Financial Results for the Fiscal Year Ended March 31, 2016
[Japanese GAAP] (Consolidated)

May 10, 2016

Name of Listed Company: UCHIYAMA HOLDINGS INC. Stock Listing: TSE
Code Number: 6059 URL: http://www.uchiyama-gr.jp
Representative: Fumiharu Uchiyama, President and Representative Director
Contact Point: Takehiro Yamamoto, Senior Managing Director and Manager of Business Planning Office
Phone: (093) 551-0002

Scheduled Date of Annual Meeting of Shareholders: June 29, 2016
Scheduled Date of Dividend Payment Start: June 30, 2016
Scheduled Date of Financial Statements Filing: June 30, 2016
Supplementary materials for Financial Results: None
Investor conference for Financial Results: Yes (For institutional investors and security analysts)

(Amounts are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated Financial Results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2016	23,897	1.1	128	(91.0)	324	(79.1)	983	(23.8)
FY 2015	23,628	8.6	1,432	(32.4)	1,554	(35.5)	1,289	(41.8)

(Note) Comprehensive income FY 2016: ¥ 931 million (-28.6%) FY 2015: ¥1,304 million (-41.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY 2016	46.11	46.03	6.4	1.0	0.5
FY 2015	59.66	59.56	8.7	4.9	6.1

(Reference) Equity in earnings of affiliated companies: FY 2016: ¥ - million FY 2015: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	%
FY 2016	30,912	15,285	49.4	765.54
FY 2015	32,693	15,386	47.0	711.35

(Reference) Equity capital: FY 2016: ¥15,284 million FY 2015: ¥15,378 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2016	888	1,901	(4,491)	9,301
FY 2015	2,010	(911)	249	11,007

2. Dividends

	Dividends per share					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of the 1Q	End of the 2Q	End of the 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY 2015	―	6.00	―	5.00	11.00	237	18.4	1.6
FY 2016	―	5.00	―	5.00	10.00	207	21.7	1.4
FY 2017 (forecast)	―	5.00	―	5.00	10.00		32.5	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(% of change from previous year for full year, same quarter of the previous year for 2Q)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	12,398	5.7	234	205.3	271	69.6	166	(62.5)	8.36
Full year	25,618	7.2	898	597.8	907	179.5	614	(37.5)	30.77

*Notes

(1) Changes in significant subsidiaries (changes of specified subsidiaries resulting in changes in scope of consolidation) during the current term: None

(2) Changes in accounting policies, accounting estimates and restatements:

1) Changes in accounting policies due to revisions of accounting standards: Yes
2) Changes in accounting policies due to reasons other than above 1): None
3) Changes in accounting estimates: Yes
4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock) at end of term	FY 2016	21,618,800 shares	FY 2015	21,618,800 shares
2) Number of treasury stock at end of term	FY 2016	1,652,676 shares	FY 2015	376 shares
3) Average number of shares	FY 2016	21,322,764 shares	FY 2015	21,618,424 shares

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Non-Consolidated Financial Results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2016	676	0.8	166	(1.5)	224	(6.4)	221	(2.8)
FY 2015	670	(0.6)	168	(4.1)	239	26.4	227	15.2

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2016	10.37	10.35
FY 2015	10.52	10.50

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2016	4,876	4,648	95.3	232.80
FY 2015	5,750	5,458	94.9	252.49

(Reference) Equity capital: FY 2016: ¥4,648 million FY 2015: ¥5,458 million

2. Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(% of change from previous year for full year, same quarter of the previous year for 2Q)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	345	2.2	103	(13.3)	103	(11.4)	5.20
Full year	693	2.5	209	(6.4)	205	(6.9)	10.30

* Information Regarding Implementation of Auditing Procedures

- The auditing procedures of the Financial Instruments and Exchange Act do not apply to this financial notice, and at the time of release it is being audited using procedures for financial statements.

* Statement regarding the proper use of financial forecasts and other remarks

- Descriptions regarding the future, including the financial projections contained in this report, are based on certain assumptions currently available to the Company, which are, at the discretion of the Company, deemed reasonable. Actual financial results may significantly vary due to various factors. For assumptions used in forecasting financial results and precautions in using the financial projections, please refer to Appendix on Page 2, “1. Analysis concerning results of operations and financial condition (1) Analysis concerning results of operations.”
- The Company is planning to host a financial settlement reporting meeting for investors and analysts on May 24, 2016. The contents (recorded sound) will be posted together with the handouts on the Company’s Web page immediately after the meeting.

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1. Analysis Concerning Results of Operations and Financial Condition

(1) Analysis Concerning Results of Operations

(Results of operations during the current FY)

In this consolidated fiscal year, the Japanese economy showed gentle recovery, including the improvement of employment situations, as corporate performance improved due to the economic measures and monetary easing of the government and the Bank of Japan. However, there are some negative factors, including the slowdown of overseas economies, the decline in oil price, and the unstable fluctuations of exchange rates and stock markets. Accordingly, business circumstances are still uncertain.

In this business environment, the corporate group has conducted active sales activities, etc. based on business strategies in each segment. For enhancing the synergy between business sections, the chefs of the restaurant business section were dispatched to nursing-care facilities, and held “a whole tuna cutting show” for occupants, enhancing the added value of services; and the karaoke and restaurant sections promoted the use of their stores for after-parties, to catch the flow of customers and pull in them more. In addition, the company reviewed expenses and reduced costs, to streamline their business administration.

As a result, sales of the current consolidated fiscal year were 23,897,098 thousand yen (up 1.1% Year-on-Year (YoY)), operating income was 128,726 thousand yen (down 91.0% YoY), ordinary income was 324,901 thousand yen (down 79.1% YoY), and profit attributable to owners of the parent was 983,096 thousand yen (down 23.8% YoY).

The results of each segment were as follows.

(1) Nursing Care Business

For the Nursing Care Business segment, the Corporate Group operated business actively, by opening 5 paid nursing-care homes for the elderly, and establishing 1 house for the elderly with nursing-care services, 2 group homes, 3 short-stay offices, and 1 after-school day service center for disabled children. In addition, the Corporate Group bought and acquired one paid nursing-care home for the elderly. As a result, the Corporate Group operates 136 business establishments in 71 locations as of the end of the current consolidated fiscal year. Furthermore, for the existing facilities, in order to reduce the number of vacant rooms and achieve stable occupancy rate, the Corporate Group made efforts to strengthen collaboration with nearby hospitals and home-based care support centers. As a result, the average occupancy rate of existing facilities in this consolidated accounting period was 89.6%. (Average in the previous term: 89.3%). On the other hand, business performance was affected by the decrease in the rate of nursing-care benefits in April 2015, and in this consolidated accounting period, over 10 paid nursing-care homes for the elderly, etc. were opened, and certain amounts of costs for management personnel, facility maintenance, etc. are necessary as fixed costs from the opening of the facilities. Accordingly, expenses were first posted, and so sales were 12,836,667 thousand yen (up 9.8% YoY) and segment income was 441,794 thousand yen (down 51.7% YoY).

(2) Karaoke Business

For the Karaoke Business segment, the Corporate Group strived to recover the number of customers by renewing 29 existing shops, etc. In addition, they promoted the all-you-can-drink course, made efforts to increase repeat customers by pulling in mobile-device members for smartphones, and utilized the informative websites of restaurants to attract customers. However, the downturn in consumer confidence has been lingering since the consumption tax hike, and there were no signs of recovery. Consequently, sales were 8,558,664 thousand yen (down 3.0% YoY) and segment income was 623,649 thousand yen (down 53.0% YoY). In the current consolidated accounting period, the Corporate Group opened one shop in Nagasaki Prefecture, converted a Japanese-style bar into a karaoke shop in Fukuoka Prefecture, closed 3 shops, and converted 1 shop into a Japanese-style bar. Accordingly, the number of shops as of the end of the current consolidated accounting period was 97.

(3) Restaurant Business

For the Restaurant Business segment, the Corporate Group renewed 4 existing restaurants. In Bangkok, Thailand, the Corporate Group opened the second overseas restaurant "Kantekiya Thong Lo" in March and the third overseas restaurant "Kantekiya Phrom Phong" in December. Inside Japan, it opened 1 restaurant, closed 3 restaurants, and converted 1 restaurant into a karaoke shop. Accordingly, the number of restaurants as of the end of the current consolidated accounting year was 25 in Japan, and 3 outside Japan. As the downturn in consumer confidence has been lingering since the consumption tax hike and the customers of existing restaurants were decreasing, the Corporate Group tried to pull in customers by continuing limited offer, etc. and visited companies to increase corporate customers, and meet the demand for banquets, etc. As a result, sales were 1,928,555 thousand yen (down 3.2% YoY) and segment loss was 35,016 thousand yen (segment income was 117,460 thousand yen during the same term last year)

(4) Real Estate Business

For the Real Estate Business segment, the Corporate Group's core businesses activities are sales/purchase of real estate properties for sale and intermediary work for rental properties. As a result, sales were 311,243 thousand yen (down 60.0% YoY) and segment income was 86,538 thousand yen (up 77.4% YoY).

(5) Other businesses

In the Other businesses segment, for the hotel business, the Corporate Group made efforts to increase guests using advertisement media in order to secure demand associated with increasing domestic travels influenced by depreciation of yen. As a result, sales were 261,968 thousand yen (down 23.7% YoY) and segment loss was 12,999 thousand yen (segment loss was 10,576 thousand yen during the same term last year).

(Forecast of the next term)

As for the outlook for the economies in the next term, the gentle recovery is expected to continue as a whole, but the global economy has uncertainties about the slower growth of major emerging countries, oil price, the trend of financial markets, etc. Inside Japan, the yen appreciation and the decline in share prices that started at the beginning of this year are considered to affect corporate performance and decrease consumer confidence. Accordingly, uncertain situations are estimated to continue.

