

Consolidated Financial Results for the Year Ended March 31, 2017 [J-GAAP] Heiwa Corporation

May 10, 2017

Stock code: 6412
 URL: <http://www.heiwanet.co.jp/>
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 Scheduled date of start of dividend payment: June 30, 2017
 Scheduled date of the filing of the annual report: June 29, 2017
 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, 2016 and 2017

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	FY 3/2016	YoY	FY 3/2017	YoY
	(million yen)	(%)	(million yen)	(%)
(1) Consolidated financial results				
Net sales	214,954	8.2	186,218	(13.4)
Operating income	38,967	(9.1)	36,599	(6.1)
Ordinary income	37,444	(11.0)	35,655	(4.8)
Profit attributable to owners of parent	28,143	7.3	27,058	(3.9)
Basic earnings per share (yen)	298.64		274.76	
Diluted earnings per share (yen)	298.18		274.44	
Return on equity (ROE) (%)	15.6		13.0	
Ordinary income to total net assets (%)	8.3		7.9	
Operating income to net sales (%)	18.1		19.7	
(2) Consolidated financial position				
Total assets	450,715		449,152	
Net assets	198,873		217,405	
Shareholders' equity ratio (%)	44.1		48.4	
Net assets per share (yen)	2,019.56		2,206.80	
(3) Consolidated cash flows				
Net cash provided by (used in) operating activities	26,459		35,891	
Net cash provided by (used in) investing activities	(13,114)		(2,770)	
Net cash provided by (used in) financing activities	(26,684)		(18,159)	
Cash and cash equivalents at end of period	30,101		45,113	

(Note) Comprehensive income: Year ended March 31, 2017: ¥26,372 million (6.3%)
 Year ended March 31, 2016: ¥28,136 million +3.3%

(Reference)

Equity in earnings: As of March 31, 2017: ¥— million
 As of March 31, 2016: ¥— million
 Shareholders' equity: As of March 31, 2017: ¥217,381 million
 As of March 31, 2016: ¥198,841 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)	(%)	(%)
FY3/2016	—	40.00	—	40.00	80.00	7,876	26.8	4.1
FY3/2017	—	40.00	—	40.00	80.00	7,879	29.1	3.8
FY3/2018 (Forecast)	—	40.00	—	40.00	80.00		37.9	

3. Consolidated Results Forecast for Year Ending March 31, 2018

	FY 3/2018			
	Six Months	YoY	Full year	YoY
	(million yen)	(%)	(million yen)	(%)
Net sales	83,200	(11.1)	175,200	(5.9)
Operating income	15,500	(33.4)	32,100	(12.3)
Ordinary income	14,900	(34.7)	30,700	(13.9)
Profit attributable to owners of parent	9,600	(35.0)	20,800	(23.1)
Basic earnings per share (yen)	97.46		211.16	

*** 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, 2017
 - 99,809,060 shares as of March 31, 2016
 - (ii) Number of shares of treasury stock
 - 1,303,693 shares as of March 31, 2017
 - 1,351,011 shares as of March 31, 2016
 - (iii) Average number of shares during the period
 - 98,478,891 shares in year ended March 31, 2017
 - 94,241,204 shares in year ended March 31, 2016

(Reference) Overview of Non-Consolidated Operating Results

Non-consolidated operating results for FY3/2017 (From April 1, 2016 to March 31, 2017)

	FY3/2016	YoY	FY3/2017	YoY
	<i>(million yen)</i>	<i>(%)</i>	<i>(million yen)</i>	<i>(%)</i>
(1) Non-consolidated financial results				
Net sales	135,631	11.6	108,030	(20.4)
Operating income	18,957	(28.2)	19,148	1.0
Ordinary income	25,095	(19.4)	27,223	8.5
Net income	19,771	(4.7)	21,735	9.9
Basic earnings per share (yen)	209.80		220.71	
Diluted earnings per share (yen)	209.48		220.45	
(2) Non-consolidated financial position				
Total assets	275,476		274,861	
Net assets	205,381		218,405	
Shareholders' equity ratio (%)	74.5		79.5	
Net assets per share (yen)	2,085.66		2,216.95	

(Reference)

Shareholders' equity: As of March 31, 2017: ¥218,381 million
As of March 31, 2016: ¥205,349 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 Thursday, May 11, 2017. 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. Explanation of Operating Results and Financial Position

(1) Analysis of Operating Results

(i) Overview of results for the consolidated fiscal year

In the consolidated fiscal year under review, the Japanese economy displayed a moderate trend towards recovery, due to improvements in employment and income. However, the future outlook is unclear with increased uncertainty in the global economy and large fluctuations in share prices and exchange rates due to factors such as the issues surrounding Britain's exit from the EU and the new government in the US.

