

FY2023 First Quarter Financial Results

(2023/4-2023/6)

DAIKOKU DENKI Co., Ltd.

(The Prime Market of the Tokyo Stock Exchange,

The Premier Market of the Nagoya Stock Exchange, 6430)

**FY2023
Results**

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Consolidated Financial Highlights

Consolidated Statements of Income (Summary)

Increase in sales and significant increase in profit

(Million yen)	FY2022 Q1	FY2023 Q1	YoY change	Rate of change
Net sales	5,818	15,965	+10,146	+174.4%
Gross profit-net	2,433	7,403	+4,970	+204.2%
Selling, general and administrative expenses	2,205	2,566	+360	+16.4%
Operating income	227	4,837	+4,609	—
Ordinary income	306	4,855	+4,548	—
Net income attributable to owners of the paren	191	3,369	+3,177	—

* If the growth rate exceeds 1000%, it is indicated as "-".

The net sales of the Information System Segment, which is a major segment, saw a substantial increase.

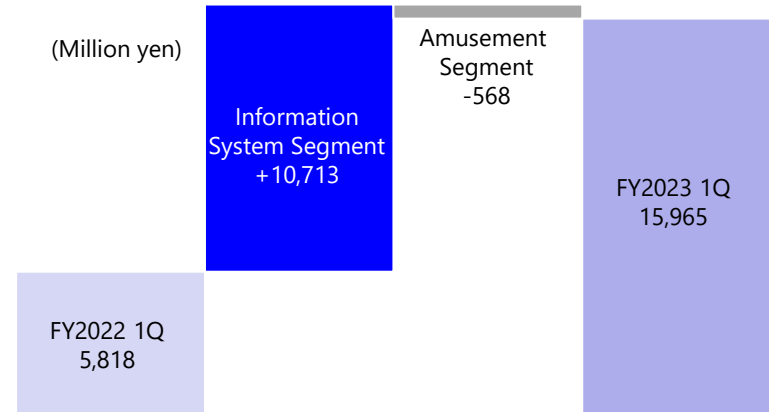
Information System Segment

Net sales in this segment
14,913 million yen

YoY Change +**10,713** million yen

Increase
in sales

+255.1%



Products for pachinko halls, etc.

13,275 million yen

YoY Change +**10,671** million yen



With the introduction of smart game machines, sales of card unit "VEGASIA," information disclosure terminal "REVOLA," and "BiGMO PREMIUM" have been performing well.

Service

1,638 million yen

YoY Change +**42** million yen



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

Amusement Segment net sales in this segment were -35.1% sales decreased

Amusement Segment

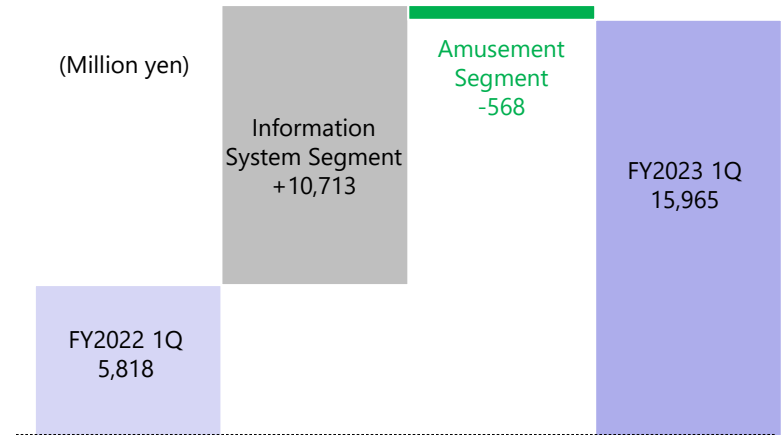
Net sales in this segment
1,052 million yen

YoY Change **-568** million yen

Decrease
in sales

-35.1%

*Business segment sales and income figures include intersegment transactions.



Display and control units for games machine manufacturers

305 million yen

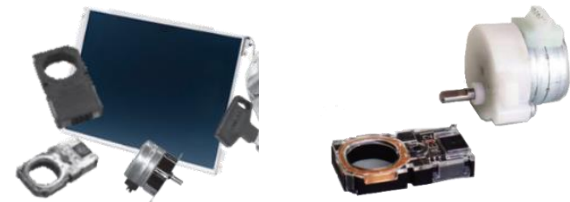
YoY Change **-101** million yen



Parts and others

745 million yen

YoY Change **-465** million yen



Sales of display units and control units for pachinko machines, as well as parts sales, have fallen below the same period of the previous year.

