Consolidated Financial Results for the Fiscal Year Ended December 2019

[Japanese GAAP]
February 13, 2020

Company name: ELAN Corporation
Stock code: 6099
Representative: Hideharu Sakurai, President
Contact: Daiki Akiyama, Director and General Manager of Administration Department
Tel: +81-263-29-2684

Listing: Tokyo Stock Exchange, First Section
URL: https://www.kkelan.com/en/

Scheduled date of Ordinary General Meeting of Shareholders: March 25, 2020
Scheduled date of payment of dividend: March 26, 2020
Scheduled date of filing of securities report: March 26, 2020
Preparation of supplementary materials for financial results: Yes
Holding of 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 Fiscal Year Ended December 2019 (January 1, 2019 to December 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	21,518	15.8	1,492	16.7	1,501	17.1	989	14.3
December 31, 2018	18,585	20.2	1,278	40.1	1,282	38.9	865	31.6

(Note) Comprehensive income December 31, 2019: 988 million yen (161.1%) December 31, 2018: 851 million yen (29.5%)

	Earnings per share	Diluted earnings per share	Net income to net assets attributable to shareholders	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2019	32.66	-	21.4	17.6	6.9
December 31, 2018	28.78	28.56	22.4	17.9	6.9

(Reference) Equity in earnings by the equity method December 31, 2019:-million yen; December 31, 2018: -million yen
(Note) ELAN conducted a 2-for-1 stock split of common shares, effective 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
As of	Million yen	Million yen	%	Yen
December 31, 2019	9,236	5,021	54.4	165.71
December 31, 2018	7,824	4,262	54.2	140.68

(Reference) Shareholders' equity December 31, 2019: 5,021 million yen; December 31, 2018: 4,244 million yen
(Note) ELAN conducted a 2-for-1 stock split of common shares, effective 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.

(3) Conditions of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2019	779	(151)	(212)	3,447
December 31, 2018	1,191	(176)	(103)	3,033

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio	Dividend on net assets ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2018	-	0.00	-	14.00	14.00	212	24.3	5.4
December 31, 2019	-	0.00	-	9.00	9.00	272	27.6	5.9
Fiscal year ending December 31, 2020 (forecast)	-	0.00	-	11.00	11.00		29.2	

(Note) ELAN conducted a 2-for-1 stock split of common shares, effective January 1, 2019. When assumed that the split was conducted at the beginning of previous fiscal year, dividends per share for the fiscal year ended December 31, 2018 is 7.00 yen.

3. Consolidated Earnings Forecast for Fiscal Year Ending December 2020 (January 1, 2020 to December 31, 2020)

(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
Half year	11,710	13.2	800	3.2	810	3.8	530	1.7	17.49
Full year	24,650	14.6	1,720	15.2	1,730	15.2	1,140	15.2	37.62

* Notes

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

(2) 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

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury shares)
As of Dec. 31, 2019: 30,300,000 shares
As of Dec. 31, 2018: 30,300,000 shares

2) Number of treasury shares at the end of the period
As of Dec. 31, 2019: 440 shares
As of Dec. 31, 2018: 440 shares

3) Average number of shares during the period
Fiscal year ended Dec. 31, 2019: 30,299,560 shares
Fiscal year ended Dec. 31, 2018: 30,069,544 shares

(Note) ELAN conducted a 2-for-1 stock split of common shares, effective January 1, 2019. The number of outstanding shares (common stock) has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 2019 (January 1, 2019 to December 31, 2019)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	18,948	15.0	797	(24.0)	1,264	11.5	852	9.0
Dec. 31, 2018	16,474	17.9	1,050	42.7	1,134	42.0	781	40.5

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2019	28.13	-
Dec. 31, 2018	26.01	25.81

(Note) ELAN conducted a 2-for-1 stock split of common shares, effective 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) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2019	8,643	4,699	54.4	155.09
December 31, 2018	7,241	4,078	56.1	133.99

(Reference) Shareholders' equity December 31, 2019: 4,699 million yen; December 31, 2018: 4,059 million yen

(Note) ELAN conducted a 2-for-1 stock split of common shares, effective 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. Non-consolidated Earnings Forecast for the Fiscal Year Ending December 2020 (January 1, 2020 to December 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	11,710	28.1	490	(3.7)	780	15.4	800	74.2	26.40
Full year	24,600	29.8	1,050	31.6	1,650	30.5	1,370	60.7	45.21

* The current financial report is not subject to 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. For earnings forecasts, please refer to "1. Overview of Operating Results, Etc. (4) Future Outlook" on page 3 of the attached material.

