

Securities Identification Code: 6430

June 12, 2023

(Electronic provision measures commencement date: June 6, 2023)

To All Shareholders

Masakatsu Kayamori
President & Representative Director
Daikoku Denki Co., Ltd.

1-43-5 Nagono, Nakamura-ku, Nagoya City, Aichi, Japan

Convocation Notice of the 50th Ordinary General Meeting of Shareholders

Dear Shareholders:

We would like to express our deep appreciation to each of you for your continuous support for us.

We would like to inform you that Daikoku Denki Co., Ltd. (“the Company”) will hold the 50th Ordinary General Meeting of Shareholders as follows.

The Company has taken measures for electronic provision of matters in calling this ordinary general meeting of shareholders, and the matters subject to measures for electronic provision are published on the website on the Internet indicated below.

Instead of attending on the day, you are entitled to vote in writing or via the Internet, etc. In this case, we cordially request you to kindly review the Reference Document for the Ordinary General Meeting of Shareholders and indicate “for” or “against” for each of the proposals following the instructions described below to exercise your voting right by no later than 6 p.m. on Wednesday, June 28, 2023 (Japan Standard Time).

Thank you very much for your cooperation.

Details of the 50th Ordinary General Meeting of Shareholders

1. Date and Time Thursday, June 29, 2023, at 10 a.m.
2. Place TKP Garden City Premium Meieki Nishiguchi, 2nd floor, “VEGA”
Bellevue office Nagoya, 1-6-3 Noritake, Nakamura-ku, Nagoya, Aichi, Japan
3. Agenda:
Matters for 1. The 50th Business Term (from April 1, 2022, to March 31, 2023)
Reporting: Report on the Business Report, the Consolidated Financial Statements, the Results on the Audits of
Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
 2. The 50th Business Term (from April 1, 2022, to March 31, 2023)
 Report on the Non-Consolidated Financial Statements
Matters for Resolution
 Proposal 1 Election of Six Directors
 Proposal 2 Payment of bonuses to Directors and Auditors for the 50th Business Term

4. Website on Which Matters Subject to Measures for Electronic Provision Are Published

- (1) The Company's website
<https://www.daikoku.co.jp/ir/>
- (2) Website of Tokyo Stock Exchange
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>
Access the above website, enter the Company name or the securities identification code for search, and select "Basic information" and then "Documents for public inspection/PR information."
- (3) Kabunushi Soukai Portal (Shareholders' Meeting Portal) (Sumitomo Mitsui Trust Bank, Limited)
<https://www.soukai-portal.net>
Please read the QR Code on the enclosed Voting Right Exercise Form or access the above website and enter the login ID and password.

* These websites may be temporarily unavailable due to periodic maintenance.

If either of the websites is unavailable, access another one or access the website again after some time.

5. Matters Determined in Calling a Shareholders Meeting

- (1) If neither approval nor disapproval of a proposal is indicated in writing (Voting Right Exercise Form), it shall be deemed you have voted to approve it.
- (2) When shareholders exercise the right to vote twice, in writing and on the Internet, etc., the vote cast via the Internet, etc. shall be deemed valid.
- (3) When shareholders exercise their rights to vote more than once via the Internet, etc., the final vote shall be deemed valid.

* When you attend the meeting in person, please submit the enclosed Voting Right Exercise Form at the reception counter.

* Note that, for materials for this ordinary general meeting of shareholders, paper-based documents stating matters subject to measures for electronic provision will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents. However, the following matters are not included based on laws, regulations and Article 14 of the Company's Articles of Incorporation. Therefore, the said documents are part of documents audited by Accounting Auditors and Auditors in preparing Auditor's Report.

(1) "Notes to the Consolidated Financial Statements" of the consolidated financial statements

(2) "Notes to the Non-Consolidated Financial Statements" of the non-consolidated financial statements

* Any revision in matters subject to measures for electronic provision will be disclosed in detail on the websites on which the matters are published.

Information on Exercising the Right to Vote

Please exercise the right to vote using one of the methods shown below.

1. If you cannot attend on the day

- (1) Exercise of right to vote in writing
Deadline for exercise: Forms must arrive by 6 p.m. on Wednesday, June 28, 2023
Please indicate whether you approve or disapprove of the resolutions on the enclosed Voting Right Exercise Form and return the form so that it arrives at the Company's shareholder registry administrator by the deadline for exercising the right to vote. If neither approval nor disapproval of a proposal is indicated in Voting Right Exercise Forms, it shall be deemed you have voted to approve it.
- (2) Exercise of right to vote by smartphone, etc.
Deadline for exercise: Forms must arrive by 6 p.m. on Wednesday, June 28, 2023
 - (i) Read the QR Code on the Voting Right Exercise Form (no need of entering ID and PW).
 - (ii) Tap the button "Exercise Voting Rights" at the top of the Kabunushi Soukai Portal (Shareholders' Meeting Portal) site and open the page for exercising the right to vote.
 - (iii) Enter either approval or disapproval following the instructions on the page.
- (3) Exercise by PC, etc.
Deadline for exercise: Forms must arrive by 6 p.m. on Wednesday, June 28, 2023
 - (i) Access the Kabunushi Soukai Portal (Shareholders' Meeting Portal) site (<https://www.soukai-portal.net>) and enter the "Kabunushi Soukai Portal Login ID" and "Password."
 - (ii) Tap the button "Exercise Voting Rights" at the top of the Kabunushi Soukai Portal (Shareholders' Meeting Portal) site and open the page for exercising the right to vote.
 - (iii) Enter either approval or disapproval following the instructions on the page.

It is also possible to exercise the right to vote by accessing the website for exercising the right to vote (<https://www.web54.net>) and entering the code and password for exercising the right to vote stated on the enclosed Voting Right Exercise Form.

2. If you can attend on the day

- (1) Attendance at the general meeting of shareholders
Date and time of the general meeting of shareholders: Thursday, June 29, 2023, at 10 a.m.
Please bring the enclosed Voting Right Exercise Form with you and submit it to the reception counter. The reception counter will be very congested immediately prior to the start of the meeting so please come to the venue early.

3. Handling of the right to vote exercised in duplicate

- (1) When shareholders exercise the right to vote twice, in writing and on the Internet, etc. (including "Smart exercise"), the vote cast via the Internet, etc. (including "Smart exercise") will have precedence and be treated as the valid exercise of the voting right.
- (2) Moreover, when shareholders exercise their rights to vote more than once via the Internet, etc. (including "Smart exercise"), previous votes will be overridden, making the final vote the valid one.

4. Inquiries

- (1) In case you need assistance operating the Kabunushi Soukai Portal (Shareholders' Meeting Portal) site and the website for exercising the right to vote, please contact the following support desk:
Securities Agent Web Support Hotline, Sumitomo Mitsui Trust Bank, Limited
[Toll-free number] 0120-652-031 (Hours of operation: 9 a.m. – 9 p.m.)
- (2) Please contact the following for any other inquiry.
Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
[Toll-free number] 0120-782-031 (Hours of operation: 9 a.m. – 5 p.m.)

5. Electronic voting platform

The electronic voting platform operated by ICJ, Inc. is available to institutional investors.

Reference Documents for the Ordinary General Meeting of Shareholders

Proposals and references

Proposal 1 Election of Six Directors

The terms of office of all six Directors will expire at the close of this general meeting. In this regard, we request the election of six Directors, including two External Directors.

The candidates for Director are as follows:

Candidate no.	Name			Current position in the Company, etc.	Attendance at Board of Directors meetings
1	<u>Reappointment</u>	Seiichiro Oue	Male	Chairman and Director	18/18 (100%)
2	<u>Reappointment</u>	Masakatsu Kayamori	Male	President and Representative Director	17/18 (94%)
3	<u>Reappointment</u>	Ken Kayamori	Male	Representative Director and Executive Director	17/18 (94%)
4	<u>Reappointment</u>	Toshifumi Oonari	Male	Representative Director and Executive Director	18/18 (100%)
5	<u>Reappointment</u>	Yoshihiro Adachi	Male	Independent Director External Director	18/18 (100%)
6	<u>Reappointment</u>	Yumiko Sakurai	Female	Independent Director External Director	15/15 (100%)

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
1	Seiichiro Oue (February 15, 1963)	September 1990 Joined the Company April 2003 Manager, Okayama Sales Office, Information System Division April 2008 Deputy General Manager, Control System Sector April 2010 General Manager, Control System Sector April 2014 Director and Head of Control System Division June 2014 Director, Head of Control System Division April 2017 Managing Director, General Manager of Control System Division, General Manager of Frontier Department, and in charge of Information System Division June 2017 Director, Genki Co., Ltd. (incumbent) Director, Daikoku Sangyo Co., Ltd. Director, ALOFT Co., Ltd. (incumbent) April 2019 President and Representative Director June 2019 Director, Daxel Co., Ltd. (incumbent) April 2023 Chairman, Representative Director (incumbent)	2,175
<p>Reasons for election</p> <p>After accumulating lots of knowledge mainly in the Information System Business, Mr. Seiichiro Oue served as the Director responsible for the Control System Business from April 2014. Until March 2019, he also served as General Manager of the Frontier Department, which looks after new business. Subsequently, from April 2019, he led the management of the Company group as President and Representative Director. Since April 2023, he has served as Representative Director and Chairman. The Company selected him as a candidate for Director having judged that his wide-ranging experience and knowledge can be utilized in the promotion and management of new business in the Company group.</p>			

