

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending October 31, 2019
(Six Months Ended April 30, 2019)

[Japanese GAAP]

Company name: LONGLIFE HOLDING Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: June 14, 2019

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

Note: The original disclosure in Japanese was released on June 14, 2019 at 14:30 (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended April 30, 2019 (Nov. 1, 2018 – Apr. 30, 2019)

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

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Apr. 30, 2019	6,603	3.5	93	(47.1)	48	—	(114)	—
Six months ended Apr. 30, 2018	6,379	8.3	177	5.7	(39)	—	(76)	—

Note: Comprehensive income (million yen)

Six months ended Apr. 30, 2019: (120) (- %)

Six months ended Apr. 30, 2018: (80) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2019	(11.20)	—
Six months ended Apr. 30, 2018	(7.43)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Apr. 30, 2019	17,502	2,930	16.7	286.30
As of Oct. 31, 2018	16,609	3,132	18.9	306.08

Reference: Shareholders' equity (million yen)

As of Apr. 30, 2019: 2,930

As of Oct. 31, 2018: 3,132

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2019	—	0.00	—	8.00	8.00
Fiscal year ending Oct. 31, 2018	—	0.00	—	—	—
Fiscal year ending Oct. 31, 2019 (forecasts)	—	—	—	8.00	8.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2019 (Nov. 1, 2018 – Oct. 31, 2019)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,100	9.6	420	42.1	340	764.4	85	—	8.31

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Apr. 30, 2019:11,190,400 shares As of Oct. 31, 2018:11,190,400 shares

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

As of Apr. 30, 2019:955,605 shares As of Oct. 31, 2018:955,605shares

3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2019:10,234,795 shares Six months ended Apr. 30, 2018:10,234,795shares

Indication of quarterly review procedure implementation status

The current quarterly financial report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have been completed.

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

Note concerning forward-looking statements

Forecasts of future performance in these materials are based on certain assumptions 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.

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1. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY10/18 (As of Oct. 31, 2018)	Second quarter of FY10/19 (As of Apr. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,279,263	1,536,232
Notes and accounts receivable-trade	1,682,523	1,660,415
Inventories	217,871	197,352
Deposits paid	1,140,345	1,160,704
Other	409,351	424,250
Allowance for doubtful accounts	(11,732)	—
Total current assets	4,717,622	4,978,954
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	8,809,438	8,611,342
Accumulated depreciation	(2,977,119)	(2,975,966)
Buildings and structures, net	5,832,318	5,635,376
Vehicles	16,807	16,606
Accumulated depreciation	(11,213)	(12,151)
Vehicles, net	5,594	4,455
Tools, furniture and fixtures	799,330	772,890
Accumulated depreciation	(487,144)	(489,169)
Tools, furniture and fixtures, net	312,185	283,721
Land	3,679,322	3,679,322
Lease assets	340,413	345,135
Accumulated depreciation	(307,074)	(314,979)
Lease assets, net	33,338	30,156
Construction in progress	914,418	1,717,679
Total property, plant and equipment	10,777,178	11,350,712
Intangible assets		
Goodwill	—	32,747
Other	46,499	52,039
Total intangible assets	46,499	84,786
Investments and other assets		
Investment securities	126,031	111,665
Stocks of subsidiaries and affiliates	0	5,000
Guarantee deposits	740,594	756,633
Long-term prepaid expenses	57,097	55,007
Deferred tax assets	20,104	31,390
Other	124,605	128,000
Total investments and other assets	1,068,433	1,087,696
Total noncurrent assets	11,892,111	12,523,195
Total assets	16,609,734	17,502,149

