

# Financial Results for the Year Ended March 31, 2020 (J-GAAP)



May 8, 2020

Name of listed company: NICHIGAKKAN CO., LTD. Listed on: Tokyo Stock Exchange 1st Section  
 Securities code: 9792 URL http://www.nichiagakkan.co.jp  
 Representative: Nobusuke Mori, Representative Director and President  
 Contact: Kazuya Shiiya, Executive Officer and General Manager-Accounting TEL:03-3291-2121  
 Scheduled date to hold the ordinary general meeting of shareholders: June 24, 2020  
 Scheduled date to start dividends distribution: June 25, 2020 Scheduled date for filing annual financial report: June 25, 2020  
 Supplementary materials prepared: Yes  
 Results information meeting held: None

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

## 1. Consolidated financial results for the year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

### (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, 2020	297,965	3.5	12,162	21.2	7,483	31.2	4,058	(33.6)
Year ended March 31, 2019	287,882	1.5	10,032	31.5	5,703	57.2	6,108	614.9

(Note) Comprehensive income: Year ended March 31, 2020: 4,319 million yen (△30.3%)

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

	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, 2020	62.97	62.43	9.8	3.9	4.1
Year ended March 31, 2019	95.01	94.76	16.0	3.0	3.5

Reference: Equity-method investment profit (loss) : Year ended March 31, 2020 :111 million yen

Year ended March 31, 2019: 71 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, 2020	192,804	44,025	22.4	660.91
As of March 31, 2019	193,640	41,077	20.6	621.42

Reference: Shareholders' equity: As of March 31, 2020: 43,180 million yen As of March 31, 2019: 39,986 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, 2020	10,439	(1,907)	(8,163)	18,386
Year ended March 31, 2019	13,401	(2,928)	(10,562)	18,075

## 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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2019	—	15.00	—	20.00	35.00	2,252	36.8	5.9
Year ended March 31, 2020	—	20.00	—	20.00	40.00	2,595	63.5	6.2
Year ending March 31, 2021 (forecast)	—	—	—	—	—	—	—	—

(Note) As announced in the press release “Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares” on May 8, 2020, the Company is scheduled to become a wholly owned subsidiary of K.K. BCJ-44 (hereinafter the “Tender Offeror”) as a result of a tender offer by the Tender Offeror for common shares outstanding (hereinafter the “Company’s Shares”) and share acquisition rights of the Company (hereinafter the “Tender Offer”) and a series of subsequent transactions, and the Company’s Shares are scheduled to be delisted. Therefore, the forecast of dividends for the fiscal year ending March 31, 2021 is not stated.

## 3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

As announced in the press release “Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares” on May 8, 2020, the Company is scheduled to become a wholly-owned subsidiary of the Tender Offeror as a result of the Tender Offer by the Tender Offeror and a series of subsequent transactions, and the Company’s Shares are scheduled to be delisted. Therefore, the forecast of consolidated financial results for the fiscal year ending March 31, 2021 is not stated.

\* 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: None

4) Restatement: None

(3) Number of shares outstanding (common stock)

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

As of March 31, 2020: 73,017,952 As of March 31, 2019: 73,017,952

2) Number of treasury stock

As of March 31, 2020: 7,682,005 As of March 31, 2019: 8,671,247

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

Year ended March 31, 2020: 64,455,830 Year ended March 31, 2019: 64,287,771

**(Reference) Overview of the non-consolidated business results**

**1. Non-consolidated financial results for the year ended March 31, 2020 (April 1, 2019– March 31, 2020)**

**(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, 2020	252,572	2.4	10,032	15.5	8,005	13.0	4,934	880.1
Year ended March 31, 2019	246,560	1.2	8,687	39.2	7,084	43.4	503	(84.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2020	76.56	75.91
Year ended March 31, 2019	7.83	7.81

**2) Non-consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	144,250	45,565	31.4	693.53
As of March 31, 2019	144,922	41,898	28.5	641.73

Reference: Shareholders' equity: As of March 31, 2020: 45,312million yen As of March 31, 2019: 41,293 million yen

**2. Forecast of non-consolidated financial results for the year ending March 31, 2021 (April 1, 2020– March 31, 2021)**

As announced in the press release "Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares" on May 8, 2020, the Company is scheduled to become a wholly owned subsidiary of K.K. BCJ-44 (hereinafter the "Tender Offeror") as a result of a tender offer by the Tender Offeror for common shares outstanding (hereinafter the "Company's Shares") and share acquisition rights of the Company (hereinafter the "Tender Offer") and a series of subsequent transactions, and the Company's Shares are scheduled to be delisted. Therefore, the forecast of dividends for the fiscal year ending March 31, 2021 is not stated.

