

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

February 13, 2018
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, 2018
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, 2018 (April 1, 2017 – December 31, 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 3Q	19,744	4.9	995	65.1	1,107	44.1	710	38.8
FY 2017 3Q	18,816	5.0	602	161.8	768	132.4	512	(34.2)

(Note) Comprehensive income FY 2018 3Q: ¥714 million (37.9 %) FY 2017 3Q: 518 million (-28.9 %)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2018 3Q	36.77	—
FY 2017 3Q	26.42	26.38

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY 2018 3Q	31,688	15,316	48.3
FY 2017	30,355	14,794	48.7

(Reference) Equity capital: FY 2018 3Q: ¥15,316 million FY 2017: ¥14,794 million

2. Dividends

End of the 1Q	Dividends per share				
	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 3Q	21,618,800 shares	FY 2017	21,618,800 shares
2) Number of treasury stock at end of term	FY 2018 3Q	2,287,776 shares	FY 2017	2,287,776 shares
3) Average number of shares	FY 2018 3Q	19,331,024 shares	FY 2017 3Q	19,382,843 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 holds sessions for briefing business and results for individual investors, when necessary. For the schedule of briefing sessions, etc., please see the website of the Company.

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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 is gently recovering due to the improvement in the business income and employment environment, but there are many uncertainties in sluggish consumer spending and the tension in North Korea, and so the future outlook remains unclear.

Amid this business environment, our corporate group has actively carried out sales activities, etc. 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 19,744,037 thousand yen (up 4.9% Year-on-Year (YoY)), operating income was 995,039 thousand yen (up 65.1% YoY), ordinary income was 1,107,111 thousand yen (up 44.1% YoY), and profit attributable to owners of patent was 710,841 thousand yen (up 38.8% YoY).

The results of each segment were as follows.

1) Nursing Care Business

For the Nursing Care Business segment, we opened 3 fee-charging nursing homes and 5 facilities of “Sawayaka Ai-no-ie,” a day service center for after-school support for children with disabilities, and acquired 18 units of a group home in Midori-ku, Chiba-shi, Chiba Prefecture. Like this, the Company actively carried out the nursing care business. As a result, the number of sales footholds as of the end of the third quarter is 89 (161 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 third quarter of this consolidated term was 93.9% (91.8% in the same term last year). As a result, sales were 11,954,926 thousand yen (up 11.6% YoY) and segment income was 988,533 thousand yen (up 26.6% 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 5,755,394 thousand yen (down 6.1% YoY) and segment income was 675,598 thousand yen (up 22.0% YoY). In the third quarter of the current consolidated fiscal year, we closed three stores without opening any new stores. Accordingly, the number of stores is 93 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 third 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 1,339,941 thousand yen (down 3.8% YoY) and segment income was 15,438 thousand yen (segment loss was 21,623 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 499,768 thousand yen (up 23.0% YoY) and segment income was 106,993 thousand yen (up 11.3% 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 194,006 thousand yen (up 7.6% YoY) and segment loss was 26,723 thousand yen (segment loss was 19,652 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 31,688,316 thousand yen, up 1,332,441 thousand yen from the end of the previous consolidated fiscal year.

Current assets came to 13,922,651 thousand yen, up 750,800 thousand yen from the end of the previous consolidated fiscal year. This is mainly because cash and deposits, notes and accounts receivable-trade increased.

Noncurrent assets came to 17,765,665 thousand yen, up 581,640 thousand yen from the end of the previous consolidated fiscal year. This is mainly because property, plant and equipment (other) increased.

Liabilities as of the end of the third quarter of this consolidated fiscal year came to 16,372,020 thousand yen, up 811,042 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities came to 7,988,918 thousand yen, up 1,732,260 thousand yen from the end of the previous consolidated fiscal year. This is mainly because short-term loans payable and current liabilities (other) increased.

Noncurrent liabilities came to 8,383,102 thousand yen, down 921,218 thousand yen from the end of the previous consolidated fiscal year. This is mainly because long-term loans payable decreased.

Net assets as of the end of the third quarter of this consolidated fiscal year came to 15,316,296 thousand yen, up 521,398 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.

