

# Financial Results Briefing for Q2 FY3/25

JALCO Holdings Inc.



(Securities code: 6625)

November 29, 2024

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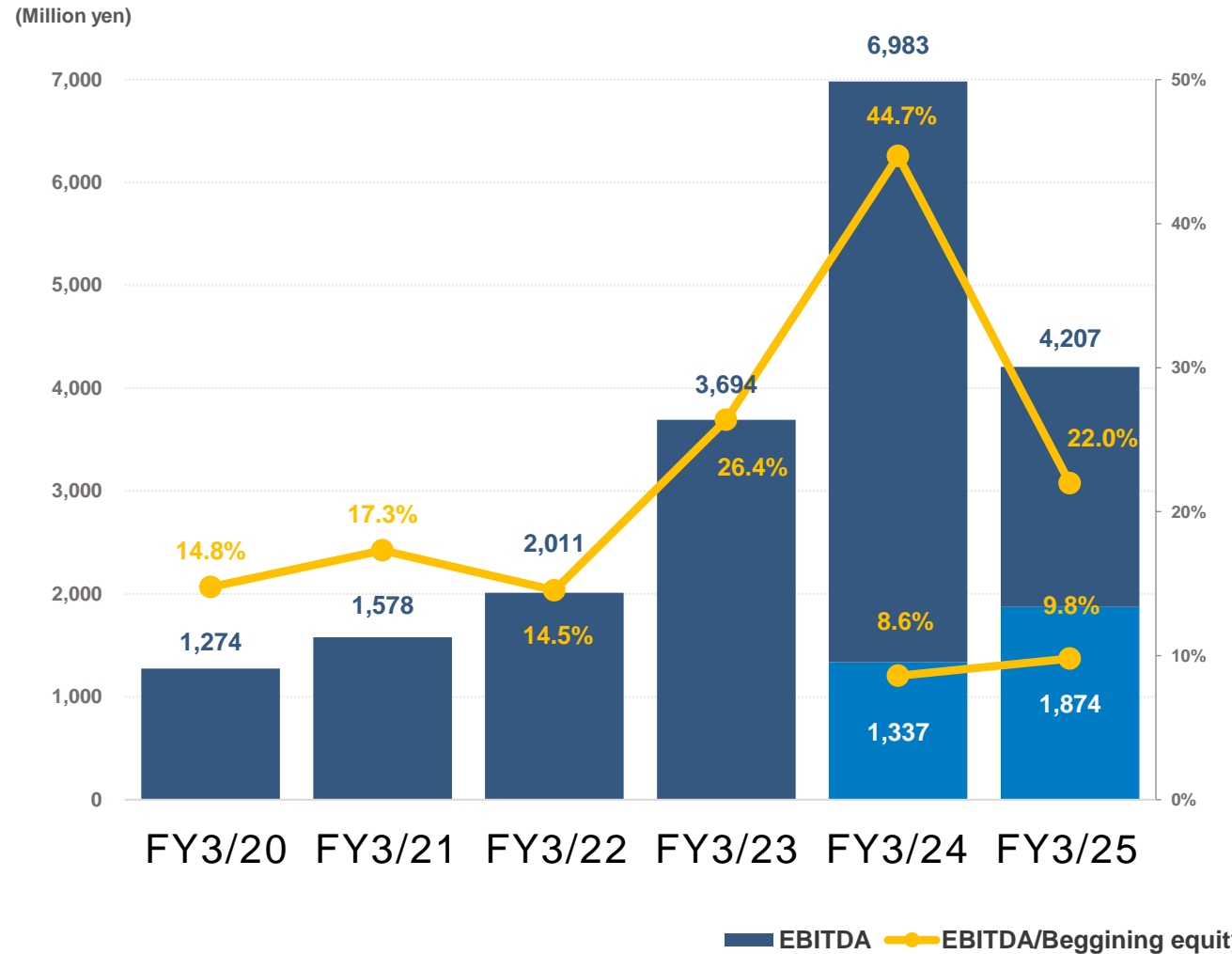
EBITDA and EBITDA/Beginning Equity improved, increasing YoY.

\* EBITDA: adding depreciation and amortization to operating profit and subtracting the amount of profit/loss distribution to silent partners

Our benchmark  
Actual return on equity

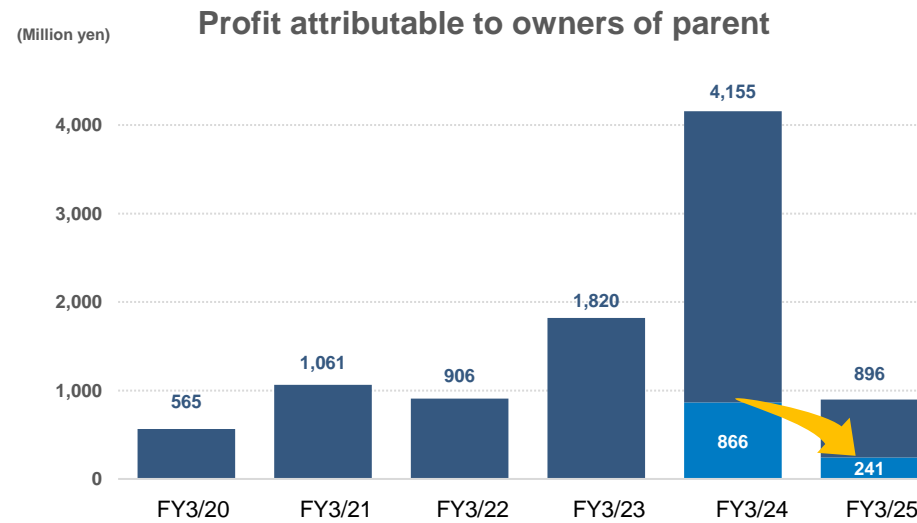
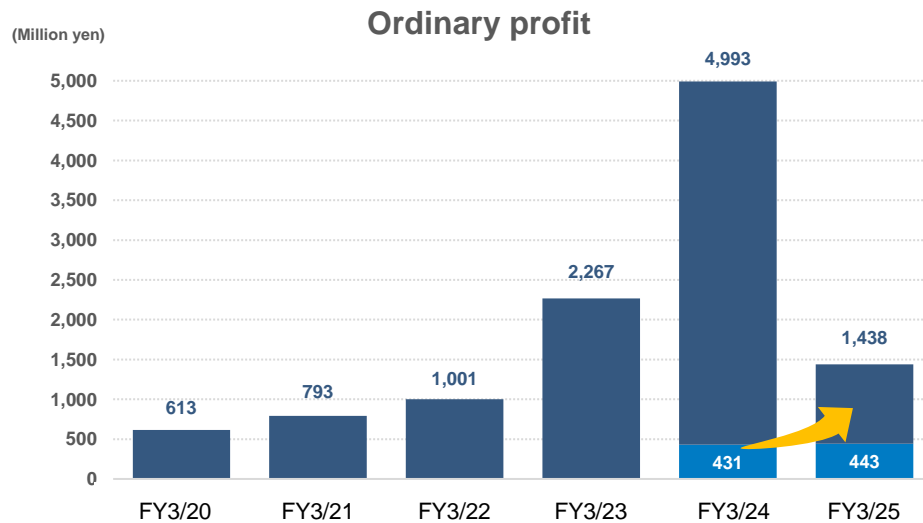
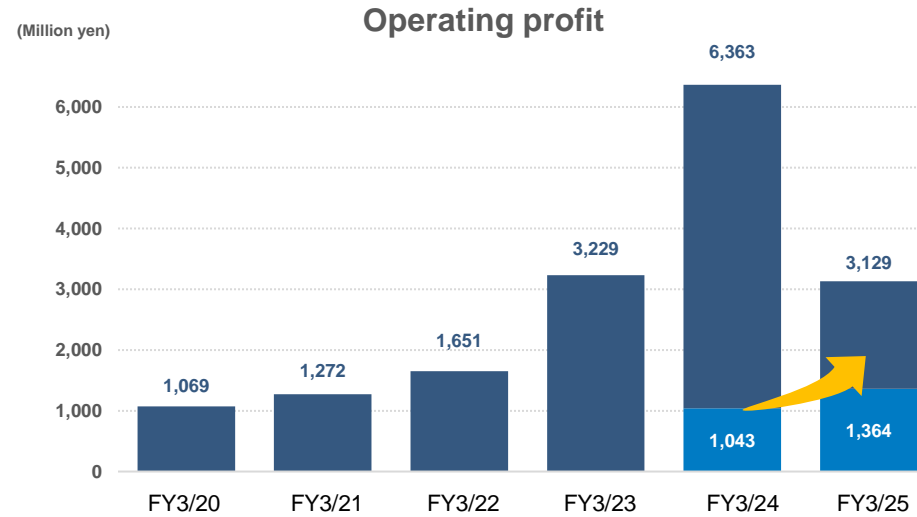
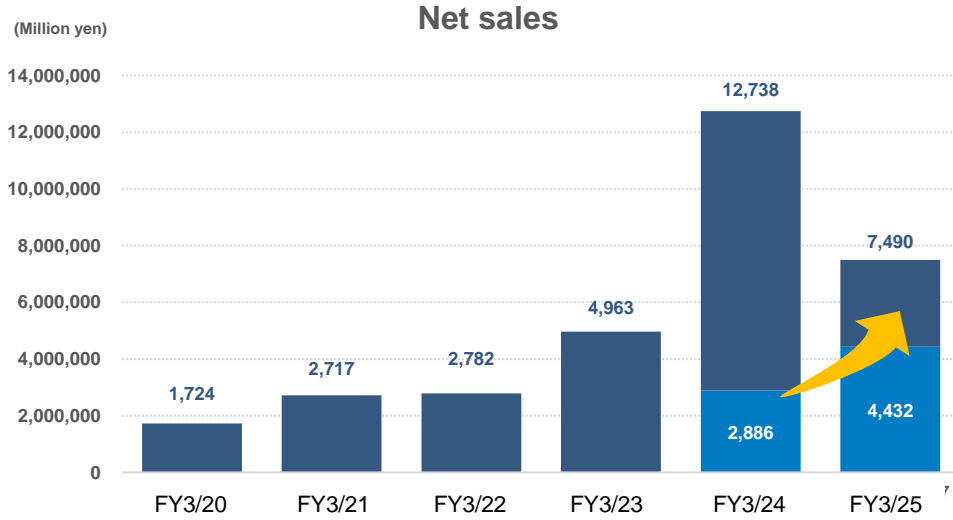
EBITDA/Beginning equity > 15%