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
2	Masakatsu Kayamori (December 26, 1966)	March 1995 Director in charge of Director's Office June 1996 Managing Director in charge of Information Promotion Office, Sales Headquarters June 1998 Senior Managing Director in charge of Information Strategy Office, Information System Division June 2000 Executive Vice President and Representative Director April 2005 President and Representative Director March 2006 Director, Daxel Co., Ltd. (incumbent) April 2012 Chairman, Representative Director and Head of Business Strategy Headquarters Director, Genki Co., Ltd. (incumbent) March 2013 Representative Director, Daikoku Sangyo Co., Ltd. April 2017 Chairman, Representative Director April 2018 Chairman, Representative Director in charge of PE Promotion Office December 2022 Director, GLOBAL WISE Co. (incumbent) April 2023 President and Representative Director (incumbent) Director, Daikoku Sangyo Co., Ltd. (incumbent)	902,350
<p>Reasons for election</p> <p>Mr. Masakatsu Kayamori led the management of the Company group as Representative Director and President from April 2005 and served as Representative Director and Chairman from April 2012, striving to further improve corporate governance. Since April 2023, he has served as Representative Director and President. The Company selected him as a candidate for Director having judged that his rich experience and knowledge as a manager can be utilized in the management of the Company group.</p>			

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions		Number of Company shares held
3	Ken Kayamori (August 29, 1970)	June 2000	Director in charge of Corporate Management Office	443,000
		April 2001	Director and General Manager of Corporate Planning Office	
June 2002	Managing Director and General Manager of Corporate Planning Office			
April 2005	Representative Director and Executive Director			
March 2006	Director, Daxel Co., Ltd.			
April 2007	Representative Director and Executive Director and Head of Corporate Management Headquarters			
April 2012	Representative Director and Executive Director and Head of Management Headquarters			
March 2013	Director, Daikoku Sangyo Co., Ltd.			
April 2017	Representative Director and Executive Director (incumbent)			
Reasons for election Mr. Ken Kayamori has contributed to the strengthening of our management foundations by being involved in the Management Planning and Administration divisions over many years at the Company. He has served as the Head of the Corporate Management Headquarters since April 2007 and the Company selected him as a candidate for Director having judged that his rich experience and knowledge as a manager can be utilized in the management of the Company group.				
4	Toshifumi Oonari (February 5, 1966)	August 1995	Joined the Company	2,600
		April 2010	Branch Manager of Kyushu Branch, Sales Center, Information System Sector	
April 2012	Branch Manager of Kyushu Branch, Sales Headquarters, Information System Division			
April 2015	General Manager of Information System Division and Manager of Sales Planning Department, Sales Headquarters, Information System Division			
April 2016	Head of Information System Division			
June 2017	Director and Head of Information System Division			
April 2019	Managing Director, General Manager of Information System Division and General Manager of Frontier Department			
April 2020	Managing Director, Head of Information System Division			
April 2023	Representative Director and Executive Director and General Manager of Management Control Division (incumbent)			
Reasons for election Mr. Toshifumi Oonari has been involved in the Information System Business over many years at the Company and has served as the person responsible for the Information System Business since April 2016. Since April 2023, he has served as Representative Director and Managing Director. The Company selected him as a candidate for Director having judged that his rich sales experience and strong knowledge of business divisions can be utilized in the promotion and management of the execution of duties of the Company group.				

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions		Number of Company shares held
5	Yoshihiro Adachi (April 29, 1947)	April 1970 June 1996	Joined the Ministry of International Trade and Industry Deputy Director-General for Technology Affairs, Agency of Industrial Science and Technology, the Ministry of International Trade and Industry	2,500
		October 1998 June 2010 March 2016 March 2017	Visiting Professor, Graduate School of Engineering, The University of Tokyo External Director (incumbent) External Director, ENERES Co., Ltd. Auditor, The Japan Research and Development Center for Metals (incumbent)	
<p>Reasons for election</p> <p>Reasons for the election of candidate for External Director</p> <p>Mr. Yoshihiro Adachi is again nominated as a candidate for External Director because he is an experienced academic who can express opinions independently from the executive management team and oversee the management of the Company from a global perspective based on his profound knowledge in new academic areas that serve as a bridge between engineering and development economics, including research on global environmental problems and new styles of international cooperation, etc. The Company expects that after his election, he will execute duties such as decisions on important management matters and supervision of business execution as an External Director of the Company appropriately. In addition, he will continue to serve as a member of the Nomination and Compensation Advisory Committee.</p>				
6	Yumiko Sakurai (March 1, 1969)	October 1992 January 2000	Joined Ito Audit Corporation Established Yumiko Sakurai CPA Office, Representative (incumbent)	0
		June 2009 August 2010 June 2014 August 2016 June 2019 June 2022	Appointed as an External Auditor of Tosho Co., Ltd. Appointed as an External Auditor of I.K. Co., Ltd. Appointed as an External Director of Proto Corporation (incumbent) Appointed as an External Director (Audit and Supervisory Committee) of I.K. Co., Ltd. Appointed as an External Auditor of JTEKT Corporation (incumbent) External Director (incumbent)	
<p>Reasons for election</p> <p>Ms. Yumiko Sakurai has considerable experience and expertise in the finance and accounting field as a certified public accountant, and the Company selected her again as a candidate for External Director so that her knowledge and insight can be utilized in the supervision of the management of the Company. The Company expects her to fulfill her role in the fields of finance and accounting, and capital policy after being elected as an External Director of the Company. In addition, he will continue to serve as a member of the Nomination and Compensation Advisory Committee.</p>				

(Notes) 1. No specific conflict of interest exists between the Company and each candidate for Director.

2. Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai are candidates for External Directors.

3. Reasons for the election of candidate for External Director, independence as an External Director, and limited liability agreement with External Directors

(1) Reasons for the independence as an External Director

- (i) Neither of the candidates for External Directors has ever been an executive or an officer (excluding an executive) of a specified associated service provider of the Company in the past 10 years. In addition, neither of the candidates for External Directors has ever been an executive or an officer (excluding an executive) of any joint stock company or companies whose rights and obligations have been transferred to the Company as a result of a merger, absorption-type split, or business transfer, immediately prior to such merger, etc. in the past 2 years.
- (ii) Neither of the candidates for External Directors has any intention of receiving a large amount of money or other assets (excluding compensation as a Director) from the Company or its specified related business operations in the future, nor have they done so in the past 2 years.
- (iii) Neither of the candidates for External Directors is a relative within the third degree of kinship of an executive or an officer (excluding an executive) of the Company or its specified associated service provider.
- (iv) The Company has designated Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai as independent directors as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.
- (v) If the proposal for candidates for External Directors is approved and passed at this ordinary general meeting of shareholders, the Company intends to continue designating Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai as independent directors.

(2) Term of office as an External Director of the Company

- (i) The term of office of Mr. Yoshihiro Adachi as an External Director of the Company will have been 13 years as of the conclusion of this ordinary general meeting of shareholders.
- (ii) The term of office of Ms. Yumiko Sakurai as an External Director of the Company will have been 1 year as of the conclusion of this ordinary general meeting of shareholders.

(3) Liability limitation agreement

The Company stipulates in the current Articles of Incorporation to the effect that an agreement that limits the liability for damages to the Company caused by neglecting duties to a certain scope can be entered into with Directors (excluding Executive Directors, etc.) in order to enable the recruitment of qualified human resources as External Directors. As a result, the Company has entered into a liability limitation agreement with all current External Directors pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 26 of the Company's Articles of Incorporation, and the limit of liability is the amount stipulated in laws and regulations.

If the reappointment of Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai is approved, the Company plans on continuing the above-mentioned agreement.

4. Regarding liability insurance contracts

The Company has concluded liability insurance (D&O liability insurance) contracts for officers, etc., established in Article 430-3, Paragraph 1 of the Companies Act with an insurance company covering all Directors as insured persons. The Company pays the full amount of insurance premiums, including for special provisions, and the insured persons do not have any substantial insurance premium burden.

These insurance policies cover damages that occur due to an officer, etc., who is an insured person, bearing responsibility for the execution of their duties or receiving a claim related to the pursuit of said responsibility. However, there are certain exemptions, such as damage caused by an act committed with the recognition that it is a violation of the laws and/or regulations.

If the candidates assume office as Directors, they will each be an insured person under this insurance policy and we plan to renew the insurance policy during their terms of office.

[Reference] Specific areas of expectation for each candidate for Director

If Proposal 1 is approved, the composition of the Board of Directors will be as follows.

