

FY2019 Third Quarter Financial Results



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

Consolidated Financial Highlights

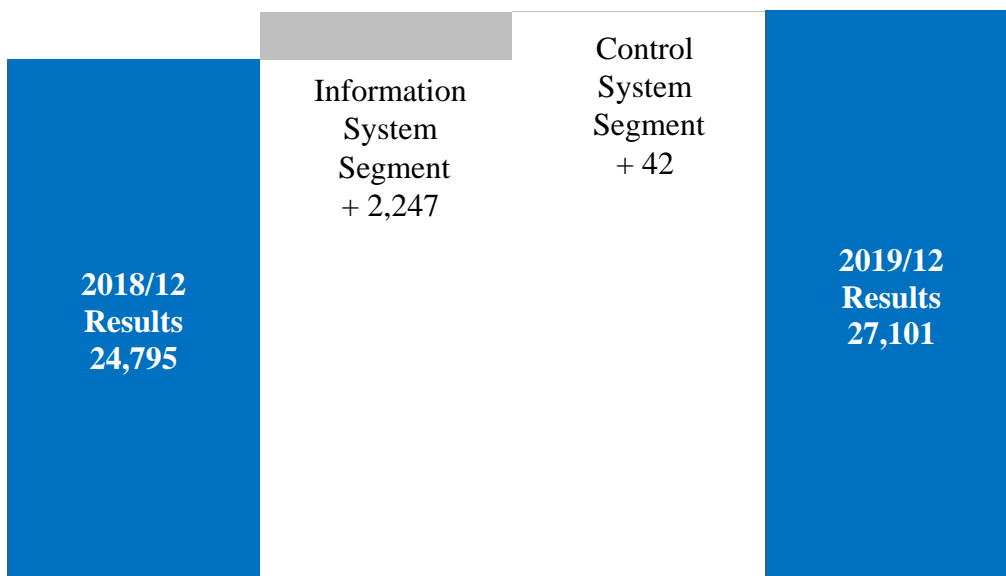
Consolidated Statements of Income (Summary)

(millions of yen)	2018/12	2019/12	YoY Change
Net sales	24,795	27,101	+ 2,305
Gross profit-net	9,206	9,897	+ 691
Selling, general and administrative expenses	7,364	8,086	+ 722
Operating income	1,841	1,811	- 30
Ordinary income	2,016	1,985	- 30
Net income attributable to owners of the parent	1,342	1,277	- 64

YoY Change

+ 2,305 million yen

(millions of yen)



Information System Segment

Net sales in this segment were **22,057 million yen** (YoY Change + 2,247 million yen)

Sales of “REVOLA” information disclosure terminals, whose introduction to pachinko corners advanced, and system upgrades of the new “X (Kai)” AI computers continued to trend strongly.

On the other hand, sales of the “VEGASIA III” and “BiGMO PREMIUM II,” which performed well in the first half of the year, were forced into a struggle in the third quarter due to a sharp decline in new stores and major renovations.

Control System Segment

Net sales in this segment were **5,066 million yen** (YoY Change + 42 million yen)

Sales of parts for pachinko machines were favorable, but conditions were very difficult, with results below those for the same period of last year in sales of display units and control units. This was due to factors such as the revision of sales plans at pachinko machine manufacturers in association with the decline in new unit sales in the market overall.