EBITDA Results





# Consolidated Financial Results



**Net sales grew steadily.**  
**Profit decreased due to extraordinary gains recorded in the previous fiscal year.**

## Funding

### Direct financing

Issuance of new shares:  
660 million yen  
Stock acquisition rights:  
9.51 billion yen (including dilutive shares)  
Issuance of corporate bonds:  
2.8 billion yen

### Indirect financing

Raised 9.77 billion yen in long-term debt

### Collection on loans

Proper: 1.86 billion yen  
Lending: 800 million yen  
Other: 1.1 billion yen

## Asset management

### Rental property

Purchased: 3 properties,  
2.73 billion yen

### Money lending

Loans: 9 cases, 1.56 billion yen  
Lending: 1 case, 800 million yen

### Real estate for sale

Purchased: 1 property,  
4 billion yen  
Sold: 2 properties, 2.1 billion yen

## Policy 1

## Expansion of shareholder returns

- Change in shareholder benefits:  
Increase QUO Card amount + present recommendation book

Number of shares held			QUO Card		Recommendation book
			Before	After	New !
1,000	~	2,999	—	—	Author: Manabu Tauchi "Kimi no Okane wa Dare no Tame"
3,000	~	4,999	5,000	5,000	
5,000	~	9,999	10,000	10,000	
10,000	~	14,999	10,000	15,000	Author: Manabu Tauchi "Kimi no Okane wa Dare no Tame"
15,000	~	19,999	10,000	20,000	
20,000	~	29,999	10,000	20,000	Author: Tatsuro Kiyohara "Waga Toshi Jutsu Shijo Ha Dare Ni Hohoemu Ka"
30,000	~	49,999	30,000	30,000	
50,000	~	99,999	50,000	50,000	
100,000	~		100,000	100,000	

< Comparing to March 2024 >

3,000 shares or above: +133 ppl

Total 413 ppl increase

5,000 shares or above: +280 ppl

- Introduction of progressive dividend policy

	Dividends per share (yen per share)	Dividend payout ratio (consolidated) (%)	Benefits and dividend yield (%)
FY3/25 (forecast)	18	280.4%	-
FY3/24	18	45.8%	Over 5%
FY3/23	6	34.8%	Over 2%

< Comparing to March 2024 >

Number of shareholders: -109

Eligible shareholders for the QUO Card benefit: +393

Steady increase in eligible shareholders for the QUO Card benefit!



# JD Financial Highlights (3)

## Policy 2

## Expansion of IR activities

- Launched JALCO official video channel for financial literacy enhancement

- ▶ Short video distribution using AI

- Short video: **121 clips**
- Super short video: **121 clips**
- TikTok video: **102 clips**

- ▶ Original video: **39 clips**

- TikTok video: **32 clips**

- Enhanced posting on X (former Twitter)

- ▶ X posts: **375 (English version: 534)**

- ▶ Campaign to gain followers: **one time**

- Giving Amazon gift cards (totaling **160 thousand yen**) to **24 people**

- Shareholder benefit: QUO Card

- ▶ Held a new design contest: **37 entries**

- 4th year of hosting YouTube Live stream

- ▶ **10 times** a year → **37 times** in total

- Institutional Investor Meeting

- ▶ **20 times in H1** (23 times in the previous period)

- Financial Results Briefing Video

- ▶ **Twice** a year (H1/full year →

Added English version videos)

- Second time of holding shareholders' gathering after the general shareholders' meeting
- ▶ **43 participants**, 2 hours 50 minutes of interactive communication



## Sustainability initiatives

- ✓ Established the Sustainability Committee
- ✓ Started collecting the data on Scope 1 and 2
- ✓ Joined the TCFD consortium
- ✓ Worked on purchase of FSC certified products and research on third-party certification and accreditation
- ✓ Worked on research on IFRS sustainability disclosure standards (S1, S2) by ISSB

### GHG emission (CO2, methane and other greenhouse gas)

Sort by		Achievements	Goal till 2030	Goal till 2050
Scope1	+	0		
Scope2	+	176		
Carbon offset	-	Under consideration	Under consideration	Carbon Neutral
Scope1,2 Total		176		
<hr/>				
Scope3	+	Under consideration	-	-

Unit: CO2 emissions (t-CO2)



	Environment	Society	Governance
Initiatives/ Goal	<ul style="list-style-type: none"> <li>• Owning real estate across the country → Contribute to regional revitalization → Diversification of risk (DRR)</li> </ul> <p style="text-align: center;">▼ The limits of urban concentration! ▼ Regional resurgence and revitalization ▼ Contribute to sustainable development future in Japan</p>	<ul style="list-style-type: none"> <li>• Improve working environment</li> <li>• Streamline management</li> <li>• Promote healthy management</li> </ul>	<ul style="list-style-type: none"> <li>• Improve diversity</li> <li>• Strengthening compliance</li> </ul>
Achievements	<ul style="list-style-type: none"> <li>• Acquisition of real estate in the four regions of Shizuoka, Niigata, Nagasaki, and Tokyo</li> <li>• Local taxes*: paid <b>375 million yen annually</b> → Indirect contribution to regional revitalization, such as regional industrial promotion, job creation, and child-rearing support</li> </ul> <p>*Local taxes: Fixed asset tax and city planning tax, real estate acquisition tax, etc.</p>	<ul style="list-style-type: none"> <li>• Reduce paper usage at important meetings</li> <li>• Equipped refreshment room (with nap area)</li> <li>• Strengthened guidance for employee health checkups, taking paid leave, overtime work, etc.</li> <li>• Accounting + WF System</li> <li>• Projected labor productivity: 225 thousand yen/hour</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained a ratio of one-third external directors</li> <li>• Ensured that the proportion of female workers exceeds 30%</li> <li>• Conducted position-specific training sessions monthly (money laundering, Financial Services Act, compliance)</li> <li>• Enhanced dialogue with shareholders → Participants in the shareholders' meeting: 87 → Participants in the second shareholders' gathering: 43</li> </ul>

# Consolidated Statement of Income for Q2 FY3/25

- Net sales, operating profit, ordinary profit increased YoY, driven by the Real Estate business.
- On the other hand, profit declined YoY due to an increase in finance-related expenses, loan-related expenses for real estate acquisitions, and extraordinary income recorded in the previous fiscal year.

(Million yen)

	Q2 FY3/24	Q2 FY3/25	Change (%)		Major change factors
<b>Net sales</b>	<b>2,886</b>	<b>4,432</b>	<b>1,545</b>	<b>(53.60%)</b>	Real estate sales: +1,113 million yen Real estate leasing: +469 million yen
<b>Gross sales</b>	<b>1,451</b>	<b>1,900</b>	<b>449</b>	<b>(31.00%)</b>	
Selling, general and administrative expenses	408	536	128	(31.40%)	Compensation for directors and employees: +40 million yen Amortization of goodwill: +36 million yen Commissions paid: +34 million yen Taxes and dues: +14 million yen
<b>Operating revenue</b>	<b>1,043</b>	<b>1,364</b>	<b>321</b>	<b>(30.80%)</b>	
Non-operating income	58	53	-5	(-9.6%)	
Non-operating expenses	670	974	303	(45.20%)	Interest expenses: +288 million yen Stock issuance costs: +29 million yen Loan-related expenses: -8 million yen
<b>Ordinary profit</b>	<b>431</b>	<b>443</b>	<b>12</b>	<b>(2.90%)</b>	
Extraordinary income	869	-	-869	-	Sale of real estate for rent: -776 million yen Reversal of demolition costs: -88 million yen
Distributions of profit or loss on silent partnerships	48	29	-18	(-39.4%)	
<b>Pretax income</b>	<b>1,252</b>	<b>414</b>	<b>-837</b>	<b>(-66.9%)</b>	
Income taxes	385	172	-212	(-55.2%)	
<b>Profit attributable to owners of parent</b>	<b>866</b>	<b>241</b>	<b>-624</b>	<b>(-72.1%)</b>	

# Results by Segment for Q2 FY3/25

- In the Real Estate business, sales and profits increased due to higher sales of real estate for sale and rental income. On the other hand, sales and profits of the Money Lending business declined, as we primarily focused on customers' off-balance-sheet needs. Regarding the M&A Consulting business, we are currently working on the deal and aim to close it by the end of the fiscal year.

