

FY2024 Second Quarter Financial Results


(2024/4-2024/9)

DAIKOKU DENKI Co., Ltd.
(The Prime Market of the Tokyo Stock Exchange,
The Premier Market of the Nagoya Stock Exchange, 6430)

Operating results for the fiscal year

➤ Significant increase in sales and profit

Net sales	34,466 million yen	YoY change	+18.2%
Operating income	9,086 million yen		+15.0%
Ordinary income	9,135 million yen		+15.1%
Net income attributable to owners of the parent	6,210 million yen		+12.9%

-  Continued strong sales of products associated with the introduction of smart game machines
 Capital investment demand in response to the July reprinting

Future Growth Strategy

- Aim for sustainable growth by expanding business areas through M&A to further increase corporate value

**FY2024
Results**

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Consolidated Financial Highlights

- Many pachinko halls will respond to the new printing due to the July printing (95.5% of the stores with our products have implemented the new printing)
- **Smart Pachislot** continues to steadily increase its installation ratio
Smart Pachinko will also increase the installation ratio to 8.7%, which has been stagnant at around 5% for some time

*Percentage of smart game machines installed

Pachislot machine **46.6%**(1QRatio+4.3point Approx. 620,000 units)

Pachinko machine **8.7%**(1QRatio+3.7point Approx. 180,000 units)

Reference) Number of installed game machines nationwide: 3,425,000 units

Pachinko machine 2,078,000 units

Pachislot machine 1,347,000 units

*As of December 31, 2023, according to the National Police Agency

- Operation of all game machines (* the time that fans spend playing pachinko in pachinko halls) remained steady, up 4.2% from the previous fiscal year
 - Pachislot machine utilization was strong, up 7.6% from the previous year
→ **Renovation work to increase the number of pachislot machines is also becoming more active**
 - Pachinko machine utilization increased 1.4% yoy for the first time in a while due to the introduction of new pachinko machines with improved performance.

Consolidated Statements of Income (Summary)

Achieved record-high earnings for the first half of the fiscal year, surpassing the previous year's performance, which saw a significant increase in earnings (second consecutive fiscal year of increased sales and profits).

(Million yen)	FY2023 2Q	FY2024 2Q	YoY change	Rate of change
Net sales	29,168	34,466	+5,298	+18.2%
Gross profit-net	13,701	16,345	+2,643	+19.3%
Selling, general and administrative expenses	5,801	7,258	+1,456	+25.1%
Operating income	7,899	9,086	+1,187	+15.0%
Ordinary income	7,938	9,135	+1,197	+15.1%
Net income attributable to owners of the parent	5,502	6,210	+708	+12.9%

Information systems business, a key segment, achieved record sales growth

Information System Segment

Net sales in this segment
32,529 million yen

YoY Change **+5,243** million yen

Increase and record sales

+19.2%

Products for pachinko halls, etc.

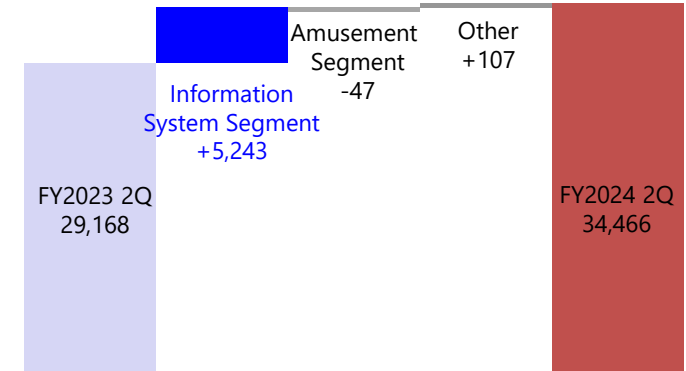
29,145 million yen

YoY Change **+5,151** million yen



Strong sales of the "VEGASIA" card unit and the new "REVOLA II" and "DUALINA" information disclosure terminals in conjunction with the introduction of smart game machines, as well as increased demand for reprinting in response to the circulation of new banknotes.

(Million yen)



*Including inter-segment transactions.

Service

3,384 million yen

YoY Change **+92** million yen



Increase in the number of member stores of MIRAIGATE services such as "ClarisLink" and "Market-SIS" exceeded that of the same period of the previous year.

Net sales

Amusement business sales declined -2.5%

Amusement Segment

Net sales in this segment
1,842 million yen

YoY Change **-47** million yen

Decrease
in sales

-2.5%

*Including inter-segment transactions.

Display and control units for
games machine manufacturers

873 million yen

YoY Change **+176** million yen

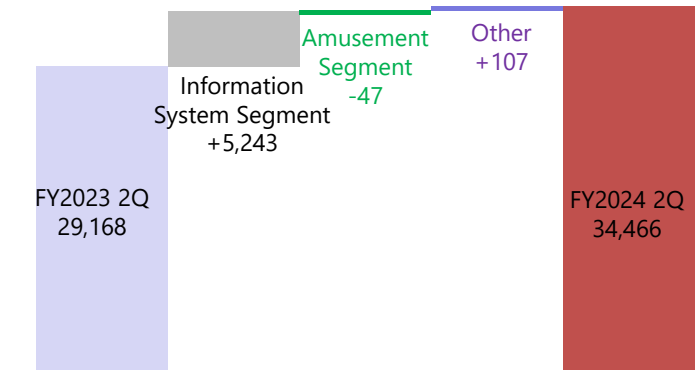
Control units for pachinko increased year on year due to the introduction of smart pachinko.

Other

Net sales in this segment
107 million yen

*A new business segment, "Others," which is not included in the reportable segments, was added to the scope of consolidation from the current interim consolidated accounting period due to the inclusion of the newly established Hakone Glass Forest Resort, Inc. and Nishimoto Sangyo K.K. and LILIUM Corporation through share acquisitions.

