

Good luck. Good life.

SANKYO

SANKYO CO., LTD.

Our Innovation Has No Limits

Annual Report 2020

Year ended March 31, 2020

2020

A decorative background featuring a gradient of blue and white bokeh circles, creating a soft, out-of-focus effect that transitions from a lighter blue at the top to a darker blue at the bottom.

History of SANKYO

Our Innovation Has No Limits

As a front-runner in the pachinko and pachislot machine industry, SANKYO continues to contribute to revolutionizing the industry and provide new entertainment value. Over time, it has been able to move large numbers of people emotionally and its products have had a major social and economic impact.



1966

Established in Nagoya City, Aichi Prefecture.

1981

Relocated the Head Office to Kiryu City, Gunma Prefecture.

1980

Launched *Fever*. Joined the top tier of the industry.



1991

Registered for over-the-counter trading.

Achieved further progress as a listed company.

1995

Listed on the Second Section of the Tokyo Stock Exchange.

1996

Daido Co., Ltd. (currently Bisty Co., Ltd.) became a subsidiary.

1997

Succeeded in listing on the First Section of the Tokyo Stock Exchange.

Launched many innovative machines one after another, including the legendary *Fever*.

2001

Opened the Sanwa Plant in Isesaki City, Gunma Prefecture.



Established a stable supply system as a centralized production and logistics base.



2008

Relocated the Head Office to Shibuya-ku, Tokyo.

2004

Launched *CR Neon Genesis Evangelion*. Enjoyed great sales success.



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Tie-ups products with anime and others create a huge movement inside and outside the industry.

1999

Launched pachislot *Mei-Q*.

Entered the pachislot business.



World Events (in Entertainment, Culture and the Economy)

1964 Tokyo Olympics

1970 Osaka Expo

1973 First oil shock

1978 The popularity of the video game Space Invaders exploded

1979 Second oil shock

1983 Nintendo Family Computer released

1985 Tsukuba Expo

1989 Emperor Showa passed away: shift from the Showa Era to the Heisei Era

1991 NTT Docomo released the "movia" mobile phone

1991 Collapse of the bubble economy

1994 PlayStation released

1995 The Great Hanshin-Awaji Earthquake

1996 Expansion of the Internet

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Cautionary Statements with Respect to Forward-Looking Statements

Statements contained in this report with respects to the SANKYO Group's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the SANKYO Group which are based on management's assumptions and beliefs in light of the information currently available to it. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the SANKYO Group's actual results, performance or achievements to differ materially from the expectations expressed herein.

2020

SANKYO celebrated its 55th anniversary. We will continue to pioneer a new era with the spirit of "ingenuity."

Three Strengths Cultivated through History

Market Responsiveness

Respond quickly to market needs

Brand Power

Maintain a high market share and build a solid position

Strong Financial Bases

Management strengths to respond flexibly to changes in the environment

Major tie-ups machines featuring **anime** such as **Mobile Suit Gundam** appeared one after another.

2012

JB CO., LTD. became a subsidiary.

2018

Fever Symphogear gained the grand prix, special prize and fans' choice prize at the Seventh Pachinko & Pachislot Awards simultaneously.



2009

Open the R&D Center in Shibuya-ku, Tokyo.



Completed a facility specializing in **R&D of pachinko/pachislot machines** using the latest technology.

- 2002 The FIFA World Cup Japan/Korea
- 2005 Aichi Expo
- 2008 iPhone released in Japan
- 2008 Lehman shock
- 2011 The Great East Japan Earthquake

- 2013 Bank of Japan (BOJ) introduced quantitative and qualitative monetary easing
- 2016 BOJ introduced a negative interest rate policy
- 2019 Enthronement of the new Emperor: shift from the Heisei Era to the Reiwa Era
- 2020 COVID-19 coronavirus pandemic

Performance Highlights

SANKYO CO., LTD. and Its Consolidated Subsidiaries
Years ended March 31, 2016, 2017, 2018, 2019 and 2020

	Millions of yen					Thousands of U.S. dollars (Note)
	2016	2017	2018	2019	2020	2020
For the year:						
Net sales	¥137,130	¥ 81,455	¥ 86,220	¥ 88,558	¥ 78,416	\$ 720,542
Operating income	18,826	5,059	10,181	21,286	12,551	115,335
Net income attributable to owners of the parent	10,485	1,777	5,550	13,384	13,045	119,870
Free cash flows	28,678	29,096	34,382	12,461	(2,777)	(25,519)
At year-end:						
Total assets	414,183	390,585	396,291	399,585	325,232	2,988,446
Total net assets	348,941	340,287	337,242	337,377	269,521	2,476,535

	%				
Financial Indicators:					
Operating margin	13.7%	6.2%	11.8%	24.0%	16.0%
Net Income ratio	7.6	2.2	6.4	15.1	16.6
Return on equity (ROE)	2.9	0.5	1.6	4.0	4.3
Total asset turnover (times)	0.32	0.20	0.22	0.22	0.22
Financial leverage (times)	1.18	1.17	1.16	1.18	1.19

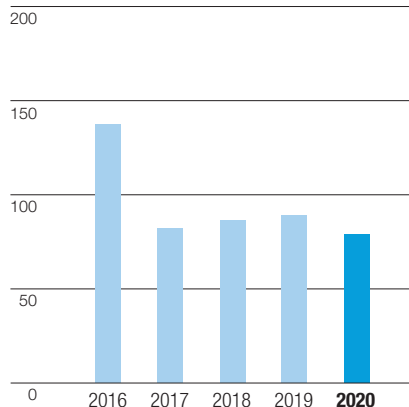
					yen	U.S. dollars
Per share data:						
Net income (basic)	¥ 126.78	¥ 21.94	¥ 68.37	¥ 164.88	¥ 183.43	\$ 1.69
Cash dividends	150.00	150.00	150.00	150.00	150.00	1.38

					Units
Operating data:					
Pachinko machines unit sales	296,346	172,954	171,919	196,007	149,520
Pachislot machines unit sales	80,125	32,959	29,431	17,435	28,869
Employees (persons)	1,084	1,065	1,026	982	957

Note: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.83=U.S.\$1.
See Note 2 to the consolidated financial statements.

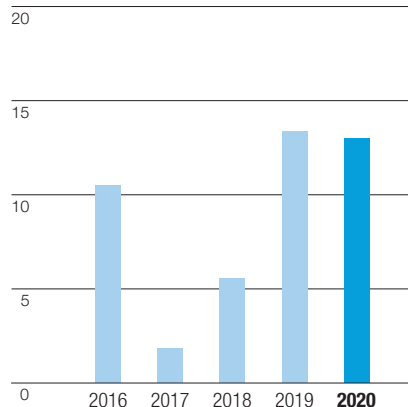
Net Sales

(Billions of yen)



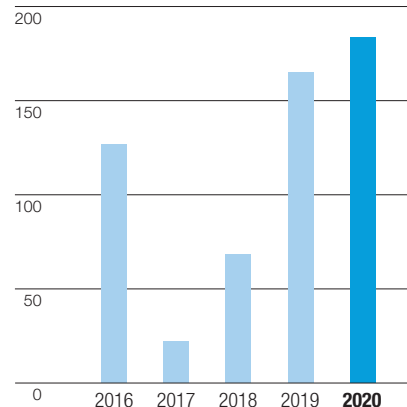
Net Income Attributable to Owners of the Parent

(Billions of yen)



Net Income per Share (basic)

(Yen)



Interview with the Management



H. Busujima

Hideyuki Busujima
Chairman of the Board & CEO



K. Tsutsui

Kimihisa Tsutsui
President & COO

Q₁

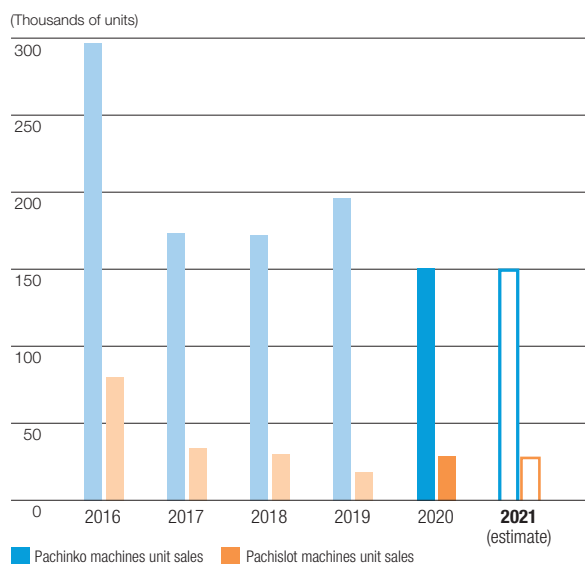
SANKYO recorded decreases in both sales and profit for the fiscal year ended March 31, 2020. What factors led to this result, and how is the market environment in the pachinko and pachislot industry?

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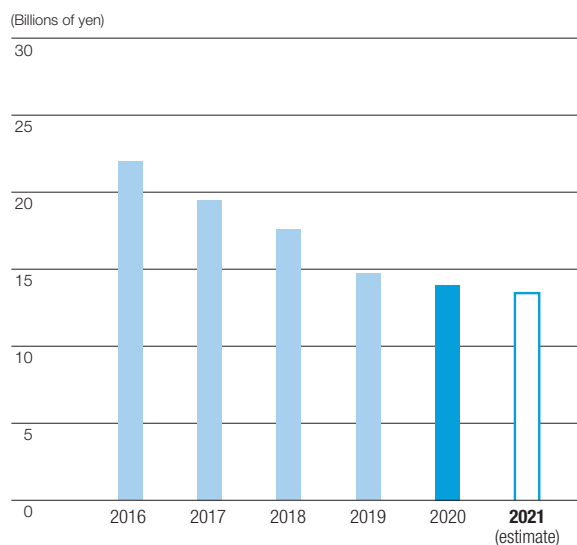
For the fiscal year ended March 31, 2020, on a consolidated basis, our net sales were ¥78.4 billion, a decrease of 11.5% year on year. Operating income was ¥12.5 billion, down 41.0%, and net income attributable to owners of the parent was ¥13.0 billion, down 2.5%. This reflected a loss on devaluation of investments in securities due to substantial declines in stock markets, despite an extraordinary gain on sale of investments in affiliates, net, which resulted from an incorporation-type company split and transfer of shares regarding certain businesses of a consolidated subsidiary of the Company in the course of the business restructuring of the Group.

Regarding the environment surrounding the pachinko and pachislot industry, pursuant to the Amended Pachinko and Pachislot Machines Regulations that went into force in February 2018, all pachinko and pachislot machines compliant with the former regulations must be completely removed by January 31, 2021. As the due date for removal of the machines compliant with the former regulations approaches, manufacturers are

Pachinko and Pachislot Machines Unit Sales of the SANKYO Group



Trend of R&D Expenditure



striving to promote and raise recognition of machines compliant with the new regulations. However, as of the end of March 2020, the ratio of machines compliant with the former regulations to all the machines installed at pachinko parlors across Japan remains more than 50% for both pachinko and pachislot machines, and thus the ratio of machines compliant with the new regulations is still low, considering the period of time that has passed since the new regulations went into force. On the other hand, in line with the change in the “Standards for Interpretation of Technical Standards” issued by the National Police Agency in early 2020, it has become possible to develop pachinko machines with diverse gaming performance. The standards for gaming performance of pachislot machines were also relaxed based on new voluntary regulations called #6.1. Pachinko parlor operators’ expectations concerning the introduction of new products to the market are rising. Despite such promising signs, since February 2020, as part of the measures to prevent the spread of the novel coronavirus (COVID-19), pachinko parlors refrained from advertising and sales promotions designed to attract players. Since efforts to attract players are likely to be curtailed for a considerable time, pachinko parlor operators’ motivation to purchase new machines is declining.

Against this backdrop, the Group introduced diverse new products, including reuse models, in a bid to promote wider adoption of machines compliant with the new regulations. However, these initiatives did not prompt vigorous replacement with machines compliant with the new regulations, since machines compliant with the former regulations and those compliant with the new regulations coexist at pachinko parlors. This resulted in little growth in sales volumes of pachinko and pachislot machines.



What is the outlook for the fiscal year ending March 31, 2021?



In the pachinko and pachislot industry, the majority of parlors nationwide were forced to close down due to the request to refrain from operating under the declaration of a state of emergency, and the industry faced a difficult business environment. Sales of new pachinko and pachislot machines by manufacturers were significantly affected as a result. At the same time, the Amended Pachinko and Pachislot Machines Regulations, which were enacted in February 2018, were revised and executed in May 2020, extending the deadline of the end of January 2021 for the removal of machines compliant with former regulations by one year. As a result of this revision and execution, parlors that were forced to temporarily suspend operations and postpone capital investment because of the COVID-19 crisis will be given more time to replace their machines with ones compliant with new regulations and will systematically proceed with replacement to rebuild their business structure. Concerns about infection have not been completely dispelled, but the most recent operating conditions have recovered to around 80% of what they were before the spread of COVID-19, and we believe that the worst period will gradually be put behind us.

Against this backdrop, in April 2020, our Group was the first company to introduce *Fever Shinkagetsu 2*, a machine with new standards for interpretation and equipped with the novel “Yu-Time” game feature. In addition, *Fever Symphogear 2* the second in the Symphogear series, one of the Group’s flagship titles, was released and has been well received. We have secured a certain number of machine sales in this challenging environment and will continue to increase our market share by offering a wide variety of original products. In addition, although the pachislot industry faced an uphill battle in the fiscal year ended March 31, 2020, we will enhance our presence on the market from the year ending March 31, 2021 through the year ending March 31, 2022 by strengthening development to introduce products based on parlors’ replacement demand.

On the other hand, as for profits and loss, we forecast a decline in gross profit margin due to an increase in the sales percentage of frame-included pachinko machines with a low profit margin as a result of sales mainly of products with new frames being introduced since midway through the preceding period and to a predicted decline in unit sales prices as a result of flexible pricing to meet replacement demand. With regard to SG&A expenses, we expect ¥27.5 billion (a 5.8% decrease from the previous fiscal year). Recent cost-cutting efforts have come to fruition and are on a downward trend. Going forward, we will continue to work to improve business efficiency and secure profits.

Amid these recent circumstances, and on the assumption that the pace of the spread of COVID-19 will gradually slacken, the Group's plan for fiscal year ending March 31, 2021 calls for sales of 150,000 pachinko units and 28,000 pachislot units. We forecast consolidated net sales of ¥73.5 billion, a 6.3% decrease year on year, operating income of ¥8 billion, a 36.3% decrease year on year, and net income attributable to owners of the parent of ¥6.2 billion, a 52.5% decrease year on year.

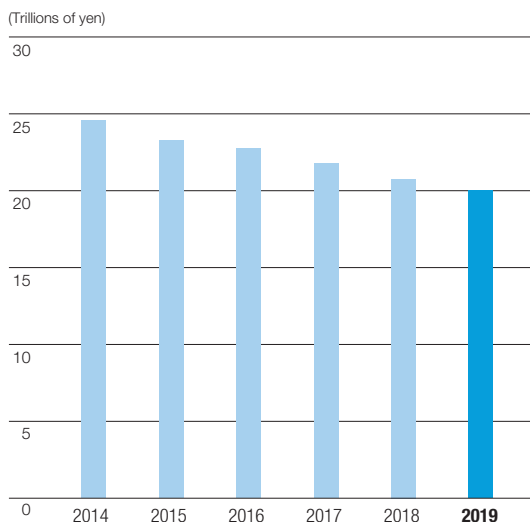


Promotion of development and popularization of pachinko machines with digital payout and token-less pachislot machines have been cited as issues to be solved once the replacement with machines compliant with new regulations is completed. What are the features and prospects of these machines?

