

May 12, 2020

SANKYO CO., LTD.

<https://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 26, 2020
Planned Date for Start of Dividend Payment: June 29, 2020
Planned Date for Submittal of the Financial Statements Report: June 29, 2020
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: No

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

1. Results for the fiscal year (From April 1, 2019, to March 31, 2020)

(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, 2020	78,416	(11.5%)	12,551	(41.0%)	13,476	(39.6%)	13,045	(2.5%)
Year ended March 31, 2019	88,558	2.7%	21,286	109.1%	22,300	97.0%	13,384	141.1%
(note) Comprehensive income	Year ended March 31, 2020		¥11,114 million [(7.7%)]		Year ended March 31, 2019		¥12,039 million [63.7%]	

	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, 2020	183.43	172.69	4.3	3.7	16.0
Year ended March 31, 2019	164.88	156.49	4.0	5.6	24.0
(reference) Equity in earnings of affiliates	Year ended March 31, 2020		- million		Year ended March 31, 2019
					- 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, 2020	325,232	269,521	82.4	4,380.33
As of March 31, 2019	399,585	337,377	84.1	4,139.74
(reference) Shareholders' Equity	As of March 31, 2020		¥267,946 million	
			As of March 31, 2019	
			¥336,045 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, 2020	18,971	(21,748)	(79,223)	192,294
Year ended March 31, 2019	16,828	(4,367)	(12,183)	274,295

2. Dividends

(Base date)	Cash dividend per share					Amount of dividends	Dividend payout ratio	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, 2019	-	75.00	-	75.00	150.00	12,176	91.0	3.6
Year ended March 31, 2020	-	75.00	-	75.00	150.00	9,175	81.8	3.5
Year ended March 31, 2021 (forecast)	-	-	-	-	-	-	-	-

3. Forecast for FY2021 (From April 1, 2020, to March 31, 2021)

In view of the COVID-19 pandemic, forecasts for the fiscal year ending March 31, 2021 are undecided as it is difficult to make reasonable estimates of its impact on the Group's business activities and operating results at present. We will announce the forecasts as soon as they become available for disclosure.

*** Notes**

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2020: 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, 2020: 69,597,500 shares

As of March 31, 2019: 89,597,500 shares

b. Number of treasury stock

As of March 31, 2020: 8,427,105 shares

As of March 31, 2019: 8,421,994 shares

c. Average number of shares issued and outstanding

As of March 31, 2020: 71,118,016 shares

As of March 31, 2019: 81,175,841 shares

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2019, to March 31, 2020)**

(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, 2020	67,913	(15.9%)	6,996	(65.8%)	8,813	(61.7%)	8,274	(43.6%)
Year ended March 31, 2019	80,724	9.6%	20,479	334.0%	23,036	207.4%	14,660	142.2%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2020	116.35	109.47
Year ended March 31, 2019	180.60	171.42

(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, 2020	308,516	253,175	81.6	4,113.10
As of March 31, 2019	386,664	325,782	83.9	3,996.91

(reference) Shareholders' Equity As of March 31, 2020 ¥251,600 million As of March 31, 2019 ¥324,451 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, 2020, the moderate recovery of the Japanese economy was expected to continue as corporate earnings remained firm and the labor market and personal incomes continued to improve. However, measures to prevent the spread of COVID-19, such as requests to refrain from nonessential outings and holding of large-scale events, are affecting corporate earnings and personal consumption. The impact of the COVID-19 pandemic on the Japanese economy and the world economy is expected to remain harsh and challenging circumstances will likely persist.

Regarding the environment in which the pachinko and pachislot industry operates, pursuant to the Amended Pachinko and Pachislot Machines Regulations enforced 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 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 over 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 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 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 COVID-19, pachinko parlors have been refraining from advertising and sales promotion 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.

In these circumstances, 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 as machines compliant with the former regulations and those compliant with the new regulations coexist at pachinko parlors, resulting in little growth in sales volumes of pachinko and pachislot machines.

