

# Results for the 3rd Quarter of Fiscal Year Ending March 31, 2020

February 10, 2020  
Heiwa Corporation

Securities Code : 6412

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## Supplementary Information

### 【Market Environment】

- Pachinko and Pachislot Machine Business
- Golf Business

### 【Pachinko and Pachislot Machine Business】

- Regulations on Pachinko and Pachislot Machines
- Number of Machines Sold / Titles Released in FY  
Ending March 31, 2020

### 【Golf Business】

- Trends of Golf Course Users and Revenue per Customer 1
- Trends of Golf Course Users and Revenue per Customer 2
- Golf Course Portfolio

### 【Consolidated Results】

- Financial Performance Trend
- Key Financial Indicators

## Consolidated results

- Net sales: 114.3 billion yen, +2.6% year on year
- Operating income: 22.8 billion yen, -12.3% year on year
  - In the pachinko and pachislot machine business, the number of units sold exceeded the same period in the previous fiscal year, resulting in increased income.
  - Profit decreased due to higher SGA expenses in the pachinko and pachislot machine business.

## Pachinko and pachislot machine business

- Net sales: 47.5 billion yen, +5.3% year on year
- Operating income: 14.0 billion yen, -17.1% year on year
- ✓ The number of Pachinko machines sold in 3Q: 63k units (-13k units YoY)
- ✓ The number of Pachislot machines sold in 3Q: 60k units (+16k units YoY)

## Golf business

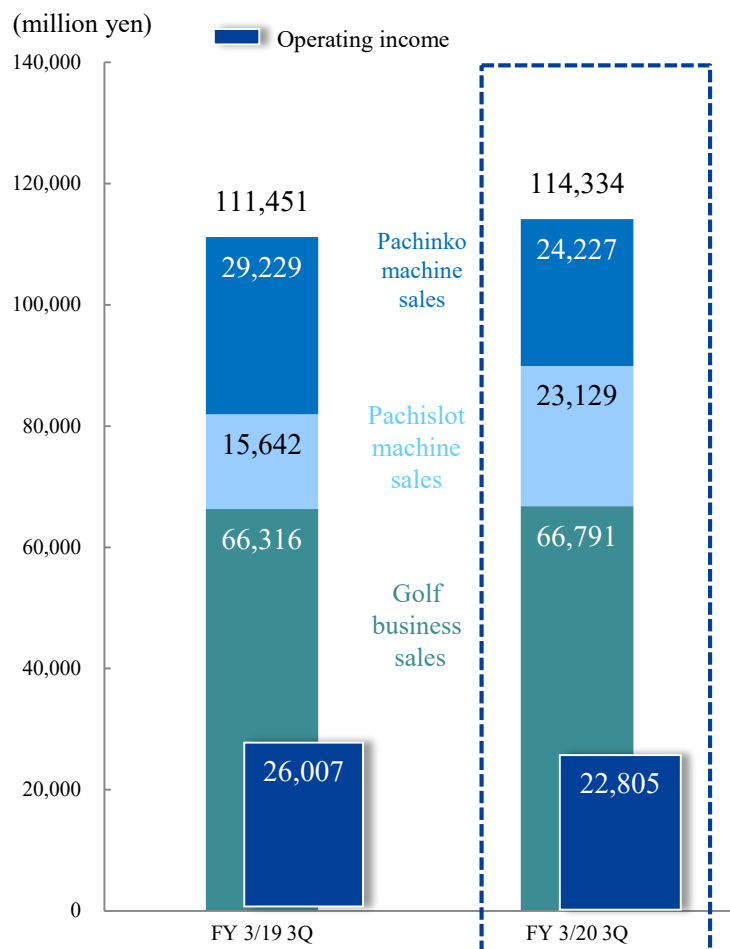
- Net sales: 66.7 billion yen, +0.7% year on year
- Operating income: 11.1 billion yen, -3.2% year on year
  - Newly acquired golf courses contributed to increased income.
  - Profit decreased due to the impact of typhoons and heavy rain that occurred in 3Q.

# Results for the 3rd Quarter of FY ending March 31, 2020

# Consolidated Statements of Income (Results)

## 3rd Quarter Results

- Income was up and profit was down year on year (net sales +2.6% YoY and operating income -12.3% YoY).
  - In the pachinko and pachislot machine business, the number of units sold exceeded the same period in the previous fiscal year, resulting in increased income.
  - Profit decreased due to higher SGA expenses in the pachinko and pachislot machine business.



| (million yen)                           | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY           |
|-----------------------------------------|-------------------------|-------------------------|---------------|
| Net sales                               | 111,451                 | 114,334                 | 2.6%          |
| Pachinko and Pachislot machine business | 45,135                  | 47,542                  | 5.3%          |
| Pachinko machines                       | 29,229                  | 24,227                  | -17.1%        |
| Pachislot machines                      | 15,642                  | 23,129                  | 47.9%         |
| Golf business                           | 66,316                  | 66,791                  | 0.7%          |
| <b>Operating income</b>                 | <b>26,007</b>           | <b>22,805</b>           | <b>-12.3%</b> |
| Pachinko and Pachislot machine business | 16,982                  | 14,075                  | -17.1%        |
| Pachinko machines                       | 10,452                  | 2,212                   | -78.8%        |
| Pachislot machines                      | 6,483                   | 11,844                  | 82.7%         |
| Golf business                           | 11,524                  | 11,153                  | -3.2%         |
| Eliminations & corporate expenses       | -2,499                  | -2,423                  | -3.1%         |
| Operating income ratio                  | 23.3%                   | 19.9%                   | -3.4pt        |
| Ordinary income                         | 25,783                  | 22,590                  | -12.4%        |
| Profit attributable to owners of parent | 16,857                  | 15,296                  | -9.3%         |
| EBITDA*                                 | 33,474                  | 29,356                  | -12.3%        |

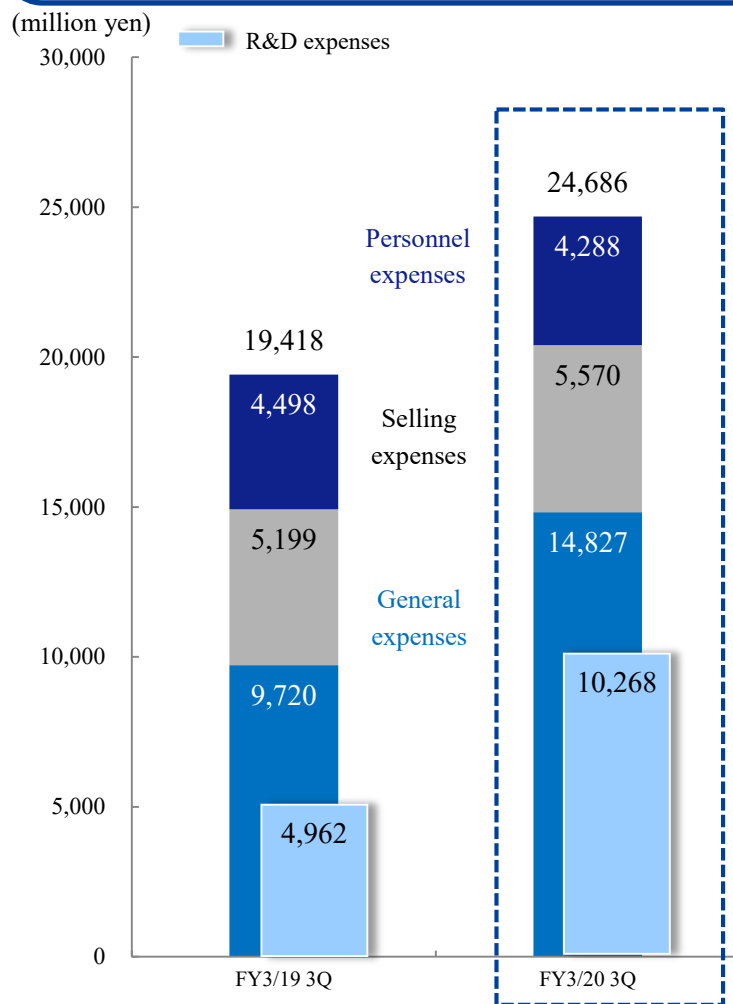
\* EBITDA = Operating income + depreciation + amortization

# SGA Expenses / Depreciation & Amortization / Capital Investment (Results)

## 3rd Quarter Results

### ■ SGA expenses were up year on year (+27.1% YoY)

- Variable expenses such as sales commissions increased due to growth in unit sales.
- R&D expenses increased in order to enhance the marketability of machines under the new regulations ahead of the complete phase-out of machines under the old regulations in the next fiscal year.



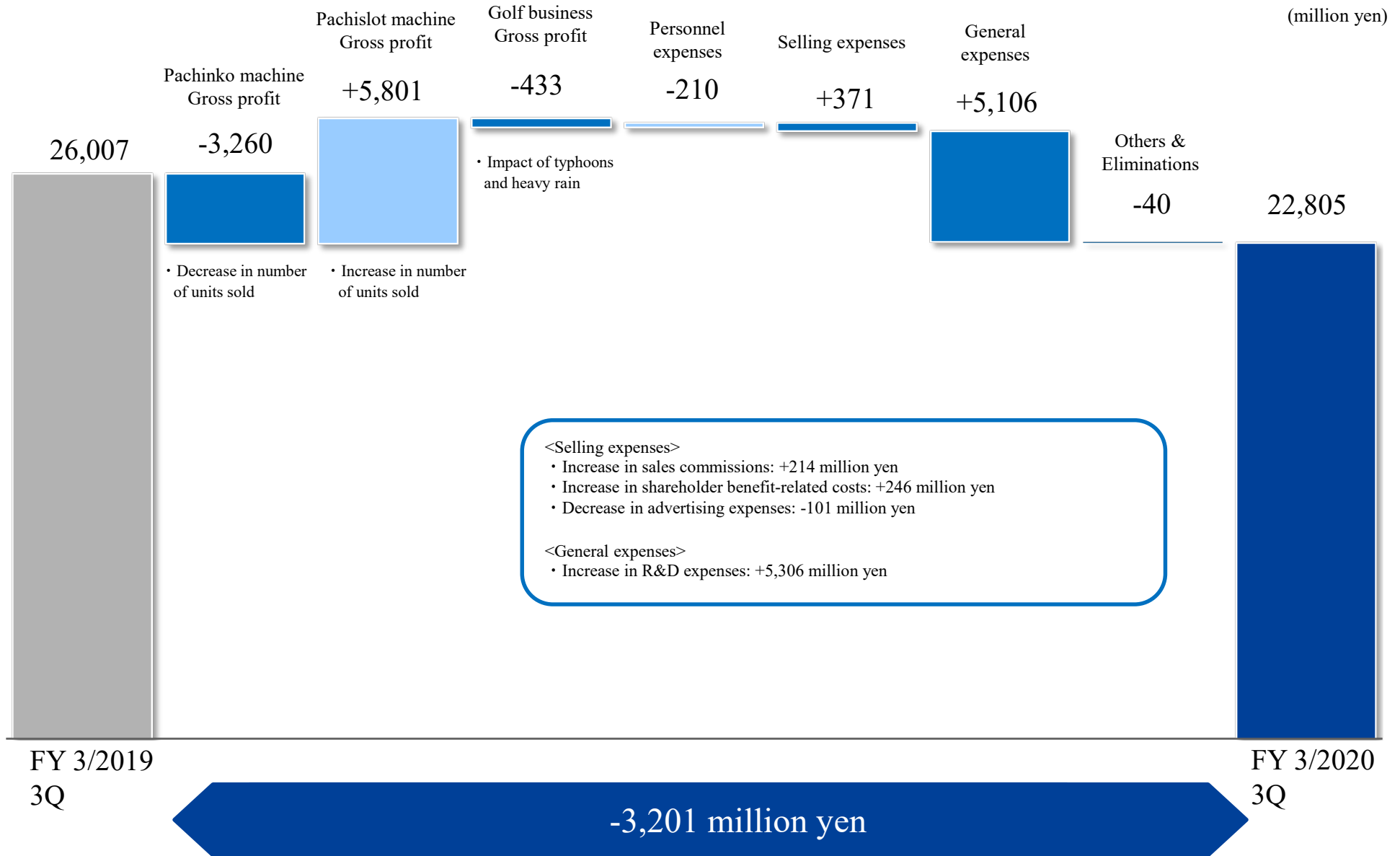
| (million yen)        | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY    |
|----------------------|-------------------------|-------------------------|--------|
| SGA expenses         | 19,418                  | 24,686                  | 27.1%  |
| Personnel expenses   | 4,498                   | 4,288                   | -4.7%  |
| Selling expenses     | 5,199                   | 5,570                   | 7.1%   |
| Advertising expenses | 1,801                   | 1,699                   | -5.7%  |
| Sales commissions    | 1,315                   | 1,529                   | 16.3%  |
| General expenses     | 9,720                   | 14,827                  | 52.5%  |
| R&D expenses         | 4,962                   | 10,268                  | 106.9% |

