

FY Ended March 2018 Full Year Results Presentation



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

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Related News on Financial Results

■ 2017

- Aug. 9 Financial Results for the 1st Quarter of FY2017
- Aug. 9 Notice concerning expansion of shareholder special benefit plan for the period ending in March 2018
- Nov. 6 Revision of earnings estimates
- Nov. 13 Financial Results for the 2nd Quarter of FY2017
- Nov. 13 Dividend of surplus (Interim dividend)

■ 2018

- Feb. 13 Financial Results for the 3rd Quarter of FY2017
- Mar. 26 Revision of earnings estimates
- May. 14 Dividend of surplus
- May. 14 Financial Results for the year ended March 31, 2017

Related News on Business and New Products

■ 2017

- Jun. 20 Sales Release of CR unit “ VEGASIA III”

■ 2018

- Feb. 1 Sales Release of information publication terminal “ BiGMO PREMIUM II”
- Feb. 1 Sales Release of call lamp “ IL-X3”

FY Ended March 2018 Full Year Results

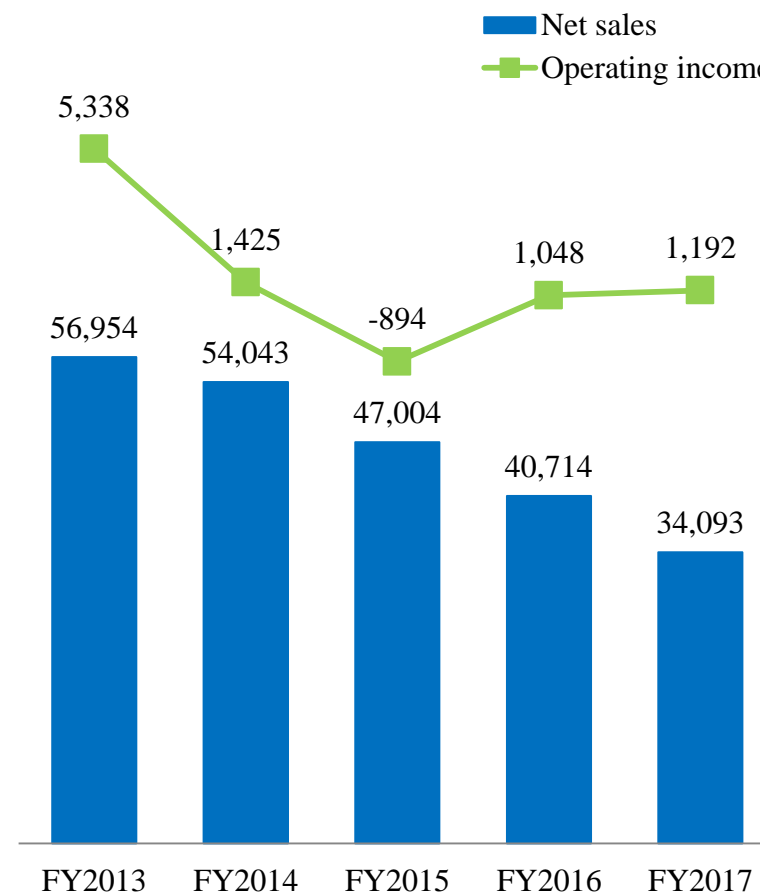
Consolidated Statements of Income (Summary)

Net sales	¥34,093 Million
Operating income	¥1,192 Million
Ordinary income	¥1,390 Million
Net income attributable to owners of the parent	¥785 Million

(Millions ¥)	FY2016	FY2017	YoY Change	Vs. Forecasts Change
Net sales	40,714	34,093	-6,621	-4,907
Gross profit-net	13,953	11,837	-2,116	-1,563
Selling, general and administrative expenses	12,904	10,644	-2,260	-1,456
Operating income	1,048	1,192	+144	-108
Ordinary income	1,374	1,390	+16	+90
Net income attributable to owners of the parent	502	785	+283	-15
Research and development expenditure	3,060	1,578	-1,482	-622

(Note) The planned ratio is the value of earnings projection for the term ending in March 2018 announced on May 15, 2017, as well as the planned ratio described in the materials for the briefing of the term ending in March 2018 held on Jun 1, 2017 targeting institutional investors and analysts.

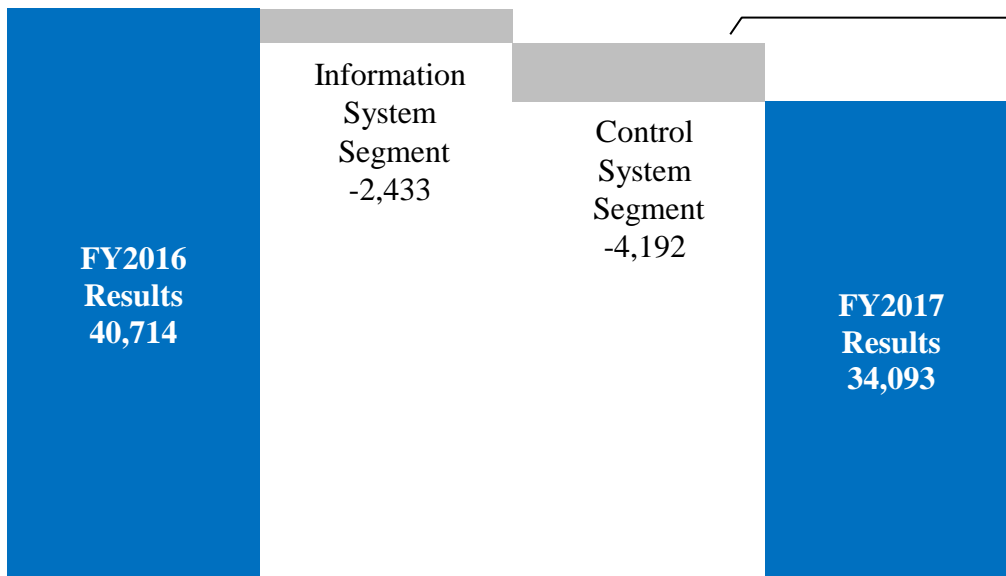
Net sales and Operating income



YoY Change

- ¥6,621 Million

(Millions ¥)



Information System Segment

(Net sales in this segment were 24,827 million yen and segment-operating income was 2,435 million yen.)

The information publication terminal “BiGMO PREMIUM” and “IL-X” Series boosted demand during the consolidated fiscal year, and the number of units sold of the said series exceeded that for the previous consolidated fiscal year. However, the number of the sold CR unit and the number of hall computer/prize customer systems sold fell below those for the previous consolidated fiscal year, since their sales were largely affected by a decrease in new parlor openings and large-scale renovation.

Control System Segment

(Net sales in this segment were 9,322 million yen and segment-operating income was 433 million yen.)

Amidst sluggish sales of new machines in the overall game machine market during the consolidated fiscal year, the number of display units and control units sold fell below that for the previous consolidated fiscal year due to postponement of the development schedule and launch date because of a specification change by game machine manufacturers in light of new regulations.

Approximately 5,500 pachislot game machines (approximately 12,300 units for the previous year) were launched in the market in July 2017.

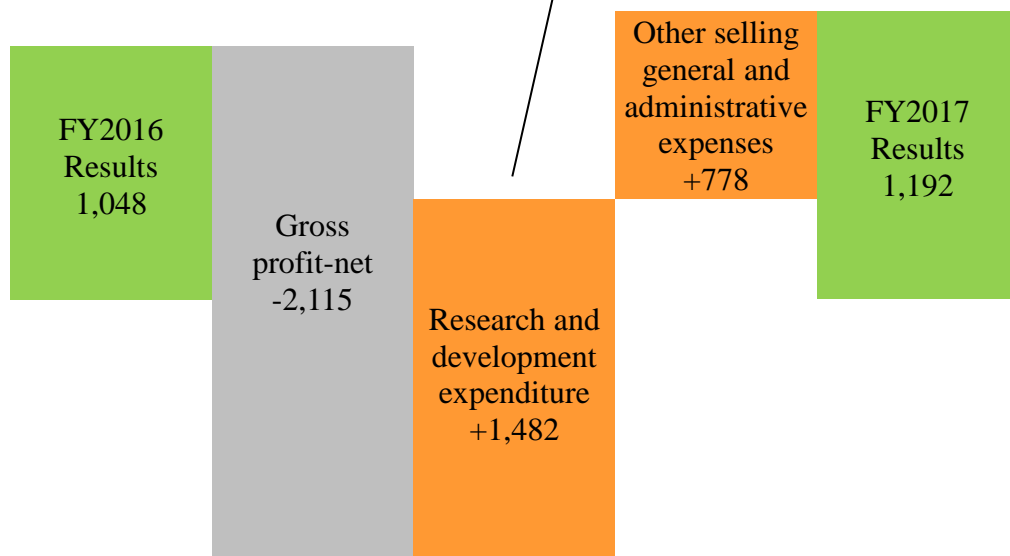
(Note) Business segment sales and income figures include intersegment transactions.

Operating Income

YoY Change

+ ¥144 Million

(Millions ¥)



Research and development expenditure

(Millions ¥)

	FY Ended March 2018	YoY Change	Vs. Forecasts Change
Information System Segment	1,470	-770	-430
Control System Segment	108	-712	-192

Operating Income

Selling, general and administrative expenses were down compared to the previous consolidated fiscal year due to a decrease in R&D costs and the reversal of an allowance for doubtful accounts resulting from a termination decision made in July 2017 for bankruptcy proceedings that commenced in April 2015 of a game machine manufacturer who was a business partner.

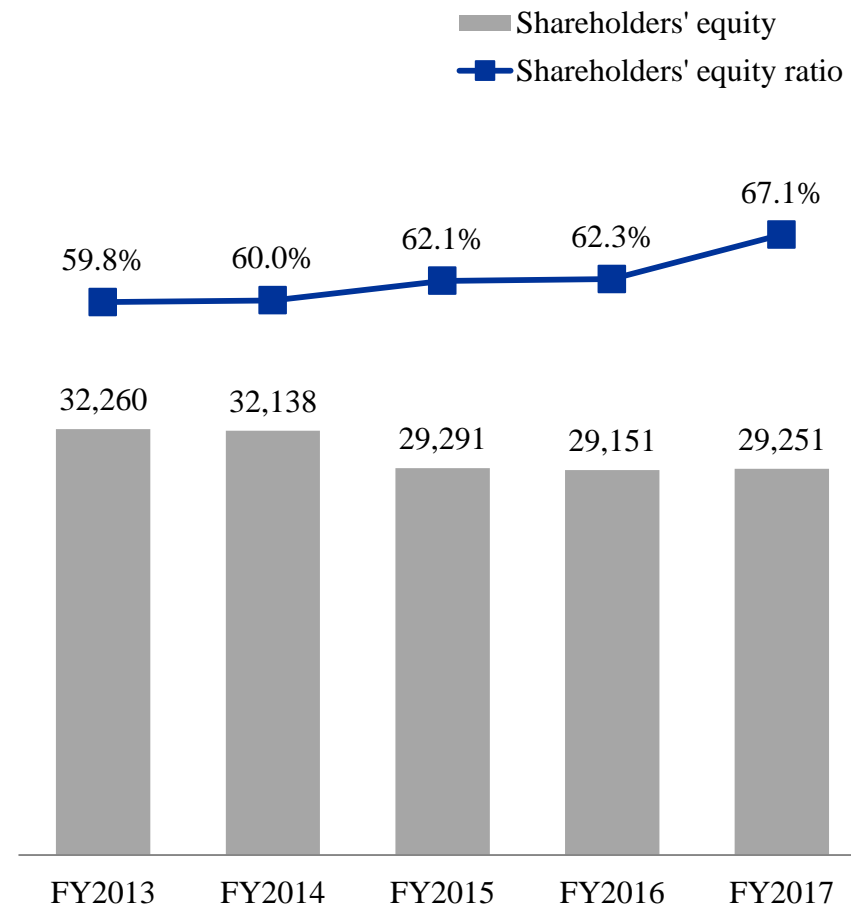
(Note) The planned ratio is the planned ratio described in the materials for the briefing of the term ending in March 2018 held on Jun 1, 2017 targeting institutional investors and analysts.

