

# FY2023 Second Quarter Financial Results

## (2023/4-2023/9)

DAIKOKU DENKI Co., Ltd.

(The Prime Market of the Tokyo Stock Exchange,

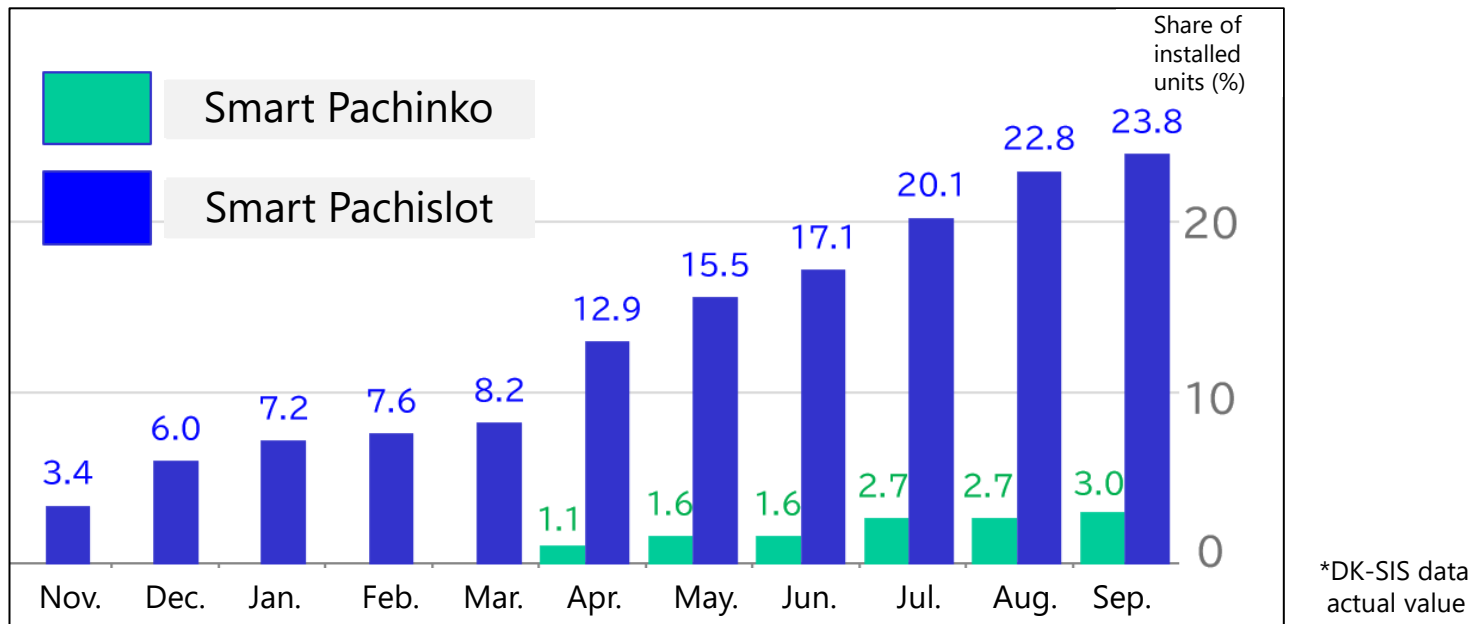
The Premier Market of the Nagoya Stock Exchange, 6430)

**FY2023  
Results**

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## **Consolidated Financial Highlights**

- Smart pachislot machines have been introduced steadily, with a total of 20 models installed by the end of September. The installation rate in the overall pachislot market has reached 23.8%, showing a smooth spread.
- Among the pachislot sales figures from April to September (approximately 400,000 units), smart pachislot machines account for 60% (about 240,000 units).



- The operational status of the market is robust, with an average from July to September showing a 106.4% increase compared to the same period last year.
- The operational conditions of pachislot machines have seen a clear recovery trend, attributed to the introduction of smart pachislot machines, resulting in a significant year-on-year increase of 123.3%.

# Consolidated Statements of Income (Summary)

Consolidated results achieved record profits with significant increases in both sales and income.

(Million yen)	FY2022 Q2	FY2023 Q2	YoY change	Rate of change
Net sales	11,289	<b>29,168</b>	+17,878	+158.4%
Gross profit-net	5,233	<b>13,701</b>	+8,467	+161.8%
Selling, general and administrative expenses	4,483	<b>5,801</b>	+1,318	+29.4%
Operating income	749	<b>7,899</b>	+7,149	+953.6%
Ordinary income	871	<b>7,938</b>	+7,067	+810.9%
Net income attributable to owners of the paren	570	<b>5,502</b>	+4,931	+864.6%

Information Systems Segment achieved a significant increase in sales, reaching a record high.

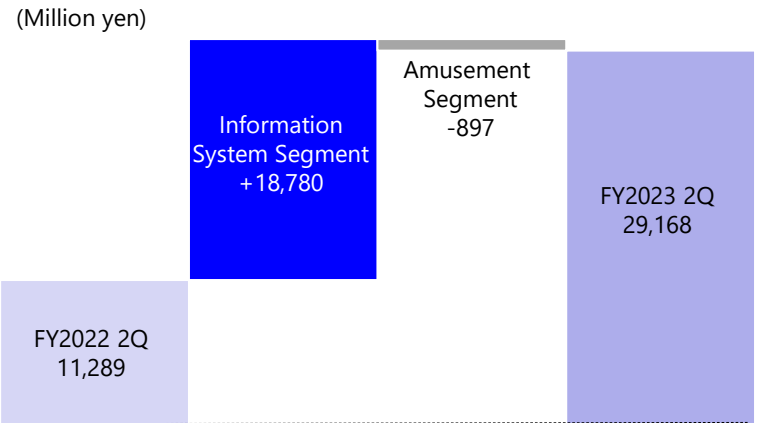
## Information System Segment

Net sales in this segment  
**27,286 million yen**

YoY Change +**18,780** million yen

Increase and record sales

**+220.8%**



\*Including inter-segment transactions.

## Products for pachinko halls, etc.

**23,993 million yen**

YoY Change +**18,674** 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

**3,292 million yen**

YoY Change +**105** 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".

Amusement Segment net sales in this segment were -32.2% sales decreased

## Amusement Segment

Net sales in this segment  
**1,890 million yen**

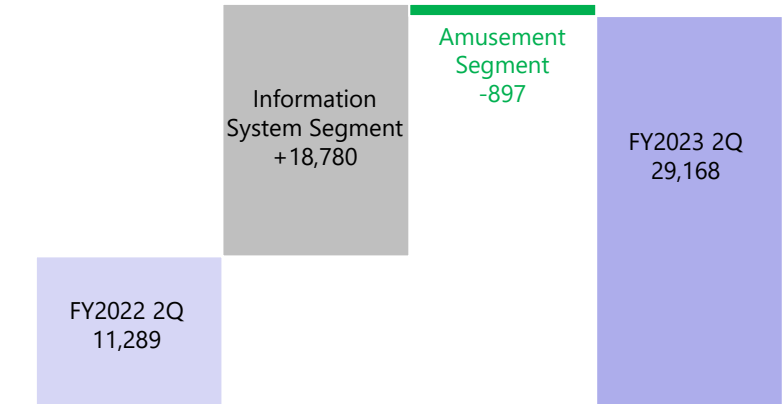
YoY Change **-897** million yen

Decrease  
in sales

**-35.1%**

\*Including inter-segment transactions.