(How to view supplementary materials for financial results)

ELAN plans to hold financial results meetings for institutional investors and analysts on Wednesday, February 26, 2020; and for individual investors on Friday, March 13, 2020 in Tokyo and on Monday, March 16, 2020 in Osaka. 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 Tuesday, February 25, 2020.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year under review (fiscal 2019), the Japanese economy was on a moderate recovery trend backed by improvements in the employment and income situation.

On the other hand, with factors such as the prolonged trade friction between the U.S. and China, intensifying situation in the Middle East and the Korean Peninsula and UK's withdrawal from EU, causing concerns for the future of overseas economies, the Japanese economic outlook remains uncertain.

In the medical care and nursing care industry in which the Group operates, with steady progress in aging of the population as evident by such factors as the population aged 65 years and over of 35.94 million accounting for 28.5% of the total population as of January 1, 2020 (January 2020 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 Group is likely to increasingly expand.

Under such circumstances, the Group engaged in sales to facilities (hospitals, nursing facilities for the elderly and other such facilities) at the 20 sales bases across Japan, including the Shizuoka Branch Office (Shizuoka City, Shizuoka Prefecture) of ELAN and Hakodate Sales Office of Hirosaki Branch Office (Hakodate City, Hokkaido) of LTASK Corporation that commenced operations in fiscal 2019, 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 Group.

As a result, the Group had 262 facilities with which agreements were newly entered and 40 facilities with which agreements ended in 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 222 facilities from the end of fiscal 2018 to 1,362 facilities at the end of fiscal 2019.

The above resulted in net sales for fiscal 2019 of 21,518,666 thousand yen (up 15.78% year-on-year), operating profit of 1,492,440 thousand yen (up 16.71% year-on-year), ordinary profit of 1,501,385 thousand yen (up 17.07% year-on-year) and profit attributable to owners of parent of 989,595 thousand yen (up 14.35% year-on-year).

Moreover, ELAN conducted a 2-for-1 stock split of ELAN's common shares, with January 1, 2019 as the effective date. This was conducted with an aim to lower the amount per unit of investment and also increase the number of shares in order to enhance the liquidity of shares and thereby establish an environment that makes it easier for investors to invest.

Furthermore, ELAN conducted an absorption-type merger whereby ELAN is the surviving company and LTASK Corporation, a subsidiary of ELAN, is the absorbed company, on January 1, 2020. With this merger, ELAN will consolidate the LT Set, which LTASK Corporation has rolled out, into the CS Set and will strive to conduct sales activities and expand businesses across the country by further increasing the number of facilities introducing the CS Set going forward.

(2) Overview of Financial Position for the Fiscal Year under Review

Starting from the beginning 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. Comparisons and analyses with fiscal 2018 are made based on the figures after retrospective application of the concerned accounting standard, etc.

(Assets)

Total assets at the end of fiscal 2019 increased by 1,412,012 thousand yen compared with the end of fiscal 2018 to 9,236,452 thousand yen.

Of this, current assets increased by 1,334,223 thousand yen compared with the end of fiscal 2018 to 8,327,140 thousand yen. This was mainly attributable to allowance for doubtful accounts increasing by 73,689 thousand yen (allowance translates to decrease in balance of current assets), while cash and deposits increased by 414,678 thousand yen and trade accounts receivable increased by 301,777 thousand yen and accounts receivable - other increased by 516,906 thousand yen.

Meanwhile, non-current assets increased by 77,788 thousand yen compared with the end of fiscal 2018 to 909,311 thousand yen. This was mainly attributable to property, plant and equipment increasing by 9,375 thousand yen and investments and other assets increasing by 111,497 thousand yen despite intangible assets decreasing by 43,084 thousand yen.

(Liabilities)

Total liabilities at the end of fiscal 2019 increased by 653,664 thousand yen compared with the end of fiscal 2018 to 4,215,428 thousand yen. This was mainly attributable to trade accounts payable increasing by 594,230 thousand yen.

