Translation
Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Based on Japanese GAAP)

November 6, 2024

Company name: ELAN Corporation
Stock exchange listing: Tokyo
Stock code: 6099 URL https://www.kkelan.com/
Representative: COO Tomohiro Minezaki
Inquiries: Executive Officer, IR Office Manager Hideo Hara TEL 0263-41-0760

Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	34,847	14.5	2,731	0.2	2,697	(1.6)	1,832	(3.0)
Nine months ended September 30, 2023	30,426	13.7	2,726	6.4	2,742	6.3	1,888	7.1

(Note) Comprehensive income Nine months ended September 30, 2024 1,850 million yen (-1.3%)
Nine months ended September 30, 2023 1,874 million yen (5.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	30.30	—
Nine months ended September 30, 2023	31.24	—

(Note) The Company has introduced broad benefit trust for the officers and employees, and company shares held by the broad benefit trust for the officers and employees, which are calculated as treasury shares under the shareholders' equity, are part of the number of treasury shares that are excluded from the calculation of the average number of shares during the period for the accounting of earnings per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended September 30, 2024	20,022	11,880	59.3
Year ending December 31, 2023	18,993	10,814	56.9

(Reference) Equity capital Nine months ended September 30, 2024 11,880 million yen
Nine months ended September 30, 2023 10,814 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end Total	Total
	Yen	Yen	Yen	Yen	Yen
Year ending December 31, 2023	—	0.00	—	13.00	13.00
Year ending December 31, 2024	—	0.00	—		
Year ending December 31, 2024 (Forecast)				14.00	14.00

(Note) Revision to the most recently released dividend forecast: No

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	50,000	20.7	4,200	14.6	4,230	14.9	2,850	13.2	47.14

(Note) Revision to the most recently released financial forecast: No

4. Notes

(1) Significant changes in the scope of consolidation during the nine months ended September 30, 2024: Yes

New: 1 company (Company name) GREEN LAUNDRY JOINT STOCK COMPANY , Excluded: xx companies (Company Name)

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(1) Changes in accounting policies due to revisions to accounting standards and other regulations: No
(2) Changes in accounting policies due to other reasons: No
(3) Changes in accounting estimates: No
(4) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

(1) Total number of issued shares at the end of the period (including treasury shares)	As of September 30, 2024	60,600,000 shares	As of September 30, 2023	60,600,000 shares
(2) Number of treasury shares at the end of the period	As of September 30, 2024	137,012 shares	As of September 30, 2023	138,795 shares
(3) Average number of shares during the period (cumulative from the beginning of the fiscal year)	As of September 30, 2024	60,461,459 shares	As of September 30, 2023	60,461,231 shares

(Note) In regards to the indicated number of treasury shares at the end of the period, the number of shares (137,800 shares in the year ended December 31, 2023, and 136,017 shares in the third quarter of the year ending December 31, 2024) held by the Custody Bank of Japan, Ltd. (Trust E Account) as a trust assets of the broad benefit trust for the officers and employees are included.

*Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: No

*Explanation and other special notes related to the appropriate use of the performance forecast

(Note regarding forward-looking statements, etc.)

Forecasts for business performance and other forward-looking statements in this document are based on the current information the Company has and the presupposition that they are rational, and that actual business performance may be significantly different.

(Method to acquire supplementary material on financial results)

Supplementary material on financial results is planned to be available on TDnet and our website after the transactions on November 6 (Wed.), 2024.

○Index for Supplementary Material

1. Qualitative information related to quarterly financial results …… 2
(1) Explanation related to operating results …… 2
(2) Explanation related to financial position …… 2
2. Explanation related to summary information (items of note) …… 2
3. Quarterly consolidated financial statements and significant items of note …… 3
(1) Consolidated balance sheets …… 3
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income …… 4
(3) Items of note related to quarterly consolidated financial statements …… 6
(Items of note related to prerequisite for going concern) …… 6
(Items of note in case of significant changes to the amount of shareholders' equity) …… 6
(Changes to the scope of consolidation or equity method affiliates) …… 6
(Additional information) …… 6
(Items of note related to quarterly consolidated cash flow statement) …… 8
(Items of note on segment information, etc.) …… 8
(Significant subsequent events) …… 8

1. Qualitative information related to quarterly financial results

(1) Explanation related to operating results

The economy in Japan during the current nine months ended September 30, 2024 was on a gradual recovery trend due to the effects of normalization of economic activities, improvement of employment and income environment, and various government policies. However, the outlook of the economic conditions continues to be uncertain due to downside risks, such as the rise in material, energy, and commodity prices from the impact of unstable world affairs and exchange rates.

