

# COMPANY RESEARCH AND ANALYSIS REPORT

## Daikoku Denki Co., Ltd.

6430

Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

18-Feb.-2026

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18-Feb.-2026

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## Summary

### While sales and profit decreased in 1H FY3/26, results exceeded the forecasts and the full-year forecast was revised upward

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.

\* Smart pachislot machines were introduced into the market from November 2022, and Smart pachinko machines were rolled out on April 2023. Their key features are that they enable users to play without directly touching the balls and medals, thereby making facilities related to balls and medals unnecessary at pachinko halls, and enhance 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).

#### 1. Overview of 1H FY3/26 results

In the consolidated results in 2Q FY3/26 (1H), sales and profit decreased, with net sales dropping 12.0% year on year (YoY) to ¥30,372mn and operating income declining 23.3% to ¥6,985mn, but the results exceeded the initial forecasts. Sales decreased in response to the absence of special demand related to support for new banknotes, but this within the expected range. In the Information System Segment, with the introduction of Smart gaming machines progressing better than expected, sales of the Company’s products that are ideal for these machines (card units, call lights, etc.) grew strongly. In the Amusement Segment, sales of Smart pachislot machines under the Company’s own brand exceeded the forecast. On the profit front, there was a decrease in profit in response to the absence of special demand related to support for new banknotes, but the Information System Segment maintained a high profit level and the Amusement Segment also contributed significantly. Profit therefore stood at a level exceeding the forecast.

#### 2. FY3/26 forecast

Based on the progress in the 1H results, the Company announced that it had upwardly revised the FY3/26 consolidated forecasts. Results are expected to slow temporarily in response to the absence of special demand related to support for new banknotes, with net sales to fall 11.3% YoY to ¥51,000mn and operating income to drop 38.7% to ¥7,500mn. However, these figures were revised upward from the initial forecasts, mainly because mainstay products performed well due to the introduction of Smart gaming machines exceeding expectations and sales of the Company’s pachislot machines performing better than expected. Profit will decrease because, in addition to the response to the absence of special demand related to support for new banknotes, the Company will pursue a full-scale rollout of strategic investments for the future. However, as with net sales, the Company upwardly revised the figure from the initial forecast. Furthermore, it increased the forecast year-end dividend by ¥20 (annual dividend per share of ¥100) and raised the minimum annual dividend in the medium-term management plan from ¥80 to ¥100.

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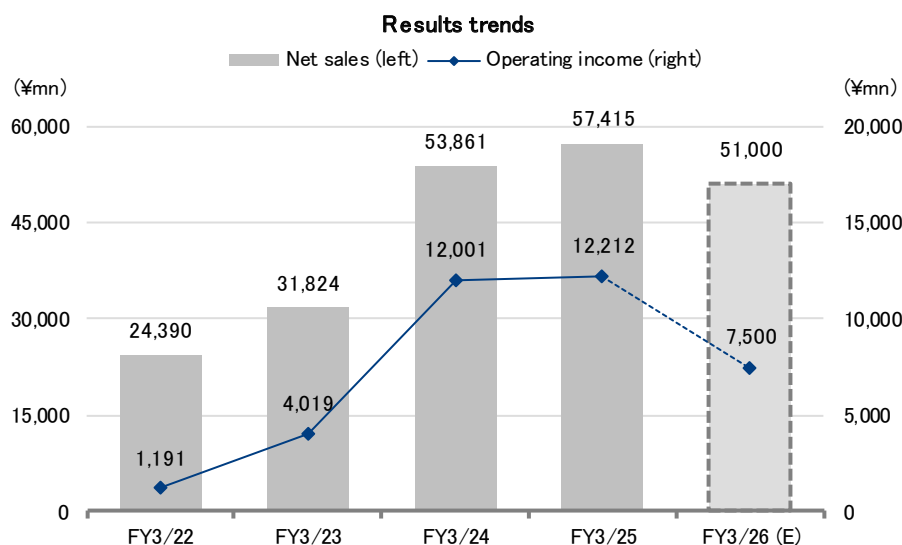
# Summary

## 3. Medium-term management plan

Under the newly begun 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, which was 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

- While sales and profit decreased in 1H FY3/26 in response to the absence of special demand related to support for new banknotes, results exceeded the forecasts
- Growth in mainstay products associated with the introduction of Smart gaming machines and higher than expected sales of the Company's pachislot machines contributed to the results
- Upwardly revised the forecasts for FY3/26 and also raised the year-end dividend by ¥20 from the initial forecast
- The newly begun medium-term management plan focuses on entering new domains within existing businesses and investing in new businesses to reform the business portfolio



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

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## 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, and Other, but the Information System Segment provided over 80% of its net sales and has been the main source of stable profit.

#### 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.

\* While the VEGASIA card unit was a latecomer to the market, its share has grown steadily since it was released in 2013 (share of 18.8% at the end of March 2025).