In addition, the Kumamoto Earthquake in April 2016 forced 3 karaoke shops and 1 Japanese-style bar of the Corporate Group to be closed temporarily. As aftershocks are still frequent, it is unclear when economic activities will return to normal in the devastated and surrounding areas.

Under these circumstances, the Corporate Group will make efforts to enhance customers' satisfaction and improve its business performance by clarifying business strategies for each segment, conducting effective and efficient sales and ensuring to provide services based on its basic philosophy of "Loving-kindness, Respect for dignity, and Customer first spirit".

The Corporate Group also makes efforts to maximize synergy among business segments, achieve streamlining by collectively purchasing supplies or exchanging employees, and providing catering services at the nursing care facilities. Through these efforts, the Corporate Group will establish solid characteristics as a corporation and obtain support from the customers and residents of the nursing care facilities. As for the forecast of the consolidated business performance throughout the year, sales are expected to be 25,618,657 thousand yen (up 7.2%, from the current consolidated fiscal year), operating income is expected to be 898,235 thousand yen (up 597.8%, same), ordinary income is expected to be 907,978 thousand yen (up 179.5%, same), and profit attributable to owners of the parent is expected to be 614,275 thousand yen (down 37.5%, same).

(2) Analysis Concerning Financial Situation

(1) Status of assets, liabilities and net assets

Total assets at the end of the current consolidated fiscal year were 30,912,409 thousand yen, down 1,780,768 thousand yen from the previous consolidated fiscal year.

Current assets were 14,098,916 thousand yen, down 2,102,611 thousand yen from the end of the previous consolidated fiscal year. The major factors for the change were the decrease of 2,153,202 thousand yen in cash and deposits and 347,159 thousand yen in others (current assets) and increase of 228,845 thousand yen in real estate for sale.

Noncurrent assets were 16,813,493 thousand yen, up 321,842 thousand yen from the end of the previous consolidated fiscal year. The major factors for the change were the increase of 364,591 thousand yen in buildings and structures and 373,220 thousand yen in investment securities, and decrease of 382,531 thousand yen in land.

Liabilities at the end of the current consolidated fiscal year were 15,626,653 thousand yen, down 1,680,508 thousand yen from the previous consolidated fiscal year.

Current liabilities were 6,432,527 thousand yen, down 647,618 thousand yen from the end of the previous consolidated fiscal year. The major factors for the change were the decrease of 669,187 thousand yen in short-term loans payable and 217,453 thousand yen in current portion of long-term debt payable and the increase of 116,286 thousand yen in provision for point card certificates.

Noncurrent liabilities were 9,194,125 thousand yen, down 1,032,890 thousand yen from the end of the previous consolidated fiscal year. The major factor for the change was the decrease of 1,248,760 thousand yen in long-term loans payable and the increase of 245,818 thousand yen in deferred tax liabilities.

Net assets at the end of the current consolidated fiscal year were 15,285,755 thousand yen, down 100,259 thousand yen from the previous consolidated fiscal year. The major factor for the change was the increase of 766,911 thousand yen in retained earnings as a result of including profit attributable to owners of the parent in the accounting book and the decrease of 815,273 thousand yen for purchase of treasury stock.

As for liquidity of assets, the current ratio during the current consolidated fiscal year is 219.2%. The Corporate Group will make efforts to increase the current ratio in order to secure enough liquidity in the future.

(2) Situation of cash flow

Cash and cash equivalent (hereinafter referred to as “funds”) during the end of the current consolidated fiscal year stood at 9,301,340 thousand yen, down 1,705,777 thousand yen from the previous consolidated fiscal year.

The status of each cash flow is as follows:

(Cash flow from operating activities)

Funds obtained by operating activities were 888,908 thousand yen (down 55.8% YoY). The major breakdown of income was 1,522,084 thousand yen of net income before income taxes, 1,284,040 thousand yen of depreciation and amortization, and 272,780 thousand yen of impairment loss. The major breakdown of expenditure was 1,253,176 thousand yen of gain on sales of noncurrent assets, 221,587 thousand yen of increase in inventories and 339,553 thousand yen of income taxes paid.

(Cash flow from investing activities)

Funds obtained by investing activities were 1,901,391 thousand yen (funds used in the previous year were 991,867 thousand yen). The major breakdown of income was 4,379,052 thousand yen of proceeds from sales of property, plant and equipment, 1,956,270 thousand yen of proceeds from withdrawal of time deposits, and 587,741 thousand yen of gain on sales of investment securities. The major breakdown of expenditure was 3,092,519 thousand yen of purchase of property, plant and equipment, 899,650 thousand yen of purchase of investment securities and 507,861 thousand yen of payments into time deposits.

(Cash flow from financing activities)

Funds used in financing activities were 4,491,739 thousand yen (funds obtained in the previous year were 249,456 thousand yen). The major breakdown of income was 3,887,100 thousand yen of proceeds from long-term loans payable.

The major breakdown of expenditure was 5,353,314 thousand yen of repayment of long-term loans payable, 1,401,728 thousand yen of payments made to trust account for acquisition of treasury stock, and 702,042 thousand yen of repayments of installment payables.

(Reference) Trend of Cash Flow Related Indicators

	FY ended March 2012	FY ended March 2013	FY ended March 2014	FY ended March 2015	FY ended March 2016
Equity ratio (%)	37.7	41.3	46.7	47.0	49.4
Equity ratio on market price basis (%)	—	42.1	43.3	36.7	33.1
Debt repayment period (years)	5.0	5.2	16.6	6.9	13.3
Interest coverage ratio (times)	9.8	11.1	5.0	14.2	7.4

Equity ratio: equity capital/total assets
Equity ratio on market price basis: total market value of stock/total assets
Debt repayment period: interest-bearing debt/operating cash flow
Interest coverage ratio: operating cash flow/interest payments
(Notes)

1. All are calculated using financial figures on consolidated base.
2. Cash flow is using cash flow from operating activities.
3. Market value of stock is calculated as end-of-the-term share value multiplied by the number of shares issued at the end of the term (after excluding treasury shares). The equity ratio on market price basis for FY ended March 2012 is not listed because market price was not available.
4. Interest-bearing debt includes all debts that are included in the consolidated balance sheet, for which interests are paid.

(3) Basic Principle Concerning Profit Sharing and Dividends for the Current and Next Fiscal Year

The Company considers that profit returning to the shareholders is important management priority and will make efforts to continuously pay stable dividends while securing necessary internal reserves for continuation of the businesses including fee-based nursing homes for elderly business, karaoke business and restaurant business, etc.

The basic principle of the Company is to pay dividends of surplus twice a year (i.e. interim dividend and year-end dividend).

These dividends of surplus are determined at the general shareholders' meeting for the year-end dividend and board meeting for the interim dividend.

The year-end dividend for the current fiscal year will be 5 yen per share in accordance with the above principle, and the annual dividend including interim dividend (Note) for the current fiscal year will be 10 yen.

The dividend for the next fiscal year will also be determined in accordance with the above principle, and the annual dividend is planned to be 10 yen per share (5 yen for interim dividend and 5 yen for year-end dividend).

(Note) During the current fiscal year, the Company paid 5 yen of interim dividend per common share.

(4) Risk of Businesses, etc.

Concerning the matters related to the situation of business and accounting of the Corporate Group, followings are the matters that may give significant impact on the investors' decision. Furthermore, even if they are not necessarily applicable to such risks, matters that may be important to the investors' decision are also included from the perspective of proactive information disclosure. It should be noted that the contents below might not include all risks concerning the investment on the shares of the Corporate Group.

Based on the recognition of the possibilities of these risks, the Corporate Group is making efforts to avoid risks or take prompt responses in case a risk arises; however, it is important for the investors to make a decision on the Corporate Group's shares based on a careful deliberation using the information in this section as well as other places. The matters concerning the future in this section are based on the judgment of the Company as of the end of the current consolidated fiscal year.

1. Concerning Nursing Care Businesses

(1) The nursing-care insurance system

The Corporate Group's Nursing Care Business is focusing on the services based on the national nursing-care insurance system, and the service contents, compensation, business operation and management and other business in general are legally controlled by the Public Nursing Care Insurance Law and various relevant laws and regulations.

The government reviews and amends the nursing-care insurance system every 5 years and the nursing care compensation every 3 years. The most recent amendment was conducted in April 2015, and the entire nursing care compensation was reduced by 2.27%. This led to reduction in the amount of money that the Corporate Group's nursing care facilities will receive as nursing care compensation.

If regulations are tightened as a result of changes in laws and regulations as well as the relevant systems in the future, the Corporate Group may need to modify its service contents or take other actions. There is also a possibility that the Corporate Group's business expansion may be influenced. Revision of the nursing care compensation may also give impact on the profit and profitability of the Corporate Group's business. Furthermore, these factors may give negative impact on the results of operation or financial status of the Corporate Group.

Especially, if there is a drastic change on the framework of the nursing care, etc. arising from the issues of insurance premium contribution and nursing care insurance finances, etc. in the environment of decreasing population and aging population, the business of the Corporate Group may receive significant impact.

(2) Securing qualified staff and manpower

As a business entity based on Public Nursing Care Insurance Law, various services provided through the Nursing Care Business must meet certain human resource standards including placement of qualified staff. In order to meet the standards, the Corporate Group is making efforts to secure manpower including qualified staff and develop human resources through training programs, etc.

The Corporate Group is not aware of any critical difficulties to secure manpower at this point; however, in case it becomes difficult to secure enough manpower for the future business development and expansion or in case existing manpower leaves the Corporate Group, service quality may decline, nursing care compensation may decrease, or providing nursing care services may become difficult. The Corporate Group may also need to review the benefits for its employees to secure manpower or increase in recruitment cost, etc. These cases may affect the results of operations and financial situation of the Corporate Group.

