Electronic provision measures commencement date: June 4, 2024

To All Shareholders:

Other Matters Subject to Measures for Electronic Provision for the 51st Ordinary General Meeting of Shareholders

(Matters Omitted from the Paper Copy)

Daikoku Denki Co., Ltd.

(Securities code: 6430)

Notes to the Consolidated Financial Statements

(Notes on significant matters as the basis for preparation of consolidated financial statements)

1. Scope of consolidation

All of the Company's subsidiaries are consolidated.

Number of consolidated subsidiaries:	6
Names of consolidated subsidiaries:	Genki Co., Ltd. DAXEL INC. Daikoku Sangyo Co., Ltd. ALOFT Co., Ltd. GLOBAL WISE Co. LAIRI Inc.

LAIRI Inc. became a consolidated sub-subsidiary from the consolidated fiscal year under review following the acquisition of shares by ALOFT Co., Ltd. on April 1, 2023.

2. Application of the equity method

Not applicable.

3. Accounting policies

(1) Standards and methods for valuation of significant assets

[1] Securities

Other securities

Items other than stock, etc., with no market value	Fair value method (Valuation differences are recognized directly into net assets; the cost of items sold is calculated based on the moving average method.)
Stock, etc., with no market value	Valuation at cost, with cost determined by the moving average method

[2] Inventories

Valuation at cost (method of lowering carrying amount due to decline in profitability)

Merchandise, finished goods, raw materials, work in process	Valuation at cost, with cost determined primarily by the weighted average method
Supplies	Valuation at cost, based on the last purchase cost method

(2) Method of depreciation for significant depreciable assets

[1] Property, plant and equipment (excluding leased assets)	Declining-balance method However, buildings acquired on and after April 1, 1998 (excluding facilities attached) and facilities attached and structures acquired on and after April 1, 2016 are depreciated using the straight-line method. The useful life of major items is as follows: Buildings and structures 4 - 50 years Tools, furniture and fixtures 2 - 20 years
[2] Intangible assets	Straight-line method However, software is depreciated for sale over the marketable period (3 years) and for internal use over the internal availability period (5 years), using the straight-line method.

[3] Investment property, etc.	Straight-line method However, assets other than real property are depreciated using the declining balance method. The useful life of major items is as follows: Buildings 15 - 47 years Assets other than real property 3 - 15 years

(3) Accounting standards for significant allowances and provisions

Allowance for doubtful accounts	To provide for losses from doubtful accounts including doubtful receivables, the Company accounts for the estimated amounts considered to be uncollectible based on a historical rate of credit losses for normal receivables or after reviewing individual collectability for specific doubtful receivables.
Provision for bonuses for directors (and other officers)	To provide for expenditure on directors' bonuses, the Company accounts for the corresponding amounts at the end of consolidated fiscal year under review based on the estimated amounts to be paid.
Provision for retirement benefits for directors (and other officers)	To provide for expenditure on retirement benefits for directors, the Company accounts for the amounts to be paid at the end of consolidated fiscal year under review in accordance with the internal rules.
Provisions for quality warranties	To provide for quality assurance expenses incurred after the sale of products, the estimated amount of such expenses is recorded.

(4) Accounting methods for retirement benefits

[1] Method of attributing expected retirement benefits to periods of service

In calculating the retirement benefit obligation, the Company attributes expected retirement benefits to periods of service up to the fiscal year under review, on a plan benefit formula basis.

[2] Actuarial gains and losses and past service costs

Actuarial gains and losses are recognized in the respective succeeding years on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of accrual in each consolidated fiscal year.

Past service costs are recognized on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of accrual.

(5) Accounting standards for significant revenues and expenses

Relating to revenue from contracts with customers of the Company and its consolidated subsidiaries, major performance obligations and the normal time for satisfying the performance obligations (the normal time of recognizing revenue) in the main businesses are as follows:

[1] Information Systems Business

The Information Systems Business engages primarily in the development, manufacturing, and distribution of computer systems for pachinko halls, prize and customer management systems, and information disclosure systems.

Among these, for a performance obligation involving product installation, the Company recognizes revenue at the time of inspection as a performance obligation is generally judged to have been met at the time of inspection when the customer obtains control of the service.

