

# FY2018 Second Quarter Financial Results



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

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## Related News on Financial Results

### ■ 2018

- Aug. 9 Financial Results for the 1st Quarter of FY2018
- Aug. 9 Notice concerning expansion of shareholder special benefit plan
- Nov. 6 Revision of earnings estimates
- Nov. 13 Dividend of surplus (Interim dividend)
- Nov. 13 Financial Results for the 2nd Quarter of FY2018

## Related News on Business and New Products

### ■ 2018

- May.-Jun. Convened “MIRAIGATE 2018 SIS Seminar”
- Jul. 5 Announcement of “DK-SIS White Paper FY2018 version”
- Jul. 10 Release of new function, nationwide fan trend data publication service “Fan-SIS”

# Consolidated Financial Highlights

# First Half Financial Highlights

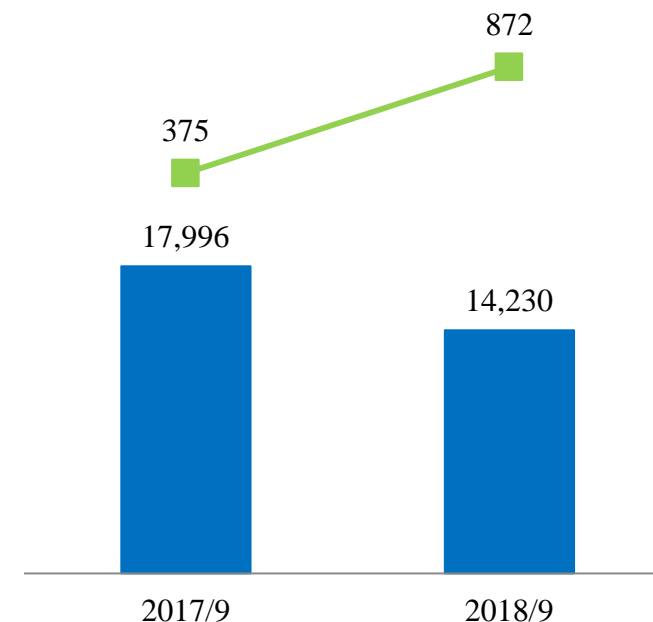
## Consolidated Statements of Income (Summary)

Net sales	14,230 million yen
Operating income	872 million yen
Ordinary income	1,005 million yen
Net income attributable to owners of the parent	637 million yen

### Net sales and Operating income

(millions of yen)

■ Net sales  
■ Operating income



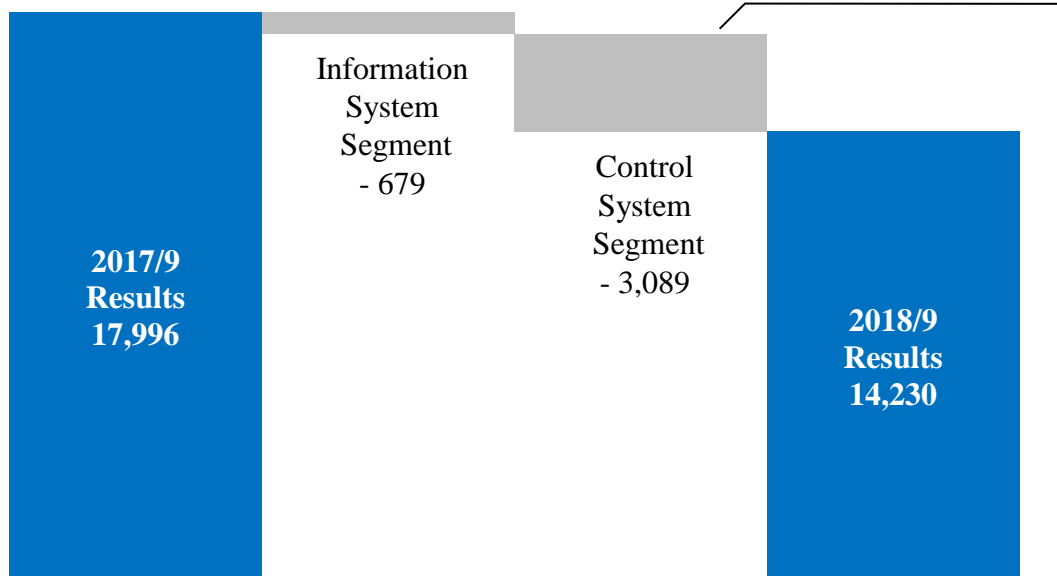
(millions of yen)	2017/9	2018/9	YoY Change	Vs. Forecasts Change
Net sales	17,996	14,230	- 3,766	- 770
Gross profit-net	6,097	5,722	- 374	- 178
Selling, general and administrative expenses	5,722	4,850	- 871	- 600
Operating income	375	872	+ 497	+ 422
Ordinary income	493	1,005	+ 511	+ 505
Net income attributable to owners of the parent	296	637	+ 341	+ 337
Research and development expenditure	1,240	511	- 729	- 229

(Note) The planned ratio is the value of earnings projection for the term ending in March 2019 announced on May 14, 2018, as well as the planned ratio described in the materials for the briefing of the term ending in March 2019 held on May 23, 2018 targeting institutional investors and analysts.

YoY Change

- 3,766 million yen

(millions of yen)



## Information System Segment

**Net sales in this segment were 11,077 million yen (YoY Change - 679 million yen)**

While the numbers of new pachinko hall openings and halls conducting large-scale renovation are decreasing significantly, the introduction of the information publication terminal “BiGMO PREMIUM II” and the hall computer has progressed mainly through major companies, and the number of units sold exceeded that in the same period last year, but sales of other flagship products remained sluggish.

## Control System Segment

**Net sales in this segment were 3,173 million yen (YoY Change - 3,089 million yen)**

Although sales of “display unit” for pachinko game machines remained favorable, sales of “control unit” and “parts” decreased. There were no sales of pachislot game machines for this second fiscal quarter (approximately 5,500 units sold in the same period last year).

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

# Financial Highlights - Operating Income

**YoY Change**

**+ 497 million yen**

**Segment-operating income:**

	2018/9	YoY Change
Information System Segment	1,399	+ 527
Control System Segment	335	- 38

**The whole company cost : 862 million yen**

**Research and development expenditure:**

(millions of yen)

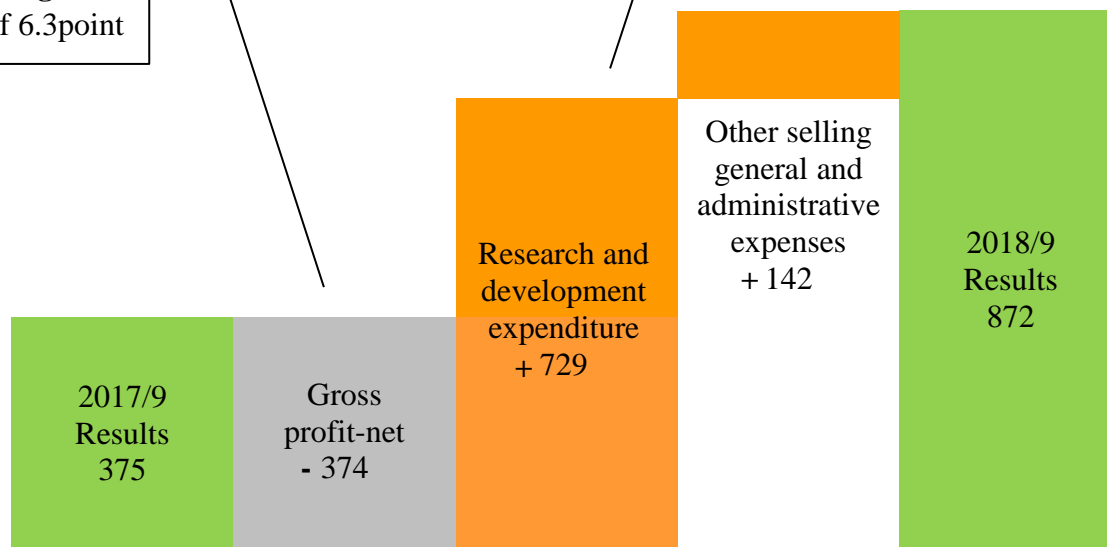
	2018/9	YoY Change	Vs. Forecasts Change
Information System Segment	431	- 534	- 49
Control System Segment	80	- 195	- 180

**Gross Profit Margin:**

Improvement of 6.3point

**Main items of other selling, general and administrative expenses :**

Sales commissions  
(YoY Change - 105 million yen)



(millions of yen)

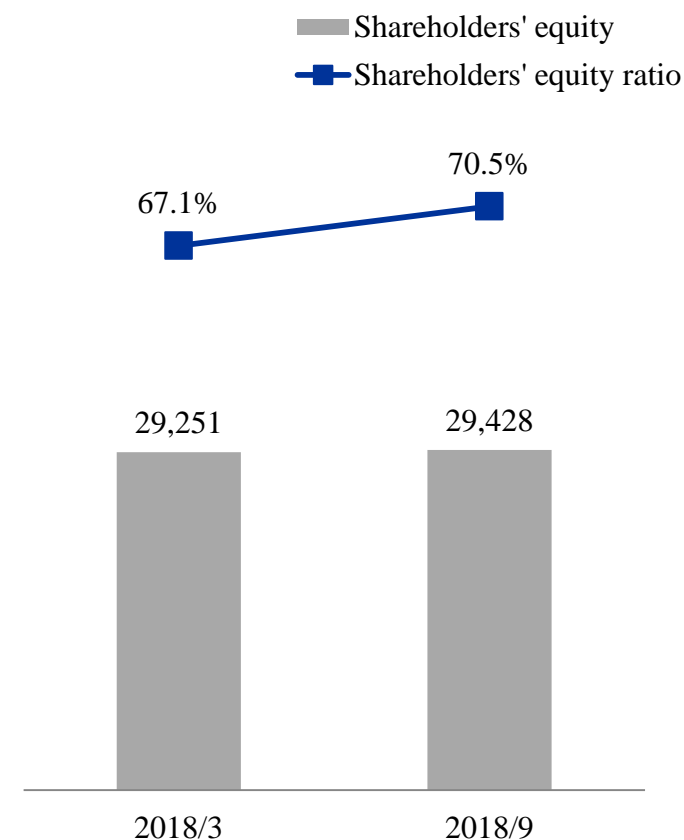
## Consolidated Balance Sheets (Summary)