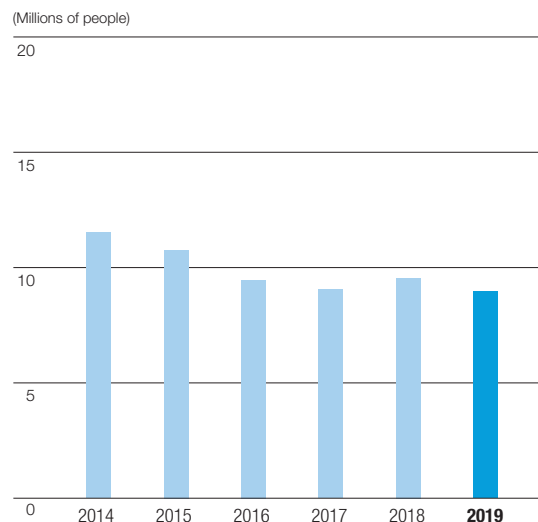


Pachinko machines with digital payout and token-less pachislot machines (hereinafter referred to as “pachinko and pachislot machines with digital payout”) are next-generation game machines that the industry has united to promote. They incorporate the new standards in the Amended Pachinko and Pachislot Machines Regulations that went into effect in February 2018. A major feature is that payout data is digitally managed without players touching pachinko balls or pachislot tokens. As a result, large-scale ball- and token-supply equipment is no longer needed, which reduces parlors' obligation to invest capital and the

Trend of Ball/Token Rental Revenues



Trend of Pachinko/Pachislot Player Population



Source: 2020 Leisure White Paper, Japan Productive Center

burden on employees to do tasks like transporting balls. In addition, the possibility of developing machines more flexibly is expected to increase the number of fans by diversifying the game environment, such as by making previously difficult operation of upstairs shops possible, and by broadening the range of game styles. Furthermore, the integrated management of machine data has many advantages, including contribution to countermeasures against pachinko and pachislot addiction and elimination of fraud, which are being tackled throughout the industry. It is also expected that the initial costs of the introduction of parlors' machines will be reduced by lowering prices through the standardization of parts between manufacturers, the adoption of common frames, and joint purchasing.

Although there are many hurdles to the introduction of pachinko and pachislot machines with digital payout, such as the need for dedicated units to manage machines' performance information, it is believed that there are many merits to overcoming these hurdles and that the use of these next-generation machines will continue to spread. The industry is in the process of transitioning from machines compliant with former regulations to machines compliant with new regulations as its first priority, but the Group will continue to promote the development and popularization of pachinko and pachislot machines with digital payout with the aim of introducing machines that breathe new life into the industry of the future, allow people to play securely, and contribute to the construction and development of a pachinko and pachislot industry with greater added value.

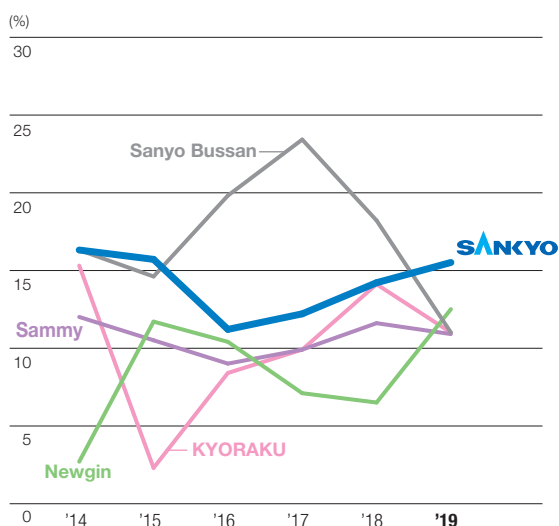
Q₄

What has your track record been for shareholder return, and what is your future policy for shareholder return?

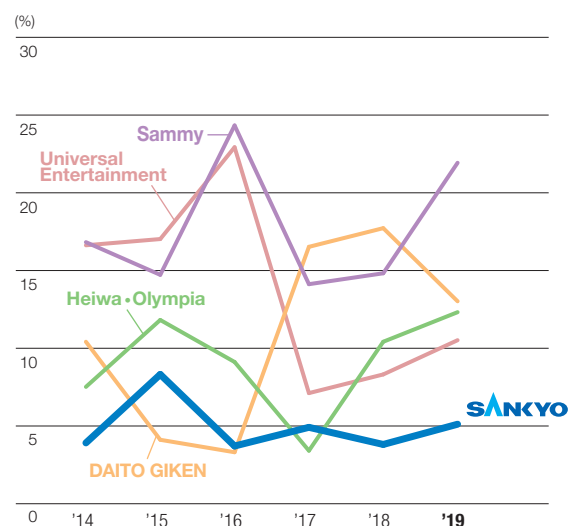
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The Group regards the return of profits to shareholders as one of the most important management priorities. As for our dividend policy, we have set a quantitative return target of a dividend payout ratio of 25%. However, in view of the recent dividend situation and regardless of the dividend payout ratio, we have adopted a new basic policy to continue stable dividend payment, taking into consideration financial results,

Pachinko Machine Sales Share



Pachislot Machine Sales Share



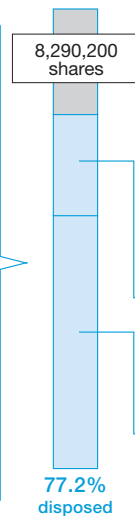
Source: Yano Research Institute

financial position, the payout ratio and other factors comprehensively. We attach great importance to stable dividends as a means of returning profits to shareholders, and we have consistently returned profits without any reduction of dividends since our listing in 1991. At the same time, we recognize the purchasing of treasury stock as an effective means of returning profits to shareholders. In September 2019, we made a large-scale repurchase of approximately 20 million shares (22.33% of the total number issued) of treasury stock to enhance shareholder return and improve capital efficiency. On December 30 of that same year, the Company also disposed 20 million of our own shares (22.32% of total outstanding shares before disposal). The Company has purchased and disposed treasury stock at our discretion, purchasing approximately 36.29 million shares and disposing 28 million shares, including treasury stock purchased and disposed last year.

While the Group is working to increase corporate value by improving business performance as our top priority, we will make effective use of retained earnings, such as for investment that strengthen product capabilities to ensure competitiveness is maintained in the persistently challenging pachinko and pachislot industry, with a view to enhancing corporate value. Other important considerations will be capitalization strategy and appropriate distribution of profits.

Purchase of treasury stock

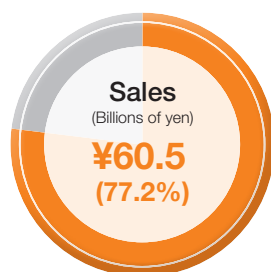
Board of Directors' meeting	Purchase period	Number of shares purchased
June 13, 2008	June 24, 2008	1,000,000
June 11, 2010 & Dec. 7, 2010	June 14, 2010 – June 13, 2011	2,830,700
Feb. 3, 2015	Feb. 5, 2015	6,000,000
Feb. 5, 2015	Feb. 6, 2015	2,000,000
July 7, 2015	July 8, 2015 – Oct. 8, 2015	4,453,000
Aug. 6, 2019	Aug. 7, 2019 – Sep. 4, 2019	20,006,500
Total		36,290,200



Disposal of treasury stock

Disposal date	Number of shares disposed
Mar. 27, 2015	8,000,000
Dec. 30, 2019	20,000,000
Total	28,000,000

Pachinko Machines Business



This segment, which includes manufacturing and sales of pachinko machines and gauge boards, sales of related parts and pachinko machine-related royalty income, is SANKYO's mainstay business and accounted for 77.2% of net sales.

With regard to the pachinko machines business, the Group released a grand total of 13 pachinko titles (excluding reuse models). *Fever Mobile Suit Gundam "Char's Counterattack"* (introduced in September 2019) under the SANKYO brand and *NEON GENESIS EVANGELION Rebirth of Angels*, which was introduced in December 2019 under the Bisty brand as the 14th title in the Evangelion series, became hits with sales volumes exceeding 20,000 units and 30,000 units, respectively. Although sales of these mainstay titles were brisk, pachinko parlors' operations remained dependent on machines compliant with the former regulations. Furthermore, in view of the market trend toward a wide variety of machines and smaller lots, other titles released struggled.

As a result, segment sales amounted to ¥60.5 billion, a decrease of 20.2% year on year, and operating income amounted to ¥14.8 billion, down 44.9%. Sales of pachinko machines amounted to 149,000 units.

Principal models introduced and numbers of machines sold during fiscal 2020

Principal models	Released	No. of machines sold (thousand machines)
<i>Fever Macross DELTA</i>	August 2019	11.4
<i>TEKKEN EXTREME</i>	August 2019	5.2
<i>Evangelion 13 Premium Model</i>	August 2019	7.2
<i>Fever Mobile Suit Gundam "Char's Counterattack"</i>	September 2019	24.0
<i>NEON GENESIS EVANGELION Rebirth of Angels</i>	December 2019	35.0
<i>Fever BIOHAZARD REVELATIONS 2</i>	January 2020	12.6
<i>Fever Aquarion ALL STARS</i>	March 2020	7.5



Fever Mobile Suit Gundam "Char's Counterattack"
©創通・サンライズ



NEON GENESIS EVANGELION Rebirth of Angels
©カラー／Project Eva.

Pachislot Machines Business

This segment, which includes manufacturing and sales of pachislot machines, sales of related parts and pachislot machine-related royalty income, accounted for 14.6% of net sales.

In the pachislot machines business, major titles released included *BOMBER POWERFUL III* (introduced in May 2019) and *Total Eclipse 2* (introduced in November 2019) under the SANKYO brand, *GUNDAM X-OVER* (introduced in October 2019) under the Bisty brand. Replacement centered on the popular machines compliant with the former regulations that reached the due dates for removal by the end of 2019. However, demand concentrated on the successors to the popular series. Although the Group introduced a total of five titles, none of them became a hit product with sales exceeding 10,000 units, and consequently the sales volume of pachislot machines was low.

Accordingly, segment sales amounted to ¥11.4 billion, an increase of 91.3% year on year, and the operating income was ¥2.4 billion, compared with operating loss of ¥0.9 billion in the previous fiscal year. Sales of pachislot machines amounted to 28,000 units.

Principal models introduced and numbers of machines sold during fiscal 2020

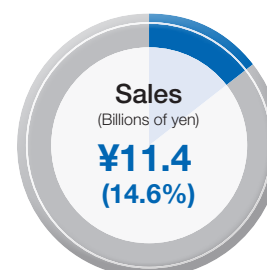
Principal models	Released	No. of machines sold (thousand machines)
<i>BOMBER POWERFUL III</i>	May 2019	5.2
<i>GUNDAM X-OVER</i>	October 2019	8.3
<i>Total Eclipse 2</i>	November 2019	5.2
<i>EVANGELION FESTIVAL</i>	March 2020	5.1



BOMBER POWERFUL III
©SANKYO



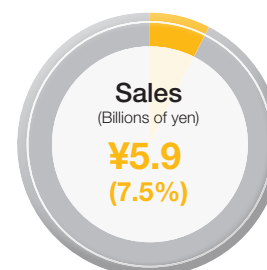
GUNDAM X-OVER
©創通・サンライズ



Ball Bearing Supply Systems Business

Ball bearing supply systems, card systems, related equipment for parlors and ball bearing supply system-related royalty income account for most of the sales of this segment, which contributed 7.5% of net sales.

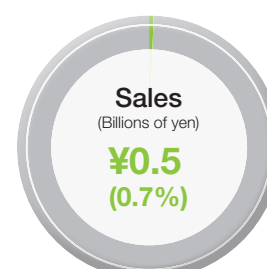
Sales of the ball bearing supply systems business amounted to ¥5.9 billion, a decrease of 5.0% year on year, and operating income was ¥0.3 billion, down 18.4%.



Other Businesses

Real estate rental revenues and sales of general molded parts account for most of the sales of this segment, which contributed 0.7% of net sales.

Sales of other businesses totaled ¥0.5 billion, a decrease of 2.1% year on year. An operating loss of ¥0.1 billion was recorded compared with an operating loss of ¥0.3 billion in the previous fiscal year.



Extension of the Deadline for the Removal of Machines Compliant with Former Regulations

Under the Amended Pachinko and Pachislot Machines Regulations^{*1}, which were enacted in February 2018, the pachinko and pachislot industry was required to completely remove all machines compliant with former regulations by the end of January 2021. As of the end of March 2020, the last year in which the former machines were to be permitted, there were approximately 1.42 million pachinko machines compliant with former regulations (about 57% of all installed) and approximately 1.1 million pachislot machines compliant with former regulations (approximately 69% of all installed), accounting for more than half of the total number of installed machines. It was therefore assumed that the replacement with machines compliant with new regulations was proceeding in earnest. However, due to the recent spread of COVID-19, parlors have faced a difficult business environment; for example, unavoidably being forced to refrain from operating. As a result, difficulties also arose for manufacturers in supplying machines compliant with new regulations, including delays in parts procurement and a decrease in the number of type tests handled by Hotsukyo (Security Electronics and Communication Technology Association). Parlors gradually resumed operations after the state of emergency was

lifted, but it will take time for the business situation to return to what it was before the spread of COVID-19.

In response to this situation, in May 2020 the National Police Agency revised and executed the Amended Pachinko and Pachislot Machines Regulations that were enacted in February 2018, extending the January 2021 deadline for the removal of machines compliant with former regulations by one year. In light of the intent of this revision, the 21st Century Association of the Pachinko and Pachislot Industry, consisting of 14 industry groups, has set deadlines for inspection^{*2} and certification^{*3} of machines compliant with former regulations as well as installation cutoff dates for each type of game machine and is implementing scheduled removal of these machines from parlors.

Due to the recent extension of the removal period for machines compliant with former regulations, the Group will continue to supply new machines compliant with new regulations so that parlors can carry out replacement smoothly and will do our utmost to provide innovative products that will lead to market revitalization.