*As of April 2023, the name of reportable segment previously known as the Control System Segment has been changed to the Amusement Segment. This is a name change of the reportable segment and has no impact on segment information.

Operating Income

Information System Segment posted a significant increase in profit (+748.2%), Amusement Segments posted a decrease in profit .

Information System Segment

Operating income in this segment
5,305 million yen

YoY Change **+4,679** million yen

Increase
in income

+748.2%

The sales and profits of the card unit "VEGASIA" and the information disclosure terminals "REVOLA" and "BiGMO PREMIUM" have been performing well, resulting in increased earnings.

Amusement Segment

Operating income in this segment
-34 million yen

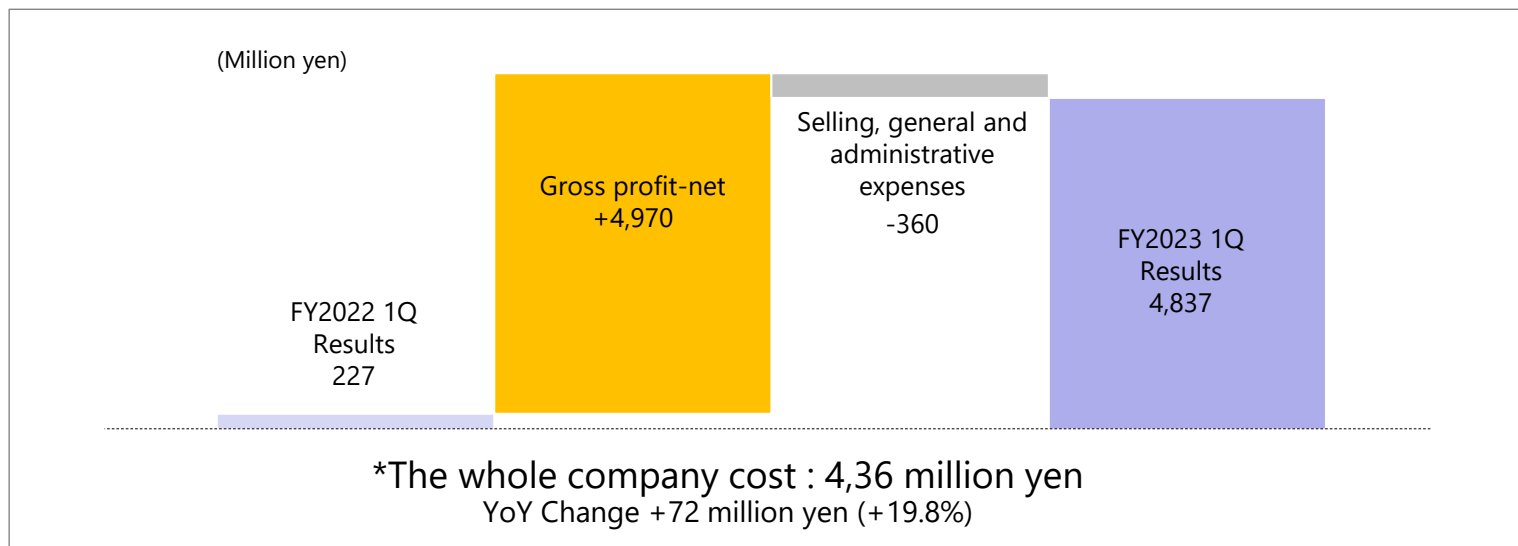
YoY Change **-1** million yen

Decrease
in income

compared to a segment loss of 32 million yen in the same period last year

*Business segment sales and income figures include intersegment transactions.

Sales of display units and control units for pachinko machines, as well as parts sales, have fallen below the same period of the previous year, resulting in decreased profits compared to the same period last year.