(Million yen)



*Including inter-segment transactions.

Parts and others

955 million yen

YoY Change **-230** million yen

Information system business increased profit and recorded record-high profit

Information System Segment

Segment income
10,320 million yen

YoY Change **+1,356 million yen**

Increase in income and record profit **+15.1%**

Increase from the same period of the previous fiscal year due to brisk sales volume of related products resulting from active capital investment demand associated with the introduction of smart game machines, as well as increased demand to support reprinting due to the circulation of new banknotes.

Amusement Segment

Segment income
-2 million yen

YoY Change **+103 million yen**

Improvement

(Segment income minus 105 million yen in the same period of the previous year)

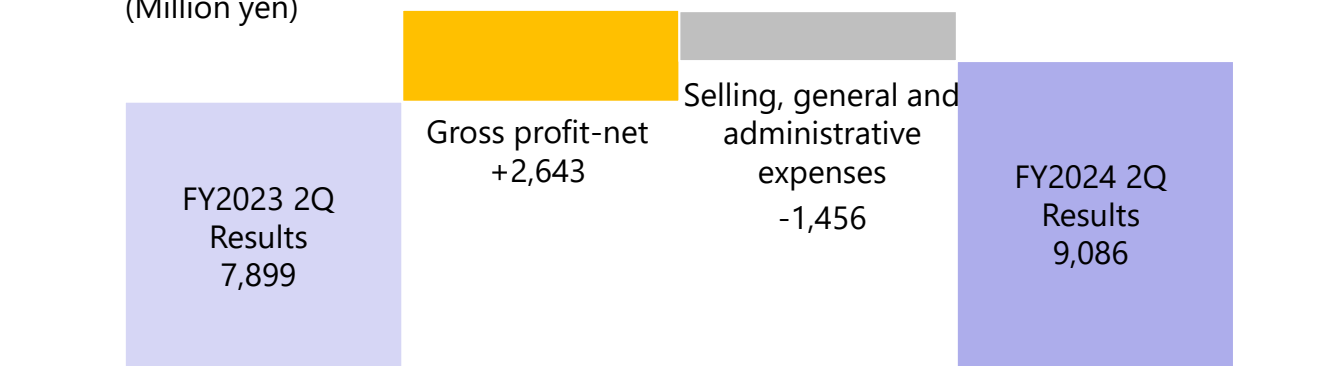
*Including inter-segment transactions.

Profitability improved due to business reorganization, and income increased from the same period of the previous fiscal year.

Other

Segment income
-134 million yen

(Million yen)



*The whole company cost : 1,102 million yen
YoY Change +138 million yen (+14.3%)

Consolidated Balance Sheets (Summary)

(Million yen)	FY2023	FY2024 2Q	YoY change
Current assets	43,955	45,791	+1,835
Noncurrent assets	15,326	17,313	+1,987
Total assets	59,281	63,105	+3,823
Current liabilities	17,668	16,590	-1,078
Noncurrent liabilities	893	1,018	+124
Total liabilities	18,561	17,608	-953
Total net assets	40,720	45,497	+4,776
Total liabilities and net assets	59,281	63,105	+3,823
Debt	0	12	+11
Shareholders' equity ratio	68.7%	72.1%	+3.4%

■ Total assets

Increase

Inventories decreased due to strong performance, but increased by 3,823 million yen from the end of the previous fiscal year due to an increase in trade receivables and cash and deposits, and an increase in noncurrent assets due to the recording of goodwill associated with an increase in the number of subsidiaries.

■ Total liabilities

Decrease

Decrease of 953 million yen from the end of the previous fiscal year, mainly due to decrease in trade debt settlement.

■ Total net assets

Increase

Increase of 4,776 million yen from the end of the previous consolidated fiscal year due to posting of interim net income attributable to parent company shareholders despite dividend payment.

