

Financial Results for the Year Ended March 31, 2019 (J-GAAP)



May 10, 2019

Name of listed company: NICHIIGAKKAN CO., LTD.

Listed on: Tokyo Stock Exchange 1st Section

Securities code: 9792

URL <http://www.nichiigakkan.co.jp>

Representative: Nobusuke Mori, President and COO

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Scheduled date to hold the ordinary general meeting of shareholders: June 25, 2019

Scheduled date to start dividends distribution: June 26, 2019

Scheduled date for filing annual financial report: June 26, 2019

Supplementary materials prepared: Yes

Results information meeting held: Yes (for institutional investors and financial analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated operating results

(Percentage figures represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2019	287,882	1.5	10,032	31.5	5,703	57.2	6,108	614.9
Year ended March 31, 2018	283,767	2.6	7,630	81.4	3,628	153.9	854	(39.1)

(Note) Comprehensive income: Year ended March 31, 2019: 6,198 million yen (473.9%)

Year ended March 31, 2018: 1,080 million yen (64.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	95.01	94.76	16.0	3.0	3.5
Year ended March 31, 2018	13.31	13.27	2.3	1.9	2.7

Reference: Equity-method investment profit (loss) : Year ended March 31, 2019: 71 million yen

Year ended March 31, 2018: 60 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	193,640	41,077	20.6	621.42
As of March 31, 2018	190,239	37,656	19.1	566.48

Reference: Shareholders' equity: As of March 31, 2019: 39,986 million yen As of March 31, 2018: 36,363 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2019	13,401	(2,928)	(10,562)	18,075
Year ended March 31, 2018	15,802	(1,897)	(11,792)	18,267

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
Year ended March 31, 2018	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2018	—	11.00	—	11.00	22.00	1,412	165.3	3.9
Year ended March 31, 2019	—	15.00	—	20.00	35.00	2,252	36.8	5.9
Year ending March 31, 2020 (forecast)	—	20.00	—	20.00	40.00		38.4	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	149,200	4.6	6,200	49.2	4,000	105.4	2,400	853.3	37.30
Full year	303,000	5.3	15,200	51.5	11,000	92.9	6,700	9.7	104.12

* Notes

(1) Changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies, changes of accounting estimates and restatement

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies due to reasons other than those stated in 1): None

3) Changes in accounting estimates: Yes

4) Restatement: None

(3) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury stock)

As of March 31, 2019: 73,017,952 As of March 31, 2018: 73,017,952

2) Number of treasury stock

As of March 31, 2019: 8,671,247 As of March 31, 2018: 8,825,572

3) Average number of shares issued and outstanding in each period

Year ended March 31, 2019: 64,287,771 Year ended March 31, 2018: 64,192,894

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated operating results (Percentage figures represent changes from previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2019	246,560	1.2	8,687	39.2	7,084	43.4	503	(84.7)
Year ended March 31, 2018	243,588	1.6	6,241	76.2	4,939	87.1	3,300	8.4

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2019	7.83	7.81
Year ended March 31, 2018	51.41	51.27

2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	144,922	41,898	28.5	641.73
As of March 31, 2018	148,872	42,837	28.4	658.59

Reference: Shareholders' equity: As of March 31, 2019: 41,293 million yen As of March 31, 2018: 42,276 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2020 (April 1, 2019– March 31, 2020)

(Percentage figures represent changes from previous year for full year figures and from same period of previous year for interim period figures.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	125,900	2.7	5,100	26.8	4,400	28.3	2,800	36.5	43.51
Full year	256,700	4.1	12,500	43.9	10,900	53.9	7,100	—	110.34

* Financial reports are not subject to audits by a certified public accountant or an audit corporation.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

The above forecasts are based on information Nichii Gakkan had as of the time this report was prepared and on certain assumptions judged to be reasonable. Various factors may cause actual results to differ significantly from forecasts. Please refer to the disclaimers, provided under "1. Overview of Business Results, Etc., (1) Analysis of business results" on page 4 of the attached document, regarding the assumptions upon which forecasts are based and the use of forecasts.

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1. Overview of Business Results, Etc.

The forward-looking statements contained in the descriptions below are forecasts determined at the end of the fiscal year.

In addition, ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) and other guidelines were applied from the beginning of the first quarter of the consolidated fiscal year. With respect to the financial position, the figures at the end of the previous consolidated fiscal year after retrospective processing were used in comparison.

