

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Representative: Kimihisa Tsutsui, President & COO

Contact: Yoko Oshima, Executive Operating Officer

Planned Date for Submittal of the Financial Statements Report: November 12, 2020

Planned Date for Start of Dividend Payment: December 1, 2020

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

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

**1. Results for the first six months of FY2021 (From April 1, 2020, to September 30, 2020)**

(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 FY2021	25,332 (24.4%)	1,084 (64.8%)	1,588 (56.0%)	1,407 (35.5%)
1st six months of FY2020	33,493 12.5%	3,077 (5.3%)	3,606 (4.8%)	2,183 (24.8%)
(note) Comprehensive income	1st six months of FY2021	¥2,863 million [203.8%]	1st six months of FY2020	¥942 million [(15.8%)]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st six months of FY2021	23.01	22.80
1st six months of FY2020	26.93	25.49

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of September 30, 2020	292,256	268,035	91.1	
As of March 31, 2020	325,232	269,521	82.4	
(reference) Shareholders' Equity	As of September 30, 2020	¥266,267 million	As of March 31, 2020	¥267,946 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, 2020	-	75.00	-	75.00	150.00
Year ended March 31, 2021	-	75.00	-	-	-
Year ended March 31, 2021 (Forecast)	-	-	-	75.00	150.00

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

**3. Forecast for FY2021 (From April 1, 2020, to March 31, 2021)**

(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, 2021	73,500 (6.3%)	8,000 (36.3%)	8,700 (35.4%)	6,200 (52.5%)	101.34

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 FY2020: Not applicable

(2) Application of peculiar accounting methods: Not applicable

(3) Changes in accounting procedures

a. Related to accounting standard revisions etc.: Not applicable

b. Other changes: Not applicable

c. Changes in accounting estimates: Not applicable

d. Retrospective restatements: Not applicable

(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of Sep. 30, 2020:	69,597,500 shares	As of March 31, 2020:	69,597,500 shares
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b. No. of treasury stock As of Sep. 30, 2020:	8,412,290 shares	As of March 31, 2020:	8,427,105 shares
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c. Average number of shares issued and outstanding 1st 6M of FY2021:	61,178,850 shares	1st 6M of FY2020:	81,066,076 shares
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**\* This quarterly report is not subject to quarterly review procedures.**

**\* Disclaimer regarding Forward-looking Statements**

The statements concerning future performance that are presented in this document are based on judgments using information available to the Company and which are deemed reasonable as of the release date of this material, and they are not intended to assure the achievement of such forecasts presented herein. Actual results may differ due to various factors. For information regarding performance forecasts, please refer to "1. Qualitative Information and Financial

## 1. Qualitative Information and Financial Statements

### (1) Operating Results

During the first six months of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020), economic activity in Japan gradually regained impetus following the complete lifting of the state of emergency, which had been declared in response to the spread of COVID-19. However, a full recovery of the Japanese economy is expected to take a considerable time and future prospects remain unclear.

In the pachinko and pachislot industry, pachinko parlor operators are striving to ensure a safe and secure environment for playing pachinko and pachislot by thoroughly implementing COVID-19 infection prevention measures. Machine utilization at pachinko parlors, having hit bottom in May, the month in which the state of emergency was lifted, is on a recovery trend. Consequently, there are signs of an upturn in pachinko parlor operators' willingness to purchase new models. In these circumstances, in line with the change in the "Standards for Interpretation of Technical Standards," introduction of pachinko machines compliant with the new Standards for Interpretation of Technical Standards offering gaming performance that had been previously unavailable has gained momentum. As players' and pachinko parlor operators' expectations of these new pachinko machines are rising and systematic replacement of machines compliant with the former regulations is underway in accordance with the due date for removal determined by the industry association, the monthly sales volume is expected to recover to the previous year's level toward the year-end. On the other hand, new models of pachislot machines have been in short supply because the format inspection pass rate has remained low.

During the first six months of the current fiscal year, the Group released two new pachinko titles (excluding reuse models) and one pachislot title. Although fewer titles were introduced than in a typical year because the Group minimized the number of titles for launch in light of an assessment of pachinko parlor operators' willingness to purchase new models during the COVID-19 pandemic, *Fever Symphogear 2* introduced in April became a hit product. We have received additional orders for *Fever Symphogear 2* and it became a driving force of the Group's financial performance. In the third quarter, starting with *Fever Queen II* introduced in October, we have introduced five other new pachinko titles in order to respond to replacement demand, which will come into full swing from now on. Order-taking for these new titles is going well.

