

FY2018 First Quarter Financial Results



DAIKOKU DENKI Co., Ltd.
(Tokyo Stock Exchange, First Section, 6430)

Consolidated Financial Highlights

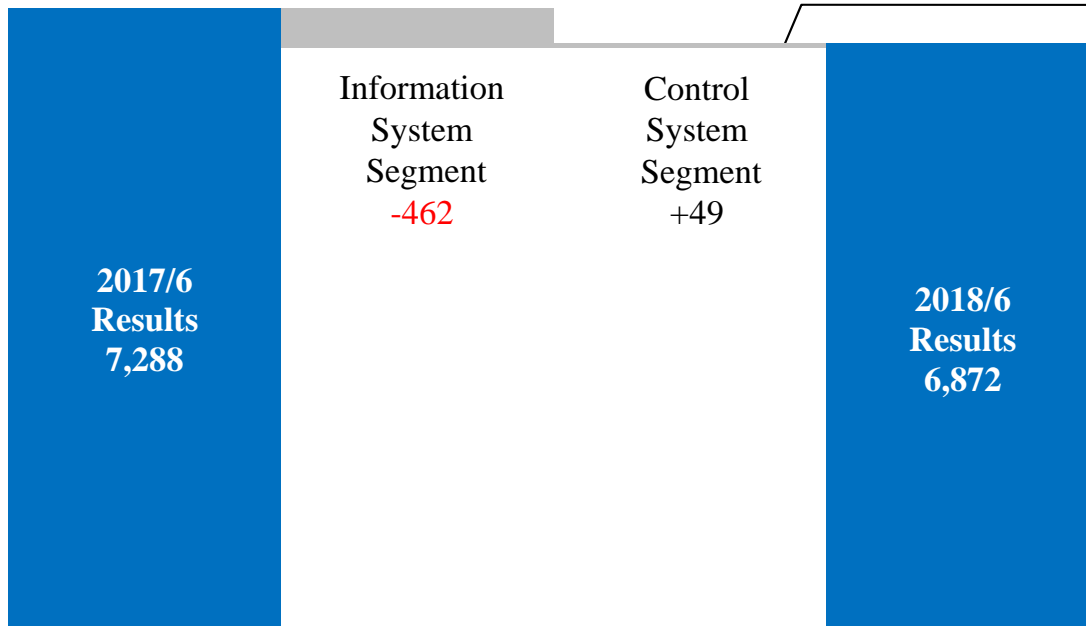
Consolidated Statements of Income (Summary)

(millions of yen)	2017/6	2018/6	YoY Change
Net sales	7,288	6,872	-415
Gross profit-net	2,742	3,091	+348
Selling, general and administrative expenses	3,073	2,372	-700
Operating income	-330	718	+1,049
Ordinary income	-266	812	+1079
Net income attributable to owners of the parent	-195	553	+749

YoY Change

- 415 million yen

(millions of yen)



Information System Segment

Net sales in this segment were 5,089 million yen
(YoY Change -462 million yen)

Sales of the information publication terminal “BiGMO PREMIUM II” remained favorable due to the new product effect, and demand for an individual counting system increased, to deal with the manpower shortage, but business performance of the other main products fell below that in the same period last year.

Control System Segment

Net sales in this segment were 1,793 million yen
(YoY Change +49 million yen)

