

Business Results for the First Half of the Fiscal Year Ending March 31, 2021 (FY2021)



October 16, 2020



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1H FY2021 Income Statement (Consolidated)

(millions of yen)

	1H FY2021	% of total	1H FY2020	% of total	YoY comparison
Net sales	3,131	100.0%	5,768	100.0%	54.3%
Operating income (loss)	-344	—	285	4.9%	—
Ordinary income (loss)	-344	—	253	4.4%	—
Net income (loss) attributable to parent company shareholders	-362	—	24	0.4%	—

<Breakdown of 1H results by quarter>

(millions of yen)

	1Q	2Q	1H
Net sales	1,046	2,085	3,131
Operating income (loss)	-346	2	-344
Ordinary income (loss)	-346	2	-344
Net income (loss) attributable to parent company shareholders	-355	-7	-362

❑ The pachinko parlor industry faced exceptional circumstances in which most pachinko parlors closed in response to requests from their respective prefectural governments based on the state of emergency declared by the government on April 7 (initially covering seven prefectures and expanded nationwide on April 16). This situation continued until the state of emergency was lifted incrementally from mid- to late-May, and had a serious impact on pachinko parlor-operating companies.

❑ Further, pachinko parlors throughout Japan refrained from advertising aimed at attracting customers from March 2020, and demand for advertising declined significantly. Pachinko parlors resumed advertising in stages from June, and in July there were signs of normalization of activities at parlors aimed at attracting customers and demand for advertisement began to recover.

❑ Under such circumstances, the Group, in its mainstay advertising business, drafted various advertising plans that spell out safe and secure ways to use parlor facilities and pursued proposal activities based on these. The Group also focused on activities to acquire new customers in fields other than pachinko parlor advertising.

❑ As a result, net sales for the first half of FY2021 totaled ¥3,131 million (down 45.7% year on year). The Group posted an operating loss of ¥344 million (compared with operating income of ¥285 million in the same period a year earlier), ordinary loss of ¥344 million (compared with ordinary income of ¥253 million in the same period a year earlier) and net loss attributable to parent company shareholders of ¥362 million (compared with net income of ¥24 million in the same period a year earlier).

■ 1H FY2021

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	3,101	25	3	—	3,131
Segment income (loss)	-174	5	-5	-169	-344

■ Compared to 1H FY2020

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	-2,554	-49	-32	—	-2,637
Segment income	-675	-39	93	-8	-629

□ While demand in each segment has been showing a recovery trend since July, the impact, up to June, of the novel coronavirus pandemic was significant and net sales of all segments declined considerably in the first half. As a result, consolidated net sales declined ¥2,637 million year on year.

□ The significant year-on-year change in Other is primarily due to the removal of GDLH Pte. Ltd. from the scope of consolidation through transfer of shares in the subsidiary, which operated the contract-based casino operation business in Southeast Asia.

1H FY2021 Segment Income (Advertising)

(millions of yen)

Advertising	1H FY2021	1H FY2020	YoY comparison
Net sales	3,101	5,656	54.8%
Operating expense	3,275	5,155	63.5%
Segment income (loss)	-174	501	—

<Breakdown of 1H results by quarter> (millions of yen)

	1Q	2Q	1H
Net sales	1,036	2,065	3,101
Operating expense	1,282	1,993	3,275
Segment income (loss)	-246	72	-174

External environment>

- ❑ In response to the business suspension requests by respective prefectural governments based on the state of emergency declaration, most pachinko parlors suspended business operations till mid- to late-May. Further, advertising demand declined dramatically due to nationwide suspension of advertising aimed at attracting customers.
- ❑ Advertising demand in the fitness facility field also remained slow as fitness facilities suspended operations in quick succession.
- ❑ Advertising activities resumed in stages from June and advertising demand has been showing a recovery trend since July.

The Group's approach>

- ❑ Developed a system to ensure the stable provision of necessary services following the shift to teleworking.
- ❑ Gathered client information and drafted and promoted new services such as a video ad service, with an eye to resumption of advertising activities.
- ❑ U&U Co., Ltd., a consolidated subsidiary engaging in mail order service advertising, pursued the development of business in new fields other than mail order service advertising.
- ❑ Started consolidating sales bases, responded to new working styles, and prepared to reduce indirect costs.

