

May 9, 2019

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Annual Meeting of Shareholders: June 27, 2019

Planned Date for Start of Dividend Payment: June 28, 2019

Planned Date for Submittal of the Financial Statements Report: June 28, 2019

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, 2018, to March 31, 2019)**

(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, 2019	88,558	2.7%	21,286	109.1%	22,300	97.0%	13,384	141.1%
Year ended March 31, 2018	86,220	5.9%	10,181	101.2%	11,319	195.3%	5,550	212.2%
(note) Comprehensive income	Year ended March 31, 2019		¥12,039 million [63.7%]		Year ended March 31, 2018		¥7,352 million [126.5%]	

	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, 2019	164.88	156.49	4.0	5.6	24.0			
Year ended March 31, 2018	68.37	64.86	1.6	2.9	11.8			
(reference) Equity in earnings of affiliates	Year ended March 31, 2019		- million		Year ended March 31, 2018		- 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, 2019	399,585	337,377	84.1	4,139.74
As of March 31, 2018	396,291	337,242	84.8	4,141.43
(reference) Shareholders' Equity	As of March 31, 2019		As of March 31, 2018	
	¥336,045 million		¥336,185 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, 2019	16,828	(4,367)	(12,183)	274,295
Year ended March 31, 2018	15,962	18,420	(12,184)	274,017

**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, 2018	-	75.00	-	75.00	150.00	12,176	219.4	3.6
Year ended March 31, 2019	-	75.00	-	75.00	150.00	12,176	91.0	3.6
Year ended March 31, 2020 (forecast)	-	75.00	-	75.00	150.00		110.7	

**3. Forecast for FY2020 (From April 1, 2019, to March 31, 2020)**

(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, 2020	99,000	11.8%	16,000	(24.8%)	17,000	(23.8%)	11,000	(17.8%)	135.51	

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 5.

**\* Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2019: Not applicable
- (2) 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 |
- (3) Outstanding shares (common shares)
- a. Number of shares outstanding (including treasury stock)
- |                       |                   |
|-----------------------|-------------------|
| As of March 31, 2019: | 89,597,500 shares |
| As of March 31, 2018: | 89,597,500 shares |
- b. Number of treasury stock
- |                       |                  |
|-----------------------|------------------|
| As of March 31, 2019: | 8,421,994 shares |
| As of March 31, 2018: | 8,421,329 shares |
- c. Average number of shares issued and outstanding
- |                       |                   |
|-----------------------|-------------------|
| As of March 31, 2019: | 81,175,841 shares |
| As of March 31, 2018: | 81,176,540 shares |

**(Reference) Non-consolidated results****1. Non-consolidated results for the fiscal year (From April 1, 2018, to March 31, 2019)****(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, 2019	80,724	9.6%	20,479	334.0%	23,036	207.4%	14,660	142.2%
Year ended March 31, 2018	73,671	11.0%	4,719	-	7,493	116.6%	6,053	83.0%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2019	180.60	171.42
Year ended March 31, 2018	74.58	70.76

**(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, 2019	386,664	325,782	83.9	3,996.91
As of March 31, 2018	383,632	324,519	84.3	3,984.69

(reference) Shareholders' Equity As of March 31, 2019 ¥324,451 million As of March 31, 2018 ¥323,461 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, 2019, the Japanese economy remained on a moderate recovery track as corporate earnings remained robust and the labor market and personal incomes continued to improve. Meanwhile, uncertainty about prospects persisted, in light of such factors as the impact of trade friction among certain countries and slowdown in the Chinese economy.

Regarding the environment in which the pachinko and pachislot industry operates, following the enforcement of the Regulations Partially Amending the Ordinance for Enforcement of the Act to Control Businesses That May Affect Public Morals and the Regulations Concerning the Certification and Official Inspection of Game Machines (“Amended Pachinko and Pachislot Machines Regulations”) on February 1, 2018, both pachinko and pachislot machines compliant with the former regulations that are available for sale for the time being and the machines compliant with the new regulations that have satisfied format inspection are being sold. With regard to pachinko machines, pachinko machines with payout settings, a type of pachinko machines permitted after the amendment of the new regulations, debuted and attracted attention. However, pachinko parlor operators have yet to actively purchase such new machines because the final deadline for transitioning to pachinko machines compliant with the new regulations is January 31, 2021, and recognition and diffusion of pachinko machines compliant with the new regulations have been lackluster. As for pachislot machines, only a few #6 model titles compliant with the amended regulations have been introduced and the market has been sluggish.