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.

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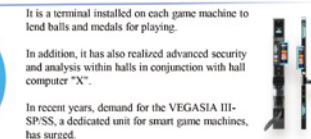
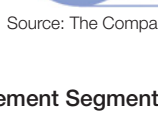

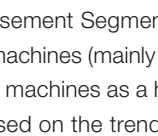
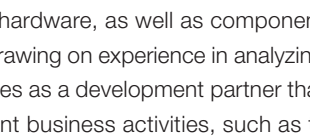
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### Business description

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

- Developing and providing various products and services for pachinko halls and pachinko fans

 <p><b>Hall computer</b></p>	<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>	
 <p><b>Web and app services for fans</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>	
 <p><b>Information terminals for fans (Large LCD)</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>Prize management</b></p>	<p>This is a system to exchange acquired pachinko balls for prizes.</p> <p>POS SP-01 can be operated without a keyboard using a large 15.6 inch touch panel LCD.</p> <p>The TJ-01 is a self-service POS integrated with a payment machine.</p>	
 <p><b>Card unit</b></p>	<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, Classroom of the Elite, under its own brand as a gaming machine manufacturer\*, and is working to strengthen this business as a future earnings pillar.

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

## 3. Other (new businesses)

This segment was added in FY3/25 in conjunction with M&A aimed at expanding the Company's business domains. It includes NISHIMOTO INDUSTRY CO., LTD. (display, decoration and maintenance, etc.), LILIUM CO., LTD. (planning, production, operation, management, etc. of various events), and LOGON SYSTEM CO., LTD. (development and design of computer software). Hakone Glass Forest Resorts Co., Ltd. which was established to take over the business of the Hakone Venetian Glass Museum, has also been incorporated into this segment, with the Company taking over the facility's operation in October 2025. Furthermore, in September 2024, the Company made Nanaha Co., Ltd., which operates franchises of the nana's green tea matcha café chain in Japan and overseas (New York in the US, etc.), an equity-method affiliate through subscription to a third-party allocation of shares.

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## 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 and has been 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.

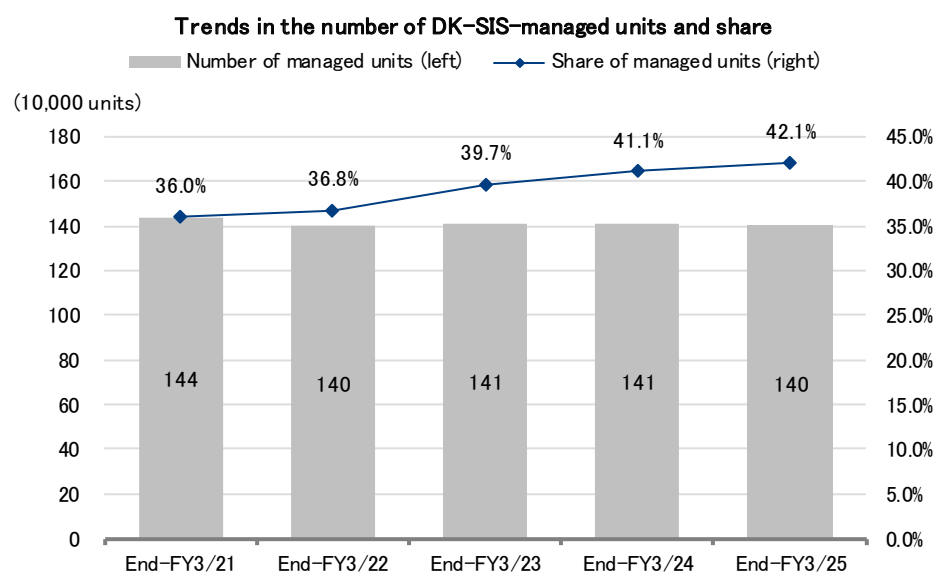
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Company features



