



# Presentation on Bank of America Merrill Lynch Japan Conference 2012

**SANKYO CO., LTD.**

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Office Manager of IR Office, Corporate Planning Division

September 4 & 7, 2012 at Grand Hyatt Tokyo

**1<sup>st</sup> Sec. of the TSE #6417**  
**Current Price: Y3,755 (August 27, 2012)**  
**Shares Outstanding: 97.5 million**  
**Market Cap: Y366,479 million**

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.



## Company Overview

# Company Overview



**SANKYO CO., LTD.**

**1<sup>st</sup> Sec. of the TSE #6417**



**Development, Manufacture, and Sales  
of Pachinko and Pachislot Machines**

**3 Brands Structure**

**SANKYO**

**Bisty**

**JOY BRAIN**

## Stock Information

**Price 3,755** (August 27, 2012)

Currency in JPY

<b>Market Cap</b>	<b>366,479M</b>
<b>Trailing P/E (ttm)</b>	<b>17.40</b>
<b>Forward P/E (1 yr)</b>	<b>10.03</b>
<b>Price/Book (mrq)</b>	<b>0.91</b>
<b>Forward Annual Dividend Rate</b>	<b>150.00</b>
<b>Forward Annual Dividend Yield</b>	<b>4.00%</b>
<b>Payout Ratio</b>	<b>40.05%</b>

