



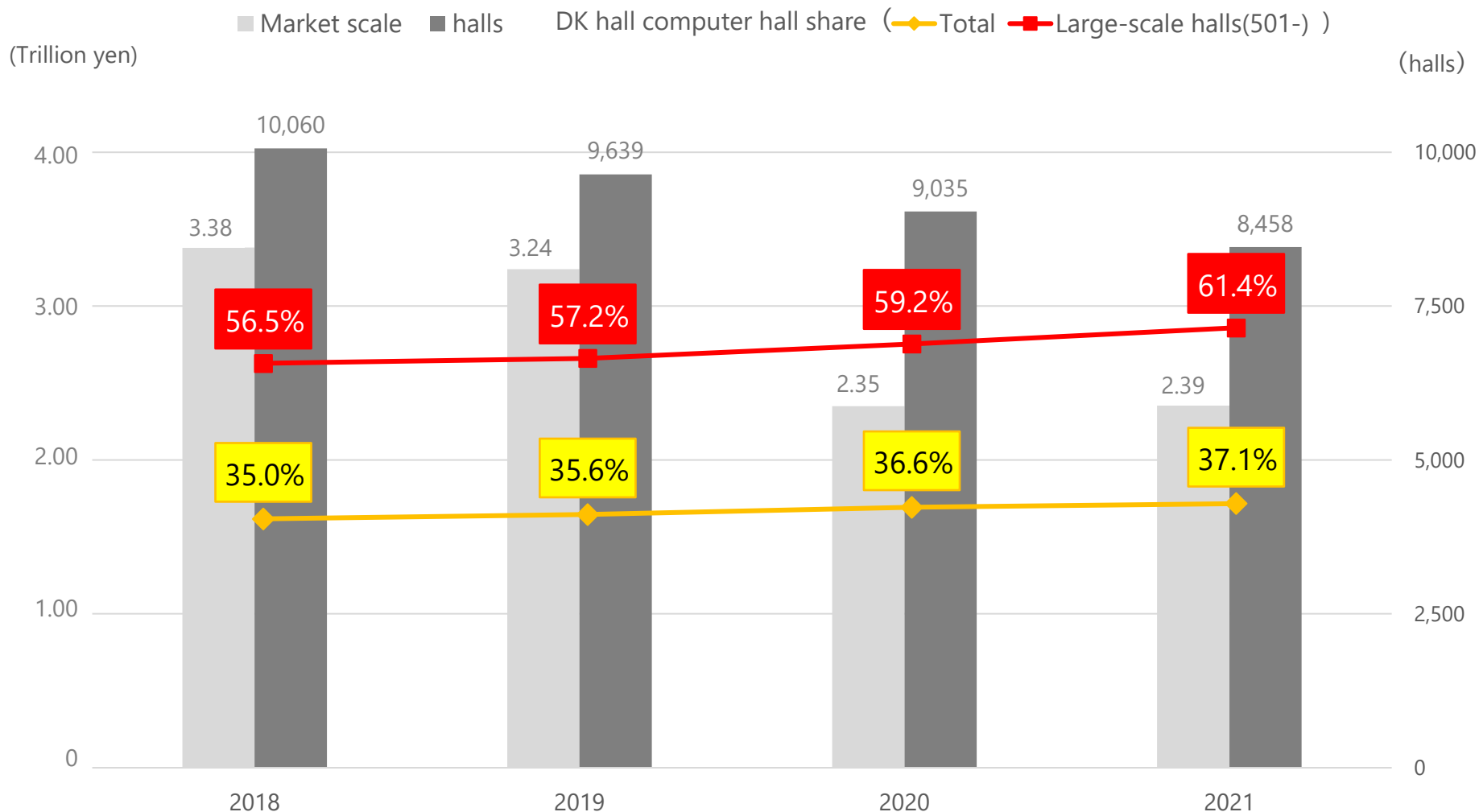
FY2022 Second Quarter Financial Results

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

Consolidated Financial Highlights

FY2022(2022/4~2023/3)