^{*1} "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"

^{*2} Permission obtained from the public safety commission of each prefecture that is required for the types of game machines corresponding to parlors to be installed and operated (period: three years)

^{*3} Installation permission required for a parlor to obtain by applying before the period of inspection (three years) expires in order to continue having the relevant game machine installed (maximum of three years after the period of inspection)

Removal Schedule for Pachinko/Pachislot Machines with the Former Regulations

Type	Target ^{*1} (Thousand units)	2020								2021										
		May 20	June	July	Aug.	Sep.	Oct.	Nov.	Dec. 31	Jan. 31	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov. 30
Pachinko	① Amadeji ^{*2} Hanemomo ^{*2} Choi-Pachi ^{*2} Machines whose initial certification and inspection expired before December 31, 2020	Removal within 7 months (210 days) from the initial date of expiry of validity of inspection and certification (Excluding July-September Olympics period)																		
	② Pachinko except for type ①	Approx. 80	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	Remove every month 15% of the pachinko machines installed as of January 31.									
	③ Any type Machines whose initial certification and inspection expired after January 1, 2021	Approx. 200	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	10 %	0 %
Pachislot	① High gambling machines	Approx. 1,020	Removal by the initial date of expiry of validity of certification																	
	② Normal type Machines whose initial certification and inspection expired before December 31, 2020	Approx. 100	Removal within 7 months (210 days) from the initial date of expiry of validity of inspection and certification (Excluding July-September Olympics period)																	
	③ Pachislot except for type ① and ②	Approx. 170	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	Remove every month 15% of the pachislot machines installed as of January 31.									
	④ Any type Machines whose initial certification and inspection expired after January 1, 2021	Approx. 100	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	100 %	85 %	70 %	55 %	40 %	25 %	10 %	0 %	10 %	0 %

^{*1} SANKYO's estimate

^{*2} Hanemomo: Amadeji: Digital pachinko machine with relatively high jackpot probability, Airplane type, Choi-Pachi: Machines for beginners with jackpot probability of 1/40 or higher

Financial Review

The Company's financial position and operating results for the fiscal year ended March 31, 2020 (fiscal 2020), are analyzed below.

Forward-looking statements in this annual report are based on the SANKYO Group's judgment as of the date of issue of this annual report.

Business Environment in Fiscal 2020

During the fiscal year ended March 31, 2020, the moderate recovery of the Japanese economy had been expected to continue as corporate earnings remained firm and the labor market and personal income continued to improve. However, measures to prevent the spread of the novel coronavirus (COVID-19), such as requests to refrain from nonessential outings and holding of large-scale events, affected corporate earnings and personal consumption. The impact of the COVID-19 pandemic on the Japanese economy and the world economy was expected to remain harsh and challenging circumstances were likely to persist.

In the pachinko and pachislot industry, pursuant to the Amended Pachinko and Pachislot Machines Regulations enforced in February 2018, all pachinko and pachislot machines compliant with the former regulations were supposed to be completely removed by January 31, 2021. As the due date for removal of the machines compliant with the former regulations approached, manufacturers sought to promote and raise recognition of machines compliant with the new regulations. However, as of the end of March 2020, the ratio of machines compliant with the former regulations

to all the machines installed at pachinko parlors across Japan remained at more than 50% for both pachinko and pachislot machines, and thus the ratio of machines compliant with the new regulations was still low, considering the amount of time that had passed since the enforcement of the new regulations. On the other hand, in line with the change in the "Standards for Interpretation of Technical Standards" issued by the National Police Agency in early 2020, it became possible to develop pachinko machines with diverse gaming performance. The standards for gaming performance of pachislot machines were also relaxed based on new voluntary regulations called #6.1. Pachinko parlor operators' expectations rose concerning the introduction of new products to the market. Despite such promising signs, since February 2020, as part of the measures to prevent the spread of COVID-19, pachinko parlors refrained from advertising and sales promotion designed to attract players. Since efforts to attract players were likely to be curtailed for a considerable time, pachinko parlor operators' motivation to purchase new machines declined.

Overview of Business Results in Fiscal 2020

Against this backdrop, the Group launched diverse new products, including reuse models, in a bid to promote wider adoption of machines compliant with the new regulations. However, these initiatives did not prompt vigorous replacement with machines compliant with the new regulations, since machines compliant with the former regulations and those compliant with the new regulations have coexisted at pachinko parlors. As a result, there was little growth in sales volumes of pachinko and pachislot machines.

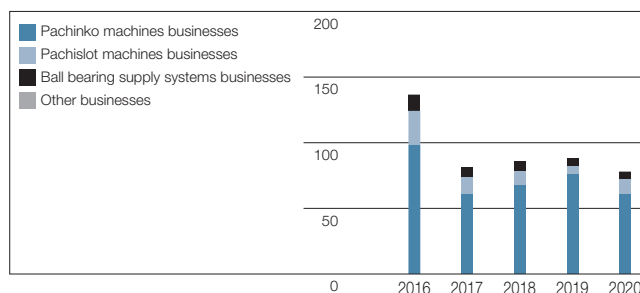
In May 2020, the Amended Pachinko and Pachislot Machines Regulations were revised and enforced, and the deadline for removing machines compliant with the former regulations was extended for one year in consideration of the impact of measures to prevent the spread of COVID-19.

Consequently, net sales amounted to ¥78.4 billion, a decrease of 11.5% year on year. Operating income was ¥12.5 billion, down 41.0%. Net income attributable to owners of the parent declined by 2.5% to ¥13.0 billion,

mainly reflecting the recording of a loss on devaluation of investments in securities due to substantial declines in stock markets. This was partly offset by the recording of an extraordinary gain on sale of investments in affiliates, net. The gain was due to an incorporation-type company split and transfer of shares regarding certain businesses of a consolidated subsidiary of the Company in the course of the business restructuring of the Group.

Net Sales

(Billions of yen)



Cost of Sales, Selling, General and Administrative Expenses, and Income

Cost of sales for fiscal 2020 amounted to ¥36.6 billion. The ratio of cost of sales to net sales increased 3.0 percentage points from the previous fiscal year to 46.8%. Selling, general and administrative (SG&A) expenses increased ¥0.6 billion from the previous fiscal year, mainly owing to increases in sales commission and advertisement expenses, and the ratio of SG&A expenses to net sales increased 5.0 percentage points from the previous fiscal year to 37.2%. As a result, operating income decreased 41.0% to ¥12.5 billion and the ratio of operating income to net sales decreased 8.0 percentage points from the previous fiscal year to 16.0%.

Regarding other income (expenses), other income, net, amounted to ¥1.8 billion, mainly reflecting the recording of an extraordinary gain on sale of investments in affiliates, net, amounting to ¥3.3 billion.

Net income attributable to owners of the parent decreased ¥0.3 billion from ¥13.3 billion for the previous fiscal year to ¥13.0 billion. Earnings per share amounted to ¥183.43 compared with ¥164.88 for the previous fiscal year.

Segment Information by Business

(Millions of yen)			
Net sales	2020	Year-on-year change	2019
Pachinko machines business	¥60,514	(20.2)%	¥75,792
Pachislot machines business	11,441	91.3	5,979
Ball bearing supply systems business	5,900	(5.0)	6,214
Other businesses	559	(2.1)	571
Total	¥78,416	(11.5)%	¥88,558

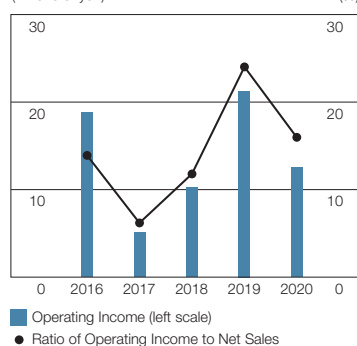
(Millions of yen)			
Operating income	2020	Year-on-year change	2019
Pachinko machines business	¥14,804	(44.9)%	¥26,861
Pachislot machines business	2,449	—	(942)
Ball bearing supply systems business	326	(18.4)	400
Other businesses	(136)	—	(318)
Elimination/Corporate	(4,892)	—	(4,715)
Total	¥12,551	(41.0)%	¥21,286

Fiscal 2021 Forecast

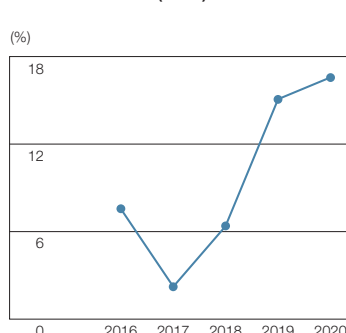
In the pachinko and pachislot industry, a large number of pachinko parlors were compelled to temporarily suspend operations nationwide because of the request for voluntary closure in accordance with the declaration of the state of

emergency. As a result, pachinko parlors faced a challenging business environment and are refraining from purchasing new pachinko and pachislot machines. On the other hand, the Amended Pachinko and Pachislot Machines Regulations,

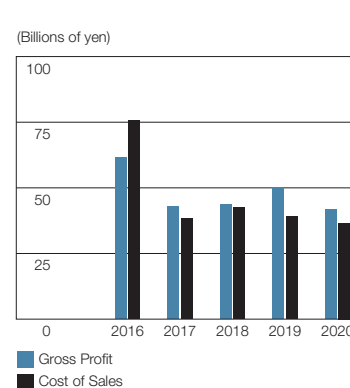
Operating Income and Ratio of Operating Income to Net Sales
(Billions of yen) (%)



Return on Sales (ROS)



Gross Profit and Cost of Sales



which went into force in February 2018, were again amended and went into force in May 2020, and the due date for removal of pachinko and pachislot machines compliant with the former regulations was extended for one year. As a result of this amendment and enforcement, pachinko parlors, having been compelled to temporarily suspend operations and postpone capital investment in the wake of COVID-19, can now proceed systematically with replacement with machines compliant with the new regulations and aim to restructure their management system.

Under these circumstances, replacement demand will likely gain traction from the third quarter amid rising expectations of products, equipped with the new “Yu-Time” gaming performance, whose development became possible in line with the change in the “Standards for Interpretation of

Technical Standards” issued by the National Police Agency in early 2020. The Group will introduce pachinko and pachislot machines with diverse gaming performance in a bid to promote wider adoption of machines compliant with the new “Standards for Interpretation of Technical Standards.” While emphasizing cost control, the Group will 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, 2021 of 150,000 pachinko machines and 28,000 pachislot machines.

This forecast, which is based on the assumption that the COVID-19 pandemic will abate, albeit moderately, and that adaptation to the new normal will gradually proceed, is subject to change depending on the timing of the abatement of the COVID-19 pandemic.

	(Billions of yen)		
	2021 forecast	Year-on-year change	2020 results
Net sales	¥73.5	(6.3)%	¥78.4
Operating income	8.0	(36.3)	12.5
Net income attributable to owners of the parent	6.2	(52.5)	13.0

Note: This forecast was announced on August 7, 2020.

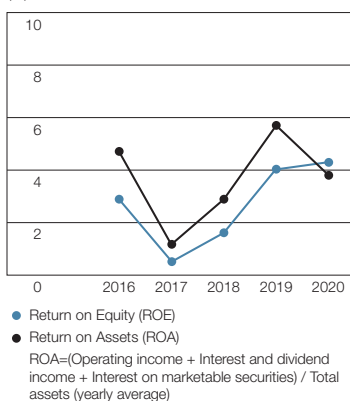
Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year ended March 31, 2020 amounted to ¥325.2 billion, down ¥74.3 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥64.9 billion decline in marketable securities in line with the purchase of treasury stock, a ¥13.8 billion decrease in notes and accounts receivable-trade, and a ¥13.1 billion decrease in property, plant and equipment in line with the company split and share transfer of Sankyo Create Co., Ltd., a consolidated subsidiary of the Company. These results were partly offset by a ¥18.0 billion increase in cash and deposits.

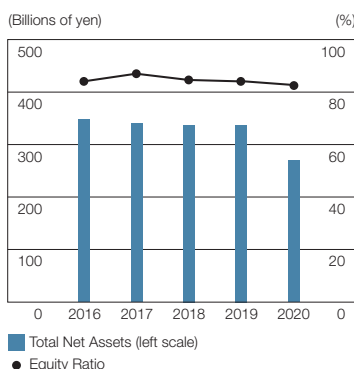
Total liabilities amounted to ¥55.7 billion, down ¥6.4 billion compared with the figure at the previous fiscal year-end. This decline was mainly attributable to a ¥3.3 billion decrease in accounts payable (included in “other current liabilities” of current liabilities), a ¥3.3 billion decrease in accrued income taxes, and a ¥2.4 billion decrease in electronically recorded obligations, which were partly offset by a ¥2.5 billion increase in notes and accounts payable-trade.

Net assets fell ¥67.8 billion compared with the figure at the previous fiscal year-end. This decline was mainly attributable to the purchase of treasury stock of ¥68.5 billion, cash

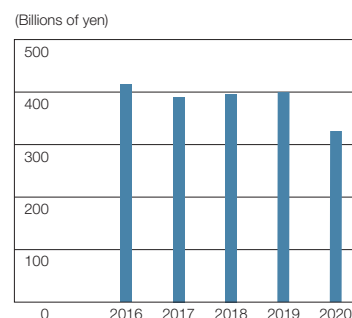
**Return on Equity (ROE)
Return on Assets (ROA)**
(%)



Total Net Assets and Equity Ratio



Total Assets



dividends paid of ¥10.6 billion, and a ¥1.9 billion decrease in net unrealized gains on available-for-sale securities. These results were partly offset by the recording of net income attributable to owners of the parent of ¥13.0 billion. The treasury stock purchased was canceled on December 30, 2019.

As a result, net assets totaled ¥269.5 billion and equity ratio decreased 1.7 percentage points to 82.4%.

Cash Flows

At the fiscal year-end, cash and cash equivalents (hereinafter “cash”) totaled ¥192.2 billion, down ¥82.0 billion from a year earlier.

Cash flows from operating activities

Net cash provided by operating activities increased ¥2.1 billion from the previous fiscal year to ¥18.9 billion. Principal cash inflow items were income before income taxes of ¥14.4 billion, a ¥13.8 billion decrease in notes and accounts receivable-trade, and depreciation and amortization of ¥3.4 billion. Principal cash outflow items were income taxes paid of ¥5.4 billion, a ¥3.3 billion gain on sale of investments in affiliates, net, and a ¥2.9 billion increase in inventories.

Cash flows from investing activities

Net cash used in investing activities increased ¥17.3 billion from the previous fiscal year to ¥21.7 billion. Principal cash

inflow items were proceeds from redemption of marketable securities of ¥80.0 billion, proceeds from sale of investments in affiliates of ¥15.2 billion, and proceeds from withdrawal of time deposits of ¥5.5 billion. Principal cash outflow items were payment for purchase of marketable securities of ¥115.0 billion, payments into time deposits of ¥5.5 billion, and payment for purchase of property, plant and equipment and intangible fixed assets of ¥2.9 billion.

Cash flows from financing activities

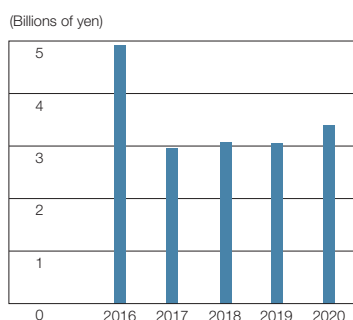
Net cash used in financing activities increased ¥67.0 billion from the previous fiscal year to ¥79.2 billion. Principal cash outflow items were payment for purchase of treasury stock of ¥68.5 billion and cash dividends paid of ¥10.6 billion.

Shareholder Return and Dividend Policy

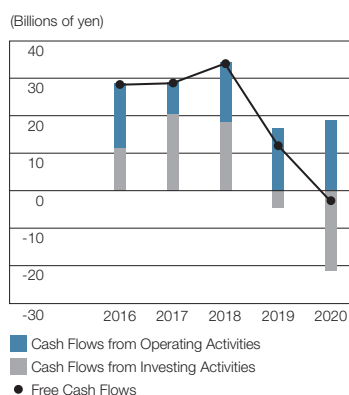
The Company regards the return of profits to shareholders as one of the most important management priorities. The Company’s dividend policy is to continue stable dividend payments, taking into consideration financial results, the financial position, the payout ratio, and other factors comprehensively.