For a performance obligation involving no product installation, the Company recognizes revenue at the time of shipment of merchandise since control of goods is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of merchandise is transferred to the customer.

[2] Amusement business

The Amusement Business engages in the development, manufacturing, and distribution of display units and control units for pachinko machines, the planning, development, manufacturing, and distribution of pachislot machines, and the distribution of parts used for game machines.

Among these, for the sale of merchandise, mainly in the sale of products, the Company recognizes revenue at the time of shipment of merchandise since control is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of products is transferred to the customer.

For development projects, the Company recognizes revenue when a performance obligation is satisfied since control over customers is continuously transferred.

(6) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over a 5 to 10-year period.

(Notes on accounting estimates)

Recoverability of deferred tax assets

(1) Amount stated in the consolidated financial statements for the consolidated fiscal year under review

Deferred tax assets 783,385 thousand yen

(2) Details of significant accounting estimates relating to the items recognized

[1] Method of calculation for estimates

For deductible temporary difference and loss carryforwards, the recoverability of deferred tax assets is assessed by taxable income, tax plans, etc. based on future profitability.

[2] Major assumptions used in calculating estimates

Taxable income is estimated based on business plans that contain the projection of future sales volume, etc. of products and goods by consolidated companies.

[3] Effect on the consolidated financial statements for the next consolidated fiscal year

Any changes in assumptions used in the calculation of the initial estimates due to changes in economic conditions, etc. may have a material effect on the estimated future taxable income, possibly resulting in a reduction of deferred tax assets and the recording of a tax expense.

(Notes on consolidated balance sheet)

1. Accumulated depreciation of tangible fixed assets, etc.

Property, plant and equipment	12,268,896	thousand yen
Investments and other assets (investment property, etc.)	352,889	thousand yen

2. Matured bill of exchange

Regarding the accounting treatment of matured bills of exchange at the end of the consolidated fiscal year, settlement is processed on the bill clearing date. Since the end of the current consolidated fiscal year was a holiday for financial institutions, matured bills of exchange due at the end of the next consolidated fiscal year are included in the balance at the end of the current consolidated fiscal year.

Notes receivable - trade	30,091	thousand yen
Electronically recorded monetary claims - operating	117,429	thousand yen
Notes	23,831	thousand yen
Electronically recorded obligations - operating	336,974	thousand yen

(Notes on consolidated statement of income)

The balance of inventories as of the end of the fiscal year is the amount after lowering the carrying amount due to a decline in profitability. A loss on valuation of inventories of 64,284 thousand yen is included in cost of sales.

(Notes on consolidated statement of changes in equity)

1. Type and number of shares issued as of the consolidated fiscal year-end

Common stock 14,783,900 shares

2. Dividends of surplus during the consolidated fiscal year under review

Dividends paid

Resolution	Type of share	Total cash dividends (thousand yen)	Cash dividends per share (yen)	Record date	Effective date
May 15, 2023 Board of Directors	Common stock	886,974	60.00	March 31, 2023	June 13, 2023
November 13, 2023 Board of Directors	Common stock	295,655	20.00	September 30, 2023	December 5, 2023

3. Of dividends with the record date in the consolidated fiscal year under review, those whose effective date falls in the next consolidated fiscal year

Resolution	Type of share	Total cash dividends (thousand yen)	Source of dividend	Cash dividends per share (yen)	Record date	Effective date
May 15, 2024 Board of Directors	Common stock	1,478,266	Retained earnings	100.00	March 31, 2024	June 12, 2024

(Notes on financial instruments)

1. Status of financial instruments

For fund management purposes, the Company group uses deposits etc. only and raises funds with borrowings from banks and other financial institutions.

The Company mitigates the customer credit risk associated with notes and accounts receivable - trade, in accordance with the credit management rules. Investment securities consist mainly of stock and listed stocks are marked to market on a quarterly basis.

2. Fair value information of financial instruments

The amount recorded in the consolidated balance sheet as of March 31, 2024, fair value, and their difference are as follows:

(Thousand yen)

	Consolidated balance sheet amount	Fair value	Difference
Investment securities (Note 2)			
Other securities	62,198	62,198	-
Total assets	62,198	62,198	-

(Notes) 1. “Cash and deposits,” “notes receivable - trade,” “electronically recorded monetary claims - operating,” “accounts receivable - trade,” “contract assets,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” “accounts payable - other,” “accrued expenses,” “income taxes payable,” and “contract liabilities” are omitted as they are settled in cash in a short period of time and thus fair value approximates to their carrying amounts.