In the medical care and nursing care industry in which the Group operates, with steady progress in the aging of the population as evidenced by such factors as the population aged 65 years and over of 36.24 million accounting for 29.3% of the total population as of October 1, 2024 (October 2024 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) from its 28 branches and sales offices (including the head office) across Japan to increasingly spread and expand the “CS (Care Support) Set,” which are the core services in the Group’s nursing- and medical care-related business.

As a result, the Group had 249 facilities with which agreements were newly entered and 66 facilities with which agreements ended in the cumulative nine months ended September 30, 2024, thereby increasing the combined total of the number of facilities that introduced the CS Set by 183 facilities from the end of fiscal 2023 to 2,503 facilities at the cumulative nine months ended September 30, 2024.

The above resulted in net sales for the cumulative nine months ended September 30, 2024 of 34,847,391 thousand yen (up 14.5% year-on-year). However, due to factors such as an increase in the amount of investment in “lifte”, our original patient gown, that we process as an expense when investing in facilities; costs related to the acquisition of GREEN LAUNDRY JOINT STOCK COMPANY located in Vietnam as a subsidiary; costs related to the tender offer bid of our common shares by M3, Inc.; net foreign exchange loss; and other impacts, operating profit was 2,731,448 thousand yen (up 0.2% year-on-year), ordinary profit was 2,697,741, thousand yen (down 1.6% year-on-year), and profit attributable to owners of parent was 1,832,186 thousand yen (down 3.0% year-on-year).

The Group started operation of the Koriyama Branch in Koriyama City, Fukushima Prefecture on November 1, 2024.

With the opening of the Koriyama Branch, we will strive to strengthen sales and expand business in the region by offering meticulous and speedy services that focus on the region centered on Fukushima Prefecture, while also promoting facilities to implement CS Set. In addition, our 29 branches and sales offices throughout Japan, which includes the Koriyama Branch, will continue to promote facilities to implement CS Set and conduct nationwide sales activities and expand our business.

The tender offer bid of our common shares by M3, Inc. that started on September 20, 2024 has ended on October 21, 2024, with M3, Inc. becoming the Company’s parent company as of October 28, 2024.

(2) Explanation related to financial position

(Assets)

Total net assets at the end of nine months ended September 30, 2024, increased by 1,029,355 thousand yen compared with the end of fiscal year 2023 to 20,022,592 thousand yen. Of this, current assets increased by 79,678 thousand yen compared with the end of fiscal 2023 to 15,586,497 thousand yen. This was attributable to cash and deposits and merchandise decreasing by 1,723,349 thousand yen and 157,734 thousand yen, respectively, despite accounts receivable - trade, and contract assets, accounts receivable - other, and others (current assets) increasing by 596,502 thousand yen, 1,002,703 thousand yen, and 315,993 thousand yen, respectively.

Non-current assets increased by 949,676 thousand yen compared with the end of fiscal 2023 to 4,436,095 thousand yen. This was mainly attributable to investment securities and goodwill increasing by 122,740 thousand yen and 780,950 thousand yen, respectively.

(Liabilities)

Total net liabilities at the end of nine months ended September 30, 2024, decreased by 36,357 thousand yen compared with the end of fiscal 2023 to 8,142,517 thousand yen. This was mainly attributable to income taxes payable decreasing by 415,330 thousand yen despite accounts payable - trade increasing by 205,865 thousand yen.

(Net assets)

Total net assets at the end of nine months ended September 30, 2024 increased by 1,065,712 thousand yen compared with the end of fiscal 2023 to 11,880,075 thousand yen, and the equity ratio was 59.3%. The increase in total net assets was mainly due to an increase in retained earnings of 1,044,399 thousand yen, itself mainly attributable to the posting of profit attributable to owners of parent of 1,832,186 thousand yen, despite payment of dividends to shareholders of 787,787 thousand yen.

2. Explanation related to summary information (items of note)

Not applicable.

3. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	5,488,563	3,765,213
Accounts receivable - trade, and contract assets	4,947,868	5,544,371
Merchandise	1,379,085	1,221,350
Supplies	520,341	641,464
Accounts receivable - other	3,673,883	4,676,586
Other	91,002	406,996
Allowance for doubtful accounts	(593,924)	(669,483)
Total current assets	15,506,819	15,586,497
Non-current assets		
Property, plant and equipment	539,974	551,457
Intangible assets		
Goodwill	—	780,950
Other	108,878	101,939
Total intangible assets	108,878	882,890
Investments and other assets		
Investment securities	2,171,326	2,294,066
Other	706,771	740,506
Allowance for doubtful accounts	(40,533)	(32,825)
Total investments and other assets	2,837,565	3,001,747
Total non-current assets	3,486,418	4,436,095
Total assets	18,993,237	20,022,592
Liabilities		
Current liabilities		
Accounts payable - trade	6,427,437	6,633,302
Short-term borrowings	—	58,929
Income taxes payable	724,163	308,832
Provision for bonuses	—	33,567
Other	937,062	927,452
Total current liabilities	8,088,663	7,962,085
Non-current liabilities		
Long-term borrowings	—	71,674
Provision for share awards	27,587	35,950
Provision for share awards for directors (and other officers)	62,623	72,807
Total non-current liabilities	90,211	180,432
Total liabilities	8,178,874	8,142,517
Net assets		
Shareholders' equity		
Share capital	573,496	573,496
Capital surplus	543,496	543,496
Retained earnings	9,964,017	11,008,416
Treasury shares	(194,125)	(191,618)
Total shareholders' equity	10,886,884	11,933,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(72,521)	(38,873)
Foreign currency translation adjustment	—	(14,842)
Total accumulated other comprehensive income	(72,521)	(53,715)
Total net assets	10,814,362	11,880,075
Total liabilities and net assets	18,993,237	20,022,592

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(Consolidated statements of income for the cumulative nine months)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	30,426,249	34,847,391
Cost of sales	23,256,532	26,856,700
Gross profit	7,169,716	7,990,690
Selling, general and administrative expenses	4,443,362	5,259,242
Operating profit	2,726,354	2,731,448
Non-operating income		
Subsidy income	5,965	4,431
Late charges income	8,522	8,218
Consulting fee income	3,150	3,150
Gain from consumption tax exemption, etc.	—	12,297
Other	6,005	8,300
Total non-operating income	23,643	36,397
Non-operating expenses		
Loss on retirement of non-current assets	3,562	1,097
Loss on investments in investment partnerships	4,412	4,018
Net foreign exchange loss	—	64,987
Total non-operating expenses	7,975	70,103
Ordinary profit	2,742,022	2,697,741
Profit before income taxes	2,742,022	2,697,741
Income taxes - current	876,713	886,660
Income taxes - deferred	(23,291)	(21,104)
Total income taxes	853,421	865,555
Profit	1,888,600	1,832,186
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,888,600	1,832,186

(Quarterly consolidated statements of comprehensive income)

(Consolidated statements of income for the cumulative nine months)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	1,888,600	1,832,186
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,665)	33,648
Foreign currency translation adjustment	—	(14,842)
Total other comprehensive income	(13,665)	18,806
Comprehensive income	1,874,934	1,850,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,874,934	1,850,992
Comprehensive income attributable to non-controlling interests	—	—

(3) Items of note related to quarterly consolidated financial statements

(Items of note related to prerequisite for going concern)

Not applicable.

(Items of note in case of significant changes to the amount of shareholders' equity)

Not applicable.

(Changes to the scope of consolidation or equity method affiliates)

(Significant changes to the scope of consolidation)

From the nine months ended September 30, 2024, GREEN LAUNDRY JOINT STOCK COMPANY (hereafter "GREEN LAUNDRY") is included in the scope of consolidation due to share acquisition (conversion to subsidiary). As GREEN LAUNDRY is considered to be acquired on September 30, 2024, only the balance sheet is consolidated for the nine months ended September 30, 2024.

(Additional information)

(Corporate merger through share acquisition)

The Company has resolved to conclude a stock purchase agreement for the purpose of acquiring TMC VIET NAM TRADING AND SERVICE JOINT STOCK COMPANY (hereafter TMC), a company located in Vietnam, as a subsidiary at the Board of Directors meeting held on March 22, 2024, and concluded the stock purchase agreement on April 1, 2024.

1. Overview of business combination

(1) Name of the acquired company and its business activities

Name of the acquired company TMC VIET NAM TRADING AND SERVICE JOINT STOCK COMPANY

Content of business Laundry service for hospitals, etc. and sales of medical equipment, pharmaceuticals, and consumables

(2) Rationale for the business combination

Under its management philosophy of "pursuing the best products and services that satisfy our customers and contributing to the realization of an enriching living environment through our passionate actions," the Group operates businesses with the aim of turning problems in the healthcare field into smiles.

The Group mainly provides the CS (Care Support) Set service that provides rental services for clothing and towels combined with disposable diapers and daily necessities (such as toothbrushes, tissues, and oral care products) to inpatients at hospitals and residents of nursing care facilities or other healthcare-related facilities.

