

# COMPANY RESEARCH AND ANALYSIS REPORT

## Daikoku Denki Co., Ltd.

6430

Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

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FISCO Ltd.

<https://www.fisco.co.jp>

## Contents

<b>Summary</b>	<b>01</b>
1. Overview of FY3/25 results	01
2. FY3/26 forecast	02
3. New medium-term management plan	02
<b>Business description</b>	<b>03</b>
1. Information System Segment	03
2. Amusement Segment	04
<b>Company features</b>	<b>05</b>
1. Growth model based on market expansion through innovation	05
2. Strong network of pachinko halls	05
3. Stable profit base that supports investment for the future	06
<b>Financial results trends</b>	<b>07</b>
1. Overview of FY3/25 results	07
2. Summary of FY3/25	10
<b>Review of the previous medium-term management plan</b>	<b>10</b>
<b>New medium-term management plan</b>	<b>11</b>
1. Vision for 2030	11
2. Basic policy and targets of the new medium-term management plan	11
<b>Outlook</b>	<b>13</b>
1. FY3/26 forecast	13
2. FISCO's view	14
<b>Industry environment</b>	<b>15</b>
<b>Performance over the past fiscal years</b>	<b>17</b>
<b>Shareholder returns</b>	<b>20</b>

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

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## Summary

### Set all-time record highs in profits in FY3/25 for two consecutive fiscal years; announced new medium-term management plan focused on future growth investment

Daikoku Denki Co., Ltd. <6430> (hereafter, also “the Company”) has two main businesses: the Information System Segment that develops, manufactures, and sells computer systems for pachinko (Japanese slot machines) parlors and halls, and the Amusement Segment that develops, produces and sells software and hardware related to pachinko and pachislot gaming machines. The Company holds the leading market share of the Japanese market for hall computers (machine management systems), reflecting an information management method, etc. that is the de facto standard for the industry. Furthermore, the membership-based information provision service Daikoku Denki Strategic Information System (DK-SIS) facilitating the operations of pachinko hall associations forms a network of 3,227 pachinko halls and supports the Company's business foundation. With the steady increase in utilization of Smart gaming machines\*, which emerged in November 2022, the business performance of pachinko halls has expanded rapidly along with the recovery of capital investment, and the Company is entering a new phase of growth. In May 2025, the Company announced its Vision for 2030 along with a new three-year medium-term management plan. It plans to actively pursue upfront investments and reform its business portfolio with the aim of shaping the future of the pachinko industry and creating new markets.

\* This refers to Smart pachinko and Smart pachislot, types of Smart gaming machines, which enable users to play without directly touching the balls and medals in contrast to the past format. Key points are elimination of facilities related to balls and medals at pachinko halls and enhancement of gaming performance compared to existing gaming machines. Replacement has progressed steadily, supported by initiatives led by gaming machine manufacturer organizations (Nippon Yugikikogyo Kumiai and Nichidenkyo). Smart pachislot machines were introduced into the market from November 2022, and Smart pachinko machines were rolled out on April 2023.

#### 1. Overview of FY3/25 results

In the Company's results for FY3/25, net sales increased by 6.6% year on year (YoY) to ¥57,415mn and operating income rose by 1.8% to ¥12,212mn, with operating income setting a new all-time record high for the second consecutive fiscal year. Net sales in the Information System Segment increased substantially due to strong sales of products associated with the introduction of Smart gaming machines, as well as capital investment demand related to support for new banknotes. In the Amusement Segment, net sales declined YoY due to a decrease in sales of display units and other products as the Company wound down its pachinko hardware business. On the profit front, although ongoing development investment and upfront investments for future initiatives (including digital transformation (DX) and new businesses) were negative factors, the increase in profits was secured thanks to growth in the highly profitable Information System Segment. In terms of business initiatives, the Company successfully executed a series of M&As and business partnerships to expand its business domains.

# Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## Summary

### 2. FY3/26 forecast

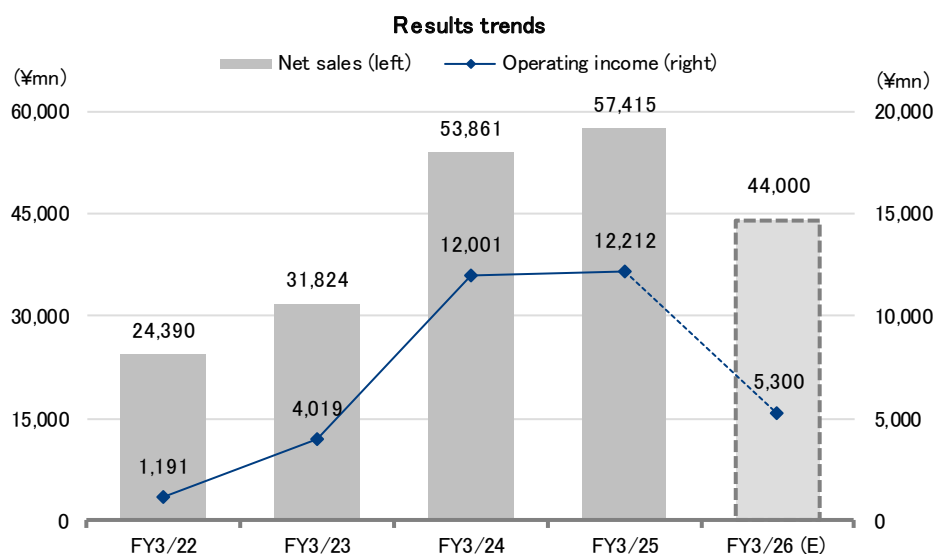
For FY3/26, the Company is forecasting declines in both sales and profit, with net sales projected to decrease 23.4% YoY to ¥44,000mn and operating income to decline 56.6% to ¥5,300mn. The significant drop in sales is mainly due to the disappearance of special demand in the Information System Segment from support for new banknotes, as well as a lull in equipment sales related to Smart gaming machines. On the other hand, the Amusement Segment is expected to grow, driven by the market launch of Smart pachislot machines under the Company's own brand (released in May 2025). On the profit front, a sharp decline is anticipated due to the drop in sales in the Information System Segment and the full-scale rollout of strategic investments for the future, including continued DX promotion, development investment, and new business initiatives.

### 3. New medium-term management plan

Under its new medium-term management plan (FY3/26–FY3/28), the Company aims to expand its business foundation and actively pursue upfront investments to realize its Vision for 2030—Make CX Amazing: Delivering Unprecedented Customer Experiences to the World—announced simultaneously. In particular, it will focus on entering new domains within its existing businesses and investing in new businesses to reform its business portfolio. The Company has set targets for the final year of the plan (FY3/28) of ¥49.0bn in net sales, ¥6.3bn in operating income, and an ROE of over 8%. For its Vision for 2030 (FY3/31), it aims to achieve ¥60.0bn in net sales, an ROE of over 10%, and increase the ratio of new businesses to 25% of the total.

### Key Points

- Set all-time record highs in profits in FY3/25 for the second consecutive year, driven by strong product sales linked to the introduction of Smart gaming machines and one-off demand related to support for new banknotes
- Forecasting lower sales and profits in FY3/26 due to the disappearance of special demand
- Announced a new medium-term management plan focused on entering new domains within existing businesses and investing in new businesses to reform its business portfolio



Source: Prepared by FISCO from the Company's financial results

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## Business description

### Focuses on hall computers and peripheral equipment for pachinko halls

While primarily focusing on the development, production and sales of computer systems for pachinko halls, the Company also engages in the development, manufacture and sales of software and hardware related to pachinko and pachislot machines.

