

Results for the 2nd Quarter of Fiscal Year Ending March 31, 2020

November 18, 2019

Heiwa Corporation

Securities Code : 6412

| | |
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【Market Environment】

- Pachinko and Pachislot Machine Business
- Golf Business

【Pachinko and Pachislot Machine Business】

- Regulations on Pachinko and Pachislot Machine
- Number of Machines Sold / Titles Released in the 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

【Consolidation Results】

- Trends of Business Results
- Key Financial Indicators

Consolidated results

- Net sales : 73.9 billion yen, -7.9% year on year
- Operating income : 13.5 billion yen, -34.7% year on year
 - In the pachinko and pachislot machine business, the number of units sold fell short of the same period in the previous fiscal year, resulting in decreased income and profit.

Pachinko and pachislot machine business

- Net sales : 29.5 billion yen, -20.1% year on year
- Operating income : 7.9 billion yen, -49.3% year on year
 - ✓ The number of Pachinko machines sold in 2Q: 45k units (-13k units YoY)
 - ✓ The number of Pachislot machines sold in 2Q: 32k units (-6k units YoY)

Golf business

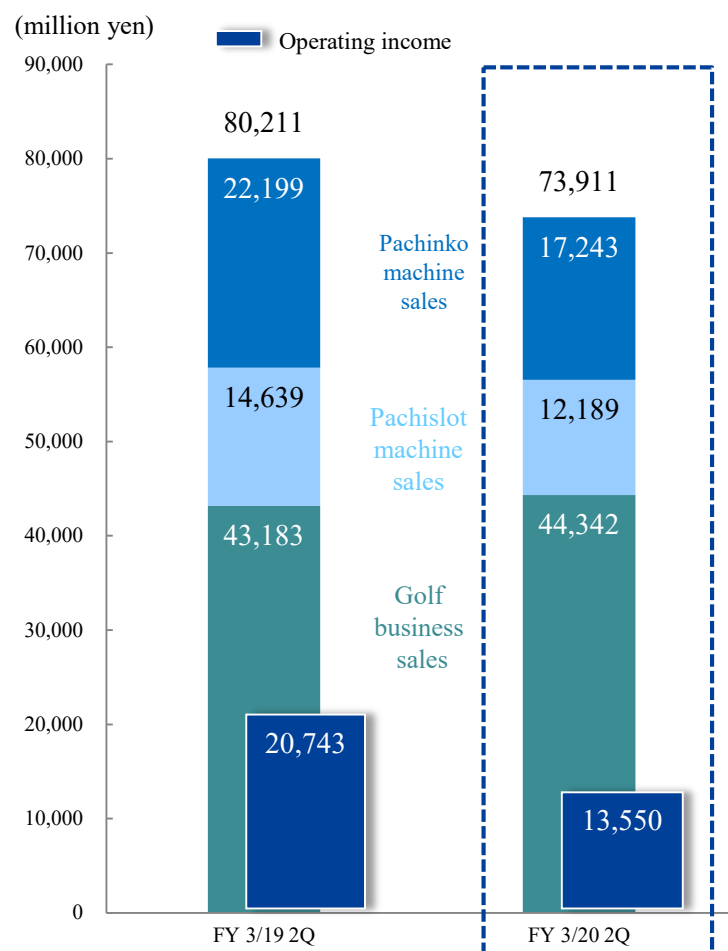
- Net sales : 44.3 billion yen, +2.7% year on year
- Operating income : 7.1 billion yen, +6.4% year on year
 - Newly acquired golf courses contributed to increased income and profit.

Results for the 2nd Quarter of FY ending March 31, 2020

Consolidated Statements of Income (Results)

2nd Quarter Results

- Income and profit were down year on year (net sales -7.9% YoY and operating income -34.7% YoY)
- In the pachinko and pachislot machine business, the number of units sold fell short of the same period in the previous fiscal year, resulting in decreased income and profit.



| | (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|---|---------------|-------------------------|-------------------------|--------|
| Net sales | | 80,211 | 73,911 | -7.9% |
| Pachinko and Pachislot machine business | | 37,027 | 29,568 | -20.1% |
| Pachinko machines | | 22,199 | 17,243 | -22.3% |
| Pachislot machines | | 14,639 | 12,189 | -16.7% |
| Golf business | | 43,183 | 44,342 | 2.7% |
| Operating income | | 20,743 | 13,550 | -34.7% |
| Pachinko and Pachislot machine business | | 15,666 | 7,946 | -49.3% |
| Pachinko machines | | 8,585 | 1,874 | -78.2% |
| Pachislot machines | | 7,057 | 6,037 | -14.5% |
| Golf business | | 6,761 | 7,194 | 6.4% |
| Eliminations & corporate expenses | | -1,684 | -1,590 | -5.6% |
| Operating income ratio | | 25.9% | 18.3% | -7.6pt |
| Ordinary income | | 20,350 | 13,532 | -33.5% |
| Profit attributable to owners of parent | | 13,489 | 9,407 | -30.3% |
| EBITDA* | | 25,633 | 17,782 | -30.6% |

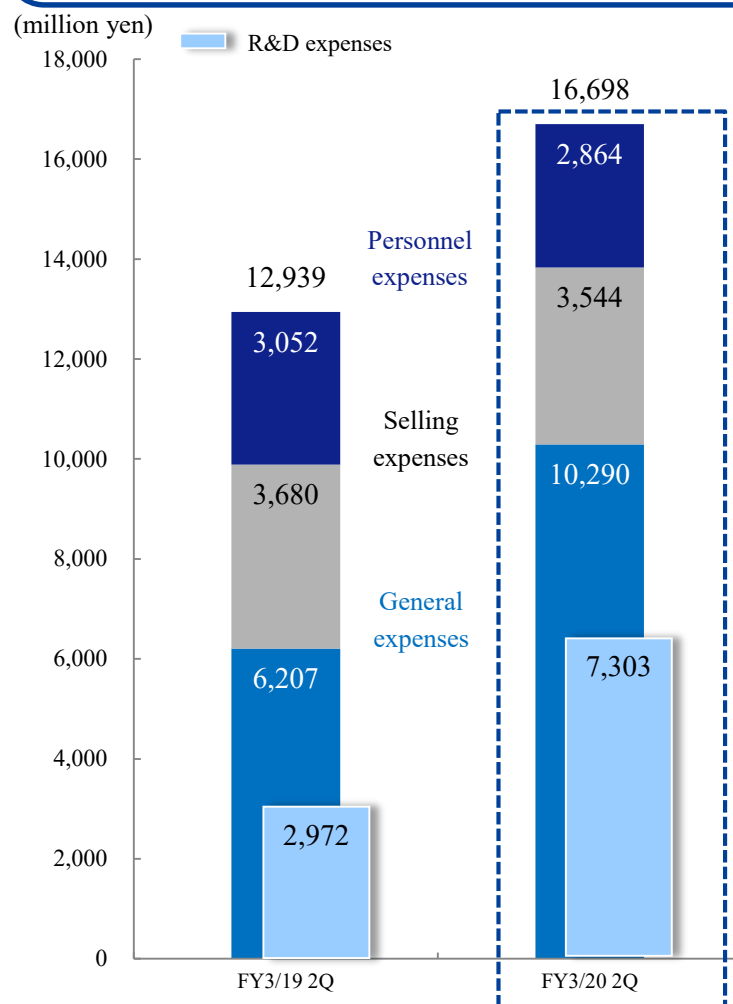
* EBITDA = Operating income + depreciation + amortization

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

2nd Quarter Results

■ SGA expenses were up year on year (+29.1% YoY)

- Variable expenses such as sales commissions fell due to fewer units sold.
- R&D expenses increased due to smooth progress in development of machines under the new regulations.



| | (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|----------------------|---------------|-------------------------|-------------------------|--------|
| SGA expenses | | 12,939 | 16,698 | 29.1% |
| Personnel expenses | | 3,052 | 2,864 | -6.1% |
| Selling expenses | | 3,680 | 3,544 | -3.7% |
| Advertising expenses | | 742 | 698 | -5.9% |
| Sales commissions | | 1,131 | 886 | -21.6% |
| General expenses | | 6,207 | 10,290 | 65.8% |
| R&D expenses | | 2,972 | 7,303 | 145.7% |

