

May 10, 2018

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

Representative: Kimihisa Tsutsui, President & COO

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Planned Date for Annual Meeting of Shareholders: June 28, 2018

Planned Date for Start of Dividend Payment: June 29, 2018

Planned Date for Submittal of the Financial Statements Report: June 29, 2018

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

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

**1. Results for the fiscal year (From April 1, 2017, to March 31, 2018)**

(1) Consolidated operating results

(Percentage figures denote year-over-year changes.)

|                             | Net sales                 |         | Operating income        |         | Recurring income          |         | Profit attributable to owners of parent |         |
|-----------------------------|---------------------------|---------|-------------------------|---------|---------------------------|---------|-----------------------------------------|---------|
|                             | Millions of yen           |         | Millions of yen         |         | Millions of yen           |         | Millions of yen                         |         |
| Year ended March 31, 2018   | 86,220                    | 5.9%    | 10,181                  | 101.2%  | 11,319                    | 195.3%  | 5,550                                   | 212.2%  |
| Year ended March 31, 2017   | 81,455                    | (40.6%) | 5,059                   | (73.1%) | 3,832                     | (80.8%) | 1,777                                   | (83.0%) |
| (note) Comprehensive income | Year ended March 31, 2018 |         | ¥7,352 million [126.5%] |         | Year ended March 31, 2017 |         | ¥3,246 million [(65.9%)]                |         |

|                                              | Net income per share      | Fully diluted net income per share | Return on equity (net income) | Return on assets (recurring income) | Return on sales (operating income) |
|----------------------------------------------|---------------------------|------------------------------------|-------------------------------|-------------------------------------|------------------------------------|
|                                              | Yen                       | Yen                                | %                             | %                                   | %                                  |
| Year ended March 31, 2018                    | 68.37                     | 64.86                              | 1.6                           | 2.9                                 | 11.8                               |
| Year ended March 31, 2017                    | 21.94                     | 20.73                              | 0.5                           | 1.0                                 | 6.2                                |
| (reference) Equity in earnings of affiliates | Year ended March 31, 2018 |                                    | - million                     |                                     | Year ended March 31, 2017          |
|                                              |                           |                                    |                               |                                     | ¥(2,216) million                   |

(2) Consolidated financial position

|                                  | Total assets         | Net assets      | Capital adequacy ratio | Net assets per share |
|----------------------------------|----------------------|-----------------|------------------------|----------------------|
|                                  | Millions of yen      | Millions of yen | %                      | Yen                  |
| As of March 31, 2018             | 396,291              | 337,242         | 84.8                   | 4,141.43             |
| As of March 31, 2017             | 390,585              | 340,287         | 86.9                   | 4,189.98             |
| (reference) Shareholders' Equity | As of March 31, 2018 |                 | ¥336,185 million       |                      |
|                                  |                      |                 | As of March 31, 2017   |                      |
|                                  |                      |                 | ¥339,484 million       |                      |

(3) Consolidated cash flows

|                           | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------------------|
|                           | Millions of yen                      | Millions of yen                      | Millions of yen                      | Millions of yen                                  |
| Year ended March 31, 2018 | 15,962                               | 18,420                               | (12,184)                             | 274,017                                          |
| Year ended March 31, 2017 | 8,549                                | 20,547                               | (12,184)                             | 251,818                                          |

**2. Dividends**

| (Base date)                          | Cash dividend per share |             |             |          |           | Amount of dividends | Dividend payout | Dividend rate of net assets |
|--------------------------------------|-------------------------|-------------|-------------|----------|-----------|---------------------|-----------------|-----------------------------|
|                                      | 1st quarter             | 2nd quarter | 3rd quarter | Year-end | Full Year |                     |                 |                             |
|                                      | Yen                     | Yen         | Yen         | Yen      | Yen       | Millions of yen     | %               | %                           |
| Year ended March 31, 2017            | -                       | 75.00       | -           | 75.00    | 150.00    | 12,176              | 683.6           | 3.5                         |
| Year ended March 31, 2018            | -                       | 75.00       | -           | 75.00    | 150.00    | 12,176              | 219.4           | 3.6                         |
| Year ended March 31, 2019 (forecast) | -                       | 75.00       | -           | 75.00    | 150.00    |                     | 135.3           |                             |

**3. Forecast for FY2019 (From April 1, 2018, to March 31, 2019)**

(Percentage figures denote year-over-year changes.)

|                            | Net sales       |      | Operating income |       | Recurring income |       | Profit attributable to owners of parent |       | Net income per share |
|----------------------------|-----------------|------|------------------|-------|------------------|-------|-----------------------------------------|-------|----------------------|
|                            | Millions of yen |      | Millions of yen  |       | Millions of yen  |       | Millions of yen                         |       | Yen                  |
| Year ending March 31, 2019 | 90,000          | 4.4% | 12,000           | 17.9% | 13,000           | 14.8% | 9,000                                   | 62.1% | 110.87               |

SANKYO Group manages its business plan on a full-year basis and thus only discloses full-year figures. For details, please refer to Qualitative Information and Financial Statements "1. Overview of business results etc. (4) Future outlook" of the attached documents on Page 5.