	(Thousands of yen)	
	FY10/18 (As of Oct. 31, 2018)	Second quarter of FY10/19 (As of Apr. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	191,102	177,437
Short-term loans payable	551,200	170,000
Current portion of long-term loans payable	378,660	428,660
Lease obligations	14,475	11,620
Accounts payable-other	396,653	441,333
Accrued expenses	585,298	589,393
Income taxes payable	20,546	69,383
Advances received	5,353,030	5,375,217
Provision for bonuses	96,536	112,999
Allowance for cancellation of contract	14,554	11,626
Other	71,653	144,443
Total current liabilities	7,673,710	7,532,115
Noncurrent liabilities		
Long-term loans payable	5,540,135	6,778,660
Lease obligations	17,353	16,411
Deferred tax liabilities	22,016	17,462
Net defined benefit liability	99,728	111,998
Asset retirement obligations	112,905	102,867
Other	11,197	12,384
Total noncurrent liabilities	5,803,336	7,039,786
Total liabilities	13,477,046	14,571,901
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Retained earnings	3,245,695	3,049,196
Treasury stock	(251,175)	(251,175)
Total shareholders' equity	3,094,520	2,898,021
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,742	34,419
Foreign currency translation adjustment	(2,575)	(2,192)
Total accumulated other comprehensive income	38,167	32,227
Total net assets	3,132,687	2,930,248
Total liabilities and net assets	16,609,734	17,502,149

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY10/18 (Nov. 1, 2017 – Apr. 30, 2018)	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)
Net sales	6,379,088	6,603,471
Cost of sales	4,987,890	5,186,650
Gross profit	1,391,198	1,416,821
Selling, general and administrative expenses	1,214,118	1,323,175
Operating income	177,079	93,645
Non-operating income		
Interest income	28	29
Dividends income	559	637
Insurance income	180	4,995
Other	3,545	9,894
Total non-operating income	4,314	15,556
Non-operating expenses		
Interest expenses	38,124	42,183
Commission fee	148,331	14,033
Taxes and dues	19,722	—
Equity in losses of affiliates	2,308	—
Other	12,818	4,174
Total non-operating expenses	221,304	60,391
Ordinary income (loss)	(39,911)	48,810
Extraordinary loss		
Impairment loss	—	94,186
Loss on valuation of investment securities	—	5,323
Other	1,410	7,037
Total extraordinary losses	1,410	106,546
Profit (loss) before income taxes	(41,321)	(57,735)
Income taxes-current	32,949	69,384
Income taxes-deferred	1,798	(12,499)
Total income taxes	34,747	56,884
Profit (loss)	(76,069)	(114,620)
Profit (loss) attributable to owners of parent	(76,069)	(114,620)

Quarterly Consolidated Statements of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY10/18 (Nov. 1, 2017 – Apr. 30, 2018)	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)
Profit (loss)	(76,069)	(114,620)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,054)	(6,323)
Share of other comprehensive income of associates accounted for using equity method	2,308	—
Foreign currency translation adjustment	385	383
Total other comprehensive income	(4,360)	(5,940)
Comprehensive income	(80,430)	(120,560)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(80,430)	(120,560)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY10/18 (Nov. 1, 2017 – Apr. 30, 2018)	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes	(41,321)	(57,735)
Depreciation	167,959	223,001
Amortization of goodwill	—	2,977
Amortization of long-term prepaid expenses	12,415	6,483
Impairment loss	—	94,186
Loss (gain) on valuation of interest swaps	11,506	1,755
Increase (decrease) in allowance for doubtful accounts	—	(11,732)
Increase (decrease) in provision for bonuses	11,269	16,462
Increase (decrease) in allowance for cancellation of contract	(380)	(2,928)
Increase (decrease) in net defined benefit liability	9,735	12,270
Interest and dividends income	(588)	(666)
Interest expenses	38,124	42,183
Share of (profit) loss of entities accounted for using equity method	2,308	—
Loss on retirement of property, plant and equipment	283	6,337
Loss (gain) on sales of investment securities	—	5,323
Loss on cancellation of rental contracts	1,127	—
Commission fee	148,331	14,033
Decrease (increase) in notes and accounts receivable-trade	(46,429)	22,107
Decrease (increase) in inventories	(95,705)	32,212
Decrease (increase) in deposits paid	257,082	(20,358)
Increase (decrease) in notes and accounts payable-trade	(62,326)	(13,665)
Increase (decrease) in accounts payable-other	185,371	41,053
Increase (decrease) in advances received	(379,853)	22,186
Decrease (increase) in consumption taxes refund receivable	(124,069)	13,616
Increase (decrease) in accrued consumption taxes	(21,825)	18,599
Other, net	60,919	(53,176)
Subtotal	133,936	414,526
Interest and dividends income received	588	666
Interest expenses paid	(38,768)	(41,033)
Income taxes paid	(105,488)	(20,648)
Income taxes refund	—	28,648
Net cash provided by (used in) operating activities	(9,732)	382,159