As a result, on a consolidated basis, net sales were ¥25.3 billion, a decrease of 24.4% compared with the same period of the previous year, operating income was ¥1.0 billion, a decrease of 64.8%, recurring income was ¥1.5 billion, a decrease of 56.0%, and profit attributable to owners of parent amounting to ¥1.4 billion, a decrease of 35.5%.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥22.3 billion, a decrease of 17.9% compared with the same period of the previous year, and operating income amounted to ¥4.7 billion, a decrease of 15.3%. Sales of pachinko machines amounted to 47,000 units compared with 67,000 units for the same period of the previous fiscal year.

Major titles released included *Fever Symphogear 2* (introduced in April 2020) and *Fever Shinkagetsu 2 Yozakura ver.* (introduced in April 2020) under the SANKYO brand.

#### Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥1.5 billion, a decrease of 50.0% compared with the same period of the previous year, and operating loss was ¥1.3 billion, compared with operating income of ¥7 million in the same period of the previous fiscal year. Sales of pachislot machines amounted to 3,000 units compared with 7,000 units for the same period of the previous fiscal year.

Major titles released included *Pachislot for CHAR AZNABLE -RED COMET's Counterattack-* (introduced in August 2020) under the Bisty brand.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥1.3 billion, a decrease of 53.8% compared with the same period of the previous year, and operating loss was ¥56 million, compared with operating income of ¥0.1 billion in the same period of the previous fiscal year.

#### Other Businesses

Sales of other businesses were ¥0.1 billion, a decrease of 64.0% compared with the same period of the previous year, and operating income was ¥15 million, compared with operating loss of ¥0.1 billion in the same period of the previous fiscal year.

## **(2)Financial Position**

Total assets at the end of the first six months of the fiscal year ending March 31, 2021 amounted to ¥292.2 billion, having decreased ¥32.9 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥15.8 billion decrease in cash and deposits, a ¥9.2 billion decrease in notes and accounts receivable-trade, a ¥4.9 billion decrease in marketable securities, and a ¥1.9 billion decrease in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets).

Total liabilities amounted to ¥24.2 billion, having decreased ¥31.4 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥20.0 billion decrease in current portion of bonds with subscription rights to shares, a ¥6.1 billion decrease in notes and accounts payable-trade, and a ¥4.5 billion decrease in electronically recorded obligations-operating.

Net assets decreased ¥1.4 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to cash dividends paid amounting to ¥4.5 billion, while net unrealized gain on other securities increased ¥1.4 billion and profit attributable to owners of parent amounted to ¥1.4 billion. As a result, net assets amounted to ¥268.0 billion and the shareholders' equity ratio increased 8.7 percentage points to 91.1%.

## **(3)Forecast of Consolidated Results and Other Forecast Information**

No revision has been made to the forecasts of financial results for fiscal 2021 announced on August 7, 2020.

## 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, 2020	As of Sep. 30, 2020
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	122,847	107,032
Notes and accounts receivable-trade	16,743	7,521
Marketable securities	119,999	114,999
Merchandise and finished goods	2,060	2,374
Work in process	21	80
Raw materials and inventories	3,701	3,668
Other	10,669	7,459
Allowance for doubtful accounts	(1)	(1)
Total current assets	276,041	243,135
Fixed assets:		
Tangible fixed assets	27,244	26,757
Intangible fixed assets		
Other	142	120
Total Intangible fixed assets	142	120
Investments and other assets:		
Investment securities	13,035	13,982
Other	8,785	8,276
Allowance for doubtful accounts	(17)	(16)
Total investments and other assets	21,803	22,242
Total fixed assets	49,190	49,121
Total assets	325,232	292,256

## Consolidated Balance Sheets

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

	As of March 31, 2020 Millions of yen	As of Sep. 30, 2020 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	13,789	7,679
Electronically recorded obligations - operating	7,637	3,129
Current portion of bonds with subscription rights to shares	20,006	-
Accrued income taxes	1,043	299
Allowance for bonuses	765	951
Provision for shareholder benefit program	101	101
Other	3,880	3,492
Total current liabilities	47,224	15,652
Long-term liabilities:		
Net defined benefit liabilities	4,962	5,067
Asset retirement obligations	75	75
Other	3,448	3,425
Total long-term liabilities	8,486	8,568
Total liabilities	55,711	24,221
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	257,575	254,385
Less: treasury stock, at cost	(31,822)	(31,766)
Total shareholders' equity	264,343	261,209
Accumulated other comprehensive income:		
Net unrealized gain on other securities	3,549	5,012
Remeasurements of defined benefit plans	53	45
Total accumulated other comprehensive income:	3,603	5,058
Subscription rights to shares	1,574	1,767
Total net assets	269,521	268,035
Total liabilities and total net assets	325,232	292,256

