

May 12, 2022

SANKYO CO., LTD.

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

Shares listed: TSE Prime Market

Code number: 6417

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Planned Date for Annual Meeting of Shareholders: June 29, 2022

Planned Date for Start of Dividend Payment: June 30, 2022

Planned Date for Submittal of the Financial Statements Report: June 30, 2022

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

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

1. Results for the fiscal year (From April 1, 2021, to March 31, 2022)

(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	
Year ended March 31, 2022	84,857	46.0%	21,357	224.2%	22,257	197.2%	18,466	221.2%
Year ended March 31, 2021	58,129	(25.9%)	6,587	(47.5%)	7,488	(44.4%)	5,749	(55.9%)
(note) Comprehensive income	Year ended March 31, 2022		¥17,951 million [116.1%]		Year ended March 31, 2021		¥8,306 million [(25.3%)]	

	Net income per share	Fully diluted net income per share	Return on equity (net income)	Return on assets (recurring income)	Return on sales (operating income)			
	Yen	Yen	%	%	%			
Year ended March 31, 2022	305.06	302.11	6.9	7.4	25.2			
Year ended March 31, 2021	93.97	93.08	2.1	2.4	11.3			
(reference) Equity in earnings of affiliates	Year ended March 31, 2022		- million		Year ended March 31, 2021		- million	

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	309,213	270,120	86.8	4,609.23
As of March 31, 2021	292,104	268,887	91.4	4,365.81
(reference) Shareholders' Equity	As of March 31, 2022		As of March 31, 2021	
	¥268,519 million		¥267,121 million	

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2022	22,707	8,877	(16,890)	218,012
Year ended March 31, 2021	10,563	29,638	(29,177)	203,318

2. Dividends

(Base date)	Cash dividend per share					Amount of dividends	Dividend payout ratio	Dividend rate of net assets
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2021	-	75.00	-	75.00	150.00	9,177	159.6	3.4
Year ended March 31, 2022	-	50.00	-	50.00	100.00	5,977	32.8	2.2
Year ended March 31, 2023 (forecast)	-	60.00	-	60.00	120.00		34.8	

3. Forecast for FY2023 (From April 1, 2022, to March 31, 2023)

(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, 2023	110,000	29.6%	29,000	35.8%	29,500	32.5%	20,000	8.3%	344.47

SANKYO Group manages its business plan on a full-year basis and thus only discloses full-year figures. For details, please refer to Qualitative Information and Financial Statements "1. Overview of business results etc. (4) Future outlook" of the attached documents on Page 4.

*** Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2022: Not applicable
- (2) 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 |
- (3) Outstanding shares (common shares)
- a. Number of shares outstanding (including treasury stock)
- | | |
|-----------------------|-------------------|
| As of March 31, 2022: | 69,597,500 shares |
| As of March 31, 2021: | 69,597,500 shares |
- b. Number of treasury stock
- | | |
|-----------------------|-------------------|
| As of March 31, 2022: | 11,340,565 shares |
| As of March 31, 2021: | 8,412,575 shares |
- c. Average number of shares issued and outstanding
- | | |
|-----------------------|-------------------|
| As of March 31, 2022: | 60,533,970 shares |
| As of March 31, 2021: | 61,181,989 shares |

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2021, to March 31, 2022)****(1) Non-consolidated operating results**

(Percentage figures denote year-over-year changes.)

	Net sales		Operating income		Recurring income		Net income	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Year ended March 31, 2022	68,063	24.5%	10,872	111.1%	18,019	116.2%	17,760	152.9%
Year ended March 31, 2021	54,666	(19.5%)	5,149	(26.4%)	8,336	(5.4%)	7,023	(15.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2022	293.40	290.56
Year ended March 31, 2021	114.79	113.69

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	289,709	254,397	87.3	4,339.34
As of March 31, 2021	277,242	253,851	90.9	4,120.05

(reference) Shareholders' Equity As of March 31, 2022 ¥252,796 million As of March 31, 2021 ¥252,085 million

* This document is not subject to audit 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. Overview of business results etc. (4) Future outlook" in the accompanying material.

1. Overview of business results etc.

(1) Overview of business results, etc. for the fiscal year under review

During the fiscal year ended March 31, 2022, there had been expectations that the Japanese economy would pick up, with economic activity beginning to normalize as all possible preventive measures were implemented against infection in the face of the protracted COVID-19 pandemic. However, the outlook is rapidly becoming increasingly uncertain, partly due to the tense situation in Ukraine and soaring commodity prices.

