

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 [Japanese GAAP] (Consolidated)

November 13, 2018
Stock Listing: TSE

Name of Listed Company: UCHIYAMA HOLDINGS INC.
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Scheduled Date of Dividend Payment Start: December 4, 2018

Scheduled Date of Financial Statements Filing: November 14, 2018

Supplementary materials for Financial Results: Yes

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 Second Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – September 30, 2018)

(1) Consolidated Financial Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2019 2Q	13,421	2.4	497	(13.8)	615	(8.1)	452	2.1
FY 2018 2Q	13,100	7.9	576	166.8	669	91.3	442	111.4

(Note) Comprehensive income FY 2019 2Q: ¥461 million (2.8 %) FY 2018 2Q: ¥448 million (120.8 %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2019 2Q	23.40	—
FY 2018 2Q	22.91	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY 2019 2Q	30,148	15,761	52.3
FY 2018	29,986	15,397	51.3

(Reference) Equity capital: FY 2019 2Q: ¥15,761 million FY 2018: ¥15,397 million

2. Dividends

	Dividends per share				
	End of the 1Q	End of the 2Q	End of the 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	—	5.00	—	5.00	10.00
FY 2019	—	5.00			
FY 2019 (forecast)			—	5.00	10.00

(Note) Changes from the latest dividend forecast: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(% of change from previous year for full year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	27,781	5.2	1,318	10.6	1,371	1.4	881	9.1	45.62

(Note) Changes from the latest financial forecast: None

*Notes

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

(2) Application of the accounting procedures for producing quarterly consolidated financial statements: None

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

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

(4) Number of outstanding shares (common stock)

- 1) Number of outstanding shares (including treasury stock) at end of term
- 2) Number of treasury stock at end of term
- 3) Average number of shares

FY 2019 2Q	21,618,800 shares	FY 2018	21,618,800 shares
FY 2019 2Q	2,287,777 shares	FY 2018	2,287,776 shares
FY 2019 2Q	19,331,024 shares	FY 2018 2Q	19,331,024 shares

*Summary of financial results is out of scope of quarterly review by certified public accountant or audit corporation.

*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 “Analysis Concerning Future Forecasts Including Consolidated Financial Projections” on page 3 of the Appendix.
- The Company plans to hold a session for briefing financial results for institutional investors and security analysts on Nov. 21, 2018. The details and explained contents (voice) at the session will be included in the website of the Company immediately after the session, together with the reference materials used for briefing on that day.

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1. Analysis Concerning Results of Operations and Financial Condition

(1) Analysis Concerning Results of Operations

In the second quarter of this consolidated term, the Japanese economy saw a gentle recovery trend, thanks to the improvements in corporate earnings, employment environment, etc., but there are uncertain factors such as concerns about escalating trade friction and risks for natural disasters, including earthquake and typhoon, and so the future outlook remains unclear.

Amid this business environment, our corporate group has carried out sales activities, etc. actively based on our business strategies in each segment. In addition, we made efforts to improve the added values of our services, by planning and implementing various measures for boosting synergetic effects among Nursing Care, Karaoke, and Restaurant Businesses.

As for expenditures, we streamlined our business administration by reducing costs, to stabilize our business performance.

As a result, sales of the second quarter of the current consolidated fiscal year were 13,421,284 thousand yen (up 2.4% Year-on-Year (YoY)), operating income was 497,014 thousand yen (down 13.8% YoY), ordinary income was 615,333 thousand yen (down 8.1% YoY), and profit attributable to owners of parent was 452,331 thousand yen (up 2.1% YoY).

The results of each segment were as follows.

a. Nursing Care Business

For the Nursing Care Business segment, we opened the paid nursing home with nursing care services “Sawayaka Okazaki-kan (Okazaki City, Aichi Prefecture)” and the day-care facilities in a project for supporting disabled children in commuting to facilities after school, etc. “Sawayaka Ai-no-ie Okazaki-kan” and “Sawayaka Ai-no-ie Shimonoseki-kan (Shimonoseki City, Yamaguchi Prefecture)” in May. We also opened the paid nursing homes with nursing care services “Sawayaka Sakurasanbankan (Akita City, Akita Prefecture)” and “Sawayaka Himeji-kan (Himeji City, Hyogo Prefecture)” as well as the day-care facility in a project for supporting disabled children in commuting to facilities after school, etc. “Sawayaka Ai-no-ie Sakurakan” in June. As a result, the number of sales footholds as of the end of the second quarter is 99 (176 offices). At existing facilities, we aimed to stabilize occupancy ratio and reduce the number of vacant rooms by promoting the cementing of cooperation with nearby hospitals and home care support offices by visiting them. Consequently, the average occupancy ratio of existing facilities in the second quarter of this consolidated term was 96.4% (93.4% in the same term last year).