Depreciation & Amortization / Capital Investment

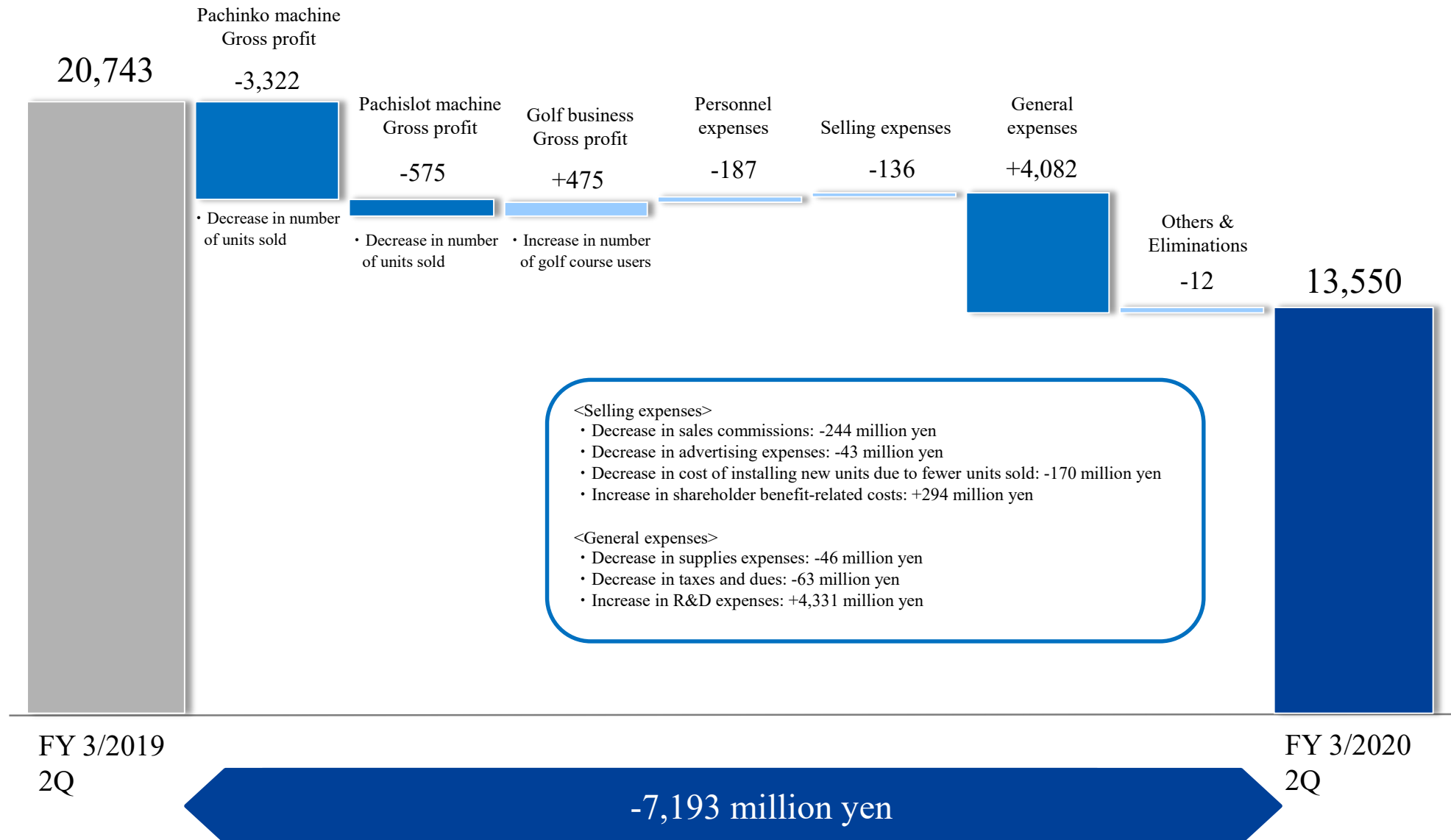
| | (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|-----------------------------|---------------|-------------------------|-------------------------|--------|
| Depreciation & amortization | | 4,773 | 4,171 | -12.6% |
| Capital investment | | 4,038 | 5,360 | 32.7% |

Factors Contributing to Change in Operating Income (Consolidated Basis)

2nd Quarter Results



(million yen)



Pachinko and Pachislot Machine Business (Machine Sales Results)

2nd Quarter Results

| (Units) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|---------------------------|-------------------------|-------------------------|------------|
| Number of machines sold | 97,832 | 77,851 | -19k units |
| Pachinko machines | 58,482 | 45,182 | -13k units |
| Number of titles released | 5 | 2 | -3 |
| Pachislot machines | 39,350 | 32,669 | -6k units |
| Number of titles released | 4 | 3 | -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>Lupin the Third: Kamigami e no Yokokujou</i> | 9,076 | Sep. 2019 |

Major pachislot titles

| Titles | Sales (units) | Release |
|---|---------------|-----------|
| <i>Pachislot Koumon Chama V Megamori</i> | 7,997 | Apr. 2019 |
| <i>Pachislot GIRLS und PANZER G: Kore ga Watashi no Senshadou desu!</i> | 15,650 | Jul. 2019 |
| <i>Pachislot Love-jo 2</i> | 9,005 | Sep. 2019 |



Pachinko Machine
Lupin the Third: Kamigami e no Yokokujou



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Pachislot Machine
Pachislot GIRLS und PANZER G: Kore ga Watashi no Senshadou desu!



©GIRLS und PANZER Projekt

Pachinko and Pachislot Machine Business (Results)



2nd 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 a three-title decrease in the number of new titles from the previous fiscal year, resulting in decreased income.
 - Profit decreased due to higher R&D expenses.

Pachislot

- The number of units sold fell short of the previous fiscal year, resulting in decreased income and profit.
 - Fewer units were sold due to a one-title decrease in the number of new titles from the previous fiscal year, resulting in decreased income.
 - Profit decreased due to higher R&D expenses.

Total

- Income and profit were down year on year (net sales -20.1% YoY and operating income -49.3% YoY).
 - Income and profit decreased due to fewer units sold and higher R&D expenses.

| (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|------------------------|-------------------------|-------------------------|---------|
| Net sales | 37,027 | 29,568 | -20.1% |
| Pachinko machines | 22,199 | 17,243 | -22.3% |
| Pachislot machines | 14,639 | 12,189 | -16.7% |
| Gross profit | 23,039 | 19,129 | -17.0% |
| Pachinko machines | 12,822 | 9,500 | -25.9% |
| Pachislot machines | 10,166 | 9,590 | -5.7% |
| Gross profit ratio | 62.2% | 64.7% | -2.5pt |
| Operating income | 15,666 | 7,946 | -49.3% |
| Pachinko machines | 8,585 | 1,874 | -78.2% |
| Pachislot machines | 7,057 | 6,037 | -14.5% |
| Operating income ratio | 42.3% | 26.9% | -15.4pt |

| Breakdown of Machine Sales | | | |
|----------------------------|-------------------------|-------------------------|---------|
| (Units) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
| Total | 97,832 | 77,851 | -19,981 |
| Pachinko machines | 58,482 | 45,182 | -13,300 |
| Body | 39,541 | 23,060 | -16,481 |
| Gauge board | 18,941 | 22,122 | +3,181 |
| Pachislot machines | 39,350 | 32,669 | -6,681 |
| Chassis | 11,213 | 4,337 | -6,876 |
| Combined unit | 28,137 | 28,332 | +195 |

2nd Quarter Results

■ Progress in golf course acquisition

- 10/1/2019 Commencement of operation

PGM Tomioka Country Club North Course (Tomioka City, Gunma Prefecture – 27H / formerly the Lakewood Golf Club Tomioka Course)

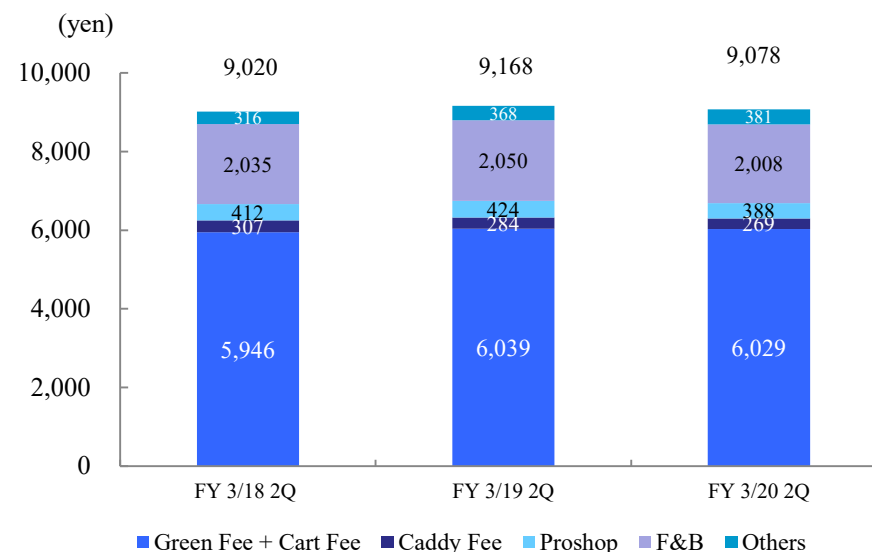
■ Although the number of golf course users grew, revenue per customer fell.

