

May 9, 2024

For Immediate Release

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Notice Concerning the Formulation of the Mid-term Management Plan

The Company hereby announces that it has formulated a three-year Mid-term Management Plan which started in FY2025 and ends in FY2027.

1.Outline of the Mid-term Management Plan

As a leading company in the pachinko and pachislot industry, we aim for the invigoration and development of the industry and continuous improvement of corporate value by generating people's smiles through entertainment.

[Business strategies]

We aim to make our top sales share in the pachinko business a robust one, and also become one of the companies in the top group in the pachislot business.

[Financial strategies]

In order to achieve ROE that exceeds our capital cost, we will work on appropriate investment and measures for return of profits to shareholders centered around measures to improve the return on sales.

[ESG and sustainability]

We will work to identify sustainability issues and solve such issues, while strengthening information disclosure, in the aim of improving corporate value.

2. Key target figures (on a consolidated basis)

(million yen)

	FY 2023 (results)	FY 2024 (results)	FY 2025 (Figures announced in quarterly reports)	FY 2026 (Targets)	FY 2027 (Targets)
Net Sales	157,296	199,099	180,000	200,000	220,000
Operating Income	58,532	72,495	61,000	73,000	88,000
Net Income attributable to owners of parent	46,893	53,791	42,000	51,000	61,000
EPS(yen)	(*1) 807.52	203.81	191.48	232.51	278.10
Cash dividend per share (yen)	(*1) 150.0	(*2) 80.0	80.0	90.0	110.0
Pay out ratio (%)	18.6	39.3	41.8	Aiming to achieve the level of 40%	
ROE (%)	16.3	19.3	Maintaining the level between 15% and 20%		
PBR (times) (*3)	1.04	1.47	-	-	-

*1 The figures are presented before the share split, which has been carried out effective March 1, 2024, by splitting one share to five shares.

*2 The figures are presented by adjusting the interim dividends assuming that the share split (from one share to five shares) was carried out at the beginning of the period.

*3 Calculated using the stock price at the end of each fiscal year.

This material is an English translation of Japanese announcement made on May 9, 2024. Although the Company intended to faithfully translate the Japanese document into English, the accuracy and correctness of this translation are not guaranteed.

3. Details of the Mid-term Management Plan
Please refer to the attached document.

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Good luck. Good life.

SANKYO

SANKYO VISION 25-27

-A portent for sustainable growth-

Mid-Term Management Plan

(from FY3/2025 to FY3/2027)

May 9, 2024

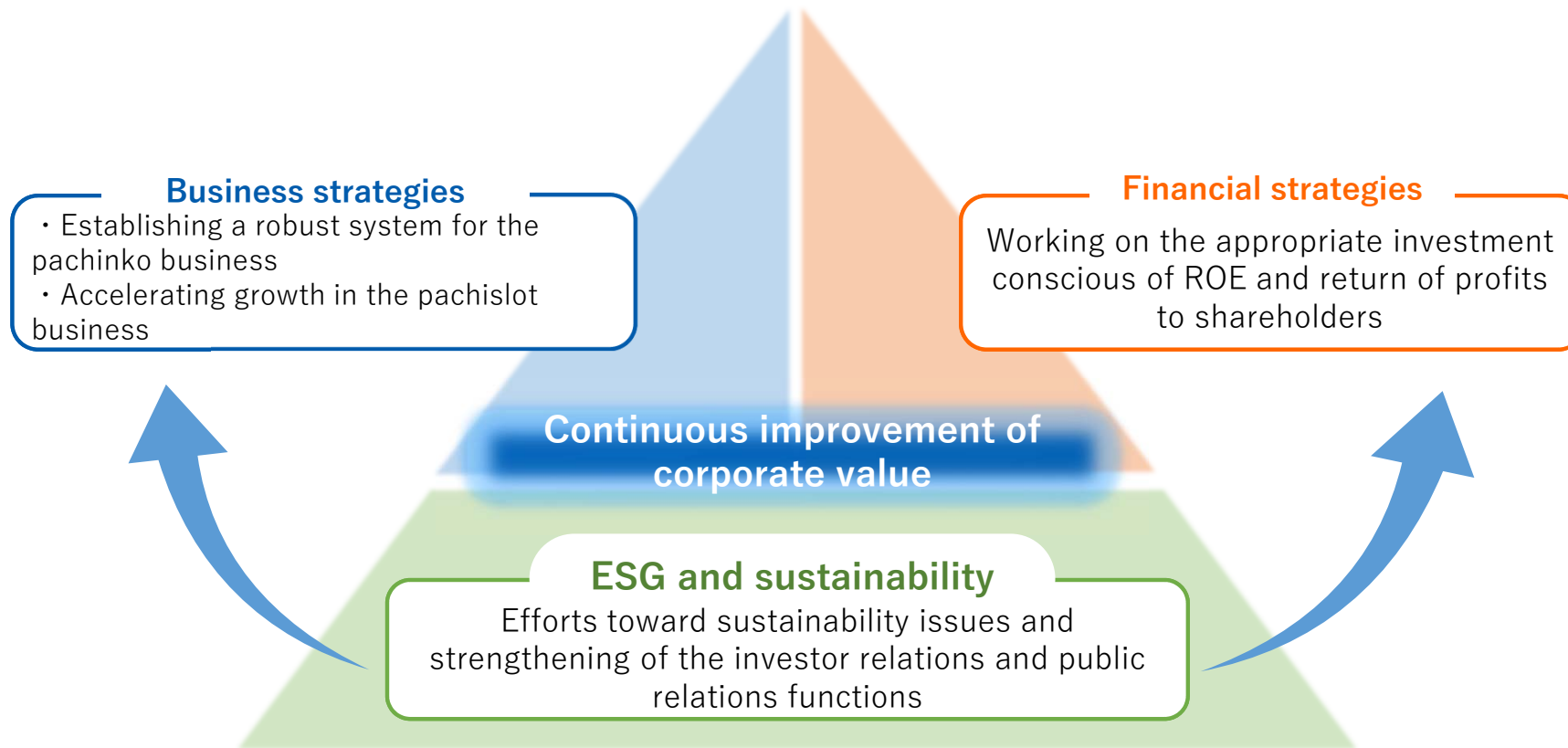
SANKYO CO., LTD.

