

SANKYO CO., LTD.

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

Shares listed: TSE Prime Market
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Representative: Akihiko Ishihara, President & CEO
Contact: Hiroshi Takahashi, Executive Operating Officer
Planned Date for Submittal of the Financial Statements Report: November 13, 2023
Planned Date for Start of Dividend Payment: December 1, 2023
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 FY2024 (From April 1, 2023, to September 30, 2023)

(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 FY2024	116,190	66.1%	45,460	72.1%	45,863	70.9%	32,787	53.9%
1st six months of FY2023	69,963	149.3%	26,415	806.4%	26,842	687.3%	21,306	365.7%
(note) Comprehensive income	1st six months of FY2024		¥32,935 million [64.9%]		1st six months of FY2023		¥19,977 million [380.2%]	

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st six months of FY2024	565.54	559.41
1st six months of FY2023	366.86	363.01

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of September 30, 2023	362,613	310,170	85.1	
As of March 31, 2023	365,950	310,259	84.3	
(reference) Shareholders' Equity	As of September 30, 2023	¥308,454 million	As of March 31, 2023	¥308,420 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, 2023	-	60.00	-	90.00	150.00
Year ended March 31, 2024	-	150.00	-	-	-
Year ended March 31, 2024 (Forecast)	-	-	-	150.00	300.00

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

3. Forecast for FY2024 (From April 1, 2023, to March 31, 2024)

(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, 2024	175,000	11.3%	59,500	1.7%	60,000	1.1%	41,500	(11.5%)	742.10

Note: Changes in the forecasts of consolidated Financial results in this quarter : No

1. Qualitative Information and Financial Statements

(1) Operating Results

During the first six months of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 2023), the moderate recovery of the Japanese economy continued in line with the ongoing normalization of economic activity and with improvement in the employment and income environment providing a tail wind. However, price increases have continued due to the soaring commodity prices and the progress of depreciation of the yen, and the outlook of the economy remains uncertain.

In the pachinko and pachislot industry, introduction of Smart Pachinko and Pachislot machines has progressed. Regarding Smart Pachislot machines, the rollout of many new titles included some that became hits, greatly contributing to improvement of machine utilization. As a result, diffusion of Smart Pachislot machines is progressing at full scale. Regarding Smart Pachinko machines, on the other hand, the differentiation of gaming performance from conventional pachinko machines is an issue. Manufacturers have pursued a trial-and-error approach, with certain titles proving to be successful, but full-scale diffusion of Smart Pachinko machines is expected to take a while.

In these circumstances, the Group achieved a steady increase in sales volume of pachinko machines: *Fever MOBILE SUIT GUNDAM SEED* introduced in August recorded sales of 50,000 units; the Group launched a new tie-up machine *Fever ENN ENN NO SHOUBOUTAI* and offered *NEON GENESIS EVANGELION -Roar for tomorrow-* again in another round of sales. The latter has maintained a long-running machine utilization ever since its introduction in December 2021. Meanwhile, regarding the pachislot machines business, *Pachislot ENN ENN NO SHOUBOUTAI* and Smart Pachislot machine *L Pachislot Karakuri Circus* exceeded sales of 10,000 units, respectively, and after their introduction, they have gained popularity among players, resulting in an increase of machine utilization. In addition, the sales from *L Evangelion -Genesis of Destiny-* introduced in October was recognized in the second quarter. As a result, the Group achieved an increase in sales volume of pachislot machines centering on Smart Pachislot machines.

As a result, on a consolidated basis, net sales were ¥116.1 billion, an increase of 66.1% compared with the same period of the previous year, operating income was ¥45.4 billion, an increase of 72.1%, recurring income was ¥45.8 billion, an increase of 70.9%. Profit attributable to owners of parent amounted to ¥32.7 billion, an increase of 53.9%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥82.1 billion, an increase of 30.3% compared with the same period of the previous year, and operating income amounted to ¥36.5 billion, an increase of 29.1%. Sales of pachinko machines amounted to 167,000 units compared with 144,000 units for the same period of the previous fiscal year.

Major titles released included *Fever ENN ENN NO SHOUBOUTAI* (introduced in April 2023) and *Fever MOBILE SUIT GUNDAM SEED* (introduced in August 2023) under the SANKYO brand, *CODE GEASS Lelouch of the Rebellion -Rebellion to Re; surrection-* (introduced in May 2023) under the Bisty brand, and *Fever Queen II 30th ANNIVERSARY EDITION* (introduced in July 2023) under the JB brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥21.6 billion, an increase of 356.4% compared with the same period of the previous year, and operating income was ¥11.4 billion, an increase of 1,004.8%. Sales of pachislot machines amounted to 48,000 units compared with 10,000 units for the same period of the previous fiscal year.

