

May 9, 2024

SANKYO CO., LTD.

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

Shares listed: TSE Prime Market

Code number: 6417

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Planned Date for Annual Meeting of Shareholders: June 27, 2024

Planned Date for Start of Dividend Payment: June 28, 2024

Planned Date for Submittal of the Financial Statements Report: June 28, 2024

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

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

1. Results for the fiscal year (From April 1, 2023, to March 31, 2024)

(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	
Year ended March 31, 2024	199,099	26.6%	72,495	23.9%	73,182	23.3%	53,791	14.7%
Year ended March 31, 2023	157,296	85.4%	58,532	174.1%	59,341	166.6%	46,893	153.9%
(note) Comprehensive income	Year ended March 31, 2024		¥51,238 million [9.0%]		Year ended March 31, 2023		¥47,009 million [161.9%]	

	Net income per share	Fully diluted net income per share	Return on equity (net income)	Return on assets (recurring income)	Return on sales (operating income)
	Yen	Yen	%	%	%
Year ended March 31, 2024	203.81	201.43	19.3	22.2	36.4
Year ended March 31, 2023	161.50	159.75	16.3	17.6	37.2

(reference) Equity in earnings of affiliates Year ended March 31, 2024 - million

Year ended March 31, 2023 - million

(Note) The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Net income per share and fully diluted net income per share are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	292,119	251,579	85.5	1,139.12
As of March 31, 2023	365,950	310,259	84.3	1,062.36

(reference) Shareholders' Equity

As of March 31, 2024

¥249,863 million

As of March 31, 2023

¥308,420 million

(Note) The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Net assets per share are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2023.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2024	47,589	15,118	(109,875)	205,440
Year ended March 31, 2023	35,103	6,655	(7,163)	252,609

2. Dividends

(Base date)	Cash dividend per share					Amount of dividends	Dividend payout ratio	Dividend rate of net assets
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	-	60.00	-	90.00	150.00	8,709	18.6	3.0
Year ended March 31, 2024	-	150.00	-	50.00	-	19,155	39.3	7.3
Year ended March 31, 2025 (forecast)	-	-	-	-	80.00	-	41.8	-

(Note) 1. The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. For the end of the second quarters of the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, the actual dividend amounts before the share split are presented. For the end of the fiscal year ended March 31, 2024, the figures are presented after the share split, while the total amount of dividends for the full year is stated as “-.” The dividend for the full year of the fiscal year ended March 31, 2024 taking into account the share split is 80.00 yen.

2. As for the dividends for the fiscal year ending March 31, 2025 (forecast), it is our basic policy to pay performance-linked dividends targeting at the consolidated payout ratio of 40%. The business plan for the fiscal year ending March 31, 2025 is managed on an annual basis, and the interim dividend and the year-end dividend cannot be projected separately. Therefore, only the sum of the dividends for the full year is presented. For more details, please refer to “1. Overview of business results etc.(5) Basic policy on profit sharing and cash dividends for fiscal 2024 and fiscal 2025” in the attached document.

3. Forecast for FY2025 (From April 1, 2024, to March 31, 2025)

(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, 2025	180,000 (9.6%)	61,000 (15.9%)	62,000 (15.3%)	42,000 (21.9%)	191.48

SANKYO Group manages its business plan on a full-year basis and thus only discloses full-year figures. For details, please refer to Qualitative Information and Financial Statements “1. Overview of business results etc. (4) Future outlook” of the attached documents on Page 4.

* Notes

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2024: Not applicable

(2) 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 |

(3) Outstanding shares (common shares)

- a. Number of shares outstanding (including treasury stock)
 - As of March 31, 2024: 260,000,000 shares
 - As of March 31, 2023: 331,695,500 shares
- b. Number of treasury stock
 - As of March 31, 2024: 40,651,855 shares
 - As of March 31, 2023: 41,378,310 shares
- c. Average number of shares issued and outstanding
 - As of March 31, 2024: 263,924,503 shares
 - As of March 31, 2023: 290,355,504 shares

(Note)1. The No. of treasury stock includes the Company's shares held by Share Benefit Trust for Directors (270,000 shares as of Dec 31, 2023). The treasury stock deducted to calculate the Average number of shares issued and outstanding includes the Company's shares held by Share Benefit Trust for Directors (1,350,000 shares for FY2024/3)

2. The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Number of shares outstanding and Number of treasury stock and Average number of shares issued and outstanding are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2023.

