

# FY2021 Financial Results

DAIKOKU DENKI Co., Ltd.  
(The Prime Market of the Tokyo Stock Exchange,  
The Premier Market of the Nagoya Stock Exchange, 6430)

# Consolidated Financial Highlights

# Consolidated Statements of Income (Summary)

Both sales and profit increased, and we achieved profits above the plan at the start of the term

| (millions of yen)                                     | FY2020 | FY2021<br>(Forecasts*) | FY2021 | YoY<br>change     | Difference<br>between forecast<br>and actual |
|---|--------|------------------------|--------|-------------------|--|
| Net sales   | 23,345 | 24,500                 | 24,390 | +1,044<br>(+4.5%) | -109<br>(-0.4%)                              |
| Gross profit-net                                      | 9,504  | 10,120                 | 10,143 | +638<br>(+6.7%)   | +23<br>(+0.2%)                               |
| Selling, general and<br>administrative<br>expenses    | 8,897  | 9,170                  | 8,952  | +54<br>(+0.6%)    | -217<br>(-2.4%)                              |
| Operating income                                      | 607    | 950                    | 1,191  | +583<br>(+96.2%)  | +241<br>(+25.4%)                             |
| Ordinary income                                       | 986    | 1,100                  | 1,367  | +380<br>(+38.6%)  | +267<br>(+24.3%)                             |
| Net income<br>attributable to<br>owners of the parent | 612    | 750                    | 1,228  | +616<br>(+100.6%) | +478<br>(+63.9%)                             |

\*We have been applying the "Accounting Standard for Revenue Recognition," etc., since the start of the current consolidated fiscal year and each figure is after applying that accounting standard, etc.

\*Due to the change in the presentation method from the current consolidated fiscal year, the figures and YoY changes for net sales and operating profit are values that have been modified to reflect the new presentation method.

\*Results forecast figures are based on the "Notice of revisions to the full-year earnings forecast and dividend forecast (increase)" disclosed on February 24, 2022.

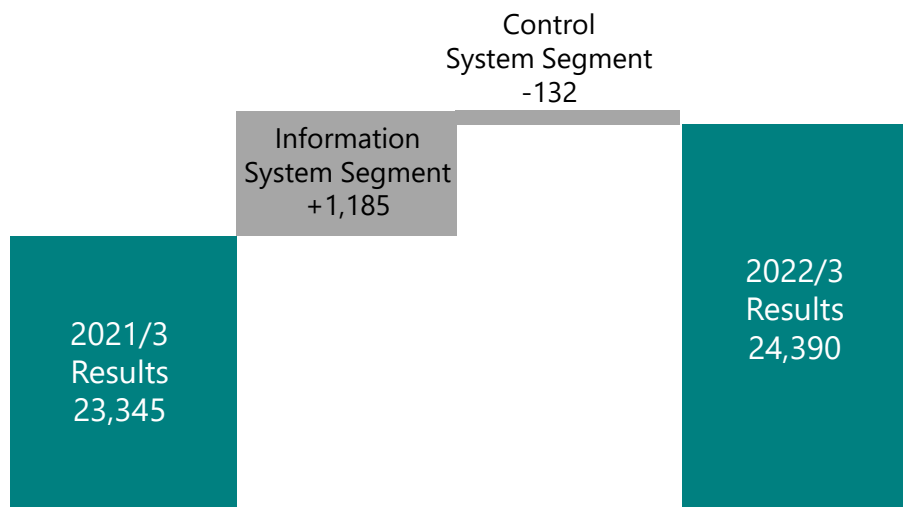
Net sales were higher than last fiscal year in Information Systems Segment, but fell slightly short in Control Systems Segment

## Information System Segment

**Net sales in this segment were 18,647 million yen** →YoY Change +1,185 million yen( +6.8%)

In terms of sales of the “products for pachinko halls” sales of the AI-based hall computer “X (Kai),” the CR unit “VEGASIA,” and the information disclosure terminals for fans “REVOLA” and “BiGMO PREMIUM” were stronger than the previous fiscal year, but the supply of popular products could not keep up with strong customer demand because of the global semiconductor shortage; we had to adjust the number of units for sale unfortunately. In terms of sales of “services,” helped by the release of the cloud-based chain hall management system “ClarisLink,” as well as strong sales of the other main services, a significant YoY increase was seen despite a decrease in the number of halls in operation.

(millions of yen)



## Control System Segment

**Net sales in this segment were 5,759 million yen** →YoY Change -132 million yen( -2.2%)

“Display and control units for games machine manufacturers” trended well for pachinko machines. In addition, sales were above the previous consolidated fiscal year as we started contract manufacturing of pachislot machines as part of the expansion of our business areas, but “parts and other” failed to grow in sales for games machine manufacturers, ending below the previous year.

\*Business segment sales and income figures include intersegment transactions.