(Million yen)

	Q2 FY3/24	Q2 FY3/25	Change (%)		Major change factors
<b>Net sales</b>	<b>2,886</b>	<b>4,432</b>	<b>1,545</b>	<b>(53.60%)</b>	
Money Lending business	187	150	-37	(-19.9%)	
Real Estate business	2,687	4,270	1,582	(58.90%)	● Real estate sales: +1,113 million yen Real estate leasing: +469 million yen
M&A Consulting business	-	-	-	-	
Others	11	10	0	(-0.1%)	
<b>Segment profit</b>	<b>431</b>	<b>443</b>	<b>12</b>	<b>(2.70%)</b>	
Money Lending business	98	66	-32	(-32.6%)	
Real Estate business	369	471	102	(27.60%)	
M&A Consulting business	-103	-115	-12	(11.60%)	
Others	66	21	-45	(-68.1%)	

# Consolidated Balance Sheet for Q2 FY3/25

- Acquired 3 real estate properties for rent and 1 real estate for sale. With this, corporate bonds and borrowings increased. A third-party allocation of new shares was conducted in August. Sold 2 real estate properties for sale.

(Million yen)

		FY3/24	Q2 FY3/25	Change (%)		Major change factors
Assets	<b>Current assets</b>	23,241	25,658	2,416	(10.40%)	<ul style="list-style-type: none"> <li>Cash and deposits: +1,012 million yen</li> <li>Short-term loans receivable: -1,100 million yen</li> <li>Acquisition of real estate for sale: +4,041 million yen</li> <li>Sale of real estate for sale: -1,674 million yen</li> </ul>
	<b>Non-current assets</b>	49,360	52,451	3,090	(6.30%)	
	Property, plant and equipment	45,609	48,843	3,233	(7.10%)	
	Intangible assets	1,564	1,523	-40	(-2.6%)	
	Investment securities	663	598	-64	(-9.8%)	
	Other investment assets	1,523	1,485	-37	(-2.5%)	
	<b>Total</b>	<b>72,602</b>	<b>78,109</b>	<b>5,507</b>	<b>(7.60%)</b>	Acquisition of real estate for rent: +3,616 million yen
Liabilities and net assets	<b>Liabilities</b>	53,455	59,889	6,434	(12.00%)	Issuance of bonds to acquire real estate for rent, increase in borrowings
	Corporate bonds	-	2,800	2,800	-	Issuance of shares through third-party allotment of new shares +763 million yen
	Borrowings	45,223	49,517	4,294	(9.50%)	
	Others	8,232	7,572	-659	(-8.0%)	Profit attributable to owners of parent: +241 million yen
	<b>Net assets</b>	19,146	18,219	-926	(-4.8%)	Dividends of retained earnings: -1,903 million yen
	Total shareholders' equity	19,157	18,258	-898	(-4.7%)	4th Stock Acquisition Rights: +41 million yen
	Other accumulated comprehensive income	-10	-79	-69	(-675.1%)	
Stock acquisition right	-	41	41	-		
	<b>Total</b>	<b>72,602</b>	<b>78,109</b>	<b>5,507</b>	<b>(7.60%)</b>	

# Consolidated Statement of Cash Flows for Q2 FY3/25

- Financing of new real estate through private placement bonds and long-term borrowings from financial institutions

	(Million yen)		
	Q2 FY3/24	Q2 FY3/25	Major change factors
<b>Cash flows from operating activities</b>	654	-2,381	
Income before income taxes and others	1,252	414	
Interest expenses paid	-507	-816	Interest paid mainly on the acquisition of real estate for lease
Income taxes paid, net	-833	-891	Tax payments due to strong performance of the Real Estate business
Other operating activities	742	-1,088	Acquired real estate for sale: -4,041 million yen Real estate for sale: +1,674 million yen Interest expenses: +834 million yen Depreciation and amortization: +538 million yen
<b>Cash flows from investing activities</b>	-3,925	-2,422	
<b>Cash flows from financing activities</b>	1,188	5,690	Collection of loans receivable: +1,101 million yen Proceeds from guarantee deposits received: +387 million yen Acquisition of real estate for rent: -3,526 million yen Time deposits: -311 million yen
<b>Cash and cash equivalents at the end of the term</b>	481	2,812	Net increase (decrease) in borrowings: +4,294 million yen Net change in bonds: +2,800 million yen Proceeds from issuance of common stock: +663 million yen Dividends paid: -1,900 million yen Net change in investments in silent partnership: -123 million yen



# Real Estate, Money Lending, and Social Lending Business

## Real Estate business

- ✓ Map of owned real estate
- ✓ Analysis of our real estate business
- ✓ Amount of asset purchases and borrowings by fiscal year
- ✓ Sales results of owned real estate

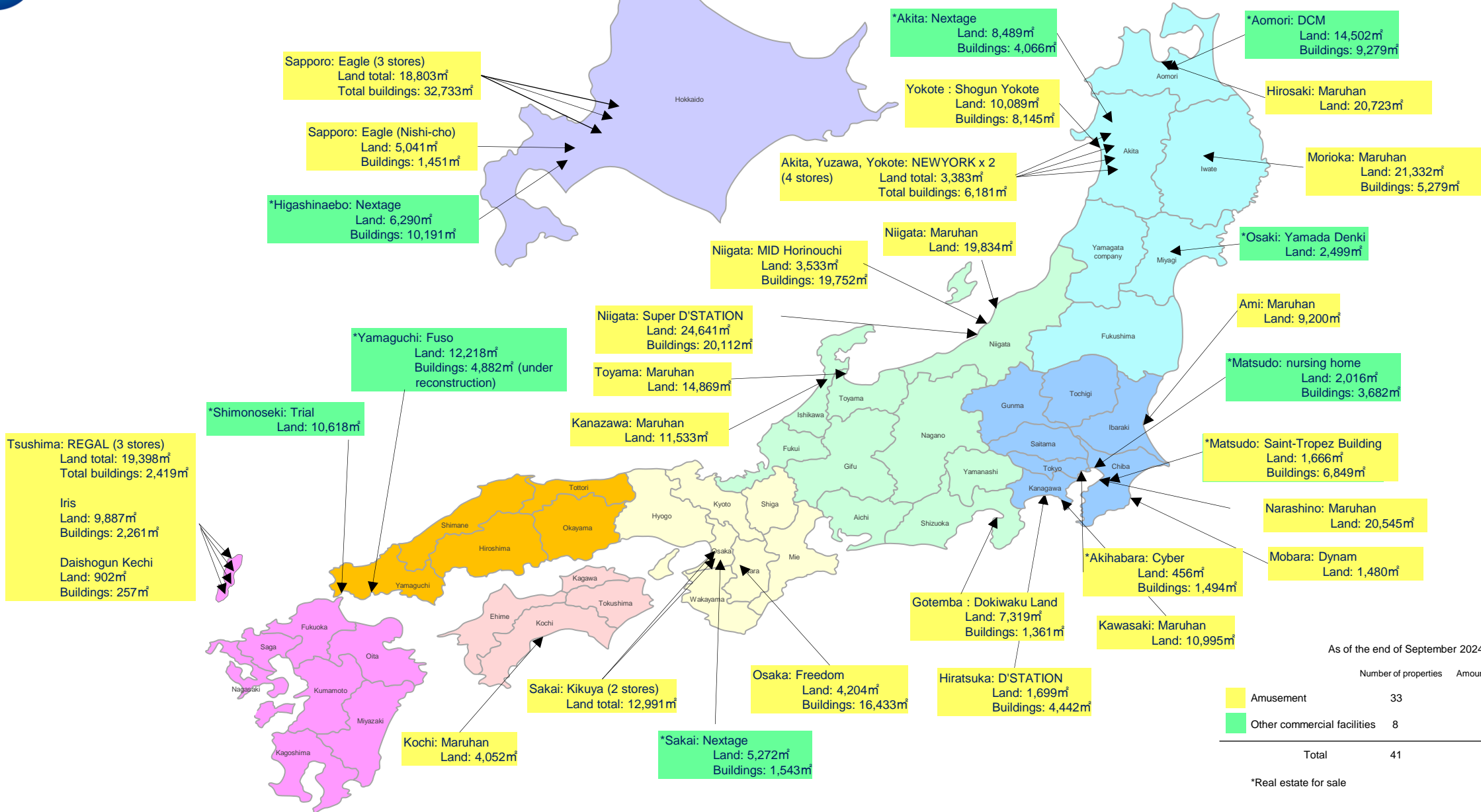
## Money Lending business Social Lending business