Based on above the dividend policy and the forecast of consolidated financial results, the Company plans to pay an interim dividend of ¥75 per share and a year-end dividend of ¥75 per share.

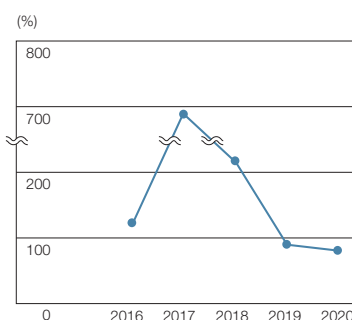
Depreciation and Amortization



Free Cash Flows



Dividend Payout Ratio



Risk Factors

Risks that may have an impact on the Group's business results, stock price and financial position for fiscal 2020 and beyond include the items described below. Forward-looking statements in this document represent the Group's assumptions and judgment as of the end of fiscal 2019, but do not cover all potential risks.

Change in the market environment

The principal customers of the Group's core business, sales of game machines and ball bearing supply systems, are parlor operators nationwide. Therefore, deterioration of the business environment for parlors, accompanying reduction in demand or change in the market structure, would affect the Group's sales results.

As parlor operators are becoming more discriminating in their evaluation of game machines, there is a marked tendency for them to only purchase captivating products likely to remain popular for a long time, and most other products fail to attract sufficient attention to achieve substantial sales. The Group is strengthening product competitiveness with the aim of increasing the market share. However, because product development takes one or two years, if the Group fails to respond flexibly to changes in market demand after commencement of development, or if the timing of the introduction of one of the Group's new products coincides with the introduction of a competitor's highly popular product, the Group's sales plans and business results may be affected.

Regulations

The main business of the Group, namely, the development, manufacture and sales of game machines, is governed by the Act to Control Businesses That May Affect Public Morals and other regulations and is required to strictly comply with the relevant laws and regulations. Thus, material revisions to relevant laws and regulations may affect the Group's sales plans and business results.

Intellectual property rights

A growing number of game machines introduced in recent years involve tie-ups with celebrities, animation characters and other popular characters. In accordance with this trend, as intellectual property rights, such as portrait rights and copyrights of characters used for game machines, become

increasingly important to the business, the incidence of conflicts concerning intellectual property is rising.

In regard to the handling of characters, centering on the Intellectual Property Division, the Group conducts thorough investigations and takes the greatest possible care to preclude such conflicts. However, in the event that new intellectual property rights are approved without the Company's knowledge, the Group may be subject to risk associated with claims for damage by the owners of the rights. In such case, if the Group is deemed to be liable, the Group's business results may be affected.

Development of new models

To manufacture and sell a pachinko, pachislot or other game machine, it is a prerequisite that the machine passes an official format inspection executed by a testing agency, such as Hotsukyo (Security Electronics and Communication Technology Association), designated by the National Public Safety Commission, in accordance with the Enforcement Regulation of the Act to Control Businesses That May Affect Public Morals and other regulations. While it is necessary to satisfy the increasingly sophisticated expectations of players and keep abreast of the progress of game machine technology, in the event that it takes longer than expected for a format inspection or a machine of the Group is rejected by a format inspection, the Group's business results may be affected. The Group will strive to smoothly introduce new models in accordance with the initial plan by capitalizing on its long-cultivated product development capabilities and know-how.

Impact of the spread of COVID-19 infections

In response to the government's announcement of a state of emergency due to the spread of COVID-19 infections, the government and local governments requested that the Group's main customers, parlor operators throughout the country, suspend their operations. Although the state of emergency was lifted nationwide at the end of May 2020, and parlor operators are gradually resuming their operations, a prolonged decline in the number of customers and a delay in the recovery of earnings could adversely affect the Company's sales of new models.

Consolidated Balance Sheets

SANKYO CO., LTD. and Its Consolidated Subsidiaries
As of March 31, 2020 and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Current assets:			
Cash and deposits (Notes 3 and 18)	¥122,847	¥104,847	\$1,128,800
Marketable securities (Notes 3, 5 and 18)	119,999	184,999	1,102,634
Notes and accounts receivable-trade (Notes 4 and 18)	16,743	30,627	153,853
Inventories (Note 7)	5,783	2,876	53,142
Accounts receivable arising from outsourced production contracts	6,424	5,867	59,034
Other current assets	4,244	2,899	39,002
Allowance for doubtful accounts (Note 18)	(1)	(2)	(16)
Total current assets	276,041	332,115	2,536,449
Fixed assets:			
Property, plant and equipment (Note 15):			
Land	17,909	22,515	164,568
Buildings and structures	13,944	26,404	128,129
Machinery and equipment	7,417	7,517	68,157
Tools, furniture and fixtures	15,949	16,927	146,558
Leased assets	—	34	—
Other fixed assets	—	1,850	—
	55,221	75,250	507,411
Accumulated depreciation	(27,977)	(34,809)	(257,072)
Total property, plant and equipment	27,244	40,440	250,339
Intangible fixed assets:			
Goodwill	—	45	—
Other intangible fixed assets	142	180	1,310
Total intangible fixed assets	142	225	1,310
Investments and other assets:			
Investments in securities (Notes 5, 6 and 18)	13,035	19,233	119,777
Long-term loans	107	131	985
Deferred tax assets (Note 16)	7,911	7,366	72,692
Other assets	767	473	7,051
Allowance for doubtful accounts	(17)	(20)	(157)
Allowance for losses on investments in securities	—	(379)	—
Total investments and other assets	21,803	26,803	200,348
Total fixed assets	49,190	67,470	451,998
Total assets	¥325,232	¥399,585	\$2,988,446

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Current liabilities:			
Current portion of bonds with subscription rights to shares (Note 18)	¥ 20,006	¥ —	\$ 183,834
Notes and accounts payable-trade (Note 18)	13,789	11,246	126,704
Electronically recorded obligations (Note 18)	7,637	10,042	70,175
Accrued income taxes	1,043	4,372	9,590
Accrued employees' bonuses	765	791	7,037
Provision for shareholder benefit program	101	—	928
Lease obligations	—	3	—
Other current liabilities	3,880	7,308	35,659
Total current liabilities	47,224	33,763	433,928
Long-term liabilities:			
Bonds with subscription rights to shares (Note 18)	—	20,026	—
Lease obligations	—	4	—
Net defined benefit liabilities (Note 8)	4,962	4,799	45,603
Asset retirement obligations (Note 19)	75	62	692
Other long-term liabilities	3,448	3,551	31,688
Total long-term liabilities	8,486	28,444	77,983
Commitments and contingent liabilities (Note 12)			
Net assets:			
Shareholders' equity (Note 10):			
Common stock,			
Authorized: 144,000,000 shares			
Issued: 69,597,500 shares and 89,597,500 shares as of March 31, 2020 and 2019, respectively	14,840	14,840	136,359
Capital surplus	23,750	23,750	218,230
Retained earnings	257,575	330,707	2,366,773
Treasury stock	(31,822)	(38,785)	(292,407)
Total shareholders' equity	264,343	330,512	2,428,956
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 5)	3,549	5,460	32,615
Remeasurements of defined benefit plans (Note 8)	53	73	493
Total accumulated other comprehensive income	3,603	5,533	33,109
Subscription rights to shares (Notes 10 and 11)	1,574	1,331	14,471
Total net assets	269,521	337,377	2,476,535
Total liabilities and net assets	¥325,232	¥399,585	\$2,988,446

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Net sales	¥78,416	¥88,558	\$720,542
Cost of sales (Note 11)	36,671	38,771	336,962
Gross profit	41,745	49,786	383,580
Selling, general and administrative expenses (Notes 11 and 13)	29,193	28,500	268,246
Operating income	12,551	21,286	115,335
Other income (expenses):			
Interest and dividend income	746	736	6,856
Loss on sales or disposal of property, plant and equipment, net (Note 14)	(185)	(17)	(1,706)
Loss on impairment (Note 15)	(81)	(310)	(752)
Loss on sale of investments in securities, net (Note 5)	(212)	—	(1,952)
Gain on sale of investments in affiliates, net (Note 17)	3,341	—	30,703
Loss on devaluation of investments in securities (Note 5)	(1,496)	(3,631)	(13,748)
Loss on devaluation of investments in affiliates	(392)	—	(3,608)
Loss on investments in partnership	(21)	—	(193)
Loss on devaluation of golf club membership	—	(1)	—
Other, net	199	278	1,834
Income before income taxes	14,449	18,340	132,769
Income taxes (Note 16):			
Current	1,096	4,988	10,072
Deferred	307	(32)	2,826
Total income taxes	1,403	4,956	12,899
Net income	13,045	13,384	119,870
Net income attributable to:			
Owners of the parent	¥13,045	¥13,384	\$119,870
	Yen		U.S. dollars (Note 2)
Net income per share (Note 21):			
Basic	¥183.43	¥164.88	\$1.69
Diluted	172.69	156.49	1.59
Cash dividends per share (Note 10)	150.00	150.00	1.38

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Net income	¥13,045	¥13,384	\$119,870
Other comprehensive loss (Note 9):			
Unrealized losses on available-for-sale securities	(1,910)	(1,491)	(17,559)
Remeasurements of defined benefit plans (Note 8)	(19)	146	(180)
Total other comprehensive loss	(1,930)	(1,344)	(17,739)
Comprehensive income	11,114	12,039	102,131
Total comprehensive income attributable to:			
Owners of the parent	¥11,114	¥12,039	\$102,131

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Common stock			
Beginning of year	¥ 14,840	¥ 14,840	\$ 136,359
End of year	¥ 14,840	¥ 14,840	\$ 136,359
Capital surplus			
Beginning of year	¥ 23,750	¥ 23,750	\$ 218,230
End of year	¥ 23,750	¥ 23,750	\$ 218,230
Retained earnings			
Beginning of year	¥ 330,707	¥ 329,499	\$ 3,038,755
Net income attributable to owners of the parent	13,045	13,384	119,870
Dividend from surplus, ¥150 per share (\$1.38 per share)	(10,675)	(12,176)	(98,096)
Disposal of treasury stock	(1)	—	(13)
Cancellation of treasury stock	(75,500)	—	(693,743)
End of year	¥ 257,575	¥ 330,707	\$ 2,366,773
Treasury stock			
Beginning of year	¥ (38,785)	¥ (38,782)	\$ (356,387)
Purchase of treasury stock	(68,544)	(2)	(629,830)
Disposal of treasury stock	7	—	68
Cancellation of treasury stock	75,500	—	693,743
End of year	¥ (31,822)	¥ (38,785)	\$ (292,407)
Total shareholders' equity			
Beginning of year	¥ 330,512	¥ 329,306	\$ 3,036,957
Net income attributable to owners of the parent	13,045	13,384	119,870
Dividends from surplus, ¥150 per share (\$1.38 per share)	(10,675)	(12,176)	(98,096)
Purchase of treasury stock	(68,544)	(2)	(629,830)
Disposal of treasury stock	5	—	55
Cancellation of treasury stock	—	—	—
End of year	¥ 264,343	¥ 330,512	\$ 2,428,956
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities			
Beginning of year	¥ 5,460	¥ 6,952	\$ 50,174
Net changes in items other than shareholders' equity	(1,910)	(1,491)	(17,559)
End of year	¥ 3,549	¥ 5,460	\$ 32,615
Remeasurements of defined benefit plans			
Beginning of year	¥ 73	¥ (73)	\$ 674
Net changes in items other than shareholders' equity	(19)	146	(180)
End of year	¥ 53	¥ 73	\$ 493
Total accumulated other comprehensive income			
Beginning of year	¥ 5,533	¥ 6,878	\$ 50,848
Net changes in items other than shareholders' equity	(1,930)	(1,344)	(17,739)
End of year	¥ 3,603	¥ 5,533	\$ 33,109
Subscription rights to shares			
Beginning of year	¥ 1,331	¥ 1,057	\$ 12,234
Net changes in items other than shareholders' equity	243	274	2,237
End of year	¥ 1,574	¥ 1,331	\$ 14,471
Total net assets			
Beginning of year	¥ 337,377	¥ 337,242	\$ 3,100,039
Net income attributable to owners of the parent	13,045	13,384	119,870
Dividends from surplus, ¥150 per share (\$1.38 per share)	(10,675)	(12,176)	(98,096)
Purchase of treasury stock	(68,544)	(2)	(629,830)
Disposal of treasury stock	5	—	55
Cancellation of treasury stock	—	—	—
Net changes in items other than shareholders' equity	(1,687)	(1,070)	(15,502)
End of year	¥ 269,521	¥ 337,377	\$ 2,476,535

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 14,449	¥ 18,340	\$ 132,769
Depreciation and amortization	3,476	3,057	31,944
Amortization of goodwill	45	87	417
Stock-based compensation expense	240	264	2,212
Decrease in allowance for doubtful accounts	(4)	(0)	(43)
Decrease in accrued employees' bonuses	(16)	(12)	(155)
Increase in provision for shareholder benefit program	101	—	928
Increase in net defined benefit liabilities	153	226	1,406
Interest and dividend income	(746)	(736)	(6,856)
Loss on sales or disposal of property, plant and equipment, net	185	17	1,706
Loss on impairment	81	310	752
Loss on sale of investments in securities, net	212	—	1,952
Loss on devaluation of investments in securities	1,496	3,631	13,748
Gain on sale of investments in affiliates, net	(3,341)	—	(30,703)
Loss on devaluation of investments in affiliates	392	—	3,608
Loss on devaluation of golf club membership	—	1	—
Decrease (increase) in notes and accounts receivable-trade	13,864	(4,138)	127,393
Increase in inventories	(2,914)	(714)	(26,782)
Increase in notes and accounts payable-trade	225	798	2,070
Increase in accounts receivable arising from outsourced production contracts	(556)	(1,507)	(5,117)
(Decrease) increase in accounts payable-other	(2,901)	342	(26,658)
Decrease in consumption taxes payable	(864)	(75)	(7,946)
Other	271	(1,096)	2,495
Sub total	23,848	18,795	219,138
Interest and dividend income received	545	692	5,017
Income taxes paid	(5,423)	(2,660)	(49,833)
Net cash provided by operating activities	18,971	16,828	174,322
Cash flows from investing activities:			
Payments into time deposits	(5,552)	(11,101)	(51,024)
Proceeds from withdrawal of time deposits	5,551	11,100	51,010
Payment for purchase of marketable securities	(115,000)	(78,000)	(1,056,694)
Proceeds from redemption of marketable securities	80,000	76,000	735,091
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,938)	(2,387)	(26,997)
Proceeds from sale of investments in securities	962	—	8,848
Proceeds from sale of investments in affiliates	15,284	—	140,441
Collection of loans receivable	23	23	218
Other	(80)	(2)	(735)
Net cash used in investing activities	(21,748)	(4,367)	(199,841)
Cash flows from financing activities:			
Payment for finance lease obligations	(3)	(4)	(35)
Payment for purchase of treasury stock	(68,544)	(2)	(629,830)
Cash dividends paid	(10,675)	(12,176)	(98,096)
Other	0	—	2
Net cash used in financing activities	(79,223)	(12,183)	(727,960)
Net (decrease) increase in cash and cash equivalents	(82,001)	277	(753,479)
Cash and cash equivalents at beginning of year	274,295	274,017	2,520,400
Cash and cash equivalents at end of year (Note 3)	¥192,294	¥274,295	\$1,766,921

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by SANKYO CO., LTD. (the “Company”) and its consolidated subsidiaries (the “Companies”) in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in the accompanying consolidated financial statements for the convenience of readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2019 financial statements to conform to the classifications used in 2020. In conformity with the Companies Act of Japan and the other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

(b) Consolidation Principles

The consolidated financial statements include the accounts of the Company and its four (five in 2019) significant wholly owned subsidiaries. All significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated on consolidation. SANKYO CREATE CO., LTD., which was a consolidated subsidiary, was excluded from the scope of consolidation because its liquidation was completed in the year ended March 31, 2020.

