Consolidated Financial Results for the Year Ended March 31, 2016 [J-GAAP]
Heiwa Corporation

May 11, 2016

Stock code:	6412
URL:	http://www.heiwanet.co.jp/
Shares listed:	Tokyo Stock Exchange
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Scheduled date of Ordinary General Meeting of Shareholders:	June 29, 2016
Scheduled date of start of dividend payment:	June 30, 2016
Scheduled date of the filing of the annual report:	June 29, 2016
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, 2015 and 2016

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	FY 3/2015	**YoY**	**FY 3/2016**	**YoY**
	(million yen)	***(%)***	***(million yen)***	***(%)***
(1) Consolidated financial results				
Net sales	198,605	9.4	214,954	8.2
Operating income	42,870	16.2	38,967	(9.1)
Ordinary income	42,059	18.8	37,444	(11.0)
Profit attributable to owners of parent	26,235	28.9	28,143	7.3
Basic earnings per share *(yen)*	305.90		298.64	
Diluted earnings per share *(yen)*	305.26		298.18	
Return on equity (ROE) (%)	17.2		15.6	
Ordinary income to total net assets (%)	9.5		8.3	
Operating income to net sales (%)	21.6		18.1	
(2) Consolidated financial position				
Total assets	447,833		450,715	
Net assets	178,269		198,873	
Shareholders' equity ratio (%)	36.4		44.1	
Net assets per share *(yen)*	1,900.94		2,019.56	
(3) Consolidated cash flows				
Net cash provided by (used in) operating activities	40,511		26,459	
Net cash provided by (used in) investing activities	(31,322)		(13,114)	
Net cash provided by (used in) financing activities	(20,774)		(26,684)	
Cash and cash equivalents at end of period	43,428		30,101	

(Note) Comprehensive income: Year ended March 31, 2016: ¥28,136 million (3.3%)
Year ended March 31, 2015: ¥27,227 million (24.8%)

(Reference)
Equity in earnings: As of March 31, 2016: ¥— million
As of March 31, 2015: ¥— million
Shareholders' equity: As of March 31, 2016: ¥198,841 million
As of March 31, 2015: ¥163,116 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)*	*(%)*	*(%)*
FY3/2015	—	40.00	—	40.00	80.00	6,864	26.2	4.5
FY3/2016	—	40.00	—	40.00	80.00	7,876	26.8	4.1
FY3/2017 (Forecast)	—	40.00	—	40.00	80.00		26.3	

3. Consolidated Results Forecast for Year Ending March 31, 2017

	FY 3/2017			
	Six Months	YoY	Full year	YoY
	(million yen)	*(%)*	*(million yen)*	*(%)*
Net sales	102,500	(14.3)	205,200	(4.5)
Operating income	23,400	(11.5)	39,000	0.1
Ordinary income	22,900	(11.6)	37,700	0.7
Profit attributable to owners of parent	15,700	(18.4)	30,000	6.6
Basic earnings per share *(yen)*	159.46		304.70	

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

(Note) Corresponds to the item 7 in Article 14 of the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements."

Refer to "5 Consolidated financial statements (5) Notes concerning consolidated financial statements (Changes to accounting policies)" on page 22 of the attached material for further details.

(3) Number of shares issued (common stock)

- (i) Number of shares issued (including treasury stock)
  99,809,060 shares as of March 31, 2016
  99,809,060 shares as of March 31, 2015
- (ii) Number of shares of treasury stock
  1,351,011 shares as of March 31, 2016
  14,000,342 shares as of March 31, 2015
- (iii) Average number of shares during the period
  94,241,204 shares in year ended March 31, 2016
  85,765,142 shares in year ended March 31, 2015

(Reference) Overview of Non-Consolidated Operating Results

Non-consolidated operating results for FY3/2016 (From April 1, 2015 to March 31, 2016)

	FY3/2015	**YoY**	**FY3/2016**	**YoY**
	(million yen)	***(%)***	***(million yen)***	***(%)***
(1) Non-consolidated financial results				
Net sales	121,530	15.1	135,631	11.6
Operating income	26,407	43.9	18,957	(28.2)
Ordinary income	31,154	25.8	25,095	(19.4)
Net income	20,755	29.2	19,771	(4.7)
Basic earnings per share *(yen)*	242.01		209.80	
Diluted earnings per share *(yen)*	241.51		209.48	
(2) Non-consolidated financial position				
Total assets	251,348		275,476	
Net assets	158,697		205,381	
Shareholders' equity ratio (%)	63.1		74.5	
Net assets per share *(yen)*	1,848.96		2,085.66	

(Reference)

Shareholders' equity: As of March 31, 2016: ¥205,349 million
As of March 31, 2015: ¥158,656 million

* Presentation of implementation status for audit procedures

The audit procedures based on the Financial Instruments and Exchange Act have not been completed as of the release of this document.

