

**SANKYO CO., LTD.**

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

Shares listed: Tokyo Stock Exchange

Code number: 6417

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Contact: Hiroshi Takahashi, Executive Operating Officer

Planned Date for Submittal of the Financial Statements Report: February 13, 2024

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 FY2024 (From April 1, 2023, to December 31, 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 nine months of FY2024	170,588	33.2%	65,264	35.9%	65,879	35.1%	48,244	24.8%
1st nine months of FY2023	128,065	82.1%	48,039	139.8%	48,774	133.9%	38,670	128.2%
(note) Comprehensive income	1st nine months of FY2024		¥44,937 million [20.6%]		1st nine months of FY2023		¥37,272 million [123.8%]	

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2024	872.13	862.32
1st nine months of FY2023	665.89	658.73

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2023	318,898	267,435	83.3	
As of March 31, 2023	365,950	310,259	84.3	
(reference) Shareholders' Equity	As of December 31, 2023	¥265,719 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)	-	-	-	50.00	-

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

The Company plans to carry out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Therefore, the amount presented for the year-end dividend per share for the fiscal year ending March 31, 2024 (forecast) is the amount after the share split, and the total amount of dividends for the full year is not presented ("-" is indicated). Without reflecting the share split, the year-end dividend for the fiscal year ending March 31, 2024 (forecast) would be ¥250.00 and the dividends for the full year would be ¥400.00. For details, please refer to the "Notice concerning Revision of Consolidated Earnings Forecast and Dividend Forecast (Dividend Increase) for the Fiscal Year Ending March 31, 2024" and "Notice concerning Share Split, Amendments to the Articles of Incorporation, and Partial Change to the Matters related to Repurchase of the Company's Own Shares" announced today.

**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	197,000	25.2%	71,000	21.3%	72,000	21.3%	52,500	12.0%	198.91

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

The Company plans to carry out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Therefore, the amount presented for net income per share for the full year in the forecast of consolidated financial results for the fiscal year ending March 31, 2024 is the amount in which the impact of the share split is reflected.

Net income per share without reflecting the share split would be ¥994.53.

**\* Notes**

(1) Changes for important subsidiaries during the 1st Nine Months of FY2024:			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, 2023:	62,116,700 shares	As of March 31, 2023:	66,339,100 shares
b. No. of treasury stock As of Dec. 31, 2023:	15,723,877 shares	As of March 31, 2023:	8,275,662 shares
c. Average number of shares issued and outstanding 1st 9M of FY2024:	55,318,208 shares	1st 9M of FY2023:	58,073,597 shares

The No. of treasury stock includes the Company's shares held by Share Benefit Trust for Directors (270,000 shares as of Dec 31, 2023). The treasury stock deducted to calculate the Average number of shares issued and outstanding includes the Company's shares held by Share Benefit Trust for Directors (128,618 shares for Q3 FY2024/3)

**\* 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, 2024 (from April 1, 2023 to December 31, 2023), the moderate recovery of the Japanese economy continued in line with the ongoing normalization of economic activity, following the reclassification of COVID-19 to Class 5 under the Japanese law, with the resurgence of inbound demand and improvement in the employment and income environment providing a tail wind. However, the outlook of the economy remains uncertain in light of concerns about a possible slowdown of overseas economies, considering such factors as the impact of price increases and financial tightening worldwide.

In the pachinko and pachislot industry, the pachislot market has continued to be favorable as machine utilization remains high thanks to the emergence of a stream of hit titles of Smart Pachislot machines. Indeed, Smart Pachislot machines account for an increasing proportion of both the Pachislot titles introduced and the installed base of Pachislot machines. On the other hand, the overall pachinko market, comprising conventional pachinko machines and Smart Pachinko machines, has remained somewhat sluggish compared to the pachislot market because of a lack of new titles capable of raising machine utilization, as the shift to Smart Pachinko machines is not yet in full swing, although several Smart Pachinko machine titles have become hits.

In these circumstances, with respect to pachinko machines, *Fever MOBILE SUIT GUNDAM SEED*, a pachinko title the Group introduced in August 2023 recorded sales of 50,000 units. *Pachinko EVANGELION:3.0 + 1.0 Type Rei*, the latest addition to the EVANGELION series, and *Sumapachi EVANGELION:3.0 + 1.0 Type Kaworu*, the first Smart Pachinko machine of the EVANGELION series, both of which the Group introduced in December 2023, recorded combined sales exceeding 60,000 units. These titles are expected to become driving forces of machine utilization. With respect to pachislot machines, the Group offered additional units of *Pachislot Valvrave the Liberator*, which is a Smart Pachislot machine introduced in the previous fiscal year, and introduced three new titles, centering on Smart Pachislot machines. As a result, the Group achieved an increase in sales volume of pachislot machines from the same period of the previous year.