- ✓ Loan balance
- ✓ Change in offering amount on J.LENDING





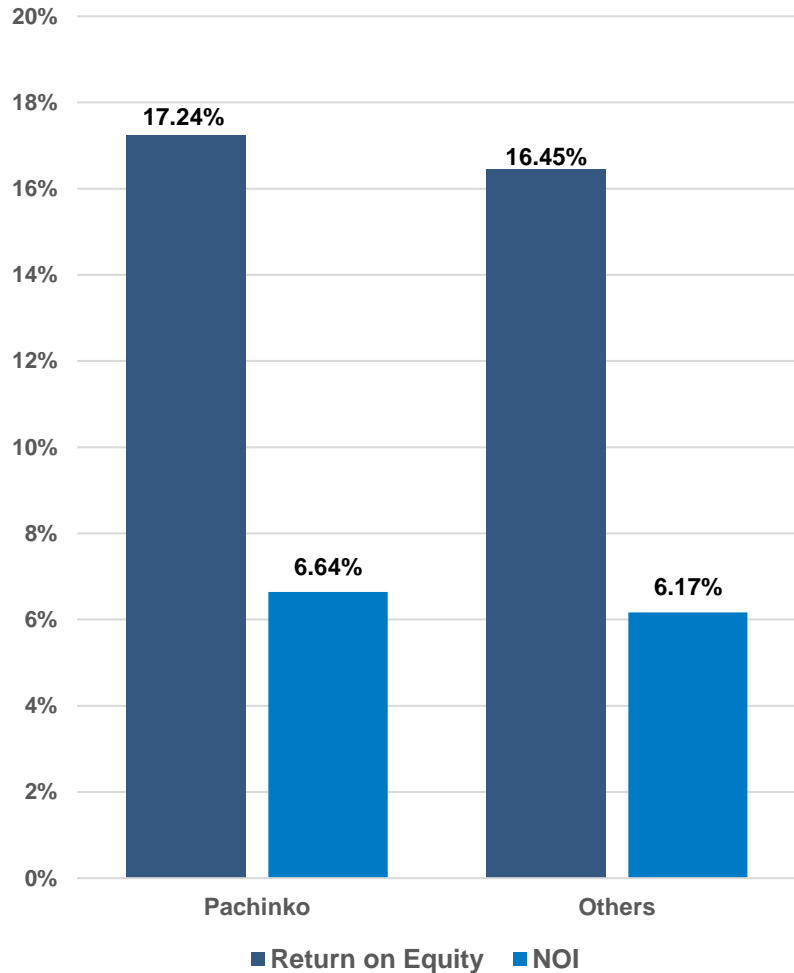
# Map of Our Owned Real Estate





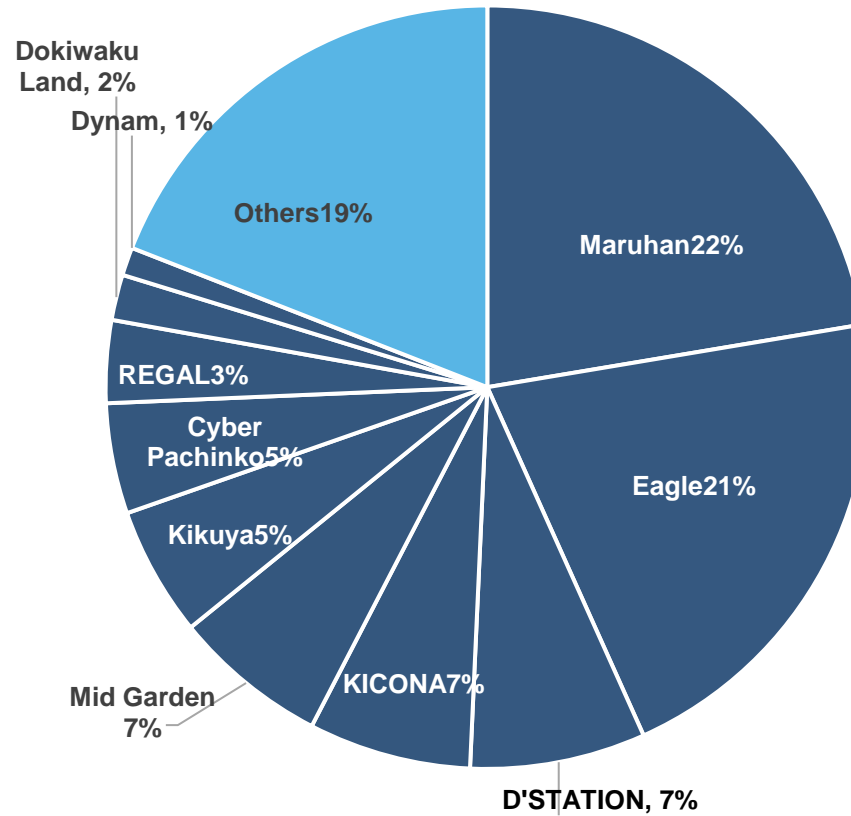
# Proportion of Rental Income from Owned Real Estate (by company and region)

### Indicators by business category

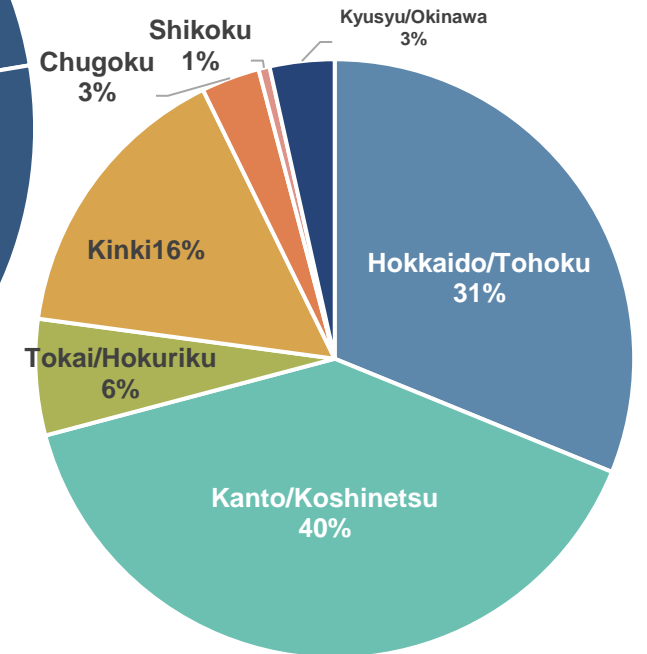


### Rental income by company

\*Trade name



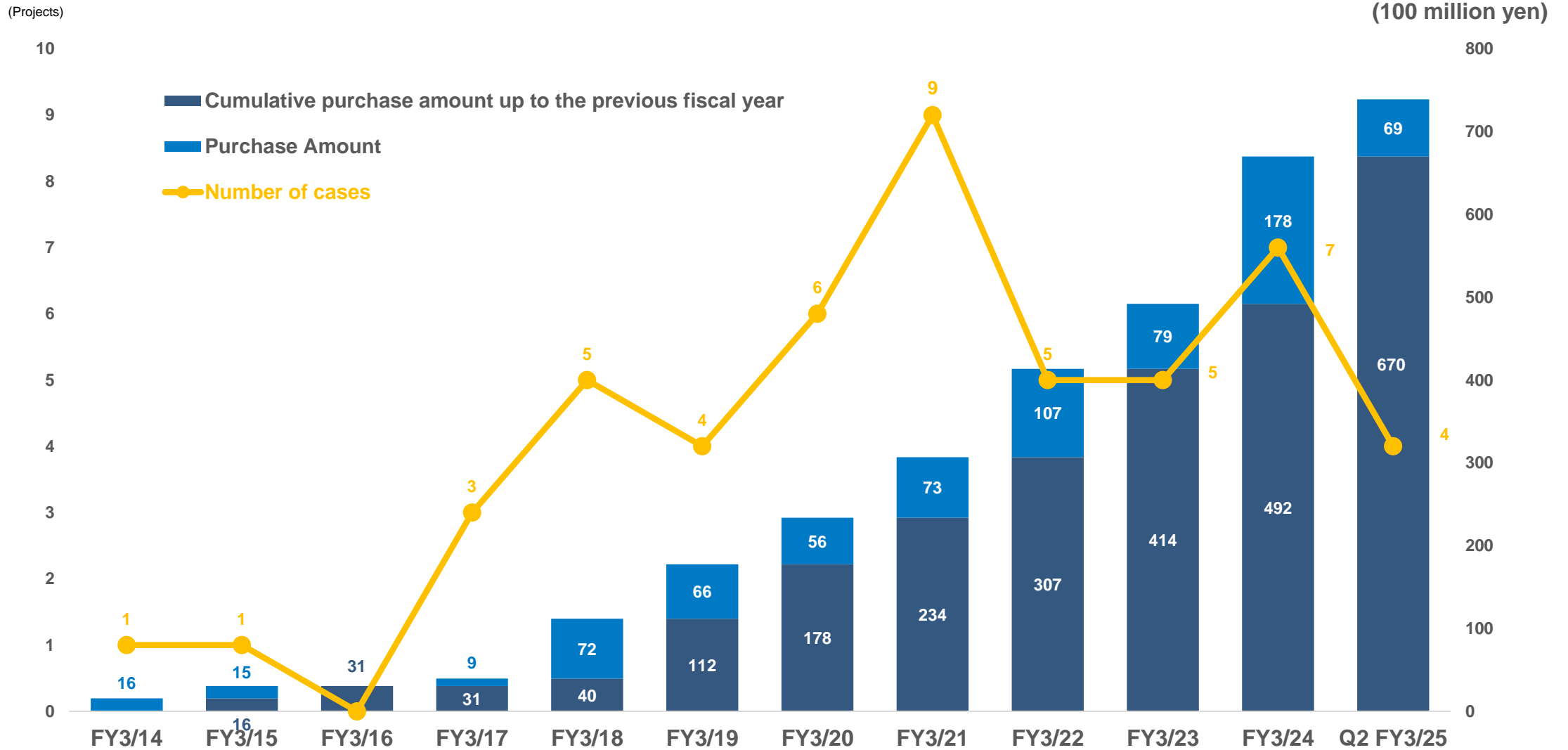
### Rental income by region





# Trends in Assets and Other Items by Fiscal Year

Trends in the number and amount of real estate purchased



# Example of Real Estate Purchase in H1 of 2024

## Akihabara (Pachinko hall)

## Joetsu (Pachinko hall)



(1) Purchase amount  
(thousand yen)