* 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 "(1) Analysis of Operating Results" of "1. Explanation of Operating Results and Financial Position" on page 5.
2. The Company will hold a financial results briefing for securities analysts and institutional investors on Friday, May 13, 2016. The financial results briefing materials distributed at the briefing will be posted on the Company's website immediately after the statement of financial results is released.

○ Contents of the Attached Material

1. Explanation of Operating Results and Financial Position

(1) Analysis of Operating Results

(i) Overview of results for the consolidated fiscal year

In the current consolidated fiscal year, the Japanese economy has shown signs of a gradual recovery, such as improvements in corporate revenue and the employment environment, against a backdrop of the government's economic policies and the Bank of Japan's monetary policies. However, since January of this year, the direction of the global economy has been unclear, with turbulence being observed in some sectors, which has led to instability in the Japanese economy.

In the pachinko and pachislot machine industry, the industry as a whole has worked towards creating an environment to encourage the development of machines that appeal to a wider range of players, and implemented changes to the pachinko and pachislot machine standards as part of this strategy. Thus, our competitors have focused on sales of pachinko and pachislot machines before the end of the allowable installation period for machines that comply with the old standards, and competition between pachinko and pachislot manufacturers has intensified.

In the golf industry, demand was strong overall with the exception of periods affected by unfavorable weather such as typhoons and heavy snowfalls, as visits to golf courses increased and there was strong demand for golf nationwide, due to fine weather and a warm winter.

In this environment, the pachinko and pachislot machine business has adopted "continuing to create hit products," "seeking greater profitability," and "enhancing the Group's organizational capacity" as its basic policies, and promoted each of them accordingly. Similarly, the golf business has adopted "strengthening M&A," "aggressively promoting membership," and "improving product value and ensuring price competiveness" as its basic policies, and likewise promoted them.

Furthermore, on August 1, 2015 we converted PGM Holdings K.K., which is a consolidated subsidiary of the Company, into a wholly owned subsidiary, with the aim of increasing the corporate value of the Group as a whole. Through this measure, it became possible to utilize the Group's flexible internal fund procurement mechanisms, and exercise decisive business judgment from a medium to long-term perspective, such as promoting strengthening of M&A at PGM Holdings K.K.

As a result of the above, results for the consolidated fiscal year were as follows: Net sales amounted to 214,954 million yen (up 8.2% year on year), operating income amounted to 38,967 million yen (down 9.1% year on year), ordinary income amounted to 37,444 million yen (down 11.0% year on year), and profit attributable to owners of parent totaled 28,143 million yen (up 7.3% year on year).

Segment results are summarized below.

(Pachinko and Pachislot Machine Business)

In the pachinko and pachislot machine business, we released pachinko machines such as "*Cat's Eye*," which is fitted with the industry's first 2-in-1 display, and "*Lupin The Third: I'm a super hero*," which is the latest in the Lupin The Third series, which is the Company's top-billed content, previous title being well-received by the market, selling a total of 234 thousand units (down 17 thousand units year on year). With regard to pachislot machines, we released titles such as "*Devil Survivor 2: Saigo no nanokakan*," which is based on popular video game and anime content, and "*Lupin The Third: Royal Road Kinkai ni somaru ougonshinden*" in a new chassis fitted with large twin LCD screens and Attack Vision, selling a total of 113 thousand units (up 21 thousand units year on year).

As a result of the above, net sales amounted to 135,388 million yen (up 11.5% year on year), and operating income amounted to 30,088 million yen (down 12.3% year on year).

(Golf Business)

In the golf business, due to the effects such as the typhoon in September and heavy snow in January, there were periods in which visits to golf courses were down; however, net sales exceeded the previous period due to a nationwide warm winter leading to increased visits overall, as well as the success of membership promotion and the contribution of newly acquired courses, etc. Furthermore, with regard to expenses, the fall in utilities expenses due to the drop in the price of crude oil, a reduction in personnel expenses, and a reduction in promotion expenses due to revision of expenditure to attract customers have had an effect on the maximization of revenue.

As a result of the above, net sales amounted to 77,071 million yen (up 3.0% year on year), and operating income amounted to 12,427 million yen (up 2.5% year on year).

(Other)

With regard to other businesses, we have been operating our information service, as well as restaurants and stores within the service area, and net sales amounted to 2,494 million yen (up 3.2% year on year), and operating income amounted to 151 million yen (up 7.3% year on year).

Consolidated results for the fiscal year (Amounts less than one million yen are omitted.)

