December 14, 2012

Summary of Consolidated Financial Results for the Fiscal Year Ended October 31, 2012

[Japanese GAAP]

Company name: LONGLIFE HOLDING Co., Ltd. Listing: Osaka Securities Exchange (JASDAQ)
Stock code: 4355 URL: http://longlife-holding.co.jp
Representative: Masakazu Endo, CEO
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Scheduled date of Annual General Meeting of Shareholders: January 29, 2013
Scheduled date of filing of Annual Securities Report: January 29, 2013
Scheduled date of payment of dividend: January 15, 2013
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

Note: The original disclosure in Japanese was released on December14, 2012 at 15:30 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results Ended October 31, 2012 (Nov. 1, 2011 – Oct. 31, 2012)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2012	9,907	4.9	415	105.5	376	87.9	219	-
Fiscal year ended Oct. 31, 2011	9,442	16.7	202	(49.1)	200	(45.7)	(151)	-

Note: Comprehensive income (million yen) Fiscal year ended Oct. 31, 2012: 219 (n.a.) Fiscal year ended Oct. 31, 2011: (140) (n.a.)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal year ended Oct. 31, 2012	20.32	-	8.8	3.8	4.2
Fiscal year ended Oct. 31, 2011	(14.02)	-	(6.1)	2.1	2.1

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Oct. 31, 2012: (23)
Fiscal year ended Oct. 31, 2011: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2012	10,181	2,589	25.4	239.99
As of Oct. 31, 2011	9,697	2,402	24.8	222.69

Reference: Shareholders' equity (million yen) As of Oct. 31, 2012: 2,589 As of Oct. 31, 2011: 2,402

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Oct. 31, 2012	497	(785)	100	716
Fiscal year ended Oct. 31, 2011	(56)	(656)	246	903

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Oct. 31, 2011	-	0.00	-	2.50	2.50	26	-	1.1
Fiscal year ended Oct. 31, 2012	-	0.00	-	3.50	3.50	37	17.2	1.5
Fiscal year ending Oct. 31, 2013 (forecasts)	-	0.00	-	5.00	5.00		19.3	

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2013 (Nov. 1, 2012 – Oct. 31, 2013)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,500	9.3	280	21.4	250	23.1	110	(0.1)	10.20
Full year	11,600	17.1	670	61.2	600	59.5	280	27.7	25.95

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: - Excluded: 1 (L Care Tohoku Co., Ltd.)

Please refer to “2. Corporate Group” on page 7 for further information.

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: Yes

4) Restatements: None

Note: Please refer to “(7) Changes in Accounting Policies” on page 21 for further information.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at end of period (including shares of treasury stock)

As of Oct. 31, 2012: 11,190,400 shares As of Oct. 31, 2011: 11,190,400 shares

2) Number of shares of treasury stock at end of period

As of Oct. 31, 2012: 401,657 shares As of Oct. 31, 2011: 401,657 shares

3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2012: 10,788,743 shares Fiscal year ended Oct. 31, 2011: 10,788,780 shares

For reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2012 (Nov. 1, 2011 – Oct. 31, 2012)

(1) Non-consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2012	585	21.3	184	127.7	183	128.0	83	90.9
Fiscal year ended Oct. 31, 2011	483	0.1	81	(38.9)	80	(40.2)	43	(45.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Oct. 31, 2012	7.72	-
Fiscal year ended Oct. 31, 2011	4.04	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2012	810	556	68.6	51.59
As of Oct. 31, 2011	735	501	68.1	46.46

Reference: Shareholders’ equity (million yen) As of Oct. 31, 2012: 556 As of Oct. 31, 2011: 501

2. Non-consolidated Forecast for the Fiscal Year Ending October 31, 2013 (Nov. 1, 2012 – Oct. 31, 2013)

(Percentages represent year-over-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	348	18.8	139	66.5	70	44.1	6.49
Full year	696	18.8	280	52.3	140	68.1	12.98

Indication of audit procedure implementation status

The current financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the consolidated financial statements have not been completed.

Cautionary statement with respect to forecasts of future performance and special items

1. Forecasts of future performance in these materials are based on certain standards judged to be valid and information available to the Company’s management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Analysis of Business Results and Financial Position, (1) Analysis of business results” on page 2 of the attachments for assumptions for forecasts and notes of caution for usage.
2. The Company plans to hold a financial results meeting for analysts and institutional investors on Friday, December 21, 2012. Materials distributed at this event are to be posted on the Company’s website without delay after the meeting.

Contents of Attachments

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the current fiscal year, there was a slow recovery in economic activity and consumer spending in Japan due in part to demand created by reconstruction activities following the Great East Japan Earthquake. However, there are still many sources of concern, such as global financial instability associated with the European debt crisis, slowing economic growth in China and other emerging countries, and the yen's prolonged strength.

In the nursing care services sector, an amended Long-term Care Insurance Act was enacted in Japan in April 2012 and it incorporates many elements to create a stronger foundation for regional comprehensive care system. Actions include stronger ties between medical care and nursing care, recruiting nursing care personnel and improving the quality of the services they provide, and establishing residences for seniors. Japanese government has announced a policy objective that includes creating 50 trillion yen of demand and 2.84 million jobs in the medical care and nursing care sectors. It is part of the Japan Revitalization Strategy, which is the government's growth strategy that received Cabinet approval in July. This objective increases the likelihood that new reforms will begin in the nursing care services sector.

In this environment, the LONGLIFE Group steadily increased sales in the in-home nursing care business as the number of customers increased and rigorously managed costs in the nursing home business. The result was consolidated net sales of 9,907 million yen, 4.9% higher than one year earlier. Operating income increased 105.5% to 415 million yen, ordinary income increased 87.9% to 376 million yen and net income was 219 million yen compared with a 151 million yen net loss in the previous fiscal year.

Business segment performance was as follows.

1) Nursing home business

Long Life Kurakuen Ashiya Annex was opened in July 2012. As a result, the nursing home business was operating 19 nursing homes with a total of 754 rooms for residents at the end of the current fiscal year.

Due to rigorous cost cutting and other initiatives to improve the efficiency of nursing home operations, ordinary income increased 0.7% to 134 million yen despite a 10.3% decrease in sales to 3,851 million yen.

2) In-home nursing care business

In the in-home nursing care business, there were 128 services as of the end of the current fiscal year.

Existing locations focused on recruiting skilled workers and conducted extensive sales activities for home-visit long-term care services as well as for welfare services for persons with disabilities. The number of customers increased as a result and sales rose 10.7% to 5,603 million yen and ordinary income increased 196.0% to 91 million yen.

3) Food business

The food business mainly involves the preparation of meals which are served at our 34 nursing homes. External sales increased because of heightened sales activities targeting companies outside the Group. In addition, a central kitchen was used to supply highly distinctive meals, such as *Yawaraka Osechi*, traditional New Year food that is soft and easy to chew, in order to increase customer satisfaction. Sales increased 6.2% to 94 million yen and ordinary loss was 9 million yen compared with ordinary income of 21 million yen one year earlier.

4) Nursing care equipment business

In this business segment, extensive support is provided by nursing care equipment specialists who have much expertise and skill in the nursing care field. The aim is to provide services that assist seniors in living on their own. A divestiture within the LONGLIFE Group that took place on November 1, 2011 resulted in the transfer of some business activities from the in-home nursing care business to the nursing care equipment business. Sales were 329 million yen (1 million yen one year earlier) and there was an ordinary income of 32 million yen compared with ordinary loss of 36 million yen one year earlier.

5) Others

This segment includes the investment business and dispensing pharmacy business. In the dispensing pharmacy business, the Company purchased all the shares of Aoi Corporation (currently Long Life Pharmacy Co., Ltd.) on June 1, 2012 and includes in “Others” segment.

Sales were 28 million yen and there was an ordinary loss of 30 million yen (10 million yen one year earlier).

Regarding the outlook for the fiscal year ending on October 31, 2013, competition in Japan’s nursing care sector is intense because of the increasing number of service providers from outside the elderly care service sector. New competitors are targeting opportunities created by expected growth of the senior market following enactment of the Long-Term Care Insurance Act. However, companies from other industries that have started offering nursing care services have not been able to offer these services effectively as a non-core business. Many companies are returning to a focus on their respective core businesses as a result. This situation has brought about a reduction in the large number of elderly care service providers.

