

# **Results for the 1st Quarter of Fiscal Year Ending March 31, 2017**

**August 5, 2016  
Heiwa Corporation**

Securities Code : 6412

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- Golf Business

### 【Pachinko and Pachislot Machine Business】

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- Number of Machines Sold / Titles Released in FY  
Ending March, 2017

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

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- Key Financial Indicators

## Results

- Net sales : 49.3billion yen, +3.8% year on year
- Operating income : 13.2billion yen, +16.0% year on year
- The pachinko and pachislot machine business performed well, which offset the negative impact of the golf business, and led to improved results year on year.

## Pachinko and pachislot machine business

- Net sales : 27.6billion yen, +8.6% year on year
- Operating income : 9.2billion yen, +28.4% year on year
- ✓ The number of Pachinko machines sold in 1Q: 41k units (-1k units yoy)
- ✓ The number of Pachislot machines sold in 1Q: 29k units (+1k units yoy)
- Initiatives to reduce the cost of pachinko machines were successful and pushed operating income upward.

## Golf business

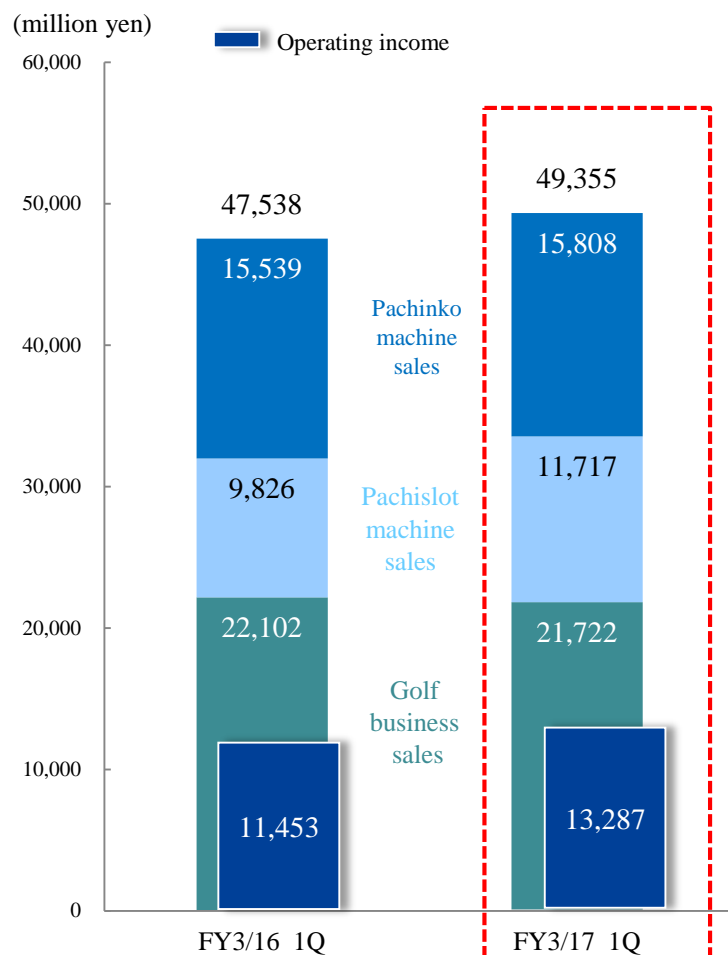
- Net sales : 21.7billion yen, -1.7% year on year
- Operating income : 5.0billion yen, -3.6% year on year
- Operating income also failed to reach the same level year on year due to the reduction in net sales.

# Results for the 1st Quarter of FY ending March 31, 2017

# Consolidated Statements of Income (Results)

## 1st Quarter Results

- Income and profit were up year on year (net sales +3.8% YoY and operating income +16.0% YoY).
  - The pachinko and pachislot machine business performed well, which offset the negative impact of the golf business.
  - In the pachinko and pachislot machine business, both sales and profit were up year on year, due to the increase in the unit sales price and reduction in costs.



(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Net sales	47,538	<b>49,355</b>	3.8%
Pachinko and Pachislot machine business	25,436	<b>27,632</b>	8.6%
Pachinko machines	15,539	<b>15,808</b>	1.7%
Pachislot machines	9,826	<b>11,717</b>	19.2%
Golf business	22,102	<b>21,722</b>	-1.7%
Operating income	11,453	<b>13,287</b>	16.0%
Pachinko and Pachislot machine business	7,180	<b>9,222</b>	28.4%
Pachinko machines	3,128	<b>4,779</b>	52.8%
Pachislot machines	4,024	<b>4,483</b>	11.4%
Golf business	5,222	<b>5,033</b>	-3.6%
Eliminations & corporate expenses	-949	<b>-969</b>	-
Operating income ratio	24.1%	<b>26.9%</b>	+2.8pt
Ordinary income	11,268	<b>12,783</b>	13.4%
Profit attributable to owners of parent	6,003	<b>7,649</b>	27.4%
EBITDA*1	13,598	<b>15,755</b>	15.9%

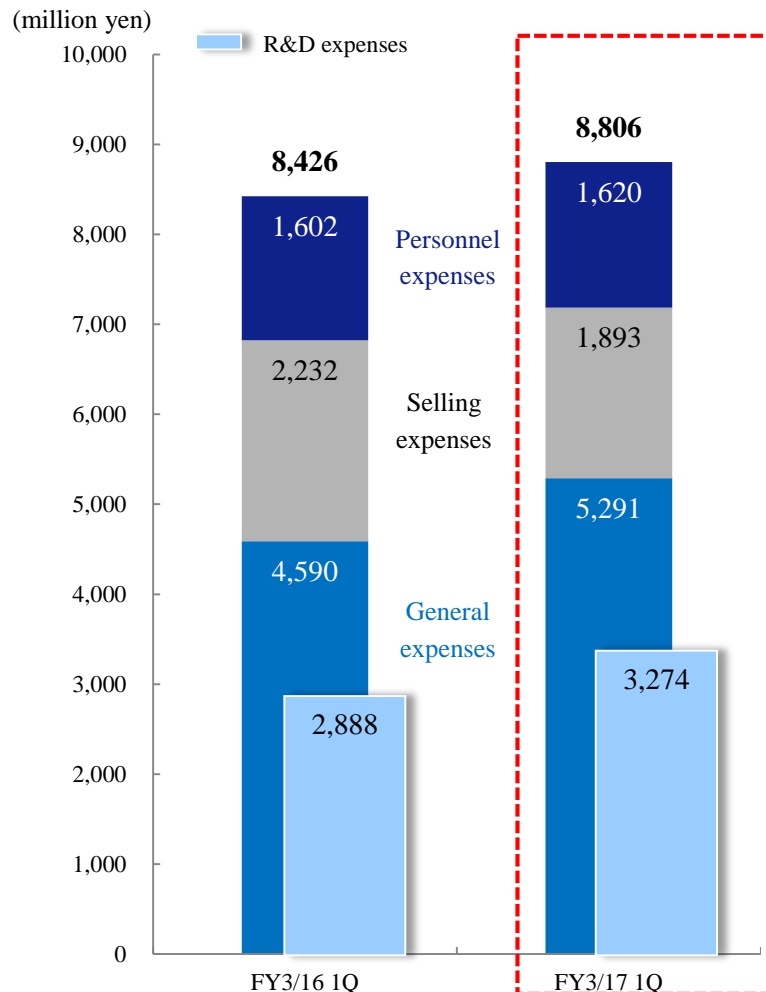
\*1 EBITDA = Operating income + depreciation + amortization

\*2 From the FY ending March 2017, the information service business, which had previously been included under "Other," has been reclassified under "Pachinko and pachislot machine business," and the service area restaurant and shop operating business, which had previously been included under "Other," has been reclassified under "Golf business." In accordance with these changes, figures for the FY ended March 2016 have been rearranged.

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

## 1st Quarter Results

- Year-on-year increase in SGA expenses (+4.5% YoY)
  - Selling expenses decreased due to the omission of provision for the shareholder benefit program, which was recorded in the same period of the previous fiscal year.
    - ✓ Provision for the shareholder benefit program is recorded twice yearly in the closing month.
  - R&D expenses increased due to improvements in product quality.