(3) Concerning management of safety and health for nursing care of elderly

Most of the residents of the nursing care homes and users of the nursing care services are the elderly people who are in need of nursing care or have certification for nursing care need, and there are risks of falling, food poisoning or group infection, etc. during provisions of various nursing services.

The Corporate Group is making efforts to place adequate number of facility staff, provide training programs on treatment and service, ensure development and use of various manuals, and sanitation management and safety management of equipment, etc. But in case of unforeseen circumstances concerning a damage claim, the Corporate Group may be held liable for negligence, which may lead to sue for damage compensation or guidance or disciplinary action by the government. The trust from the public to the Corporate Group's operation may also decline significantly in such a case. These cases may affect the future development of business, results of operations and financial situation of the Corporate Group.

(4) Development policy of nursing care facilities

As for the Nursing Care Business, the Corporate Group is planning to develop new facilities with a focus on fee-based assisted-living nursing homes for elderly.

The fee-based assisted-living nursing homes for elderly became subject to the total volume control of nursing care insurance facilities in April 2006, and development of new facilities in each area is determined by the nursing care insurance plan of each municipality. Because of this, it is difficult to predict mid-term development in terms of the areas of development and number of residents as it is highly influenced by the decision of the municipal government. There is no guarantee that the Corporate Group can develop the business establishments in desired areas. This may affect the results of operations and financial situation of the Corporate Group.

(5) Competition

After the introduction of the nursing-care insurance system, the users of nursing care services are increasing, and it is expected to continue to increase as aging society with fewer children advances. Furthermore, medical corporations, social welfare corporations and various other companies are now entering into the nursing-care related industry, because the industry is expected to expand, yet the barrier to enter into the industry is low. Intensified competition due to participation of new companies in the future may affect the results of operation and financial situation of the Corporate Group.

(6) Network with local relevant institutions

The Corporate Group conducts community-based operation of each facility under the Nursing Care Business. This type of business operation requires close collaboration with local administrative agencies, medical institutions, care managers and social workers, and the trust relationships with them is an essential part of the business development. If the trust in the Corporate Group declines due to flaws in service provision or facility operation, accidents, troubles and other reasons, the Corporate Group's facility operation, service provision and obtaining users may become difficult, which may affect the results of operations and financial situation of the Corporate Group.

(7) Impact of rumor

For the Nursing Care Business, reputation and trust by the users and their families towards the Corporate Group and its facilities have a strong impact on the operation of the facilities. The Corporate Group is making efforts to improve service quality, etc. that meet the needs of the users; however, if reputation of the Corporate Group or its facilities is undermined for some reasons or if unfavorable rumors about the Corporate Group or its facilities spread, obtaining new users and maintaining the operation rate of the facilities will be difficult, which may affect the results of operations and financial situation of the Corporate Group.

(8) Compliance

The nursing care industry is subject to various laws and regulations as described above. In order to comply with these laws and regulations, the companies in the industry are required to build strong compliance systems. The Corporate Group is making efforts to strengthen its operation control framework and internal checking function in order to ensure compliance with laws and regulations and to prevent human errors and fraud during business operation. If these systems do not function adequately in the future business development, issues in relation to operational control may arise, which may affect the results of operations and financial situation of the Corporate Group.

(9) Rental of nursing care facilities

Out of all nursing care facilities of the Corporate Group, 57 of them are operated in rental properties (including sale and lease back properties), and for each facility, rental agreement is concluded with the owner of the property. The agreement period is usually 20 to 30 years (including renewal) and the rental fee is reviewed usually every 2 to 5 years based on discussions.

The Corporate Group secures stable continuation of the facility management by establishing relatively long-term agreement, but it is difficult to cancel during the agreement period. It is also difficult to close a facility or change rental fee in a short span of time. Therefore, if the operation rate decreases significantly or if rental fee in the neighborhood decreases at a facility, the profit margin may drop, which may affect the results of operations and financial situation of the Corporate Group.

(10) Name, "Sawayaka"

"Sawayaka" is used for the company name and facility name for the Nursing Care Business of the Corporate Group. Because "Sawayaka" is a general term and it is difficult for the Company to register it as the Company's trademark, the Corporate Group registers the whole name of the facility (e.g. "Sawayaka Keifukan") as a trademark.

Meanwhile, there are already many nursing care facilities that use "Sawayaka" in their names in Japan. If there is an accident or misconduct at these facilities other than the Corporate Group's facilities, the public may misidentify it as one of the facilities of the Corporate Group, which may cause to unexpected reputational damage to the Corporate Group.

2. Concerning the Karaoke Business and Restaurant Business

(1) External environment

The leisure market and restaurant market have been shrinking due to such factors as decline in consumer confidence due to concerns about the future of the economy and intensifying price competition caused by competitive situation among many business entities. Thus, the business environment concerning the Karaoke Business and Restaurant Business of the Corporate Group has been severe.

The Corporate Group is making efforts to maintain and enhance customer satisfaction by enriching pre-fixed menu and service packages for the Karaoke Business and enriching low-priced items, remodeling existing restaurants and changing business styles for the Restaurant Business; however if these actions are not accepted by the consumers or if competitive environment becomes intensified due to increase in new companies in the industry, the results of operations and financial situation of the Corporate Group may be affected.

(2) Stores opening policy, etc.

For the Karaoke Business and Restaurant Business, the Corporate Group is focusing on opening business establishments mainly in entertainment areas, aiming to develop more urban-type stores. When opening new stores and restaurants, the Company is making efforts to proactively secure properties based on information from real-estate agencies and financial institutions; however, there is no guarantee that properties that match the Company's requirements in terms of rent, population of the market area, or competition with other companies can be obtained. Furthermore, although careful deliberation is made before actually opening a store or restaurant, estimated profit may not be achieved, even if the property matches the Corporate Group's requirements. In these cases, the results of operations and financial situation of the Corporate Group may be affected.

The business establishments for the Karaoke Business and Restaurant Business are basically using rental properties. If the deposited guaranty money is not returned to the Corporate Group due to financial deterioration or other reasons of the lessee, the results of operations and financial situation of the Corporate Group may be affected.

(3) Purchase of food

In recent years, issues to undermine consumers' trust in "food safety", such as health hazards by imported food, false labeling of food, and food poisoning caused by eating raw beef, are frequently seen. The Corporate Group offers meals for the Karaoke Business and Restaurant Business and provides feeding service for the Nursing Care Business. It is making efforts to establish collaborative relationships with suppliers to ensure stable purchase of safe ingredients; however, if similar cases/accidents occur and the anxiety among the public increases, the results of operations and the financial situation of the Corporate Group may be affected.

Furthermore, if the food price increases associated with lean harvest of agricultural products including rice and vegetables due to external factors such as bad weather or natural disaster or caused by environmental changes of suppliers, the results of operations and the financial situation of the Corporate Group may be affected.

(4) Sanitation control

Each store and restaurant of the Corporate Group's Karaoke Business and Restaurant Business has a food sanitation supervisor based on the Food Sanitation Act and has a business permit obtained from a health center under the jurisdiction. The Corporate Group also provides manuals concerning sanitation control for each store and restaurant and ensures to provide training programs and guidance to the employees. Furthermore, it also tries to strengthen sanitation measures through regular sanitation inspections by external specialists; however, if hygiene issues such as food poisoning arises at a store or restaurant of the Corporate Group, it may receive business suspension penalties for a certain period of time or the customers may stay away from any stores of the Corporate Group as a result of lowered corporate image. These cases may affect the business development, results of operations and financial situation of the Corporate Group.

(5) Legal regulations

Some stores operated by the Corporate Group are controlled by the regulations established by the respective prefectural government such as "Prefectural Ordinance of Sound Development of Youth" by Fukuoka prefecture. The Corporate Group is making efforts to implement verification of customers' age and prevention of inappropriate drinking and smoking or prevention of use of facilities during the midnight period from the legal compliance perspective; however, if the Corporate Group violates these regulations, the public trust in the Corporate Group will be lost, which may affect the results of operations and financial situation of the Corporate Group.

Furthermore, if regulations are tightened in association with amendment of ordinance, etc., limitations on the development of the business may arise and some kind of responses by the Corporate Group may be required. This may affect the business development, results of operations and financial situation of the Corporate Group.

3. Concerning the operation area of the Corporate Group

All business segments of the Corporate Group operate mainly in the Kyushu region. Because of this, the Corporate Group currently receives impact of the economic climate, consumption trend, transition of elderly population and others of the Kyushu region.

Furthermore, in case there is a natural disaster such as earthquake and typhoon or in case of spread of infectious disease such as new type of influenza in the Corporate Group's operation area, it may affect the results of operations and financial status of the Corporate Group.

4. Concerning business structure

(1) Management system of a holding company

The Corporate Group is based on the holding company structure, and the Company, which is the holding company, provides management guidance to its group companies as well as consolidates and controls administrative work of each company.

The Corporate Group is intending to strengthen the management system in an effort to develop and expand the business; however, if securing and developing manpower or strengthening various management functions is hindered, it may affect the business development, results of operations and financial situation of the Corporate Group.

(2) Labor management

The Corporate Group requires a lot of manpower for its business operation and has many full-time employees as well as temporary employees including part-time employees and temporary staff. Furthermore, because the Nursing Care Business and Karaoke Business require 24-hour work system, the Corporate Group is making efforts to secure and develop necessary manpower for business operation and establish and manage working conditions and labor environment that are in compliance with labor-related laws and regulations. If any issues are caused for some reasons, they may affect the business development, results of operations and financial situation of the Corporate Group.