The remaining unconsolidated subsidiaries have assets, net sales and net income which are not significant in relation to those of the Companies, and, accordingly, the accounts of such subsidiaries have been excluded from consolidation.

There was no affiliate accounted for by the equity method at March 31, 2020.

Other immaterial unconsolidated subsidiaries and affiliates are stated at cost.

Any difference between the acquisition cost of investment in a consolidated subsidiary and the fair value of the net assets of the subsidiary (goodwill) is amortized using the straight-line method over a period of 7 years through 8 years.

(c) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting gains and losses are included in net income or loss for the period.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(e) Marketable Securities and Investments in Securities

Held-to-maturity debt securities that the Company and its consolidated subsidiaries intend to hold to maturity are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity. Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets, net of taxes. Available-for-sale securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates not accounted for by the equity method, or available-for-sale securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

(f) Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated on the basis of the actual bad debt ratio for general accounts receivable and the assessed recoverability of individual doubtful accounts receivable.

(g) Allowance for Losses on Investments in Securities

Allowance for losses on investments in securities is provided at an estimated amount of possible investment losses for investment in affiliates etc., based on the financial condition of the investees.

(h) Inventories

Inventories are stated at the lower of cost, or selling value.

The cost is determined as follows:

Finished goods, merchandise and raw materials:	Gross average method
Work in process and supplies:	Specific identification method

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation except for leased assets is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain buildings of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016, for which the straight-line method is applied.

Deferred gain on property, plant and equipment due to government subsidies in the amount of ¥40 million (\$373 thousand), consisting of ¥2 million (\$25 thousand) for buildings and structures and ¥37 million (\$347 thousand) for machinery and equipment, is deducted from acquisition costs at March 31, 2020 and 2019, respectively.

Property, plant and equipment whose acquisition costs are more than ¥100,000 and less than ¥200,000 are depreciated using the straight-line method over three years.

(j) Accrued Employees' Bonuses

Accrued employees' bonuses are recorded based on the estimated amounts payable at the end of the fiscal year.

(k) Provision for Shareholder Benefit Program

Provision for shareholder benefit program is recorded at the amount estimated to be incurred at the end of the fiscal year to provide for future payment of costs associated with the shareholder benefit program.

(l) Accounting for Retirement Benefits

The projected benefit obligations are attributed to periods on a straight-line basis.

Actuarial gains and losses are amortized from the fiscal year when the gain or loss is recognized by the straight-line method over a period of five years which falls within the average remaining service years of employees.

In determining the amount of net defined benefit liabilities and retirement benefit costs, certain smaller consolidated subsidiaries apply a simplified method where the amount required for voluntary termination of employees at the fiscal year-end is treated as the projected benefit obligations.

(m) Leases

All finance leases are capitalized to recognize lease assets and lease obligations in the consolidated balance sheets.

Leased assets concerning finance lease transactions that do not transfer ownership to the lessee are depreciated on a straight-line basis over the estimated useful lives without residual value.

(n) Research and Development and Computer Software

Research and development expenses are charged to income as incurred.

Expenditures relating to computer software developed for internal use are charged to income as incurred, except where the software contributes to the generation of income or to future cost savings, in which case such expenditures are capitalized and amortized using the straight-line method over the estimated useful life of the software (five years).

(o) Construction Contracts

Under this accounting standard, the construction revenue and construction costs are recognized by the percentage-of-completion method for the construction contracts whose outcome for the completed portion can be estimated reasonably, except for short-term construction contracts. The percentage of completion is determined using the cost incurred to the estimated total cost. Other construction contracts are applied by the completed-contract method.

(p) Income Taxes

Income taxes of the Company and its consolidated subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Company and its consolidated subsidiaries adopt the deferred tax accounting method. Deferred taxes are determined using the asset-and-liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(q) Appropriation of Retained Earnings

The Companies Act of Japan stipulates that appropriations of retained earnings require approval by the shareholders at a general meeting. The appropriations of retained earnings are, therefore, not reflected in the consolidated financial statements for the period to which they relate but are recorded in the consolidated financial statements in the subsequent accounting period after shareholders' approval has been obtained.

(r) Net Income and Cash Dividends per Share

Net income per share of common stock shown in the accompanying consolidated statements of income is computed based on the weighted average number of shares outstanding during each year.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared and paid as applicable to the respective fiscal year.

(s) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(t) Amortization of Goodwill

Goodwill is amortized using the straight-line method over periods ranging from 7 to 8 years.

(u) Reclassification

Certain reclassifications of previously reported amounts have been made to conform to current classifications.

(v) New Accounting Pronouncements

Accounting Standard for Revenue Recognition, etc.

On March 31, 2020, the Accounting Standards Board of Japan (ASBJ) issued "Revised Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Revised Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

These are comprehensive accounting standards for revenue recognition.

An entity should recognize revenue by applying the following five steps:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations under the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations under the contract
- Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

The Company will apply the accounting standard and guidance from April 1, 2021.

The effects of applying the accounting standard and guidance are being assessed at the time of preparation of the accompanying consolidated financial statements.

Accounting Standard for Fair Value Measurement, etc.

On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31), "Revised Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) and "Revised Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and on March 31, 2020, the ASBJ issued "Revised Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

In order to enhance comparability with the international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively "Fair Value Accounting Standards, etc.") have been developed, and guidance, etc. on fair value measurement have been provided. Fair Value Accounting Standards, etc. will be applied to the fair value of the following items:

- Financial instruments defined in "Revised Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Revised Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised, and note items such as the breakdown by level of fair value of financial instruments was provided.

The Company will apply the accounting standard and guidance from April 1, 2021.

The effects of applying the accounting standard and guidance are being assessed at the time of preparation of the accompanying consolidated financial statements.

(w) Additional Information

Due to the spread of the novel coronavirus disease (COVID-19), amusement parlors nationwide, which are the Group's main customers, were forced to close temporarily because the state of emergency was declared on April 7, 2020. In late May 2020, the declaration was lifted throughout the nation, and operations of parlors have been reopened gradually. The Company assumes that demand will recover slowly toward the end of the fiscal year ending March 31, 2021 and is making accounting estimates (recoverability of deferred tax assets) under such assumptions.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥108.83= U.S. \$1, the rate of exchange on March 31, 2020, has been used for the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

3. Cash and Cash Equivalents

Reconciliation of cash and cash equivalents to the accounts disclosed on the balance sheets at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥122,847	¥104,847	\$1,128,800
Marketable securities	119,999	184,999	1,102,634
Total	242,846	289,846	2,231,434
Bonds and debentures, investment funds and others whose original maturity is more than three months	(45,000)	(10,000)	(413,489)
Time deposits whose deposit term is more than three months	(5,552)	(5,551)	(51,024)
Cash and cash equivalents	¥192,294	¥274,295	\$1,766,921

Principal components of assets and liabilities of the company which ceased to be a consolidated subsidiary due to sales of shares during the year ended March 31, 2020:

Principal components of assets and liabilities upon sales following the incorporation-type company split and share transfers of SANKYO CREATE CO., LTD., which was a consolidated subsidiary, and selling value of the shares and sales proceeds are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 907	\$ 8,335
Fixed assets	12,561	115,423
Current liabilities	(98)	(902)
Long-term liabilities	(557)	(5,125)
Incidental costs associated with sales of shares	977	8,980
Gain on sales of shares	3,341	30,703
Selling value of shares	17,131	157,415
Incidental costs associated with sales of shares	(977)	(8,980)
Cash and cash equivalents	(869)	(7,993)
Net sales proceeds	15,284	140,441

4. Notes Receivable

Notes due on the fiscal year end are settled on the date of exchange of the notes. The notes receivable in an amount of ¥1,154 million were included in the outstanding balance of "Notes and accounts receivable-trade" as of March 31, 2019, since March 31, 2019 fell on a bank holiday:

5. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2020 and 2019 were as follows:

(a) Held-to-Maturity Debt Securities

Millions of yen								
	2020				2019			
	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Fair value	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Fair value
Fair value available:								
Short-term corporate bonds	¥ 19,999	¥1	¥—	¥ 20,001	¥ 29,999	¥ 2	¥—	¥ 30,002
Certificates of deposit	55,000	—	—	55,000	145,000	—	—	145,000
Joint management designated money trust	35,000	—	—	35,000	—	—	—	—
Total	¥109,999	¥1	¥—	¥110,001	¥174,999	¥ 2	¥—	¥175,002

Thousands of U.S. dollars				
	2020			
	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Fair value
Fair value available:				
Short-term corporate bonds	\$ 183,770	\$12	\$—	\$ 183,782
Certificates of deposit	505,375	—	—	505,375
Joint management designated money trust	321,602	—	—	321,602
Total	\$1,010,748	\$12	\$—	\$1,010,760

(b) Available-for-Sale Securities

Millions of yen								
	2020				2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fair value available:								
Equity securities	¥ 7,050	¥5,179	¥63	¥12,166	¥ 9,721	¥7,870	¥—	¥17,592
Other	10,000	—	—	10,000	10,000	—	—	10,000
Total	¥17,050	¥5,179	¥63	¥22,166	¥19,721	¥7,870	¥—	¥27,592

Thousands of U.S. dollars				
	2020			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fair value available:				
Equity securities	\$ 64,783	\$47,591	\$581	\$111,792
Other	91,886	—	—	91,886
Total	\$156,669	\$47,591	\$581	\$203,679

(c) Available-for-sale securities sold

Available-for-sale securities sold during the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Equity securities:			
Sales proceeds	¥962	¥—	\$8,848
Gain	66	—	611
Loss	278	—	2,563
Loss on sale of investments in securities, net	¥212	¥—	\$1,952

(d) Losses on devaluation of investments in securities

For the years ended March 31, 2020 and 2019, losses on devaluation of investments in securities (equity securities) were recognized in the amounts of ¥1,496 million (\$13,748 thousand) and ¥3,631 million, respectively.

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in securities	¥789	¥1,562	\$7,257

7. Inventories

Inventories at March 31, 2020 and 2019 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finished goods and merchandise	¥2,060	¥ 75	\$18,932
Work in process	21	118	201
Raw materials and supplies	3,701	2,682	34,010
Total	¥5,783	¥2,876	\$53,142

8. Retirement Benefit Plan

1. Overview of retirement benefit plans

The Company and consolidated subsidiaries have lump-sum severance benefit plans as a defined benefit plan. Certain consolidated subsidiaries calculate net defined benefit liabilities and retirement benefit costs using a simplified method for the lump-sum severance benefit plans.

2. Defined benefit plans

(1) The changes in retirement benefit obligation for the years ended March 31, 2020 and 2019, were as follows (excluding the plans to which a simplified method was applied):

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥4,465	¥4,488	\$41,028
Service cost	243	260	2,236
Interest cost	26	26	246
Actuarial differences	16	(136)	151
Benefits paid	(135)	(173)	(1,243)
Balance at end of year	¥4,616	¥4,465	\$42,418

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows (excluding the plans to which a simplified method was applied):

There is no corresponding information to be reported.

(3) The changes in net defined benefit liabilities under the plans to which a simplified method was applied for the years ended March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥334	¥296	\$3,072
Retirement benefit costs	52	58	486
Benefits paid	(22)	(20)	(210)
Decrease due to business transfer	(17)	—	(164)
Balance at end of year	¥346	¥334	\$3,185

(4) The reconciliation between the balance of the retirement benefit obligation and net defined benefit liabilities recorded in the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unfunded retirement benefit obligation	¥4,962	¥4,799	\$45,603
Net liability recorded in the consolidated balance sheets	4,962	4,799	45,603
Net defined benefit liabilities	4,962	4,799	45,603
Net liability recorded in the consolidated balance sheets	¥4,962	¥4,799	\$45,603

(Note) The above amount includes the plans to which a simplified method is applied.

(5) The components of retirement benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥243	¥260	\$2,236
Interest cost	26	26	246
Amortization of actuarial differences	(11)	74	(109)
Retirement benefit costs calculated using a simplified method	52	58	486
Retirement benefit costs on defined benefit plans	¥311	¥419	\$2,859

(6) Remeasurements of defined benefit plans (before adjusting for tax effects) on other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥(28)	¥211	\$(260)
Total	¥(28)	¥211	\$(260)

(7) Remeasurements of defined benefit plans (before adjusting for tax effects) on accumulated other comprehensive income as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥(77)	¥(105)	\$(711)
Total	¥(77)	¥(105)	\$(711)

(8) Actuarial assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	0.6%	0.6%
Estimated salary increase rate	1.3-5.2%	1.3-5.2%

9. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized (losses) gains on available-for-sale securities:			
Loss (gain) incurred during the year	¥(4,462)	¥(5,781)	\$(41,008)
Reclassification adjustment to net income	1,708	3,631	15,700
Amount before tax effects	(2,754)	(2,149)	(25,308)
Tax effects	843	658	7,749
Unrealized (losses) gains on available-for-sale securities	(1,910)	(1,491)	(17,559)
Remeasurements of defined benefit plans			
Gain incurred during the year	(13)	109	(120)
Reclassification adjustment to net income	(15)	102	(140)
Amount before tax effects	(28)	211	(260)
Tax effects	8	(64)	80
Remeasurements of defined benefit plans	(19)	146	(180)
Total other comprehensive (loss) income	¥(1,930)	¥(1,344)	\$(17,739)

10. Shareholders' Equity

The Japanese companies are subject to the Companies Act of Japan. The Companies Act provides that at least 50% of the issue price of new shares shall be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital (a component of capital surplus). Under the Companies Act, an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is set aside in a legal reserve (a component of retained earnings) until the total amount of additional paid-in capital and legal reserve equals 25% of the stated capital. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

(a) Type and Number of Shares Outstanding and Treasury Stock For the year ended March 31, 2020

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of March 31, 2019	89,597,500	8,421,994
Increase in the number of shares during the accounting period ended March 31, 2020	—	20,007,066 ^{*2}
Decrease in the number of shares during the accounting period ended March 31, 2020	20,000,000 ^{*1}	20,001,955 ^{*3}
Number of shares as of March 31, 2020	69,597,500	8,427,105

Notes: *1. Decrease due to the cancellation of treasury stock (20,000,000 shares)

*2. Increase due to the purchase of treasury stock (20,006,500 shares) based on the resolution of the Board of Directors' meeting and due to the purchase of odd shares (566 shares)

*3. Decrease due to the cancellation of treasury stock (20,000,000 shares), exercise of stock options (1,900 shares) and sales responding to the purchase request of odd shares (55 shares)

For the year ended March 31, 2019

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of March 31, 2018	89,597,500	8,421,329
Increase in the number of shares during the accounting period ended March 31, 2019	—	665 [*]
Decrease in the number of shares during the accounting period ended March 31, 2019	—	—
Number of shares as of March 31, 2019	89,597,500	8,421,994

Note: * Increase due to the purchase of odd shares (665 shares)

(b) Stock Acquisition Rights For the year ended March 31, 2020

Issuer	Components	Type of stock to be granted	Number of shares to be granted			March 31, 2020	Outstanding balance at March 31, 2020
			April 1, 2019	Increase	Decrease		
SANKYO CO., LTD.	Stock acquisition rights as stock options	—	—	—	—	—	¥1,574 million (\$14,471 thousand)

For the year ended March 31, 2019

Issuer	Components	Type of stock to be granted	Number of shares to be granted			March 31, 2019	Outstanding balance at March 31, 2019
			April 1, 2018	Increase	Decrease		
SANKYO CO., LTD.	Stock acquisition rights as stock options	—	—	—	—	—	¥1,331 million

(c) Matters Related to Dividends
For the year ended March 31, 2020

i) Dividend payment

Approvals by the ordinary general meeting of shareholders held on June 27, 2019 were as follows:

Dividends on common stock	
Total amount of dividends	¥6,088 million (\$55,942 thousand)
Dividends per share	¥75.00 (\$0.69)
Record date	March 31, 2019
Effective date	June 28, 2019

Approvals by the Board of Directors' meeting held on November 7, 2019 were as follows:

Dividends on common stock	
Total amount of dividends	¥4,587 million (\$42,154 thousand)
Dividends per share	¥75.00 (\$0.69)
Record date	September 30, 2019
Effective date	December 2, 2019

ii) Dividends whose record date is attributed to the year ended March 31, 2020, but become effective after the said year.