Consolidated Balance Sheets (Summary)

Total liabilities and net assets	¥43,564Million
Total liabilities	¥14,312 Million
Total net assets	¥29,251 Million

(Millions ¥)	2017/3	2018/3	YoY Change
Current assets	29,888	26,901	-2,987
Noncurrent assets	16,939	16,662	-277
Total assets	46,828	43,564	-3,264
Current liabilities	16,502	13,196	-3,306
Noncurrent liabilities	1,173	1,115	-58
Total liabilities	17,676	14,312	-3,364
Total net assets	29,151	29,251	+100
Total liabilities and net assets	46,828	43,564	-3,264
Debt	3,300	3,300	±0
Debt equity ratio	0.11times	0.11times	±0
Shareholders' equity ratio	62.3%	67.1%	+4.8%
Receivables turnover period	75.3days	72.8days	-2.5days
Inventory turnover period	70.0days	65.8days	-4.2days
Payable turnover period	69.3days	80.4days	+11.1days
Number of shares outstanding	14,783,178	14,783,105	—

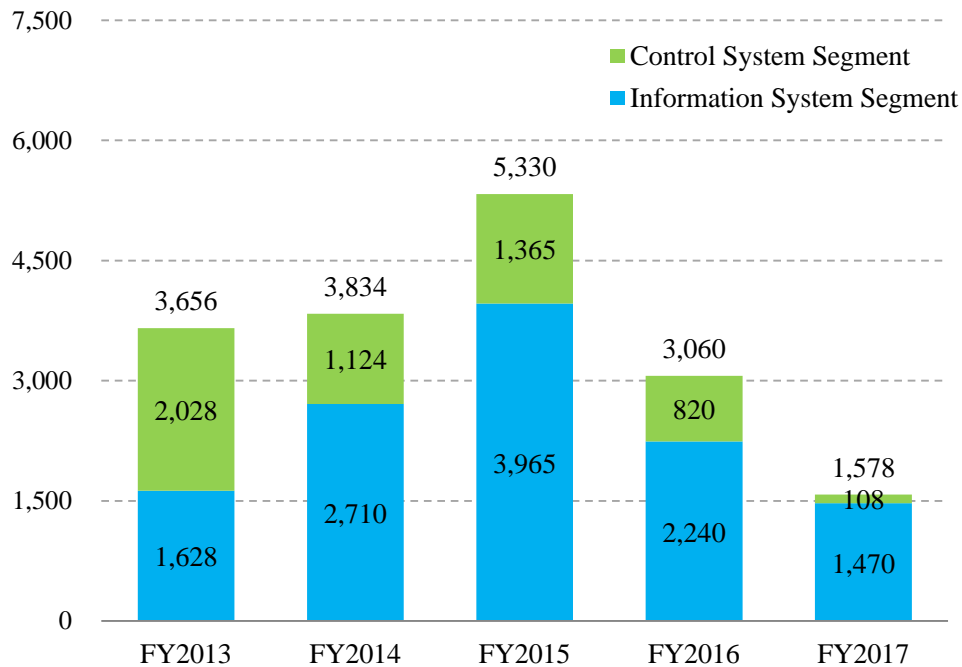
Shareholders' equity (Millions ¥)



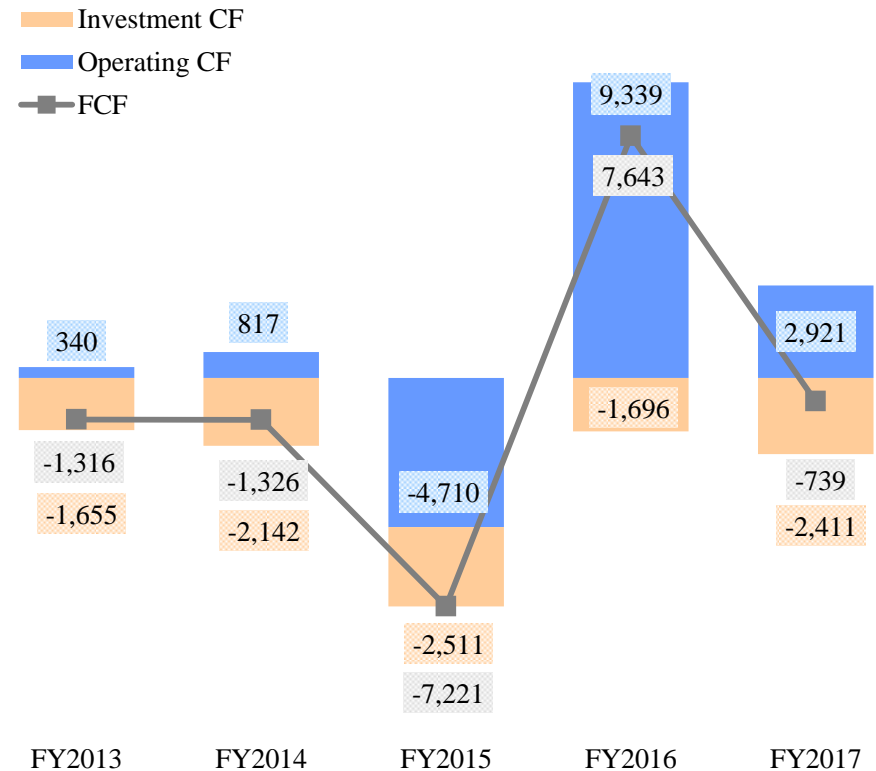
Consolidated Statements of Cash Flows

(Millions ¥)	FY2016	FY2017	YoY Change
Operating CF	9,339	2,921	-6,418
Investment CF	-1,696	-2,411	-715
Financing CF	-2,938	-739	+2,199
Cash and cash equivalents	14,062	13,832	-230

Research and development expenses



Free Cash Flow (FCF)



Business results by segment

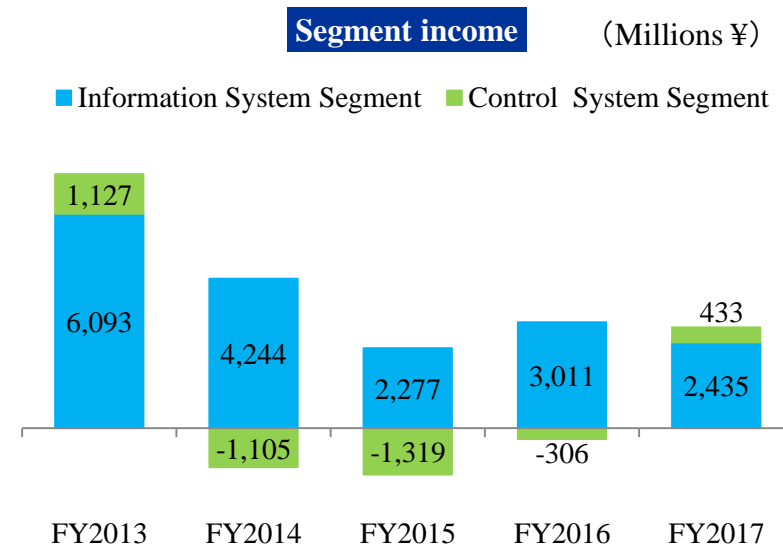
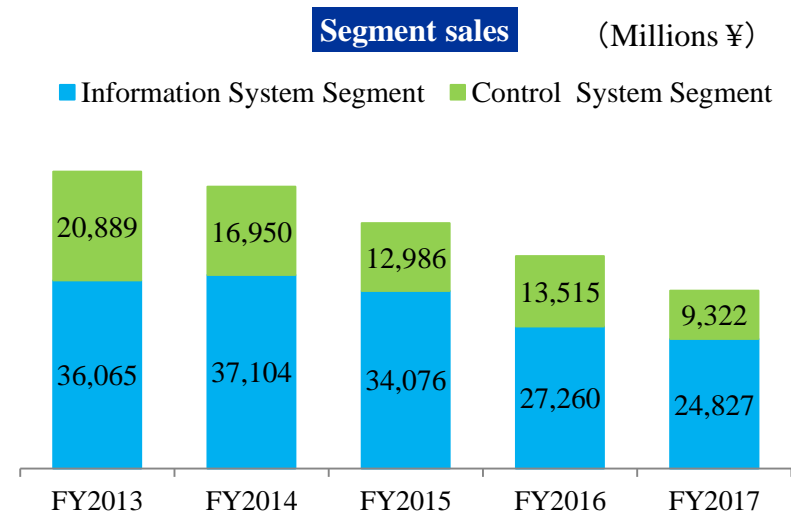
YoY Change

Segment sales - ¥6,625 Million, Segment income + ¥164 Million

(Millions ¥)	FY2016	FY2017	YoY Change	Vs. Forecasts Change
Information System Segment	27,260	24,827	- 2,433	- 3,673
Hardware	16,698	14,413	- 2,285	- 3,087
System	10,562	10,414	- 148	- 586
Subtotal	27,260	24,827	- 2,433	- 3,673
Control System Segment	13,515	9,322	- 4,193	- 1,177
Units and Parts	8,413	6,261	- 2,152	- 1,239
Pachislot and Others	5,102	3,062	- 2,040	+62
Subtotal	13,515	9,322	- 4,193	- 1,177
Segment sales	40,775	34,150	- 6,625	- 4,850
Information System Segment	3,011	2,435	- 576	- 65
Control System Segment	-306	433	+739	- 267
Segment income	2,704	2,868	+164	- 332
Corporate expenses	1,656	1,676	+20	+224
Net sales	40,714	34,093	- 6,621	- 4,907
Operating income	1,048	1,192	+144	- 108

(Note) The planned ratio is the value of earnings projection for the term ending in March 2018 announced on May 15, 2017, as well as the planned ratio described in the materials for the briefing of the term ending in March 2018 held on June 1, 2017 targeting institutional investors and analysts.

Business segment sales and income figures include intersegment transactions.