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2023, to March 31, 2024)****(1) Non-consolidated operating results**

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

	Net sales		Operating income		Recurring income		Net income	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Year ended March 31, 2024	161,597	20.3%	46,572	8.4%	57,356	18.8%	45,863	13.0%
Year ended March 31, 2023	134,284	97.3%	42,964	295.2%	48,275	167.9%	40,585	128.5%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2024	173.78	171.74
Year ended March 31, 2023	139.78	138.26

(Note) The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Net income per share and Fully diluted net income per share are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2023.

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	250,639	221,651	87.7	1,002.68
As of March 31, 2023	335,486	288,257	85.4	986.57

(reference) Shareholders' Equity As of March 31, 2024 ¥219,935 million As of March 31, 2023 ¥286,418 million

(Note) The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Net assets per share are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2023.

* This document is not subject to audit 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. Overview of business results etc. (4) Future outlook" in the accompanying material.

1. Overview of business results etc.

(1) Overview of business results, etc. for the fiscal year under review

During the fiscal year ended March 31, 2024, the moderate recovery of the Japanese economy continued in line with the normalization of economic activity and the resurgence of inbound demand, following the reclassification of COVID-19 to Class 5 under the Japanese law, with the improvement in the employment and income environment also providing a tail wind. However, the outlook of the economy remains uncertain in light of concerns about a possible slowdown of overseas economies, considering such factors as the impact of price increases and financial tightening worldwide.

In the pachinko and pachislot industry, the full-fledged introduction of Smart Pachinko and Pachislot machines has taken place, a stream of hit titles of Smart Pachislot machines emerged, and these machines have been driving the operation of the entire pachislot market. In contrast, only a few titles of Smart Pachinko machines have been hits and the momentum for replacement has not yet grown. As such, as for Smart Pachinko and Pachislot machines, both sales volume and installment ratio of the Smart Pachislot machines are ahead of others.

In these circumstances, with respect to the pachinko machines business, the Group accumulated the sales volume led by the mainstay machine series, *Fever MOBILE SUIT GUNDAM SEED* and *Pachinko EVANGELION:3.0 + 1.0 Type Rei*. Our share in the sales volume of pachinko machines topped 30%, enabling us to achieve the top share for two consecutive years. In addition, with respect to the pachislot machines business, we actively promoted support for smarter machines. Our industry's fastest launch in November 2022, which was followed by generation of multiple highly utilized machines through the product development that captures current trends, enabled the Group to increase the presence in the pachislot market thanks to the improved sales share.

As a result, net sales were ¥199.0 billion, an increase of 26.6% year on year. Operating income was ¥72.4 billion, an increase of 23.9%, and recurring income was ¥73.1 billion, an increase of 23.3%. Profit attributable to owners of parent amounted to ¥53.7 billion, an increase of 14.7%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, the Group released a grand total of 10 pachinko titles (excluding reuse models etc.). Major titles released included *Fever ENN ENN NO SHOUBOUTAI* (introduced in April 2023) and *Fever MOBILE SUIT GUNDAM SEED* (introduced in August 2023) under the SANKYO brand, *CODE GEASS Lelouch of the Rebellion -Rebellion to Re; surrection-* (introduced in May 2023) and *Pachinko EVANGELION:3.0+1.0 Type Rei* (introduced in December 2023) under the Bisty brand, and *Fever Queen II 30th ANNIVERSARY EDITION* (introduced in July 2023) and *Fever Powerful* (introduced in March 2024) under the JB brand.

As a result, segment sales amounted to ¥147.0 billion, an increase of 20.0% compared with the same period of the previous year, and operating income was ¥61.1 billion, an increase of 12.8%. Sales of pachinko machines amounted to 297,000 units.

Pachislot Machines Business

Regarding the pachislot machines business, the Group released a grand total of five pachislot titles. Major titles released included *Pachislot ENN ENN NO SHOUBOUTAI* (introduced in May 2023) and *L Pachislot Karakuri Circus* (introduced in July 2023) under the SANKYO brand, *L Evangelion -Genesis of Destiny-* (introduced in October 2023) and *L Godzilla vs EVANGELION* (introduced in February 2024) under the Bisty brand

As a result, segment sales amounted to ¥32.1 billion, an increase of 42.5% compared with the same period of the previous year, and operating income was ¥15.2 billion, an increase of 64.8%. Sales of pachislot machines amounted to 70,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥19.4 billion, an increase of 62.6% year on year, and operating income was ¥1.5 billion, an increase of 113.2%, reflecting vigorous capital investment by parlor operators for the introduction of Smart Pachislot machines.