In these circumstances, the Group introduced machines compliant with the new regulations step by step in addition to those compliant with the former regulations, giving a grand total of 12 pachinko titles (excluding reuse models). In August 2018, the Group launched *Fever Valvrave the Liberator W*, the industry’s first pachinko machine with payout settings. Moreover, regarding products offering a high probability change continuation rate, which have become available for installation since February 2019 in accordance with the revision of the internal regulations of the Nihon Yugiki Kogyo Kumiai (hereinafter “Nikkoso”), an association of pachinko machine manufacturers, the Group took the lead over competitors by launching *Evangelion Super berserk*, the Group’s iconic title. Bringing its strengths into full play, the Group was able to swiftly respond to change in the environment, such as the amendment of the regulations governing pachinko and pachislot machines. Meanwhile, the Group introduced five pachislot titles including one #6 model title.

Regarding profitability, cost reduction by sharing of parts, which is a theme on which the Group has been working for some time, enhancement of efficiency of product development, and curtailment of R&D expenditure by thorough cost control for each model contributed to improvement of profitability, resulting in a substantial increase in profit.

As a result, net sales were ¥88.5 billion, an increase of 2.7% year on year. Operating income was ¥21.2 billion, an increase of 109.1%, and recurring income was ¥22.3 billion, an increase of 97.0%. Profit attributable to owners of parent increased by 141.1% to ¥13.3 billion, despite recording of extraordinary losses including loss on evaluation of investment securities.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales of machines compliant with the former regulations were robust, such as *Fever BIOHAZARD REVELATIONS* (introduced in November 2018) and *Fever Macross Frontier 3* (introduced in March 2019), as well as additional sales of *Fever Symphogear*, a SANKYO-brand pachinko title introduced in August 2017, which became a long-running hit product. Regarding pachinko machines compliant with the new regulations, the Group introduced distinctive products such as those equipped with payout settings and those compliant with the Nikkoso’s new internal regulations, including *Evangelion Super awakening* and *Evangelion Super berserk* (introduced in March 2019), both under the Bisty brand, and reuse models. Although the market trend toward smaller lots continued, the Group achieved a sales volume exceeding that for the previous fiscal year by offering a rich variety of products.

As a result, segment sales amounted to ¥75.7 billion, a increase of 12.7% compared with the same period of the previous year, and operating income was ¥26.8 billion, a increase of 84.8%. Sales of pachinko machines amounted to 196,000 units.

#### Pachislot Machines Business

Regarding the pachislot machines business, the Group launched *Evangelion AT 777* (introduced in February 2019) under the Bisty brand, the Group’s first #6 model, which became a hit product with sales exceeding 10,000 units despite parlor operators’ weak appetite for replacement with #6 models. However, the Group struggled as sales of other products were lackluster against the backdrop of a challenging market environment.

As a result, segment sales amounted to ¥5.9 billion, a decrease of 46.5% compared with the same period of the previous year, and operating loss was ¥0.9 billion, compared with operating income of ¥0.1 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 17,000 units.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥6.2 billion, a decrease of 14.2% year on year, and operating income was ¥0.4 billion, an decrease of 11.7%.

### Other Businesses

Sales of other businesses were ¥500 million, a increase of 7.7% year on year. An operating loss of ¥300 million was recorded compared with operating loss of ¥400 million for the previous year.

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

Total assets at the end of the fiscal year ended March 31, 2019 amounted to ¥399.5 billion, having increased ¥3.2 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥4.1 billion increase in notes and accounts receivable-trade, a ¥3.0 billion increase in marketable securities, and a ¥1.5 billion increase in accounts receivable for provision of parts and materials for value, despite a ¥5.7 billion decrease in investment securities.

Total liabilities amounted to ¥62.2 billion, having increased ¥3.1 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥2.0 billion increase in accrued income taxes and a ¥1.9 billion increase in notes and accounts payable-trade, despite a ¥1.2 billion decrease in electronically recorded obligations-operating.

