

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Annual Meeting of Shareholders: June 29, 2017

Planned Date for Start of Dividend Payment: June 30, 2017

Planned Date for Submittal of the Financial Statements Report: June 30, 2017

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

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

1. Results for the fiscal year (From April 1, 2016, to March 31, 2017)

(1) Consolidated operating results

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

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Year ended March 31, 2017	81,455	(40.6%)	5,059	(73.1%)	3,832	(80.8%)	1,777	(83.0%)
Year ended March 31, 2016	137,130	(6.4%)	18,826	42.3%	19,965	34.3%	10,485	20.1%
(note) Comprehensive income	Year ended March 31, 2017		¥3,246 million [(65.9%)]		Year ended March 31, 2016		¥9,516 million [4.9%]	

	Net income per share	Fully diluted net income per share	Return on equity (net income)	Return on assets (recurring income)	Return on sales (operating income)			
	Yen	Yen	%	%	%			
Year ended March 31, 2017	21.94	20.73	0.5	1.0	6.2			
Year ended March 31, 2016	126.78	122.54	2.9	4.7	13.7			
(reference) Equity in earnings of affiliates	Year ended March 31, 2017		¥(2,216) million		Year ended March 31, 2016		¥(109) million	

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share				
	Millions of yen	Millions of yen	%	Yen				
As of March 31, 2017	390,585	340,287	86.9	4,189.98				
As of March 31, 2016	414,183	348,941	84.1	4,300.19				
(reference) Shareholders' Equity	As of March 31, 2017		¥339,484 million		As of March 31, 2016		¥348,414 million	

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	8,549	20,547	(12,184)	251,818
Year ended March 31, 2016	17,303	11,375	(12,446)	234,905

2. Dividends

(Base date)	Cash dividend per share					Amount of dividends	Dividend payout	Dividend rate of net assets
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	-	75.00	-	75.00	150.00	12,199	118.3	3.5
Year ended March 31, 2017 (forecast)	-	75.00	-	75.00	150.00	12,176	683.6	3.5
Year ended March 31, 2018 (forecast)	-	75.00	-	75.00	150.00	209.5		

3. Forecast for FY2018 (From April 1, 2016, to March 31, 2018)

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

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent		Net income per share
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen
Year ending March 31, 2018	97,000	19.1%	8,100	60.1%	8,700	127.0%	5,800	226.3%	71.58

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

*** Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2017: Not applicable
- (2) Changes in accounting procedures
- | | |
|---|----------------|
| a. Related to accounting standard revisions etc.: | Applicable |
| b. Other changes: | Not applicable |
| c. Changes in accounting estimates: | Not applicable |
| d. Retrospective restatements: | Not applicable |
- (3) Outstanding shares (common shares)
- a. Number of shares outstanding (including treasury stock)
- | | |
|-----------------------|-------------------|
| As of March 31, 2017: | 89,597,500 shares |
| As of March 31, 2016: | 89,597,500 shares |
- b. Number of treasury stock
- | | |
|-----------------------|------------------|
| As of March 31, 2017: | 8,574,481 shares |
| As of March 31, 2016: | 8,574,381 shares |
- c. Average number of shares issued and outstanding
- | | |
|-----------------------|-------------------|
| As of March 31, 2017: | 81,023,346 shares |
| As of March 31, 2016: | 82,705,072 shares |

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2016, to March 31, 2017)****(1) Non-consolidated operating results**

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

	Net sales	Operating income	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	66,356 (43.4%)	(375) -	3,460 (70.9%)	3,308 (60.6%)
Year ended March 31, 2016	117,241 (9.8%)	9,675 (23.6%)	11,893 (24.4%)	8,391 (17.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2017	40.76	38.65
Year ended March 31, 2016	101.27	97.86

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	376,188	328,620	87.1	4,038.32
As of March 31, 2016	397,738	335,791	84.3	4,130.05

(reference) Shareholders' Equity As of March 31, 2017 ¥327,817 million As of March 31, 2016 ¥335,264 million

* This document is not subject to audit procedures

*** Disclaimer regarding Forward-looking Statements**

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

1. Overview of business results etc.

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

During the fiscal year ended March 31, 2017, while the Japanese economy experienced a continued recovery in corporate earnings as well as the employment environment and personal incomes, there were concerns about downside risks to the Japanese economy, including the orientation of policies of the new U.S. administration and their impact as well as uncertainties as to the prospects of economies in China and other emerging nations in Asia.