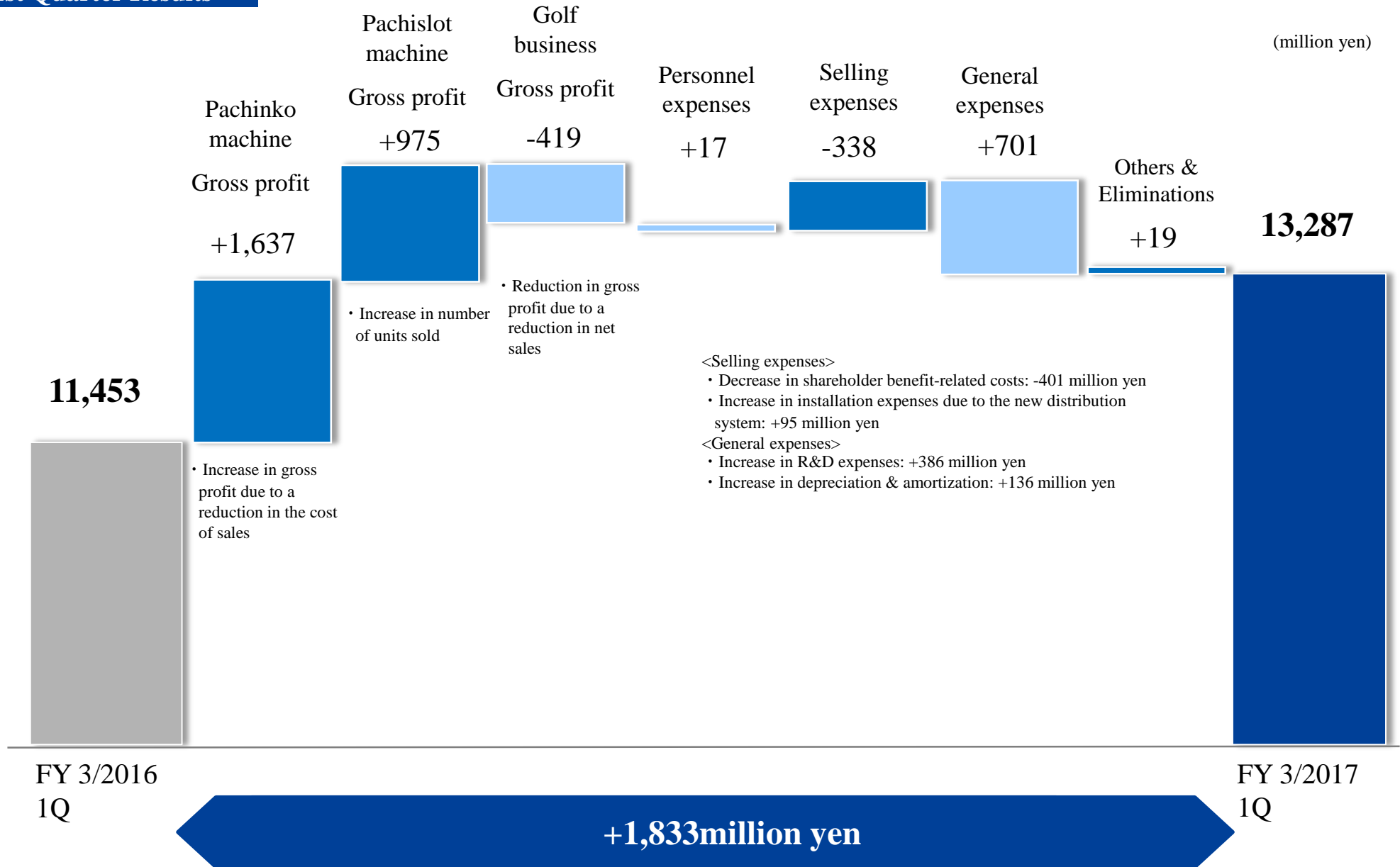
	(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
SGA expenses		8,426	<b>8,806</b>	4.5%
Personnel expenses		1,602	<b>1,620</b>	1.1%
Selling expenses		2,232	<b>1,893</b>	-15.2%
Advertising expenses		627	<b>578</b>	-7.8%
Sales commissions		813	<b>831</b>	2.2%
General expenses		4,590	<b>5,291</b>	15.3%
R&D expenses		2,888	<b>3,274</b>	13.4%

## Depreciation & Amortization / Capital Investment

	(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Depreciation & amortization		2,174	<b>2,433</b>	11.9%
Capital investment		3,013	<b>2,880</b>	-4.4%

# Factors contributing to change in operating income (consolidated basis)

## 1st Quarter Results



# Pachinko and Pachislot Machine Business (Machine Sales Results)

## 1st Quarter Results

(Units)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Number of machines sold	70,736	<b>70,900</b>	+0k units
Pachinko machines	42,532	<b>41,001</b>	-1k units
Number of titles released	2	<b>2</b>	-
Pachislot machines	28,204	<b>29,899</b>	+1k units
Number of titles released	1	<b>1</b>	-

### Major pachinko titles

Titles	Sales (units)	Release
<i>GIRLS und PANZER</i>	23,145	Apr. 2016
<i>Flame of Recca 2</i>	17,186	Jun. 2016

### Major pachislot titles

Titles	Sales (units)	Release
<i>Maison Ikkoku: Sakura no Shitade</i>	6,972	May 2016
<i>Nangoku Monogatari</i>	22,298	Previous Year (Mar. 2016)

\*Total sales of “Nangoku Monogatari” amounted to 30,110 units, including sales in the previous period



Pachinko machine  
*GIRLS und PANZER*



©GIRLS und PANZER Projekt



Pchislot Machine  
*Maison Ikkoku*  
: *Sakura no Sitade*



©高橋留美子/小学館



# Pachinko and Pachislot Machine Business (Results)



## 1st Quarter Results

### Pachinko

- Income and profits were up, due to a reduction in costs, in addition to the unit sales price exceeding the same period in the previous fiscal year.
  - Gross profit ratio increased due to promotion of reuse.

### Pachislot

- The number of units sold and the unit sales price exceeded those of the same period in the previous fiscal year, resulting in increased income and profit.
  - The gross profit ratio decreased slightly due to the high number of chassis sales.

### Total

- Income and profit were up year on year.  
(net sales +8.6% YoY and operating income +28.4% YoY).
  - Initiatives to reduce the cost of pachinko machines were successful and pushed operating income upward.

(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Net sales	25,436	<b>27,632</b>	8.6%
Pachinko machines	15,539	<b>15,808</b>	1.7%
Pachislot machines	9,826	<b>11,717</b>	19.2%
Gross profit	12,800	<b>15,433</b>	20.6%
Pachinko machines	6,594	<b>8,232</b>	24.8%
Pachislot machines	6,179	<b>7,155</b>	15.8%
Gross profit ratio	50.3%	<b>55.9%</b>	+5.6pt
Operating income	7,180	<b>9,222</b>	28.4%
Pachinko machines	3,128	<b>4,779</b>	52.8%
Pachislot machines	4,024	<b>4,483</b>	11.4%
Operating income ratio	28.2%	<b>33.4%</b>	+5.2pt

Breakdown of machine sales			
(Units)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Total	70,736	<b>70,900</b>	164
Pachinko machines	42,532	<b>41,001</b>	-1,531
Body	30,265	<b>30,236</b>	-29
Gauge board	12,267	<b>10,765</b>	-1,502
Pachislot machines	28,204	<b>29,899</b>	1,695
Chassis	8,960	<b>16,516</b>	7,556
Combined unit	19,244	<b>13,383</b>	-5,861

\*From the FY ending March 2017, the information service business has been reclassified under "Pachinko and pachislot machine business." In accordance with this change, figures for the FY ended March 2016 have also been rearranged.

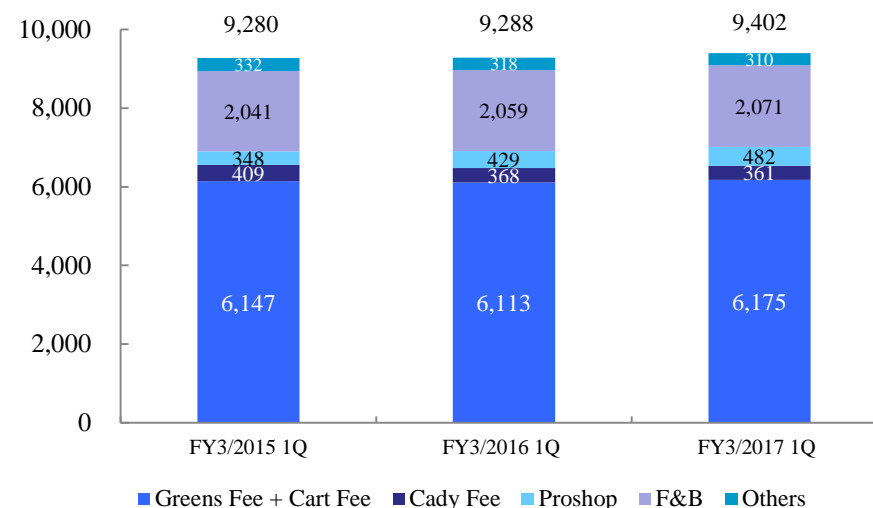
## 1st Quarter Results

- Status of M&A and management outsourcing promotion
  - Concluded a sponsorship agreement as part of the civil rehabilitation procedures of the Kashimanomori Country Club (Kashima City, Ibaraki Prefecture – 18H).
- Although visitor numbers fell short of the same period in the previous fiscal year, revenue per customer was up.
  - Customer numbers declined due to the Kumamoto earthquake, as well as closures and cancellations due to poor weather.

### Number of golf course users/Revenue per customer

【1Q (3 months)】	FY 3/2016 Results	FY 3/2017 Results	YoY
Number of golf course users (thousand people)	2,057	2,050	-0.3%
Revenue per customer (yen)	9,288	9,402	1.2%

### Breakdown of Revenue per Customer



\*Includes internal net sales

# Golf Business (Results)

## 1st Quarter Results

- Income and profits were down year on year (net sales -1.7% YoY and operating income -3.6% YoY).
  - Income decreased due to changes in reporting segment classifications.
    - ✓ The operation of restaurants and shop in service areas was recorded in “Other” in the previous period; however, from this period, it has been classified in the golf business. The number of sites reduced from three to one, due to the expiration of lease agreements with service areas.
  - SGA expenses decreased due to a reduction in shareholder benefit-related costs.

(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Net sales	22,102	21,722	-1.7%
Net Sales before eliminations	22,103	21,724	-1.7%
Eliminations	-1	-2	-
Gross profit	7,079	6,660	-5.9%
Gross profit ratio	32.0%	30.7%	-1.3pt
Operating income	5,222	5,033	-3.6%
Operating income ratio	23.6%	23.2%	-0.4pt

Breakdown of Sales			
(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Revenue from golf course operation	19,106	19,275	0.9%
Membership-related sales	2,297	2,133	-7.1%

Breakdown of Costs			
(million yen)	FY 3/2016 1Q Results	FY 3/2017 1Q Results	YoY
Cost of Sales	15,024	15,064	0.3%
SGA expenses	1,856	1,626	-12.4%

SGA expenses: Reduction in shareholder benefit-related costs

\*From the FY ending March 2017, the service area restaurant and shop operating business has been classified in “Golf business.”  
In accordance with this change, figures for the FY ended March 2016 have also been rearranged.

