Consolidated Financial Results for the Fiscal Year Ended March 31, 2023
(Under Japanese GAAP)

May 15, 2023

Company name:	Daikoku Denki Co., Ltd.	Listing:	Tokyo Stock Exchange/ Nagoya Stock Exchange
Securities code:	6430	URL	https://www.daikoku.co.jp/

Representative: (Title) President and Representative Director (Name) Masakatsu Kayamori
Inquiries: (Title) Representative Director and Executive director (Name) Toshifumi Oonari (TEL) 052-581-7111

Scheduled date of Annual General Meeting of Shareholders: June 29, 2023
Scheduled date of commencement of dividend payments: June 13, 2023
Scheduled date of filing of Securities Report: June 30, 2023
Preparation of supplementary financial results material: Yes
Holding of financial results briefing: Yes (For institutional investors and analysts)

(Amounts less than one million yen are rounded down.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023/3	31,824	30.5	4,019	237.4	4,260	211.5	2,927	138.2
FY2022/3	24,390	4.5	1,191	96.2	1,367	38.6	1,228	100.6

(Note) Comprehensive income: FY2023/3 2,923 million yen (138.4%)
FY2022/3 1,226 million yen (44.7%)

	Profit per share	Diluted profit per share	Return on equity capital	Return on total assets	Operating income margin
	Yen	Yen	%	%	%
FY2023/3	198.05	-	9.1	9.5	12.6
FY2022/3	83.13	-	4.0	3.3	4.9

[Reference] Share of loss (profit) of entities accounted for using equity method FY2023/3 -million yen FY2022/3 -million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2023/3	48,298	33,399	69.2	2,259.36
FY2022/3	41,489	31,141	75.1	2,106.59

(Reference) Shareholders' equity: FY2023/3 33,399 million yen
FY2022/3 31,141 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2023/3	2,983	(1,976)	(666)	16,922
FY2022/3	3,220	(564)	(1,814)	16,581

2. Cash dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on net assets ratio (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2022/3	-	25.00	-	35.00	60.00	886	72.2	2.9
FY2023/3	-	10.00	-	60.00	70.00	1,034	35.3	3.2
FY2024/3 (Forecast)	-	20.00	-	30.00	50.00		24.6	

3. Consolidated financial forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	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
Full year	38,000	19.4	4,200	4.5	4,350	2.1	3,000	2.5	202.94

Note: Since our Group manages its business performance on an annual basis, the first half of the fiscal year ending March 31, 2024, has been omitted from the forecast. For details, please refer to “1. Overview of Operating Results, (4) Future outlook” on page 4 of the attached document.

* Notes

(1) Changes in major subsidiaries during period : Yes

(Changes in specified subsidiaries accompanying changes in the scope of consolidation)

New: 1 company; Name: GLOBAL WISE Co.

(2) 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

(3) Number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock)	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	FY2023/3	995 shares	FY2022/3	918 shares
3) Average number of shares outstanding during the period	FY2023/3	14,782,974 shares	FY2022/3	14,782,982 shares

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023/3	30,354	31.1	4,198	276.6	4,466	233.7	3,007	183.5
FY2022/3	23,161	5.9	1,114	233.3	1,338	81.2	1,060	26.6

	Profit per share	Diluted profit per share
	Yen	Yen
FY2023/3	203.44	-
FY2022/3	71.75	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2023/3	47,319	32,359	68.4	2,188.96
FY2022/3	40,220	30,013	74.6	2,030.24

[Reference] Equity capital FY2023/3 32,359 million yen FY2022/3 30,013 million yen

* Financial results reports are exempt from auditing conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes on forward-looking statements, etc.)

All forward-looking statements in this document such as financial forecasts and outlook are based on the information currently available to and certain assumptions deemed reasonable by our Group and are not a promise of achieving them.

In addition, they may be materially different from actual results etc. due to various factors.

Regarding the assumptions, notes and other matters relating to financial forecasts, please see page 4, (4) Future outlook in 1. Overview of Operating Results, etc.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

[1] Operating results for the fiscal year under review

During the consolidated fiscal year under review (from April 1, 2022 to March 31, 2023), Japan's economy showed signs of recovery due to the effects of infection prevention measures against the pandemic and various policies taken for the With COVID era. However, the outlook remains uncertain because of soaring resource prices due to international situations, and price hikes triggered by supply constraints, among other factors.

In the pachinko industry, in which our Group is engaged, according to the National Police Agency (announced in April 2023), the number of pachinko parlors in operation as of December 31, 2022, was 7,665 (90.6% compared to the previous year) and the number of installed pachinko and pachislot machines decreased to 3,516,730 units (92.2% compared to the previous year), indicating that the market environment continues to be severe. However, the number of machines installed per parlor increased by 7.8 units to 458.8 units.

The average operation status of all game machines during the period from January to March 2023 reached 105.9% compared to the same period the previous year. As for operation status by type, pachinko machines increased 100.6% year on year, and pachislot machines increased significantly to 117.8% year on year, partly due to the introduction of pachislot machine No. 6.5 model in June last year and smart pachislot machines in November that were well received by fans (based on our DK-SIS data).

