



## Consolidated Financial Results for the First 2 Quarters of Fiscal 2019

[Japanese GAAP]

August 9, 2019

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Scheduled date of filing of quarterly securities report: August 13, 2019  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts, and individual investors)

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the First 2 Quarters of Fiscal 2019 (January 1, 2019 to June 30, 2019)

(1) Consolidated results of operations (year to date) (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First 2 quarters								
Ended June 30, 2019	10,340	15.0	775	16.1	780	16.7	521	20.0
Ended June 30, 2018	8,995	25.5	667	53.2	668	51.1	434	35.9

Note: Comprehensive income First 2 quarters ended June 30, 2019: 520 million yen [19.8%]  
 First 2 quarters ended June 30, 2018: 434 million yen [35.9%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First 2 quarters				
Ended June 30, 2019	17.20		17.19	
Ended June 30, 2018	14.52		14.35	

Note: ELAN conducted a 2-for-1 common stock split on January 1, 2019. Earnings per share and diluted earnings per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
June 30, 2019	8,070	4,592	56.4	150.27
Dec. 31, 2018	7,824	4,262	54.2	140.08

Reference: Equity As of June 30, 2019: 4,552 million yen As of December 31, 2018: 4,244 million yen

Note: ELAN conducted a 2-for-1 common stock split on January 1, 2019. Net assets per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

### 2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended Dec. 31, 2018	-	0.00	-	14.00	14.00
Ending Dec. 31, 2019	-	0.00			
Ending Dec. 31, 2019 (forecast)			-	9.00	9.00

Note: Revision from most recently announced dividends forecast: None

Note: ELAN conducted a 2-for-1 common stock split on January 1, 2019. Dividends per share for the previous fiscal year when calculated as if this stock split had taken place at the beginning of the previous fiscal year is 7.00 yen.

### 3. Consolidated Earnings Forecast for Fiscal 2019 (January 1, 2019 to December 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	21,500	15.7	1,430	11.8	1,430	11.5	970	12.1	32.01

Note: Revision from most recently announced earnings forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury shares)

As of June 30, 2019: 30,300,000 shares

As of December 31, 2018: 30,300,000 shares

2) Number of treasury shares at the end of the period

As of June 30, 2019: 440 shares

As of December 31, 2018: 440 shares

3) Average number of shares during the period (year to date)

First 2 quarters ended June 30, 2019: 30,299,560 shares

First 2 quarters ended June 30, 2018: 29,928,976 shares

Note: ELAN conducted a 2-for-1 common stock split on January 1, 2019. The average number of shares during the period has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

\* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecast and other special items

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the ELAN's management. Actual results may differ materially from the forecasts for a number of reasons.

How to view supplementary materials for financial results

ELAN plans to hold financial results meetings for institutional investors and analysts on Monday, August 26, 2019, and for individual investors on Thursday, August 29, 2019 in Osaka and on Monday, September 9, 2019 in Tokyo. Materials distributed at these events will be disclosed using the Timely Disclosure network (TDnet) and available on the ELAN website after completion of transactions on Friday, August 23, 2019.

○ Attachment Table of Contents

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	2
(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information .....	3
2. Matters Concerning Summary Information (Notes) .....	3
3. Quarterly Consolidated Financial Statements and Significant Notes Thereto .....	4
(1) Quarterly Consolidated Balance Sheet .....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income .....	5
(3) Quarterly Consolidated Statement of Cash Flows .....	7
(4) Notes to the Quarterly Consolidated Financial Statements .....	8
(Notes on the Going Concern Assumption) .....	8
(Notes in the Event of Material Change in the Amount of Shareholders' Equity) .....	8
(Additional Information) .....	8
(Segment Information, Etc.) .....	8

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

In the first 2 quarters of fiscal 2019, the Japanese economy was on a moderate recovery trend with resilient domestic demand, such as business fixed investment and private consumption, backed by improvements in corporate earnings and the employment and income situation.

On the other hand, with the domestic population decrease, prolonged trade friction between the U.S. and China, deteriorating situation in the Middle East and several other economic downside risks, the Japanese economic outlook remains uncertain.

