



Good luck. Good life.

SANKYO

Presentation on

CLSA Japan Forum 2016

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President & COO

SANKYO CO., LTD.

February 24, 2016 at Grand Hyatt Tokyo

The Company's plans, strategies and forecasts, except historical facts, contained in this document may be subject to change due to factors of risk and uncertainty. Therefore, the Company does not guarantee their attainability explicitly or implicitly.

The Company assumes that the 'factors of potential risk and uncertainty' may include the economic climate, especially concerning the pachinko and pachislot markets which constitute the Company's main business field, competition in the market and competitiveness of the Company's products, and also include other unpredictable factors.



Good luck. Good life.

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About SANKYO



Our Company

SANKYO CO., LTD.

1st Sec. of the TSE #6417

Head Office	Shibuya-ku, Tokyo JAPAN
Paid-in Capital	JPY14,840 million
Established	April 1966
Number of Employees	1,092 (As of December 31, 2015)

Manufacturing and sales of pachinko and pachislot machines

Design of and interior work for pachinko parlors

Manufacturing and sales of ball bearing supply systems

Manufacturing and sales of peripheral equipment for parlors

3 Brands Structure

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Pachinko and Pachislot Machines
Development, Manufacture, and
Sales: SANKYO
Full Line-up

Bisty

Pachinko and Pachislot Machines
Development and Manufacture: Bisty
Sales: Fields
Strength in products using licensed IP

Bisty



JB

Pachinko Machines
Development and Manufacture: JB
Sales: SANKYO
Simple products not using licensed IP

Development Hand in Hand with the Pachinko Industry



1966 Established the Company
(Nagoya City, Aichi Prefecture)



1980 *Fever*
(SANKYO joined the top tier)



1981 Head office relocated
(Kiryu City, Gunma Prefecture)



1991 Registered for OTC
(current JASDAQ)



1995 Listed on 2nd Section of
Tokyo Stock Exchange



1997 Promoted to 1st Section of
Tokyo Stock Exchange



1999 *Pachislot Mei-Q*
(entry to the pachislot business)



2001 Sanwa Plant opened
(Ise-shi, Gunma Prefecture)



2004 *CR Neon Genesis Evangelion*
(first title in the hit series)



2008 Head office relocated
(Shibuya Ward, Tokyo)



2009 R&D Center opened
(Shibuya Ward, Tokyo)

5-year Financial Highlights Consolidated Statements of Income

	(mil yen)	FY 3/2012	FY 3/2013	FY 3/2014	FY 3/2015	FY 3/2016E
Net Sales		173,682	104,150	158,453	146,579	150,000
Operating Income		40,315	7,023	28,023	13,233	14,000
percentage		23.2%	6.7%	17.7%	9.0%	9.3%
Recurring Income		44,396	9,488	30,144	14,870	15,000
Net Income		20,182	5,853	22,400	8,728	10,000
EPS		Y215.85	Y62.62	Y239.65	Y94.48	Y120.91
Dividends		Y150.00	Y150.00	Y150.00	Y150.00	Y150.00
ROE		4.8%	1.4%	5.5%	2.2%	2.8%
Unit Sales of Pachinko Machines		360,805	166,939	291,967	329,892	320,000
Market share		13.9%	6.7%	14.3%	16.4%	
SANKYO		176,572	107,592	136,134	162,701	136,000
Bisty		184,233	45,588	111,554	163,482	140,000
JB		-	13,759	44,279	3,709	44,000
Unit Sales of Pachislot Machines		96,158	99,208	116,291	48,137	110,000
Market share		7.6%	7.5%	8.4%	3.9%	
SANKYO		14,903	33,195	54,527	48,132	55,000
Bisty		81,255	66,013	61,764	5	55,000

- 1** Sluggish sales
(market share has not reached the target)
- 2** Deterioration of net income ratio
(the rise in products' breakeven points, sales plans not achieved)

(mil yen)	FY 3/2011	FY 3/2012	FY 3/2013	FY 3/2014	FY 3/2015	FY 3/2016E
Net Sales	201,606	173,682	104,150	158,453	146,579	150,000
Operating Income	51,923	40,315	7,023	28,023	13,233	14,000
Recurring Income	55,909	44,396	9,488	30,144	14,870	15,000
Net Income	34,733	20,182	5,853	22,400	8,728	10,000
Total Assets	488,636	495,988	464,259	451,149	434,648	
Total Net Assets	419,658	418,303	402,918	413,096	371,670	

ROE	8.4%	4.8%	1.4%	5.5%	2.2%	2.8%
of five consecutive fiscal years						
Average ROE	9.5%	8.4%	6.2%	5.8%	4.5%	

Net Income Ratio	17.2%	11.6%	5.6%	14.1%	6.0%	6.7%
Total Asset Turnover	0.42	0.35	0.22	0.35	0.33	
Financial Leverage	1.15	1.18	1.17	1.12	1.13	

Market Penetration

(Market share increase)

Active

Certain demand exists (Approx. 1 trillion yen)
Schemes for patent revenues etc. have already been established
Relatively advantageous position

Product Development

(Peripheral products)

Active

Next-generation game machines
Resolution of management issues of pachinko parlor operators

Market Development

(Overseas expansion)