Market expectations for smart game machines are high, with four smart pachislot machine models introduced as of March 31, 2023, and a proportion of smart pachislot machines installed in all pachislot models was 8.2% (based on our DK-SIS data), showing steady growth. With the introduction of smart pachinko machines scheduled to begin in April, capital investment in both pachinko and pachislot machines to be compatible with smart game machines is expected to become even more active in the future.

Given this market environment, in the first year of our Medium-term Management Plan announced on November 24, 2021, we have taken the following measures to respond to future changes in the market environment, with a focus on redefining our business domains.

In the information systems business, we made Global Wise Co., a developer of cloud services and other systems, a subsidiary through the acquisition of shares to achieve the early realization of cloud computing for existing services. As for existing products, the Company launched a proposal to promote replacement by upgrading the system to X (KAI), an AI parlor computer optimized for data management of smart game machines, and launched the "Rakuraku (easy) replacement operation option," a service that helps improve operational efficiency that completes complicated work in a short period of time when replacing game machines. In addition, the Company proposed MIRAIGATE services that respond to market changes brought about by the launch of smart game machines and, with the aim of further expanding these services, conducted promotional activities for ClarisLink, a cloud chain store management system, and Market-SIS, a trade area analysis service that provides information on customer traffic in the surrounding area.

In the control systems business, preparing for future entry into the smart pachislot business, the Company's subsidiary A-LOFT Inc. executed a share transfer agreement with LAIRI Inc. to develop pachislot machines, making it a subsidiary from April 2023. In addition to the existing pachinko machines, we have strengthened our development framework and reorganized our manufacturing environment for pachislot machines, and have manufactured one pachislot machine model.

In our sustainability initiatives, we expressed our support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations last December, and disclosed information in line with the TCFD recommendations on our website. To reduce GHG emissions, solar panels were installed on the roof of the Company's Kasugai Division Office, and introduction of renewable energy sources was promoted. To address the issue of addiction, we released "Cheppachi," a gambling addiction check game. We will continue to work on resolving material issues identified by the Company (materiality) for the realization of a sustainable society and the growth of our Group.

As a result, the performance for the consolidated fiscal year under review recorded net sales of ¥31,824 million (up 30.5% year on year), an operating profit of ¥4,019 million (up 237.4% year on year), an ordinary profit of ¥4,260 million (up 211.5% year on year) and profit attributable to owners of parent of ¥2,927 million (up 138.2% year on year).

The results by segment are as follows:

Information systems business

During the consolidated fiscal year under review, pachinko parlor management companies have been preparing to respond to active capital investment demand to the maximum extent possible, with the introduction of smart pachislot machines in November last year and smart pachinko machines in April.

In this market environment, although there were some products that had to be adjusted in sales volume due to difficulties in procuring electronic components and other items, sales of "Products for Pachinko Parlors, etc." increased significantly year on year as a result of system upgrades to the AI parlor computer X (KAI), strong sales of the Company's VEGASIA card unit, which includes a dedicated unit for smart game machines, and the BiGMO PREMIUM information disclosure terminal for fans, with high demand for pachislot machines. The sales of "Services" increased year on year due to steady sales of major services, and an increase in the number of member stores of MIRAIGATE service in response to market changes with the launch of ClarisLink, Market-SIS, and smart game machines.

As a result, the business recorded net sales of ¥26,209 million (up 40.6% year on year) and a segment profit of ¥5,490 million (up 152.8% year on year).

Control systems business

During the consolidated fiscal year under review, the total number of game machine units sold decreased in the overall market as a reaction to the completion of replacement with new regulation machines, which had been set out during the previous fiscal year and due to the continued exploration of smart game machine trends from the beginning of the period. However, with the steady introduction of smart pachislot machines last November with scheduled introduction of smart pachinko machines in next April, the market is expected to revitalize. In such a market environment, sales of display units and control units for pachinko machines fell below those for the same period last year, whereas sales of parts were strong, up year on year. The Company also recorded bad debt expenses for receivables due to game machine manufacturers under civil rehabilitation proceedings and subsidiaries' uncollected receivables.

As a result, the business recorded net sales of ¥5,639 million (down 2.1% year on year) and a segment profit of ¥140 million (down 73.8% year on year).

(Millions of yen)

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change	Change (%)
Net sales		24,390	31,824	7,434	30.5%
	Information systems business	18,647	26,209	7,562	40.6%
	Control systems business	5,759	5,639	(120)	(2.1)%
Operating profit		1,191	4,019	2,828	237.4%
Ordinary profit		1,367	4,260	2,892	211.5%
Profit attributable to owners of parent		1,228	2,927	1,698	138.2%

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

(2) Overview of financial position for the fiscal year under review

Total assets at the end of consolidated fiscal year under review increased 6,808 million yen from the end of previous fiscal year to 48,298 million yen, mainly due to a significant increase in trade receivables resulting from strong business performance, despite a decrease in non-current assets due to impairment and deprecation of idle assets with no future utilization plans.

Liabilities at the end of consolidated fiscal year under review showed an increase in trade payables accompanying an increase in product purchases. In addition, an increase in income taxes payable with the income increase due to strong business performance resulted in increase of ¥4,550 million from the end of previous fiscal year to ¥14,898 million.