Net assets increased ¥0.1 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 ¥13.3 billion and a ¥0.2 billion increase in subscription rights to shares, despite recording of cash dividends paid amounting to ¥12.1 billion and a ¥1.4 billion decrease in net unrealized gain on other securities. As a result, net assets amounted to ¥337.3 billion and the shareholders' equity ratio decreased 0.7 percentage points to 84.1%.

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

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥274.2 billion, having increased ¥0.2 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥0.8 billion from the previous fiscal year to ¥16.8 billion. Principal cash inflow items were income before income taxes amounting to ¥18.3 billion, a ¥3.6 billion loss on valuation of investment securities, and depreciation and amortization amounting to ¥3.0 billion. Principal cash outflow items were a ¥4.1 billion increase in notes and accounts receivable-trade, income taxes paid amounting to ¥2.6 billion, and a ¥1.5 billion increase in accounts receivable for provision of parts and materials for value.

Net cash used in investing activities amounted to ¥4.3 billion, a decrease of ¥22.7 billion from net cash provided by investing activities at the previous fiscal year-end. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥76.0 billion and proceeds from withdrawal of time deposits amounting to ¥11.1 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥78.0 billion, payment into time deposits amounting to ¥11.1 billion, and payment for tangible fixed assets and intangible fixed assets amounting to ¥2.3 billion.

Net cash used in financing activities amounted to ¥12.1 billion, virtually unchanged from the previous fiscal year. The principal cash outflow item was cash dividends paid amounting to ¥12.1 billion.

For fiscal 2020, the Company forecasts an increase in net cash provided by operating activities of ¥21.0 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 ¥12.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥5.0 billion in the cash balance at the end of fiscal 2020 compared to the end of fiscal 2019.

### (reference) Change in cash flow indicators

	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Shareholders' equity ratio (%)	84.1	86.9	84.8	84.1
Shareholders' equity ratio at market value (%)	82.0	77.2	76.8	85.7
Ratio of interest-bearing debt to cash flows (%)	0.1	0.2	0.1	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:

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

## (4) Future outlook

Regarding the market environment for the next fiscal year ending March 31, 2020, replacement demand is expected to gradually become evident as less than two years remain before the final deadline for transitioning to pachinko and pachislot machines compliant with the new regulations. Machines compliant with the new regulations are expected to become the mainstream of new models introduced by manufacturers and they are expected to introduce products differentiated in terms of gaming performance and other attributes, leading to intensifying sales competition. Positioning the next fiscal year as the time for upfront investment to ensure that pachinko and pachislot machines compliant with the new regulations diffuse and become entrenched in the market, the Group will introduce pachinko and pachislot machines with diverse gaming performance. While emphasizing cost control, the Group will also invest appropriately to boost sales and increase its market share.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2020, of 200,000 pachinko machines and 58,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2020, are as follows:

	Forecast	Year-on-year change	FY 2019 results
Net sales	¥99.0 billion	11.8% increase	¥88.5 billion
Operating income	¥16.0 billion	24.8% decrease	¥21.2 billion
Recurring income	¥17.0 billion	23.8% decrease	¥22.3 billion
profit attributable to owners of parent	¥11.0 billion	17.8% decrease	¥13.3 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 2017 and fiscal 2018

The Company regards the return of profits to shareholders as one of the most important management priorities. The Company's dividend policy is to maintain a payout ratio of 25% of consolidated Profit attributable to owners of parent and the aim is to continuously increase dividends.

In line with the above basic policy and from the viewpoint of stable dividend payment, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2018 and for fiscal 2019. This will result in a consolidated payout ratio of 91.0% for fiscal 2018 and 110.7% for fiscal 2019.