Total liabilities and net assets	41,735 million yen
Total liabilities	12,306 million yen
Total net assets	29,428 million yen

(millions of yen)	2018/3	2018/9	Difference
Current assets	26,556	25,176	- 1,380
Noncurrent assets	17,007	16,558	- 448
Total assets	43,564	41,735	- 1,829
Current liabilities	13,196	10,870	- 2,326
Noncurrent liabilities	1,115	1,436	+ 320
Total liabilities	14,312	12,306	- 2,005
Total net assets	29,251	29,428	+ 176
Total liabilities and net assets	43,564	41,735	- 1,829
Debt	3,300	3,300	0
Debt equity ratio	0.11times	0.11times	0.00times
Shareholders' equity ratio	67.1%	70.5%	+ 3.4%
Receivables turnover period	72.8days	79.6days	+ 6.8days
Inventory turnover period	65.8days	75.5days	+ 9.7days
Payable turnover period	80.4days	73.5days	- 6.9days
Number of shares outstanding	14,783,105	14,783,060	—

### Shareholders' equity

(millions of yen)



## Consolidated Statements of Cash Flows

(millions of yen)	2017/9	2018/3	2018/9
Operating CF	- 125	2,921	- 231
Investment CF	- 1,559	- 2,411	- 970
Financing CF	- 591	- 739	- 443
Cash and cash equivalents	11,786	13,832	12,187

### (Operating CF)

Income before income taxes : 995 million yen  
 Increase in inventories : - 433 million yen  
 Decrease in trade payables : - 1,270 million yen

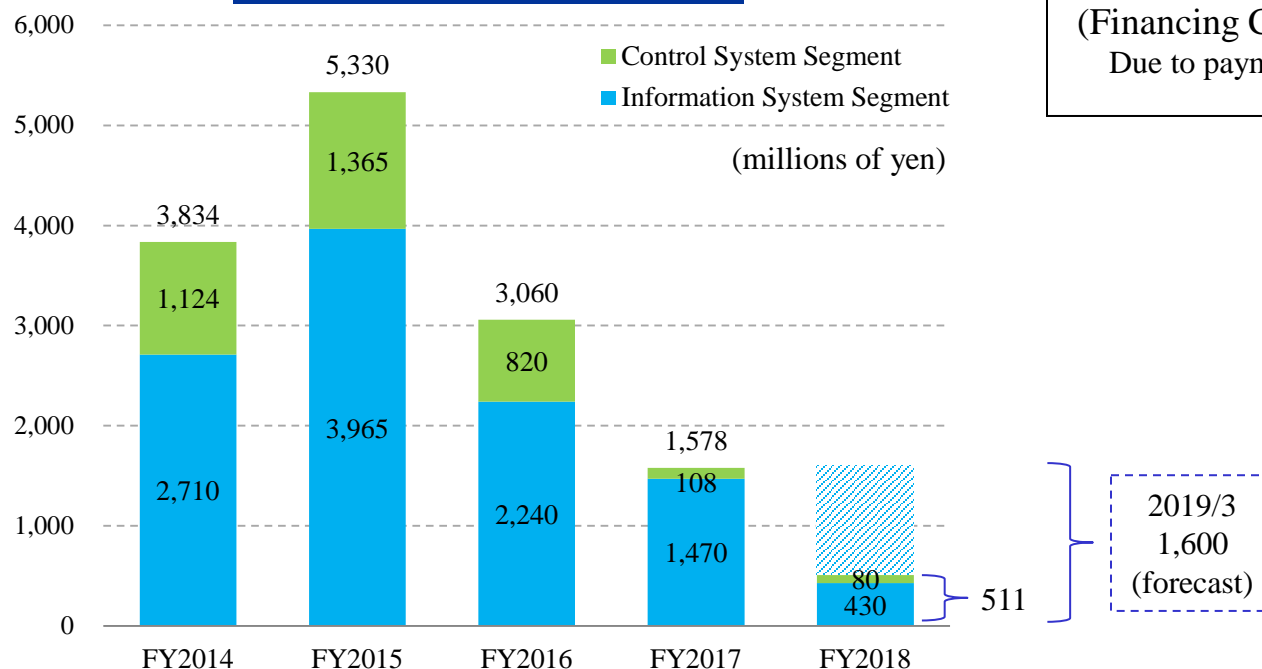
### (Investment CF)

Due to acquisition of tangible fixed assets : - 184 million yen  
 Due to acquisition of intangible fixed assets : - 731 million yen

### (Financing CF)

Due to payment of dividends : - 443 million yen

### Research and development expenses

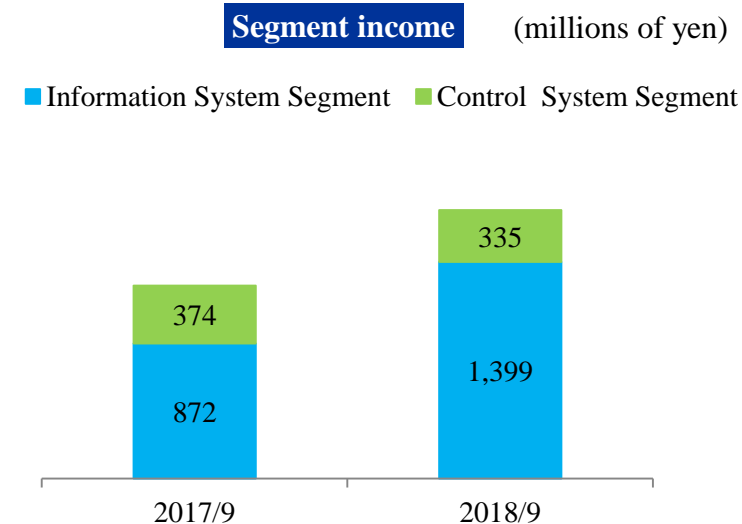
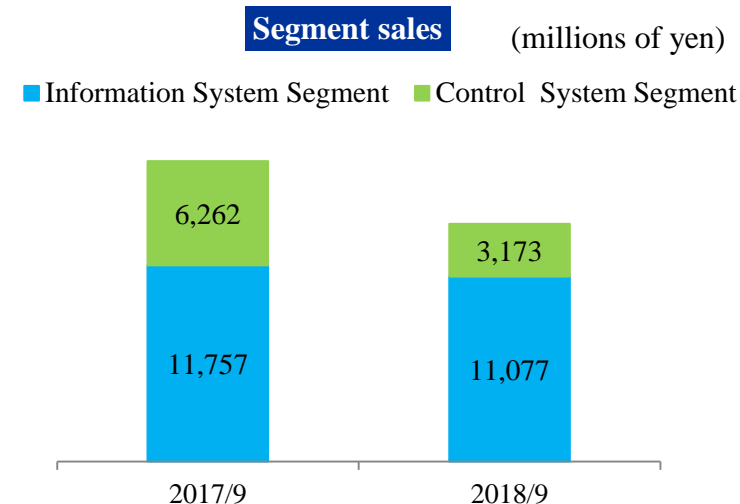


# Business Results by Segment

## YoY Change

Segment sales - 3,768 million yen (-20.9%), Segment income + 488 million yen (+39.2%)

(millions of yen)	2017/9	2018/9	YoY Change	Vs. Forecasts Change
<b>Information System Segment</b>	11,757	11,077	- 679	- 922
Hardware	6,555	5,836	- 718	- 940
System	5,202	5,241	+39	+18
Subtotal	11,757	11,077	- 679	- 922
<b>Control System Segment</b>	6,262	3,173	- 3,089	+173
Units and Parts	3,955	2,558	- 1,397	+308
Pachislot and Others	2,307	615	- 1,692	- 134
Subtotal	6,262	3,173	- 3,089	+173
<b>Segment sales</b>	18,019	14,251	- 3,768	- 748
<b>Information System Segment</b>	872	1,399	+527	+149
<b>Control System Segment</b>	374	335	- 38	+185
<b>Segment income</b>	1,246	1,734	+488	+334
Corporate expenses	-871	-862	+8	+87
Net sales	17,996	14,230	- 3,766	- 769
Operating income	375	872	+497	+422



(Note) The planned ratio is the value of earnings projection for the term ending in March 2019 announced on May 14, 2018, as well as the planned ratio described in the materials for the briefing of the term ending in March 2019 held on May 23, 2018 targeting institutional investors and analysts.

Business segment sales and income figures include intersegment transactions.

# 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

1. In the pachinko industry, a pressing task is to flexibly respond to changes in the business environments due to “the Basic Act on Countermeasures Against Gambling Addiction” , and “the Revised Health Promotion Act to strengthen passive smoking prevention measures” , etc.
2. Game machine manufacturers released “ pachinko machines with fixed settings” and “ pachislot machines No. 6.0 ” , whose jackpot probability is set up to six levels as game machines under the new regulations that comply with “the 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” that was enforced on February 1, 2018, and their market evaluation is attracting attention.

## ■ Industry trends in the present

1. Although the market environment continues to be severe, such as pachinko hall operation continuing to decrease, it is assumed that replacement with an information publication terminal for fans, with a variety of content which conveys the attractive features to game players, will become active, as pachinko and pachislot game machines that comply with the new regulations, such as “pachinko machines with fixed settings” are launched on the market.  
Introduction of equipment with an individual counting system, etc., also continues to be expected, for labor savings in pachinko hall operation.

## The Group's understanding for changes in the market environment

- The Group understands changes in the market surrounding the pachinko industry, such as regulation revision, to be a good opportunity for the pachinko industry to evolve into one that will be even more widely supported by society in the medium to long term.
- The Group strives to contribute to market evolution by working on service development using new systems, and technology such as measures to prevent “addiction,” and by actively offering these to the market.
- The Group promotes active efforts so that the market is activated, pachinko is popular as a wholesome recreation, and the enhancement of leisure in society is advanced.