Neutral

Overseas sales of pachinko and pachislot machines

Diversification

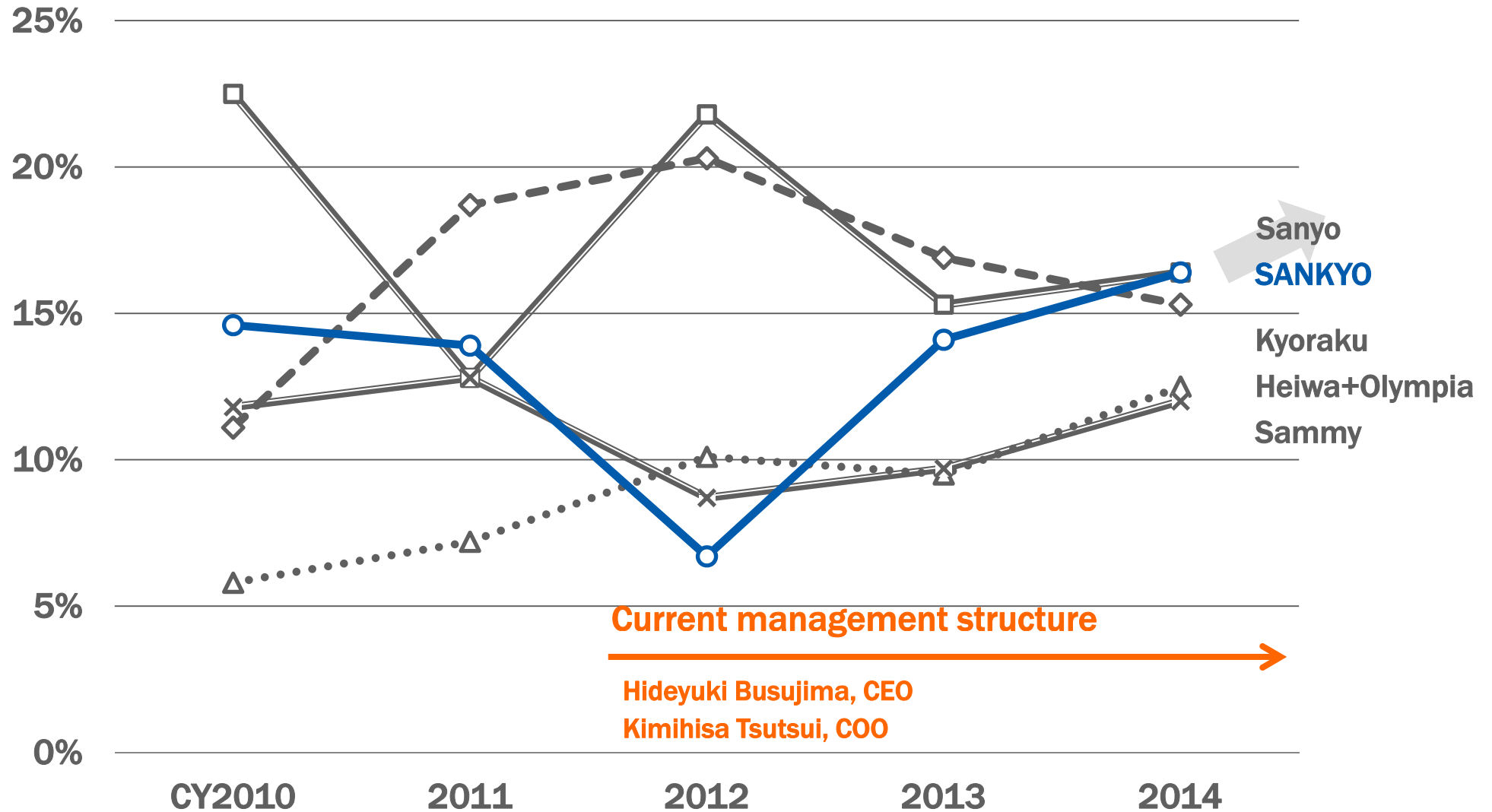
(New businesses)

No Interest

New businesses including operation of casinos

Signs of Recovery of Financial Performance 1

(recovery of the market share of the mainstay pachinko machines business)



Signs of Recovery of Financial Performance 2

(No. 1 in terms of sales rep evaluation)

1	SANKYO	70.3pt
2	Company A	69.7pt
3	Company B	69.1pt
4	Company C	68.1pt
4	Company D	68.1pt

Main evaluation items

Politeness and use of language
 Punctuality
 Friendliness
 Attentiveness and considerateness
 Knowledge and thoughts on current issues outside the industry
 Logical thinking and imagination
 Appearance

Sincere
 Responsible
 Flexible
 Sociable
 Modest
 Proactive
 Motivated
 Patient

Knowledgeable about the company's products
 Knowledgeable about competitors and the market
 Quick to respond
 Good at presentation
 Good communication skills
 Good follow-up after introduction
 Knowledgeable about competitors' products
 Good coordination and negotiation skills in business talks
 Frequent visits

Signs of Recovery of Financial Performance 3

(PACHINKO & PACHISLO AWARD 2015: First and second places in the Pachinko Award
“Yupachi Type Category” (pachinko machines for light players))

From among pachinko and pachislot machines introduced in 2014, those that captivated a large number of players were commended.



©SANKYO

CR Fever Queen II
(SANKYO)



©カラー ©Bisty

CR Evengelson 8
- Premium Battle Y- (Blsty)



©エンタテインメント・プロダクツ

CRA Sea Story Aqua
- with Risa Yoshiki ASA- (Sanyo)



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**Business Results for
the First Nine Months of FY 3/2016**
(April 1, 2015 to December 31, 2015)

