

Securities Identification Code: 6430
June 9, 2020

To All Shareholders

Seiichiro Oue
President & Representative Director
Daikoku Denki Co., Ltd.

1-43-5 Nagono, Nakamura-ku, Nagoya City, Aichi, Japan

Convocation Notice of the 47th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of you for your continuous support for us.

We would like to inform you that Daikoku Denki Co., Ltd. (“the Company”) will hold the 47th Ordinary General Meeting of Shareholders as follows.

Instead of attending on the day, you are entitled to vote in writing or via the internet. In this case, we cordially request you to kindly review the attached Reference Document for the Ordinary General Meeting of Shareholders, indicate “for” or “against” for each of the proposals in the enclosed Voting Right Exercise Form, and return the form to us no later than 6:00 p.m., Wednesday, June 24, 2020 (Japan Standard Time).

Thank you very much for your cooperation.

Details of the 47th Ordinary General Meeting of Shareholder

1. Date and Time June 25, 2020 (Thursday) at 10:00 a.m.
2. Place Hotel Castle Plaza , 4th floor, “HOUOU”
4-3-25, Meieki 4-chome, Nakamura-ku, Nagoya City, Aichi, Japan
3. Agenda:
 - Matters for Reporting:
 1. The 47th Business Term (from April 1, 2019 to March 31, 2020)
Report on the Business Report, the Consolidated Financial Statements, the Results on the Audits of Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
 2. The 47th Business Term (from April 1, 2019 to March 31, 2020)
Report on the Non-Consolidated Financial Statements
 - Matters for Resolution
 - Proposal 1 Election of 10 Directors
 - Proposal 2 Payment of bonuses to Directors and Auditors for the 47th Business Term

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- * When you attend the meeting in person, please submit the enclosed Voting Right Exercise Form at the reception counter.
 - * Any revisions in the Reference Document for the Ordinary General Meeting of Shareholders or attached document, will be disclosed on the Company's website (<https://www.daikoku.co.jp>).
 - * The information in this notice of the general meeting of shareholders was posted on the website of the company before this notice was sent out by postal mail, for the sake of early provision of information.

Information on Exercising the Right to Vote

Please examine the reference documents for the general meeting of shareholders from page 5 on and exercise the right to vote using one of the methods shown below.

1. If you can attend on the day

- (1) Attendance at the general meeting of shareholders
Date and time of the general meeting of shareholders
June 25, 2020 (Thursday) at 10:00 a.m.

Please bring the enclosed Voting Right Exercise Form with you and submit it to the reception counter. The reception counter will be very congested immediately prior to the start of the meeting so please come to the venue early.

2. If you cannot attend on the day

- (1) Exercise of right to vote in writing
Deadline for exercise : June 24, 2020 (Wednesday) Forms must arrive by 6:00 p.m.
Please indicate whether you approve or disapprove the resolutions on the enclosed Voting Right Exercise Form and return the form so that it arrives at the company's shareholder registry administrator by the deadline for the exercise of the right to vote.
- (2) "Smart exercise"
Deadline for exercise : June 24, 2020 (Wednesday) Forms must arrive by 6:00 p.m.
Please read the "QR code to login to the website for the exercise of the right to vote by smartphone" on the bottom right of the enclosed Voting Right Exercise Form with your smartphone or tablet.
- (3) Exercise by PC, etc.
Deadline for exercise : June 24, 2020 (Wednesday) Forms must arrive by 6:00 p.m.
Website for the exercise of the right to vote
<https://www.web54.net>
Please access the website above and use the code and password for the exercise of the right to vote stated on the enclosed Voting Right Exercise Form to register whether you approve or disapprove the resolutions in accordance with the instructions on the screen.

3. Handling of the right to vote exercised in duplicate

- (1) When shareholders exercise the right to vote twice, in writing and on the Internet (including "Smart exercise"), the vote cast via the Internet (including "Smart exercise") will have precedence and be treated as the valid exercise of the voting right.
- (2) Moreover, when shareholders exercise their rights to vote more than once via the Internet (including "Smart exercise"), previous votes will be overridden, making the final vote the valid vote.

4. Inquiries concerning Operation of Personal Computers, etc.

- (1) In case you need assistance operating your personal computer, etc. to exercise your right to vote via the Internet site, please contact the following support desk:
Securities Agent Web Support Hotline, Sumitomo Mitsui Trust Bank, Limited
[Toll-free number] 0120-652-031 (Hours of operation: 9:00 a.m. - 9:00 p.m.)
- (2) Please contact the following for any other inquiry.
 - (i) Shareholders who have accounts at securities companies
Please contact your brokerage firm.
 - (ii) Shareholders who do not have accounts at securities companies (Shareholders with exclusive accounts)
Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
[Toll-free number] 0120-782-031 (Hours of operation: 9:00 a.m. - 5:00 p.m.)
Services are not available on Saturdays, Sundays and national holidays.)