The pachinko and pachislot industry implemented industry-wide initiatives to promote replacement of pachinko and pachislot machines with models compliant with the new standards in response to voluntary regulations to prevent players becoming overly immersed in playing pachinko and pachislot. For pachinko, a decision was made to collect and remove "all the pachinko machines whose performance may differ from that of the models submitted for format inspection" by the end of December 2016. For pachislot, a step-by-step reduction of the ratio of "pachislot machines that are not compliant with the new standards" on an installation basis was decided. As a result, following the collection and removal of popular pachinko sequels, sales of their successor models picked up mainly in the year-end season. However, pachinko parlors largely adopted a wait-and-see approach to ascertain the reception of models compliant with the new standards. Thus, the market remained sluggish throughout the year for sales of both pachinko and pachislot machines.

In these circumstances, the Group introduced 11 pachinko titles (excluding reuse models) and six pachislot titles. Whereas sales were brisk for the Bisty-brand *EVANGELION-Time to Rise* pachinko title, which has become a signature series, sales of other titles were generally lackluster, partly affected by the overall market trend toward smaller-lot sales.

As a result, net sales were ¥81.4 billion, a decrease of 40.6% year on year. Operating income was ¥5.0 billion, a decrease of 73.1%. Because of recording of equity in losses of affiliates amounting to ¥2.2 billion, recurring income decreased 80.8% to ¥3.8 billion and profit attributable to owners of parent decreased 83.0% to ¥1.7 billion.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥60.5 billion, a decrease of 38.4% compared with the same period of the previous year, and operating income amounted to ¥10.4 billion, a decrease of 45.4%. Sales of pachinko machines amounted to 172,000 units. Major titles released included *Fever a-nation* (introduced in July 2016) and *Fever Tiger mask 3* (introduced in November 2016) under the SANKYO brand, *Tekken 2 Tousein ver.* (introduced in August 2016) and *EVANGELION-Time to Rise* (introduced in December 2016) under the Bisty brand, and *Fever Queen II* (introduced in January 2017) under the JB brand.

Pachislot Machines Business

With regard to the pachislot machines business, sales amounted to ¥13.2 billion, a decrease of 49.1% year on year, and operating loss was ¥0.2 billion, compared with operating income of ¥4.8 billion in the same period of the previous fiscal year. Sales of pachislot machines amounted to 32,000 units. Major titles released included *Pachislot Symphogear* (introduced in August 2016) and *Pachislot The Melancholy of Haruhi Suzumiya* (introduced in December 2016) under the SANKYO brand, and *Evangelion "Wish of Victory"* (introduced in February 2017) and *Pachislot Mobile Suit Z Gundam* (introduced in March 2017) under the Bisty brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥7.2 billion, a decrease of 40.8% year on year, and operating income was ¥0.3 billion, an increase of 8.9%.

Other Businesses

Sales of other businesses were ¥400 million, a decrease of 30.8% year on year. An operating loss of ¥600 million was recorded compared with operating loss of ¥700 million for the previous year.

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

Total assets at the end of the fiscal year ended March 31, 2017 amounted to ¥390.5 billion, having decreased ¥23.5 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥24.5 billion decrease in investment securities and a ¥15.2 billion decrease in notes and accounts receivable-trade, despite a ¥15.0 billion increase in marketable securities.