	FY3/2015 (From April 1, 2014 to March 31, 2015)	FY3/2016 (From April 1, 2015 to March 31, 2016)	Increase (decrease)	%
Net sales	198,605	214,954	16,349	8.2
Pachinko and Pachislot Machine Business	121,380	135,388	14,007	11.5
Golf Business	74,807	77,071	2,264	3.0
Other	2,417	2,494	76	3.2
Operating income	42,870	38,967	(3,903)	(9.1)
Ordinary income	42,059	37,444	(4,614)	(11.0)
Profit attributable to owners of parent	26,235	28,143	1,908	7.3
Basic earnings per share (yen)	305.90	298.64		

(ii) Outlook for the Next Fiscal Year

In the pachinko and pachislot machine business, we will work towards “producing machines that aim for novelty and differentiation” and “enhancing earning potential,” and expect to sell 230 thousand pachinko machines and 110 thousand pachislot machines.

In the golf business, we aim for even further growth, placing an emphasis on the policies of “enhancing management structure,” “promoting membership,” and “promoting M&A, and management outsourcing.”

Based on the above, consolidated results for the period ended March 2017 are forecast to be as follows: Net sales will amount to 205,200 million yen, operating income will amount to 39,000 million yen, ordinary income will amount to 37,700 million yen, and profit attributable to owners of parent will total 30,000 million yen.

(2) Explanation of Financial Position

Assets

Total assets amounted to 450,715 million yen, up 2,881 million yen from the end of the previous consolidated fiscal year. Cash and deposits decreased by 14,526 million yen and notes and accounts receivable - trade decreased by 1,595 million yen, while tangible fixed assets increased by 10,327 million yen due to an increase in buildings, structures, and land, etc., other current assets increased by 3,655 million yen, merchandise and finished goods increased by 2,853 million yen, intangible assets increased by 1,300 million yen, and investment securities increased by 1,231 million yen.

Liabilities

Liabilities amounted to 251,842 million yen, down 17,721 million yen from the end of the previous fiscal year. Long-term loans payable (including the current portion of long-term loans payable) decreased by 14,278 million yen due to advance repayment of loans payable, etc. and income taxes payable decreased by 5,050 million yen.

Net Assets

Net assets increased by 20,603 million yen from the end of the previous consolidated fiscal year to 198,873 million yen, due to factors such as retained earnings increasing by 28,143 million yen due to the inclusion of profit attributable to owners of parent, and treasury stock decreasing by 13,830 million yen due to disposal of treasury stock accompanying a share exchange, while non-controlling interests decreased by 15,100 million yen due to additional acquisition of equity, and retained earnings decreased by 7,370 million yen due to distribution of surplus.

As a result, the shareholders' equity ratio was 44.1%, as opposed to 36.4% at the end of the previous consolidated fiscal year.

(3) Cash Flows for the Consolidated Fiscal Year

The change in cash and cash equivalents for the consolidated fiscal year under review was minus 13,326 million yen, and the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was 30,101 million yen.

Cash Flow from Operating Activities

Cash flow from operating activities in the consolidated fiscal year under review was plus 26,459 million yen (plus 40,511 million yen year on year). This is primarily due to income before income taxes and non-controlling interests amounting to 37,166 million yen, depreciation amounting to 11,027 million yen, and a decrease in notes and accounts receivable—trade of 1,714 million yen, while inventories increased by 2,912 million yen, notes and accounts payable—trade decreased by 2,867 million yen, accrued consumption taxes decreased by 2,092 million yen, and income taxes paid amounted to 18,027 million yen.

Cash Flow from Investing Activities

Cash flow from investing activities in the consolidated fiscal year under review was minus 13,114 million yen (minus 31,322 million yen year on year). This is primarily due to proceeds from withdrawal of time deposits amounting to 170,050 million yen and proceeds from sales and redemption of short-term and long-term investment securities amounting to 19,175 million yen, while expenditure from payment into time deposits amounted to 169,350 million yen, purchase of short-term and long-term investment securities amounted to 18,805 million yen, and purchase of tangible fixed assets amounted to 11,153 million yen.

Cash Flow from Financing Activities

Cash flow from financing activities in the consolidated fiscal year under review was minus 26,684 million yen (minus 20,774 million yen year on year).

This is primarily due to proceeds from long-term loans payable amounting to 11,256 million yen, expenditure from repayments of long-term loans payable amounting to 25,608 million yen, and cash dividends paid amounting to 7,362 million yen.

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

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Shareholders’ equity ratio	27.7%	30.8%	32.6%	36.4%	44.1%
Market value shareholders’ equity ratio	34.9%	38.6%	34.6%	45.2%	51.0%
Cash flows/interest-bearing debt ratio (years)	13.62	5.97	4.53	3.97	5.5
Interest coverage ratio (times)	19.6	12.0	17.9	28.1	21.9

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

Shareholders’ equity ratio = Shareholders’ equity capital/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) 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).

(5) 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 and standards, 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 and standards, 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 and issuing of corporate bonds. 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 such as new borrowings and issuing of corporate bonds.