Reference Document for the Ordinary General Meeting of Shareholders

Proposals and references

Proposal 1 Election of 10 Directors

Since the terms of office of all 10 Directors expire at the close of this general meeting, we request the election of 10 Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
1	Masakatsu Kayamori (December 26, 1966)	<p>March 1995 Directors in charge of Director's Office</p> <p>June 1996 Managing Director in charge of Information Promotion Office, Sales Headquarters</p> <p>June 1998 Senior Managing Director in charge of Information Strategy Office, Information System Business</p> <p>June 2000 Executive Vice President and Representative Director</p> <p>April 2005 President and Representative Director</p> <p>March 2006 Director, Daxel Co., Ltd. (Incumbent)</p> <p>April 2012 Chairman, Representative Director and Head of Business Strategy Headquarters</p> <p>Director, Genki Co., Ltd. (Incumbent)</p> <p>March 2013 Representative Director, Daikoku Sangyo Co., Ltd. (Incumbent)</p> <p>April 2017 Chairman, Representative Director</p> <p>April 2018 Chairman, Representative Director in charge of PE Promotion Office (Incumbent)</p>	1,014,650
<p>< Reasons for election ></p> <p>Mr. Masakatsu Kayamori led the management of the company group as Representative Director and President from April 2005 and has served as Representative Director and Chairman since April 2012, striving for the further improvement of corporate governance. The company selected him as a candidate for Director having judged that his rich experience and knowledge as a manager can be utilized in the management of the company group.</p>			
2	Seiichiro Oue (February 15, 1963)	<p>February 1990 Joined the Company</p> <p>April 2003 Manager, Okayama Sales Office, Information System Division</p> <p>April 2008 Deputy General Manager, Control System Sector</p> <p>April 2010 Head of Control System Division</p> <p>April 2014 Director and Head of Control System Division</p> <p>June 2014 Managing Director, Head of Control System Division</p> <p>April 2017 Managing Director, General Manager of Control System Division, General Manager of Frontier Department, and in charge of Information System Division</p> <p>June 2017 Director, Genki Co., Ltd. (Incumbent)</p> <p>Director, Daikoku Sangyo Co., Ltd. (Incumbent)</p> <p>Director, Aloft Co., Ltd. (Incumbent)</p> <p>April 2019 President and Representative Director (Incumbent)</p> <p>June 2019 Director, Daxel Co., Ltd. (Incumbent)</p>	2,175
<p>< Reasons for election ></p> <p>After accumulating lots of knowledge mainly in Information System Business, Mr. Seiichiro Oue served as the Director responsible for Control System Business from April 2014. Until March 2019, he also served as the manager of Business Development Division, which looks after new business. Subsequently, since April 2019, he has led the management of the company group as President and Representative Director, and the company selected him as a candidate for Director having judged that his wide-ranging experience and knowledge can be utilized in the management of the company group.</p>			

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held	
3	Ken Kayamori (August 29, 1970)	June 2000 April 2001 June 2002 April 2005 March 2006 April 2007 April 2012 March 2013 April 2017	Director in charge of Corporate Management Office Director and General Manager of Corporate Planning Department Managing Director and General Manager of Corporate Planning Office Senior Managing Director and Representative Director Director, Daxel Co., Ltd. (Incumbent) Senior Managing Director, Representative Director and Head of Corporate Management Headquarters Senior Managing Director, Representative Director and Head of Management Headquarters Director, Daikoku Sangyo Co., Ltd. (Incumbent) Senior Managing Director (Incumbent)	1,652,200
		<p>< Reasons for election > Mr. Ken Kayamori has contributed to the strengthening of our management foundations by involvement in management planning and administration divisions over many years at the company. He has served as the Head of Corporate Management Headquarters since April 2007 and The company selected him as a candidate for Director having judged that his rich experience and knowledge as a manager can be utilized in the management of the company group.</p>		
4	Toshifumi Oonari (February 5, 1966)	August 1995 April 2010 April 2012 April 2015 April 2016 June 2017 April 2019	Joined the Company Branch Manager of Kyushu Branch, Sales Center, Information System Sector Branch Manager of Kyushu Branch, Sales Division, Information System Division Head of Information System Division and Manager of Sales Planning Department, Sales Headquarters, Information System Division Head of Information System Division Director and Head of Information System Division Managing Director, General Manager of Information System Division (Incumbent)	2,300
		<p>< Reasons for election > Mr. Toshifumi Oonari has been involved in Information System Business over many years at the company and has served as the person responsible for Information System Business since April 2016. The company selected him as a candidate for Director having judged that his rich sales experience and strong knowledge of business divisions can be utilized in the promotion and management of the execution of duties of the company group.</p>		

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held	
5	Akira Kayamori (February 26, 1964)	October 1992 April 2007 April 2010 October 2011 June 2012 April 2013 April 2014 April 2017	Joined the Company Deputy General Manager, Control System Sector, Business Headquarters Deputy General Manager, Information System Sector Deputy General Manager, Information System Division Director and Deputy General Manager, Information System Division Director and Deputy General Manager, Management Control Division, Management Headquarters Director and General Manager, Management Control Division, Management Headquarters Director and General Manager, Management Control Division (Incumbent)	189,000
		<p>< Reasons for election > Mr. Akira Kayamori served as the Deputy General Manager, Control System Division from April 2007, as the Deputy General Manager, Information System Division from April 2010, and as General Manager, Management Control Division, Management Headquarters from April 2014. The company selected him as a candidate for Director having judged that his wide-ranging experience and knowledge of business operations can be utilized in the management of the company group.</p>		
6	Yasuhiro Fujimaki (October 18, 1964)	April 1987 April 2008 April 2013 April 2014 April 2017 June 2017 April 2020	Joined the Company Production Group Manager, Information System Sector General Manager of Production Division General Manager of Technology and Procurement Management Department and Director of Production Division General Manager, Production Division Director and General Manager, Production Division Director and General Manager, R&D Department (Incumbent)	700
		<p>< Reasons for election > After being involved in development in Information System Business over many years, Mr. Yasuhiro Fujimaki has served as the person responsible for Production Department since April 2013. After contributing to the execution of purchasing, manufacturing and distribution strategies, he has served as the head of R&D Department since April 2020. The company selected him as a candidate for Director having judged that his knowledge of basic research on new technologies and new business can be utilized in the promotion of the growth strategy of the company group and its management.</p>		