Prime Market of the TSE #6417

SANKYO VISION 25-27

-A portent for sustainable growth-

As a leading company in the pachinko and pachislot industry, we aim for the invigoration and development of the industry and continuous improvement of corporate value by generating people's smiles through entertainment.



“Aim for development of the industry and further growth of the Group”

FY 3/2027 Forecast

Pachinko Machine Sales Share

Continue **No. 1**

Achieve over 30% sales share

Pachislot Machine Sales Share

Achieve **15%**

Aim to become one of the companies in the top group

Consolidated Net Sales

220 billion yen

Aim for growth in the pachinko and pachislot businesses

Consolidated Operating Income

88 billion yen

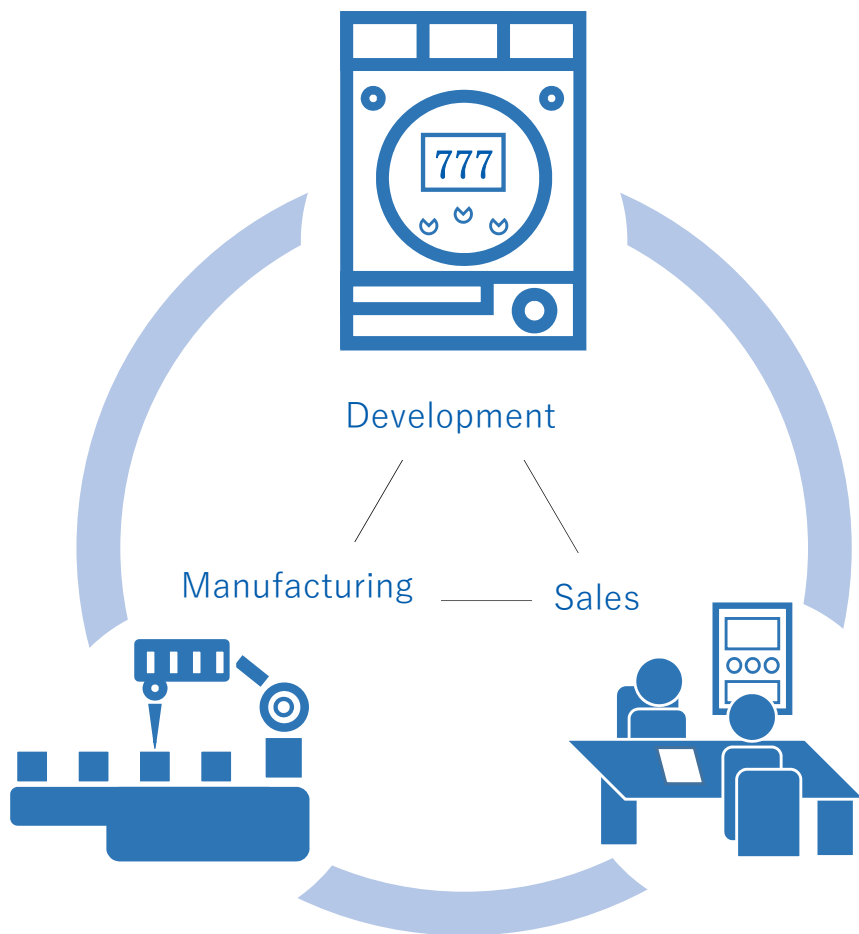
Reach a record-high profit (consolidated operating income)

ROE

15~20%

Maintain high levels in profit growth and appropriate return of profits to shareholders

Aim for further growth in the pachinko and pachislot businesses through the “**comprehensive strengths**” of “**development,**” “**manufacturing,**” and “**sales,**” which are our strengths



Development

Promotion of the 3 brands (SANKYO, Bisty, JB)

- ◆ A diverse range of product lineups
- ◆ Top-class annual number of titles sold among manufacturers
- ◆ Ability to respond to new regulations

Manufacturing

Daily production Pachinko 4,000 units Pachislot 1,500 units

- ◆ Highly efficient production in fully automated plants equipped with cutting-edge facilities
- ◆ Production capacity that realizes simultaneous delivery to pachinko halls across Japan
- ◆ Top-class ability to procure parts and materials among manufacturers

Sales

23 branches and sales offices across Japan

- ◆ We conduct sales activities attuned to each customer while using the nationwide locations as our base.
- ◆ Our house-brand direct sales ratio is approximately 80%, boasting the highest-level direct sales ratio in the industry.