(Million yen)



\*Including inter-segment transactions.

## Display and control units for games machine manufacturers

**696 million yen**

YoY Change **-314** million yen

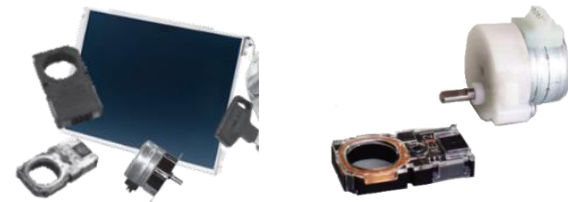


Sales of display units and control units for pachinko machines, as well as parts sales, have fallen below the same period of the previous year.

## Parts and others

**1,185 million yen**

YoY Change **-586** million yen



\*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.

Information Systems Segment achieved a significant increase in sales, reaching a record high.

## Information System Segment

Operating income in this segment  
**8,964 million yen**

YoY Change **+7,558** million yen

Increase and record sales

**+537.4%**

The Unit Sales 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  
**-105 million yen**

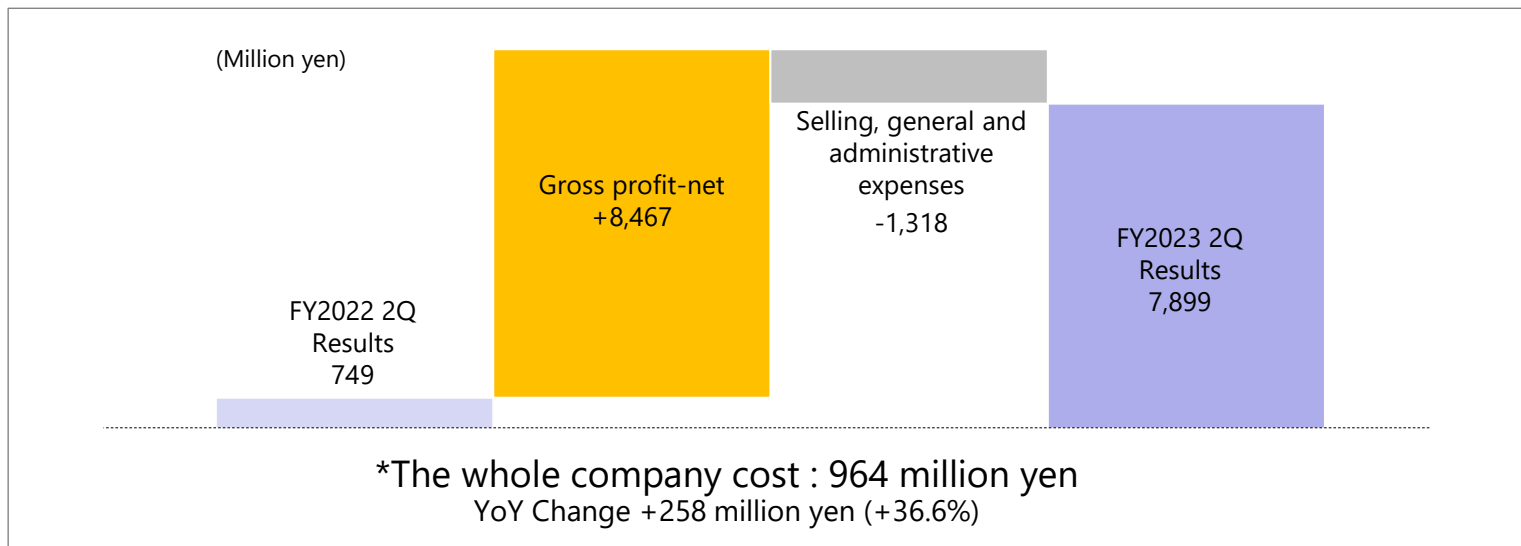
YoY Change **-153** million yen

Decrease in income

compared to a segment loss of 48 million yen in the same period last year

\*Including inter-segment 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 0.05 and enough soundness

(Million yen)	FY2022	FY2023 2Q	YoY change
Current assets	33,626	<b>41,598</b>	+7,971
Noncurrent assets	14,672	<b>14,879</b>	+206
Total assets	48,298	<b>56,477</b>	+8,178
Current liabilities	13,966	<b>17,462</b>	+3,496
Noncurrent liabilities	932	<b>998</b>	+65
Total liabilities	14,898	<b>18,460</b>	+3,561
Total net assets	33,399	<b>38,016</b>	+4,616
Total liabilities and net assets	48,298	<b>56,477</b>	+8,178
Debt	2,001	<b>2,000</b>	-0
Shareholders' equity ratio	69.2%	<b>67.3%</b>	-1.9%
D/E ratio	0.06	<b>0.05</b>	-0.01

## ■ Total assets

**Increase**

Increase of ¥8,178 million from the end of the previous consolidated fiscal year due to an increase in trade receivables resulting from strong business performance and an increase in products in response to capital investment demand.

## ■ Total liabilities

**Increase**

Increase of ¥3,561 million from the end of the previous fiscal year due to an increase in trade payables resulting from an increase in product purchases and an increase in income taxes payable resulting from an increase in income due to strong business performance.

## ■ Total net assets

**Increase**

Increase of ¥4,616 million from the end of the previous fiscal year due to posting of net income attributable to owners of the parent despite payment of cash dividends.