- 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

| 【2Q (6 months)】 | FY 3/2018 Results | FY 3/2019 Results | YoY |
|--|----------------------|----------------------|-------|
| Number of golf course users (thousand people) | 4,190 | 4,359 | 4.0% |
| Revenue per customer (yen) | 9,168 | 9,078 | -1.0% |
| 【2Q (3 months)】 | FY 3/2019 Results | FY 3/2020 Results | YoY |
| Number of golf course users (thousand people) | 1,960 | 2,091 | 6.7% |
| Revenue per customer (yen) | 8,807 | 8,722 | -1.0% |

Breakdown of Revenue per Customer



*Includes internal net sales

Golf Business (Results)

2nd Quarter Results

- Income and profit were up year on year (net sales +2.7% YoY and operating income +6.4% YoY).
 - Despite factors such as the impact of poor weather and Typhoon No. 15, income and profit increased thanks to the contribution of newly acquired golf courses and vigorous efforts at already operating golf courses.
 - Membership-related sales remained at a similar level to the same period in the previous year.

| (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
|-------------------------------|-------------------------|-------------------------|-------|
| Net sales | 43,183 | 44,342 | 2.7% |
| Net sales before eliminations | 43,188 | 44,347 | 2.7% |
| Eliminations | -5 | -4 | - |
| Gross profit | 10,645 | 11,120 | 4.5% |
| Gross profit ratio | 24.6% | 25.1% | 0.5pt |
| Operating income | 6,761 | 7,194 | 6.4% |
| Operating income ratio | 15.7% | 16.2% | 0.5pt |

| Breakdown of Sales | | | |
|------------------------------------|-------------------------|-------------------------|-------|
| (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
| Revenue from golf course operation | 38,420 | 39,579 | 3.0% |
| Membership-related sales | 4,253 | 4,196 | -1.3% |

| Breakdown of Costs | | | |
|--------------------|-------------------------|-------------------------|------|
| (million yen) | FY 3/2019 2Q Results | FY 3/2020 2Q Results | YoY |
| Cost of Sales | 32,543 | 33,226 | 2.1% |
| SGA expenses | 3,883 | 3,925 | 1.1% |

Consolidated Balance Sheets (Summary)

| (million yen) | As of March 31, 2019 | As of September 30, 2019 | Change | Remarks |
|----------------------------------|----------------------|--------------------------|---------|--|
| Current assets | 121,492 | 111,834 | -9,657 | |
| Non-current assets | 321,353 | 321,075 | -277 | ■ Decrease in cash and deposits |
| Total assets | 442,845 | 432,910 | -9,934 | |
| Current liabilities | 54,894 | 50,576 | -4,317 | |
| Non-current liabilities | 162,898 | 151,685 | -11,213 | ■ Decrease in income taxes payable ■ Repayment of loans payable |
| Total liabilities | 217,793 | 202,261 | -15,531 | |
| Total net assets | 225,052 | 230,649 | 5,596 | |
| Total liabilities and net assets | 442,845 | 432,910 | -9,934 | |

| (million yen) | As of March 31, 2019 | As of September 30, 2019 |
|-----------------------------------|----------------------|--------------------------|
| Cash and deposits, and securities | 93,180 | 84,279 |
| Interest-bearing debt | 120,756 | 115,602 |
| Shareholders' equity | 225,052 | 230,648 |
| Shareholders' equity ratio | 50.8% | 53.3% |

- D/E ratio (interest-bearing debt/shareholders' equity)
53.7%→50.1%
- Net D/E ratio (net interest-bearing debt/shareholders' equity)
12.3%→13.6%

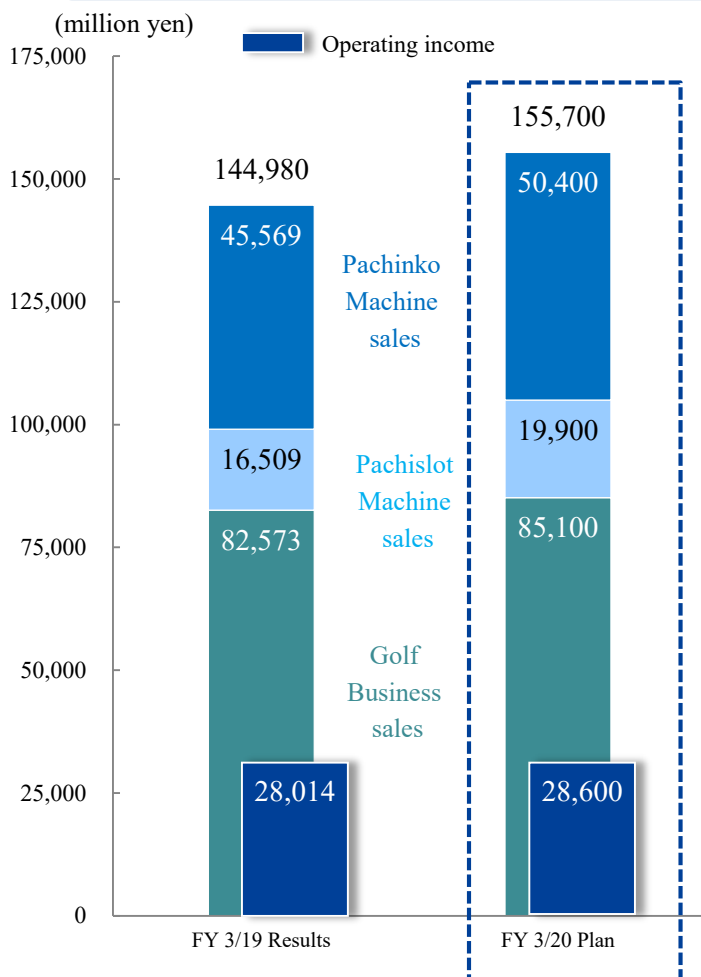
Full-year Plan for FY ending March 31, 2020

Consolidated Statements of Income (Plan)

FY 3/20 Plan

■ No change to full-year plans

- Despite sluggishness in the pachinko and pachislot machine business, aim to achieve plans through the release of multiple titles starting in the second half.
- Damage from typhoons and heavy rain affected the golf business. Future impact is expected to be minimal.



| (million yen) | FY 3/2019 Results | FY 3/2020 | | YoY |
|---|----------------------|-----------|---------|--------|
| | | 2QResults | Plan | |
| Net sales | 144,980 | 73,911 | 155,700 | 7.4% |
| Pachinko and Pachislot machine business | 62,407 | 29,568 | 70,600 | 13.1% |
| Pachinko machines | 45,569 | 17,243 | 50,400 | 10.6% |
| Pachislot machines | 16,509 | 12,189 | 19,900 | 20.5% |
| Golf business | 82,573 | 44,342 | 85,100 | 3.1% |
| Operating income | 28,014 | 13,550 | 28,600 | 2.1% |
| Pachinko and Pachislot machine business | 20,791 | 7,946 | 21,500 | 3.4% |
| Pachinko machines | 15,260 | 1,874 | 14,500 | -5.0% |
| Pachislot machines | 5,474 | 6,037 | 6,900 | 26.0% |
| Golf business | 10,599 | 7,194 | 11,000 | 3.8% |
| Eliminations & corporate expenses | -3,376 | -1,590 | -3,900 | 15.5% |
| Operating income ratio | 19.3% | 18.3% | 18.4% | -0.9pt |
| Ordinary income | 27,451 | 13,532 | 27,700 | 0.9% |
| Profit attributable to owners of parent | 16,341 | 9,407 | 18,000 | 10.2% |
| EBITDA* | 38,140 | 17,782 | 37,700 | -1.2% |

* EBITDA = Operating income + depreciation + amortization

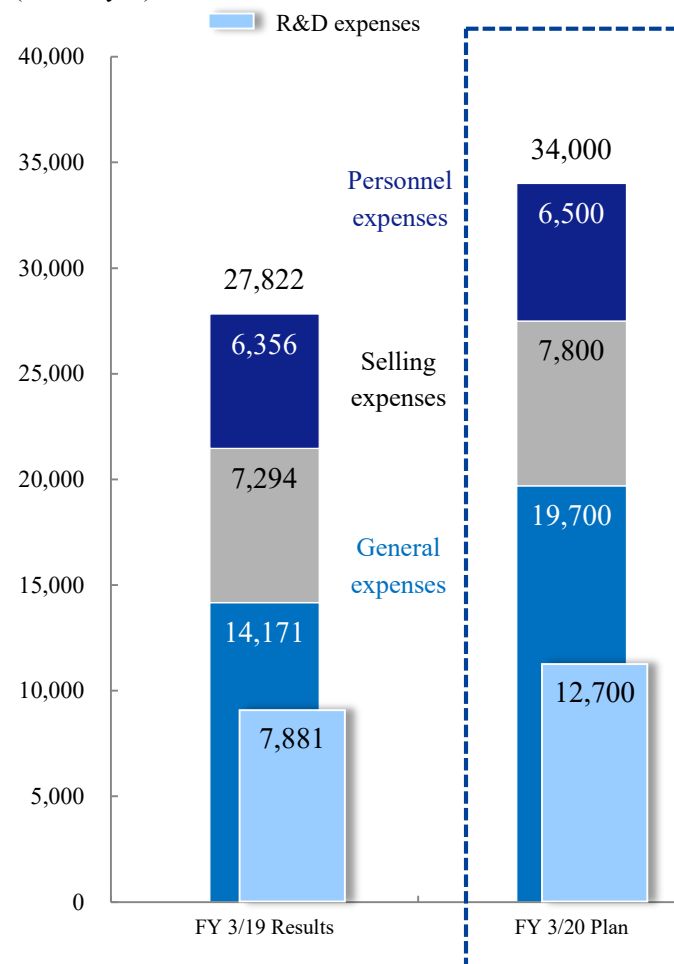
SGA Expenses / Depreciation & Amortization / Capital Investment (Plan)

FY 3/20 Plan

■ No change to full-year plans

- Although the rate of progress in selling expenses is on the lower side, they are expected to be absorbed as planned due to an anticipated increase in the number of units sold.
- Under general expenses, 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)



| (million yen) | FY 3/2019 Results | FY 3/2020 | | YoY |
|----------------------|----------------------|------------|--------|-------|
| | | 2Q Results | Plan | |
| SGA expenses | 27,822 | 16,698 | 34,000 | 22.2% |
| Personnel expenses | 6,356 | 2,864 | 6,500 | 2.3% |
| Selling expenses | 7,294 | 3,544 | 7,800 | 6.9% |
| Advertising expenses | 2,179 | 698 | 2,300 | 5.5% |
| Sales commissions | 1,660 | 886 | 1,900 | 14.4% |
| General expenses | 14,171 | 10,290 | 19,700 | 39.0% |
| R&D expenses | 7,881 | 7,303 | 12,700 | 61.1% |