As a result, net sales were ¥78.4 billion, a decrease of 11.5% year on year. Operating income was ¥12.5 billion, a decrease of 41.0%, and recurring income was ¥13.4 billion, a decrease of 39.6%. Profit attributable to owners of parent was ¥13.0 billion, a decrease of 2.5%, owing to the recording of extraordinary gains resulting from an incorporation-type company split and transfer of shares with regard to certain businesses of a consolidated subsidiary of the Company in line with the restructuring of the Group's businesses and the recording of a loss on valuation of investment securities resulting from substantial falls of stock markets.

Results of segments are presented below:

Pachinko Machines Business

Regarding 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. Moreover, 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% compared with the same period of the previous year, and operating income was ¥14.8 billion, a decrease of 44.9%. Sales of pachinko machines amounted to 149,000 units.

Pachislot Machines Business

Regarding 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.

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

Ball Bearing Supply Systems Business

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

Other Businesses

Sales of other businesses were ¥500 million, a decrease of 2.1% year on year. An operating loss of ¥100 million was recorded compared with operating loss of ¥300 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, 2020 amounted to ¥325.2 billion, having decreased ¥74.3 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥64.9 billion decrease in marketable securities in line with purchase of treasury stock, a ¥13.8 billion decrease in notes and accounts receivable-trade, and a ¥13.1 billion decrease in tangible fixed assets in line with the company split and share transfer of Sankyo Create Co., Ltd., a consolidated subsidiary of the Company, despite a ¥18.0 billion increase in cash and deposits.

Total liabilities amounted to ¥55.7 billion, having decreased ¥6.4 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥3.3 billion decrease in accounts payable (included in "Other" of Current liabilities), a ¥3.3 billion decrease in accrued income taxes, and a ¥2.4 billion decrease in electronically recorded obligations-operating, despite a ¥2.5 billion increase in notes and accounts payable-trade.

Net assets decreased ¥67.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to purchase of treasury stock amounting to ¥68.5 billion, cash dividends paid amounting to ¥10.6 billion, and a ¥1.9 billion decrease in net unrealized gain on other securities, despite recording of profit attributable to owners of parent amounting to ¥13.0 billion. The treasury stock purchased was cancelled on December 30, 2019. As a result, net assets amounted to ¥269.5 billion and the shareholders' equity ratio decreased 1.7 percentage points to 82.4%.

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

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥192.2 billion, having decreased ¥82.0 billion from the previous fiscal year-end.

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

Cash flows from investing activities decreased ¥17.3 billion from the figure at the previous fiscal year-end and, as a result, net cash used in investing activities amounted to ¥21.7 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥80.0 billion, proceeds from sale of shares of subsidiaries and associates amounting to ¥15.2 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 ¥115.0 billion, payment into time deposits amounting to ¥5.5 billion, and payment for tangible fixed assets and intangible fixed assets amounting to ¥2.9 billion.

Cash flows from financing activities decreased ¥67.0 billion from the figure at the previous fiscal year-end and, as a result, net cash used in financing activities amounted to ¥79.2 billion. Principal cash outflow items were payment for purchase of treasury stock amounting to ¥68.5 billion and cash dividends paid amounting to ¥10.6 billion.

(reference) Change in cash flow indicators

	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Shareholders' equity ratio (%)	86.9	84.8	84.1	82.4
Shareholders' equity ratio at market value (%)	77.2	76.8	85.7	59.2
Ratio of interest-bearing debt to cash flows (%)	0.2	0.1	0.1	-

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

Regarding the market environment for the next fiscal year ending March 31, 2021, expectations had been that shipments of both pachinko and pachislot machines would increase as demand for replacement with machines compliant with the new regulations became at its highest. However, because the Japanese government and local governments issued requests for pachinko parlors to temporarily suspend business operations in light of the COVID-19 pandemic, pachinko parlor operators, which are the Group's customers, are greatly affected in terms of their willingness to make capital investments. It is also unclear when the situation will stabilize. Due to the impact of these circumstances on the Group's business activities and operating results, it is difficult to make reasonable estimates of financial forecasts, including the initially anticipated replacement demand, and thus the forecasts for the fiscal year ending March 31, 2021 are "undecided." We will announce the forecasts as soon as reasonable estimates become possible.

