

For Immediate Release

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Notice concerning Company Split (Incorporation-type Company Split) of a Consolidated Subsidiary and Conclusion of a Basic Agreement on Transfer of Shares in Newly Established Companies

SANKYO CO., LTD. (the “Company”) announces that its Board of Directors’ meeting held on August 6, 2019 resolved to conclude a basic agreement (the “Basic Agreement”) that the golf course management business (the “Golf Business”) of SANKYO CREATE CO., LTD. (“SC”), the Company’s consolidated subsidiary, will be succeeded by a company newly established through an incorporation-type company split (the “New Company 1”), and that a part of the real estate rental business (the “Real Estate Rental Business”) of SC will be succeeded by another company newly established through an incorporation-type company split (the “New Company 2”), while all shares in the New Companies 1 and 2 allotted to SC, the splitting company, will be delivered to the Company as dividends of surplus (the “Company Split”) and these shares will be transferred (the “Share Transfer”) to Kabushikigaisha Marf Corporation (“MC”).

Although the impact of the Company Split and the Share Transfer on the Company’s consolidated financial results are minimal, and do not constitute disclosure obligations under the Securities Listing Regulations, as the counterparty of the Share Transfer, MC, is the Company’s major shareholder, this announcement is made in light of its materiality.

As described in the “Notice concerning Repurchase and Tender Offer of Own Shares” announced today, the Company has decided to implement a repurchase of its own shares through a tender offer and concluded an agreement on the tender offer with MC. Please refer to the announcement for further details.

1. Purpose and schedule of the Company Split and the Share Transfer

(1) Purpose

In order to maintain growth and increase profitability, the SANKYO Group has formulated and implemented various measures as part of its medium-to-long-term management strategy to concentrate management resources on the pachinko and pachislot machines-related business in order to address two issues: (i) timely adaptation to changes in the regulatory environment, and (ii) initiatives to strengthen earnings power.

Under such circumstances, the Company has decided to transfer the Golf Business and part of the Real Estate Rental Business operated by SC, in an effort to further pursue the aforementioned management strategy.

(2) Schedule of the Company Split and the Share Transfer

Conclusion date of the basic agreement	August 6, 2019
Resolution date for the Board of Directors to approve the incorporation-type company split plan (at SC)	August 6, 2019
Resolution date for the general meeting of shareholders to approve the incorporation-type company split plan (at SC)	August 22, 2019 (scheduled)
Effective date of the Company Split	October 1, 2019 (scheduled)
Date of the Share Transfer	October 1, 2019 (scheduled)

2. Summary of the counterparty of the Share Transfer

(1) Name	Kabushikigaisha Marf Corporation	
(2) Location	Minato-ku, Tokyo	
(3) Name and position of representative	Hideyuki Busujima, Representative Director	
(4) Description of business	Holding and management of securities; holding, management and rental of real estate	
(5) Paid-in capital	90.60 million yen	
(6) Relationship between the Company and the counterparty	Capital relationship	MC holds 28,346,000 shares of the Company (ownership ratio (Note): 34.92%).
	Personnel relationship	Hideyuki Busujima, Representative Director of the Company, concurrently serves as Representative Director of MC, and Toshiaki Ishiyama, Statutory Auditor of the Company, concurrently serves as Director of MC.
	Business relationship	No business relationship to be mentioned.
	Status as a related party	MC is the Company's major shareholder, and therefore is a related party.

Note: The ownership ratio is the ratio (rounded off to the second decimal place; the same applies hereunder for all calculations of the ownership ratio) to the total number of shares in the Company (81,175,366 shares), which is the total number of the Company's shares outstanding as of June 30, 2019 (89,597,500 shares), less the total number of the Company's treasury stock as of the same date (8,422,134 shares), stated in the Consolidated Financial Statements for the First Quarter of FY2020 announced on August 6, 2019.

3. Related party transactions

MC, the counterparty of the Share Transfer, is a related party holding 28,346,000 shares of the Company (ownership ratio: 34.92%), and therefore, the Share Transfer is a transaction with a related party. MC is an asset management company whose voting rights are wholly held by Hideyuki Busujima, Representative Director and Chairman of the Board of the Company, and Mr. Busujima concurrently serves as MC's Representative Director, while Toshiaki Ishiyama, the Company's Statutory Auditor, concurrently serves as MC's Director.

Related party transactions are deliberated at the Company's Board of Directors excluding the related party in order to ensure that neither the Company's interests nor the common interests of the shareholders are compromised. Further, the Company's basic policy is to conduct related party transactions at arm's length, requiring a resolution upon sufficient deliberation by the Board of Directors as to the terms, conditions and adequacy of the transaction.

As Hideyuki Busujima, Representative Director and Chairman of the Board of the Company, holds all voting rights in MC and concurrently serves as its Representative Director, he has special interests in the Share Transfer. Therefore, he did not participate in the prior consultations and negotiations for the Share Transfer as the Company's representative, and was excluded from the related deliberation and resolution by the Company's Board of Directors. Likewise, as Toshiaki Ishiyama, the Company's Statutory Auditor, concurrently serves as MC's Director, he was excluded from the deliberation on the Share Transfer by the Company's Board of Directors, and does not express his opinions on the related resolution of the Company's Board of Directors, to avoid any conflicts of interest and ensure that the Company's decision-making is fair and neutral. Accordingly, all Directors excluding Hideyuki Busujima participated in the aforementioned resolution, and all Directors present unanimously approved of the conclusion of the Basic Agreement, with a statement from all Statutory Auditors excluding Toshiaki Ishiyama that there is no objection.

The terms and conditions of the transaction is believed to be appropriate, as the Company has determined the transfer price upon consultation with MC based on objective indicators such as an appraisal by a third party independent from the Company and MC.

4. Future prospects

While the impact of the Share Transfer on the Company's consolidated financial results are minimal, a gain on sales of shares equivalent to the difference between the transfer price and the carrying amount is expected to be recognized upon the Share Transfer in the current fiscal year (fiscal year ending March 31, 2020). The Company will promptly disclose the amount upon finalization.

Real estate succeeded by the New Company 2, mostly consist of properties in use within the Group, such as SANKYO Head Office Building, and rental will be continued post-Share Transfer based on the existing rental agreements.