Source: Prepared by FISCO from the Company's materials

### 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 begun 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.



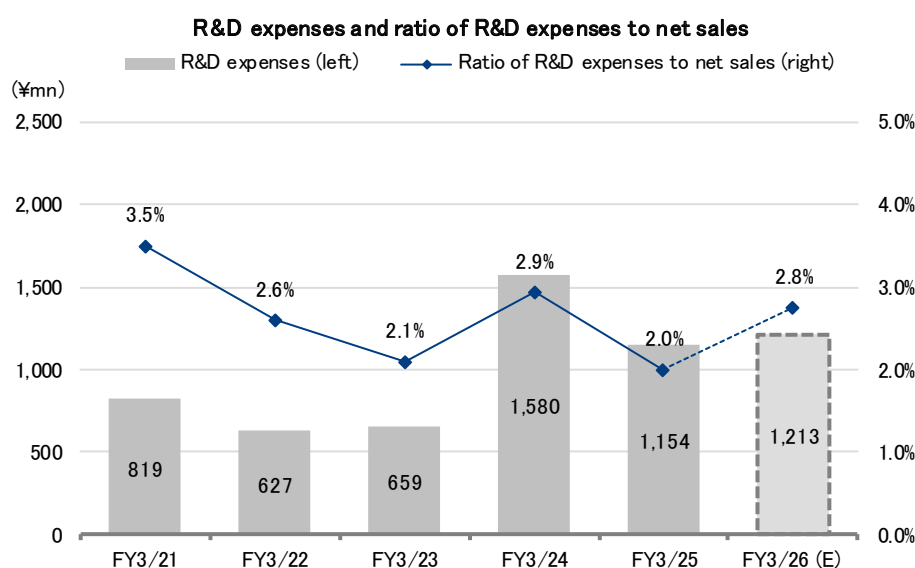
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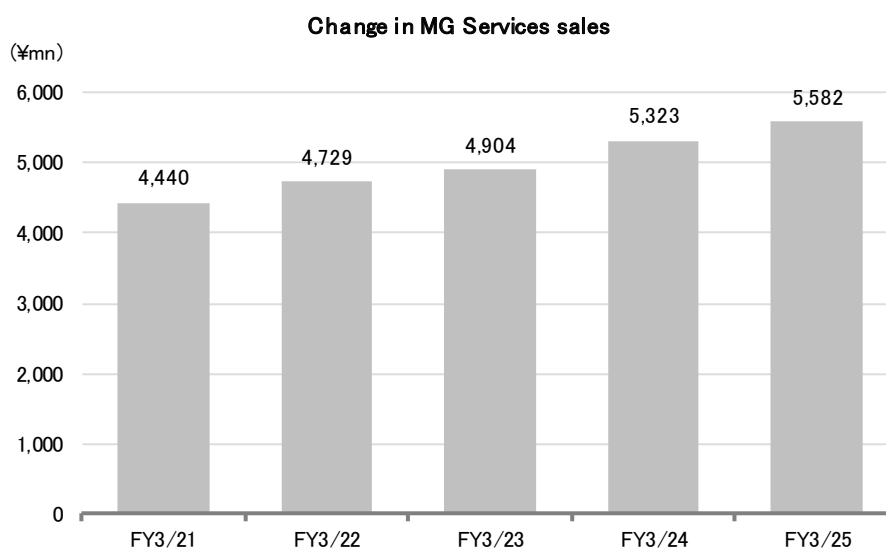
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Company features



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



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## Financial results trends

### While sales and profit decreased in 1H FY3/26 due to the disappearance of special demand, results exceeded the forecasts

#### 1. Overview of 1H FY3/26 results

In the consolidated results for 1H FY3/26, sales and profit decreased, with net sales declining 12.0% YoY to ¥30,372mn, operating income falling 23.3% to ¥6,985mn, ordinary income dropping 23.0% to ¥7,038mn, and net income attributable to owners of parent down 23.7% to ¥4,736mn. However, the results exceeded the initial forecasts.

The decrease in sales, which was within the expected range, was attributable to a response to the absence of special demand related to support for new banknotes. If the impact of this is excluded, sales effectively surpassed the forecast. In the Information System Segment, with the introduction of Smart gaming machines (especially Smart pachinko machines) progressing better than expected, sales of the Company's products that are ideal for these machines (card units, call lights, etc.) grew strongly. In the Amusement Segment, sales of Smart pachislot machines under the Company's own brand exceeded the forecasts. In the Other Segment, the companies with which M&A deals were completed in the previous fiscal year contributed from the start of the fiscal year. As a result, the Company achieved its second-highest level of sales for 1H despite the impact of the response to the absence of special demand related to support for new banknotes.

On the profit front, there was a decrease in profit in response to the absence of special demand related to support for new banknotes, but the Information System Segment maintained a high profit level and the Amusement Segment also contributed significantly. Profit therefore stood at a level exceeding the forecast, and the operating income margin also remained high at 23.0%.

As for financial condition, total assets increased 7.6% from the end of the previous fiscal year to ¥61,635mn due to an increase in cash and deposits, among other factors. Meanwhile, total equity also rose 8.3% to ¥49,058mn due to an increase in earned reserve, resulting in the equity ratio increasing slightly to 79.6% (from 79.1% at the end of the previous fiscal year).