(3) Customers' information management

The Nursing Care Business and Karaoke Business of the Corporate Group deal with personal information of the customers. In order to manage the personal information, the head office and each business office have strengthened their systems to manage the documents. The data that include confidential information are consolidated and managed by a responsible department, and access from external sources to the data is shut down. As such, with very careful attention, the Corporate Group is making efforts to adhere to relevant laws and regulations and to prevent the leakage of personal information; however, if personal information of the customers is leaked for some reasons, the information management capacity of the Corporate Group may be criticized, and its accountability may be accused. The customers' confidence in the Corporate Group may also be lost. These cases may affect the business development, results of operations and financial situation of the Corporate Group.

5. Concerning results of operations and financial situation

(1) Impact of newly established nursing care facilities

A new nursing care facility requires a certain period of time until the residents and users are secured in the beginning. Thus, after the opening, it usually requires up-front expenditure until the number of residents and users reaches a certain level. This means that opening a new nursing care facility may suppress the profit of the Corporate Group in the short run. Furthermore, if it takes long time or if it is difficult to have residents and users for a new facility, the results of operations and financial situation of the Corporate Group may be affected.

(2) Use of off-balance scheme system for the nursing care facilities

The Corporate Group uses the sale and leaseback transaction method to minimize capital investment for the nursing care facilities. A typical arrangement is to sell and leaseback the nursing facilities that the Corporate Group developed to Special Purpose Companies (SPCs) invested by domestic and international investment funds.

When using such off-balance scheme system, the Corporate Group seeks opinions of professionals such as accountants and uses measures that are considered appropriate at that point; however, in case the off-balance scheme system becomes unavailable due to change of accounting standards, etc., the total assets on the consolidated balance sheet will increase as a result of adding nursing care facilities and unearned lease fees, which will result in drastic deterioration of equity ratio. This may give significant impact on the financial situation of the Corporate Group.

(3) Impact of the off-balance scheme system for the nursing care facilities on business performance, etc.

As described above, the Corporate Group uses the off-balance scheme system for the nursing care facilities. The Corporate Group sold 3 facilities (at the sales price of 3,000 million yen) in the consolidated fiscal year ended March 2015, and 4 facilities (at the sales price of 3,700 million yen) in the consolidated fiscal year ended March 2016.

Due to influence by the market price, etc., at the time of the sales of these facilities, 814 million yen of extraordinary income called "Gain on sales of noncurrent assets" were added in the consolidated fiscal year ended March 2015, and 937 million yen of extraordinary income called "Gain on sales of noncurrent assets" were added in the consolidated fiscal year ended March 2016.

The leaseback transactions through this arrangement reduces depreciation burden as compared with the costs of managing its own properties, even though the expenditures for facility lease are incurred and expenditures for nursing care facilities will increase.

Although the Corporate Group is planning to use the above-mentioned off-balance scheme system in the consideration of business establishment development, financial situation, etc., there is no guarantee that the Corporate Group can achieve the intended results, as they will depend on the external environment surrounding the nursing care industry and various conditions concerning sales and lease with business partners.

(4) Dependency on interest-bearing debt

The Corporate Group acquires a part of the funds to open new nursing care facilities for the Nursing Care Business segment and most of the funds to open new stores and restaurants for the Karaoke Business and Restaurant Business segments by borrowing money from financial institutions. The interest-bearing liabilities balance (Note) as of the end of the consolidated fiscal year ended March 2016 were 11,834 million yen, which occupied 38.3% of the total assets. The Corporate Group is planning to continue to use borrowed funds from financial institutions for the future establishment of new facilities and stores. If there is a major change in the interest rates, it may affect the results of operations and financial situation of the Corporate Group. Furthermore, if there is a change in financing attitude by the financial institutions towards the Corporate Group due to changes in financial landscape, etc., the Corporate Group’s plans and business development may be affected.

(Note) Interest-bearing debt includes all debts that are included in the consolidated balance sheet, for which interests are paid.

(5) Accounting for impairment loss

Each business segment of the Corporate Group needs to recognize impairment loss in case deficit continues when profitability of each business establishment and store declines due to business environment changes or economic factors. This may affect the results of operations and financial situation of the Corporate Group.

6. Concerning lawsuit risks

In case of unexpected troubles and issues in relation to service provision or other transactions for each business segment of the Corporate Group, with or without defects of the Corporate Group, the damage compensation in relation to these troubles and issues may be demanded to the Corporate Group or the Corporate Group may be sued.

The progress or results of these lawsuit contents or damage compensation amount may affect the results of operations, financial situation and social credibility of the Corporate Group.

2. Situation of the Corporate Group

The Corporate Group is consisted of the Company (holdings company) and consolidated affiliates (Sawayaka Club and Bonheure Co., Ltd.) and local corporations in Thailand (Bonheure (Thailand) Co., Ltd. and KANTEKIYA (THAILAND) CO.,LTD.) Together, the Corporate Group conducts mainly 5 types of businesses (Nursing Care Business, Karaoke Business, Restaurant Business, Real Estate Business, Others). As the holdings company, the Company carries out development of strategies for each group company and provides managerial controls and guidance to each group company. The major business contents of each company and its relationship with the business segment of the Corporate Group are as follows.

(1) Nursing Care Business

For this Business, the Corporate Group provides various services based mainly on the Public Nursing Care Insurance Law for the elderly in need of nursing care, etc. mainly in Kitakyushu city, Fukuoka prefecture.

The services include fee-based nursing homes (fee-based assisted-living nursing homes for elderly and resident-type fee-based home for elderly), group homes, short stay, helper station, care planning center, day-service center, small-scale multifunctional home-based nursing care facilities, and homes for elderly with various services. With a focus on resident-type facilities such as fee-based assisted-living nursing homes for elderly, the Corporate Group expands its business by establishing business offices for various nursing care services.

In addition, the Corporate Group offers after-school day services for supporting disabled children.

As of the end of this consolidated fiscal year, the Corporate Group has 136 business offices in 71 locations. The contents and characteristics of each nursing care service are described below.

(a) Fee-based assisted-living nursing homes for elderly (Number of facilities at the end of this consolidated fiscal year: 39)

These are fee-based nursing homes for elderly that are designated as “daily life nursing care for a person admitted to a community-based specified facility” under the Public Nursing Care Insurance Law. They target the people in need of nursing care need or require assistance. Based on the specified facility service plan, the facility staff members assist the users in bathing, excretion, and eating meals and provide other supports for their daily lives and functional trainings.

(b) Resident-type fee-based nursing homes for elderly (15 business establishments)

These are fee-based nursing forms for elderly that are not designated as daily life nursing care for a person admitted to a community-based specified facility. They provide feeding services and assistance for the users’ daily lives. The facility staff members, in principle, do not offer nursing care services. If the residents want nursing care assistance, they need to use external services such as visiting care, based on a separate contract. The Corporate Group provides nursing care services required by the resident by establishing various nursing care/assistance services business offices next to the nursing homes.

(c) Group homes (10 business establishments)

These are resident-type facilities for the elderly with dementia who have received certificate for nursing care need. Making 5 to 9 people as 1 unit, the facility staff members assist the users in bathing, excretion, and eating meals in a homelike atmosphere.

(d) Short stay services (28 business establishments)

Short stay services are offered for the families that take care of the elderly who require nursing care or assistance at home on a daily basis but in need of temporary assistance for the elderly. The users can receive assistances for bathing, excretion and eating meals as well as care for their daily lives and functions recovery training, etc.

(e) Helper stations (11 business establishments)

Helper stations target the elderly who require nursing care or assistance and dispatches helpers to their homes. The helpers provide support services including physical assistance for bathing, excretion, eating meals and going out as well as support for daily lives such as cleaning, washing, cooking and shopping, in accordance with the users' level of physical and mental capacity. The services through helper stations are mainly offered to the residents of the fee-based resident-type nursing homes operated by the Corporate Group.

(f) Care planning centers (6 business establishments)

Dedicated care managers (nursing care managers) are placed at each care planning center. Based on the requests from the elderly who need care and their families, the facility staff members develop care plans, aiming at improving the users' daily lives and facilitating independence. They also provide services such as consultation on nursing care and application by proxy for the certificate for nursing care need.

(g) Day-service centers (20 business establishments)

The day-service centers are for the elderly who require nursing care or assistance. The users visit the centers on a daily basis. The centers provide various nursing care services such as life style guidance, functions training, health check-ups, and assistance for eating meals and bathing.

(h) Small-scale multifunctional home-based nursing care (4 business establishments)

This service is to provide assistance such as bathing, excretion and eating meals to the users to continue their independent lives at their homes. The service styles include "day service (users come to the facility)", "visiting service (the workers visit the users' homes", and "short stay (users stay overnight at the facility)", depending on the needs of the users and their families. The services are offered for 24 hours.

(i) Housing with services for the elderly (2 business establishments)

This housing is based on the standards of the Acts on Stable Supply of Residences for the Elderly and registered at the prefectural, designated city and core city governments. The housing has infrastructure that fulfills certain required standards such as the size of living room and barrier free. It also offers life style guidance and confirmation of the residents' safety by nursing care specialists to create an environment for the elderly to live safely.

(j) After-school day service for supporting disabled children (1 business establishment)

In accordance with the standards specified in the Child Welfare Act, the Corporate Group operates a training facility for mainly disabled children at the age of 6 to 18 who commute to school. They go to the facility after school, on school holidays, including Saturdays, Sundays, and national holidays, or during vacations, including summer and winter vacations. This facility also enables the family members of disabled children to refresh themselves, by looking after their children on behalf of them temporarily.

