

SANKYO CO., LTD.

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Shares listed: Tokyo Stock Exchange
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 Planned Date for Submittal of the Financial Statements Report: February 13, 2023
 Planned Date for Start of Dividend Payment: -
 Supplementary materials for the quarterly financial statements: Yes
 Presentation to explain for the quarterly financial statements: No

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

1. Consolidated results for the first nine months of FY2023 (From April 1, 2022, to December 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	
1st nine months of FY2023	128,065	82.1%	48,039	139.8%	48,774	133.9%	38,670	128.2%
1st nine months of FY2022	70,344	71.6%	20,033	371.0%	20,851	311.9%	16,949	313.0%
(note) Comprehensive income	1st nine months of FY2023		¥37,272 million	[123.8%]	1st nine months of FY2022		¥16,651 million	[174.2%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2023	665.89	658.73
1st nine months of FY2022	277.42	274.76

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2022	359,115	300,522	83.2	
As of March 31, 2022	309,213	270,120	86.8	
(reference) Shareholders' Equity	As of December 31, 2022	¥298,683 million	As of March 31, 2022	¥268,519 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, 2022	-	50.00	-	50.00	100.00
Year ended March 31, 2023	-	60.00	-	-	-
Year ended March 31, 2023 (Forecast)	-	-	-	90.00	150.00

Note: Changes in the projected cash dividends in this quarter : Yes

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	155,000	82.7%	55,000	157.5%	56,000	151.6%	45,000	143.7%	774.91

Note: Changes in the forecasts of consolidated Financial results in this quarter : Yes

*** Notes**

(1) Changes for important subsidiaries during the 1st Nine Months of FY2023:				Not applicable
(2) Application of peculiar accounting methods:				Not applicable
(3) Changes in accounting procedures				
a. Related to accounting standard revisions etc.:				Not applicable
b. Other changes:				Not applicable
c. Changes in accounting estimates:				Not applicable
d. Retrospective restatements:				Not applicable
(4) Outstanding shares (common shares)				
a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2022:	66,339,100 shares	As of March 31, 2022:	69,597,500 shares	
b. No. of treasury stock As of Dec. 31, 2022:	8,275,530 shares	As of March 31, 2022:	11,340,565 shares	
c. Average number of shares issued and outstanding 1st 9M of FY2023:	58,073,597 shares	1st 9M of FY2022:	61,096,691 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 nine months of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 2022), amid the transition to the new phase of living with COVID-19, there were expectations that the Japanese economy would show renewed vitality by striking a balance between COVID-19 countermeasures and socio-economic activities. However, the outlook remained uncertain against the backdrop of a downturn of overseas economies reflecting ongoing monetary tightening worldwide and in view of inflation, largely attributable to soaring commodity prices and rapid depreciation of the yen.

In the pachinko and pachislot industry, the use of #6.5 models introduced from June 2022, that is, pachislot machines compliant with the new regulations, has become widespread, and pachislot machine utilization, which had remained sluggish, showed signs of improvement. In addition, machine utilization of Smart Pachislot machines, introduced step by step since November, is meeting parlor operators' expectations. Thus, the business conditions in the pachislot market are steadily improving. On the other hand, in the pachinko market, machine utilization remains stable and demand for new machines continues to be firm, although there is a short-term shift in demand toward pachislot machines in view of the trend toward improvement of the pachislot market.

In these circumstances, having maintained momentum through the second quarter, when the Group's market share of mainstay pachinko machines greatly increased thanks to the enhanced brand power, the Group was able to steadily increase sales volumes. For example, *GODGILLA vs EVANGELION -G-cells awakening-*, a pachinko machine launched in the third quarter, recorded the largest sales volume in the industry among the pachinko machines introduced in 2022. Moreover, *L Pachislot Valvrave the Liberator*, the industry's first Smart Pachislot machine, has been attracting great interest among players and parlor operators, as evidenced by high machine utilization ever since its introduction, and is greatly contributing to the Group's growing presence in the pachislot market.

As a result, on a consolidated basis, net sales were ¥128.0 billion, an increase of 82.1% compared with the same period of the previous year, operating income was ¥48.0 billion, an increase of 139.8%, recurring income was ¥48.7 billion, an increase of 133.9%. Profit attributable to owners of parent amounted to ¥38.6 billion, an increase of 128.2%, 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 ¥103.5 billion, an increase of 67.7% compared with the same period of the previous year, and operating income amounted to ¥45.1 billion, an increase of 101.1%. Sales of pachinko machines amounted to 222,000 units compared with 138,000 units for the same period of the previous fiscal year.

