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/daiou/)

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) does 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 2012
From April 1, 2011 to March 31, 2012
How was the business environment during fiscal 2012?

Despite a temporary weakening in the number of customers attracted and a slowdown in operations at pachinko parlors due to the impact of the Great East Japan Earthquake, the amusement machine industry quickly recovered to pre-disaster levels. According to data released by the National Police Agency in April 2012, the number of pachinko parlors as of December 31, 2011 was 12,323, down 1.3% from the previous year. Although the downtrend in the number of pachinko parlors was still intact, the rate of decline slowed as bankruptcies among pachinko parlors reached a 10-year low. The number of installed amusement machines edged up 0.6% to 4,582 thousand, continuing the previous year’s rise against the backdrop of recovery in popularity of pachislot machines. Looking at amusement machine sales, sales of pachinko machines were in a downturn, reflecting sluggish sales in the market overall. Sales of pachislot machines, on the other hand, remained firm across the market as a whole thanks to a rebound in replacement demand.

How were your operating results during the fiscal year under review?

Given the environment, our Group endeavored to develop amusement machines offering novelty and new functions that anticipated the needs of end users, and undertook to encourage reuse of machines and cut procurement costs for parts/materials.
Aiming to build a new revenue base and further improve corporate value, we acquired 80.49% of the shares of PGM Holdings K.K., whose primary business is golf course ownership/operation, through a tender offer on December 5, 2011 that marked our entry into the golf business. As a result, our business results for the fiscal year under review were 95,120 million yen in net sales, 20,741 million yen in operating income, 28,282 million yen in ordinary income and 20,516 million yen in net income, representing a continued increase in revenues and income from the previous term.

Note: The deemed acquisition date for the conversion of PGM Holdings K.K. into a consolidated subsidiary was December 31, 2011, so the Group business results for the fiscal year under review reflect the business results of that company and its consolidated subsidiaries for the period January 1, 2012 to March 31, 2012.

### Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2013

<table>
<thead>
<tr>
<th>Fiscal year ending March 31 (actual figures)</th>
<th>Fiscal year ending March 31 (forecast)</th>
<th>Year-to-year comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>166,900</td>
<td>Up 75.5%</td>
</tr>
<tr>
<td>Operating income</td>
<td>33,800</td>
<td>Up 63.0%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>35,700</td>
<td>Up 26.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>23,300</td>
<td>Up 13.6%</td>
</tr>
</tbody>
</table>

In the golf business, we will be providing consistently high-quality service at all our golf courses, putting in place an operating structure that allows golf courses to focus exclusively on customer service as well as pursuing efforts to heighten customer loyalty and improve the efficiency of our golf course operations.

As for year-end dividends for the fiscal year under review, we have decided to pay a year-end dividend of 35 yen per share, adding a commemorative dividend of 10 yen on top of the ordinary dividend of 25 yen per share (for an annual dividend of 60 yen per share). We anticipate a dividend of 60 yen per share for the next fiscal year (of which 30 yen will be the interim dividend). We look forward to the continued support of our shareholders.
Opened in 1964, the Sobu Country Club’s Sobu Course is one of the hallmark projects of the master golf course designer Seizo Tomizawa, who has designed a number of famous courses. The course has hosted the Taiheiyo Club Masters, the Suntory Open and numerous other major tournaments that have left their mark on Japanese golf history, and it has been the setting for several memorable matches between top Japanese and foreign players.

The Professional Golfers’ Association of Japan (PGA) is planning to stage the 81st PGA Championship at this course in May 2013. The tournament dates are May 16–19, with the 20th as an optional extra date.

The PGM Group is one of Japan’s largest golf course owners/operators. In addition to running more than 120 golf courses nationwide, the PGM Group has extended its business ventures to cemeteries, hotels, highway service area restaurants/shops, and others. These were inherited in the process of golf course acquisition. Since it first began acquiring and operating golf courses in 2001, the company has expanded its revitalization business by giving full play to the individual features and local character of golf courses and has driven the market as an expert in golf course operation. The PGM Group is working to become a global leader in the hospitality business sector by offering customer-oriented service, enhancing the growth of golf courses, and building a revenue base with long-term stability.