(Nursing-care insurance system)

The "nursing-care insurance system" is a public system to provide nursing care services to the people who have certificate for nursing care need or certificate for needed care using the insurance premium paid by the public and tax collected by the national and municipal governments. It is a system to support the elderly people who require care due to deterioration of physical functions by the entire society. The elderly people who receive certificate for nursing care need or certificate for needed care can use various nursing care services by shouldering 10% of the actual nursing care costs (There is a possibility that those who have over a certain amount of income will have to bear 20% from August 2015.) The Nursing Care Business of the Corporate Group mainly provides nursing care services for the elderly people who receive certificate for nursing care need or certificate for needed care. It receives nursing care compensation from the national health insurance organizations in each prefecture that conducts review and payment of nursing care insurance for the nursing care services provided.

(Concerning business development)

(a) Areas and business development

As of the end of the current consolidated fiscal year, the Corporate Group's main area of business is the Kyushu region (87 business establishments in 42 locations in Fukuoka, 5 business establishments in 3 locations in Oita). In other areas, the Corporate Group has business establishments across Japan, including 4 business establishments in 2 locations in Hokkaido, 3 business establishments in 2 locations in Akita, 6 business establishments in 3 locations in Niigata, 4 business establishments in 3 locations in Chiba, 9 business establishments in 5 location in Tochigi, 2 business establishment in 2 location in Saitama, 3 business establishments in 2 location in Aichi, 4 business establishments in 2 locations in Kyoto, 2 business establishments in 2 locations in Osaka, 2 business establishments in 1 location in Hyogo, 2 business establishments in 1 location in Mie, and 3 business establishments in 1 location in Ehime. For the Nursing Care Business, although the fee-based assisted-living nursing homes for elderly are the focus of the business development, establishment of such business establishments are only possible if municipality has public offering for new facilities based on their plans. Therefore, currently, the Corporate Group is making efforts to develop new facilities with a focus on publicly announced projects in each area. For the other business establishments, the decision is made based on the demand trend, etc. of each area.

(b) Nursing-care facilities

Because establishment of new nursing-care facilities require a lot of funds for facility investment, the Corporate Group's priority is to rent facilities that are built by the owners and fit the specification of the Corporate Group. In reality, however, it is difficult to establish new nursing care facilities using this method. Therefore, the Corporate Group also develops some of its own facilities using its own funds.

Once these facilities developed by the Corporate Group reach a certain operation rate, the Corporate Group will switch to the leasing system by selling them to the SPCs that are invested by domestic and international investment funds.

(c) Fee schedule that does not receive temporary money for occupancy

Except for a few facilities, the nursing-care facilities of the Corporate Group do not collect lump-sum for occupancy at the time when the occupants move in. This is to offer wider opportunities for elderly people to receive nursing-care services, regardless of their income and assets statues. For business development, the Corporate Group is making efforts to increase profitability through these measures, differentiate the Group's facilities from the other companies, improve facility operation rates and shorten the vacant period.

(2) Karaoke Business

The Karaoke Business focuses on the operation of karaoke rooms mainly in Fukuoka. The name of the karaoke stores is "Korokke Club".

The stores for the Karaoke Business have basically around 30 rooms per establishment. They are differentiated from the other companies' karaoke sores by opening basically for 24 hours, 7 days a week. By offering lunch and karaoke as a set during the day, and meal and karaoke or all-you-can-drink and karaoke as a set at night, the Corporate Group is making efforts to enhance eating/drinking rate to increase profit. Furthermore, the Corporate Group is making efforts to make karaoke stores more children- and elderly-friendly to have a broader range of customers.

As of the end of the current consolidated fiscal year, the Corporate Group operates 97 karaoke stores.

(Store development)

The number of karaoke stores in each prefecture as of the end of the current consolidated fiscal year is listed in the following table. They are located in various prefectures in the Kyushu region as well as Yamaguchi, Hiroshima, Mie, Shiga, Hyogo, Shizuoka, Tokyo, Ibaraki, and Kanagawa prefectures.

Although the Corporate Group's focus was to open suburb-type stores in the Kyushu region and Yamaguchi prefecture until 2008, in recent years, it is more focusing on urban and busy districts where there are more customers.

	Tokyo	Kanagawa	Ibaraki	Shizuoka	Mie	Shiga	Hyogo	Hiroshima	Yamaguchi	Fukuoka	Saga	Nagasaki	Kumamoto	Oita	Miyazaki	Kagoshima	Okinawa
Number of stores	6	2	1	1	1	1	2	3	9	36	4	3	4	8	6	4	6

(3) Restaurant Business

For the Restaurant Business, the Corporate Group mainly operates *izakaya* (Japanese style pub) in various parts of the Kyushu region. Several types of *izakaya* with different concepts are offered: "Kanteki-ya" (mainly targeting white-collar workers), "Susu" (mainly targeting female customers), and "Saisei-sakaba" (low-cost *izakaya*) to capture a wide range of customers. Furthermore, by changing and renewing the styles of existing restaurants, the Corporate Group is trying to keep the customers from getting bored and come back to the restaurants.

The number of restaurants the Corporate Groups operates as of the end of the current consolidated fiscal year is 28 (24 *izakayas* in Japan, 1 Udon noodle restaurant, and 3 *izakayas* in Thailand).

(4) Real Estate Business

Sawayaka Club Co., Ltd. deals with leasing of rental condominiums and sales and brokerage activities of real estate properties, and Bonheure Co., Ltd. deals with leasing and management of rental condominiums and sales and brokerage activities of real estate properties.

(5) Others

The Hotel Department of Sawayaka Club Co., Ltd. operates 2 hotels with hot springs next to resident-type, fee-based nursing homes in Beppu, Oita. In addition to the general customers, the residents who live in the nursing-care facilities next door or the residents of other nursing-care facilities of the Corporate Group can also use the hotel facilities for recreation purposes.

3. Management Policy

(1) Basic Management Policy

Since its establishment in October 2006, through its affiliates (i.e. Sawayaka Club, Co., Ltd. and Bonheure Co., Ltd.), the Corporate Group has been evolving its businesses on the operation of nursing-care facilities for elderly, operation of karaoke stores and restaurants, and management of real estate properties based on its concept of “Collaborative Living of Children, Youth and Elderly”. Currently, it operates its business with pillars of Nursing-Care Business, Karaoke Business and Restaurant Business. Its current management goals are to become a corporation group that is needed by the local communities and to continuously provide services that the customers feel safe and reliable.

As for the environment that surrounds the Corporate Group’s 3 core business segments, the demand for its Nursing Care Business is expected to increase with the background of aging society. Until June 2010, a standard was in place to back up the regulation to control the total volume of users at nursing-care facilities such as specified nursing homes for elderly. It was abolished in June 2010, and from the 5th Nursing Care Insurance Plan (from FY 2012 to 2014), it was decided by the Cabinet that each prefectural government would be able to establish its plan based on its circumstances. These changes will facilitate the creation of environment that is tailored to the local situation in each area. Therefore, it will be necessary for the Corporate Group to have even closer network with municipal governments and obtain the public announcement information on a timely basis for the establishment of new specified facilities that are the Corporate Group’s main focus. Furthermore, during the 2015 Nursing-Care Compensation Revision, the revised rate was decreased by 2.27%. This change will have a significant impact not only on the companies in the nursing-care industry but also insured people who use nursing care insurance. Thus, the users will look for nursing-care business entities with sound management more than ever.

For the Karaoke Business, the Corporate Group believes that the competition in the industry is going to intensify because the karaoke room market is shrinking. In the future, it is expected that the use of karaoke room stores by the young people in their 10s and 20s, which are the major customers, will gradually shrink due to declining birthrate. In the meanwhile, the baby boomer generation is hoped to become a new customer group, for karaoke will become activities to spend their leisure time after retirement. Given the fact that the number of people who enjoy karaoke since 2007 has not changed much, it is anticipated that the number of karaoke population will remain at the same level in the future.

For the Restaurant Business, the market for the *izakaya* industry, in which the Corporate Group mainly operates, is on a shrinking trend due to prolonged deflation and also because young people are moving away from alcohol. Because this trend is anticipated to continue, the Corporate Group needs to make efforts to differentiate its restaurants from the other companies by enriching the products other than alcohol, improving quality and varieties of meals to serve, and improving customer service.

Under these business circumstances, the Corporate Group will distinguish itself from the other competitors by strengthening its responses to the issues, promptly responding to the customers’ needs, and deepening the network and establishing trust relationships with the local communities for each business field. Furthermore, it will strengthen its business quality by ensuring education of the employees to equip them with professional expertise and enhancing the quality of service.

(2) Target Management Indicator

The management indicator that the Corporate Group is focusing on is the operating income rate. For each business segment, the Corporate Group will make efforts to improve the performance by understanding the needs of the residents and customers and promptly and adequately reflecting their needs to the business. At the same time, the Corporate Group will try to establish solid business foundation by focusing on cost control and conducting sound business operation. The Corporate Group’s goal is to secure and maintain 10% of the consolidated operating income on sales as a result.

(3) Mid- to Long-term Management Strategies

The environment surrounding the Corporate Group differs by segment. For the Nursing-Care Business, establishment of more trustful relationships with the users and residents is needed as aging population is rapidly growing in Japan. For the

Karaoke Business and Restaurant Business, the business environment will be more severe, and the Corporate Group needs to respond to the intensifying competition against other companies and stores.

Under these circumstances, the Corporate Group will differentiate itself from the others by emphasizing the individual characteristics for its major business segments.

Followings are the goals for each segment.

(a) Nursing-Care Business

The Corporate Group is planning to open 5 to 10 new nursing-care facilities per year. In order to steadily achieve this goal, the Corporate Group will collect information on the potential properties and establish good relationships with administrative agencies.

(b) Karaoke Business

The Corporate Group is planning to open about 5 restaurants per year. Especially, it will focus on the opening of new restaurants in the Tokyo metropolitan area. Nonetheless, it will make a flexible plan in terms of areas and principles of opening new restaurants based on careful review of economic environment and consumers' trend. By expanding the business nationwide, the Corporate Group will be able to enhance its recognition, interest and attention from the public.

