

FY2018 Third Quarter Financial Results



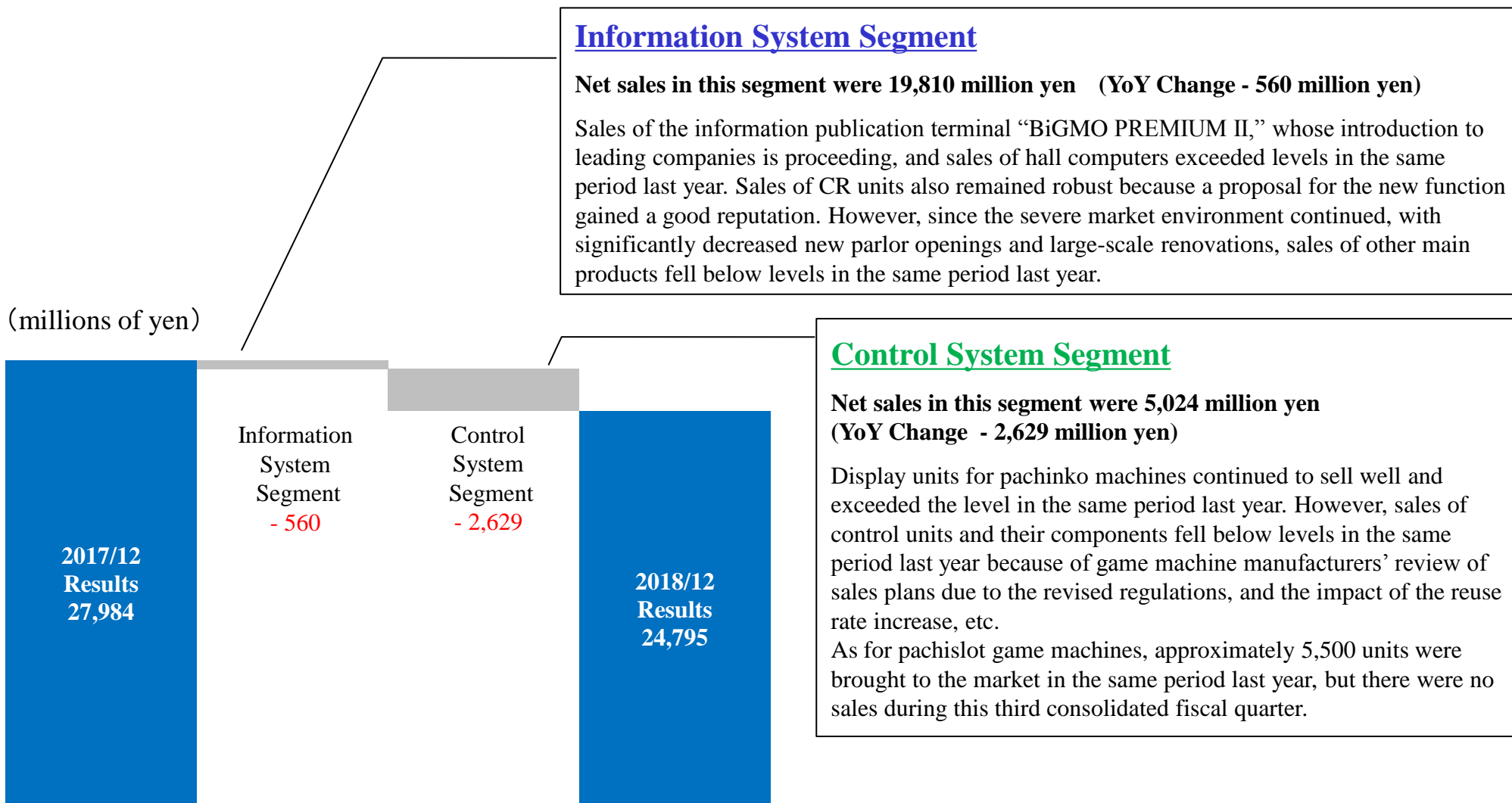
DAIKOKU DENKI Co., Ltd.
(Tokyo Stock Exchange, First Section, 6430)

Consolidated Financial Highlights

Consolidated Statements of Income (Summary)

(millions of yen)	2017/12	2018/12	YoY Change
Net sales	27,984	24,795	- 3,189
Gross profit-net	9,565	9,206	- 358
Selling, general and administrative expenses	8,116	7,364	- 752
Operating income	1,448	1,841	+ 393
Ordinary income	1,605	2,016	+ 410
Net income attributable to owners of the parent	958	1,342	+ 383

YoY Change - 3,189 million yen



Information System Segment
 Net sales in this segment were 19,810 million yen (YoY Change - 560 million yen)
 Sales of the information publication terminal “BiGMO PREMIUM II,” whose introduction to leading companies is proceeding, and sales of hall computers exceeded levels in the same period last year. Sales of CR units also remained robust because a proposal for the new function gained a good reputation. However, since the severe market environment continued, with significantly decreased new parlor openings and large-scale renovations, sales of other main products fell below levels in the same period last year.

