Translation
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Annual Securities Report

(Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan)

Fiscal Year (31th Business Term)	From January 1, 2024 to December 31, 2024

ELAN Corporation

15-12 Idegawa-machi, Matsumoto-shi, Nagano. 390-0826 Japan

(E30929)

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Part I [Company Information]

I. [Company Overview]

1. [Key Financial Data]

(1) Consolidated Financial Data

Business Year		27th	28th	29th	30th	31th
Year End		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Thousands of yen)	26,056,360	31,635,891	36,264,883	41,425,501	47,513,703
Ordinary profit	(Thousands of yen)	2,148,379	2,818,548	3,411,896	3,681,575	3,544,987
Profit attributable to owners of parent	(Thousands of yen)	1,446,372	1,905,925	2,082,698	2,518,738	2,354,670
Comprehensive income	(Thousands of yen)	1,435,956	1,920,582	2,048,283	2,491,272	2,472,627
Net assets	(Thousands of yen)	6,184,203	7,483,722	8,989,708	10,814,362	12,501,850
Total assets	(Thousands of yen)	11,689,074	13,947,800	16,072,150	18,993,237	21,605,967
Net assets per share	(Yen)	102.05	123.78	148.69	178.86	206.77
Earnings per share	(Yen)	23.87	31.49	34.45	41.66	38.94
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	52.9	53.7	55.9	56.9	57.9
Return on equity	(%)	25.8	27.9	25.3	25.4	20.2
Price-to-earnings ratio	(times)	62.80	35.24	27.23	26.79	18.95
Net cash provided by (used in) operating activities	(Thousands of yen)	1,947,758	2,106,198	1,581,443	1,780,782	4,500,060
Net cash provided by (used in) investing activities	(Thousands of yen)	(648,329)	(357,677)	(624,513)	(1,661,156)	(2,233,510)
Net cash provided by (used in) financing activities	(Thousands of yen)	(273,824)	(614,149)	(552,958)	(667,086)	(849,533)
Cash and cash equivalents at the end of period	(Thousands of yen)	4,473,388	5,607,760	6,011,732	5,464,270	6,825,105
Number of employees (Average number of temporary employees not included in the above)	(Persons)	290 (168)	320 (188)	349 (217)	378 (319)	676 (474)

(Note 1) The Company conducted a 2-for-1 split of its common stock, in effect from January 1, 2021. Net assets per share, earnings per share and diluted earnings per share are calculated on the basis that stock splits were conducted at the beginning of the 27th business year.

(Note 2) Diluted net income per share is not shown in the table above, as there are no residual shares.

(Note 3) Calculation of net assets per share for the 28th and subsequent business year includes treasury shares deducted from the Company-issued shares at the end of the period remaining in trust recorded as treasury shares under shareholders' equity. Moreover, the calculation of earnings per share includes shares remaining in trust in treasury shares that deducted from the calculation of the average number of shares during the period.

(2) Key Financial Data of Reporting Company

Business Year		27th	28th	29th	30th	31th
Year End		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Thousands of yen)	26,055,807	31,608,553	36,203,339	41,341,828	47,112,144
Ordinary profit	(Thousands of yen)	1,987,081	2,588,817	3,229,845	3,409,475	3,279,097
Profit	(Thousands of yen)	1,641,736	1,767,100	2,001,352	2,361,998	2,354,518
Share capital	(Thousands of yen)	573,496	573,496	573,496	573,496	573,496
Total number of issued shares	(Shares)	30,300,000	60,600,000	60,600,000	60,600,000	60,600,000
Net assets	(Thousands of yen)	6,057,624	7,218,318	8,642,958	10,310,873	11,952,476
Total assets	(Thousands of yen)	11,622,998	13,618,027	15,716,340	18,477,837	20,650,268
Net assets per share	(Yen)	99.96	119.39	142.95	170.54	197.68
Total dividends per share (Interim dividends per share)	(Yen)	14.00 (−)	9.00 (−)	11.00 (−)	13.00 (−)	13.00 (−)
Earnings per share	(Yen)	27.09	29.20	33.10	39.07	38.94
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	52.1	53.0	55.0	55.8	57.9
Return on equity	(%)	30.5	26.6	25.2	24.9	21.2
Price-to-earnings ratio	(Times)	55.33	38.01	28.34	28.56	18.95
Dividend payout ratio	(%)	25.8	30.8	33.2	33.3	33.4
Number of employees Average number of temporary employees (not included in the number of employees)	(Persons)	235 (55)	262 (65)	280 (78)	291 (96)	303 (84)
Total shareholder return (Benchmark: TOPIX [incl. dividends])	(%) (%)	187.1 (107.4)	139.9 (121.1)	119.9 (118.1)	143.6 (151.5)	98.3 (182.5)
Highest share price	(Yen)	1,552 (3,260)	1,736	1,180	1,127	1,118
Lowest share price	(Yen)	1,485 (999)	1,028	887	721	666

(Note 1) The Company conducted a 2-for-1 split of its common stock, in effect from January 1, 2021. Net assets per share, earnings per share and diluted earnings per share are calculated on the basis that stock splits were conducted at the beginning of the 27th business year.

(Note 2) Diluted net income per share is not shown in the table above, as there are no residual shares.

(Note 3) Calculation of net assets per share for the 28th and subsequent business year includes treasury shares deducted from the Company-issued shares at the end of the period remaining in trust recorded as treasury shares under shareholders' equity. Moreover, the calculation of earnings per share includes shares remaining in trust in treasury shares that deducted from the average number of shares during the period.

(Note 4) The highest and lowest share prices are those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022, and those on the Tokyo Stock Exchange (First Section) before that.

(Note 5) The Company conducted a 2-for-1 split of its common stock, in effect from January 1, 2021. The highest and lowest share prices for the 27th business year are shown after the stock split, with the highest and lowest share prices before the stock split are shown in parentheses.

2. [Company History]

Month/Year	Events
February 1995	Limited Company Elan established for bedding sales in Sagamihara City, Kanagawa Prefecture
September 1997	Head Office relocated to Zama City, Kanagawa Prefecture, for business expansion
October 1997	Organization changed to ELAN Corporation
November 1998	Matsumoto Branch opened in Matsumoto City, Nagano Prefecture (Minamihara)
	Launched bedding renewal business
June 2001	Head Office relocated to Matsumoto City, Nagano Prefecture (Minamihara), to expand the bedding renewal business
August 2001	Nagano Branch opened in Nagano City, Nagano Prefecture, to expand the bedding renewal business
May 2003	Sagamihara Branch opened in Chuo Ward, Sagamihara City, Kanagawa Prefecture
	Launched nursing care and medical-related business
	Launched CS Set services in Sagamihara Branch
January 2006	Launched CS Set services in Matsumoto Head Office
December 2006	Nagano Branch closed (integrated into Matsumoto Head Office)
	Reduced the scales of the bedding sales and bedding renewal businesses to concentrate management resources on the nursing care and medical-related business
September 2008	Head Office relocated to Matsumoto City, Nagano Prefecture (Takamiya-higashi)
October 2008	Kanazawa Branch opened in Kanazawa City, Ishikawa Prefecture
April 2009	Nagoya Branch opened in Naka Ward, Nagoya City, Aichi Prefecture
February 2010	Hiroshima Branch opened in Naka Ward, Hiroshima City, Hiroshima Prefecture
March 2011	Osaka Branch opened in Suita City, Osaka Prefecture
March 2012	Shikoku Branch (currently Takamatsu Branch) opened in Takamatsu City, Kagawa Prefecture
September 2012	Head Office relocated to Matsumoto City, Nagano Prefecture (Idegawa Town)
January 2013	Launched education and recreation set services in Sagamihara Branch
March 2013	Fukuoka Branch opened in Hakata Ward, Fukuoka City, Fukuoka Prefecture
April 2014	Sapporo Branch opened in Shiroishi Ward, Sapporo City, Hokkaido
November 2014	Listed on the Tokyo Stock Exchange Mothers Market
March 2015	Saitama Branch opened in Omiya Ward, Saitama City, Saitama Prefecture
November 2015	Listed market changed to the Tokyo Stock Exchange First Section
July 2016	Tokyo Office opened in Minato Ward, Tokyo
February 2017	LTASK Corporation made into a subsidiary
July 2017	Niigata Branch opened in Niigata City, Niigata Prefecture
November 2017	Okayama Branch opened in Okayama City, Okayama Prefecture

Month/Year	Events
July 2018	Tokyo Branch opened in Minato Ward, Tokyo
September 2018	ELAN Service Corporation established as a wholly owned subsidiary to diversify individual invoices and the customer support unit
November 2018	Minamikyushu Sales Office of the Fukuoka Branch (currently Minamikyushu Branch) opened in Kumamoto City, Kumamoto Prefecture
July 2019	Hakodate Sales Office of LTASK Corporation's Hirosaki Branch opened in Hakodate City, Hokkaido
August 2019	Shizuoka Branch opened in Shizuoka City, Shizuoka Prefecture
January 2020	LTASK Corporation absorbed through a merger
June 2020	Distribution Center opened in Yokohama City, Kanagawa Prefecture
November 2020	Okinawa Branch opened in Naha City, Okinawa Prefecture
April 2021	Ryukyu ELAN Corporation established as a wholly owned subsidiary
November 2021	Chiba Branch opened in Chiba City, Chiba Prefecture
April 2022	Transitioned to "Prime Market" of the Tokyo Stock Exchange from "First Section" due to market reclassification by the Tokyo Stock Exchange.
September 2022	Distribution Center relocated to Sagamihara City, Kanagawa Prefecture
October 2022	Matsumoto Branch opened in Matsumoto City, Nagano Prefecture
November 2022	Matsuyama Branch opened in Matsuyama City, Ehime Prefecture
December 2022	Tokyo Office relocated to Chuo Ward, Tokyo
January 2023	ELAN COULEUR Corporation established as a wholly owned subsidiary
October 2023	ELAN LOGISTICS Corporation established as a wholly owned subsidiary
November 2023	Kushiro Sales Office opened in Kushiro City, Hokkaido
August 2024	GREEN LAUNDRY JOINT STOCK COMPANY became a subsidiary of Elan Corporation
October 2024	M3, Inc. became the parent company of Elan Corporation through takeover bid
November 2024	Koriyama Sales Office opened in Koriyama City, Fukushima
January 2025	TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY became a subsidiary of Elan Corporation

3. [Business Description]

The following descriptions relate to the main businesses operated by the Group, its subsidiaries and affiliates as of the end of the fiscal year under review.

The Company provides services for rental with laundry service of clothes, towels, etc. combined with supply of daily necessities as a set called the “CS (Care Support) Set” (hereinafter, the “CS Set”) to persons admitted to hospitals and persons to long-term health care facilities and intensive care homes for the elderly, fee-based nursing homes, group homes, care houses and other nursing care facilities (hereinafter, “nursing facilities for the elderly and other such facilities”).

More specifically, CS Set is the name of the service combining the lending of clothing and towels with the sale of daily necessities instead of the actual users providing their own during hospitalization or residential care. This eliminates the need for the patient and their family members to worry about washing or changing clothes and towels, or replenishing daily necessities, during hospitalization or residential care, allowing the patient to be admitted to a hospital or care facility “empty handed” and leave “empty handed.” Another important feature is that fees are calculated based on the number of days of hospitalization or residential care, rather than on how much a customer used and what items. By utilizing a fixed daily fee system, patients can be relieved of concerns about how often they should wash or change clothes and towels, or how much they use daily necessities during their hospitalization or residential care. We also believe that it offers advantages for users, including the ease of calculating costs for living in a hospital or residential care facility.

Users enter into a contract with the Group when they are hospitalized or admitted, with a portion of the CS Set service operation provided by hospitals, nursing care facilities, or other such facilities for the elderly, as well as the linen suppliers (businesses that supply linen products such as clothing, towels, sheets, and pillowcases) and daily necessities distributors (collectively “linen and other suppliers”).

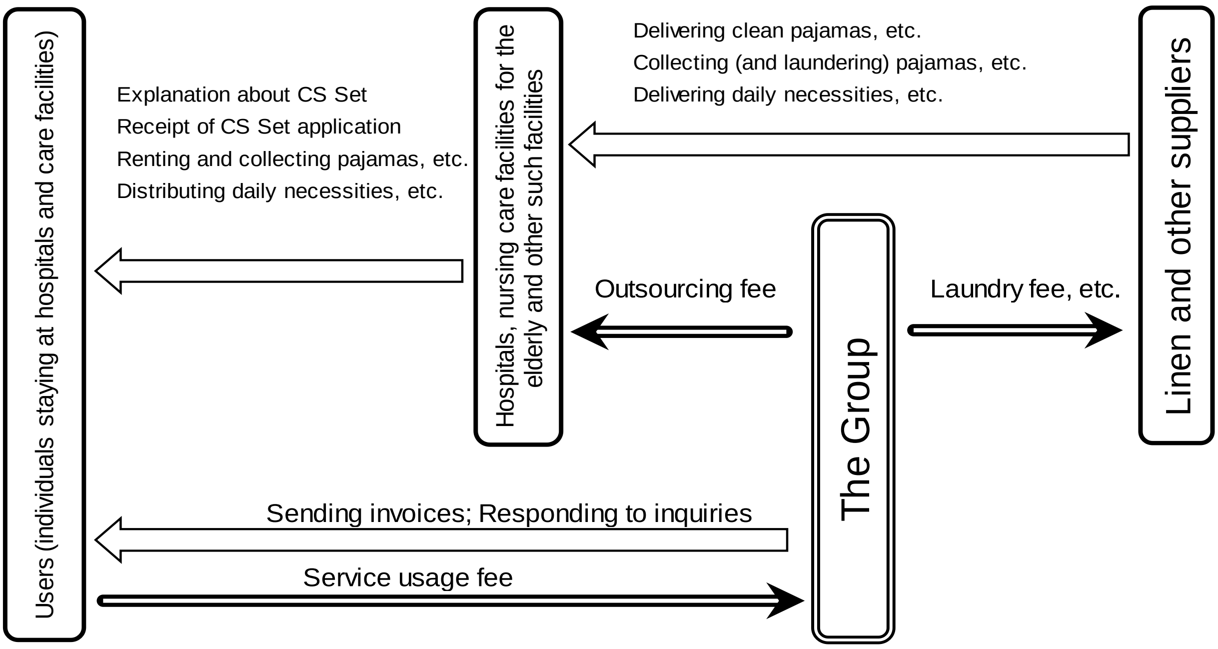
When introducing a CS Set, the Group designs a plan for its component items and other elements, provides operational support to hospitals, nursing care facilities for the elderly or other such facilities , and arranges for the delivery of pajamas to linen and other suppliers. After the introduction, the Group collects usage fees from users and responds to inquiries and conducts other tasks.

Hospitals, nursing care facilities or other such facilities provide a place to store the CS Set’s component items, explain the CS Set to users, accepts their application, rents/collects pajamas, etc., and distributes daily necessities. The Group pays an outsourcing fee as consideration for these tasks to hospitals, nursing care facilities or other such facilities for the elderly.

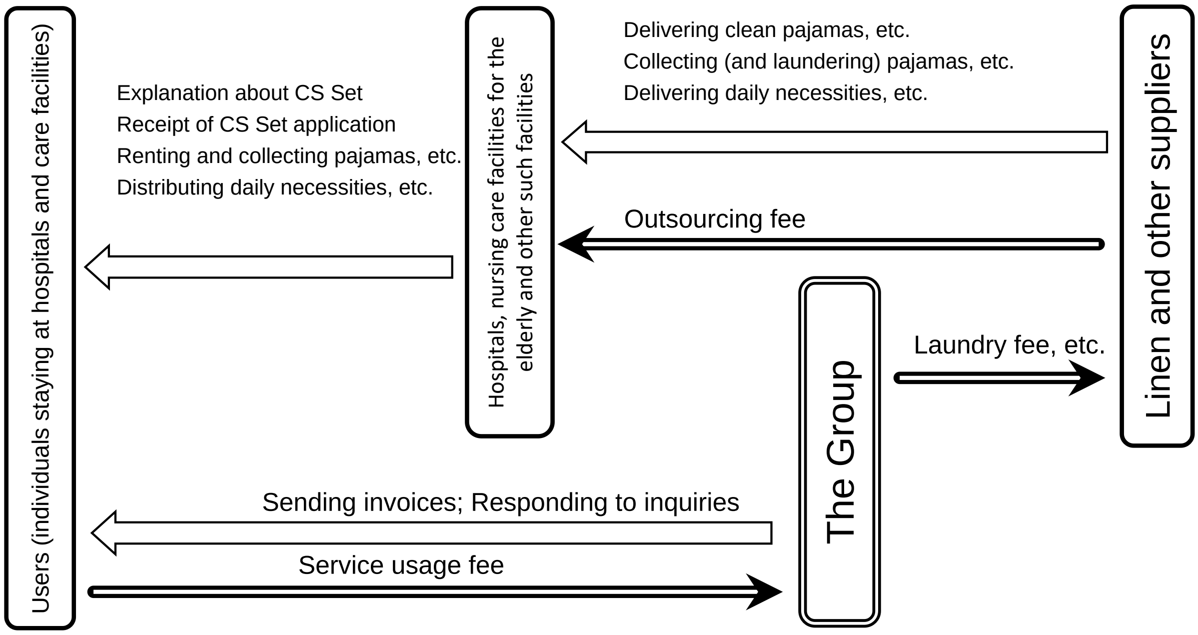
Linen and other suppliers deliver laundered pajamas, daily necessities, etc., to locations designated by hospitals, nursing care facilities or other such facilities for the elderly, and collect and launder pajamas, after use. The Group pays a laundry fee as consideration for these tasks to the linen and other suppliers.

The following charts outline the business.

(In the case of ELAN as the contractor)



(In the case of supplier as the contractor)



(About ELAN as the contractor or supplier as the contractor)

Commercial distribution of the CS Set is broadly divided into two forms of transaction according to the different forms of agreement with hospitals, nursing care facilities for the elderly and other such facilities and with linen and other suppliers.

i. Form where the ELAN Group directly contracts with hospitals, nursing care facilities for the elderly and other such facilities (ELAN as the contractor)
ii. Form where linen and other suppliers are the parties contracting with hospitals, nursing care facilities for the elderly and other such facilities, and the ELAN Group has no direct contractual relationship with the hospitals, nursing care facilities for the elderly and other such facilities (supplier as the contractor)

The above forms of transaction have differences, such as in the way of contact with the hospitals, nursing care facilities for the elderly and other such facilities, but there is no difference in the roles of each of the relevant parties in terms of the CS Set management.

The Group believes that this business is notable in that we can provide benefits not only to CS Set users and their families but also to hospitals, nursing care facilities for the elderly and other such facilities, as well as linen and other suppliers, and that the Group can play a central role in building win-win relationships.

i. Benefits for Hospitals, Nursing Care Facilities for the Elderly and Other Such Facilities

When hospitals, nursing care facilities for the elderly and other such facilities charge persons admitted to the hospitals or facilities for services that are not covered by insurance, they are required to take strict measures in accordance with administrative guidance from the Ministry of Health, Labor and Welfare. The Group provides this service in a format that conforms to the administrative guidance. By adopting this service, hospitals and facilities can mitigate workloads on nurses, caregivers and others who oversee on-site laundry, replenishment of daily necessities, etc. In addition, the ELAN Group outsources the explanation about this service to persons admitted to the hospital or facility, reception of applications for the service from the same, and the storage of goods to hospitals, nursing care facilities for the elderly and other such facilities. The contractor then receives an outsourcing fee, thus contributing to the profitability of the hospitals, nursing facilities for the elderly and other such facilities adopting the service.

ii. Benefits for Linen and Other Suppliers

Linen and other suppliers are contracted by hospitals, nursing care facilities for the elderly and other such facilities to deliver and launder bedding covered by medical insurance and long-term care insurance (futons, comforters, sheets, pillows, and pillowcases). This service provides linen and other suppliers with new opportunities previously unavailable to them to earn revenue through the lease of daily-use towels and clothes, laundry services, and sale of daily necessities included in CS Sets.

4. [Information on Subsidiaries and Affiliates]

As of December 31, 2024

Name	Address	Share capital	Main Business	Ownership of Voting rights	Relationship
(Parent Company) M3,Inc. (Note 2)	Minato City, Tokyo	29,317 Millions of yen	Delivering medical services conducting online operations	(Owned by) 55.02%	-
(Consolidated subsidiaries) ELAN Service Corporation	Matsumoto City, Nagano Prefecture	10 Millions of yen	Nursing Care and Medical-Related Business	100.00%	Concurrent directors
(Consolidated subsidiaries) Ryukyu ELAN Corporation	Naha City, Okinawa Prefecture	45 Millions of yen	Same as above	100.00%	Concurrent directors
(Consolidated subsidiaries) ELAN COULEUR Corporation	Matsumoto City, Nagano Prefecture	30 Millions of yen	Same as above	100.00%	Concurrent directors
(Consolidated subsidiaries) ELAN LOGISTICS Corporation	Midori Ward, Sagamihara City, Kanagawa Prefecture	30 Millions of yen	Same as above	100.00%	Concurrent directors
(Consolidated subsidiaries) GREEN LAUNDRY JOINT STOCK COMPANY	Socialist Republic of Vietnam	8,000 (Millions of Vietnamese dong)	Laundry service for hospitals	100.00%	Concurrent directors

(Note 1) The “Main Business” presents the name of business segments.

(Note 2) M3, Inc. files Annual Securities Report.

(Note 3) TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY became a subsidiary on January 21, 2025.

5. [Employees]

(1) Consolidated Companies

As of December 31, 2024

Name of Business Segment	Number of Employees
Nursing care and medical-related business	416 (474)
Others	260 (-)
Total	676 (474)

(Note 1) “Number of employees” represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and those dispatched from personnel dispatch companies) employed during the fiscal year 2024 is provided in parentheses.

(Note 2) The primary reasons for the increase in the number of employees and temporary workers compared to the previous consolidated fiscal year are the consolidation of 'GREEN LAUNDRY JOINT STOCK COMPANY' as a subsidiary, and the increase in new graduates and temporary employees due to business expansion.

(2) Non-Consolidated (Reporting Company)

As of December 31, 2024

Number of Employees	Average Age	Average Length of Service (Year)	Average Annual Pay (Thousands of Yen)
303 (84)	35.3	5.2	5,439

Since segment information is not presented, the following table shows employees by department.

Department Name	Number of Employees
Sales department	200 (66)
Management department	103 (18)
Total	303 (84)

(Note 1) "Number of employees" represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and those dispatched from personnel dispatch companies) employed during the fiscal year is provided in parentheses.

(Note 2) Segment information is omitted because the Company has a single segment — the nursing care and medical-related business.

(Note 3) "Average Annual Pay" includes bonuses and non-regular wages.

(Note 4) The primary reason for the increase in the number of employees compared to the previous fiscal year is the increase in hiring new graduates due to business expansion. The decrease in the number of temporary employees (including part-time and contract employees) is mainly attributed to personnel reassignments resulting from organizational restructuring.

(3) Labor Unions

Labor relations are stable, though a labor union has not been formed.

(4) Ratio of Female Employees in Management Positions, Ratio of Male Employees taking Childcare Leave, and Wage Differences between Male and Female Employees

[1] Filing Company

FY 2024				
Ratio of Female Employees in Management Positions (%) (Note 1).	Ratio of Male Employees taking Childcare Leave (%) (Note 2).	Wage Differences between Male and Female Employees (%) (Note) 1 .		
		All Employees	Of which, Regular Employees	Of which, Part-time and Fixed-term Employees
7.2	62.5	57.9	72.0	105.6

(Note 1) Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

(Note 2) Calculated as the "Ratio of Childcare Leave taken" in Item 1 of Article 71-4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

[2] Consolidated Subsidiaries

For consolidated subsidiaries, this information is omitted because it is not subject to disclosure requirements under the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015) and the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

II. [Business Overview]

1. [Management Policy, Business Environment, Other Issues to Be Addressed]

Forward-looking statements in this document reflect the judgment of the Group as of the date of this document's filing.

(1) Management Policy

The Group's management philosophy is that we will pursue the best products and services to satisfy our customers and contribute to the realization of an enriching living environment through our passionate actions. With this, the Group focuses its business activities on the provision of CS Sets, its mainstay product. The Group's basic policy is to maximize corporate value by providing products and services that meet the needs of its customers, thereby further strengthening its competitiveness and meeting the expectations of shareholders, employees, and other stakeholders.

(2) Management Strategy

The ELAN Group is engaged in the nursing care and medical-related business (CS Set) to realize a society in which people live fulfilling lives as stated in its management philosophy, and the Group believes it is essential to take appropriate action going forward in response to a range of business risks, which can include future changes in government policies, revision of law, and the emergence of new market entrants.

In its medium-to-long term management strategy, the Company will, for the time being, focus on expanding the market share of its CS Sets across Japan. It will continue to make improvements to this service, adding to its appeal for CS Set users, hospitals, and other stakeholders, and build greater sales to make CS Sets available to as many people as possible. Another important issue is the development of new value-added products. The Group will also promote entry into new businesses, including via business alliances and M&A, harnessing the personal information of CS Set users and strong relationships with hospitals and other stakeholders. While expenses for personnel and other areas are increasing in accordance with the Group's expanding business and growing sales, it will also strive to improve productivity, including systemization.

Furthermore, the Company will proactively consider business development in emerging countries that are experiencing remarkable economic growth, such as India and Southeast Asian countries.

(3) Business Environment

The economy of Japan has been gradually recovering during the current fiscal year, accompanied by economic normalization, improved environment for employment and income, and various effective government policies. In contrast, there are still opaque downward risks for further business conditions such as inflation in resources, energies, and commodities driven by unstable global world affairs and influences in world currency markets.

In the medical and nursing care industry in which the Group operates is under steady progress in aging of the population as evidenced by such factors as the population aged 65 years and over of 36.21 million accounting for 29.3% of the total population as of January 1, 2025 (January 2025 Monthly Report of Population Estimates by the Statistics Bureau of the Ministry of Internal Affairs and Communications), the market size for services that concerning the Group is likely to expand.

(4) Priority Business and Financial Issues to Be Addressed

The CS Set, the Group's core business, is "a service that combines rental of clothes and towels with laundry service and provision of daily necessities," and solves customers' "problems" while bringing "smiles" to their faces.

With regard to the future business environment surrounding the Group, although the growth in Japan's elderly population is expected to result in continued and more rapid expansion in the overall market for the medical and nursing care industry, the Group does not believe this is a situation that can be viewed with optimism. Future changes in government policies or revision of laws may have a significant impact on the Group's business, or competition may intensify with the emergence of new entrants with a similar business format. To cope with these external changes, the Group newly joined M3, Inc in October 2024.

Our group will attempt to further expand business through synergies with M3, Inc and strive for the following to increase the value of our Group in medium-to-long term vision

i. Nationwide Sales Network Development and Business Continuity Measures

The Group opened Koriyama Sales Office in November 2024. With the opening of Koriyama Sales office, the Group's provision of more tailored, localized and prompt services was facilitated within Southern Tohoku region.

As a result of the planned opening of new branches and the splitting of large branches ongoing for several years, the Company has 29 locations in Japan as of December 31, 2024. These locations are focused on sales of the CS Sets to hospitals, nursing facilities for the elderly, and other such facilities across Japan. Additionally, consolidating with M3, Inc. has made it possible to deliver proposals that is more tailored, localized and prompted, to hospitals, nursing facilities for the elderly, and other such facilities across Japan. Going forward, the Group will continue to establish a system to provide more tailored, localized and prompted services.

In addition, disasters such as typhoons, heavy rainfall, and heavy snowfall are expected to increase as the impact of climate change expands on a global scale. In Japan, there is also concern about the risk of large-scale earthquake disasters, which are a unique threat to volcanic islands. Furthermore, preparations need to be made to cope with future outbreaks of new infectious diseases. The risks of disruption to socioeconomic activity posed by such natural disasters and pandemics are also critical business risks for the Group. During periods of normal operation, the Group therefore undertakes initiatives such as strengthening its information systems, decentralizing its back-office operations, and building early recovery systems. Subsequently, the Group established a Kansai distribution center of ELAN LOGISTICS Corporation which is a subsidiary of our Group in Osaka prefecture in April 2024.

The Group will continue to work together to strengthen its organization and thus ensure stable business continuity in the event of business risks being materialized.

ii. Improvement of Profitability by Reflecting Cost Increases in Customer Pricing and Promoting Systemization

The CS Set is a made-to-order service in which various specifications are determined separately for each facility to be served. And as the needs for the CS Set diversification, the Group was called on to assign permanent reception staff to facilities and to outsource the delivery of daily supplies. The cost-of-sales ratio tends to increase due to higher costs associated with such diversification of needs, as well as higher procurement costs resulting from the recent rise in labor costs and prices. Similarly, the SG&A ratio has trended upward as growth in CS Set users has resulted in increased back-office operations and personnel expenses in recent years.

Against this backdrop, the Group recognizes that efforts to reflect higher costs into user prices, enhance the added value of its services, and increase productivity by promoting systemization will be essential to improve its corporate value over the medium to long term.

To ensure cost increases are passed on appropriately to service users, the Group will continue to provide detailed explanations for service users, contracted facilities, related personnel, and strive to foster an understanding of the price increases.

Furthermore, the Group will continue to promote systemization in IT and DX to enhance productivity in operations by capitalizing on the know-how of M3, Inc.

iii. Improvement in Customer Satisfaction

The Group's customers are individuals who are inpatients at hospitals and residents of nursing facilities for the elderly and other such facilities. Therefore, the Group recognizes the importance of increasing the level of customer satisfaction among these individuals.

As examples of actions taken to increase customer satisfaction, the Group conducts periodic customer satisfaction surveys to investigate customer satisfaction levels, diversifies payment methods, including credit card payment, and offers multilingual telephone support at ELAN Service Corporation for inquiries from non-Japanese individuals. The Group is also actively working to increase customer satisfaction by extending the operating hours of its contact centers.

The Group will continue to take action to enhance customer satisfaction for CS Set users, who are our customers.

iv. New Business Development

The CS Set, the Group's core business, is a service that solves customers' "problems" and brings "smiles" to their faces, and the Group has been continuously striving to enhance its quality.

To bring even more smiles to the faces of its customers in the future, the Group will seek for further improvements that the added value it provides through efforts such as expanding the adoption of its original patient wear "lifte," providing home care support sets, and developing new services that take advantage of ELAN HOTLINE TV. Furthermore, we will concentrate on creating new business domains, including the development of platforms that provide essential services throughout a customer's lifetime by capitalizing the strengths of M3, Inc. in the IT field.

v. Overseas Expansion

The Group has previously invested in companies such as an Indian laundry service provider and has continued to explore opportunities for overseas expansion.

In January 2024, we acquired GREEN LAUNDRY JOINT STOCK COMPANY in Vietnam that offers laundering services to major hospitals and became a subsidiary of Elan Corporation in August 2024. What's more, the Elan Corporation further acquired TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY as a subsidiary which offers the same laundry services as GREEN LAUNDRY JOINT STOCK COMPANY.

Vietnam is expected to enjoy population growth and economic expansion going forward, but the country will also eventually face an aging population as its average life expectancy and average age increase in the future. Following this trend, the number of medical institutions and hospital beds in the country are expected to increase alongside further growth in demand for healthcare-related services.

Through overseas investments, the Group aims to strengthen initiatives to develop its global presence, and expand the adoption of its flagship CS Set service overseas by capitalizing on the know-how of M3, Inc.

vi. Developing Human Resources

The Group recognizes that there is no corporate growth without the growth of its employees and that employee growth through employee education and development is an essential and important issue for the lasting growth of the Group therefore disclosing information about initiatives of human resources.

In addition, the Group is attempting for practical human resources education (on-the-job training, or OJT) in which employees receive direct guidance from senior employees. Besides, the Group has established a mentor system as an educational program for new graduates.

Moreover, the Group is vigorously implementing external training for mid-level and executive employees to cultivate leaders for next generations.

Furthermore, the Group has been actively recruiting global human resources, to systematically train and promote them to be the next generation of leaders responsible for overseas expansion.