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

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

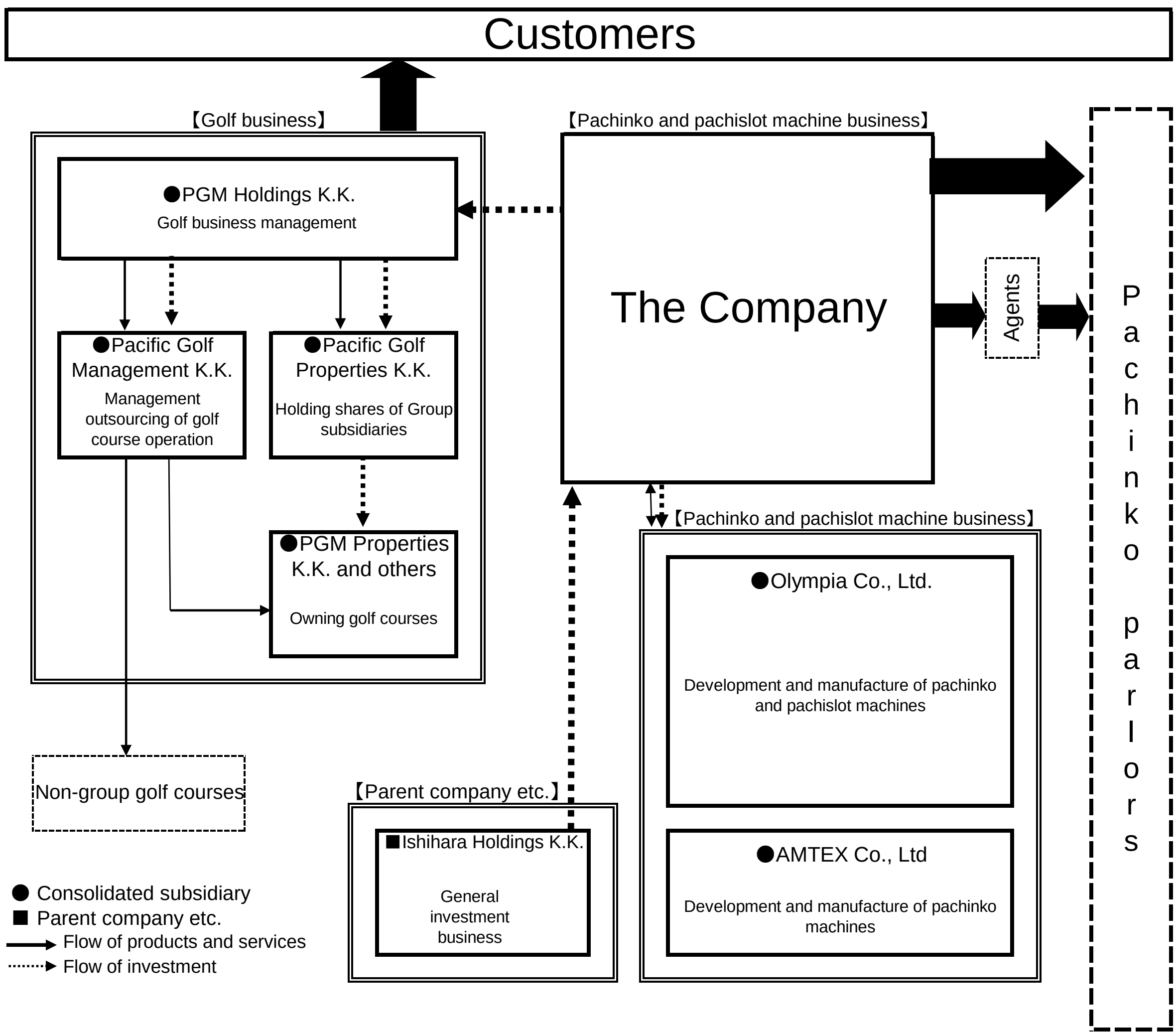
Business segment	Business operator	Ratio of voting rights held (%)	Primary business
Pachinko and pachislot machines	The Company	—	Development, manufacture, and sale of pachinko and pachislot machines
	Olympia Co., Ltd.	100.0	Development and manufacture of pachinko and pachislot machines
	AMTEX Co., Ltd	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)	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.	39.2	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 business, due to the influence of 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 further intensifying.

In this environment, the Group has established basic policies of "producing machines that aim for novelty and differentiation" and "enhancing earning potential," and is currently engaged with implementing these policies in order to maximize sales and market share.

With regard to "producing machines that aim for novelty and differentiation," we are striving to develop machines that give players a sense of wonder and excitement by pursuing accuracy in our trend forecasts, and constructing a development structure that allows us to respond swiftly to market conditions, while also pursuing novelty and differentiation through thorough development from the player's perspective.