### Depreciation & Amortization / Capital Investment

| (million yen)               | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY    |
|-----------------------------|-------------------------|-------------------------|--------|
| Depreciation & amortization | 7,292                   | 6,428                   | -11.9% |
| Capital investment          | 5,518                   | 7,257                   | 31.5%  |

# Factors Contributing to Change in Operating Income (Consolidated Basis)

3rd Quarter Results



# Pachinko and Pachislot Machine Business (Machine Sales Results)

## 3rd Quarter Results

| (Units)                   | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY        |
|---------------------------|-------------------------|-------------------------|------------|
| Number of machines sold   | 121,297                 | 124,148                 | +2k units  |
| Pachinko machines         | 76,647                  | 63,381                  | -13k units |
| Number of titles released | 5                       | 6                       | +1         |
| Pachislot machines        | 44,650                  | 60,767                  | +16k units |
| Number of titles released | 5                       | 6                       | +1         |

### Major pachinko titles

| Titles                                                   | Sales (units) | Release   |
|----------------------------------------------------------|---------------|-----------|
| <i>Terminator2: Judgment Day</i>                         | 12,046        | Apr. 2019 |
| <i>CAT'S EYE: Saikou no Otakara Itadaki ni agarimasu</i> | 9,820         | May 2019  |
| <i>Flame of Recca3</i>                                   | 11,211        | Nov. 2019 |

### Major pachislot titles

| Titles                                                                  | Sales (units) | Release   |
|-------------------------------------------------------------------------|---------------|-----------|
| <i>Pachislot GIRLS und PANZER G: Kore ga Watashi no Senshadou desu!</i> | 15,650        | Jul. 2019 |
| <i>Pachislot Love-jo2</i>                                               | 9,100         | Sep. 2019 |
| <i>Toukonkeishou Antonio Inoki to iu na no Pachislot ki</i>             | 9,750         | Oct. 2019 |
| <i>Pachislot Lupin the Third: Italy no Yume</i>                         | 17,260        | Dec. 2019 |



Pachinko Machine  
*Flame of Recca3*



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Pachislot Machine  
*Pachislot Lupin the Third:  
Italy no Yume*



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# Pachinko and Pachislot Machine Business (Results)



## 3rd Quarter Results

### Pachinko

- The numbers of units sold fell short of the previous fiscal year, resulting in decreased income and profit.
  - Fewer units were sold due to demand in the market being concentrated on pachislot machines, resulting in decreased income.
  - Profit decreased due to higher R&D expenses.

### Pachislot

- The number of units sold exceeded the previous fiscal year, resulting in increased income and profit.
  - Despite higher R&D expenses, income and profit increased thanks to growth in unit sales.

### Total

- Income was up and profit was down year on year (net sales +5.3% YoY and operating income -17.1% YoY).
  - Although income increased thanks to growth in unit sales, profit decreased due to higher R&D expenses.

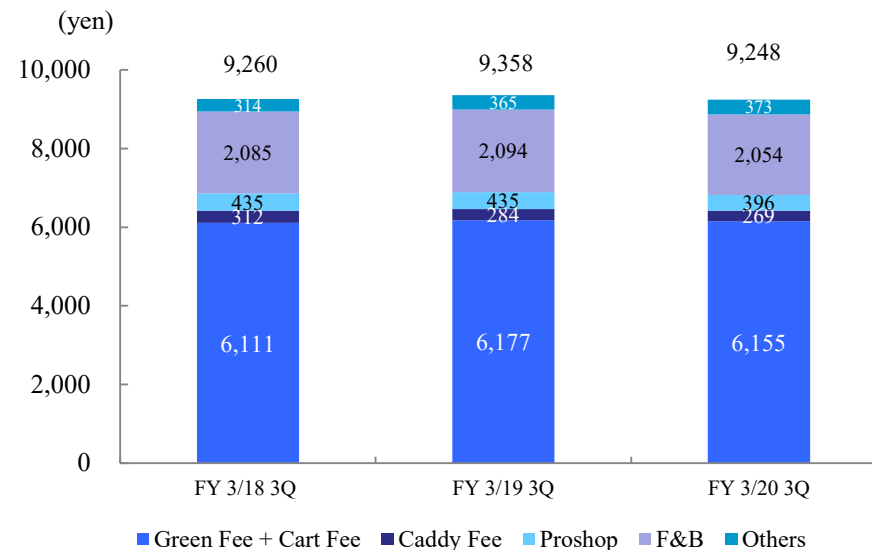
| (million yen)          | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY    | Breakdown of Machine Sales |                         |                         |         |
|------------------------|-------------------------|-------------------------|--------|----------------------------|-------------------------|-------------------------|---------|
|                        |                         |                         |        | (Units)                    | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY     |
| Net sales              | 45,135                  | 47,542                  | 5.3%   |                            |                         |                         |         |
| Pachinko machines      | 29,229                  | 24,227                  | -17.1% |                            |                         |                         |         |
| Pachislot machines     | 15,642                  | 23,129                  | 47.9%  |                            |                         |                         |         |
| Gross profit           | 27,872                  | 30,372                  | 9.0%   |                            |                         |                         |         |
| Pachinko machines      | 17,008                  | 13,748                  | -19.2% |                            |                         |                         |         |
| Pachislot machines     | 10,788                  | 16,589                  | 53.8%  |                            |                         |                         |         |
| Gross profit ratio     | 61.8%                   | 63.9%                   | +2.1pt |                            |                         |                         |         |
| Operating income       | 16,982                  | 14,075                  | -17.1% |                            |                         |                         |         |
| Pachinko machines      | 10,452                  | 2,212                   | -78.8% |                            |                         |                         |         |
| Pachislot machines     | 6,483                   | 11,844                  | 82.7%  |                            |                         |                         |         |
| Operating income ratio | 37.6%                   | 29.6%                   | -8.0pt |                            |                         |                         |         |
|                        |                         |                         |        | Total                      | 121,297                 | 124,148                 | +2,851  |
|                        |                         |                         |        | Pachinko machines          | 76,647                  | 63,381                  | -13,266 |
|                        |                         |                         |        | Body                       | 50,363                  | 31,996                  | -18,367 |
|                        |                         |                         |        | Gauge board                | 26,284                  | 31,385                  | +5,101  |
|                        |                         |                         |        | Pachislot machines         | 44,650                  | 60,767                  | +16,117 |
|                        |                         |                         |        | Chassis                    | 11,513                  | 25,255                  | +13,742 |
|                        |                         |                         |        | Combined unit              | 33,137                  | 35,512                  | +2,375  |

- PGM’s exclusively developed new golf course operation system “Teela” has been simultaneously implemented at all PGM golf courses.
  - Aim for maximization of sales with reduced paperwork and revenue management function to optimize demand forecasts and prices.
- Although the number of golf course users grew, revenue per customer fell.
  - Golf courses acquired in the previous fiscal year contributed to an increase in the number of golf course users.
  - In the breakdown of revenue per customer, Proshop and F&B revenue declined, but revenue from green fees remained at a similar level to the same period in the previous year.

### Number of Golf Course Users / Revenue per Customer

| 【3Q (9 months)】                                  | FY 3/2019<br>Results | FY 3/2020<br>Results | YoY   |
|--------------------------------------------------|----------------------|----------------------|-------|
| Number of golf course users<br>(thousand people) | 6,330                | 6,465                | 2.1%  |
| Revenue per customer (yen)                       | 9,358                | 9,248                | -1.2% |
| 【3Q (3 months)】                                  | FY 3/2019<br>Results | FY 3/2020<br>Results | YoY   |
| Number of golf course users<br>(thousand people) | 2,140                | 2,106                | -1.6% |
| Revenue per customer (yen)                       | 9,728                | 9,601                | -1.3% |

### Breakdown of Revenue per Customer



\*Includes internal net sales

# Golf Business (Results)

## 3rd Quarter Results

- Income was up and profit was down year on year (net sales +0.7% YoY and operating income -3.2% YoY).
  - Newly acquired golf courses contributed to increased income.
  - Profit decreased due to the impact of typhoons and heavy rain that occurred in 3Q.

| (million yen)                    | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY    |
|----------------------------------|-------------------------|-------------------------|--------|
| Net sales                        | 66,316                  | 66,791                  | 0.7%   |
| Net sales before<br>eliminations | 66,321                  | 66,796                  | 0.7%   |
| Eliminations                     | -5                      | -4                      | -      |
| Gross profit                     | 17,554                  | 17,120                  | -2.5%  |
| Gross profit ratio               | 26.5%                   | 25.6%                   | -0.9pt |
| Operating income                 | 11,524                  | 11,153                  | -3.2%  |
| Operating income ratio           | 17.4%                   | 16.7%                   | -0.7pt |

| Breakdown of Sales                    |                         |                         |       |
|---------------------------------------|-------------------------|-------------------------|-------|
| (million yen)                         | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY   |
| Revenue from golf<br>course operation | 59,245                  | 59,802                  | 0.9%  |
| Membership-related<br>sales           | 6,225                   | 6,062                   | -2.6% |

| Breakdown of Costs |                         |                         |       |
|--------------------|-------------------------|-------------------------|-------|
| (million yen)      | FY 3/2019<br>3Q Results | FY 3/2020<br>3Q Results | YoY   |
| Cost of Sales      | 48,767                  | 49,676                  | 1.9%  |
| SGA expenses       | 6,029                   | 5,966                   | -1.0% |

