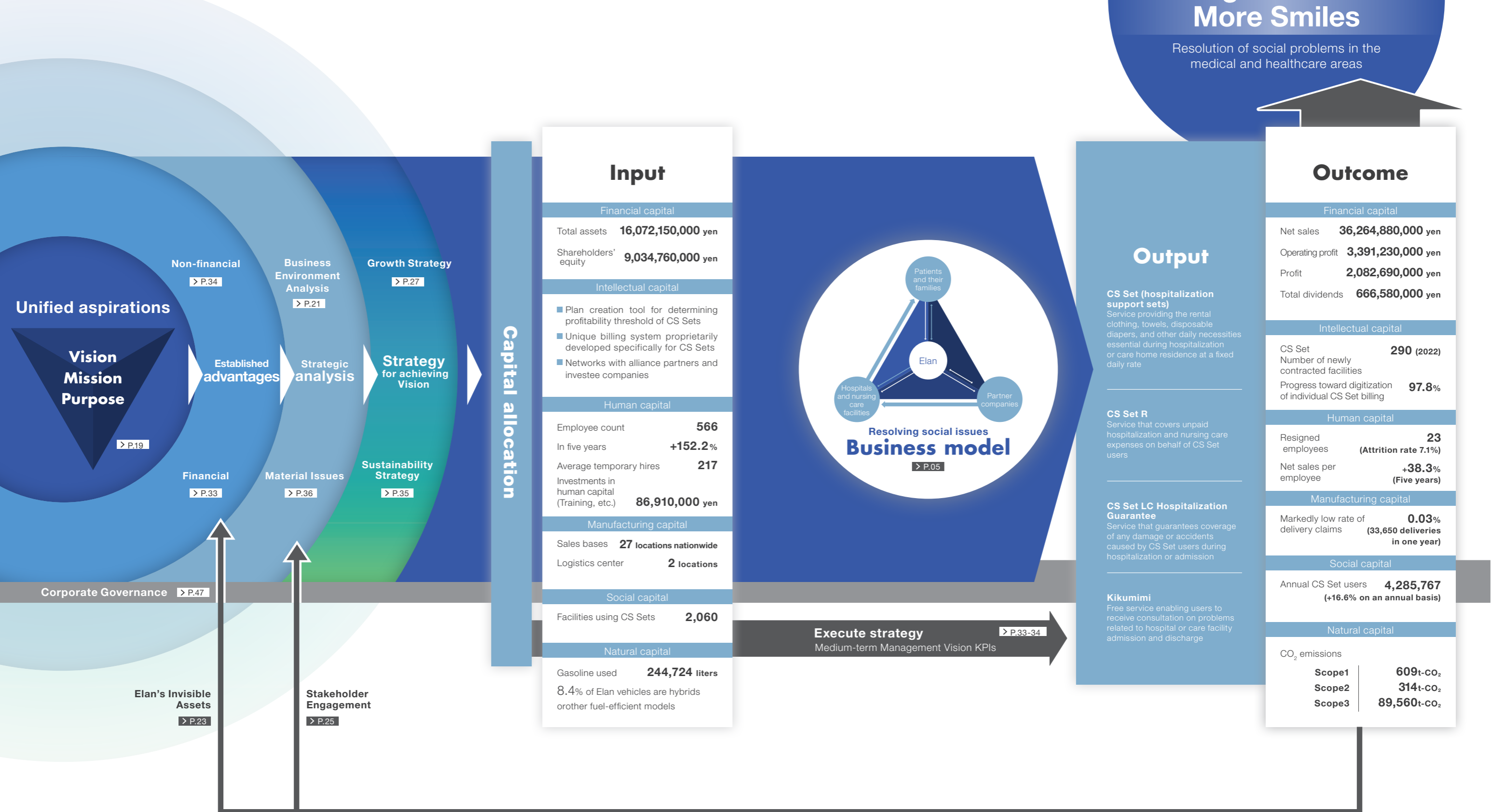
The balance between our three founders put the bedding business on track, then a strong triangle was created linking domestic medical institutions, nursing care facilities, customers, and suppliers, from which new business triangles were derived, and another triangle was created involving new stakeholders overseas. Although languages and cultures may differ, some of the problems surrounding health care are universal, and those involved should be able to easily find them by simply looking around.

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 is a value we will resolutely maintain to fulfill our purpose of realizing an enriching living environment.



Value Creation Process



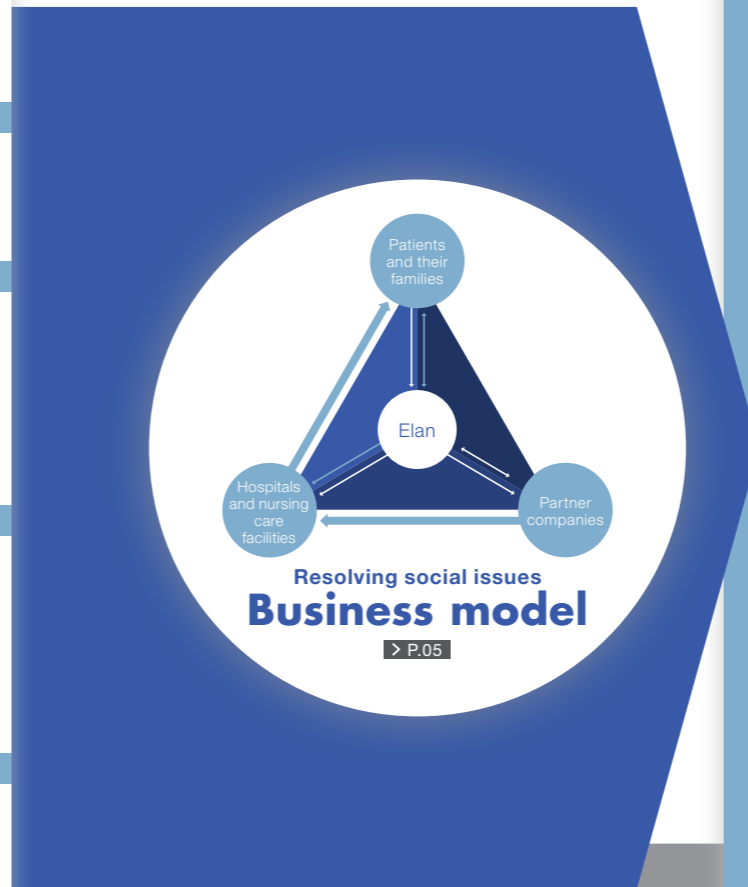
Our Vision > P.13

Making a World with More Smiles

Resolution of social problems in the medical and healthcare areas

Input

Financial capital	
Total assets	16,072,150,000 yen
Shareholders' equity	9,034,760,000 yen
Intellectual capital	
■ Plan creation tool for determining profitability threshold of CS Sets	
■ Unique billing system proprietary developed specifically for CS Sets	
■ Networks with alliance partners and investee companies	
Human capital	
Employee count	566
In five years	+152.2%
Average temporary hires	217
Investments in human capital (Training, etc.)	86,910,000 yen
Manufacturing capital	
Sales bases	27 locations nationwide
Logistics center	2 locations
Social capital	
Facilities using CS Sets	2,060
Natural capital	
Gasoline used	244,724 liters
8.4% of Elan vehicles are hybrids or other fuel-efficient models	



Output

CS Set (hospitalization support sets)
Service providing the rental clothing, towels, disposable diapers, and other daily necessities essential during hospitalization or care home residence at a fixed daily rate

CS Set R
Service that covers unpaid hospitalization and nursing care expenses on behalf of CS Set users

CS Set LC Hospitalization Guarantee
Service that guarantees coverage of any damage or accidents caused by CS Set users during hospitalization or admission

Kikumimi
Free service enabling users to receive consultation on problems related to hospital or care facility admission and discharge

Outcome

Financial capital	
Net sales	36,264,880,000 yen
Operating profit	3,391,230,000 yen
Profit	2,082,690,000 yen
Total dividends	666,580,000 yen
Intellectual capital	
CS Set	290 (2022)
Number of newly contracted facilities	
Progress toward digitization of individual CS Set billing	97.8%
Human capital	
Resigned employees	23 (Attrition rate 7.1%)
Net sales per employee	+38.3% (Five years)
Manufacturing capital	
Markedly low rate of delivery claims	0.03% (33,650 deliveries in one year)
Social capital	
Annual CS Set users	4,285,767 (+16.6% on an annual basis)
Natural capital	
CO ₂ emissions	
Scope1	609t-CO ₂
Scope2	314t-CO ₂
Scope3	89,560t-CO ₂

Importance of Unified Aspirations

Our Vision Can Only Be Realized with Like-minded People

We want to create a culture together with employees, and acting in accordance with this culture, we hope to gain the empathy of our partners, which include medical institutions, nursing care facilities, and partner companies. Unified aspirations and increased cohesiveness will lead to faster, more efficient results, eventually becoming the force that drives change forward and makes our vision a reality.



Creating Culture Together with Employees

1 Elan's Corporate Culture

There are three aspects of corporate culture Elan believes particularly important for demonstrating value. When these are functioning properly, they speed up the decision-making process, simplify the communication of information, and have a motivating effect on individuals.

A-T-G

A-T-G, which means to do all work cheerfully (Akaruku), happily (Tanoshiku), and energetically (Genki-yoku), is Elan's most important ethos. Sometimes work can be difficult, but with the A-T-G mindset, rather than looking for reasons why we can't do something, we think, "If I'm going to do it anyway, I should enjoy it! Let's find a way to make it fun!" We can change any situation into a positive for ourselves, and take the first steps forward without giving up.

Win-Win-Win

At Elan, we place great importance on considering mutually beneficial outcomes for both ourselves and other parties. We also place great importance on thinking about achieving "Win-Win-Win," rather than simply "Win-Win," situations. This is because we believe that it is difficult to maintain a balanced relationship if you are only thinking about yourself and the other party, and not about third-parties sure to be all around you. We value a balanced way of working where everyone "wins."

Work We Are Excited About

At Elan, rather than simply doing what we are told, we value transforming our duties into exciting work that we want to do ourselves. When we adopt the A-T-G mindset and begin asking ourselves how we can make work more enjoyable, it brings out our unique abilities and transforms work into

something more positive and enjoyable. At Elan, we value the attitude of changing the way we think about work, from a duty to something we are excited about.

2 Efforts to Cultivate Corporate Culture

Elan has defined a credo (behavioral guidelines) that underpins all of Elan's activities. The credo is not just a theme, but an indispensable element for the growth of CS Sets, and in addition to A-T-G, Win-Win-Win, and Exciting Work mentioned above, we espouse many other guiding principles. These have been compiled into a single booklet that is provided to all employees upon joining the Company. This credo is at the heart of everything Elan does, and we believe it will help us achieve our vision of "making a world with more smiles."



Credo booklet

Unifying Aspirations with Colleagues

1 Employee Hiring

We want to attract like-minded people to help us realize our vision. During the current medium-term management plan period (2023–2025), we expect to hire 30–40 new graduates annually, who will be assigned mainly to sales in their first year of employment. Additionally, mid-career hires comprising mainly back office professionals are hired as needed in line with Company growth and expansion.

In the hiring process, we focus on the candidates' sense of mission in terms of solving problems in the healthcare field (turning problems in the healthcare field into smiles), and whether they are a good fit with our corporate culture of A-T-G and Win-Win-Win. It is important for candidates to be able to relate to our mission and culture so they can engage in work energetically. The more employees are able to work energetically and deliver the results expected of them in their respective positions, the closer we come to achieving our vision.

2 Working with Medical Institutions and Nursing Care Facilities

Staff working at medical institutions and nursing care facilities are the ones who make our services possible, enabling us to deliver products and services that match user needs.

User needs vary depending on illness, level of care, place of residence, family structure, economic situation, and other factors. Nurses, caregivers, and others active in this field are the people most familiar with these diverse user needs. We consider nurses and caregivers to be the voice of hospitalized patients and nursing care facility residents, so we listen to their needs when selecting the products that make up CS Sets. In this way, we can solve

problems and put smiles on the faces of as many users as possible. Furthermore, as each facility and user have different issues and needs, we are able to apply creativity and ingenuity to each new contract. For our employees, this means they can get excited about every new contract.

CS Sets also bring smiles to facility employees. In the nursing and care field, nurses and caregivers must constantly manage patient personal belongings, handle laundry, contact family members when supplies are low, and engage in other similar duties. CS sets enable them to focus on their primary nursing and caregiving duties, and when nurses and caregivers smile, they put smiles on the faces of CS Set users.

Whether one is a front-line worker at a facility who wishes to lighten the burden of hospitalized patients, nursing facility users, and their families, or a facility manager who wishes to reduce unnecessary workloads on facility staff so they can focus on their primary duties, everyone immediately understands the value of CS Sets. We will further enhance Elan's corporate value by maintaining and increasing contracts with facilities that share our desire to bring smiles to the faces of users and facility staff.

3 Cooperation with Partner Companies

Linen companies are in the business of supporting medical institutions and nursing homes. Before the expansion of the linen supply industry in Japan, families used to take bedding to hospitals. It is hard to believe this used to be the case, but thanks to the linen supply industry, the burdens of hospitalization have been reduced. Elan is delighted to be able to work with them as we share our vision. Going forward, we will continue to pursue exciting work alongside partners with an A-T-G and Win-Win-Win mindset.

Business Environment Analysis

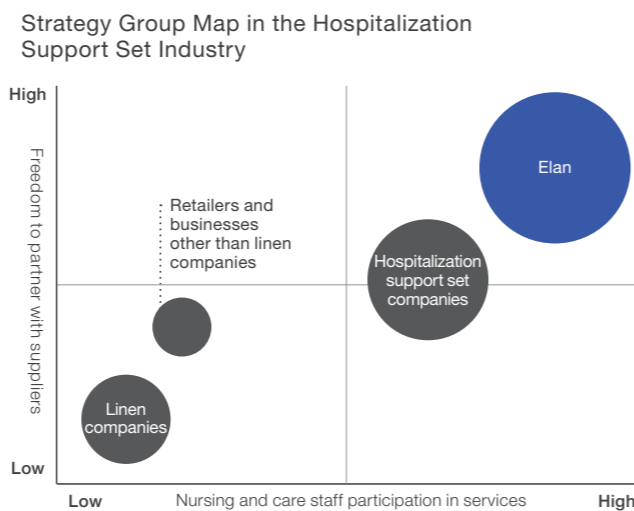
There are approximately 30 companies in Japan engaged in the hospitalization support set business, each of which has strong connections to hospitals and nursing care facilities.

Compared to other companies, we believe we have an advantage in that we are able to pioneer the development of new services that solve customer problems while easily expanding business anywhere in Japan without restrictions on suppliers.

We aim to achieve further growth by quickly responding to the changing domestic market and correctly identifying and addressing risk factors.

