Results for the 1st Quarter of Fiscal Year Ending March 31,2015

August 7, 2014

Heiwa Corporation

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Overview

Results

◆Net sales： **63.8** billion yen, **+43.9%** year on year for 1Q

◆Operating income：**19.2** billion yen, **+56.9%** year on year for 1Q

⇒Sales of Pachinko Machine exceeded the year earlier period and greatly contributed to the 1Q result

Pachinko and pachislot machine business

◆Number of Pachinko machines sold in 1Q: **92,000units (+56,000units** yoy)

⇒Sold 2 titles: *"Super Street Fighter Ⅳ CR EDITION"* and *" Doki! Marugoto Mizugi Onna Darake no Suiei Taikai: Idol Darake de Komacchaung!!!"*

◆Number of Pachislot machine sold in 1Q:26,000units. (▲10,000units yoy)

⇒Sold 2 titles : "*Magic Monster 3: Bucchigiri! Makai Grand Prix*" and "*Sengoku Otome:Kengeki ni Mau Shiroki Kensei -Saigoku Sansen version.*"

Golf business

◆Number of golf course users increased but revenue par customer decreased

◆Continuous cost reduction at HQ and golf courses

◆3 golf courses were either sold or expired operation for the golf course portfolio revision

⇒The number of gold courses the Group owns and operates decreased from 132※ to 129(as of June 30,2014)

※ as of April 31,2014

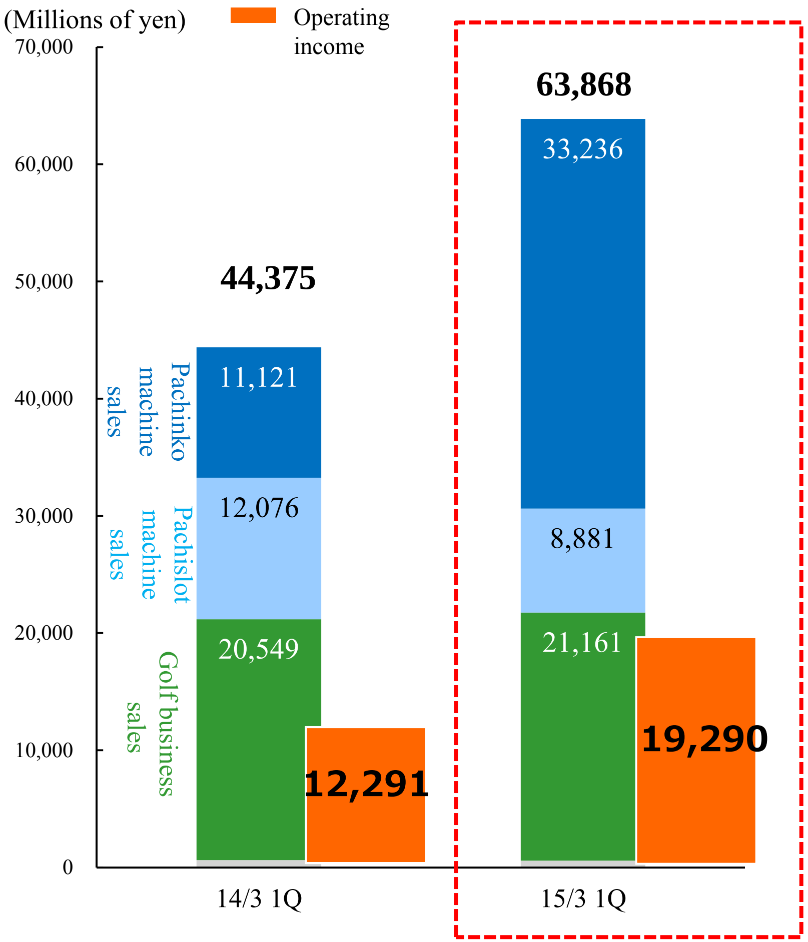
1st Quarter Results of FY Ending March 2015

Consolidated Statements of Income (Results)

1st Quarter Results

◆**Both sales and profit increased year on year.**（Sales **up 43.9%** yoy、 operating profit **up 56.9%** yoy）

⇒ **Sales of Pachinko Machine well exceeded the year earlier period** and **greatly contributed to the 1Q results**



(Millions of yen)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Net sales	44,375	**63,868**	43.9%
Pachinko machines	11,121	**33,236**	198.9%
Pachislot machines	12,076	**8,881**	-26.5%
Golf business	20,549	**21,161**	3.0%
Other	628	**588**	-6.4%
Operating income	12,291	**19,290**	56.9%
Pachinko machines	3,803	**10,269**	170.0%
Pachislot machines	4,783	**4,798**	0.3%
Golf business	4,435	**5,005**	12.8%
Other	31	**31**	-0.2%
Not allocated	-763	**-813**	—
Operating income ratio	27.7%	**30.2%**	+2.5pt
Ordinary income	12,202	**19,085**	56.4%
Net income	7,111	**11,360**	59.8%
EBITDA*	14,033	**21,391**	52.4%

*EBITDA＝Operating income + depreciation + amortization

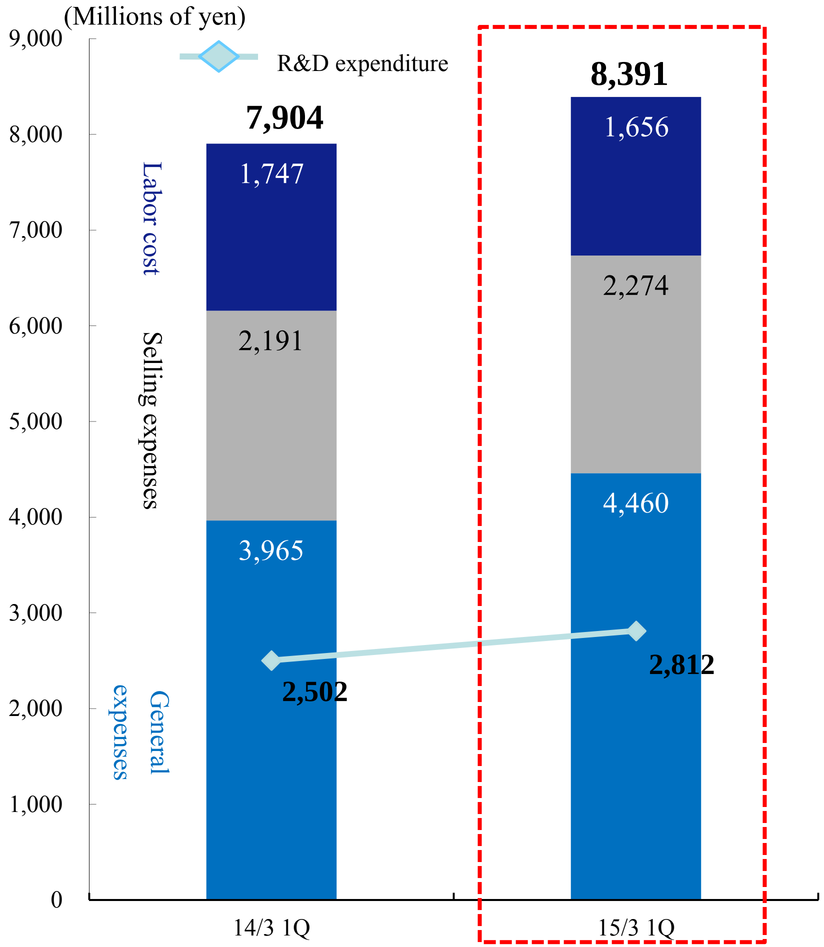
SGA Expenses / Depreciation & Amortization / Capital Investment (Results)

