

# Consolidated Financial Summary for the Fiscal Year Ended March 31, 2020 (Japanese Accounting Standards)

May 14, 2020

Avex Inc.

Tokyo Stock Exchange, First Section

Code No: 7860

(URL <https://avex.com/jp/en/>)

Representative: Masato Matsuura, Chairman, CEO

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Ordinary General Meeting of Shareholders: scheduled for June 26, 2020

Scheduled date for commencement of dividend payments: June 29, 2020

Securities report: to be filed on June 29, 2020

Supplementary documents for financial results: Yes

Financial results briefing: Yes (briefing for institutional investors and securities analysts planned to be held by video streaming)

Note: All amounts are rounded down to the nearest million yen.

## 1. Consolidated business results for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

### (1) Consolidated operating results

Note: Figures in percentages denote the year-on-year change.

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2020	135,469	(15.4)	4,033	(43.1)	3,017	(53.8)	(1,102)	—
March 31, 2019	160,126	(2.0)	7,089	2.2	6,529	(0.8)	2,354	(9.5)

(Note) Comprehensive income

Year ended March 31, 2020: ¥(36) million (—%)

Year ended March 31, 2019: ¥2,829 million (-18.8%)

	Net income per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Year ended	yen	yen	%	%	%
March 31, 2020	(25.39)	—	(2.3)	2.5	3.0
March 31, 2019	54.53	54.36	4.8	5.0	4.4

(Reference) Equity in earnings of affiliates

Year ended March 31, 2020: ¥(813) million

Year ended March 31, 2019: ¥(540) million

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	million yen	million yen	%	yen
March 31, 2020	120,414	49,449	38.2	1,058.01
March 31, 2019	125,808	52,055	38.6	1,120.78

(Reference) Shareholders' equity

As of March 31, 2020: ¥46,010 million

As of March 31, 2019: ¥48,524 million

### (3) Consolidated statement of cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Year ended	million yen	million yen	million yen	million yen
March 31, 2020	(4,032)	(3,444)	2,659	17,956
March 31, 2019	11,003	(6,381)	(10,014)	22,832

## 2. Status of dividend payments

(Record date)	Annual dividends					Total dividend payment (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Annual			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
March 31, 2019	—	25.00	—	25.00	50.00	2,168	91.7	4.4
March 31, 2020	—	25.00	—	25.00	50.00	2,177	—	4.6
Year ending March 31, 2021 (forecast)	—	—	—	—	—	—	—	—

(Note) Dividend payments for the fiscal year ending March 31, 2021 are yet to be determined. Dividend forecasts will be announced promptly at such time as it becomes possible to disclose a forecast of business results. Although the Company has established a basic policy for dividend payments, depending on trends in its business results there is a possibility that the Company may decide not to apply this basic policy in view of its financial position and operating results in the future.

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

Forecasts for consolidated business results are yet to be determined due to the difficulty in rationally estimating the impact of the COVID-19 coronavirus pandemic at this current stage. In the Group's business domain, the pandemic is impacting the Company's business results due to the voluntary postponement or cancellation of live performances and events as a measure to prevent the spread of COVID-19 infections. Since the outlook for hosting live performances and events remains unclear, there is a possibility that the impact on business results may continue in the future. Moving forward, the Group will promptly announce forecasts for business results at such a time as it becomes possible to disclose them.

## \* Notes

(1) Changes in significant subsidiaries during the term (changes in specified subsidiaries in conjunction with changes in the scope of consolidation): Yes

New: – company (Company name) – Excluded: 1 company (Company name) EntameCoin Inc.

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

1. Changes in accounting policies in conjunction with revisions to accounting standards: Yes  
 2. Changes in accounting policies other than 1: None  
 3. Changes in accounting estimates: None  
 4. Restatement: None

(3) Outstanding shares (ordinary shares)

a. Shares outstanding at end of term (including treasury stock)

As of March 31, 2020: 45,223,600 shares

As of March 31, 2019: 45,141,500 shares

b. Treasury stock at end of term

As of March 31, 2020: 1,735,298 shares

As of March 31, 2019: 1,846,078 shares

c. Average number of shares during term

Year ended March 31, 2020: 43,435,389 shares

Year ended March 31, 2019: 43,190,569 shares

(Note) The number of shares of treasury stock at the end of term, includes shares of Avex Inc. (the “Company”) (57,700 shares in the fiscal year ended March 31, 2020, and 111,100 shares in the fiscal year ended March 31, 2019) held in trust-type employee stock ownership plan (ESOP) accounts. The shares of the Company held in the ESOP accounts are included in the treasury shares that are deducted in the calculation of the average number of shares outstanding during the term (86,487 shares in the fiscal year ended March 31, 2020, and 137,317 shares in the fiscal year ended March 31, 2019).

