

Business Results for the Fiscal Year Ending March 31, 2019 (FY2019)

April 19, 2019

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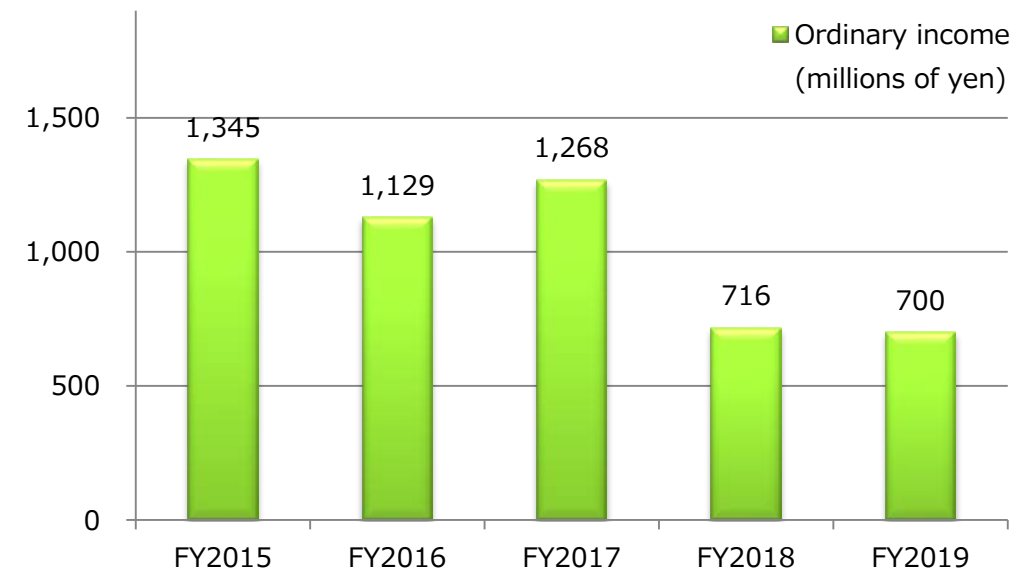
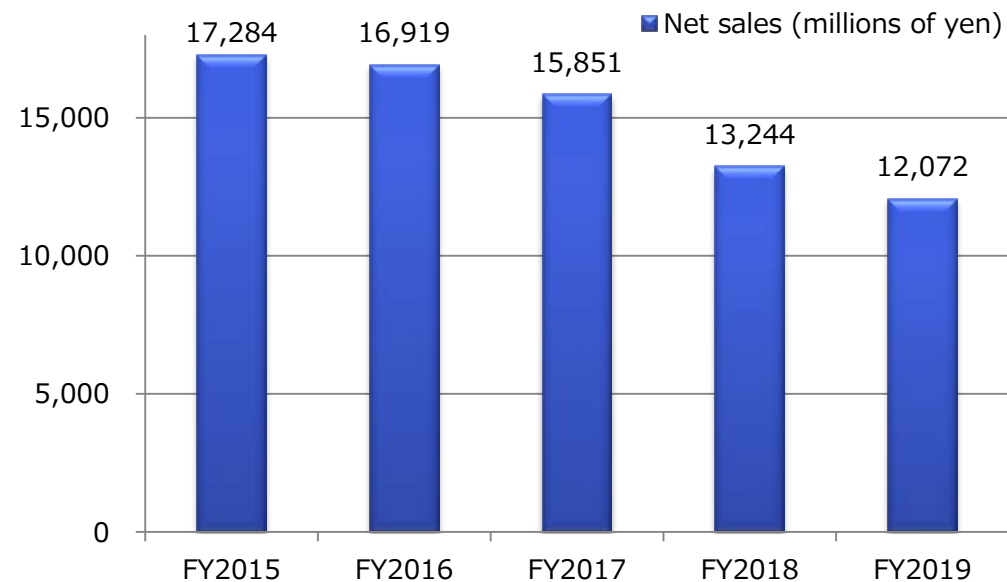
P17-22 Progress in Various Services

Financial Highlights (Consolidated)

○ Consolidated net sales for FY2019 came to 12,072 million yen, a significant decline of 1,172 million yen compared with the previous fiscal year. Income at each level declined due to shrinking profit margin caused by net sales decline, leading to highly unfavorable results.

(millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	17,284	16,919	15,851	13,244	12,072
Operating income	1,300	1,142	1,269	743	704
Ordinary income	1,345	1,129	1,268	716	700
Net income attributable to parent company shareholders	805	490	831	504	434



	FY2019	% of total	FY2018	% of total	YoY comparison
Net sales	12,072	100.0%	13,244	100.0%	91.1%
Operating income	704	5.8%	743	5.6%	94.7%
Ordinary income	700	5.8%	716	5.4%	97.8%
Net income attributable to parent company shareholders	434	3.6%	504	3.8%	86.2%

- ❑ The pachinko parlor industry remains in an adverse situation in terms of earnings as a result of the decline in the frequency of utilization by users as well as user spending. Given the recent measures to prevent dependence and the trend of tightening industry restrictions aimed at curbing gambling-related aspects, motivation for the parlors to invest in new parlor openings and proactive purchase of new machines appears to be declining significantly compared with the past.
- ❑ In the mainstay advertising business, the Group, with the aim of transforming its earnings structure, strived to boost revenue by expanding sales of Internet media. Further, in advertising fields other than the pachinko parlors field, in addition to the expansion of the printing business and strengthening of the contract-based design business, the Group has worked on boosting its earnings by entering into advertising for the fitness industry from the current fiscal year.
- ❑ As a result, net sales for FY2019 totaled ¥12,072 million (down 8.9%), operating income came to ¥704 million yen (down 5.3%), ordinary income amounted to ¥700 million (down 2.2%) and net income attributable to parent company shareholders totaled ¥434 million (down 13.8%).

■ FY2019

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	11,882	89	100	—	12,072
Segment income	1,127	56	(149)	(330)	704

■ Changes versus FY2018

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	(1,230)	26	31	—	(1,172)
Segment income	(77)	29	(15)	23	(39)

- ❑ Consolidated net sales declined ¥1,230 million as the pachinko parlor advertisement business trended below the previous year's level.
- ❑ In the Other Business segment, segment loss came to ¥149 million (¥134 million loss in FY2018) primarily due to the impact of amortization burden of initial investment in the casino business.

FY2019 Segment Income (Advertising)

(millions of yen)

Advertising	FY2019	FY2018	YoY comparison
Net sales	11,882	13,112	90.6%
Operating expense	10,755	11,908	90.3%
Segment income	1,127	1,204	93.6%

External environment>

- ❑ In the pachinko parlor advertising market, pachinko parlor operators continued to cut back advertising spending due to worsening profitability.
- ❑ Advertising demand is significantly sluggish also due to decline in demand for advertisement of new machines given low frequency of replacement with new machines.
- ❑ The number of new parlors openings declined dramatically compared to an average year reflecting a decline in interest in opening new parlors.

The Group's approach>

- ❑ Expanded sales of Internet media, primarily of its own "Pachi 7" media and "PachiAd" DSP advertising.
- ❑ Expanded printing business targeted at other industries, strengthened the contract-based design business.
- ❑ Entered the fitness industry advertising field, and started activities to acquire new customers.

