

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

February 13, 2019
Stock Listing: TSE

Name of Listed Company: UCHIYAMA HOLDINGS INC.
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Scheduled Date of Dividend Payment Start: -
Scheduled Date of Financial Statements Filing: February 14, 2019
Supplementary materials for Financial Results: None
Investor conference for Financial Results: None

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 - December 31, 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 3Q	20,377	3.2	861	(13.5)	1,109	0.2	979	37.8
FY 2018 3Q	19,744	4.9	995	65.1	1,107	44.1	710	38.8

(Note) Comprehensive income FY 2019 3Q: ¥911 million (27.5%) FY 2018 3Q: ¥714 million (37.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2019 3Q	50.67	-
FY 2018 3Q	36.77	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY 2019 3Q	31,805	16,115	50.7
FY 2018	29,986	15,397	51.3

(Reference) Equity capital: FY 2019 3Q: ¥16,115 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	FY 2019 3Q	21,618,800 shares	FY 2018	21,618,800 shares
2) Number of treasury stock at end of term	FY 2019 3Q	2,287,777 shares	FY 2018	2,287,776 shares
3) Average number of shares	FY 2019 3Q	19,331,024 shares	FY 2018 3Q	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

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1. Analysis Concerning Results of Operations and Financial Condition

(1) Analysis Concerning Results of Operations

In the third quarter of this consolidated term, the Japanese economy gradually recovered overall due to an improvement in corporate earnings and the employment environment. On the other hand, there are also concerns about the impact on the global economy due to trade problems between the U.S. and China and trends in the financial capital market. Therefore, there continues to be uncertainty over the future.

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 third quarter of the current consolidated fiscal year were 20,377,629 thousand yen (up 3.2% Year-on-Year (YoY)), operating income was 861,143 thousand yen (down 13.5% YoY), ordinary income was 1,109,356 thousand yen (up 0.2% YoY), and profit attributable to owners of parent was 979,577 thousand yen (up 37.8% YoY).

The results of each segment were as follows.

a. Nursing Care Business

For the Nursing Care Business segment, we aimed at aggressive expansion, and established four new paid nursing home with nursing care services and three new day-care facilities in a project for supporting disabled children in commuting to facilities after school, etc. "Sawayaka Ai-no-ie." As a result of these efforts we now have 177 offices in 100 locations as of the end of this third quarter. 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 third quarter of this consolidated term was 96.1% (93.9% in the same term last year). As a result, sales were 13,363,777 thousand yen (up 11.8% YoY) and segment income was 965,313 thousand yen (down 2.3% YoY).

b. Karaoke Business

For the Karaoke Business segment, we opened one new store and closed two others in December. Accordingly, we have 91 stores as of the end of this third quarter. (93 stores in the same period of the previous year). At existing facilities, 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, the typhoons that landed one after another, etc. As a result, sales were 5,468,636 thousand yen (down 5.0% YoY) and segment income was 629,605 thousand yen (down 6.8% YoY).

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 were closed. Accordingly, the number of stores as of the end of this third 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 1,218,214 thousand yen (down 9.1% YoY) and segment income was 52,729 thousand yen (up 241.6% YoY).

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 156,160 thousand yen (down 68.8% YoY) and segment income was 35,570 thousand yen (down 66.8% 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 170,840 thousand yen (down 11.9% YoY) and segment loss was 40,084 thousand yen (segment loss was 26,723 thousand yen during the same term last year).

(2) Analysis Concerning Financial Situation

Total assets as of the end of the third quarter of this consolidated fiscal year came to 31,805,775 thousand yen, up 1,819,467 thousand yen from the end of the previous consolidated fiscal year.

Current assets came to 15,136,065 thousand yen, up 1,927,154 thousand yen from the end of the previous consolidated fiscal year. This is mainly because notes and accounts receivable-trade and real estate for sale increased and cash and deposit decreased.

Noncurrent assets came to 16,669,710 thousand yen, down 107,686 thousand yen from the end of the previous consolidated fiscal year. This is mainly because buildings and structures, land and property, plant and equipment (other) decreased and investments and other assets (other) increased.

Liabilities as of the end of the third quarter of this consolidated fiscal year came to 15,690,773 thousand yen, up 1,101,482 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities came to 6,611,901 thousand yen, up 141,644 thousand yen from the end of the previous consolidated fiscal year. This is mainly because current portion of long-term loans payable increased and short-term loans payable decreased.

