

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 [Japanese GAAP] (Consolidated)

February 12, 2020
Stock Listing: TSE

Name of Listed Company: UCHIYAMA HOLDINGS INC.
Code Number: 6059 URL: <http://www.uchiyaama-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 Dividend Payment Start: -
Scheduled Date of Financial Statements Filing: February 13, 2020
Supplementary materials for Financial Results: No
Investor conference for Financial Results: No

(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, 2020 (April 1, 2019 – December 31, 2019)

(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 2020 3Q	23,566	15.7	1,211	40.7	1,397	25.9	902	(7.9)
FY 2019 3Q	20,377	3.2	861	(13.5)	1,109	0.2	979	37.8

(Note) Comprehensive income FY 2020 3Q: ¥964 million (5.8%) FY 2019 3Q: ¥911 million (27.5 %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2020 3Q	46.68	-
FY 2019 3Q	50.67	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY 2020 3Q	30,144	16,999	56.4
FY 2019	30,072	16,229	54.0

(Reference) Equity capital: FY 2020 3Q: ¥16,999 million FY 2019: ¥16,229 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 2019	-	5.00	-	5.00	10.00
FY 2020	-	5.00	-	-	-
FY 2020 (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, 2020 (April 1, 2019 - March 31, 2020)

(% 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	30,873	13.5	1,909	86.1	1,899	43.2	1,244	12.9	64.38

(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 2020 3Q	21,618,800 shares	FY 2019	21,618,800 shares
2) Number of treasury stock at end of term	FY 2020 3Q	2,287,777 shares	FY 2019	2,287,777 shares
3) Average number of shares	FY 2020 3Q	19,331,023 shares	FY 2019 3Q	19,331,024 shares

Note: The shares in the Company possessed by Trust & Custody Services Bank, Ltd. (Trust E) as a trust asset of the “stock benefit trust (J-ESOP)” (fiscal year ending March 31, 2020 3Q: 72,150 shares / fiscal year ended March 31, 2019: 72,150 shares) are included in the number of treasury stock at end of term. In addition, the shares in the Company possessed by Trust & Custody Services Bank, Ltd. (Trust E) are included in the treasury stocks to be deducted in the calculation of the average number of shares during the fiscal year (fiscal year ending March 31, 2020 3Q: 72,150 shares / fiscal year ended March 31, 2019 3Q: 7,608 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 4 of the Appendix.
- A meeting for explaining the businesses and results to individual investors will be held when necessary. For the schedule of the meeting, etc., please see the website of the Company.

oTable of contents of the appendix

1. Analysis Concerning Results of Operations and Financial Condition	2
(1) Analysis Concerning Results of Operations.....	2
(2) Analysis Concerning Financial Situation	3
(3) Analysis Concerning Future Forecasts Including Consolidated Financial Projections	3
2. Consolidated Financial Statements.....	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
(3) Notes Regarding Consolidated Financial Statements.....	8
(Notes regarding premise of a going concern).....	8
(Notes on significant changes in the amount of shareholders' equity).....	8
(Additional information)	8
(Segment information, etc.).....	9

1. Analysis Concerning Results of Operations and Financial Condition

(1) Analysis Concerning Results of Operations

The Japanese economy during the current consolidated cumulative third quarter was rebounding slowly in general thanks to the improved corporate earnings and employment environment; however, there is a risk of a downturn in the economy due to US-China trade friction and the unstable situation in the Middle East. Therefore, the outlook for the future remains uncertain.

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 23,566,841 thousand yen (up 15.7% Year-on-Year (YoY)), operating income was 1,211,904 thousand yen (up 40.7% YoY), ordinary income was 1,397,097 thousand yen (up 25.9% YoY), and profit attributable to owners of parent was 902,458 thousand yen (down 7.9% YoY).

The results of each segment were as follows.

a. Nursing Care Business

In the Nursing Care Business, we opened a new fee-charging retirement home with nursing care and a new home-visit nursing station. As a result, we have 181 sales bases in 103 locations as of the end of this third quarter. Regarding the existing facilities, we promoted the cementing of cooperation with nearby hospitals and home care support offices by visiting them in an effort to reduce the number of vacant rooms at its facilities. Furthermore, we strived to improve its service level through employee education and training.

In addition, we continued to promote industry-academia-government collaboration in this consolidated fiscal year. We strived to train in-house qualified oral care certified persons in cooperation with Kyushu Dental University. Improving oral care promotes the prevention of diseases such as aspiration pneumonia.

We conducted nursing care staff behavior analysis verification tests using IoT technology in cooperation with Kyushu Institute of Technology. We would also like to utilize AI to contribute to the reform in the work styles of personnel based on the results of these experiments.

We have developed a resident information collection tool called a life map under the theme of making life worthwhile in cooperation with Kyushu University. We are working to utilize that to further enrich lives after entering facilities.

Currently, we are stepping up activities in order to make the life map available in a wider area.

