

# Consolidated Financial Results for the Year Ended March 31, 2018 [J-GAAP]

## Heiwa Corporation

May 10, 2018

Stock code: 6412  
 URL: <https://www.heimanet.co.jp/>  
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Scheduled date of Ordinary General Meeting of Shareholders: June 28, 2018  
 Scheduled date of start of dividend payment: June 29, 2018  
 Scheduled date of the filing of the annual report: June 28, 2018  
 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)

## Financial Highlights

As of and for the years ended March 31, 2017 and 2018

(Amounts less than one million yen are omitted.)

### 1. Consolidated Operating Results

	FY 3/2017	YoY	FY 3/2018	YoY
	(million yen)	(%)	(million yen)	(%)
(1) Consolidated financial results				
Net sales	186,218	(13.4)	132,765	(28.7)
Operating income	36,599	(6.1)	13,931	(61.9)
Ordinary income	35,655	(4.8)	13,105	(63.2)
Profit attributable to owners of parent	27,058	(3.9)	6,799	(74.9)
Basic earnings per share (yen)	274.76		69.00	
Diluted earnings per share (yen)	274.44		68.95	
Return on equity (ROE) (%)	13.0		3.1	
Ordinary income to total net assets (%)	7.9		3.0	
Operating income to net sales (%)	19.7		10.5	
(2) Consolidated financial position				
Total assets	449,152		432,533	
Net assets	217,405		216,701	
Shareholders' equity ratio (%)	48.4		50.1	
Net assets per share (yen)	2,206.80		2,197.75	
(3) Consolidated cash flows				
Net cash provided by (used in) operating activities	35,891		17,538	
Net cash provided by (used in) investing activities	(2,770)		(7,350)	
Net cash provided by (used in) financing activities	(18,159)		(21,108)	
Cash and cash equivalents at end of period	45,113		34,185	

(Note) Comprehensive income: Year ended March 31, 2018: ¥7,083 million (73.1%)  
 Year ended March 31, 2017: ¥26,372 million (6.3%)

(Reference)

Equity in earnings: Year ended March 31, 2018: ¥— million  
 Year ended March 31, 2017: ¥— million  
 Shareholders' equity: As of March 31, 2018: ¥216,690 million  
 As of March 31, 2017: ¥217,381 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)	(%)	(%)
FY3/2017	—	40.00	—	40.00	80.00	7,879	29.1	3.8
FY3/2018	—	40.00	—	40.00	80.00	7,884	115.9	3.6
FY3/2019 (Forecast)	—	40.00	—	40.00	80.00		45.3	

## 3. Consolidated Results Forecast for Year Ending March 31, 2019

	FY 3/2019	
	Full year	YoY
	(million yen)	(%)
Net sales	155,300	17.0
Operating income	27,000	93.8
Ordinary income	26,300	100.7
Profit attributable to owners of parent	17,400	155.9
Earnings per share (yen)	176.48	

(Note) The Group conducts performance management on an annual basis, so only full-year consolidated forecasts will be released from the fiscal year under review.

For details, refer to “(4) Outlook for the Next Fiscal Year” of “1. Explanation of Operating Results and Financial Position” on page 8.

**\* Notes**

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies or estimates and retrospective restatements

- (i) Any change arising from revision of accounting standards: None
- (ii) Any change arising from factors other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

- (i) Number of shares issued (including treasury stock)  
99,809,060 shares as of March 31, 2018  
99,809,060 shares as of March 31, 2017
- (ii) Number of shares of treasury stock  
1,212,969 shares as of March 31, 2018  
1,303,693 shares as of March 31, 2017
- (iii) Average number of shares during the period  
98,536,637 shares in year ended March 31, 2018  
98,478,891 shares in year ended March 31, 2017

(Reference) Overview of Non-Consolidated Operating Results

Non-consolidated operating results for FY3/2018 (From April 1, 2017 to March 31, 2018)

	FY3/2017	YoY	FY3/2018	YoY
	(million yen)	(%)	(million yen)	(%)
(1) Non-consolidated financial results				
Net sales	108,030	(20.4)	51,437	(52.4)
Operating income	19,148	1.0	3,291	(82.8)
Ordinary income	27,223	8.5	5,604	(79.4)
Net income	21,735	9.9	3,865	(82.2)
Basic earnings per share (yen)	220.71		39.23	
Diluted earnings per share (yen)	220.45		39.20	
(2) Non-consolidated financial position				
Total assets	274,861		258,047	
Net assets	218,405		214,615	
Shareholders' equity ratio (%)	79.5		83.2	
Net assets per share (yen)	2,216.95		2,176.60	

(Reference)

Shareholders' equity: As of March 31, 2018: ¥214,604 million  
As of March 31, 2017: ¥218,381 million

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

\* Explanations about the appropriate use of the consolidated results forecast 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. For information on assumptions on which results forecasts are based, as well as notes concerning the usage of results forecasts, etc., refer to "(4) Outlook for the Next Fiscal Year" of "1. Explanation of Operating Results and Financial Position" on page 8.