## ■ Shareholders' equity ratio

**Decrease**

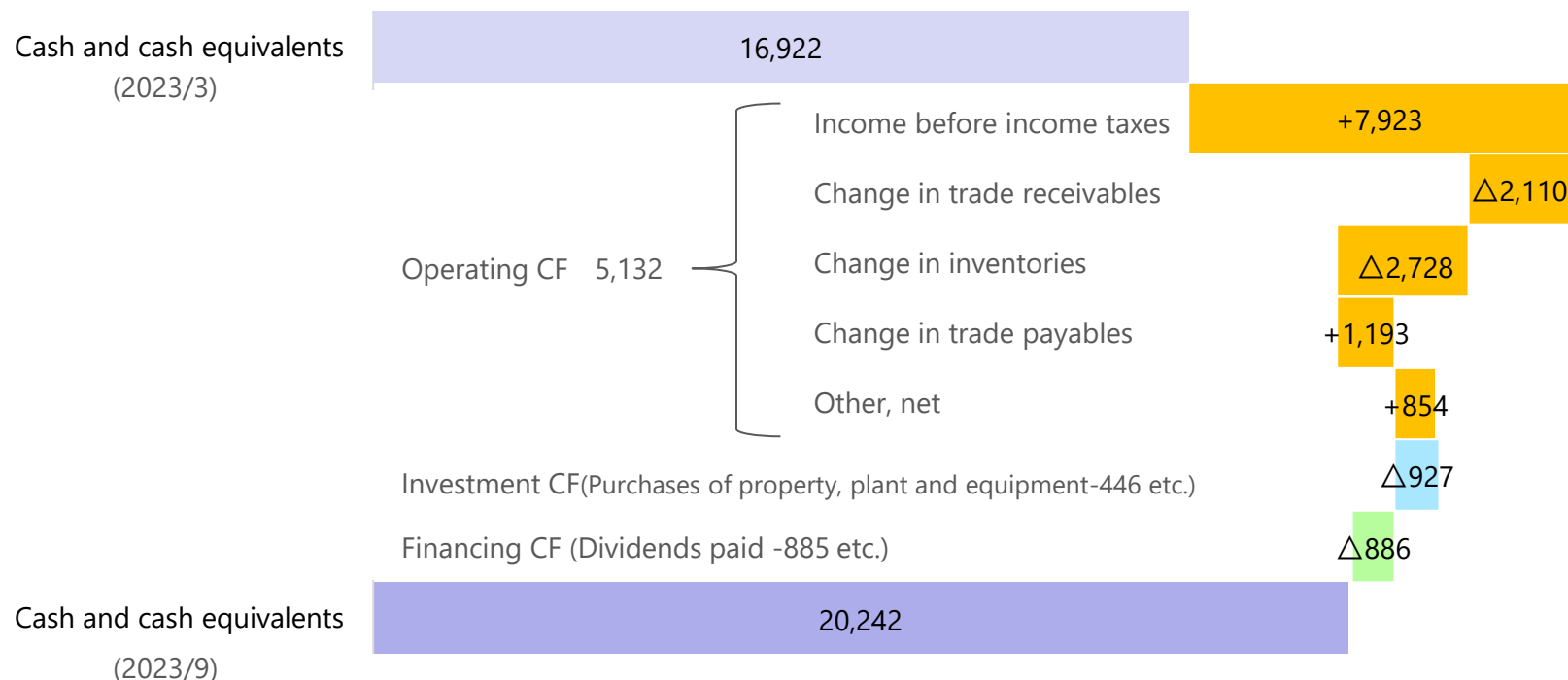
Assets decreased 1.9% from the end of the previous fiscal year due to an increase in assets as well as net assets.



# Statements of Cash Flows

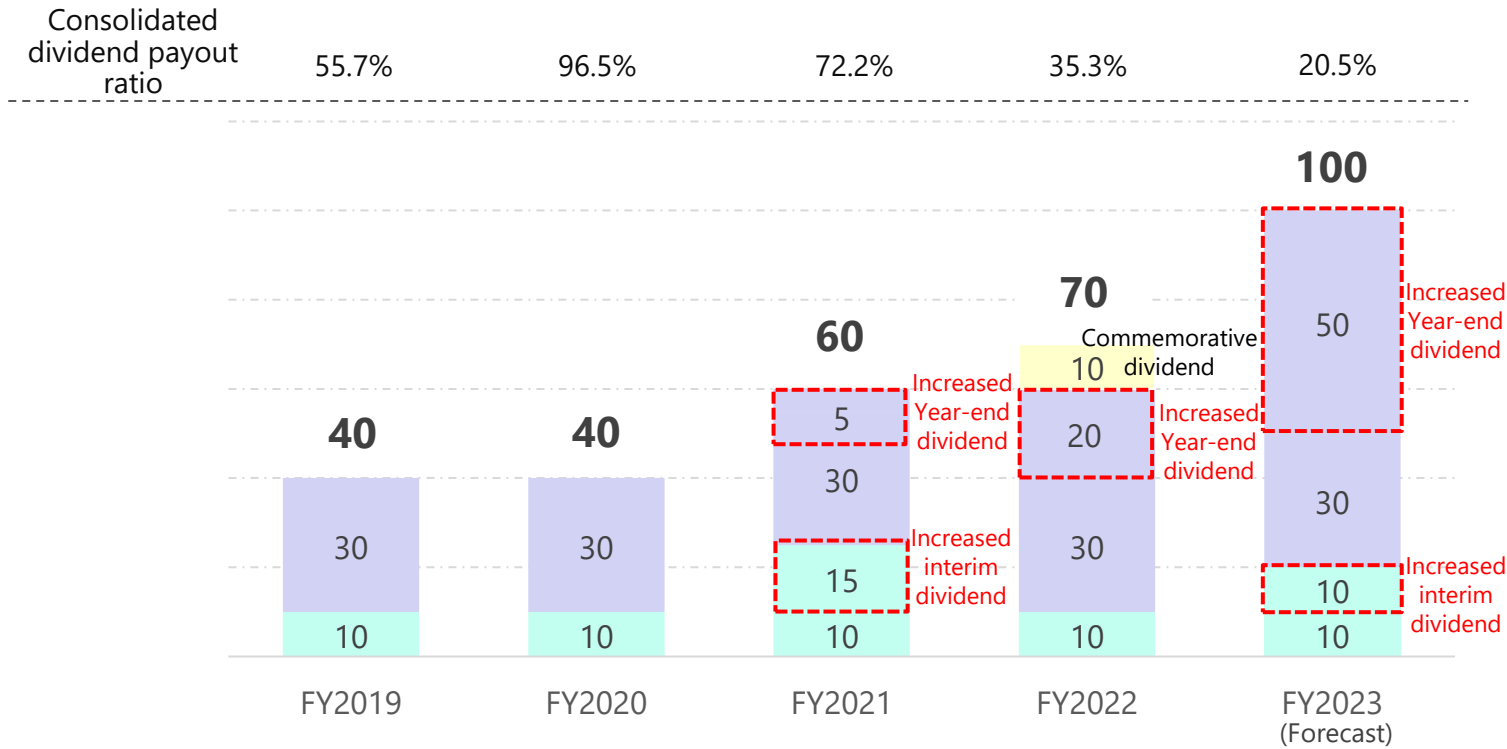
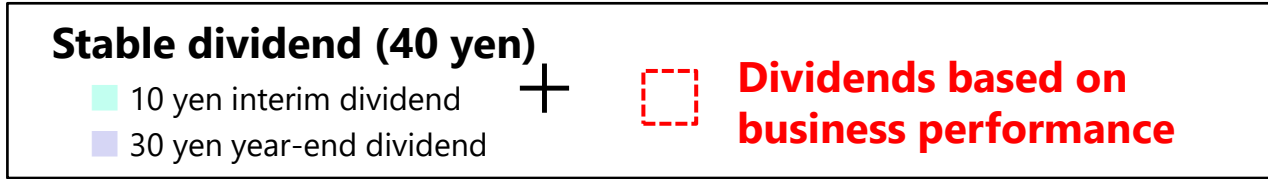
Significant increase in operating cash flow due to significant increase in income before income taxes and minority interests.

(Million yen)	FY2022 Q2	FY2022	FY2022 Q2
Operating CF	-343	2,983	<b>5,132</b>
Investment CF	-570	-1,976	<b>-927</b>
Financing CF	-517	-666	<b>-886</b>
Cash and cash equivalents	15,150	16,922	<b>20,242</b>
Free cash flow	-913	1,007	<b>4,205</b>



# 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
- Due to the current strong performance, we plan to increase the year-end dividend by 50 yen to a record annual dividend of 100 yen.