1st Quarter Results

◆SGA expenses increased 6.2% year on year

⇒Selling expenses increased due to increase in sales volume

⇒**Upward trend** of **R&D expenditure** will continue **for the purpose of enhancing overall product quality**



(Millions of yen)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
SGA expenses	7,904	**8,391**	6.2%
Labor cost	1,747	**1,656**	-5.2%
Selling expenses	2,191	**2,274**	3.8%
Advertising expenses	918	**758**	-17.4%
Sales comissions	937	**1,224**	30.7%
General expenses	3,965	**4,460**	12.5%
R&D expenditure	2,502	**2,812**	12.4%

Depreciation & amortization / Capital investment

(Millions of yen)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Depreciation & amortization	1,760	**2,112**	20.0%
Capital investment	3,233	**3,558**	10.1%

Pachinko and Pachislot Machine Business (Machine Sales Results)

1st Quarter Results

(Units)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Number of machines sold	72,908	**118,785**	+45,877
Pachinko machines	35,422	**92,234**	56,812
(Number of titles released)	(2)	**(2)**	—
Pachislot machines	37,486	**26,551**	-10,935
(Number of titles released)	(1)	**(2)**	(+1)

Major pachinko titles

Title	Sales (units)	Release
Lupin The Third: Kesareta Lupin *	39,571	Previous year (Nov 2013)
Super Street Fighter IV CR EDITION	31,982	Apr 2014
Doki! Marugoto Mizugi Onna Darake no Suiei Taikai: Idol Darake de Komacchaung!!!	20,053	May 2014

※ Cumulative sales of *"Lupin the Third: Kesareta Lupin"* was 124,321units as of June 30,2014.

Major pachislot titles

Title	Sales (units)	Release
Magic Monster 3: Bucchigiri! Makai Grand Prix	6,146	Apr 2014
Sengoku Otome:Kengeki ni Mau Shiroki Kensei - Saigoku Sansen version	20,308	Jun 2014

Pachinko and Pachislot Machine Business (Results)

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1st Quarter Results

Pachinko	◆Sales of Pachinko Machine well exceeded the year earlier period and **greatly contributed to the increase of sales and profit** ◆Both gross profit ratio and operating profit ratio decreased because most of the Pachinko machine sales consist of Body sales
Pachislot	◆Sales of Pachislot machine decreased due to less number of machines sold compare to the year earlier period ◆Increase in unit price and reuse effect led profit ratio to increase. As a result, profits maintains the same level as the year earlier period
Total	◆**Sales of Pachinko Machine greatly exceeded the year earlier period and contributed to the 1Q result** （Sales **up 81.6% yoy**, operating profit **up 75.5% yoy**）

(Millions of yen)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Net sales	23,197	**42,118**	81.6%
Pachinko machines	11,121	**33,236**	198.9%
Pachislot machines	12,076	**8,881**	-26.5%
Gross profit	13,898	**21,097**	51.8%
Pachinko machines	6,820	**14,266**	109.2%
Pachislot machines	7,077	**6,831**	-3.5%
Gross profit ratio	59.9%	**50.1%**	-9.8pt
Operating income	8,587	**15,067**	75.5%
Pachinko machines	3,803	**10,269**	170.0%
Pachislot machines	4,783	**4,798**	0.3%
Operating income ratio	37.0%	**35.8%**	-1.2pt

Breakdown of machine sales

(Units)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Total	72,908	**118,785**	+45,877
Pachinko machines	35,422	**92,234**	+56,812
Body	7,717	**92,194**	+84,477
Gauge board	27,705	**40**	-27,665
Pachislot machines	37,486	**26,551**	-10,935
Chassis	37,471	**15,239**	-22,232
Combined unit	15	**11,312**	+11,297

Golf Business (Results)

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1st Quarter Results

◆**Both sales and profit increased year on year.**（Sales **up 3.0% yoy**, operating Profit **up 12.8% yoy**）

⇒Revenue per customer decreased but number of golf course users increased year on year due to the preferable whether in April and May

⇒Continuous cost reduction at HQ and golf courses

◆3 golf courses were either sold or expired operation for the golf course portfolio revision

⇒The number of golf courses the Group owns and operates decreased from 132※ to 129 (as of June 30,2014)