# Analyst Coverage



Mr. Souichiro Fukuda



Mr. Satoshi Tanaka

Deutsche Bank Group  
Japan



Mr. Satoru Kikuchi



Mr. Masanori Minami

J.P.Morgan

Mr. Yusuke Maeda

MIZUHO

Mr. Takeshi Koyama

NOMURA

Mr. Yuta Sakurai



Mr. Masashi Morita

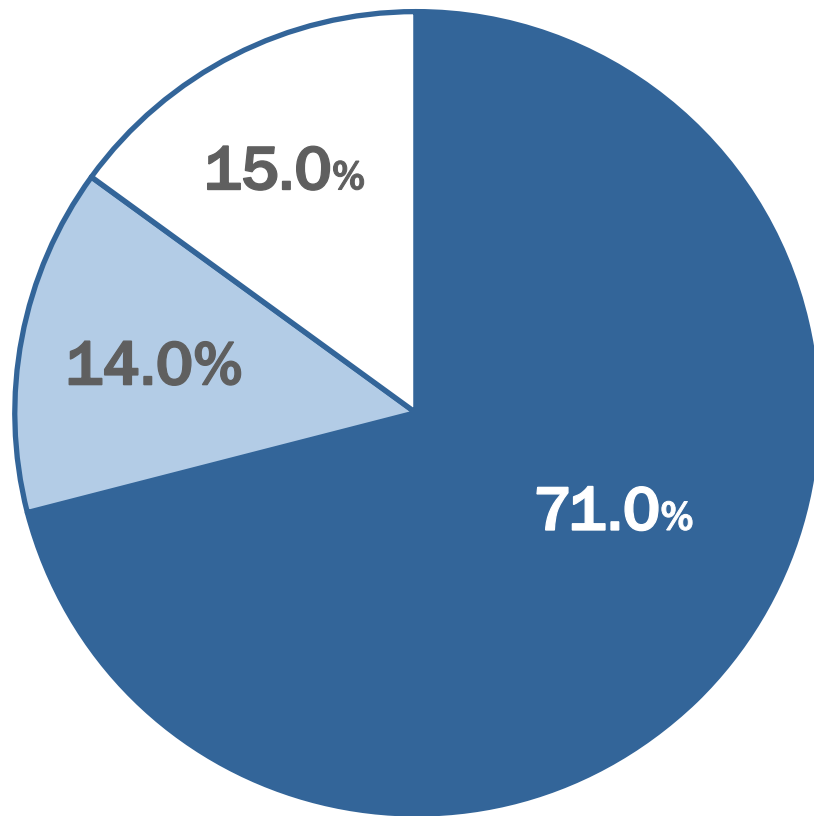
SMBC NIKKO




Mr. Eiji Maeda

Analyst coverage  
by 9 firms

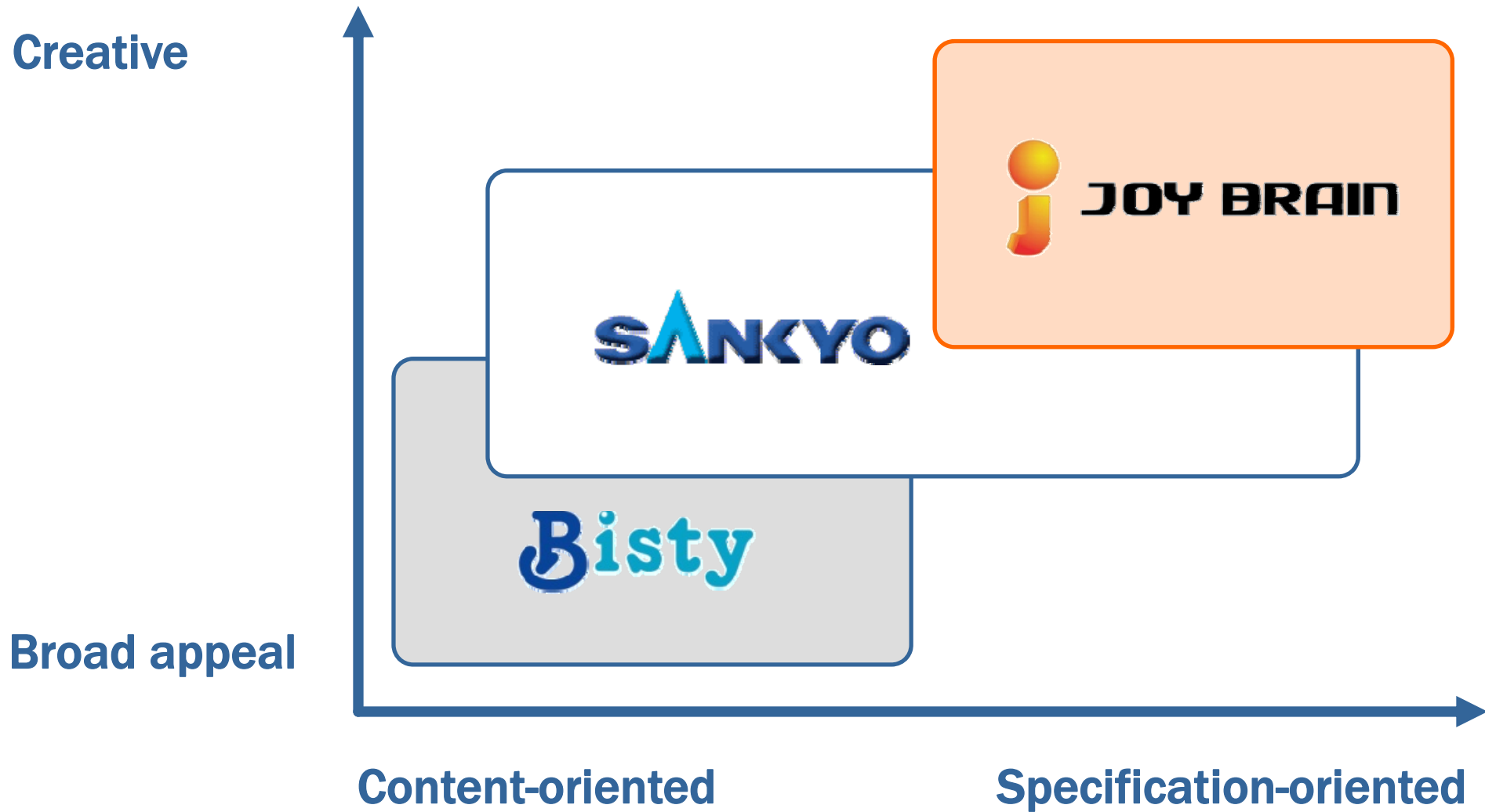
# Focused on Game Machine-related Businesses

## Sales Composition



-  Pachinko Machines
-  Pachislot Machines
-  Ball Bearing Supply Systems and Others

# Positioning of the 3 Brands



# Prosper with the Pachinko Industry

1975



*Open Tulip*

1980



*Fever*

1992



*Fever Powerful III*

2001



*CR Fever  
Wide Powerful*

2012



*CR Fever Koda Kumi III  
Love Romance*

©avex management inc. ©avex entertainment inc.