2. The Company will hold a financial results briefing for securities analysts and institutional investors on Friday, May 18, 2018. 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.

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## 1. Explanations of Operating Results and Financial Position

### (1) Explanations of Operating Results

In the consolidated fiscal year under review, the Japanese economy continued its gradual growth with a recovery in individual consumption against a backdrop of recovery in the employment and earnings environment caused by various government policies as exports increased.

In the pachinko and pachislot machine industry, there was a downturn in the pachinko and pachislot market due to the effects of the Enforcement Regulations of the Act on Control and Improvement of Amusement Business, etc. and the Regulations Concerning Authorization and Model Approval for Amusement Machines (hereinafter collectively the “Regulations”), which were scheduled to be revised with an enforcement date of February 1, 2018, from the perspective of transitioning to machines with limited addictiveness and limiting gambling fixation, etc. and produce pachinko and pachislot machines with new forms of appeal with an eye to restoring the market, which has been contracting of late.

In the golf industry, we continue to face issues such as the declining golfing population and the aging of the golf-playing demographic, and initiatives aimed at further increasing the popularity of golf, such as attracting younger players and expanding playing styles to suit the ages of players, are increasingly important.

In this environment, the pachinko and pachislot machine business has adopted “producing machines that evoke emotion in players” and “ensuring high profitability,” as its basic policies, and promoted each accordingly. Similarly, the golf business has adopted “increasing the value of golf courses” and “enhancing earning potential” as its basic policies, and implemented similar promotions.

Due to the above, results for the consolidated fiscal year were as follows: Net sales amounted to 132,765 million yen (down 28.7% year on year); Operating income amounted to 13,931 million yen (down 61.9% year on year); Ordinary income amounted to 13,105 million yen (down 63.2% year on year); And profit attributable to owners of parent totaled 6,799 million yen (down 74.9% year on year).

Segment results are summarized below.

(Pachinko and Pachislot Machine Business)

In the pachinko and pachislot machine business, for pachinko machines, we released machines such as “*Fujiko: Lupin The End*” and “*Antonio Inoki: Utebawakarusa! Arigato!!!*,” selling a total of 117 thousand units (down 74 thousand units year on year), and for pachislot machines, we released machines such as “*Pachislot Girl Friend BETA: Seio Gakuen Memorial*” and “*Nangoku Monogatari TYPE-A*,” selling a total of 20 thousand units (down 60 thousand units year on year).

Because it is difficult to predict the market’s reception of pachinko and pachislot machines that comply with the new Regulations, demand from pachinko parlors declined, and the Company implemented various measures to respond to changes in the industry environment, such as by drastically revising the sales schedule; however, the number of units sold fell short of the previous fiscal year.

As a result of the above, net sales amounted to 51,552 million yen (down 52.3% year on year), and operating income amounted to 7,149 million yen (down 75.8% year on year).

(Golf Business)

In the golf business, we acquired and commenced operation of five golf courses. Furthermore, we launched the high-grade golf brand “GRAND PGM” in July 2017, with the brand statement of “increasing the value and quality of Japanese golf.” The selected courses conducted initiatives such as course improvements, renovating and

refurbishing clubhouses, as well as conducting staff training and revision of restaurant menus, in order to provide the high level of service that is expected of a high-grade golf course, and then successively commencing operation.

Although sales decreased in October 2017 due to poor weather and typhoons, in addition to contributions from the golf courses acquired in the previous and current fiscal year resulted in sales growth over the previous year. Profit decreased over the previous fiscal year due to costs related to new golf courses and “GRAND PGM.”

As a result of the above, net sales amounted to 81,213 million yen (up 4.0% year on year), and operating income amounted to 9,930 million yen (down 9.2% year on year).

#### Consolidated results for the fiscal year

(Million yen)

	FY3/2017 (From April 1, 2016 to March 31, 2017)	FY3/2018 (From April 1, 2017 to March 31, 2018)	Increase (decrease)	%
Net sales	186,218	132,765	(53,453)	(28.7)
Pachinko and Pachislot Machine Business	108,139	51,552	(56,587)	(52.3)
Golf Business	78,078	81,213	3,134	4.0
Operating income	36,599	13,931	(22,667)	(61.9)
Ordinary income	35,655	13,105	(22,550)	(63.2)
Profit attributable to owners of parent	27,058	6,799	(20,259)	(74.9)
Basic earnings per share (yen)	274.76	69.00		

#### (2) Explanations of Financial Position

##### Assets

Total assets amounted to 432,533 million yen, down 16,619 million yen from the end of the previous consolidated fiscal year. Securities increased by 8,016 million yen, land increased by 6,818 million yen, and buildings and structures (net) increased by 5,635 million yen. However, cash and deposits decreased by 28,347 million yen, notes and accounts receivable - trade decreased by 4,195 million yen, investment securities decreased by 2,796 million yen, and construction in progress decreased by 2,705 million yen.

