



Good luck. Good life.

SANKYO



Integrated Report 2024

Corporate Motto

創意工夫

三井物産

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“Enriching Society with the Spirit of Ingenuity”

SANKYO aims to be a corporate group that
contributes to the development of healthy leisure activities
and the creation of an affluent society.

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Editorial Policy

This report is published with the aim of providing financial information on the Group's performance and business strategies, as well as non-financial information on environmental, social, and governance (ESG) matters, to enhance understanding among all stakeholders, including shareholders and investors.

Reporting Period

Fiscal 2023 (April 1, 2023, to March 31, 2024)

Note: Some initiatives and activities included extend beyond April 2024.

Forward-Looking Statements

This report contains forward-looking statements regarding the Group's future plans, strategies, and performance. These statements are based on information currently available to the Company and involve risks and uncertainties due to changes in the business environment. Therefore, please note that actual results may differ materially from those expressed or implied in these statements.

Note: This is an English translation of the Japanese original Integrated Report 2024 of SANKYO Group. The Company provides this translation for your reference and convenience only and does not guarantee its accuracy or otherwise. In the event of any discrepancies, the Japanese original integrated report shall have precedence.

History of SANKYO

Pioneering a New Era with the Spirit of Ingenuity

As an industry leader with a proven track record of driving numerous revolutions, SANKYO remains committed to delivering captivating entertainment in the years to come.



1966

Established in Nagoya City, Aichi Prefecture.

1981

Relocated the Head Office to Kiryu City, Gunma Prefecture.

1980

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



1991

Registered for over-the-counter trading.

1995

Listed on the Second Section of the Tokyo Stock Exchange.

1996

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

1997

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

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

Achieved further progress as a **listed company**.

1999

Launched pachislot Mei-Q. Entered the pachislot business.



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

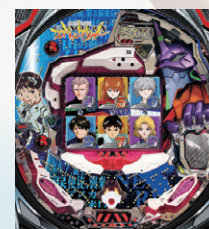
2001

Opened the Sanwa Plant in Ilesaki City, Gunma Prefecture.



2004

Launched CR *NEON GENESIS EVANGELION*. Enjoyed great sales success.

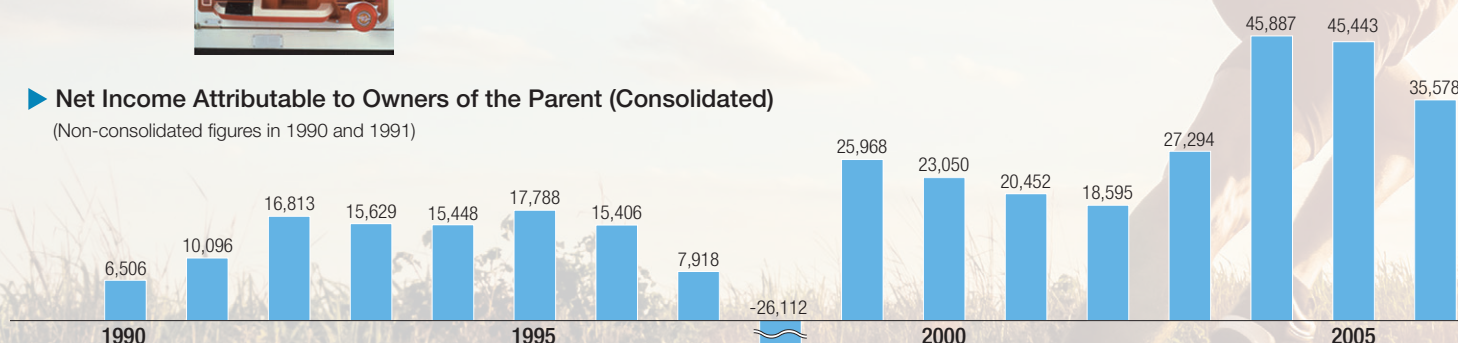


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Tie-up products with **anime** and others create a huge movement inside and outside the industry.

▶ Net Income Attributable to Owners of the Parent (Consolidated)

(Non-consolidated figures in 1990 and 1991)



▶ World Events (in Entertainment, Culture and the Economy)

1964 Tokyo Olympics

1970 Osaka Expo

1973 First oil shock

1978 The popularity of the video game Space Invaders exploded

1979 Second oil shock

1983 Nintendo Family Computer released

1985 Tsukuba Expo

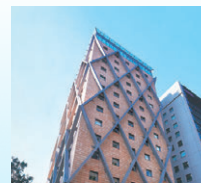
1989 Emperor Showa passed away: shift from the Showa Era to the Heisei Era

1991 NTT Docomo released the "mova" mobile phone
Collapse of the bubble economy

1994 PlayStation released

1995 The Great Hanshin-Awaji Earthquake

1996 Expansion of the internet



2008

Relocated the Head Office to Shibuya-ku, Tokyo.

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

2012

JB Co., Ltd. became a subsidiary.

2022

Transition to the Prime Market of the Tokyo Stock Exchange.

2024

Mid-Term Management Plan “SANKYO VISION 25-27 — A Portent for Sustainable Growth” formulated

2009

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



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

2018

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



2022

Fever Mobile Suit Gundam Unicorn receives the **Pachinko Grand Prize 2021**, the highest award, in the Pachinko and Pachislot Grand Prize 2021 Chosen by “Fans.”



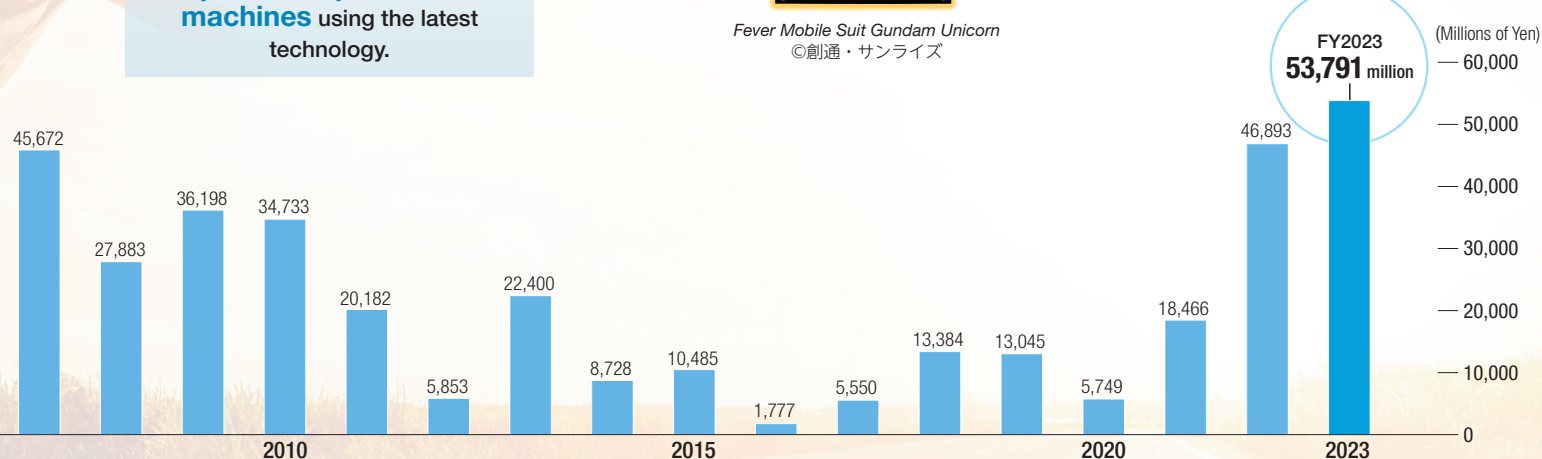
Fever Mobile Suit Gundam Unicorn
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2023

NEON GENESIS EVANGELION —Roar for tomorrow— receives the **Gold Prize**, the highest award, in the P-WORLD Pachinko & Pachislot Awards 2022.



NEON GENESIS EVANGELION
—Roar for tomorrow—
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2002 The FIFA World Cup Japan/Korea

2005 Aichi Expo
YouTube service released

2008 iPhone released in Japan
Lehman shock

2011 The Great East Japan Earthquake
LINE service released

2012 The Third Artificial Intelligence (AI) Boom

2016 Pokemon Go released in Japan
TikTok service released

2017 Nintendo Switch released

2019 Enthronement of the new Emperor:
shift from the Heisei Era to the Reiwa Era

2020 COVID-19 coronavirus pandemic

2021 Tokyo Olympic and Paralympic Games

2022 Russia's invasion of Ukraine

2023 The rapid proliferation of generative AI

2024 The Bank of Japan raises interest rates for the first time in 17 years (to combat inflation)

To Our Stakeholders

Enriching Society with the Spirit of Ingenuity

Greetings

Since its establishment in 1966, SANKYO has grown alongside the industry as a leading pachinko manufacturer, consistently launching numerous hit models that have set industry standards, all guided by our corporate motto, “ingenuity.” Moving forward, the Group will continue to make significant investments in product development and strive to provide innovative, entertainment-rich, and top-quality pachinko machines and related services. By doing so, we aim to enrich society, ensure continuous business growth, and contribute to the overall development of the industry.



Director & Chairman, Hideyuki Busujima

H. Busujima



Representative Director, President & CEO & COO, Akihiko Ishihara

A. Ishihara

CEO Message

▶ Review of the Fiscal Year Ended March 31, 2024

In the pachinko and pachislot machine industry for the fiscal year ended March 31, 2024, the introduction of Smart Pachinko machines in April 2023 did not lead to a clear distinction from existing machines, resulting in a slower adoption rate compared to the steady growth of Smart Pachislot machines. Furthermore, with only a few models, both smart and conventional, driving the pachinko market, sales remained somewhat subdued. In contrast, the pachislot market saw a strong sales performance, with the continuous release of hit models following the launch of Smart Pachislot machines in November 2022.

In this environment, the Company's pachinko machine business focused on our flagship series, accumulating sales of 297,000 units. We achieved a market share of approximately 35%, exceeding our long-held goal of 30% and significantly outperforming our competitors to claim the top market share for

the second consecutive year.

While we had long been a latecomer in the pachislot machine business, the launch of the industry's first Smart Pachislot machine, *Pachislot Valvrave the Liberator*, in November 2022, proved to be a turning point. The subsequent Smart Pachislot machines released in the fiscal year ended March 31, 2024 also gained popularity among fans and parlors, contributing to sales of 70,000 units and a market share of approximately 9%. This success significantly enhanced our presence in the pachislot market. As a result of these efforts, we achieved year-on-year growth in both net sales and operating income. Net sales reached ¥199.0 billion, operating income reached ¥72.4 billion, and net income attributable to owners of the parent was ¥53.7 billion, marking the second consecutive year of record-high profits.

▶ Outlook for the Fiscal Year Ending March 31, 2025

In the pachinko machine market for the fiscal year ending March 31, 2025, although models equipped with the Lucky Trigger, introduced in March 2024, are generally performing well and some hit models have emerged, the market continues to face challenges from the growing popularity of pachislot machines. As a result, total unit sales are expected to decrease by 50,000 units to 800,000 units. On the other hand, the pachislot machine market is anticipated to maintain the strong momentum from the previous fiscal year, with an expected increase of 90,000 units, bringing the total to 880,000 units.

In this context, for our pachinko machine business, we plan to secure a stable 30% market share by stimulating demand among parlors with a mix of mainstay series machines and new tie-in models. However, we anticipate a decrease in sales volume to 247,000 units (down 49,000 units from the previous fiscal year).

In contrast, for our pachislot machine business, we aim to further increase sales volume and market share, leveraging the enhanced brand strength gained from the success of multiple highly utilized machines. We project sales of 119,000 units (up 49,000 units from the previous fiscal year).

Consequently, our consolidated business forecast anticipates a decline in sales and profits, with projected net sales of ¥180.0 billion (down 9.6% year on year), operating income of ¥61.0 billion (down 15.9% year on year), and net income attributable to owners of the parent of ¥42.0 billion (down 21.9% year on year). Despite this expected decline, we remain committed to securing high levels of profitability by achieving the top market share in pachinko machines for the third consecutive year and making significant strides towards becoming a top player in the pachislot machine market.

▶ Formulation of Mid-Term Management Plan (MTP)

In May 2024, we announced our first-ever mid-term management plan. Previously, we had been cautious about formulating and disclosing such a plan due to concerns that regulatory changes could significantly alter the medium-term business

environment. However, we decided to release this plan to provide shareholders and investors with a clearer understanding of our medium- to long-term thinking and direction, based on certain assumptions, and to facilitate dialogue with our stakeholders.

CEO Message

This mid-term management plan is not solely focused on profit targets; it also emphasizes our commitment to enhancing both economic and social value through strengthened ESG and

sustainability initiatives. Our goal is to enhance corporate value by integrating these efforts into our business strategy.

MTP Business Strategy ▶▶▶

In the pachinko machine business, we successfully expanded our sales share from approximately 15% in recent years to 35% in unit sales during the previous fiscal year. Over the next three years, starting with the fiscal year ending March 2025, we will focus on maintaining a solid sales share of 30% or higher. This will be achieved by promoting the development of innovative products rich in novelty and technological advancement, with a particular emphasis on Smart Pachinko machines and the aggressive rollout of new tie-in models. Although the pachinko machine market has experienced some stagnation due to the rising popularity of pachislot machines, the continuous release of hit models equipped with Lucky Trigger since March of this year has garnered significant attention. We anticipate a recovery in the pachinko market in the second half of the current fiscal year, supported by regulatory revisions aimed at enhancing the gaming performance of Smart Pachinko machines. While a decline in sales and profits is expected for the current fiscal year, we aim to capitalize on the growing adoption of Smart Pachinko machines from the next fiscal year onward, gradually increasing unit sales by achieving a market share of 30% or more. As the market recovers, we target unit sales of 320,000, segment net sales of ¥144.7 billion, and segment income of ¥57.6 billion by the final year of our mid-term management plan (fiscal year ending March 31, 2027).

In the pachislot machine business, we established a leading position by launching the industry's first Smart Pachislot machine in November 2022. Since then, we have successfully



introduced a series of high-performing models, achieving sales of 70,000 units and a market share of approximately 9% in the previous fiscal year. Viewing the pachislot machine business as a key growth driver with substantial potential for market share expansion, we plan to expand our product lineup and double unit sales from the previous fiscal year to 150,000 units, increasing our market share to over 15% by the fiscal year ending March 31, 2027. This growth will allow us to join the ranks of the top manufacturers, with projected segment net sales of ¥64.7 billion and segment income of ¥36.2 billion.

MTP Financial Strategy ▶▶▶

Throughout the mid-term management plan period, we aim to maintain an ROE of 15% to 20%, exceeding our cost of capital, by driving profit growth and ensuring appropriate profit distribution. Our shareholder return policy will continue to be based on a performance-linked dividend policy, with a consolidated dividend payout ratio of 40% as our benchmark. Additionally, we will manage our balance sheet appropriately, with the flexibility to provide additional returns to shareholders through the strategic share buybacks.

MTP New Business Initiatives ▶▶▶

While our policy of concentrating management resources on the pachinko and pachislot machine business remains unchanged, we intend to pursue new initiatives focused on creating and developing content intellectual property (IP), such as manga and anime, which can generate synergies with the pachinko and pachislot machine business. Currently, we are investing in production committees for animation and other projects, as well as creating and developing content IP by producing and selling manga in collaboration with publishers, and developing game applications and merchandise based on pachinko and pachislot machines through licensing. We will continue and further develop these initiatives.

MTP Identification of Material Issues ▶▶▶

In April 2024, we established the Sustainability Committee,

chaired by me as the Representative Director, President, to study and formulate measures for ESG and sustainability issues. The committee has identified five material issues: (1) Creation of innovative products through originality and ingenuity, (2) Promotion of active participation of human resources, (3) Reduction of environmental impact, (4) Response to social issues, and (5) Corporate governance. We will consider specific targets and measures related to these issues moving forward. In addition to achieving sales and profit goals, we aim to continuously increase corporate value by promoting initiatives that build good relationships with all stakeholders.

① Creation of innovative products through originality and ingenuity

Our corporate motto, “ingenuity,” symbolizes our corporate culture and embodies our relentless spirit of challenge in continuing to create high-value, innovative products as an entertainment company. We will continue to promote the creation of innovative products through ingenuity, which will remain the source of our vitality and competitiveness.

