



Use “DA-WIN” to make your pachinko and pachislot experience even more enjoyable!!

“DA-WIN” (pronounced as “Darwin”) is a service that links players’ mobile phones or smartphones with pachinko and pachislot machines made by Heiwa and its subsidiary Olympia. It allows players to customize the screen presentations of pachinko and pachislot machines, keep records of their playing performance, and more. The “DA-WIN” service began in May 2011, and smartphone compatible version was introduced in October 2012. At the present, the service boasts more than 200,000 members. In April 2013, in response to the requests of a great number of our users, we made the “DA-WIN” service compatible with pachislot machines. Going forward, we hope to continue to provide services that further enhance the pachinko and pachislot experience for as many customers as possible.

Link your mobile phone or smartphone with pachinko and pachislot machines!

By entering passwords issued by “DA-WIN” into the machines they are playing, players can customize screen presentations, sounds, characters, and other features. This allows players to enjoy more playing customized pachinko and pachislot machines according to their specific preferences.



Record your past performances using QR codes!

Once players have finished playing, they can record their performances, such as the number of jackpots they hit, by reading QR codes on the screen through their mobile phones or smart phones. Then they can check their records on “DA-WIN” at any time.



“DA-WIN” has plenty of unique features to enjoy!

In addition to being a service that enhances the fun of playing on pachinko and pachislot machines, “DA-WIN” also has very popular and well-received “timeline” and “bulletin board” features that let players communicate easily with one another.



Corporate Data & Stock Information (As of March 31, 2013)

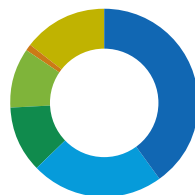
Corporate Data

Trade Name:	Heiwa Corporation
Head Office:	2-22-9, Higashiueno, Taito-ku, Tokyo, 110-0015, Japan
Foundation:	1949
Establishment:	1960
Capital:	16,755 million yen
Directors and Corporate Auditors (as of June 27, 2013)	
Representative Director/President:	Katsuya Minei
Representative Director/Executive Vice President:	Toshinobu Moromizato
Directors:	Toshio Yoshino
	Yasuaki Ikemoto
	Yutaka Ota
	Tamiki Kaneshi
Outside Director:	Kota Yamaguchi
Senior Corporate Auditor:	Koji Kawano
Outside Corporate Auditors:	Takeshi Sato
	Akinori Endo
Offices:	Head Office, Hokkaido, Sendai, Takasaki, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka and 20 Sales Offices
Factory:	Isesaki

Stock Information

Number of Shares Authorized	228,903,400 shares
Number of Shares Issued	99,809,060 shares
Number of Shareholders	13,781

Stock Distribution by Type of Shareholders



Ordinary corporations:	40,026,900 shares	40.10%
Individuals:	22,737,182 shares	22.78%
Financial institutions:	11,404,900 shares	11.43%
Overseas corporations and others:	10,358,902 shares	10.38%
Financial instruments firms:	1,042,484 shares	1.04%
Treasury stock:	14,238,692 shares	14.27%

Information for Shareholders

Business Year:	From April 1 of each year to March 31 of the following year
Record Dates:	Year-end dividends: March 31 of each year Interim dividends: September 30 of each year
General Meeting of Shareholders:	June of each year
Transfer Agent/ Special Account Administrator:	Mitsubishi UFJ Trust and Banking Corporation
For Inquiries:	Stock Transfer Agency Department of Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-232-711 (toll free)
Stock-Related Processing Forms:	Request by audio-assisted automated phone (0120-244-479 (toll-free)) Download forms from the Internet (http://www.tr.mufg.jp/daikou/)
Stock Exchange Listing or Registration:	Tokyo Stock Exchange, First Section
How to Make Public Notification	Digital notification (http://www.pronexus.co.jp/koukoku/6412/6412.html) (However, when there is a problem or otherwise inevitable incidents that cannot be disclosed digitally, a notice will be placed in the Nihon Keizai Shimbun.)

Notice to Shareholders,

- (1) To notify a change of address, to request the repurchase of fractional shares, and other procedures, please contact your account administrator, i.e., the securities firm or other financial institution where you hold the relevant account. Please note that the transfer agent (Mitsubishi UFJ Trust and Banking Corporation) do not accept such requests.
- (2) The account to receive dividends can be designated by submitting the appropriate form through your account administrator (e.g., securities firm). For details of this procedure, please contact your account administrator.
- (3) Accrued dividends can be received at the head office and branches of Mitsubishi UFJ Trust and Banking Corporation.

HEIWA BUSINESS REPORT 2013

From April 1, 2012
to March 31, 2013

HEIWA BUSINESS REPORT 2013



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Back Cover “DA-WIN”

Use “DA-WIN” to make your pachinko and pachislot experience even more enjoyable!!

