

**SANKYO CO., LTD.**

<https://www.sankyo-fever.co.jp/>

Shares listed: TSE Prime Market

Code number: 6417

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Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: No

(Figures less than 1 million yen have been omitted.)

**1. Results for the first quarter of FY2023 (From April 1, 2022, to June 30, 2022)**

(1) Consolidated operating results

(Percentage figures denote year-over-year changes.)

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
1st quarter of FY2023	27,763	154.0%	9,455	-	9,827	724.4%	7,931	740.2%
1st quarter of FY2022	10,932	(39.1%)	768	(79.5%)	1,192	(71.5%)	944	(71.0%)
(note) Comprehensive income	1st quarter of FY2023		¥6,695 million [212.0%]		1st quarter of FY2022		¥2,146 million [(46.7%)]	

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
1st quarter of FY2023	136.54		135.16	
1st quarter of FY2022	15.42		15.27	

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2022	305,566		273,138		88.9	
As of March 31, 2022	309,213		270,120		86.8	
(reference) Shareholders' Equity	As of June 30, 2022		¥271,592 million		As of March 31, 2022 ¥268,519 million	

**2. Dividends**

(Base date)	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	-	50.00	-	50.00	100.00
Year ended March 31, 2023	-	-	-	-	-
Year ended March 31, 2023 (Forecast)	-	60.00	-	60.00	120.00

Note: Changes in the projected cash dividends in this quarter : No

**3. Forecast for FY2023 (From April 1, 2022, to March 31, 2023)**

(Percentage figures denote year-over-year changes.)

	Net sales		Operating income		Recurring income		Profit attributable to owners of		Net income per share	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen	
Year ending March 31, 2023	110,000	29.6%	29,000	35.8%	29,500	32.5%	20,000	8.3%	344.40	

Note: Changes in the forecasts of consolidated Financial results in this quarter : No

SANKYO Group manages its business plan on a full-year basis and thus only discloses full-year figures.

**\* Notes**

- (1) Changes for important subsidiaries during the 1st quarter of FY2023: Not applicable
- (2) Application of peculiar accounting methods: Not applicable
- (3) Changes in accounting procedures
- a. Related to accounting standard revisions etc.: Not applicable
  - b. Other changes: Not applicable
  - c. Changes in accounting estimates: Not applicable
  - d. Retrospective restatements: Not applicable
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of June 30, 2022: 66,339,100 shares As of March 31, 2022: 69,597,500 shares
  - b. No. of treasury stock As of June 30, 2022: 8,275,200 shares As of March 31, 2022: 11,340,565 shares
  - c. Average number of shares issued and outstanding 1st quarter of FY2023: 58,093,518 shares 1st quarter of FY2022: 61,208,491 shares

\* This quarterly report is not subject to quarterly review procedures.

**\* Disclaimer regarding Forward-looking Statements**

The statements concerning future performance that are presented in this document are based on judgments using information available to the Company and which are deemed reasonable as of the release date of this material, and they are not intended to assure the achievement of such forecasts presented herein. Actual results may differ due to various factors. For information regarding performance forecasts, please refer to "1. Qualitative Information and Financial Statements (3) Forecast of Consolidated Results and Other Forecast Information" in the accompanying material.

## 1. Qualitative Information and Financial Statements

### (1) Operating Results

During the first three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022), there were expectations that the Japanese economy would show renewed vitality reflecting progress toward normalization of economic activity. However, the outlook remained uncertain in view of a resurgence of COVID-19 cases and mounting concern about inflation, largely attributable to soaring commodity prices and rapid depreciation of the yen.

In the pachinko and pachislot industry, the protracted shortage of semiconductors and other electronic components has had a substantial impact on the launch schedules of pachinko and pachislot machine manufacturers. In the case of certain models, manufacturers have been unable to supply sufficient quantities to meet parlor operators' purchase requests. In these circumstances, the total sales volume of pachinko machines decreased compared with the same period of the previous year. Meanwhile, the environment for pachislot machines remains challenging, partly because of parlor operators' reluctance to purchase pachislot machines until the introduction of #6.5 models, which are expected to start penetrating the market at scale from July 2022 onward.

During the first quarter of the current fiscal year, the Group endeavored to achieve business progress as planned by implementing all possible measures to deal with difficulties in parts procurement, such as advance procurement, expansion of procurement channels, and strengthening of trade-in of pachinko and pachislot machines and parts recycling. In the pachinko machines business, the Group introduced a new title *Fever Danmachi* and also made additional sales of *Fever Mobile Suit Gundam Unicorn*, which has been popular ever since its release in August 2021. The Group released a total of five titles, including two new titles as well as resale and reuse models. As a result, the number of units of pachinko machines sold steadily increased.

