

SANKYO CO., LTD.
<https://www.sankyo-fever.co.jp/>

Shares listed: TSE Prime Market

Code number: 6417

Representative: Akihiko Ishihara, President & CEO & COO

Contact: Hiroshi Takahashi, Senior Executive Operating Officer

Telephone: +81-3-5778-7777

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 FY2025 (From April 1, 2024, to June 30, 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
1st quarter of FY2025	42,210 (16.9%)	17,273 (10.0%)	17,575 (9.8%)	12,503 (11.2%)
1st quarter of FY2024	50,777 82.9%	19,188 102.9%	19,482 98.2%	14,080 77.5%
(note) Comprehensive income	1st quarter of FY2025	¥12,449 million [(14.1%)]	1st quarter of FY2024	¥14,498 million [116.5%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2025	57.00	56.21
1st quarter of FY2024	48.48	47.95

(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, 2024.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of June 30, 2024	291,667	253,011	86.2	
As of March 31, 2024	292,119	251,579	85.5	
(reference) Shareholders' Equity	As of June 30, 2024	¥251,295 million	As of March 31, 2024	¥249,863 million

2. Dividends

	Cash dividend per share				
(Base date)	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	-	150.00	-	50.00	-
Year ending March 31, 2025	-	-	-	-	-
Year ending March 31, 2025 (Forecast)	-	-	-	-	80.00

(Note) 1. Changes in the projected cash dividends in this quarter : No

2. 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, 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.

3. 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.

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	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%)	191.47

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) Significant changes in the scope of consolidation during the period: Not applicable

(2) Application of peculiar accounting methods: Not applicable

(3) Changes in accounting procedures

a. Related to accounting standard revisions etc.: Applicable

b. Other changes: Not applicable

c. Changes in accounting estimates: Not applicable

d. Retrospective restatements: Not applicable

(Note) For more details, please refer to "2.Quarterly Consolidated Financial Statements and Primary Notes (3)Notes to the quarterly Consolidated Financial Statements (Notes to Changes in Accounting Policy)" in the attached material.

(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of June 30, 2024: 260,000,000 shares As of March 31, 2024: 260,000,000 shares

b. No. of treasury stock As of June 30, 2024: 40,636,891 shares As of March 31, 2024: 40,651,855 shares

c. Average number of shares issued and outstanding 1st quarter of FY2025: 219,348,937 shares 1st quarter of FY2024: 290,439,822 shares

(Note) 1. The No. of treasury stock includes the Company's shares held by Share Benefit Trust for Directors (1,335,000 shares as of June 30, 2024, 1,350,000 shares As of March 31, 2024). 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 (1,349,176 shares as of June 30, 2024)

2. The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. 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, 2024.

*Review of the attached quarterly consolidated financial statements by Certified Public Accountants or Audit Firm: Not applicable

*** 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 Operating Results (3)Forecast of Consolidated Results and Other Forecast Information" in the accompanying material.

1. Overview of Operating Results

(1) Overview of Operating Results

During the first three months of the fiscal year ending March 31, 2025 (from April 1, 2024 to June 30, 2024), improvement of consumer sentiment in Japan failed to gain traction. However, in view of the upward trend of employment and incomes, the moderate recovery of the Japanese economy is expected to continue. On the other hand, the downward swing of overseas economies, price increases, and the situation in the Middle East are concerns. These downside risks to the economy require careful monitoring.

In the pachinko and pachislot industry, although Smart Pachislot machines have been enjoying high machine utilization and are diffusing strongly, the pachinko market has been somewhat sluggish, overshadowed by the pachislot market. However, pachinko machines equipped with Lucky Trigger offering new gaming performance introduced since March 2024 have been attracting attention. Moreover, Smart Pachinko machines with enhanced gaming performance have been introduced step by step since July 2024. The diffusion of Lucky Trigger machines and Smart Pachinko machines is expected to lead to recovery of the pachinko market.