(1) Analysis of business results

1) Overview of business results

In May 2018, the Nichii Group formulated the medium-term management plan VISION 2025 (from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2025). During the fiscal year ended March 31, 2019, which is the first year of the plan, the Nichii Group worked on reforming business and strengthening foundations for the revival of “strong Nichii” based on the priority strategies, namely “increasing net sales,” “establishing the business foundations of core businesses,” and “building the business portfolio.”

In terms of “increasing net sales,” the core Medical Support, Long-Term Care and Childcare Segments drove sales growth and new business in the Therapy Segment also contributed to higher sales through stronger area marketing and promotional strategies.

In terms of “establishing the business foundations of core businesses,” the Group worked to achieve stable profit growth in its core businesses (the Medical Support, Long-Term Care and Childcare Segments) by making them stronger through the implementation of strategies that anticipate future developments including system trends and employment conditions.

In terms of “building the business portfolio,” the Group implemented structural reforms and organizational reforms in the Education Segment and the Global Segment and carried out business restructuring to accelerate the generation of profit.

Consequently, net sales for the consolidated fiscal year under review rose 1.5% year on year, to 287,882 million yen, increasing for the eleventh fiscal year. Operating income increased 31.5% year on year, to 10,032 million yen, growing for the third consecutive fiscal year. Ordinary income was 5,703 million yen, up 57.2% from a year earlier. Net income attributable to owners of parent increased 614.9% year on year, to 6,108 million yen, reflecting the recording of income taxes-deferred of 5,183 million yen mainly due to expansion in the scope of application of tax effect accounting as a result of recovery in performance specially in core businesses and the recording of deferred tax assets associated with the liquidation of a Chinese subsidiary, which offset the recording of extraordinary losses of 1,662 million yen mainly due to structural reform of the Education Business (withdrawal from the COCO JUKU business) and the reorganization of a Chinese joint venture.

Business results for the fiscal year under review are as follows.

(Overviews by business segment)

Results by business segment are as follows.

From the fiscal year ended March 31, 2019, the categories of the reporting segments were changed. The China Business and services abroad were transferred from each department to the global segment in presentation by segment. In addition, health care product sales were transferred from the Health Care Segment to the Long-Term Care Segment. The segment information for the previous consolidated fiscal year reflects the new reporting segment structure.

<Medical Support Segment>

Net sales were 107,768 million yen (compared with 107,270 million yen in the previous fiscal year). Operating income was 9,246 million yen (compared with 8,899 million yen in the previous fiscal year).

The Group focused on expanding services by continuing to negotiate more reasonable contracts with medical institutions and strengthening proposals for medical administration support services in anticipation of medical workstyle reform. The Group also implemented initiatives with respect to its medical administration course including reviewing course duration and conducting discount campaigns to meet needs.

As a result, sales increased due to the acquisition of new contracts during the fiscal year and recovery in the number of students. Income also grew due to higher profitability reflecting more reasonable contracts and the improvement of productivity through more efficient operations.

<Long-Term Care Segment>

Net sales were 151,426 million yen (compared with 149,777 million yen in the previous fiscal year). Operating income was 16,383 million yen (compared with 14,810 million yen in the previous fiscal year).

In the area of In-home Care Services, the Group strengthened its response to those in a moderate or severe condition and worked to improve production efficiency. In Residential Care Services, the Group focused on gaining residents by conducting campaigns and sales activities based on collaboration between branch offices and facilities.

As a result, the Long-Term Care Segment recorded increases in sales and income due to an increase in payment per patient for Home-Visit Care Services reflecting a higher proportion of users in a moderate or severe condition and an increase in the number of users/improvement in occupancy in Residential Care Services.

<Childcare Segment>

Net sales were 12,559 million yen (compared with 9,363 million yen in the previous fiscal year). Operating income was 206 million yen (compared with an operating loss of 564 million yen in the previous fiscal year).

In the fiscal year under review, the Group opened 49 new childcare facilities, and operated 251 facilities across Japan. The Group also worked to acquire corporate-user contracts for corporate-run childcare centers and to increase recognition in each region by promoting expansion in regional usage limits.

As a result, the net sales of the Childcare Segment increased, exceeding 10 billion yen for the first time, due to an increase in the number of students as a result of the expansion of facilities and proactive acceptance of students. Income grew mainly due to improvement in capacity utilization.