As a pioneer in the development of hall computers, which assist in the management of pachinko halls, the Company undertakes activities such as proposing a management method which puts emphasis on data management, introducing innovative peripheral equipment, and offering a membership-based information provision service. The Company has captured the top market share in the Japanese market. The Company's share of the hall computer market is about 40%, and in particular, its market share of large-scale halls with at least 501 machines is about 60%.

The Company's main businesses are the Information System Segment, Amusement Segment\*1, and Other\*2, but the Information System Segment provided over 90% of its net sales and has been the main source of stable profit.

\*1 Since FY3/24, the name of the Control System Segment has been changed to the Amusement Segment.

\*2 Other was introduced as a new business segment from FY3/25 due to the establishment of Hakone Glass Forest Resorts Co.,Ltd. and the consolidation of NISHIMOTO INDUSTRY CO., LTD. (display, decoration and maintenance, etc.), LILIUM CO.,LTD. (planning, production, operation and management, etc. of various events), and LOGON SYSTEM CO., LTD. (development and design of computer software).

#### 1. Information System Segment

The Company sells hall computers, which serve as core systems at pachinko halls, and peripheral equipment, such as prize and customer management systems, information disclosure systems and card units, and offers MG Services that provide various services on hall computers and over the internet via a server. DK-SIS, a membership information provision service and strategic information tool, is the pillar of MG Services.

Hall computers are the core systems for supporting pachinko hall operations. These computers display the operating conditions and sales of each machine in a hall, are supported by peripheral equipment such as prize management and information disclosure systems and card units and serve as the foundation of MG Services. Introducing a hall computer provides the advantage that peripheral equipment and support services can be sold as a package deal.

In June 2019, the Company released the AI hall computer X (Kai), the first of its kind in the industry and the first upgrade in 12 years since the CII hall computer. Based on the concept of a "hall computer that teaches," the main feature of this AI hall computer is that it will guide pachinko hall operators to optimal solutions by utilizing the Company's big data and having AI automatically analyze the data instantaneously. By using AI's ability to prepare forecasts utilizing big data that cannot be processed by people to generate analyses and assist personnel with limited experience in making assessments expected of highly experienced personnel, the Company will enhance efficiency and reduce labor resources in hall management, contribute to further customer attraction and improve profitability. With the spread of Smart gaming machines introduced in November 2022, system upgrades have progressed significantly, positioning the hall computer as an optimal solution for data management.

Daikoku Denki Co., Ltd.

19-Aug.-2025

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

<https://www.daikoku.co.jp/en/ir/>

### Business description

#### Hall computers and main peripheral equipment (including services)

<b>Hall computer</b>  <p>We collect data from game units installed in halls and provide sophisticated analysis useful for hall management.</p> <p>In addition, we also conduct integrated management of the systems necessary for hall management, including machines, prizes, customers, information disclosure and security.</p> <p>Using big data sent from the company's hall computers nationwide to our company's MIRAIGATE servers, our latest model X (Kai) is capable of automated analysis using AI (auto consulting), AI security, high-precision simulation (Xai-SIS), and the operation of functions matched to the changing times, such as support for prohibitions on smoking and the handling of COVID-19.</p>  	<b>Web and app services for fans</b> <p><b>NEW</b></p>  <p>The industry's first hall marketing AI agent.</p>  <p>At Site Seven (paid site), fans can view more detailed data than with Pachirobo.</p>	<b>Prize management</b> <p>This is a system to exchange acquired pachinko balls for prizes. POS SP-01 can operated without a keyboard using a large 15.6 inch touch panel LCD. The TJ-01 is a self-service POS integrated with a payment machine.</p>  <p><b>NEW</b></p>
	<b>Information terminals for fans (Large LCD)</b> <p><b>NEW</b></p>  <p><b>BIGMO XCEL</b></p> <p>It displays machine data such as big wins and starts, produces images, lights and sounds matched to the machine, and allows fans to call staff.</p>  <p><b>REVOLA II</b></p>	<b>Card unit</b> <p>It is a terminal installed on each game machine to lend balls and medals for playing.</p> <p>In addition, it has also realized advanced security and analysis within halls in conjunction with hall computer "X".</p> <p>In recent years, demand for the VEGASIA III-SP/SS, a dedicated unit for smart game machines, has surged.</p> 

Source: The Company's results briefing materials

## 2. Amusement Segment

The Amusement Segment develops, produces and sells software and hardware, as well as components used for gaming machines (mainly pachinko) for game machine manufacturers. Drawing on experience in analyzing data from pachinko machines as a hall computer manufacturer, the Company serves as a development partner that proposes plans based on the trends of popular models. It also engages in content business activities, such as the sales of copyrights for popular characters. The Company has positioned the transition in its business portfolio—specifically, the wind-down of its pachinko hardware business—as an opportunity to fully enter the pachislot market starting in FY3/22. In May 2025, it released a new Smart pachislot machine under its own brand as a gaming machine manufacturer\*, and is working to strengthen this business as a future earnings pillar. As of FY3/24, the Company has merged its Control System Division (amusement division) and Manufacturing Division (supply division) and renamed the department the AMS (Amusement & Supply) Management Department. The segment name has also been changed from the Control System Segment to the Amusement Segment.

\* Handled by subsidiaries DAXEL INC. and ALOFT Co., Ltd. as well as LAIRI Inc., consolidated in April 2023.

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## Company features

### Provides added value to hall management by offering data utilization services

#### 1. Growth model based on market expansion through innovation

Since its establishment, the Company has consistently planned and developed new categories of goods and services, thereby cultivating the pachinko market and achieving growth. It has not just developed machines with superior functions but emphasized the importance of data management and the necessity for information disclosure. Thus, it has been able to provide added value to various aspects of pachinko hall management. Launched in 1974, the Company's first hall computer enabled managers of pachinko halls to introduce a hall management method based on data management. Previously, pachinko halls accumulated only basic data, but with the introduction of hall computers, data-based hall management became the de facto standard. Ever since then, it has been steadily rolling out industry-first information equipment that contains innovative functions, such as the Data Robot information disclosure terminal that provides operational information about gaming machines at pachinko halls to fans. It has contributed to healthier hall results by boosting the efficiency of hall management and supplying added value that raises fan satisfaction.

With regard to the AI hall computer, X (Kai), this product not only helps the performance of pachinko halls, but also improves operating efficiency, thus reducing labor necessary for hall management already undergoing labor shortages.

#### 2. Strong network of pachinko halls

Another one of the Company's strengths is that it has built a network with member pachinko halls through an array of MG services based on hall computers. Launched in 1990, DK-SIS is a service offering feedback in the form of information that is useful in hall operations after processing and analyzing the daily operational information of pachinko and pachislot machines received from pachinko halls. Simulations based on nationwide gaming machine sales data support pachinko halls' forecast management, and a network of member halls underpins the Company's business foundation.

Additionally, the Company takes on a role as a sort of think tank in the industry, helping to enhance the Company's brand power, and it is apparently being utilized in strategic proposals and sales activities to game machine manufacturers. Membership totaled 3,227 halls at the end of FY3/25 with 1.40mn managed machines (42.1% share in managed machines). Recently, the Company has been focusing on promoting widespread use from various angles of its Market-SIS market area analysis service, which analyzes customer numbers, utilization rates, market share, and support rates of pachinko hall rivals operating in the commercial sphere. Market-SIS is being well received as a tool that grasps player trends and helps halls improve their ability to attract customers. In May 2025, it ranked No. 1 in the industry in terms of number of data listings (according to the Company's research). Moreover, the Company launched the cloud-based chain store management system ClarisLink in 2021. Its unparalleled data and response speed have drawn rave reviews, and the number of contracting halls has grown in excess of forecasts.