Corporate Data & Stock Information

Corporate Data, Stock Information, Stock Distribution by Type of Shareholders and Notice to Shareholders

**Pachinko
machines**

Number of titles: **8**
Number of machines sold:
252,000

*Number of machines sold
during the fiscal year ended
March 31, 2013

**Pachislot
machines**

Number of titles: **6**
Number of machines sold:
67,000

*Number of machines sold
during the fiscal year ended
March 31, 2013

Creating “More Enjoyable Future”

Heiwa Corporation, an experienced manufacturer of pachinko and pachislot machines founded in 1949 and established in 1960, has always been a pioneer within the industry; in 1988 it became the first firm in the industry to go public as an over-the-counter company, and in 1997 its shares were moved to the First Section of the Tokyo Stock Exchange.

Subsequently, in 2007 the Company completed a business integration with Olympia Co., Ltd., a pachislot machine manufacturer, and in 2011 made PGM Holdings K.K., a major golf course operation company, its consolidated subsidiary through a takeover bid.

Heiwa has continued to evolve in order to adapt to the changing industry environment. Going forward, the Company will leverage its stable management base and continue to provide customers with good times while aiming to become a general leisure company under the motto **“Let’s create more enjoyable future.”**

The Next Stage
towards becoming
a general
leisure company

1949
Founded in Kiryu, Gunma

1960
Comic & Co. Y.K. and Heiwa
Bussan K.K. merged to form
Towa Kogyo Co., Ltd.

1971
Developed the industry’s first
pachinko machine permitting simple
replacement of its core elements

1988
Company name changed from
Heiwa Kogyo Co., Ltd. to Heiwa
Corporation; shares registered
for OTC transactions

1991
Shares listed on
the Second Section of the
Tokyo Stock Exchange

1997
Shares listed on
the First Section
of the Tokyo Stock
Exchange

1998
Business alliance
with Olympia Co., Ltd.,
a manufacturer of pachislot
machines

Number of
golf courses
operated
127

*As of March 31, 2013
*Of which:
Number of courses owned : 122
Number of courses operated
under contract : 2
Number of courses operated
under lease : 3

HEIWA
Heiwa Corporation
(Tokyo Stock Exchange, First Section)

Pachinko and
pachislot machine business
AmT
Amtex Co., Ltd.

Pachinko and
pachislot machine business
OLYMPIA
Olympia Co., Ltd.

Golf
business
PGM
PGM Holdings K.K.
(Tokyo Stock Exchange,
First Section)

2011
Made PGM Holdings K.K.,
a golf course operator,
a consolidated subsidiary

2007
Relocated Head Office to
Taito-ku, Tokyo
Business integration with
Olympia Co., Ltd.

2002
Joint development with Olympia Co., Ltd.
in the industry’s first pachislot machine
permitting simple replacement of its core
elements.

Heiwa’s ongoing quest to become a general leisure company

President **Katsuya Minei**

In addition to the contribution
by the golf business, the
pachinko and pachislot machine
business performed well

During the fiscal year ended March
31, 2013, the Group performed
extremely well and net sales and
operating income increased by 86.2%
and 66.0%, respectively, from the
previous year.

While the contribution throughout
the year by PGM Holdings K.K., which
became a consolidated subsidiary in
December 2011, played a major part
in this increase. Strong sales of the
Antonio Inoki series and the *Lupin
The Third* series, the Company’s
mainstay products in its pachinko
and pachislot machine business, also
contributed significantly to the Group’s
performance.

Changes to stagnation
and improved business
confidence toward the end of
the year

Looking back on the business
environment surrounding us,
the domestic economy initially was
stagnating due to the prolonged
appreciation of the yen and the
deterioration of corporate earnings.
However, beginning from the end
of the year, the underlying trend
has shifted toward the weakening
of the yen and rising stock prices
in anticipation of the effects of
economic policies set forth by the
new administration, and business
confidence started to improve toward
the end of the fiscal year.

In the pachinko and pachislot
machine industry, the number of
installed pachinko and pachislot
machines totaled 4,580 thousand
and remained flat over the past few

Net
sales

177.1 billion yen
(Up 86.2% year-on-year)

Operating
income

34.4 billion yen
(Up 66.0% year-on-year)

Ordinary
income

35.5 billion yen
(Up 25.8% year-on-year)

Net
income

20.1 billion yen
(Down 1.9% year-on-year)

Please see page 9 for more details.

“Unit sales increased thanks to the release of new machines of popular series”

years. In terms of operating status, the popularity of pachislot machines continues to remain strong in contrast to the waning popularity of pachinko machines. As a result, replacement demand for pachinko and pachislot machines is gradually shifting from pachinko machines to pachislot machines.

In the golf business, the impact of prolonged deflation is becoming evident as the unit price per customer continues to fall. Nevertheless, the number of users of golf courses has recovered to the levels seen prior to the Great East Japan Earthquake.