*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 2020 and fiscal 2021

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.

The Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend, a consolidated payout ratio of 81.8%) for fiscal 2020. In view of the impact of the COVID-19 pandemic on business activities and operating results, it is difficult for the Company to make reasonable estimates of financial forecasts, and thus the forecasts for fiscal 2021 are undecided and dividends for fiscal 2021 are also "undecided." We will announce the dividend forecast as soon as reasonable estimates become possible.

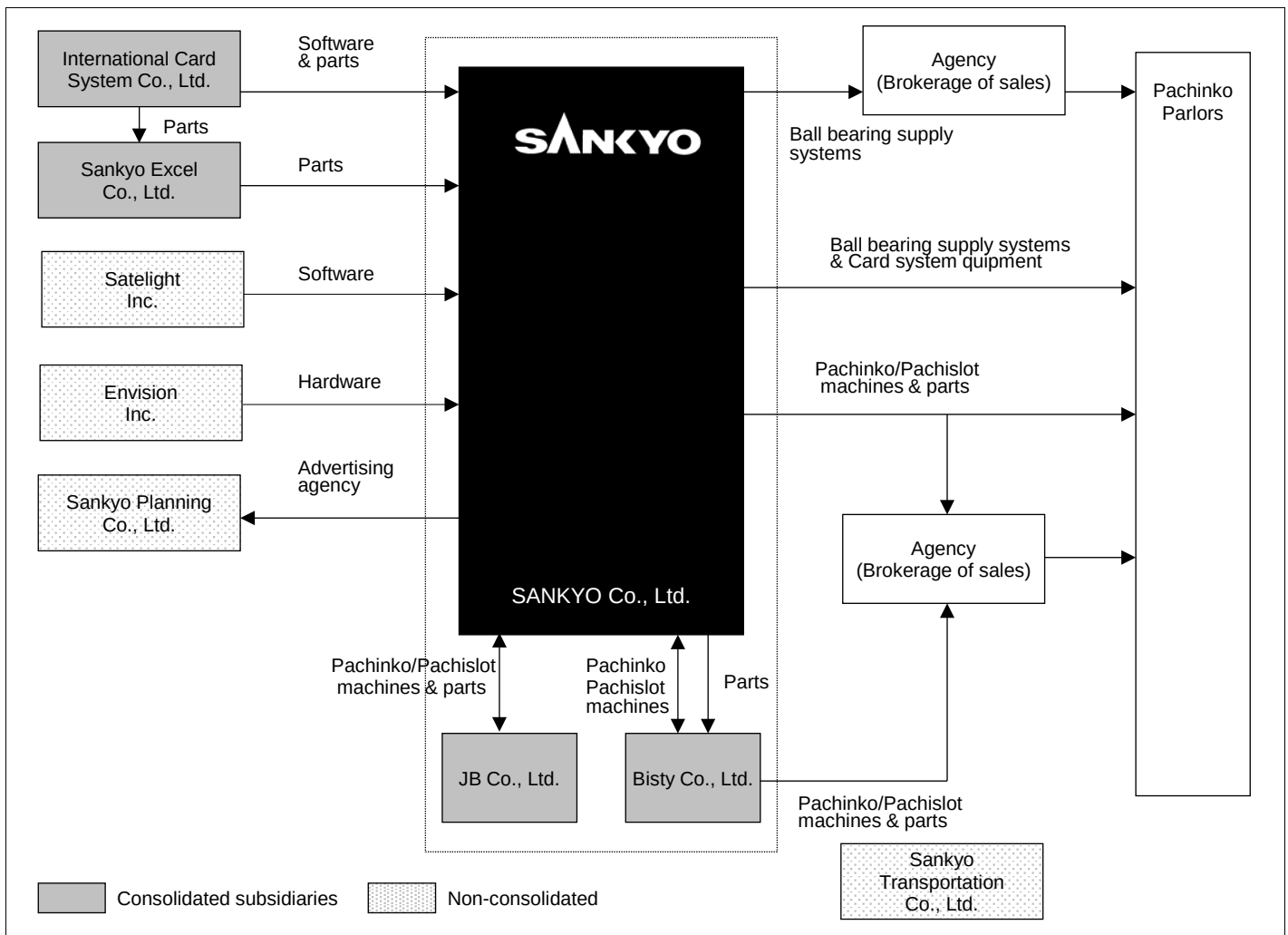
The Company will effectively utilize retained earnings, such as for investment that contributes to the strengthening of product capabilities to ensure competitiveness is maintained in the persistently challenging pachinko and pachislot industry, with a view to enhancing corporate value.