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

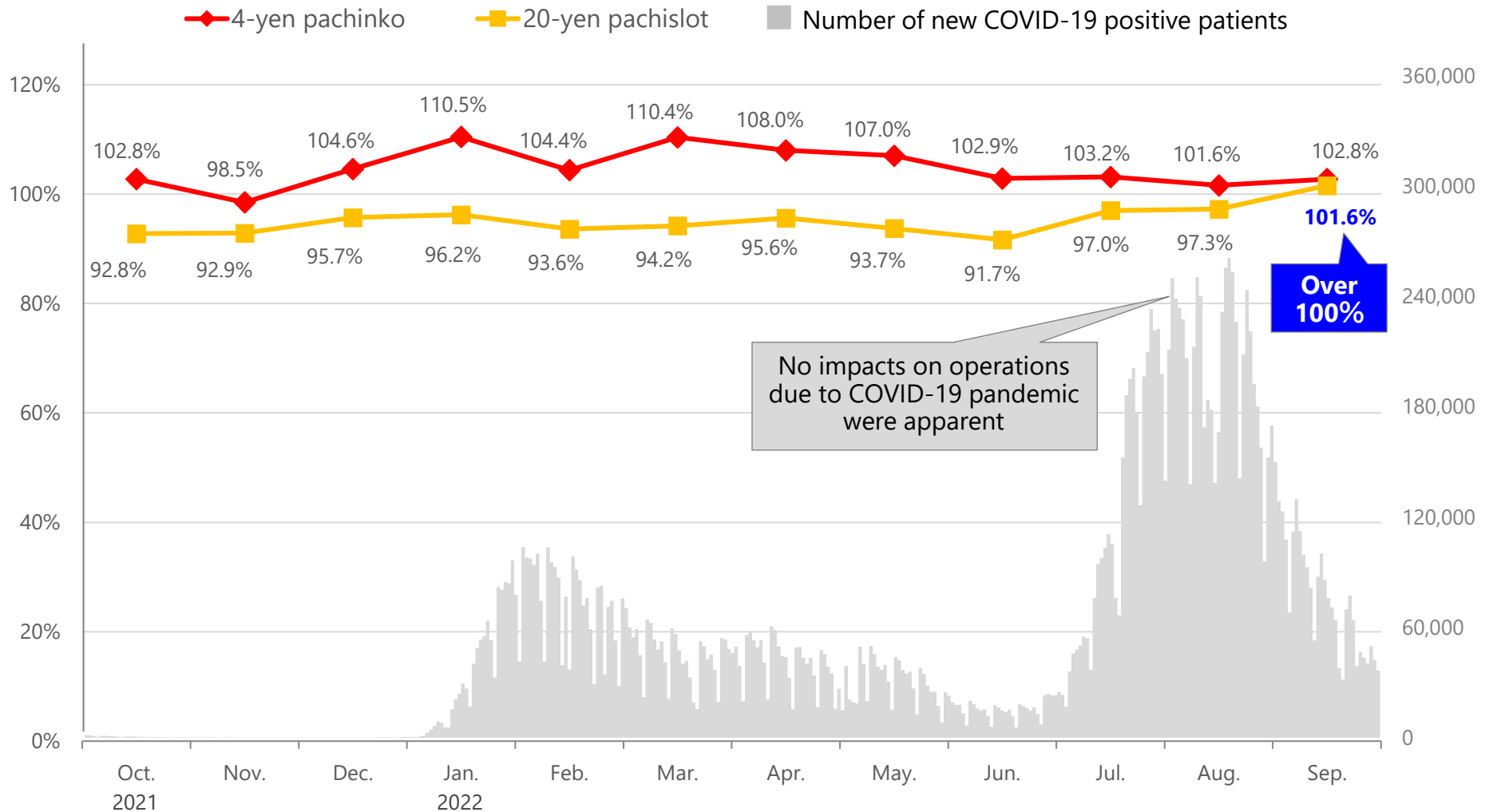


*Market scale (gross profit) is estimated from actual DK-SIS data.

*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

Pachislot operations, which continued to be sluggish, exceeded 100% in September compared to the same month of the previous year, due to the appearance of No. 6.5 machines



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

Consolidated Statements of Income (Summary)

Although sales and profits both declined, profits was significantly higher than the previously announced forecast

(Million yen)	FY2021 Q2	FY2022 Q2 (Forecast)	FY2022 Q2	YoY change	Difference between forecast and actual
Net sales	12,047	11,000	11,289	-757 (-6.3%)	+289 (+2.6%)
Gross profit-net	5,103	4,400	5,233	+130 (+2.6%)	+833 (+18.9%)
Selling, general and administrative expenses	4,239	4,350	4,483	+243 (+5.8%)	+133 (+3.1%)
Operating income	863	50	749	-113 (-13.2%)	+699 (-%)
Ordinary income	919	130	871	-47 (-5.2%)	+741 (+570.4%)
Net income attributable to owners of the parent	678	100	570	-108 (-15.9%)	+470 (+470.4%)

*Results forecast figures are based on the financial results materials for the fiscal year ending March 2022 disclosed on May 26, 2022