# Consolidated Balance Sheets (Summary)

(million yen)	As of March 31, 2016	As of June 30, 2016	Change	Remarks
Current assets	151,013	<b>145,054</b>	-5,959	
Non-current assets	299,701	<b>299,066</b>	-634	■ Decrease in cash and deposits
Total assets	450,715	<b>444,121</b>	-6,594	
Current liabilities	103,202	<b>95,665</b>	-7,537	
Non-current liabilities	148,639	<b>146,156</b>	-2,483	■ Repayment of loans payable
Total liabilities	251,842	<b>241,821</b>	-10,020	
Total net assets	198,873	<b>202,300</b>	+3,426	
Total liabilities and net assets	450,715	<b>444,121</b>	-6,594	

(million yen)	As of March 31, 2016	As of June 30, 2016
Cash and deposits, and securities	106,503	<b>103,756</b>
Interest-bearing debt	141,935	<b>136,761</b>
Shareholders' equity	198,841	<b>202,269</b>
Shareholders' equity ratio	44.1%	<b>45.5%</b>

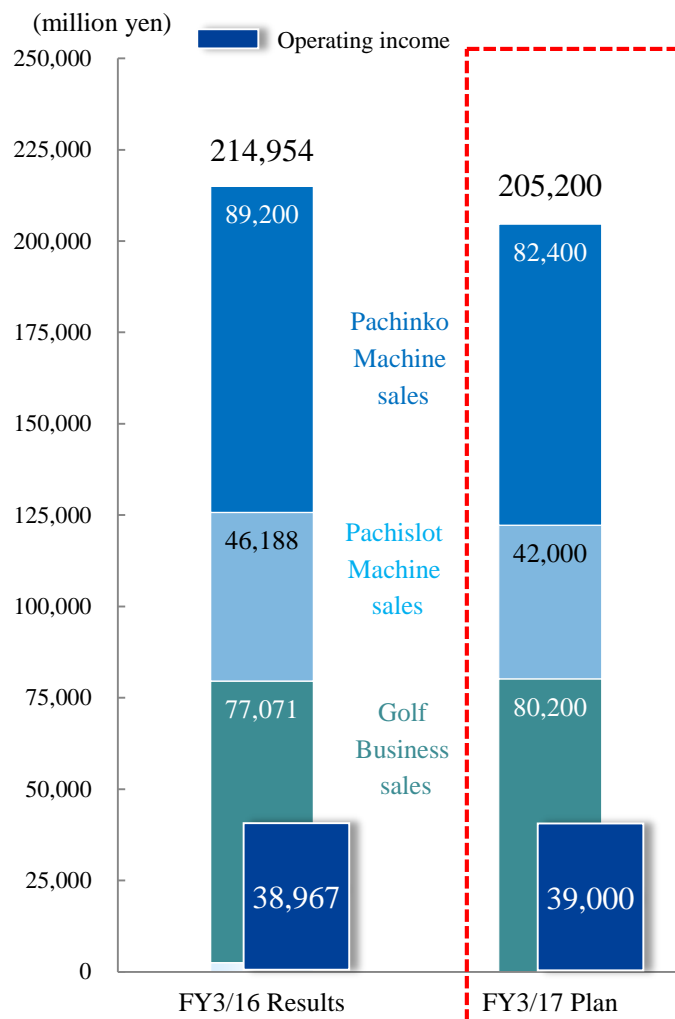
- D/E ratio (interest-bearing debt/shareholders' equity)  
71.4% → 67.6%
- Net D/E ratio (net interest-bearing debt/shareholders' equity)  
17.8% → 16.3%
- Shareholders' equity ratio (shareholders' equity/total asset)  
44.1% → 45.5%

# Full-year Plan for FY ending March, 2017

# Consolidated Statements of Income (Plan)

## FY3/17 Plan

- Net sales are expected to decrease for the pachinko and pachislot machine business and income is expected to decrease overall
- Operating income is expected to remain at the same level as the previous fiscal year due to a reduction in costs, etc. for the pachinko and pachislot machine business



(million yen)	FY 3/2016 Full year Results	FY 3/2017			YoY
		1Q	2Q Cumulative	Full year Plan	
Net sales	214,954	49,355	102,500	<b>205,200</b>	-4.5%
Pachinko and Pachislot machine business	135,388	27,632	59,400	<b>125,000</b>	-7.7%
Pachinko machines	89,200	15,808	27,900	<b>82,400</b>	-7.6%
Pachislot machines	46,188	11,717	31,200	<b>42,000</b>	-9.1%
Golf business	77,071	21,722	43,100	<b>80,200</b>	4.1%
Other	2,494	-	-	-	-
Operating income	38,967	13,287	23,400	<b>39,000</b>	0.1%
Pachinko and Pachislot machine business	30,088	9,222	16,700	<b>30,500</b>	1.4%
Pachinko machines	16,467	4,779	3,800	<b>15,400</b>	-6.5%
Pachislot machines	13,620	4,483	13,000	<b>15,200</b>	11.6%
Golf business	12,427	5,033	8,500	<b>12,400</b>	-0.2%
Other	151	-	-	-	-
Eliminations & corporate expenses	-3,699	-969	-1,800	<b>-3,900</b>	-
Operating income ratio	18.1%	26.9%	22.8%	<b>19.0%</b>	+0.9pt
Ordinary income	37,444	12,783	22,900	<b>37,700</b>	0.7%
Profit attributable to owners of parent	28,143	7,649	15,700	<b>30,000</b>	6.6%
EBITDA*1	49,999	15,755	28,700	<b>50,800</b>	1.6%

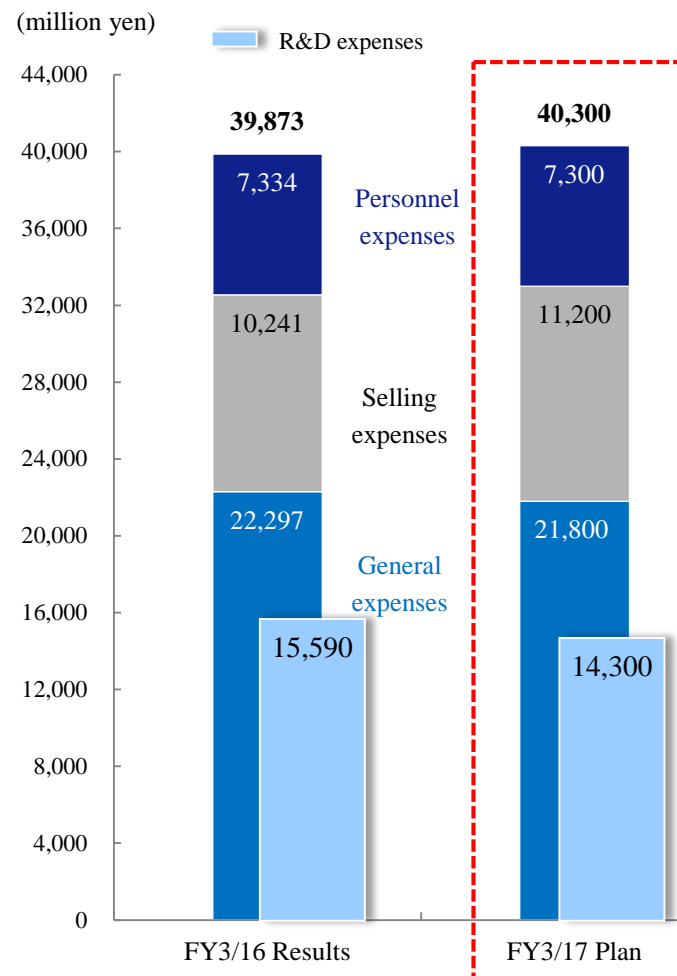
\*1 EBITDA = Operating income + depreciation + amortization

\*2 From the FY ending March 2017, the information service business, which had previously been included under "Other," has been reclassified under "Pachinko and pachislot machine business," and the service area restaurant and shop operating business, which had previously been included under "Other," has been reclassified under "Golf business."

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

FY3/17 Plan

- SGA expenses to remain at the same level as fiscal year ended March 2016
  - Selling expenses to increase along with the commencement of operation of the new distribution system
  - General expenses to decrease due to revision of R&D expenses



(million yen)	FY 3/2016 Full year Results	FY 3/2017			YoY
		1Q	2Q Cumulative	Full year Plan	
SGA expenses	39,873	8,806	19,200	40,300	1.1%
Personnel expenses	7,334	1,620	3,200	7,300	-0.5%
Selling expenses	10,241	1,893	5,400	11,200	9.4%
Advertising expenses	3,155	578	1,400	3,500	10.9%
Sales commissions	3,701	831	2,000	3,600	-2.7%
General expenses	22,297	5,291	10,600	21,800	-2.2%
R&D expenses	15,590	3,274	6,800	14,300	-8.3%

## Depreciation & amortization / Capital investment

(million yen)	FY 3/2016 Full year Results	FY 3/2017			YoY
		1Q	2Q Cumulative	Full year Plan	
Depreciation & amortization	11,027	2,433	5,200	11,600	5.2%
Capital investment	13,354	2,880	6,200	16,000	19.8%



# Pachinko and Pachislot machine Business (Machine Sales Plan)

## FY3/17 Plan

(Units)	FY 3/2016 Full year Results	FY 3/2017			Change the previous year
		1Q	2Q Cumulative	Full year Plan	
Number of machines sold	348,613	70,900	162,000	340,000	-8k units
Pachinko machines	234,616	41,001	81,000	230,000	-4k units
Number of titles released	7	2	4	8	+1
Pachislot machines	113,997	29,899	81,000	110,000	-3k units
Number of titles released	5	1	4	7	+2

\* The number of machines sold in the plan for 2017/3 includes *Nangoku Monogatari*, which was released at the end of 2016/3, but it is excluded from number of titles released.