\* 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

(Note on forward-looking statements, etc.)

As announced in the press release "Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares" on May 8, 2020, the Company is scheduled to become a wholly owned subsidiary of K.K. BCJ-44 (hereinafter the "Tender Offeror") as a result of a tender offer by the Tender Offeror for common shares outstanding (hereinafter the "Company's Shares") and share acquisition rights of the Company (hereinafter the "Tender Offer") and a series of subsequent transactions, and the Company's Shares are scheduled to be delisted. Therefore, the forecast of dividends for the fiscal year ending March 31, 2021 is not stated.

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## 1. Overview of Business Results, Etc.

### (1) Overview of business results

The Nichii Group (the “Group”) is promoting the enhancement of its revenue base through the medical support business, the long-term care business and the childcare business as its core operations, structural reforms of the education business and the global (China) business and far-sighted growth investments in order to establish a business foundation that will lead to long-term, stable growth by responding and contributing to the diversification of social issues and needs, with the aim of realizing its medium-term management plan VISION 2025.

In the fiscal year under review, net sales marked a record high for the 12th consecutive year with net sales remaining firm in the core operations of the medical support, long-term care and childcare businesses due to the field-based business reforms and strengthened area management. In addition, the profit level of the entire Group improved thanks to progress in the reduction of fixed costs based on structural reforms of the education and global (China) businesses through selection and concentration.

The Group also promoted growth investments for the purpose of strengthening its business foundation through the reorganization of home-visit care service offices and securing and retaining human resources, which are the source of its service supply capacity, including a continuous improvement in employee treatment and investments in human resources to accept foreign staff.

As a result, net sales totaled 297,965 million yen (up 3.5% year on year), operating income amounted to 12,162 million yen (up 21.2% year on year), ordinary income came to 7,483 million yen (up 31.2% year on year), and profit attributable to owners of parent stood at 4,058 million yen (down 33.6% year on year).

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

#### <Medical Support Segment>

Net sales were 114,325 million yen (compared with 107,768 million yen in the previous fiscal year). Operating income was 9,730 million yen (compared with 9,246 million yen in the previous fiscal year).

In the hospital segment, the Group promoted an improvement in operation efficiency and the rationalization of working hours in medical institutions by which the Group is contracted and focused on contract rationalization through negotiations with the medical institutions. In the medical education segment, the number of students taking medical courses increased steadily due to active promotional efforts, and this resulted in the strengthening of the segment’s human resource supply capacity.

In the fiscal year under review, the Group also consolidated Yao Medical PFI Co., Ltd., a specified purpose company that operated the PFI project of Yao Municipal Hospital in Osaka.

As a result, net sales increased mainly due to the expansion of the contracted business and the new consolidation of Yao Medical PFI Co., Ltd. Operating income rose, reflecting enhanced revenue due to contract rationalization and an improvement in productivity based on higher operating efficiency.

#### <Long-Term Care Segment>

Net sales were 153,788 million yen (compared with 151,426 million yen in the previous fiscal year). Operating income was 15,857 million yen (compared with 16,383 million yen in the previous fiscal year).

The in-home care service segment restructured its system of delivering services by splitting and newly establishing home-visit care service offices as a growth strategy that will contribute to the development of the community-based integrated care system, in addition to efforts to secure and retain care workers and strengthen its ability to respond to users in moderate and severe conditions. The split and the new establishment of a total of 402 offices had been completed as of the end of March 2020, and the segment worked to organize operation systems and improve the management system based on the home-visit care service organization that has 1,405 offices.

The residential care service segment established one fee-based nursing home and one group home in the fiscal year under review and worked to shorten the vacancy period after occupants moved out to raise the occupancy rate.

As a result, net sales grew due to an increase in users and a rise in the operating rate of residential care service facilities. Operating income decreased because of upfront investments associated with the restructuring of home-visit care service offices.