Depreciation & Amortization / Capital Investment

| (million yen) | FY 3/2019 Results | FY 3/2020 | | YoY |
|-----------------------------|----------------------|------------|--------|-------|
| | | 2Q Results | Plan | |
| Depreciation & amortization | 9,868 | 4,171 | 8,900 | -9.8% |
| Capital investment | 7,091 | 5,360 | 11,200 | 57.9% |

Pachinko and Pachislot Machine Business (Machine Sales Plan)

FY 3/20 Plan

| (Units) | FY 3/2019 Results | FY 3/2020 | | Change from the previous year |
|---------------------------|----------------------|------------|---------|----------------------------------|
| | | 2Q Results | Plan | |
| Number of machines sold | 166,124 | 77,851 | 190,000 | +23k units |
| Pachinko machines | 118,880 | 45,182 | 135,000 | +16k units |
| Number of titles released | 6 | 2 | 8 | +2 |
| Pachislot machines | 47,244 | 32,669 | 55,000 | +7k units |
| Number of titles released | 6 | 3 | 7 | +1 |

Titles to Release in the 2nd half / Pachinko Machine

| Title | Release Date |
|-------------------------------------|--------------|
| <i>Ajin</i> | Nov. 2019 |
| <i>Flame of Recca3</i> | Nov. 2019 |
| <i>Hosuke kun</i> | Dec. 2019 |
| <i>Nangokusodachi Dekapatt ver.</i> | Jan. 2020 |

Titles to Release in the 2nd half / Pachislot Machine

| Title | Release Date |
|---|--------------|
| <i>Toukonkeishou Antonio Inoki to iu na no Pachislot ki</i> | Oct. 2019 |
| <i>Lupin the Third: Italy no Yume</i> | Dec. 2019 |



Pachinko Machine
Flame of Recca3



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Pachislot Machine
Lupin the Third: Italy no Yume



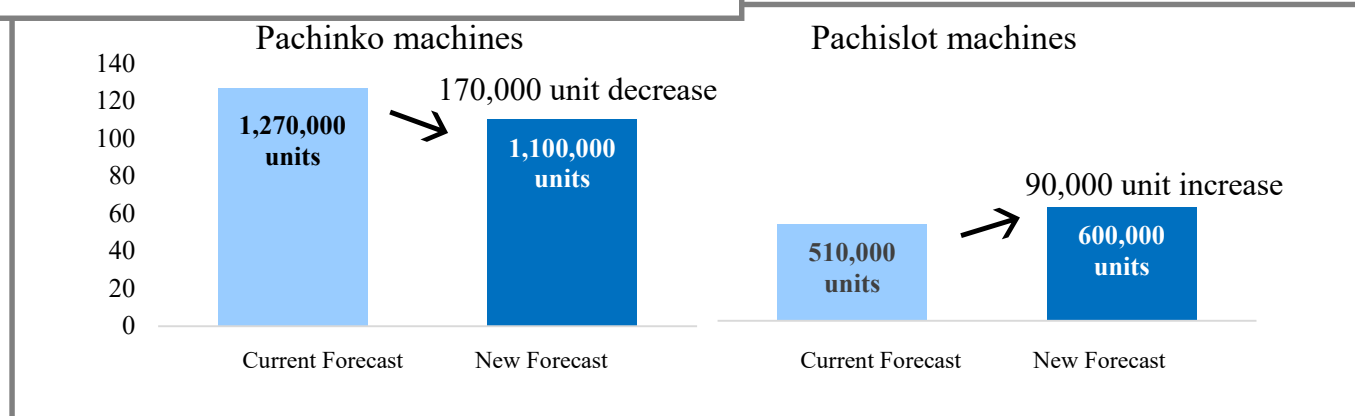
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Pachinko and Pachislot Machine Business (Market Trends & Company's Response)

Market Outlook for the Fiscal Year

- Demand is expected to increase, with the authorization of approximately 200,000 pachislot machines under the previous regulations expiring by the end of the year.
- In the market, purchases of new titles have leaned more heavily toward pachislot than anticipated. This means that pachinko sales face an uphill battle.

Forecast for Number of Machines Sold in the Market



Company's Response

- Focus on pachislot machine sales in light of market trends.
- Release two strong pachislot titles.
- Status of orders is promising.

Released October 2019



Toukonkeishou
Antonio Inoki to iu
na no Pachislot ki

©コーラルゼット



To be released December 2019



Lupin the Third:
Italy no Yume

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Impact of Typhoons & Heavy Rain

- Impact of Typhoons No. 15 and 19, and heavy rain accompanying Typhoon No. 21
 - ✓ Despite lost sales opportunities due to closings, impact limited.
 - ✓ For restoration costs, contribution expected to be at level of planned capital investment figures.

Status of Damage

- ✓ Typhoon No. 15: damage from power outages and flooding, mainly in Chiba Prefecture
- ✓ Typhoons No. 19 and 21: flood damage mainly along rivers

Status of Response

- ✓ Riverside golf courses temporarily closed; others coping via irregular operation, etc.
- ✓ For closed golf courses, customers with reservations sent to nearby Group golf courses
- ✓ Currently working at rapid pace toward full restoration

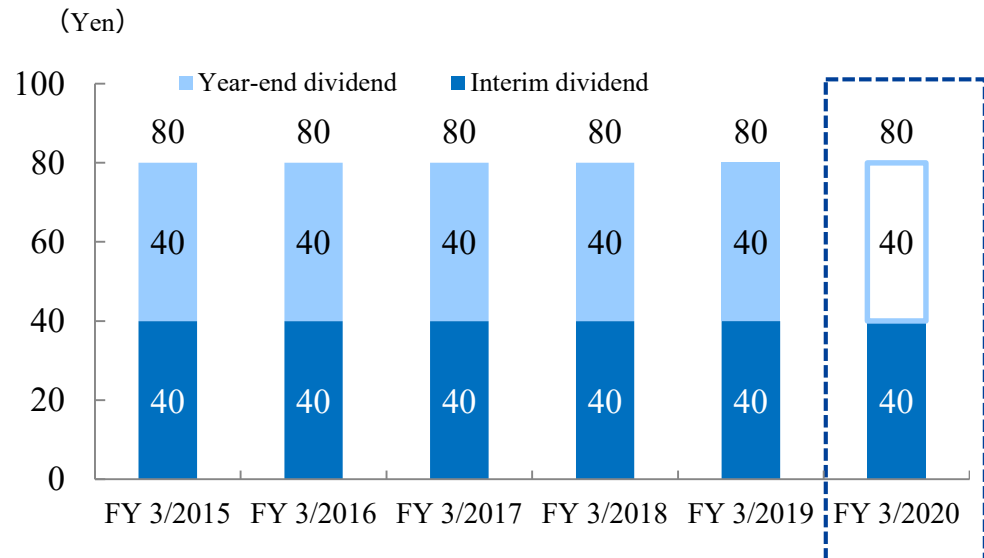
Dividend policy

- 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 |
| Total | 80 yen |

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 Machine
- 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

