

Company Report

March 30, 2026

Strategy Advisors Inc.
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New Mid-Term Management Plan Aims to Evolve ELAN From an “CS Set Company” into a “Healthcare Company” by Leveraging the Strengths of the CS Set

The full-year financial results for FY12/2025, announced on February 4, 2026, showed sales of ¥55.448 billion (+16.7% YoY) and operating profit of ¥4.272 billion (+19.5% YoY). The full-year dividend was ¥15, as expected. The company’s forecast for FY12/2026 projects sales of ¥60.8 billion (+9.7% YoY) and operating profit of ¥5 billion (+17% YoY). The annual dividend forecast is ¥16 (+¥1 YoY).

A new mid-term management plan (2026–2028) was announced simultaneously with the earnings release. The company has clarified its management policy with a focus on capital costs and stock price, aiming to expand corporate value through “Solid growth of our existing CS set” and “Execution of M&A, both domestically and internationally”. The plan is to execute growth in investments and M&A with a ROE target of 25%, aiming to balance capital efficiency and growth over the next 3-years. Specific numerical targets for 2028 are sales of ¥80 billion (¥55.4 billion in 2025), operating profit of ¥7.5 billion (¥4.2 billion in 2025), an operating profit margin of 9.4% (7.7% in 2025) and ROE of 25% (20.5% in 2025).

The new mid-term management plan positions M&A as an even more critical strategy than before and the company is considering implementing M&A transactions of a certain scale in fields highly compatible with its existing businesses. Three specific areas are under consideration: 1) “Domestic Business Infrastructure Strengthening Type”, which involves investing in adjacent fields by leveraging the strengths of existing domestic businesses, 2) “Management Support Type”, which involves investing in management support services for hospitals and nursing homes and 3) “Overseas Expansion Type”, which involves investing in countries where demand for the company’s services is expected to grow. All of these are areas where the company can expand its business while contributing to society by leveraging its track record and the difficulty of imitation. President and CEO Minezaki believes that solving society’s “problems” is the company’s mission and aims to evolve the company from “ELAN of the CS Set” to “ELAN of Healthcare” in order to contribute across a broader range of fields.

After the Q4 earnings announcement on February 4 through March 27, the stock price rose 8.5%, outperforming TOPIX (-0.2%) by 8.7% during the same period. Furthermore, on the day following the earnings and mid-term management plan announcements, the company’s stock price rose 7.8% (whilst TOPIX fell 0.1%), suggesting a positive market reaction to the new mid-term management plan.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (3/27/26)	724
52-Week High (8/01/25)	870
52-Week Low (4/07/25)	621
All-Time High (1/25/21)	1,662
All-Time Low (3/29/16)	117
Shares Issued (mn)	60.5
Market Capitalization (¥bn)	43.8
EV (¥bn)	37.9
Equity Ratio (FY12/25 Actual, %)	55.1
ROE (FY12/25, %)	20.5
PER (FY12/26 CoE, x)	13.7
PBR (FY12/25 Actual, x)	3.0
Yield (FY12/26 CoE, %)	2.2

Source: Strategy Advisors

Factors that could support an increase in the company's valuation going forward include the further realization of benefits from the partnership with M3 and the potential for a revaluation of the company as a platform business. Furthermore, if the company achieves M&A investment and profit growth while maintaining the 25% ROE target set out in the new mid-term plan, this could also serve as a positive factor for valuation.

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	RP (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/22	36,264	14.6	3,391	21.2	3,411	21.1	2,082	9.3	34.4	11.0
FY12/23	41,425	14.2	3,665	8.1	3,681	7.9	2,518	20.9	41.6	13.0
FY12/24	47,513	14.7	3,575	-2.5	3,542	-3.8	2,354	-6.5	38.9	13.0
FY12/25	55,448	16.7	4,272	19.5	4,184	18.1	2,767	17.5	45.8	15.0
FY12/26 CoE	60,800	9.7	5,000	17.0	5,000	19.5	3,200	15.6	52.8	16.0

Source: Company Data. Compiled by Strategy Advisors.

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1. Financial Results and Key KPI Trends

1) FY12/2025 Results

Both Sales and Profits Increased by Double Digits YoY

ELAN reported FY12/25 sales of ¥55.448 billion (+16.7% YoY) and operating profit of ¥4.272 billion (+19.5% YoY). In addition to an increase in the number of users driven by new contracts for the CS (Care Support) Set, which provides rental services for clothing and towels that include laundry services; the overseas business, which was consolidated starting in FY12/24 Q4, also contributed to these results.

The Results of Countermeasures are Gradually Beginning to Show

However, the company's full-year performance fell short, with sales at 94% and operating profit at 90%. This was primarily due to missing new customer acquisition targets, as sales capabilities did not improve at the anticipated pace. Conversely, in FY12/25, acquisitions from competitors exceeded 10% of total contracts - an increase over the previous year. Furthermore, the churn rate is gradually declining, suggesting that various strategic initiatives are beginning to yield results.

Regarding operating profit, the progress rate was lower due to the impact of delayed sales growth, as well as an increase in the one-time initial implementation costs for "Lifte" (original patient gowns) compared to expectations. This was driven by the number of facilities adopting Lifte rising from 200 in the previous year to 219 in FY12/25.

2) FY12/2026 Forecast

FY12/26: 10% Growth in CS Set Sales Anticipated

The company's sales forecast for FY12/26 is ¥60.8 billion (+9.7% YoY), whilst the operating profit target is ¥5 billion (+17% YoY). The annual dividend forecast is ¥16 (+¥1 YoY).

Under the newly announced mid-term management plan, CS set sales are projected to grow at an annual rate of 10% and the sales forecast for FY12/26 aligns with this plan. Details of the mid-term management plan are presented in Chapter 2.

Meanwhile, regarding the Lifte system - for which initial costs were expensed in a lump sum during the implementation phase through FY12/25 - it has been confirmed through on-site verification that the system's garments have a usable life of at least 3-years, as more than 3-years have passed since implementation. Consequently, starting in FY12/26, the costs can be exposed over a 3-year depreciation period. As a result of this change, the distortion in profits caused by the one-time costs associated with the introduction of Lifte will be eliminated, and the operating profit margin for FY12/26 is expected to rise to 8.2% (7.7% in FY12/25).

Figure 1. ELAN: Summary of Financial Results for FY12/25

(¥mn)	FY12/24	FY12/25	YoY	Achievement Rate	FY12/25 CoE	YoY	FY12/26 CoE	YoY
		(A)		(A)/(B)	(B)			
Net Sales	47,513	55,448	16.7%	94.0%	59,000	24.2%	60,800	9.7%
Operating Profit	3,575	4,272	19.5%	90.5%	4,720	31.9%	5,000	17.0%
Ordinary Profit	3,542	4,184	18.1%	88.3%	4,740	33.7%	5,000	19.5%
Profit Attributable to Owners of Parent	2,354	2,767	17.5%	89.5%	3,090	31.2%	3,200	15.6%

Source: Company Data. Compiled by Strategy Advisors.

Efforts to Increase Communication with Customers Have Led to a Decrease in Cancellations

As of the end of FY12/25, the number of contracted facilities stood at 2,830 (+260 YoY). This annual net growth rate is on par with the average for the past 2-years (255).

The cancellation rate, which had been rising through Q1 continued its downward trend, falling to 3.7% in Q2, 3.5% in Q3, and 3.4% in Q4 (Figure 2). We believe that the decline in customer visits triggered by the onset of the COVID-19 pandemic, which continued through 1H FY12/24, led to a lack of communication with contracted facilities. Consequently, starting in 2H FY12/24, sales representatives began actively visiting facilities to hold meetings aimed at confirming usage status, user complaints and requests from the facilities. We believe that the reduction in the cancellation rate is attributable to the positive effects of these measures to deepen communication.

Regarding their relationship with competitors, in FY12/25, ELAN acquired 58 customers from competitors, while 44 customers were lost to competitors, resulting in a net gain of 14 customers.

Figure 2. Changes in the Number of Contracted Facilities by Area (Qtly)

(# of Contracts)	12/23				12/24				12/25				YoY Change (Q4)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	23-24	24-25
Total	2,081	2,171	2,237	2,320	2,360	2,439	2,503	2,570	2,589	2,691	2,761	2,830	250	229
Hokkaido	138	143	145	149	152	163	170	173	172	178	185	190	24	20
Tohoku	270	279	284	298	301	315	319	331	332	340	351	372	33	31
Kan-etsu	332	345	371	392	404	422	433	454	458	476	497	511	62	54
Chubu	406	419	418	426	432	437	444	445	450	460	464	484	19	18
Kansai/ Hokuriku	375	403	421	438	447	464	481	503	502	526	557	554	65	55
Chugoku/ Shikoku	407	417	421	429	435	442	450	451	455	472	457	465	22	20
Kyushu/ Okinawa	153	165	177	188	189	196	206	213	220	239	250	254	25	31
Total Cancellation Rate	2.8%	3.0%	3.2%	3.3%	3.2%	3.2%	3.1%	3.7%	4.0%	3.7%	3.5%	3.4%	0.4%	-0.3%

Source: Company Data. Compiled by Strategy Advisors.

3) Operating Profit Margin Remains Stable

The Operating Profit Margin, Adjusted for Lifte Expenses, Remains Stable

The domestic operating profit margin (adjusted for Lifte expenses) for FY12/25 was 9.5%, which is on par with the 9.5% recorded in FY12/24 and the 9.4% recorded in FY12/23. To eliminate seasonal fluctuations, the 12-month moving average of the operating profit margin (adjusted for Lifte costs) is shown in the upper-right graph of Figure 3, which indicates that it has remained largely flat since 2022. Gross Profit Margin is on a gradual downward trend, which is due to the fact that the SG&A ratio is declining at a similar pace.

Strategy for Lifte Adoption Shifted to Prioritize Gross Profit. Future Effects Anticipated

One factor contributing to the decline in Gross Profit Margin is that, while the company previously prioritized the widespread adoption of Lifte, this approach sometimes resulted in the expected improvements in unit price and gross profit, which Lifte was intended to deliver, not always materializing. However, since the adoption of Lifte has already progressed significantly, the company changed its policy starting in FY12/25 Q4 to focus on installations aimed at improving profit margins- rather than those intended solely to increase adoption. If this strategy proves successful, an improvement in the gross profit margin is expected from 2026 onward.