In the pachinko and pachislot machine industry, under the leadership of the industry organization, we have been transitioning to machines that comply with the new standards of limiting addictiveness, with the aim of creating an environment that is attractive to a wider range of players. Furthermore, year-long sales have been at a lower level in spite of our competitors releasing pachinko and pachislot machines in a more focused manner in the third quarter, due to collection and removal from the market of "pachinko machines with features that may differ from tested machines" by the end of December 2016, based on the "Statement on Promoting Soundness in the Pachinko and Pachislot Industry," released in June of the same year by the Pachinko and Pachislot Industry 21st Century Club, which comprises 14 industrial organizations.

In the golf industry, we were significantly affected by the 2016 Kumamoto earthquake, which occurred in April, as well as inclement weather, such as several typhoons that made landfall in August and September, and record-breaking early snowfall being recorded in the Kanto region in November, all of which created instability in demand for golf throughout the year.

In this environment, the pachinko and pachislot machine business has adopted "producing machines that aim for novelty and differentiation" and "enhancing earning potential," the golf business has adopted "enhancing management structure," "promoting membership," and "promoting M&A and management outsourcing" as its basic policies, and we have promoted each accordingly.

As a result of the above, results for the consolidated fiscal year were as follows: Net sales amounted to 186,218 million yen (down 13.4% year on year); operating income amounted to 36,599 million yen (down 6.1% year on year); ordinary income amounted to 35,655 million yen (down 4.8% year on year); and profit attributable to owners of parent totaled 27,058 million yen (down 3.9% year on year).

Segment results are summarized below.

Furthermore, from this consolidated fiscal period, we have made changes to reporting segment classifications, with said changes applied to the results of the relevant segments for the previous year for the purpose of the following year-on-year comparisons.

(Pachinko and Pachislot Machine Business)

In the pachinko and pachislot machine business, we released pachinko machines, such as "*GIRLS und PANZER*," which portrays a tank battle between high school girls using a unique device and display for pachinko machines; and "*Lupin the Third: Lupin The End*," which comes in a specialist body featuring a "*Lupin trigger*," selling a total of 192 thousand units (down 41 thousand units year on year). For pachislot machines, we released titles such as "*Nangoku Monogatari*," which is the newest iteration of the "*Nangoku*" series and is fitted with a rotary lamp; and "*Lupin the Third: Kesareta Lupin*," which is the pachislot edition of our popular pachinko machine that has received high praise for its rendering, selling a total of 80 thousand units (down 33 thousand units year on year).

Although net sales and operating income declined year on year as a result of fewer units sold, the reduction in

operating income was less than the reduction in net sales, due to greatly reduced costs over the previous fiscal year, when specialist pachinko machine bodies and new pachislot machine chassis were released, in addition to the implementation of cost-reduction initiatives.

As a result of the above, net sales amounted to 108,139 million yen (down 20.4% year on year), and operating income amounted to 29,602 million yen (down 2.0% year on year).

(Golf Business)

In the golf business, we promoted M&A of golf courses, acquired two courses, and concluded sponsorship agreements and stock transfer agreements with two other courses. As part of our efforts to increase corporate value, we worked to increase the value of golf courses by rebuilding clubhouses, constructing public golf practice facilities, and implementing improvements to golf courses, etc.

Revenue per customer increased slightly year on year, due to working to achieve the appropriate balance between visitors and revenue per customer, while keeping a close eye on market trends, and the business results of golf courses purchased in the previous fiscal year contributed to income from golf being up year on year. However, net sales were down year on year, due to factors including new memberships failing to meet the high standard of the previous fiscal year and the number of locations operated by the service area business being reduced from 3 to 1. With regard to profit, the reduction in utilities expenses due to the slump in oil prices and the suppression of personnel expenses contributed to securing profit to some extent.