Result>

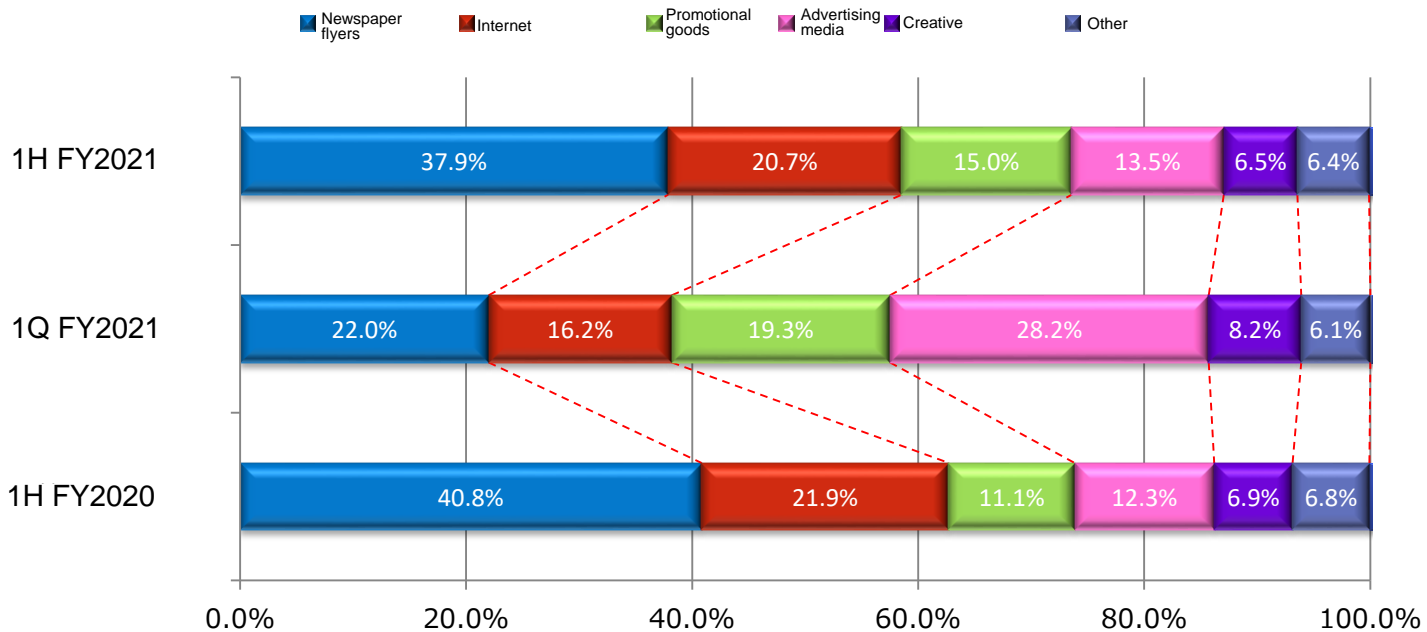
- ❑ The decline in demand in the advertising field due to the effect of the novel coronavirus pandemic had a significant impact and segment net sales declined 45.2% year on year to ¥3,101 million while segment loss came to ¥174 million (segment income of ¥501 million in the same period a year earlier).

Sales Breakdown (Advertising)

(millions of yen)

	1H FY2021	% of total	1H FY2020	% of total	YoY comparison
Newspaper flyers	1,174	37.9%	2,309	40.8%	50.9%
Internet	641	20.7%	1,238	21.9%	51.8%
Promotional goods	466	15.0%	630	11.1%	74.0%
Advertising media	418	13.5%	698	12.3%	59.9%
Creative	202	6.5%	392	6.9%	51.5%
Other	197	6.4%	385	6.8%	51.3%
	3,101	100.0%	5,656	100.0%	54.8%