Other Businesses

Sales of other businesses were ¥0.4 billion, an increase of 137.7% year on year, and operating income was ¥0.1 billion, an increase of 656.3%.

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year ended March 31, 2024 amounted to ¥292.1 billion, having decreased ¥73.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥100.0 billion decrease in marketable securities, a ¥4.8 billion decrease in accounts receivable for provision of parts and materials for value, a ¥4.8 billion decrease in investment securities, despite a ¥37.8 billion increase in cash and deposits.

Total liabilities amounted to ¥40.5 billion, having decreased ¥15.1 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥9.2 billion decrease in accrued income taxes, and a ¥6.8 billion decrease in notes and

accounts payable-trade.

Net assets decreased ¥58.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to purchase of treasury stock amounted to ¥96.5 billion, cash dividends paid amounting to ¥13.3 billion, and net unrealized gain on other securities decreased ¥2.5 billion, while recording of profit attributable to owners of parent amounted to ¥53.7 billion. The cancellations of treasury stock, the resolutions for which had been passed at the Board of Directors' meeting held on November 7, 2023 and February 7, 2024, pursuant to the provisions of Article 178 of the Companies Act, were carried out on November 30, 2023 and February 20, 2024, respectively. As a result, net assets amounted to ¥251.5 billion and the shareholders' equity ratio increased 1.2 percentage points to 85.5%.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥205.4 billion, having decreased ¥47.1 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥12.4 billion from the previous fiscal year-end to ¥47.5 billion. Principal cash inflow items were income before income taxes amounting to ¥75.2 billion, a ¥4.8 billion decrease in accounts receivable for provision of parts and materials for value, a ¥4.7 billion decrease in notes and accounts receivable-trade, and depreciation and amortization amounting to ¥2.9 billion. Principal cash outflow items were income taxes paid amounting to ¥28.3 billion, a ¥6.8 billion decrease in notes and accounts payable-trade, a gain on sales of investment securities amounting to ¥2.1 billion, and a ¥1.1 billion increase in inventories.

Net cash provided by investing activities increased ¥8.4 billion from the previous fiscal year-end to ¥15.1 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥40.0 billion, and proceeds from sale of investment securities amounting to ¥3.3 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥25.0 billion, and payment for purchase of property, plant and equipment amounting to ¥2.9 billion.

Cash flows from financing activities decreased ¥102.7 billion from the figure at the previous fiscal year-end and, as a result, net cash used in financing activities amounted to ¥109.8 billion. Principal cash outflow items were payment for purchase of treasury stock amounting to ¥98.0 billion, and cash dividends paid amounting to ¥13.3 billion.

For fiscal 2025, the Company forecasts an increase in net cash provided by operating activities of ¥39.0 billion, a decrease in net cash used in investing activities of ¥5.0 billion attributable to capital investment, and a decrease in net cash used in financing activities of ¥20.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥14.0 billion in the cash balance at the end of fiscal 2025 compared to the end of fiscal 2024.

(reference) Change in cash flow indicators

	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Shareholders' equity ratio (%)	91.4	86.8	84.3	85.5
Shareholders' equity ratio at market value (%)	61.4	64.0	87.7	125.7

Notes: Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio at market value: Market capitalization / Total assets

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated using the number of shares issued and outstanding excluding treasury stock.
3. Figures are rounded up or down to the nearest single decimal place.

(4) Future outlook

As for the market environment in the fiscal year ending March 31, 2025, the pachislot market is expected to continue to be favorable thanks to the penetration of Smart Pachislot machines, while the pachinko sales market is expected to remain flat as the strong pachislot market prevails. In addition, parlor operators are preparing for capital investment associated with the issuance of new money bills, and therefore, the possibility of its impact on the sales volume of pachinko machines and pachislot machines can be assumed.