Numerical management targets

(million yen)	3/2024 Results	3/2025(Forecast)	3/2026(Plan)	3/2027(Plan)
Net Sales	199,099	180,000	200,000	220,000
Pachinko Machines Business	147,042	117,800	132,400	144,700
Pachislot Machines Business	32,143	51,600	57,000	64,700
Operating Income	72,495	61,000	73,000	88,000
Percentage	36.4%	33.9%	36.5%	40.0%
Pachinko Machines Business	61,165	40,500	48,400	57,600
Pachislot Machines Business	15,289	26,300	30,300	36,200
Net Income attributable to owners of parent	53,791	42,000	51,000	61,000
EPS(yen)	203.81	191.48	232.51	278.10
Cash dividend per share(yen)	80 [※] (Forecast)	80	90	110
ROE	19.3%	15~20%		
Unit Sales of Pachinko Machines(units)	297,648	247,700	280,000	320,000
Share	34.9%	31.0%	31.1%	32.0%
Unit Sales of Pachislot Machines(units)	70,379	119,500	130,000	150,000
Share	8.8%	13.6%	14.4%	15.8%

※ Calculated assuming that the share split at a ratio of five shares for one share effective on March 1, 2024 was carried out at the beginning of the period

Data

million yen	3/2024 Results	3/2027 Plan	Change
Net Sales	147,042	144,700	-2,342
R&D Expenses	11,021	14,396	+3,375
Operating Income	61,165	57,600	-3,565
Percentage	41.6%	39.8%	-1.8pt
units			
Machines sales	297,648	320,000	+22,352
SANKYO+JB	154,339	220,000	+65,661
Bisty	143,309	100,000	-43,309

Securing stable revenue as the core businesses

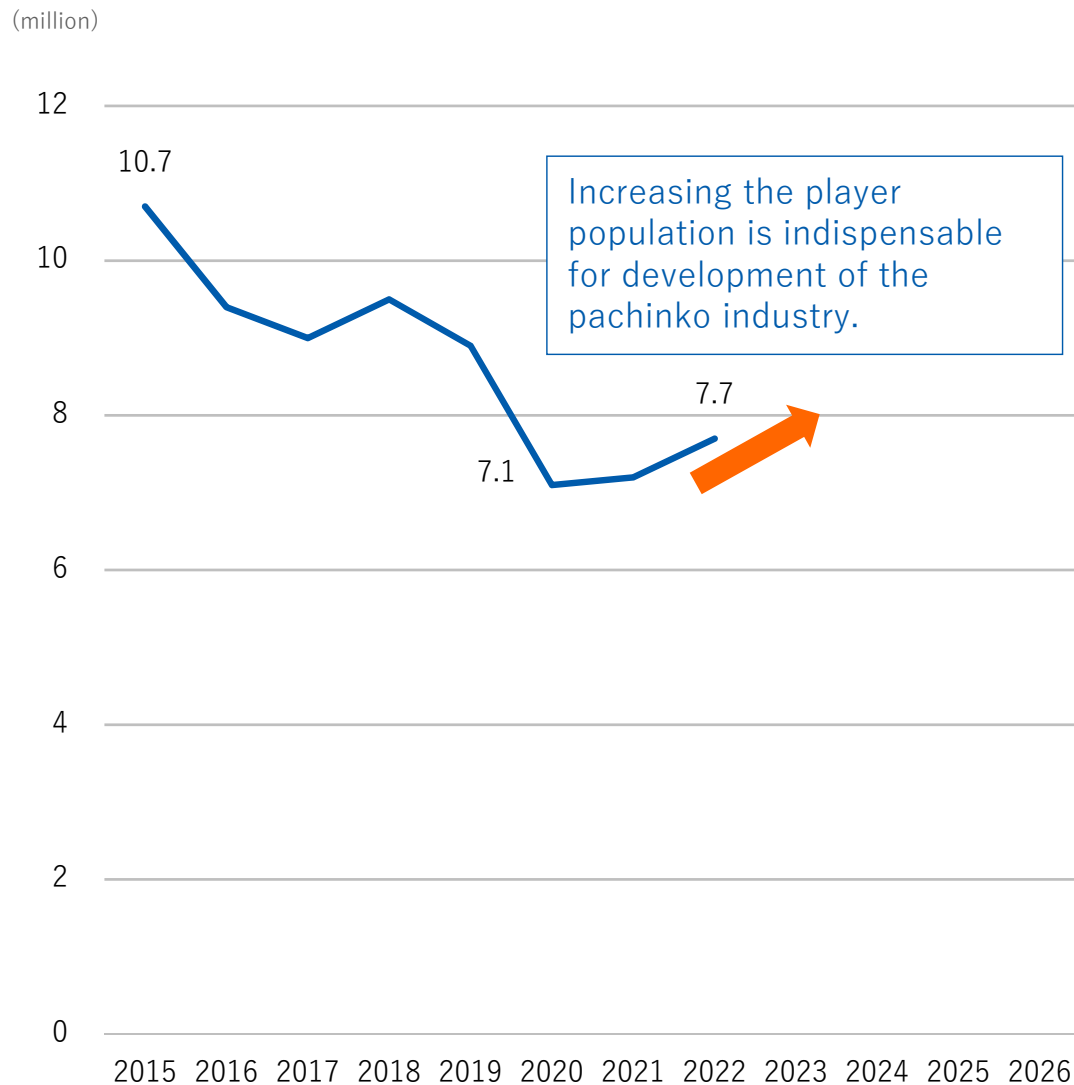
- ◆ A diverse range of product lineups, leveraging the three brands
 - accommodate more diversifying preferences of players
 - Enhancing the number of titles sold
- ◆ Promoting product development that has uniqueness with a focus on specifications and gaming performance
 - product development that has wealth of novelty and innovation
 - Promoting development of Smart Pachinko machines
- ◆ Active deployment of new tie-up machines
 - Generating a series of popular machines following “Mobile Suit Gundam series”, “NEON GENESIS EVANGELION series”.