#### <Childcare Segment>

Net sales were 15,220 million yen (compared with 12,559 million yen in the previous fiscal year). Operating income was 373 million yen (compared with 206 million yen in the previous fiscal year).

In the fiscal year under review, the Group opened 52 new childcare facilities and operated 251 facilities across Japan. The Group worked to raise the operating rate of new and existing childcare centers to reduce the number of children on waiting lists and contribute to the social advancement of women by promoting an approach to local governments and actively transmitting information using the website for licensed childcare centers and by strengthening sales to corporations and expanding the regional usage limits for corporate-run childcare centers.

As a result, net sales and operating income increased, reflecting a rise in the number of children using the facilities due to improved marketing and an increase in locations, as well as the improved operating rate of existing facilities.

#### <Health Care Segment>

Net sales were 1,704 million yen (compared with 1,632 million yen in the previous fiscal year). Operating loss was 2,144 million yen (compared with an operating loss of 1,148 million yen in the previous fiscal year).

The segment operates Nichii Life, which offers housekeeping and family long-term care services, and the Sunny Maid Service, which provides housekeeping services in Japan's National Strategic Special Zones. The segment worked to acquire new customers through promotional efforts that captured seasonal demand, improve its service quality and enhance its ability to encourage a shift to fixed-term plans. In the Sunny Maid Service, the segment began providing services in Aichi Prefecture in September 2019. In addition, the segment made human resource investments for the acceptance of foreign workers in anticipation of the expansion of the housekeeping service market and synergetic effects with the long-term care business.

Consequently, net sales grew thanks to a rise in the number of the users due to strengthened sales promotion, expanded areas and improved customer satisfaction. Operating loss increased due to a rise in expenses for human resource investments.

#### <Education Segment>

Net sales were 10,359 million yen (compared with 11,937 million yen in the previous fiscal year). Operating loss was 1,330 million yen (compared with an operating loss of 4,110 million yen in the previous fiscal year).

In the fiscal year under review, the withdrawal from the COCO Juku business was completed, and the franchise schools of COCO Juku Junior and New York University School of Professional Studies Tokyo were closed in March 2020.

Gaba Corporation ("Gaba"), a subsidiary, worked to improve the quality of lessons and the student support system and ran promotions using TV ads and publicity posters in trains to increase the number of students in its one-to-one English conversation lessons.

As a consequence, net sales decreased due to a fall in the number of students associated with the closure of the former COCO Juku classes and a fall in the number of business days at Gaba as a result of measures (temporary cancellation of classes) to prevent the spread of the COVID-19 coronavirus. Operating loss was smaller due to the reduction of fixed costs.

#### <Therapy Segment>

Net sales were 594 million yen (compared with 412 million yen in the previous fiscal year). Operating loss was 192 million yen (compared with an operating loss of 383 million yen in the previous fiscal year).

The segment operates 24 stores nationwide of the A-LOVE dog salon and hotel brand. Active promotional efforts through the website and social media and the strengthened ability to propose services tailored to individual customers led to an improvement in customer satisfaction.

This resulted in sales growth and a reduction in operating loss thanks to an increase in new and returning customers and a rise in sales per customer.

#### <Global Segment>

Net sales were 1,646 million yen (compared with 1,851 million yen in the previous fiscal year). Operating loss was 504 million yen (compared with an operating loss of 1,246 million yen in the previous fiscal year).

The segment focused on the reorganization of the local system in the China business through selection and concentration and the cultivation of demand for the long-term care business in China. In the fiscal year under review, the segment strengthened sales promotion to acquire contracts for the operation of facilities for dementia patients and contracts for the outside sales training business and the consulting business for the start-up of long-term care facilities in northern China.

As a result, net sales declined associated with the consolidation of business areas due to the reorganization. Operating loss was reduced because of an improvement in operation efficiency due to the concentration of management resources.

Because local subsidiaries in China close the books in December, the coronavirus did not have an impact in the fiscal year

under review.

<Other Segments>

Net sales were 326 million yen (compared with 294 million yen in the previous fiscal year). Operating income was 216 million yen (compared with 228 million yen in the previous fiscal year).

Goods management of the Nichii Group and the provision of auxiliary services exerted synergy effects and supported the activities of Group companies.