PGM will drive Japan’s golf industry as a member of the Heiwa Group, which is seeking to become a comprehensive leisure enterprise.
The Lupin The Third series of pachinko machines has captivated countless fans over the past 15 years or so. Lupin The Third: World is Mine, the latest machine in the Lupin The Third series, appeared in parlors after a development period of about two years.

For this special feature, we brought together the Lupin The Third: World is Mine development team and asked members to relate some of the episodes that occurred during development.

—What were your thoughts when you began development?

Ueno: The Lupin The Third series enjoys the support of a broad range of fans among men and women of all ages. As we started development on the sixth in this series of pachinko machines, our goal was to build a machine capable of winning over both Lupin The Third fans and pachinko fans.

Tomioka: We wanted to build a pachinko machine that could dependably meet the expectations of “Lupin the Third” fans and still keep pachinko fans entertained for long periods. The key point in development was the screen presentation during consecutive jackpots. Our staff discussed what we could do to get people to enjoy the major jackpots more, and ultimately we went with the approach of advancing the storyline ahead step by step during consecutive jackpots.

Murakami: The fact is that the vast majority of the development team had been members of the team that worked on the previous Lupin The Third—Hunting for the Tokugawa Hoard. Partnering with old and trusted members, we wanted to create something that would not only surpass the earlier machine but was also second to no other machine.

Kamei: This was the first production in which I participated as a team member. I had wanted to get involved at least once with the Lupin The Third series ever since I joined the Company. So when this project was launched, I stepped forward to ask for a place on the team. Certainly there was pressure because the series is so popular, but I was still happy to have my dream come true.

—What were your thoughts when you began development?

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Ueno: Development this time was mostly done by in-house staff, and we were fortunate in having an environment that allowed us to immediately discuss matters of concern face-to-face. This also made it easier for me as project leader to ask for the impossible [laughs].

—Where was your emphasis during development?

Ueno: Given that it is such a popular series, we had to get wired into the pachinko market to create something that would satisfy the needs of fans. Noting the incredible speed with which trends in pachinko have changed over recent years, though, we were careful in making decisions on jackpot possibilities and other specifications. Tomioka: In other words, we all had our own ideas on how things should be, so we had a hard time agreeing on the specifications [laughs]. Every change in the specifications meant a greater number of things we had to redo. Even so, our objective was a game that was two or three notches above the earlier one, so we did not feel the work was hard at all.

Kamei: This game pays out about 2,000 balls (during jackpot with payout) and, because a difference in the placement of just one pin greatly alters the payout, specification changes were a major problem for the gauge staff. However, the final format was selected from among more than 100 proposed patterns, and I think everyone’s efforts were rewarded. In the end, we were able to create a gauge set-up that made the most of the hard work put into the project.

Project leader: Akihiro Ueno
Planning: Hiroshi Tomioka
Gauge staff: Kenjiro Kamei
Video planning: Manabu Murakami

Murakami: The fact is that the vast majority of the development team had been members of the team that worked on the previous Lupin The Third—Hunting for the Tokugawa Hoard. Partnering with old and trusted members, we wanted to create something that would not only surpass the earlier machine but was also second to no other machine.

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Amusement Machine Business

- Net sales: 80,843 million yen
- Operating income: 24,636 million yen

In the amusement machine business, we launched the pachinko machines Sengoku Otome 2, Nangoku Sodachi in Okinawa and Komon-chama: Kotobuki among others, selling 187 thousand pachinko machines. We also released such pachislot machines as Pachislot Komon-chama: Hikare! Seigi no Inro!, Fujiko: Hyakuoku-doru no Megami and Shin Doronjo ni Omakase, and achieved sales of 78 thousand pachislot machines.

Golf Business

- Net sales: 13,228 million yen
- Operating loss: 910 million yen

In the golf business, we introduced a new point program in collaboration with Yahoo Japan Corporation, renovated our reservation and core operational systems at golf courses, and undertook other measures to build the foundations for better future performance. Nevertheless, record low temperatures, snowfall, and repeated weekends of bad weather had an adverse impact on business results.