Data

million yen	3/2024 Results	3/2027 Plan	Change
Net Sales	32,143	64,700	+32,557
R&D Expenses	4,274	5,833	+1,559
Operating Income	15,289	36,200	+20,911
Percentage	47.6%	56.0%	+8.4pt
units			
Machines sales	70,379	150,000	+79,621
SANKYO	46,834	100,000	+53,166
Bisty	23,545	50,000	+26,455

Allocating management resources deeming it as a growth business

- ◆ Enhancing the development system
 - Enhancing the number of titles sold and strengthening alliances
- ◆ Promoting product development that has uniqueness with a focus on specifications and gaming performance
 - Product development that has wealth of novelty and innovation
 - Promoting development of Smart Pachislot machines
- ◆ Active deployment of new tie-up machines
 - Leveraging our popular pachinko machines titles, while also actively deploying new tie-up machines



Market environment projection

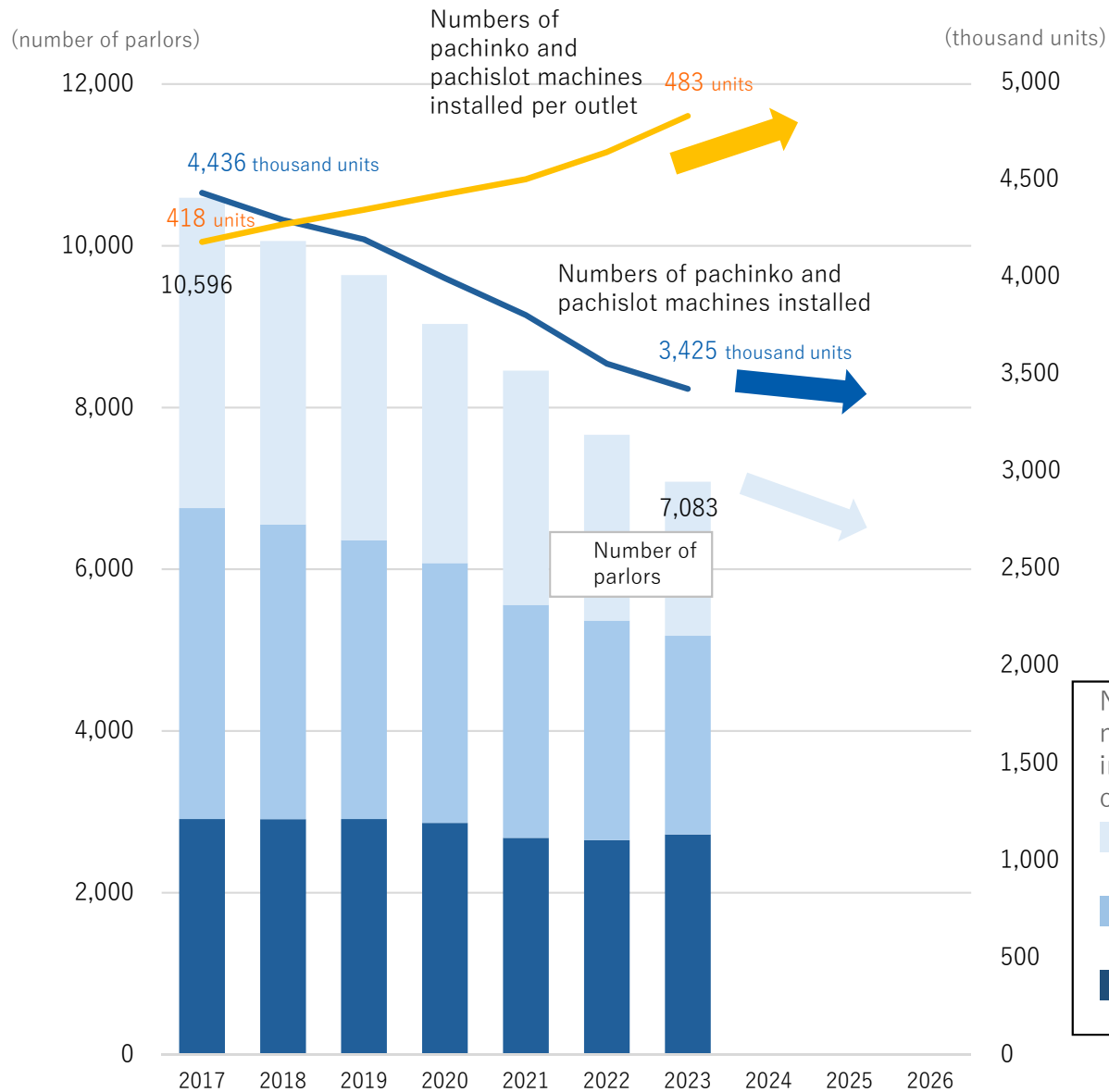
- ◆ The player population of 7.1 million hit the bottom in FY2021 during the COVID-19 pandemic, and since then, the recovery trend has continued.

The Company's initiatives to increase the player population

- ◆ Promoting penetration of Smart Pachinko and Pachislot machines
- ◆ A diverse range of product lineups
- ◆ Active deployment of new tie-up machines
- ◆ Effectively utilizing TV commercials and web ads

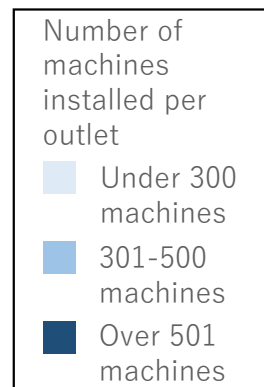
Source: Japan Productivity Center

Market environment projection (Trends in the number of pachinko parlors and the numbers of pachinko and pachislot machines installed)