The Group will enhance the title lineups in both the pachinko business and the pachislot business so that we can strive to acquire the top share for the three consecutive years even in the pachinko market where a severe market environment is expected and that we can take a bite out of the top share group in the pachislot market.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2025, of 247,000 pachinko machines and 119,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2025, are as follows:

	Forecast	Year-on-year change	FY 2024 results
Net sales	¥180.0 billion	9.6% decrease	¥199.0 billion
Operating income	¥61.0 billion	15.9% decrease	¥72.4 billion
Recurring income	¥62.0 billion	15.3% decrease	¥73.1 billion
profit attributable to owners of parent	¥42.0 billion	21.9% decrease	¥53.7 billion

***Caution regarding Forward-looking Statements**

The forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed rational. The company does not guarantee their realization. Actual results, performance or achievements may differ materially from those expressed in forward-looking statements owing to various factors.

(5) Basic policy on profit sharing and cash dividends for fiscal 2024 and fiscal 2025

The Company regards the return of profits to shareholders as one of the most important management priorities. The Company's basic policy is to pay performance-linked dividends with a consolidated dividend payout ratio of 40% as a benchmark. However, the minimum annual dividend per share shall be set at ¥20 to maintain stable dividends.

For the interim dividend, a consolidated dividend payout ratio of 40% for the first six months of the fiscal year shall be the benchmark for the total dividend amount, but the interim dividend shall be no more than 50% of the forecast full-year dividend per share at the time the interim dividend amount is determined.

The Company plans to pay an interim dividend of ¥150 per share and year-end dividend ¥50 per share for fiscal 2024. The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. The amount of the interim dividend for the fiscal year under review is presented in the amount before the share split, while the amount of the year-end dividend is presented after the share split. If the share split is assumed to be carried out at the beginning of the fiscal year under review, the dividends for the full year would be 80 yen per share (of which, the interim dividend is 30 yen; the consolidated payout ratio is 39.3%). For the fiscal year ending March 31, 2025, the Company plans to pay a dividend for the full year of ¥80 per share (the breakdown for the interim and year-end dividends are not yet determined; the consolidated payout ratio is 41.8%).

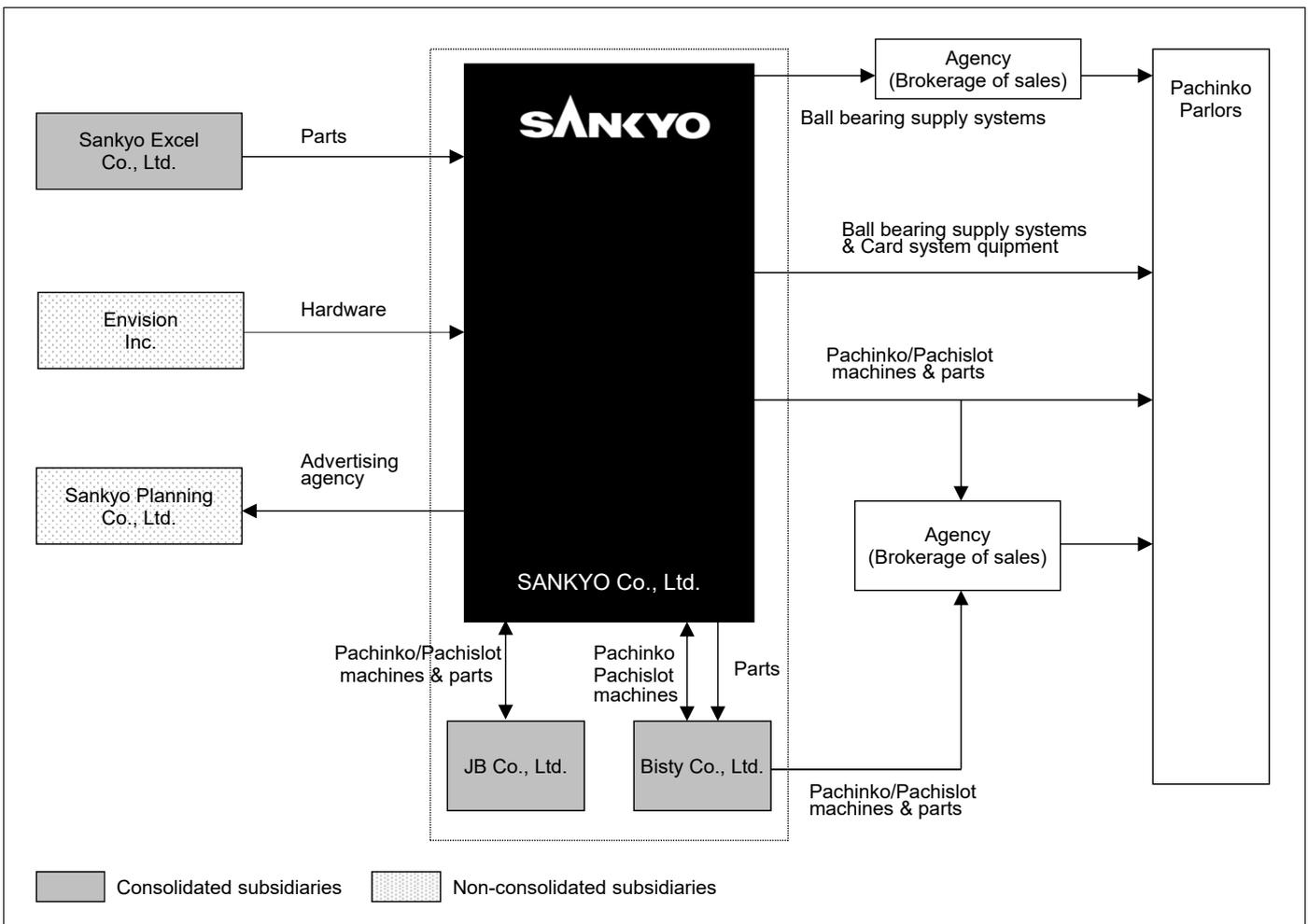
In regard to future profit sharing and use of retained earnings, while maintaining performance-based dividend payments as the basic policy, the Company will effectively utilize retained earnings, such as in business investment for growth and repurchase of own shares for flexible shareholder returns, through appropriate allocation.