Positioning Map

By involving nursing and care staff in much of the planning and delivery of our services, we are able to increase the value of our services to customers, which include hospitalized patients and care facility residents, leading to high utilization rates. Further, as we are not in the linen supply business, nor affiliated with any particular company, and linen companies do not view us as competition, we are able to partner with any supplier, which gives us an advantage when expanding business throughout Japan. Comparing Elan with other companies in the hospitalization support set industry in terms of degree of participation by nursing and care facility staff in services, and degree of freedom to partner with suppliers, we estimate the position of each player as shown in the diagram on the right.



CS Set Growth Trajectory

We have expanded our service area nationwide, and add one or two sales bases per year. Throughout this process, we have consistently focused on valuing existing frameworks and relationship formulas, solving problems by first focusing on business, and placing importance on opinions from the frontlines. We are able to achieve high CS Set utilization rates by creating products and services based on the opinions of nursing and care facility staff working in the medical and nursing care fields, as well as requests from users. By closely cooperating with each supplier, we have been able to increase the number of contracted facilities throughout Japan, growing to become the company Elan is today.



- What has changed**
 - Business focus (from bedding to CS Sets)
 - Customer-oriented products and services
 - Sales area focus
- What will never change**
 - Value placed on existing frameworks and relationships
 - Starting point for business (solving problems)
 - Emphasis on opinions from the field

Japan Market Outlook

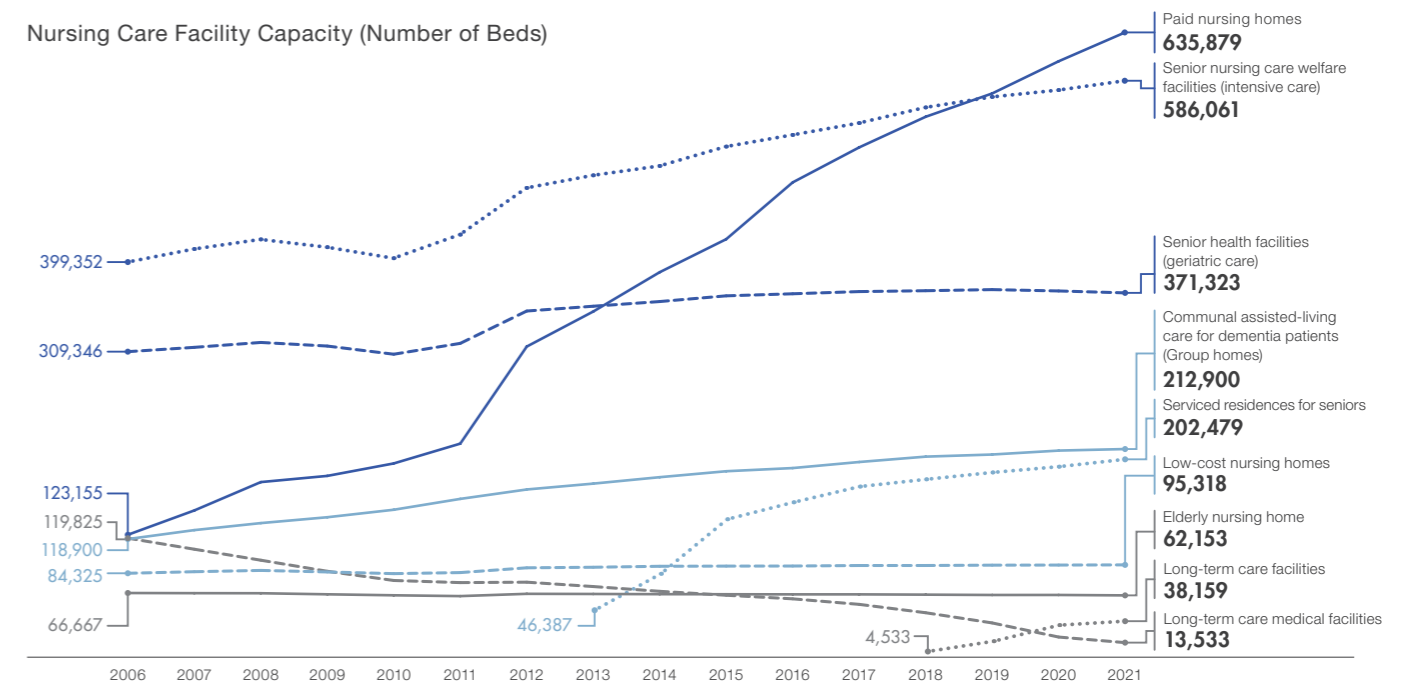
As we have already achieved high CS Set utilization rates at existing facilities, the development of new facilities, and cross-selling and up-selling at existing facilities, are important for future growth. About half of all facilities have not yet installed hospitalization support sets, so we are still conducting sales activities prioritizing the development of areas with untapped potential. Further, the number of contracts for CS Set R and LC ancillary services is rising each year at a slow but steady pace (see P.34).

At the same time, among facilities that have yet to introduce hospitalization support sets, some are unlikely to do so, and the fact is that as the market develops, the proportion of these facilities will gradually increase. We are also focused on facilities that switch from competitors to Elan in anticipation of reaching a stage where there is no more untapped potential. This is based on the assumption that changing hospitalization support set vendors is difficult for hospital and nursing home staff due to the high physical

and psychological costs. When switching to Elan services, it is imperative that customers feel their situation has improved. In some cases, after switching to our service, utilization rates have increased significantly compared to the previous service provider, due to a renewed awareness of the issues they wanted to solve with hospitalization support sets in the first place. As the market for hospitalization support sets approaches maturity and contracts acquired through service provider changes increase, we will leverage our strengths in organizational structures enabling us to create services in cooperation with nursing and care facility staff.

At present, sales activities are focused on hospitals with more than 50 beds, nursing homes, and long-term nursing care and medical treatment facilities. However, recently there has been an increase in paid nursing homes and serviced residences for seniors, and these types of care facilities have the potential to become a new customer base.

Nursing Care Facility Capacity (Number of Beds)



Materials: Ministry of Health, Labour and Welfare Survey of Institutions and Establishments for Long-term Care, Survey of Social Welfare Facilities, and Statistics on the Actual Cost of Nursing Care Benefits (formerly Survey of Actual Nursing Care Benefit Expenses), all conducted in October 2023.

Risk Analysis

As companies in our industry seek dominance in term of patient clothing, towels, disposable diapers, and other daily consumables indispensable for CS Sets, as well as individual billing, facility operation support systems, and other services, they become more homogeneous and find it difficult to achieve differentiation. Homogeneity leads to price competition. Elan's policy of not limiting suppliers makes it difficult for us to realize economies of scale in procurement

costs. In addition, there is a risk that global unrest, energy costs, and foreign exchange rates may increase business costs and reduce profit margins.

We will respond to these risks by increasing the value of customer assets through value-added improvements rather than price competition, and by maintaining good relationships with suppliers and existing facilities, to realize reasonably priced transactions and pass on costs when necessary.

Advantages Established Since Our Founding

Elan's Invisible Assets

In bringing together like-minded colleagues with similar aspirations and cultivating our corporate culture, we have established long-standing advantages. Another way to express these advantages is in terms of assets. It is important to use assets efficiently and nurture their further growth. Here we introduce the “invisible” assets comprising these advantages.

Financial Soundness

Although not an invisible asset, financial health is also an advantage in terms of promoting business. We have expanded CS Sets nationwide with a business model that does not require production facilities or other large assets. Since the pandemic began in 2020, we have been expanding our logistics network for daily consumables (toothbrushes, etc.) to prepare for shortages, delivery interruptions, and other risks, but none of this requires large warehouses or trucks.

Further, the primary customers for CS Sets are hospitalized patients, and since payments are made after services are rendered, we do not always collect payment from all customers. However, we have established a debt collection system, so irrecoverable debt is not at a level that affects financial soundness.

As we currently have no borrowings or bonds issued, investments in new and overseas businesses are funded by CS Set profits.

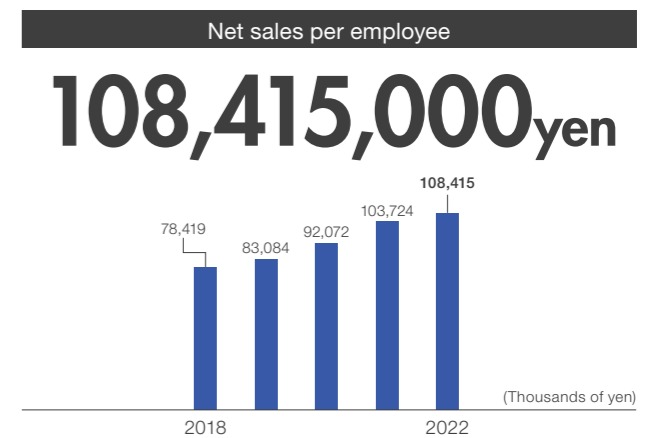
Financial Soundness Chart (Consolidated Fiscal 2022 Figures)

Equity ratio	55.9%
Liquidity ratio	200.7%
Quick ratio	187.4%
Fixed assets ratio	22.2%
Liquidity on hand	6,036 million yen

1 Human Assets

Human Capital

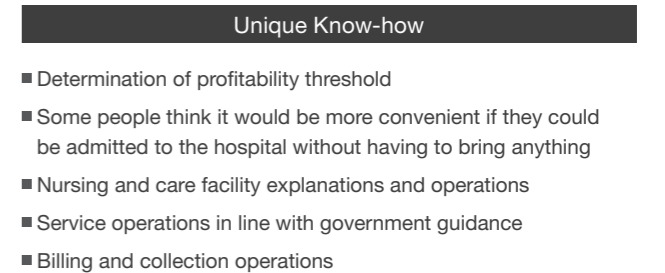
As with many companies, Elan's source of value creation is our people. Starting with just three employees when the Company was founded, as of January 2023, we have expanded to 555 employees. The average employee age is 36.7 years old, of which 56.5% are women. The most common reasons for joining Elan are a desire to contribute to the medical care industry, and work with colleagues who share the same aspiration of bringing smiles to peoples' faces. In emphasizing corporate culture and providing on-the-job training led by senior employees, we have been able to grow sales per employee from 78.41 million yen five years ago, to more than 100 million yen in recent years. This is the result of employee aspirations and actions aimed at making as many smiles as possible.



2 Organizational Assets

Know-how

Know-how is one of the key factors giving us an overwhelming lead in the CS Set (hospitalization support set) business. This is an asset that we have accumulated by improving various issues as a pioneer in the business development of CS Sets. Over the years, we have continued to improve in areas required to implement our business model, such as explaining benefits to hospitals and nursing homes, methods for operational efficiency, services conforming with government guidance, billing, and the collection of user fees.



3 Partner Assets

Business Partners

The business partners Elan works with to create this business are indispensable for the provision of CS Set services. At the top of the list are the contracted facilities that introduce CS Sets. As of December 2022, we had 2,060 facilities under contract. This number is 6.6 times higher than 10 years ago.

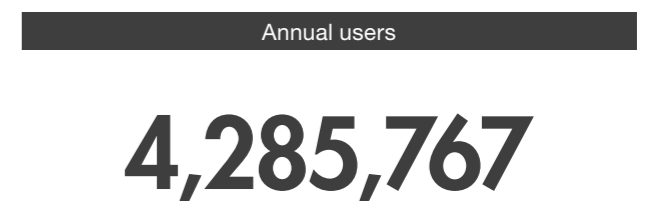
Another important partner is linen companies. At present, we partner with 161 linen companies. This is 4.9 times higher than 10 years ago. These business partners are important assets for Elan.



4 Customer Assets

Patients, etc.

Our customers are the patients and care facility residents that use CS Sets. In fiscal 2022, we served 379,614 users per month, for an annual total of 4,285,767 users. In addition, our research indicates a customer satisfaction rate of 83% (according to the 2022 Customer Satisfaction Survey).



Stakeholder Engagement

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.



Hospitalized patients, nursing care facility residents, and their families

Our customers are end users of our services, which are hospitalized patients and nursing care facility residents. Call center and facility sales/resident staff maintain continuous contact with customers and regularly conduct customer surveys. We also mail questionnaires to individuals who call Elan with commendations or complaints with the aim of deepening these dialogues.

Learned through dialogues

- Patients want to wear soft, comfortable clothing during hospitalization. Further, they want clothing that is not embarrassing to be seen in when people come to visit
- Some people think it would be more convenient if they could be admitted to the hospital without having to bring anything

Measures implemented

Developed original patient wear life and set targets for facility roll-outs

Undergarments added to CS Set menus at some facilities



Hospitals and nursing care facilities

Elan is able to provide the best services for users by building close, constructive relationships with partner medical institutions and nursing care facilities. Our sales representatives visit contracted facilities at least once every month to engage in dialogues with nursing and care facility staff, who are closest to users, and administrative staff, who are responsible for medical institution and nursing care facility management.

- Due to the burden of assisting patients with regular changes of clothing, loose and stretchy clothing is required in medical and nursing care settings
- Stricter hygiene management and the elimination of mealtime tea service for hospitalized patients has increased the time nurses spend escorting patients to vending machines or shopping in canteens

Developed original patient life wear and set targets for facility roll-outs

Beverages added to CS Set menus at some facilities



Shareholders and investors

To the extent possible, we provide opportunities for the CEO and COO to participate directly in seminars, Q&A sessions, and individual dialogues to facilitate a better understanding of actual management conditions and Elan's approach to sustainable growth and corporate value enhancement. We take all requests and opinions seriously, leading to timely and appropriate information disclosure.

- Prefer to review text-based results briefings rather than watching video recordings

Incorporated SCRIPTS Asia K.K. transcription and English translation services into results briefings



Business partners

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. Mainly sales managers and sales representatives engage in dialogues during regular meetings and daily work.

- Some companies entered the hospitalization support set business at the request of hospitals, but are struggling as operations demand more effort and resources than expected
- Some linen supply companies have difficulty obtaining approval for initial investments or additional investments in clothing

Providing CS Sets as an outsourced operations. Elan Services handles individual billing only

Introduced original patient wear life. Allowed linen supply company to avoid initial investments and maintain profitability by outsourcing laundry operations



Employees and their families

Elan believes that enriching the lives of our employees and their families contributes to corporate growth. We place importance on dialogues with employees to establish a personnel system they find acceptable that enables them to easily design their own careers. In addition to dialogues in daily work and during evaluation interviews, we conduct web-based annual career design surveys.

- Employees raising children want to engage in remote work or work remotely from a location other than home
- There are demands for workstyles that are locally-based and do not require relocation

Introduced a remote work system. Employees can choose from four courses: In-office four days per week, in-office two days per week, in-office once per month, or full-time remote (Note: Some limitations apply depending on the business division). Allowed remote work at cafes, etc.