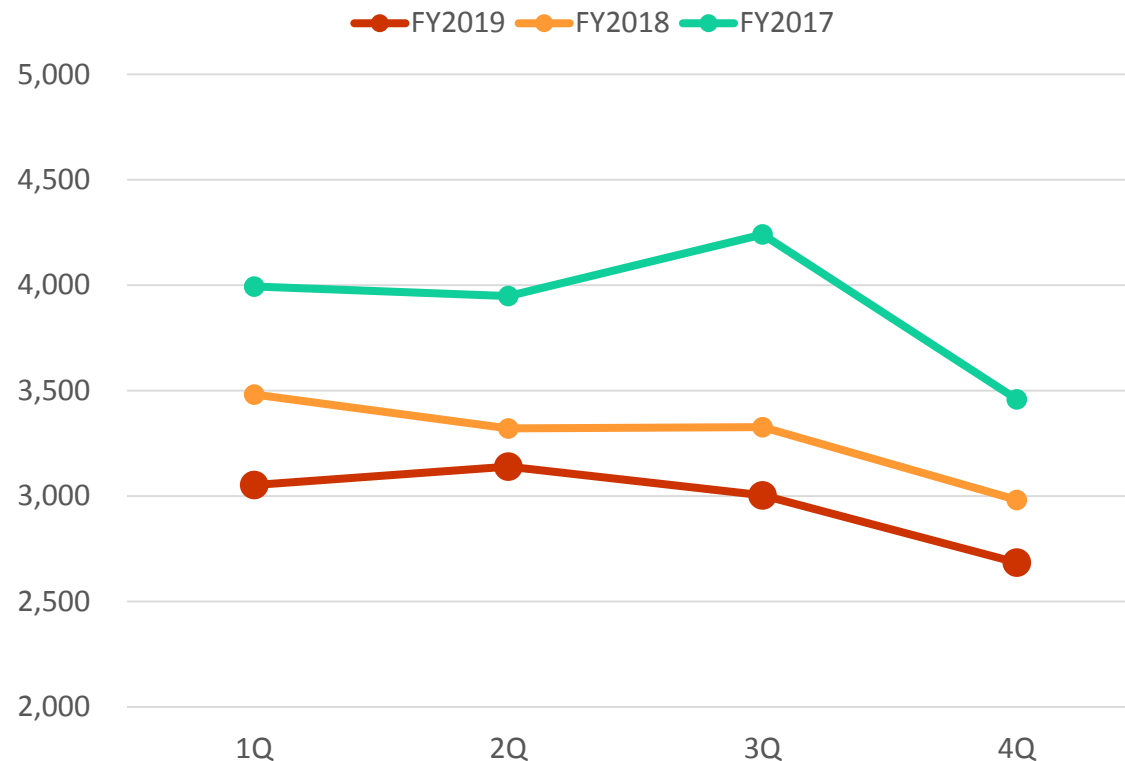
Result>

- ❑ As a result of these initiatives, the segment posted segment income of ¥1,127 million, down 6.4% year on year as the sales margin rose on the Internet-related services operated by the Group despite net sales declining 9.4% year on year to ¥11,882 million due to the drastic fall in demand for print advertisement.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2019	3,053	3,140	3,004	2,685	11,882
FY2018	3,482	3,321	3,327	2,982	13,112
FY2017	3,994	3,949	4,241	3,459	15,643



□ Net sales of the Advertising Business declined ¥297 million in 4Q compared with the same period a year earlier.

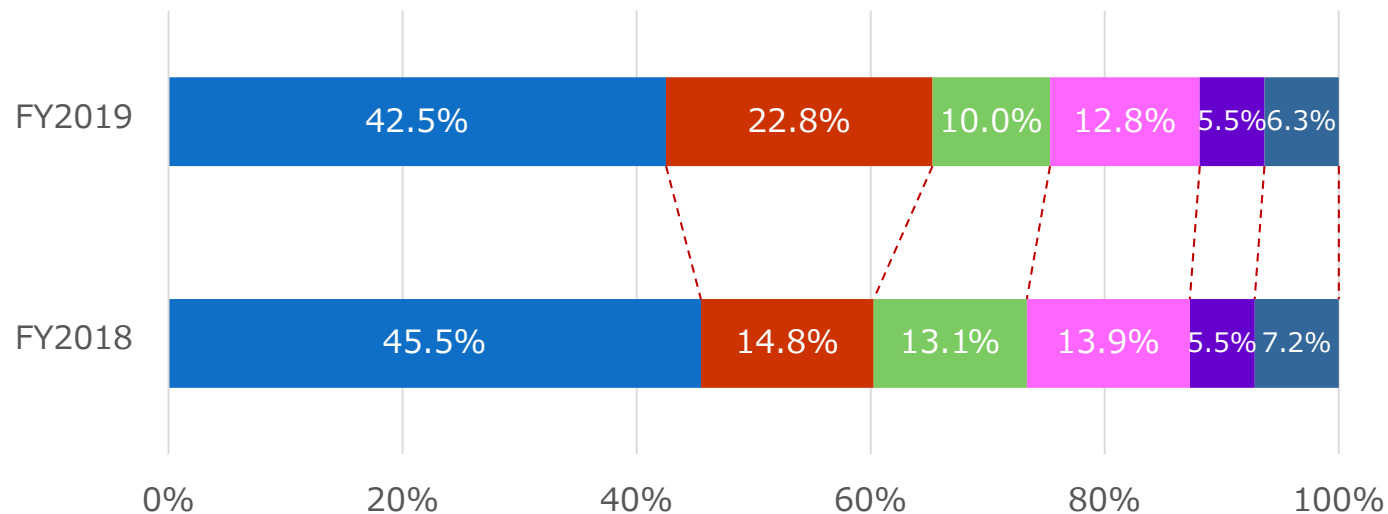
□ The decline was due to a decrease in advertising demand resulting from falling frequency of replacement with new machines, cutback of advertising budgets and extreme decline in large-scale advertising demand for new parlor openings.

Sales Breakdown (Advertising)

(millions of yen)

	FY2019	% of total	FY2018	% of total	YoY comparison
Newspaper flyers	5,050	42.5%	5,964	45.5%	84.7%
Internet	2,706	22.8%	1,935	14.8%	139.8%
Promotional goods	1,193	10.0%	1,716	13.1%	69.5%
Advertising media	1,520	12.8%	1,826	13.9%	83.2%
Creative	657	5.5%	726	5.5%	90.5%
Other	754	6.3%	942	7.2%	80.1%
	11,882	100.0%	13,112	100.0%	90.6%

■ Newspaper flyers
 ■ Internet
 ■ Promotional goods
 ■ Advertising media
 ■ Creative
 ■ Other