<Health Care Segment>

Net sales were 1,632 million yen (compared with 1,398 million yen in the previous fiscal year). Operating loss was 1,148 million yen (compared with an operating loss of 223 million yen in the previous fiscal year).

The Group actively promoted the Nichii Life housekeeping service and the Sunny Maid Service housekeeping support business provided by foreign personnel in the National Strategic Special Zone to meet higher demand due to the increase in double-income families.

As a result, net sales rose, reflecting an increase in the number of service users due to promotions that meet users' seasonal needs and the launch of the Sunny Maid Service in the Kansai region (Hyogo Prefecture and Osaka City). Meanwhile, income decreased due to an increase in prior expenses for the acceptance of foreign staff.

<Education Segment>

Net sales were 11,937 million yen (compared with 12,060 million yen in the previous fiscal year). Operating loss was 4,110 million yen (compared with an operating loss of 4,474 million yen in the previous fiscal year).

Starting from the consolidated fiscal year under review, the Group integrated services for adults into the "Gaba one-to-one English conversation" brand and services for children into the "COCO JUKU Junior" brand and provided services under two brands. However, in the case of some schools, the effect of these reforms did not manifest themselves in business results and there was no way of escaping the prolonged stagnation. The Group, therefore, closed all COCO JUKU Junior schools except for franchise schools and some GABA schools (51 schools) within COCO JUKU Junior schools on March 31, 2019.

As a result, net sales decreased, reflecting decline in student numbers at the now defunct COCO JUKU associated with higher lesson prices due to a change of brand. Income increased (the loss narrowed) due to a steady increase in the number of GABA students.

<Therapy Segment>

Net sales were 412 million yen (compared with 210 million yen in the previous fiscal year). Operating loss was 383 million yen (compared with an operating loss of 340 million yen in the previous fiscal year).

During the consolidated fiscal year under review, the Group opened five new outlets for the pet salon A-LOVE and focused on the acquisition of customers and improvement of customer satisfaction through initiatives including strengthening marketing based on seasonal demand, sharing success stories between outlets and strengthening the management skills of salon managers.

As a result, net sales rose due to an increase in repeat customers. Prior investment in salon openings led to an operating loss.

<Global Segment>

Net sales were 1,851 million yen (compared with 3,472 million yen in the previous fiscal year). Operating loss was 1,246 million yen (compared with an operating loss of 1,665 million yen in the previous fiscal year).

The Group sought to strengthen its organizational capabilities by proceeding with the reorganization of its business structure in China, including reviewing the joint venture-led business promotion structure and reorganizing unprofitable joint ventures. The Group spread Japanese style nursing care and sought to undertake contracts for the operation of long-term care

facilities and to acquire outside sales training through a METI subsidized project for which it has been selected for three consecutive fiscal periods.

As a result, net sales fell due to organizational restructuring, but income increased (the loss narrowed).

<Other Segments>

Net sales were 294 million yen (compared with 213 million yen in the previous fiscal year). Operating income was 228 million yen (compared with 204 million yen in the previous fiscal year).

Through goods management, data processing, lease and other businesses, the Group sought to strengthen collaboration between Group companies and strove to encourage business promotion and improvement of profitability mainly by supporting the Company's core business operations and increasing the efficiency of indirect operations.

As a result, net sales increased by 80 million yen, and income rose by 23 million yen.

2) Future outlook

In line with the Nichii vision of “aspiring to become an excellent company that makes a contribution globally by resolving social issues and realizing stable long-term profit growth,” the Nichii Group formulated the medium-term management plan VISION 2025 (from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2025) as a roadmap for achieving this vision, and announced the plan in May 2018.

Performance targets based on the medium-term management plan are as follows.

	Net sales	Operating margin	ROE
Performance targets for 2025	500 billion yen or more	10% or more	Maintain the 15% level or above with the minimum at 8%

In 2025, which is the final year of VISION 2025, the Baby Boom generation will be over the age of 75 and, with the aging rate estimated at over 30%, the role played by health care and nursing care in supporting the elderly will become increasingly important.