(Net assets)

Total net assets at the end of fiscal 2019 increased by 758,348 thousand yen compared with the end of fiscal 2018 to 5,021,024 thousand yen. Equity ratio was 54.36%, up 0.11% compared with the end of fiscal 2018.

The increase in total net assets was mainly attributable to increase in retained earnings in that, while there was decrease in retained earnings due to payment of dividends to shareholders, posting of profit attributable to owners of parent led to retained earnings increasing by 989,595 thousand yen.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents ("net cash") at the end of fiscal 2019 increased by 414,676 thousand yen compared with the end of fiscal 2017 to 3,447,783 thousand yen.

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

(Cash flows from operating activities)

Cash flows from operating activities for fiscal 2019 amounted to net cash provided by operating activities of 779,201 thousand yen (inflow decrease of 411,825 thousand yen year-on-year). While there was decrease in net cash due to payment of income taxes of 559,654 thousand yen, there was increase in net cash from operating activities throughout the year of 1,338,820 thousand yen.

(Cash flows from investing activities)

Cash flows from investing activities for fiscal 2019 amounted to net cash used in investing activities of 151,900 thousand yen (outflow decrease of 24,449 thousand yen year-on-year). This was mainly attributable to purchase of investment securities of 70,602 thousand yen, purchase of property, plant and equipment of 36,659 thousand yen, and purchase of intangible assets of 33,617 thousand yen.

(Cash flows from financing activities)

Cash flows from financing activities for fiscal 2019 amounted to net cash used in financing activities of 212,625 thousand yen (outflow increase of 108,705 thousand yen year-on-year). This was mainly attributable to payment of dividends to shareholders of 211,766 thousand yen.

(4) Future Outlook

The future outlook is that the Group will continue to execute measures to enhance growth and profitability.

Further efforts will be made to seek facilities to newly introduce the CS Set from the 20 sales bases across Japan and superiority over competitors will be secured by enhancing the added value of services in pursuit of increase in the number of newly introducing facilities and increase in the number of users. In addition, various systemization will be pushed forward further for greater operational efficiency and productivity in pursuit of enhancement of the Group's overall profitability.

The consolidated earnings outlook for the next fiscal year (fiscal 2020: from January 1, 2020 to December 31, 2020) is net sales of 24,650 million yen (up 14.55% year-on-year), operating profit of 1,720 million yen (up 15.25% year-on-year), ordinary profit of 1,730 million yen (up 15.23% year-on-year) and profit attributable to owners of parent of 1,140 million yen (up 15.20% year-on-year).

(5) Basic Policy Regarding Distribution of Profit, and Dividends for the Fiscal Year under Review and the Next Fiscal Year

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.

Taking the earnings trend for fiscal 2019 and the earnings forecast for fiscal 2020 into consideration in a comprehensive manner, dividends of surplus for fiscal 2019 are forecast to be annual dividends of 9.00 yen per share to be distributed in the form of year-end dividends.

In addition, dividends of surplus for fiscal 2020 are forecast to be annual dividends of 11.00 yen per share.