With regard to "enhancing earning potential," in addition to strengthening sales of pachinko and pachislot machines by establishing and implementing a strategic sales plan, we will promote review of development costs and raw materials, as well as maximizing the 3 Rs (reduce, re-use, recycle).

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

In this environment, the Group is working to place emphasis on the policies of "enhancing management structure," "promoting membership," and "promoting M&A, and management outsourcing," with the aim of strengthening the PGM brand and improving results.

With regard to "enhancing management structure," in order to differentiate ourselves from our competitors, we will increase the range of services we provide, beginning by increasing the level of service to ensure that we provide high-end operations, revising restaurant menus, and restructuring pro shops, etc. with the medium-term target of building a structure to provide optimal management methods and service, that are suited to the needs of the market and customers of each golf course.

With regard to "promoting membership," we are conducting a similar membership campaign to that of last fiscal year as a part of our strategy to bring in young golf course members and retain current customers.

With regard to “promoting M&A, and management outsourcing,” we will improve business results by working to make new acquisitions by strengthening ties with information providers, and investigating and reviewing golf courses that are acquisition targets. Furthermore, looking toward the anticipated reduction in the number of golf course operators, we will aggressively promote management outsourcing by leveraging our management knowhow developed over many years.

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.

5. Consolidated financial statements

(1) Consolidated balance sheets

(Million yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	Fiscal year ended March 31, 2016 (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	109,628	95,101
Notes and accounts receivable - trade	17,672	16,076
Electronically recorded monetary claims - operating	1,966	1,628
Securities	12,631	11,401
Merchandise and products	2,212	5,066
Raw materials and supplies	5,511	5,597
Deferred tax assets	4,828	4,984
Other current assets	8,032	11,688
Allowance for doubtful accounts	(459)	(529)
Total current assets	162,023	151,013
Fixed assets		
Tangible fixed assets		
Buildings and structures	76,007	83,144
Accumulated depreciation	(20,655)	(24,358)
Buildings and structures, net	55,351	58,785
Machinery, equipment and vehicles	7,760	9,881
Accumulated depreciation	(3,054)	(4,050)
Machinery, equipment and vehicles, net	4,705	5,831
Tools, furniture and fixtures	19,490	21,328
Accumulated depreciation	(12,940)	(14,770)
Tools, furniture and fixtures, net	6,550	6,557
Land	189,654	195,715
Leased assets	8,111	8,417
Accumulated depreciation	(3,637)	(4,603)
Leased assets, net	4,473	3,814
Construction in progress	868	1,226
Total tangible fixed assets	261,603	271,931
Intangible assets	5,062	6,363
Investments and other assets		
Investment securities	9,295	10,526
Long-term loans receivable	80	58
Deferred tax assets	5,159	6,305
Other assets	5,140	5,063
Allowance for doubtful accounts	(531)	(546)
Total investments and other assets	19,144	21,407
Total fixed assets	285,810	299,701
Total assets	447,833	450,715

(Million yen)

	Fiscal year ended March 31, 2015 (as of March 31, 2015)	Fiscal year ended March 31, 2016 (as of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,825	20,183
Current portion of long-term loans payable	16,876	48,488
Current portion of bonds payable	-	8,000
Accrued income taxes payable	9,025	3,975
Provision for bonuses	2,013	2,036
Provision for bonuses to directors and auditors	259	195
Provision for shareholder benefit program	198	1,240
Provision for loss on disaster	-	212
Other current liabilities	17,101	18,870
Total current liabilities	68,299	103,202
Fixed liabilities		
Bonds payable	8,000	-
Long-term loans payable	131,337	85,447
Deferred tax liabilities	16,979	18,449
Net defined benefit liability	3,541	4,264
Deposits received from members	34,352	33,840
Other fixed liabilities	7,053	6,638
Total fixed liabilities	201,264	148,639
Total liabilities	269,564	251,842
Net assets		
Shareholders' equity		
Common stock	16,755	16,755
Capital surplus	53,128	54,842
Retained earnings	107,314	128,087
Treasury stock	(15,342)	(1,512)
Total shareholders' equity	161,855	198,172
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	1,573	1,250
Remeasurements of defined benefit plans	(311)	(582)
Total accumulated other comprehensive income	1,261	668
Subscription rights to shares	52	31
Non-controlling interests	15,100	0
Total net assets	178,269	198,873
Total liabilities and net assets	447,833	450,715