<Sales breakdown>

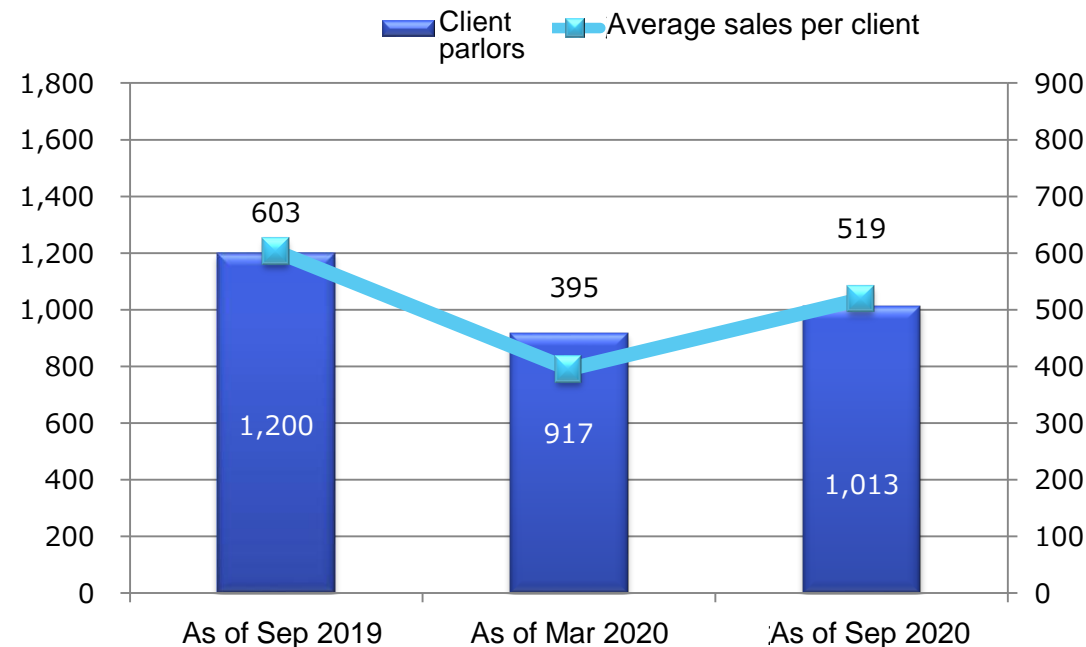


❑ In the first quarter, earnings opportunities in the pachinko parlor advertising field were limited to promotional items for use inside parlors and recurring billing-type internet-based services, etc. The sales breakdown is therefore significantly different to that of periods with more regular demand conditions. However, with advertising demand recovering from July, the sales breakdown for the first half moved closer to breakdowns for periods with more regular demand conditions.

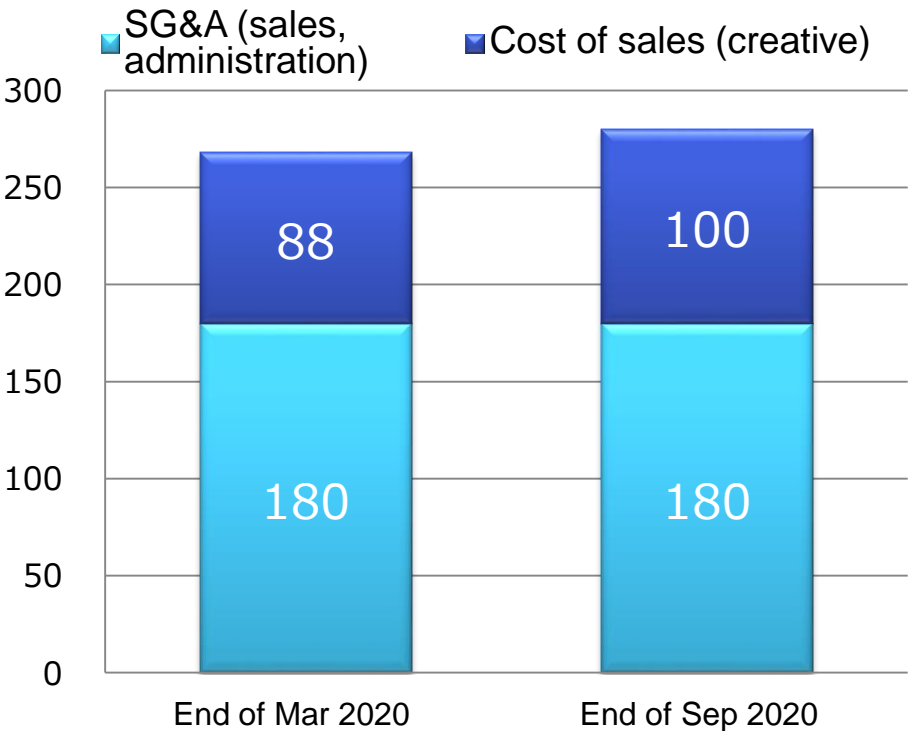
❑ The number of client parlors and sales per client for the month of March 2020 declined significantly due to the impact of parlors refraining from advertising from March through May 2020 in response to the novel coronavirus pandemic. While advertising demand from pachinko parlors has been on a recovery trend since July, the number of client parlors and sales per client for the month of September 2020 were lower than a year earlier, when there was regular demand.