In the pachinko and pachislot industry, total sales volumes of pachinko and pachislot machines exceeded those for the previous fiscal year, supported by a certain level of replacement demand for machines compliant with the new regulations due to the removal of machines compliant with the former regulations to meet the deadline of January 31, 2022, in line with the amendment of the Pachinko and Pachislot Machines Regulations. However, the business environment remained challenging, as some parlor operators closed their parlors or reduced the number of pachinko and pachislot machines installed, taking the opportunity of the transition to machines compliant with the new regulations. Meanwhile, due to the protracted COVID-19 pandemic, short supply of semiconductors and other electronic components is continuing worldwide, compelling manufacturers to change the launch schedule for certain new models and to limit sales quantities.

In these circumstances, aiming to capture demand for replacement with machines compliant with the new regulations, the Group has launched diverse products while minimizing the impact of the shortages of electronic components. Machine utilization of the Group's mainstay pachinko machine titles, *Fever Mobile Suit Gundam Unicorn* and *NEON GENESIS EVANGELION -Roar for tomorrow-*, was brisk, leading the pachinko market. Their orders received and sales exceeded the forecasts and they contributed significantly to the enhancement of the Group's brand power. Meanwhile, although the Group introduced only three pachislot titles, *Pachislot Symphogear "Yuki no Uta"* and *NEON GENESIS EVANGELION -Resonance of souls-*, each sold approximately 10,000 units.

As a result, net sales were ¥84.8 billion, an increase of 46.0% year on year. Operating income was ¥21.3 billion, an increase of 224.2%, and recurring income was ¥22.2 billion, an increase of 197.2%. Profit attributable to owners of parent was ¥18.4 billion, an increase of 221.2%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, the Group released a grand total of 7 pachinko titles (excluding reuse models). Major titles released included *Fever Mobile Suit Gundam Unicorn* (introduced in August 2021) and *Fever Macross Frontier 4* (introduced in October 2021) under the SANKYO brand, *Fever Star Blazers: Space Battleship Yamato 2202* (introduced in July 2021) and *NEON GENESIS EVANGELION -Roar for tomorrow-* (introduced in December 2021) under the Bisty brand, and *J-RUSH 5* (introduced in November 2021) under the JB brand.

As a result, segment sales amounted to ¥71.8 billion, an increase of 37.4% compared with the same period of the previous year, and operating income was ¥24.1 billion, an increase of 86.9%. Sales of pachinko machines amounted to 164,000 units.

Pachislot Machines Business

Regarding the pachislot machines business, three titles released included *Pachislot Macross DELTA* (introduced in April 2021) and *Pachislot Symphogear "Yuki no Uta"* (introduced in December 2021) under the SANKYO brand, *NEON GENESIS EVANGELION -Resonance of souls-* (introduced in January 2022) under the Bisty brand.

As a result, segment sales amounted to ¥8.8 billion, an increase of 194.1% compared with the same period of the previous year, and operating income was ¥1.1 billion, compared with operating loss of ¥1.8 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 22,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥3.8 billion, an increase of 53.7% year on year. An operating income of ¥100 million was recorded compared with operating loss of ¥89 million for the previous year.

Other Businesses

Sales of other businesses were ¥200 million, a decrease of 20.0% year on year, and operating income was ¥41 million, an increase of 57.3%.

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year ended March 31, 2022 amounted to ¥309.2 billion, having increased ¥17.1 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥9.1 billion increase in cash and deposits, a ¥3.2 billion increase in notes receivable-trade, a ¥3.1 billion increase in accounts receivable-trade, and a ¥3.1 billion increase in accounts receivable for provision of parts and materials for value, despite a ¥2.3 billion decrease in investment securities.

Total liabilities amounted to ¥39.0 billion, having increased ¥15.8 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥5.6 billion increase in electronically recorded obligations-operating, a ¥4.8 billion increase in notes and accounts payable-trade, a ¥3.7 billion increase in accrued income taxes, and a ¥1.1 billion increase in liabilities related to transactions involving provision of parts and materials for value (included in “Other” of Current liabilities).

Net assets increased ¥1.2 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to recording of profit attributable to owners of parent amounting to ¥18.4 billion, despite purchase of treasury stock amounting to ¥9.2 billion, recording of cash dividends paid amounting to ¥7.6 billion, and a ¥400 million decrease in net unrealized gain on other securities. As a result, net assets amounted to ¥270.1 billion and the shareholders’ equity ratio decreased 4.6 percentage points to 86.8%.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the fiscal year-end were ¥218.0 billion, having increased ¥14.6 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥12.1 billion from the previous fiscal year-end to ¥22.7 billion. Principal cash inflow items were income before income taxes amounting to ¥25.5 billion, a ¥10.8 billion increase in notes and accounts payable-trade, and depreciation and amortization amounting to ¥2.1 billion. Principal cash outflow items were a ¥6.3 billion increase in notes and accounts receivable-trade, a ¥3.5 billion increase in inventories, a ¥3.1 billion increase in accounts receivable for provision of parts and materials for value, and gain on sales of investment securities amounting to ¥3.0 billion.