The Company will concentrate on expanding and upgrading all of the Group’s business operations by utilizing the nursing care business know-how and experience gained since its inception. The Company plans to develop new markets and create new services involving senior services with a focus on the nursing care business. In the nursing home business, our highest priority is increasing the occupancy rate at existing facilities. In July 2012, Long Life Kurakuen Ashiya Annex was began operating in the city of Nishinomiya in Hyogo prefecture and Long Life Kyoto Arashiyama started operating in December 2012 in Ukyo-ku in the city of Kyoto. Both locations are using the Group’s expertise in operating nursing homes in order to increase the number of occupants. In the in-home nursing care business, the goal is to extend operations to more areas of Japan by opening more day-service facilities and helper station facilities. Another goal in this business is offering services that are not covered by nursing care insurance.

In addition, following the establishment of a joint venture in China, a basic agreement concerning the development of senior housing was signed with a real estate development company in Indonesia. The Company plans to continue expanding its overseas operations aggressively in order to provide its expertise in senior care services in other countries, thereby contributing to the growth of the Group and its corporate value. The Company is also aiming for growth in the dispensing pharmacy business by opening more pharmacies in order to serve a larger number of customers.

Based on this outlook, the Company forecasts net sales of 11,600 million yen, operating income of 670 million yen, ordinary income of 600 million yen and net income of 280 million yen in the fiscal year ending on October 31, 2013.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Total assets were 10,181 million yen at the end of the current fiscal year, 484 million yen more than at the end of the previous fiscal year.

Current assets increased by 13 million yen to 3,270 million yen. This was primarily attributable to increases of 82 million yen in notes and accounts receivable-trade, 96 million yen in deposits paid and 42 million yen in deferred tax assets, and a decrease of 187 million yen in cash and deposits.

Noncurrent assets increased by 471 million yen to 6,911 million yen. The primary causes were an increase of 599 million yen in property, plant and equipment, and a decrease of 106 million yen in intangible assets.

Current liabilities decreased by 377 million yen to 5,506 million yen. This was mainly caused by increases of 127 million yen in income taxes payable and 8 million yen in accrued expenses, and decreases of 409 million yen in current portion of long-term loans payable and 123 million yen in advances received.

Noncurrent liabilities increased by 675 million yen to 2,085 million yen mainly because of increases of 663 million yen in long-term loans payable and 17 million yen in lease obligations, and a decrease of 7 million yen in deferred tax liabilities.

Net assets increased by 186 million yen to 2,589 million yen, and the equity ratio was 25.4% at the end of the current fiscal year.

2) Consolidated cash flows

There was a net decrease of 187 million yen in cash and cash equivalents from the end of the previous fiscal year to 716 million yen at the end of the current fiscal year.

Cash flows during the current fiscal year and major components were as follows.

Cash flows from operating activities

Net cash provided by operating activities was 497 million yen compared with 56 million yen used one year earlier.

The major sources of cash were income before income taxes of 362 million yen, depreciation and amortization of 258 million yen, and amortization of goodwill of 109 million yen. The major uses of cash were a decrease of 123 million yen in advances received, an increase of 96 million yen in deposits paid, and 58 million yen of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities was 785 million yen compared with 656 million yen used one year earlier.

Cash was mainly used for payments of 732 million yen for the purchase of property, plant and equipment, and 12 million yen for lease and guarantee deposits.

Cash flows from financing activities

Net cash provided by financing activities was 100 million yen compared with 246 million yen provided one year earlier.

The major source of cash was proceeds of 1,530 million yen from long-term loans payable. The major uses of cash were repayments of 1,286 million yen in long-term loans payable, a net decrease of 50 million yen in short-term loans payable, and repayments of 46 million yen for lease obligations.

Trends in cash flow indicators of the Group are as follows:

	FY10/11	FY10/12
Shareholders’ equity ratio (%)	24.8	25.4
Shareholders’ equity ratio based on market value (%)	15.7	23.8
Interest-bearing debt to cash flow ratio (years)	-	6.4
Interest coverage ratio (times)	-	9.1

Shareholders’ equity ratio = Shareholders’ equity / Total assets

Shareholders’ equity ratio based on market value = Closing share price at period end × Outstanding shares at period end (excluding treasury stock) / Total assets

Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payments

Notes:
1. All indices are calculated based on consolidated figures.
2. Interest-bearing debt includes all debt on the consolidated balance sheets that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated statements of cash flows.
3. The interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for FY10/11 because operating cash flows were negative in this fiscal year.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing earnings to shareholders is one of the highest priorities of the Company. The basic policy is to pay a stable dividend that reflects results of operations while retaining sufficient earnings to expand business operations. In accordance with this policy, a dividend of 3.5 yen per share will be paid for the fiscal year ended on October 31, 2012 by taking into consideration the operating environment and other factors. For the fiscal year ending on October 31, 2013, a dividend of 5.0 yen per share is planned.

(4) Business Risk

Listed below are the risk factors that may affect operating results and financial position as well as the stock price and other performance indices of the LONGLIFE Group.

1) Laws and regulations

(The Japanese nursing care insurance system)

The nursing home business and in-home nursing care business, which are the two core businesses of the Group, provide services that are covered by the Long-Term Care Insurance Act. Consequently, nursing care insurance reimbursements account for about 90% of the cost of nursing care services. Revenue is stable in the nursing care business because payments by public-sector institutions cover about 90% of the cost of nursing care services. On the other hand, nursing care insurance payments can change if laws are amended. Consequently, a problem concerning profitability may occur that is unrelated to the Group’s status of business operations.

To help ensure that sound and trouble-free operation of the nursing care insurance business, the nursing care insurance system is revised every five years and nursing care reimbursement rates are revised every three years. However, there are a number of issues. One is the decrease in insurance premium income caused by the economic downturn. Another problem is the falling number of people who help pay for this system because of Japan’s declining number of children and aging population. Dealing with these issues may result in revisions to the framework for providing nursing care due to major changes in social security systems and taxes in Japan. These changes may have an effect on the Group’s business operations.

2) Handling of personal information concerning customers and employees

A high percentage of the Group’s customers require nursing care. In particular, with regard to group home operations, the Group gathers information of a highly private nature with regard to both residents and their families. In addition, the Group has a large volume of personal information involving registered helpers and other staff.

The Group handles this information with extreme care. However, there is a possibility of an increase in expenses required to manage this information. For example, the Group may need to use electronic methods to manage information due to growth in the number of customers or may require more sophisticated security systems. In addition, unauthorized access to information by an external party or the improper management of information by employees may result in a leak of customer information. If this occurs, the Group may suffer from a loss of public trust or be subject to litigation demanding the payment of damages.

3) Recruiting activities

The Group’s nursing care business requires individuals who have been certified as home helpers, nurses, care managers, nursing care workers and other certified specialists. Consequently, the Group requires a sufficient number of these specialists in order to maintain and increase the scale of its operations.

Although the Group is constantly conducting recruiting activities, primarily targeting individuals with certifications, there are concerns about a shortage of workers as demand for nursing care services increases and competition intensifies along with the growth of the nursing care industry in Japan. These issues may result in declines in the volume of nursing care services offered, such as by preventing the addition of new facilities, and in the quality of those services. There may be a negative effect on the Group’s performance as a result.

4) Safety and health management

The nursing home business and in-home nursing care business of the Group serves mainly seniors who have been certified as requiring nursing care. As a result, there is a possibility of a decline in their health and the occurrence of other problems as services are provided. There is also a risk of unforeseen accidents. Furthermore, there may be instances in which the provision of services must be suspended due to the worsening health of occupants or other problems. An epidemic of a new strain of influenza or other infectious disease is one example. Moreover, there is a possibility that a nursing care service may be unable to provide because staff members have become infected by a disease.

The Group is conducting business operations by training employees and ensuring that work complies with operation manuals. These activities are based on many years of experience with nursing care procedures, measures to prevent accidents and other items. However, if there is an accident or other problem involving the provision of services, or in the case of possible gross negligence by the Group in association with the spread of an infectious disease, there may be a negative effect on business operations and the Group’s performance.

5) Responses to disasters

If there is an earthquake, flood or other disaster or a fire at a nursing home, group home or other facility, evacuation of occupants from these facilities may be difficult or impossible because these individuals are mainly people who are certified as requiring nursing care. The Group has installed sprinklers at its facilities, has established rules for disaster responses, and conducts periodic evacuation drills at all locations to be prepared for a major natural catastrophe such as an earthquake or flood. Despite these measures, if there is a natural disaster that is more severe than anticipated, there may be a negative effect on the Group’s performance.