The Company has high expectations for the candidates for Director in the following areas in particular.

No.	Name	Areas where the Company has particularly high expectations						
		Business Strategy	Human Resource Development	Compliance	Financial	Growth Strategy (New Business/M&A)	DX	Sustainability/ESG
1	Seiichiro Oue	✓				✓		✓
2	Masakatsu Kayamori	✓				✓	✓	✓
3	Ken Kayamori			✓	✓			✓
4	Toshifumi Oonari		✓				✓	✓
5	Yoshihiro Adachi	✓				✓	✓	
6	Yumiko Sakurai	✓			✓			✓

Proposal 2 Payment of bonuses to Directors and Auditors for the 50th Business Term

The Company proposes to pay bonuses to six Directors and four Auditors who were in office at the end of the fiscal year ended March 31, 2023, in the total amount of 70,180,000 yen (consisting of 62,000,000 yen for four Directors, 2,000,000 yen for two External Directors and 6,180,000 yen for four Auditors), taking into account the business performance for the fiscal year.

The Company established a policy on decisions concerning the details of compensation, etc., for individual Directors. Based on the policy, the President and Representative Director submits the calculated amounts to the Compensation Advisory Committee. After deliberation by the Compensation Advisory Committee, the amounts are presented to the Board of Directors and the total payment amount is proposed to the general meeting of shareholders. Given the proposal is in conformity with the policy, the Company judges it is reasonable. An outline of the policy is described on pages 25 to 26.

In addition, the Board of Auditors established a policy on decisions concerning the details of compensation, etc., for individual Auditors. Based on the policy, the total amount is set through deliberation by the Auditors and presented to the Board of Directors, before the total payment amount is proposed to the general meeting of shareholders. Given the proposal is in conformity with the policy, the Company judges it is reasonable. An outline of the policy is described on page 26.

The Company proposes that the decision as to the allocation of the amount to each Director and each Auditor be entrusted to the Board of Directors with regard to Directors and to the Board of Auditors with regard to Auditors, respectively.

Business Report

(from April 1, 2022
to March 31, 2023)

I. Current Status of the Company Group

1. Progress and results of operations

During the consolidated fiscal year under review (from April 1, 2022 to March 31, 2023), Japan's economy showed signs of recovery due to the effects of infection prevention measures against the pandemic and various policies taken for the With COVID era. However, the outlook remains uncertain because of soaring resource prices due to international situations, and price hikes triggered by supply constraints, among other factors.

In the pachinko industry, in which the Company group is engaged, according to the National Police Agency (announced in April 2023, corrected in May 2023), the number of pachinko parlors in operation as of December 31, 2022, was 7,665 (90.6% compared with the previous year) and the number of installed pachinko and pachislot machines decreased to 3,564,039 units (93.4% compared with the previous year), indicating that the market environment continues to be severe. However, the number of machines installed per parlor increased by 14 units to 465.0 units.

The average operation status of all game machines during the period from January to March 2023 reached 105.9% compared to the same period the previous year. As for operation status by type, pachinko machines increased 100.6% year on year, and pachislot machines increased significantly to 117.8% year on year, partly due to the introduction of pachislot machine No. 6.5 model in June last year and smart pachislot machines in November that were well received by fans (based on our DK-SIS data).

Market expectations for smart game machines are high, with four smart pachislot machine models introduced as of March 31, 2023, and a proportion of smart pachislot machines installed in all pachislot models was 8.2% (based on our DK-SIS data), showing steady growth. With the introduction of smart pachinko machines scheduled to begin in April, capital investment in both pachinko and pachislot machines to be compatible with smart game machines is expected to become even more active in the future.

Given this market environment, in the first year of our Medium-term Management Plan announced on November 24, 2021, we have taken the following measures to respond to future changes in the market environment, with a focus on redefining our business domains.

In the Information Systems Business, we made GLOBAL WISE Co., a developer of cloud services and other systems, a subsidiary through the acquisition of shares in order to achieve the early realization of cloud computing for existing services. As for existing products, the Company launched a proposal to promote replacement by upgrading the system to "X (KAI)," an AI parlor computer optimized for data management of smart game machines, and launched the "Rakuraku (easy replacement operation option)," a service that helps improve operational efficiency that completes complicated work in a short period of time when replacing game machines. In addition, the Company proposed MIRAIGATE services that respond to market changes brought about by the launch of smart game machines and, with the aim of further expanding these services, conducted promotional activities for 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 Control Systems Business, preparing for future entry into the smart pachislot business, the Company's subsidiary A-LOFT Inc. executed a share transfer agreement with LAIRI Inc. to develop pachislot machines, making it a subsidiary from April 2023. In addition to the existing pachinko machines, we have strengthened our development framework and reorganized our manufacturing environment for pachislot machines, and have manufactured one pachislot machine model. In our sustainability initiatives, we expressed our support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations last December, and disclosed information in line with the TCFD recommendations on our website. To reduce GHG emissions, solar panels were installed on the roof of the Company's Kasugai Division Office, and introduction of renewable energy sources was promoted. To address the issue of addiction, we released "Cheppachi," a gambling addiction check game. We will continue to work on resolving material issues identified by the Company (Materiality) to bring about a sustainable society and the growth of the Company group.

As a result, the performance for the consolidated fiscal year under review recorded net sales of ¥31,824 million (up 30.5% year on year), an operating profit of ¥4,019 million (up 237.4% year on year), an ordinary profit of ¥4,260 million (up 211.5% year on year) and profit attributable to owners of parent of ¥2,927 million (up 138.2% year on year).

The results by segment are as follows:

Information Systems Business

During the consolidated fiscal year under review, pachinko parlor management companies have been preparing to respond to active capital investment demand to the maximum extent possible, with the introduction of smart pachislot machines in November last year and smart pachinko machines in April.

In this market environment, there were some products that had to be adjusted in terms of sales volume due to difficulties in procuring electronic components and other items. However, sales of "Products for Pachinko Parlors, etc." increased significantly year on year as a result of system upgrades to the AI parlor computer "X (KAI)," strong sales of the Company's VEGASIA card unit, which includes a dedicated unit for smart game machines, and the BiGMO PREMIUM information disclosure terminal for fans, with high demand for pachislot machines. The sales of "Services" increased year on year due to steady sales of major services, and an increase in the number of member stores of MIRAIGATE service in response to market changes with the launch of ClarisLink, Market-SIS, and smart game machines.

As a result, the segment recorded net sales of ¥26,209 million (up 40.6% year on year) and an operating profit of ¥5,490 million (up 152.8% year on year) in the Business.

Control Systems Business

During the consolidated fiscal year under review, the total number of game machine units sold decreased in the overall market as a reaction to the completion of replacement with new regulation machines, which had been set out during the previous fiscal year and due to the continued exploration of smart game machine trends from the beginning of the period. However, with the steady introduction of smart pachislot machines last November with scheduled introduction of smart pachinko machines in next April, the market is expected to revitalize.

In such a market environment, sales of display units and control units for pachinko machines fell below those for the same

period last year, whereas sales of parts were strong, up year on year. The Company also recorded bad debt expenses for receivables and allowance for doubtful accounts due to game machine manufacturers that began civil rehabilitation proceedings and subsidiaries' uncollected receivables respectively.

As a result, the Business recorded net sales of ¥5,639 million (down 2.1% year on year) and an operating profit of ¥140 million (down 73.8% year on year).

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

2. Net sales by segment

(Millions of yen)

Segment	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Year-on-Year Comparison (%)
	Amount	Composition (%)	Amount	Composition (%)	
Information Systems Business	18,647	76.5	26,209	82.4	140.6
Control Systems business	5,742	23.5	5,614	17.6	97.8
Total	24,390	100.0	31,824	100.0	130.5

(Note) The figures above do not include intersegment transactions.

3. Status of capital investment, etc.

Capital investment for the consolidated fiscal year under review amounted to 1,255 million yen. It was primarily for the version update of product software and the maintenance of internal server equipment, etc.

4. Status of financing

There are no particular matters to note in this regard.

5. Issues to be addressed by the group

In order to accomplish the projected net sales for the next consolidated fiscal year amid the tough market situation, the group will seek to deal with the following challenges as “matters to be addressed” by segment for further enhancement of business results.

The Control Systems Business has been renamed as the Amusement Business since April 2023.

Information Systems Business

- (i) In the area of products related to smart game machines, we will commit to their procurement so that we will not miss the timing of delivery of games machines and the needs of parlor management companies, etc.

- (ii) We will strive to enhance the expression of information to be disclosed so as to deliver new amusement features and specifications of smart games machines to fans in a more attractive way, while enhancing support functions to realize data management methods tailored to complicated amusement features and saving labor.
- (iii) We will continue the sales promotion and strengthening proposal activities for the application of the business area analysis service “Market-SIS,” the cloud-based chain store management system “ClarisLink,” and the AI-based parlor computer “X (Kai)” and aim for value improvement in a management support service that leads to better business performance of parlor management companies.