Average Revenue Per User Continues to Rise

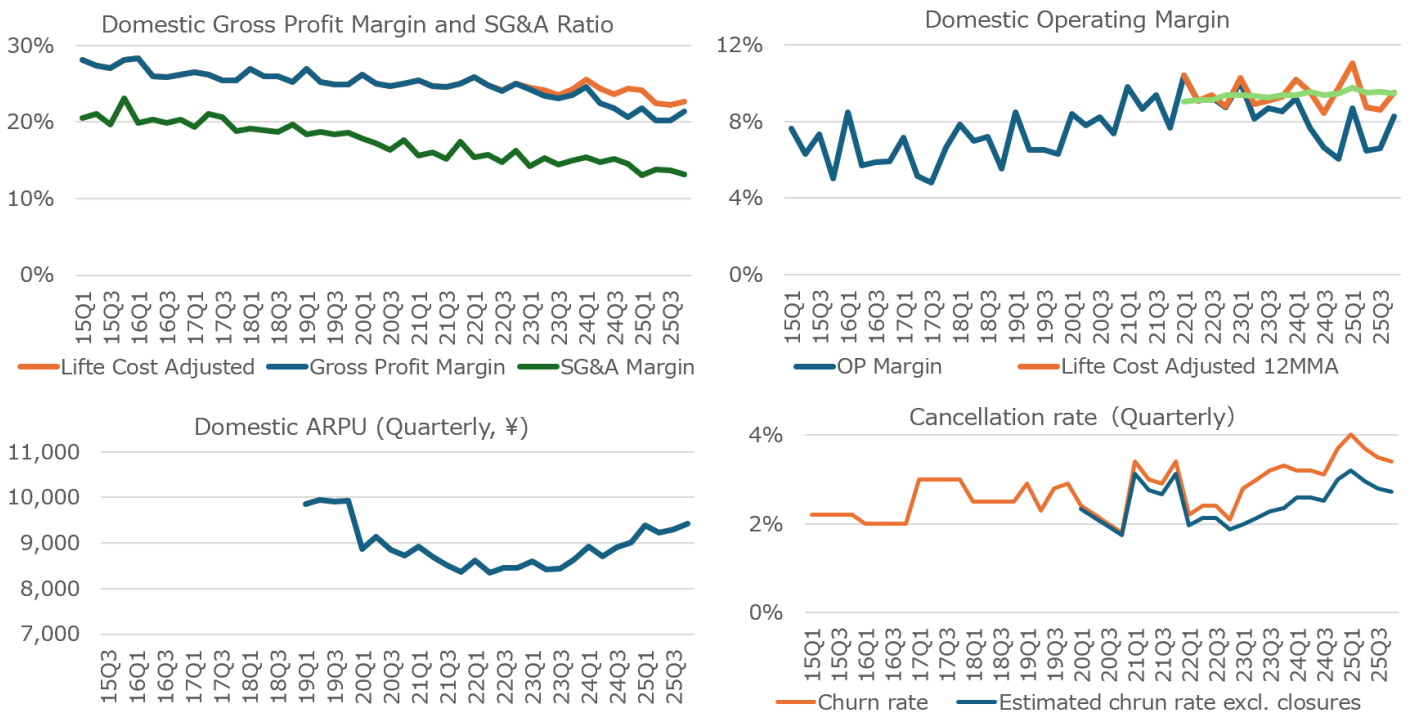
The average domestic user revenue per user declined in Q2 due to seasonal factors, but rose in Q3 and Q4 as usual. Regarding year-over-year user revenue per user, we assess that the upward trend observed since 2022 is still continuing.

Churn Rate Has Begun to Improve

The bottom-right section of Figure 3 shows the trend in the churn rate. While the churn rate had been rising since 2022, it began to decline in FY12/25. The company analyzed that a lack of communication due to reduced customer visits following the COVID-19 pandemic was a contributing factor and has been implementing countermeasures. Given that the churn rate has begun to decline, it appears that the company's internal analysis and countermeasures were appropriate.

Additionally, starting with this report, the company has begun disclosing cancellation figures attributable to hospital closures. By analyzing this data, we can observe what is, in a sense, a "pure" cancellation rate—one that excludes the impact of hospital closures (i.e., the closure of the hospitals themselves, which are the company's clients). Since only annual figures for cancellations due to hospital closures are disclosed, the quarterly data plotted in the graph represents estimates by Strategy Advisors; however, it is evident that the impact of hospital closures has been significant since 2023.

Figure 3. Quarterly Trends in GPM, SG&A Ratio, OPM & User Price for the Domestic Business



Note: Lifte's profit margin after expenses is an estimate by Strategy Advisors.
 Source: Company Data. Compiled by Strategy Advisors.

4) Strategic Products "Lifte" and "Smile Wear" and Initiatives for New Businesses

Lifte Continued to Rise in Q4

The original patient gown "Lifte" was newly introduced at 46 facilities in Q4, bringing the total number of facilities using the product to 471 as of the end of FY12/25 and raising the adoption rate to 16.6%. (Figures 4 and 5)

Accelerates in Adoption of "Smile Wear", Targeting the Nursing Homes Market

Smile wear, a new service for nursing homes launched nationwide in Q2 of FY12/25, had been introduced to 65 facilities nationwide by the end of FY12/25. The adoption rate stands at 2.3%. While 27 new facilities adopted the service in Q4 alone, this represents an acceleration from the 14-facility increase seen in Q3.

This service features a selection of carefully curated clothing by apparel professionals, hung on hangers within the nursing care homes. It allows residents to enjoy choosing clothes as if they were shopping, enabling them to live a life where they wear clothes they truly want to wear. Since dressing up can lift one's spirits, the service is expected to improve residents' quality of life.

Figure 4. Percentage of Facilities with CS Set R/LC and Lifte Services (Qtlly)

	12/23				12/24				12/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CS Set R Contracted Facility Ratio	8%	9%	9%	10%	10%	11%	11%	11%	12%	13%	13%	13%
CS Set LC Contracted Facility Ratio	6%	8%	8%	8%	8%	8%	9%	9%	9%	10%	10%	10%
Lifte Introduced Facility Ratio	1%	1%	2%	2%	3%	5%	6%	10%	11%	14%	15%	17%

Source: Company Data. Compiled by Strategy Advisors.

Figure 5. Net Sales, Gross Profit, Operating Profit, Introductory Costs (Estimated) and Lifte Cost Return Operating Profit (Estimated) (Qtly)

(\$mn)	12/23				12/24				12/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	9,857	9,924	10,645	11,000	11,487	11,358	12,002	12,667	13,433	13,407	13,899	14,709
(YoY)	12%	13%	16%	16%	17%	14%	13%	15%	17%	18%	16%	16%
Gross Profit	2,390	2,322	2,458	2,581	2,821	2,551	2,619	2,726	2,994	2,772	2,871	3,237
(Gross Profit Margin)	24%	23%	23%	23%	25%	22%	22%	22%	22%	21%	21%	22%
Operating Profit	992	809	925	939	1,059	872	800	847	1,187	888	966	1,231
(OP Margin)	10%	8%	9%	9%	9%	8%	7%	7%	9%	7%	7%	8%
Number of Facilities with lift (Cumulative)	12	27	35	52	74	117	160	252	293	365	425	471
Number of Facilities with lift	4	15	8	17	22	43	43	92	41	72	60	46
Lifte Introduction Costs (Estimated)	20	75	40	85	110	215	215	460	310	290	270	471
Lifte Cost Return Gross Profit	2,410	2,397	2,498	2,666	2,931	2,766	2,834	3,186	3,150	2,898	2,979	46
(Lifte Cost Return Gross Margin)	24%	24%	23%	24%	26%	24%	24%	25%	24%	22%	22%	17%
Lifte cost return Operating profit	1,012	884	965	1,024	1,169	1,087	1,015	1,307	1,444	1,126	1,153	3,144
(Lifte Cost Return Operating Margin)	10%	9%	9%	9%	10%	10%	8%	10%	11%	9%	9%	23%

Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Performance Trends (¥mn)

FY	12/23				12/24				12/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	9,857	9,924	10,645	10,999	11,486	11,358	12,003	12,666	13,433	13,407	13,899	14,709
(YoY)	12.1%	12.6%	16.2%	15.8%	16.5%	14.4%	12.8%	15.2%	17.0%	18.0%	15.8%	16.1%
Cost of Sales	7,467	7,602	8,187	8,418	8,665	8,807	9,384	9,940	10,439	10,634	11,028	11,473
Gross Profit	2,389	2,322	2,458	2,582	2,820	2,552	2,618	2,726	2,993	2,773	2,871	3,237
(Gross Profit Margin)	24.2%	23.4%	23.1%	23.5%	24.6%	22.5%	21.8%	21.5%	22.3%	20.7%	20.7%	22.0%
SG&A Expenses	1,397	1,513	1,533	1,642	1,761	1,680	1,818	1,880	1,806	1,885	1,904	2,006
Operating Profit	992	809	925	939	1,059	871	801	846	1,187	888	967	1,230
(OP Margin)	10.1%	8.2%	8.7%	8.5%	9.2%	7.7%	6.7%	6.7%	8.8%	6.6%	7.0%	8.4%
Non- Operating Income/Expenses	5	7	4	0	6	12	-52	1	-7	-20	10	-71
Ordinary Profit	997	816	929	939	1,065	883	749	847	1,180	868	977	1,159
(Ordinary Profit Margin)	10.1%	8.2%	8.7%	8.5%	9.3%	7.8%	6.2%	6.7%	8.8%	6.5%	7.0%	7.9%
Extraordinary Income/Losses	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Income Taxes	997	816	929	939	1,065	883	749	847	1,180	868	977	1,159
Total Income Tax	301	258	294	309	338	285	242	325	373	289	308	385
(Corporate Tax Rate)	30.2%	31.6%	31.6%	32.9%	31.7%	32.3%	32.3%	38.4%	31.6%	33.3%	31.5%	33.2%
Profit Attributable to Owners of Parent	695	558	635	630	726	599	507	522	800	567	655	745
Net Profit Margin	7.1%	5.6%	6.0%	5.7%	6.3%	5.3%	4.2%	4.1%	6.0%	4.2%	4.7%	5.1%

Source: SPEEDA. Compiled by Strategy Advisors.