2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 5 subsidiaries (as of March 31, 2024) and two affiliates. Details of the Group's business and the positioning of major affiliated companies concerning the business are shown below. The classification of businesses is the same as that in the segment information.

Business segment (Details of the Business)	Company name
Pachinko machines business Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Bisty Co., Ltd. JB Co., Ltd.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Sankyo Planning Co., Ltd. Envision Inc.
Ball bearing supply systems business Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd.
Other business Real estate rental revenues, Sales of general molded parts	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Envision Inc.

(2) The business structure is shown below.



3. Management Policies

(1) Management policy, management strategy, etc.

1) Management policy

The basic philosophy of SANKYO Co., Ltd. (the Company) and its consolidated subsidiaries and affiliates (SANKYO Group) is to fulfill its mission, namely, to contribute to the sound development of pachinko and pachislot, which are popular leisure activities in Japan, and to the quality of life in society as a leading company in the pachinko and pachislot industry. Moreover, by concentrating its resources on the game machines business (pachinko machines business, pachislot machines business, and ball bearing supply systems business), which are expected to be highly profitable, the Group aims to revitalize the pachinko and pachislot industry and achieve sustainable enhancement of corporate value.

2) Business strategy by segment

i. Pachinko Machines Business and Pachislot Machines Business

By offering highly competitive innovative products imbued with the spirit of “ingenuity,” which is our company motto, we aim to earn the trust and support of players and parlor operators so as to increase our market share of pachinko and pachislot machines in terms of sales volume. In addition, as initiatives to strengthen profitability, we will focus on the sharing of parts, improvement of the recycling rate, and improvement of development efficiency to achieve cost reduction as well as improvement of the top line through increased sales volumes.

Regarding the pachinko machines business, the Group has been securing a top-tier share in the pachinko machines market for a quarter century. To further increase market share, we will continue to offer products that earn the support of players and parlor operators by developing diverse products that capitalize on the Group's three brands and creating popular series of products.

As for the pachislot machines business, we recognize that the Group has ample room for growth, and we will work to secure resources, strengthen alliances, offer a stable number of titles slated for introduction, and create hit titles, with the aim of securing a formidable presence similar to that in the pachinko market.

ii. Ball Bearing Supply Systems Business

We handle ball bearing supply systems and various products necessary for the interiors and operations of pachinko parlors. Capitalizing on our system capable of providing one-stop services combined with supply of pachinko and pachislot machines, we are committed to meeting the needs of parlor operators to the fullest extent possible.