Despite dividend payments, etc., our net assets at the end of consolidated fiscal year under review were ¥33,399 million, up ¥2,258 million from the end of previous consolidated fiscal year due to the recording of profit attributable to owners of parent. Equity ratio was 69.2%, 5.9 points down from the end of previous consolidated fiscal year.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter referred to as "funds") at the end of consolidated fiscal year under review increased by ¥341 million to ¥16,922 million compared to the end of previous consolidated fiscal year.

The state of each cash flow during the consolidated fiscal year under review was as follows:

(Cash flows from operating activities)

Funds obtained from operating activities were ¥2,983 million (income of ¥3,220 million year on year). The main factors in payments included increases in trade receivables (+¥1,964 million) and inventories (+¥4,094 million), while in income included increases in profit before income taxes (¥4,137 million), depreciation (¥1,589 million) and trade payables (+¥2,759 million).

(Cash flows from investing activities)

Funds used due to investing activities were ¥1,976 million (payments of ¥564 million in the same period of the previous year). This was mainly due to the purchase of shares of subsidiaries accompanying the change in the scope of consolidation and the purchase of non-current assets such as software for version upgrades of existing products.

(Cash flows from financing activities)

Funds used due to financing activities were ¥666 million (payments of ¥1,814 million in the same period of the previous year). In breakdown, the main factor was dividend payments.

(Reference) Cash flow related indicators

	48th Term (FY 2021/3)	49th Term (FY 2022/3)	50th Term (FY 2023/3)
Equity ratio (%)	74.6	75.1	69.2
Equity ratio on a market value basis (%)	37.0	43.2	98.6
Cash flow-to-debt ratio (%)	88.4	62.2	67.1
Interest coverage ratio (times)	295.8	485.0	440.9

Note: Equity ratio: Equity capital/Total assets
Equity ratio on a market value basis: Market capitalization for stock / Total assets
Cash flow-to-debt ratio: Interest-bearing debts/Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest payments
* Total market capitalization is calculated as the closing price of the Company stock at the end of the period × total number of shares issued at the end of the period (after subtracting treasury stock).
* Cash flows used above are “cash flows from operating activities” in the statement of cash flows. Interest-bearing liabilities denote all the liabilities that are stated in the consolidated balance sheet and for which interest is paid.

(4) Future outlook

In the next consolidated fiscal year, the Japanese economy is expected to recover in the era of With COVID. However, the outlook remains uncertain due to the slowdown in overseas economies, soaring resource prices, and rising prices due to supply-side constraints.

In the pachinko industry, the introduction of smart pachislot machines began steadily last November, and capital investment is on a recovery trend, especially among leading companies. With the introduction of smart pachinko machines scheduled to begin in April, demands for capital investment in both pachinko and pachislot machines to be compatible with smart machines are expected to become more active in the future. At present, product supply shortages due to difficulties in procurement of electronic components, etc., are continuing against the demands, but there are signs of improvement in procurement, and the facilities market is expected to remain strong along with the spread of smart game machines.

In this environment, we have revised upward the performance targets of our Medium-term Management Plan 2022-2024, which was announced on November 24, 2021. In the information systems business, we aim for early realization of the shift to cloud computing for existing services through the acquisition of Global Wise Co. as a subsidiary. In existing products, we will continue to expand sales of card units VEGASIA and other products to meet capital investment demands accompanying the introduction of smart game machines. In the control systems business, the division will be merged with the manufacturing division and renamed the “AMS (Amusement & Supply)” Management Department. In the amusement division, we will respond expeditiously to the transformation of the game machine market through smart game machines, and aim to enter the smart pachislot business at an early stage by making LAIRI Inc. a sub-subsidiary of the Company. In addition, we will further strengthen our planning and development capabilities through collaboration with Group companies. Meanwhile, the supply division will strengthen mass production manufacturing for the entire Group. The integration will build a strong and consistent framework from planning to manufacturing.

Based on the above initiatives, the Company projects the following consolidated financial results for the full fiscal year ending March 31, 2024.

(Millions of yen)

	Results for Current Fiscal Year (FY2023/3)	Forecast for Next Fiscal Year (FY2024/3)	Changes from Previous Fiscal Year
Net sales	31,824	38,000	19.4%
Operating profit	4,019	4,200	4.5%
Ordinary profit	4,260	4,350	2.1%
Profit attributable to owners of parent	2,927	3,000	2.5%

Our Group’s business is greatly affected by the capital investment trends of pachinko parlor management companies and the sales plan trends of our client companies, manufacturers of game machines. Our Group strives to avoid risks by forecasting demands while keeping abreast of game machines market trends and by gathering the latest information from our transaction partners. However, to avoid any delays throughout the term, it is necessary to manage the business plan on an annual basis, so the forecast for the first half of the consolidated fiscal year is not disclosed.

*All forward-looking statements in this document including results forecasts were prepared based on the information available as of the date of presentation of the document and actual results may differ from the forecasts due to various factors.

(5) Basic policy on profit sharing and dividends for the fiscal year under review and the following fiscal year

The Company considers returning profits to shareholders while enhancing its corporate value as the most important management imperative. Under the basic policy of providing stable dividends after comprehensively considering the business environment, business results, payout ratio, etc., the Company returns profits (special dividends) according to its business performance.