FY Ending March 2019 Full Year Forecasts

■ Recent industry trends

1. The pachinko industry, in which the Daikoku Denki Group (“the Group”) is engaged, faced a severe business environment with a continuing cautious stance for capital investment due to uncertainty about the impact on pachinko hall business caused by “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” (hereinafter referred to as “new regulations”) enforced on February 1, 2018 as part of responses to the problem of addiction at pachinko parlors.

■ Industry trends in the present

1. The environment surrounding the pachinko industry, in which the Group is engaged, is expected to remain challenging, including the impact of revised regulations, amidst a slight decreasing trend in operations at pachinko halls, but demand for the replacement of peripherals is expected to be vigorous, to attract customers, as game machines that comply with new regulations are launched in the market.

Net Sales ¥35,000 million (YoY + ¥907 million)

■ **Information System Segment ¥26,000 million** (YoY + ¥1,173 million)

- Making an effort to enhance the function that is focused on “easy to understand and easy to see” in information publication terminals, such as “BiGMO PREMIUM II,” “REVOLA” and “IL-X3”
- The fan trend data publication service, "Fan-SIS," and enhancing sales of “VEGASIA III,” which is necessary for the introduction of the said service

■ **Control System Segment ¥9,000 million** (YoY - ¥323 million)

- Continuing its efforts to promote the streamlining of the development process
- Creating new gaming properties consistent with an era of new regulations, accelerating planning with new technology and unit proposals, and focusing on acquiring high value-added hardware

Selling, general and administrative expenses ¥11,100 million (YoY + ¥456 million)

- Due to increases in advertising and outsourcing expenses and others

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

FY Ending March 2019 Full Year Forecasts

(Millions ¥)	FY2017			FY2018 (Projected)			YoY Change
	1st half	2nd half	Total	1st half	2nd half	Total	
Net sales	17,996	16,097	34,093	15,000	20,000	35,000	+907
Gross profit-net	6,097	5,740	11,837	5,900	6,500	12,400	+563
Selling, general and administrative expenses	5,722	4,922	10,644	5,450	5,650	11,100	+456
Operating income	375	817	1,192	450	850	1,300	+108
Ordinary income	493	897	1,390	500	900	1,400	+10
Net income	296	489	785	300	500	800	+15

Research and development expenses	1,240	338	1,578	740	860	1,600	+22
Depreciation expense	1,004	1,081	2,085	840	1,030	1,870	-215
Capital investment	394	308	702	330	500	830	+128
Software	440	808	1,248	800	1,550	2,350	+1,102

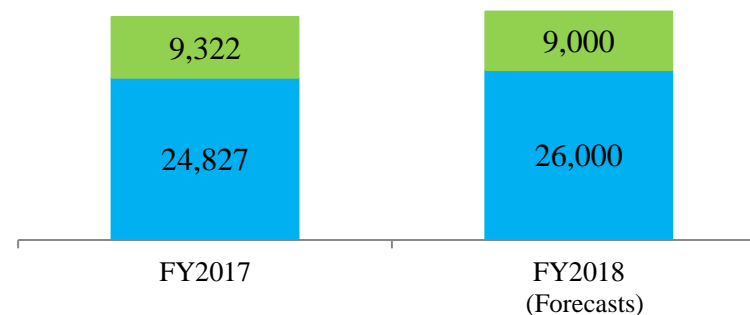
FY Ending March 2019 Full Year Forecasts by segment

YoY Change

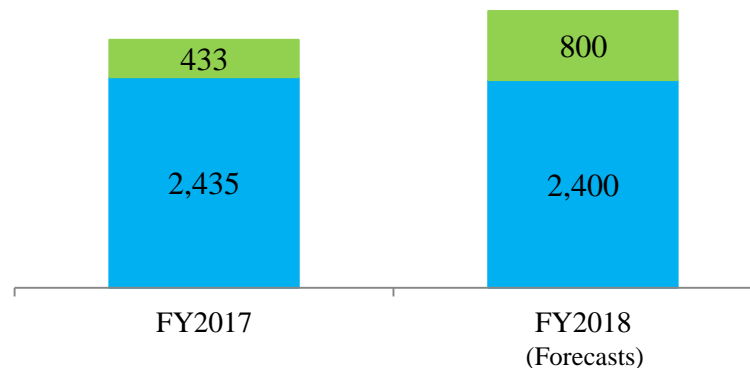
(Millions ¥)	FY2017	FY2018 (Forecasts)	YoY Change
Information System Segment	24,827	26,000	+1,173
Hardware	14,413	15,200	+787
System	10,414	10,800	+386
Subtotal	24,827	26,000	+1,173
Control System Segment	9,322	9,000	- 322
Units and Parts	6,261	7,500	+1,239
Pachislot and Others	3,062	1,500	- 1,562
Subtotal	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.

Segment sales (Millions ¥)
 ■ Information System Segment ■ Control System Segment



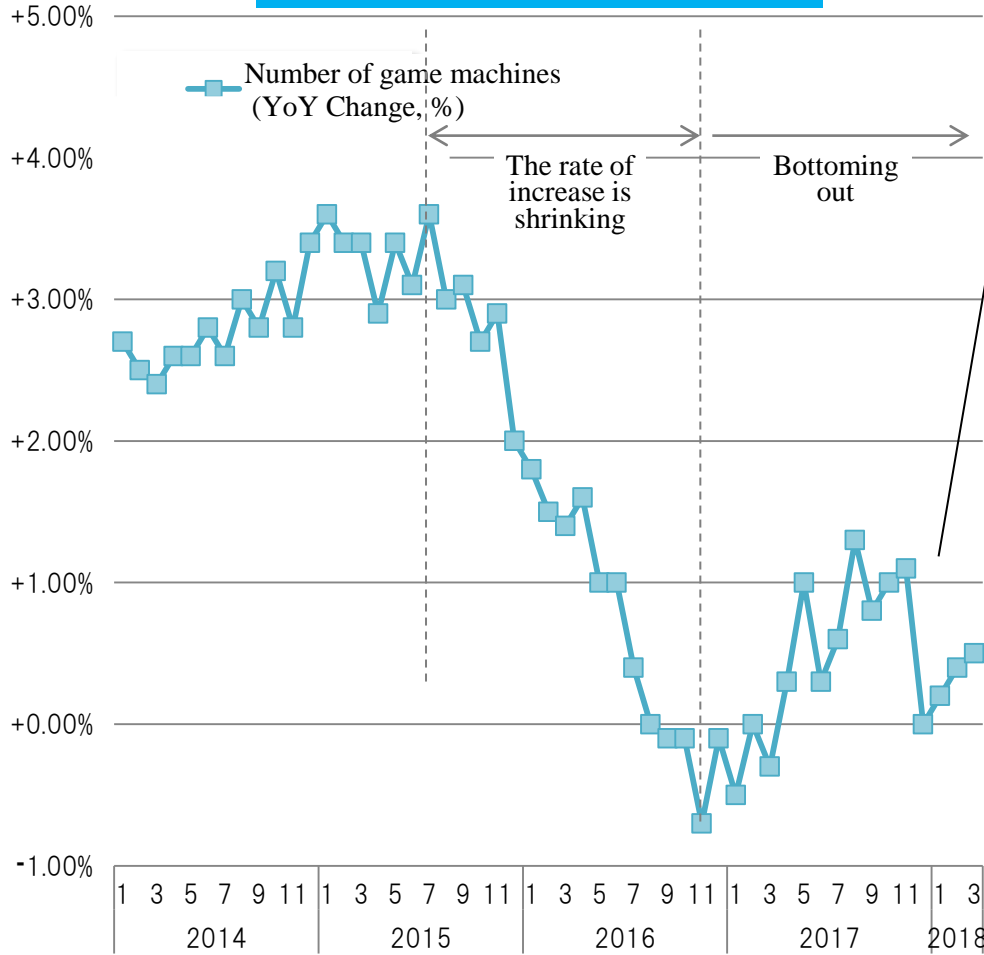
Segment income (Millions ¥)
 ■ Information System Segment ■ Control System Segment



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.

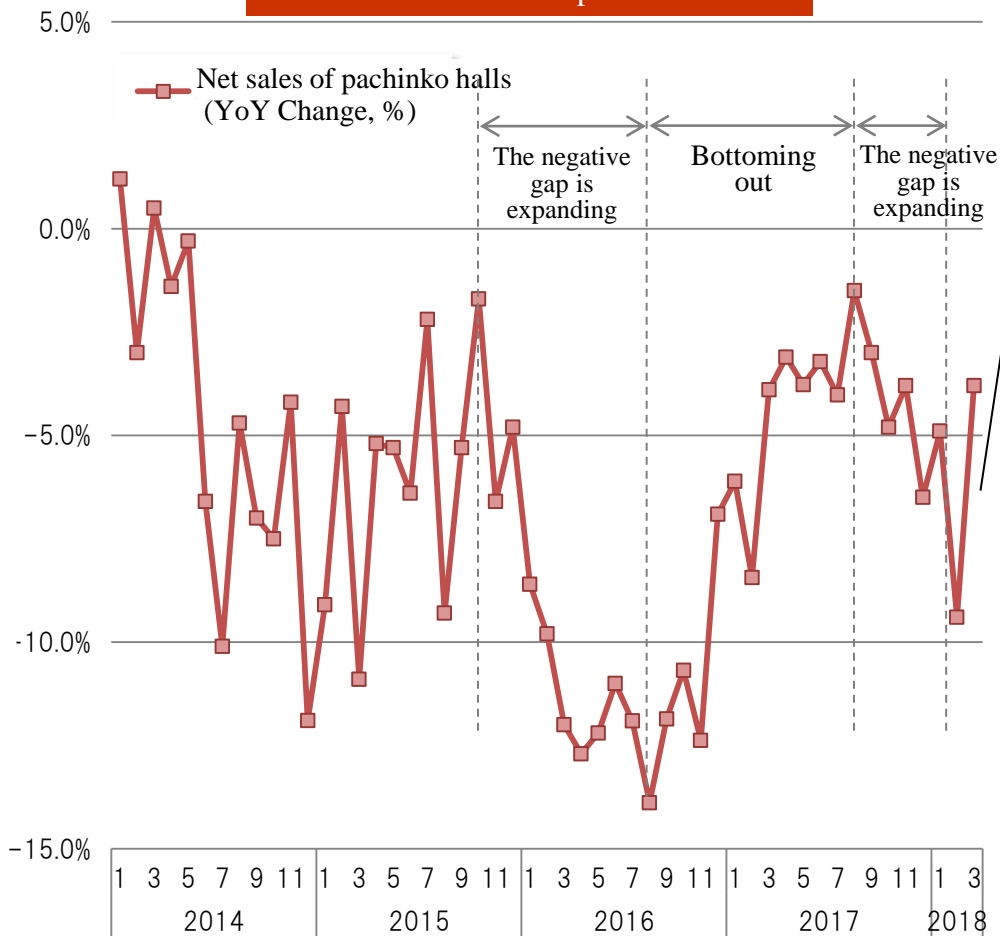
The number of machines installed showed a year-on-year decrease from around the end of 2017 to the beginning of 2018, and it is assumed that this was due to the removal of machines whose certification had expired.