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## Financial results trends

**Overview of 1H FY3/26 results**

	1H FY3/25		1H FY3/26		YoY	
	Results	Share	Results	Share	Change	Change %
Net sales	34,504	-	30,372	-	-4,132	-12.0%
Information System Segment	32,529	94.2%	25,449	83.8%	-7,080	-21.8%
Amusement Segment	1,842	5.3%	4,292	14.1%	2,450	132.9%
Other	145	0.4%	659	2.2%	513	353.0%
Adjustment	-13	-	-28	-	14	-
Gross profit	16,361	47.4%	13,861	45.6%	-2,499	-15.3%
SG&A expenses	7,258	21.0%	6,875	22.6%	-383	-5.3%
Operating income	9,102	26.4%	6,985	23.0%	-2,116	-23.3%
Information System Segment	10,320	31.7%	7,123	28.0%	-3,197	-31.0%
Amusement Segment	-2	-0.1%	1,063	24.8%	1,065	-
Other	-119	-	-12	-	106	-
Adjustment	-1,096	-	-1,189	-	-92	-
Ordinary income	9,135	26.5%	7,038	23.2%	-2,096	-23.0%
Net income attributable to owners of the parent	6,210	18.0%	4,736	15.6%	-1,473	-23.7%

(¥mn)

	End of FY3/25	End of September 2025	Vs. end of FY3/25	
			Change	Change %
Total assets	57,266	61,635	4,368	7.6%
Total equity	45,287	49,058	3,770	8.3%
Equity ratio	79.1%	79.6%	0.5%	-

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

**(1) Information System Segment**

Sales and profit decreased in response to the absence of special demand related to support for new banknotes, with net sales dropping 21.8% YoY to ¥25,449mn and segment income falling 31.0% to ¥7,123mn. However, in light of increased appetite for capital investment associated with the introduction of Smart gaming machines\*<sup>1</sup>, sales of the card unit VEGASIA, the new products BiGMO XCEL and TJ-01, and the recently released REVOLAI and DUALINA performed well\*<sup>2</sup>. In terms of service net sales, the number of member stores using MG Services steadily increased in response to market changes associated with the digital transformation (DX) of pachinko halls and the spread of Smart gaming machines, which helped boost results.

\*1 The number of Smart pachinko machines installed as of the end of September 2025 was around 460,000 (up 180,000 from the end of the previous fiscal year) and the installation rate grew significantly to 23.3% (up 14.6 percentage points [pp]), while the number of Smart pachislot machines installed was around 770,000 (up 70,000) and the installation rate was 56.3% (up 9.7pp), as both grew steadily. The reasons why smart pachinko machines grew steadily include: 1) a model with Lucky Trigger 3.0 Plus featuring new gaming functions was released in July, 2) the operating conditions of Smart pachinko machines are favorable, and 3) game machine manufacturers have begun shifting their development policy toward Smart pachinko (because it is easy to design gameplay of various kinds with Smart pachinko).

\*2 Due to the spread of Smart gaming machines, payouts based on the accumulation of balls are losing their appeal and there is a growing need for new visualization methods. In this context, the Company's products BiGMO XCEL, REVOLAI, and DUALINA leverage large LCD screens and display technology to create the sense of balls being dispensed and provide a dynamic feeling. They also enable displays tailored to the diverse gaming data characteristics sought by fans. Furthermore, with labor-saving measures in hall operation advancing rapidly, there has been a surge in demand for integrated terminals that increase operational efficiency. The TJ-01, which combines payment machine and POS functions, meets halls' need to ensure stable operation with a limited number of staff.

On the profit front, despite a decline in response to the absence of special demand related to support for new banknotes, the segment maintained a high level of profitability due to growth in mainstay products and the accumulation of recurring revenue from MG Services. The segment income margin also remained high at 28.0%.

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## Financial results trends

According to the Company's DK-SIS data, the operating rate of all gaming machines (July to September 2025) remained steady, decreasing 1.3% compared to 1H FY3/25. In particular, Smart pachinko machines operated at 122.2% compared to non-Smart AT models and Smart pachislot machines at 121.7% compared to conventional machines, showing that Smart gaming machines are driving overall growth in machine utilization.

## (2) Amusement Segment

Net sales rose 132.9% YoY to ¥4,292mn with segment income of ¥1,063mn (compared to a loss of ¥2mn in 1H FY3/25). Factors contributing to net sales included sales of Classroom of the Elite, a Smart pachislot machine launched in May 2025 that was developed by the Group company DAXEL, exceeding the forecast (sold out production run of 5,500 units), along with sales of Tokyo Xtreme Racer\*, an in-house game title developed by the Group company Genki Co., Ltd.

\* 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. In September 2025, the Company launched the full-release Steam version and also announced that it had decided to develop it a PlayStation 5 version.

On the profit front, although the Company continued development investment aimed at future growth, it achieved a considerable increase in profit (returned to the black) due to the launch of its own pachislot machines.

## (3) Other

Net sales rose 353.0% YoY to ¥659mn, while there was a segment loss of ¥12mn (compared to a loss of ¥119mn). The companies with which M&A deals were completed\* in the previous fiscal year contributed from the start of the fiscal year. On the profit front, PMI progressed steadily and a return to the black was seen.