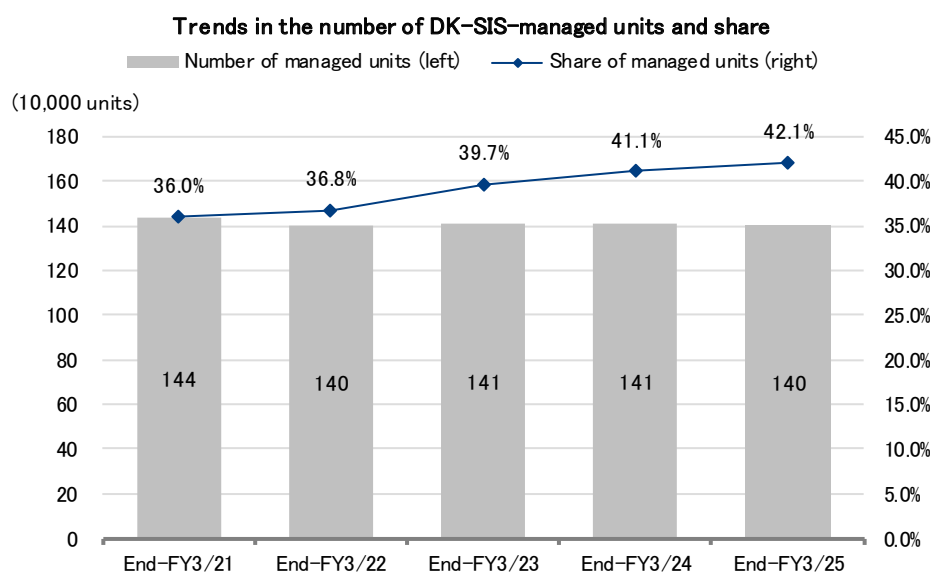
Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

Company features



Source: Prepared by FISCO from the Company's results briefing materials and the DK-SIS White Paper

### 3. Stable profit base that supports investment for the future

The Company's main source of competitiveness is its proactive upfront investment eyeing future growth, including its R&D expenses. Development of a next-generation hall computer (and peripheral equipment) and start of a new MG Services are evidence of continued aggressive investment in areas expected to become its growth driver. The stable revenue stream provided by the high-margin Information System Segment makes this investment possible. In particular, MG Services promoted by the Company as a recurring-revenue business model have grown and enabled funding of R&D at a high level while maintaining stable segment income, and investment risk has been limited. The Company's ability to balance large profits from its existing businesses with heavy investment in businesses for future growth allows it to produce value on a continuing basis. Under the newly announced medium-term management plan, the Company also plans to actively allocate R&D expenses, particularly for Smart pachislot machines under its own brand. Furthermore, it intends to actively pursue M&A and growth investments in order to enter new domains within existing businesses and invest in new businesses as part of efforts to reform its business portfolio.

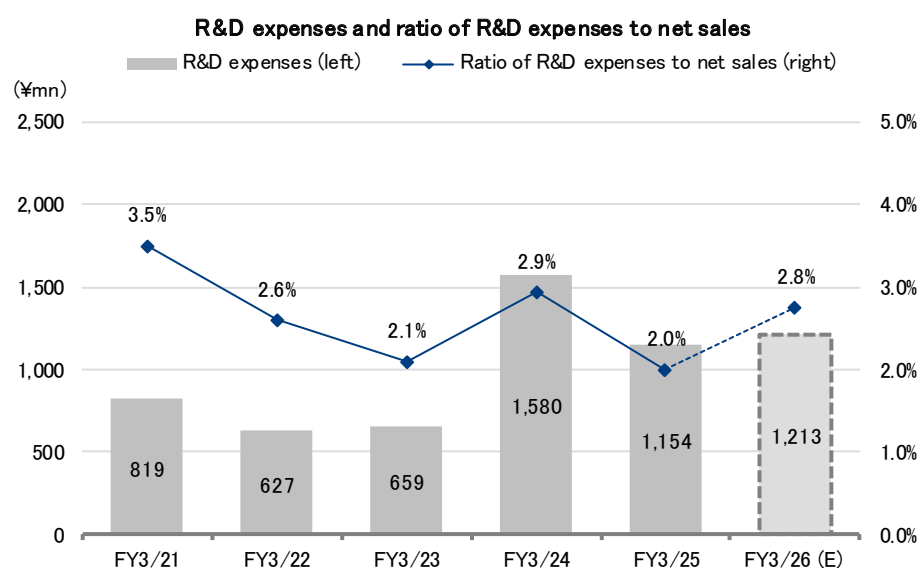
Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

Company features



Source: Prepared by FISCO from the Company's results briefing materials

## Financial results trends

**Set all-time record-high profits for the second consecutive year, driven by demand related to Smart gaming machines and support for new banknotes**

### 1. Overview of FY3/25 results

In the Company's results for FY3/25, net sales increased by 6.6% YoY to ¥57,415mn, operating income rose by 1.8% to ¥12,212mn, ordinary income of ¥12,231mn (up1.1%) and net income attributable to owners of parent (hereafter, net income) of ¥7,727mn (down 8.7%). Operating results (excluding net income) set all-time record highs for the second consecutive fiscal year. The only decline was in net income, which was due to a conservative decision to recognize an impairment loss (extraordinary loss) on goodwill related to past M&A activity.

Net sales in the Information System Segment increased substantially due to strong sales of products associated with the introduction of Smart gaming machines, as well as capital investment demand related to support for new banknotes. Notably, the Company captured greater-than-expected demand for support for new banknotes (completed in first half). In Smart gaming machines, as the number of installed Smart pachislot machines steadily increased, Smart pachinko machines, whose installation had previously been stagnant, gradually gained wider adoption. Service sales, which are an area of focus, grew steadily as the number of member stores using MG Services increased. On the other hand, net sales in the Amusement Segment declined YoY due to a decrease in sales of display units and other products, reflecting the winding down of the pachinko hardware business.

# Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## Financial results trends

On the profit front, although continued development investment in pachislot and upfront investments for future initiatives (including DX promotion and new businesses) were negative factors, the growth of the highly profitable Information System Segment offset these impacts, allowing the Company to secure increased profits. The operating income margin also remained high at 21.3% (22.3% in the previous fiscal year).

As for financial condition, while goodwill and other items increased due to M&A activity, total assets decreased 3.4% from the end of the previous fiscal year to ¥57,266mn, primarily due to declines in cash and deposits and inventories. Meanwhile, total equity rose 11.2% to ¥45,287mn, driven by an increase in retained earnings, resulting in a significant improvement in the equity ratio to 79.1% (from 68.7% at the end of the previous fiscal year).