## (Reference) Overview of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

Note: Figures in percentages denote the year-on-year change.

	Net sales		Operating income		Ordinary income		Net income	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2020	15,175	3.7	4,447	18.7	4,222	18.7	4,342	39.8
March 31, 2019	14,627	(6.9)	3,746	145.7	3,556	571.4	3,105	258.4

	Net income per share	Diluted net income per share
Year ended	yen	yen
March 31, 2020	99.98	99.81
March 31, 2019	71.90	71.67

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	million yen	million yen	%	yen
March 31, 2020	93,002	40,980	43.7	933.83
March 31, 2019	93,696	38,772	40.8	883.68

(Reference) Shareholders' equity  
 Year ended March 31, 2020: ¥40,610 million  
 Year ended March 31, 2019: ¥38,259 million

\* This summary of financial statements is outside the scope of audit procedures by certified public accountants and audit firm.

\* Explanation for forecasts of business results and other notes

The forecasts for business results and other forward-looking statements contained in this release are based on data and information that the Group has obtained so far and specific assumptions that the Group judges to be reasonable. Please note, therefore, that the actual results and others may greatly differ from the forecasts due to various factors.

## 1. Overview of Operating Results, etc.

### (1) Overview of operating results for the fiscal year under review

(Unit: million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	154,122	161,592	163,375	160,126	135,469
Cost of sales	107,867	116,043	114,967	113,820	96,375
Gross profit	46,255	45,549	48,408	46,306	39,093
Gross profit margin	30.0%	28.2%	29.6%	28.9%	28.9%
Personnel expenses	12,253	13,694	13,232	13,200	12,170
Sales promotion and advertising expenses	11,477	9,938	9,848	9,967	8,336
General expenses	15,247	16,187	18,388	16,048	14,553
Total SG&A expenses	38,978	39,820	41,469	39,216	35,060
Operating income	7,277	5,728	6,939	7,089	4,033
Operating margin	4.7%	3.5%	4.2%	4.4%	3.0%

During the fiscal year under review, although the Japanese economy as a whole displayed a moderate trend of recovery against the backdrop of improvements in corporate earnings, employment and income conditions, consumer sentiment slumped due to the occurrence of multiple natural disasters and a consumption tax hike. Later, the spread of the COVID-19 coronavirus pandemic plunged the outlook for the global economy into a state of uncertainty.

In the environment surrounding the entertainment industry, to which the Group belongs, the production of music software, including music videos, was down 4.7% year on year, to 229,129 million yen (January to December 2019; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 9.6% year on year, to 70,628 million yen (January to December 2019; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software fell 10.7% year on year, to 159,093 million yen (January to December 2019; according to a survey by the Japan Video Software Association). The digital video distribution market, on the other hand, increased in scale by 25.9% year on year, to 277,000 million yen (January to December 2019; according to an estimate by the Digital Content Association of Japan).

Under these business conditions, the Group has been seeking to achieve medium- to long-term growth by working to create strong intellectual properties, such as by discovering and developing artists and talent and planning and developing anime productions in collaboration with video games, pursuing new businesses utilizing technology, and developing businesses in collaboration with promising partners both in Japan and overseas, such as by hosting events overseas making use of the Company's intellectual property. Although many live performances and events were voluntarily postponed or cancelled towards the end of the fiscal year due to the impact of the COVID-19 coronavirus pandemic, the Company released live video content—primarily of performances by its signed artists—free of charge on its official YouTube channel “Avex Channel,” with the hope of contributing even a little to the day-to-day enjoyment of consumers through entertainment.

Consequently, the Group's consolidated net sales totaled 135,469 million yen (down 15.4% year on year), operating income came to 4,033 million yen (down 43.1% year on year), and loss attributable to owners of parent stood at 1,102 million yen (whereas in the previous fiscal year profit attributable to owners of parent stood at 2,354 million yen).