Major titles released included *Fever Karakuri Circus* (introduced in August 2022) and *Fever Symphogear 3 Ogon Zessho* (introduced in September 2022) under the SANKYO brand, *Fever Star Blazers: Space Battleship Yamato 2202 -ONLY ONE-* (introduced in July 2022) and *GODGILLA vs EVANGELION -G-cells awakening-* (introduced in December 2022) under the Bisty brand, and *Fever Queen RUSH* (introduced in November 2022) under the JB brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥14.1 billion, an increase of 151.6% compared with the same period of the previous year, and operating income amounted to ¥6.3 billion, an increase of 1,074.0%. Sales of pachislot machines amounted to 30,000 units compared with 12,000 units for the same period of the previous fiscal year.

Two titles released included *Pachislot Aquarion ALL STARS* (introduced in July 2022) and *L Pachislot Valvrave the Liberator* (introduced in November 2022) under the SANKYO brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥10.1 billion, an increase of 265.8% compared with the same period of the previous year, and operating income amounted to ¥0.6 billion, an increase of 610.8% compared with the same period of the previous year.

Other Businesses

Sales of other businesses were ¥0.1 billion, a decrease of 7.1% compared with the same period of the previous year, and operating income was ¥15 million, a decrease of 46.3% compared with the same period of the previous year.

(2) Financial Position

Total assets at the end of the first nine months of the fiscal year ending March 31, 2023 amounted to ¥359.1 billion, having increased ¥49.9 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥37.1 billion increase in notes and accounts receivable-trade, and contract assets, a ¥8.5 billion increase in cash and deposits, and a ¥5.0 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), and a ¥2.5 billion increase in raw materials and inventories, despite a ¥3.8 billion decrease in investment securities.

Total liabilities amounted to ¥58.5 billion, having increased ¥19.4 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥11.2 billion increase in accrued income taxes, and a ¥10.2 billion increase in notes and accounts payable-trade, and a ¥7.7 billion increase in accounts payable (included in "Other" of Current liabilities), and a despite ¥10.4 billion decrease in electronically recorded obligations-operating.

Net assets increased ¥30.4 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to profit attributable to owners of parent amounted to ¥38.6 billion, while cash dividends paid amounting to ¥6.3 billion, net unrealized gain on other securities decreased ¥1.3 billion, and purchase of treasury stock amounting to ¥0.7 billion. The Company cancelled its treasury stock on May 31, 2022 pursuant to Article 178 of the Companies Act, based on the resolution at the Board of Directors' meeting held on May 12, 2022. As a result, net assets amounted to ¥300.5 billion and the shareholders' equity ratio decreased 3.6 percentage points to 83.2%.

(3) Forecast of Consolidated Results and Other Forecast Information

In view of the recent trend, the Company revised the forecast of consolidated financial results for the full year of fiscal 2023 that was announced on October 17, 2022. Forecast of the sales volumes of pachinko machines and pachislot machines for the full year of fiscal 2023 were revised from 250,000 units to 268,000 units and from 40,000 units to 51,000 units, respectively. Also, the Company revised the forecast for year-end dividend per share to 90 yen, an increase of 30 yen from the previous forecast (60yen). For details, please refer to the Notice concerning Revision of Consolidated Earnings Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2023 announced today.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2022	As of Dec. 31, 2022
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	98,013	106,568
Notes and accounts receivable-trade, and contract assets	17,230	54,422
Marketable securities	134,999	134,999
Merchandise and finished goods	1,908	1,299
Work in process	22	63
Raw materials and inventories	5,889	8,488
Other	6,797	11,514
Allowance for doubtful accounts	(1)	(8)
Total current assets	264,859	317,349
Fixed assets:		
Tangible fixed assets	25,980	26,093
Intangible fixed assets		
Other	164	142
Total Intangible fixed assets	164	142
Investments and other assets:		
Investment securities	13,288	9,463
Other	4,932	6,096
Allowance for doubtful accounts	(12)	(29)
Total investments and other assets	18,209	15,531
Total fixed assets	44,353	41,766
Total assets	309,213	359,115