Strong sales of pachinko machines provided a major boost to Heiwa's performance

A detailed report on performance by business segment follows.

The pachinko and pachislot machine business received a major boost from strong pachinko machine sales. Thanks to the release of eight titles from our most popular series, including *Lupin The Third: World is Mine*, *Mahjong Monogatari: Uruwashii no Tenpai Otome* and *Antonio Inoki toiu Na no Pachinko Machine Yarerunoka Hontou ni Omae*, pachinko machine sales performed strongly and a total of 252,000 machines were sold, representing an increase of 65,000 machines from the previous fiscal year.

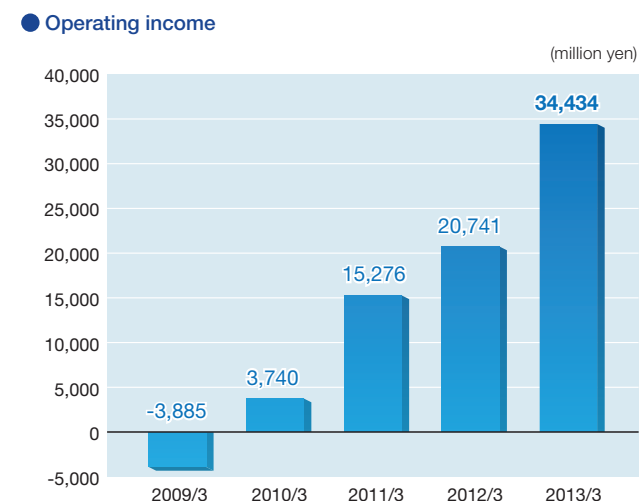
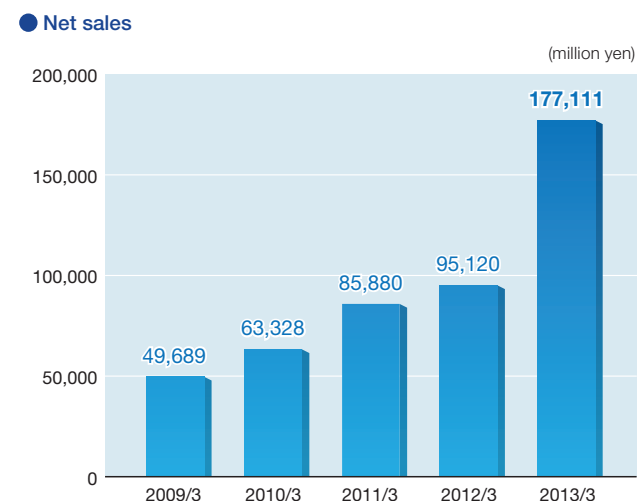
Pachislot machine sales have decreased for two consecutive fiscal years. Despite the release of *Nangoku Sodachi: 1st Vacation* and *Mahjong*

Monogatari 2: Gekitou! Mahjong Grand Prix and *Antonio Inoki ga Densetsu ni suru Pachislot Machine*, which was released earlier than we planned for strategic purposes, 67,000 machines were sold across all six titles, representing a decrease of 11,000 units from the previous fiscal year. This was due to a part of orders being delayed to the next fiscal year.

The golf business performed as planned, thanks to the success of initiatives to attract customers

In the golf business, we focused on attracting more customers, such as renewing our online reservation systems and conducting a campaign utilizing “Yahoo! Points.” Thanks to the success of these efforts, as well as favorable weather between January and March this year, the number of golf course users increased.

As the results of the golf business for the previous fiscal year only represent the three month period from December 31, 2011 when PGM Holdings K.K. became a consolidated subsidiary, a simple comparison cannot be made with the results of the current fiscal year. However, net sales for the current fiscal year were close to planned figures at 74,400 million yen.



“Realizing a high level of return of profits to shareholders”

We are conservatively predicting increases in net sales, while forecasting increased revenues but decreased profits

For the fiscal year ending March 31, 2014, we are forecasting increased revenues but decreased profits for the Group overall. Given the current trends in the pachinko market, we are conservatively estimating increases in net sales and will expand our budget for improving the visual quality of our pachinko and pachislot machines, including CG production costs. Additionally, the completion of amortization of negative goodwill in the current fiscal year can also be considered a factor that will weigh on ordinary income and net income.

In the pachinko and pachislot machine business, we will continue to proactively release new machines of our popular series, and are planning to release eight pachinko titles and five pachislot titles. Additionally, in light of the recent increase in demand of replacement of pachinko machines with pachislot machines, we are predicting pachinko machine sales of 230,000 machines and pachislot machine sales of 100,000 machines for a total of 330,000 machines.

In the golf business, despite the continuing decline in unit price per customer, we expect net sales to remain around the same due to the effects of initiatives to attract more customers.

