



FY2022 Financial Results

(2022/4-2023/3)

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

Consolidated Financial Highlights

➤ Significant in sales and profit increase

Net sales	31,824 million yen	YoY Change	+ 30.5%
Operating income	4,019 million yen		+ 237.4%
Ordinary income	4,260 million yen		+ 211.5%
Net income attributable to owners of the parent	2,927 million yen		+ 138.2%

 Smart pachislot machines high popularity among pachinko enthusiasts has stimulated capital investment by our client pachinko hall, leading to strong sales of our equipment

Policy for this term

- Aggressive development investment for cloud computing and entry into pachislot business
- Promote DX and system development as internal reforms

**FY2022
Results**

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Consolidated Financial Highlights

Consolidated Statements of Income (Summary)

Increase in sales and significant increase in profit

(Million yen)	FY2021	FY2022 (Forecast*)	FY2022	YoY change	Difference between forecast and actual
Net sales	24,390	30,000	31,824	+7,434 (+30.5%)	+1,824 (+6.1%)
Gross profit-net	10,143	13,500	14,507	+4,364 (+43.0%)	+1,007 (+7.5%)
Selling, general and administrative expenses	8,952	10,500	10,487	+1,535 (+17.2%)	-12 (-0.1%)
Operating income	1,191	3,000	4,019	+2,828 (+237.4%)	+1,019 (+34.0%)
Ordinary income	1,367	3,200	4,260	+2,892 (+211.5%)	+1,060 (+33.1%)
Net income attributable to owners of the parent	1,228	2,100	2,927	+1,698 (+138.2%)	+827 (+39.4%)

* Results forecast figures are based on the "Notice of revisions to the full-year earnings forecast and dividend forecast (50th anniversary dividend)" disclosed on February 9, 2023.

The main segments of net sales in the Information Systems Segment rose sharply by +40.6%

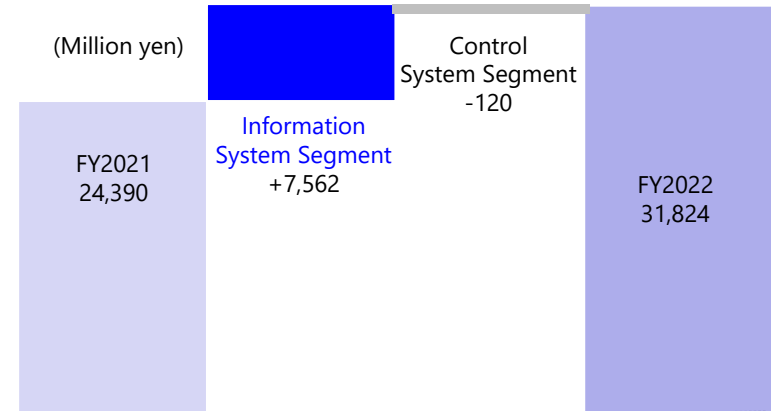
Information System Segment

Net sales in this segment
26,209 million yen

YoY Change **+7,562 million yen**

Increase
in sales

+40.6%



Products for pachinko halls, etc.

19,734 million yen



With the introduction of smart pachislot machines, increased significantly year on year as a result of system upgrades to the AI hall 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.

Service

6,474 million yen



The sales of "Services" increased year on year due to steady sales of increase of MIRAI GATE service in response to market changes with the launch of "ClarisLink" and "Market-SIS".

Control System Segment net sales in this segment were -2.1% sales decreased

Control System Segment

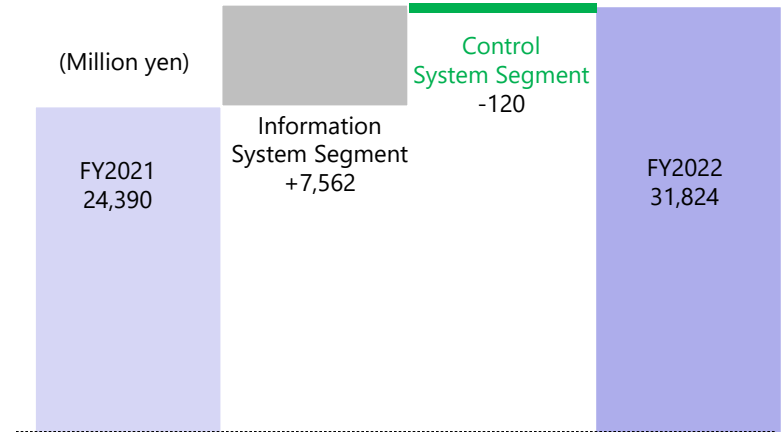
Net sales in this segment
5,639 million yen

YoY Change **-120** million yen

Decrease
in sales

-2.1%

*Business segment sales and income figures include intersegment transactions.



Display and control units for games machine manufacturers

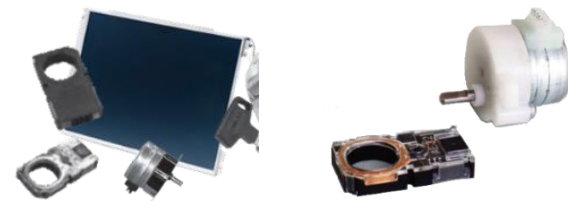
2,428 million yen



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.

Parts and others

3,186 million yen



Sales of parts were strong, up YoY

Operating Income

Information Systems Segments posted a significant increase in profit (+152.8%), although the Control Systems Segments posted a decrease in profit (-73.8%).

Information System Segment

Operating income in this segment
5,490 million yen

YoY Change **+3,318** million yen

Increase
in income **+152.8%**

Significantly year on year as a result of strong sales of 「VEGASIA」 card unit, which includes with high demand for pachislot machines.