This resulted in growth in sales but a decline in profit.

## 2) Future outlook

As announced in the press release “Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares” on May 8, 2020, the Company is scheduled to become a wholly owned subsidiary of K.K. BCJ-44 (hereinafter the “Tender Offeror”) as a result of a tender offer by the Tender Offeror for common shares outstanding (hereinafter the “Company’s Shares”) and share acquisition rights of the Company (hereinafter the “Tender Offer”) and a series of subsequent transactions, and the Company’s Shares are scheduled to be delisted. Therefore, the forecast of dividends for the fiscal year ending March 31, 2021 is not stated.

## (2) Overview of financial position

Total assets at the end of the fiscal year under review stood at 192,804 million yen, a decrease of 836 million yen from the end of the previous fiscal year. Major factors included a fall of 2,901 million yen in fixed assets due to a decrease in goodwill and an increase of 2,064 million yen in current assets caused by a rise in notes and accounts receivable – trade.

Liabilities decreased 3,784 million yen from the end of the previous fiscal year, to 148,778 million yen. Major factors included a decrease of 4,634 million yen in non-current liabilities mainly due to a fall in long-term loans payable and an increase of 850 million yen in current liabilities mainly as a result of growth in short-term loans payable.

Net assets increased 2,947 million yen from the end of the previous fiscal year, to 44,025 million yen.

## (3) Overview of cash flows

During the fiscal year under review, cash and cash equivalents (“cash”) decreased 311,407 thousand yen year on year, to 18,386,613 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 10,439 million yen.

The main factors were depreciation and amortization and interest expenses.

### [Cash flows from investing activities]

Net cash used in investing activities came to 1,907 million 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 8,163 million 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, 2019	Year ended March 31, 2020
Equity Ratio (%)	20.6	22.4
Equity ratio based on present value (%)	43.3	35.0
Debt redemption (years)	6.3	7.9
Interest coverage ratio (times)	2.7	2.1

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.

(4) 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.

As announced in the press release “Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares” on May 8, 2020, the Company is scheduled to become a wholly owned subsidiary of K.K. BCJ-44 (hereinafter the “Tender Offeror”) as a result of a tender offer by the Tender Offeror for common shares outstanding (hereinafter the “Company’s Shares”) and share acquisition rights of the Company (hereinafter the “Tender Offer”) and a series of subsequent transactions, and the Company’s Shares are scheduled to be delisted. Therefore, the forecast of dividends for the fiscal year ending March 31, 2021 is not stated.

## 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 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	18,255,916	18,520,613
Notes and accounts receivable—trade	※ 3 33,434,278	※ 3 35,556,326
Short-term investment securities	256,310	317,586
Merchandise and finished goods	364,426	407,094
Work in progress	11,159	11,816
Raw materials and supplies	175,533	164,710
Other segments	13,291,468	12,870,395
Less: allowance for doubtful accounts	(104,166)	(98,624)
<b>Total current assets</b>	<b>65,684,926</b>	<b>67,749,919</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	※ 2 53,883,463	※ 2 52,628,736
Accumulated depreciation	(31,932,939)	(31,590,804)
Buildings and structures—net	21,950,524	21,037,931
Machinery, equipment and vehicles	87,661	78,443
Accumulated depreciation	(79,952)	(72,733)
Machinery, equipment and vehicles—net	7,708	5,709
Tools, furniture and fixtures	※ 2 4,949,963	※ 2 4,985,817
Accumulated depreciation	(4,090,476)	(4,007,158)
Tools, furniture and fixtures—net	859,486	978,659
Land	8,356,037	8,374,092
Lease assets	61,570,599	65,035,754
Accumulated depreciation	(11,578,377)	(13,820,990)
Lease assets—net	49,992,221	51,214,764
Construction in progress	1,146,255	1,590,458
<b>Total property, plant and equipment</b>	<b>82,312,235</b>	<b>83,201,615</b>
Intangible assets		
Goodwill	9,120,932	7,423,518
Software	3,494,569	2,985,260
Software in progress	84,237	816,292
Lease assets	210,079	223,069
Other segments	188,252	175,025
<b>Total intangible assets</b>	<b>13,098,071</b>	<b>11,623,166</b>