※as of April 31,2014

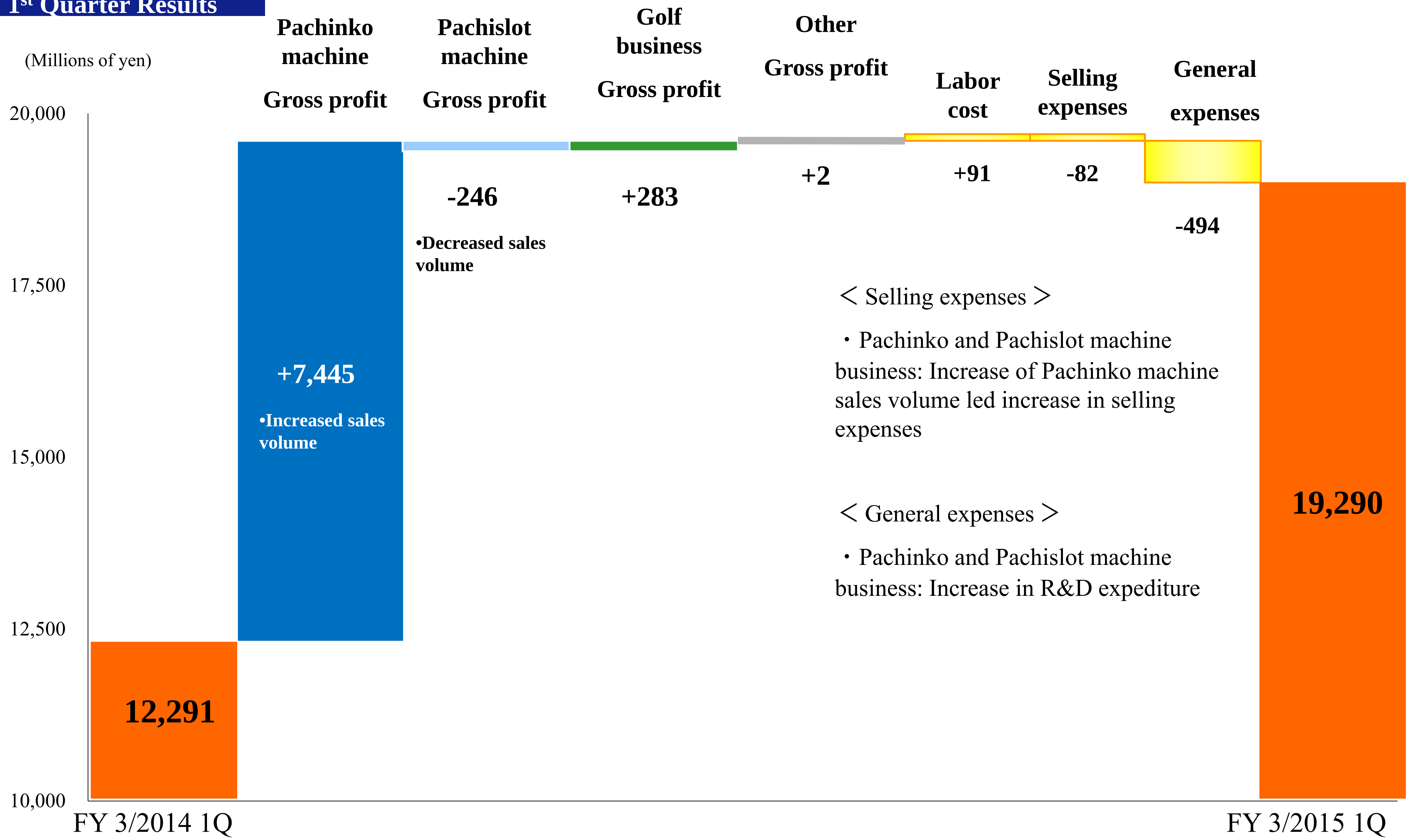
(Millions of yen)	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Net sales	20,549	**21,161**	3.0%
Gross profit	6,267	**6,551**	4.5%
Gross profit ratio	30.5%	**31.0%**	+0.5pt
Operating income	4,435	**5,005**	12.8%
Operating income ratio	21.6%	**23.7%**	+2.1pt

Number of golf course users/Revenue per customer

	FY 3/2014 1Q	**FY 3/2015 1Q**	YoY
Number of golf course users	1,929,432	**2,068,096**	7.2%
Revenue per customer (yen)	9,511	**9,280**	-2.4%

Factors contributing to change in operating income (consolidated basis)

1st Quarter Results



＜ Selling expenses ＞

・Pachinko and Pachislot machine business: Increase of Pachinko machine sales volume led increase in selling expenses

＜ General expenses ＞

・Pachinko and Pachislot machine business: Increase in R&D expediture

Consolidated Balance Sheets (Summary)

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(Millions of yen)	3/2014	6/2014	Change	Remarks
Current assets	148,086	**162,762**	14,676	◆Increase in cash and deposits ◆Increase in accounts receivable and note receivable
Noncurrent assets	290,420	**287,922**	-2,498	
Total assets	438,506	**450,684**	12,178	
Current liabilities	69,216	**77,669**	8,453	◆Increase in notes payable and accounts payable ◆Decrease in long-term note payable
Noncurrent liabilities	212,787	**206,367**	-6,420	
Total liabilities	282,003	**284,036**	2,033	
Net assets	156,502	**166,648**	10,145	
Liabilities and total net assets	438,506	**450,684**	12,178	

(Millions of yen)	3/2014	6/2014
Cash and deposits, and investment securities	105,051	**116,356**
Interest-bearing debt	168,506	**163,378**
Shareholders' equity	142,772	**152,255**
Shareholders' equity ratio	32.6%	**33.8%**

◆D/E ratio (interest-bearing debt/shareholders' equity) 1.07

⇒ Improvement of 0.11 percentage points

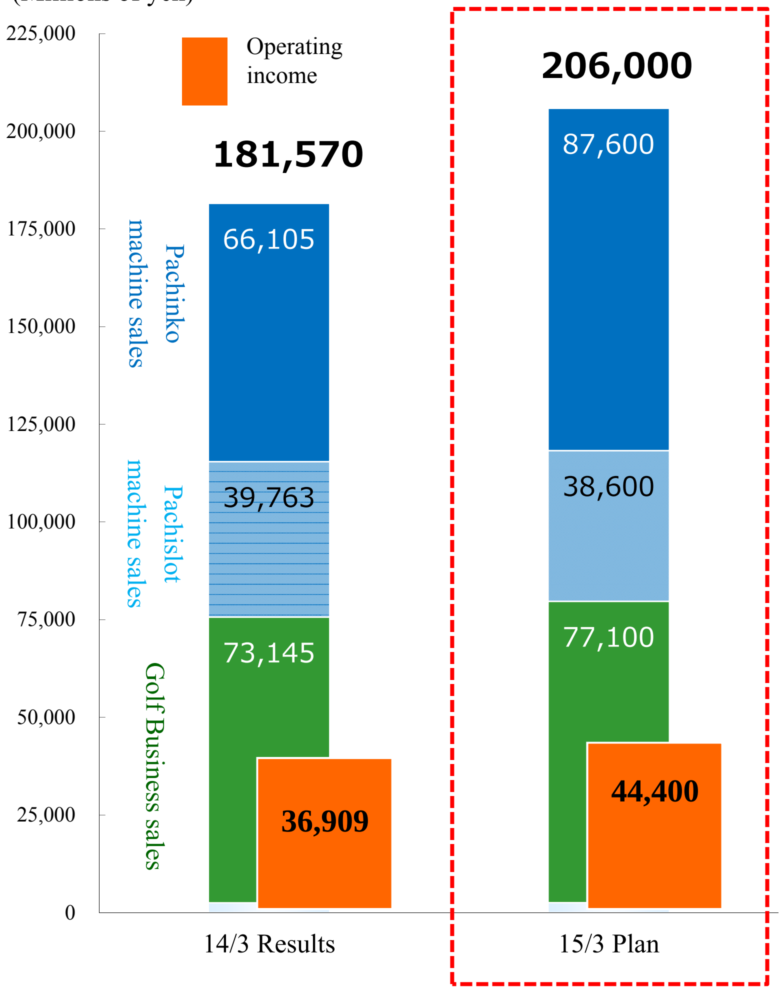
◆Shareholders' equity ratio increased 1.2percentage points.