We paid a special dividend of 10 yen per share in addition to the ordinary year-end dividend

In light of the strong business performance and financial condition of the Company over the past few years, we decided to pay a special dividend of 10 yen

● Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2014 (million yen)

	Fiscal year ending March 31, 2014 (forecast)
Net sales	182,400
Operating income	33,900
Ordinary income	31,700
Net income	19,000
Net income per share (yen)	222.04
Dividends per share (yen)	60.00



per share in addition to the ordinary year-end dividend of 30 yen per share for the fiscal year ended March 31, 2013. This, together with the interim dividend, resulted in an annual dividend of 70 yen per share (representing an increase of 10 yen per share from the previous fiscal year). In terms of the annual dividend for the fiscal year ending March 31, 2014, while making necessary investments toward future growth, we are planning an annual dividend of 60 yen per share (interim dividend: 30 yen per share) in accordance with our basic policy of stable dividends.

We will repay our shareholders for their generous support by continuing our efforts to improve performance, and will aim to realize a consistently high level of return of profits.

Going forward, the Heiwa Group will continue in its quest to become a general leisure company, and to this end it will strengthen its branding and reinforce its contents in order to increase the number of machines sold in the pachinko and pachislot machine business. In the golf business, the Group will make efforts to increase the number of users by raising customer satisfaction as well as implementing business improvement measures. Furthermore, the implementation of the growth strategy for the golf business will involve more M&A activity and the promotion of contracted golf course operations.

Therefore, we ask our shareholders to look forward to Heiwa's bright future, and we hope to receive your continued support over the years to come.



Pachinko and Pachislot Machine Business

More enjoyable future



HEIWA



OLYMPIA



AmT



Golf Business



PGM® Love Life. Love Golf.

Review of the fiscal year ended March 31, 2013

NOW

Market environment

- Gradual shift in pachinko and pachislot machine replacement demand from pachinko machines to pachislot machines

Key performance points

- Strong sales of the Group's mainstay products, the Antonio Inoki series and the Lupin The Third series
- Promotion of reuse mainly of liquid crystal parts and reduction of parts procurement costs

Major titles

Pachinko machines

- Lupin The Third: World is Mine
- Antonio Inoki tolu Na no Pachinko Machine Yarerunoka Hontou ni Omae

Pachislot machines

- Mahjong Monogatari 2: Gekitou! Mahjong Grand Prix
- Antonio Inoki ga Densetsu ni suru Pachislot Machine

Sales figures

		2013/3
Pachinko machines	Number of machines sold	252,411
	Number of titles	8
Pachislot machines	Number of machines sold	67,600
	Number of titles	6

Forecast for the fiscal year ending March 31, 2014

FUTURE

Market environment

- Continuing stagnation in pachinko machine sales
- Strong sales of pachislot machines due to renewed popularity of pachislot games

Key performance points

- Improvement of development lineup by fostering existing titles as well as new titles
- Building a development framework that will respond quickly to changing market trends

Major titles

Pachinko machines

- Sengoku Otome 3: Ran
- Tsunatori Monogatari: Sakasero! Daikinboshi no Hana!
- Love-jo Plus

Pachislot machines

- Cat's Eye: Mission to Recapture the Collection

Sales plans

		2014/3
Pachinko machines	Number of machines sold	230,000
	Number of titles	8
Pachislot machines	Number of machines sold	100,000
	Number of titles	5

Release of long-awaited title Nangoku Sodachi in Hawaii

Ski Jump Pair 2EX

The sequel to this incredibly popular title was finally released, 6 years after the original. Along with major changes to the rules of the game, this new version features a new lineup of players in the HEIWA SJP World Cup 2012. The unique combination of specs in this game also garnered a great deal of attention.

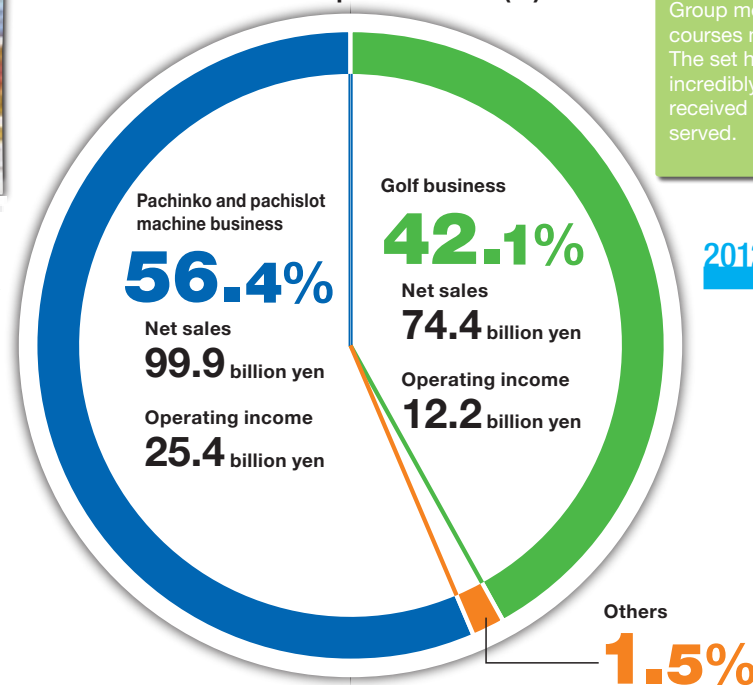
Mahjong Monogatari 2: Gekitou! Mahjong Grand Prix

The latest machine of the Mahjong Monogatari series, which owes much of its popularity to its lineup of well-known voice actors and original soundtrack, prominently features the much-loved "Three Windward Sisters!" This, together with its variety of bonus round chances, caused a frenzy of excitement among fans.