Profits grew significantly in both Information System Segment and Control System Segment

## Information System Segment

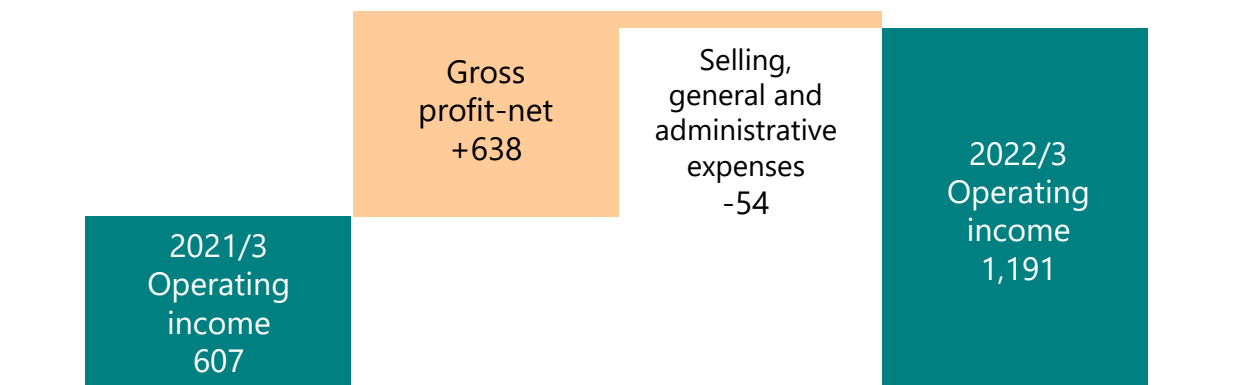
Segment-operating income in this segment were **2,171 million yen** →YoY Change +231 million yen(+11.9%)

## Control System Segment

Segment-operating income in this segment were **537 million yen** →YoY Change +436 million yen(+433.0%)

**The whole company cost : 1,524 million yen** → YoY Change +80 million yen(+5.6%)

(millions of yen)



# Consolidated Balance Sheets (Summary)

D/E ratio (interest-bearing debts / net worth) secures 0.06 and enough soundness

| (millions of yen)                | FY2020 | FY2021 | YoY Change |
|----------------------------------|--------|--------|------------|
| Current assets                   | 25,427 | 26,764 | +1,336     |
| Noncurrent assets                | 15,657 | 14,725 | -931       |
| Total assets                     | 41,084 | 41,489 | +405       |
| Current liabilities              | 9,519  | 9,419  | -99        |
| Noncurrent liabilities           | 903    | 928    | +25        |
| Total liabilities                | 10,422 | 10,348 | -74        |
| Total net assets                 | 30,662 | 31,141 | +479       |
| Total liabilities and net assets | 41,084 | 41,489 | +405       |
| Debt                             | 3,002  | 2,001  | -1,000     |
| Shareholders' equity ratio       | 74.6%  | 75.1%  | +0.5%      |
| D/E ratio                        | 0.10   | 0.06   | -0.04      |

• Current assets at the end of the consolidated fiscal year under review increased by ¥1,336 million to ¥26,764 million compared to the end of the previous consolidated fiscal year as a result of increases in cash and deposits and operating receivables. Non-current assets at the end of the consolidated fiscal year under review decreased by ¥931 million to ¥14,725 million compared to the end of the previous fiscal year, due to factors including decreases in tangible and intangible fixed assets resulting from the recording of impairment losses of idle assets with no plan of use and depreciation. As a result, total assets at the end of the consolidated fiscal year under review increased by ¥405 million to ¥41,489 million compared to the end of the previous consolidated fiscal year.

• Liabilities at the end of the consolidated fiscal year under review were ¥10,348 million, ¥74 million lower than at the end of the previous consolidated fiscal year because of the repayment of short-term borrowings and other factors despite an increase in operating payables resulting from increases in trade payables and others during the fourth quarter.

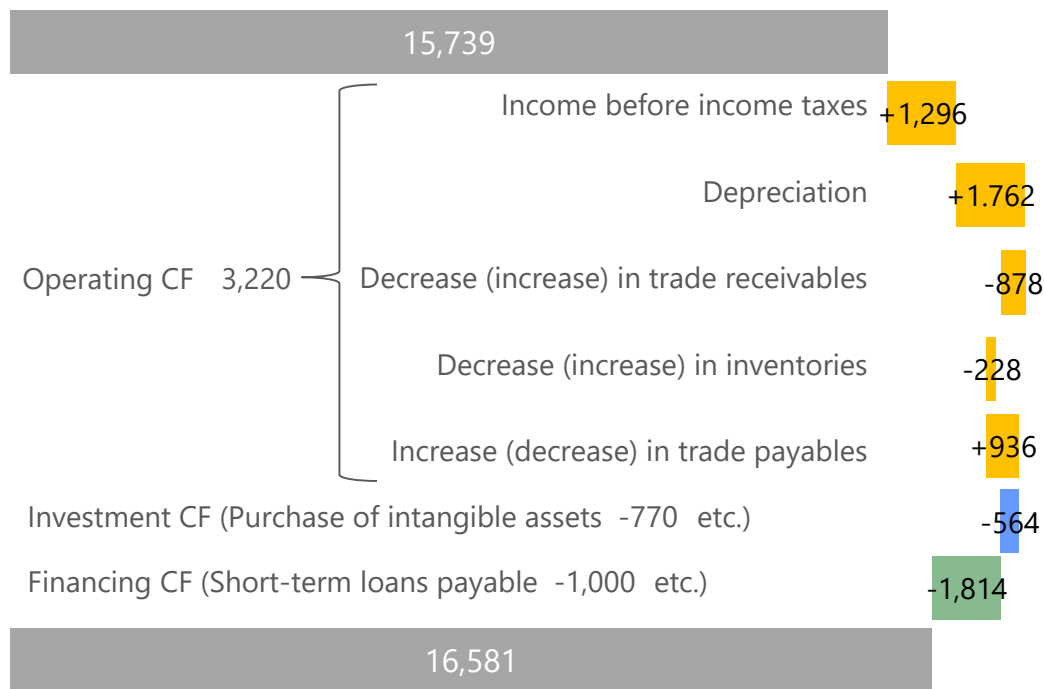
• Despite dividend payments, etc., our net assets at the end of the consolidated fiscal year under review were ¥31,141 million, ¥479 million higher than the end of the previous consolidated fiscal year due to the recording of a net profit attributable to parent company shareholders. The shareholders' equity ratio was 75.1%, 0.5 points up from the end of the previous consolidated fiscal year.

