



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

February 13, 2024

Company name: Daikoku Denki Co., Ltd. Listing: Tokyo Stock Exchange/
Nagoya Stock Exchange

Securities code: 6430 URL: <https://www.daikoku.co.jp/>

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Scheduled date of filing quarterly report: February 14, 2024

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 nine months of the fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (First 9 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	%
Q3 of FY2024/3	43,849	88.3	11,664	195.4	11,731	183.1	8,174	188.6
Q3 of FY2023/3	23,286	22.2	3,949	160.7	4,144	161.7	2,832	122.6

(Note) Comprehensive income: Q3 of FY2024/3 8,178 million yen [188.6%]
Q3 of FY2023/3 2,833 million yen [122.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 of FY2024/3	552.99	-
Q3 of FY2023/3	191.62	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q3 of FY2024/3	59,636	40,395	67.7
FY2023/3	48,298	33,399	69.2

(Reference) Shareholders' equity: Q3 of FY2024/3 40,395 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	-	20.00	-	-	-
FY2024/3 (Forecast)	-	-	-	100.00	120.00

(Note) Revisions to recently released dividends forecasts : Yes

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	53,500	68.1	11,700	191.1	11,800	177.0	8,200	180.1	554.69

(Note) Revisions to recently released earnings forecasts : Yes

* Notes

- (1) Changes in significant subsidiaries during the quarter : 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)	Q3 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	Q3 of FY2024/3	1,138 shares	FY2023/3	995 shares
3) Average number of shares outstanding during the period (QTD)	Q3 of FY2024/3	14,782,775 shares	Q3 of FY2023/3	14,782,980 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 Third Quarter of the Fiscal Year Ending March 31, 2024.

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

(1) Explanation of operating results

During the first nine months of the period under review (April 1, 2023 to December 31, 2023), the Japanese economy showed signs of gradual recovery, with business activity and private consumption picking up, as well as the employment and income environment improving. However, the outlook remained uncertain, with consumers increasingly inclined to save due to rising prices.

In the pachinko industry, in which our Group involved, it has been one year since the introduction of smart game machines (smart pachislot machines) on the market. Regarding the installation of smart game machines as of the end of the third quarter, smart pachislot machines accounted for 31.0% of all pachislot machines installed (up 6.8 points from the end of the second quarter), and smart pachinko machines accounted for 4.9% of all pachinko machines installed (up 1.9 points) (based on our DK-SIS data).

Next, the average operating status of all game machines during the period from October to December 2023 reached 104.2% compared to the same period of the previous year. In terms of operations by type, pachislot machines rose sharply to 116.2% year on year due to the launch of several smart pachislot machines that were well received by fans. Pachinko machines continued to be sluggish at 97.5% year on year, but in December alone sales were 100.7% year on year due to the introduction of smart pachinko machines that were well received by fans (based on our DK-SIS data).

Given this market environment, in the Information systems 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 investment demand due to the introduction of smart game machines. In addition, with the aim of further expanding MIRAIGATE services that respond to market changes brought about by the introduction of smart game machines, 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, to facilitate early entry into the smart pachislot business, we promoted planning and software development of pachislot machines in cooperation with ALOFT Co., Ltd. and Riley, which became our sub-subsidiary in April 2023, and hardware development and construction of manufacturing and sales systems in cooperation with DAXEL Co., Ltd.

As a result, the first nine months of the period under review showed net sales of ¥43,849 million (up 88.3% YoY), operating profit of ¥11,664 million (up 195.4% YoY), ordinary profit of ¥11,731 million (up 183.1% YoY), and profit attributable to owners of parent of ¥8,174 million (up 188.6% 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 terms of business, during the first nine months of the period under review, pachinko hall operators continued to experience active investment demand due to the introduction of smart game machines.

In this market environment, sales of Products for Pachinko Hall, 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 ¥40,865 million (up 112.6% YoY) and a segment profit of ¥13,336 million (up 185.8% YoY).

(Amusement business)

In the first nine months of the period under review, sales of both game display and control units and parts decreased compared with the same period of the previous fiscal year due to a decrease in the number of pachinko machines sold in the overall market.

As a result, this business recorded net sales of ¥2,999 million (down 26.3% YoY) and a segment loss of ¥268 million (compared to a segment profit of ¥404 million in the same period the previous year).