2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 8 subsidiaries (as of March 31, 2020) 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
Pachinko machines business Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Bisty Co., Ltd. International Card System Co., Ltd. JB Co., Ltd.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
Ball bearing supply systems business Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. International Card System Co., Ltd.
Other business Mobile content services, Real estate rental revenues, Sales of general molded parts	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Sankyo Transportation Co., Ltd. International Card System Co., Ltd. Satelight Inc. Envision Inc.

(2) The business structure is shown below.



3. Management Policies

(1) Management policy, management strategy, etc.

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. 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.

In the pachinko and pachislot industry, while the number of pachinko parlors, which are our customers, decreases as the player population declines, the trend is towards pachinko parlor chains and larger parlors. As for manufacturers of pachinko and pachislot machines, the trend is towards an oligopoly comprising a handful of leading companies is becoming more evident.

In these circumstances, the Group has been securing a top-tier share in the pachinko and pachislot markets for a quarter century. We will strengthen development of diverse products in order to maintain and increase market share and promote further cost reduction, including thorough cost management for each product in response to the trend towards a wide variety of machines and smaller lots.

(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.

	FY2018	FY2019	FY2020
Ratio of operating income to net sales (%)	11.8	24.0	16.0

(3) Management issues

The transition period following the enforcement of the Amended Pachinko and Pachislot Machines Regulations in February 2018 will end on January 31, 2021. Therefore, the issue to be addressed by the Group for the time being is the need for systematic supply of machines compliant with the new regulations in line with the removal of the machines compliant with the former regulations that are still installed. As mentioned above, we had been developing products and preparing for their market introduction based on the assumption that replacement demand would become at its highest in fiscal 2021. However, replacement with new machines has been on hold because of the deteriorating business environment in which many pachinko parlors had no choice but to suspend their business operations owing to the COVID-19 pandemic.

It is unclear when this situation will improve. Nevertheless, the Group will fulfill its responsibility to supply machines compliant with the new regulations in cooperation with associations of manufacturers of pachinko and pachislot machines, associations of pachinko parlor operators, and the competent authorities so as to facilitate appropriate removal of machines compliant with the former regulations.

Once replacement with machines compliant with the new regulations is completed, development of pachinko machines with digital payout and token-less pachislot machines (hereinafter referred to as “pachinko and pachislot machines with digital payout”) and promotion of them will become the challenges to be addressed. Since new standards have been included in the Amended Pachinko and Pachislot Machines Regulations, the industry will make a concerted effort to promote the new generation pachinko and pachislot machines with digital payout. Since actual pachinko balls and pachislot tokens will be eliminated and payout data will be digitally managed, large-scale ball circulating systems will no longer be necessary, and the workload of pachinko parlor staff, who are currently engaged in carrying balls and tokens, will be reduced. Centralized management of payout and other data is expected to be useful for implementation of pachinko and pachislot addiction countermeasures and elimination of fraudulent acts. Moreover, use of common parts and materials by pachinko and pachislot machine manufacturers is expected to lead to lower initial costs for pachinko parlor operators when introducing new pachinko and pachislot machines. Therefore, the Group will vigorously promote development and popularization of pachinko and pachislot machines with digital payout.