### Titles to Release in 2Q/ Pachinko Machine

Title	Release Date
<i>DRUM Koumon Chama: Matamata Gochi de yansu!</i>	Aug. 2016

### Titles to Release in 2Q / Pachislot Machine

Title	Release Date
<i>Pachislot Lupin the Third: Kesareta Lupin</i>	Jul. 2016
<i>Pachislot LOST PLANET 2</i>	Sep. 2016



Pachinko Machine  
*DRUM Koumon Chama:  
Matamata Gochi de yansu!*



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Pachislot Machine  
*LOST PLANET 2*



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# Supplementary Information

## 【Market Environment】

- Pachinko and Pachislot Machine Business
- Golf Business

## 【Pachinko and Pachislot Machine Business】

- Regulations on Pachinko Machine
- Regulations on Pachislot Machine
- Number of Machines Sold / Titles Released in FY Ending March, 2017

## 【Golf Business】

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

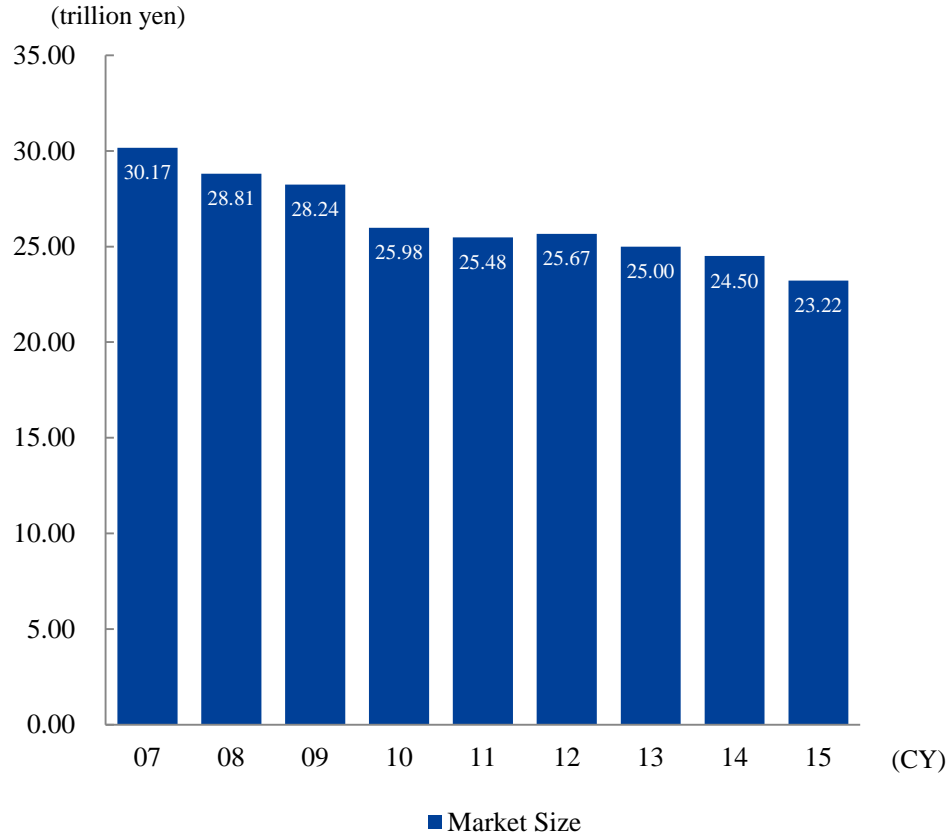
## 【Consolidated Results】

- Trends of Business Results
- Key Financial Indicators

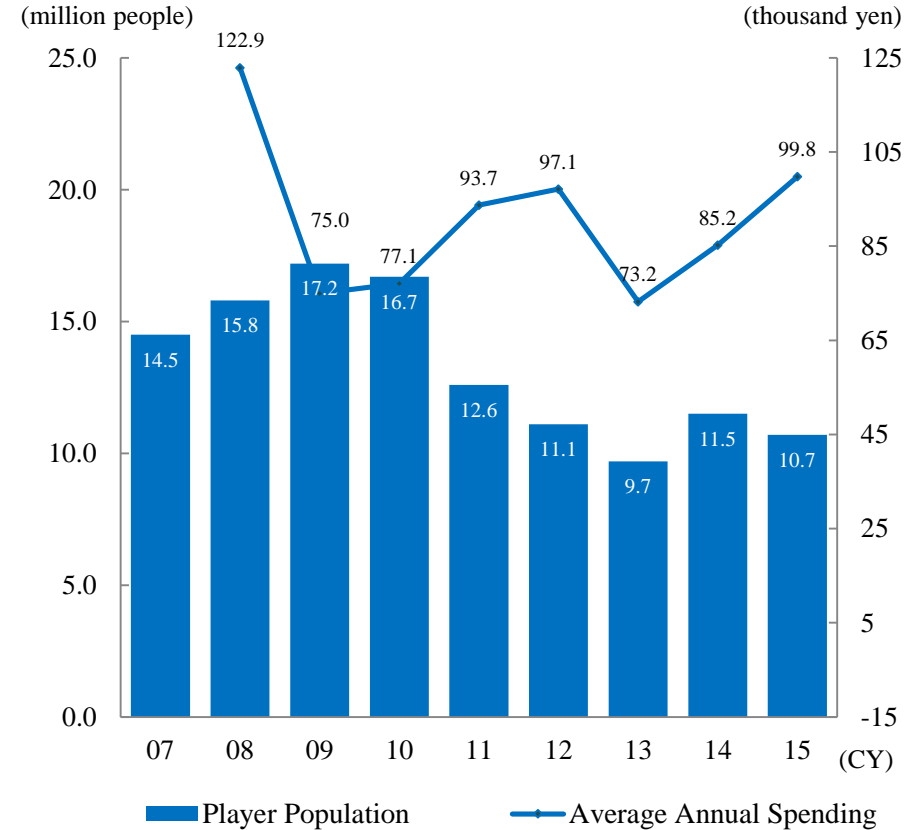
# Market Environment (Pachinko and Pachislot Machine Business) 1

## Pachinko and Pachislot Machine Business

### Market size



### Player population and Average annual spending



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market size (trillion yen)	30.17	28.81	28.24	25.98	25.48	25.67	25.00	24.50	23.22
Player population (million)	14.5	15.8	17.2	16.7	12.6	11.1	9.7	11.5	10.7
Average annual spending (thousand yen)	-	122.9	75.0	77.1	93.7	97.1	73.2	85.2	99.8

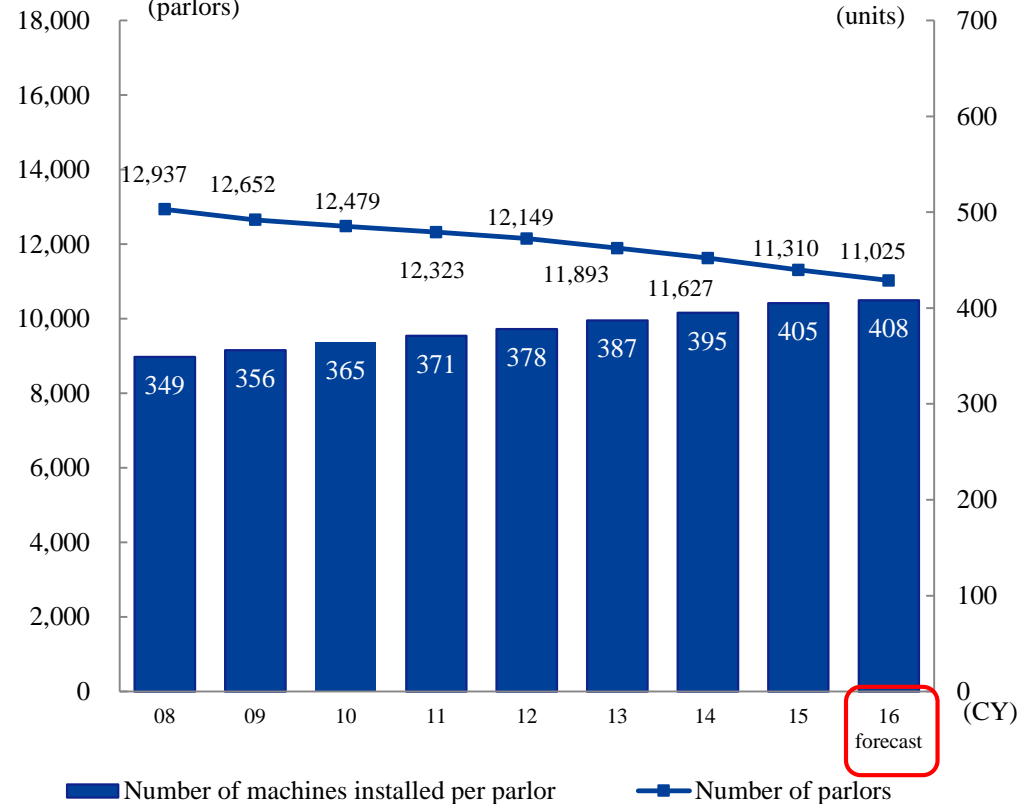
\*Data shown in above table are statistics from *White Paper on Leisure 2016* issued by Japan Productivity Center, and based on calendar year. The organization modified estimation method and revised statistics retroactively. “-” indicates statistics not available in the source document.