FY2015 Full-year Plan

Consolidated Statements of Income (Plan)

FY2015 Plan

◆Plan calls for **increases in both sales and profit** backed by increasing machine sales by Pachinko and Pachislot Machine Business
◆Net sales: **206.0 billion yen, up 13%** Operating income: **44.4 billion yen, up 20%**



(Millions of yen)	FY2014 2Q cumulative	FY2014 Full year	FY2015 1Q Results	FY2015 2Q cumulative Plan	FY2015 Full year Plan	YoY
Net sales	85,057	181,570	63,868	109,100	**206,000**	13.5%
Pachinko machines	24,363	66,105	33,236	46,700	**87,600**	32.5%
Pachislot machines	19,745	39,763	8,881	19,200	**38,600**	-2.9%
Golf business	39,605	73,145	21,161	41,700	**77,100**	5.4%
Other	1,343	2,555	588	1,500	**2,700**	5.7%
Operating income	21,752	36,909	19,290	28,500	**44,400**	20.3%
Pachinko machines	7,911	14,836	10,269	12,300	**19,900**	34.1%
Pachislot machines	7,680	15,282	4,798	8,700	**15,000**	-1.8%
Golf business	7,414	9,891	5,005	8,500	**12,200**	23.3%
Other	107	182	31	300	**300**	64.2%
Not allocated	-1,360	-3,283	-813	-1,300	**-3,000**	—
Operating income ratio	25.6%	20.3%	30.2%	26.1%	**21.6%**	+1.3pt
Ordinary income	21,317	35,405	19,085	27,800	**42,700**	20.6%
Net income	12,578	20,361	11,360	17,400	**25,500**	25.2%
EBITDA*	25,337	45,177	21,391	32,800	**54,100**	19.8%

*EBITDA＝Operating income + depreciation + amortization

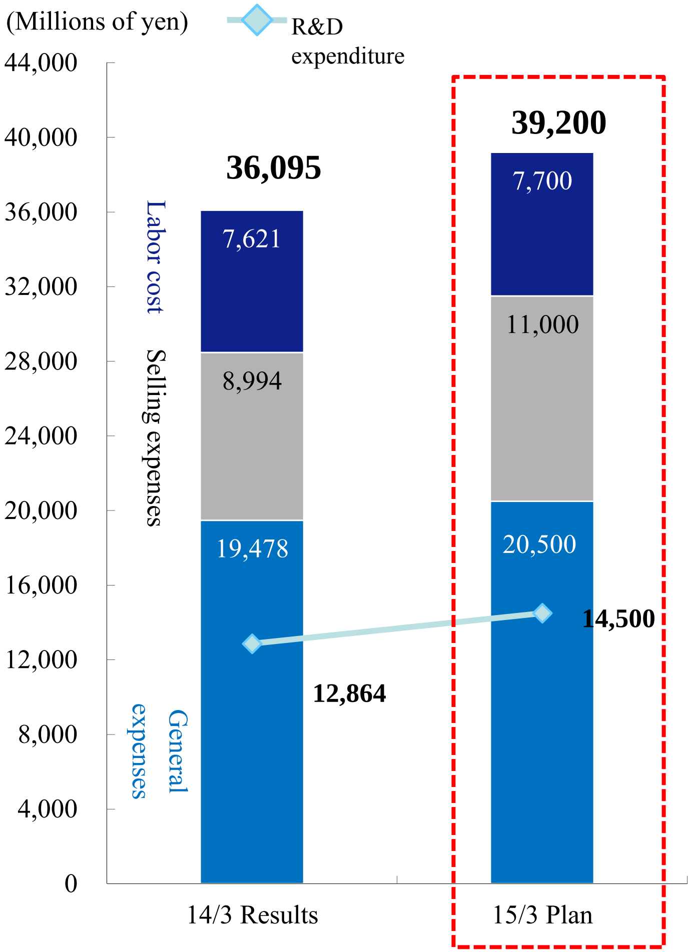
SGA Expenses / Depreciation & Amortization / Capital Investment (Plan)

FY2015 Plan

◆Higher selling, general and administrative expenses

⇒ Advertising expenses will increase because of **strengthened advertising** by Pachinko and Pachislot Machine Business.

⇒ **Upward trend** of **R&D expenditure** will continue **for the purpose of enhancing overall product quality**



(Millions of yen)	FY2014 2Q cumulative	FY2014 Full year	FY2015/3 1Q Results	FY2015/3 2Q cumulative Plan	FY2015/3 **Full year Plan**	YoY
SGA expenses	15,323	36,095	8,391	18,600	**39,200**	8.6%
Labor cost	3,413	7,621	1,656	3,500	**7,700**	1.0%
Selling expenses	4,082	8,994	2,274	4,700	**11,000**	22.3%
Advertising expenses	1,633	3,856	758	1,500	**4,800**	24.5%
Sales comissions	1,641	3,572	1,224	2,100	**4,000**	12.0%
General expenses	7,827	19,478	4,460	10,400	**20,500**	5.2%
R&D expenditure	4,748	12,864	2,812	7,500	**14,500**	12.7%

Depreciation & amortization / Capital investment

(Millions of yen)	FY2014 2Q cumulative	FY2014 Full year	FY2015 1Q Results	FY2015 2Q cumulative Plan	FY2015 Full year **Plan**	YoY
Depreciation & amortization	3,621	8,339	2,112	4,300	**9,800**	17.5%
Capital investment	7,136	12,987	3,558	7,100	**13,600**	4.7%

