

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

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Planned Date for Submittal of the Financial Statements Report: November 11, 2021

Planned Date for Start of Dividend Payment: December 1, 2021

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 FY2022 (From April 1, 2021, to September 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 six months of FY2022    | 28,061                   | 10.8%   | 2,914                  | 168.7%  | 3,409                    | 114.7%  | 4,575                                   | 225.0%  |
| 1st six months of FY2021    | 25,332                   | (24.4%) | 1,084                  | (64.8%) | 1,588                    | (56.0%) | 1,407                                   | (35.5%) |
| (note) Comprehensive income | 1st six months of FY2022 |         | ¥4,160 million [45.3%] |         | 1st six months of FY2021 |         | ¥2,863 million [203.8%]                 |         |

|                          | Net income per share | Fully diluted net income per share |
|--------------------------|----------------------|------------------------------------|
|                          | Yen                  | Yen                                |
| 1st six months of FY2022 | 74.70                | 73.99                              |
| 1st six months of FY2021 | 23.01                | 22.80                              |

(2) Consolidated financial position

|                                  | Total assets             | Net assets       | Capital adequacy ratio |                  |
|----------------------------------|--------------------------|------------------|------------------------|------------------|
|                                  | Millions of yen          | Millions of yen  | %                      |                  |
| As of September 30, 2021         | 296,718                  | 268,634          | 90.0                   |                  |
| As of March 31, 2021             | 292,104                  | 268,887          | 91.4                   |                  |
| (reference) Shareholders' Equity | As of September 30, 2021 | ¥267,030 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            | -                       | 50.00       | -           | -        | -         |
| Year ended March 31, 2022 (Forecast) | -                       | -           | -           | 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 parent |       | 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% | 107.70               |

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 FY2021:  |                   |                       |                   | 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 Sep. 30, 2021: | 69,597,500 shares | As of March 31, 2021: | 69,597,500 shares |                |
| b. No. of treasury stock As of Sep. 30, 2021:                                | 8,294,695 shares  | As of March 31, 2021: | 8,412,575 shares  |                |
| c. Average number of shares issued and outstanding 1st 6M of FY2022:         | 61,255,732 shares | 1st 6M of FY2021:     | 61,178,850 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

## 1. Qualitative Information and Financial Statements

### (1) Operating Results

During the first six months of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021), the Japanese economy remained in a challenging situation as economic activity was restricted owing to a declaration of a state of emergency and implementation of other measures to prevent the spread of COVID-19 in Japan amid the protracted pandemic. However, economic activity is expected to return to normal from now on in line with the increasing vaccination rates and the lifting of the state of emergency and other measures.

In the pachinko and pachislot industry, replacement of machines compliant with the former regulations with those compliant with the new regulations is underway as the due date for removal of the machines compliant with the former regulations, January 31, 2022, is approaching. Despite some impacts of the worldwide semiconductor shortages, such as postponing the release of certain new models and restrictions on sales quantities, replacement of pachinko machines is generally proceeding smoothly as manufacturers have supplied extensive new pachinko titles and pachinko machines compliant with the new regulations are proving increasingly attractive to players. On the other hand, regarding pachislot machines, there are too few attractive new models. In view of this background, it is taking more time for machine utilization and the market for new pachislot machines to recover than in the case of pachinko machines. So-called #6.2 models have been introduced in the market since September 2021 step by step and their diffusion is expected to lead to an upturn of the market environment for pachislot machines.

During the first six months of the current fiscal year, the Group released four new pachinko titles (excluding reuse models) and one pachislot title. *Fever Mobile Suit Gundam Unicorn*, a pachinko title introduced in August, has been maintaining high machine utilization since its release resulting from effective TV commercials for promotion, and we have received additional orders. From the third quarter onward, in view of the demand for new models due to the deadline for the removal of machines compliant with the former regulations is January 31, 2022, we will focus on capturing replacement demand. Our plan includes introduction of the 15th pachinko title of the *Evangelion* series, which is the Group's mainstay series.

As a result, on a consolidated basis, net sales were ¥28.0 billion, an increase of 10.8% compared with the same period of the previous year, operating income was ¥2.9 billion, an increase of 168.7%, recurring income was ¥3.4 billion, an increase of 114.7%. Profit attributable to owners of parent amounted to ¥4.5 billion, an increase of 225.0%, partly owing to the recording of extraordinary gains on sales of investment securities.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥25.6 billion, an increase of 14.7% compared with the same period of the previous year, and operating income amounted to ¥6.5 billion, an increase of 37.2%. Sales of pachinko machines amounted to 60,000 units compared with 47,000 units for the same period of the previous fiscal year.