Introduced a system facilitating region-restricted workstyles

Growth Strategy

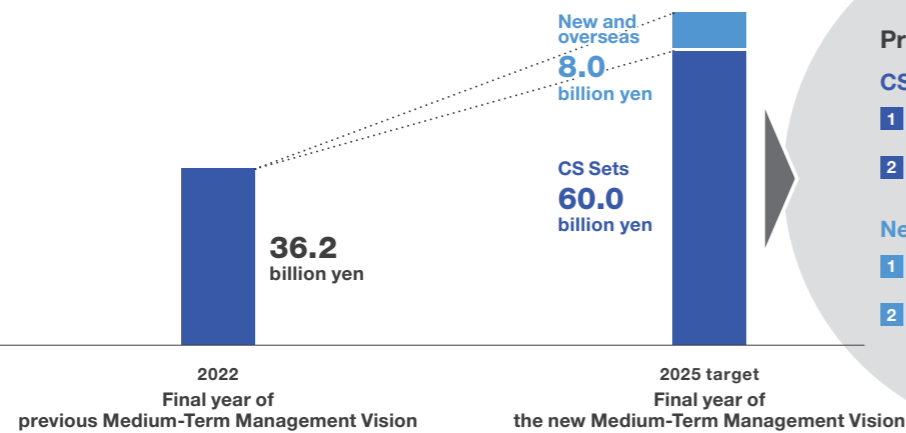
Medium-Term Management Vision (2023–2025)

The Medium-Term Management Vision is a three-year management plan and growth strategy beginning in fiscal 2023. Management targets include net sales of 68.0 billion yen (of which 8.0 billion yen from new and overseas businesses), operating profit of 7.0 billion yen, and a target

market penetration rate of 26.0% in fiscal 2025. This will be an important three-year period for us in terms of expanding the existing CS Set business, while at the same time developing new businesses in Japan and overseas to realize our vision.

Key Goal Indicators (KGIs)

	2022 (results)	2023 (forecast)	2025 (forecast)
Net sales	36.2 billion yen	43.7 billion yen	68.0 billion yen (CS Sets 60.0 billion yen)
Operating profit	3.39 billion yen	3.6 billion yen	7.0 billion yen
Operating profit margin	9.4%	8.2%	10.3%
ROE	25.3%	25.2%	26%
Dividend payout ratio	31.9%	29.0%	30%
Target market penetration rate	13.9%	16.7%	26%



Priority Measures

CS Set business

- 1 Establishing competitive advantages through differentiation
- 2 Proactive sales targeting hospitals with 50 or more beds

New and overseas businesses

- 1 Commercialization of home care support sets
- 2 India market cultivation

Medium-Term Management Vision Progress

In fiscal 2022, the year prior to the launch of Medium-Term Management Vision (2023–2025), the pandemic lingered longer than expected, limiting our sales activities and new business development. It also took some time to respond to price increases caused by the weak yen, high cost of living, and high energy prices. As a result, sales reached only 98.0% of the initial forecast. At the same time, operating profit reached

113% of the forecast due to lower than expected expenses associated with sales activities and group training, as well as increased efficiency in individual billing operations in line with systemization. In fiscal 2023, after the reclassification of COVID-19 to a Class V infectious disease in May, the business environment improved, making it easier to engage in sales activities and new business efforts.

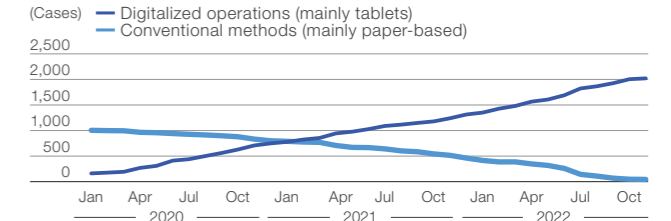
CS Set Business Progress

Establishing Competitive Advantages through Differentiation

Operational Changes

As of the end of 2022, almost all existing facilities had completed the transition from conventional paper to the use of tablets to manage CS Set operations, from user applications to billing. This will improve operational efficiency and control costs associated with billing going forward.

Operational Changes



CS Set R, CS Set LC, and lifte

CS Set R and CS Set LC are progressively gaining recognition and gradually being introduced at both new and existing facilities. In 2023, we launched full-scale efforts to promote the adoption of lifte.

Expanding the adoption of R/LC services that can be added to CS Sets

Service	Benefits to service users and their families	Benefits to medical institutions and nursing care facilities	Number of contracted facilities (As of December 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 	149
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 	123

Original patient wear lifte

Anticipated benefits

- 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

Classico × ELAN

7

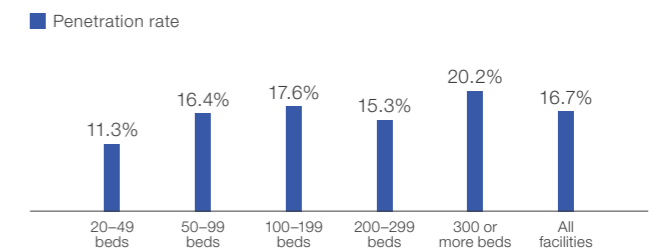
Proactive Sales Targeting Hospitals with 50 or More Beds

CS Sets are introduced in hospitals, nursing homes and long-term care facilities, paid nursing homes, and other care facilities. We are currently engaged in proactive sales targeting hospitals with 50 or more beds, which still leaves about half the market to be developed.

In terms of penetration rate by number of beds, hospitals with 200–299 beds, which includes most psychiatric hospitals, tend to be slightly lower than other hospitals, while there are no major differences among other hospitals, where penetration rates are evenly distributed. Penetration rates differ by prefecture, with some areas nearing 50%. We are conducting sales activities with priority given to regions with low penetration rates.

Looking at competitors, despite having higher or lower market share depending on the region, none have particular strengths in terms of hospital size, similar to Elan.

Penetration by size (hospitals)

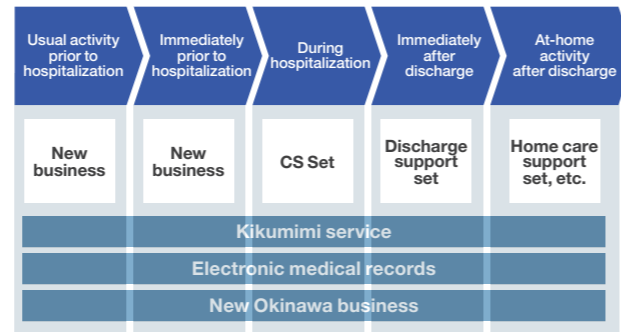


New and Overseas Business Progress

New Business

Market Expansion Targets

In terms of development themes, we are developing services and products aimed at increasing customer contact points starting with CS sets. For example, we are developing services to solve problems faced by patients, including the ongoing provision of items received during hospitalization while undergoing home care, facilitating support until fully recovered from illness or injury and normal life resumes. According to a survey by the Ministry of Health, Labour and Welfare, approximately 10% of patients are readmitted within six weeks after hospitalization, which we view as an area where needs are high.



Kikumimi service

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 counselling 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.

Electronic medical records

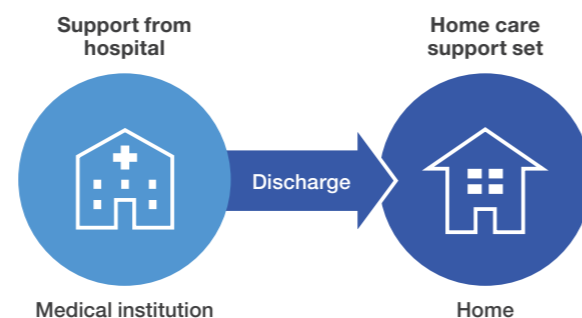
From initial proposals to signed contracts, electronic medical records require more time to implement than CS sets, with industry lead times averaging two years. Although we have been able to acquire contracts in the two years since this service was launched, they are not yet on a scale that contributes to Group sales. However, as of 2020, the penetration rate of electronic medical records in small- and medium-sized hospitals with less than 200 beds, our target market, was low at 48.8% (according to the Ministry of Health, Labor and Welfare), hence new demand can be expected.

New Okinawa business

In Okinawa, we launched the Ganju PASS healthcare content service in April 2022 under the theme of "connecting healthcare, tourism, and local governments." This service enables users to check information related to travel in Okinawa, facilitating peace of mind in the post-pandemic new normal era. We are considering how best to leverage our experience in working with medical institutions, the travel industry, and local governments to develop even more potential clients.

Topic Home care 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. In August 2023, we launched a demonstration experiment involving a daily rate plan for daily necessities and disposable diapers used during home nursing care. We will add both products and services to the discharge support sets mentioned previously, and create a mechanism to link them to home care support sets.



Overseas Business

Market Expansion Targets

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. We believe these areas represent a tremendous opportunity.

Japan is the fastest aging society in the world, but what is happening in Japan is sure to occur in other countries. Services created in Japan will surely be needed in other countries as well. When we initially launched our mainstay CS Set business, we were told there was "no business potential, as this is something families are supposed to handle." But then our services began to spread. We believe this will be the case anywhere in the

world. Despite lagging behind Japan, China, as well as Italy and Spain, will see a rapid aging of their populations in the next five to 10 years. In this sense, there could be major opportunities in countries outside Asia as well.



Topic India Market Developments

In India, where the healthcare infrastructure market is expected to expand rapidly in the future, we plan to investigate the feasibility of healthcare business through investments in Boston Ivy Healthcare Solution, a medical products wholesaler, and Quick Smart Wash (QSW), an in-hospital laundry supply company. In May 2023, the Company subscribed to QSW's capital increase aimed at business expansion, bringing Elan's equity share in QSW to 38.96%.

QSW's traditional business model was to install laundry facilities in hospitals, but due to the impact of the pandemic in India, there is a strong focus on hygiene management amid rising demand for outsourced laundry services. To meet this

demand, QSW constructs facilities outside hospitals and continues to add more, with six QSW laundry facilities in India at present.

Elan has also concluded a new investment agreement with AKAL, an IT staffing company in India. This investment aims to ensure the human resources necessary for our business in India. AKAL also dispatches staff to Japan.

We are considering the provision of a wide range of peripheral services for medical institutions and nursing care facilities overseas that include, but are not limited to, CS sets, and in addition to India, we plan to extend our services to Southeast Asia.



Investment period	Investee	Investment objective
2018	Boston Ivy Healthcare Solutions (BIHS, a web-based B2B medical supplies and equipment wholesaler)	<ul style="list-style-type: none"> To explore potential applications for BIHS digital technologies To understand political, economic, social, technological, and other information related to hospitals in India
2021	Quick Smart Wash (linen supply company)	<ul style="list-style-type: none"> To conduct various demonstration experiments for the development of CS Sets in India through an understanding of the Indian linen supply market
2023	AKAL (IT temporary staffing company)	<ul style="list-style-type: none"> To ensure the human resources necessary for business development in India

COO Message

The Driving Force Behind Elan's Growth is a Strong Desire to Solve the World's Problems

The Importance of Emphasizing the Frontlines

Since being appointed President, I have placed the utmost importance on emphasizing the frontlines. As movement was restricted during the pandemic, I made every effort to maintain a constant awareness of feedback from the frontlines, focusing efforts on traveling to branches across Japan, engaging in dialogues with employees, then identifying problem areas, and resolving them.

In fiscal 2022, the CS Set business was substantially affected by the pandemic, but from a positive standpoint, it was also a year in which awareness of CS Sets increased significantly, as they highlight the importance of preventing infections during hospitalization and after discharge by ensuring nothing infectious is brought from home to the hospital, or from the hospital to home. At the same time, restrictions on sales activities hindered on-the-job training for young employees, including accompanying veteran employees on sales calls and conducting walk-in sales, highlighting this as an urgent issue.

Although sales in fiscal 2022 fell slightly short of the target as marketing efforts were curtailed due to the pandemic, operating profit exceeded the plan in line with digitization (use of tablets and automation for in-house logistics) and reduced SG&A expenses. In terms of users, business has grown from about 53,000 per month 10 years ago, to nearly 380,000 users in recent years.

Response to Rising Costs Nearly Complete

In the first quarter of fiscal 2023, as in fiscal 2022, we continued to be impacted by the pandemic, but from Q2, new facility introductions returned to the triple-digit level. Even though COVID-19 was reclassified as a Class V infectious disease, hospital occupancy rates have not fully returned to pre-pandemic levels (due in part to nurse turnover and cluster prevention measures at hospitals). However, they have finally reached about 70%, so I think that rising occupancy rates will be key to increasing sales going forward. Further, as we have yet to raise service prices to the full extent possible, in light of soaring procurement costs and a significant increase in energy costs, we decided to raise

the prices of our services. Going forward, we expect both sales and profits to improve.

The Next Three Years Will Be Key to Realizing Our Vision

The CS Set business is maturing as the market itself is moving out of the growth phase. The next three years will be critical in terms of achieving a target market penetration rate of 30%. With the pandemic raising awareness of hospitalization support sets leading to an increasing number of hospitals and facilities considering their introduction, we must firmly expand our target market penetration rate. The key is to differentiate ourselves from competitors. CS Set R and CS Set LC, services that currently differentiate Elan from our competitors, were created by carefully addressing the problems of patients, hospitals, and nursing care facilities. We cannot differentiate ourselves from competitors simply by maintaining the status quo. Rather than engaging in price competition, it is important to establish a competitive advantage from the perspective of the value Elan can provide after thoroughly identifying each problem. To achieve growth going forward, it is essential Elan is chosen by customers for its unique services and quality no other company can match.

Challenge of Recruiting Specialized Human Resources

An essential element for achieving future growth is the hiring and development of human resources. At present, we increase sales staff mainly by hiring new graduates. For Elan, mindset is more important than method when it comes to selling. In addition to fostering a deep understanding of Elan's culture, philosophy, and worldview, we attempt to facilitate personal growth by having new hires work with veteran employees as we target overall business growth. We estimate that this aspect of Elan's business has given us an advantage over our competitors, and it is a theme that we would like to further accelerate going forward. At the same time, in line with company growth, the recruiting of mid-career human resources with expertise in legal affairs, systems development, and other specialties is becoming increasingly



Representative Director,
President, and COO

Tomohiro Minezaki

important. It is difficult to recruit people with this experience in Nagano Prefecture, where our head office is located, and we need to devise ways to recruit candidates from urban areas.

To Our Stakeholders

Since joining Elan, I have made efforts to promote and expand CS Sets as a salesman since this business was first launched. Through these efforts, I have developed a strong sense of the importance of the "Win-Win-Win" spirit.

For Elan to achieve sustainable growth, naturally customers must "win," but it is also necessary to respect the interests of and build good relationships with shareholders, employees, people working on the frontlines of medical and nursing care, companies that facilitate the delivery of our products, and all other stakeholders. To this day, we have deployed CS Sets throughout Japan based on this spirit. I believe it is precisely because we have placed value on ensuring all stakeholders "win" that we have been able to achieve our longtime goal of expanding CS Sets to all 47 prefectures.