(c) Restaurant Business

The Corporate Group is planning to open 2 stores per year, including changing the types of existing stores. It will improve stores' structure so that they will not be affected by the changes of consumption environment by strengthening characteristics of each store and creating stores that customers would come back.

(d) Real Estate Business

The Corporate Group is planning to mainly handle leasing of rental condominiums and undertake sales and brokerage activities of real estate properties. It will carefully assess the situation of the real estate market, etc. and take appropriate measures.

(4) Challenges of the Corporate Group

The Corporate Group has been evolving its businesses activities around the operation of nursing-care facilities for elderly, operation of karaoke stores and restaurants and management of real estate properties based on its concept of "Collaborative Living of Children, Youth and Elderly", with a goal to "create society where children, youth and elderly can live happily together".

In order to expand the businesses in wider areas and establish the concept and brand image of the Corporate Group nationwide, it will continue examining issues in each business segment and take appropriate measures to address them.

The current significant issues that the Corporate Group is faced with for its expansion and progress of the business are as follows.

(Entire company)

(a) Principle of human resource development

The industries of Nursing-Care Business, Karaoke Business and Restaurant Business that the Corporate Group belongs to have chronic issues of labor shortage. As countermeasures, the Corporate Group will not only focus on recruiting employees but also support individual employee's development and enhance their sense of responsibility and loyalty to the Corporate Group through technical assistance such as OJT as well as various activities based on the employees training system. This way, it is hoped to achieve stable retention rate.

(b) Strengthening management structure

In order for the Corporate Group to expand its business scale, it is important to strengthen the management structure and establish more functional corporate governance structure, in addition to human resource development. The Corporate Group is making efforts to carry out accurate and efficient corporate governance by consolidating various management departments and corporate planning division that deal with management and control functions at the Company, which is the holding company, and establish and operate an integrated management line as a corporate group.

(Nursing-Care Business)

(a) Expansion of business areas

Although the Corporate Group's focus was in the Kyushu region, it will try to examine the measures to expand its fee-based assisted-living nursing homes for elderly (Life assistance for the residents of specified facilities), which is the Group's core business, in other areas and, because it is subject to the total volume control of nursing care insurance facilities, achieve more speedy opening of new establishments by applying for public offerings of the municipal governments across the country and obtaining approval for new establishments and aggressively collecting information on the M&A projects of existing facilities associated with industry restructuring. Although the target is nationwide, the Corporate Group is conducting appropriate investigations concerning living conditions of the elderly, availability of other companies, and their operation status in the candidate areas to examine the future prospect of the areas.

(b) Improvement in service level

Most of the residents of the nursing-care facilities of the Corporate Group are the people who have certificate for nursing care need. In order for the Corporate Group to provide comfortable lives to them, it is essential to take into consideration the support for their independence and avoid excessive service. This requires knowledge, experience and accurate information. In order to carry it out properly, the Corporate Group is making efforts to improve its training programs and enhance capacities of the employees as well as enhance the quality of essential services and obtain satisfaction and trust from as many users as possible.

(c) Improvement in facility levels

In order for the users to spend time feeling safe and secure at nursing-care facilities, it is necessary for the care workers to have better service and also secure safety and credibility of the facilities. The Corporate Group is trying to enhance the safety and health control by carrying out disaster drill in preparation for disasters, cleaning the facilities on a daily basis and sanitation inspection in the kitchen, etc. Because disseminating the information about relevant laws and regulations such as the Nursing Insurance Act and Elderly Welfare Act is essential for the nursing-care business, the Compliance Promotion Group of the Corporate Group provides comprehensive instructions concerning laws and regulations to its relevant employees under the Guidance of the Compliance Committee.

(d) Securing qualified personnel

It is essential for the companies that provide nursing-care service to secure qualified personnel such as nurses, care managers and certified care workers. Also from the perspectives of compliance with laws and regulations, securing stable employment of qualified personnel is an important issue. When recruiting qualified personnel, the Corporate Group takes into full consideration of their knowledge and experiences. Once they become the employees, their benefits are adequately reviewed in accordance with their capacities and performances to enhance stable employment and improve the retention rate.

(Karaoke Business)

(a) Strengthening capacities of the stores in remote areas

The Karaoke Business of the Corporate Group is now spreading not only in the Kyushu region (mainly Fukuoka) and Yamaguchi prefecture but also in Mie, Shiga, Hiroshima, Tokyo, Hyogo, Ibaraki, Shizuoka and Kanagawa prefectures.

These stores are becoming a foothold for further expansion of the business in wider areas. Nonetheless, it takes time for new stores in remote areas to establish the brand image and make profit. In order for the Corporate Group to expand its business throughout Japan, there is a need to make its store name, “Korokke Club”, well known across the country. By conducting more vigorous advertisement activities and frequently collecting information on the customers and competitors in the target areas, the Corporate Group will establish the systems to objectively assess service capacity of the stores and product values and to promptly modify them.

(b) Intensifying competition and differentiation from the other companies

The companies in the karaoke industry, just like the Corporate Group, tend to open new stores centered on high-traffic areas such as in front of stations and entertainment areas, resulting in intensifying competition across Japan. The Corporate Group is trying to differentiate itself from the other companies by improving pre-fixed menus and increasing types of services such as all-you-can-drink-and-sing in order to respond to the party demands that are often expected in entertainment areas.

(Restaurant Business)

(a) Intensifying competition and differentiation from the other companies

In the Japanese restaurant field, competitions are getting fierce as consumer confidence has declined, and this situation is estimated to continue. The Corporate Group will take some measures by converting or renewing existing restaurants while discussing competitive products, services, price setting, etc. when necessary. It will also keep discussing the restaurant operation outside Japan, where the demand for Japanese cuisine is high.

(b) Strengthening product values and customer service

The Corporate Group carries out chefs’ meeting once a month in order to provide the products that meet the needs of the customers in a timely manner. It also works on refining existing products and developing new products as well as improving their quality and safety. For the customer service, the Corporate Group is also making efforts to secure excellent human resources through proactive recruitment activities and improve the employees’ service skills through education and training programs.

(c) Strengthening sanitation control

Preventing sanitation-related accidents and keeping trust from the customers are essential for continuous operation of the restaurant business. The Corporate Group places designated ‘environment patrollers’ who check cleanliness of the restaurants. It also commissions external contractors to regularly conduct sanitation inspection at all stores including the Karaoke Business to enhance the level of sanitation control through objective verification.

4. Basic Principles of Selecting Accounting Standards

Currently, the activities of the Corporate Group are mainly conducted in Japan. Therefore the Japanese accounting standards will be used for the time being. In the future, however, as the Corporate Group expands its business overseas, the needs of using the accounting based on the IFRS will increase as important information for decision making by investors, financial institutions and other stakeholders in Japan and overseas. The Company is planning to deliberate on the application of the IFRS including the appropriate timing of introduction.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2015 (As of March 31, 2015)	FY ended March 31, 2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	11,925,172	9,771,970
Notes and accounts receivable-trade	1,418,113	1,551,065
Merchandise	72,350	64,795
Real estate for sale	720,149	948,994
Supplies	39	39
Deferred tax assets	218,479	252,328
Other	1,868,055	1,520,895
Allowance for doubtful accounts	(20,833)	(11,173)
Total current assets	16,201,527	14,098,916
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	12,695,005	13,464,336
Accumulated depreciation	(5,565,369)	(5,970,108)
Buildings and structures, net	7,129,636	7,494,227
Land	3,729,127	3,346,595
Construction in progress	444,291	81,909
Other	3,560,657	3,035,474
Accumulated depreciation	(2,557,672)	(2,002,753)
Other, net	1,002,985	1,032,721
Total property, plant and equipment	12,306,040	11,955,453
Intangible assets	61,182	55,202
Investments and other assets		
Investment securities	117,705	490,925
Long-term loans receivable	272,064	247,260
Deferred tax assets	178,356	148,661
Lease and guarantee deposits	2,290,775	2,413,868
Other	1,353,492	1,589,996
Allowance for doubtful accounts	(87,966)	(87,875)
Total investments and other assets	4,124,427	4,802,837
Total noncurrent assets	16,491,650	16,813,493
Total assets	32,693,177	30,912,409

(Thousands of yen)

	FY ended March 31, 2015 (As of March 31, 2015)	FY ended March 31, 2016 (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	331,926	343,831
Short-term loans payable	1,489,000	819,813
Current portion of long-term loans payable	2,589,297	2,371,843
Current portion of bonds	35,000	35,000
Lease obligations	1,120	866
Income taxes payable	140,465	107,819
Provision for bonuses	197,316	217,384
Provision for point card certificates	271,571	387,858
Provision for shareholder benefit program	12,050	10,175
Asset retirement obligations	-	8,333
Other	2,012,397	2,129,601
Total current liabilities	7,080,146	6,432,527
Noncurrent liabilities		
Bonds payable	35,000	-
Long-term loans payable	8,281,439	7,032,679
Lease obligations	1,660	794
Deferred tax liabilities	277,803	523,622
Asset retirement obligation	199,909	199,340
Other	1,431,202	1,437,688
Total noncurrent liabilities	10,227,016	9,194,125
Total liabilities	17,307,162	15,626,653
Net assets		
Shareholders' equity		
Capital stock	2,222,935	2,222,935
Capital surplus	2,676,892	2,676,892
Retained earnings	10,446,116	11,213,028
Treasury stock	(237)	(815,511)
Total shareholders' equity	15,345,707	15,297,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,897	(13,186)
Foreign currency translation adjustment	705	650
Total accumulated other comprehensive income	32,602	(12,536)
Non-controlling interests	7,705	946
Total net assets	15,386,015	15,285,755
Liabilities and net assets	32,693,177	30,912,409