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
7	Manabu Matsubara (February 7, 1965)	January 1995 Joined the Company April 2005 Planning Group Manager, Information System Sector, Business Division April 2008 Planning Group Assistant Manager, Control System Sector April 2010 Group Manager of President's Office April 2012 General Manager of President's Office April 2014 General Manager of Corporate Planning Department June 2017 Director and General Manager of Corporate Planning Department (Incumbent) Director, Daikoku Sangyo Co., Ltd. (Incumbent) June 2019 Director, Genki Co., Ltd. (Incumbent) Director, Aloft Co., Ltd. (Incumbent)	700
		< Reasons for election > After being involved in sales, consulting and product planning in Information System Division, Mr. Manabu Matsubara was involved in Control System Division, etc., accumulating a lot of knowledge. From April 2010, he served in the President's Office, and he is currently General Manager of Corporate Planning Department. The company selected him as a candidate for Director having judged that his wide-ranging experience and knowledge can be utilized in the promotion of the growth strategy of the company group and its management.	
8	Atsunori Okamoto (September 9, 1968)	April 1992 Joined the Company April 2009 Deputy General Manager, Human Resources Planning Department, Corporate Management Headquarters April 2012 Deputy General Manager, Human Resources Division Management Control Division, Management Headquarters April 2013 General Manager, Human Resources Division Management Control Division, Management Headquarters April 2019 Deputy General Manager, Management Control Division June 2019 Director and Deputy General Manager, Management Control Division April 2020 Director and General Manager, Solution Management Department (Incumbent)	1,253
		< Reasons for election > Mr. Atsunori Okamoto has been involved in human resources-related business over many years at the company and has worked on environmental maintenance including human resource system reform, etc. He has served as the head of Solution Management Department since April 2020. The company selected him as a candidate for Director having judged that his strong expertise can be utilized in improving the corporate value of the company group and its management based on the promotion of greater work efficiency at each group company.	

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
9	Yoshihiro Adachi (April 29, 1947)	<p>April 1970 Joined the Ministry of International Trade and Industry</p> <p>June 1996 Deputy Director-General, Agency of Industrial Science and Technology, the Ministry of International Trade and Industry</p> <p>October 1998 Visiting Professor, Graduate School of Engineering, The University of Tokyo</p> <p>June 2010 Director (Incumbent)</p> <p>March 2016 Director, ENERES Co., Ltd.,</p> <p>March 2017 Auditor, The Japan Research and development Center for Metals (Incumbent)</p>	2,500
<p>< Reasons for the election of candidates for External Director ></p> <p>Mr. Yoshihiro Adachi is nominated as a candidate for External Director because he is an experienced academic who can express opinions independently from the executive management team and oversee the management of the company from a global perspective based on his profound knowledge in new academic areas that serve as a bridge between engineering and corporate management, including research on global environmental problems and new styles of international cooperation, etc. Mr. Adachi has not participated in corporate management by any method other than as an External Director, but, for the reasons stated above, the company has judged that he is capable of performing duties as an External Director.</p>			
10	Kunihiko Takeda (June 3, 1943)	<p>April 1966 Joined Asahi Kasei Corporation</p> <p>July 1986 Head of Uranium Enrichment Laboratory, Asahi Kasei Corporation</p> <p>October 1993 Professor, Faculty of Engineering, Shibaura Institute of Technology</p> <p>May 2002 Professor, Graduate School, Nagoya University</p> <p>Apr 2007 Professor, Chubu University</p> <p>June 2010 Director, Nippon RAD Inc. (Incumbent)</p> <p>April 2014 Specially Appointed Professor, Chubu University (Incumbent)</p> <p>June 2015 Director (Incumbent)</p>	0
<p>< Reasons for the election of candidates for External Director ></p> <p>Mr. Kunihiko Takeda is nominated as a candidate for External Director because of his expertise in resource materials engineering as well as his experience engaged as a nuclear researcher using physical chemical methodology for a long period of time. In addition, he has engaged actively in presenting his insights on global environmental issues, etc., from an independent perspective through his many literary works, lectures, speeches and TV shows, etc. Based on that, the company will utilize his knowledge and insight in the supervision of the management of the company. Mr. Takeda has not participated in corporate management by any method other than as an External Director, but, for the reasons stated above, the company has judged that he is capable of performing duties as an External Director.</p>			

- (Notes) 1. No specific conflict of interest exists between the Company and each candidate for Directors.
2. Messrs. Yoshihiro Adachi and Kunihiko Takeda are candidates for External Directors.
3. Reasons for the election of candidates for External Directors, independence as an External Director, and a limited liability agreement with External Directors
- (1) Reasons for the independence as an External Director
- (i) The candidate for External Director has never executed operations at the Company or its specified business operations in the past 5 years. In addition, the candidate for External Director has never executed operations at any joint stock company or companies whose rights and obligations have been transferred to the Company as a result of a merger, absorption-type split, or business transfer, immediately prior to such merger, etc. in the past 2 years.
- (ii) The candidate for External Director has no intention of receiving a large amount of money or other assets (excluding remuneration as a Director) from the Company or its specified related business operations in the future, nor has he done so in the past 2 years.
- (iii) The candidate for External Director is not a relative within the third degree of kinship to executive members of the Company or its specified related business operations.
- (iv) The Company has designated Messrs. Kunihiko Takeda and Yoshihiro Adachi as an independent director as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.
- (v) When the candidates for External Directors are approved and passed at the Ordinary General Meeting of

Shareholders, the Company intends to continuously designate Messrs. Kunihiko Takeda and Yoshihiro Adachi as independent Directors.

(2) Term of office as an External Director of the Company

(i) The term of office of Mr. Yoshihiro Adachi as an External Director of the Company will have been 10 years as of the conclusion of this Ordinary General Meeting of Shareholders.

(ii) The term of office of Mr. Kunihiko Takeda as an External Director of the Company will have been 5 year as of the conclusion of this Ordinary General Meeting of Shareholders.

(3) Liability limitation agreement with External Directors

The Company stipulates in the current Articles of Incorporation to the effect that an agreement that limits the liability for damages to the Company to a certain scope can be entered with External Directors in order to make possible the recruitment of qualified human resources as External Directors possible. As a result, the Company has entered into a liability limitation agreement with all current External Directors pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 26 of the Company's Articles of Incorporation, and the limit of liability is the amount stipulated in laws and regulations.