(Million yen)					
	Q3 of FY2023/3	Q3 of FY2024/3	Change	Change (%)	
Net sales	23,286	43,849	20,563	88.3	
Information systems business	19,220	40,865	21,644	112.6	
Amusement business	4,071	2,999	(1,072)	(26.3)	
Operating profit	3,949	11,664	7,715	195.4	
Ordinary profit	4,144	11,731	7,587	183.1	
Profit attributable to owners of parent	2,832	8,174	5,341	188.6	

(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 the third quarter of 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 ¥59,636 million, up ¥11,337 million from the end of the previous consolidated fiscal year.

Liabilities at the end of the third quarter of period under review increased by ¥4,341 million from the end of previous period to ¥19,240 million due to an increase in income taxes payable due to strong business performance.

Despite dividend payments, our net assets at the end of third quarter increased ¥6,995 million to ¥40,395 million due to recording of profit attributable to owners of parent.

The shareholders' equity ratio was 67.7%, 1.5 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

	Fiscal year ended March 31, 2023 (March 31, 2023)	Third quarter, year ending March 31, 2024 (December 31, 2023)
(Thousand yen)		
Net assets		
Current assets		
Cash and deposits	16,922,801	19,506,835
Notes and accounts receivable - trade, and contract assets	4,966,114	9,204,351
Electronically recorded monetary claims - operating	2,108,910	3,236,592
Securities	500,066	500,000
Merchandise and finished goods	7,957,700	11,075,411
Work in process	89,324	66,711
Raw materials and supplies	482,237	606,042
Other	884,363	777,751
Allowance for doubtful accounts	(284,780)	(311,391)
Total current assets	33,626,738	44,662,306
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,205,453	3,164,226
Land	4,162,117	4,162,117
Other, net	857,180	779,573
Total property, plant and equipment	8,224,751	8,105,917
Intangible assets		
Software	2,044,262	2,124,726
Goodwill	812,206	795,539
Other	33,045	32,685
Total intangible assets	2,889,514	2,952,951
Investments and other assets		
Deferred tax assets	615,976	831,913
Investment property, net	865,079	852,412
Other	2,282,207	2,438,247
Allowance for doubtful accounts	(205,485)	(207,501)
Total investments and other assets	3,557,777	3,915,072
Total non-current assets	14,672,042	14,973,941
Total assets	48,298,781	59,636,247

(Thousand yen)

	Fiscal year ended March 31, 2023 (March 31, 2023)	Third quarter, year ending March 31, 2024 (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,193,557	3,049,685
Electronically recorded obligations - operating	3,765,603	5,789,439
Short-term borrowings	2,000,000	2,000,000
Income taxes payable	1,203,429	3,318,143
Provision for product warranties	40,325	19,689
Provision for bonuses for directors (and other officers)	75,050	34,110
Other	2,688,049	4,021,706
Total current liabilities	13,966,016	18,232,775
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	453,473	468,563
Retirement benefit liability	232,626	289,809
Other	246,785	249,753
Total non-current liabilities	932,886	1,008,126
Total liabilities	14,898,902	19,240,902
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	31,924,756	38,916,835
Treasury stock	(1,897)	(2,323)
Total shareholders' equity	33,276,867	40,268,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,872	20,404
Remeasurements of defined benefit plans	106,139	106,419
Total accumulated other comprehensive income	123,011	126,824
Total net assets	33,399,879	40,395,345
Total liabilities and net assets	48,298,781	59,636,247

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

Quarterly consolidated statement of income

Nine months period

(Thousand yen)

	Nine-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to December 31, 2022)	Nine-month period in the fiscal year ending March 31, 2024 (From April 1, 2023 to December 31, 2023)
Net sales	23,286,102	43,849,199
Cost of sales	12,489,242	23,427,903
Gross profit	10,796,859	20,421,295
Selling, general and administrative expenses	6,847,511	8,756,832
Operating profit	3,949,348	11,664,462
Non-operating income		
Interest income	11,643	7,658
Dividend income	7,543	6,665
Rental income from real estate	65,617	65,048
Subsidies for employment adjustment	125,024	-
Other	28,296	33,977
Total non-operating income	238,125	113,350
Non-operating expenses		
Interest expenses	4,969	4,906
Rental expenses on real estate	36,533	34,882
Other	1,740	6,559
Total non-operating expenses	43,242	46,349
Ordinary profit	4,144,231	11,731,463
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	7,490	14,418
Impairment losses	6,328	11,426
Loss on cancellation of rental contracts	7,851	-
Total extraordinary losses	21,670	25,844
Profit before income taxes	4,127,706	11,705,669
Income taxes - current	1,083,613	3,748,043
Income taxes - deferred	211,350	(217,082)
Total income taxes	1,294,964	3,530,960
Profit	2,832,742	8,174,708
Profit attributable to owners of parent	2,832,742	8,174,708