Sales decreased in both Information Systems and Control Systems Segments

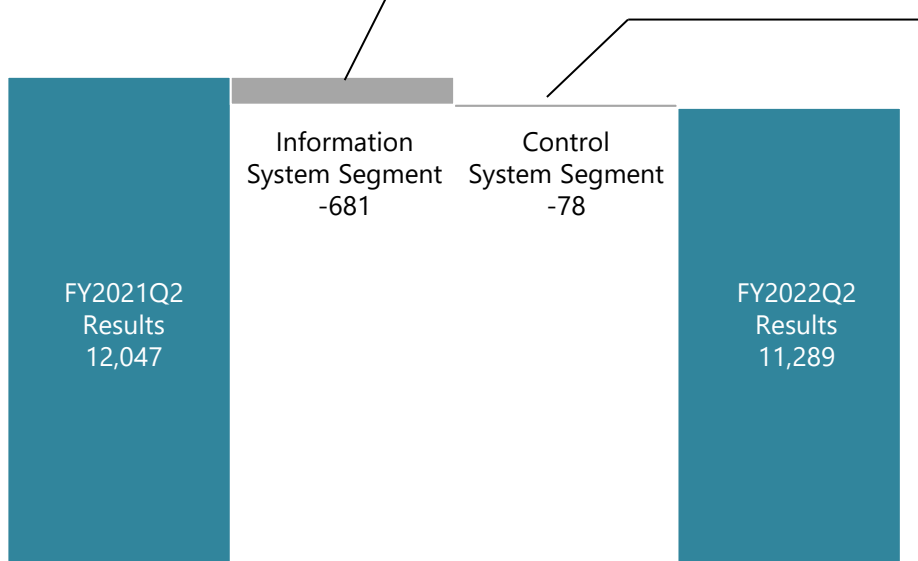
Information System Segment

Net sales in this segment were 8,505 million yen → YoY Change -681 million yen (-7.4%)

Products for pachinko halls, etc.: 5,319 million yen Service: 3,186 million yen

Sales of products for pachinko halls decreased YoY as supply could not keep up with demand due to the global semiconductor shortage; we had to adjust the number of units for sale unfortunately. Sales of services showed a marginal YoY decline due to the stagnant consumer business despite the steady growth seen in primary services such as the MG Service.

(Million yen)



Control System Segment

Net sales in this segment were 2,788 million yen

→ YoY Change -78 million yen (-2.7%)

Display and control units for games machine manufacturers: 1,011 million yen
Parts and others: 1,772 million yen

The total sales of games machines decreased in the overall market, as a backlash to the completion of replacement with new regulation machines which had been set out during the previous fiscal year and stances to sit on the fence on trends in next smart game machines to be released in the market. 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

*Business segment sales and income figures include intersegment transactions.

Operating Income

Although profits increased in Information Systems Segment, profits fell in Control Systems Segment

Information System Segment

Segment-operating income in this segment were 1,406 million yen → YoY Change +59 million yen (+4.4%)

→ The market is active because of expectations towards smart pachislot machines, and system upgrades for the X hall computer have exceeded forecasts significantly

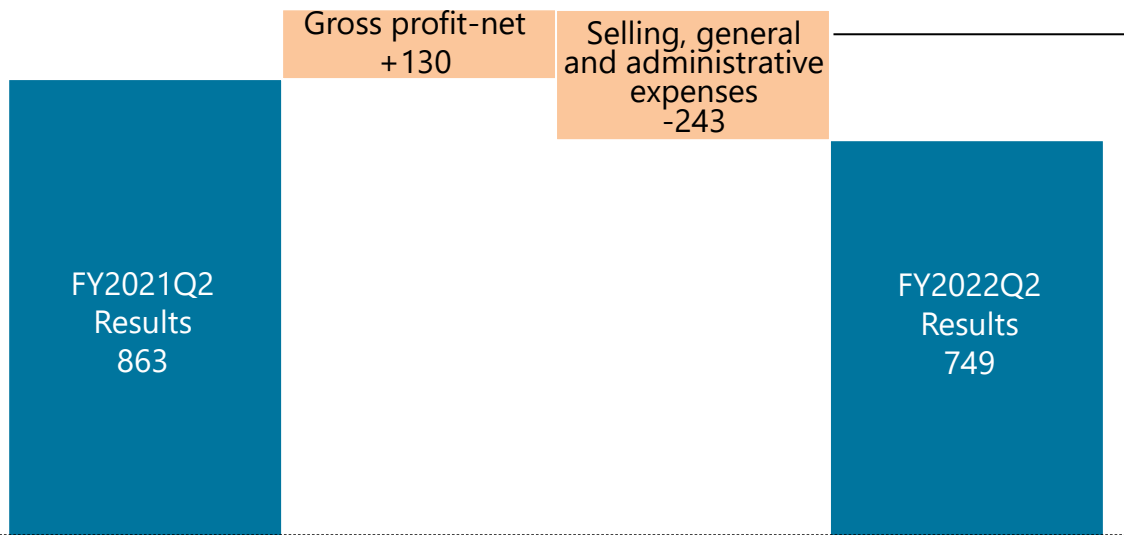
Control System Segment

Segment-operating income in this segment were 48 million yen → YoY Change -217 million yen (-81.8%)