Control System Segment

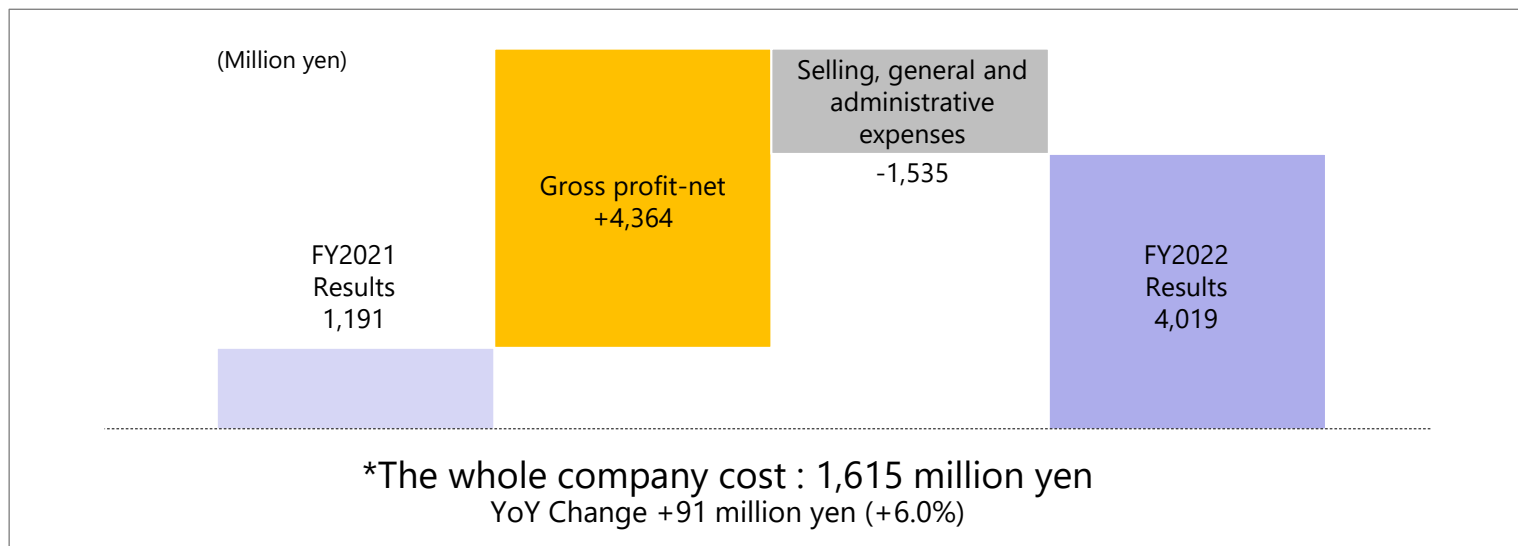
Operating income in this segment
140 million yen

YoY Change **-396** million yen

Decrease
in income **-73.8%**

*Business segment sales and income figures include intersegment transactions.

Decrease from the same period of the previous fiscal year due to bad debt expenses for receivables due to game machine manufacturers under civil rehabilitation proceedings and subsidiaries' uncollected receivables.



Consolidated Balance Sheets (Summary)

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

(Million yen)	FY2021	FY2022	YoY change
Current assets	26,764	33,626	+6,862
Noncurrent assets	14,725	14,672	-53
Total assets	41,489	48,298	+6,808
Current liabilities	9,419	13,966	+4,546
Noncurrent liabilities	928	932	+4
Total liabilities	10,348	14,898	+4,550
Total net assets	31,141	33,399	+2,258
Total liabilities and net assets	41,489	48,298	+6,808
Debt	2,001	2,001	±0
Shareholders' equity ratio	75.1%	69.2%	-5.9%
D/E ratio	0.06	0.06	±0

■ Total assets

Increase

Total assets at the end of consolidated fiscal year under review increased ¥6,808 million from the end of previous fiscal year to ¥48,298 million, 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 depreciation of idle assets with no future utilization plans.

■ Total liabilities

Increase

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.

■ Total net assets

Increase

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.