**(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 FY2020	1st Six Months of FY2021
	Millions of yen	Millions of yen
Net sales	33,493	25,332
Cost of sales	15,771	12,788
Gross profit	17,722	12,544
Selling, general and administrative expenses	14,644	11,459
Operating income	3,077	1,084
Non-operating income:		
Interest income	94	65
Dividend income	353	334
Other	94	114
Total non-operating income	542	515
Non-operating expenses:		
Loss on management of investment partnership	11	5
Other	2	5
Total non-operating expenses	13	11
Recurring income	3,606	1,588
Extraordinary gains:		
Gain on sales of investment securities	66	290
Total extraordinary gains	66	290
Extraordinary losses:		
Loss on sales of fixed assets	8	-
Loss on disposal of fixed assets	34	4
Loss on sales of investment securities	100	-
Loss on sales of shares of subsidiaries and associates	-	16
Total extraordinary losses	142	20
Income before income taxes and minority interests	3,530	1,857
Income taxes:		
Current income taxes	581	403
Deferred income taxes	765	45
Total income taxes	1,347	449
Profit	2,183	1,407
Profit attributable to owners of parent	2,183	1,407

## Consolidated Statements of Comprehensive Income

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

	1st Six Months of FY2020	1st Six Months of FY2021
	Millions of yen	Millions of yen
Profit	2,183	1,407
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(1,235)	1,463
Remeasurements of defined benefit plans	(5)	(7)
Total other comprehensive income	(1,240)	1,455
Comprehensive income	942	2,863
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	942	2,863
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 FY2020	1st Six Months of FY2021
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes and minority interests	3,530	1,857
Depreciation and amortization	1,493	1,014
Amortization of goodwill	43	-
Share-based compensation expenses	242	233
Increase (decrease) in allowance for doubtful accounts	157	183
Increase (decrease) in net defined benefit liabilities	98	93
Interest and dividend income	(448)	(400)
(Increase) decrease in notes and accounts receivable-trade	9,940	9,222
(Increase) decrease in inventories	(403)	(339)
Increase (decrease) in notes and accounts payable-trade	(8,600)	(10,356)
Other	(813)	852
Subtotal	5,240	2,360
Interest and dividend income received	340	317
Income taxes paid	(4,032)	(1,001)
Income taxes refund	48	1,517
Net cash (used in) provided by operating activities	1,596	3,194
Cash flows from investing activities:		
Payment into time deposits	(5,552)	(5,553)
Proceeds from withdrawal of time deposits	5,551	5,552
Payment for purchase of marketable securities	(40,000)	(40,000)
Proceeds from redemption of marketable securities	40,000	75,000
Payment for purchase of tangible fixed assets and intangible fixed assets	(1,293)	(539)
Proceeds from sale of investment securities	363	1,305
Proceeds from sales of shares of subsidiaries and associates	-	130
Payment for increase in loans-receivable	-	(330)
Proceeds from collection of long-term loans	11	13
Other	(35)	(1)
Net cash (used in) provided by investing activities	(953)	35,577
Cash flows from financing activities:		
Repayment for obligations under finance leases	(2)	-
Payments for redemption of bonds with subscription rights to shares	-	(20,000)
Payment for purchase of treasury stock, net	(68,543)	(0)
Cash dividends paid	(6,088)	(4,587)
Other	0	0
Net cash (used in) provided financing activities	(74,633)	(24,588)
Net increase (decrease) in cash and cash equivalents	(73,989)	14,184
Cash and cash equivalents at beginning of the period	274,295	192,294
Cash and cash equivalents at end of the period	200,305	206,478

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

Not applicable

**Notes on significant changes in shareholders' equity**

1st Six Months of FY2021 ( From April 1, 2020, to September 30, 2020)

Not applicable

**Segment Information**

(Segment information by business category)

1st Six Months of FY2020 (From April 1, 2019, to September 30, 2019)

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

	1st Six Months of FY2020 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	27,278	3,029	2,829	33,137	355	33,493	-	33,493
Intersegment	-	-	-	-	-	-	-	-
Total	27,278	3,029	2,829	33,137	355	33,493	-	33,493
Segment income	5,594	7	150	5,753	(132)	5,620	(2,542)	3,077

1st Six Months of FY2020 (From April 1, 2020, to September 30, 2020)

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

	1st Six Months of FY2021 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	22,384	1,513	1,306	25,204	127	25,332	-	25,332
Intersegment	-	-	-	-	-	-	-	-
Total	22,384	1,513	1,306	25,204	127	25,332	-	25,332
Segment income	4,737	(1,319)	(56)	3,361	15	3,377	(2,292)	1,084