# Consolidated Balance Sheets (Summary)



| (million yen)                           | As of March 31, 2019 | As of December 31, 2019 | Change         | Remarks                                                                                                                    |
|-----------------------------------------|----------------------|-------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------|
| Current assets                          | 121,492              | 108,426                 | -13,065        |                                                                                                                            |
| Non-current assets                      | 321,353              | 322,362                 | +1,009         | <ul style="list-style-type: none"> <li>■ Decrease in cash and deposits</li> <li>■ Decrease in securities</li> </ul>        |
| <b>Total assets</b>                     | <b>442,845</b>       | <b>430,789</b>          | <b>-12,055</b> |                                                                                                                            |
| Current liabilities                     | 54,894               | 49,273                  | -5,620         |                                                                                                                            |
| Non-current liabilities                 | 162,898              | 148,941                 | -13,957        | <ul style="list-style-type: none"> <li>■ Decrease in income taxes payable</li> <li>■ Repayment of loans payable</li> </ul> |
| <b>Total liabilities</b>                | <b>217,793</b>       | <b>198,215</b>          | <b>-19,577</b> |                                                                                                                            |
| <b>Total net assets</b>                 | <b>225,052</b>       | <b>232,574</b>          | <b>+7,522</b>  |                                                                                                                            |
| <b>Total liabilities and net assets</b> | <b>442,845</b>       | <b>430,789</b>          | <b>-12,055</b> |                                                                                                                            |

| (million yen)                     | As of March 31, 2019 | As of December 31, 2019 |
|-----------------------------------|----------------------|-------------------------|
| Cash and deposits, and securities | 93,180               | 77,057                  |
| Interest-bearing debt             | 120,756              | 111,807                 |
| Shareholders' equity              | 225,052              | 232,574                 |
| Shareholders' equity ratio        | 50.8%                | 54.0%                   |

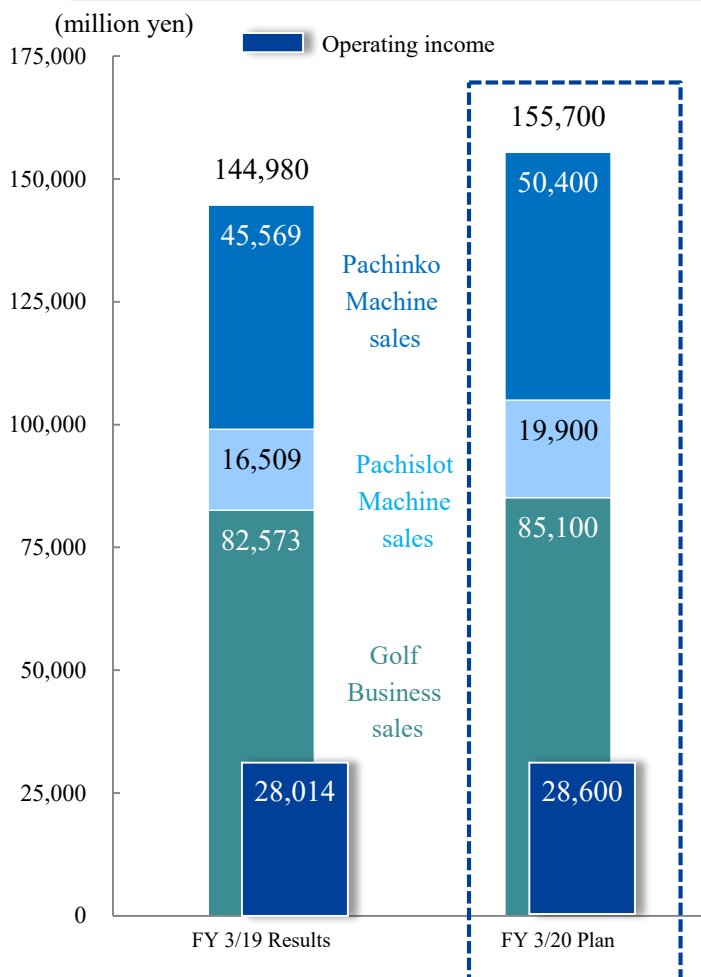
■ D/E ratio (interest-bearing debt/shareholders' equity)  
 53.7%→48.1%  
 ■ Net D/E ratio (net interest-bearing debt/shareholders' equity)  
 12.3%→14.9%

# Full-year Plan for FY ending March 31, 2020

# Consolidated Statements of Income (Plan)

FY 3/20 Plan

- In the pachinko and pachislot machine business, the rate of progress is lower than planned for pachinko machines and exceeds plans for pachislot machines.
- In the golf business, the impact of lost sales opportunities due to damage from typhoons and heavy rain still lingers.



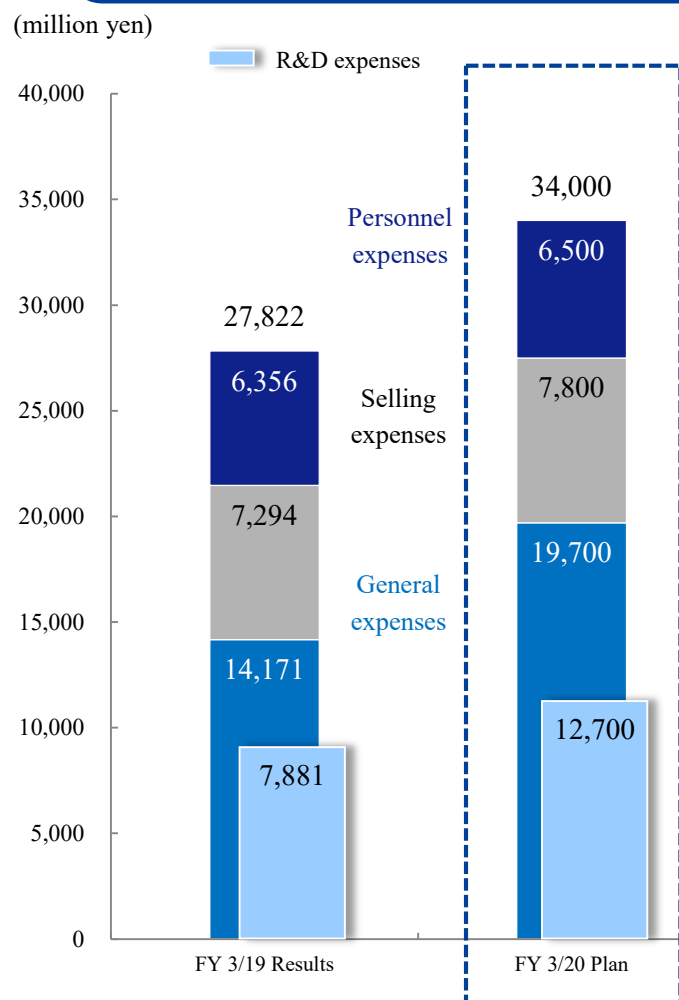
| (million yen)                           | FY 3/2019 Results | FY 3/2020     |               | YoY          |
|-----------------------------------------|-------------------|---------------|---------------|--------------|
|                                         |                   | 3Q Results    | Plan          |              |
| Net sales                               | 144,980           | 114,334       | 155,700       | 7.4%         |
| Pachinko and Pachislot machine business | 62,407            | 47,542        | 70,600        | 13.1%        |
| Pachinko machines                       | 45,569            | 24,227        | 50,400        | 10.6%        |
| Pachislot machines                      | 16,509            | 23,129        | 19,900        | 20.5%        |
| Golf business                           | 82,573            | 66,791        | 85,100        | 3.1%         |
| <b>Operating income</b>                 | <b>28,014</b>     | <b>22,805</b> | <b>28,600</b> | <b>2.1%</b>  |
| Pachinko and Pachislot machine business | 20,791            | 14,075        | 21,500        | 3.4%         |
| Pachinko machines                       | 15,260            | 2,212         | 14,500        | -5.0%        |
| Pachislot machines                      | 5,474             | 11,844        | 6,900         | 26.0%        |
| Golf business                           | 10,599            | 11,153        | 11,000        | 3.8%         |
| Eliminations & corporate expenses       | -3,376            | -2,423        | -3,900        | 15.5%        |
| Operating income ratio                  | 19.3%             | 19.9%         | 18.4%         | -0.9pt       |
| <b>Ordinary income</b>                  | <b>27,451</b>     | <b>22,590</b> | <b>27,700</b> | <b>0.9%</b>  |
| Profit attributable to owners of parent | 16,341            | 15,296        | 18,000        | 10.2%        |
| <b>EBITDA*</b>                          | <b>38,140</b>     | <b>29,356</b> | <b>37,700</b> | <b>-1.2%</b> |

\* EBITDA = Operating income + depreciation + amortization

# SGA Expenses / Depreciation & Amortization / Capital Investment (Plan)

FY 3/20 Plan

- Although the rate of progress in selling expenses remains on the lower side, they are expected to be absorbed as planned.
- R&D expenses are expected to be absorbed according to plan thanks to smooth progress in the development of machines under the new regulations.



|                      | (million yen) | FY 3/2019 Results | FY 3/2020  |        | YoY   |
|----------------------|---------------|-------------------|------------|--------|-------|
|                      |               |                   | 3Q Results | Plan   |       |
| SGA expenses         |               | 27,822            | 24,686     | 34,000 | 22.2% |
| Personnel expenses   |               | 6,356             | 4,288      | 6,500  | 2.3%  |
| Selling expenses     |               | 7,294             | 5,570      | 7,800  | 6.9%  |
| Advertising expenses |               | 2,179             | 1,699      | 2,300  | 5.5%  |
| Sales commissions    |               | 1,660             | 1,529      | 1,900  | 14.4% |
| General expenses     |               | 14,171            | 14,827     | 19,700 | 39.0% |
| R&D expenses         |               | 7,881             | 10,268     | 12,700 | 61.1% |

## Depreciation & Amortization / Capital Investment

|                             | (million yen) | FY 3/2019 Results | FY 3/2020  |        | YoY   |
|-----------------------------|---------------|-------------------|------------|--------|-------|
|                             |               |                   | 3Q Results | Plan   |       |
| Depreciation & amortization |               | 9,868             | 6,428      | 8,900  | -9.8% |
| Capital investment          |               | 7,091             | 7,257      | 11,200 | 57.9% |

# Pachinko and Pachislot Machine Business (Machine Sales Plan)

## FY 3/20 Plan

| (Units)                      | FY 3/2019<br>Results | FY 3/2020  |         | Change from the<br>previous year |
|------------------------------|----------------------|------------|---------|----------------------------------|
|                              |                      | 3Q Results | Plan    |                                  |
| Number of machines<br>sold   | 166,124              | 124,148    | 190,000 | +23k units                       |
| Pachinko machines            | 118,880              | 63,381     | 135,000 | +16k units                       |
| Number of titles<br>released | 6                    | 6          | 8       | +2                               |
| Pachislot machines           | 47,244               | 60,767     | 55,000  | +7k units                        |
| Number of titles<br>released | 6                    | 6          | 7       | +1                               |



Pachinko Machine  
*Shin Koumon Chama*



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## Titles to Release in the 2nd half / Pachinko Machine

| Title                                              | Release Date |
|----------------------------------------------------|--------------|
| <i>Kyuin Pachinko Nangokusodachi Dekapato ver.</i> | Jan. 2020    |
| <i>Shin Koumon Chama</i>                           | Mar. 2020    |
| <i>Galaxy Express 999 PREMIUM</i>                  | Mar. 2020    |