Number of game machines (YoY Change, %)

	2014	2015	2016	2017	2018
Jan.	2.7%	3.6%	1.8%	-0.5%	0.2%
Feb.	2.5%	3.4%	1.5%	0.0%	0.4%
Mar.	2.4%	3.4%	1.4%	-0.3%	0.5%
Apr.	2.6%	2.9%	1.6%	0.3%	
May	2.6%	3.4%	1.0%	1.0%	
Jun.	2.8%	3.1%	1.1%	0.3%	
Jul.	2.6%	3.6%	0.4%	0.6%	
Aug.	3.0%	3.0%	0.0%	1.3%	
Sep.	2.8%	3.1%	-0.1%	0.8%	
Oct.	3.2%	2.7%	-0.1%	1.0%	
Nov.	2.8%	2.9%	-0.7%	1.1%	
Dec.	3.4%	2.0%	-0.1%	0.0%	

Recent trends in net sales of pachinko halls

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.

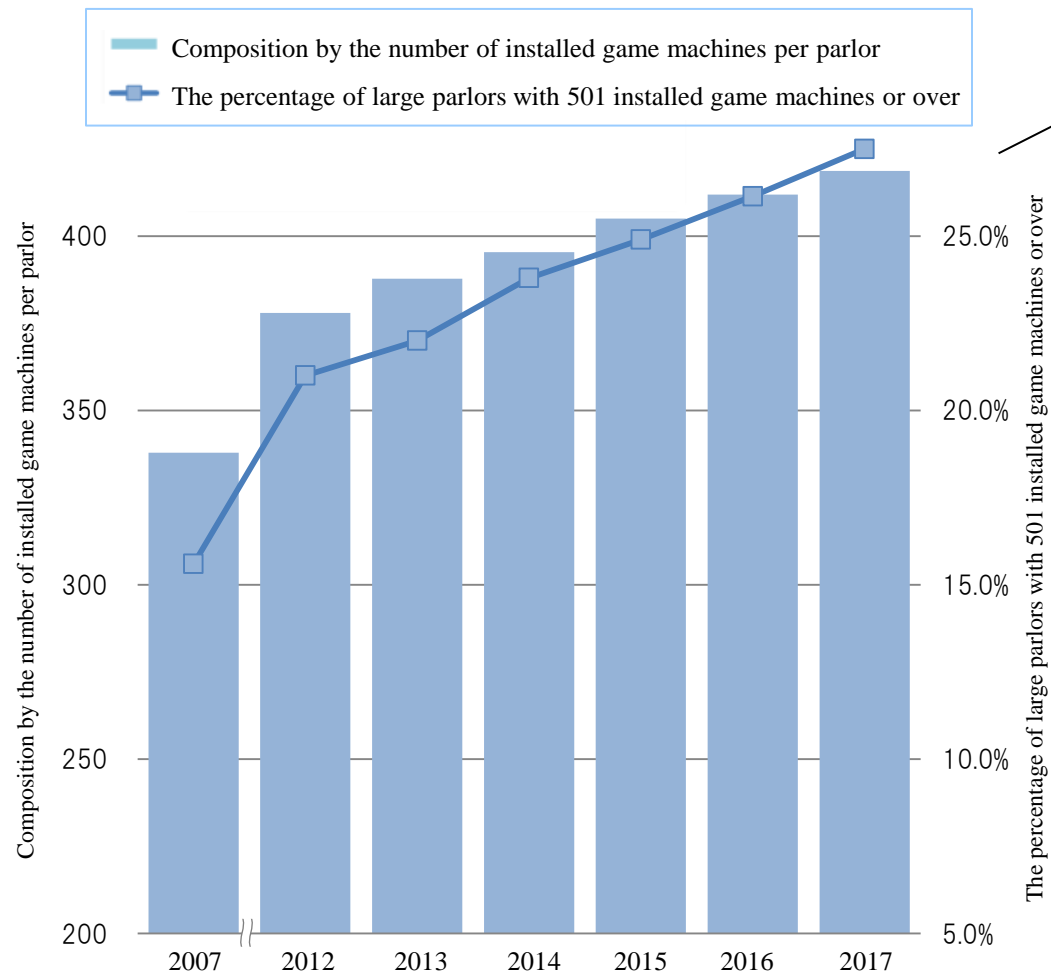
Pachinko hall sales expanded their year-on-year negative margin from around July 2017 to the end of the said year.

The latest negative margin (latest estimate in March) shrank, even though it is for a single month.

Net sales of pachinko halls (YoY Change, %)

	2014	2015	2016	2017	2018
Jan.	1.2%	-9.1%	-8.6%	-6.1%	-4.9%
Feb.	-3.0%	-4.3%	-9.8%	-8.4%	-9.4%
Mar.	0.5%	-10.9%	-12.0%	-3.9%	-3.8%
Apr.	-1.4%	-5.2%	-12.7%	-3.1%	
May	-0.3%	-5.3%	-12.2%	-3.8%	
Jun.	-6.6%	-6.4%	-11.0%	-3.2%	
Jul.	-10.1%	-2.2%	-11.9%	-4.0%	
Aug.	-4.7%	-9.3%	-13.9%	-1.5%	
Sep.	-7.0%	-5.3%	-11.9%	-3.0%	
Oct.	-7.5%	-1.7%	-10.7%	-4.8%	
Nov.	-4.2%	-6.6%	-12.4%	-3.8%	
Dec.	-11.9%	-4.8%	-6.9%	-6.5%	

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



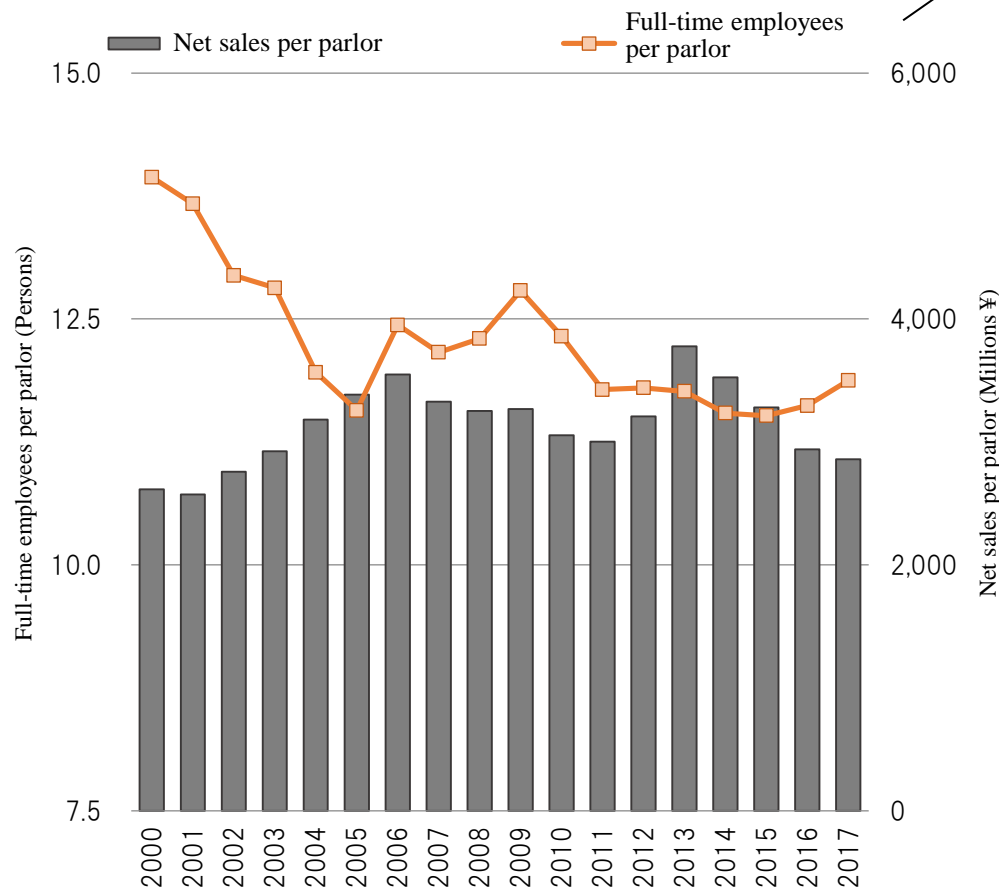
The percentage of large parlors with 501 installed game machines or over has increased to ten years ago.

	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	2.2	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 ¥)	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

Our share by hall size, total number of machines installed

<Table 1> Comparison of the number of pachinko halls by hall size

Hall size	Total		Other companies			DK(Daikoku Denki)		
	Parlors	Ratio	Parlors	Ratio	Share	Parlors	Ratio	Share
– 100	209	2.0%	197	2.8%	94.3%	12	0.3%	5.7%
101 – 300	3,630	34.3%	2,848	41.1%	78.5%	782	21.3%	21.5%
301 – 500	3,845	36.3%	2,570	37.1%	66.8%	1,275	34.7%	33.2%
501 – 1,000	2,603	24.6%	1,218	17.6%	46.8%	1,385	37.7%	53.2%
1,001 –	309	2.9%	93	1.3%	30.1%	216	5.9%	69.9%
Total	10,596	100.0%	6,926	100.0%	65.4%	3,670	100.0%	34.6%

<Table 2> Comparison of the total number of game machines installed in pachinko halls

	Total	Others	DK	DK share
Total of installed game machines	4,436,841	2,557,464	1,879,377	42.4%
The number of parlors	10,596	6,926	3,670	
Average game machine number	419	369	512	

(*) Total information shows the number of pachinko halls and game machines as of the end of December 2017 announced by the National Police Agency.