# Debut of *Neon Genesis Evangelion* in 2004

7 pachinko titles: 1,303,000 units

6 pachislot titles: 422,000 units

2004



2005



2012



2012



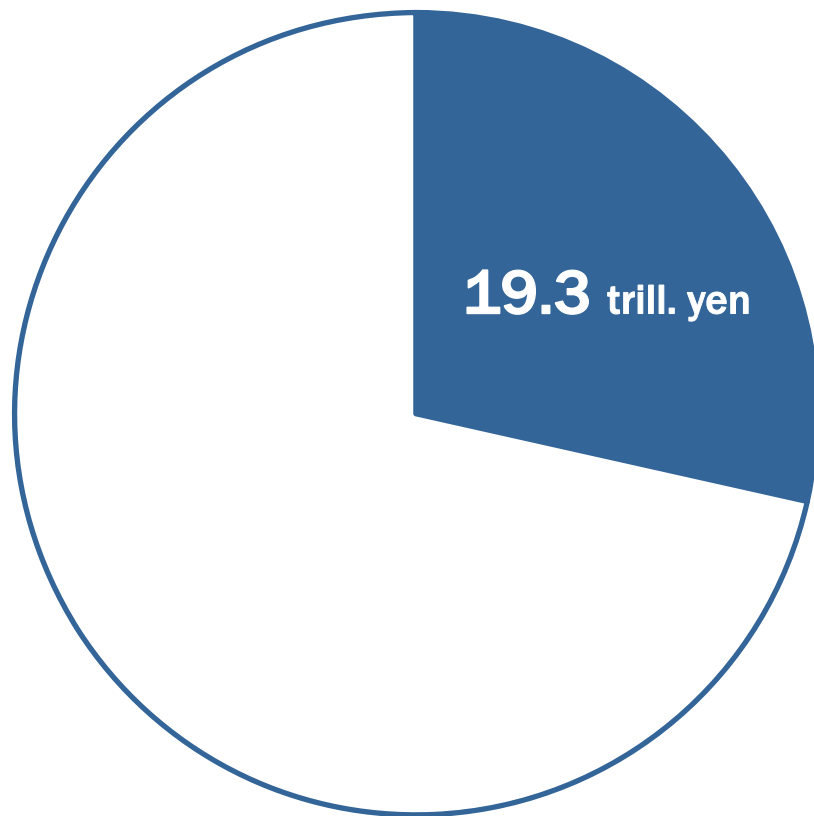
©カラー ©Bisty



Industry Trend

## 30% of the Leisure Market

Leisure Market 67.9 trill. yen



Pachinko player population:  
16.7 million

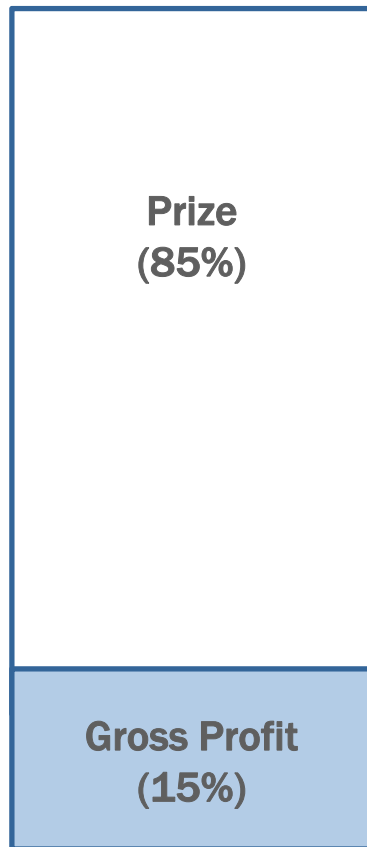
One in every 6.4 of Japan's  
population aged 18 or older plays  
pachinko or pachislot