Antonio Inoki ga Densetsu ni suru Pachislot Machine

Note: See p. 6 for details.

Net sales composition ratio (%)



Introducing menu created by pro golfer Ritsuko Ryu

A lunch menu item called the "California Bowl & Kumamoto Udon Set," created by professional golfer Ritsuko Ryu, is now available at PGM Group member golf courses nationwide. The set has been incredibly well-received wherever it is served.



2013 PGM sponsorship contracts

For fiscal 2013, PGM Holdings K.K. entered into sponsorship contracts with professional golfer Ritsuko Ryu, professional golfer Saki Okamura, and professional tour coach Yuji Naito.



Note: Contract with professional tour coach Yuji Naito began from April 1, 2013.

The Moonlake Golf Club Ichihara Course is now open for play

The Company changed the name of the newly acquired Centleisure Golf Club Ichihara (in the Chiba Prefecture) to Moonlake Golf Club Ichihara Course. The course began its operations as the 127th PGM Group golf course in the country.



Topics 1

Consecutive release of new titles in the Antonio Inoki series, which saw its 10th anniversary in 2012, for pachinko and pachislot machines



A decade has passed since the birth of this series, but we have continued to release popular titles, the most recent machines of which were the November 2012 Antonio Inoki tolu Na no Pachinko Machine Yarerunoka Hontou ni Omae and the March 2013 Antonio Inoki ga Densetsu ni suru Pachislot Machine. These titles have created a lot of buzz among Inoki fans and fans of pachinko and pachislot machines alike.

Topics 2

Our official mobile site "Heiwa App DX" presented at booths at the Summer and Winter Comic Markets

Our official mobile site "Heiwa App DX" made an appearance at booths at the Summer and Winter Comic Markets held at the Tokyo Big Sight convention center. The Company held booths at the expo twice in August and December of 2012, where we sold merchandise associated with the Nangoku Sodachi, Sengoku Otome and Mahjong Monogatari series. The event enabled us to raise awareness of our products among fans.



Topics 3

Implementation of "T-Point," Japan's largest joint consumer rewards point system, at all PGM Group golf courses nationwide

With the implementation of the "T-Point" service beginning on April 2013, any customer who uses a "T-Card" at a PGM Group golf course will receive one point for every 200 yen paid. Visitors can check-in to golf courses using only the "T-Card."



Topics 4

Plans to complete new company building in 2013

To improve efficiency by consolidating the Company's multiple development centers, improve inter-departmental communication, and cut costs by integrating our various offices, we are in the process of constructing a new company building, the tentative name of which is "Heiwa Tower." The building is scheduled for completion in November 2013.





Antonio Inoki ga Densetsu ni suru Pachislot Machine

This is the latest machine of the popular tie-in series featuring Antonio Inoki. This latest title gives players an even greater sense of exhilaration than the previous version, and offers an unparalleled level of entertainment. The machine provides an experience that can be enjoyed by a wide range of players.

heiwaxinoki10th.jp/ps_in5



©2012 INOKI GENOME FEDERATION

The latest and most advanced machine brought to you by popular demand! Antonio Inoki ga Densetsu ni suru Pachislot Machine

Ten years have passed since the birth of the *Antonio Inoki* series and our first pachislot machine in 2002. *Antonio Inoki ga Densetsu ni suru Pachislot Machine*, the fifth machine in the series, was launched in March 2013. In an attempt to gain a better understanding of the appeal of the game, we interviewed its head developer.

With the addition of "Tokon Rush," the game offers a greater sense of exhilaration!

The *Antonio Inoki* series has become one of our company's most representable contents, with a large and dedicated fan base. This fact alone meant that there were high expectations from pachislot fans and pachinko parlors, and there was also an extremely high level of expectation regarding sales for the Company. The main challenge for this product was striking a balance between the sense of familiarity that comes with a game

that offers just as much fun as people have come to expect from the series, and the sense of change or freshness as the fifth title in the pachislot series. One of the most attractive features about the series is "Token Chance" which leaves players full of excitement. In addition to "Token Chance," this new version added a new feature called "Tokon Rush," which stimulates players' sense of exhilaration. In terms of

Director

Kenichi Takeuchi

presentation, there is a comical narrative that unfolds in which Inoki "energizes the world," as well as breathtaking action scenes, so I think that the final product is bound to satisfy both pachislot and professional wrestling fans.