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

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Net sales	198,605	214,954
Cost of sales	119,216	136,113
Gross profit	79,388	78,841
Selling, general and administrative expenses	36,517	39,873
Operating income	42,870	38,967
Non-operating income		
Interest income	275	246
Dividend income	164	57
Gain on redemption of securities	365	369
Income from sales of electric power	117	155
Others	396	510
Total non-operating income	1,319	1,337
Non-operating expenses		
Interest expense	1,415	1,192
Depreciation	68	63
Commission fee	140	330
Loss on retirement of non-current assets	123	450
Others	383	824
Total non-operating expenses	2,130	2,860
Ordinary income	42,059	37,444
Extraordinary income		
Gain on sales of fixed assets	37	3
Gain on sales of investment securities	1,653	-
Compensation income	132	-
Gain on liquidation of investment securities	395	-
Gain on reversal of subscription rights to shares	0	0
Other	244	-
Total extraordinary income	2,464	4

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Extraordinary losses		
Loss on sales of non-current assets	24	-
Loss on retirement of non-current assets	195	-
Impairment loss	565	-
Special retirement expenses	100	-
Loss on sales of shares of subsidiaries and associates	-	282
Total extraordinary losses	885	282
Income before income taxes and non-controlling interests	43,638	37,166
Income taxes - current	17,312	9,399
Income taxes - deferred	(1,282)	(959)
Total income taxes	16,029	8,439
Net income	27,608	28,727
(Breakdown)		
Profit attributable to owners of parent	26,235	28,143
Profit attributable to non-controlling interests	1,372	583
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(521)	(322)
Remeasurements of defined benefit plans, net of tax	140	(268)
Total other comprehensive income	(380)	(590)
Comprehensive income	27,227	28,136
(Breakdown)		
Comprehensive income attributable to owners of the parent	25,855	27,552
Comprehensive income attributable to non-controlling interests	1,372	583

(3) Consolidated statement of change in net assets

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	16,755	53,111	86,748	(15,484)	141,129
Cumulative effects of changes in accounting policies			1,189		1,189
Restated balance	16,755	53,111	87,937	(15,484)	142,319
Amount of changes during the year					
Dividends from surplus			(6,858)		(6,858)
Profit attributable to owners of parent			26,235		26,235
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		16		142	159
Net amount of changes in items not included in shareholders' equity during the year					
Total amount of changes during the year	-	16	19,376	142	19,536
Balance at end of the year	16,755	53,128	107,314	(15,342)	161,855

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the year	2,094	(451)	1,642	73	13,656	156,502
Cumulative effects of changes in accounting policies					60	1,250
Restated balance	2,094	(451)	1,642	73	13,717	157,752
Amount of changes during the year						
Dividends from surplus						(6,858)
Profit attributable to owners of parent						26,235
Purchase of treasury stock						(0)
Disposal of treasury stock						159
Net amount of changes in items not included in shareholders' equity during the year	(521)	140	(380)	(21)	1,383	980
Total amount of changes during the year	(521)	140	(380)	(21)	1,383	20,517
Balance at end of the year	1,573	(311)	1,261	52	15,100	178,269

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

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	16,755	53,128	107,314	(15,342)	161,855
Amount of changes during the year					
Dividends from 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 stock				(57)	(57)
Disposal of treasury stock		20		79	100
Capital increase of consolidated subsidiaries		17			17
Net amount of changes in items not included in shareholders' equity during the year					
Total amount of changes during the year	-	1,714	20,773	13,830	36,317
Balance at end of the year	16,755	54,842	128,087	(1,512)	198,172

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the year	1,573	(311)	1,261	52	15,100	178,269
Amount of changes during the year						
Dividends from surplus						(7,370)
Profit attributable to owners of parent						28,143
Increase by share exchanges						15,482
Purchase of treasury stock						(57)
Disposal of treasury stock						100
Capital increase of consolidated subsidiaries						17
Net amount of changes in items not included in shareholders' equity during the year	(322)	(270)	(592)	(20)	(15,100)	(15,714)
Total amount of changes during the year	(322)	(270)	(592)	(20)	(15,100)	20,603
Balance at end of the year	1,250	(582)	668	31	0	198,873

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	43,638	37,166
Depreciation	9,478	11,027
Impairment loss	565	-
Increase (decrease) in allowance for doubtful accounts	(59)	50
Increase (decrease) in provision for bonuses	388	20
Increase (decrease) in provision for bonuses to directors and auditors	119	(64)
Increase (decrease) in net defined benefit liability	(91)	167
Interest income	(275)	(246)
Dividend income	(164)	(57)
Interest expense	1,415	1,192
Foreign exchange losses (gains)	(6)	(11)
Loss (gain) on sales of investment securities	(1,653)	-
Gain on liquidation of investment securities	(395)	-
Loss (gain) on sales of non-current assets	(12)	(3)
Loss on retirement of non-current assets	195	-
Compensation income	(132)	-
Loss (gain) on investments in partnership	(15)	(3)
Decrease (increase) in notes and accounts receivable - trade	3,041	1,714
Decrease (increase) in advance payments	229	(119)
Decrease (increase) in inventories	614	(2,912)
Increase (decrease) in notes and accounts payable - trade	(2,285)	(2,867)
Increase (decrease) in accrued consumption taxes	2,634	(2,092)
Increase (decrease) in advances received	(126)	201
Others, net	(3,214)	1,559
Subtotal	53,885	44,721
Interest and dividends received	412	312
Interest expense paid	(1,442)	(1,206)
Payments for extra retirement payments	(262)	-
Proceeds from compensation	132	-
Income taxes paid	(13,306)	(18,027)
Income taxes refund	1,092	660
Net cash provided by (used in) operating activities	40,511	26,459