■ Shareholders' equity ratio

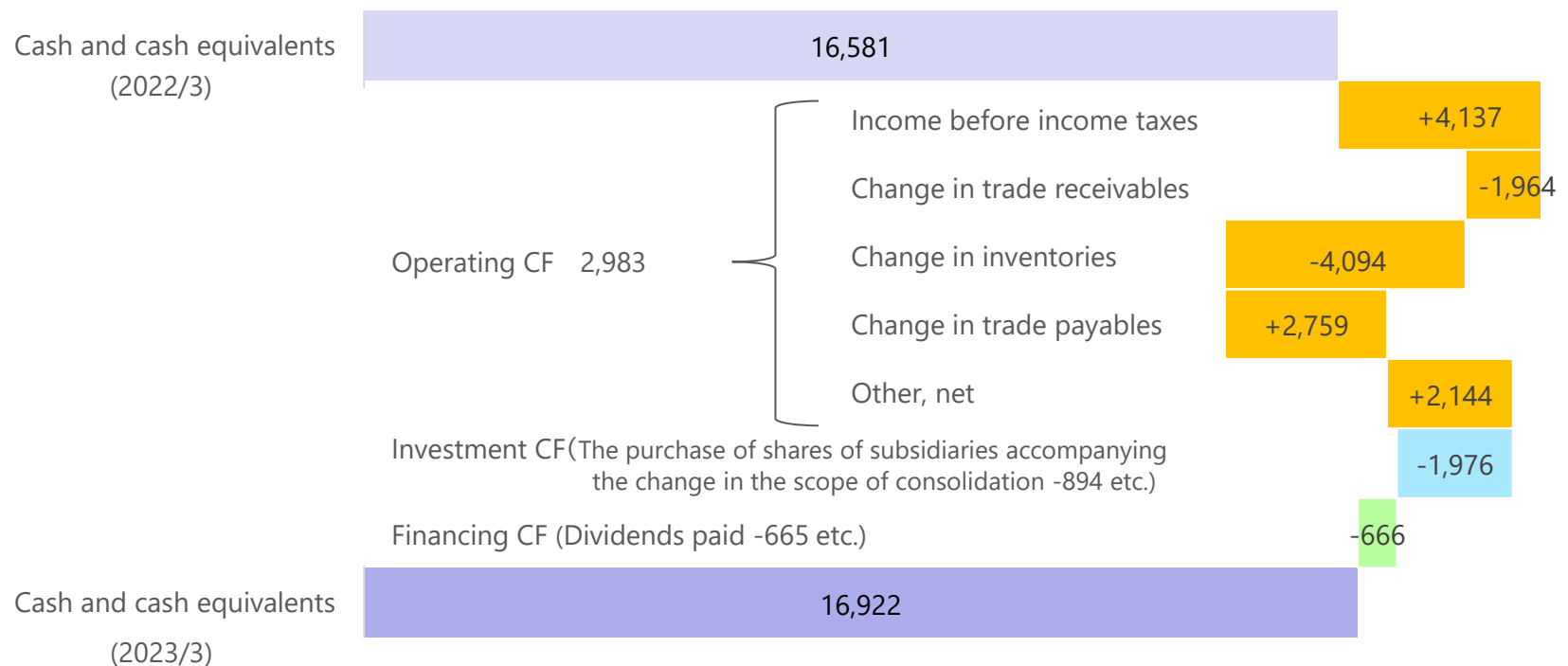
Decrease

Equity ratio was 69.2%, 5.9 points down from the end of previous consolidated fiscal year.

Statements of Cash Flows

Operating cash flow decreased YoY due to an increase in inventories and trade receivables

(Million yen)	FY2021	FY2022 Q2	FY2022
Operating CF	3,220	-343	2,983
Investment CF	-564	-570	-1,976
Financing CF	-1,814	-517	-666
Cash and cash equivalents	16,581	15,150	16,922
Free cash flow	2,655	-913	1,007



**FY2022
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**FY2023 Full Year Forecast
(2023/4-2024/3)**

- During the three years of the COVID-19 pandemic, development investment has been restrained in a very difficult environment.
- In the future, we will aggressively invest in development for cloud computing and entry into the smart pachislot business, as well as DX promotion and improvement of internal systems as internal reforms.

Active development investment for the future

Cloud migration



Smart pachislot machines



Internal company restructuring

DX Promotion

Improvement of internal systems



- Enhancing optimal functions for smart machines while working to ensure a stable supply of card units dedicated to smart game machines.
- Aiming to enhance the value of management support services that lead to improved performance of pachinko hall companies.

Full support for smart game machines

- Stable supply of dedicated card units
- Enhancing optimal functions for smart game machines
 - Enhancement of functions to make new gameplay attractive to fans.
 - Enhanced data management and labor-saving functions to match increasingly complex gameplay.



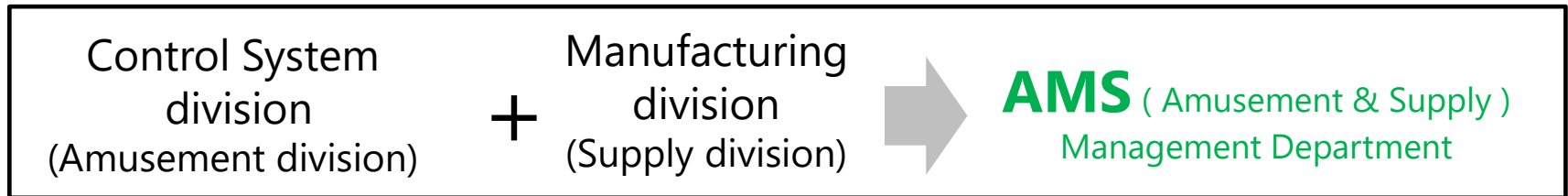
Further expansion of MIRAIGATE services

Cloud migration

- Improving the value of management support services



- 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, aim to enter the smart pachislot business at an early stage by making LAIRI Inc. a sub-subsidiary of the Company
- In the Supply division, strengthened mass production manufacturing for the entire group and built a strong integrated system from planning to manufacturing.



Amusement division

- Early entry into smart pachislot business



Supply division

- The entire DAIKOKU DENKI Group will strengthen mass production manufacturing
- Build a strong and consistent framework from planning to manufacturing

FY2023 Full Year Forecast

- Sales and income increased due to higher sales volume of equipment for smart game machines
- Aggressive development investment led to a significant increase in R&D expenses and capital expenditures YoY

(Million yen)	FY2022	FY2023 (Forecast)	YoY change	Percentage terms
Net sales	31,824	38,000	+6,175	+19.4%
Gross profit-net	14,507	15,200	+692	+4.8%
Selling, general and administrative expenses	10,487	11,000	+512	+4.9%
Operating income	4,019	4,200	+180	+4.5%
Ordinary income	4,260	4,350	+89	+2.1%
Net income attributable to owners of the parent	2,927	3,000	+72	+2.5%
Research and development expenses	659	1,451	+791	+120.0%
Depreciation expense	1,589	1,594	+4	+0.3%
Capital investment	1,255	2,941	+1,686	+134.4%

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

FY2023 Full Year Forecast by Segment

- Information systems segment increased sales and income due to higher sales volume of equipment for smart game machines.
- Amusement segment decreased sales and income due to a decrease in the number of machines developed and development investment in smart pachislot machines.

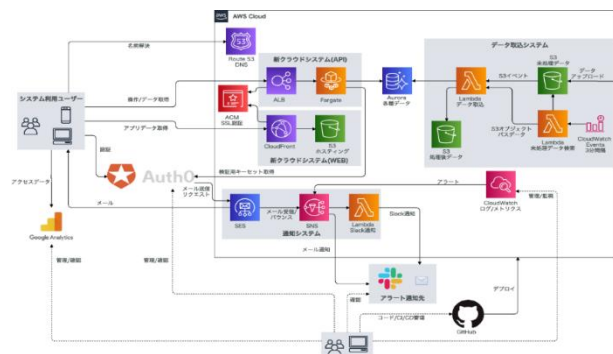
(Million yen)	FY2022	FY2023 (Forecast)	YoY change	Percentage change
Information System Segment	26,209	33,000	+6,790	+25.9%
Amusement Segment	5,639	5,000	-639	-11.3%
Segment sales	31,849	38,000	+6,150	+19.3%
Information System Segment	5,490	5,900	+409	+7.5%
Amusement Segment	140	30	-110	-78.5%
Segment income	5,631	5,930	+298	+5.3%
Corporate expenses	-1,615	-1,730	-114	-7.1%

*Business segment sales and income figures include intersegment transactions.