(2) Performance indicators

SANKYO Group aims to achieve sustainable growth by establishing a solid position in the industry through increasing its share of the pachinko and pachislot markets. The Company believes that the results of this effort are reflected in the ratio of operating income to net sales and formulates and implements various measures to increase competitive advantage in product planning, development, production, and marketing with the objective of increasing this ratio. The Group will continuously engage in cost reduction measures, including improvement of the efficiency of advertising and sales promotion, the sharing of parts and materials, and the streamlining of logistics.

The table below depicts change in the ratio of operating income to net sales for the most recent three-year period. In the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, the Group achieved a ratio of operating income to net sales that was unprecedentedly high compared with the ratio in recent years owing to a significant increase in net sales, mainly attributable to growth in the Group's market share in both the pachinko machines business and the pachislot machines business. Going forward, the Group will continue striving to increase its shares of pachinko and pachislot machine markets while aiming to maintain and enhance the ratio of operating income to net sales.

	FY2022	FY2023	FY2024
Ratio of operating income to net sales (%)	25.2	37.2	36.4

On May 9, 2024, the Group announced its three-year Mid-term Management Plan which started from the fiscal year ending March 31, 2025. In this plan, in addition to three-year targets for sales and profits, we have set a target of achieving return on equity (ROE) at a level between 15% and 20%, which is considerably higher than the level of the capital cost recognized by the Group or the capital cost required by investors.

	FY2022	FY2023	FY2024
Return on equity (ROE) (%)	6.9	16.3	19.3

(3) Management issues

In the pachinko and pachislot industry, Smart Pachislot machines, the launch of which started in November 2022, gained support from players and parlor operators, and the sales volume of pachislot machines is trending upward. In contrast, only a few titles have been hits for Smart Pachinko machines, the launch of which started in April 2023, experiencing the lack of excitement as opposed to Smart Pachislot machines which enjoy steady penetration. In addition, the dominance of the pachislot machine utilization is continuing, driven by Smart Pachislot machines. For pachinko machines, the emergence of new titles, whether for conventional pachinko machines or Smart Pachinko machines, which drive machine utilization, is expected.

In this environment, as part of our responsibility as a leading company in the pachinko market, the Group will aim to raise the machine utilization and generate new titles that trigger a turnaround of the pachinko market. Furthermore, in order to boost the pachinko and pachislot markets, we will promote product development that has a wealth of novelty and innovation without being constrained by conventional norms, leading to the development of the industry and further growth of the Group. As a result of these initiatives, we will establish the robust position boasting the top share exceeding 30% in the pachinko machines business, while accumulating the trust and support of players and parlor operators and increasing the presence and sales share of the Group in the pachislot machines business, closing in on to the top group.

Meanwhile, as part of measures to strengthen the corporate governance structure, on condition that it is approved by the Ordinary General Meeting of the Shareholders to be held in June 2024, we are planning to make a transition to a company with an Audit and Supervisory Committee, to strengthen the supervisory function of the Board of Directors. In addition, we have established a voluntary Nomination and Remuneration Committee in January 2024, whereby we will ensure the objectivity, transparency, and fairness of the procedures to evaluate and determine appointment, remuneration, etc. of Directors.

Furthermore, a Sustainability Committee chaired by President & CEO was established in April 2024, to promote future initiatives related to sustainability. In addition to business and financial strategies such as sales, profits, and balance sheets, we will strengthen efforts and information disclosure for non-financial strategies such as environmental activities, social/regional contribution activities, and human capital strategies. We will realize a “sustainable society” and “continuous corporate growth” simultaneously through consideration for and collaboration with all sorts of stakeholders including customers, business partners, shareholders, employees, and local communities, and thereby aim to improve corporate value further.

4. Basic Approach to the Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	92,610	130,441
Notes receivable-trade	15,905	12,954
Accounts receivable-trade	12,200	10,395
Marketable securities	174,999	74,999
Finished goods and merchandise	3,760	510
Work in process	801	705
Raw materials and supplies	10,029	14,553
Accounts receivable for provision of parts and materials for value	9,802	4,937
Other	1,704	1,976
Allowance for doubtful accounts	(17)	(9)
Total current assets	321,797	251,465
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	13,954	14,272
Less accumulated depreciation	(8,598)	(8,851)
Subtotal	5,355	5,420
Machinery and equipment	7,363	7,456
Less accumulated depreciation	(6,813)	(6,473)
Subtotal	550	982
Furniture and fixtures	12,678	12,711
Less accumulated depreciation	(9,615)	(10,093)
Subtotal	3,062	2,617
Land	17,477	17,447
Construction in progress	217	162
Total tangible fixed assets	26,663	26,630
Intangible fixed assets		
Other	178	185
Total Intangible fixed assets	178	185
Investments and other assets:		
Investment securities	11,436	6,601
Long-term advances	55	50
Deferred tax assets	5,099	6,195
Other	748	1,040
Allowance for doubtful accounts	(29)	(48)
Total investments and other assets	17,311	13,838
Total fixed assets	44,153	40,654
Total assets	365,950	292,119