On top of that, the Group has been putting efforts for female employees to work continuously by adopting flexible working systems such as flextime, remote work, reduced working hours and promotion to utilize childcare leave benefits.

From now on, the Group will focus on creating an organization in which a diverse range of human resources can play an active role.

vii. SDGs and ESG Compliance

Under its management philosophy 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 Group aims to achieve goals by categorizing important subjects under sustainability, by establishing sustainability management through the Sustainability Committee.

On the environmental side, the Group has investigated financial impacts that the Group might be influenced under the 4 degrees Celsius and 2 degrees Celsius scenarios, which the average global temperature rise above 4 degrees Celsius and stay below 2 degrees Celsius, through Climate Change Subcommittee that is established under the Sustainability Committee.

In terms of social contributions, the Group promotes further adoption of its CS Sets, which help resolve social issues such as a declining birthrate, an aging population, and growth in single-person households. It also undertakes initiatives such as increasing hiring and promoting the growth of its employees, contributing to healthcare and welfare through donations and other forms of support to public organizations, actively recruiting people with disabilities and ensuring continued retention of such human resources, and giving back to the community through sports and cultural promotion. The company has been proceeding to create employment opportunities that enable individuals with disabilities to fully exercise their abilities in a wide variety of jobs through the ELAN COULEUR that had certified as a special subsidiary under the Act on Employment Promotion of Persons with Disabilities.

In terms of governance, the Group will enhance the effectiveness of its Board of Directors and Management Meeting and promote sustainability management under which it contributes to solving social issues through business activities and achieves sustainable development in collaboration with local communities from environmental, social, and economic perspectives.

(5) Objective Indicators for Determining Achievement Status of Management Goals

The Group places emphasis on the ratio of operating profit to net sales and cash flows from operating activities. Of this, The Group's operating profit was 7.5% and cash flows from operating activities were 4,500,060 thousand yen during the current fiscal year.

Continually, our group will strive to increase net sales while thoroughly controlling costs, provide high value-added products and services, establish and maintain a system to ensure the collection of trade receivables, and work to improve the ratio of operating income to net sales and maintain cash flow from operating activities.

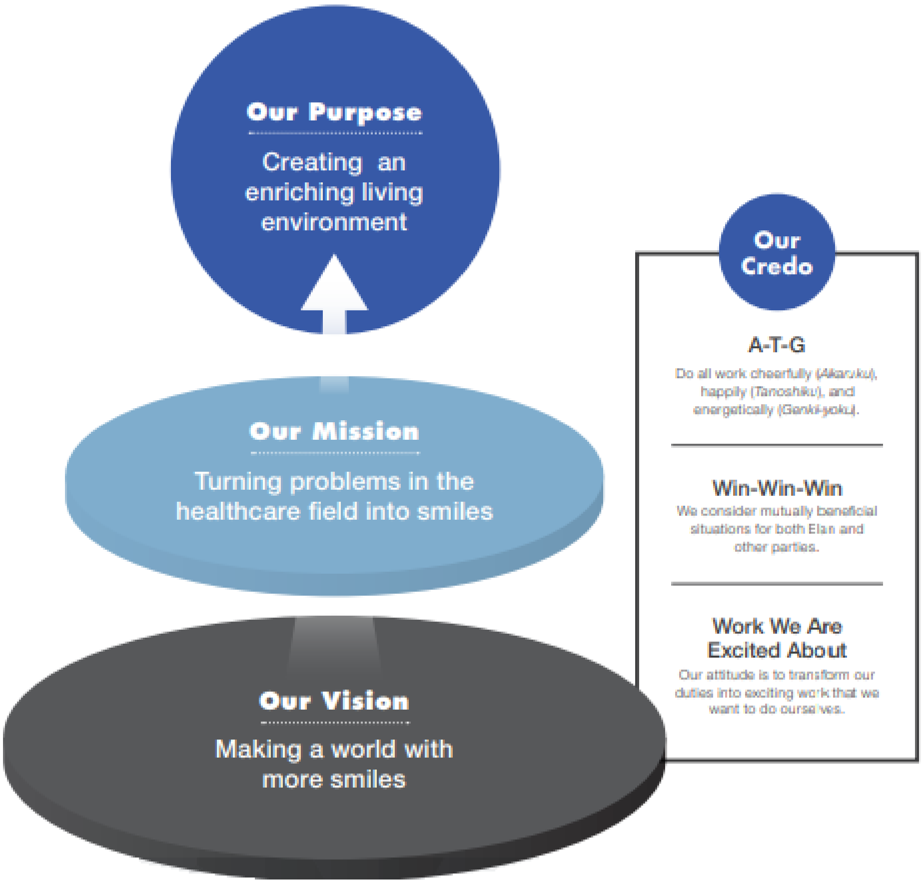
[Views and Initiatives related to Sustainability]

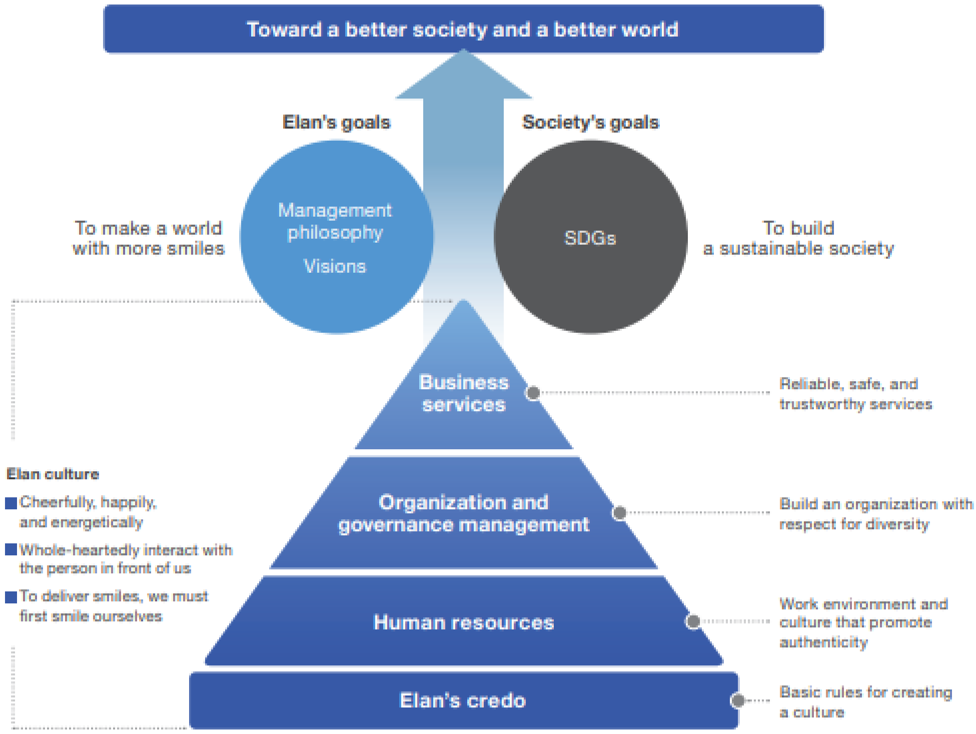
The ELAN Group's views and initiatives related to sustainability are described below.

Furthermore, all matters relating to the future in the sections below are based on the views of the Group as of the filing date of this report.

(1) Governance and Risk Management Related to Overall Sustainability

The Vision of the Group is to achieve a state where smiles abound among a greater number of people and, by extension, into societies, through its business activities. The Group believes that actions underpinned by the corporate culture embodied in the ELAN Credo will serve as the driving force to realize its Vision. To achieve that Vision, the Group has defined its Mission as resolving societal challenges in the fields of medical and healthcare. It intends to contribute to society through its business activities, guided by its management philosophy 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." Furthermore, with the aim of concurrently realizing its goals (Purpose and Vision) and the goal of society (achievement of sustainability), the Group will promote sustainable management that pursues growth and expansion for its business, while considering the environment and social sustainability, which form the foundation of its business activities.





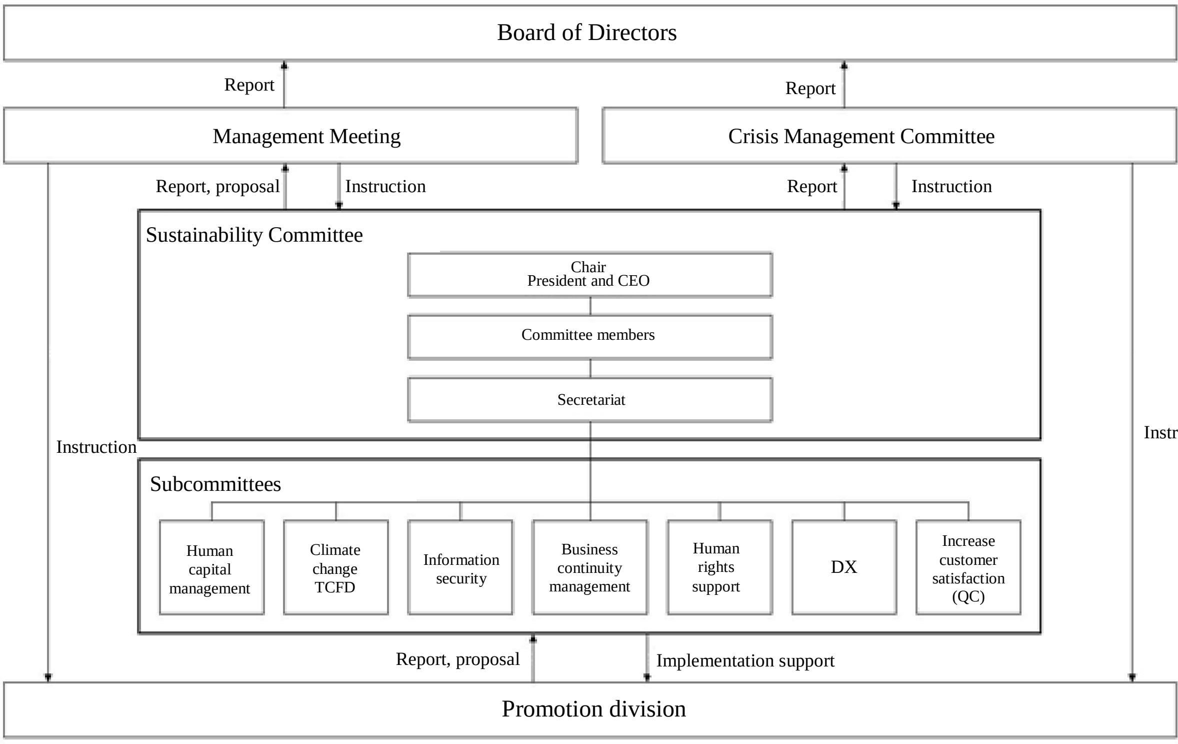
Considering the above, the Group established the Sustainability Committee in March 2023.

The Sustainability Committee is chaired by the President who is also holding a concurrent position as CEO, and the members of the committee and its subcommittees are executive officers, seniors and young employees tasked with leading the next generation.

The committee holds regular meetings 8 times a year in which its members formulate basic policies on sustainability management, discuss important sustainability matters (material issues), set goals and action plans for each subcommittee, report and manage related progress, and deliberate and provide instructions on information disclosure. In addition, the committee reports and makes proposals to the Management Meeting and other governance bodies as necessary, thereby contributing to the decision-making process that informs business execution. Furthermore, once every quarter, a meeting is held that brings together all subcommittee members that make up the committee to promote internal awareness of sustainability initiatives. In this way, the committee works in collaboration with various decision-making bodies, such as subcommittees established for important themes and the Management Meeting.

In terms of risk management, the Sustainability Committee manages risks that can have a significant impact on the management and business activities of the Group through the activities of its subcommittees and promotion division. Sustainability-related risks and opportunities identified by the subcommittees and promotion division are escalated to the Sustainability Committee, which assesses and discusses prioritization, and communicates the information to the Management Meeting and Crisis Management Committee to support decisions on business execution. The decisions are subsequently relayed to the relevant subcommittees and promotion division, which take the lead in implementing specific measures, while the Sustainability Committee monitors the progress of these actions.

The organizational structure of the Sustainability Committee is as follows.



To promote sustainability management and achieve the goal of "contributing to the realization of an enriching living environment," the Group has identified important sustainability matters (material issues) that it should prioritize. In selecting these material issues, it first determined the issues companies will likely be called upon by society to resolve in the future. It subsequently evaluated the importance of the identified issues based on the degree to which the Group can contribute to their resolution. It ultimately determined the material issues after discussing them in the Management Meeting and confirmed their validity based on insights from external experts.

(2) Important Sustainability Issues (Material Issues)

The important sustainability issues (material issues) for the Group are described below.

[1] Support the Promotion of Health and Well-being of All People

The hospitalization sets of the Group help to support the promotion of health and welfare, so increasing the number of facilities adopting such sets directly contributes to society. In addition, with the shift from hospitalization to home care being promoted as a national policy, the Group is well positioned to develop services that support individuals receiving nursing care or long-term care at home, having built the largest customer base for hospitalization sets in Japan.

[2] Provide Stable Services and Reduce Environmental Burdens

To implement material issues [1], it is essential to have a system capable of maintaining stable services even in a world with increasing uncertainties, including severe disasters and pandemics.

Furthermore, the Group intends to build a cooperative framework with important trading partners such as medical institutions, nursing care facilities, suppliers, and implement measures that contribute to reducing environmental burdens and mitigating risks associated with climate change.

[3] Realize a Society Full of Smiles

As described in our Vision, bringing smiles not only to our own faces but to all the people we engage with is essential to ensure the long-term sustainability of our valuable business.

[4] Establish and Maintain a Sound and Sustainable Business Foundation

In Japan, there have been cases of corporate misconduct that have led to a company's existence being called into question and its business continuity being threatened. To achieve material issues [1], [2], and [3], the Group needs to eliminate risks that can lead to corporate misconduct and establish sound and sustainable business foundations. The Group believes it needs to clearly define the principles that must be observed to achieve this goal.

The indicators and goals used to manage progress for initiatives are described on pages 37–38 of the Company's integrated report "ELAN REPORT 2023."

(3) Initiatives Related to Management of Human Resources

The Group regards human resources as the most important and essential factor in the creation of business value. While continually making investments to improve the quality of its services centered on the CS Set business, the Group believes it is crucial for its employees to have a high level of work engagement because its services invariably involve addressing challenges in the medical and healthcare fields, both in Japan and overseas.

In terms of sales positions, the Group has expanded its workforce primarily through recruitment of new graduates and strived to advance its business accordingly. It has positioned the sales mindset as more important than sales procedures. It encourages its employees to deeply understand the corporate culture, philosophy, and principles, pursuing individual growth by emulating the actions of senior employees and aiming to contribute to the overall growth of the business. The Group believes this approach gives it a competitive advantage over other companies and intends to further accelerate this theme. However, one challenge it faces is the recruitment of mid-career professionals with expertise in areas such as legal work and system development, which become necessary as a company grows.

The Group has many passionate young employees and accordingly brings diverse values together. The Group believes that the key to improving work engagement among such employees lies in approaches to removing obstacles for future growth.

i. Governance Related to Management of Human Resources

Under its management philosophy 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 Group aims to realize sustainable growth and continuously enhance its corporate value. The Group has promoted the growth of individual employees and its overall organization mainly through the Human Resources Management Subcommittee, which operates under the Sustainability Committee.

At the same time, as part of its initiatives to enhance corporate value, the Group has identified important themes in human resources management and promoted related measures, such as maximizing the value of human resources, enhancing diversity, promoting workstyle reforms and women's advancement in the workplace, promoting health management, compliance and ethics, and integration into the business strategy.

ii. Initiatives to Enhance Corporate Value

a. Maximizing the Value of Human Resources

1) Human Resources Education Programs and Personnel System

To maximize the value of its human resources, the Group has not only implemented a practical on-the-job training (OJT) program where junior employees receive direct guidance from senior employees but also established a mentorship system as an education program for new graduates as well as various training programs for mid-level and executive employees to develop high-caliber human resources in a shorter period of time. With the aim of achieving sustainable growth for individual employees and its organization, the Group comprehensively reformed its personnel system in 2017, and introduced a new personnel system the following year, in 2018. It conducts fair evaluations of employees' abilities and achievement of goals based on their actions and performance and provides feedback mainly on areas for improvement based on evaluation results, thereby fostering employee growth. By clearly defining expected behavior and numerical targets for its employees, the Group promotes skill development and enhanced productivity.

2) Internal Award System [ELAN Awards]

Every year, the Group holds the ELAN Awards event to commend employees that have performed well during the year. It confers various awards such as the Best Challenge Award that recognizes the employee who most embodies the spirit of taking on challenges without fear of failure, an attitude the Group places great value on, as well as the Best Credo Award given to the employee who exemplifies the Group's Credo according to recommendations and a vote by all employees. The Group also confers other awards such as the Best Team Award, the New Employee Award, the Best Management Award, the President's Award, and the MVP Award. Celebrating the efforts of employees in this manner further improves motivation.

3) Employee Engagement

The Group implemented the Employee Engagement Survey in 2024 to discern current employee’s mindset and corporate spirit. Consequently, it leads to improved working environments so that every employee can possess better rewards and spontaneous behavior meanwhile confirming the Group’s strength and issues.

b. Enhancing Diversity

1) Promotion of Employment of Non-Japanese Nationals

The Group’s awareness in terms of recruiting non-Japanese nationals has not been sufficient to date, in part because it has been focused solely on domestic operations. In tandem with market growth, including globalization, the Group has now positioned the active recruitment of individuals with diverse mindsets and capabilities and the creation of a corporate culture that embraces such human resources as an issue to address, and the Group has recently started hiring not only new graduates but also mid-career professionals. The Group strives to create an environment in which employees with different cultural backgrounds and diverse values can respect each other and foster mutual growth.

(Status at Domestic Consolidated Companies)

Year of Employment	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (target)
Number of non-Japanese employees	3	4	5	10	12

2) Employment of Paralympian

In 2022, the Group hired an athlete who aimed to participate in Paralympics. The Group employed him as company-affiliated athletes under contracts that consider his athletic activities and provide support to enable them to focus on his competitions with peace of mind. Furthermore, the Group shares achievements and activities of the athlete through its internal portal site and all the employees collectively encourage the athlete who is endeavoring to participate in the Los Angeles Paralympics. The Group believes that the presence within its organization of employees who strive to achieve their dreams and perform at the top level of their respective sports provides inspiration and energy to other employees.

3) Establishment of Special Subsidiary

The Group has positioned the employment of persons with disabilities as a key initiative, regarding it as one of its social responsibilities. The legally mandated employment rate for persons with disabilities is expected to gradually increase from 2.5% in April, 2024 to 2.7% in July, 2027. Nevertheless, the Group aims to go beyond the legal requirement and create more opportunities for individuals with disabilities to participate in society in a better environment as the Group operating in the healthcare industry. To achieve this goal, its subsidiary ELAN COULEUR obtained a certification of special subsidiary on August 18, 2023, and it employed 25 persons with disabilities as of December 31, 2024, including seconded employees, who are working in hospitals as CS Set representatives, managing merchandise at distribution warehouses, and engaged in administrative work in customer support operations. Besides, the Group will strive to support hospitals to hire persons with disabilities with better employment environment, not just for inclusive outsourcing work but to take part in hospital operations.

c. Promotion of Work Style Reforms and Participation and Advancement of Women in the Workplace

1) Work Style Reforms

In 2017, the Group launched the ELAN Kagayaki Project to ensure all its employees. So that, all employees can work, regardless of gender, with vitality. Also, the Group has taken steps to improve its working environment and design new systems in collaboration with the Human Resources Department.

[Overtime Hours]

Yearly overtime has been increasing in certain departments due to preparations for the Elan group's transition into a subsidiary of M3, Inc, as well as for the planned acquisition and conversion of the Green Laundry into a foreign subsidiary of the Elan corporation in 2024. To mitigate overtime, The Group has introduced and leveraged flexible working systems, such as flextime and remote work while reviewing tasks undertaken by each division and ameliorating reliance of specific individuals.

[Paid Leave Utilization Rate]

The Group's paid leave utilization rate (72,9% in 2024) exceeded the average paid leave utilization rate of 65.3% for Japanese corporations since the group introduced Anniversary Leave Benefits in 2021 as an initiative to promote the systematic utilization of annual paid leave (according to Summary of the 2024 General Survey on Working Conditions by the Ministry of Health, Labor and Welfare). Furthermore, the group is also implementing other multifaceted initiatives to promote a work-life balance for employees, including the introduction of Cumulative Paid Leave Benefits in 2023, under which employees can accumulate unused annual paid leave days that would otherwise have expired.

(Status at Filing Company)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (target)
Paid leave utilization rate	74.9%	78.1%	71.6%	72.9%	85.0%

[Childcare Leave Acquisition Rate]

The Group is working through various projects to create an environment that makes it easier for male employees to take childcare leave. These projects include sending out messages from management encouraging male participation in childcare, sharing instructional materials that outline the key points of revisions to the Childcare and Caregiver Leave Act when the legislation is updated, and providing a portal for male employees' childcare reports.

(State at Filing Company)

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	FY 2025 (target)
Childcare leave acquisition rate	68.8%	60.0%	75.0%	81.3%	85.0%
Childcare leave acquisition rate for male employees	44.4%	41.2%	50.0%	62.5%	60.0%

2) Participation and Advancement of Women in the Workplace

The company has implemented an action plan based on the Act on Promotion of Women's Active Engagement in Professional Life.

[Action plan]

「Planned Period」 January 1, 2024 – December 31, 2026

(State at Filing Company)

Goal: To create an employment environment that flexibly accommodates the different stages of life of employees and allows them to grow together with the company and work with vitality consistently.			
	Action Plan	Results	
1	Attain a monthly overtime of less than 20 hours	17 hours 51 minutes	Attained less overtime hours through flexible working environment by implementing flextime and remote work system. In contrast, the company has been recognizing an increase in overtime in certain departments and the reliability of specific individuals as a key issue. The Group shall persist in our attempts to bring about a reduction in overtime hours by visualizing workflows and optimizing information dissemination within departments.
2	Maintain the ratio of female employees in management positions at 10% or higher	7.0% (excluding directors)	The main reason why a female managerial ratio is less than 10% is due to personnel reassignments of seconded employees to a subsidiary in 2024. The company appreciates the importance of accumulating in experience and fostering career consciousness of female employees to raise female managers who can participate in managerial decisions of organization in medium-to-long term vision.
3	Achieve 50% or more of a child-care leave utilization rate or company-specific child-care leave scheme for male employees	62.5%	The company’s child-care leave utility rate surpassed the average of 46.2% in Japanese corporations [Survey on the Publication Status of Childcare Leave Acquisition Rates for Male Employees in 2023] (preliminary census). Of this, the company will keep on striving to maintain accessible environment of child-care leave for male employees by posting child-care report on the company’s portal website and holding daddy’s gatherings.

[Implemented Measures]

The Elan Corporation could earn [Kurumin] in March 2021, as well as [Platinum Kurumin] in July 2024 by receiving high evaluation in granting and establishing various alternative working options such as flextime, remote work, and living support.

Career development support	・Area system that allows employees, regardless of gender, to choose their career path based on work location.
Elimination of gender disparities	・Activities to raise awareness of the benefits of taking paternal leave among male employees (messages from top management, daddy's gatherings, and reports on child-rearing practices to raise healthy children)
Continued work style reforms	・Flexible work systems such as flextime and telework ・Business casual work system
Prevention of employee departures	・Provision of childcare salons ・Shortened working hours system to support childcare *1 ・Child-care support allowance ・Shortened working hours system to provide living support *2

*1 Shortened Working Hours System to Support Childcare

To allow employees to return to work and play an active role after childbirth, during childcare and for child rearing, the Group has been providing its childcare support allowance to compensate salary reductions. These efforts have contributed to a female staff reinstatement rate of 100%, which is higher than the national average of 93.2% (according to the Basic Survey of Gender Equality in Employment Management in 2023 by the Ministry of Health, Labor and Welfare).

*2 Shortened Working Hours System to Provide Living Support

A system that extends the application of the shortened working hours system to facilitate childcare until the applicable children start junior high school.

[Percentage of Female Employees in Management Positions and Gender Pay Gap]

The period from joining the Group as a new graduate to becoming a manager does not differ based on gender, and the number of female employees being promoted to management positions has increased. However, there is an urgent need to develop systems that ensure life events—a term generally used to refer to marriage, childbirth, and childcare—do not become an obstacle. In terms of the gender pay gap, there is no structural difference between male and female employees in the wage system. However, indexed against the wage level for male general employees (set at 100), the wage level for female general employees is below the 75.2 level announced by the Cabinet Office in 2021, so the Group recognizes this will need to be considered in conjunction with other initiatives.

(State at Domestic Consolidated Companies)

	FY 2023	FY 2024	FY 2025 (target)
Percentage of female employees in management positions	9.9%	10.5%	25.0%

(State at Domestic Consolidated Companies)

Gender Pay Gap (Ratio of Female Employee Wages to Male Employee Wages)	FY 2024	Supplementary information
All employees	39.1%	The reason why the gender pay gap ratio of part-time and fixed-term employee wages to regular employee wages is low to 39.1% is because the major number of part-time and fixed-term employees (433 persons) are more than regular employees (401 persons) that total wage payment is generally lower, and distinct number of them is female.
Regular employees	71.7%	The wage gap for regular employees is attributable to the ratio of male to female managers and supervisors, and there is no wage gap for employees with the same wage grade and position.
Part-time and fixed-term employees	84.5%	The wage gap for part-time and fixed-term employees is attributable to differences in total working hours stemming from different types of work.

d. Promotion of health management

The Group believes that it is important for each employee to be physically and mentally healthy for the Group, and in such a manner the Group is actively promoting health management for its employees. By this, the Group has certified in [Excellent Corporations for Health Management 2024 (Large Corporation Sector)] in March 2024. As part of employee health management, the Group has been conducting and striving regular stress checkups to understand the health conditions of its employees and joined in a walking event (Shinshu Walking Grand Prize 2024) held by Health Promotion Council so that it leads to better health and activation of internal communication.

Continuously, the Group will consider health management as one of its primary issues and actively participate in it.

[Periodic Health Examination Participation Rate]

(Status at Filing Company)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (target)
Periodic health examination participation rate	91.0%	100.0%	100.0%	100.0%	100.0%

* The data collection period was from April 1 of each fiscal year to March 31 of the following fiscal year.

e. Compliance and Ethics

The Company defines compliance as comprehensive adherence to laws, social norms, and corporate ethics, and it continuously educates its employees in this regard.

Contents about education in compliance are as follows.

Contents:

① E-learning course (about an hour)

② Online tests
Required to pass a minimum score

Frequency of Implementation

Every 3 months (March, June, September, December)

Cogitation for Improvements

① Setting stratified online compliance training according to business positions
The Group has been adjusting the contents of online compliance training on easy to violate compliances according to business positions.

② Initiating Implementation Regarding Work Schedules
The Group has set a sufficiently long period and regularly requests for implementation to those who have not completed the online training courses
Implementation in March: January 1 – March 31
in June: April 1 – June 30
in September: July 1 – September 30
in December: October 1 – December 31

The Company regards compliance as comprehensive adherence to laws, social norms, and corporate ethics and continuously educates its employees in this regard, and it has not experienced significant compliance violations to date.

f. Integration into Management Strategy

The Group recognizes it needs to develop talent now more than ever before, to expand its overseas business and strengthen its domestic operations. It is therefore promoting the development of essential management skills such as English proficiency and MBA knowledge, alongside active recruitment of professionals with advanced skills. It has developed mechanisms through which employees recognize the skills they need and gain the motivation to actively acquire them and has started integrating these into its evaluation system. Through new personnel and training systems, it aims to maximize the talents of its individual employees. Furthermore, the Group provides skill-based allowances to encourage the acquisition of qualifications that serve as eligibility criteria for internal promotion exams. In this way, it has produced a system in which skill improvement is directly recognized. In terms of cultivating next-generation leaders who can help shape the future, the Group encourages employees to enroll in management schools and MBA courses taught by external lecturers, and it increases opportunities to bring awareness to strategic thinking and changes in behavior.

[Content and Frequency of Human Resources Development Training]

1. Training Content

Please refer to the diagram below.

・Internal training

Annual training for new employees: When joining, six months after joining, 2 years after joining, 3 years after joining

Training for mid-career professionals: When joining, after joining

Training of mentors: Before appointment, six months after appointment

Training of manager evaluators: When necessary, after appointment

・External training

Executive development training (for managers): As needed

2. Training Participation Rate

48.8%

* 203 training participants out of 416 regular group employees

* Data collection period: January 1, 2024 to December 31, 2024

3. Average Training Hours Per Employee

30.5 hours/year

* Total of 10,194 hours of training participation for 203 participants (excluding duplicates)

4. Human Resources Development Expenses

135,921 thousand yen (FY 2024)

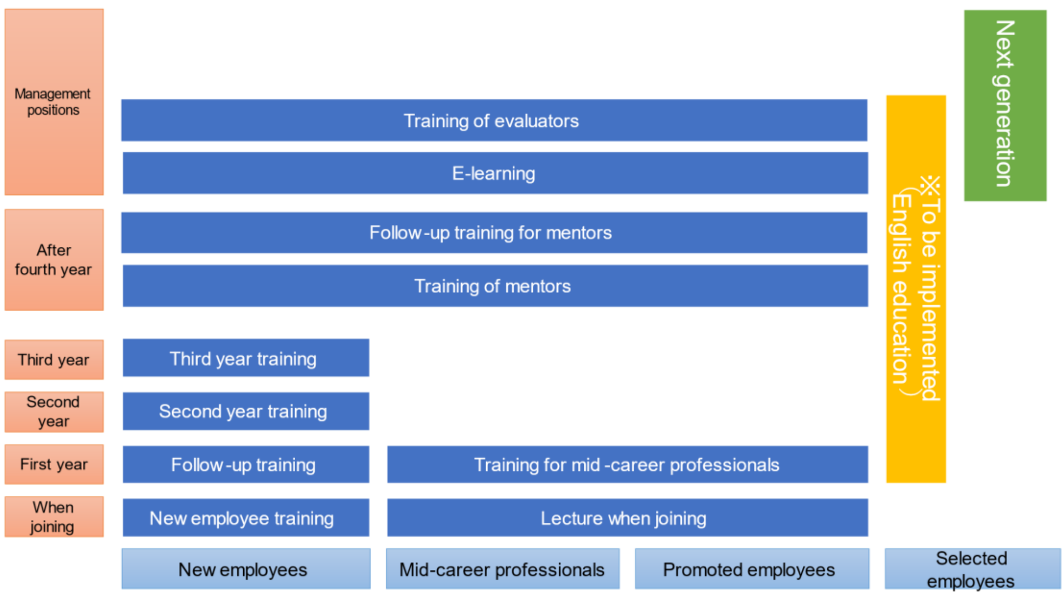
5. Human Resources Development Measures Other Than Training

・e-learning

・Mentor system

・Promotion exams (Nikkei exam, essay, certification tests, e-learning)

2024: Diagram of Training Organization



[Telephone Reception Training]

The Group has conducted telephone reception training for its executives since 2022.

In this training, managers and supervisors, including directors who do not routinely engage in direct interaction with customers, listen to the unfiltered voices of customers to remind them that customers are always at the core of the Group's daily operations. The executives share the insights gained from training with their staff and strive to further enhance the services of the Group through improvements and adjustments in daily operations, with the goal of further increasing customer satisfaction.

[Investment in Human Resources]

(State at Domestic Consolidated Companies)

	FY 2023	FY 2024
Investment in human resources	105,615 thousand yen	135,921 thousand yen

[Participation of Young Talent in Management]

The Group actively appoints young managers to executive positions to reflect a wide range of values in its management.

(Status at Domestic Consolidated Companies)

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025 (target)
Number of executives in their 20s to 30s (including executive officers at group companies at time of appointment)	4	4	6	6	8

[ELAN Credo]

The Group has defined the ELAN Credo as a set of core principles that underpin all its activities and distributes a booklet that contains the Credo to new employees during their onboarding process. We believes a clear presentation of the values and actions cherished by the Group encourages all employees to take the initiative, engage in all activities, and thus help achieve the Group's Mission and Vision.