##### Liabilities

Liabilities amounted to 215,831 million yen, down 15,915 million yen from the end of the previous consolidated fiscal year. Long-term loans payable (including the current portion of long-term loans payable) decreased by 9,801 million yen, other in current liabilities decreased by 2,918 million yen, income taxes payable decreased by 1,534 million yen, deposits received from members decreased by 1,292 million yen, and provision for bonuses decreased by 1,193 million yen.

##### Net Assets

Net assets decreased by 704 million yen from the end of the previous consolidated fiscal year to 216,701 million yen, due to factors such as retained earnings from the inclusion of profit attributable to owners of parent earnings increasing by 6,799 million yen, while retained earnings due to distribution of surplus decreased by 7,880 million yen.

As a result, the shareholders' equity ratio was 50.1%, as opposed to 48.4% at the end of the previous consolidated fiscal year.

### (3) Explanations of Cash Flows

The change in cash and cash equivalents for the consolidated fiscal year under review was minus 10,927 million yen, and the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was 34,185 million yen.

#### Cash Flow from Operating Activities

Cash flow from operating activities in the consolidated fiscal year under review was plus 17,538 million yen (plus 35,891 million yen in the previous fiscal year). This is primarily due to income before income taxes to 13,054 million yen, depreciation amounting to 10,740 million yen, and a decrease in notes and accounts receivable - trade amounting to 3,098 million yen, while income taxes paid amounted to 7,552 million yen.

#### Cash Flow from Investing Activities

Cash flow from investing activities in the consolidated fiscal year under review was minus 7,350 million yen (minus 2,770 million yen in the previous fiscal year). This is primarily due to proceeds from withdrawal of time deposits amounting to 65,490 million yen, and proceeds from sales and redemption of short-term and long-term investment securities amounting to 63,028 million yen, while expenditure from payment into time deposits amounted to 52,740 million yen, purchase of short-term and long-term investment securities amounted to 63,387 million yen, purchase of property, plant and equipment amounted to 15,041 million yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation amounted to 4,534 million yen.

#### Cash Flow from Financing Activities

Cash flow from financing activities in the consolidated fiscal year under review was minus 21,108 million yen (minus 18,159 million yen in the previous fiscal year). This is primarily due to proceeds from long-term loans payable amounting to 27,448 million yen, expenditure from repayments of long-term loans payable amounting to 37,501 million yen, and cash dividends paid amounting to 7,875 million yen.

The trends in the Group's cash flow indicators are shown below.

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Shareholders' equity ratio	32.6%	36.4%	44.1%	48.4%	50.1%
Market value shareholders' equity ratio	34.6%	45.2%	51.0%	60.7%	48.8%
Cash flows/interest-bearing debt ratio (years)	4.53	3.97	5.52	3.80	7.19
Interest coverage ratio (times)	17.9	28.1	21.9	39.8	25.8

(Notes) Each indicator is calculated by the following formulas.

Shareholders' equity ratio = Shareholders' equity/Total assets

Market value shareholders' equity ratio = Aggregate market value of shares/Total assets

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

Interest coverage ratio = Operating cash flow/Interest payment

1. Each indicator is calculated based on the consolidated financial values.
2. Aggregate market value of shares is calculated as follows:  
Term-end closing stock price × Term-end number of shares issued (excluding treasury stock)
3. Operating cash flow represents the "Net cash provided by (used in) operating activities" in the consolidated statement of cash flows. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheet. Interest payment corresponds to the amount of "Interest expenses paid" in the consolidated statement of cash flows.

#### (4) Outlook for the Next Fiscal Year

In the pachinko and pachislot machine business, we will work towards "enhancing proposals aimed at developing hit products" and "promoting cost-reduction and business efficiency," and expect to sell 135 thousand pachinko machines and 50 thousand pachislot machines.

In the golf business, we aim for even further growth, placing an emphasis on the policies of "increasing the golf service value," "stable management from a medium to long-term perspective," and "promoting automation and efficiency of golf course operation"

Based on the above, consolidated results for the period ending March 2019 are forecast to be as follows: Net sales will amount to 155,300 million yen, operating income will amount to 27,000 million yen, ordinary income will amount to 26,300 million yen, and net profits attributable to shareholders of the parent will amount to 17,400 million yen.