4,000,000

1,595,925

(2) Tenant

Cyber (Gaia)

Super D Station (Nexus)

(3) Property Overview

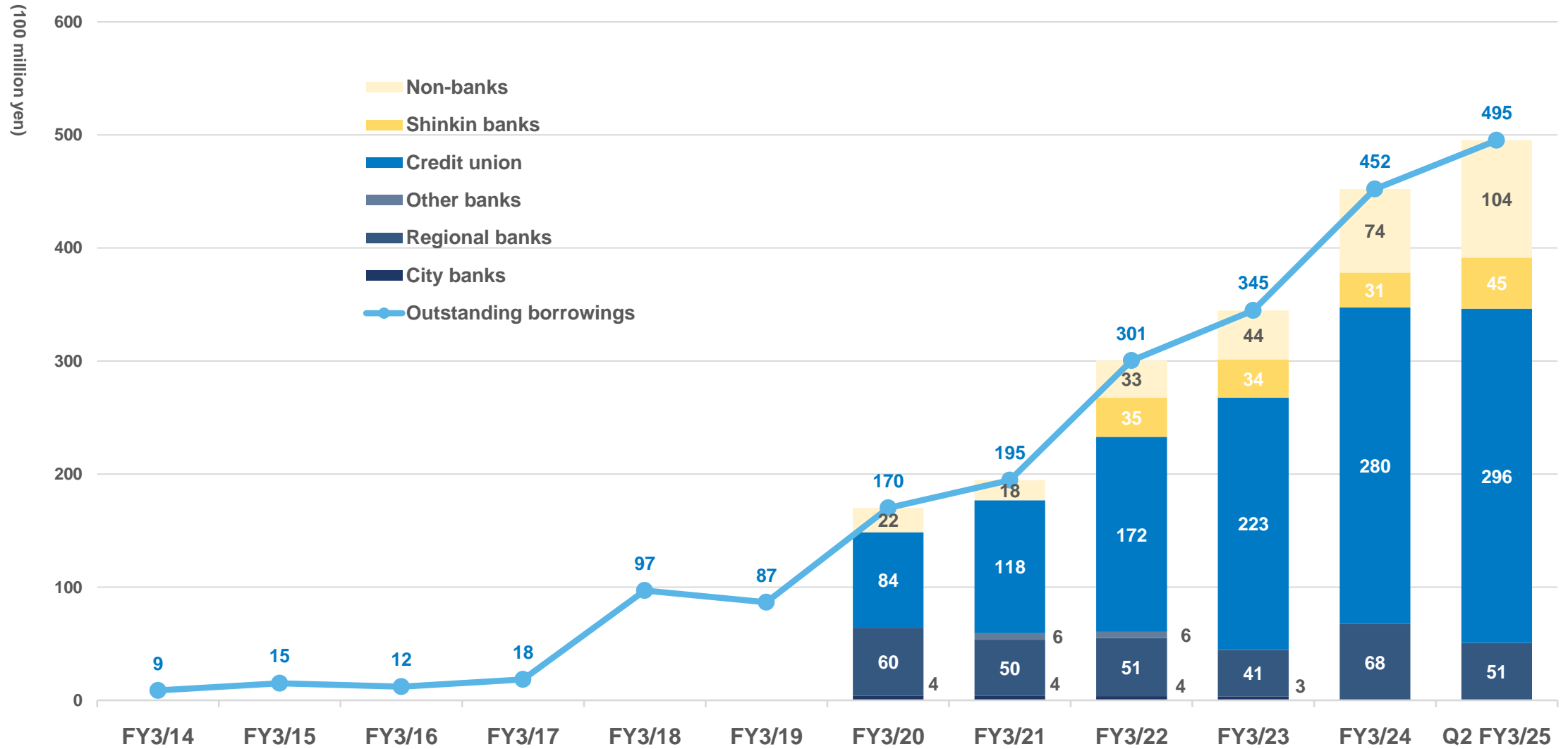
Location: Chiyoda-ku, Tokyo  
 Land: 455.72 m<sup>2</sup> (partial lease), Building: 1,493.55 m<sup>2</sup> in total  
 Number of machines: 611 (303 pachinko machines, 308 slot machines)

Location: Joetsu City, Niigata Prefecture  
 Land: 24,601.10 m<sup>2</sup>, Building: 5,071.64 m<sup>2</sup>  
 Number of machines: 1,276 (632 pachinko machines, 644 slot machines)  
 Parking: 1,201 spaces



# Borrowings

Transition of outstanding borrowings by sector





# Sales Results for Owned Real Estate

	*1: Tokyo (Pachinko hall)	*2: Kanagawa (Pachinko hall)	Yamaguchi (Commercial facility)	Aichi (Commercial facility)
(1) Annual Rental Fee (Thousand yen)	96,000	50,400	30,000	15,600
(2) Purchase Date	Dec 2014	Dec 2020	May 2019	Nov 2020
(3) Sales Date	Apr 2017	Jul 2021	Jun 2024	Aug 2024
(4)=(3)-(2)	2 years 4 months	7 months	5 years 1 month	3 years 9 months
(5) Purchase Amount (Thousand yen)	1,510,000	800,000	1,000,000	550,000
(6) Sales Amount (Thousand yen)	2,110,000	1,500,000	1,400,000	750,000
(7)=(6)/(5) (Thousand yen)	1.39	1.87	1.40	1.36
(8)=(1)/(5)*100	6.36%	6.30%	3.00%	2.84%
(9)=(1)/(6)*100	4.55%	3.36%	2.14%	2.08%



# JD Sales Results for Owned Real Estate (Image)

\*1  
Tokyo  
(Pachinko  
hall)



Hotel



\*2  
Kanagawa  
(Pachinko  
hall)