Consolidated Balance Sheets (Summary)

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

(Million yen)	FY2022	FY2023 1Q	YoY change
Current assets	33,626	38,192	+4,566
Noncurrent assets	14,672	14,633	-38
Total assets	48,298	52,826	+4,527
Current liabilities	13,966	15,954	+1,988
Noncurrent liabilities	932	988	+56
Total liabilities	14,898	16,943	+2,044
Total net assets	33,399	35,882	+2,482
Total liabilities and net assets	48,298	52,826	+4,527
Debt	2,001	2,000	±0
Shareholders' equity ratio	69.2%	67.9%	-1.3%
D/E ratio	0.06	0.06	±0

■ Total assets

Increase

Due to factors such as the recognition of depreciation expenses leading to a decrease in fixed assets, but with the business performance remaining strong, there was an increase in cash and deposits, trade receivables, and a rise in production due to procurement expansion. As a result, there was a net increase of 4,527 million yen compared to the previous consolidated fiscal year-end.

■ Total liabilities

Increase

Due to an increase in trade liabilities stemming from higher product procurement and an increase in income due to the favorable business performance leading to higher unpaid corporate taxes, there was a net increase of 2,044 million yen compared to the previous consolidated fiscal year-end.

■ Total net assets

Increase

Despite dividend payments, there was a net increase of 2,482 million yen compared to the previous consolidated fiscal year-end due to the recognition of quarterly net profit attributable to the parent company shareholders.

■ Shareholders' equity ratio

Decrease

Equity ratio was 67.9%, 1.3 points down from the end of previous consolidated fiscal year.

**FY2023
Results**

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

*There have been no changes from the projected figures announced on May 15, 2023.

FY2023 Full Year Forecast

- In the 1st quarter, each profit surpasses the annual performance, but due to the uncertain trends in gaming machine sales in the latter half, the forecast remains unchanged.
- 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	Rate of change
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 System 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	Rate of 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.

