

**SANKYO CO., LTD.**

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Shares listed: Tokyo (1st Section)

Code number: 6417

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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 FY2022 (From April 1, 2021, to June 30, 2021)**

(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 FY2022	10,932	(39.1%)	768	(79.5%)	1,192	(71.5%)	944	(71.0%)
1st quarter of FY2021	17,960	58.2%	3,752	-	4,181	-	3,259	-
(note) Comprehensive income	1st quarter of FY2022		¥2,146 million [(46.7%)]		1st quarter of FY2021		¥4,027 million [-%]	

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
1st quarter of FY2022	15.42		15.27	
1st quarter of FY2021	53.28		49.69	

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio		
	Millions of yen		Millions of yen		%		
As of June 30, 2021	291,794		266,445		90.7		
As of March 31, 2021	292,104		268,887		91.4		
(reference) Shareholders' Equity	As of June 30, 2021		¥264,792 million		As of March 31, 2021		¥267,121 million

**2. Dividends**

(Base date)	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	-	75.00	-	75.00	150.00
Year ended March 31, 2022	-	-	-	-	-
Year ended March 31, 2022 (Forecast)	-	50.00	-	50.00	100.00

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

**3. Forecast for FY2022 (From April 1, 2021, to March 31, 2022)**

(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, 2022	73,000	25.6%	8,900	35.1%	9,600	28.2%	6,600	14.8%	107.81	

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) Changes for important subsidiaries during the 1st quarter of FY2022: 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
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of June 30, 2021: 69,597,500 shares As of March 31, 2021: 69,597,500 shares
  - b. No. of treasury stock As of June 30, 2021: 8,372,925 shares As of March 31, 2021: 8,412,575 shares
  - c. Average number of shares issued and outstanding 1st quarter of FY2022: 61,208,491 shares 1st quarter of FY2021: 61,174,648 shares

\* 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 three months of the fiscal year ending March 31, 2022 (from April 1, 2021 to June 30, 2021), the Japanese economy remained in a challenging situation owing to the COVID-19 pandemic. Although a gradual resumption of economic activity is expected in line with the progress of vaccination, it is unclear when COVID-19 will be contained and thus future prospects remain unclear.

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 about six months. Meanwhile, gaming performance of pachinko machines is being enriched, with several models of pachinko machines compliant with the new regulations becoming hit products. As a result, the sales volume is returning to normal in contrast to the same period of the previous year when it was greatly affected by the COVID-19 pandemic. On the other hand, regarding pachislot machines, as powerful new models have been in short supply because of the low format inspection pass rate, a challenging situation persists. However, development of so-called #6.2 models subject to less exacting regulations is underway and it is expected that products equipped with new gaming performance will be released.

During the first quarter of the current fiscal year, the Group only released two new pachinko titles (excluding reuse models) and one pachislot title in view of the COVID-19 pandemic and demand for replacement with machines compliant with the new regulations. Nevertheless, in anticipation of demand for replacement with machines compliant with the new regulations, which should get into full swing from the second quarter onward, the Group proceeded with preparations for launch of a major title, including the execution of TV commercials for *Fever Mobile Suit Gundam Unicorn* to be released in August.

As a result, on a consolidated basis, net sales were ¥10.9 billion, a decrease of 39.1% compared with the same period of the previous year, operating income was ¥0.7 billion, a decrease of 79.5%, recurring income was ¥1.1 billion, a decrease of 71.5%, and profit attributable to owners of parent amounting to ¥0.9 billion, a decrease of 71.0%.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥9.1 billion, a decrease of 45.8% compared with the same period of the previous year, and operating income amounted to ¥1.9 billion, a decrease of 63.4%. Sales of pachinko machines amounted to 22,000 units, compared with 33,000 units in the same period of the previous fiscal year.

Two titles released included *Fever Valvrave the Liberator 2* (introduced in April 2021) under the SANKYO brand, and *Fever Powerful* (introduced in May 2021) under the JB brand.

#### Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥1.0 billion, an increase of 389.8% compared with the same period of the previous year, and operating loss was ¥0.3 billion, compared with operating loss of ¥0.7 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 2,000 units, compared with 300 units in the same period of the previous fiscal year.

One title released included *Pachislot Macross DELTA* (introduced in April 2021) under the SANKYO brand.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥0.6 billion, a decrease of 10.6% compared with the same period of the previous year, and operating loss was ¥22 million, compared with operating loss of ¥22 million in the same period of the previous fiscal year.

#### Other Businesses

Sales of other businesses were ¥49 million, a decrease of 12.7% compared with the same period of the previous year, and operating income was ¥4 million, a decrease 54.0%.