The driving force for achieving further growth is the same

strong desire to solve the world's problems as when we developed CS Sets. To give shape to this desire requires a circle of cooperation that transcends corporate and organizational boundaries, and the development of human resources to take on this challenge is crucial.

I want to allocate time and management resources to developing human resources who can think outside the box and put themselves in the other person's shoes.

Elan will continue to be a company needed by the world for many years to come by further developing a distinctive, one-of-a-kind corporate culture and realizing the material and spiritual happiness of employees and their families, who take on challenges daily to fulfill our mission.

This is my desire.

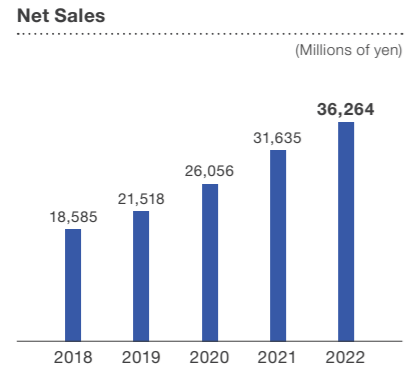
I hope Elan continues to be a company that enables stakeholders to "win" and also makes them proud.

We aim to achieve sustainable growth by enhancing the depth and breadth of each business while giving due consideration to the balance among businesses.

I hope to receive the continued understanding and support of all our stakeholders.

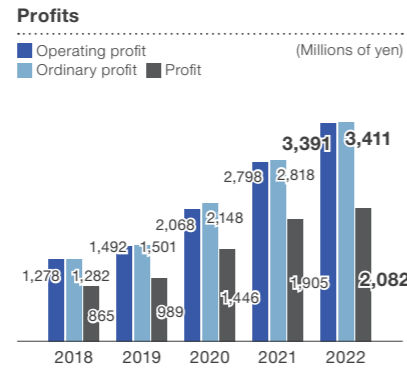
Medium-term Management Vision KPIs

Financial



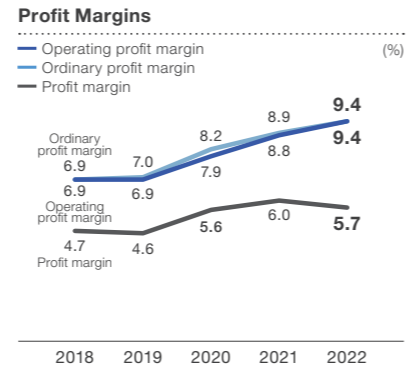
Explanation of Indicators and Reasons for Selection
 Nearly all Elan sales come from the CS Set business, calculated as CS Set daily rate per unit x volume. This indicator has been adopted as a measure of growth potential.

Fiscal 2022 Results
 CS Set daily rate per unit increased slightly due to the inclusion of CS Sets R and LC. CS Set utilization rates remained high, and sales increased 4,629 million yen (+14.6%) from fiscal 2021.



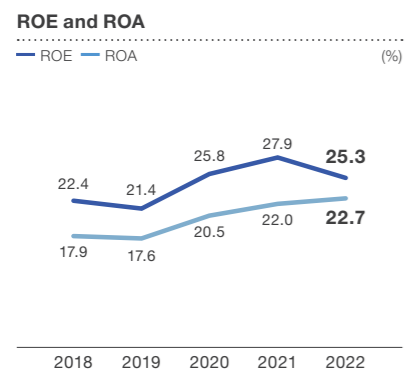
Explanation of Indicators and Reasons for Selection
 Profits are a source of sustainable growth and corporate value enhancement, and we use these figures to examine the scale of our monetary performance.

Fiscal 2022 Results
 Compared to fiscal 2021, operating profit increased 21.2%, ordinary profit increased 21.1%, and profit attributable to owners of parent increased 9.3%. Profit was impacted by a 376 million yen extraordinary loss (due to a loss on the valuation of investment securities).



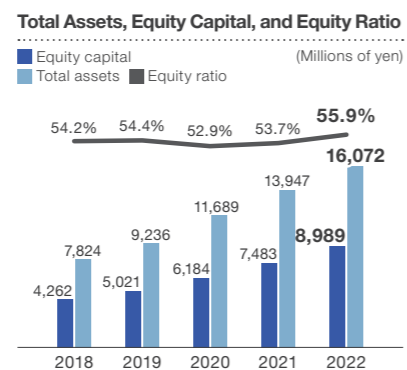
Explanation of Indicators and Reasons for Selection
 Profit margins reflect the profitability of Elan's efforts to achieve sustainable growth and enhance corporate value, and are used to measure the efficiency of business activities and the company overall.

Fiscal 2022 Results
 Systematization related to individual CS Set billing and improved operational efficiency resulted in a 0.6 percentage point increase in the operating margin year on year. The profit margin was impacted by a 376 million yen extraordinary loss (due to a loss on the valuation of investment securities).



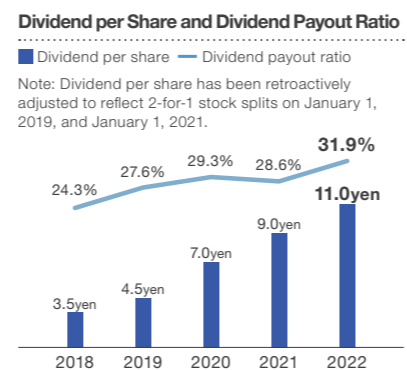
Explanation of Indicators and Reasons for Selection
 Indicator measuring capital and asset efficiency. This is an important KPI because it emphasizes the effective use of capital and assets to efficiently enhance corporate value.

Fiscal 2022 Results
 As ROE = profit/average shareholders' equity during the period, and ROA = ordinary profit/average total assets during the period, the decline in ROE was due to an extraordinary loss (loss on valuation of investment securities) of 376 million yen.



Explanation of Indicators and Reasons for Selection
 Total assets and equity capital are used to measure the Company's financial size and growth potential, while the equity ratio is used to measure safety.

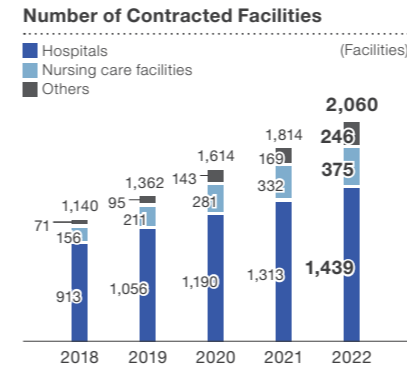
Fiscal 2022 Results
 Total assets and equity capital have increased in line with sales and profit growth in this and other periods, there is no interest-bearing debt, and the equity ratio is stable.



Explanation of Indicators and Reasons for Selection
 We have adopted this indicator in line with our policy of continuous and stable shareholder returns. Our basic policy is to maintain investments in future business while achieving higher profits and increasing dividends every fiscal year.

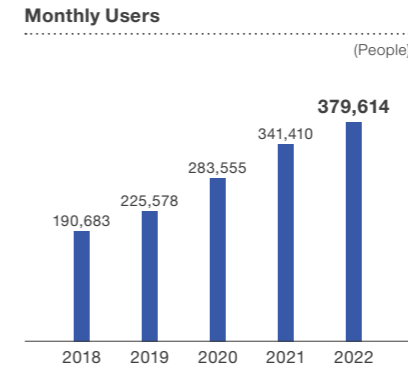
Fiscal 2022 Results
 As our dividend payout ratio policy is 30%, we will continue to increase dividends through steady growth in profits each fiscal year. We plan to increase the dividend payout ratio to 40% or more when business pillars other than the CS Set are established.

Non-financial



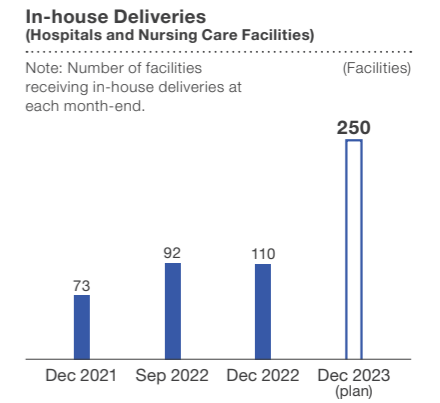
Explanation of Indicators and Reasons for Selection
 This indicator has been adopted because growth in CS Set contracted facilities is essential for sustainable growth.

Fiscal 2022 Results
 Contracted facilities increased by 246 facilities. In fiscal 2022, the "Others" category grew at the highest rate, reflecting numerous contracts, including serviced residences for seniors and paid nursing homes. (Nursing care facilities refer to the number of nursing homes and long-term care facilities)



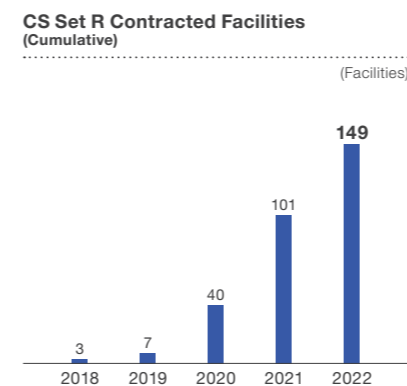
Explanation of Indicators and Reasons for Selection
 The number of monthly users increases in proportion to the number of CS Set contracted facilities, but is affected by facility size and utilization. This is an important KPI because our customers are service users.

Fiscal 2022 Results
 The number of monthly users increased by 38,204 people (+11.2%). In fiscal 2021, monthly users increased by 57,855 people (+20.4%), with usage driven higher by the pandemic. Compared to this, the fiscal 2022 growth rate was low.



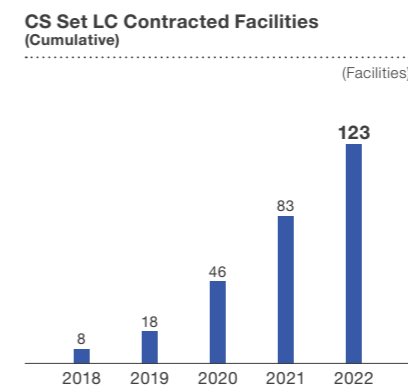
Explanation of Indicators and Reasons for Selection
 The number of in-house delivery facilities for daily consumables included in CS Sets. Adopted due to the importance of balancing in-house and outsourced deliveries in preparation for disasters and shortages risks.

Fiscal 2022 Results
 We have established distribution centers in Sagami-hara, Kanagawa Prefecture, and Matsumoto, Nagano Prefecture, with the goal of delivering to 250 facilities by the end of 2023.



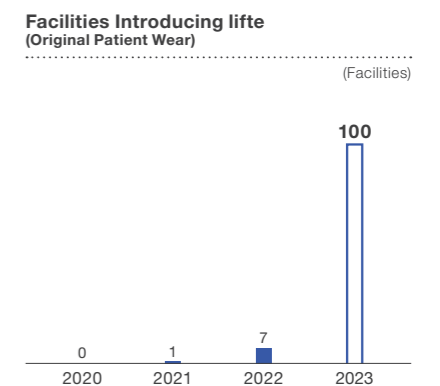
Explanation of Indicators and Reasons for Selection
 The CS Set R service adds loan guarantees for hospitalization and nursing care expenses to CS Sets. This indicator has been adopted to measure the number of high-value-added sets in use.

Fiscal 2022 Results
 Added 48 facilities. Nearly all were newly contracted facilities. Further, this service is mostly used by hospitals, but less common at nursing care facilities.



Explanation of Indicators and Reasons for Selection
 The CS Set LC service adds liability coverage for damages during hospitalization or admission to CS Sets. This indicator has been adopted to measure the number of high-value-added sets in use.

Fiscal 2022 Results
 Added 40 facilities. Nearly all were newly contracted facilities. Compared to CS Set R, this service tends to be more common at nursing care facilities.



Explanation of Indicators and Reasons for Selection
 lifte is a CS Set original patient wear brand offering comfort, design sense, and functionality. This indicator is used to measure the adoption of high value-added sets.

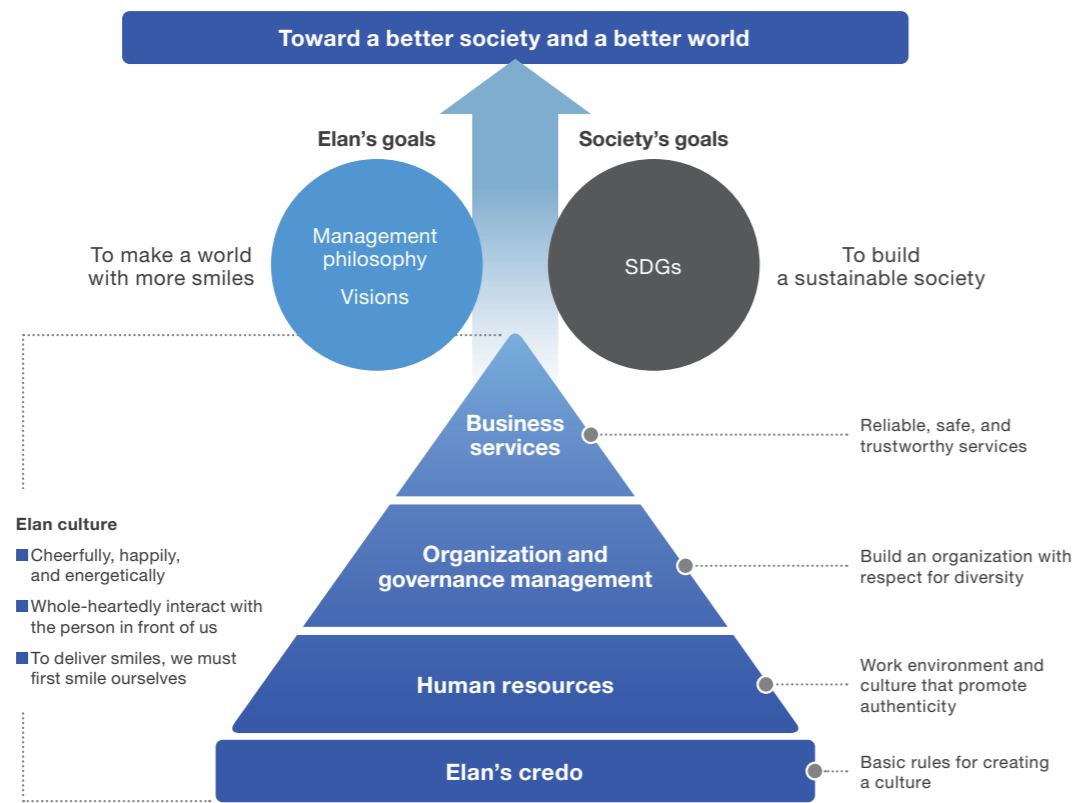
Fiscal 2022 Results
 Six new facilities were added. We plan full-scale adoption from 2023.

Sustainability Strategy

Basic Policy

Through our CS Set business, we help people involved in medical institutions and nursing care facilities solve problems and improve productivity.