Market environment projection

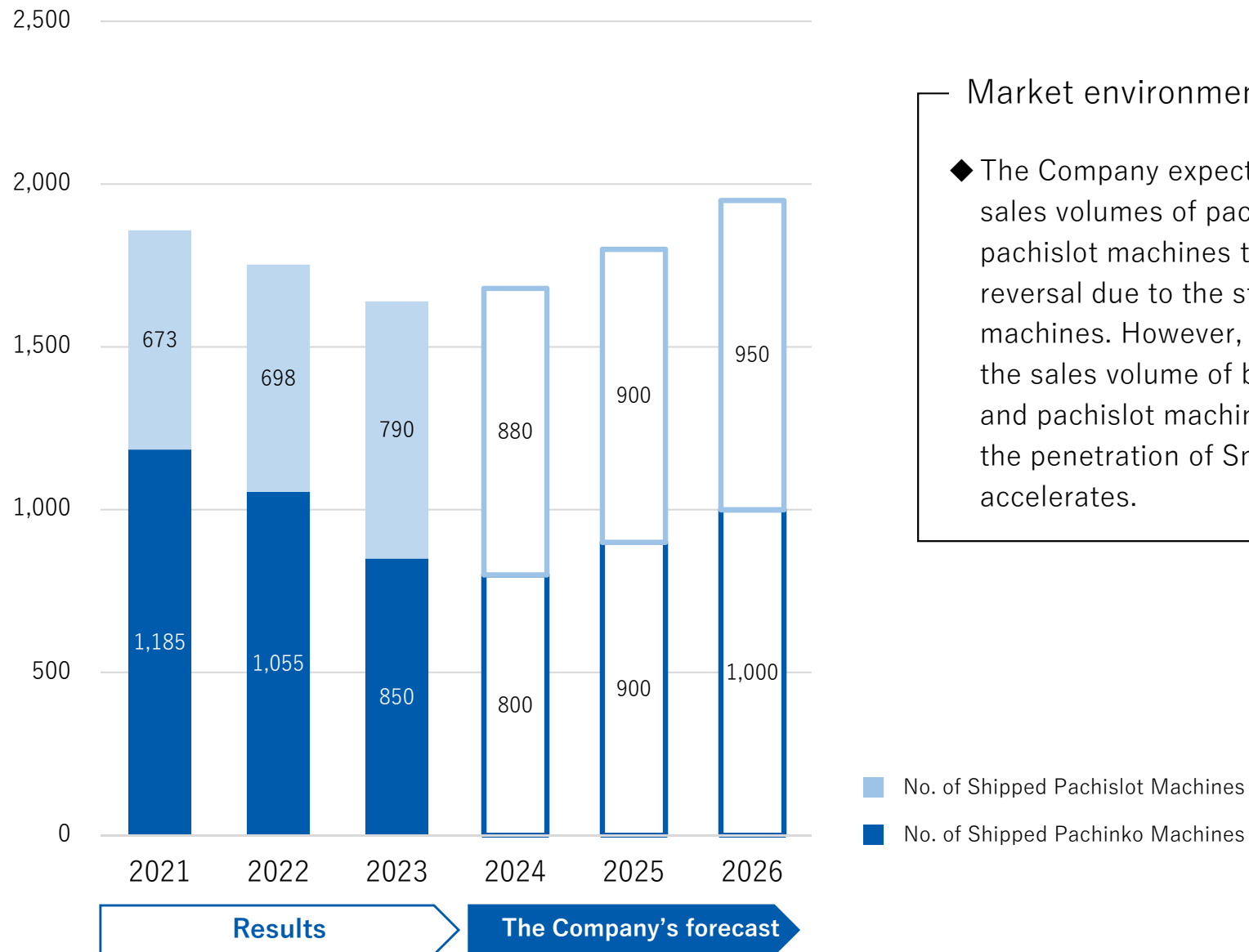
- ◆ The number of pachinko parlors continued to decrease, mainly among small- and medium-sized outlets.
- ◆ Parlor operators have become larger, resulting in an increase in the number of units of machines installed per outlet.
- ◆ The numbers of pachinko and pachislot machines installed decreased more slowly as compared with the decrease in the number of parlor operator outlets.



Source: National Police Agency

Market environment projection (Trend in the sales volumes of pachinko and pachislot machines)

(thousand units)