The average occupancy ratio of existing facilities was 94.2% for this third quarter (which was 96.1% in the same period of a year earlier). As a result, sales were 14,241,310 thousand yen (up 6.6% YoY) and segment income was 973,883 thousand yen (up 0.9% YoY).

b. Karaoke Business

In the Karaoke Business, we newly opened three stores and closed three stores in the current third quarter. As a result, the number of stores is 91 as of the end of the third quarter of this consolidated fiscal year (91 stores in the same period of a year earlier). We increased repeat customers in our existing facilities. We did this by proactively sending customers coupons utilizing social networking services. However, successive natural disasters occurred. Heavy rains fell on the northern part of Kyushu in August and a large typhoon directly hit the Tokyo metropolitan area in September. In addition to this, the Rugby World Cup 2019 was held in Japan from September to November. This attracted a great deal of attention from people. Furthermore, this period overlapped with the consumption tax hike in October. Accordingly, customer traffic slowed down. As a result, sales were 5,234,861 thousand yen (down 4.3% YoY) and segment income was 522,970 thousand yen (down 16.9% YoY).

c. Restaurant Business

For the Restaurant Business, we closed one store. Accordingly, the number of stores as of the end of the third quarter of this consolidated fiscal year is 16 inside Japan, and 2 outside Japan. In terms of sales, we saw a slowdown in the attraction of customers due to the impact of the Rugby World Cup and the natural disasters in the same way as in our Karaoke Business. As a result, sales were 1,014,853 thousand yen (down 16.7% YoY) and segment income was 31,763 thousand yen (down 39.8% YoY).

d. Real Estate Business

In the Real Estate Business, both sales and profit significantly grew owing to the large-scale real estate for sale that the company sold and other factors. As a result, sales were 2,912,859 thousand yen (156,160 thousand yen at the same period of the previous year) and segment income was 546,481 thousand yen (35,570 thousand yen at the same period of the previous year).

e. Other businesses

In the other businesses segment, the company made efforts to increase guests, secure bookings for parties, promote day trips for bathing, etc. in the hotel business. Nevertheless, the number of customers we attracted decreased. This was due to the impact of the natural disasters in the same way as with the Karaoke Business and Restaurant Business. As a result, sales were 162,956 thousand yen (down 4.6% YoY) and segment loss was 55,653 thousand yen (segment loss was 40,084 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 30,144,770 thousand yen, up 72,735 thousand yen from the end of the previous consolidated fiscal year.

Current assets came to 15,570,624 thousand yen, up 21,093 thousand yen from the end of the previous consolidated fiscal year. This is mainly because cash and deposit, notes and accounts receivable-trade and current assets (other) increased and real estate for sale decreased.

Noncurrent assets came to 14,574,146 thousand yen, up 51,641 thousand yen from the end of the previous consolidated fiscal year. This is mainly because land and property, plant and equipment (other) increased, and buildings and structures and investments and other assets (other) decreased.

Liabilities as of the end of the third quarter of this consolidated fiscal year came to 13,144,844 thousand yen, down 697,290 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities came to 6,422,968 thousand yen, down 333,880 thousand yen from the end of the previous consolidated fiscal year. This is mainly because current portion of long-term loans payable, income taxes payable and provision for bonuses decreased and short-term loans payable increased.

Noncurrent liabilities came to 6,721,876 thousand yen, down 363,409 thousand yen from the end of the previous consolidated fiscal year. This is mainly because long-term loans payable and noncurrent liabilities (other) decreased.

Net assets as of the end of the third quarter of this consolidated fiscal year came to 16,999,925 thousand yen, up 770,026 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.

(3) Analysis Concerning Future Forecasts Including Consolidated Financial Projections

As for the consolidated financial projections for the term ending March 2020, there are no changes to the estimated values announced on May 10, 2019.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2019 (As of March 31, 2019)	3Q of FY ending March 31, 2020 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	9,159,666	11,007,960
Notes and accounts receivable-trade	2,088,868	2,284,034
Merchandise	53,667	86,363
Real estate for sale	3,255,629	1,040,569
Supplies	262	407
Other	997,447	1,159,907
Allowance for doubtful accounts	(6,010)	(8,618)
Total current assets	15,549,530	15,570,624
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,484,524	5,398,421
Land	2,776,844	2,837,232
Other, net	566,688	791,967
Total property, plant and equipment	8,828,058	9,027,621
Intangible assets	62,003	51,836
Investments and other assets		
Other	5,655,066	5,516,443
Allowance for doubtful accounts	(22,624)	(21,755)
Total investments and other assets	5,632,442	5,494,688
Total noncurrent assets	14,522,504	14,574,146
Total assets	30,072,034	30,144,770
Liabilities		
Current liabilities		
Notes and accounts payable-trade	632,235	701,596
Short-term loans payable	357,000	940,000
Current portion of bonds	60,000	90,000
Current portion of long-term loans payable	2,673,723	2,254,818
Income taxes payable	445,158	73,727
Provision for bonuses	241,764	119,703
Provision for point card certificates	89,429	105,154
Provision for shareholder benefit program	13,095	-
Asset retirement obligation	16,411	-
Other	2,228,031	2,137,969
Total current liabilities	6,756,849	6,422,968
Noncurrent liabilities		
Bonds payable	240,000	180,000
Long-term loans payable	5,612,131	5,441,865
Asset retirement obligation	212,532	216,856
Provision for stock benefit	-	2,503
Other	1,020,622	880,652
Total noncurrent liabilities	7,085,286	6,721,876
Total liabilities	13,842,135	13,144,844