- In the Information System Segment, strengthen cloud development to renew the underlying platform to enable speedy provision of services utilizing the latest technologies such as AI and Big Data.
- Global Wise Co. as a subsidiary, a system development company for cloud services, etc.

Information System Segment

➤ Strengthening cloud development for platform renewal



- In the Amusement Segment, the company aims to develop, manufacture, and sales pachislot and pachinko machines as a machine manufacturer to provide smart pachislot machines that can contribute to pachinko hall operations and attract customers.
- Converted LAIRI Inc, a pachislot developer into a sub-subsidiary.
- Pachinko machines contract development (OEM) continued

Amusement Segment

- **Shift the main focus from “Pachinko” to “Smart pachislot”**
- **Development, manufacture and sales of pachislot machines as a game machine manufacturer**
- **Machine will launch in 2024**



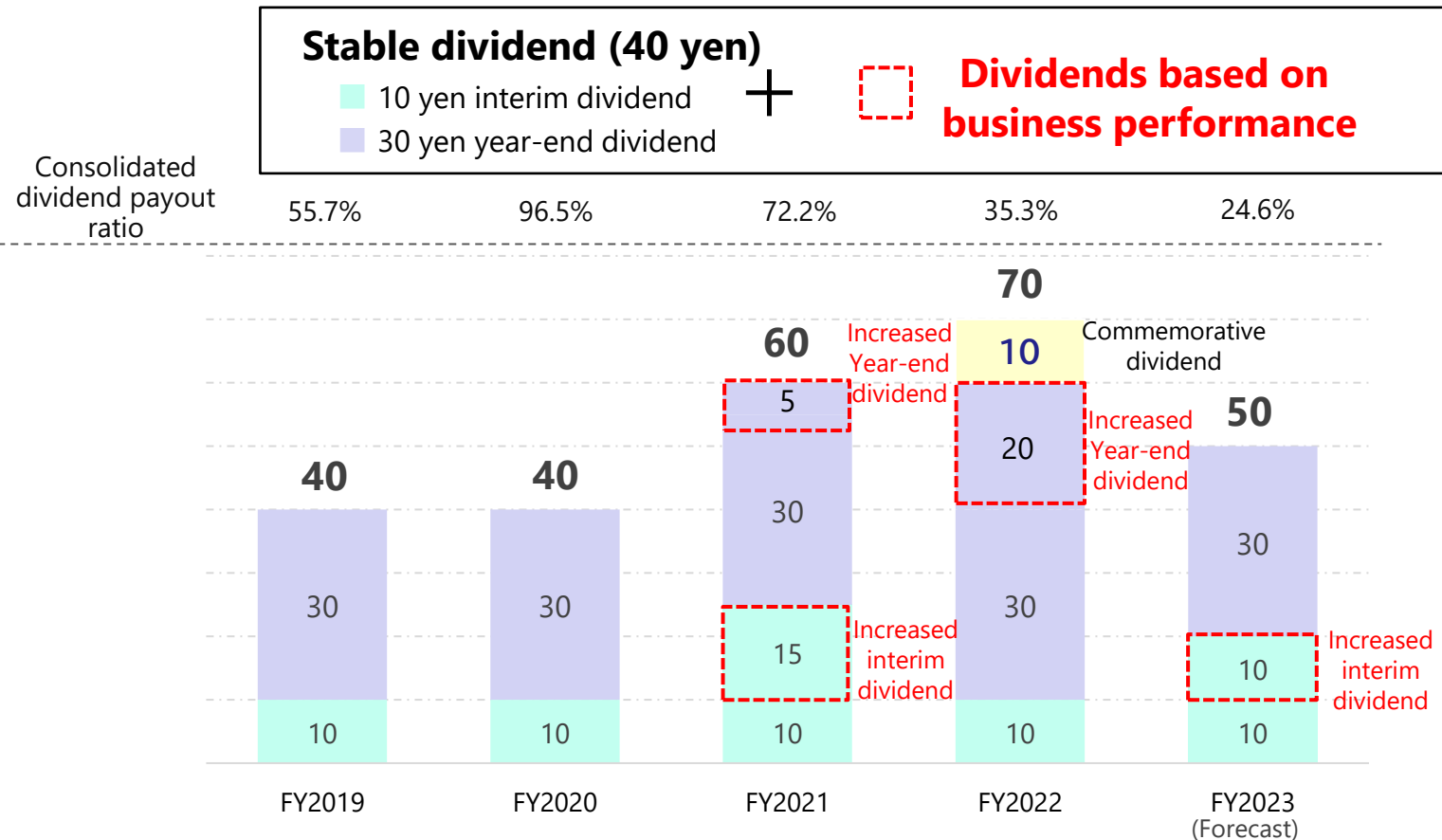
Numerical Targets of the medium-term management plan

Numerical targets revised upward due to expected firm capital expenditures by pachinko halls as a result of the spread of smart game machines and the issuance of new banknotes.