As a result of the above, net sales amounted to 78,078 million yen (down 1.4% year on year), and operating income amounted to 10,935 million yen (down 12.2% year on year).

Consolidated results for the fiscal year

(Million yen)

	FY3/2016 (From April 1, 2015 to March 31, 2016)	FY3/2017 (From April 1, 2016 to March 31, 2017)	Increase (decrease)	%
Net sales	214,954	186,218	(28,735)	(13.4)
Pachinko and Pachislot Machine Business	135,789	108,139	(27,649)	(20.4)
Golf Business	79,165	78,078	(1,086)	(1.4)
Operating income	38,967	36,599	(2,367)	(6.1)
Ordinary income	37,444	35,655	(1,789)	(4.8)
Profit attributable to owners of parent	28,143	27,058	(1,085)	(3.9)
Basic earnings per share (yen)	298.64	274.76		

(2) Explanation of Financial Position

Assets

Total assets amounted to 449,152 million yen, down 1,562 million yen from the end of the previous consolidated fiscal year. Securities increased by 25,421 million yen, investment securities increased by 2,279 million yen, buildings and structures (net) increased by 1,885 million yen, and construction in progress increased by 1,752 million yen. However, cash and deposits decreased by 25,348 million yen, notes and accounts receivable - trade decreased by 3,273 million yen, merchandise and finished goods decreased by 2,576 million yen, tools, furniture and fixtures (net) decreased by 561 million yen, leased assets (net) decreased by 555 million yen, and land decreased by 538 million yen.

Liabilities

Liabilities amounted to 231,747 million yen, down 20,095 million from the end of the previous fiscal year. Electronically recorded obligations increased by 9,953 million yen, however, notes and accounts payable - trade decreased by 16,803 million yen, current portion of bonds decreased by 8,000 million yen, other in current liabilities decreased by 2,356 million yen, deposits received from members decreased by 1,574 million yen, long-term loans payable (including the current portion of long-term loans payable) decreased by 1,018 million yen, and other in fixed liabilities decreased by 365 million yen.

Net Assets

Net assets increased by 18,532 million yen from the end of the previous consolidated fiscal year to 217,405 million yen, due to factors such as retained earnings from the inclusion of profit attributable to owners of parent earnings increasing by 27,058 million yen, while retained earnings due to distribution of surplus decreased by 7,877 million yen, and valuation difference on available-for-sale securities decreased by 845 million yen.

As a result, the shareholders' equity ratio was 44.1%, as opposed to 48.4% at the end of the previous consolidated

(3) Cash Flows for the Consolidated Fiscal Year

The change in cash and cash equivalents for the consolidated fiscal year under review was plus 15,011 million yen, and the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was 45,113 million yen.

Cash Flow from Operating Activities

Cash flow from operating activities in the consolidated fiscal year under review was plus 35,891 million yen (plus 26,459 million yen in the previous fiscal year). This is primarily due to profit before income taxes amounting to 35,102 million yen, depreciation amounting to 11,098 million yen, and income taxes refund amounting to 3,502 million yen, while notes and accounts payable—trade decreased by 7,592 million yen, and income taxes paid amounted to 9,465 million yen.

Cash Flow from Investing Activities

Cash flow from investing activities in the consolidated fiscal year under review was minus 2,770 million yen (minus 13,114 million yen in the previous fiscal year). This is primarily due to proceeds from withdrawal of time deposits amounting to 143,410 million yen and proceeds from sales and redemption of short-term and long-term investment securities amounting to 41,971 million yen, while expenditure from payment into time deposits amounted to 111,810 million yen, purchase of short-term and long-term investment securities amounted to 61,374 million yen, and purchase of tangible fixed assets amounted to 14,181 million yen.

Cash Flow from Financing Activities

Cash flow from financing activities in the consolidated fiscal year under review was minus 18,159 million yen (minus 26,684 million yen in the previous fiscal year). This is primarily due to proceeds from long-term loans payable amounting to 47,268 million yen, expenditure from repayments of long-term loans payable amounting to 48,488 million yen, expenditure from redemption of bonds amounting to 8,000 million yen, and cash dividends paid amounting to 7,877 million yen.