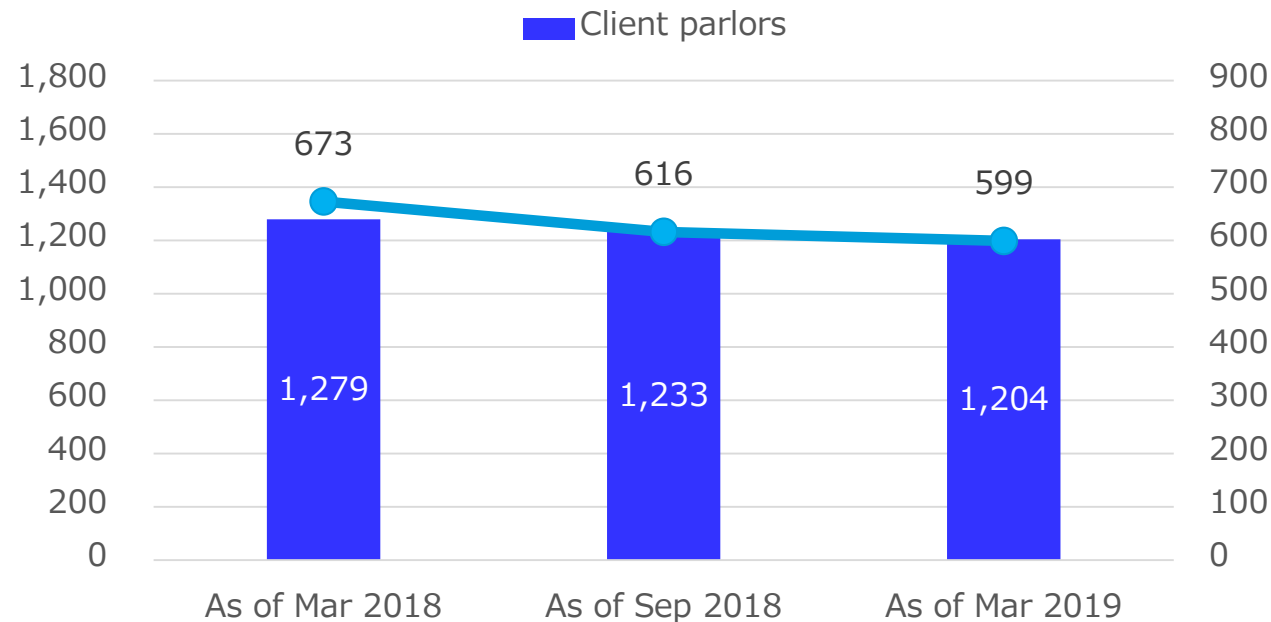


□ Net sales of Internet advertising rose 39.8% year on year on the back of proactive efforts to expand sales. At the same time, sales fell in other categories year on year as demand declined in print advertisement led by newspaper flyers.

□ Given the decline in advertising demand due to reduced advertising budgets and decline in frequency of new machine replacements, average sales per client declined ¥74,000 compared with the end of March 2018. In addition, the number of clients indicated here declined as the number of clients outside the scope of tabulation increased reflecting falling average sales per client.

Active clients	As of Mar 2018	As of Sep 2018	As of Mar 2019
Client parlors *1	1,279	1,233	1,204
Average sales per client (1,000 yen)*2	673	616	599

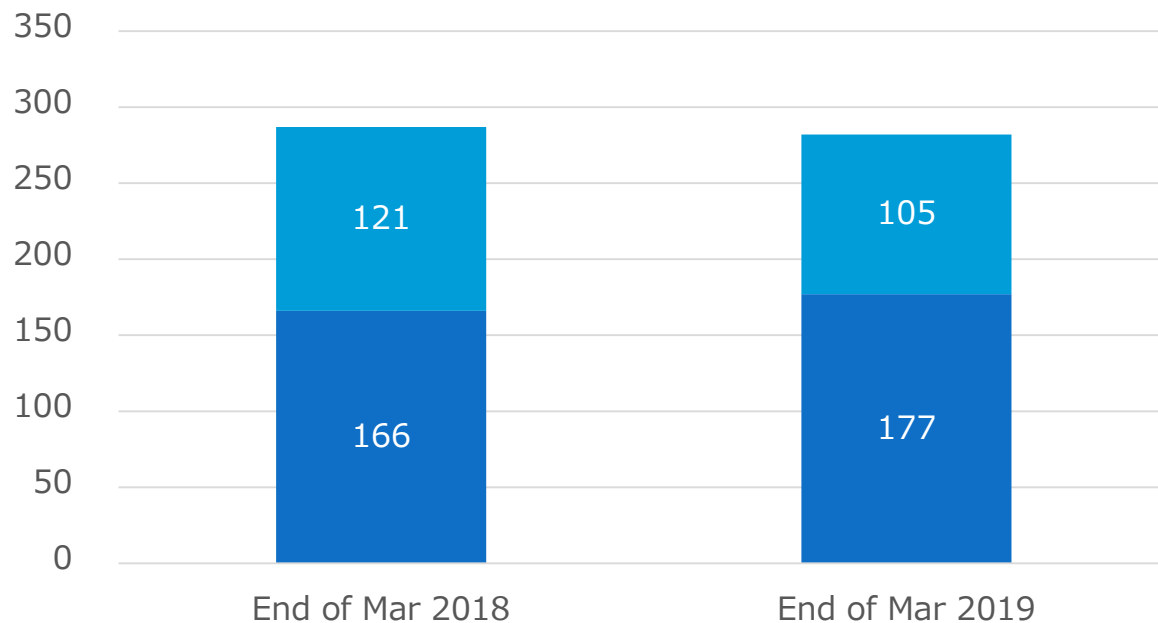
*1 Client parlors refer to customers with more than ¥50,000 in monthly transactions *2 Figures are on a single month basis



(people)

	End of Mar 2018	End of Mar 2019
SG&A (sales, administration)	166	177
Cost of sales (creative)	121	105
Sutotal for advertising	287	282

■ SG&A (sales, administration) ■ Cost of sales (creative)



- Sales and administration: For strengthening of the Internet advertising division
- Creative: Due to fall in print advertisement demand.
- As a result, the number of employees decreased by 5 compared with the end of the previous fiscal year.