(Million yen)	FY2022		FY2023 (Forecast)		FY2024 (Forecast)	
	Results	YoY change	Plan	YoY change	Plan	YoY change
Net sales	31,824	+30.5%	38,000	+19.4%	40,000	+5.3%
Operating income	4,019	+237.4%	4,200	+4.5%	4,500	+7.1%
Ordinary income	4,260	+211.5%	4,350	+2.1%	4,650	+6.9%
Net income attributable to owners of the parent	2,927	+138.2%	3,000	+2.5%	3,200	+6.7%

Dividends

- Basic policy to pay stable dividends, taking into account the business environment, earnings conditions, dividend payout ratio, and other factors, and to return profits to shareholders (special dividends) in line with business performance
- For FY2022, we will pay a special dividend based on strong performance and a commemorative dividend to celebrate the 50th anniversary of the company's establishment, bringing the total dividend to 70 yen
- For FY2023, we plan to pay an interim dividend plus a special dividend for a total of 50 yen per share due to the current strong performance



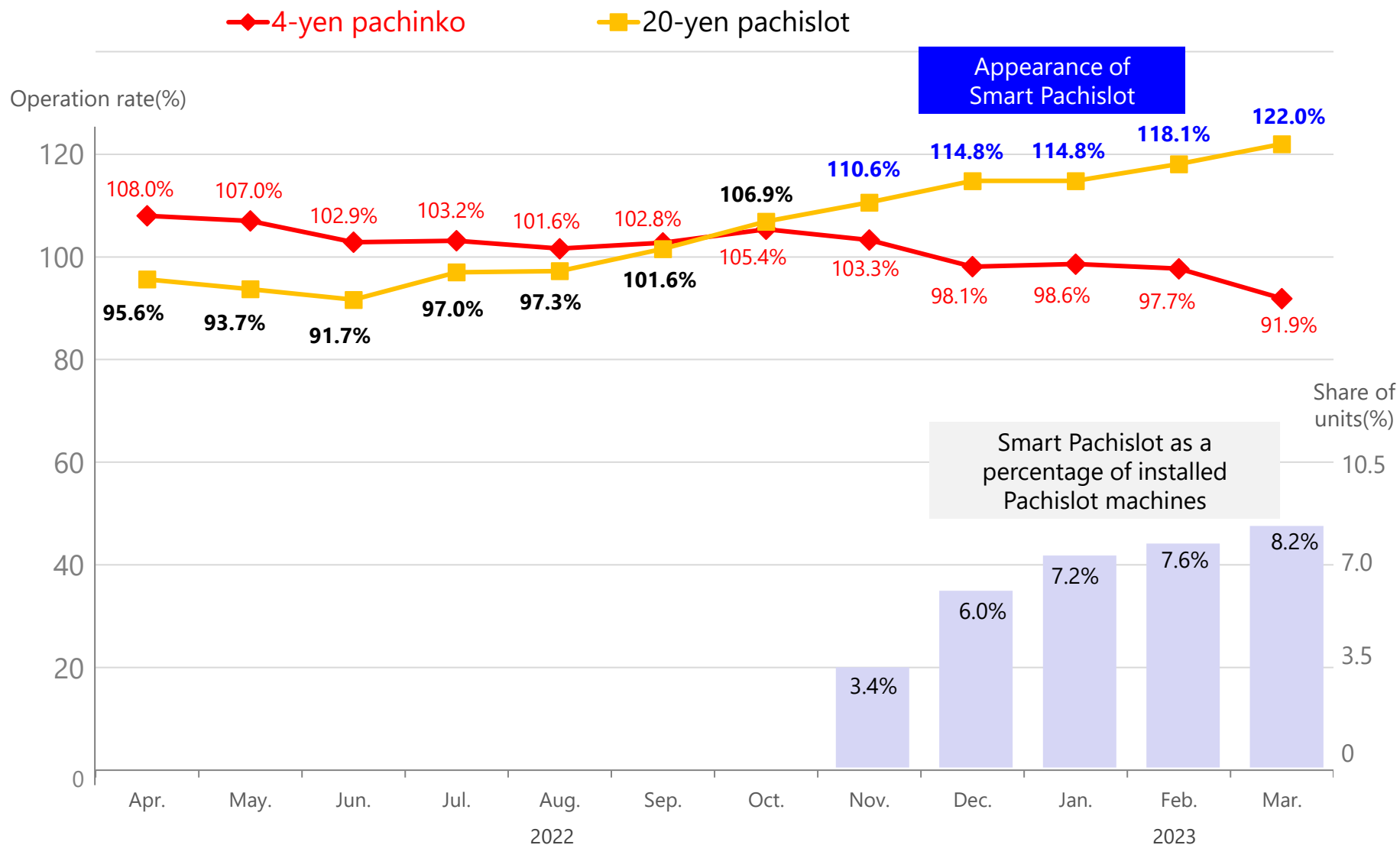