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)	Fiscal year ended March 31, 2016 (April 1, 2015–March 31, 2016)
Cash flows from investing activities		
Payments into time deposits	(178,150)	(169,350)
Proceeds from withdrawal of time deposits	153,370	170,050
Purchase of short-term and long-term investment securities	(11,930)	(18,805)
Proceeds from sales and redemption of short-term and long-term investment securities	15,363	19,175
Purchases of tangible fixed assets	(10,351)	(11,153)
Proceeds from sales of tangible fixed assets	1,857	113
Purchases of intangible assets	(230)	(160)
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	(1,371)	(2,590)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	65	280
Purchase of insurance funds	(256)	(0)
Payments of loans receivable	(59)	(891)
Others, net	372	(46)
Net cash provided by (used in) investing activities	(31,322)	(13,114)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	—	(35)
Proceeds from long-term loans payable	9,410	11,256
Repayments of long-term loans payable	(21,824)	(25,608)
Purchase of treasury stock	(0)	(57)
Proceeds from exercise of share options	142	67
Repayments for claims provable in rehabilitation	-	(3,706)
Dividends paid	(6,856)	(7,362)
Dividends paid to non-controlling interests	(333)	(231)
Others, net	(1,312)	(1,006)
Net cash provided by (used in) financing activities	(20,774)	(26,684)
Effect of exchange rate change on cash and cash equivalents	6	11
Net increase (decrease) in cash and cash equivalents	(11,577)	(13,326)
Cash and cash equivalents at beginning of the year	55,005	43,428
Cash and cash equivalents at end of the year	43,428	30,101

(5) Notes concerning consolidated financial statements

(Notes concerning the assumption of a going concern)

No matters to record

(Changes to accounting policies)

(Application of the accounting standards etc. to business combinations)

"Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) (hereinafter the "Business Combination Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) (hereinafter the "Consolidated Statement Standard" and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) (hereinafter the "Divestiture Standard") etc. apply from the consolidated fiscal year under review, and differences due to changes in equity of subsidiaries of which the Company retains control, held by the Company, is calculated as capital surplus, while changes have been made to the method of calculating costs for consolidated fiscal years in which acquisition costs arise. Furthermore, with regard to business combinations conducted since the beginning of the consolidated fiscal year under review, there have been changes to the method of reflecting revision of allotment of acquisition cost through provisional accounting treatment in consolidated financial statements for consolidated fiscal years in which a business combination occurred. In addition, changes have been made to the listing of net income etc., and the listing of minority interests has been changed to non-controlling interests. We have rearranged the consolidated financial statements for the previous consolidated fiscal year in order to reflect said changes to listings.

The Business Combination Standard etc., applies from the beginning of the consolidated fiscal year under review onward, in accordance with the transitional provisions in Paragraph 58-2 (4) of the Business Combination Standard, Paragraph 44-5 (4) of the Consolidated Statement Standard, and Paragraph 57-4 (4) of the Divestiture Standard.

As a result, for the consolidated fiscal year, operating income increased by 2,745 million yen, and ordinary income and net income before taxes and other deductions each increased by 2,543 million yen. Furthermore, capital surplus at the end of the consolidated fiscal year under review decreased by 18,832 million yen.

In the consolidated cash flow statement for the consolidated fiscal year under review, cash flow from acquisition or sale of subsidiaries that does not result in changes in the scope of consolidation is recorded under "Cash flows from financing activities," and cash flow relating to costs arising from the acquisition of subsidiaries that results in changes to the scope of consolidation, and costs arising from the acquisition or sale of subsidiaries that does not result in changes to the scope of consolidation are recorded under "Cash flows from operating activities."

(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, 2015 (April 1, 2014–March 31, 2015)

(Unit: Million yen)

	Reporting segment			Other (note)	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	121,380	74,807	196,187	2,417	198,605
Internal net sales and transfers between segments	-	65	65	9	74
Total	121,380	74,872	196,252	2,426	198,679
Segment profit	34,310	12,127	46,438	140	46,579
Segment assets	58,522	264,855	323,378	886	324,265
Other items					
Depreciation	3,512	5,687	9,200	13	9,214
Increase in tangible fixed assets and intangible assets	4,570	7,742	12,312	62	12,375

Note: "Other" refers to business segment other than reporting segments, and includes items such as the information service, restaurants within the service area, and operation of shops.