### Sending our company message out to the market

- The Group convened a seminar entitled “MIRAIGATE 2018 SIS Seminar - to survive in the era of reform -” targeted at those involved in pachinko halls in six places around the country, in May and June, and gave a talk about changes in the environment surrounding the industry.
- On July 5, “DK-SIS White Paper 2018” was released.  
The Group believes that you can use various data in order to improve the satisfaction of game players (fans).

(millions of yen)	FY2017 (Result)			FY2018 (Forecasts)				YoY Change
	1st half	2nd half	Total	1st half (Result)	Vs. Forecasts Change	2nd half	Total	
Net sales	17,996	16,097	34,093	14,230	- 769	20,770	35,000	+ 907
Gross profit-net	6,097	5,740	11,837	5,722	- 177	6,678	12,400	+ 563
Selling, general and administrative expenses	5,722	4,922	10,644	4,850	- 599	6,250	11,100	+ 456
Operating income	375	817	1,192	872	+ 422	428	1,300	+ 108
Ordinary income	493	897	1,390	1,005	+ 505	395	1,400	+ 10
Net income attributable to owners of the parent	296	489	785	637	+ 337	163	800	+ 15

Research and development expenses	1,240	338	1,578	511	- 229	1,089	1,600	+ 22
Depreciation expense	1,004	1,081	2,085	842	+ 2	1,028	1,870	- 215
Capital investment	394	308	702	189	- 142	641	830	+ 128
Software	440	808	1,248	388	- 412	1,962	2,350	+ 1,102

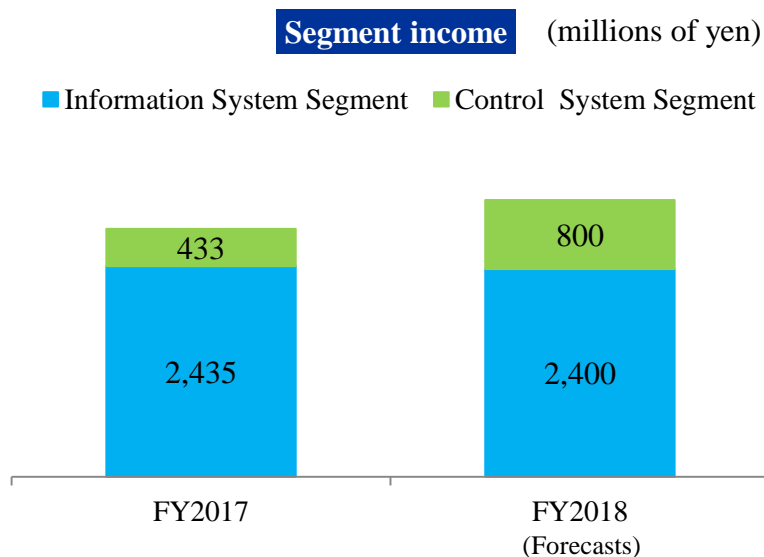
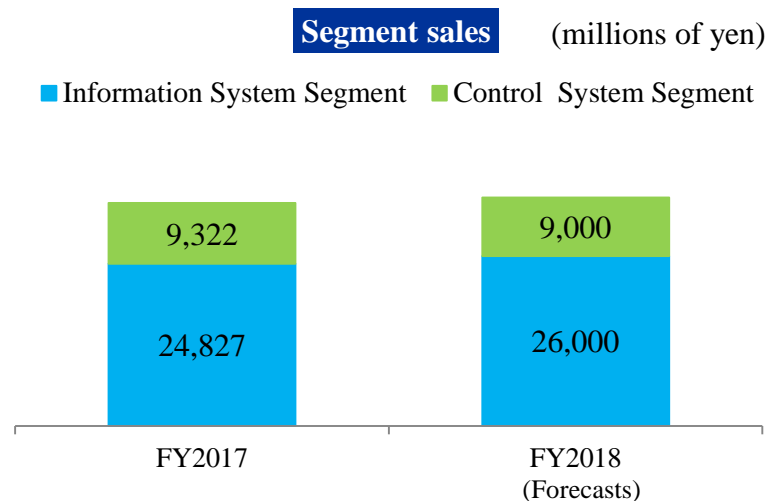
# FY2018 Full Year Forecasts by segment

## YoY Change

Segment sales + 850 million yen , Segment income + 332 million yen

(millions of yen)	FY2017	FY2018 (Forecasts)	YoY Change
<b>Information System Segment</b>	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
<b>Control System Segment</b>	9,322	9,000	- 323
Units and Parts	6,261	7,500	+1,239
Pachislot and Others	3,062	1,500	- 1,562
Subtotal	9,322	9,000	- 322
<b>Segment sales</b>	34,150	35,000	+850
<b>Information System Segment</b>	2,435	2,400	- 35
<b>Control System Segment</b>	433	800	+367
<b>Segment income</b>	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

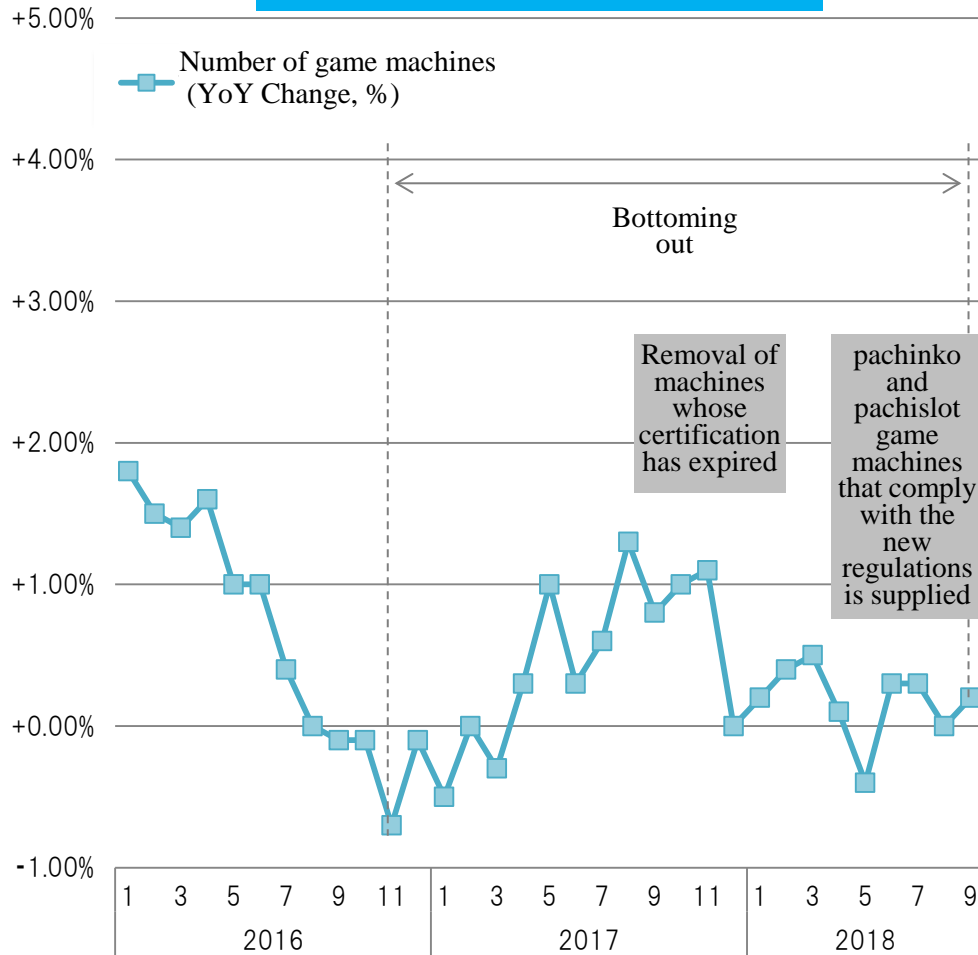
(Note) Business segment sales and income figures include intersegment transactions.



# Business Environment

# Trends in the number of game machines installed in pachinko halls

Trends in the number of game machines



(Source of data) Ministry of Economy, Trade and Industry, "Survey on Selected Service Industries"

The degree of the increase in the number of machines installed shrank from 2015 to 2016, and showed signs of bottoming out around the beginning of 2017.

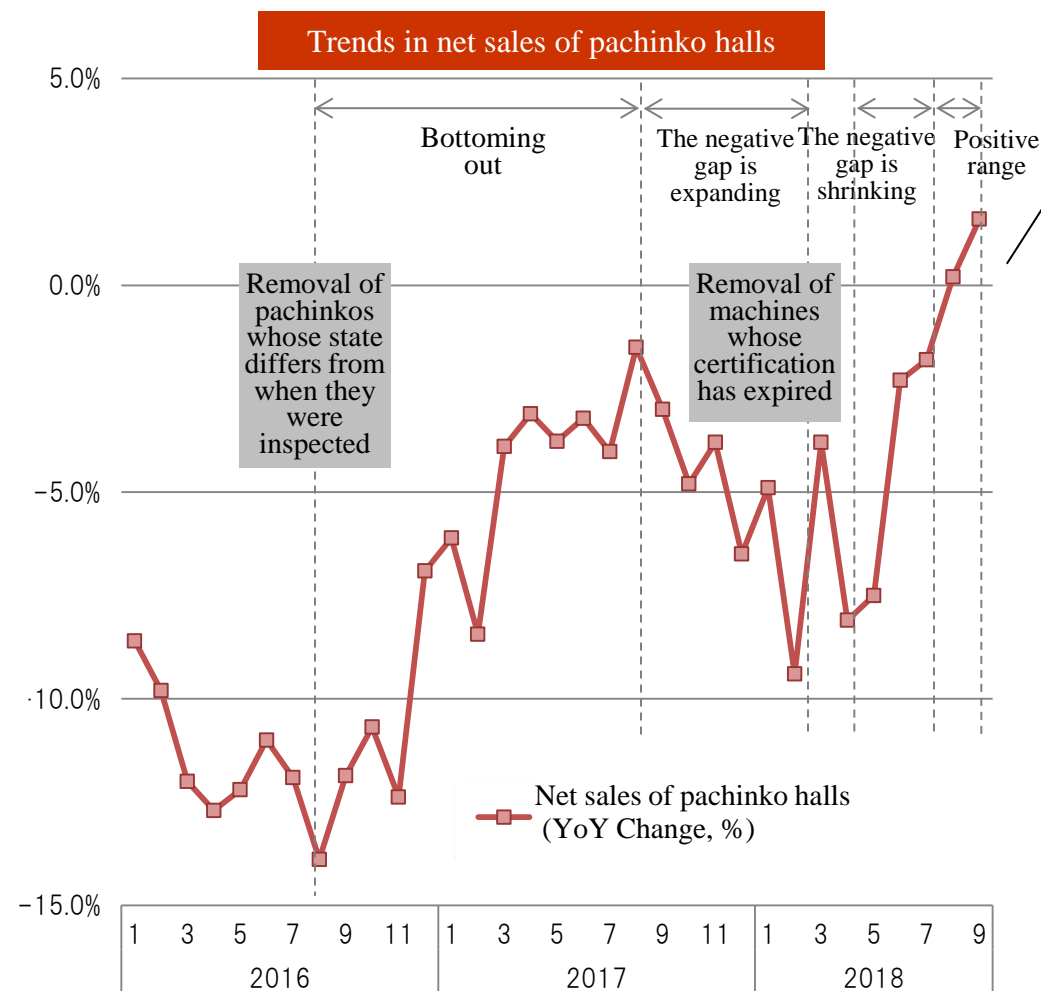
It is assumed that the growth rate of the number of units installed slowed from around the end of 2017 due to the removal of machines whose certification had expired, and the full-scale supply of new standard machines being estimated to start from the second half or later.