Noncurrent liabilities came to 9,078,871 thousand yen, up 959,838 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 third quarter of this consolidated fiscal year came to 16,115,002 thousand yen, up 717,985 thousand yen from the end of the previous consolidated fiscal year. This is mainly because retained earnings arising from profit attributable to owners of parent increased.

(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)	3Q of FY ending March 31, 2019 (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	9,315,023	8,724,213
Notes and accounts receivable-trade	1,918,111	2,149,383
Merchandise	67,593	90,425
Real estate for sale	989,573	3,169,893
Supplies	372	250
Other	926,367	1,008,535
Allowance for doubtful accounts	(8,132)	(6,634)
Total current assets	13,208,910	15,136,065
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,281,803	6,964,016
Land	3,390,199	3,276,037
Other, net	856,990	774,576
Total property, plant and equipment	11,528,994	11,014,631
Intangible assets	77,423	64,463
Investments and other assets		
Other	5,197,995	5,616,629
Allowance for doubtful accounts	(27,015)	(26,013)
Total investments and other assets	5,170,980	5,590,616
Total noncurrent assets	16,777,397	16,669,710
Total assets	29,986,308	31,805,775
Liabilities		
Current liabilities		
Notes and accounts payable-trade	621,037	706,488
Short-term loans payable	751,004	496,000
Current portion of long-term loans payable	2,300,777	2,666,927
Income taxes payable	269,938	249,923
Provision for bonuses	236,941	137,038
Provision for point card certificates	137,972	100,198
Provision for shareholder benefit program	12,397	-
Asset retirement obligation	17,233	19,795
Other	2,122,955	2,235,531
Total current liabilities	6,470,257	6,611,901
Noncurrent liabilities		
Long-term loans payable	6,549,297	7,774,833
Asset retirement obligation	221,321	210,581
Other	1,348,414	1,093,457
Total noncurrent liabilities	8,119,032	9,078,871
Total liabilities	14,589,290	15,690,773

(Thousands of yen)

	FY ended March 31, 2018 (As of March 31, 2018)	3Q of FY ending March 31, 2019 (As of December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,222,935	2,222,935
Capital surplus	2,666,282	2,664,695
Retained earnings	11,691,849	12,478,116
Treasury stock	(1,166,007)	(1,164,420)
Total shareholders' equity	15,415,060	16,201,326
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(17,799)	(85,852)
Foreign currency translation adjustment	(243)	(471)
Total accumulated other comprehensive income	(18,042)	(86,324)
Total net assets	15,397,017	16,115,002
Liabilities and net assets	29,986,308	31,805,775

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

Consolidated Statements of Income

The third quarter of this consolidated fiscal year

(Thousands of yen)

	3Q of FY ended March 31, 2018 (April 1, 2017 - December 31, 2017)	3Q of FY ending March 31, 2019 (April 1, 2018 - December 31, 2018)
Net sales	19,744,037	20,377,629
Cost of sales	17,474,448	18,246,002
Gross profit	2,269,589	2,131,626
Selling, general and administrative expenses	1,274,549	1,270,483
Operating income	995,039	861,143
Non-operating income		
Interest income	4,231	3,853
Dividend income	1,824	4,124
Commission fee	70,168	98,831
Subsidy income	14,144	105,946
Other	97,811	106,837
Total non-operating income	188,179	319,592
Non-operating expenses		
Interest expenses	55,370	49,803
Other	20,736	21,575
Total non-operating expenses	76,107	71,379
Ordinary income	1,107,111	1,109,356
Extraordinary income		
Gain on sales of non-current assets	258,357	306,517
Gain on sales of investment securities	9,739	-
Insurance income	-	160,332
Gain on negative goodwill	61,238	-
Total extraordinary income	329,335	466,850
Extraordinary loss		
Loss on sales of non-current assets	72,859	44,168
Loss on retirement of non-current assets	769	7
Impairment loss	273,843	53,511
Loss on disaster	-	31,053
Total extraordinary loss	347,472	128,739
Income before income taxes	1,088,973	1,447,467
Income taxes-current	255,349	366,663
Income taxes-deferred	122,783	101,225
Total income taxes	378,132	467,889
Net profit	710,841	979,577
Net profit attributable to owners of parent	710,841	979,577

Consolidated Statements of Comprehensive Income

The third quarter of this consolidated fiscal year

(Thousands of yen)

	3Q of FY ended March 31, 2018 (April 1, 2017 - December 31, 2017)	3Q of FY ending March 31, 2019 (April 1, 2018 - December 31, 2018)
Net income	710,841	979,577
Other comprehensive income		
Valuation difference on available-for-sale securities	4,235	(68,053)
Foreign currency translation adjustment	(368)	(228)
Total other comprehensive income	3,867	(68,281)
Comprehensive income	714,709	911,295
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	714,709	911,295
Comprehensive income attributable to non-controlling interests	-	-

(3) 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."