**FY2023  
Results**

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

- Continued proliferation of smart machines, especially Smart Pachislot, and increased capital investment by pachinko halls

## Smart game machines

### ● Smart Pachislot

- Many hit models and models with strong operation will continue to be popular in the second half of the year.

### ● Smart Pachinko

- Some models are starting to perform well, and we expect to see more popularization in the future due to the appearance of hit models.

## Pachinko halls

- Increased replacement of pachinko machines with pachislot machines and construction of additional pachislot machines
- Widening performance gap among pachinko halls and acceleration of M&As

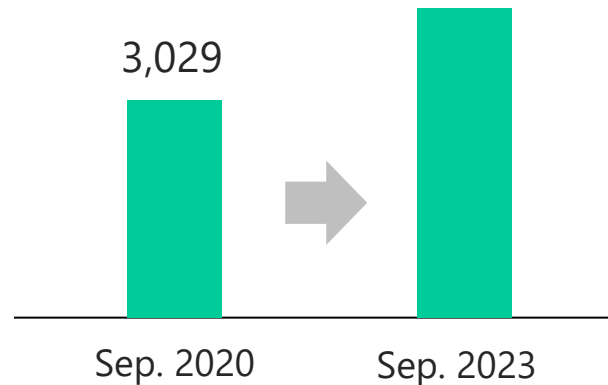
## Information System Segment

## Cloudification

- Strengthen cloud development to renew the underlying platform to enable speedy provision of services utilizing the latest technologies such as AI and Big Data.
- Aiming to increase stable revenue by expanding the new MIRAIGATE service

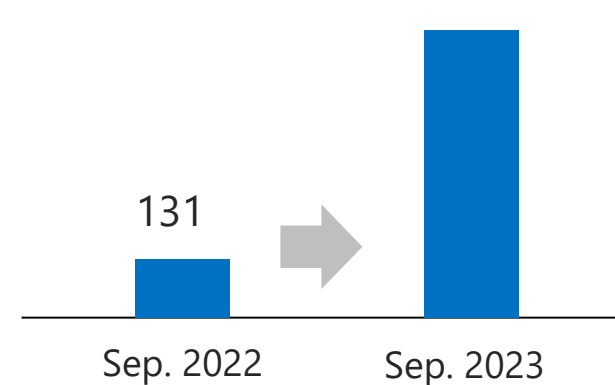


Listed stores



\*April 2019 release

Contracted stores



\*November 2021 release

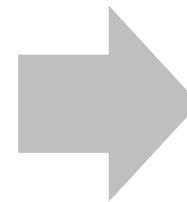
## Amusement Segment

## Smart Pachislot

- Aiming to become a "pachislot manufacturer" capable of developing, manufacturing, and selling smart pachislot machines that contribute to pachinko hall operations and customer traffic
- Collaborate with group companies to build a system to strengthen planning and development capabilities
- Smart Pachislot to be introduced to the market in FY2024



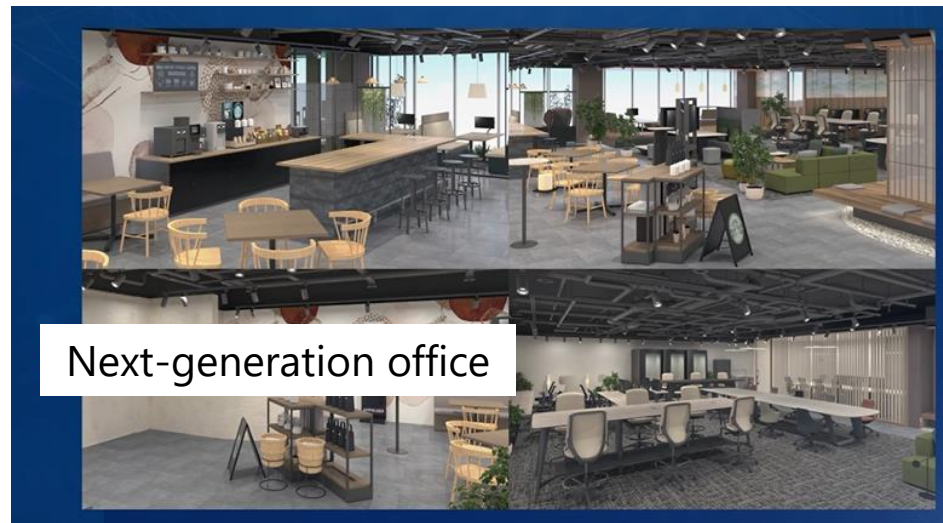
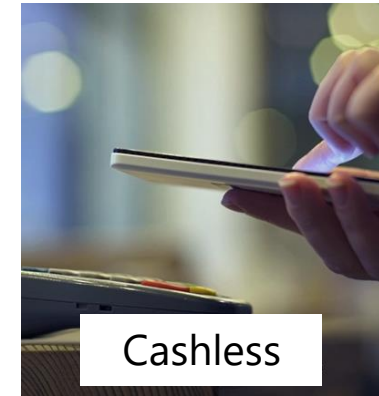
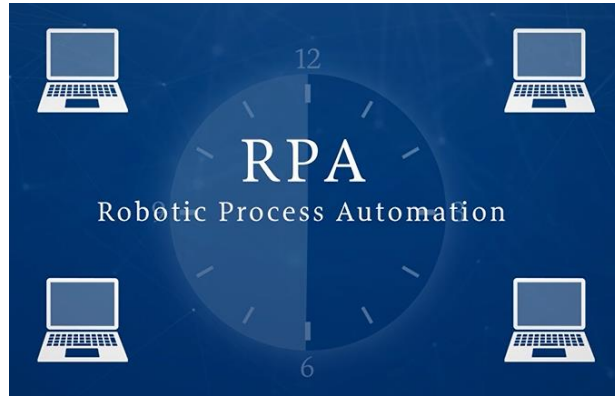
Group Company



Smart Pachislot

# Internal DX and Workstyle reform

- Actively promote the use of RPA, paperless, cashless, etc. as internal DX
- Renovated next-generation office to improve work efficiency and employee engagement as workstyle reform



# FY2023 Full Year Forecast

- Significant increase in sales and profit on higher unit sales of equipment for smart game machines, and record-high profit.
- Aggressive development investment led to a significant increase in R&D expenses and capital expenditures YoY

(Million yen)	FY2022	FY2023		YoY change	Rate of change
	Full year	1st half	Full year (Forecast)		
Net sales	31,824	29,168	<b>51,000</b>	+ 19,175	+60.3%
Gross profit-net	14,507	13,701	<b>23,800</b>	+ 9,292	+64.1%
Selling, general and administrative expenses	10,487	5,801	<b>13,300</b>	+ 2,812	+26.8%
Operating income	4,019	7,899	<b>10,500</b>	+ 6,480	+161.2%
Ordinary income	4,260	7,938	<b>10,600</b>	+ 6,339	+148.8%
Net income attributable to owners of the parent	2,927	5,502	<b>7,200</b>	+ 4,272	+145.9%
Research and development expenses	659	<b>440</b>	<b>1,400</b>	+ 740	+112.2%
Depreciation expense	1,589	<b>787</b>	<b>1,650</b>	+ 60	+3.8%
Capital investment	1,255	<b>615</b>	<b>2,900</b>	+ 1,644	+131.1%