Total liabilities amounted to ¥50.2 billion, having decreased ¥14.9 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to an ¥18.0 billion decrease in notes and accounts payable-trade and a ¥3.8 billion decrease in accounts payable (included in "Other" of Current liabilities), despite an ¥8.1 billion increase in electronically recorded obligations-operating.

Net assets decreased ¥8.6 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to cash dividends paid amounting to ¥12.1 billion, while profit attributable to owners of parent amounted to ¥1.7 billion and net unrealized gain on other securities increased ¥1.4 billion. As a result, net assets amounted to ¥340.2 billion and the shareholders'

equity ratio increased 2.8 percentage points to 86.9%.

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

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥251.8 billion, having increased ¥16.9 billion from the previous fiscal year-end.

Net cash provided by operating activities decreased ¥8.7 billion from the previous fiscal year to ¥8.5 billion. Principal cash inflow items were a ¥15.2 billion decrease in notes and accounts receivable-trade, income before income taxes amounting to ¥3.6 billion, and depreciation and amortization amounting to ¥2.9 billion. Principal cash outflow items were an ¥11.8 billion decrease in notes and accounts payable-trade and income taxes paid amounting to ¥3.2 billion.

Net cash provided by investing activities increased ¥9.1 billion from the previous fiscal year to ¥20.5 billion. Principal cash inflow items were proceeds from redemption of investment securities amounting to ¥30.0 billion and proceeds from redemption of marketable securities amounting to ¥6.0 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥11.0 billion and payment for purchase of property, plant and equipment and intangible fixed assets amounting to ¥3.9 billion.

Net cash used in financing activities increased ¥0.2 billion from the previous fiscal year to ¥12.1 billion. The principal cash outflow item was cash dividends paid amounting to ¥12.1 billion.

For fiscal 2018, the Company forecasts net cash provided by operating activities of ¥15.0 billion, net cash used in investing activities of ¥5.0 billion attributable to capital investment, and net cash used in financing activities of ¥12.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an decrease of ¥2.0 billion in the cash balance at the end of fiscal 2018 compared to the end of fiscal 2017.

(reference) Change in cash flow indicators

	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Shareholders' equity ratio (%)	91.5	85.5	84.1	86.9
Shareholders' equity ratio at market value (%)	90.0	84.1	82.0	77.2
Ratio of interest-bearing debt to cash flows (%)	0.1	0.1	0.1	0.2
Interest coverage ratio (times)	734.5	14,249.2	-	-

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

Notes:

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

(4) Future outlook

Regarding the market environment for the next fiscal year ending March 31, 2018, in line with the enactment of the Act Concerning Promotion of Development of Integrated Resort Areas ("Integrated Resort Promotion Act") in December 2016, the pachinko and pachislot industry, together with government-controlled competitive sports for which government-operated gambling is allowed, is urged to sincerely implement countermeasures for compulsive gambling. Therefore, change in the market environment is expected, including review of regulations. However, it is also a great opportunity for the pachinko and pachislot industry to change its direction and address the industry's enduring issue, namely, the development of an environment where players can relax and enjoy playing pachinko and pachislot. The Company will continue development of pachinko and pachislot machines offering diverse gaming performance while promoting cost reduction to recover profitability.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2018, of 225,000 pachinko machines and 40,000 pachislot machines.

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

	Forecast	Year-on-year change	FY 2017 results
Net sales	¥97.0 billion	19.1% increase	¥81.4 billion
Operating income	¥8.1 billion	60.1% increase	¥5.0 billion
Recurring income	¥8.7 billion	127.0% increase	¥3.8 billion
profit attributable to owners of parent	¥5.8 billion	226.3% increase	¥1.7 billion

***Caution regarding Forward-looking Statements**

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

(5) Basic policy on profit sharing and cash dividends for fiscal 2016 and fiscal 2017

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

In line with the above basic policy and from the viewpoint of stable dividend payment, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2016 and for fiscal 2017. This will result in a consolidated payout ratio of 683.6% for fiscal 2016 and 209.5% for fiscal 2017.