As a result, on a consolidated basis, net sales were ¥170.5 billion, an increase of 33.2% compared with the same period of the previous year, operating income was ¥65.2 billion, an increase of 35.9%, recurring income was ¥65.8 billion, an increase of 35.1%. Profit attributable to owners of parent amounted to ¥48.2 billion, an increase of 24.8%.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥129.8 billion, an increase of 25.4% compared with the same period of the previous year, and operating income amounted to ¥56.7 billion, an increase of 25.5%. Sales of pachinko machines amounted to 260,000 units compared with 222,000 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) and *EVANGELION:3.0 + 1.0 Type Rei* (introduced in December 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 ¥23.1 billion, an increase of 63.5% compared with the same period of the previous year, and operating income amounted to ¥11.0 billion, an increase of 74.7%. Sales of pachislot machines amounted to 51,000 units compared with 30,000 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 ¥17.2 billion, an increase of 69.9% compared with the same period of the previous year, and operating income amounted to ¥1.5 billion, an increase of 141.9% compared with the same period of the previous year.

#### Other Businesses

Sales of other businesses were ¥0.2 billion, an increase of 95.8% compared with the same period of the previous year, and operating income was ¥0.1 billion, an increase of 702.6% 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, 2024 amounted to ¥318.8 billion, having decreased ¥47.0 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥99.9 billion decrease in marketable securities, a ¥5.3 billion decrease in investment securities, despite a ¥30.3 billion increase in cash and deposits, a ¥26.0 billion increase in notes and accounts receivable-trade, and contract assets, and a ¥1.9 billion increase in accounts receivable for provision of parts and materials for value (included in "Other" of Current assets).

Total liabilities amounted to ¥51.4 billion, having decreased ¥4.2 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥11.7 billion decrease in accrued income taxes, a ¥0.8 billion decrease in liabilities related to transactions involving provision of parts and materials for value (included in "Other" of Current liabilities), despite a ¥4.4 billion increase in notes and accounts payable-trade, and a ¥3.5 billion increase in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥42.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to purchase of treasury stock amounting to ¥74.3 billion, cash dividends paid amounting to ¥13.3 billion, and net unrealized gain on other securities decreased ¥3.3 billion, while recording of profit attributable to owners of parent amounted to ¥48.2 billion. The Company cancelled its treasury stock on November 30, 2023 pursuant to Article 178 of the Companies Act, based on the resolution at the Board of Directors' meeting held on November 7, 2023. As a result, net assets amounted to ¥267.4 billion and the shareholders' equity ratio decreased 1.0 percentage points to 83.3%.

## (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 2024 that was announced on May 11, 2023. Forecast of the sales volumes of pachinko machines and pachislot machines for the full year of fiscal 2024 were revised from 287,000 units to 296,000 units and from 90,000 units to 70,000 units, respectively. In addition to the revision to the forecasts of consolidated financial results for fiscal 2024, we have also revised the year-end dividend forecast in view of the change in the total number of shares outstanding in line with the repurchase of the Company's own shares and a share split. For details, please refer to the "Notice concerning Revision of Consolidated Earnings Forecast and Dividend Forecast (Dividend Increase) for the Fiscal Year Ending March 31, 2024" and "Notice concerning Share Split, Amendments to the Articles of Incorporation, and Partial Change to the Matters related to Repurchase of the Company's Own Shares" separately announced today.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

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

	As of March 31, 2023	As of Dec. 31, 2023
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	92,610	122,911
Notes and accounts receivable-trade, and contract assets	28,106	54,188
Marketable securities	174,999	74,999
Merchandise and finished goods	3,760	2,228
Work in process	801	232
Raw materials and inventories	10,029	10,630
Other	11,506	13,953
Allowance for doubtful accounts	(17)	(43)
Total current assets	321,797	279,101
Fixed assets:		
Tangible fixed assets	26,663	26,431
Intangible fixed assets		
Other	178	157
Total Intangible fixed assets	178	157
Investments and other assets:		
Investment securities	11,436	6,069
Other	5,903	7,423
Allowance for doubtful accounts	(29)	(285)
Total investments and other assets	17,311	13,207
Total fixed assets	44,153	39,796
Total assets	365,950	318,898