■ Shareholders' equity ratio

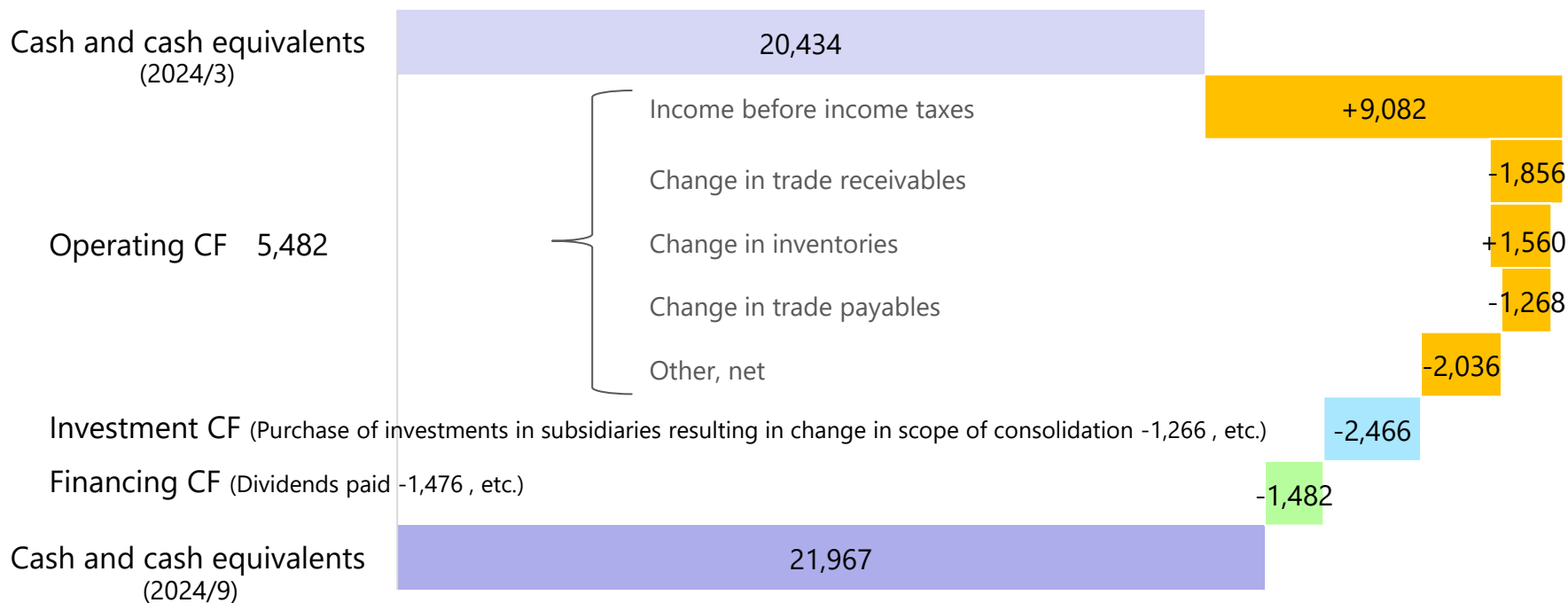
Increase

Increase of 3.4 percentage points from the end of the previous fiscal year.

Statements of Cash Flows

Cash flow from investing activities increased year-on-year due to purchase of shares of a subsidiary resulting in a change in the scope of consolidation

(Million yen)	FY2023 Q2	FY2023	FY2024 Q2
Operating CF	5,132	8,429	5,482
Investment CF	-927	-1,734	-2,466
Financing CF	-886	-3,183	-1,482
Cash and cash equivalents	20,242	20,434	21,967
Free cash flow	4,205	6,695	3,015



**FY2024
Results**

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**FY2024 Full Year Forecast
(2024/4-2025/3)**

Continued proliferation of smart game machines, especially smart pachislot, and increased capital investment by pachinko halls

Smart game machines

● Smart Pachislot

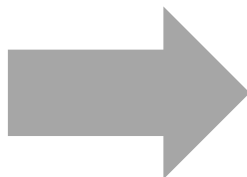
- Operations remain strong and will continue to spread in the second half of the year.

● 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

- Construction for replacement of pachinko machines to pachislot machines and construction for additional pachislot machines became active.



Capital investment demand is expected to remain strong

Information System Segment

Cloudburst

- Strengthen cloud development to renew the platform that serves as the foundation for speedy provision of services utilizing the latest technologies (AI and Big Data).
- Aiming to increase stable revenue by expanding the new MIRAIGATE service



Aiming to be a **DX leader** in the pachinko industry

- ✓ Sell sources of competitiveness rather than meet demand and expand nationwide
- ✓ Creating customers (markets) instead of creating products that sell

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.



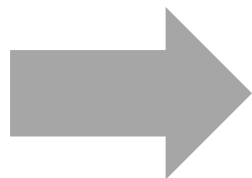
Reinforcement of system for manufacturing and sales of smart pachislot machines

Expansion of Business areas

M&A, etc.

- Acquired Stadd, a systems company, as a subsidiary in August 2024
- In October, underwrote a third-party allocation of new shares by Nanaha Corporation, which operates the matcha café "nana's green tea"
- In November, acquired fixed assets of Kaikai Corporation, which operates "Hakone Glass Forest"

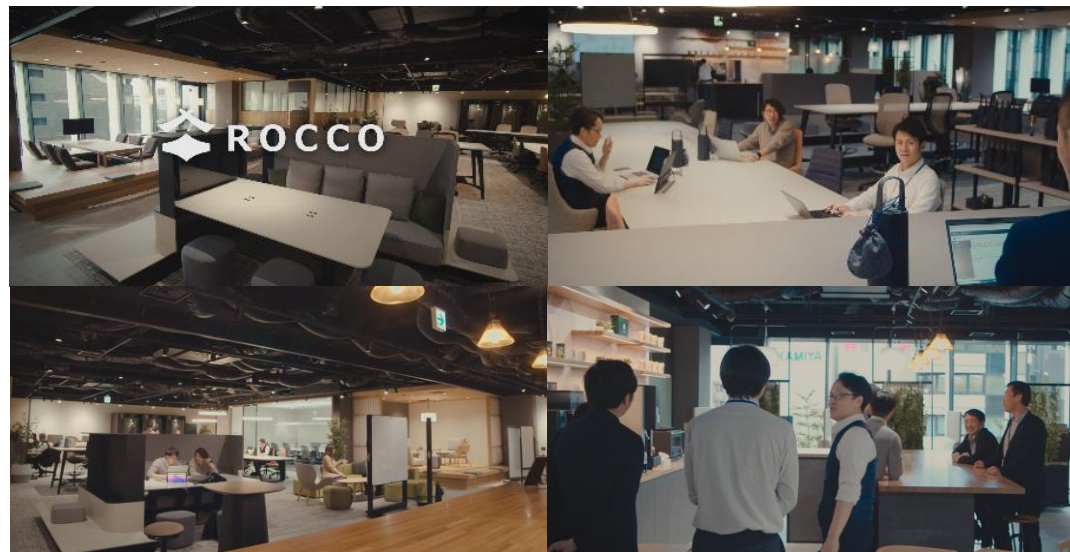
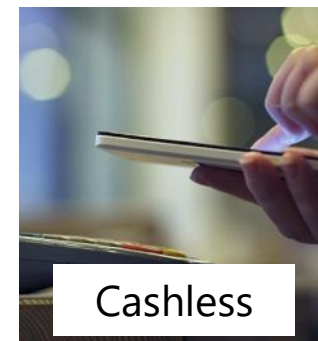
S + ADD



Aim for sustainable growth by expanding business areas through M&A and other means to further increase corporate value

