

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 [Japanese GAAP] (Consolidated)

February 10, 2021
Stock Listing: TSE

Name of Listed Company: UCHIYAMA HOLDINGS INC.
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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 First three quarters of the Fiscal Year Ending March 31, 2021 (Apr. 1, 2020 – Dec. 31, 2020)

(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	%
First three quarters ended Dec. 2020	17,972	(23.7)	(658)	-	(399)	-	(1,632)	-
First three quarters ended Dec. 2019	23,566	15.7	1,211	40.7	1,397	25.9	902	(7.9)

(Note) Comprehensive income First three quarters of FY 2021: ¥(1,609) million [-%]
First three quarters of FY 2020: ¥964 million [5.8%]

	Net income per share	Diluted net income per share
	Yen	Yen
First three quarters ended Dec. 2020	(84.44)	-
First three quarters ended Dec. 2019	46.68	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	29,849	14,274	47.8
As of March 31, 2020	29,622	16,078	54.3

(Reference) Equity capital: As of December 31, 2020: ¥14,274 million As of March 31, 2020: ¥16,078 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 2020	-	5.00	-	5.00	10.00
FY 2021	-	5.00			
FY 2021 (forecast)			-		

(Note) 1. Changes from the latest dividend forecast: None
2. Year-end dividends for FY 2021 are still to be determined. We will announce them as soon as estimations become possible.

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(% 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	23,913	(21.1)	(1,200)	-	(938)	-	-	-	-

(Note) Changes from the latest financial forecast: Yes

For more information about the changes in forecast of consolidated results of operations, please see the press release dated today (February 10, 2021) titled "Notice of Reversal of Deferred Tax Assets and Announcement of Forecast of Financial Results."

*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 shares outstanding (including treasury stock)	As of Dec. 31, 2020	21,618,800 shares	As of Mar. 31, 2020	21,618,800 shares
2) Number of treasury shares	As of Dec. 31, 2020	2,287,777 shares	As of Mar. 31, 2020	2,287,777 shares
3) Average number of shares	Period ended Dec. 31, 2020	19,331,023 shares	Period ended Dec. 31, 2019	19,331,023 shares

Note: The shares in the Company possessed by Custody Bank of Japan, Ltd. (Trust E) as a trust asset of the “stock benefit trust (J-ESOP)” (as of Dec. 31, 2020: 72,150 shares / as of Mar. 31, 2020: 72,150 shares) are included in the number of treasury shares at the end of the term. In addition, the shares in the Company possessed by Custody Bank of Japan, Ltd. (Trust E) are included in the treasury shares to be deducted in the calculation of the average number of shares during the period (period ended Dec. 31, 2020: 72,150 shares / period ended Dec. 31, 2019: 72,150 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.

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1. Analysis Concerning Results of Operations and Financial Condition

(1) Analysis of Results of Operations

In the first three quarters of the current fiscal year, there was a rapid downturn of the Japanese economy because of the impact of the global COVID-19 pandemic on economic activity. The economy briefly showed signs of a recovery after the end of the state of emergency in May. However, a new wave of infections started late in 2020 and it is still impossible to predict when this crisis will end. As a result, the outlook remains uncertain.

In all business segments, the Uchiyama Group is placing the highest priority on measures to prevent COVID-19 infections while taking actions that take into account the effects of this crisis on business operations. There were also measures to improve efficiency by cutting costs in order to stabilize sales and earnings.

In the fiscal year's first three quarters, sales were down 23.7% from one year earlier to 17,972,126 thousand yen. There was an operating loss of 658,358 thousand yen compared with an operating income of 1,211,904 thousand yen one year earlier, an ordinary loss of 399,825 thousand yen compared with an ordinary income of 1,397,097 thousand yen one year earlier, and a loss attributable to owners of parent of 1,632,291 thousand yen compared with a profit attributable to owners of parent of 902,458 thousand yen one year earlier.

Business segment performance was as follows.

a. Nursing Care Business

During the first three quarters, one new location was opened in April for daycare services of after-school assistance for children with disabilities, and two fee-based nursing care facilities for seniors opened in May. As a result, there were 185 business sites at 107 locations as of the end of the third quarter.

