

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: August 10, 2023

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 FY2024 (From April 1, 2023, to June 30, 2023)

(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 FY2024	50,777	82.9%	19,188	102.9%	19,482	98.2%	14,080	77.5%
1st quarter of FY2023	27,763	154.0%	9,455	-	9,827	724.4%	7,931	240.2%
(note) Comprehensive income	1st quarter of FY2024		¥14,498 million [116.5%]		1st quarter of FY2023		¥6,695 million [212.0%]	

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2024	242.39	239.76
1st quarter of FY2023	136.54	135.16

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of June 30, 2023	360,556	319,530	88.1	
As of March 31, 2023	365,950	310,259	84.3	
(reference) Shareholders' Equity	As of June 30, 2023	¥317,772 million	As of March 31, 2023	¥308,420 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, 2023	-	60.00	-	90.00	150.00
Year ended March 31, 2024	-	-	-	-	-
Year ended March 31, 2024 (Forecast)	-	75.00	-	75.00	150.00

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

3. Forecast for FY2024 (From April 1, 2023, to March 31, 2024)

(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, 2024	175,000	11.3%	59,500	1.7%	60,000	1.1%	41,500	(11.5%)	714.39

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 FY2024:	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, 2023:	66,339,100 shares	As of March 31, 2023:	66,339,100 shares	
b. No. of treasury stock	As of June 30, 2023:	8,246,192 shares	As of March 31, 2023:	8,275,662 shares
c. Average number of shares issued and outstanding	1st quarter of FY2024:	58,087,964 shares	1st quarter of FY2023:	58,093,518 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, 2024 (from April 1, 2023 to June 30, 2023), the Japanese economy has been moderately recovering with the normalization of economic activity. Although the recovery trend is expected to continue, with improvement in the employment and income environment providing a tail wind, the impact of downward swing in overseas economies and price rise are putting downside risks to the Japanese economy.

In the pachinko and pachislot industry, following the debut of #6.5 models and Smart Pachislot machines, the recovery of machine utilization has been evident in the pachislot market. In contrast, machine utilization has been sluggish in the pachinko market as new titles capable of spurring machine utilization have yet to emerge. In these circumstances, whereas pachislot machines market are buoyant as pachinko parlor operators are eager to purchase Smart Pachislot machines and other pachislot machines, pachinko machines market have been somewhat weak as Smart Pachinko machines are not yet available at full scale.

During the first quarter of the current fiscal year, the Group simultaneously introduced pachinko and pachislot machines featuring ENN ENN NO SHOUBOUTAI, which is a manga and anime series immensely popular among young people. ENN ENN NO SHOUBOUTAI tie-up machines became a big hit title, with sales exceeding 30,000 units for the pachinko machine and 10,000 units for the pachislot machine. NEON GENESIS EVANGELION -Roar for tomorrow- still maintains high machine utilization as one of the most popular pachinko machine titles at parlors, even for 18 months after its introduction on December 2021, and the Group offered it again in a second round of sales. The Group also manufactured and sold additional units of Pachislot Valvrave the Liberator, which is a Smart Pachislot machine introduced in November 2022. As a result, both the pachinko machines business and the pachislot machines business got off to a flying start in the current fiscal year. Furthermore, the Group is developing a sales promotion campaign for Fever MOBILE SUIT GUNDAM SEED scheduled for introduction in August, which is one of the major titles in the current fiscal year, including the holding of a press conference, airing of TV commercials, execution of a campaign, etc. to create a buzz in the runup to machine installation and to boost machine utilization.

As a result, on a consolidated basis, net sales were ¥50.7 billion, an increase of 82.9% compared with the same period of the previous year, operating income was ¥19.1 billion, an increase of 102.9%, and recurring income was ¥19.4 billion, an increase of 98.2%. Profit attributable to owners of parent amounted to ¥14.0 billion, an increase of 77.5%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥34.8 billion, an increase of 32.0% compared with the same period of the previous year, and operating income amounted to ¥14.9 billion, an increase of 36.8%. Sales of pachinko machines amounted to 77,000 units, compared with 62,000 units in the same period of the previous fiscal year.

Three titles released included *Fever ENN ENN NO SHOUBOUTAI* (introduced in April 2023) and *Fever SPLASHxSPLASH* (introduced in June 2023) under the SANKYO brand, *CODE GEASS Lelouch of the Rebellion -Rebellion to Re; surrection-* (introduced in May 2023) under the Bisty brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥9.0 billion, an increase of 1,340.4% compared with the same period of the previous year, and operating income was ¥4.8 billion, compared with operating loss of ¥0.2 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 19,000 units, compared with 1,000 units in the same period of the previous fiscal year.