(millions of yen)

Real Estate	FY2019	FY2018	YoY comparison
Net sales	89	63	141.5%
Operating expenses	33	36	91.7%
Segment income	56	27	206.0%

□ In addition to the land for lease use newly acquired in Kashiwa, Chiba Prefecture, in February 2017, we entered into a pachinko parlor M&A agreement and a lease property intermediary agreement (¥38 million).

□ As a result net sales of the Real Estate business increased 41.5% year on year to ¥89 million and segment income rose 106.0% to ¥56 million.

FY2019 Balance Sheet (Consolidated)

(millions of yen)

	End of FY2018 (A)	End of FY2019 (B)	Change (B) - (A)
Cash and cash equivalents	3,955	4,405	449
Notes and accounts receivables	1,670	1,410	-260
Other current assets	166	193	26
Tangible fixed assets	913	985	71
Intangible fixed assets	122	100	-22
Investment and other assets	901	998	97
Total assets	7,731	8,093	362
Notes and accounts payables	908	757	-150
Short-term borrowings (incl. long-term borrowings due within a year)	440	420	-20
Accrued income taxes	14	166	151
Other current liabilities	204	287	83
Long-term borrowings	520	800	280
Other fixed liabilities	33	32	-1
Total liabilities	2,121	2,464	343
Shareholders' equity	5,515	5,574	59
Other	94	54	-40
Total net assets	5,610	5,628	18
Total liabilities and net assets	7,731	8,093	362

(1) Decline in accounts receivable due to the impact of decline in business volume

(2) Increase due to acquisition of slot machines by a consolidated subsidiary

(3) Decline in accounts payable due to the impact of decline in business volume

(4) Increase in accrued income taxes, etc.

(5) Increases in long- and short-term borrowings

(6) +¥434 million in net income attributable to the parent, -¥376 million in dividend payments

FY2019 Cash Flow Statement (Consolidated)

(millions of yen)

	End of FY2018	End of FY2019
Net income before income taxes	730	687
Cash flow from operations	540	973
Cash flow from investing activities	-323	-394
Cash flow from financing activities	-604	-116
Cash and cash equivalents at the end of the period	3,949	4,399

□ Cash and cash equivalents increased ¥449 million to ¥4,399 million in the current fiscal year.

+ Net income before income taxes	687	
+ Depreciation and amortization	184	
+ Decline in accounts receivable	271	
+ Other	134	
		- Decline in accounts payable -150
		- Income taxes paid -127
		- Other (net) -28
Cash flow from operations	973	
		- Payment for purchase of tangible fixed assets -241
		- Payment for purchase of investment securities -152
		- Other payments -70
+ Proceeds from sales and redemption of investment securities	50	
+ Other earnings	19	
		Cash flow from investing activities 394
		- Repayment of borrowings -440
		- Dividends paid -376
+ Proceeds from long-term loans	700	
		Cash flow from financing activities 116

	FY2019 result	FY2020 forecast	
	Millions of yen	Millions of yen	YoY comparison
Net sales	12,072	9,800	-18.8%
Operating income	704	480	-31.9%
Ordinary income	700	480	-31.5%
Net income attributable to parent company shareholders	434	310	-28.7%

- ❑ The measures being implemented to prevent dependence on gaming in the pachinko industry will significantly curb the gambling properties of machines that will be sold or installed in the future, and pachinko parlor operators, the Company's main clients, are expecting to see their profitability decline. For this reason, the parlor operators will continue to reduce capital investment such as opening of new parlors and replacement with new machines, and advertising demand, which occurs along with these investments, is likely to continue to stagnate.
- ❑ Under such very severe circumstances, the Group aims to diversify its revenues, so that it is not overly reliant on a specific industry, by actively pursuing the development of advertising markets other than pachinko parlor advertising. Further, it will develop new contract-based casino operation projects and build them into the next pillars of earnings in the casino operation business in Southeast Asia.
- ❑ It is expected that considerable time will be required for the above measures to bear fruit. The Group expects significant decline in earnings in the next term from the impact of reduction in pachinko parlor advertising demand, which had been the mainstay till now.