# Market Environment

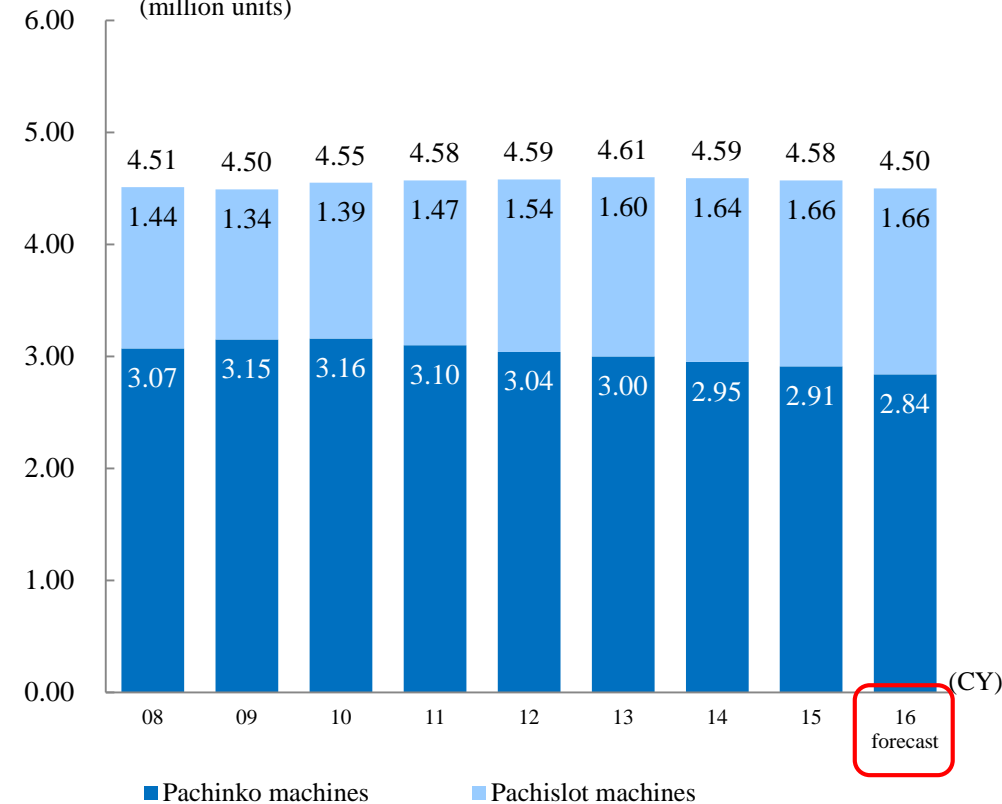
## (Pachinko and Pachislot Machine Business) 2

### Pachinko and Pachislot Machine Business

Number of pachinko parlors /  
Number of machines installed per parlor



Pachinko machine installations /  
Pachislot machine installations



	2008	2009	2010	2011	2012	2013	2014	2015	2016 Forecast
Number of parlors	12,937	12,652	12,479	12,323	12,149	11,893	11,627	11,310	11,025
Number of machines installed per parlor (units)	349	356	365	371	378	387	395	405	408
Pachinko machine installations (million units)	3.07	3.15	3.16	3.10	3.04	3.00	2.95	2.91	2.84
Pachislot machine installations (million units)	1.44	1.34	1.39	1.47	1.54	1.60	1.64	1.66	1.66

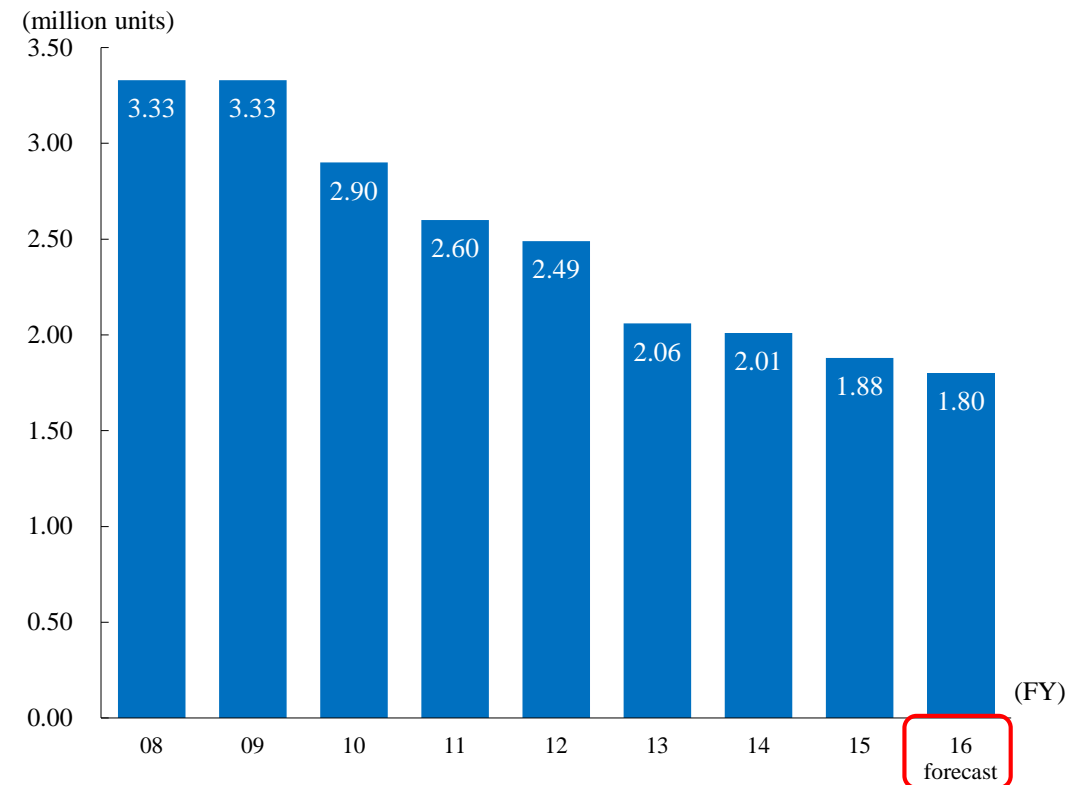
Note: Data source: National Police Agency. Data on a calendar year basis (from Jan to Dec) Figures for 2016 are the Company's estimates.

# Market Environment

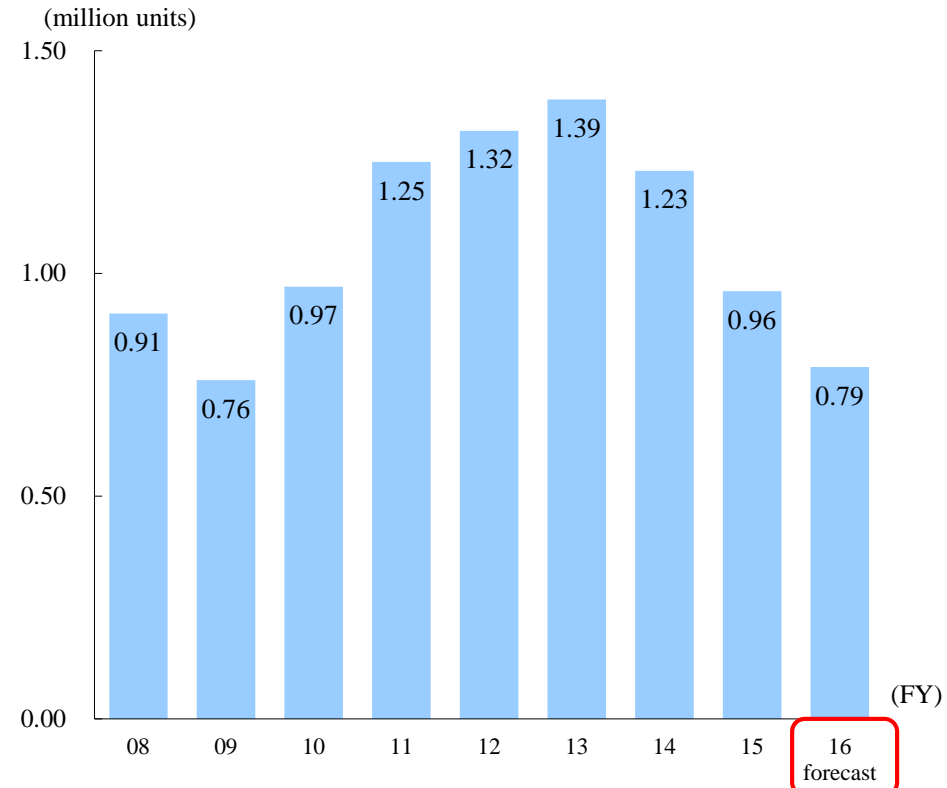
## (Pachinko and Pachislot Machine Business) 3