2. Corporate Group

The LONGLIFE Group (Longlife Holding Co., Ltd. and its consolidated subsidiaries) includes Longlife Holding Co., Ltd. and seven subsidiaries. These companies are engaged primarily in the nursing home, in-home nursing care, food and nursing care equipment businesses.

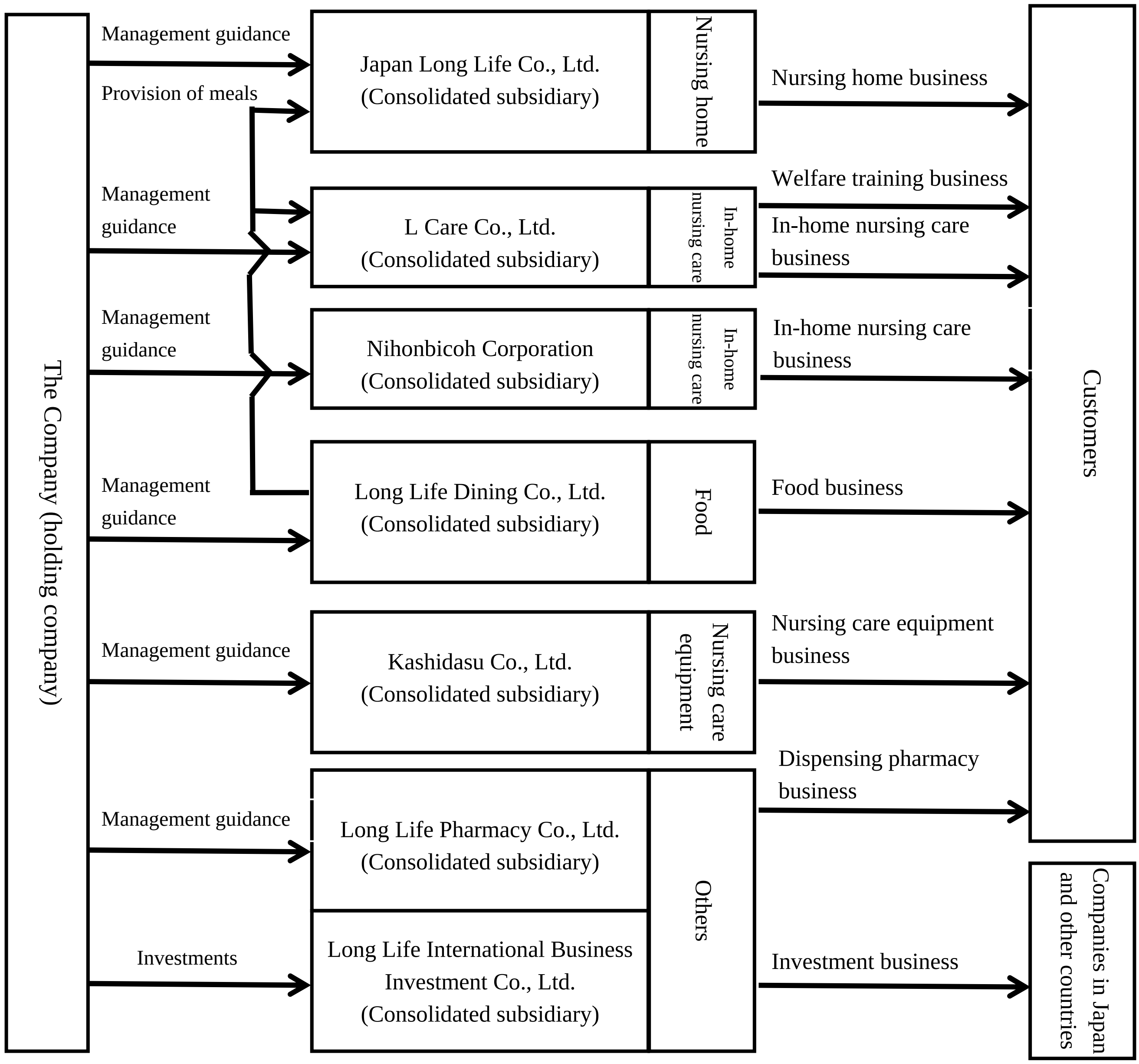
In the nursing home business, consolidated subsidiary Japan Long Life Co., Ltd. operates nursing homes and group homes.

In the in-home nursing care business, consolidated subsidiaries L Care Co., Ltd. and Nihonbicoh Corporation provide a comprehensive lineup of in-home nursing care services.

In the food business, consolidated subsidiary Long Life Dining Co., Ltd. provides meals and other services to nursing homes and other facilities.

In the nursing care equipment business, consolidated subsidiary Kashidasu Co., Ltd. rents and sells nursing care equipment.

In addition, there is an investment business operated by consolidated subsidiary Long Life International Business Investment Co., Ltd. that makes investments in companies in Japan and other countries. On June 1, 2012, the Company purchased all the shares of Aoi Corporation (currently Long Life Pharmacy Co., Ltd.) and made it a consolidated subsidiary. Long Life Pharmacy is involved in the dispensing pharmacy business.



3. Management Policies

(1) Basic Management Policy

Since its establishment, the LONGLIFE Group has been dedicated to being a major source of nursing care services in an aging society. As a private-sector provider of nursing care services, we pursue to achieve sustained growth while building a sound base for services, know-how and a powerful brand. Our philosophy is to have as many customers as possible experience the excitement of learning that “LONGLIFE can provide even this kind of service.” We will continue to aim to offer the best possible nursing care services so that we can be a source of dreams and emotions. The Group will fully utilize the resources accumulated thus far to achieve more progress and advance to the next stage of its development. To accomplish these goals, we will increase our investments in established businesses and reinforce our base of operations to establish a distinctive identity in the senior care services industry. As an organization dedicated to “the creation of happiness and emotions,” we plan to offer high-quality nursing care services in China, Indonesia and other countries.

(2) Performance Targets

Based on its commitment to increasing profitability and the return on capital in order to generate returns for shareholders, the LONGLIFE Group places priority on increasing earnings per share and the return on equity. In addition, the Group places importance on year-to-year sales growth and ordinary income as a percentage of sales as indicators of its ability to achieve strong growth and maintain consistent profitability. The medium-term targets are maintaining double-digit sales growth and achieving an ordinary income-to-sales ratio of at least 10%.

(3) Medium- and Long-term Business Plan Progress

The goal of the LONGLIFE Group is to help create a pleasant and fulfilling society in which seniors account for a large share of the population. To accomplish this goal, the Group provides a comprehensive selection of nursing care services, with a focus on nursing homes and in-home nursing care, so that seniors of all types can enjoy their lives with confidence.

The Group will continue to accurately monitor changes in the needs of seniors. Operations are based on the concept of “making growing older an experience to enjoy rather than endure.” Seniors should be able to live without any worries and enjoy life styles with freedom and independence. The Group is committed to creating living environments that enable people to lead the vibrant lives they want and to supplying value-added services that cater to a diverse range of customer needs. To accomplish these goals, the Group is taking many actions. (a) Opening more nursing homes in the nursing home business; (b) Extending operations into new areas in the in-home nursing care business while deepening roots in areas where operations already exist; (c) Expanding the meal service and meal delivery service operations in the food business; (d) Restructuring the framework for operations; (e) Upgrade employee training programs to strengthen the commitment to the corporate philosophy and improve the skills of all employees; and (f) Make substantial investments to expand the nursing care business outside Japan.

(4) Challenges

Two goals of the LONGLIFE Group are increasing the occupancy rate in the nursing home business and adding more business sites for the in-home nursing care service. To upgrade nursing home and in-home nursing care operations, the Group must strengthen its internal systems and internal controls. To provide better quality services with speed, the Group must train personnel. Accomplishing these goals will require the mutual growth and development of the nursing home business and in-home nursing care business.

The Group will take steps to raise the occupancy rate in the nursing home business and to conduct aggressive operations and improve profitability in the in-home nursing care business. In addition, the Group will increase the number of good feeling coordinators (GFC*), establish a team care framework and take other steps to differentiate itself clearly from competitors. The objective is to raise awareness of the LONGLIFE brand even more by conducting highly distinctive nursing home operations.

(a) Strengthen internal systems and internal controls

Expanding the scale of operations will require management personnel with leadership skills at each business site along with the establishment of a sound framework for operations. In addition, the Group will strengthen internal controls for two purposes. First is to prevent mistakes and improper behavior by employees when conducting business operations. Second is to establish an independent framework for overseeing business operations and an efficient administrative system.