As a Company that resolves issues unique to an aging society, we will create a sustainable system together with partner companies and leverage our unique strengths to develop solutions that contribute to society.



Elan and SDGs

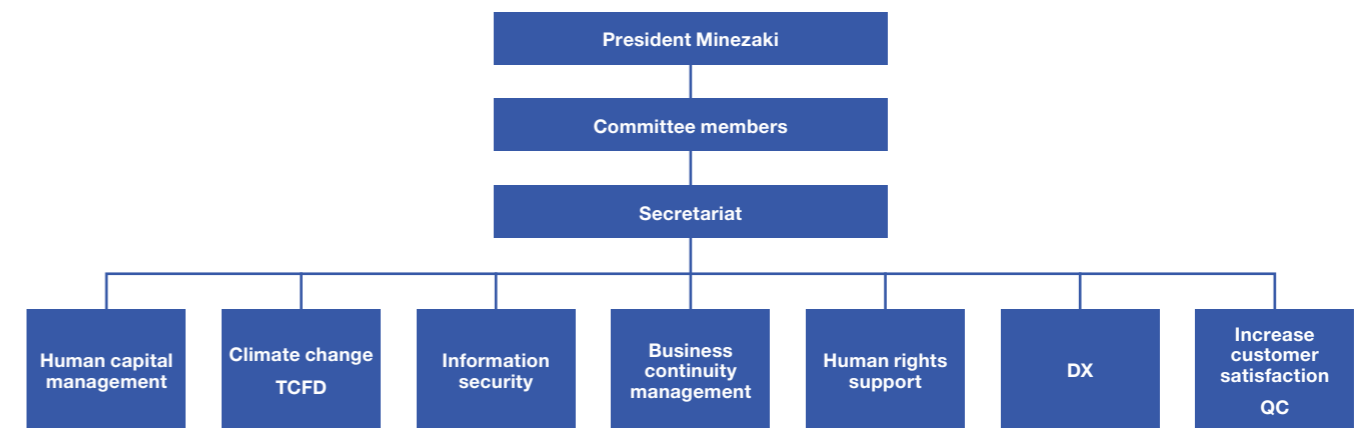
Elan's business has undergone three major changes since founding. We started with bedding sales, then moved into bedding recycling and now CS Set business. We believe our business will continue evolving with the changing times. However, while some things may change, e.g., business, some things do not, 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.



Promotion Structure

We aim to realize a sustainable society by contributing to society through business activities based on the Elan principle of pursuing the best products and services that satisfy our customers and contributing to the realization of an enriching living environment through our passionate actions. The Sustainability Committee (Elan Mirai Committee) was established to balance the resolution of social issues with the growth of the Company and our employees through business by positioning sustainability initiatives as important management issues and promoting sustainability management.

The Sustainability Committee is responsible for formulating basic policies on sustainability, identifying material issues (key issues), creating action plans and goals for each subcommittee, and tracking progress. Additionally, the committee is responsible for overseeing and guiding efforts related to the disclosure of sustainability information, and presenting regular reports of its findings and proposals to the Management Meeting. The Sustainability Committee is chaired by the President and COO and comprised of executive officers as well as key executives and young employees who will lead the next generation.



Material Issues

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 (material issues) that must be addressed.

Material issues	Specific reasons
1 Support the promotion of health and wellbeing of all people	<ul style="list-style-type: none"> As hospitalization support sets support the promotion of health and welfare, increasing the number of facilities introducing CS Sets will directly contribute to society In addition, with the shift from hospitalization to home care promoted as national policy, Elan is able to develop services supporting patients receiving nursing and care at home as we have the largest number of hospitalization support-set clients in Japan.
2 Provide stable services, reduce environmental burdens	<ul style="list-style-type: none"> To address material issues 1, it is essential that systems are able to maintain the stable provision of services, even in a world filled with increasing uncertainties, including serious disasters and pandemics. Elan aims to reduce the risk of climate change through measures that reduce our environmental impact. We also want to create a good reputation among our stakeholders and expand our network of partners.
3 Realize a society full of smiles	<ul style="list-style-type: none"> As stated in our vision, to maintain business value over the long term, it is essential that both Elan and everyone we interact with have smiles on their faces.
4 Establish and maintain a sound, sustainable business foundation	<ul style="list-style-type: none"> In a world where corporate scandals are attracting attention, we thought it was important to clarify the minimum that must be maintained in order to realize materiality 1 2 3.

Material Issues and KPIs

Material issues	Opportunities	Risks	Related social issues	Initiatives	KPI	2021 Results	2022 Results	2023 Targets	2024 Targets	2025 Targets	Page
1 Support the promotion of health and wellbeing 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	370	480	580	720	P.27-30
			Increased need for elderly care	Resolve issues that may arise postdischarge and during at-home care	Number of discharge support and home care support set users (monthly, persons)	0	3.0	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	40	1,000	5,000	10,000	
2 Provide stable services and 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	28	30	32	P.39-42
			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	0	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	901,280	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)	47,809,823	55,158,336	65,583,262	77,978,498	92,716,434	
			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 noncore tasks (monthly, hours)	556,652	625,313	736,172	846,598	973,587	
			Resource saving	Digitalize all paper-based procedures from CS Set application to payment confirmation	% of facilities using digitalized individual billing	60	97.8	100	100	100	
3 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	7.0	7.0	7.0	7.0	P.43-44
				Promote male employees to take parental leave	% of male employees taking paternity leave	44.4	41.2	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, including group companies and executive officers)	4	4	6	6	6	
			Women's empowerment	Actively appoint women to managerial positions	% of female managers	13.5	11.5	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	86,910,640	95,601,704	105,161,874	115,678,062	
			Regional revitalization	Contribute to revitalization of regional economies	Number of prefectures in which Elan has business bases(Prefectures)	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 lifte original patient wear	0	8	50	100	200	
4 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	P.45-51
				Strengthen compliance training	% of employees that have taken compliance tests	98.6	99.7	99.6	99.6	99.6	
				Practice safe driving	Number of traffic accidents	37	60	35	35	35	

Explanation of Material Issues

Stable Provision of Services

To “support the promotion of health and well-being of all people” (material issue **1**), it is essential that systems are able to continue stably providing services even in a world of increasing uncertainties, including serious disasters and pandemics.

In 2023, we will open one new sales office (Kushiro Office) and relocate and expand existing branches (Morioka Branch and Niigata Branch) to improve the efficiency of existing support system and enhance our ability to develop new business.

The status of sales office efforts are as follows.

Sales Offices

With 27 sales offices across Japan (increasing to 28 offices in 2023 with the addition of Kushiro), we have a system in place enabling us to be onsite at contracted facilities within two hours when the need arises.

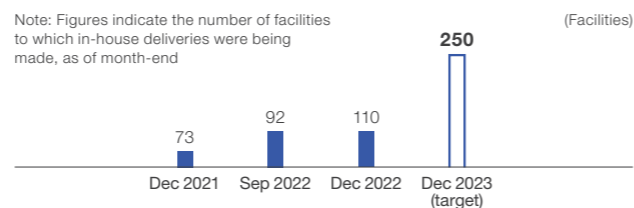
Customer Support

As individual billing and customer inquiries are handled at four locations (Morioka, Sagamihara, Matsumoto, and Hiroshima), even if one office stops functioning due to a disaster or other emergency, the other offices will remain operational and able to continue providing support.

Logistics

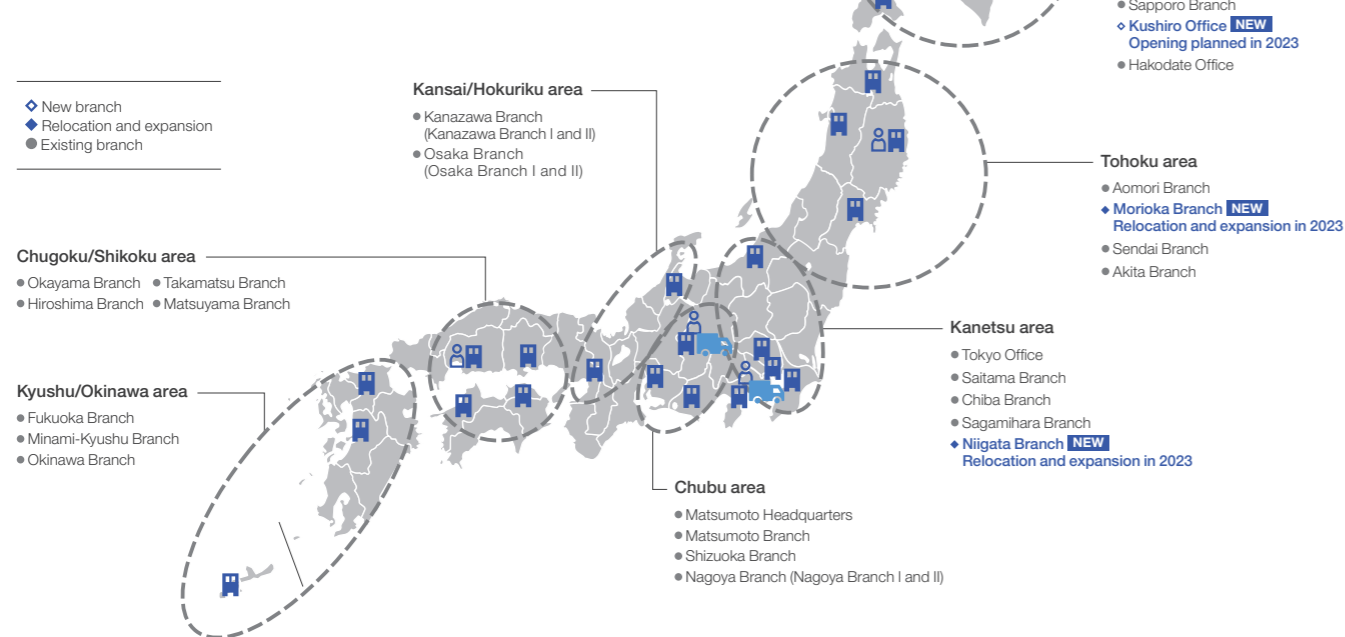
Elan has two in-house logistics facilities (for daily consumables only) in Sagamihara and Matsumoto, with plans to establish a delivery system encompassing 250 facilities by the end of 2023. In the future, 25–30% of all existing contracted facilities will receive in-house deliveries, and we will establish a system ensuring uninterrupted hospital deliveries even in the event of a disaster. We also maintain our own stockpiles of vinyl meal aprons and plastic gloves for changing diapers, supplies of which were disrupted during the pandemic, with the aim of ensuring that hospitals and nursing homes do not run out of supplies needed to provide care. This is based on our belief that deliveries to medical institutions and nursing care facilities should never be disrupted.

Number of facilities Elan delivers to using its own system



Sales Offices in Japan

◆ Sales Office ● Customer Support Center 🚚 Logistics Base



TCFD Emissions Calculations

Elan is working to implement Task Force on Climate-Related Financial Disclosures (TCFD) recommendations or an equivalent framework for disclosing the impact of climate change-related risks and revenue opportunities on business activities, earnings, and other factors.

In line with the TCFD framework, GHG emissions were calculated for the first time in Fiscal 2022 and found to be 99% Scope 3 emissions (indirect CO₂ emissions other than Scope 1 and 2).

To remain a Company that can contribute to society, Elan conducts daily business activities based on relationships with a wide range of stakeholders. As specified in the material issue **2** “provide stable services and reduce environmental burdens,” we believe the provision of products and services that help reduce environmental impacts will lead to the creation of business opportunities for Elan.

To realize our basic policy on sustainability, “Aiming for a better society and a better planet,” we will continue to set targets and take concrete measures to reduce emissions.

Fiscal 2022 CO₂ emissions

Scope 1
CO₂ emissions derived from gasoline and gas usage volumes **609 tons**

Scope 2
CO₂ emissions calculated from electricity consumption **314 tons**

Scope 3
Indirect CO₂ emissions other than Scope 1 and 2 **89,560 tons**
(Quick estimate)

Topics | Overview of Scope 1, 2, and 3

The Scope concept is defined in the GHG Protocol, an international standard for greenhouse gas accounting and reporting, and classified into three categories: Scope 1, 2, and 3.

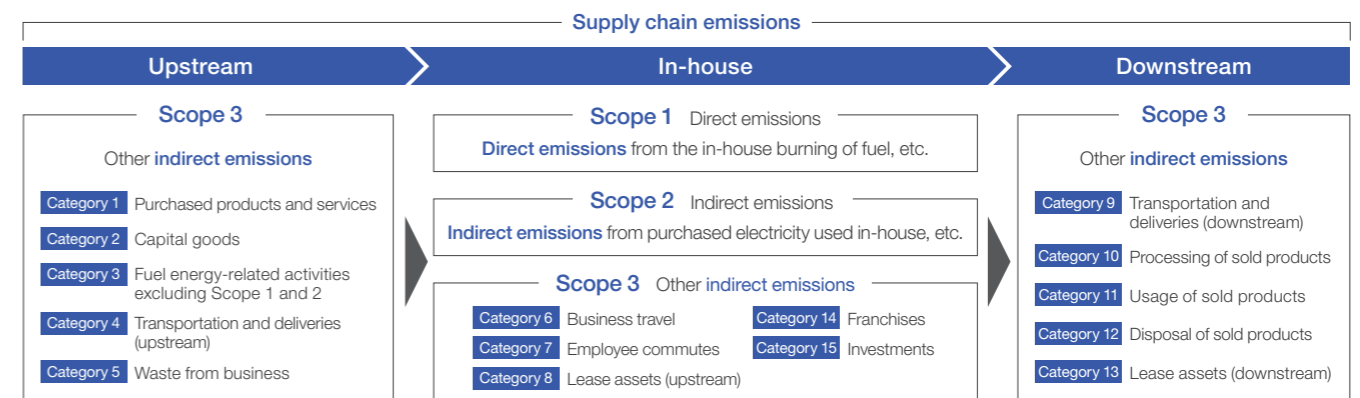
Scope 1 refers to a company’s use of fuel and direct emissions from industrial processes. Specific sources of emissions include city gas, LP gas, heavy oil A, light oil, kerosene, and gasoline burned by companies.

Scope 2 refers to indirect emissions from the use of

electricity, heat, and other energy purchased by companies. Specific sources of emissions include electricity, heat, chilled water, and steam purchased and used by companies.

Scope 3 refers to emissions other than Scope 1 and 2 in the value chain from business partners involved in a company’s business activities, including raw materials procurement, logistics, and sales. In addition, Scope 3 classifies emissions into 15 different categories.