### (2) Financial Position

Total assets at the end of the first three months of the fiscal year ending March 31, 2022 amounted to ¥291.7 billion, having decreased ¥0.3 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥3.8 billion decrease in cash and deposits, a ¥2.8 billion decrease in notes and accounts receivable-trade, and contract assets, a ¥0.5 billion decrease in deferred tax assets (included in "Other" of Investments and other assets), despite a ¥1.7 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), a ¥1.5 billion increase in raw materials and inventories, a ¥1.3 billion increase in income taxes receivable (included in "Other" of Current assets), a ¥1.2 billion increase in investment securities, and a ¥0.9 billion increase in merchandise and finished goods.

Total liabilities amounted to ¥25.3 billion, having increased ¥2.1 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥1.7 billion increase in notes and accounts payable-trade, a ¥1.6 billion increase in deposits received (included in "Other" of Current liabilities), despite a ¥1.4 billion decrease in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥2.4 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 ¥1.2 billion and profit attributable to owners of parent amounted to ¥0.9 billion. As a result, net assets amounted to ¥266.4 billion and the shareholders' equity ratio decreased 0.7 percentage points to 90.7%.

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

No revision has been made to the forecasts of financial results for fiscal 2022 announced on May 13, 2021.

## 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, 2021	As of June 30, 2021
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	88,872	85,014
Notes and accounts receivable-trade	10,867	-
Notes and accounts receivable-trade, and contract assets	-	7,969
Marketable securities	134,999	134,999
Merchandise and finished goods	7	934
Work in process	102	12
Raw materials and supplies	4,159	5,676
Other	4,334	7,744
Allowance for doubtful accounts	(0)	(0)
<b>Total current assets</b>	<b>243,343</b>	<b>242,351</b>
Fixed assets:		
Tangible fixed assets	26,556	26,568
Intangible fixed assets:		
Other	96	90
<b>Total intangible fixed assets</b>	<b>96</b>	<b>90</b>
Investments and other assets:		
Investment securities	15,599	16,892
Other	6,523	5,904
Allowance for doubtful accounts	(14)	(14)
<b>Total investments and other assets</b>	<b>22,108</b>	<b>22,783</b>
<b>Total fixed assets</b>	<b>48,761</b>	<b>49,442</b>
<b>Total assets</b>	<b>292,104</b>	<b>291,794</b>

## Consolidated Balance Sheets

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

	As of March 31, 2021	As of June 30, 2021
	Millions of yen	Millions of yen
<b>Liabilities:</b>		
Current liabilities:		
Notes and accounts payable-trade	3,664	5,384
Electronically recorded obligations - operating	4,830	4,178
Accrued income taxes	509	218
Allowance for bonuses	749	1,193
Provision for shareholder benefit program	105	105
Other	4,956	6,049
<b>Total current liabilities</b>	<b>14,815</b>	<b>17,129</b>
Long-term liabilities:		
Net defined benefit liabilities	5,010	4,961
Asset retirement obligations	75	75
Other	3,314	3,182
<b>Total long-term liabilities</b>	<b>8,401</b>	<b>8,219</b>
<b>Total liabilities</b>	<b>23,216</b>	<b>25,348</b>
<b>Net Assets:</b>		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	254,138	250,457
Less: treasury stock, at cost	(31,767)	(31,617)
<b>Total shareholders' equity</b>	<b>260,961</b>	<b>257,429</b>
Accumulated other comprehensive income:		
Net unrealized gain on other securities	6,142	7,349
Remeasurements of defined benefit plans	17	13
<b>Total accumulated other comprehensive income</b>	<b>6,160</b>	<b>7,362</b>
Subscription rights to shares	1,766	1,652
<b>Total net assets</b>	<b>268,887</b>	<b>266,445</b>
<b>Total liabilities and total net assets</b>	<b>292,104</b>	<b>291,794</b>

**(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 FY2021	1st quarter of FY2022
	Millions of yen	Millions of yen
Net sales	17,960	10,932
Cost of sales	8,809	4,779
Gross profit	9,151	6,153
Selling, general and administrative expenses	5,399	5,385
Operating income	3,752	768
Non-operating income:		
Interest income	35	22
Dividend income	328	289
Other	68	115
Total non-operating income	432	427
Non-operating expenses:		
Loss on management of investment partnership	2	2
Other	0	0
Total non-operating expenses	3	3
Recurring income	4,181	1,192
Extraordinary gains:		
Gain on sales of investment securities	145	-
Gain on sales of shares of subsidiaries and associates	-	13
Total extraordinary gains	145	13
Extraordinary losses:		
Loss on disposal of fixed assets	4	6
Loss on sales of shares of subsidiaries and associates	16	-
Total extraordinary losses	20	6
Income before income taxes and minority interests	4,306	1,199
Income taxes:		
Current income taxes	547	212
Deferred income taxes	500	43
Total income taxes	1,047	255
Profit	3,259	944
Profit attributable to owners of parent	3,259	944

## Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2021	1st quarter of FY2022
	Millions of yen	Millions of yen
Profit	3,259	944
Other comprehensive income:		
Net unrealized gain (loss) on other securities	771	1,206
Remeasurements of defined benefit plans	(3)	(4)
Total other comprehensive income	767	1,202
Comprehensive income	4,027	2,146
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,027	2,146
Comprehensive income attributable to minority 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 quarter of FY2022 (From April 1, 2021, to June 30, 2021)

Not applicable

#### Changes in accounting policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. and recognizes the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to a customer.

Major changes due to the application of the Revenue Recognition Accounting Standard, etc. are described below.

##### 1) Transactions involving provision of parts and materials for value (Repurchase agreements)

Regarding transactions involving provision of parts and materials for value, whereas previously the Company had derecognized parts and materials provided for value, the Company no longer derecognizes parts and materials provided for value because the Company has obligations to repurchase them for such transactions.

Moreover, whereas previously the Company had recorded net sales and cost of sales when the Company sold parts and materials provided by a customer for value back to the customer, the method of recognition has been changed to one that the Company only recognizes the net amount equivalent to processing costs as revenue.

##### 2) Transactions with rights of return

Regarding finished goods and merchandise with rights of return, the method of recognition has been changed to one that the Company no longer recognizes revenue from finished goods and merchandise upon their sale if they are expected to be returned in accordance with the provisions concerning variable consideration.

##### 3) Revenue recognition concerning sale of finished goods and merchandise

Regarding sale of reuse models, whereas previously the Company had recorded the consideration for recovery of trade-in machines from customers as cost of sales, the method has been changed to one that the Company deducts the consideration for such from net sales.

For application of the Revenue Recognition Accounting Standard, etc., the Company has followed the transitional treatment, which is stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect of retrospective application of the new accounting policy before the beginning of the first quarter of the fiscal year ending March 31, 2022 has been added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022 and thus the new accounting policy has been applied from the beginning balance of the first quarter of the fiscal year ending March 31, 2022. However, the Company has applied the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard and has not applied the new accounting policy retrospectively to the contracts for which almost all the revenue had been recognized in accordance with the previous treatment before the beginning of the first quarter of the fiscal year ending March 31, 2022. Moreover, the Company has applied the method stipulated in Item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard and, for changes to contracts made before the beginning of the first quarter of the fiscal year ending March 31, 2022, accounting treatment has been implemented based on the contract conditions after all changes to contracts had been reflected and its cumulative effect amount has been added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022.

As a result, net sales and cost of sales for the first three months of the fiscal year ending March 31, 2022 decreased ¥41 million and ¥36 million, respectively, and operating income, recurring income, and income before income taxes decreased ¥5 million, respectively. There has been no impact on the beginning balance of retained earnings.

As a result of the application of the Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable-trade," which was presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, has been included in "Notes and accounts receivable-trade and contract assets" from the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method has not been made for the previous fiscal year.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Accounting Standard”), etc. and has applied the new accounting policy established by the Fair Value Measurement Accounting Standard, etc. and will apply it in the future as well, in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There has been no impact on the quarterly consolidated financial statements.

## Segment Information

(Segment information by business category)

1st quarter of FY2021 (From April 1, 2020, to June 30, 2020)

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

	1st quarter 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	16,952	210	742	17,904	56	17,960	-	17,960
Intersegment	-	-	-	-	-	-	-	-
Total	16,952	210	742	17,904	56	17,960	-	17,960
Segment income	5,408	(722)	(22)	4,663	10	4,674	(922)	3,752

1st quarter of FY2022 (From April 1, 2021, to June 30, 2021)

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

	1st quarter of FY2022 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	9,189	1,029	663	10,883	49	10,932	-	10,932
Intersegment	-	-	-	-	-	-	-	-
Total	9,189	1,029	663	10,883	49	10,932	-	10,932
Segment income	1,981	(338)	(22)	1,620	4	1,625	(857)	768

(Matters concerning changes to reportable segments)

As described in the changes in accounting policies, effective from the first quarter of the fiscal year ending March 31, 2022, the Company has applied the Revenue Recognition Accounting Standard, etc. and has changed the accounting treatment method concerning revenue recognition. Accordingly, the Company has also made similar changes to the method for calculating income or losses of business segments.

As a result of this change, compared with the previous method, sales and segment income of the “Pachinko machines business” for the first three months of the fiscal year ending March 31, 2022 decreased ¥19 million and ¥5 million, respectively, and sales of “Other” decreased ¥21 million.