(4) Initiatives Related to Climate Change

Climate change is recognized by the international community as an important social issue that requires a rapid resolution, and efforts toward decarbonization are being pursued worldwide. Japan has experienced tangible effects of climate change in the form of an increase in extremely hot days and frequent damage from heavy rainfall. This has led to discussions on the acceleration of ESG investments and a full-scale implementation of carbon taxes. As a result, climate change and its countermeasures are expected to have a growing impact on corporate management.

Given this management environment, the Group naturally complies with environmental regulations and related laws and regards steps to address environmental issues such as climate change as an important matter. It therefore promotes initiatives in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and strives to actively disclose related information.

[1] Governance

The Group has established Task Force on Climate-related Financial Disclosures (TCFD) under the Sustainability Committee chaired by the President who is also holding a concurrent position as CEO.

In 2024, the TCFD Subcommittee reported on its progress to the Sustainability Committee 8 times in a year. Thereafter, the President of TCFD who is also holding a concurrent position as CEO relays such information to the Board of Directors and Management Meeting for reporting, reviewing and decision-making.

[2] Strategy

The Group recognizes that maintaining its entire supply chain, from procurement and logistics to service delivery, is an important management challenge. It has therefore positioned "providing stable services and reducing environmental burdens" as a material issue. In each process of its supply chain, the Group categorizes the impact of climate change into transition risks and physical risks, and assesses the significance of each risk and opportunity, as well as their financial impact.

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

・4ºC Scenario (SSP5-8.5): Maximum emissions scenario without climate measures based on continued fossil fuel dependency.

・Under 2ºC Scenario (SSP1-2.6): Sustainable development efforts leading to a scenario in which temperature increases are limited to under 2°C

The results of the scenario analysis shown below indicate that physical risks will not significantly be manifested in 2030. However, factors such as carbon prices, carbon emission targets and policies of each country, and the adoption of low-carbon technologies will affect suppliers such as linen companies and disposable diaper manufacturers, which in turn will impact the purchasing costs of the Group to a certain degree.

While the Group has completed the assessment of the financial impact, it has yet to formulate an action plan. It will disclose its action plan as deemed appropriate based on future progress.

Category		Business Impact		Financial Impact	
		Risks	Opportunities	4ºC	2ºC
Transition risk	Carbon pricing	The adoption of carbon pricing will increase the cost of purchasing products included in CS Sets (such as clothing, towels, disposable diapers, and daily necessities), 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.	-	Medium
	Carbon emission targets and policies in various countries	Regulations on products and packaging made with plastic and other materials will be introduced in many countries, generating costs associated with the handling of items such as 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 medical facilities, nursing care facilities, and other healthcare -related facilities to offer ethical products, which may contribute to increased corporate value and earnings.	Small	Medium
		Government and logging taxes and other factors 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 greenhouse gas reduction (GHG) 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 that achieve significant reductions in carbon emission can sell emission credits when emissions trading and other mechanisms are introduced, purchasing costs may decrease.	Small	Medium

Category		Business Impact		Financial Impact	
		Risks	Opportunities	4ºC	2ºC
		Paperless processing in line with the impact of decarbonization will lead to costs to handle 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 less printing paper documents, as well as labor expenses related to less individual billing operations.	-	Small
	Energy prices	Soaring fossil fuel and electricity prices will increase costs for partner linen supply factories, 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's 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 it 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, nursing care facilities, and other healthcare-related facilities due to flooding.	Not applicable	Small	Small
	Increase on average temperatures, changes in precipitation and	Forest damage, outbreaks of tree pests and diseases, changes in vegetation and lumber procurement areas, and other factors will increase lumber procurement costs, as well as procurement costs associated with wood-based products,	Not applicable	Small	Small

Category		Business Impact		Financial Impact	
		Risks	Opportunities	4ºC	2ºC
	weather Patterns	including the disposable diapers included in CS Sets.			
	Increase in average temperatures	Energy costs required for cooling will increase for partner linen supply factories and delivery vehicles, subcontractors, and ELAN distribution facilities and delivery vehicles.	Not applicable	Small	Small
		The spread of zoonotic infectious diseases will reduce utilization rates at suppliers and create procurement risks.	Increased hospitalizations driven by the spread of zoonotic infectious diseases will lead to higher utilization rates and sales.	Small	Small
	Changes in precipitation and weather patterns, increasing severity of extreme climate events	Increased delivery delays, accidents, and other adverse conditions due to heavy rain, flooding, strong winds, and other weather conditions will result in higher costs associated with deliveries, human resources, compensation, and insurance premiums.	Not applicable	Small	Small
	Changes in precipitation and weather patterns	Sales opportunities will be lost due to supply disruptions accompanying partner linen supply factory shutdowns caused by drought conditions.	Not applicable	Small	Small
	Increasing severity of extreme climate events	Increase in capital investment costs which is incurred to build resilience against the effects of extreme climate events.	Able to 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

Impact on Operating Profit: Small = less than 1.0-billion-yen, Medium: 1.0–3.0 billion yen, Large: more than 3.0-billion-yen.

[3] Risk Management

The Group recognizes climate-related issues as a risk that has a significant impact on its operations and manages such risk accordingly.

Research	Identification and Evaluation	Management
・Aggregate the damage from heavy rainfall each fiscal year (mainly losses in sales opportunities due to disruptions at contracted facilities, linen factories, and logistics) ・Conduct research on other factors and social trends, etc.	・Identify risks and opportunities based on the 6th Medium-Term Management Vision and measures to achieve the long-term vision ・Assess risk severity at the TCFD Subcommittee	・Report the evaluation of risk severity by the TCFD Subcommittee to the Sustainability Committee chaired by the President and CEO, and integrate comprehensive risk management across the organization

[4] Indicators and Targets

■Targets

In accordance with the Greenhouse Gas Protocol, the Company defines its greenhouse gas emissions as the sum of the direct emissions of greenhouse gases produced by the Company (Scope 1) and the indirect emissions resulting from energy consumption such as electricity supplied by other companies (Scope 2). The Group aims to achieve net-zero emissions for Scope 1 and Scope 2 by 2050. To reach this milestone, the group has set a 50% reduction until 2030.

The Company is undertaking activities to reduce greenhouse gas emissions across its organization, introducing environmentally friendly infrastructure facilities, renewable energy, and offsetting by adopting non-fossil certificate and J credit.

In addition, it will strive to reduce Scope 3 emissions, which account for approximately 99% of its greenhouse gas emissions, by continuously working with its suppliers.

Furthermore, the calculation of greenhouse gas emissions of the GREEN LAUNDRY JOINT STOCK COMPANY in Vietnam which became a subsidiary of the Elan corporation, is added up into 4th quarterly disclose in fiscal year 2024 since only the calculation of Scpoe2 of the Green Laundry could be calculated at the time. The rest of the calculation would be disclosed as soon as the other calculation settles.

(Unit: t-CO_2)

	FY 2022 (Base Year)	FY 2030 (Target)	FY 2050 (Target)
Scope 1	609	461	0
Scope 2	314	0	0
Total	923	461	0

■Indicators

(Unit: t-CO_2)

	FY 2022	FY 2023	FY 2024
Scope 1	609	651	662
Scope 2	314	346	467
Scope 3	90,039	105,645	125,974

3. [Business and Other Risks]

Of the matters presented in the business overview and financial information of this annual securities report, the following are the major risks the Company's management recognizes as having the potential to materially affect the consolidated financial position, operating results, and/or cash flows.

All matters relating to the future in the sections below are based on the views of the Group as of the filing date of this report.

Please note that the following does not constitute an exhaustive list of all risks that may influence investment decisions.

(1) Competition with Other Companies

The Group recognizes that, in its nursing care and medical-related business, the market is becoming more active. This is because the Group's services have gained greater recognition with its public stock listing and business expansion, driving higher needs for hospitals and care facilities residence sets, also other businesses, the main hospitals and care facilities began to offer services like the Group's services.

The Group will continue to strive to improve quality for users of CS Set services and to maintain and improve good relationships with linen and other suppliers, as well as daily necessities vendors. However, in the event of intensified competition with other companies, such as new entrants with superior capital capabilities, name recognition, and/or customer bases compared with the Group, the Group may lose existing customers or experience a decline in profitability, which may affect its financial position and operating results.

(2) Product Safety

The Group rents pajamas, towels, and other goods, and sells diapers and personal items to CS Set users. The Group pays ample attention to linen suppliers' by checking whether they have obtained a healthcare-related service mark (Note) and by verifying hygiene in the laundering process. However, if for some reason a serious problem were to occur with the goods and items provided, claims for damages against the Group or loss of trust could occur, which may affect its financial position and operating results.

(Note) Refers to those certified as high-quality healthcare services by the Japan Health Enterprise Foundation.

(3) Transactions with Specific Business Partners

For laundry items such as towels and clothing, as well as other supplies provided as consumables in CS Set services, the Company receives laundry services and provision of merchandise from linen suppliers and other suppliers. The Group's CS Set services are founded in partnerships with existing linen suppliers and other suppliers that already provide leasing of bedding and other items, as well as laundry services, to hospitals, nursing facilities for the elderly and other such facilities. Therefore, transactions with linen suppliers and other suppliers with a high market share tend to occupy a large proportion of all transactions. While the Group has mutually cooperative relationships with these linen suppliers and other suppliers and strives to maintain good relations, changes in these suppliers' business policies or in their relationship with the Group may affect the Group's financial position and operating results.

In addition, the Group outsources part of its logistics operations, such as transportation, delivery work, and inventory management of consumables (daily necessities) provided in the CS Set service, to specific contractors using the Group's operational expertise. However, changes in the business policies of the outsourced contractor or in its relationship with the Group may affect the Group's financial position and operating results.

(4) Risks Associated with Service Introductions to New Client Facilities Not Proceeding as Planned

Since it began offering its CS Set services in May 2003, the Group has been providing these services to hospitals, nursing facilities for the elderly and other such facilities. In developing sales areas, the Group has established new sales offices, appointed its sales pitch and introduced services to new facilities at these locations.

The Group will continue its efforts to acquire new contracted facilities through its own sales activities as well as through cooperation with partner linen and other suppliers. However, in the event of personnel, logistics, or other problems or changes in relationships with the Group's business partners, or if the Group is forced to refrain from sales activities to hospitals, nursing facilities for the elderly and other such facilities due to events such as a prolonged outbreak of infectious diseases, the introduction of the services to new facilities may not proceed as planned, which may affect the Group's financial position and operating results.

(5) Risks Related to Bad Debts of Trade Receivables

The users of the Group's CS Sets are individuals who are inpatients at hospitals and residents of nursing facilities for the elderly and other such facilities. As a rule, CS Set usage fees are paid after using the service. However, not all these fees are necessarily collectible, and a portion may become overdue and bad debts may occur. Applications for the CS Set service are made via contact points at hospitals, nursing facilities for the elderly and other such facilities. However, as it is impractical to assess the creditworthiness of individual users at the time of application or to refuse applications from individuals with limited financial resources, these practices are not in place. In addition, the user's financial condition may deteriorate, or the user may pass away during use of the service or after discharge/departure from the facility in question.

The Group strives to build a debt collection system that can withstand future increases in the number of claims and to improve its collection ability and has set aside an allowance for doubtful accounts to cover losses from bad debts. However, changes in economic conditions among users, delays in the establishment of the Group's debt collection system, and other events could result in many bad debts, which may affect the Group's financial position and operating results.

(6) Laws and Regulations

The Group provides CS Sets to hospital inpatients and residents of nursing facilities for the elderly and other facilities such as a unique service that is not covered by medical insurance or long-term care insurance systems. There are no permits, licenses, registrations, administrative guidance, or other regulatory requirements to conduct this business. However, hospitals, nursing facilities for the elderly and other such facilities where the Group's services are provided, are operated under the provisions of the Medical Care Act, Health Insurance Act, Long-Term Care Insurance Act, and other laws, as well as the guidance and regulations of administrative and competent authorities such as the Ministry of Health, Labor and Welfare. Therefore, the Group pays special attention to various laws and regulations.

However, if the Group is forced to take any action due to the revision of laws and regulations such as the Medical Care Act, Health Insurance Act, or Long-Term Care Insurance Act, or a review of administrative guidance enforcement, it may affect the Group's financial position and operating results if the Group is unable to deal with these changes.

(7) Management of Personal Information

The Group obtains personal information from users in its nursing care and medical-related business and faces duties as a personal information handling business operator as stipulated by the Act on the Protection of Personal Information. The Group takes the utmost care in handling and managing personal information and has established strict internal rules and thoroughly enforced procedures. In March 2009, the Company was granted Privacy Mark certification issued by the Japan Information Processing and Development Center (now JIPDEC). This certification was renewed in March 2025.

However, it is difficult to eliminate all risks associated with the management of personal information completely, and there is undeniable possibility of issues such as leakage of personal information. In the event of such a situation, the Group could face claims for damage, loss of credibility, or other problems which may affect the Group's financial position and operating results.

(8) Future Business Development

To expand its business base, stabilize earnings, and accelerate growth, the Group plans to aggressively expand into related and adjacent businesses where it can leverage the expertise it has accumulated in nursing care and medical-related business.

However, while new business development will be undertaken with great care in consideration, if these businesses do not produce the results initially planned due to changes in the business environment or other factors, it may affect the Group's financial position and operating results.

(9) Securing and Developing Human Resources

For the Group to further expand its business and sustain growth going forward, securing excellent human resources is an important issue. Failure to secure these human resources as planned, or failure to develop human resources as planned, resulting in attrition of key personnel, could harm competitiveness and restrict business expansion, which may affect the Group's financial position and operating results.

(10) Risks related to Climate Change

The international community recognizes climate change as an important social issue that requires urgent solutions, and efforts are underway around the world toward decarbonization. Japan is also experiencing specific impact from climate change, such as an increase in extremely hot days and frequent torrential rains. The impact of climate change and measures against the phenomenon on corporate management is expected to increase further, with accelerated ESG investment, discussions of full-scale introduction of a carbon tax, and more.

Considering this business environment, the Group has implemented compliance with environmental regulations and related laws and regulations to be a matter of course, as well as addressing environmental issues such as climate change as an important issue. With this, the Group launched initiatives to mitigate risks, such as information disclosure efforts in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and activities to protect the environment and reduce its environmental load. However, climate change is becoming more severe year by year, and future unforeseen events primarily caused by climate change or events making it extremely difficult to adapt to environmental regulations may affect the Group’s financial position and operating results.

(11) Risks from Natural Disasters

To prepare for major disasters such as earthquakes and wind and flooding damage, the Group undertakes initiatives such as strengthening logistics functions, stockpiling inventories, enhancing information systems, decentralizing back-office operations, and building early recovery systems. Among specific efforts to establish early recovery systems, it has formulated guidelines for first response in the event of a disaster, action procedures, decision-making and chain of command regulations, and put in place means of communication that are essential during actual response situations by introducing a safety confirmation system.

However, in the event of a large-scale disaster such as a major earthquake directly beneath the capital city or a Nankai Trough earthquake, the provision of CS Set services may be disrupted for an extended period of time and over a wide area due to factors such as impact suffered by facilities that have adopted CS Set services or partner linen supply companies, as well as disruption of social infrastructure in affected areas. This in turn may have a significant impact on the financial condition and operating performance of the Group.

4. [Analysis of Financial Position, Operating Results, and Cash Flows by Management]

(1) Overview of Operating Results

The following is an overview of the financial position, operating results, and cash flows (hereinafter referred to as “operating results”) of the Group (the Company and its consolidated subsidiaries) for the fiscal year under review.

i. Financial Position and Operating Results

a. Operating Results

The economy of Japan has been gradually recovering during the current fiscal year, accompanied by economic normalization, improved environment for employment and income, and various effective government policies. In contrast, there are still opaque downward risks for further business conditions such as inflation in resources, energies, and commodities driven by unstable global world affairs and influences in world currency markets.

In the medical and nursing care industry in which the Group operates is under steady progress in aging of the population as evidenced by such factors as the population aged 65 years and over of 36.21 million accounting for 29.3% of the total population as of January 1, 2025 (January 2025 Monthly Report of Population Estimates by the Statistics Bureau of the Ministry of Internal Affairs and Communications), the market size for services that concerning the Group is likely to expand.

Under such circumstances, the Group engaged in sales to facilities (hospitals, nursing facilities for the elderly and other such facilities) from its 29 branches and sales offices (including the head office) across Japan, including the Koriyama Sales office (Koriyama City, Fukushima Prefecture) that commenced operations in the current fiscal year, to spread and expand the “CS (Care Support) Set,” which are the core services in the nursing care and medical-related business of the Group.

As a result, the Group had 350 facilities with which agreements were newly entered and 100 facilities with which agreements ended in fiscal year 2024, increasing the combined total of the number of facilities that have introduced the CS Set by 250 facilities from the end of fiscal 2023 to 2,570 facilities at the end of fiscal year 2024.

The above resulted in net sales for the fiscal year 2024 of 47,513,703 thousand yen (up 14.7% year-on-year), but operating profit of 3,577,737 thousand yen (down 2.4% year-on-year), ordinary profit of 3,544,987 thousand yen (down 3.7% year-on-year) and profit attributable to owners of parent of 2,354,670 thousand yen (down 6.5% year-on-year) as consequences of increased input price of Elan’s original inpatient clothes [lifte] which is recorded as expenses when inputted into medical and nursing facilities, incurred related costs of merging, and common stocks by takeover bid of M3, Inc., and loss in foreign exchange.

Additionally, M3, Inc. became the Elan Corporation’s parent company by public takeover bid for common stock in 2024. The Elan Group is attempting to further expand our business operation and enhance corporate value in the medium-to-long term by gaining synergies with M3, Inc.

b. Financial Position

(Assets)

Total assets at the end of the current fiscal year were 21,605,967 thousand yen (increased by 2,612,729 thousand yen compared with the previous fiscal year).

Of this, current assets increased by 1,365,978 thousand yen compared with the end of the previous fiscal year to 16,872,798 thousand yen. This was mainly attributable to cash and deposits increased by 1,360,835 thousand yen, trade and contract accounts receivable increased by 835,989-thousand-yen, merchandise increased by 171,928 thousand yen, and supplies increased by 221,252 thousand yen despite accounts receivable decreased by 1,279,102 thousand yen.

Meanwhile, non-current assets increased by 1,246,750 thousand yen compared with the end of the previous fiscal year to 4,733,168 thousand yen. This was mainly attributable to goodwill increasing by 813,938 thousand yen and investment securities increased by 387,421 thousand yen.

(Liabilities)

Total liabilities at the end of the current fiscal year were 9,104,116 thousand yen (increased by 925,241 thousand yen compared with the end of the previous fiscal year). Of this, current liabilities increased by 829,937 thousand yen compared with the end of the previous fiscal year to 8,918,601 thousand yen. This was mainly attributable to trade accounts payable increased by 795,287 thousand yen.

Non-current liabilities increased by 95,303 thousand yen compared with the end of the previous fiscal to 185,514 thousand yen.

(Net assets)

Total net assets at the end of the current fiscal year increased by 1,687,488 thousand yen compared with the end of the previous fiscal year to 12,501,850 thousand yen. Equity ratio was 57.9%, up 1.0% compared with the end of the previous fiscal year.

The increase in total net assets was mainly due to an increase in retained earnings of 1,566,883 thousand yen, itself mainly attributable to posting of profit attributable to owners of parent of 2,354,670 thousand yen, despite payment of dividends to shareholders of 787,787 thousand yen.

ii. Cash Flows

The balance of cash and cash equivalents at the end of the current consolidated fiscal year was 6,825,105 thousand yen, increasing by 1,360,834 thousand yen compared to the end of the previous consolidated fiscal year.

The explanations related to each cash flow during the current consolidated fiscal year and their factors are as follows:

(Cash Flows from Operating Activities)

Cash from operating activities during the current consolidated fiscal year was 4,500,060 thousand yen, increased by 2,719,278 thousand yen in income from the previous fiscal year. Cash increased by 5,783,759 thousand yen from operating activities throughout the year despite the decrease of 1,282,565 thousand yen due to income taxes paid.

(Cash Flows from Investing Activities)

Cash used in investment activities during the current consolidated fiscal year was 2,233,510 thousand yen (increase in spending by 572,353 thousand yen from the previous fiscal year). This was mainly attributable to an expense of 867,236 thousand yen due to the changes in consolidation by the acquisition of a subsidiary, an expense of 876,286 thousand yen as, and the acquisition of property, plant and equipment.

(Cash Flows from Financing Activities)

Cash used in financial activities during the current consolidated fiscal year was 849,533 thousand yen (increase in spending by 182,446 thousand from the previous fiscal year). This is mainly attributable to the payment of 788,137 thousand yen in dividends to shareholders.

iii. Production, Orders, and Sales Results

(1) Production Results

Not applicable, as the Group is not engaged in production activities.

(2) Order Results

Information is omitted due to the short period of time between the receipt of orders and the start of service provision.

(3) Sales Results

Sales results for the current fiscal year are as follows.

Name of Business Segment	FY 2024 (From Jan. 1, 2024, to Dec. 31, 2024)	
	Sales (Thousands of yen)	Year-on-year change (%)
Nursing care and medical-related business	47,243,915	114.1
Others	269,788	-
Total	47,513,703	114.7

(2) Analysis and Discussion on Operating results from the Management's Perspective

The following is a summary of the Group's awareness, analysis, and discussion on its operating results, etc. from the management's perspective.

Forward-looking statements in this document reflect the judgment of the Group at the end of the current fiscal year.

i. Awareness, Analysis, and Discussion on Financial Position and Operating Results

The financial position and operating results of the Group for the current fiscal year are as follows.

a. Financial Position

(Assets and liabilities)

The following table shows year-on-year changes in cash and deposits, accounts receivable, other accounts receivable, allowance for doubtful accounts, accounts payable, which account for the majority of the Company's assets and liabilities.

(Thousands of yen)

Business Term	27th	28th	29th	30th	31st
Year End	December 2020	December 2021	December 2022	December 2023	December 2024
Trade receivables	3,279,413	3,891,204	4,246,702	4,947,868	5,783,858
Other accounts receivable	1,765,497	1,957,416	2,858,068	3,673,883	2,394,780
Allowance for doubtful accounts	(441,059)	(486,903)	(478,813)	(593,924)	(670,269)
Subtotal	4,603,851	5,361,717	6,625,957	8,027,827	7,508,369
Accounts payable	4,157,946	4,868,493	5,567,979	6,427,437	7,222,724
Net balance	445,904	493,223	1,057,978	1,600,390	285,644
Cash and deposits	4,497,677	5,632,051	6,036,023	5,488,563	6,849,398
Total	4,943,582	6,125,275	7,094,002	7,088,953	7,135,042

The steady increase in the number of facilities introducing CS Set, the Company's mainstay service, as well as the increase in the number of users, has led to an upward trend in period-end balances of accounts receivable and accounts payable. On the other hand, the 2024-year-end balance of accounts receivable has decreased by improving invoice and collection work and shortening collection of accounts receivable terms.

In the current fiscal year, the Company's cash and deposits and cash flows in sales have been increasing with continuous improvement in invoice and collection work, although acquisition of investment securities, incurred related costs of merging, and common stocks by takeover bid of M3, Inc. The Group therefore believes in its ability to obtain improvement in cash flows year by year.

(Net Assets)

Total net assets at the end of the current fiscal year were 12,501,850 thousand yen, which increased by 1,687,488 thousand yen compared with the end of the previous fiscal year. Equity ratio was 57.9%, up 1.0% compared with the end of the previous fiscal year.

The return on equity was 20.2%, down 5.2% compared with the previous fiscal year.

b. Operating Results

(Net Sales)

Net sales in the current fiscal year were 47,513,703, increased by 14.7% compared with the previous fiscal year. This was attributable to a steady increase in the number of facilities (hospitals, nursing facilities for the elderly and other such facilities) introducing the CS Set service from 2,320 facilities to 2,570 facilities, with sales activities to spread and expand the use of the Group’s mainstay CS Set service. These sales activities were conducted across Japan from the Group’s 29 branches (including the head office) nationwide, including the Koriyama Sales Office (Koriyama City, Fukushima Prefecture) that commenced operations in the current fiscal year.

(Cost of Sales, Gross Profit)

Cost of sales in the current fiscal year was 36,796,725 thousand yen, increasing by 16.2% compared with the previous fiscal year.

The percentage of gross margin for the current fiscal year was 22.6% due to higher purchase prices, which decreased by 0.9% compared with the previous fiscal year.

As a result, the gross profit in the current fiscal year was 10,716,978 thousand yen, which increased by 9.9% compared with the previous fiscal year.

(Selling, General and Administrative expenses, Operating Profit)

Selling, general and administrative expenses in the current fiscal year was 7,139,240 thousand yen, increased by 17.3% compared with the previous fiscal year. The SG&A ratio was 15.0%, increased by 0.3% compared with the previous fiscal year because of the increased amount incurred related costs of merging, and common stocks by takeover bid of M3, Inc.

As a result, operating profit margin in the current fiscal year was 7.5%, decreased by 1.3% compared with the previous fiscal year, and operating profit decreased to 3,577,737 thousand yen by 2.4% compared with the previous fiscal year.

(Non-operating Income and Expenses, Ordinary Profit)

In the current fiscal year, non-operating income was 51,824 thousand yen and non-operating expenses was 84,574 thousand yen.

As a result, ordinary profit in the current fiscal year was 3,544,987 thousand, decreased by 3.7% compared with the previous fiscal year.

(Extraordinary Income and Loss and Profit Attributable to Owners of Parent)

No extraordinary income or expenses occurred in the current fiscal year.

Total income taxes in the current fiscal year were 1,190,316 thousand yen.

As a result, profit attributable to owners of parent in the current fiscal year was 2,354,670 thousand yen, decreased by 6.5% compared with the previous fiscal year.

c. Management Strategy Status and Outlook

The fiscal year under review marked the 2nd year of the sixth medium-term management plan ending in fiscal year 2025.

In the domestic business, the Group continued to promote various initiatives initiated during the previous medium-term management plan, worked to enhance the added value of its CS Set business and strengthened its competitiveness, and sought to achieve further growth in business scale.

In overseas business, the Group aimed to further strengthen relationships with investee companies and actively been exploring for growth investments.

Going forward, the Group will continue to advance various initiatives to further expand its businesses and explore and review new revenue sources.

ii. Analysis and Discussion on Cash Flows and Information on Capital Resources and Liquidity of Funds

a. Analysis of Cash Flows

Cash flows for the current fiscal year are as presented in "ii. Cash Flows" under "(1) Overview of Operating Results."

b. Information on Capital resources and Liquidity of Funds

The Group's main capital needs include investment in human resources, systems, and new businesses.

Regarding investment in human resources, the Group plans to continue hiring employees in anticipation of greater numbers of contracted facilities going forward and expects an increase in personnel expenses as a result. Regarding investment in systems, the Group will work to promote systemization to adopt more efficient business operations as the scale of its business expands. For investment in new businesses, the Company will also actively explore new businesses as a tool for building new earnings pillars.

For the time being, the Group's position is for cash on hand from operating cash flows to being the financial resource used for each of the above capital needs.

iii. Significant Accounting Estimates and Assumptions

The Group's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan. The significant accounting policies adopted in the preparation of these consolidated financial statements are described in the "V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to the Consolidated Financial Statements (Significant Matters Serving as Basis for Preparation of the Consolidated Financial Statements). Please refer to these as necessary.

The preparation of the Group's consolidated financial statements requires management to make estimates that might affect the selection and application of accounting policies, the reporting and disclosure of assets, liabilities, income, and expenses. These estimates are taken into consideration of various factors that are considered reasonably based on past performance and information available at the time. However, actual results may differ from these estimates due to inherent uncertainties.

5. [Material Business Agreements]

The Company has resolved to conclude a stock purchase agreement for the purpose of acquiring TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY (hereafter TMC), a company located in Vietnam, as a subsidiary at the Board of Directors meeting held on March 22, 2024, and concluded the stock purchase agreement on April 1, 2024. Thereafter, the Group accomplished a stock purchase of TMC by paying the stock acquisition cost on January 21, 2025 as well as executing various procedures.

For more details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Notes to the Consolidated Financial Statements (Significant Subsequent Events)."

6. [Research and Development Activities]

Not applicable.

III. [Equipment and Facilities]

1. [Capital Expenditures]

The total amount of capital investment made by the Group during the current fiscal year was 92,576 thousand yen.

The main investments include the cost of interior construction for branch relocation of 29,011 thousand yen, system development investment of 22,995 thousand yen, purchasing vehicles of 20,737 thousand yen, acquisition cost of lease assets of 12,060 thousand yen, and cost of interior construction for a new branch of 7,362 thousand yen.

There was no disposal or sale of significant facilities in the fiscal year under review.

2. [Principal Facilities]

The following is a breakdown of the Group's facilities and employee assignments by business locations.

With our group's core business being the nursing care and medical-related business, the description of other business segments is omitted due to their lack of significance.

(1) Non-consolidated (Reporting Company)

As of December 31, 2024

Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)							Number of Employees (Persons)
		Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Leased Assets	Land (Area, m^2)	Others	Total	
Head Office (Matsumoto City, Nagano)	Head Office	76,285	24,900	2,572	11,457	269,200 (4,657.68)	71,294	455,710	53(12)
Sagamihara Branch (Chuo Ward, Sagamihara City, Kanagawa)	Sales Office	2,015	0	1,094	-	-	-	3,109	11(-)
Kanazawa Branch (Kanazawa City, Ishikawa)	Sales Office	223	0	95	-	-	-	319	13(9)
Nagoya Branch (Naka Ward, Nagoya City, Aichi)	Sales Office	2,589	-	372	-	-	-	2,962	23(1)
Hiroshima Branch (Naka Ward, Hiroshima City, Hiroshima)	Sales Office	590	-	203	-	-	-	794	11(1)
Osaka Branch (Suita City, Osaka)	Sales Office	445	-	130	-	-	-	575	20(2)
Takamatsu Branch (Takamatsu City, Kagawa)	Sales Office	3,347	-	157	-	-	-	3,505	5(1)
Fukuoka Branch (Hakata Ward, Fukuoka City, Fukuoka)	Sales Office	4,970	-	1,576	-	-	-	6,547	11(1)
Sapporo Branch (Shiroishi Ward, Sapporo City, Hokkaido)	Sales Office	257	562	89	-	-	-	910	11(1)
Saitama Branch (Omiya Ward, Saitama City, Saitama)	Sales Office	338	-	93	-	-	-	432	10(-)
Tokyo Office, Tokyo Branch (Minato Ward, Tokyo)	Office Sales Office	7,970	-	4,446	-	-	-	12,417	21(1)
Niigata Branch (Chuo Ward, Niigata City, Niigata)	Sales Office	5,053	-	440	-	-	-	5,494	6(1)

Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)							Number of Employees (Persons)
		Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Leased Assets	Land (Area, m^2)	Others	Total	
Okayama Branch (Kita Ward, Okayama City, Okayama)	Sales Office	2,385	-	157	-	-	-	2,543	7(1)
Minamikyushu Branch (Chuo Ward, Kumamoto City, Kumamoto)	Sales Office	4,864	-	1,315	-	-	-	6,180	8(1)
Shizuoka Branch (Aoi Ward, Shizuoka City, Shizuoka)	Sales Office	2,652	-	697	-	-	-	3,349	6(1)
Morioka Branch (Morioka City, Iwate)	Sales Office	3,966	0	2,298	-	-	-	6,265	7(1)
Aomori Branch (Aomori City, Aomori)	Sales Office	1,884	-	237	-	-	-	2,122	5(1)
Akita Branch (Akita City, Akita)	Sales Office	4,265	-	515	-	-	-	4,780	4(26)
Sendai Branch (Aoba Ward, Sendai City, Miyagi)	Sales Office	2,885	-	847	-	-	-	3,733	9(13)
Hakodate Sales Office (Hakodate City, Hokkaido)	Sales Office	3,403	-	207	-	-	-	3,611	2(2)
Okinawa Branch (Naha City, Okinawa)	Sales Office	3,371	495	343	-	-	-	4,210	1(-)
Chiba Branch (Chuo Ward, Chiba City, Chiba)	Sales Office	5,421	-	963	-	-	-	6,385	9(-)
Matsuyama Branch (Matsuyama City, Ehime)	Sales Office	4,831	-	665	-	-	-	5,496	6(1)
Matsumoto Branch (Matsumoto City, Nagano)	Sales Office	31,688	-	9,262	-	-	-	40,950	39(6)
Kushiro Sales Office (Kushiro City, Hokkaido)	Sales Office	2,478	-	973	-	-	-	3,452	3(1)
Koriyama Sales Office (Koriyama City, Fukushima)	Sales Office	4,241	-	1,957	-	-	-	6,198	2(-)

(Note 1) There are no principal facilities currently inactive.