(in thousand yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
<b>Investment and other asset</b>		
Investment securities	※ 1 1,057,664	※ 1 272,277
Long-term loans receivable	7,317,061	6,961,199
Long-term prepaid expenses	2,138,879	2,013,308
Guarantee deposits	12,850,169	12,281,973
Deferred tax assets	8,617,506	8,588,660
Other	※ 1 808,974	※ 1 338,856
Less: allowance for doubtful accounts	(244,715)	(226,808)
<b>Total investments and other assets</b>	<b>32,545,539</b>	<b>30,229,466</b>
<b>Total fixed assets</b>	<b>127,955,845</b>	<b>125,054,248</b>
<b>Total assets</b>	<b>193,640,771</b>	<b>192,804,168</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	747,571	1,948,133
Short-term loans payable	※ 4 2,512,273	※ 4 5,658,268
Current portion of long term loans payable	7,255,350	6,729,863
Lease obligations	1,704,093	1,915,961
Income taxes payable	2,941,364	1,754,456
Accrued consumption taxes	1,973,207	2,349,751
Accrued expenses	17,914,622	16,930,873
Advances received	12,414,755	12,119,823
Provision for bonuses	5,937,697	6,206,916
Provision for directors' bonuses	36,000	35,000
Allowance for structural reform	486,086	—
Other segments	6,741,440	5,866,109
<b>Total current liabilities</b>	<b>60,664,463</b>	<b>61,515,158</b>
<b>Non-current liabilities</b>		
Long-term loans payable	15,998,372	8,962,910
Lease obligations	57,113,991	59,161,934
Long-term advances received	5,193,620	5,091,978
Deferred tax liabilities	3,456	1,405
Asset retirement obligations	3,582,707	3,740,733
Net defined benefit liability	7,742,022	8,001,682
Other segments	2,264,360	2,303,167
<b>Total non-current liabilities</b>	<b>91,898,531</b>	<b>87,263,812</b>
<b>Total liabilities</b>	<b>152,562,995</b>	<b>148,778,971</b>

(in thousand yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,933,790	11,933,790
Capital surplus	17,009,418	17,233,000
Retained earnings	22,867,282	24,166,161
Treasury stock, at cost	(11,177,438)	(9,734,188)
<b>Total shareholders' equity</b>	<b>40,633,052</b>	<b>43,598,764</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,481	5,900
Foreign currency exchange adjustments	(244,124)	(66,354)
Remeasurements of defined benefit plans	(414,813)	(357,330)
<b>Total accumulated other comprehensive income</b>	<b>(646,456)</b>	<b>(417,784)</b>
Subscription rights to shares	605,781	252,528
Non-controlling interests	485,398	591,689
<b>Total net assets</b>	<b>41,077,776</b>	<b>44,025,197</b>
<b>Total liabilities and net assets</b>	<b>193,640,771</b>	<b>192,804,168</b>

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

(in thousand yen)

	Fiscal 2019 (from April 1, 2018 to March 31, 2019)	Fiscal 2020 (from April 1, 2019 to March 31, 2020)
Net sales	287,882,956	297,965,843
Cost of sales	230,272,953	238,784,532
Gross profit	57,610,003	59,181,311
Selling, general and administrative expenses		
Advertising and promotion expenses	3,850,320	3,568,707
Directors' compensation	223,845	221,625
Salaries and benefits	17,943,729	17,416,726
Provision for employee bonuses	1,299,288	1,326,319
Provision for directors' bonuses	36,000	35,000
Provision for directors' retirement benefits	588,241	570,453
Stock-based compensation expenses	172,921	307,710
Legal welfare expenses	3,225,710	3,189,586
Travel and transportation expenses	1,601,524	1,567,069
Taxes and dues	4,368,484	4,753,992
Rent expenses	3,336,832	3,277,924
Provision of allowance for doubtful accounts	19,378	48,185
Depreciation and amortization	1,757,083	1,586,564
Amortization of goodwill	1,884,316	1,695,618
Other	7,269,383	7,452,992
Total selling, general and administrative expenses	47,577,061	47,018,476
Operating income	10,032,941	12,162,835
Non-operating income		
Interest income	142,929	137,714
Rent income	197,341	184,224
Subsidy income	39,323	46,235
Incentive income	113,275	106,041
Equity method investment gain	71,820	111,718
Other segments	261,788	310,475
Total non-operating income	826,479	896,409
Non-operating expenses		
Interest expenses	4,916,383	5,043,366
Rent expenses	36,259	32,207
Other segments	203,370	500,043
Total non-operating expenses	5,156,013	5,575,617
Ordinary income	5,703,407	7,483,626
Extraordinary income		
Gain on sales of investment securities	13	43,177
Gain on sales of investments in capital of subsidiaries and associates	137,114	—
Gain on reversal of subscription rights to shares	1,691	—
Other segments	851	498
Total extraordinary income	139,670	43,675