Overview of Business

Special Feature 2

Attracting players with an original story and varied screen presentations

- Finally, please describe for us the appeal of this machine.
  Ueno: The main storyline in this game revolves around the battle between the Lupin gang as it steals jewels around the world and a mysterious group of mercenaries intent on taking these jewels from them. The longer the jackpot lasts, the more jewels Lupin The Third steals, and there are thrilling developments all the way to the very end.
  Murakami: Looking back on it, I do not think the screen presentation was ever finalized in one sitting during the development stage. Our intent was to pack the entire thing—the preview, the “reach action” and all the other parts—full of details to our liking.
  Kamei: Of course, we did this with the gauge as well [laughs].
  Ueno: The staff members assembled to develop this machine were all serious Lupin The Third fans, myself included. That may have led to clashes at times, but I think to that degree our individual feelings and passions were reflected in the game itself.
  Tomioka: I really hope people will play the game and get a sense of these passions. In the “World Reach,” where you can see just how cool the Lupin gang is, you will find our enthusiasm particularly conspicuous [laughs].

We provided data distribution services and operated restaurants and shops in roadside service areas.
Corporate activities during the fiscal year under review and the acquisition of PGM Holdings K.K., as a subsidiary boosted year-end total assets by 258,092 million yen year on year to 406,875 million yen. Liabilities also rose, by 229,983 million yen year on year to 282,049 million yen, primarily due to the increased loans taken out for the acquisition of PGM Holdings shares and the consolidation of that company’s liabilities.

### Financial Statements

**Consolidated Balance Sheets**

<table>
<thead>
<tr>
<th>(million yen)</th>
<th>FY2011 (as of March 31, 2011)</th>
<th>FY2012 (as of March 31, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>88,429</td>
<td>126,560</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>60,343</td>
<td>280,315</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>30,079</td>
<td>246,155</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>85</td>
<td>3,854</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>30,178</td>
<td>31,305</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>148,783</td>
<td>406,875</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>34,918</td>
<td>72,062</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>17,146</td>
<td>209,987</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>52,065</td>
<td>282,049</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>96,338</td>
<td>111,834</td>
</tr>
<tr>
<td>Capital stock</td>
<td>16,755</td>
<td>16,755</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>53,063</td>
<td>53,074</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>42,410</td>
<td>57,807</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(15,890)</td>
<td>(15,802)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>275</td>
<td>957</td>
</tr>
<tr>
<td>Subscription rights to shares</td>
<td>102</td>
<td>240</td>
</tr>
<tr>
<td>Minority interest</td>
<td>–</td>
<td>11,793</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>96,717</td>
<td>124,826</td>
</tr>
<tr>
<td>Liabilities and net assets</td>
<td>148,783</td>
<td>406,875</td>
</tr>
</tbody>
</table>

Corporate activities during the fiscal year under review and the acquisition of PGM Holdings K.K., as a subsidiary boosted year-end total assets by 258,092 million yen year on year to 406,875 million yen. Liabilities also rose, by 229,983 million yen year on year to 282,049 million yen, primarily due to the increased loans taken out for the acquisition of PGM Holdings shares and the consolidation of that company’s liabilities.

### Consolidated Statements of Income

<table>
<thead>
<tr>
<th>(million yen)</th>
<th>FY2011 (from April 1, 2010 (to March 31, 2011))</th>
<th>FY2012 (from April 1, 2011 (to March 31, 2012))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>85,880</td>
<td>95,120</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>46,728</td>
<td>50,198</td>
</tr>
<tr>
<td>Gross profit</td>
<td>39,151</td>
<td>44,921</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>23,875</td>
<td>24,180</td>
</tr>
<tr>
<td>Operating income</td>
<td>15,276</td>
<td>20,741</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>9,684</td>
<td>10,328</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>273</td>
<td>2,788</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>24,687</td>
<td>28,282</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>82</td>
<td>71</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td>447</td>
<td>200</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>24,323</td>
<td>28,152</td>
</tr>
<tr>
<td>Income taxes</td>
<td>3,871</td>
<td>7,898</td>
</tr>
<tr>
<td>Income after income taxes</td>
<td>20,451</td>
<td>20,253</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>20,451</td>
<td>20,253</td>
</tr>
<tr>
<td>Minority interests in loss</td>
<td>–</td>
<td>(262)</td>
</tr>
<tr>
<td>Net income</td>
<td>20,451</td>
<td>20,516</td>
</tr>
</tbody>
</table>

**Operating Income**

Higher selling, general and administrative expenses attributable to the addition of the golf business were more than offset by the reductions to manufacturing costs achieved in the amusement machine business through the promotion of reuse and cuts in parts/materials procurement costs, resulting in an increase in operating income of 5,464 million yen (35.8%) year on year to 20,741 million yen.