2. New Mid-Term Management Plan

Announcement of New Mid-Term Management Plan

The new Mid-Term Management Plan (2026–2028) was announced concurrently with the earnings release on February 4, 2026. The company has clarified its management policy with a focus on cost of capital and stock price, aiming to enhance corporate value through “Solid growth of our existing CS set” and “Execution of M&A both domestically and internationally”. The plan is to execute growth investments and M&A while adhering to a 25% ROE target, aiming to balance capital efficiency and growth over the next 3-years.

Leveraging the strengths of its CS Set business and the synergies from its partnership with M3, the company plans to expand into peripheral businesses beyond CS Set’s, aiming to evolve from “ELAN of CS Set” to “ELAN of Healthcare”. Through cross-selling to existing customers and the rollout of multi-service offerings to new customers, the company expects to increase operating profit margins by raising average revenue per customer.

Numerical Targets

Under the new mid-term management plan, the specific numerical targets for 2028 are sales of ¥80 billion (¥55.4 billion in 2025), operating profit of ¥7.5 billion (¥4.2 billion in 2025), operating profit margin of 9.4% (7.7% in 2025), with ROE of 25% (20.5% in 2025) (Figure 7). The company plans to achieve these targets by pursuing organic growth through the expansion of existing domestic businesses - centered on CS sets, which are projected to grow at an annual rate of 10% - and overseas operations in Vietnam and other markets, in addition to driving inorganic growth through M&A.

Figure 7. Numerical Targets for the New Mid-Term Management Plan (2026–2028)

	Previous Mid-Term Business Plan		New Mid-Term Management Plan
	FY2025 (Result)	FY2026 (Forecast)	FY2028 (Forecast)
Net sales	55.4 billion yen	60.8 billion yen	80.0 billion yen
Operating profit	4.2 billion yen	5.0 billion yen	7.5 billion yen
Operating profit margin	7.7%	8.2%	9.4%
ROE	20.5%	-%	25.0%

Source: Company Materials.

Planning for Stable Growth in the CS Set Business

The company plans for the existing CS Set business to achieve an average annual sales growth rate of 10% over a 3-year period. As the company has not yet fully leveraged the synergies from its partnership with M3 over the past 3-years, it will focus on further utilizing these synergies. Additionally, while price increases were not possible until FY12/25 Q1 due to a rising churn rate, the churn rate began to decline starting in FY12/25 Q2 as a result of efforts to prevent customer churn. Going forward, the company plans to proceed with price increases to raise gross margins while simultaneously distributing the benefits to employees to create a virtuous cycle in sales. Through these policies, the company plans to achieve stable sales growth and improve the operating profit margin.

Accelerating Growth Through M&A Strategy

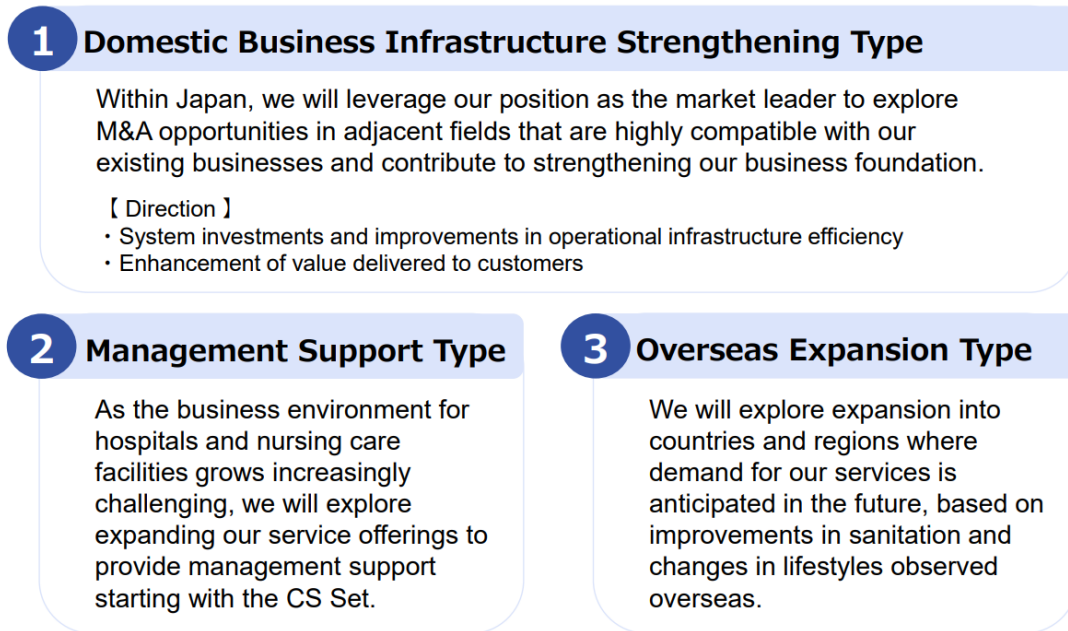
In the new mid-term management plan, alongside the steady growth of the CS Set, M&A is positioned as a key strategy to drive growth. The basic approach to M&A is to invest domestically and internationally in sectors with high affinity to existing businesses, including M&A transactions of a certain scale. Three specific M&A types are under consideration: 1) Domestic Business Infrastructure Strengthening, 2) Management Support and 3) Overseas Expansion (Figure 8).

The "Domestic Business Infrastructure Strengthening" type focuses on M&A in adjacent areas that are highly compatible with existing businesses and contribute to strengthening the business foundation, leveraging the company's strength as the domestic market leader. This is expected to enhance value provided to customers through system investments, improved operational efficiency, and the strengthening of ancillary services.

In the management support segment, the company is exploring services that provide operational support to hospitals and nursing homes, using the CS Set as a starting point. Improving hospital productivity is an urgent priority in the healthcare industry and the company reportedly receives inquiries from various stakeholders regarding this issue. If opportunities arise to collaborate with businesses offering promising services, the company appears willing to consider all options, including mergers and acquisitions.

Under the Overseas Expansion Model, the company is exploring expansion into countries and regions where demand for its core services is expected to grow in the future, taking into account improvements in hygiene standards and changes in lifestyles. While the linen business in Vietnam - where the company currently invests - is growing steadily, the company is considering adding services that address the specific challenges faced by hospitals in that market. Vietnam, where the company has a consolidated subsidiary and India, where it holds minority stakes in 3 companies, appear to be the immediate priority target countries.

Figure 8. M&A Strategy in the Mid-Term Management Plan

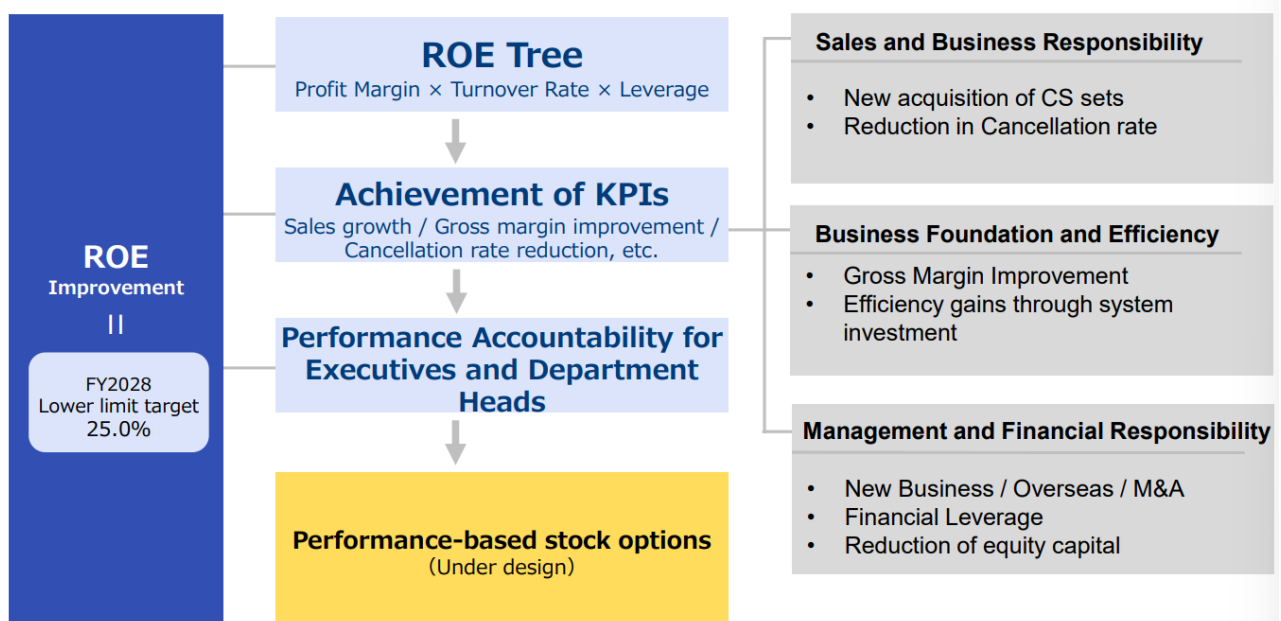


Source: Company Materials.

Human Resources Strategy to Support the ROE Target

The company plans to enhance the effectiveness of achieving the ROE target by setting KPIs (such as sales growth, gross margin improvement and churn rate reduction) and assigning responsibility for these KPIs to each executive and department head (Figure 9). In conjunction with this, the company plans to introduce a performance-based stock option plan and is currently working on its design.