(in thousand yen)

	Fiscal 2019 (from April 1, 2018 to March 31, 2019)	Fiscal 2020 (from April 1, 2019 to March 31, 2020)
<b>Extraordinary losses</b>		
Loss on retirement of property, plant and equipment, net	※ 1 79,139	※ 1 126,554
Loss on sales of property, plant and equipment, net	※ 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	786,632
Provision of allowance for structural reform	486,086	—
Impairment losses	※ 3 446,157	—
Other Segments	1,511	40,606
Total extraordinary losses	1,662,600	953,793
Net income (loss) before income taxes	4,180,476	6,573,509
Income taxes—current	3,228,612	2,474,188
Income taxes—deferred	△5,138,830	7,142
Total income taxes	△1,910,218	2,481,331
Net income	6,090,695	4,092,177
Profit (loss) attributable to non-controlling interests	△17,486	33,703
Profit attributable to owners of the parent company	6,108,181	4,058,473

(Consolidated statements of comprehensive income)

(in thousand yen)

	Fiscal 2019 (from April 1, 2018 to March 31, 2019)	Fiscal 2020 (from April 1, 2019 to March 31, 2020)
Net income	6,090,695	4,092,177
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,662)	(6,721)
Foreign currency exchange adjustments	19,901	176,163
Remeasurements of defined benefit plans	94,378	57,483
Total other comprehensive income	※ 1 107,616	※ 1 226,925
Comprehensive income	6,198,311	4,319,102
(Breakdown)		
Comprehensive income attributable to owners of parent	6,229,787	4,287,005
Comprehensive income attributable to non-controlling interests	(31,475)	(32,097)

## (3) Consolidated statements of changes in net assets

Fiscal 2018 (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

Fiscal 2020(from April 1, 2019 to March 31, 2020)

(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	17,009,418	22,867,282	(11,177,438)	40,633,052	12,481
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						-
Dividends from retained earnings			(2,575,293)		(2,575,293)	
Profit attributable to owners of parent			4,058,473		4,058,473	
Purchase of treasury stock				(1,450)	(1,450)	
Disposal of treasury stock		223,582		1,444,700	1,668,283	
Change of scope of consolidation			(184,301)		(184,301)	
Changes other than shareholders' equity during the period (net)						(6,581)
Total changes of items during the period	-	223,582	1,298,878	1,443,250	2,965,711	(6,581)
Balance at the end of the period	11,933,790	17,233,000	24,166,161	(9,734,188)	43,598,764	5,900

	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	(244,124)	(414,813)	(646,456)	605,781	485,398	41,077,776
Changes of items during the period						
Increase (decrease) due to change in equity of subsidiaries, etc.						-
Dividends from retained earnings						(2,575,293)
Profit attributable to owners of parent						4,058,473
Purchase of treasury stock						(1,450)
Disposal of treasury stock						1,668,283
Change of scope of consolidation						(184,301)
Changes other than shareholders' equity during the period (net)	177,769	57,483	228,671	(353,253)	106,291	(18,290)
Total changes of items during the period	177,769	57,483	228,671	(353,253)	106,291	2,947,420
Balance at the end of the period	(66,354)	(357,330)	(417,784)	252,528	591,689	44,025,197



## (4) Consolidated statements of cash flows

(in thousand yen)