#### (5) Basic Policy Concerning Profit Sharing and Dividends for this Fiscal Year and Next Fiscal Year

The Company considers returning profits to shareholders while also increasing corporate value to be of the utmost importance. Specifically, it is the Company's basic policy to pay stable dividends, giving consideration to the totality of factors such as the business plan, financial conditions, operating results, dividend pay-out ratios, and dividend on net assets ratios. Furthermore, we plan to allocate internal reserves to investment in enhancement of research and development capabilities, investment in plant and equipment, and M&A of golf courses, etc.

Based on this policy, during this consolidated fiscal year we paid an interim dividend of 40 yen per share, and we intend to pay a year-end dividend of 40 yen per share for a total yearly dividend of 80 yen per share.

With regard to dividends in the next fiscal year, we intend to pay a dividend of 80 yen per share (of which 40 yen will represent an interim dividend).



#### (6) Risks to Businesses, etc.

Risks that may affect factors such as the Group's financial position and operating results are as follows. Furthermore, matters alluding to the future are based on judgments made as of the end of the current consolidated fiscal year.

##### (i) Matters Relating to Legal Regulation of the Pachinko and Pachislot Machine Business

The pachinko and pachislot machine business is regulated by laws, such as the Act on Control and Improvement of Amusement Business, etc., the Order for Enforcement of the Act on Control and Improvement of Amusement Business, etc., and the Regulations Concerning Authorization and Model Approval for Amusement Machines. Thus, if there are any major revisions to these laws, or if new laws that regulate the pachinko and pachislot machine business are enacted and enforced, there is a possibility that this will affect factors such as the Group's business operations and operating results.

##### (ii) Market Environment of the Pachinko and Pachislot Machine Business

Customers of the pachinko and pachislot machine business mainly comprise nationwide pachinko parlors. As such, if sudden changes were to occur to the business environment of pachinko parlors due to changes in the market environment and economic conditions, the impact on the group's financial position and operating results would be significant.

##### (iii) Matters Relating to Legal Regulation of the Golf Business

Development and use of land for golf courses is regulated by laws concerning land use and development, such as the River Act, the Forest Act, the Agricultural Land Act, the City Planning Act, the National Land Use Planning Act, and the Road Act.

Operation of golf course facilities is regulated by laws, such as the Food Sanitation Act and the Public Bath Houses Act, as well as laws relating to the environment, such as the Agricultural Chemicals Regulation Act and the Waste Disposal and Public Cleansing Act.

Thus, if there are any major revisions to these laws, or if new laws that regulate the golf business are enacted and enforced, there is a possibility that this will affect factors such as the Group's business operations and operating results.

##### (iv) Market Environment of the Golf Business

The golf business is part of the leisure industry, and demand is greatly affected by fluctuations in economic trends and customer preference. In particular, if a large-scale natural disaster occurs, such as the Great East Japan Earthquake, the Company not only sustains direct damage, but its financial position and operating results, etc. are also affected by unpredictable factors such as a prevailing mood of refraining from leisure activities.

##### (v) Risks Relating to Financing

In the golf business, financing is mostly conducted through loans from financial institutions. Thus, if interest rates rise significantly, the Group's operating results, etc. may be affected due to increased interest payable on variable-rate loans, revision of the term of existing borrowings, and increased financing costs of new borrowings.

Furthermore, most major borrowings have restrictive financial covenants imposed, and if said covenants are infringed, then a mortgage may be registered against some real estate specified by the Group or the Group may be subject to a requirement for early repayment if agreement is not reached between the Group and the financial institution, concerned. Therefore, if said conditions are infringed for any reason, factors such as the Group's financial position and operational results may be affected.

(vi) Regarding Protection of Personal Information

In the golf business, a large amount of personal information and specific personal information is handled during the course of customer and operational management. The Company complies with the Personal Information Protection Act and the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (the Numbers Act) with regard to personal information and specific personal information, and has management systems in place for the protection of personal information and specific personal information.

However, if a leak of personal information were to occur, it would damage the Group's reputation, and may affect factors such as the Group's financial position and operational results.

## 2. State of the Corporate Group

The Group comprises the Company, 17 consolidated subsidiaries, 1 affiliate, and 1 company of which the Company is an affiliate. The Group is expanding into business areas in the leisure industry mainly concerned with the pachinko and pachislot machine business and the golf business.