Four titles released included *Fever Valvrave the Liberator 2* (introduced in April 2021) and *Fever Mobile Suit Gundam Unicorn* (introduced in August 2021) under the SANKYO brand, *Fever Star Blazers: Space Battleship Yamato 2202* (introduced in July 2021) under the Bisty brand, and *Fever Powerful* (introduced in May 2021) under the JB brand.

#### Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥1.1 billion, a decrease of 25.2% compared with the same period of the previous year, and operating loss was ¥1.4 billion, compared with operating loss of ¥1.3 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 2,000 units compared with 3,000 units for 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 ¥1.1 billion, a decrease of 11.0% compared with the same period of the previous year, and operating loss was ¥45 million, compared with operating loss of ¥56 million in the same period of the previous fiscal year.

#### Other Businesses

Sales of other businesses were ¥95 million, a decrease of 25.2% compared with the same period of the previous year, and operating income was ¥16 million, an increase of 4.7% 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, 2022 amounted to ¥296.7 billion, having increased ¥4.6 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥3.3 billion increase in cash and deposits, a ¥2.6 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), a ¥2.0 billion increase in raw materials and inventories, and a ¥1.5 billion increase in merchandise and finished goods, despite a ¥2.5 billion decrease in notes and accounts receivable-trade, and contract assets, and a ¥2.0 billion decrease in investment securities.

Total liabilities amounted to ¥28.0 billion, having increased ¥4.8 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥4.1 billion increase in notes and accounts payable-trade, a ¥1.1 billion increase in electronically recorded obligations-operating, and a ¥0.8 billion increase in liabilities related to transactions involving provision of parts and materials for value (included in "Other" of Current liabilities), despite a ¥1.2 billion decrease in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥0.2 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 and net unrealized gain on other securities decreased ¥0.4 billion, while profit attributable to owners of parent amounted to ¥4.5 billion. As a result, net assets amounted to ¥268.6 billion and the shareholders' equity ratio decreased 1.4 percentage points to 90.0%.

## **(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<br>March 31, 2021 | As of<br>Sep. 30, 2021 |
|---|-------------------------|------------------------|
|   | Millions of yen         | Millions of yen        |
| Assets:   |                         |                        |
| Current assets:   |                         |                        |
| Cash and deposits                                       | 88,872                  | 92,229                 |
| Notes and accounts receivable-trade                     | 10,867                  | -                      |
| Notes and accounts receivable-trad, and contract assets | -                       | 8,289                  |
| Marketable securities                                   | 134,999                 | 134,999                |
| Merchandise and finished goods                          | 7                       | 1,513                  |
| Work in process   | 102                     | 80                     |
| Raw materials and inventories                           | 4,159                   | 6,216                  |
| Other   | 4,334                   | 7,250                  |
| Allowance for doubtful accounts                         | (0)                     | (1)                    |
| <b>Total current assets</b>                             | <b>243,343</b>          | <b>250,578</b>         |
| Fixed assets:   |                         |                        |
| Tangible fixed assets                                   | 26,556                  | 26,510                 |
| Intangible fixed assets                                 |                         |                        |
| Other   | 96                      | 143                    |
| <b>Total Intangible fixed assets</b>                    | <b>96</b>               | <b>143</b>             |
| Investments and other assets:                           |                         |                        |
| Investment securities                                   | 15,599                  | 13,561                 |
| Other   | 6,523                   | 5,937                  |
| Allowance for doubtful accounts                         | (14)                    | (13)                   |
| <b>Total investments and other assets</b>               | <b>22,108</b>           | <b>19,485</b>          |
| <b>Total fixed assets</b>                               | <b>48,761</b>           | <b>46,139</b>          |
| <b>Total assets</b>                                     | <b>292,104</b>          | <b>296,718</b>         |