Nichii’s business structure consists of a “strategic business triangle” in which three types of business, namely the “core businesses” (medical support, nursing care and child care), which social contribution, balance supply (BS) businesses (health care, language education and therapy), which pursue economic potential, and global businesses (overseas businesses such as the China business), which are future-oriented and pursue growth potential, collaborate with each other whilst pursuing their features respectively. Whilst maintaining this structure, the Group will assess the rapidly changing social situation from a global perspective to progress to the optimal business structure/balance through strategic “selection and concentration.” With “business reforms and the strengthening of foundations” through “promotion of earnings structural reforms,” “creation of added value,” “strengthening of global readiness,” “strengthening of the human resources foundation” and “strengthening of the financial base” and “organizational reforms” through “strengthening of strategy execution systems,” “strengthening of business bases and the power of branch offices” and “strengthening of the organization linkage function” as priority strategies, the Group aims to realize the Nichii Vision.

In the fiscal year ending March 31, 2020, the Group will continue to implement initiatives with “making businesses stronger,” “establishing the business foundations of core businesses” and “building the business portfolio” as priority issues.

In terms of “making businesses stronger,” the Group will continue to reform marketing under the leadership of Nichii’s Corporate Marketing Division and will focus on increasing net sales through cross-selling and interlinked marketing across all businesses. Through stronger corporate marketing and marketing to attract customers in the BtoC business, the construction of a new marketing system for online marketing, the provision of training to strengthen proposal skills and closing skills, the Group will conduct marketing activities that lead to the acquisition of new customers and expansion of market share. Meanwhile, by further strengthening area management through the executive officer structure, the Group will seek to improve the management capabilities of branch offices and business sites in each area and translate this into enhancement of ability to achieve business plans.

In terms of “establishing the business foundations of core businesses,” the Group will strengthen the human resources foundation through initiatives such as the continuous implementation of strategies to secure and retain talent, and the utilization of diverse human resources including foreign workers and active seniors. The Group will also seek to develop business environments that are able to adapt to relevant system trends and changes in the work environment and will address the various needs and issues of local communities. It will also establish business foundations for “VISION 2025 and beyond, including improving production efficiency through innovation utilizing ICT, etc.

In terms of “building the business portfolio,” the Group will ensure improvement in profitability through the structural reform of the Education Segment and the organizational reform of the Global Segment (China) and will quickly move these businesses into profit. Meanwhile, in the new “housing keeping service” business that forms part of the Health Care segment and the new “grooming service” business that forms part of the Therapy Segment, the Group will provide services that anticipate market growth on the back of an increase in dual income families and households that keep pets. In particular, the Group will make strategic upfront investment in the Sunny Maid Service housekeeping support business provided by foreign personnel in the National Strategic Special Zone with a view to establishing the business foundations of both the Long-term Care and the Health Care Segments and shifting away from a structure where personnel with nursing care qualifications provide both nursing care and housekeeping services to a structure where they can devote themselves to nursing care. The Group will meet market needs and establish a competitive edge by differentiating itself from its competitors and will develop the new businesses into growing businesses.

Based on the above, we expect sales and income to increase in our earnings forecast for the fiscal year ending March 2020 as follows.

[Earnings forecast for the fiscal year ending March 31, 2020]

(Unit: Million yen)

	N e t s a l e s	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ending March 31, 2020 (F o r e c a s t)	303,000	15,200	11,000	6,700
Actual results for the previous fiscal year	287,882	10,032	5,703	6,108

* The above forecast is calculated based on information that is currently available. The actual results may therefore differ from the stated forecasts due to changes in business conditions, etc.

(2) Analysis of financial position

1) Overview of financial position

During the fiscal year under review, cash and cash equivalents (“cash”) decreased 191,897 thousand yen year on year, to 18,075,206 thousand yen. Cash flows from each category of activities and their main factors are described below.

[Cash flows from operating activities]

Net cash provided by operating activities stood at 13,401,057 thousand yen.

The main factors were depreciation and amortization and interest expenses.

[Cash flows from investing activities]

Net cash used in investing activities came to 2,928,082 thousand yen.

This was primarily the result of the purchase of property, plant and equipment and the purchase of intangible assets.

[Cash flows from financing activities]

Net cash used in financing activities amounted to 10,562,726 thousand yen.

This was chiefly due to the repayment of long-term loans payable.

Trends in cash flow indicators for the Group can be seen below.