(Note 2) “Others” under “Book Value” represents intangible assets such as software.

(Note 3) “Number of Employees” represents full-time employees only. An additional figure for the annual average number of temporary employees (including part-time employees and those dispatched from personnel dispatch companies) employed during is provided in parentheses.

(Note 4) In addition to the book values listed above, the Company rents buildings for its sales offices, offices, and distribution centers, except for its head office. The annual rent for these is 200,186 thousand yen.

(2) Domestic Subsidiaries

As of December 31, 2024

Subsidiary Name	Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)						Number of Employees (Persons)
			Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Land (Area, m^2)	Others	Total	
ELAN Service Corporation	Head Office (Matsumoto City, Nagano)	Head Office	-	-	-	-	-	-	- (-)
	Matsumoto Murai Office (Matsumoto City, Nagano)	Office							38(73)
	Sagamihara Branch (Chuo Ward, Sagamihara City, Kanagawa)	Office	-	-	-	-	-	-	16(31)
	Hiroshima Branch (Naka Ward, Hiroshima City, Hiroshima)	Office	7,149	-	844	-	-	7,993	7(11)
	Morioka Branch (Morioka City, Iwate)	Office	8,021	-	6,806	-	-	14,827	13(28)

(Note 1) There are no principal facilities currently inactive.

(Note 2) “Number of employees” represents full-time employees only. An additional figure for the annual average number of temporary employees (including part-time employees and contract employees) employed is provided in parentheses.

(Note 3) In addition to the book values listed above, the subsidiary rents buildings for its head office and offices and the annual rent for these is 18,655 thousand yen.

As of December 31, 2024

Subsidiary Name	Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)						Number of Employees (Persons)
			Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Land (Area, m^2)	Others	Total	
Ryukyu ELAN Corporation	Head Office (Naha City, Okinawa)	Head Office	-	-	-	-	-	-	8(14)

(Note) “Number of employees” represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and contract employees) employed during the fiscal year is provided in parentheses.

As of December 31, 2024

Subsidiary Name	Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)						Number of Employees (Persons)
			Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Land (Area, m^2)	Others	Total	
ELAN COULEUR Corporation	Head Office (Matsumoto City, Nagano)	Head Office	-	-	-	-	-	-	- (-)
	Nagoya Office (Naka Ward, Nagoya City, Aichi)	Office	3,518	273	1,409	-	-	5,201	16 (209)

(Note 1) There are no principal facilities currently inactive.

(Note 2) "Number of employees" represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and contract employees) employed during the fiscal year is provided in parentheses.

(Note 3) In addition to the book values listed above, the subsidiary rents buildings for its head office and offices and the annual rent for these is 2,868 thousand yen.

As of December 31, 2024

Subsidiary Name	Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)						Number of Employees (Persons)
			Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Land (Area, m^2)	Others	Total	
ELAN LOGISTICS Corporation	Head Office (Midori Ward, Sagamihara City, Kanagawa)	Head Office	360	-	-	-	-	360	7(13)
	Matsumoto Distribution Centre (Matsumoto City, Nagano)	Distribution center	-	-	-	-	-	-	4(7)
	Kansai Distribution Centre (Hirakata City, Osaka)	Distribution center	255	-	280	-	-	535	4(4)

(Note 1) There are no main facilities currently inactive.

(Note 2) "Number of employees" represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and contract employees) employed during the current fiscal year is provided in parentheses.

(Note 3) In addition to the book values listed above, the subsidiary rents buildings for its head office and offices and the annual rent for these is 27,543 thousand yen

(3) Overseas Subsidiary

As of December 31, 2024

Subsidiary Name	Business Location Name (Location)	Facility Type	Book Value (Thousands of yen)						Number of Employees (Persons)
			Buildings and Structures	Vehicles	Tools, Furniture and Fixtures	Land (Area, m^2)	Others	Total	
GREEN LAUNDRY JOINT STOCK COMPANY	Head Office (Ho Chi Minh City, Vietnam)	Head Office	5,690	11,485	8,934	-	-	26,110	260(-)

(Note 1) There are no main facilities currently inactive.

(Note 2) "Number of employees" represents full-time employees only. An additional figure for the average number of temporary employees (including part-time employees and contract employees) employed during the fiscal year is provided in parentheses.

(Note 3) In addition to the book values listed above, the subsidiary rents buildings for its head office and offices and the annual rent for these is 5,265 thousand yen

3. [Plans for Additions and Disposals of Facilities]

Additions of major facilities as of the end of the current fiscal year are listed below.

(1) Additions of Major New Facilities

Business Location Name (Location)	Facility Type	Planned Investment Amount		Funding Method	Month/Year of Construction Start Date	Month/Year of Planned Construction Finish Date	Additional Capacity after Completion
		Total Amount (Thousands of yen)	Already Paid amount (Thousands of yen)				
Head Office (Matsumoto City, Nagano)	Core Systems (Procurement Management/Logistics Management)	27,878	26,498	Cash on Hand	Aug 2022	January 2025	―

(Note) Additional capacity after completion is unreasonably difficult to estimate and is omitted.

(2) Disposals of Major New Facilities

Not applicable.

IV. [Company Information]

1. [Information on the Company's Shares]

(1) [Total Number of Shares and Others]

i. [Total Number of Shares]

Class	Total Number of Shares Authorized to be Issued
Common shares	192,000,000
Total	192,000,000

ii. [Number of Shares Issued]

Class	Number of Shares Issued as of the End of the Current Fiscal Year (Shares) (December 31, 2024)	Number of Shares Issued as of the Filing Date (March 24, 2025)	Stock Exchange on Which the Company is Listed or Financial Instruments Association where the Company is Licensed	Description
Common shares	60,600,000	60,600,000	Tokyo Stock Exchange Prime Market	Standard Company shares with full voting rights and no restricted rights; 100 shares constitute one unit.
Total	60,600,000	60,600,000	—	—

(2) [Information on share acquisition rights]

i. [Details of Stock Option Program]

Not applicable.

ii. [Details of Rights Plan]

Not applicable.

iii. [Information on Other Share Acquisition Rights]

Not applicable.

(3) [Information on Exercise of Moving Strike Convertible Bonds with Stock Acquisition Rights]

Not applicable.

(4) [Changes in the Total Number of Issued Shares, Share capital, etc.]

Date	Increase/Decrease in Total Number of Issued Shares (Shares)	Total Number of Outstanding Shares (Shares)	Increase/Decrease in Share Capital (Thousands of yen)	Balance of Share Capital (Thousands of yen)	Increase/Decrease in Legal Capital Surplus (Thousands of yen)	Balance of Legal Capital Surplus (Thousands of yen)
January 1, 2021 (Note)	30,300,000	60,600,000	—	573,496	—	543,496

(Note) A two-for-one stock split.

(5) [Composition of Issued Shares by Type of Shareholders]

As of December 31, 2024

Category	Status of Shares (One Unit of Stock: 100 Shares)								Number of Shares, Less Than One Unit (Shares)
	Governments and Municipalities	Financial Institutions	Financial Instruments Business Operators	Other Corporations	Foreign Corporations		Individuals and Others	Total	
					Non-Individuals	Individuals			
Number of shareholders (persons)	—	16	26	55	71	14	7,074	7,256	—
Shares held (units)	—	60,337	5,870	382,900	24,878	53	131,718	605,756	24,400
Ownership as a percentage of total shares (%)	—	9.96	0.97	63.21	4.11	0.01	21.74	100.00	—

(Note 1) 995 shares of treasury stock is included in the 9 units in “Individuals and Others” and 95 shares in “Number of Shares less than one unit.”

(Note 2) The 135,917 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the “Board Benefit Trust (BBT)” and the “Employee Stock Ownership Plan (J-ESOP)” are included in the 1,359 units in “Financial Institutions” and 17 shares in “Number of Shares, less than one unit.”

(6) [Major Shareholders]

As of December 31, 2024

Name	Address	Shares Held (Shares)	Ownership as a Percentage of Total Issued Shares (Excluding Treasury Shares) (%)
M3, Inc.	1-11-44 Akasaka, Minato City, Tokyo	33,329,490	55,00
Master Trust Bank of Japan (Trust Account)	1-8-1 Akasaka, Minato City, Tokyo	3,356,100	5.54
Hideharu Sakurai	Yamagata Village, Higashichikuma District, Nagano	3,146,200	5,19
Nobuhiro Nakajima	Matsumoto City, Nagano	2,422,600	4.00
SAKURA Corporation	2558-3 Yamagata Village, Higashichikuma District, Nagano	1,841,500	3.04
HIKARI TSUSHIN, INC.	1-4-10 Nishi-Ikebukuro, Toshima City, Tokyo	1,617,600	2,67
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi District, Chuo City, Tokyo	1,245,000	2.05
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2-2-2 Otemachi District, Chiyoda City, Tokyo	863,200	1.42
N-Style Co., Ltd.	1-5-6 Kudanminami District, Chiyoda City, Tokyo	828,500	1.37
NORTHERN TRUST CO.（AVFC）RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi District, Chuo City, Tokyo)	826,400	1.36
Total	—	49,476,590	81.65

(Note 1) Mr. Sakurai and Mr. Nakajima resigned from significant shareholder positions at the end of the current fiscal year, whom they were significant shareholders at the end of the previous fiscal year.

(Note 2) M3, Inc. became a significant shareholder at the end of the current fiscal year which was not a significant shareholder at the end of the previous fiscal year.

(Note 3) Of the above number of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account), Custody Bank of Japan, Ltd. (Trust Account) and the Nomura Trust and Banking Co., Ltd. (Investment Trust Account), the amount of shares pertaining to trust services are 3,356,100 shares, 1,245,000 shares and 863,200 shares, respectively.

(7) [Information on Voting Rights]

i. [Issued Shares]

As of December 31, 2024

Category	Number of Shares (Shares)		Number of Voting Rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (Treasury shares)		—	—	—
Shares with restricted voting rights (Others)		—	—	—
Shares with full voting rights (Treasury shares)	Common shares	900	—	—
Shares with full voting rights (Others)	Common shares	60,574,700	605,747	—
Shares less than one unit	Common shares	24,400	—	—
Total number of issued shares		60,600,000	—	—
Total number of voting rights held by all shareholders		—	605,747	—

(Note 1) "Shares with full voting rights (treasury stock)" are all treasury shares held by the Company.

(Note 2) The 135,900 shares (1,359 voting rights) of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the "Board Benefit Trust (BBT)" and the "Employee Stock Ownership Plan (J-ESOP)" are included in the common shares in "Shares with full voting rights (others)."

(Note 3) The 17 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the "Board Benefit Trust (BBT)" and the "Employee Stock Ownership Plan (J-ESOP)" are included in the common shares in "Shares less than one unit".

ii. [Treasury Shares]

As of December 31, 2024

Shareholder Name	Shareholder Address	Number of Shares Held under Own Name (Shares)	Number of Shares Held under Another Name (Shares)	Total Number of Shares Held (Shares)	Ownership as a Percentage of Total Issued Shares (%)
ELAN Corporation	15-12 Idegawa, Matsumoto City, Nagano, Japan	900	—	900	0.00
Total	—	900	—	900	0.00

(Note 1) The 135,900 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the "Board Benefit Trust (BBT)" and the "Employee Stock Ownership Plan (J-ESOP)" are not included in the above.

(Note 2) The Company holds 95 shares of treasury stock, less than one unit.

(8) [Details of Stock Ownership Plan for Officers and Employees]

i. Performance-Linked Share-Based Remuneration Plan for Directors

At a meeting of the Board of Directors held on February 19, 2021, the Company resolved to introduce a new performance-linked share-based remuneration plan for the Company's directors (excluding directors who serve as Audit & Supervisory Committee members, and those directors who are outside directors) and executive officers (hereinafter, "Directors and other officers") called "Board Benefit Trust (BBT)" (hereinafter, the "Plan"). The Plan is for the purpose of further clarifying the linkage between remuneration for Directors and other officers and the Company's business performance and stock value as well as having Directors and other officers to share not only the benefits of rises in stock prices but also the risks of falls in stock prices with shareholders, and thereby motivating Directors and other officers to contribute to enhance business performance and boosting corporate value in the medium-to-long term. The proposal regarding this Plan was resolved at the 27th Annual General Meeting of Shareholders held on March 23, 2021.

(1) Summary of the Plan

The Plan is a performance-linked share-based remuneration plan for the Company shares to be acquired through a trust by using monies contributed by the Company as the source of funds, and for the Company's shares and monies equivalent to the amount of the Company's shares converted into market value (hereinafter, "the Company Shares") to be awarded through the trust to Directors and other officers in accordance with the Rules on Share Awards for Directors and Other Officers provided by the Company. The timing that the Company Shares. are awarded to Directors and other officers shall be upon their retirement from office as Directors and other officers. as a rule.

(2) Total Number of Shares Expected to be Acquired by Officers

As of the end of the current fiscal year, 98,217 shares of the Company's stock are held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets under the Plan.

(3) Scope of Individuals Entitled to Beneficiary Rights under the Subject Officer Stock Ownership Plan

Retired Directors who satisfy the requirements for beneficiaries as stipulated in the Rules on Share Awards for Directors and Other Officers.

ii. Stock Benefit Trust Plan for Employees

At a meeting of the Board of Directors held on February 19, 2021, the Company resolved to introduce an "Employee Stock Ownership Plan (J-ESOP)" (hereinafter, the "Plan"), an incentive plan for employees of the Group (hereinafter, the "Employees"). The Plan is for the purpose of enhancing the benefit programs for Employees and to improve their sense of participation in management.

(1) Summary of the Plan

Under the Plan, shares of the Company's stock are provided to Employees when they acquire the right to receive these shares in accordance with the Company's pre-established Rules on Share Awards.

The Company grants points to Employees in accordance with their years of service and other individual contribution levels and grants shares of the Company's stock equivalent to the points granted to those Employees who satisfy the requirements to receive benefits. The shares to be provided to Employees, including those to be provided in the future, will be acquired by the trust bank using money placed in trust by the Company in advance, and will be managed separately as trust assets.

(2) Total Number of Shares Expected to be Acquired by Employees

As of the end of the current fiscal year, 37,700 shares of the Company's stock are held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets under the Plan.

(3) Scope of Individuals Entitled to Beneficiary Rights under the Subject Employee Stock Ownership Plan

Employees who satisfy the requirements for beneficiaries as stipulated in the Rules on Share Awards.

2. [Information on Acquisition of Treasury Shares]

[Class of Shares] Acquisition of Common Stock under Article 155, Item 7 of the Companies Act

(1) [Acquisition by Resolution of General Meeting of Shareholders]

Not applicable.

(2) [Acquisition by Resolution of Board of Directors]

Not applicable.

(3) [Acquisition not Based on Resolution of the General Meeting of Shareholders or of the Board of Directors]

Category	Number of Shares (Shares)	Total Amount (Yen)
Treasury shares acquired during the fiscal year under review	—	—
Treasury shares acquired during the current period	—	—

(Note) Treasury stock acquired during the current period does not include shares less than one unit purchased from March 1, 2025, to the filing date of this Annual Securities Report.

(4) [Status of the Disposition and Holding of Acquired Treasury Shares]

Category	FY 2024		Current Period	
	Number of Shares (Shares)	Total Amount Disposed (Yen)	Number of Shares (Shares)	Total Amount Disposed (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, share delivery, or demerger	—	—	—	—
Others	—	—	—	—
Total number of treasury shares held	995	—	995	—

(Note 1) Treasury shares held during the current fiscal year and the current period do not include the 135,917 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the “Board Benefit Trust (BBT)” and the “Employee Stock Ownership Plan (J-ESOP).”

(Note 2) Treasury stock disposed during the current period does not include shares less than one unit sold from March 1, 2025, to the filing date of this Annual Securities Report.

(Note 3) Treasury stock held during the current period does not include shares of less than one unit purchased or sold from March 1, 2025, to the filing date of this Annual Securities Report.

3. [Dividend Policy]

Recognizing appropriate return of profit to shareholders as an important management task, ELAN's policy is to keep distributing profit to shareholders by taking the status of internal reserves, the profit level of each fiscal year, the earnings and fund demand outlook for the next fiscal year onward and other factors into consideration in a comprehensive manner.

The Company's basic policy is to pay dividends from the surplus once a year as a year-end dividend.

Furthermore, internal reserves will be allocated as funds for capital investment to expand the Company's network of sales offices, investment in the creation of systems for billing, purchasing, and logistics operations, and investment in new business development to stabilize business foundations and enhance corporate value.

The Company's Articles of Incorporation stipulate that "the Company may pay dividends from reserves and such others by a resolution of the Board of Directors pursuant to Article 459, paragraph 1 of the Companies Act."

Based on the above policy, the Company decided to pay a year-end dividend of 13 yen per share for fiscal year 2024, comprehensively considering its business performance, financial position, and other factors.

Dividends from surplus for the current fiscal year are as follows.

Date of Resolution	Total Dividend Amount (Thousands of yen)	Total Dividends per Share (Yen)
March 21, 2025 Annual general meeting of shareholders	787,787	13

4. [Corporate Governance]

(1) [Overview of Corporate Governance]

i. Basic Stance on Corporate Governance

The Company's basic management philosophy is, "We will pursue the best products and services that satisfy our customers and contribute to the realization of an enriching living environment through our passionate actions". The Company respects the interests of all our stakeholders, including CS Set users, and is aware that establishing corporate governance is an important management issue for the long-term, ongoing improvement of its corporate value.

Based on this awareness, the Company's directors, executive officers, and employees understand their roles and continuously work to improve their awareness of laws and regulations, social norms, and ethics, while also developing and operating an appropriate management structure. In addition, the Company will affect revisions necessary to reflect changes in its growth stage and other factors going forward.

ii. Overview and Reason for Adoption of Corporate Governance Structure

a. Overview of Corporate Governance Structure

Many of the important decisions regarding business execution in the Company are made through the Board of Directors and the Management Meeting.

The Company's Board of Directors makes decisions on the Company's management policies, management strategies, business plans, acquisition and disposal of important assets, and important organizations and personnel. The Board of Directors is made up of five directors (including one outside director) who do not serve on the Audit & Supervisory Committee and five directors (including three outside directors) who also serve on the Audit & Supervisory Committee. In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings whenever important matters arise.

The Board of Directors decides the duties of executive directors and appoints and decides the duties of executive officers. If necessary, the Board of Directors notifies management decisions to executive officers at the meetings of the Board of Directors and has executive directors and executive officers execute their duties promptly.

The Management Meeting is an advisory body to the President, consisting of executive directors and executive officers, other persons appointed by the President, and the full-time Audit & Supervisory Committee member, and its meetings are convened twice a month. The purpose of the Management Meeting is to deliberate on important matters related to business execution and matters requiring prior discussion among those that will be discussed at meetings of the Board of Directors. The meeting is also a forum for reports on operations related to the duties of each executive director and executive officer. The Company's President makes decisions, following deliberation by the Management Meeting, on important business execution matters delegated to the President by a resolution of the Board of Directors.

The Audit & Supervisory Committee is made up of five directors who also serve as Audit & Supervisory Committee members (one full-time Audit & Supervisory Committee member and three outside Audit & Supervisory Committee members) and its meetings are convened once a month. The Audit & Supervisory Committee strives to ascertain directors' compliance with laws and regulations and the Company's Articles of Incorporation and to ensure the effective implementation of operating audits and accounting audits.

In addition to the Board of Directors, the Company has established the Nomination & Compensation Committee as an arbitrary advisory body, whose members are mostly independent outside directors, with the aim of further strengthening the Company's corporate governance structure by enhancing independence, objectivity, transparency and accountability of the functions of the Board of Directors. The Nomination & Compensation Committee deliberates on matters relating to the nomination of candidates for director and executive officer positions, and compensation for directors and executive officers, and reports the outcome of deliberations to the Board of Directors. The Nomination & Compensation Committee is made up of members selected by a resolution from the Board of Directors. Most members are selected from among independent outside directors.

On top of that, the Company established "Special Committee" as an advisory body of board of directors to shelter minority shareholders in such important transactions between the Company and the Parent Company since a controlling shareholder has emerged.

The Company's Board of Directors, the Management Meeting, the Audit & Supervisory Committee, and the Nomination & Compensation Committee consist of the following members (◎ denotes the chairperson of the organization).

Role	Title	Name	Board of Directors (Note 3)	Management Meeting (Note 2)	Audit & Supervisory Committee	Nomination & Compensation Committee	Special Committee
Executive officer	Representative Director, President, Executive Officer, and CEO	Tomohiro Minezaki	◎	◎	–	○	–
	Director, Executive Officer, CSO, and General Manager of Corporate Strategy Department	Akira Ishizuka	○	○	–	–	–
	Director, Executive Officer, CFO, and General Manager of Administration Department	Yoichi Kamijo	○	○	–	○	–
	Executive Officer and General Manager of Subsidiaries and Affiliates Support Department	Daiki Akiyama	–	○	–	–	–
	Executive Officer and General Manager of Business Development Department and President's Office	Hideo Hara	–	○	–	–	–
	Executive Officer and General Manager of Operational Management Department	Yusuke Kano	–	○	–	–	–
	Executive Officer and General Manager of Global Business Development Department	Hideya Tetsumura	–	○	–	–	–
	Executive Officer and General Manager of Information Systems Department	Jun Kanno	–	○	–	–	–
	Executive Officer, CMO, and General Manager of Sales Department	Ryo Wakizaka	–	○	–	–	–
	Executive Officer and General Manager of Distribution Department	Takanori Shimizu	–	○	–	–	–
	Executive Officer and General Manager of Operations Department	Hirotoshi Suzuki	–	○	–	–	–
	Executive Officer and assistant General Manager of Sales Department	Yu Iizuka	–	○	–	–	–

Role	Title	Name	Board of Directors (Note 3)	Management Meeting (Note 2)	Audit & Supervisory Committee	Nomination & Compensation Committee	Special Committee
Non-Executive officer	Director	Yukiko Matsumoto	○	–	–	–	–
	Director (Note 1)	Naomi Emori	○	–	–	○	○
	Director, Full-time Audit & Supervisory Committee member	Hiroshi Eyama	○	○	○	–	–
	Director, Audit & Supervisory Committee member	Oba Hirofumi	○	–	○	–	–
	Director, Audit & Supervisory Committee member (Note 1)	Nobuyuki Takagi	○	–	○	◎	◎
	Director, Audit & Supervisory Committee member (Note 1)	Naohide Aikawa	○	–	◎	○	○
	Director, Audit & Supervisory Committee member (Note 1)	Miho Saito	○	–	○	-	○

(Note 1) Indicates outside directors.

(Note 2) The Articles of Incorporation stipulate, "Meetings of the Board of Directors shall be convened and chaired by one of the Representative Directors, unless otherwise stipulated by law." Therefore, meetings of the Board of Directors operate based on resolutions of the Board of Directors that determine the order of chairpersonship.

(Note3) In addition to the members listed in the table above, the Management Meeting includes employees (division heads) appointed by the President.

(Activity of the Board of Directors in the Fiscal Year under Review)

The Board of Directors in principle holds meetings once a month, and the attendance record for each director was as follows.

Title	Name	Attendance Status
Representative Director and Chairman Chairman, Executive Officer and CEO (Note 1)	Hideharu Sakurai	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Representative Director and President President, Executive Officer and COO	Tomohiro Minezaki	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director Executive Officer and General Manager of Subsidiaries and Affiliates Support Department (Note 1)	Daiki Akiyama	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director Executive Officer and CSO General Manager of Management Strategy Department	Akira Ishizuka	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director (Note 2)	Naomi Emori	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director and Full-time Audit & Supervisory Committee Member	Hiroshi Eyama	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director and Audit & Supervisory Committee Member (Note 2)	Nobuyuki Takagi	Attended all twenty-one (21) meetings of the Board of Directors (100%)
Director and Audit & Supervisory Committee Member (Note 2)	Naohide Aikawa	Attended all twenty-one (21) meetings of the Board of Directors (100%)

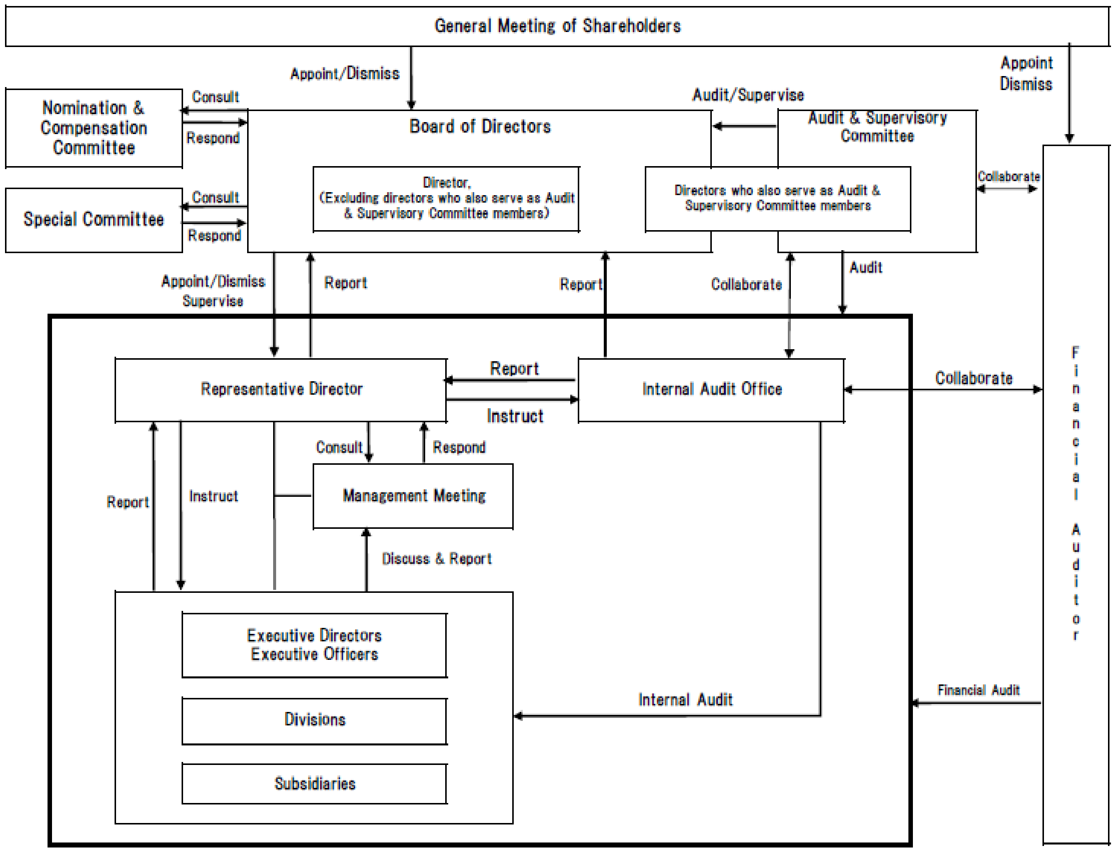
(Note 1) Scheduled to step down as a director upon the expiration of his term at the Annual General Meeting of Shareholders to be held on March 21, 2025.

(Note 1) Outside Director.

The specific topics discussed at the Board of Directors meetings held in the current fiscal year were as follows.

・Matters related to financial statements (monthly, quarterly, and yearly)
・Matters related to the Annual General Meeting of Shareholders (scheduling, proposed agenda items)
・Matters related to disclosure documents (securities reports, corporate governance reports, quarterly reports, etc.)
・Matters related to the establishment and revision of regulations
・Matters related to the formulation of budgets and business plans
・Matters related to significant personnel and organizational changes
・Matters related to new investment projects

The Company's corporate governance framework is shown in the chart below.



b. Reason for Adoption of Corporate Governance Structure

The Company has adopted a corporate system with the Audit & Supervisory Committee. This is intended to further strengthen corporate governance by granting voting rights at Board of Directors meetings to directors who are members of the Audit & Supervisory Committee and by enhancing the supervisory function of the Board of Directors through the Audit & Supervisory Committee, the majority of whose members are outside directors. In addition, this action was taken with the aim of further enhancing corporate value by enabling the Board of Directors to broadly delegate business execution decisions to directors, thereby speeding up management decision-making related to business execution and allowing the Board of Directors to engage in more broad-based and strategic discussions.

The Management Meeting has been established as an advisory body to the President, who has been delegated decision-making on important business execution matters by the Board of Directors. This meeting's purpose is to share information and for its members to deliberate on matters related to important business execution matters, and to ensure appropriate and prompt decision-making by the President.

In addition to a Board of Directors, the Company has established the Nomination & Compensation Committee, whose members are mostly independent outside directors, as an arbitrary advisory body to the Board of Directors with the aim of strengthening independence, objectivity, and accountability of the functions of the Board of Directors. Additionally, the Company established "Special Committee", which is constituted in board of directors meeting to shelter minority shareholders.

By adopting these systems, the Company believes that it can strengthen corporate governance and enhance corporate value by strengthening supervisory functions for business execution and accelerating management decision-making related to business execution, as well as by having strategic discussions at the Board of Directors meetings.

iii. Other Matters related to Corporate Governance

a. Internal Control System and Status

As for the Company's internal control system, the Board of Directors has established the Basic Policy Regarding Establishment of Internal Control Systems. Based on this policy, the Company ensures that its businesses are carried out efficiently in compliance with laws and regulations and the Articles of Incorporation via the Board of Directors and other important meetings. Audit & Supervisory Committee members and the Internal Audit Office monitor other execution of duties by officers and employees and perform necessary audit procedures as needed.

In addition, as a compliance system for directors, executive officers, and employees, the Company has established “M3 Group Code of Conduct” and the Compliance Manual to ensure that corporate activities are managed in compliance with laws and regulations while contributing to the benefit of society.

b. Status of Risk Management System

The Company's Administration Department serves as the lead department as information is shared between departments and the Company strives to detect risks early and prevent their occurrence. In addition, the Rules on Group Internal Reporting stipulate that when an officer or employee becomes aware of a violation of laws and regulations, an act in violation of internal regulations, or misconduct by another officer or employee, he or she should report it to specified contact points comprised of persons designated by the President, full-time Audit & Supervisory Committee members, or attorneys-at-law who have no conflicts of interest with the Company. With this, the Company has established a system to prevent fraudulent behavior and other misconduct, as well as to detect these early, by stipulating a system for proper handling.

In addition, the Company has established the Rules on Crisis Management, which stipulate how to respond when the Company is faced with a business crisis.