**\* Notes**

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2018: Not applicable

(2) Changes in accounting procedures

- |                                                   |                |
|---------------------------------------------------|----------------|
| a. Related to accounting standard revisions etc.: | Not applicable |
| b. Other changes:                                 | Not applicable |
| c. Changes in accounting estimates:               | Not applicable |
| d. Retrospective restatements:                    | Not applicable |

(3) Outstanding shares (common shares)

a. Number of shares outstanding (including treasury stock)

As of March 31, 2018: 89,597,500 shares

As of March 31, 2017: 89,597,500 shares

b. Number of treasury stock

As of March 31, 2018: 8,421,329 shares

As of March 31, 2017: 8,574,481 shares

c. Average number of shares issued and outstanding

As of March 31, 2018: 81,176,540 shares

As of March 31, 2017: 81,023,346 shares

**(Reference) Non-consolidated results****1. Non-consolidated results for the fiscal year (From April 1, 2017, to March 31, 2018)**

(1) Non-consolidated operating results

(Percentage figures denote year-over-year changes.)

|                           | Net sales       |         | Operating income |   | Recurring income |         | Net income      |         |
|---------------------------|-----------------|---------|------------------|---|------------------|---------|-----------------|---------|
|                           | Millions of yen |         | Millions of yen  |   | Millions of yen  |         | Millions of yen |         |
| Year ended March 31, 2018 | 73,671          | 11.0%   | 4,719            | - | 7,493            | 116.6%  | 6,053           | 83.0%   |
| Year ended March 31, 2017 | 66,356          | (43.4%) | (375)            | - | 3,460            | (70.9%) | 3,308           | (60.6%) |

|                           | Net income per share | Fully diluted net income per share |
|---------------------------|----------------------|------------------------------------|
|                           | Yen                  | Yen                                |
| Year ended March 31, 2018 | 74.58                | 70.76                              |
| Year ended March 31, 2017 | 40.76                | 38.65                              |

(2) Non-consolidated financial position

|                      | Total assets    | Net assets      | Capital adequacy ratio | Net assets per share |
|----------------------|-----------------|-----------------|------------------------|----------------------|
|                      | Millions of yen | Millions of yen | %                      | Yen                  |
| As of March 31, 2018 | 383,632         | 324,519         | 84.3                   | 3,984.69             |
| As of March 31, 2017 | 376,188         | 328,620         | 87.1                   | 4,038.32             |

|                                  |                      |                  |                      |                  |
|----------------------------------|----------------------|------------------|----------------------|------------------|
| (reference) Shareholders' Equity | As of March 31, 2018 | ¥323,461 million | As of March 31, 2017 | ¥327,817 million |
|----------------------------------|----------------------|------------------|----------------------|------------------|

\* This document is not subject to audit procedures

**\* Disclaimer regarding Forward-looking Statements**

The statements concerning future performance that are presented in this document are based on judgments using information available to the Company and which are deemed reasonable as of the release date of this material, and they are not intended to assure the achievement of such forecasts presented herein. Actual results may differ due to various factors. For information regarding performance forecasts, please refer to "1. Overview of business results etc. (4) Future outlook" in the accompanying material.

## 1. Overview of business results etc.

### (1) Overview of business results, etc. for the fiscal year under review

During the fiscal year ended March 31, 2018, the Japanese economy experienced a moderate recovery as corporate earnings were robust and the labor market steadily improved.

During the fiscal year ended March 31, 2018, regarding the environment surrounding the pachinko and pachislot industry, as part of initiatives for countermeasures for compulsive gambling, the Regulations Partially Amending the Ordinance for Enforcement of the Act to Control Businesses That May Affect Public Morals and the Regulations Concerning the Certification and Official Inspection of Game Machines ("Amended Pachinko and Pachislot Machines Regulations") were promulgated in September 2017 and came into force on February 1, 2018. The pachinko and pachislot machines that are compliant with the former regulations are required to be removed or replaced with ones compliant with the new regulations during the three-year period for a transitional measure. However, during the fiscal year under review, as the launch of pachinko and pachislot machines certified by format inspection under the new regulations has not yet been started, it is difficult to forecast how players will react to the pachinko and pachislot machines compliant with the new regulations that will be introduced in the market, pachinko parlors are postponing decision-making on the revision of the current mix of pachinko and pachislot machines installed. Thus, the market for sales of pachinko and pachislot machines remained sluggish.

In these circumstances, the Group introduced 15 pachinko titles (excluding reuse models) and six pachislot titles.

Although operating loss was recorded for the first nine months of the fiscal year ended March 31, 2018 because the Group introduced only five new pachinko titles during the first six months, the Group introduced 10 titles in the second half to regain momentum. Moreover, *Fever Symphogear*, a pachinko title introduced in August 2017, became a long-running hit product, leading to enhancement of the Group's brand power, and a recovery trend of both sales and profit became apparent.

As a result, net sales were ¥86.2 billion, an increase of 5.9% year on year. Operating income was ¥10.1 billion, an increase of 101.2%, and recurring income was ¥11.3 billion, an increase of 195.3%. Profit attributable to owners of parent increased by 212.2% to ¥5.5 billion, owing to recording of impairment loss of fixed assets owned by Sankyo Create Co., Ltd. announced on April 27, 2018.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥67.2 billion, a increase of 11.1% year on year, and operating income amounted to ¥14.5 billion, a increase of 40.1%. Sales of pachinko machines amounted to 171,000 units. The Group introduced 15 titles (excluding reuse models), exceeding the number of titles introduced in the previous fiscal year (11 titles) and achieved approximately the same sales volume as the previous fiscal year. Major titles released included *Fever Symphogear* (introduced in August 2017) and *Fever Fever Mobile Suit Zeta GUNDAM* (introduced in January 2018) under the SANKYO brand, *EVANGELION 2018 Model* (introduced in October 2017) and *CODE GEASS "Emperor Road"* (introduced in February 2018) under the Bisty brand, and *Fever Powerful 2018* (introduced in February 2018) and *Fever Queen 2018* (introduced in February 2018) under the JB brand.

