

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018 [Japanese GAAP] (Consolidated)

November 13, 2017
Stock Listing: TSE

Name of Listed Company: UCHIYAMA HOLDINGS INC.
Code Number: 6059 URL: <http://www.uchiya-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: December 4, 2017
Scheduled Date of Financial Statements Filing: November 14, 2017
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, 2018 (April 1, 2017 – September 30, 2017)

(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 2018 2Q	13,100	7.9	576	166.8	669	91.3	442	111.4
FY 2017 2Q	12,135	3.5	216	182.1	350	118.3	209	(53.0)

(Note) Comprehensive income FY 2018 2Q: ¥448 million (120.8 %) FY 2017 2Q: 203 million (-47.2 %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2018 2Q	22.91	—
FY 2017 2Q	10.79	10.77

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY 2018 2Q	31,486	15,147	48.1
FY 2017	30,355	14,794	48.7

(Reference) Equity capital: FY 2018 2Q: ¥15,147 million FY 2017: ¥14,794 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 2017	—	5.00	—	5.00	10.00
FY 2018	—	5.00			
FY 2018 (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, 2018 (April 1, 2017 – March 31, 2018)

(% 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	26,810	5.9	1,120	44.2	1,081	7.2	702	—	36.32

(Note) 1 Changes from the latest financial forecast: None

2 Since the year-on-year growth rate of annual profit attributable to owners of parent for the term ending March 2018 exceeds 100%, “—” is used.

*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 2018 2Q	21,618,800 shares	FY 2017	21,618,800 shares
2) Number of treasury stock at end of term	FY 2018 2Q	2,287,776 shares	FY 2017	2,287,776 shares
3) Average number of shares	FY 2018 2Q	19,331,024 shares	FY 2017 2Q	19,408,894 shares

* Summary of financial results is out of scope of quarterly review.

* 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. 22, 2017. 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.

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	4
2. Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
(3) Consolidated Statements of Cash Flows	9
(4) Notes Regarding Consolidated Financial Statements.....	11
(Notes regarding premise of a going concern).....	11
(Notes on significant changes in the amount of shareholders' equity).....	11
(Segment information, etc.).....	11
(Significant subsequent events).....	13

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 the growth of the favorable cycle due to the improvement in the employment and income environments, etc. In addition, the global economy is gently recovering, thanks to the thriving U.S. economy, but there are many uncertainties in overseas circumstances, including the trends of governmental policies in Europe and the U.S. and the risk of a military clash in North Korea and Syria, 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 13,100,349 thousand yen (up 7.9% Year-on-Year (YoY)), operating income was 576,755 thousand yen (up 166.8% YoY), ordinary income was 669,821 thousand yen (up 91.3% YoY), and profit attributable to owners of patent was 442,858 thousand yen (up 111.4% YoY).

The results of each segment were as follows.

1) Nursing Care Business

For the Nursing Care Business segment, we opened “Sawayaka Seaside Kukinoumi,” a fee-charging nursing home, in June and established 3 facilities of “Sawayaka Ai-no-ie,” a day service centers for after school support for children with disabilities. As a result, the number of sales footholds as of the end of the second quarter is 84 (156 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 93.4% (91.8% in the same term last year). As a result, sales were 7,879,466 thousand yen (up 11.9% YoY) and segment income was 664,093 thousand yen (up 30.3% YoY).

2) Karaoke Business

For the Karaoke Business segment, we tried to increase customers by utilizing an online portal site actively, and promoted customers to subscribe to smartphone services, to increase repeat customers. We also strived to reduce cost through appropriate staffing and the streamlining of business operation. As a result, sales were 3,776,694 thousand yen (down 5.6% YoY) and segment income was 365,711 thousand yen (up 46.4% 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 94 as of the end of this quarter.

3) Restaurant Business

For the Restaurant Business segment, one existing store changed its business type, one karaoke shop changed its business type to a restaurant, and closed three stores. Accordingly, the number of stores as of the end of this second quarter is 21 inside Japan, and 3 outside Japan. The number of customers at existing stores was stable. As a new type of store, we opened the highball-specialized store “Highball Bar Gintengai 1923” in Kokurakita-ku, Kitakyushu-shi, to create new demand. As a result, sales were 870,005 thousand yen (down 1.4% YoY) and segment loss was 8,767 thousand yen (segment loss was 33,369 thousand yen during the same term last year).

4) 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. Mainly because the sale of real estate for sale progressed, sales were 447,987 thousand yen (up 347.4% YoY) and segment income was 93,376 thousand yen (up 247.7% YoY).