\*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, and record-high profit.
- 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		YoY change	Rate of change
	Full year	1st half	Full year (Forecast)		
Information System Segment	26,209	27,286	<b>46,500</b>	+20,290	+77.4%
Amusement Segment	5,639	1,890	<b>4,500</b>	-1,139	-20.2%
Segment sales	31,849	29,176	<b>51,000</b>	+19,150	+60.1%
Information System Segment	5,490	8,964	<b>12,700</b>	+7,209	+131.3%
Amusement Segment	140	-105	<b>-350</b>	-490	-
Segment income	5,631	8,858	<b>12,350</b>	+6,718	+119.3%
Corporate expenses	-1,615	-964	<b>-1,850</b>	-234	-14.5%

\*Business segment sales and income figures include intersegment transactions.

\*Since the strong performance in the current fiscal year is largely due to the spread of smart game machines, we will promptly disclose further revisions to our earnings forecasts if they become necessary due to future sales trends of smart game machines in the market.

• We will promote specific initiatives based on Materialities

## ■ 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



## ■ 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



- 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



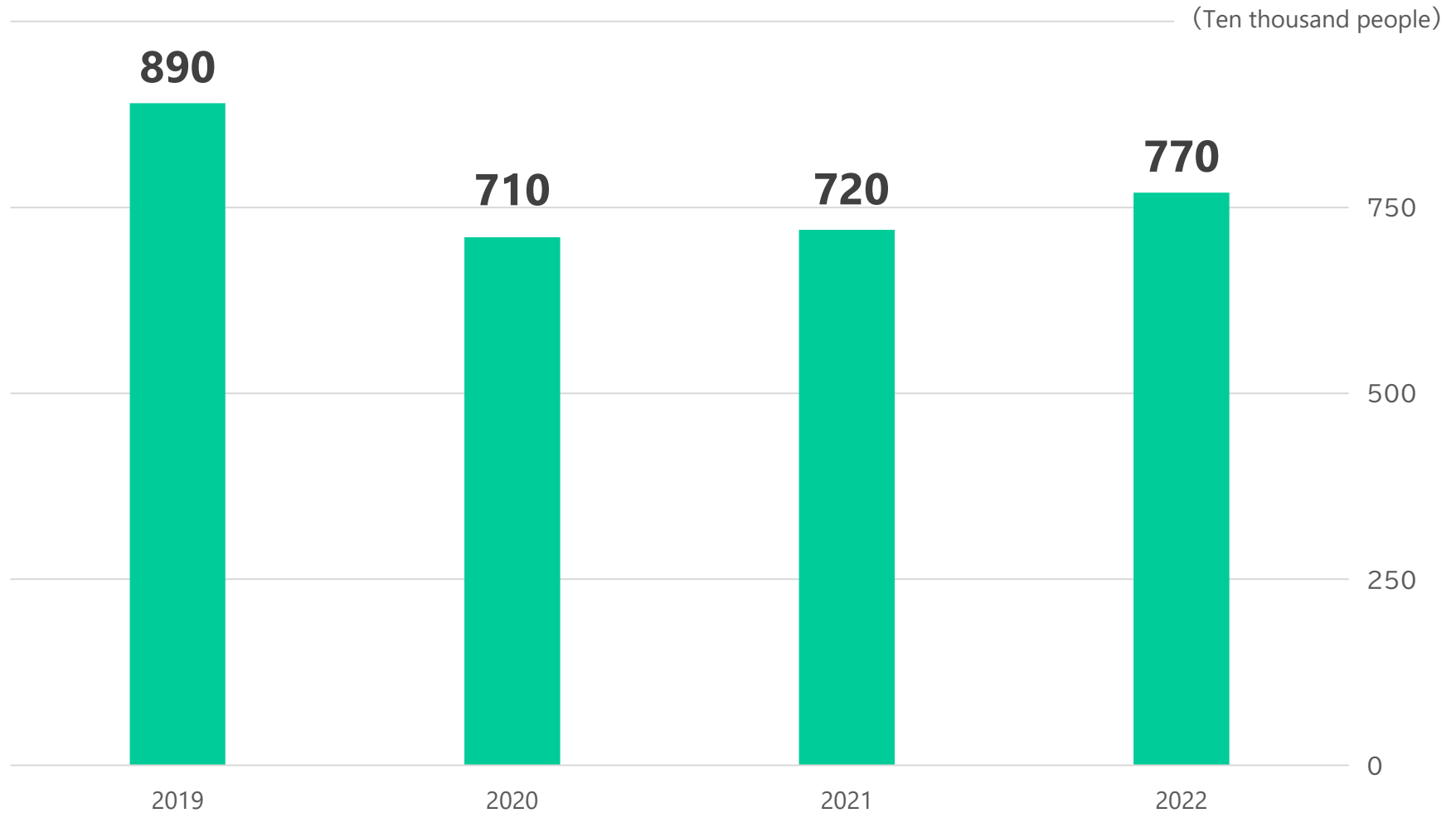
**FY2023  
Results**

**3**

**Reference Data**

# Pachinko player population

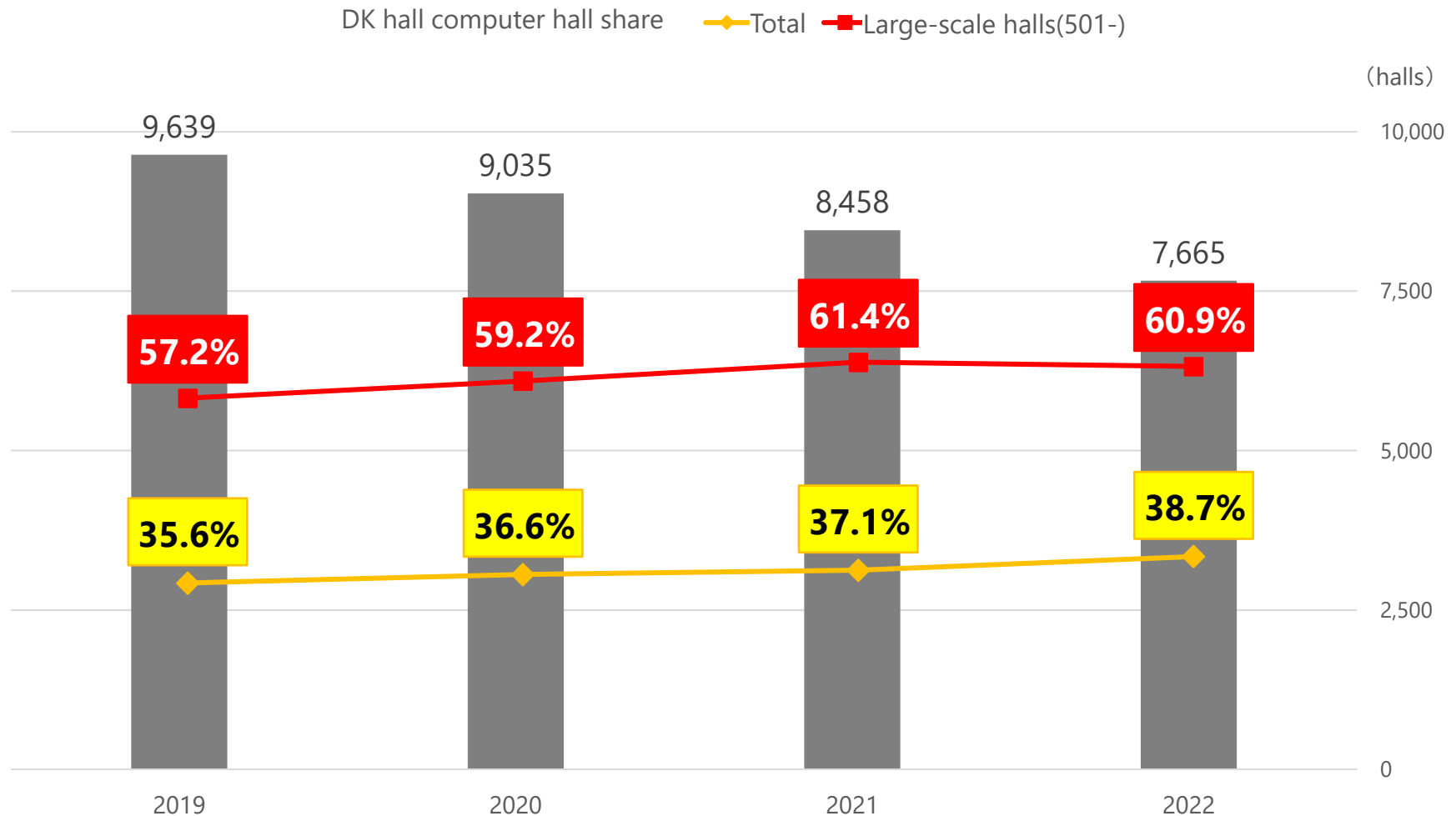
- Pachinko player population in 2022 will be 7.7 million, up for the second year in a row.
- 86.5% before Corona (2019), but expect further recovery with the spread of smart machines.



\*Date of from "Leisure White Paper 2023" by Japan Productivity Center

# Number of halls and share of DK hall computers

- Number of pachinko halls is declining, but our market share is increasing, especially among large parlors (No.1 in the industry)

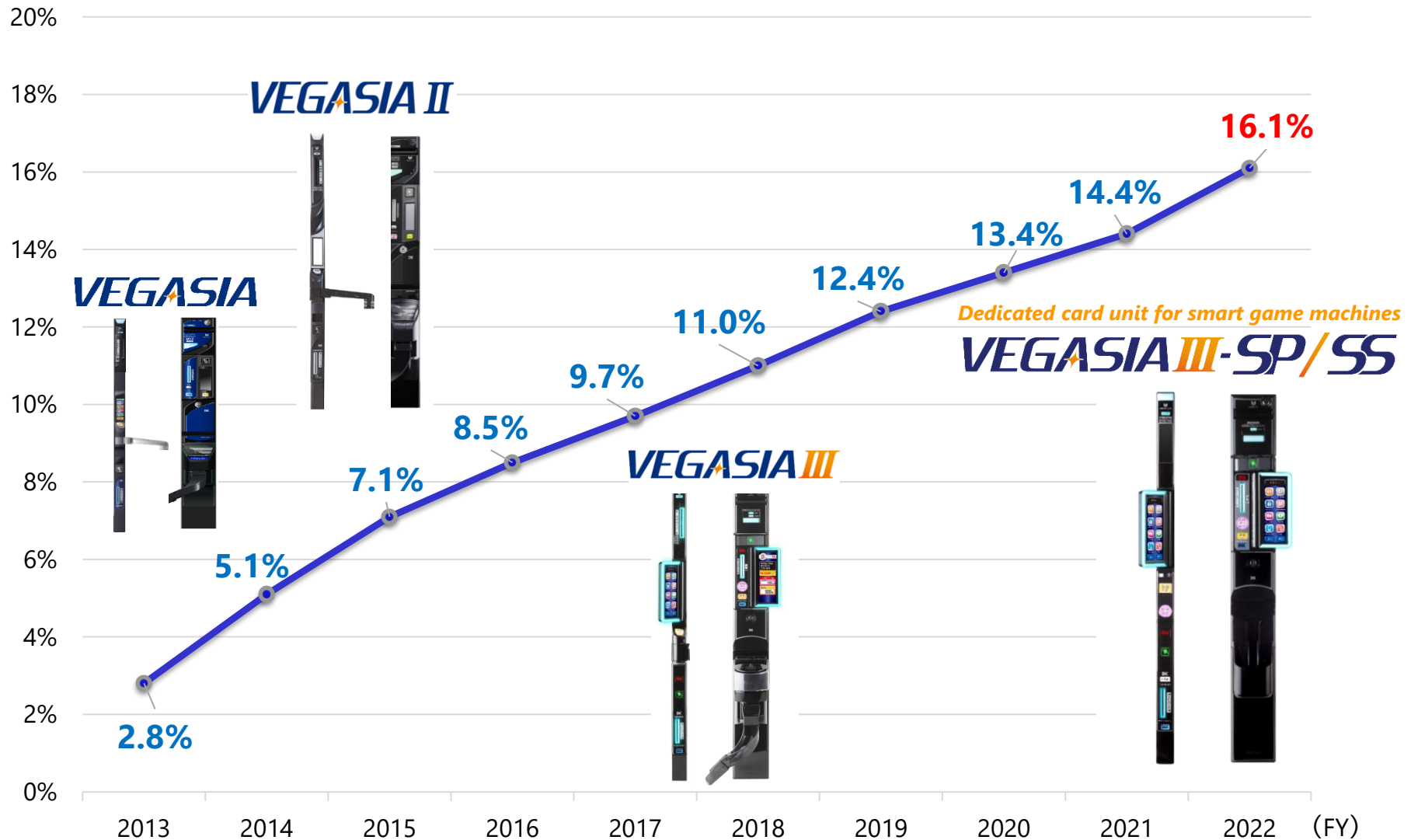


\*Market scale (gross profit) is estimated from actual DK-SIS data.

\*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."