Amusement Business (Control Systems Business)

- (i) We will expand the software development line for games machines and build a framework for hardware development and manufacturing to proceed with our response to smart games machines.
- (ii) We will work to improve profitability by pursuing the acquisition of powerful content (intellectual property, or IP) with the future of the games machine market in mind and increasing added value through software development.
- (iii) We will specify the roles of group companies more clearly and make group-wide efforts to improve operational efficiency from planning and development to manufacturing and sales.

[Reference] Concepts and initiatives for sustainability






In order to drive sustainability activities continuously and systematically and promote management focusing on ESG and SDGs incorporated into the “Medium-term Management Plan 2022–2024” (announced on November 24, 2021), we have developed the “Sustainability Basic Policy” and identified “Materiality (material issues).”

We will strive to create medium- and long-term corporate value based on our management philosophy “We will consistently achieve sustainable growth through the creation of new value via innovation” to meet all stockholders’ expectations.

Sustainability Basic Policy

At Daikoku Denki Co., Ltd., we will solve social issues through business activities based on our management philosophy as we aim to bring about a sustainable society and have the group grow together with our stakeholders.

Materiality (material issues)

ESG	Materiality	Themes to be tackled	SDGs
E	<p><u>Contribution to the global environment</u></p> <p>Reducing environmental impact through our business activities and offering products and services that contribute to decarbonizing society</p>	<p>Reduction in emissions of greenhouse gases (including CO₂)</p> <p>Energy-saving measures</p> <p>Utilization of renewable energy</p> <p>Waste reduction and promotion of recycling</p> <p>Offering of green products and services</p>	
S	<p><u>Promotion of human resource activities</u></p> <p>Promoting the improvement of workplace environment and organizational culture so that each employee can perform to the best of their ability and feel satisfied with their job</p>	<p>Promotion of diversity and inclusion</p> <p>Promotion of human resource development and employee education</p> <p>Promotion of reform of working practices</p>	
	<p><u>Provision of solutions via innovation</u></p> <p>Providing products and services to solve social issues by working on new technologies actively and creating new value</p>	<p>Offering products and services using AI and cloud computing</p> <p>Offering products and services that can lead to digital transformation (DX), energy saving and saving labor</p> <p>Improvement of in-house technology by self-manufacturing</p> <p>Promotion of in-house DX</p>	
	<p><u>Response to addiction</u></p> <p>Taking measures for and preventing the problem of addiction as a social issue</p>	<p>Provision of products and services for preventing addiction</p> <p>Provision of products and services that help pachinko parlors address addiction</p>	
G	<p><u>Enhancement of governance and compliance</u></p> <p>Enhancing a framework for preventing injustice and a supervising function to ensure compliance and honest, equitable and fair business practices</p>	<p>Pursuit of a highly effective corporate governance system</p> <p>Dissemination and implementation of Compliance Action Criteria</p> <p>Enhancement of information security</p>	

Major initiatives in the fiscal year ended March 2023

E: Contribution to the global environment

- (i) We expressed our support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and disclosed information in line with the TCFD recommendations on our website.
- (ii) CDP, an international non-profit organization that evaluates and certifies environment-related strategies and initiatives rated our management level as “B -.”
- (iii) As part of our commitment to the reduction of greenhouse gas emissions and the utilization of renewable energy, solar panels were installed on the roof of the Company’s Kasugai Division Office.

S: Response to addiction

- (i) As part of our commitment to providing products and services that prevent addiction, we released “Cheppachi,” a game to check gambling addiction.

We will continue to promote our initiative particularly focusing on “Materiality (material issues)” to bring about a sustainable society and the growth of the Company group.

6. Changes in the status of assets and profits and losses

(1) Changes in assets and profit/loss of the group

Segment	47th Term (FY Ended March 2020)	48th Term (FY Ended March 2021)	49th Term (FY Ended March 2022)	50th Term (Consolidated Fiscal Year under Review) (FY Ended March 2023)
Net sales (million yen)	33,068	23,345	24,390	31,824
Ordinary profit (million yen)	1,674	986	1,367	4,260
Profit attributable to owners of parent (million yen)	1,061	612	1,228	2,927
Profit per share (yen)	71.79	41.44	83.13	198.05
Total Assets (million yen)	42,702	41,084	41,489	48,298
Net assets (million yen)	30,406	30,662	31,141	33,399

- (Notes)
- Profit per share is computed based on the weighted average number of common shares (excluding treasury shares) outstanding during each term.
 - The Company adopts the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022 (49th term), and the figures for the fiscal year ended March 31, 2022 (49th term) and after that are stated after the Accounting Standard, etc. is applied.
 - The item of “dividends received” previously recorded under “non-operating income” is included in “net sales” starting from the fiscal year ended March 31, 2022 (49th term). Accordingly, net sales for the previous fiscal years from the 47th to the 48th terms are stated after being retroactively adjusted, with the change in the presentation method reflected.

(2) Changes in assets and profit/loss of the Company

Segment	47th Term (FY Ended March 2020)	48th Term (FY Ended March 2021)	49th Term (FY Ended March 2022)	50th Term (Current Fiscal Year) (FY Ended March 2023)
Net sales (million yen)	31,296	21,877	23,161	30,354
Ordinary profit (million yen)	1,462	738	1,338	4,466
Profit (million yen)	862	837	1,060	3,007
Profit per share (yen)	58.37	56.66	71.75	203.44
Total Assets (million yen)	41,505	40,029	40,220	47,319
Net assets (million yen)	29,454	29,702	30,013	32,359

- (Notes)
- Profit per share is computed based on the weighted average number of common shares (excluding treasury shares) outstanding during each term.
 - The Company adopts the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022 (49th term), and the figures for the fiscal year ended March 31, 2022 (49th term) and after that are stated after the Accounting Standard, etc. is applied.
 - The item of “dividends received” previously recorded under “non-operating income” is included in “net sales” starting from the fiscal year ended March 31, 2022 (49th term). Accordingly, net sales for the previous fiscal years from the 47th to the 48th terms are stated after being retroactively adjusted, with the change in the presentation method reflected.

7. Status of significant subsidiaries (as of March 31, 2023)

(1) Status of significant subsidiaries

Company name:	Share capital	Ratio of voting rights held by the Company	Main business lines
Genki Co., Ltd.	100 million yen	100.0%	Planning, development and distribution of amusement software
Daxel Co., Ltd.	40 million yen	100.0%	Planning, development, manufacturing and distribution of pachislot machines
Daikoku Sangyo Co., Ltd.	35 million yen	100.0%	Planning and sales of pachinko hall support service
ALOFT Co., Ltd.	50 million yen	100.0%	Planning, development and control images of pachinko machines
GLOBAL WISE Co.	100 million yen	98.3%	Development of cloud services and other systems

(2) Status of specific wholly owned subsidiaries

Not applicable.

8. Main business lines (as of March 31, 2023)

Segment	Main products
Information Systems Business	Development, manufacturing and distribution of computing systems for pachinko halls
Control Systems Business	Development, manufacturing and distribution of units for pachinko machines, and planning, development, manufacturing and distribution of pachinko machines

9. Main business locations and plants (as of March 31, 2023)

Daikoku Denki Co., Ltd.	Head Office	1-43-5 Nagono, Nakamura-ku, Nagoya, Aichi, Japan
	Division offices	Sakashita (Aichi), Kasugai (Aichi), and Sotokanda office (Tokyo)
	Branches	Higashinohon (Tokyo), Chubu (Aichi) Nishinohon (Osaka), and Kyushu (Fukuoka)
	Sales offices	Sapporo (Hokkaido), Morioka (Iwate), Sendai (Miyagi), Ibaraki (Ibaraki), Kitakanto (Saitama), Niigata (Niigata), Kanazawa (Ishikawa), Matsumoto (Nagano), Shizuoka (Shizuoka), Okayama (Okayama), Takamatsu (Kagawa), Hiroshima (Hiroshima), and Miyazaki (Miyazaki)
Genki Co., Ltd.	Head Office	Nakano-ku, Tokyo
Daxel Co., Ltd.	Head Office	Nagoya
Daikoku Sangyo Co., Ltd.	Head Office	Nagoya
ALOFT Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
GLOBAL WISE Co.	Head Office	Nagoya

10. Status of employees (as of March 31, 2023)

(1) Status of employees of the group

Number of employees	Change from the previous consolidated fiscal year
645	Increased by 20

(Note) The major reason for increase in the number of employees compared with that at the end of the previous fiscal year is that GLOBAL WISE Co. became the consolidated subsidiary of the Company.

(2) Status of employees of the Company

Number of employees	Change from the previous fiscal year	Average age of employees	Average length of service per employee
402	Decreased by 13	46.3 years old	18.9 years

(Note) The number of employees does not include the number of employees under contract (41).

