

# Consolidated Financial Results for the Year Ended March 31, 2019 [J-GAAP]

## Heiwa Corporation

May 10, 2019

Stock code: 6412  
 URL: <https://www.heiwanet.co.jp/>  
 Shares listed: Tokyo Stock Exchange  
 Representative: Katsuya Minei, Representative Director and President  
 Contact: Motoyoshi Takagi, Executive Officer, Deputy Chief of Administrative Division in charge of Management Planning Group  
 TEL: +81-3-3839-0701

Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2019  
 Scheduled date of start of dividend payment: June 28, 2019  
 Scheduled date of the filing of the annual report: June 27, 2019  
 Preparation of supplementary briefing materials for the financial results: Yes  
 Holding of any briefing session for the financial results: Yes  
 (for institutional investors and securities analysts)

## I. Financial Highlights

As of and for the years ended March 31, 2018 and 2019

(Amounts less than one million yen are omitted.)

### 1. Consolidated Operating Results

	FY 3/2018	YoY	FY 3/2019	YoY
	(million yen)	(%)	(million yen)	(%)
(1) Consolidated financial results				
Net sales	132,765	(28.7)	144,980	9.2
Operating income	13,931	(61.9)	28,014	101.1
Ordinary income	13,105	(63.2)	27,451	109.5
Profit attributable to owners of parent	6,799	(74.9)	16,341	140.3
Basic earnings per share (yen)	69.00		165.68	
Diluted earnings per share (yen)	68.95		165.66	
Return on equity (ROE) (%)	3.1		7.4	
Ordinary income to total net assets (%)	3.0		6.3	
Operating income to net sales (%)	10.5		19.3	
(2) Consolidated financial position				
Total assets	430,287		442,845	
Net assets	216,701		225,052	
Shareholders' equity ratio (%)	50.4		50.8	
Net assets per share (yen)	2,197.75		2,281.58	
(3) Consolidated cash flows				
Net cash provided by (used in) operating activities	17,538		35,188	
Net cash provided by (used in) investing activities	(7,350)		(29,165)	
Net cash provided by (used in) financing activities	(21,108)		(11,484)	
Cash and cash equivalents at end of period	34,185		28,729	

(Note) Comprehensive income: Year ended March 31, 2019: ¥16,202 million +128.7%  
 Year ended March 31, 2018: ¥7,083 million (73.1%)

(Reference)

Equity in earnings: Year ended March 31, 2019: ¥— million  
 Year ended March 31, 2018: ¥— million  
 Shareholders' equity: As of March 31, 2019: ¥225,052 million  
 As of March 31, 2018: ¥216,690 million

## 2. Dividends

	Annual dividends per share					Total Dividends	Payout Ratio	Dividend on Net Assets Ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total	(Total)	(Consolidated)	(Consolidated)
	(yen)					(million yen)	(%)	(%)
FY3/2018	—	40.00	—	40.00	80.00	7,884	115.9	3.6
FY3/2019	—	40.00	—	40.00	80.00	7,891	48.3	3.6
FY3/2020 (Forecast)	—	40.00	—	40.00	80.00		43.8	

## 3. Consolidated Results Forecast for Year Ending March 31, 2020

	FY 3/2020	
	Full year	YoY
	(million yen)	(%)
Net sales	155,700	7.4
Operating income	28,600	2.1
Ordinary income	27,700	0.9
Profit attributable to owners of parent	18,000	10.2
Earnings per share (yen)	182.48	

(Note) The Group conducts performance management on an annual basis, so only full-year consolidated forecasts is released.

\* This financial report is not subject to the audit procedure.

\* Explanations about the appropriate use of the consolidated results forecasts and other noteworthy points:

1. The results forecasts included in these materials are based on information currently available to the Company, and actual results may differ significantly from forecast figures due to a number of factors.

2. The Company will hold a financial results briefing for securities analysts and institutional investors on Friday, May 17, 2019. The financial results briefing materials distributed at the briefing will be posted on the Company's website soon after the statement of financial results is released.