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 March 31, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Assets:		
Current assets:		
Cash and deposits	104,847	122,847
Notes and accounts receivable-trade	30,627	16,743
Marketable securities	184,999	119,999
Finished goods and merchandise	75	2,060
Work in process	118	21
Raw materials and supplies	2,682	3,701
Accounts receivable for provision of parts and materials for value	5,867	6,424
Other	2,899	4,244
Allowance for doubtful accounts	(2)	(1)
Total current assets	332,115	276,041
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	26,404	13,944
Less accumulated depreciation	(14,488)	(8,140)
Subtotal	11,915	5,804
Machinery and equipment	7,517	7,417
Less accumulated depreciation	(6,833)	(6,819)
Subtotal	684	597
Furniture and fixtures	16,927	15,949
Less accumulated depreciation	(13,460)	(13,017)
Subtotal	3,466	2,932
Land	22,515	17,909
Lease assets	34	-
Less accumulated depreciation	(26)	-
Subtotal	7	-
Other	1,850	-
Total tangible fixed assets	40,440	27,244
Intangible fixed assets		
Goodwill	45	-
Other	180	142
Total Intangible fixed assets	225	142
Investments and other assets:		
Investment securities	19,233	13,035
Long-term advances	131	107
Deferred tax assets	7,366	7,911
Other	473	767
Allowance for doubtful accounts	(20)	(17)
Allowance for investment loss	(379)	-
Total investments and other assets	26,803	21,803
Total fixed assets	67,470	49,190
Total assets	399,585	325,232

Consolidated Balance Sheets

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

	As of March 31, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	11,246	13,789
Electronically recorded obligations - operating	10,042	7,637
Current portion of bonds with subscription rights to shares	-	20,006
Lease liabilities	3	-
Accrued income taxes	4,372	1,043
Allowance for bonuses	791	765
Provision for shareholder benefit program	-	101
Other	7,308	3,880
Total current liabilities	33,763	47,224
Long-term liabilities:		
Bonds with subscription rights to shares	20,026	-
Lease liabilities	4	-
Net defined benefit liabilities	4,799	4,962
Asset retirement obligations	62	75
Other	3,551	3,448
Total long-term liabilities	28,444	8,486
Total liabilities	62,208	55,711
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	330,707	257,575
Less: treasury stock, at cost	(38,785)	(31,822)
Total shareholders' equity	330,512	264,343
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,460	3,549
Remeasurements of defined benefit plans	73	53
Total accumulated other comprehensive income	5,533	3,603
Subscription rights to shares	1,331	1,574
Total net assets	337,377	269,521
Total liabilities and total net assets	399,585	325,232

(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 March 31, 2019	Year ended March 31, 2020
	Millions of yen	Millions of yen
Net sales	88,558	78,416
Cost of sales	38,771	36,671
Gross profit	49,786	41,745
Selling, general and administrative expenses	28,500	29,193
Operating income	21,286	12,551
Non-operating income:		
Interest income	186	175
Dividend income	550	570
Other	284	202
Total non-operating income	1,020	949
Non-operating expenses:		
Loss on management of investment partnership	-	21
Other	5	3
Total non-operating expenses	5	24
Recurring income	22,300	13,476
Extraordinary gains:		
Gain on sales of fixed assets	1	4
Gain on sales of investment securities	-	66
Gain on sales of shares of subsidiaries and associates	-	3,558
Total extraordinary gains	1	3,629
Extraordinary losses:		
Loss on sales of fixed assets	-	8
Loss on disposal of fixed assets	18	181
Loss on sales of investment securities	-	278
Loss on valuation of investment securities	3,631	1,496
Loss on sales of shares of subsidiaries and associates	-	217
Loss on valuation of shares of subsidiaries and associates	-	392
Loss on valuation of golf club membership	1	-
Impairment loss	310	81
Total extraordinary losses	3,961	2,656
Income before income taxes	18,340	14,449
Income taxes:		
Current income taxes	4,988	1,096
Deferred income taxes	(32)	307
Total income taxes	4,956	1,403
Net income	13,384	13,045
Profit attributable to owners of parent	13,384	13,045