Internal DX and Workstyle reform

- As in-house DX, promote business process reforms such as the use of RPA, paperless, cashless, etc. to achieve a more comfortable and diverse work style.
- Reforms to achieve flexibility in work styles, such as the development of telework environments (anywhere) and flexible work hours (flexible hours), to increase efficiency and engagement
- Renovation of offices to create a new form of office suitable for the way of working in the network age



FY2024 Full Year Forecast

- Equivalent to the previous fiscal year, when record profits were achieved due to equipment sales for smart game machines and the response to the printing of new machines.
- Forecast unchanged due to undetermined machine sales trends in the second half and beyond

(Million yen)	FY2023	FY2024		YoY change	Rate of change
	Full year	1st half	Full year (Forecast)		
Net sales	53,861	34,466	55,000	+1,138	+2.1%
Gross profit-net	24,981	16,345	25,850	+868	+3.5%
Selling, general and administrative expenses	12,980	7,258	13,450	+469	+3.6%
Operating income	12,001	9,086	12,400	+398	+3.3%
Ordinary income	12,102	9,135	12,500	+397	+3.3%
Net income attributable to owners of the parent	8,464	6,210	8,500	+35	+0.4%
Research and development expenses	1,580	481	1,300	-280	-17.7%
Depreciation expense	1,647	765	1,500	-147	-9.0%
Capital investment	2,234	927	3,000	+765	+34.3%

*Capital investment includes investments in tangible and intangible non-current assets.

FY2024 Full Year Forecast by Segment

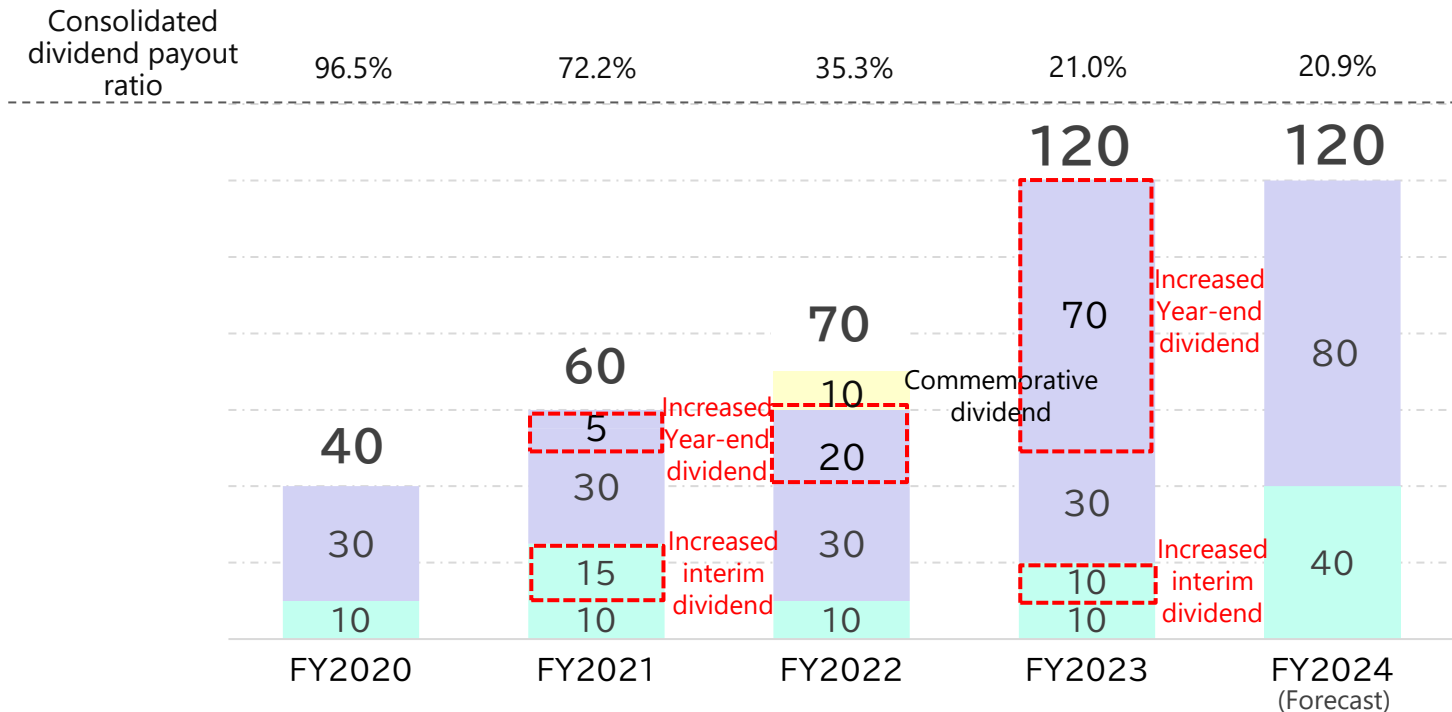
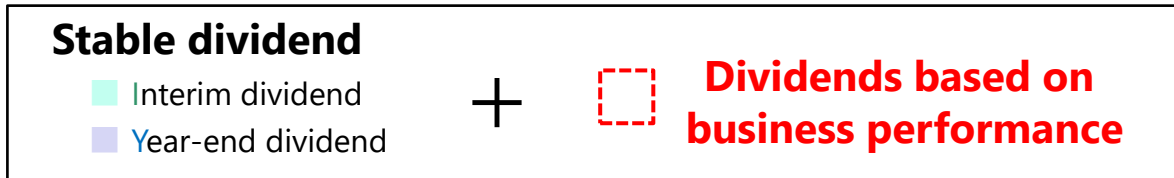
- In the information systems business, sales and profits were on par with the previous fiscal year, when sales of equipment for smart game machines and the response to the revision of the printing system resulted in record-high sales and profits.
- Amusement business increased sales and profit on Smart Pachislot sales.