As a result, sales were 8,809,339 thousand yen (up 11.8% YoY) and segment income was 693,910 thousand yen (up 4.5% YoY).

b. Karaoke Business

For the Karaoke Business segment, we strived to attract more customers by distributing coupons, etc. via SNS, but there is a drop-off in customers because of 2018 FIFA World Cup Russia, which started on June 14 and garnered much attention, and the effects of natural disaster including the July 2018 Heavy Rainfall in July and the typhoons that landed one after another, etc. As a result, sales were 3,603,390 thousand yen (down 4.6% YoY) and segment income was 367,682 thousand yen (up 0.5% YoY). In the second quarter of the current consolidated fiscal year, we closed two stores without opening any new stores. Accordingly, the number of stores is 90 as of the end of this quarter (94 as of the end of same quarter in the previous year).

c. Restaurant Business

For the Restaurant Business segment, one existing store changed its business type and one store in Japan and one store in Thailand are closed. Accordingly, the number of stores as of the end of this second quarter is 19 inside Japan, and 2 outside Japan. As for sales activities, the number of customers declined due to the FIFA World Cup and natural disasters like the Karaoke Business. As a result, sales were 792,099 thousand yen (down 9.0% YoY) and segment income was 19,336 thousand yen (segment loss was 8,767 thousand yen during the same term last year).

d. Real Estate Business

For the Real Estate Business segment, our 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 107,945 thousand yen (down 75.9% YoY) and segment income was 19,424 thousand yen (down 79.2% YoY).

e. Other businesses

In the Other businesses segment, we strived to increase hotel guests by utilizing the advertisement media, with the aim of meeting the demand as domestic travels increased due to the yen depreciation, in the hotel business. However, the number of customers declined due to the effects of natural disasters like the Karaoke Business and Restaurant Business. As a result, sales were 108,508 thousand yen (down 14.0% YoY) and segment loss was 25,085 thousand yen (segment loss was 18,372 thousand yen during the same term last year).

(2) Analysis Concerning Financial Situation

1) Status of assets, liabilities and net assets

Total assets as of the end of the second quarter of this consolidated fiscal year came to 30,148,635 thousand yen, up 162,327 thousand yen from the end of the previous consolidated fiscal year.

Current assets came to 12,826,870 thousand yen, down 382,040 thousand yen from the end of the previous consolidated fiscal year. This is mainly because cash and deposit decreased and real estate for sale increased. Noncurrent assets came to 17,321,765 thousand yen, up 544,367 thousand yen from the end of the previous consolidated fiscal year. This is mainly because buildings and structures and land increased and property, plant and equipment (other) decreased.

Liabilities as of the end of the second quarter of this consolidated fiscal year came to 14,387,064 thousand yen, down 202,226 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities came to 5,909,771 thousand yen, down 560,486 thousand yen from the end of the previous consolidated fiscal year. This is mainly because short-term loans payable and current liabilities (other) decreased.

Noncurrent liabilities came to 8,477,293 thousand yen, up 358,260 thousand yen from the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased and noncurrent liabilities (other) decreased.

Net assets as of the end of the second quarter of this consolidated fiscal year came to 15,761,571 thousand yen, up 364,553 thousand yen from the end of the previous consolidated fiscal year. This is mainly because of an increase in retained earnings arising from profit attributable to owners of parent and a decrease due to cash dividends paid.

2) Situation of cash flow

Cash and cash equivalent (hereinafter referred to as "funds") during the end of the second quarter of the current consolidated fiscal year stood at 6,477,687 thousand yen, down 2,557,126 thousand yen from the previous consolidated fiscal year.