In addition, the directors and executive officers in charge of the Sales Department, Operational Management Department, Logistics Department, Operations Department, Corporate Strategy Department, Business Development Department, Global Business Development Department, Information Systems Department, Administration Department etc. share information on the progress on day-to-day sales, operations, etc. with the heads, assistants heads and managers of respective departments (by sales area, unit, and section) as needed. This information is promptly reported via the directors and executive officers to the Chairman and President. Information is shared horizontally across the organization and appropriate actions are taken for risk management, including reporting to the Management Meeting and the Board of Directors as necessary.

c. Status of Systems for Ensuring Appropriate Operations at Subsidiaries

In order to ensure the appropriate operations of the Company's subsidiaries, the Company ensures the management function of important operations at subsidiaries in accordance with its Rules on Management of Subsidiaries and Affiliates and appoints members of the Company as officers at subsidiaries who lead the management and guidance of the subsidiaries’ operations while respecting their autonomy. In addition, regular meetings of subsidiaries’ boards of directors are held once a month, and the status of subsidiaries is reported in a timely manner at the meetings of the Company's Management Meeting and Board of Directors to ensure proper operations of the subsidiaries.

iv. Overview of Content of Limited Liability Contracts

Based on Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts with its directors (excluding those who executive directors are) to limit the compensation for damages by the directors stipulated in Article 423 Paragraph 1. The limit of the liability for damages based on the contracts is the amount provided by laws and regulations. These contracts cover only instances where the directors in question (excluding those who executive directors are) have performed their duties in good faith and without gross negligence.

v. Overview of the Liability Insurance Contract of Directors and Officers

The Company has concluded a director's and officers liability insurance contract based on Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance policy covers damages, legal fees, etc. The insured may incur damage from the performance of their duties in the capacity of their office. The policy covers all the directors (including directors who also serve as Audit & Supervisory Committee members), corporate auditors and executive officers of the Company and its domestic subsidiaries. Insurance premiums are fully borne by the Company. However, for the purpose of guaranteeing the appropriateness of the directors' and officers' execution of duties, it is stipulated that insurance shall not cover the insured's damages incurred from the breach of the duty of loyalty, criminal acts, fraudulent acts or willful violation of laws and regulations, etc.

vi. Number of Directors

As stipulated in the Company's Articles of Incorporation, the number of Directors (excluding directors who also serve as Audit & Supervisory Committee members) shall not exceed 8, and the number of directors who also serve as Audit & Supervisory Committee members shall not exceed 6.

vii. Requirements for Resolution of Director Appointment

The Company's Articles of Incorporation stipulate that resolutions for the appointment of directors shall be approved by most of the voting rights of shareholders present at the meeting with the attendance of shareholders holding at least one-third of eligible voting rights, and that cumulative voting shall not be used.

viii. Requirements for Special Resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate those special resolutions of the General Meeting of Shareholders as based on Article 309, Paragraph 2 of the Companies Act shall be approved by a majority of two-thirds present at the meeting with attendance of shareholders holding at least one-third of eligible voting rights. This is intended to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions of the General Meeting of Shareholders.

ix. Matters for Resolution of the General Meeting of Shareholders that may be Resolved by the Board of Directors

a. Dividends of Surplus

To enable the flexible return of profits to shareholders, the Company's Articles of Incorporation stipulate those matters provided in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, may be determined by a resolution of the Board of Directors unless otherwise provided for by law.

b. Acquisition of Treasury Shares

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares by a resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act. The purpose of this acquisition is to acquire treasury shares through market transactions and other means to facilitate the Company's implementation of a flexible capital policy in adaptation to changes in the business environment.

c. Exemption of Directors from Liability

The Company's Articles of Incorporation stipulate that the Company may exempt the directors (including former directors) from liability for acts stipulated in Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations by a resolution of the Board of Directors, pursuant to Article 426, Paragraph 1 of the same act. This is intended to create an environment in which directors can fully demonstrate their abilities and fulfill their expected roles in performing their duties.

(2) [Directors]

i. List of Directors

Male: 7, Female: 3 (Percentage of female directors: 30.0%)

Title	Name	Date of Birth	Career Summary	Term of Office	Shares Held (Shares)
Representative Director, President and CEO	Tomohiro Minezaki	September 7, 1972	Apr. 1997 Joined Nakajima Yuzo Zeirishi Jimusho Dec. 1999 Joined Y.K. ISO Aug. 2003 Joined ELAN Corporation Jan. 2009 Head of Sales Division, ELAN Corporation July 2011 Director, Head of Sales Division, ELAN Corporation Oct. 2012 Director and Head of East Japan Area Sales Division, ELAN Corporation Mar. 2014 Director (in charge of sales), ELAN Corporation Feb. 2016 Director and Head of Sales Division, ELAN Corporation Oct. 2016 Director and Assistant General Manager of Sales Department, ELAN Corporation Feb. 2017 Director, LTASK Corporation Jan. 2018 Director and General Manager of Operations Department, ELAN Corporation Sep. 2018 Director, ELAN Service Corporation Jan. 2019 Director and Assistant General Manager of Sales Department, ELAN Corporation Jan. 2020 Director and General Manager of Sales Department, ELAN Corporation Mar. 2020 Executive Officer, ELAN Corporation Jan. 2021 Director in Charge of Sales, ELAN Corporation Mar. 2021 Managing Director, General Manager of Operational Management Department, and Managing Executive Officer, ELAN Corporation Mar. 2022 Representative Director, President & COO, General Manager of Operational Management Department, ELAN Corporation Apr. 2022 Representative Director and President, Executive Officer & COO, ELAN Corporation Mar. 2025 Representative Director and President, Executive Officer & CEO, ELAN Corporation (current position)	(Note 2)	400,000
Director Executive Officer and CSO General Manager of Corporate Strategy Department	Akira Ishizuka	August 8, 1970	Aug. 2005 Director, Medical Care Service Co., Inc. Mar. 2010 Managing Director, Medical Care Service Co., Inc. Mar. 2016 Managing Director, Sanko Soflan Co., Ltd. Oct. 2016 Executive Officer, REALWORLD, Inc. (now, DIGITAL PLUS, Inc.) Apr. 2017 Executive Officer and CFO, REALWORLD, Inc. Dec. 2017 Director and CFO, REALWORLD, Inc. Apr. 2019 Joined ELAN Corporation July 2019 General Manager of General Affairs & Human Resources Department and Head of Human Resources Division, ELAN Corporation Jan. 2020 General Manager of Corporate Strategy Department and Head of Corporate Planning Division, ELAN Corporation Mar. 2020 Executive Officer, ELAN Corporation Dec. 2021 Outside Director, Classico Inc. (current position) Mar. 2022 Director, Executive Officer, CSO, and General Manager of Corporate Strategy Department (current position) Jan. 2023 Representative Director, President, ELAN COULEUR Corporation (current position)	(Note 2)	1,873
Director Executive Officer and CFO, General Manager of Administration Department	Yoich Kamijo	March 30, 1973	Apr. 1995 Joined Dai-Ichi Kangin Information Systems K.K. . (now Mizuho Research & Technologies K.K.) Oct. 1999 Joined Tohmatsu Audit Corporation (now Tohmatsu Limited Liability Audit Corporation) Apr. 2003 Registered as a certified public accountant Oct. 2015 Joined ELAN Corporation Nov. 2015 Manager of Business Affairs Division Aug. 2016 Joined PwC Arata LLC (now PwC Japan LLC) Aug. 2017 Joined Tohmatsu Limited Liability Audit Corporation July 2019 Joined ABLE Corporation (now BEABLE Corporation) Dec. 2019 Re-joined ELAN Corporation Jan. 2020 Manager of Finance & Accounting Division (current position) Apr. 2021 Director, Ryukyu ELAN Corporation (current position) Jan. 2024 Executive Officer, Deputy General Manager of Administration Department, ELAN Corporation May. 2024 Executive Officer, CFO, General Manager of	(Note 2)	-

Title	Name	Date of Birth	Career Summary	Term of Office	Shares Held (Shares)
			Administration Department (current position) Mar. 2025 Assumed Director of Elan Corporation (current position)		
Director	Yukiko Matsumoto	November 20, 1980	Apr. 2004 Joined Cyber Agent Inc. Apr. 2007 Joined Mitsue-Links Co., Ltd. Feb. 2011 Joined M3, Inc. Nov. 2016 Group Leader of New Business Platform, M3, Inc. Jun. 2018 Director, M3 Career, Inc. (current position) May. 2021 Group Leader of Career Solution and Group Leader of Clinic Establishment & Succession Platform, M3, Inc. (current position) May. 2022 Executive Officer, M3, Inc. (current position) Aug. 2022 Group Leader of Promotion of Ecosystem, M3, Inc. (current position) Apr. 2023 Group Leader of White Jack Project M3, Inc. (current position) Mar. 2025 Assumed Director of Elan Corporation (current position)	(Note 2)	-
Director	Naomi Emori	February 21, 1959	Apr. 1980 Joined Japanese Red Cross Kyoto Daiichi Hospital Apr. 1983 Joined Fukui Medical School Hospital Seconded to Toyama Medical and Pharmaceutical University Hospital Apr. 1989 Deputy Nursing Officer, Fukui Medical School Hospital Apr. 1991 Chief Nursing Officer, Fukui Medical School Hospital Apr. 2013 Deputy Director of Nursing Department, University of Fukui Hospital Apr. 2015 Director of Nursing Department and Deputy Hospital Director, University of Fukui Hospital June 2019 Regional Director, Japanese Nursing Association (current position) President, Fukui Nursing Association (current position) Mar. 2020 Outside Director, ELAN Corporation (current position)	(Note 2)	-
Director Full-time Audit & Supervisory Committee member	Hiroshi Eyama	February 2, 1970	Nov. 2007 Joined ELAN Corporation Apr. 2012 Joined K.K. Sogo Kaikei Nov. 2014 Joined Tax Accountancy Corporation Sogo Kaikei Oct. 2016 Joined ELAN Corporation Jan. 2018 Head of Internal Audit Office, ELAN Corporation Jan. 2019 Assistant Head to Senior Managing Director, ELAN Corporation Mar. 2019 Auditor, LTASK Corporation Auditor, ELAN Service Corporation (current position) Mar. 2019 Full-Time Auditor, ELAN Corporation Mar. 2020 Director (Full-time Audit & Supervisory Committee member), ELAN Corporation (current position) Apr. 2021 Auditor, Ryukyu ELAN Corporation (current position) Jan. 2023 Auditor, ELAN COULEUR Corporation (current position) Oct. 2023 Auditor, ELAN LOGISTICS Corporation (current position)	(Note 3)	2,000
Director Audit & Supervisory Committee member	Oba Hirofumi	July 27, 1980	Apr. 2005 Joined Mizuho Securities Co., Ltd. May 2010 Joined Fashion Walker Co., Ltd. Oct. 2011 Operating officer of Fashion-CoLab. Co., Ltd. Apr. 2012 Assumed Representative Director of Zenryoku Co., Ltd. Apr. 2013 Joined M3, Inc. Apr. 2019 Assumed Executive Officer of M3, Inc. (current position) Jun. 2019 Assumed Auditor of M3 Career, Inc. (current position) Oct. 2019 Assumed Auditor of CUC, Inc. June 2020 Assumed Director and Audit & Supervisory Committee Member of CUC, Inc. (current position) Mar. 2025 Assumed Director (Audit & Supervisory Committee member), ELAN Corporation (current position)	(Note 4)	-

Title	Name	Date of Birth	Career Summary	Term of Office	Shares Held (Shares)
Director Audit & Supervisory Committee member	Nobuyuki Takagi	February 25, 1953	Apr. 1977 Joined Nomura Securities Co., Ltd. June 1997 General Manager of Corporate Research Department, Financial Research Center, Nomura Securities Co., Ltd. Dec. 1998 General Manager of Underwriting Credit Evaluation Department, Nomura Securities Co., Ltd. July 2004 General Manager of Corporate Research Department, Financial & Economic Research Center, Nomura Securities Co., Ltd. July 2007 Director of Financial & Economic Research Center and General Manager of Investment Research Department, Nomura Securities Co., Ltd. Feb. 2009 Research Managing Director, Global Research Division, Nomura Securities Co., Ltd. Mar. 2009 Visiting Professor, Center for Risk Research, Faculty of Economics, Shiga University Apr. 2009 Part-Time Lecturer, Graduate School of Engineering Management, Shibaura Institute of Technology Mar. 2013 Outside Auditor, ELAN Corporation June 2013 Outside Auditor, Meito Transportation Co., Ltd Oct. 2015 Outside Auditor, Chilled & Frozen Logistics Holdings Co., Ltd. Feb. 2016 Outside Director, Lacto Japan Co., Ltd. May 2017 Part-Time Adviser, LOTTE CO., LTD. Mar. 2019 Outside Director, Nakano Refrigerators Co., Ltd. (current position) June 2019 Outside Director (Audit & Supervisory Committee member), Chilled & Frozen Logistics Holdings Co., Ltd. (current position) Mar. 2020 Outside Director (Audit & Supervisory Committee member), ELAN Corporation (current position)	(Note 3)	-
Director Audit & Supervisory Committee member	Naohide Aikawa	September 17, 1977	Oct. 2004 Joined Miura Law Office Sep. 2007 Opened Aikawa Law Office Director, Aikawa Law Office (current position) Oct. 2007 Part-Time Lecturer, Faculty of Education, Shinshu University Apr. 2011 Specially Appointed Associate Professor, School of Law, Shinshu University Mar. 2014 Outside Auditor, ELAN Corporation Mar. 2020 Outside Director (Audit & Supervisory Committee member), ELAN Corporation (current position) Apr. 2024 Vice-President, Nagano Prefecture Bar Association（現任）	(Note 3)	-
Director Audit & Supervisory Committee member	Miho Saito	April 8, 1963	Apr. 1986 Joined Nomura Securities Co., Ltd. Mar. 1988 Joined Credit Suisse Trust & Banking Ltd. Nov. 1989 Joined Sparx Investment Advisory Ltd. (now, SPARX Group Co., Ltd.) June 1993 Graduated (MBA) J.L.Kellogg Graduate School of Management at Northwestern University Sep. 1993 Joined Sparx Investment Advisory Ltd. (now, SPARX Group Co., Ltd.) Sep. 1997 Joined Government of Singapore Investment Corporation Private Limited (now GIC Private Limited) Jan. 2006 Joined Clay Finlay Inc. Nov. 2009 Joined United Nations Joint Staff Pension Fund Senior Investment Officer and Head of APAC Equites June. 2024 Executive Office of Capital Market Department (current position) Mar. 2025 Outside Director (Audit & Supervisory Committee), ELAN Corporation (current position)	(Note 4)	-
Total					403,873

(Note 1) Director Naomi Emori and directors who also serve as Audit & Supervisory Committee members Nobuyuki Takagi, Naohide Aikawa, and Miho Saito are outside directors.

(Note 2) Term of office for directors (excluding those who also serve as Audit & Supervisory Committee members) refers to their terms during the period from the conclusion of the General Meeting of Shareholders held on March 21, 2025, to the conclusion of the General Meeting of Shareholders related to the year ending December 31, 2025.

(Note 3) Term of office for directors who also serve as Audit & Supervisory Committee members Hiroshi Eyama, Nobuyuki Takagi and Naohide Aikawa shall be from the conclusion of the Annual General Meeting of Shareholders held on March 22, 2024, to the conclusion of the Annual General Meeting of Shareholders related to the year ending December 31, 2025.

(Note 4) Term of office for directors who also serve as Audit & Supervisory Committee members Hirofumi Oba and Miho Saito shall be from the conclusion of the Annual General Meeting of Shareholders held on March 21, 2025, to the conclusion of the Annual General Meeting of Shareholders related to the year ending December 31, 2025.

(Note 5) The Company has introduced an executive officer system for the following purposes.

i. To realize speedy management decision-making and flexible business execution by separating the management supervisory function from business execution.

ii. To strengthen the Company's governance structure by reducing the number of directors in charge of business execution and increasing the ratio of outside directors on the Board of Directors, thereby enhancing the supervisory function of the Board of Directors.

iii. To expand opportunities for human resource promotion and develop the next generation of management.

There are nine executive officers who are not directors, consisting of Daiki Akiyama General Manager of Subsidiaries and Affiliates Support Office, Hideo Hara, Business Development Department and President’s Office, Yusuke Kano, General Manager of Business Development Department, Hideya Tetsumura, General manager of the Global Business Development Department, Jun Kanno, General Manager of Information Systems Department, Ryo Wakizaka, CMO, General Manager of Sales Department, Takanori Shimizu, General Manager of Distribution Department, Hirotoshi Suzuki, General Manager of Corporate Strategy Department, and Yu Iizuka, Assistant General Manager of Sales Department.

ii. Outside Directors

The Company has four outside directors. There are no personal, capital, business or other relationships of interest between any of the outside directors and the Company, and since it has been deemed that there is no risk of conflicts of interest with general shareholders, the Company has notified Tokyo Stock Exchange, Inc. of their status as independent officers.

Naomi Emori, an outside director, has no direct experience in corporate management. However, she has long been engaged in nursing operations at a large acute care hospital and has been active in a wide range of fields, including nursing practice, nursing management, nursing education, research activities, and academic and social activities, and has broad insight and experience in nursing and healthcare. She provides advice and guidance from the perspective of nursing and healthcare, utilizing this background and experience.

Nobuyuki Takagi, an outside director who also serves as an Audit & Supervisory Committee member, has broad knowledge of capital markets. He provides appropriate guidance and auditing, utilizing his background and experience, and is appropriately performing his duties supervising the Company's business execution from an outside perspective.

Naohide Aikawa, an outside director who also serves as an Audit & Supervisory Committee member, has a wealth of experience and expertise as an attorney-at-law. He provides appropriate guidance and audit utilizing his background and experience and is appropriately performing his duties supervising the Company's business execution from an outside perspective.

Miho Saito, an outside director who also serves as an Audit & Supervisory Committee member, is a specialty who can give appropriate advice and supervisory and in charge of executing and supervising executive officers of the Elan Group as who has broad professional knowledge and experience in international financial markets.

In principle, outside directors attend regular monthly meetings of the Board of Directors, participate in decision-making, and provide advice and recommendations to ensure the appropriateness and legality of the process. Outside directors who also serve as Audit & Supervisory Committee members attend monthly meetings of the Audit & Supervisory Committee as well as meetings of the Board of Directors to audit and supervise the Company's management situation and business decisions.

Although the Company has no clearly defined criteria or policy regarding independence for appointing outside directors, the Company appoints individuals who are considered suitable for the management of the Company, taking into consideration their experience, knowledge, and abilities.

iii. Cooperation between Supervision or Audits by Outside Directors and Audits by Internal Audit, Audit & Supervisory Committee and Financial Auditor, and Relationship between Outside Directors and Internal Control Units

Outside directors attend meetings of the Board of Directors, while outside directors who also serve as Audit & Supervisory Committee members attend meetings of the Audit & Supervisory Committee in addition to meetings of the Board of Directors. At the meetings, these officers receive reports from the internal control units on the status of the maintenance and operation of the Company's internal control system, reports on the internal audit plan and its implementation status, and reports on the results of internal control assessments related to financial statements and financial reports.

Through these deliberations, the outside directors appropriately fulfill their supervisory and auditing functions by making suggestions based on their respective insights.

In addition, outside directors regularly exchange opinions with the financial auditor and receive reports on the status of the execution of its duties.

(3) [Status of Audits]

i. Status of Audit & Supervisory Committee Audits

The Company transitioned from being a company with an audit and supervisory board to being a company with an audit & supervisory committee based on a resolution of the 26th Annual General Meeting of Shareholders held on March 25, 2020.

The Company's Audit & Supervisory Committee consists of five, appointing 2 more Audit & Supervisory committee members in the general meeting held on March 21, 2025, and directors who also serve as Audit & Supervisory Committee members, including three outside directors. The Audit & Supervisory Committee appoints one full-time Audit & Supervisory Committee member who actively attends meetings of the Board of Directors and the Management Meeting, as well as other important meetings to enhance auditing and sufficiently monitor the execution of business by directors.

Hiroshi Eyama, the full-time Audit & Supervisory Committee member, has accumulated experience by devoting himself to build the infrastructure of the Accounting Department before the Company's listing. In addition, he has gained knowledge in the business activities, management system, and other areas of the Company through internal audit work. Furthermore, he has considerable knowledge of taxation and accounting because of his experience and expertise in handling professional tax and accounting-related work at a certified public tax accounting firm.

The Company holds monthly Audit & Supervisory Committee meetings to gauge the compliance of directors (excluding those who also serve on the Audit & Supervisory Committee) with laws and the Company's Articles of Incorporation, and it strives to ensure the effective implementation of operational and financial audits.

The Audit & Supervisory Committee held twelve (12) meetings during the current fiscal year, and the attendance of individual Audit & Supervisory Committee members was as follows.

Category	Name	Attendance Status
Director, Full-time Audit & Supervisory Committee Member	Hiroshi Eyama	Attended all twelve (12) meetings of the Audit & Supervisory Committee (100%)
Outside Director, Audit & Supervisory Committee Member	Nobuyuki Takagi	Attended all twelve (12) meetings of the Audit & Supervisory Committee (100%)
Outside Director, Audit & Supervisory Committee Member	Naohide Aikawa	Attended all twelve (12) meetings of the Audit & Supervisory Committee (100%)

Specific matters considered at the Audit & Supervisory Committee include formulating audit plans, preparing audit reports, assessing the reappointment of the financial auditor, approving the remuneration and other details for the financial auditor, evaluating and reviewing internal control systems, as well as confirming the Group's operating results and financial position, and exchanging opinions with the financial auditor.

In addition, the full-time Audit & Supervisory Committee members mainly attend meetings of the Board of Directors, the Management Meeting, and other important meetings, review important internal documents, perform on-site audits mainly at branches and subsidiaries, and conducts other activities such as gathering information on the status of business execution at the Group.

ii. Status of Internal Audits

The Company's internal audits are conducted by the Internal Audit Office, which directly reports to the President and consists of three members. The Internal Audit Office conducts internal audits based on an internal audit plan approved by the President, with the aim of ensuring the effectiveness and efficiency of each department. The audit results are reported in writing to the President and directly reported to the Audit & Supervisory Committee and its members. The office also instructs audited departments to make improvements and report the results of these improvements, maintaining and improving internal controls.

The Internal Audit Office, the Audit & Supervisory Committee, and the financial auditor hold regular discussions and exchange necessary information to ensure cooperation between each party.

iii. Status of Financial Audits

The Company has entered an audit contract with Deloitte Touche Tohmatsu LLC to audit financial statements and internal controls on financial reporting. In this audit process, internal control units provide necessary information to the financial auditor.

a. Name of Auditing Firm

Deloitte Touche Tohmatsu LLC

b. Continuous Audit Period

Thirteen (13) years

c. Certified Public Accountants Performing Audit Work

Toshihiro Kuchiki, Designated Limited Liability Partner, Engagement Partner

Hajime Yoshizaki, Designated Limited Liability Partner, Engagement Partner

Toshihiro Kuchiki and Kazuhide Kobori oversees quarterly accounting review until the first quarter and subsequently transmit it to Hajime Yoshizaki from Kazuhide Kobori.

There are no special interests between the Company and Deloitte Touche Tohmatsu LLC, or the Engagement Partners engaged in the audit of the Company.

d. Composition of Assistants Involved in Audit Work

There are eleven (11) certified public accountants and twelve (12)-others serving as assistants involved in financial audit work for the Company.

e. Financial Auditor Selection Policy and Reason

Financial auditors are selected with consideration to the status and results of the audit, the audit implementation system and capabilities, audit fees, independence, etc. In addition, the Audit & Supervisory Committee determines the content of proposals for dismissal or non-reappointment of the financial auditor to be submitted to the General Meeting of Shareholders when it is necessary to do so, such as when the financial auditor is impeded from performing its duties, or when the auditing firm is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act.

The current financial auditor, Deloitte Touche Tohmatsu LLC, was selected based on a comprehensive review of factors such as past audit performance, audit quality control, independence, and communication with management.

f. Evaluation of the Auditing Firm by the Audit & Supervisory Committee and its Members

The Audit & Supervisory Committee monitored and verified whether the financial auditor had maintained an independent position and conducted adequate audits, received from the financial auditor reports on the state of performance of its duties, and requested explanations as necessary.

iv. Details of Audit fees.

a. Fees to Auditing Certified Public Accountants.

Category	FY 2023		FY 2024	
	Fees for Audit Certification (Thousands of yen)	Fees for Non-audit Services (Thousands of yen)	Fees for Audit Certification (Thousands of yen)	Fees for Non-audit Services (Thousands of yen)
Filing company	23,000	1,500	30,000	—
Consolidated subsidiaries	—	—	—	—
Total	23,000	1,500	30,000	—

The Company’s non-audit services in the previous fiscal year comprise advisory services related to the disclosure of sustainability information.

There are no fees paid by consolidated subsidiaries to the auditing certified public accountants.

b. Fees Paid to Member Firms in the same Network as the Auditing Certified Public Accountants (Deloitte Touche Tohmatsu Limited) (excluding fees from a.)

Category	FY 2023		FY 2024	
	Fees for Audit Certification (Thousands of yen)	Fees for Non-audit Services (Thousands of yen)	Fees for Audit Certification (Thousands of yen)	Fees for Non-audit Services (Thousands of yen)
Filing company	—	1,856	—	1,856
Consolidated subsidiaries	—	2,034	1,295	2,471
Total	—	3,890	1,295	4,327

Non-audit services in the previous fiscal year and the current fiscal year consisted of tax return review service for Deloitte Tohmatsu Tax Corporation.

c. Details of Fees for Other Significant Audit Certification Services

Not applicable.

d. Policy for Determining Audit Fees

Audit fees paid by the Company to audit certified public accountants are determined by the Board of Directors with the consent of the Audit & Supervisory Committee, based on quotations provided by the auditing certified public accountants, and after discussion by relevant Company departments. This determination takes into consideration the number of personnel and the number of audit days required for audit certification services.

e. Reasons for the Audit & Supervisory Committee’s Consent to Fees for the Financial Auditor

The reason for the consent of the Audit & Supervisory Committee of the Company to the fees for the financial auditor proposed by the Board of Directors as stipulated in Article 399, Paragraph 1 of the Companies Act is that the Audit & Supervisory Committee conducted the necessary verification as to the appropriateness of the content of the financial auditor’s audit plan, the performance of financial audit duties, and the basis for calculating fee estimates, etc. As a result, the Audit & Supervisory Committee determined that the proposed fees are appropriate.

(4) [Directors’ Remuneration]

i. Regarding Policies for Amount and Calculation of the Directors’ Remuneration

The maximum total amount of remuneration for directors (excluding those who also serve as Audit & Supervisory Committee members) is limited to 460 million yen per year (not including employee salaries of directors who also serve as employees and remuneration for outside directors shall be no more than 20 million yen) per resolution at the 26th Annual General Meeting of Shareholders held on March 25, 2020. As of the filing date of this document, four (4) directors (excluding directors who also serve as Audit & Supervisory Committee members) are eligible for this remuneration. The maximum amount of remuneration for directors (Audit & Supervisory Committee members) is limited to 40 million yen per year per resolution at the 26th Annual General Meeting of Shareholders held on March 25, 2020. As of the filing date of this document, four (4) directors who also serve as Audit & Supervisory Committee members are eligible for this remuneration.

The share-based remuneration portion of performance-linked remuneration (director bonuses) was resolved at the 27th Annual General Meeting of Shareholders held on March 23, 2021. The maximum number of points per fiscal year to be granted to directors under the “Board Benefit Trust (BBT)”, a performance-linked share-based remuneration plan for directors (excluding outside directors and directors who also serve as Audit & Supervisory Committee members) and executive officers, is appropriately determined within the limit of 120,000 points per fiscal year. As of the filing date of this document, three (3) directors (excluding outside directors and directors who also serve as Audit & Supervisory Committee members) are eligible for this remuneration.

Policy for Directors’ Remuneration

The Company's Board of Directors has resolved a policy for individual director remuneration. The Board of Directors has confirmed that the calculation method and amount of remuneration of each director for the current fiscal year are consistent with the policy and that the recommendation of the Nomination & Compensation Committee has been respected in the calculation, and judged that the remuneration of each director for the current fiscal year was in line with the policy

The details of the policy for directors’ remuneration are as follows.

a. Types of Directors' Remuneration and Philosophy

Remuneration for executive directors of the Company (directors other than outside directors and those who also serve as Audit & Supervisory Committee members) is paid in the form of fixed remuneration (monthly remuneration) set according to title and performance-linked remuneration (director bonuses) that adjusts in accordance with business performance. In addition, performance-linked remuneration (director bonuses) is paid in the form of monetary remuneration and share-based remuneration. On the other hand, outside directors and directors who also serve as Audit & Supervisory Committee members, who are responsible for supervisory functions, receive only fixed remuneration (monthly remuneration) in consideration of their roles and independence.

b. Policy on the Amount of Fixed Remuneration (Monthly Remuneration) for Individual Directors (including the Policy Regarding the Timing and Conditions of the Remuneration)

The Company stipulates a table for each position, serving as the basis for determining fixed remuneration (monthly remuneration) for directors. Monetary amounts are determined with reference to survey data from an external third-party organization and other sources, as well as by taking into consideration the opinions of the outside directors, members of the Nomination & Compensation Committee, an arbitrary advisory body to the Board of Directors and whose main members are independent outside directors.

c. Policy on the Amount of Performance-Linked Remuneration (Director Bonuses) for Individual Directors (including the Policy Regarding the Timing and Conditions of the Remuneration)

The total amount of performance-linked remuneration (director bonuses) paid to individual executive directors is determined based on the achievement rate of consolidated operating profit and everyone's role and contributions to the Company. Consolidated operating profit was chosen as an indicator because it more accurately reflects contributions to enhancing corporate value for the Company, which is in a growth stage, and because it is an objective and transparent indicator which the Company has determined will enhance the objectivity and transparency of performance-linked remuneration. Performance-linked remuneration (director bonuses) consists of monetary remuneration and share-based remuneration. For share-based remuneration, each director is granted a certain number of points in consideration of his or her position, contribution, and achievement of business performance in each fiscal year. The amount of share-based remuneration is in correspondence to the number of points granted. On the other hand, monetary remuneration is paid as the amount remaining after deducting the relevant share-based remuneration amount from the total amount of performance-linked remuneration (director bonuses) paid to everyone. The points awarded in relation to share-based remuneration will be determined by adjusting with the degree of achievement of the Medium-Term Management Vision. In principle, eligible officers will receive share awards after retirement in proportion to the points they have earned.

d. Policy on Share of performance-linked remuneration (director bonuses) for individual directors

The ratio of fixed remuneration (monthly remuneration) to performance-linked remuneration (director bonuses) will be determined by the President as delegated by the Board of Directors, based on the report of the Nomination & Compensation Committee to ensure that the ratio is appropriate.

e. Policy Determination of Individual Director Remuneration.

Remuneration for executive directors is determined by the President as delegated by the Board of Directors based on the report of the Nomination & Compensation Committee, taking into consideration everyone's role and contributions to the Company. In determining remuneration amounts per individual executive director, the President will respect the recommendation of the Nomination & Compensation Committee.

f. Activities of the Nomination & Compensation Committee

The Nomination & Compensation Committee is an advisory body under the Board of Directors. The majority of the committee's members are independent outside directors, and the committee's role is to deliberate on matters related to the nomination, remuneration, etc. of directors and executive officers and report the results of these deliberations to the Board of Directors.

ii. Total Remuneration by Director Category, Remuneration Amount by Type, and Number of Eligible Officers

Director Category	Amount of Remuneration. (Thousands of yen)	Total Remuneration, Amount by Type (Thousands of yen)			Number of Eligible Officers (Persons)
		Basic Remuneration (Fixed remuneration)	Performance-Linked Remuneration (Monetary Remuneration)	Of left figure, Non-Monetary Remuneration	
Directors (excluding directors who also serve as Audit & Supervisory Committee members and outside directors)	132,300	132,300	―	―	5
Audit & Supervisory Committee members (excluding outside directors)	15,300	15,300	―	―	1
Outside Directors	18,900	18,900	―	―	3

(Note 1) The performance indicator for performance-linked remuneration (director bonuses) is consolidated operating profit, which amounted to 3,577,737 thousand yen. The reasons for the selection of this indicator are as described above.

(Note 2) Remuneration for directors is determined by Hideharu Sakurai, the chairman of the Company as delegated by the meeting of the Board of Directors meeting held on March 22, 2024, and after deliberation by the Nomination & Compensation Committee, taking into consideration the role of each director and his or her contributions to the Company. The Board of Directors delegated this responsibility to the chairman because it was deemed that the chairman was the most appropriate person to evaluate the duties of each director, as the evaluator must be in control of the state of the Company as a whole and of the execution of each director's duties. Hideharu Sakurai, the chairman of the Company is scheduled to step down upon the expiration of his term at the Annual General Meeting of Shareholders to be held on March 21, 2025

iii. Total Consolidated Remuneration by Director

Omitted because there are no persons whose total amount of remuneration exceeds 100 million yen.

iv. Significant Employee Salaries of Officers who also Serve as Employees

Not applicable.