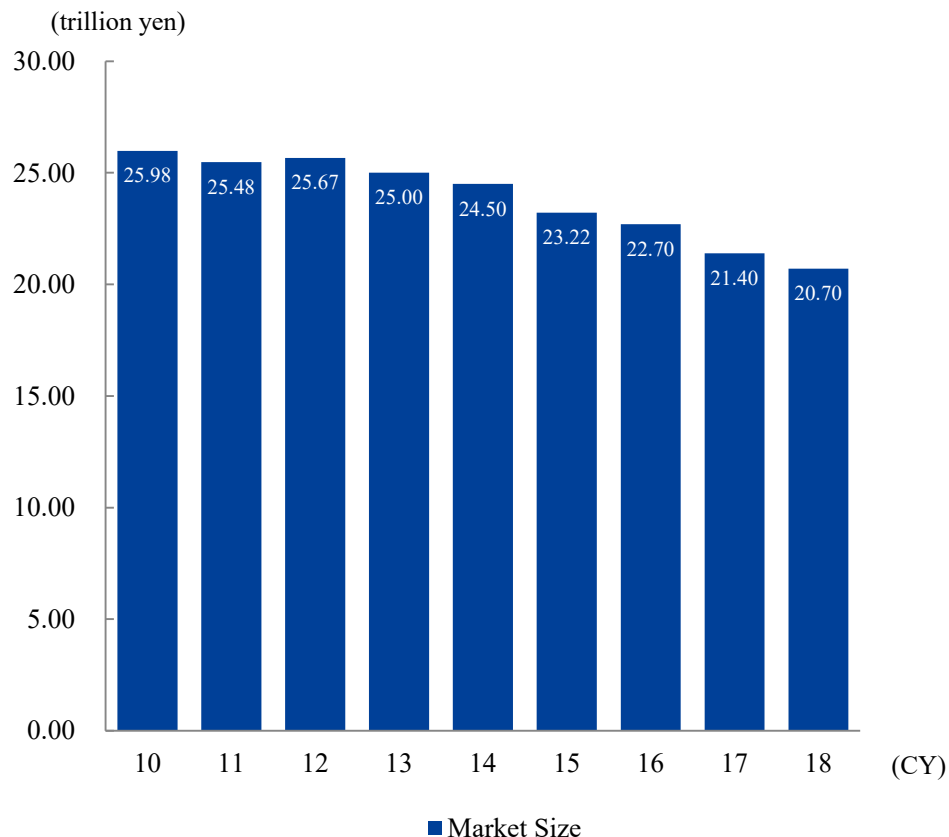
【Consolidated Results】

- Trends of Business Results
- Key Financial Indicators

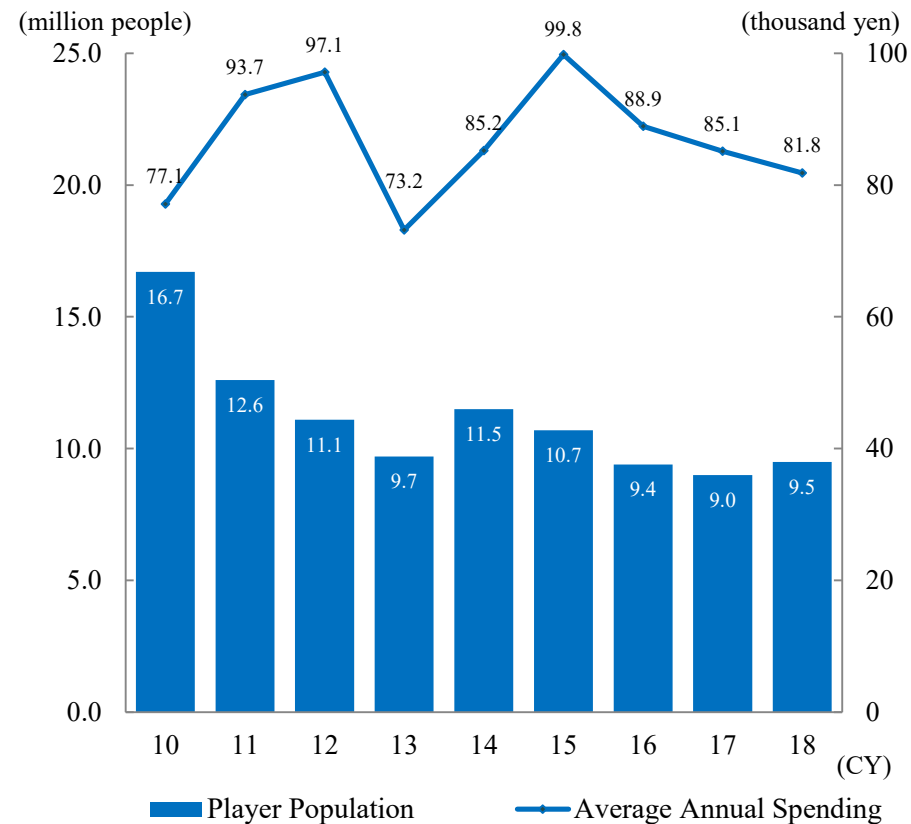
Market Environment (Pachinko and Pachislot Machine Business) 1

Pachinko and Pachislot Machine Business

Market Size



Player Population and Average Annual Spending

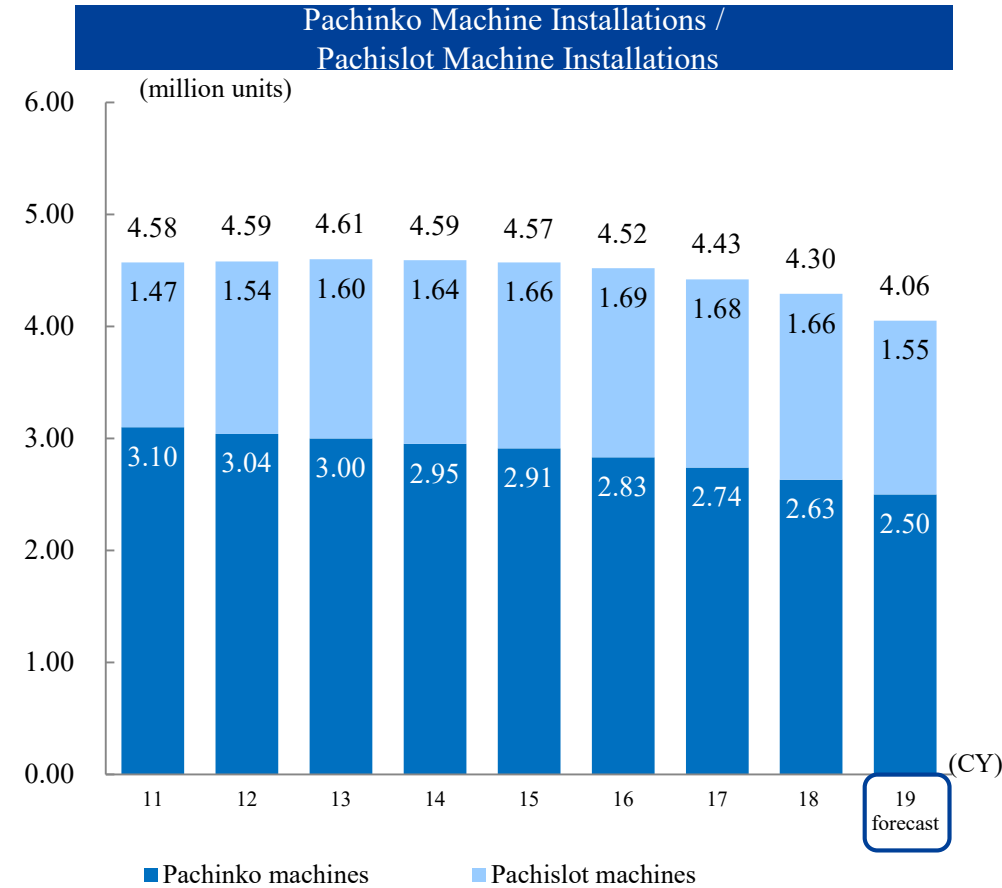
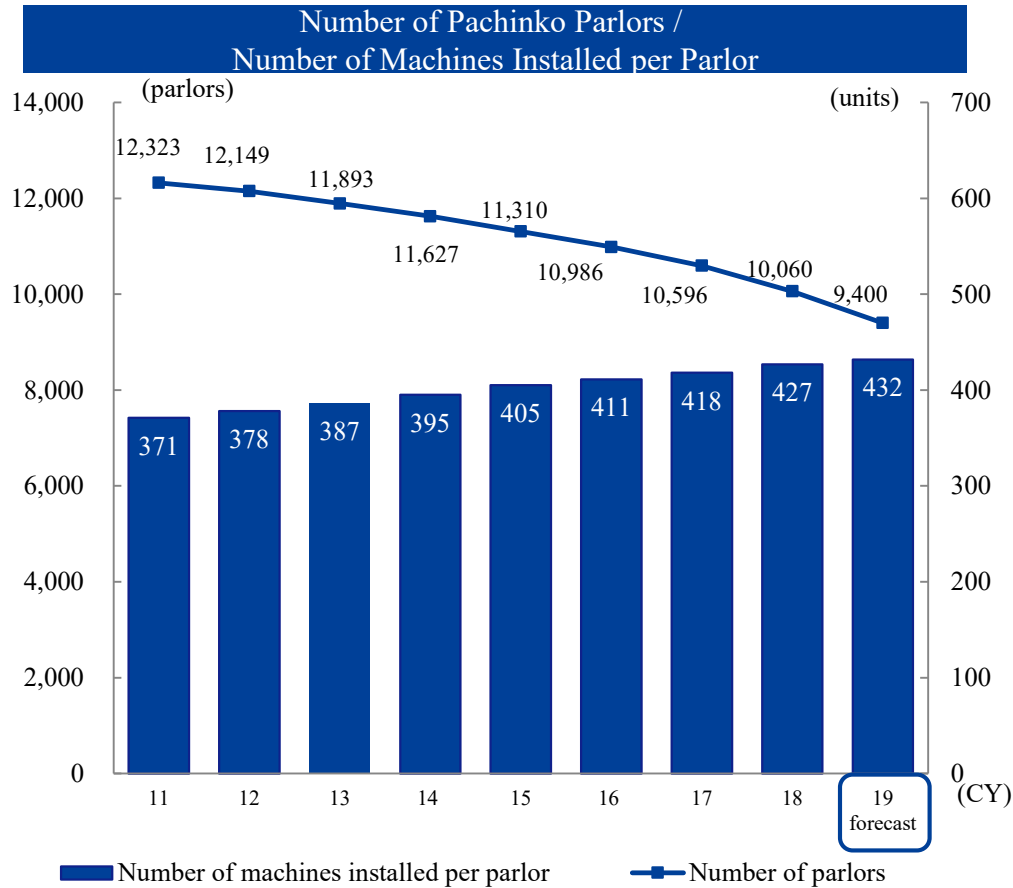


| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Market size (trillion yen) | 25.98 | 25.48 | 25.67 | 25.00 | 24.50 | 23.22 | 22.70 | 21.40 | 20.70 |
| Player population (million) | 16.7 | 12.6 | 11.1 | 9.7 | 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 |