→ Profits decreased significantly from the same period of the previous year due to investment in pachislot development and the provision of an allowance for doubtful accounts caused by civil rehabilitation procedures for game machine manufacturers the company trades with

The whole company cost : 706 million yen → YoY Change -47 million yen (-6.3%)

(Million yen)



■ Selling, general and administrative expenses

→ YoY Change +243 million yen

- Allowance for doubtful accounts : + 229 million yen
- R&D : + 16 million yen
- Sales promotion expenses : + 53 million yen

Consolidated Balance Sheets (Summary)

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

(Million yen)	FY2021	FY2022 Q2	YoY change
Current assets	26,764	25,800	-964
Noncurrent assets	14,725	14,111	-613
Total assets	41,489	39,911	-1,577
Current liabilities	9,419	7,781	-1,637
Noncurrent liabilities	928	935	+6
Total liabilities	10,348	8,717	-1,630
Total net assets	31,141	31,194	+52
Total liabilities and net assets	41,489	39,911	-1,577
Debt	2,001	2,001	±0
Shareholders' equity ratio	75.1%	78.2%	+3.1%
D/E ratio	0.06	0.06	±0

■ Total assets

Total assets at the end of the second quarter of the current consolidated fiscal year decreased by ¥1,577 million from the end of the previous consolidated fiscal year to ¥39,911 million. This is a result of increases in products for the rollout of smart game machines and decreases in cash and deposits due to the payment of trade payables, etc. and in tangible and intangible assets due to factors including the recording of depreciation expenses

■ Total liabilities

Liabilities at the end of the second quarter were ¥8,717 million, ¥1,630 million lower than at the end of the previous fiscal year due to the fact that capital investment made in September 2022 was smaller than in March 2022 and the payment of consumption tax reduced other current liabilities, among other factors

■ Total net assets

Despite year-end dividend payments, our net assets at the end of the second quarter were ¥31,194 million, ¥52 million higher than at the end of the previous consolidated fiscal year due to the recording of a quarterly net profit attributable to parent company shareholders

■ Shareholders' equity ratio

The shareholders' equity ratio was 78.2%, 3.1 points up from the end of the previous consolidated fiscal year.

Statements of Cash Flows

Operating cash flow was negative due to an increase in inventories and a decrease in trade payables

(Million yen)	FY2021 Q2	FY2021	FY2022 Q2
Operating CF	1,744	3,220	-343
Investment CF	-614	-564	-570
Financing CF	-1,443	-1,814	-517
Cash and cash equivalents	15,426	16,581	15,150
Free cash flow	1,130	2,655	-913

Cash and cash equivalents
(2022/3)

16,581

Operating CF -343

Income before income taxes +867

Change in trade receivables +1,932

Change in inventories -2,225

Change in trade payables -1,085

Other, net +167

Investment CF (Acquisition of intangible fixed assets -377 etc.) -570

Financing CF (Dividends paid -517 etc.) -517

Cash and cash equivalents
(2022/9)

15,150

FY Ending March 2023 Full Year Forecasts

FY Ending March 2023 Full Year Forecasts

The full-year forecast for both sales and profits has been revised upwards due to strong sales of equipment for smart game machines

(Million yen)	FY2021	FY2022		YoY change
	Total	1st half	Total (Forecasts)	
Net sales	24,390	11,289	26,500	+2,109
Gross profit-net	10,143	5,233	10,650	+506
Selling, general and administrative expenses	8,952	4,483	9,550	+597
Operating income	1,191	749	1,100	-91
Ordinary income	1,367	871	1,300	-67
Net income attributable to owners of the parent	1,228	570	850	-378

Research and development expenses	627	268	724	+97
Depreciation expense	1,762	795	1,668	-93
Capital investment	881	197	1,779	+897

*Capital investment includes investments in tangible and intangible non-current assets.