## Overview of FY3/25 results

	FY3/24		FY3/25		YoY	
	Results	Share	Results	Share	Change	Change %
Net sales	53,861	-	57,415	-	3,554	6.6%
Information System Segment	49,412	91.7%	52,126	90.8%	2,714	5.5%
Amusement Segment	4,499	8.4%	4,451	7.8%	-47	-1.1%
Other	-	-	889	1.5%	889	-
Adjustment	-50	-	-52	-	-2	-
Gross profit	24,981	46.4%	26,693	46.5%	1,711	6.8%
SG&A expenses	12,980	24.1%	14,480	25.2%	1,500	11.6%
Operating income	12,001	22.3%	12,212	21.3%	210	1.8%
Information System Segment	14,603	29.6%	14,406	27.6%	-197	-1.4%
Amusement Segment	-390	-	356	8.0%	746	-
Other	-	-	-178	-	-178	-
Adjustment	-2,211	-	-2,371	-	-160	-
Ordinary income	12,102	22.5%	12,231	21.3%	129	1.1%
Net income attributable to owners of the parent	8,464	15.7%	7,727	13.5%	-737	-8.7%

	End of FY3/24	End of FY3/25	Vs. end of FY3/24	
			Change	Change %
Total assets	59,281	57,266	-2,015	-3.4%
Total equity	40,720	45,287	4,567	11.2%
Equity ratio	68.7%	79.1%	10.4pp	-

Source: Prepared by FISCO from the Company's financial results

## (1) Information System Segment

Net sales increased 5.5% to ¥52,126mn YoY, and segment income decreased 1.4% to ¥14,406mn. Three factors contributed to the increase in net sales: 1) growth in product sales associated with the introduction of Smart gaming machines, 2) demand captured for support for new banknotes from July 2024, and 3) an increase in service sales.

**Daikoku Denki Co., Ltd.**

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

**19-Aug.-2025**
<https://www.daikoku.co.jp/en/ir/>

# Financial results trends

In terms of factor 1), the installation ratios of Smart pachislot machines and Smart pachinko machines both increased, with the ratio for Smart pachislot machines increasing to 52.1% at the end of FY3/25 (36.4% at the end of FY3/24) and the ratio for Smart pachinko machines increasing to 14.1% at the end of FY3/25 (4.7%). Sales of VEGASIA\*<sup>1</sup>, a card unit for Smart gaming machines, were strong. In addition, sales volumes for the new information disclosure terminals REVOLA II and DUALINA increased. Notably, the installment ratio for Smart pachinko machines gradually began to improve. In terms of factor 2), the Company provided support for new banknotes at 95.5% of gaming halls that had introduced its products, leading to stronger-than-anticipated interim results. In terms of factor 3), the number of member stores using MG Services increased due primarily to services such as ClarisLink, a cloud-based chain store management system, and Market-SIS, a market area analysis service, resulting in steady growth\*<sup>2</sup>.

\*<sup>1</sup> The Company's card unit, which entered the market in 2013, increased its installation share to 18.8% (from 17.6% at the end of the previous fiscal year). As a latecomer to the market, it still has considerable room for growth.

\*<sup>2</sup> Market-SIS, which was released in April 2019, is in use at 4,380 gaming halls as of March 31, 2025 (increase of 84 halls from the end of FY3/24), and ClarisLink, released in November 2021, is contracted by 1,032 halls (increase of 246 halls), so both products are growing steadily.

On the profit front, despite a slight decline due to upfront expenditures for cloud development, an increase in personnel expenses, and a provision for quality assurance reserves\* among other factors, the segment maintained a high level of profitability. This was supported by growth in high-margin mainstay products, strong demand related to support for new banknotes, and the accumulation of recurring revenue from MG Services. The segment income margin also remained high at 27.6% (29.6% in the previous fiscal year).

| \* Related to support for new banknotes in connection with the issuance of redesigned currency. |

According to the Company's DK-SIS data, the average annual operating rate of all gaming machines was 102.0% compared to the previous fiscal year, indicating a solid trend. In particular, Smart pachinko machines operated at 121.2% and Smart pachislot machines at 127.0% compared to conventional machines, showing that Smart gaming machines are driving overall growth in machine utilization.

## (2) Amusement Segment

Net sales declined 1.1% YoY to ¥4,451mn, but the segment returned to profitability with segment income of ¥356mn (compared to a loss of ¥390mn in the previous fiscal year). The decrease in net sales was due to a decline in sales of display units and other products as the Company continued winding down its pachinko hardware business. However, orders for pachinko-related content and software increased, and in the game business operated by subsidiary Genki Co., Ltd., the new title\* in the Tokyo Xtreme Racer series saw strong sales. As a result, the composition of net sales began to shift. On the profit front, although the Company continued development investment for the market launch of Smart pachislot machines under its own brand, structural reforms undertaken to improve the profitability of the segment proved effective, resulting in a return to the black.

| \* This was the first new release in 18 years. The early access version launched in January 2025 quickly reached No. 1 in the domestic Steam rankings and ranked No. 2 globally. The full-access version is scheduled for release in September 2025. The Company plans to develop the title into a repeatable game IP and promote it as a recurring-revenue business. |

## (3) Other

Net sales were ¥889mn, while there was a segment loss of ¥178mn. Although net sales were within expectations thanks to smooth progress in post-merger integration (PMI) at acquired companies, the loss was upfront expenditures.

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

Financial results trends

## 2. Summary of FY3/25

To summarize FY3/25, the Company can be commended for demonstrating its true strength in the industry by fully capitalizing on external tailwinds (such as increased operating rates at pachinko halls, a higher installation ratio for Smart gaming machines, and demand for supporting new banknotes), and achieving all-time record-high results on the profit side. However, the demand for support for new banknotes has already run its course and should be considered to be a temporary source of special demand. Furthermore, while the recent increase in the installation ratio of Smart pachinko machines—which had previously seen little progress—is a positive development for the future, the growth of Smart pachislot machines, which had been the main driver of earnings over the past two years, has begun to level off, and this shift in trend warrants close attention. The return to profitability in the Amusement Segment, which had been undergoing structural reforms, is also a noteworthy achievement. In terms of business activities, the Company actively carried out a series of M&As and business partnerships aimed at expanding its business domains, delivering meaningful strategic results.\*

\* In terms of M&A, the Company made NISHIMOTO INDUSTRY CO., LTD., LILIUM CO., LTD., LOGON SYSTEM CO., LTD., and Hakone Glass Forest Resorts Co., Ltd. (real estate, art collections, etc.) consolidated subsidiaries, and made Nanaha Co., Ltd. an equity-method non-applicable affiliate. As for business partnerships, the Company entered into an alliance with Tsuburaya Fields Holdings Inc. <2767>.

## Review of the previous medium-term management plan

### Results significantly exceeded initial expectations due to special demand related to Smart machine replacements and support for new banknotes. M&A also delivered results with an eye toward future growth

The medium-term management plan covering FY3/23–FY3/25, which concluded in FY3/25, was launched in anticipation of a new era driven by Smart gaming machines. During the plan period, the Company steadily captured equipment demand associated with the introduction of Smart gaming machines and worked to redefine its business domains in response to changes in the business environment. As part of its medium- to long-term growth strategy, the Company also set a clear direction of aiming to become a DX leader in the pachinko industry through the use of advanced technologies such as AI and big data.

#### (1) Progress toward performance targets

Consolidated net sales grew sharply to ¥57.4bn—2.35 times the level in the base year (FY3/22)—while operating income expanded more than tenfold to ¥12.2bn, significantly exceeding the initial targets of the previous medium-term management plan.\* In the Information System Segment, performance was lifted by a faster-than-expected replacement cycle of pachinko machines with Smart gaming machines, as well as unanticipated special demand related to support for new banknotes. On the other hand, the Amusement Segment fell short of plan due to the impact of a business partner filing for civil rehabilitation and sluggish demand for pachinko machines.

\* The initial targets for the previous medium-term management plan (FY3/25) were ¥40.0bn in consolidated net sales and ¥4.5bn in operating income.

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

Review of the previous medium-term management plan

## (2) Three-year investment achievements

The Company also made solid progress in investments over the three-year period, proactively allocating resources with a view to future growth.\* These included investments related to Smart gaming machines and support for new banknotes, development investment in pachislot, and M&A aimed at expanding its business domains. In particular, the Company entered new fields such as the food and tourism businesses through M&A, laying the groundwork for business portfolio transformation.