During the first quarter of the current fiscal year, the Group introduced two pachinko titles and one pachislot title. The sales volumes of these new titles are increasing as planned. In the pachislot machines business, thanks to vigorous product development of Smart Pachislot machines, the Group's lineup of Smart Pachislot machines, including *L Pachislot Karakuri Circus* and *L Godzilla vs EVANGELION*, which were introduced in the fiscal year ended March 31, 2024, as well as *Pachislot Valvrave the Liberator* introduced in November 2022, is driving up high machine utilization in the pachislot market. Responding to continuing strong demand from parlor operators, the Group produced additional units of these titles and achieved higher sales volumes.

As a result, on a consolidated basis, net sales were ¥42.2 billion, a decrease of 16.9% compared with the same period of the previous year, operating income was ¥17.2 billion, a decrease of 10.0%, and recurring income was ¥17.5 billion, a decrease of 9.8%. Profit attributable to owners of parent amounted to ¥12.5 billion, a decrease of 11.2%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥17.8 billion, a decrease of 48.8% compared with the same period of the previous year, and operating income amounted to ¥8.1 billion, a decrease of 45.9%. Sales of pachinko machines amounted to 40,000 units, compared with 77,000 units for the same period of the previous fiscal year.

Two titles released included *Fever Macross Frontier 5* (introduced in April 2024) and *Fever SANGOKU SENKI 7500* (introduced in June 2024) under the SANKYO brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥16.6 billion, an increase of 83.4% compared with the same period of the previous year, and operating income was ¥9.7 billion, an increase of 101.9%. Sales of pachislot machines amounted to 35,000 units, compared with 19,000 units for the same period of the previous fiscal year.

Although *L Pachislot ENN ENN NO SHOUBOUTAI* (introduced in May 2024) under the SANKYO brand was the only new title introduced during the first three months of the fiscal year ending March 31, 2025, the Group manufactured additional units of *Pachislot Valvrave the Liberator* and two other titles.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥7.5 billion, an increase of 12.7% compared with the same period of the previous year, and operating income was ¥0.6 billion, an increase of 0.9%.

Other Businesses

Sales of other businesses were ¥100 million, an increase of 43.9% compared with the same period of the previous year, and operating income was ¥46 million, an increase of 44.8%.

(2) Overview of Financial Conditions

Total assets at the end of the first three months of the fiscal year ending March 31, 2025 amounted to ¥291.6 billion, having decreased ¥0.4 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥10.0 billion decrease in marketable securities, despite a ¥3.6 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), a ¥2.7 billion increase in merchandise and finished goods, a ¥1.4 billion increase in raw materials and inventories, a ¥1.3 billion decrease in cash and deposits, and a ¥0.4 billion increase in prepaid expenses (included in "Other" of Current assets).

Total liabilities amounted to ¥38.6 billion, having decreased ¥1.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥5.1 billion decrease in accrued income taxes, and a ¥2.7 billion decrease in accrued consumption tax (included in "Other" of Current liabilities), despite a ¥5.6 billion increase in notes and accounts payable-trade, and a ¥0.4 billion increase in allowance for bonuses.

Net assets increased ¥1.4 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 ¥12.5 billion, while cash dividends paid amounting to ¥11.0 billion. As a result, net assets amounted to ¥253.0 billion and the shareholders' equity ratio increased 0.7 percentage points to 86.2%.

(3)Forecast of Consolidated Results and Other Forecast Information

No revision has been made to the forecasts of financial results for fiscal 2025 announced on May 9, 2024.

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, 2024	As of June 30, 2024
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	130,441	131,767
Notes and accounts receivable-trade, and contract assets	23,350	23,335
Marketable securities	74,999	64,996
Merchandise and finished goods	510	3,274
Work in process	705	289
Raw materials and supplies	14,553	16,032
Other	6,913	11,252
Allowance for doubtful accounts	(9)	(10)
Total current assets	251,465	250,937
Fixed assets:		
Tangible fixed assets	26,630	26,931
Intangible fixed assets:		
Other	185	172
Total intangible fixed assets	185	172
Investments and other assets:		
Investment securities	6,601	6,519
Other	7,286	7,130
Allowance for doubtful accounts	(48)	(24)
Total investments and other assets	13,838	13,625
Total fixed assets	40,654	40,729
Total assets	292,119	291,667