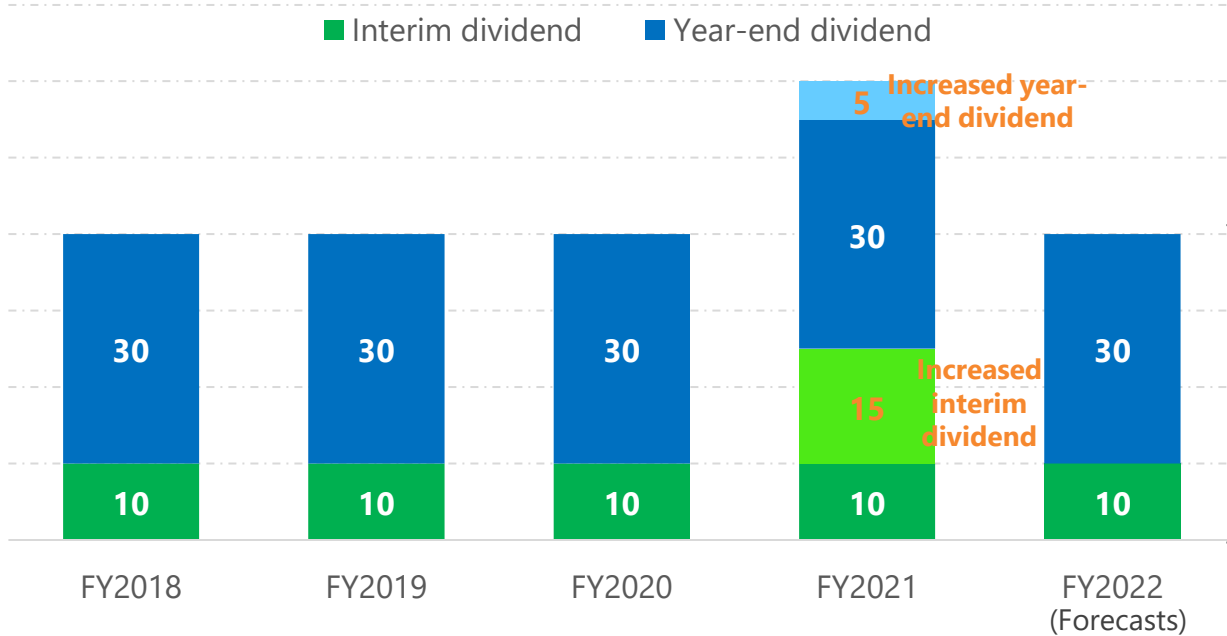
FY Ending March 2023 Full Year Forecasts by Segment

- Sales and profits in Information Systems Segment are expected to increase due to strong sales of equipment for smart game machines.
- In Control Systems Segment, sales and profits are expected to decline due to sales of display units, etc., to game machine manufacturers being delayed to next fiscal year and increased in investment in pachislot machines.

(Million yen)		FY2021	FY2022		YoY change
		Total	1st half	Total (Forecasts)	
	Information System Segment	18,647	8,505	21,100	+2,452
	Control System Segment	5,759	2,788	5,400	-359
	Segment sales	24,407	11,293	26,500	+2,092
	Information System Segment	2,171	1,406	2,400	+228
	Control System Segment	537	48	250	-287
	Segment sales	2,709	1,454	2,650	-59
	Corporate expenses	-1,524	-706	- 1,550	- 25
	Net sales	24,390	11,289	26,500	+ 2,109
	Operating income	1,191	749	1,100	-91

*Business segment sales and income figures include intersegment transactions.

Stable dividends are our basic policy and we will return profits in accordance with results



Stable Dividend(40yen)

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

	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	10+15 (increased dividend)	30+5 (increased dividend)	60	72.2%
FY2022(Forecasts)	10	30	40	69.6%