If the reappointments of Messrs. Yoshihiro Adachi and Kunihiko Takeda are approved, the Company plans on continuing the above-mentioned agreement with both individuals.

Proposal2 Payment of bonuses to Directors and Auditors for the 47th Business Term

The Company proposes to pay bonuses to 10 Directors and 4 Auditors who were in office at the end of the fiscal year ended March 31, 2019 in the total amount of 58,008,000 yen (consisting of 53,508,000 yen for 8 Directors, 480,000 yen for 2 External Directors and 4,020,000 yen for 4 Auditors), taking into account the business performance for the fiscal year.

The Company proposes that the decision as to the allocation of the amount to each Director and each Auditor be entrusted to the Board of Directors with regard to Directors and to the Board of Auditors with regard to Auditors, respectively.

End

(Documents attached to the Notice of Convention of the 47th Ordinary General Meeting of Shareholders)

Business Report

(from April 1, 2019
to March 31, 2020)

I. Current Status of the Company Group

1. Progress and results of operations

Although a slowing down in the improvement of corporate earnings and employment and income levels was apparent in the Japanese economy in the current consolidated fiscal year (April 1, 2019 to March 31, 2020), positive investment also continued in areas such as the production facilities of domestic companies and service infrastructure, and the economy remained on a modest upward trajectory.

However, the economic outlook continues to be unpredictable, with concerns over US-China trade friction, the impact of increased consumption taxes and economic stagnation in Japan and overseas due to the COVID-19 pandemic.

In the pachinko industry in which our Group is involved, the replacement of games machines not compliant with the new regulations and their replacement with games machines that are advanced due to the “Partial Revision of the Regulations Enforcing the Act on Control and Proper Operation of Businesses Affecting Public Morals and the Regulations Concerning Certification and Model Approval for Amusement Machines.” Although the large scale removal of games machines not compliant with the new regulations and their replacement with games machines that are advanced with the expiry of the approval for the old machines in December 2019, sales of new pachinko machines were sluggish. In addition, with the full enforcement of the revised Health Promotion Act (April 1, 2020) approaching, pachinko parlors prioritized the development of smoking rooms and were negative about investment in peripheral facilities.

According to National Police Agency statistics, the number of pachinko parlors as of the end of December 2019 was 9,639, down 421 from the previous year. The number of pachinko and pachislot machines installed was 4,195,930 in total, with reductions of 79,464 and 27,337 machines respectively. As a result, the number of installed machines per parlor increased by 7.6 to 435.3 machines. The number of parlors is still tending to decrease due to the difficult business environment, but one of the key factors in the decrease is the increasing size of the parlors themselves.

Given this market environment, in the information systems business we focused on the proposal of the new “X (Kai)” AI hall computers and promoted system upgrades for the replacement of the existing “CII” hall computers. In addition, we made efforts to expand sales, including proposing the FACE security function that combines face authentication and security in the “VEGASIA III” CR unit, and the additional mounting of a safety function on the “BiGMO PREMIUM II” and “REVOLA” information disclosure devices for cases where players (fans) leave their seats. In the control systems business, in a market environment where sales of pachinko and pachislot machines were sluggish, we worked on planning and proposal activities for pachinko machines with new pachinko features in response to the revision of the “Criteria for Interpretation

of Technological Standards” enforced in January 2020, and the associated enactment of internal regulations by the Japan Pachinko Machine Industry Association. In addition, we tried to shorten development periods by streamlining development processes and promoted research on technologies and parts aimed at reducing the cost of display units and activities to extend planning and product proposals using new technologies to all pachinko machines.

Results for the current consolidated fiscal year showed sales of ¥32.922 billion (5.6% up year-on-year), operating income of ¥1.431 billion (6.3% YoY), ordinary income of ¥1.674 billion (4.2% down YoY) and quarterly net income attributable to parent company shareholders of ¥1.061 billion (16.0% down YoY).

Business results by segment are as follows.

Information System Segment

During the current consolidated fiscal year, sales of the “REVOLA” information disclosure device, which is strengthening our proposals for pachinko machines, were significantly higher than the previous fiscal year due to its strong market evaluation for sophisticated and stylish form and various contents. Although sales of the “VEGASIA” series trended strongly in the first half of the year, they fell slightly below results for the last fiscal year due to the impact of reductions in new parlors and major renovations in the second half, but they were above the sales plan. With the new “X (Kai)” AI hall computers, we promoted proposals for system upgrades from existing hall computers and also mounted a succession of new functions, but the cooling down of the market environment was severe and results fell slightly below the sales plan.

As a result, in this business field we recorded sales of ¥26.354 billion (7.7% up YoY) and a segment profit of ¥3.104 billion (13.9% up YoY).

Control System Segment

In the current consolidated fiscal year, sales of parts for pachinko machines were favorable, but we ended with very tough results, below those for the last consolidated fiscal 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 and an increase in the rate of reuse.

As a result, in this business field we recorded sales of ¥6.598 billion (2.1% down YoY) and a segment profit of ¥78 million (83.9% down YoY).

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

2. Net sales by segment

(Unit: Millions of Yen)

Segment	Previous Consolidated Fiscal Year		Consolidated Fiscal Year Under Review		Year-on-Year Comparison (%)
	Amount	Composition (%)	Amount	Composition (%)	
Information System Segment	24,474	78.5	26,354	80.1	107.7
Control System Segment	6,691	21.5	6,567	19.9	98.1
Total	31,166	100.0	32,922	100.0	105.6

(Note) The figures above do not include intersegment transactions.

3. Status of capital investment, etc.

Capital investment for the consolidated fiscal year under review amounted to 1,553 million yen. Major activities included the expansion of equipment in association with the development of new products and services, etc., and the maintenance of in-house server facilities, etc.

