



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Under Japanese GAAP)

August 12, 2022

Company name: Daikoku Denki Co., Ltd. Listing: Tokyo Stock Exchange/
Nagoya Stock Exchange
Securities code: 6430 URL <https://www.daikoku.co.jp/>
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Scheduled date of filing quarterly report: August 12, 2022
Scheduled date of commencement of dividend payments: -
Preparation of supplementary materials for quarterly financial results : Yes
Holding of quarterly financial results briefing : None
(Amounts less than one million yen are rounded down.)

1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (First 3 months)

(Percentage figures show year-on-year increase or decrease.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2023/3	5,818	8.5	227	(39.4)	306	(23.0)	191	(27.7)
Q1 of FY2022/3	5,363	0.8	375	-	398	-	264	-

(Note) Comprehensive income: Q1 of FY2023/3 191 million yen [(27.2%)]
Q1 of FY2022/3 263 million yen [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q1 of FY2023/3	12.95	-
Q1 of FY2022/3	17.91	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q1 of FY2023/3	40,284	30,816	76.5
FY2022/3	41,489	31,141	75.1

(Reference) Shareholders' equity: Q1 of FY2023/3 30,816 million yen
FY2022/3 31,141 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY2022/3	Yen -	Yen 25.00	Yen -	Yen 35.00	Yen 60.00
FY2023/3	-				
FY2023/3 (Forecast)		10.00	-	30.00	40.00

(Note) Revisions to recently released dividends forecasts : None

3. Consolidated financial forecast for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023) (Percentages represent changes from the previous year for the full year, and on a year-on-year basis for quarterly results.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First 6 months	11,000	(8.7)	50	(94.2)	130	(85.9)	100	(85.3)	6.76
Full year	26,000	6.6	850	(28.6)	950	(30.5)	650	(47.1)	43.97

(Note) Revisions to recently released earnings forecasts : None

* Notes

(1) Changes in significant subsidiaries during the period : None

(2) Application of accounting treatment for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations : None
- 2) Changes in accounting policies due to reasons other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(4) Number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock)	Q1 of FY2023/3	14,783,900 shares	FY2022/3	14,783,900 shares
2) Number of shares of treasury stock at the end of the period	Q1 of FY2023/3	918 shares	FY2022/3	918 shares
3) Average number of shares outstanding during the period (QTD) (Total)	Q1 of FY2023/3	14,782,982 shares	Q1 of FY2022/3	14,782,982 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

All forward-looking statements in this document such as financial forecasts and outlooks are based on the information currently available to and certain assumptions deemed reasonable by the company and are not a promise that the company is committed to achieving them. In addition, they may be materially different from actual results etc. due to various factors.

For earnings forecasts, please see page 3, (3) Future prospects information including consolidated earnings forecasts in 1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023.

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1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023

(1) Explanation of operating results

The Japanese economy to the end of the first quarter of the current consolidated fiscal year (April 1, 2022 to June 30, 2022) saw business pick up amid the normalization of economic and social activities with every possible precaution taken against COVID-19 infections. However, the future outlook remains uncertain due to concerns over curbed economic activities in China and the impact of a prolonged Russia-Ukraine war, rising resource prices, supply constraints, and downside risks coming from volatile financial and capital markets, among other factors.

In the pachinko industry that our group is engaged in, pachinko parlors continued operating while taking thorough measures to prevent infections, and the state of operation of pachinko machines averaged 101.9% YoY during the period from April to June 2022. In terms of pachinko machines operations by type, hit models supported highly by fans were released to the market continuously, and the average for the period from April to June remained strong at 106.6% YoY. As for pachislot machines, conditions remain difficult, with the average for the period from April to June at 94.3% YoY (comparison using the company's DK-SIS data).

Despite the difficult situation surrounding pachislot machines, the new Unit 6 (6.5) launched in June and Smart Pachislot machines (coming soon) are drawing attention.

In this market environment, in the information systems business we released a new Rakuraku Irekae Unyo (easy replacement operation) option service in June for the AI hall computer X (Kai), which can process and finish complex model replacement settings and data transfers for display lamps within a short time frame. This is in an effort to propose a service and strengthen operational efficiency at pachinko halls and help facilitate the handling of increasingly complicated games machines management. Aiming for the expansion of the MIRAIGATE service, we have continued sales promotion since the previous fiscal year for the cloud-based chain store management system ClarisLink and the business area analysis service Market-SIS. We hosted a web seminar online in June, where many pachinko parlor management companies participated, and we offered them proposals to improve business performance in terms of data management for pachinko/pachislot machines.

