



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (Under Japanese GAAP)

August 10, 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 filing quarterly report: August 10, 2023
Scheduled date of commencement of dividend payments: -
Preparation of supplementary materials for quarterly financial results : Yes
Holding of quarterly financial results briefing : None
(Amounts less than one million yen are rounded down.)

1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (First 3 months)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2024/3	15,965	174.4	4,837	—	4,855	—	3,369	—
Q1 of FY2023/3	5,818	8.5	227	(39.4)	306	(23.0)	191	(27.7)

(Note) Comprehensive income: Q1 of FY2024/3 3,369 million yen [(-%)]
Q1 of FY2023/3 191 million yen [(27.2%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q1 of FY2024/3	227.91	-
Q1 of FY2023/3	12.95	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q1 of FY2024/3	52,826	35,882	67.9
FY2023/3	48,298	33,399	69.2

(Reference) Shareholders' equity: Q1 of FY2024/3 35,882 million yen
FY2023/3 33,399 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023/3	—	10.00	—	60.00	70.00
FY2024/3	—				
FY2024/3 (Forecast)		20.00	—	30.00	50.00

(Note) Revisions to recently released dividends forecasts : None

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

(Percentages represent changes from the previous year for the full year, and on a year-on-year basis for quarterly results.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	38,000	19.4	4,200	4.5	4,350	2.1	3,000	2.5	202.94

(Note) Revisions to recently released earnings forecasts : None

* Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Application of accounting treatment for preparing quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- 1) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - 2) Changes in accounting policies due to reasons other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Restatements : None

(4) Number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock)	Q1 of FY2024/3	14,783,900 shares	Q1 of FY2023/3	14,783,900 shares
2) Number of shares of treasury stock at the end of the period	Q1 of FY2024/3	1,138 shares	Q1 of FY2023/3	995 shares
3) Average number of shares outstanding during the period (QTD) (Total)	Q1 of FY2024/3	14,782,802 shares	Q1 of FY2023/3	14,782,982 shares

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

* Proper use of earnings forecasts, and other special matters

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

For earnings forecasts, please see page 3, (3) Future prospects information including consolidated earnings forecasts in 1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024.

○ Table of Contents of Attachments

1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of future prospects information including consolidated earnings forecasts	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
Quarterly consolidated statement of income	
First quarter for current period	6
Quarterly consolidated statement of comprehensive income	
First quarter for current period	7
(3) Notes to quarterly consolidated financial statements	8
(Notes to going concern assumptions)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Segment information, etc.)	8
(Revenue recognition)	9

1. Qualitative Information on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

(1) Explanation of operating results

During the first quarter of the period under review (April 1, 2023 to June 30, 2023), the Japanese economy showed signs of gradual recovery due in part to improvements in employment and income and the effects of various policies. However, there are still concerns about the impact of a downturn in overseas economies amid ongoing global monetary tightening and other factors, as well as the effects of soaring prices.

In the pachinko industry, in which our group is involved, the introduction of smart pachislot machines began in November last year and smart pachinko machines began in April this year, and the average utilization rate of game machines during the period from April to June 2023 was 106.1% compared to the same period last year. As for utilization rate by type, pachinko machines led in the previous consolidated fiscal year, but the average for the period from April to June 2023 was 93.6% compared to the same period last year, a turnaround that resulted in a difficult situation. On the other hand, pachislot machines showed a clear recovery trend in utilization thanks to the introduction of the Pachislot Machine No. 6.5 model and smart pachislot machines since last year, increasing significantly to 132.5% compared to the same period last year (based on our DK-SIS data).

As of the end of the first quarter of the period under review, as for the status of introduction of smart game machines, a cumulative total of 10 smart pachislot machine models were introduced, and smart pachislot machines accounted for 17.1% of all pachislot machines installed. As for smart pachinko machines, a cumulative total of three models have been introduced, and smart pachinko machines account for 1.6% of all pachinko machines installed (based on our DK-SIS data).

Capital investment to accommodate smart game machines will continue to be active, and for the time being, capital investment related to pachislot machines, which is clearly on a recovery track, is expected to remain the main focus of capital investment.

Given this market environment, in the Information System Business, we proposed to expand sales of card units dedicated to smart game machines and information disclosure terminals, and promote replacement by upgrading systems to the AI hall computer X (KAI), which is ideal for data management of smart game machines, in order to respond to active capital investment demand due to the emergence of smart game machines.

In addition, we proposed the MIRAIGATE services, which respond to market changes brought about by the launch of smart game machines. And with the aim of further expanding these services, we promoted Raku Raku Replacement Operation Option, which contributes to operational efficiency by quickly completing complicated operations at the time of model replacement, 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 Amusement Business, in preparation for future entry into the smart pachislot business, we have strengthened the software development system for pachislot machines in addition to existing pachinko machines by making Riley Inc., a pachislot machine developer, a sub-subsidiary of our company in April 2023. In addition to further strengthening cooperation with Group companies, we have also reinforced our integrated business structure from planning and development to manufacturing by combining the organization with production divisions.