(Million yen)	FY2023	FY2024		YoY change	Rate of change
	Full year	1st half	Full year (Forecast)		
Information System Segment	49,412	32,529	49,800	+387	+0.8%
Amusement Segment	4,499	1,842	4,550	+50	+1.1%
Other	-	107	650	+650	-
Segment sales	53,911	34,480	55,000	+1,088	+2.0%
Information System Segment	14,603	10,320	14,500	-103	-0.7%
Amusement Segment	-390	-2	160	+550	-
Other	-	-134	-10	-10	-
Segment income	14,213	10,183	14,650	+436	+3.1%
Corporate expenses	-2,218	-1,102	-2,250	-31	-1.4%

*Sales in segment results include intersegment transactions. Segment income in the full-year forecast does not take into account intersegment transactions.

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
- For FY2024, we plan to pay an interim dividend of 40 yen and a year-end dividend of 80 yen, for a total of 120 yen per share for the full year



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



■ Average wage increase of approx. 5% implemented (wage revision in April 2024)

■ Endorsed "Aichi Work-Life Balance Promotion Movement 2023"

■ Recognized as an "Aichi Prefecture Family Friendly Company"

- Materiality : Promotion of activities by human resources
- SDGs Goal8 : DECENT WORK AND ECONOMIC GROWTH



■ Noise-canceling earphone "Wellph"

- Materiality : Promotion of activities by human resources
: Provision of solutions based on innovation
- SDGs Goal3 : GOOD HEALTH AND WELL-BEING
SDGs Goal8 : DECENT WORK AND ECONOMIC GROWTH



Earphones for intercom connection to protect staff from noise problems **by reducing strain on the ears**

■ Disclose of information related to climate change based on the Kasugai TCFD

■ CDP Management Level "B" Accreditation (Prior Year B-)

■ Installation of solar panels at the Kasugai Division Office

- Materiality : Contributions to the global environment
- SDGs Goal7 : AFFORDABLE AND CLEAN ENERGY
Goal13 : CLIMATE ACTION