In the control systems business, we worked on strengthening the development structure and restructuring the manufacturing environment for pachislot machines, in addition to the existing pachinko machines, in order to expand our business areas. To win new contracts, we also searched for powerful content (IP) and promoted planning/proposal activities in cooperation with group companies to target game machine manufacturers.

As a result, cumulative results in the first quarter of the current consolidated fiscal year showed sales of ¥5.818 billion (8.5% up YoY), an operating profit of ¥227 million (39.4% down YoY), an ordinary profit of ¥306 million (23.0% down YoY), and a quarterly net profit attributable to parent company shareholders of ¥191 million (27.7% down YoY).

The results by segment are as follows:

(Information systems business)

In the business during the first quarter, moves to seek trends in smart games machines (Smart Pachinko/Smart Pachislot), which are to be released in the market this fall, put us in a difficult situation, with the opening of new parlors and large-scale refurbishment projects held off. However, the number of small-scale refurbishment works to make partial changes to pachinko parlors from pachislot machines to pachinko machines, which showed strong performance, were still ongoing, and demand was seen for updating from old equipment.

In this market environment, sales of products for pachinko parlors decreased YoY; the supply of popular products could not keep up with strong customer demand due to the global semiconductor shortage, and we had to adjust the number of units for sale unfortunately. Sales of services fell YoY due to decreases in work revenue, etc. despite an increase in the number of member parlors signing up for the new services such as ClarisLink and Market-SIS.

As a result, in this business field we recorded sales of ¥4.2 billion (3.3% down YoY) and a segment profit of ¥625 million (2.8% down YoY).

(Control systems business)

In the business during the period, the total sales of games machines decreased in the overall market, as a backlash after the completion of replacement to new-rule machines which had been set out during the previous fiscal year. In such a market environment, sales of display units and control units fell below those for the same period last year, whereas sales of parts were strong, up YoY.

The company also recorded an allowance for doubtful accounts for receivables due from game machine manufacturers under civil rehabilitation proceedings.

As a result, in this business field we recorded sales of ¥1.620 billion (58.5% up YoY) and a segment loss of ¥32 million (compared to a segment profit of ¥105 million in the same period of the previous year).

(Millions of yen)					
		Q1 of FY2022/3	Q1 of FY2023/3	Change	Change (%)
Net sales		5,363	5,818	455	8.5
	Information systems business	4,343	4,200	(143)	(3.3)
	Control systems business	1,022	1,620	598	58.5
Operating profit		375	227	(148)	(39.4)
Ordinary profit		398	306	(91)	(23.0)
Profit attributable to owners of parent		264	191	(73)	(27.7)

(Note) Intersegment transactions are included in the amounts in the results by segment.

(2) Explanation of financial position

Total assets at the end of the first quarter of the current consolidated fiscal year decreased by ¥1,205 million from the end of the previous consolidated fiscal year to ¥40.284 billion. This is a result of increases in goods and products, decrease due to collection of trade receivables, etc., and decreases in tangible and intangible fixed assets due to factors including the recording of depreciation expenses.

Liabilities at the end of the first quarter were ¥9.467 billion, ¥880 million lower than at the end of the previous fiscal year due to the fact that capital investment made in June 2022 was smaller than in March 2022 and the payment of consumption tax reduced Other in current liabilities, among other factors.

Our net assets at the end of the first quarter of the current consolidated fiscal year were ¥30.816 billion, ¥325 million lower than at the end of the previous consolidated fiscal year due to the payment of dividends and other factors. The shareholders' equity ratio was 76.5%, 1.4 points up from the end of the previous consolidated fiscal year.

(3) Explanation of future prospects information including consolidated earnings forecasts

There are no changes to the earnings forecasts for the cumulative second quarter (first six months) and the full year of the fiscal year ending March 31, 2023 that were disclosed at the earnings briefing for the fiscal year ended March 31, 2022, held on May 13, 2022.

We will promptly disclose any revisions that need to be made to the earnings forecasts in the future.