Machine Sales Plan

FY2015 Plan

(Units)	FY2014 2Q cumulative	FY2014 Full-year results	FY2015 1Q results	FY2015 2Q cumulative plan	FY2015 Full-year plan	Change from the previous year
Number of machines sold	140,165	317,948	118,785	**195,000**	**370,000**	+52k units
Pachinko machines	78,012	197,146	92,234	**135,000**	**250,000**	+52k units
(Number of titles released)	(6)	(8)	(2)	**(6)**	**(9)**	(+1)
Pachislot machines	62,153	120,802	26,551	**60,000**	**120,000**	—
(Number of titles released)	(2)	(5)	(2)	**(4)**	**(7)**	(+2)

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Titles to Release in 2Q/ Pachinko Machine

Title	Release Date
Cowboy Bebop	Jul 2014
Lupin The Third: Shuyaku wa Zenigata	Sep 2014
Bigshooter ZERO	Sep 2014
GingaOtome	Sep 2014

Titles to Release in 2Q/ Pachislot Machine

Title	Release Date
MidorinoMakibao: Todoke!! NihonichinoGoruhe!!	Jul 2014

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Supplementary Information

＜Supplementary Information＞

Market Environment (Pachinko and Pachislot Machine Business)

Market Environment (Golf Business)

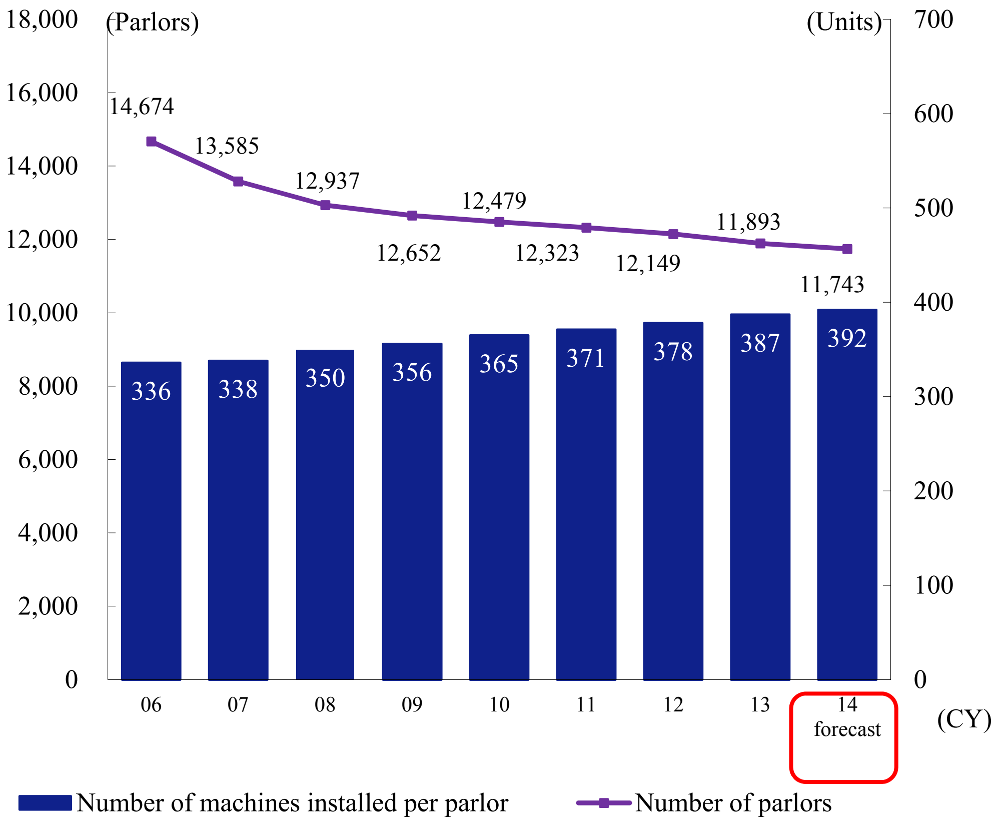
Performance Trend

Number of Machines Sold / Titles Released in FY2015

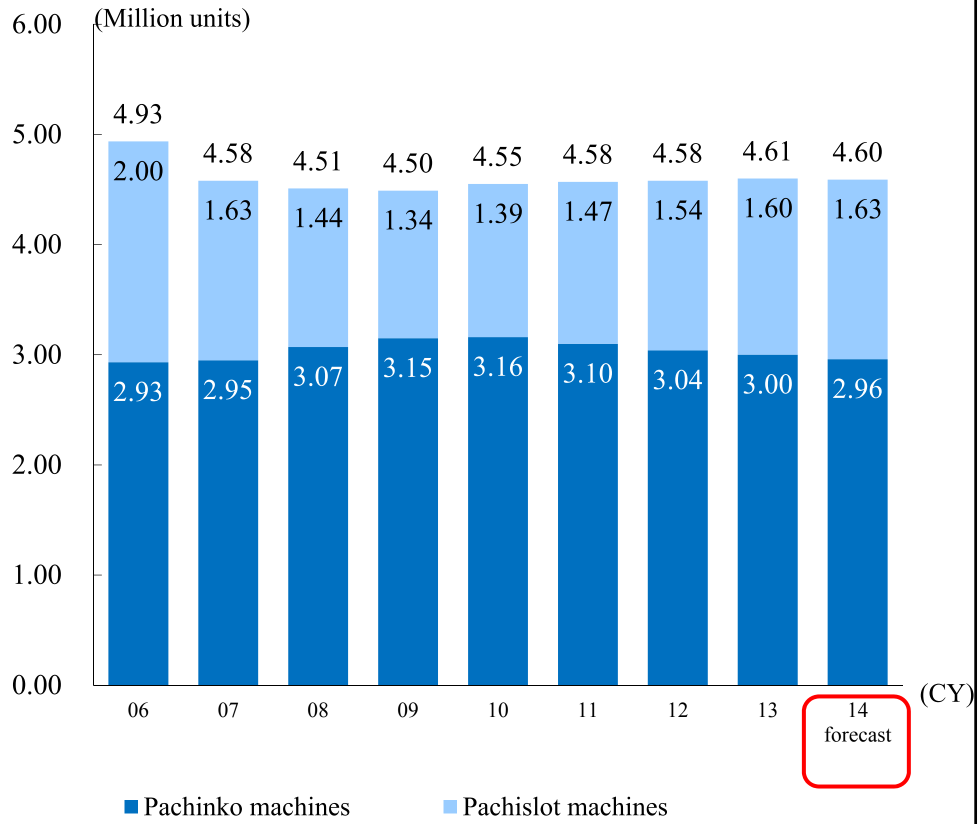
Number of Golf Course Users / Average Unit Price per Customer