The Company obtained the following approval at the ordinary general meeting of shareholders held on June 26, 2020:

Dividends on common stock	
Total amount of dividends	¥4,587 million (\$42,155 thousand)
Dividends per share	¥75.00 (\$0.69)
Record date	March 31, 2020
Effective date	June 29, 2020

For the year ended March 31, 2019

i) Dividend payment

Approvals by the ordinary general meeting of shareholders held on June 28, 2018 were as follows:

Dividends on common stock	
Total amount of dividends	¥6,088 million
Dividends per share	¥75.00
Record date	March 31, 2018
Effective date	June 29, 2018

Approvals by the Board of Directors' meeting held on November 9, 2018 were as follows:

Dividends on common stock	
Total amount of dividends	¥6,088 million
Dividends per share	¥75.00
Record date	September 30, 2018
Effective date	December 3, 2018

ii) Dividends whose record date is attributed to the year ended March 31, 2019, but become effective after the said year.

The Company obtained the following approval at the ordinary general meeting of shareholders held on June 27, 2019:

Dividends on common stock	
Total amount of dividends	¥6,088 million
Dividends per share	¥75.00
Record date	March 31, 2019
Effective date	June 28, 2019

11. Stock Options

The Company recorded stock option related costs and gain under the following accounts for the years ended March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cost of sales	¥ 5	¥ 5	\$ 50
Selling, general and administrative expenses	234	258	2,156
Total	¥240	¥264	\$2,206
Gain on forfeiture of unexercised stock options	¥ 2	¥ —	\$ 20

The stock options outstanding as of March 31, 2020 are as follows:

(1) Details of stock options

Issuer	SANKYO CO., LTD.	SANKYO CO., LTD.
Date of resolution	July 4, 2014	July 3, 2015
Persons granted	4 directors of the Company 8 executive officers of the Company 11 directors of subsidiaries of the Company	3 directors of the Company 12 executive officers of the Company 12 directors of subsidiaries of the Company
Type and number of shares granted	Common stock 87,100 shares	Common stock 84,800 shares
Date of grant	July 22, 2014	July 23, 2015
Vesting conditions	Not defined	Not defined
Number of service years	Not defined	Not defined
Exercise period	From July 23, 2014 through July 22, 2064 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.	From July 24, 2015 through July 23, 2065 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.

Issuer	SANKYO CO., LTD.	SANKYO CO., LTD.
Date of resolution	July 5, 2016	July 5, 2017
Persons granted	3 directors of the Company 11 executive officers of the Company 14 directors of subsidiaries of the Company	3 directors of the Company 11 executive officers of the Company 14 directors of subsidiaries of the Company
Type and number of shares granted	Common stock 98,300 shares	Common stock 96,900 shares
Date of grant	July 21, 2016	July 21, 2017
Vesting conditions	Not defined	Not defined
Number of service years	Not defined	Not defined
Exercise period	From July 22, 2016 through July 21, 2066 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.	From July 22, 2017 through July 21, 2067 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.

Issuer	SANKYO CO., LTD.	SANKYO CO., LTD.
Date of resolution	July 4, 2018	July 4, 2019
Persons granted	3 directors of the Company 11 executive officers of the Company 17 directors of subsidiaries of the Company	3 directors of the Company 11 executive officers of the Company 17 directors of subsidiaries of the Company
Type and number of shares granted	Common stock 78,200 shares	Common stock 82,700 shares
Date of grant	July 20, 2018	July 19, 2019
Vesting conditions	Not defined	Not defined
Number of service years	Not defined	Not defined
Exercise period	From July 21, 2018 through July 20, 2068 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.	From July 20, 2019 through July 19, 2069 The eligible holder of subscription rights to shares may exercise stock options within the above period and may exercise all stock options outstanding within 10 days following the loss of status as director, corporate auditor or executive officer of the Company or its affiliates. Other conditions for exercise shall be decided pursuant to the resolution of the Board of Directors.

(2) Stock option activity is as follows:

Issuer	SANKYO CO., LTD. July 4, 2014	SANKYO CO., LTD. July 3, 2015	SANKYO CO., LTD. July 5, 2016	SANKYO CO., LTD. July 5, 2017	SANKYO CO., LTD. July 4, 2018	SANKYO CO., LTD. July 4, 2019
Date of resolution						
Non-vested:						
March 31, 2019 — Outstanding	—	—	—	—	—	—
Granted	—	—	—	—	—	82,700
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	—	82,700
March 31, 2020 — Outstanding	—	—	—	—	—	—
Vested:						
March 31, 2019 — Outstanding	80,600	82,800	98,300	96,900	78,200	—
Vested	—	—	—	—	—	82,700
Exercised	300	300	400	400	300	200
Forfeited	—	—	—	—	—	700
March 31, 2020 — Outstanding	80,300	82,500	97,900	96,500	77,900	81,800
Unit price information						
Issuer	SANKYO CO., LTD. July 4, 2014	SANKYO CO., LTD. July 3, 2015	SANKYO CO., LTD. July 5, 2016	SANKYO CO., LTD. July 5, 2017	SANKYO CO., LTD. July 4, 2018	SANKYO CO., LTD. July 4, 2019
Date of resolution						
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at the time of exercise	¥3,690 (\$33.91)	¥3,690 (\$33.91)	¥3,690 (\$33.91)	¥3,690 (\$33.91)	¥3,690 (\$33.91)	¥3,690 (\$33.91)
Fair value at the date of grant	¥2,954 (\$27.14)	¥3,465 (\$31.84)	¥2,826 (\$25.97)	¥2,628 (\$24.15)	¥3,504 (\$32.20)	¥3,039 (\$27.92)

The estimation method of fair value of stock options granted in the year ended March 31, 2020

a. The valuation technique is Black-Scholes model.

b. Main basic assumptions and estimation method

Stock price volatility	(Note 1)	21.14%
Expected remaining service period	(Note 2)	6.06 years
Expected cash dividend	(Note 3)	¥150 per share (\$1.38)
Risk-free interest rate	(Note 4)	-0.231%

Notes: 1. Stock price volatility is computed based on actual stock prices for the period of 6 years (June 2013 through July 2019).

2. The expected remaining service period is estimated by adding 10 days, the exercise period after retirement, to the average remaining service period up to the retirement age.

3. Actual cash dividends for the fiscal year ended March 31, 2019.

4. Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.

The estimation method of the number of stock options to be vested:

The Company uses the method that reflects the actual number of forfeited options, since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis.

12. Leases

Operating Leases

Future lease payments for non-cancellable operating leases as a lessee at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥13	¥13	\$120
Due after one year	21	25	194
Total	¥34	¥38	\$314

13. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales commission	¥ 3,509	¥ 2,824	\$ 32,248
Advertisement expenses	1,942	1,180	17,848
Salaries and wages	3,017	3,125	27,728
Provision for reserve for bonuses	381	386	3,510
Retirement benefit costs	155	204	1,427
Provision for shareholder benefit program	101	—	928
Provision for allowance for doubtful accounts	(3)	(0)	(30)
Research and development expenses	13,847	14,631	127,237

14. Sales and Disposal of Property, Plant and Equipment

Gain or loss on sales and disposal of property, plant and equipment for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain on sales of property, plant and equipment:			
Machinery and equipment	¥ 4	¥ 1	\$ 38
Total	¥ 4	¥ 1	\$ 38
Loss on sales of property, plant and equipment			
Buildings and structures	¥ (4)	¥ —	\$ (44)
Land	(3)	—	(32)
Total	¥ (8)	¥ —	\$ (76)
Loss on disposal of property, plant and equipment:			
Buildings and structures	¥(170)	¥ (3)	\$(1,566)
Machinery and equipment	(8)	(1)	(80)
Tools, furniture and fixtures	(2)	(13)	(23)
Total	¥(181)	¥(18)	\$(1,669)
Loss on sales and disposal of property, plant and equipment, net	¥(185)	¥(17)	\$(1,706)

15. Loss on Impairment

The Companies recorded a loss on impairment for the following groups of assets for the years ended March 31, 2020 and 2019:

Year ended March 31, 2020

Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Kiryu city, Gunma Pref.	Idle assets	Land	¥81	\$752

Year ended March 31, 2019

Location	Use	Type	Millions of yen
Kiryu city, Gunma Pref.	Idle assets	Buildings and structures	¥181
		Land	128

The Companies group business assets by business for management accounting purposes and idle assets by individual item.

For the year ended March 31, 2020, the carrying amounts of the above assets at Kiryu-Sakaino Plant were reduced to their recoverable amounts and the reduced amounts were recorded as loss on impairment under "Other expenses," since the market value declined in the year ended March 31, 2020.

The recoverable amount is measured at the net selling value, and the recoverable amount of land is measured based on the carrying amount.

For the year ended March 31, 2019, the carrying amounts of the above assets at Kiryu-Sakaino Plant were reduced to their recoverable amounts and the reduced amounts were recorded as loss on impairment under "Other expenses," since a determination was made to demolish the buildings, etc. in the year ended March 31, 2019.

The recoverable amount is measured at the net selling value. The carrying amounts of buildings and structures are reduced to nil since they will be demolished, and the recoverable amount of land is measured based on the carrying amount.

16. Income Taxes

The Companies are subject to a number of different taxes based on income which, in aggregate, indicate a statutory effective tax rate of approximately 30.6% for the years ended March 31, 2020 and 2019.

Tax losses can be carried forward for a nine-year period and be offset against future taxable income.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Accrued enterprise taxes	¥ 50	¥ 272	\$ 462
Unrealized profits on inventories	8	4	79
Accrued employees' bonuses	234	242	2,154
Allowance for doubtful accounts	5	7	53
Net defined benefit liabilities	1,519	1,469	13,960
Accumulated depreciation	2,365	2,620	21,739
Unrealized profit on property, plant and equipment	37	122	349
Allowance for losses on investments in securities	—	116	—
Research and development expenses	890	1,494	8,187
Loss on impairment	177	3,411	1,629
Loss on devaluation of investments in securities	246	9	2,262
Long-term payables	761	767	6,998
Subscription rights to shares	470	399	4,324
Tax loss carryforwards (Note 2)	2,962	518	27,220
Deferred assets	253	461	2,328
Other	280	250	2,579
Sub-total deferred tax assets	¥10,265	¥12,168	\$ 94,324
Valuation allowance on tax loss carryforwards (Note 2)	(179)	—	(1,645)
Valuation allowance on the total of future deductible temporary differences	(602)	(2,390)	(5,539)
Sub-total valuation allowance (Note 1)	(781)	(2,390)	(7,184)
Deferred tax assets	¥ 9,483	¥ 9,778	\$ 87,139
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥ (1,566)	¥ (2,409)	\$(14,394)
Other	(6)	(2)	(53)
Deferred tax liabilities	¥ (1,572)	¥ (2,412)	\$(14,447)
Deferred tax assets, net	¥ 7,911	¥ 7,366	\$ 72,692

Notes: 1. The valuation allowance decreased by ¥1,608 million (\$14,777 thousand). A major reason for the decrease is that the valuation allowance of ¥2,051 million (\$18,847 thousand) on impairment losses of SANKYO CREATE decreased.

2. Tax loss carryforwards and deferred tax assets at March 31, 2020 and 2019 are as follows:

(Millions of yen and Thousands of U.S. dollars)

March 31, 2020	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years	Total
Tax loss carryforwards (a)	¥95 [\$881]	¥198 [\$1,824]	¥— [\$—]	¥— [\$—]	¥— [\$—]	¥2,667 [\$24,514]	¥2,962 [\$27,220]
Valuation allowance	—	—	—	—	—	(179) [(1,645)]	(179) [(1,645)]
Deferred tax assets	95 [881]	198 [1,824]	— [—]	— [—]	— [—]	2,488 [22,869]	(b) 2,783 [25,574]

(a) Tax loss carryforwards are computed by multiplying with the statutory tax rate.

(b) Deferred tax assets of ¥2,783 million (\$25,574 thousand) were recorded on tax loss carryforwards of ¥2,962 million (\$27,220 thousand) (multiplied by the statutory tax rate).

No valuation allowance was recognized on the said tax loss carryforwards, since all the amounts are considered to be recoverable judging from the estimated future taxable income.

(Millions of yen)

March 31, 2019	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years	Total
Tax loss carryforwards (c)	¥—	¥139	¥224	¥—	¥—	¥154	¥518
Valuation allowance	—	—	—	—	—	—	—
Deferred tax assets	—	139	224	—	—	154	(d) 518

(c) Tax loss carryforwards are computed by multiplying with the statutory tax rate.

(d) Deferred tax assets of ¥518 million were recorded on tax loss carryforwards of ¥518 million (multiplied by the statutory tax rate).

No valuation allowance was recognized on the said tax loss carryforwards, since all the amounts are considered to be recoverable judging from the estimated future taxable income.