Net cash provided by investing activities decreased ¥20.7 billion from the previous fiscal year-end to ¥8.8 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥60.0 billion, and proceeds from withdrawal of time deposits amounting to ¥5.5 billion, and proceeds from sale of investment securities amounting to ¥4.2 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥60.0 billion, and payment for purchase of property, plant and equipment amounting to ¥1.8 billion.

Cash flows from financing activities increased ¥12.2 billion from the figure at the previous fiscal year-end and, as a result, net cash used in financing activities amounted to ¥16.8 billion. Principal cash outflow items were payment for purchase of treasury stock amounting to ¥9.2 billion, and cash dividends paid amounting to ¥7.6 billion.

For fiscal 2023, the Company forecasts an increase in net cash provided by operating activities of ¥17.0 billion, a decrease in net cash used in investing activities of ¥4.0 billion attributable to capital investment, and a decrease in net cash used in financing activities of ¥7.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥6.0 billion in the cash balance at the end of fiscal 2022 compared to the end of fiscal 2021.

(reference) Change in cash flow indicators

	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Shareholders’ equity ratio (%)	84.1	82.4	91.4	86.8
Shareholders’ equity ratio at market value (%)	85.7	59.2	61.4	64.0
Ratio of interest-bearing debt to cash flows (%)	0.1	-	-	-

Notes: Shareholders’ equity ratio: Shareholders’ equity / Total assets
 Shareholders’ equity ratio at market value: Market capitalization / Total assets
 Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
 Interest coverage ratio: Cash flows / Interest expenses

Notes:

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated using the number of shares issued and outstanding excluding treasury stock.
3. Cash flows are operating cash flows.
4. Interest-bearing debt comprises all interest-bearing liabilities recorded in the consolidated balance sheets.
5. Figures are rounded up or down to the nearest single decimal place.

(4) Future outlook

In the next fiscal year ending March 31, 2023, the pachinko and pachislot industry is expected to continue to be affected by the COVID-19 pandemic and the shortages of semiconductors and other electronic components. With completion of the transition to machines compliant with the new regulations, a concomitant decline in sales volumes is expected due to a lull in demand. The decrease in demand for pachinko machines is expected to be only temporary because of relatively strong utilization in view of the continuous release of hit products. Demand for pachislot machines is expected to pick up toward the middle of the year, although the challenging situation will continue until the lineup of #6.5 models, compliant with the new regulations, offering enriched gaming performance becomes extensive.

In this environment, the Group will strive to achieve the progress of its business as planned, in terms of sales volumes and the schedule, by focusing on placing orders for parts in advance and procuring alternatives. In the pachinko machines business, fully leveraging the brand power that has been enhanced thanks to brisk machine utilization of the products introduced by the Group in recent years, in addition to mainstay titles with proven track records, the Group will introduce several new models featuring new IPs that the Group hopes to make into future mainstay product series, aiming to increase market share. Meanwhile, in the pachislot machines business, the Group will launch #6.5 models, which are highly anticipated by players and parlor operators, so as to enhance the Group's presence.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2023, of 210,000 pachinko machines and 30,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2023, are as follows:

	Forecast	Year-on-year change	FY 2022 results
Net sales	¥110.0 billion	29.6% increase	¥84.8 billion
Operating income	¥29.0 billion	35.8% increase	¥21.3 billion
Recurring income	¥29.5 billion	32.5% increase	¥22.2 billion
profit attributable to owners of parent	¥20.0 billion	8.3% increase	¥18.4 billion

***Caution regarding Forward-looking Statements**

The forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed rational. The company does not guarantee their realization. Actual results, performance or achievements may differ materially from those expressed in forward-looking statements owing to various factors.

(5) Basic policy on profit sharing and cash dividends for fiscal 2022 and fiscal 2023

The Company regards the return of profits to shareholders as one of the most important management priorities. The Company's dividend policy is to continue stable dividend payments, taking into consideration financial results, the financial position, the payout ratio, and other factors comprehensively.