Consolidated Balance Sheets

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

	As of March 31, 2024	As of June 30, 2024
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	7,444	13,124
Accrued income taxes	10,311	5,185
Allowance for bonuses	847	1,326
Provision for shareholder benefit program	162	162
Other	12,586	9,612
Total current liabilities	31,352	29,410
Long-term liabilities:		
Provision for share awards for directors (and other officers)	489	489
Net defined benefit liabilities	5,128	5,125
Asset retirement obligations	76	76
Other	3,493	3,554
Total long-term liabilities	9,187	9,245
Total liabilities	40,539	38,655
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	256,751	258,219
Less: treasury stock, at cost	(48,686)	(48,669)
Total shareholders' equity	246,654	248,140
Accumulated other comprehensive income:		
Net unrealized gain on other securities	3,240	3,184
Remeasurements of defined benefit plans	(32)	(29)
Total accumulated other comprehensive income	3,208	3,154
Subscription rights to shares	1,716	1,716
Total net assets	251,579	253,011
Total liabilities and total net assets	292,119	291,667

(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 FY2024	1st quarter of FY2025
	Millions of yen	Millions of yen
Net sales	50,777	42,210
Cost of sales	22,450	17,127
Gross profit	28,326	25,083
Selling, general and administrative expenses	9,137	7,810
Operating income	19,188	17,273
Non-operating income:		
Interest income	17	14
Dividend income	173	192
Other	105	97
Total non-operating income	296	304
Non-operating expenses:		
Loss on management of investment partnership	2	-
Other	0	2
Total non-operating expenses	2	2
Recurring income	19,482	17,575
Extraordinary gains:		
Gain on sales of fixed assets	8	-
Gain on sales of investment securities	426	-
Total extraordinary gains	434	-
Extraordinary losses:		
Loss on sales of fixed assets	7	-
Loss on disposal of fixed assets	-	1
Total extraordinary losses	7	1
Income before income taxes and minority interests	19,909	17,574
Income taxes:		
Current income taxes	5,385	4,932
Deferred income taxes	443	138
Total income taxes	5,829	5,070
Profit	14,080	12,503
Profit attributable to owners of parent	14,080	12,503

Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2024	1st quarter of FY2025
	Millions of yen	Millions of yen
Profit	14,080	12,503
Other comprehensive income:		
Net unrealized gain (loss) on other securities	414	(56)
Remeasurements of defined benefit plans	2	3
Total other comprehensive income	417	(53)
Comprehensive income	14,498	12,449
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,498	12,449
Comprehensive income attributable to minority interests	-	-

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

Not applicable

Notes to Changes in Accounting Policy

Application of Accounting Standard for Current Income Taxes

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter, “Revised Accounting Standard 2022”), etc. has been applied since the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, “Revised Guidance 2022”). The change in accounting policies had no impact on the consolidated financial statements for the first quarter.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the first quarter. The change in accounting policies was applied retrospectively to the consolidated financial statements for the first quarter of the previous fiscal year and the entire previous fiscal year. The change in the accounting policies had no impact on the consolidated financial statements for the first quarter of the previous fiscal year or the entire previous fiscal year.

Notes on significant changes in shareholders' equity

1st Three Months of FY2025 (From April 1, 2024, to June 30, 2024)

Not applicable

Notes to Consolidated Statement of Cash Flows

The Company has not prepared a quarterly consolidated statement of cash flows for the first quarter.

Depreciation, including amortization related to intangible assets, for the first quarter is as shown below.

	1st quarter of FY2024 (April 1, 2023 to June 30, 2023)	1st quarter of FY2025 (April 1, 2024 to June 30, 2024)
Depreciation and amortization	¥503 million	¥440 million

Notes on Segment Information

(Segment information by business category)

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

1st quarter of FY2025 (From April 1, 2024, to June 30, 2024)

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

	1st quarter of FY2025 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	17,866	16,610	7,592	42,070	140	42,210	-	42,210
Intersegment	-	-	-	-	-	-	-	-
Total	17,866	16,610	7,592	42,070	140	42,210	-	42,210
Segment income	8,118	9,729	600	18,448	46	18,495	(1,222)	17,273