(Transactions to provide our own shares to employees through a trust)

We introduced a stock benefit trust (J-ESOP) system (hereinafter "this system") incentive plan to offer our own shares to employees (including the employees of our subsidiaries; hereinafter the same) at a Board of Directors' meeting held on August 10, 2018. This aims to further enhance the interrelation between our stock price and performance and the treatment of our employees while improving their motivation to improve our performance.

(1) Overview of transactions

This system is a mechanism to offer our own shares to employees who satisfy certain requirements based on the stock benefit regulations we have established in advance. We have acquired the shares to be offered to our employees, including those for the future, through a trust (hereinafter "this trust") we established in advance. We are managing these shares separately as trust assets.

(2) Our own shares remaining in the trust

We have recorded our own shares remaining in the trust as treasury stock under net assets according to their book value (excluding the amount of incidental expenses) in the trust. The applicable treasury stock book value is 35,137 thousand yen and the number of shares is 72,150 as of the end of the third quarter of this consolidated fiscal year.

(Segment information, etc.)

I. Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 - December 31, 2017)

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

(Thousands of yen)

	Reporting segments					Other businesses (Note) *1	Total	Adjustment amount (Note) *2	Consolidated statements of income amount (Note) *3
	Nursing Care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	11,954,926	5,755,394	1,339,941	499,768	19,550,031	194,006	19,744,037	-	19,744,037
Internal sales or transferred amount among the segments	-	5,937	39,668	1,724	47,330	-	47,330	(47,330)	-
Total	11,954,926	5,761,331	1,379,610	501,493	19,597,362	194,006	19,791,368	(47,330)	19,744,037
Segment income (loss)	988,533	675,598	15,438	106,993	1,786,564	(26,723)	1,759,840	(764,801)	995,039

(Note)

1. The classification "other businesses" refers to business segments that are not included in reporting segments, and includes hotel business.

2. The segment income (loss) adjustment amount, -764,801 thousand yen, includes 361,517 thousand yen in elimination of intersegment transactions and -1,126,318 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)

We recorded an impairment loss of 215,260 thousand yen in the Karaoke Business segment and an impairment loss of 58,582 thousand yen in the Restaurant Business segment in the third quarter of this consolidated term.

(Important gain on negative goodwill)

We recorded a gain on negative goodwill of 61,238 thousand yen in the third quarter of this consolidated term, because in the Nursing Care Business segment we acquired one nursing care facility in Chiba City, Chiba Prefecture on October 1, 2017 that had been operated by Kurashi-no-sato, Ltd.

II. Cumulative period through the consolidated third quarter of current fiscal year (April 1 - December 31, 2018)

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

(Thousands of yen)

	Reporting segments					Other businesses (Note) *1	Total	Adjustment amount (Note) *2	Consolidated statements of income amount (Note) *3
	Nursing Care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	13,363,777	5,468,636	1,218,214	156,160	20,206,788	170,840	20,377,629	-	20,377,629
Internal sales or transferred amount among the segments	-	7,861	38,857	900	47,619	-	47,619	(47,619)	-
Total	13,363,777	5,476,498	1,257,072	157,060	20,254,408	170,840	20,425,248	(47,619)	20,377,629
Segment income (loss)	965,313	629,605	52,729	35,570	1,683,219	(40,084)	1,643,135	(781,991)	861,143

(Note)

1. The classification "other businesses" refers to business segments that are not included in reporting segments, and includes hotel business.
2. The segment income (loss) adjustment amount, -781,991 thousand yen, includes 362,971 thousand yen in elimination of intersegment transactions and -1,144,962 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)

We recorded an impairment loss of 34,902 thousand yen in the Karaoke Business segment and an impairment loss of 18,608 thousand yen in the Restaurant Business segment in the third quarter of this consolidated term.