4. Status of financing

There are no particular matters to note in this regard.

5. Issues to be addressed by the Group

In order to accomplish the projected net sales for the next consolidated fiscal year amid the tough market situation, the Group will seek to deal with the following challenges as “matters to be addressed” by segment for further enhancement of business results.

Information System Segment

1. To resolve shortages of human resources, which are a major problem in pachinko halls, we will realize the improvement of results and reductions in workloads by adding functions to X (Kai) AI hall computers that realize greater management efficiency.
2. The development of pachinko machines with various game characteristics has been enabled by the revision of the “Criteria for Interpretation of Technological Standards” in January 2020. We will strive to handle these game characteristics and enhance the functions of information disclosure terminals and hall computers to please both fans and hall management companies.
3. We will propose support for fans to visit facilities and play with peace of mind through facilities and services.

Control System Segment

1. We will aim for the further expansion of the areas we sell products in by using the hardware and software technologies we have cultivated to this point to the utmost.
2. We will strive to acquire hardware and software projects by promoting planning and proposal activities that anticipate the complete market shift to gaming machines under the new regulation.
3. We will redefine roles and responsibilities, including those of group companies, and work on the improvement of work efficiency in development.

6. Changes in the status of assets and profits and losses

(1) Changes in assets and profit/loss of the Group

Item		44th Term	45th Term	46th Term	47th Term
		(FY Ended March 2017)	(FY Ended March 2018)	(FY Ended March 2019)	(the Consolidated Fiscal Year under Review) (FY Ended March 2020)
Net sales	(million yen)	40,714	34,093	31,166	32,922
Ordinary income	(million yen)	1,374	1,390	1,748	1,674
Net income attributable to equities of parent	(million yen)	502	785	1,263	1,061
Net income per share	(yen)	34.01	53.11	85.46	71.79
Total Assets	(million yen)	46,828	43,564	43,729	42,702
Net Assets	(million yen)	29,151	29,251	29,898	30,406

(Note) Net income per share is computed based on the weighted average number of common shares (excluding treasury stock) outstanding during each term.

(2) Changes in assets and profit/loss of the Company

Item		44th Term	45th Term	46th Term	47th Term
					(the Current Fiscal Year)
Net sales	(million yen)	39,727	32,583	29,656	31,150
Ordinary income	(million yen)	2,574	1,082	1,627	1,462
Net income	(million yen)	1,665	1,330	1,121	862
Net income per share	(yen)	112.63	90.01	75.84	58.37
Total Assets	(million yen)	45,545	42,562	42,582	41,505
Net Assets	(million yen)	28,103	28,716	29,200	29,454

(Note) Net income per share is computed based on the weighted average number of common shares (excluding treasury stock) outstanding during each term.

7. Status of significant subsidiaries (as of March 31, 2020)

(1) Status of significant subsidiaries

Name of subsidiary	Capital	Ratio of voting rights held by the Company	Main business lines
Genki Co., Ltd	100 million yen	100.0%	Planning, development and distribution of amusement software
Daxel Co., Ltd.	40 million yen	100.0%	Planning, development, manufacturing and distribution of pachislot game machines
Daikoku Sangyo Co., Ltd	35 million yen	100.0%	Planning and sales of pachinko hall support service
Aloft Co., Ltd.	50 million yen	100.0%	Planning and development of software for pachinko game machines

(2) Status of specific wholly owned subsidiaries

No relevant items exist.

8. Main business lines (as of March 31, 2020)

Segment	Main products
Information System Segment	Development, manufacturing and distribution of computing systems for pachinko halls
Control System Segment	Development, manufacturing and distribution of units for pachinko game machines, and planning, development, manufacturing and distribution of pachinko game machines.

9. Main business locations and plants (as of March 31, 2020)

Daikoku Denki Co., Ltd.	Head Office	1-43-5 Nagono, Nakamura-ku, Nagoya City, Aichi, Japan
	Division offices	Sakashita (Aichi) , Kasugai (Aichi) , and Akihabara office (Tokyo)
	Branches	Higashi-Nihon (Tokyo), Chubu (Aichi), Nishi-Nihon (Osaka), and Kyushu (Fukuoka)
	Sales offices	Sapporo (Hokkaido), Morioka (Iwate), Sendai (Miyagi), Ibaraki (Ibaraki), Kita-Kanto (Saitama), Niigata (Niigata), Kanazawa (Ishikawa), Matsumoto (Nagano), Shizuoka (Shizuoka), Okayama (Okayama), Takamatsu (Kagawa), Hiroshima (Hiroshima), and Miyazaki (Miyazaki)
Genki Co., Ltd.	Head Office	Nakano-ku, Tokyo
Daxel Co., Ltd.	Head Office	Nagoya City
Daikoku Sangyo Co., Ltd.	Head Office	Nagoya City
Aloft Co., Ltd.	Head Office	Chiyoda-ku, Tokyo

10. Status of employees (as of March 31, 2020)

(1) Status of employees of the Group

Number of employees	Change from the previous consolidated fiscal year
640 persons	Increased by 6 person

(Note) The number of employees does not include the number of temporary employees of 31 persons.

(2) Status of employees of the Company

Number of employees	Change from the previous fiscal year	Average age of employees	Average length of service per employee
439 persons	Increased by 2 persons	45.6 years old	18.2 years

(Note) The number of employees does not include the number of employees under contract of 25 persons.