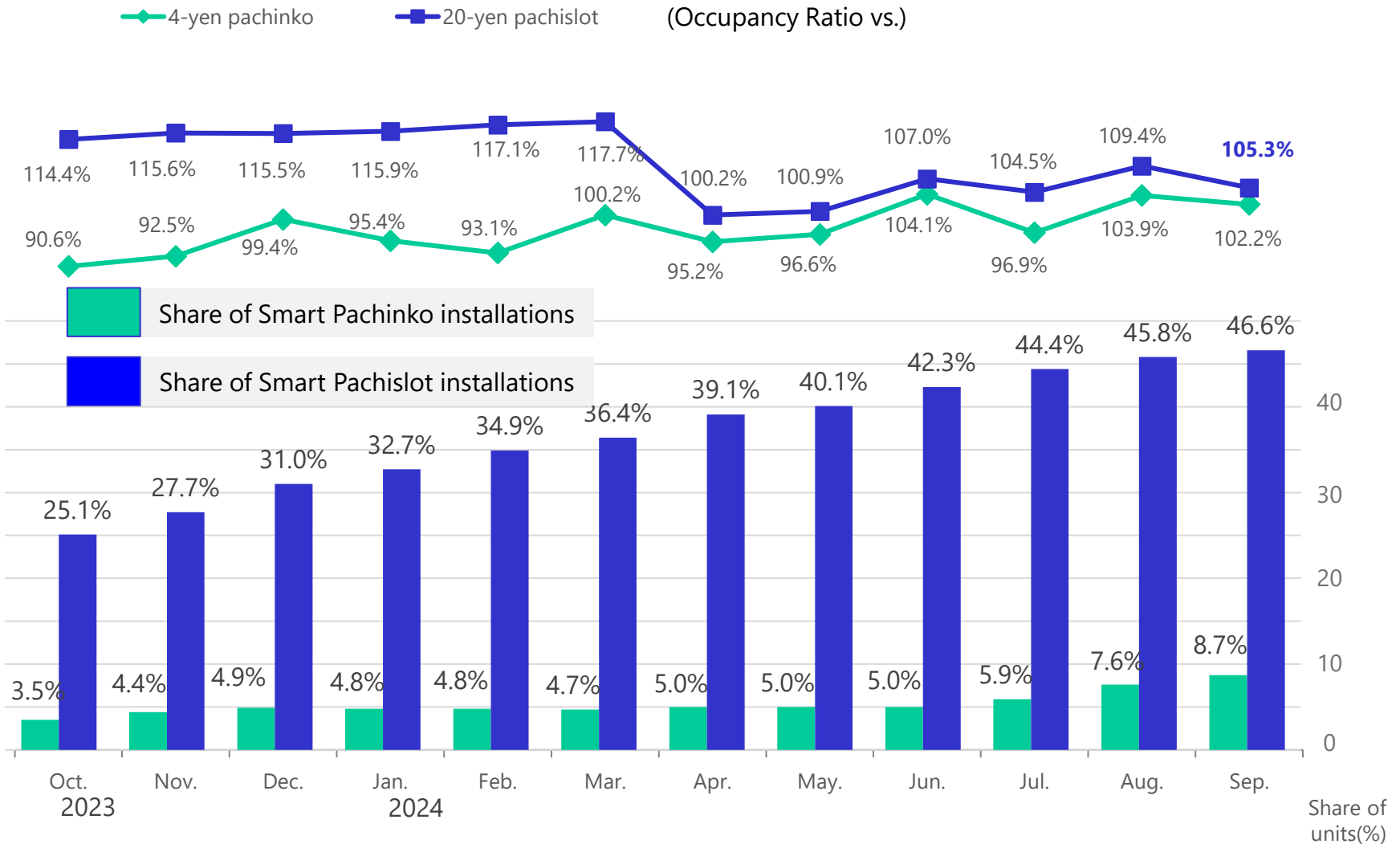
**FY2024
Results**

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Reference Data

Operation (based on out) Monthly trend in YoY change

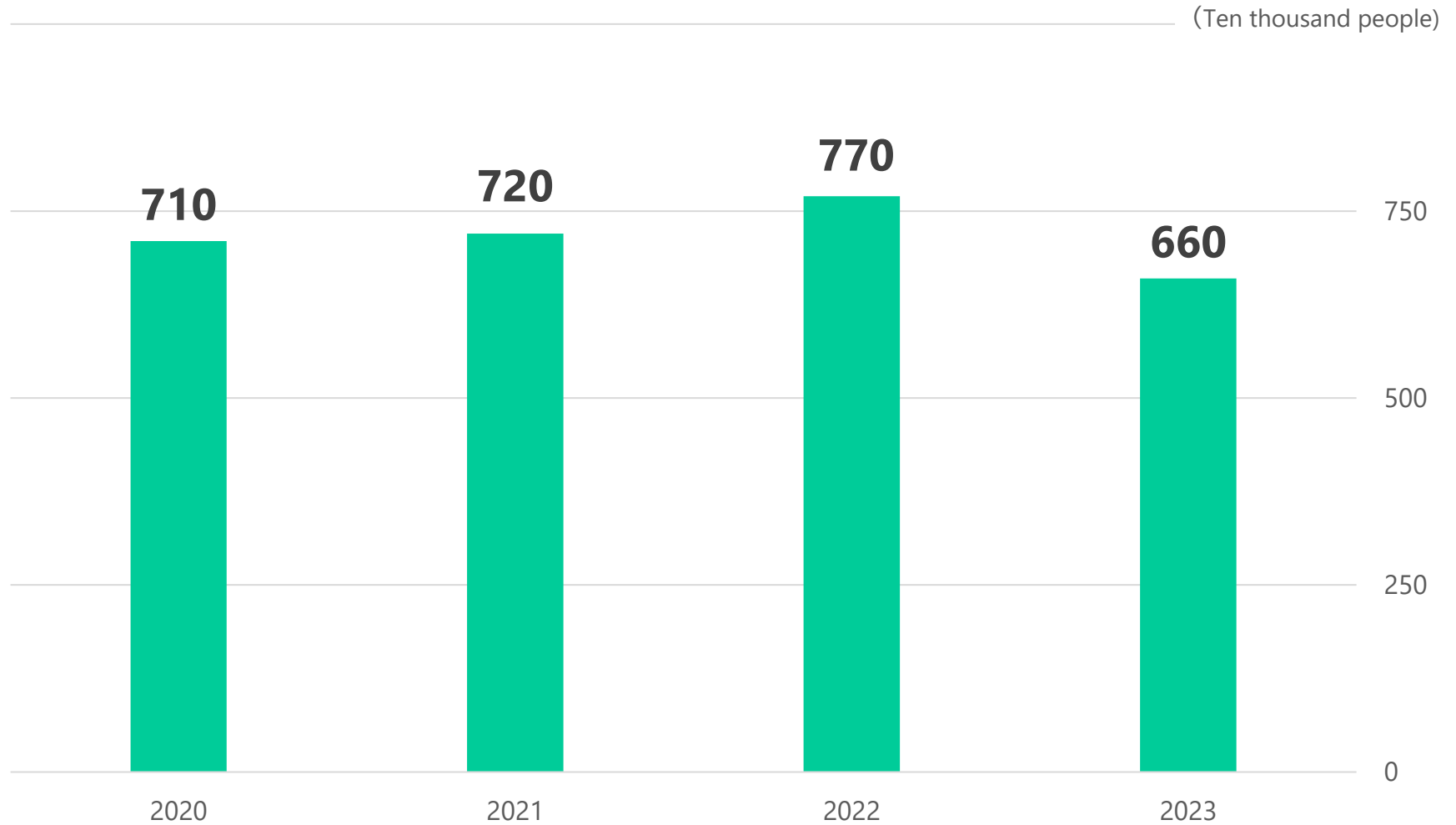
Smart pachislot installation share has been steadily increasing, and the installation ratio of smart pachinko, which had not changed for some time, has also increased



*Operation (out) is actual DK-SIS data.