(1) The Group's activities by business segment, and the positioning of the businesses of the Company and its affiliates

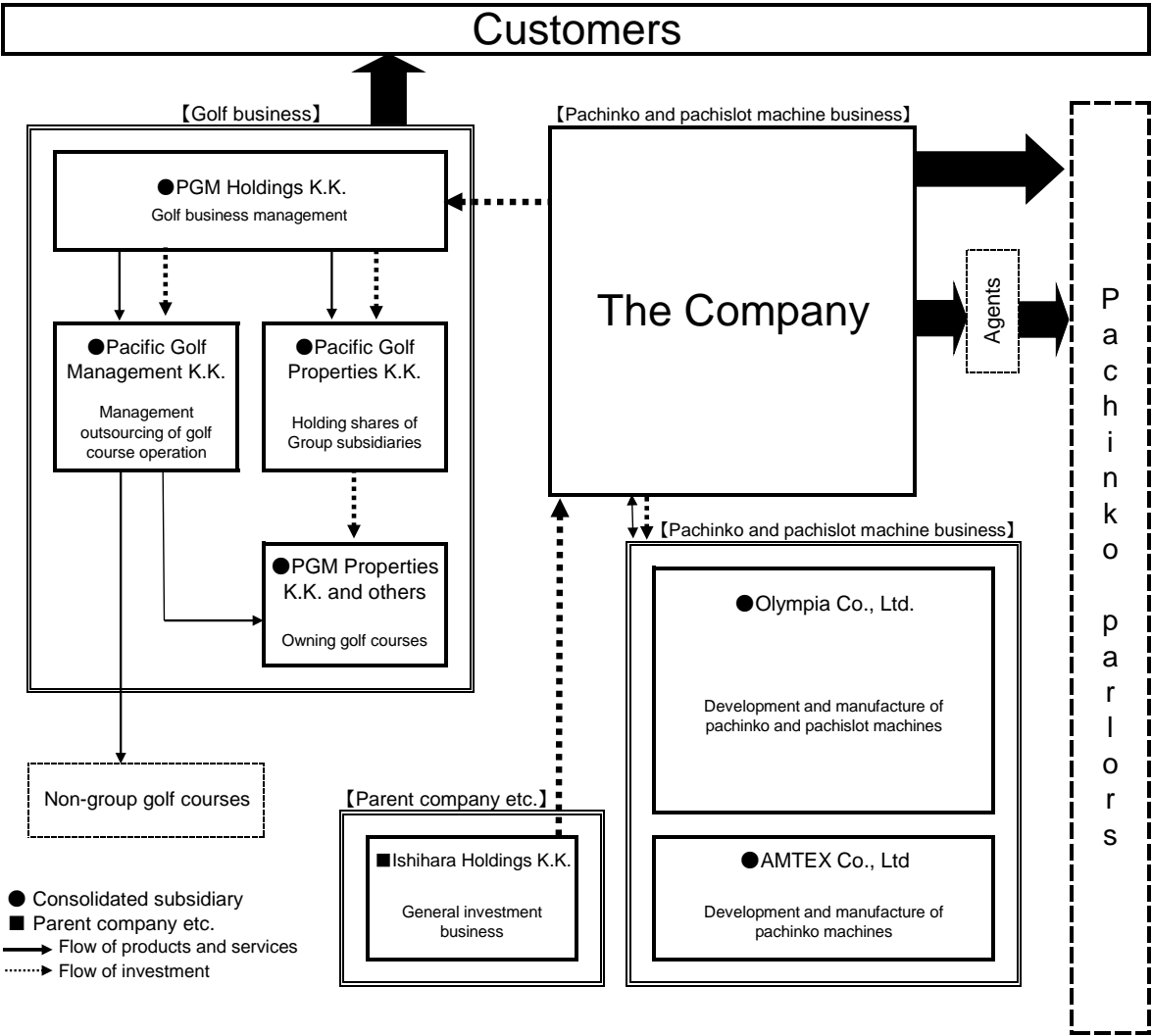
Business segment	Business operator	Ratio of voting rights held (%)	Primary business
Pachinko and pachislot machines	The Company	—	Development, manufacture, and sale of pachinko and pachislot machines
	Olympia Co., Ltd.	100.0	Development and manufacture of pachinko and pachislot machines
	AMTEX Co., Ltd	100.0	Development and manufacture of pachinko machines
Golf	PGM Holdings K.K.	100.0	Golf business management
	Pacific Golf Properties K.K.	100.0 (100.0)	Holding shares of Group subsidiaries (golf business)
	Pacific Golf Management K.K.	100.0 (100.0)	Golf course management and management outsourcing of golf course operation
	PGM Properties K.K.	100.0 (100.0)	Owning golf courses

Note: Values listed in parentheses refer to the ratio of voting rights held indirectly.

(2) Companies of which the Company is an affiliate

Business segment	Business operator	Ratio of voting rights held (%)	Primary business
Parent company etc.	Ishihara Holdings K.K.	39.0	General investment business

(3) Business relationship diagram



### 3. Management Policy

#### (1) Basic Policy Concerning Management of the Company

The Group relies on both the pachinko and pachislot machine business and the golf business as its revenue base, and aims to be a comprehensive leisure company.

