



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

November 13, 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 Senior Managing Director; General Manager, Management Control Division (Name) Toshifumi Oonari (TEL) 052-581-7111
Scheduled date of filing quarterly report: November 13, 2023
Scheduled date of commencement of dividend payments: December 5, 2023
Preparation of supplementary materials for quarterly financial results : Yes
Holding of quarterly financial results briefing : Yes (For institutional investors and analysts)
(Amounts less than one million yen are rounded down.)

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

(1) Consolidated operating results (First 6 month) (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	%
Q2 of FY2024/3	29,168	158.4	7,899	953.6	7,938	810.9	5,502	864.6
Q2 of FY2023/3	11,289	(6.3)	749	(13.2)	871	(5.2)	570	(15.9)

(Note) Comprehensive income: Q2 of FY2024/3 5,504 million yen [865.5%]
Q2 of FY2023/3 570 million yen [(16.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 of FY2024/3	372.20	-
Q2 of FY2023/3	38.59	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q2 of FY2024/3	56,477	38,016	67.3
FY2023/3	48,298	33,399	69.2

(Reference) Shareholders' equity: Q2 of FY2024/3 38,016 million yen
FY2023/3 33,399 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY2023/3	Yen -	Yen 10.00	Yen -	Yen 60.00	Yen 70.00
FY2024/3	-	20.00			
FY2024/3 (Forecast)			-	80.00	100.00

(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 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	51,000	60.3	10,500	161.2	10,600	148.8	7,200	145.9	487.02

(Note) Revisions to recently released earnings forecasts : Yes

* 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)	Q2 of FY2024/3	14,783,900 shares	FY2023/3	14,783,900 shares
2) Number of shares of treasury stock at the end of period	Q2 of FY2024/3	1,138 shares	FY2023/3	995 shares
3) Average number of shares outstanding during the period (QTD)	Q2 of FY2024/3	14,782,782 shares	Q2 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 Second Quarter of Fiscal Year Ending March 31, 2024.

○ Table of Contents of Attachments

1. Qualitative Information on Financial Results for the Second 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	
Q2 of FY2024/3	6
Quarterly consolidated statement of comprehensive income	
Q2 of FY2024/3	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 Second Quarter of the Fiscal Year Ending March 31, 2024

(1) Explanation of operating results

In the first half of the period under review (April 1, 2023 to September 30, 2023), the Japanese economy continued to show signs of a gradual recovery, partly due to the effects of various policies, supported by improvements in employment and income environment. However, there are risks that could deteriorate the economy, such as the impact of global monetary tightening and concerns about the future of the Chinese economy. Therefore, it is necessary to pay attention to inflation and fluctuations in financial and capital markets.

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. Regarding the installation of smart game machines as of the end of the second quarter, a cumulative total of 20 smart pachislot machine models were installed, accounting for 23.8% of all pachislot machines installed (up 6.7 points from the end of the first quarter). As for smart pachinko machines, a cumulative total of seven models have been introduced, accounting for 3.0% of all pachinko machines installed (up 1.4 points from the same) (based on our DK-SIS data). In this way, the market for smart game machines is shifting from the introduction phase to the growth phase, mainly with smart pachislot machines.

Next, the average operating status of all game machines during the period from July to September 2023 reached 106.4% compared to the same period of the previous year. As for the operating status by category, pachislot machines rose sharply to 123.3% year on year, thanks to the clear recovery trend of pachislot machines, such as Pachislot Machine No. 6.5 model, which was highly supported by enthusiastic players, and the introduction of smart pachislot machines, but pachinko machines remained sluggish at 96.3% year on year (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 expanded sales of card units dedicated to smart game machines and information disclosure terminals, and promoted 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, with the aim of further expanding the MIRAIGATE services, in response to a market change due to the introduction of smart gaming machines, we promoted Raku Raku Replacement Operation Option, which contributes to operational efficiency by quickly completing complicated work 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 July, we published the DK-SIS White Paper 2023 (2022 data), now in its 20th year. This paper compiles and analyzes big and accurate operating data worth annual sales of ¥7.4 trillion from about 1.41 million machines (which represents a 39.7% market share) sent daily from pachinko halls, presenting the annual results of analysis. It is used by industry stakeholders as an index in their efforts to create an outlook for the future. In the same month, we held a webinar for the entire pachinko industry, suggesting ways to improve business performance, etc. using data management based on recent industry trends.

In the amusement business, we began planning and software development of pachislot machines in cooperation with Riley, which became a sub-subsubsidiary in April 2023, with the aim of entering the smart pachislot business. In addition, we promoted activities to acquire influential content (IP) suitable for pachislot machines. Furthermore, we are continuing to strengthen our integrated business structure from planning and development to production through organizational integration with the Production Division.

As a result, the first half of the period under review showed net sales of ¥29,168 million (up 158.4% YoY), operating profit of ¥7,899 million (up 953.6% YoY), ordinary profit of ¥7,938 million (up 810.9% YoY), and profit attributable to owners of parent ¥5,502 million (up 864.6% YoY).