② Promotion of Active Participation of Human Resources

We are strengthening our investment in human resources to create an environment where executives and employees can fully utilize their abilities. Last fiscal year, we raised the average salary of existing employees by 15.3%, and this fiscal year, we significantly increased the starting salary for new graduates from ¥210,000 to ¥300,000 to attract top talent. From a diversity and inclusion perspective, we are also setting goals to increase the percentage of female hires and female managers and are intensifying our efforts in this area. Although the current ratio of women in the Company is not high, due to the nature of our industry, we have promoted two female Directors from within the company and are committed to fostering and promoting talented individuals regardless of gender.

③ Reduction of Environmental Impact

Addressing climate change is essential from a corporate social responsibility perspective. As a pachinko and pachislot machine manufacturer, we recognize that efficient resource utilization not only leads to cost reductions and efficiency improvements but also presents an opportunity. We will focus

on the 3Rs—Reduce, Reuse, Recycle—by designing pachinko and pachislot machines for easy recycling, developing reusable machines, and recycling collected machines without compromise. Last year, our subsidiary SANKYO EXCEL CO., LTD. installed a solar power generation system using a power purchase agreement (PPA) model on the roof of its factory, and we will continue to explore the use of renewable energy.

④ Response to Social Issues

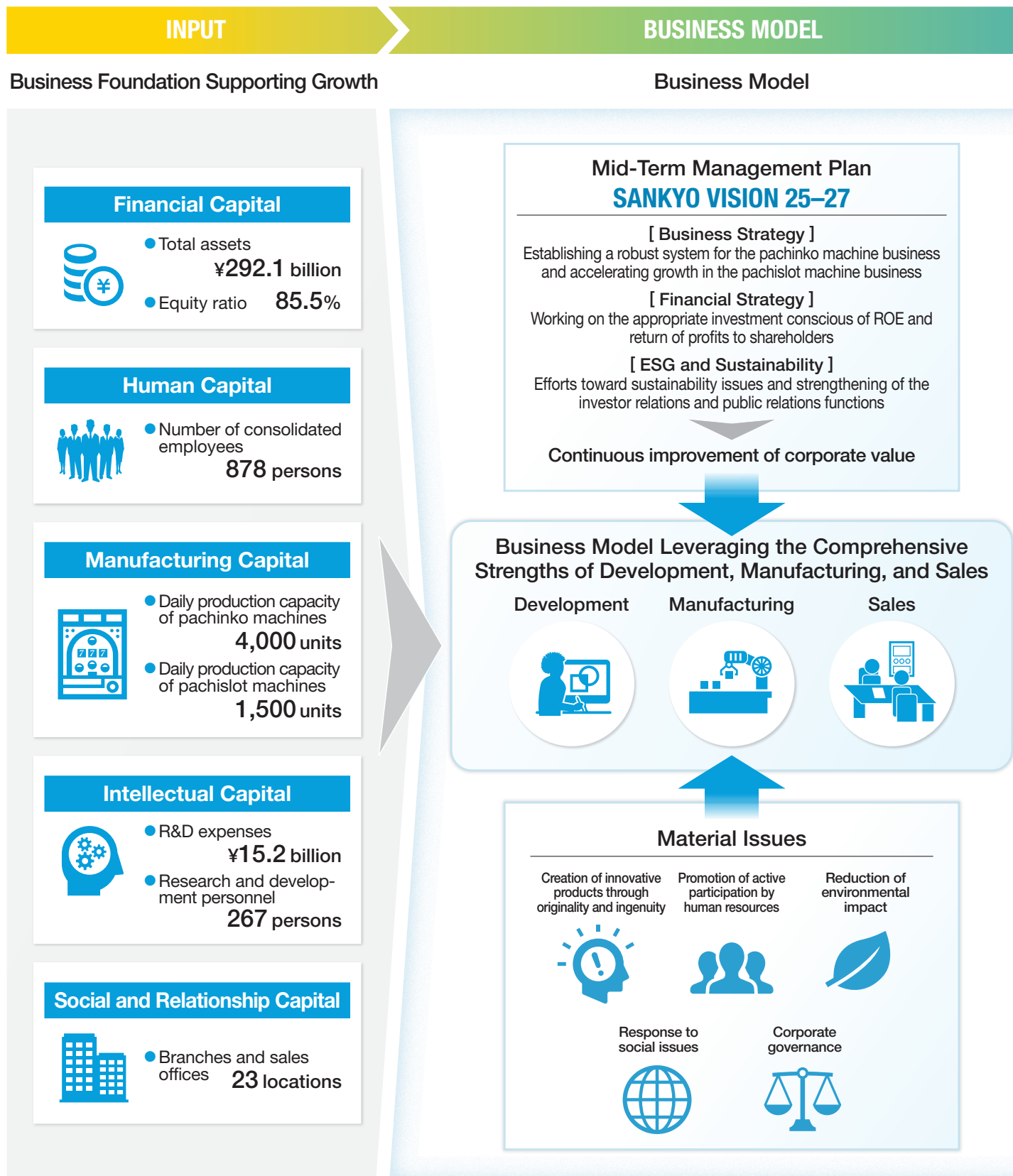
While providing entertainment through pachinko and pachislot machines, we recognize the importance of addressing issues such as addiction. We view this as a crucial issue that requires the collective effort of the entire industry. Even today, we continue to support the Recovery Support Network (RSN) through industry associations, enabling pachinko and pachislot enthusiasts concerned about addiction to access phone consultations. We also actively engage in raising awareness and provide information on these issues. As a leading company in the industry, we are committed to actively supporting and cooperating with these efforts in the future as well.

⑤ Corporate Governance

In June 2024, with the approval of our General Meeting of Shareholders, we transitioned to a company with an Audit and Supervisory Committee to further strengthen the supervisory function of the Board of Directors and to promote swift decision-making and business execution through the delegation of authority. The Board of Directors, including Directors who are Audit and Supervisory Committee Members, consists of nine members, three of whom are Outside Directors, and two of whom are female Directors. Decisions on the nomination and remuneration of Directors and other senior management are made with the involvement of the Nomination and Remuneration Committee, which is chaired by the Representative Director and composed of a majority of Outside Directors. We have established a governance structure that ensures objectivity, transparency, and diversity in management decisions. Moving forward, we will continue to enhance the fairness and transparency of our management practices in accordance with the Corporate Governance Code and stock market requirements.

Value Creation Process

Guided by our corporate motto, “Ingenuity,” we have achieved growth by implementing a unique business model that leverages the management capital we have cultivated since our foundation. Moving forward, we will strive to maximize corporate value by creating both economic and social value simultaneously.



OUTPUT

Value We Create

FY2023 Results and
FY2026 Plan

Consolidated net sales

¥199.0 billion ▶ ¥220.0 billion

Consolidated operating income

¥72.4 billion ▶ ¥88.0 billion

Operating income margin

36.4% ▶ 40.0%

ROE

19.3% ▶ 15 – 20%

Pachinko machine sales share

35% ▶ 30% or more

Pachislot machine sales share

9% ▶ 15% or more

Note: Left side (FY2023 Results)

Right side (FY2026 Plan)

Sales share figures are company estimates.

OUTCOME

Value We Want to Realize

What We Aim for

Enriching Society
with the Spirit of
Ingenuity



As a leading company in the pachinko and pachislot machine industry, we aim for the invigoration and development of the industry and continuous improvement of corporate value by generating people's smiles through entertainment.

SANKYO's Strengths

Strength

01

Three Brand Systems

SANKYO

Good luck. Good life.

SANKYO

Features

Full lineup

Representative works

- Mobile Suit Gundam
- Symphogear
- Macross and other series



MOBILE SUIT GUNDAM UNICORN Returns
-The White Unicorn and the Black Lion-

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Bisty

Bisty

Features

Strengths in tie-in models

Representative works

- NEON GENESIS EVANGELION
- Space Battleship Yamato
- CODE GEASS and other series



Pachinko EVANGELION:3.0+ 1.0 Type Rei

©カラー

JB



JOY BRAIN

Features

Originality, simplicity

Representative works

- Queen
- J-RUSH and other series



Fever Powerful

Strength

02

Brand Power

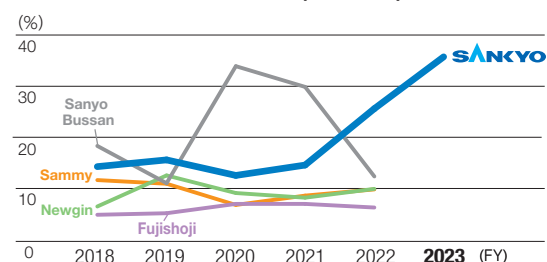
In the pachinko machine market, we have secured the top market share for two consecutive years, building strong trust with parlors.

In the pachislot machine market, following the launch of the industry's first Smart Pachislot machine in 2022, subsequent Smart Pachislot models have also become hits, contributing to the enhancement of the SANKYO Group's brand power.

Smart Pachislot Hit Models:

- Pachislot Valvrave the Liberator
- Pachislot Karakuri Circus
- L Godzilla vs EVANGELION

Pachinko Machine Sales Share (Unit Basis)



Source: Yano Research Institute
Note: The FY2023 figure is a company estimate.

Strength 03

Development

The pachinko and pachislot industry is subject to revision of regulations and standards concerning the specifications and gaming performance of pachinko and pachislot machines. As a leading company in the industry, SANKYO has a proven track record of complying with regulations, including the launch of the industry's first model. *Pachislot Valvrave the Liberator*, the industry's first Smart Pachislot, launched in November 2022 and became such a hit that production was increased. In addition to our strong regulatory compliance capabilities, we have also developed innovative hardware that challenges conventional industry norms. In December 2021, we were the first to introduce a "smart handle" that can be operated with either the left or right hand, significantly enhancing gaming performance.

Recent Achievements:

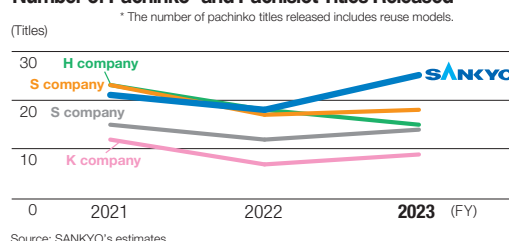
NEON GENESIS EVANGELION -Roar for tomorrow- (introduced in December 2021), equipped with the smart handle

Pachislot Valvrave the Liberator (introduced in November 2022), the industry's first Smart Pachislot

Number of titles released

The number of titles that the SANKYO Group introduces in one year is one of the highest in the industry. This is helping the Group to capture the diversifying tastes and needs of fans.

Number of Pachinko* and Pachislot Titles Released



Strength 04

Manufacturing

Our materials procurement capabilities rank among the best in the industry, and we maintain high production efficiency through a fully automated factory equipped with the latest technology. This gives us the production capacity to manage large-scale, simultaneous deliveries.



Daily production

Pachinko **4,000** units
Pachislot **1,500** units

Strength 05

Sales

Leveraging our nationwide network, we conduct sales activities tailored to each customer, achieving a direct sales ratio for our own brand of approximately 80%, the highest in the industry.



Branches and
sales offices
across Japan
23
locations



Sales force
Approx.
300
persons

Strength 06

Intellectual Property Strategy

Pachinko and pachislot machines are packed with so many patented technologies that they are sometimes referred to as a "patent universe." SANKYO has established the Intellectual Property Division, which is responsible for protecting and utilizing such patents, to protect and create valuable corporate assets. We have one of the highest numbers of patent applications and patent holdings in the industry, and are focusing on our intellectual property strategy by carefully picking up and patenting technologies and other intellectual property discovered during product development.

Strength 07

Financial Base

Even in an industry environment characterized by significant earnings fluctuations, our robust financial foundation underpins stable management and business operations, enabling us to proactively adapt to changes in the business environment and capitalize on emerging opportunities.



Equity ratio

85.5%

(As of March 31, 2024)

Mid-Term Management Plan

SANKYO VISION 25-27

-A Portent for Sustainable Growth-

The SANKYO Group has announced a three-year mid-term management plan ending in the fiscal year ending March 2027. We will work to realize our vision through business growth and ESG and sustainability initiatives.

Enriching Society with the Spirit of Ingenuity

As a leading company in the pachinko and pachislot machine industry, we aim for the invigoration and development of the industry and continuous improvement of corporate value by generating people's smiles through entertainment.

Medium-Term Outlook (Vision in Three Years)

Aiming for industrial development and further growth of the Group

Social Value

FY2026 Target

Consider and promote concrete measures for the five material issues

(See P.18 for details)

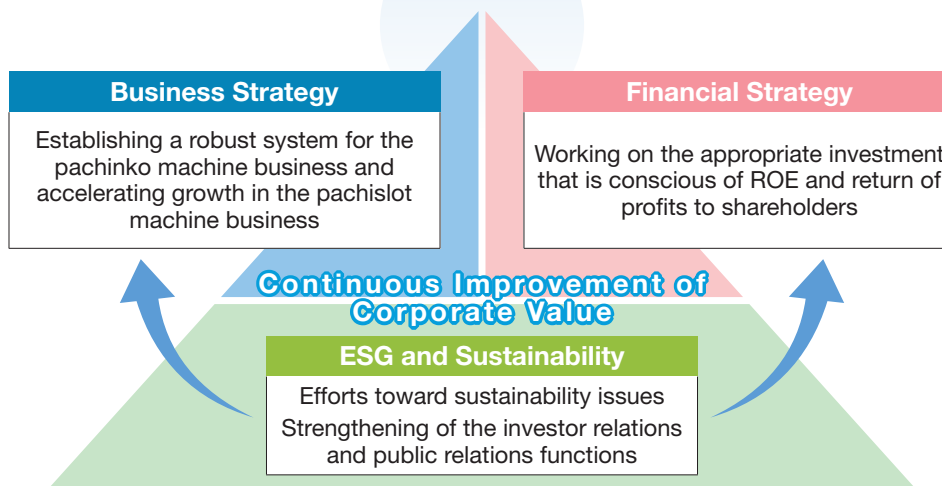
Economic Value

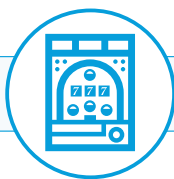
FY2023 Results

FY2026 Targets

Net sales	¥199.0 billion ▶	¥220.0 billion
Operating income	¥72.4 billion ▶	¥88.0 billion
ROE	19.3% ▶	15 - 20%

Core Elements of the Mid-Term Management Plan





Business Strategy : Pachinko Machines Business

Millions of yen	FY2023 Results	FY2026 Plan	Change
Net sales	147,042	144,700	-2,342
R&D expenses	11,021	14,396	+3,375
Operating income	61,165	57,600	-3,565
Operating margin	41.6%	39.8%	-1.8pt
Units			
Machines sales	297,648	320,000	+22,352
SANKYO+JB	154,339	220,000	+65,661
Bisty	143,309	100,000	-43,309

Secure Stable Earnings as a Core Business

Priority Measures

A diverse range of product lineups, leveraging the three brands

- Accommodate more diversifying preferences of players
- Enhancing the number of titles sold

Promoting product development that has uniqueness with a focus on specifications and gaming performance

- Product development that has wealth of novelty and innovation
- Promoting development of Smart Pachinko machines

Active deployment of new tie-up machines

- Generating a series of popular machines following Mobile Suit Gundam series, NEON GENESIS EVANGELION series

In the pachinko machine business, our core business, we achieved our long-held target of a 30% sales share in the fiscal year ended March 2024. However, we view the next three years as a period to solidify this share to an unshakeable level of 30% or higher, leaving no room for competitors. To this end, we will actively promote the development of products rich in novelty and technological innovation, as well as the development of Smart Pachinko machines.

TOPICS

Aggressive Expansion of New Tie-in Models

We have focused on developing products featuring content tailored to younger audiences and have released six new tie-in models from SANKYO brand between the fiscal years ended March 31, 2023 and 2024.

Other titles

- *Fever Danmachi*
- *Fever Karakuri Circus*
- *Fever How Heavy Are the Dumbbells You Lift?*
- *Fever ARIFURETA SYOKUGYOU DE SEKAISAIKYOU*



Fever ENN ENN NO
SHOUBOUTAI

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Fever Kaguya-sama:
Love Is War

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かぐや様は告らせたい製作委員会



Business Strategy: Pachislot Machines Business

Millions of yen	FY2023 Results	FY2026 Plan	Change
Net sales	32,143	64,700	+32,557
R&D expenses	4,274	5,833	+1,559
Operating income	15,289	36,200	+20,911
Operating margin	47.6%	56.0%	+8.4pt
Units			
Machines sales	70,379	150,000	+79,621
SANKYO	46,834	100,000	+53,166
Bisty	23,545	50,000	+26,455

Devote Management Resources as a Growth Business

Priority Measures

Enhancing the development system

- Enhancing the number of titles sold and strengthening alliances

Promoting product development that has uniqueness with a focus on specifications and gaming performance

- Product development that has wealth of novelty and innovation
- Promoting development of Smart Pachislot machines

Active deployment of new tie-up machines

- Leveraging our popular pachinko machines titles, while also actively deploying new tie-up machines

In the pachislot machine business, which we recognize as a key growth area, the SANKYO Group has strengthened its brand presence in the pachislot market, driven by the strong performance of recently launched machines. To accelerate this growth, we are expanding our development capabilities and increasing the number of titles we bring to market. Additionally, by leveraging the unique features of Smart Pachislot machines, we will pursue product development that aligns with market trends. At the same time, we will actively introduce new tie-in models, mirroring our approach in the pachinko segment, as we strive to become a market leader.