This business has been using collaboration with academic institutions and governments for many years. Although we have refrained from vigorous business activities because of COVID-19, we will continue to conduct effective activities as much as possible.

Nursing care facilities are conducting activities to attract new residents while using thorough communications with individuals and their families, hospitals and other parties in order to ensure the safety of everyone who relocates to one of our facilities. As a result, the occupancy ratio remained stable. The average occupancy ratio at existing facilities during the first three quarters was 95.1% compared with 94.2% one year earlier.

To lower expenses, we hired more full-time employees while reducing the percentage of personnel from temporary staffing companies and took other actions. Segment sales increased 5.5% from one year earlier to 15,021,608 thousand yen and segment income increased 27.2% to 1,239,191 thousand yen.

b. Karaoke Business

The business climate for this business was extremely challenging because of government requests for people to stay home and for businesses to reduce operating hours due to COVID-19. Even after the end of these requests, the recovery in the number of customers was slow because people were afraid of a third wave of infections and for other reasons. Karaoke locations are continuing to use rigorous measures to prevent COVID-19 infections in order to provide customers with a safe environment. Due to these challenges, segment sales fell 53.1% from one year earlier to 2,456,377 thousand yen and there was a segment loss of 925,158 thousand yen compared with segment income of 522,970 thousand yen one year earlier. During the first three quarters, the Karaoke business opened two stores and closed five, resulting in 88 stores at the end of the third quarter.

c. Restaurant Business

Three restaurants were closed during the first three quarters, resulting in 13 restaurants in Japan and two outside Japan at the end of the third quarter. As in the Karaoke business, the operating environment for restaurants continues to be very difficult because of COVID-19. As a result, sales were down 72.6% from one year earlier to 278,168 thousand yen and there was a loss of 176,549 thousand yen compared with income of 31,763 thousand yen one year earlier.

d. Real Estate Business

There was a large sale of real estate for sale in the first three quarters of the previous fiscal year but no large transaction of properties during the first three quarters of the current fiscal year. As a result, brokerage services for rental properties were the primary component of operations as usual in this business. Consequently, sales were down 95.9% from one year earlier to 120,215 thousand yen and the segment income fell 96.2% to 20,512 thousand yen.

e. Other businesses

In the hotel business, there was a downturn in hotel demand because the Japanese government temporarily suspended the Go To Travel campaign on December 28, 2020, which had started in July 2020, because of increasing COVID-19 infections. The number of people using hotels for daytime banquets also decreased. As a result, segment sales decreased 41.2% to 95,755

thousand yen and the segment loss increased to 75,043 thousand yen from 55,653 thousand yen one year earlier.

(2) Analysis of Financial Condition

Total assets were 29,849,624 thousand yen at the end of the third quarter, 227,333 thousand yen more than at the end of the previous fiscal year. Current assets increased 124,790 thousand yen to 15,200,018 thousand yen. Accounts receivable-trade and other current assets increased and cash and deposits decreased.

Noncurrent assets increased 102,543 thousand yen to 14,649,606 thousand yen. There were increases in buildings and structures and other property, plant and equipment and a decrease in other investments and other assets.

Liabilities increased 2,030,630 thousand yen to 15,574,716 thousand yen.

Current liabilities increased 95,925 thousand yen to 6,394,159 thousand yen. The current portion of long-term borrowings and other current liabilities increased and short-term borrowings and the provision for bonuses decreased.

Noncurrent liabilities increased 1,934,705 thousand yen to 9,180,557 thousand yen, which included an increase in long-term borrowings and a decrease in bonds payable.

Net assets decreased 1,803,297 thousand yen to 14,274,908 thousand yen at the end of the third quarter mainly because of a decrease in retained earnings caused by dividend payments and the loss attributable to owners of parent.

(3) Analysis Concerning Future Forecasts Including Consolidated Financial Projections

A forecast for consolidated results of operations for the fiscal year ending in March 2021 has been announced. Prior to this announcement, there was no forecast because it was impossible to determine the effects of the COVID-19 crisis. For information about the forecast and its reasons, please see the press release dated today titled "Notice of Reversal of Deferred Tax Assets and Announcement of Forecast of Financial Results."