# Consolidated Balance Sheets (Summary)

We achieved significant positive free cash flow compared to last fiscal year

| (millions of yen)         | FY2020 | 2021/9 | FY2021 |
|---------------------------|--------|--------|--------|
| Operating CF              | 3,396  | 1,744  | 3,220  |
| Investment CF             | -2,242 | -614   | -564   |
| Financing CF              | -891   | -1,443 | -1,814 |
| Cash and cash equivalents | 15,739 | 15,426 | 16,581 |
| Free cash flow            | 1,153  | 1,130  | 2,655  |

Cash and cash equivalents  
(2021/3)



# **FY Ending March 2023 Full Year Forecasts**



Although the semiconductor shortage will continue, the market will be stimulated by smart game machines in the second half

**1st half** : Difficulties in the procurement of electronic parts, etc., due to the semiconductor shortage will continue

**2nd half** : The market will be stimulated by the introduction of smart game machines

- Expectations of increased performance of pachislot machines, which were stagnating
- Disparities between companies will be marked as leading companies become even stronger, the gap between pachinko hall companies will become more apparent.
- There are concerns over how far the semiconductor shortage will impact the market as a whole

# FY Ending March 2023 Full Year Forecasts

Although we expect both sales and profit increases,  
we will promote investment for the future

| (millions of yen)                               | FY2021 | FY2022 (Forecasts) |        | YoY Change |
|---|--------|--------------------|--------|------------|
|   | Total  | 1st half           | Total  |            |
| Net sales                                       | 24,390 | 11,000             | 26,000 | +1,609     |
| Gross profit-net                                | 10,143 | 4,400              | 10,400 | +256       |
| Selling, general and administrative expenses    | 8,952  | 4,440              | 9,550  | +597       |
| Operating income                                | 1,191  | 50                 | 850    | -341       |
| Ordinary income                                 | 1,367  | 130                | 950    | -417       |
| Net income attributable to owners of the parent | 1,228  | 100                | 650    | -578       |

|                                   |       |     |       |      |
|-----------------------------------|-------|-----|-------|------|
| Research and development expenses | 627   | 236 | 725   | +98  |
| Depreciation expense              | 1,762 | 805 | 1,669 | -93  |
| Capital investment                | 881   | 539 | 1,779 | +898 |

\*We have been applying the "Accounting Standard for Revenue Recognition," etc., since the start of the current consolidated fiscal year and each figure is after applying that accounting standard, etc.

\*Due to the change in the presentation method from the current consolidated fiscal year, the figures and YoY changes for net sales and operating profit are values that have been modified to reflect the new presentation method.

# FY Ending March 2022 Full Year Forecasts by segment

Both segments posted higher sales, but lower incomes.

| (millions of yen) |                            | FY2021 | FY2022 (Forecasts) |        | YoY Change |
|-------------------|----------------------------|--------|--------------------|--------|------------|
|                   |                            | Total  | 1st half           | Total  |            |
|                   | Information System Segment | 18,647 | 8,000              | 19,500 | +852       |
|                   | Control System Segment     | 5,759  | 3,000              | 6,500  | +740       |
|                   | Segment sales              | 24,407 | 11,000             | 26,000 | +1,592     |
|                   | Information System Segment | 2,171  | 750                | 1,950  | -221       |
|                   | Control System Segment     | 537    | 10                 | 450    | -87        |
|                   | Segment income             | 2,709  | 760                | 2,400  | -309       |
|                   | Corporate expenses         | -1,524 | -710               | -1,550 | -25        |
|                   | Net sales                  | 24,390 | 11,000             | 26,000 | +1,609     |
|                   | Operating income           | 1,191  | 50                 | 850    | -341       |

\*We are applying the "Accounting Standard for Revenue Recognition," etc., and each figure is after applying that accounting standard, etc.

\*Results forecast figures are based on the financial results materials for the fiscal year ending March 2021 disclosed on May 27, 2021

# Approach (Information System Segment)

We will accelerate investment in cloud development while expanding the market share of existing products

## Expansion of market share

- ① Expansion of products such as units in line with the introduction of smart game machines and information disclosure terminals
- ② Expansion of sales towards the achievement of No. 1 market share for Market-SIS
- ③ Expansion of sales of ClarisLink, our first shot at cloud services

## Cloud development

Strengthening of the development system, including M&A

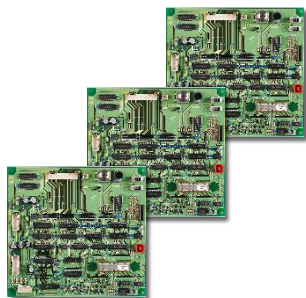
Shift the main focus of business from "Pachinko" to "Smart pachislot"

## Pachislot

Achieve in-house production of software development system and establish a stable development system



**We will complete the medal-less housing and software development system and make it the pillar of profits in 3 years' time**