## Titles to Release in the 2nd half / Pachislot Machine

| Title                    | Release Date |
|--------------------------|--------------|
| <i>Pachislot Hanaden</i> | Jan. 2020    |
| <i>Pachislot Aooni</i>   | Feb. 2020    |



Pachislot Machine  
*Pachislot Aooni*



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# Golf Business (M&A Status)

FY 3/20 Plan

- 2 new golf courses were acquired resulting in 143 courses nationwide (175.5 courses on a per 18H basis)
- A basic sponsorship agreement was concluded for 1 course

New Acquisitions/Sponsorship Agreement, etc.

|           |                             |                                       | Target                              | Number of holes |
|-----------|-----------------------------|---------------------------------------|-------------------------------------|-----------------|
| 10/1/2019 | Commencement of operation   | PGM Tomioka Country Club North Course | (Tomioka City, Gunma Prefecture)    | 27              |
| 1/15/2020 | Commencement of operation   | Gotenba Tomei Golf Club               | (Gotenba City, Shizuoka Prefecture) | 18              |
| 1/30/2020 | Basic sponsorship agreement | Ikeda Country Club                    | (Ikeda City, Osaka Prefecture)      | 27              |



PGM Tomioka Country Club North Course  
(Tomioka City, Gunma Prefecture)



Gotenba Tomei Golf Club  
(Gotenba City, Shizuoka Prefecture)

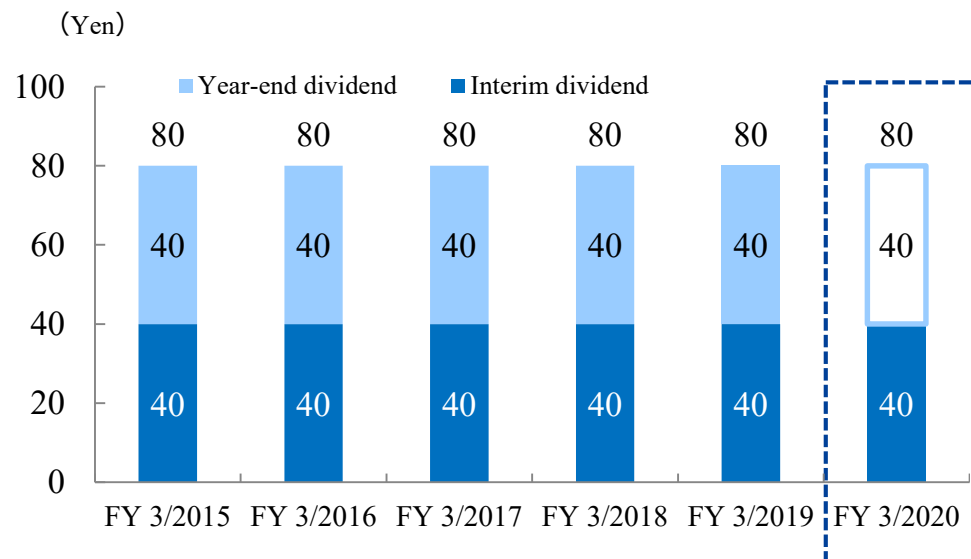
## Dividend policy

- Stable dividends are paid, giving consideration to the totality of the business plan, financial conditions, and operating results, etc.
- Internal reserves are allocated to investment in enhancement of research and development capabilities, plant and equipment, and M&A of golf courses, etc.

## FY 2020 (Plan)

|                   |               |
|-------------------|---------------|
| Interim dividend  | 40 yen        |
| Year-end dividend | 40 yen        |
| <b>Total</b>      | <b>80 yen</b> |

## Trend of dividend per share



**Distributing profits to shareholders is a key management issue.  
We will do our utmost to maintain a high level of dividend payment.**

# Supplementary Information

## 【Market Environment】

- Pachinko and Pachislot Machine Business
- Golf Business

## 【Pachinko and Pachislot Machine Business】

- Regulations on Pachinko and Pachislot Machines
- Number of Machines Sold / Titles Released in FY Ending March 31, 2020

## 【Golf Business】

- Trends of Golf Course Users and Revenue per Customer 1
- Trends of Golf Course Users and Revenue per Customer 2
- Golf Course Portfolio

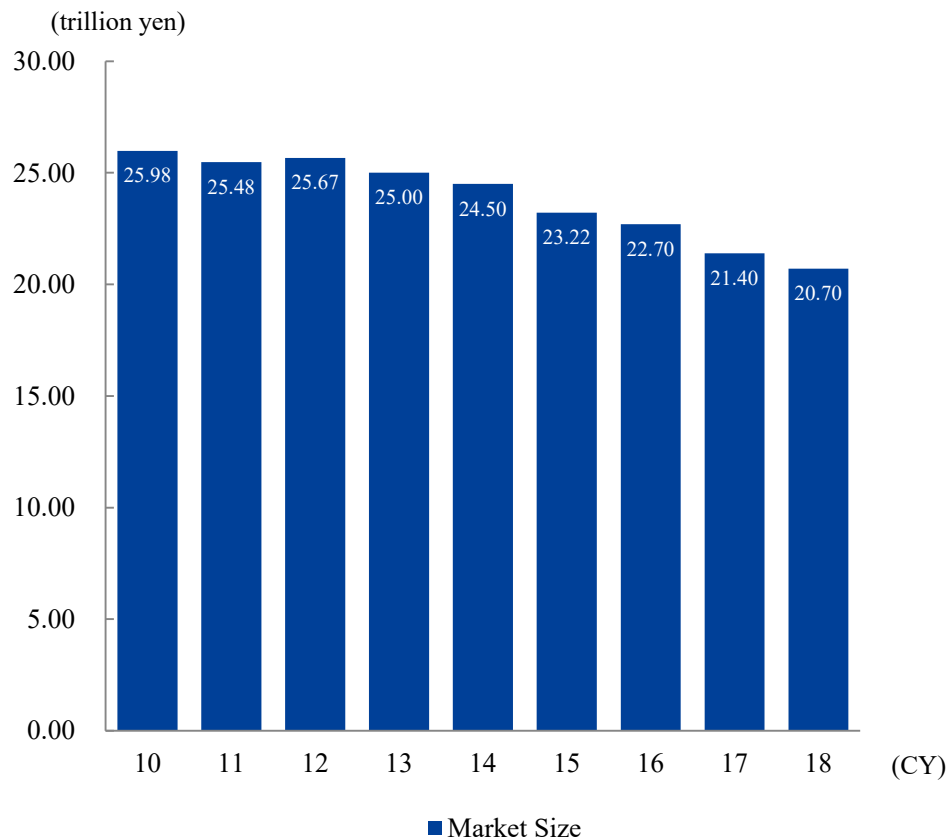
## 【Consolidated Results】

- Financial Performance Trend
- Key Financial Indicators

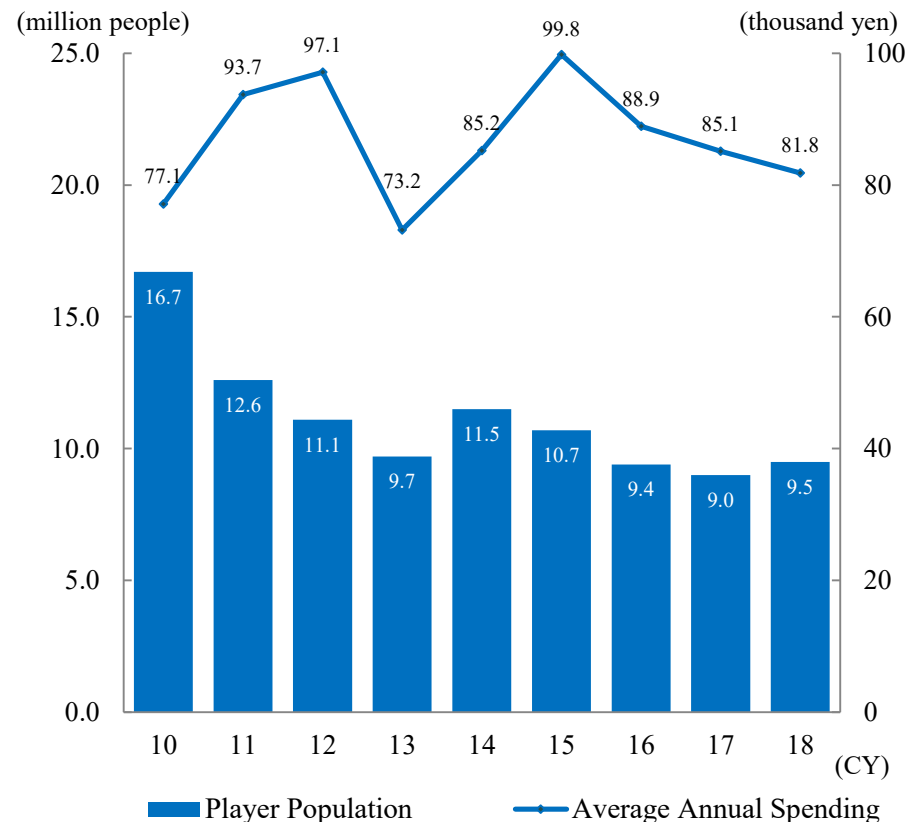
# Market Environment (Pachinko and Pachislot Machine Business) 1