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

(Unit: Million yen)

	Reporting segment			Other (note)	Total
	Pachinko and pachislot machine business	Golf business	Total		
Net sales					
Net sales to external customers	135,388	77,071	212,460	2,494	214,954
Internal net sales and transfers between segments	-	23	23	31	54
Total	135,388	77,095	212,483	2,525	215,009
Segment profit	30,088	12,427	42,516	151	42,667
Segment assets	58,658	278,305	336,963	989	337,953
Other items					
Depreciation	4,934	5,790	10,724	20	10,745
Increase in tangible fixed assets and intangible assets	5,191	18,699	23,890	10	23,900

Note: "Other" refers to business segment other than reporting segments, and includes items such as the information service, restaurants within the service area, and operation of shops.

4. Disparity between reporting segment total and consolidated financial statements and main content of said disparity (matters concerning reconciliation)

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Unit: Million yen)

Net sales	Amount
Reporting segment total	196,252
Net sales classified as “Other”	2,426
Elimination of transactions between segments	(74)
Net sales in consolidated financial statements	198,605

(Unit: Million yen)

Profit	Amount
Reporting segment total	46,438
Profit classified as “Other”	140
Elimination of transactions between segments	13
Corporate expenses (note)	(3,722)
Profit in consolidated financial statements	42,870

Note: Corporate expenses are mainly general and administrative expenses that do not belong to any reporting segment.

Assets	Amount
Reporting segment total	323,378
Assets classified as “Other”	886
Corporate assets (note)	123,568
Total assets in consolidated financial statements	447,833

Note: Corporate assets mainly comprise assets such as the headquarters building.

(Unit: Million yen)

Other items	Reporting segment total	Other	Adjustments	Total amount in consolidated financial statements
Depreciation	9,200	13	264	9,478
Increase in tangible fixed assets and intangible assets	12,312	62	1,075	13,451

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

(Unit: Million yen)

Net sales	Amount
Reporting segment total	212,483
Net sales classified as “Other”	2,525
Elimination of transactions between segments	(54)
Net sales in consolidated financial statements	214,954

(Unit: Million yen)

Profit	Amount
Reporting segment total	42,516
Profit classified as “Other”	151
Elimination of transactions between segments	18
Corporate expenses (note)	(3,718)
Profit in consolidated financial statements	38,967

Note: Corporate expenses are mainly general and administrative expenses that do not belong to any reporting segment.

(Unit: Million yen)

Assets	Amount
Reporting segment total	336,963
Assets classified as “Other”	989
Corporate assets (note)	112,762
Total assets in consolidated financial statements	450,715

Note: Corporate assets mainly comprise assets such as the headquarters building.

(Unit: Million yen)

Other items	Reporting segment total	Others	Adjustments	Total amount in consolidated financial statements
Depreciation	10,724	20	281	11,027
Increase in tangible fixed assets and intangible assets	23,890	10	20	23,291

[Related information]

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

1. Information on each product and service

Relevant information has been omitted as it would be the same as segment information.

2. Information by region

(1) Net sales

Relevant information has been omitted as domestic net sales to external customers account for more than 90% of consolidated profit and loss as well as net sales listed in the statement of comprehensive income.

(2) Tangible fixed assets

Relevant information has been omitted as tangible fixed assets located domestically accounts for more than 90% of the value of the tangible fixed assets listed in the consolidated balance sheet.

3. Major customer information

Relevant information has been omitted as there are no trading partners that account for 10% or more of total net sales.

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

1. Information on each product and service

Relevant information has been omitted as it would be the same as segment information.

2. Information by region

(1) Net sales

Relevant information has been omitted as domestic net sales to external customers account for more than 90% of consolidated profit and loss as well as net sales listed in the statement of comprehensive income.

(2) Tangible fixed assets

Relevant information has been omitted as tangible fixed assets located domestically accounts for more than 90% of the value of the tangible fixed assets listed in the consolidated balance sheet.

3. Major customer information

Relevant information has been omitted as there are no trading partners that account for 10% or more of total net sales.

[Information relating to impairment loss on fixed assets by reporting segment]

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Unit: Million yen)

	Pachinko and pachislot machine business	Golf business	Other	Whole company/elimination	Total
Impairment loss	-	565	-	-	565

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

No matters to record.

[Information relating to amount of amortization and unamortized balance of goodwill by reporting segment]

Fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Unit: Million yen)

	Pachinko and pachislot machine business	Golf business	Other	Whole company/elimination	Total
Amount of amortization	-	23	-	-	23
Balance at the end of the period	-	617	-	-	617

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

(Unit: Million yen)

	Pachinko and pachislot machine business	Golf business	Other	Whole company/elimination	Total
Amount of amortization	-	171	-	-	171
Balance at the end of the period	-	2,092	-	-	2,092