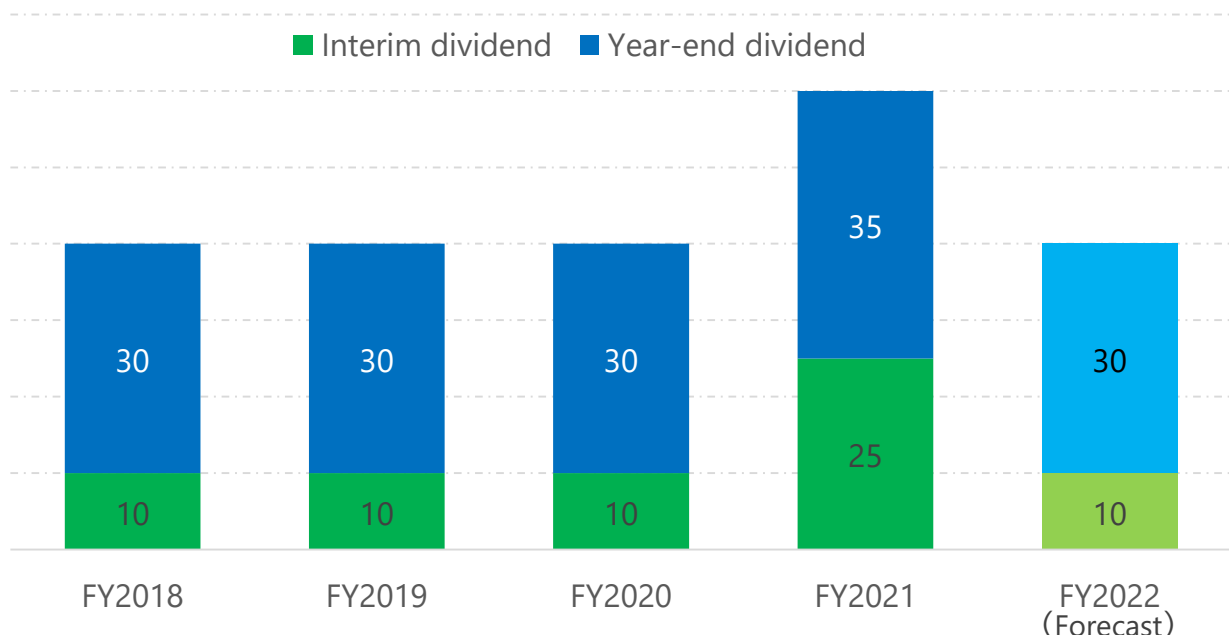
# Investment plan

We are planning positive investments towards a stronger profit structure in association with the medium-term management plan

|                                 | Total for previous<br>3 years           | Medium-term<br>3 years plan  | Plan for this<br>fiscal year |
|---------------------------------|---|--|------------------------------|
|                                 | FY2019~FY2021<br>(Cumulative estimates) | FY2022~FY2024<br>(Cumulative estimates)  | FY2022<br>(Forecasts)        |
| <b>R&amp;D</b>                  | <b>2,800 million yen<br/>(Total)</b>    | <b>4,000 million yen (Total)</b><br>Including Smart pachislot<br>(Control System Segment)              | <b>730 million yen</b>       |
| <b>Depreciation<br/>expense</b> | <b>6,000 million yen<br/>(Total)</b>    | <b>5,000 million yen<br/>(Total)</b>   | <b>1,780 million yen</b>     |
| <b>Capital<br/>investment</b>   | <b>4,100 million yen<br/>(Total)</b>    | <b>6,200 million yen (Total)</b><br>Including server development costs<br>(Information System Segment) | <b>1,670 million yen</b>     |

# Dividends

Under the basic policy of stable dividends, we forecast an interim dividend of 10 yen, and a term-end dividend of 30 yen for a full-term total of 40 yen



Stable dividend (40 yen)

- 10 yen interim dividend
- 30 yen year-end dividend



**<This fiscal year will be our 50th, a milestone >**

We will strive to improve results so that we can return profits to shareholders

| (yen per share)   | Interim dividend | Year-end dividend | Total (yen) | Payout ratio |
|-------------------|------------------|-------------------|-------------|--------------|
| FY2018            | 10               | 30                | 40          | 46.8%        |
| FY2019            | 10               | 30                | 40          | 55.7%        |
| FY2020            | 10               | 30                | 40          | 96.5%        |
| FY2021            | 25               | 35                | 60          | 72.2%        |
| FY2022 (Forecast) | 10               | 30                | 40          | 91.0%        |