Scope 1, 2, and 3 Overview



Information Disclosure Based on TCFD Recommendations

The Group places importance on efforts to address climate change and other environmental challenges, and is committed to promoting initiatives and proactively disclosing information in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Scenario Analysis

Scenario analysis results indicate that, although physical risks are not expected to be a factor in 2030, carbon prices, the carbon emission targets and policies of each country, and the spread of low-carbon technologies will affect linen companies, disposable diaper manufacturers, and other suppliers, which in turn will somewhat impact Group purchasing costs.

Category	Risks	Business impact	Financial impact*		
			4°C	2°C	
Transition risks	Carbon pricing	The adoption of carbon pricing will increase the cost of purchasing goods included in CS Sets (clothing, towels, disposable diapers, daily consumables, etc.) as well as the cost of fuel used for deliveries.	Purchasing from suppliers who prioritize investments in improved environmental performance, and investing in improved Elan environmental performance, will lower costs.	–	Small
	Carbon emission targets and policies of each country	Regulations on products and packaging made with plastic and other materials will be introduced in many countries, necessitating costs associated with the handling of items including plastic products and disposable diapers (30% of disposable diapers are plastic) included in CS Sets, leading to higher expenses.	The use of low-carbon, non-plastic products will enable hospitals and nursing care facilities to offer ethical products, which may contribute to increased corporate value and earnings.	Small	Medium
		Government and logging taxes related to forest sink measures will increase lumber procurement costs, and the cost of procuring disposable diapers and other wood-based products included in CS Sets will increase.	Not applicable	Small	Medium
		Stricter GHG reduction requirements will increase costs associated with improving the environmental performance of partner linen supply factories and delivery vehicles, delivery subcontractors, and Elan distribution facilities and delivery vehicles.	If suppliers achieving significant carbon emission reductions are able to sell emission credits when emissions trading and other mechanisms are introduced, there is a possibility purchase costs will decrease.	Small	Medium
		Paperless processing in line with the impact of decarbonization will lead to increased costs in terms of handling the elimination of paper applications, invoices, and other documents related to CS Set operations, resulting in higher expenses.	Further promoting the digitalization of applications and billing will lower costs associated with printing paper documents, as well as labor expenses related to individual billing operations, resulting in lower costs.	–	Small
	Energy prices	Rising fossil fuel and electricity prices will increase costs for partner linen supply factories and delivery vehicles, outsourced delivery companies, and Elan logistics facilities and delivery vehicles.	Not applicable	Small	–
	Spread of low-carbon technologies	Costs will increase if low-carbon technologies, machinery, and environmentally friendly vehicles are incorporated into partner linen supply factories and delivery vehicles, outsourced delivery companies, and Elan logistics facilities and delivery vehicles.	Energy costs will decrease in line with the introduction of energy-saving equipment and improved logistics efficiency. In addition, fuel costs for deliveries will decrease due to the improved fuel efficiency of environmentally friendly vehicles.	Small	Medium
	Changes in reputation among customers	In the event the Company fails to respond appropriately to the growing public awareness of climate change, reputational risks will increase.	Adequate responses to the growing public awareness of climate change will result in a positive reputation and an increase in the number of facilities and customers using Elan services.	–	–
Changes in reputation among investors	In the event the Company is perceived by investors as being reluctant to implement environmental measures, it will be difficult to raise capital, and associated costs will increase.	In the event the Company transitions to low-carbon and environmentally friendly businesses, communicates these efforts to the full extent, and investors perceive Elan as proactive in environmental measures, ESG investments and other capital procurement will become easier, lowering costs associated with raising capital.	–	–	
Physical risks	Rising sea levels, increasing severity of extreme climate events	The increasing risk of flooding due to high tides, turbulent seas, and heavy rains, may result in lost sales opportunities due to supply disruptions caused by the suspension of operations at partner linen supply factories, and the suspension of services provided to medical institutions and nursing care facilities due to flooding.	Not applicable	Small	Small
	Increase in average temperatures, changes in precipitation and weather patterns	Forest damage, outbreaks of tree diseases, changes in vegetation, changes in timber procurement areas, and other factors will increase lumber procurement costs, as well as procurement costs associated with wood-based products, including the disposable diapers included in CS Sets.	Not applicable	Small	Small
	Increase in average temperatures	Energy costs required for cooling will increase for partner linen supply factories and delivery vehicles, delivery subcontractors, and Elan distribution facilities and delivery vehicles.	Not applicable	Small	Small
		The spread of infectious diseases will reduce supplier utilization and create procurement risks	Increased hospitalizations will lead to higher utilization rates and earnings	Small	Small
	Changes in precipitation and weather patterns, increasing severity of extreme climate events	Increased delivery delays and accidents due to heavy rains, flooding, strong winds, and other weather resulting in higher costs associated with deliveries, human resources, compensation, and insurance premiums.	Not applicable	Small	Small
	Changes in precipitation and weather patterns	Loss of sales opportunities caused by supply disruptions resulting from partner linen supply factory shutdowns due to drought conditions.	Not applicable	Small	Small
	Increasing severity of extreme climate events	Capital investment costs incurred to build resilience against the effects of extreme climate events	Maintain supply chains by responding to the impact of extreme climate events affecting distribution and logistics centers	Small	Small
Disruptions in subcontractor individual billing data entry and invoicing functions		Introduction of online payments and other advances will lower costs associated with issuing and mailing invoices.	Small	Small	

Note: Small = Less than 1.0 billion yen; Medium = 1.0–3.0 billion yen; Large: More than 3.0 billion yen

Governance

The Climate Change (TCFD) Subcommittee has been established as subordinate to the Sustainability Committee (Elan Mirai Committee), which is chaired by the President and COO. Established in 2023, the Climate Change Subcommittee

submits monthly progress reports to the Sustainability Committee, with the President and COO reporting to the Board of Directors and Management Meeting for discussion and decision-making.

Strategy

As we recognize that maintaining the entire supply chain, from product procurement, logistics, and deliveries, to the provision of services, is an important issue for management, the Group defines “providing stable services and reducing environmental burdens” as a material issue. For each process within this supply chain, we categorize impacts associated with climate change as transition risks or physical risks, and assess the significance of each risk and opportunity, as well as their financial impact.

Based on the SSP scenario in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, for each risk and opportunity determined to be of high importance, the Elan Group considered and examined impacts as of 2030 based on the following two climate-related scenarios, incorporating scientific evidence from the International Energy Agency (IEA) and other organizations.

4°C scenario SSP5-8.5

Maximum emissions scenario without climate measures based on continued fossil fuel dependency

Under 2°C scenario SSP1-2.6

Sustainable development efforts leading to a scenario in which temperature increases are limited to under 2°C

Risk Management

The Group recognizes climate-related issues as risks with the potential for significantly impacting company management, and manages them accordingly.

Survey	Identification and evaluation	Management
<ul style="list-style-type: none"> Damage caused each fiscal year by heavy rainfall (mainly lost sales opportunities due to shutdown of facilities, linen factories, and logistics) Social trend surveys, etc. 	<ul style="list-style-type: none"> We identify risks and opportunities in the 6th Medium-Term Management Plan and measures aimed at achieving our long-term vision Degree of importance is evaluated by the TCFD Subcommittee 	<ul style="list-style-type: none"> Integrated into comprehensive risk management for the entire organization through sharing with management and the BCP Subcommittee at Elan Mirai Committee meetings, chaired by the Representative Director and President.

Realize a Society Full of Smiles

We are committed to enhancing Elan’s corporate value by promoting growth of the company and its employees.

To this end, we have identified and are steadily implementing activities targeting five key themes in human capital management.

1 Work-Life Balance

Achieving a work-life balance contributes to personal happiness and health, productivity, and job satisfaction.

Elan Kagayaki Project

The Elan Kagayaki Project was launched to promote systems that enhance work and life for all employees, including women. As a result, the paid leave utilization rate in 2022 was 60%, which is higher than the average of 56.6% (according to Summary of the 2021 General Survey on Working Conditions, Ministry of Health, Labour and Welfare).

Male employee paternity leave ratio

The rate of male employees taking paternity leave in 2022 was 41.2%. Although this is lower than 44.4% in 2021, we will continue to implement initiatives to improve the paternity leave utilization rate.

Remote work system

From the perspective of work-life balance, our remote work system remains in place even after the transition of COVID-19 to a Class V infectious disease. Employees can choose from four options: In-office four days per week, in-office two days per week, in-office once per month, or full-time remote.

Overtime work

Elan continuously monitors excessive overtime workers who work more than 360 hours of overtime per year. In 2022, this constituted 7.0% of the workforce, an improvement over 10.1% in 2021.

Flextime system

We adopted a flextime system to facilitate a wide variety of workstyles. After setting monthly working hours, employees work during the core hours of 11:00 to 15:00, and are then free to choose other working hours.

2 Diversity

Assembling a diverse group with different backgrounds combines experiences, perspectives, information and ideas from different perspectives, resulting in new solutions and enhanced competitiveness.

Non-Japanese employees

Elan has begun hiring non-Japanese employees to further its global development. At present, recruiting efforts are conducted mainly in South Korea.

Boomerang hiring

We have a system enabling employees who have left the Company to be rehired within two years after separation under the same conditions as when previously employed. To date, more than five employees have rejoined the Company and continue to play active roles.

Management participation by employees in their 20s and 30s

We actively involve young employees in management to innovate and develop new solutions without being bound by precedent or convention. In 2022, four Elan executives were still in their 20s–30s.

Referral system

Apart from general recruiting activities, we hire based on employee referrals. Compensation is provided for referrals. Up to now, more than three employees have been hired through referrals.

3 Active Participation of Women

Support for the advancement of women is an essential element for the healthy development of society and the economy. Increased participation by female employees will bring different approaches and perspectives to business and technical fields, enhancing competitiveness.

Childcare support system

To facilitate the return and active participation of employees who are raising children, plan to give birth, or engage in child care, Elan offers shorter working hours to facilitate childcare until children enter elementary school. We also provide childcare support allowance to compensate for salary reductions. These efforts have resulted in a turnover rate (excluding retirees) of 11.9%, which is lower than the average of 13.9% (according to Summary of the 2021 Survey on Employment Trends, Ministry of Health, Labour and Welfare).

Female manager ratio

In 2022, the ratio of female managers was 11.5%. This was lower compared to 13.5% in 2021. Looking ahead, we plan to redouble efforts to increase the ratio of female directors.

Female executives

One female executive, Mrs. Emori, is an outside director. From the perspective of diversity, we view the increase of female executives as an issue to address going forward.

4 Personnel Investments

Personnel investment is important for individuals, as well as organizations and society as a whole. Enhancing personal skills and knowledge positively impact the lives of individuals and contribute to the economy, innovation, and social evolution.

Management classes, MBA coursework

As the markets in which we operate grow and our global expansion progresses, increasingly advanced skills and knowledge are essential. Developing the next generation of managers is also essential for sustainable growth. After considering the aptitude and goals of the individual, select members take part in management classes and MBA courses taught by outside instructors.

Enhancing group training

During the pandemic, it was difficult to conduct in-person group training. The mental connection (bond) among employees and the sharing of knowledge were weakened. To resolve this issue, from 2023 we have resumed pre-pandemic efforts focused on enhancing face-to-face

training. CS Sets also require onsite collaboration with nurses, caregivers, linen company sales representatives, and others. As we believe that online training is not enough to maintain close communication and work smoothly, we place emphasis on real-world training, including junior staff accompanying senior employees on sales visits.

5 Promoting the Employment of People with Disabilities

Promoting the employment of people with disabilities is an important initiative for the promotion of diversity and inclusion in society, both economically and from a human rights perspective. Providing equal employment opportunities to people with disabilities enriches overall society.

Establishment of special subsidiary Elan Couleur

The Elan Group intends to fulfill its corporate social responsibility and contribute to a sustainable society by meeting legally mandated employment rates, and creating employment opportunities that enable people with disabilities to fully demonstrate their abilities in a wide variety of jobs. Based on this thinking, Elan Couleur was established as a subsidiary on January 4, 2023, and is engaged mainly in the subcontracting of

work within the Group. As of August 2023, 10 persons with disabilities, including seconded employees, are working in hospitals as CS Set representatives, engaged in the management of merchandise at distribution warehouses, and involved in administrative work in the customer support department. Going forward, in addition to being subcontracted by hospitals to handle certain hospital operations, we will focus on support for the employment of people with disabilities at hospitals, in an effort to create additional employment opportunities.

Directors



Representative Director, Chairman, and CEO
Hideharu Sakurai

He first joined Honda Clio Sagami-hara Co., Ltd. (now Honda Cars Kanagawanishi Co., Ltd.) in 1988. In 1995, he established ELAN Corporation and assumed the role of Representative Director. Since the Company's founding, he has systematically developed the hospitalization support set into a business and established Elan as a pioneer. Currently, he is in charge of overseas business in Southeast Asia and new business development in Japan.



Representative Director, President, and COO
Tomohiro Minezaki

Initially joining Yuzo Nakajima Tax Accountant Office in 1997, he then joined Elan in 2003. In 2011, he was appointed Director. Involved in the hospitalization support set business from the start-up phase, he has contributed to business development through sales activities. In 2018, he took control of the Operations Division (in charge of individual billing operations), and from 2020, has made significant contributions to improving business performance as Sales & Marketing Division Manager. Currently, he is in charge of the overall CS Set business in Japan.



Director and CFO
Daiki Akiyama

Initially joining Grant Thornton Yamada & Partners in 2003, he went on to join Elan in 2012. In 2017, he was appointed Business Administration Department Manager of Administration Division. He was appointed Director in 2019. In addition to deep insight into the accounting and financial fields as a certified public accountant, he has contributed enormously to corporate management operations and ongoing business growth as Administration Division Manager. Currently, as CFO, he is in charge of the accounting, finance, legal, and general affairs departments.



Director and CMO
Takao Sakurai

He joined Elan in 2000. In 2019, he was appointed Sales Department Manager of Sales & Marketing Division, and in 2020, he was appointed Executive Officer. Since joining the Company, he has consistently contributed to the development of business through sales activities as a member of the hospitalization support set business since its inception. In holding key positions in Elan's sales department, he has become familiar with the Company's sales activities. Based on these experiences and achievements, he is currently in charge of the CS Set sales department, which has 27 sales offices across seven regions nationwide.



Director and CSO
Akira Ishizuka

He was appointed Managing Director of Medical Care Service Company Inc., in 2010. In 2016, he was appointed Managing Director of Sanko Soflan Co., Ltd. In 2017, he was appointed Executive Officer and CFO of REALWORLD, Inc. then joined Elan in 2019. In addition to his management experience and extensive knowledge in numerous industries, since joining Elan, he has contributed to personnel planning, corporate planning, and other corporate strategy operations. He currently serves as Elan's CSO and Representative Director of Group company Elan Couleur.