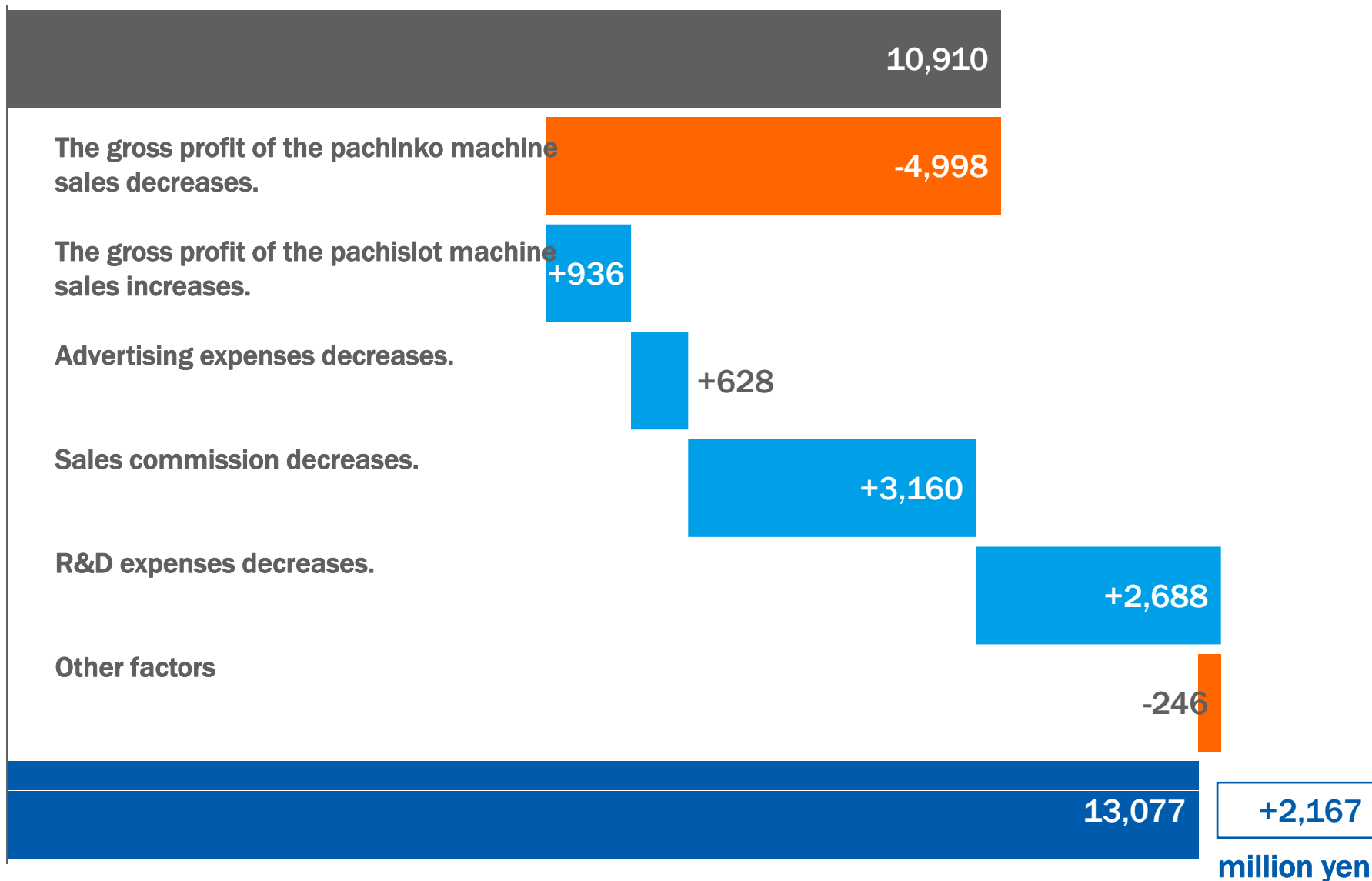
Business Results for the First Nine Months of FY 3/2016 (Highlights)

million yen	FY 3/2015 9 Months	FY 3/2016 9 Months	YoY
Net Sales	113,510	99,452	-14,058 -12.4%
Operating Income	10,910	13,077	+2,167 +19.9%
Recurring Income	11,511	14,372	+2,861 +24.9%
Net Income	6,996	9,905	+2,909 +41.6%
Unit Sales of Pachinko Machines	248,057	205,386	-42,671 -17.2%
Unit Sales of Pachislot Machines	48,056	67,747	+19,691 +41.0%

Game Machines Sales Results

	FY 3/2015 9 Months	FY 3/2016 9 Months	YoY
Unit Sales of Pachinko Machines	248,057	205,386	-42,671 -17.2%
SANKYO+JB	96,194	133,004	+36,810 +38.3%
Bisty	151,863	72,382	-79,481 -52.3%
Unit Sales of Pachislot Machines	48,056	67,747	+19,691 +41.0%
SANKYO	48,051	25,749	-22,302 -46.4%
Bisty	5	41,998	+41,993