Pachinko player population

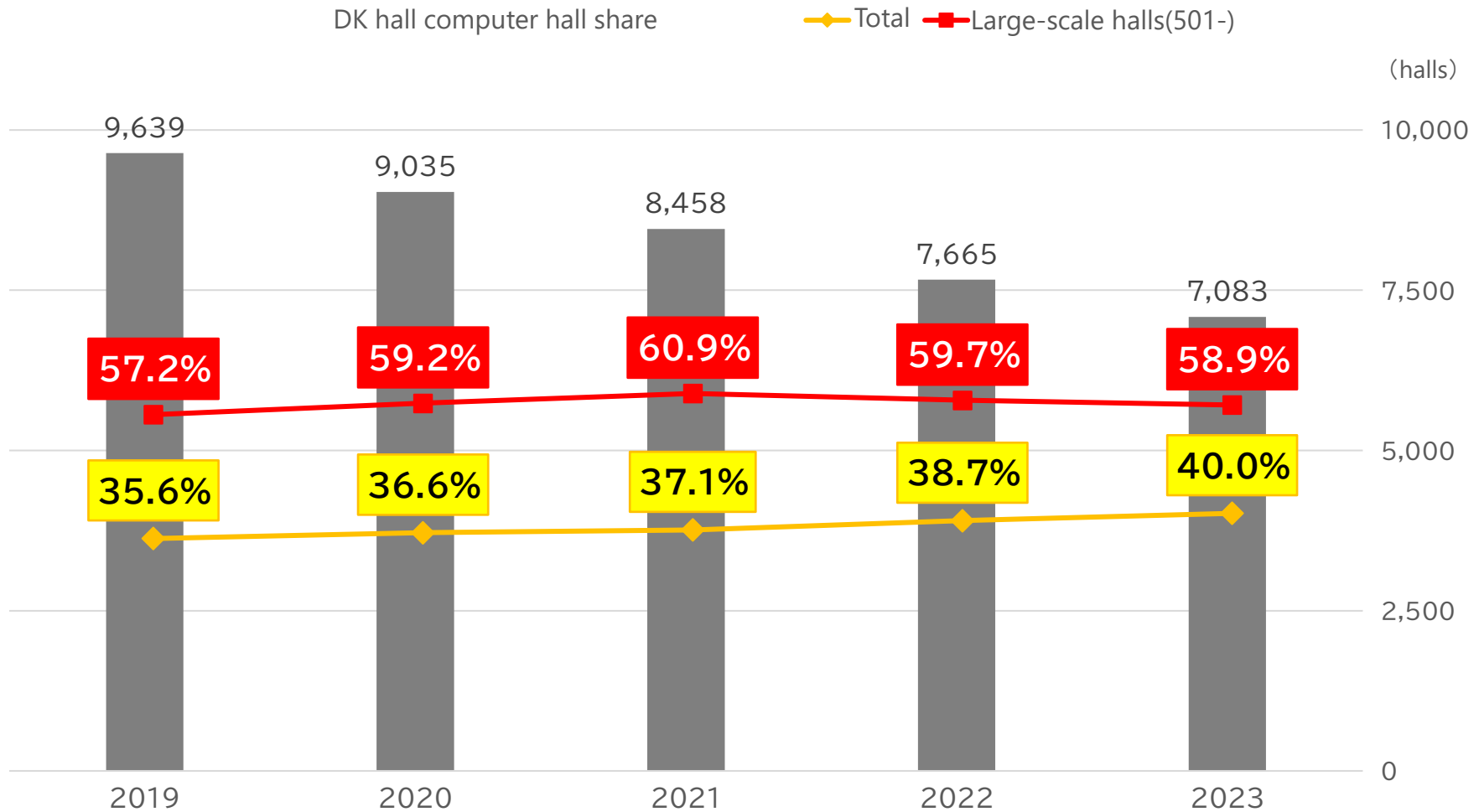
- Pachinko participating population in 2023 will be 6.6 million, the first decline in 3 years
- Pachislot operations are strong and expected to recover along with the spread of smart game machines



*Date of from "Leisure White Paper 2024" by Japan Productivity Center

Number of halls and share of DK hall computers

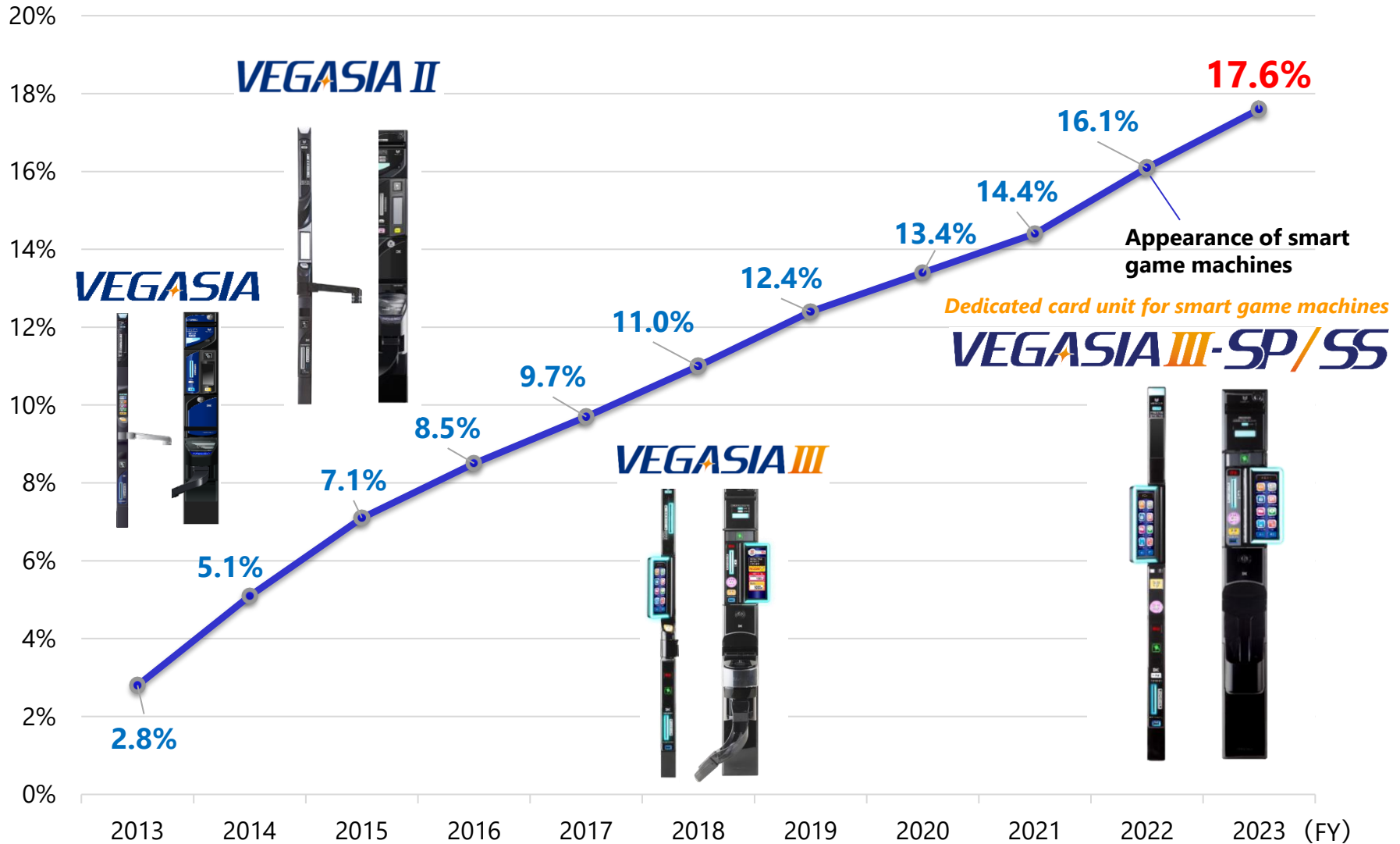
Number of pachinko halls is declining, but our market share is increasing, especially among large parlors (No.1 in the industry)



*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, our “VEGASIA” card units (including smart-compatible) have steadily increased 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.”

