



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 (Under Japanese GAAP)

August 9, 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 commencement of dividend payments: -
Preparation of supplementary financial results material : Yes
Holding of financial results briefing : None
(Amounts less than one million yen are rounded down.)

1. Consolidated financial results for the first quarter of the FY2025/3 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (First three 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	%
FY2025/3 Q1	18,600	16.5	5,583	15.4	5,605	15.5	3,883	15.3
FY2024/3 Q1	15,965	174.4	4,837	—	4,855	—	3,369	—

(Note) Comprehensive income: FY2025/3 Q1 3,881 million yen [(15.2%)]
FY2024/3 Q1 3,369 million yen [(-%)]

	Basic earnings per share	Diluted Basic earnings per share
	Yen	Yen
FY2025/3 Q1	262.68	-
FY2024/3 Q1	227.91	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
FY2025/3 Q1	59,358	43,123	72.6
FY2024/3	59,281	40,720	68.7

(Reference) Shareholders' equity: FY2025/3 Q1 43,123 million yen
FY2024/3 40,720 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2024/3	—	20.00	—	100.00	120.00
FY2025/3	—	—	—	—	—
FY2025/3 (Forecast)	—	40.00	—	80.00	120.00

(Note) Revisions to recently released dividends forecasts : None

3. Consolidated financial forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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	55,000	2.1	12,400	3.3	12,500	3.3	8,500	0.4	575.00

(Note) Revisions to recently released earnings forecasts : None

* Notes

- (1) Significant changes in the scope of consolidation 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 : Yes
 - 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)	FY2025/3 Q1	14,783,900 shares	FY2024/3	14,783,900 shares
2) Number of shares of treasury stock at the end of period	FY2025/3 Q1	1,238 shares	FY2024/3	1,238 shares
3) Average number of shares outstanding during the period (QTD)	FY2025/3 Q1	14,782,662 shares	FY2024/3 Q1	14,782,802 shares

- * Review of the attached quarterly consolidated financial statements by a certified public accountant or an audit corporation : Yes (voluntary)

* 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. Overview of Operating Results, etc.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the quarter

In the first three months of the period under review (April 1, 2024 to June 30, 2024), the Japanese economy showed signs of a gradual recovery, partly due to the effects of various policy measures, as the employment and income environment began to improve. However, the outlook remains uncertain due to the effects of global monetary tightening, concerns about the future Chinese economy, and other risks that may exert downward pressure on Japan's economy due to the downturn in overseas economies.

In the pachinko industry, in which our Group operates, many pachinko halls are taking steps so that they can handle the new banknotes whose circulation began in July 2024. Regarding the introduction of smart game machines as of the end of the first quarter, smart pachislot machines accounted for 42.3% of all pachislot machines installed (up 5.9 points from the end of previous fiscal year), and smart pachinko machines accounted for 5.0% of all pachinko machines installed (up 0.3 points) (see our DK-SIS data).

Next, the average utilization status of game machines during the period from April to June 2024 reached 102.1% compared to the same period of the previous year. In terms of utilization status by machine type, pachislot machines and pachinko machines achieved 104.5% and 100.0%, respectively, compared to the same period of the previous year (see our DK-SIS data).

Smart pachislot machines continue to perform well, and renovations to increase the number of pachislot machines are also intensifying. In addition, expectations for smart pachinko machines are growing as new models with new rules for game performance (Lucky Trigger and C-Time) will be introduced sequentially beginning in July 2024. Our Group expects the installation rate of smart game machines to continue to increase steadily as they gain support from fans, and demand for capital investment in smart game machines is expected to remain strong.