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

Consolidated Statements of Income

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014- March 31, 2015)	FY ended March 31, 2016 (April 1, 2015- March 31, 2016)
Net sales	23,628,459	23,897,098
Cost of sales	20,713,973	22,197,604
Gross profit	2,914,485	1,699,494
Selling, general and administrative expenses		
Directors' compensations	166,977	169,418
Salaries and allowances	284,114	288,765
Taxes and dues	372,264	448,327
Provision of allowance for doubtful accounts	4,589	-
Provision for bonuses	6,936	5,176
Provision for allowance for shareholders' benefits	12,047	10,032
Other	634,725	649,046
Total selling, general and administrative expenses	1,481,656	1,570,767
Operating income	1,432,829	128,726
Non-operating income		
Interest income	9,530	11,985
Dividends income	1,984	1,277
Commission fee	76,967	101,044
Insurance income	132,945	39,501
Subsidy income	3,735	112,127
Other	59,102	75,024
Total non-operating income	284,264	340,959
Non-operating expenses		
Interest expenses	142,646	123,654
Other	20,331	21,130
Total non-operating expenses	162,978	144,784
Ordinary income	1,554,115	324,901
Extraordinary income		
Gain on sales of noncurrent assets	814,626	1,253,176
Gain on sales of investment securities	289	127,480
Insurance income	-	68,699
Gain on negative goodwill	-	20,605
Total extraordinary income	814,916	1,469,963
Extraordinary loss		
Loss on retirement of noncurrent assets	20,204	-
Impairment loss	292,632	272,780
Loss on sales of investment securities	185	-
Loss on valuation of investment securities	144	-
Total extraordinary loss	313,166	272,780
Income before income taxes	2,055,864	1,522,084
Income taxes-current	660,072	282,940
Income taxes-deferred	109,027	262,750
Total income taxes	769,100	545,690
Net income	1,286,764	976,393
Profit (loss) attributable to non-controlling interests	(2,961)	(6,702)
Profit attributable to owners of the parent	1,289,725	983,096

Consolidated Statements of comprehensive income

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014- March 31, 2015)	FY ended March 31, 2016 (April 1, 2015- March 31, 2016)
Net income	1,286,764	976,393
Other comprehensive income		
Valuation difference on available-for-sale securities	16,664	(45,084)
Foreign currency translation adjustment	1,439	(111)
Total other comprehensive income	18,104	(45,195)
Comprehensive income	1,304,868	931,197
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,307,096	937,957
Comprehensive income attributable to non-controlling interests	(2,227)	(6,759)

(3) Consolidated Statements of Changes in Net Assets

FY ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	2,222,935	2,676,892	9,394,193	(237)	14,293,784
Changes of items during period					
Dividends from surplus			(237,802)		(237,802)
Profit attributable to owners of the parent			1,289,725		1,289,725
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	1,051,923	—	1,051,923
Balance at the end of current period	2,222,935	2,676,892	10,446,116	(237)	15,345,707

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	15,232	—	15,232	—	14,309,016
Changes of items during period					
Dividends from surplus					(237,802)
Profit attributable to owners of the parent					1,289,725
Net changes of items other than shareholders' equity	16,664	705	17,370	7,705	25,075
Total changes of items during the period	16,664	705	17,370	7,705	1,076,998
Balance at the end of current period	31,897	705	32,602	7,705	15,386,015

FY ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	2,222,935	2,676,892	10,446,116	(237)	15,345,707
Changes of items during period					
Dividends from surplus			(216,184)		(216,184)
Profit attributable to owners of the parent			983,096		983,096
Purchase of treasury stock				(815,273)	(815,273)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	766,911	(815,273)	(48,361)
Balance at the end of current period	2,222,935	2,676,892	11,213,028	(815,511)	15,297,345

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	31,897	705	32,602	7,705	15,386,015
Changes of items during period					
Dividends from surplus					(216,184)
Profit attributable to owners of the parent					983,096
Purchase of treasury stock					(815,273)
Net changes of items other than shareholders' equity	(45,084)	(54)	(45,138)	(6,759)	(51,898)
Total changes of items during the period	(45,084)	(54)	(45,138)	(6,759)	(100,259)
Balance at the end of current period	(13,186)	650	(12,536)	946	15,285,755

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014- March 31, 2015)	FY ended March 31, 2016 (April 1, 2015- March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	2,055,864	1,522,084
Depreciation and amortization	1,312,285	1,284,040
Impairment loss	292,632	272,780
Increase (decrease) in allowance for doubtful accounts	6,030	(9,751)
Increase (decrease) in provision for bonuses	40,686	20,068
Increase (decrease) in provision for point card certificates	37,567	116,286
Increase(decrease) in allowance for shareholders' benefits	945	(1,875)
Interest and dividends income	(11,514)	(13,263)
Interest expenses	142,646	123,654
Loss on retirement of noncurrent assets	20,204	-
Loss (gain) on sales of noncurrent assets	(814,626)	(1,253,176)
Loss (gain) on valuation of investment securities	144	-
Loss (gain) on sales of investment securities	(104)	(127,480)
Insurance income	-	(68,699)
Gain on negative goodwill	-	(20,605)
Decrease (increase) in notes and accounts receivable-trade	(156,335)	(132,952)
Decrease (increase) in inventories	475,016	(221,587)
Increase (decrease) in accrued consumption taxes	(20,152)	(93,524)
Increase (decrease) in notes and accounts payable-trade	39,520	43,948
Other	23,898	(193,168)
Subtotal	3,444,710	1,246,777
Interest and dividends income received	6,290	8,434
Interest expenses paid	(141,849)	(119,700)
Insurance income	-	92,951
Income taxes paid	(1,299,019)	(339,553)
Net cash provided by (used in) operating activities	2,010,131	888,908
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(3,547,565)	(3,092,519)
Proceeds from sales of property, plant and equipment	2,999,474	4,379,052
Purchase of intangible assets	(28,189)	(1,386)
Purchase of investment securities	(5,000)	(899,650)
Proceeds from sales of investment securities	985	587,741
Payments into time deposits	(726,273)	(507,861)
Proceeds from withdrawal of time deposits	602,800	1,956,270
Payments for lease and guarantee deposits	(274,048)	(157,845)
Proceeds from collection of lease and guarantee deposits	134,172	32,289
Payments for transfer of business	-	(215,000)
Payments of loans receivable	(17,413)	(9,896)
Collection of loans receivable	41,076	38,874
Other	(91,886)	(208,676)
Net cash provided by (used in) investment activities	(911,867)	1,901,391

(Thousands of yen)

	FY ended March 31, 2015 (April 1, 2014- March 31, 2015)	FY ended March 31, 2016 (April 1, 2015- March 31, 2016)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	26,000	(669,187)
Proceeds from long-term loans payable	5,997,943	3,887,100
Repayment of long-term loans payable	(4,880,267)	(5,353,314)
Redemption of bonds	(35,000)	(35,000)
Repayments of lease obligations	(2,323)	(1,120)
Repayments of installment payables	(629,022)	(702,042)
Proceeds from share issuance to non-controlling shareholders	9,932	-
Payments made to trust account for acquisition of treasury stock	-	(1,401,728)
Cash dividends paid	(237,218)	(216,341)
Other	(587)	(105)
Net cash provided by (used in) financing activities	249,456	(4,491,739)
Effect of exchange rate change on cash and cash equivalents	300	(4,338)
Net increase (decrease) in cash and cash equivalents	1,348,021	(1,705,777)
Cash and cash equivalents at beginning of year	9,659,097	11,007,118
Cash and cash equivalents at end of year	11,007,118	9,301,340

(5) Notes Regarding Consolidated Balance Sheet

(Notes regarding premise of a going concern)

Nothing is applicable.

(Changes in accounting policies)

(Application of accounting policies related to business combinations)

The "Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the "Business Combination Accounting Standard."), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the "Consolidated Accounting Standard.") and the "Accounting Standard for Business Divestitures," (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the "Business Divestitures Accounting Standard.") shall be applied from this consolidated fiscal year. In the case that ownership were to be continued, the Company shall post the change in equity on the subsidiary as capital surplus, and record acquisition-related cost as the expense for the fiscal year in which it emerged. As for the business combination after the beginning of this consolidated fiscal year, the Company shifted to the method of reflecting the revision to the allocated amount of acquisition cost based on provisional accounting settlement in the consolidated financial statements for the period including the business combination. In addition, the Company changed the indication of net income, etc. and shifted from minority interest to non-controlling interest. In order to reflect these revisions, consolidated financial statements for the previous consolidated financial year have been reproduced.

As for the application of the Business Combination Accounting Standard, etc., we follow the provisions for transitional handling specified in the Business Combination Accounting Standard No. 58, Section 2 (4), the Consolidated Accounting Standard No. 44, Section 5 (4) and the Business Divestiture Accounting Standard No. 57, Section 4 (4), from the onset of this consolidated accounting year to the future.

In the consolidated statement of cash flows for this consolidated fiscal year, the cash flow for the acquisition or sale of the shares of subsidiaries that is not accompanied by the change in the scope of consolidation is categorized into "Cash flows from financing activities," and the cash flow related to the expenses for acquiring the shares of subsidiaries that is accompanied by the change in the scope of consolidation or the expenses for the acquisition or sale of the shares of subsidiaries that is not accompanied by the change in the scope of consolidation is categorized into "Cash flows from operating activities."

There is a slight influence on the consolidated financial statements.

(Change of display method)

(In relation to the consolidated statements of income)

"Subsidy income," which was included in "Other" of "Non-operating income" in the previous consolidated accounting year, exceeded 10% of the total amount of non-operating income, and so it will be separately posted from the current consolidated accounting year. In order to reflect this change in indication, the consolidated financial statements for the previous accounting year have been reproduced.