## Consolidated Balance Sheets

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

	As of March 31, 2023	As of Dec. 31, 2023
	Millions of yen	Millions of yen
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	14,301	18,788
Accrued income taxes	19,578	7,838
Allowance for bonuses	781	418
Provision for shareholder benefit program	151	151
Other	12,367	15,611
<b>Total current liabilities</b>	<b>47,180</b>	<b>42,807</b>
<b>Long-term liabilities:</b>		
Net defined benefit liabilities	4,967	5,082
Asset retirement obligations	75	76
Other	3,467	3,496
<b>Total long-term liabilities</b>	<b>8,510</b>	<b>8,655</b>
<b>Total liabilities</b>	<b>55,691</b>	<b>51,462</b>
<b>Net Assets:</b>		
<b>Shareholders' equity:</b>		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	293,670	307,433
Less: treasury stock, at cost	(29,602)	(82,757)
<b>Total shareholders' equity</b>	<b>302,658</b>	<b>263,265</b>
<b>Accumulated other comprehensive income:</b>		
Net unrealized gain on other securities	5,791	2,475
Remeasurements of defined benefit plans	(30)	(21)
<b>Total accumulated other comprehensive income</b>	<b>5,761</b>	<b>2,453</b>
Subscription rights to shares	1,839	1,716
<b>Total net assets</b>	<b>310,259</b>	<b>267,435</b>
<b>Total liabilities and total net assets</b>	<b>365,950</b>	<b>318,898</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 Nine Months of FY2023	1st Nine Months of FY2024
	Millions of yen	Millions of yen
Net sales	128,065	170,588
Cost of sales	55,374	76,102
Gross profit	72,690	94,485
Selling, general and administrative expenses	24,651	29,221
Operating income	48,039	65,264
Non-operating income:		
Interest income	54	44
Dividend income	543	327
Other	138	259
Total non-operating income	736	631
Non-operating expenses:		
Loss on management of investment partnership	-	14
Other	1	1
Total non-operating expenses	1	16
Recurring income	48,774	65,879
Extraordinary gains:		
Gain on sales of fixed assets	50	8
Gain on sales of investment securities	6,018	2,196
Total extraordinary gains	6,068	2,205
Extraordinary losses:		
Loss on sales of fixed assets	-	7
Loss on disposal of fixed assets	77	98
Impairment loss	22	-
Total extraordinary losses	99	105
Income before income taxes and minority interests	54,743	67,978
Income taxes:		
Current income taxes	16,620	19,136
Deferred income taxes	(547)	598
Total income taxes	16,072	19,734
Profit	38,670	48,244
Profit attributable to owners of parent	38,670	48,244

## Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2023	1st Nine Months of FY2024
	Millions of yen	Millions of yen
Profit	38,670	48,244
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(1,390)	(3,316)
Remeasurements of defined benefit plans	(8)	8
Total other comprehensive income	(1,398)	(3,307)
Comprehensive income	37,272	44,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	37,272	44,937
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 FY2024 (From April 1, 2023, to December 31, 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. In addition, the Company cancelled 4,222,400 shares of treasury stock and repurchased 7,477,200 shares of the Company based on the resolution at the Board of Directors' meeting held on November 7, 2023.

As a result, during the first nine months of the fiscal year ending March 31, 2024, capital surplus and retained earnings decreased by ¥559 million and ¥21,135 million, respectively, and treasury stock increased by ¥52,673 million. Capital surplus, retained earnings, and treasury stock amounted to ¥23,750 million, ¥307,433 million, and ¥82,757 million, respectively, as of December 31, 2023.

**Segment Information**

(Segment information by business category)

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	128,605	-	128,065
Segment income	45,164	6,338	633	52,136	15	52,151	(4,112)	48,039

1st Nine Months of FY20234 (From April 1, 2023, to December 31, 2023)

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

	1st Nine 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	129,840	23,176	17,298	170,315	272	170,588	-	170,588
Intersegment	-	-	-	-	-	-	-	-
Total	129,840	23,176	17,298	170,315	272	170,588	-	170,588
Segment income	56,700	11,075	1,531	69,308	122	69,431	(4,166)	65,264

**(Significant subsequent events)****(Cancellation of Treasury Stock)**

The Company, at the Board of Directors' meeting held on February 7, 2024, 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:                                           | 10,116,700 shares<br>(16.29% of total issued shares before cancellation) |
| 4. Planned cancellation date:                                                  | February 20, 2024                                                        |
| 5. Total number of shares issued<br>after the cancellation of treasury stock : | 52,000,000 shares                                                        |

**(Share Split, Amendments to the Articles of Incorporation, and Partial Change to the Matters related to Repurchase of the Company's Own Shares)**

The Company, at the Board of Directors' meeting held on February 7, 2024, resolved about a share split and partial amendments to the Articles of Incorporation, as well as a partial change to the matters related to repurchase of the Company's own shares as described below.