The status of each cash flow is as follows:

(Cash flow from operating activities)

Funds used in operating activities were 1,448,813 thousand yen (funds obtained in the previous year were 1,001,417 thousand yen). The major breakdown of expenditure was 2,044,334 thousand yen of increase in inventories and 275,355 thousand yen of income taxes paid. The major breakdown of income was 665,837 thousand yen of net income before income taxes and 453,168 thousand yen of depreciation and amortization.

(Cash flow from investing activities)

Funds used in investing activities were 1,056,570 thousand yen (funds used in the previous year were 1,008,796 thousand yen). The major breakdown of expenditure was 1,024,203 thousand yen of purchase of property, plant and equipment, and 130,215 thousand yen of payments into time deposits. The major breakdown of income was 130,210 thousand yen of proceeds from withdrawal of time deposits.

(Cash flow from financing activities)

Funds used in financing activities were 50,429 thousand yen (funds obtained in the previous year were 526,540 thousand

yen). The major breakdown of expenditure was 1,267,837 thousand yen of repayment of long-term loans payable and 435,204 thousand yen of decrease in short-term loans payable. The major breakdown of income was 1,945,000 thousand yen of proceeds from long-term loans payable.

(3) Analysis Concerning Future Forecasts Including Consolidated Financial Projections

As for the consolidated financial projections for the term ending March 2019, there are no changes to the estimated values announced on May 14, 2018.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2018 (As of March 31, 2018)	2Q of FY ending March 31, 2019 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	9,315,023	6,757,903
Notes and accounts receivable-trade	1,918,111	2,091,011
Merchandise	67,593	58,447
Real estate for sale	989,573	3,043,039
Supplies	372	250
Other	926,367	882,439
Allowance for doubtful accounts	(8,132)	(6,219)
Total current assets	13,208,910	12,826,870
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,281,803	8,025,145
Land	3,390,199	3,462,940
Other, net	856,990	644,385
Total property, plant and equipment	11,528,994	12,132,470
Intangible assets	77,423	67,974
Investments and other assets		
Other	5,197,995	5,147,627
Allowance for doubtful accounts	(27,015)	(26,306)
Total investments and other assets	5,170,980	5,121,320
Total noncurrent assets	16,777,397	17,321,765
Total assets	29,986,308	30,148,635
Liabilities		
Current liabilities		
Notes and accounts payable-trade	621,037	574,472
Short-term loans payable	751,004	315,800
Current portion of long-term loans payable	2,300,777	2,439,696
Income taxes payable	269,938	208,523
Provision for bonuses	236,941	239,778
Provision for point card certificates	137,972	114,622
Provision for shareholder benefit program	12,397	-
Asset retirement obligation	17,233	9,970
Other	2,122,955	2,006,907
Total current liabilities	6,470,257	5,909,771
Noncurrent liabilities		
Long-term loans payable	6,549,297	7,087,541
Asset retirement obligation	221,321	213,795
Other	1,348,414	1,175,956
Total noncurrent liabilities	8,119,032	8,477,293
Total liabilities	14,589,290	14,387,064

(Thousands of yen)

	FY ended March 31, 2018 (As of March 31, 2018)	2Q of FY ending March 31, 2019 (As of September 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,222,935	2,222,935
Capital surplus	2,666,282	2,666,282
Retained earnings	11,691,849	12,047,525
Treasury stock	(1,166,007)	(1,166,007)
Total shareholders' equity	15,415,060	15,770,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(17,799)	(9,523)
Foreign currency translation adjustment	(243)	358
Total accumulated other comprehensive income	(18,042)	(9,164)
Total net assets	15,397,017	15,761,571
Liabilities and net assets	29,986,308	30,148,635

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

Consolidated Statements of Income

The second quarter of this consolidated fiscal year

(Thousands of yen)