As a result, on a consolidated basis, net sales were ¥27.7 billion, an increase of 154.0% compared with the same period of the previous year, operating income was ¥9.4 billion, compared with an operating income of ¥0.7 billion for the same period of the previous year, and recurring income was ¥9.8 billion, an increase of 724.4%. Profit attributable to owners of parent amounted to ¥7.9 billion, an increase of 740.2%, partly owing to the recording of extraordinary gains on sales of investment securities.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥26.4 billion, an increase of 187.6% compared with the same period of the previous year, and operating income amounted to ¥10.9 billion, an increase of 453.3%. Sales of pachinko machines amounted to 62,000 units, compared with 22,000 units in the same period of the previous fiscal year.

Two titles released included *Fever Danmachi* (introduced in May 2022) and *Fever Fafner Dead Aggressor 3 EXODUS Chou Soukyu 3800 ver.* (introduced in June 2022) under the SANKYO brand.

#### Pachislot Machines Business

Regarding the pachislot machines business, the Group released no title. Sales amounted to ¥0.6 billion, a decrease of 38.9% compared with the same period of the previous year, and operating loss was ¥0.2 billion, compared with operating loss of ¥0.3 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 1,000 units, compared with 2,000 units in the same period of the previous fiscal year.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥0.6 billion, a decrease of 0.6% compared with the same period of the previous year, and operating loss was ¥12 million, compared with operating loss of ¥22 million in the same period of the previous fiscal year.

#### Other Businesses

Sales of other businesses were ¥42 million, a decrease of 13.1% compared with the same period of the previous year, and operating income was ¥1 million, a decrease of 59.6%.

### (2) Financial Position

Total assets at the end of the first three months of the fiscal year ending March 31, 2023 amounted to ¥305.5 billion, having decreased ¥3.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥2.2 billion decrease in investment securities, a ¥2.0 billion decrease in notes and accounts receivable-trade, and contract assets, and a ¥1.5 billion decrease in cash and deposits, despite a ¥1.6 billion increase in raw materials and inventories, and a ¥0.8 billion increase in deferred tax assets (included in "Other" of Investments and other assets).

Total liabilities amounted to ¥32.4 billion, having decreased ¥6.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥6.2 billion decrease in electronically recorded obligations-operating, and a ¥1.5 billion decrease in accrued income taxes, despite a ¥1.2 billion increase in deposits received (included in "Other" of Current liabilities).

Net assets increased ¥3.0 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to profit attributable to owners of parent amounted to ¥7.9 billion, while cash dividends paid amounting to ¥2.9 billion, net unrealized gain on other securities decreased ¥1.2 billion, and purchase of treasury stock amounting to ¥0.7 billion. The Company cancelled

its treasury stock on May 31, 2022 pursuant to Article 178 of the Companies Act, based on the resolution at the Board of Directors' meeting held on May 12, 2022. As a result, net assets amounted to ¥273.1 billion and the shareholders' equity ratio increased 2.1 percentage points to 88.9%.

**(3) Forecast of Consolidated Results and Other Forecast Information**

No revision has been made to the forecasts of financial results for fiscal 2023 announced on May 12, 2022.

**2. Quarterly Consolidated Financial Statements and Primary Notes****(1) Consolidated Balance Sheets**

(Figures less than 1 million yen have been omitted.)

	As of March 31, 2022	As of June 30, 2022
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	98,013	96,452
Notes and accounts receivable-trad, and contract assets	17,230	15,138
Marketable securities	134,999	135,000
Merchandise and finished goods	1,908	1,297
Work in process	22	34
Raw materials and supplies	5,889	7,566
Other	6,797	6,995
Allowance for doubtful accounts	(1)	(1)
<b>Total current assets</b>	<b>264,859</b>	<b>262,482</b>
Fixed assets:		
Tangible fixed assets	25,980	26,112
Intangible fixed assets:		
Other	164	151
<b>Total intangible fixed assets</b>	<b>164</b>	<b>151</b>
Investments and other assets:		
Investment securities	13,288	11,038
Other	4,932	5,781
Allowance for doubtful accounts	(12)	(0)
<b>Total investments and other assets</b>	<b>18,209</b>	<b>16,820</b>
<b>Total fixed assets</b>	<b>44,353</b>	<b>43,084</b>
<b>Total assets</b>	<b>309,213</b>	<b>305,566</b>

## Consolidated Balance Sheets

(Figures less than 1 million yen have been omitted.)