The Company has a basic policy of paying dividends of surplus twice a year as interim dividends and year-end dividends, both of which are determined by the Board of Directors.

As for the dividends for the fiscal year under review (Fiscal year ended March 31, 2023), due to actual profits being stronger than projected at the beginning of period and in order to return profits to shareholders and express our gratitude for the Company's 50th anniversary, the Company has decided to pay a year-end dividend of 60 yen per share (including 10 yen per share as commemorative dividend) with the addition of 30 yen, combined with an interim dividend of 10 yen already paid, for an annual dividend of 70 yen per share. (*Dividends planned at the beginning of the period: 10 yen for interim and 30 yen for year-end)

Regarding the dividends for the next fiscal year (Fiscal year ending March 31, 2024), based on the above policy, the Company plans to pay an interim dividend of 20 yen with addition of 10 yen and a year-end dividend of 30 yen, for a total annual dividend of 50 yen per share, considering the current strong performance of the Company.

2. Basic Approach towards Selection of Accounting Standard

The Company intends to employ the Japanese standards for the time being as its group operations are limited to the Japanese market, with no overseas activities. However, it will explore the application of IFRS in view of the trends of introducing IFRS (International Financial Reporting Standards) by other domestic peer companies.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

(Thousand yen)

	Fiscal year ended March 31, 2022 (March 31, 2022)	Fiscal year ended March 31, 2023 (March 31, 2023)
Net assets		
Current assets		
Cash and deposits	16,581,552	16,922,801
Notes receivable - trade	452,374	455,546
Electronically recorded monetary claims - operating	1,672,665	2,108,910
Accounts receivable - trade	2,496,344	4,290,074
Contract assets	446,733	220,493
Securities	-	500,066
Merchandise and finished goods	3,670,843	7,957,700
Work in process	93,408	89,324
Raw materials and supplies	669,916	482,237
Other	683,570	884,363
Allowance for doubtful accounts	(3,210)	(284,780)
Total current assets	26,764,200	33,626,738
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,134,416	9,144,114
Accumulated depreciation	(5,756,221)	(5,938,661)
Buildings and structures, net	3,378,195	3,205,453
Machinery, equipment and vehicles	595,408	612,901
Accumulated depreciation	(563,866)	(569,626)
Machinery, equipment and vehicles, net	31,541	43,275
Tools, furniture and fixtures	5,876,284	6,006,221
Accumulated depreciation	(5,250,697)	(5,413,730)
Tools, furniture and fixtures, net	625,586	592,490
Land	4,162,117	4,162,117
Construction in progress	161,641	221,414
Total property, plant and equipment	8,359,082	8,224,751
Intangible assets		
Software	2,318,108	2,044,262
Goodwill	-	812,206
Other	33,547	33,045
Total intangible assets	2,351,655	2,889,514
Investments and other assets		
Investment securities	795,466	286,870
Deferred tax assets	679,116	615,976
Investment property	1,200,063	1,201,055
Accumulated depreciation	(318,814)	(335,976)
Investment property, net	881,248	865,079
Membership	251,075	229,051
Leasehold and guarantee deposits	429,633	451,043
Other	1,132,459	1,315,242
Allowance for doubtful accounts	(154,032)	(205,485)
Total investments and other assets	4,014,967	3,557,777
Total non-current assets	14,725,705	14,672,042
Total assets	41,489,905	48,298,781

(Thousand yen)

	Fiscal year ended March 31, 2022 (March 31, 2022)	Fiscal year ended March 31, 2023 (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,594,482	4,193,557
Electronically recorded obligations - operating	2,588,490	3,765,603
Short-term borrowings	2,000,000	2,000,000
Accounts payable - other	857,739	1,433,003
Accrued expenses	757,565	844,013
Income taxes payable	32,678	1,203,429
Contract liabilities	120,864	90,369
Provision for product warranties	61,368	40,325
Provision for bonuses for directors (and other officers)	64,240	75,050
Other	341,959	320,662
Total current liabilities	9,419,388	13,966,016
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	433,496	453,473
Retirement benefit liability	228,631	232,626
Other	266,675	246,785
Total non-current liabilities	928,803	932,886
Total liabilities	10,348,192	14,898,902
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	29,662,225	31,924,756
Treasury stock	(1,692)	(1,897)
Total shareholders' equity	31,014,540	33,276,867
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,680	16,872
Remeasurements of defined benefit plans	114,491	106,139
Total accumulated other comprehensive income	127,171	123,011
Total net assets	31,141,712	33,399,879
Total liabilities and net assets	41,489,905	48,298,781