Consolidated Balance Sheets

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	14,301	7,444
Accrued income taxes	19,578	10,311
Contract liabilities	15	11
Allowance for bonuses	781	847
Provision for shareholder benefit program	151	162
Other	12,351	12,574
Total current liabilities	47,180	31,352
Long-term liabilities:		
Provision for share awards for directors (and other officers)	-	489
Net defined benefit liabilities	4,967	5,128
Asset retirement obligations	75	76
Other	3,467	3,493
Total long-term liabilities	8,510	9,187
Total liabilities	55,691	40,539
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	293,670	256,751
Less: treasury stock, at cost	(29,602)	(48,686)
Total shareholders' equity	302,658	246,654
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,791	3,240
Remeasurements of defined benefit plans	(30)	(32)
Total accumulated other comprehensive income	5,761	3,208
Subscription rights to shares	1,839	1,716
Total net assets	310,259	251,579
Total liabilities and total net assets	365,950	292,119

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

Consolidated Statements of Income

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

	Year ended March 31, 2023	Year ended March 31, 2024
	Millions of yen	Millions of yen
Net sales	157,296	199,099
Cost of sales	66,380	88,420
Gross profit	90,916	110,679
Selling, general and administrative expenses	32,383	38,184
Operating income	58,532	72,495
Non-operating income:		
Interest income	73	52
Dividend income	553	337
Other	184	320
Total non-operating income	811	710
Non-operating expenses:		
Loss on management of investment partnership	-	19
Other	1	3
Total non-operating expenses	1	23
Recurring income	59,341	73,182
Extraordinary gains:		
Gain on sales of fixed assets	75	8
Gain on sales of investment securities	7,004	2,196
Total extraordinary gains	7,079	2,205
Extraordinary losses:		
Loss on sales of fixed assets	22	7
Loss on disposal of fixed assets	117	103
Impairment loss	22	-
Total extraordinary losses	162	111
Income before income taxes	66,259	75,276
Income taxes:		
Current income taxes	20,388	21,454
Deferred income taxes	(1,023)	30
Total income taxes	19,365	21,484
Net income	46,893	53,791
Profit attributable to owners of parent	46,893	53,791

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2023	Year ended March 31, 2024
	Millions of yen	Millions of yen
Net income	46,893	53,791
Other comprehensive income:		
Net unrealized gain (loss) on other securities	145	(2,551)
Remeasurements of defined benefit plans	(29)	(1)
Total other comprehensive income	115	(2,552)
Comprehensive income	47,009	51,238
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	47,009	51,238
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholder's Equity

Year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,750	264,842	(40,558)	262,874	5,646	(1)	5,645	1,600	270,120
Change during the fiscal year										
Dividends of surplus			(6,396)		(6,396)					(6,396)
Profit attributable to owners of parent			46,893		46,893					46,893
Acquisition of treasury stocks				(766)	(766)					(766)
Acquisition of treasury stocks by the share benefit trust					-					-
Sales of treasury stocks			(17)	71	54					54
Retirement of treasury stock			(11,652)	11,652	-					-
Net changes of items other than shareholder's equity						145	(29)	115	238	354
Total changes during the fiscal year	-	-	28,828	10,956	39,784	145	(29)	115	238	40,139
Balance at end of the period	14,840	23,750	293,670	(29,602)	302,658	5,791	(30)	5,761	1,839	310,259