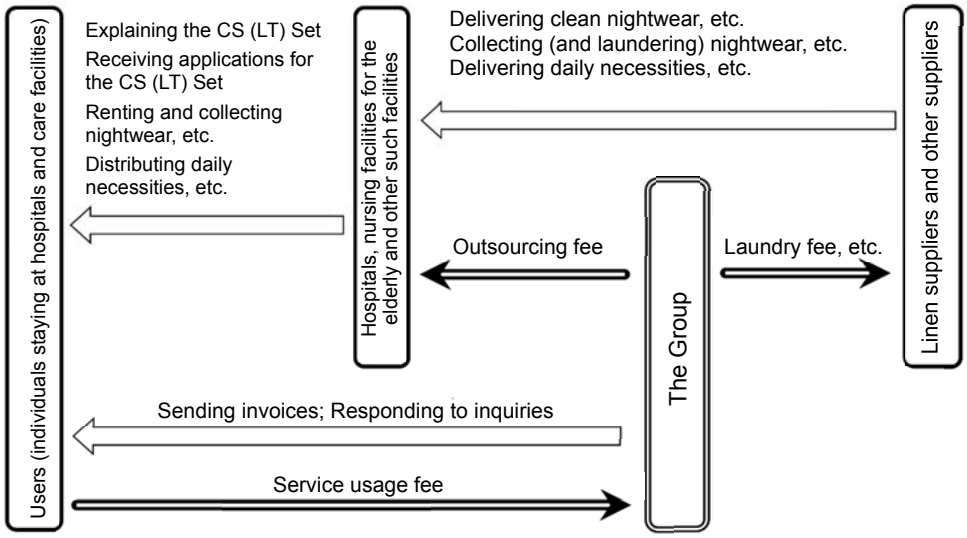
2. Status of the Corporate Group

The Group (ELAN, and ELAN's subsidiaries and associates) engages in the nursing- and medical-care related business in which the Group 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") or the "LT Set" to persons admitted to hospitals and persons admitted to long-term care health facilities for the elderly, intensive care homes for the elderly, fee-based homes for the elderly, group homes for the elderly requiring long-term care who have dementia known simply as 'group homes' in Japanese, low-cost homes for the elderly known simply as 'care houses' in Japanese and other nursing care facilities (hereinafter, "nursing facilities for the elderly and other such facilities").

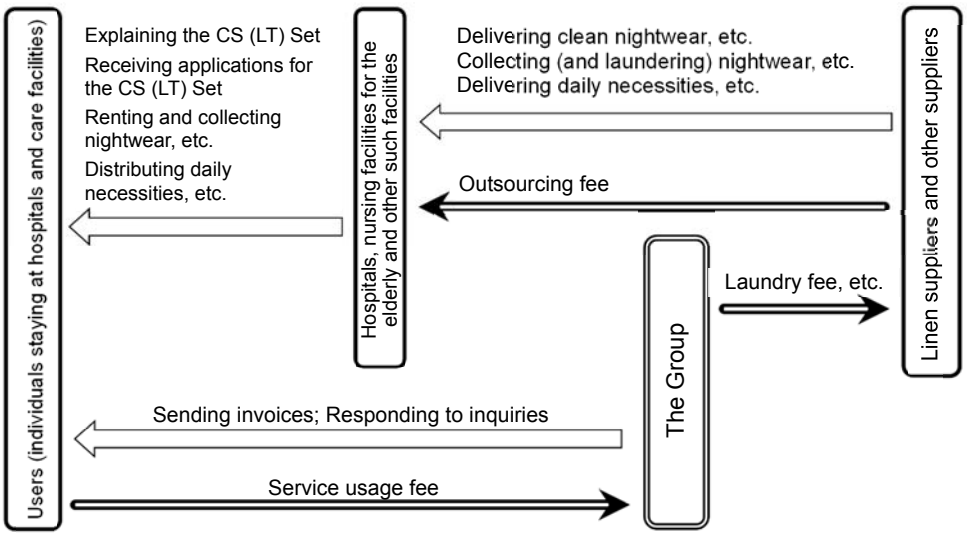
Segment information is omitted, because the Group has a single segment—the nursing- and medical-care related business.

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 (LT Set) is broadly divided into two forms of transaction according to the different forms of agreement with hospitals, nursing facilities for the elderly and other such facilities and with linen suppliers and other suppliers.

(1) Form where ELAN directly contracts with hospitals, nursing facilities for the elderly and other such facilities (ELAN as the contractor)

(2) Form where linen suppliers and other suppliers are the parties contracting with hospitals, nursing facilities for the elderly and other such facilities, and ELAN has no direct contractual relationship with the hospitals, nursing 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 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 (LT Set) management.

3. Basic Policy Regarding Selection of Accounting Standards

Given that many of the Group's stakeholders are Japanese shareholders, creditors, business partners, etc. and the little need to procure funds from overseas, Japanese generally accepted accounting principles are applied.

4. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal 2018 (as of Dec. 31, 2018)	Fiscal 2019 (as of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	3,057,392	3,472,071
Accounts receivable - trade	2,477,293	2,779,071
Merchandise	592,548	753,791
Supplies	2,171	12,761
Accounts receivable - other	1,180,556	1,697,463
Other	40,754	43,472
Allowance for doubtful accounts	(357,801)	(431,490)
Total current assets	6,992,917	8,327,140
Non-current assets		
Property, plant and equipment		
Buildings and structures	210,778	224,894
Accumulated depreciation	(69,227)	(76,676)
Buildings and structures, net	141,551	148,217
Machinery, equipment and vehicles	51,032	45,795
Accumulated depreciation	(36,949)	(32,949)
Machinery, equipment and vehicles, net	14,082	12,846
Land	114,018	114,018
Other	62,786	75,321
Accumulated depreciation	(30,288)	(38,877)
Other, net	32,498	36,443
Total property, plant and equipment	302,150	311,526
Intangible assets		
Software	106,344	103,848
Goodwill	127,026	87,941
Other	5,620	4,116
Total intangible assets	238,990	195,906
Investments and other assets		
Investment securities	53,720	123,379
Deferred tax assets	179,177	214,032
Other	57,484	110,292
Allowance for doubtful accounts	—	(45,825)
Total investments and other assets	290,381	401,879
Total non-current assets	831,523	909,311
Total assets	7,824,440	9,236,452

(Unit: thousand yen)

	Fiscal 2018 (as of Dec. 31, 2018)	Fiscal 2019 (as of Dec. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	2,745,825	3,340,056
Accounts payable - other	259,241	262,441
Accrued expenses	109,671	134,911
Income taxes payable	310,117	333,285
Accrued consumption taxes	80,249	91,574
Provision for bonuses	7,998	—
Other	48,659	48,815
Total current liabilities	3,561,764	4,211,085
Non-current liabilities		
Other	—	4,342
Total non-current liabilities	—	4,342
Total liabilities	3,561,764	4,215,428
Net assets		
Shareholders' equity		
Share capital	573,496	573,496
Capital surplus	543,496	543,496
Retained earnings	3,141,654	3,919,152
Treasury shares	(238)	(238)
Total shareholders' equity	4,258,408	5,035,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(13,940)	(14,882)
Total accumulated other comprehensive income	(13,940)	(14,882)
Share acquisition rights	18,207	—
Total net assets	4,262,675	5,021,024
Total liabilities and net assets	7,824,440	9,236,452

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Unit: thousand yen)

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net sales	18,585,306	21,518,666
Cost of sales	13,758,175	16,045,272
Gross profit	4,827,130	5,473,394
Selling, general and administrative expenses	3,548,406	3,980,954
Operating profit	1,278,724	1,492,440
Non-operating income		
Gain on sales of non-current assets	125	963
Subsidy income	1,076	2,630
Default charge income	—	6,900
Other	3,065	3,190
Total non-operating income	4,266	13,685
Non-operating expenses		
Loss on retirement of non-current assets	331	4,537
Other	204	202
Total non-operating expenses	536	4,739
Ordinary profit	1,282,455	1,501,385
Profit before income taxes	1,282,455	1,501,385
Income taxes - current	468,516	546,645
Income taxes - deferred	(51,472)	(34,855)
Total income taxes	417,043	511,790
Profit	865,411	989,595
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	865,411	989,595

Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Profit	865,411	989,595
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,940)	(942)
Total other comprehensive income	(13,940)	(942)
Comprehensive income	851,471	988,652
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	851,471	988,652
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	565,666	535,666	2,395,841	(145)	3,497,028
Changes in items during period					
Issuance of new shares	7,830	7,830			15,660
Dividends of surplus			(119,598)		(119,598)
Profit attributable to owners of parent			865,411		865,411
Purchase of treasury shares				(92)	(92)
Net changes in items other than shareholders' equity					
Total changes in items during period	7,830	7,830	745,813	(92)	761,380
Balance at end of period	573,496	543,496	3,141,654	(238)	4,258,408

(Unit: thousand yen)

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	—	—	—	3,497,028
Changes in items during period				
Issuance of new shares				15,660
Dividends of surplus				(119,598)
Profit attributable to owners of parent				865,411
Purchase of treasury shares				(92)
Net changes in items other than shareholders' equity	(13,940)	(13,940)	18,207	4,267
Total changes in items during period	(13,940)	(13,940)	18,207	765,647
Balance at end of period	(13,940)	(13,940)	18,207	4,262,675