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net sales	24,390,050	31,824,323
Cost of sales	14,246,736	17,316,914
Gross profit	10,143,314	14,507,409
Selling, general and administrative expenses		
Salaries and wages	1,957,114	2,007,602
Provision for retirement benefits for directors (and other officers)	28,652	23,177
Provision for bonuses for directors (and other officers)	64,240	76,245
Provision of allowance for doubtful accounts	9,063	315,257
Provision for product warranties	68,495	-
Depreciation	975,493	942,557
Retirement benefit expenses	172,907	161,540
Other	5,676,145	6,961,517
Total selling, general and administrative expenses	8,952,112	10,487,897
Operating profit	1,191,202	4,019,511
Non-operating income		
Interest income	29,942	14,985
Dividend income	7,581	7,568
Rental income from real estate	90,007	86,651
Subsidies for employment adjustment	61,575	125,024
Other	46,582	66,473
Total non-operating income	235,689	300,703
Non-operating expenses		
Interest expenses	6,893	6,566
Rental expenses on real estate	48,209	48,213
Other	4,236	5,213
Total non-operating expenses	59,339	59,994
Ordinary profit	1,367,552	4,260,220
Extraordinary income		
Gain on sale of non-current assets	9	2,723
Gain on sale of investment securities	-	3,375
Total extraordinary income	9	6,098
Extraordinary losses		
Loss on retirement of non-current assets	1,519	31,301
Impairment losses	67,047	65,802
Loss on sale of investment securities	2,200	-
Loss on valuation of membership	-	23,590
Loss on cancellation of rental contracts	-	7,851
Total extraordinary losses	70,767	128,546
Profit before income taxes	1,296,794	4,137,773
Income taxes - current	32,596	1,145,510
Income taxes - deferred	35,234	64,497
Total income taxes	67,831	1,210,007
Profit	1,228,963	2,927,765
Profit attributable to owners of parent	1,228,963	2,927,765

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Profit	1,228,963	2,927,765
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,844)	4,191
Remeasurements of defined benefit plans, net of tax	351	(8,351)
Total other comprehensive income	(2,492)	(4,160)
Comprehensive income	1,226,470	2,923,605
(Profit attributable to)		
Comprehensive income attributable to owners of parent	1,226,470	2,923,605

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	674,000	680,008	29,180,239	(1,692)	30,532,554
Cumulative effects of changes in accounting policies			66,086		66,086
Restated balance	674,000	680,008	29,246,325	(1,692)	30,598,641
Changes during period					
Dividends of surplus			(813,064)		(813,064)
Profit attributable to owners of parent			1,228,963		1,228,963
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	415,899	-	415,899
Balance at end of period	674,000	680,008	29,662,225	(1,692)	31,014,540

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	15,525	114,139	129,664	30,662,219
Cumulative effects of changes in accounting policies				66,086
Restated balance	15,525	114,139	129,664	30,728,305
Changes during period				
Dividends of surplus				(813,064)
Profit attributable to owners of parent				1,228,963
Purchase of treasury shares				-
Net changes in items other than shareholders' equity	(2,844)	351	(2,492)	(2,492)
Total changes during period	(2,844)	351	(2,492)	413,406
Balance at end of period	12,680	114,491	127,171	31,141,712

Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	674,000	680,008	29,662,225	(1,692)	31,014,540
Cumulative effects of changes in accounting policies					
Restated balance	674,000	680,008	29,662,225	(1,692)	31,014,540
Changes during period					
Dividends of surplus			(665,234)		(665,234)
Profit attributable to owners of parent			2,927,765		2,927,765
Purchase of treasury shares				(204)	(204)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	2,262,531	(204)	2,262,326
Balance at end of period	674,000	680,008	31,924,756	(1,897)	33,276,867

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	12,680	114,491	127,171	31,141,712
Cumulative effects of changes in accounting policies				
Restated balance	12,680	114,491	127,171	31,141,712
Changes during period				
Dividends of surplus				(665,234)
Profit attributable to owners of parent				2,927,765
Purchase of treasury shares				(204)
Net changes in items other than shareholders' equity	4,191	(8,351)	(4,160)	(4,160)
Total changes during period	4,191	(8,351)	(4,160)	2,258,166
Balance at end of period	16,872	106,139	123,011	33,399,879

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,296,794	4,137,773
Depreciation	1,762,470	1,589,375
Impairment losses	67,047	65,802
Amortization of goodwill	-	20,825
Increase (decrease in parenthesis) in allowance for doubtful accounts	4,554	305,126
Increase (decrease in parenthesis) in provision for retirement benefits for directors (and other officers)	28,652	19,977
Interest and dividend income	(37,524)	(22,554)
Interest expenses	6,893	6,566
Other non-operating expenses (income in parenthesis)	(41,798)	(38,437)
Loss on retirement of non-current assets	1,519	31,301
Loss (gain in parenthesis) on sale of non-current assets	(9)	(2,723)
Loss (gain in parenthesis) on sale of investment securities	2,200	(3,375)
Loss on valuation of membership	-	23,590
Decrease (increase in parenthesis) in trade receivables	(878,247)	(1,964,588)
Decrease (increase in parenthesis) in inventories	(228,746)	(4,094,409)
Increase (decrease in parenthesis) in trade payables	936,304	2,759,157
Decrease (increase in parenthesis) in other assets	78,283	(230,290)
Increase (decrease in parenthesis) in other liabilities	65,609	409,318
Other	18,676	(26,417)
Subtotal	3,082,681	2,986,022
Interest and dividends received	37,528	22,554
Interest paid	(6,639)	(6,768)
Income taxes paid	(44,934)	(33,046)
Income taxes refund	151,730	14,973
Cash flows from operating activities	3,220,365	2,983,735
Cash flows from investing activities		
Purchase of investment securities	(54,000)	-
Purchase of property, plant and equipment	(170,773)	(267,886)
Purchase of intangible assets	(770,553)	(775,271)
Proceeds from sale of property, plant and equipment	92	4,674
Proceeds from sale of investment securities	16,700	22,275
Proceeds from redemption of investment securities	500,000	-
Proceeds from refund of leasehold and guarantee deposits	1,030	11,845
Payments of leasehold and guarantee deposits	(948)	(4,225)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(894,769)
Other	(86,280)	(72,847)
Cash flows from investing activities	(564,732)	(1,976,203)
Cash flows from financing activities		
Net increase (decrease in parenthesis) in short-term borrowings	(1,000,000)	-
Purchase of treasury shares	-	(204)
Dividends paid	(813,355)	(665,380)
Other	(697)	(697)
Cash flows from financing activities	(1,814,052)	(666,283)
Net increase (decrease in parenthesis) in cash and cash equivalents	841,580	341,248
Cash and cash equivalents at beginning of period	15,739,971	16,581,552
Cash and cash equivalents at end of period	16,581,552	16,922,801

