

SANKYO CO., LTD.

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

Shares listed: TSE Prime Market

Code number: 6417

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Planned Date for Submittal of the Semi-annual Securities Report: November 13, 2024

Planned Date for Start of Dividend Payment: December 2, 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 first six months of FY2025 (From April 1, 2024, to September 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 six months of FY2025	90,729 (21.9%)	36,288 (20.2%)	36,740 (19.9%)	26,235 (20.0%)
1st six months of FY2024	116,190 66.1%	45,460 72.1%	45,863 70.9%	32,787 53.9%
(Note) Comprehensive income	1st six months of FY2025	¥25,734 million [(21.9%)]	1st six months of FY2024	¥32,935 million [64.9%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st six months of FY2025	119.54	117.94
1st six months of FY2024	113.11	111.88

(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 September 30, 2024	312,543	266,313	84.7	
As of March 31, 2024	292,119	251,579	85.5	
(Reference) Shareholders' Equity	As of September 30, 2024	¥264,723 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 ended March 31, 2025	-	40.00	-	-	-
Year ended March 31, 2025(Forecast)	-	-	-	40.00	80.00

Note: 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. 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%)	191.31

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 FY2024: 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 (4)Notes to the Semi-annual 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 Sep. 30, 2024: 260,000,000 shares As of March 31, 2024: 260,000,000 shares

b. No. of treasury stock As of Sep. 30, 2024: 40,390,946 shares As of March 31, 2024: 40,651,855 shares

c. Average number of shares issued and outstanding 1st 6M of FY2025: 219,474,433 shares 1st 6M of FY2024: 289,875,034 shares

(Note) 1. The No. of treasury stock includes the Company's shares held by Share Benefit Trust for Directors (1,320,000 shares as of Sep 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 (1,334,754 shares as of September 30, 2024, 287,705 shares as of Sep 30, 2023)

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 semi-annual 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.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 six months of the fiscal year ending March 31, 2025 (from April 1, 2024 to September 30, 2024), employment and incomes trended upward, and this moderate recovery of the Japanese economy is expected to continue. However, the outlook of the economy remains uncertain in light of concerns about the downturn of overseas economies, price increases, and the situation in the Middle East.

In the pachinko and pachislot industry, gaming performance of Smart Pachinko machines has been enhanced and several Smart Pachinko machines with new gaming performance have been introduced since July 2024, attracting favorable attention. Similar to the pachislot market, which has been revitalized by the debut of Smart Pachislot machines, there are expectations that the launch and diffusion of hit Smart Pachinko machines will lead to revitalization of the pachinko market, going forward.

In these circumstances, the Group simultaneously introduced a conventional model (P-machine) and a Smart Pachinko model of *Fever MOBILE SUIT GUNDAM UNICORN Sairai -Shiroki Ikkakujū to Kuroki Shishi-*. Although the conventional model accounted for the bulk of sales, the Smart Pachinko model was well received, gaining popularity and being highly evaluated following its introduction. It offers distinctive gaming performance with Lucky Trigger, which is a new feature, and the “Chōdeka START” “start chucker” pocket where balls enter is far bigger than is usual. In view of its popularity, we have decided to manufacture additional units of this model in the third quarter. As regards pachislot machines, the Group continues to increase its presence thanks to multiple titles that are leading machine utilization in the pachislot market. The manufacture of additional units of the multiple titles with strong machine utilization track records, as well as the introduction of three new titles, led to higher sales volume.

As a result, on a consolidated basis, net sales were ¥90.7 billion, a decrease of 21.9% compared with the same period of the previous year, operating income was ¥36.2 billion, a decrease of 20.2%, recurring income was ¥36.7 billion, a decrease of 19.9%. Profit attributable to owners of parent amounted to ¥26.2 billion, a decrease of 20.0%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥37.9 billion, a decrease of 53.7% compared with the same period of the previous year, and operating income amounted to ¥15.8 billion, a decrease of 56.6%. Sales of pachinko machines amounted to 83,000 units compared with 167,000 units for the same period of the previous fiscal year.

Major titles released included *Fever Macross Frontier 5* (introduced in April 2024) and *MOBILE SUIT GUNDAM UNICORN Sairai -Shiroki Ikkakujū to Kuroki Shishi-* (introduced in August 2024) under the SANKYO brand.