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2019 Millions of yen	Year ended March 31, 2020 Millions of yen
Net income	13,384	13,045
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(1,491)	(1,910)
Remeasurements of defined benefit plans	146	(19)
Total other comprehensive income	(1,344)	(1,930)
Comprehensive income	12,039	11,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,039	11,114
Comprehensive income attributable to minority interests	-	-

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

Year ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

(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	329,499	(38,782)	329,306	6,952	(73)	6,878	1,057	337,242
Change during the fiscal year										
Dividends of surplus			(12,176)		(12,176)					(12,176)
Profit attributable to owners of parent			13,384		13,384					13,384
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks					-					-
Retirement of treasury stock					-					-
Net changes of items other than shareholder's equity						(1,491)	146	(1,344)	274	(1,070)
Total changes during the fiscal year	-	-	1,208	(2)	1,205	(1,491)	146	(1,344)	274	134
Balance at end of the period	14,840	23,750	330,707	(38,785)	330,512	5,460	73	5,533	1,331	337,377

Year ended March 31, 2020 (From April 1, 2019, to March 31, 2020)

(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	330,707	(38,785)	330,512	5,460	73	5,533	1,331	337,377
Change during the fiscal year										
Dividends of surplus			(10,675)		(10,675)					(10,675)
Profit attributable to owners of parent			13,045		13,045					13,045
Acquisition of treasury stocks				(68,544)	(68,544)					(68,544)
Sales of treasury stocks			(1)	7	5					5
Retirement of treasury stock			(75,500)	75,500	-					-
Net changes of items other than shareholder's equity						(1,910)	(19)	(1,930)	243	(1,687)
Total changes during the fiscal year	-	-	(73,131)	6,962	(66,168)	(1,910)	(19)	(1,930)	243	(67,855)
Balance at end of the period	14,840	23,750	257,575	(31,822)	264,343	3,549	53	3,603	1,574	269,521

(4) Consolidated Statements of Cash Flows

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

	Year ended March 31, 2019	Year ended March 31, 2020
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	18,340	14,449
Depreciation and amortization	3,057	3,476
Amortization of goodwill	87	45
Share-based compensation expenses	264	240
Increase (decrease) in allowance for doubtful accounts	(0)	(4)
Increase (decrease) in allowance for bonuses	(12)	(16)
Increase (decrease) in provision for shareholder benefit program	-	101
Increase (decrease) in net defined benefit liabilities	226	153
Interest and dividend income	(736)	(746)
Loss (gain) on sales of property, plant and equipment and intangible assets	(1)	4
Disposal of fixed assets	18	181
Impairment loss	310	81
(Gain) loss on sales of investment securities	-	212
(Gain) loss on valuation of investment securities	3,631	1,496
Loss (gain) on sales of shares of subsidiaries and associates	-	(3,341)
Loss on valuation of shares of subsidiaries and associates	-	392
Loss on valuation of golf club membership	1	-
(Increase) decrease in notes and accounts receivable-trade	(4,138)	13,864
(Increase) decrease in inventories	(714)	(2,914)
Increase (decrease) in notes and accounts payable-trade	798	225
(Increase) decrease in accounts receivable for provision of parts and materials for value	(1,507)	(556)
Increase (decrease) in accounts payable	342	(2,901)
Increase (decrease) in accrued consumption tax	(75)	(864)
Other	(1,096)	271
Subtotal	18,795	23,848
Interest and dividend income received	692	545
Income taxes paid	(2,660)	(5,423)
Net cash (used in) provided by operating activities	16,828	18,971
Cash flows from investing activities:		
Payments into time deposits	(11,101)	(5,552)
Proceeds from withdrawal of time deposits	11,100	5,551
Payment for purchase of marketable securities	(78,000)	(115,000)
Proceeds from redemption of marketable securities	76,000	80,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,387)	(2,938)
Proceeds from sale of investment securities	-	962
Proceeds from sales of shares of subsidiaries and associates	-	15,284
Proceeds from collection of long-term loans	23	23
Other	(2)	(80)
Net cash (used in) provided by investing activities	(4,367)	(21,748)
Cash flows from financing activities:		
Repayment of finance lease obligations	(4)	(3)
Payment for purchase of treasury stock, net	(2)	(68,544)
Cash dividends paid	(12,176)	(10,675)
Other	-	0
Net cash (used in) provided financing activities	(12,183)	(79,223)
Net increase (decrease) in cash and cash equivalents	277	(82,001)
Cash and cash equivalents at beginning of the period	274,017	274,295
Cash and cash equivalents at end of the period	274,295	192,294