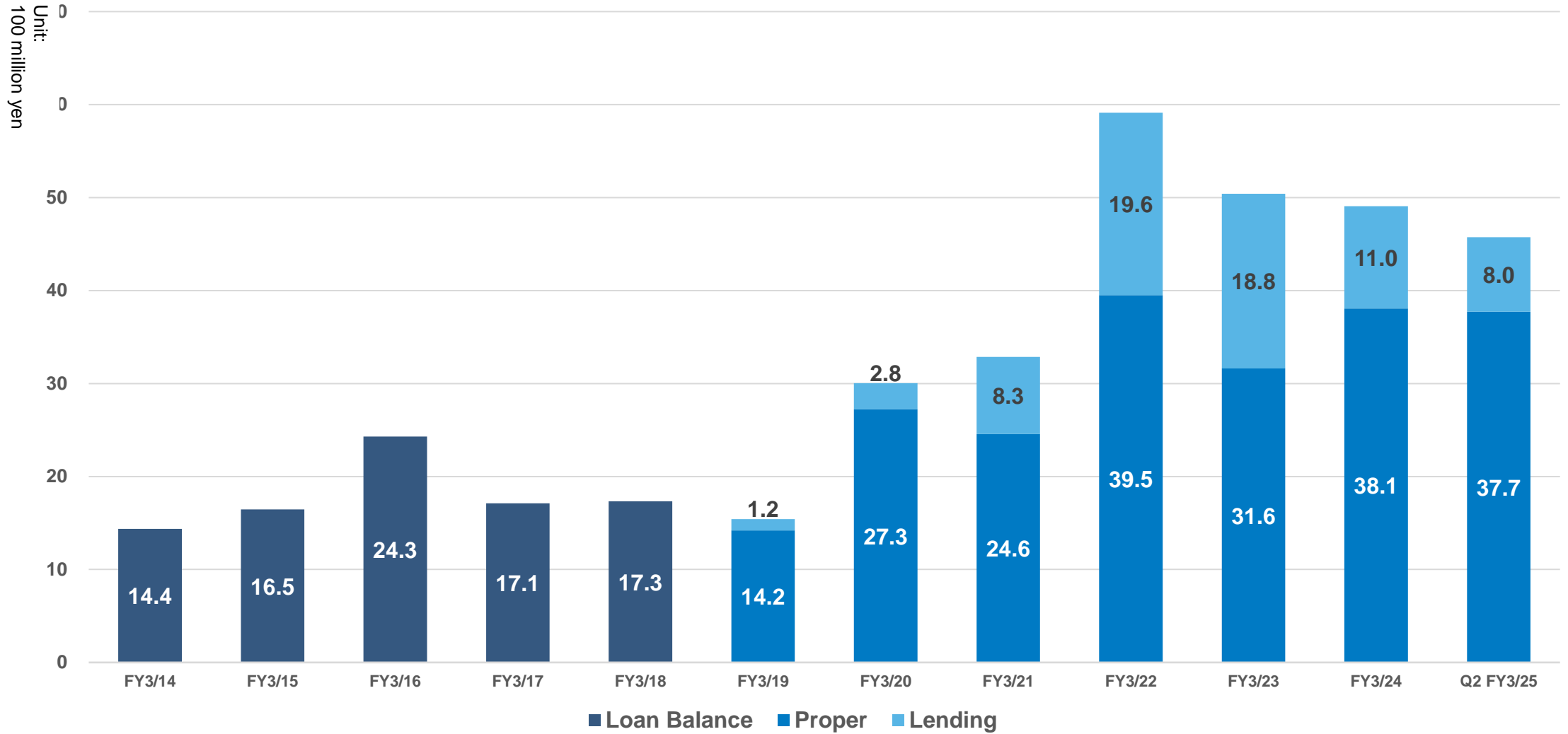
Major  
logistics  
Facility





# Money Lending Business

Trends in loan balance

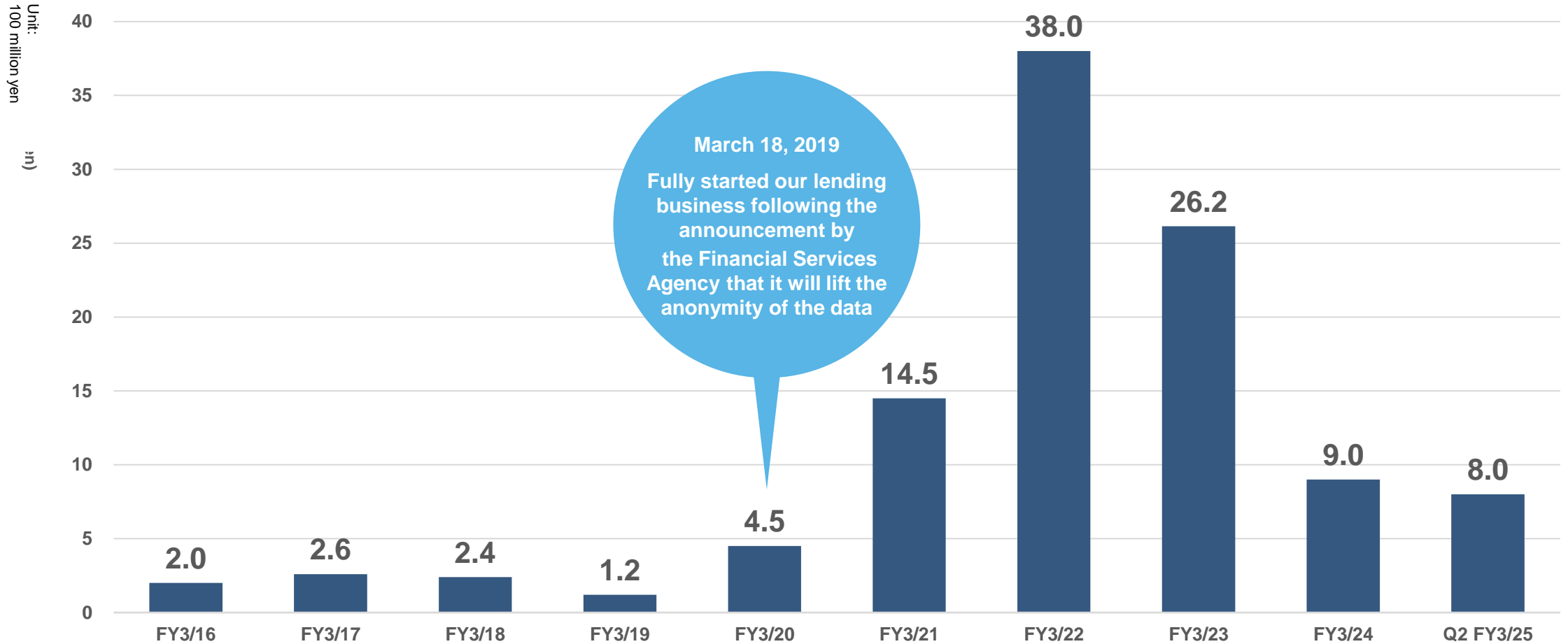


\*The loan balance is the total of proper loans and social lending loans



# Social Lending Business

Trends in offering amount on J.LENDING



## Amusement Business

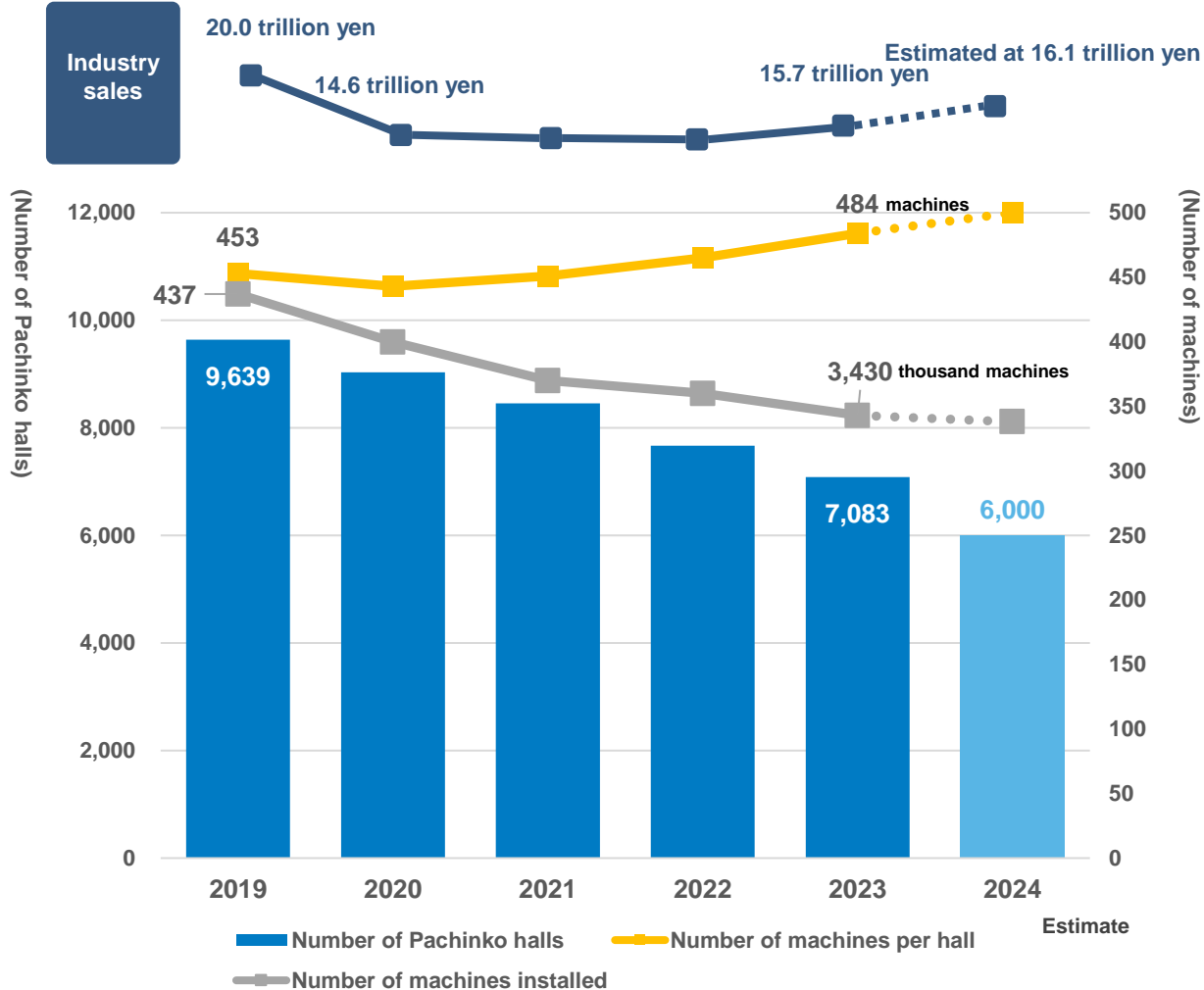
- ✓ Trends in the Pachinko Hall Industry
- ✓ Pachinko Business - Reasons for the continued acceleration of M&A in the future –
- ✓ Owned Real Estate and Business Strategies
- ✓ KPI: Trends in Contacts with Targeted Companies Nationwide
- ✓ Specific Example in Sales Activities: (1) / (2)
- ✓ Business Characteristics, Advantages, and Our Strengths

**This section explains trends in the Pachinko hall industry and JALCO's business strategies and sales activities!**

# JHD Trends in the Pachinko Hall Industry



## Number of stores and number of machines installed per store



## Current Status

- The industry as a whole bottomed out against the backdrop of increased outings after the COVID-19 pandemic.
  - With the launch of Smart Slot machines in November 2022, high-priced models became popular, leading to increase in sales driven by these slot machines.
  - Closed stores are mainly depopulated stores. Popular stores are highly profitable.
- 1 The presence or absence of investment capacity accelerates the competitive differentiation among pachinko halls.
  - 2 The number of stores is expected to be optimized through restructuring.
- ▶ Top halls in each prefecture have ample investment capacity due to accumulation of net assets.
  - ▶ Growth-oriented Pachinko hall operators are looking for properties to open.