#### Pachislot Machines Business

With regard to the pachislot machines business, sales amounted to ¥11.1 billion, a decrease of 15.6% year on year, and operating income was ¥0.1 billion, compared with operating loss of ¥0.2 billion for the previous fiscal year. Sales of pachislot machines amounted to 29,000 units. Parlor operators were reluctant to purchase new pachislot machines because of concerns that pachislot machines may be more affected by the revision of the regulations than pachinko machines, and thus the Group's sales volume of pachislot machines was also lackluster. Major titles released included *Pachislot Macross Frontier 3* (introduced in May 2017) and *Pachislot Aquarion EVOL* (introduced in July 2017) under the SANKYO brand, and *Evangelion "to You the Sincerity 2"* (introduced in January 2018) under the Bisty brand.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥7.2 billion, a increase of 0.6% year on year, and operating income was ¥0.4 billion, an increase of 35.9%, reflecting parlor operators' low motivation for opening new parlors.

#### Other Businesses

Sales of other businesses were ¥500 million, a increase of 11.0% year on year. An operating loss of ¥400 million was recorded compared with operating loss of ¥600 million for the previous year.

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

Total assets at the end of the fiscal year ended March 31, 2018 amounted to ¥396.2 billion, having increased ¥5.7 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥7.8 billion increase in notes and accounts receivable-trade and a ¥7.7 billion increase in cash and deposits, despite a ¥6.0 billion decrease in marketable securities and a ¥4.1 billion decrease in prepaid expenses (included in "Other" of Current assets).

Total liabilities amounted to ¥59.0 billion, having increased ¥8.7 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥3.6 billion increase in notes and accounts payable-trade, a ¥3.2 billion increase in electronically recorded obligations-operating, and a ¥1.0 billion increase in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥3.0 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to cash dividends paid amounting to ¥12.1 billion despite recording of profit attributable to owners of parent amounting to ¥5.5 billion, a ¥1.7 billion increase in net unrealized gain on other securities and an increase of ¥1.4 billion owing to the exclusion of Fields Corporation from the scope of equity method accounting. As a result, net assets amounted to ¥337.2 billion and the shareholders' equity ratio decreased 2.1 percentage points to 84.8%.

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

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥274.0 billion, having increased ¥22.1 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥7.4 billion from the previous fiscal year to ¥15.9 billion. Principal cash inflow items were income before income taxes amounting to ¥8.0 billion, a ¥7.2 billion increase in notes and accounts payable-trade, and a ¥4.1 billion decrease in prepaid expenses (included in "Other"). The principal cash outflow item was a ¥7.8 billion increase in notes and accounts receivable-trade.

Net cash provided by investing activities decreased ¥2.1 billion from the previous fiscal year to ¥18.4 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥70.0 billion, proceeds from redemption of investment securities amounting to ¥24.0 billion, and proceeds from withdrawal of time deposits amounting to ¥5.5 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥68.0 billion and payment into time deposits amounting to ¥11.0 billion.

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

For fiscal 2019, the Company forecasts an increase in net cash provided by operating activities of ¥21.0 billion, a decrease in net cash used in investing activities of ¥3.0 billion attributable to capital investment, and a decrease in net cash used in financing activities of ¥12.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥6.0 billion in the cash balance at the end of fiscal 2019 compared to the end of fiscal 2018.

### (reference) Change in cash flow indicators

|                                                  | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 |
|--------------------------------------------------|----------------|----------------|----------------|----------------|
| Shareholders' equity ratio (%)                   | 85.5           | 84.1           | 86.9           | 84.8           |
| Shareholders' equity ratio at market value (%)   | 84.1           | 82.0           | 77.2           | 76.8           |
| Ratio of interest-bearing debt to cash flows (%) | 0.1            | 0.1            | 0.2            | 0.1            |
| Interest coverage ratio (times)                  | 14,249.2       | -              | -              | -              |

Notes: Shareholders' equity ratio: Shareholders' equity / Total assets  
 Shareholders' equity ratio at market value: Market capitalization / Total assets  
 Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows  
 Interest coverage ratio: Cash flows / Interest expenses

Notes:

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

### (4) Future outlook

The next fiscal year ending March 31, 2019 is the first full year for enforcement of the Amended Pachinko and Pachislot Machines Regulations and of the three-year period for a transitional measure during which it is possible to continue sales of products that were certified by format inspection under the former regulations. Regarding machines compliant with the new regulations that will be introduced in the market from now on, it is difficult to forecast how players will react to them because the total payout of such machines is lower than that of machines compliant with the former regulations. However, competition in development of products that can be played at a more reasonable cost is expected and there are certain elements that lead to new gaming performance, such as pachinko machines with payout settings. Therefore, the Group intends to vigorously apply for format inspection of machines compliant with the new regulations so that they can be introduced to the market in parallel with sales of machines

compliant with the former regulations.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2019, of 205,500 pachinko machines and 39,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2018, are as follows:

|                                         | Forecast |         | Year-on-year change |          | FY 2018 results |         |
|-----------------------------------------|----------|---------|---------------------|----------|-----------------|---------|
| Net sales                               | ¥90.0    | billion | 4.4%                | increase | ¥86.2           | billion |
| Operating income                        | ¥12.0    | billion | 17.9%               | increase | ¥10.1           | billion |
| Recurring income                        | ¥13.0    | billion | 14.8%               | increase | ¥11.3           | billion |
| profit attributable to owners of parent | ¥9.0     | billion | 62.1%               | increase | ¥5.5            | billion |

**\*Caution regarding Forward-looking Statements**

The forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed rational. The company does not guarantee their realization. Actual results, performance or achievements may differ materially from those expressed in forward-looking statements owing to various factors.

**(5) Basic policy on profit sharing and cash dividends for fiscal 2017 and fiscal 2018**

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

In line with the above basic policy and from the viewpoint of stable dividend payment, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2017 and for fiscal 2018. This will result in a consolidated payout ratio of 219.4% for fiscal 2017 and 135.3% for fiscal 2018.