In addition, there have been no material changes to the content disclosed in the latest securities report (submitted on June 30, 2022) concerning risks that may have an impact on results.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

	(Thousand yen)	
	Fiscal year ended March 31, 2022 (March 31, 2022)	First quarter, year ending March 31, 2023 (June 30, 2022)
Net assets		
Current assets		
Cash and deposits	16,581,552	16,007,211
Notes and accounts receivable - trade, and contract assets	3,395,453	2,315,061
Electronically recorded monetary claims - operating	1,672,665	1,724,462
Merchandise and finished goods	3,670,843	4,612,704
Work in process	93,408	76,917
Raw materials and supplies	669,916	541,788
Other	683,570	747,694
Allowance for doubtful accounts	(3,210)	(143,677)
Total current assets	26,764,200	25,882,162
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,378,195	3,326,446
Land	4,162,117	4,162,117
Other, net	818,769	741,590
Total property, plant and equipment	8,359,082	8,230,155
Intangible assets		
Software	2,318,108	2,108,012
Other	33,547	33,421
Total intangible assets	2,351,655	2,141,433
Investments and other assets		
Deferred tax assets	679,116	672,022
Investment property, net	881,248	876,946
Other	2,608,634	2,634,262
Allowance for doubtful accounts	(154,032)	(152,827)
Total investments and other assets	4,014,967	4,030,403
Total non-current assets	14,725,705	14,401,992
Total assets	41,489,905	40,284,155

(Thousand yen)

	Fiscal year ended March 31, 2022 (March 31, 2022)	First quarter, year ending March 31, 2023 (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,594,482	2,052,580
Electronically recorded obligations - operating	2,588,490	2,883,550
Short-term borrowings	2,000,000	2,000,000
Income taxes payable	32,678	118,997
Provision for bonuses for directors (and other officers)	64,240	11,940
Provision for product warranties	61,368	47,646
Other	2,078,128	1,418,758
Total current liabilities	9,419,388	8,533,473
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	433,496	435,443
Retirement benefit liability	228,631	231,441
Other	266,675	267,507
Total non-current liabilities	928,803	934,392
Total liabilities	10,348,192	9,467,866
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	29,662,225	29,336,273
Treasury stock	(1,692)	(1,692)
Total shareholders' equity	31,014,540	30,688,588
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,680	13,415
Remeasurements of defined benefit plans	114,491	114,285
Total accumulated other comprehensive income	127,171	127,701
Total net assets	31,141,712	30,816,289
Total liabilities and net assets	41,489,905	40,284,155

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

Three months period

	(Thousand yen)	
	Three-month period in the fiscal year ended March 31, 2022 (From April 1, 2021 to June 30, 2021)	Three-month period in the fiscal year ending March 31, 2023 (From April 1, 2022 to June 30, 2022)
Net sales	5,363,427	5,818,991
Cost of sales	2,887,741	3,385,469
Gross profit	2,475,686	2,433,522
Selling, general and administrative expenses	2,099,843	2,205,746
Operating profit	375,843	227,775
Non-operating income		
Interest income	1	3,988
Dividend income	7,300	7,236
Rental income from real estate	22,537	22,272
Subsidies for employment adjustment	-	53,136
Other	6,979	9,720
Total non-operating income	36,819	96,354
Non-operating expenses		
Interest expenses	1,966	1,658
Foreign exchange losses	-	3,705
Rental expenses on real estate	12,202	11,475
Other	138	416
Total non-operating expenses	14,308	17,256
Ordinary profit	398,354	306,873
Extraordinary losses		
Loss on retirement of non-current assets	191	112
Impairment losses	3,240	2,500
Total extraordinary losses	3,431	2,612
Profit before income taxes	394,922	304,260
Income taxes - current	8,050	105,948
Income taxes - deferred	122,120	6,860
Total income taxes	130,170	112,808
Profit	264,752	191,452
Profit attributable to owners of parent	264,752	191,452

Quarterly consolidated statement of comprehensive income

Three month period

(Thousand yen)

	Three-month period in the fiscal year ended March 31, 2022 (From April 1, 2021 to June 30, 2021)	Three-month period in the fiscal year ending March 31, 2023 (From April 1, 2022 to June 30, 2022)
Profit	264,752	191,452
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,816)	734
Remeasurements of defined benefit plans, net of tax	1,635	(205)
Total other comprehensive income	(1,180)	529
Comprehensive income	263,571	191,981
(Profit attributable to)		
Comprehensive income attributable to owners of parent	263,571	191,981

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Additional information)

The company and its consolidated domestic subsidiaries transitioned from the consolidated taxation system to the group tax sharing system beginning in the first quarter of the current consolidated fiscal year. As a result of this, the company conforms to the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021) for the accounting procedures and disclosure for income and local taxes and tax effect accounting. In accordance with (1) in Article 32 of ASBJ PITF No. 42, we deem no effect of changes in accounting policies due to the application of ASBJ PITF No. 42.