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable.

(Significant matters as the basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 5

Company name:	Genki Co., Ltd.
	Daxel Inc.
	Daikoku Sangyo Co., Ltd.
	A-LOFT Inc.
	GLOBAL WISE Co.

GLOBAL WISE Co. became a consolidated subsidiary from the current fiscal year under review accompanying the acquisition of shares on December 20, 2022.

(2) Names, etc., of major non-consolidated subsidiaries

Not applicable.

2. Application of the equity method

Not applicable.

3. Matters regarding fiscal years, etc., of consolidated subsidiaries

The account closing dates of the consolidated subsidiaries fall on the consolidated account closing date.

4. Accounting policies

(1) Standards and methods for valuation of significant assets

1. Securities

Other securities

Items other than stock, etc., with no market value

Fair value method (Valuation differences are recognized directly into net assets; the cost of items sold is calculated based on the moving average method.)

Stock, etc., with no market value

Valuation at cost, with cost determined by the moving average method

2. Inventories

Valuation at cost (method of lowering carrying amount due to decline in profitability)

Merchandise, finished goods, raw materials, work in process

Valuation at cost, with cost determined primarily by the weighted average method

Supplies

Valuation at cost, based on the last purchase cost method

(2) Method of depreciation for significant depreciable assets

1. Property, plant and equipment (excluding leased assets)

Declining-balance method

However, the buildings acquired on and after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on and after April 1, 2016 are depreciated on a straight-line basis.

The useful life of major items is as follows:

Buildings and structures	6-50 years
Tools, furniture and fixtures	2-20 years

2. Intangible assets

Straight-line method

However, software is depreciated for sale over the marketable period (3 years) and for internal use over the internal availability period (5 years), on a straight-line basis.

3. Investment property, etc.

Buildings	Straight-line method
Other	Declining-balance method

The useful life of major items is as follows:

Buildings	15-47 years
Other	3-15 years

(3) Accounting standards for significant allowances and provisions

1. Allowance for doubtful accounts

To provide for losses from doubtful accounts including doubtful receivables, the Company accounts for the estimated amounts considered to be uncollectible based on a historical rate of credit losses for normal receivables or after reviewing individual collectability for specific doubtful receivables.

2. Provision for bonuses for directors (and other officers)

To provide for expenditure on directors' bonuses, the Company accounts for the corresponding amounts at the end of consolidated fiscal year under review based on the estimated amounts to be paid.

3. Provision for retirement benefits for directors (and other officers)

To provide for expenditure on retirement benefits for directors, the Company accounts for the amounts to be paid at the end of consolidated fiscal year under review in accordance with the internal rules.

4. Provision for product warranties

To provide for product warranty costs accrued after sales, the Company accounts for the estimated amount of the costs.

(4) Accounting methods for retirement benefits

1. Method of attributing expected benefits to periods of service

In calculating the retirement benefit obligation, the Company attributes expected retirement benefits to periods of service up to the fiscal year under review, on a plan benefit formula basis.

2. Actuarial gains and losses and past service costs

Past service costs are recognized on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of accrual.

Actuarial gains and losses are recognized in the respective succeeding years on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of accrual in each consolidated fiscal year.

(5) Accounting standards for significant revenues and expenses

Relating to revenue from contracts with customers of the Company and its consolidated subsidiaries, major performance obligations and the normal time for satisfying the performance obligations (the normal time of recognizing revenue) in the main businesses are as follows:

[1] Information Systems Division

The information systems business engages primarily in the development, manufacturing, and distribution of computer systems for pachinko parlors, prize and customer management systems, and information disclosure systems.

Among these, for a performance obligation involving product installation, the Company recognizes revenue at the time of inspection as a performance obligation is generally judged to have been met at the time of inspection when the customer obtains control of the service.

For a performance obligation involving no product installation, the Company recognizes revenue at the time of shipment of merchandise since control of goods is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of merchandise is transferred to the customer.

