

SANKYO CO., LTD.

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Shares listed: TSE Prime Market

Code number: 6417

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Planned Date for Submittal of the Financial Statements Report: November 11, 2022

Planned Date for Start of Dividend Payment: December 1, 2022

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

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

1. Results for the first six months of FY2023 (From April 1, 2022, to September 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 six months of FY2023	69,963	149.3%	26,415	806.4%	26,842	687.3%	21,306	365.7%
1st six months of FY2022	28,061	10.8%	2,914	168.7%	3,409	114.7%	4,575	225.0%
(note) Comprehensive income	1st six months of FY2023		¥19,977 million [380.2%]		1st six months of FY2022		¥4,160 million [45.3%]	

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
1st six months of FY2023	366.86		363.01	
1st six months of FY2022	74.70		73.99	

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio		
	Millions of yen		Millions of yen		%		
As of September 30, 2022	319,278		286,712		89.2		
As of March 31, 2022	309,213		270,120		86.8		
(reference) Shareholders' Equity	As of September 30, 2022		¥284,873 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	-	60.00	-	-	-
Year ended March 31, 2023 (Forecast)	-	-	-	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 parent		Net income per share	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen	
Year ending March 31, 2023	135,000	59.1%	45,000	110.7%	46,000	106.7%	35,000	89.5%	602.71	

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

*** Notes**

(1) Changes for important subsidiaries during the 1st six months of FY2022:				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 Sep. 30, 2022:	66,339,100 shares	As of March 31, 2022:	69,597,500 shares	
b. No. of treasury stock As of Sep. 30, 2022:	8,275,320 shares	As of March 31, 2022:	11,340,565 shares	
c. Average number of shares issued and outstanding 1st 6M of FY2023:	58,078,589 shares	1st 6M of FY2022:	61,255,732 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

1. Qualitative Information and Financial Statements

(1) Operating Results

During the first six months of the fiscal year ending March 31, 2023 (from April 1, 2022 to September 30, 2022), amid the transition to a new phase toward living with COVID-19, there were expectations that the Japanese economy would show renewed vitality in line with the progress toward normalization of economic activity due to relaxation of border control measures and of guidance designed to restrict movement within Japan. However, the outlook remained uncertain in view of inflation, largely attributable to soaring commodity prices and rapid depreciation of the yen.

In the pachinko and pachislot industry, the continuing difficulty in procuring electronic components and other parts has been a drag on pachinko and pachislot machine manufacturers, affecting the total number of pachinko and pachislot machines sold. However, in the pachislot market, which had been stagnant since the transition to machines compliant with the new regulations, #6.5 models, which are pachislot machines compliant with the new regulations offering enriched gaming performance, began to spread throughout the market, and they are showing machine utilization that meets parlor operators' expectations and are contributing significantly to the upturn of the pachislot market. Furthermore, in view of the scheduled introduction of Smart Pachislot machines in November, business conditions in the pachislot market are expected to further improve.

The Group's products have been gaining more attention thanks to the enhanced brand power in line with a track record of gratifying machine utilization for products introduced by the Group in recent years. In these circumstances, the Group has received many inquiries about its products launched during the first six months of the fiscal year under review in general. We did our utmost to secure parts and materials to meet as much demand as possible. As a result, we were able to increase sales volumes at a pace not seen in recent years and the Group's market share increased significantly.

As a result, on a consolidated basis, net sales were ¥69.9 billion, an increase of 149.3% compared with the same period of the previous year, operating income was ¥26.4 billion, an increase of 806.4%, recurring income was ¥26.8 billion, an increase of 687.3%. Profit attributable to owners of parent amounted to ¥21.3 billion, an increase of 365.7%, 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 ¥63.0 billion, an increase of 145.5% compared with the same period of the previous year, and operating income amounted to ¥28.2 billion, an increase of 334.9%. Sales of pachinko machines amounted to 144,000 units compared with 60,000 units for the same period of the previous fiscal year.