One title released included *Pachislot ENN ENN NO SHOUBOUTAI* (introduced in May 2023) under the SANKYO brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥6.7 billion, an increase of 920.4% compared with the same period of the previous year, and operating income was ¥0.5 billion, compared with operating loss of ¥12 million in the same period of the previous fiscal year.

Other Businesses

Sales of other businesses were ¥97 million, an increase of 129.1% compared with the same period of the previous year, and operating income was ¥32 million, an increase of 1,530.9%.

(2) Financial Position

Total assets at the end of the first three months of the fiscal year ending March 31, 2024 amounted to ¥360.5 billion, having decreased ¥5.3 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥3.5 billion decrease in notes and accounts receivable-trade, and contract assets, and a ¥2.5 billion decrease in cash and deposits, and a ¥1.4 billion decrease in merchandise and finished goods, despite a ¥2.5 billion increase in raw materials and inventories.

Total liabilities amounted to ¥41.0 billion, having decreased ¥14.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥15.9 billion decrease in accrued income taxes, and a ¥1.4 billion decrease in notes and

accounts payable-trade, despite a ¥2.1 billion increase in deposits received (included in “Other” of Current liabilities), and a ¥1.1 billion increase in liabilities related to transactions involving provision of parts and materials for value (included in “Other” of Current liabilities).

Net assets increased ¥9.2 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 ¥14.0 billion, while cash dividends paid amounting to ¥5.2 billion. As a result, net assets amounted to ¥319.5 billion and the shareholders’ equity ratio increased 3.8 percentage points to 88.1%.

(3) Forecast of Consolidated Results and Other Forecast Information

No revision has been made to the forecasts of financial results for fiscal 2024 announced on May 11, 2023.

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, 2023	As of June 30, 2023
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	92,610	90,081
Notes and accounts receivable-trad, and contract assets	28,106	24,523
Marketable securities	174,999	174,999
Merchandise and finished goods	3,760	2,307
Work in process	801	609
Raw materials and supplies	10,029	12,619
Other	11,506	11,210
Allowance for doubtful accounts	(17)	(12)
Total current assets	321,797	316,338
Fixed assets:		
Tangible fixed assets	26,663	26,845
Intangible fixed assets:		
Other	178	173
Total intangible fixed assets	178	173
Investments and other assets:		
Investment securities	11,436	11,953
Other	5,903	5,273
Allowance for doubtful accounts	(29)	(28)
Total investments and other assets	17,311	17,198
Total fixed assets	44,153	44,218
Total assets	365,950	360,556

Consolidated Balance Sheets

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

	As of March 31, 2023	As of June 30, 2023
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	14,301	12,849
Accrued income taxes	19,578	3,586
Allowance for bonuses	781	1,234
Provision for shareholder benefit program	151	151
Other	12,367	14,690
Total current liabilities	47,180	32,512
Long-term liabilities:		
Net defined benefit liabilities	4,967	5,004
Asset retirement obligations	75	75
Other	3,467	3,433
Total long-term liabilities	8,510	8,513
Total liabilities	55,691	41,025
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	293,670	302,500
Less: treasury stock, at cost	(29,602)	(29,497)
Total shareholders' equity	302,658	311,593
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,791	6,206
Remeasurements of defined benefit plans	(30)	(27)
Total accumulated other comprehensive income	5,761	6,179
Subscription rights to shares	1,839	1,758
Total net assets	310,259	319,530
Total liabilities and total net assets	365,950	360,556

(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 FY2023	1st quarter of FY2024
	Millions of yen	Millions of yen
Net sales	27,763	50,777
Cost of sales	12,221	22,450
Gross profit	15,541	28,326
Selling, general and administrative expenses	6,086	9,137
Operating income	9,455	19,188
Non-operating income:		
Interest income	20	17
Dividend income	298	173
Other	54	105
Total non-operating income	373	296
Non-operating expenses:		
Loss on management of investment partnership	-	2
Other	1	0
Total non-operating expenses	1	2
Recurring income	9,827	19,482
Extraordinary gains:		
Gain on sales of fixed assets	2	8
Gain on sales of investment securities	1,303	426
Total extraordinary gains	1,305	434
Extraordinary losses:		
Loss on sales of fixed assets	-	7
Loss on disposal of fixed assets	1	-
Total extraordinary losses	1	7
Income before income taxes and minority interests	11,131	19,909
Income taxes:		
Current income taxes	3,525	5,385
Deferred income taxes	(325)	443
Total income taxes	3,199	5,829
Profit	7,931	14,080
Profit attributable to owners of parent	7,931	14,080

Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2023	1st quarter of FY2024
	Millions of yen	Millions of yen
Profit	7,931	14,080
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(1,233)	414
Remeasurements of defined benefit plans	(2)	2
Total other comprehensive income	(1,235)	417
Comprehensive income	6,695	14,498
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,695	14,498
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 FY2024 (From April 1, 2023, to June 30, 2023)

Not applicable

Segment Information

(Segment information by business category)

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

1st quarter of FY2024 (From April 1, 2023, to June 30, 2023)

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

	1st quarter of FY2024 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	34,887	9,056	6,734	50,679	97	50,777	-	50,777
Intersegment	-	-	-	-	-	-	-	-
Total	34,887	9,056	6,734	50,679	97	50,777	-	50,777
Segment income	14,997	4,818	595	20,411	32	20,443	(1,255)	19,188

(Significant subsequent events)

The Company resolved at the board meeting held on August 7, 2023 to dispose of the Company's treasury shares (hereinafter referred to as "Disposal of Treasury Shares") by third-party allotment following the introduction of the new performance-based stock compensation plan (hereinafter referred to as the "Plan").

1. Disposal procedures

- | | |
|--|--|
| 1) Date of disposal: | August 23, 2023 |
| 2) Class of shares and number of shares to be disposed of: | 270,000 shares of the Company's common stock |
| 3) Disposal price: | ¥5,741 per share |
| 4) Total value of disposal: | ¥1,550,070,000 |
| 5) Allottee of shares: | Custody Bank of Japan, Ltd. (trust account) |
| 6) Other: | The Disposal of Treasury Shares is conditional on the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act. |

2. Purpose of and reasons for the disposal

The Company resolved to introduce the Plan (the trust agreement to be concluded with Resona Bank, Limited for the Plan is hereinafter referred to as the "Trust Agreement;" and a trust to be established in accordance with the Trust Agreement is hereinafter referred to as the "Trust") for Directors (excluding Outside Directors and non-residents of Japan) and Operating Officers (excluding non-residents of Japan) of the Company, and for Directors (excluding Outside Directors and non-residents of Japan) of the Company's subsidiaries (hereinafter referred to as "Subsidiaries") (hereinafter collectively referred to as "Directors, etc. of the Company and Subsidiaries") at the meeting of the Board of Directors held May 11, 2023 and a proposal for introduction of the Plan was approved at the 58th Ordinary General Meeting of Shareholders held on June 29, 2023.

The Disposal of Treasury Shares is for the purpose of introducing the Plan by third-party allotment to Custody Bank of Japan, Ltd. (trust account), the re-trustee of Resona Bank, Limited, which is the trustee of the Trust.

The number of shares to be disposed of is equivalent to the total number of shares expected to be granted in the three fiscal years in accordance with the Share Benefit Regulations established by the Company and its Subsidiaries upon introduction of the Plan and will account for 0.41% of the total number of shares issued and outstanding, which is 66,339,100 shares as of March 31, 2023 (0.47% of the total number of voting rights (579,600) as of March 31, 2023; rounded to two decimal places in both cases). The Company deems that the number of shares to be disposed of and the scale of dilution by the Disposal of Treasury Shares are reasonable and the impact on the stock market is negligible.

(1) Overview of the Trust

- | | |
|--|--|
| 1) Name: | Share Benefit Trust for Directors |
| 2) Trustor: | The Company |
| 3) Trustee: | Resona Bank, Limited
Resona Bank, Limited shall conclude a specific comprehensive trust agreement with the Custody Bank of Japan, Ltd., which will be the re-trustee. |
| 4) Beneficiaries: | Directors, etc. of the Company and Subsidiaries who satisfy the requirements for beneficiaries stipulated in the Share Benefit Regulations |
| 5) Trust administrator: | A third party that has no interest in the Company |
| 6) Type of trust: | Trust of money other than money trust (third-party benefit trust) |
| 7) Date of execution of the Trust Agreement: | August 23, 2023 (scheduled) |
| 8) Date of entrusting money: | August 23, 2023 (scheduled) |
| 9) Trust period: | From August 23, 2023 (scheduled) until the termination of the Trust
(No specific termination date will be set, and the Trust shall continue as long as the Plan continues.) |