\* Over the three years, R&D expenses totaled ¥3.4bn. Capital investment amounted to ¥4.9bn in hardware (including real estate) and ¥4.5bn in software. The Company also invested ¥2.55bn in M&A. Each of these exceeded the levels of the previous three-year period.

# New medium-term management plan

## Taking on the challenge of delivering extraordinary customer experiences and creating new markets in response to a changing business environment

Amid significant changes in the business environment, the Company announced its Vision for 2030 and the first phase of that vision—its new medium-term management plan covering FY3/26–FY3/28—on May 15, 2025.

### 1. Vision for 2030

Under the concept of “Make CX Amazing: Delivering Unprecedented Customer Experiences to the World,” the Company aims to remain an innovator that shapes the future of the pachinko industry while also taking on the challenge of creating new markets, thereby evolving into a corporate group that contributes to society across diverse fields. It has set forth two strategic themes: 1) Taking on the challenge of creating the future of new entertainment, and 2) taking on the challenge of entering other industries and expanding business domains. Through the use of advanced technologies—including AI, IoT, and VR/AR—the Company seeks to create new customer experiences in the pachinko and related fields. It also envisions expanding into other industries, including B2C businesses such as food entertainment, tourism, and IP-based businesses. To realize this vision, the Company plans to invest cash generated from its high-profit existing businesses into new business development and M&A, working to expand its business foundation and reform its business portfolio. In particular, with a view to addressing challenges in existing businesses—such as significant performance volatility, market contraction, and high dependency on a single business—it will aim to sustainably grow earnings by adding businesses that offer stable revenue, growth potential, and synergy with existing operations. The Company plans to raise the contribution of new businesses (as a percentage of net sales) to 25% by fiscal 2030.

### 2. Basic policy and targets of the new medium-term management plan

#### (1) Basic policy

The newly announced three-year medium-term management plan is positioned as the first phase toward realizing the Vision for 2030. Although performance is expected to temporarily decline due to the disappearance of special demand that had driven growth over the past two years, the Company plans to focus on expanding its business foundation and actively pursuing upfront investments aimed at future growth (and renewed growth in the next medium-term management plan).

Daikoku Denki Co., Ltd.

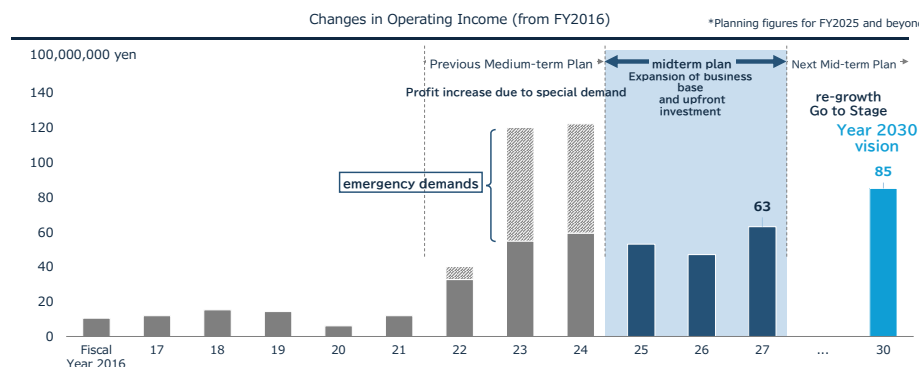
19-Aug.-2025

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

<https://www.daikoku.co.jp/en/ir/>

### New medium-term management plan

#### Trends in operating income (planned) and positioning of the new medium-term management plan



Source: The Company's medium-term management plan

## (2) Key initiatives and outlook for each business

### 1) Information System Segment

The Company will aim to become the DX leader of the industry through the use of AI and big data by focusing on: 1) optimizing and innovating hall operation processes, 2) entering the customer acquisition support service field, 3) enabling data-driven management, and 4) improving productivity (enhancing human capital value). While the introduction of Smart pachislot machines has plateaued and the spread of Smart pachinko machines is progressing gradually, sales are not expected to grow as they did over the past two years. Nevertheless, by supporting pachinko hall operators in their key challenges—customer acquisition and operational efficiency—and expanding MG Services via cloud services, the Company aims to significantly enhance the competitiveness of pachinko halls and their appeal to players, thereby contributing to the sustainable growth of the industry.

### 2) Amusement Segment

The Company will aim to create hit models of Smart pachislot machines under its own brand and strengthen earnings in the Amusement Segment by focusing on: 1) reviewing and enhancing its pachislot planning and development structure, 2) fostering its content business, 3) maintaining earnings through contracted pachinko software development, and 4) creating mainstay products (games). One model was already released in May 2025, but in the second year, the Company expects to post a temporary loss due to development investment for the next release. In the third year, it anticipates increased earnings from the sale of multiple models.

### 3) New businesses

The Company will aim to establish multiple growth pillars and take on the challenge of entering new business domains by focusing on: 1) PMI and creating group synergies, 2) expanding its customer base and improving profitability at theme parks and commercial facilities, 3) strengthening the sales capabilities of its system development division and improving profitability through AI product development, 4) enhancing profitability in B2C businesses by boosting customer acquisition and dwell time via the internet, and 5) expanding the scale of the Yuri exhibitions, acquiring high-quality content, and pursuing overseas expansion. For the final year (FY3/28), the Company forecasts net sales of ¥6.5bn, accounting for approximately 13% of total sales.

## (3) Performance targets

Under its Vision for 2030, the Company has set targets of ¥60.0bn in net sales and ROE of over 10% for fiscal 2030 (FY3/31). As a milestone toward this goal, it is aiming for ¥49.0bn in net sales, ¥6.3bn in operating income, and ROE of over 8% in the final year of the new medium-term management plan (FY3/28).

**Daikoku Denki Co., Ltd.**

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## New medium-term management plan

**Performance targets under the medium-term management plan**

	Reference year FY3/25 Results	Year 1 FY3/26 Forecast	Year 2 FY3/27 Plan	Final year FY3/28 Plan	(¥mn) Vision for 2030 FY3/31 Plan
Net sales	57,415	44,000	42,000	49,000	60,000
(Excluding special demand)	(29,611)				
Information service business	52,126	37,500	36,000	36,500	-
(Excluding special demand)	(24,322)				-
Amusement Business	4,451	4,600	3,300	6,000	-
Other Businesses	889	1,900	2,700	6,500	-
Operating income	12,212	5,300	4,700	6,300	-
(Excluding special demand)	(5,932)				
Information service business	14,406	7,800	7,000	7,500	-
(Excluding special demand)	(8,126)				-
Amusement Business	356	300	-230	500	-
Other Businesses	-178	60	400	900	-
ROE	18.0%	-	-	Over 8%	Over 10%
(Excluding special demand)	(8.4%)				

Source: Prepared by FISCO from the Company's results briefing materials and medium-term management plan

**(4) Cash allocation**

The Company plans to allocate a total of ¥8.0bn to new businesses and M&A, ¥11.0bn to growth investment, ¥3.2bn to DX/productivity enhancement investment, and ¥3.6bn to shareholder returns, using a combination of operating cash flow (totaling ¥20.6bn over three years) and surplus funds. Of the ¥11.0bn in growth investment, ¥6.0bn will be allocated to pachinko-related areas and ¥5.0bn to non-pachinko areas.