	Year ended March 31, 2018	Year ended March 31, 2019
Equity Ratio (%)	19.1	20.6
Equity ratio based on present value (%)	40.3	43.3
Debt redemption (years)	5.6	6.3
Interest coverage ratio (times)	3.4	2.7

Notes: Equity ratio: Shareholders' equity/total assets

Equity ratio based on present value: Total present value of stock/total assets

Debt redemption: Interest-bearing liabilities/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

1. Each indicator was calculated from consolidated financial results.

2. Total present value of stock is the product of closing stock price at the end of period and the total number of outstanding shares at the end of period (after deducting treasury stock).

3. Operating cash flow is equal to the cash flows from operating activities in the consolidated statements of cash flow.

Interest-bearing liabilities are all the liabilities on which interest is paid, out of the liabilities in the consolidated balance sheet. Interest payments are the interest payments as shown in the consolidated statements of cash flow.

(3) Basic principles of profit distribution and dividends for the fiscal year under review and the next fiscal year

Our basic policy is to provide our shareholders with stable and continuous profit distributions. Considering business performance trends from a mid- to long-term standpoint, we formulated a consolidated dividend policy.

For the year ended March 31, 2019, we are planning to pay a year-end dividend of 20 yen per share.

Record date	Cash dividends per share (Yen)		
	2Q-end	Year-end	Annual
Year ended March 31, 2019	15.00 (Actual)	20.00 (Forecast)	35.00 (Forecast)
Year ending March 31, 2020	20.00 (Forecast)	20.00 (Forecast)	40.00 (Forecast)

2. Basic Approach to Selection of Accounting Standards

The Nichii Group adopts Japanese accounting standards to ensure comparability of financial statements between companies and periods, and prepares its consolidated financial statements in accordance with Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter 7 and Chapter 8) (Finance Ministry Ordinance No. 28 of 1976).

We will examine the adoption of international financial reporting standards in light of the situation both inside and outside of Japan.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(in thousand yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	18,447,925	18,255,916
Notes and accounts receivable—trade	※ ³ 33,072,792	※ ³ 33,434,278
Short-term investment securities	—	256,310
Merchandise and finished goods	890,572	364,426
Work in progress	6,859	11,159
Raw materials and supplies	222,620	175,533
Other segments	12,639,841	13,291,468
Less: allowance for doubtful accounts	(31,360)	(104,166)
Total current assets	65,249,251	65,684,926
Fixed assets		
Property, plant and equipment		
Buildings and structures	※ ² 53,851,495	※ ² 53,883,463
Accumulated depreciation	(31,591,157)	(31,932,939)
Buildings and structures—net	22,260,337	21,950,524
Machinery, equipment and vehicles	91,125	87,661
Accumulated depreciation	(81,429)	(79,952)
Machinery, equipment and vehicles—net	9,695	7,708
Tools, furniture and fixtures	※ ² 4,834,687	※ ² 4,949,963
Accumulated depreciation	(4,001,034)	(4,090,476)
Tools, furniture and fixtures—net	833,652	859,486
Land	8,382,379	8,356,037
Lease assets	56,821,415	61,570,599
Accumulated depreciation	(9,537,671)	(11,578,377)
Lease assets—net	47,283,743	49,992,221
Construction in progress	1,005,199	1,146,255
Total property, plant and equipment	79,775,008	82,312,235
Intangible assets		
Goodwill	11,424,497	9,120,932
Software	5,103,318	3,494,569
Software in progress	97,451	84,237
Lease assets	193,145	210,079
Other segments	198,123	188,252
Total intangible assets	17,016,537	13,098,071

(in thousand yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 (As of March 31, 2019)
Investment and other asset		
Investment securities	※ 1 1,133,008	※ 1 1,057,664
Long-term loans receivable	7,644,360	7,317,061
Long-term prepaid expenses	2,345,634	2,138,879
Guarantee deposits	12,952,786	12,850,169
Deferred tax assets	3,515,559	8,617,506
Other	※ 1 872,816	※ 1 808,974
Less: allowance for doubtful accounts	(265,077)	(244,715)
Total investments and other assets	28,199,088	32,545,539
Total fixed assets	124,990,634	127,955,845
Total assets	190,239,886	193,640,771
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,170,987	747,571
Short-term loans payable	5,336,220	2,512,273
Current portion of long term loans payable	6,072,913	7,255,350
Lease obligations	1,454,649	1,704,093
Income taxes payable	2,563,388	2,941,364
Accrued consumption taxes	1,791,918	1,973,207
Accrued expenses	17,836,819	17,914,622
Advances received	11,412,048	12,414,755
Provision for bonuses	5,611,659	5,937,697
Provision for directors' bonuses	38,000	36,000
Allowance for structural reform	—	486,086
Other segments	7,170,909	6,741,440
Total current liabilities	60,459,515	60,664,463
Non-current liabilities		
Long-term loans payable	22,007,024	15,998,372
Lease obligations	53,596,996	57,113,991
Long-term advances received	4,440,606	5,193,620
Deferred tax liabilities	2,498	3,456
Asset retirement obligations	2,446,418	3,582,707
Net defined benefit liability	7,524,273	7,742,022
Other segments	2,106,381	2,264,360
Total non-current liabilities	92,124,200	91,898,531
Total liabilities	152,583,715	152,562,995