(b) Recruit and train talented individuals

Recruiting and training talented individuals is vital to setting the LONGLIFE Group's services apart from those of competitors. For this strategic purpose, group companies will concentrate on using their own educational facilities and training programs to develop the capabilities of employees and enable employees to become managers with leadership skills. The Group positions recruiting activities as a one of its highest priorities. Improving the terms at which people are employed is one goal. Group companies are also giving their employees more career paths and offering more types of training programs. By taking these actions, the Group is committed to offering an appealing environment for workers and improving that environment in order to maintain a quality workforce.

(c) Establish a team care framework at nursing homes

The Group will use a service director system, management director system, GFCs* and other individuals with specialized skills in order to take a team approach for providing a broad range of support to residents in nursing homes.

(d) Opening more homes in the nursing home business

Pursuing a growth strategy that aims for growth in terms of scale and earnings is one of the Group's most important management objectives. Long Life Kurakuen Ashiya Annex was opened in the city of Nishinomiya in Hyogo prefecture in July 2012, and Long Life Kyoto Arashiyama was opened in Ukyo-ku in the city of Kyoto in December 2012. The Group will use its expertise in operating nursing homes to increase occupancy rates by differentiating ourselves from competitors. We will operate these facilities as efficiently as possible in order to make them profitable as quickly as possible.

(e) Increase the number of business sites for the in-home nursing care business

In the in-home nursing care business, the Group offers a comprehensive lineup of nursing care services that include even home-visit dental services and home-visit nursing. Group companies will work on further increasing the number of customers and business sites by improving the quality of services.

* Good feeling coordinators (GFCs) are professionals who use an exclusive LONGLIFE approach to nursing care that reflects traditional Japanese culture, the life style of each individual and other items. This approach allows providing new types of services that match the needs of people in Japan. The basis for these services is diversional therapy, which is a concept that originated in Australia. The Company gives GFCs the training to devise and implement many types of programs, such as concert outings and travel, that can be a source of enjoyment for customers. These coordinators are also skilled at creating living spaces and environments that are more comfortable and pleasant.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Assets		
Current assets		
Cash and deposits	923,411	736,298
Notes and accounts receivable-trade	1,180,251	1,262,585
Inventories	*2 26,988	*2 21,004
Deferred tax assets	47,696	90,315
Deposits paid	*4 890,616	*4 987,407
Other	190,364	173,354
Allowance for doubtful accounts	(3,127)	(905)
Total current assets	3,256,201	3,270,060
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*3 4,758,748	*3 5,367,698
Accumulated depreciation	(1,769,250)	(1,949,686)
Buildings and structures, net	2,989,498	3,418,011
Vehicles	11,581	6,911
Accumulated depreciation	(11,329)	(6,643)
Vehicles, net	251	268
Tools, furniture and fixtures	325,575	343,545
Accumulated depreciation	(260,518)	(277,090)
Tools, furniture and fixtures, net	65,057	66,454
Land	*3 2,355,086	*3 2,367,014
Lease assets	159,043	234,786
Accumulated depreciation	(22,825)	(65,542)
Lease assets, net	136,218	169,243
Construction in progress	51,795	176,815
Total property, plant and equipment	5,597,907	6,197,808
Intangible assets		
Goodwill	199,905	89,944
Other	26,821	30,501
Total intangible assets	226,726	120,446
Investments and other assets		
Investment securities	50,096	44,024
Stocks of subsidiaries and affiliates	*1 3,450	*1 3,450
Guarantee deposits	395,005	399,699
Long-term prepaid expenses	78,339	73,936
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,322	200
Other	*1 88,676	*1 72,040
Allowance for doubtful accounts	(1,222)	(100)
Total investments and other assets	615,668	593,251
Total noncurrent assets	6,440,302	6,911,506
Deferred assets		
Bond issuance cost	532	133
Total deferred assets	532	133
Total assets	9,697,036	10,181,699

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Liabilities		
Current liabilities		
Accounts payable-trade	91,415	71,831
Short-term loans payable	*3 714,244	*3 663,668
Current portion of bonds	20,000	10,000
Current portion of long-term loans payable	*3 969,956	*3 560,892
Lease obligations	35,020	49,176
Accounts payable-other	158,875	205,857
Accrued expenses	462,371	470,535
Income taxes payable	28,574	155,743
Advances received	3,200,385	3,076,852
Provision for bonuses	107,801	172,199
Allowance for cancellation of contract	8,599	5,522
Other	86,772	64,300
Total current liabilities	5,884,014	5,506,578
Noncurrent liabilities		
Bonds payable	10,000	-
Long-term loans payable	*3 1,099,466	*3 1,763,250
Lease obligations	112,644	130,296
Deferred tax liabilities	53,126	45,704
Provision for retirement benefits	38,484	39,495
Deferred revenue of home nursing care apart from general revenue	12,960	11,880
Asset retirement obligations	69,102	75,746
Other	14,727	19,600
Total noncurrent liabilities	1,410,512	2,085,973
Total liabilities	7,294,527	7,592,551
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Retained earnings	2,349,188	2,535,408
Treasury stock	(62,440)	(62,440)
Total shareholders’ equity	2,386,747	2,572,967
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,762	14,764
Foreign currency translation adjustment	-	1,415
Total accumulated other comprehensive income	15,762	16,179
Total net assets	2,402,509	2,589,147
Total liabilities and net assets	9,697,036	10,181,699

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Net sales	*1 9,442,891	*1 9,907,599
Cost of sales	7,538,754	7,818,367
Gross profit	1,904,137	2,089,231
Selling, general and administrative expenses	*2 1,701,848	*2 1,673,532
Operating income	202,288	415,699
Non-operating income		
Interest income	549	226
Dividends income	1,554	1,612
Contribution for tenants received	9,646	9,936
Revenue of facility usage charge	1,142	1,288
Insurance premiums refunded cancellation	29,652	-
Subsidy income	13,773	10,508
Contribution in income	210	12,753
Other	7,492	8,378
Total non-operating income	64,022	44,703
Non-operating expenses		
Interest expenses	58,392	56,892
Equity in losses of affiliates	-	23,385
Other	7,686	3,892
Total non-operating expenses	66,078	84,170
Ordinary income	200,232	376,232
Extraordinary income		
Gain on sales of noncurrent assets	*3 431	*3 51
Reversal of provision for loss on litigation	45,995	-
Reversal of provision for bonuses	2,146	-
Gain on negative goodwill	-	1,983
Total extraordinary income	48,573	2,034
Extraordinary loss		
Loss on retirement of noncurrent assets	*4 21,826	*4 6,736
Impairment loss	*5 185,595	-
Loss on cancellation of leasehold contracts	1,044	2,873
Loss on cancellation of lease contracts	-	2,737
Loss on adjustment for changes of accounting standard for asset retirement obligations	21,936	-
Loss on prior periods adjustment	*6 25,073	-
Settlement package	-	924
Loss on litigation	2,725	2,328
Other	833	-
Total extraordinary losses	259,035	15,598
Income (loss) before income taxes and minority interests	(10,230)	362,668
Income taxes-current	78,257	190,522
Income taxes-deferred	62,798	(47,125)
Total income taxes	141,055	143,396
Income (loss) before minority interests	(151,286)	219,271
Net income (loss)	(151,286)	219,271

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Income (loss) before minority interests	(151,286)	219,271
Other comprehensive income		
Valuation difference on available-for-sale securities	11,128	(997)
Foreign currency translation adjustment	-	1,415
Total other comprehensive income	11,128	*1 417
Comprehensive income	(140,158)	219,689
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(140,158)	219,689
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Shareholders’ equity		
Capital stock		
Balance at the beginning of current period	100,000	100,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	100,000	100,000
Retained earnings		
Balance at the beginning of current period	2,527,447	2,349,188
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income (loss)	(151,286)	219,271
Change of scope of equity method	-	(6,079)
Total changes of items during the period	(178,258)	186,220
Balance at the end of current period	2,349,188	2,535,408
Treasury stock		
Balance at the beginning of current period	(62,431)	(62,440)
Changes of items during the period		
Purchase of treasury stock	(9)	-
Total changes of items during the period	(9)	-
Balance at the end of current period	(62,440)	(62,440)
Total shareholders’ equity		
Balance at the beginning of current period	2,565,015	2,386,747
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income (loss)	(151,286)	219,271
Change of scope of equity method	-	(6,079)
Purchase of treasury stock	(9)	-
Total changes of items during the period	(178,268)	186,220
Balance at the end of current period	2,386,747	2,572,967
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	4,634	15,762
Changes of items during the period		
Net changes of items other than shareholders’ equity	11,128	(997)
Total changes of items during the period	11,128	(997)
Balance at the end of current period	15,762	14,764