Major titles released included *Fever Karakuri Circus* (introduced in August 2022) and *Fever Symphogear 3 Ogon Zessho* (introduced in September 2022) under the SANKYO brand, *Fever Star Blazers: Space Battleship Yamato 2202 -ONLY ONE-* (introduced in July 2022) under the Bisty brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥4.7 billion, a increase of 320.0% compared with the same period of the previous year, and operating income was ¥1.0 billion, compared with operating loss of ¥1.4 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 10,000 units compared with 2,000 units for the same period of the previous fiscal year.

One title released included *Pachislot Aquarion ALL STARS* (introduced in July 2022) under the SANKYO brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥2.0 billion, a increase of 80.5% compared with the same period of the previous year, and operating income was ¥4 million, compared with operating loss of ¥45 million in the same period of the previous fiscal year.

Other Businesses

Sales of other businesses were ¥91 million, a decrease of 4.8% compared with the same period of the previous year, and operating income was ¥6 million, an decrease of 60.3% compared with the same period of the previous year.

(2) Financial Position

Total assets at the end of the first six months of the fiscal year ending March 31, 2023 amounted to ¥319.2 billion, having increased ¥10.0 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥7.0 billion increase in notes and accounts receivable-trade, and contract assets, a ¥5.2 billion increase in cash and deposits, and a ¥2.9 billion increase in raw materials and inventories, and a ¥1.1 billion in deferred tax assets (included in "Other" of Investments and other assets), despite a ¥3.0 billion decrease in investment securities, a ¥1.7 billion decrease in merchandise and finished goods, and a ¥1.5 billion decrease in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets).

Total liabilities amounted to ¥32.5 billion, having decreased ¥6.5 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥10.4 billion decrease in electronically recorded obligations-operating, and a ¥2.3 billion decrease in notes and accounts payable-trade, despite a ¥4.6 billion increase in accrued income taxes, and a ¥1.3 billion increase in accounts payable (included in "Other" of Current liabilities).

Net assets increased ¥16.5 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 ¥21.3 billion, while cash dividends paid amounting to ¥2.9 billion, net unrealized gain on other securities decreased ¥1.3 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 ¥286.7 billion and the shareholders' equity ratio increased 2.4 percentage points to 89.2%.

(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 October 17, 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 Sep. 30, 2022
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	98,013	103,311
Notes and accounts receivable-trad, and contract assets	17,230	24,248
Marketable securities	134,999	134,999
Merchandise and finished goods	1,908	179
Work in process	22	60
Raw materials and inventories	5,889	8,805
Other	6,797	5,191
Allowance for doubtful accounts	(1)	(17)
Total current assets	264,859	276,779
Fixed assets:		
Tangible fixed assets	25,980	26,047
Intangible fixed assets		
Other	164	141
Total Intangible fixed assets	164	141
Investments and other assets:		
Investment securities	13,288	10,220
Other	4,932	6,119
Allowance for doubtful accounts	(12)	(30)
Total investments and other assets	18,209	16,309
Total fixed assets	44,353	42,499
Total assets	309,213	319,278

Consolidated Balance Sheets

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

	As of March 31, 2022	As of Sep. 30, 2022
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	8,539	6,219
Electronically recorded obligations - operating	10,454	-
Accrued income taxes	4,299	8,986
Allowance for bonuses	734	822
Provision for shareholder benefit program	122	122
Asset retirement obligations	2	-
Other	6,794	8,261
Total current liabilities	30,946	24,412
Long-term liabilities:		
Net defined benefit liabilities	4,911	4,939
Asset retirement obligations	73	75
Other	3,162	3,138
Total long-term liabilities	8,147	8,153
Total liabilities	39,093	32,565
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	264,842	271,567
Less: treasury stock, at cost	(40,558)	(29,600)
Total shareholders' equity	262,874	280,557
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,646	4,323
Remeasurements of defined benefit plans	(1)	(7)
Total accumulated other comprehensive income:	5,645	4,316
Subscription rights to shares	1,600	1,839
Total net assets	270,120	286,712
Total liabilities and total net assets	309,213	319,278