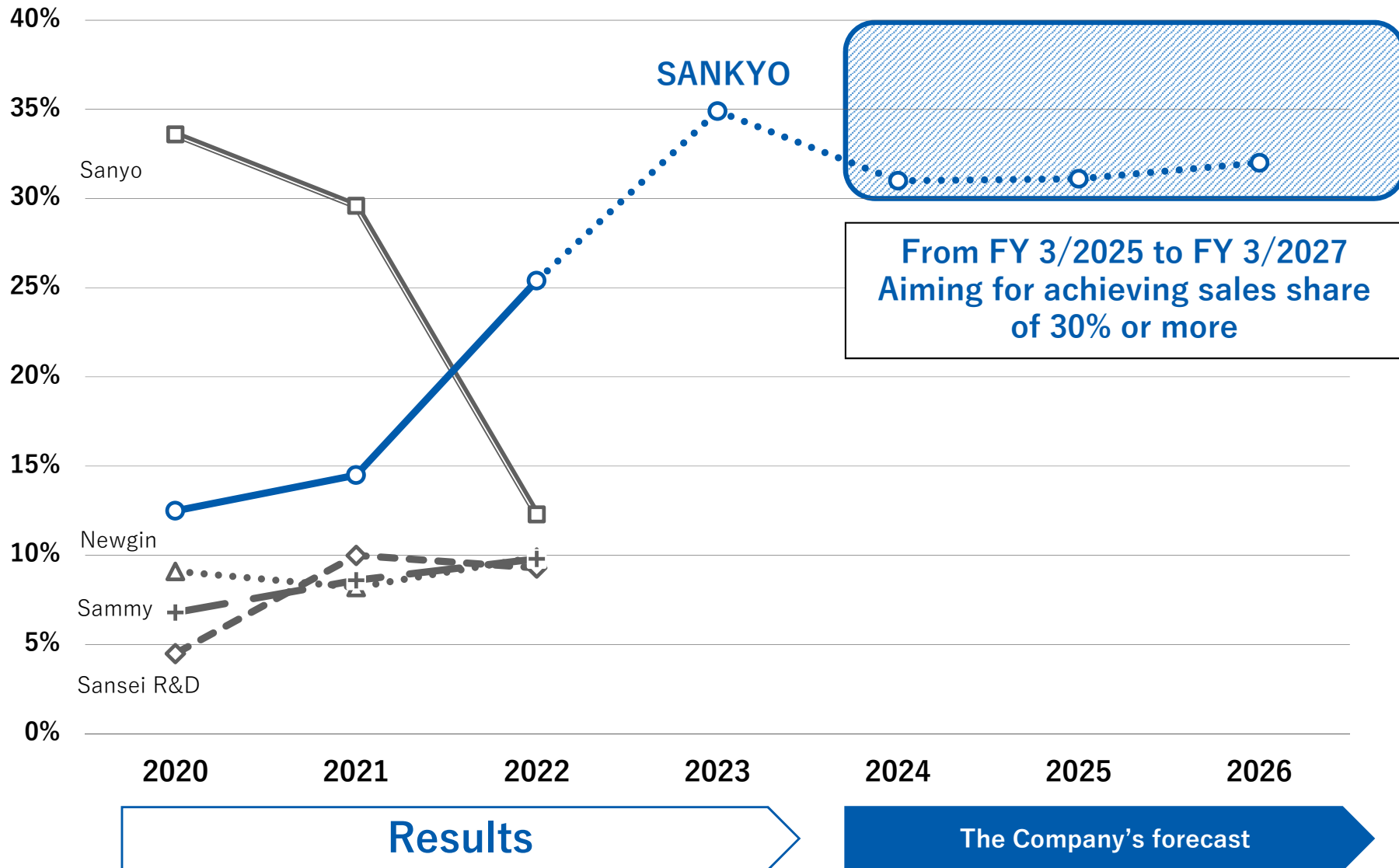


Market environment projection

◆ The Company expects that, in FY2025, the sales volumes of pachinko machines and pachislot machines temporarily show a reversal due to the strong trend in pachislot machines. However, after that, it expects that the sales volume of both pachinko machines and pachislot machines starts to increase as the penetration of Smart Pachinko machines accelerates.

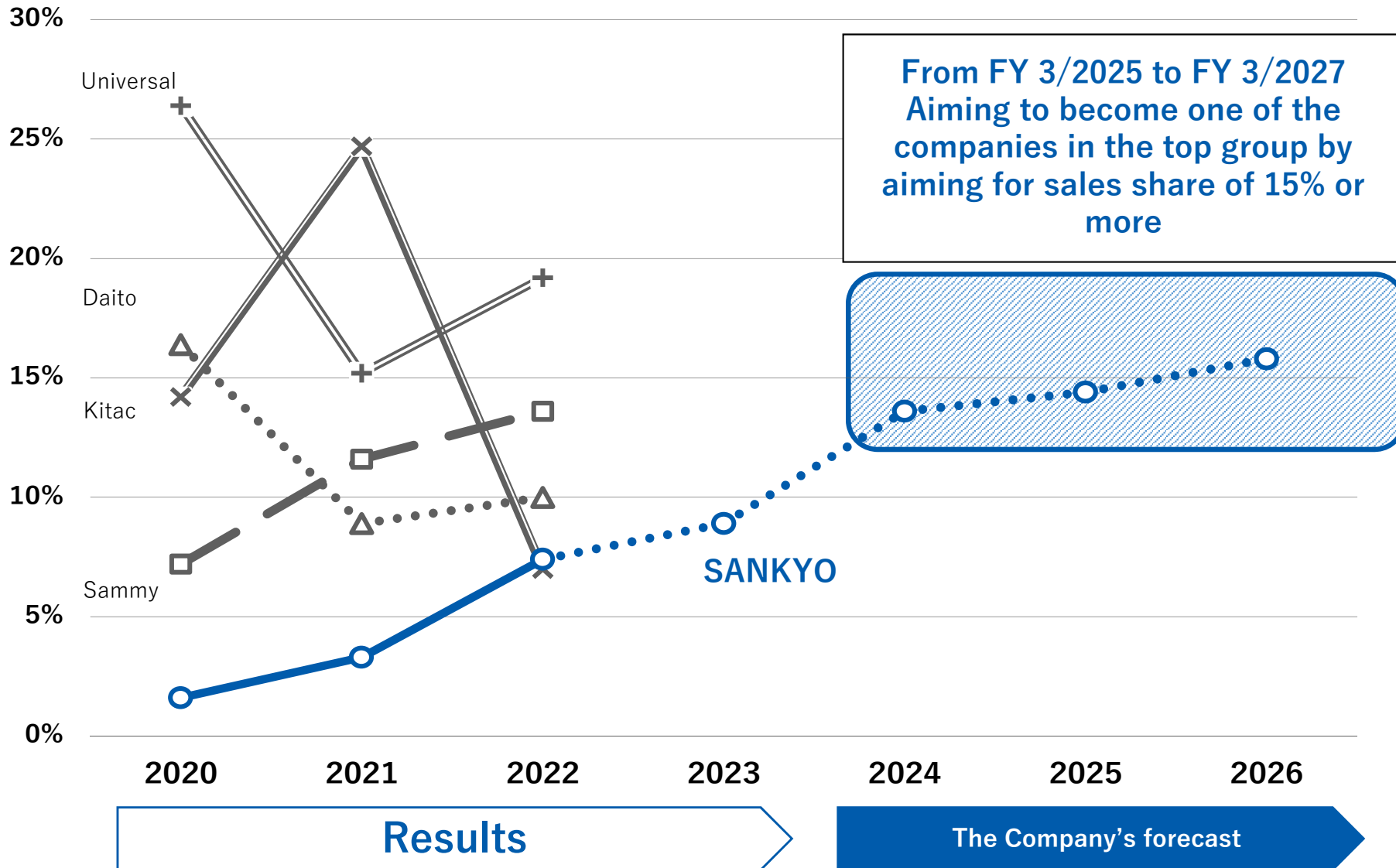
Source: No. of Shipped Pachinko Machines: Estimates of SANKYO
 No. of Shipped Pachislot Machines: Yano Research Institute(2023: Estimate of SANKYO)

Trend in share (Pachinko machines market)



Source: Yano Research Institute (2023: Estimate of SANKYO)

Trend in share (Pachislot machines market)



Source: Yano Research Institute (2023: Estimate of SANKYO)

We are implementing new initiatives centered around generation and development of content intellectual property such as manga and anime.