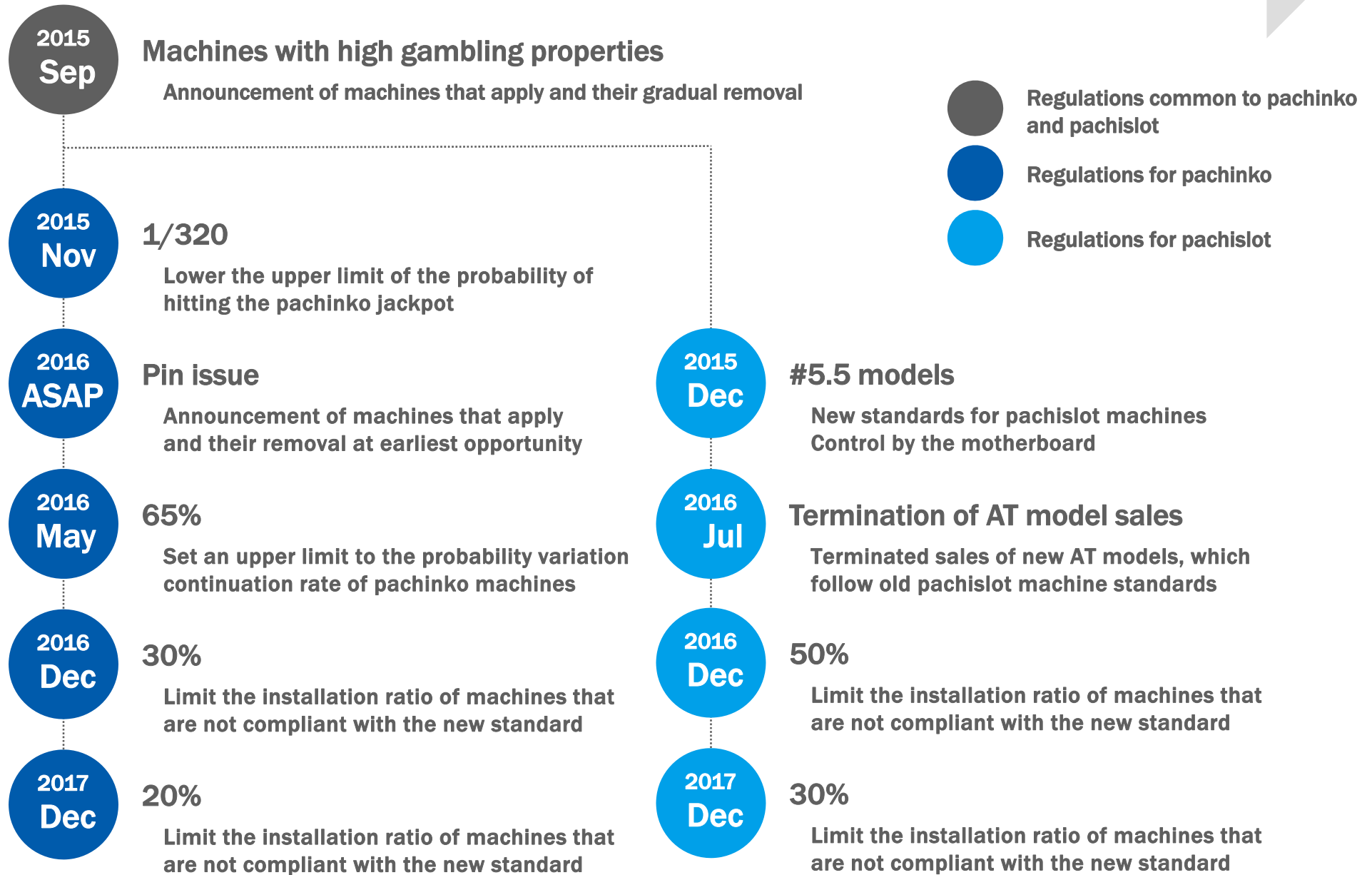
FY 3/2015
1st 9 Months
(Apr -Dec)



Forecast of FY 3/2016 (Highlights)

million yen	FY 3/2015	FY 3/2016	YoY	9M FY 3/2016
Net Sales	146,579	150,000	+3,421 +2.3%	99,452
Operating Income	13,233	14,000	+767 +5.8%	13,077
Recurring Income	14,870	15,000	+130 +0.9%	14,372
Net Income	8,728	10,000	+1,272 +14.6%	9,905
EPS	Y94.48	Y120.91		
Unit Sales of Pachinko Machines	329,892	320,000	-9,892 -3.0%	205,386
Unit Sales of Pachislot Machines	48,137	110,000	+61,863 +128.5%	67,747

Schedule of Implementation of Various Regulations



Treatment of Machines With High Gambling Properties and Machines With the Pin Issue

Number of Pachinko machines installed

2,950 thousand units

Machines with the pin issue*

Machines with high gambling properties

*Pachinko machines whose performance may differ from the models that were submitted for format inspection

Number of Pachislot machines installed

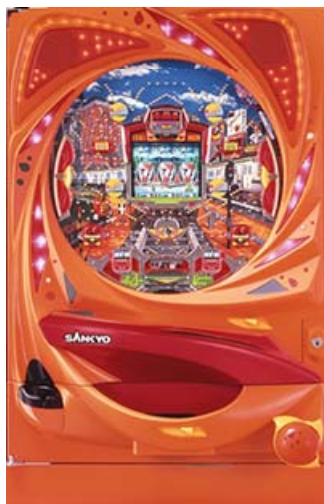
1,640 thousand units

Machines with high gambling properties

Image of a Pachinko Machine Compliant with the New Standards

CR Fever Densha de GO! SP

Launched in May 2000



1/315

50%

5&12
&15

		CY2000	CY2014
Pachinko ball rental income	trill. yen	28.80	24.50
Pachinko player population	mil people	20.20	11.50
Gross profit from pachinko	trill. yen	3.10	2.18
Average machine utilization hours	hours	4.69	4.04
Sales per machine		Y28,912	Y20,613
Gross profit per machine		Y3,906	Y3,165

Products of other companies launched in the same period

CR Sea Story 3R (Sanyo)

Pachinko ball rental income and pachinko player population include pachislot token rental income and pachislot player population, respectively.

Image of a Pachislot Machine Compliant with the New Standards

Pachislot Aquarion V

Launched in March 2011



A+ART

+1.5 tokens

©2004,2007 河森正治・サテライト/Project AQUARION

Products of other companies launched in the same period

Pachislot Psalms of Planets Eureka Seven (Sammy)

		CY2011	CY2014
Pachinko ball rental income	trill. yen	25.40	24.50
Pachinko player population	mil people	12.60	11.50
Gross profit from pachislot	trill. yen	1.24	1.32
Average machine utilization hours	hours	5.27	4.86
Sales per machine		Y25,123	Y24,694
Gross profit per machine		Y3,809	Y3,515

Pachinko ball rental income and pachinko player population include pachislot token rental income and pachislot player population, respectively.