(5) [Information on Shareholdings]

1) Criteria for Shareholding Classification and Rationale

The Company classifies and manages its shareholdings into shares held for purely investment purposes and shares held for purposes other than pure investment, as follows.

a. Shares Held for Pure Investment Purposes

The purpose of holding these shares is to benefit from changes in the value of the shares or from dividends on the shares.

b. Shares Held for Purposes Other Than Pure Investment

The purpose of holding these shares is to enhance the Group's corporate value by strengthening business and other relationships with the companies in which the Group invests.

2) Investment Shares Held for Purposes Other Than Pure Investment

a. Methods for Verifying Consistency of Holdings and Holding Policies, and Details of Verifications by the Board of Directors, etc. Regarding the Appropriateness of Holding Individual Issues

The Company's policy is to engage in strategic shareholdings when it is deemed contributory to enhancing the Group's medium-to-long term corporate value, taking into consideration the overall importance of the shares from a business strategy perspective. In addition, the director in charge will conduct an annual review to determine whether the holding purpose is appropriate. At that time, the Company’s policy is to dispose of any shares that are determined to have no recognizable effect after consulting with the Board of Directors and taking into consideration the impact on business aspects.

b. Number of Issues and Carrying Values on the Balance Sheet

	Number of Issues (Issues)	Total Carrying Value on the Balance Sheet (Thousands of yen)
Unlisted stocks	4	1,102,437
Stocks other than unlisted stocks	—	—

(Stocks Whose Number of Shares Increased in the Current Fiscal Year)

	Number of Issues (Issues)	Total Acquisition Cost Related to Increase in the Number of Shares (Thousands of yen)	Reason for the Increase in the Number of Shares
Unlisted stocks	1	200,925	To create business synergies and promote initiatives that pave the way for new business creations.
Stocks other than unlisted stocks	—	—	—

(Stocks Whose Number of Shares Decreased in the Current Fiscal Year)

	Number of Issues (Issues)	Total Amount of Sale Price Related to Decrease in Number of Shares (Thousands of yen)
Unlisted stocks	—	—
Stocks other than unlisted stocks	—	—

c. Information on the Number of Shares, Carrying Value on the Balance, etc. of Specified Investment Shares and Deemed Shares by Issue

Not applicable.

iii. Investment Shares Held for Pure Investment Purposes

Not applicable.

V. [Financial Information]

1. Basis of Presentation for Consolidated and Non-Consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

(2) The Company's financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Regulation No. 59 of 1963, hereinafter the "Regulations on Non-consolidated Financial Statements"). As a company designated for the submission of non-consolidated financial statements prepared in accordance with special provision, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Regulations on non-consolidated Financial Statements.

2. Audit Certification

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to audit the consolidated financial statements of the Company for the fiscal year under review (January 1, 2024, to December 31, 2024), and non-consolidated financial statements of the Company for the fiscal year under review (January 1, 2024, to December 31, 2024).

3. Efforts to Secure the Appropriateness of the Consolidated Financial Statements

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements. Specifically, in order to accurately ascertain the content of the latest accounting standards and prepare appropriate consolidated financial statements in response to changes in these standards, the Company maintains membership in the Financial Accounting Standards Foundation, obtaining information from the foundation, and participates in training programs, seminars, and other programs held by audit firms and various organizations with specialized information, striving to ensure appropriateness of its consolidated financial statements.

1. [Consolidated Financial Statements]

(1) [Consolidated Financial Statements]

i. [Consolidated Balance Sheet]

(Unit: Thousands of yen)

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Assets		
Current Assets		
Cash and deposits	5,488,563	6,849,398
Trade and contract accounts receivable	4,947,868	5,783,858
Merchandise	1,379,085	1,551,013
Supplies	520,341	741,594
Other accounts receivable	3,673,883	2,394,780
Others	91,002	222,423
Allowance for doubtful accounts	(593,924)	(670,269)
Total Current Assets	15,506,819	16,872,798
Non-Current Assets		
Property, plant and equipment		
Buildings and structures	323,442	345,379
Accumulated depreciation	(123,164)	(137,950)
Buildings and structures, net	200,278	207,428
Machinery, equipment and vehicles	67,933	206,358
Accumulated depreciation	(46,031)	(159,705)
Machinery, equipment and vehicles, net	21,901	46,653
Land	269,200	269,200
Others	161,081	168,969
Accumulated depreciation	(112,487)	(116,454)
Others, net	48,594	52,515
Total Property, Plant and Equipment	539,974	575,797
Intangible Assets		
Software	101,053	71,294
Goodwill	-	813,938
Others	7,825	30,763
Total Intangible Assets	108,878	915,997
Investments and Other Assets		
Investment securities	* 2,171,326	* 2,558,748
Deferred tax assets	520,077	522,713
Others	186,693	194,225
Allowance for doubtful accounts	(40,533)	(34,313)
Total Investments and Other Assets	2,837,565	3,241,373
Total Non-Current Assets	3,486,418	4,733,168
Total Assets	18,993,237	21,605,967

(Unit: Thousands of yen)

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Liabilities		
Current Liabilities		
Trade accounts payable	6,427,437	7,222,724
Other accounts payable	629,153	704,238
Accrued expenses	70,835	79,076
Income taxes payable	724,163	630,093
Accrued consumption taxes	134,424	167,168
Others	102,648	115,298
Total Current Liabilities	8,088,663	8,918,601
Non-Current Liabilities		
Long-term debt	—	76,617
Provision for share awards	27,587	38,830
Provision for share awards for directors and other officers	62,623	60,116
Others	—	9,949
Total Non-Current Liabilities	90,211	185,514
Total Liabilities	8,178,874	9,104,116
Net Assets		
Shareholders’ equity		
Share capital	573,496	573,496
Capital surplus	543,496	543,496
Retained earnings	9,964,017	11,530,900
Treasury shares	(194,125)	(191,477)
Total Shareholders' Equity	10,886,884	12,456,415
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(72,521)	(297)
Foreign currency translation adjustments	—	45,732
Total Accumulated Other Comprehensive Income	(72,521)	45,435
Total Net Assets	10,814,362	12,501,850
Total Liabilities and Net Assets	18,993,237	21,605,967

ii. [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]

[Consolidated Statements of Income]

(Unit: Thousands of yen)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Net sales	*1 41,425,501	*1 47,513,703
Cost of sales	31,674,226	36,796,725
Gross profit	9,751,274	10,716,978
Selling, general and administrative expenses	*2 6,085,865	*2 7,139,240
Operating profit	3,665,409	3,577,737
Non-operating income		
Gain on sales of non-current assets	199	3,281
Subsidy income	6,205	5,895
Late charges income	11,388	10,811
Business advisory fee income	4,200	4,200
Consumption tax exemption income	2,633	15,103
Others	8,007	12,533
Total Non-operating Income	32,635	51,824
Non-Operating Expenses		
Interest expense	—	1,654
Loss on retirement of non-current assets	3,581	3,467
Loss on investments in investment partnerships	4,524	18,455
Loss on valuation of investment securities	8,362	—
Foreign exchange loss	—	60,996
Total Non-Operating Expenses	16,469	84,574
Ordinary Profit	3,681,575	3,544,987
Profit Before Income Taxes	3,681,575	3,544,987
Current income taxes	1,219,211	1,192,945
Deferred income taxes	(56,373)	(2,628)
Total Income Taxes	1,162,837	1,190,316
Profit	2,518,738	2,354,670
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	2,518,738	2,354,670

[Consolidated Statements of Comprehensive Income]

(Unit: Thousands of yen)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Net profit	2,518,738	2,354,670
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(27,466)	72,224
Foreign currency translation adjustments	—	45,732
Total Other Comprehensive Income	* (27,466)	*117,956
Comprehensive Income	2,491,272	2,472,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,491,272	2,472,627
Comprehensive income attributable to non-controlling interests	—	—

iii. [Consolidated Statements of Changes in Equity]

Fiscal Year ended December 31, 2023

	Shareholders' Equity				
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at the beginning of the period	573,496	543,496	8,111,868	(194,096)	9,034,764
Changes in items during the period					
Dividends of surplus			(666,589)		(666,589)
Profit attributable to owners of parent			2,518,738		2,518,738
Disposal of treasury shares				(28)	(28)
Net changes in items other than shareholders' equity					
Total changes in items during the period	―	―	1,852,149	(28)	1,852,120
Balance at the end of the period	573,496	543,496	9,964,017	(194,125)	10,886,884

(Unit: Thousands of yen)

	Accumulated Other Comprehensive Income		Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Total Accumulated Other Comprehensive Income	
Balance at the beginning of the period	(45,055)	(45,055)	8,989,708
Changes in items during the period			
Dividends of surplus			(666,589)
Profit attributable to owners of parent			2,518,738
Disposal of treasury shares			(28)
Net changes in items other than shareholders' equity	(27,466)	(27,466)	(27,466)
Total changes in items during the period	(27,466)	(27,466)	1,824,654
Balance at the end of the period	(72,521)	(72,521)	10,814,362

Fiscal Year ended December 31, 2024

	Shareholders' Equity				
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at the beginning of the period	573,496	543,496	9,964,017	(194,125)	10,886,884
Changes in items during the period					
Dividends of surplus			(787,787)		(787,787)
Profit attributable to owners of parent			2,354,670		2,354,670
Disposal of treasury shares				2,647	2,647
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	1,566,883	2,647	1,569,531
Balance at the end of the period	573,496	543,496	11,530,900	(191,477)	12,456,415

(Unit: Thousands of yen)

	Accumulated Other Comprehensive Income			Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	
Balance at the beginning of the period	(72,521)	—	(72,521)	10,814,362
Changes in items during the period				
Dividends of surplus				(787,787)
Profit attributable to owners of parent				2,354,670
Disposal of treasury shares				2,647
Net changes in items other than shareholders' equity	72,224	45,732	117,956	117,956
Total changes in items during the period	72,224	45,732	117,956	1,687,488
Balance at the end of the period	(297)	45,732	45,435	12,501,850

iv. [Consolidated Statements of Cash Flows]

(Unit: Thousands of yen)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Cash Flows from Operating Activities		
Profit before income taxes	3,681,575	3,544,987
Depreciation	187,645	896,769
Amortization of goodwill	—	20,196
Increase (decrease) in allowance for doubtful accounts	102,036	70,094
Increase (decrease) in provision for share awards	7,229	11,242
Increase (decrease) in provision for share awards for directors and other officers	12,865	(2,506)
Interest and dividend income	(68)	(951)
Loss (gain) on foreign exchange	—	60,996
Interest expense	—	1,654
Loss (gain) on investments in investment partnerships	4,524	18,455
Loss on valuation of investment securities	8,362	—
Loss (gain) on sale of non-current assets	(199)	(3,281)
Loss on retirement of non-current assets	3,581	3,467
Decrease (increase) in trade receivables	(1,360,545)	727,607
Decrease (increase) in inventories	(567,779)	(363,364)
Decrease (increase) in other current assets	(151,583)	(56,394)
Increase (decrease) in trade payable	859,458	786,719
Increase (decrease) in other accounts payable	(65,527)	63,239
Increase (decrease) in other current liabilities	158,721	5,706
Others	(1,116)	(878)
Subtotal	2,879,179	5,783,759
Interest and dividends received	68	520
Interest paid	—	(1,654)
Income taxes paid	(1,098,465)	(1,282,565)
Net Cash Provided by (used in) Operating Activities	1,780,782	4,500,060
Cash Flows from Investing Activities		
Payments into time deposits	(24,292)	(24,292)
Proceeds from withdrawal of time deposits	24,291	24,292
Purchase of property, plant and equipment	(143,240)	(876,286)
Proceeds from sale of property, plant and equipment	219	336
Purchase of investment securities	(1,474,870)	(353,680)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*1 (867,236)
Purchase of intangible assets	(52,278)	(19,815)
Payments of leasehold deposits	(12,654)	(18,853)
Proceeds from refund of leasehold deposits	21,714	5,813
Loan advances	—	(99,000)
Others	(47)	(4,788)
Net Cash provided by (used in) Investing Activities	(1,661,156)	(2,233,510)
Cash Flows from Financing Activities		
Increase (decrease) in short-term loans payable	—	(60,961)
Decrease(increase) in treasury stock	(28)	—
Dividends paid	(665,755)	(788,137)
Repayments of lease obligations	(1,302)	(434)
Net Cash provided by (used in) Financing Activities	(667,086)	(849,533)
Effect of Exchange Rate Change on Cash and Cash Equivalents	—	(56,181)
Net Increase (decrease) in cash and cash equivalents	(547,461)	1,360,834
Cash and cash equivalents at the beginning of the period	6,011,732	5,464,270
Cash and cash equivalents at the end of the period	*2 5,464,270	*2 6,825,105

[Notes]

(Significant Matters Serving as Basis for Preparation of the Consolidated Financial Statements)

1. Matters Concerning Scope of Consolidation

Number of Consolidated Subsidiaries: 5 Companies

Name of Consolidated Subsidiaries

ELAN Service Corporation
Ryukyu ELAN Corporation
ELAN COULEUR Corporation
ELAN LOGISTICS Corporation
GREEN LAUNDRY JOINT STOCK COMPANY

GREEN LAUNDRY JOINT STOCK COMPANY were included in the scope of consolidation from the current fiscal year.

This was due to the acquisition of all outstanding shares of GREEN LAUNDRY JOINT STOCK COMPANY in the current fiscal year.

2. Matters Concerning the Application of the Equity Method

(1) Non-consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Not applicable.

(2) Non-consolidated subsidiaries for which the equity method is not applied (QUICK SMART WASH PRIVATE LIMITED), when considering indicators such as net profit or loss (commensurate with equity holdings) and retained earnings (commensurate with equity holdings), would have a minimal impact on consolidated financial statements if excluded from application of the equity method and, further, are not important overall. Therefore, they have been excluded from the scope of application of the equity method.

3. Matters Concerning Fiscal Year of Consolidated Subsidiaries

The account closing date of consolidated subsidiaries is the same as the consolidated account closing date.

4. Matters Concerning Accounting Policies

(1) Valuation Standards and Valuation Methods for Significant Assets

i. Securities

Available-for-Sale Securities

Other than Stocks and Other Securities with no Market Price

The market value method is adopted (valuation differences are directly charged or credited to net assets, and the cost of sales is determined by the moving-average method).

Stocks with no Market Price

Mainly cost accounting method using the moving-average method is adopted.

ii. Inventories

Merchandise

Mainly stated at cost determined by the weighted average method (the balance sheet amount is by the method of writing down book value based on decline in profitability).

Supplies

Mainly, stated at cost determined by the weighted average method (the balance sheet amount is by the method of writing down book value based on decline in profitability).

(2) Method of Depreciation and Amortization of Significant Depreciable Assets

i. Property, Plant and Equipment (excluding leased assets)

The declining balance method is adopted. However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The estimated useful lives are mainly as follows:

Buildings	8-38 years
Structures	10-45 years
Vehicles	2-6 years
Tools, furniture and fixtures	2-15 years

ii. Intangible Assets (excluding leased assets)

The straight-line method is adopted.

Software for internal use is amortized using the straight-line method over the estimated internal useful life (5 years).

iii. Leased Assets

Leased Assets for Lease Transaction Other Than Lease Transaction of Transfer of Ownership Rights

The straight-line method with useful life set as the leasing term and the remaining value set at zero.

(3) Standards for Recognition of Significant Allowances and Provisions

i. Allowance for Doubtful Accounts

The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.

ii. Provision for Share Awards

To provide for the award of Company shares to employees of the Company and its subsidiaries in accordance with the Company's Rules on Share Awards, the Company records an amount based on the estimated share award obligation as of the end of the current fiscal year.

iii. Provision for Share Awards for Directors and Other Officers

To provide for the award of Company shares to directors (excluding directors who also serve as Audit & Supervisory Committee members and other directors who are outside directors) and executive officers in accordance with the Rules on Share Awards for directors and other officers, the Company records an amount based on the estimated share award obligation as of the end of the current fiscal year.

(4) Basis for Recognition of Significant Revenues and Expenses.

The Group has a single segment, the nursing care and medical-related business, offering the CS Set.

As for the CS Set, the main performance obligation is to provide a combination of rental service with laundry service for clothes, towels, etc. and provision of daily necessities to those who are hospitalized or admitted to long-term care health facilities for the elderly.

The Group recognizes revenue at the time the goods or services are provided based on the judgment that control over the goods or services has been transferred to the customer and the performance obligation has been fulfilled.

The transaction is due within a short period of time after the performance obligation is fulfilled, and the contract does not contain a significant financial element.

(5) Method and Period of Amortization of Goodwill

Goodwill is amortized using the straight-line method over a period of 10 years.

(6) Scope of Cash and Cash Equivalents on the Consolidated Statement of Cash Flows

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.

(7) The Basis for Translation to Japanese Yen of Significant Foreign Currency Denominated Assets and Liabilities

Foreign currency denominated receivables and payables are converted into spot exchange rates of Japanese yen at consolidated disclose date and the amount of translation difference is recorded as profit and loss. In addition, assets and liabilities of overseas subsidiaries are converted to spot exchange rates of Japanese yen at consolidated disclose date, profit and cost are converted into average spot exchange rate of the fiscal period, and the translation differences are included in foreign currency translation adjacent which is recorded in net assets.

(Significant Accounting Estimates)

(Goodwill Evaluation)

(1) Amounts Recorded in the Consolidated Financial Statements

	FY 2023	FY 2024
Goodwill	- Thousand yen	813,938 thousand yen

(2) Details Regarding Significant Accounting Estimates for the Identified Item

i. Calculation Method

Application of impairment loss about goodwill is judged by comparing with book value with goodwill of acquired companies' assets that might change or influence on the value, of which depreciation period is applied before discount in cash flow under business plans when indication of depreciation and amortization are recognized after evaluating whether impairment indicators exist or not. If the application of impairment loss is deemed necessary, the amount of decrease will be considered as impairment loss by impairing to recoverable value.

Moreover, the impairment loss of goodwill is not recognized in the current fiscal year.

ii. Major Underlying Assumptions

Major underlying assumptions used in the calculation of undiscounted future cash flows include historical data, statistics and future market data, and operating income forecasts that incorporate industry trends.

iii. Impact on the Consolidated Financial Statements in Fiscal Year 2025

Standard assumptions on sales and gross profit are set for business plans for prospects. These assumptions could be revised with possibilities of changes by uncertain economic conditions even though they are decided with utmost careful estimations. The above estimates and assumptions are subject to uncertainties, and changes in business plans or market conditions could have a significant impact on the consolidated financial statements in fiscal year 2025 or later in the event of changes in the conditions or assumptions on which the estimates are based.

(Non-applicable Accounting Standards)

Accounting Standards for Leases (No. 34 of the Accounting Standards for Business Entities, September 13, 2024, Accounting Standards Board of Japan)

Implementation Guidance on Accounting Standard for Leases (Implementation Guidance No. 33, Accounting Standards Board of Japan, September 13, 2024)

(1) Outline

As part of its efforts to align Japanese standards with international standards, the Accounting Standards Board of Japan (ASBJ) has been conducting a study based on international accounting standards towards the development of an accounting standard for leases that recognizes assets and liabilities for all leases by lessees. As a basic policy, the ASBJ adopted IFRS 16's single accounting treatment model as a basis, but rather than incorporating all provisions of IFRS 16, a lease accounting standard aimed at being simple, convenient, and requiring essentially no adjustment even when IFRS 16's provisions are used in separate financial statements, has been published by incorporating only the principal provisions.

Regarding the lessee's accounting treatment, a single accounting treatment model, which recognizes depreciation expense for right-of-use assets and interest equivalents for lease liabilities for all leases, regardless of whether the lease is a finance lease or an operating lease, is applied in the same manner as IFRS 16, for the method of cost allocation for lessees' leases.

(2) Date of Application

Applied from the beginning of December 2028

(3) Impacts under Application of the Concerned Accounting Standards

The impact on consolidated financial statements after applying accounting standards for leases has not been evaluated at the present time.

(Change in Presentation Format)

Consumption tax exemption income that was disclosed in others of non-operating income in the previous fiscal year has disclosed independently in the current fiscal year since the financial importance of it had increased by exceeding ten one-hundredth of total non-operating income. Consolidated financial statements in the previous fiscal year have been rearranged to reflect the change.

As a result, the amount of 10,641 thousand yen that was recorded on other non-operating income in the consolidated profit and loss income statement in the previous fiscal year have been rearranged, divided into consumption tax exemption income, which is 2,633 thousand yen, and others, which is 8,007 thousand yen.

(Additional Information)

(About the Board Benefit Trust (BBT))

(1) Outline of Transactions

The Company introduced a performance-linked share-based remuneration plan for the Company's directors (excluding directors who serve as Audit & Supervisory Committee members and those directors who are outside directors) and executive officers (hereinafter, "Directors and other officers") called the "Board Benefit Trust (BBT)" (hereinafter, the "BBT"). The BBT is for the purpose of further clarifying the linkage between remuneration for Directors and other officers and the Company's business performance and stock value as well as having Directors and other officers share not only the benefits of rises in stock prices but also the risks of falls in stock prices with shareholders, and thereby motivating Directors and other officers to contribute to enhance business performance and boosting corporate value in the medium-to-long term.

The BBT is a performance-linked share-based remuneration plan for the Company shares to be acquired through a trust by using monies contributed by the Company as the source of funds, and for the Company's shares and monies equivalent to the amount of the Company's shares converted into market value (hereinafter, "Company Shares") to be awarded through the trust to Directors and other officers in accordance with the Rules on Share Awards for Directors and other officers provided by the Company. The timing that Company Shares are awarded to Directors and other officers shall be upon their retirement from office as Directors and other officers as a rule.

(2) Shares of the Company Remaining in Trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to 140,590 thousand yen and 100,000 shares at the end of the previous fiscal year and 138,084 thousand yen and 98,217 shares at the end of the current fiscal year.

(3) Method for Accounting Treatment

The gross method is applied in accordance with the Practical Solution on Transactions for Delivering the Company's Own Stock to Employees (Practical Issues Task Force No. 30, March 26, 2015). Expenses and corresponding provisions are recorded based on the number of points granted to directors and other officers in accordance with the regulations.

(About the Employee Stock Ownership Plan (J-ESOP))

(1) Outline of Transactions

The Company introduced the "Employee Stock Ownership Plan (J-ESOP)" (hereinafter, the "J-ESOP"), an incentive plan for employees of the Company and its subsidiaries (hereinafter, the "Employees").

The J-ESOP is for the purpose of enhancing the benefit programs for Employees and to improve their sense of participation in management.

Under J-ESOP, shares of the Company's stock are provided to Employees when they acquire the right to receive these shares in accordance with the Company's pre-established Rules on Share Awards.

The Company grants points to Employees in accordance with their years of service and other individual contribution levels and grants shares of the Company's stock equivalent to the points granted to those Employees who satisfy the requirements to receive benefits. The shares to be provided to Employees, including those to be provided in the future, will be acquired by the trust bank using money placed in trust by the Company in advance, and will be managed separately as trust assets.

(2) Shares of the Company Remaining in Trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to 53,146 thousand yen and 37,800 shares at the end of the previous fiscal year and 53,006 thousand yen and 37,700 shares in the current fiscal year.

(3) Method for Accounting Treatment

The gross method is applied in accordance with the Practical Solution on Transactions for Delivering the Company's Own Stock to Employees (Practical Issues Task Force No. 30, March 26, 2015). Expenses and corresponding provisions are recorded based on the number of points granted to employees in accordance with the regulations.

(On the Consolidated Balance Sheet)

* Items Pertaining to Affiliates are as Follows.

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Investment securities (Shares)	754,974 thousand yen	754,974 thousand yen

(On the Consolidated Income Statements)

*1 Revenue from Contracts with Customers

All sales represent the amount of revenues from contracts with customers and do not include revenues other than those from contracts with customers.

*2 Significant Items and Amounts of Selling, General and Administrative Expenses are as Follows.

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Payroll and allowances	2,298,326 thousand yen	2,548,719 thousand yen
Fee expenses	313,118 thousand yen	814,545 thousand yen
Provision of allowance for doubtful accounts	323,607 thousand yen	375,326 thousand yen
Provision for share awards	7,229 thousand yen	11,383 thousand yen
Provision for share awards for directors and other officers	12,865 thousand yen	—

(On the Consolidated Comprehensive Income Statements)

* Reclassification Adjustments for Other Comprehensive Income

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Valuation difference on available-for-sale securities:		
Incurred during the current fiscal year	(27,466) thousand yen	72,224 thousand yen
Reclassification adjustments	—	—
Total	(27,466) thousand yen	72,224 thousand yen
Foreign Currency Translation Adjustments:		
Incurred during the current fiscal year	—	45,732
Total other comprehensive income	(27,466) thousand yen	117,956 thousand yen

(On the Consolidated Statements of Changes in Equity)

Fiscal Year Ended December 31, 2023

1. Type and Number of Shares Issued and Treasury Shares

	Number of Shares at the Beginning of Fiscal Year 2023 (Shares)	Increase in Shares During Fiscal Year 2023 (Shares)	Decrease in Shares During Fiscal Year 2023 (Shares)	Number of Shares at the End of Fiscal Year 2023 (Shares)
Issued shares				
Common shares	60,600,000	―	―	60,600,000
Total	60,600,000	―	―	60,600,000
Treasury shares				
Common shares (Note 1) (Note 2)	138,769	26	―	138,795
Total	138,769	26	―	138,795

(Note 1) The increase of 26 shares is due to purchase of shares less than one unit.

(Note 2) The number of treasury shares at the end of the previous fiscal year includes 137,800 shares of treasury stock held by BBT and J-ESOP.

2. Matters Concerning Dividends

(1) Dividends Paid

(Resolution)	Class of Shares	Total Dividend Amount (Thousands of yen)	Total Dividends per Share (Yen)	Record Date	Effective Date
March 24, 2023 Annual General Meeting of Shareholders	Common Shares	666,589	11	December 31, 2022	March 27, 2023

(Note) The total dividend amount includes dividends of 1,515 thousand yen for the Company's shares held by BBT and J-ESOP.

(2) Dividends with a Record Date During Fiscal Year 2023, but an Effective Date Subsequent to Fiscal Year 2024

(Resolution)	Class of Shares	Total Dividend Amount (Thousands of yen)	Dividend Funds	Total Dividends per Share (Yen)	Record Date	Effective Date
March 22, 2024 Annual General Meeting of Shareholders	Common Shares	787,787	Retained Earnings	13	December 31, 2023	March 25, 2024

(Note) The total dividend amount includes dividends of 1,791 thousand yen for the Company's shares held by BBT and J-ESOP.

Fiscal year ended December 31, 2024

1. Type and number of shares issued and treasury shares

	Number of shares at the beginning of fiscal 2024 (Shares)	Increase in shares during fiscal 2024 (Shares)	Decrease in shares during fiscal 2024 (Shares)	Number of shares at the end of fiscal 2024 (Shares)
Issued shares				
Common shares	60,600,000	—	—	60,600,000
Total	60,600,000	—	—	60,600,000
Treasury shares				
Common shares (Note)	138,795	—	1,883	136,912
Total	138,795	—	1,883	136,912

(Note1) The decrease in treasury shares is benefits of 1,883 shares from BBT and J-ESOP.

(Note2) The number of treasury shares at the end of fiscal year 2024 includes 135,917 shares of treasury stock held by BBT and J-ESOP.

2. Matters Concerning Dividends

(1) Dividends Paid

(Resolution)	Class of Shares	Total Dividend Amount (Thousands of yen)	Total Dividends per Share (Yen)	Record Date	Effective Date
March 22, 2024 Annual General Meeting of Shareholders	Common Shares	787,787	13	December 31, 2023	March 25, 2024

(Note) The total dividend amount includes dividends of 1,791 thousand yen for the Company's shares held by the BBT and J-ESOP.

(2) Dividends with a Record Date During Fiscal Year 2024, but an Effective Date Subsequent to fiscal Year 2025

(Resolution)	Class of Shares	Total Dividend Amount (Thousands of yen)	Dividend Funds	Total Dividends per Share (Yen)	Record Date	Effective Date
March 21,2025 Annual General Meeting of Shareholders	Common Shares	787,787	Retained Earnings	13	December 31, 2024	March 24, 2025

(Note) The total dividend amount includes dividends of 1,766 thousand yen for the Company's shares held by the BBT and J-ESOP.

(On the Consolidated Statements of Cash Flows)

*1 Assets and Liabilities Breakdown in Stocks of a Newly Acquired Subsidiary in the Current Fiscal Year

The relationship between the acquisition costs and expenditure (net amount) of the GREEN LAUNDRY JOINT STOCK COMPANY (the Green Laundry) and breakdown of assets and liabilities of the Green Laundry which shares are acquired and consolidated on the record date are as follows:

Current assets	238,406	Thousands of yen
Non-current assets	49,183	
Goodwill	794,415	
Current liabilities	(98,347)	
Non-current liabilities	(109,345)	
Foreign currency translation adjustments	1,377	
Acquisition cost of shares of the Green LAUNDRY	875,689	
Cash or cash equivalents of the Green LAUNDRY	(8,453)	
Net : Expenditures of acquiring the Green LAUNDRY	867,236	

*2 Relationship between Cash and Cash Equivalents at the End of the Period and the Amount of Cash and Deposits Shown on the Consolidated Balance Sheets

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Cash and deposits account	5,488,563 thousand yen	6,849,398 thousand yen
Time deposits with maturities longer than three months	(24,292 thousand yen)	(24,292 thousand yen)
Cash and cash equivalents	5,464,270 thousand yen	6,825,105 thousand yen

(Lease Transactions)

(Lessee Side)

Operating Lease Transactions

Future Minimum Lease Payments under Non-cancelable Operating Leases

(Unit: Thousands of yen)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Within 1 year	48,243	36,182
More than 1 Year	36,182	—
Total	84,426	36,182

(Financial Instruments)

1. Status of Financial Instruments

(1) Policy for Handling Financial Instruments

The Group's policy is to invest in temporary surplus funds only in short-term deposits and not to engage in speculative transactions.

(2) Details and Risks of Financial Instruments

Trade and other accounts receivable which are receivables from sales activities are exposed to credit risk from customers.

Trade and other accounts payable which are payables from sales activities are almost entirely due within one (1) year.

(3) Risk Management System for Financial Instruments

i. Management of Credit Risk (Risks Related to Non-performance by Counterparties)

With respect to trade receivables, the Company's Corporate Management Division regularly monitors the balance of receivables for each customer (CS Set user) and manages due dates and balances for each customer in order to rapidly identify and mitigate concerns about collection due to deterioration of financial conditions and other factors. Consolidated subsidiaries are also managed at the same level.

ii. Management of Liquidity Risk (Risk of Being Unable to Make Payments on Due Dates) Related to Funds Procurement

The Company manages liquidity risks by the Corporate Management Division regularly preparing and updating cash management plans based on reports from each department. Consolidated subsidiaries are also managed at the same level.

(4) Supplementary Explanation of Matters Relating to Fair Value of Financial Instruments

Fair values of financial instruments may fluctuate when different assumptions are adopted because variable factors are considered in determining the values.

2. Fair Value of Financial Instruments

The amounts recorded on the consolidated balance sheets, fair values, and the differences between them are shown below. In addition, some that are considered inadequate are omitted

As of December 31, 2023

	Amount on the Consolidated Balance Sheets (Thousands of yen)	Fair Value (Thousands of yen)	Difference (Thousands of yen)
Investment securities (*2)	109,841	109,841	―

As of December 31, 2024

	Amount on the Consolidated Balance Sheets (Thousands of yen)	Fair Value (Thousands of yen)	Difference (Thousands of yen)
Investment securities (*2)	159,339	159,339	―

(*1) “Cash and deposits”, “Trade accounts receivable and contract assets” , “Other Accounts receivable”, “Trade accounts payable”, “Other account payable”, “Accrued expenses”, “Income taxes payable” and “Accrued consumption taxes” are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

(*2) Stocks and other securities without market quotations are not included in “Investment securities” above. The amount of such financial instruments on the consolidated balance sheet is as follows. Investments in partnerships in which the net amount of equity interest is recorded on the balance sheet are not subject to fair value disclosure in accordance with the treatment prescribed in Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021).