We aim to realize synergies through collaboration of generated content intellectual property with our pachinko and pachislot businesses.

Generation and development of content intellectual property

◆ Production and sale of manga

Production and sale of manga through, for example, partnership with publishers

◆ Investment in anime and video works

Obtaining rights through investment and participation in anime and other production committees and revenues from distributed profits

◆ Developing secondary use contents and goods of pachinko and pachislot machines

Making our pachinko and pachislot machines profitable through out-licensing and branding, such as creating game applications and goods

Using pachinko and pachislot machines as intellectual property

Using them as applications and goods

Pachinko and Pachislot Business

We aim to achieve ROE of between 15% and 20%, exceeding our capital cost, through profit growth and appropriate return of profits to shareholders

We take into account ROE of 8% or more, which is suggested in the “Ito Review.”

※Announced by the Ministry of Economy, Trade and Industry: “Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors” project (Final Report)

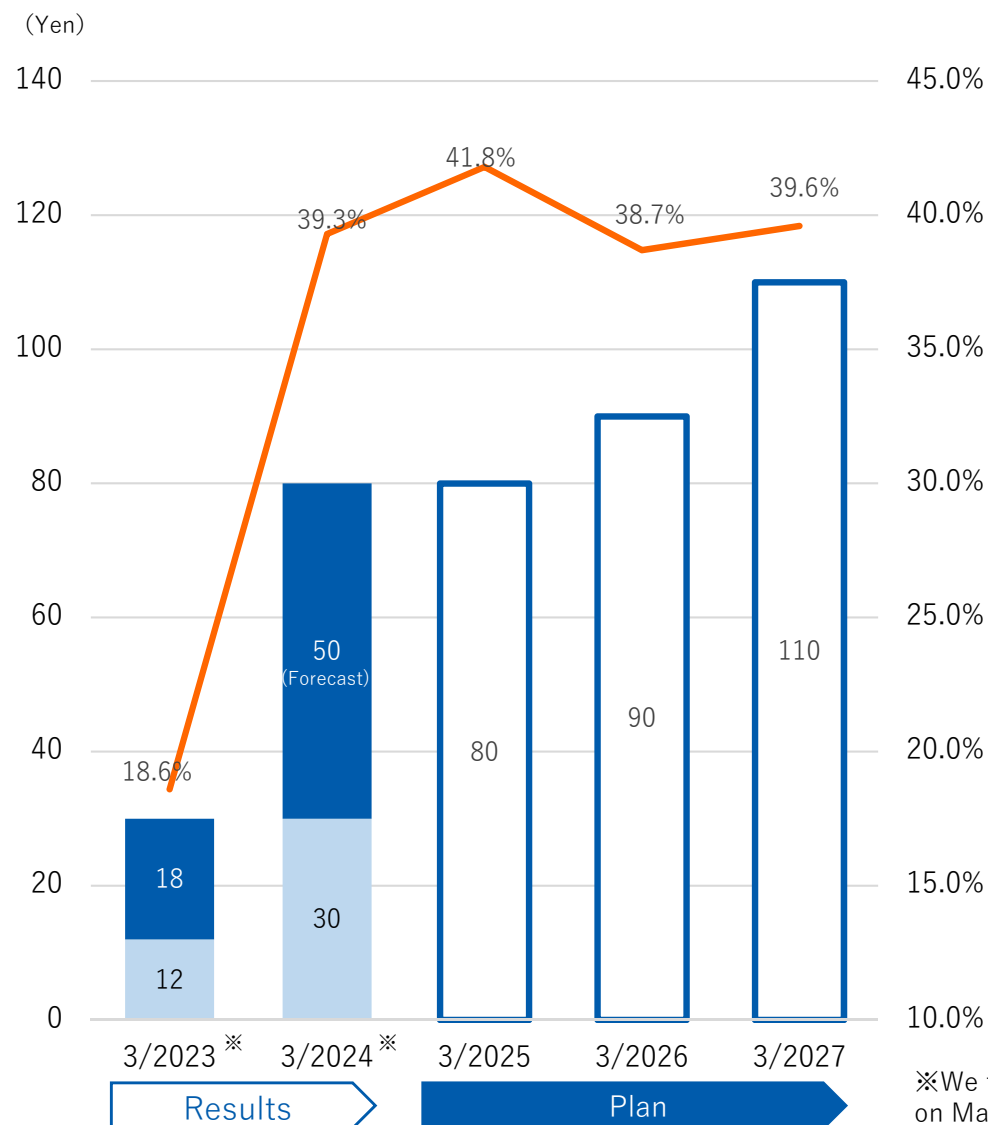
(million yen)	3/2023 Results	3/2024 Results	3/2025 Forecast	3/2026 Forecast	3/2027 Forecast
Net Sales	157,296	199,099	180,000	200,000	220,000
Operating Income	58,532	72,495	61,000	73,000	88,000
Percentage	37.2%	36.4%	33.9%	36.5%	40.0%
Net Income attributable to owners of parent	46,893	53,791	42,000	51,000	61,000
EPS(yen)	807.52 ※	203.81	191.48	232.51	278.10
Cash dividend per share(yen)	150 ※	80 ^{※2} (Forecast)	80	90	110
ROE	16.3%	19.3%	15~20%		

※ We do not take into account the share split at a ratio of five shares for one share effective on March 1, 2024, for the results for FY3/2023.