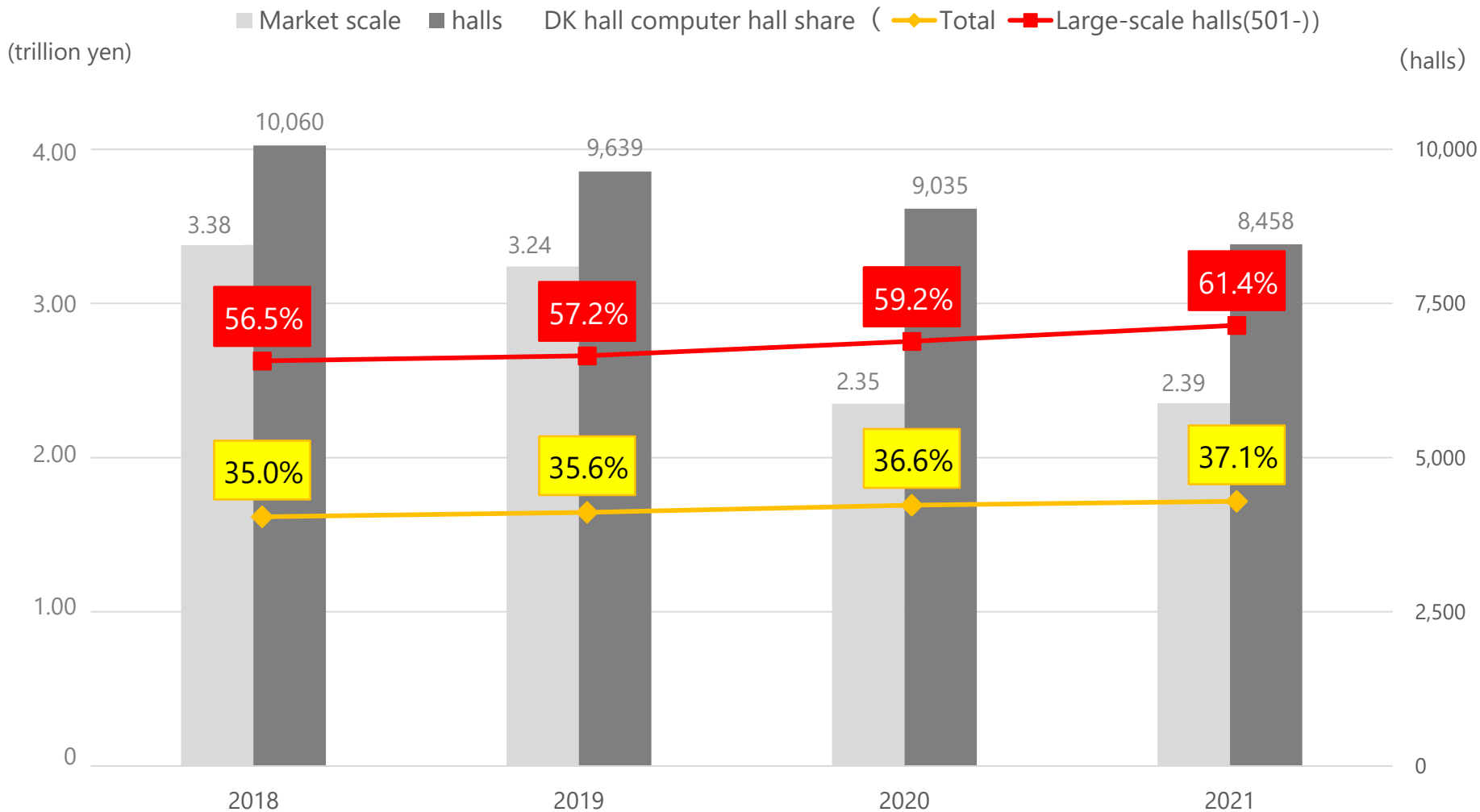
# Reference Data



# Market scale (gross profit), number of halls and share of DK hall computers



Although the market is shrinking gradually, DK leads the industry in market share, particularly at large halls

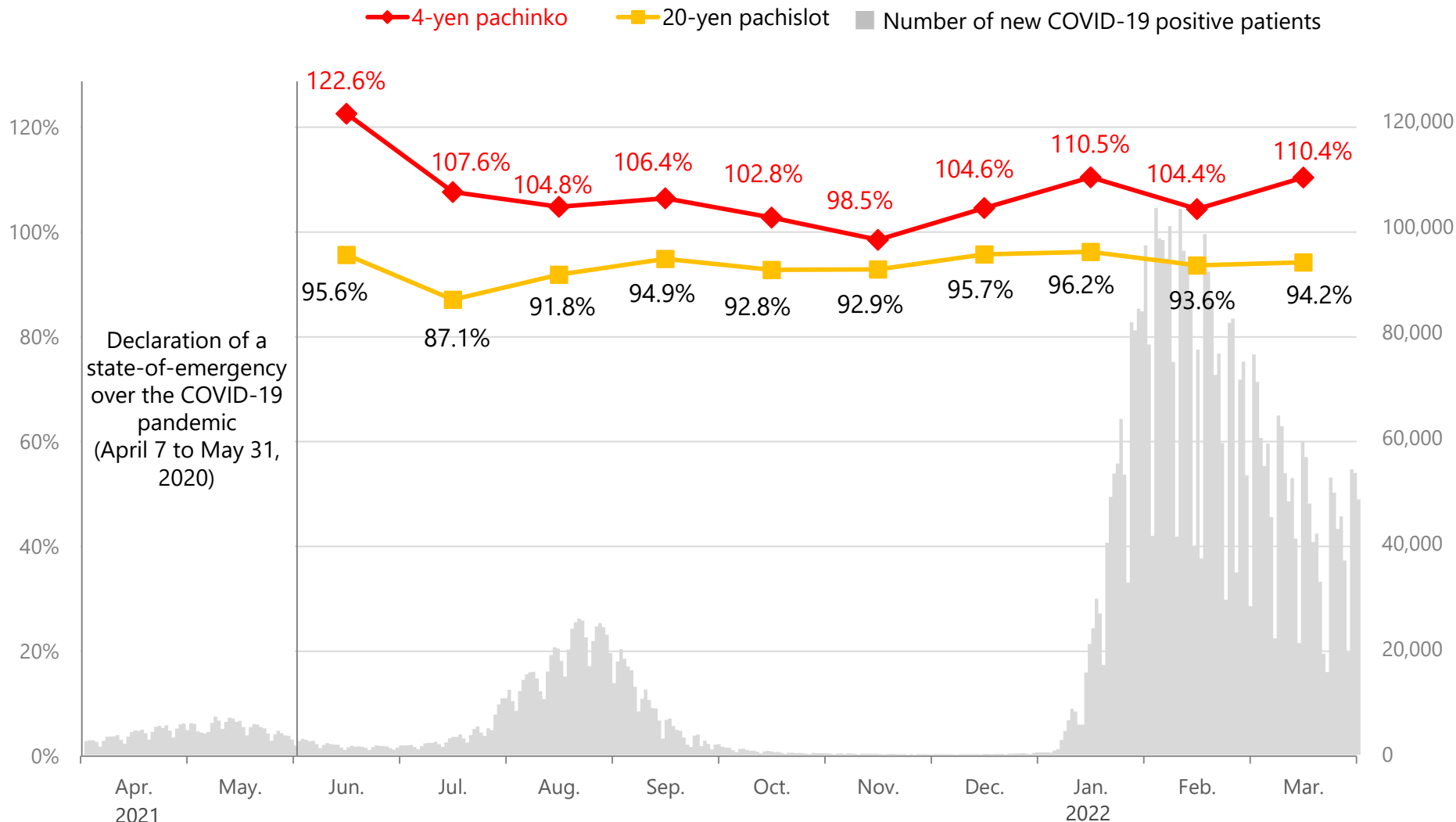


\*Market scale (gross profit) is estimated from actual DK-SIS data.