5) 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. As a result, sales were 126,194 thousand yen (up 13.4% YoY) and segment loss was 18,372 thousand yen (segment loss was 14,381 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 31,486,739 thousand yen, up 1,130,863 thousand yen from the end of the previous consolidated fiscal year.

Current assets came to 13,751,195 thousand yen, up 579,345 thousand yen from the end of the previous consolidated fiscal year. This is mainly because notes and accounts receivable-trade and current assets (other) increased.

Noncurrent assets came to 17,735,543 thousand yen, up 551,517 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) increased and investments and other assets (other) decreased.

Liabilities as of the end of the second quarter of this consolidated fiscal year came to 16,339,716 thousand yen, up 778,738 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities came to 7,025,050 thousand yen, up 768,392 thousand yen from the end of the previous consolidated fiscal year. This is mainly because short-term loans payable and current portion of long-term loans payable increased.

Noncurrent liabilities came to 9,314,666 thousand yen, up 10,345 thousand yen from the end of the previous consolidated fiscal year. This is mainly because long-term loans payable and asset retirement obligation increased and noncurrent liabilities (other) decreased.

Net assets as of the end of the second quarter of this consolidated fiscal year came to 15,147,022 thousand yen, up 352,124 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 in net assets 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 9,489,371 thousand yen, up 519,641 thousand yen from the previous consolidated fiscal year.

The status of each cash flow is as follows:

(Cash flow from operating activities)

Funds obtained by operating activities were 1,001,417 thousand yen (funds obtained in the same period of the previous year were 575,696 thousand yen). The major breakdown of income was 687,241 thousand yen of net income before income taxes and 488,212 thousand yen of depreciation and amortization. The major breakdown of expenditure was 123,069 thousand yen of increase in notes and accounts receivable-trade and 128,591 thousand yen of income taxes paid.

(Cash flow from investing activities)

Funds used in investing activities were 1,008,796 thousand yen (funds used in the same period of the previous year were 1,267,848 thousand yen). The major breakdown of expenditure was 1,433,115 thousand yen of purchase of property, plant and equipment and 130,204 thousand yen of payments into time deposits. The major breakdown of income was 509,739 thousand yen of proceeds from sales of investment securities.

(Cash flow from financing activities)

Funds obtained in financing activities were 526,540 thousand yen (funds used in the same period of the previous year were 61,021 thousand yen). The major breakdown of income was 430,842 thousand yen of increase in short-term loans payable and 1,600,000 thousand yen of proceeds from long-term loans payable. The major breakdown of expenditure was 1,128,299 thousand yen of repayment of long-term loans payable, 278,668 thousand yen of repayments of installment payables.

(3) Analysis Concerning Future Forecasts Including Consolidated Financial Projections

As for the consolidated financial projections for the term ending March 2018, there are no changes to the estimated values announced on May 12, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY ended March 31, 2017 (As of March 31, 2017)	2Q of FY ending March 31, 2018 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	9,249,929	9,259,836
Notes and accounts receivable-trade	1,731,381	1,854,450
Securities	5,003	-
Merchandise	68,073	70,137
Real estate for sale	1,049,738	1,042,689
Supplies	174	304
Other	1,080,688	1,536,985
Allowance for doubtful accounts	(13,138)	(13,208)
Total current assets	13,171,850	13,751,195
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,721,059	8,282,421
Land	3,629,089	3,760,181
Other, net	1,011,502	1,217,066
Total property, plant and equipment	12,361,651	13,259,668
Intangible assets	45,800	50,959
Investments and other assets		
Other	4,849,802	4,495,657
Allowance for doubtful accounts	(73,229)	(70,742)
Total investments and other assets	4,776,572	4,424,914
Total noncurrent assets	17,184,025	17,735,543
Total assets	30,355,875	31,486,739
Liabilities		
Current liabilities		
Notes and accounts payable-trade	347,593	279,181
Short-term loans payable	844,600	1,275,442
Current portion of long-term loans payable	2,225,201	2,429,601
Income taxes payable	162,427	238,184
Provision for bonuses	235,260	254,609
Provision for point card certificates	229,762	180,133
Provision for shareholder benefit program	11,815	-
Asset retirement obligation	6,833	-
Other	2,193,162	2,367,898
Total current liabilities	6,256,657	7,025,050
Noncurrent liabilities		
Long-term loans payable	7,516,797	7,784,099
Asset retirement obligation	214,653	224,835
Other	1,572,869	1,305,731
Total noncurrent liabilities	9,304,320	9,314,666
Total liabilities	15,560,977	16,339,716