- (1) Active market development in advertising business other than pachinko parlors
 - ❑ Further expand the printing and contract-based design business
 - ❑ Offer web-based solutions to businesses involved closely with local communities
 - ❑ Deepen the market in the fitness industry advertisement field with the fitness search website “FIT Search” at the core
 - ❑ Further strengthen sales of job advertising
- (2) Streamlining and labor-saving across the entire pachinko hall advertising field
 - ❑ Further expand sales from DSP advertisement “PachiAd” and Internet media led by the Company’s own media “Pachi7”
 - ❑ Further streamline internal operations and reduce costs
- (3) Build the next pillars of earnings
 - ❑ Develop new contract-based casino operation projects through consolidated subsidiary GDLH

Profit Distribution Basic Policy and Dividends for FY2019 and FY2020

	FY2018	FY2019	FY2020
Operating margin	5.6%	5.8%	4.9%
EPS	33.51 yen	28.89 yen	20.60 yen
Total annual dividend <i>(Of which, interim dividend)</i>	25.00 yen (12.00 yen)	25.00 yen (12.00 yen)	25.00 yen (12.00 yen)

□ The Group intends to maintain a dividend payout ratio of 50%, for the time being, taking into account the cash flow position. Furthermore, it plans to purchase treasury stock at appropriate junctures with an emphasis on improving capital efficiency.

□ Based on the above basic policy, for FY2019, the Group has set an year-end dividend of 13.00 yen per share. Together with the interim dividend of 12.00 yen per share, total annual dividend is 25.00 yen per share (consolidated dividend payout ratio is 86.5%).

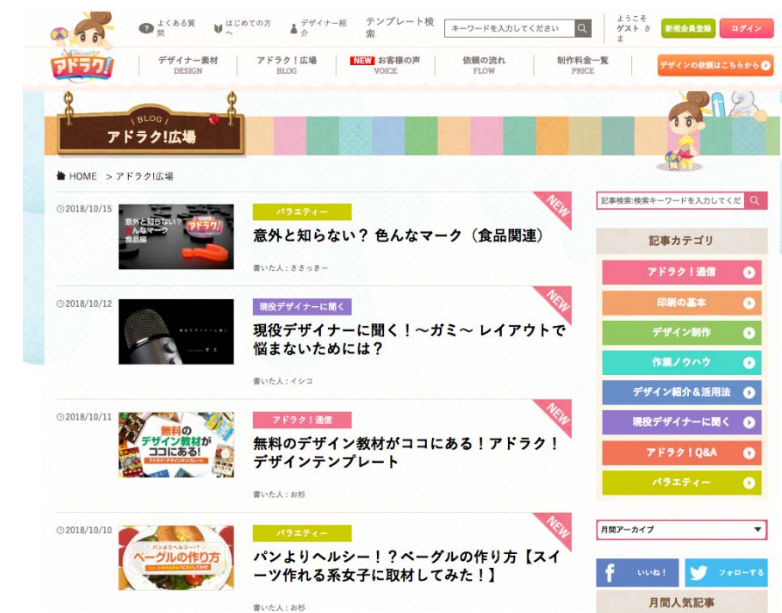
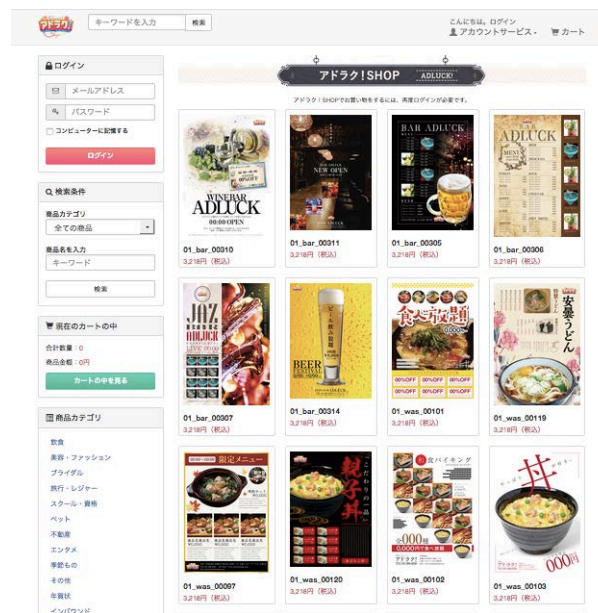
□ For FY2020, the Group, in principle, intends to finalize the dividend estimate based on the above basic policy and the targeted dividend payout ratio. At the same time, it has judged that it would be ideal to offer returns to some of the shareholders from the perspective of efficient utilization of accumulated capital. Accordingly, the Group expects to pay an annual dividend of 25.00 yen per share (expected consolidated dividend payout ratio of 121.4%).

Contract-based Design Site Adluck!



It is a design portal site that comprehensively handles the requirements of individual business owners and companies.

It produces semi- and fully made-to-order designs and sells design templates over the Internet leveraging its main contents made up of 24,000 template materials, which are the largest among websites offering similar services, and designer blogs that convey design knowhow.



○ Monthly PV count – 55,000PV ○ User count – 32,000 users

We are expanding sales by conducting contract-based design for individual business owners and inter-company transactions based on API collaboration.

We have increased the number of partner companies to 25 as we stably secure requests from individual business owners via the internet.