The Company plans to pay a dividend of ¥100 per share (including a ¥50 interim dividend, a consolidated payout ratio of 32.8%) for fiscal 2022. For the fiscal year ending March 31, 2023, the Company plans to pay a dividend of ¥120 per share (including a ¥60 interim dividend, a consolidated payout ratio of 34.8%).

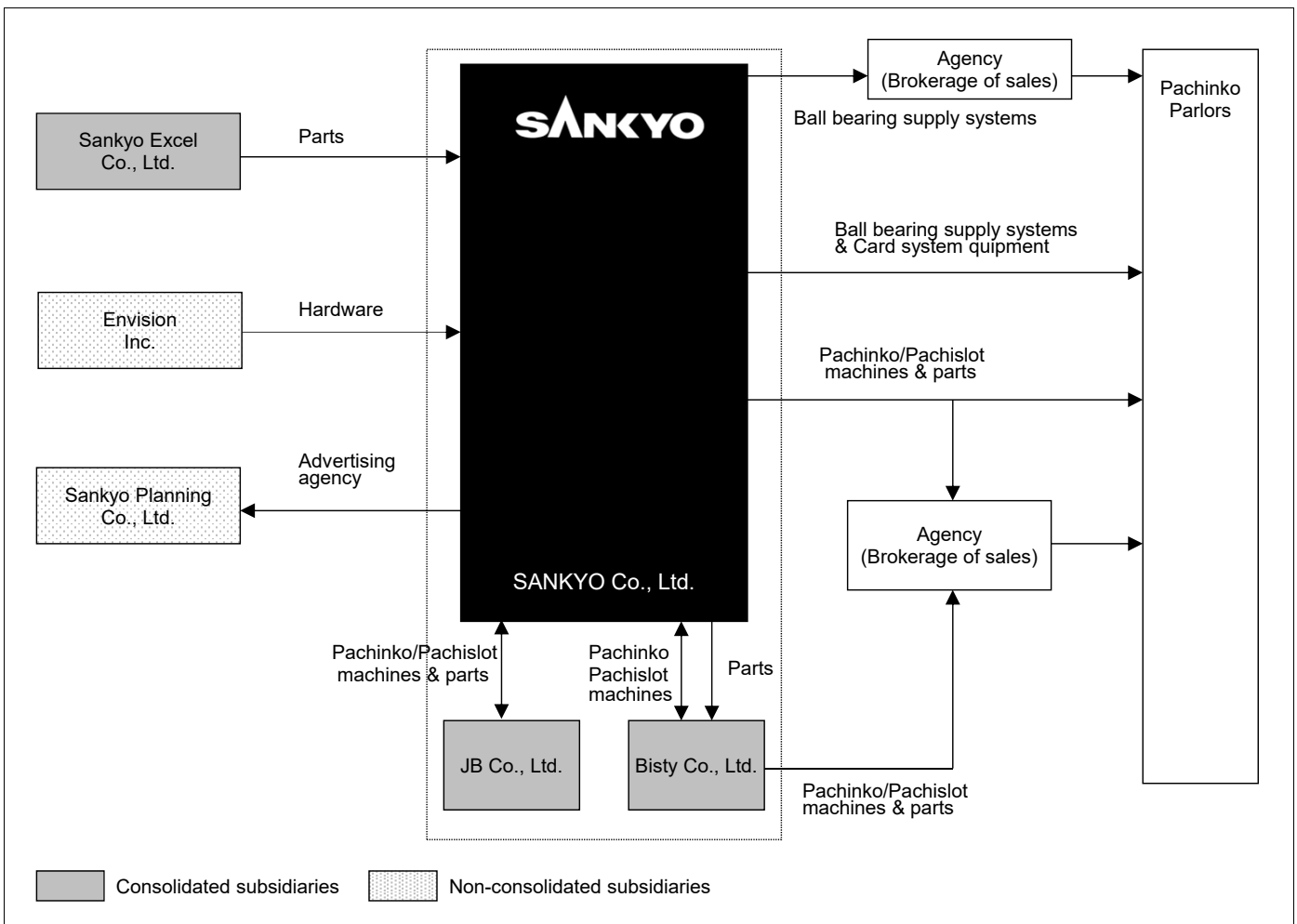
In the fiscal year ended March 31, 2022, owing to the uncertain market environment, including the COVID-19 pandemic and tight supply and demand for electronic components, the Company plans to reduce the dividend for the first time (excluding the decrease of the commemorative dividend) since its listing, as announced at the beginning of the fiscal year. However, as the Group's sales remained steady despite the challenging environment, the Company announced its intention to repurchase its own shares during the fiscal year and carried out share repurchases to flexibly return profits to shareholders. In regard to future profit sharing and use of retained earnings, while maintaining stable dividend payments as the basic policy, the Company will effectively utilize retained earnings, such as in business investment for growth and repurchase of own shares for flexible shareholder returns, through appropriate allocation.