Figure 9. ROE and Human Capital Strategy



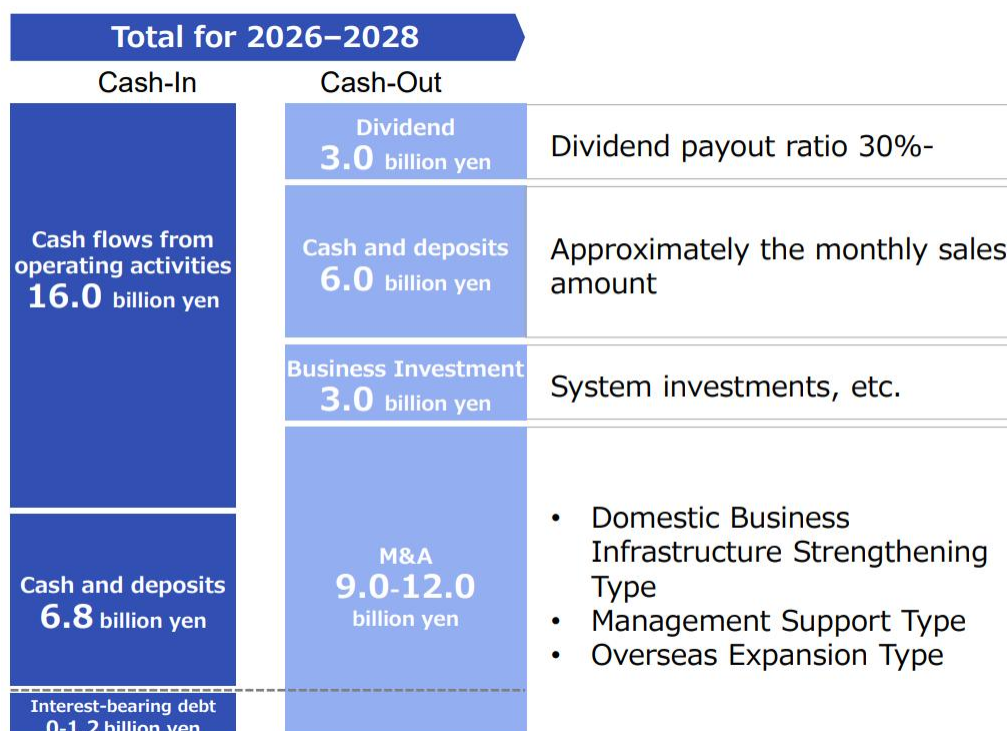
Source: Company Materials.

Mid-Term Management Plan Aiming for Growth Through Investment

Figure 10 shows the 3-year capital allocation plan. The plan is to allocate the total operating cash flow of ¥16 billion over the 3-years of the medium-term management plan as follows: ¥9 to ¥12 billion for growth investments through M&A, ¥3 billion for investments in existing businesses and ¥3 billion for dividends (dividend payout ratio of 30%).

If the value of an M&A transaction exceeds ¥10 billion, operating cash flow alone will not be sufficient; in such cases, the plan is to cover the shortfall by drawing down cash and cash equivalents or increasing borrowings. With total operating cash flow of ¥16 billion, the company plans to allocate ¥12 to ¥15 billion (equivalent to 75–94% of operating cash flow) over the 3-year period to M&A and business investments, reflecting a medium-term management plan strongly focused on growth through investment (during the previous 3-year medium-term management plan period, investment cash flow was ¥7.3 billion, equivalent to 69% of operating cash flow of ¥10.6 billion).

Figure 10. Capital Allocation



Source: Company Materials.

3. Stock Price and Valuation

1) Recent Stock Price Movements

From the Q4 earnings announcement date (February 4) through March 27, the stock price rose 8.5%, outperforming TOPIX (-0.2%) by 8.7% over the same period. Furthermore, on the day following the earnings and mid-term management plan announcements, the company's stock price rose 7.8% (while TOPIX fell 0.1%), suggesting that the stock market reacted positively to the new mid-term management plan.

2) The Former P/E Premium Has Narrowed

Per the [FY12/25 Q2 earnings](#) report, the company's valuation significantly outpaced peers from 2018 to 2022. This growth was fuelled by the strategic acquisition and merger of Tohoku-based competitor ELTASK, alongside a surge in CS set adoption during COVID-19 as hospital visitation restrictions tightened.

These factors drove the stock to a record high of ¥1,662 on January 25, 2021, allowing the company to maintain a premium valuation of approximately 10x PBR throughout the 2018–2022 period.

Subsequently, as market expectations settled, the stock price gradually declined. While the PBR remains relatively high at 3.0x, the PER stands at 13.7x, which is below the stock market average. Although the current stock price is supported by a high ROE (FY12/25: 20.5%), it is believed that the company has not yet reached a point where its PER commands a premium based on an attractive equity story.

3) Factors That Will Support Future Valuations

Factors that could support an increase in the company's valuation going forward include the further realization of the benefits of the partnership with M3 and the potential for a revaluation as a platform company. Additionally, if the company achieves M&A investment and profit growth while maintaining the 25% ROE target outlined in the new mid-term management plan, this could also serve as a positive factor for valuation.

Under the M&A strategy outlined in the new mid-term management plan, target areas include M&A in adjacent sectors and the hospital management support sector; the partnership with M3 is expected to facilitate these M&A activities.

Furthermore, as part of its M&A strategy, the company is reportedly considering M&A aimed at strengthening its domestic business foundation, particularly in areas highly compatible with its existing operations. As the appeal of the company's platform functions becomes better understood, it is conceivable that more companies will seek to collaborate with it in areas adjacent to its existing businesses.

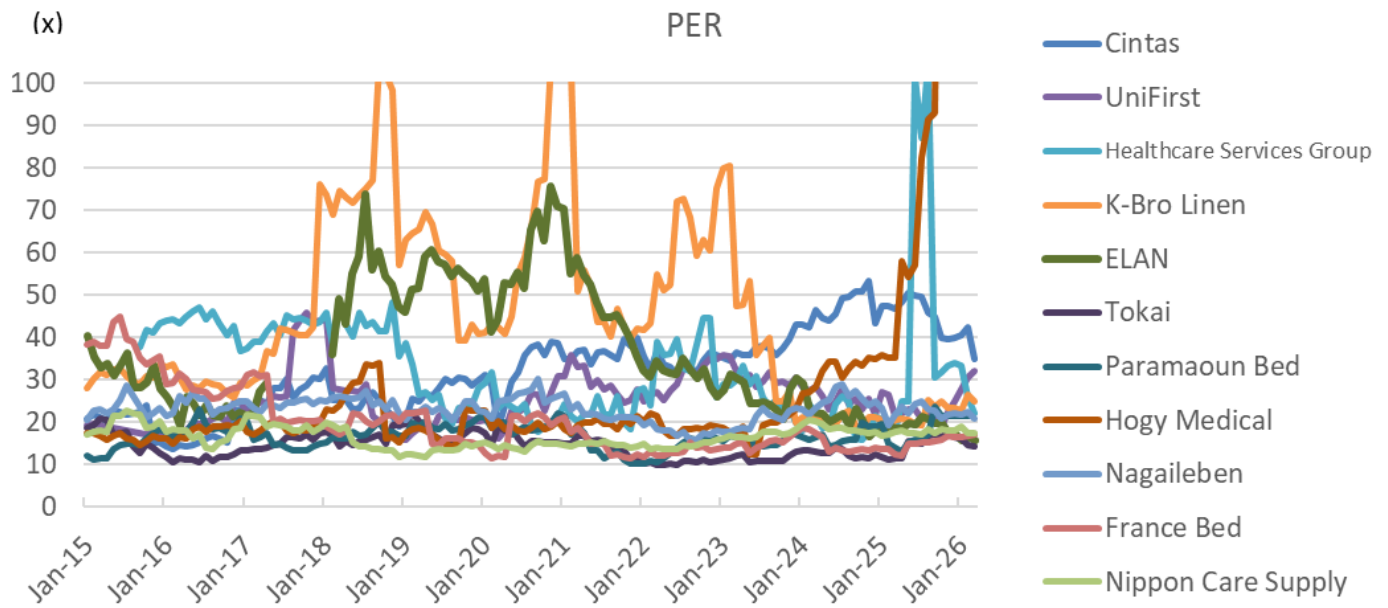
Stock Market Reacts Positively Following Earnings and Mid-Term Plan Announcements

Between 2018 to 2022, PBR Was High at Around 10x

The Current Valuation Does Not Reflect the High Premium Seen in the Past

Benefit from the Partnership with M3, Namely Appeal as a Platform Company & Profit Growth. Maintain 25% ROE

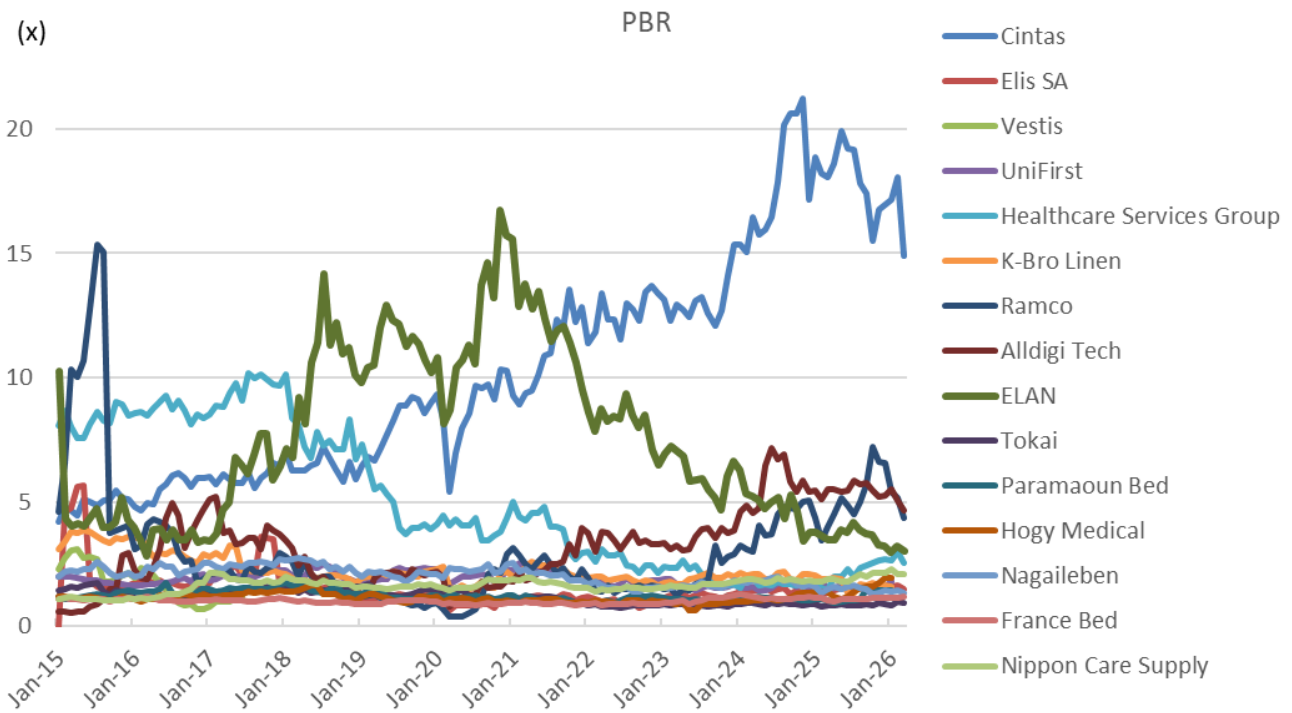
Figure 11. P/E Ratio Comparison



Note: PER of 100 or more is Omitted.