### Pachinko and Pachislot Machine Business

#### Pachinko machine sales



#### Pachislot machine sales



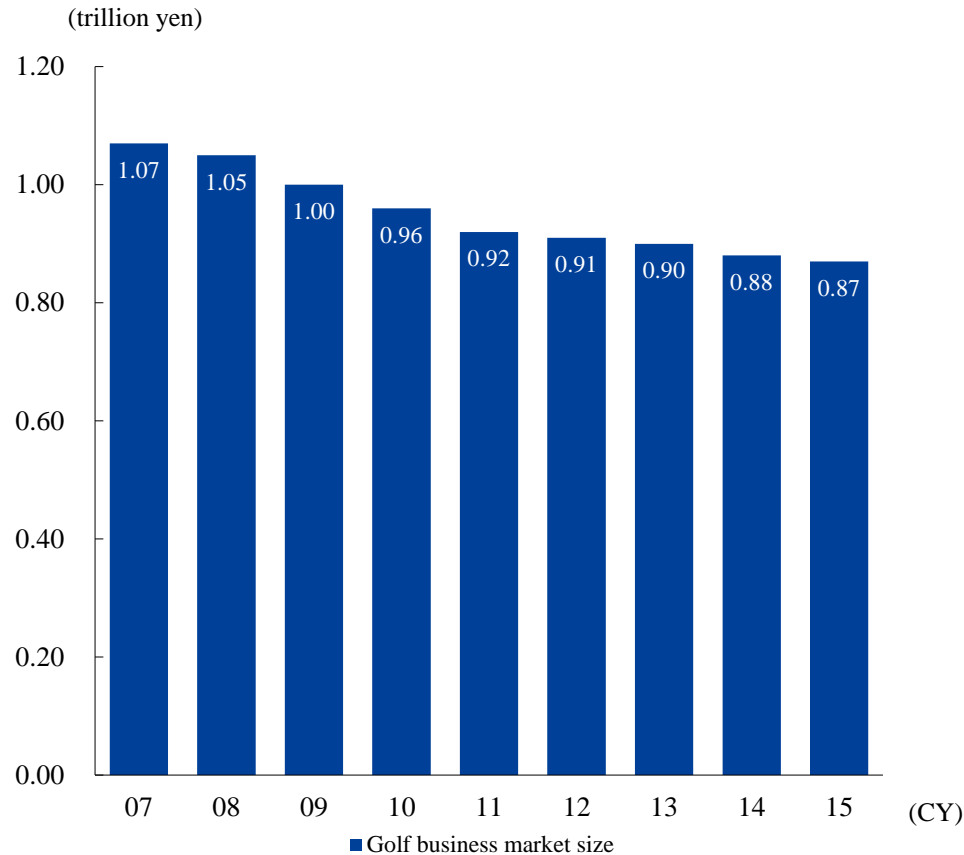
Number of machines sold (million units)	2008	2009	2010	2011	2012	2013	2014	2015	2016 forecast
Pachinko machines	3.33	3.33	2.90	2.60	2.49	2.06	2.01	1.88	1.80
Pachislot machines	0.91	0.76	0.97	1.25	1.32	1.39	1.23	0.96	0.79

Note: Data source: Yano Research Institute. Data on a fiscal year basis (from April to March of the next year). Data for 2016 is the Company's forecast.

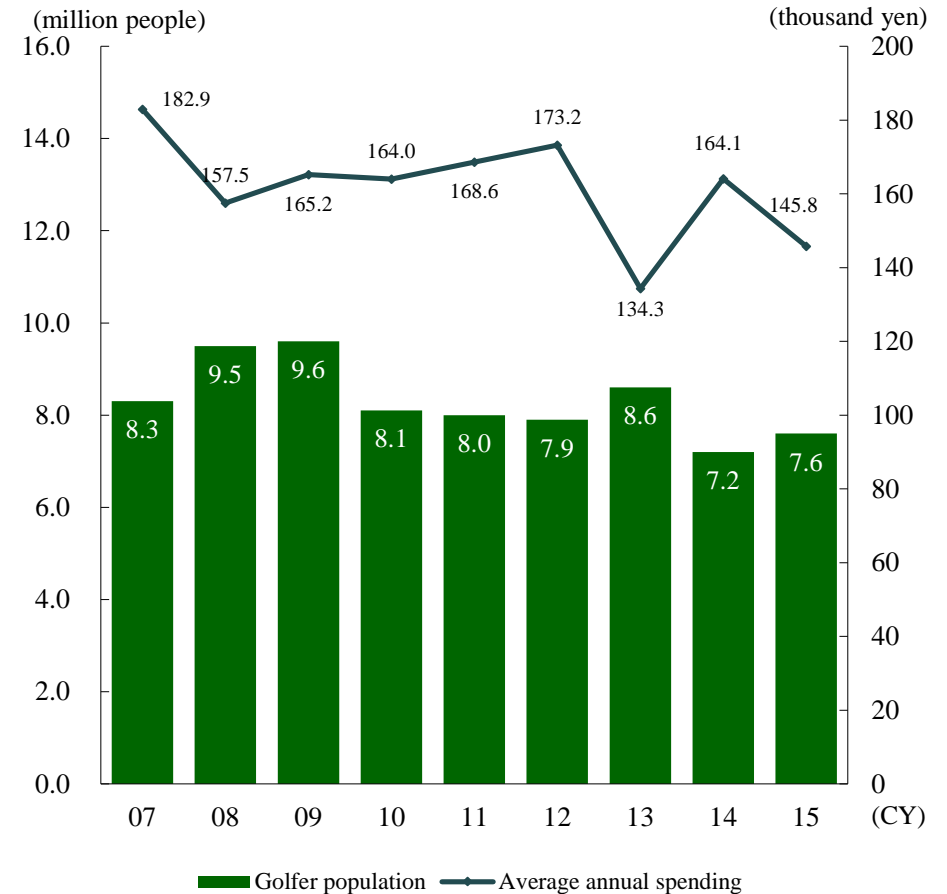
# Market Environment (Golf Business)

Golf Business

## Market size



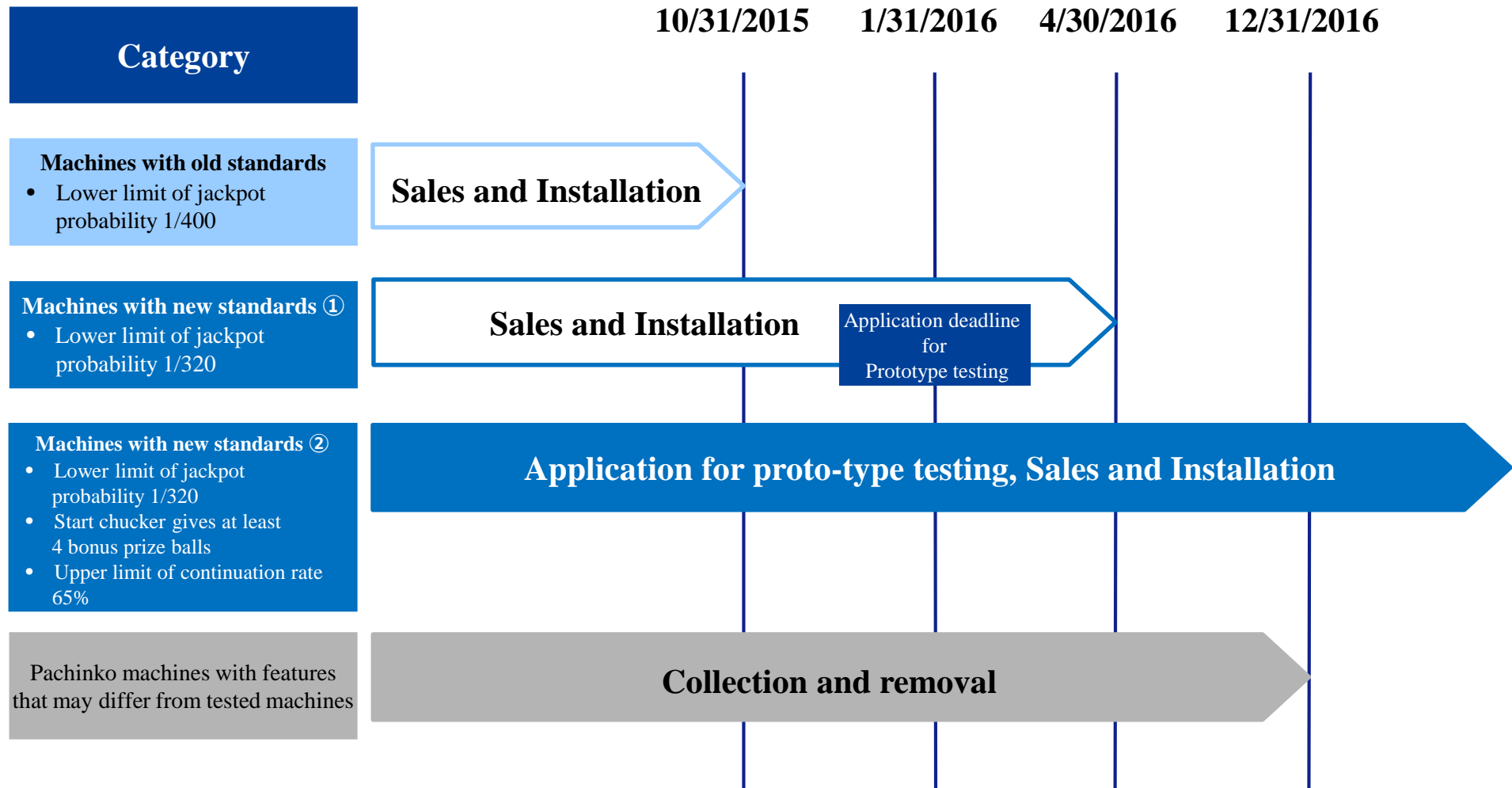
## Golfer population / Average annual spending



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market size (trillion yen)	1.07	1.05	1.00	0.96	0.92	0.91	0.90	0.88	0.87
Golfer population (million)	8.3	9.5	9.6	8.1	8.0	7.9	8.6	7.2	7.6
Average annual spending (thousand yen)	182.9	157.5	165.2	164.0	168.6	173.2	134.3	164.1	145.8