2. Stock, etc., with no market value are not included in “Investment securities.” The amount of the financial instruments recorded in the consolidated balance sheet is as follows:

(Thousand yen)

Classification	Consolidated balance sheet amount
Unlisted stock	230,734

3. Breakdown by the appropriate classifications of fair value of financial instruments, etc.

The Company classifies the fair value of financial instruments into the following three levels according to the observability and importance of the inputs used in calculating fair value:

Level 1 fair value: the fair value calculated using the (unadjusted) market price in the active market for the same asset or liability

Level 2 fair value: the fair value calculated using inputs that are other than those used for Level 1 and directly or indirectly observable

Level 3 fair value: the fair value calculated using significant and unobservable inputs

If a number of inputs with a significant effect on fair value calculation are used, the Company classifies the fair value into the level of the lowest priority in fair value calculation of all the levels that they belong to.

Financial instruments stated in the consolidated balance sheet at fair value

(Thousand yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Other securities Stocks	62,198	-	-	62,198
Total assets	62,198	-	-	62,198

(Note) Explanations on the valuation approach used in fair value calculation and the inputs associated with fair value calculation

Investment securities

The fair value of stocks is classified into Level 1 as they are listed stocks traded on the active market and measured using market prices on the active market.

(Notes on revenue recognition)

1. Breakdown of revenue from contracts with customers

(Thousand yen)

	Business segment		Total
	Information Systems Business	Amusement business	
Products etc. for pachinko halls	42,779,306	-	42,779,306
Services	6,632,775	-	6,632,775
Display/control units, etc. for games machine manufacturers	-	1,612,464	1,612,464
Parts/other	-	2,836,992	2,836,992
Revenue from contracts with customers	49,412,082	4,449,456	53,861,539
Other revenue	-	-	-
Sales to external customers	49,412,082	4,449,456	53,861,539

2. Information as the basis for understanding revenue

The Company group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as satisfying a performance obligation

The main businesses of the Company group consist of the "information systems business" and the "amusement business." Revenues arising from these businesses are recorded according to contracts with customers. Information to understand revenue from contracts with customers is as listed in “(5) Accounting standards for significant revenues and expenses” in “3. Accounting policies.”

3. Information as the basis for understanding the amount of revenue for the consolidated fiscal year under review and next consolidated fiscal years

(1) Balances of contract assets and contract liabilities, etc.

(Thousand yen)

	Fiscal year ended March 31, 2024	
	Balance at beginning of period	Balance at end of period
Receivables arising from contracts with customers	6,854,531	8,952,974
Contract assets	220,493	244,437
Contract liabilities	90,369	103,859

Of the revenue recognized for the consolidated fiscal year under review, the amount included in contract liabilities at the beginning of the fiscal year is 85,304 thousand yen.

Contract assets consist mainly of the development contracts in the amusement business, part or all of the performance obligations for which are fulfilled at the end of the fiscal year and associated with an unclaimed consideration allocated to the Company and its consolidated subsidiaries. Contract assets are transferred to receivables arising from contracts with customers at the point of time when a claim on a payment by the customer becomes unconditional. Contract liabilities represent consideration received in advance of contract performance and consist mainly of advances received in connection with development contracts in the amusement business. Contract liabilities are reduced as revenue is recognized.

(2) Transaction prices allocated to remaining performance obligations

The breakdown of total transaction prices allocated to the unsatisfied (or partially unsatisfied) portion of performance obligations, by the estimated period of revenue recognition as of the end of the consolidated fiscal year under review is as follows: The transaction prices are those associated with unsatisfied performance obligations mainly in the development projects of the amusement business.

(Thousand yen)

	Fiscal year ended March 31, 2024
Within 1 year	295,541
Over 1 year	-
Total	295,541

(Notes on real property for lease, etc.)

1. Status of real property for lease, etc.

The Company owns condominiums for rent (including land) in Tokyo and Nagoya, Aichi Prefecture.