In the pachinko and pachislot machine business, we are working to continue to provide appealing products that anticipate the needs of players, while expanding our sales share and continuing to improve our business results.

In the golf business, in addition to providing high-quality service at all golf courses, we will work to increase customer loyalty and make golf course operations more efficient.

Furthermore, in our business activities, we will promote transparency and soundness of management, based on acting in accordance with high ethical principles, and complying with laws and ordinances as a matter of course, in order to enhance the relationship of trust with all of our stakeholders.

#### (2) Target Management Indices

The Group's management places the utmost importance on ensuring stable and continuous return of profits to shareholders, aiming to achieve a ratio of operating income to net sales of 22%, while working to increase corporate value.

#### (3) The Company's Medium to Long-Term Management Strategy and Issues to Be Addressed

In the pachinko and pachislot industry, we need to produce pachinko and pachislot machines with new forms of appeal due to the diversification of leisure activities, and the scale of the pachinko and pachislot market remains on a downward trend due to changes in the regulatory environment of pachinko and pachislot machines. Meanwhile competition between pachinko and pachislot machine manufacturers is intensifying.

In this environment, the pachinko and pachislot machine business has established basic policies of "enhancing proposals aimed at developing hit products" and "promoting cost-reduction and business efficiency" for the upcoming fiscal year, and will work to implement them with the medium-term aim of securing a lead role in the pachinko and pachislot industry.

With regard to "enhancing proposals aimed at developing hit products," we will aim to develop hit products by strengthening our selection standards at the time of acquiring content, and ensuring presentation and discussion of diverse ideas for proposals at the initial stage of the development process. Furthermore, we will review and enhance product evaluation standards, and develop pachinko and pachislot machines from the player's perspective.

With regard to "promoting cost-reduction and business efficiency," we aim to maximize the number of units sold by enhancing analysis of the market, competitors, and ourselves, and devising a flexible sales strategy. Furthermore, we will increase cost awareness, continue to thoroughly promote the 3Rs (reduce, reuse, recycle), and pursue profits so as to reduce costs by enhancing business efficiency and inter-departmental cooperation.

In the golf industry, the operating environment for golf courses is expected to grow progressively harsher, due to changes in the external environment, such as the declining number of golf players and the chronic labor shortage.

In this environment, the golf business has established basic policies of "increasing the golf service value," "stable management from a medium to long-term perspective," and "promoting automation and efficiency of golf course operation," and will work to implement them in order to correctly understand customer needs and changes to the external environment, and then rapidly respond to them.

With regard to “increasing the golf service value,” we aim to increase the golf service value by continuing to conduct appropriate and effective capital investment, and increasing the brand power and recognition of “GRAND PGM.” Furthermore, we will work to cater to the broad range of needs of golf players through new initiatives such as our plan to commence operation of indoor golf facilities.

With regard to “stable management from a medium to long-term perspective,” we aim for golf course management that produces stable profits by pursuing service that aims to increase customer loyalty and paying attention to maximizing cost effectiveness. Furthermore, we will further promote the creation of an environment that is friendly to employees in preparation for future labor shortages.

With regard to “promoting automation and efficiency of golf course operation,” we aim to constantly review our operations and conduct improvements, as well as investigate and consider strategies to achieve automation and efficiency of tasks through the utilization of AI, and further promote a future-oriented golf course management style.

#### **4. Basic Approach Concerning Selection of Accounting Standards**

As the Group has not expanded internationally or conducted international financing, consolidated financial statements have been drafted according to Japanese standards.

With regard to application of the International Financial Reporting Standards (IFRS), our policy is to conform to them as appropriate in view of the situations both in Japan and abroad.

## 5. Consolidated financial statements

### (1) Consolidated balance sheets

(Million yen)

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	69,753	41,405
Notes and accounts receivable - trade	12,803	8,607
Electronically recorded monetary claims - operating	1,860	2,744
Securities	36,823	44,839
Merchandise and finished goods	2,489	2,934
Raw materials and supplies	5,432	5,473
Deferred tax assets	5,272	3,999
Income taxes receivable	1,367	1,649
Other	10,223	11,152
Allowance for doubtful accounts	(574)	(598)
Total current assets	145,449	122,209
Non-current assets		
Property, plant and equipment		
Buildings and structures	87,172	96,704
Accumulated depreciation	(26,501)	(30,397)
Buildings and structures, net	60,671	66,307
Machinery, equipment and vehicles	10,830	12,250
Accumulated depreciation	(5,038)	(6,375)
Machinery, equipment and vehicles, net	5,791	5,875
Tools, furniture and fixtures	22,888	22,926
Accumulated depreciation	(16,892)	(17,532)
Tools, furniture and fixtures, net	5,996	5,394
Land	195,176	201,995
Leased assets	8,855	9,289
Accumulated depreciation	(5,596)	(6,551)
Leased assets, net	3,258	2,737
Construction in progress	2,979	273
Total property, plant and equipment	273,874	282,584
Intangible assets	6,354	7,127
Investments and other assets		
Investment securities	12,806	10,010
Long-term loans receivable	33	25
Deferred tax assets	6,033	5,794
Other	5,177	5,338
Allowance for doubtful accounts	(577)	(556)
Total investments and other assets	23,474	20,611
Total non-current assets	303,702	310,323
Total assets	449,152	432,533