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)

In the first half of the period under review, this segment responded to the continued active investment demand from pachinko hall operators due to the introduction of smart game machines to the extent possible.

In this market environment, sales of Products for Pachinko halls, etc. increased significantly year on year due to strong sales of VEGASIA card units, which includes a card unit for smart game machines, 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 ¥27,286 million (up 220.8% YoY) and a segment profit of ¥8,964 million (up 537.4% YoY).

(Amusement business)

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

As a result, this business recorded net sales of ¥1,890 million (up 32.2% YoY) and a segment loss of ¥105 million (compared to a segment profit of ¥48 million in the same period the previous year).

		(Million yen)			
		Q2 of FY2023/3	Q2 of FY2024/3	Change	Change (%)
Net sales		11,289	29,168	17,878	158.4
	Information systems business	8,505	27,286	18,780	220.8
	Amusement business	2,788	1,890	(897)	(32.2)
Operating profit		749	7,899	7,149	953.6
Ordinary profit		871	7,938	7,067	810.9
Profit attributable to owners of parent		570	5,502	4,931	864.6

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

(2) Explanation of financial position

In terms of total assets at the end of second quarter of the period under review, strong performance in the quarter led to an increase in trade receivables and an increase in cash and deposits, mainly due to the settlement of trade receivables. In addition, merchandise and finished goods increased as a result of meeting active capital investment demand from pachinko operators accompanying the introduction of smart game machines, and amounted to ¥56,477 million, up ¥8,178 million from the end of the previous consolidated fiscal year.

Liabilities at the end of the second quarter of the period under review increased due to an increase in trade payables as a result of increased purchases of merchandise and finished goods to meet demand for capital investment. Income taxes payable increased ¥3,561 million from the end of the previous fiscal year to ¥18,460 million, reflecting an increase in taxable income due to strong business performance.

Despite dividend payments, our net assets at the end of first half increased ¥4,616 million to ¥38,016 million due to recording of profit attributable to owners of parent.

The shareholders' equity ratio was 67.3%, 1.9 points down from the end of the previous consolidated fiscal year.

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

For consolidated earnings forecasts for the fiscal year ending March 31, 2024, please refer to the Revision Notice of Consolidated Earnings and Dividend Forecasts for the Fiscal Year Ending March 31, 2024 announced today. We will promptly disclose any revisions that need to be made to the earnings forecasts in the future.

In addition, there have been no material changes to the content disclosed in the latest securities report (submitted on June 30, 2023) concerning risks that may have an impact on results.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

	(Thousand yen)	
	Fiscal year ended March 31, 2023 (March 31, 2023)	Second quarter, year ending March 31, 2024 (September 30, 2023)
Net assets		
Current assets		
Cash and deposits	16,922,801	20,242,269
Notes and accounts receivable - trade, and contract assets	4,966,114	4,888,816
Electronically recorded monetary claims - operating	2,108,910	4,303,950
Securities	500,066	500,000
Merchandise and finished goods	7,957,700	10,466,938
Work in process	89,324	54,435
Raw materials and supplies	482,237	670,648
Other	884,363	819,550
Allowance for doubtful accounts	(284,780)	(348,598)
Total current assets	33,626,738	41,598,010
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,205,453	3,113,040
Land	4,162,117	4,162,117
Other, net	857,180	714,513
Total property, plant and equipment	8,224,751	7,989,670
Intangible assets		
Software	2,044,262	2,069,183
Goodwill	812,206	819,060
Other	33,045	32,805
Total intangible assets	2,889,514	2,921,049
Investments and other assets		
Deferred tax assets	615,976	928,816
Investment property, net	865,079	856,634
Other	2,282,207	2,397,354
Allowance for doubtful accounts	(205,485)	(214,491)
Total investments and other assets	3,557,777	3,968,314
Total non-current assets	14,672,042	14,879,033
Total assets	48,298,781	56,477,044

(Thousand yen)

	Fiscal year ended March 31, 2023 (March 31, 2023)	Second quarter, year ending March 31, 2024 (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,193,557	3,742,062
Electronically recorded obligations - operating	3,765,603	5,410,939
Short-term borrowings	2,000,000	2,000,000
Income taxes payable	1,203,429	2,862,971
Provision for product warranties	40,325	28,863
Provision for bonuses for directors (and other officers)	75,050	22,740
Other	2,688,049	3,394,640
Total current liabilities	13,966,016	17,462,216
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	453,473	463,533
Retirement benefit liability	232,626	290,083
Other	246,785	244,466
Total non-current liabilities	932,886	998,083
Total liabilities	14,898,902	18,460,300
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	31,924,756	36,539,953
Treasury stock	(1,897)	(2,323)
Total shareholders' equity	33,276,867	37,891,638
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,872	18,779
Remeasurements of defined benefit plans	106,139	106,326
Total accumulated other comprehensive income	123,011	125,105
Total net assets	33,399,879	38,016,743
Total liabilities and net assets	48,298,781	56,477,044