\* NISHIMOTO INDUSTRY, LILIUM, LOGON SYSTEM, and Hakone Glass Forest Resorts

## 2. Summary of 1H FY3/26

The key point observed in 1H FY3/26 was that even though performance slowed temporarily due to the disappearance of special demand, Smart gaming machines spread while operation steadily increased and, most importantly, the Company's mainstay products effectively met halls' capital investment demand. This could be considered proof that the Company is able to supply competitive new products suited to the Smart gaming machine era. Furthermore, there was a steady increase in the number of member stores using MG Services that leverage data to support operations, and sales of the Company's own pachinko machines, which it is focusing on, exceeded the forecast. These results also demonstrate the true strength of the Group and are a factor creating higher expectations for the future. Meanwhile, the introduction of Smart gaming machines surpassed expectations and results were well above the forecast, which may be seen as positive. However, this could also be viewed as front-loaded demand, so it will be necessary to carefully monitor future trends regarding this point.

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## Outlook

### The forecasts for FY3/26 were revised upward significantly

#### 1. FY3/26 forecast

Based on the progress in the 1H results, the Company announced that it had upwardly revised the FY3/26 consolidated forecasts for a second time on November 14, 2025\*. It expects net sales to fall 11.3% YoY to ¥51,000mn (up ¥7,000mn compared to the initial forecast), operating income to drop 38.7% to ¥7,500mn (up ¥2,200mn), ordinary income to decrease 38.7% to ¥7,500mn (up ¥2,200mn), and net income attributable to owners of parent to decline 39.2% to ¥4,700mn (up ¥1,200mn).

\* The first upward revision (net sales only) was announced on August 8, 2025.

The main reason for the decrease, as in 1H, is the response to the absence of special demand related to support for new banknotes in the Information System Segment. On the other hand, the forecasts were revised upward from the initial figures mainly because new products such as card units and call lights performed well in conjunction with the introduction of Smart gaming machines surpassing expectations and sales of the Company's own pachislot machines were well above the forecast.

On the profit front, along with the disappearance of special demand related to support for new banknotes, the Company will pursue a full-scale rollout of strategic investments for the future (ongoing DX promotion and development investment, new businesses, etc.), leading to a decrease in profit. However, as with net sales, the Company upwardly revised the figure from the initial forecast.

#### FY3/26 forecast

	FY3/25		FY3/26				YoY	
	Results	Share	Initial forecast	Share	Revised forecast (November 14)	Share	Change	Change %
Net sales	57,415		44,000		51,000		-6,415	-11.3%
Information System Segment	52,126	90.8%	37,500	85.2%	43,100	84.5%	-9,026	-17.3%
Amusement Segment	4,451	7.8%	4,600	10.5%	6,000	11.8%	1,549	34.8%
Other	889	-	1,900	4.3%	1,900	3.7%	1,011	113.7%
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%	7,500	14.7%	-4,712	-38.7%
Information System Segment	14,406	27.6%	7,800	20.8%	9,300	21.6%	-5,106	-35.4%
Amusement Segment	356	-	300	6.5%	600	10.0%	244	68.4%
Other	-178	-	60	-	60	3.2%	238	-
Adjustment	-2,371	-	-2,860	-	-2,460	-	-88	-
Ordinary income	12,231	21.3%	5,300	12.0%	7,500	14.7%	-4,731	-38.7%
Net income attributable to owners of the parent	7,727	13.5%	3,500	8.0%	4,700	9.2%	-3,027	-39.2%

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

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## Outlook

### 2. FISCO's view

Net sales of ¥20,627mn and operating income of ¥514mn in 2H will be sufficient to achieve the full-year forecasts. These figures have been kept to a moderate level compared to the 1H results (particularly in terms of profit), mainly for the following reasons: 1) moderate growth is expected for Smart gaming machines, which drove results in 1H, 2) the contribution of the Company's own pachislot machines to results came to an end in 1H, and 3) investment in development of new products and cloud-related investments will be concentrated in 2H. It also seems that the Company has taken a somewhat conservative view of the uncertainty regarding sales trends for new machines (especially large models), which depend heavily on halls' appetite for capital investment. The forecasts are therefore at a very achievable level, and it should be noted that, depending on the growth of Smart gaming machines and sales of new machines, the results could even exceed the forecasts. A notable point is the Company's initiatives to grow its results in the next fiscal year and beyond. As mentioned earlier, in the current fiscal year, which is the first year of the medium-term plan, the introduction of Smart gaming machines surpassed expectations and results are projected to be well above the initial forecasts. However, it is possible that the impact of this (front-loaded demand) will take a toll on results in the next fiscal year and beyond. In light of this factor, a key question is therefore what the Company will do now to develop a second and third revenue pillar while results are favorable, such as developing new businesses to expand its business domains, enhancing the planning and development system for its own pachislot machines, or growing MC Services by sharing and analyzing data (supporting halls in attracting customers, increasing operational efficiency, etc.)? The fact that it recently raised the minimum annual dividend from ¥80 to ¥100 may be viewed as demonstrating its confidence that Smart pachinko machines are on a growth trajectory and that the spread of Smart gaming machines has created an environment that ensures continuous, stable cash flow.