Expectations and Issues of the Machines Compliant with the New Standards

1

Broadening of the player base

2

Increase of machine utilization hours

3

Enhancement of the industry's image

Expectations

Issues

1

Unsatisfactory for heavy players

2

Prize exchange rate

3

High-cost structure of the industry

1

Excels in low-volatility specifications and light middle spec machines

1/319

83%

CR Fever Mobile Suit GUNDAM - Last Shooting -

1/199

90%

CR Fever Space Battleship YAMATO W - ONLY ONE -

A+RT

Pachislot Evangelion - Tamashii wo Tsunagumono -

Pachinko Reg 2012

CR Virus Breaker

Pachinko Reg 2004

CR Fever Dai-Yamato 2

Pachislot Reg 2004

Pachislot Neon Genesis Evangelion

Palot Reg 2004

CRP Kagetsu Densetsu R

2

Launch of machines compliant with the new standards ahead of other companies

3

Strengths also in proprietary products whose break-even point is low

CR Fever Queen II

20,300 units

CR Fever Powerful DX

20,000 units

CR Great the King JV

17,400 units

Accumulated machine sales is as of January 27, 2016

Response to the New Standards / SANKYO's Strengths

FY 3/2016

DPS 150 yen

Including interim dividend

Dividend Policy

Stable dividend

Commitment to 25% payout ratio

No dividend cut since the listing

**Views on purchase
of treasury stock**

**Flexible decision-making,
considering the following factors**

Stock price

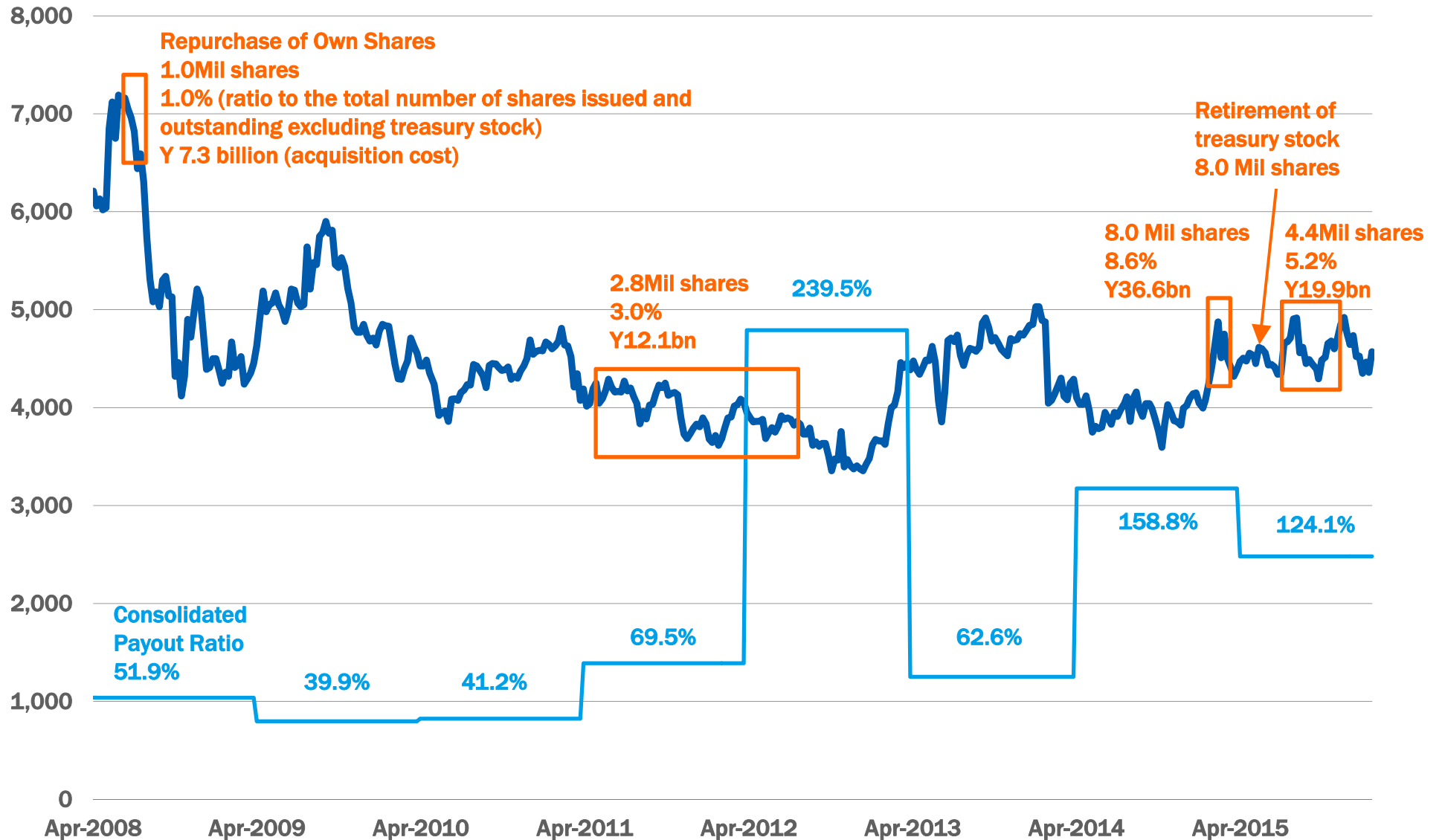
**Opinions of shareholders
and investors**

Forecast of business results

**SANKYO's management
environment and others**

Share price and return of profits to shareholders (results)

(DPS Y150.00)