(*) Information from other companies shows the number in the total information minus the number of DK user halls

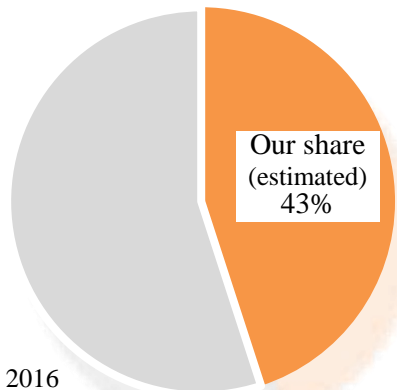
Since our clients are major companies and leading pachinko halls, hall size is larger than the market average, with the average number of game machines standing at 512 units, approximately 40% more than that of other companies (369 units). (our estimate)

Our market share in hall computers stands at 34.6%, but our share of the number of game machines stands at 42.4%. Our share for 501 - 1000 units, which falls under medium- to large-sized halls, and for 1001 units and above, shows 53.2% and approximately 70%, respectively. (our estimate)

Share of our hall computers in pachinko halls

Our share among the "top 50 companies ranked by hall sales" is approximately 43%

Share of our hall computers (on a hall basis)
(target: top 50 companies ranked by sales)



(Note) 2016
Number of top 50 companies ranked by sales: 2,360 halls

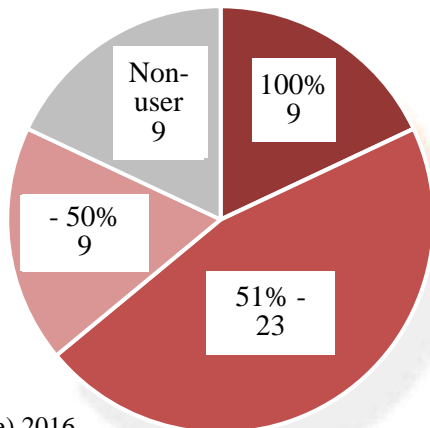
Our share among the "top 50 companies ranked by hall sales" is approximately

43 % (approximately)

(*Our market share in hall computers stands at 35% (approximately)

(our estimate)

Percentage of use of our hall computers
(target: top 50 companies ranked by sales)



(Note) 2016

Percentage of use of our hall computers in the top 50 companies ranked by sales

100% 9 companies

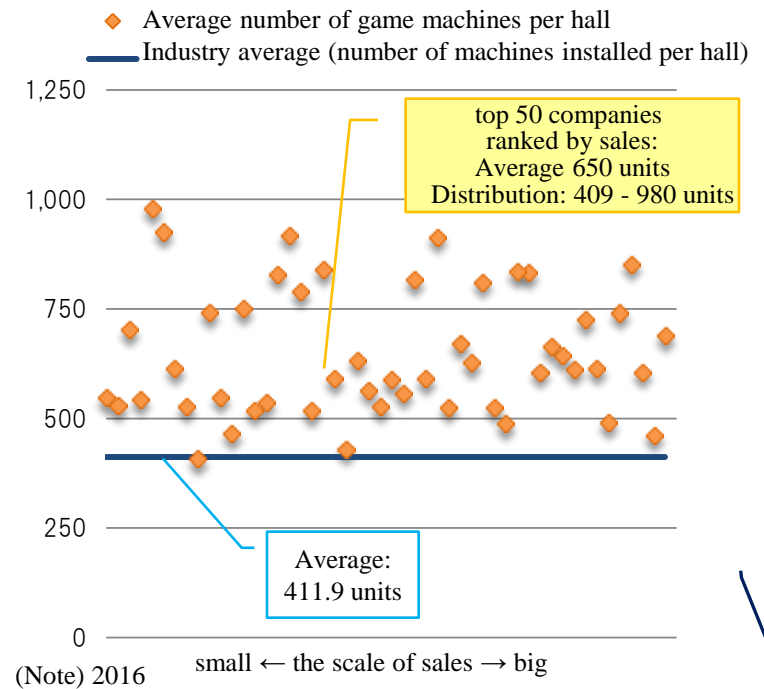
51% - 23 companies

- 50% 9 companies

Non-user 9 companies

(our estimate)

Number of game machines (Average per hall)
(target: top 50 companies ranked by sales)



(Note) 2016

Number of game machines per hall in the top 50 companies ranked by sales generally exceeds the industry average.

The x-axis on the graph of "number of game machines" shows distribution in order of sales volume, but does not show sales volume.

(Data source) Processed by our company based on aggregated data of the National Police Agency, and Sogo Unicom.

Recent revision of regulations regarding "pachinko machines," etc.

2018

Regulations were revised in terms of ball pay-out, due to the revision of Regulations Regarding the Enforcement of the Act on Control and Improvement of Amusement Business, etc. → New standard machines

- Details of revised regulations regarding new standard machines
 - Maximum ball pay-out changed to almost 2/3. : Matters in which regulations are tightened in terms of ball pay-out compared to previously
 - There is currently no such function, but it became possible to have up to 6 types of the 'setting' for jackpot probability, as a new function.: Matters in which it became possible to improve the degree of freedom of pachinko hall operators' sales business, compared to previously

Recent revision of regulations regarding "pachislot machines," etc.

2018

Regulations were revised in terms of ball pay-out, due to the revision of Regulations Regarding the Enforcement of the Act on Control and Improvement of Amusement Business, etc. (Machine No. 6)
This term indicates a pachislot machine whose model application was filed with the Security Electronics and Communications Technology Association in and after February 2018, and which passed the test.

- Pachislot machines installed in the market as of the end of March 2018
 - Machine No. 5.5 : currently not allowed to be sold. Installation allowed until the end of January 2021.
 - Machine No. 5.9 : allowed to be sold and installed until the end of January 2021. (excepting some models)
- Revision of regulations regarding machine No. 6
 - Ball pay-out performance changed to almost 2/3. : Matters in which regulations are tightened in terms of ball pay-out compared to previously
 - Became possible to arrange a performance difference in lottery probability, which was not previously allowed, etc. : Matters in which it became possible to have broader aspects of game development and presentations than previously

Approval and certification of pachinko and pachislot machines

Approved machines

Approval means to grant permission to a game machine model.
Approval is valid for three years. (For old standard machines, excepting some models, approval is valid until January 2021.)

Certified machines

Certification means to grant permission to a game machine operated in a hall. Those machines that are currently installed and whose approval period is still valid can be certified through application.
The certification period is for three years from the date shown on the notice. (Possible to install up to the end of January 2021.)

Business strategy and measures

■ 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.

■ 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]

The environment surrounding the pachinko industry, in which the Group is engaged, is expected to remain challenging, including the impact of revised regulations, amidst a slight decreasing trend in operations at pachinko halls, but demand for the replacement of peripherals is expected to be vigorous, to attract customers, as game machines that comply with new regulations are launched in the market.

[Direction of business initiatives]

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. We establish a management approach that corresponds to new standard game machines, and a system to support how to utilize them, and pursue product development in line with the fan's perspective.
2. We provide a system under the theme of efficient hall management and operational labor saving.



February 2018 Two information publication device products were released

Liquid crystal terminal for each unit “BiGMO PREMIUM II”



1. Largest in the industry, easy-to-see, 15.6-inch large LCD screen

Boost hall with exclusive content for the model through automatic download

2. Excellent space production ability to improve the hall's image

Present the hall gorgeously, with LED illumination on the lower LCD.

3. Outstanding power of appeal, data display from fan's perspective, improved service efficiency

- Outstanding attention from fans, with a shining POP on the upper LCD!
- Various data that fans want to see are displayed in a more easily viewable way than on conventional products.
- Significantly improved service efficiency, with a function loaded in which details can be selected when calling the staff!

4. Own-game record of "my data" can be stored without hassle by syncing with a smartphone.

Call lamp “IL-X3”



1. LED illumination in tandem with a corner

2. Industry-first adoption of VA segment display unit

3. Wide LCD focused on being easy to see, LED center segment display unit

Information System Segment

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

(Millions ¥)	FY2016			FY2017			FY2018(Projected)		
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	2nd half	Total
Net sales	13,126	14,134	27,260	11,757	13,070	24,827	12,000	14,000	26,000
Segment income	1,414	1,597	3,011	872	1,563	2,435	1,250	1,150	2,400
Research and development expenditure	1,093	1,147	2,240	965	505	1,470	480	900	1,380

■ Number of sales

Hall computer	30	46	76	33	31	64	35	45	80	
Call Lamp	BiGMO PREMIUM	12,674	14,480	27,154	12,295	21,980	34,275	20,000	25,000	45,000
	REVOLA	19,583	28,573	48,156	18,079	14,692	32,771	16,000	19,000	35,000
	IL-X Series	10,757	11,881	22,638	11,490	20,775	32,265	13,000	17,000	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	24,000 35 halls	29,000 45 halls	53,000 80 halls	
Face authentication system	3 halls	9 halls	12 halls	15 halls	19 halls	34 halls	15 halls	25 halls	40 halls	

■ Total subscribership

C II Standard	2,830	-	2,866	2,861	-	2,865	2,880	-	2,900
Contents library	1,618	-	1,669	1,731	-	1,782	1,830	-	1,900
DK-SIS members	3,704	-	3,709	3,682	-	3,638	3,640	-	3,650
C II-SIS members	1,124	-	1,182	1,242	-	1,317	1,350	-	1,380
CR unit (Pachinko halls)	567	-	616	644	-	679	710	-	750
Third-party stored ball management	831	-	867	914	-	907	930	-	960
MG-Service net sales(Millions ¥)	2,044	2,099	4,143	2,138	2,174	4,312	2,190	2,240	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 ¥)	FY2016			FY2017			FY2018 (Projected)		
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	2nd half	Total
Net sales	7,093	6,422	13,515	6,262	3,060	9,322	3,000	6,000	9,000
Segment income	95	- 401	- 306	374	59	433	150	650	800
Research and development expenditure	618	202	820	275	-167	108	260	-40	220

(Millions ¥)

Video processing unit	4	3	7	4	2	6	5	7	12
Sales volume	32,054	37,718	69,937	23,318	27,788	51,106	38,000	67,000	105,000

■ Pachislot business

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

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



Umeboshi (pickled plum)

Yubari melon jelly

Imabari towel

6,000points



Pork loin steak

Special Rice (5kg)

Electric kettle

12,000points



Matsusaka beef

Blowfish

Special Rice (12kg)

15,000points



Kobe beef

Drive recorder

High-pressure back washing machine

20,000points



Crab

Matsusaka beef

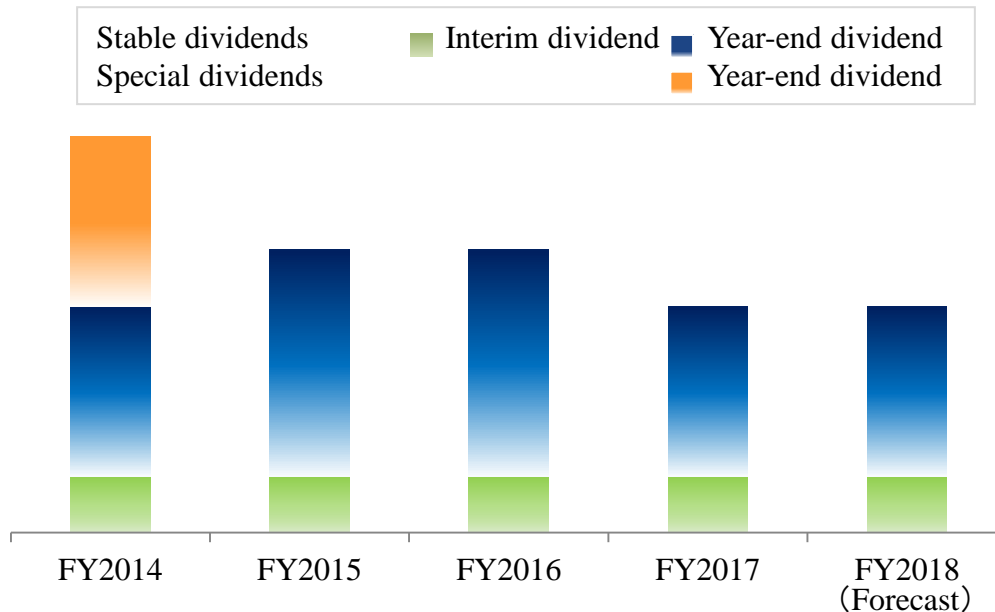
Hotel vouchers

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.

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



The Company pays “Special dividends” according to performance.