# Share of DK installed card units

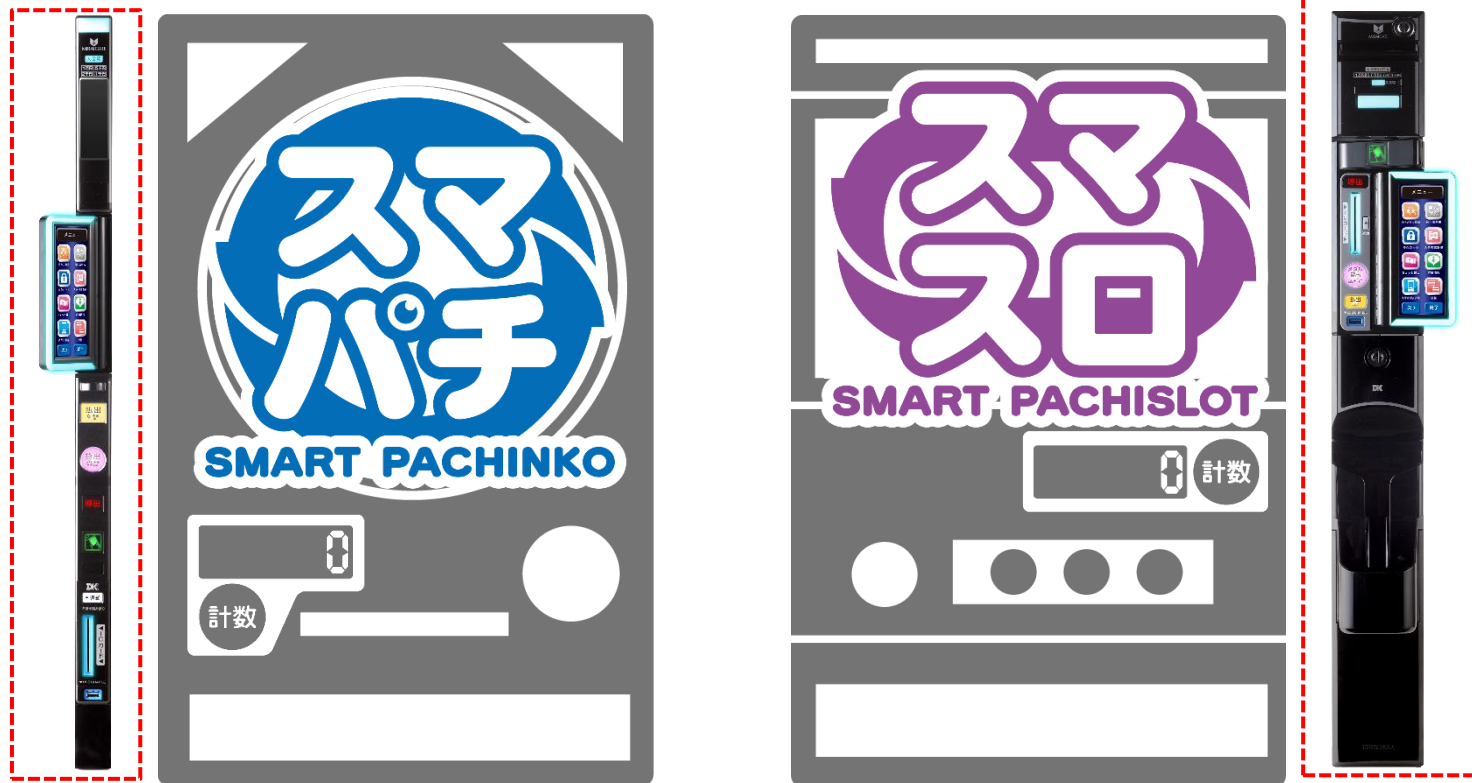
- Since entering the market in 2013, "VEGASIA" card unit has steadily increased its market share.



\*Number of installed units 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."

# Dedicated unit for Smart Pachinko / Smart Pachislot

- Dedicated card units are required for smart game 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)

# Our products are ideal for 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



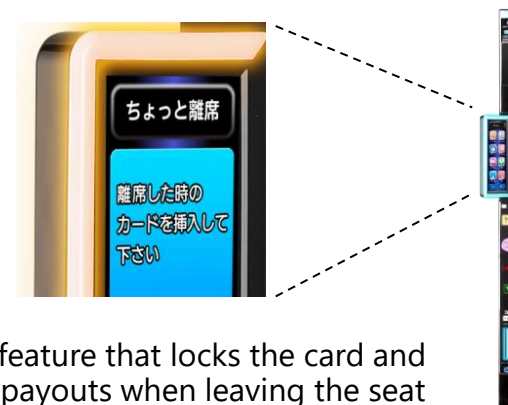
Large LCD Information terminals for fans

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.



- 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

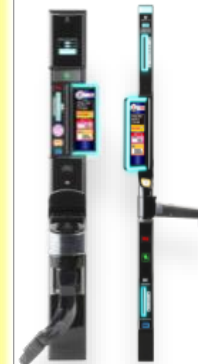
This is a system to exchange acquired pachinko balls for prizes. POS SP-01 can be operated without a keyboard using a large 15.6 inch touch panel LCD. It can also be operated as a self-service POS.