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

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Shareholders' equity ratio	30.8%	32.6%	36.4%	44.1%	48.4%
Market value shareholders' equity ratio	38.6%	34.6%	45.2%	51.0%	60.7%
Cash flows/interest-bearing debt ratio (years)	5.97	4.53	3.97	5.52	3.80
Interest coverage ratio (times)	12.0	17.9	28.1	21.9	39.8

(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 "producing machines that evoke emotion in players" and "ensuring high profitability," and we expect to sell 180 thousand pachinko machines and 60 thousand pachislot machines.

In the golf business, we aim for even further growth, with "increasing the value of golf courses" and "enhancing earning potential" as our basic policies.

Based on the above, consolidated results for the period ended March 2018 are forecast to be as follows: Net sales will amount to 175,200 million yen, operating income will amount to 32,100 million yen, ordinary income will amount to 30,700 million yen, and profit attributable to owners of parent will total 20,800 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 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, 13 consolidated subsidiaries, 1 non-consolidated subsidiary, 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

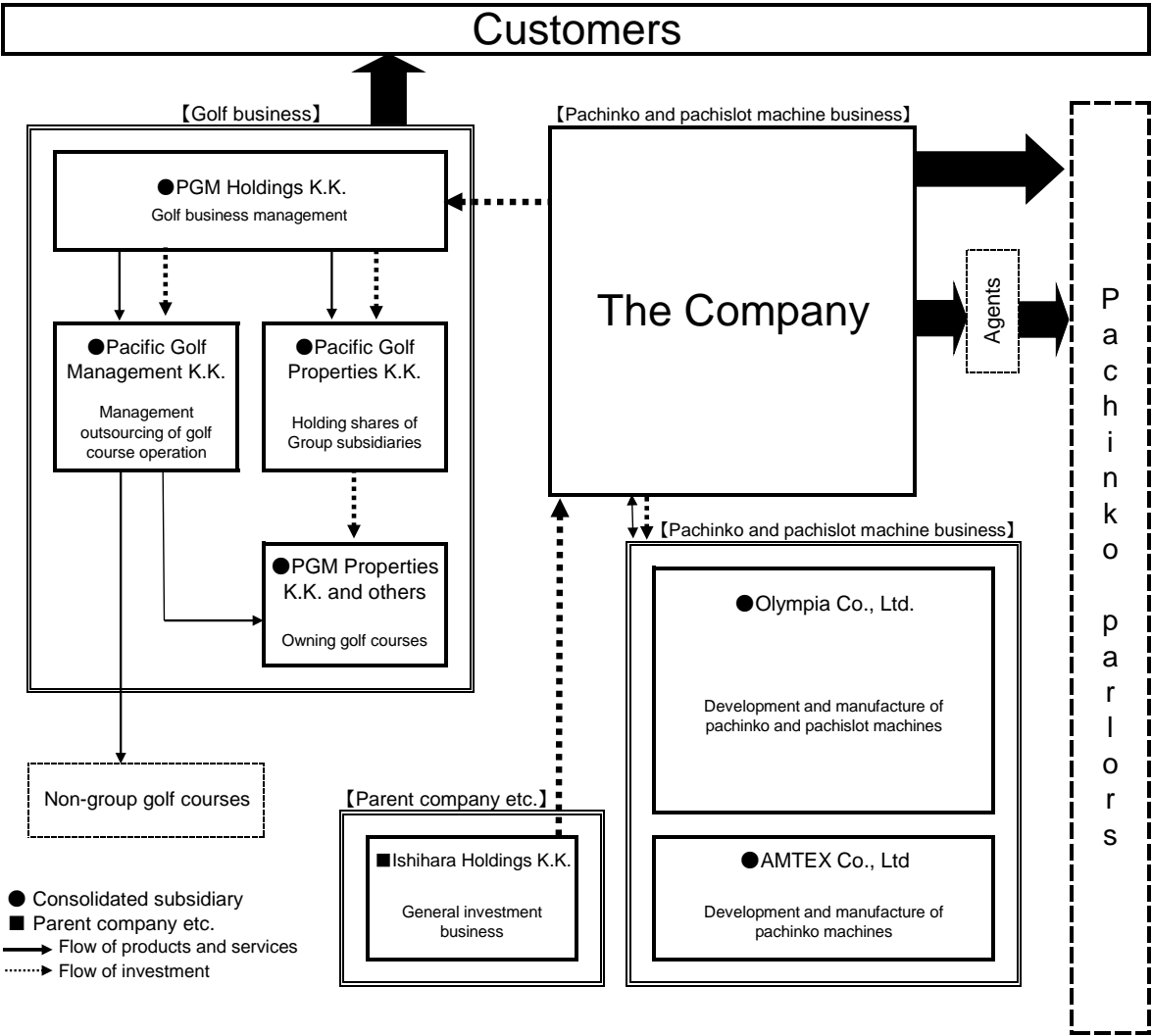
Business segment	Business operator	Ratio of voting rights held (%)	Primary business
Pachinko and pachislot machines	The Company	—	Development, manufacture, and sale of pachinko and pachislot machines
	Olympia Co., Ltd.	100.0	Development and manufacture of pachinko and pachislot machines
	AMTEX Co., Ltd.	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.	39.1	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 machine industry, due to the influence of changes to the regulatory environment of pachinko and pachislot machines and the diversification of leisure activities, the scale of the pachinko and pachislot market remains on a downward trend, and competition between pachinko and pachislot machine manufacturers is intensifying.