## Consolidated Balance Sheets

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

|  | As of<br>March 31, 2021 | As of<br>Sep. 30, 2021 |
|--|-------------------------|------------------------|
|  | Millions of yen         | Millions of yen        |
| <b>Liabilities:</b>                                  |                         |                        |
| <b>Current liabilities:</b>                          |                         |                        |
| Notes and accounts payable-trade                     | 3,664                   | 7,784                  |
| Electronically recorded obligations - operating      | 4,830                   | 5,964                  |
| Accrued income taxes                                 | 509                     | 687                    |
| Allowance for bonuses                                | 749                     | 884                    |
| Provision for shareholder benefit program            | 105                     | 105                    |
| Other  | 4,956                   | 4,455                  |
| <b>Total current liabilities</b>                     | <b>14,815</b>           | <b>19,882</b>          |
| <b>Long-term liabilities:</b>                        |                         |                        |
| Net defined benefit liabilities                      | 5,010                   | 4,944                  |
| Asset retirement obligations                         | 75                      | 75                     |
| Other  | 3,314                   | 3,182                  |
| <b>Total long-term liabilities</b>                   | <b>8,401</b>            | <b>8,201</b>           |
| <b>Total liabilities</b>                             | <b>23,216</b>           | <b>28,084</b>          |
| <b>Net Assets:</b>                                   |                         |                        |
| <b>Shareholders' equity:</b>                         |                         |                        |
| Common stock   | 14,840                  | 14,840                 |
| Capital surplus                                      | 23,750                  | 23,750                 |
| Retained earnings                                    | 254,138                 | 254,017                |
| Less: treasury stock, at cost                        | (31,767)                | (31,322)               |
| <b>Total shareholders' equity</b>                    | <b>260,961</b>          | <b>261,284</b>         |
| <b>Accumulated other comprehensive income:</b>       |                         |                        |
| Net unrealized gain on other securities              | 6,142                   | 5,736                  |
| Remeasurements of defined benefit plans              | 17                      | 8                      |
| <b>Total accumulated other comprehensive income:</b> | <b>6,160</b>            | <b>5,745</b>           |
| Subscription rights to shares                        | 1,766                   | 1,604                  |
| <b>Total net assets</b>                              | <b>268,887</b>          | <b>268,634</b>         |
| <b>Total liabilities and total net assets</b>        | <b>292,104</b>          | <b>296,718</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 Six Months<br>of FY2021 | 1st Six Months<br>of FY2022 |
|--|-----------------------------|-----------------------------|
|  | Millions of yen             | Millions of yen             |
| Net sales  | 25,332                      | 28,061                      |
| Cost of sales  | 12,788                      | 13,132                      |
| Gross profit   | 12,544                      | 14,928                      |
| Selling, general and administrative expenses           | 11,459                      | 12,014                      |
| Operating income                                       | 1,084                       | 2,914                       |
| Non-operating income:                                  |                             |                             |
| Interest income  | 65                          | 43                          |
| Dividend income  | 334                         | 298                         |
| Other  | 114                         | 156                         |
| Total non-operating income                             | 515                         | 498                         |
| Non-operating expenses:                                |                             |                             |
| Loss on management of investment partnership           | 5                           | 2                           |
| Other  | 5                           | 1                           |
| Total non-operating expenses                           | 11                          | 3                           |
| Recurring income                                       | 1,588                       | 3,409                       |
| Extraordinary gains:                                   |                             |                             |
| Gain on sales of investment securities                 | 290                         | 2,667                       |
| Gain on sales of shares of subsidiaries and associates | -                           | 13                          |
| Total extraordinary gains                              | 290                         | 2,681                       |
| Extraordinary losses:                                  |                             |                             |
| Loss on disposal of fixed assets                       | 4                           | 7                           |
| Loss on sales of shares of subsidiaries and associates | 16                          | -                           |
| Loss on sales of golf course membership                | -                           | 2                           |
| Total extraordinary losses                             | 20                          | 10                          |
| Income before income taxes and minority interests      | 1,857                       | 6,080                       |
| Income taxes:  |                             |                             |
| Current income taxes                                   | 403                         | 884                         |
| Deferred income taxes                                  | 45                          | 620                         |
| Total income taxes                                     | 449                         | 1,505                       |
| Profit   | 1,407                       | 4,575                       |
| Profit attributable to owners of parent                | 1,407                       | 4,575                       |