(Thousands of yen)

	First six months of FY10/18 (Nov. 1, 2017 – Apr. 30, 2018)	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)
Net cash provided by (used in) investing activities		
Payments into time deposits	(100,029)	(100,038)
Proceeds from withdrawal of time deposits	100,021	100,029
Purchase of investment securities	(200,563)	(620)
Proceeds from sales of investment securities	198,768	—
Purchase of property, plant and equipment	(762,551)	(817,140)
Purchase of intangible assets	(26,912)	(1,500)
Payments for asset retirement obligations	—	(6,581)
Payments for lease and guarantee deposits	(100,250)	(20,193)
Proceeds from collection of lease and guarantee deposits	2,046	7,425
Purchase of long-term prepaid expenses	(38,009)	(14,707)
Payments for absorption-type split	—	(70,000)
Other, net	(834)	(276)
Net cash provided by (used in) investing activities	(928,315)	(923,603)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	(381,200)
Proceeds from long-term loans payable	4,875,000	3,662,700
Repayment of long-term loans payable	(3,249,979)	(2,374,175)
Repayments of lease obligations	(12,416)	(8,518)
Payments into restricted cash	—	(7,200)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5,000)
Cash dividends paid	(81,239)	(81,257)
Payments for commission fee	(148,331)	(14,033)
Net cash provided by (used in) financing activities	1,383,034	791,315
Effect of exchange rate change on cash and cash equivalents	9	(110)
Net increase (decrease) in cash and cash equivalents	444,996	249,760
Cash and cash equivalents at beginning of period	1,598,213	1,044,225
Cash and cash equivalents	2,043,209	1,293,985

2.Segment and Other Information

I. First six months of FY10/18(Nov. 1, 2017– Apr. 30, 2018)

1. Information related to sales and profit (or loss) for each reportable segment

(Thousands of yen)

	Reportable segment						Others (note)	Total
	Nursing home	In-home nursing care	Nursing care equipment	Food	Resort	Subtotal		
Sales								
External sales	2,228,290	2,828,839	845,223	25,116	97,676	6,025,146	353,942	6,379,088
Inter-segment sales or transfers	—	1,370	34,199	303,638	825	340,035	9,151	349,186
Total	2,228,290	2,830,210	879,423	328,755	98,502	6,365,181	363,093	6,728,275
Segment profit (loss)	39,716	11,820	5,673	15,052	(95,701)	(23,438)	(15,182)	(38,621)

Note: “Others” segment is not included in any of the reportable segments and includes dispensing pharmacy business, education and training business, and investment business.

2. Reconciliation of reported quarterly consolidated statements of income with total profit (or loss) for reportable segments

Reconciliation items (Thousands of yen)

Profit	Amount
Total for reportable segments	(23,438)
Profits attributable to “Others”	(15,182)
Adjustments on unrealized profits	71
Corporate revenue/expenses (note)	(6,872)
Other	5,510
Ordinary income on the quarterly consolidated statements of income	(39,911)

Note: 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.

II. First six months of FY10/18(Nov. 1, 2018– Apr. 30, 2019)

1. Information related to sales and profit (or loss) for each reportable segment

(Thousands of yen)

	Reportable segment						Others (note)	Total
	Nursing home	In-home nursing care	Nursing care equipment	Food	Resort	Subtotal		
Sales								
External sales	2,299,417	2,772,007	758,550	25,101	265,840	6,120,917	482,553	6,603,471
Inter-segment sales or transfers	2,800	2,060	55,577	308,364	634	369,436	7,817	377,254
Total	2,302,217	2,774,068	814,127	333,466	266,474	6,490,354	490,371	6,980,726
Segment profit (loss)	(112,643)	16,292	4,606	4,316	17,278	(70,150)	8,963	(61,186)

Note: “Others” segment is not included in any of the reportable segments and includes dispensing pharmacy business and investment business.

2. Reconciliation of reported quarterly consolidated statements of income with total profit (or loss) for reportable segments

Reconciliation items

(Thousands of yen)

Profit	Amount
Total for reportable segments	(70,150)
Profits attributable to “Others”	8,963
Adjustments on unrealized profits	71
Corporate revenue/expenses (note)	109,674
Other	251
Ordinary income on the quarterly consolidated statements of income	48,810

Note: 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.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.