

February 8, 2021

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

Code number: 6417

Telephone: +81-3-5778-7777

Representative: Kimihisa Tsutsui, President & COO

Contact: Yoko Oshima, Executive Operating Officer

Planned Date for Submittal of the Financial Statements Report: February 10, 2021

Planned Date for Start of Dividend Payment: -

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. Consolidated results for the first nine months of FY2021 (From April 1, 2020, to December 31, 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 nine months of FY2021	41,000 (33.6%)	4,253 (59.7%)	5,061 (55.5%)	4,104 (68.3%)
1st nine months of FY2020	61,738 11.6%	10,548 (3.7%)	11,376 (4.0%)	12,945 46.9%
(note) Comprehensive income	1st nine months of FY2021	¥6,072 million [(56.4%)]	1st nine months of FY2020	¥13,931 million [186.5%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2021	67.08	66.45
1st nine months of FY2020	173.97	164.26

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2020	291,685	266,655	90.8	
As of March 31, 2020	325,232	269,521	82.4	
(reference) Shareholders' Equity	As of December 31, 2020	¥264,888 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 Nine Months of FY2021: Not applicable

(2) Application of peculiar accounting methods: Not applicable

(3) Changes in accounting procedures

a. Related to accounting standard revisions etc.:	Not applicable
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b. Other changes:	Not applicable
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c. Changes in accounting estimates:	Not applicable
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d. Retrospective restatements:	Not applicable
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(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2020: 69,597,500 shares As of March 31, 2020: 69,597,500 shares

b. No. of treasury stock	As of Dec. 31, 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 9M of FY2021:	61,180,978 shares	1st 9M of FY2020:	74,409,739 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 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 nine months of the fiscal year ending March 31, 2021 (from April 1, 2020 to December 31, 2020), the Japanese economy was in an extremely challenging situation as economic activity stalled owing to the COVID-19 pandemic. However, the Japanese economy showed signs of recovery in line with a gradual resumption of economic activity following the lifting of the state of emergency in May 2020. Nevertheless, the number of COVID-19 cases surged from the end of 2020 and the Japanese government declared another state of emergency in January 2021. Depending on the extent of the spread of COVID-19, the Japanese economy and the world economy will be exposed to the risk of deterioration, and thus economic prospects are unpredictable.

In the pachinko and pachislot industry, whereas machine utilization at pachinko parlors, having hit bottom in May, the month in which the first state of emergency was lifted, is on a recovery trend, it has not returned to the level prior to the COVID-19 pandemic, and a decisive recovery is not in prospect for some time depending on the state of pandemic. Although sales of pachinko and pachislot machines have been temporarily stalled because of the temporary closure of pachinko parlors nationwide, the due date for removal of machines compliant with the former regulations in line with the amendment of the Pachinko and Pachislot Machines Regulations is in less than a year and thus there is an urgent need to expedite replacement with machines compliant with the new regulations. In these circumstances, manufacturers have extensive lineups of pachinko titles and their total sales volume in the period from October to December 2020 recovered to a level exceeding that of the same period of the previous year. On the other hand, the market for pachislot machines is lackluster, reflecting the limited supply of pachislot machines compliant with the new regulations because of the low format inspection pass rate. However, the number of models of pachislot machines compliant with the new regulations is gradually increasing because manufacturers have accumulated knowhow on development of pachislot machines compliant with the new regulations and demand is expected to increase in accordance with replacement demand from now on.

During the first nine months of the current fiscal year, the Group released five new pachinko titles (excluding reuse models) and one pachislot title. Although fewer titles were introduced during the first half than in the same period of 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, the Group has been accelerating introduction of new titles since the third quarter in order to respond to replacement demand. In the pachinko machines category, the Group vigorously introduced models equipped with "Yu-Time," which delivers new gaming performance, and stimulated demand from parlors.

As a result, on a consolidated basis, net sales were ¥41.0 billion, a decrease of 33.6% compared with the same period of the previous year, operating income was ¥4.2 billion, a decrease of 59.7%, recurring income was ¥5.0 billion, a decrease of 55.5%, and profit attributable to owners of parent amounting to ¥4.1 billion, a decrease of 68.3%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥37.0 billion, a decrease of 22.0% compared with the same period of the previous year, and operating income amounted to ¥9.7 billion, a decrease of 16.5%. Sales of pachinko machines amounted to 86,000 units compared with 116,000 units for the same period of the previous fiscal year.

Major titles released included *Fever Symphogear 2* (introduced in April 2020) and *Fever Golgo 13 Shippu ver.* (introduced in October 2020) under the SANKYO brand, *Fever Queen II* (introduced in October 2020) under the JB brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥1.6 billion, a decrease of 82.2% compared with the same period of the previous year, and operating loss was ¥2.1 billion, compared with operating income of ¥2.4 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 4,000 units compared with 23,000 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 ¥2.0 billion, a decrease of 51.1% compared with the same period of the previous year, and operating loss was ¥52 million, compared with operating income of ¥0.2 billion in the same period of the previous fiscal year.

Other Businesses

Sales of other businesses were ¥0.2 billion, a decrease of 58.1% compared with the same period of the previous year, and operating income was ¥21 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 nine months of the fiscal year ending March 31, 2021 amounted to ¥291.6 billion, having decreased ¥33.5 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥16.7 billion decrease in cash and deposits, a ¥7.1 billion decrease in notes and accounts receivable-trade, a ¥4.9 billion decrease in marketable securities, and a ¥2.3 billion decrease in accounts receivable for provision of parts and materials for value (included in “Other” of Current assets).