## 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 medium-term management plan covering FY3/26–FY3/28—on May 15, 2025.

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## Medium-term management plan

### 1. Vision for 2030

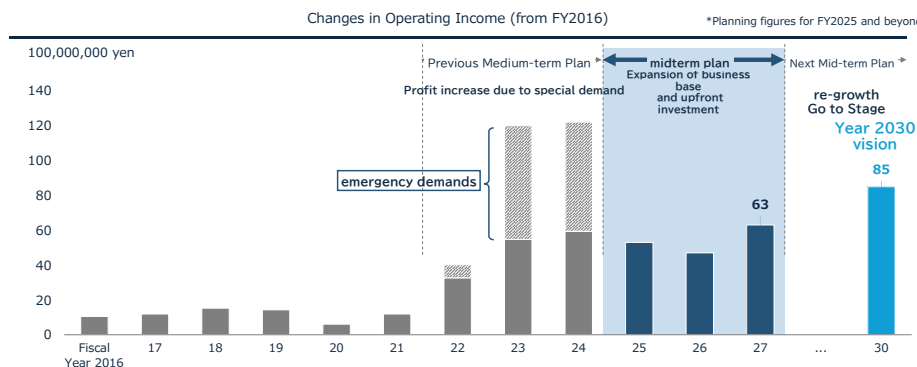
Under the concept of “Make CX Amazing: Delivering Unprecedented Customer Experiences to the World,” the Company aims to remain an innovator that shapes the future of the pachinko industry while also taking on the challenge of creating new markets, thereby evolving into a corporate group that contributes 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 medium-term management plan

#### (1) Basic policy

The newly begun three-year medium-term management plan is positioned as the first phase toward realizing the Vision for 2030. Although performance is expected to temporarily slow 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).

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



Source: The Company's medium-term management plan

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## 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). The Company already released one model in May 2025 and is currently pursuing development for two models. It apparently aims to release the next model in 2H of the next fiscal year (FY3/27).

**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 (as announced in May 2025)**

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 medium-term management plan (FY3/28).



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## Medium-term management plan

**Performance targets under the medium-term management plan (as announced in May 2025)**

	Reference year FY3/25 result	Year 1 FY3/26 plan	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 System Segment	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 System Segment	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%				

Note: The FY3/26 forecasts were revised upward (announced on November 14, 2025)

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.

**3. Primary medium- to long-term focuses for FISCO**

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 newly begun medium-term management plan, the cultivation of new businesses (establishing new pillars of growth) is a major theme. This will be achieved through pursuing directions that create new value and experiences in fields such as food, entertainment, and tourism by leveraging AI, VR/AR, image/audio, and interactive technologies. Thus, how the Company will generate 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.

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## 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, it is expected that this will be 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%.

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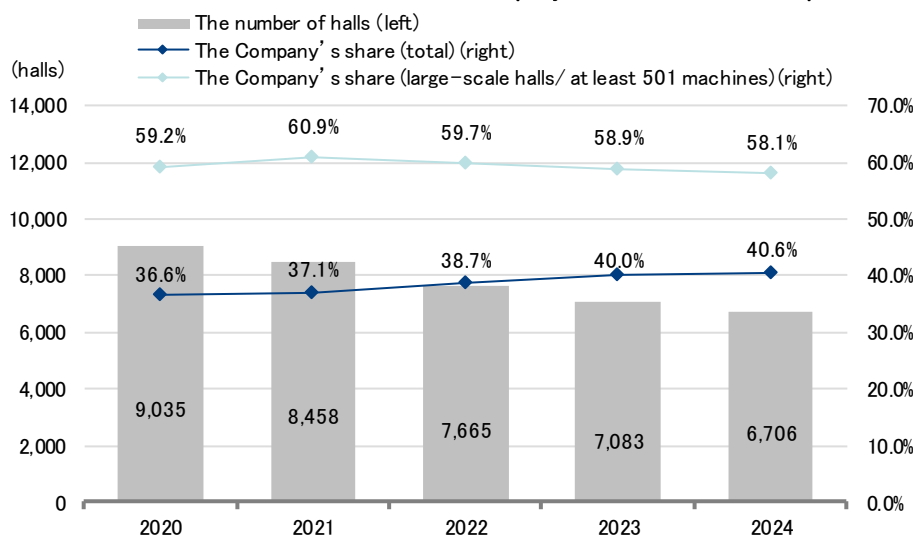
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Industry environment