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

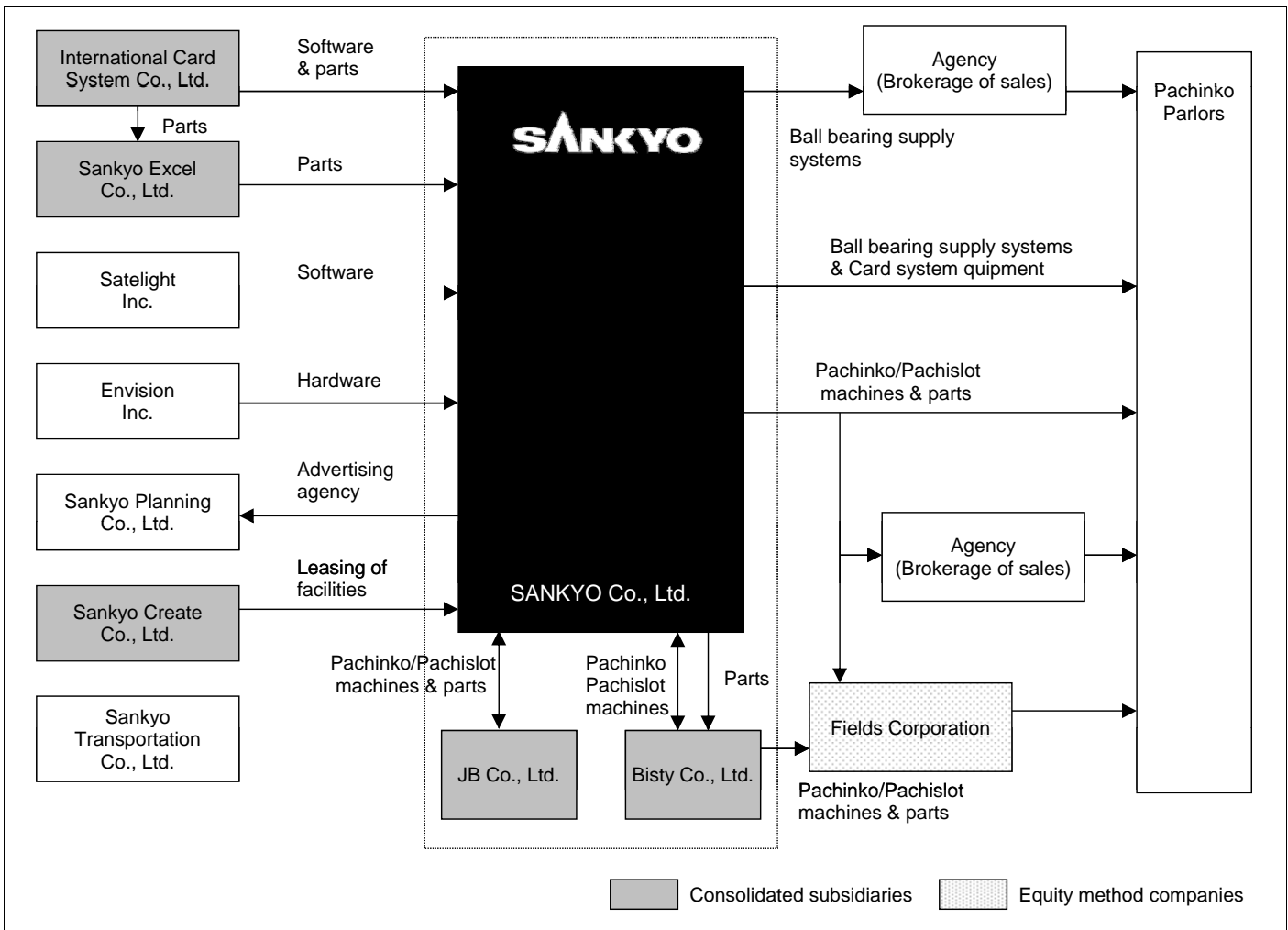
2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 10 subsidiaries (as of March 31, 2017) and three affiliates.