Total liabilities amounted to ¥25.0 billion, having decreased ¥30.6 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 ¥7.2 billion decrease in notes and accounts payable-trade, and a ¥2.7 billion decrease in electronically recorded obligations-operating.

Net assets decreased ¥2.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to cash dividends paid amounting to ¥9.1 billion, while profit attributable to owners of parent amounted to ¥4.1 billion and net unrealized gain on other securities increased ¥1.9 billion. As a result, net assets amounted to ¥266.6 billion and the shareholders' equity ratio decreased 8.4 percentage points to 90.8%.

(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. However, change in the market environment as a consequence of the COVID-19 pandemic may have an impact on the Group's financial results. Should the forecasts of financial results change, an announcement will be made promptly.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2020 Millions of yen	As of Dec. 31, 2020 Millions of yen
Assets:		
Current assets:		
Cash and deposits	122,847	106,054
Notes and accounts receivable-trade	16,743	9,630
Marketable securities	119,999	114,999
Merchandise and finished goods	2,060	1,846
Work in process	21	-
Raw materials and inventories	3,701	3,576
Other	10,669	6,991
Allowance for doubtful accounts	(1)	(1)
Total current assets	276,041	243,098
Fixed assets:		
Tangible fixed assets	27,244	26,441
Intangible fixed assets		
Other	142	106
Total Intangible fixed assets	142	106
Investments and other assets:		
Investment securities	13,035	14,727
Other	8,785	7,327
Allowance for doubtful accounts	(17)	(15)
Total investments and other assets	21,803	22,038
Total fixed assets	49,190	48,587
Total assets	325,232	291,685

Consolidated Balance Sheets

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

	As of March 31, 2020 Millions of yen	As of Dec. 31, 2020 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	13,789	6,561
Electronically recorded obligations-operating	7,637	4,897
Current portion of bonds with subscription rights to shares	20,006	-
Accrued income taxes	1,043	290
Allowance for bonuses	765	387
Provision for shareholder benefit program	101	101
Other	3,880	4,168
Total current liabilities	47,224	16,406
Long-term liabilities:		
Net defined benefit liabilities	4,962	5,131
Asset retirement obligations	75	75
Other	3,448	3,416
Total long-term liabilities	8,486	8,623
Total liabilities	55,711	25,030
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	257,575	252,493
Less: treasury stock, at cost	(31,822)	(31,766)
Total shareholders' equity	264,343	259,316
Accumulated other comprehensive income:		
Net unrealized gain on other securities	3,549	5,529
Remeasurements of defined benefit plans	53	41
Total accumulated other comprehensive income	3,603	5,571
Subscription rights to shares	1,574	1,767
Total net assets	269,521	266,655
Total liabilities and total net assets	325,232	291,685

(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 Nine Months of FY2020	1st Nine Months of FY2021
	Millions of yen	Millions of yen
Net sales	61,738	41,000
Cost of sales	28,409	19,428
Gross profit	33,329	21,572
Selling, general and administrative expenses	22,780	17,319
Operating income	10,548	4,253
Non-operating income:		
Interest income	135	92
Dividend income	569	550
Other	146	174
Total non-operating income	851	816
Non-operating expenses:		
Loss on management of investment partnership	19	2
Other	2	5
Total non-operating expenses	22	8
Recurring income	11,376	5,061
Extraordinary gains:		
Gain on sales of fixed assets	4	-
Gain on sales of investment securities	66	290
Gain on sales of shares of subsidiaries and associates	3,558	-
Total extraordinary gains	3,628	290
Extraordinary losses:		
Loss on sales of fixed assets	8	-
Loss on disposal of fixed assets	179	21
Loss on sales of investment securities	135	-
Loss on sales of shares of subsidiaries and associates	218	16
Total extraordinary losses	541	37
Income before income taxes and minority interests	14,464	5,314
Income taxes:		
Current income taxes	876	536
Deferred income taxes	642	672
Total income taxes	1,518	1,209
Profit	12,945	4,104
Profit (loss) attributable to owners of parent	12,945	4,104

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2020	1st Nine Months of FY2021
	Millions of yen	Millions of yen
Profit	12,945	4,104
Other comprehensive income:		
Net unrealized gain (loss) on other securities	993	1,980
Remeasurements of defined benefit plans	(7)	(11)
Total other comprehensive income	985	1,968
Comprehensive income	13,931	6,072
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,931	6,072
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to the quarterly Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Notes on significant changes in shareholders' equity

1st Nine Months of FY2021 (From April 1, 2020, to December 31, 2020)

Not applicable

Segment Information

(Segment information by business category)

1st Nine Months of FY2020 (From April 1, 2019, to December 31, 2019)

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

	1st Nine 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	47,525	9,545	4,186	61,258	479	61,738	-	61,738
Intersegment	-	-	-	-	-	-	-	-
Total	47,525	9,545	4,186	61,258	479	61,738	-	61,738
Segment income	11,738	2,401	235	14,375	(149)	14,226	(3,677)	10,548

1st Nine Months of FY2021 (From April 1, 2020, to December 31, 2020)

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

	1st Nine 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	37,052	1,698	2,049	40,800	200	41,000	-	41,000
Intersegment	-	-	-	-	-	-	-	-
Total	37,052	1,698	2,049	40,800	200	41,000	-	41,000
Segment income	9,799	(2,157)	(52)	7,588	21	7,609	(3,356)	4,253