

April 3, 2019

For Immediate Release

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Notice concerning Revision of the Forecast of Financial Results and Recording of an Extraordinary Loss

SANKYO Co., Ltd. today announced the revision of the forecast of financial results for fiscal 2019 (from April 1, 2018 to March 31, 2019) in view of the recent trend of the Company's financial performance, recording of an extraordinary loss, and other factors. The previous forecast for fiscal 2019 was announced on May 10, 2018.

1. Revision of the forecast of financial results

- (1) Revision of the forecast of consolidated financial results for the year ending March 31, 2019
 (from April 1, 2018 to March 31, 2019)

		(Millions of yen)			
		Net sales	Operating income	Recurring income	Profit attributable to owners of parent
Previous forecast	(A)	90,000	12,000	13,000	9,000
Revised forecast	(B)	88,000	21,000	22,000	13,000
Difference	(B-A)	(2,000)	9,000	9,000	4,000
% change		(2.2)	75.0	69.2	44.4
FY2018 results		86,220	10,181	11,319	5,550
					68.37

- (2) Reasons for the revision

In the pachinko and pachislot industry, in line with 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 on February 1, 2018, market introduction of pachinko and pachislot machines compliant with the new regulations has gradually started. However, demand for replacement with new machines remained low because the final deadline for transitioning to machines compliant with the new regulations is not until the end of January 2021. In these circumstances, whereas the SANKYO Group's pachislot sales have been sluggish, pachinko sales have been robust, resulting in net sales virtually as planned. Operating income and recurring income are expected to exceed the previous forecasts because sales of

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models with relatively high gross profit margins have steadily increased amid ongoing efforts to reduce manufacturing costs and a decrease in R&D expenditures is also a contributing factor. Profit attributable to owners of parent is expected to be the figure indicated above, because the Company will record extraordinary losses of ¥3,958 million mainly comprising a loss on valuation of investment securities.

The Group's forecast sales of pachinko machines and pachislot machines were revised from 205,000 units to 196,000 units and from 39,000 units to 17,000 units, respectively.

2. Recording of an Extraordinary Loss (loss on valuation of investment securities)

The Company will recognize a loss on valuation of investment securities amounting to ¥3,631 million as an extraordinary loss for the fiscal year ending March 31, 2019, writing down securities held by the Company that are classified as "other securities" whose market value has significantly declined and are unlikely to recover.

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

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