As a result, in the consolidated statements of income for the previous accounting year, "Other" of "Non-operating income" amounting to 62,837 thousand yen was divided into "Subsidy income" amounting to 3,735 thousand yen and "Other" totaling 59,102 thousand yen.

(Changes in accounting estimates)

(Revision to estimated asset retirement obligation)

Regarding asset retirement obligation posted as the obligation to restore shops, etc. to original state in accordance with real estate lease contracts, the Corporate Group obtained new information on relocation, store closing, etc. and then revised the estimates of the cost for restoring shops to original state and the period of use of each shop. As a result, 35,772 thousand yen was added in the current consolidated accounting year.

(Segment information, etc.)

【Segment information】

1. Overview of the reporting segments

(1) How to determine the reporting segments

The reporting segments of the Corporate Group are the constituent units of business for which segregated financial information is available and that are the subject of regular examination by the Board of Directors to decide management resources and assess business performance.

The Company has business departments for each service, and each business department develops comprehensive strategies for the services, etc. that they handle. Therefore, the Company is consisted of segments per service based on each business department. There are 4 reporting segments including "Nursing-Care Business", "Karaoke Business", "Restaurant Business" and "Real Estate Business".

(2) Types of products and services that belong to each reporting segment

The "Nursing-Care Business" operates fee-based assisted-living nursing homes for elderly, day-service centers, group homes and care planning centers. It also conducts sales and lease of social-welfare tools. The "Karaoke Business" operates karaoke stores, and the "Restaurant Business" operates restaurants such as *izakaya* and udon noodle restaurant. The "Real-Estate Business" handles leasing of rental condominiums and undertakes sales and brokerage activities of real estate properties.

2. Method to calculate the amount of sales, profits, loss, assets and other items per reporting segment per reporting segment

The accounting of reporting business segments is handled in the almost same way as the description in "the basic significant items to make the consolidated balance sheet".

The profit in the reporting segment is based on the figures of operating income.

Internal profit and transferred amount among the segments are based on the prevailing market values.

3. Information concerning the amount of sales, profits, loss, assets and other items per reporting segment

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Reporting segments					Others (Note)	Total
	Nursing-care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total		
Sales							
Sales to external customers	11,688,238	8,825,583	1,992,764	778,367	23,284,954	343,505	23,628,459
Internal sales or transferred amount among the segments	—	1,710	51,638	2,951	56,300	102	56,402
Total	11,688,238	8,827,294	2,044,402	781,319	23,341,254	343,607	23,684,862
Segment income (loss)	914,373	1,326,028	117,460	48,771	2,406,634	(10,576)	2,396,057
Segment assets	9,319,811	5,731,050	1,201,456	1,919,195	18,171,514	254,335	18,425,849
Other items							
Depreciation and amortization	353,613	829,002	80,290	13,311	1,276,218	8,713	1,284,931
Increased amount for property, plant and equipment and intangible assets	2,784,675	1,093,800	234,018	27,111	4,139,605	2,543	4,142,149

(Note) "Others" is the business segment that is not included in the reporting segment. "Others" include hotel business and communication business.

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reporting segments					Others (Note)	Total
	Nursing-care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total		
Sales							
Sales to external customers	12,836,667	8,558,664	1,928,555	311,243	23,635,130	261,968	23,897,098
Internal sales or transferred amount among the segments	—	817	46,425	8,611	55,853	—	55,853
Total	12,836,667	8,559,482	1,974,980	319,854	23,690,984	261,968	23,952,952
Segment income (loss)	441,794	623,649	(35,016)	86,538	1,116,966	(12,999)	1,103,966
Segment assets	9,125,961	6,172,120	1,128,209	2,066,918	18,493,209	221,954	18,715,164
Other items							
Depreciation and amortization	322,517	816,750	95,386	13,479	1,248,133	8,546	1,256,679
Increased amount for property, plant and equipment and intangible assets	2,668,411	1,424,543	196,270	3,079	4,292,305	809	4,293,115

(Note) “Others” is the business segment that is not included in the reporting segment. “Others” include hotel business and communication business.

4. Balance between the total amount of reporting segments and the amount on the consolidated balance sheet and the breakdown of the balance (Items concerning balance adjustment)

(Thousands of yen)

Sales	Previous consolidated fiscal year	Current consolidated fiscal year
Reporting segments, total amount	23,341,254	23,690,984
Sales for “Others” segment	343,607	261,968
Offsetting between segments	(56,402)	(55,853)
Sales on the consolidated balance sheet	23,628,459	23,897,098

(Thousands of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Reporting segments, total amount	2,406,634	1,116,966
Profit (loss) for the “Others” segment	(10,576)	(12,999)
Offsetting between segments	456,744	454,711
Expenses for all companies (Note)	(1,419,972)	(1,429,951)
Operating income on the consolidated balance sheet	1,432,829	128,726

(Note) Expenses for all companies are mainly general administrative expenses that do not belong to the reporting segments.

(Thousands of yen)

Assets	Previous consolidated fiscal year	Current consolidated fiscal year
Reporting segments, total amount	18,171,514	18,493,209
Assets for the “Others” segments	254,335	221,954
Offsetting of debt	(4,089,683)	(2,949,345)
Assets of all companies (Note)	18,357,011	15,146,590
Total assets on the consolidated balance sheet	32,693,177	30,912,409

(Note) Assets of all companies are mainly surplus funds (cash and deposits) that do not belong to the reporting segments, long-term investment funds (investment securities), and assets for operation department.

(Thousands of yen)

Other items	Reporting segments, total		Others		Adjustment amount (Note)		Amount on the consolidated balance sheet	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation and amortization	1,276,218	1,248,133	8,713	8,546	27,353	27,360	1,312,285	1,284,040
Increased amount for property, plant and equipment and intangible assets	4,139,605	4,292,305	2,543	809	59,821	30,585	4,201,970	4,323,700

(Note) 1. The adjustment amount of depreciation and amortization (i.e. previous consolidated fiscal year: 27,353 thousand yen and current consolidated fiscal year: 27,360 thousand yen) is for the operation department of the head office.

2. The adjustment amount of property, plant and equipment and intangible assets (i.e. previous consolidated fiscal year: 59,821 thousand yen and current consolidated fiscal year: 30,585 thousand yen) is the capital investment amount in the all companies’ assets that do not belong to each segment.

【Related information】

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

1. Information for each product and service

It is not described here because the same information is disclosed in the Segment Information section.

2. Information per region

(1) Sales

Because sales to the external customers within Japan exceed 90% of the sales on the consolidated balance sheet, the description is omitted here.

(2) Property, plant and equipment

Because the amount of property, plant and equipment that exist within Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheet, the description is omitted here.

3. Information per major customer

(Thousands of yen)

Name of the customer	Sales	Relevant segment
Fukuoka National Health Insurance Organization	4,251,015	Nursing Care Business

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

1. Information for each product and service

It is not described here, because the same information is disclosed in the Segment Information section.

2. Information per region

(1) Sales

Because sales to the external customers within Japan exceed 90% of the sales on the consolidated balance sheet, the description is omitted here.

(2) Property, plant and equipment

Because the amount of property, plant and equipment that exist within Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheet, the description is omitted here.

3. Information per major customer

(Thousands of yen)

Name of the customer	Sales	Relevant segment
Fukuoka National Health Insurance Organization	4,310,945	Nursing Care Business

【Information concerning impairment loss of noncurrent assets per reporting segment】

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Reporting segment				Others	All companies/ offset	Total
	Nursing-Care Business	Karaoke Business	Restaurant Business	Real Estate Business			
Impairment loss	24,033	232,380	36,218	—	—	—	292,632

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reporting segment				Others	All companies/ offset	Total
	Nursing-Care Business	Karaoke Business	Restaurant Business	Real Estate Business			
Impairment loss	—	97,439	170,460	4,880	—	—	272,780

【Information concerning amortization amount and unamortized balance of goodwill per reporting segment】

Nothing is applicable.

【Information concerning gain from negative goodwill per reporting segment】

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

Nothing is applicable.

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

In the “nursing-care business” segment, the Corporate Group took over 1 nursing-care facility in Oita-shi, Oita Prefecture from Yorozuya LLC on September 30, 2015. In the current consolidated accounting year, an income from negative goodwill of 20,605 thousand yen was posted.

(Per share information)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net assets per share	711 yen 35 sen	765 yen 54 sen
Net income per share	59 yen 66 sen	46 yen 11 sen
Diluted net income per share	59 yen 56 sen	46 yen 03 sen

(Note) 1 The basis of calculation for net income per share and diluted net income per share is as follows.

Item	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net income per share		
Profit attributable to owners of the parent (thousand yen)	1,289,725	983,096
Amount that is not attributable to common share holders (thousand yen)	—	—
Profit attributable to owners of the parent for common share (thousand yen)	1,289,725	983,096
Average number of common shares outstanding (shares)	21,618,424	21,322,764
Diluted net income per share		
Adjustment amount of profit attributable to owners of the parent (thousand yen)	—	—
Increased number of common shares (shares)	36,032	33,629
(Out of which, subscription rights to shares (shares))	(36,032)	(33,629)
Overview of the dilutive shares that are not included in the calculation of the diluted net income per share because they did not have dilutive effect.	—	—

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

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Total amount of net assets (thousand yen)	15,386,015	15,285,755
Deducted amount from the total amount of net assets (thousand yen)	(7,705)	(946)
(Out of which, subscription rights to shares)	(—)	(—)
(Out of which, non-controlling shareholders' interests)	(7,705)	(946)
End of term net assets for common shares (thousand yen)	15,378,310	15,284,809
Number of end of term common shares that are used to calculate net assets per share (shares)	21,618,424	19,966,124

(Significant subsequent event)

Nothing is applicable.