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2020 (As of March 31, 2020)	3Q of FY ending March 31, 2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	10,678,737	10,433,267
Accounts receivable - trade	2,205,597	2,280,588
Merchandise	48,657	55,916
Real estate for sale	1,040,569	1,041,185
Supplies	317	305
Other	1,111,685	1,388,784
Allowance for doubtful accounts	(10,337)	(29)
Total current assets	15,075,227	15,200,018
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,638,414	5,145,653
Land	2,505,871	2,581,266
Other, net	1,340,803	1,531,755
Total property, plant and equipment	8,485,089	9,258,675
Intangible assets	56,258	47,376
Investments and other assets		
Other	6,027,151	5,371,310
Allowance for doubtful accounts	(21,435)	(27,755)
Total investments and other assets	6,005,715	5,343,554
Total noncurrent assets	14,547,062	14,649,606
Total assets	29,622,290	29,849,624

(Thousands of yen)

	FY ended March 31, 2020 (As of March 31, 2020)	3Q of FY ending March 31, 2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	587,223	558,636
Short-term borrowings	1,079,600	758,700
Current portion of bonds payable	60,000	60,000
Current portion of long-term borrowings	2,274,206	2,687,006
Income taxes payable	199,758	156,153
Provision for bonuses	300,658	151,552
Provision for point card certificates	106,564	114,575
Provision for shareholder benefit program	15,810	-
Asset retirement obligations	-	29,569
Other	1,674,413	1,877,966
Total current liabilities	6,298,234	6,394,159
Noncurrent liabilities		
Bonds payable	180,000	150,000
Long-term borrowings	5,927,609	7,906,276
Asset retirement obligations	222,031	209,505
Provision for share-based remuneration	2,503	3,511
Other	913,707	911,265
Total noncurrent liabilities	7,245,851	9,180,557
Total liabilities	13,544,085	15,574,716
Net assets		
Shareholders' equity		
Share capital	2,222,935	2,222,935
Capital surplus	2,664,695	2,664,695
Retained earnings	12,409,369	10,583,045
Treasury shares	(1,164,420)	(1,164,420)
Total shareholders' equity	16,132,579	14,306,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(53,206)	(32,158)
Foreign currency translation adjustment	(1,168)	810
Total accumulated other comprehensive income	(54,374)	(31,347)
Total net assets	16,078,205	14,274,908
Liabilities and net assets	29,622,290	29,849,624

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

Quarterly Consolidated Statements of Income

For the first three quarters

(Thousands of yen)

	First Three quarters ended March 31, 2020 (April 1, 2019 - December 31, 2019)	First Three quarters ended March 31, 2021 (April 1, 2020 - December 31, 2020)
Net sales	23,566,841	17,972,126
Cost of sales	21,080,012	17,402,724
Gross profit	2,486,828	569,401
Selling, general and administrative expenses	1,274,924	1,227,760
Operating income (loss)	1,211,904	(658,358)
Non-operating income		
Interest income	5,491	7,971
Dividend income	23,293	34,176
Insurance claim income	60,995	90,128
Subsidy income	67,746	99,052
Other	118,841	111,399
Total non-operating income	276,367	342,727
Non-operating expenses		
Interest expenses	46,062	43,890
Loss on disaster	22,396	31,716
Other	22,715	8,588
Total non-operating expenses	91,174	84,194
Ordinary income (loss)	1,397,097	(399,825)
Extraordinary income		
Gain on sales of noncurrent assets	-	89,177
Gain on sales of investment securities	-	942
Gain on insurance claims	-	39,350
Subsidy income* ¹	-	60,671
Total extraordinary income	-	190,140
Extraordinary loss		
Loss on retirement of noncurrent assets	11,000	-
Impairment loss	-	144,762
Loss resulting from temporary closure, etc.* ²	-	289,166
Total extraordinary loss	11,000	433,929
Income (loss) before income taxes	1,386,097	(643,614)
Income taxes-current	322,971	259,846
Income taxes-deferred	160,667	728,831
Total income taxes	483,638	988,677
Net income (loss)	902,458	(1,632,291)
Net profit (loss) attributable to owners of parent	902,458	(1,632,291)

Quarterly Consolidated Statements of Comprehensive Income

For the first three quarters

	(Thousands of yen)	
	First Three quarters ended March 31, 2020 (April 1, 2019 - December 31, 2019)	First Three quarters ended March 31, 2021 (April 1, 2020 - December 31, 2020)
Net income (loss)	902,458	(1,632,291)
Other comprehensive income		
Valuation difference on available-for-sale securities	62,415	21,047
Foreign currency translation adjustment	(816)	1,979
Total other comprehensive income	61,599	23,026
Comprehensive income	964,058	(1,609,265)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	964,058	(1,609,265)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Nothing is applicable.