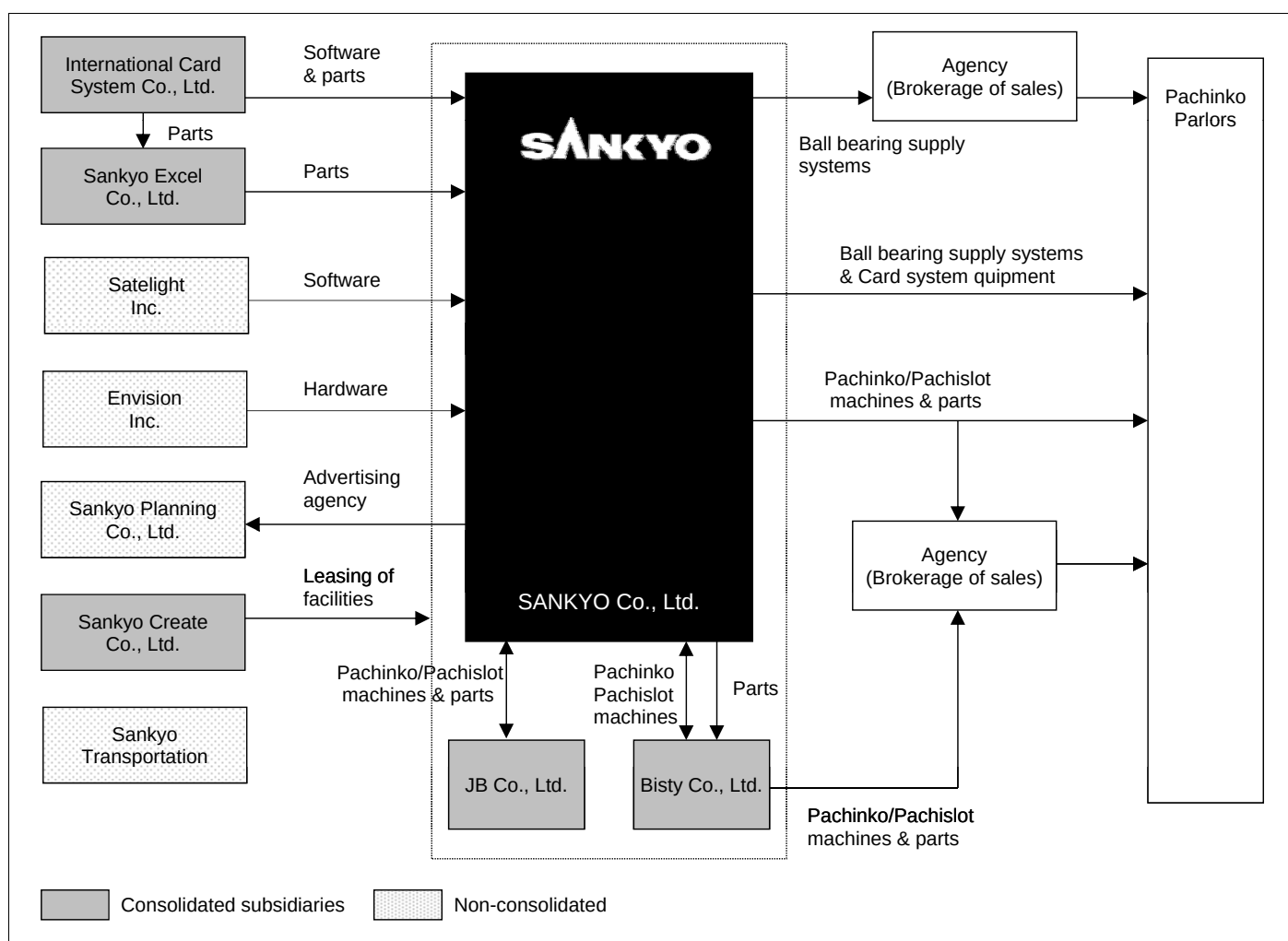
The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency.

## 2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 9 subsidiaries (as of March 31, 2017) and two affiliates. Details of the Group's business and the positioning of major affiliated companies concerning the business are shown below. The classification of businesses is the same as that in the segment information.

| Business segment (Details of the Business)                                                                                                                                                  | Company name                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Pachinko machines business</b><br>Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income    | SANKYO Co., Ltd.<br>Sankyo Excel Co., Ltd.<br>Bisty Co., Ltd.<br>International Card System Co., Ltd.<br>JB Co., Ltd.                                           |
| <b>Pachislot machines business</b><br>Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income                                   | Sankyo Create Co., Ltd.<br>Sankyo Transportation Co., Ltd.<br>Sankyo Planning Co., Ltd.<br>Satelight Inc.<br>Envision Inc.                                     |
| <b>Ball bearing supply systems business</b><br>Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income | SANKYO Co., Ltd.<br>Sankyo Excel Co., Ltd.<br>International Card System Co., Ltd.<br>Sankyo Create Co., Ltd.                                                   |
| <b>Other business</b><br>Mobile content services, Real estate rental revenues, Operation of a golf course ,sales of general molded parts,                                                   | Sankyo Excel Co., Ltd.<br>Sankyo Create Co., Ltd.<br>International Card System Co., Ltd.<br>Sankyo Transportation Co., Ltd.<br>Satelight Inc.<br>Envision Inc. |

(2) The business structure is shown below.



### 3. Management Policies

#### (1) Fundamental management policy

The basic philosophy of SANKYO Co., Ltd. (the Company) and its consolidated subsidiaries and affiliates (SANKYO Group) is to fulfill its mission, namely, to contribute to the sound development of pachinko and pachislot, which are popular leisure activities in Japan, and to the quality of life in society as a leading company in the pachinko and pachislot industry.

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

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

#### (2) Performance indicators

SANKYO Group aims to achieve sustainable growth by establishing a solid position in the industry through increasing its share of the pachinko and pachislot markets. The Company believes that the results of this effort are reflected in the ratio of operating income to net sales and formulates and implements various measures to increase competitive advantage in product planning, development, production, and marketing with the objective of increasing this ratio. The Group will continuously engage in cost reduction measures, including improvement of the efficiency of advertising and sales promotion, the sharing of parts and materials, and the streamlining of logistics.