2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 5 subsidiaries (as of March 31, 2022) and two affiliates. Details of the Group's business and the positioning of major affiliated companies concerning the business are shown below. The classification of businesses is the same as that in the segment information.

Business segment (Details of the Business)	Company name
Pachinko machines business Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Bisty Co., Ltd. JB Co., Ltd.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Sankyo Planning Co., Ltd. Envision Inc.
Ball bearing supply systems business Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd.
Other business Real estate rental revenues, Sales of general molded parts	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Envision Inc.

(2) The business structure is shown below.



* International Card System Co., Ltd., was described in the report at the end of the fiscal year ended March 31, 2021, is not described in this report because its liquidation was completed during the fiscal year ended March 31, 2022.

* Sankyo Transportation Co., Ltd., was described in the report at the end of the fiscal year ended March 31, 2021, is not described in this report because SANKYO Group sold shares of Sankyo Transportation Co., Ltd. during the fiscal year ended March 31, 2022.

3. Management Policies

(1) Management policy, management strategy, etc.

1) Management policy

The basic philosophy of SANKYO Co., Ltd. (the Company) and its consolidated subsidiaries and affiliates (SANKYO Group) is to fulfill its mission, namely, to contribute to the sound development of pachinko and pachislot, which are popular leisure activities in Japan, and to the quality of life in society as a leading company in the pachinko and pachislot industry. Moreover, by concentrating its resources on the game machines business (pachinko machines business, pachislot machines business, and ball bearing supply systems business), which are expected to be highly profitable, the Group aims to revitalize the pachinko and pachislot industry and achieve sustainable enhancement of corporate value.

2) Business strategy by segment

i. Pachinko Machines Business and Pachislot Machines Business

By offering highly competitive innovative products imbued with the spirit of “ingenuity,” which is our company motto, we aim to earn the trust and support of players and parlor operators so as to increase our market share of pachinko and pachislot machines in terms of sales volume. In addition, as initiatives to strengthen profitability, we will focus on the sharing of parts, improvement of the recycling rate, and improvement of development efficiency to achieve cost reduction as well as improvement of the top line through increased sales volumes.

Regarding the pachinko machines business, the Group has been securing a top-tier share in the pachinko machines market for a quarter century. To further increase market share, we will continue to offer products that earn the support of players and parlor operators by developing diverse products that capitalize on the Group's three brands and creating popular series of products.

As for the pachislot machines business, we recognize that the Group has ample room for growth, and we will work to secure resources, strengthen alliances, offer a stable number of titles slated for introduction, and create hit titles, with the aim of securing a formidable presence similar to that in the pachinko market.

ii. Ball Bearing Supply Systems Business

We handle ball bearing supply systems and various products necessary for the interiors and operations of pachinko parlors. Capitalizing on our system capable of providing one-stop services combined with supply of pachinko and pachislot machines, we are committed to meeting the needs of parlor operators to the fullest extent possible.

(2) Performance indicators

SANKYO Group aims to achieve sustainable growth by establishing a solid position in the industry through increasing its share of the pachinko and pachislot markets. The Company believes that the results of this effort are reflected in the ratio of operating income to net sales and formulates and implements various measures to increase competitive advantage in product planning, development, production, and marketing with the objective of increasing this ratio. The Group will continuously engage in cost reduction measures, including improvement of the efficiency of advertising and sales promotion, the sharing of parts and materials, and the streamlining of logistics.

The table below depicts change in the ratio of operating income to net sales for the most recent three-year period.

	FY2020	FY2021	FY2022
Ratio of operating income to net sales (%)	16.0	11.3	25.2

(3) Management issues

In the pachinko and pachislot industry, the number of pachinko parlors, the numbers of pachinko and pachislot machines installed, and the player population are continuing to decline, a situation exacerbated by the protracted COVID-19 pandemic. In addition, parlor operators, which are the Group's main customers, are facing a difficult business environment amid the COVID-19 pandemic. Although they emphasize replacement with new machines, which is their main means of attracting customers, parlor operators are becoming more discerning in their selection of game machines and are tending to gravitate to those manufacturers that by virtue of their brand power are capable of being a stable source of popular products. Thus, the competitive environment among manufacturers is intensifying.