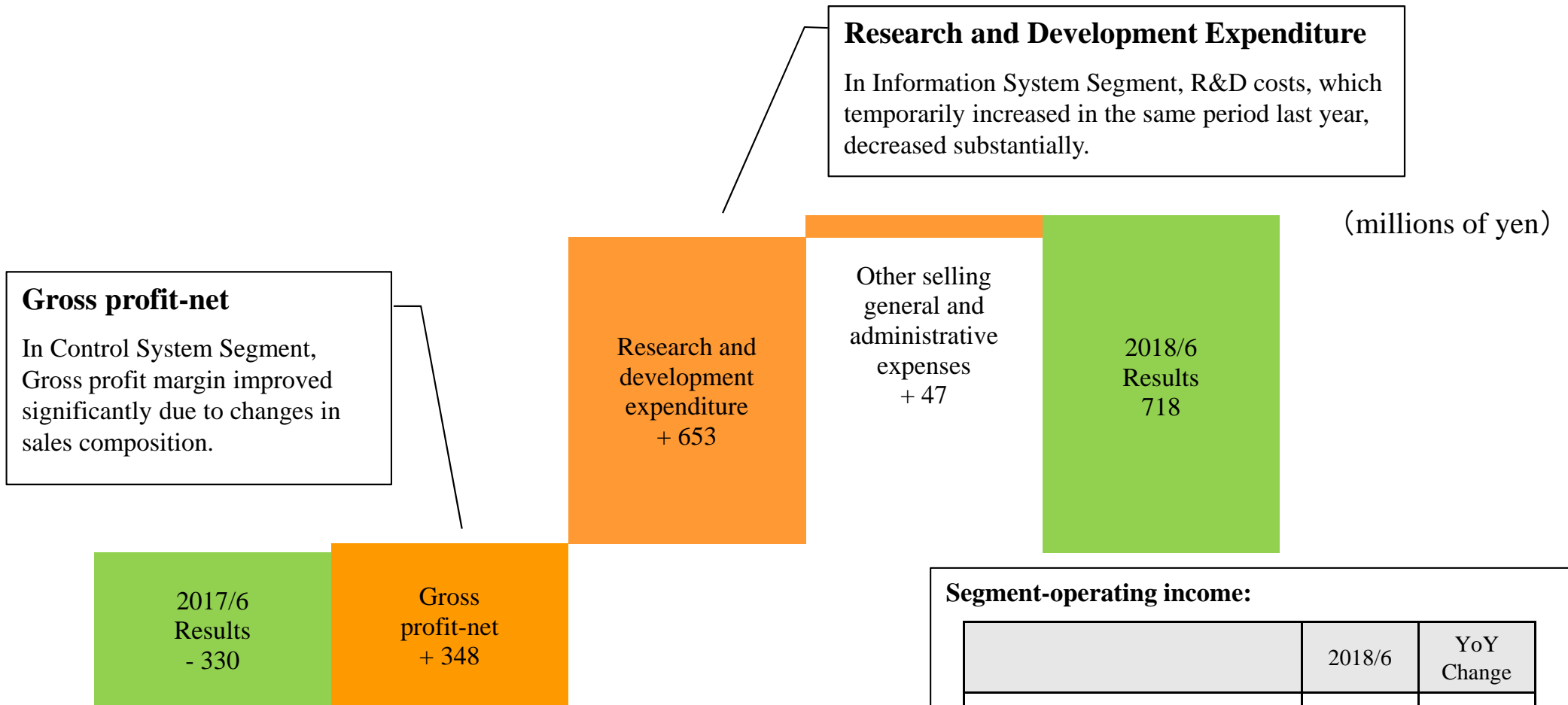
Sales of Parts performed below that in the same period last year, which had been favorable, models were steadily marketed, and the number of Display Units sold increased compared to the same period last year.

(Note) Business segment sales and income figures include intersegment transactions.

Financial Highlights - Operating Income

YoY Change

+1,049 million yen



Segment-operating income:

	2018/6	YoY Change
Information System Segment	736	+ 610
Control System Segment	385	+ 411

The whole company cost :
403 million yen (YoY Change - 28 million yen)

Consolidated Balance Sheets (Summary)

(millions of yen)	2017/6	2018/6	YoY Change
Current assets	26,556	25,631	- 925
Noncurrent assets	17,007	16,615	- 391
Total assets	43,564	42,247	- 1,316
Current liabilities	13,196	11,483	- 1,713
Noncurrent liabilities	1,115	1,423	+ 307
Total liabilities	14,312	12,906	- 1,405
Total net assets	29,251	29,340	+ 88
Total liabilities and net assets	43,564	42,247	- 1,316
Debt	3,300	3,300	0
Shareholders' equity ratio	67.1%	69.4%	+ 2.3%