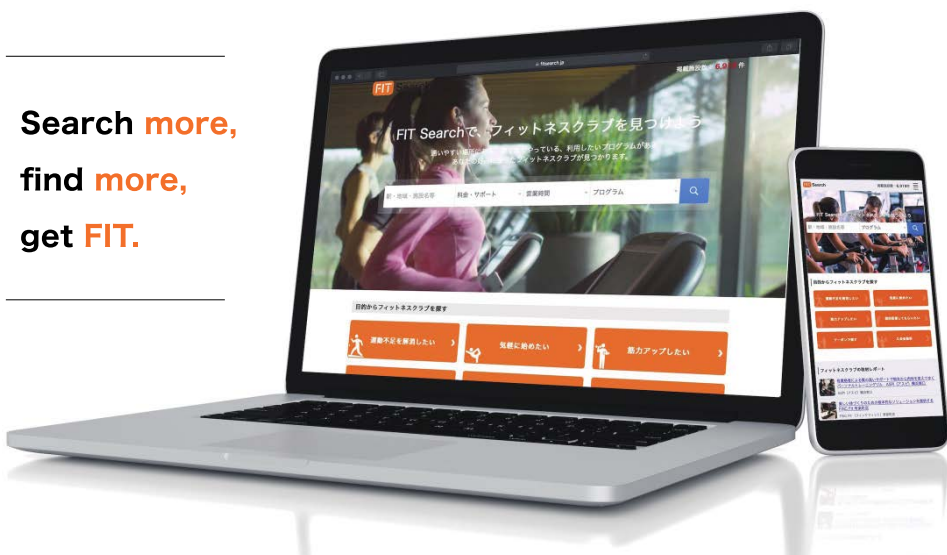
FIT Search >>>>

<https://fitsearch.jp/>

FIT Search is a portal site that introduces sports clubs around Japan and where health-minded people gather.

It provides the details, fees and programs of sports clubs around Japan in an easy to understand manner.
We plan to add contents such as information on joy of exercising, healthy food and recipe.

Search **more**,
find **more**,
get **FIT**.



User count **220,000** uu/month

Number of facilities listed **7,300** Largest in Japan

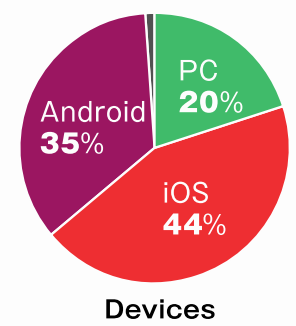
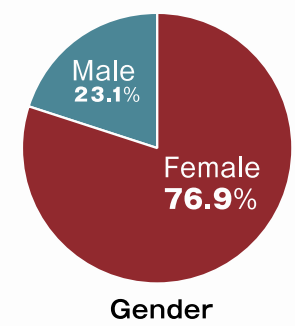
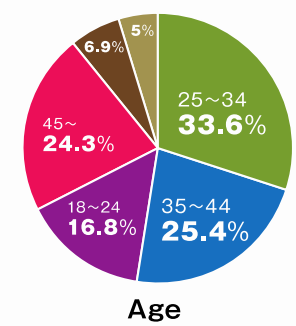
Member count **4,000** Largest in Japan

*As of March 2019

Service overview

- You can search facilities throughout Japan based on railway stations, railway lines or area!
- We use a standard format for introduction pages and it is easy to understand!
- Perks upon becoming a member are listed for each facility!
- No charge for posting information (performance-based fee at the time a facility gets a new member)

User attribution



Group-operated Website “Up to you!”



<https://up-to-you.me/>

Curation media that brings light relief to mothers based on the concept “Child-rearing can be much more fun!”.

The service distributes light and fun content that proves popular on social media, such as popular child-rearing stories, child-rearing topics readers can empathize with, and child-rearing comic strips. There is also an emphasis on topics that are in tune with the times and the kind of articles read by mothers who are highly information sensitive.



[Website information]

Monthly PV: 965,000PVs (as of Jan. 2019)

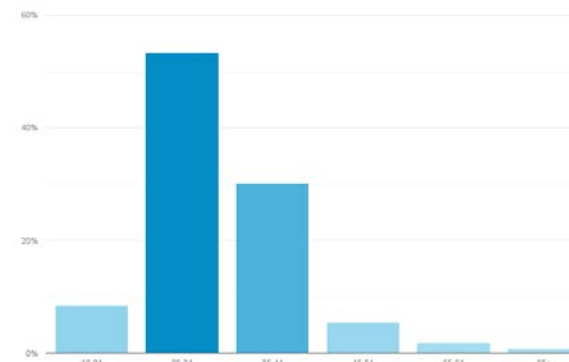
Monthly user count: 707,000UU (as of Jan. 2019)

Number of articles: 3,278 (as of Mar 29, 2019)