Outside Director
Naomi Emori

She began her career in 1980 at the Japanese Red Cross Kyoto Daiichi Hospital. In 2015, she became the Director of Nursing and Deputy Director of Hospital at the University of Fukui Hospital. Since 2019, she has been serving as the District Director of the Japanese Nursing Association and the Chairperson of the Fukui Nursing Association. She has been active in a wide range of fields, from nursing practice to nursing administration, nursing training, research activities, and academic and social activities, engaging in nursing operations at large acute hospitals for many years. She has contributed to Elan's business expansion and new business development by providing advice and guidance from the perspective of nursing and medical care.



Director (Full-time Audit & Supervisory Committee Member)
Hiroshi Eyama

After initially joining Elan in 2007, he joined Sogo Kaikei Co., Ltd., in 2012. In 2016, he returned to Elan, and in 2018, he was appointed Head of Internal Audit Office. He was appointed Full-time Audit & Supervisory Board Member in 2019. In 2020, he was appointed Director (Full-time Audit & Supervisory Committee Member [current]). Based on his specialized knowledge in taxation and accounting, he built the foundation of the accounting department even before the Company's listing, and through internal audit work, he became familiar with business details and management systems, contributing to the expansion and strengthening of Elan's audit system. This knowledge and experience enable him to appropriately perform his duties in supervising the execution of the Company's business operations.



Outside Director (Audit & Supervisory Committee Member)
Nobuyuki Takagi

Initially joining Nomura Securities Co., Ltd., in 1977, he was appointed Outside Audit & Supervisory Board Member of Elan in 2013. In 2020, he was appointed Outside Director (Audit & Supervisory Committee Member [current]). With a background in securities firms, he has extensive insight into the capital markets and uses his background and experience to provide appropriate guidance and auditing. In addition to his position at Elan, he currently serves as an independent outside director (audit committee member) at Chilled & Frozen Logistics Holdings, Co., Ltd., and as an outside director at Nakano Refrigerators Co., Ltd.



Outside Director (Audit & Supervisory Committee Member)
Naohide Aikawa

After registering as an attorney in 2004, he established Aikawa Law Office in 2007. He also became a part-time lecturer in the Shinshu University Faculty of Education. From 2011 to 2014, he was an Adjunct Associate Professor at the Shinshu University Graduate School of Law. In 2014, he was appointed Outside Audit & Supervisory Board Member of Elan, and in 2020, he was appointed Outside Director (Audit & Supervisory Committee Member [current]). With extensive experience and expertise as an attorney, he draws on his background and experience to provide appropriate guidance and auditing.

Skills Matrix

	Hideharu Sakurai	Tomohiro Minezaki	Daiki Akiyama	Takao Sakurai	Akira Ishizuka	Naomi Emori	Hiroshi Eyama	Nobuyuki Takagi	Naohide Aikawa
Overall management	◆							◆	
Industry knowledge	◆	◆		◆	◆	◆			
Marketing and sales	◆	◆		◆	◆				
Legal compliance and risk management			◆				◆		◆
Accounting and finances			◆		◆		◆	◆	
International business	◆								

Skill Item Requirements

Overall management	Possesses a wealth of knowledge and experience necessary to formulate management strategies, and is able to provide appropriate advice
Industry knowledge	Intimately familiar with the medical and nursing care industry, and is able to provide appropriate advice
Marketing and sales	Possesses knowledge and experience in sales and marketing
Legal compliance and risk management	Possesses knowledge and experience with legal- and risk-related matters, or is a licensed attorney
Accounting and finances	Possesses knowledge and experience in finance and accounting; experience working in a financial institution; or professional background as a certified public accountant or licensed tax accountant
International business	Possesses overseas management knowledge and experience; or experience in global management

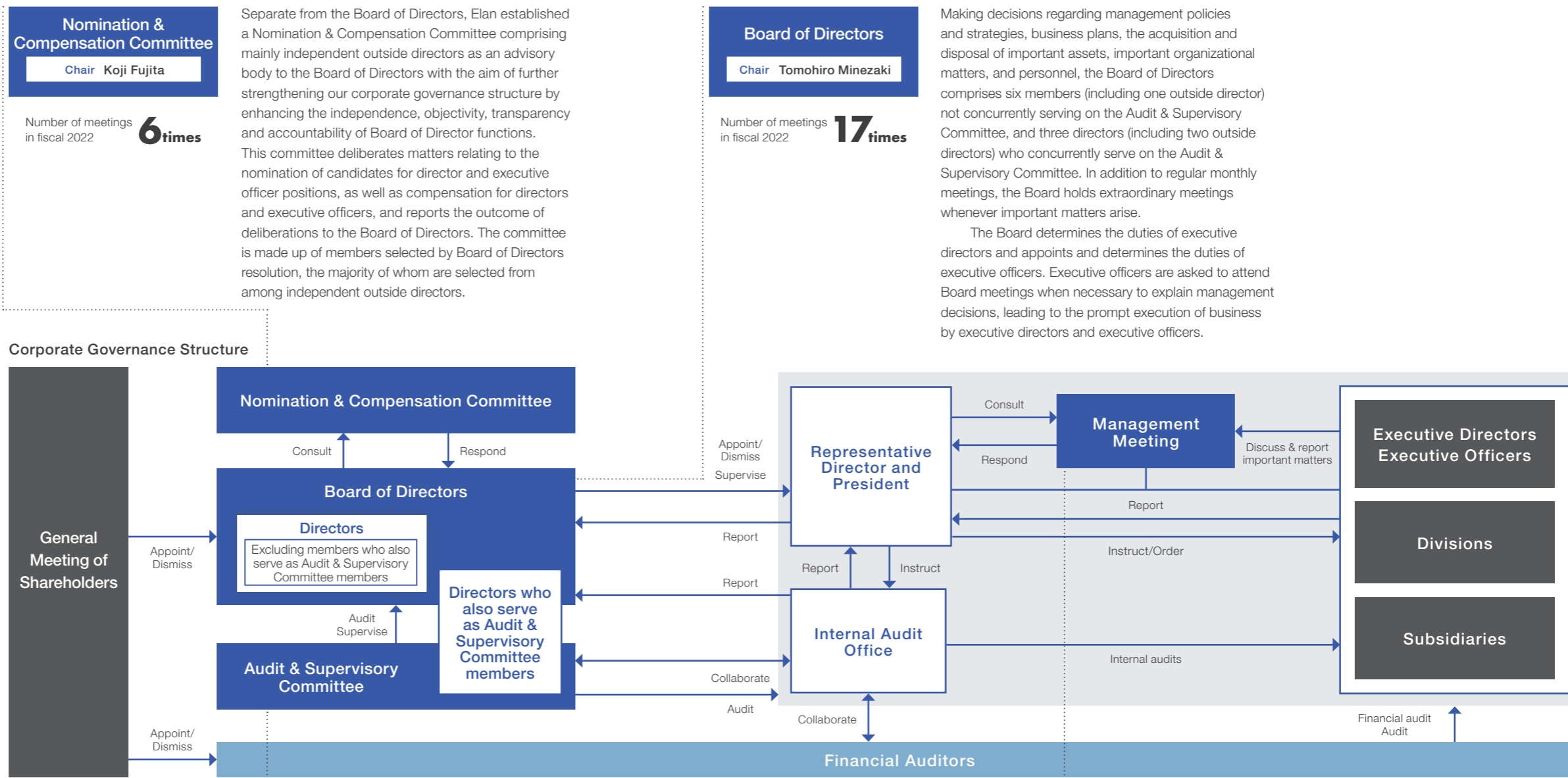
Note: Regardless of specialty and experience of each director, all directors promote, and are engaged in sustainable management

Corporate Governance Basic Policy

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.

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.



Nomination & Compensation Committee

Chair **Koji Fujita**

Number of meetings in fiscal 2022 **6** times

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.

Board of Directors

Chair **Tomohiro Minezaki**

Number of meetings in fiscal 2022 **17** times

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 three directors (including two 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.

Audit & Supervisory Committee

Chair **Hiroshi Eyama**

Number of meetings in fiscal 2022 **12** times

The Audit & Supervisory Committee comprises three directors concurrently serving as Audit & Supervisory Committee members (one full-time Audit & Supervisory Committee member and two 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.

Management Meeting

Chair **Tomohiro Minezaki**

Number of meetings in fiscal 2022 **23** times

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.

Enhancing Board of Director Effectiveness

To enhance Elan's Board of Directors function, we conducted a questionnaire survey among all directors to

analyze and evaluate the effectiveness of the Board of Directors in fiscal 2022.

Evaluation of Effectiveness in Fiscal 2022

Target

Directors (including outside directors) Nine

Target period

January 1, 2022–December 31, 2022

Response method

Five-point scale and free comments

Evaluation items

- ① Board composition (three questions)
- ② Board management (seven questions)
- ③ Board role and responsibility (five questions)
- ④ Nomination & Compensation Committee (seven questions)
- ⑤ Execution of duties by directors themselves (six questions)
- ⑥ Support for directors (three questions)
- ⑦ Other (optional responses)

Evaluation overview

Evaluation details

No items were rated particularly low, and the Board of Directors is generally regarded as conducting and operating effective Board meetings. In fiscal 2022, although nearly all Board meetings were held online due to the pandemic, the evaluations indicate that each director, including outside directors, freely and vigorously expresses opinions based on their individual experiences, knowledge, and abilities, facilitating fruitful discussions. The appropriate supervision provided by outside directors also received high praise.

Further, evaluations indicated that the transition to a Company with an Audit & Supervisory Committee has enabled the Board of Directors to focus deliberations on more important matters, and that, as a precondition for this, matters that have been fully deliberated by the Management Meeting are also brought before the Board of Directors.

Issues and measures aimed at enhancing effectiveness

Some directors indicated that information exchanges and shared awareness among outside directors was insufficient, partly due to the impact of the pandemic. Elan will make improvements to facilitate deeper exchanges of information and shared awareness among independent outside directors, including the establishment of a forum for the exchange of information and other activities comprised solely of independent outside directors.

Director Compensation System

Director Compensation Determination and Procedures

Compensation for executive directors consists of fixed compensation (monthly compensation) set according to position, performance-linked compensation (executive bonuses) that fluctuates according to business performance, and performance-linked stock compensation (executive bonuses) consisting of monetary and stock compensation. Further, Elan has introduced a Board Benefit Trust (BBT) performance-linked stock compensation program for directors and executive officers with the aim of raising awareness of the need to contribute to improved business performance and enhanced corporate value over the medium to long term.

In view of their roles and independence, outside directors and directors who are members of the Audit & Supervisory Committee receive only fixed monthly compensation.

While the procedure for determining compensation for directors who are not Audit & Supervisory Committee members is left to the Representative Director and Chairman by resolution of the Board of Directors, in determining individual compensation for directors who are not Audit & Supervisory Committee members, the Representative Director and Chairman must respect original proposals determined by the Nomination & Compensation Committee.

Additionally, compensation for directors who are Audit & Supervisory Committee members is discussed and determined by the Audit & Supervisory Committee.

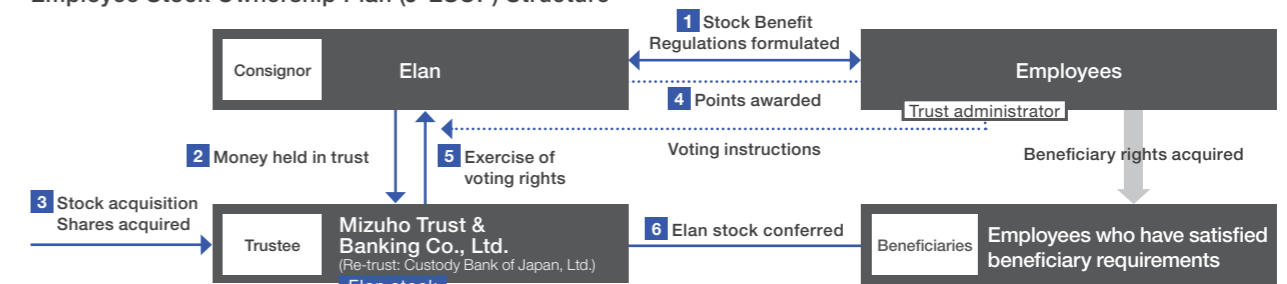
Performance-linked Stock Compensation Program

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.

Employee Stock Ownership Plan (J-ESOP) Structure



Outside Director Message

Aiming to Become a Group that Continues to Grow with Openness and Flexibility

Outside Director (Audit & Supervisory Committee Member) | Naohide Aikawa

From my initial interview before being appointed outside director up to the present day, I have always felt the sense of openness within Elan. If I were to raise an issue to be addressed going forward, it would be that the Company is somewhat lacking in speed when it comes to making passive management decisions, as it takes a long time to reach such decisions. However, this can be considered proof

of Elan's openness, as negative information is shared with external officers in a timely manner without being hidden. Another issue is the need to improve internal controls. If we understand that internal controls are also a mechanism for improving business efficiency, I think Elan has many flexible people who can make the needed improvements quite easily.



Risk Management

We regularly identify risks, assess their significance, and consider countermeasures in light of recent infectious disease

outbreaks, geopolitical risks, and damage from heavy rainfall due to climate change.

Items	Risk details	Countermeasures
Competition with other companies	There is a possibility that competition may intensify as the market grows and new players enter the market.	To avoid price competition that hurts profits, Elan intends to establish a competitive advantage by enhancing added value through the development of optional services for CS Sets and other products.
Product safety	There is a possibility of claims for damages, loss of trust, etc., in the event of serious problems with items included in CS Sets.	In terms of clothing, towels, and other items, in principle, we partner with suppliers who have acquired a medical-related service mark to ensure hygiene and other safety considerations are met. Note: The Japan Health Enterprise Foundation certifies high-quality health-related services with a health-related service mark.
Transactions with specific suppliers	Elan places importance on following a business model that avoids the creation of adversarial relationships, and in principle, we partner with existing suppliers at facilities where CS Sets have been introduced. We gravitate toward high market share suppliers.	We make efforts to maintain good relationships by holding regular meetings and conducting other activities with a wide range of people, from the frontlines to management.
Planned new facility introductions	There is a possibility that the introduction of CS Sets in new facilities may not proceed as planned due to changes in human resources, logistics, relationships with partners, outbreaks of infectious diseases, or other factors.	We aim to diversify new acquisition risks by engaging in direct sales, through referrals from other companies, and the use of various marketing promotions.
Uncollectable trade receivables	There is a possibility of lower collection rates for CS Set usage fees due to worsening economic conditions and other factors.	We will establish a debt collection system capable of withstanding an increase in the number of claims with loan loss provisioning.
Various regulations	There is a possibility that revisions to the Medical Care Act, Health Insurance Act, Long-Term Care Insurance Act, or administrative guidance may affect the provision of Elan services.	A system for checking relevant laws and regulations has been established at the Elan Head Office. Products and operations that may be subject to administrative guidance from regulatory authorities in each prefecture are eliminated.
Personal information management	There is a possibility of personal information leaks and other problems.	We attempt to clarify and thoroughly ensure the proper handling of personal information, management rules, and procedures. Elan has also received Privacy Mark certification.
Future business developments	There is a possibility that new business developments will not proceed as planned.	A dedicated team is working to develop and identify related and peripheral businesses where we can leverage our expertise in the nursing care business.
Human resource retention and development	There is a possibility that human resource retention and development will not proceed as planned.	A dedicated department conducts recruiting activities, with the main focus on hiring new graduates as sales personnel and mid-career hires for other positions. We will maintain a constant focus on human resource development while balancing on- and off- the job training.
Climate change	There is a possibility of lost sales opportunities and higher costs due to climate change.	As noted on P.41, we analyze risks in accordance with the TCFD recommendations. Going forward, our task is to formulate specific response measures.