Three titles released included *Pachislot ENN ENN NO SHOUBOUTAI* (introduced in May 2023) and *L Pachislot Karakuri Circus* (introduced in July 2023) under the SANKYO brand, and *L Evangelion -Genesis of Destiny-* (introduced in October 2023) under the Bisty brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥12.2 billion, an increase of 481.9% compared with the same period of the previous year, and operating income was ¥1.1 billion, compared with operating income of ¥4 million in the same period of the previous fiscal year.

Other Businesses

Sales of other businesses were ¥100 million, an increase of 97.5% compared with the same period of the previous year, and operating income was ¥74 million, an increase of 1,025.7% 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, 2024 amounted to ¥362.6 billion, having decreased ¥3.3 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥30.0 billion decrease in marketable securities, a ¥1.9 billion decrease in merchandise and finished goods, despite a ¥14.3 billion increase in notes and accounts receivable-trade, and contract assets, a ¥11.6 billion increase in cash and deposits, a ¥1.7 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets), and a ¥0.7 billion increase in raw materials and supplies.

Total liabilities amounted to ¥52.4 billion, having decreased ¥3.2 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥7.4 billion decrease in accrued income taxes, despite a ¥2.1 billion increase in notes and accounts payable-trade, and a ¥1.7 billion increase in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥88 million compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to purchase of treasury stock amounting to ¥27.7 billion, and recording of cash dividends paid amounting to ¥5.2 billion, while recording of profit attributable to owners of parent amounted to ¥32.7 billion. As a result, net assets amounted to ¥310.1 billion and the shareholders' equity ratio increased 0.8 percentage points to 85.1%.

(3) Forecast of Consolidated Results and Other Forecast Information

No revision has been made to the forecasts of financial results for fiscal 2024 announced on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

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

	As of March 31, 2023	As of Sep. 30, 2023
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	92,610	104,248
Notes and accounts receivable-trad, and contract assets	28,106	42,458
Marketable securities	174,999	144,999
Merchandise and finished goods	3,760	1,782
Work in process	801	198
Raw materials and inventories	10,029	10,803
Other	11,506	13,659
Allowance for doubtful accounts	(17)	(289)
Total current assets	321,797	317,860
Fixed assets:		
Tangible fixed assets	26,663	26,886
Intangible fixed assets		
Other	178	165
Total Intangible fixed assets	178	165
Investments and other assets:		
Investment securities	11,436	11,560
Other	5,903	6,891
Allowance for doubtful accounts	(29)	(750)
Total investments and other assets	17,311	17,701
Total fixed assets	44,153	44,752
Total assets	365,950	362,613

Consolidated Balance Sheets

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

	As of March 31, 2023	As of Sep. 30, 2023
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	14,301	16,485
Accrued income taxes	19,578	12,154
Allowance for bonuses	781	956
Provision for shareholder benefit program	151	151
Other	12,367	14,112
Total current liabilities	47,180	43,860
Long-term liabilities:		
Net defined benefit liabilities	4,967	5,039
Asset retirement obligations	75	75
Other	3,467	3,466
Total long-term liabilities	8,510	8,581
Total liabilities	55,691	52,442
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	24,309
Retained earnings	293,670	321,232
Less: treasury stock, at cost	(29,602)	(57,836)
Total shareholders' equity	302,658	302,544
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,791	5,934
Remeasurements of defined benefit plans	(30)	(24)
Total accumulated other comprehensive income:	5,761	5,909
Subscription rights to shares	1,839	1,716
Total net assets	310,259	310,170
Total liabilities and total net assets	365,950	362,613

(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 of FY2023	1st Six Months of FY2024
	Millions of yen	Millions of yen
Net sales	69,963	116,190
Cost of sales	29,238	51,687
Gross profit	40,724	64,502
Selling, general and administrative expenses	14,308	19,042
Operating income	26,415	45,460
Non-operating income:		
Interest income	38	34
Dividend income	306	185
Other	81	195
Total non-operating income	427	415
Non-operating expenses:		
Loss on management of investment partnership	-	9
Other	0	3
Total non-operating expenses	0	12
Recurring income	26,842	45,863
Extraordinary gains:		
Gain on sales of fixed assets	50	8
Gain on sales of investment securities	3,250	426
Total extraordinary gains	3,301	434
Extraordinary losses:		
Loss on sales of fixed assets	-	7
Loss on disposal of fixed assets	5	-
Total extraordinary losses	5	7
Income before income taxes and minority interests	30,138	46,290
Income taxes:		
Current income taxes	9,427	13,548
Deferred income taxes	(596)	(44)
Total income taxes	8,831	13,503
Profit	21,306	32,787
Profit attributable to owners of parent	21,306	32,787