**1. Purpose of the stock split**

By lowering the amount required per investment unit through a stock split, we aim to create an environment that further facilitates investment, improving the liquidity of the Company's shares and expanding the range of potential investors.

**2. Overview of the stock split****(1) Method of stock split**

Each share of the Company's common stock held by shareholders listed or recorded in the final shareholders' registry on the record date, February 29, 2024, will be split into five shares (5-for-1 stock split).

**(2) Increase in shares due to the stock split**

- |                                                            |                    |
|------------------------------------------------------------|--------------------|
| ① Total number of issued shares before the stock split:    | 52,000,000 shares  |
| ② Increase in shares due to the stock split:               | 208,000,000 shares |
| ③ Total number of issued shares after the stock split:     | 260,000,000 shares |
| ④ Total number of authorized shares after the stock split: | 500,000,000 shares |

(note) The total number of shares issued before the share split stated above is calculated by subtracting the number of treasury shares to be canceled on February 20, 2024 from the total number of shares issued as of February 7, 2024.

**(3) Schedule of the stock split**

- |                                             |                                          |
|---------------------------------------------|------------------------------------------|
| ① Date of public notice of the record date: | Wednesday, February 14, 2024 (scheduled) |
| ② Record date:                              | Thursday, February 29, 2024 (scheduled)  |
| ③ Effective date:                           | Friday, March 1, 2024 (scheduled)        |

**(4) Impact on per share information**

Per share information based on the assumption that the stock split had been implemented at the beginning of the consolidated fiscal year ended March 31, 2023 are as follows

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income per share	133.18 (yen)	174.43 (yen)
Fully Diluted net income per share	131.75 (yen)	172.46 (yen)

**(5) Adjustment of the number of shares to be issued upon exercise of a subscription right to shares**

The Company has issued multiple subscription rights to shares (stock-compensation-type stock options). However, the Company will not adjust the exercise price and maintain it at ¥1 per share. Regarding the number of shares to be granted after adjustment, it will be calculated by multiplying the number of shares before adjustment by 5.

## 3. Partial amendment to the Articles of Incorporation pursuant to the stock split

## (1) Reasons for the amendment

The total number of authorized shares prescribed under Article 6 of the Company's Articles of Association will be amended pursuant to the stock split, effective March 1, 2024, based on the provisions of Article 184, Paragraph 2 of the Companies Act.

## (2) Details of Amendments (Underlined parts are amended.)

Current Articles of Incorporation	Amended Articles of Incorporation
<b>(Total number of authorized shares)</b>	<b>(Total number of authorized shares)</b>
Article 6. The total number of authorized shares of the Company shall be <u>144,000,000 shares</u>	Article 6. The total number of authorized shares of the Company shall be <u>500,000,000 shares</u>

## 4. 1. Partial change to the matters related to repurchase of the Company's own shares

## (1) Reason for change

In line with the above-mentioned share split, the Company will change the aggregate number of shares eligible for repurchase as stated in the "Notice concerning Repurchase of Own Shares" disclosed on November 7, 2023.

## (2) Details of amendment (Underlined parts are amended.)

Before amendment	After amendment
Aggregate number of shares eligible for repurchase: <u>Up to 10 million shares</u>	Aggregate number of shares eligible for repurchase: <u>Up to 50 million shares</u>

## (Reference)

Details of the resolution of the Board of Directors' meeting, held on November 7, 2023, regarding repurchase of own shares

- |                                                         |                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Type of shares to be repurchased:                   | Common stock                                                                                                                                                                                                                                                       |
| (2) Aggregate number of shares eligible for repurchase: | Up to 10 million shares<br>(18.56% of the total number of shares issued (excluding treasury stock))                                                                                                                                                                |
| (3) Aggregate amount of repurchase cost:                | Up to 70 billion yen                                                                                                                                                                                                                                               |
| (4) Period of repurchase:                               | From November 8, 2023 to April 30, 2024                                                                                                                                                                                                                            |
| (5) Method of repurchase:                               | Open market purchase on the Tokyo Stock Exchange<br>① Purchase through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange<br>② Market purchases based on a discretionary trading contract for repurchase of the company's own shares |