(in thousand yen)

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019 (As of March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,026,495	17,009,418
Retained earnings	19,636,670	22,867,282
Treasury stock, at cost	(11,376,709)	(11,177,438)
Total shareholders' equity	37,220,245	40,633,052
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,091	12,481
Foreign currency exchange adjustments	(366,488)	(244,124)
Remeasurements of defined benefit plans	(509,191)	(414,813)
Total accumulated other comprehensive income	(856,588)	(646,456)
Subscription rights to shares	560,694	605,781
Non-controlling interests	731,819	485,398
Total net assets	37,656,170	41,077,776
Total liabilities and net assets	190,239,886	193,640,771

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

(in thousand yen)

	Fiscal 2018 (from April 1, 2017 to March 31, 2018)	Fiscal 2019 (from April 1, 2018 to March 31, 2019)
Net sales	283,767,746	287,882,956
Cost of sales	228,946,036	230,272,953
Gross profit	54,821,710	57,610,003
Selling, general and administrative expenses		
Advertising and promotion expenses	3,424,476	3,850,320
Directors' compensation	203,591	223,845
Salaries and benefits	18,088,773	17,943,729
Provision for employee bonuses	1,258,397	1,299,288
Provision for directors' bonuses	38,000	36,000
Provision for directors' retirement benefits	604,887	588,241
Stock-based compensation expenses	35,312	172,921
Legal welfare expenses	3,213,812	3,225,710
Travel and transportation expenses	1,514,773	1,601,524
Rent expenses	3,466,875	3,336,832
Provision of allowance for doubtful accounts	1,824	19,378
Depreciation and amortization	1,783,298	1,757,083
Amortization of goodwill	2,198,718	1,884,316
Other	11,358,802	11,637,868
Total selling, general and administrative expenses	47,191,543	47,577,061
Operating income	7,630,166	10,032,941
Non-operating income		
Interest income	146,801	142,929
Rent income	205,878	197,341
Subsidy income	58,648	39,323
Foreign exchange gains	9,791	—
Incentive income	107,177	113,275
Equity method investment gain	60,541	71,820
Other segments	293,420	261,788
Total non-operating income	882,259	826,479
Non-operating expenses		
Interest expenses	4,654,848	4,916,383
Rent expenses	35,828	36,259
Other segments	193,212	203,370
Total non-operating expenses	4,883,888	5,156,013
Ordinary income	3,628,537	5,703,407
Extraordinary income		
Gain on sales of investments in capital of subsidiaries and associates	—	137,114
Gain on reversal of subscription rights to shares	5,310	1,691
Other segments	203	864
Total extraordinary income	5,514	139,670

(in thousand yen)

	Fiscal 2018 (from April 1, 2017 to March 31, 2018)	Fiscal 2019 (from April 1, 2018 to March 31, 2019)
Extraordinary losses		
Loss on retirement of property, plant and equipment, net	※ ¹ 83,687	※ ¹ 79,139
Loss on sales of property, plant and equipment, net	※ ² 10,308	※ ² 1,781
Loss on sales of investment securities	—	149,705
Loss on sales of investments in capital of subsidiaries and associates	—	305,191
Structural reform expenses	—	193,026
Provision of allowance for structural reform	—	486,086
Impairment losses	※ ³ 692,989	※ ³ 446,157
Other Segments	1,650	1,511
Total extraordinary losses	788,635	1,662,600
Net income (loss) before income taxes	2,845,416	4,180,476
Income taxes—current	2,509,386	3,228,612
Income taxes—deferred	(360,589)	(5,138,830)
Total income taxes	2,148,797	(1,910,218)
Net income	696,618	6,090,695
Profit (loss) attributable to non-controlling interests	(157,815)	(17,486)
Profit attributable to owners of the parent company	854,434	6,108,181