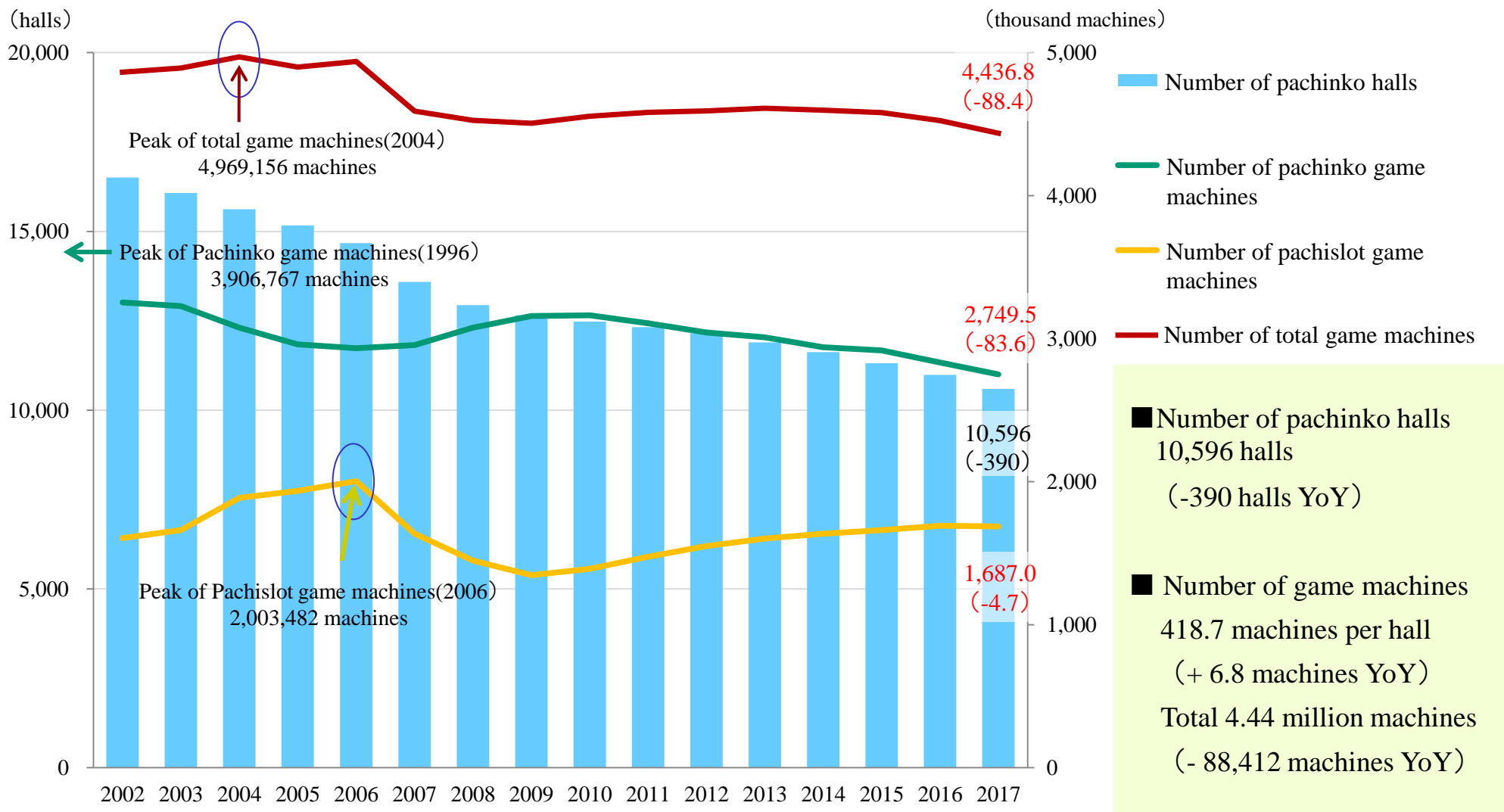
Stable dividend (¥40)
 (¥10 interim dividend and ¥30 year-end dividend).

	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 (Forecast)	10	30	40	—	40	73.9

Reference Data

Pachinko business scale

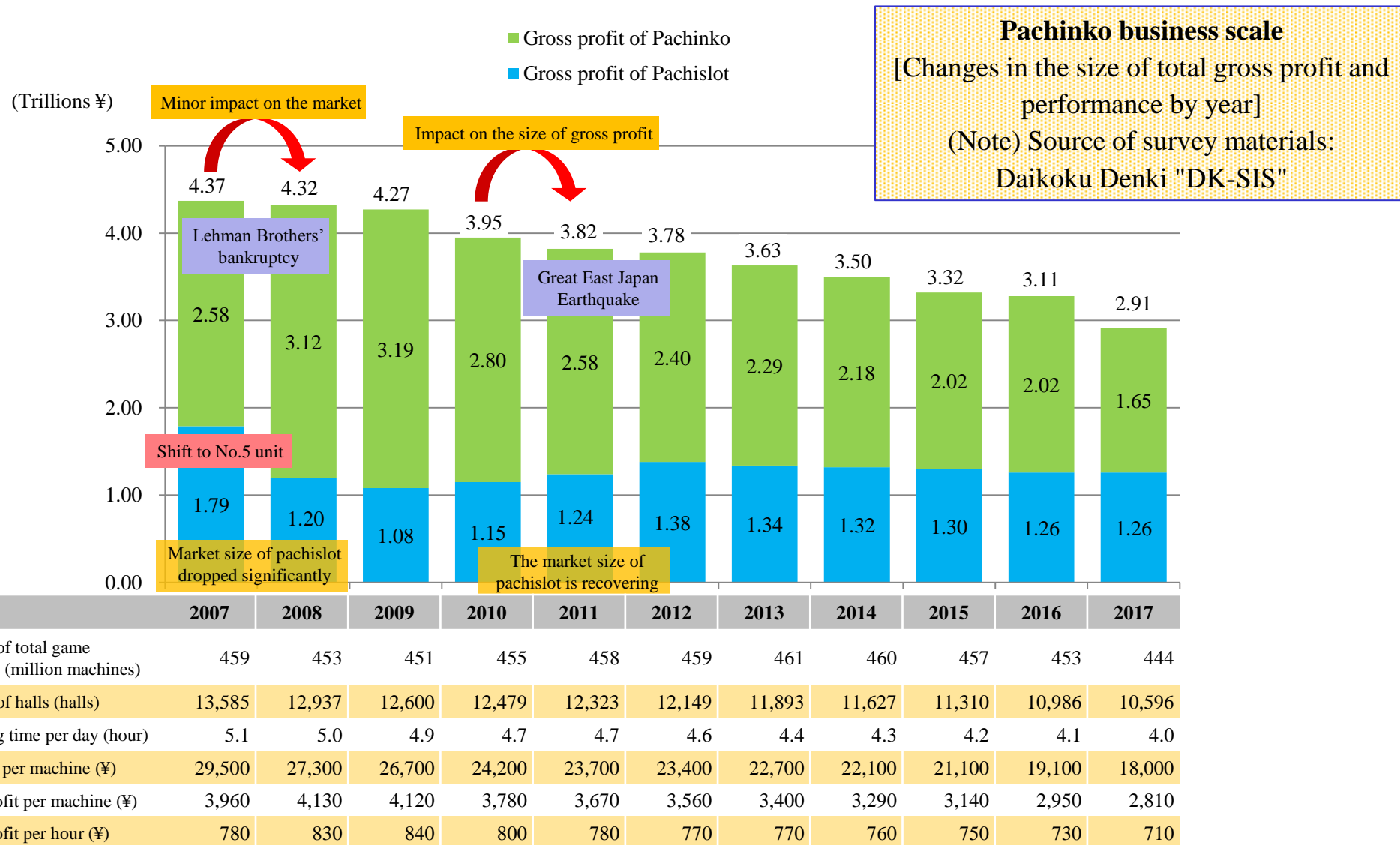
Shifts in the number of pachinko halls and installed pachinko and pachislot game machines



(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



Daikoku Denki is proud of itself for having what did not exist previously in the industry.

Track records (examples)

■ Our own system to collect, analyze and process game machine data “DK-SIS,” a membership-based information provision service

■ Information terminal that displays game machine data to fans, “Data Robo”

■ Member service for pachinko halls, “Robo card”

■ “MIRAIGATE” to comprehensively support hall operations

The source of DAIKOKU DENKI's strength is, “Number one in human resource power, and special one in product strength.”

Strengths (examples)

■ A trusted relationship in which we continued to make optimal proposals by putting ourselves in the customers' shoes

■ Daikoku Denki has a traditional corporate culture to respect innovative ideas and address creative ideas.