Source: SPEEDA. Created by Strategy Advisors.

Figure 12. PBR Comparison



Source: SPEEDA. Created by Strategy Advisors.

4. Company Overview

1) Founded in 1995, Generates High Profits with an ROE Exceeding 20%, Primarily Through its CS Set Business

Continuous Solving Society's Problems, Leading to the Development of Hospital Admission Sets

Since being founded in 1995, ELAN has been dedicated to solving society's "world's problems" under the theme of "realization of a spiritually enriching living environment". They transitioned from their initial bedding sales business (door-to-door sales of bedding) to their current "CS Set" business.

Providing Hospital & Nursing Facility Admission Set Services

In the CS Set business, they provide a service that combines the rental of clothing and towels (including laundry service) with the supply of daily necessities for people admitted to hospitals and those entering care facilities such as long-term care health facilities, special nursing homes for the elderly, private nursing homes, group homes and care houses ("long-term care health facilities, etc.").

ELAN, Hospitals/Nursing Homes and Linen Suppliers Collaborate to Provide the Service

By using the "CS Set", users, such as patients, residents and their families can achieve "emptyhanded hospitalization/admission", "empty-handed visitation" and "emptyhanded discharge/release". Users or their families enter into a contract with ELAN to use the "CS Set" and ELAN handles the issuance of invoices and collection of service fees from the users. At the same time, ELAN has contracts with hospitals, nursing homes and linen suppliers (businesses that supply linen products such as clothing, towels, sheets and pillowcases), managing both the service and the flow of funds. Among the stakeholders surrounding hospitals and nursing homes, the company is positioned as a kind of platform provider.

The Company Has Been Expanding New Services Utilizing the CS Set

As of the end of December 2025, the CS Set R (hospitalization and nursing care cost guarantee) was adopted by 354 facilities (12.5% adoption rate), the CS Set LC (hospitalization guarantee) by 285 facilities (10.1%) and the original patient clothing (Lifte) by 471 facilities (16.6%). These figures have been steadily increasing. "Smile wear", a new service for nursing homes launched in 2024, has also seen new contracts progress, expanding to 65 facilities nationwide (2.3% adoption rate).

Aiming for Further Business Expansion Through Partnership with M3

Following a tender offer by M3 in 2024, M3 currently holds a 55% stake in the company. Through this capital alliance, the two companies plan to collaborate and create synergies in 4 key areas: 1) New business development and enhancement of the value of CS packages through integration with M3's services, 2) Cross-selling to both companies' clients, 3) Strengthening competitiveness by leveraging M3's resources and 4) Support for overseas expansion.

Several joint ventures have already been launched in earnest, and the cumulative number of realized synergies reached 100 in the single year ending FY12/25. By providing joint services, the companies are not only acquiring new customers, but also successfully retaining existing ones.

Operations Across Japan & 2 Overseas Countries

Domestically, the company conducts sales activities through 30 administrative and sales offices, with 491,000 users and 2,830 contracted facilities as of the end of 2025. Overseas, the company has 2 consolidated subsidiaries in Vietnam and holds minority stakes in 3 companies in India. The number of employees on a consolidated basis is 1,498 (as of the end of December 2025).

For FY12/26, consolidated sales are projected to be ¥55.4 billion (+16.7% YoY), operating profit ¥4.3 billion (+19.5% YoY) and net profit ¥2.8 billion (+ 17.5% YoY). The operating margin is 7.7% and ROE is 20.5%. So, the company can be described as highly profitable.

2) CS Set's Business Model

Build WIN-WIN-WIN Relationship

CS Set is a service with a business model that not only alleviates the anxiety and stress associated with admission to a facility or hospital and reduces the burden on families, but also contributes to improving the workflow of ward staff and stabilizing the management of nursing facilities and hospitals. It is characterized by the creation of a WIN-WIN-WIN relationship, offering benefits not only to CS Set users and their families, but also to hospitals, nursing homes for the elderly, and linen supply companies.

There Are 2 Types of Transaction Structures. But There is No Substantive Difference

The CS Set's business flow is broadly categorized into 2 transaction models based on differences in contract structures with hospitals, long-term nursing homes and linen suppliers.

- ① Form of direct contract between hospitals, geriatric healthcare facilities, etc., and the Elan Group (Elan prime contractor)
- ② The Elan Group does not have a direct contractual relationships with hospitals and geriatric healthcare facilities.

The difference between these 2 transaction models stems from the circumstances of initial contact with hospitals, long-term nursing homes and similar institutions; however, there is no difference in the roles of the respective parties involved in the operation of the CS Set.

Users and Their Families Can Reduce the Hassle and Worries Associated with Hospitalization or Admission

The benefit for users and their families is that using the "CS Set" reduces the hassle and worries associated with hospitalization or admission. Since the "CS Set" handles the laundering and replacement of necessary clothing and towels, as well as the replenishment of daily necessities, it allows users to "enter the hospital or facility empty-handed" and "leave the hospital or facility empty-handed" and enables families to "visit empty-handed".

Since the service fee is a flat daily rate based on the number of days of hospitalization or admission, it is easy to calculate the costs associated with daily life during that period. This allows patients to live comfortably without worrying about the frequency of clothing and towel exchanges or the number of daily necessities used.

Hospitals and Nursing Homes Can Concentrate on Their Primary Nursing and Care Duties

For hospitals and nursing homes, the primary benefit of introducing the CS Set is the ability to focus on their core nursing and care duties. The workload on nurses and care staff related to on-site laundry and restocking daily necessities is reduced. Furthermore, since tasks such as explaining services to users, accepting applications and managing inventory are outsourced to the hospitals and nursing homes - with a service commission paid in return, this also contributes to increased revenue for these institutions.

Furthermore, when hospitals and nursing homes bill residents directly for services not covered by insurance, they are required to follow strict guidelines set by the Ministry of Health, Labour and Welfare. However, by utilizing ELAN's services, this administrative burden is eliminated.

New Revenue Opportunities for Linen Suppliers

The benefit for linen suppliers lies in the fact that contracting with ELAN allows them to secure new revenue opportunities. Linen suppliers currently contract with hospitals and nursing homes to provide and launder bedding items covered by health and long-term care insurance (futon, bedspreads, sheets, pillows, and pillowcases). However, the existing hospital-related business market is saturated, necessitating strict cost reductions and the search for new revenue streams.

Through ELAN's services, linen suppliers can expand their revenue by adding services not previously included in their operations, but covered by the "CS Set" - such as the leasing of daily-use clothing and towels, laundry services and the sale of daily necessities.

A Business Structure with Platform Characteristics

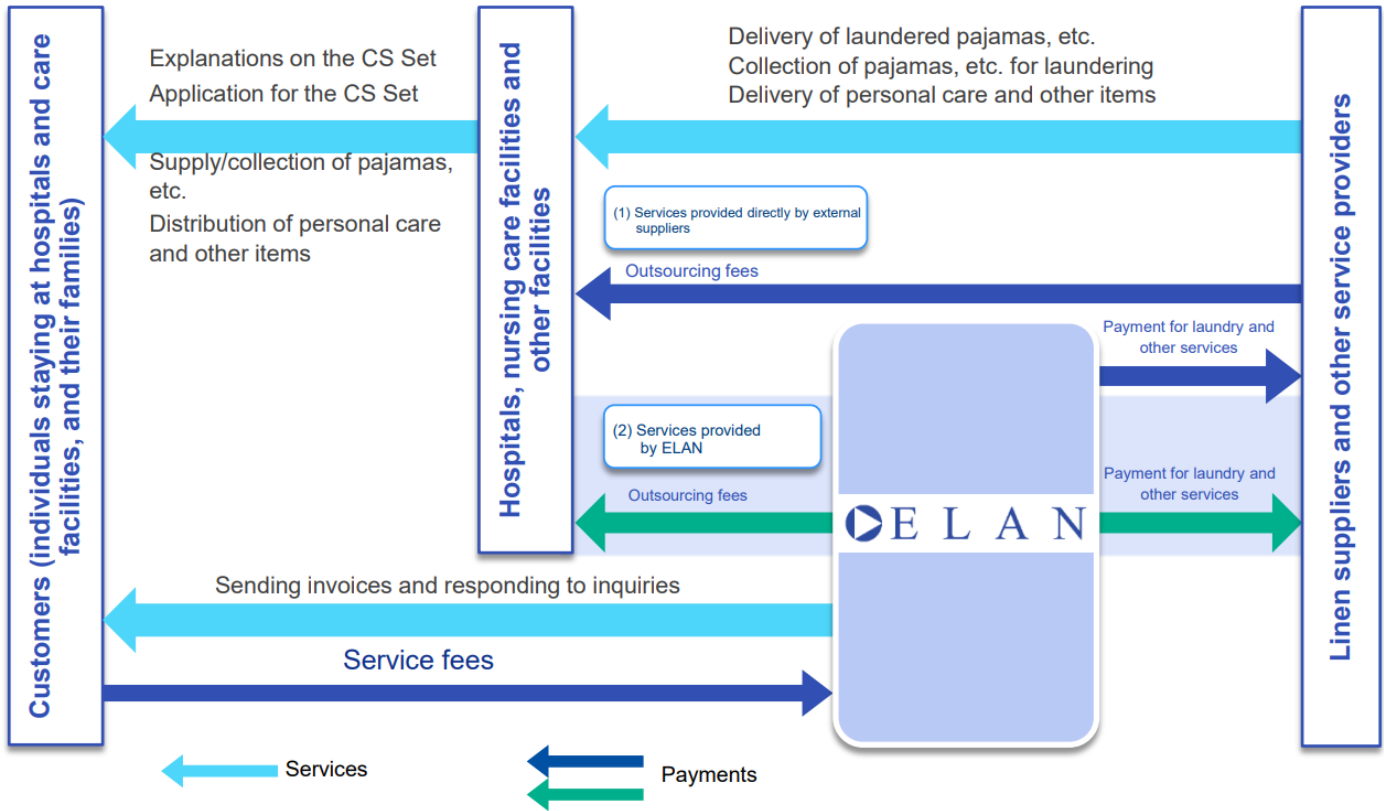
The company's business, centered on the "CS Set", has a structure that brings together numerous users, hospitals and nursing homes and many business partners who directly perform linen supply and other operations on-site, giving it platform-like characteristics. Consequently, through system optimization, procurement and supply efficiency is expected to improve as the number of contracted facilities increases, making it possible to maintain and improve profit margins. In fact, the company's sales-related SG&A ratio has declined almost continuously over the past 10 years; this is because the systematization of administrative operations implemented after the IPO established a mechanism whereby personnel costs do not increase even as the number of users grows.