(Consolidated statements of comprehensive income)

(in thousand yen)

	Fiscal 2018 (from April 1, 2017 to March 31, 2018)	Fiscal 2019 (from April 1, 2018 to March 31, 2019)
Net income	696,618	6,090,695
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,470)	(6,662)
Foreign currency exchange adjustments	82,544	19,901
Remeasurements of defined benefit plans	302,323	94,378
Total other comprehensive income	※ 1 383,397	※ 1 107,616
Comprehensive income	1,080,016	6,198,311
(Breakdown)		
Comprehensive income attributable to owners of parent	1,228,910	6,229,787
Comprehensive income attributable to non-controlling interests	(148,894)	(31,475)

(3) Consolidated statements of changes in net assets
Fiscal 2018 (from April 1, 2017 to March 31, 2018)

(in thousand
yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,277,876	20,006,631	(11,376,929)	37,841,369	20,543
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.		(250,734)			(250,734)	
Dividends from retained earnings			(1,412,238)		(1,412,238)	
Profit attributable to owners of parent			854,434		854,434	
Purchase of treasury stock				(1,730)	(1,730)	
Disposal of treasury stock		(647)		1,950	1,302	
Change of scope of consolidation			187,841		187,841	
Changes other than shareholders' equity during the period (net)						(1,452)
Total changes of items during the period	-	(251,381)	(369,961)	220	(621,123)	(1,452)
Balance at the end of the period	11,933,790	17,026,495	19,636,670	(11,376,709)	37,220,245	19,091

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	(457,572)	(811,515)	(1,248,544)	531,839	799,717	37,924,381
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						(250,734)
Dividends from retained earnings						(1,412,238)
Profit attributable to owners of parent						854,434
Purchase of treasury stock						(1,730)
Disposal of treasury stock						1,302
Change of scope of consolidation						187,841
Changes other than shareholders' equity during the period (net)	91,084	302,323	391,956	28,854	(67,898)	352,912
Total changes of items during the period	91,084	302,323	391,956	28,854	(67,898)	(268,210)
Balance at the end of the period	(366,488)	(509,191)	(856,588)	560,694	731,819	37,656,170

Fiscal 2019 (from April 1, 2018 to March 31, 2019)

(in thousand yen)

	Shareholders' equity					Accumulated other comprehensive income
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available for-sale securities
Balance at the beginning of the period	11,933,790	17,026,495	19,636,670	(11,376,709)	37,220,245	19,091
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.		(8,427)			(8,427)	
Dividends from retained earnings			(1,671,322)		(1,671,322)	
Profit attributable to owners of parent			6,108,181		6,108,181	
Purchase of treasury stock				(713)	(713)	
Disposal of treasury stock		(8,649)		199,984	191,335	
Change of scope of consolidation			(1,206,245)		(1,206,245)	
Changes other than shareholders' equity during the period (net)						(6,609)
Total changes of items during the period	-	(17,077)	3,230,612	199,271	3,412,806	(6,609)
Balance at the end of the period	11,933,790	17,009,418	22,867,282	(11,177,438)	40,633,052	12,481

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	(366,488)	(509,191)	(856,588)	560,694	731,819	37,656,170
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						(8,427)
Dividends from retained earnings						(1,671,322)
Profit attributable to owners of parent						6,108,181
Purchase of treasury stock						(713)
Disposal of treasury stock						191,335
Change of scope of consolidation						(1,206,245)
Changes other than shareholders' equity during the period (net)	122,363	94,378	210,132	45,087	(246,420)	8,799
Total changes of items during the period	122,363	94,378	210,132	45,087	(246,420)	3,421,605
Balance at the end of the period	(244,124)	(414,813)	(646,456)	605,781	485,398	41,077,776

(4) Consolidated statements of cash flows

(in thousand yen)