Operating results for the main business segments are as follows.

As of the fiscal year under review, the Company has changed the business segments that it lists as its reported segments. Comparisons and analyses for the fiscal year under review are based on the segments after this change.

## a) Music Business

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	130,082	106,625	(23,457)
Cost of sales	92,968	77,877	(15,091)
Gross profit	37,113	28,748	(8,365)
Gross profit margin	28.5%	27.0%	(1.6%)
Total SG&A expenses	30,364	26,093	(4,270)
Operating income	6,749	2,654	(4,095)
Operating margin	5.2%	2.5%	(2.7%)
Sales to external customers	129,137	105,332	(23,804)

Net sales stood at 106,625 million yen (down 18.0% year on year) while operating income came to 2,654 million yen (down 60.7% year on year), due in part to the decline in music software product sales and the reduction in the number of live performances.

## b) Anime &amp; Visual Content Business

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	13,588	14,246	658
Cost of sales	9,948	9,715	(232)
Gross profit	3,639	4,531	891
Gross profit margin	26.8%	31.8%	5.0%
Total SG&A expenses	3,333	3,706	373
Operating income	306	824	518
Operating margin	2.3%	5.8%	3.5%
Sales to external customers	11,016	11,444	427

Net sales totaled 14,246 million yen (up 4.8% year on year) and operating income came to 824 million yen (up 169.0% year on year), as a result of factors such as an increase in sales of video software products.

## c) Digital Business

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	17,533	14,193	(3,340)
Cost of sales	12,146	9,251	(2,894)
Gross profit	5,386	4,941	(445)
Gross profit margin	30.7%	34.8%	4.1%
Total SG&A expenses	3,761	2,984	(776)
Operating income	1,625	1,956	331
Operating margin	9.3%	13.8%	4.5%
Sales to external customers	17,443	14,167	(3,276)

Despite the decrease in the number of subscribers to digital video distribution services, net sales stood at 14,193 million yen (down 19.0% year on year), and operating income increased to 1,956 million yen (up 20.4% year on year) due in part to the improvement in gross profit margin.

## d) Overseas Business

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	1,810	2,331	520
Cost of sales	1,412	1,562	149
Gross profit	397	768	370
Gross profit margin	22.0%	33.0%	11.0%
Total SG&A expenses	1,908	1,441	(466)
Operating loss	(1,510)	(673)	837
Operating margin	—	—	—
Sales to external customers	1,810	2,331	520

Overseas business resulted in net sales of 2,331 million yen (up 28.8% year on year) and operating loss of 673 million yen (compared to an operating loss of 1,510 million yen in the previous fiscal year).

## e) Technology Business

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	535	1,729	1,194
Cost of sales	523	1,462	938
Gross profit	11	267	255
Gross profit margin	2.2%	15.4%	13.2%
Total SG&A expenses	514	1,229	714
Operating loss	(502)	(961)	(459)
Operating margin	—	—	—
Sales to external customers	535	1,729	1,194

In the technology business, net sales stood at 1,729 million yen (up 222.9% year on year) while the operating loss came to 961 million yen (in comparison with an operating loss of 502 million yen in the previous fiscal year.)

## f) Other Businesses

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	1,415	1,633	218
Cost of sales	648	836	188
Gross profit	767	797	29
Gross profit margin	54.2%	48.8%	(5.4%)
Total SG&A expenses	344	582	237
Operating income	422	214	(208)
Operating margin	29.9%	13.1%	(16.7%)
Sales to external customers	182	463	280

In other businesses, net sales amounted to 1,633 million yen (up 15.4% year on year), and operating income came to 214 million yen (down 49.3% year on year).

## (2) Overview of financial position for the fiscal year under review

At the end of the consolidated fiscal year under review, total assets decreased by 5,394 million yen compared to the end of the previous consolidated fiscal year, to 120,414 million yen. This was mainly due to decreases of 4,876 million yen in cash and deposits, 1,190 million yen in buildings and structures (net), and 1,019 in investment securities, which offset an increase of 2,281 million yen in other current assets.