In this environment, the pachinko and pachislot machine business has established basic policies of "producing machines that evoke emotion in players" and "ensuring high profitability," and is currently engaged with implementing these policies in order to achieve sales targets and maximize profit.

With regard to "producing machines that evoke emotion in players," we intend to analyze the primary elements of player needs and machines that are hits, in order to improve planning and design from the player's perspective, and develop pachinko and pachislot machines that are highly satisfying for players by thoroughly exploring ideas, giving consideration to results of analysis at the planning stage. Furthermore, we are selecting and developing content that maximizes the attractiveness of pachinko and pachislot machines, while promoting the development of core machines that support our sales plan.

With regard to "ensuring high profitability," we are working to reduce development costs by increasing the efficiency of our development system, in line with our development plan, in addition to devoting ourselves to maximizing the number of pachinko and pachislot units sold, by developing and implementing a strategic sales plan. Furthermore, we are transitioning to a low-cost business by reducing costs, such as minimizing purchasing costs by thoroughly promoting the 3 Rs (reduce, re-use, recycle), as well as reducing the number of components used in pachinko and pachislot machines.

In the golf business, risks due to abnormal weather and intensifying competition in some regions, etc. have led us to expect continued harsh conditions.

In this environment, we are working to improve corporate value in the golf business, with "increasing the value

of golf courses” and “enhancing earning potential” as our core policies.

With regard to “increasing the value of golf courses,” we aim to provide products and staff service that are recognized as the “best in the region,” while improving the value of golf courses by conducting appropriate and effective capital investment. Furthermore, we are working to build a management structure that maximizes the features and strengths of each individual golf course.

With regard to “enhancing earning potential,” we are devoting ourselves to M&A of golf courses and attracting more members, in addition to increasing the number of visitors to golf courses through improved value. Regarding M&A of golf courses, we are working to acquire courses at an appropriate price. We are also working to secure members, who are our most important customers, and attempting to attract additional members in order to rejuvenate our membership base.

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, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	95,101	69,753
Notes and accounts receivable - trade	16,076	12,803
Electronically recorded monetary claims - operating	1,628	1,860
Securities	11,401	36,823
Merchandise and finished goods	5,066	2,489
Raw materials and supplies	5,597	5,432
Deferred tax assets	4,984	5,272
Other	11,688	11,590
Allowance for doubtful accounts	(529)	(574)
Total current assets	151,013	145,449
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,144	87,172
Accumulated depreciation	(24,358)	(26,501)
Buildings and structures, net	58,785	60,671
Machinery, equipment and vehicles	9,881	10,830
Accumulated depreciation	(4,050)	(5,038)
Machinery, equipment and vehicles, net	5,831	5,791
Tools, furniture and fixtures	21,328	22,888
Accumulated depreciation	(14,770)	(16,892)
Tools, furniture and fixtures, net	6,557	5,996
Land	195,715	195,176
Leased assets	8,417	8,855
Accumulated depreciation	(4,603)	(5,596)
Leased assets, net	3,814	3,258
Construction in progress	1,226	2,979
Total property, plant and equipment	271,931	273,874
Intangible assets	6,363	6,354
Investments and other assets		
Investment securities	10,526	12,806
Long-term loans receivable	58	33
Deferred tax assets	6,305	6,033
Other	5,063	5,177
Allowance for doubtful accounts	(546)	(577)
Total investments and other assets	21,407	23,474
Total non-current assets	299,701	303,702
Total assets	450,715	449,152