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	573,496	543,496	3,141,654	(238)	4,258,408
Changes in items during period					
Issuance of new shares					
Dividends of surplus			(212,096)		(212,096)
Profit attributable to owners of parent			989,595		989,595
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes in items during period	—	—	777,498	—	777,498
Balance at end of period	573,496	543,496	3,919,152	(238)	5,035,906

(Unit: thousand yen)

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(13,940)	(13,940)	18,207	4,262,675
Changes in items during period				
Issuance of new shares				—
Dividends of surplus				(212,096)
Profit attributable to owners of parent				989,595
Purchase of treasury shares				—
Net changes in items other than shareholders' equity	(942)	(942)	(18,207)	(19,150)
Total changes in items during period	(942)	(942)	(18,207)	758,348
Balance at end of period	(14,882)	(14,882)	—	5,021,024

(4) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,282,455	1,501,385
Depreciation	60,497	71,389
Amortization of goodwill	39,085	39,085
Increase (decrease) in provision for bonuses	4,169	(7,998)
Increase (decrease) in allowance for doubtful accounts	86,647	119,514
Interest and dividend income	(33)	(40)
Loss (gain) on sales of non-current assets	(125)	(963)
Loss on retirement of non-current assets	331	4,537
Decrease (increase) in trade receivables	(248,962)	(866,920)
Decrease (increase) in inventories	(95,983)	(171,833)
Decrease (increase) in other current assets	(7,352)	(2,717)
Increase (decrease) in trade payables	404,899	594,230
Increase (decrease) in accounts payable - other	(76,583)	3,199
Increase (decrease) in other current liabilities	106,438	70,805
Other	11,037	(14,853)
Subtotal	1,566,518	1,338,820
Interest and dividends received	34	36
Income taxes paid	(375,525)	(559,654)
Cash flows from operating activities	1,191,027	779,201
Cash flows from investing activities		
Payments into time deposits	(24,285)	(24,287)
Proceeds from withdrawal of time deposits	24,283	24,285
Purchase of property, plant and equipment	(35,287)	(36,659)
Proceeds from sales of property, plant and equipment	125	1,300
Purchase of investment securities	(67,660)	(70,602)
Purchase of intangible assets	(67,189)	(33,617)
Payments of leasehold deposits	(7,596)	(12,029)
Other	1,261	(289)
Cash flows from investing activities	(176,349)	(151,900)
Cash flows from financing activities		
Proceeds from issuance of shares	15,660	—
Purchase of treasury shares	(92)	—
Dividends paid	(119,486)	(211,766)
Repayments of lease obligations	—	(858)
Cash flows from financing activities	(103,919)	(212,625)
Net increase (decrease) in cash and cash equivalents	910,758	414,676
Cash and cash equivalents at beginning of period	2,122,349	3,033,107
Cash and cash equivalents at end of period	3,033,107	3,447,783

(5) Notes to the Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable

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

1. Matters concerning scope of consolidation

Number of consolidated subsidiaries: 2 companies

Name of consolidated subsidiaries

LTASK Corporation

ELAN Service Corporation

2. Matters concerning fiscal year, etc. of consolidated subsidiaries

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

3. Matters concerning accounting policies

(1) Valuation standards and valuation methods for significant assets

(i) Securities

Available-for-sale securities

Non-marketable available-for-sale securities

Stated at cost determined by the moving average method. However, foreign-currency-denominated available-for-sale securities are translated into Japanese yen at the spot exchange rate on the consolidated account closing date and the translation adjustment is recognized as a valuation difference. In addition, the valuation difference is entirely posted directly to net assets.

(ii) 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).

(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	5-6 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 years set as the leasing term and the remaining value set at zero.

(3) Standards for recognition of significant allowances and provisions

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.

(4) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a period of 5 years.

(5) 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.

(6) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption tax, etc.

The accounting for consumption tax and local consumption tax is by the method of exclusion of the taxes.

(Changes in Presentation Methods)
(Changes in line with application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)
Starting from the beginning 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]

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

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

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

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

[Related information]

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

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 by geographic area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by 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 statement of income.

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

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 by geographic area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by 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 statement of income.