(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 Six Months of FY2022	1st Six Months of FY2023
	Millions of yen	Millions of yen
Net sales	28,061	69,963
Cost of sales	13,132	29,238
Gross profit	14,928	40,724
Selling, general and administrative expenses	12,014	14,308
Operating income	2,914	26,415
Non-operating income:		
Interest income	43	38
Dividend income	298	306
Other	156	81
Total non-operating income	498	427
Non-operating expenses:		
Loss on management of investment partnership	2	-
Other	1	0
Total non-operating expenses	3	0
Recurring income	3,409	26,842
Extraordinary gains:		
Gain on sales of fixed assets	-	50
Gain on sales of investment securities	2,667	3,250
Gain on sales of shares of subsidiaries and associates	13	-
Total extraordinary gains	2,681	3,301
Extraordinary losses:		
Loss on disposal of fixed assets	7	5
Loss on sales of golf club membership	2	-
Total extraordinary losses	10	5
Income before income taxes and minority interests	6,080	30,138
Income taxes:		
Current income taxes	884	9,427
Deferred income taxes	620	(596)
Total income taxes	1,505	8,831
Profit	4,575	21,306
Profit attributable to owners of parent	4,575	21,306

Consolidated Statements of Comprehensive Income

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

	1st Six Months of FY2022	1st Six Months of FY2023
	Millions of yen	Millions of yen
Profit	4,575	21,306
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(406)	(1,323)
Remeasurements of defined benefit plans	(9)	(5)
Total other comprehensive income	(415)	(1,329)
Comprehensive income	4,160	19,977
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,160	19,977
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

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

	1st Six Months of FY2022	1st Six Months of FY2023
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes and minority interests	6,080	30,138
Depreciation and amortization	960	707
Share-based compensation expenses	172	288
Increase (decrease) in allowance for doubtful accounts	134	122
Increase (decrease) in net defined benefit liabilities	(79)	20
Interest and dividend income	(342)	(345)
(Increase) decrease in notes and accounts receivable-trade	2,578	(7,018)
(Increase) decrease in inventories	(3,541)	(1,224)
Increase (decrease) in notes and accounts payable-trade	5,660	(12,501)
(Gain) loss on sales of investment securities	(2,667)	(3,250)
Other	(4,373)	2,069
Subtotal	4,582	9,004
Interest and dividend income received	274	262
Income taxes paid	(294)	(3,867)
Income taxes refund	136	72
Net cash (used in) provided by operating activities	4,698	5,473
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	5,554	-
Payment for purchase of marketable securities	(30,000)	(30,000)
Proceeds from redemption of marketable securities	30,000	30,000
Payment for purchase of tangible fixed assets and intangible fixed assets	(955)	(1,116)
Proceeds from sale of investment securities	3,674	4,411
Proceeds from sales of shares of subsidiaries and associates	370	-
Proceeds from collection of long-term loans	149	22
Other	8	185
Net cash (used in) provided by investing activities	8,801	3,502
Cash flows from financing activities:		
Payment for purchase of treasury stock, net	(0)	(764)
Cash dividends paid	(4,588)	(2,912)
Other	0	0
Net cash (used in) provided financing activities	(4,589)	(3,677)
Net increase (decrease) in cash and cash equivalents	8,911	5,298
Cash and cash equivalents at beginning of the period	203,318	218,012
Cash and cash equivalents at end of the period	212,229	223,311

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

Not applicable

Notes on significant changes in shareholders' equity

1st Six Months of FY2023 (From April 1, 2022, to September 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 six 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 ¥271,567 million and ¥29,600 million, respectively, at the end of the first six months of the fiscal year ending March 31, 2023.

Segment Information

(Segment information by business category)

1st Six Months of FY2022 (From April 1, 2021, to September 30, 2021)

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

	1st Six Months 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	25,670	1,131	1,163	27,965	95	28,061	-	28,061
Intersegment	-	-	-	-	-	-	-	-
Total	25,670	1,131	1,163	27,965	95	28,061	-	28,061
Segment income	6,501	(1,469)	(45)	4,987	16	5,003	(2,089)	2,914

1st Six Months of FY2023 (From April 1, 2022, to September 30, 2022)

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

	1st Six Months 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	63,021	4,751	2,099	69,872	91	69,963	-	69,963
Intersegment	-	-	-	-	-	-	-	-
Total	63,021	4,751	2,099	69,872	91	69,963	-	69,963
Segment income	28,275	1,039	4	29,318	6	29,325	(2,909)	26,415