11. Main lenders (as of March 31, 2020)

Lender	Balance of borrowings outstanding
Mizuho Bank, Ltd.	800 million yen
Sumitomo Mitsui Banking Corporation	500 million yen
The Bank of Mitsubishi UFJ, Ltd.	500 million yen
Sumitomo Mitsui Trust Bank, Limited	500 million yen
The Aichi Bank, Ltd.	500 million yen
The Bank of Nagoya, Ltd.	500 million yen

II. Matters Regarding the Shares of the Company

1. Number of Shares Authorized 66,747,000 shares
2. Number of Shares Outstanding 14,783,032 shares
3. Number of Shareholders 11,674
4. Major Shareholders (Top 10 Shareholders)

Name of Shareholder	Number of Shares Owned	Investment Ratio
Ken Kayamori	1,652,200	11.17%
Masakatsu Kayamori	1,014,650	6.86%
Michiko Kayamori	926,000	6.26%
Hisae Kayamori	813,100	5.50%
Kazuyo Kayamori	773,000	5.22%
Kayamori Foundation of Informational Science Advancement	750,000	5.07%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	455,100	3.07%
Ayane Kayamori	443,500	3.00%
Shinji Kayamori	443,450	2.99%
Japan Trustee Services Bank, Ltd. (Trust Account)	321,700	2.17%

(Note) Investment ratios are calculated excluding treasury stock (868 shares)

III. Matters regarding Stock Acquisition Rights, etc. of the Company

No relevant items exist.

IV. Matters Regarding Corporate Officers

1. Names and other information regarding Directors and Auditors (as of March 31, 2020)

Position	Name	Responsibilities in the Company and significant concurrent positions	
* Chairman and Representative Director	Masakatsu Kayamori	PE Promotion Office Business Strategy Headquarters Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Director in charge Director in charge Director Director Representative Director
* President and Representative Director	Seiichiro Oue	Business Strategy Headquarters Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd. Aloft Co., Ltd.	Director in charge Director Director Director Director
* Senior Managing Director and Representative Director	Ken Kayamori	Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Director Director
Managing Director	Toshifumi Oonari	Information System Division Frontier Department	General Manager General Manager
Director	Akira Kayamori	Management Control Division	General Manager
Director	Yasuhiro Fujimaki	Production Division	General Manager
Director	Manabu Matsubara	Corporate Planning Department Genki Co., Ltd. Daikoku Sangyo Co., Ltd. Aloft Co., Ltd.	General Manager Director Director Director
Director	Atsunori Okamoto	Management Control Division	General Manager
Director	Yoshihiro Adachi	The Japan Research and development Center for Metals	Auditor
Director	Kunihiko Takeda	Nippon RAD Inc. Chubu University	Director Specially Appointed Professor
Full-time Auditor	Koji Yoshikawa	Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd. Aloft Co., Ltd.	Auditor Auditor Auditor Auditor
Auditor	Hiroshi Murahashi	Attorney at law Aoki Super Co., Ltd. General Packer Co., Ltd. Aisan Technology Co., Ltd. The Aichi Residents' Congress for Violence Expulsion	(Representative of Ayunokaze Law Firm) Director Director(Audit and supervisory committee) Auditor President
Auditor	Kazunori Tajima	Certified public accountant Nihon Decoluxe Co., Ltd. SHINWA Co., Ltd.	(Representative of Tajima CPA Firm) Director(Audit and supervisory committee) Director(Audit and supervisory committee)
Auditor	Yoshihiro Chinen	-	

(Notes) 1. An asterisk mark (*) indicates Representative Director.

2. Directors, Messrs. Kunihiko Takeda and Yoshihiro Adachi are both External Director s specified in Article 2, Item 15 of the Companies Act. In addition, the Company has designated Messrs. Kunihiko Takeda and Yoshihiro Adachi as an independent Director as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.

3. Auditors, Messrs. Hiroshi Murahashi, Kazunori Tajima and Yoshihiro Chinen are both External Auditors specified in Article 2, Item 16 of the Companies Act.
4. Auditor Mr. Kazunori Tajima is qualified as a certified public accountant and has deep insight into financial affairs and accounting.
5. At the 46th annual meeting of shareholders held June 27, 2019, Mr. Atsunori Okamoto was newly chosen as Directors and assumed their respective offices.
6. Messrs. Hiroshi Nemoto and Tokishige Niwa retired as Directors due to the expiration of their terms of office at the close of the 46th General Meeting of Shareholders held on June 27, 2019.

2. Outline of the liability limitation agreement

The Company entered into an agreement with all External Directors and Auditors to limit their liability provided for in Article 427, Paragraph 1 of the Companies Act. The limit of liability under the said agreement is the amount stipulated by laws and regulations.

3. The total amount of remuneration, etc. for Directors and Auditors for the fiscal year ended March 31, 2020

Directors	12persons	193,303,000 yen (of which amount for External Directors)	2 persons	5,280,000 yen
Auditors	4persons	25,845,000 yen (of which amount for External Auditors)	3 persons	12,900,000 yen
Total	16persons	219,148,000 yen (of which amount for External Directors and Auditors)	5 persons	18,180,000 yen

- (Notes) 1. The amount of payment to Directors does not include the compensation that they receive for being employees, if they are employees as well as Directors.
2. The above total amount of remuneration, etc. for Directors and Auditors includes provision of reserve for directors and auditors' bonuses of 58,008,000 yen (consisting of 53,988,000 yen for 10 Directors and 4,020,000 yen for 4 Auditors) , and provision of reserve for directors and auditors' retirement benefits of 27,845,000 yen (consisting of 26,420,000 yen for 5 Directors and 1,425,000 yen for 1 Auditor) that were provided in the fiscal year ended March 31, 2020.

4. Matters regarding External Directors and Auditors

(1) Relationship between significant office(s) concurrently held and the Company

There is no major business or other relationship between The Japan Research and Development Center for Metals, where Director Mr. Yoshihiro Adachi serves as Auditor, and the Company.

Director Mr. Kunihiko Takeda serves as External Director of Nippon RAD Inc., but there are no significant transactions or relationships between Nippon RAD Inc. and the Company.