[Information about impairment loss on non-current assets by reportable segment]

Not applicable.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

(Unit: thousand yen)

	Nursing- and medical-care related business	Total	Corporate or elimination	Amount on consolidated financial statements
Amortization for period	39,085	39,085	－	39,085
Balance at end of period	127,026	127,026	－	127,026

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

(Unit: thousand yen)

	Nursing- and medical-care related business	Total	Corporate or elimination	Amount on consolidated financial statements
Amortization for period	39,085	39,085	－	39,805
Balance at end of period	87,941	87,941	－	87,941

[Information about gain on bargain purchase by reportable segment]

Not applicable.

(Per Share Information)

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net assets per share	140.08 yen	165.71 yen
Basic earnings per share	28.78 yen	32.66 yen
Diluted earnings per share	28.56 yen	―

(Note) 1. ELAN conducted a 2-for-1 stock split of common shares, effective January 1, 2019. Net assets per share, basic earnings per share and diluted earnings per share are calculated on the basis that the concerned stock splits were conducted at the beginning of fiscal 2018.

2. The basis for calculation of net assets per share is as follows:

	Fiscal 2018 (as of Dec. 31, 2018)	Fiscal 2019 (as of Dec. 31, 2019)
Total net assets (thousand yen)	4,262,675	5,021,024
Amount deducted from total net assets (thousand yen)	18,207	―
(Of which, share acquisition rights (thousand yen))	(18,207)	(―)
Net assets at end of period attributable to common shares (thousand yen)	4,244,468	5,021,024
Number of common shares used in calculation of net assets per share (shares)	30,299,560	30,299,560

3. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (thousand yen)	865,411	989,595
Amount not available to common shareholders (thousand yen)	―	―
Profit attributable to owners of parent available to common shareholders (thousand yen)	865,411	989,595
Average number of common shares during period (shares)	30,069,544	30,299,560
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (thousand yen)	―	―
Increase in number of common shares (shares)	230,165	―
(Of which, share acquisition rights (shares))	(230,165)	(―)
Description of potentially dilutive shares not included in calculation of diluted earnings per share, because they are antidilutive	―	―

(Significant Subsequent Events)

Not applicable.

5. Non-Consolidated Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	Fiscal 2018 (as of Dec. 31, 2018)	Fiscal 2019 (as of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	2,507,972	2,757,265
Accounts receivable - trade	2,216,886	2,431,571
Merchandise	522,615	656,797
Prepaid expenses	19,257	20,936
Accounts receivable - other	1,015,531	1,761,155
Other	17,027	29,498
Allowance for doubtful accounts	(333,441)	(398,680)
Total current assets	5,965,850	7,258,544
Non-current assets		
Property, plant and equipment		
Buildings	198,618	209,115
Accumulated depreciation	(65,915)	(75,526)
Buildings, net	132,702	133,589
Structures	1,659	1,659
Accumulated depreciation	(414)	(519)
Structures, net	1,244	1,139
Vehicles	49,056	37,446
Accumulated depreciation	(35,464)	(29,096)
Vehicles, net	13,591	8,349
Tools, furniture and fixtures	43,943	57,609
Accumulated depreciation	(26,385)	(34,951)
Tools, furniture and fixtures, net	17,557	22,657
Land	114,018	114,018
Leased assets	—	5,922
Accumulated depreciation	—	(789)
Leased assets, net	—	5,132
Total property, plant and equipment	279,116	284,887
Intangible assets		
Software	97,977	97,057
Other	5,620	4,116
Total intangible assets	103,597	101,173
Investments and other assets		
Investment securities	53,720	123,379
Shares of subsidiaries and associates	623,000	623,000
Leasehold deposits	49,605	47,053
Deferred tax assets	164,148	196,627
Other	2,924	51,968
Allowance for doubtful accounts	—	(43,441)
Total investments and other assets	893,398	998,588
Total non-current assets	1,276,112	1,384,649
Total assets	7,241,962	8,643,194

(Unit: thousand yen)