In this environment, in the pachinko machines business, the Group is working to further strengthen its brand power that has been enhanced thanks to brisk machine utilization of the products the Group introduced in recent years. In addition to mainstay titles such as the *Mobile Suit Gundam* series and the *NEON GENESIS EVANGELION* series, which have secured popularity in the market, we have been promoting product development aimed at creating new popular series, with the aim of regaining the top market share. In the pachislot machines business, the Group will also endeavor to build up trust and support from players and parlor operators and enhance the Group's presence.

Meanwhile, plans call for “Smart Pachinko machines” and “Smart Pachislot machines,” which constitute the new generation of pachinko and pachislot machines, to have specifications that enable enhanced gaming performance compared to current machines. In addition, these machines will contribute to the prevention of infectious diseases because players do not touch pachinko balls or pachislot medals. Besides enhancement of gaming performance, Smart Pachinko and Pachislot machines will enable pachinko parlors to reduce operational costs while giving them greater freedom in terms of parlor locations and machine layout, and as a result, there are expectations that the player population will increase, new parlors will open, and the numbers of pachinko and pachislot machines installed will grow. It is hoped that the new generation of pachinko and pachislot machines will trigger revitalization of the pachinko and pachislot industry, which continues to face a difficult environment. The Group views the advent of Smart Pachinko and Pachislot machines as a major opportunity and will vigorously promote their development and dissemination.

4. Basic Approach to the Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	88,872	98,013
Notes and accounts receivable-trade	10,867	-
Notes receivable-trade	-	9,189
Accounts receivable-trade	-	8,040
Marketable securities	134,999	134,999
Finished goods and merchandise	7	1,908
Work in process	102	22
Raw materials and supplies	4,159	5,889
Accounts receivable for provision of parts and materials for value	1,475	4,671
Other	2,859	2,126
Allowance for doubtful accounts	(0)	(1)
Total current assets	243,343	264,859
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	13,980	14,043
Less accumulated depreciation	(8,434)	(8,585)
Subtotal	5,545	5,457
Machinery and equipment	7,311	7,367
Less accumulated depreciation	(6,853)	(6,930)
Subtotal	458	436
Furniture and fixtures	14,982	13,004
Less accumulated depreciation	(12,339)	(10,637)
Subtotal	2,642	2,367
Land	17,909	17,687
Construction in progress	-	30
Total tangible fixed assets	26,556	25,980
Intangible fixed assets		
Other	96	164
Total Intangible fixed assets	96	164
Investments and other assets:		
Investment securities	15,599	13,288
Long-term advances	170	61
Deferred tax assets	5,551	4,127
Other	801	743
Allowance for doubtful accounts	(14)	(12)
Total investments and other assets	22,108	18,209
Total fixed assets	48,761	44,353
Total assets	292,104	309,213

Consolidated Balance Sheets

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	3,664	8,539
Electronically recorded obligations-operating	4,830	10,454
Accrued income taxes	509	4,299
Contract liabilities	-	4
Allowance for bonuses	749	734
Provision for shareholder benefit program	105	122
Asset retirement obligations	-	2
Other	4,956	6,789
Total current liabilities	14,815	30,946
Long-term liabilities:		
Net defined benefit liabilities	5,010	4,911
Asset retirement obligations	75	73
Other	3,314	3,162
Total long-term liabilities	8,401	8,147
Total liabilities	23,216	39,093
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	254,138	264,842
Less: treasury stock, at cost	(31,767)	(40,558)
Total shareholders' equity	260,961	262,874
Accumulated other comprehensive income:		
Net unrealized gain on other securities	6,142	5,646
Remeasurements of defined benefit plans	17	(1)
Total accumulated other comprehensive income	6,160	5,645
Subscription rights to shares	1,766	1,600
Total net assets	268,887	270,120
Total liabilities and total net assets	292,104	309,213

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

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

	Year ended March 31, 2021	Year ended March 31, 2022
	Millions of yen	Millions of yen
Net sales	58,129	84,857
Cost of sales	27,403	37,037
Gross profit	30,726	47,819
Selling, general and administrative expenses	24,138	26,462
Operating income	6,587	21,357
Non-operating income:		
Interest income	117	84
Dividend income	557	529
Other	240	292
Total non-operating income	915	906
Non-operating expenses:		
Loss on management of investment partnership	6	3
Other	8	2
Total non-operating expenses	15	6
Recurring income	7,488	22,257
Extraordinary gains:		
Gain on sales of fixed assets	-	239
Gain on sales of investment securities	290	3,071
Gain on sales of shares of subsidiaries and associates	-	13
Gain on sales of golf club membership	-	5
Total extraordinary gains	290	3,330
Extraordinary losses:		
Loss on sales of fixed assets	-	21
Loss on disposal of fixed assets	23	32
Loss on sales of shares of subsidiaries and associates	16	-
Loss on valuation of shares of subsidiaries and associates	11	2
Loss on sales of golf club membership	-	2
Loss on valuation of golf club membership	-	4
Total extraordinary losses	51	64
Income before income taxes	7,727	25,523
Income taxes:		
Current income taxes	746	5,406
Deferred income taxes	1,231	1,651
Total income taxes	1,978	7,057
Net income	5,749	18,466
Profit attributable to owners of parent	5,749	18,466