TOPICS

Increased Production of Three Smart Pachislot Titles

Since the launch of our first Smart Pachislot series in November 2022, our product lineup has been a driving force in the market. We have received additional orders for the three Smart Pachislot titles sold by the end of the fiscal year ended March 31, 2024, extending into the fiscal year ending March 31, 2025



Pachislot Valvrave the Liberator
©SUNRISE/
VVV Committee



Pachislot Karakuri Circus
原作／藤田和日郎「からくりサーカス」
(小学館少年サンデーコミックス刊)／
©藤田和日郎・小学館／ツインエンジン
Licensed by Sony Music Labels Inc.



L Godzilla vs EVANGELION
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Financial Strategies

ROE



Although ROE has been maintained at a high level due to recent improvements in business performance and the implementation of share buybacks, we will continue to work towards achieving an ROE of 15 - 20%, exceeding our cost of capital, through continued profit growth and appropriate profit distribution over the three years of the mid-term management plan.

Shareholder Returns

Policy

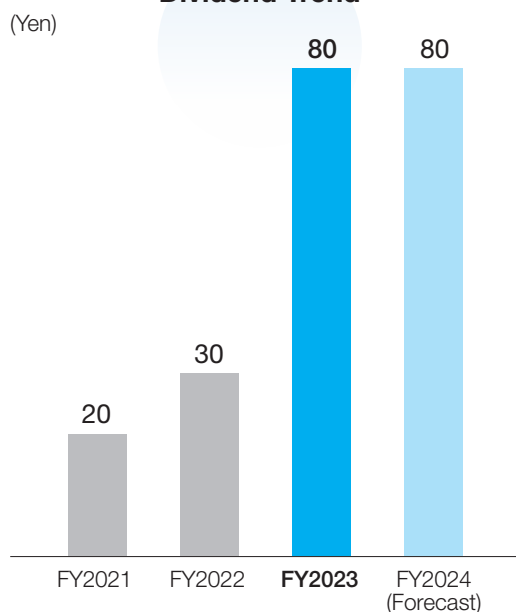
We will implement appropriate balance sheet-focused management with a focus on performance-linked dividends, targeting a consolidated payout ratio of 40%, while also considering additional shareholder returns through flexible share buybacks.

Dividend Policy



While our long-standing policy has been to provide stable dividends, we have decided to implement a performance-linked dividend policy with a target consolidated payout ratio of 40% to clarify our dividend criteria in light of the significant improvement in our business performance.

Dividend Trend



*Effective March 1, 2024, the Company conducted a 5-for-1 stock split. The figures presented here reflect the post-split values.

Share Buybacks

Decisions regarding share buybacks will be made flexibly, taking into comprehensive consideration factors such as stock prices, shareholder and investor opinions, business performance forecasts, and the Company's management environment.

Record of Share Buybacks and Cancellations

Period of repurchased	Number of shares repurchased (share)	Date of retirement	Number of shares retired (share)
June 24, 2008	1,000,000		
June 14, 2010, to June 13, 2011	2,830,700		
February 5, 2015	6,000,000		
February 6, 2015	2,000,000		
		March 27, 2015	8,000,000
July 8, 2015 to October 8, 2015	4,453,000		
August 7, 2019 to September 4, 2019	20,006,500		
		December 30, 2019	20,000,000
November 9, 2021 to April 28, 2022	3,258,400		
		May 31, 2022	3,258,400
September 22, 2023	4,222,400		
		November 30, 2023	4,222,400
		February 20, 2024	10,116,700
November 8, 2023 to March 22, 2024	50,000,000*		

*Effective March 1, 2024, the Company conducted a 5-for-1 stock split. The figures presented here reflect the post-split values.

Sustainability Initiatives

Basic Approach to Sustainability

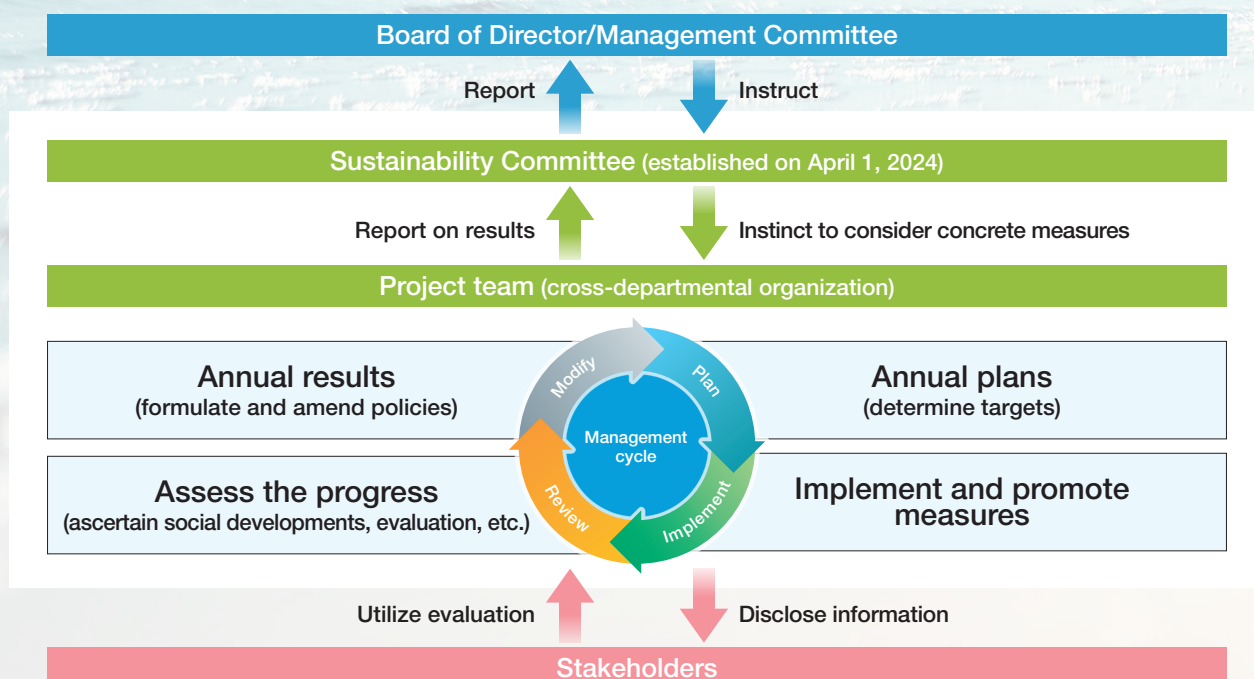
As a leading company in the pachinko and pachislot machine industry, the SANKYO Group is committed to further contributing to the development of healthy leisure activities and the creation of a spiritually enriching society. To achieve this, we will promote sustainability initiatives aimed at simultaneously realizing a sustainable society and sustainable corporate growth, thereby enhancing corporate value. This will be accomplished through consideration for and collaboration with all stakeholders, including customers, business partners, shareholders, employees, and local communities.

ESG Measures and Policies



Sustainability Promotion System

The Sustainability Committee, chaired by the Representative Director, President and composed of the general managers of each department, establishes sustainability policies and targets for the Group as a whole. The Committee also forms cross-functional project teams to address specific sustainability issues and oversees the implementation of a PDCA (Plan-Do-Check-Act) management cycle. The Committee reports key sustainability matters to the Board of Directors and the Management Committee, which then deliberate on and provide guidance for relevant policies and action plans.



▶ SANKYO Group's Sustainability Priority Issues (Material Issues)

As a leading manufacturer in the pachinko and pachislot machine industry, along with its affiliated companies, the Group is committed to the mission of “creating innovative products through originality and ingenuity.” This mission is built on a management foundation rooted in ESG principles. By addressing the five identified key sustainability issues (material issues), we aim to create innovative products supported by a stronger management foundation, thereby maximizing corporate value through the simultaneous creation of both economic and social value.

1	Creation of innovative products through originality and ingenuity		● Creation of high value-added products ● Organizations and systems that enable innovations ● Responsibility for safety and reliability of products
2	Promotion of active participation by human resources		● Respect for diversity and human rights ● Investment in human resource development ● Creating workplace that makes work rewarding
3	Reduction of environmental impact		● Initiatives toward climate change ● Effective use of resources
4	Response to social issue		● Initiatives to prevent dependence of end users
5	Corporate governance		● Promotion of corporate governance that adapts to social demand

▶ Process for Identifying Key Sustainability Issues (Material Issues)

Process for Identifying Material Issues

Material issues were identified through a process of internal discussions and dialogues with external experts, led by the Sustainability Committee and involving the management team. During this process, we particularly emphasized the following points:

Important Points in Identifying Material Issues

1. Corporate Motto, Management Philosophy
2. Identifying corporate issues from a long-term perspective
3. Considering opinions and requests related to environmental and social issues from stakeholders

STEP 1

Identifying Long-Term Issues

Based on the perspective of our long-term corporate activities, we comprehensively identified a wide range of issues related to the environment, society, and the pachinko and pachislot machine industry.

STEP 2

Communication with Stakeholders

We enhanced the accuracy of our information and scrutinized potential issues through active communication with institutional investors and external experts.

STEP 3

Mapping of Issues Identified and Scrutinized

We determined the key points for consideration in the identified and scrutinized candidate issues, mapping them from both stakeholder and corporate perspectives based on these key points.

STEP 4

Discussion by Management

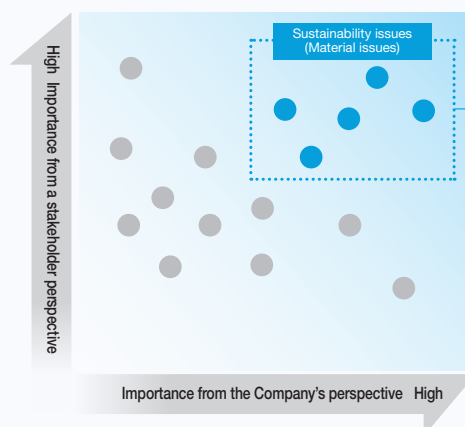
The mapped candidate issues were discussed by the Sustainability Committee, chaired by the Representative Director, President and attended by the general managers of each division.

STEP 5

Identification of Material Issues

Issues prioritized for discussion and decision were identified as materialities, and these decisions were subsequently reported to the Board of Directors following approval by the Sustainability Committee.

Based on these internal discussions, including those involving the management, as well as input from a range of stakeholders—including institutional and individual investors, shareholders, customers, and local residents—we mapped out potential issues. This mapping was based on evaluating the importance of these issues from both our own perspective and that of our stakeholders. As a result, we identified five key sustainability issues (material issues) that we have prioritized for action.



1. Creation of innovative products through originality and ingenuity
2. Promotion of Active Participation of Human Resources
3. Reduction of Environmental Impact
4. Response to Social Issues
5. Corporate Governance



Environment

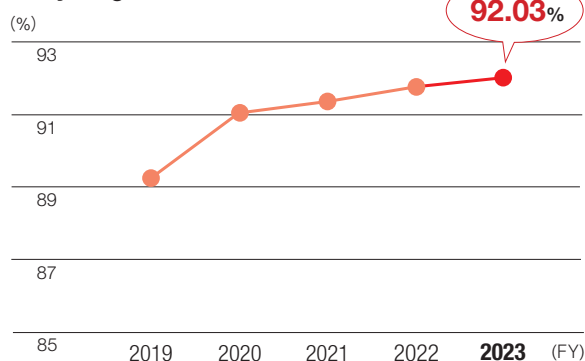
As part of its corporate activities, the SANKYO Group is committed to continuously contributing to a better global environment by working to reduce its environmental impact. Here, we introduce our efforts.

Effective Use of Resources

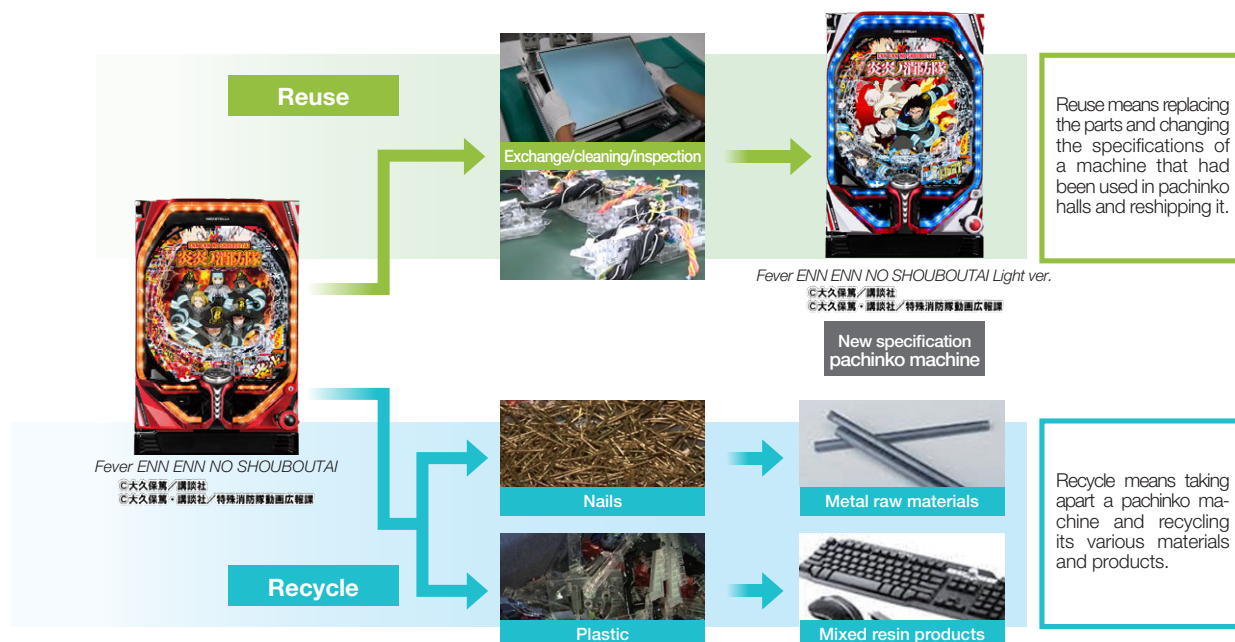
◆ SANKYO Group's Efforts to Recycle Pachinko and Pachislot Machines

The Group is dedicated to promoting the recycling of pachinko and pachislot machines to make effective use of resources and reduce environmental impact. We have achieved a high recycling rate exceeding 90%. From the design stage, we work to increase the use of recyclable parts and the percentage of common components to reduce the loss of components, so that the specifications are easier to recycle. We make active use of low-priced reuse models that are expected to be as effective as new models. These measures not only promote recycling but also benefit from cost reduction. SANKYO Group will further deepen its efforts to reduce environmental impact and improve management efficiency.

Recycling Rate



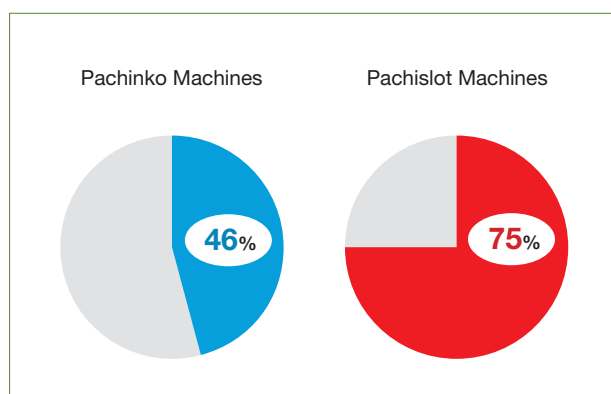
● SANKYO's Reuse and Recycling System



◆ Standardization of Components

The SANKYO Group is committed to reducing material waste by promoting the standardization of components across pachinko and pachislot machine models and brands. Currently, approximately 46% of the components in our pachinko machines and 75% in our pachislot machines are standardized. We will continue our efforts to further increase the use of common parts.

● Percentage of Common Components (FY2023 Results)



◆ Efforts to Utilize Renewable Energy

At SANKYO, as part of our initiative to utilize renewable energy, we installed a PPA-based photovoltaic system on the roof of our subsidiary SANKYO EXCEL's plant. We aim to reduce CO₂ emissions by using the electricity generated there.