The table below depicts change in the ratio of operating income to net sales for the most recent three-year period.

|                                            | FY2016 | FY2017 | FY2018 |
|--------------------------------------------|--------|--------|--------|
| Ratio of operating income to net sales (%) | 13.7   | 6.2    | 11.8   |

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

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

#### (4) Management issues

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

##### a. Response to change in the environment and initiatives to revamp pachinko and pachislot player population

In line with the enforcement of the Amended Pachinko and Pachislot Machines Regulations, the pachinko and pachislot industry is implementing industry-wide measures to discourage players from becoming overly immersed in playing pachinko and pachislot, one of the objectives of the amended regulations. While implementing such measures, the Group recognizes that one of the most important issues for the industry is the need to restore pachinko and pachislot to their position as affordable popular entertainment that can be enjoyed at ease.

As the response to the Amended Pachinko and Pachislot Machines Regulations is subject to a transitional measure for three years, pachinko parlors are expected to be cautious regarding replacement with machines compliant with new regulations, as they want to determine the popularity of such machines. The Group intends to commit to speedy development of pachinko and pachislot machines that can be played at a reasonable cost in order to lead their diffusion in the market.

##### b. Initiatives to strengthen earnings power

As part of initiatives to strengthen earnings power, the Group will strive to increase sales of pachinko and pachislot machines, which are the sources of profit, increase the Group's market share, and reduce cost.

Offering pachinko and pachislot machines that are well received by players and remain in operation for a long time, thereby contributing to parlor operators' revenues and profit, will lead to enhancement of the Group's brand and increased sales. In this regard, although *Fever Symphogear*, a SANKYO-brand pachinko machine introduced in August 2017, attracted little attention upon its launch, it soon captivated the younger generation, which is the target of the *Symphogear* anime, and its popularity expanded to other age groups owing to synergy between the content and its specifications and gaming performance. Although sales of a new pachinko title generally stabilize within about a month of its introduction, *Fever Symphogear* gained additional orders for more than six months, becoming an enduring strong-seller, which is a rarity in the industry, and a hit product leading to

enhancement of the Group's brand power. Attesting to this success, *Fever Symphogear* gained the first place in the pachinko category of Players' Choice Pachinko and Pachislot Award 2017 held by the PACHINKO Advertising Association.

By pursuing synergy between intellectual property (IP) and content, taking advantage of the world they conjure up, and specifications and gaming performance, the Group will work to appeal to players of a wide range of age groups. At the same time, the Group will promote development and sales of pachinko and pachislot machines that can be played at a reasonable cost, which are expected to become mainstream from now on, and of pachinko machines with payout settings as well as aiming at an increase of the market share.

Meanwhile, development costs are soaring and sales of pachinko and pachislot machines have been increasingly gravitating toward smaller lots in recent years, putting pressure on profit. In these circumstances, the Group is shortening the development lead time. Moreover, the Group classifies its products into high-end models or low-end models and models through tie-up with licensors or models featuring original content and modulates allocation of costs, such as manufacturing cost and R&D expenditure, according to the classification of products for thorough profit/loss management for each product in order to secure profit even in small-lot manufacturing and sales.

#### 4. Basic Approach to the Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

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

|                                                                    | As of<br>March 31, 2017<br>Millions of yen | As of<br>March 31, 2018<br>Millions of yen |
|--------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Assets:                                                            |                                            |                                            |
| Current assets:                                                    |                                            |                                            |
| Cash and deposits                                                  | 97,818                                     | 105,568                                    |
| Notes and accounts receivable-trade                                | 18,626                                     | 26,489                                     |
| Marketable securities                                              | 188,007                                    | 181,999                                    |
| Finished goods and merchandise                                     | 82                                         | 248                                        |
| Work in process                                                    | 289                                        | 285                                        |
| Raw materials and supplies                                         | 1,334                                      | 1,628                                      |
| Accounts receivable for provision of parts and materials for value | 1,796                                      | 4,359                                      |
| Deferred tax assets                                                | 2,073                                      | 2,173                                      |
| Other                                                              | 7,536                                      | 2,083                                      |
| Allowance for doubtful accounts                                    | (13)                                       | (2)                                        |
| Total current assets                                               | 317,552                                    | 324,833                                    |
| Fixed assets, at cost:                                             |                                            |                                            |
| Tangible fixed assets:                                             |                                            |                                            |
| Buildings and structures                                           | 27,769                                     | 26,460                                     |
| Less accumulated depreciation                                      | (13,094)                                   | (13,870)                                   |
| Subtotal                                                           | 14,674                                     | 12,589                                     |
| Machinery and equipment                                            | 7,592                                      | 7,479                                      |
| Less accumulated depreciation                                      | (6,473)                                    | (6,649)                                    |
| Subtotal                                                           | 1,119                                      | 830                                        |
| Furniture and fixtures                                             | 20,016                                     | 19,534                                     |
| Less accumulated depreciation                                      | (17,003)                                   | (16,165)                                   |
| Subtotal                                                           | 3,013                                      | 3,369                                      |
| Land                                                               | 22,985                                     | 22,628                                     |
| Lease assets                                                       | 30                                         | 30                                         |
| Less accumulated depreciation                                      | (17)                                       | (22)                                       |
| Subtotal                                                           | 13                                         | 8                                          |
| Construction in progress                                           | 0                                          | -                                          |
| Other                                                              | 3,074                                      | 1,850                                      |
| Total tangible fixed assets                                        | 44,880                                     | 41,277                                     |
| Intangible fixed assets                                            |                                            |                                            |
| Goodwill                                                           | 267                                        | 132                                        |
| Other                                                              | 319                                        | 231                                        |
| Total Intangible fixed assets                                      | 586                                        | 364                                        |
| Investments and other assets:                                      |                                            |                                            |
| Investment securities                                              | 21,612                                     | 25,015                                     |
| Long-term advances                                                 | 544                                        | 154                                        |
| Deferred tax assets                                                | 5,319                                      | 4,567                                      |
| Other                                                              | 493                                        | 480                                        |
| Allowance for doubtful accounts                                    | (24)                                       | (21)                                       |
| Allowance for investment loss                                      | (379)                                      | (379)                                      |
| Total investments and other assets                                 | 27,565                                     | 29,816                                     |
| Total fixed assets                                                 | 73,032                                     | 71,458                                     |
| Total assets                                                       | 390,585                                    | 396,291                                    |