Positive trend has basically been continuing since June 2018.

Number of game machines (YoY Change, %)

	2016	2017	2018
Jan.	+1.8%	-0.5%	+0.2%
Feb.	+1.5%	+0.0%	+0.4%
Mar.	+1.4%	-0.3%	+0.5%
Apr.	+1.6%	+0.3%	+0.1%
May	+1.0%	+1.0%	-0.4%
Jun.	+1.1%	+0.3%	+0.3%
Jul.	+0.4%	+0.6%	+0.3%
Aug.	+0.0%	+1.3%	+0.0%
Sep.	-0.1%	+0.8%	+0.2%
Oct.	-0.1%	+1.0%	
Nov.	-0.7%	+1.1%	
Dec.	-0.1%	+0.0%	

# Recent trends in net sales of pachinko halls



(Source of data) Ministry of Economy, Trade and Industry, "Survey on Selected Service Industries"

Hall sales that had been increasingly negative year-on-year since the end of 2015 bottomed out from around summer 2016 and the degree of negativity year-on-year is shrinking.

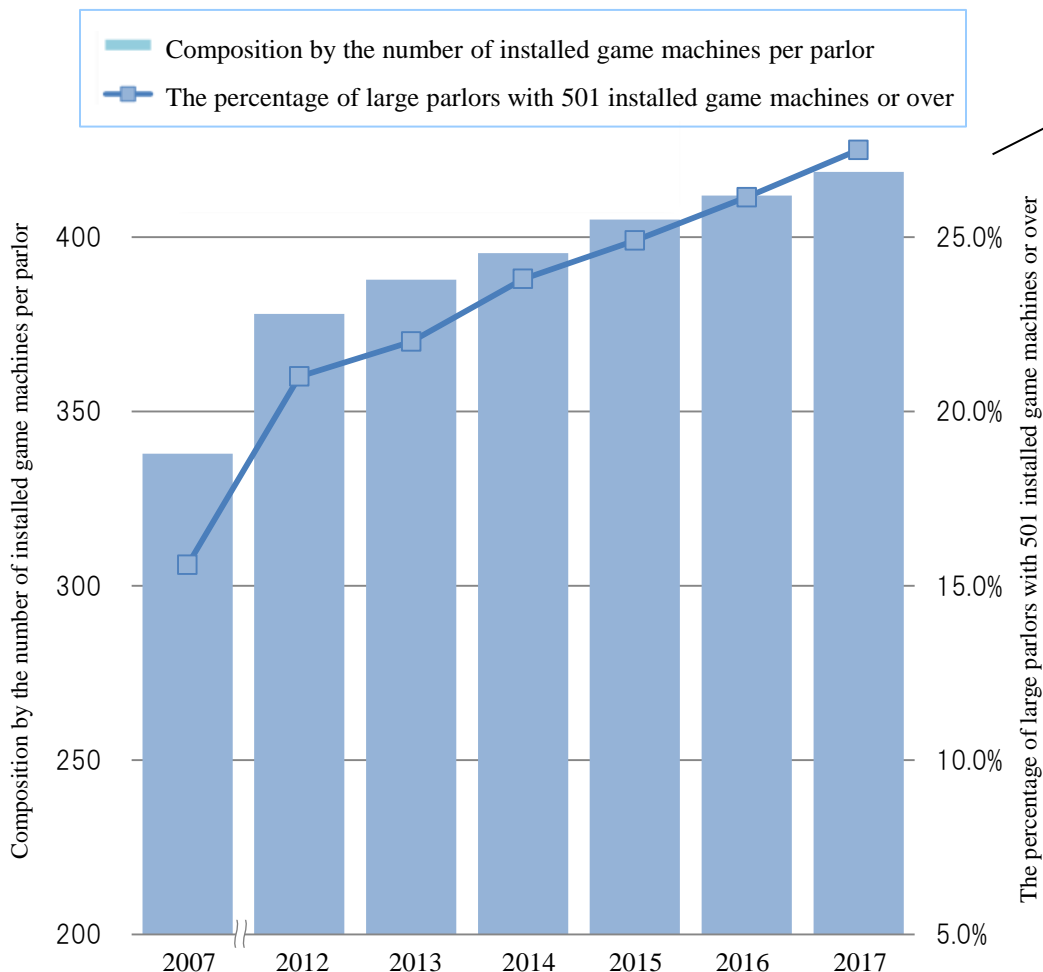
Pachinko hall sales expanded their year-on-year negative margin from around July 2017 to the end of the said year.

The rate of decline has been narrowing since April 2018, and has been in a positive range in the past two months.

Net sales of pachinko halls (YoY Change, %)

	2016	2017	2018
Jan.	-8.6%	-6.1%	-4.9%
Feb.	-9.8%	-8.4%	-9.4%
Mar.	-12.0%	-3.9%	-3.8%
Apr.	-12.7%	-3.1%	-8.1%
May	-12.2%	-3.8%	-7.5%
Jun.	-11.0%	-3.2%	-2.3%
Jul.	-11.9%	-4.0%	-1.8%
Aug.	-13.9%	-1.5%	+0.2%
Sep.	-11.9%	-3.0%	+1.6%
Oct.	-10.7%	-4.8%	
Nov.	-12.4%	-3.8%	
Dec.	-6.9%	-6.5%	

## The percentage of large parlors has increased compared to ten years ago



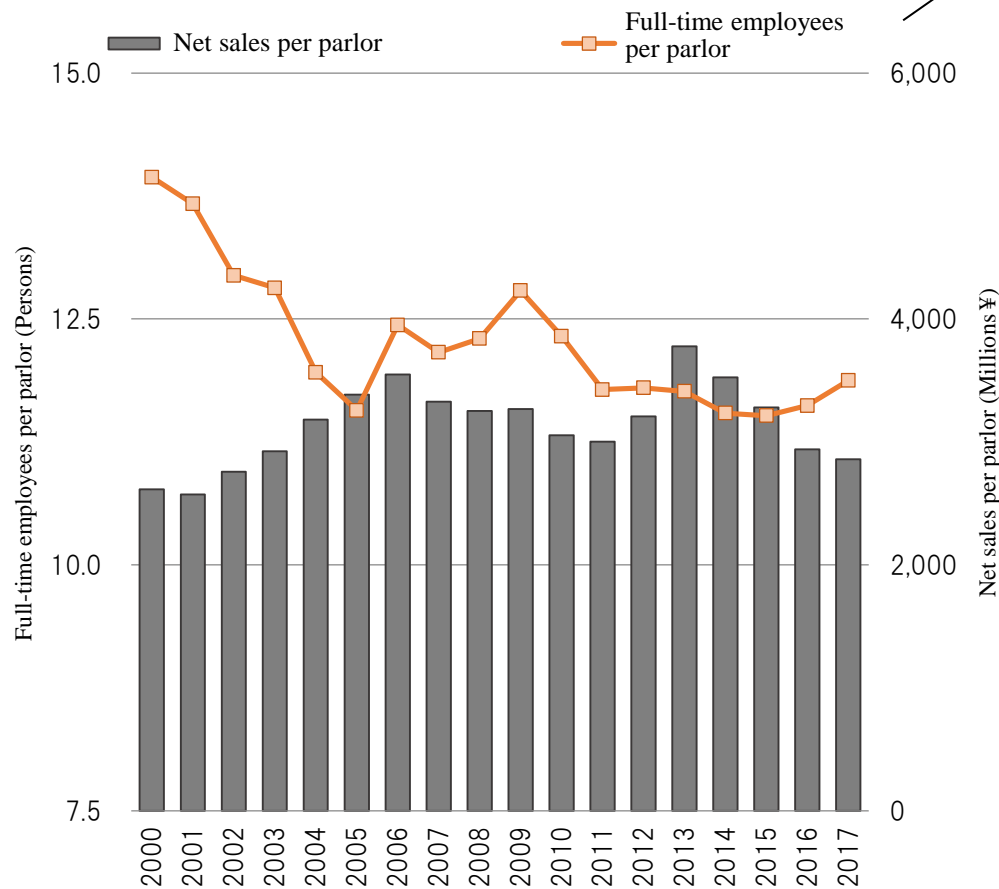
The percentage of large parlors with 501 installed game machines or over has increased to ten years ago.