In the medical care and nursing care industry in which the ELAN Group operates, with steady progress in aging of the population as evident by such factors as the population aged 65 years and over of 35.81 million accounting for 28.4% of the total population as of July 1, 2019 (July 2019 Monthly Report of Population Estimates by the Statistics Bureau of the Ministry of Internal Affairs and Communications), the market size for services that concern the ELAN Group is likely to increasingly expand.

Under such circumstances, the ELAN Group engaged in sales to facilities (hospitals, nursing facilities for the elderly and other such facilities) at the 18 sales bases across Japan in order to increasingly spread and expand the “CS (Care Support) Set” and “LT Set,” which are the core services in the nursing- and medical-care related business of the ELAN Group. As a result, the ELAN Group had 120 facilities with which agreements were newly entered and 24 facilities with which agreements were cancelled in the first 2 quarters of fiscal 2019, increasing the combined total of the number of facilities that have introduced the CS Set and the number of facilities that have introduced the LT Set by 96 facilities from the end of fiscal 2018 to 1,236 facilities at the end of the second quarter of fiscal 2019.

The above resulted in net sales for the first 2 quarters of fiscal 2019 of 10,340,061 thousand yen (up 15.0% year on year), operating profit of 775,047 thousand yen (up 16.1% year on year), ordinary profit of 780,667 thousand yen (up 16.7% year on year) and profit attributable to owners of parent of 521,198 thousand yen (up 20.0% year on year).

The ELAN Group commenced operations of the Hakodate Sales Office of the Hirosaki Branch Office of LTASK Corporation in Hakodate City, Hokkaido Prefecture on July 1, 2019, and commenced operations of ELAN’s Shizuoka Branch Office in Shizuoka City, Shizuoka Prefecture on August 1, 2019.

To date, the ELAN Group has been engaged in sales from ELAN’s Sagami-hara Branch Office (Chuo Ward, Sagami-hara City, Kanagawa Prefecture) and Nagoya Branch Office (Naka Ward, Nagoya City, Aichi Prefecture) to cover the entire Shizuoka Prefecture, and is engaged in sales from LTASK Corporation’s Hirosaki Branch Office (Hirosaki City, Aomori Prefecture) to cover the Donan area (southwestern part of Hokkaido Prefecture). The new openings are intended to provide more finely tuned and prompt services that are based locally in each of those areas. Going forward, further efforts will be made to seek facilities to introduce newly the “CS (Care Support) Set” in the entire Shizuoka Prefecture from the Shizuoka Branch Office and further efforts will be made to seek facilities to newly introduce the “LT Set” in the Donan area from the Hakodate Sales Office.

Going forward, the ELAN Group will strive for nationwide sales activities and business expansion by making further efforts to seek facilities to newly introduce the CS Set and LT Set from ELAN’s 15 sales bases and LTASK Corporation’s 5 sales bases inclusive of the Shizuoka Branch Office and the Hakodate Sales Office totaling 20 sales bases across Japan.

### (2) Explanation of Financial Position

Starting from the beginning of the first quarter of fiscal 2019, ELAN has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018), etc. Comparisons and analyses with fiscal 2018 are made based on the figures after retrospective application of the concerned accounting standard, etc.

#### 1) Assets, liabilities and net assets

##### *Assets*

Total assets at the end of the second quarter of fiscal 2019 increased by 246,219 thousand yen compared with the end of fiscal 2018 to 8,070,659 thousand yen. Of this, current assets increased by 232,936 thousand yen compared with the end of fiscal 2018 to 7,225,853 thousand yen. This was mainly attributable to cash and deposits decreasing by 66,242 thousand yen and allowance for doubtful accounts increasing by 65,618 thousand yen (translates to decrease in total current assets), while trade accounts receivable increased by 164,871 thousand yen

and other accounts receivable increased by 250,180 thousand yen.

Non-current assets increased by 13,283 thousand yen compared with the end of fiscal 2018 to 844,806 thousand yen. This was mainly attributable to intangible assets decreasing by 20,327 thousand yen, while property, plant and equipment increased by 7,663 thousand yen and investments and other assets increased by 25,947 thousand yen.

#### *Liabilities*

Total liabilities at the end of the second quarter of fiscal 2019 decreased by 83,985 thousand yen compared with the end of fiscal 2018 to 3,477,779 thousand yen. Of this, current liabilities decreased by 88,888 thousand yen compared with the end of fiscal 2018 to 3,472,875 thousand yen. This was mainly attributable to trade accounts payable decreasing by 51,554 thousand yen and other (current liabilities) decreasing by 24,726 thousand yen.