(Thousands of yen)

	FY ended March 31, 2017 (As of March 31, 2017)	2Q of FY ending March 31, 2018 (As of September 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	2,222,935	2,222,935
Capital surplus	2,666,282	2,666,282
Retained earnings	11,076,529	11,422,733
Treasury stock	(1,166,007)	(1,166,007)
Total shareholders' equity	14,799,740	15,145,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5,814)	350
Foreign currency translation adjustment	972	727
Total accumulated other comprehensive income	(4,842)	1,078
Total net assets	14,794,897	15,147,022
Liabilities and net assets	30,355,875	31,486,739

(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, 2017 (April 1, 2016- September 30, 2016)	2Q of FY ending March 31, 2018 (April 1, 2017- September 30, 2017)
Net sales	12,135,802	13,100,349
Cost of sales	11,067,197	11,670,463
Gross profit	1,068,605	1,429,885
Selling, general and administrative expenses		
Provision for bonuses	6,731	7,814
Taxes and dues	250,998	273,054
Provision of allowance for doubtful accounts	115	439
Other	594,565	571,822
Total selling, general and administrative expenses	852,410	853,130
Operating income	216,194	576,755
Non-operating income		
Interest income	3,354	2,898
Dividends income	28	24
Commission fee	40,404	64,564
Other	159,711	64,404
Total non-operating income	203,499	131,892
Non-operating expenses		
Interest expenses	45,815	36,301
Foreign exchange losses	15,357	-
Other	8,436	2,524
Total non-operating expenses	69,608	38,825
Ordinary income	350,085	669,821
Extraordinary income		
Gain on sales of noncurrent assets	-	12,240
Gain on sales of investment securities	-	9,739
Total extraordinary income	-	21,980
Extraordinary loss		
Loss on retirement of non-current assets	-	759
Impairment loss	12,639	3,800
Total extraordinary loss	12,639	4,560
Income before income taxes	337,445	687,241
Income taxes-current	117,903	194,073
Income taxes-deferred	11,952	50,309
Total income taxes	129,855	244,382
Net income	207,590	442,858
Net profit (loss) attributable to non-controlling interests	(1,858)	-
Net profit attributable to owners of parent	209,449	442,858

Consolidated Statements of Comprehensive Income

The second quarter of this consolidated fiscal year

(Thousands of yen)

	2Q of FY ended March 31, 2017 (April 1, 2016- September 30, 2016)	2Q of FY ending March 31, 2018 (April 1, 2017- September 30, 2017)
Net income	207,590	442,858
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,102)	6,165
Foreign currency translation adjustment	1,788	(244)
Total other comprehensive income	(4,313)	5,921
Comprehensive income	203,277	448,780
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	204,223	448,780
Comprehensive income attributable to non-controlling interests	(946)	-

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	2Q of FY ended March 31, 2017 (April 1, 2016- September 30, 2016)	2Q of FY ending March 31, 2018 (April 1, 2017- September 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	337,445	687,241
Depreciation and amortization	575,071	488,212
Impairment loss	12,639	3,800
Increase (decrease) in allowance for doubtful accounts	(11,467)	(2,416)
Increase (decrease) in provision for bonuses	12,719	19,348
Increase (decrease) in provision for point card certificates	(39,569)	(49,629)
Increase (decrease) in allowance for shareholders' benefits	(10,175)	(11,815)
Loss (gain) on sales of noncurrent assets	-	(12,240)
Loss on retirement of non-current assets	-	759
Loss (gain) on sales of investment securities	-	(9,739)
Interest and dividends income	(3,382)	(2,922)
Interest expenses	45,815	36,301
Decrease (increase) in notes and accounts receivable-trade	(108,231)	(123,069)
Decrease (increase) in inventories	(271,461)	4,916
Increase (decrease) in accrued consumption taxes	67,772	(15,008)
Increase (decrease) in notes and accounts payable-trade	(51,534)	(65,139)
Other	36,555	161,068
Subtotal	592,198	1,109,667
Interest and dividends income received	1,128	863
Interest expenses paid	(45,898)	(34,066)
Income taxes paid	(88,079)	(128,591)
Income taxes refund	116,347	53,544
Net cash provided by (used in) operating activities	575,696	1,001,417
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,018,019)	(1,433,115)
Payments for retirement of property, plant and equipment	-	(759)
Proceeds from sales of property, plant and equipment	-	100,000
Purchase of intangible assets	(848)	(10,000)
Purchase of investment securities	-	(95,184)
Proceeds from sales of investment securities	-	509,739
Proceeds from redemption of investment securities	2,890	5,000
Payments into time deposits	(42)	(130,204)
Proceeds from withdrawal of time deposits	-	130,199
Payments for lease and guarantee deposits	(26,563)	(42,748)
Proceeds from collection of lease and guarantee deposits	26,773	27,451
Payments of loans receivable	(172,662)	(5,999)
Collection of loans receivable	19,142	20,033
Purchase of insurance funds	(74,745)	(81,157)
Other	(23,771)	(2,050)
Net cash provided by (used in) investing activities	(1,267,848)	(1,008,796)