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Foreign currency translation adjustment		
Balance at the beginning of current period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	1,415
Total changes of items during the period	-	1,415
Balance at the end of current period	-	1,415
Total accumulated other comprehensive income		
Balance at the beginning of current period	4,634	15,762
Changes of items during the period		
Net changes of items other than shareholders' equity	11,128	417
Total changes of items during the period	11,128	417
Balance at the end of current period	15,762	16,179
Total net assets		
Balance at the beginning of current period	2,569,649	2,402,509
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income (loss)	(151,286)	219,271
Change of scope of equity method	-	(6,079)
Purchase of treasury stock	(9)	-
Net changes of items other than shareholders' equity	11,128	417
Total changes of items during the period	(167,139)	186,638
Balance at the end of current period	2,402,509	2,589,147

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(10,230)	362,668
Depreciation and amortization	243,111	258,692
Amortization of long-term prepaid expenses	12,450	10,978
Amortization of goodwill	103,582	109,960
Gain on negative goodwill	-	(1,983)
Impairment loss	185,595	-
Increase (decrease) in allowance for doubtful accounts	611	(3,344)
Increase (decrease) in deferred revenue of home nursing care apart from general revenue	(1,080)	(1,080)
Increase (decrease) in provision for bonuses	16,759	64,398
Increase (decrease) in allowance for cancellation of contract	(2,222)	(3,077)
Increase (decrease) in provision for loss on litigation	(45,995)	-
Increase (decrease) in provision for retirement benefits	5,967	1,010
Interest and dividends income	(2,104)	(1,838)
Interest expenses	58,392	56,892
Equity in (earnings) losses of affiliates	-	23,385
Loss (gain) on sales of noncurrent assets	(431)	(51)
Loss on retirement of property, plant and equipment	20,248	6,357
Loss on retirement of intangible assets	150	378
Loss on cancellation of leases	-	2,737
Loss on adjustment for changes of accounting standard for asset retirement obligations	21,936	-
Decrease (increase) in notes and accounts receivable-trade	(114,031)	(71,088)
Decrease (increase) in inventories	(10,554)	9,876
Decrease (increase) in deposits paid	(190,982)	(96,790)
Increase (decrease) in notes and accounts payable-trade	6,760	(28,750)
Increase (decrease) in accounts payable-other	(9,207)	33,247
Increase (decrease) in advances received	(114,206)	(123,533)
Increase (decrease) in accrued consumption taxes	1,322	(16,684)
Decrease (increase) in consumption taxes refund receivable	(3,559)	(14,145)
Other, net	(43,771)	31,185
Subtotal	128,512	609,400
Interest and dividends income received	2,104	1,838
Interest expenses paid	(60,897)	(54,992)
Return of litigation deposits	80,000	-
Litigation settlement paid	(75,800)	-
Income taxes paid	(130,871)	(58,348)
Net cash provided by (used in) operating activities	(56,952)	497,897

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Net cash provided by (used in) investing activities		
Payments into time deposits	(20,000)	(20,000)
Proceeds from withdrawal of time deposits	20,000	20,000
Purchase of investment securities	(617)	(643)
Purchase of property, plant and equipment	(476,568)	(732,840)
Proceeds from sales of property, plant and equipment	1,600	59
Purchase of intangible assets	(5,641)	(11,241)
Payments of loans receivable	(1,106)	-
Collection of loans receivable	-	1,106
Payments for lease and guarantee deposits	(11,444)	(12,158)
Proceeds from collection of guarantee deposits	15,336	7,346
Purchase of long-term prepaid expenses	(13,351)	(7,128)
Proceeds from cancelation of insurance funds	47,760	-
Payments for investments in capital of subsidiaries and affiliates	(83,488)	-
Purchase of stocks of subsidiaries and affiliates	(3,450)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (120,295)	*2 (9,731)
Other, net	(5,302)	(19,911)
Net cash provided by (used in) investing activities	(656,569)	(785,143)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	193,444	(50,576)
Proceeds from long-term loans payable	760,000	1,530,000
Repayment of long-term loans payable	(635,998)	(1,286,896)
Repayments of lease obligations	(24,085)	(46,088)
Redemption of bonds	(20,000)	(20,000)
Purchase of treasury stock	(9)	-
Cash dividends paid	(26,534)	(26,314)
Net cash provided by (used in) financing activities	246,816	100,124
Effect of exchange rate change on cash and cash equivalents	(4)	7
Net increase (decrease) in cash and cash equivalents	(466,709)	(187,113)
Cash and cash equivalents at beginning of period	1,370,120	903,411
Cash and cash equivalents at end of period	*1 903,411	*1 716,298

(5) Going Concern Assumption

Not applicable.

(6) Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of consolidated subsidiaries:

Japan Long Life Co., Ltd.
L Care Co., Ltd.
Nihonbicoh Corporation
Kashidasu Co., Ltd.
Long Life Dining Co., Ltd.
Long Life Pharmacy Co., Ltd.
Long Life International Business Investment Co., Ltd.

L Care Tohoku Co., Ltd., consolidated subsidiary in the previous fiscal year, was absorbed by another Company's consolidated subsidiary Nihonbicoh Corporation, the surviving company, and dissolved on May 1, 2012. As a result, L Care Tohoku is excluded from the scope of consolidation.

Aoi Corporation (currently Long Life Pharmacy Co., Ltd.) is included in the scope of consolidation due to the purchase of all the shares of its stock by the Company on June 1, 2012.

(2) Non-consolidated subsidiaries

None.

2. Application of the equity method

(1) Number of equity-method affiliates: 1

Name of equity-method affiliates:

HIKING (QINGDAO) LONGLIFE CARE SERVICE CO., LTD.

Reason for inclusion in the scope of the application of the equity method

HIKING (QINGDAO) LONGLIFE CARE SERVICE is included in the scope of the application of the equity method due to its increased importance.

(2) Number of affiliates not accounted for by the equity method: 1

Name of affiliates not accounted for by the equity method:

Total Life Support Kenkyusho Co., Ltd.

Reason for exclusion from the scope of the application of the equity method

Total Life Support Kenkyusho is excluded from the scope of the application of the equity method, since it has a very minor effect on net income/loss (equity in earnings/losses) and retained earnings (equity in earnings) and is relatively insignificant in the context of the consolidated financial statements. Even collectively, they do not have a material impact.

3. Fiscal years of consolidated subsidiaries

The fiscal years of consolidated subsidiaries end on the closing date of the consolidated financial statements.

4. Accounting standards

(1) Valuation standards and methods for principal assets

(a) Marketable securities

Available-for-sale securities

Securities with market quotations are stated market value method based on market price, etc. at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

(b) Derivatives are valued by the market value method.

(c) Inventories

Merchandise is stated at cost determined by the specific identification method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Supplies are valued by the last purchase price method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

(2) Depreciation and amortization of significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is computed by the declining-balance method.

However, depreciation of buildings (excluding attached structures) acquired on or after April 1, 1998 is computed by the straight-line method.

Useful lives of principal assets are as follows:

Buildings and structures:	3-50 years
Tools, furniture and fixtures:	2-15 years

(b) Intangible assets (excluding lease assets)

Amortization of intangible assets is computed by the straight-line method.

Software for internal use is amortized over the expected useful lives of five years by the straight-line method.

(c) Lease assets

Lease assets associated with finance lease transaction where there is transfer of ownership are depreciated by the same method as depreciation method used for noncurrent assets held by the Company.

Lease assets associated with finance lease transaction where there is no transfer of ownership are depreciated by the straight-line method, assuming the lease period to be the useful life and a residual value of zero.

For finance lease transaction where there is no transfer of ownership that started on or before October 31, 2008 is computed by an accounting method that is based on the method used for ordinary lease transactions.

(d) Long-term prepaid expenses are amortized by the straight-line method.

(3) Accounting for significant deferred assets

Bond issuance costs are recorded as deferred assets and amortized over the redemption period of the related bonds by the straight-line method.

(4) Recognition of significant allowances

(a) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

(b) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year of the estimated future obligations is designated in the reserve account.

(c) Allowance for contract cancelations

To prepare for the future repayment of up-front deposits made by residents in the event that a contract is canceled in accordance with the cooling-off system, there is an allowance equal to the projected amount of these repayments based on the historical cancelation ratio.