In this market environment, we have worked in the information systems business to maximize our response to the demand for the VEGASIA card unit to meet the new requirements associated with the circulation of new banknotes beginning in July 2024. In order to meet the demand for equipment to enhance fan appeal through the introduction of smart game machines, we sought to expand sales activities for new information disclosure terminals, REVOLA II and DUALINA, which were introduced at an exhibition last fiscal year. In addition, with the aim of further expanding MIRAIGATE services that respond to market changes brought about by the smart game machines, we promoted ClarisLink, a cloud chain store management system, Market-SIS, a trade area analysis service that provides information on customer traffic in the surrounding area, and Raku Raku Replacement Operation Option, which contributes to operational efficiency by quickly completing complicated operations at the time of model replacement.

In the amusement business, DAXEL-branded smart pachislot machines are under development at ALOFT Co., Ltd. and Riley Inc., with the goal of launching them in the current fiscal year. We are working with our supply chain to make advance preparations to ensure that procurement and manufacturing will proceed without delay.

As a result, the first three months of the period under review showed net sales of ¥18,600 million (up 16.5% year on year), operating profit of ¥5,583 million (up 15.4% year on year), ordinary profit of ¥5,605 million (up 15.5% year on year), and profit attributable to owners of parent of ¥3,883 million (up 15.3% year on year).

The results by segment are as follows:

(Information systems business)

In terms of business, during the first three months of the period under review, pachinko hall operators continued to demand capital investment due to the introduction of smart game machines and changes to card units to accommodate new banknotes.

In this market environment, sales of products for pachinko halls, etc. increased significantly compared with the same period of the previous fiscal year, due to continued strong sales of the VEGASIA card unit, although the sales volume was lower than the same period of the previous fiscal year, handling related to the circulation of new banknotes, and strong sales of the new REVOLA II and DUALINA information disclosure terminals. 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 ¥17,801 million (up 19.4% year on year) and a segment profit of ¥6,112 million (up 15.2% year on year).

(Amusement business)

In the first quarter of the period under review, the number of units sold for both control units and parts for pachinko machines was lower than in the same period of the previous fiscal year due to the review and selection of this business and the sluggish growth in sales volume caused by the slowdown in the introduction of smart pachinko machines to the market.

As a result, the business recorded net sales of ¥800 million (down 23.9% year on year) and a segment loss of ¥2 million (compared to a segment loss of ¥34 million in the same period last year).

(Million yen)					
		Previous first three-month period	First three-month period under review	Change	Change (%)
Net sales		15,965	18,600	2,635	16.5
	Information systems business	14,913	17,801	2,887	19.4
	Amusement business	1,052	800	(251)	(23.9)
Operating profit		4,837	5,583	746	15.4
Ordinary profit		4,855	5,605	750	15.5
Profit attributable to owners of parent		3,369	3,883	513	15.3

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

(2) Overview of the financial position for the quarter

In terms of total assets at the end of the first quarter under review, cash and deposits, etc. decreased due to the estimated payment of income taxes payable and accrued consumption taxes resulting from the increase in income due to the strong performance in the previous fiscal year. However, trade receivables increased due to the strong performance in the first quarter, and non-current assets increased due to the recognition of goodwill resulting from the acquisition of two new subsidiaries through a share transfer agreement concluded in the first quarter. As a result, total assets increased by ¥76 million from the end of the previous consolidated fiscal year to ¥59,358 million.

Liabilities at the end of the first quarter were ¥16,234 million, down ¥2,327 million from the end of the previous period due to a decrease in other current liabilities as a result of estimated income taxes payable and estimated consumption taxes payable, etc.

Despite dividend payments, etc., our net assets at the end of first quarter increased ¥2,403 million from the end of previous fiscal year to ¥43,123 million due to recording of profit attributable to owners of parent. The shareholders' equity ratio was 72.6%, up 3.9 points from the end of the previous consolidated fiscal year.

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

With regard to the consolidated earnings forecast for the fiscal year ending March 31, 2025, we expect that pachinko halls will continue to make active capital investments to accommodate smart game machines. However, no changes have been made at this time to the full-year forecasts announced on May 15, 2024, as trends in game machine sales from the second half of the fiscal year have yet to be determined.