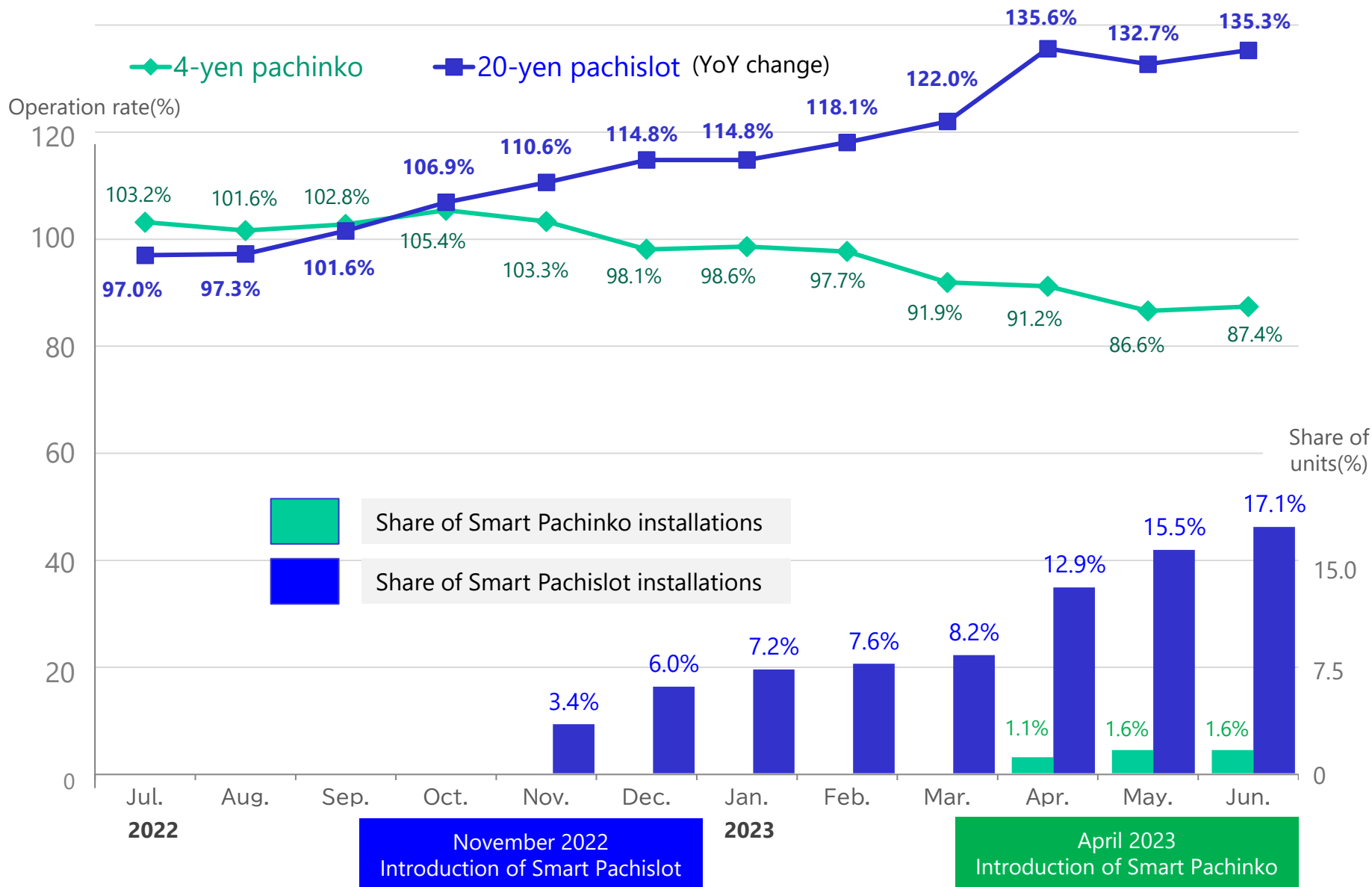
**FY2023
Results**

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Reference Data

Operation (based on out) Monthly trend in YoY change

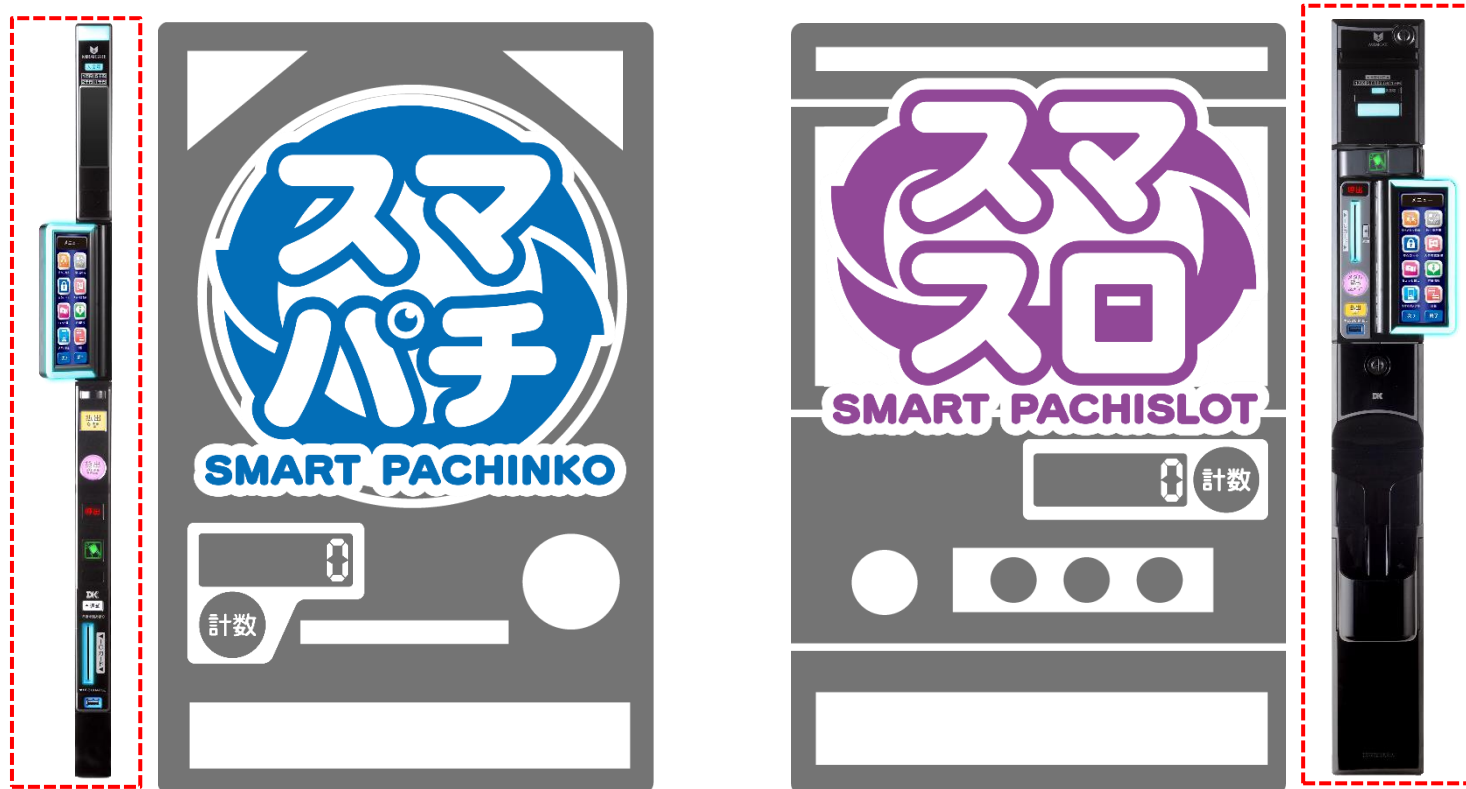
The appearance of Smart Pachislot in November 2022 will increase the operation of 20-yen Pachislot



