

# FY2019 First Quarter Financial Results



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

# Consolidated Financial Highlights

## Consolidated Statements of Income (Summary)

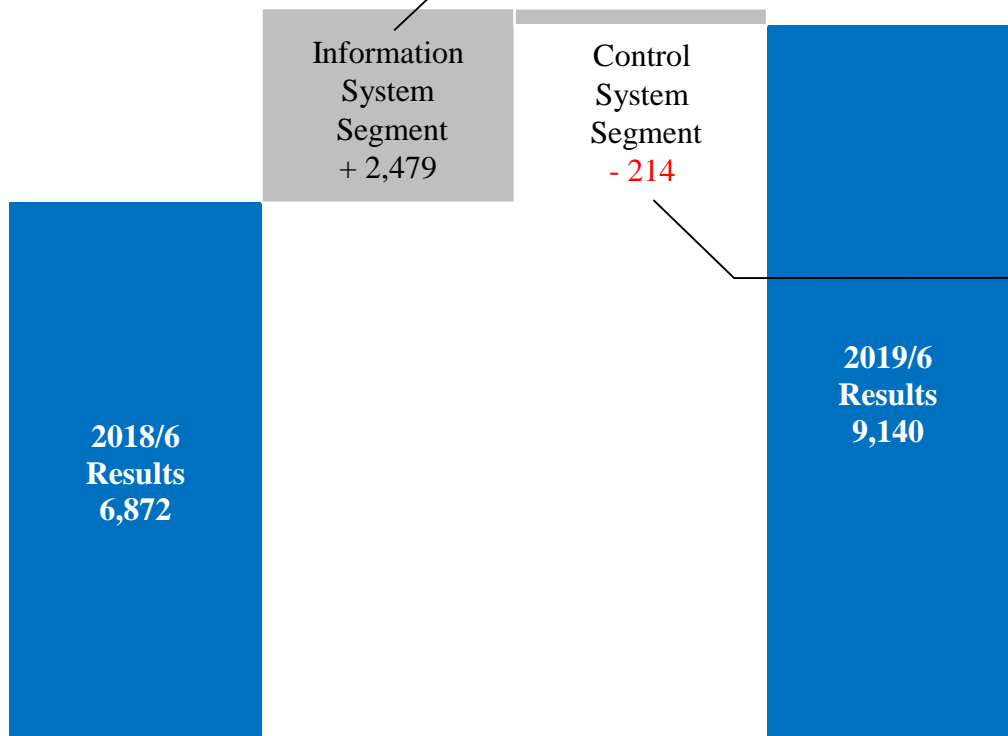
(millions of yen)	2018/6	2019/6	YoY Change
Net sales	6,872	<b>9,140</b>	+ 2,268
Gross profit-net	3,091	<b>3,413</b>	+ 322
Selling, general and administrative expenses	2,372	<b>2,626</b>	+ 253
Operating income	718	<b>787</b>	+ 68
Ordinary income	812	<b>829</b>	+ 16
Net income attributable to owners of the parent	553	<b>546</b>	- 6

# Financial Highlights - Net Sales

YoY Change

+ 2,265 million yen

(millions of yen)



## Information System Segment

Net sales in this segment were 7,568 million yen  
(YoY Change + 2,479 million yen)

Sales of major products trended steadily, including significantly increased sales of “REVOLA,” which has had strengthened proposals as a large LCD calling lamp for pachinko machines, etc., while there were few new openings or large-scale renovations and the difficult market environment continued, because demand for capital investment increased during the sales battle in Golden Week. Sales of “VEGASIA III” CR units, which continue to be evaluated highly for their security functions, also increased significantly.

## Control System Segment

Net sales in this segment were 1,578 million yen  
(YoY Change - 214 million yen)

Sales of control units for pachinko machines continued strongly, but sales of display units were lower than for the same period last year.

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

**YoY Change**

**+ 59 million yen**

**Gross profit-net**

In Information System Segment,  
Increase of gross sales with  
increase of net sales.

**Selling, general and  
administrative expenses**

Mainly R&D costs increased.