Market Environment
(Pachinko and Pachislot Machine Business) 1

Number of pachinko parlors / Number of machines installed per parlor



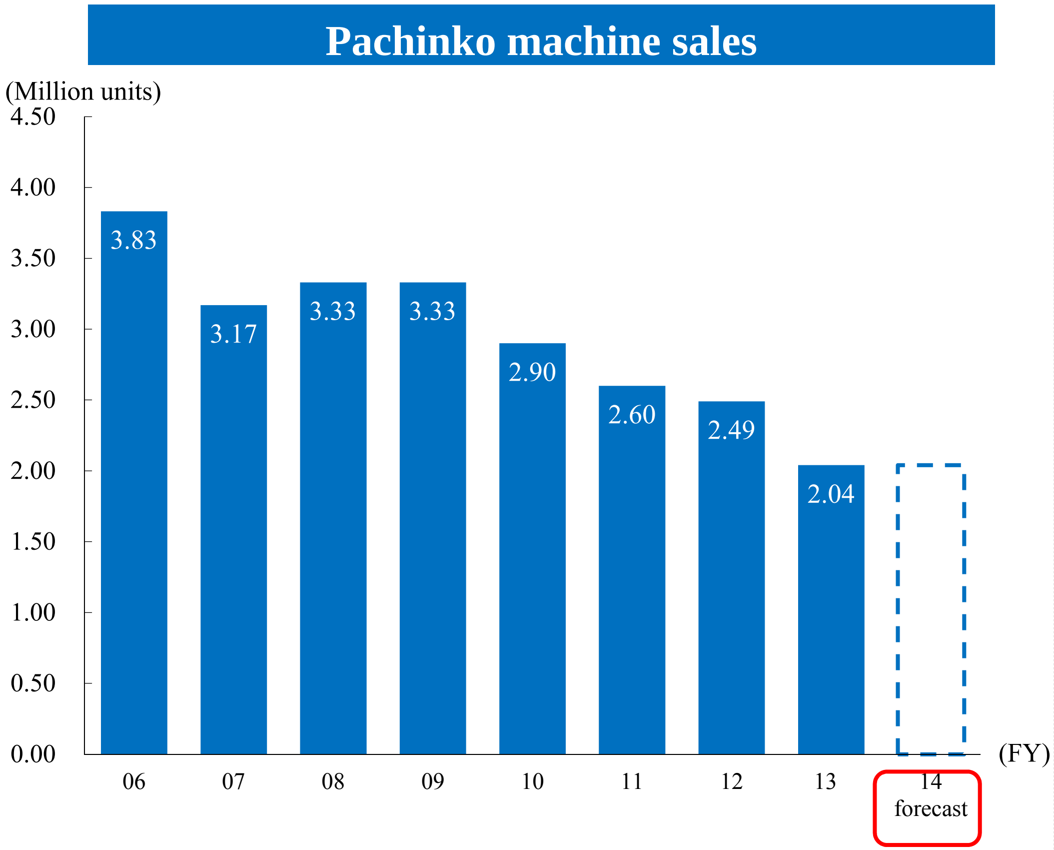
Pachinko machine installations / Pachislot machine installations

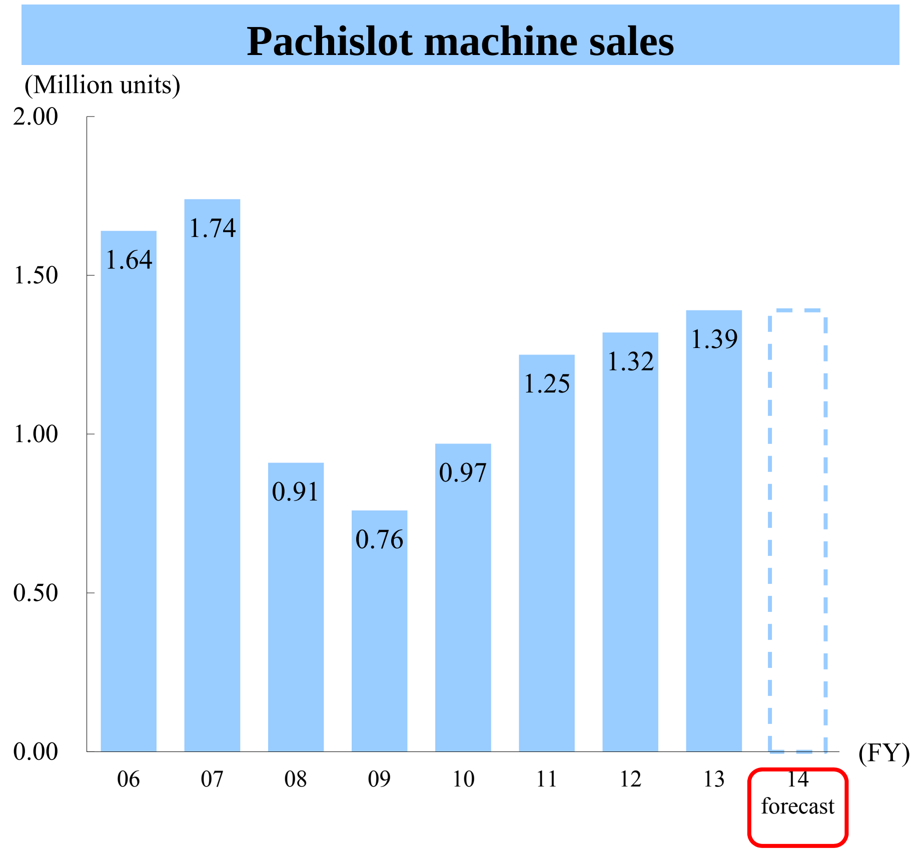


	2006	2007	2008	2009	2010	2011	2012	2013	2014 forecast
Number of parlors	14,674	13,585	12,937	12,652	12,479	12,323	12,149	11,893	11,743
Number of machines installed per parlor (units)	3.36	3.38	3.50	3.56	3.65	3.71	3.78	3.87	3.92
Pachinko machine installations (million units)	2.93	2.95	3.07	3.15	3.16	3.10	3.04	3.00	2.96
Pachislot machine installations (million units)	2.00	1.63	1.44	1.34	1.39	1.47	1.54	1.60	1.63

Note: Data source: National Police Agency. Data on a calendar year basis (from Jan to Dec) Figures for 2014 are the Company’s estimates.