## 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

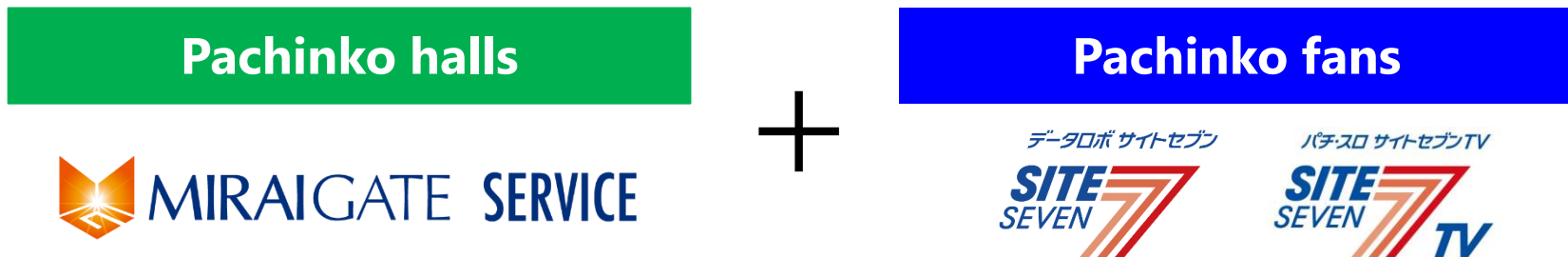


Number of paying members



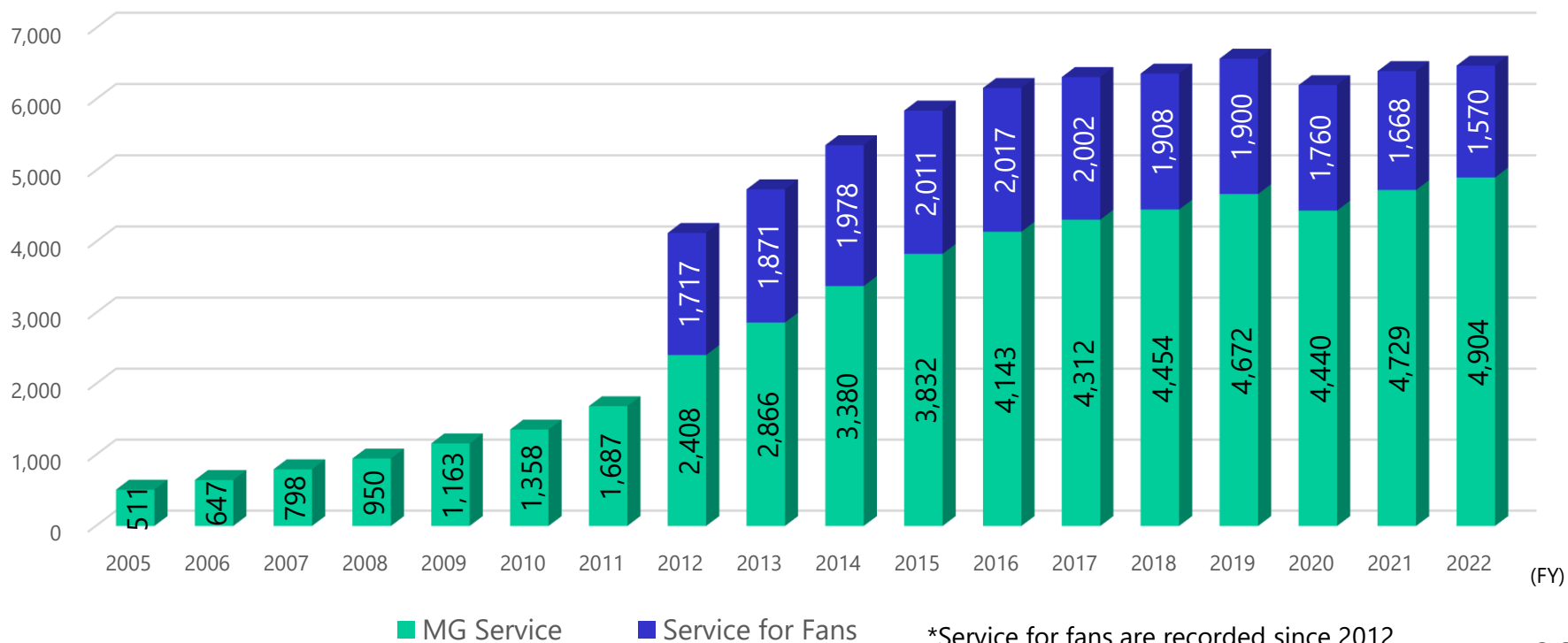
# Business Expansion / Information System Segment

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



Service Sales Trend

(Million yen)



- 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.
- 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 4,000 industry professionals.



**SIS Online Seminar**  
オンラインセミナー **躍動**

ClarisLink

DK-sis Fan-sis  
Xai-sis Market-sis

開催期間 7月24日(月)~28日(金)  
各日各回ともセミナー内容は同一、所要時間は約90分を予定。時間内は自由にご観覧いただけます。

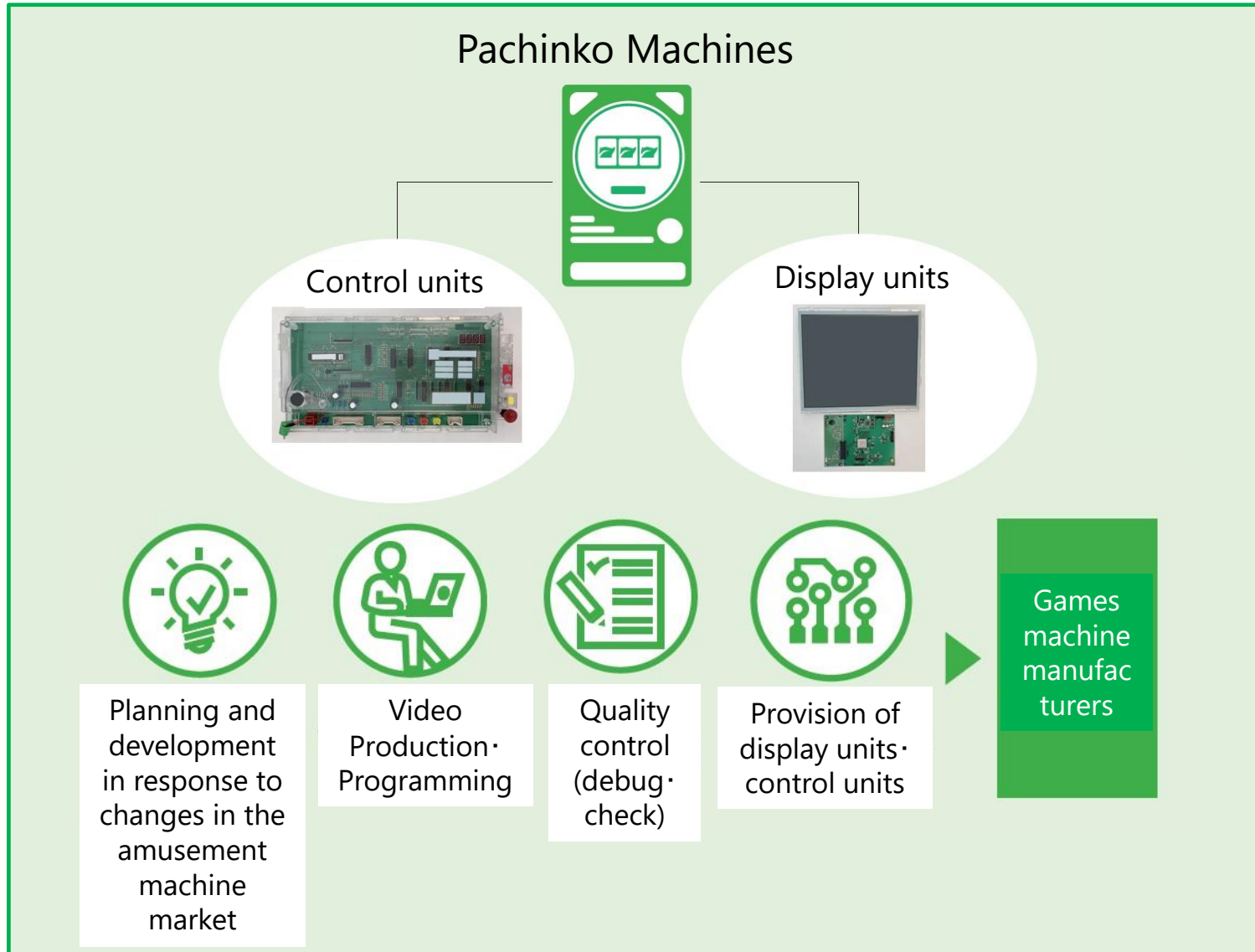
第一回 13:30~15:30 第二回 18:00~20:00

講師 片瀬 宏之 成田 晋治 服部 祐治 竹河 雅斗 後藤 俊介

日	月	火	水	木	金	土
7/23	24	25	26	27	28	29
SIS Online seminar						
	服部・片瀬 成田・竹河	成田・竹河 後藤・片瀬	成田・片瀬 服部・竹河	後藤・竹河 成田・片瀬	服部・片瀬 後藤・竹河	

- 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	



■ Contact details for inquiries

Daikoku Denki Co., Ltd.

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

E-MAIL : [xsomu@daikoku.co.jp](mailto: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.