(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)	3Q of FY ending March 31, 2018 (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	9,249,929	9,723,705
Notes and accounts receivable-trade	1,731,381	1,932,938
Securities	5,003	-
Merchandise	68,073	107,356
Real estate for sale	1,049,738	1,044,250
Supplies	174	304
Other	1,080,688	1,127,497
Allowance for doubtful accounts	(13,138)	(13,371)
Total current assets	13,171,850	13,922,651
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,721,059	7,333,447
Land	3,629,089	3,523,980
Other, net	1,011,502	2,112,264
Total property, plant and equipment	12,361,651	12,969,691
Intangible assets	45,800	48,990
Investments and other assets		
Other	4,849,802	4,817,192
Allowance for doubtful accounts	(73,229)	(70,208)
Total investments and other assets	4,776,572	4,746,984
Total noncurrent assets	17,184,025	17,765,665
Total assets	30,355,875	31,688,316
Liabilities		
Current liabilities		
Notes and accounts payable-trade	347,593	372,469
Short-term loans payable	844,600	2,186,000
Current portion of long-term loans payable	2,225,201	2,467,644
Income taxes payable	162,427	166,071
Provision for bonuses	235,260	135,482
Provision for point card certificates	229,762	156,300
Provision for shareholder benefit program	11,815	-
Asset retirement obligation	6,833	-
Other	2,193,162	2,504,950
Total current liabilities	6,256,657	7,988,918
Noncurrent liabilities		
Long-term loans payable	7,516,797	6,700,392
Asset retirement obligation	214,653	225,059
Other	1,572,869	1,457,650
Total noncurrent liabilities	9,304,320	8,383,102
Total liabilities	15,560,977	16,372,020

(Thousands of yen)

	FY ended March 31, 2017 (As of March 31, 2017)	3Q of FY ending March 31, 2018 (As of December 31, 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	11,594,061
Treasury stock	(1,166,007)	(1,166,007)
Total shareholders' equity	14,799,740	15,317,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5,814)	(1,579)
Foreign currency translation adjustment	972	603
Total accumulated other comprehensive income	(4,842)	(975)
Total net assets	14,794,897	15,316,296
Liabilities and net assets	30,355,875	31,688,316

(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, 2017 (April 1, 2016- December 31, 2016)	3Q of FY ending March 31, 2018 (April 1, 2017- December 31, 2017)
Net sales	18,816,837	19,744,037
Cost of sales	16,925,609	17,474,448
Gross profit	1,891,228	2,269,589
Selling, general and administrative expenses	1,288,642	1,274,549
Operating income	602,585	995,039
Non-operating income		
Interest income	7,076	4,231
Dividends income	28	1,824
Commission fee	60,969	70,168
Insurance income	55,245	55,748
Other	148,017	56,207
Total non-operating income	271,338	188,179
Non-operating expenses		
Interest expenses	66,335	55,370
Other	39,289	20,736
Total non-operating expenses	105,624	76,107
Ordinary income	768,299	1,107,111
Extraordinary income		
Gain on sales of noncurrent assets	-	258,357
Gain on donation of noncurrent assets	5,785	-
Gain on sales of investment securities	18,437	9,739
Gain on negative goodwill	23,943	61,238
Total extraordinary income	48,166	329,335
Extraordinary loss		
Loss on sales of noncurrent assets	3,817	72,859
Loss on retirement of non-current assets	-	769
Impairment loss	12,639	273,843
Total extraordinary loss	16,456	347,472
Income before income taxes	800,009	1,088,973
Income taxes-current	170,499	255,349
Income taxes-deferred	118,473	122,783
Total income taxes	288,973	378,132
Net income	511,035	710,841
Net profit (loss) attributable to non-controlling interests	(1,065)	-
Net profit attributable to owners of parent	512,100	710,841

Consolidated Statements of Comprehensive Income

The third quarter of this consolidated fiscal year

(Thousands of yen)

	3Q of FY ended March 31, 2017 (April 1, 2016- December 31, 2016)	3Q of FY ending March 31, 2018 (April 1, 2017- December 31, 2017)
Net income	511,035	710,841
Other comprehensive income		
Valuation difference on available-for-sale securities	7,472	4,235
Foreign currency translation adjustment	(255)	(368)
Total other comprehensive income	7,217	3,867
Comprehensive income	518,252	714,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	519,198	714,709
Comprehensive income attributable to non-controlling interests	(946)	-

(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.

(Segment information, etc.)

I. Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 – December 31, 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	10,710,524	6,126,417	1,393,287	406,343	18,636,573	180,263	18,816,837	—	18,816,837
Internal sales or transferred amount among the segments	—	346	34,292	400	35,039	—	35,039	(35,039)	—
Total	10,710,524	6,126,763	1,427,580	406,743	18,671,613	180,263	18,851,876	(35,039)	18,816,837
Segment income (loss)	780,638	553,976	(21,623)	96,093	1,409,084	(19,652)	1,389,432	(786,846)	602,585

(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, -786,846 thousand yen, includes 354,984 thousand yen in elimination of intersegment transactions and -1,141,831 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 third 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 third quarter of current 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					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	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 business” refers to business segments that are not included in reporting segments, and includes hotel business.

2. The segment income (loss) adjustments 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 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)

In the third quarter of the current consolidated fiscal year, there was an impairment loss of 215,260 thousand yen in the “Karaoke Business,” and 58,582 thousand yen in the “Restaurant Business.”

(Significant gain on negative goodwill)

In the “nursing care business” segment, the Company acquired a nursing-care facility, which had been operated by Kurashino-sato Ltd., in Chiba-shi, Chiba Prefecture on October 1, 2017. Accordingly, a gain on negative goodwill amounting to 61,238 thousand yen was posted in the consolidated cumulative third quarter.