There are no significant transactions or relationships between the Company and the Ayunokaze Law Firm for which Auditor Mr. Hiroshi Murahashi serves as Representative. He also serves as External Director of Aoki Super Co., Ltd., and as External Director (Audit and supervisory committee) of General Packer Co., Ltd., and as External Auditor of Aisan Technology Co., Ltd., but the Company has no significant transactions or relationships with any of them. The Company pays membership fees to the Aichi Residents' Congress for Violence Expulsion as President, as part of initiatives against anti-social forces and social contribution activities supporting sports for persons with a disability, but the fees paid are minimal.

There are no significant transactions or relationships between the Company and Tajima CPA Firm for which Auditor Mr. Kazunori Tajima serves as Representative. He also serves as External Director (Audit and supervisory committee) of Nihon Decoluxe Co., Ltd., and SHINWA Co., Ltd., but the Company has no significant transactions or relationships with any of them.

(2) Main activities during the fiscal year ended March 31, 2020

Category	Name	Attendance and opinions
Director	Yoshihiro Adachi	Mr. Yoshihiro Adachi attended 12 out of 11 Board of Directors meetings held during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge.
Director	Kunihiko Takeda	Mr. Kunihiko Takeda attended 12 out of 9 Board of Directors meetings held after the assumption of his position during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge.
Auditor	Hiroshi Murahashi	Mr. Hiroshi Murahashi attended 12 out of 12 Board of Directors meetings and 12 out of 12 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of an attorney at law.
Auditor	Kazunori Tajima	Mr. Kazunori Tajima attended 12 out of 12 Board of Directors meetings and 12 out of 12 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of a certified public accountant.
Auditor	Yoshihiro Chinen	Mr. Yoshihiro Chinen attended 12 out of 10 Board of Directors meetings and 12 out of 10 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly based on his ample experience and views at the National Police Agency of Japan.

(Note) In addition to the above-mentioned number of the Board of Directors meetings held during the fiscal year under review, there were 6 resolutions in writing deemed to be passed at a Board of Directors meeting pursuant to the provision set forth in Article 370 of the Companies Act and Article 23 of the Articles of Association of the Company.

V. Status of Accounting Auditor

1. Name of Accounting Auditor: KPMG AZSA LLC

2. Amount of remuneration for Accounting Auditor

	Amount paid
Amount of remuneration, etc., to be paid by the Company to the Accounting Auditor pertaining to the fiscal year under review	40 million yen
Sum of money and other financial profits to be paid by the Company and its subsidiaries to the Accounting Auditor	41 million yen

(Note) 1. The Board of Auditors of the Company complies with the provisions on compensation as defined in Article 399 (1) of the Companies Act, as a result of examining the details of the audit plan performed by the accounting Auditor, the execution of duties in the past fiscal years, and the computation basis for remuneration estimates, as well as fully understanding the situations of the Board of Directors and the internal departments.

2. The audit agreement entered into by the Accounting Auditor and the Company does not distinguish the amount derived from the audit under the Companies Act and the one derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount of remuneration, etc., to be paid by the Company to the Accounting Auditors pertaining to the fiscal year indicates the total of these two kinds of amounts.

3. Details of services other than auditing

The company pays the Accounting Auditor consideration for its advisory and guidance work related to accounting standards pertaining to the recognition of revenue.

4. Policy for determining the dismissal or non-reappointment of the Accounting Auditor

In cases where the Accounting Auditor is deemed to have conflicted with any of the following provisions, the Board of Auditors will determine a proposal on dismissal or non-reappointment of the Accounting Auditor. Upon determination of the proposal, the Board of Directors will submit the proposal to the General Meeting of Shareholders:

- (1) When the Accounting Auditor's behavior falls under causes for disqualification as set forth in the provisions of the Act;
- (2) When the authorities impose a significant punishment on the Accounting Auditor;
- (3) When the Accounting Auditor commits a violation of obligations in the course of its duties or neglects to perform its duties;
- (4) When the Accounting Auditor commits inappropriate behavior as an accounting Auditor; or
- (5) When the Company determines that the Accounting Auditor's behavior could damage the shareholders' interests in other aspects.

VI. The Company's Framework and Guidelines

1. Overview of the resolution of the framework to ensure the appropriateness of business operations

Overview of the basic concepts related to the internal control system, which was resolved in the Company's Board of Directors meetings, is as follows.:

- (1) Framework to ensure compliance of the execution of duties by Directors and Employees with laws, regulations and the Articles of Association of the Company
 - (i) The Company set up the Compliance Risk Management Committee (CPR Committee) whose members include the Company's legal advisor, and requires the committee to hold a meeting periodically.
 - (ii) In promoting adherence to compliance with laws and regulations, the CPR Committee is required to play a central role in planning and implementing measures with an emphasis on improving the Directors' and Employees' awareness of adherence to compliance with laws and regulations.
 - (iii) The Company established a consultation system and an internal whistleblower hotline so as to ensure effective and prompt collection of information related to potential risks in the consideration of whistleblower protection.

- (2) Framework for storage and management of information related to execution of duties by Directors

Documents concerning the execution of duties of Directors (including electromagnetic records) shall be stored and managed in consideration of several features, such as confidentiality, searchability, preservability, archive attributes and availability, in accordance with the rules for the storage of documents.

- (3) Regulations and other frameworks concerning risk management against damages or losses incurred by the Company
 - (i) Pursuant to the Risk Management Rules, the Company shall take appropriate preventive measures against the risks and also secure proper response to the occurrence of the risks so as to minimize damages or losses incurred by the Company.
 - (ii) Under the initiative of the CPR Committee, the Company shall identify specific risks implied in each division. On that basis, the Company shall formulate rules and criteria, and examine effective measures for prevention and avoidance of these division-specific risks, with the aim of establishing a sustainable framework to cope with these risks on an ongoing basis.

- (4) Framework to ensure efficient execution of duties by Directors

The Company shall formulate rules and criteria about the establishment, composition, division of duties and management of committee meetings with the aim of encouraging prompt and appropriate managerial judgments based on adequate and accurate information, while ensuring appropriate collection, transmission and sharing of information.