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,380	2,969
Electronically recorded obligations - operating	9,953	10,811
Current portion of long-term loans payable	37,501	35,228
Income taxes payable	4,198	2,663
Provision for bonuses	1,897	704
Provision for directors' bonuses	188	—
Provision for shareholder benefit program	1,427	1,813
Provision for loss on disaster	114	1
Other	16,514	13,595
Total current liabilities	75,176	67,787
Non-current liabilities		
Long-term loans payable	95,416	87,888
Deferred tax liabilities	18,273	18,503
Net defined benefit liability	4,343	4,597
Deposits received from members	32,265	30,973
Other	6,272	6,080
Total non-current liabilities	156,570	148,044
Total liabilities	231,747	215,831
<b>Net assets</b>		
Shareholders' equity		
Capital stock	16,755	16,755
Capital surplus	54,849	54,858
Retained earnings	147,268	146,187
Treasury shares	(1,474)	(1,377)
Total shareholders' equity	217,398	216,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	404	519
Remeasurements of defined benefit plans	(422)	(253)
Total accumulated other comprehensive income	(17)	266
Share acquisition rights	24	11
Non-controlling interests	0	0
Total net assets	217,405	216,701
<b>Total liabilities and net assets</b>	<b>449,152</b>	<b>432,533</b>

## (2) Consolidated statements of income and consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	186,218	132,765
Cost of sales	112,171	88,181
Gross profit	74,047	44,584
Selling, general and administrative expenses	37,447	30,652
Operating profit	36,599	13,931
Non-operating income		
Interest income	155	175
Dividend income	35	51
Gain on sales of securities	44	—
Gain on redemption of securities	734	64
Income from sales of electric power	157	141
Gain on sales of raw materials	49	176
Other	444	324
Total non-operating income	1,622	935
Non-operating expenses		
Interest expenses	884	669
Commission fee	229	258
Loss on retirement of non-current assets	413	517
Expenditures related tonatural disaster	471	110
Other	567	205
Total non-operating expenses	2,567	1,761
Ordinary profit	35,655	13,105
Extraordinary income		
Gain on sales of non-current assets	—	30
Gain on reversal of share acquisition rights	—	0
Total extraordinary income	—	30
Extraordinary losses		
Loss on sales of non-current assets	8	—
Loss on retirement of non-current assets	18	36
Impairment loss	518	—
Loss on valuation of investment securities	—	45
Other	6	—
Total extraordinary losses	552	81
Profit before income taxes	35,102	13,054
Income taxes - current	8,067	4,706
Income taxes - deferred	(23)	1,548
Total income taxes	8,043	6,254
Profit	27,058	6,799
Profit attributable to		
Profit attributable to owners of parent	27,058	6,799
Profit attributable to non-controlling interests	0	0
Other comprehensive income		
Valuation difference on available-for-sale securities	(845)	115
Remeasurements of defined benefit plans, net of tax	159	168
Total other comprehensive income	(686)	283
Comprehensive income	26,372	7,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,372	7,083
Comprehensive income attributable to non-controlling interests	0	0



(3) Consolidated statement of change in net assets  
Fiscal year ended March 31, 2017 (April 1, 2016-March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,755	54,842	128,087	(1,512)	198,172
Changes of items during period					
Dividends of surplus			(7,877)		(7,877)
Profit attributable to owners of parent			27,058		27,058
Purchase of treasury shares				(27)	(27)
Disposal of treasury shares		7		65	72
Net changes of items other than shareholders' equity					
Total changes of items during period	—	7	19,180	37	19,225
Balance at end of current period	16,755	54,849	147,268	(1,474)	217,398

	Accumulated other comprehensive income			Subscription rights to shares	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	1,250	(582)	668	31	0	198,873
Changes of items during period						
Dividends of surplus						(7,877)
Profit attributable to owners of parent						27,058
Purchase of treasury shares						(27)
Disposal of treasury shares						72
Net changes of items other than shareholders' equity	(845)	159	(685)	(7)		(693)
Total changes of items during period	(845)	159	(685)	(7)	—	18,532
Balance at end of current period	404	(422)	(17)	24	0	217,405