	The number of installed game machines per parlor (%)					Average installed game machines
	- 100	101 - 300	301 - 500	501 - 1,000	1,001 -	
2012	2.8	39.9	36.3	19.4	1.6	378.0
2013	2.7	38.6	36.7	20.2	1.8	387.8
2014	2.5	37.4	36.3	21.7	2.1	395.4
2015	2.3	36.7	36.1	22.4	2.5	405.0
2016	2.3	35.3	36.3	23.5	2.6	411.9
2017	2.0	34.2	36.3	24.6	2.9	418.7
2007	5.1	48.0	36.4	14.8	0.8	337.9

(Source of data) The National Police Agency “The 2017 White Paper on Adult Entertainment Business issued by the Community Safety Bureau”

# Trends in the number of full-time employees and net sales per parlor

Full-time employees, Net sales(per parlor)



The number of full-time employees per hall is decreasing compared to the past. It is assumed that this is one of the indications of an intention to save labor and efficiently manage pachinko halls.

(Source of data) Ministry of Economy, Trade and Industry, "Survey on Selected Service Industries"

	Per parlor			Total
	Net sales (millions of yen)	Full-time employees (Persons)	Other employees (Persons)	
2000	2,614	13.9	10.5	24.4
2001	2,573	13.7	11.3	24.9
2002	2,758	12.9	11.3	24.3
2003	2,923	12.8	11.6	24.5
2004	3,183	12.0	12.6	24.6
2005	3,384	11.6	14.3	25.9
2006	3,548	12.4	15.8	28.3
2007	3,329	12.2	16.2	28.4
2008	3,253	12.3	17.7	30.0
2009	3,268	12.8	16.8	29.6
2010	3,054	12.3	14.7	27.0
2011	3,002	11.8	13.8	25.6
2012	3,208	11.8	11.4	23.2
2013	3,778	11.8	15.3	27.1
2014	3,525	11.5	14.5	26.0
2015	3,281	11.5	15.0	26.6
2016	2,941	11.6	14.8	26.4
2017	2,860	11.9	14.9	26.8

# Business strategy and measures

## ■ The Group's business

- Main products and services in each segment, and the relationship with customers are as indicated in the diagram below. Every segment advances business development in the games industry.
- We are aware that the most important challenge is to flexibly respond to a changes in the recent market environment surrounding the Group, and along with the idea that we hone the Group's strength and respond to changes in the market environment, each segment shall adopt their current strategic direction.

### The Group's customer attributes

Pachinko and Pachislot fan

Pachinko halls

Game machine  
manufacturers

Amusement fan

↑  
Service to  
provide  
information

↑  
The product

↑  
The product

↑  
The product

↑  
Amusement  
software

#### Information System Segment

##### 【Main products and services】

- Computer systems for pachinko halls
- Prize management systems
- Information display systems
- Various support services, including DK-SIS

#### Control System Segment

##### 【Main products and services】

- Display units for pachinko machines
- Control units for pachinko machines
- Parts to be used for pachinko game machines
- Pachislot machines

# Business strategy

## Information System Segment

## Information System Segment

**I**

Sales promotion of various products, such as a CR unit and data display device, and an approach to stable business through expansion of the recurring fee revenue model (management support service)

Expanding market share, and acceleration of an earnings structure that can respond more flexibly

**II**

Timely introduction of products and services that flexibly respond to industry change due to regulation revision

Aggressively embrace industry change and make it a business opportunity.

**III**

Promote continuous investment after conducting a review because of regulation revision, such as development of “next generation major product group”

Business model innovation

## Information System Segment measures

### [View of current business environment]

A capital investment drive for new openings and large-scale renovations is expected to continue in a passive mode for a while.

### [Direction of business initiatives]

1. We promote initiatives aimed at expanding the market share in the Information System Segment.
2. We respond to changes in the market environment and continue development investment, with the aim of developing products and services that can help operation of the pachinko halls that are our customers, and to contribute to the acquisition of new fans.

### [Correspondence and measures]

1. With respect to next generation system development, we promote adding specifications that respond to new rules, review of the development progress, strengthening of products and services that contribute to efficiency and power saving during hall operation along with the changes in the market environment.
2. We contribute to the enhanced competitiveness of the pachinko halls that are our customers, to their power savings, and accelerate initiatives for the recurring fee revenue model, through provision of the operation support service (MG service).
3. We strengthen initiatives aimed at acquiring new fans by expanding various services to provide information to fans (Pachirobo, etc.).

## Information System Segment

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

(millions of yen)	FY2016			FY2017			FY2018 (Projected)			
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	Vs. Forecasts Change	2nd half	Total
Net sales	13,126	14,134	27,260	11,757	13,070	24,827	11,077	- 922	14,923	26,000
Segment income	1,414	1,597	3,011	872	1,563	2,435	1,399	+ 149	1,001	2,400
Research and development expenditure	1,093	1,147	2,240	965	505	1,470	430	- 50	950	1,380

### ■ Number of sales

Hall computer	30	46	76	33	31	64	36	+ 1	44	80	
Call Lamp	BiGMO PREMIUM	12,674	14,480	27,154	12,295	21,980	34,275	13,977	- 6,023	31,023	45,000
	REVOLA	19,583	28,573	48,156	18,079	14,692	32,771	10,183	- 5,817	24,817	35,000
	IL-X Series	10,757	11,881	22,638	11,490	20,775	32,265	11,017	- 1,983	18,983	30,000
CR unit "VEGASIA"	30,327 49 halls	35,535 49 halls	65,862 98 halls	24,438 34 halls	29,162 43 halls	53,600 77 halls	19,681 29 halls	- 4,319 - 6 halls	33,319 51 halls	53,000 80 halls	
Face authentication system	3 halls	9 halls	12 halls	15 halls	19 halls	34 halls	11 halls	- 4 halls	29 halls	40 halls	

### ■ Total subscribership

C II Standard	2,830	-	2,866	2,861	-	2,865	2,866	- 14	-	2,900
Contents library	1,618	-	1,669	1,731	-	1,782	1,826	- 4	-	1,900
DK-SIS members	3,704	-	3,709	3,682	-	3,638	3,620	- 20	-	3,650
C II-SIS members	1,124	-	1,182	1,242	-	1,317	1,367	+ 17	-	1,380
CR unit (Pachinko halls)	567	-	616	644	-	679	706	- 4	-	750
Third-party stored ball management	831	-	867	914	-	907	951	+ 21	-	960
MG-Service net sales(millions of yen)	2,044	2,099	4,143	2,138	-	4,312	2,206	+ 16	2,224	4,430

# Business strategy

## Control System Segment

## Control System Segment

I

Emphasize the entertainment aspect, and focus on the activation of the game environment through creation of games that comply with new rules.

Contribution to the operations of pachinko halls

II

Promptly respond to the requests of game machine manufacturers, and promote our company's cost reduction, short-term development, and establishment of a quality assurance system.

Shorten the customer's development period, and contribute to cost reduction and quality improvement

III

Implementation of a project proposal that generates new game value by using DK-SIS data and Fan data that the Information System Segment has, and expansion of the business area.

Business model innovation

## Control System Segment measures

### [View of current business environment]

There will be an increasing need for new proposals that respond to an era with new standards, along with a strengthened intention to reduce development costs for game machines in the market, and it is assumed that planning ability will become more important.

### [Direction of business initiatives]

1. We promote initiatives aimed at expanding the market share in the Information System Segment.
2. We respond to changes in the market environment and continue development investment, with the aim of developing products and services that can help operation of the pachinko halls that are our customers, and to contribute to the acquisition of new fans.

### [Responses and measures in pachinko business]

1. We aim to acquire hardware by quickly and accurately understanding market changes and the latest client trends, and making timely proposals.
2. Creating new gaming properties consistent with an era of new regulations, accelerating planning with new technology and unit proposals.

### [Responses and measures in pachislot business]

1. We pay close attention to the pachislot market situation, and take a cautious stance in response to risks.

## Control System Segment

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

(millions of yen)	FY2016			FY2017			FY2018 (Projected)			
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	Vs. Forecasts Change	2nd half	Total
Net sales	7,093	6,422	13,515	6,262	3,060	9,322	3,173	+ 173	5,827	9,000
Segment income	95	- 401	- 306	374	59	433	335	+ 185	465	800
Research and development expenditure	618	202	820	275	-167	108	80	- 180	140	220

(millions of yen)

Video processing unit	4	3	7	4	2	6	6	+ 1	6	12
Sales volume	32,054	37,718	69,937	23,318	27,788	51,106	45,953	+ 7,953	59,047	105,000

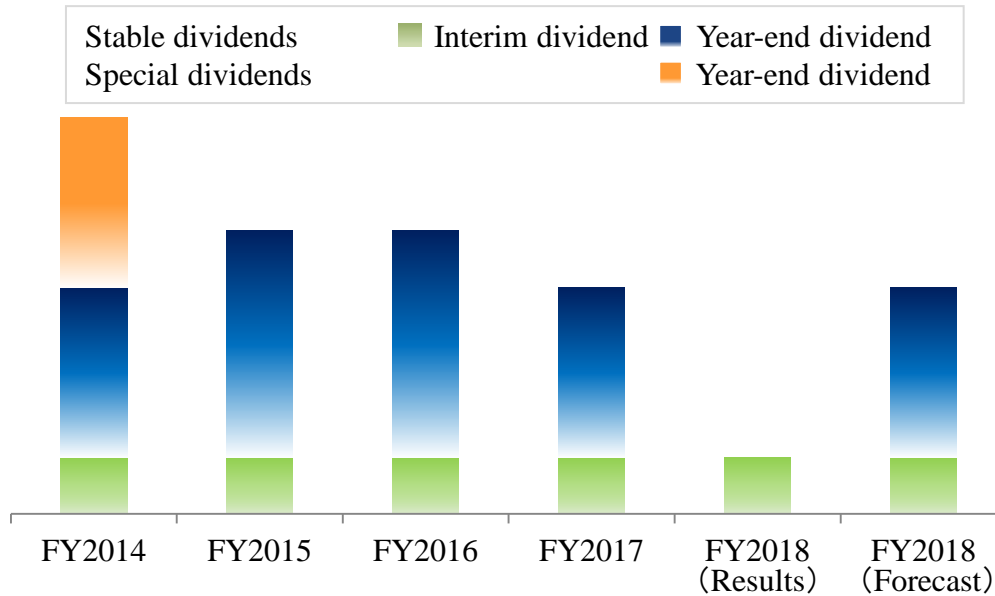
### ■ Pachislot business

Models	1	1	2	2	0	2	0	0	0	0
Sales volume	8,800	3,500	12,300	5,500	0	5,500	0	0	0	0

(\*) In the Control System Segment, “sales of development costs” to game machine manufacturers are posted as a cancellation of research and development expenses.