## Outlook

### Expecting lower sales and profits in FY3/26 due to the disappearance of special demand and the full-scale rollout of strategic investments

**1. FY3/26 forecast**

For FY3/26, the first year of the new medium-term management plan, the Company is forecasting declines in both sales and profit, with consolidated net sales projected to decrease 23.4% YoY to ¥44,000mn, operating income to fall 56.6% to ¥5,300mn, ordinary income to drop 56.7% to ¥5,300mn, and net income attributable to owners of parent to decline 54.7% to ¥3,500mn.

# Daikoku Denki Co., Ltd. | 19-Aug.-2025

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

<https://www.daikoku.co.jp/en/ir/>

## Outlook

The significant decline in net sales is mainly due to the disappearance of special demand in the Information System Segment related to support for new banknotes and a slowdown in equipment sales for Smart gaming machines\*1. On the other hand, the Amusement Segment is expected to grow, driven by the market launch of a Smart pachislot machine under the Company's own brand in May 2025\*2.

\*1 Transitioning from the initial expansion phase to a stable growth phase, the installation share of Smart gaming machines as of the end of FY3/26 is projected to reach 58% for Smart pachislot machines (from 52.1% at the end of the previous fiscal year) and 27% for Smart pachinko machines (from 14.1%), indicating moderate growth.

\*2 The Smart pachislot machine "Classroom of the Elite," released in May 2025, sold out its production run of 5,500 units. According to DK-SIS data, the machine exceeded 20,000 outs on its first day, getting off to a strong start above the first-day average for new machines.

On the profit front, the Company expects a sharp decline due to both the decrease in sales in the Information System Segment and the full-scale rollout of strategic investments aimed at future growth, including continued DX promotion, development investment, and new business initiatives. However, it should be noted that this temporary decline in performance is primarily the result of the disappearance of special demand over the past two years and does not indicate a change in the Company's medium- to long-term growth potential.

## FY3/26 forecast

	FY3/25		FY3/26		YoY	
	Results	Share	Forecast	Share	Change	Change %
Net sales	57,415	-	44,000	-	-13,415	-23.4%
Information System Segment	52,126	90.8%	37,500	85.2%	-14,626	-28.1%
Amusement Segment	4,451	7.8%	4,600	10.5%	148	3.3%
Other	889	1.5%	1,900	4.3%	1,010	113.6%
Adjustment	-52	-	-	-	-	-
Gross profit	26,693	46.5%	20,000	45.5%	-6,693	-25.1%
SG&A expenses	14,480	25.2%	14,700	33.4%	219	1.5%
Operating income	12,212	21.3%	5,300	12.0%	-6,912	-56.6%
Information System Segment	14,406	27.6%	7,800	20.8%	-6,606	-45.9%
Amusement Segment	356	8.0%	300	6.5%	-56	-15.8%
Other	-178	-	60	3.2%	238	-
Adjustment	-2,371	-	-2,860	-	-488	-
Ordinary income	12,231	21.3%	5,300	12.0%	-6,931	-56.7%
Net income attributable to owners of the parent	7,727	13.5%	3,500	8.0%	-4,227	-54.7%

Source: Prepared by FISCO from the Company's financial results and results briefing material

## 2. FISCO's view

FISCO believes that the Company's FY3/26 forecast is a reasonable estimate that fully accounts for the reactionary decline following the disappearance of special demand and the impact of upfront investments, and that the forecast is well within reach. While performance may appear underwhelming compared to the past two years, as noted earlier, this does not reflect any fundamental change in the Company's medium- to long-term growth potential—this point should be assessed objectively. Rather, the fact that the Company is securing a baseline level of profit while proceeding with upfront investments toward renewed growth, and has committed to a minimum dividend (details provided later), reflects its confidence in maintaining earnings strength. Although the forecast assumes gradual adoption of Smart gaming machines, depending on the performance of new models, installation may advance beyond expectations, which could become an upside factor. Future developments should be monitored closely.

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

## Outlook

From a medium- to long-term perspective, attention should be paid to the progress of PMI and the creation of synergies with newly consolidated Group companies. In both the Vision for 2030 and the new medium-term management plan, the cultivation of new businesses (establishing new pillars of growth) is a major theme. How the Company generates value through collaboration with entities such as Nanaha, which operates matcha cafés, and Hakone Glass Forest Resorts will serve as a key indicator of its future direction. Although the pachinko industry continues to shrink, signs of recovery have begun to emerge, and the Company is well positioned to both benefit from market consolidation and create new customer experiences. That said, identifying the next growth driver after the current wave of Smart gaming machine adoption is a critical issue. FISCO believes that the Company's expertise in data utilization and its accumulated know-how in the Amusement Segment can be effectively applied to other industries. As with the pachinko industry, the success of the Company will likely hinge on how well it can drive innovation in food entertainment, tourism, and other new business areas. In this regard, future developments in M&A and business alliances will be closely watched.

## Industry environment

### Market showing signs of revitalization through the market launch of Smart gaming machines

Japan's pachinko industry has been experiencing a challenging environment over the past 10 years, reflecting the decline in the overall number of pachinko players, a trend toward playing games with low rental costs for balls, increases in Japan's consumption tax, and other factors. The self-regulatory action taken by the industry in 2015 (tightening restrictions on both pachinko and pachislot machines with strong gambling elements) left the whole industry in a slump in 2016 as it started to grapple with the problem of collecting and removing all pachinko machines that may perform differently from certified standards. Furthermore, promulgation of "new regulations" on September 2017 fueled pessimistic views of the industry and uncertainty about the future. This disarray persisted for a while, and additional impact by COVID-19 (temporary hall closures and shorter operating hours) since the start of 2020 accelerated the harsh environment. However, with the phased introduction of Smart gaming machines starting in November 2022, the market for gaming machines and the pachinko hall industry as a whole entered a new era, driven primarily by the replacement cycle centered on Smart pachislot machines, which gained strong support from players.

According to the Current State of Amusement and Entertainment Business, etc., and State of Control of Offenses Related to Amusement and Entertainment Business, etc. by the National Police Agency, the number of pachinko halls in Japan declined at an average annual rate of 5.1% over 10 years from 2014 to 2024. At the end of December 2024, the number of halls was 6,706 (down 377 YoY), and the Company share of hall computer customers rose to 40.6% continuing the trend to increase year by year. Its customer halls are often high-end, large pachinko halls that are the top performers in their respective local markets and exceed the market average in size\*. The customer base hence is fairly resilient to economic fluctuations and possesses healthy investment resources. As the Company moves toward a new era with Smart gaming machines, we expect an excellent opportunity for it to expand business once investment appetites recover, mainly at large halls.

\* The Company's share of the large-scale halls (at least 501 machines) market is around 60%.

Daikoku Denki Co., Ltd.