Control System Segment
 Net sales in this segment were 5,024 million yen (YoY Change - 2,629 million yen)
 Display units for pachinko machines continued to sell well and exceeded the level in the same period last year. However, sales of control units and their components fell below levels in the same period last year because of game machine manufacturers’ review of sales plans due to the revised regulations, and the impact of the reuse rate increase, etc.
 As for pachislot game machines, approximately 5,500 units were brought to the market in the same period last year, but there were no sales during this third consolidated fiscal quarter.

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

Financial Highlights - Operating Income

YoY Change

+ 393 million yen

Selling, general and administrative expenses

In Information System Segment, R&D costs, which temporarily increased in the same period last year, decreased substantially.

Gross profit

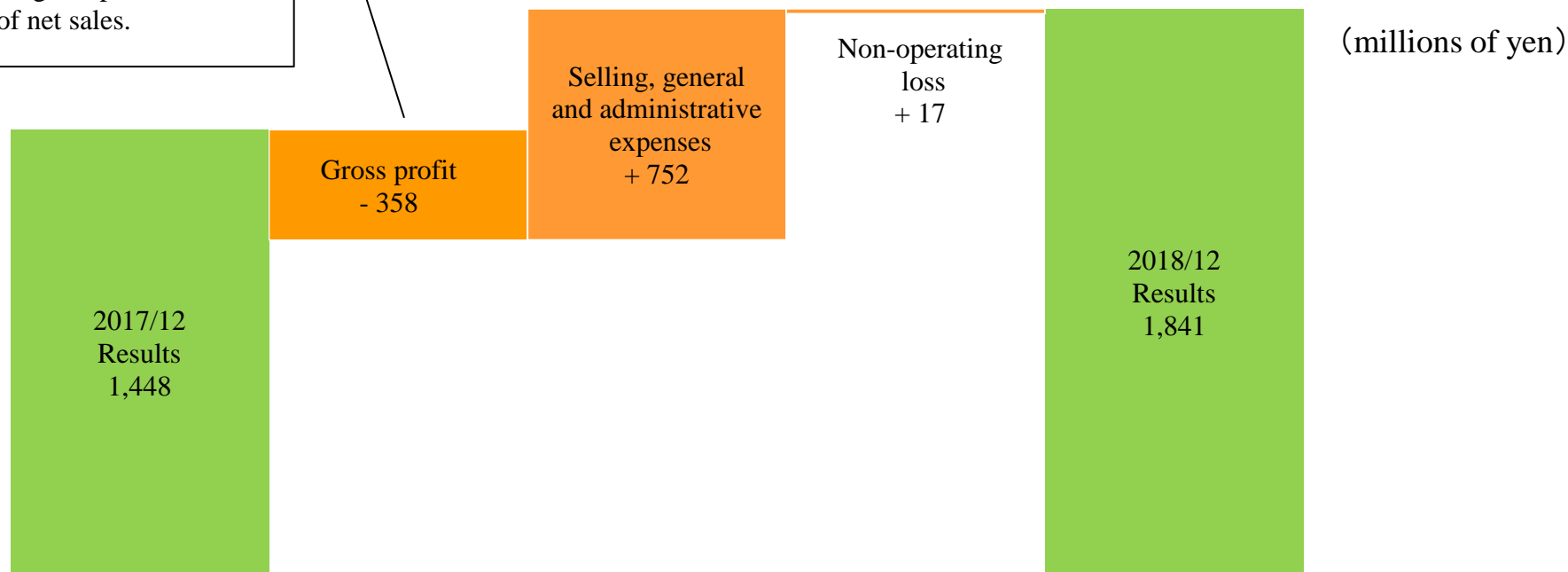
In Information System Segment and Control System Segment, Decrease of gross profit with decrease of net sales.