[2] Control Systems Division

The control systems business engages in the development, manufacturing, and distribution of display units and control units for pachinko machines, the planning, development, manufacturing, and distribution of pachislot machines, and the distribution of parts used for game machines.

Among these, for the sale of merchandise, mainly in the sale of products, the Company recognizes revenue at the time of shipment of merchandise since control is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of products is transferred to the customer.

For development projects, the Company recognizes revenue when a performance obligation is satisfied since control over customers is continuously transferred.

(6) Accounting methods for significant hedge transactions

1. Method of hedge accounting

In principle, the Company applies deferral hedge accounting. If a hedge against foreign exchange fluctuation risk satisfies the requirements for designated hedge accounting, the Company adopts the designated hedge accounting; if interest rate swaps satisfy the requirements for exceptional accounting treatment, the Company adopts the exceptional accounting treatment.

2. Hedging instruments and hedged assets

Assets and instruments recognized on a hedge accounting basis are as follows:

Hedging instruments: Forward exchange contracts, interest rate swaps

Hedged assets: Trade payables for product import and anticipated transactions in foreign currencies, borrowings

3. Hedging policy

In foreign currency-denominated transactions, the Company hedges foreign exchange fluctuation risk based on its internal rules, the “foreign exchange risk hedging operation rules” and others. The Company uses interest rate swaps to hedge interest-rate fluctuation risk. The Company is not engaged in hedging activities for speculation purposes.

4. Method of evaluating hedge effectiveness

The Company evaluates the effectiveness by comparing fluctuations in the exchange rates of the hedged asset and the hedging instrument to get the ratio of these fluctuations.

(7) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over a 10-year period.

(8) Scope of funds in consolidated statement of cash flows

The funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, cash at bank (demand deposit), and short-term investments maturing within three months from the date of acquisition that are highly liquid and cashable and exposed to minimal value fluctuation risk.

[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; hereinafter referred to as ASBJ PITF No. 42) 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.

(Business combination, etc.)

Business combination by acquisition

(1) Overview of business combination

[1] Name of acquired company and its business

Name of acquired company: GLOBAL WISE Co.

Contents of business: System development of cloud services, etc.

[2] Main reason for the business combination

As stated in the Notice of Medium-term Management Plan disclosed on November 24, 2021, the Company is promoting the use of cloud computing to build the industry's only platform for pachinko parlor management support services. And by using cloud computing, we aim to expand our existing services to realize stable revenue increases and an expanded business scale. GLOBAL WISE Co. is a one-stop provider of services ranging from cloud construction to system development and system operation and maintenance, and is expected to generate a high level of synergy for the Company's existing services to shift to cloud computing. We also acquired the shares judging that by utilizing GLOBAL WISE Co.'s know-how, our Group will realize sustainable growth over the medium to long term and further increase corporate value.

[3] Date of business combination

December 20, 2022 (stock acquisition date)

December 31, 2022 (deemed acquisition date)

[4] Legal form of business combination

Acquisition of shares for cash

[5] Name of the combined company

No change.

[6] Percentage of voting rights acquired

98.3%

[7] Main basis for determining the company to be acquired

Our company is the acquirer, as we acquired shares for cash as consideration.

(2) Period of performance of the acquired company included in the consolidated statement of income

From January 1, 2023 to March 31, 2023

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	¥191 million
Acquisition cost		¥191 million

(4) Details and amount of major acquisition expenses

Advisory fees: ¥32 million

(5) Amount, cause, amortization method and period of goodwill incurred

[1] Amount of goodwill incurred

¥833 million

The above amount is provisionally calculated, because the period from the date of business combination to the closing date is short, and the specification of identifiable assets and liabilities and estimation of fair value as of the date of business combination have not yet been made; therefore, the allocation of acquisition costs has not been completed.

[2] Cause

This is mainly due to the excess earning power expected after GLOBAL WISE Co. joins our Group.

[3] Amortization method and period

Equal amortization over 10 years

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

(1) Method of determining reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available and reviewed by the Board of Directors on a regular basis for the purpose of making decisions on management resources allocation and evaluating business results.

The Company is composed of segments by business lines, with the two reportable segments being the information systems business and the control systems business.

(2) Types of products and services by reportable segments

The information systems business engages primarily in the development, manufacturing, and distribution of computer systems for pachinko parlors, prize and customer management systems, and information disclosure systems.

The control systems business engages in the development, manufacturing, and distribution of display units and control units for pachinko machines, the planning, development, manufacturing, and distribution of pachislot machines, and the distribution of parts used for game machines.

2. Calculation methods for net sales, income or losses, assets, liabilities, and other items by reportable segments

The accounting methods for the reported business segments are largely the same as stated in (Significant matters as the basis for preparation of consolidated financial statements).

3. Amounts of net sales, income or losses, assets, liabilities, and other items by reportable segment

Reportable segment income is stated on an operating profit basis.