Always keeping an ear to the ground and incorporating new development trends

For this new machine, we introduced a new casing, which meant a drastic deviation from the exterior look of previous games in the *Antonio Inoki* series. This change in particular was made in order to incorporate the opinions and requests of pachislot fans and pachinko parlors. We have kept our ear to the ground for clues regarding directions for the development of the product in terms of the flow of play and presentation aspects as well. For example, we solicited ideas and requests from fans via the Internet and interviews with pachinko parlors.

The pachislot market is one in which trends can change quite rapidly, so in order to incorporate the most recent trends as best we could in this product, we worked to make continual changes to the specifications, right up to the development deadline. That was probably the most significant challenge we faced when developing this machine.

Our company's development structure is such that we are able to analyze such recent market trends, make sure we take them into consideration, and still be able to stably produce products. One of the biggest advantages we enjoy is that all of the software for our products is developed in-house. We are able to use such strengths to develop new machines with a great degree of freedom, which is one of the things that make the Company unique. One thing that I would like to do is develop adventure-themed products that present entirely original worldviews.

A better-developed narrative for the third title in original series: Sengoku Otome 3: Ran

Sengoku Otome has garnered a huge fan base, and has been developed for other media such as comic books and TV anime.

Sengoku Otome 3: Ran, the latest machine in the series, went on sale in May 2013. To learn more about how the in-game universe has evolved, we interviewed its head developer.

Expansive in-game universe featuring a multitude of characters

Sengoku Otome is a very popular series with an enormous fan base, so much so that the pachinko games have been made into comic books and TV anime. In developing the third title in the series, we wanted to hold onto aspects of the series that fans have grown to love, and at the same time impart a sense of epic culmination and a higher level of sophistication.

We sought to create a game that had even more allure; one that achieved greater integration between elements such as the characters, the voice actors, the music, and so forth. To this end, from the presentation perspective we placed a particular emphasis on developing this title's narrative. We tried to present a more expansive in-game universe, one that revolves around showdowns with new enemies, and as a result there are now 18 characters in total. The game has extremely high production values, such as the fact that all the characters are voiced by top voice actors.

Sengoku Otome 3: Ran

This is the third machine of an original series of the Company inspired by warlords from Japan's Sengoku (Warring States) period but instead stars many female characters. The game has been enjoyed a great deal of attention, due in no small part to the cast of well-known voice actors portraying the characters.

www.heiwanet.co.jp/latest/cr_sengokuotome3



Pursuing higher-quality content to meet the enthusiastic expectations of the game's fans

In developing the *Sengoku Otome* series, we prioritized the creation of a product that would gain enthusiastic, long-term fans who could become absorbed in the game, as opposed to striving for large numbers of pachinko enthusiasts.

To meet the high expectations of the fan base, we worked very hard during development to enhance the appeal of the content, and were very selective in our choices of character designs, video footage rendered with 3D CGI, voice recordings, and the production of an original soundtrack. Needless to say, we also went to great lengths to improve the gameplay and presentation so they too would be right for the sense of epic culmination we were aiming for. In particular, we refined new approaches to gadgets, including the Kabuto, Haruna and Moe gadgets, and we added a host of enjoyable features to the game.

I think that one of the key characteristics of our process for developing pachinko machines is that we spend a great deal of time on in-house testing and making subsequent adjustments. In doing so, we aim to raise the overall quality of our products. It is my hope that we continue to use this framework to improve our product development standards even further.

Director

Yoshihiro Fujiwara



Hot News

The 2013 Japan Golf Tour — Tour Tournament HEIWA PGM CHAMPIONSHIP in Kasumigaura



A new tournament jointly sponsored by Heiwa Corporation and PGM Holdings K.K.

The aim of this tournament is to strengthen collaboration with various organizations that promote golf, to further the healthy development and spread of the sport of golf, and to discover and train future Japanese golfers. In doing so, we are committed to making this event the largest professional golf tournament in Japan, and one that is open to all and full of aspirations.

Overview of HEIWA PGM CHAMPIONSHIP in Kasumigaura

Name of tournament: HEIWA PGM CHAMPIONSHIP in Kasumigaura

Sponsors: Heiwa Corporation and PGM Holdings K.K.

Managing body/Cosponsor: Japan Golf Tour Organization

Tournament dates: November 7 to 10, 2013 (Thur-Sun)

Prize money: Prize money in the amount of ¥200,000,000; prize money in the amount of ¥40,000,000 for the tournament winner

Location: Miho Golf Club
(Miho-mura, Inashiki-gun, Ibaraki; Tel: 029-840-0001)

We are also working to train future golfers HEIWA PGM Challenge : Road to CHAMPIONSHIP

We will also be sponsoring three "challenge tournaments" in the interest of cultivating the talents of young golfers.