Sales volume decreased significantly compared with the same period of the previous fiscal year because only three new titles were introduced in the six months under review, whereas five titles were introduced in the same period of the previous fiscal year. The lower sales volume also reflected the fact that in the same period of the previous fiscal year *Fever MOBILE SUIT GUNDAM SEED* was such a big hit, with sales exceeding 50,000 units. However, sales are generally progressing as planned toward the targeted annual sales volume of 247,000 units.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥39.2 billion, an increase of 80.8% compared with the same period of the previous year, and operating income was ¥23.2 billion, an increase of 102.7%. Sales of pachislot machines amounted to 80,000 units compared with 48,000 units for the same period of the previous fiscal year.

Major new titles released included *L Pachislot Symphogear "Seigi no Uta"* (introduced in July 2024) and *L Pachislot Kaguya-sama ha Kokurasetai* (introduced in September 2024) under the SANKYO brand. In addition, we conducted increased production of multiple titles, which recorded good machine utilization, including *Pachislot Karakuri Sākasu*.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥13.2 billion, an increase of 8.8% compared with the same period of the previous year, and operating income was ¥1.0 billion, a decrease of 3.1%.

Other Businesses

Sales of other businesses were ¥200 million, an increase of 45.5% compared with the same period of the previous year, and operating income was ¥84 million, an increase of 13.8% 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, 2025 amounted to ¥312.5 billion, having increased ¥20.4 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥25.4 billion increase in cash and deposits, a ¥5.1 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), a ¥3.0 billion increase in merchandise and finished goods, a ¥1.4 billion increase in raw materials and inventories, despite a ¥15.0 billion decrease in marketable securities.

Total liabilities amounted to ¥46.2 billion, having increased ¥5.6 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥6.6 billion increase in notes and accounts payable-trade, a ¥1.3 billion increase in accrued income taxes, despite a ¥2.6 billion decrease in accounts payable (included in "Other" of Current liabilities).

Net assets increased ¥14.7 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 ¥26.2 billion, while cash dividends paid amounting to ¥11.0 billion. As a result, net assets amounted to ¥266.3 billion and the shareholders' equity ratio decreased 0.8 percentage points to 84.7%.

(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. Semi-annual 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 Sep. 30, 2024
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	130,441	155,907
Notes and accounts receivable-trade, and contract assets	23,350	21,990
Marketable securities	74,999	59,992
Merchandise and finished goods	510	3,519
Work in process	705	319
Raw materials and inventories	14,553	15,996
Other	6,913	13,382
Allowance for doubtful accounts	(9)	(14)
Total current assets	251,465	271,093
Fixed assets:		
Tangible fixed assets	26,630	27,307
Intangible fixed assets		
Other	185	173
Total Intangible fixed assets	185	173
Investments and other assets:		
Investment securities	6,601	5,869
Other	7,286	8,121
Allowance for doubtful accounts	(48)	(22)
Total investments and other assets	13,838	13,968
Total fixed assets	40,654	41,449
Total assets	292,119	312,543

Consolidated Balance Sheets

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

	As of March 31, 2024 Millions of yen	As of Sep. 30, 2024 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	7,444	14,046
Accrued income taxes	10,311	11,648
Allowance for bonuses	847	859
Provision for shareholder benefit program	162	162
Other	12,586	10,341
Total current liabilities	31,352	37,058
Long-term liabilities:		
Provision for share awards for directors (and other officers)	489	454
Net defined benefit liabilities	5,128	5,093
Asset retirement obligations	76	76
Other	3,493	3,547
Total long-term liabilities	9,187	9,171
Total liabilities	40,539	46,230
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	256,751	271,801
Less: treasury stock, at cost	(48,686)	(48,375)
Total shareholders' equity	246,654	262,015
Accumulated other comprehensive income:		
Net unrealized gain on other securities	3,240	2,733
Remeasurements of defined benefit plans	(32)	(25)
Total accumulated other comprehensive income:	3,208	2,707
Subscription rights to shares	1,716	1,590
Total net assets	251,579	266,313
Total liabilities and total net assets	292,119	312,543