\*Number of halls data from: National Police Agency "Current State of Amusement and Entertainment Business, etc., and State of Control of Offenses Related to Amusement and Entertainment Business, etc."

# Operation (based on out) Monthly trend in YoY change

Although there are hit machines in the Pachinko area and results are steady, Pachislot area continues to be difficult

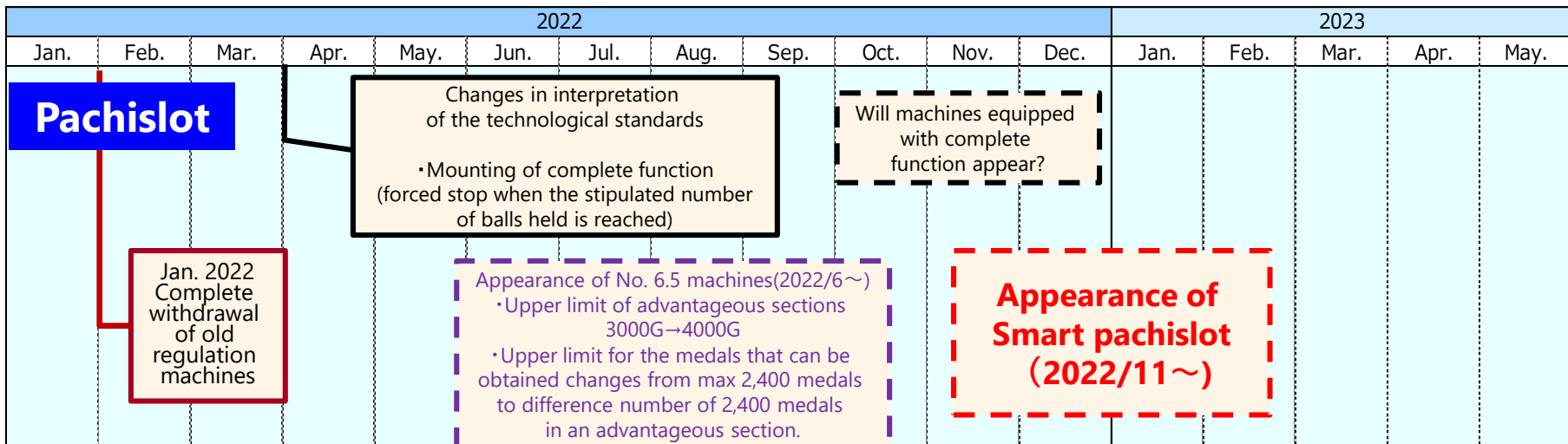
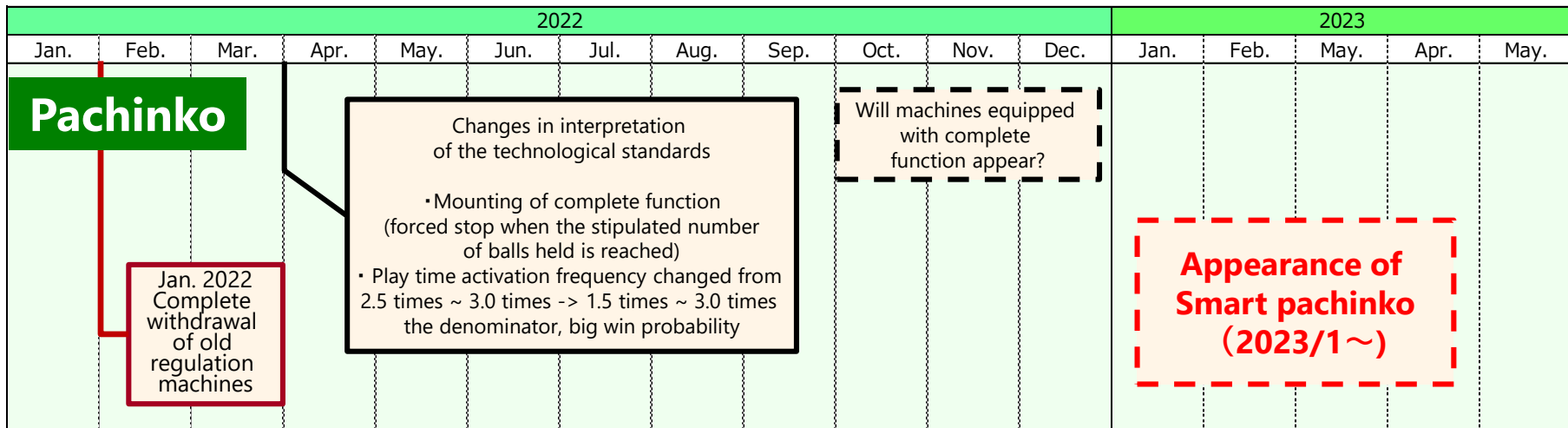


\*Operation (out) is actual DK-SIS data.