*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

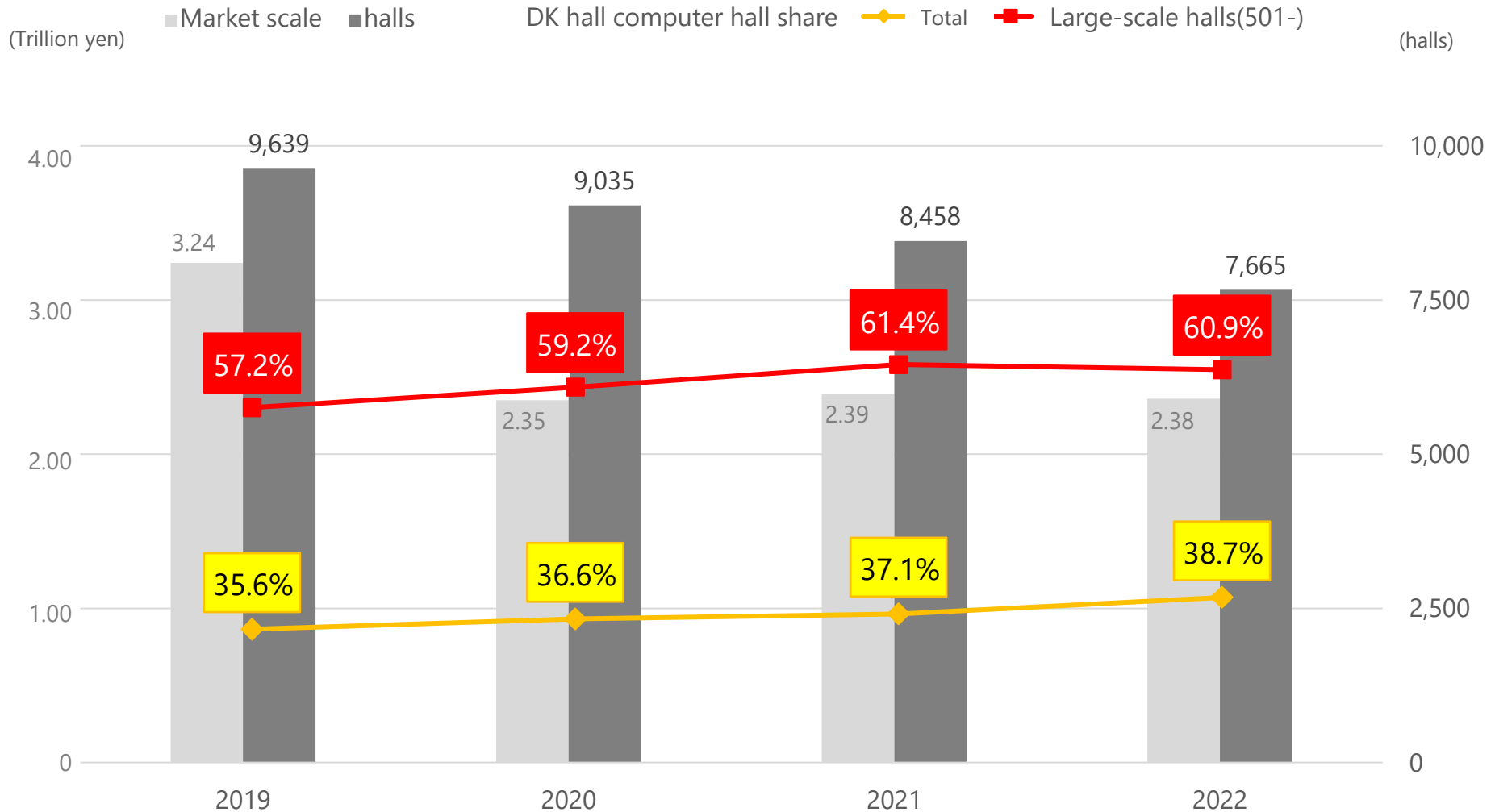
Card unit **VEGASIA**



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.