**FY2022
Results**

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Reference Data

Operation (based on out) Monthly trend in YoY change

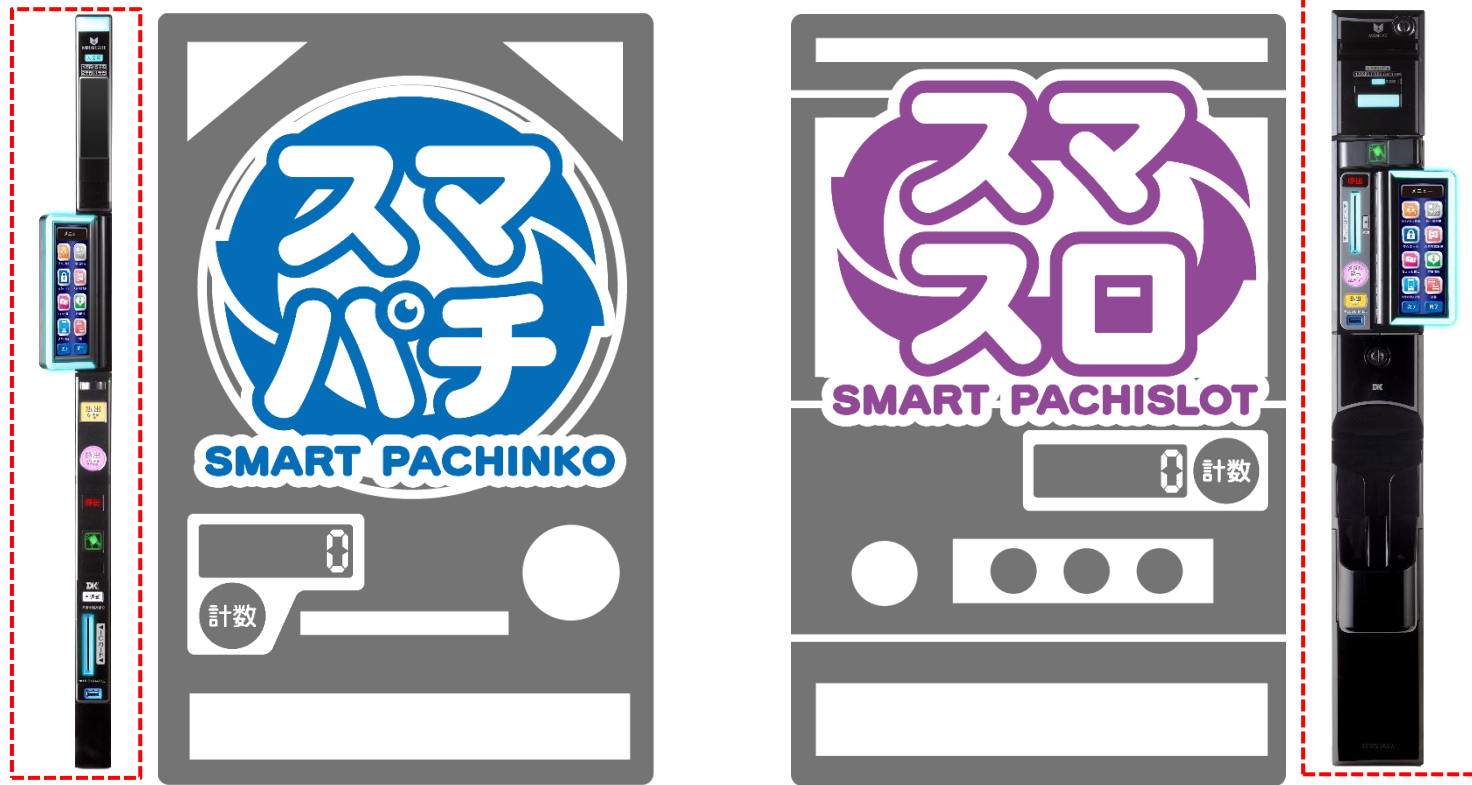
The appearance of Smart Pachislot in November 2022 will increase the operation of 20-yen Pachislot



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

Dedicated unit for Smart Pachinko / Smart Pachislot

- Dedicated card units are required for smart machines
- Growing popularity of smart machines increases demand for "VEGASIA" card units dedicated to smart machines



dedicated unit for Smart Pachinko / Smart Pachislot
(VEGASIA III-SP/SS)

Impact on the Company of the proliferation of smart game machines

- Increasing demand for Information terminals for fans (Large LCD) as payout appeal terminals in an era of no balls or medals.
- Interlocking function between the hall computer "X (KAI)" and Information terminals for fans and card units has also been well received.