	Fiscal 2018 (from April 1, 2017 to March 31, 2018)	Fiscal 2019 (from April 1, 2018 to March 31, 2019)
Cash flows from operating activities:		
Income before income taxes	2,845,416	4,180,476
Depreciation and amortization	6,217,813	6,373,765
Amortization of goodwill	2,198,718	1,884,316
Impairment loss	692,989	446,157
Increase (decrease) in provision for bonuses	621,575	326,038
Increase (decrease) in provision for directors' bonuses	-	(2,000)
Increase (decrease) in allowance for doubtful accounts	(311,401)	53,820
Increase (decrease) in net defined benefit liability	386,759	354,767
Interest and dividends income	(148,990)	(165,237)
Interest expenses	4,654,848	4,916,383
Share of (profit) loss of entities accounted for using equity method	(60,541)	(71,820)
Loss (gain) on sales of investment securities	21,774	149,705
Loss on retirement of property, plant and equipment, net	83,687	79,139
(Gain) loss on sales of property, plant and equipment, net	203	930
Stock-based compensation expenses	35,312	172,921
(Increase) decrease in notes and accounts receivable-trade	(242,553)	(405,563)
(Increase) decrease in inventories	205,424	548,162
(Increase) decrease in other current assets	(797,042)	(1,405,706)
Decrease (increase) in claims provable in bankruptcies	63,351	(6,540)
(Increase) decrease in other fixed assets	119,584	81,598
Increase (decrease) in notes and accounts payable—trade	331,390	(396,320)
Increase (decrease) in accrued expenses	1,912,358	108,135
Increase (decrease) in accrued consumption taxes	378,187	181,447
Increase (decrease) in other current liabilities	1,522,732	1,429,495
Increase (decrease) in other non-current liabilities	766,507	2,046,838
Other, net	435,217	288,720
Sub-total	21,933,326	21,169,631
Interest and dividends income received	30,029	50,908
Proceeds from dividend income from entities accounted for using equity method	11,250	15,640
Interest expenses paid	(4,647,307)	(4,910,437)
Income taxes paid	(1,524,697)	(2,924,684)
Net cash provided by operating activities	15,802,600	13,401,057

(in thousand yen)

	Fiscal 2018 (from April 1, 2017 to March 31, 2018)	Fiscal 2019 (from April 1, 2018 to March 31, 2019)
Cash flows from investing activities:		
Payments into time deposits	(324,326)	(311,345)
Proceeds from withdrawal of time deposits	311,326	311,344
Purchase of short-term investment securities	-	(313,320)
Proceeds from sales and redemption of short-term investment securities	200,000	54,805
Purchase of property, plant and equipment	(2,502,696)	(3,009,765)
Proceeds from sales of property, plant and equipment	72,990	7,767
Purchase of intangible assets	(1,260,906)	(446,380)
Purchase of investment securities	(22,698)	(67,443)
Proceeds from sales of investment securities	500,001	39,749
Payments for investments in capital of subsidiaries and associates	-	(113,548)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	※ ³ (15,905)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	※ ⁴ (3,304)	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	※ ⁴ (106,624)
Payments of loans receivable	(598,852)	(260,195)
Collection of loans receivable	324,955	780,789
Payments for guarantee deposits	(609,364)	(386,355)
Proceeds from collection of guarantee deposits	1,212,370	331,928
Subsidy income	1,060,944	631,801
Other, net	(242,373)	(71,288)
Net cash used in investing activities	(1,897,839)	(2,928,082)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(14,939,399)	(2,793,511)
Proceeds from long-term loans payable	11,294,340	8,417,454
Repayment of long-term loans payable	(5,581,300)	(13,169,050)
Proceeds from sales of treasury stock	153	61
Purchase of treasury stock	(1,730)	(713)
Cash dividends paid by parent company	(1,410,586)	(1,669,861)
Dividends paid to non-controlling interests	(9,960)	(11,520)
Repayments of lease obligations	(946,893)	(1,314,628)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(257,471)	(30,456)
Other, net	60,112	9,498
Net cash provided by (used in) financing activities	(11,792,734)	(10,562,726)
Effect of exchange rate changes on cash and cash equivalents	(14,632)	(10,391)
Net increase (decrease) in cash and cash equivalents	2,097,394	(100,141)
Cash and cash equivalents at beginning of year	16,189,428	18,267,103
Increase in cash and cash equivalents from newly consolidated subsidiary	71,667	14,571
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(91,387)	(106,327)
Cash and cash equivalents at end of year	※ ¹ 18,267,103	※ ¹ 18,075,206