Compliance

Compliance Training

Compliance training is provided for all employees. Utilizing an external e-learning service, we provide video instruction and confirm comprehension on a quarterly basis. As indicated on

P.38, we aim to achieve high compliance test-taking rates by setting this as a KPI, measuring annual test-taking rates, and disclosing the results on Elan's internal portal site.



Financial Statements Over the Past 11 Years

(Thousands of yen, unless otherwise specified.)

		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	Fiscal 2022 The 29th Term
Profit and loss	Net sales	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	36,264,883
	Gross profit	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	9,027,124
	Selling, general and administrative expenses	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	5,635,885
	Operating profit	305,790	402,689	433,671	588,488	736,069	912,925	1,278,724	1,492,440	2,068,230	2,798,670	3,391,238
	Operating profit margin	6.6%	6.7%	5.8%	6.5%	6.5%	5.9%	6.9%	6.9%	7.9%	8.8%	9.4%
	Ordinary profit	309,227	401,000	434,411	591,406	749,323	923,597	1,282,455	1,501,385	2,148,379	2,818,548	3,411,896
	Profit attributable to owners of parent (Profit)	184,685	247,794	258,894	363,050	500,670	657,726	865,411	989,595	1,446,372	1,905,925	2,082,698
Financial condition	Total assets	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	16,072,150
	Cash and deposits	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	6,036,023
	Interest-bearing debt	262,701	233,186	22,000	0	0	0	0	0	0	0	0
	Equity capital	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	8,989,708
	Equity ratio	32.9%	35.7%	57.0%	57.0%	55.5%	53.6%	54.2%	54.4%	52.9%	53.7%	55.9%
	Accounts receivable - trade	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	4,246,702
	Accounts payable - trade	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	5,567,979
Cash flows	Cash flows from operating activities	86,570	262,623	264,651	323,192	396,367	317,905	1,191,027	779,201	1,947,758	2,106,198	1,581,443
	Cash flows from investing activities	(278,424)	(43,834)	(17,498)	(70,554)	(106,557)	(237,838)	(176,349)	(151,900)	(648,329)	(357,677)	(624,513)
	Free cash flows	(191,854)	218,789	247,153	252,638	289,810	80,067	1,014,678	627,301	1,299,429	1,748,521	956,930
	Cash flows from financing activities	196,690	(40,315)	819,670	(37,685)	(35,376)	(81,989)	(103,919)	(212,625)	(273,824)	(614,149)	(552,958)
Investments, etc.	Capital expenditures	-	-	35,689	60,041	60,547	69,861	124,646	96,788	85,201	83,906	298,006
	Depreciation	18,038	33,292	28,139	29,340	33,900	50,381	60,497	71,389	78,399	80,703	133,579
Per share indicators	Net assets per share (yen)	11.90	16.88	35.98	41.73	49.21	58.48	70.04	82.86	102.05	123.78	148.69
	Profit per share (yen)	3.85	5.16	5.24	6.19	8.50	11.06	14.39	16.33	23.87	31.49	34.45
	Annual dividend per share (yen)	0.2250	0.2500	0.3125	0.8	1.5	2.0	3.5	4.5	7.0	9.0	11.0
	Dividend payout ratio	5.8%	4.8%	6.0%	12.1%	17.6%	18.1%	24.3%	27.6%	29.3%	28.6%	31.9%
Other key data	Return on equity (ROE)	38.2%	35.8%	17.7%	15.9%	18.6%	20.5%	22.4%	21.4%	25.8%	27.9%	25.3%
	Return on assets (ROA)	20.7%	20.0%	14.5%	14.8%	15.7%	15.7%	17.9%	17.6%	20.5%	22.0%	22.7%
	Contracted facilities at fiscal year-end	314	406	516	644	764	992	1,140	1,362	1,614	1,814	2,060
	Hospitals	248	329	419	527	624	805	913	1,056	1,190	1,313	1,439
	Nursing care facilities	46	52	61	70	86	130	156	211	281	332	375
	Others	20	25	36	47	54	57	71	95	143	169	246
	Revenue per facility	14,654	14,839	14,464	13,993	14,931	15,591	16,303	15,799	16,144	17,440	17,604
	Users at fiscal year-end	38,269	53,810	68,704	89,825	120,026	168,410	190,683	225,578	283,555	341,410	379,614
	Cancellations	7	3	4	14	15	31	29	40	30	64	44
	Retention rate	97.8%	99.3%	99.2%	97.9%	98.1%	97.0%	97.5%	97.1%	98.2%	96.6%	97.9%
	Target market penetration rate (facilities with 50 or more beds)	2.3%	3.0%	4.4%	5.4%	5.9%	7.8%	8.8%	10.2%	11.7%	12.8%	13.9%
	Sales bases	7	8	9	10	11	16	19	21	22	24	27
	Number of employees	74	93	115	143	160	232	242	276	290	320	349
Average temporary hires	35	49	71	75	95	121	130	155	168	188	217	

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, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	5,632,051	6,036,023
Accounts receivable - trade	3,891,204	—
Accounts receivable - trade, and contract assets	—	4,246,702
Merchandise	1,068,647	1,242,037
Supplies	11,640	89,609
Accounts receivable - other	1,957,416	2,858,068
Other	55,927	82,090
Allowance for doubtful accounts	Δ486,903	Δ478,813
Total current assets	12,129,983	14,075,718
Non-current assets		
Property, plant and equipment		
Buildings and structures	252,102	315,435
Accumulated depreciation	Δ98,393	Δ110,528
Buildings and structures, net	153,708	204,907
Machinery, equipment and vehicles	60,905	61,747
Accumulated depreciation	Δ26,148	Δ36,916
Machinery, equipment and vehicles, net	34,756	24,831
Land	114,018	269,200
Other	113,420	155,505
Accumulated depreciation	Δ74,819	Δ92,968
Other, net	38,600	62,536
Total property, plant and equipment	341,085	561,475
Intangible assets		
Software	73,066	44,436
Goodwill	9,771	—
Other	22,583	48,035
Total intangible assets	105,421	92,472
Investments and other assets		
Investment securities	941,920	736,797
Deferred tax assets	350,189	463,704
Other	168,518	195,590
Allowance for doubtful accounts	Δ89,318	Δ53,608
Total investments and other assets	1,371,309	1,342,483
Total non-current assets	1,817,816	1,996,431
Total assets	13,947,800	16,072,150
Liabilities		
Current liabilities		
Accounts payable - trade	4,868,493	5,567,979
Accounts payable - other	547,426	559,194
Accrued expenses	69,437	63,122
Income taxes payable	610,067	594,575
Accrued consumption taxes	236,865	135,192
Other	84,773	91,826
Total current liabilities	6,417,063	7,011,890
Non-current liabilities		
Provision for share awards	13,858	20,358
Provision for share awards for directors (and other officers)	31,417	49,757
Other	1,737	434
Total non-current liabilities	47,013	70,551
Total liabilities	6,464,077	7,082,441
Net assets		
Shareholders' equity		
Share capital	573,496	573,496
Capital surplus	543,496	543,496
Retained earnings	6,574,561	8,111,868
Treasury shares	Δ197,189	Δ194,096
Total shareholders' equity	7,494,363	9,034,764
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	Δ10,640	Δ45,055
Total accumulated other comprehensive income	Δ10,640	Δ45,055
Total net assets	7,483,722	8,989,708
Total liabilities and net assets	13,947,800	16,072,150

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended December 31, 2021 (January 1, 2021–December 31, 2021)	Fiscal year ended December 31, 2022 (January 1, 2022–December 31, 2022)
Consolidated Statements of Income		
Net sales	31,635,891	36,264,883
Cost of sales	23,758,949	27,237,759
Gross profit	7,876,942	9,027,124
Selling, general and administrative expenses	5,078,271	5,635,885
Operating profit	2,798,670	3,391,238
Non-operating income		
Gain on sale of non-current assets	1,595	1,027
Subsidy income	3,155	1,000
Late charges income	15,868	13,539
Consulting fee income	—	4,200
Other	5,231	8,059
Total non-operating income	25,851	27,826
Non-operating expenses		
Loss on retirement of non-current assets	1,447	2,330
Loss on investments in investment partnerships	3,159	4,837
Other	1,367	—
Total non-operating expenses	5,974	7,168
Ordinary profit	2,818,548	3,411,896
Extraordinary losses		
Loss on valuation of investment securities	—	376,637
Total extraordinary losses	—	376,637
Profit before income taxes	2,818,548	3,035,259
Income taxes - current	972,590	1,066,076
Income taxes - deferred	Δ59,967	Δ113,515
Total income taxes	912,622	952,560
Profit	1,905,925	2,082,698
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,905,925	2,082,698
Consolidated Statements of Comprehensive Income		
Profit	1,905,925	2,082,698
Other comprehensive income		
Valuation difference on available-for-sale securities	14,657	Δ34,414
Total other comprehensive income	14,657	Δ34,414
Comprehensive income	1,920,582	2,048,283
(Breakdown)		
Comprehensive income attributable to owners of parent	1,920,582	2,048,283
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

(Thousands of yen)

Fiscal year ended December 31, 2021 (January 1, 2021–December 31, 2021) Fiscal year ended December 31, 2022 (January 1, 2022–December 31, 2022)

Cash Flows from Operating Activities		
Profit before income taxes	2,818,548	3,035,259
Depreciation	80,703	133,579
Amortization of goodwill	39,085	9,771
Increase (Δdecrease) in allowance for doubtful accounts	74,906	Δ43,800
Increase (Δdecrease) in provision for share awards	13,858	6,500
Increase (Δdecrease) in provision for share awards for directors (and other officers)	31,417	18,340
Interest and dividend income	Δ53	Δ61
Loss (Δgain) on investments in investment partnerships	3,159	4,837
Loss (Δgain) on valuation of investment securities	—	376,637
Loss (Δgain) on sale of non-current assets	Δ1,595	Δ1,027
Loss on retirement of non-current assets	1,447	2,330
Decrease (Δincrease) in trade receivables	Δ787,274	Δ1,176,493
Decrease (Δincrease) in inventories	Δ84,933	Δ251,359
Decrease (Δincrease) in other current assets	Δ19,714	Δ68,229
Increase (Δdecrease) in trade payables	710,546	699,485
Increase (Δdecrease) in accounts payable - other	40,242	10,700
Increase (Δdecrease) in other current liabilities	100,454	Δ91,771
Other, net	1,609	Δ1,339
Subtotal	3,022,409	2,663,358
Interest and dividends received	54	61
Income taxes paid	Δ916,265	Δ1,081,977
Net cash provided by (used in) operating activities	2,106,198	1,581,443
Cash Flows from Investing Activities		
Payments into time deposits	Δ24,291	Δ24,291
Proceeds from withdrawal of time deposits	24,289	24,291
Purchase of property, plant and equipment	Δ56,644	Δ318,395
Proceeds from sale of property, plant and equipment	1,967	1,463
Purchase of investment securities	Δ267,891	Δ210,766
Purchase of intangible assets	Δ21,344	Δ28,907
Payments of leasehold deposits	Δ12,116	Δ70,236
Proceeds from refund of leasehold deposits	660	2,677
Other, net	Δ2,306	Δ347
Net cash provided by (used in) investing activities	Δ357,677	Δ624,513
Cash Flows from Financing Activities		
Decrease (Δincrease) in treasury shares	Δ196,869	3,093
Dividends paid	Δ415,976	Δ554,748
Repayments of lease liabilities	Δ1,302	Δ1,302
Net cash provided by (used in) financing activities	Δ614,149	Δ552,958
Net increase (Δdecrease) in cash and cash equivalents	1,134,371	403,971
Cash and cash equivalents at beginning of period	4,473,388	5,607,760
Cash and cash equivalents at end of period	5,607,760	6,011,732

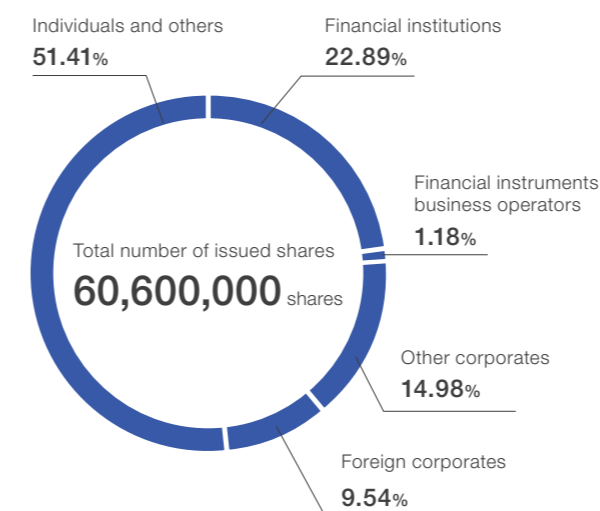
Company Information

(As of December 31, 2022)

Company Overview			
Company name	ELAN Corporation	Nursing care business	
Headquarters	15-12 Idegawa, Matsumoto, Nagano Prefecture	Business description	<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 "lifte" ■ Kikumimi, a consultation service specializing in hospital admissions and ■ Elan Online Shop, a mail-order site for nursing care products
Founded	February 6, 1995		
Capital	573,496,250 yen		
Employees	566	Group companies	<ul style="list-style-type: none"> ELAN Service Corporation Ryukyu ELAN Corporation ELAN COULEUR 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, 2022)

Shareholding status by owner



Top shareholders

Rank	Shareholder name	Shares held	Shareholding ratio
1	Hideharu Sakurai	12,000,000	19.80
2	Nobuhiro Nakajima	9,240,000	15.25
3	Custody Bank of Japan, Ltd. (Trust account)	6,292,900	10.38
4	The Master Trust Bank of Japan, Ltd. (Trust account)	5,965,400	9.84
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	Sato Yukio	600,000	0.99
9	BNP PARIBAS LUXEMBOURG/2S / JASDEC SECURITIES/UCITS ASSETS	559,900	0.92
10	Aozora Bank, Ltd.	500,700	0.83

Note: Shareholding ratio calculation excludes treasury stock (969 shares). Treasury stock (969 shares) does not include Elan shares (137,800 shares) held by the stock benefit trusts (BBT and J-ESOP).