- (5) Framework to ensure propriety of operations by the Company and by the Group consisting of the Company as a parent company and its subsidiaries

With regard to each Group Company's business management, the Company shall define the rules on matters to be reported and reporting methods by each Group Company to the Parent Company. On that

basis, the Company shall have meetings between each Group Company and the Company on a regular basis and also unify the internal audit framework on a group-wide basis so as to figure out business management and risk information on each Group Company.

- (6) Matters related to employees assigned to assist the Auditors in their duties in the event Auditors request such employees
 - (i) The Company shall immediately assign employees to support the auditing work as staff to the Auditors upon request from the Auditors.
 - (ii) The nomination and selection of staff supporting the auditing work shall be performed by the Personnel Department, and the appointment shall be determined by the Board of Auditors.

- (7) Matters related to independence of the employees prescribed in the preceding paragraph from the Directors

The Board of Auditors shall conduct a personnel review of staff supporting the auditing work. Personnel relocation of staff supporting the auditing work shall be conducted through consultation between the Auditors and the Director in charge of personnel affairs based on the decision by the Board of Auditors.

- (8) Framework to ensure reporting from Directors and Employees to Auditors, other framework relating to reporting to Auditors, and framework to ensure that auditing by Auditors be performed effectively
 - (i) Directors and Employees shall immediately notify the Auditors of significant matters having an impact on business operations or business results each time.
 - (ii) Auditors are entitled to have opportunities to attend the Board of Directors meeting and other important meetings (collectively called “Important Meetings, etc.”) and ask questions to any attendants. These opportunities given to Auditors shall be incorporated when the rules on running Important Meetings, etc. are formulated.
 - (iii) In cases where it is deemed necessary to carry out the duties on audit works, Auditors may require the Board of Directors to provide support staff, accept on-site investigation, disclose required documents, or cooperate or provide assistance for these requests. In cases where Auditors have any obstacle in conducting auditing works, Auditors may require the Directors to eliminate the cause of the obstacle or take remedial actions.
 - (iv) With respect to the provision set forth in the preceding paragraph, the Group Companies shall take the same measures.
 - (v) The Company shall put in place and manage appropriate and efficient rules in line with the scale and framework of each Group company so that Auditors will be able to properly collect necessary information (including information on subsidiaries) to perform their duties.
 - (vi) Given the recognition that any reports or notifications to the Auditors (hereinafter, “Reports, etc.”) meet the purposes of compliance, the Company shall provide the same protection to those who

provide Reports, etc. to the Auditors as whistleblowers as described in the Compliance Action Policy. In addition, any unjustifiable treatment against those who provide Reports, etc. shall be subject to sanctions.

- (vii) With regard to any prepayment and reimbursement of expenses arising from the execution of the duties of an Auditor, the Company shall put in place and manage rules or regulations allowing for a prompt payment procedure pursuant to a request from the Auditor.

2. Outline of the operational status of the framework to ensure the appropriateness of business operations

The implementation status towards the enhancement of the Company's Corporate Governance in the past year (a one-year period, from the last day of the fiscal year) is as follows.

- (1) We held 18 Board of Directors meetings (including written resolution) and determined the material facts regarding management matters (such as matters stipulated in laws and regulations and development of budget) and reviewed analyses, measures, and evaluations of monthly business performance. We also deliberated on the performance in lights of compatibility with the laws, regulations, the Articles of Incorporation, and other rules and adequacy of business operations.
- (2) We held 12 Board of Auditors meetings and discussed and determined audit policies and plans. We also audited the status of attendance to important internal meetings, business operations and assets, Directors' execution of duties, and compliance with laws, regulations, the Articles of Incorporation, and other rules.
- (3) We held 4 Compliance Risk Management Committee (CPR Committee) meetings to promote various activities related to internal control. Specifically, we aimed to ensure smooth operation of internal control over compliance and risk management, information security management, internal and external reporting systems, and financial reporting.
- (4) Under the initiative of the CPR Committee, we identified daily risks in each division and examined the countermeasures on a semi-annual basis. Out of these initiatives, we formulated the Compliance Guidelines to summarize the basic concept and criteria of daily activities that should be shared by all employees. We disseminated the guidelines on a company-wide level to improve compliance awareness.
- (5) With regard to the storage and management of information documents relating to the Directors' execution of the duties (including electromagnetic records), we committed ourselves to strict information management and prevention of confidential information leakage, based on the document management rules and regulations.
- (6) In view of the importance of impact on the reliability of financial reporting, we held Financial Reporting Council meetings 4 times to enhance the internal control system, specifically with the aim of collecting risk information, fallacy information, and deficiencies information of internal control, and deliberate on measures and corrective actions against them.

3. Basic policies regarding control of the Company

The Company does not prescribe specific basic policies on the composition of persons to control decision-making over financial and business policies of the Company.

However, the Company considers it necessary to take appropriate measures against large-scale acquisition of the Company's shares that would undermine the enterprise value of the Company and damage the common interests of the shareholders. Therefore, the Company plans to organize an appropriate framework to prevent any large-scale acquisition.

4. Policy for deciding the dividends of surplus and other related matters

The Company identifies the return of profits to shareholders as one of the important corporate management policies while expanding its business scale. Therefore, the Company's basic policy for profit allocation is to provide stable dividends to its shareholders in consideration of a comprehensive assessment of business environments, earnings conditions and payout ratio.

Dividend amount and timing of its payment will be carefully determined at the Board of Directors' meeting.

The Company also has the policy to invest retained earnings in new business opportunities and operational efficiency purposes in a long-term perspective with the aim of improving its competitiveness in the market and profitability.

With respect to the 47th year dividend, we have decided on a payment of 40 yen per share for this fiscal year (30 yen year-end dividend plus 10 yen interim dividend) in accordance with the above policy.