Information to support the operations of pachinko hall associations

Provides information
「The Data Robo terminal」

Member card for pachinko
「Robo card」



Management support services
「MIRAIGATE」

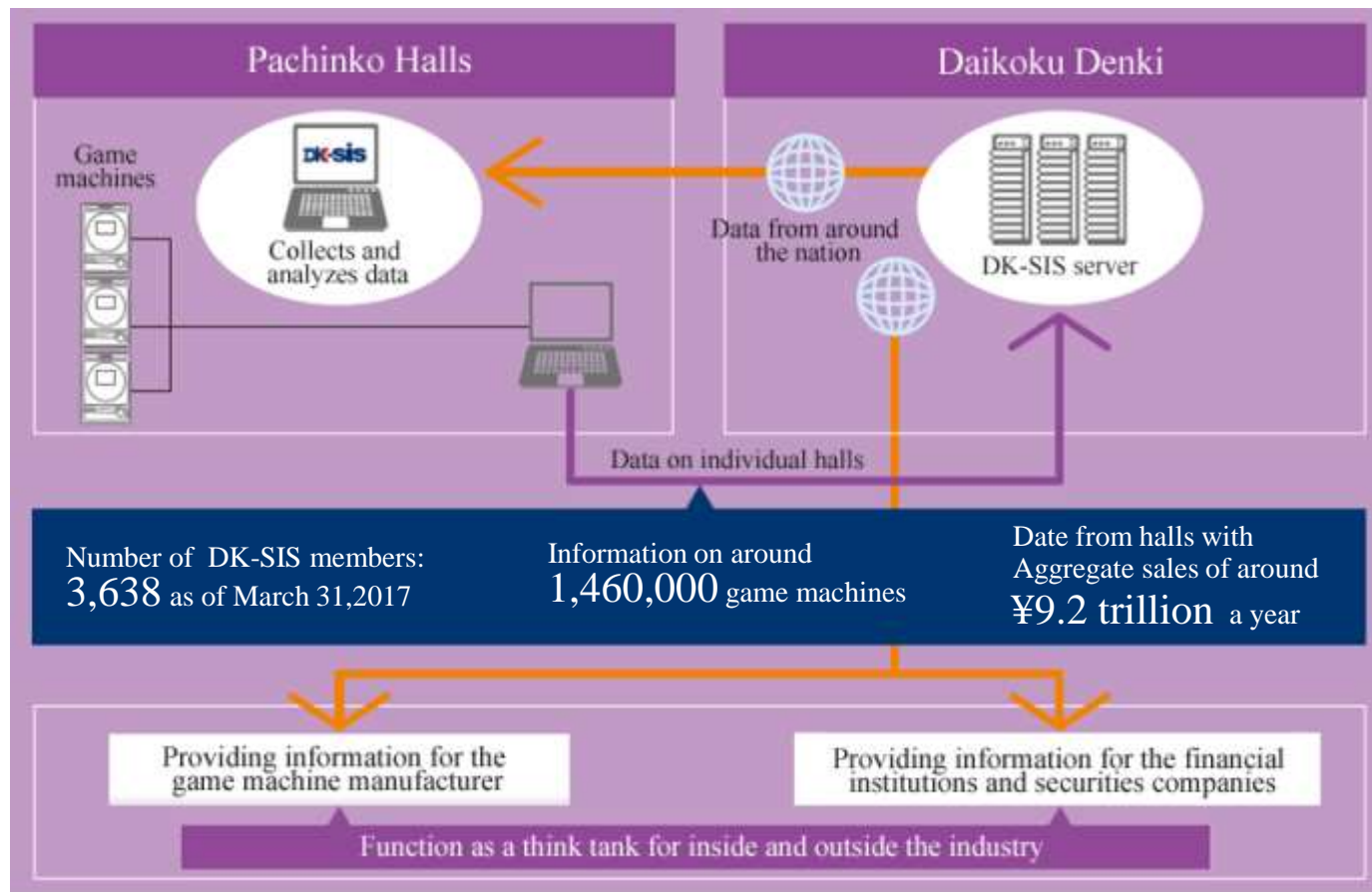


= Accounts for the top share of the market at 35%

Daikoku Denki excelled in the production of electric circuits at its inauguration, and developed a device to count pachinko balls by utilizing this knowledge and technology. Later, the Company was the first in the industry to provide new products and services such as through a proprietary system to collect and manage the data of each machine, in addition to the development of "Data Robot", an information terminal that displays game machine data to customers, and "DK-SIS", a service to provide information that supports hall management, as well as the launch of the "MIRAIGATE" brand.



"DK-SIS"—an industry-leading strategic information tool that helps to realize improved hall performance



- Accumulation of business know-how with a core of data on approximately 1.46 million game machines and ¥9.2 trillion scale of annual sales
- Provision of various consulting services with DK-SIS data as the backbone
- Strategic proposals and sales activities to game machine manufacturers utilizing DK-SIS data

Strengths of DK-SIS

Our company's environmental initiatives (examples)

- Our company built its headquarters building in May 2011, and relocated (1-43-5 Nagono, Nakamura-ku, Nagoya-shi).
- This headquarters building features an energy-saving design, and it is possible to reduce CO₂ emissions by more than 30% (Note 1). It has also achieved the highest S rank (BEE=3.3. *please refer to BEE-based environmental labeling) in the comprehensive environmental performance assessment by CASBEE (Note 2).

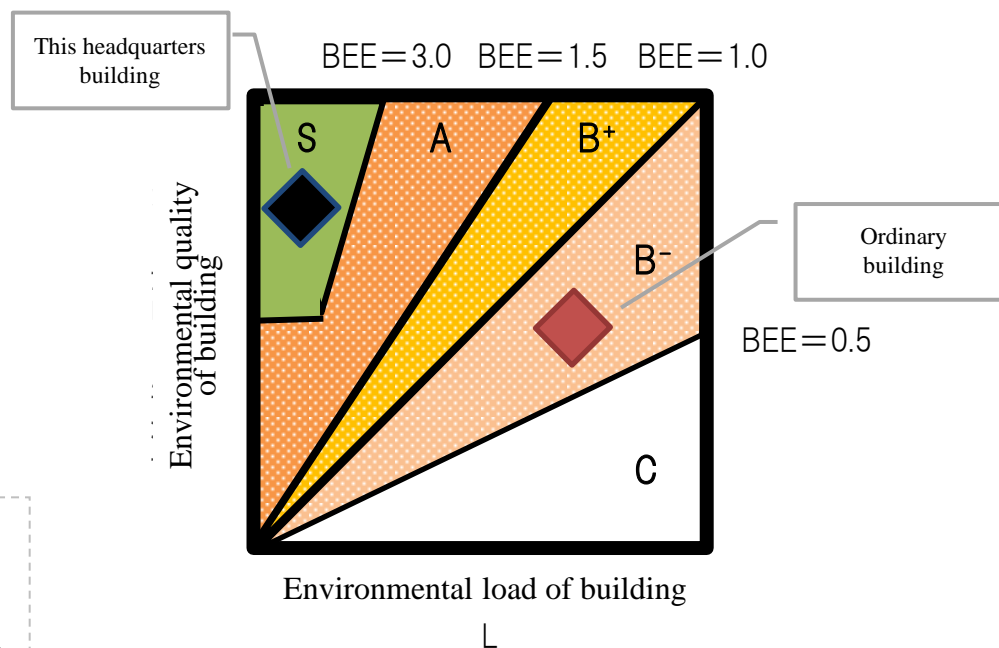


Panoramic view of the Headquarters building
(Features an energy-saving design)

(Note 1) By setting the benchmark of CO₂ emissions for the base year (1990) in the Kyoto Protocol, it is estimated to have an approximately 33% reduction effect.

(Note 2) CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings and the built environment, and is operated by a committee established in April 2001 as an industry-government-academia joint project under the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

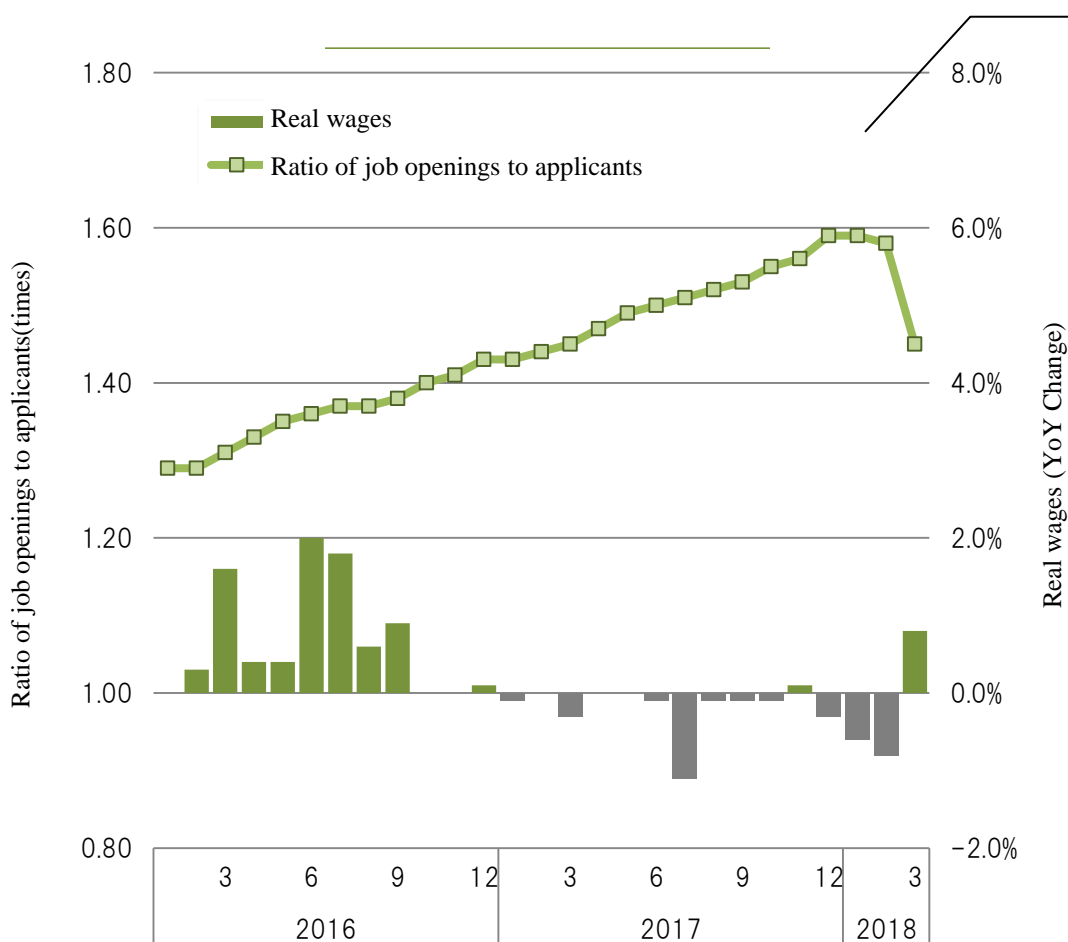
※ BEE-based environmental labeling



(Source) Edited based on the chart published by the Institute for Building Environment and Energy Conservation

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.

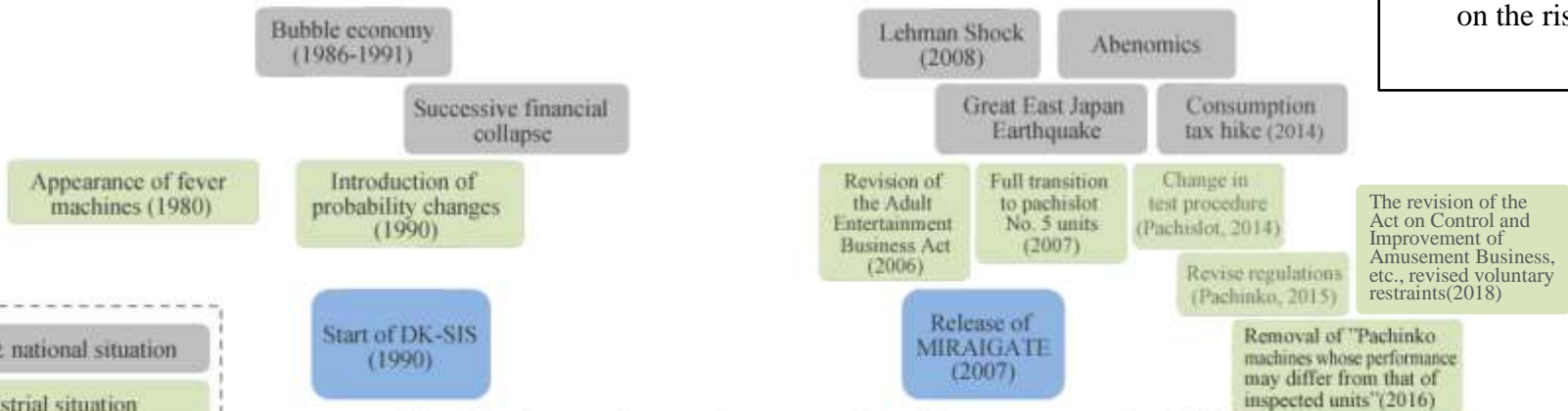
			Reference	
	Ratio of job openings to applicants (Times)	Real wage (YoY Change %)	Nominal wage (YoY Change %)	Unemployment rate (%)
2017/1	1.43	-0.1	+0.3	3.0
2017/2	1.44	0.0	+0.4	2.9
2017/3	1.45	-0.3	0.0	2.8
2017/4	1.47	0.0	+0.5	2.8
2017/5	1.49	0.0	+0.6	3.0
2017/6	1.50	-0.1	+0.4	2.8
2017/7	1.51	-1.1	-0.6	2.8
2017/8	1.52	-0.1	+0.7	2.8
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	1.45	+0.8	+2.1	2.5