11. Main lenders (as of March 31, 2023)

Lender	Balance of borrowings outstanding
Mizuho Bank, Ltd.	500 million yen
Sumitomo Mitsui Banking Corporation	300 million yen
MUFG Bank, Ltd.	300 million yen
Sumitomo Mitsui Trust Bank, Limited	300 million yen
The Aichi Bank, Ltd.	300 million yen
The Bank of Nagoya, Ltd.	300 million yen

II. Matters Regarding the Shares of the Company

1. Number of Shares Authorized 66,747,000
2. Number of Shares Outstanding 14,783,900 (includes 995 shares of treasury shares)
3. Number of Shareholders 15,941
4. Major Shareholders (Top 10 Shareholders)

Name of Shareholder	Number of Shares Owned	Investment Ratio
TSUBURAYA FIELDS HOLDINGS INC	2,104,500	14.23%
KC Plus Co., Ltd.	1,199,200	8.11%
The Master Trust Bank of Japan, Ltd. (Trust Account)	978,700	6.62%
Masakatsu Kayamori	902,350	6.10%
Kayamori Foundation of Informational Science Advancement	750,000	5.07%
Daikokuya Co., Ltd.	750,000	5.07%
Daikoku Kosan Co., Ltd.	490,000	3.31%
Shinji Kayamori	443,450	2.99%
Ken Kayamori	443,000	2.99%
Michiko Kayamori	436,000	2.94%

(Note) Investment ratios are calculated excluding treasury shares (995 shares)

III. Matters Regarding Share Acquisition Rights, etc. of the Company

Not applicable.

IV. Matters Regarding Corporate Officers

1. Names and other information regarding Directors and Auditors (as of March 31, 2023)

Position	Name	Responsibilities in the Company and significant concurrent positions	
* Chairman and Representative Director	Masakatsu Kayamori	PE Promotion Office Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd. GLOBAL WISE Co.	Director in charge Director Director President and Representative Director Director
* President and Representative Director	Seiichiro Oue	Genki Co., Ltd. Daxel Co., Ltd. ALOFT Co., Ltd.	Director Director Director
* Representative Director and Executive Director	Ken Kayamori	-	
Managing Director	Toshifumi Oonari	Information System Division	General Manager
Director	Yoshihiro Adachi	The Japan Research and development Center for Metals	Auditor
Director	Yumiko Sakurai	Certified public accountant Proto Corporation JTEKT Corporation	(Representative of Yumiko Sakurai CPA Office) External Director External Auditor
Full-time Auditor	Koji Yoshikawa	Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd. ALOFT Co., Ltd. GLOBAL WISE Co.	Auditor Auditor Auditor Auditor Auditor
Auditor	Kenichi Nakashima	Attorney at law Mie Prefecture Municipal Equity Committee Nagoya Summary Court	(Representative of Nakashima Law Office) Chair Mediation Committee Member
Auditor	Yukinori Morita	Meiji Yasuda Life Insurance Company	Advisor
Auditor	Nobuyuki Imai	Certified public accountant	(Representative of Nobuyuki Imai CPA Office)

(Notes) 1. An asterisk * indicates a Representative Director.

2. Directors, Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai, are both External Directors as specified in Article 2, Item 15 of the Companies Act. In addition, the Company has designated Mr. Yoshihiro Adachi and Ms. Yumiko Sakurai as independent directors as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.

3. Auditors, Messrs. Kenichi Nakashima, Yukinori Morita and Nobuyuki Imai are all External Auditors as specified in Article 2, Item 16 of the Companies Act.

4. Auditor Mr. Nobuyuki Imai is qualified as a certified public accountant and has deep insight into financial affairs and accounting.

5. At the 49th Ordinary General Meeting of Shareholders held on June 29, 2022, Ms. Yumiko Sakurai was newly chosen as Director and Messrs. Yukinori Morita and Nobuyuki Imai were newly chosen as Auditors, and they assumed their respective offices.

6. Messrs. Akira Kayamori, Yasuhiro Fujimaki, Manabu Matsubara, Atsunori Okamoto, Tadayoshi Kato, Takao Ozeki and Kunihiko Takeda retired as Directors and Messrs. Kazunori Tajima and Yoshihiro Chinen retired as Auditors due to the expiration of their terms of office at the close of the 49th General Meeting of Shareholders held on June 29, 2022.

7. The following Directors changed their positions after the end of the fiscal year under review.

Name	New position	Former position	Date of change
Seiichiro Oue	Chairman and Director	President and Representative Director	April 1, 2023
Masakatsu Kayamori	President and Representative Director	Chairman and Representative Director	April 1, 2023
Toshifumi Oonari	Representative Director and Executive Director General Manager of Management Control Division	Managing Director General Manager of Information System Division	April 1, 2023

(Reference) The Company has introduced an Executive Officer system, and Executive Officers who do not concurrently serve as Directors as of April 1, 2023, are as follows.

Position	Name	Director in charge
Senior Executive Officer	Tadayoshi Kato	General Manager of Information System Division and Head of Sales Headquarters
Senior Executive Officer	Takao Ozeki	General Manager of Corporate Planning Office
Executive Officer	Hisashi Maki	General Manager of AMS Management Department and Manager of Production Division
Executive Officer	Atsunori Okamoto	Deputy General Manager of Management Control Division
Executive Officer	Akira Irie	Head of Development Headquarters, Information System Division, in charge of PE Promotion Office, and temporarily transferred to Daikoku Sangyo Co., Ltd.
Executive Officer	Toshimitsu Ikai	Manager of Sales Promotion Department, Sales Headquarters, Information Systems Division
Executive Officer	Norihisa Ishihara	Manager of Business Strategy Department, Information Systems Division

2. Outline of the liability limitation agreement

The Company entered into an agreement with all External Directors and Auditors to limit their liability for damages provided for in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The limit of liability under the said agreement is the amount stipulated by laws and regulations.

3. Overview of the details of the liability insurance contract for officers, etc.

The Company has entered into a liability insurance contract for officers, etc., as provided for in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company covering all Directors and Auditors of the Company and its registered subsidiaries (Genki Co., Ltd., Daxel Co., Ltd., Daikoku Sangyo Co., Ltd., ALOFT Co., Ltd. and GLOBAL WISE Co.). The Company pays the full amount of insurance premiums, including for special provisions, and the insured persons do not have any substantial insurance premium burden. These insurance policies cover damages that occur due to an officer, etc., who is an insured person, bearing responsibility for the execution of their duties or receiving a claim related to the pursuit of said responsibility. However, there are certain exemptions, such as damage caused by an act committed with the recognition that it is a violation of the laws and/or regulations.

4. Matters concerning the policy on decisions related to the amount of compensation, etc., for Directors and Auditors or the method for calculating such amounts

(1) Policy on decisions concerning the details of compensation, etc., for individual Directors

(i) Method for deciding said policy

The authority to decide the policy (including regulations and standards established based on the policy) belongs to the Board of Directors and the Compensation Advisory Committee may express its opinions in that decision-making process.

(ii) Overview of the details of the policy

(a) Basic policy

The Company has established a Compensation Advisory Committee chaired by an independent Director and aimed at making compensation decisions. Compensation for Directors is 100% cash compensation and consists of fixed compensation (monthly compensation), performance-linked compensation (paid as Directors' bonuses following approval at a general meeting of shareholders), and retirement benefits (paid as a lump-sum or installments upon retirement). The Company has adopted a compensation system that takes into consideration factors including the position of each Director, the Company's results and the management environment to increase Directors' motivation to improve results and contribute to the improvement of the Company group's corporate value.

(b) Policy on the determination of individual amounts of fixed compensation

With regard to monthly compensation for Directors, the President and Representative Director submits amounts calculated based on predetermined standards in accordance with the position of each Director under the upper limit of total compensation determined by a resolution at the Annual General Meeting of Shareholders for the 27th term (June 26, 2000) (no more than 20 million yen per month, not including Directors concurrently serving as employees) to the Compensation Advisory Committee. After deliberation by the Compensation Advisory Committee, the amounts are presented to the Board of Directors, which determines individual monthly compensation amounts by resolution.

(c) Policy on the details and method for calculating performance-linked compensation, and for determining its proportion of individual compensation

The President and Representative Director calculates performance-linked compensation (Directors' bonuses) using consolidated operating profit and profit attributable to owners of parent as indices and taking into comprehensive consideration the business environment, payment standards for bonuses to employees, the position of each Director, etc. The reason for selecting these indicators was because they are considered to be the most appropriate as objective indices for judging the state of achievement of management objectives and as indices for measuring the results of business execution. The President and Representative Director submits the calculated amounts to the Compensation Advisory Committee. After deliberation by the Compensation Advisory Committee, the amounts are presented to the Board of Directors and the total payment amount is proposed to the general meeting of shareholders. After the resolution for approval by the general meeting of shareholders, the amount to be paid to each Director is allocated by the President and Representative Director within the scope of the total payment amount taking into comprehensive consideration the position and degree of contribution, etc., of each Director. The amounts are then determined by the Board of Directors.