(d) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is provided based on projected benefit obligations at the end of the current fiscal year.

The Company and its consolidated subsidiaries calculate projected benefit obligations by using a simplified method in which these obligations are equal to the amount that would be paid if all employees voluntarily requested benefits at the end of the fiscal year.

(e) Deferred revenue of home nursing care apart from general revenue

Some nursing home contracts include a provision in which payments for rent and other revenue occurring prior to the current fiscal year were received as a whole life deposit. For these contracts, there is an allowance equal to the projected expenses for future services so that this deposit can be allocated to expenses as corresponding services are provided at nursing homes.

(5) Accounting for hedges

(a) Hedging method

Deferred hedge treatment is adopted. For interest rate swaps, the Company uses special treatment when the conditions are fulfilled.

(b) Hedging instruments and risks hedged

Hedging instrument

Interest rate swaps

Risk hedged

Loans vulnerable to future changes in cash flows caused by changes in interest rates and other market-determined parameters

(c) Hedging policy

Hedges are used to prevent changes in future cash flows caused by changes in interest rates.

(d) Evaluation method for the effectiveness of hedges

During the time between establishment of a hedge and the determination of its effectiveness, the Company compares cumulative changes in the item hedged against cumulative changes in the market used as the hedging method or in cash flows. A decision is then reached based on the amount by which both have changed. For interest rate swaps that meet the requirements for special treatment, there is no evaluation of effectiveness on the settlement date.

(6) Method and period of goodwill amortization

Goodwill is amortized by the straight-line method over a period of five years.

(7) Scope of cash and cash equivalents on the consolidated statements of cash flows

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.

(8) Other significant accounting policies in the preparation of the consolidated financial statements

Accounting for consumption taxes

All amounts stated are exclusive of consumption taxes.

Consumption taxes that are not deductible are recorded as expenses in the corresponding fiscal years.

However, non-deductible consumption taxes associated with noncurrent assets are included in “Other” (deferred consumption taxes) in “Investments and other assets” and amortized over five years by the straight-line method.

(7) Changes in Accounting Policies

Change in depreciation method

Following tax law revisions, from the current fiscal year, the Group has changed its method of depreciation of property, plant and equipment acquired on or after April 1, 2012 in line with methods prescribed in the revised Corporate Tax Law.

As a result of this change, depreciation decreased 2,921 thousand yen and operating income, ordinary income and income before income taxes and minority interests for the current fiscal year increased by the same amount.

(8) Reclassifications

Consolidated statements of income

“Loss on litigation” included in “Other” under “Extraordinary loss” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since it has increased materiality in the context of consolidated financial statements. The prior-period consolidated financial statements are restated to conform to the current-period presentation. Accordingly, “Other” (3,558 thousand yen) under “Extraordinary loss” shown in the previous fiscal year’s consolidated statements of income is reclassified to “Loss on litigation” (2,725 thousand yen), and “Other” (833 thousand yen).

(9) Additional Information

Application of Accounting Standard for Accounting Changes and Error Corrections

The Company has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (ASBJ) Statement No. 24, December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) for accounting method revisions and for corrections to past errors from the beginning of the current fiscal year.

Effect of the change in corporate tax rate, etc.

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporate tax rate will be reduced while special reconstruction corporate tax will be imposed for the fiscal years beginning on or after November 1, 2012. As a result, the effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 42.01% to 39.40% for temporary differences expected to be used for the fiscal year beginning from November 1, 2012 up to the fiscal year beginning from November 1, 2014, and to 37.08% for fiscal years beginning on or after November 1, 2015. The effect of this change on the consolidated financial statements for the current fiscal year is insignificant.

(10) Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

*1. The following items are applicable to affiliates.

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Stocks of subsidiaries and affiliates	3,450	3,450
Other under investments and other assets (Investments in capital of subsidiaries and affiliates)	83,488	55,439

*2. Breakdown of inventories

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Merchandise	16,224	16,555
Supplies	10,764	4,448
Total	26,988	21,004

*3. Assets pledged as collateral

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Buildings and structures	1,730,488	2,138,751
Land	2,163,437	2,163,437
Total	3,893,925	4,302,188

Liabilities corresponding to the above

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Short-term loans payable	432,884	466,000
Current portion of long-term loans payable	390,708	258,276
Long-term loans payable	994,819	1,168,713
Total	1,818,411	1,892,989

*4. Deposits paid

FY10/11 (As of Oct. 31, 2011)

Deposits paid of 890,616 thousand yen include 195,452 thousand yen for a leasing contract with Harima Special Purpose Company for the LONG LIFE AOTANI nursing home and 694,607 thousand yen in association with an up-front deposit security trust contract with Asahi Trust Co., Ltd.

FY10/12 (As of Oct. 31, 2012)

Deposits paid of 987,407 thousand yen include 170,061 thousand yen for a leasing contract with Harima Special Purpose Company for the LONG LIFE AOTANI nursing home and 816,779 thousand yen in association with an up-front deposit security trust contract with Asahi Trust Co., Ltd.

Notes to Consolidated Statements of Income

*1. Provision of allowance for contract cancellation which is deducted from net sales is as follows.

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Provision of allowance for contract cancellation	8,599	5,522

*2. Major items of selling, general and administrative expenses

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Advertising expenses	236,842	211,142
Salaries and allowances	475,534	475,792
Directors' compensations	163,116	179,825
Provision for bonuses	27,936	27,370

*3. Breakdown of gain on sales of noncurrent assets

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Vehicles	-	51
Tools, furniture and fixtures	431	-

*4. Breakdown of loss on retirement of noncurrent assets

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Buildings and structures	21,038	5,741
Vehicles	41	5
Tools, furniture and fixtures	596	609
Software	150	378
Total	21,826	6,736

*5. Impairment loss

The Group recognized impairment losses on the following groups of assets.

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

(1) Impairment losses on assets

Location	Use	Item	Impairment loss
Edogawa-ku, Tokyo	Business assets	Buildings and structures	185,595 thousand yen

(2) Reason for decision to post impairment losses

At some business sites in the nursing home business, there are consistent operating losses and total estimated future cash flows are less than the book values of the corresponding assets. For these asset groups, book values have been written down to the amounts that can be recovered and the reductions were recognized as an impairment loss.

(3) Method used to group assets

Assets are grouped in accordance with business categories by using primarily business sites, which are generally the smallest independent cash-flow generating units.

(4) Method for calculating recoverable amount

The amount of assets that can be recovered is determined by using the utility value of assets. A discount rate of 6.03% is used for calculating the utility value based on future cash flows.

*6. Breakdown of loss on prior periods adjustment is as follows.

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Adjustment to sales in the prior periods	25,073	-

Notes to Consolidated Statements of Comprehensive Income

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

*1. Re-classification adjustments and tax effect with respect to other comprehensive income

	(Thousands of yen)
Valuation difference on available-for-sale securities:	
Amount incurred during the year	(3,715)
Re-classification adjustments	-
Before tax effect adjustments	(3,715)
Tax effect	2,717
Valuation difference on available-for-sale securities	(997)
Foreign currency translation adjustment:	
Amount incurred during the year	1,415
Total other comprehensive income	417

Notes to Consolidated Statements of Changes in Net Assets

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Oct. 31, 2010	Increase	Decrease	Number of shares as of Oct. 31, 2011
Outstanding shares				
Ordinary shares of common stock	55,952	11,134,448	-	11,190,400
Total	55,952	11,134,448	-	11,190,400
Treasury stock				
Ordinary shares of common stock	2,008	399,649	-	401,657
Total	2,008	399,649	-	401,657

Notes: 1. An increase of 11,134,448 shares in the number of outstanding shares of common stock and an increase of 399,592 shares in the number of treasury common stock are due to the 1-to-200 stock split on May 1, 2011 based on the resolutions approved at the Board of Directors' meeting on April 1, 2011.