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

Quarterly consolidated statement of income

Six months period

(Thousand yen)

	Six-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to September 30, 2022)	Six-month period in the fiscal year ending March 31, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	11,289,751	29,168,739
Cost of sales	6,056,209	15,467,218
Gross profit	5,233,541	13,701,520
Selling, general and administrative expenses	4,483,744	5,801,850
Operating profit	749,796	7,899,670
Non-operating income		
Interest income	7,613	7,657
Dividend income	7,236	6,130
Rental income from real estate	44,295	43,643
Subsidies for employment adjustment	74,156	-
Other	21,552	19,523
Total non-operating income	154,854	76,955
Non-operating expenses		
Interest expenses	3,331	3,245
Foreign exchange losses	5,917	11,797
Rental expenses on real estate	23,185	22,579
Other	691	386
Total non-operating expenses	33,126	38,007
Ordinary profit	871,524	7,938,618
Extraordinary income		
Gain on sale of non-current assets	1,771	49
Gain on sale of investment securities	3,375	-
Total extraordinary income	5,146	49
Extraordinary losses		
Loss on retirement of non-current assets	6,723	14,119
Impairment losses	2,500	573
Total extraordinary losses	9,223	14,692
Profit before income taxes	867,447	7,923,975
Income taxes - current	228,766	2,735,021
Income taxes - deferred	68,254	(313,216)
Total income taxes	297,020	2,421,804
Profit	570,426	5,502,170
Profit attributable to owners of parent	570,426	5,502,170

Quarterly consolidated statement of comprehensive income

First half of period under review

(Thousand yen)

	Six-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to September 30, 2022)	Six-month period in the fiscal year ending March 31, 2023 (From April 1, 2023 to September 30, 2023)
Profit	570,426	5,502,170
Other comprehensive income		
Valuation difference on available-for-sale securities	63	1,906
Remeasurements of defined benefit plans, net of tax	(410)	187
Total other comprehensive income	(346)	2,093
Comprehensive income	570,080	5,504,264
(Profit attributable to)		
Comprehensive income attributable to owners of parent	570,080	5,504,264

(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. Cumulative Second Quarter of FY2023/3 (From April 1, 2022 to September 30, 2022)

1. Amounts of net 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	8,505,652	2,784,099	11,289,751	-	11,289,751
Intersegment sales or transfers	-	4,151	4,151	(4,151)	-
Total	8,505,652	2,788,250	11,293,902	(4,151)	11,289,751
Segment income	1,406,413	48,237	1,454,651	(704,854)	749,796

(Notes) 1: The adjustments to segment income of (¥704,854 thousand) include the elimination of intersegment transactions of ¥1,235 thousand and corporate expenses not allocated to reportable segments of (¥706,090 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

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

2. Impairment losses 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 was recorded for the first half of the period under review.

II. Cumulative Second Quarter of FY2024/3 (From April 1, 2023 to September 30, 2023)

1. Amounts of net 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	27,286,062	1,882,677	29,168,739	-	29,168,739
Intersegment net sales or transfers	-	7,664	7,664	(7,664)	-
Total	27,286,062	1,890,341	29,176,404	(7,664)	29,168,739
Segment income (losses)	8,964,511	(105,742)	8,858,769	(959,098)	7,899,670

(Notes) 1: The adjustments to segment income of (¥959,098 thousand) include the elimination of intersegment transactions of ¥5,195 thousand and corporate expenses not allocated to reportable segments of (¥964,293 thousand). 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 of the 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.

In line with this change, the segment information for the first half of the previous period is also presented under the new name.

3. Impairment losses 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 ¥573 thousand was recorded for the first half of the period under review.

(Revenue recognition)

Breakdown of revenue from contracts with customers

Cumulative Second Quarter of FY2023/3 (From April 1, 2022 to September 30, 2022)

	Reportable segments		Total
	Information systems business	Amusement business	
Products etc. for pachinko halls	5,319,466	-	5,319,466
Services	3,186,185	-	3,186,185
Display and control units, etc. for games machines manufacturers	-	1,011,172	1,011,172
Parts/other	-	1,772,927	1,772,927
Revenue from contracts with customers	8,505,652	2,784,099	11,289,751
Other revenue	-	-	-
Sales to external customers	8,505,652	2,784,099	11,289,751

Cumulative Second Quarter of FY2024/3 (From April 1, 2023 to September 30, 2023)

	Reportable segments		Total
	Information systems business	Amusement business	
Products etc. for pachinko halls	23,993,999	-	23,993,999
Services	3,292,062	-	3,292,062
Display and control units, etc. for games machines manufacturers	-	696,745	696,745
Parts/other	-	1,185,931	1,185,931
Revenue from contracts with customers	27,286,062	1,882,677	29,168,739
Other revenue	-	-	-
Sales to external customers	27,286,062	1,882,677	29,168,739