(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

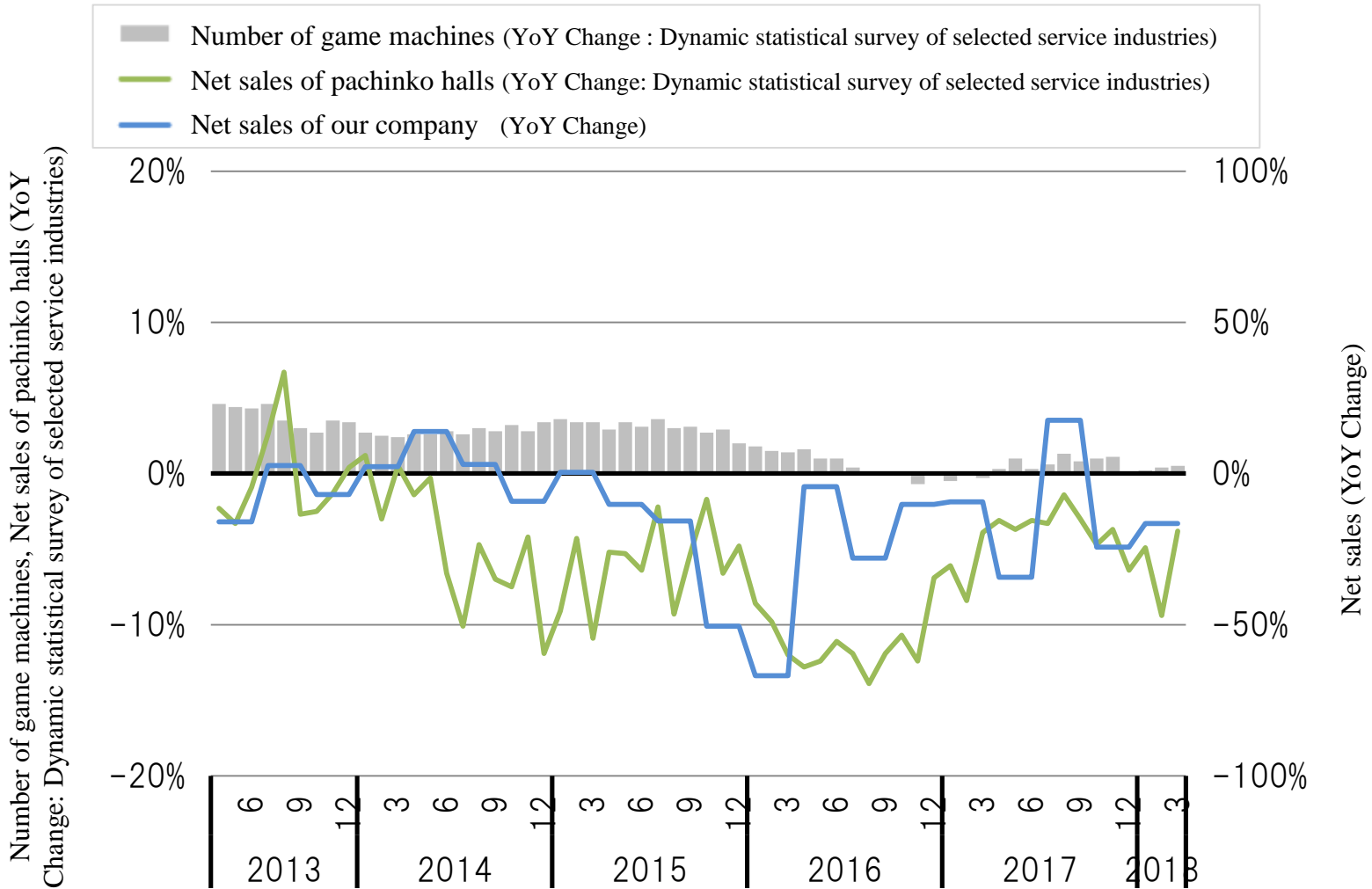


- Since the 1990s, pocket money of a corporate worker in Japan has shifted in a downward trend.
- Trend of increase of the base amount is expanding. Partly due to the shortage of manpower, it is highly assumed that the salaries at Japanese companies will continue to grow for the time being
- We anticipate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



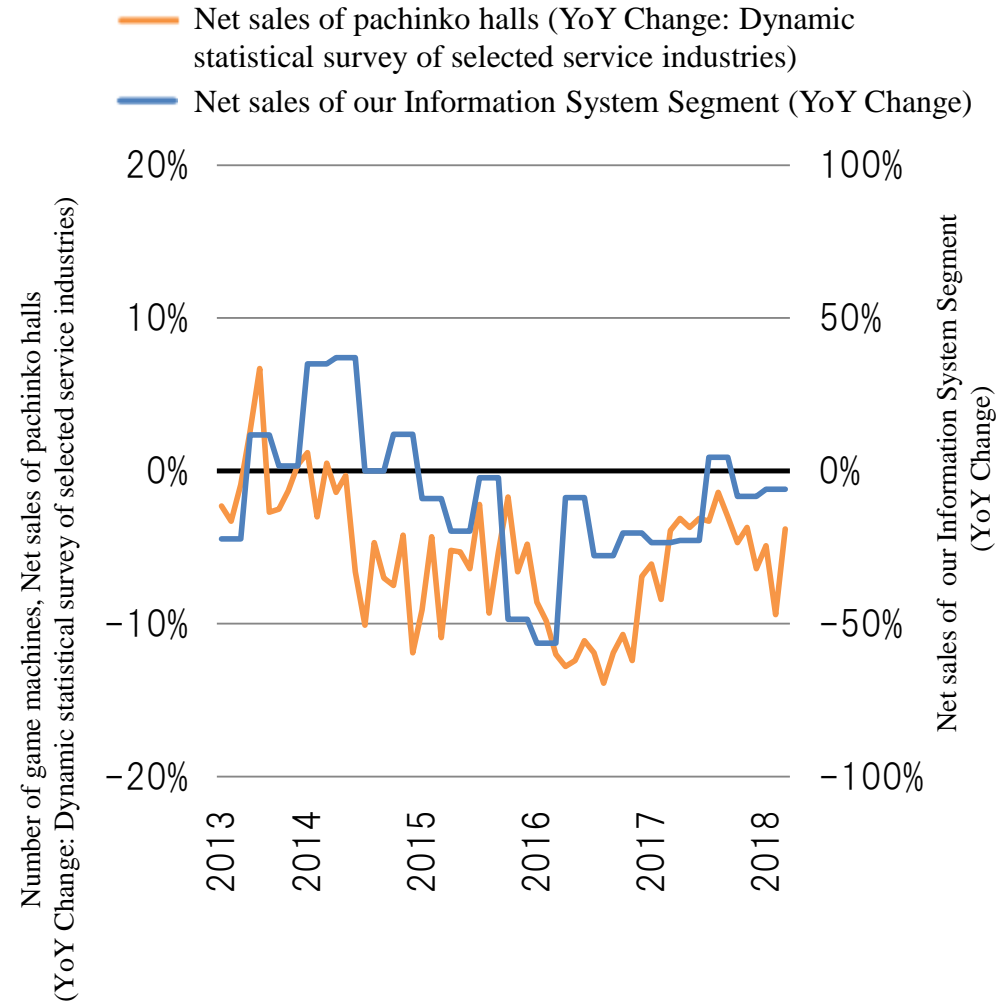
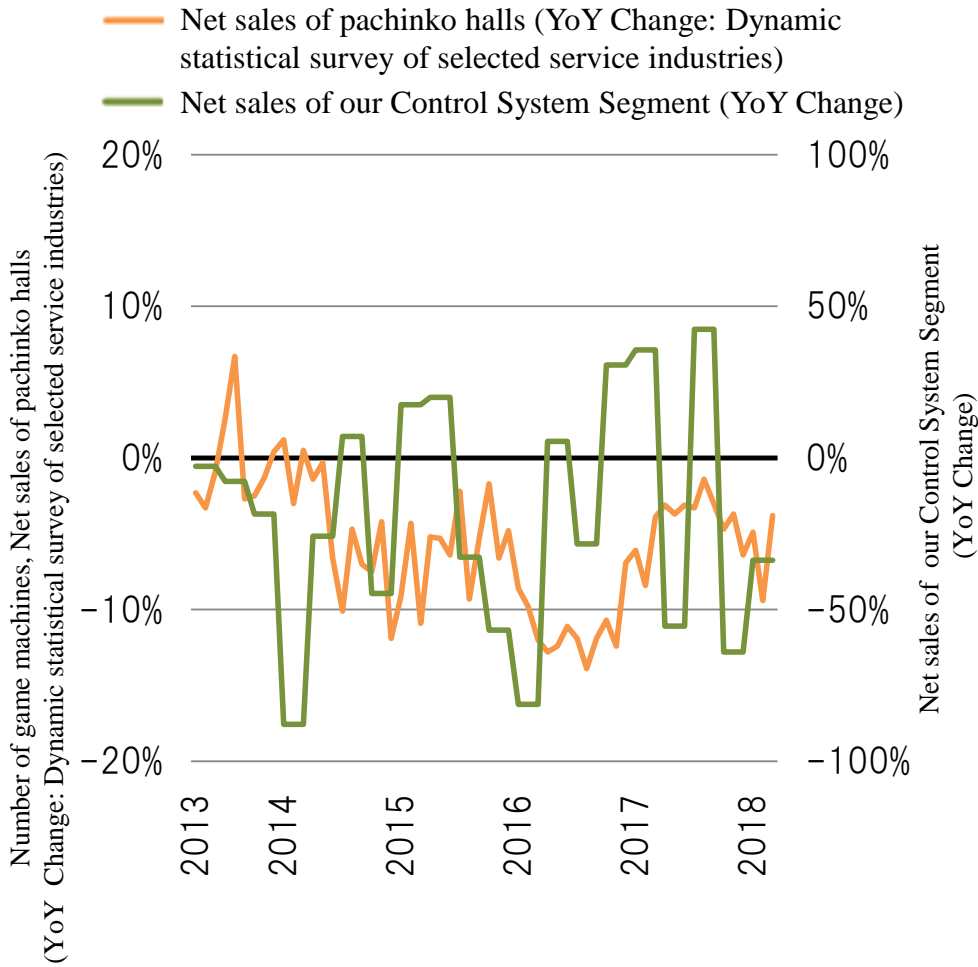
(Note) Since the survey of amount of a corporate worker's pocket money was not conducted in 1991, 1993 and 1994, the data of these years are indicated as equivalent as the previous or following year in the above graph.
 (Source of data) Average amount of a corporate worker's pocket money: Shinsei Bank,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

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)

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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