Consolidated Balance Sheets

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

	As of March 31, 2022	As of Dec. 31, 2022
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	8,539	18,775
Electronically recorded obligations-operating	10,454	-
Accrued income taxes	4,299	15,591
Allowance for bonuses	734	343
Provision for shareholder benefit program	122	122
Asset retirement obligations	2	-
Other	6,794	15,432
Total current liabilities	30,946	50,265
Long-term liabilities:		
Net defined benefit liabilities	4,911	4,951
Asset retirement obligations	73	75
Other	3,162	3,299
Total long-term liabilities	8,147	8,327
Total liabilities	39,093	58,593
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	264,842	285,447
Less: treasury stock, at cost	(40,558)	(29,601)
Total shareholders' equity	262,874	294,436
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,646	4,256
Remeasurements of defined benefit plans	(1)	(10)
Total accumulated other comprehensive income	5,645	4,246
Subscription rights to shares	1,600	1,839
Total net assets	270,120	300,522
Total liabilities and total net assets	309,213	359,115

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

Consolidated Statements of Income

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

	1st Nine Months of FY2022	1st Nine Months of FY2023
	Millions of yen	Millions of yen
Net sales	70,344	128,065
Cost of sales	30,471	55,374
Gross profit	39,872	72,690
Selling, general and administrative expenses	19,838	24,651
Operating income	20,033	48,039
Non-operating income:		
Interest income	62	54
Dividend income	521	543
Other	236	138
Total non-operating income	820	736
Non-operating expenses:		
Loss on management of investment partnership	1	-
Other	1	1
Total non-operating expenses	3	1
Recurring income	20,851	48,774
Extraordinary gains:		
Gain on sales of fixed assets	-	50
Gain on sales of investment securities	2,667	6,018
Gain on sales of shares of subsidiaries and associates	13	-
Gain on sales of golf club membership	5	-
Total extraordinary gains	2,686	6,068
Extraordinary losses:		
Loss on disposal of fixed assets	28	77
Impairment loss	-	22
Loss on sales of golf club membership	2	-
Total extraordinary losses	30	99
Income before income taxes and minority interests	23,507	54,743
Income taxes:		
Current income taxes	4,456	16,620
Deferred income taxes	2,101	(547)
Total income taxes	6,557	16,072
Profit	16,949	38,670
Profit (loss) attributable to owners of parent	16,949	38,670

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2022	1st Nine Months of FY2023
	Millions of yen	Millions of yen
Profit	16,949	38,670
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(283)	(1,390)
Remeasurements of defined benefit plans	(13)	(8)
Total other comprehensive income	(297)	(1,398)
Comprehensive income	16,651	37,272
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,651	37,272
Comprehensive income attributable to non-controlling interests	-	-

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

Not applicable

Notes on significant changes in shareholders' equity

1st Nine Months of FY2023 (From April 1, 2022, to December 31, 2022)

The Company repurchased 212,800 shares of the Company based on the resolution at the Board of Directors' meeting held on November 8, 2021, and cancelled 3,258,400 shares of its treasury stock on May 31, 2022 based on the resolution at the Board of Directors' meeting held on May 12, 2022.

As a result, during the first nine months of the fiscal year ending March 31, 2023, retained earnings and treasury stock decreased

¥11,652 million and ¥10,888 million, respectively, and retained earnings and treasury stock amounted to ¥285,447 million and ¥29,601 million, respectively, at the end of the first nine months of the fiscal year ending March 31, 2023.

Segment Information

(Segment information by business category)

1st Nine Months of FY2022 (From April 1, 2021, to December 31, 2021)

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

	1st Nine 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	61,777	5,635	2,782	70,194	149	70,344	-	70,344
Intersegment	-	-	-	-	-	-	-	-
Total	61,777	5,635	2,782	70,194	149	70,344	-	70,344
Segment income	22,459	539	89	23,088	28	23,117	(3,083)	20,033

1st Nine Months of FY2023 (From April 1, 2022, to December 31, 2022)

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

	1st Nine Months of FY2023 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	103,570	14,176	10,179	127,925	139	128,065	-	128,065
Intersegment	-	-	-	-	-	-	-	-
Total	103,570	14,176	10,179	127,925	139	128,065	-	128,065
Segment income	45,164	6,338	633	52,136	15	52,151	(4,112)	48,039