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,183	3,380
Electronically recorded obligations - operating	—	9,953
Current portion of long-term loans payable	48,488	37,501
Current portion of bonds	8,000	—
Income taxes payable	3,975	4,198
Provision for bonuses	2,036	1,897
Provision for directors' bonuses	195	188
Provision for shareholder benefit program	1,240	1,427
Provision for loss on disaster	212	114
Other	18,870	16,514
Total current liabilities	103,202	75,176
Non-current liabilities		
Long-term loans payable	85,447	95,416
Deferred tax liabilities	18,449	18,273
Net defined benefit liability	4,264	4,343
Deposits received from members	33,840	32,265
Other	6,638	6,272
Total non-current liabilities	148,639	156,570
Total liabilities	251,842	231,747
Net assets		
Shareholders' equity		
Capital stock	16,755	16,755
Capital surplus	54,842	54,849
Retained earnings	128,087	147,268
Treasury shares	(1,512)	(1,474)
Total shareholders' equity	198,172	217,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,250	404
Remeasurements of defined benefit plans	(582)	(422)
Total accumulated other comprehensive income	668	(17)
Subscription rights to shares	31	24
Non-controlling interests	0	0
Total net assets	198,873	217,405
Total liabilities and net assets	450,715	449,152

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

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	214,954	186,218
Cost of sales	136,113	112,171
Gross profit	78,841	74,047
Selling, general and administrative expenses	39,873	37,447
Operating profit	38,967	36,599
Non-operating income		
Interest income	246	155
Dividend income	57	35
Gain on sales of securities	—	44
Gain on redemption of securities	369	734
Income from sales of electric power	155	157
Other	510	494
Total non-operating income	1,337	1,622
Non-operating expenses		
Interest expenses	1,192	884
Commission fee	330	229
Loss on retirement of non-current assets	450	413
Expenditures related to natural disaster	205	471
Other	682	567
Total non-operating expenses	2,860	2,567
Ordinary profit	37,444	35,655
Extraordinary income		
Gain on sales of non-current assets	3	—
Gain on reversal of subscription rights to shares	0	—
Total extraordinary income	4	—
Extraordinary losses		
Loss on sales of non-current assets	—	8
Loss on retirement of non-current assets	—	18
Impairment loss	—	518
Loss on sales of shares of subsidiaries and associates	282	—
Other	—	6
Total extraordinary losses	282	552
Profit before income taxes	37,166	35,102
Income taxes - current	9,399	8,067
Income taxes - deferred	(959)	(23)
Total income taxes	8,439	8,043
Profit	28,727	27,058
Profit attributable to		
Profit attributable to owners of parent	28,143	27,058
Profit attributable to non-controlling interests	583	0
Other comprehensive income		
Valuation difference on available-for-sale securities	(322)	(845)
Remeasurements of defined benefit plans, net of tax	(268)	159
Total other comprehensive income	(590)	(686)
Comprehensive income	28,136	26,372
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,552	26,372
Comprehensive income attributable to non-controlling interests	583	0

(3) Consolidated statement of change in net assets

Fiscal year ended March 31, 2016 (April 1, 2015-March 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,755	53,128	107,314	(15,342)	161,855
Changes of items during period					
Dividends of surplus			(7,370)		(7,370)
Profit attributable to owners of parent			28,143		28,143
Increase by share exchanges		1,675		13,807	15,482
Purchase of treasury shares				(57)	(57)
Disposal of treasury shares		20		79	100
Capital increase of consolidated subsidiaries		17			17
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,714	20,773	13,830	36,317
Balance at end of current period	16,755	54,842	128,087	(1,512)	198,172

	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	1,573	(311)	1,261	52	15,100	178,269
Changes of items during period						
Dividends of surplus						(7,370)
Profit attributable to owners of parent						28,143
Increase by share exchanges						15,482
Purchase of treasury shares						(57)
Disposal of treasury shares						100
Capital increase of consolidated subsidiaries						17
Net changes of items other than shareholders' equity	(322)	(270)	(592)	(20)	(15,100)	(15,714)
Total changes of items during period	(322)	(270)	(592)	(20)	(15,100)	20,603
Balance at end of current period	1,250	(582)	668	31	0	198,873