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2021	Year ended March 31, 2022
	Millions of yen	Millions of yen
Net income	5,749	18,466
Other comprehensive income:		
Net unrealized gain (loss) on other securities	2,593	(495)
Remeasurements of defined benefit plans	(35)	(19)
Total other comprehensive income	2,557	(515)
Comprehensive income	8,306	17,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,306	17,951
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholder's Equity

Year ended March 31, 2021 (From April 1, 2020, to March 31, 2021)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,750	257,575	(31,822)	264,343	3,549	53	3,603	1,574	269,521
Change during the fiscal year										
Dividends of surplus			(9,176)		(9,176)					(9,176)
Profit attributable to owners of parent			5,749		5,749					5,749
Acquisition of treasury stocks				(1)	(1)					(1)
Sales of treasury stocks			(10)	56	46					46
Net changes of items other than shareholder's equity						2,593	(35)	2,557	191	2,748
Total changes during the fiscal year	-	-	(3,437)	55	(3,382)	2,593	(35)	2,557	191	(633)
Balance at end of the period	14,840	23,750	254,138	(31,767)	260,961	6,142	17	6,160	1,766	268,887

Year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,750	254,138	(31,767)	260,961	6,142	17	6,160	1,766	268,887
Change during the fiscal year										
Dividends of surplus			(7,654)		(7,654)					(7,654)
Profit attributable to owners of parent			18,466		18,466					18,466
Acquisition of treasury stocks				(9,236)	(9,236)					(9,236)
Sales of treasury stocks			(108)	445	337					337
Net changes of items other than shareholder's equity						(495)	(19)	(515)	(165)	(680)
Total changes during the fiscal year	-	-	10,704	(8,791)	1,913	(495)	(19)	(515)	(165)	1,232
Balance at end of the period	14,840	23,750	264,842	(40,558)	262,874	5,646	(1)	5,645	1,600	270,120

(4) Consolidated Statements of Cash Flows

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

	Year ended March	Year ended March
	31, 2021	31, 2022
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	7,727	25,523
Depreciation and amortization	2,398	2,113
Share-based compensation expenses	232	168
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in allowance for bonuses	(16)	(14)
Increase (decrease) in provision for shareholder benefit program	4	17
Increase (decrease) in net defined benefit liabilities	(4)	(126)
Interest and dividend income	(674)	(614)
Loss (gain) on sales of property, plant and equipment and intangible assets	-	(218)
Disposal of fixed assets	23	32
(Gain) loss on sales of investment securities	(290)	(3,071)
Loss (gain) on sales of shares of subsidiaries and associates	16	(13)
Loss on valuation of shares of subsidiaries and associates	11	2
(Gain) loss on sales of golf club membership	-	(2)
Loss on valuation of golf club membership	-	4
(Increase) decrease in notes and accounts receivable-trade	5,876	(6,362)
(Increase) decrease in inventories	1,514	(3,551)
Increase (decrease) in notes and accounts payable-trade	(12,905)	10,855
(Increase) decrease in accounts receivable for provision of parts and materials for value	4,949	(3,196)
Increase (decrease) in accounts payable	1,089	68
Increase (decrease) in accrued consumption tax	353	589
Other	(742)	188
Subtotal	9,559	22,391
Interest and dividend income received	537	541
Income taxes paid	(1,050)	(361)
Income taxes refund	1,517	136
Net cash (used in) provided by operating activities	10,563	22,707
Cash flows from investing activities:		
Payments into time deposits	(5,554)	-
Proceeds from withdrawal of time deposits	5,552	5,554
Payment for purchase of marketable securities	(70,000)	(60,000)
Proceeds from redemption of marketable securities	100,000	60,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(1,547)	(1,968)
Proceeds from sale of investment securities	1,305	4,218
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	140	232
Other	(59)	469
Net cash (used in) provided by investing activities	29,638	8,877
Cash flows from financing activities:		
Redemption of bonds with subscription rights to shares	(20,000)	-
Payment for purchase of treasury stock, net	(1)	(9,236)
Cash dividends paid	(9,176)	(7,654)
Other	0	0
Net cash (used in) provided financing activities	(29,177)	(16,890)
Net increase (decrease) in cash and cash equivalents	11,024	14,694
Cash and cash equivalents at beginning of the period	192,294	203,318
Cash and cash equivalents at end of the period	203,318	218,012

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

Not applicable

Significant accounting policies for preparing consolidated financial statements

Matters related to 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 fiscal year ended March 31, 2022.