※2 Calculated assuming that the share split at a ratio of five shares for one share effective on March 1, 2024 was carried out at the beginning of the period.

Policy on return of profits to shareholders

With the performance-linked dividends targeted at the consolidated payout ratio of 40% as our basic policy, we manage balance sheets appropriately in view of making additional shareholder returns through agile share buyback.



Dividend Policy

- ◆ Performance-linked dividends targeted at consolidated payout ratio 40%
- ◆ The lower limit of annual dividends per share shall be set at 20 yen, incorporating elements of stable distribution
- ◆ For interim dividends, we aim for the consolidated payout ratio of 40% for the six months of a fiscal year as the total amount of dividends, and the upper limit shall be 50% of the full-year dividend per share expected at the time of determining the amount of the interim dividend.

Share buyback

Agilely judged in consideration of the following elements:

- ◆ Stock price
- ◆ Opinions of shareholders and investors
- ◆ Performance outlook
- ◆ Business environment of the Company, among others

※We take into account the share split at a ratio of five shares for one share effective on March 1, 2024, for the results for FY3/2023 and FY3/2024.

Sustainability

Initiatives toward ESG

We have established a Sustainability Committee to build a company-wide management cycle. We realize a sustainable society and corporate growth at the same time, and thereby aim to improve our corporate value.



Five sustainability priority issues (material issues) to be worked on a priority basis have been identified. We will examine and promote medium- and long-term targets and concrete measures for each material issue in the future.

1 Creation of innovative products through originality and ingenuity

- Creation of high value-added products
- Organizations and systems that enable innovations
- Responsibility for safety and reliability of products

2 Promotion of active participation by human resources

- Respect for diversity and human rights
- Investment in human resource development
- Creating workplace that makes work rewarding

3 Mitigation of environmental burden

- Initiatives toward climate change
- Effective use of resources

4 Actions for social issues

- Initiatives to prevent dependence of end users

5 Corporate governance

- Promotion of corporate governance that adapts to social demand

E nvironment



S ocial



G overnance



- Initiatives toward climate change
- Effective use of resources

- Initiatives to prevent dependence
- Respect for diversity and human rights
- Investment in human resource development
- Creating workplace that makes work rewarding

- Promotion of corporate governance that adapts to social demand

① Promotion of reuse and recycling

- Promotion of recycling of pachinko/pachislot machines (recycle rate: about 90%)
- Initiatives related to reused machines through collection of used machines and reuse of parts

② Standardization of components

- Reduction of losses of parts and materials through promotion of the use of common parts and materials (Percentage of Common Components: Pachinko machines is about 50%, Pachislot machines is about 80%.)

③ Mitigation of environment-burdening substances

- Reduction of environment-burdening substances in the course of manufacture of pachinko/pachislot machines (such as non-use of lead in boards and reduction of plated products)

④ Utilize renewable energy

- Install a photovoltaic system on the roof of our subsidiary SANKYO EXCEL's plant (The system is expected to reduce CO₂ emissions by approximately 286t-CO₂ annually.)

⑤ Energy conservation at each business site

- Promotion of the use of LEDs in lighting of offices

⑥ Digitization of operations (paperless)

① Measures against pachinko and pachislot dependence

- Widely communicating a dependence issue consultation body "Recovery Support Network"

② Promotion of employment of people with disabilities

- Realization of a working environment where employees with disabilities can actively participate (2.4% employment rate for individuals with disabilities)

③ Building a work environment to be more female gender-friendly

- Introduction of reduced working hours system
- Encouragement of parental leave uptake
- Active recruitment of female new graduates (female ratio of at least 15%)

④ Human Resources Acquisition Initiatives

- Raising the starting salary of new graduates from 210,000 yen to 300,000 yen
- Salary increases of existing employees at an average salary increase rate of 15.3%

⑤ Development of systems to support diverse working styles

- Management of appropriate overtime work (average overtime work of 16.9 hours per month per person)

⑥ Support for regional revitalization

- Donation made through the Municipality Donation Tax Deduction (Furusato-Nozei) Scheme for corporations (Kiryu City, Gunma Pref., Midori City, Gunma Pref., Isesaki City, Gunma Pref., Osaki Town, Kagoshima Pref. (Five million yen for each *partially including donation of goods)

① Establishment of a Nomination and Remuneration Committee

- Ensuring the objectivity, transparency, and fairness of the procedures to evaluate and determine appointment, remuneration, etc. of Directors (established in January 2024)

② Transition to a company with an Audit and Supervisory Committee

- Accelerating decision-making and business execution through strengthening of the supervisory function of and delegation of authority to the Board of Directors (planned in June 2024)

③ Compliance with the Corporate Governance Code

④ Strengthening of compliance and risk management

⑤ Enhancement of the internal control system

⑥ Strengthening of the Group's governance system

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【Notes on forward-looking statements】

The purpose of this document is to provide information on the Medium-term Management Plan, and is not intended as a solicitation for investment or any similar action. Please note that actual investment decisions should be made at your own discretion and responsibility.

This material contains projections, plans, outlook, etc. for the fiscal year under review and the future business performance that are judged to be reasonable by the management of the Company based on currently available information. Actual business performance may be significantly different from the projections, plans, outlook, contained due to changes in various factors. Such factors include economic conditions of, and fluctuations in product demand in, the pachinko and pachislot markets which are our main business domains; various regulations in Japan and overseas; and amendments to accounting standards, practice, etc. The Company assumes no obligation to revise the forward-looking statements contained herein, whether as a result of new information, future events or other discoveries.