- Total assets at the end of the consolidated first fiscal quarter were 42.247 billion yen, a decrease of 1.316 billion yen from the end of the previous consolidated fiscal year due to decreases in cash and deposits, and trade receivables, despite an increase in inventories due to scheduled sales after the second quarter.
- Liabilities at the end of the consolidated first fiscal quarter were 12.906 billion yen, a decrease of 1.405 billion yen from the end of the previous consolidated fiscal year due to decreases in R&D costs and software-related trade payables.
- Net assets at the end of the consolidated first fiscal quarter were 29.340 billion yen, an increase of 88 million yen from the end of the previous consolidated fiscal year, due to an increase in retained earnings resulting from the fact that the recorded amount of quarterly net income attributable to parent company shareholders exceeded the dividend payment.
- The equity ratio was 69.4% (an increase of 2.3 points when compared to that at the end of the previous consolidated fiscal year).

FY2018 Full Year Forecasts

*There are no changes in the consolidated business performance forecasts for the second quarter, and for the full fiscal year ending March 2019, which were announced on May 14, 2018.

■ Recent industry trends

The pachinko industry, in which the Daikoku Denki Group (“the Group”) is engaged, faced a severe business environment with a continuing cautious stance for capital investment due to uncertainty about the impact on pachinko hall business caused by “Regulations on the Partial Revision of Regulations Regarding the Enforcement of the Act on Control and Improvement of Amusement Business, etc. and Regulations Regarding the Certification of Game Machines and Examination of Model” (hereinafter referred to as “new regulations”) enforced on February 1, 2018 as part of responses to the problem of addiction at pachinko parlors.

■ Industry trends in the present

The environment surrounding the pachinko industry, in which the Group is engaged, is expected to remain challenging, including the impact of revised regulations, amidst a slight decreasing trend in operations at pachinko halls, but demand for the replacement of peripherals is expected to be vigorous, to attract customers, as game machines that comply with new regulations are launched in the market.

Net Sales 35,000 million yen (YoY +907 million yen)

■ **Information System Segment 26,000 million yen** (YoY +1,173 million yen)

- Making an effort to enhance the function that is focused on “easy to understand and easy to see” in information publication terminals, such as “BiGMO PREMIUM II,” “REVOLA” and “IL-X3”
- The fan trend data publication service, "Fan-SIS," and enhancing sales of “VEGASIA III,” which is necessary for the introduction of the said service

■ **Control System Segment 9,000 million yen** (YoY - 323 million yen)

- Continuing its efforts to promote the streamlining of the development process
- Creating new gaming properties consistent with an era of new regulations, accelerating planning with new technology and unit proposals, and focusing on acquiring high value-added hardware

Selling, general and administrative expenses 11,100 million yen (YoY +456 million yen)

- Due to increases in advertising and outsourcing expenses and others

(Note) Business segment sales and income figures include intersegment transactions.