	Fiscal 2019 (from April 1, 2018 to March 31, 2019)	Fiscal 2020 (from April 1, 2019 to March 31, 2020)
Cash flows from operating activities:		
Income before income taxes	4,180,476	6,573,509
Depreciation and amortization	6,373,765	6,428,430
Amortization of goodwill	1,884,316	1,695,618
Impairment loss	446,157	-
Increase (decrease) in provision for bonuses	326,038	282,665
Increase (decrease) in provision for directors' bonuses	(2,000)	(1,000)
Increase (decrease) in allowance for doubtful accounts	53,820	(35,327)
Increase (decrease) in net defined benefit liability	354,767	345,667
Interest and dividends income	(165,237)	(143,636)
Interest expenses	4,916,383	5,043,366
Share of (profit) loss of entities accounted for using equity method	(71,820)	(111,718)
Loss (gain) on sales of investment securities	149,705	(43,177)
Loss on retirement of property, plant and equipment, net	79,139	126,554
(Gain) loss on sales of property, plant and equipment, net	930	(498)
Stock-based compensation expenses	172,921	307,710
(Increase) decrease in notes and accounts receivable-trade	(405,563)	(586,464)
(Increase) decrease in inventories	548,162	(32,700)
(Increase) decrease in other current assets	(1,405,706)	393,099
Decrease (increase) in claims provable in bankruptcies	(6,540)	(6,092)
(Increase) decrease in other fixed assets	81,598	70,474
Increase (decrease) in notes and accounts payable—trade	(396,320)	(271,778)
Increase (decrease) in accrued expenses	108,135	(1,011,949)
Increase (decrease) in accrued consumption taxes	181,447	375,317
Increase (decrease) in deposits received	(277,022)	(956,676)
Increase (decrease) in other current liabilities	1,706,518	(2,315,665)
Increase (decrease) in other non-current liabilities	2,046,838	495,852
Other, net	288,720	797,277
Sub-total	21,169,631	17,418,858
Interest and dividends income received	50,908	33,077
Proceeds from dividend income from entities accounted for using equity method	15,640	22,649
Interest expenses paid	(4,910,437)	(5,018,515)
Income taxes paid	(2,924,684)	(2,016,768)
Net cash provided by operating activities	13,401,057	10,439,301

(in thousand yen)

	Fiscal 2019 (from April 1, 2018 to March 31, 2019)	Fiscal 2020 (from April 1, 2019 to March 31, 2020)
Cash flows from investing activities:		
Payments into time deposits	(311,345)	(309,540)
Proceeds from withdrawal of time deposits	311,344	290,500
Purchase of short-term investment securities	(313,320)	(178,078)
Proceeds from sales and redemption of short-term investment securities	54,805	113,626
Purchase of property, plant and equipment	(3,009,765)	(2,758,908)
Proceeds from sales of property, plant and equipment	7,767	68
Purchase of intangible assets	(446,380)	(1,284,028)
Purchase of investment securities	(67,443)	(7,381)
Proceeds from sales of investment securities	39,749	780,000
Payments for investments in capital of subsidiaries and associates	(113,548)	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	※ <sub>3</sub> (106,624)	-
Payments of loans receivable	(260,195)	(90,359)
Collection of loans receivable	780,789	130,496
Payments for guarantee deposits	(386,355)	(845,574)
Proceeds from collection of guarantee deposits	331,928	1,466,582
Subsidy income	631,801	739,173
Other, net	(71,288)	46,317
Net cash used in investing activities	(2,928,082)	(1,907,106)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(2,793,511)	3,153,767
Proceeds from long-term loans payable	8,417,454	1,920
Repayment of long-term loans payable	(13,169,050)	(7,483,825)
Proceeds from sales of treasury stock	61	1,007,304
Purchase of treasury stock	(713)	(1,450)
Cash dividends paid by parent company	(1,669,861)	(2,575,293)
Dividends paid to non-controlling interests	(11,520)	(11,520)
Repayments of lease obligations	(1,314,628)	(2,254,592)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(30,456)	-
Other, net	9,498	-
Net cash provided by (used in) financing activities	(10,562,726)	(8,163,688)
Effect of exchange rate changes on cash and cash equivalents	(10,391)	(40,249)
Net increase (decrease) in cash and cash equivalents	(100,141)	328,256
Cash and cash equivalents at beginning of year	18,267,103	18,075,206
Increase in cash and cash equivalents from newly consolidated subsidiary	14,571	117,826
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(106,327)	(134,675)
Cash and cash equivalents at end of year	※ <sub>1</sub> 18,075,206	※ <sub>1</sub> 18,386,613