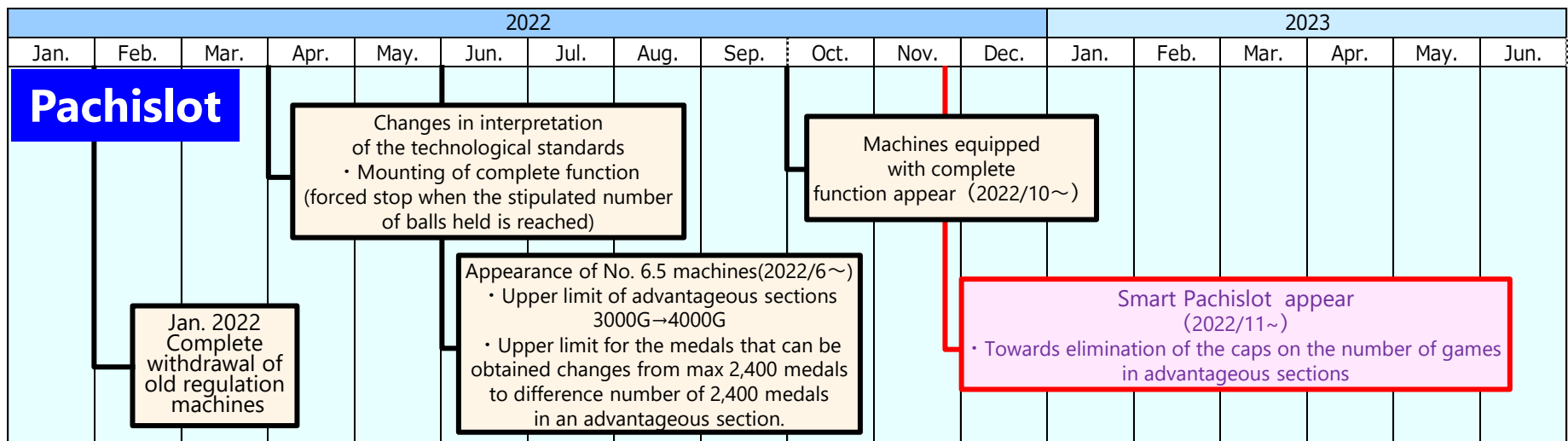
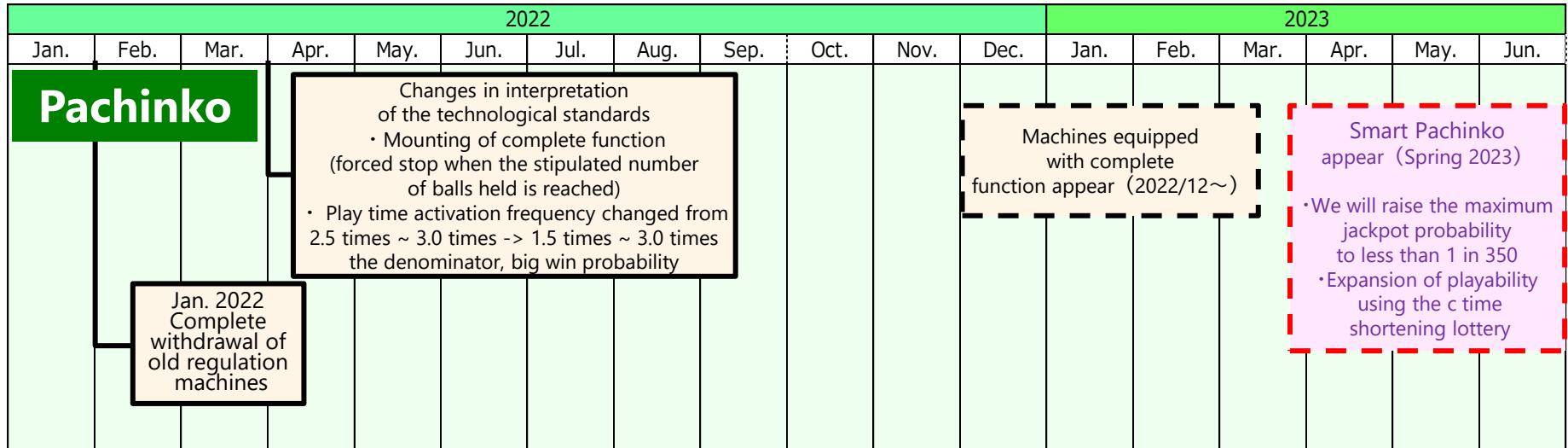
<This fiscal year will be our 50th, a milestone>