(Notes on significant change in shareholders' equity)

Nothing is applicable.

(Additional information)

(Accounting estimates concerning the COVID-19 pandemic)

Amid the COVID-19 pandemic, sales have decreased in the Karaoke business and Restaurant business due to decline in customer traffic mainly because of temporary closings and reduced operating hours of stores and restaurants. Consequently, for accounting estimates (recognition and measurement of impairment loss of noncurrent assets and determination of the recoverability of deferred tax assets), future profits and losses and cash flows are estimated by using assumptions concerning the outlook for the end of requests to stay home, prospects for the end of consumers' fear of the pandemic and for an improvement in consumer sentiment, and other aspects of the COVID-19 pandemic.

In the additional information section of the Securities Report for the fiscal year ended March 2020, the Uchiyama Group stated that estimates concerning future operations include the assumption that the Karaoke business and Restaurant business would be affected by the COVID-19 pandemic as consumers remain wary of infections until the end of September 2020. Furthermore, the recovery of consumer sentiment which was expected to begin in October was expected to progress slowly. These assumptions were reflected in the outlook for the period up to the end of March 2021. Due to the subsequent increase in infections, however, we now believe that more time will be needed for a recovery in consumer sentiment. We have therefore revised our assumption and currently expect the effects of the pandemic to continue for some time into the fiscal year ending in March 2022.

The Uchiyama Group prepares the best possible estimates by using information that is currently available. If actual events differ from the assumptions used for accounting estimates, there may be an effect on the group's financial condition, results of operations and cash flows.

(Notes on consolidated statements of income)

*1 Subsidy income

We have temporarily closed or shortened business hours of stores in response to requests from the government and local governments to contain the spread of the COVID-19 pandemic.

The government has provided subsidies under its Employment Adjustment program for leave allowances to cover wages for shortened business hours and temporary closures of our stores. The company received 60,671 thousand yen in subsidy. It is accounted as extraordinary income.

*2 Loss resulting from temporary closure, etc.

We have temporarily closed or shortened business hours of stores in response to requests from the government and local governments to contain the spread of the COVID-19 pandemic.

The fixed costs incurred during the temporary closure (personnel costs, rents, depreciation, etc.) of 289,166 thousand yen are posted as loss resulting from temporary closure, etc. in extraordinary loss.

(Segment information, etc.)

[Segment information]

I. First three quarters of the previous fiscal year (April 1 - December 31, 2019)

1. Information on sales and income or loss for each reporting 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	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

(Notes) 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 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 loss of noncurrent assets, goodwill, etc. for each reporting segment

Nothing is applicable.

II. First three quarters of the current fiscal year (April 1 - December 31, 2020)

1. Information on sales and income or loss for each reporting 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	15,021,608	2,456,377	278,168	120,215	17,876,370	95,755	17,972,126	-	17,972,126
Internal sales or transferred amount among the segments	-	422	33,860	900	35,182	-	35,182	(35,182)	-
Total	15,021,608	2,456,799	312,029	121,115	17,911,553	95,755	18,007,308	(35,182)	17,972,126
Segment income (loss)	1,239,191	(925,158)	(176,549)	20,512	157,996	(75,043)	82,953	(741,312)	(658,358)

(Notes) 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, -741,312 thousand yen includes 377,752 thousand yen in elimination of intersegment transactions and -1,119,065 thousand yen in company-wide expenses that are not allocated to reporting segments. The company-wide expenses are mainly 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 loss of noncurrent assets, goodwill, etc. for each reporting segment

(Significant impairment loss in noncurrent assets)

We booked a 104,319 thousand yen of impairment loss in the Karaoke business and a 40,443 thousand yen of impairment loss in the Restaurant business in the first three quarters of the current fiscal year.