Market Environment
(Pachinko and Pachislot Machine Business) 2





Number of machines sold (Million units)	2006	2007	2008	2009	2010	2011	2012	2013	2014 forecast
Pachinko machines	3.83	3.17	3.33	3.33	2.90	2.60	2.49	2.04	2.09
Pachislot machines	1.64	1.74	0.91	0.76	0.97	1.25	1.32	1.39	1.41

Note: Data source: Yano Research Institute. Data on a fiscal year basis (from April to March of the next year). Data for 2014 is the Company's forecast.

Market Environment (Golf Business)

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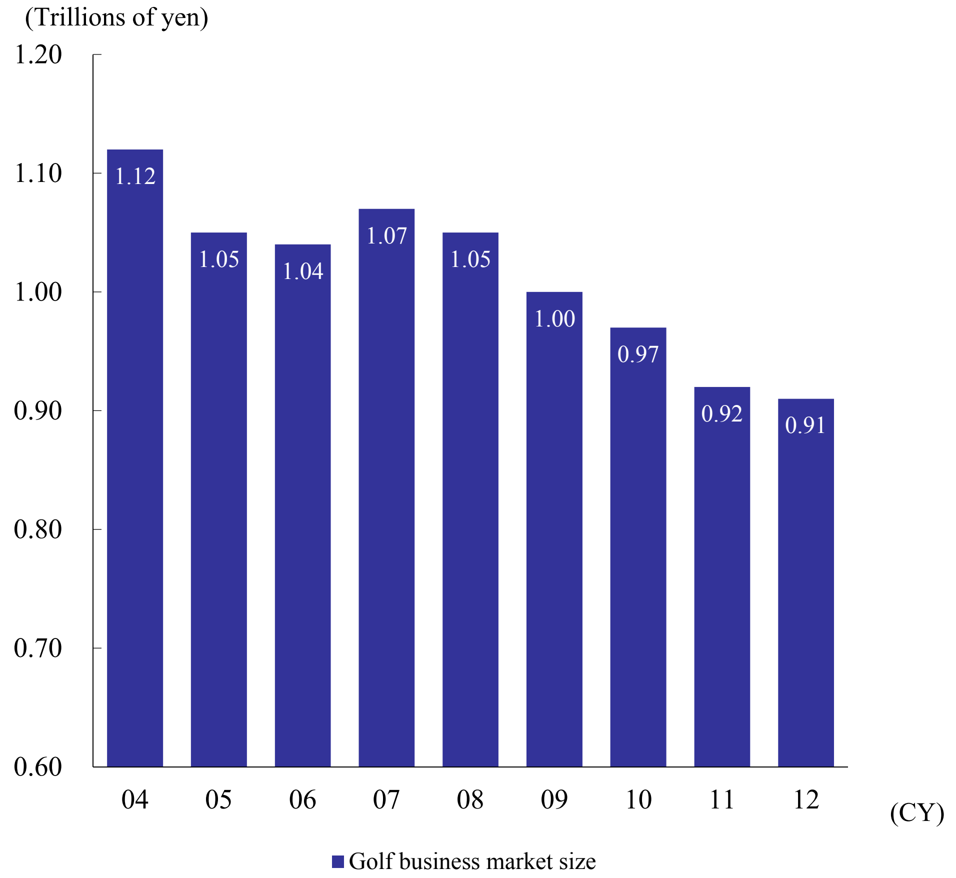
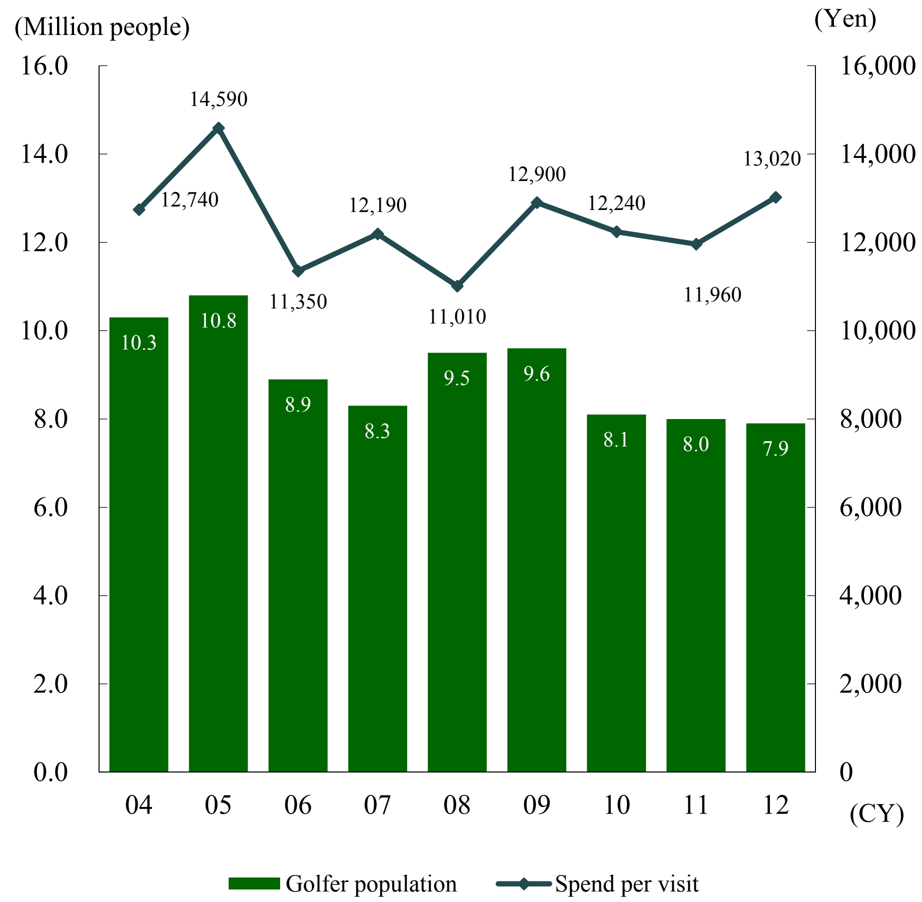
Market size