Pachinko and Pachislot Machine Business

## Market Size



## Player Population and Average Annual Spending

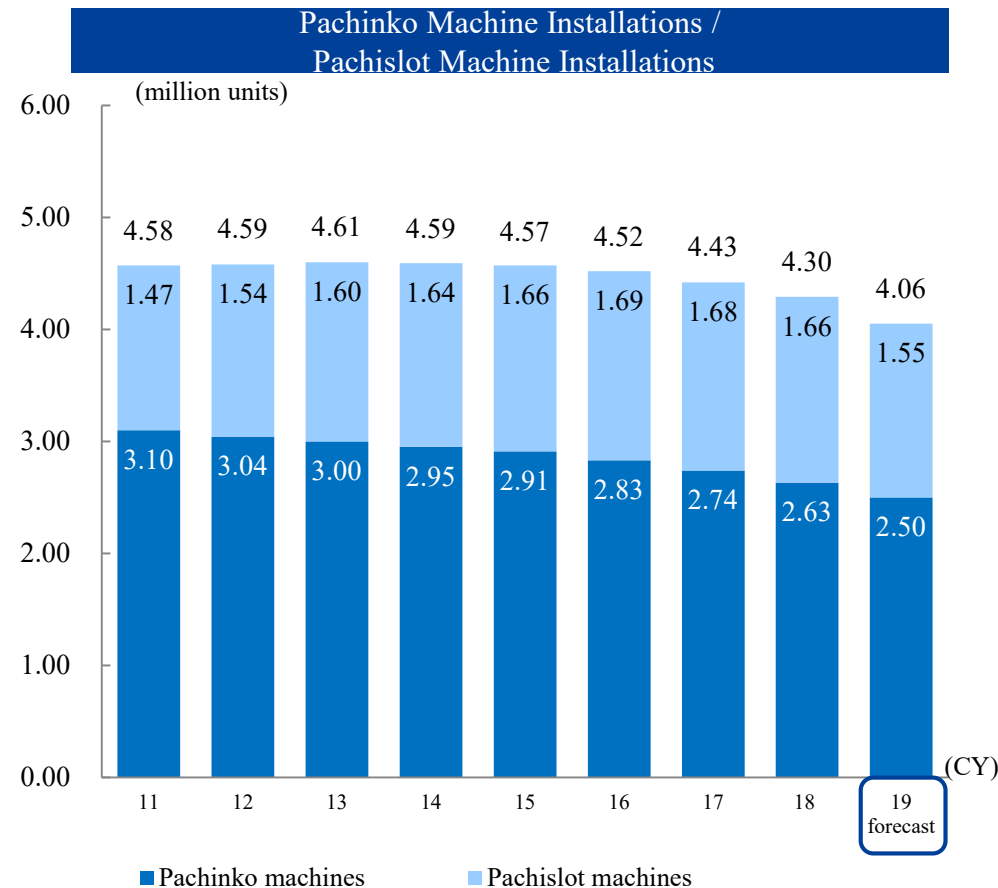
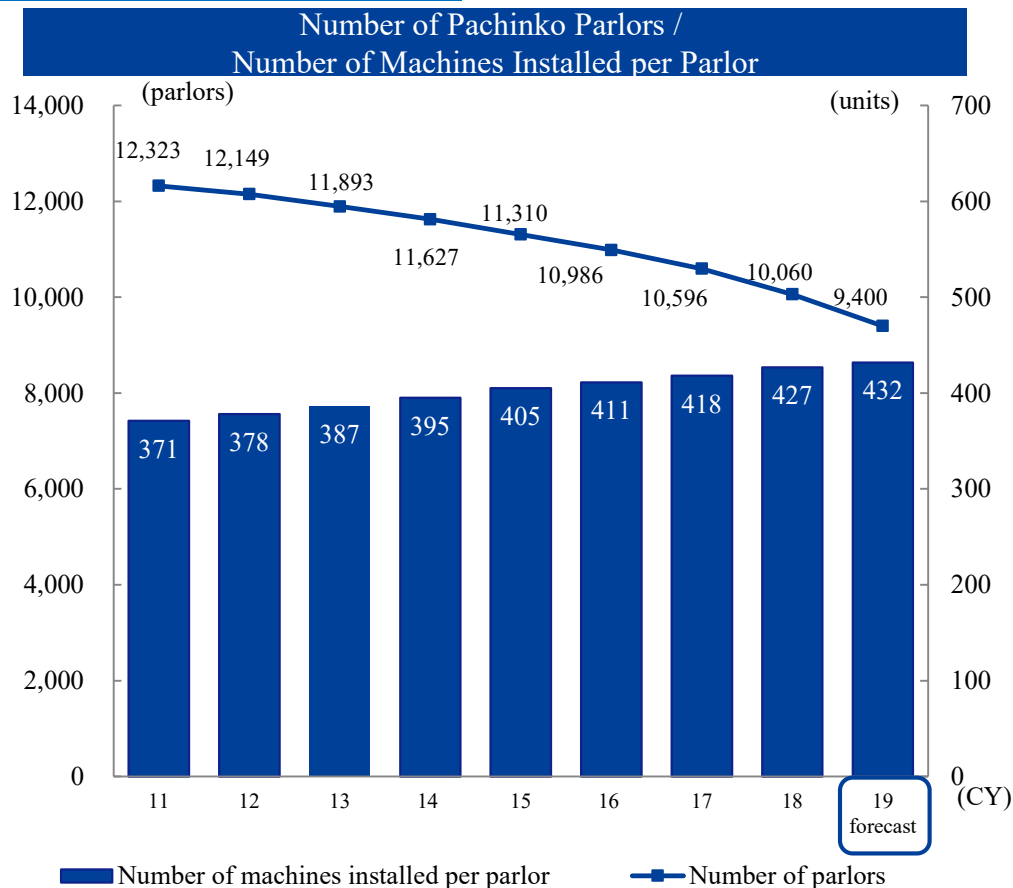


|                                        | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  |
|----------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Market size (trillion yen)             | 25.98 | 25.48 | 25.67 | 25.00 | 24.50 | 23.22 | 22.70 | 21.40 | 20.70 |
| Player population (million)            | 16.7  | 12.6  | 11.1  | 9.7   | 11.5  | 10.7  | 9.4   | 9.0   | 9.5   |
| Average annual spending (thousand yen) | 77.1  | 93.7  | 97.1  | 73.2  | 85.2  | 99.8  | 88.9  | 85.1  | 81.8  |

Note: Data source: Japan Productivity Center. Data on a calendar year basis (from January to December).

# Market Environment (Pachinko and Pachislot Machine Business) 2

## Pachinko and Pachislot Machine Business



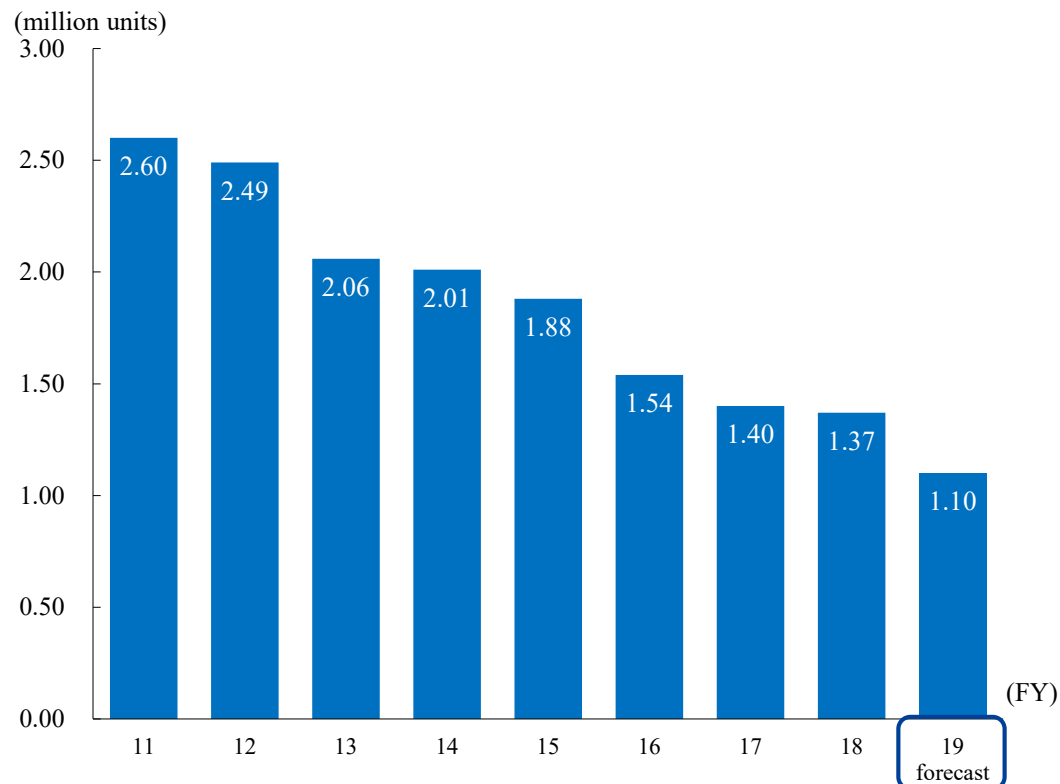
|                                                 | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019 Forecast |
|-------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| Number of parlors                               | 12,323 | 12,149 | 11,893 | 11,627 | 11,310 | 10,986 | 10,596 | 10,060 | 9,400         |
| Number of machines installed per parlor (units) | 371    | 378    | 387    | 395    | 405    | 411    | 418    | 427    | 432           |
| Pachinko machine installations (million units)  | 3.10   | 3.04   | 3.00   | 2.95   | 2.91   | 2.83   | 2.74   | 2.63   | 2.50          |
| Pachislot machine installations (million units) | 1.47   | 1.54   | 1.60   | 1.64   | 1.66   | 1.69   | 1.68   | 1.66   | 1.55          |

Note: Data source: National Police Agency. Data on a calendar year basis (from Jan to Dec). Figures for 2019 is the Company's estimates.

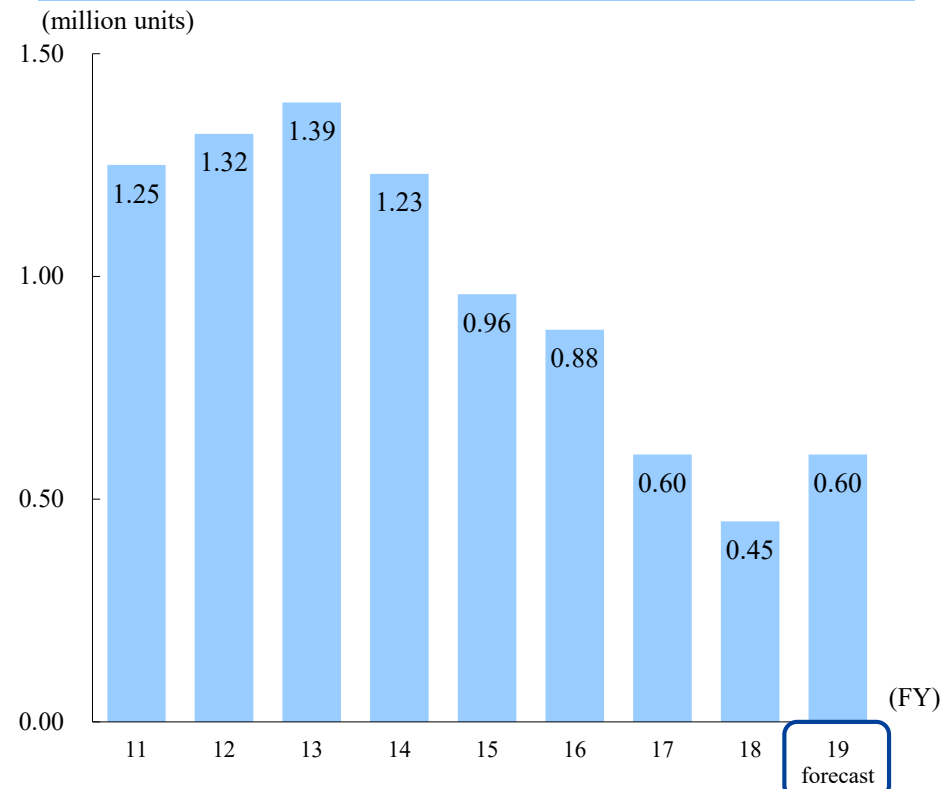
# Market Environment (Pachinko and Pachislot Machine Business) 3