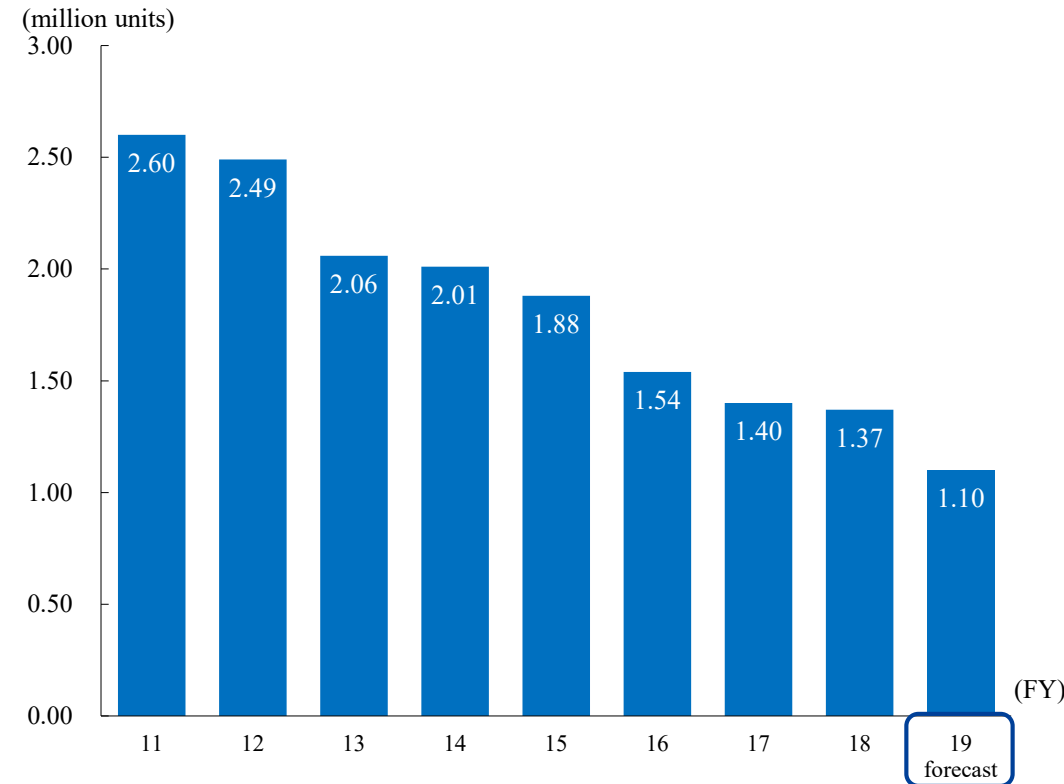
Note: Data source: National Police Agency. Data on a calendar year basis (from Jan to Dec). Figures for 2019 is the Company's estimates.

Market Environment

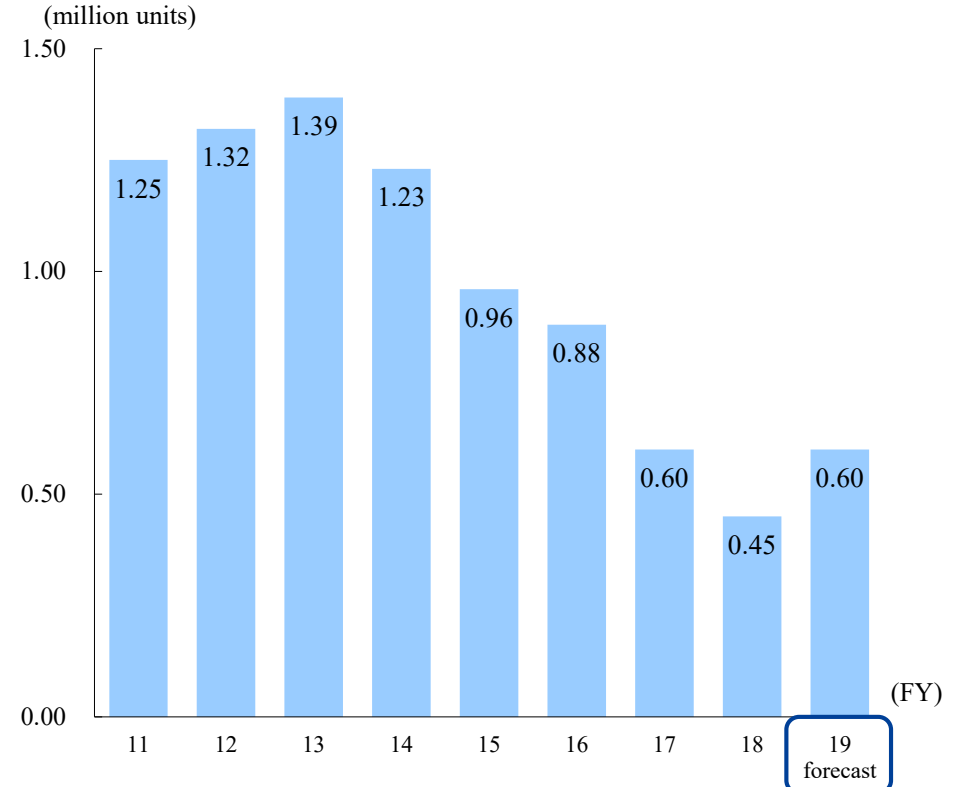
(Pachinko and Pachislot Machine Business) 3

Pachinko and Pachislot Machine Business

Pachinko machine sales



Pachislot machine sales



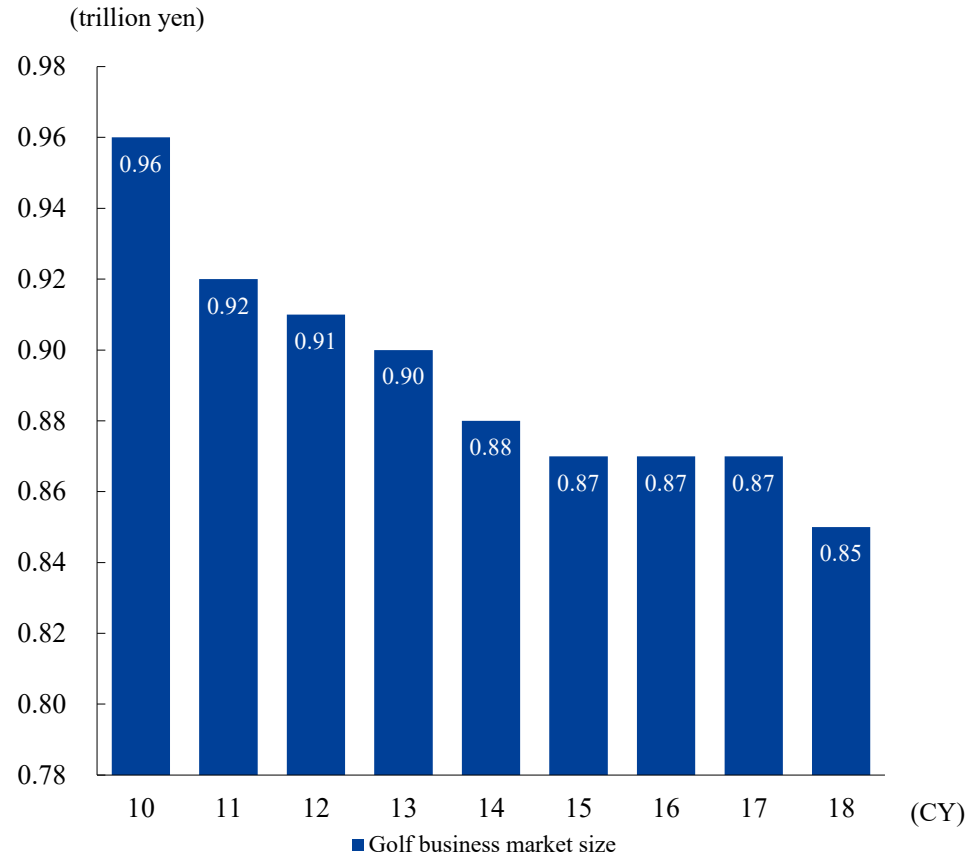
| Number of machines sold (million units) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 forecast |
|--|------|------|------|------|------|------|------|------|------------------|
| Pachinko machines | 2.60 | 2.49 | 2.06 | 2.01 | 1.88 | 1.54 | 1.40 | 1.37 | 1.10 |
| Pachislot machines | 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.