Liabilities decreased by 2,788 million yen compared to the end of the previous consolidated fiscal year, to 70,964 million yen. This was mainly due to decreases of 4,042 million yen in accounts payable-other, 3,054 million yen in long-term loans payable, and 1,840 million yen in advances received, which offset an increase of 8,500 million yen in short-term loans payable.

Net assets fell by 2,605 million yen compared to the end of the previous consolidated fiscal year, to 49,449 million yen. This was mainly due to a decrease of 3,329 million yen in retained earnings, which offset an increase of 565 million yen in valuation difference on available-for-sale securities.

## (3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the end of the consolidated fiscal year under review was 17,956 million yen (22,832 million yen at the end of the previous fiscal year).

Net cash used in operating activities stood at 4,032 million yen (inflow of 11,003 million yen a year earlier). This was mainly due to a decrease in cash due to a decrease of 3,873 million yen in accounts payable-other, 3,240 million yen in income taxes paid, and a decrease of 1,840 million yen in advances received, which offset an increase in cash from 3,292 million yen in depreciation and amortization and a 1,253 million yen impairment loss.

Net cash used in investing activities was 3,444 million yen (6,381 million yen a year earlier). This was mainly due to a decrease of cash due to 2,880 million yen in the purchase of intangible assets and 1,038 million yen in the purchase of investment securities, which offset an increase in cash due to 1,021 million yen in proceeds from sales of investment securities.

Net cash provided by financing activities stood at 2,659 million yen (outflow of 10,014 million yen a year earlier). This was mainly due to an increase in cash due to an increase of 8,500 million in short-term loans payable, which offset a decrease in cash due to 3,093 million yen in the repayment of long-term loans payable, and 2,174 million yen in cash dividends paid.

## (Reference) Trends in cash flow indices

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Shareholders' equity ratio (%)	44.2	40.6	36.6	38.6	38.2
Shareholders' equity ratio at market value (%)	56.6	58.6	48.5	50.8	30.7
Debt to cash flow ratio (%)	1.1	2.3	1.9	1.7	(5.9)
Interest coverage ratio	197.2	283.2	177.2	152.2	(54.3)

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio at market base: Market capitalization/Total assets

Debt to cash flow ratio: Interest-bearing liabilities/Operating cash flows

Interest coverage ratio: Operating cash flow/Interest payments

Note: 1. All indices are calculated based on consolidated figures.

2. Market capitalization = Closing share price at fiscal year end × Outstanding shares at fiscal year end (after deducting treasury stock)

3. Operating cash flow: Cash flow from operating activities in the consolidated cash flow statement

4. Interest-bearing liabilities: All interest-bearing liabilities that are booked on the consolidated balance sheet and for which interest has been paid

5. Interest payments: Interest payments from the consolidated cash flow statement

## (4) Future outlook

Forecasts for consolidated business results are yet to be determined due to the difficulty in rationally estimating the impact of the COVID-19 coronavirus pandemic at this current stage. In the Group's business domain, the pandemic is impacting the Company's business results due to the voluntary postponement or cancellation of live performances and events as a measure to prevent the spread of COVID-19 infections. Since the outlook for hosting live performances and events remains unclear, there is a possibility that the impact on business results may continue in the future. Moving forward, the Group will promptly announce forecasts for business results at such a time as it becomes possible to disclose them.

Dividend payments are yet to be determined at this current stage. Dividend forecasts will be announced promptly at such a stage as it becomes possible to disclose a forecast of business results. Although the Company has established a basic policy for dividend payments, depending on trends in its business results there is a possibility that the Company may decide not to apply this basic policy in view of its financial position and operating results in the future.

## (5) Business and other risks

## a) Trends in major titles, artists and talents

The Group utilizes the rights that it holds as a content holder in its various businesses. Consequently, the Group's business performance can be affected by whether or not the Group has any hit artists and hit content, and by the popularity of major artists and talents, contract duration, and growth of new artists and talent.

## b) Operations in overseas markets

The major markets for our overseas businesses are in Asia where significant growth is expected in the future. In the event that an unexpected incident occurs in any of the overseas markets due to a change in political or economic conditions or legal or regulatory elements, disadvantageous taxes, or social disorder caused by terrorist attack, war, or the like, it is possible that our overseas operations and performance may be affected.