(d) Policy on the determination of the details and method for calculating retirement benefits

The President and Representative Director calculates retirement benefits based on the "Regulations on Directors' Retirement Benefits." After these amounts are deliberated by the Compensation Advisory Committee, they are submitted to the Board of Directors, which makes a proposal to the general meeting of shareholders. After the resolution of the general meeting of shareholders, the Board of Directors determines the payment amounts and payment method.

- (iii) Reason why the Board of Directors judged that the details of compensation, etc., for individual Directors are in line with the policy on decisions

In order to ensure the fairness and transparency of the deliberation process at the Company, the Compensation Advisory Committee deliberates upon the compensation proposal, which is calculated by the Representative Director based on predetermined standards within the compensation limit approved by the general meeting of shareholders, and the Board of Directors then determines the proposal. Consequently, the Company has judged that those details are in line with the policy on decisions.

- (2) Policy on decisions concerning the details of compensation, etc., for individual Auditors

- (i) Method for deciding said policy

The policy (including regulations and standards established based on the policy) is determined by the Board of Auditors.

- (ii) Overview of the details of the policy

- (a) Policy on the determination of individual amounts of fixed compensation

Individual monthly compensation for Auditors is determined by the Board of Auditors under the upper limit of total compensation determined by a resolution at the Annual General Meeting of Shareholders for the 27th term (June 26, 2000) (no more than 3 million yen per month).

- (b) Policy on the details and method for calculating performance-linked compensation, and for determining its proportion of individual compensation

With regard to performance-linked compensation (Auditors' bonuses), the total amount is determined by the Board of Auditors based on the duties expected of each Auditor and also taking consolidated business performance and the evaluation of each Auditor comprehensively into account. After submission to the Board of Directors, the total amount is then proposed to the general meeting of shareholders. The payment amount to each Auditor is determined by the Board of Auditors.

- (c) Policy on the determination of the details and method for calculating retirement benefits

Retirement benefits are calculated by the Board of Auditors based on the "Regulations on Auditors' Retirement Benefits" and submitted to the Board of Directors for a proposal to the general meeting of shareholders. After the resolution for approval by the general meeting of shareholders, the payment amount and method, etc., are determined by the Board of Auditors.

- (3) Matters concerning resolutions by a general meeting of shareholders on the compensation, etc., of Directors and Auditors

With regard to the monthly compensation of Directors, the President and Representative Director, who is delegated by the Board of Directors, submits amounts calculated based on the predetermined calculation standards in accordance with the position of each Director to the Compensation Advisory Committee under the upper limit of total compensation determined by a resolution at the Ordinary General Meeting of Shareholders for the 27th term (June 26, 2000) (no more than 20 million yen per month, not including Directors concurrently serving as employees), and after deliberation by the Compensation Advisory Committee, the amounts are presented to the Board of Directors who determine them by resolution. The number of Directors at the time of said resolution is six.

The Board of Auditors determines the monthly compensation of Auditors under the upper limit of total compensation determined by a resolution at the Ordinary General Meeting of Shareholders for the 27th term (June 26, 2000) (no more than 3 million yen per month). The number of Auditors at the time of said resolution is four.

(4) Total amount of compensation, etc. for Directors and Auditors

(Millions of yen)

Segment	Total amount of compensation	Total amount by type of compensation, etc.			Number of subject officers (persons)
		Fixed compensation	Performance-linked compensation (Directors' bonuses)	Retirement benefits	
Director	169	82	64	23	13
(of which, amount for External Directors)	(7)	(5)	(2)	(-)	(3)
Auditor	20	13	6	0	6
(of which, amount for External Auditors)	(12)	(9)	(3)	(-)	(5)
Total	190	96	70	23	19

- (Notes)
1. The amount of payment to Directors does not include the compensation that they receive for being employees, if they are employees as well as Directors.
 2. Performance-linked compensation (Directors' bonuses) is calculated and determined based on "(1) Policy on decisions concerning the details of compensation, etc., for individual Directors." The targets and results related to calculation were a result for consolidated operating profit of 4,019 million yen against a target of 850 million yen, and a result for profit attributable to owners of parent of 2,927 million yen against a target of 650 million yen. Performance-linked compensation for Auditors (Auditors' bonuses) is calculated and determined based on "(2) Policy on decisions concerning the details of compensation, etc., for individual Auditors."
 3. Retirement benefits are the provision for Directors' retirement benefits recorded in the fiscal year under review.

5. Matters regarding External Directors and Auditors

(1) Relationship between significant office(s) concurrently held and the Company

There is no major business or other relationship between The Japan Research and Development Center for Metals, where Director Mr. Yoshihiro Adachi serves as Auditor, and the Company.

There are no significant transactions or relationships between the Company and Yumiko Sakurai CPA Office for which Director Ms. Yumiko Sakurai serves as Representative. She also serves as External Director of Proto Corporation and External Auditor of JTEKT Corporation, but the Company has no significant transactions or relationships with either of them.

There are no significant transactions or relationships between the Company and Nakashima Law Office for which Auditor Mr. Kenichi Nakashima serves as Representative.

There are no significant transactions or relationships between the Company and Meiji Yasuda Life Insurance Company for which Auditor Mr. Yukinori Morita serves as Advisor.

There are no significant transactions or relationships between the Company and Nobuyuki Imai CPA Office for which Auditor Mr. Nobuyuki Imai serves as Representative.

(2) Main activities during the fiscal year ended March 31, 2023

Segment	Name	Attendance and opinions
Director	Yoshihiro Adachi	Mr. Yoshihiro Adachi attended 18 out of 18 Board of Directors meetings held during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge. In addition, he also attended these committee meetings as the Chair of the Nomination Advisory Committee and the Chair of the Compensation Advisory Committee, and played a leading role in the enhancement of deliberations, etc.
Director	Yumiko Sakurai	Ms. Yumiko Sakurai attended 15 out of 15 Board of Directors meetings held during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge as a certified public accountant. In addition, she also attended these committee meetings as the member of the Nomination Advisory Committee and the member of the Compensation Advisory Committee, and played a leading role in the enhancement of deliberations, etc.
Auditor	Kenichi Nakashima	Mr. Kenichi Nakashima attended 18 out of 18 Board of Directors meetings and 13 out of 13 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of an attorney at law.
Auditor	Yukinori Morita	Mr. Yukinori Morita attended 15 out of 15 Board of Directors meetings and 10 out of 10 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly based on his ample experience and views at the National Police Agency of Japan.
Auditor	Nobuyuki Imai	Mr. Nobuyuki Imai attended 15 out of 15 Board of Directors meetings and 10 out of 10 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of a certified public accountant.

(Notes) 1. The attendance by Ms. Yumiko Sakurai covers the Board of Directors meetings held after her appointment as Director on June 29, 2022.

2. The attendance by Messrs. Yukinori Morita and Nobuyuki Imai covers the Board of Directors meetings and the Board of Auditors meetings held after their appointments as Auditors on June 29, 2022.

V. Status of Accounting Auditor

1. Name of Accounting Auditor: KPMG AZSA LLC

2. Amount of compensation for Accounting Auditor

	Amount of compensation
Amount of compensation, etc., to be paid by the Company to the Accounting Auditor pertaining to the fiscal year under review	38 million yen
Sum of money and other financial profits to be paid by the Company and its subsidiaries to the Accounting Auditor	40 million yen

(Notes) 1. It has been determined that the Board of Auditors of the Company complies with the provisions on compensation for Accounting Auditors, etc. as defined in Article 399, Paragraph 1 of the Companies Act, as a result of examining the details of the audit plan performed by the Accounting Auditor, the execution of duties in the past fiscal years, and the computation basis for compensation estimates, as well as fully understanding the situations of the Board of Directors and the internal departments.

2. The audit agreement entered into by the Accounting Auditor and the Company does not distinguish the amount derived from the audit under the Companies Act and the one derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount of compensation, etc., to be paid by the Company to the Accounting Auditors pertaining to the fiscal year indicates the total of these two kinds of amounts.

3. Details of services other than auditing

The Company pays the Accounting Auditor consideration for its advisory and guidance work related to accounting standards pertaining to the recognition of revenue.

4. Policy for determining the dismissal or non-reappointment of the Accounting Auditor

In cases where the Accounting Auditor is deemed to have conflicted with any of the following provisions, the Board of Auditors will determine a proposal on dismissal or non-reappointment of the Accounting Auditor. Upon determination of the proposal, the Board of Directors will submit the proposal to the general meeting of shareholders:

- (1) When the Accounting Auditor's behavior falls under causes for disqualification as set forth in the provisions of the Act;
- (2) When the authorities impose a significant punishment on the Accounting Auditor;
- (3) When the Accounting Auditor commits a violation of obligations in the course of its duties or neglects to perform its duties;
- (4) When the Accounting Auditor commits inappropriate behavior as an accounting Auditor; or
- (5) When the Company determines that the Accounting Auditor's behavior could damage the shareholders' interests in other aspects.