From November 2023 to March 2024, we reduced CO₂ emissions by approximately 117 tons.



Solar Power Generation at SANKYO EXCEL's Plant:

• CO₂ reduction: Approx. 286 t-CO₂/year (Estimated)

◆ Other Environmental Initiatives

The Group is actively engaged in resource efficiency efforts, including the adoption of LED lighting and the digitization of business operations. In addition, we are promoting lead-free substrates to reduce the use of environmentally harmful substances. We are also striving to reduce the use of plated products and promote the use of recyclable materials.



For Your Information

Pachinko and Pachislot Machine Industry's Recycling Initiatives

The pachinko and pachislot industry engages in a range of recycling initiatives to reduce the burden on the environment. The Act on the Promotion of Effective Utilization of Resources (the Revised Recycling Law) was enacted in April 2001, together with the establishment of the Basic Act on Establishing a Sound Material-Cycle Society in May 2000. Pachinko and pachislot machines were also specified as products subject to this law. In response, manufacturers took measures to deal with the 3Rs (reduce, reuse, and recycle) in the design and manufacturing stages of pachinko and pachislot machines. The Japan Pachinko Machine Industry Association, an association of pachinko machine manufacturers, led the establishment of a pachinko machine recovery system to collect and process used pachinko and pachislot machines.



Initiatives toward Climate Change (TCFD)

The Group recognizes that addressing the risks associated with climate change, which has become a global issue, is one of its most important challenges. We have disclosed information utilizing the framework proposed by the Task Force on Climate-related Financial Disclosures (TCFD). The Group will continue to promote decarbonization and contribute to the realization of a sustainable society by disclosing climate-related information.



◆ Governance

Regarding our response to climate change, we will form project teams under the Sustainability Committee to address each issue and promote group-wide sustainability policies, target setting, and specific measures.

The Board of Directors and the Management Committee will receive reports on important matters from the Sustainability Committee and will deliberate on, supervise, and provide guidance regarding policies and action plans for addressing climate-related challenges.

Governance System



◆ Risk Management

The Group considers climate change-related risks to be one of its major risks. We regularly identify climate change risks and opportunities through scenario-based analysis of overall risks that may affect management policies and strategies.

Identified risks and opportunities are primarily discussed by the Sustainability Committee and the Environmental Measures Project Team, with those deemed highly significant reported to

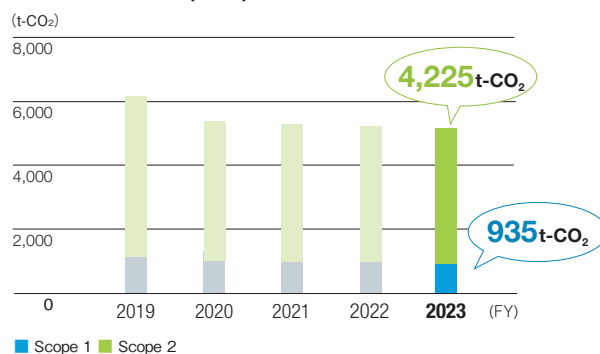
the Board of Directors and the Management Committee.

The Board of Directors and the Management Committee oversee the Group's risks and opportunities, determine specific measures and policies for the risk management system, instruct the development of measures to minimize the impact, and manage progress.

◆ Indicators and Targets

To reduce the Group's greenhouse gas emissions (Scope 1 and Scope 2), we are promoting initiatives to curb emissions at each site. Moving forward, we will consider setting targets for reducing greenhouse gas emissions, further promote energy saving measures through the adoption of LED lighting, and explore the introduction of renewable energy sources such as solar power utilization.

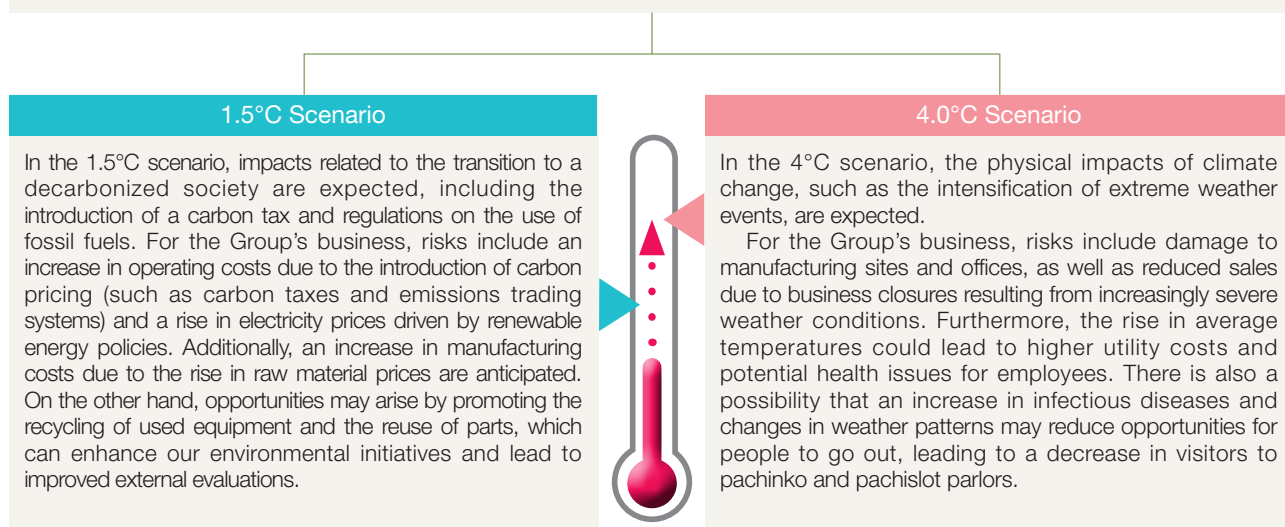
Greenhouse Gas (GHG) Emissions



◆ Strategy

Scenario Analysis Overview

The Group conducted a scenario analysis based on the climate change risks and opportunities highlighted in the TCFD recommendations. In this analysis, it was necessary to select and set scenarios for multiple temperature zones, including the 2°C or lower scenario. Therefore, two scenarios were selected: the 1.5°C scenario, where transition impacts become evident, and the 4°C scenario, where physical impacts become apparent.



Potential Climate Change Risks and Opportunities

Climate change risks		Items	Assumed scenario	Risks	Opportunities	Timeframe
Climate Change 1.5°C Scenario	Transition Risks and Opportunities	Strengthening of environmental regulations on GHG emissions	The introduction of carbon pricing (carbon tax or emissions trading system) would increase costs through taxation and the obligation to purchase credits based on GHG emissions.	△		Medium- and Long-term
		Introduction of carbon taxes and emissions trading				
		Renewable energy and energy conservation policies	Expansion of renewable energy policies would boost demand for renewable energy and lead to higher electricity prices.	△		Medium- and Long-term
	Market	Regulations related to environmentally friendly products	Potential missed opportunities due to energy-saving regulations on existing products. Opportunities to improve external evaluations by promoting the recycling of used equipment and the reuse of parts.	△	△	Long-term
		Rising raw material costs	Rising raw material prices necessary for the manufacture of pachinko and pachislot machines would lead to higher manufacturing costs.	○		Long-term
	Reputation	Improved investor reputation	When investors recognize a company's strong commitment to environmental sustainability, it can enhance the company's reputation, potentially leading to higher stock prices and improved access to funding opportunities.		△	Long-term
Climate change risks		Items	Assumed scenario	Risks	Opportunities	Timing
Climate Change 4.0°C Scenario	Acute	Intensification and frequent occurrence of extreme weather events (heatwaves, typhoons, heavy rainfall, storm surges, etc.)	Decrease in sales due to damage or closure of manufacturing sites and offices caused by the intensification of extreme weather events.	○		Long-term
				○		Long-term
	Chronic	Rise in average temperatures	Higher utility costs, particularly for air conditioning. Potential health risks to employees.	△		Long-term
		Increase in infectious diseases	A decrease in visitors to pachinko and pachislot parlors due to reduced opportunities to go out, stemming from an increase in infectious diseases and changes in weather patterns.	△		Long-term
		Changes in precipitation and weather patterns		△		Long-term

○ = Significant impact △ = Minor impact

Short-term: Within 3 years, Medium-term: 3 to 10 years, Long-term: 10 years or more



At the SANKYO Group, we consider the promotion of active human resource participation as a crucial foundation of our management. We are committed to creating an environment where our employees can fully express their individuality and thrive by respecting diversity and human rights, investing in human resource development, and fostering a rewarding workplace. Additionally, we take responsibility for addressing social issues, including addiction, as part of our corporate activities, with the goal of achieving better coexistence with society. Here we introduce some of these efforts.

Promotion of Active Human Resource Participation

◆ Initiatives to Promote Diversity and Inclusion

We are dedicated to creating a work environment where each employee, with their unique individuality and abilities, feels recognized and empowered to contribute.

To enhance the active participation of women, we focus not only on actively recruiting women but also on creating a workplace that supports a balance between work and childcare. As indicators of our commitment to women's empowerment, we have set targets for at least 15% of new hires to be women and for women to occupy at least 10% of managerial positions. During the recruitment process, we ensure female employees are part of the hiring team, providing opportunities for direct dialogue between female applicants and female staff. This helps minimize any potential discrepancies between

expectations and reality after joining the company and fosters a supportive environment where women can build long-term careers. Through these efforts, we are actively working to increase the ratio of female recruits.

Furthermore, we are committed to creating an environment where employees can easily take childcare leave and utilize reduced working hours during life events and stages such as childbirth and childcare. In fiscal 2023, we achieved a 100% return rate for employees who took childcare leave. We also encourage male employees to take at least one week of childcare leave, demonstrating our commitment to supporting work-life balance for all employees, regardless of gender, and to creating a workplace where everyone can reach their full potential.



Targets and Results

Metrics	Targets	FY2023 Results
Percentage of female new hires	15% or more of all new hires to be female	15.8%
Average length of service for female employees	An average length of service for female employees of 17 years or more	17.1 year
Percentage of female managers	10% or more of managerial positions to be held by women	4.5%

◆ Policy on Respect for Human Rights

The Company adheres to the Guiding Principles on Business and Human Rights* and is committed to respecting the human rights of all employees, business partners, customers, and local communities. We do not tolerate harassment, forced labor, child labor, or discrimination based on race, religion, gender, sexual orientation, or nationality, and we strive to provide a healthy and safe working environment. Furthermore, if the

Company negatively impacts human rights, we will make every effort to address and remedy the situation.

*An international document on respecting human rights in corporate activities, approved by the UN Human Rights Council in 2011.

◆ Efforts to Secure and Develop Human Resources

We believe that a proactive human resources strategy is crucial for navigating a highly competitive environment and achieving sustainable growth. We aim to enhance the value of our human resources and further elevate our corporate value by securing talented individuals with advanced expertise, logical thinking, and communication skills, as well as by boosting the motivation and performance of our existing employees.

As part of this strategy, we increased the starting salary for university graduates joining the Company in April 2024 from ¥210,000 to ¥300,000. Additionally, we revised our personnel system to be more performance-based, with the aim of improving the motivation and performance of our current employees.

In terms of human resource development, our policy is to create an environment where each employee can

become a specialist. To accelerate the development of young employees, we implement phased education and training programs and provide an environment that fosters the early development of professionals in various fields. This approach promotes the early promotion of employees who demonstrate strong performance, thereby expanding growth opportunities. Moreover, to equip employees with skill sets aligned with current trends and management challenges, we conduct special training programs tailored to these issues. In fiscal 2023, to enhance our employees' understanding of cyberattacks, we provided one hour of cybercrime security training to 749 employees, focusing on the security measures applicable in their respective work environments.

Responding to Social Issues



Efforts to Prevent Addiction Among End Users

Declared as a Top Priority by Industry Groups

In 2017, the 21st Century Association of the Pachinko and Pachislot Industry, comprising 13 amusement industry organizations, issued a "Statement on the Issue of Pachinko and Pachislot Addiction." This statement reinforced the industry's commitment to addressing the issue of pachinko and pachislot addiction as a top priority. To contribute to the healthy development of the industry, the Company supports this statement and implements the following initiatives aimed at preventing addiction to these machines.

◆ Incorporating Awareness-Raising Messages in Advertisement

As part of a voluntary initiative by the manufacturers' association, the unified phrases "Pachinko and pachislot are moderately enjoyable games" and "Be careful not to get too involved" are displayed on LCD screens, commercials, posters, and other promotional materials. The Company also ensures that these unified phrases are prominently displayed in our advertising efforts.



◆ Pachinko and Pachislot Addiction Awareness Week

Every year, from May 14 to May 20, Pachinko and Pachislot Addiction Awareness Week is observed. During this week, industry groups engage in information dissemination to raise awareness about the issue of pachinko and pachislot addiction, and they display posters to promote the awareness week.

◆ Support for the Recovery Support Network (RSN), a Pachinko Addiction Counseling Organization

Established in 2006 with the backing of industry groups, the Recovery Support Network (RSN) undertakes a wide range of activities, including educational campaigns and telephone counseling. The Company supports the RSN through our contributions to these industry associations.

Efforts to Contribute to Local Communities

The SANKYO Group actively supports the revitalization of local communities through its business activities and engages in various initiatives to contribute to these communities. Below, we introduce some of our recent efforts.

◆ Participation in Shibuya Cleaning Day (April 28, Shibuya Day)

We participated in “Shibuya Cleaning Day” on April 28, also known as “Shibuya Day,” an event promoted by Shibuya Ward. This initiative, based on the “Ordinance for Creating a Clean City Shibuya,” brings together residents, businesses, and the ward to engage in cleaning and environmental beautification activities.

SANKYO, headquartered in Shibuya Ward, has been involved in this activity since 2005.



◆ Organization of the “Playful Disassembly Workshop” in Osaki Town, Kagoshima Prefecture

Through a corporate version of the hometown tax donation program (a tax system to support regional revitalization), SANKYO supports the “Osaki Town SDGs Promotion Project” initiated by Osaki Town, Kagoshima Prefecture. As part of this support, we co-hosted a recycling and reuse awareness event called the “Playful Disassembly Workshop.”

The workshop aimed to provide a fun learning experience about the potential for recycling and reusing parts from play-related machines. Participants from Osaki Town had the opportunity to disassemble toys and SANKYO pachinko machines.



◆ Contributions through the Corporate Hometown Tax Donation Program

In fiscal 2023, as part of our efforts to promote regional development, SANKYO donated ¥5 million* each to Kiryu City, Midori City, and Isesaki City in Gunma Prefecture, as well as to Osaki Town in Kagoshima Prefecture.

By providing support for regional revitalization to local governments associated with the Group companies and business

partnerships, we aim to strengthen our relationships with these communities. We also intend to implement collaborative projects that contribute to the SDGs, thereby playing a role in the development of a sustainable society. Moving forward, we will continue to engage in various initiatives aimed at coexisting harmoniously with society.

*Including some donations made in kind.

Name of municipality	Relationship with SANKYO	Donation target	Project details
Kiryu City, Gunma Pref.	Location of former head office	Preservation Project for District of Traditional Buildings of Historic Value	Preservation and repair work related to the development of “Preservation Districts for Groups of Traditional Buildings.”
Midori City, Gunma Pref.	Location of consolidated subsidiary SANKYO EXCEL	Projects to promote local employment by leveraging the unique characteristics of Midori City	Formulation of the Midori City urban planning master plan, etc.
Isesaki City, Gunma Pref.	Location of the Plant	Project to create stable employment opportunities	“Startup in Town Center and Livelihood Creation Project;” “Made in Isesaki Job Creation Project,” etc.
Osaki Town, Kagoshima Pref.	Ties with our characters at events held in Osaki Town	Projects to promote the SDGs in Osaki Town	Promoting the OSAKINI Project, which aims to create a circular and sustainable society through recycling initiatives, including research and development, human resource development, and public awareness campaigns



Governance

◆ Basic Approach to Corporate Governance

The basic philosophy of the 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 at large as a leading company in the pachinko and pachislot industry.

The 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 the Group has set the following fundamental management policies:

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

◆ Transition to a Company with an Audit and Supervisory Committee

The Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee following the resolution of the 59th Ordinary General Meeting of Shareholders held on June 27, 2024.

By making this transition, the Company aims to further strengthen the audit and supervisory functions of the Board of

Directors and enhance governance. Additionally, by enabling swift decision-making and business execution through the delegation of authority, the Company seeks to improve the fairness, transparency, and efficiency of management, thereby continuously enhancing corporate value.