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

Year ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

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

	Year ended March 31, 2019 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
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 income	26,861	(942)	400	26,320	(318)	26,001	(4,715)	21,286
Segment assets	117,114	17,456	9,612	144,183	9,865	154,049	245,536	399,585
Other items								
Depreciation	2,174	452	13	2,640	244	2,884	172	3,057
Amortization of goodwill	-	-	-	-	87	87	-	87
Increase in tangible fixed assets and intangible fixed assets								
	1,934	394	0	2,329	85	2,414	70	2,485

Year ended March 31, 2020 (From April 1, 2019, to March 31, 2020)

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

	Year ended March 31, 2020 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
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 income	14,804	2,449	326	17,581	(136)	17,444	(4,892)	12,551
Segment assets	171,993	20,681	8,654	201,329	1,839	203,169	122,063	325,232
Other items								
Depreciation	2,570	638	11	3,220	136	3,356	119	3,476
Amortization of goodwill	-	-	-	-	45	45	-	45
Increase in tangible fixed assets and intangible fixed assets								
	2,165	283	1	2,450	3	2,453	377	2,831

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 12, 2020.

1. A newly appointed Director (As of June 26, 2020)

Name	Position	Present Occupation
Akihiko Ishihara	Director & Senior Executive Vice President	Senior Executive Vice President

2. (Reference) Directors and Officers after June 26, 2020

Name	Position
Hideyuki Busujima	Representative Director, Chairman of the Board & CEO
Kimihisa Tsutsui	Representative Director, President & COO
Ichiro Tomiyama	Director & Senior Executive Vice President Head of Sales & Marketing Div. & Head of Product Management Div.
Akihiko Ishihara	Director & Senior Executive Vice President Head of Corporate Planning Div. & Supervising Manufacturing Div., Administration Div.
Taro Kitani	Director
Hiroyuki Yamasaki	Director
Takafumi Okubo	Standing Statutory Auditor
Toshiaki Ishiyama	Statutory Auditor
Yoshiro Sanada	Outside Statutory Auditor
Fumiyoshi Noda	Outside Statutory Auditor
Toshio Ogura	Senior Executive Operating Officer Head of Intellectual Property Div. & Deputy Head of Product Management Div.
Katsumasa Takai	Executive Operating Officer Head of Manufacturing Div. & Senior General Manager of Sanwa Plant
Yoko Oshima	Executive Operating Officer Head of Administration Div.
Yuji Togo	Operating Officer Deputy Head of Sales & Marketing Div.
Hiroshi Kodaira	Operating Officer General Manager of General Affairs Department ;Administration Division
Takashi Fukuda	Operating Officer Product Management Div.
Junichi Tsutsumi	Operating Officer General Manager of Product Management Dept.
Fumitaka Sekine	Operating Officer Purchasing and Quality Specialist ;Manufacturing Division
Hisashi Kamoda	Operating Officer General Manager of Pachislot Development Dept.
Katsuki Amako	Operating Officer Deputy Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.
Hiroshi Takahashi	Operating Officer Deputy head of Administration Div. & General Manager of Accounting & Finance Dept.