Pachinko and Pachislot Machine Business

### Pachinko machine sales



### Pachislot machine sales



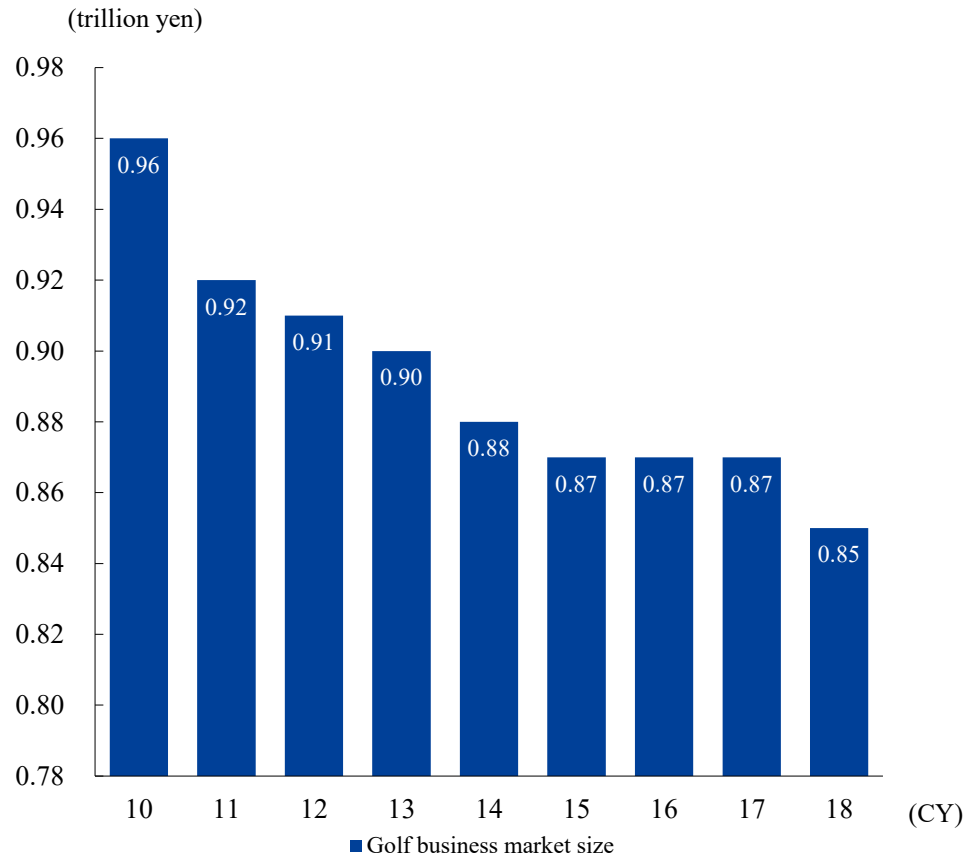
| Number of machines sold<br>(million units) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019<br>forecast |
|--------------------------------------------|------|------|------|------|------|------|------|------|------------------|
| Pachinko machines                          | 2.60 | 2.49 | 2.06 | 2.01 | 1.88 | 1.54 | 1.40 | 1.37 | 1.10             |
| Pachislot machines                         | 1.25 | 1.32 | 1.39 | 1.23 | 0.96 | 0.88 | 0.60 | 0.45 | 0.60             |

Note: Data source: Yano Research Institute. Data on a fiscal year basis (from April to March of the next year). Data for 2019 is the Company's forecast.

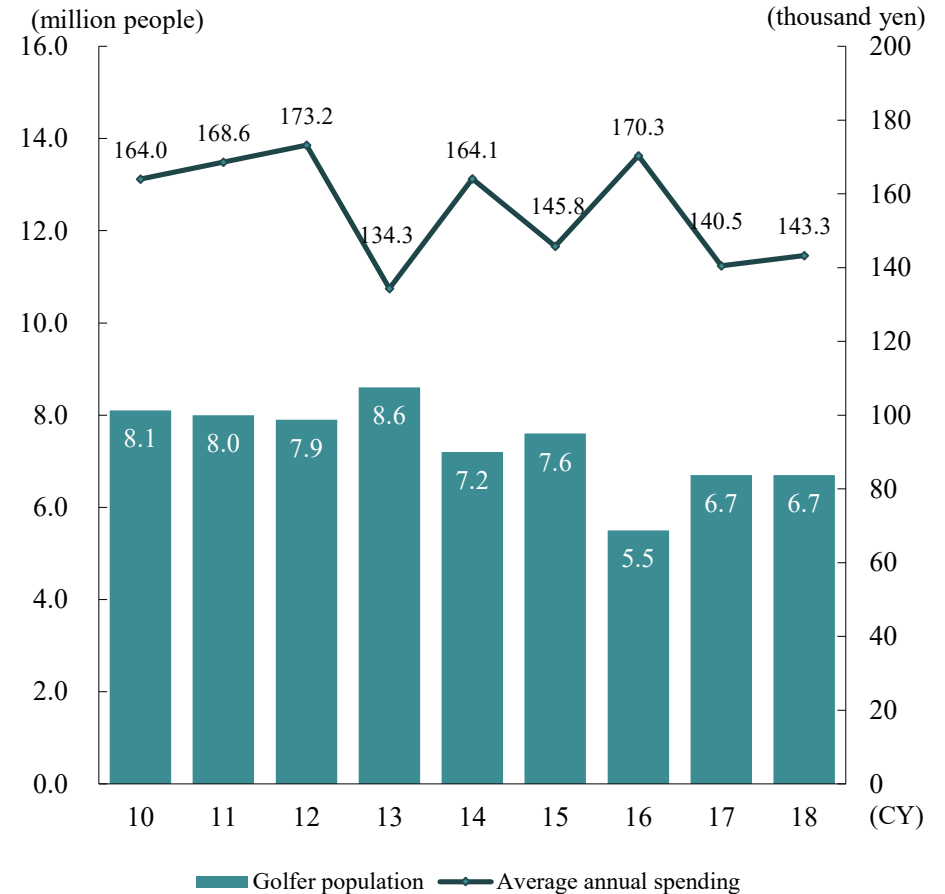
# Market Environment (Golf Business)

Golf Business

## Market Size



## Golfer Population / Average Annual Spending



|                                        | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  |
|----------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Market size (trillion yen)             | 0.96  | 0.92  | 0.91  | 0.90  | 0.88  | 0.87  | 0.87  | 0.87  | 0.85  |
| Golfer population (million)            | 8.1   | 8.0   | 7.9   | 8.6   | 7.2   | 7.6   | 5.5   | 6.7   | 6.7   |
| Average annual spending (thousand yen) | 164.0 | 168.6 | 173.2 | 134.3 | 164.1 | 145.8 | 170.3 | 140.5 | 143.3 |

Note: Data source: Japan Productivity Center. Data on a calendar year basis (from January to December).

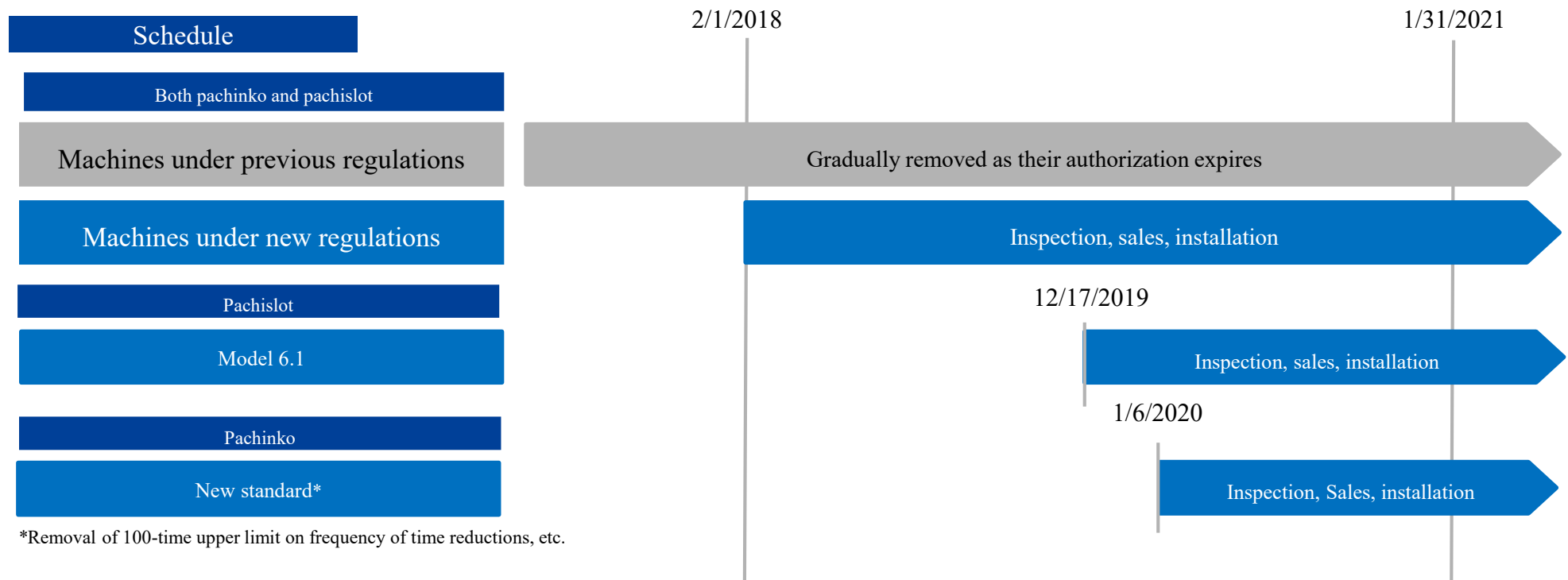
# Regulations on Pachinko and Pachislot Machines

## Overview of revised regulations

Enforcement date: February 1, 2018

### Overview of revised regulations

- (1) Payout regulations (tightening payout regulations, reinforcement of regulations on payout per jackpot)
- (2) Addition of specifications for machines enabling payout information to be easily verified
- (3) Introduction of settings for pachinko machines
- (4) Additional operations for managers



\*Removal of 100-time upper limit on frequency of time reductions, etc.