Reconciliation between the statutory tax rate and the effective income tax rate for the years ended March 31, 2020 and 2019 is as follows:

	2020	2019
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.5	0.3
Non-taxable income	(0.5)	(0.4)
Per capita inhabitant taxes	0.4	0.3
Tax credit for research and development expenses	—	(4.0)
Changes in valuation allowance	(2.6)	0.2
Effects of transfer of a consolidated subsidiary	(14.1)	—
Effects of liquidation of a consolidated subsidiary	(5.3)	—
Other – net	0.7	0.0
Actual effective tax rate	9.7%	27.0%

17. Business Combinations

Incorporation-type company split and share transfer of SANKYO CREATE CO., LTD., which was a consolidated subsidiary

At the Board of Directors' meeting held on August 6, 2019, the Company made a resolution to enter into a basic agreement that the golf course management business of SANKYO CREATE CO., LTD., the Company's consolidated subsidiary, will be succeeded by Yoshii Country Club Co., Ltd. through an incorporation-type company split, and that a part of the real estate rental business of SANKYO CREATE CO., LTD. will be succeeded by Marf 2 Corporation through an incorporation-type company split, while all shares in Yoshii Country Club Co., Ltd. and Marf 2 Corporation allotted to SANKYO CREATE CO., LTD., the splitting company, will be delivered to the Company as dividends of surplus and these shares will be transferred to Kabushikigaisha Marf Corporation.

In addition, as a result of discussions and negotiations between Kabushikigaisha Marf Corporation and the Company, it was resolved at the Board of Directors' meeting held on September 27, 2019 that the schedule of the company splits and share transfers would be changed to November 1, 2019 from October 1, 2019, and eventually the company splits and share transfers were implemented on November 1, 2019.

1. Transaction under common control

(1) Overview of the transaction

- a. Name of the business and description
Name of the business: Golf course management business and a part of the real estate rental business of SANKYO CREATE CO., LTD., which was a consolidated subsidiary
Business description: Golf course management and real estate rental and management
- b. Date of company split
November 1, 2019
- c. Legal form of the company split
SANKYO CREATE CO., LTD. as a splitting company and two newly incorporated companies as succeeding companies
- d. Name of the company after the company split
Yoshii Country Club Co., Ltd. (golf course management business)
Marf 2 Corporation (a part of the real estate rental business)
- e. Other matters relating to the transaction
This incorporation-type company splits were implemented for the purpose of business divestitures.

(2) Overview of the accounting treatment implemented

The transaction is accounted for as a transaction under common control in accordance with the "Revised Accounting Standard for Business Combinations" and "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

2. Business divestiture

(1) Outline of business divestiture

- a. Name of the succeeding company
Kabushikigaisha Marf Corporation
(Marf Corporation is the main shareholder of the Company and falls under a related party.)
- b. Business which was split
Golf course management business (Yoshii Country Club Co., Ltd.)
A part of real estate rental business (Marf 2 Corporation)
- c. Major reason for business divestiture
The Group defined a quick response to the changes in regulatory environments and attempts to strengthen profitability as the subjects to deal with in order to realize the sustainability of growth and enhancement of profitability and has considered and implemented various measures, announcing the medium-term management strategy of concentrating management resources into amusement related business.
Under such circumstances, the Company decided to transfer the golf course management business and a part of the real estate rental business of SANKYO CREATE to further promote its management strategy.
- d. Date of business divestiture
November 1, 2019
- e. Other matters concerning overview of the transaction including legal form
Share transfer through only cash

(2) Accounting treatment implemented

- a. Gain or loss on the transfer

		Millions of yen	Thousands of U.S. dollars
Yoshii Country	Loss on sale of investments in affiliates	¥ 217	\$ 1,997
Marf 2	Gain on sale of investments in affiliates	3,558	32,700
Total	Gain on sale of investments in affiliates, net	¥3,341	\$30,703

b. Major components of assets and liabilities related to the transferred business

	Millions of yen	Thousands of U.S. dollars
Yoshii Country Club Co., Ltd.		
Current assets	¥ 323	\$ 2,970
Fixed assets	5,130	47,142
Total assets	5,453	50,112
Current liabilities	(32)	(295)
Long-term liabilities	(17)	(164)
Total liabilities	¥ (49)	\$ (459)
Marf 2 Corporation		
Current assets	¥ 583	\$ 5,364
Fixed assets	7,431	68,282
Total assets	8,014	73,646
Current liabilities	(66)	(606)
Long-term liabilities	(540)	(4,962)
Total liabilities	¥ (606)	\$ (5,568)

c. Accounting treatment

The difference between the carrying amounts and related costs and sales amounts of the shares transferred is recorded as “Gain on sale of investments in affiliates, net” under “Other income (expenses)”.

(3) Reportable segment to which the split business belonged

Yoshii Country “Other”
Marf 2 “Pachinko machines business,” and “Pachislot machines business”

(4) Estimated amount of profit or loss related to the business split recorded in the consolidated statement income for the year ended March 31, 2020

	Millions of yen	Thousands of U.S. dollars
Cumulative period		
Yoshii Country Club Co., Ltd.		
Net sales	¥ 92	\$ 853
Operating loss	268	2,469
Marf 2 Corporation		
Net sales	¥ 94	\$ 865
Operating loss	143	1,322

(5) Overview of continuous involvement

The Company has entered into a “contract concerning use of complimentary tickets for shareholders” with Yoshii Country Club Co., Ltd. and a “building rental agreement” with Marf 2 Corporation.

18. Financial Instruments and Related Disclosures

1. Outline of financial instruments

(1) Policy for financial instruments

The Companies have a policy for fund management of focusing only on low risk financial assets while avoiding speculative transactions.

(2) Nature and extent of risks arising from financial instruments and risk management

Receivables such as notes and accounts receivable—trade are exposed to customer credit risk. The risks are managed in accordance with the credit management rules that determine credit management and that facilitate the development of a system to evaluate the financial status of each customer.

Marketable securities and investments in securities are exposed to the risk of market price fluctuations. However, the fair values of all marketable securities and investments in securities are periodically determined. Available-for-sale securities are mostly the shares of companies with which the companies have business relationships. Debt securities are purchased for the temporary management of surplus funds.

Payment terms of payables, such as notes and accounts payable—trade and electronically recorded obligations are less than one year. Although current liabilities, including these payables, are exposed to liquidity risk at settlement, each subsidiary develops a cash flow plan every month to avoid this risk.

Bonds with subscription rights to shares and current portion of bonds with subscription rights to shares are issued for financing purposes to purchase treasury stock.

(3) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2020 and 2019 were as follows. Financial instruments whose fair values are not readily determinable are excluded from the following table. (See Note 2 of the table)

Millions of yen			
March 31, 2020	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	¥122,847	¥122,847	¥ —
(2) Notes and accounts receivable—trade	16,743		
Allowance for doubtful accounts	(1)		
	16,742	16,625	(116)
(3) Marketable securities and investments in securities:			
Held-to-maturity debt securities	109,999	110,001	1
Available-for-sale securities	22,166	22,166	—
Total assets	¥271,755	¥271,640	¥(115)
(4) Notes and accounts payable—trade	¥ 13,789	¥ 13,789	¥ —
(5) Electronically recorded obligations	7,637	7,637	—
(6) Current portion of bonds with subscription rights to shares	20,006	19,800	(206)
Total liabilities	¥ 41,433	¥ 41,226	¥(206)

Millions of yen			
March 31, 2019	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	¥104,847	¥104,847	¥ —
(2) Notes and accounts receivable—trade	30,627		
Allowance for doubtful accounts	(2)		
	30,625	30,411	(214)
(3) Marketable securities and investments in securities:			
Held-to-maturity debt securities	174,999	175,002	2
Available-for-sale securities	27,592	27,592	—
Total assets	¥338,064	¥337,852	¥(212)
(4) Notes and accounts payable—trade	¥ 11,246	¥ 11,246	¥ —
(5) Electronically recorded obligations	10,042	10,042	—
(6) Bonds with subscription rights to shares	20,026	19,987	(39)
Total liabilities	¥ 41,315	¥ 41,275	¥ (39)

Thousands of U.S. dollars			
March 31, 2020	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	\$1,128,800	\$1,128,800	\$ —
(2) Notes and accounts receivable—trade	153,853		
Allowance for doubtful accounts	(11)		
	153,843	152,770	(1,073)
(3) Marketable securities and investments in securities:			
Held-to-maturity debt securities	1,010,748	1,010,760	12
Available-for-sale securities	203,679	203,679	—
Total assets	\$2,497,069	\$2,496,009	\$(1,060)
(4) Notes and accounts payable—trade	126,704	126,704	—
(5) Electronically recorded obligations	70,175	70,175	—
(6) Current portion of bonds with subscription rights to shares	183,834	181,935	(1,899)
Total liabilities	\$ 380,713	\$ 378,814	\$(1,899)

Notes: 1. Calculation method of fair values of financial instruments and securities transactions

- (1) Cash and deposits
Since these are settled in a short time period, their fair values approximate their carrying amounts.
 - (2) Notes and accounts receivable—trade
The fair values are stated at their current values, which are calculated for each receivables group categorized by the remaining period to the maturity discounted by the interest rate applicable to the period and the credit risk.
 - (3) Marketable securities and investments in securities
The fair values of these securities are determined using the quoted price at the stock exchange. Debt securities are determined using the quoted prices obtained from correspondent financial institutions. Matters to be noted in respect of securities by holding purpose are stated in "Marketable Securities and Investments in Securities."
 - (4) Notes and accounts payable—trade and (5) electronically recorded obligations
Since these are settled in a short time period, their fair values approximate their carrying amounts.
 - (6) Bonds with subscription rights to shares
The fair values are determined using the quoted price obtained from the counterparty financial institutions.
2. Since it is extremely difficult to determine the fair values of unlisted equity securities amounting to ¥868 million (\$7,985 thousand) and ¥1,641 million at March 31, 2020 and 2019, respectively, as there are no market prices available and it is impossible to estimate the future cash flow, they are not included in "(3) Marketable securities and investments in securities."
The Company recognized loss on impairment of unlisted equity securities amounting to ¥772 million (\$7,097 thousand) for the year ended March 31, 2020.

3. Redemption schedule of monetary assets and securities with contractual maturities at March 31, 2020 and 2019 was as follows:

March 31, 2020	Millions of yen	
	Within one year	One to five years
(1) Cash and deposits	¥122,847	¥ —
(2) Notes and accounts receivable—trade	14,557	2,186
(3) Marketable securities and investments in securities		
Held-to-maturity debt securities (Short-term corporate bonds)	20,000	—
Held-to-maturity debt securities (Certificates of deposits)	55,000	—
Held-to-maturity debt securities (Jointly-managed money trust)	35,000	—

March 31, 2019	Millions of yen	
	Within one year	One to five years
(1) Cash and deposits	¥104,847	¥ —
(2) Notes and accounts receivable—trade	27,264	3,363
(3) Marketable securities and investments in securities		
Held-to-maturity debt securities (Short-term corporate bonds)	30,000	—
Held-to-maturity debt securities (Certificates of deposits)	145,000	—

March 31, 2020	Thousands of U.S. dollars	
	Within one year	One to five years
(1) Cash and deposits	\$1,128,800	\$ —
(2) Notes and accounts receivable—trade	133,763	20,090
(3) Marketable securities and investments in securities		
Held-to-maturity debt securities (Short-term corporate bonds)	183,773	—
Held-to-maturity debt securities (Certificates of deposits)	505,375	—
Held-to-maturity debt securities (Joint management designated money trust)	321,602	—

4. Redemption schedule of bonds with subscription rights to shares at March 31, 2020 and 2019 was as follows:

March 31, 2020	Millions of yen	
	Within one year	One to five years
(1) Current portion of bonds with subscription rights to shares	¥20,000	¥—

March 31, 2019	Millions of yen	
	Within one year	One to five years
(1) Bonds with subscription rights to shares	¥—	¥20,000

March 31, 2020	Thousands of U.S. dollars	
	Within one year	One to five years
(1) Current portion of bonds with subscription rights to shares	\$183,773	\$—

19. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets at March 31, 2020 and 2019 were as follows:

- (1) Overview of asset retirement obligations
Asset retirement obligations at March 31, 2020 and 2019 were based on restoration obligations, etc. in real estate lease of buildings.
- (2) Calculation method of the amount of asset retirement obligations
The amount of asset retirement obligations was calculated considering the estimated period of 13-18 years from obtaining the asset, and using the discount rate of 0.0-1.7%.
- (3) Gain or loss of total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Beginning balance	¥62	¥62	\$573
Increase due to purchase of property, plant and equipment	12	2	116
Adjustment by time elapsed	0	0	3
Decrease due to settlement of asset retirement obligations	—	(3)	—
Ending balance	¥75	¥62	\$692

20. Segment Information

1. Overview of the reportable segments

The Company's reportable segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments. Core businesses of the Company are production and sales of Pachinko and Pachislot machines, installation and sales of Pachinko and Pachislot supply systems. Thus, the Company has divided its business operations into the three reportable segments of Pachinko machines business, Pachislot machines business, and ball bearing supply systems business. Pachinko machines business is operated by production and sales of Pachinko machines, machine gauges, and related parts, and by their royalty-related business. Pachislot machines business is operated by production and sales of Pachislot machines and related parts, and by their royalty-related business. Ball bearing supply systems business is operated by production and sales of Pachinko and Pachislot ball feeders, card system equipment, and parlor equipment and peripherals, and by their royalty-related business.

2. Valuation method for reportable segment profit (loss) and asset amounts

The accounting method for reportable business segments is basically presented in accordance with "Summary of Significant Account Policies."

3. Segment information of reportable segment profit (loss) and asset amounts

Millions of yen								
For the year ended March 31, 2020								
	Reporting segment							
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other ¹	Total	Adjustment ²	Consolidated ³
Sales:								
Customers	¥ 60,514	¥11,441	¥5,900	¥ 77,857	¥ 559	¥ 78,416	¥ —	¥ 78,416
Intersegment	—	—	—	—	—	—	—	—
Total	60,514	11,441	5,900	77,857	559	78,416	—	78,416
Segment profit (loss)	14,804	2,449	326	17,581	(136)	17,444	(4,892)	12,551
Segment asset	171,993	20,681	8,654	201,329	1,839	203,169	122,063	325,232
Others								
Depreciation and amortization ⁴	2,570	638	11	3,220	136	3,356	119	3,476
Amortization of goodwill	—	—	—	—	45	45	—	45
Increase in property, plant and equipment and intangible fixed assets ⁴	2,165	283	1	2,450	3	2,453	377	2,831

Millions of yen								
For the year ended March 31, 2019								
	Reporting segment							
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other ¹	Total	Adjustment ²	Consolidated ³
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 profit (loss)	26,861	(942)	400	26,320	(318)	26,001	(4,715)	21,286
Segment asset	117,114	17,456	9,612	144,183	9,865	154,049	245,536	399,585
Others								
Depreciation and amortization ⁴	2,174	452	13	2,640	244	2,884	172	3,057
Amortization of goodwill	—	—	—	—	87	87	—	87
Increase in property, plant and equipment and intangible fixed assets ⁴	1,934	394	0	2,329	85	2,414	70	2,485
Thousands of U.S. dollars								
For the year ended March 31, 2020								
	Reporting segment							
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other ¹	Total	Adjustment ²	Consolidated ³
Sales:								
Customers	\$ 556,048	\$ 105,136	\$ 54,221	\$ 715,405	\$ 5,137	\$ 720,542	\$ —	\$ 720,542
Intersegment	—	—	—	—	—	—	—	—
Total	556,048	105,136	54,221	715,405	5,137	720,542	—	720,542
Segment profit (loss)	136,035	22,507	3,003	161,546	(1,253)	160,293	(44,958)	115,335
Segment asset	1,580,385	190,037	79,521	1,849,943	16,906	1,866,849	1,121,598	2,988,446
Others								
Depreciation and amortization ⁴	23,615	5,868	105	29,589	1,251	30,839	1,102	31,941
Amortization of goodwill	—	—	—	—	417	417	—	417
Increase in property, plant and equipment and intangible fixed assets ⁴	19,901	2,607	12	22,520	28	22,548	3,471	26,019

Notes:

*1. The other segment is not a reporting segment, which includes mobile contents service, real estate rental, operation of a golf club, and general-molded parts.