As a result, the first quarter for the period under review showed net sales of 15,965 million yen (up 174.4% YoY), an operating profit of 4,837 million yen (227 million yen for the same period last year), an ordinary profit of 4,855 million yen (306 million yen for the same period last year), and a profit attributable to owners of parent of 3,369 million yen (191 million yen for the same period last year).

The results by segment are as follows:

The name of the reportable segment previously known as the Control Systems Business was changed to the Amusement Business.

(Information systems business)

During the first quarter of the period under review, this segment responded to active capital investment demand from pachinko hall operators due to the introduction of smart game machines to the maximum extent possible.

Given this market environment, sales of Products for Pachinko Halls, etc. were significantly higher than in the same period last year due to strong sales of our VEGASIA card units, including dedicated smart game machine card units, REVOLA information disclosure terminals, and BiGMO PREMIUM units. The sales of Services increased year on year due to steady performance in major services and an increase in the number of member stores using the MIRAIGATE service in response to market changes with the launch of smart game machines.

As a result, the business recorded net sales of 14,913 million yen (up 255.1% YoY) and a segment profit of 5,305 million yen (up 748.2% YoY).

(Amusement business)

During the first quarter of the period under review, both sales of display and control units for pachinko machines and sales of parts were lower than in the same period last year.

As a result, the business recorded net sales of 1,052 million yen (down 35.1% YoY) and a segment loss of 34 million yen (compared to a segment loss of 32 million yen in the same period last year).

(Million yen)					
		Q1 of FY2023/3	Q1 of FY2024/3	Change	Change (%)
Net sales		5,818	15,965	10,146	174.4
	Information systems business	4,200	14,913	10,713	255.1
	Amusement business	1,620	1,052	(568)	(35.1)
Operating profit		227	4,837	4,609	—
Ordinary profit		306	4,855	4,548	—
Profit attributable to owners of parent		191	3,369	3,177	—

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

(2) Explanation of financial position

As for total assets at the end of first quarter of the period under review, although non-current assets decreased due to depreciation, trade receivables increased due to strong performance in the first quarter of the period under review. In addition, products increased as a result of procurement efforts to meet active capital investment demand from pachinko hall operators accompanying the introduction of smart game machines, amounted to 52,826 million yen, up 4,527 million yen from the end of previous consolidated fiscal year.

Liabilities at the end of first quarter for the period under review showed an increase in trade payables accompanying an increase in product purchases. In addition, due to expanded income, income taxes payable increased 2,044 million yen from the end of the previous fiscal year to 16,943 million yen.

Despite dividend payments, our net assets at the end of first quarter of the period under review increased 2,482 million yen to 35,882 million yen due to recording of profit attributable to owners of parent. The shareholders' equity ratio was 67.9%, 1.3 points down from the end of the previous consolidated fiscal year.

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

During the first quarter of the period under review, each profit category exceeded the consolidated earnings forecast for the full year announced on May 15, 2023. Although we expect capital investment in pachinko halls to continue to be active in order to accommodate demand for smart game machines, we have left our full-year consolidated earnings forecast unchanged at this time, because game machine sales trends for the second half of the fiscal year are yet to be determined.

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

(Million yen)		
	Result of First Quarter for Period Under Review	Consolidated Earnings Forecast for Full Year Ending March 31, 2024
Net sales	15,965	38,000
Operating profit	4,837	4,200
Ordinary profit	4,855	4,350
Profit attributable to owners of parent	3,369	3,000

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

	(Thousand yen)	
	Fiscal year ended March 31, 2023 (March 31, 2023)	First quarter, year ending March 31, 2024 (June 30, 2023)
Net assets		
Current assets		
Cash and deposits	16,922,801	19,505,064
Notes and accounts receivable - trade, and contract assets	4,966,114	5,140,707
Electronically recorded monetary claims - operating	2,108,910	3,330,396
Securities	500,066	500,000
Merchandise and finished goods	7,957,700	8,667,243
Work in process	89,324	46,021
Raw materials and supplies	482,237	552,658
Other	884,363	802,244
Allowance for doubtful accounts	(284,780)	(351,412)
Total current assets	33,626,738	38,192,924
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,205,453	3,156,176
Land	4,162,117	4,162,117
Other, net	857,180	774,871
Total property, plant and equipment	8,224,751	8,093,165
Intangible assets		
Software	2,044,262	1,898,260
Goodwill	812,206	842,580
Other	33,045	32,925
Total intangible assets	2,889,514	2,773,767
Investments and other assets		
Deferred tax assets	615,976	706,966
Investment property, net	865,079	860,857
Other	2,282,207	2,406,689
Allowance for doubtful accounts	(205,485)	(208,067)
Total investments and other assets	3,557,777	3,766,446
Total non-current assets	14,672,042	14,633,378
Total assets	48,298,781	52,826,302

(Thousand yen)