## II. Consolidated financial statements

### 1. Consolidated balance sheet

(Million yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	41,405	42,461
Notes and accounts receivable - trade	8,607	8,493
Electronically recorded monetary claims - operating	2,744	1,834
Securities	44,839	50,719
Merchandise and finished goods	2,934	3,408
Raw materials and supplies	5,473	5,189
Income taxes receivable	1,649	0
Other	11,152	9,856
Allowance for doubtful accounts	(598)	(472)
Total current assets	118,209	121,492
Non-current assets		
Property, plant and equipment		
Buildings and structures	96,704	100,669
Accumulated depreciation	(30,397)	(34,802)
Buildings and structures, net	66,307	65,866
Machinery, equipment and vehicles	12,250	13,144
Accumulated depreciation	(6,375)	(7,587)
Machinery, equipment and vehicles, net	5,875	5,557
Tools, furniture and fixtures	22,926	22,917
Accumulated depreciation	(17,532)	(18,634)
Tools, furniture and fixtures, net	5,394	4,283
Land	201,995	207,012
Leased assets	9,289	9,564
Accumulated depreciation	(6,551)	(7,255)
Leased assets, net	2,737	2,308
Construction in progress	273	350
Total property, plant and equipment	282,584	285,377
Intangible assets		
Goodwill	2,905	5,357
Other	4,222	4,496
Total intangible assets	7,127	9,853
Investments and other assets		
Investment securities	10,010	13,612
Long-term loans receivable	25	14
Deferred tax assets	7,548	7,751
Other	5,338	5,278
Allowance for doubtful accounts	(556)	(535)
Total investments and other assets	22,365	26,121
Total non-current assets	312,077	321,353
Total assets	430,287	442,845

(Million yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,969	3,442
Electronically recorded obligations - operating	10,811	7,480
Current portion of long-term loans payable	35,228	13,668
Income taxes payable	2,663	9,264
Provision for bonuses	704	1,210
Provision for bonuses for directors (and other officers)	—	63
Provision for shareholder benefit program	1,813	2,006
Provision for loss on disaster	1	45
Other	13,595	17,711
Total current liabilities	67,787	54,894
Non-current liabilities		
Long-term loans payable	87,888	107,088
Deferred tax liabilities	16,258	17,384
Retirement benefit liability	4,597	4,846
Deposits received from members	30,973	29,888
Other	6,080	3,691
Total non-current liabilities	145,798	162,898
Total liabilities	213,586	217,793
<b>Net assets</b>		
Shareholders' equity		
Capital stock	16,755	16,755
Capital surplus	54,858	54,863
Retained earnings	146,187	154,638
Treasury shares	(1,377)	(1,332)
Total shareholders' equity	216,423	224,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	519	282
Remeasurements of defined benefit plans	(253)	(154)
Total accumulated other comprehensive income	266	127
Share acquisition rights	11	—
Non-controlling interests	0	0
Total net assets	216,701	225,052
<b>Total liabilities and net assets</b>	<b>430,287</b>	<b>442,845</b>

## 2. Consolidated statements of income and comprehensive income

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	132,765	144,980
Cost of sales	88,181	89,143
Gross profit	44,584	55,836
Selling, general and administrative expenses	30,652	27,822
Operating profit	13,931	28,014
Non-operating income		
Interest income	175	185
Dividend income	51	43
Gain on redemption of securities	64	331
Income from sales of electric power	141	158
Gain on sales of raw materials	176	61
Other	324	398
Total non-operating income	935	1,178
Non-operating expenses		
Interest expenses	669	527
Commission expenses	258	247
Loss on retirement of non-current assets	517	253
Expenditures related tonatural disaster	110	488
Other	205	224
Total non-operating expenses	1,761	1,741
Ordinary profit	13,105	27,451
Extraordinary income		
Gain on sales of non-current assets	30	—
Gain on reversal of share acquisition rights	0	4
Total extraordinary income	30	4
Extraordinary losses		
Loss on retirement of non-current assets	36	—
Loss on valuation of investment securities	45	0
Total extraordinary losses	81	0
Profit before income taxes	13,054	27,456
Income taxes - current	4,706	9,620
Income taxes for prior periods	—	1,917
Income taxes - deferred	1,548	(422)
Total income taxes	6,254	11,115
Profit	6,799	16,341
Profit attributable to		
Profit attributable to owners of parent	6,799	16,341
Profit attributable to non-controlling interests	0	0
Other comprehensive income		
Valuation difference on available-for-sale securities	115	(237)
Remeasurements of defined benefit plans, net of tax	168	99
Total other comprehensive income	283	(138)
Comprehensive income	7,083	16,202
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,083	16,202
Comprehensive income attributable to non-controlling interests	0	0

### 3. Consolidated statement of change in net assets

Fiscal year ended March 31, 2018 (April 1, 2017-March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,755	54,849	147,268	(1,474)	217,398
Changes of items during period					
Dividends of surplus			(7,880)		(7,880)
Profit attributable to owners of parent			6,799		6,799
Purchase of treasury shares				(11)	(11)
Disposal of treasury shares		9		108	118
Net changes of items other than shareholders' equity					
Total changes of items during period	—	9	(1,081)	96	(974)
Balance at end of current period	16,755	54,858	146,187	(1,377)	216,423

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	404	(422)	(17)	24	0	217,405
Changes of items during period						
Dividends of surplus						(7,880)
Profit attributable to owners of parent						6,799
Purchase of treasury shares						(11)
Disposal of treasury shares						118
Net changes of items other than shareholders' equity	115	168	283	(12)	—	270
Total changes of items during period	115	168	283	(12)	—	(704)
Balance at end of current period	519	(253)	266	11	0	216,701