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousand yen)

	Reportable segments			Adjustments (Note)	Amount stated in consolidated financial statements
	Information systems business	Control systems business	Total		
Net sales					
Sales to external customers	18,647,533	5,742,517	24,390,050	-	24,390,050
Intersegment sales or transfers	-	17,434	17,434	(17,434)	-
Total	18,647,533	5,759,951	24,407,484	(17,434)	24,390,050
Segment income	2,171,723	537,665	2,709,388	(1,518,186)	1,191,202
Segment assets	14,687,694	4,852,570	19,540,265	21,949,639	41,489,905
Other items					
Depreciation	1,463,982	126,384	1,590,366	154,949	1,745,316
Impairment losses	63,007	4,040	67,047	-	67,047
Increases in property, plant and equipment and intangible assets	807,590	37,679	845,269	28,895	874,164

(Note) Adjustments are as follows:

(1) The adjustment of segment income of (¥1,518,186 thousand) includes the elimination of intersegment transactions of ¥6,050 thousand and corporate expenses unallocated to any reportable segments of (¥1,524,237 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

(2) The adjustment of segment assets of ¥21,949,639 thousand includes the elimination of intersegment transactions of ¥8,218 thousand and corporate assets unallocated to any reportable segments of ¥21,941,421 thousand. Unallocated corporate assets mostly include the funds (cash and deposits) of the companies submitting consolidated financial statements and assets associated with the control/administration department.

(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥28,895 thousand is attributed mainly to investments in network equipment associated with unallocated corporate assets and elimination of intersegment transactions.

Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousand yen)

	Reportable segments			Adjustments (Note)	Amount stated in consolidated financial statements
	Information systems business	Control systems business	Total		
Net sales					
Sales to external customers	26,209,586	5,614,737	31,824,323	-	31,824,323
Intersegment sales or transfers	-	24,848	24,848	(24,848)	-
Total	26,209,586	5,639,585	31,849,172	(24,848)	31,824,323
Segment income	5,490,431	140,746	5,631,178	(1,611,667)	4,019,511
Segment assets	21,866,123	4,344,419	26,210,543	22,088,238	48,298,781
Other items					
Depreciation	1,314,697	122,109	1,436,806	134,368	1,571,175
Amortization of goodwill	20,825	-	20,825	-	20,825
Impairment losses	-	65,802	65,802	-	65,802
Increases in property, plant and equipment and intangible assets	1,168,229	38,581	1,206,810	47,238	1,254,049

(Note) Adjustments are as follows:

(1) The adjustment of segment income of (¥1,611,667 thousand) includes the elimination of intersegment transactions of ¥4,017 thousand and corporate expenses unallocated to any reportable segments of (¥1,615,684 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

(2) The adjustment of segment assets of ¥22,088,238 thousand includes the elimination of intersegment transactions of ¥872 thousand and corporate assets unallocated to any reportable segments of ¥22,087,366 thousand. Unallocated corporate assets mostly include the funds (cash and deposits) of the companies submitting consolidated financial statements and assets associated with the control/administration department.

(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥47,238 thousand is attributed mainly to investments in network equipment associated with unallocated corporate assets and elimination of intersegment transactions.

[Relevant information]

I. Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

1. Information by product and service

Omitted as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Omitted as sales to domestic external customers account for more than 90% of the net sales recorded in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable as the company does not have any property, plant and equipment outside Japan.

3. Information by major customer

Omitted as none of the net sales to external customers account for more than 10% of the net sales recorded in the consolidated statement of income.

II. Consolidated Fiscal Year under Review (From April 1, 2022 to March 31, 2023)

1. Information by product and service

Omitted as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Omitted as sales to domestic external customers account for more than 90% of the net sales recorded in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable as the company does not have any property, plant and equipment outside Japan.

3. Information by major customer

Omitted as none of the net sales to external customers account for more than 10% of the net sales recorded in the consolidated statement of income.

[Impairment losses of non-current assets by reportable segment]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

In the information systems business segment, the carrying amount of idle assets with no plans of future use is reduced to the recoverable amount after the recoverability of future cash flows is considered.

Impairment losses of ¥63,007 thousand are recorded for the consolidated fiscal year under review.

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 ¥4,040 thousand are recorded for the consolidated fiscal year under review.

Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)

In the control systems business segment, the book value was reduced to the recoverable amount in light of potential future cash flow recovery.

Impairment losses of ¥65,802 thousand are recorded for the consolidated fiscal year under review.

[Information on amortization of goodwill and unamortized balance by reporting segment]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)

(Thousand yen)

	Information systems business	Control systems business	Companywide/Write-off	Total
Amortization for current year	20,825	-	-	20,825
Balance at end of period	812,206	-	-	812,206

[Per-share information]

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net assets per share	2,106.59 yen	2,259.36 yen
Profit amount per share	83.13 yen	198.05 yen

(Note) 1. Diluted profit per share is not stated as there are no dilutive shares.

2. The basis for the calculation of profit per share is as follows:

Item	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (thousand yen)	1,228,963	2,927,765
Not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent - applicable to common stock shares (thousand yen)	1,228,963	2,927,765
Average number of common stock shares during the period (thousand shares)	14,782	14,782

3. The basis for the calculation of net assets per share is as follows:

Item	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Total amount of net assets (thousand yen)	31,141,712	33,399,879
Net assets applicable to common stock shares at end of period (thousand yen)	31,141,712	33,399,879
Number of common stock shares at end of period used for calculating net assets per share (thousand shares)	14,782	14,782

(Significant subsequent events)

Not applicable.