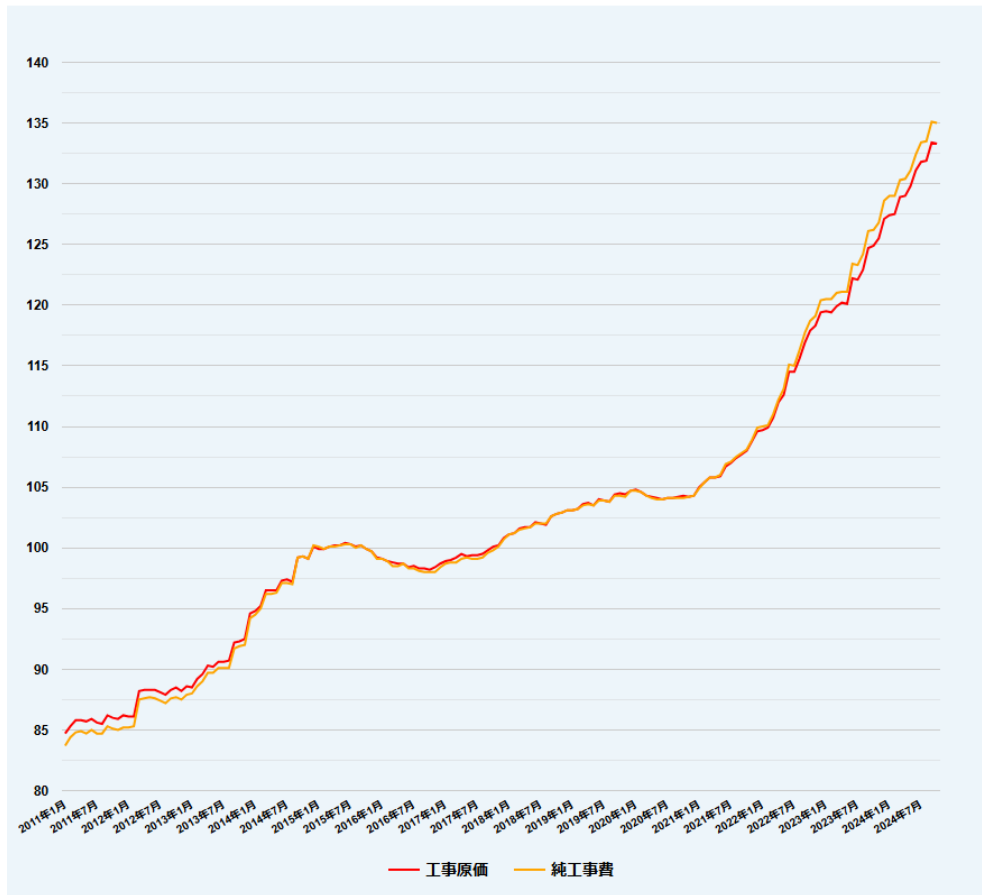
## What JALCO can do for Pachinko hall operators



- Business expansion ▶ acquisition through M&A, off-balance sheet, loans
- Business restructuring ▶ selling through M&A, operation proposal

# Pachinko Business - Reasons for the continued acceleration of M&A in the future -

建築費指数 No7 店舗 RC (標準指数 (東京))



\*Source 1: Construction Price Research Council

## 1 M&A is more rational than opening new stores

- ① Construction costs are **rising** (see Document 1)
- ② No favorable location and large site where customers can be attracted

## 2 Increase in capital investment and decision to sell prior to the expiration of fixed-term debt

- ① Introduction of smart slot machines: 700 to 800 thousand yen/machine  
(Example) Need to invest about 700 to 800 million yen in 1,000 stores
- ② 20-year fixed-term leases from around 2004 (the peak of total installations) are now expiring.  
→Evaluating the opportunity to sell a hall ahead of the expiration of its 20-year fixed-term lease.

▶ The **consolidation and abolition** of halls is expected to proceed

### Strength of JALCO

- 1. Providing our know-how to Pachinko hall operators using our specific network
- 2. Provide custom-made services according to customer needs (Refer to page 32)





# Owned Real Estate and Business Strategies

Store P&L Examples (by Scale) [Sales per machine: 15 thousand yen/day]

Unit: 10 thousand

	300 machines	500 machines	1,000 machines
Annual sales	162,000	270,000	540,000
Gross profit (17% of sales)	27,540	45,900	91,800
Personnel expenses	7,000	10,000	15,000
Depreciation for machines (Number of machines × 250 thousand yen)	7,500	12,500	25,000
Utility costs (Number of machines × 50 thousand yen)	1,500	2,500	5,000
Rent (Number of machines × 180 thousand yen)	5,400	9,000	18,000
Others	3,000	4,000	5,000
<b>Operating profit</b>	<b>3,140</b>	<b>7,900</b>	<b>23,800</b>
<b>Operating profit rate</b>	<b>1.9%</b>	<b>2.9%</b>	<b>4.4%</b>
Operating profit *1 (In the case of the property owned by Pachinko hall)	8,540	16,900	41,800
Operating profit rate *1 (In the case of the property owned by Pachinko hall)	5.3%	6.3%	7.7%

## Characteristics of JALCO's owned real estate

- Real estate ratio of medium to large stores: **70%**
- Small stores with **high-profit margins** in niche markets.

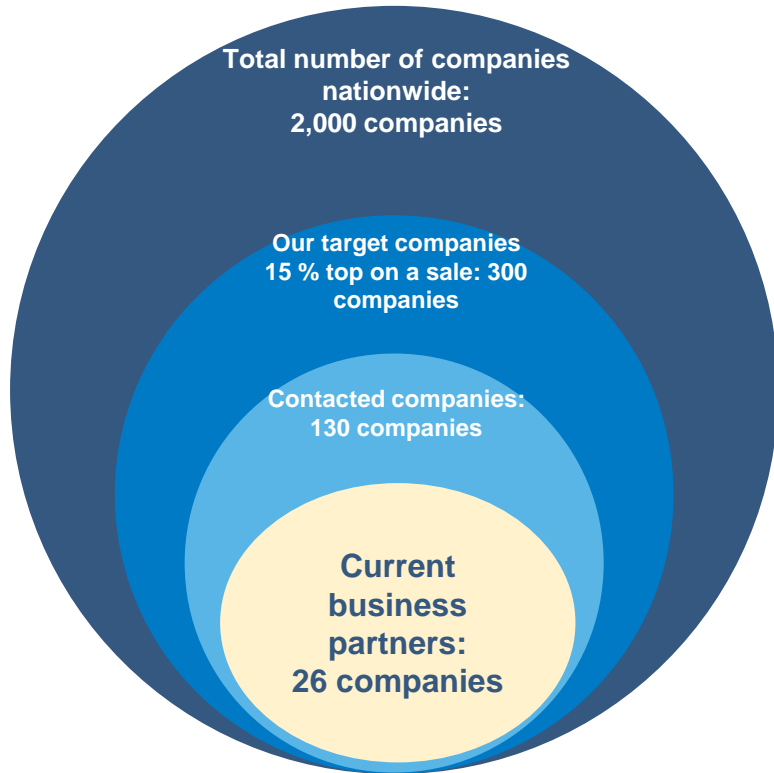
## JALCO's business strategy

- ▶ [Large stores] Even with this GPM, the SG&A-to-sales ratio is relatively low due to its large scale, and **these stores have high profit margins.**  
→[Business Strategy] Strong demand for **new store openings** is anticipated, and we are promoting proactive real estate acquisition.
- ▶ [Small stores] Top-tier halls in terms of scale are not considering new openings, but there are companies across various regions that maintain a stable management approach through rigorous cost control.  
→[Business Strategy] Acquisitions are made based on a comprehensive evaluation of asset value in urban areas, **market-specific characteristics** in rural areas, and the **management capabilities** of Pachinko halls.

\*1. Interest rates on loans related to initial investments and property acquisitions must be carefully considered.