Expansion of Platform Functions to Enhance Profit Contribution

Similarly, through a partnership with M3, another platform company, the company is expected to further leverage the strengths of its platform structure. Going forward, if the company increases the level of collaboration with business partners and other stakeholders, it leads to it being viewed as a platform company. And if the steady increase in the number of contracted facilities and users continues, the company is likely to be reevaluated as a platform company, which could have a positive impact on its valuation.

Figure 13. ELAN's Business Model

For (1) services provided directly by external suppliers and (2) services provided by ELAN, the roles of all parties involved are the same; only the contract format is different.



Source: Company Materials.

Figure 14. Standard Plan for the CS Set

	Plan A	Plan B	Plan C
Expenses	700 yen per day	500 yen per day	300 yen per day
Towels	Bath towel, face towel, hand towel		
Daily Necessities	Cups, tissues, shampoo, slippers, etc.		
	Complete set of oral care products		
Clothing	Hospital gown or top and bottom sweatshirt		
	Underwear & Socks		
	Nursing care nightgowns and meal aprons		

Source: Prepared by Strategy Advisors based on data from GMO FG

3) Overseas Business

Aiming to Expand in India and Southeast Asia, Where Economic Growth is Remarkable

To expand the business model that succeeded in Japan, a country with an aging population, overseas, the company is actively expanding its operations in emerging markets experiencing rapid economic growth, such as India and Southeast Asia. To date, it has acquired and is operating businesses in India and Vietnam.

First Investment in India is in a Medical B-to-B E-Commerce Company

The company's first investment in India was in Boston Ivy Healthcare Solution Pvt. Ltd. (BIHS) (unlisted in India), a medical b2b e-commerce company (2018). Bihs operates "medicabazar," India's largest e-commerce service for hospitals. The service offers approximately 300,000 products, allowing hospitals to search for and compare products in real time. bihs operates 17 fulfillment centers across India and handles delivery, contributing to inventory management and procurement efficiency for healthcare professionals. Following bihs, we have also invested in quick smart wash Pvt. Ltd. (QSW), an in-hospital laundry company (2021) and AKAL Information Systems Ltd. (unlisted in India) and it staffs agency (2023).

Several Hospital Laundry Service Companies are Being Made Subsidiaries in Vietnam

Vietnam is expected to continue experiencing population growth and economic expansion, with an aging population anticipated in the future. Furthermore, in addition to the increase in the number of medical institutions and hospital beds in Vietnam, demand for healthcare-related services is expected to rise even further. Against this backdrop, in August 2024, the company made GREEN LAUNDRY JOINT STOCK COMPANY (GREEN) (unlisted in Vietnam), which provides laundry services to major hospitals primarily in Ho Chi Minh City, a wholly owned subsidiary. Furthermore, in January 2025, ELAN made TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY (TMC) (unlisted in Vietnam), headquartered in Hanoi, Vietnam, and engaged in businesses including laundry services for major hospitals, a subsidiary. These 2 companies are currently consolidated subsidiaries.

Figure 15. ELAN's Overseas Expansion

Company	Country	Business	Ownership Ratio	Consolidated	Equity Method
Boston Ivy Healthcare Solution Pvt. Ltd. (BIHS)	India	Sales of medical materials, etc.	5% or less	×	×
Quick Smart Wash Pvt. Ltd. (QSW)	India	Laundry service for hospitals	42.18%	×	×
AKAL	India	Temporary staffing	5% or less	×	×
GREEN LAUNDRY JOINT STOCK COMPANY (GREEN)	Vietnam	Laundry service for hospitals	100%	○	-
TMC VIETNAM TRADING AND SERVICE JOINT STOCK COMPANY (TMC)	Vietnam	Laundry service for hospitals	51%	○	-

Note: QSW is not accounted for using the equity method due to materiality criteria.

Source: Company Data. Compiled by Strategy Advisors.

4) Shareholder Structure with M3 as the Parent Company

M3 Became the Largest Shareholder in 2024 & is Advancing Business Collaboration

Major shareholders include M3 with 55%, include CEO Hideharu Sakurai with 4.5% (7.6% including his spouse and SAKURA Corporation), and Nobuhiro Nakajima, one of the founders, with 4% (5.5% including his spouse and N-Style) (as of December 31, 2025). By ownership type, the breakdown is as follows: other corporations 62.2%, individuals and others 23.2%, financial institutions 7.4%, foreign corporations, etc. 6.5%, and financial instruments business operators 0.7% (as of the end of December 2025). As mentioned earlier, M3 became the largest shareholder through a tender offer in 2024 and is currently pursuing business collaboration.

Figure 16. List of Major Shareholders (as of December 31, 2025)

Rank	Major Shareholder	# of Shares Held (‘000)	Shareholding Ratio (%)
1	M3, Inc.	33,329	55.0
2	Hideharu Sakurai	2,721	4.5
3	Nobuhiro Nakajima	2,423	4.0
4	The Master Trust Bank of Japan, Ltd.	2,276	3.8
5	SAKURA Corporation	1,841	3.0
6	The Custody Bank of Japan, Ltd.	1,517	2.5
7	UH5 Co., Ltd.	933	1.5
8	Hikari Tsushin KK Investment Limited Partnership	913	1.5
9	MSIP CLIENT SECURITIES	882	1.5
10	N-Style Corporation	827	1.4
Total		47,662	78.7

Source: Company Data.

Figure 17. ELAN Shareholder Breakdown (as of December 31, 2025)

Category	% of Shares Held
Individuals and Others	62.2
Financial Institutions	23.2
Other Corporations	7.4
Foreign Corporations, etc.	6.5
Financial Instruments Firms	0.7

Source: Company Data.

5. History

Shifted Business Format from Bedding Sales to Bedding Remodeling & Then to Hospitalization Set Services

In February 1995, the company was established in Sagami-hara City, Kanagawa Prefecture, as Elan Limited Liability Company for the purpose of selling bedding; in June 2001, the head office was moved to Matsumoto City, Nagano Prefecture, to expand the bedding renovation business. In May 2003, the company launched the "CS Set" service, a nursing care medical-related business.

Since 2006, the Company has Concentrated its Resources on the Hospitalization Set Service Business and was Listed on the Stock Exchange in 2014

In December 2006, the company quit the bedding remodeling business and concentrated its resources on expanding its business into the nursing and medical care-related business. In November 2014, the company was listed on the Mothers market of the Tokyo Stock Exchange and the following November, it was promoted to the First Section of the Tokyo Stock Exchange (TSE Prime Market).

Investment in Several Indian Companies Since 2018

In September 2018, Elan Services Inc. was established to strengthen customer support, specializing in personal billing and customer support. In November of the same year, the company signed a stock subscription agreement with Boston Ivy Healthcare Solutions (unlisted in India), the largest hospital e-commerce platform in India; in March 2019, the number of facilities using "CS Set" surpassed 1,000 facilities; in February 2021, the company invested in Quick Smart Wash which operates a hospital-related linen business.

Achieved Introduction of "CS Set's" in All 47 Prefectures in Japan in 2021

In April 2021, the company established Ryukyu ELAN Co., Ltd. to operate the "CS Set" and other healthcare-related businesses in Okinawa Prefecture and in November 2021, achieved the introduction of the "CS Set" in all 47 prefectures nationwide. In March 2022, the company transitioned to a 2-representative director system.

Investment in an Indian Human Resources-Related IT Services Company in 2023

In September 2022, the number of facilities adopting the "CS Set" surpassed 2,000. In October 2023, ELAN Logistics Co., Ltd. was established to strengthen logistics capabilities. In November 2023, the company invested in AKAL (an unlisted Indian company) that develops IT services such as human resources management apps, and also acquired additional shares in Classico, a medical uniform developer with which it had formed a capital and business alliance in 2020. Subsequently, aided by expanded sales for Classico's Lifte business, Classico made its initial public offering on the Tokyo Stock Exchange Growth Market in November 2025.

Overseas Expansion of Laundry Services

In Vietnam, in August 2024, the company made GREEN Laundry Joint Stock Company, which operates a laundry service business for major hospitals, a subsidiary. In January 2025, it also made TMC Viet Nam Trading and Service Joint Stock Company, which operates a similar laundry service business in Vietnam, a subsidiary.