Details of the Group's business and the positioning of major affiliated companies concerning the business are shown below. The classification of businesses is the same as that in the segment information.

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

(2) The business structure is shown below.



3. Management Policies

(1) Fundamental management policy

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

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

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

(2) Performance indicators

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

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

	FY2015	FY2016	FY2017
Ratio of operating income to net sales (%)	9.0	13.7	6.2

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

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

The Company established the Business Planning Department on April 1, 2017 and has started diversification of sources of profit for the future. The mission of the Business Planning Department is to promote effective utilization of content owned by the Group and conceive new businesses based on flexible thinking unconstrained by the framework of existing businesses.

(4) Management issues

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

a. Initiatives to revamp pachinko and pachislot player population

The pachinko and pachislot industry is promoting development and diffusion of diverse pachinko and pachislot machines conducive to players' enjoyment and relaxation and to popularize such machines. Meanwhile, following the enactment of the Act Concerning Promotion of Development of Integrated Resort Areas ("Integrated Resort Promotion Act") in December 2016, which is the first step toward legalization of casinos in Japan, a move to enact a basic law concerning countermeasures for compulsive gambling is gaining momentum and the pachinko and pachislot industry, together with government-controlled competitive sports for which government-operated gambling is allowed, is urged to sincerely implement countermeasures for compulsive gambling and to discourage players from becoming overly immersed in playing.

The industry shares the recognition that its approach to maintain the scale of the market by the increase of customer spend led to the problem of excessive immersion of players in playing and the decrease in the player population. The Company hopes that the enactment of the Integrated Resort Promotion Act will provide a great opportunity for the industry to change its direction and promote development of pachinko and pachislot machines that can be played at a reasonable cost and operation of pachinko parlors that do not depend on heavy players.

In addition to the industry-wide initiative to promote diffusion of "Choi-pachi" enabling players to play pachinko at a reasonable cost and enjoy jackpots at a higher probability, the Group will continue efforts to develop diverse pachinko and pachislot machines capable of appealing to a wide range of people by utilizing development expertise cultivated over many years.

b. Initiatives to strengthen earnings power

As part of measures to strengthen the Group's earnings power over the medium-to-long term, the Group is addressing a key issue, that is, to boost the ratio of operating income to net sales by expanding the Group's shares of the pachinko and pachislot markets and increasing sales while reducing costs and curtailing selling, general and administrative expenses.

Reflecting the severe market environment in recent years, sales of pachinko and pachislot machines are increasingly gravitating toward smaller lots. The Group aims to maintain and expand sales by enriching the development line-up and shortening the development lead time so as to secure sales volumes and the market share even in these circumstances. The Group classifies its products into high-end models or low-end models and models through tie-up with licensors or models featuring original content and modulates allocation of costs, such as manufacturing cost and R&D expenditure, according to the classification of products for thorough profit/loss management for each product in order to secure profit even in small-lot manufacturing and sales.