2. An increase of 57 shares in the number of treasury common stock is due to the purchasing of odd-lot shares.

2. Items related to acquisition rights for new shares

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on December 27, 2010	Ordinary shares of common stock	26,972	500	Oct. 31, 2010	Jan. 13, 2011

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (thousands of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on December 9, 2011	Ordinary shares of common stock	26,971	Retained earnings	2.5	Oct. 31, 2011	Jan. 13, 2012

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Nov. 1, 2011	Increase	Decrease	Number of shares as of Oct. 31, 2012
Outstanding shares				
Ordinary shares of common stock	11,190,400	-	-	11,190,400
Total	11,190,400	-	-	11,190,400
Treasury stock				
Ordinary shares of common stock	401,657	-	-	401,657
Total	401,657	-	-	401,657

2. Items related to acquisition rights for new shares

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (thousands of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on December 9, 2011	Ordinary shares of common stock	26,971	Retained earnings	2.5	Oct. 31, 2011	Jan. 13, 2012

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (thousands of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting on December 14, 2012	Ordinary shares of common stock	37,760	Retained earnings	3.5	Oct. 31, 2012	Jan. 15, 2013

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets is made as follows.

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Cash and deposits	923,411	736,298
Time deposit with maturities over three months	(20,000)	(20,000)
Cash and cash equivalents	903,411	716,298

*2. Breakdown of assets and liabilities of consolidated subsidiary newly included in the consolidation through stock acquisition

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

Breakdown of assets and liabilities of Nihonbicoh Corporation as of the date the Company made it a consolidated subsidiary upon the acquisition of its shares, and the relationship with the acquisition cost of Nihonbicoh stock, and net outlays for the acquisition.

	(Thousands of yen)
Current assets	282,386
Noncurrent assets	224,402
Goodwill	127,549
Deferred assets	831
Current liabilities	(147,975)
Noncurrent liabilities	(284,908)
Acquisition cost for Nihonbicoh	202,285
Cash and cash equivalents	(81,990)
Net outlays for acquisition of Nihonbicoh	120,295

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

Breakdown of assets and liabilities of Long Life Pharmacy Co., Ltd. as of the date the Company made it a consolidated subsidiary upon the acquisition of its shares, and the relationship with the acquisition cost of Long Life Pharmacy stock, and net outlays for the acquisition.

	(Thousands of yen)
Current assets	18,140
Noncurrent assets	21,521
Current liabilities	(11,039)
Noncurrent liabilities	(20,039)
Negative goodwill	(1,983)
Acquisition cost for Long Life Pharmacy	6,600
Acquisition cost for loan claims	7,000
Cash and cash equivalents	(3,868)
Net outlays for acquisition of Long Life Pharmacy	9,731

Segment and Other Information

a. Segment data

1. Overview of reportable segment

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The LONGLIFE Group uses a pure holding company structure in which individual operating companies determine comprehensive strategies for their respective activities in Japan and other countries and conduct those activities.

Consequently, there are four reportable business segments that are determined by service categories based on the activities of operating companies: the nursing home business, the in-home nursing care business, the food business and the nursing care equipment business.

The name of the food service business was changed to the food business in the current fiscal year.

2. Calculation methods for sales, profit (or loss), assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments are generally the same as those listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are generally ordinary income figures.

Inter-segment sales or transfers are based on market prices.

3. Information related to sales, profit (or loss), assets, liabilities, and other items for each reportable segment

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

(Thousands of yen)

	Reportable segment					Others (note)	Total
	Nursing home	In-home nursing care	Food service	Nursing care equipment	Subtotal		
Sales							
External sales	4,292,673	5,059,681	89,088	1,448	9,442,891	-	9,442,891
Inter-segment sales or transfers	380	27,040	579,199	47,251	653,871	-	653,871
Total	4,293,054	5,086,721	668,288	48,699	10,096,763	-	10,096,763
Segment profit (loss)	133,135	30,768	21,214	(36,080)	149,038	(10,339)	138,699
Segment assets	7,069,775	1,858,258	155,906	103,039	9,186,979	90,172	9,277,152
Other items							
Depreciation and amortization	183,229	44,060	1,199	7,193	235,683	40	235,723
Amortization of goodwill	-	84,450	-	-	84,450	-	84,450
Interest expenses	34,131	20,296	748	561	55,738	-	55,738
Impairment loss	185,595	-	-	-	185,595	-	185,595
Increase in property, plant and equipment and intangible assets	440,521	163,183	14,794	77,103	695,603	120	695,723

Notes: 1. “Others” business segment is not included in any of the reportable segments and includes investment business.
2. The nursing care equipment business segment has been added in the current fiscal year due to the establishment of Kashidasu Co., Ltd.

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

(Thousands of yen)

	Reportable segment					Others (note)	Total
	Nursing home	In-home nursing care	Food	Nursing care equipment	Subtotal		
Sales							
External sales	3,851,475	5,603,392	94,619	329,124	9,878,612	28,987	9,907,599
Inter-segment sales or transfers	469	6,631	451,236	31,384	489,721	-	489,721
Total	3,851,944	5,610,023	545,856	360,509	10,368,334	28,987	10,397,321
Segment profit (loss)	134,015	91,063	(9,957)	32,994	248,117	(30,211)	217,905
Segment assets	7,492,825	1,762,824	131,479	193,810	9,580,939	96,415	9,677,355
Other items							
Depreciation and amortization	171,256	55,375	3,143	21,375	251,151	394	251,546
Amortization of goodwill	-	84,450	-	-	84,450	-	84,450
Interest expenses	35,354	17,261	396	633	53,646	23	53,669
Equity in losses of affiliates	-	-	-	-	-	23,385	23,385
Investment in equity-method affiliates	-	-	-	-	-	55,439	55,439
Increase in property, plant and equipment and intangible assets	662,279	127,998	-	47,277	837,555	834	838,390

Notes: 1. “Others” business segment is not included in any of the reportable segments and includes investment business and dispensing pharmacy business.
2. The name of the food service business was changed to the food business in the current fiscal year.

4. Reconciliation of reported consolidated financial statements with total profit (or loss) for reportable segments

Reconciliation items (Thousands of yen)

Sales	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Total for reportable segments	10,096,763	10,368,334
Sales attributable to "Others"	-	28,987
Eliminations for inter-segment transactions	(653,871)	(489,721)
Sales on the consolidated financial statements	9,442,891	9,907,599

(Thousands of yen)

Profit	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Total for reportable segments	149,038	248,117
Profits attributable to "Others"	(10,339)	(30,211)
Adjustments on unrealized profits	152	152
Amortization of goodwill	(19,132)	(25,509)
Corporate revenue/expenses (note 1)	80,609	183,813
Others (note 2)	(97)	(129)
Ordinary income on the consolidated financial statements	200,232	376,232

Notes: 1. Corporate revenue/expenses represent consulting fee income from the group companies to the Company and costs of the Company for administration of the group companies.
2. "Others" is the write-down of depreciable assets resulting from revisions of book values based on the fair valuations of these assets.

(Thousands of yen)

Assets	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Total for reportable segments	9,186,979	9,580,939
Assets attributable to the "Others"	90,172	96,415
Offsetting of receivables	(315,741)	(306,495)
Corporate assets (note)	735,625	810,839
Total assets on the consolidated financial statements	9,697,036	10,181,699

Note: Corporate assets represent the assets of the Company.

(Thousands of yen)

Other items	Total for reportable segments		Others		Adjustments		Amounts shown on consolidated financial statements	
	FY10/11	FY10/12	FY10/11	FY10/12	FY10/11	FY10/12	FY10/11	FY10/12
Depreciation and amortization	235,683	251,151	40	394	7,388	7,146	243,111	258,692
Amortization of goodwill	84,450	84,450	-	-	19,132	25,509	103,582	109,960
Interest expenses	55,738	53,646	-	23	2,654	3,222	58,392	56,892
Equity in losses of affiliates	-	-	-	23,385	-	-	-	23,385
Impairment loss	185,595	-	-	-	-	-	185,595	-
Investment in equity-method affiliates	-	-	-	55,439	-	-	-	55,439
Increase in property, plant and equipment and intangible assets	695,603	837,555	120	834	15,306	28,477	711,030	866,867

Notes: 1. Adjustments to depreciation and amortization consist of adjustments to corporate expenses and to unrealized profits.
2. Adjustments to amortization of goodwill are not allocated to reportable segments.
3. Adjustments to interest expenses are not allocated to reportable segments.
4. Adjustments to an increase in property, plant and equipment and intangible assets consist of the capital investments in the Company.

b. Related information

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable since the Company has no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside Japan.

3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
Osaka Federation of National Health Insurance Organizations	3,815,322	Nursing home, in-home nursing care

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable since the Company has no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside Japan.