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

Vietnam has experienced population growth over the past few decades. Its total population exceeded 100 million in fiscal 2023. The country's real GDP growth stood at 5.05% in fiscal 2023 and its economy is continuing to grow. Vietnam has enjoyed stable economic growth, and its population and economy are expected to remain on a growth trajectory. At the same time, increases in the average life expectancy and the average age will eventually result in aging of the population, which in turn should increase the number of medical institutions and hospital beds alongside growth in demand for healthcare-related services.

TMC, the company to be converted into a subsidiary through this share acquisition, is a major provider of laundry and other services to large hospitals with the head office in the Hanoi City area, which has the largest population in northern Vietnam.

With the conversion of TMC into a subsidiary, the Company will be able to acquire the laundry service business for large hospitals in northern Vietnam as well as a vast share in the laundry business for large hospitals in Vietnam as a whole.

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

(3) Date of business combination

Undetermined

(4) Legal form of business combination

Acquisition of shares for cash consideration.

(5) Name of the company subsequent to the business combination

No change.

(6) Percentage of voting rights acquired

51.0%

(7) Primary basis for determining the acquirer

The Company plans to acquire shares for cash consideration.

2. Breakdown of acquisition cost for the acquired company and each type of payment

Acquisition consideration	Cash and deposits	220.320 billion Vietnamese dong (approx. 1,277 million yen)
Acquisition cost		220.320 billion Vietnamese dong (approx. 1,277 million yen)

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

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

3. Content and amount of main acquisition-related expenses

Advisory fees, administrative expenses, etc.: Approx. 80 million yen

The amount above is tentative as some portions have yet to be determined.

4. Amount of goodwill, reason for occurrence, and amortization method and period

To be determined.

5. Amount of assets received and liabilities undertaken on the date of the business combination and major breakdown

To be determined.

(About the Employee Stock Ownership Plan (BBT))

(1) Outline of transactions

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

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

(2) Shares of the Company remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to 140,590 thousand yen and 100,000 shares at the end of fiscal 2023 and 138,084 thousand yen and 98,217 shares at the end of nine months ended September 30, 2024.

(3) Method for accounting treatment

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

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

(1) Outline of transactions

The Company introduced the "Employee Stock Ownership Plan (J-ESOP)" (hereinafter, the "J-ESOP"), an incentive plan for employees of the Company and its subsidiaries (hereinafter, the "Employees"). The J-ESOP is for the purpose of enhancing the benefit programs for Employees and to improve their sense of participation in management.

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

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

(2) Shares of the Company remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to 53,146,000 yen and 37,800 shares at the end of fiscal year 2023 and nine months ended September 30, 2024.

(3) Method for accounting treatment

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

(Items of note related to quarterly consolidated cash flow statement)

The quarterly consolidated cash flow statement for the cumulative nine months ended September 30, 2024 has not been made. Depreciation expenses (including expenses related to intangible assets other than goodwill) and amortization of goodwill for the cumulative nine months ended September 30, 2024 are as follows.

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation expenses	168,123,000 yen	530,687,000 yen
Amortization of goodwill	—	—

(Items of note on segment information, etc.)

[Segment information]

I Consolidated statements of income for the previous cumulative nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

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

II Consolidated statements of income for the current cumulative nine months ended September 30, 2024 (From January 1, 2024 to September 30, 2024)

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

(Significant subsequent events)

(Tender offer bid of our shares by M3, Inc.)

The Company has announced its opinion to endorse the tender offer bid (hereafter "the Tender Offer Bid") of our common shares (hereafter "Our Shares") by M3, Inc. (hereafter "the Tender Offeror") at the Board of Directors meeting held on September 19, 2024, as well as rely on the decisions of our shareholders to apply for the Tender Offer Bid.

The above resolution by the Board of Directors is for the Tender Offeror acquiring the Company as a consolidated subsidiary of the Tender Offeror and not to delist Our Shares, and on the requirement that Our Shares will continue to be listed on the Prime Market of the Tokyo Stock Exchange after the completion of the Tender Offer Bid.

The Tender Offer Bid held from September 20, 2024 was completed on October 21, 2024. The Tender Offeror reported that the Tender Offer Bid resulted in the application for the Tender Offer Bid of Our Shares exceeding the planned minimum number of shares (30,360,200 shares) and the Tender Offer Bid was completed.

As a result, settlement for the Tender Offer Bid was concluded on October 28, 2024 (start of the settlement of the Tender Offer Bid), and due to the ratio of voting rights held by the Tender Offeror exceeding 50%, the Tender Offeror is now designated as our parent company.