4. Basic Approach to the Selection of Accounting Standards

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

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	96,906	97,818
Notes and accounts receivable-trade	33,841	18,626
Marketable securities	173,001	188,007
Finished goods and merchandise	47	82
Work in process	92	289
Raw materials and supplies	1,339	1,334
Accounts receivable for provision of parts and materials for value	3,786	1,796
Deferred tax assets	2,056	2,073
Other	5,239	7,536
Allowance for doubtful accounts	(2)	(13)
Total current assets	316,307	317,552
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	26,302	27,769
Less accumulated depreciation	(12,307)	(13,094)
Subtotal	13,994	14,674
Machinery and equipment	8,090	7,592
Less accumulated depreciation	(6,749)	(6,473)
Subtotal	1,341	1,119
Furniture and fixtures	18,741	20,016
Less accumulated depreciation	(17,043)	(17,003)
Subtotal	1,697	3,013
Land	22,991	22,985
Lease assets	46	30
Less accumulated depreciation	(28)	(17)
Subtotal	18	13
Construction in progress	1,471	0
Other	2,972	3,074
Total tangible fixed assets	44,488	44,880
Intangible fixed assets		
Goodwill	1,004	267
Other	342	319
Total Intangible fixed assets	1,347	586
Investments and other assets:		
Investment securities	46,131	21,612
Long-term advances	-	544
Deferred tax assets	5,781	5,319
Other	532	493
Allowance for doubtful accounts	(26)	(24)
Allowance for investment loss	(379)	(379)
Total investments and other assets	52,040	27,565
Total fixed assets	97,876	73,032
Total assets	414,183	390,585

Consolidated Balance Sheets

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

	As of March 31, 2016 Millions of yen	As of March 31, 2017 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	23,689	5,607
Electronically recorded obligations - operating	-	8,113
Lease liabilities	5	5
Accrued income taxes	3,113	1,623
Allowance for bonuses	839	834
Other	9,411	5,745
Total current liabilities	37,058	21,930
Long-term liabilities:		
Bonds with subscription rights to shares	20,086	20,066
Lease liabilities	14	8
Net defined benefit liabilities	4,445	4,671
Asset retirement obligations	63	63
Other	3,573	3,557
Total long-term liabilities	28,183	28,368
Total liabilities	65,241	50,298
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	345,918	335,518
Less: treasury stock, at cost	(39,700)	(39,700)
Total shareholders' equity	344,807	334,408
Accumulated other comprehensive income:		
Net unrealized gain on other securities	3,839	5,264
Remeasurements of defined benefit plans	(232)	(188)
Total accumulated other comprehensive income	3,607	5,076
Subscription rights to shares	526	802
Total net assets	348,941	340,287
Total liabilities and total net assets	414,183	390,585

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

Consolidated Statements of Income

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

	Year ended March 31, 2016	Year ended March 31, 2017
	Millions of yen	Millions of yen
Net sales	137,130	81,455
Cost of sales	75,638	38,409
Gross profit	61,492	43,045
Selling, general and administrative expenses	42,665	37,986
Operating income	18,826	5,059
Non-operating income:		
Interest income	656	318
Dividend income	487	482
Other	272	217
Total non-operating income	1,416	1,017
Non-operating expenses:		
Equity in losses of affiliates	109	2,216
Loss on management of investment partnership	93	3
Bond issuance cost	70	-
Other	3	24
Total non-operating expenses	277	2,244
Recurring income	19,965	3,832
Extraordinary gains:		
Gain on sales of fixed assets	-	8
Total extraordinary gains	-	8
Extraordinary losses:		
Loss on sales of fixed assets	57	24
Loss on disposal of fixed assets	62	37
Loss on valuation of investment securities	-	85
Impairment loss	3,264	-
Loss on sales of golf club membership	-	8
Total extraordinary losses	3,383	156
Income before income taxes	16,581	3,685
Income taxes:		
Current income taxes	4,773	2,105
Deferred income taxes	1,322	(198)
Total income taxes	6,096	1,907
Net income	10,485	1,777
Profit attributable to owners of parent	10,485	1,777

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2016	Year ended March 31, 2017
	Millions of yen	Millions of yen
Net income	10,485	1,777
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(922)	1,421
Remeasurements of defined benefit plans	23	33
Share of other comprehensive income of associates accounted for using equity method	(69)	13
Total other comprehensive income	(968)	1,469
Comprehensive income	9,516	3,246
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,516	3,246
Comprehensive income attributable to minority interests	-	-