(millions of yen)

**Segment-operating income:**

	2019/6	YoY Change
Information System Segment	1,234	+ 497
Control System Segment	1	- 383

**The whole company cost :**

488 million yen (YoY Change + 45 million yen)

## Consolidated Balance Sheets (Summary)

(millions of yen)	2018/6	2019/6	YoY Change
Current assets	26,397	26,372	- 24
Noncurrent assets	17,331	16,930	- 401
Total assets	43,729	43,303	- 426
Current liabilities	12,339	11,822	- 517
Noncurrent liabilities	1,491	1,484	- 6
Total liabilities	13,831	13,307	- 523
Total net assets	29,898	29,995	+ 97
Total liabilities and net assets	43,729	43,303	- 426
Debt	3,300	3,300	0
Shareholders' equity ratio	68.4%	69.3%	+ 0.9%

• Total assets at the end of this first consolidated fiscal quarter were 43,303 million yen, a decrease of 426 million yen from the end of the previous consolidated fiscal year. Although cash and deposits increased due to sales trending well in April, this was due to accounts receivable decreasing in association with development recovery.

• Total liabilities as of the end of this first consolidated fiscal quarter amounted to 13,307 million yen, a decrease of 523 million yen from the end of the previous consolidated fiscal year. The main factors for this include a decrease in accounts payable related to research and development expenses and software, although there was an increase in electronically recorded obligations due to the recording of large purchases in April.

• Net assets at the end of this first consolidated fiscal quarter were 29,995 million yen, an increase of 97 million yen from the end of the previous consolidated fiscal year. The main factors for this include increased retained earnings because the recorded net income for the quarter attributable to parent company shareholders exceeded the amount of dividends paid.

• The equity ratio was 69.3% (an increase of 0.9 points when compared to that at the end of the previous consolidated fiscal year).

# FY Ending March 2020 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 2020, which were announced on May 14, 2019.

## ■ Recent the pachinko industry

1. The reluctance to open new stores or renovate existing ones is continuing due to the impact of the new regulations enforced from February 1, 2018, but demand for facility investment to attract customers increased temporarily during the sales battle in Golden Week, which ran for ten consecutive days this year.
2. The industry needs to respond in sequence to issues such as the “Basic Plan for the Promotion of Countermeasures Against Addictions Such as Gambling, etc.,” which was determined by the Cabinet on April 19, 2019, the “Revised Health Promotion Act,” which will strengthen countermeasures against passive smoking, and the transition to equipment made under the new regulatory system when certifications expire, etc.
3. The total number of game machines installed decreased in 2018. On the other hand, the number of machines installed per hall increased.

## ■ Future's the pachinko industry

1. The number of new pachinko game machines sold has been decreasing, and a severe market environment is expected to continue in the pachinko industry.
2. Approximately 180,000 pachislot game machines are planned to be replaced with game machines under new regulations due to the expiration of certification by December 2019, so future trends will attract attention.
3. Companies involved in the management of pachinko halls that are considering a price change in pachinko balls (medals) are increasing as a response to the consumption tax hike, and demand to replace the existing CR unit with our company’s CR unit “VEGASIA III,” which has a tax-exclusive pricing function, is anticipated.



○ **Net Sales 34,000 million yen** (YoY + 2,834 million yen)

■ **Information System Segment 26,000 million yen** (YoY + 1,526 million yen)

- Strives to contribute to the performance of companies involved in the management of pachinko halls by launching on the market products equipped with various content in compliance with the new regulations.
- Promoting widespread use of the new MIRAIGATE service, “Market-SIS.”

■ **Control System Segment 8,000 million yen** (YoY + 1,260 million yen)

- Aims for quality improvement and development cost reduction through efficiency in the development process.
- Creating attractive gaming features suitable for the new regulations, and by disseminating planning and product proposals that utilize new technology for all pachinko game machines.

○ **Selling, general and administrative expenses 10,900 million yen** (YoY + 755 million yen)

- The main factors in a decrease in profit are replacement of the core system, etc., and depreciation caused by the Information System Segment launching the hall computer “X (Kai)” onto the market in June 2019.