3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
Osaka Federation of National Health Insurance Organizations	4,220,550	Nursing home, in-home nursing care, nursing care equipment

c. Information related to impairment of noncurrent assets for each reportable segment

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

(Thousands of yen)

	Nursing home	In-home nursing care	Food service	Nursing care equipment	Others	Elimination or corporate	Total
Impairment loss	185,595	-	-	-	-	-	185,595

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

Not applicable.

d. Information related to goodwill amortization and the unamortized balance for each reportable segment

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

(Thousands of yen)

	Nursing home	In-home nursing care	Food service	Nursing care equipment	Others	Elimination or corporate	Total
Amortization for the period	-	84,450	-	-	-	19,132	103,582
Balance at end of period	-	91,487	-	-	-	108,417	199,905

Note: Elimination or corporate is the amortization of goodwill associated with the acquisition of stock of a subsidiary that cannot be allocated to any reportable segment.

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

(Thousands of yen)

	Nursing home	In-home nursing care	Food	Nursing care equipment	Others	Elimination or corporate	Total
Amortization for the period	-	84,450	-	-	-	25,509	109,960
Balance at end of period	-	7,037	-	-	-	82,907	89,944

Note: Elimination or corporate is the amortization of goodwill associated with the acquisition of stock of a subsidiary that cannot be allocated to any reportable segment.

e. Information related to negative goodwill profits for each reportable segment

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)

Not applicable.

FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)

Gains on negative goodwill of 1,983 thousand yen was booked in the dispensing pharmacy business which is included in “Others” business segment. This was due to the purchase of all shares of Aoi Corporation (currently Long Life Pharmacy Co., Ltd.) stock by the Company on June 1, 2012.

Per Share Information

(Yen)

FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Net assets per share 222.69 Net loss per share 14.02 Diluted net income per share is not presented since the Company posted net loss, and has no outstanding dilutive securities. The Company conducted a 1-to-200 split of common stock on May 1, 2011. Per share information in the previous fiscal year, assuming the stock split was conducted on the first day of the previous fiscal year as follows. Diluted net income per share is not presented since the Company has no outstanding dilutive securities. Net assets per share 238.18 Net income per share 14.66	Net assets per share 239.99 Net income per share 20.32 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

Note: The following is a reconciliation of net income (loss) per share (Thousands of yen)

Items	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Net income (loss) per share		
Net income (loss)	(151,286)	219,271
Amounts not available to common shareholders	-	-
Net income (loss) available to common shares	(151,286)	219,271
Average number of shares outstanding during the period	10,788,780 shares	10,788,743 shares
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect in the period	―――――	―――――

Subsequent Events

Not applicable.

Omission of Disclosure

Disclosure of the notes on leases, related party information, deferred tax accounting, financial instruments, marketable securities, derivatives, retirement benefits, stock options, business combinations, asset retirement obligations, and rental and other properties was omitted due to the minor necessity of disclosure.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Assets		
Current assets		
Cash and deposits	250,254	300,654
Prepaid expenses	9,119	6,513
Deferred tax assets	3,864	8,768
Short-term loans receivable from subsidiaries and affiliates	4,500	-
Accounts receivable-other	727	70
Accounts receivable-other from subsidiaries and affiliates	1,531	11,597
Other	4,974	1,904
Total current assets	274,972	329,508
Noncurrent assets		
Property, plant and equipment		
Buildings	22,285	25,410
Accumulated depreciation	(7,364)	(9,006)
Buildings, net	14,920	16,403
Structures	-	200
Accumulated depreciation	-	(8)
Structures, net	-	191
Tools, furniture and fixtures	34,866	35,121
Accumulated depreciation	(29,006)	(32,162)
Tools, furniture and fixtures, net	5,859	2,958
Land	-	11,928
Total property, plant and equipment	20,780	31,482
Intangible assets		
Software	5,410	5,624
Telephone subscription right	1,498	1,498
Other	-	421
Total intangible assets	6,908	7,544
Investments and other assets		
Investment securities	47,096	44,024
Stocks of subsidiaries and affiliates	355,735	362,335
Long-term loans receivable from subsidiaries and affiliates	-	7,000
Guarantee deposits	29,895	28,843
Other	237	100
Total investments and other assets	432,964	442,304
Total noncurrent assets	460,653	481,331
Total assets	735,625	810,839

(Thousands of yen)

	FY10/11 (As of Oct. 31, 2011)	FY10/12 (As of Oct. 31, 2012)
Liabilities		
Current liabilities		
Current portion of long-term loans payable	39,996	39,996
Accounts payable-other	10,759	8,633
Accrued expenses	9,672	10,145
Income taxes payable	10,938	65,473
Accrued consumption taxes	1,851	10,245
Provision for bonuses	6,233	7,145
Other	3,340	3,921
Total current liabilities	82,792	145,560
Noncurrent liabilities		
Long-term loans payable	133,340	93,344
Deferred tax liabilities	12,484	9,528
Provision for retirement benefits	1,816	1,858
Asset retirement obligations	3,942	4,008
Total noncurrent liabilities	151,583	108,740
Total liabilities	234,375	254,300
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus		
Other capital surplus	190,000	190,000
Total capital surpluses	190,000	190,000
Retained earnings		
Other retained earnings		
Retained earnings brought forward	257,928	314,215
Total retained earnings	257,928	314,215
Treasury stock	(62,440)	(62,440)
Total shareholders’ equity	485,487	541,774
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15,762	14,764
Total valuation and translation adjustments	15,762	14,764
Total net assets	501,249	556,539
Total liabilities and net assets	735,625	810,839

(2) Statements of Income

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Operating revenue		
Consulting fee income	483,160	585,970
Total operating revenue	483,160	585,970
Operating expenses		
Advertising expenses	27,040	23,853
Directors' compensations	80,070	80,160
Salaries and allowances	93,805	112,679
Provision for bonuses	6,233	7,145
Legal welfare expenses	21,227	20,748
Rents	34,558	26,765
Commission fee	51,713	49,762
Depreciation	7,444	7,169
Other	79,952	72,949
Total operating expenses	402,044	401,234
Operating income	81,115	184,735
Non-operating income		
Interest income	70	208
Dividends income	1,552	1,610
Revenue of facility usage charge	231	216
Other	508	429
Total non-operating income	2,361	2,464
Non-operating expenses		
Interest expenses	2,860	3,386
Other	7	0
Total non-operating expenses	2,867	3,386
Ordinary income	80,609	183,813
Extraordinary income		
Reversal of provision for bonuses	68	-
Total extraordinary income	68	-
Extraordinary loss		
Loss on debt forgiveness	-	22,166
Loss on retirement of noncurrent assets	118	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,097	-
Total extraordinary losses	1,215	22,166
Income before income taxes	79,461	161,646
Income taxes-current	34,538	83,529
Income taxes-deferred	1,305	(5,141)
Total income taxes	35,843	78,387
Net income	43,617	83,259

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	100,000	100,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	100,000	100,000
Capital surplus		
Other capital surplus		
Balance at the beginning of current period	190,000	190,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	190,000	190,000
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	241,282	257,928
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income	43,617	83,259
Total changes of items during the period	16,645	56,287
Balance at the end of current period	257,928	314,215
Treasury stock		
Balance at the beginning of current period	(62,431)	(62,440)
Changes of items during the period		
Purchase of treasury stock	(9)	-
Total changes of items during the period	(9)	-
Balance at the end of current period	(62,440)	(62,440)
Total shareholders' equity		
Balance at the beginning of current period	468,850	485,487
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income	43,617	83,259
Purchase of treasury stock	(9)	-
Total changes of items during the period	16,636	56,287
Balance at the end of current period	485,487	541,774

(Thousands of yen)

	FY10/11 (Nov. 1, 2010 – Oct. 31, 2011)	FY10/12 (Nov. 1, 2011 – Oct. 31, 2012)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	4,634	15,762
Changes of items during the period		
Net changes of items other than shareholders' equity	11,128	(997)
Total changes of items during the period	11,128	(997)
Balance at the end of current period	15,762	14,764
Total valuation and translation adjustments		
Balance at the beginning of current period	4,634	15,762
Changes of items during the period		
Net changes of items other than shareholders' equity	11,128	(997)
Total changes of items during the period	11,128	(997)
Balance at the end of current period	15,762	14,764
Total net assets		
Balance at the beginning of current period	473,484	501,249
Changes of items during the period		
Dividends from surplus	(26,972)	(26,971)
Net income	43,617	83,259
Purchase of treasury stock	(9)	-
Net changes of items other than shareholders' equity	11,128	(997)
Total changes of items during the period	27,764	55,289
Balance at the end of current period	501,249	556,539

6. Other

(1) Change in Directors

Not applicable.

(2) Other

Not applicable.