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For Immediate Release

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# Notice concerning Revision of the Forecast of Financial Results and Recording of an Extraordinary Loss (Impairment Loss)

SANKYO Co., Ltd. today announced the revision of the forecast of financial results for fiscal 2018 (from April 1, 2017 to March 31, 2018) in view of the recent trend of the Company's financial performance, recording of an extraordinary loss (impairment loss), and other factors. The previous forecast for fiscal 2018 was announced on January 30, 2018.

1. Revision of the forecast of consolidated financial results for the year ending March 31, 2018
   (from April 1, 2017 to March 31, 2018)

(Millions of yen)

| | Net sales | Operating income | Recurring income | Profit attributable to owners of parent | Net income per share (yen) |
|---|---|---|---|---|---|
| Previous forecast (A) | 84,000 | 4,000 | 5,000 | 3,500 | 43.12 |
| Revised forecast (B) | 86,200 | 10,100 | 11,100 | 5,500 | 67.75 |
| Difference (B-A) | 2,200 | 6,100 | 6,100 | 2,000 | - |
| % change | 2.6 | 152.5 | 122.0 | 57.1 | - |
| FY2017 results | 81,455 | 5,059 | 3,832 | 1,777 | 21.94 |

2. Reasons for the revision

Regarding the pachinko and pachislot industry, as part of measures against compulsive gambling, regulations that partially revise 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 came into force on February 1, 2018. Prior to the enforcement of the revised regulations, pachinko parlor operators, the Group's customers, were inclined to reduce purchases of new machines because of the difficulty of forecasting the gaming performance of pachinko and pachislot machines compliant with the revised regulations. In fiscal 2018, and particularly in the first half, the number of major titles the Group introduced was limited and the Group's sales results were unfavorable. The Group reviewed the sales schedule in the second half of fiscal 2018 and up to the year ending March 31, 2019 and judged that it would be difficult to achieve the forecast of financial results for fiscal 2018 (announced on May 12, 2017). On January 30, 2018, the Group announced the downward revision of the forecast of financial results for fiscal 2018.

On the other hand, machines the Group introduced in the third quarter onward were well received in the market and sales volume increased gradually. In addition, measures for reducing expenses and other measures have taken effect. In light of these circumstances, the Group decided to revise the forecast.

The Group's forecast sales volume of pachinko machines was revised from 164,000 units to 171,000 units and that of pachislot machines is unchanged from the previous announcement at 29,000 units.

Moreover, with regard to fixed assets of Sankyo Create Co., Ltd. whose use ceased during the year under review (Kiryu-Sakaino Plant, and parking lot) and the fixed assets Sankyo Create Co., Ltd. owns for operating a golf course, the Company will record an impairment loss amounting to approximately ¥3.2 billion in accordance with the Accounting Standard for Impairment of Fixed Assets.

3. Forecast of non-consolidated financial results for the year ending March 31, 2018
(from April 1, 2017 to March 31, 2018)

(Millions of yen)

| | Net sales | Operating income | Recurring income | Net income | Net income per share (yen) |
|---|---|---|---|---|---|
| Previous forecast (A) | 70,900 | 500 | 3,300 | 2,900 | 35.72 |
| Revised forecast (B) | 73,600 | 4,700 | 7,400 | 6,000 | 73.91 |
| Difference (B-A) | 2,700 | 4,200 | 4,100 | 3,100 | - |
| % change | 3.8 | 840.0 | 124.2 | 106.9 | - |
| FY2017 results | 66,356 | (375) | 3,460 | 3,308 | 40.76 |

4. Reasons for the revision

Mainly because the sales volume of pachinko machines is expected to increase from 164,000 units to 173,000 units, net sales are expected to increase ¥2,100 million to ¥73,000 million. Regarding profit, operating income and recurring income are expected to greatly increase to ¥4,700 million and ¥7,400 million, respectively, and net income is expected to amount to ¥6,000 million. These increases reflect sales growth of models whose cost ratios are low because of the change in the sales mix of the Group's three brands as well as the impact of reduction in selling, general and administrative expenses.

The Company does not intend to change the year-end cash dividend for fiscal 2018 from the initial forecast of ¥75 per share (annual dividends of ¥150).

The above forecast is based on information currently available to management. Actual results may differ from the forecast owing to various factors.