TOB by M3

M3, one of Japan's largest web seminar platforms for healthcare professionals, acquired the company as a subsidiary through a tender offer in 2024. As of the end of June 2025, it holds a 55.0% stake. By leveraging M3's expertise in IT and digital transformation (DX), the companies aim to enhance corporate value through synergies.

6. CEO Tomohiro Minezaki's "Resume"

Joined Elan After Resonating with the CS Set

President Tomohiro Minezaki was born in Sugunami Ward, Tokyo, and after graduating from college, he worked in Tax accountant's office. He then moved to a company that rented out nursing care supplies, where he met Hideharu Sakurai, the founder and former CEO of ELAN. When Sakurai asked him, "Why don't we work together?" and shared his vision for the "CS Set" Minezaki was drawn to the idea and joined ELAN. Behind this decision lay his experience of caring for his grandfather, who had dementia, and being with him at the end of his life. While his family struggled to cope, he regretted distancing himself from the situation - a feeling that evolved into a motivation to "reduce the number of people who go through the same experience".

The Experience of Those Days Spent in Grueling Sales Work Would Serve Him Well Later on

He joined the company in 2003 at the age of 31 and his first assignment was to sell the "CS Set," a product that didn't yet exist in the market. The system, which provides clothing and towels to hospitalized patients for a flat fee, offers benefits to patients, families and medical institutions alike. However, it wasn't understood at first, and there were even times when his business card was torn up right in front of him during visits. Yet he never stopped making the rounds. He says, "I visited the same facility the next day and the day after that, until I finally secured an opportunity to discuss the proposal". The experience of persistently probing for the underlying issues behind superficial rejections, asking, "Do you really not need this?", became the foundation for my future sales work".

It Took a Year and a Half to Secure the First Contract

It took a year and a half to secure the first contract. Under the condition that the business must turn a profit within 2 years or face withdrawal, the venture barely managed to get on track. What he believed in was a "business model where no one loses out". It alleviates patients' anxieties, reduces the burden on families, and streamlines operations at medical facilities. Furthermore, it creates revenue opportunities for linen suppliers - a "WIN-WIN-WIN" structure. From there he continued to execute this vision with single-minded determination.

Working on the Front Lines with the Former CEO

The presence of former CEO Sakurai was also significant. "We're a ramen shop. We'll keep selling ramen until people are happy" he would say, maintaining a steadfast focus on the CS Set even when the temptation to branch out into other businesses was strong. Mr. Minezaki grew up watching his back. Despite being tasked with impossible challenges, former CEO Sakurai's constant presence on the front lines made him seem "more like an older brother than a CEO". That accumulation of experiences naturally led to a sense of self-confidence that "we might be able to do this".

Developing Partners Across the Country

Eventually, the business began to expand. As adoption progressed in Kanagawa, referrals from partner linen suppliers increased, leading to expansion into Tokyo, Nagano and Nagoya. He personally traveled to each region to develop partners and establish bases. Sales built relationships, while the operations department established collection systems, this field-driven approach supported the company's growth.

He Became President in 2022. But His Field-First Approach Remains Unchanged

In 2022, he assumed the role of president. As Mr. Minezaki himself says, “I rose from the ranks to become president” and his field-first approach remains unchanged to this day. He visits branch offices, accompanies employees on sales calls and picks up on any issues arising on the ground. His belief is that “you cannot make management decisions without knowing the field”. For example, “Lifte” a product currently experiencing growth, was developed after identifying a need for nightwear based on complaints in customer surveys. Voices from the field have consistently led to the creation of new value.

Aiming to Be the “Elan of Healthcare”

The company is currently at a turning point. The CS Set has become widespread nationwide and has entered a phase of stable growth. Mr. Minezaki describes this as “channeling new services and value through the tunnel we’ve dug with the CS Set”. The company aims to evolve from “the ELAN of CS Sets” to “the ELAN of Healthcare” by developing services that benefit everyone involved - such as support extending beyond hospitalization to post-discharge and home care, as well as solutions that improve working conditions for medical professionals.

Building a Foundation in the Linen Business Overseas and Carefully Expanding into Related Services

The company is also looking overseas. It is investing in India and Vietnam, where population growth and expansion of medical infrastructure are anticipated, and is starting by building a foundation in the linen business. The strategy of “digging a tunnel and running the CS Set through it” is based on the same concept as in Japan and the company states that it is currently digging that tunnel through the linen business. It is prioritizing careful, sustainable expansion over hasty moves.

Persevering without Giving Up to Reduce Society’s “Problems”

Another source of Mr. Minezaki’s driving force stems from regrets he harbors from his youth. His experience of quitting high school baseball midway instilled in him a strong aversion to “giving up”. That is why, even when faced with rejection in sales, he would hang on tenaciously and see the business through until it was on track. Even as competition gradually increases, he tells his employees, “I get more frustrated by not having evolved since yesterday than by losing”. Even if his company doesn’t do it, if someone else does, society’s “problems” will be reduced - while holding onto that perspective, he demands that his own company continues to evolve. Practical sensibilities honed on the front lines and a strong sense of personal responsibility toward social issues. Driven by these 2 forces, he appears to be transforming ELAN from a “CS set company” into a “healthcare company”.

7. Sustainability

2 Directors Nominated by the Parent Company, M3, Have Been Appointed

ELAN is a company with an Audit and Supervisory Committee. In February 2020, it introduced an executive officer system, and in March 2020, it adopted the system for companies with an Audit and Supervisory Committee. A female director was appointed that same year. Of the 10 directors, 4 are independent outside directors and 5 are members of the Audit and Supervisory Committee (including 3 outside directors). Furthermore, following M3's acquisition of the company in 2024, it is now listed as a parent-subsidary pair. Under a capital and business alliance agreement, the parent company, M3, has the right to nominate 2 part-time directors (one of whom is a member of the Audit and Supervisory Committee) and 2 such directors have actually been appointed.

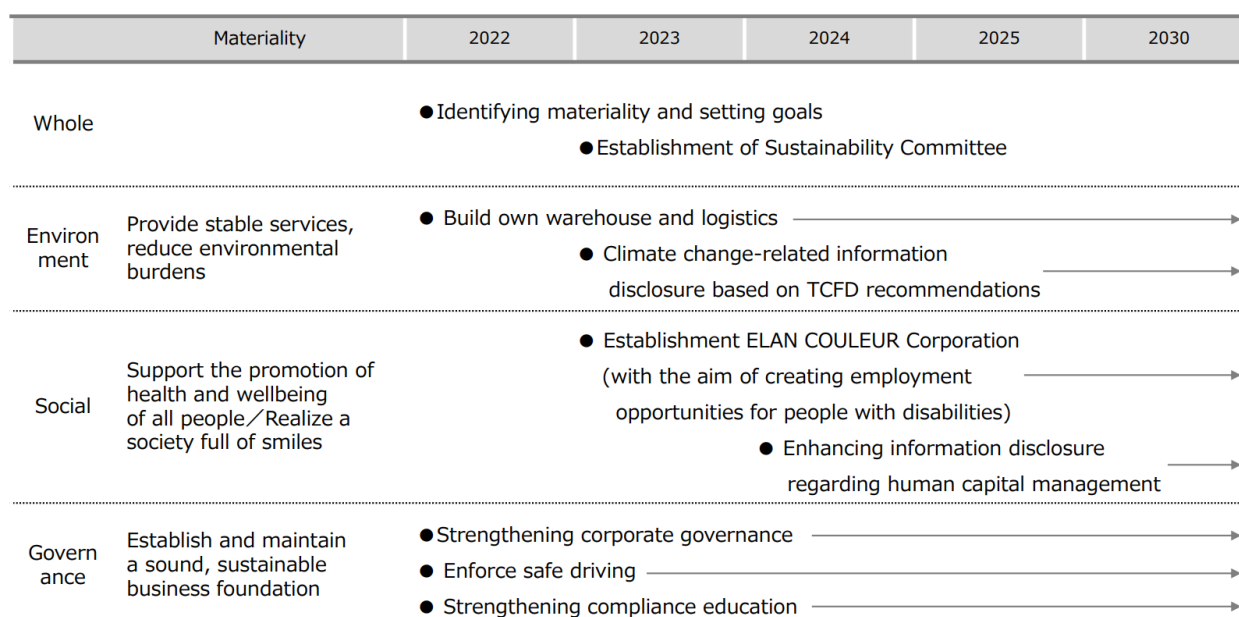
The Ratio of Outside Directors is 40.0%

Principle 4-8 of the Corporate Governance Code requires companies listed on the Prime Market to appoint independent outside directors constituting at least one-third, but no more than half of the board; ELAN meets this requirement with an outside director ratio of 40%. Furthermore, the company has established a Nomination and Compensation Committee as a voluntary advisory body, with independent outside directors serving as its primary members.

The Proportion of Female Directors is 30%

There are 3 female directors. This exceeds the standards set by the Tokyo Stock Exchange (TSE). The TSE has set a target for companies listed on the TSE Prime Market to appoint at least one female executive by 2025 and to have a female executive ratio of at least 30% by 2030. Note that the term "female executive" may include directors, auditors and executive officers, as well as executive officers or those in equivalent positions.

Figure 18. ELAN's Sustainability Roadmap



Source: ELAN "Operating Results for Fiscal 2023 Ended December" (February 26, 2024).

Establishment of the Sustainability Committee

Elan has established the Sustainability Committee (Elan Mirai Committee) in order to achieve both “resolution of social issues” and “corporate and human growth” through business by promoting sustainability management. In order to contribute to the “realization of an enriched living environment,” the following four materialities have been identified as important issues that should be prioritized, and the initiatives, indicators and targets for the materialities are disclosed in the December 2023 Integrated Report “ELAN REPORT 2023”.