Large LCD Information terminals for fans

BiGMO PREMIUM



Large LCD Information terminals for fans

REVOLA



Pachinko has a high need for Deca-seg and LCD type REVOLA

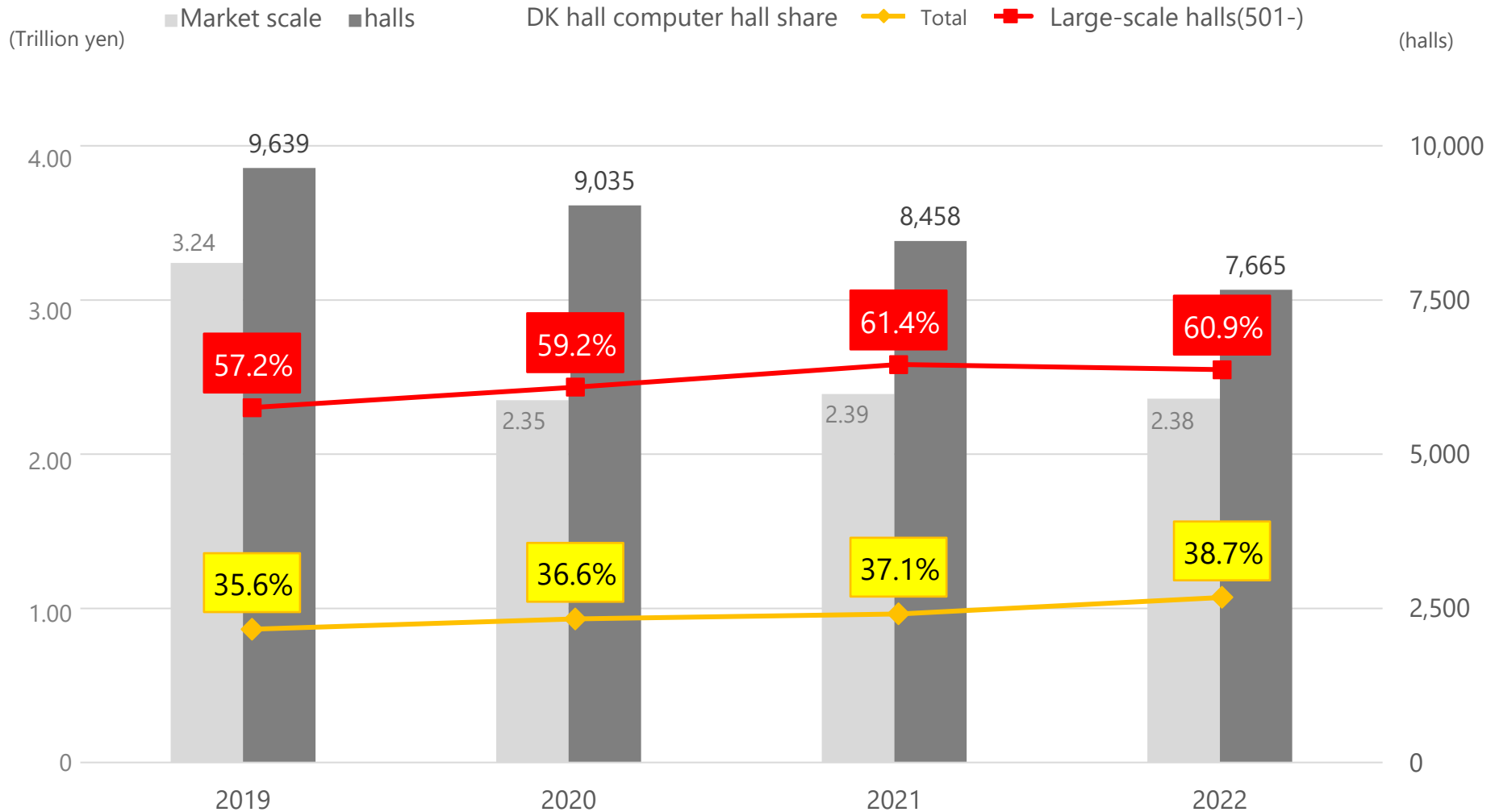
Card unit VEGASIA



Security feature that locks the card and protects payouts when leaving the seat is also ideal for securing the game table.

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

Although the market is shrinking gradually, DK market share is No.1 in industry, 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."

Business Expansion / Information System Segment

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.

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.

Prize management

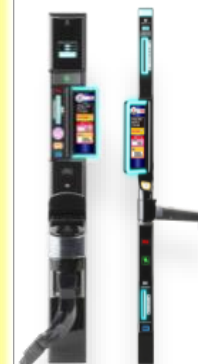
This is a system to exchange acquired pachinko balls for prizes. POS SP-01 can be operated without a keyboard using a large 15.6 inch touch panel LCD. It can also be operated as a self-service POS.



Card unit

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

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



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

Developing services for pachinko halls and pachinko fans as a stock type business

Pachinko halls



Running Sales



Pachinko fans



Number of paying members



Business Expansion / Information System Segment

Earnings were supported by high-margin stock-type business (service sales)

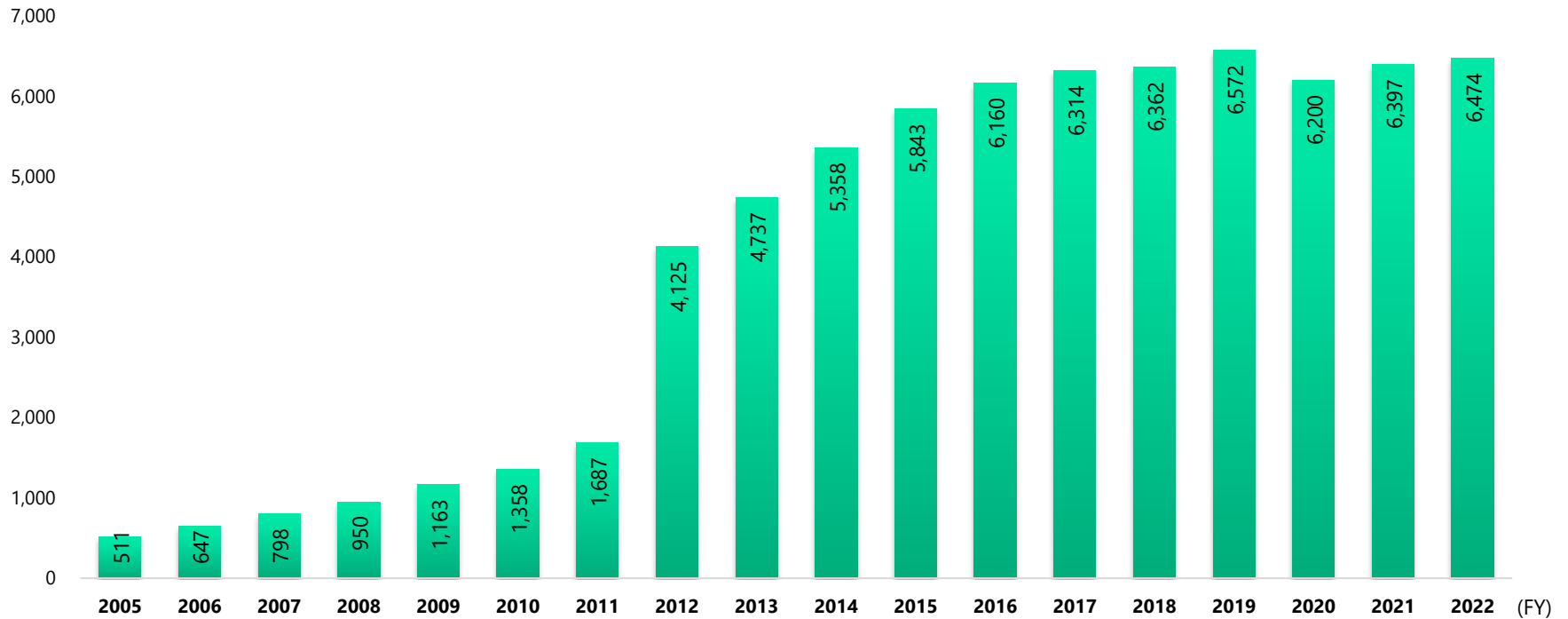
Pachinko halls



Pachinko fans



(Million yen)



Of the 17 MIRAIGATE services, three management support services were especially strengthened this fiscal year

Market-SIS

Trade area analysis service

- ✓ Data on more than 4,000 stores
- ✓ Utilizing DK-SIS big data
- ✓ Grasp at a glance your own store, your trade area, and the entire country



ClarisLink

Cloud chain store management system

- ✓ Cloud management of chain store data
- ✓ Device free anytime, anywhere



Time shortening options

Labor-saving tools

- ✓ Time-consuming machine replacement setup takes only one minute



- DK-SIS is the industry's No. 1 information service (3,257 members) that supports pachinko hall management by collecting and analyzing big data on 1.41 million machines, or 39.7% of all game machines installed nationwide.
- The "DK-SIS Seminar," a Web Seminar for the industry, explained the latest industry trends and sales techniques that connect to the improvement of results, and was viewed by approximately 5,000 industry professionals.