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

YoY Change

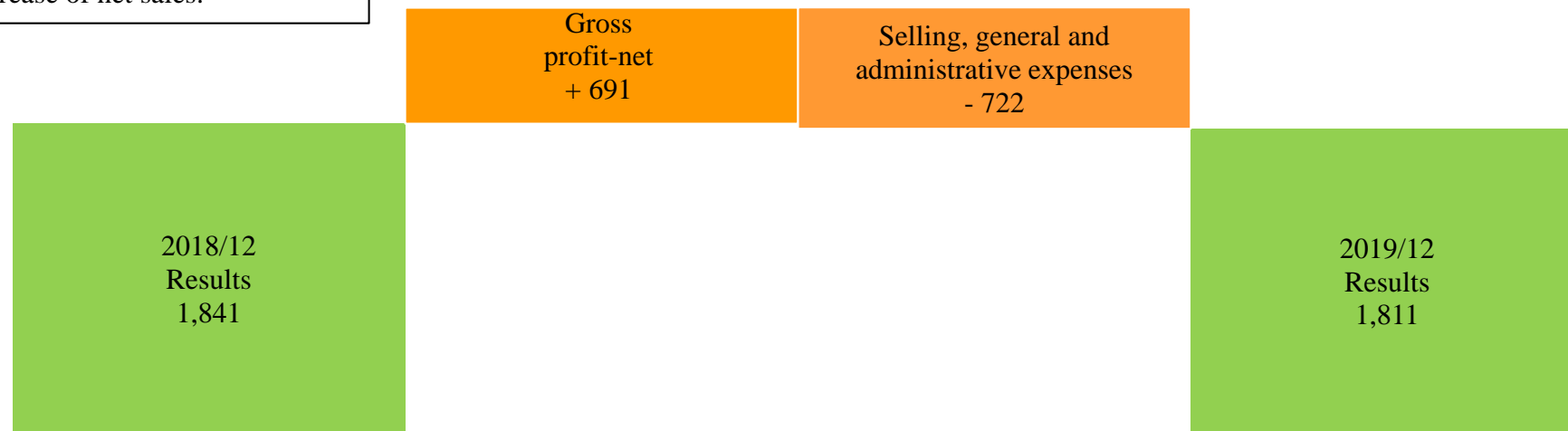
- 30 million yen

Gross profit-net

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

Selling, general and administrative expenses

Mainly Depreciation expense costs increased.



(millions of yen)

Segment-operating income:

	2019/12	YoY Change
Information System Segment	3,262	+ 475
Control System Segment	- 80	- 413

The whole company cost :

- 1,371 million yen (YoY Change - 92 million yen)

Consolidated Balance Sheets (Summary)

(millions of yen)	2019/3	2019/12	YoY Change
Current assets	26,397	28,314	+ 1,917
Noncurrent assets	17,331	16,224	- 1,107
Total assets	43,729	44,539	+ 809
Current liabilities	12,339	12,443	+ 103
Noncurrent liabilities	1,491	1,506	+ 15
Total liabilities	13,831	13,949	+ 118
Total net assets	29,898	30,589	+ 691
Total liabilities and net assets	43,729	44,539	+ 809
Debt	3,300	3,300	±0
Shareholders' equity ratio	68.4%	68.7%	+ 0.3%

• Tangible fixed assets and intangible fixed assets fell due to reduced inventory assets and reduced accounts receivable accompanying the collection of proceeds from development, and substantial depreciation costs of fixed assets. However, cash, deposits and trade receivables were up due to favorable sales. As a result, our total assets were ¥44.539 billion, an increase of ¥809 million from the previous consolidated fiscal year.

• Our liabilities were ¥13.949 billion, ¥118 million higher than at the end of the previous fiscal year. Accrued corporation taxes and accrued consumption taxes went up due to positive operating results.

• Our net assets were ¥30.589 billion, ¥691 million higher than at the end of the previous fiscal year. Earned surplus increased because appropriated quarterly net income attributable to parent company shareholders was greater than dividend payments.

• Shareholders' equity ratio was 68.7% (0.3 points up from the end of the previous fiscal year).

FY Ending March 2020 Full Year Forecasts

*There are no changes in the consolidated business performance forecasts for the full fiscal year ending March 2020, which were announced on May 14, 2019.

FY Ending March 2020 Full Year Forecasts

(millions of yen)	FY2018(Result)		FY2019(Forecasts)			YoY Change
	1st half	Total	1st half (Result)	Vs. Forecasts Change	Total	
Net sales	14,230	31,166	18,643	+ 2,143	34,000	+ 2,834
Gross profit-net	5,722	11,673	6,682	+ 683	12,100	+ 427
Selling, general and administrative expenses	4,850	10,145	5,379	- 20	10,900	+ 755
Operating income	872	1,527	1,302	+ 702	1,200	- 327
Ordinary income	1,005	1,748	1,421	+ 796	1,250	- 498
Net income attributable to owners of the parent	637	1,263	912	+ 512	800	- 463

Research and development expenses	511	1,206	713	+ 153	1,210	+ 4	
Depreciation expense	(Cost of sales)	280	554	369	+ 7	889	+ 335
	(SGA)	562	1,188	652	- 25	1,491	+ 303
	Total	842	1,742	1,022	- 18	2,380	+ 638
Capital investment	189	677	61	- 319	760	+ 83	
Software	388	1,606	468	- 352	1,900	+ 294	