## c) Response to technical innovations

Although the Group is pursuing the possibilities of new businesses utilizing technology, there is an undeniable possibility of the occurrence of risks due to sudden changes in the business environment (such as due to technical innovations and the emergence of competitors) or other difficult-to-predict problems which may become apparent later in the process of executing these businesses, and these risks may impact the Group's business performance.

## d) Impairment loss

When market values of the assets held by the Group decrease significantly, or business profitability deteriorates, an impairment loss in noncurrent assets may be recorded by applying impairment accounting, which would affect the Group's businesses and financial position.

## e) Fundraising

The Group raises some of the funds used to acquire real estate through borrowings from financial institutions. If interest rates change, the Group's performance may be affected.

In addition, part of the borrowings have a financial restriction clause. Infringement on the clause may affect the business performance and financial position of the Group. For example, the borrowing interest rate will be raised, and/or the benefit of time will be forfeited.

## f) Dependency on the specific corporate manager

Chairman, CEO Masato Matsuura, one of the founders of Avex, has been playing the important role in formulating and determining Group management strategies and concluding contracts with important business partners and artists. In the event that Mr. Matsuura leaves the Group for any reason, the performance of the Group may be affected.

## g) Occurrence of disasters

The Group's artists, talent and employees are active in the provision of entertainment services throughout Japan. For this reason, the occurrence of natural disasters such as earthquakes, tsunami, typhoons and floods, and the spread of infectious diseases such as COVID-19 coronavirus in recent times have the possibility of impacting the Group's business performance due to the cancellation of large-scale live performances and events, and the suspension of music production activities.

## **2. Basic Approach to the Selection of Accounting Standards**

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese accounting standards for the time being, to facilitate comparisons between periods and comparisons between companies.

The Group will address the issue of adoption of International Financial Reporting Standards (IFRS) as appropriate, taking into consideration conditions both inside and outside of Japan.



**3. Consolidated Financial Statements and Key Notes****(1) Consolidated Balance Sheets**

(Unit: million yen)

	As of March 31, 2019	As of March 31, 2020
(Assets)		
Current assets		
Cash and deposits	22,832	17,956
Notes and accounts receivable-trade	17,863	18,100
Merchandise and finished goods	1,799	1,243
Programs and works in progress	3,924	4,012
Raw materials and supplies	390	275
Advance payments-trade	1,291	1,505
Prepaid expenses	1,435	966
Advance royalty payments	3,586	3,163
Other current assets	5,108	7,390
Allowance for doubtful accounts	(185)	(181)
Total current assets	58,047	54,432
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	16,473	15,282
Land	29,770	29,770
Other property, plant and equipment, net	1,403	892
Total property, plant and equipment	47,647	45,945
Intangible assets	4,729	4,878
Investments and other assets		
Investment securities	8,509	7,490
Long-term prepaid expenses	45	43
Deferred tax assets	5,538	5,545
Other investments and other assets	1,322	2,110
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	15,384	15,158
Total noncurrent assets	67,761	65,981
Total assets	125,808	120,414

(Unit: million yen)

	As of March 31, 2019	As of March 31, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	1,412	1,470
Short-term loans payable	7,500	16,000
Current portion of long-term loans payable	3,058	3,065
Accounts payable-other	25,866	21,824
Accrued royalties	7,546	6,666
Income taxes payable	986	632
Advances received	6,102	4,262
Provision for bonuses	1,264	503
Allowance for returned goods	3,827	3,244
Provision for point card certificates	55	43
Provision for contingent loss	—	455
Other current liabilities	6,651	6,281
Total current liabilities	64,272	64,449
Noncurrent liabilities		
Long-term loans payable	7,617	4,563
Liabilities for retirement benefits	568	711
Other noncurrent liabilities	1,293	1,240
Total noncurrent liabilities	9,480	6,515
Total liabilities	73,753	70,964
(Net assets)		
Shareholders' equity		
Capital stock	4,333	4,392
Capital surplus	5,051	5,109
Retained earnings	42,888	39,559
Treasury stock	(3,565)	(3,371)
Total shareholders' equity	48,708	45,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	120	686
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustments	(67)	(87)
Total of accumulated retirement benefits	(237)	(277)
Total of accumulated other comprehensive income	(183)	321
Subscription rights to shares	513	370
Non-controlling interests	3,017	3,068
Total net assets	52,055	49,449
Total liabilities and net assets	125,808	120,414