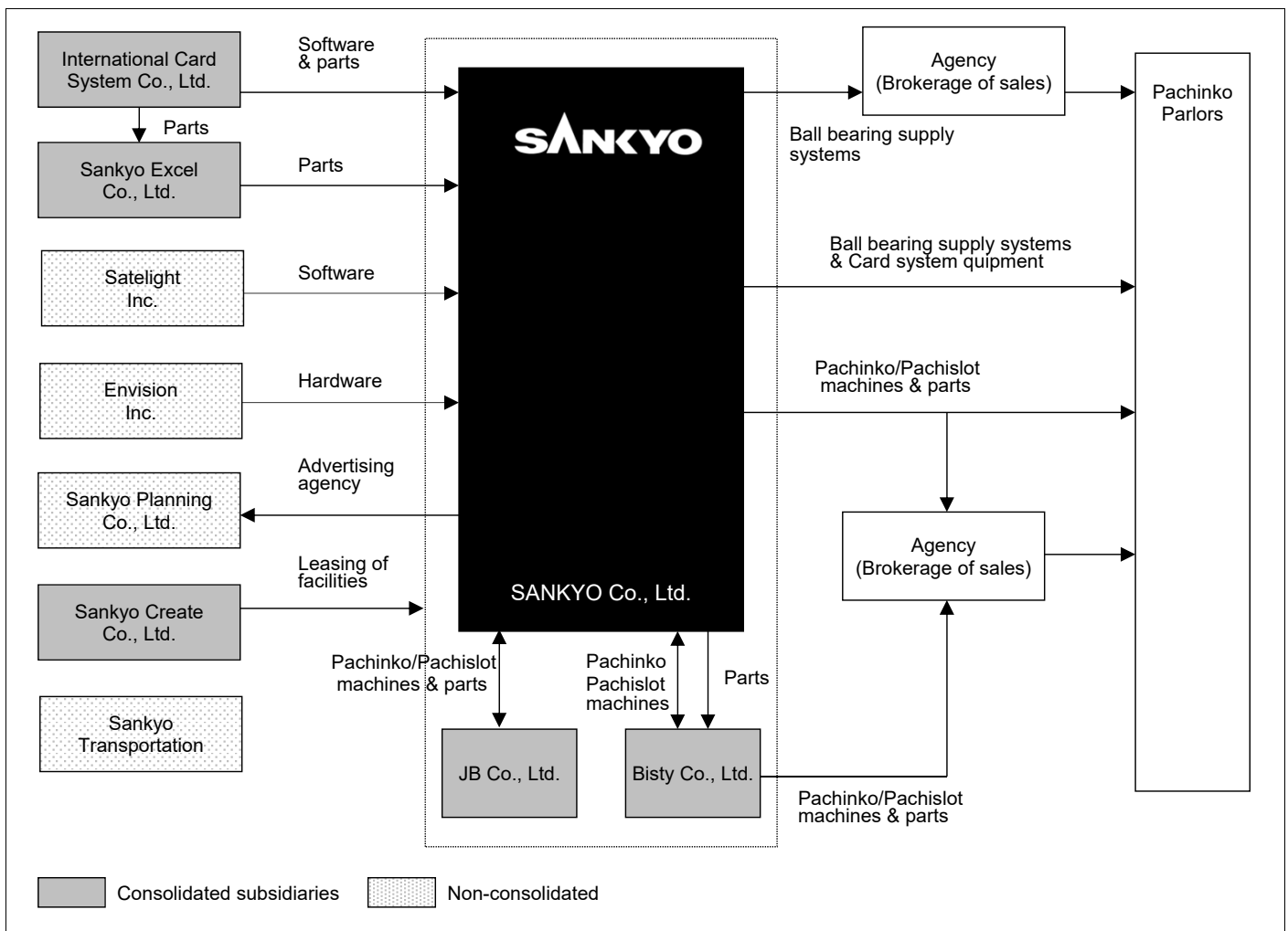
The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency.

**2. Overview of the Consolidated Group**

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 9 subsidiaries (as of March 31, 2019) 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
<b>Pachinko machines business</b> 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. International Card System Co., Ltd. JB Co., Ltd.
<b>Pachislot machines business</b> Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
<b>Ball bearing supply systems business</b> 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. International Card System Co., Ltd. Sankyo Create Co., Ltd.
<b>Other business</b> Mobile content services, Real estate rental revenues, Operation of a golf course ,sales of general molded parts,	Sankyo Excel Co., Ltd. Sankyo Create Co., Ltd. International Card System Co., Ltd. Sankyo Transportation Co., Ltd. Satelight Inc. Envision Inc.

(2) The business structure is shown below.