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

(Million yen)		
	FY2025/3 Q1 Result	FY2025/3 Full Year Forecast
Net sales	18,600	55,000
Operating profit	5,583	12,400
Ordinary profit	5,605	12,500
Profit attributable to owners of parent	3,883	8,500

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

	(Thousand yen)	
	Fiscal year ended March 31, 2024 (March 31, 2024)	First quarter, year ending March 31, 2025 (June 30, 2024)
Net assets		
Current assets		
Cash and deposits	20,434,496	16,919,321
Notes and accounts receivable - trade, and contract assets	5,155,111	8,502,926
Electronically recorded monetary claims - operating	4,042,301	5,067,272
Merchandise and finished goods	13,162,491	11,478,843
Work in process	69,200	86,447
Raw materials and supplies	613,604	553,087
Other	782,981	911,302
Allowance for doubtful accounts	(304,316)	(441,909)
Total current assets	43,955,870	43,077,290
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,047,013	3,048,526
Land	4,162,117	4,274,153
Other, net	855,758	801,729
Total property, plant and equipment	8,064,889	8,124,409
Intangible assets		
Software	2,587,605	2,586,140
Goodwill	772,019	1,324,058
Other	32,566	32,446
Total intangible assets	3,392,191	3,942,645
Investments and other assets		
Deferred tax assets	783,385	886,859
Investment property, net	848,861	844,813
Other	2,418,197	2,664,501
Allowance for doubtful accounts	(181,419)	(181,993)
Total investments and other assets	3,869,025	4,214,181
Total non-current assets	15,326,106	16,281,236
Total assets	59,281,977	59,358,527

(Thousand yen)

	Fiscal year ended March 31, 2024 (March 31, 2024)	First quarter, year ending March 31, 2025 (June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,109,936	3,082,560
Electronically recorded obligations - operating	6,768,531	6,259,115
Income taxes payable	3,229,015	1,910,801
Provision for product warranties	13,900	4,622
Provision for bonuses for directors (and other officers)	287,346	12,355
Provisions for quality warranties	90,106	474,519
Other	4,169,495	3,450,584
Total current liabilities	17,668,331	15,194,558
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	473,593	476,603
Retirement benefit liability	199,491	314,535
Other	220,252	248,894
Total non-current liabilities	893,338	1,040,034
Total liabilities	18,561,669	16,234,593
Net assets		
Shareholders' equity		
Share capital	674,000	674,000
Capital surplus	680,008	680,008
Retained earnings	39,206,726	41,611,548
Treasury shares	(2,713)	(2,713)
Total shareholders' equity	40,558,021	42,962,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,111	22,093
Remeasurements of defined benefit plans	140,174	138,928
Total accumulated other comprehensive income	162,285	161,022
Non-controlling interests	-	67
Total net assets	40,720,307	43,123,933
Total liabilities and net assets	59,281,977	59,358,527

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

Quarterly consolidated statement of income

First three-month period

	(Thousand yen)	
	Three-month period in the fiscal year ended March 31, 2024 (From April 1, 2023 to June 30, 2023)	Three-month period in the fiscal year ending March 31, 2025 (From April 1, 2024 to June 30, 2024)
Net sales	15,965,169	18,600,567
Cost of sales	8,561,632	9,590,552
Gross profit	7,403,537	9,010,015
Selling, general and administrative expenses	2,566,465	3,426,330
Operating profit	4,837,072	5,583,685
Non-operating income		
Interest income	4,029	133
Dividend income	6,112	6,533
Rental income from real estate	21,355	18,958
Royalty income	3,807	7,551
Other	5,249	4,507
Total non-operating income	40,555	37,684
Non-operating expenses		
Interest expenses	1,634	13
Foreign exchange losses	9,070	4,428
Rental expenses on real estate	11,129	10,905
Other	165	158
Total non-operating expenses	21,999	15,506
Ordinary profit	4,855,628	5,605,863
Extraordinary income		
Gain on sale of non-current assets	-	579
Total extraordinary income	-	579
Extraordinary losses		
Loss on sale of non-current assets	-	2,766
Loss on retirement of non-current assets	335	259
Total extraordinary losses	335	3,025
Profit before income taxes	4,855,292	5,603,417
Income taxes - current	1,577,557	1,822,593
Income taxes - deferred	(91,376)	(102,263)
Total income taxes	1,486,180	1,720,329
Profit	3,369,112	3,883,087
Profit attributable to owners of parent	3,369,112	3,883,087