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)
各日毎回1回セミナー（内容は同一）、所要時間は約90分を予定、時間内は自由に閲覧いただけます。

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 成田・片瀬 竹河・服部

今すぐできるパチンコ管理で業績アップ

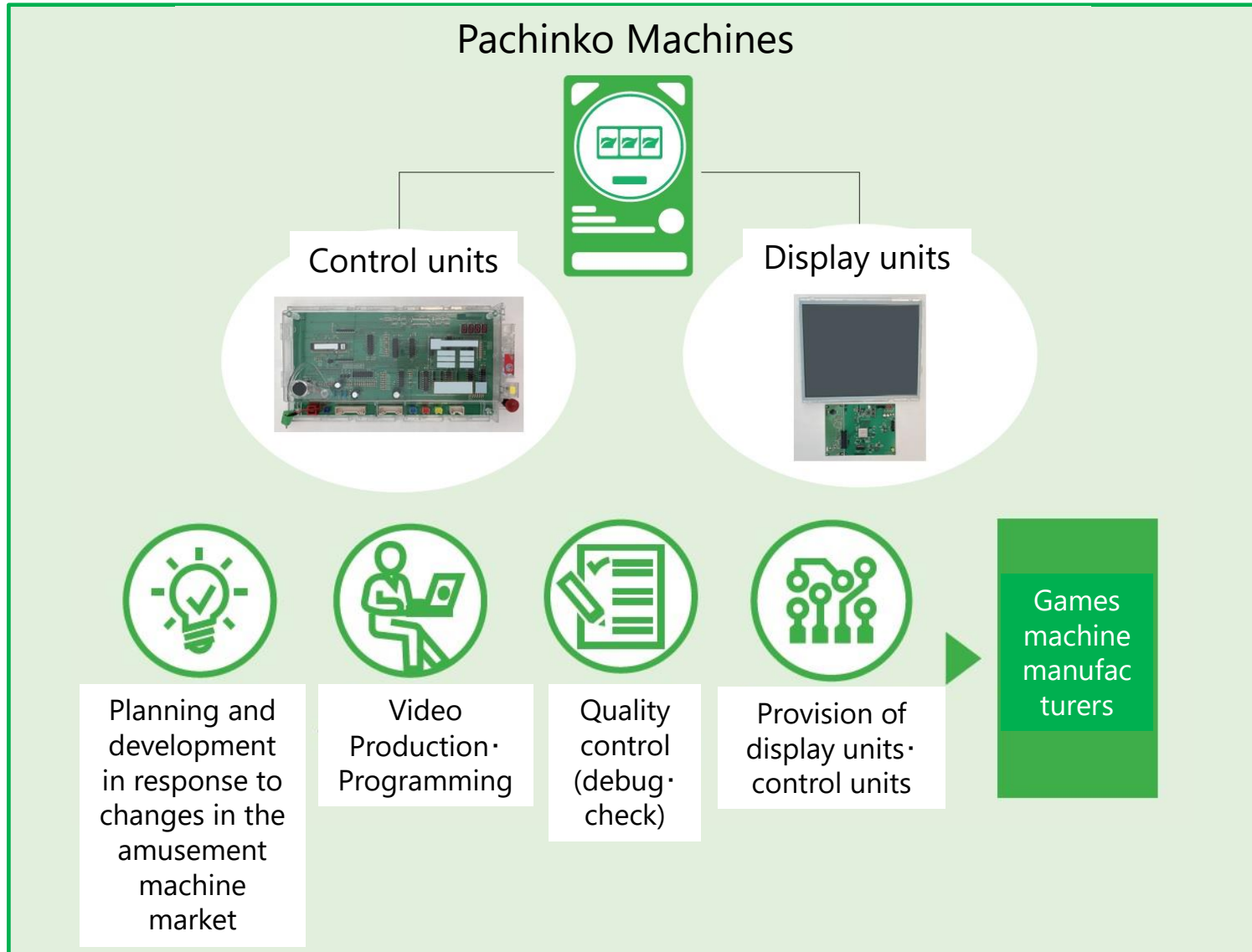
自店データを確認!

この店舗はライトタイプを減台し他のタイプに変更するとアウトだけでなく**高台の獲得も**の**可能性**が大いにある

MIRAI GATE-SIS 服部 祐治
MIRAI GATE-SIS 服部 祐治
MIRAI GATE-SIS 服部 祐治
MIRAI GATE-SIS 服部 祐治

Development, manufacturing, and distribution of units for pachinko and pachislot machines for pachinko and pachislot machine manufacturers

* Control System Segment has been renamed "AMS Division (Amusement & Supply)" as of April 2023



Efforts towards Sustainability

- We have formulated a Sustainability Policy and identified Materialities.
- Identified five materialities under the Basic Sustainability Policy.

Corporate
Philosophy

Sustainability
Policy

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	
	Promotion of activities by human resources	
	Handling of addiction	
G	Strengthening of governance and compliance	

We will promote specific initiatives based on Materialities

- Installation of solar panels at the Kasugai Division Office
- Disclose of information related to climate change based on the Kasugai TCFD
- CDP Management Level "B-" Accreditation

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



- Release of gambling addiction check game "Chepachi"

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



- Inflation allowance provided
- Certified as a welfare-promoting company under "Work Cheer 2022"
- Endorsed "Aichi Work-Life Balance Promotion Movement 2022"

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



- Holding of parent-child programming experience classes

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





■ Contact details for inquiries

Daikoku Denki Co., Ltd.

URL <https://www.daikoku.co.jp/contact/>

E-MAIL : xsomu@daikoku.co.jp

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