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

## (4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	35,102	13,054
Depreciation	11,098	10,740
Impairment loss	518	—
Increase (decrease) in allowance for doubtful accounts	75	(0)
Increase (decrease) in provision for bonuses	(138)	(1,207)
Increase (decrease) in provision for directors' bonuses	(6)	(188)
Increase (decrease) in net defined benefit liability	308	381
Interest income	(155)	(175)
Dividend income	(35)	(51)
Interest expenses	884	669
Foreign exchange losses (gains)	(50)	6
Loss (gain) on redemption of securities	(706)	(64)
Loss (gain) on valuation of investment securities	—	45
Loss (gain) on sales of non-current assets	8	(30)
Loss on retirement of non-current assets	18	36
Loss (gain) on investments in partnership	(0)	(4)
Decrease (increase) in notes and accounts receivable - trade	2,751	3,098
Decrease (increase) in advance payments	(2,015)	452
Decrease (increase) in consumption taxes refund receivable	439	(1,637)
Decrease (increase) in inventories	2,749	(633)
Increase (decrease) in notes and accounts payable - trade	(7,592)	1,459
Increase (decrease) in accounts payable - other	(2,203)	(1,000)
Increase (decrease) in accrued consumption taxes	690	(670)
Increase (decrease) in advances received	127	33
Other, net	685	(149)
Subtotal	42,552	24,163
Interest and dividend income received	202	229
Interest expenses paid	(901)	(680)
Income taxes paid	(9,465)	(7,552)
Income taxes refund	3,502	1,377
Net cash provided by (used in) operating activities	35,891	17,538

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from investing activities		
Payments into time deposits	(111,810)	(52,740)
Proceeds from withdrawal of time deposits	143,410	65,490
Purchase of short-term and long-term investment securities	(61,374)	(63,387)
Proceeds from sales and redemption of short-term and long-term investment securities	41,971	63,028
Purchase of property, plant and equipment	(14,181)	(15,041)
Proceeds from sales of property, plant and equipment	2,581	95
Purchase of intangible assets	(135)	(515)
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	(1,111)	(4,534)
Payments of loans receivable	(1,521)	—
Other, net	(598)	(128)
Net cash provided by (used in) investing activities	(2,770)	(7,350)
Cash flows from financing activities		
Increase in short-term loans payable	2,994	—
Decrease in short-term loans payable	(3,000)	(375)
Proceeds from long-term loans payable	47,268	27,448
Repayments of long-term loans payable	(48,488)	(37,501)
Redemption of bonds	(8,000)	—
Purchase of treasury shares	(27)	(11)
Proceeds from exercise of share options	61	103
Payments for reorganization credits and others	—	(1,764)
Cash dividends paid	(7,877)	(7,875)
Dividends paid to non-controlling interests	(3)	(1)
Other, net	(1,087)	(1,131)
Net cash provided by (used in) financing activities	(18,159)	(21,108)
Effect of exchange rate change on cash and cash equivalents	50	(6)
Net increase (decrease) in cash and cash equivalents	15,011	(10,927)
Cash and cash equivalents at beginning of period	30,101	45,113
Cash and cash equivalents at end of period	45,113	34,185

(5) Notes concerning consolidated financial statements

(Notes concerning the assumption of a going concern)

No matters to record.

(Changes to accounting policies)

No matters to record.

(Segment information etc.)

[Segment information]

1. Outline of reporting segments

The Group's reporting segments are constituent units of the Company, for which separate financial information is available, and they are subject to periodic consideration in order for the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group's segments are classified by products and services, and the reporting segments are the "pachinko and pachislot machine business" and the "golf business." The "pachinko and pachislot machine business" is engaged in the development, manufacture, and sale of pachinko and pachislot machines. The "golf business" is engaged in the ownership and operation of golf courses.

2. Calculation method of net sales, profit and loss, assets, liabilities, and other items by reporting segment

Segment profit is based on operating income figures.

Internal net sales and transfers between segments are based on market prices.

### 3. Information concerning net sales, profit and loss, assets, liabilities, and other items by reporting segment

Fiscal year ended March 31, 2017 (April 1, 2016–March 31, 2017)

(Million yen)

	Reporting segment			Eliminations	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	108,139	78,078	186,218	-	186,218
Internal net sales and transfers between segments	-	12	12	(12)	-
Total	108,139	78,090	186,230	(12)	186,218
Segment profit	29,602	10,935	40,537	(3,937)	36,599
Segment assets	51,087	289,958	341,046	108,106	449,152
Other items					
Depreciation	4,192	6,589	10,781	316	11,098
Increase in tangible fixed assets and intangible assets	2,923	13,862	16,785	96	16,882

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	291,759	336,766	95,766	432,533
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