\* Results in April and May 2020, the comparison month for April and May 2021, were affected by the COVID-19 pandemic

# Schedule

Smart pachislot machines (November 2022) and Smart pachinko machines (January 2023) are scheduled to appear



DK made proposals on responses to new market trends to market participants

**パチンコ新規開機動向**

2020年度実績 台数別集積率の推移

| タイプ   | 機種数    | 集積率   | 前年度   | 増減     | 集積率   | 増減     | 集計台数     |
|-------|--------|-------|-------|--------|-------|--------|----------|
| ハイミドル | 268機   | 25.0% | 9,421 | 2,781機 | 44.4% | 11,921 | 426,400円 |
| ミドル   | 84機    | 25.0% | 7,441 | 14機    | 25.0% | 9,131  | 292,200円 |
| ハイミドル | 2,989機 | 21.7% | 6,521 | 2,781機 | 34.8% | 11,791 | 371,200円 |
| ミドル   | 3,068機 | 5.0%  | 6,521 | 3,048機 | 11.1% | 8,271  | 255,200円 |

2021年度実績 台数別集積率の推移

| タイプ   | 機種数  | 集積率   | 前年度    | 増減   | 集積率    | 増減     | 集計台数     |
|-------|------|-------|--------|------|--------|--------|----------|
| ハイミドル | 19機種 | 47.4% | 9,238  | 15機種 | 60.0%  | 11,738 | 464,200円 |
| ミドル   | 2機種  | 50.0% | 11,038 | 2機種  | 100.0% | 16,538 | 562,100円 |
| ハイミドル | 18機種 | 50.0% | 9,538  | 17機種 | 53.0%  | 11,538 | 452,300円 |
| ミドル   | 18機種 | 44.4% | 11,838 | 18機種 | 50.0%  | 13,138 | 357,800円 |

全体的に高集積率の機種導入が増え、  
新台導入の効果が大きい！  
特にハイミドルの集積率が目立つ

MIRAIGATE-SIS 統括部  
上席講師 成田晋治

**パチンコ機種管理フロー**

P機種A アウト推移

1 新台導入  
2 新台設置  
3 新台稼働  
4 新台稼働  
5 新台稼働

MIRAIGATE-SIS 統括部  
常任講師 片山統揚

**DAIKOKU DIGITAL EXPO MIRAI GATE 2021**

0/17 LIVE 最新TOP5

MIRAIGATE VISION

“データ管理”を変える “集客”を变える “働き方”を变える

SIS Online Seminar 飛躍 セミナー開催中  
オンラインセミナー 飛躍 DK-SISセミナーはこちら

- In September 2021, we held the “DAIKOKU DIGITAL EXPO MIRAI GATE 2021” web exhibition (attended by about 5,500 people)
- We proposed products and services based on the 3 big themes of “changing data management,” “changing customer attraction” and “changing work styles”
- In SIS online seminars under the theme “Leap forward,” we proposed market analysis using big data and management and sales strategies that will lead to improved results

We are proposing various products and services for pachinko halls and pachinko fans

## Hall computer



We collect data from game units installed in halls and provide sophisticated analysis useful for hall management.

In addition, we also conduct integrated management of the systems necessary for hall management, including machines, prizes, customers, information disclosure and security.

Using big data sent from the company's hall computers nationwide to our company's MIRAIGATE servers, our latest model X (Kai) is capable of automated analysis using AI (auto consulting), AI security, high-precision simulation (Xai-SIS), and the operation of functions matched to the changing times, such as support for prohibitions on smoking and the handling of COVID-19.



## Web and app services for fans



Fans can view nationwide pachinko hall data for free using Pachirobo (free app).



At Site Seven (paid site), fans can view more detailed data than with Pachirobo.

## Prize management

This is a system to exchange acquired pachinko balls for prizes. The latest POS SP-01 can be installed tailored to the hall and operated without a keyboard using a large 15.6 inch touch panel LCD.



## Information terminals for fans (Large LCD)



BiGMO PREMIUM II



REVOLA

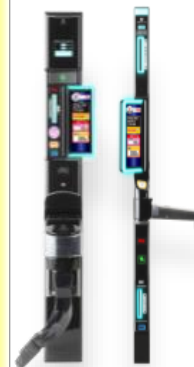
It displays machine data such as big wins and starts, produces images, lights and sounds matched to the machine, and allows fans to call staff.

## CR unit

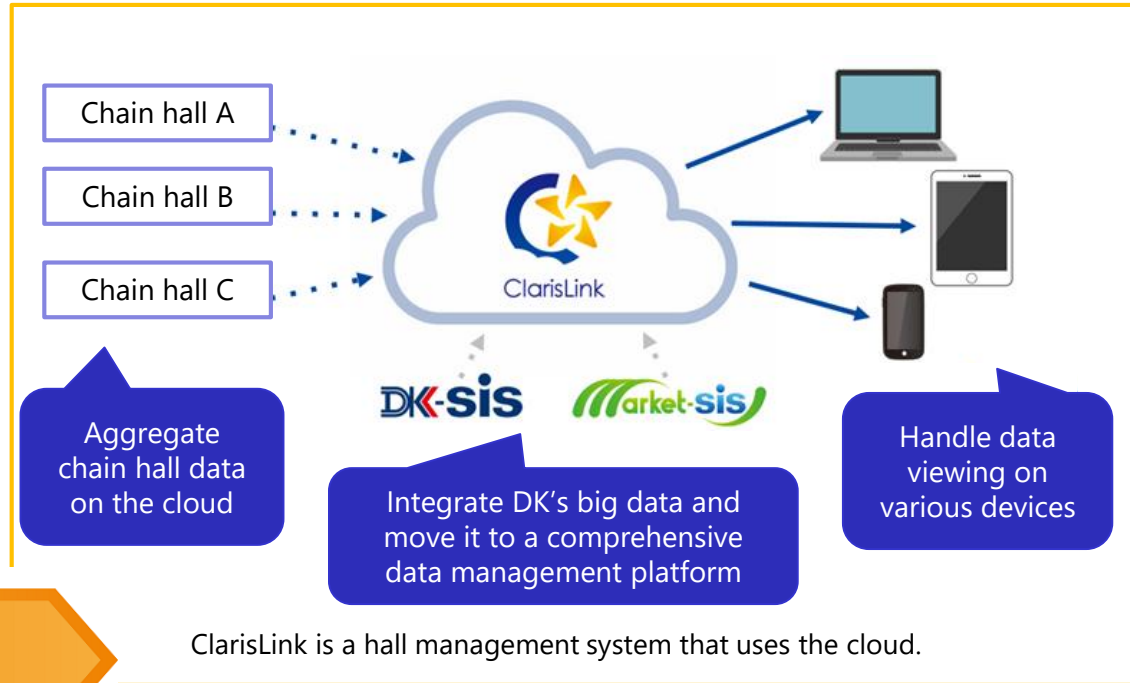
It is a terminal installed on each game machine to lend balls and medals for playing.