The challenge tournaments will be held at three clubs: Kasagi Golf Club (Kyoto), Wakagi Golf Club (Saga), and Spring Fields Golf Club (Ibaraki). The winner of each of these challenge tournaments will earn the right to compete in the HEIWA PGM CHAMPIONSHIP in Kasumigaura.

Furthermore, at each of these challenge tournaments, a sponsor-recommendation-based screening committee will be convened, the aims of which will be to give young golfers opportunities to participate in tournaments and to open doors for amateur golfers as well.

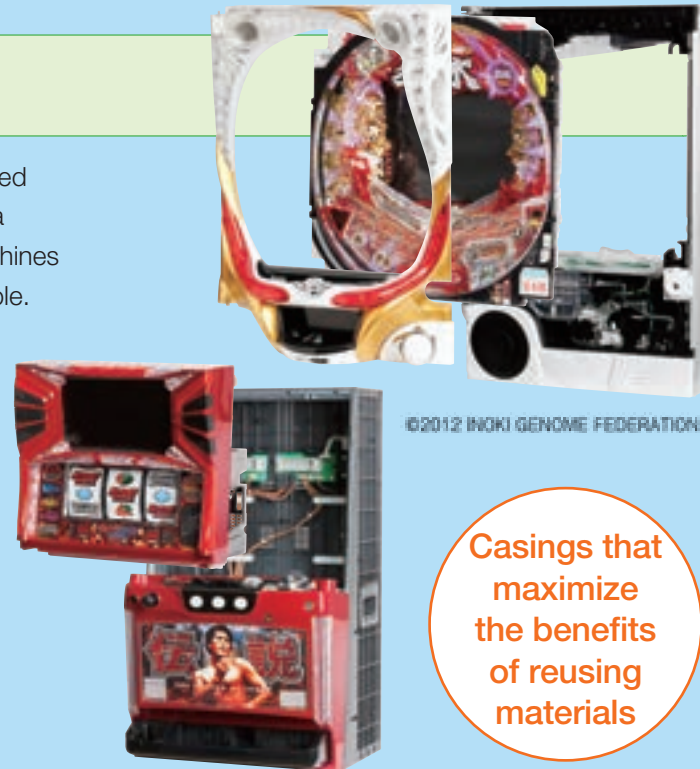
CSR initiatives by the Heiwa Group

ECOLOGY & TECHNOLOGY

We at the Heiwa Group devote a great deal of time and energy in determining which environmental issues we should prioritize. At each stage of the production of our pachinko and pachislot machines, from development and manufacturing to reusing and recycling, we strive to cut down the environmental load of our products. In addition, as a manufacturer dedicated to contributing to the creation of a more sustainable, recycling-based society, we engage in proactive initiatives that address environmental concerns.

Initiative 1 Reusing and recycling

By selecting components that are easily reused and common to multiple products, the Heiwa Group develops pachinko and pachislot machines with reusing and recycling in mind, for example. Used Heiwa and Olympia pachinko and pachislot machines that we have obtained from pachinko parlors are disassembled at our plants, and once reusable components such as liquid crystal displays and circuit boards have been removed, they are washed, reprocessed, and used again.



Casings that maximize the benefits of reusing materials

Initiative 2 Making use of renewable energy

From the perspective of environmental conservation, at our Olympia Gunma plant completed in 2005, we have introduced wind and solar power generation facilities. Output equivalent to 500,000 kWh per year comes from these wind and solar power generation facilities, amounting to about 30 percent of the total power consumed at the plant. Furthermore, in light of the heightened recognition of the importance of renewable energy following the Great East Japan Earthquake, the Company plans to make an expansion to the plant's solar power generation facilities in October 2013. When this expansion is complete, the expected total power generated by the existing wind and solar power generation facilities combined with the new facilities will be 1,300,000 kWh.



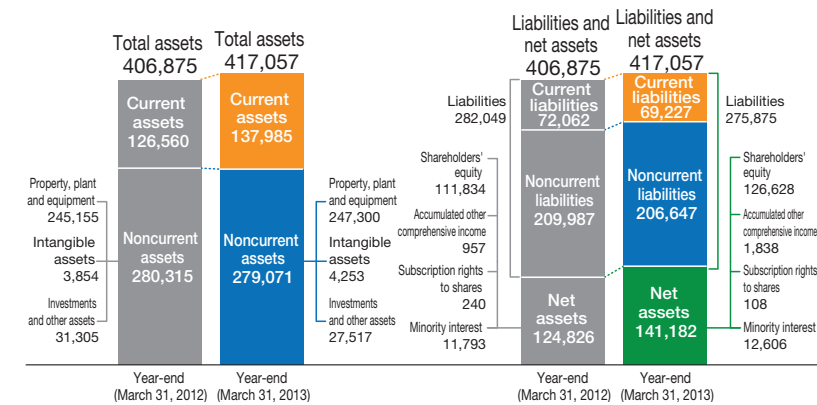
The solar power generation facilities at the Gunma plant scheduled for expansion in October 2013