(Thousands of yen)

	FY ended March 31, 2019 (As of March 31, 2019)	3Q of FY ending March 31, 2020 (As of December 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,222,935	2,222,935
Capital surplus	2,664,695	2,664,695
Retained earnings	12,600,748	13,309,175
Treasury stock	(1,164,420)	(1,164,420)
Total shareholders' equity	16,323,959	17,032,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(94,272)	(31,856)
Foreign currency translation adjustment	212	(603)
Total accumulated other comprehensive income	(94,059)	(32,460)
Total net assets	16,229,899	16,999,925
Liabilities and net assets	30,072,034	30,144,770

(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, 2019 (April 1, 2018 - December 31, 2018)	3Q of FY ending March 31, 2020 (April 1, 2019 - December 31, 2019)
Net sales	20,377,629	23,566,841
Cost of sales	18,246,002	21,080,012
Gross profit	2,131,626	2,486,828
Selling, general and administrative expenses	1,270,483	1,274,924
Operating income (loss)	861,143	1,211,904
Non-operating income		
Interest income	3,853	5,491
Dividends income	4,124	23,293
Commission fee	98,831	80,648
Insurance income	31,412	60,995
Subsidy income	105,946	67,746
Other	75,425	38,193
Total non-operating income	319,592	276,367
Non-operating expenses		
Interest expenses	49,803	46,062
Loss on disaster	-	22,396
Other	21,575	22,715
Total non-operating expenses	71,379	91,174
Ordinary income	1,109,356	1,397,097
Extraordinary income		
Gain on sales of noncurrent assets	306,517	-
Insurance income	160,332	-
Total extraordinary income	466,850	-
Extraordinary loss		
Loss from the sale of noncurrent assets	44,168	-
Loss on retirement of noncurrent assets	7	11,000
Impairment loss	53,511	-
Loss on disaster	31,053	-
Total extraordinary loss	128,739	11,000
Income before income taxes	1,447,467	1,386,097
Income taxes-current	366,663	322,971
Income taxes-deferred	101,225	160,667
Total income taxes	467,889	483,638
Net income	979,577	902,458
Net profit attributable to owners of parent	979,577	902,458

Consolidated Statements of Comprehensive Income

The third quarter of this consolidated fiscal year

(Thousands of yen)

	3Q of FY ended March 31, 2019 (April 1, 2018 - December 31, 2018)	3Q of FY ending March 31, 2020 (April 1, 2019 - December 31, 2019)
Net income	979,577	902,458
Other comprehensive income		
Valuation difference on available-for-sale securities	(68,053)	62,415
Foreign currency translation adjustment	(228)	(816)
Total other comprehensive income	(68,281)	61,599
Comprehensive income	911,295	964,058
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	911,295	964,058
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)

(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 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 are 35,137 thousand yen and 35,137 thousand yen as of the end of the previous consolidated fiscal year and as of the end of the third quarter of this consolidated fiscal year, respectively, and the number of shares is 72,150 and 72,150 as of the end of the previous consolidated fiscal year and as of the end of the third quarter of this consolidated fiscal year, respectively.

(Segment information, etc.)

[Segment information]

I. Cumulative period through the consolidated third quarter of the previous 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*2	Consolidated statements of income amount*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) adjustments 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

(Significant impairment of noncurrent assets)

In the current consolidated cumulative third quarter, the company recorded impairment loss of 34,902 thousand yen in the “Karaoke Business” segment and that of 18,608 thousand yen in the “Restaurant Business” segment.

II. Cumulative period through the consolidated third quarter of current fiscal year (April 1 - December 31, 2019)

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*2	Consolidated statements of income amount*3
	Nursing Care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	14,241,310	5,234,861	1,014,853	2,912,859	23,403,884	162,956	23,566,841	-	23,566,841
Internal sales or transferred amount among the segments	-	8,214	38,523	900	47,638	3	47,641	(47,641)	-
Total	14,241,310	5,243,075	1,053,376	2,913,759	23,451,523	162,959	23,614,482	(47,641)	23,566,841
Segment income (loss)	973,883	522,970	31,763	546,481	2,075,098	(55,653)	2,019,445	(807,540)	1,211,904

(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) adjustments amount, -807,540 thousand yen, includes 402,291 thousand yen in elimination of intersegment transactions and -1,209,832 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

Nothing is applicable.