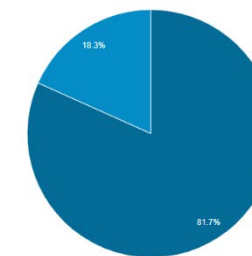
*Monthly PV and monthly UU are January 2019 data from Google Analytics

[User attributes, as of Mar. 2019]

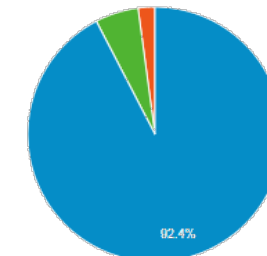
By age



By gender



By device



*User attribution is March 2019 data from Google Analytics

[Editing policy]

- ▽ Selection of light and fun topics
- ▽ Short and positive articles that women rearing children can read in their free time
- ▽ Copyright/social media content permission always secured in advance



Has 7 million UU data, of those who visited Pachi 7 and 777 website, which is managed as action history big data. Along with distributing advertisements to the 7 million pachinko users, the same advertisements are sent simultaneously to those non-Pachi7 users with similar action pattern, thus making it an Internet advertising specializing on the pachinko industry with the ability to distribute widely to pachinko users.



Over 2million UU monthly!



The Group owns the data of fitness users who have visited FitSearch and manages their behavioral history as big data. By distributing ads to fitness and sports club users as well as people who have not visited the website but who have the same behavioral patterns as fitness and sports club users, these ads can be widely distributed to fitness and sports club users and are fine-tuned to the needs of the fitness industry.

FIT Search
Japan's largest website dedicated to sports clubs and fitness



DSP advertising that can be distributed to segments with more than 200 categories of interest such as students, housewives, beauty, and real estate, as well as to visitors to more than 650,000 chain stores around Japan using GPS.

The service distributes ads by combining a number of distribution methods such as limiting areas, distributing to users with matching interests, attributes including age groups and gender, and distributing to users who have visited the client's own website, which enables clients to appeal to any demographic in their local area.

more than 200 interest categories
For distributing ads to any location using a multitude of different interest and GPS location categories

Accumulation of user data

DMP server

Pachinko users
7 million UU
Fitness users
2 million UU
Number of segments
More than 200
No. of stores
More than 650,000

Distributed to appropriate users

One of the largest in Japan!!
Distributing to a monthly stock of 410 billion mobile advertising slots!!
PCs: 150 billion imp per month
Mobile phones: 260 billion imp per month

Ads can be distributed to users in specific areas using GPS

YAHOO! JAPAN
Marketing solutions
Certified partner: "Silver" company

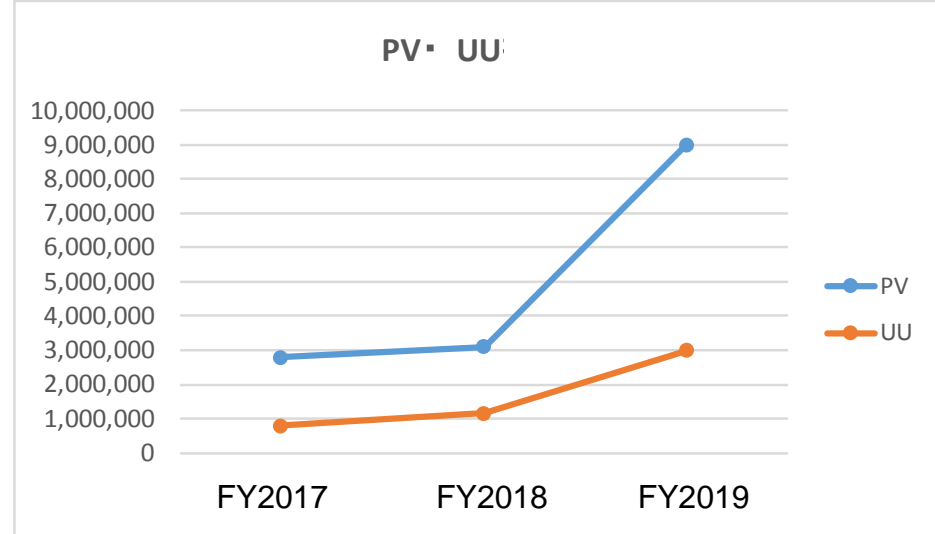
YAHOO! マーケティングソリューション
パートナー
シルバークラス



It is a Pachinko/Pachislo portal site based on the concept of offering information beneficial to the user quickly, in an easily understandable and interesting manner, with the aim of energizing the industry.



Website established August 7, 2014 (Pachi 7 Day)	User count 3,000,000 UU/Month Mar. 2019 *Google analytics survey
Viewer count 9,000,000 PV/Month Mar. 2019 *Google analytics survey	Parlors listed 5,100 parlors *As of Mar.-end 2019



Both PV and UU have been growing at unprecedented speed over the five years since the establishment of the website and it has become influential not only as an information provider but also as a community website where lots of users gather.

These materials, which contain earnings forecasts and other forward-looking statements, are based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. Actual business results may differ materially from those expressed or implied herein due to a range of factors.

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