(Unit: Thousands of yen)

Category	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Unlisted stocks	1,633,790	1,857,412
Investments in investment partnerships	427,694	541,996

(Note) 1. Redemption Amounts of Financial Assets and Maturing Securities Expected After the Consolidated Reporting Date

As of December 31, 2023

	Within 1 Year (Thousands of yen)	Over 1 Year Within 5 Years (Thousands of yen)	Over 5 Years Within 10 Years (Thousands of yen)	Over 10 Years (Thousands of yen)
Common shares				
Other shares with maturities				
Bonds and others	—	165,000	—	—
Total	—	165,000	—	—

As of December 31, 2024

	Within 1 Year (Thousands of yen)	Over 1 Year Within 5 Years (Thousands of yen)	Over 5 Years Within 10 Years (Thousands of yen)	Over 10 Years (Thousands of yen)
Common shares				
Other shares with maturities				
Bonds and others	—	165,000	—	—
Total	99,000	165,000	—	—

(Note) 2. Scheduled Repayments of Bonds, Long-term Debt, Lease Liabilities, and Other Interest-bearing Liabilities After the Consolidated Balance Sheet Date

As of December 31, 2023

	Within 1 Year (Thousands of yen)	Over 1 Year Within 5 Years (Thousands of yen)	Over 5 Years Within 10 Years (Thousands of yen)	Over 10 Years (Thousands of yen)
Long-term debt	—	—	—	—
Lease liabilities	434	—	—	—
Total	434	—	—	—

As of December 31, 2024

	Within 1 Year (Thousands of yen)	Over 1 Year Within 5 Years (Thousands of yen)	Over 5 Years Within 10 Years (Thousands of yen)	Over 10 Years (Thousands of yen)
Long-term debt	—	76,617	—	—
Lease liabilities	2,653	9,949	—	—
Total	434	86,567	—	—

3. Matters Concerning the Breakdown of the Fair Value of Financial Instruments by levels

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 Fair Value: Fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 Fair Value: Fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of market value

Level 3 Fair Value: Fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

Financial Instruments Recorded on the Consolidated Balance Sheet at Fair Value

As of December 31, 2023

Category	Fair Value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Available-for-sale securities				
Bonds-other	—	—	109,841	109,841

As of December 31, 2024

Category	Fair Value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Available-for-sale securities				
Bonds-other	—	—	159,339	159,339

(Note1) Explanation of Valuation Techniques Used in the Calculation of Fair Value and Inputs Related to the Calculation of Fair Value.

Investment Securities

Convertible bonds are classified as Level 3 fair value because the bonds generally have no observable market price and calculated by applying valuation techniques based on a binomial model using significant unobservable inputs, such as discount rates.

(Note2) Information on Level3 Fair Values of Financial Instruments that are Recorded at Fair Value on the Consolidated Balance Sheets

(1) Quantitative Information on Significant Unobservable Inputs

As of December 31, 2023

Category	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average of Inputs
Investment Securities				
Available-for-sale securities				
Bonds-other	Binomial Model	Discount Rate Volatility	0.92% 18.06%	0.92% 18.06%

As of December 31, 2024

Category	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average of Inputs
Investment Securities				
Available-for-sale securities				
Bonds-other	Binomial Model	Discount Rate Volatility	0.97% 17.37%	0.97% 17.37%

(2) Reconciliation of Opening and Closing Balance; Valuation Gains and Losses Recognized in Profit and Loss for the Period

As of December 31, 2023

(Unit: Thousands of yen)

	Investment Securities
	Available-for-Sale Securities
	Bonds-Other
Balance at the beginning of the year	134,841
Profit and loss or other comprehensive income for the period	
Recognized in profit and loss	－
Recognized in other comprehensive income (*)	(24,999)
Purchase, sale, issuance, and settlement	－
Transfer to level 3 of fair value hierarchy	－
Transfer from Level 3 of fair value hierarchy	－
Balance at the end of the year	109,841
Unrealized gains (losses) on financial assets and liabilities held at the end of the period recognized in profit and loss for the period	－

(*) Consists of “Valuation Difference on Available-for-Sale Securities” in “Other Comprehensive Income” under consolidated statements of comprehensive income

As of December 31, 2024

(Unit: Thousands of yen)

	Investment Securities
	Available-for-Sale Securities
	Bonds-Other
Balance at the beginning of the fiscal year	109,841
Profit and loss or other comprehensive income for the period	
Recognized in profit and loss	－
Recognized in other comprehensive income (*)	49,498
Purchase, sale, issuance, and settlement	－
Transfer to level 3 of fair value hierarchy	－
Transfer from level 3 of fair value hierarchy	－
Balance at the end of the year	159,339
Unrealized gains (losses) on financial assets and liabilities held at the end of the period recognized in profit and loss for the period	－

(*) Consists of “Valuation Difference on Available-for-Sale Securities” in “Other Comprehensive Income” under consolidated statements of comprehensive income

(3) Description of the Fair Value Valuation Process

The Company’s Corporate Management Division has procedures for the calculation of fair values of financial instruments and calculates them accordingly. The appropriate approver has verified the valuation techniques used in the calculations, the appropriateness of the inputs, and the results of the calculations.

In calculating fair value, the Company uses valuation techniques and inputs that most appropriately reflect the nature, characteristics, and risks of the underlying financial instruments.

(4) Description of the Effect of Changes in Significant Unobservable Inputs on Fair Value

The main significant unobservable input is discount rate and volatility.

A significant increase (decrease) in discount rate would result in a significant decrease (increase) in fair value.

Volatility is a numerical value that indicates the degree of price fluctuation. A significant increase (decrease) in volatility would result in a significant increase (decrease) in fair value.

(Securities)

1. Available-for-Sale Securities

As of December 31, 2023

	Class	Amount on the Consolidated Balance Sheets (Thousands of yen)	Acquisition Cost (Thousands of yen)	Difference (Thousands of yen)
Securities whose carrying values on the consolidated balance sheets exceed acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Securities whose carrying values on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	878,816	890,739	(11,922)
	(2) Bonds			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Others	109,841	165,000	(55,158)
	(3) Others	427,694	512,569	(84,875)
	Subtotal	1,416,352	1,568,309	(151,956)
Total		1,416,352	1,568,309	(151,956)

As of December 31, 2024

	Class	Amount on the Consolidated Balance Sheets (Thousands of yen)	Acquisition Cost (Thousands of yen)	Difference (Thousands of yen)
Securities whose carrying values on the consolidated balance sheets exceed acquisition cost	(1) Shares	299,912	289,139	10,773
	(2) Bonds			
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds	–	–	–
	iii. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	299,912	289,139	10,773
Securities whose carrying values on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	802,525	802,525	–
	(2) Bonds	–		
	i. Government bonds, municipal bonds, etc.	–	–	–
	ii. Corporate bonds		–	–
	iii. Other	159,339	165,000	(5,660)
	(3) Other	541,996	701,507	(159,511)
	Subtotal	1,503,861	1,669,032	(165,171)
Total		1,803,774	1,958,172	(154,398)

2. Securities for Which Impairment Losses were Recognized

In the previous year, impairment loss of 8,362 thousand yen for shares of other marketable securities was recognized. In the current fiscal year, there are no applicable items.

(Derivative Transactions)

Not applicable.

(Retirement Benefits)

Not applicable, as the Group does not have a retirement benefits plan.

(Tax Effect Accounting)

1. Deferred Tax Assets and Deferred Tax Liabilities by Major Classification

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Deferred Tax Assets		
Accrued enterprise tax	38,506 thousand yen	34,564 thousand yen
Allowance for doubtful accounts	193,570	214,911
Accrued bonuses	25,154	24,101
Other accounts payable	21,485	10,813
Trade accounts receivable	19,411	24,870
Loss on valuation of merchandise	612	829
Excess amortization of deferred assets	15,129	12,128
Lump-sum depreciable assets	8,382	7,121
Depreciation	28,189	29,230
Provision for share awards	27,485	30,622
Amount of loss carried forward	13,664	2,923
Loss on valuation of investment securities	117,271	117,271
Others	11,214	13,325
Total Deferred Tax Assets	520,077	522,713

2. Major Components of Significant Differences Arising Between the Effective Statutory Tax Rate and Effective Income Tax Rate After Application of Tax Effect

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Legal Statutory Tax Rate	Notes are omitted because the difference between the effective statutory tax rate and effective income tax rate after application of tax effect accounting is 5/100 or less of the effective statutory tax rate.	30.5%
(Deferred)		
Entertainment expenses and others that are non-deductible expenses		0.1
Residents tax per capita		0.8
Non-deductible Expenses of Stock Acquisition Cost		1.3
Depreciation and amortization of goodwill		0.2
Special deduction of corporate income tax		(0.3)
Tax rate differences between overseas subsidiaries		0.7
Others		0.3
Burden Rate of Corporate Income Tax After Accounting Tax Effect		33.6

(Corporate Combination)

【Combination Resulting from Acquisition】

The Company has resolved to conclude a stock purchase agreement for the purpose of acquiring GREEN LAUNDRY JOINT STOCK COMPANY (hereafter the Green Laundry), a company located in Vietnam, as a subsidiary at the Board of Directors meeting held on January 5, 2024, and concluded the stock purchase agreement on January 22, 2024. Thereafter, the Group accomplished a stock purchase of the Green Laundry by paying the stock acquisition cost in August 20, 2025 as well as executing various procedures.

1．Overview of Business Combination

(1) Name of the Acquired Company and its Business Activities

Name of the Acquired Company	GREEN LAUNDRY JOINT STOCK COMPANY
Business Activities	Laundry Services for Hospitals

(2) Rationale for the Business Combination

The Group has positioned overseas expansion as one of the initiatives for further growth in its three-year New-medium-term Management Vision (2023–2025). For the vision, acquiring the Green Laundry is a significant attempt that will pave the way for a full-scale global expansion for Elan Corporation.

Vietnam has experienced population growth over the past few decades. Its total population exceeded 100 million in fiscal year 2023. Moreover, the country's real GDP growth stood at 7.09% in fiscal year 2024 and has been increasing still. Vietnam has enjoyed stable economic growth, and its population and economy are expected to remain on a growth trajectory. At the same time, increases in the average life expectancy and the average age will eventually result in an aging population, which in turn should increase the number of medical institutions and hospital beds alongside growth in demand for healthcare-related services.

The Green Laundry to be converted into a subsidiary through a share acquisition, is a major provider of laundry services to large hospitals mainly in the Ho Chi Minh City area, which has the largest population in Vietnam. By acquiring the Green Laundry as a subsidiary, the Company will acquire a laundry service business for major hospitals in southern Vietnam.

Through the business activities of the Green Laundry, Elan corporation aims to further expand laundry services for major hospitals in Vietnam, and promote wider adoption of linen rental services and its flagship CS Set service in the Vietnamese market.

③ Corporate Combination Date
August 20, 2024 (Date of Share Acquisition)
September 30, 2024（Date of Remaining Stock Acquisition）

④ Legal Form of Business Combination
Cash Acquisition of Shares

⑤ Corporate Name After Combination
Unchanged

⑥ Acquired Voting Ratio
100％

2．Explanation of Acquired Business Results Including in Consolidated Profit and Loss Income Statement
From October 1, 2024 to December 31, 2024

3．Details of Acquisition Cost and Purchase Price by Types of the Acquired Company

Purchase Price	Cash and Deposits	148,422 million Vietnamese Dong (875,699 thousand yen）
Acquisition Cost		148,422 million Vietnamese Dong (875,699 thousand yen）

In addition to the above, a contract has been signed to pay 15,000 million Vietnamese Dong (Approximately 93 million yen) if certain conditions of acquired company are satisfied and found to meet even though the date and time of payment has not been confirmed yet.

Furthermore, conditional purchase price is not included in purchase price. The conditional purchase price will be paid based on future business results in the specified period under contract and has not been confirmed at present.

The price, depreciation and amortization of Goodwill are deemed to be adjusted after adjusting acquisition cost considered as the payment has been made at the time of acquisition if additional payment of acquisition cost need to be occurred

4. Important Details and Price Related to Acquisition
Remuneration and Commission Charge regarding to Advisory 75,000 thousand yen

5. Price, Cause of Occurrence, Amortization and Amortization Period of Recognized Goodwill
① Price of Recognized Goodwill 794,415 thousand yen
The price of Goodwill at the end of the current fiscal year is calculated preliminarily based on reasonable and obtainable information at that point because the definite market value of identifiable assets and liabilities could not be confirmed at the acquisition date and allocation of acquisition cost had not been completed.
② Cause of Occurrence
It is expected future excess returns arisen from business expansion from now on
③ Amortization Method and Period
Standard-line method over 10 years

6. Major Breakdown and Cost of Acquired Assets and Assumed Liabilities at the Acquisition Date
Current Assets 238,406 thousand yen
Non-current Assets 49,183 thousand yen
Total Assets 287,590 thousand yen

Current Liabilities 98,347 thousand yen
Non-current Liabilities 109,345 thousand yen
Total Liabilities 207,692 thousand yen

7. Allocation of Acquisition Cost
It is calculated preliminarily at the end of the current fiscal year based on reasonable and obtainable information at that point because the definite market value of identifiable assets and liabilities could not be confirmed at the acquisition date and allocation of acquisition cost had not been completed.

8. Estimated Amount and Calculation Method that Impact on Consolidated Income Statement Assuming Completion of Acquisition at the Beginning Day in the Current Consolidated Fiscal Year
It has been omitted because rational calculation is onerous in the current fiscal year

(Revenue Recognition)
1. Information that Disaggregates Revenue Arising from Contracts with Customers
Since the Group has a single segment of nursing care and medical-related business and generally has a single category of revenue arising from contracts with customers, information that breaks down revenue is not informative and has been omitted.

2. Basic Information to Understand Revenue Recognition
The basis for understanding revenues is described in "4. Matters Concerning Accounting Policies (4) Basis for Recognition of Significant Revenues and Expenses."

3. Information About the Relationship Between the Fulfillment of Performance Obligations Under Contracts with Customers and Cash Flows from Such Contracts, and the Amount and Timing of Revenue Expected to be Recognized from Contracts with Customers that Existed at the End of the Fiscal Year Under Review and are Expected to be Recognized in the Following Fiscal Year or Later.
(1) Receivables arising from contracts with customers

	FY 2023	FY 2024
Receivables arising from contracts with customers (Balance at the beginning of the period)	4,246,702 thousand yen	4,947,868 thousand yen
Receivables arising from contracts with customers (Balance at the end of the period)	4,947,868 thousand yen	5,783,858 thousand yen

(2) Transaction Price Allocated to Remaining Performance Obligations

The Company and its consolidated subsidiaries enter contracts with customers to provide services and charge compensation based on the services rendered. Because the Company has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer for the portion of performance completed to date, it recognizes revenue at the amount it has the right to claim in accordance with paragraph 19 of the "Guidance on Accounting Standard for Revenue Recognition" and therefore has not included it in the scope of notes.

(Segment and Other Information)

[Segment Information]

Fiscal Year Ended December 31, 2023

The information is omitted because the Group has a single segment, the nursing care and medical-related business.

Fiscal Year Ended December 31, 2024

With our group's core business being the nursing care and medical-related business, the description of other business segments is omitted due to their lack of significance.

[Related Information]

Fiscal Year Ended December 31, 2023

1. Information by Product and Service

The information is omitted because net sales to external customers for a single group of products and services exceed 90% of net sales on the statement of income.

2. Information on Geographic Area

(1) Net Sales

Not applicable because there are no net sales to external customers outside of Japan.

(2) Property, Plant and Equipment

Not applicable because there are no property, plant and equipment located outside of Japan.

3. Information on Major Customer

The information is omitted because out of net sales to external customers, no party accounts for 10% or more of net sales on the statements of income.

Fiscal Year Ended December 31, 2024

1. Information on Product and Service

The information is omitted because net sales to external customers for a single group of products and services exceed 90% of net sales on the statement of income.

2. Information on Geographic Area

(1) Net sales

The information is omitted because net sales to external customers for a single group of products and services in Japan exceed 90% of net sales on the statement of income.

(2) Property, Plant and Equipment

The information is omitted because the amount of tangible fixed assets of Japan exceed 90% on tangible fixed assets on balance sheet.

3. Information on Major Customer

The information is omitted because out of net sales to external customers, no party accounts for 10% or more of net sales on the statements of income.

[Information About Impairment Loss on Non-Current Assets by Reportable Segment]
Not applicable.

[Informatio About Amortization and Unamortized Balance of Goodwill by Reportable Segment]
Fiscal Year Ended December 31, 2024
Not applicable.

Fiscal Year Ended December 31, 2024(Unit: Thousands of yen)

	Nursing Care and Medical-Related Business	Total	Corporate or Elimination	Amount of Consolidated Financial Statements
Amortization for the period	20,196	20,196	—	20,196
Balance at the end of the period	813,938	813,938	—	813,938

[Information About Gains on Bargain Purchase by Reportable Segment]
Not applicable.

[Information on Related Parties]
1. Transactions with Related Parties
(1) Transactions Between the Filing Company and Related Parties
Not applicable.

(2) Transactions Between Consolidated Subsidiaries of the Filing Company and Related Parties
Not applicable.

2. Notes Related to Parent Company and Significant Affiliated Companies
(1) Information on Parent Company
M3, Inc.（Public Listed on Tokyo Stock Exchange）

(2) Significant Affiliated Companies
Not applicable.

(Earnings Per Share)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Net assets per share	178.86 yen	206.77 yen
Earnings per share	41.66 yen	38.94 yen

(Note 1) Diluted earnings per share are not shown in the above table, as there are no residual shares.

(Note 2) Treasury shares that deducted from the average number of shares during the period as well as shares in trust are used in the calculation of earnings per share.
The number of the Company's shares remaining in the trust, which are included in the number of treasury stock deducted from the calculation of net income per share, was 137,800 shares in the previous fiscal year and 137,152 shares in the fiscal year under review.
In addition, treasury shares deducted from total shares issued and outstanding as well as shares in trust are used in the calculation of net assets per share.
The number of the Company's shares remaining in the trust, which are included in the number of treasury stock deducted from the calculation of net assets per share, was 137,800 shares in the previous fiscal year and 135,917 shares in the fiscal year under review.

(Note 3) The Basis for Calculation of Net Assets Per Share is as Follows:

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Total net assets (Thousands of yen)	10,814,362	12,501,850
Amount deducted from total net assets (Thousands of yen)	—	—
Net assets at the end of the period attributable to common shares (Thousands of yen)	10,814,362	12,501,850
Number of common shares used in calculation of net assets per share (Shares)	60,461,205	60,463,088

(Note 4) The Basis for Calculation of Earnings Per Share is as Follows:

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Earnings Per Share		
Profits attributable to owners of parent (Thousands of yen)	2,518,738	2,354,670
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent concerning common shares (Thousands of yen)	2,518,738	2,354,670
Average number of common shares during the period (Shares)	60,461,230	60,461,853

(Significant Subsequent Events)

(Corporate Merger Through Share Acquisition)

The Company has resolved to conclude a stock purchase agreement for the purpose of acquiring TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY (hereafter TMC), a company located in Vietnam, as a subsidiary at the Board of Directors meeting held on March 22, 2024, and concluded the stock purchase agreement on April 1, 2024. Following the execution of each process and completion, the price for the stock acquisition was paid on January 21, 2025 and completed the acquisition of shares of TMC. With this, the Group has come to possess 51.0% of the total shares issued of TMC, and TMC became the Company's consolidated subsidiary. Note that TMC is a specified subsidiary of the Company.

1. Overview of Business Combination

(1) Name of the Acquired Company and its Business Activities

Name of the Acquired Company	TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY
Content of business	Laundry service for hospitals and other such facilities and sales of medical equipment, pharmaceuticals, and consumables

(2) Rationale for the Business Combination

The Group has positioned overseas expansion as one of the initiatives for further growth in its three year New-medium-term Management Vision (2023–2025). This conversion of TMC into a subsidiary through share acquisition is an important initiative for our Group’s global expansion.

Vietnam has experienced population growth over the past few decades. Its total population exceeded 100 million in 2023. The country’s real GDP growth stood at 7.09% in the current fiscal year and its economy is continuing to grow. Vietnam has enjoyed stable economic growth, and its population and economy are expected to remain on a growth trajectory. At the same time, increases in the average life expectancy and the average age will eventually result in aging of the population, which in turn should increase the number of medical institutions and hospital beds alongside growth in demand for healthcare-related services.

TMC, the company to be converted into a subsidiary through this share acquisition, is a major provider of laundry and other services to large hospitals with the head office in the Hanoi City area, which has the largest population in northern Vietnam. With the conversion of TMC into a subsidiary, the Company will be able to acquire a vast share in the laundry business for large hospitals in Vietnam as a whole.

With this as a step for future growth, the Company aims to further expand laundry services for major hospitals throughout Vietnam and promote wider adoption of linen rental services and its flagship CS Set service into the Vietnamese market.

(3) Date of Business Combination
January 21, 2025 (stock acquisition date)
(4) Legal form of Business Combination
Acquisition of shares for cash consideration.
(5) Name of the Company Subsequent to the Business Combination
No change.
(6) Percentage of Voting Rights Acquired
51.0%

2. Breakdown of Acquisition Cost for the Acquired Company and Each Type of Payment

Acquisition Consideration	Cash and Deposits	180 billion Vietnamese Dong (approx. 1,114 million yen)
Acquisition Cost		180 billion Vietnamese Dong (approx. 1,114 million yen)

Furthermore, the consideration for the acquisition does not include contingent consideration. Contingent consideration is under an agreement which additional consideration is paid based on the performance of the acquired company over a certain period in the future. This has not been finalized at this time.

If additional payments arise in connection with the acquisition consideration, they will be treated as if paid at the time of acquisition, and the acquisition cost will be adjusted accordingly, along with the amount of goodwill and the goodwill amortization amount.

3. Content and Amount of Main Acquisition Related Expenses
Advisory fees, administrative expenses, etc.: Approx. 80 million yen
The amount above is tentative as some portions have yet to be determined.

4. Amount of Goodwill, Reason for Occurrence, and Amortization Method and Period
To be determined.

5. Amount of Assets Received and Liabilities Undertaken on the Date of the Business Combination and Major Breakdown
To be determined.

v. [Consolidated Supplementary Financial Schedules]
[Schedule of Corporate Bonds]
Not applicable.
[Schedule of Borrowings and Others]

Category	Balance at the Beginning of the Period (Thousands of yen)	Balance at the End of the Period (Thousands of yen)	Average Interest Rate (%)	Term of Repayment (Years)
Short-term borrowings	—	—	—	—
Long-term borrowings due within one year	—	—	—	—
Lease obligation due within one year	434	2,653	—	—
Long-term borrowings due after one year	—	76,617	6.00	Year 2027
Lease obligation due after one year	—	9,949	—	Year 2026～2029
Other interest-bearing liabilities	—	—	—	—
Total	434	89,220	—	—

（Note）1. The average interest rate is presented as a weighted average rate based on the outstanding balance of borrowings at the end of the period.
2. The average interest rate of lease obligation is omitted because it is recorded on consolidated balance sheet as price before deducted equivalent interest rate that is included into total amount of lease obligation.

３. Scheduled repayment amount in 5 years term after consolidated financial report of lease obligation due after one year is as follows

	Over 1 Year Within 2 Years (Thousands of yen)	Over 2 years Within 3Years (Thousands of yen)	Over 3 Years Within 4 Years (Thousands of yen)	Over 4 Years Within 5Years (Thousands of yen)
Long-term debt	-	76,617	-	-
Lease Obligation	2,653	2,653	2,653	1,989

[Schedule of Asset Retirement Obligations]

The asset retirement obligation-amounts at the beginning and the end of the current fiscal year are below one hundredth of the total liabilities and net assets at the beginning and the end of the current fiscal year. The information is therefore omitted in accordance with the provisions in Article 92, Paragraph 2 of the Consolidated Financial Statement Regulations.

(2) [Others]

Quarterly Information for the Current Fiscal Year 2024

(Cumulative Period)	First Quarter	Second Quarter	Third Quarter	FY 2024
Net sales (Thousands of yen)	11,486,616	22,844,631	34,847,391	47,513,703
Profits before income taxes (Thousands of yen)	1,065,636	1,948,699	2,697,741	3,544,987
Profits attributable to owners of parent (Thousands of yen)	726,810	1,325,316	1,832,186	2,354,670
Earnings per share (yen)	12.02	21.92	30.30	38.94

(Quarterly Period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Earnings per share (Yen)	12.02	9.90	8.38	8.64

(Note) 1. We have filed a quarterly report for the first quarter in accordance with Article 4, Paragraph 4-7, Item 1 of the prior Financial Instruments and Exchange Act

2. For the third quarter, we are preparing quarterly financial information in accordance with the rules set by the Financial Instruments Exchange, but this quarterly financial information has not been subjected to a review.

2. [Non-consolidated Financial Statements and Other Statements]

(1) [Non-consolidated Financial Statements]

i. [Non-consolidated Balance Sheet]

(Unit: Thousands of yen)

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Assets		
Current Assets		
Cash and deposits	4,731,318	5,740,501
Trade accounts receivable	* 4,947,793	* 5,760,126
Merchandise	1,379,085	1,475,386
Supplies	520,250	740,130
Prepaid expenses	67,415	85,011
Other accounts receivable	* 3,706,710	* 2,352,808
Others	* 57,283	* 210,671
Allowance for doubtful accounts	(585,253)	(658,270)
Total Current Assets	14,824,602	15,706,366
Non-Current Assets		
Property, plant and equipment		
Buildings	311,592	315,372
Accumulated depreciation	(120,706)	(134,352)
Buildings, net	190,885	181,019
Structures	2,507	2,507
Accumulated depreciation	(960)	(1,093)
Structures, net	1,546	1,413
Vehicles	66,259	64,738
Accumulated depreciation	(45,803)	(38,778)
Vehicles, net	20,455	25,959
Tools, Furniture and Fixtures	152,612	145,104
Accumulated depreciation	(105,604)	(113,387)
Tools, furniture and fixtures, net	47,008	31,717
Land	269,200	269,200
Leased Assets	5,922	12,060
Accumulated depreciation	(5,527)	(603)
Leased assets, net	394	11,457
Total Property, Plant and Equipment	529,491	520,767
Intangible Assets		
Software	101,053	71,294
Others	7,825	30,763
Total Intangible Assets	108,878	102,058
Investments and Other Assets		
Investment securities	1,416,352	1,803,774
Shares of subsidiaries and associates	924,974	1,874,071
Leasehold deposits	113,246	105,787
Deferred tax assets	488,066	480,654
Others	* 112,758	* 91,102
Allowance for doubtful accounts	(40,533)	(34,313)
Total Investments and Other Assets	3,014,865	4,321,076
Total Non-Current Assets	3,653,234	4,943,901
Total Assets	18,477,837	20,650,268

(Unit: Thousands of yen)

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Liabilities		
Current Liabilities		
Trade accounts payable	* 6,420,617	* 7,181,024
Lease obligations	434	2,653
Other accounts payable	* 737,204	* 794,823
Accrued expenses	66,320	52,371
Income taxes payable	658,189	400,977
Accrued consumption taxes	97,488	76,839
Deposits received from employees	44,154	35,160
Others	52,555	58,720
Total Current Liabilities	8,076,965	8,602,571
Non-Current Liabilities		
Lease obligations	—	9,949
Provision for share awards	27,375	25,154
Provision for share awards for directors and other officers	62,623	60,116
Total Non-Current Liabilities	89,999	95,220
Total Liabilities	8,166,964	8,697,792
Net Assets		
Shareholders' equity		
Share capital	573,496	573,496
Capital surplus		
Legal capital surplus	543,496	543,496
Total capital surplus	543,496	543,496
Retained earnings		
Legal retained earnings	7,500	7,500
Other retained earnings		
General reserve	12,500	12,500
Retained earnings brought forward	9,440,527	11,007,258
Total Retained Earnings	9,460,527	11,027,258
Treasury shares	(194,125)	(191,477)
Total Shareholders' Equity	10,383,394	11,952,773
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(72,521)	(297)
Total Valuation and Translation Adjustments	(72,521)	(297)
Total Net Assets	10,310,873	11,952,476
Total Liabilities and Net Assets	18,477,837	20,650,268

ii. [Non-consolidated Income Statement]

(Unit: Thousands of yen)

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Net sales	41,341,828	47,112,144
Cost of sales		
Beginning merchandise inventory	1,242,037	1,379,085
Cost of purchased goods	*1 27,952,038	*1 32,647,718
Total	29,194,075	34,026,803
Ending merchandise inventory	1,379,085	1,475,386
Cost of goods sold	27,814,990	32,551,417
Outsourcing fee	3,833,513	4,352,313
Total Cost of Sales	31,648,504	36,903,730
Gross profit	9,693,323	10,208,413
Selling, general and administrative expenses	*1,*2 7,295,265	*1,*2 7,788,293
Operating profit	2,398,058	2,420,119
Non-Operating Income		
Interest income	*1 437	*1 1,765
Dividend income	*1 62,101	*1 300,001
Rental income from buildings	545	2,809
Subsidy income	5,665	2,067
Gain on sales of non-current assets	199	3,281
Business advisory fee income	*1 43,050	*1 52,032
Temporary assignment fee income	*1 710,159	*1 391,886
Outsourcing service income	*1 140,370	*1 115,968
Others	*1 65,356	*1 72,085
Total Non-operating Income	1,027,885	941,897
Non-operating Expenses		
Loss on retirement of non-current assets	3,581	3,467
Loss on investments in investment partnerships	4,524	18,455
Loss on valuation of investment securities	8,362	—
Foreign exchange loss	—	60,996
Total Non-Operating Expenses	16,469	82,919
Ordinary profit	3,409,475	3,279,097
Profit before income taxes	3,409,475	3,279,097
Corporate income, residents, business taxes, etc.	1,098,350	917,167
Valuation difference on corporate income and other tax	(50,874)	7,412
Total corporate and other tax	1,047,476	924,579
Net profit	2,361,998	2,354,518

iii. [Non-consolidated Statements of Changes in Equity]

Fiscal Year Ended December 31, 2023

(Unit: Thousands of yen)

	Shareholders' Equity						
	Share Capital	Capital Surplus		Retained Earnings			
		Legal Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings		Total Retained Earnings
					General Reserve	Retained Earnings Brought Forward	
Balance at the beginning of the period	573,496	543,496	543,496	7,500	12,500	7,745,117	7,765,117
Changes in items during the period							
Dividends of surplus						(666,589)	(666,589)
Net profit						2,361,998	2,361,998
Purchase of treasury shares							
Net changes in items other than shareholders' equity							
Total changes in items during the period	—	—	—	—	—	1,695,409	1,695,409
Balance at the end of the period	573,496	543,496	543,496	7,500	12,500	9,440,527	9,460,527

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Shares	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments	
Balance at the beginning of the period	(194,096)	8,688,013	(45,055)	(45,055)	8,642,958
Changes in items during the period					
Dividends of surplus		(666,589)			(666,589)
Net profit		2,361,998			2,361,998
Purchase of treasury shares	(28)	(28)			(28)
Net changes in items other than shareholders' equity			(27,466)	(27,466)	(27,466)
Total changes in items during the period	(28)	1,695,380	(27,466)	(27,466)	1,667,914
Balance at the end of the period	(194,125)	10,383,394	(72,521)	(72,521)	10,310,873

Fiscal Year Ended December 31, 2024

(Unit: Thousands of yen)

	Shareholders' Equity						
	Share Capital	Capital Surplus		Retained Earnings			
		Legal Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings		Total Retained Earnings
					General Reserve	Retained Earnings Brought Forward	
Balance at the beginning of the period	573,496	543,496	543,496	7,500	12,500	9,440,527	9,460,527
Changes in items during the period							
Dividends of surplus						(787,787)	(787,787)
Net profit						2,354,518	2,354,518
Disposal of treasury shares							
Net changes in items other than shareholders' equity							
Total changes in items during the period	—	—	—	—	—	1,566,731	1,566,731
Balance at the end of the period	573,496	543,496	543,496	7,500	12,500	11,007,258	11,027,258

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Shares	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments	
Balance at the beginning of the period	(194,125)	10,383,394	(72,521)	(72,521)	10,310,873
Changes in items during the period					
Dividends of surplus		(787,787)			(787,787)
Net profit		2,354,518			2,354,518
Disposal of treasury shares	2,647	2,647			2,647
Net changes in items other than shareholders' equity			72,224	72,224	72,224
Total changes in items during the period	2,647	1,569,378	72,224	72,224	1,641,603
Balance at the end of the period	(191,477)	11,952,773	(297)	(297)	11,952,476

[Notes]

(Significant Accounting Policies)

1. Valuation Standards and Valuation Methods for Assets

(1) Valuation Standards and Valuation Methods for Securities

i. Shares of Subsidiaries and Associates

Stated at cost determined by the moving average method.

ii. Available-for-Sale Securities

Other Than Stocks and Other Securities with no Market Price

Market value method is adopted (valuation differences are directly charged or credited to net assets and cost of sales is determined by the moving-average method).