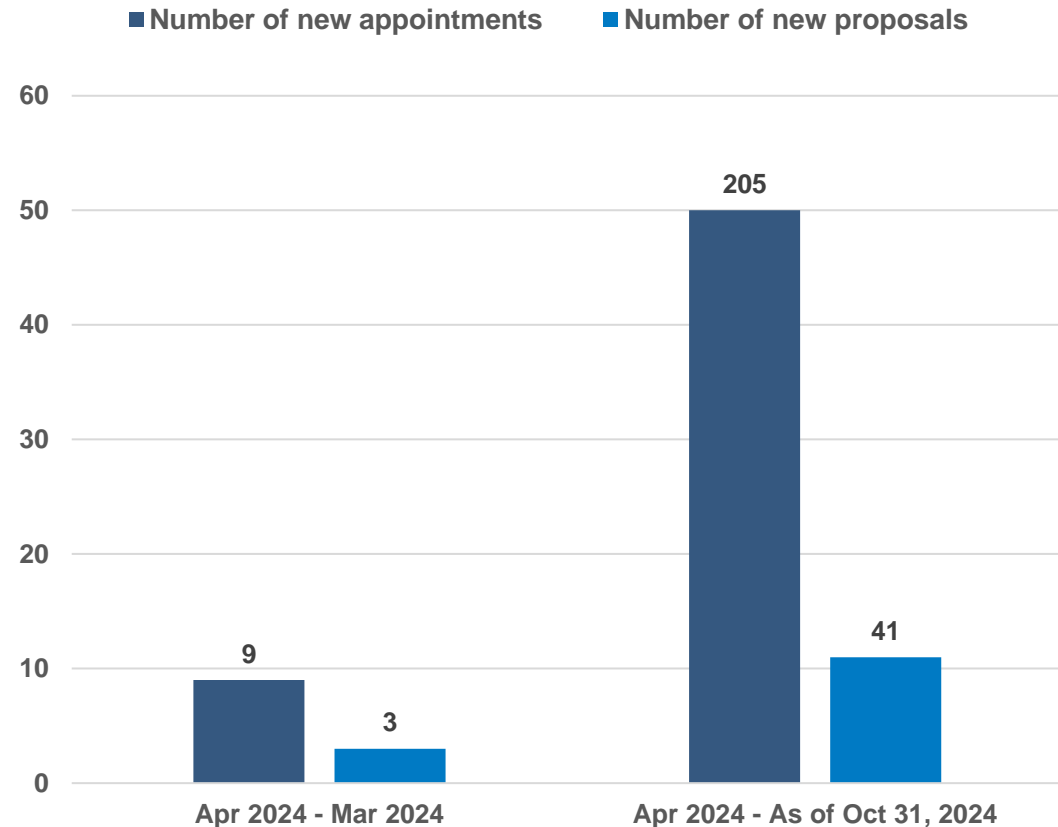
# KPI: Trends in Contacts with Targeted Companies Nationwide

## Our target companies for off-balance and M&A



- ✓ Contacted companies out of the top 300 companies: Approx. 100 companies  
→Increase to approximately 130 companies (from May 2024 to October)!
- ✓ Transactions with or contacts with 9 of the top 10 sales companies

## Number of new clients/contacts (cumulative) and number of new proposals (cumulative)



# JD Specific Example in Sales Activities (1)

**Due to its large market size,  
transactions tend to be higher in value.**

M&A requires both buyers and sellers for a deal to be concluded, so industry restructuring presents a business opportunity!

## EXAMPLE

### Proposing M&A projects in western Japan

- ✓ JALCO plans to acquire real estate, and JALCO is in charge of trading goodwill.
- ✓ We can earn long-term rental income and M&A fees.

## EXAMPLE

### Able to make prompt proposals to major Pachinko hall operators

- ✓ The relationship where decision-makers and responsible personnel can be reached immediately via phone.
- ✓ Constantly monitoring the areas where each company wants to open a store
- ✓ We will continue to focus on the creation of excellent projects.

# JD Specific Example in Sales Activities (2)

**As we gained recognition in the Pachinko industry, the number of referral projects increased.**

Through our ongoing sales activities, we will build a competitive advantage with our information networks and extensive know-how.

## EXAMPLE

**Obtain referrals from new business partners to Pachinko hall operators interested in selling their businesses**

- ✓ We have gained more trust in JALCO based on our track record
- ✓ Increased number of appointments makes it easier to select projects.

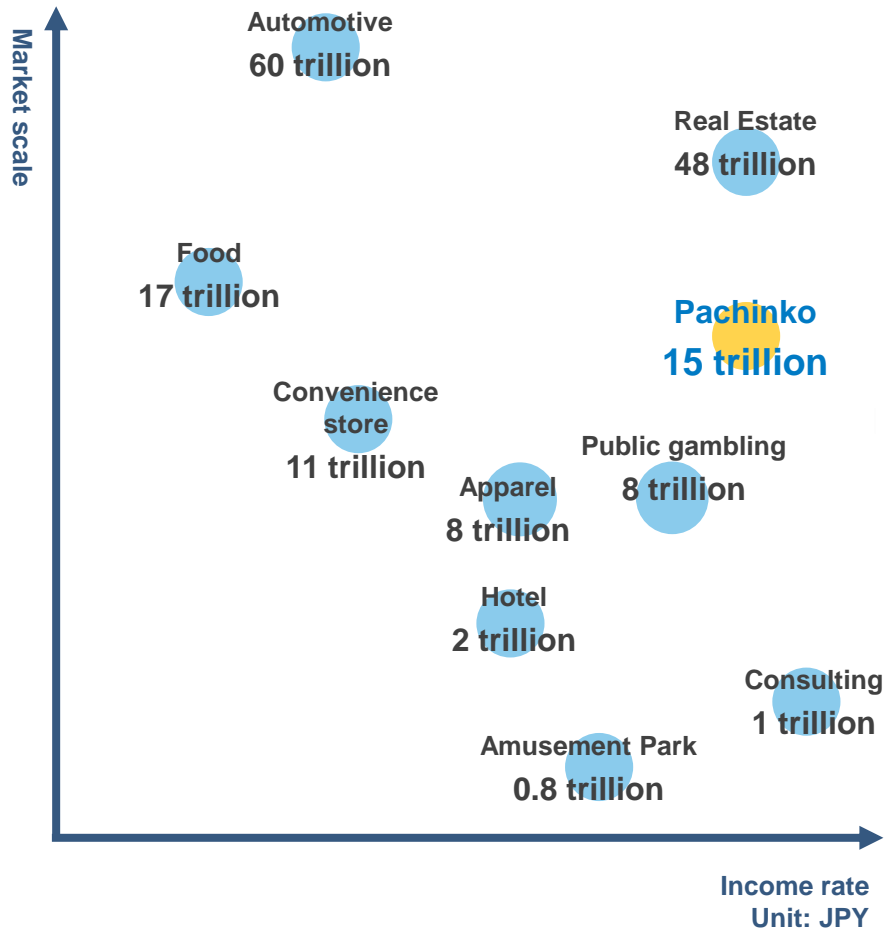
## EXAMPLE

**Referral of customers to each other with Pachinko equipment companies**

- ✓ Our main targets are untapped Pachinko halls
- ✓ Intend to continue this referral system

# Characteristics and Advantages of Our Business

From the perspective of market scale and the competitive companies



3 reasons why our corporate value will continue to grow

## 1 Huge market

- ✓ The revenue of pachinko industry is 15 trillion yen, with a gross profit of 20%/3 trillion yen
- ✓ Of the above amounts, real estate rents account for 20% of gross income
- ✓ Therefore, there is a market of 600 billion yen in our business
- ✓ **It is possible to get the income from leasing of 120 billion** if we can obtain 20% of shares
- ✓ Assuming 6% NOI, the assets will **build up to 2 trillion yen** on a reverse calculation
- ✓ In addition, the M&A market is also thriving, with the potential to exceed rental income

## 2 Who is our competitive companies

- ✓ There are about 5 competing companies (real estate, manufacturers, sign companies, etc.) that have hall real estate worth more than 5 billion yen
- ✓ Our company is the only listed company (capable of fundraising for large-scale projects)
- ✓ There are no competing companies that own pachinko hall real estate.
- **Blue Ocean market**

## 3 Efficiency of management

- ✓ **Asset efficiency = EBITDA of 6.983 billion yen / Premier Capital of 15.662 billion yen = 44.6%.**
- It shows that they are running a very efficient business.
- ✓ **Labor efficiency = Operating profit of 6.363 billion yen / 10 people**
- ✓ **Operating income per employee is 600 million yen (highest level among listed companies)**

\*for FY3/24 performance



# JALCO's Strengths Compared to Other Companies

## We can provide custom-made services according to customer needs

Document 2

	M&A intermediary information provision	Loan	Long-term lease agreement for business use	Off-balance sheet cashing of owned Real estate	Machine rental
JALCO	◎ <sup>*1</sup>	◎	◎	◎ <sup>*2</sup>	◎
M&A firm	○	×	×	×	×
Real estate firm	×	×	○	○	×

<sup>\*1</sup> It is possible to provide the information about undisclosed excellent companies since our company is specific about pachinko business

<sup>\*2</sup> We can calculate not only real estate value, but also real estate value + business value

# Thank you for listening

The information contained in this material is based on various assumptions and does not guarantee or warrant the realization of any future planned figures or measures described herein.

## IR inquiries

<https://www.jalco-hd.com/contact.html>