	2Q of FY ended March 31, 2018 (April 1, 2017 - September 30, 2017)	2Q of FY ending March 31, 2019 (April 1, 2018 - September 30, 2018)
Net sales	13,100,349	13,421,284
Cost of sales	11,670,463	12,049,013
Gross profit	1,429,885	1,372,270
Selling, general and administrative expenses		
Provision for bonuses	7,814	7,170
Taxes and dues	273,054	298,687
Provision of allowance for doubtful accounts	439	-
Other	571,822	569,398
Total selling, general and administrative expenses	853,130	875,255
Operating income	576,755	497,014
Non-operating income		
Interest income	2,898	2,641
Dividend income	24	2,324
Commission fee	64,564	78,375
Other	64,404	86,483
Total non-operating income	131,892	169,825
Non-operating expenses		
Interest expenses	36,301	33,287
Other	2,524	18,219
Total non-operating expenses	38,825	51,506
Ordinary income	669,821	615,333
Extraordinary income		
Gain on sales of non-current assets	12,240	-
Gain on sales of investment securities	9,739	-
Insurance income	-	73,001
Total extraordinary income	21,980	73,001
Extraordinary loss		
Loss on retirement of non-current assets	759	-
Impairment loss	3,800	10,351
Loss on disaster	-	12,146
Total extraordinary loss	4,560	22,497
Income before income taxes	687,241	665,837
Income taxes-current	194,073	146,858
Income taxes-deferred	50,309	66,647
Total income taxes	244,382	213,505
Net profit	442,858	452,331
Net profit attributable to owners of parent	442,858	452,331

Consolidated Statements of Comprehensive Income

The second quarter of this consolidated fiscal year

(Thousands of yen)

	2Q of FY ended March 31, 2018 (April 1, 2017 - September 30, 2017)	2Q of FY ending March 31, 2019 (April 1, 2018 - September 30, 2018)
Net income	442,858	452,331
Other comprehensive income		
Valuation difference on available-for-sales securities	6,165	8,276
Foreign currency translation adjustment	(244)	601
Total other comprehensive income	5,921	8,877
Comprehensive income	448,780	461,208
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	448,780	461,208
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	2Q of FY ended March 31, 2018 (April 1, 2017- September 30, 2017)	2Q of FY ending March 31, 2019 (April 1, 2018- September 30, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes	687,241	665,837
Depreciation and amortization	488,212	453,168
Impairment loss	3,800	10,351
Increase (decrease) in allowance for doubtful accounts	(2,416)	(2,621)
Increase (decrease) in provision for bonuses	19,348	2,837
Increase (decrease) in provision for point card certificates	(49,629)	(23,350)
Increase(decrease) in allowance for shareholders' benefits	(11,815)	(12,397)
Loss (gain) on sales of noncurrent assets	(12,240)	-
Loss on retirement of noncurrent assets	759	-
Loss (gain) on sales of investment securities	(9,739)	-
Insurance income	-	(73,001)
Loss on disaster	-	12,146
Interest and dividends income	(2,922)	(4,965)
Interest expenses	36,301	33,287
Decrease (increase) in notes and accounts receivable - trade	(123,069)	(172,899)
Decrease (increase) in inventories	4,916	(2,044,334)
Increase (decrease) in accrued consumption taxes	(15,008)	(110,689)
Increase (decrease) in notes and accounts payable - trade	(65,139)	(46,341)
Other	161,068	(6,143)
Subtotal	1,109,667	(1,319,116)
Interest and dividend income received	863	3,094
Interest expenses paid	(34,066)	(32,797)
Proceeds from insurance income	-	73,001
Income taxes paid	(128,591)	(275,355)
Income taxes refund	53,544	102,360
Net cash provided by (used in) operating activities	1,001,417	(1,448,813)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,433,115)	(1,024,203)
Payments for retirement of property, plant and equipment	(759)	-
Proceeds from sales of property, plant and equipment	100,000	-
Purchase of intangible assets	(10,000)	(313)
Purchase of investment securities	(95,184)	-
Proceeds from sales of investment securities	509,739	-
Proceeds from redemption of investment securities	5,000	-
Payments into time deposits	(130,204)	(130,215)
Proceeds from withdrawal of time deposits	130,199	130,210
Payments for lease and guarantee deposits	(42,748)	(32,873)
Proceeds from collection of lease and guarantee deposits	27,451	77,905
Payments of loans receivable	(5,999)	(7,092)
Collection of loans receivable	20,033	21,353
Purchase of insurance funds	81,157	(101,156)
Proceeds from cancellation of insurance funds	-	44,246
Other	(2,050)	(34,431)
Net cash provided by (used in) investment activities	(1,008,796)	(1,056,570)

(Thousands of yen)