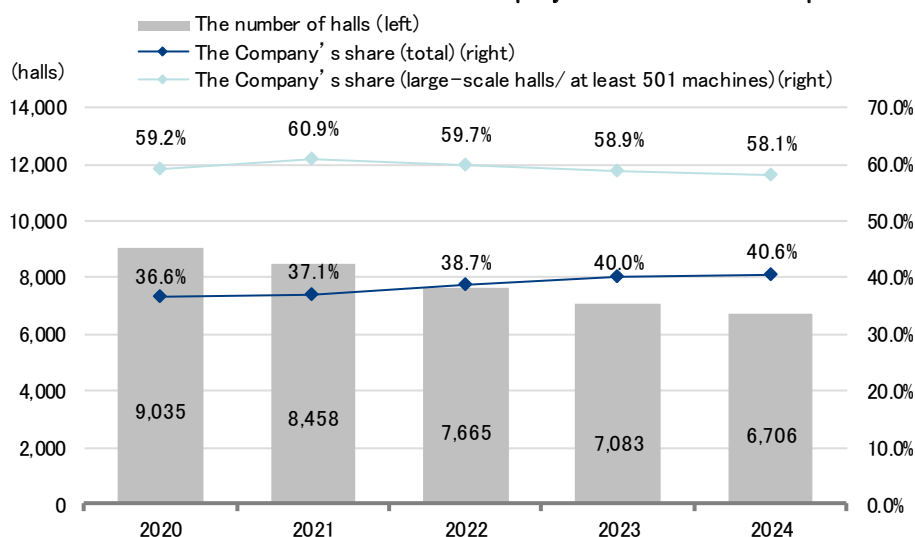
19-Aug.-2025

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

<https://www.daikoku.co.jp/en/ir/>

Industry environment

### Trends in the number of halls and the Company's share of the hall computer

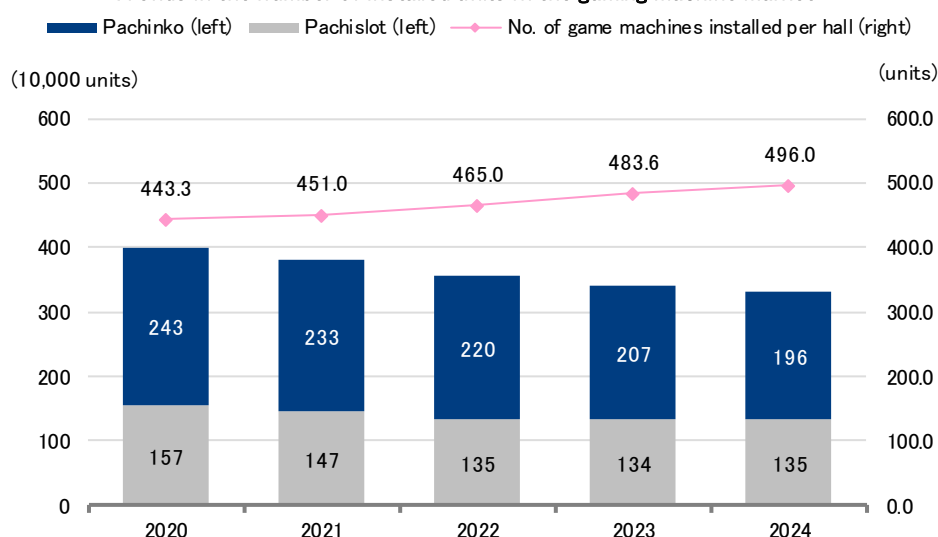


Source: Prepared by FISCO from the Current State of Amusement and Entertainment Business, etc., and State of Control of Offenses Related to Amusement and Entertainment Business, etc. 2024 by the Safety Division of the Community Safety Bureau, the National Police Agency, and the Company's results briefing materials

Although the number of game machines installed and running in the market is on a downward trend, the number of machines per hall is increasing, indicating that halls are becoming larger. As discussed above, larger pachinko halls that command economies of scale are a main segment, therefore this trend should benefit the Company with its ability to realize robust investment return through advanced functionality and added value.

\* However, the number of installed pachislot machines has increased for the first time in eight years.

### Trends in the number of installed units in the gaming machine market



Source: Prepared by FISCO from the Current State of Amusement and Entertainment Business, etc., and State of Control of Offenses Related to Amusement and Entertainment Business, etc. 2024 by the Safety Division of the Community Safety Bureau, the National Police Agency, and the Company's results briefing materials

Daikoku Denki Co., Ltd.

19-Aug.-2025

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

<https://www.daikoku.co.jp/en/ir/>

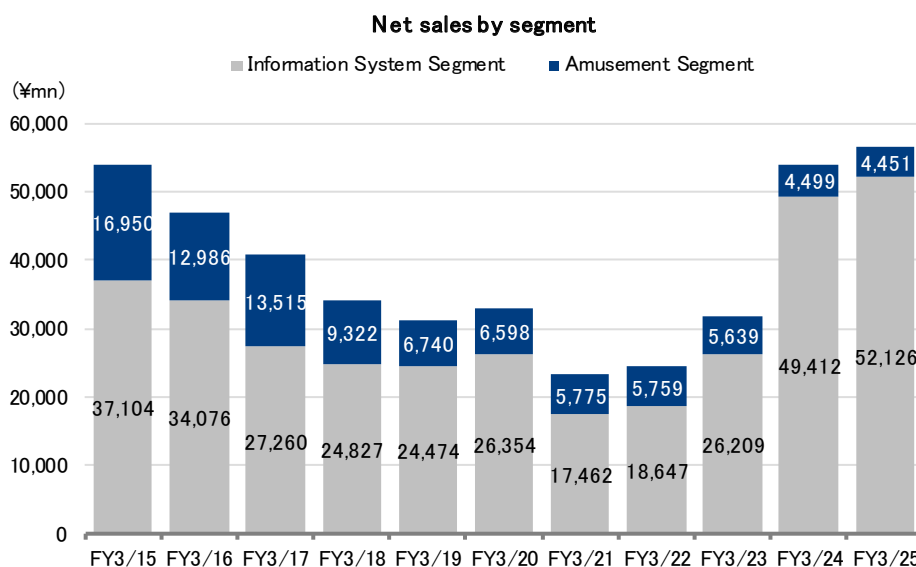
#### Industry environment

Moreover, a recent trend worthy of note is that, even as the number of halls decline, the sales scale and the gross-profit scale of the market as a whole have turned positive in 2023. This marked the first increase of over 5% YoY in 11 years. In 2024, the sales scale remained strong at ¥16.2tn (up ¥0.5tn YoY), and the gross-profit scale was ¥2.54tn (flat YoY). As is clear from this, Smart pachislot is having an effect, and it can be said that this data dispels the image of an industry in decline and instead shows that it has reached a turning point of being focused on Smart gaming machines.

## Performance over the past fiscal years

### Taking the opportunity of performance recovery and growth driven by Smart gaming machines to establish a sustainable growth foundation

Looking back at past results, the Company's sales shrank YoY because of restrained consumer spending and the impact of the Great East Japan Earthquake in FY3/11. Its results rebounded afterwards, even though the pachinko industry continued to contract. This recovery was mainly led by the Information System Segment, which holds a strong market share and steadily increased net sales through FY3/15, supporting the Company's overall performance. However, net sales have been weak since FY3/16 due to the impacts of negative factors in the industry (self-regulatory action, collecting and removing of machines, and uncertainty related to new regulations), as well as the impacts of the COVID-19 pandemic and other factors since the start of 2020. However, in FY3/23, in addition to the recovery from the pandemic, the market environment changed with the introduction of Smart pachislot machines in November 2022, and with this the Company's results have been recovering and expanding pivoting on the Information System Segment. In FY3/25, the Information System Segment set a new record high in net sales for the second consecutive year, driven by the combined effects of Smart gaming machine adoption and special demand related to support for new banknotes.