## Consolidated Balance Sheets

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

|                                                 | As of<br>March 31, 2017<br>Millions of yen | As of<br>March 31, 2018<br>Millions of yen |
|-------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Liabilities:                                    |                                            |                                            |
| Current liabilities:                            |                                            |                                            |
| Notes and accounts payable-trade                | 5,607                                      | 9,304                                      |
| Electronically recorded obligations - operating | 8,113                                      | 11,326                                     |
| Lease liabilities                               | 5                                          | 4                                          |
| Accrued income taxes                            | 1,623                                      | 2,369                                      |
| Allowance for bonuses                           | 834                                        | 803                                        |
| Asset retirement obligations                    | -                                          | 3                                          |
| Other                                           | 5,745                                      | 6,785                                      |
| Total current liabilities                       | 21,930                                     | 30,599                                     |
| Long-term liabilities:                          |                                            |                                            |
| Bonds with subscription rights to shares        | 20,066                                     | 20,046                                     |
| Lease liabilities                               | 8                                          | 4                                          |
| Net defined benefit liabilities                 | 4,671                                      | 4,784                                      |
| Asset retirement obligations                    | 63                                         | 59                                         |
| Other                                           | 3,557                                      | 3,554                                      |
| Total long-term liabilities                     | 28,368                                     | 28,449                                     |
| Total liabilities                               | 50,298                                     | 59,048                                     |
| Net Assets:                                     |                                            |                                            |
| Shareholders' equity:                           |                                            |                                            |
| Common stock                                    | 14,840                                     | 14,840                                     |
| Capital surplus                                 | 23,750                                     | 23,750                                     |
| Retained earnings                               | 335,518                                    | 329,499                                    |
| Less: treasury stock, at cost                   | (39,700)                                   | (38,782)                                   |
| Total shareholders' equity                      | 334,408                                    | 329,306                                    |
| Accumulated other comprehensive income:         |                                            |                                            |
| Net unrealized gain on other securities         | 5,264                                      | 6,952                                      |
| Remeasurements of defined benefit plans         | (188)                                      | (73)                                       |
| Total accumulated other comprehensive income    | 5,076                                      | 6,878                                      |
| Subscription rights to shares                   | 802                                        | 1,057                                      |
| Total net assets                                | 340,287                                    | 337,242                                    |
| Total liabilities and total net assets          | 390,585                                    | 396,291                                    |

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

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

|                                              | Year ended<br>March 31, 2017 | Year ended<br>March 31, 2018 |
|----------------------------------------------|------------------------------|------------------------------|
|                                              | Millions of yen              | Millions of yen              |
| Net sales                                    | 81,455                       | 86,220                       |
| Cost of sales                                | 38,409                       | 42,506                       |
| Gross profit                                 | 43,045                       | 43,714                       |
| Selling, general and administrative expenses | 37,986                       | 33,533                       |
| Operating income                             | 5,059                        | 10,181                       |
| Non-operating income:                        |                              |                              |
| Interest income                              | 318                          | 189                          |
| Dividend income                              | 482                          | 733                          |
| Other                                        | 217                          | 219                          |
| Total non-operating income                   | 1,017                        | 1,143                        |
| Non-operating expenses:                      |                              |                              |
| Equity in losses of affiliates               | 2,216                        | -                            |
| Loss on management of investment partnership | 3                            | -                            |
| Other                                        | 24                           | 5                            |
| Total non-operating expenses                 | 2,244                        | 5                            |
| Recurring income                             | 3,832                        | 11,319                       |
| Extraordinary gains:                         |                              |                              |
| Gain on sales of fixed assets                | 8                            | -                            |
| Gain on sales of golf course membership      | -                            | 2                            |
| Total extraordinary gains                    | 8                            | 2                            |
| Extraordinary losses:                        |                              |                              |
| Loss on sales of fixed assets                | 24                           | 2                            |
| Loss on disposal of fixed assets             | 37                           | 18                           |
| Loss on sales of investment securities       | -                            | 42                           |
| Loss on valuation of investment securities   | 85                           | -                            |
| Impairment loss                              | -                            | 3,202                        |
| Loss on sales of golf club membership        | 8                            | -                            |
| Total extraordinary losses                   | 156                          | 3,266                        |
| Income before income taxes                   | 3,685                        | 8,055                        |
| Income taxes:                                |                              |                              |
| Current income taxes                         | 2,105                        | 2,655                        |
| Deferred income taxes                        | (198)                        | (150)                        |
| Total income taxes                           | 1,907                        | 2,504                        |
| Net income                                   | 1,777                        | 5,550                        |
| Profit attributable to owners of parent      | 1,777                        | 5,550                        |