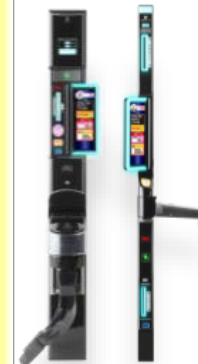


Card unit

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)

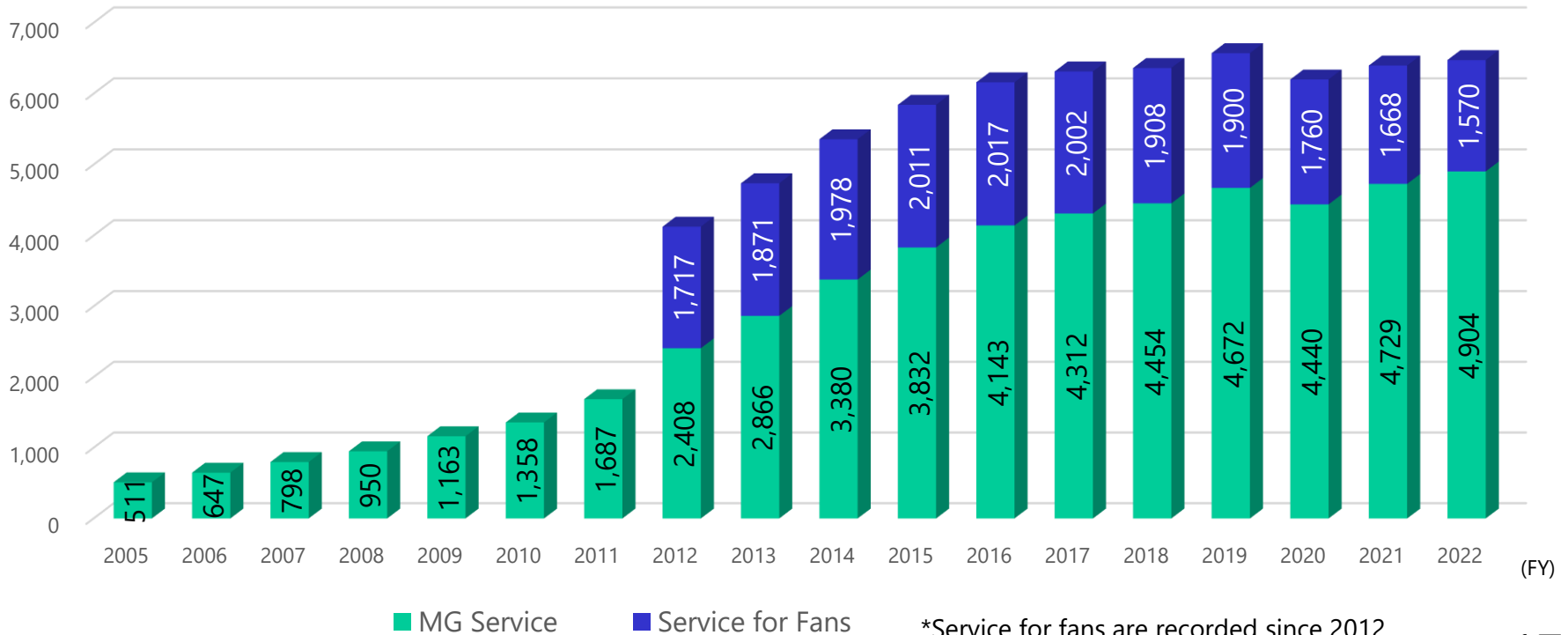
Pachinko halls

Pachinko fans



Service Sales Trend

(Million yen)



*Service for fans are recorded since 2012.

Among the 18 types of MIRAIGATE services, this fiscal year, we are particularly enhancing three management support services.