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

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	37,166	35,102
Depreciation	11,027	11,098
Impairment loss	-	518
Increase (decrease) in allowance for doubtful accounts	50	75
Increase (decrease) in provision for bonuses	20	(138)
Increase (decrease) in provision for directors' bonuses	(64)	(6)
Increase (decrease) in net defined benefit liability	167	308
Interest income	(246)	(155)
Dividend income	(57)	(35)
Interest expenses	1,192	884
Foreign exchange losses (gains)	(11)	(50)
Loss (gain) on redemption of securities	(369)	(706)
Loss (gain) on sales of non-current assets	(3)	8
Loss on retirement of non-current assets	-	18
Loss (gain) on investments in partnership	(3)	(0)
Decrease (increase) in notes and accounts receivable - trade	1,714	2,751
Decrease (increase) in advance payments	(119)	(2,015)
Decrease (increase) in inventories	(2,912)	2,749
Increase (decrease) in notes and accounts payable - trade	(2,867)	(7,592)
Increase (decrease) in accrued consumption taxes	(2,092)	690
Increase (decrease) in advances received	201	127
Other, net	1,929	(1,078)
Subtotal	44,721	42,552
Interest and dividend income received	312	202
Interest expenses paid	(1,206)	(901)
Income taxes paid	(18,027)	(9,465)
Income taxes refund	660	3,502
Net cash provided by (used in) operating activities	26,459	35,891

(Million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Payments into time deposits	(169,350)	(111,810)
Proceeds from withdrawal of time deposits	170,050	143,410
Purchase of short-term and long-term investment securities	(18,805)	(61,374)
Proceeds from sales and redemption of short-term and long-term investment securities	19,175	41,971
Purchase of property, plant and equipment	(11,153)	(14,181)
Proceeds from sales of property, plant and equipment	113	2,581
Purchase of intangible assets	(160)	(135)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	263	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,590)	(1,111)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	280	—
Purchase of insurance funds	(0)	—
Payments of loans receivable	(891)	(1,521)
Other, net	(46)	(598)
Net cash provided by (used in) investing activities	(13,114)	(2,770)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(35)	—
Increase in short-term loans payable	—	2,994
Decrease in short-term loans payable	—	(3,000)
Proceeds from long-term loans payable	11,256	47,268
Repayments of long-term loans payable	(25,608)	(48,488)
Redemption of bonds	—	(8,000)
Purchase of treasury shares	(57)	(27)
Proceeds from exercise of share options	67	61
Payments for reorganization credits and others	(3,706)	—
Cash dividends paid	(7,362)	(7,877)
Dividends paid to non-controlling interests	(231)	(3)
Other, net	(1,006)	(1,087)
Net cash provided by (used in) financing activities	(26,684)	(18,159)
Effect of exchange rate change on cash and cash equivalents	11	50
Net increase (decrease) in cash and cash equivalents	(13,326)	15,011
Cash and cash equivalents at beginning of period	43,428	30,101
Cash and cash equivalents at end of period	30,101	45,113

(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.

From the consolidated fiscal year under review the information service business, which had previously been included in "Other," has been classified in the "pachinko and Pachislot Machine Business" reporting segment, and the operation of restaurants and shops in service areas, which had previously been included in "Other," has been classified in the "Golf Business" reporting segment as a result of revision of management classifications.

Furthermore, segment information for the previous consolidated fiscal year was created using post-change segment classifications.

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, 2016 (April 1, 2015–March 31, 2016)

(Million yen)

	Reporting segment			Eliminations	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	135,789	79,165	214,954	-	214,954
Internal net sales and transfers between segments	-	2	2	(2)	-
Total	135,789	79,167	214,956	(2)	214,954
Segment profit	30,205	12,461	42,667	(3,699)	38,967
Segment assets	58,768	279,184	337,953	112,762	450,715
Other items					
Depreciation	4,934	5,811	10,745	281	11,027
Increase in tangible fixed assets and intangible assets	5,191	18,709	23,900	20	23,921

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