(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 FY2024	1st Six Months of FY2025
	Millions of yen	Millions of yen
Net sales	116,190	90,729
Cost of sales	51,687	36,516
Gross profit	64,502	54,212
Selling, general and administrative expenses	19,042	17,924
Operating income	45,460	36,288
Non-operating income:		
Interest income	34	50
Dividend income	185	208
Other	195	198
Total non-operating income	415	457
Non-operating expenses:		
Loss on management of investment partnership	9	0
Other	3	4
Total non-operating expenses	12	4
Recurring income	45,863	36,740
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
Impairment loss	-	113
Total extraordinary losses	7	114
Income before income taxes and minority interests	46,290	36,626
Income taxes:		
Current income taxes	13,548	11,054
Deferred income taxes	(44)	(663)
Total income taxes	13,503	10,391
Profit	32,787	26,235
Profit attributable to owners of parent	32,787	26,235

Consolidated Statements of Comprehensive Income

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

	1st Six Months of FY2024	1st Six Months of FY2025
	Millions of yen	Millions of yen
Profit	32,787	26,235
Other comprehensive income:		
Net unrealized gain (loss) on other securities	142	(507)
Remeasurements of defined benefit plans	5	6
Total other comprehensive income	148	(501)
Comprehensive income	32,935	25,734
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	32,935	25,734
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 FY2024	1st Six Months of FY2025
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes and minority interests	46,290	36,626
Depreciation and amortization	1,172	1,074
Impairment loss	-	113
Increase (decrease) in allowance for doubtful accounts	1,169	(43)
Increase (decrease) in net defined benefit liabilities	80	(25)
Interest and dividend income	(219)	(258)
(Increase) decrease in notes and accounts receivable-trade	(14,352)	1,360
(Increase) decrease in inventories	1,808	(4,065)
Increase (decrease) in notes and accounts payable-trade	2,184	6,601
(Gain) loss on sales of investment securities	(426)	-
Other	(3,049)	(8,308)
Subtotal	34,656	33,074
Interest and dividend income received	171	233
Income taxes paid	(18,714)	(9,683)
Net cash (used in) provided by operating activities	16,113	23,624
Cash flows from investing activities:		
Payment for purchase of marketable securities	(25,000)	-
Proceeds from redemption of marketable securities	30,000	-
Payment for purchase of tangible fixed assets and intangible fixed assets	(1,731)	(2,158)
Proceeds from sale of investment securities	508	-
Proceeds from collection of long-term loans	2	2
Other	(272)	0
Net cash (used in) provided by investing activities	3,506	(2,155)
Cash flows from financing activities:		
Payment for purchase of treasury stock, net	(29,306)	(0)
Proceeds from sale of treasury stock, net	1,550	25
Cash dividends paid	(5,225)	(11,034)
Net cash (used in) provided financing activities	(32,981)	(11,009)
Net increase (decrease) in cash and cash equivalents	(13,361)	10,459
Cash and cash equivalents at beginning of the period	252,609	205,440
Cash and cash equivalents at end of the period	239,247	215,900

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

Not applicable

Notes on significant changes in shareholders' equity

1st Six Months of FY2025 (From April 1, 2024, to September 30, 2024)

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 six months 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 six months.

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 six months of the fiscal year ending March 31, 2025. The change in accounting policies was applied retrospectively to the consolidated financial statements for the first six months 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 six months of the previous fiscal year or the entire previous fiscal year.

Segment Information

(Segment information by business category)

1st Six Months of FY2024 (From April 1, 2023, to September 30, 2023)

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

	1st Six Months 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	82,107	21,686	12,215	116,010	180	116,190	-	116,190
Intersegment	-	-	-	-	-	-	-	-
Total	82,107	21,686	12,215	116,010	180	116,190	-	116,190
Segment income	36,515	11,483	1,109	49,108	74	49,182	(3,721)	45,460

1st Six Months of FY2025 (From April 1, 2024, to September 30, 2024)

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

	1st Six Months 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	37,981	39,200	13,285	90,467	261	90,729	-	90,729
Intersegment	-	-	-	-	-	-	-	-
Total	37,981	39,200	13,285	90,467	261	90,729	-	90,729
Segment income	15,841	23,272	1,074	40,187	84	40,272	(3,984)	36,288