Non-current liabilities increased by 4,903 thousand yen compared with the end of fiscal 2018 to 4,903 thousand yen. This was attributable to other (non-current liabilities) increasing by 4,903 thousand yen.

#### *Net assets*

Total net assets at the end of the second quarter of fiscal 2019 increased by 330,204 thousand yen compared with the end of fiscal 2018 to 4,592,880 thousand yen, and the equity ratio was 56.4%. The increase in total net assets was mainly attributable to increase in retained earnings in that, while there was payment of dividends to shareholders, posting of profit attributable to owners of parent led to retained earnings increasing by 309,187 thousand yen.

## 2) Cash flows

Cash and cash equivalents (“net cash”) at the end of the first 2 quarters of fiscal 2019 decreased by 66,244 thousand yen compared with the end of fiscal 2018 to 2,966,862 thousand yen.

The following outlines the status and underlying factors of each classification of cash flows for the first 2 quarters of fiscal 2019.

#### *Cash flows from operating activities*

Cash flows from operating activities for the first 2 quarters of fiscal 2019 amounted to net cash provided by operating activities of 181,238 thousand yen (inflow decrease of 438,589 thousand yen year on year). While there was decrease in net cash due to payment of income taxes of 310,185 thousand yen, there was increase in net cash from operating activities throughout the first 2 quarters of fiscal 2019 of 491,402 thousand yen.

#### *Cash flows from investing activities*

Cash flows from investing activities for the first 2 quarters of fiscal 2019 amounted to net cash used in investing activities of 35,831 thousand yen (outflow decrease of 8,062 thousand yen year on year). This was mainly attributable to purchase of intangible assets of 16,954 thousand yen, purchase of property, plant and equipment of 12,409 thousand yen, and payments of leasehold deposits of 8,586 thousand yen.

#### *Cash flows from financing activities*

Cash flows from financing activities for the first 2 quarters of fiscal 2019 amounted to net cash used in financing activities of 211,651 thousand yen (outflow increase of 101,840 thousand yen year on year). This was mainly attributable to payment of dividends to shareholders of 211,438 thousand yen.

## (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

The earnings forecast for the full year of fiscal 2019 remains unchanged from that announced in “Consolidated Financial Results for the Fiscal Year of 2018” dated February 13, 2019.

## 2. Matters Concerning Summary Information (Notes)

Not applicable.

3. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal 2018 (as of Dec. 31, 2018)	Second Quarter of Fiscal 2019 (as of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	3,057,392	2,991,150
Accounts receivable - trade	2,477,293	2,642,164
Merchandise	592,548	525,751
Supplies	2,171	12,013
Accounts receivable - other	1,180,556	1,430,737
Other	40,754	47,455
Allowance for doubtful accounts	(357,801)	(423,420)
Total current assets	6,992,917	7,225,853
Non-current assets		
Property, plant and equipment	302,150	309,814
Intangible assets		
Goodwill	127,026	107,483
Other	111,964	111,179
Total intangible assets	238,990	218,663
Investments and other assets	290,381	316,329
Total non-current assets	831,523	844,806
Total assets	7,824,440	8,070,659
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,745,825	2,694,271
Income taxes payable	310,117	299,008
Provision for bonuses	7,998	6,500
Other	497,822	473,095
Total current liabilities	3,561,764	3,472,875
Non-current liabilities		
Other	-	4,903
Total non-current liabilities	-	4,903
Total liabilities	3,561,764	3,477,779
<b>Net assets</b>		
Shareholders' equity		
Share capital	573,496	573,496
Capital surplus	543,496	543,496
Retained earnings	3,141,654	3,450,842
Treasury shares	(238)	(238)
Total shareholders' equity	4,258,408	4,567,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(13,940)	(14,620)
Total accumulated other comprehensive income	(13,940)	(14,620)
Share acquisition rights	18,207	39,904
Total net assets	4,262,675	4,592,880
Total liabilities and net assets	7,824,440	8,070,659

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
Quarterly Consolidated Statement of Income  
Consolidated Year to Date