# Returning earnings to shareholders

<Policy> The Company implements “Special dividends” according to the revenue based on “Consecutive dividends”



The Company pays “Special dividends” according to performance.

Stable dividend (40 yen)  
 (10 yen interim dividend and 30 yen year-end dividend).

	Stable dividends			Special dividends	Total	Payout ratio (%)
	Interim dividend	Year-end dividend	Total	Year-end dividend		
FY2014	10	30	40	30	70	118.3
FY2015	10	40	50		50	—
FY2016	10	40	50		50	147.0
FY2017	10	30	40		40	75.3
FY2018 (Results)	10				10	
FY2018 (Forecast)	10	30	40		40	73.9

**We have established a new shareholder special benefit plan!**

**We will present points that can be exchanged for goods,  
depending on the number of shares and the amount of values held.**

## Eligible shareholders

Shareholders holding  
100 shares or more  
as of September 30  
of each fiscal year

The number of shares	Present points
100 ~ 299 shares	3,000 points (worth 3,000 yen)
300 ~ 599 shares	6,000 points (worth 6,000 yen)
500 ~ 699 shares	12,000 points (worth 12,000 yen)
700 ~ 999 shares	15,000 points (worth 15,000 yen)
1,000 shares ~	20,000 points (worth 20,000 yen)

- Eligible shareholders can select an item among 600 attractive goods, such as gourmets, travel and consumer electronics.
- Points can be carried forward to another year, and the points will be counted 1.1 times from the second year!

# Shareholder special benefit plan

Examples of goods for the shareholder special benefit plan that can be selected among about 600 items

## 3,000points



Japanese beef (0.3kg)



Pan-fried dumplings



Imabari towel

## 6,000points



Sirloin steak (0.9kg)



Lego set



Electric kettle

## 12,000points



Matsusaka beef (0.6kg)



Special Rice (12kg)



Frying pan set

## 15,000points



Special Rice (15kg)



Blowfish



High-pressure back washing machine

## 20,000points



Oou beef (1.4kg)



Crab (2.4kg)



Panasonic shaver

Points also can be donated to social contribution activities.

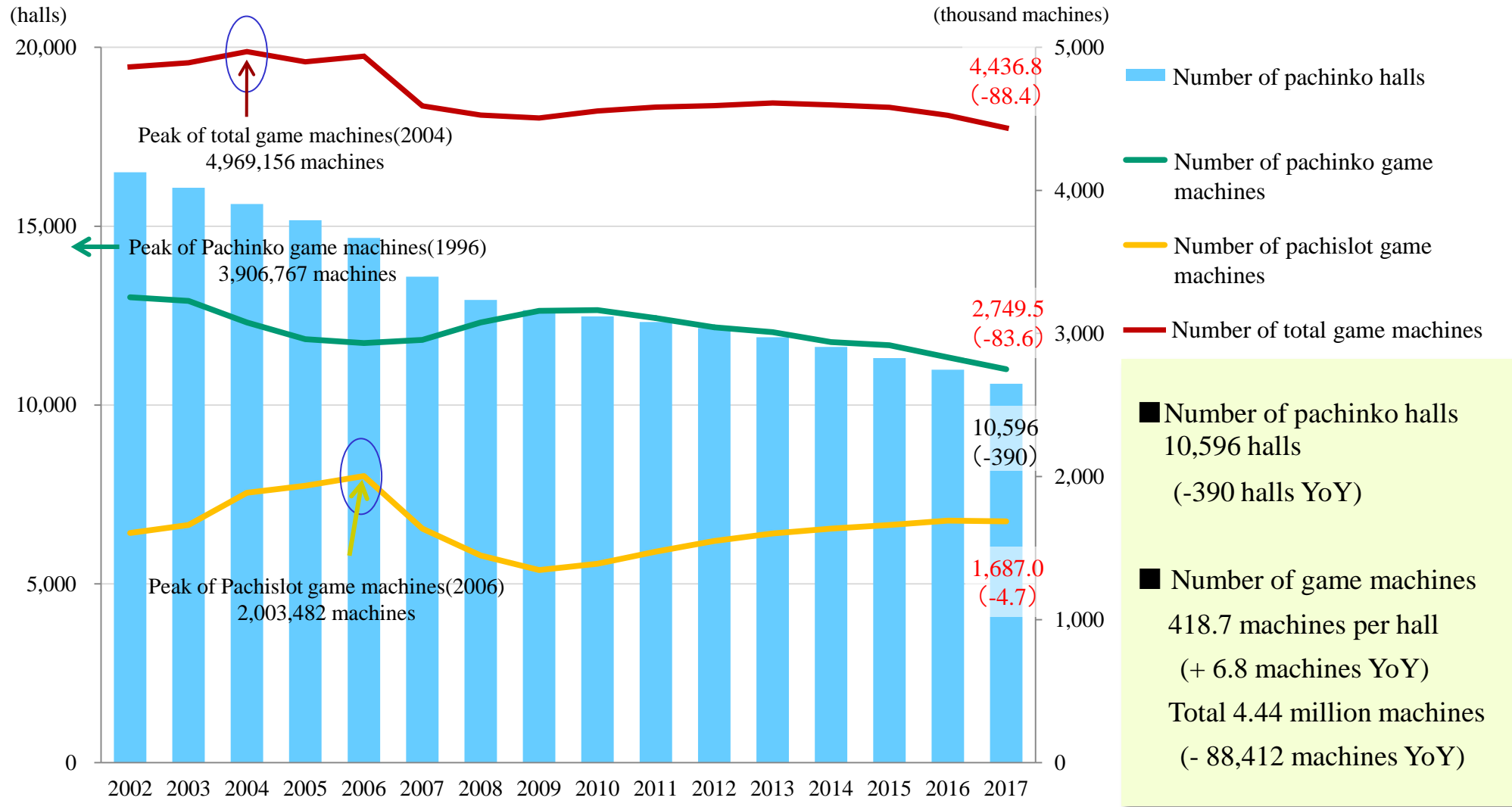
Based on shareholders' opinions received, we made various improvements, such as replacement of products.

We will continue our efforts to have a better product lineup to suit shareholders' tastes.

# Reference Data

# Pachinko business scale

## Shifts in the number of pachinko halls and installed pachinko and pachislot game machines



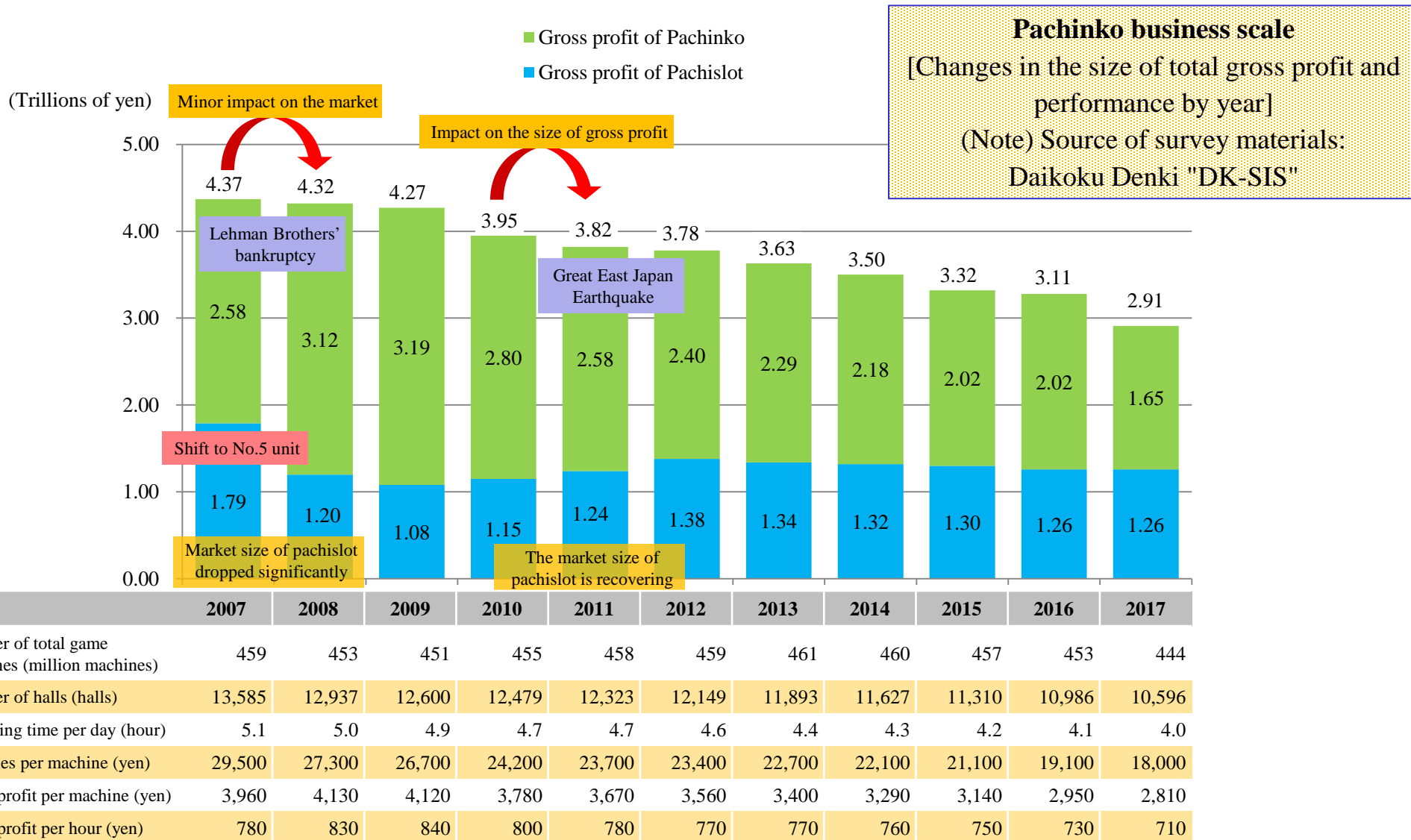
■ Number of pachinko halls  
 10,596 halls  
 (-390 halls YoY)