### 3. Management Policies

#### (1) Fundamental 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.

SANKYO Group's stakeholders include shareholders, pachinko parlors, which are the Group's customers, pachinko players, suppliers, local communities, and employees. One of the most important management tasks is to maintain good relations with each of these stakeholders, and accordingly, the Group has set the following fundamental management policies:

- a. Maximize stakeholder value and achieve the optimum distribution of that value
- b. Ensure compliance with laws and regulations, social norms, and corporate ethics
- c. Enhance efficiency and transparency of management
- d. Inspire employees and develop their capabilities
- e. Enhance society's trust in the pachinko and pachislot industry

#### (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.

	FY2017	FY2018	FY2019
Ratio of operating income to net sales (%)	6.2	11.8	24.0

#### (3) Medium-to-long-term management strategy

In order to maintain growth and increase profitability, SANKYO Group will concentrate its resources on the game machines business, endeavoring to offer highly competitive innovative products that vitalize the pachinko and pachislot industry while aiming to secure a competitive advantage as a manufacturer that continues to lead the market.

#### (4) Management issues

The SANKYO Group will address the following two principal management issues:

- a. Swift response to change in the regulatory environment etc.

Following the enforcement of the Amended Pachinko and Pachislot Machines Regulations, less than two years remain before the final deadline for completing the transition of the currently installed pachinko and pachislot machines in the market to those compliant with the new regulations. Through the transition to pachinko and pachislot machines whose payout performance is around two-thirds of that of machines compliant with the former regulations in accordance with the Amended Pachinko and Pachislot Machines Regulations, the pachinko and pachislot industry is endeavoring to discourage players from becoming overly immersed in playing pachinko and pachislot. In addition, pachinko and pachislot machine manufacturers and pachinko parlor operators are taking the initiatives in implementing various countermeasures for compulsive gambling. Meanwhile, since the Amended Pachinko and Pachislot Machines Regulations clarify the restrictions concerning payout performance, pachinko and pachislot machine manufacturers have relaxed certain voluntary regulations that had been implemented to limit payouts but have become unnecessary, and it has become possible to develop pachinko and pachislot machines with diverse gaming performance. In parallel with implementation of countermeasures for compulsive gambling, the space for deploying ingenuity is expanding, allowing development of a rich variety of products enabling new and dormant players to simply enjoy playing. In the fiscal year ended March 31, 2019, the Group was ahead of competitors in introducing pachinko machines with payout settings and products offering a high probability change continuation rate that became permissible in line with the revised internal regulations of Nikkoso. Going forward, in view of the thrust of change in the regulatory environment, the Group will develop and offer products with diverse gaming performance that can be played at a reasonable cost.

- b. Initiatives to strengthen earnings power

The Group's initiatives to strengthen earnings power will continue to include efforts to increase sales of pachinko and pachislot machines, increase the Group's market share, and reduce costs.

Despite the challenging market environment, the Group will work to increase sales of pachinko and pachislot machines and increase the Group's market share by introducing machines that are rich in innovative gaming performance as well as in compliance with the new regulations and the voluntary regulations based on the initiatives described above.

In terms of costs, the Group is striving to reduce costs and curtail development expenditures so as to make profit despite the ongoing trend toward sales in smaller lots in recent years, and has achieved certain positive results. Whereas the format inspection pass rate of new models has been low since the enforcement of the Amended Pachinko and Pachislot Machines Regulations, it is expected to improve from now on. Although R&D expenditure may increase, the Group will continue efforts to shorten the development lead time, modulate allocation of costs, such as manufacturing costs and expenses, and implement thorough profit/loss management for each product in order to improve profitability.