Active clients	As of Sep 2019	As of Mar 2020	As of Sep 2020
Client parlors*1	1,200	917	1,013
Average sales per client (1,000 yen) *2	603	395	519

*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 2020	End of Sep 2020
SG&A (sales, administration)	180	180
Cost of sales (creative)	88	100
Subtotal for advertising	268	280



- ❑ Sales and administration: Recruited 11 persons to fill vacant positions
- ❑ Creative: Recruited 14 persons to reduce the cost of outsourcing by promoting increased in-house work
- ❑ As a result, the number of employees increased by 12 compared with the end of FY2020.

1H FY2021 Segment Income (Real Estate)

(millions of yen)

Real Estate	1H FY2021	1H FY2020	YoY comparison
Net sales	25	75	34.0%
Operating expense	20	31	64.5%
Segment income	5	44	11.8%

<Breakdown of 1H results by quarter>

(millions of yen)

	1Q	2Q	1H
Net sales	9	16	25
Operating expense	11	9	20
Segment income	-2	7	5

□ Regarding the land for lease use acquired in Kashiwa, Chiba Prefecture, in February 2017, we reduced the rent temporarily as the tenant temporarily suspended business operations. The tenant has since resumed operations and the rent has been raised to the regular amount from the second quarter. Brokerage commission revenue in the first half came to ¥4 million.

□ As a result net sales of the Real Estate business declined 66.0% year on year to ¥25 million and segment income fell 88.2% to ¥5 million.

1H FY2021 Balance Sheet (Consolidated)

(millions of yen)

	End of FY2020 (A)	End of 1H FY2021 (B)	Change (B) - (A)
Cash and cash equivalents	4,052	5,082	1,030
Notes and accounts receivable	980	1,002	22
Other current assets	236	109	-126
Tangible fixed assets	630	611	-18
Intangible fixed assets	76	73	-2
Investment and other assets	821	821	0
Total assets	6,797	7,702	904
Accounts payable	489	492	3
Short-term borrowings (incl. long-term borrowings due within a year)	200	1,675	1,475
Accrued income taxes	39	27	-11
Other current liabilities	202	130	-71
Long-term borrowings	600	675	75
Other fixed liabilities	35	34	-0
Total liabilities	1,565	3,034	1,468
Shareholders' equity	5,228	4,669	-559
Other	-4	-2	2
Non-controlling interests	7	—	-7
Total net assets	5,231	4,667	-564
Total liabilities and net assets	6,797	7,702	904

(1) Cash and cash equivalents increased ¥1,030 million and assets rose ¥904 million due to borrowings.

(2) Liabilities increased ¥1,468 million due to borrowings.

(3) Net assets decreased ¥564 million as a result of recording ¥362 million in net loss and dividend payment of ¥195 million for FY2020.

1H FY2021 Cash Flow Statement (Consolidated)

(millions of yen)

	End of 1H FY2020	End of 1H FY2021
Net income (loss) before income taxes	108	-344
Cash flow from operations	170	-273
Cash flow from investing activities	-26	-37
Cash flow from financing activities	-365	1,347
Cash and cash equivalents at beginning of the period	4,399	4,046
Cash and cash equivalents at the end of the period	4,141	5,076

❑ Cash and cash equivalents increased ¥1,030 million in the first half to ¥5,076 million.