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**



Since payout cannot be shown with balls or medals, a large LCD screen is used to show off the payout

Large LCD Information terminals for fans **REVOLA II**



NEW

Pachinko has a high need for Deca-seg and LCD type REVOLA II

Upper installation terminal **DUALINA**



NEW

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 II

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

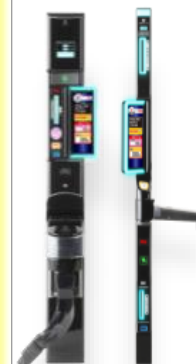
This is a system to exchange acquired pachinko balls for prizes. POS SP-01 can be operated without a keyboard using a large 15.6 inch touch panel LCD. It can also be operated as a self-service POS.



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)

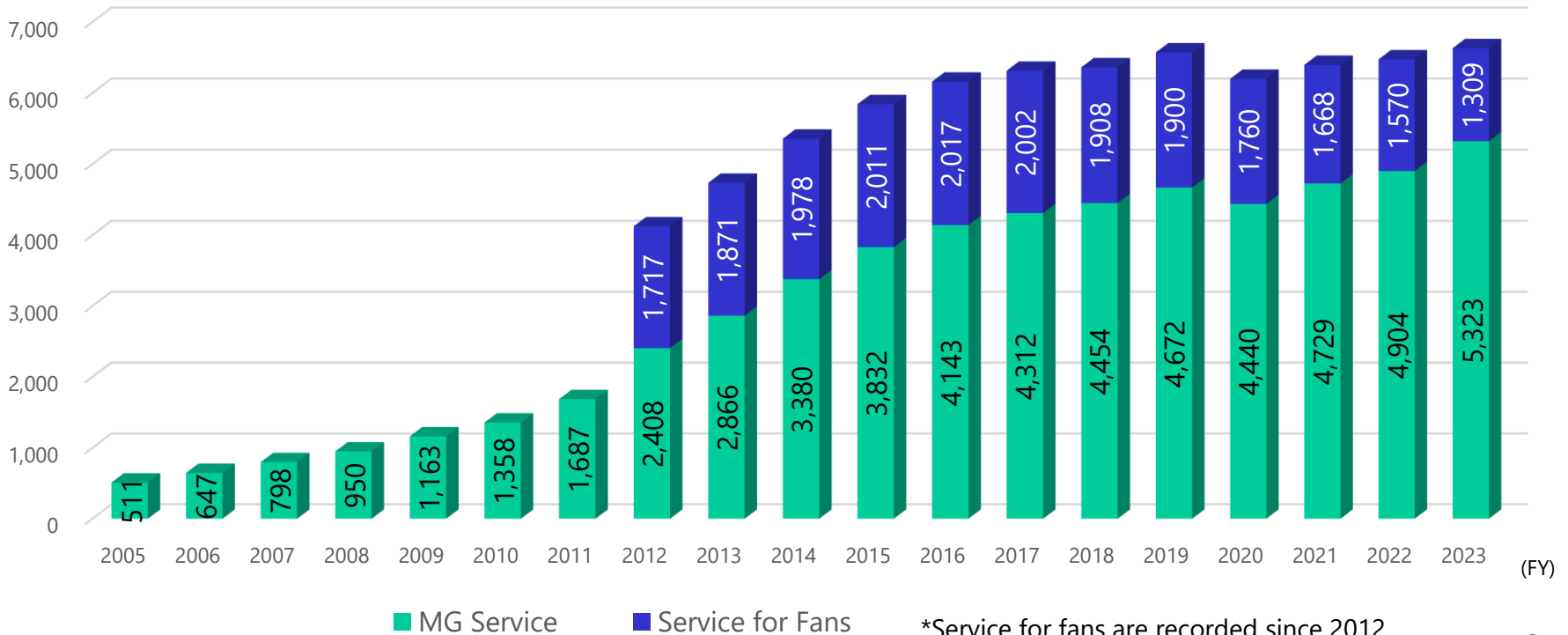
Pachinko halls

Pachinko fans



Service Sales Trend

(Million yen)



Of the 18 MIRAIGATE services, In the current fiscal year, we are particularly strengthening three management support **services that contribute to the DXing of pachinko halls**

Market-SIS

Trade area analysis service

- ✓ Utilizing DK-SIS big data
- ✓ Grasp at a glance your own store, your trade area, and the entire country



Data Publication 4,304halls

ClarisLink

Cloud chain store management system

- ✓ Cloud management of chain store data
- ✓ Device free anytime, anywhere

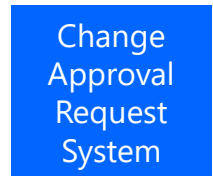


Number of contracts 960halls

Time shortening options

Labor-saving tools

- ✓ Time-consuming machine replacement setup takes only one minute



Number of contracts 267halls

*As of September 30, 2024

- DK-SIS is the industry's No. 1 information service (3,127 members) that supports pachinko hall management by collecting and analyzing big data on 1.41 million machines, or 41.1% of all game machines installed nationwide.
- The "DK-SIS Seminar," held at a real exhibition for the industry, explained the latest industry trends and sales techniques that lead to improved business performance, and was attended by approximately 2,200 industry professionals..



DK-SIS Seminar2024

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

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These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.