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

Year ended March 31, 2016 (From April 1, 2015, to March 31, 2016)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,750	347,975	(19,724)	366,840	4,794	(218)	4,575	253	371,670
Change during the fiscal year										
Dividends of surplus			(12,532)		(12,532)					(12,532)
Profit attributable to owners of parent			10,485		10,485					10,485
Acquisition of treasury stocks				(20,005)	(20,005)					(20,005)
Sales of treasury stocks			(10)	30	19					19
Net changes of items other than shareholder's equity						(954)	(14)	(968)	273	(695)
Total changes during the fiscal year	-	-	(2,057)	(19,975)	(22,033)	(954)	(14)	(968)	273	(22,728)
Balance at end of the period	14,840	23,750	345,918	(39,700)	344,807	3,839	(232)	3,607	526	348,941

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

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

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

(4) Consolidated Statements of Cash Flows

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

	Year ended March	Year ended March
	31, 2016	31, 2017
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	16,581	3,685
Depreciation and amortization	4,933	2,971
Amortization of goodwill	737	737
Share-based compensation expenses	287	272
Increase (decrease) in allowance for doubtful accounts	(0)	8
Increase (decrease) in allowance for bonuses	5	(4)
Increase (decrease) in net defined benefit liabilities	102	275
Interest and dividend income	(1,143)	(800)
(Gain) loss on equity in earnings of affiliates	109	2,216
Loss (gain) on sales of property, plant and equipment and intangible assets	57	15
Disposal of fixed assets	62	37
Impairment loss	3,264	-
(Gain) loss on valuation of investment securities	-	85
(Gain) loss on sales of golf club membership	-	8
(Increase) decrease in notes and accounts receivable-trade	11,228	15,215
(Increase) decrease in inventories	2,067	(206)
Increase (decrease) in notes and accounts payable-trade	(17,515)	(11,867)
(Increase) decrease in accounts receivable for provision of parts and materials for value	(503)	1,989
Increase (decrease) in accounts payable	56	(178)
Increase (decrease) in accrued consumption tax	924	(950)
Other	178	(2,540)
Subtotal	21,435	10,969
Interest and dividend income received	1,157	783
Income taxes paid	(5,289)	(3,203)
Net cash (used in) provided by operating activities	17,303	8,549
Cash flows from investing activities:		
Payment for purchase of marketable securities	(10,000)	(11,000)
Proceeds from redemption of marketable securities	10,000	6,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(4,783)	(3,917)
Proceeds from sale of property, plant and equipment and intangible fixed assets	198	35
Payment for purchase of investment securities	(24,041)	(30)
Proceeds from redemption of investment securities	40,000	30,000
Payment for increase in loans-receivable	-	(544)
Proceeds from collection of long-term loans	15	-
Other	(15)	5
Net cash (used in) provided by investing activities	11,375	20,547
Cash flows from financing activities:		
Proceeds from issuance of bonds with subscription rights to shares	20,100	-
Repayment of finance lease obligations	(8)	(5)
Payment for purchase of treasury stock, net	(20,005)	(2)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(12,532)	(12,176)
Net cash (used in) provided financing activities	(12,446)	(12,184)
Net increase (decrease) in cash and cash equivalents	16,232	16,912
Cash and cash equivalents at beginning of the period	218,672	234,905
Cash and cash equivalents at end of the period	234,905	251,818

(5) Segment Information

(Segment information by business category)

Year ended March 31, 2016 (From April 1, 2015, to March 31, 2016)

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

	Year ended March 31, 2016 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	98,273	26,007	12,159	136,440	689	137,130	-	137,130
Intersegment	-	-	-	-	-	-	-	-
Total	98,273	26,007	12,159	136,440	689	137,130	-	137,130
Segment income	19,053	4,864	366	24,284	(706)	23,578	(4,752)	18,826
Segment assets	93,411	23,689	14,434	131,534	14,984	146,519	267,664	414,183
Other items								
Depreciation	3,579	719	31	4,329	408	4,737	196	4,933
Increase in tangible fixed assets and intangible fixed assets								
	2,952	508	47	3,508	1,195	4,704	31	4,735

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

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

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