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



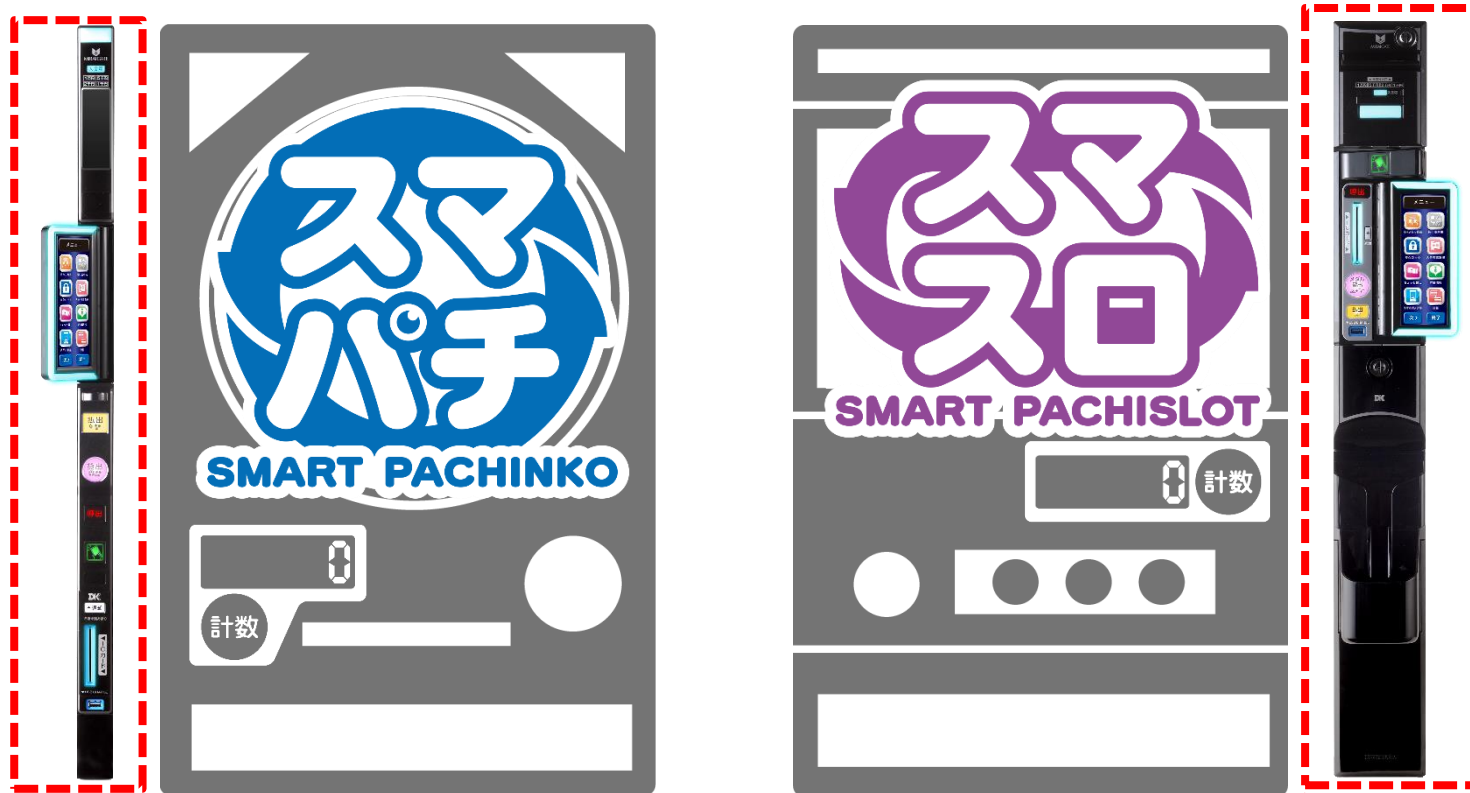
Reference Data

Smart Pachislot (November 2022) and Smart Pachinko (Spring 2023) appears



Handling of Smart Pachinko / Smart Pachislot

Sales of VEGASIA, a dedicated unit for Smart Pachinko / Smart Pachislot , expanded in line with the spread of smart game machines



The company's dedicated unit for Smart Pachinko / Smart Pachislot (VEGASIAⅢ-SP/SS)

Web seminar for industry “DK-SIS Seminar”

SIS Online Seminar
オンラインセミナー 躍進

ClarisLink
DK-sis Fan-sis
Xai-sis Market-sis

開催期間 6月20日(月)~24日(金)
※日替りともセミナー内容は同一、所要時間は約90分を予定、時間内は自由にご視聴いただけます。

第一回 13:30~15:30 第二回 18:00~20:00

講師 片瀬 宏之 成田 晋治 服部 祐治 竹河 雅斗

日	月	火	水	木	金	土
6/19	20	21	22	23	24	25
SIS Online seminar						
	成田・片瀬	竹河・服部	竹河・片瀬	成田・服部	成田・片瀬	竹河・服部
	竹河・服部	成田・片瀬	成田・服部	竹河・片瀬	竹河・服部	

4円パチンコの業績を上げるために
躍進させる2大ポイント

- ① アウト支持率を指標とした
自店タイプシェアの再構築
- ② 業界初! ビッグデータから導いた
特定日戦略の極意

MIRAIGATE-SIS統括部
上席講師 服部 祐治

『新台戦略』だけに頼らなくても業績向上できます

- ✓ It explained the latest industry trends and sales techniques that connect to the improvement of results
- ✓ About 5,000 people related to the industry watched

New MIRAIGATE Service Time shortening options



- ✓ This service can significantly reduce the time required to set up new game machines
- ✓ Contributes to pachinko hall labor saving

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

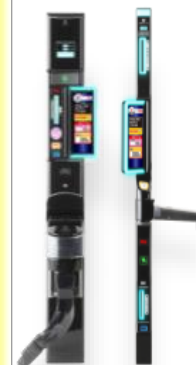
It displays machine data such as big wins and starts, produces images, lights and sounds matched to the machine, and allows fans to call staff.

CR unit

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

It provides advanced security and analysis within halls in conjunction with the X hall computer

In recent years, demand for the VEGASIA III-SP/SS, a dedicated unit for smart game machines, has surged.