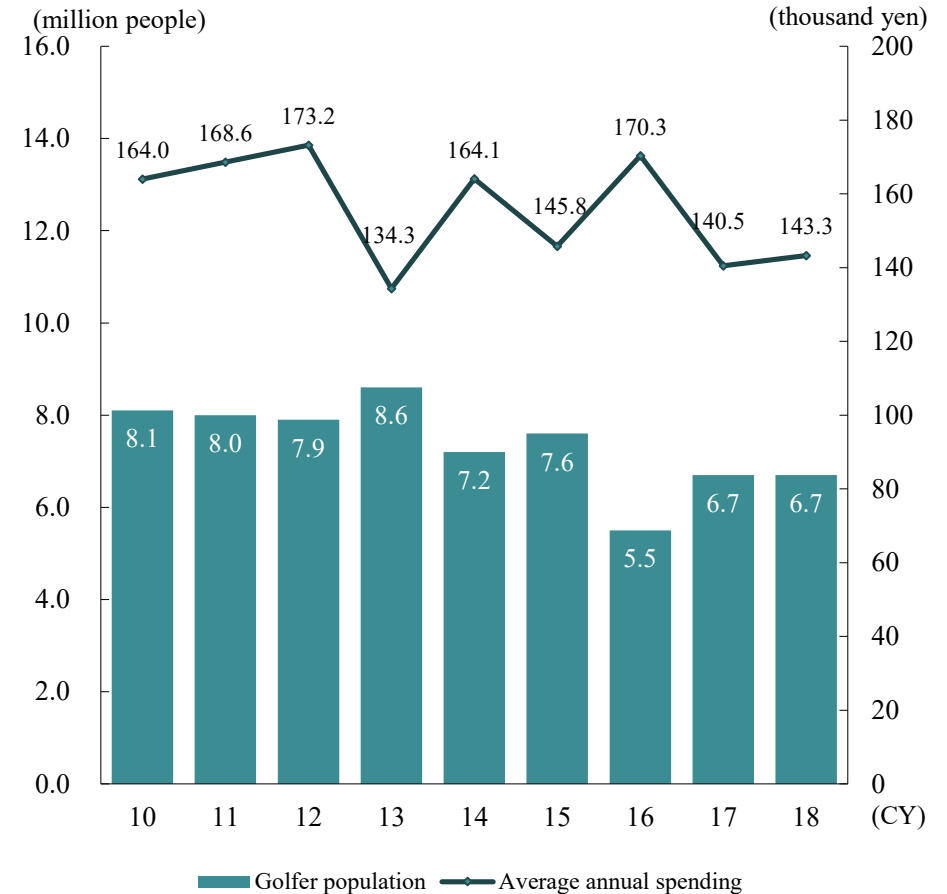
Market Environment (Golf Business)

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).

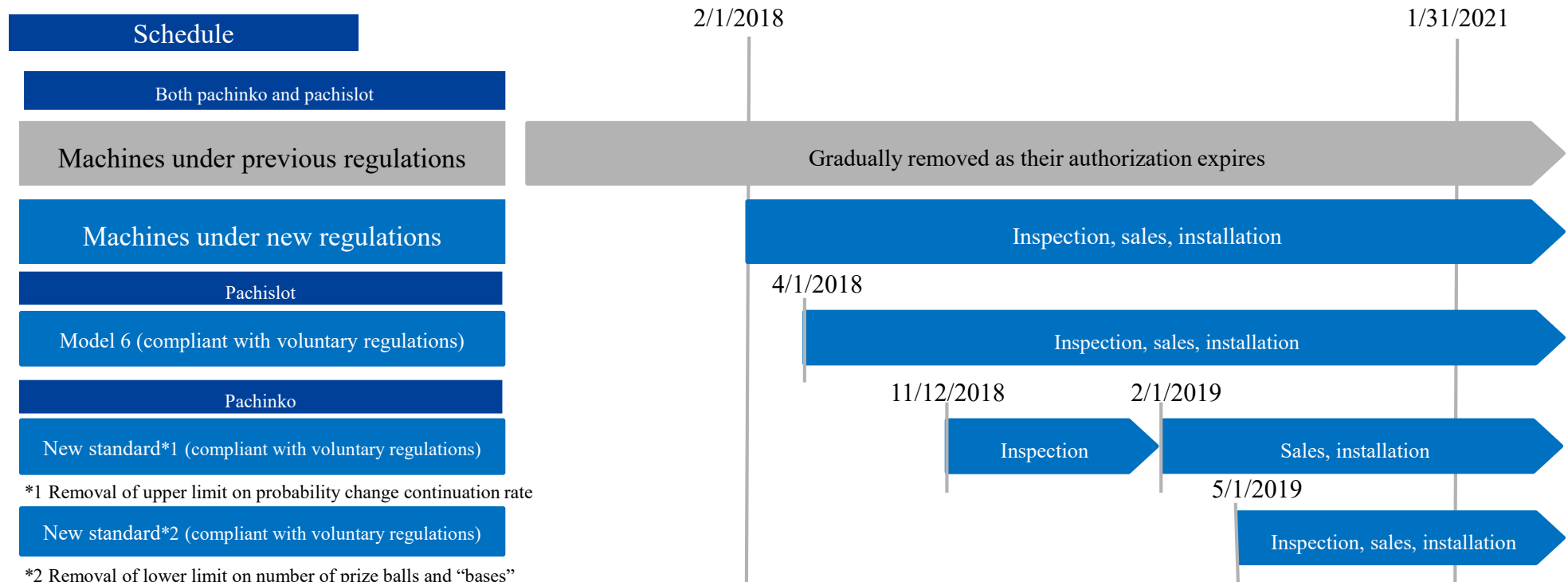
Regulations on Pachinko and Pachislot Machines

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



Number of Machines Sold

Titles Released in FY ended March 31, 2019

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 | 2Q cumulative | Full year | 2Q cumulative | Full year | 1Q | 2Q cumulative | 3Q cumulative | Full year | 1Q | 2Q cumulative | 3Q cumulative | Full year | 1Q | 2Q cumulative |
| Total | | 317,948 | 344,866 | 204,078 | 348,613 | 133,904 | 273,714 | 19,955 | 47,867 | 90,793 | 138,626 | 48,059 | 97,832 | 121,297 | 166,124 | 34,929 | 77,851 |
| Pachinko machines | | 197,146 | 252,103 | 173,596 | 234,616 | 70,550 | 192,761 | 18,557 | 36,557 | 79,475 | 117,774 | 28,774 | 58,482 | 76,647 | 118,880 | 26,724 | 45,182 |
| Body | | 128,059 | 200,813 | 152,835 | 179,197 | 55,214 | 167,951 | 14,308 | 26,858 | 38,890 | 72,185 | 22,549 | 39,541 | 50,363 | 60,946 | 12,024 | 23,060 |
| Gauge board | | 69,087 | 51,290 | 20,761 | 55,419 | 15,336 | 24,810 | 4,249 | 9,699 | 40,585 | 45,589 | 6,225 | 18,941 | 26,284 | 57,934 | 14,700 | 22,122 |
| Pachislot machines | | 120,802 | 92,763 | 30,482 | 113,997 | 63,354 | 80,953 | 1,398 | 11,310 | 11,318 | 20,852 | 19,285 | 39,350 | 44,650 | 47,244 | 8,205 | 32,669 |
| Chassis | | 77,716 | 36,146 | 10,604 | 89,453 | 34,458 | 36,001 | 70 | 1,032 | 1,032 | 1,344 | 2,742 | 11,213 | 11,513 | 14,093 | 588 | 4,337 |
| Combined unit | | 43,086 | 56,617 | 19,878 | 24,544 | 28,896 | 44,952 | 1,328 | 10,278 | 10,286 | 19,508 | 16,543 | 28,137 | 33,137 | 33,151 | 7,617 | 28,332 |

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 |
| | Total* | 45,182 |

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-jo 2</i> | 9,005 |
| | Total* | 32,669 |

*Total includes units of titles released in FY 3/2019 (Pachinko: 23,316 units Pachislot: 17 units)