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



Change Approval Request System

- 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. *As of the end of March 2023
- 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)
毎日同じセミナー内容ですが、所要時間は約90分を予定。時間内は自由に視聴いただけます。

第一回 13:30～15:30 第二回 18:00～20:00

講師 片瀬 宏之 成田 晋治 服部 祐治 竹河 雅斗

日	月	火	水	木	金	土
6/19	20	21	22	23	24	25

SIS Online seminar

成田・片瀬 竹河・服部 竹河・片瀬 成田・服部 成田・片瀬 竹河・片瀬 成田・服部 竹河・片瀬

今すぐできるパチンコ管理で業績アップ

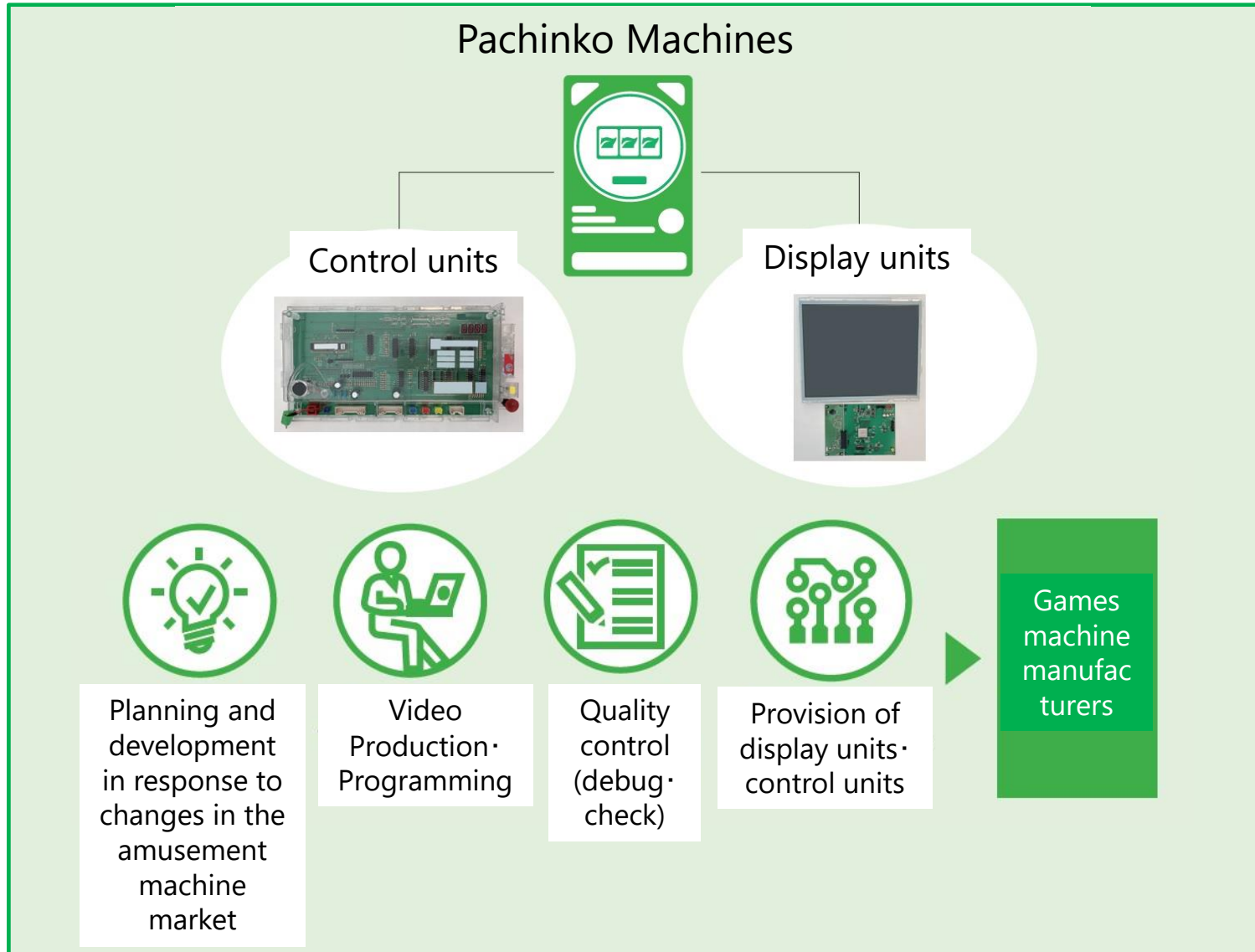
自店データを確認!

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より可能性が大いにある

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

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

* As of April 2023, Control System Segment has been renamed to Amusement Segment.



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.