	(Unit: thousand yen)	
	First 2 Quarters of Fiscal 2018 (from Jan. 1, 2018 to June 30, 2018)	First 2 Quarters of Fiscal 2019 (from Jan. 1, 2019 to June 30, 2019)
Net sales	8,995,104	10,340,061
Cost of sales	6,618,527	7,646,358
Gross profit	2,376,577	2,693,703
Selling, general and administrative expenses	1,708,969	1,918,655
Operating profit	667,608	775,047
Non-operating income		
Gain on sales of non-current assets	0	854
Subsidy income	-	2,180
Other	1,222	3,871
Total non-operating income	1,222	6,905
Non-operating expenses		
Loss on retirement of non-current assets	-	1,275
Other	-	10
Total non-operating expenses	-	1,286
Ordinary profit	668,830	780,667
Profit before income taxes	668,830	780,667
Income taxes - current	258,335	281,020
Income taxes - deferred	(23,955)	(21,552)
Total income taxes	234,380	259,468
Profit	434,450	521,198
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	434,450	521,198

Quarterly Consolidated Statement of Comprehensive Income  
Consolidated Year to Date

	(Unit: thousand yen)	
	First 2 Quarters of Fiscal 2018 (from Jan. 1, 2018 to June 30, 2018)	First 2 Quarters of Fiscal 2019 (from Jan. 1, 2019 to June 30, 2019)
Profit	434,450	521,198
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(680)
Total other comprehensive income	-	(680)
Comprehensive income	434,450	520,518
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	434,450	520,518
Comprehensive income attributable to non-controlling interests	-	-



(3) Quarterly Consolidated Statement of Cash Flows

	(Unit: thousand yen)	
	First 2 Quarters of Fiscal 2018 (from Jan. 1, 2018 to June 30, 2018)	First 2 Quarters of Fiscal 2019 (from Jan. 1, 2019 to June 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	668,830	780,667
Depreciation	26,733	32,828
Amortization of goodwill	19,542	19,542
Increase (decrease) in provision for bonuses	4,169	(1,498)
Increase (decrease) in allowance for doubtful accounts	37,836	65,618
Interest and dividend income	(15)	(19)
Share-based remuneration expenses	-	21,697
Loss (gain) on sales of non-current assets	(0)	(854)
Loss on retirement of non-current assets	-	1,275
Decrease (increase) in trade receivables	(57,219)	(415,051)
Decrease (increase) in inventories	54,065	56,954
Decrease (increase) in other current assets	(9,535)	(6,700)
Increase (decrease) in trade payables	306	(51,554)
Increase (decrease) in accounts payable - other	27,335	23,393
Increase (decrease) in other current liabilities	30,203	(32,000)
Other, net	4,216	(2,895)
Subtotal	806,469	491,402
Interest and dividends received	17	21
Income taxes paid	(186,658)	(310,185)
Net cash provided by (used in) operating activities	619,827	181,238
<b>Cash flows from investing activities</b>		
Payments into time deposits	(24,285)	(24,287)
Proceeds from withdrawal of time deposits	24,283	24,285
Purchase of property, plant and equipment	(8,076)	(12,409)
Proceeds from sales of property, plant and equipment	0	1,300
Purchase of intangible assets	(34,996)	(16,954)
Payments of leasehold deposits	(486)	(8,586)
Other, net	(331)	820
Net cash provided by (used in) investing activities	(43,893)	(35,831)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	9,880	-
Purchase of treasury shares	(92)	-
Dividends paid	(119,598)	(211,438)
Repayments of lease obligations	-	(213)
Net cash provided by (used in) financing activities	(109,811)	(211,651)
Net increase (decrease) in cash and cash equivalents	466,122	(66,244)
Cash and cash equivalents at beginning of period	2,122,349	3,033,107
Cash and cash equivalents at end of period	2,588,471	2,966,862

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes in the Event of Material Change in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," Etc.)

Starting from the beginning of the first quarter of fiscal 2019, ELAN has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc. Accordingly, "Deferred tax assets" is presented under "Investments and other assets."

(Segment Information, Etc.)

[Segment information]

I. First 2 Quarters of Fiscal 2018 (from January 1, 2018 to June 30, 2018)

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

II. First 2 Quarters of Fiscal 2019 (from January 1, 2019 to June 30, 2019)

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