2. Fair value information of real property for lease, etc.

(Thousand yen)

Consolidated balance sheet amount	Fair value
848,861	2,340,769

(Notes) 1. The consolidated balance sheet amount is after deducting accumulated depreciation and impairment from cost of acquisition.

2. The fair value at the end of the consolidated fiscal year under review is the amount calculated by the Company based mainly on the "standards for real estate appraisal" (including adjustments using indicators, etc.).

(Notes on per-share information)

1. Net assets per share 2,754.60 yen
2. Profit per share 572.60 yen

(Notes on significant subsequent events)

Not applicable.

Notes to the Non-Consolidated Financial Statements

(Notes on significant accounting policies)

1. Standards and methods for valuation of assets

(1) Securities

Shares in subsidiaries and affiliates

Valuation at cost, with cost determined by the moving average method

Other securities

Items other than stock, etc., with no market value	Fair value method (Valuation differences are recognized directly into net assets; the cost of items sold is calculated based on the moving average method.)
Stock, etc., with no market value	Valuation at cost, with cost determined by the moving average method

(2) Inventories

Valuation at cost (method of lowering carrying amount due to decline in profitability)

Merchandise, finished goods, raw materials, work in process	Valuation at cost, with cost determined primarily by the weighted average method
Supplies	Valuation at cost, based on the last purchase cost method

2. Method of depreciation for fixed assets

Property, plant and equipment (excluding leased assets)

Declining-balance method

However, buildings acquired on and after April 1, 1998 (excluding facilities attached) and facilities attached and structures acquired on and after April 1, 2016 are depreciated using the straight-line method.

The useful life of major items is as follows:

Buildings	6 - 50 years
Tools, furniture and fixtures	2 - 20 years

Intangible assets

Straight-line method

However, software is depreciated for sale over the marketable period (3 years) and for internal use over the internal availability period (5 years), using the straight-line method.

Investment property, etc.

Straight-line method

However, assets other than real property are depreciated using the declining balance method.

The useful life of major items is as follows:

Buildings	15 - 47 years
Assets other than real property	3 - 15 years

3. Accounting standards for allowances and provisions

Allowance for doubtful accounts

To provide for losses from doubtful accounts including doubtful receivables, the Company accounts for the estimated amounts considered to be uncollectible based on a historical rate of credit losses for normal receivables or after reviewing individual collectability for specific doubtful receivables.

Provision for bonuses for directors (and other officers)

To provide for expenditure on directors’ bonuses, the Company accounts for the corresponding amounts at the end of the fiscal year under review based on the estimated amounts to be paid.

Provision for retirement benefits	To provide for employee retirement benefits, the Company accounts for the allowance based on the estimated amounts of retirement benefit obligation and pension assets at the end of the fiscal year under review. [1] Method of attributing expected retirement benefits to periods of service In calculating the retirement benefit obligation, the Company attributes expected retirement benefits to periods of service up to the end of the fiscal year under review, on a plan benefit formula basis. [2] Actuarial gains and losses and past service costs Actuarial gains and losses are recognized from the respective succeeding years using the straight-line method over a certain number of years (10 years) within the average remaining service period of employees and allocated proportionally at the time of accrual in each fiscal year. Past service costs are recognized on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of accrual.
Provision for retirement benefits for directors (and other officers)	To provide for expenditure on retirement benefits for Directors, the Company accounts for the amounts to be paid at the end of the fiscal year under review in accordance with the internal rules.
Provision for product warranties	To provide for product warranty costs accrued after sales, the Company accounts for the estimated amount of the costs.
Provisions for quality warranties	To provide for quality assurance expenses incurred after the sale of products, the estimated amount of such expenses is recorded.

4. Accounting standards for significant revenues and expenses

Relating to revenue from contracts with customers of the Company, major performance obligations and the normal time for satisfying the performance obligations (the normal time of recognizing revenue) in the main businesses are as follows:

[1] Information systems business

The Information Systems Business engages primarily in the development, manufacturing, and distribution of computer systems for pachinko halls, prize and customer management systems, and information disclosure systems.

Among these, for a performance obligation involving product installation, the Company recognizes revenue at the time of inspection as a performance obligation is generally judged to have been met at the time of inspection when the customer obtains control of the service.

For a performance obligation involving no product installation, the Company recognizes revenue at the time of shipment of merchandise since control of goods is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of merchandise is transferred to the customer.