(Thousands of yen)

	2Q of FY ended March 31, 2017 (April 1, 2016- September 30, 2016)	2Q of FY ending March 31, 2018 (April 1, 2017- September 30, 2017)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(194,400)	430,842
Proceeds from long-term loans payable	1,620,000	1,600,000
Repayment of long-term loans payable	(1,293,447)	(1,128,299)
Redemption of bonds	(17,500)	-
Repayments of lease obligations	(433)	(433)
Repayments of installment payables	(304,727)	(278,668)
Payments made to trust account for acquisition of treasury stock	229,251	-
Cash dividends paid	(99,764)	(96,845)
Other	-	(55)
Net cash provided by (used in) financing activities	(61,021)	526,540
Effect of exchange rate change on cash and cash equivalents	(5,608)	479
Net increase (decrease) in cash and cash equivalents	(758,782)	519,641
Cash and cash equivalents at beginning of year	9,301,340	8,969,729
Cash and cash equivalents at end of year	8,542,558	9,489,371

(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.

(Segment information, etc.)

I. Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2016)

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 balance sheet amount*3
	Nursing-care Business	Karaoke Business	Restaurant Business	Real Estate Business	Total				
Sales									
Sales to external customers	7,039,309	4,002,710	882,344	100,138	12,024,503	111,299	12,135,802	—	12,135,802
Internal sales or transferred amount among the segments	—	196	21,156	100	21,452	—	21,452	(21,452)	—
Total	7,039,309	4,002,906	903,501	100,238	12,045,955	111,299	12,157,255	(21,452)	12,135,802
Segment income (loss)	509,545	249,870	(33,369)	26,857	752,903	(14,381)	738,522	(522,327)	216,194

(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, –522,327 thousand yen, includes 236,232 thousand yen in elimination of intersegment transactions and –758,560 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 losses calculated in consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment

(Important impairment loss related to noncurrent assets)

Regarding stores that closed down and stores scheduled for relocation or closing in the second quarter of the current consolidated fiscal year, there was an impairment loss of 268 thousand yen in the “Karaoke Business,” and 12,371 thousand yen in the “Restaurant Business.”

II. Cumulative period through the consolidated second quarter of current 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 balance sheet 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 consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment

(Important impairment loss related to noncurrent assets)

Description is omitted because of lack of materiality.

(Significant subsequent events)

Sawayaka Club Co., Ltd., which is a consolidated subsidiary of the Company, concluded a contract for the transfer of the group home business of Kurashi-no-sato, Ltd. on August 24, 2017, based on the resolution at the meeting of the board of directors held on August 21, 2017, and took over part of the business on October 1, 2017.

1. Outline of business combination

(1) Name and business content of the other party

Name of the other party: Kurashi-no-sato, Ltd.

Business content: Business regarding the operation of a group home

(2) Primary reason for business combination

Sawayaka Club Co., Ltd., which is a consolidated subsidiary of the Company, thinks that it is important to increase the number of new nursing care facilities for its sales strategy, and the business combination is expected to increase the number of facilities and expand business in the Kanto region (Chiba Prefecture).

(3) Date of business combination

October 1, 2017

(4) Legal format of business combination

To take over the business by paying cash

(5) Name of the enterprise that acquired the business

Sawayaka Club Co., Ltd., which is a 100% consolidated subsidiary of the Company

2. Cost of acquisition of the business

Price: 20,000 thousand yen (in cash)

3. Breakdown and amount of major acquisition-related costs

Advisory fee, etc.: 3,000 thousand yen

4. Goodwill amount, the reason for its emergence, amortization method, and amortization period

To be determined

5. Assets and liabilities taken over on the date of business combination, and their breakdowns

To be determined