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Appendix

Business Results for the First Nine Months of FY 3/2016

Consolidated: million yen	FY 3/2015	FY 3/2016	YoY	Forecast	FY 3/2015				FY 3/2016		
	9 Months	9 Months		Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	113,510	99,452	-14,058	150,000	20,688	16,156	76,666	33,069	35,947	38,701	24,804
Pachinko	85,226	66,123	-19,103	102,200	7,433	12,785	65,008	28,911	20,762	32,615	12,746
Pachislot	18,755	22,110	+3,355	34,000	10,683	329	7,743	299	11,504	3,428	7,178
Ball Bearing Supply	8,905	10,647	+1,742	13,000	2,339	2,849	3,717	3,647	3,486	2,501	4,660
Other Business	623	571	-52	800	233	192	198	211	194	155	222
Cost of Sales	63,975	54,745	-9,230	86,000	10,609	9,065	44,301	19,701	20,422	20,427	13,896
Gross Profit	49,534	44,707	-4,827	64,000	10,078	7,092	32,364	13,368	15,524	18,274	10,909
SG & A Expenses	38,624	31,629	-6,995	50,000	10,059	11,964	16,601	11,044	9,754	12,666	9,209
Operating Income	10,910	13,077	+2,167	14,000	19	(4,872)	15,763	2,323	5,770	5,607	1,700
Pachinko	10,483	12,203	+1,720	14,700	(2,497)	(1,053)	14,033	4,998	3,650	7,215	1,338
Pachislot	4,071	4,715	+644	5,000	3,864	(2,336)	2,543	(1,455)	3,251	64	1,400
Ball Bearing Supply	313	336	+23	500	33	81	199	129	84	59	193
Other Business	(410)	(459)	-49	(900)	(190)	(120)	(100)	(134)	(177)	(145)	(137)
Elimination/Corporate	(3,548)	(3,718)	-170	(5,300)	(1,190)	(1,445)	(913)	(1,215)	(1,038)	(1,586)	(1,094)
Recurring Income	11,511	14,372	+2,861	15,000	371	(4,751)	15,891	3,359	6,202	6,041	2,129
Extraordinary Gains	11	0	-11	0	0	1	10	3	0	0	0
Extraordinary Losses	1,840	92	-1,748	70	1,790	7	43	13	7	1	84
Net Income	6,996	9,905	+2,909	10,000	(1,005)	(3,157)	11,158	1,732	4,282	4,222	1,401
EPS: yen				120.91							
Machines sales: units											
Pachinko	248,057	205,386	-42,671	320,000	24,438	47,415	176,204	81,835	65,932	87,863	51,591
SANKYO+JB	96,194	133,004	+36,810	180,000	19,310	24,851	52,033	70,216	59,205	30,548	43,251
Bisty	151,863	72,382	-79,481	140,000	5,128	22,564	124,171	11,619	6,727	57,315	8,340
Pachislot	48,056	67,747	+19,691	110,000	27,999	142	19,915	81	35,771	8,981	22,995
SANKYO	48,051	25,749	-22,302	55,000	27,994	142	19,915	81	11,177	6,973	7,599
Bisty	5	41,998	+41,993	55,000	5	0	0	0	24,594	2,008	15,396

Pachinko Machines Business

Consolidated: million yen	FY 3/2015	FY 3/2016	YoY	Forecast	FY 3/2015				FY 3/2016		
	9 Months	9 Months		Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	85,226	66,123	-19,103	102,200	7,433	12,785	65,008	28,911	20,762	32,615	12,746
Operating Income	10,483	12,203	+1,720	14,700	(2,497)	(1,053)	14,033	4,998	3,650	7,215	1,338
Percentage	12.3%	18.5%	+6.2pt	14.4%	(33.6%)	(8.2%)	21.6%	17.3%	17.6%	22.1%	10.5%
Machines sales: units											
Pachinko	248,057	205,386	-42,671	320,000	24,438	47,415	176,204	81,835	65,932	87,863	51,591
SANKYO+JB	96,194	133,004	+36,810	180,000	19,310	24,851	52,033	70,216	59,205	30,548	43,251
Frame	24.7%	34.1%	+9.3pt	24.5%	29.7%	35.3%	21.2%	68.7%	56.0%	20.0%	30.1%
Gauge	14.0%	30.7%	+16.6pt	31.7%	49.3%	17.1%	8.3%	17.1%	33.8%	14.8%	53.7%
Bisty	151,863	72,382	-79,481	140,000	5,128	22,564	124,171	11,619	6,727	57,315	8,340
Frame	48.5%	26.4%	-22.1pt	31.2%	0.4%	3.2%	67.3%	13.9%	6.6%	55.5%	2.0%
Gauge	12.8%	8.9%	-3.9pt	12.6%	20.6%	44.4%	3.2%	0.3%	3.6%	9.7%	14.2%

	Series name	Sales: units
FY 3/2016	<i>Fever KODA KUMI Legend Live YS</i>	(Apr-15) 1
Q1	<i>Evangelion 9 H</i>	(May-15) 1
	<i>Fever Space Battleship YAMATO</i>	(May-15) 2 24,000
	<i>Passion Monster</i>	(Jun-15) 2 15,100
	<i>Fever Star Wars "Battle of Darth Vader" YR&YA</i>	(Jun-15) 2
Q2	<i>Ranma 1/2</i>	(Jul-15) 2
	<i>Fever Shin Kagetsu Y</i>	(Aug-15) 1
	<i>Fever Macross Frontier 2</i>	(Aug-15) 1 20,600
	<i>Martian Successor NADESICO 2</i>	(Aug-15) 2
	<i>Evangelion X</i>	(Sep-15) 1 53,800

	Series name	Sales: units
Q3	<i>J-RUSH 3</i>	(Oct-15) 2
	<i>Fever Mobile Suit Gundam "Operation V" Y</i>	(Oct-15) 1
	<i>Fever Space Battleship YAMATO YR</i>	(Nov-15) 1
	<i>Fever Aquarion EVOL</i>	(Dec-15) 2 14,500
	<i>Passion Monster ASJ</i>	(Dec-15) 1
	<i>Evangelion 9 R</i>	(Dec-15) 1
Q4	<i>Fever Macross Frontier 2 Y</i>	(Jan-16) 1
	<i>Martian Successor NADESICO 2 Y</i>	(Jan-16) 1
	<i>Great The King</i>	(Jan-16) 1
	<i>Fever Space Battleship YAMATO W "ONLY ONE"</i>	(Jan-16) 1
	<i>Evangelion X Y</i>	(Feb-16) 1
	<i>Fever Mobile Suit Gundam "Last Shooting"</i>	(Mar-16) 1

Total

205,386

Note: Models in black are SANKYO/JB models and models in blue are Bisty models (distributed by Fields).