Trends of Golf Course Users and Revenue per Customer 1

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 | | | | | | | 4,359,682 |

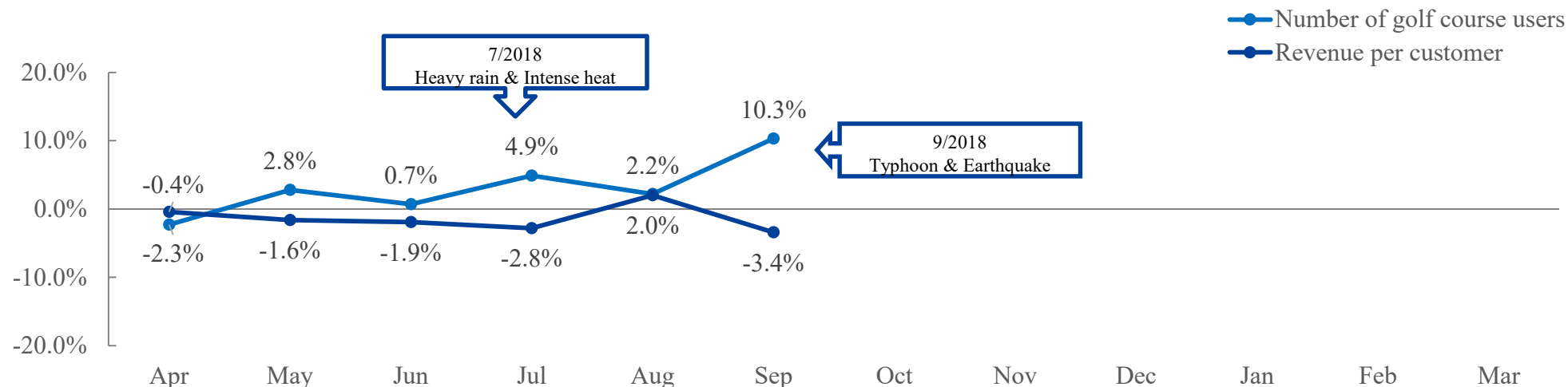
Revenue per Customer

| (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 | | | | | | | 9,078 |

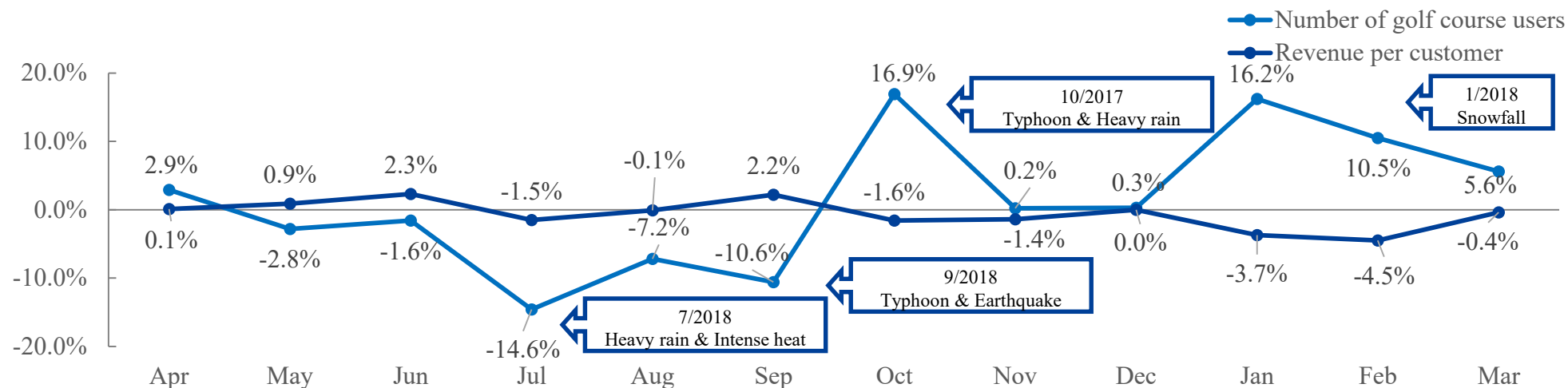
Trends of Golf Course Users and Revenue per Customer 2

Golf Business

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.

Golf Course Portfolio

Golf Business

| | As of March 31, 2019 | | As of September 30, 2019 | |
|-------------------------|----------------------|----------------|--------------------------|----------------|
| | Courses | 18H equivalent | Courses | 18H equivalent |
| Owned Golf Courses | 139 | 169.5 | 138 | 168.5 |
| Leased Golf Courses | 1 | 2.0 | 1 | 2.0 |
| Contracted Golf Courses | 1 | 1.5 | 2 | 2.5 |
| Total | 141 | 173.0 | 141 | 173.0 |
| Hokkaido | 6 | 9.5 | 6 | 9.5 |
| Tohoku | 8 | 10.5 | 8 | 10.5 |
| Kanto, Koushinetsu | 61 | 72.0 | 61 | 72.0 |
| Tokai, 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, Okinawa | 17 | 22.5 | 17 | 22.5 |
| Total | 141 | 173.0 | 141 | 173.0 |

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

【Acquisition】

October 1, 2019 PGM Tomioka Country Club North Course
(Formerly Lakewood Golf Club Tomioka Course)
(Tomioka City, Gunma Prefecture – 27H)

【Sponsorship agreements, etc.】

January 30, 2019 Fuji Gotenba Golf Club
(Gotenba City, Shizuoka Prefecture – 18H)

【Management outsourcing】

May 31, 2019 Reoma Kohgen Golf Club
(Miyoshi City, Tokushima Prefecture – 18H)

【Sale】

May 31, 2019 Reoma Kohgen Golf Club
(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 | 2Q cumulative | Full year | 2Q cumulative | Full year | 1Q | 2Q cumulative | 3Q cumulative | Full year | 1Q | 2Q cumulative | 3Q cumulative | Full year | 1Q | 2Q cumulative |
| Net sales | 181,570 | 198,605 | 119,620 | 214,954 | 93,633 | 186,218 | 30,547 | 62,177 | 100,233 | 132,765 | 41,628 | 80,211 | 111,451 | 144,980 | 36,809 | 73,911 |
| Pachinko and Pachislot machine Business | 105,869 | 121,380 | 77,683 | 135,388 | 52,243 | 108,139 | 7,892 | 18,310 | 34,132 | 51,552 | 17,979 | 37,027 | 45,135 | 62,407 | 13,021 | 29,568 |
| Pachinko machines | 66,105 | 89,589 | 66,955 | 89,200 | 26,737 | 75,823 | 7,140 | 13,698 | 29,434 | 44,428 | 10,752 | 22,199 | 29,229 | 45,569 | 9,861 | 17,243 |
| Pachislot machines | 39,763 | 31,791 | 10,728 | 46,188 | 25,113 | 31,607 | 638 | 4,379 | 4,388 | 6,702 | 7,148 | 14,639 | 15,642 | 16,509 | 3,098 | 12,189 |
| Golf Business | 73,145 | 74,807 | 40,669 | 77,071 | 41,390 | 78,078 | 22,654 | 43,866 | 66,100 | 81,213 | 23,649 | 43,183 | 66,316 | 82,573 | 23,788 | 44,342 |
| Other | 2,555 | 2,417 | 1,267 | 2,494 | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating income | 36,909 | 42,870 | 26,446 | 38,967 | 23,275 | 36,599 | 4,214 | 5,199 | 12,252 | 13,931 | 12,240 | 20,743 | 26,007 | 28,014 | 8,102 | 13,550 |
| Pachinko and Pachislot machine Business | 30,119 | 34,310 | 20,164 | 30,088 | 17,754 | 29,602 | -86 | -749 | 3,106 | 7,149 | 7,523 | 15,666 | 16,982 | 20,791 | 3,294 | 7,946 |
| Pachinko machines | 14,836 | 21,582 | 17,047 | 16,467 | 7,184 | 17,609 | 385 | -1,278 | 3,327 | 7,025 | 4,077 | 8,585 | 10,452 | 15,260 | 2,127 | 1,874 |
| Pachislot machines | 15,282 | 12,728 | 3,117 | 13,620 | 10,518 | 11,869 | -492 | 486 | -286 | 26 | 3,420 | 7,057 | 6,483 | 5,474 | 1,150 | 6,037 |
| Golf Business | 9,911 | 12,127 | 7,955 | 12,427 | 7,449 | 10,935 | 5,208 | 7,530 | 11,494 | 9,930 | 5,593 | 6,761 | 11,524 | 10,599 | 5,661 | 7,194 |
| Other | 159 | 140 | 82 | 151 | - | - | - | - | - | - | - | - | - | - | - | - |
| Eliminations & corporate expenses | -3,281 | -3,708 | -1,755 | -3,699 | -1,928 | -3,937 | -908 | -1,580 | -2,349 | -3,147 | -875 | -1,684 | -2,499 | -3,376 | -853 | -1,590 |
| Operating income ratio | 20.3% | 21.6% | 22.1% | 18.1% | 24.9% | 19.7% | 13.8% | 8.4% | 12.2% | 10.5% | 29.4% | 25.9% | 23.3% | 19.3% | 22.0% | 18.3% |
| Ordinary income | 35,405 | 42,059 | 25,896 | 37,444 | 22,819 | 35,655 | 4,279 | 5,009 | 11,649 | 13,105 | 12,219 | 20,350 | 25,783 | 27,451 | 8,172 | 13,532 |
| Profit attributable to owners of parent | 20,361 | 26,235 | 19,248 | 28,143 | 14,758 | 27,058 | 2,403 | 2,122 | 5,920 | 6,799 | 8,190 | 13,489 | 16,857 | 16,341 | 5,857 | 9,407 |
| | | | | | | | | | | | | | | | | |
| SGA expenses | 36,095 | 36,517 | 17,573 | 39,873 | 17,843 | 37,447 | 6,408 | 15,001 | 23,090 | 30,652 | 5,945 | 12,939 | 19,418 | 27,822 | 6,716 | 16,698 |
| Personnel expenses | 7,621 | 7,700 | 3,234 | 7,334 | 3,261 | 7,207 | 1,543 | 3,049 | 4,548 | 6,211 | 1,531 | 3,052 | 4,498 | 6,356 | 1,423 | 2,864 |
| Selling expenses | 8,994 | 8,632 | 5,133 | 10,241 | 4,716 | 9,898 | 929 | 2,926 | 4,706 | 6,928 | 1,364 | 3,680 | 5,199 | 7,294 | 928 | 3,544 |
| Advertising expenses | 3,856 | 3,560 | 1,383 | 3,155 | 1,192 | 2,842 | 417 | 849 | 2,022 | 2,368 | 366 | 742 | 1,801 | 2,179 | 288 | 698 |
| Sales commissions | 3,572 | 3,675 | 1,819 | 3,701 | 1,679 | 2,858 | 162 | 436 | 737 | 1,135 | 543 | 1,131 | 1,315 | 1,660 | 316 | 886 |
| General expenses | 19,478 | 20,184 | 9,204 | 22,297 | 9,865 | 20,341 | 3,935 | 9,025 | 13,835 | 17,512 | 3,049 | 6,207 | 9,720 | 14,171 | 4,363 | 10,290 |
| R&D expenses | 12,864 | 13,624 | 5,913 | 15,590 | 6,015 | 12,841 | 2,173 | 5,576 | 8,712 | 10,832 | 1,338 | 2,972 | 4,962 | 7,881 | 2,815 | 7,303 |
| | | | | | | | | | | | | | | | | |
| Depreciation & amortization | 8,339 | 9,478 | 4,619 | 11,027 | 5,070 | 11,098 | 2,346 | 5,017 | 7,831 | 10,740 | 2,270 | 4,773 | 7,292 | 9,868 | 2,016 | 4,171 |
| Capital investment | 12,987 | 11,877 | 5,920 | 13,354 | 6,127 | 14,050 | 4,129 | 10,044 | 12,181 | 14,166 | 2,006 | 4,038 | 5,518 | 7,091 | 2,943 | 5,360 |

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

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