Golfer population / Spend per visit



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Market size (trillion yen)	1.05	1.04	1.07	1.05	1.00	0.97	0.92	0.91	0.90
Golfer population (million)	10.8	8.9	8.3	9.5	9.6	8.1	8.0	7.9	8.6
Spend per visit (yen)	14,590	11,350	12,190	11,010	12,900	12,240	11,960	13,020	9,950

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

Financial Performance Trend

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(Millions of yen)	FY2011		FY2012		FY2013				FY2014				FY2015
	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	43,488	85,880	44,779	95,120	53,437	93,703	143,512	177,111	44,375	85,057	130,410	181,570	63,868
Pachinko machines	27,868	52,106	29,119	58,252	27,698	44,745	68,598	78,998	11,121	24,363	46,838	66,105	33,236
Pachislot machines	15,006	32,610	15,385	22,591	4,842	7,519	12,786	20,932	12,076	19,745	21,795	39,763	8,881
Golf business	—	—	—	13,228	20,209	40,002	60,056	74,479	20,549	39,605	59,818	73,145	21,161
Other	613	1,162	274	1,048	686	1,436	2,070	2,700	628	1,343	1,958	2,555	588
Operating income	8,481	15,276	15,198	20,741	13,999	21,346	31,293	34,434	12,291	21,752	29,032	36,909	19,290
Pachinko machines	5,581	8,726	10,169	17,023	7,947	12,388	18,640	19,177	3,803	7,911	12,738	14,836	10,269
Pachislot machines	4,042	8,962	6,279	7,613	2,818	3,201	3,180	6,317	4,783	7,680	7,770	15,282	4,798
Golf business	—	—	—	(908)	4,237	7,532	11,979	12,162	4,435	7,414	10,669	9,891	5,005
Other	322	556	134	228	43	98	130	263	31	107	148	182	31
Not allocated	(1,464)	(2,968)	(1,384)	(3,215)	(1,047)	(1,875)	(2,637)	(3,485)	(763)	(1,360)	(2,294)	(3,283)	(813)
Operating income ratio	19.5%	17.8%	33.9%	21.8%	26.2%	22.8%	21.8%	19.4%	27.7%	25.6%	22.3%	20.3%	30.2%
Ordinary income	13,152	24,687	20,079	28,282	15,719	24,585	33,717	35,577	12,202	21,317	28,380	35,405	19,085
Net income	9,495	20,451	13,525	20,516	10,323	16,835	22,016	20,123	7,111	12,578	15,782	20,361	11,360
SGA expenses	11,629	23,875	10,579	24,180	7,142	14,367	21,804	30,864	7,904	15,323	24,763	36,095	8,391
Labor cost	1,954	4,407	1,976	5,851	1,794	3,479	5,303	7,554	1,747	3,413	5,261	7,621	1,656
Selling expenses	3,093	6,488	3,534	6,448	1,790	3,497	5,434	7,884	2,191	4,082	6,315	8,994	2,274
Advertising expenses	1,169	2,612	1,588	2,841	606	1,443	2,390	3,197	918	1,633	3,271	3,856	758
Sales comissions	1,439	2,931	1,502	2,513	769	1,261	2,065	2,690	937	1,641	2,224	3,572	1,224
General expenses	6,581	12,978	5,067	11,880	3,557	7,390	11,067	15,425	3,965	7,827	13,186	19,478	4,460
R&D	4,932	9,774	3,444	7,889	1,835	3,787	5,934	8,963	2,502	4,748	8,138	12,864	2,812
Depreciation & amortization	1,490	3,362	1,152	3,963	1,699	3,525	5,504	7,575	1,760	3,621	5,923	8,339	2,112
Capital investment	1,139	2,202	760	3,301	3,129	4,711	9,223	9,414	3,233	7,136	10,039	12,987	3,558

Number of Machines Sold
Titles Released in FY2015

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Number of machines sold

(Units)	FY2011 2Q cumulative	FY2011 Full year	FY2012 2Q cumulative	FY2012 Full year	FY2013 1Q	FY2013 2Q cumulative	FY2013 3Q cumulative	FY2013 Full year	FY2014 1Q	FY2014 2Q cumulative	FY2014 3Q cumulative	FY2014 Full year	FY2015 1Q
Total	140,581	279,310	145,772	266,027	99,132	161,545	260,860	320,011	72,908	140,165	209,892	317,948	118,785
Number of pachinko machines sold	90,258	168,219	93,358	187,308	85,314	138,219	218,767	252,411	35,422	78,012	141,100	197,146	92,234
Body	61,894	107,611	38,652	99,030	82,886	126,159	170,252	179,430	7,717	22,251	78,200	128,059	92,194
Gauge board	28,364	60,608	54,706	88,278	2,428	12,060	48,515	72,981	27,705	55,761	62,900	69,087	40
Number of pachislot machines sold	50,323	111,091	52,414	78,719	13,818	23,326	42,093	67,600	37,486	62,153	68,792	120,802	26,551
Chassis	36,108	61,512	26,445	30,676	918	1,445	8,820	29,472	37,471	48,647	50,081	77,716	15,239
Combined unit	14,215	49,579	25,969	48,043	12,900	21,881	33,273	38,128	15	13,506	18,711	43,086	11,312

Titles released in FY2015

Pachinko

Release	Title	Units sold
1Q	*Super Street Fighter Ⅳ CR EDITION*	31,982
	Doki! Marugoto Mizugi Onna Darake no Suiei Taikai: Idol Darake de Komacchaung!!!	20,053
	Total	92,234

Pachislot

Release	Title	Units sold
1Q	*Magic Monster 3: Bucchigiri! Makai Grand Prix*	6,146
	Sengoku Otome:Kengeki ni Mau Shiroki Kensei - Saigoku Sansen version	20,308
	Total	26,551

Number of Golf Course Users
Average Revenue per Customer

HEIWA

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										2,068,096

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	9,234
FY2014	9,468	9,527	9,531	8,664	8,143	8,853	9,456	10,033	9,516	8,558	7,814	9,101	9,123
FY2015	9,215	9,422	9,180										9,280

Contact / Disclaimer

Contact

Corporate Planning Group, Heiwa Corporation
TEL: +81-3-3839-0701
Website: http://www.heiwanet.co.jp

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