◆ Composition and Activities of Key Committees

Board of Directors

The Board of Directors consists of four Directors (excluding Directors who are Audit and Supervisory Committee Members) and five Directors who are Audit and Supervisory Committee Members (including three Outside Director, Audit and Supervisory Committee Member). In addition to regular meetings of the Board of Directors to make important management decisions and supervise the business execution of Directors, extraordinary meetings of the Board of Directors are held as necessary for prompt decision-making. In fiscal 2023 these meetings were held 17 times.

Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of five Directors who are Audit and Supervisory Committee Members, including three Outside Directors. The Committee supervises and audits the legality and appropriateness of the Directors' execution of duties in accordance with the Rules of the Audit and Supervisory Committee and works closely with the Internal Audit Office, the internal audit department.

Management Committee

The Management Committee, composed of Directors (excluding Directors who are Audit and Supervisory Committee Members) and executive officers, meets regularly every month to make swift and accurate decisions regarding matters to be resolved by the Board of Directors in advance, management strategy matters, and overall supervision of compliance and risk management, and to instruct the Company divisions and the Group companies to execute business.

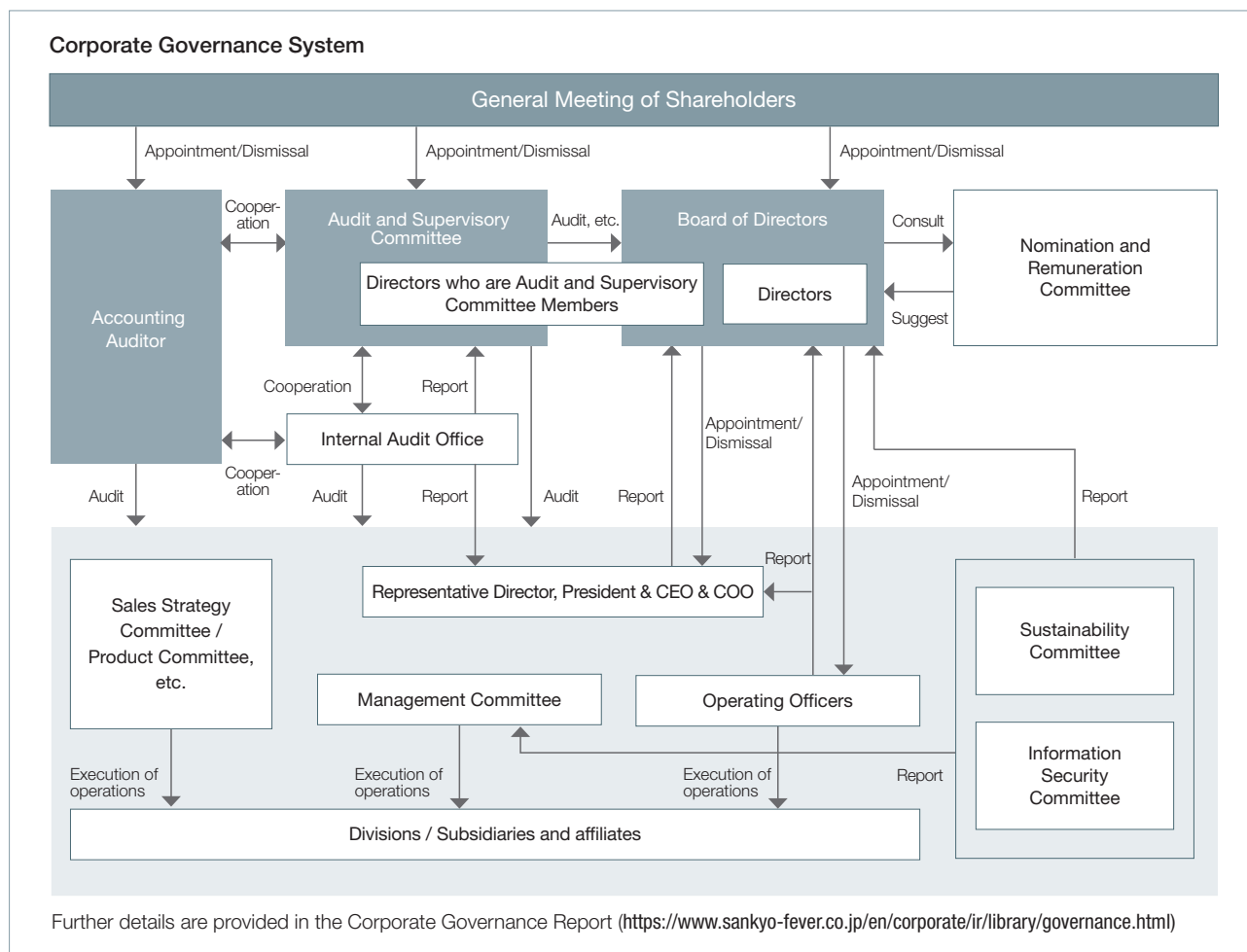
Nomination and Remuneration Committee

In January 2024, the Company established a voluntary Nomination and Remuneration Committee, with a majority of its members being independent Outside Directors, to ensure objectivity, transparency, and fairness in the evaluation and decision-making processes regarding the nomination and remuneration of Directors, and to further enhance the corporate governance system through appropriate involvement of independent Outside Directors.

Upon consultation or delegation from the Board of Directors, the Nomination and Remuneration Committee deliberates on matters related to the nomination of Directors, as well as the appointment, dismissal, and remuneration of senior management, and provides reports or makes decisions on matters delegated by the Board of Directors.

Information Security Committee

In April 2023, the Company established the Information Security Committee, chaired by the General Manager of the Information Systems Division, with department heads serving as information security management officers. The committee evaluates the effectiveness and risks of internal systems and IT infrastructure from a company-wide perspective.



Sustainability Committee

In April 2024, the Company established the Sustainability Committee to address not only the Group's ESG issues but also all other challenges related to sustainability. Chaired by the Representative Director, President and composed of the General Managers from each division, the Sustainability Committee sets the sustainability policies and goals for the entire Group. It also forms cross-departmental project teams to tackle specific issues and promotes a management cycle of planning, execution, verification, and adjustment. Important matters are reported by the Sustainability Committee to the Board of Directors and the Management Committee, where response policies and action plans are deliberated, supervised, and directed.

Internal Audits

SANKYO has established the Internal Audit Office (three persons) as the internal audit department, and conducts audits of the Company and the Group focusing on compliance with laws and regulations and ensuring appropriateness of business processes based on the audit plan. Through on-site audits and off-site audits, potential risks are identified, and if there is a problem with the audited division, improvement is urged, and the results and status of improvement are periodically reported to the President & CEO & COO and the Audit and Supervisory Committee.

◆ Engagement with Shareholders and Investors

● Implementation Overview

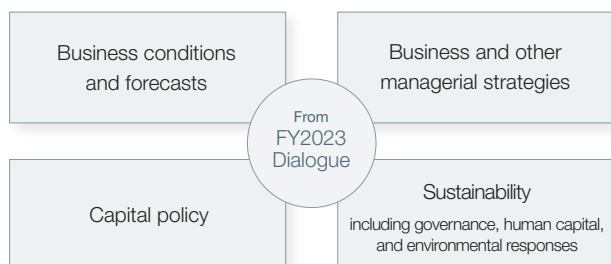
The Company actively engages in constructive dialogue with shareholders and investors, aiming to foster sustainable growth and enhance corporate value over the medium to long term. We incorporate insights from these dialogues into our management decisions to further uplift our corporate value. We have established a dedicated department for this purpose, namely the Investor Relations (IR) Office within the Corporate Planning Department. The IR Office handles the entirety of these dialogues, under the supervision of the President. In fiscal 2023, during the announcements of our second-quarter and year-end financial results, we conducted financial results briefings targeting institutional investors. During these sessions, the President, Vice President, and relevant executive officers directly engaged in dialogue with the shareholders and investors. Concurrently, we upload transcripts of these briefings on our website. Throughout fiscal 2023, we conducted 170 individual interviews with investors and analysts. The Head of IR and the executive team were pivotal in these discussions, with the President and other executive officers participating based on the nature and scope of requests from shareholders and investors. Additionally, we attend conferences sponsored by securities companies, ensuring a proactive approach to investor dialogue.

In the fiscal year ended March 31, 2024, we held an online briefing session for individual investors, and we plan to continue exploring various initiatives for individual investors moving forward.

● Feedback Implementation from Shareholders and Investors

Feedback, opinions, and other insights garnered from interviews and financial results briefings are swiftly compiled and relayed to the management team. These constructive interactions with our shareholders and investors inform and enhance our management decisions and information disclosure practices.

Themes of Dialogue and Concerns from Shareholders and Investors



● Active Disclosure of English Materials

Since 2000, the Company has been working to enhance disclosure in English, including timely disclosure and disclosure of annual reports in English. In addition, we place a high priority on the immediacy of disclosure, for example, disclosing information in English on the same day that the information is disclosed in Japan in Japanese. We will continue to focus on disclosing information in English that contributes to investment decisions by overseas investors.

English disclosure materials:

Financial results, other timely disclosure information, convocation notice (summary), corporate governance report, financial results briefing materials

● Efforts to Energize the General Meeting of Shareholders and Facilitate Voting Rights

- Early Electronic Delivery (web disclosures) and Dispatching convocation notices well in advance.
- Electromagnetic exercise of voting rights.
- Adoption of an electronic platform for institutional investors to exercise their voting rights.
- Offering an English summary of the convocation notice.
- Rapid disclosure of voting outcomes

● IR Annual Schedule

First Quarter	Apr.	Oct.	Third Quarter
• Announcement of full-year financial results	May	Nov.	• 2Q financial results announcement
• Annual General Meeting of Shareholders / Year-end dividend payment	Jun.	Dec.	• Interim dividend payment
Second Quarter	Jul.	Jan.	Fourth Quarter
• 1Q financial results announcement	Aug.	Feb.	• 3Q financial results announcement
	Sept.	Mar.	

◆ Remuneration of Officers

● Matters related to the Policy on Determining the Details of Remuneration for Individual Directors

The Policy on Determining the Details of Remuneration, etc. for Individual Directors (hereinafter, the “Determination Policy”) described below was resolved by the Board of Directors of the Company (resolution made on February 8, 2021, the revision made on June 27, 2024).

The Company’s system for remuneration, etc. of Directors (excluding Directors who are audit and supervisory committee members and Outside Directors) is designed to enhance linkage with shareholders’ interests in order to function effectively as an incentive for Directors to achieve sustainable and stable enhancement of the Company’s performance and corporate value. To determine remuneration of individual Directors, the Company’s basic policy is to ensure that the level of remuneration reflects the responsibilities, performance, the degree of contribution, and other factors. Directors’ remuneration consists of basic compensation, which is fixed compensation, performance-linked compensation as bonuses, and performance-linked stock compensation. As for remuneration of Outside Directors, only basic compensation is paid in view of their duties. As for remuneration of Directors who are audit and supervisory committee members, it consists of basic compensation and bonuses as fixed compensation not linked to performance.

● Basic Compensation

The basic compensation is fixed compensation: monthly salaries in the same amounts are paid at the end of each month. Basic compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) is determined by the Board of Directors upon the deliberation of the Nomination and Remuneration Committee,

a majority of whose members consists of Independent Outside Directors. Basic compensation for Directors who are Audit and Supervisory Committee Members is determined upon consultation by Directors who are Audit and Supervisory Committee Members.

● Performance-Linked Compensation and Non-Monetary Compensation, Etc.

Performance-linked compensation (bonus) shall be paid on the bonus payment date in July. Amounts of performance-linked compensation shall be determined by the Board of Directors within a range of 0% to 150% of the standard amount, without exceeding the maximum amount of compensation determined by resolution of the General Meeting of Shareholders, based on the degree of achievement of consolidated operating income for the previous fiscal year, while also considering the business environment and other factors in the current fiscal year. The amount of bonus for executive officers is also determined within the range of 0% to 150% of the standard amount. Bonuses for Operating Officers are also linked to business performance in the same manner as those for Directors. As for remuneration of Directors who are Audit and Supervisory Committee Members (excluding Outside Directors), it consists of basic compensation and bonuses as fixed compensation not linked to performance.

Non-monetary compensation, etc. is performance-linked stock compensation. The purpose is to clarify the linkage between compensation of Directors of the Company and the Company’s performance and stock value, enhance their motivation toward contributing to improvement of the medium-term performance and increasing corporate value, by sharing them with the shareholders not only the benefits of a rise in stock price but also the risk of a fall in stock

Total Amount of Remuneration by Officer Category, Total Amount of Remuneration by Type, and Number of Applicable Officers in the Fiscal Year Ended March 31, 2024

Officer category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of applicable officers
		Fixed compensation	Performance-Linked Compensation	Non-monetary compensation	
Director (excluding Outside Directors)	768	253	252	262	3
Statutory Auditor (excluding Outside Statutory Auditors)	37	37	—	—	3
Outside Director / Outside Statutory Auditor	11	11	—	—	4

Note: Amount of performance-linked stock compensation is amounts recorded as expenses in the fiscal year ended March 31, 2024 for performance-linked stock compensation of three directors (excluding Outside Directors).

price. The ratio of the fixed portion to the performance-linked portion is 1:4. Performance-linked stock compensation is granted at approximately the same time each year as points, without exceeding the maximum amount determined by resolution of the General Meeting of Shareholders, based on the degree of achievement of consolidated operating income for the previous fiscal year. Performance-linked stock compensation is also granted to Operating Officers in a manner similar to that for Directors. Performance-linked compensation and non-monetary compensation, etc. shall be determined based on the calculation method determined by the Board of Directors, provided the Board of Directors will determine them by taking into account opinions and advice from the Nomination and Remuneration Committee or opinions, etc. of the Audit and Supervisory Committee, if available.

The amounts of performance-linked compensation (bonus) and non-monetary compensation, etc. (performance-linked stock compensation) vary depending on the achievement of consolidated operating income for each fiscal year, which the Company considers important as profit from its core business, and changes in stock value. Therefore, the proportions of remuneration change, however, basic compensation, performance-linked compensation (bonus), and non-monetary compensation, etc. (performance-linked stock compensation) are determined such that the ratio is approximately 5:3:2, when performance-linked compensation is paid in standard amounts.

● **Matters related to resolution at the General Meeting of Shareholders on remuneration, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members**

It was resolved at the 59th Ordinary General Meeting of Shareholders held on June 27, 2024, that the maximum amount of compensation to be paid to Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed ¥1,200 million per year. (The number of Directors at the closing of the said Ordinary General Meeting of Shareholders was four.) It was resolved at the 59th Ordinary General Meeting of Shareholders held on June 27, 2024, that the maximum amount of performance-linked stock compensation shall not exceed 500 million yen and 625,000 shares a year, separately from the maximum amount of monetary compensation for Directors stated above (The number of eligible Directors for this plan at the closing of the said Ordinary General Meeting of Shareholders was four).

It was resolved at the 59th Ordinary General Meeting of Shareholders held on June 27, 2024, that the maximum amount of compensation to be paid to Directors who are

Audit and Supervisory Committee Members shall not exceed ¥200 million per year. (The number of Directors who are Audit and Supervisory Committee Members at the closing of the said Ordinary General Meeting of Shareholders was five.) Remuneration of Directors who are Audit and Supervisory Committee Members consists only of fixed compensation from the viewpoint of independence and objectivity and the amounts of remuneration of individual Directors who are Audit and Supervisory Committee Members are determined upon consultation by Directors who are Audit and Supervisory Committee Members.

● **Reasons why the Board of Directors has determined that the contents of the individual remuneration for Directors for the fiscal year ended March 31, 2024 are in line with the Determination Policy**

The policy regarding the determination of the amount and calculation method of officers' remuneration was revised in response to the transition to a company with an Audit and Supervisory Committee, as resolved at the Ordinary General Meeting of Shareholders on June 27, 2024. However, the remuneration for individual directors for the fiscal year ended March 31, 2024 was determined based on the policy established under the previous organizational structure, which was a company with a Board of Statutory Auditors.

In determining the remuneration for individual directors for the fiscal year ended March 31, 2024, a draft proposal, prepared in accordance with the regulations, was discussed and finalized at a Board of Directors meeting attended by multiple Independent Outside Directors, accounting for more than one-third of the Board, and within the maximum remuneration limit set by the resolution of the General Meeting of Shareholders. Therefore, the Board of Directors has determined that the remuneration aligns with the established decision policy.

◆ Risk Factors

Risks that may have an impact on the Group's business results, stock price and financial position for the fiscal year ending March 31, 2025 and beyond include the items described below. Forward-looking statements in this document represent the Group's assumptions and judgment as of the end of the fiscal year ended March 31, 2024, but do not cover all potential risks.