Quarterly consolidated statement of comprehensive income

Nine months period

(Thousand yen)

	Nine-month period in the fiscal year ended March 31, 2023 (From April 1, 2022 to December 31, 2022)	Nine-month period in the fiscal year ending March 31, 2024 (From April 1, 2023 to December 31, 2023)
Profit	2,832,742	8,174,708
Other comprehensive income		
Valuation difference on available-for-sale securities	1,754	3,532
Remeasurements of defined benefit plans, net of tax	(615)	280
Total other comprehensive income	1,139	3,812
Comprehensive income	2,833,881	8,178,521
(Profit attributable to)		
Comprehensive income attributable to owners of parent	2,833,881	8,178,521

(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 Nine Months of FY2023/3 (From April 1, 2022 to December 31, 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	19,220,394	4,065,707	23,286,102	-	23,286,102
Intersegment sales or transfers	-	5,948	5,948	(5,948)	-
Total	19,220,394	4,071,656	23,292,051	(5,948)	23,286,102
Segment income	4,667,217	404,355	5,071,573	(1,122,224)	3,949,348

(Notes) 1: The adjustments to segment income of (¥1,122,224 thousand) include the elimination of intersegment transactions of ¥5,501 thousand and corporate expenses not allocated to reportable segments of (¥1,127,726 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

(Material impairment losses on non-current assets)

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 ¥6,328 thousand was recorded for the first nine months of the period under review.

(Material changes in the amount of goodwill)

Goodwill in the third quarter for the period under review increased by ¥833,032 thousand in the Information systems business segment as a result of the acquisition of shares of GLOBAL WISE Co. and inclusion in the scope of consolidation.

The amount of goodwill is provisionally calculated, because the period from the date of business combination to the closing date is short, and the specification of identifiable assets and liabilities and estimation of market value as of the date of business combination have not yet been made; therefore, the allocation of acquisition costs has not been completed.

II. First Nine Months of FY2024/3 (From April 1, 2023 to December 31, 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	40,865,242	2,983,957	43,849,199	-	43,849,199
Intersegment sales or transfers	-	15,146	15,146	(15,146)	-
Total	40,865,242	2,999,104	43,864,346	(15,146)	43,849,199
Segment income (losses)	13,336,941	(268,864)	13,068,076	(1,403,613)	11,664,462

(Notes) 1: The adjustments to segment income of (¥1,403,613 thousand) include the elimination of intersegment transactions of ¥13,171 thousand and corporate expenses not allocated to reportable segments of (¥1,416,785 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 nine months 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 ¥11,426 thousand was recorded for the first nine months of the period under review.

(Revenue recognition)

Breakdown of revenue from contracts with customers

First nine months of FY2023/3 (From April 1, 2022 to December 31, 2022)

(Thousand yen)

	Reportable segments		Total
	Information systems business	Amusement business	
Products etc. for pachinko hall	14,414,809	-	14,414,809
Services	4,805,585	-	4,805,585
Display and control units, etc. for games machines manufacturers	-	1,820,997	1,820,997
Parts/other	-	2,244,710	2,244,710
Revenue from contracts with customers	19,220,394	4,065,707	23,286,102
Other revenue	-	-	-
Sales to external customers	19,220,394	4,065,707	23,286,102

First nine months of FY2024/3 (From April 1, 2023 to December 31, 2023)

(Thousand yen)

	Reportable segments		Total
	Information systems business	Amusement business	
Products etc. for pachinko hall	35,910,571	-	35,910,571
Services	4,954,670	-	4,954,670
Display and control units, etc. for games machines manufacturers	-	1,077,756	1,077,756
Parts/other	-	1,906,201	1,906,201
Revenue from contracts with customers	40,865,242	2,983,957	43,849,199
Other revenue	-	-	-
Sales to external customers	40,865,242	2,983,957	43,849,199