■ Number of game machines  
 418.7 machines per hall  
 (+ 6.8 machines YoY)  
 Total 4.44 million machines  
 (- 88,412 machines YoY)

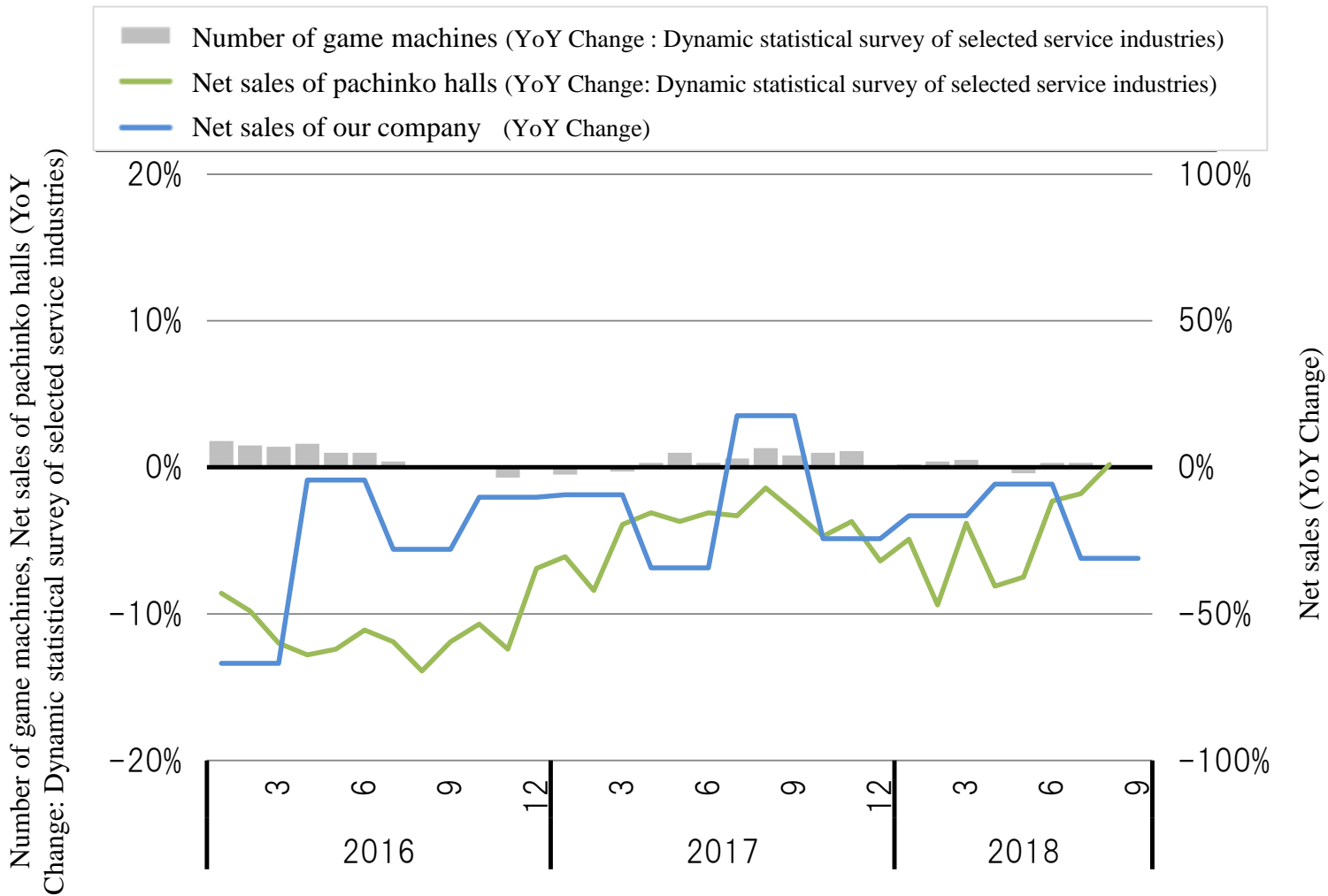
(Source of data) 2017 White Paper on Adult Entertainment Business and Moral Offense Control by the Community Safety Bureau of the National Police Agency

# Changes in the size of market total gross profit and shifts in performance by year

Although the market is still in a severe condition, it is forecast to recover approaching the Olympics in Tokyo in 2020

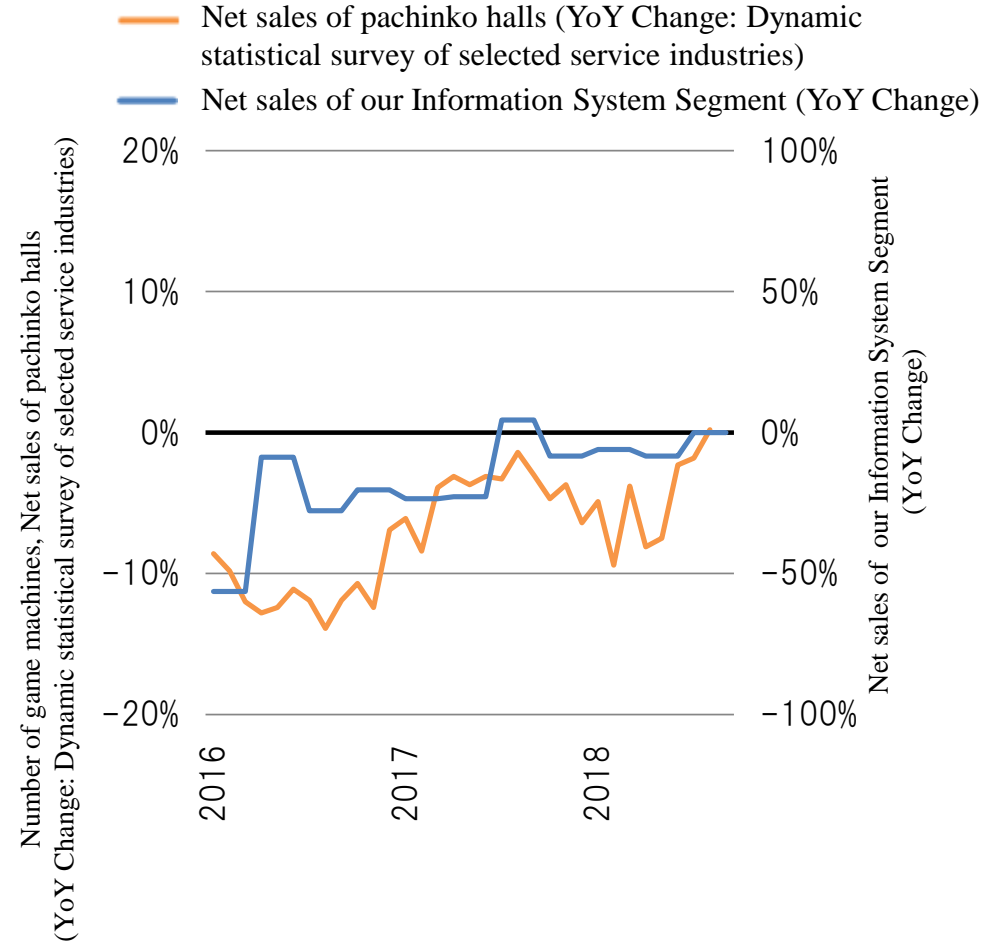
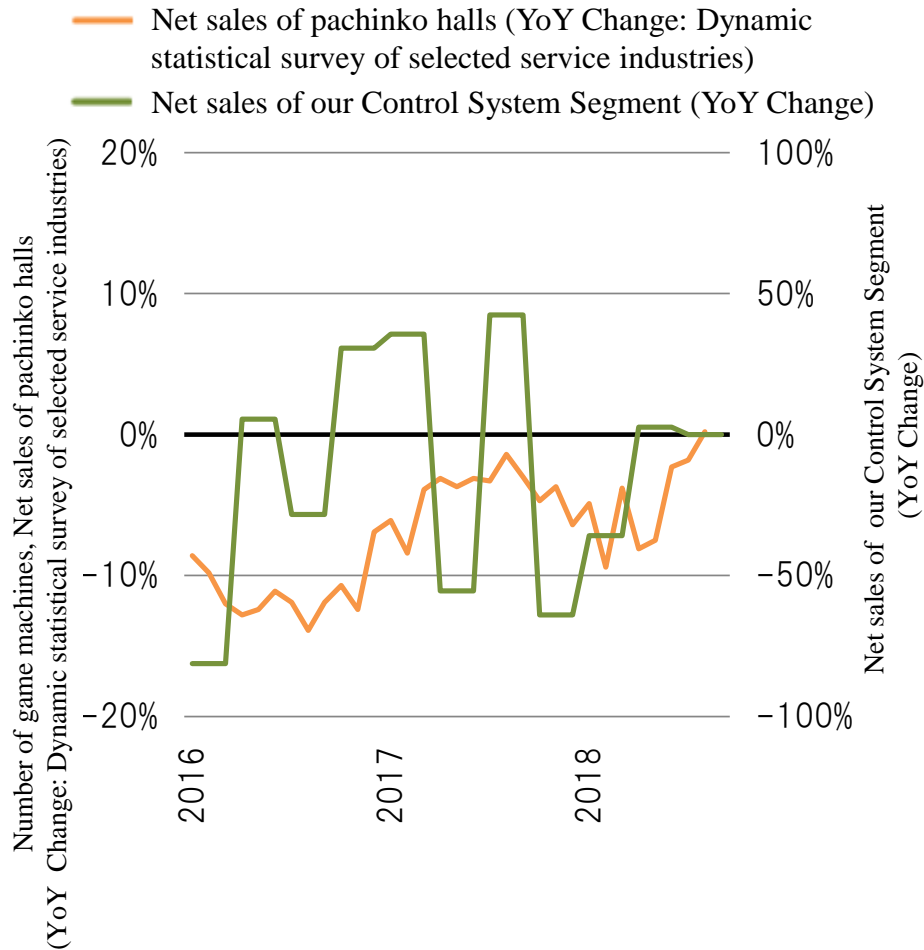