The latest model VEGASIA III is equipped with a large touch screen and enables operation that is easy to see and understand.

In addition, it has also realized advanced security and analysis within halls in conjunction with X.



We will develop various MIRAIGATE services including ClarisLink

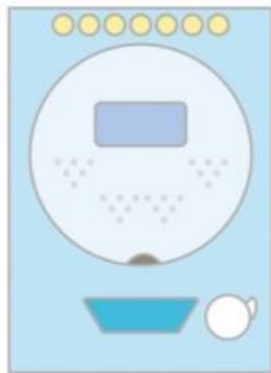


In future, we will expand MIRAIGATE services (stock-type business) and build the industry's only platform

We will develop and provide plans for game machines (including content), software and hardware

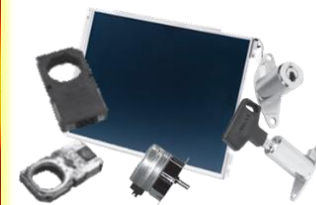
## Development and provision of software and hardware of game machine

We will develop and provide plans for game machines (including content), software and hardware to pachinko and pachislot game machine manufacturers



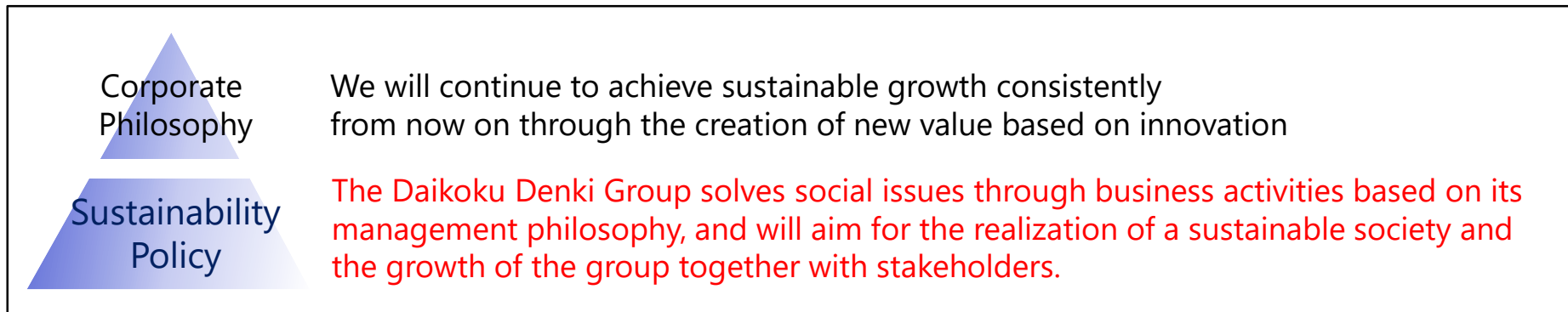
## DK's approach to development (examples)

- Use of DK-SIS data
- Improvement of manufacturing process management quality by pursuing work efficiency
- Strengthen of planning and proposal capabilities with housing sets



**Through the strengthening of planning and proposal capabilities, and improving process control quality, etc., we are working to expand the range of areas where we can make proposals to game machine manufacturers and to increase added value.**

We have formulated a Sustainability Policy and identified Materialities



| ESG | Materialities                              | SDGs |
|-----|--|------|
| E   | Contributions to the global environment    |      |
| S   | Promotion of activities by human resources |      |
|     | Provision of solutions based on innovation |      |
|     | Handling of addiction                      |      |
| G   | Strengthening of governance and compliance |      |



## We will promote specific initiatives based on Materialities

### • Release of gambling addiction check games

- Materiality : Handling of addiction
- SDGs Goal12 : RESPONSIBLE CONSUMPTION AND PRODUCTION



- Certified by the Ministry of Internal Affairs and Communications among the “Top Hundred Telework Pioneers” Certified as a welfare-promoting company under “Work Cheer 2022”

- Materiality : Promotion of activities by human resources
- SDGs Goal8 : DECENT WORK AND ECONOMIC GROWTH



### • Holding of parent-child programming experience classes

- Materiality : Promotion of activities by human resources  
: Provision of solutions based on innovation
- SDGs Goal4 : QUALITY EDUCATION  
SDGs Goal9 : INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Installation of solar panels at the Kasugai Division Office (plan)
- Disclose of information related to climate change based on the TCFD (plan)

- Materiality : Contributions to the global environment
- SDGs Goal7 : AFFORDABLE AND CLEAN ENERGY  
Goal13 : CLIMATE ACTION



# Disclaimer

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These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.

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