Consolidated Statements of Comprehensive Income

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

	1st Six Months of FY2023	1st Six Months of FY2024
	Millions of yen	Millions of yen
Profit	21,306	32,787
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(1,323)	142
Remeasurements of defined benefit plans	(5)	5
Total other comprehensive income	(1,329)	148
Comprehensive income	19,977	32,935
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,977	32,935
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 of FY2023	1st Six Months of FY2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes and minority interests	30,138	46,290
Depreciation and amortization	707	1,172
Share-based compensation expenses	288	-
Increase (decrease) in allowance for doubtful accounts	122	1,169
Increase (decrease) in net defined benefit liabilities	20	80
Interest and dividend income	(345)	(219)
(Increase) decrease in notes and accounts receivable-trade	(7,018)	(14,352)
(Increase) decrease in inventories	(1,224)	1,808
Increase (decrease) in notes and accounts payable-trade	(12,501)	2,184
(Gain) loss on sales of investment securities	(3,250)	(426)
Other	2,069	(3,049)
Subtotal	9,004	34,656
Interest and dividend income received	262	171
Income taxes paid	(3,867)	(18,714)
Income taxes refund	72	-
Net cash (used in) provided by operating activities	5,473	16,113
Cash flows from investing activities:		
Payment for purchase of marketable securities	(30,000)	(25,000)
Proceeds from redemption of marketable securities	30,000	30,000
Payment for purchase of tangible fixed assets and intangible fixed assets	(1,116)	(1,731)
Proceeds from sale of investment securities	4,411	508
Proceeds from collection of long-term loans	22	2
Other	185	(272)
Net cash (used in) provided by investing activities	3,502	3,506
Cash flows from financing activities:		
Payment for purchase of treasury stock, net	(764)	(29,306)
Proceeds from sale of treasury stock, net	0	1,550
Cash dividends paid	(2,912)	(5,225)
Net cash (used in) provided financing activities	(3,677)	(32,981)
Net increase (decrease) in cash and cash equivalents	5,298	(13,361)
Cash and cash equivalents at beginning of the period	218,012	252,609
Cash and cash equivalents at end of the period	223,311	239,247

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

Not applicable

Notes on significant changes in shareholders' equity

1st Six Months of FY2024 (From April 1, 2023, to September 30, 2023)

The Company repurchased 4,222,400 shares of the Company based on the resolution at the Board of Directors' meeting held on September 21, 2023. As a result, treasury stock increased ¥27,753 million in the first six months of the current fiscal year to ¥57,836 million at September 30, 2023.

Segment Information

(Segment information by business category)

1st Six Months of FY2023 (From April 1, 2022, to September 30, 2022)

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

	1st Six 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	63,021	4,751	2,099	69,872	91	69,963	-	69,963
Intersegment	-	-	-	-	-	-	-	-
Total	63,021	4,751	2,099	69,872	91	69,963	-	69,963
Segment income	28,275	1,039	4	29,318	6	29,325	(2,909)	26,415

1st Six Months of FY2024 (From April 1, 2023, to September 30, 2023)

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

	1st Six Months of FY2024 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	82,107	21,686	12,215	116,010	180	116,190	-	116,190
Intersegment	-	-	-	-	-	-	-	-
Total	82,107	21,686	12,215	116,010	180	116,190	-	116,190
Segment income	36,515	11,483	1,109	49,108	74	49,182	(3,721)	45,460

(Significant subsequent events)

(Cancellation of Treasury Stock)

The Company, at the Board of Directors' meeting held on November 7, 2023, 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: | 4,222,400 shares
(6.36% of total issued shares before cancellation) |
| 4. Planned cancellation date: | November 30, 2023 |
| 5. Total number of shares issued
after the cancellation of treasury stock : | 62,116,700 shares |

(Repurchase of the Company's shares)

SANKYO Co., Ltd. announced that it has, based on provisions stipulated in Article 156 of the Company Law which replace provisions stipulated in Article 165, Paragraph 3 of the same Law, resolved on the repurchase of the Company's own shares and specific method for the repurchase at the Board of Director's meeting held on November 7, 2023.

For details, please refer to Notice concerning Repurchase of Own Shares and Notice concerning Repurchase of the Company's Own Shares through Off-Auction Own Share Repurchase Trading _ToSTNeT-3_ announced today.