As a stock-type business, we provide services for pachinko halls and pachinko fans

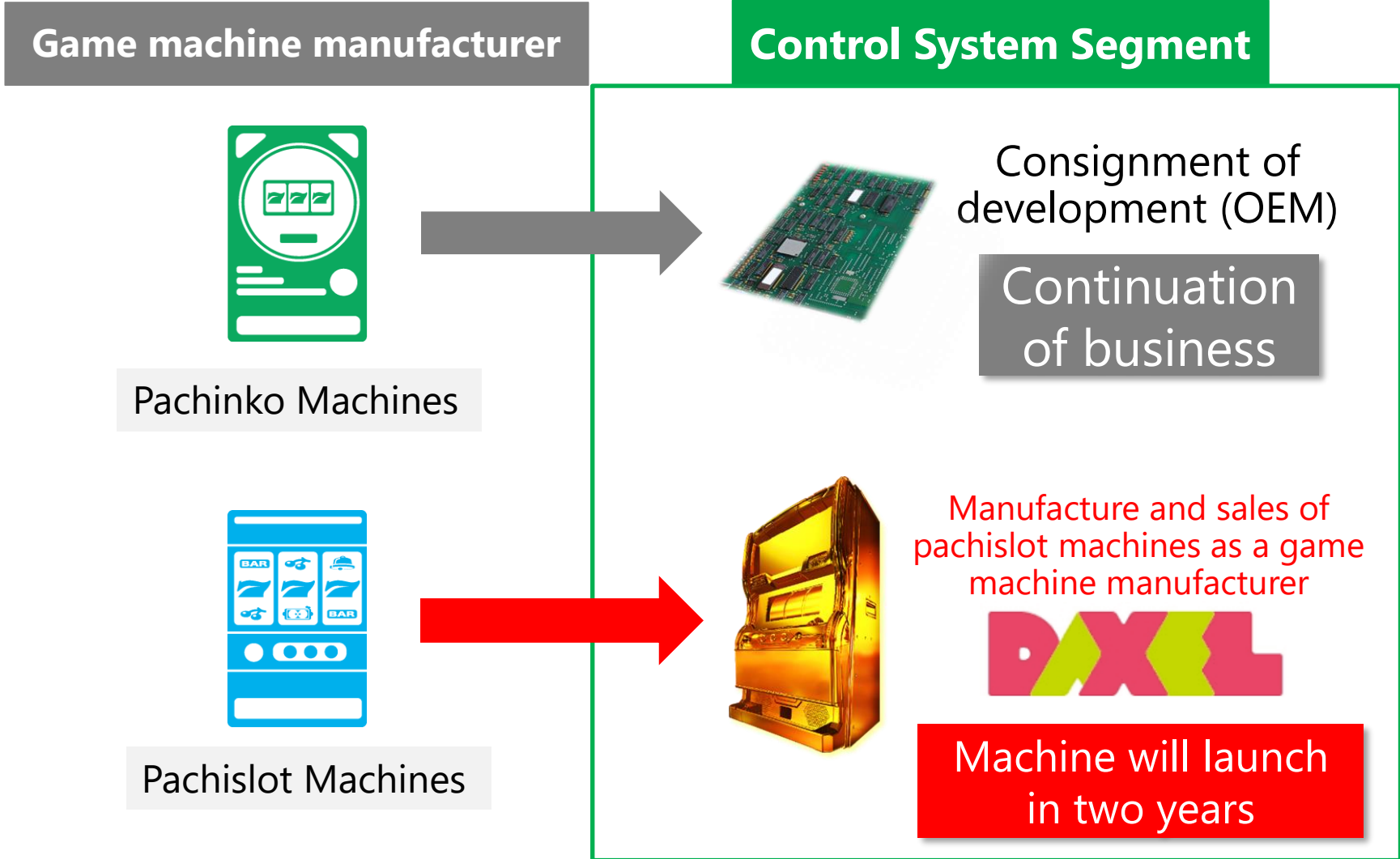
MIRAIGATE Service (for Pachinko halls)

SITE SEVEN, SITE SEVEN TV (for Pachinko fans)



Business Expansion / Control System Segment

Although we will continue to accept development contracts for pachinko machines, we will focus on pachislot in the future



We have formulated a Sustainability Policy and identified Materialities

We will continue to achieve sustainable growth consistently from now on through the creation of new value based on innovation

The Daikoku Denki Group solves social issues through business activities based on its management philosophy, and will aim for the realization of a sustainable society and the growth of the group together with stakeholders.

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 have formulated a Sustainability Policy and identified Materialities

○Release of gambling addiction check game 「Chepachi」

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



○Holding of parent-child programming experience classes

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



○Certified by the Ministry of Internal Affairs and Communications among the “Telework Pioneer 100”

○Certified as a welfare-promoting company under “Work Cheer 2022”

○Endorsed “Aichi Work-Life Balance Movement 2022”

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



○Installation of solar panels at the Kasugai Division Office

○Disclose of information related to climate change based on the TCFD

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





■ Contact details for inquiries

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