VI. The Company's Framework and Guidelines

1. Overview of the resolution of the framework to ensure the appropriateness of business operations

Overview of the basic concepts related to the internal control system, which was resolved in the Company's Board of Directors meetings, is as follows:

- (1) Framework to ensure compliance of the execution of duties by Directors, Employees, etc. with laws, regulations and the Articles of Association of the Company
 - (i) The Company set up the Compliance Risk Management Committee (CPR Committee) whose members include the Company's legal advisor, and requires the committee to hold a meeting periodically.
 - (ii) In promoting adherence to compliance with laws and regulations, the CPR Committee is required to play a central role in planning and implementing measures with an emphasis on improving the Directors' and Employees' awareness of adherence to compliance with laws and regulations.
 - (iii) The Company established a consultation system and an internal whistleblower hotline (in 2004) so as to ensure effective and prompt collection of information related to potential risks in the consideration of whistleblower protection.

- (2) Framework for storage and management of information related to execution of duties by Directors
Documents concerning the execution of duties of Directors (including electromagnetic records) shall be stored and managed in consideration of several features, such as confidentiality, searchability, preservability, archive attributes and availability, in accordance with the rules for the storage of documents.
- (3) Regulations and other frameworks concerning risk management against damages or losses incurred by the Company
- (i) Pursuant to the Risk Management Rules, the Company shall take appropriate preventive measures against the risks and also secure proper response to the occurrence of the risks so as to minimize damages or losses incurred by the Company.
- (ii) Under the initiative of the CPR Committee, the Company shall identify specific risks implied in each division. On that basis, the Company shall formulate rules and criteria, and examine effective measures for prevention and avoidance of these division-specific risks, with the aim of establishing a sustainable framework to cope with these risks on an ongoing basis.
- (4) Framework to ensure efficient execution of duties by Directors
The Company shall formulate rules and criteria about the establishment, composition, division of duties and management of committee meetings with the aim of encouraging prompt and appropriate managerial judgments based on adequate and accurate information, while ensuring appropriate collection, transmission and sharing of information.
- (5) Framework to ensure propriety of operations by the Company and by the group consisting of the Company as a parent company and its subsidiaries
With regard to each group company's business management, the Company shall define the rules on matters to be reported and reporting methods by each group company to the Parent Company. On that basis, the Company shall have meetings between each group company and the Company on a regular basis and also unify the internal audit framework on a group-wide basis so as to figure out business management and risk information on each group company.
- (6) Matters related to employees, etc. assigned to assist the Auditors in their duties in the event Auditors request such employees, etc.
- (i) The Company shall immediately assign employees to support the auditing work as staff to the Auditors upon request from the Auditors.
- (ii) The nomination and selection of staff supporting the auditing work shall be performed by the Personnel Department, and the appointment shall be determined by the Board of Auditors.
- (7) Matters related to independence of the employees, etc. prescribed in the preceding paragraph from the Directors
The Board of Auditors shall conduct a personnel review of staff supporting the auditing work. Personnel relocation of staff supporting the auditing work shall be conducted through consultation between the Auditors and the Director in charge of personnel affairs based on the decision by the Board of Auditors.

- (8) Framework to ensure reporting from Directors and Employees, etc. to Auditors, other framework relating to reporting to Auditors, and framework to ensure that auditing by Auditors is performed effectively
- (i) Directors and Employees, etc. shall immediately notify the Board of Auditors of significant matters having an impact on business operations or business results each time.
- (ii) Auditors are entitled to have opportunities to attend the Board of Directors meetings and other important meetings (collectively called “Important Meetings, etc.”) and ask questions to any participants. These opportunities given to Auditors shall be incorporated when the rules on running Important Meetings, etc. are formulated.
- (iii) In cases where it is deemed necessary to carry out the duties on audit works, Auditors may require the Board of Directors to provide support staff, accept on-site investigations, disclose required documents, or cooperate or provide assistance for these requests. In cases where Auditors have any obstacle in conducting auditing work, Auditors may require the Directors to eliminate the cause of the obstacle or take remedial actions.
- (iv) With respect to the provision set forth in the preceding paragraph, the group companies shall take the same measures.
- (v) The Company shall put in place and manage appropriate and efficient rules in line with the scale and framework of each group company so that Auditors will be able to properly collect necessary information (including information on subsidiaries) to perform their duties.
- (vi) Given the recognition that any reports or notifications to the Auditors (hereinafter, “Reports, etc.”) meet the purposes of compliance, the Company shall provide the same protection to those who provide Reports, etc. to the Auditors as whistleblowers as described in the Compliance Action Policy. In addition, any unjustifiable treatment against those who provide Reports, etc. shall be subject to sanctions.
- (vii) With regard to any prepayment and reimbursement of expenses arising from the execution of the duties of an Auditor, the Company shall put in place and manage rules or regulations allowing for a prompt payment procedure pursuant to a request from the Auditor.

2. Outline of the operational status of the framework to ensure the appropriateness of business operations

The implementation status regarding the enhancement of the Company’s Corporate Governance in the past year (one-year period, from the last day of the fiscal year) is as follows.

- (1) We held 18 Board of Directors meetings and determined the material facts regarding management matters (such as matters stipulated in laws and regulations and development of budget) and reviewed analyses, measures, and evaluations of monthly business performance. We also deliberated on the performance in light of compatibility with laws, regulations, the Articles of Incorporation, and other rules and adequacy of business operations.
- (2) We held 13 Board of Auditors meetings and discussed and determined audit policies and plans. We also audited the status of attendance at important internal meetings, business operations and assets, Directors’ execution of duties, and compliance with laws, regulations, the Articles of Incorporation, and other rules.
- (3) We held 4 Compliance Risk Management Committee (CPR Committee) meetings to promote various activities related to internal control. Specifically, we aimed to ensure smooth operation of internal control over compliance and risk management, information security management, internal and external reporting systems, and financial reporting.

- (4) Under the initiative of the CPR Committee, we identified daily risks in each division and examined the countermeasures on a semi-annual basis. Out of these initiatives, we formulated the Compliance Guidelines to summarize the basic concept and criteria of daily activities that should be shared by all employees. We disseminated the guidelines on a company-wide level to improve compliance awareness.
- (5) With regard to the storage and management of information documents relating to the Directors' execution of the duties (including electromagnetic records), we committed ourselves to strict information management and prevention of confidential information leakage, based on the Document Management Rules and Regulations.
- (6) In view of the importance of the impact on the reliability of financial reporting, we held 4 Financial Reporting Council meetings to enhance the internal control system, specifically with the aim of collecting risk information, fraudulent or fallacious information, and deficiency information of internal control, and deliberate on measures and corrective actions against them.

3. Basic policies regarding control of the Company

The Company does not prescribe specific basic policies on so-called takeover defense measures.

However, the Company will take appropriate measures against buyers who attempt a large-scale acquisition of the Company's shares through scrutinizing all information on the purpose of acquisition declared by the buyers, a management plan after acquisition and others while explaining the opinions of the Board of Directors to shareholders fully and clearly and taking account of ensuring proper information disclosure and opportunities to exercise shareholders' rights.

The Board of Directors will take appropriate measures against a large-scale acquisition of the Company's shares with no medium- to long-term perspective, including a tender offer that does not contribute to the Company's corporate value and shareholders' common interests, while taking account of shareholders' interests.

4. Policy for deciding the dividends of surplus and other related matters

The Company identifies the return of profits to shareholders as one of the important corporate management policies while expanding its business scale. Therefore, the Company's basic policy for profit allocation is to provide stable dividends to its shareholders in consideration of a comprehensive assessment of business environments, earnings conditions and payout ratio.

The dividend amount and timing of its payment will be carefully determined at the Board of Directors' meeting.

The Company also has the policy to invest retained earnings in new business opportunities and operational efficiency purposes with a long-term perspective with the aim of improving its competitiveness in the market and profitability.

With respect to the 50th year dividend, we have decided on a payment of 70 yen per share for this fiscal year (60 yen year-end dividend plus 10 yen interim dividend) in accordance with the above policy.