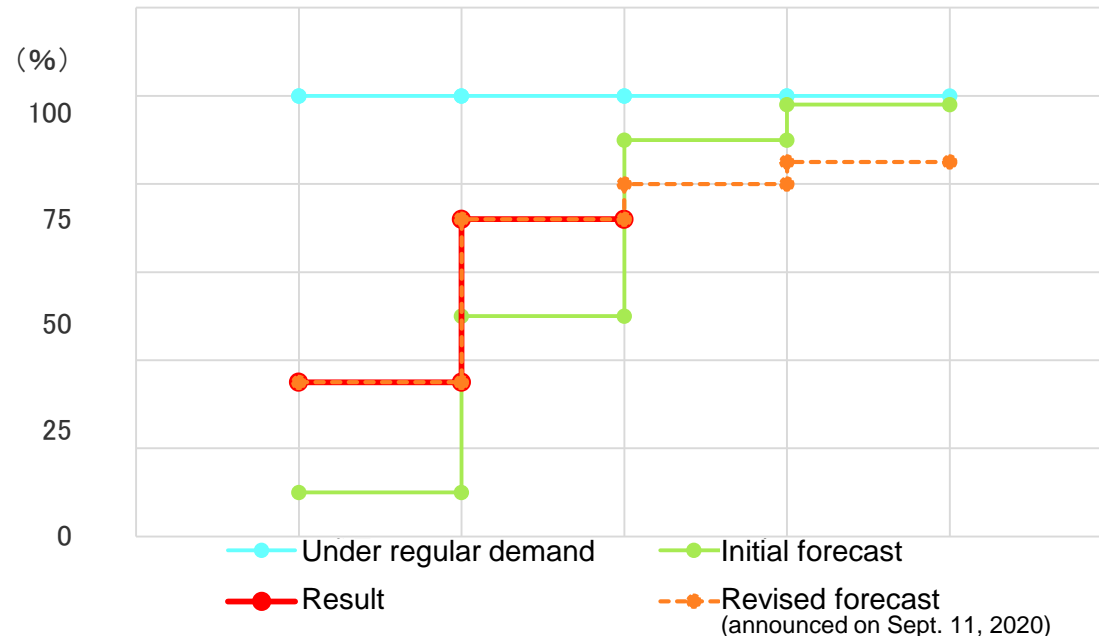
		– Net loss before income taxes	344
+ Refund of income taxes	154	– Other	84
		Cash flow from operations	273
		Payment for purchase of	
		– tangible/intangible fixed assets	43
+ Other	5		
		Cash flow from investing activities	37
+ Borrowings	1,700		
		– Repayment of borrowings	150
		– Dividends paid	195
		– Other	7
Cash flow from financing activities	1,347		

FY2021 Consolidated Earnings Forecast (*Revised on Sept. 11, 2020)

(millions of yen)

	FY2021 1H result (A)	FY2021 initial forecast (B) <small>*Announced on Apr. 17, 2020</small>	FY2021 revised forecast (C) <small>*Announced on Sept. 11, 2020</small>	Change (D) (C) - (B)	Rate of change (D) ÷ (B)	Progress (A) ÷ (C)
Net sales	3,131	6,850	7,500	650	9.5%	41.8%
Operating income (loss)	-344	-650	-230	420	—	—
Ordinary income (loss)	-344	-650	-240	410	—	—
Net income (loss) attributable to parent company shareholders	-362	-650	-260	390	—	—

Full-year forecast: Progress with net sales



❑ Compared with the assumed advertising order amount, announced on April 17 as part of the FY2021 forecasts (a 50% reduction in orders in the second quarter compared to orders under regular demand), the actual decline was limited to about 30%, exceeding expectations.

Initially, the Group had assumed that demand would recover to normal levels within the year, but even at this stage the number of customers visiting client facilities remains significantly lower than pre-pandemic levels, and a full-fledged recovery is now expected to take a considerable amount of time.

Because of this, the Group expects performance in the second half to fall below the assumptions of the forecast announced on April 17.

Based on the above factors, the net sales for the full year is expected to be 650 million yen higher than the forecast announced on April 17.

❑ Operating loss is expected to narrow by ¥420 million compared to the forecast announced on April 17, as the Group expects a sales margin increase of around ¥220 million accompanying the abovementioned upward revision of net sales in addition to cost reductions of about 200 million yen.

	Annual dividend (yen)		
	Interim (actual)	Year-end (forecast)	Total
FY2021	0.00	Yet to be decided	Yet to be decided
(ref) FY2020	12.00	13.00	25.00

❑ With regard to the interim dividend at the end of the second quarter of the current fiscal year, the Group decided to not pay a dividend, based on its judgment that it would be necessary to give priority, for the time being, to ensuring funds in hand and to allocation of funds for future liabilities balance adjustment, taking into account the fund outflow situation in the first half and the continuing uncertainties in the advertising market environment amid the COVID-19 pandemic.

❑ Regarding the forecast of the year-end dividend (March 31, 2021), which is yet to be determined, the Group will make an announcement as soon as we are able to properly assess the outlook.

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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