**Net sales**

Although pachinko machine sales remained robust, sluggish sales of pachislot machines produced a decline in revenues for the amusement machine business, but the newly added golf business helped bring about an overall increase in revenues of 9,240 million yen (10.8%) year on year to 95,120 million yen.

**Ordinary income**

Higher selling, general and administrative expenses attributable to the addition of the golf business were more than offset by the reductions to manufacturing costs achieved in the amusement machine business through the promotion of reuse and cuts in parts/materials procurement costs, resulting in an increase in operating income of 5,464 million yen (35.8%) year on year to 20,741 million yen.
Consolidated Financial Statements

Consolidated Statements of Cash Flows

\[
\begin{array}{l}
\text{Net cash provided by operating activities} \quad 23,405 \\
\text{Net cash provided by investing activities} \quad 396 \\
\text{Net cash provided by financing activities} \quad (20,366) \\
\text{Net cash provided (used in) cash and cash equivalents} \quad 3,435 \\
\end{array}
\]

Net cash provided by operating activities was 13,029 million yen as a consequence of income before income taxes of 28,152 million yen, depreciation of 3,963 million yen, negative goodwill amortization of 8,602 million yen, an increase in trade notes and account receivables of 3,380 million yen, an increase in inventories of 5,624 million yen, and income taxes paid of 8,501 million yen.

Net cash provided by investing activities was 64,563 million yen, primarily as a result of proceeds from sales and redemption of securities and investment securities of 57,135 million yen, purchase of short-term securities and investment securities of 72,049 million yen, and purchase of investments in subsidiaries resulting in change in the scope of consolidation of 38,493 million yen.

Cash Flows from operating activities

Consolidated Statement of Changes in Net Assets

\[
\text{Balance as of March 31, 2011} \quad 16,755 \\
\text{Change in cash and cash equivalents} \quad 3,435 \\
\text{Cash and cash equivalents at end of year} \quad 42,406
\]

Cash and cash equivalents at beginning of year was 38,971 million yen, resulting in a net increase of 3,435 million yen, leading to cash and cash equivalents at end of year of 42,406 million yen.

Corporate Data & Stock Information

Corporate Data

Trade Name: Heiwa Corporation
Head Office: 2-22-9, Higashiueno, Taito-ku, Tokyo 110-0015, Japan
URL: http://www.heimanet.co.jp/
Foundation: 1949
Establishment: 1960
Capital: 16,755 million yen

Directors and Corporate Auditors (as of June 28, 2012):

- Representative Director/President: Katsuya Minei
- Representative Director/Executive Vice President: Toshinobu Moromizato
- Director: Toshiyuki Osaki
- Director: Yasuaki Ikemoto
- Director: Yutaka Ota
- Director: Tamiki Kaneshi

Senior Corporate Auditor: Koji Kawano
Corporate Auditors: Takeshi Sato
Akihito Endo

Description of Business:
Development, manufacturing, sale of pachinko machines
Development, manufacturing, sale of pachislot machines

Offices:
Head Office, Hokkaido, Sendai, Takasaki, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka and 20 Sales Offices

Factory: Iseaki

Main Banks: Mizuho Bank, Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ

Stock Information

Number of Shares Authorized: 228,903,400 shares
Number of Shares Issued: 99,809,060 shares
Number of Shareholders: 12,890

Stock Distribution by Type of Shareholders

- Financial instruments firms: 15,493,000 shares, 15.45%
- Overseas corporations and others: 10,378,060 shares, 10.40%
- Financial institutions: 11,492,300 shares, 11.51%
- Overseas and others: 22,558,722 shares, 22.60%
- Ordinary corporations: 40,025,300 shares, 40.10%
- Treasury stock: 14,420,393 shares, 14.45%
- Individuals: 228,903,400 shares, 100.00%

Share Price Chart

Trading volume: (million shares)

Share price: (yen)

Corporate Data & Stock Information

Consolidated Financial Statements

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Share Price Chart

Trading volume: (million shares)

Share price: (yen)