● Change in the market environment

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

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

● Regulations

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

● Intellectual property rights

A growing number of game machines introduced in recent years involve tie-ups with celebrities, animation characters and other popular characters. In accordance with this trend, as intellectual property rights, such as portrait rights and copyrights of characters used for game machines, become increasingly important to the business, the incidence of conflicts concerning intellectual property is rising.

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

● Development of new models

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

● Infectious Disease Outbreaks

If infectious diseases, such as the novel coronavirus, spread, parlors nationwide, which are the Group's primary customers, may be forced to operate in a challenging business environment due to a decline in activity. This could impact the sales of gaming machines in the Group's core pachinko and pachislot businesses, as well as orders for interior construction and supply equipment in the supply equipment business.

Additionally, disruptions to the supply chain due to the spread of infectious diseases are anticipated. However, the Group will strive to minimize the impact on the number of pachinko machines sold and the sales schedule by focusing on securing multiple suppliers, placing advance orders, and arranging for alternative supplies.

◆ Executive Profile

Directors

Director & Chairman

Hideyuki Busujima

Birth: September 30, 1952

Jun. 1985	Executive Director
Jan. 1988	Senior Executive Director
Feb. 1992	Representative Senior Executive Director
Jun. 1992	Representative Director & Senior Executive Vice President
Jun. 1996	Representative Director, President & CEO
Apr. 2008	Representative Director, Chairman of the Board & CEO
Apr. 2022	Director & Chairman (to present)

Representative Director, President & CEO & COO

Akihiko Ishihara

Birth: September 9, 1962

Apr. 2008	Operating Officer & General Manager of Sales Planning Department
Apr. 2010	Executive Operating Officer, Head of Administration Division & General Manager of General Affairs Department
Apr. 2011	Senior Executive Operating Officer, Head of Administration Division & General Manager of General Affairs Department
Jun. 2012	Director & Senior Executive Operating Officer, Head of Administration Division & General Manager of General Affairs Department
Apr. 2015	Representative Director, President of SANKYO EXCEL CO., LTD.
Apr. 2020	Senior Executive Vice President, General Manager of Corporate Planning Division
Jun. 2020	Director & Senior Executive Vice President, General Manager of Corporate Planning Division (Supervising Manufacturing Division and Administration Division)
Apr. 2021	Representative Director & Senior Executive Vice President, General Manager of Corporate Planning Division (Supervising Manufacturing Division and Administration Division)
Jun. 2021	Representative Director, President & COO
Apr. 2022	Representative Director, President & CEO
Jun. 2023	Outside Director of the Gamecard-Joyco Holdings, Inc. (to present)
Jun. 2024	Representative Director, President & CEO & COO (to present)

Director & Senior Executive Operating Officer

Toshio Ogura

Birth: March 12, 1962

Apr. 2012	Operating Officer & Head of Intellectual Property Division & General Manager of Intellectual Property Department
Apr. 2015	Executive Operating Officer & Head of Intellectual Property Division
Apr. 2018	Senior Executive Operating Officer & Head of Intellectual Property Division
Jan. 2019	Senior Executive Operating Officer & Head of Intellectual Property Division & Deputy Head of Product Management Division
Apr. 2021	Senior Executive Operating Officer & Head of Intellectual Property Division & Deputy Head of Product Management Division & General Manager of Research & Development Department
Apr. 2022	Senior Executive Operating Officer & Head of Product Management Division
Jun. 2024	Director & Senior Executive Operating Officer & Head of Product Management Division (to present)

Director

Junko Tsuruoka

Birth: February 23, 1962

Jun. 1996	President's secretary
Apr. 2001	Manager, Secretary Section, General Affairs Department
Apr. 2019	Chairman's secretary
Apr. 2024	Secretary Office Manager
Jun. 2024	Director & Secretary Office Manager (to present)

Directors who are Audit and Supervisory Committee Members

Directors, Standing Audit and Supervisory Committee Chairperson

Yoko Igarashi

Birth: September 3, 1956

Apr. 2010	General Manager of Accounting & Finance Department
Apr. 2012	Operating Officer, General Manager of Accounting & Finance Department
Apr. 2015	Executive Operating Officer, Head of Administration Division
Apr. 2018	Executive Operating Officer, Head of Administration Division & Supervising Business Planning Department
Apr. 2021	Executive Operating Officer, Head of Administration Division & Supervising Business Planning Department & General Manager of General Affairs Department
Jun. 2021	Senior Executive Operating Officer, Head of Administration Division & Supervising Manufacturing Division & Business Planning Department & General Manager of General Affairs Department
Apr. 2022	Senior Executive Operating Officer, Supervising Manufacturing Division & Administration Division & Business Planning Department
Apr. 2023	Advisor
Jun. 2023	Standing Statutory Auditor
Jun. 2024	Directors, Standing Audit and Supervisory Committee Chairperson (to present)

Directors, Audit and Supervisory Committee Member

Toshiaki Ishiyama

Birth: September 17, 1956

Jun. 1994	Statutory Auditor
Jan. 2012	Joined Noda Fumiyo Tax Accounting Office (to present)
Sept. 2015	Registered as Certified Tax Accountant
Jun. 2024	Director, Audit and Supervisory Committee Member (to present)

Outside Director, Audit and Supervisory Committee Member

Taro Kitani

Birth: May 4, 1976

Oct. 2004	Registered as attorney at law. Joined KOHWA SOHGOH LAW OFFICES (to present)
Jun. 2015	Outside Director
Jun. 2024	Outside Director, Audit and Supervisory Committee Member (to present)

Outside Director, Audit and Supervisory Committee Member

Hiroyuki Yamasaki

Birth: September 5, 1954

Oct. 1982	Joined Chuo Audit Corporation
Sept. 1994	Partner, Chuo Audit Corporation
Aug. 2000	Representative Partner, ChuoAoyama Audit Corporation
Oct. 2005	Executive Officer, ChuoAoyama Audit Corporation
May 2006	Acting Chief Executive Officer, ChuoAoyama Audit Corporation
Nov. 2007	Senior Partner, Shin Nihon & Co. (current Ernst & Young ShinNihon LLC)
Aug. 2008	Managing Director, Ernst & Young ShinNihon LLC
Jul. 2013	Auditor, Japan Venture Capital Association
Jul. 2017	President, CPA Hiroyuki Yamasaki Office (to present)
Jun. 2018	Outside Auditor of UACJ Corporation (to present)
Dec. 2020	Outside Director
Jun. 2024	Director & Vice President of LAND BUSINESS CO., LTD. Outside Director, Audit and Supervisory Committee Member (to present)

Outside Director, Audit and Supervisory Committee Member

Takashi Miura

Birth: February 19, 1963

Apr. 1987	Joined Recruit Co., Ltd.
Oct. 1990	Established OCCS PLANNING Center (current Cloudpoint Inc.), Representative Director (to present)
Jun. 2002	Statutory Auditor, Bistly Co., Ltd.
Oct. 2009	Outside Director, CAD CENTER CORPORATION
Jun. 2015	Outside Director (Resigned in June 2017)
Mar. 2022	Director, CPplus Inc. (to present)
Nov. 2023	Chairman and Director, arara inc. (current Paycloud Holdings Inc.) (to present)
Jun. 2024	Outside Director, Audit and Supervisory Committee Member (to present)

Significant concurrent positions:
Chairman and Director, Paycloud Holdings Inc.

Directors' Skills Matrix

	Name	Position	Nomination and Remuneration Committee	Sustainability Committee	Corporate Management	Insight into the Industry	Administration/Corporate Planning/Finance	Development	Manufacturing	Sales & Marketing	Sustainability	Legal Affairs / Compliance
Directors	Hideyuki Busujima	Director & Chairman			●	●	●					●
	Akihiko Ishihara	Representative Director, President & CEO & COO	◎	◎	●	●	●				●	
	Toshio Ogura	Director & Senior Executive Operating Officer, Head of Product Management Division		○	●			●		●		●
	Junko Tsuruoka	Director, Secretary Office Manager			●		●				●	●
Directors who are Audit and Supervisory Committee Member	Yoko Igarashi	Director, Standing Audit and Supervisory Committee Chairperson					●		●		●	●
	Toshiaki Ishiyama	Director, Audit and Supervisory Committee Member					●					
	Taro Kitani	Outside Director, Audit and Supervisory Committee Member	○									●
	Hiroyuki Yamasaki	Outside Director, Audit and Supervisory Committee Member	○		●		●				●	
	Takashi Miura	Outside Director, Audit and Supervisory Committee Member	○		●		●			●		

Notes 1: The chairperson of the Nomination and Remuneration Committee and the Sustainability Committee is indicated by ◎, and the members are indicated by ○. The Sustainability Committee is chaired by the President and Representative Director and comprises the heads of each division and the general managers of various administrative departments.

2: Based on the expertise and experience of each person, up to four areas are marked for which the Company has particular expectations.

3: The above list does not represent all the skills, etc. possessed by each person.

Financial Review for the Fiscal Year Ended March 31, 2024

The Company's financial position and operating results for the fiscal year ended March 31, 2024 (FY2023), are analyzed below.

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

◆ Business Environment in the Fiscal Year Ended March 31, 2024

During the fiscal year ended March 31, 2024, the moderate recovery of the Japanese economy continued in line with the normalization of economic activity and the resurgence of inbound demand, following the reclassification of COVID-19 to Class 5 under the Japanese law, with the improvement in the employment and income environment also providing a tail wind. However, the outlook of the economy remains uncertain in light of concerns about a possible slowdown of overseas economies, considering such factors as the impact of price increases and financial tightening worldwide.

In the pachinko and pachislot industry, the full-fledged introduction of Smart Pachinko and Pachislot machines has taken place, a stream of hit titles of Smart Pachislot machines emerged, and these machines have been driving the operation of the entire pachislot market. In contrast, only a few titles of Smart Pachinko machines have been hits and the momentum for replacement has not yet grown. As such, as for Smart Pachinko and Pachislot machines, both sales volume and installment ratio of the Smart Pachislot machines are ahead of others.

◆ Overview of Business Results in the Fiscal Year Ended March 31, 2024

With respect to the pachinko machines business, the Group accumulated the sales volume led by the mainstay machine series, *Fever MOBILE SUIT GUNDAM SEED* and *Pachinko EVANGELION: 3.0 + 1.0 Type Rei*. Our share in the sales volume of pachinko machines topped 30%, enabling us to achieve the top share for two consecutive years. In addition, with respect to the pachislot machines business, we actively promoted support for smarter machines. Our industry's fastest launch in November 2022, which was followed by generation of multiple highly utilized machines through the product development that captures current trends, enabled

the Group to increase the presence in the pachislot market thanks to the improved sales share.

As a result, net sales were ¥199.0 billion, an increase of 26.6% year on year. Operating income was ¥72.4 billion, an increase of 23.9%, and ordinary income was ¥73.1 billion, an increase of 23.3%. Net income attributable to owners of the parent amounted to ¥53.7 billion, an increase of 14.7%.

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

The cost of sales for the fiscal year under review stood at ¥88.4 billion. Relative to net sales, this represented an increase of 2.2 percentage points, resulting in 44.4%. Selling, general, and administrative expenses rose by ¥5.8 billion, attributed to increased sales commissions, advertising expenses and research and development expenses. However, in relation to net sales, these expenses decreased by 1.4 percentage points, landing at 19.2%. Consequently, the operating income increased 23.9% year-on-year to ¥72.4 billion, with the operating income margin decreasing by 0.8 percentage points to 36.4%.

Ordinary income grew by 23.3% to ¥73.1 billion, aided by the uptick in operating income.

The total extraordinary gains and losses amounted to a profit of ¥2.0 billion, primarily due to a gain of ¥2.1 billion from the sale of investment securities.

As an outcome of the above, the net income attributable to owners of the parent saw a 14.7% increase, totaling ¥53.7 billion. The net income per share was reported at ¥203.81, a marked rise from the previous fiscal year's ¥161.50.

The Company conducted a 5-for-1 stock split on March 1, 2024. The above net income per share is calculated as if the stock split had occurred at the beginning of the fiscal year ended March 31, 2023.

◆ Segment Information by Business

(Millions of yen)			
	FY2022	FY2023	Year-on-year change
Net sales			
Pachinko machines business	¥122,576	¥147,042	20.0%
Pachislot machines business	22,551	32,143	42.5
Ball bearing supply systems business	11,993	19,497	62.6
Other businesses	175	416	137.7
Total	¥157,296	¥199,099	26.6%

(Millions of yen)			
	FY2022	FY2023	Year-on-year change
Operating income			
Pachinko machines business	¥54,223	¥61,165	12.8%
Pachislot machines business	9,280	15,289	64.8
Ball bearing supply systems business	742	1,582	113.2
Other businesses	21	159	657.1
Elimination/Corporate	(5,734)	(5,701)	—
Total	¥58,532	¥72,495	23.9%

◆ Forecast for the Fiscal Year Ending March 31, 2025

As for the market environment in the fiscal year ending March 31, 2025, the pachislot market is expected to continue to be favorable thanks to the penetration of Smart Pachislot machines, while the pachinko sales market is expected to remain flat as the strong pachislot market prevails. In addition, parlor operators are preparing for capital investment associated with the issuance of new money bills, and therefore, the possibility of its impact on the sales volume of pachinko machines and pachislot machines can be assumed.

The Group will enhance the title lineups in both the pachinko

business and the pachislot business so that we can strive to acquire the top share for the three consecutive years even in the pachinko market where a severe market environment is expected and that we can take a bite out of the top share group in the pachislot market.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2025, of 247,000 pachinko machines and 119,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2025, are as follows:

(Billions of yen)			
	FY2023 results	FY2024 forecast	Year-on-year change
Net sales	¥199.0	¥180.0	-9.6%
Operating income	72.4	61.0	-15.9
Ordinary income	73.1	62.0	-15.3
Net income attributable to owners of the parent	53.7	42.0	-21.9

◆ Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year ended March 31, 2024 amounted to ¥292.1 billion, having decreased ¥73.8 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥100.0 billion decrease in marketable securities, a ¥4.8 billion decrease in accounts receivable for provision of parts and materials for value, a ¥4.8 billion decrease in investment securities, despite a ¥37.8 billion increase in cash and deposits.

Total liabilities amounted to ¥40.5 billion, having decreased ¥15.1 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable

to a ¥9.2 billion decrease in accrued income taxes, and a ¥6.8 billion decrease in notes and accounts payable-trade.

Net assets decreased ¥58.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to purchase of treasury stock amounted to ¥96.5 billion, cash dividends paid amounting to ¥13.3 billion, and net unrealized gain on other securities decreased ¥2.5 billion, while recording of profit attributable to owners of parent amounted to ¥53.7 billion. The cancellations of treasury stock, the resolutions for which had been passed at the Board of Directors' meeting held on November 7, 2023 and

Financial Review for the Fiscal Year Ended March 31, 2024

February 7, 2024, pursuant to the provisions of Article 178 of the Companies Act, were carried out on November 30, 2023 and February 20, 2024, respectively. As a result, net

assets amounted to ¥251.5 billion and the shareholders' equity ratio increased 1.2 percentage points to 85.5%.

◆ Cash Flows

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥205.4 billion, having decreased ¥47.1 billion from the previous fiscal year-end.

Cash flows from operating activities

Net cash provided by operating activities increased ¥12.4 billion from the previous fiscal year-end to ¥47.5 billion. Principal cash inflow items were income before income taxes amounting to ¥75.2 billion, a ¥4.8 billion decrease in accounts receivable for provision of parts and materials for value, a ¥4.7 billion decrease in notes and accounts receivable-trade, and depreciation and amortization amounting to ¥2.9 billion. Principal cash outflow items were income taxes paid amounting to ¥28.3 billion, a ¥6.8 billion decrease in notes and accounts payable-trade, a gain on sales of investment securities amounting to ¥2.1 billion, and a ¥1.1 billion increase in inventories.

Cash flows from investing activities

Net cash provided by investing activities increased ¥8.4 billion from the previous fiscal year-end to ¥15.1 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥40.0 billion, and proceeds from sale of investment securities amounting to ¥3.3 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥25.0 billion, and payment for purchase of property, plant and equipment amounting to ¥2.9 billion.

Cash flows from financing activities

Cash flows from financing activities decreased ¥102.7 billion from the figure at the previous fiscal year-end and, as a result, net cash used in financing activities amounted to ¥109.8 billion. Principal cash outflow items were payment for purchase of treasury stock amounting to ¥98.0 billion, and cash dividends paid amounting to ¥13.3 billion.