1. Support the promotion of health and the well-being of all
2. Stable service provision and reduced environmental impact
3. Bringing smiles to our own faces and to those of others we come in contact with.
4. Build and maintain a sound and sustainable business foundation

Implementing Climate-Related Disclosures in Accordance with the TCFD

With regard to climate change, the company discloses information in line with the framework recommended by the Climate-related Financial Disclosure Task Force (TCFD). The Climate Change (TCFD) Subcommittee has been established as a subordinate body of the Sustainability Committee (Elan Mirai Committee), which is chaired by the President and COO.

Calculated GHG Emissions in 2022

ELAN calculated GHG emissions for the first time for the fiscal year ending December 2022. Scope 1 refers to direct emissions resulting from the company’s own fuel consumption and industrial processes. Specifically, emission sources include city gas, LP gas, No. 1 heavy oil, diesel fuel, kerosene and gasoline burned by the company. Scope 2 refers to indirect emissions associated with the use of energy, such as electricity and heat, purchased by the company. Specifically, emission sources include electricity, heat, chilled water and steam purchased and used by the company.

Aim for Virtually Zero Emissions by 2050 for Scope 1 and 2

Scope 3 refers to emissions from other companies related to the company’s business activities within the value chain, such as raw material procurement, logistics, and sales, excluding Scope 1 and 2. In the company’s case, Scope 3 accounts for approximately 99% of its GHG emissions and the company is striving to reduce these emissions through continuous engagement with suppliers. For Scope 1 and 2, the company aims to achieve net-zero emissions by 2050. The company aims to reduce emissions by 50% by 2030.

Continuing to Increase the Amount of Human Investment to Improve Corporate Value

To enhance corporate value, the company has identified the following as key themes for human capital management: “maximizing the value of human resources”, “enhancing diversity”, “promoting work-style reform and the advancement of women”, “promoting health management”, “compliance and ethics” and “reflecting these in management strategy”. “Investment in human capital amounted to ¥86.91 million in FY12/22, ¥105.62 million FY12/23, and ¥135.92 million in FY12/24.

The Male Paternity Leave Uptake Rate Stands at a High Level of 62.5%

As of the end of December 2025, the proportion of female managers at the company stood at 13% (compared to 10.5% the previous year). The rate of male employees taking paternity leave was 62.5% in 2024, significantly exceeding the average of 46.2% among Japanese companies. The gender pay gap is 39.1% when calculated based on the total workforce, but it rises to 71.7% for regular employees and 84.5% for part-time and fixed-term workers. The reason the gender pay gap ratio is low at 39.1% when calculated on a total workforce basis is that the number of part-time and fixed-term employees, who have lower total wages, exceeding the number of regular employees and the vast majority of these part-time and fixed-term employees are women.

Figure 19. Consolidated Income Statement (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26 CoE
Net Sales	18,585	21,518	26,056	31,635	36,264	41,425	47,513	55,448	60,800
Domestic	18,585	21,518	26,056	31,635	36,264	41,425	47,244	53,214	
Overseas	-	-	-	-	-	-	269	2,234	
Cost of Sales	13,758	16,045	19,492	23,758	27,237	31,674	36,796	43,574	
Gross Profit	4,827	5,473	6,563	7,876	9,027	9,751	10,716	11,874	
Domestic	4,827	5,473	6,563	7,876	9,027	9,751	10,545	11,131	
Overseas	-	-	-	-	-	-	171	742	
Gross Profit Margin	26.0%	25.4%	25.2%	24.9%	24.9%	23.5%	22.6%	21.4%	
SG&A Expenses	3,548	3,980	4,495	5,078	5,635	6,085	7,139	7,601	
Operating Profit	1,278	1,492	2,068	2,798	3,391	3,665	3,577	4,272	5,000
Domestic	1,278	1,492	2,068	2,798	3,391	3,665	3,480	4,001	
Overseas	-	-	-	-	-	-	96	270	
OP Margin	6.9%	6.9%	7.9%	8.8%	9.4%	8.8%	7.5%	7.7%	8.2%
Non-Operating Income	4	13	82	25	27	32	51	117	
Gain on Sale of Assets	0	0	0	1	1	0	3	6	
Late Charges Income	-	6	16	15	13	11	10	13	
Consulting Fee Income	-	-	-	-	4	4	4	4	
Subsidy Income	1	2	0	3	1	6	5	8	
Non-Operating Expenses	0	4	2	5	7	16	84	205	
Loss on Retirement of Non-current Assets	0	4	0	1	2	3	3	3	
Loss on Investments in Investment Partnerships	-	-	-	3	4	4	18	45	
Ordinary Profit	1,282	1,501	2,148	2,818	3,411	3,681	3,544	4,184	5,000
Ordinary Profit Margin	6.9%	7.0%	8.2%	8.9%	9.4%	8.9%	7.5%	7.5%	8.2%
Extraordinary Profit/Loss	0	0	0	0	-376	0	0	0	
Gain on Step Acquisitions	0	0	0	0	0	0	0	0	
Loss on Valuation of Investment Securities	0	0	0	0	-376	0	0	0	
Profit before Income Taxes	1,282	1,501	2,148	2,818	3,035	3,681	3,544	4,184	
Pre-Tax Profit Margin	6.9%	7.0%	8.2%	8.9%	8.4%	8.9%	7.5%	7.5%	
Corporate Taxes	417	511	702	912	952	1,162	1,190	1,355	
Profit Attributable to Owners of Parent	865	989	1,446	1,905	2,082	2,518	2,354	2,767	3,200
Net Profit Margin	4.7%	4.6%	5.5%	6.0%	5.7%	6.1%	5.0%	5.0%	5.3%

Source: Company Data. Compiled by Strategy Advisors.

Figure 20. Consolidated Balance Sheet (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Cash and Deposits	3,057	3,472	4,497	5,632	6,036	5,488	6,849	6,845
Trade Receivables	3,658	4,476	5,044	5,848	7,104	8,621	8,178	9,319
Inventory	595	767	995	1,080	1,332	1,899	2,292	2,965
Others	-159	-388	-356	-431	-397	-502	-447	-658
Current Assets	7,150	8,327	10,180	12,129	14,075	15,506	16,872	18,471
Land	114	114	114	114	269	269	269	269
Other Tangible Fixed Assets	188	197	202	227	292	270	306	1,129
Tangible Fixed Assets	302	311	316	341	561	539	575	1,398
Goodwill	127	87	48	9	-	-	427	1,266
Other Intangible Fixed Assets	111	108	114	96	92	108	585	631
Intangible Fixed Assets	238	195	162	105	92	108	1,012	1,897
Investments and Other Assets	133	401	1,029	1,371	1,342	2,837	3,241	4,464
Total Fixed Assets	674	909	1,508	1,817	1,996	3,486	4,829	7,760
Total Assets	7,824	9,236	11,689	13,947	16,072	18,993	21,702	26,232
Trade Payables	2,745	3,340	4,157	4,868	5,567	6,427	7,222	8,384
Accounts Payable and Accrued Expenses	368	397	563	616	622	699	783	970
Unpaid Corporate Taxes, etc.	390	425	713	846	729	858	797	1,096
Current Liabilities	58	49	68	87	93	104	116	507
Current Liabilities	3,561	4,211	5,501	6,417	7,011	8,088	8,918	10,957
Long-Term Debt	-	-	-	-	-	-	76	399
Provision for Stock Benefits	-	-	-	13	20	27	38	44
Provision for Stock Benefits for Officers	-	-	-	31	49	62	60	27
Other Fixed Liabilities	0	4	3	3	1	1	108	123
Fixed Liabilities	0	4	3	47	70	90	282	593
Total Liabilities	3,561	4,215	5,504	6,464	7,082	8,178	9,200	11,550
Capital and Surplus	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116
Retained Earnings	3,141	3,919	5,092	6,574	8,111	9,964	11,530	13,510
Treasury Stock	0	0	0	-197	-194	-194	-191	-163
Shareholders' Equity	4,258	5,035	6,209	7,494	9,034	10,886	12,456	14,464
Valuation Difference	-13	-14	-25	-10	-45	-72	45	-21
Stock Acquisition Rights	18	-	-	-	-	-	-	-
Total Net Assets	4,262	5,021	6,184	7,483	8,989	10,814	12,501	14,681
Liabilities & Net Assets	7,824	9,236	11,689	13,947	16,072	18,993	21,702	26,232

Source: Company Data. Compiled by Strategy Advisors.

Figure 21. Consolidated Cash Flow Statement (¥mn)

FY	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25
Profit Before Tax	1,282	1,501	2,148	2,818	3,035	3,681	3,542	4,184
Depreciation	99	110	117	119	143	187	919	1,348
Unrealized Gains & Losses on Securities & Investment Securities	0	0	0	0	376	8	0	0
Allowance for Doubtful Accounts	86	119	23	74	-43	102	70	242
Working Capital	60	-445	13	-162	-728	-1,069	1,151	-517
Corporate Tax Paid	-375	-559	-562	-916	-1,081	-1,098	-1,282	-1,215
Other Operating Cash Flows	39	53	208	173	-121	-31	100	243
Cash Flows from Operating Activities	1,191	779	1,947	2,106	1,581	1,780	4,500	4,285
Acquisition of Securities & Investment Securities	-67	-70	-550	-267	-210	-1,474	-353	-212
Acquisition of Tangible & Intangible Fixed Assets	-102	-71	-87	-78	-347	-194	-896	-1,137
Acquisition of Subsidiary Shares	-	-	-	-	-	-	-867	-1,082
Deposits	-7	-12	-14	-11	-68	9	-13	-57
Others	0	2	3	-1	1	-2	-104	-897
Cash Flows from Investing Activities	-176	-151	-648	-357	-624	-1,661	-2,233	-3,385
Issuance of Shares	15	0	0	0	3	0	0	0
Redemption & Cancellation of Shares	0	0	0	-196	0	0	0	0
Dividend Payment	-119	-211	-272	-415	-554	-665	-788	-787
Other Financial Cash flows	1	-1	-1	-3	-1	-2	-61	-119
Cash Flows from Financing Activities	-103	-212	-273	-614	-552	-667	-849	-906
Free Cash Flow	1,015	627	1,300	1,748	956	120	2,266	900

Source: Company Data. Compiled by Strategy Advisors.

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