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

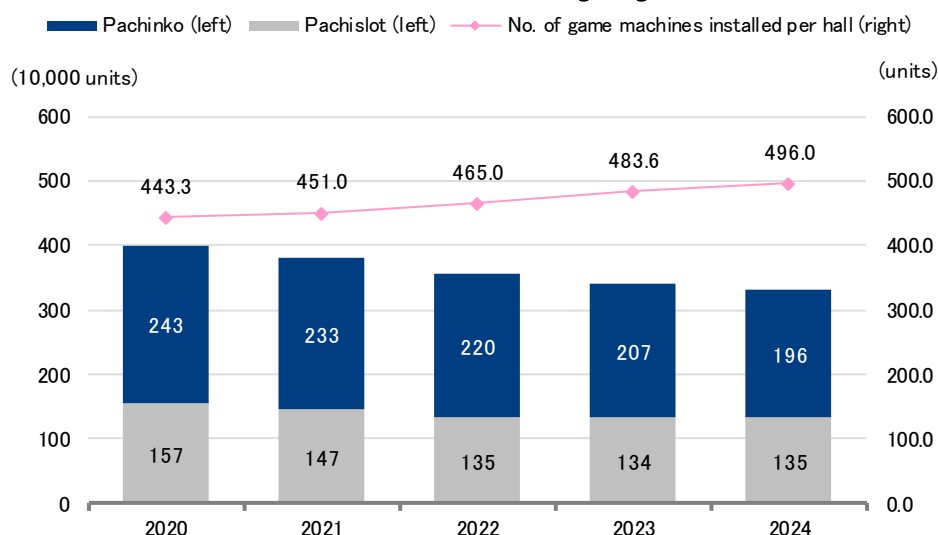


Source: Prepared by FISCO from the Current State of Amusement and Entertainment Business, etc., and State of Control of Offenses Related to Amusement and Entertainment Business, etc. 2024 by the Safety Division of the Community Safety Bureau, the National Police Agency, and the Company's results briefing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

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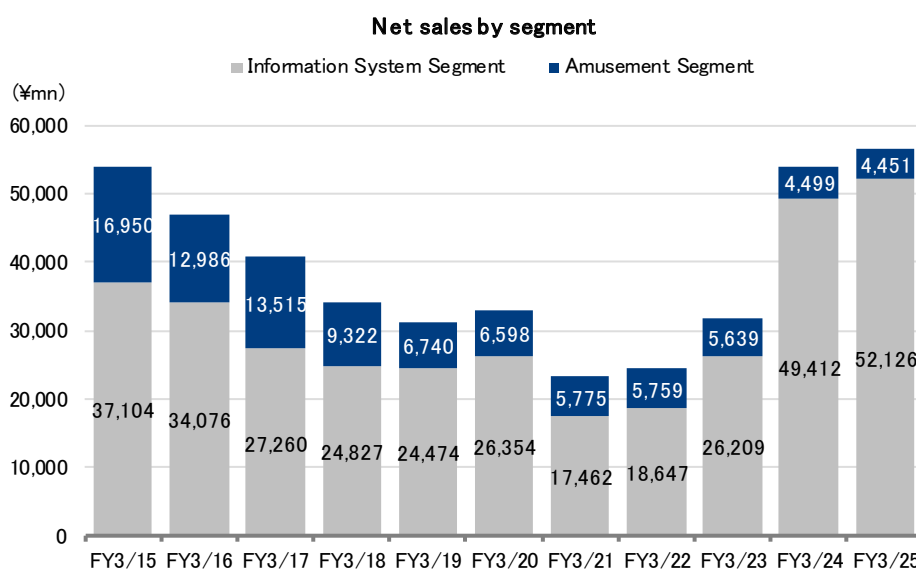
#### Industry environment

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

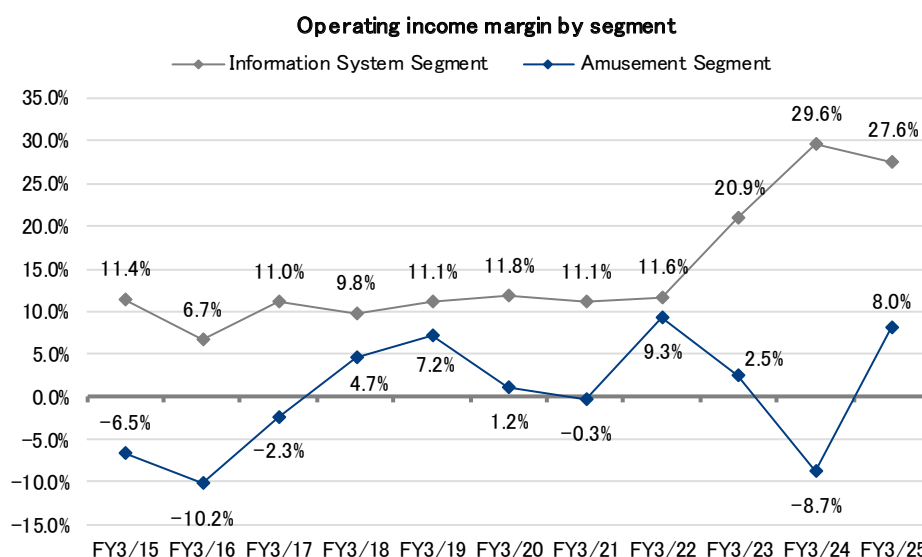
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Performance over the past fiscal years

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.