The wind power generation facilities at the Gunma plant

Financial Data

Summary of Consolidated Balance Sheets (million yen)



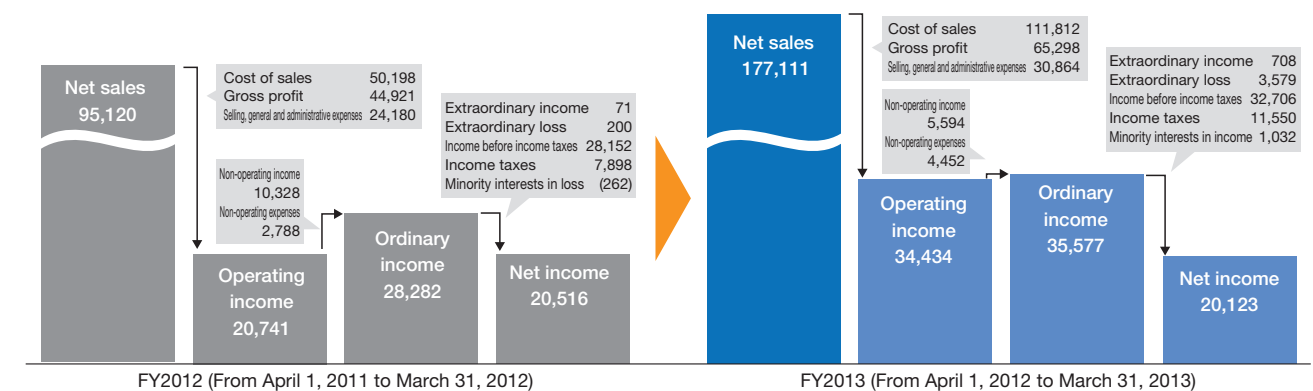
Point 1 Factors contributing to changes in assets

While short-term investment securities and investment securities collectively decreased by 28,041 million yen, cash and deposits increased by 36,793 million yen, land increased by 1,070 million yen and net lease assets increased by 789 million yen, respectively.

Point 2 Factors contributing to changes in liabilities

While long-term loans payable increased by 7,793 million yen, the current portion of bonds with subscription rights to shares decreased by 9,912 million yen. Negative goodwill also decreased by 4,301 million yen due to the completion of amortization thereof in the six-month period ended September 30, 2012.

Summary of Consolidated Statements of Income (million yen)



Key Consolidated Financial Data

	FY2009	FY2010	FY2011	FY2012	FY2013
Business results (million yen)					
Net sales	49,689	63,328	85,880	95,120	177,111
Pachinko and pachislot machine business	48,601	62,541	84,717	80,843	99,930
Golf business	—	—	—	13,228	74,479
Gross profit	16,056	24,997	39,151	44,921	65,298
Gross profit margin (%)	32.3	39.5	45.6	47.2	36.9
Operating income (loss)	(3,885)	3,740	15,276	20,741	34,434
Operating margin (%)	(7.8)	5.9	17.8	21.8	19.4
Ordinary income	6,001	13,517	24,687	28,282	35,577
Net income	1,711	11,947	20,451	20,516	20,123
Expenses (million yen)					
Selling, general and administrative expenses	19,941	21,256	23,875	24,180	30,864
Capital investment	7,501	3,461	2,202	3,301	9,414
Depreciation and amortization	3,699	2,528	3,362	3,963	7,575
Financial data (million yen)					
Total assets	140,470	156,750	148,783	406,875	417,057
Net assets	88,251	96,326	96,717	124,826	141,182
Equity ratio (%)	62.8	61.4	64.9	27.7	30.8
Cash flows (million yen)					
Net cash provided by operating activities	9,225	21,769	23,405	13,029	29,029
Net cash provided by (used in) investing activities	3,925	(16,280)	396	(64,563)	(8,636)
Net cash provided by (used in) financing activities	(36,127)	(5,449)	(20,366)	45,406	(9,469)
Cash and cash equivalents at end of year	38,911	38,971	42,406	36,267	47,189
Per share data (yen)					
Net income per share	12.60	120.92	207.29	240.44	235.53
Net assets per share	892.86	974.21	1,132.55	1,320.93	1,501.31
Dividends per share	50.00	50.00	60.00	60.00	70.00

(Note) In the fiscal year ended March 31, 2012, the Company acquired the shares of PGM Holdings K.K. through a tender offer and made the said company a consolidated subsidiary. As the deemed acquisition date was December 31, 2011, the Group business results for the fiscal year ended March 31, 2012 reflect the business results of the said company and its consolidated subsidiaries for the period from January 1, 2012 to March 31, 2012.