# Number of Machines Sold

## Titles Released in FY ended March 31, 2020



### Pachinko and Pachislot Machine Business

#### Number of machines sold

| (units)            | FY 3/2014 | FY 3/2015 | FY 3/2016 | FY 3/2017 | FY 3/2018 | FY 3/2019     |               |           |        |               |               | FY 3/2020 |        |               |               |
|--------------------|-----------|-----------|-----------|-----------|-----------|---------------|---------------|-----------|--------|---------------|---------------|-----------|--------|---------------|---------------|
|                    | Full year | Full year | Full year | Full year | 1Q        | 2Q cumulative | 3Q cumulative | Full year | 1Q     | 2Q cumulative | 3Q cumulative | Full year | 1Q     | 2Q cumulative | 3Q cumulative |
| Total              | 317,948   | 344,866   | 348,613   | 273,714   | 19,955    | 47,867        | 90,793        | 138,626   | 48,059 | 97,832        | 121,297       | 166,124   | 34,929 | 77,851        | 124,148       |
| Pachinko machines  | 197,146   | 252,103   | 234,616   | 192,761   | 18,557    | 36,557        | 79,475        | 117,774   | 28,774 | 58,482        | 76,647        | 118,880   | 26,724 | 45,182        | 63,381        |
| Body               | 128,059   | 200,813   | 179,197   | 167,951   | 14,308    | 26,858        | 38,890        | 72,185    | 22,549 | 39,541        | 50,363        | 60,946    | 12,024 | 23,060        | 31,996        |
| Gauge board        | 69,087    | 51,290    | 55,419    | 24,810    | 4,249     | 9,699         | 40,585        | 45,589    | 6,225  | 18,941        | 26,284        | 57,934    | 14,700 | 22,122        | 31,385        |
| Pachislot machines | 120,802   | 92,763    | 113,997   | 80,953    | 1,398     | 11,310        | 11,318        | 20,852    | 19,285 | 39,350        | 44,650        | 47,244    | 8,205  | 32,669        | 60,767        |
| Chassis            | 77,716    | 36,146    | 89,453    | 36,001    | 70        | 1,032         | 1,032         | 1,344     | 2,742  | 11,213        | 11,513        | 14,093    | 588    | 4,337         | 25,255        |
| Combined unit      | 43,086    | 56,617    | 24,544    | 44,952    | 1,328     | 10,278        | 10,286        | 19,508    | 16,543 | 28,137        | 33,137        | 33,151    | 7,617  | 28,332        | 35,512        |

#### Titles released in FY ending March 31, 2020

##### Pachinko

| Release | Title                                                    | Units sold |
|---------|----------------------------------------------------------|------------|
| 1Q      | <i>Terminator2: Judgment Day</i>                         | 12,046     |
|         | <i>CAT'S EYE: Saikou no Otakara Itadaki ni agarimasu</i> | 9,820      |
| 3Q      | <i>Tokio BLACK</i>                                       | 1,748      |
|         | <i>Ajin</i>                                              | 3,200      |
|         | <i>Flame of Recca3</i>                                   | 11,211     |
|         | <i>Hosuke kun</i>                                        | 1,857      |
| Total*  |                                                          | 63,381     |

##### Pachislot

| Release | Title                                                                   | Units sold |
|---------|-------------------------------------------------------------------------|------------|
| 1Q      | <i>Pachislot Koumon Chama V Megamori</i>                                | 7,997      |
| 2Q      | <i>Pachislot GIRLS und PANZER G: Kore ga Watashi no Senshadou desu!</i> | 15,650     |
|         | <i>Pachislot Love-jo2</i>                                               | 9,100      |
| 3Q      | <i>Pachislot Nangokumusume2</i>                                         | 1,010      |
|         | <i>Toukonkeishou Antonio Inoki to iu na no Pachislot ki</i>             | 9,750      |
|         | <i>Pachislot Lupin the Third: Italy no Yume</i>                         | 17,260     |
| Total   |                                                                         | 60,767     |

\*Total includes units of titles released in FY 3/2019 (Pachinko: 23,499 units)

# Trends of Golf Course Users and Revenue per Customer 1



Golf Business

## Number of Golf Course Users

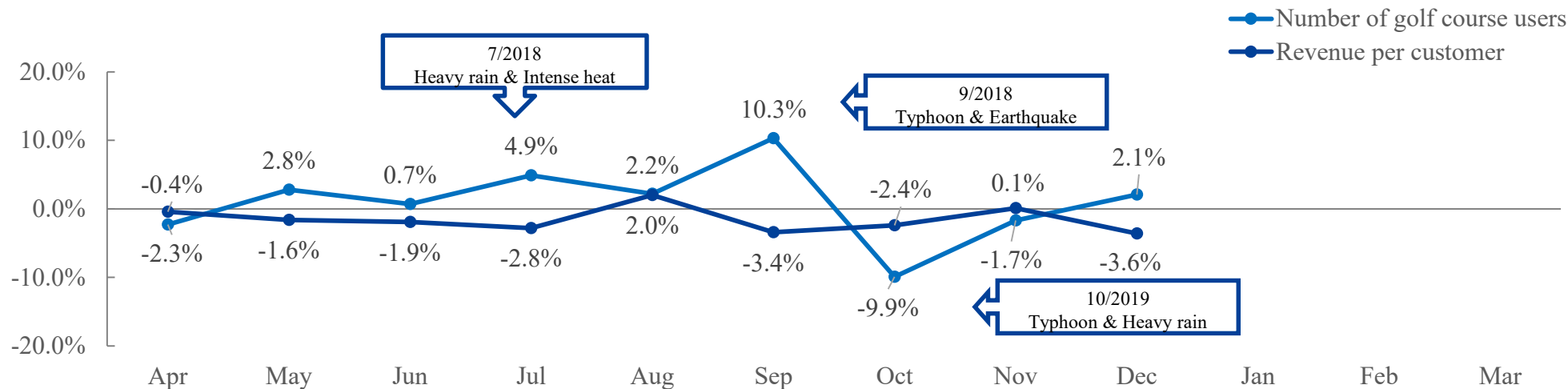
| (persons) | Apr     | May     | Jun     | Jul     | Aug     | Sep     | Oct     | Nov     | Dec     | Jan     | Feb     | Mar     | Total     |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| FY2014    | 581,377 | 695,817 | 652,238 | 673,318 | 660,019 | 654,753 | 641,042 | 669,488 | 568,476 | 465,157 | 294,507 | 541,624 | 7,097,816 |
| FY2015    | 651,067 | 757,367 | 659,662 | 670,460 | 652,429 | 695,852 | 671,206 | 681,167 | 548,032 | 430,098 | 403,316 | 569,843 | 7,390,499 |
| FY2016    | 619,519 | 765,614 | 672,004 | 655,011 | 657,753 | 641,672 | 732,172 | 668,507 | 624,894 | 447,276 | 441,305 | 603,777 | 7,529,504 |
| FY2017    | 639,909 | 751,256 | 658,871 | 726,699 | 649,334 | 631,137 | 726,674 | 662,099 | 626,216 | 471,345 | 413,167 | 595,830 | 7,552,537 |
| FY2018    | 675,659 | 792,244 | 711,469 | 750,806 | 704,955 | 715,606 | 647,910 | 730,972 | 644,083 | 447,133 | 403,933 | 614,892 | 7,839,662 |
| FY2019    | 720,160 | 792,127 | 718,087 | 654,188 | 663,134 | 642,742 | 757,904 | 735,408 | 647,213 | 519,678 | 453,613 | 659,749 | 7,964,003 |
| FY2020    | 713,508 | 825,693 | 729,264 | 692,419 | 683,759 | 715,039 | 694,209 | 737,238 | 674,769 |         |         |         | 6,465,898 |

## Revenue per Customer

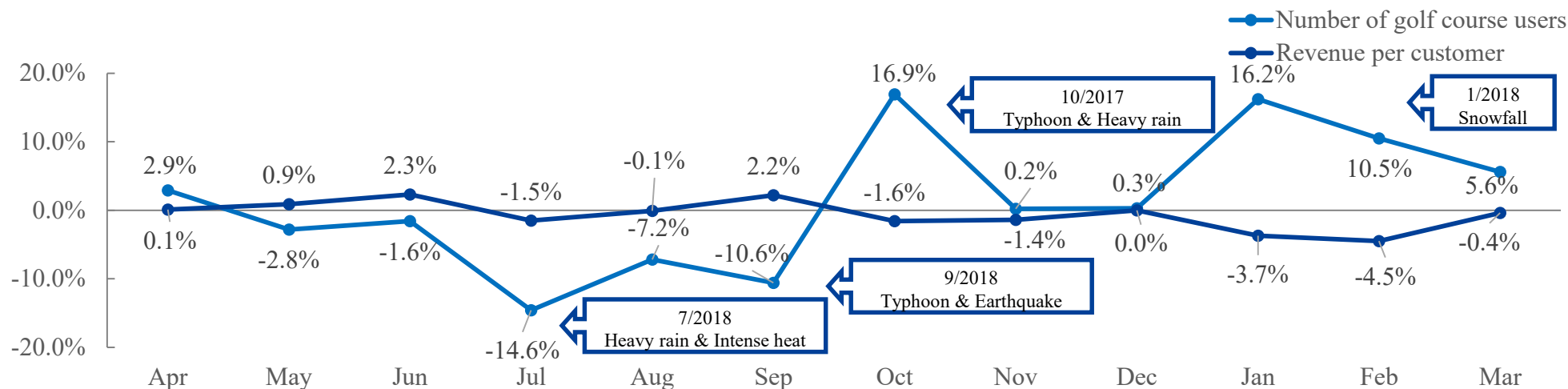
| (yen)  | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov    | Dec   | Jan   | Feb   | Mar   | Average |
|--------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|---------|
| FY2014 | 9,468 | 9,527 | 9,531 | 8,664 | 8,143 | 8,853 | 9,456 | 10,033 | 9,516 | 8,552 | 7,813 | 9,100 | 9,123   |
| FY2015 | 9,215 | 9,422 | 9,180 | 8,703 | 8,300 | 8,964 | 9,477 | 10,122 | 9,440 | 8,591 | 8,077 | 8,797 | 9,076   |
| FY2016 | 9,278 | 9,485 | 9,071 | 8,668 | 8,279 | 9,073 | 9,609 | 10,038 | 9,343 | 8,556 | 8,002 | 8,780 | 9,070   |
| FY2017 | 9,397 | 9,572 | 9,213 | 8,792 | 8,176 | 9,050 | 9,781 | 10,014 | 9,429 | 8,545 | 8,011 | 8,868 | 9,129   |
| FY2018 | 9,363 | 9,408 | 9,162 | 8,871 | 8,241 | 9,045 | 9,721 | 9,993  | 9,590 | 8,953 | 8,372 | 9,143 | 9,188   |
| FY2019 | 9,458 | 9,548 | 9,446 | 8,804 | 8,313 | 9,319 | 9,623 | 9,915  | 9,639 | 8,631 | 8,046 | 9,149 | 9,218   |
| FY2020 | 9,463 | 9,438 | 9,314 | 8,588 | 8,515 | 9,051 | 9,448 | 9,981  | 9,344 |       |       |       | 9,248   |

# Trends of Golf Course Users and Revenue per Customer 2

Monthly result comparison – FY 3/2020 vs FY 3/2019



Monthly result comparison – FY 3/2019 vs FY 3/2018



\* Based on operating golf courses since previous year.

|                         | As of March 31, 2019 |                | As of December 31, 2019 |                |
|-------------------------|----------------------|----------------|-------------------------|----------------|
|                         | Courses              | 18H equivalent | Courses                 | 18H equivalent |
| Owned Golf Courses      | 139                  | 169.5          | 139                     | 170.0          |
| Leased Golf Courses     | 1                    | 2.0            | 1                       | 2.0            |
| Contracted Golf Courses | 1                    | 1.5            | 2                       | 2.5            |
| <b>Total</b>            | <b>141</b>           | <b>173.0</b>   | <b>142</b>              | <b>174.5</b>   |
| Hokkaido                | 6                    | 9.5            | 6                       | 9.5            |
| Tohoku                  | 8                    | 10.5           | 8                       | 10.5           |
| Kanto,<br>Koushinetsu   | 61                   | 72.0           | 62                      | 73.5           |
| Tokai,<br>Hokuriku      | 11                   | 12.0           | 11                      | 12.0           |
| Kansai                  | 20                   | 26.0           | 20                      | 26.0           |
| Chugoku                 | 11                   | 13.0           | 11                      | 13.0           |
| Shikoku                 | 7                    | 7.5            | 7                       | 7.5            |
| Kyusyu,<br>Okinawa      | 17                   | 22.5           | 17                      | 22.5           |
| <b>Total</b>            | <b>141</b>           | <b>173.0</b>   | <b>142</b>              | <b>174.5</b>   |