## Consolidated Statements of Comprehensive Income

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

|                                                                                     | Year ended<br>March 31, 2017 | Year ended<br>March 31, 2018 |
|-------------------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                                     | Millions of yen              | Millions of yen              |
| Net income                                                                          | 1,777                        | 5,550                        |
| Other comprehensive income:                                                         |                              |                              |
| Net unrealized gain (loss) on other securities                                      | 1,421                        | 1,768                        |
| Remeasurements of defined benefit plans                                             | 33                           | 105                          |
| Share of other comprehensive income of associates accounted for using equity method | 13                           | (71)                         |
| Total other comprehensive income                                                    | 1,469                        | 1,802                        |
| Comprehensive income                                                                | 3,246                        | 7,352                        |
| Comprehensive income attributable to                                                |                              |                              |
| Comprehensive income attributable to owners of the parent                           | 3,246                        | 7,352                        |
| Comprehensive income attributable to minority interests                             | -                            | -                            |

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

Year ended March 31, 2017 (From April 1, 2016, to March 31, 2017)

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

|                                                                                                       | Shareholders' equity |                 |                   |                |                            | Accumulated other comprehensive income  |                                         |                                              | Subscription rights to shares | Total net assets |
|-------------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|------------------|
|                                                                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gain on other securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of the period                                                                    | 14,840               | 23,750          | 345,918           | (39,700)       | 344,807                    | 3,839                                   | (232)                                   | 3,607                                        | 526                           | 348,941          |
| Change during the fiscal year                                                                         |                      |                 |                   |                |                            |                                         |                                         |                                              |                               |                  |
| Dividends of surplus                                                                                  |                      |                 | (12,176)          |                | (12,176)                   |                                         |                                         |                                              |                               | (12,176)         |
| Profit attributable to owners of parent                                                               |                      |                 | 1,777             |                | 1,777                      |                                         |                                         |                                              |                               | 1,777            |
| Acquisition of treasury stocks                                                                        |                      |                 |                   | (2)            | (2)                        |                                         |                                         |                                              |                               | (2)              |
| Sales of treasury stocks                                                                              |                      |                 | (0)               | 2              | 1                          |                                         |                                         |                                              |                               | 1                |
| Change of scope of equity method                                                                      |                      |                 |                   |                | -                          |                                         |                                         |                                              |                               | -                |
| Change in treasury shares arising from change in equity in entities accounted for using equity method |                      |                 |                   |                | -                          |                                         |                                         |                                              |                               | -                |
| Net changes of items other than shareholder's equity                                                  |                      |                 |                   |                |                            | 1,424                                   | 44                                      | 1,469                                        | 275                           | 1,744            |
| Total changes during the fiscal year                                                                  | -                    | -               | (10,399)          | 0              | (10,399)                   | 1,424                                   | 44                                      | 1,469                                        | 275                           | (8,654)          |
| Balance at end of the period                                                                          | 14,840               | 23,750          | 335,518           | (39,700)       | 334,408                    | 5,264                                   | (188)                                   | 5,076                                        | 802                           | 340,287          |

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

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

|                                                                                                       | Shareholders' equity |                 |                   |                |                            | Accumulated other comprehensive income  |                                         |                                              | Subscription rights to shares | Total net assets |
|-------------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|------------------|
|                                                                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gain on other securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of the period                                                                    | 14,840               | 23,750          | 335,518           | (39,700)       | 334,408                    | 5,264                                   | (188)                                   | 5,076                                        | 802                           | 340,287          |
| Change during the fiscal year                                                                         |                      |                 |                   |                |                            |                                         |                                         |                                              |                               |                  |
| Dividends of surplus                                                                                  |                      |                 | (12,176)          |                | (12,176)                   |                                         |                                         |                                              |                               | (12,176)         |
| Profit attributable to owners of parent                                                               |                      |                 | 5,550             |                | 5,550                      |                                         |                                         |                                              |                               | 5,550            |
| Acquisition of treasury stocks                                                                        |                      |                 |                   | (2)            | (2)                        |                                         |                                         |                                              |                               | (2)              |
| Sales of treasury stocks                                                                              |                      |                 | (0)               | 0              | 0                          |                                         |                                         |                                              |                               | 0                |
| Change of scope of equity method                                                                      |                      |                 | 607               |                | 607                        |                                         |                                         |                                              |                               | 607              |
| Change in treasury shares arising from change in equity in entities accounted for using equity method |                      |                 |                   | 919            | 919                        |                                         |                                         |                                              |                               | 919              |
| Net changes of items other than shareholder's equity                                                  |                      |                 |                   |                |                            | 1,687                                   | 115                                     | 1,802                                        | 254                           | 2,057            |
| Total changes during the fiscal year                                                                  | -                    | -               | (6,018)           | 917            | (5,101)                    | 1,687                                   | 115                                     | 1,802                                        | 254                           | (3,044)          |
| Balance at end of the period                                                                          | 14,840               | 23,750          | 329,499           | (38,782)       | 329,306                    | 6,952                                   | (73)                                    | 6,878                                        | 1,057                         | 337,242          |