	Fiscal year ended March 31, 2023 (March 31, 2023)	First quarter, year ending March 31, 2024 (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,193,557	4,454,629
Electronically recorded obligations - operating	3,765,603	5,266,379
Short-term borrowings	2,000,000	2,000,000
Income taxes payable	1,203,429	1,633,947
Provision for product warranties	40,325	41,024
Provision for bonuses for directors (and other officers)	75,050	11,370
Other	2,688,049	2,547,542
Total current liabilities	13,966,016	15,954,893
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	453,473	458,503
Retirement benefit liability	232,626	284,706
Other	246,785	245,730
Total non-current liabilities	932,886	988,941
Total liabilities	14,898,902	16,943,834
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	31,924,756	34,406,894
Treasury stock	(1,897)	(2,323)
Total shareholders' equity	33,276,867	35,758,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,872	17,656
Remeasurements of defined benefit plans	106,139	106,232
Total accumulated other comprehensive income	123,011	123,888
Total net assets	33,399,879	35,882,468
Total liabilities and net assets	48,298,781	52,826,302

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

Quarterly consolidated statement of income

Three months period

	(Thousand yen)	
	Three-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to June 30, 2022)	Three-month period in the fiscal year ending March 31, 2024 (From April 1, 2023 to June 30, 2023)
Net sales	5,818,991	15,965,169
Cost of sales	3,385,469	8,561,632
Gross profit	2,433,522	7,403,537
Selling, general and administrative expenses	2,205,746	2,566,465
Operating profit	227,775	4,837,072
Non-operating income		
Interest income	3,988	4,029
Dividend income	7,236	6,112
Rental income from real estate	22,272	21,355
Subsidies for employment adjustment	53,136	—
Other	9,720	9,057
Total non-operating income	96,354	40,555
Non-operating expenses		
Interest expenses	1,658	1,634
Foreign exchange losses	3,705	9,070
Rental expenses on real estate	11,475	11,129
Other	416	165
Total non-operating expenses	17,256	21,999
Ordinary profit	306,873	4,855,628
Extraordinary losses		
Loss on retirement of non-current assets	112	335
Impairment losses	2,500	—
Total extraordinary losses	2,612	335
Profit before income taxes	304,260	4,855,292
Income taxes - current	105,948	1,577,557
Income taxes - deferred	6,860	(91,376)
Total income taxes	112,808	1,486,180
Profit	191,452	3,369,112
Profit attributable to owners of parent	191,452	3,369,112

Quarterly consolidated statement of comprehensive income

Three month period

(Thousand yen)

	Three-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to June 30, 2022)	Three-month period in the fiscal year ending March 31, 2024 (From April 1, 2023 to June 30, 2023)
Profit	191,452	3,369,112
Other comprehensive income		
Valuation difference on available-for-sale securities	734	783
Remeasurements of defined benefit plans, net of tax	(205)	93
Total other comprehensive income	529	877
Comprehensive income	191,981	3,369,989
(Profit attributable to)		
Comprehensive income attributable to owners of parent	191,981	3,369,989

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I First quarter of the fiscal year ended March 31, 2023

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

(Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount stated in consolidated statement of income (Note 2)
	Information systems business	Amusement business	Total		
Net sales					
Sales to external customers	4,200,090	1,618,901	5,818,991	—	5,818,991
Intersegment sales or transfers	—	1,587	1,587	(1,587)	—
Total	4,200,090	1,620,488	5,820,579	(1,587)	5,818,991
Segment income (losses)	625,459	(32,887)	592,572	(364,796)	227,775

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

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

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

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

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

II First quarter of the fiscal year ending March 31, 2024

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

(Thousand yen)

	Reportable segments			Adjustments (Note 1)	Amount stated in consolidated statement of income (Note 2)
	Information systems business	Amusement business	Total		
Net sales					
Sales to external customers	14,913,921	1,051,248	15,965,169	—	15,965,169
Intersegment sales or transfers	—	897	897	(897)	—
Total	14,913,921	1,052,146	15,966,067	(897)	15,965,169
Segment income (losses)	5,305,245	(34,871)	5,270,374	(433,302)	4,837,072

(Note) 1 The adjustment of segment income (losses) of (433,302 thousand yen) includes the elimination of intersegment transactions of (3,547 thousand yen) and corporate expenses unallocated to any reportable segments of (436,849 thousand yen).

Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

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

2. Changes in reportable segments

Since the first quarter for period under review, the name of reportable segment previously known as the Control Systems Business has been changed to the Amusement Business. This is a name change of the reportable segment and has no impact on segment information.

Along with this change, the segment information for the first quarter of previous fiscal year is also presented under the new name.

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

Not applicable.

(Revenue recognition)

Breakdown of revenue from contracts with customers

First quarter of the fiscal year ended March 31, 2023

(Thousand yen)

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

First quarter of the fiscal year ending March 31, 2024

(Thousand yen)

	Reportable segments		Total
	Information systems business	Amusement business	
Products etc. for pachinko halls	13,275,788	—	13,275,788
Services	1,638,132	—	1,638,132
Display/control units for game machine manufacturers	—	305,623	305,623
Parts/other	—	745,625	745,625
Revenue from contracts with customers	14,913,921	1,051,248	15,965,169
Other revenue	—	—	—
Sales to external customers	14,913,921	1,051,248	15,965,169