	As of March 31, 2022	As of June 30, 2022
	Millions of yen	Millions of yen
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	8,539	8,280
Electronically recorded obligations - operating	10,454	4,209
Accrued income taxes	4,299	2,775
Allowance for bonuses	734	1,181
Provision for shareholder benefit program	122	122
Asset retirement obligations	3	-
Other	6,794	7,720
<b>Total current liabilities</b>	<b>30,946</b>	<b>24,289</b>
<b>Long-term liabilities:</b>		
Net defined benefit liabilities	4,911	4,906
Asset retirement obligations	73	75
Other	3,162	3,155
<b>Total long-term liabilities</b>	<b>8,147</b>	<b>8,137</b>
<b>Total liabilities</b>	<b>39,093</b>	<b>32,427</b>
<b>Net Assets:</b>		
<b>Shareholders' equity:</b>		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	264,842	258,192
Less: treasury stock, at cost	(40,558)	(29,599)
<b>Total shareholders' equity</b>	<b>262,874</b>	<b>267,182</b>
<b>Accumulated other comprehensive income:</b>		
Net unrealized gain on other securities	5,646	4,413
Remeasurements of defined benefit plans	(1)	(4)
<b>Total accumulated other comprehensive income</b>	<b>5,645</b>	<b>4,409</b>
Subscription rights to shares	1,600	1,546
<b>Total net assets</b>	<b>270,120</b>	<b>273,138</b>
<b>Total liabilities and total net assets</b>	<b>309,213</b>	<b>305,566</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

## Consolidated Statements of Income

(Figures less than 1 million yen have been omitted.)

	1st quarter of FY2022	1st quarter of FY2023
	Millions of yen	Millions of yen
Net sales	10,932	27,763
Cost of sales	4,779	12,221
Gross profit	6,153	15,541
Selling, general and administrative expenses	5,385	6,086
Operating income	768	9,455
Non-operating income:		
Interest income	22	20
Dividend income	289	298
Other	115	54
Total non-operating income	427	373
Non-operating expenses:		
Loss on management of investment partnership	2	-
Other	0	1
Total non-operating expenses	3	1
Recurring income	1,192	9,827
Extraordinary gains:		
Gain on sales of fixed assets	-	2
Gain on sales of investment securities	-	1,303
Gain on sales of shares of subsidiaries and associates	13	-
Total extraordinary gains	13	1,305
Extraordinary losses:		
Loss on disposal of fixed assets	6	1
Total extraordinary losses	6	1
Income before income taxes and minority interests	1,199	11,131
Income taxes:		
Current income taxes	212	3,525
Deferred income taxes	43	(325)
Total income taxes	255	3,199
Profit	944	7,931
Profit attributable to owners of parent	944	7,931

## Consolidated Statements of Comprehensive Income

(Figures less than 1 million yen have been omitted.)

	1st quarter of FY2022	1st quarter of FY2023
	Millions of yen	Millions of yen
Profit	944	7,931
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,206	(1,233)
Remeasurements of defined benefit plans	(4)	(2)
Total other comprehensive income	1,202	(1,235)
Comprehensive income	2,146	6,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,146	6,695
Comprehensive income attributable to minority interests	-	-



**(3) Notes to the quarterly Consolidated Financial Statements****Notes on premise of a going concern**

Not applicable

**Notes on significant changes in shareholders' equity**

1st Three Months of FY2023 (From April 1, 2022, to June 30, 2022)

The Company repurchased 212,800 shares of the Company based on the resolution at the Board of Directors' meeting held on November 8, 2021, and cancelled 3,258,400 shares of its treasury stock on May 31, 2022 based on the resolution at the Board of Directors' meeting held on May 12, 2022.

As a result, during the first three months of the fiscal year ending March 31, 2023, retained earnings and treasury stock decreased ¥11,652 million and ¥10,888 million, respectively, and retained earnings and treasury stock amounted to ¥258,192 million and ¥29,599 million, respectively, at the end of the first three months of the fiscal year ending March 31, 2023.

**Segment Information**

(Segment information by business category)

1st quarter of FY2022 (From April 1, 2021, to June 30, 2021)

(Figures less than 1 million yen have been omitted.)

	1st quarter of FY2022 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	9,189	1,029	663	10,883	49	10,932	-	10,932
Intersegment	-	-	-	-	-	-	-	-
Total	9,189	1,029	663	10,883	49	10,932	-	10,932
Segment income	1,981	(338)	(22)	1,620	4	1,625	(857)	768

1st quarter of FY2023 (From April 1, 2022, to June 30, 2022)

(Figures less than 1 million yen have been omitted.)

	1st quarter of FY2023 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	26,431	628	660	27,720	42	27,763	-	27,763
Intersegment	-	-	-	-	-	-	-	-
Total	26,431	628	660	27,720	42	27,763	-	27,763
Segment income	10,963	(289)	(12)	10,661	1	10,663	(1,207)	9,455