◆ Forecast of the Financial Position in the Fiscal Year Ending March 31, 2025

For fiscal 2024, the Company forecasts an increase in net cash provided by operating activities of ¥39.0 billion, a decrease in net cash used in investing activities of ¥5.0 billion attributable to capital investment, and a decrease in net cash used in financing activities of ¥20.0 billion

attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥14.0 billion in the cash balance at the end of fiscal 2024 compared to the end of fiscal 2023.

◆ Shareholder Return and Dividend Policy

The Company regards the return of profits to shareholders as one of the most important management priorities. The Company's basic policy is to pay performance-linked dividends with a consolidated dividend payout ratio of 40% as a benchmark. However, the minimum annual dividend per share shall be set at ¥20 to maintain stable dividends.

For the interim dividend, a consolidated dividend payout ratio of 40% for the first six months of the fiscal year shall be the benchmark for the total dividend amount, but the interim dividend shall be no more than 50% of the forecast full-year dividend per share at the time the interim dividend amount is determined. The Company decided to pay an interim dividend of ¥150 per share and year-end dividend ¥50 per share for fiscal 2023. The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. The amount of the interim dividend for the fiscal year under review is presented in the amount before the share split, while the amount of the year-end

dividend is presented after the share split. If the share split is assumed to be carried out at the beginning of the fiscal year under review, the dividends for the full year would be ¥80 per share (of which, the interim dividend is ¥30; the consolidated payout ratio is 39.3%). For the fiscal year ending March 31, 2025, the Company plans to pay a dividend for the full year of ¥80 per share (the consolidated payout ratio is 41.8%).

In regard to future profit sharing and use of retained earnings, while maintaining performance-based dividend payments as the basic policy, the Company will effectively utilize retained earnings, such as in business investment for growth and repurchase of own shares for flexible shareholder returns, through appropriate allocation.

Consolidated Management Indicators

Fiscal years ended March 31, 2020, 2021, 2022, 2023 and 2024

Fiscal Year	FY2019	FY2020	FY2021	FY2022	FY2023
For the year (millions of yen):					
Net sales	¥ 78,416	¥ 58,129	¥ 84,857	¥ 157,296	¥199,099
Cost of sales	36,671	27,403	37,037	66,380	88,420
Gross profit	41,745	30,726	47,819	90,916	110,679
Selling, general and administrative expenses	29,193	24,138	26,462	32,383	38,184
Operating income	12,551	6,587	21,357	58,532	72,495
Ordinary income	13,476	7,488	22,257	59,341	73,182
Net income attributable to owners of the parent	13,045	5,749	18,466	46,893	53,791
Cash flows (millions of yen):					
Net cash provided by operating activities	¥ 18,971	¥ 10,563	¥ 22,707	¥ 35,103	¥ 47,589
Depreciation and amortization	3,476	2,398	2,113	1,838	2,916
Net cash provided by (used in) investing activities	(21,748)	29,638	8,877	6,655	15,118
Free cash flow	(2,777)	40,201	31,584	41,758	62,707
Cash and cash equivalents	192,294	203,318	218,012	252,609	205,440
At year-end (millions of yen):					
Total assets	¥325,232	¥292,104	¥309,213	¥ 365,950	¥292,119
Total net assets	269,521	268,887	270,120	310,259	251,579
Net assets attributable to common stock	267,946	267,121	268,519	308,420	249,863
Per share data*1 (yen):					
Net income (basic) (EPS)	¥ 36.69	¥ 18.79	¥ 61.01	¥ 161.50	¥ 203.81
Total net assets	867.07	873.16	921.85	1,062.36	1,139.12
Cash dividends	30.00	30.00	20.00	30.00	80.00
Financial indicators:					
Operating margin (%)	16.0	11.3	25.2	37.2	36.4
Return on sales (ROS) (%)	16.6	9.9	21.8	29.8	27.0
Return on equity (ROE) (%)	4.3	2.1	6.9	16.3	19.3
Return on assets (ROA*2) (%)	3.7	2.4	7.4	17.6	22.2
Total asset turnover (times)	0.22	0.19	0.28	0.47	0.61
Financial leverage (times)	1.19	1.15	1.12	1.16	1.17
Equity ratio (%)	82.4	91.4	86.8	84.3	85.5
Payout ratio (%)	81.8	159.6	32.8	18.6	39.3
Operating data:					
Pachinko machines unit sales (units)	149,520	126,565	164,590	268,726	297,648
Pachislot machines unit sales (units)	28,869	7,679	22,433	51,581	70,379
Employees (persons)	957	964	906	864	878
Environmental data:					
GHG emissions scope 1 (t-CO ₂)	1,102	998	973	959	935
GHG emissions scope 2 (t-CO ₂)	5,022	4,376	4,310	4,307	4,225
Electric power consumption (MWh)	9,114	8,376	8,951	9,299	9,213
Industrial waste emissions (plant) (t)	111.0	243.9	79.0	306.0	581.7
Water consumption (plant) (m ³)	1,414	1,233	1,755	2,725	1,542

*1: The Company carried out a share split at a ratio of five shares for one share of common stock, effective March 1, 2024. Therefore, net income per share, net assets per share and dividend per share are calculated assuming that the share split was carried out at the beginning of the fiscal year ended March 31, 2020.

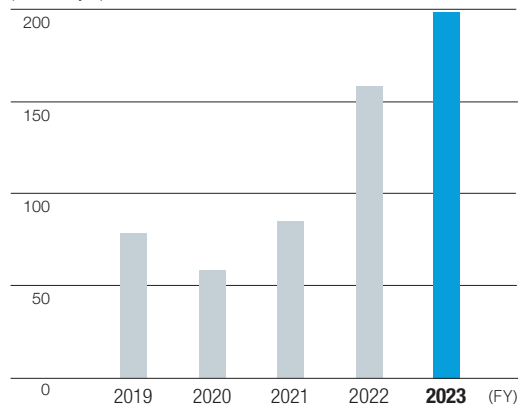
2: ROA = Ordinary income / Total assets (yearly average)



Financial Data

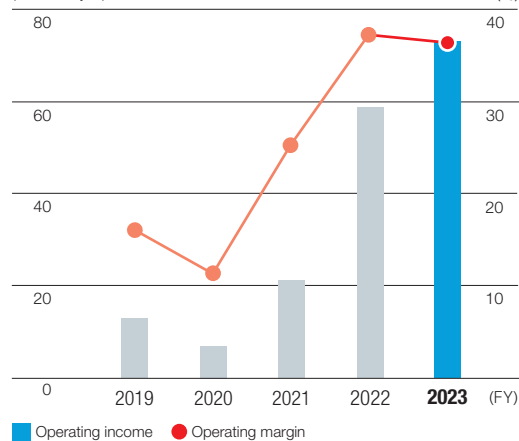
Net Sales

(Billions of yen)

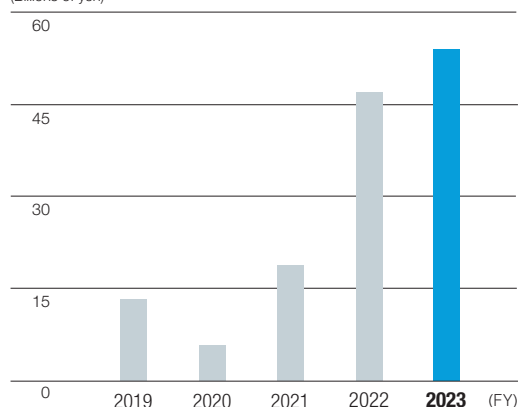
**Operating Income / Operating Margin**

(Billions of yen)

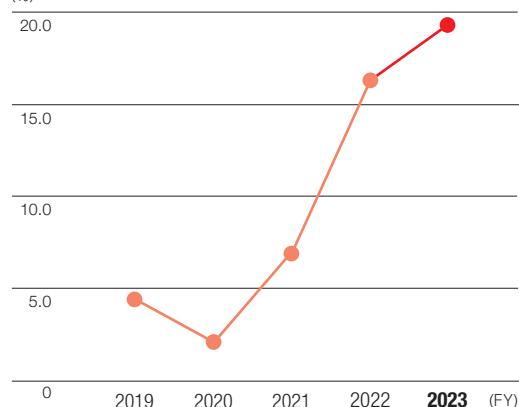
(%)

**Net Income Attributable to Owners of the Parent**

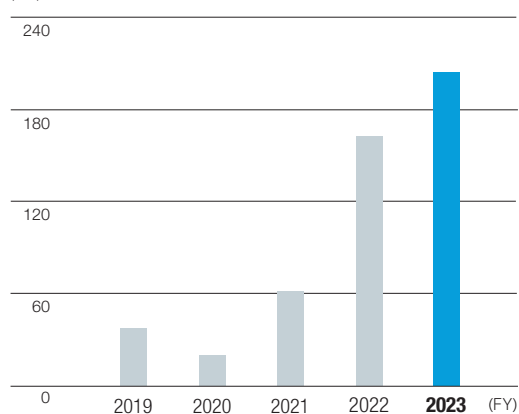
(Billions of yen)

**Return on Equity (ROE)**

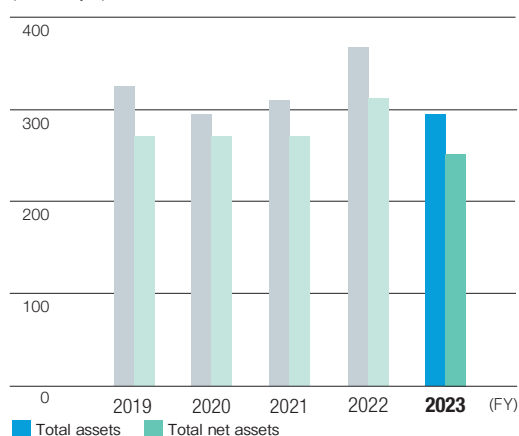
(%)

**EPS**

(Yen)

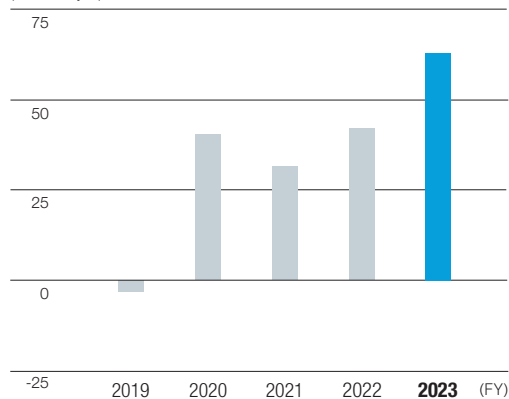
**Total Assets / Total Net Assets**

(Billions of yen)

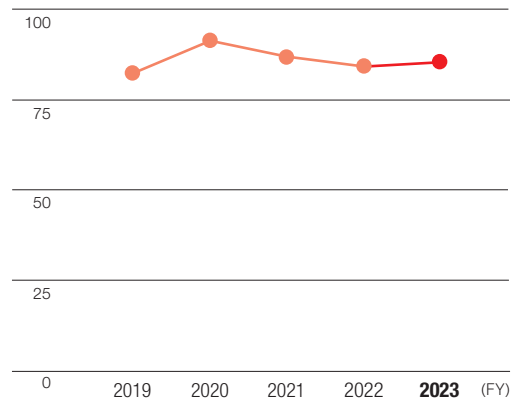
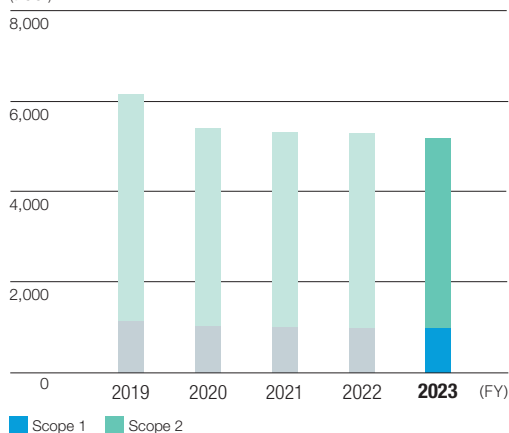


Free Cash Flow

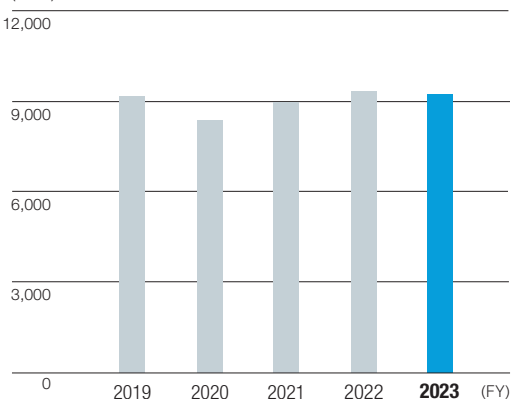
(Billions of yen)

**Equity Ratio**

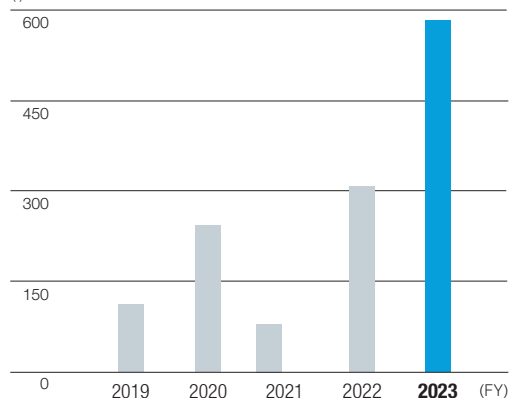
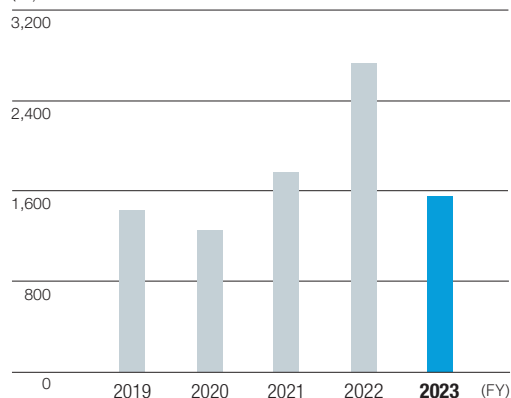
(%)

**Environmental Data****Greenhouse Gas (GHG) Emissions (Scope 1, 2)**(t-CO₂)**Electric Power Consumption**

(MWh)

**Industrial Waste Emissions (Plant)**

(t)

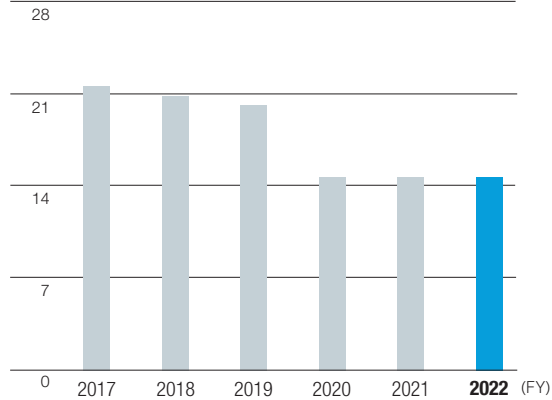
**Water Consumption (Plant)**(m³)



Market Data

Ball / Token Rental Revenues

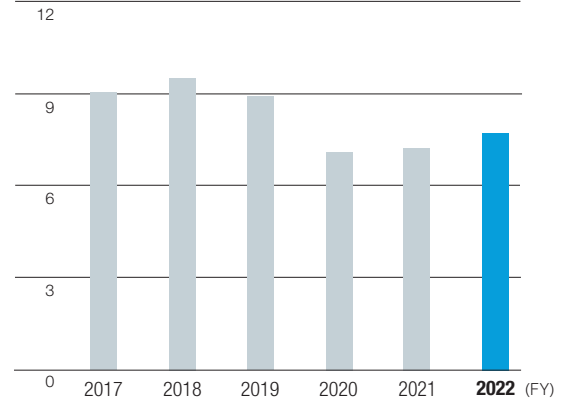
(Trillions of yen)



Source: 2023 Leisure White Paper, Japan Productive Center

Pachinko / Pachislot Player Population

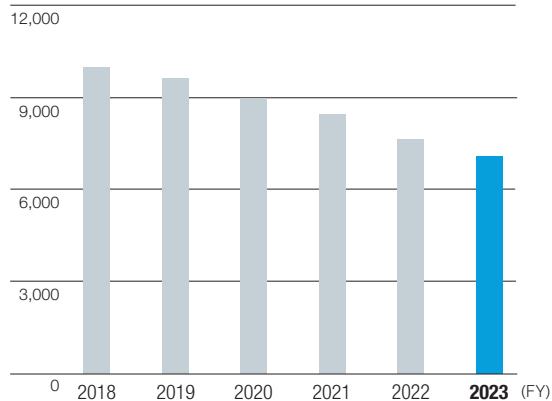
(Millions of people)



Source: 2023 Leisure White Paper, Japan Productive Center

Number of Pachinko / Pachislot Parlors

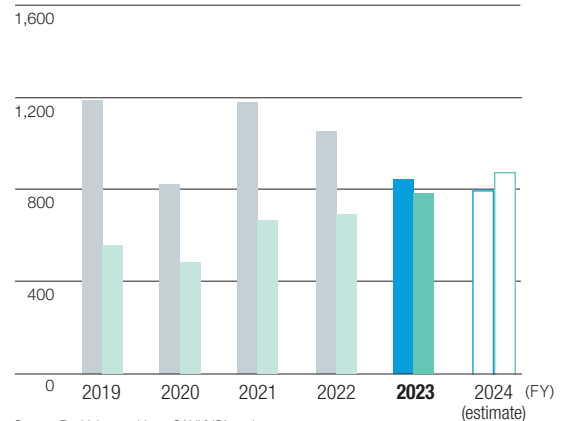
(Number of parlors)



Source: National Police Agency

Pachinko / Pachislot Machines Unit Sales

(Thousand units)



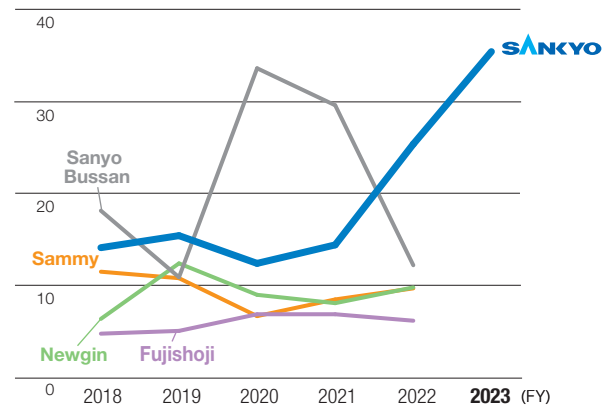
Source: Pachinko machines: SANKYO's estimate

Pachislot machines: Yano Research Institute

Note: The FY2023 and FY2024 figures are a company estimate.