	2Q of FY ended March 31, 2018 (April 1, 2017- September 30, 2017)	2Q of FY ending March 31, 2019 (April 1, 2018- September 30, 2018)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	430,842	(435,204)
Proceeds from long-term loans payable	1,600,000	1,945,000
Repayment of long-term loans payable	(1,128,299)	(1,267,837)
Repayments of lease obligations	(433)	-
Repayments of installment payables	(278,668)	(195,524)
Cash dividends paid	(96,845)	(96,862)
Other	(55)	(0)
Net cash provided by (used in) financing activities	526,540	(50,429)
Effect of exchange rate change on cash and cash equivalents	479	(1,312)
Net increase (decrease) in cash and cash equivalents	519,641	(2,557,126)
Cash and cash equivalents at beginning of year	8,969,729	9,034,813
Cash and cash equivalents at end of period	9,489,371	6,477,687

(4) Notes Regarding Consolidated Financial Statements

(Notes regarding premise of a going concern)

Nothing is applicable.

(Notes on significant changes in the amount of shareholders' equity)

Nothing is applicable.

(Additional information)

(Application of Partial Revision to 'Accounting Standards for Tax Effect Accounting,' etc.)

Partial Revision to 'Accounting Standards for Tax Effect Accounting' (Corporate Accounting Standards No. 28, Feb. 16, 2018), etc. have been applied since the beginning of the first quarter of consolidated term. Accordingly, deferred tax assets are indicated in the section of "Investments and other assets," while deferred tax liabilities are indicated in the section of "Noncurrent liabilities."

(Segment information, etc.)

[Segment information]

I. Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2017)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Thousands of yen)

	Reporting segments					Others (Note) *1	Total	Adjustment amount*2	Consolidated statements of income amount*3
	Nursing Care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	7,879,466	3,776,694	870,005	447,987	12,974,155	126,194	13,100,349	-	13,100,349
Internal sales or transferred amount among the segments	-	5,606	24,208	1,724	31,539	-	31,539	(31,539)	-
Total	7,879,466	3,782,300	894,214	449,712	13,005,694	126,194	13,131,888	(31,539)	13,100,349
Segment income (loss)	664,093	365,711	(8,767)	93,376	1,114,414	(18,372)	1,096,042	(519,287)	576,755

(Note) 1. The classification “other business” refers to business segments that are not included in reporting segments, and includes hotel business.

2. The segment income (loss) adjustments amount, -519,287 thousand yen, includes 241,572 thousand yen in elimination of intersegment transactions and -760,860 thousand yen in company-wide expenses that are not allocated to reporting segments. The company-wide expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income (loss) is adjusted with operating income calculated in the consolidated statements of income.

2. Information on impairment of noncurrent assets, goodwill, etc. for each reporting segment

(Important impairment loss related to noncurrent assets)

Description is omitted because of lack of materiality.

II. Cumulative period through the consolidated second quarter of current fiscal year (April 1 – September 30, 2018)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Thousands of yen)

	Reporting segments					Others (Note) *1	Total	Adjustment amount*2	Consolidated statements of income amount*3
	Nursing Care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	8,809,339	3,603,390	792,099	107,945	13,312,775	108,508	13,421,284	-	13,421,284
Internal sales or transferred amount among the segments	-	5,221	23,282	600	29,103	-	29,103	(29,103)	-
Total	8,809,339	3,608,611	815,381	108,545	13,341,878	108,508	13,450,387	(29,103)	13,421,284
Segment income (loss)	693,910	367,682	19,336	19,424	1,100,353	(25,085)	1,075,267	(578,252)	497,014

(Note) 1. The classification “other business” refers to business segments that are not included in reporting segments, and includes hotel business.

2. The segment income (loss) adjustments amount, -578,252 thousand yen, includes 242,603 thousand yen in elimination of intersegment transactions and -820,856 thousand yen in company-wide expenses that are not allocated to reporting segments. The company-wide expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income (loss) is adjusted with operating income calculated in the consolidated statements of income.

2. Information on impairment of noncurrent assets, goodwill, etc. for each reporting segment

(Important impairment loss related to noncurrent assets)

As for the stores closed or to be closed in the second quarter of this consolidated term, an impairment loss of 3,917 thousand yen was posted in the “Karaoke Business” segment, and an impairment loss of 6,433 thousand yen was recorded in the “Restaurant Business” segment.