(Segment information, etc.)

[Segment information]

I First quarter of the fiscal year ended March 31, 2022

1. Amounts of sales and income or losses by reportable segment

(Thousand yen)

	Reportable segments			Adjustments (Note)	Amount stated in consolidated statement of income
	Information systems business	Control systems business	Total		
Net sales					
Sales to external customers	4,343,178	1,020,249	5,363,427	-	5,363,427
Intersegment sales or transfers	-	2,068	2,068	(2,068)	-
Total	4,343,178	1,022,317	5,365,495	(2,068)	5,363,427
Segment income	643,410	105,536	748,947	(373,103)	375,843

(Note) 1 The adjustment of segment income of (¥373,103 thousand) includes the elimination of intersegment transactions of ¥1,758 thousand and corporate expenses unallocated to any reportable segments of (¥374,862 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

2 Segment income is adjusted to operating profit recorded in the quarterly consolidated statement of income.

2. Impairment of non-current assets or goodwill by reportable segment

In the control systems business segment, the carrying amount of business assets of consolidated subsidiaries is reduced to the recoverable amount after reviewing the recoverability of future cash flows.

Impairment losses of ¥3,240 thousand are recorded for the first quarter of the current consolidated fiscal year.

3. Changes in reportable segments

Dividends received previously recorded under non-operating income is reclassified into net sales beginning in the first quarter of the current consolidated fiscal year. As a result of this change, net sales and segment profit of the control systems business increased by ¥10,690 thousand, compared to before reclassification.

II First quarter of the fiscal year ending March 31, 2023

1. Amounts of sales and income or losses by reportable segment

(Thousand yen)

	Reportable segments			Adjustments (Note)	Amount stated in consolidated statement of income
	Information systems business	Control systems business	Total		
Net sales					
Sales to external customers	4,200,090	1,618,901	5,818,991	-	5,818,991
Intersegment sales or transfers	-	1,587	1,587	(1,587)	-
Total	4,200,090	1,620,488	5,820,579	(1,587)	5,818,991
Segment income (losses)	625,459	(32,887)	592,572	(364,796)	227,775

(Note) 1 The adjustment of segment income (losses) of (¥364,796 thousand) includes the elimination of intersegment transactions of (¥157 thousand) and corporate expenses unallocated to any reportable segments of (¥364,639 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

2 Segment income (losses) is adjusted to operating profit recorded in the quarterly consolidated statement of income.

2. Impairment of non-current assets or goodwill by reportable segment

In the control systems business segment, the carrying amount of business assets of consolidated subsidiaries is reduced to the recoverable amount after reviewing the recoverability of future cash flows.

Impairment losses of ¥2,500 thousand are recorded for the first quarter of the current consolidated fiscal year.

(Revenue recognition)

Breakdown of revenue from contracts with customers

First quarter of the fiscal year ended March 31, 2022

(Thousand yen)

	Reportable segments		Total
	Information systems business	Control systems business	
Products etc. for pachinko parlors	2,740,532	-	2,740,532
Services	1,602,645	-	1,602,645
Display/control units for game machine manufacturers	-	573,968	573,968
Parts/other	-	446,280	446,280
Revenue from contracts with customers	4,343,178	1,020,249	5,363,427
Other revenue	-	-	-
Sales to external customers	4,343,178	1,020,249	5,363,427

First quarter of the fiscal year ending March 31, 2023

(Thousand yen)

	Reportable segments		Total
	Information systems business	Control systems business	
Products etc. for pachinko parlors	2,604,095	-	2,604,095
Services	1,595,994	-	1,595,994
Display/control units for game machine manufacturers	-	407,302	407,302
Parts/other	-	1,211,598	1,211,598
Revenue from contracts with customers	4,200,090	1,618,901	5,818,991
Other revenue	-	-	-
Sales to external customers	4,200,090	1,618,901	5,818,991