	Fiscal 2018 (as of Dec. 31, 2018)	Fiscal 2019 (as of Dec. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	2,465,962	2,949,576
Lease obligations	—	1,302
Accounts payable - other	228,142	532,336
Accrued expenses	85,324	96,755
Income taxes payable	274,671	266,844
Accrued consumption taxes	73,056	49,342
Deposits received from employees	20,905	23,080
Other	15,840	20,532
Total current liabilities	3,163,904	3,939,770
Non-current liabilities		
Lease obligations	—	4,342
Total non-current liabilities	—	4,342
Total liabilities	3,163,904	3,944,113
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	2,937,037	3,577,209
Total retained earnings	2,957,037	3,597,209
Treasury shares	(238)	(238)
Total shareholders' equity	4,073,791	4,713,963
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(13,940)	(14,882)
Total valuation and translation adjustments	(13,940)	(14,882)
Share acquisition rights	18,207	—
Total net assets	4,078,058	4,699,080
Total liabilities and net assets	7,241,962	8,643,194

(2) Statement of Income

(Unit: thousand yen)

	Fiscal 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net sales	16,474,458	18,948,340
Cost of sales		
Beginning merchandise inventory	431,578	522,615
Cost of purchased goods	10,243,503	11,902,245
Total	10,675,082	12,424,860
Ending merchandise inventory	522,615	656,797
Cost of goods sold	10,152,466	11,768,062
Outsourcing fee	2,183,691	2,469,624
Total cost of sales	12,336,158	14,237,687
Gross profit	4,138,300	4,710,653
Selling, general and administrative expenses	3,088,288	3,912,977
Operating profit	1,050,011	797,675
Non-operating income		
Interest income	27	34
Rental income from buildings	555	553
Subsidy income	1,076	2,630
Gain on sales of non-current assets	90	963
Business advisory fee income	72,000	72,000
Temporary assignment fee income	8,428	290,592
Outsourcing service income	—	58,500
Other	2,107	43,115
Total non-operating income	84,286	468,389
Non-operating expenses		
Loss on retirement of non-current assets	87	1,275
Other	0	104
Total non-operating expenses	87	1,379
Ordinary profit	1,134,210	1,264,684
Profit before income taxes	1,134,210	1,264,684
Income taxes - current	397,464	444,895
Income taxes - deferred	(45,235)	(32,479)
Total income taxes	352,229	412,415
Profit	781,980	852,268

(3) Statement of Changes in Equity

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

(Unit: thousand 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 beginning of period	565,666	535,666	535,666	7,500	12,500	2,274,655	2,294,655
Changes in items during period							
Issuance of new shares	7,830	7,830	7,830				
Dividends of surplus						(119,598)	(119,598)
Profit						781,980	781,980
Purchase of treasury shares							
Net changes in items other than shareholders' equity							
Total changes in items during period	7,830	7,830	7,830	－	－	662,382	662,382
Balance at end of period	573,496	543,496	543,496	7,500	12,500	2,937,037	2,957,037

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(145)	3,395,842	－	－	－	3,395,842
Changes in items during period						
Issuance of new shares		15,660				15,660
Dividends of surplus		(119,598)				(119,598)
Profit		781,980				781,980
Purchase of treasury shares	(92)	(92)				(92)
Net changes in items other than shareholders' equity			(13,940)	(13,940)	18,207	4,267
Total changes in items during period	(92)	677,949	(13,940)	(13,940)	18,207	682,216
Balance at end of period	(238)	4,073,791	(13,940)	(13,940)	18,207	4,078,058

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

(Unit: thousand 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 beginning of period	573,496	543,496	543,496	7,500	12,500	2,937,037	2,957,037
Changes in items during period							
Issuance of new shares							
Dividends of surplus						(212,096)	(212,096)
Profit						852,268	852,268
Purchase of treasury shares							
Net changes in items other than shareholders' equity							
Total changes in items during period	—	—	—	—	—	640,171	640,171
Balance at end of period	573,496	543,496	543,496	7,500	12,500	3,577,209	3,597,209

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(238)	4,073,791	(13,940)	(13,940)	18,207	4,078,058
Changes in items during period						
Issuance of new shares						—
Dividends of surplus		(212,096)				(212,096)
Profit		852,268				852,268
Purchase of treasury shares						—
Net changes in items other than shareholders' equity			(942)	(942)	(18,207)	(19,150)
Total changes in items during period	—	640,171	(942)	(942)	(18,207)	621,021
Balance at end of period	(238)	4,713,963	(14,882)	(14,882)	—	4,699,080

6. Other

Changes in Directors

Disclosure will be made when disclosure content is determined