Segment-operating income:

	2018/12	YoY Change
Information System Segment	2,787	+ 415
Control System Segment	332	- 10

The whole company cost :

- 1,278 million yen (YoY Change - 12 million yen)



Consolidated Balance Sheets (Summary)

(millions of yen)	2018/3	2018/12	YoY Change
Current assets	26,556	26,543	- 13
Noncurrent assets	17,007	16,573	- 89
Total assets	43,564	43,117	- 446
Current liabilities	13,196	11,690	- 1,505
Noncurrent liabilities	1,115	1,449	+ 334
Total liabilities	14,312	13,140	- 1,171
Total net assets	29,251	29,976	+ 724
Total liabilities and net assets	43,564	43,117	- 446
Debt	3,300	3,300	0
Shareholders' equity ratio	67.1%	69.5%	+ 2.4%

• Total assets at the end of this third consolidated fiscal quarter were 43,117 million yen, a decrease of 446 million yen from the end of the previous consolidated fiscal year. The main factors for this were a large decrease in cash and deposits and inventories, although trade notes and accounts receivable increased due to higher net sales during this third consolidated fiscal quarter compared to the previous fourth consolidated fiscal quarter, and software increased due to the construction of an in-house system.

• Total liabilities as of the end of this third consolidated fiscal quarter were 13,140 million yen, a decrease of 1,171 million yen from those at the end of the previous consolidated fiscal year, due to a decrease in advances received that are included in electronically recorded obligations and current liabilities-other, although income taxes payable, etc. increased.

• Net assets at the end of this third consolidated fiscal quarter were 29,976 million yen, an increase of 724 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 69.5% (up 2.4 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 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

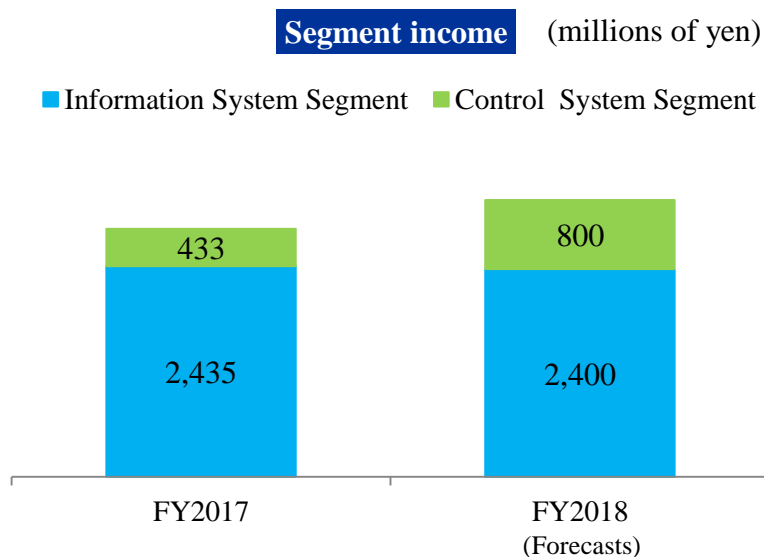
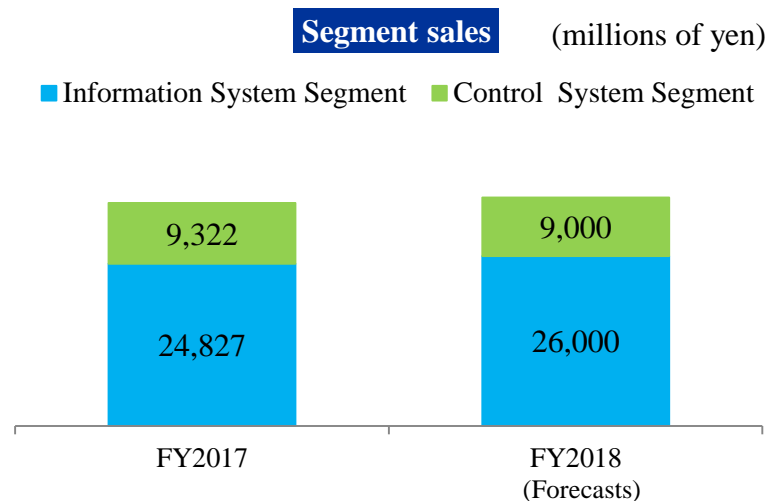
FY2018 Full Year Forecasts by segment

YoY Change

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

(millions of yen)	FY2017	FY2018 (Forecasts)	YoY Change
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	- 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
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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