Golf course management business and a part of the real estate rental business of SANKYO CREATE, a consolidated subsidiary, which composed "Other", were split by incorporation-type company split and the shares were transferred on November 1, 2019. Accordingly, operating results of the business transferred by the Company were recorded until the end of October 2019.

*2. Adjustments are as follows:

(1) Adjustment for segment profit (loss) is general and administrative expenses related to administrative operations not attributable to a reporting segment.

(2) Adjustment for segment asset is corporate asset not associated with the reporting segments. The main items were surplus funds (marketable securities), long-term investments (investments in securities), and assets related to administrative operations.

*3. Segment profit (loss) includes operating income and adjustment in consolidated statements of income.

*4. Depreciation and amortization and increase in property, plant and equipment and intangible fixed assets include depreciation and increase related to long-term prepaid expenses.

Related Information

1. Product and service segment information

Product and service segment information has been omitted since similar description is disclosed in segment information for the years ended March 31, 2020 and 2019.

2. Geographical segment information

(1) Sales

There were no sales to customers outside Japan and no applicable data for the years ended March 31, 2020 and 2019.

(2) Property, plant and equipment

There were no property, plant and equipment located outside Japan and no applicable data for the years ended March 31, 2020 and 2019.

3. Major customer segment information

Major customer segment information is omitted for the years ended March 31, 2020 and 2019 since there is no specific customer who accounts for more than 10% of total sales.

Information on Losses on Impairment of Fixed Assets by Segment
For the year ended March 31, 2020

(Millions of yen, Thousands of U.S. dollars)

	Reporting segment						
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other	Eliminations/Corporate*	Total
Loss on impairment	¥—	¥—	¥—	¥—	¥— (\$—)	¥81 (\$752)	¥81 (\$752)

Note: * "Eliminations/Corporate" corresponds to loss on impairment of corporate assets not attributed to any reporting segment.

For the year ended March 31, 2019

(Millions of yen)

	Reporting segment						
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other	Eliminations/Corporate*	Total
Loss on impairment	¥—	¥—	¥—	¥—	¥—	¥310	¥310

Note: * "Eliminations/Corporate" corresponds to loss on impairment of corporate assets not attributed to any reporting segment.

Information on Amortization of Goodwill and Remaining Balance by Segment
For the year ended March 31, 2020

(Millions of yen, Thousands of U.S. dollars)

	Reporting segment						
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other*	Eliminations/Corporate	Total
Amortization of goodwill during the year	¥—	¥—	¥—	¥—	¥45 (\$417)	¥—	¥45 (\$417)
Balance at end of year	¥—	¥—	¥—	¥—	¥— (\$—)	¥—	¥— (\$—)

Note: * Amounts shown correspond to mobile contents service.

For the year ended March 31, 2019

(Millions of yen)

	Reporting segment						
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Total	Other*	Eliminations/Corporate	Total
Amortization of goodwill during the year	¥—	¥—	¥—	¥—	¥87	¥—	¥87
Balance at end of year	¥—	¥—	¥—	¥—	¥45	¥—	¥45

Note: * Amounts shown correspond to mobile contents service.

Information on Gain on Negative Goodwill by Segment

There was no corresponding information for the years ended March 31, 2020 and 2019.

21. Per Share Information

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share ¹	¥4,380.33	¥4,139.74	\$40.25
Net income per share ²	183.43	164.88	1.69
Diluted net income per share ³	172.69	156.49	1.59

Above information was computed based on the following data:

	Year ended March 31,	
	2020	2019
*1 Net assets per share:		
Total net assets	¥269,521 million (\$2,476,535 thousand)	¥337,377 million
Amount to be deducted from total net assets	¥1,574 million (\$14,471 thousand)	¥1,331 million
(Of which subscription rights to shares)	(¥1,574 million) ((\$14,471 thousand))	(¥1,331 million)
Net assets attributable to common stock	¥267,946 million (\$2,462,064 thousand)	¥336,045 million
Number of outstanding shares of common stock	69,597,500 shares	89,597,500 shares
Number of treasury stock	8,427,105 shares	8,421,994 shares
Number of common stock used in computing net asset per share	61,170,395 shares	81,175,506 shares
*2 Net income per share:		
Net income attributable to owners of the parent	¥13,045 million (\$119,870 thousand)	¥13,384 million
Net income not attributable to common stock shareholders of the parent	—	—
Net income attributable to common stock shareholders	¥13,045 million (\$119,870 thousand)	¥13,384 million
Weighted average number of common stock	71,118,016 shares	81,175,841 shares
*3 Diluted net income per share:		
Adjustment to net income	¥(13) million (\$128 thousand)	¥(13) million
Increase in common stock	4,342,780 shares	4,263,519 shares
(Of which bonds with subscription rights to shares)	(3,850,597 shares)	(3,850,597 shares)
(Of which subscription rights to shares)	(492,183 shares)	(412,922 shares)
Summary of securities excluded from the computation of diluted net income per share because they do not have dilutive effects	—	—

22. Related Party Transaction

Companies (including their subsidiaries) whose majority of the voting rights is owned by any director and his or her close relatives

Year ended March 31, 2020

(Unit: Millions of yen)

Name	Location	Capital	Business	Ownerships	Relationship	Transactions	Transaction amount (Note) 7	Account	Outstanding balance
Marf Corporation (Note) 1	Minato-ku, Tokyo	¥90	Custody and investment of securities	Directly 13.67%	Main shareholder 2 interlocking directors	Purchase of treasury stock (Note) 2	¥68,520	—	—
						Sales of investments in affiliates (Note) 3			
						Yoshii Country			
						Selling value	¥ 5,241	—	—
						Loss on sales	217	—	—
						Marf 2			
						Selling value	¥11,890	—	—
						Gain on sales	3,558	—	—
Marf 2 (Note) 4	Minato-ku, Tokyo	¥ 1	Real estate rental and management	—	Building rental 1 interlocking director	Payment of rental charges (Note) 5	¥ 232	Prepaid expenses Key money	¥ 51 446
Yoshii Country (Note) 4	Takasaki city, Gunma	¥ 1	Operation of a golf club	—	Tie-up of use of complimentary tickets for shareholders 1 interlocking director	Payment for use of complimentary tickets for shareholders (Note) 6	¥ 51	Other payables	¥ 10

Terms and conditions on transactions and transaction policy:

Notes:

- Mr. Busujima Hideyuki, representative director and chairman of the Company, owns directly 100% of voting rights.
- Common stock of 20,000,000 shares of the Company were purchased at ¥3,426 per share using a take-over bid based on the resolution of the Board of Directors' meeting held on August 6, 2019.
The purchase price per share was determined by multiplying the simple average price of the closing price of the Company's share at the 1st section of Tokyo Stock Exchange for the past one month until the previous trade date of the resolution date of the Board of Directors' meeting by certain definite discount rate.
- Sales amount of investments in affiliates was determined after mutual discussion based on the appraisal value of shares for Yoshii Country and the appraisal value and real estate appraisal value for Marf 2 Corporation.
- Mr. Busujima Hideyuki, representative director and chairman of the Company, owns indirectly 100% of voting rights.
- Payment of rental charges is determined based on the market price in the neighborhood.
- Payment of complimentary tickets for shareholders is determined based on the agreement of the Company's incentive plan for the shareholders.
- Transaction amount does not include consumption taxes, but the outstanding balance includes consumption taxes.

(Unit: Thousands of U.S. dollars)

Name	Location	Capital	Business	Ownerships	Relationship	Transactions	Transaction amount (Note) 7	Account	Outstanding balance
Marf Corporation (Note) 1	Minato-ku, Tokyo	\$832	Custody and investment of securities	Directly 13.67%	Main shareholder 2 interlocking directors	Purchase of treasury stock (Note) 2 Sales of investments in affiliates (Note) 3 Yoshii Country Selling value \$ 48,162 Loss on sales 1,997 Marf 2 Selling value \$109,253 Gain on sales 32,700	\$629,606	—	—
Marf 2 (Note) 4	Minato-ku, Tokyo	\$ 9	Real estate rental and management	—	Building rental 1 interlocking director	Payment of rental charges (Note) 5	\$ 2,138	Prepaid expenses Key money	\$ 470
Yoshii Country (Note) 4	Takasaki city, Gunma	\$ 9	Operation of a golf club	—	Tie-up of use of complimentary tickets for shareholders 1 interlocking director	Payment for use of complimentary tickets for shareholders (Note) 6	\$ 475	Other payables	\$ 94

Terms and conditions on transactions and transaction policy:

Notes:

1. Mr. Busujima Hideyuki, representative director and chairman of the Company, owns directly 100% of voting rights.
2. Common stock of 20,000,000 shares of the Company were purchased at \$31.48 per share using a take-over bid based on the resolution of the Board of Directors' meeting held on August 6, 2019.
The purchase price per share was determined by multiplying the simple average price of the closing price of the Company's share at the 1st section of Tokyo Stock Exchange for the past one month until the previous trade date of the resolution date of the Board of Directors' meeting by certain definite discount rate.
3. Sales amount of investments in affiliates was determined after mutual discussion based on the appraisal value of shares for Yoshii Country and the appraisal value and real estate appraisal value for Marf 2 Corporation.
4. Mr. Busujima Hideyuki, representative director and chairman of the Company, owns indirectly 100% of voting rights.
5. Payment of rental charges is determined based on the market price in the neighborhood.
6. Payment of complimentary tickets for shareholders is determined based on the agreement of the Company's incentive plan for the shareholders.
7. Transaction amount does not include consumption taxes, but the outstanding balance includes consumption taxes.

There were no related party transactions to be noted for the year ended March 31, 2019.

23. Significant Subsequent Events

There are no significant subsequent events to be reported.

24. Significant Subsidiaries

The domestic consolidated subsidiaries at March 31, 2020 and 2019 were as follows:

At March 31	Ownership		Consolidation method
	2020	2019	
SANKYO EXCEL CO., LTD.	100%	100%	Full consolidation
BISTY CO., LTD.	100%	100%	Full consolidation
SANKYO CREATE CO., LTD.	—	100%	—
INTERNATIONAL CARD SYSTEM CO., LTD.	100%	100%	Full consolidation
JB CO., LTD.	100%	100%	Full consolidation

Independent Auditor's Report

The Board of Directors
SANKYO Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of SANKYO Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2020

鈴木 一宏 ㊞

Kazuhiro Suzuki
Designated Engagement Partner
Certified Public Accountant

池内 基明 ㊞

Motoaki Ikeuchi
Designated Engagement Partner
Certified Public Accountant

Company Information / Stock Information

Corporate Data (As of March 31, 2020)

Company Name
SANKYO CO., LTD.

Head Office

3-29-14 Shibuya, Shibuya-ku, Tokyo
150-8327, Japan
Telephone: 81(3)5778-7777
Facsimile: 81(3)5778-6731



Head Office

Sanwa Plant

2732-1 Sanwa-cho, Isesaki City,
Gunma 372-0011, Japan



Sanwa Plant

Established

Paid-in Capital

Number of Employees

April 1966
¥14,840 million
957 (Consolidated)
775 (SANKYO CO., LTD.)

Stock Information (As of March 31, 2020)

Number of Shares Authorized 144,000,000

Number of Shares Issued 69,597,500

Number of Shareholders 11,313

Major Shareholders

Name of shareholder	Number of Shares held (Thousands)	Shareholding Ratio (%)
Marf Corporation	8,346	13.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,303	7.03
Japan Trustee Services Bank, Ltd. (Trust Account)	3,484	5.69
Hideyuki Busujima	2,031	3.32
Akiko Busujima	2,006	3.27
Noriko Akaishi	1,906	3.11
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,640	2.68
STATE STREET BANK WEST CLIENT-TREATY 505234	1,561	2.55
JPMorgan Securities Japan Co., Ltd.	1,158	1.89
STATE STREET BANK AND TRUST COMPANY 505103	942	1.54

Notes: 1. Number of shares less than 1,000 is truncated.

2. Percentage of shareholding is calculated excluding treasury stock (8,427,105 shares).

Board of Directors (As of June 26, 2020)

**Representative Director,
Chairman of the Board & CEO**
Hideyuki Busujima

**Senior Executive
Operating Officer**
Toshio Ogura

**Representative Director,
President & COO**
Kimihiisa Tsutsui

**Executive Operating
Officers**
Katsumasa Takai
Yoko Oshima

**Directors & Senior Executive
Vice Presidents**

Ichiro Tomiyama
Akihiko Ishihara

Operating Officers

Yuji Togo
Hiroshi Kodaira
Takashi Fukuda
Junichi Tsutsumi
Fumitaka Sekine
Hisashi Kamoda
Katsuki Amako
Hiroshi Takahashi

Outside Directors

Taro Kitani
Hiroyuki Yamasaki

Standing Statutory Auditor

Takafumi Okubo

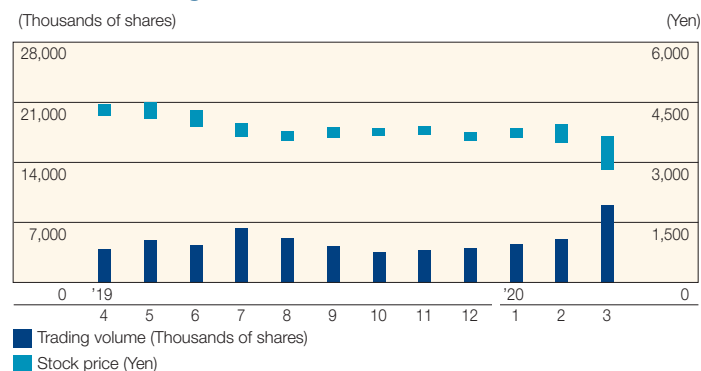
Statutory Auditor

Toshiaki Ishiyama

Outside Statutory Auditors

Yoshiro Sanada
Fumiyoshi Noda

Stock Price Range



Stock Exchange Listing

The Tokyo Stock Exchange, First Section,
Code Number 6417

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

Auditor

Ernst & Young ShinNihon LLC

For Further Information Contact:

Corporate Planning Division, SANKYO CO., LTD.
3-29-14 Shibuya, Shibuya-ku, Tokyo 150-8327, Japan
Telephone: 81(3)5778-7773 Facsimile: 81(3)5778-6731
<https://www.sankyo-fever.co.jp>

Good luck. Good life.



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