Fiscal year ended March 31, 2019 (April 1, 2018-March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,755	54,858	146,187	(1,377)	216,423
Changes of items during period					
Dividends of surplus			(7,889)		(7,889)
Profit attributable to owners of parent			16,341		16,341
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		4		51	55
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4	8,451	44	8,500
Balance at end of current period	16,755	54,863	154,638	(1,332)	224,924

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	519	(253)	266	11	0	216,701
Changes of items during period						
Dividends of surplus						(7,889)
Profit attributable to owners of parent						16,341
Purchase of treasury shares						(6)
Disposal of treasury shares						55
Net changes of items other than shareholders' equity	(237)	99	(138)	(11)	—	(149)
Total changes of items during period	(237)	99	(138)	(11)	—	8,351
Balance at end of current period	282	(154)	127	—	0	225,052

#### 4. Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	13,054	27,456
Depreciation	10,740	9,868
Increase (decrease) in allowance for doubtful accounts	(0)	(145)
Increase (decrease) in provision for bonuses	(1,207)	489
Increase (decrease) in provision for bonuses for directors (and other officers)	(188)	63
Increase (decrease) in retirement benefit liability	381	347
Interest income	(175)	(185)
Dividend income	(51)	(43)
Interest expenses	669	527
Foreign exchange losses (gains)	6	(4)
Loss (gain) on redemption of securities	(64)	(331)
Loss (gain) on valuation of investment securities	45	0
Loss (gain) on sales of non-current assets	(30)	—
Loss on retirement of non-current assets	36	—
Loss (gain) on investments in partnership	(4)	10
Decrease (increase) in notes and accounts receivable - trade	3,098	882
Decrease (increase) in advance payments	452	(4)
Decrease (increase) in consumption taxes refund receivable	(1,637)	2,224
Decrease (increase) in inventories	(633)	(182)
Increase (decrease) in notes and accounts payable - trade	1,459	(3,226)
Increase (decrease) in accounts payable - other	(1,000)	556
Increase (decrease) in accrued consumption taxes	(670)	1,747
Increase (decrease) in advances received	33	61
Other, net	(149)	(1,091)
Subtotal	24,163	39,019
Interest and dividend income received	229	223
Interest expenses paid	(680)	(535)
Income taxes paid	(7,552)	(5,283)
Income taxes refund	1,377	1,764
Net cash provided by (used in) operating activities	17,538	35,188



(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(52,740)	(50,920)
Proceeds from withdrawal of time deposits	65,490	49,620
Purchase of short-term and long-term investment securities	(63,387)	(88,789)
Proceeds from sales and redemption of short-term and long-term investment securities	63,028	74,046
Purchase of property, plant and equipment	(15,041)	(6,387)
Proceeds from sales of property, plant and equipment	95	24
Purchase of intangible assets	(515)	(470)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	383	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,534)	(6,194)
Payments of loans receivable	—	(20)
Other, net	(128)	(74)
Net cash provided by (used in) investing activities	(7,350)	(29,165)
Cash flows from financing activities		
Decrease in short-term loans payable	(375)	—
Proceeds from long-term loans payable	27,448	32,957
Repayments of long-term loans payable	(37,501)	(35,360)
Purchase of treasury shares	(11)	(6)
Proceeds from exercise of share options	103	48
Payments for reorganization credits and others	(1,764)	—
Cash dividends paid	(7,875)	(7,889)
Dividends paid to non-controlling interests	(1)	(1)
Other, net	(1,131)	(1,233)
Net cash provided by (used in) financing activities	(21,108)	(11,484)
Effect of exchange rate change on cash and cash equivalents	(6)	4
Net increase (decrease) in cash and cash equivalents	(10,927)	(5,456)
Cash and cash equivalents at beginning of period	45,113	34,185
Cash and cash equivalents at end of period	34,185	28,729

## 5. Segment Information

### A. Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)

(Million yen)

	Reporting segment			Eliminations	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	51,552	81,213	132,765	-	132,765
Internal net sales and transfers between segments	-	13	13	(13)	-
Total	51,552	81,227	132,779	(13)	132,765
Segment profit	7,149	9,930	17,079	(3,147)	13,931
Segment assets	45,006	289,513	334,520	95,766	430,287
Other items					
Depreciation	3,453	7,013	10,466	273	10,740
Increase in tangible fixed assets and intangible assets	1,853	19,503	21,356	18	21,375

### B. Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

(Million yen)

	Reporting segment			Eliminations	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	62,407	82,573	144,980	-	144,980
Internal net sales and transfers between segments	-	5	5	(5)	-
Total	62,407	82,578	144,985	(5)	144,980
Segment profit	20,791	10,599	31,391	(3,376)	28,014
Segment assets	41,649	299,467	341,117	101,728	442,845
Other items					
Depreciation	2,728	6,881	9,609	258	9,868
Increase in tangible fixed assets and intangible assets	1,060	14,960	16,020	2	16,023