## Consolidated Statements of Comprehensive Income

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

|  | 1st Six Months<br>of FY2021 | 1st Six Months<br>of FY2022 |
|--|-----------------------------|-----------------------------|
|  | Millions of yen             | Millions of yen             |
| Profit   | 1,407                       | 4,575                       |
| Other comprehensive income:                                    |                             |                             |
| Net unrealized gain (loss) on other securities                 | 1,463                       | (406)                       |
| Remeasurements of defined benefit plans                        | (7)                         | (9)                         |
| Total other comprehensive income                               | 1,455                       | (415)                       |
| Comprehensive income   | 2,863                       | 4,160                       |
| Comprehensive income attributable to                           |                             |                             |
| Comprehensive income attributable to owners of the parent      | 2,863                       | 4,160                       |
| 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<br>of FY2021 | 1st Six Months<br>of FY2022 |
|---|-----------------------------|-----------------------------|
|   | Millions of yen             | Millions of yen             |
| Cash flows from operating activities:                                     |                             |                             |
| Income before income taxes and minority interests                         | 1,857                       | 6,080                       |
| Depreciation and amortization   | 1,014                       | 960                         |
| Share-based compensation expenses   | 233                         | 172                         |
| Increase (decrease) in allowance for doubtful accounts                    | 183                         | 134                         |
| Increase (decrease) in net defined benefit liabilities                    | 93                          | (79)                        |
| Interest and dividend income  | (400)                       | (342)                       |
| (Increase) decrease in notes and accounts receivable-trade                | 9,222                       | 2,578                       |
| (Increase) decrease in inventories  | (339)                       | (3,541)                     |
| Increase (decrease) in notes and accounts payable-trade                   | (10,356)                    | 5,660                       |
| (Gain) loss on sales of investment securities                             | (290)                       | (2,667)                     |
| Other   | 1,142                       | (4,373)                     |
| Subtotal  | 2,360                       | 4,582                       |
| Interest and dividend income received                                     | 317                         | 274                         |
| Income taxes paid   | (1,001)                     | (294)                       |
| Income taxes refund   | 1,517                       | 136                         |
| Net cash (used in) provided by operating activities                       | 3,194                       | 4,698                       |
| Cash flows from investing activities:                                     |                             |                             |
| Payment into time deposits  | (5,553)                     | -                           |
| Proceeds from withdrawal of time deposits                                 | 5,552                       | 5,554                       |
| Payment for purchase of marketable securities                             | (40,000)                    | (30,000)                    |
| Proceeds from redemption of marketable securities                         | 75,000                      | 30,000                      |
| Payment for purchase of tangible fixed assets and intangible fixed assets | (539)                       | (955)                       |
| Proceeds from sale of investment securities                               | 1,305                       | 3,674                       |
| Proceeds from sales of shares of subsidiaries and associates              | 130                         | 370                         |
| Payment for increase in loans-receivable                                  | (330)                       | -                           |
| Proceeds from collection of long-term loans                               | 13                          | 149                         |
| Other   | (1)                         | 8                           |
| Net cash (used in) provided by investing activities                       | 35,577                      | 8,801                       |
| Cash flows from financing activities:                                     |                             |                             |
| Payments for redemption of bonds with subscription rights to shares       | (20,000)                    | -                           |
| Cash dividends paid   | (4,587)                     | (4,588)                     |
| Other   | (0)                         | (0)                         |
| Net cash (used in) provided financing activities                          | (24,588)                    | (4,589)                     |
| Net increase (decrease) in cash and cash equivalents                      | 14,184                      | 8,911                       |
| Cash and cash equivalents at beginning of the period                      | 192,294                     | 203,318                     |
| Cash and cash equivalents at end of the period                            | 206,478                     | 212,229                     |

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

Not applicable

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

2nd quarter of FY2022 (From April 1, 2021, to September 30, 2021)

Not applicable

**Changes in the scope of consolidation or the scope of application of the equity method**

(Significant change in the scope of consolidation)

International Card System Co., Ltd., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation because its liquidation was completed during the second quarter of the current fiscal year.

**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 six months of the fiscal year ending March 31, 2022 decreased ¥226 million and ¥171 million, respectively, and operating income, recurring income, and income before income taxes decreased ¥55 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 Six Months of FY2021 (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        |

1st Six Months of FY2021 (From April 1, 2021, to September 30, 2021)

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

|                | 1st Six Months 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      | 25,670                                     | 1,131                       | 1,163                                | 27,965   | 95    | 28,061 | -           | 28,061       |
| Intersegment   | -  | -                           | -                                    | -        | -     | -      | -           | -            |
| Total          | 25,670                                     | 1,131                       | 1,163                                | 27,965   | 95    | 28,061 | -           | 28,061       |
| Segment income | 6,501                                      | (1,469)                     | (45)                                 | 4,987    | 16    | 5,003  | (2,089)     | 2,914        |

(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 six months of the fiscal year ending March 31, 2022 decreased ¥174 million and ¥55 million, respectively, and sales of "Other" decreased ¥52 million.

(Significant subsequent events)

Repurchase of the Company's shares

The Company announced that, at a meeting held on November 8, 2021, its Board of Directors resolved to repurchase its own shares under Article 156 of the Company Law as applied pursuant to Article 165, Paragraph 3 of the Company Law.

For details, please refer to Notice regarding Repurchase of Own Shares announced today.