Pachislot Machines Business

Consolidated: million yen	FY 3/2015	FY 3/2016	YoY	Forecast	FY 3/2015				FY 3/2016		
	9 Months	9 Months		Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	18,755	22,110	+3,355	34,000	10,683	329	7,743	299	11,504	3,428	7,178
Operating Income	4,071	4,715	+644	5,000	3,864	(2,336)	2,543	(1,455)	3,251	64	1,400
Percentage	21.7%	21.3%	-0.4pt	14.7%	36.2%	(710.0%)	32.8%	(486.6%)	28.3%	1.9%	19.5%
Machines sales: units											
Pachislot	48,056	67,747	+19,691	110,000	27,999	142	19,915	81	35,771	8,981	22,995
SANKYO	48,051	25,749	-22,302	55,000	27,994	142	19,915	81	11,177	6,973	7,599
Bisty	5	41,998	+41,993	55,000	5	0	0	0	24,594	2,008	15,396

	Series name	Sales: units
FY 3/2016	<i>SHURA no TOKI</i>	(Apr-15) 11,100
Q1	<i>Evangelion "Spear of Hope"</i>	(Jun-15) 26,600
Q2	<i>Macross Frontier 2 "Bonus Live Version"</i>	(Sep-15) 11,700
Q3	<i>Infinite Stratos</i>	(Oct-15)
	<i>Evangelion "Tamashii wo Tsunagumono"</i>	(Dec-15) 14,700
Q4	<i>Mobile Suit GUNDAM "Chained battle"</i>	(Jan-16)
Total		67,747

Note: Models in black are SANKYO models and models in blue are Bisty models (distributed by Fields).

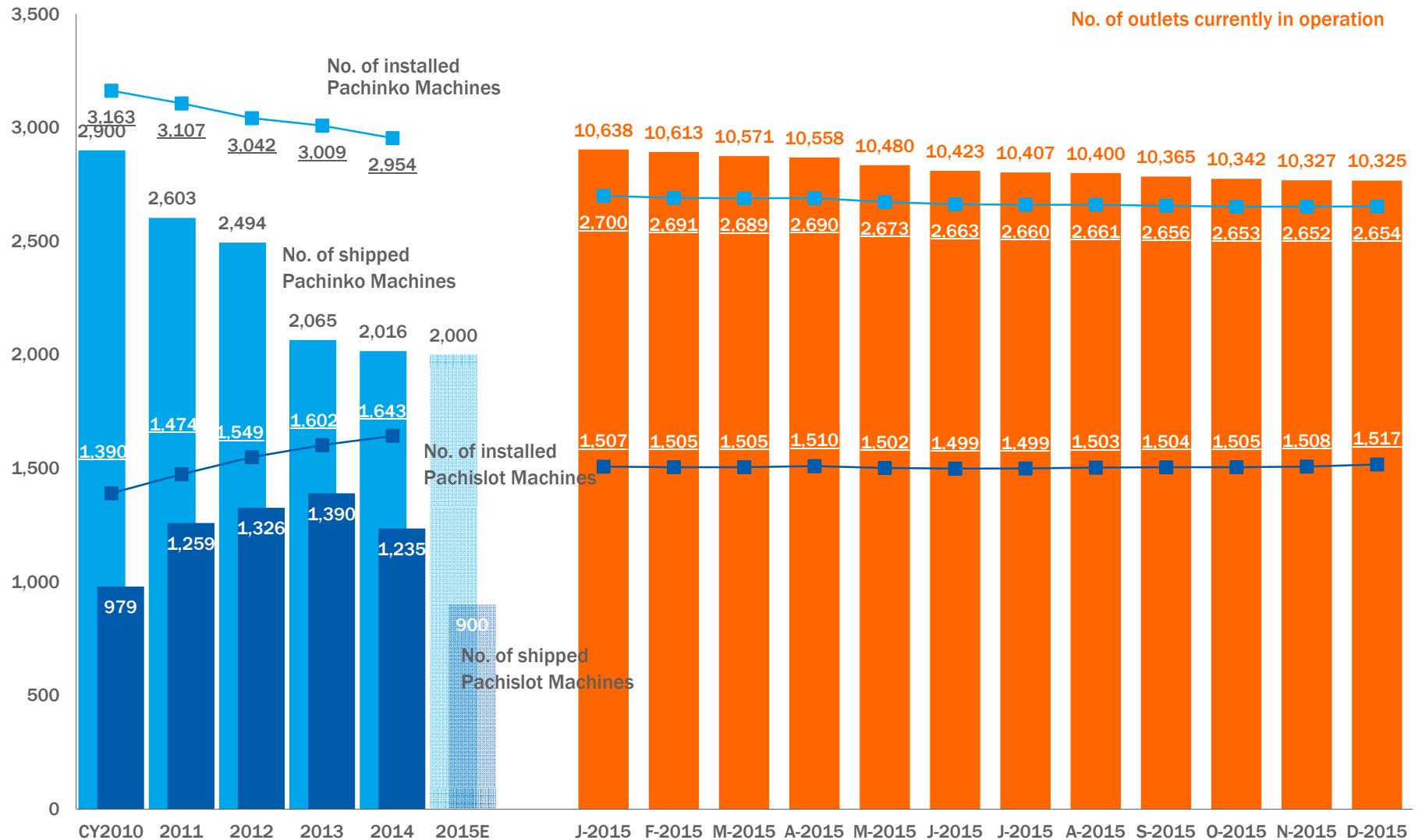
Gross Margin/Operating Margin

Consolidated	FY 3/2015	FY 3/2016	YoY	Forecast	FY 3/2015				FY 3/2016		
	9 Months	9 Months		Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gross Margin	43.6%	45.0%	+1.3pt	42.7%	48.7%	43.9%	42.2%	40.4%	43.2%	47.2%	44.0%
Operating Margin	9.6%	13.1%	+3.5pt	9.3%	0.1%	(30.2%)	20.6%	7.0%	16.1%	14.5%	6.9%