[2] Amusement business

The Amusement Business engages in the development, manufacture, and sale of display and control units for pachinko machines, the design, development, manufacture, and sale of pachislot machines, and the sale of parts used for gaming machines.

Among these, for the sale of merchandise, mainly in the sale of products, the Company recognizes revenue at the time of shipment of merchandise since control is judged to be transferred to the customer at the time of shipment because of the normal period of time from shipment to inspection when control of products is transferred to the customer.

For development projects, the Company recognizes revenue when a performance obligation is satisfied since control over customers is continuously transferred.

(Notes on accounting estimates)

Recoverability of deferred tax assets

(1) Amount stated in the non-consolidated financial statements for the fiscal year under review

Deferred tax assets 602,734 thousand yen

(2) Details of significant accounting estimates relating to the items recognized

Omitted as it is the same as the content listed in the Notes to the Consolidated Financial Statements.

(Notes on balance sheet)

1. Accumulated depreciation of tangible fixed assets, etc.

Property, plant and equipment	12,024,464	thousand yen
Investments and other assets (investment property, etc.)	352,889	thousand yen

2. Receivables from and liabilities to affiliates (excluding those presented by classification)

Short-term receivables from affiliates	224,448	thousand yen
Short-term liabilities to affiliates	613,790	thousand yen

(Notes on statement of income)

Transactions with affiliates

Business transactions		
Net sales	155,096	thousand yen
Purchases	1,043,583	thousand yen
Selling, general and administrative expenses	316,447	thousand yen
Non-business transactions	58,049	thousand yen

(Notes on statement of changes in equity)

Type and number of shares of treasury shares as of the end of the fiscal year under review

Common stock	1,238	shares

(Notes on tax effect accounting)

1. Breakdown of significant reasons for the recording of deferred tax assets and deferred tax liabilities:

Deferred tax assets		
Provision for bonuses	71,323	thousand yen
Loss on valuation of inventories	174,271	thousand yen
Allowance for doubtful accounts	3,684,310	thousand yen
Impairment losses	132,966	thousand yen
Provision for retirement benefits for directors (and other officers)	135,080	thousand yen
Loss on valuation of membership	86,636	thousand yen
Other	472,223	thousand yen
Deferred tax assets - Subtotal	4,756,813	thousand yen
Valuation allowance	-4,131,650	thousand yen
Total deferred tax assets	625,162	thousand yen
Deferred tax liabilities		
Removal costs of asset retirement obligations	-12,922	thousand yen
Valuation difference on available-for-sale securities	-9,505	thousand yen
Total deferred tax liabilities	-22,428	thousand yen
Deferred tax assets - net	602,734	thousand yen

2. Accounting procedures for income and local taxes or tax effect accounting related to the taxes

The Company uses the group aggregation method, and conforms to the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021) in implementing accounting procedures and disclosure for income and local taxes or tax effect accounting related thereto.

(Transactions with related parties)

1. Subsidiaries and affiliates, etc.

Attribute	Company name	Ratio of voting rights (%)	Relationship	Detail of transaction	Amount of transaction (Thousand yen)	Account	Balance at end of period (Thousand yen)
Subsidiary	DAXEL INC.	Direct ownership 100.00	Financial participation Interlocking directors	Lending of funds Repayment of funds	618,038 269,721	Long-term loans receivable	11,767,689
Subsidiary	GLOBAL WISE Co.	Direct ownership 98.27	Financial participation Interlocking directors	Lending of funds	-	Long-term loans receivable	798,189

(Notes) 1. The lending of funds is free of interest.
2. The Company records an allowance for doubtful accounts of 11,767,689 thousand yen for long-term loans receivables extended to Daxel Co., Ltd.

2. Officers and Individual Major Shareholders, etc.

Attribute	Name	Ratio of voting rights (%)	Relationship	Detail of transaction	Amount of transaction (Thousand yen)	Account	Balance at end of period (Thousand yen)
Officers and immediate family members	Shinji Kayamori	Direct ownership 3.44	Full-time Advisor of the Company (Senior Advisor)	Salary payment	11,347	-	-

(Notes on per-share information)

1. Net assets per share 2,695.50 yen
2. Profit per share 586.24 yen

(Notes on significant subsequent events)

Not applicable.