## Dynamic statistical survey of selected service industries - pachinko hall



(Source of data) Dynamic statistical survey of selected service industries - pachinko hall (Ministry of Economy, Trade and Industry)

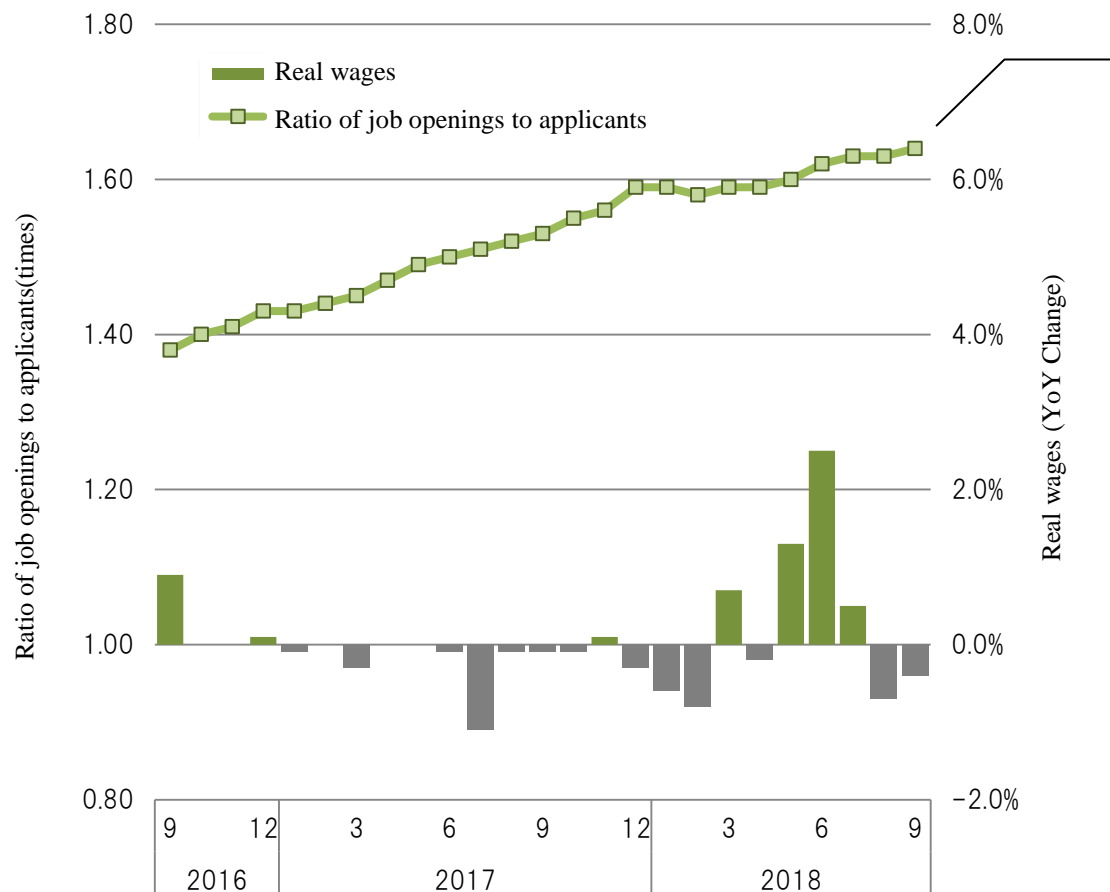
## Dynamic statistical survey of selected service industries - pachinko hall



(Source of data) Dynamic statistical survey of selected service industries - pachinko hall (Ministry of Economy, Trade and Industry)

# Recent trends in ratio of job openings to applicants

## Expectation to have a positive impact on future "pocket money"

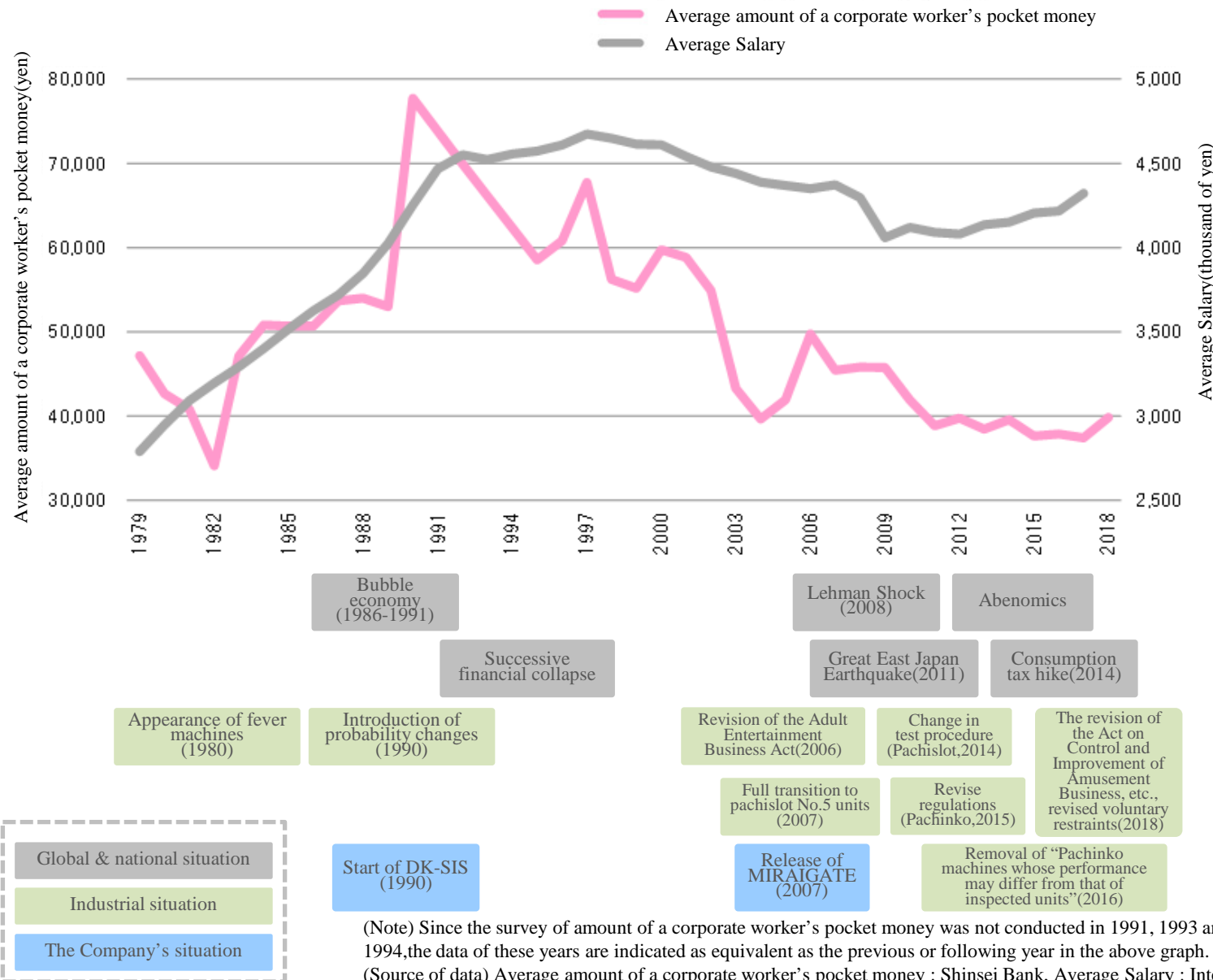


Recent jobs-to-applicants ratio has remained at over 1.0. For instance, jobs-to-applicants ratio by prefecture exceeds 1.0 in all prefectures, and there are quite a few non-manufacturing industries that have many job openings. Real wages, which had been in a negative range since December of last year, turned positive most recently (March preliminary figures), even though it is for a single month. If such a so-called labor shortage movement continues for the time being, we expect that it will prop up wages and result in a favorable impact on pocket money in the future.

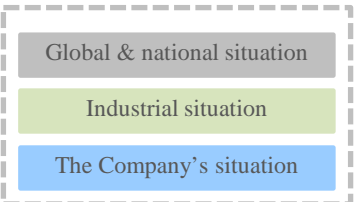
	Ratio of job openings to applicants (Times)	Real wage (YoY Change %)	Reference	
			Nominal wage (YoY Change %)	Unemployment rate (%)
2017/9	1.53	-0.1	+0.9	2.8
2017/10	1.55	-0.1	+0.2	2.8
2017/11	1.56	+0.1	+0.9	2.7
2017/12	1.59	-0.3	+0.9	2.7
2018/1	1.59	-0.6	+1.2	2.4
2018/2	1.58	-0.8	+1.0	2.5
2018/3	1.59	+0.7	+2.0	2.5
2018/4	1.59	-0.2	+0.6	2.5
2018/5	1.60	+1.3	+2.1	2.2
2018/6	1.62	+2.5	+3.3	2.4
2018/7	1.63	+0.5	+1.6	2.5
2018/8	1.63	-0.7	+0.8	2.4
2018/9	1.64	-0.4	+1.1	2.3

(Note) Ratio of job openings to applicants = nationwide, including part-time workers, seasonally adjusted. Real wage, nominal wage = Total of the surveyed industries, establishments with at least five regular employees. Unemployment rate = Total of men and women, seasonally adjusted. (Source of data) Ministry of Health, Labor and Welfare

# Shifts in the average amount of a corporate worker's pocket money



- ❑ Since the 1990s, pocket money of a corporate worker in Japan has shifted in a downward trend. However, it increased 2,408 yen year-on-year in 2018, even in a single year.
- ❑ Trend of increase of the base amount is expanding. Partly due to the shortage of manpower, it is highly assumed that the salaries at Japanese companies will continue to grow for the time being
- ❑ We anticipate that salary will extend to pocket money, and be on the rise in the medium term.



(Note) Since the survey of amount of a corporate worker's pocket money was not conducted in 1991, 1993 and 1994, the data of these years are indicated as equivalent as the previous or following year in the above graph.  
 (Source of data) Average amount of a corporate worker's pocket money : Shinsei Bank, Average Salary : Internal Revenue Service "Statistical Survey of Actual Status for Salary in the Private Sector"

# 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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