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

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, and in FY3/25, the equity ratio rose 10.4pp 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.

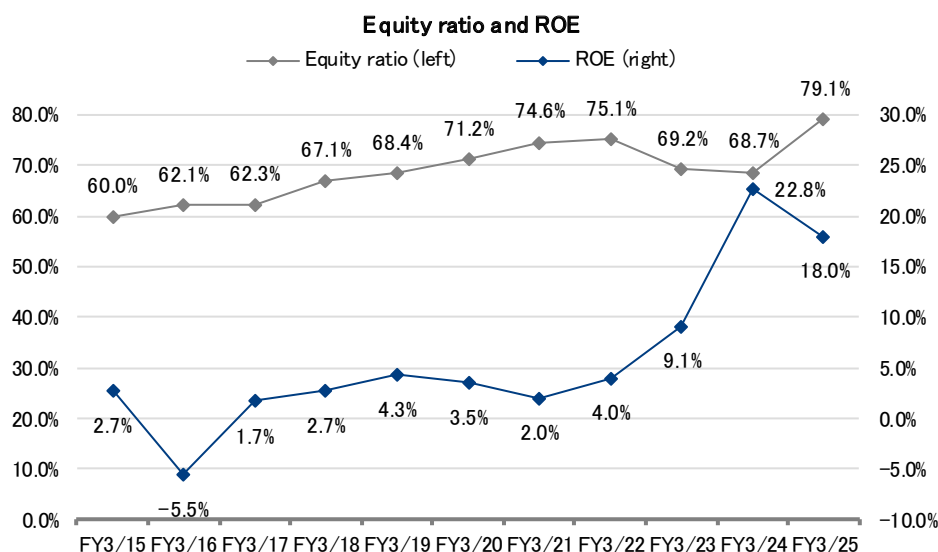
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Performance over the past fiscal years



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

## Shareholder returns

### Upwardly revised year-end dividend for FY3/26 and also raised annual lower limit to ¥100

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. Furthermore, the Company recently raised the minimum annual dividend from ¥80 to ¥100 for the period of the medium-term management plan (FY3/26–FY3/28).

Along with the upward revision of the results forecasts, the Company announced that it had upwardly revised the year-end dividend for FY3/26 by ¥20 from the initial forecast. As a result, it plans to issue an annual dividend per share of ¥100 (¥30 interim dividend already issued, ¥70 year-end dividend). While there was a temporary YoY dividend reduction based on the forecast decline in profit associated with the disappearance of special demand, FISCO believes there is ample potential for dividend increases in line with future profit growth.

Additionally, the Company 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.

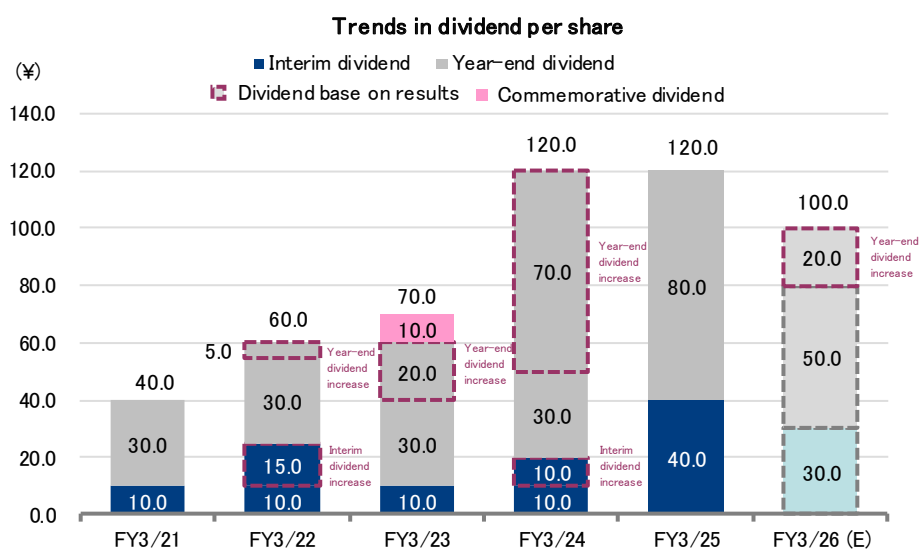
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## Shareholder returns



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

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