Consolidated balance sheet

(As of March 31, 2023)

(Thousand yen)

Account	Amount	Account	Amount
Net assets		Liabilities	
Current assets	33,626,738	Current liabilities	13,966,016
Cash and deposits	16,922,801	Notes and accounts payable - trade	4,193,557
Notes receivable - trade	455,546	Electronically recorded obligations - operating	3,765,603
Electronically recorded monetary claims - operating	2,108,910	Short-term borrowings	2,000,000
Accounts receivable - trade	4,290,074	Accounts payable - other	1,433,003
Contract assets	220,493	Accrued expenses	844,013
Securities	500,066	Income taxes payable	1,203,429
Merchandise and finished goods	7,957,700	Contract liabilities	90,369
Work in process	89,324	Provision for product warranties	40,325
Raw materials and supplies	482,237	Provision for bonuses for directors (and other officers)	75,050
Other	884,363	Other	320,662
Allowance for doubtful accounts	-284,780	Non-current liabilities	932,886
Non-current assets	14,672,042	Provision for retirement benefits for directors (and other officers)	453,473
(Property, plant and equipment)	8,224,751	Retirement benefit liability	232,626
Buildings and structures	3,205,453	Other	246,785
Machinery, equipment and vehicles	43,275	Total liabilities	14,898,902
Tools, furniture and fixtures	592,490	Net assets	
Land	4,162,117	Shareholders' equity	33,276,867
Construction in progress	221,414	Share capital	674,000
(Intangible assets)	2,889,514	Capital surplus	680,008
Software	2,044,262	Retained earnings	31,924,756
Goodwill	812,206	Treasury shares	-1,897
Other	33,045	Accumulated other comprehensive income	123,011
(Investments and other assets)	3,557,777	Valuation difference on available-for-sale securities	16,872
Investment securities	286,870	Remeasurements of defined benefit plans	106,139
Deferred tax assets	615,976		
Investment property	865,079	Total net assets	33,399,879
Membership	229,051	Total liabilities and net assets	48,298,781
Leasehold and guarantee deposits	451,043		
Other	1,315,242		
Allowance for doubtful accounts	-205,485		
Total assets	48,298,781		

(Note) Fractions less than 1,000 yen are discarded.

Consolidated statement of income

(From April 1, 2022
to March 31, 2023)

(Thousand yen)

Account	Amount	
Net sales		31,824,323
Cost of sales		17,316,914
Gross profit		14,507,409
Selling, general and administrative expenses		10,487,897
Operating profit		4,019,511
Non-operating income		
Interest income	14,985	
Dividend income	7,568	
Rental income from real estate	86,651	
Subsidies for employment adjustment	125,024	
Other	66,473	300,703
Non-operating expenses		
Interest expenses	6,566	
Rental expenses on real estate	48,213	
Other	5,213	59,994
Ordinary profit		4,260,220
Extraordinary income		
Gain on sale of non-current assets	2,723	
Gain on sale of investment securities	3,375	6,098
Extraordinary losses		
Loss on retirement of non-current assets	31,301	
Impairment losses	65,802	
Loss on valuation of membership	23,590	
Loss on cancellation of rental contracts	7,851	128,546
Profit before income taxes		4,137,773
Income taxes - current	1,145,510	
Income taxes - deferred	64,497	1,210,007
Profit		2,927,765
Profit attributable to owners of parent		2,927,765

(Note) Fractions less than 1,000 yen are discarded.

Consolidated statement of income

(From April 1, 2022
to March 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2022	674,000	680,008	29,662,225	-1,692	31,014,540
Changes during the period					
Dividends of surplus	-	-	-665,234	-	-665,234
Profit attributable to owners of parent	-	-	2,927,765	-	2,927,765
Purchase of treasury shares	-	-	-	-204	-204
Net changes in items other than shareholders' equity during the period	-	-	-	-	-
Total changes during the period	-	-	2,262,531	-204	2,262,326
Balances as of March 31, 2023	674,000	680,008	31,924,756	-1,897	33,276,867

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balances as of April 1, 2022	12,680	114,491	127,171	31,141,712
Changes during the period				
Dividends of surplus	-	-	-	-665,234
Profit attributable to owners of parent	-	-	-	2,927,765
Purchase of treasury shares	-	-	-	-204
Net changes in items other than shareholders' equity during the period	4,191	-8,351	-4,160	-4,160
Total changes during the period	4,191	-8,351	-4,160	2,258,166
Balances as of March 31, 2023	16,872	106,139	123,011	33,399,879

(Note) Fractions less than 1,000 yen are discarded.

Balance Sheet

(As of March 31, 2023)

(Thousand yen)

Account	Amount	Account	Amount
Net assets		Liabilities	
Current assets	32,230,522	Current liabilities	14,239,326
Cash and deposits	15,609,204	Notes payable - trade	1,629,027
Notes receivable - trade	455,546	Electronically recorded obligations - operating	3,765,603
Electronically recorded monetary claims - operating	2,108,910	Accounts payable - trade	2,536,603
Accounts receivable - trade	4,049,683	Short-term borrowings	2,000,000
Contract assets	75,072	Accounts payable - other	1,960,510
Securities	500,066	Accrued expenses	728,363
Merchandise and finished goods	7,957,528	Income taxes payable	1,191,728
Work in process	86,955	Contract liabilities	82,707
Raw materials and supplies	508,460	Provision for bonuses for directors (and other officers)	70,180
Other	970,030	Provision for product warranties	40,325
Allowance for doubtful accounts	-90,935	Other	234,274
Non-current assets	15,089,339	Non-current liabilities	721,346
(Property, plant and equipment)	8,189,374	Provision for retirement benefits	107,013
Buildings	3,087,918	Provision for retirement benefits for directors (and other officers)	424,019
Structures	97,444	Other	190,313
Machinery and equipment	40,728		
Vessels	0	Total liabilities	14,960,672
Vehicles	1,875	Net assets	
Tools, furniture and fixtures	577,875	Shareholders' equity	32,342,357
Land	4,162,117	Share capital	674,000
Construction in progress	221,414	Capital surplus	680,008
(Intangible assets)	2,047,251	Legal capital surplus	680,008
Software	2,014,206	Retained earnings	30,990,247
Other	33,045	Legal retained earnings	30,000
(Investments and other assets)	4,852,713	Other retained earnings	30,960,247
Investment securities	282,218	General reserve	20,000,000
Shares of subsidiaries and associates	784,539	Retained earnings brought forward	10,960,247
Long-term loans receivable from subsidiaries and associates	12,217,561	Treasury shares	-1,897
Deferred tax assets	499,131	Valuation and translation adjustments	16,831
Membership	226,084	Valuation difference on available-for-sale securities	16,831
Investment property, etc.	865,079		
Leasehold and guarantee deposits	408,739	Total net assets	32,359,188
Other	1,173,046	Total liabilities and net assets	47,319,861
Allowance for doubtful accounts	-11,603,687		
Total assets	47,319,861		

(Note) Fractions less than 1,000 yen are discarded.

Statement of income

(From April 1, 2022
to March 31, 2023)

(Thousand yen)

Account	Amount	
Net sales		30,354,703
Cost of sales		16,354,027
Gross profit		14,000,676
Selling, general and administrative expenses		9,802,409
Operating profit		4,198,267
Non-operating income		
Interest income	9	
Interest income on securities	14,958	
Dividend income	7,043	
Rental income from real estate	86,651	
Rental income from non-current assets	67,820	
Subsidies for employment adjustment	103,299	
Other	45,330	325,114
Non-operating expenses		
Interest expenses	6,566	
Rental expenses on real estate	48,213	
Other	1,905	56,685
Ordinary profit		4,466,695
Extraordinary income		
Gain on sale of non-current assets	2,723	
Gain on sale of investment securities	3,375	6,098
Extraordinary losses		
Impairment losses	56,949	
Loss on retirement of non-current assets	26,387	
Loss on valuation of membership	23,590	
Provision of allowance for doubtful accounts	84,105	191,032
Profit before income taxes		4,281,761
Income taxes - current	1,392,655	
Income taxes - deferred	-118,296	1,274,358
Profit		3,007,402

(Note) Fractions less than 1,000 yen are discarded.

Statement of Changes in Equity

(From April 1, 2022
to March 31, 2023)

(Thousand yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balances as of April 1, 2022	674,000	680,008	680,008
Changes during the period			
Dividends of surplus	-	-	-
Profit	-	-	-
Purchase of treasury shares	-	-	-
Net changes in items other than shareholders' equity during the period	-	-	-
Total changes during the period	-	-	-
Balances as of March 31, 2023	674,000	680,008	680,008

	Shareholders' equity			
	Retained earnings			Total retained earnings
	Legal retained earnings	Other retained earnings		
		General reserve	Retained earnings brought forward	
Balances as of April 1, 2022	30,000	20,000,000	8,618,078	28,648,078
Changes during the period				
Dividends of surplus	-	-	-665,234	-665,234
Profit	-	-	3,007,402	3,007,402
Purchase of treasury shares	-	-	-	-
Net changes in items other than shareholders' equity during the period	-	-	-	-
Total changes during the period	-	-	2,342,168	2,342,168
Balances as of March 31, 2023	30,000	20,000,000	10,960,247	30,990,247

(Note) Fractions less than 1,000 yen are discarded.

(Thousand yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balances as of April 1, 2022	-1,692	30,000,394	12,680	30,013,074
Changes during the period				
Dividends of surplus	-	-665,234	-	-665,234
Profit	-	3,007,402	-	3,007,402
Purchase of treasury shares	-204	-204	-	-204
Net changes in items other than shareholders' equity during the period	-	-	4,150	4,150
Total changes during the period	-204	2,341,963	4,150	2,346,114
Balances as of March 31, 2023	-1,897	32,342,357	16,831	32,359,188

(Note) Fractions less than 1,000 yen are discarded.