#### **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, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	105,568	104,847
Notes and accounts receivable-trade	26,489	30,627
Marketable securities	181,999	184,999
Finished goods and merchandise	248	75
Work in process	285	118
Raw materials and supplies	1,628	2,682
Accounts receivable for provision of parts and materials for value	4,359	5,867
Other	2,083	2,899
Allowance for doubtful accounts	(2)	(2)
<b>Total current assets</b>	<b>322,660</b>	<b>332,115</b>
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	26,460	26,404
Less accumulated depreciation	(13,870)	(14,488)
<b>Subtotal</b>	<b>12,589</b>	<b>11,915</b>
Machinery and equipment	7,479	7,517
Less accumulated depreciation	(6,649)	(6,833)
<b>Subtotal</b>	<b>830</b>	<b>684</b>
Furniture and fixtures	19,534	16,927
Less accumulated depreciation	(16,165)	(13,460)
<b>Subtotal</b>	<b>3,369</b>	<b>3,466</b>
Land	22,628	22,515
Lease assets	30	34
Less accumulated depreciation	(22)	(26)
<b>Subtotal</b>	<b>8</b>	<b>7</b>
Other	1,850	1,850
<b>Total tangible fixed assets</b>	<b>41,277</b>	<b>40,440</b>
Intangible fixed assets		
Goodwill	132	45
Other	231	180
<b>Total Intangible fixed assets</b>	<b>364</b>	<b>225</b>
Investments and other assets:		
Investment securities	25,015	19,233
Long-term advances	154	131
Deferred tax assets	6,740	7,366
Other	480	473
Allowance for doubtful accounts	(21)	(20)
Allowance for investment loss	(379)	(379)
<b>Total investments and other assets</b>	<b>31,989</b>	<b>26,803</b>
<b>Total fixed assets</b>	<b>73,631</b>	<b>67,470</b>
<b>Total assets</b>	<b>396,291</b>	<b>399,585</b>

## Consolidated Balance Sheets

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

	As of March 31, 2018 Millions of yen	As of March 31, 2019 Millions of yen
<b>Liabilities:</b>		
Current liabilities:		
Notes and accounts payable-trade	9,304	11,246
Electronically recorded obligations - operating	11,326	10,042
Lease liabilities	4	3
Accrued income taxes	2,369	4,372
Allowance for bonuses	803	791
Asset retirement obligations	3	-
Other	6,785	7,308
<b>Total current liabilities</b>	<b>30,599</b>	<b>33,763</b>
Long-term liabilities:		
Bonds with subscription rights to shares	20,046	20,026
Lease liabilities	4	4
Net defined benefit liabilities	4,784	4,799
Asset retirement obligations	59	62
Other	3,554	3,551
<b>Total long-term liabilities</b>	<b>28,449</b>	<b>28,444</b>
<b>Total liabilities</b>	<b>59,048</b>	<b>62,208</b>
<b>Net Assets:</b>		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	329,499	330,707
Less: treasury stock, at cost	(38,782)	(38,785)
<b>Total shareholders' equity</b>	<b>329,306</b>	<b>330,512</b>
Accumulated other comprehensive income:		
Net unrealized gain on other securities	6,952	5,460
Remeasurements of defined benefit plans	(73)	73
<b>Total accumulated other comprehensive income</b>	<b>6,878</b>	<b>5,533</b>
Subscription rights to shares	1,057	1,331
<b>Total net assets</b>	<b>337,242</b>	<b>337,377</b>
<b>Total liabilities and total net assets</b>	<b>396,291</b>	<b>399,585</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.)

	Year ended March 31, 2018	Year ended March 31, 2019
	Millions of yen	Millions of yen
Net sales	86,220	88,558
Cost of sales	42,506	38,771
Gross profit	43,714	49,786
Selling, general and administrative expenses	33,533	28,500
Operating income	10,181	21,286
Non-operating income:		
Interest income	189	186
Dividend income	733	550
Other	219	284
Total non-operating income	1,143	1,020
Non-operating expenses:		
Other	5	5
Total non-operating expenses	5	5
Recurring income	11,319	22,300
Extraordinary gains:		
Gain on sales of fixed assets	-	1
Gain on sales of golf course membership	2	-
Total extraordinary gains	2	1
Extraordinary losses:		
Loss on sales of fixed assets	2	-
Loss on disposal of fixed assets	18	18
Loss on sales of investment securities	42	-
Loss on valuation of investment securities	-	3,631
Loss on valuation of golf club membership	-	1
Impairment loss	3,202	310
Total extraordinary losses	3,266	3,961
Income before income taxes	8,055	18,340
Income taxes:		
Current income taxes	2,655	4,988
Deferred income taxes	(150)	(32)
Total income taxes	2,504	4,956
Net income	5,550	13,384
Profit attributable to owners of parent	5,550	13,384

## Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2018	Year ended March 31, 2019
	Millions of yen	Millions of yen
Net income	5,550	13,384
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,768	(1,491)
Remeasurements of defined benefit plans	105	146
Share of other comprehensive income of associates accounted for using equity method	(71)	-
Total other comprehensive income	1,802	(1,344)
Comprehensive income	7,352	12,039
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,352	12,039
Comprehensive income attributable to minority interests	-	-

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

Year ended March 31, 2018 (From April 1, 2017, to March 31, 2018)

(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	335,518	(39,700)	334,408	5,264	(188)	5,076	802	340,287
Change during the fiscal year										
Dividends of surplus			(12,176)		(12,176)					(12,176)
Profit attributable to owners of parent			5,550		5,550					5,550
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks			(0)	0	0					0
Change of scope of equity method			607		607					607
Change in treasury shares arising from change in equity in entities accounted for using equity method				919	919					919
Net changes of items other than shareholder's equity						1,687	115	1,802	254	2,057
Total changes during the fiscal year	-	-	(6,018)	917	(5,101)	1,687	115	1,802	254	(3,044)
Balance at end of the period	14,840	23,750	329,499	(38,782)	329,306	6,952	(73)	6,878	1,057	337,242

Year ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

(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	329,499	(38,782)	329,306	6,952	(73)	6,878	1,057	337,242
Change during the fiscal year										
Dividends of surplus			(12,176)		(12,176)					(12,176)
Profit attributable to owners of parent			13,384		13,384					13,384
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks					-					-
Change of scope of equity method					-					-
Change in treasury shares arising from change in equity in entities accounted for using equity method					-					-
Net changes of items other than shareholder's equity						(1,491)	146	(1,344)	274	(1,070)
Total changes during the fiscal year	-	-	1,208	(2)	1,205	(1,491)	146	(1,344)	274	134
Balance at end of the period	14,840	23,750	330,707	(38,785)	330,512	5,460	73	5,533	1,331	337,377

## (4) Consolidated Statements of Cash Flows

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

	Year ended March	Year ended March
	31, 2018	31, 2019
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	8,055	18,340
Depreciation and amortization	3,081	3,057
Amortization of goodwill	134	87
Share-based compensation expenses	249	264
Increase (decrease) in allowance for doubtful accounts	(14)	(0)
Increase (decrease) in allowance for bonuses	(30)	(12)
Increase (decrease) in net defined benefit liabilities	265	226
Interest and dividend income	(923)	(736)
Loss (gain) on sales of property, plant and equipment and intangible assets	2	(1)
Disposal of fixed assets	18	18
Impairment loss	3,202	310
(Gain) loss on sales of investment securities	42	-
(Gain) loss on valuation of investment securities	-	3,631
(Gain) loss on sales of golf club membership	(2)	-
Loss on valuation of golf club membership	-	1
(Increase) decrease in notes and accounts receivable-trade	(7,862)	(4,138)
(Increase) decrease in inventories	(454)	(714)
Increase (decrease) in notes and accounts payable-trade	7,267	798
(Increase) decrease in accounts receivable for provision of parts and materials for value	(2,562)	(1,507)
Increase (decrease) in accounts payable	(145)	342
Increase (decrease) in accrued consumption tax	1,132	(75)
Other	4,993	(1,096)
Subtotal	16,449	18,795
Interest and dividend income received	728	692
Income taxes paid	(1,457)	(2,660)
Income taxes refund	242	-
Net cash (used in) provided by operating activities	15,962	16,828
Cash flows from investing activities:		
Payments into time deposits	(11,098)	(11,101)
Proceeds from withdrawal of time deposits	5,548	11,100
Payment for purchase of marketable securities	(68,000)	(78,000)
Proceeds from redemption of marketable securities	70,000	76,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,930)	(2,387)
Payment for purchase of investment securities	(9)	-
Proceeds from sale of investment securities	544	-
Proceeds from redemption of investment securities	24,000	-
Payment for increase in loans-receivable	(200)	-
Proceeds from collection of long-term loans	565	23
Other	(0)	(2)
Net cash (used in) provided by investing activities	18,420	(4,367)
Cash flows from financing activities:		
Repayment of finance lease obligations	(5)	(4)
Payment for purchase of treasury stock, net	(2)	(2)
Proceeds from sale of treasury stock	0	-
Cash dividends paid	(12,176)	(12,176)
Net cash (used in) provided financing activities	(12,184)	(12,183)
Net increase (decrease) in cash and cash equivalents	22,199	277
Cash and cash equivalents at beginning of the period	251,818	274,017
Cash and cash equivalents at end of the period	274,017	274,295