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

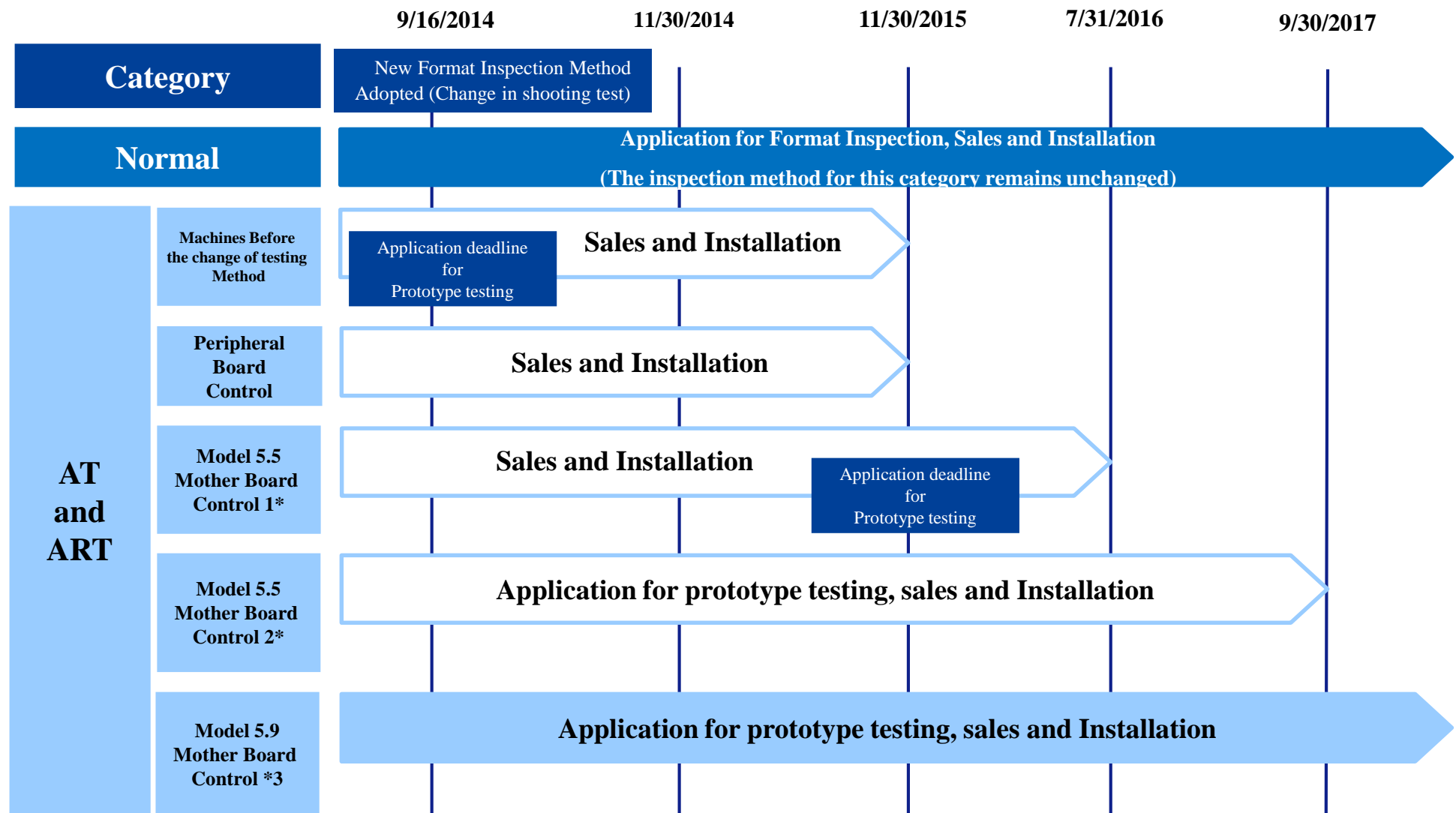
# Regulations on Pachinko Machine



## Machines with new standards①

Expected retrievable number of balls from series of jackpots are changed depends on each category (loop/ST) of Pachinko machine. (the change is from “expected retrievable number of balls from jackpots including initial jackpot” to “expected retrievable number of balls from Jackpots excluding initial jackpot.”)

# Schedule of Transitional Period to the New Format Inspection Method (Pachislot Machine)



\* Mother Board Control 1:Payout ratio for small prize of simulation testing  $\geq 1$

\* Mother Board Control 2:Payout ratio for small prize of simulation testing  $< 1$  and a net increase of medals per game of less than 2.0 medals

\* Mother Board Control 3:Payout ratio for small prize of simulation testing  $< 1$  and a net increase of medals per game of less than 2.0 medals. ART maximum number of continuous plays is 1,500 games, with ART to account for up to 70% of total play time

# Number of Machines Sold

## Titles Released in FY ending March, 2016



Pachinko and Pachislot Machine Business

### Number of machines sold

(units)	FY3/2011	FY3/2012	FY3/2013	FY3/2014	FY3/2015	FY3/2016	FY3/2017
	Full year	2Q cumulative	Full year	2Q cumulative	Full year	1Q	1Q
Total	279,310	145,772	266,027	161,545	320,011	140,165	317,948
Pachinko machines	168,219	93,358	187,308	138,219	252,411	78,012	197,146
Body	107,611	38,652	99,030	126,159	179,430	22,251	128,059
Gauge board	60,608	54,706	88,278	12,060	72,981	55,761	69,087
Pachislot machines	111,091	52,414	78,719	23,326	67,600	62,153	120,802
Chassis	61,512	26,445	30,676	1,445	29,472	48,647	77,716
Combined unit	49,579	25,969	48,043	21,881	38,128	13,506	43,086

### Titles released in FY ending March, 2017

#### Pachinko

Release	Title	Units sold
1Q	<i>GIRLS und PANZER</i>	23,145
	<i>Flame of Recca 2</i>	17,186
	Total*	41,001

#### Pachislot

Release	Title	Units sold
1Q	<i>Maison Ikkoku: Sakura no Shitade</i>	6,972
	Total*	29,899

\*Total includes units of titles released in FY 3/2016  
(Pachinko:670units Pachislot:22,927units)



# Trends of Golf Course Users and Revenue per Customer 1

## Number of golf course users

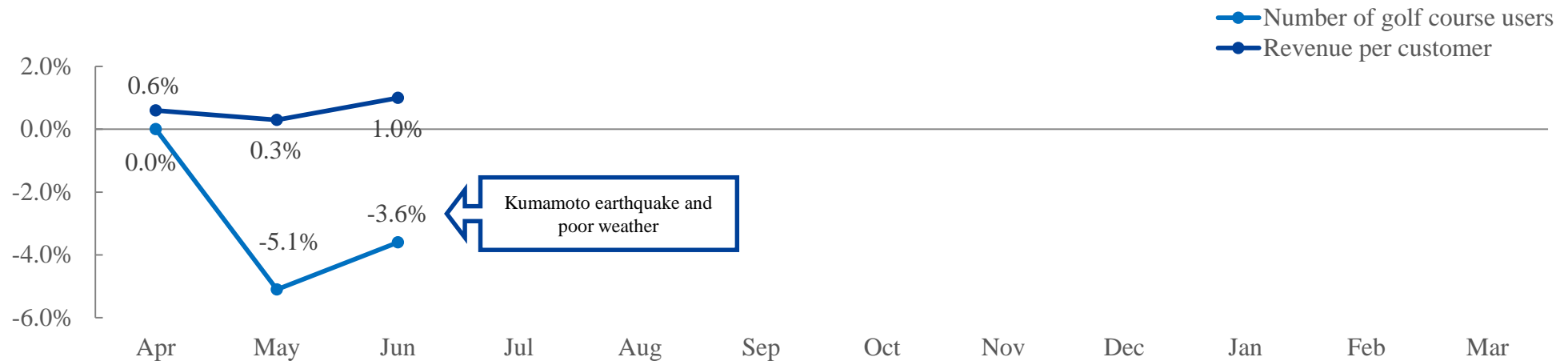
(persons)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
FY2011	577,676	707,672	621,424	647,456	644,965	624,328	670,049	659,787	564,698	410,224	367,659	392,263	6,888,201
FY2012	500,025	601,959	574,666	625,432	606,561	571,119	631,035	599,343	527,390	413,787	332,607	502,389	6,486,313
FY2013	576,784	685,793	652,022	707,241	673,282	669,609	678,211	628,037	545,915	419,932	382,310	578,359	7,197,495
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										2,050,036