Stocks and Other Equity Securities with no Market Price

Mainly cost accounting method using the moving-average method is adopted.

(2) Valuation Standards and Valuation Methods for Inventories

Merchandise

Stated at cost determined by the weighted average method (the balance sheet amount is by the method of writing down book value based on decline in profitability).

Supplies

Mainly stated at cost determined by the weighted average method (the balance sheet amount is by the method of writing down book value based on decline in profitability).

2. Depreciation Method for Non-Current Assets

(1) Property, Plant and Equipment (excluding leased assets)

The declining balance method is adopted. However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The estimated useful lives are mainly as follows:

Buildings	8-38 years
Structures	10-45 years
Vehicles	4-6 years
Tools, Furniture and Fixtures	2-15 years

(2) Intangible Assets (excluding leased assets)

The straight-line method is adopted.

Software for internal use is amortized using the straight-line method over the estimated internal useful life (5 years).

(3) Leased Assets

Leased Assets for Lease Transaction Other Than Lease Transaction of Transfer of Ownership Rights

The straight-line method with useful life set as the leasing term and the remaining value set at zero.

3. Standards for Recognition of Allowances and Provisions

i. Allowance for Doubtful Accounts

The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.

ii. Provision for Share Awards

To provide for the award of Company shares to employees of the Company and its subsidiaries in accordance with the Company's Rules on Share Awards, the Company records an amount based on the estimated share award obligation as of the end of the current fiscal year.

iii. Provision for Share Awards for Directors and Other Officers

To provide for the award of Company shares to directors (excluding directors who also serve as Audit & Supervisory Committee members and other directors who are outside directors) and executive officers in accordance with the Rules on Share Awards for Directors and Other Officers, the Company records an amount based on the estimated share award obligation as of the end of the current fiscal year.

4. Standards for Recognition of Revenues and Expenses

The Company has a single segment, the nursing care and medical-related business, offering the CS Set.

As for the CS Set, the main performance obligation is to provide a combination of rental service with laundry service for clothes, towels, etc. and provision of daily necessities to those who are hospitalized or admitted to long-term care health facilities for the elderly.

The Company recognizes revenue at the time the goods or services are provided based on the judgment that control over the goods or services has been transferred to the customer and the performance obligation has been fulfilled.

The transaction is due within a short period of time after the performance obligation is fulfilled, and the contract does not contain a significant financial element.

(Significant Accounting Estimates)

(Valuation on Shares of Associates)

(1) Amounts Recorded in the Non-Consolidated Financial Statements

	FY 2023	FY 2024
Shares of associates	924,974 thousand yen	1,874,071 thousand yen

(2) Details Regarding Significant Accounting Estimates for the Identified Item

① Calculation Method

Share cost is recorded on balance sheet considered the same as acquisition cost for associates and it is calculated as impairment loss on real prices if remarkable decrease by financial deterioration of the associates is identified except when objective evidences of recoverability can be recognized

Furthermore, in cases where shares of associates are acquired reflecting excess earning power, we review the achievement status of sales, operating profit, and operating cash flow based on the business plans of each company anticipated at the time of acquisition, as well as future business plans, etc. We perform impairment processing when the substantive value significantly declines compared to the balance sheet carrying amount due to the inability to expect such excess earning power.

In addition, impairment processing has not performed for shares of associates in the current fiscal year.

② Major Assumption

Future business plans are considered as the basis for estimation of recoverability of real prices.

③ Impacts on Financial Statements in Fiscal Year 2025

Future business plans are set through standard estimation on sales, gross profit and other such results. These estimations are subject to uncertainties, and changes in business plans or market conditions could have a significant impact on the consolidated financial statements in fiscal year 2025 or later in the event of changes in the conditions or assumptions on which the estimates are based.

(Additional Information)

(About the Board Benefit Trust (BBT) and Employee Stock Ownership Plan (J-ESOP))

Information is omitted because it is identical to “[Consolidated Financial Statements] Notes (Additional information).”

(On the Non-Consolidated Balance Sheet)

* Monetary Receivables and Payables from and to Subsidiaries and Affiliates

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Short-term monetary receivables	211,201 thousand yen	296,902 thousand yen
Long-term monetary receivables	45,000	40,000
Short-term monetary payables	448,488	697,135

(On the Non-Consolidated Statements of Income)

*1 The following items are related to transactions with subsidiaries and affiliates are included.

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Transaction Volume from Business Transactions		
Purchase of goods	574,945 thousand yen	1,656,664 thousand yen
Selling, general and administrative expenses from transactions with subsidiaries and affiliates	2,990,086	3,152,852
Transaction Volume from Non-Business Transactions		
Business advisory fee income from transactions with subsidiaries and affiliates	38,850	47,832
Dividend income from transactions with subsidiaries and affiliates	62,100	300,000
Temporary assignment fee income from transactions with subsidiaries and affiliates	710,159	391,886
Rental income from transactions with subsidiaries and affiliates	46,771	52,963
Outsourcing service income from transactions with subsidiaries and affiliates	140,370	115,968
Interest income from transactions with subsidiaries and affiliates	374	866

*2 The approximate percentage of expenses attributable to selling expenses was 61.17% for the previous fiscal year and 62.10% for the current fiscal year, and the approximate percentage of expenses attributable to general and administrative expenses was 38.83% for the previous fiscal year and 37.90% for current fiscal year.

Significant items and amounts of selling, general and administrative expenses are as follows.

	FY 2023 (From January 1, 2023 to December 31, 2023)	FY 2024 (From January 1, 2024 to December 31, 2024)
Remuneration for directors and other officers	207,002 thousand yen	166,500 thousand yen
Payroll and allowances	2,296,495	1,904,028
Legal welfare expenses	354,102	313,493
Outsourcing expenses	2,715,958	3,152,852
Depreciation	79,022	84,753
Provision of allowance for doubtful accounts	317,601	367,380
Outsourcing expenses	122,340	127,358
Provision for share awards	7,016	(2,221)
Provision for share awards for directors and other officers	12,865	—

(Securities)

Shares of Subsidiaries and Affiliates

Amount of Shares and Other Securities with no Market Price on Balance Sheet

Category	FY 2023 (Thousands of yen)	FY 2024 (Thousands of yen)
Share of subsidiaries	170,000	1,119,097
Shares of affiliates	754,974	754,974

(Tax Effect Accounting)

1. Deferred Tax Assets and Deferred Tax Liabilities by Major Classification

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Deferred Tax Assets		
Accrued enterprise tax	32,840 thousand yen	20,980 thousand yen
Allowance for doubtful accounts	190,614	210,961
Accrued bonuses	19,702	16,404
Other accounts payable	21,485	10,813
Trade accounts receivable	19,411	24,870
Loss on valuation of merchandise	612	689
Excess amortization of deferred assets	12,207	9,058
Lump-sum depreciable assets	8,347	6,888
Depreciation	26,945	28,049
Provision for share awards	27,413	25,973
Loss on valuation of investment securities	117,271	117,271
Others	11,214	8,693
Total Deferred Tax Assets	488,066	480,654

2. Major Components of Significant Differences Arising Between the Effective Statutory Tax Rate and Effective Income Tax Rate After Application of Tax Effect

	FY 2023 (December 31, 2023)	FY 2024 (December 31, 2024)
Legal Statutory Tax Rate	Notes are omitted because the difference between the effective statutory tax rate and effective income tax rate after application of tax effect accounting is 5/100 or less of the effective statutory tax rate.	30.5%
(Deferred)		
Entertainment expenses and others that are non-deductible expenses		0.1
Residents' tax per capita		0.8
Special deduction of corporate income tax		(0.3)
Number of dividends received excluding from Taxable Income		(2.8)
Others		(0.1)
Burden Rate of Corporate Income Tax After Accounting Tax Effect		28.2

(Corporate Combination)

【Corporate Combination Resulting from Acquisition】

Information is omitted because it is identical to "[Consolidated Financial Statements] Notes (Corporate Combination)."

(Revenue Recognition)

Information that the basis for understanding revenues is omitted because it is identical to "[Consolidated Financial Statements] Notes (Revenue Recognition).

(Significant Subsequent Events)

Information is omitted because it is identical to "[Consolidated Financial Statements] Notes (Significant Subsequent Events)."

iv. [Supplementary Schedule]

[Schedule for Property, Plant and Equipment]

Asset Type	Balance at the Beginning of the Period (Thousands of yen)	Increase During the Period (Thousands of yen)	Decrease During the Period (Thousands of yen)	Balance at the End of the Period (Thousands of yen)	Accumulated Depreciation at the End of the Period (Thousands of yen)	Amortization for the Period (Thousands of yen)	Adjusted Balance at the End of the Period (Thousands of yen)
Property, plant and equipment							
Buildings	311,592	9,480	5,700	315,372	134,352	15,959	181,019
Structures	2,507	—	—	2,507	1,093	132	1,413
Vehicles	66,259	20,737	22,258	64,738	38,778	11,408	25,959
Tools, furniture and fixtures	152,612	4,200	11,708	145,104	113,387	15,096	31,717
Land	269,200	—	—	269,200	—	—	269,200
Leased assets	5,922	12,060	5,922	12,060	603	997	11,457
Total Property, Plant and Equipment	808,093	46,478	45,589	808,982	288,215	43,595	520,767
Intangible Assets							
Software	327,936	—	—	327,936	256,642	29,758	71,294
Others	7,996	25,855	2,860	30,992	228	57	30,763
Total Intangible Assets	335,933	25,855	2,860	358,929	256,871	29,815	102,058

(Note 1) The balances at the beginning and the end of the period are stated based on acquisition costs.

(Note 2) Major increase and decrease in “Property, plant and equipment” during the current period are as follows.

The increased amount for “Buildings” during the current period mainly reflects increases for interior construction related to the opening of the Koriyama sales office, interior construction related to the relocation of the Minamikyushu branch, interior wiring construction of the Nagoya branch.

The increased amount for “Vehicles” during the current period reflects purchase of 3 business vehicles

The decreased amount for “Vehicles” during the current period reflects sale of 3 business vehicles

The decreased amount for “Lease Assets” during the current period reflects a decrease of lease assets for CS set business

(Note 3) Major increase and decrease in “Intangible assets” during the current period are as follows.

The increase for “Others” during the period mainly reflects an increase for software suspense account related to system development investments.

[Schedule for Provisions]

(Unit: Thousands of yen)

Category	Balance at the Beginning of the Period (Thousands of yen)	Increase During the Period (Thousands of yen)	Decrease During the Period (Thousands of yen)	Balance at the End of the Period (Thousands of yen)
Allowance for doubtful accounts	625,786	367,380	300,582	692,583
Provision for share awards	27,375	9,830	12,051	25,154
Provision for share awards for directors and other officers	62,623	—	2,506	60,116

(2) [Major Assets and Liabilities]

Notes are omitted as consolidated financial statements were prepared.

(3) [Others]

Not applicable.

VI. [Stock-related Administration for the Filing Company]

Fiscal Year	From January 1 to December 31
Annual General Meeting of Shareholders	Within three (3) months of the close of each fiscal year
Record Date	December 31
Record Date for Dividends of Surplus	June 30, December 31
Number of Shares Constituting One Unit	100 shares
Purchase of Shares less than one unit	
Handling Office	1-3-3 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
Transfer Agent	1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Forward Office	—
Purchase Fee	An amount separately determined as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of Public Notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in The Nihon Keizai Shimbun. The Company's URL for public notice is as follows. https://www.kkelan.com/
Special Benefit for Shareholders	Not applicable.

(Note) The Company's Articles of Incorporation stipulate that shareholders of the Company may not exercise any rights other than the following rights with respect to shares less than one unit held.

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act

(2) Right to make requests pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act

(3) Right to receive allotment of offered shares and of offered stock acquisition rights in accordance with the number of shares held by the shareholder

VII. [References of the Filing Company]

1. [Information on the Parent Company of the Filing Company]

The Company has no parent company as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act

2. [Other Reference Information]

The Company filed the following documents between the beginning of the current fiscal year and the submittal of the Japanese version of this Annual Securities Report.

(1) Annual Securities Report and Documents Attached Thereto, and Confirmation Letter thereof

For the previous fiscal year (30th fiscal year) (from January 1, 2023 to December 31, 2023) Submitted to Director, Kanto Local Finance Bureau on March 25, 2024

(2) Internal Control Report and Documents Attached Thereto

Submitted to Director, Kanto Local Finance Bureau on March 25, 2024

(3) Quarterly Securities Report and Confirmation Letter thereof

For the first quarter of the current fiscal year (31st fiscal year) (from January 1, 2024 to March 31, 2024) Submitted to Director, Kanto Local Finance Bureau on May 9, 2024

(4) Semi Annual Securities Report and Confirmation Letter thereof

For the semiannual of the current fiscal (31st fiscal year) (from January 1, 2024 to June 30, 2024) Submitted to Director, Kanto Local Finance Bureau on August 7, 2024

(5) Extraordinary Report

Submitted to Director, Kanto Local Finance Bureau on March 22, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of Exercise of Voting Rights at the General Meeting of Shareholders).

Submitted to Director, Kanto Local Finance Bureau on March 26, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of Exercise of Voting Rights at the General Meeting of Shareholders).

Submitted to Director, Kanto Local Finance Bureau on October 22, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of Exercise of Voting Rights at the General Meeting of Shareholders).

(6) Temporary Extraordinary Report

Submitted to Director, Kanto Local Finance Bureau on September 19, 2024

This is a Temporary Extraordinary Report of Acquisition of a subsidiary involving a change in a specified subsidiary submitted March 22, 2024

Submitted to Director, Kanto Local Finance Bureau on December 19, 2024

This is a Temporary Extraordinary Report of Acquisition of a subsidiary involving a change in a specified subsidiary submitted March 22, 2024

Submitted to Director, Kanto Local Finance Bureau on September 19, 2024

This is a Temporary Extraordinary Report of Acquisition of a subsidiary involving a change in a specified subsidiary submitted March 23, 2024

Part II [Information on Guarantors for the Company]

Not applicable.

Independent Auditor's Report and Internal Control Audit Report

March 19, 2025

To the Board of Directors of ELAN Corporation

Deloitte Touche Tohmatsu LLC
Nagano Office

Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Toshihiro Kuchiki
Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Yoshizaki Hajime

[Audit of Consolidated Financial Statements]

Opinion

Pursuant to paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of ELAN Corporation and its subsidiaries included in the "Financial Information" section of the annual securities report for the fiscal year ended from January 1, 2024, to December 31, 2024, which is comprised of the consolidated balance sheet, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows, significant matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary financial schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ELAN Corporation (the "Company") and its consolidated subsidiaries (collectively referred to as the "Group") as of December 31, 2024, and the consolidated results of their operations and their cash flows for the fiscal year then ended in conformity with accounting standards generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales Related to CS Set Services ([Notes] Segment information)	
The Key Audit Matter and Reason for its Selection	How the Matter was Addressed in Our Audit
As presented in [Notes] (Segment information) in the consolidated financial statements, the Group has a single segment, the nursing care and medical-related business, and its net sales on the consolidated statements of income were 47,243,915 thousand yen. CS Set services, the core services of the Group's nursing care and medical-related business, combines the lending of clothing and towels with the sale of daily necessities to users of hospitals, nursing care facilities for the elderly and other such facilities, instead of the users providing their own clothing, towels, and daily necessities. In CS Set services, sales are recorded as the unit price of the set plan multiplied by the service usage period and consist of numerous small transactions. The major business processes and related internal controls over the recording of sales for CS Set services are described below. • The person in charge registers the set plan unit price and service usage period for CS Set services in the billing management system. And, the results of this registration are checked against the source documents and system input results by person other than the person who entered this data. • Based on the set plan unit price and service usage period entered into the billing management system, sales are automatically calculated using the system's pre-determined logic. • Based on sales data from the billing management system, sales of CS Set services are registered in the accounting system. The balance of accounts receivable in the billing management system and the balance of trade accounts receivable in the accounting system are reconciled monthly by the person in charge in order to examine the reasonableness of the difference between the two. In this way, since sales are automatically calculated based on the set plan unit price and service usage period information, errors in registration to the billing management system or in the logic used to calculate billing amounts could have a significant impact on financial reporting. In addition, net sales are considered to be an indicator of the scale of a company's business activities and a particularly important indicator for management and investors in measuring the achievement of the Group's performance. From the above, we determined that sales related to CS Set services in the nursing care and medical-related business segment were a key audit matter.	We primarily performed the following audit procedures with regard to the key audit matter described at left. (Evaluation of Internal Controls) • We evaluated the status of internal controls and their operation to ensure the accuracy of the registration of set plan unit prices and service usage periods in the billing management system. • We evaluated the status of internal controls and their operation related to matching the accounts receivable balance of the billing management system with the accounts receivable balance of the accounting system. • In conjunction with our internal IT specialists, we evaluated the status and operation of IT operational processing controls related to the automatic calculation of sales. Specifically, we asked those in charge about the logic of the automatic calculation of sales data in the billing management system and evaluated implementation status by reviewing the system documentation and confirming the specifications of the subject programs. In addition, we evaluated the system's operational status through recalculations for each major sales calculation pattern, including daily and monthly calculations. In conducting the assessment of IT operational processing controls, we used observation and review of documents to evaluate the effectiveness of general IT controls over access security, program changes, and data center and network operations related to the billing management system. (Risk Assessment Procedures and Verification Procedures) • As a risk assessment procedure, we analyzed trends in sales by branch and sales per facility, as well as the average monthly billing amount per user at each facility and determined whether there are any branches or facilities that exceed normal expectations. Then, in cases where the transaction exceeded normal expectations, the appropriateness of the transaction was examined by asking questions and inspecting evidence. • We examined the consistency of sales amounts between the billing management system and the accounting system. • We examined the accuracy of the sales data in the billing management system and the appropriateness of period attribution by performing sampling-based voucher matching and recalculations.

Review of the Acquisition Cost and Goodwill Valuation of the GREEN LAUNDRY JOINT STOCK COMPANY Shares ([Notes] Corporate Combination)	
The Key Audit Matter and Reason for its Selection	How the Matter was Addressed in Our Audit
As presented in [Notes] (Corporate Combination) in the consolidated financial statements, the Group has acquired shares worth of 875,699 thousand yen of GREEN LAUNDRY JOINT STOCK COMPANY (hereafter, the Green Laundry) on August 27, 2024, that is providing laundry service for hospitals and has become a consolidated subsidiary from the current fiscal year. The Group has been obtaining references about the share acquisition cost of the Green Laundry from the basis of the Discounted Cash Flow Method (DCF) of Income Approach that is the base for future business strategies of the Group and retaining external advisors for calculation of the share value. Furthermore, the amount of goodwill is calculated preliminarily at the end of the current fiscal year through reasonable and obtainable information at that point because the definite market value of identifiable assets and liabilities could not be confirmed at the acquisition date and allocation of acquisition cost had not been completed, As the result, balance of goodwill had recorded at the end of the current fiscal year as 813,938 thousand yen. Financial significance of goodwill for the transaction had recognized, by means transactions of corporate combination do not frequently occur since it requires professional knowledge for accounting processes. Additionally, these transactions are the basis of valuation of stock and goodwill. Discounted current value of future cash flow based on the next business plans of the Green Laundry includes significant assumptions such as future sales revenue, profit and loss of sales, sales growth rate, and discount rate and the key assumption include subjective decisions of management as well as unforeseen changes of external environment. From the above, we determined that rationality on the share acquisition cost of the Green Laundry and valuation of goodwill were a key audit matter.	We primarily performed the following audit procedures with regard to the key audit matter described at left. • We evaluated the status of internal controls that is related in calculation of share acquisition cost and the value of goodwill to ensure maintenance of the internal controls and effectiveness of operational status. • The purpose of acquiring shares of the Green Laundry and its business details, We conducted recording the process of board of members meeting, inspection on stock valuation report, and inquires with management to understand the rationality of the transaction and decision-making processes while comprehending the business environment. • Regarding future revenue, operating profit, and revenue growth rates, which are key assumptions in future cash flows, we assessed the reasonableness of these assumptions by conducting trend analyses such as inquiries with management, comparisons with available external data, and comparisons with historical performance. Furthermore, we examined the accuracy of future plans by conducting backtesting on past plans. • To identify any indicators of impairment of goodwill at the end of the consolidated fiscal year, we conducted inquiries with management, reviewed the minutes of the board of directors, and examined whether there were any significant changes in the business environment. Additionally, at the end of the consolidated fiscal year, we performed a comparative analysis of the initial business plan and actual results after acquisition. • To ensure that goodwill from the provisional accounting treatment is appropriately calculated, we examined whether the difference between the acquisition cost and the assets acquired, and liabilities assumed on the business combination date is equal to the amount of goodwill recognized.

Other descriptions

Other descriptions are information included in the annual securities report, other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other descriptions. Further, the Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the development and operation of the reporting process for other descriptions.

The scope of our audit opinion on the consolidated financial statements does not include other descriptions, and the Group expresses no opinion on other descriptions.

Our responsibility in the audit of the consolidated financial statements is to read the other descriptions and, in the course of reading, to consider whether there are material differences between the other descriptions and the consolidated financial statements, or our knowledge obtained in the audit, and to pay attention to whether there are material indications of errors in the other descriptions other than such material differences.

Based on the work the Group has performed, if we determine that there are material errors in the other descriptions, we are required to report those facts.

We have no other matters to report regarding other descriptions.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, auditors exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to the risks of material misstatement. The selection and application of audit procedures is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for opinion.
- In making risk assessments, we consider internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate that the consolidated financial statements are to be prepared based on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. We are responsible for instructing, supervising,

and implementing the audit of the consolidated financial statements. We are solely responsible for the audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We report to the Audit & Supervisory Committee regarding our compliance with professional ethics codes in Japan, matters that are reasonably considered to have an impact on our independence, and, where applicable, measures implemented to remove obstacles to our independence or safeguards in place to reduce such obstacles to acceptable levels.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Audit of Internal Controls]

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of ELAN Corporation as of December 31, 2024 (the "Management's Report") for the purpose of audit certification.

In our opinion, the Internal Control Report referred to the above, which represents that the internal control over financial reporting as of December 31, 2024, of ELAN Corporation is effective, presents fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Internal Control Audit" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and the Audit & Supervisory Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

Auditor's Responsibilities for the Internal Control Audit

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement, and to express our opinion on the Internal Control Report from an independent perspective, based on our internal control audit.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures for the internal control audit are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Examine the overall presentation of the Internal Control Report in terms of scope, evaluation procedures, and conclusions of the evaluation of internal control over financial reporting, including the statements by management.
- Obtain sufficient and appropriate audit evidence related to the conclusions of the evaluation of internal controls over financial reporting in the Internal Control Report. We are responsible for the direction and supervision of the audit of the Management's Report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of their audit of internal control, the results thereof, material weaknesses in internal control identified during their audit of internal control, and those that were remediated, and other matters required by internal control auditing standards.

We report to the Audit & Supervisory Committee regarding our compliance with professional ethics codes in Japan, matters that are reasonably considered to have an impact on our independence, and, where applicable, measures implemented to remove obstacles to our independence or safeguards in place to reduce such obstacles to acceptable levels.

Fees related information

The amount of fees based on audit and certification services of the company and its subsidiaries and fees based on non-audit services for the audit firm and firms belonging to the same network as the audit firm is based on the “Corporate Governance” included in "Information on the Company" iii [Status of Audit].

Conflicts of Interest

There are no conflicts of interest between the Company, including the consolidated subsidiaries and Deloitte Touche Tohmatsu LLC or its Engagement Partners that should be disclosed in compliance with the Certified Public Accountants Act.

END of Report

(Note 1) The original of the above audit report is kept separately by the Company.

(Note 2) XBRL data is excluded from the scope of the audit.

Independent Auditor's Report

March 19, 2025

To the Board of Directors of ELAN Corporation

Deloitte Touche Tohmatsu LLC
Nagano Office

Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Toshihiro Kuchiki
Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Yoshizaki Hajime

[Audit of Financial Statements]

Opinion

Pursuant to paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements of ELAN Corporation included in the "Financial Information" section of the annual securities report for the 31th fiscal year ended from January 1, 2024, to December 31, 2024, comprised of the non-consolidated balance sheet, the non-consolidated statements of income, the non-consolidated statements of changes in equity, significant accounting policies, other notes, and supplementary schedules.

In our opinion, the non-consolidated financial statements referred to the above present fairly, in all material respects, the financial position of ELAN Corporation as of December 31, 2024, and the results of its operations for the fiscal year then ended in conformity with accounting standards generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales related to CS Set services
ELAN Corporation's net sales of 47,112,144 thousand yen, recorded in the statements of income, consist primarily of sales of CS Set services. The details of the key audit matter, the reason for its selection, and how the matter was addressed in our audit are the same as in the key audit matters (sales related to CS Set services) included in the audit report of the consolidated financial statements and therefore have been omitted.

Share Valuation of GREEN LAUNDRY JOINT STOCK COMPANY	
Breakdowns and Reasons for the Decisions of Key Audit Matters	How the Matter was Addressed in Our Audit
949,097 thousand yen worth of shares of GREEN LAUNDRY JOINT STOCK COMPANY (hereafter, the Green Laundry), is recognized from the total of 1,874,071 thousand yen of shares of associates on the balance sheet, reflecting excess earning power. In assessing the necessity of impairment processing for the shares of associates, the Company compares the acquisition cost with the substantive value reflecting excess earning power. Similar to the evaluation of goodwill recorded on the consolidated balance sheet, the evaluation of excess earning power included in the substantive value involves managements' subjective judgment and assessments. From the above, we determined valuation of acquisition cost of the Green Laundry that excess earning power is reflected were a key audit matter	The excess power that is included in shares of the Green Laundry is recorded as [Goodwill] in the consolidated balance sheet. We primarily performed the audit procedures described in the Key Audit Matters section of the audit report on the consolidated financial statements, specifically under the heading 'Review of the Acquisition Cost and Goodwill Valuation of the GREEN LAUNDRY JOINT STOCK COMPANY Shares.

Other descriptions

Other descriptions are information included in the annual securities report, other than the consolidated financial statements, financial statements, and the audited reports thereon. Management is responsible for preparing and disclosing other descriptions. Further, the Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the development and operation of the reporting process for other descriptions.

The scope of our audit opinion on the financial statements does not include other descriptions, and we express no opinion on other descriptions.

Our responsibility in the audit of the financial statements is to read the other statements and, in the course of reading the other statements, to consider whether there are material differences between the other description and the financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other description other than such material differences.

Based on the work the Group has performed, if we determine that there are material errors in the other descriptions, we are required to report those facts.

We have no other matters to report regarding other descriptions.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, auditors exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to the risks of material misstatement. The selection and application of audit procedures is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for opinion.

- In making risk assessments, we consider internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate that the non-consolidated financial statements are to be prepared based on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the non-consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We report to the Audit & Supervisory Committee regarding our compliance with professional ethics codes in Japan, matters that are reasonably considered to have an impact on our independence, and, where applicable, measures implemented to remove obstacles to our independence or safeguards in place to reduce such obstacles to acceptable levels.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current fiscal year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related information

Fee-related information is included in the Independent Auditor’s Report of the consolidated financial statements.

Conflicts of Interest

There are no conflicts of interest between the Company and Deloitte Touche Tohmatsu LLC or its Engagement Partners that should be disclosed in compliance with the Certified Public Accountants Act.

END of Report

(Note 1) The original of the above audit report is kept separately by the Company.

(Note 2) XBRL data is excluded from the scope of the audit.

[Cover Page]

[Document Filed]	Internal Control Report
[Statutory Filing Requirements]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed With]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 2025
[Company Name]	Kabushiki Kaisha ELAN
[Company Name in English]	ELAN Corporation
[Title and Name of Representative]	Tomohiro Minezaki, Representative Director, President and CEO
[Title and Name of Chief Financial Officer]	Yoichi Kamijo, Director, Executive Officer and CFO, General Manager of Administration Department
[Location of Head Office]	15-12 Idegawa-machi, Matsumoto-shi, Nagano. 390-0826 Japan
[Public Availability of Documents]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo. 103-8220 Japan)

1. [Matters Relating to the Basic Framework for Internal Control Over Financial Reporting]

Tomohiro Minezaki, Representative Director, President and CEO, Yoichi Kamijo, Director, Executive Officer and CFO, General Manager of Administration Department are responsible for designing and operating effective internal control over financial reporting of ELAN Corporation and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control is designed to achieve its objectives to a reasonable extent through the effective function and organic combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters Relating to the Scope of Assessment, the Basis Date of Assessment and the Assessment Procedures]

The assessment of internal control over financial reporting was performed as of December 31, 2024, which is the end of fiscal year 2024. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis (“entity-level controls”) and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the necessary scope for assessment of internal control over financial reporting for the Company and its consolidated subsidiaries from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by considering the materiality of quantitative and qualitative impacts. In light of the results of assessment of entity-level internal controls, which covered ELAN Corporation, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we accumulated business locations to be tested in descending order of revenue (after elimination of inter-company transactions) for fiscal year 2024, and that 1 location whose combined revenue reaches two-thirds of the total amount on a consolidation basis were selected as “significant locations.” We included in the scope of assessment, at the selected significant business locations, business processes leading to net sales, and purchase of goods and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant business locations, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and forecasts and/or (iii) a business or operation dealing with high-risk transactions, considering their impact on the financial reporting.

3. [Matters Relating to the Results of the Assessment]

As the result of the assessment described above, as of the end of fiscal year 2024, we concluded that ELAN Corporation’s internal control over financial reporting was effectively maintained.

4. [Additional Notes]

No material items to report.

5. [Special Notes]

No material items to report.

[Cover Page]

[Document Filed]	Confirmation Letter
[Statutory Filing Requirements]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed With]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 2025
[Company Name]	Kabushiki Kaisha ELAN
[Company Name in English]	ELAN Corporation
[Title and Name of Representative]	Tomohiro Minezaki, Representative Director, President and COO
[Title and Name of Chief Financial Officer]	Yoichi Kamijo, Director, Executive Officer and CFO, General Manager of Administration Department
[Location of Head Office]	15-12 Idegawa-machi, Matsumoto-shi, Nagano. 390-0826 Japan
[Public Availability of Documents]	Tokyo Stock Exchange, Inc.
	(2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo. 103-8220 Japan)

1. [Matters Related to the Appropriateness of the Content Presented in the Annual Securities Report]

Tomohiro Mineazaki, Representative Director, President and CEO, Yoichi Kamijo, Director, Executive Officer and CFO, General Manager of Administration Department of the Company have confirmed that the contents of the Annual Securities Report for the 31st fiscal year (from January 1, 2024, to December 31, 2024) of the Company are properly presented in accordance with the Financial Instruments and Exchange Act.

2. [Special Notes]

No material items to report.