## (5) Segment Information

(Segment information by business category)

Year ended March 31, 2018 (From April 1, 2017, to March 31, 2018)

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

	Year ended March 31, 2018 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	67,271	11,172	7,246	85,690	530	86,220	-	86,220
Intersegment	-	-	-	-	-	-	-	-
Total	67,271	11,172	7,246	85,690	530	86,220	-	86,220
Segment income	14,570	130	453	15,154	(489)	14,664	(4,483)	10,181
Segment assets	106,515	22,605	9,090	138,211	10,014	148,226	248,065	396,291
Other items								
Depreciation	1,752	768	20	2,541	366	2,907	174	3,081
Amortization of goodwill	-	-	-	-	134	134	-	134
Increase in tangible fixed assets and intangible fixed assets	1,659	622	0	2,283	303	2,587	16	2,603

Year ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

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

	Year ended March 31, 2019 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	75,792	5,979	6,214	87,987	571	88,558	-	88,558
Intersegment	-	-	-	-	-	-	-	-
Total	75,792	5,979	6,214	87,987	571	88,558	-	88,558
Segment income	26,861	(942)	400	26,320	(318)	26,001	(4,715)	21,286
Segment assets	117,114	17,456	9,612	144,183	9,865	154,049	245,536	399,585
Other items								
Depreciation	2,174	452	13	2,640	244	2,884	172	3,057
Amortization of goodwill	-	-	-	-	87	87	-	87
Increase in tangible fixed assets and intangible fixed assets	1,934	394	0	2,329	85	2,414	70	2,485

**6. Others**

## (1) Changes of Directors

SANKYO Co., Ltd. today announced that a change of directors was decided at a meeting of the board of directors of the Company held on May 9, 2019.

## 1. A newly appointed Statutory Auditor (As of June 27, 2019)

Name	Position	Present Occupation
Takafumi Okubo	Standing Statutory Auditor	Advisor

## 2. Retiring Statutory Auditor (As of June 27, 2019)

Name	Present Occupation
Shohachi Ugawa	Standing Statutory Auditor

## 3. (Reference) Directors and Officers after June 27, 2019

Name	Position
Hideyuki Busujima	Representative Director, Chairman of the Board & CEO
Kimihisa Tsutsui	Representative Director, President & COO
Ichiro Tomiyama	Director & Senior Executive Vice President Head of Sales & Marketing Div. & Head of Product Management Div.
Taro Kitani	Director
Hiroyuki Yamasaki	Director
Takafumi Okubo	Standing Statutory Auditor
Toshiaki Ishiyama	Statutory Auditor
Yoshiro Sanada	Outside Statutory Auditor
Fumiyoshi Noda	Outside Statutory Auditor
Toshio Ogura	Senior Executive Operating Officer Head of Intellectual Property Div.& Deputy Head of Product Management Div.
Katsumasa Takai	Executive Operating Officer Head of Manufacturing Div. & Senior General Manager of Sanwa Plant
Yoko Oshima	Executive Operating Officer Head of Administration Div.
Yuji Togo	Operating Officer Deputy Head of Sales & Marketing Div.& Regional General Manager for the Chugoku Shikoku Region & General Manager of Hiroshima Branch Director
Hiroshi Kodaira	Operating Officer General Manager of General Affairs Department ;Administration Division
Takashi Fukuda	Operating Officer Product Management Div.
Junichi Tsutsumi	Operating Officer General Manager of Product Management Dept.
Fumitaka Sekine	Operating Officer General Manager of Purchasing Dept.
Hisashi Kamoda	Operating Officer General Manager of Pachislot Development Dept.
Katsuki Amako	Operating Officer Deputy Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.
Hiroshi Takahashi	Operating Officer Deputy Head of Administration Div. & General Manager of Accounting & Finance Dept.
Hotaka Makita	Operating Officer (part-time)