The presentation of information other than the preceding items is omitted as there are no significant changes from information presented in the most recent annual securities report, filed on June 30, 2021.

Changes in accounting policies

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

Effective from the beginning of the fiscal year ended 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 fiscal year ended March 31, 2022 has been added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022 and thus the new accounting policy has been applied from the beginning balance of the fiscal year ended 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 fiscal year ended 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 fiscal year ended 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 ended March 31, 2022.

Moreover, "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 receivable - trade" and "Accounts receivable - trade" from the fiscal year ended March 31, 2022, components of "Other" presented under "Current liabilities" are included in "Contract liabilities" and "Other" from the fiscal year ended 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.

As a result of this change, compared with the figures before the application of the Revenue Recognition Accounting Standard, etc., raw materials and inventories increased by 1,159 million and liabilities related to transactions involving provision of parts and materials for value (included in "Other" of Current liabilities) increased by 1,159 million in the consolidated balance sheets for the fiscal year ended March 31, 2022. In the consolidated statements of income for the fiscal year ended March 31, 2022, net sales decreased by 241 million and cost of sales decreased by 241 million. There is no impact on operating income, recurring income, and income before income taxes and minority interests.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2022, increase in inventories increased by 1,159 million and increase in other current liabilities (included in "Other" of Cash flows from operating activities) increased by 1,159 million.

The consolidated statements of changes in shareholders' equity and per share information for the fiscal year ended March 31, 2022 are unaffected.

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

Effective from the beginning of the fiscal year ended 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 consolidated financial statements.

(6) Segment Information

(Segment information by business category)

Year ended March 31, 2021 (From April 1, 2020, to March 31, 2021)

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

	Year ended March 31, 2021 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	52,310	3,022	2,533	57,867	262	58,129	-	58,129
Intersegment	-	-	-	-	-	-	-	-
Total	52,310	3,022	2,533	57,867	262	58,129	-	58,129
Segment income	12,916	(1,890)	(89)	10,937	26	10,963	(4,375)	6,587
Segment assets	114,556	10,849	6,520	131,926	987	132,913	159,190	292,104
Other items								
Depreciation	1,983	318	10	2,312	8	2,320	77	2,398
Increase in tangible fixed assets and intangible fixed assets								
	1,485	135	1	1,622	5	1,627	82	1,710

Year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)

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

	Year ended March 31, 2022 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	71,860	8,891	3,895	84,647	210	84,857	-	84,857
Intersegment	-	-	-	-	-	-	-	-
Total	71,860	8,891	3,895	84,647	210	84,857	-	84,857
Segment income	24,142	1,185	115	25,444	41	25,485	(4,128)	21,357
Segment assets	128,672	16,725	6,993	152,391	771	153,163	156,050	309,213
Other items								
Depreciation	1,803	205	9	2,019	3	2,022	90	2,113
Increase in tangible fixed assets and intangible fixed assets								
	1,620	72	0	1,692	0	1,693	181	1,875

(Matters concerning changes to reportable segments)

As described in the changes in accounting policies, effective from the consolidated financial statements for the fiscal year ended 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 of the "Pachinko machines business" for the fiscal year ended March 31, 2022 decreased ¥145 million, and sales of "Other" decreased ¥95 million.

(Significant subsequent events)

(Cancellation of Treasury Stock)

The Company, at the Board of Directors' meeting held on May 12, 2022, resolved to cancel treasury stock pursuant to Article 178 of the Companies Act as follows.

- | | |
|--|--|
| 1. Reason for the cancellation: | the purpose of enhancing capital efficiency and shareholder return |
| 2. Type of shares to be cancelled: | Common stock |
| 3. Number of shares to be cancelled: | 3,258,400 shares
(4.68% of total issued shares before cancellation) |
| 4. Planned cancellation date: | May 31, 2022 |
| 5. Total number of shares issued
after the cancellation of treasury stock : | 66,339,100 shares |