Year ended March 31, 2024 (From April 1, 2023, to March 31, 2024)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,750	293,670	(29,602)	302,658	5,791	(30)	5,761	1,839	310,259
Change during the fiscal year										
Dividends of surplus			(13,346)		(13,346)					(13,346)
Profit attributable to owners of parent			53,791		53,791					53,791
Acquisition of treasury stocks				(96,529)	(96,529)					(96,529)
Acquisition of treasury stocks by the share benefit trust				(1,550)	(1,550)					(1,550)
Sales of treasury stocks		559		1,071	1,630					1,630
Retirement of treasury stock		(559)	(77,364)	77,923	-					-
Net changes of items other than shareholder's equity						(2,551)	(1)	(2,552)	(123)	(2,675)
Total changes during the fiscal year	-	-	(36,919)	(19,084)	(56,003)	(2,551)	(1)	(2,552)	(123)	(58,679)
Balance at end of the period	14,840	23,750	256,751	(48,686)	246,654	3,240	(32)	3,208	1,716	251,579

(4) Consolidated Statements of Cash Flows

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

	Year ended March	Year ended March
	31, 2023	31, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	66,259	75,276
Depreciation and amortization	1,838	2,916
Share-based compensation expenses	288	-
Increase (decrease) in allowance for doubtful accounts	33	12
Increase (decrease) in allowance for bonuses	47	65
Increase (decrease) in provision for shareholder benefit program	29	11
Increase (decrease) in provision for share awards for directors (and other officers)	-	489
Increase (decrease) in net defined benefit liabilities	13	159
Interest and dividend income	(627)	(389)
Loss (gain) on sales of property, plant and equipment and intangible assets	(53)	(1)
Disposal of fixed assets	117	103
Impairment loss	22	-
(Gain) loss on sales of investment securities	(7,004)	(2,196)
(Increase) decrease in notes and accounts receivable-trade	(10,876)	4,755
(Increase) decrease in inventories	(6,771)	(1,177)
Increase (decrease) in notes and accounts payable-trade	(4,418)	(6,857)
(Increase) decrease in accounts receivable for provision of parts and materials for value	(5,130)	4,864
Increase (decrease) in accounts payable	481	178
Increase (decrease) in accrued consumption tax	3,253	(308)
Other	1,559	(2,244)
Subtotal	39,062	75,657
Interest and dividend income received	507	304
Income taxes paid	(4,539)	(28,372)
Income taxes refund	72	-
Net cash (used in) provided by operating activities	35,103	47,589
Cash flows from investing activities:		
Payment for purchase of marketable securities	(60,000)	(25,000)
Proceeds from redemption of marketable securities	60,000	40,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,690)	(2,966)
Proceeds from sale of investment securities	9,064	3,356
Proceeds from collection of long-term loans	25	5
Other	256	(276)
Net cash (used in) provided by investing activities	6,655	15,118
Cash flows from financing activities:		
Payment for purchase of treasury stock, net	(766)	(98,079)
Proceeds from sale of treasury stock	0	1,550
Cash dividends paid	(6,396)	(13,346)
Net cash (used in) provided financing activities	(7,163)	(109,875)
Net increase (decrease) in cash and cash equivalents	34,596	(47,168)
Cash and cash equivalents at beginning of the period	218,012	252,609
Cash and cash equivalents at end of the period	252,609	205,440

(5) Segment Information
(Segment information by business category)

Year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)

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

	Year ended March 31, 2023 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	122,576	22,551	11,993	157,121	175	157,296	-	157,296
Intersegment	-	-	-	-	-	-	-	-
Total	122,576	22,551	11,993	157,121	175	157,296	-	157,296
Segment income	54,223	9,280	742	64,245	21	64,266	(5,734)	58,532
Segment assets	139,115	21,334	8,457	168,907	756	169,664	196,286	365,950
Other items								
Depreciation	1,575	148	10	1,734	3	1,738	100	1,838
Increase in tangible fixed assets and intangible fixed assets								
	2,468	150	41	2,660	5	2,665	215	2,881

Year ended March 31, 2024 (From April 1, 2023, to March 31, 2024)

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

	Year ended March 31, 2024 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	147,042	32,143	19,497	198,683	416	199,099	-	199,099
Intersegment	-	-	-	-	-	-	-	-
Total	147,042	32,143	19,497	198,683	416	199,099	-	199,099
Segment income	61,165	15,289	1,582	78,038	159	78,197	(5,701)	72,495
Segment assets	165,979	24,492	8,079	198,551	2,474	201,026	91,092	292,119
Other items								
Depreciation	2,622	188	12	2,824	24	2,848	67	2,916
Increase in tangible fixed assets and intangible fixed assets								
	2,675	229	52	2,957	14	2,972	52	3,024