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

(millions of yen)	FY2018			FY2019 (Projected)			YoY Change
	1st half	2nd half	Total	1st half	2nd half	Total	
Net sales	14,230	16,936	31,166	16,500	17,500	34,000	+ 2,834
Gross profit-net	5,722	5,951	11,673	6,000	6,100	12,100	+ 427
Selling, general and administrative expenses	4,850	5,295	10,145	5,400	5,500	10,900	+ 755
Operating income	872	655	1,527	600	600	1,200	- 327
Ordinary income	1,005	743	1,748	625	625	1,250	- 498
Net income attributable to owners of the parent	637	626	1,263	400	400	800	- 463
Research and development expenses	511	695	1,206	560	650	1,210	+ 4
Depreciation expense	842	900	1,742	1,040	1,340	2,380	+ 638
Capital investment	189	488	677	380	380	760	+ 83
Software	388	1,218	1,606	820	1,080	1,900	+ 294

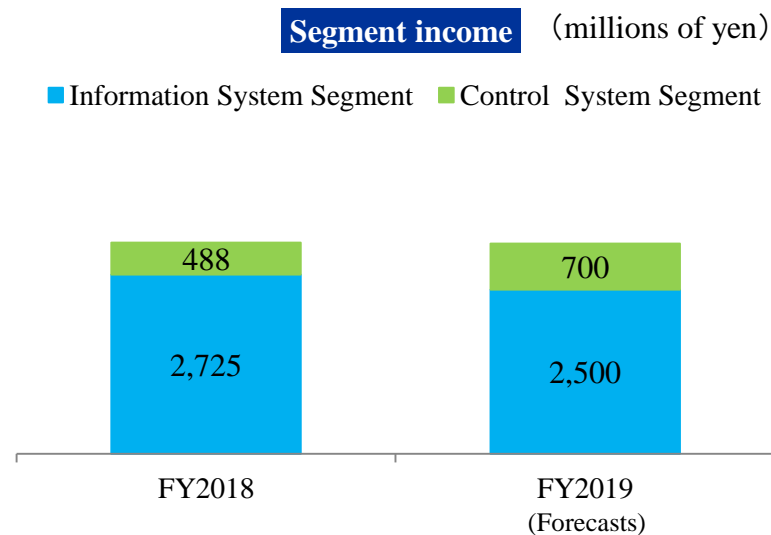
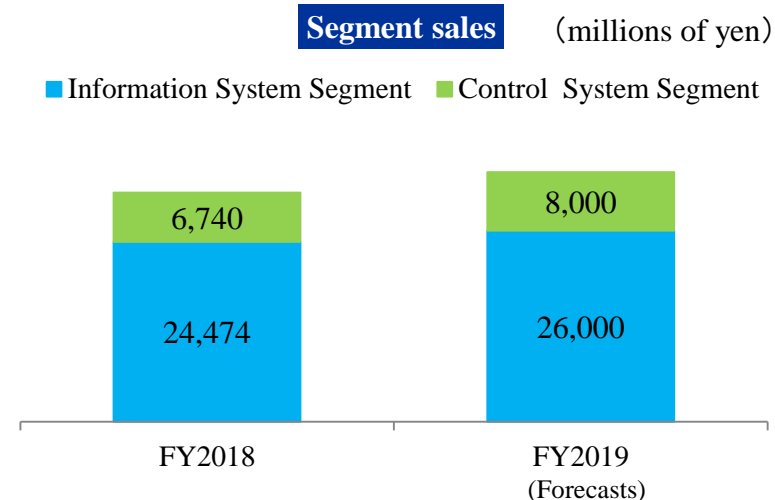
# FY Ending March 2020 Full Year Forecasts by segment

## YoY Change

Segment sales + 2,785 million yen , Segment income - 14 million yen

	FY2018	FY2019 (Forecasts)	YoY Change
<b>Information System Segment</b>			
Hardware	13,871	15,157	+1,286
System	10,603	10,843	+240
Subtotal	24,474	26,000	+1,526
<b>Control System Segment</b>			
Units and Parts	5,427	6,280	+853
Pachislot and Others	1,313	1,720	+407
Subtotal	6,740	8,000	+1,260
<b>Segment sales</b>	<b>31,215</b>	<b>34,000</b>	<b>+2,785</b>
<b>Information System Segment</b>	<b>2,725</b>	<b>2,500</b>	<b>- 225</b>
<b>Control System Segment</b>	<b>488</b>	<b>700</b>	<b>+212</b>
<b>Segment income</b>	<b>3,214</b>	<b>3,200</b>	<b>- 14</b>
Corporate expenses	-1,686	-2,000	- 314
Net sales	31,166	34,000	+2,834
Operating income	1,527	1,200	- 327

(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.

- Contact details for inquiries  
Daikoku Denki Co., Ltd.  
Inquiries: Investor Relations  
E-MAIL [xsomu@daikoku.co.jp](mailto:xsomu@daikoku.co.jp)