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated statements of income)

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	160,126	135,469
Cost of sales	113,820	96,375
Gross profit	46,306	39,093
Selling, general and administrative expenses		
Advertising expenses	7,347	6,328
Promotion expenses	2,620	2,008
Provision of allowance for doubtful accounts	(0)	4
Employee salaries and bonuses	7,740	7,526
Provision for bonus payments	1,264	503
Retirement benefit cost	290	411
Depreciation	2,161	1,949
Commission fee	6,314	6,392
Other selling, general and administrative expenses	11,477	9,935
Total selling, general and administrative expenses	39,216	35,060
Operating income	7,089	4,033
Non-operating income		
Interest income	15	21
Dividend income	13	8
Compensation income	—	26
Exchange gain	119	—
Other non-operating income	57	80
Total non-operating income	206	137
Non-operating expenses		
Interest expenses	76	74
Equity in losses of affiliates	540	813
Loss on investments in partnership	93	123
Commission fee	15	23
Other non-operating expenses	41	117
Total non-operating expenses	767	1,152
Ordinary income	6,529	3,017
Extraordinary income		
Gain on sales of investment securities	—	492
Gain on reversal of subscription rights to shares	235	89
Gain on transfer from business divestitures	56	—
Total extraordinary income	292	581

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Extraordinary loss		
Impairment loss	496	1,253
Loss on disaster	—	534
Provision for contingent loss	—	455
Loss on valuation of investment securities	10	385
Loss on retirement of noncurrent assets	8	87
Loss on liquidation of business	783	30
Loss on change in equity	97	—
Loss on sales of investment securities	31	—
Reversal of foreign currency translation adjustment	2	—
Other extraordinary loss	—	169
Total extraordinary loss	1,430	2,915
Income before income taxes	5,390	684
Income taxes-current	2,484	1,480
Income taxes-deferred	(4)	(255)
Total income and other taxes	2,479	1,225
Net income (loss)	2,910	(540)
Profit attributable to non-controlling interests	555	561
Profit (loss) attributable to owners of parent	2,354	(1,102)

## (Consolidated statements of comprehensive income)

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income (loss)	2,910	(540)
Other comprehensive income		
Valuation difference on available-for-sale securities	101	575
Foreign currency translation adjustments	(60)	(19)
Adjustment for retirement benefits	(52)	(28)
Share of other comprehensive income of associates accounted for using equity method	(69)	(22)
Total other comprehensive income	(80)	504
Comprehensive income	2,829	(36)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,274	(597)
Comprehensive income attributable to non-controlling interests	555	561

## (3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2019

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	4,275	5,045	43,220	(3,798)	48,742
Changes of items during the period					
Issuance of new shares	58	58			116
Dividends from surplus			(2,164)		(2,164)
Profit (loss) attributable to owners of parent			2,354		2,354
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(37)		233	196
Transfer to capital surplus from retained earnings		37	(37)		—
Change in scope of consolidation					—
Change of scope of equity method			(485)		(485)
Change in ownership interest of parent due to transactions with non-controlling interests		(52)			(52)
Net changes of items other than shareholders' equity					
Total changes of items during the period	58	6	(332)	233	(34)
Balance at end of the fiscal year	4,333	5,051	42,888	(3,565)	48,708

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total of accumulated retirement benefits	Total of accumulated other comprehensive income			
Balance at beginning of the fiscal year	33	(0)	42	(178)	(102)	775	3,044	52,460
Changes of items during the period								
Issuance of new shares								116
Dividends from surplus								(2,164)
Profit (loss) attributable to owners of parent								2,354
Purchase of treasury stock								(0)
Disposal of treasury stock								196
Transfer to capital surplus from retained earnings								—
Change in scope of consolidation								—
Change of scope of equity method								(485)
Change in ownership interest of parent due to transactions with non-controlling interests								(52)
Net changes of items other than shareholders' equity	87	0	(110)	(58)	(80)	(261)	(27)	(370)
Total changes of items during the period	87	0	(110)	(58)	(80)	(261)	(27)	(404)
Balance at end of the fiscal year	120	—	(67)	(237)	(183)	513	3,017	52,055