Source: Prepared by FISCO from the Company's financial results

**Daikoku Denki Co., Ltd.**

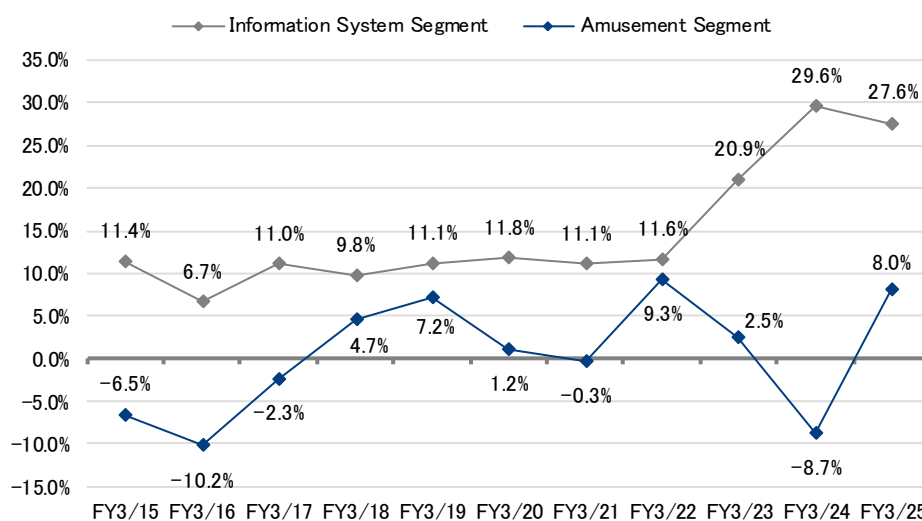
6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

**19-Aug.-2025**
<https://www.daikoku.co.jp/en/ir/>

Performance over the past fiscal years

The Information System Segment has become the source of profits, and has maintained high profit margins. Margins fell from FY3/14 to FY3/16 due in part to an increase in R&D expenses for next-generation products. During the period from FY3/18 to FY3/22, these expenses ran their course, but a slump in net sales and other factors prevented the profit margin from returning to its previous high level. In FY3/23, however, the profit margin of the Information System Segment improved greatly thanks to a recovery in net sales and increased sales of high added-value products. The Company is also steadily converting to a recurring revenue business model through the growth of its MG Services, and this is also a factor underpinning profit. Since FY3/24, the Information System Segment has also benefited from special demand related to support for new banknotes.

### Operating income margin by segment



Source: Prepared by FISCO from the Company's financial results

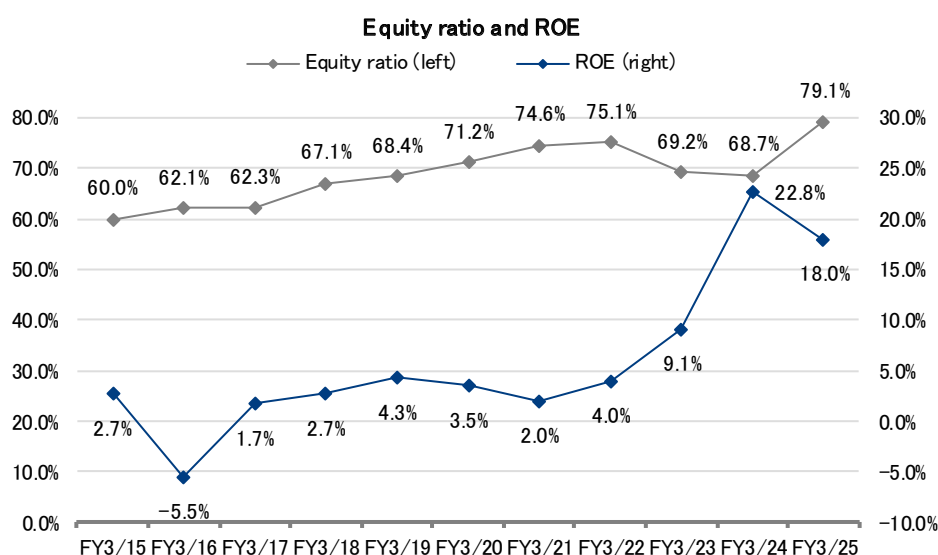
**Daikoku Denki Co., Ltd.**

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

**19-Aug.-2025**
<https://www.daikoku.co.jp/en/ir/>

Performance over the past fiscal years

In terms of financial indicators, the Company's equity ratio, a measure of financial stability, has risen, reflecting an accumulation of retained earnings, etc. In FY3/24, the Company maintained its equity ratio at a high level of 68.7% despite a slight decrease as assets such as accounts receivable – trade increased due to the rapid expansion of net sales. As noted earlier, in FY3/25 the equity ratio rose 10.4 percentage points YoY to 79.1%. The current ratio, which indicates the ability to make payments in the short term, secured at a similar level, mainly due to large holdings of cash and deposits, as the Company's robust financial base can be said to be a strength as a source for powering future growth. ROE, a measure of capital efficiency, has been low since FY3/15 due to a deterioration of net income. The Company suffered losses in FY3/15 due to the bankruptcy of a manufacturer customer and in FY3/16 due to the devaluation of parts and materials for its pachislot machines as industry restrictions were placed on risky machines. However, as profits recovered, ROE also improved significantly, and from FY3/24 onward, supported in part by special demand, the Company has maintained a high level of ROE for two consecutive years.



Source: Prepared by FISCO from the Company's financial results

Daikoku Denki Co., Ltd.

6430 Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

19-Aug.-2025

<https://www.daikoku.co.jp/en/ir/>

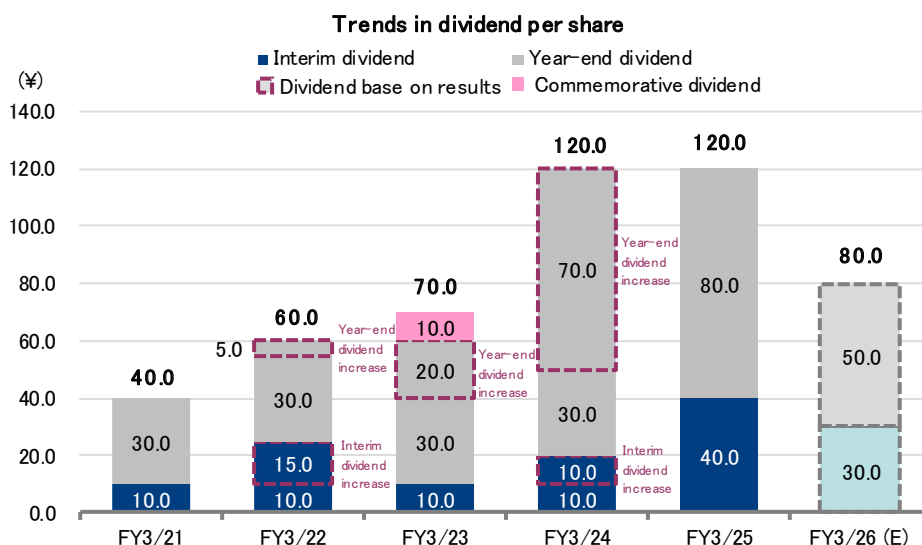
## Shareholder returns

### Stable and performance-linked profit distribution policy. Minimum annual dividend set at ¥80

Regarding dividends, the Company's basic policy is to provide stable dividends while also returning profits to shareholders in line with business performance, taking into account the business environment, earnings trends, and dividend payout ratio. Under the new medium-term management plan (FY3/26–FY3/28), the Company has set a minimum annual dividend of ¥80 per share.

For FY3/25, the Company paid an annual dividend of ¥120.0 per share (¥40.0 interim, ¥80.0 year-end), unchanged from the previous fiscal year. For FY3/26, based on the forecasted decline in profit due to the disappearance of special demand, the Company plans to pay a dividend of ¥80.0 per share (¥30.0 interim, ¥50.0 year-end). While this represents a temporary dividend reduction, FISCO believes there is ample potential for dividend increases in line with future profit growth.

Additionally, the Company resumed the shareholder benefit program in FY3/22. The benefit program gives QUO cards to shareholders with the value calibrated to the number of shares owned and the period of sustained ownership at the end of September each year.



Source: Prepared by FISCO from the Company's financial results and results briefing material

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