Quarterly consolidated statement of comprehensive income

First three-month period

(Thousand yen)

	Three-month period in the fiscal year ended March 31, 2024 (From April 1, 2023 to June 30, 2023)	Three-month period in the fiscal year ending March 31, 2025 (From April 1, 2024 to June 30, 2024)
Profit	3,369,112	3,883,087
Other comprehensive income		
Valuation difference on available-for-sale securities	783	(17)
Remeasurements of defined benefit plans, net of tax	93	(1,245)
Total other comprehensive income	877	(1,263)
Comprehensive income	3,369,989	3,881,824
(Profit attributable to)		
Comprehensive income attributable to owners of parent	3,369,989	3,881,824

(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.

(Notes on changes in accounting policies)

(Application of Accounting Standard for Income Taxes - Current, Etc.)

The Accounting Standard for Income Taxes - Current, Etc. (ASBJ No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Standards"), etc. were applied from the beginning of the first quarter under review.

The change in classification of income taxes (taxation of other comprehensive income) is in accordance with the transitional treatment prescribed in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, as of the beginning of the first quarter under review, the 2022 Revised Guidance has been applied with respect to the change related to the review of the treatment in the consolidated financial statements of gains or losses associated with the sale of shares of subsidiaries and other securities between consolidated entities for tax deferral purposes. The change in accounting policy has been applied retrospectively, and the quarterly and consolidated financial statements for the previous quarter and previous consolidated year have been restated accordingly. The change in accounting policy has no impact on the quarterly consolidated financial statements of the quarter from the previous year or the consolidated financial statements of the previous fiscal year.

(Notes on segment information, etc.)

[Segment information]

I. Previous First Three-Month Period (From April 1, 2023 to June 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	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) includes the elimination of intersegment transactions of ¥3,547 thousand and corporate expenses unallocated to any reportable segments of ¥(436,849 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

2: Segment income (losses) is reconciled to operating profit as reported 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.

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

Not applicable.

II. First Three Months of Period Under Review (From April 1, 2024 to June 30, 2024)

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

	Reportable segments			Adjustments (Note 1)	(Thousand yen) Amount stated in consolidated statement of income (Note 2)
	Information systems business	Amusement business	Total		
Net sales					
Sales to external customers	17,801,124	799,442	18,600,567	—	18,600,567
Intersegment sales or transfers	—	1,458	1,458	(1,458)	—
Total	17,801,124	800,901	18,602,026	(1,458)	18,600,567
Segment income (losses)	6,112,122	(2,847)	6,109,274	(525,589)	5,583,685

(Note) 1: The adjustment of segment income (losses) of ¥(525,589 thousand) includes the elimination of intersegment transactions of ¥3,769 thousand and corporate expenses unallocated to any reportable segments of ¥(529,358 thousand). Unallocated corporate expenses mostly include general and administrative expenses which are not attributable to any reportable segments.

2: Segment income (losses) is reconciled to operating profit as reported in the quarterly consolidated statement of income.

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

Not applicable.

(Notes on quarterly consolidated statement of cash flows)

No quarterly consolidated statements of cash flows have been prepared for the first quarter. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first quarter were as follows.

	Three-month period in the fiscal year ended March 31, 2024 (From April 1, 2023 to June 30, 2023)	Three-month period in the fiscal year ending March 31, 2025 (From April 1, 2024 to June 30, 2024)
Depreciation	394,179 thousand yen	400,123 thousand yen
Amortization of goodwill	23,520 thousand yen	23,520 thousand yen