## (4) Consolidated Statements of Cash Flows

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

|                                                                                           | Year ended March<br>31, 2017 | Year ended March<br>31, 2018 |
|-------------------------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                                           | Millions of yen              | Millions of yen              |
| Cash flows from operating activities:                                                     |                              |                              |
| Income before income taxes                                                                | 3,685                        | 8,055                        |
| Depreciation and amortization                                                             | 2,971                        | 3,081                        |
| Amortization of goodwill                                                                  | 737                          | 134                          |
| Share-based compensation expenses                                                         | 272                          | 249                          |
| Increase (decrease) in allowance for doubtful accounts                                    | 8                            | (14)                         |
| Increase (decrease) in allowance for bonuses                                              | (4)                          | (30)                         |
| Increase (decrease) in net defined benefit liabilities                                    | 275                          | 265                          |
| Interest and dividend income                                                              | (800)                        | (923)                        |
| (Gain) loss on equity in earnings of affiliates                                           | 2,216                        | -                            |
| Loss (gain) on sales of property, plant and equipment and intangible assets               | 15                           | 2                            |
| Disposal of fixed assets                                                                  | 37                           | 18                           |
| Impairment loss                                                                           | -                            | 3,202                        |
| (Gain) loss on sales of investment securities                                             | -                            | 42                           |
| (Gain) loss on valuation of investment securities                                         | 85                           | -                            |
| (Gain) loss on sales of golf club membership                                              | 8                            | (2)                          |
| (Increase) decrease in notes and accounts receivable-trade                                | 15,215                       | (7,862)                      |
| (Increase) decrease in inventories                                                        | (206)                        | (454)                        |
| Increase (decrease) in notes and accounts payable-trade                                   | (11,867)                     | 7,267                        |
| (Increase) decrease in accounts receivable for provision of parts and materials for value | 1,989                        | (2,562)                      |
| Increase (decrease) in accounts payable                                                   | (178)                        | (145)                        |
| Increase (decrease) in accrued consumption tax                                            | (950)                        | 1,132                        |
| Other                                                                                     | (2,540)                      | 4,993                        |
| Subtotal                                                                                  | 10,969                       | 16,449                       |
| Interest and dividend income received                                                     | 783                          | 728                          |
| Income taxes paid                                                                         | (3,205)                      | (1,457)                      |
| Income taxes refund                                                                       | 2                            | 242                          |
| Net cash (used in) provided by operating activities                                       | 8,549                        | 15,962                       |
| Cash flows from investing activities:                                                     |                              |                              |
| Payments into time deposits                                                               | -                            | (11,098)                     |
| Proceeds from withdrawal of time deposits                                                 | -                            | 5,548                        |
| Payment for purchase of marketable securities                                             | (11,000)                     | (68,000)                     |
| Proceeds from redemption of marketable securities                                         | 6,000                        | 70,000                       |
| Payment for purchase of property, plant and equipment and intangible fixed assets         | (3,917)                      | (2,930)                      |
| Proceeds from sale of property, plant and equipment and intangible fixed assets           | 35                           | -                            |
| Payment for purchase of investment securities                                             | (30)                         | (9)                          |
| Proceeds from sale of investment securities                                               | -                            | 544                          |
| Proceeds from redemption of investment securities                                         | 30,000                       | 24,000                       |
| Payment for increase in loans-receivable                                                  | (544)                        | (200)                        |
| Proceeds from collection of long-term loans                                               | -                            | 565                          |
| Other                                                                                     | 5                            | (0)                          |
| Net cash (used in) provided by investing activities                                       | 20,547                       | 18,420                       |
| Cash flows from financing activities:                                                     |                              |                              |
| Repayment of finance lease obligations                                                    | (5)                          | (5)                          |
| Payment for purchase of treasury stock, net                                               | (2)                          | (2)                          |
| Proceeds from sale of treasury stock                                                      | 0                            | 0                            |
| Cash dividends paid                                                                       | (12,176)                     | (12,176)                     |
| Net cash (used in) provided financing activities                                          | (12,184)                     | (12,184)                     |
| Net increase (decrease) in cash and cash equivalents                                      | 16,912                       | 22,199                       |
| Cash and cash equivalents at beginning of the period                                      | 234,905                      | 251,818                      |
| Cash and cash equivalents at end of the period                                            | 251,818                      | 274,017                      |

(5) Segment Information  
(Segment information by business category)

Year ended March 31, 2017 (From April 1, 2016, to March 31, 2017)

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

|                                                               | Year ended March 31, 2017 (Millions of yen) |                             |                                      |          |        |         |             |              |
|---------------------------------------------------------------|---------------------------------------------|-----------------------------|--------------------------------------|----------|--------|---------|-------------|--------------|
|                                                               | Reportable segments                         |                             |                                      |          | Other  | Total   | Adjustments | Consolidated |
|                                                               | Pachinko machines business                  | Pachislot machines business | Ball bearing supply systems business | Subtotal |        |         |             |              |
| Sales                                                         |                                             |                             |                                      |          |        |         |             |              |
| Customers                                                     | 60,534                                      | 13,238                      | 7,204                                | 80,978   | 477    | 81,455  | -           | 81,455       |
| Intersegment                                                  | -                                           | -                           | -                                    | -        | -      | -       | -           | -            |
| Total                                                         | 60,534                                      | 13,238                      | 7,204                                | 80,978   | 477    | 81,455  | -           | 81,455       |
| Segment income                                                | 10,402                                      | (225)                       | 333                                  | 10,509   | (665)  | 9,844   | (4,785)     | 5,059        |
| Segment assets                                                | 79,570                                      | 25,654                      | 9,397                                | 114,622  | 13,910 | 128,532 | 262,052     | 390,585      |
| Other items                                                   |                                             |                             |                                      |          |        |         |             |              |
| Depreciation                                                  | 1,891                                       | 464                         | 22                                   | 2,377    | 405    | 2,783   | 188         | 2,971        |
| Amortization of goodwill                                      | 491                                         | 110                         | -                                    | 602      | 134    | 737     | -           | 737          |
| Increase in tangible fixed assets and intangible fixed assets |                                             |                             |                                      |          |        |         |             |              |
|                                                               | 2,122                                       | 1,002                       | 9                                    | 3,135    | 368    | 3,503   | 130         | 3,633        |

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

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

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

## 6. Others

### (1) Changes of Directors

SANKYO Co., Ltd. today announced that a change of directors was decided at a meeting of the board of directors of the Company held on May 10, 2018.

#### 1. A newly appointed director (effective date: June 28, 2018)

| Name                     | Position        | Present Occupation                       |
|--------------------------|-----------------|------------------------------------------|
| <b>Hiroyuki Yamasaki</b> | <b>Director</b> | Director of CPA Hiroyuki Yamasaki Office |

Hiroyuki Yamasaki is scheduled to assume the position of Outside Directors, and to be reported to Tokyo Stock Exchange as independent officers.

#### 2. (Reference) Directors and Officers after June 28, 2018

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