SG & A Expenses

Consolidated: million yen	FY 3/2015	FY 3/2016	YoY	Forecast	FY 3/2015				FY 3/2016		
	9 Months	9 Months		Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales Commission	8,155	4,995	-3,160	8,701	669	464	7,022	1,071	856	3,631	508
Advertising Expenses	2,414	1,786	-628	4,923	839	1,026	549	1,894	375	724	687
R&D Expenses	19,010	16,322	-2,688	24,828	5,701	7,688	5,621	5,549	5,662	5,336	5,324
Salaries & Wages	2,605	2,623	+18	3,565	722	672	1,211	1,002	734	685	1,204
Others	6,440	5,903	-537	7,983	2,128	2,114	2,198	1,528	2,127	2,290	1,486
Consolidated: million yen											
Capital Expenditure	4,781	3,862	-919	6,212	1,203	1,669	1,909	938	1,110	1,026	1,726
Depreciation & Amortizati	3,044	3,424	+380	5,899	720	954	1,370	1,571	927	1,142	1,355
Consolidated											
No. of Employees	1,081	1,092	+11	1,123	1,094	1,088	1,081	1,077	1,087	1,093	1,092
No. of R&D Staff	321	332	+11	319	318	320	321	319	331	332	332
Indirect Sales Ratio											
SANKYO+JB Pachinko	35.6%	34.6%	-1.0pt	35.4%	36.3%	35.6%	35.6%	35.2%	34.5%	34.6%	34.6%
SANKYO Pachislot	42.4%	43.2%	+0.8pt	42.5%	42.9%	42.8%	42.4%	42.3%	46.0%	44.0%	43.2%

Situation of Parlors that Are Members of Zennichiyuren



Source: National Police Agency, Yano Research Institute, Zennichiyuren

thou. units

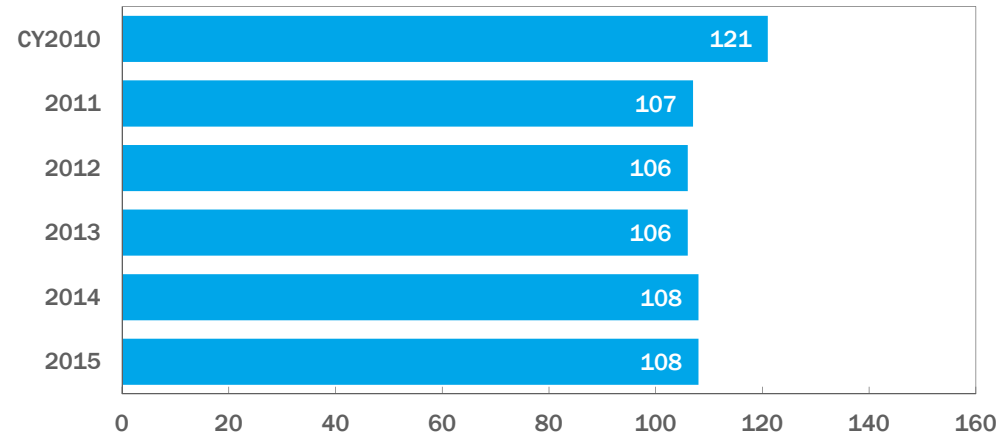
Number of Titles Sold (All Manufacturers)

Pachinko Machines

•Sales per title

CY2014: 18,666 units (2,016,000 units/108)

CY2015: 18,518 units (2,000,000 units/108)

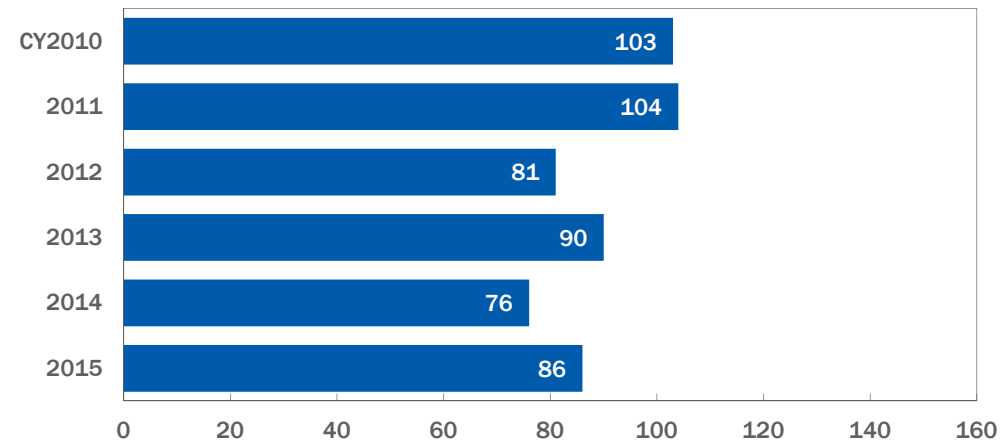


Pachislot Machines

•Sales per title

CY2014: 16,250 units (1,235,000 units/76)

CY2015: 10,465 units (900,000 units/86)



Pachinko Machines

including Arrange Ball, Jong-Kyu

	2010	2011	2012	2013	2014	2015
Applicant	658	614	598	503	613	731
Pass	544	536	534	412	505	519
Fail	112	69	87	71	97	172
SANKYO+JB	25	21	30	28	40	38
Bisty	9	12	6	10	10	8
SANKYO Group Total	34	33	36	38	50	46

Pachislot Machines

including Palot

	2010	2011	2012	2013	2014	2015
Applicant	703	627	720	629	526	650
Pass	295	242	253	251	203	250
Fail	426	373	449	391	342	328
SANKYO	15	10	8	9	9	21
Bisty	10	5	9	14	0	11
SANKYO Group Total	25	15	17	23	9	32

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