Fiscal year ended March 31, 2020

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	4,333	5,051	42,888	(3,565)	48,708
Changes of items during the period					
Issuance of new shares	58	58			116
Dividends from surplus			(2,173)		(2,173)
Profit (loss) attributable to owners of parent			(1,102)		(1,102)
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(33)		193	160
Transfer to capital surplus from retained earnings		33	(33)		—
Change in scope of consolidation			(17)		(17)
Change of scope of equity method			(0)		(0)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	58	58	(3,329)	193	(3,018)
Balance at end of the fiscal year	4,392	5,109	39,559	(3,371)	45,689

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total of accumulated retirement benefits	Total of accumulated other comprehensive income			
Balance at beginning of the fiscal year	120	—	(67)	(237)	(183)	513	3,017	52,055
Changes of items during the period								
Issuance of new shares								116
Dividends from surplus								(2,173)
Profit (loss) attributable to owners of parent								(1,102)
Purchase of treasury stock								(0)
Disposal of treasury stock								160
Transfer to capital surplus from retained earnings								—
Change in scope of consolidation								(17)
Change of scope of equity method								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	565	0	(20)	(40)	504	(143)	51	412
Total changes of items during the period	565	0	(20)	(40)	504	(143)	51	(2,605)
Balance at end of the fiscal year	686	0	(87)	(277)	321	370	3,068	49,449

## (4) Consolidated statements of cash flows

	(Unit: million yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flow from operating activities		
Income before income taxes	5,390	684
Depreciation and amortization	3,385	3,292
Impairment loss	496	1,253
Loss on liquidation of business	783	30
Loss on disaster	—	534
Increase (decrease) in provision for bonuses	331	(760)
Increase (decrease) in allowance for returned goods	(510)	(583)
Increase (decrease) in provision for point card certificates	5	(12)
Increase (decrease) in provision for contingent loss	—	455
Increase (decrease) in net defined benefit liability	(55)	106
Interest and dividend income	(29)	(30)
Interest expenses	76	74
Loss (gain) on sales of investment securities	31	(492)
Loss (gain) on investments in partnership	93	123
Equity in (earnings) losses of affiliates	540	813
Gain on reversal of subscription rights to shares	(235)	(89)
Loss (gain) on valuation of investment securities	10	385
Share-based compensation expenses	193	141
Compensation income	—	(26)
Decrease (increase) in notes and accounts receivable-trade	2,162	(183)
Decrease (increase) in inventories	(431)	583
Decrease (increase) in advance payments	(64)	(213)
Decrease (increase) in advance royalty payments	622	396
Increase (decrease) in notes and accounts payable-trade	(367)	35
Increase (decrease) in accounts payable-other	(3,976)	(3,873)
Increase (decrease) in accrued royalties	(1,508)	(878)
Increase (decrease) in advances received	2,203	(1,840)
Other	3,788	(1,699)
Subtotal	12,939	(1,775)
Interest and dividends income received	63	43
Interest expenses paid	(72)	(74)
Proceeds from compensation	—	26
Income taxes refund	1,676	987
Income taxes paid	(3,602)	(3,240)
Net cash provided by (used in) operating activities	11,003	(4,032)



	(Unit: million yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,881)	(332)
Purchase of intangible assets	(1,961)	(2,880)
Income from business divestiture	624	—
Purchase of investment securities	(2,445)	(1,038)
Proceeds from sales of investment securities	305	1,021
Payments of loans receivable	(700)	(27)
Payments for lease and guarantee deposits	(46)	(19)
Proceeds from collection of lease and guarantee deposit	117	9
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(422)	(172)
Other-net	27	(3)
Net cash provided by (used in) investing activities	(6,381)	(3,444)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(4,000)	8,500
Repayment of long-term loans payable	(3,168)	(3,093)
Repayment of lease obligations	(50)	(58)
Proceeds from share issuance to non-controlling shareholders	50	50
Redemption of bonds	—	(8)
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock	81	67
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(60)	—
Cash dividends paid	(2,166)	(2,174)
Dividends paid to non-controlling interests	(700)	(623)
Net cash provided by (used in) financing activities	(10,014)	2,659
Effect of exchange rate change on cash and cash equivalents	41	(58)
Net increase (decrease) in cash and cash equivalents	(5,351)	(4,876)
Cash and cash equivalents at beginning of period	28,184	22,832
Cash and cash equivalents at end of period	22,832	17,956