State of affairs in the fiscal year ended March 31, 2020

【Acquisition】

|                  |                                                                                 |
|------------------|---------------------------------------------------------------------------------|
| October 1, 2019  | PGM Tomioka Country Club North Course<br>(Tomioka City, Gunma Prefecture – 27H) |
| January 15, 2020 | Gotenba Tomei Golf Club<br>(Gotenba City, Shizuoka Prefecture – 18H)            |

【Sponsorship agreements, etc.】

|                  |                                                            |
|------------------|------------------------------------------------------------|
| January 30, 2020 | Ikeda Country Club<br>(Ikeda City, Osaka Prefecture – 27H) |
|------------------|------------------------------------------------------------|

【Management outsourcing】

|              |                                                                      |
|--------------|----------------------------------------------------------------------|
| May 31, 2019 | Reoma Kohgen Golf Club<br>(Miyoshi City, Tokushima Prefecture – 18H) |
|--------------|----------------------------------------------------------------------|

【Sale】

|              |                                                                      |
|--------------|----------------------------------------------------------------------|
| May 31, 2019 | Reoma Kohgen Golf Club<br>(Miyoshi City, Tokushima Prefecture – 18H) |
|--------------|----------------------------------------------------------------------|

# Financial Performance Trend



Consolidated

| (million yen)                           | FY 3/2014 | FY 3/2015 | FY 3/2016 | FY 3/2017 | FY 3/2018 | FY 3/2019     |               |           |        |               |               | FY 3/2020 |        |               |               |
|-----------------------------------------|-----------|-----------|-----------|-----------|-----------|---------------|---------------|-----------|--------|---------------|---------------|-----------|--------|---------------|---------------|
|                                         | Full year | Full year | Full year | Full year | 1Q        | 2Q cumulative | 3Q cumulative | Full year | 1Q     | 2Q cumulative | 3Q cumulative | Full year | 1Q     | 2Q cumulative | 3Q cumulative |
| Net sales                               | 181,570   | 198,605   | 214,954   | 186,218   | 30,547    | 62,177        | 100,233       | 132,765   | 41,628 | 80,211        | 111,451       | 144,980   | 36,809 | 73,911        | 114,334       |
| Pachinko and Pachislot machine Business | 105,869   | 121,380   | 135,388   | 108,139   | 7,892     | 18,310        | 34,132        | 51,552    | 17,979 | 37,027        | 45,135        | 62,407    | 13,021 | 29,568        | 47,542        |
| Pachinko machines                       | 66,105    | 89,589    | 89,200    | 75,823    | 7,140     | 13,698        | 29,434        | 44,428    | 10,752 | 22,199        | 29,229        | 45,569    | 9,861  | 17,243        | 24,227        |
| Pachislot machines                      | 39,763    | 31,791    | 46,188    | 31,607    | 638       | 4,379         | 4,388         | 6,702     | 7,148  | 14,639        | 15,642        | 16,509    | 3,098  | 12,189        | 23,129        |
| Golf Business                           | 73,145    | 74,807    | 77,071    | 78,078    | 22,654    | 43,866        | 66,100        | 81,213    | 23,649 | 43,183        | 66,316        | 82,573    | 23,788 | 44,342        | 66,791        |
| Other                                   | 2,555     | 2,417     | 2,494     | -         | -         | -             | -             | -         | -      | -             | -             | -         | -      | -             | -             |
| Operating income                        | 36,909    | 42,870    | 38,967    | 36,599    | 4,214     | 5,199         | 12,252        | 13,931    | 12,240 | 20,743        | 26,007        | 28,014    | 8,102  | 13,550        | 22,805        |
| Pachinko and Pachislot machine Business | 30,119    | 34,310    | 30,088    | 29,602    | -86       | -749          | 3,106         | 7,149     | 7,523  | 15,666        | 16,982        | 20,791    | 3,294  | 7,946         | 14,075        |
| Pachinko machines                       | 14,836    | 21,582    | 16,467    | 17,609    | 385       | -1,278        | 3,327         | 7,025     | 4,077  | 8,585         | 10,452        | 15,260    | 2,127  | 1,874         | 2,212         |
| Pachislot machines                      | 15,282    | 12,728    | 13,620    | 11,869    | -492      | 486           | -286          | 26        | 3,420  | 7,057         | 6,483         | 5,474     | 1,150  | 6,037         | 11,844        |
| Golf Business                           | 9,911     | 12,127    | 12,427    | 10,935    | 5,208     | 7,530         | 11,494        | 9,930     | 5,593  | 6,761         | 11,524        | 10,599    | 5,661  | 7,194         | 11,153        |
| Other                                   | 159       | 140       | 151       | -         | -         | -             | -             | -         | -      | -             | -             | -         | -      | -             | -             |
| Eliminations & corporate expenses       | -3,281    | -3,708    | -3,699    | -3,937    | -908      | -1,580        | -2,349        | -3,147    | -875   | -1,684        | -2,499        | -3,376    | -853   | -1,590        | -2,423        |
| Operating income ratio                  | 20.3%     | 21.6%     | 18.1%     | 19.7%     | 13.8%     | 8.4%          | 12.2%         | 10.5%     | 29.4%  | 25.9%         | 23.3%         | 19.3%     | 22.0%  | 18.3%         | 19.9%         |
| Ordinary income                         | 35,405    | 42,059    | 37,444    | 35,655    | 4,279     | 5,009         | 11,649        | 13,105    | 12,219 | 20,350        | 25,783        | 27,451    | 8,172  | 13,532        | 22,590        |
| Profit attributable to owners of parent | 20,361    | 26,235    | 28,143    | 27,058    | 2,403     | 2,122         | 5,920         | 6,799     | 8,190  | 13,489        | 16,857        | 16,341    | 5,857  | 9,407         | 15,296        |
| SGA expenses                            | 36,095    | 36,517    | 39,873    | 37,447    | 6,408     | 15,001        | 23,090        | 30,652    | 5,945  | 12,939        | 19,418        | 27,822    | 6,716  | 16,698        | 24,686        |
| Personnel expenses                      | 7,621     | 7,700     | 7,334     | 7,207     | 1,543     | 3,049         | 4,548         | 6,211     | 1,531  | 3,052         | 4,498         | 6,356     | 1,423  | 2,864         | 4,288         |
| Selling expenses                        | 8,994     | 8,632     | 10,241    | 9,898     | 929       | 2,926         | 4,706         | 6,928     | 1,364  | 3,680         | 5,199         | 7,294     | 928    | 3,544         | 5,570         |
| Advertising expenses                    | 3,856     | 3,560     | 3,155     | 2,842     | 417       | 849           | 2,022         | 2,368     | 366    | 742           | 1,801         | 2,179     | 288    | 698           | 1,699         |
| Sales commissions                       | 3,572     | 3,675     | 3,701     | 2,858     | 162       | 436           | 737           | 1,135     | 543    | 1,131         | 1,315         | 1,660     | 316    | 886           | 1,529         |
| General expenses                        | 19,478    | 20,184    | 22,297    | 20,341    | 3,935     | 9,025         | 13,835        | 17,512    | 3,049  | 6,207         | 9,720         | 14,171    | 4,363  | 10,290        | 14,827        |
| R&D expenses                            | 12,864    | 13,624    | 15,590    | 12,841    | 2,173     | 5,576         | 8,712         | 10,832    | 1,338  | 2,972         | 4,962         | 7,881     | 2,815  | 7,303         | 10,268        |
| Depreciation & amortization             | 8,339     | 9,478     | 11,027    | 11,098    | 2,346     | 5,017         | 7,831         | 10,740    | 2,270  | 4,773         | 7,292         | 9,868     | 2,016  | 4,171         | 6,428         |
| Capital investment                      | 12,987    | 11,877    | 13,354    | 14,050    | 4,129     | 10,044        | 12,181        | 14,166    | 2,006  | 4,038         | 5,518         | 7,091     | 2,943  | 5,360         | 7,257         |

# Key Financial Indicators



Consolidated

| (million yen)                           | FY 3/2014 | FY 3/2015 | FY 3/2016 | FY 3/2017 | FY 3/2018 | FY 3/2019 | Formula                                        |
|-----------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------------------------|
| Net Sales                               | 181,570   | 198,605   | 214,954   | 186,218   | 132,765   | 144,980   |                                                |
| Operating Income                        | 36,909    | 42,870    | 38,967    | 36,599    | 13,931    | 28,014    |                                                |
| Ordinary Income                         | 35,405    | 42,059    | 37,444    | 35,655    | 13,105    | 27,451    |                                                |
| Profit attributable to owners of parent | 20,361    | 26,235    | 28,143    | 27,058    | 6,799     | 16,341    |                                                |
| Total Assets                            | 438,506   | 447,833   | 450,715   | 449,152   | 430,287   | 442,845   |                                                |
| Cash, Deposits and Securities           | 105,051   | 122,259   | 106,503   | 106,576   | 86,245    | 93,180    |                                                |
| Interest Bearing Debt                   | 168,506   | 156,213   | 141,935   | 132,917   | 123,116   | 120,756   |                                                |
| Net Assets                              | 156,502   | 178,269   | 198,873   | 217,405   | 216,701   | 225,052   |                                                |
| Shareholders' Equity                    | 142,772   | 163,116   | 198,841   | 217,381   | 216,690   | 225,052   |                                                |
| ROE                                     | 15.0%     | 17.2%     | 15.6%     | 13.0%     | 3.1%      | 7.4%      |                                                |
| Operating Income Ratio                  | 20.3%     | 21.6%     | 18.1%     | 19.7%     | 10.5%     | 19.3%     | Operating income/Net sales                     |
| Net Income Ratio                        | 11.2%     | 13.2%     | 13.1%     | 14.5%     | 5.1%      | 11.3%     | Net income/Net sales                           |
| Asset Turnover                          | 0.42      | 0.45      | 0.48      | 0.41      | 0.30      | 0.33      | Net sales/Total assets *1                      |
| Financial Leverage                      | 3.15      | 2.90      | 2.48      | 2.16      | 2.03      | 1.98      | Total assets/Shareholders' equity *1,2         |
| Net Debt Equity Ratio                   | 40.9%     | 20.8%     | 17.8%     | 12.1%     | 17.0%     | 12.3%     | Net interest-bearing debt/Shareholders' equity |
| Shareholders' Equity Ratio              | 32.6%     | 36.4%     | 44.1%     | 48.4%     | 50.4%     | 50.8%     | Shareholders' equity/Total assets              |

\*1 Total Assets = (Total Assets at beginning of period + Total Assets at end of period) / 2

\*2 Shareholders' Equity = (Shareholders' Equity at beginning of period + Shareholders' Equity at end of period) / 2

## Contact

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## Disclaimer

1. These materials are not for the purpose of soliciting investment.
2. These materials contain statements about the future, such as plans, outlooks, targets, and forecast figures; however said statements are based on judgements and assumptions that are based on information that is currently available, and do not account for latent risks and uncertainties. Therefore, please be aware that actual future results may differ greatly from the aforementioned statements about the future due to the future business environment, economic conditions, financial market conditions, and a number of other factors.
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