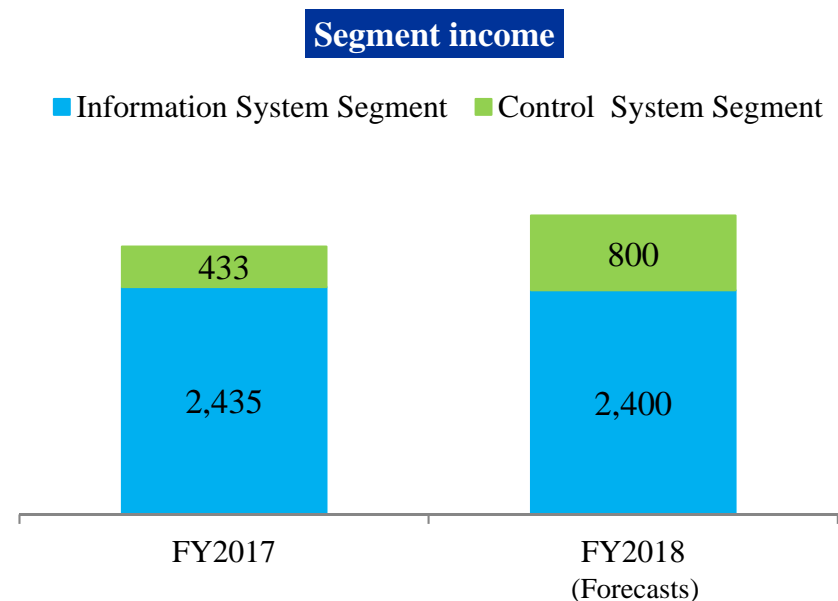
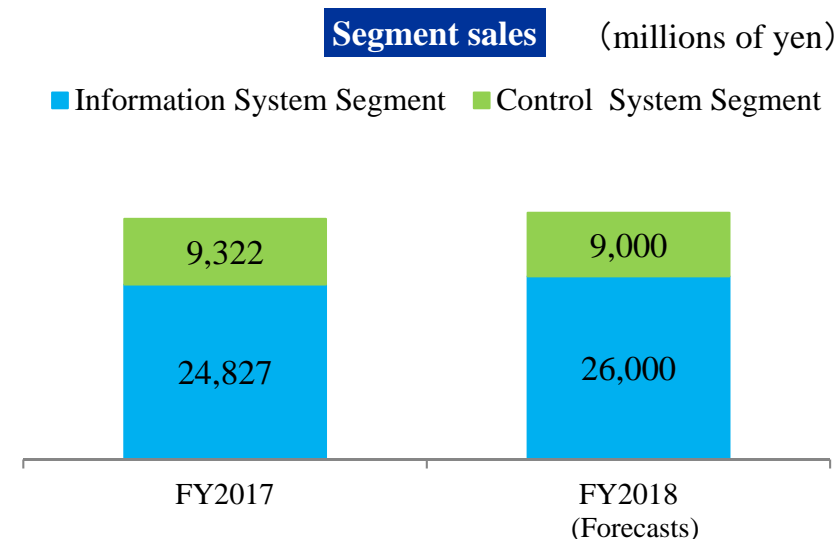
(millions of yen)	FY2017			FY2018 (Projected)			YoY Change
	1st half	2nd half	Total	1st half	2nd half	Total	
Net sales	17,996	16,097	34,093	15,000	20,000	35,000	+907
Gross profit-net	6,097	5,740	11,837	5,900	6,500	12,400	+563
Selling, general and administrative expenses	5,722	4,922	10,644	5,450	5,650	11,100	+456
Operating income	375	817	1,192	450	850	1,300	+108
Ordinary income	493	897	1,390	500	900	1,400	+10
Net income	296	489	785	300	500	800	+15

Research and development expenses	1,240	338	1,578	740	860	1,600	+22
Depreciation expense	1,004	1,081	2,085	840	1,030	1,870	-215
Capital investment	394	308	702	330	500	830	+128
Software	440	808	1,248	800	1,550	2,350	+1,102

FY2018 Full Year Forecasts by segment

(millions of yen)	FY2017	FY2018 (Forecasts)	YoY Change
Information System Segment	24,827	26,000	+1,173
Hardware	14,413	15,200	+787
System	10,414	10,800	+386
Subtotal	24,827	26,000	+1,173
Control System Segment	9,322	9,000	- 322
Units and Parts	6,261	7,500	+1,239
Pachislot and Others	3,062	1,500	- 1,562
Subtotal	9,322	9,000	- 322
Segment sales	34,150	35,000	+850
Information System Segment	2,435	2,400	- 35
Control System Segment	433	800	+367
Segment income	2,868	3,200	+332
Corporate expenses	1,676	1,900	+224
Net sales	34,093	35,000	+907
Operating income	1,192	1,300	+108

(Note) Business segment sales and income figures include intersegment transactions.



Disclaimer

The contents in this material and comments made during the questions and answers etc. of this briefing session are the judgment and forecasts of the Company's management based on the currently available information.

These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.

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