FY Ending March 2020 Full Year Forecasts by segment

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

(millions of yen)	FY2018(Result)		FY2019(Result)			FY2019(Forecasts)	
	1st half	Total	1st half	YoY Change	Vs. Forecasts Change	Total	YoY Change
Information System Segment							
Hardware	5,836	13,871	9,310	+ 3,474	+ 1,698	15,157	+ 1,286
System	5,241	10,603	5,598	+ 357	+ 210	10,843	+ 240
Subtotal	11,077	24,474	14,908	+ 3,831	+ 1,908	26,000 ~ 27,000	+ 1,526 ~ 2,526
Control System Segment							
Units and Parts	2,558	5,427	3,040	+ 482	+ 270	6,280	+ 853
Pachislot and Others	615	1,313	710	+ 95	- 20	1,720	+ 407
Subtotal	3,173	6,740	3,750	+ 577	+ 250	7,000 ~ 8,000	+ 260 ~ 1,260
Segment sales	14,251	31,215	18,658	+ 4,408	+ 2,158	34,000	+ 2,785
Information System Segment	1,399	2,725	2,309	+ 910	+ 809	2,500 ~ 3,000	- 225 ~ + 275
Control System Segment	335	488	-66	- 401	- 166	200 ~ 700	- 228 ~ + 212
Segment income	1,734	3,214	2,243	+ 509	+ 643	3,200	- 14
Corporate expenses	-862	-1,686	-940	- 78	+ 60	-2,000	- 314
Net sales	14,230	31,166	18,643	+ 4,413	+ 2,143	34,000	+ 2,834
Operating income	872	1,527	1,302	+ 430	+ 702	1,200	- 327

(*) "System" under Information System Segment means total sales of "MG-Service", "Construction revenue" and "Consumer" (sales not including products/consumables)
 "Pachislot and Others" under Control System Segment means subsidiary sales.

Information System Segment

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

(millions of yen)	FY2017(Result)		FY2018(Result)		FY2019(Projected)		
	1st half	Total	1st half	Total	1st half (Result)	Vs. Forecasts Change	Total
Net sales	11,757	24,827	11,077	24,475	14,908	+ 1,908	26,000 ~ 27,000
Segment income	872	2,435	1,399	2,725	2,309	+ 809	2,500 ~ 3,000
Research and development expenditure	765	1,470	430	1,124	406	- 14	1,050

■ Number of sales

Hall computer	33	64	36	84	31	- 9	80	
Call Lamp	BiGMO PREMIUM	12,295	34,275	13,977	32,686	19,533	+ 1,633	37,000
	REVOLA	18,079	32,771	10,183	32,972	20,244	+ 4,544	34,000
	IL-X Series	11,490	32,265	11,017	18,887	6,585	- 1,415	20,000
CR unit "VEGASIA"	24,438 34 halls	53,600 77 halls	19,681 29 halls	52,711 72 halls	34,023 62 halls	+ 8,523 + 29 halls	50,000 65 halls	
Face authentication system	15 halls	34 halls	11 halls	40 halls	34 halls	+ 14 halls	40 halls	

■ Total subscribership (Pachinko halls)

Xai & C II Standard	2,861	2,865	2,866	2,869	2,878	- 2	2,900
Contents library	1,731	1,782	1,832	1,868	1,918	+ 28	1,950
DK-SIS members	3,682	3,638	3,620	3,592	3,542	- 53	3,600
Xai & C II-SIS members	1,242	1,317	1,360	1,415	1,515	+ 80	1,460
CR unit	644	679	706	743	787	+ 12	815
Third-party stored ball management	913	937	951	991	1,013	+ 3	1,030
MG-Service net sales(millions of yen)	2,138	4,312	2,206	4,454	2,309	+ 59	4,560

(Note) Product and service names given are current names. If there has been a change of name, data prior to the change is recorded as data of the same product/service.
The planned number of hall computers does not include the number of X (Kai) system upgrades.

Control System Segment

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

(millions of yen)	FY2017(Result)		FY2018(Result)		FY2019 (Projected)		
	1st half	Total	1st half	Total	1st half	Vs. Forecasts Change	Total
Net sales	6,262	9,323	3,173	6,740	3,750	+ 250	7,000 ~ 8,000
Segment income	374	433	335	488	- 66	- 166	200 ~ 700
Research and development expenditure	275	108	80	82	307	+ 167	150

Video processing unit	4	6	6	12	4	± 0	12
Sales volume	23,318	51,106	45,953	73,693	25,660	- 10,840	128,000

■ Pachislot business

Models	2	2	0	0	0	± 0	0
Sales volume	5,500	5,500	0	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.

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