Pachinko Machine Sales Share (Unit Basis)

(%)

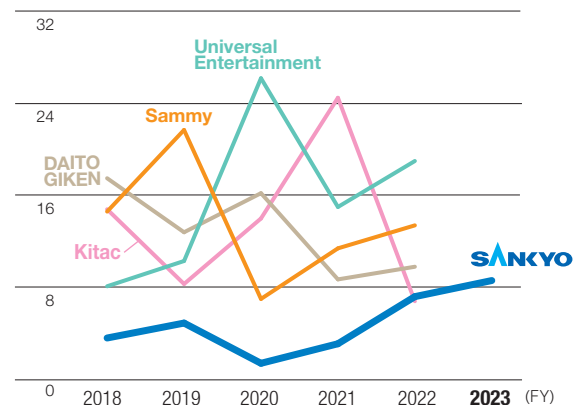


Source: Yano Research Institute

Note: The FY2023 figure is a company estimate.

Pachislot Machine Sales Share (Unit Basis)

(%)



Source: Yano Research Institute

Note: The FY2023 figure is a company estimate.

Consolidated Financial Statements

Fiscal years ended March 31, 2023 and 2024

◆ Consolidated Balance Sheets

	(Millions of yen)	
	FY2022	FY2023
Assets:		
Current assets:		
Cash and deposits	¥ 92,610	¥130,441
Notes receivable – trade	15,905	12,954
Accounts receivable – trade	12,200	10,395
Marketable securities	174,999	74,999
Finished goods and merchandise	3,760	510
Work in process	801	705
Raw materials and supplies	10,029	14,553
Accounts receivable for provision of parts and materials for value	9,802	4,937
Other	1,704	1,976
Allowance for doubtful accounts	(17)	(9)
Total current assets	321,797	251,465
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	13,954	14,272
Less accumulated depreciation	(8,598)	(8,851)
Subtotal	5,355	5,420
Machinery and equipment	7,363	7,456
Less accumulated depreciation	(6,813)	(6,473)
Subtotal	550	982
Furniture and fixtures	12,678	12,711
Less accumulated depreciation	(9,615)	(10,093)
Subtotal	3,062	2,617
Land	17,477	17,447
Construction in progress	217	162
Total tangible fixed assets	26,663	26,630
Intangible fixed assets		
Other	178	185
Total intangible fixed assets	178	185
Investments and other assets:		
Investment securities	11,436	6,601
Long-term advances	55	50
Deferred tax assets	5,099	6,195
Other	748	1,040
Allowance for doubtful accounts	(29)	(48)
Total investments and other assets	17,311	13,838
Total fixed assets	44,153	40,654
Total assets	¥365,950	¥292,119

	(Millions of yen)	
	FY2022	FY2023
Liabilities:		
Current liabilities:		
Notes and accounts payable – trade	¥ 14,301	¥ 7,444
Accrued income taxes	19,578	10,311
Contract liabilities	15	11
Allowance for bonuses	781	847
Provision for shareholder benefit program	151	162
Other	12,351	12,574
Total current liabilities	47,180	31,352
Long-term liabilities:		
Provision for share awards for directors (and other officers)	—	489
Net defined benefit liabilities	4,967	5,128
Asset retirement obligations	75	76
Other	3,467	3,493
Total long-term liabilities	8,510	9,187
Total liabilities	55,691	40,539
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	293,670	256,751
Less: treasury stock, at cost	(29,602)	(48,686)
Total shareholders' equity	302,658	246,654
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,791	3,240
Remeasurements of defined benefit plans	(30)	(32)
Total accumulated other comprehensive income	5,761	3,208
Subscription rights to shares	1,839	1,716
Total net assets	310,259	251,579
Total liabilities and total net assets	¥365,950	¥292,119

Consolidated Financial Statements

Fiscal years ended March 31, 2023 and 2024

◆ Consolidated Statements of Income

(Millions of yen)

	FY2022	FY2023
Net sales	¥157,296	¥199,099
Cost of sales	66,380	88,420
Gross profit	90,916	110,679
Selling, general and administrative expenses	32,383	38,184
Operating income	58,532	72,495
Non-operating income:		
Interest income	73	52
Dividend income	553	337
Other	184	320
Total non-operating income	811	710
Non-operating expenses:		
Loss on management of investment partnership	—	19
Other	1	3
Total non-operating expenses	1	23
Ordinary income	59,341	73,182
Extraordinary gains:		
Gain on sales of fixed assets	75	8
Gain on sales of investment securities	7,004	2,196
Total extraordinary gains	7,079	2,205
Extraordinary losses:		
Loss on sales of fixed assets	22	7
Loss on disposal of fixed assets	117	103
Impairment loss	22	—
Total extraordinary losses	162	111
Income before income taxes	66,259	75,276
Current income taxes	20,388	21,454
Deferred income taxes	(1,023)	30
Total income taxes	19,365	21,484
Net income	46,893	53,791
Net income attributable to owners of the parent	¥ 46,893	¥ 53,791

◆ Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022	FY2023
Net income	¥46,893	¥53,791
Other comprehensive income:		
Net unrealized gain (loss) on other securities	145	(2,551)
Remeasurements of defined benefit plans	(29)	(1)
Total other comprehensive income	115	(2,552)
Comprehensive income	47,009	51,238
Comprehensive income attributable to:		
Owners of the parent	47,009	51,238
Minority interests	¥ —	¥ —

◆ Consolidated Statements of Changes in Shareholders' Equity

Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)										(Millions of yen)
	Shareholders' equity					Accumulated other comprehensive income				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	Subscription rights to shares	
Balance at beginning of the period	¥14,840	¥23,750	¥264,842	¥(40,558)	¥262,874	¥5,646	¥ (1)	¥5,645	¥1,600	¥270,120
Change during the fiscal year										
Dividends of surplus			(6,396)		(6,396)					(6,396)
Net income attributable to owners of the parent			46,893		46,893					46,893
Acquisition of treasury stock				(766)	(766)					(766)
Acquisition of treasury stocks by the share benefit trust					—					—
Sales of treasury stock			(17)	71	54					54
Retirement of treasury stock			(11,652)	11,652	—					—
Net changes of items other than shareholders' equity						145	(29)	115	238	354
Total changes during the fiscal year	—	—	28,828	10,956	39,784	145	(29)	115	238	40,139
Balance at end of the period	¥14,840	¥23,750	¥293,670	¥(29,602)	¥302,658	¥5,791	¥(30)	¥5,761	¥1,839	¥310,259

Fiscal Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)										(Millions of yen)
	Shareholders' equity					Accumulated other comprehensive income				
	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	Subscription rights to shares	Total net assets
Balance at beginning of the period	¥14,840	¥23,750	¥293,670	¥(29,602)	¥302,658	¥ 5,791	¥(30)	¥5,761	¥1,839	¥310,259
Change during the fiscal year										
Dividends of surplus			(13,346)		(13,346)					(13,346)
Net income attributable to owners of the parent			53,791		53,791					53,791
Acquisition of treasury stock				(96,529)	(96,529)					(96,529)
Acquisition of treasury stocks by the share benefit trust				(1,550)	(1,550)					(1,550)
Sales of treasury stock		559		1,071	1,630					1,630
Retirement of treasury stock		(559)	(77,364)	77,923	—					—
Net changes of items other than shareholders' equity						(2,551)	(1)	(2,552)	(123)	(2,675)
Total changes during the fiscal year	—	—	(36,919)	(19,084)	(56,003)	(2,551)	(1)	(2,552)	(123)	(58,679)
Balance at end of the period	¥14,840	¥23,750	¥256,751	¥(48,686)	¥246,654	¥ 3,240	¥(32)	¥3,208	¥1,716	¥251,579

Consolidated Financial Statements

Fiscal years ended March 31, 2023 and 2024

◆ Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022	FY2023
Cash flows from operating activities:		
Income before income taxes	¥ 66,259	¥ 75,276
Depreciation and amortization	1,838	2,916
Share-based compensation expenses	288	—
Increase (decrease) in allowance for doubtful accounts	33	12
Increase (decrease) in allowance for bonuses	47	65
Increase (decrease) in provision for shareholder benefit program	29	11
Increase (decrease) in provision for share awards for directors (and other officers)	—	489
Increase (decrease) in net defined benefit liabilities	13	159
Interest and dividend income	(627)	(389)
Loss (gain) on sales of property, plant and equipment and intangible assets	(53)	(1)
Disposal of fixed assets	117	103
Impairment loss	22	—
(Gain) loss on sales of investment securities	(7,004)	(2,196)
(Increase) decrease in notes and accounts receivable – trade	(10,876)	4,755
(Increase) decrease in inventories	(6,771)	(1,177)
Increase (decrease) in notes and accounts payable – trade	(4,418)	(6,857)
(Increase) decrease in accounts receivable for provision of parts and materials for value	(5,130)	4,864
Increase (decrease) in accounts payable	481	178
Increase (decrease) in accrued consumption tax	3,253	(308)
Other	1,559	(2,244)
Subtotal	39,062	75,657
Interest and dividend income received	507	304
Income taxes paid	(4,539)	(28,372)
Income taxes refund	72	—
Net cash provided by (used in) operating activities	35,103	47,589
Cash flows from investing activities:		
Payment for purchase of marketable securities	(60,000)	(25,000)
Proceeds from redemption of marketable securities	60,000	40,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,690)	(2,966)
Proceeds from sale of investment securities	9,064	3,356
Proceeds from collection of long-term loans	25	5
Other	256	(276)
Net cash provided by (used in) investing activities	6,655	15,118
Cash flows from financing activities:		
Payment for purchase of treasury stock, net	(766)	(98,079)
Proceeds from sale of treasury stock	0	1,550
Cash dividends paid	(6,396)	(13,346)
Net cash provided by (used in) financing activities	(7,163)	(109,875)
Net increase (decrease) in cash and cash equivalents	34,596	(47,168)
Cash and cash equivalents at beginning of the period	218,012	252,609
Cash and cash equivalents at end of the period	¥252,609	¥ 205,440

Company Information / Stock Information

Corporate Data (As of March 31, 2024)

Company Name
SANKYO CO., LTD.

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



Head Office

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



Sanwa Plant

Established April 1966
Paid-in Capital ¥14,840 million
Number of Employees 878 (Consolidated)
745 (SANKYO CO., LTD.)

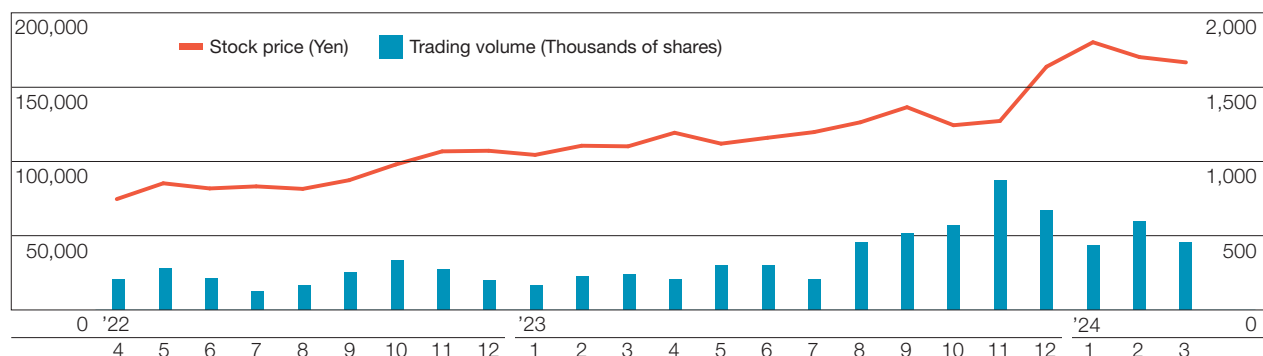
Stock Information (As of March 31, 2024)

Fiscal Year-End From April 1 to March 31
Annual Meeting of Shareholders June
Date of Record for Dividend Payout Annual Meeting of Shareholders: March 31
Year-end dividend: March 31
Interim dividend: September 30
Number of Shares Authorized 500,000,000
Number of Shares Issued 260,000,000
Number of Shares Unit 100
Number of Shareholders 26,306
Stock Exchange Listing The Tokyo Stock Exchange, Prime Market
Securities Code 6417
Transfer Agent Sumitomo Mitsui Trust Bank, Limited
Accounting Auditor Ernst & Young ShinNihon LLC

Stock Price and Trading Volume

(Thousands of shares)

(Yen)



For Further Information Contact:

Corporate Planning Division, SANKYO CO., LTD.
3-29-14 Shibuya, Shibuya-ku, Tokyo 150-8327, Japan
Telephone: 81 (3) 5778-7777 <https://www.sankyo-fever.co.jp/>

Executives (As of June 27, 2024)

Director & Chairman
Hideyuki Busujima

**Representative Director,
President & CEO & COO**
Akihiko Ishihara

**Director & Senior Executive
Operating Officer**
Toshio Ogura

Director
Junko Tsuruoka

**Director, Standing Audit
and Supervisory Committee
Chairperson**
Yoko Igarashi

**Director, Audit and Supervisory
Committee Member**
Toshiaki Ishiyama

**Outside Director, Audit and
Supervisory Committee Members**
Taro Kitani
Hiroyuki Yamasaki
Takashi Miura

**Senior Executive
Operating Officers**
Yuji Togo
Hiroshi Takahashi

**Executive Operating
Officers**
Katsumasa Takai
Masato Ando
Takeshi Busujima
Koji Hasegawa
Shingo Takabayashi
Masaru Inoue
Masahiro Akaishi
Junichi Tsutsumi
Hideyuki Yoda
Takashi Haneji

Operating Officers
Keiji Shuto
Ryo Naoi

Major Shareholders (As of March 31, 2024)

Name of shareholder	Number of Shares held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,525	14.73
Custody Bank of Japan, Ltd. (Trust Account)	13,540	6.13
JP MORGAN CHASE BANK 380055	12,479	5.65
Hideyuki Busujima	7,500	3.39
Resona Bank, Limited.	4,689	2.12
Takeshi Busujima	4,339	1.96
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO	4,314	1.95
Akiko Busujima	4,000	1.81
STATE STREET BANK AND TRUST COMPANY 505001	3,637	1.64
THE BANK OF NEW YORK MELLON 140044	3,296	1.49

Notes: 1. Number of shares less than 1,000 is truncated.
2. Percentage of shareholding is calculated excluding treasury stock (39,301,855 shares).

Good luck. Good life.

SANKYO

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