## Revenue per customer

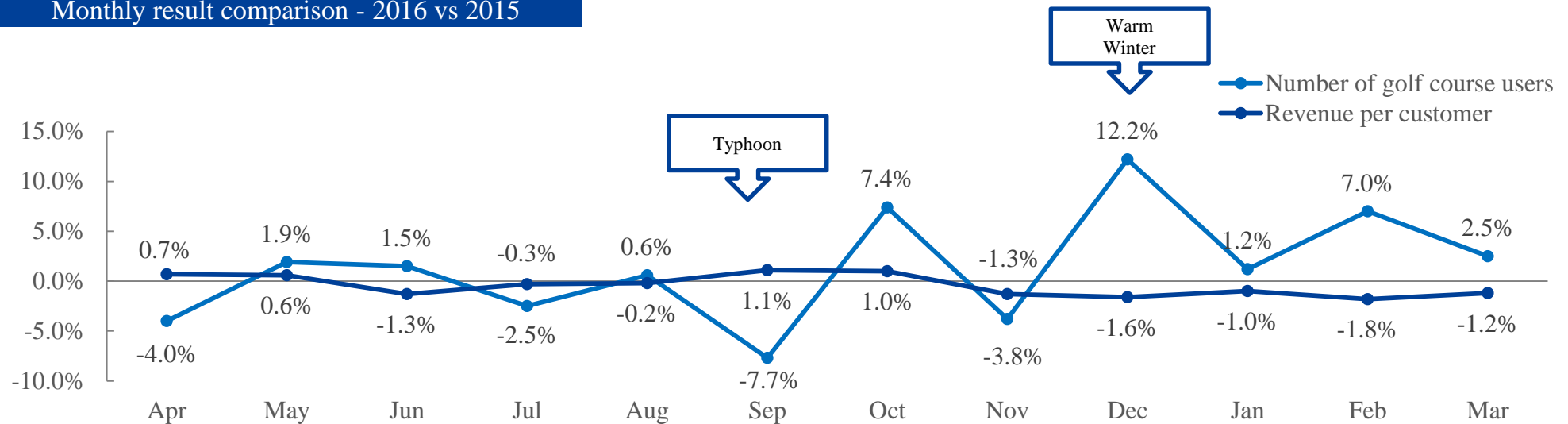
(yen)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
FY2011	10,128	10,198	9,804	9,468	8,778	9,399	10,027	10,228	9,875	9,092	8,504	8,773	9,605
FY2012	9,188	9,666	9,483	9,269	8,543	9,356	10,114	10,266	9,899	9,002	8,509	9,288	9,429
FY2013	9,686	9,522	9,342	8,734	8,171	9,184	9,640	9,922	9,727	9,000	8,436	9,347	9,243
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										9,402

# Trends of Golf Course Users and Revenue per Customer 2

## Monthly result comparison - 2017 vs 2016



## Monthly result comparison - 2016 vs 2015



\* Based on operating golf courses since previous year.

# Golf Course Portfolio

## Golf Business

	As of March 31, 2016		As of June 30, 2016	
	Courses	18H equivalent	Courses	18H equivalent
Owned Golf Courses	130	159.5	130	159.5
Leased Golf Courses	1	2.0	1	2.0
Contracted Golf Courses	2	2.5	2	2.5
<b>Total</b>	<b>133</b>	<b>164.0</b>	<b>133</b>	<b>164.0</b>
Hokkaido	6	9.5	6	9.5
Tohoku	9	11.5	9	11.5
Kanto	54	64.0	54	64.0
Chubu	14	18.0	14	18.0
Kansai	16	19.0	16	19.0
Chugoku	11	13.0	11	13.0
Shikoku	7	7.5	7	7.5
Kyusyu	16	21.5	16	21.5
<b>Total</b>	<b>133</b>	<b>164.0</b>	<b>133</b>	<b>164.0</b>

State of affairs in the fiscal year ending March 31, 2017

### 【Acquisition】

Announced on  
June 24, 2016

Conclusion of sponsorship agreement with  
Kashimanomori Country Club  
(Kashima City, Ibaraki Prefecture – 18H)

### 【Management outsourcing】

None

### 【Sale】

None

# Financial Performance Trend

## Consolidated

	FY3/2011	FY3/2012	FY3/2013		FY3/2014		FY3/2015			FY3/2016					FY3/2017	
(million yen)	Full year	2Q cumulative	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
Net sales	85,880	44,779	95,120	93,703	177,111	85,057	181,570	63,868	110,970	150,871	198,605	47,538	119,620	173,390	214,954	49,355
Pachinko and Pachislot machine Business	84,717	44,504	80,843	52,264	99,930	44,108	105,869	42,118	69,132	87,957	121,380	25,366	77,683	109,026	135,388	27,632
Pachinko machines	52,106	29,119	58,252	44,745	78,998	24,363	66,105	33,236	57,940	71,418	89,589	15,539	66,955	74,434	89,200	15,808
Pachislot machines	32,610	15,385	22,591	7,519	20,932	19,745	39,763	8,881	11,191	16,539	31,791	9,826	10,728	34,592	46,188	11,717
Golf Business	—	—	13,228	40,002	74,479	39,605	73,145	21,161	40,539	61,047	74,807	21,584	40,669	62,491	77,071	21,722
Other	1,162	274	1,048	1,436	2,700	1,343	2,555	588	1,299	1,867	2,417	588	1,267	1,873	2,494	—
Operating income	15,276	15,198	20,741	21,346	34,434	21,752	36,909	19,290	28,655	36,085	42,870	11,453	26,446	39,078	38,967	13,287
Pachinko and Pachislot machine Business	17,688	16,449	24,636	15,571	25,494	15,591	30,119	15,067	22,009	25,925	34,310	7,153	20,164	28,359	30,088	9,222
Pachinko machines	8,726	10,169	17,023	12,370	19,177	7,911	14,836	10,269	17,455	19,690	21,582	3,128	17,047	17,505	16,467	4,779
Pachislot machines	8,962	6,279	7,613	3,201	6,316	7,680	15,282	4,798	4,554	6,235	12,728	4,024	3,117	10,854	13,620	4,483
Golf Business	—	—	-910	7,542	12,200	7,425	9,911	5,010	8,250	12,705	12,127	5,216	7,955	13,344	12,427	5,033
Other	556	134	229	105	239	95	159	25	68	92	140	32	82	92	151	—
Eliminations & corporate expenses	-2,968	-1,384	-3,214	-1,873	-3,500	-1,359	-3,281	-813	-1,672	-2,638	-3,708	-949	-1,755	-2,718	-3,699	-969
Operating income ratio	17.8%	33.9%	21.8%	22.8%	19.4%	25.6%	20.3%	30.2%	25.8%	23.9%	21.6%	24.1%	22.1%	22.5%	18.1%	26.9%
Ordinary income	24,687	20,079	28,282	24,585	35,577	21,317	35,405	19,085	28,244	35,367	42,059	11,268	25,896	38,280	37,444	12,783
Profit attributable to owners of parent	20,451	13,525	20,516	16,835	20,123	12,578	20,361	11,360	18,069	21,257	26,235	6,003	19,248	28,321	28,143	7,649
SGA expenses	23,875	10,579	24,180	14,367	30,864	15,323	36,095	8,391	16,572	25,251	36,517	8,426	17,573	26,728	39,873	8,806
Personnel expenses	4,407	1,976	5,851	3,479	7,554	3,413	7,621	1,656	3,254	4,799	7,700	1,602	3,234	4,836	7,334	1,620
Selling expenses	6,488	3,534	6,448	3,497	7,884	4,082	8,994	2,274	4,294	6,650	8,632	2,232	5,133	7,917	10,241	1,893
Advertising expenses	2,612	1,588	2,841	1,443	3,197	1,633	3,856	758	1,496	3,104	3,560	627	1,383	2,668	3,155	578
Sales comissions	2,931	1,502	2,513	1,261	2,690	1,641	3,572	1,224	1,894	2,458	3,675	813	1,819	2,955	3,701	831
General expenses	12,978	5,067	11,880	7,390	15,425	7,827	19,478	4,460	9,023	13,801	20,184	4,590	9,204	13,974	22,297	5,291
R&D expenses	9,774	3,444	7,889	3,787	8,963	4,748	12,864	2,812	5,832	8,933	13,624	2,888	5,913	8,907	15,590	3,274
Depreciation & amortization	3,362	1,152	3,963	3,525	7,575	3,621	8,339	2,112	4,323	6,777	9,478	2,174	4,619	7,182	11,027	2,433
Capital investment	2,202	760	3,301	4,711	9,414	7,136	12,987	3,558	6,999	9,192	11,877	3,013	5,920	9,390	13,354	2,880

# Key Financial Indicators

Consolidated

(million yen)	FY3/2011	FY3/2012	FY3/2013	FY3/2014	FY3/2015	FY3/2016	Formula
Net Sales	85,880	95,120	177,111	181,570	198,605	214,954	
Operating Income	15,276	20,741	34,434	36,909	42,870	38,967	
Ordinary Income	24,687	28,282	35,577	35,405	42,059	37,444	
Profit attributable to owners of parent	20,451	20,516	20,123	20,361	26,235	28,143	
Total Asset	148,783	406,875	417,057	438,506	447,833	450,715	
Cash, Deposits and Securities	63,977	83,492	95,552	105,051	122,259	106,503	
Interest Bearing Debt	7,641	174,220	172,232	168,506	156,213	141,935	
Net Asset	96,717	124,826	141,182	156,502	178,269	198,873	
Shareholders' Equity	96,614	112,792	128,467	142,772	163,116	198,841	
ROE	21.2%	19.6%	16.7%	15.0%	17.2%	15.6%	
Operating Income Ratio	17.8%	21.8%	19.4%	20.3%	21.6%	18.1%	Operating income/Net sales
Net Income Ratio	23.8%	21.6%	11.4%	11.2%	13.2%	13.1%	Net income/Net sales
Asset Turnover	0.56	0.34	0.43	0.42	0.45	0.48	Net sales/Total asset *1
Financial Leverage	1.58	2.65	3.42	3.15	2.90	2.48	Total asset/Shareholders' equity *1,2
Net Debt Equity Ratio	-58.3%	80.4%	65.7%	40.9%	20.8%	17.8%	Net interest-bearing debt/Shareholders' equity
Shareholders' Equity Ratio	64.9%	27.7%	30.8%	32.6%	36.4%	44.1%	Shareholders' equity/Total asset

Heiwa Corporation acquired PGM Holdings K.K. on December 31, 2011 as deemed acquisition date.

\*1 Total Asset = (Total Asset at beginning of period+ Total Asset 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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## Disclaimer

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