 Pachinko Rental Ball Fee

# Structure of Pachinko Industry

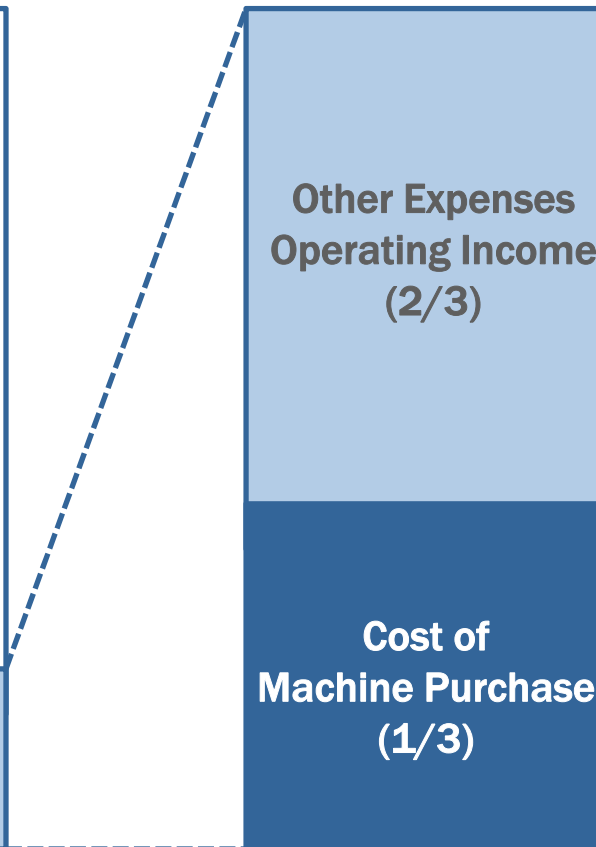
Pachinko Rental Ball Fee

**19.3** trill. yen



Gross Profit of Parlor

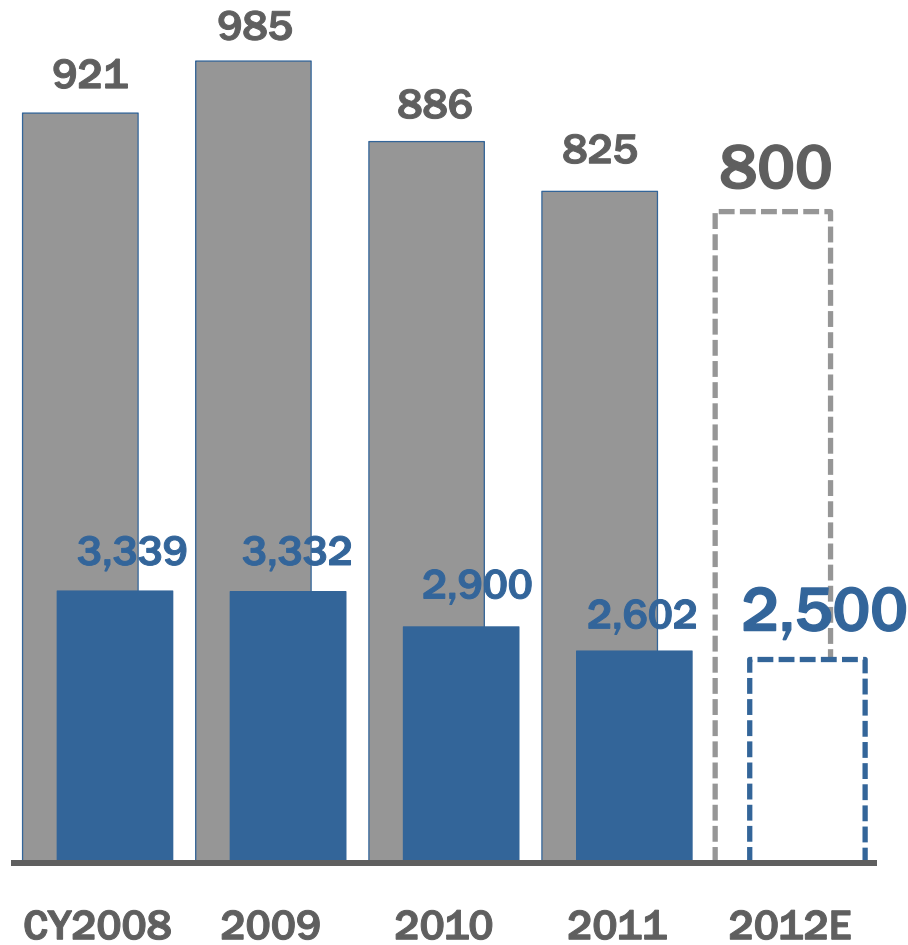
**3.0** trill. yen



Size of Game  
Machine Market

**1.2** trill. yen

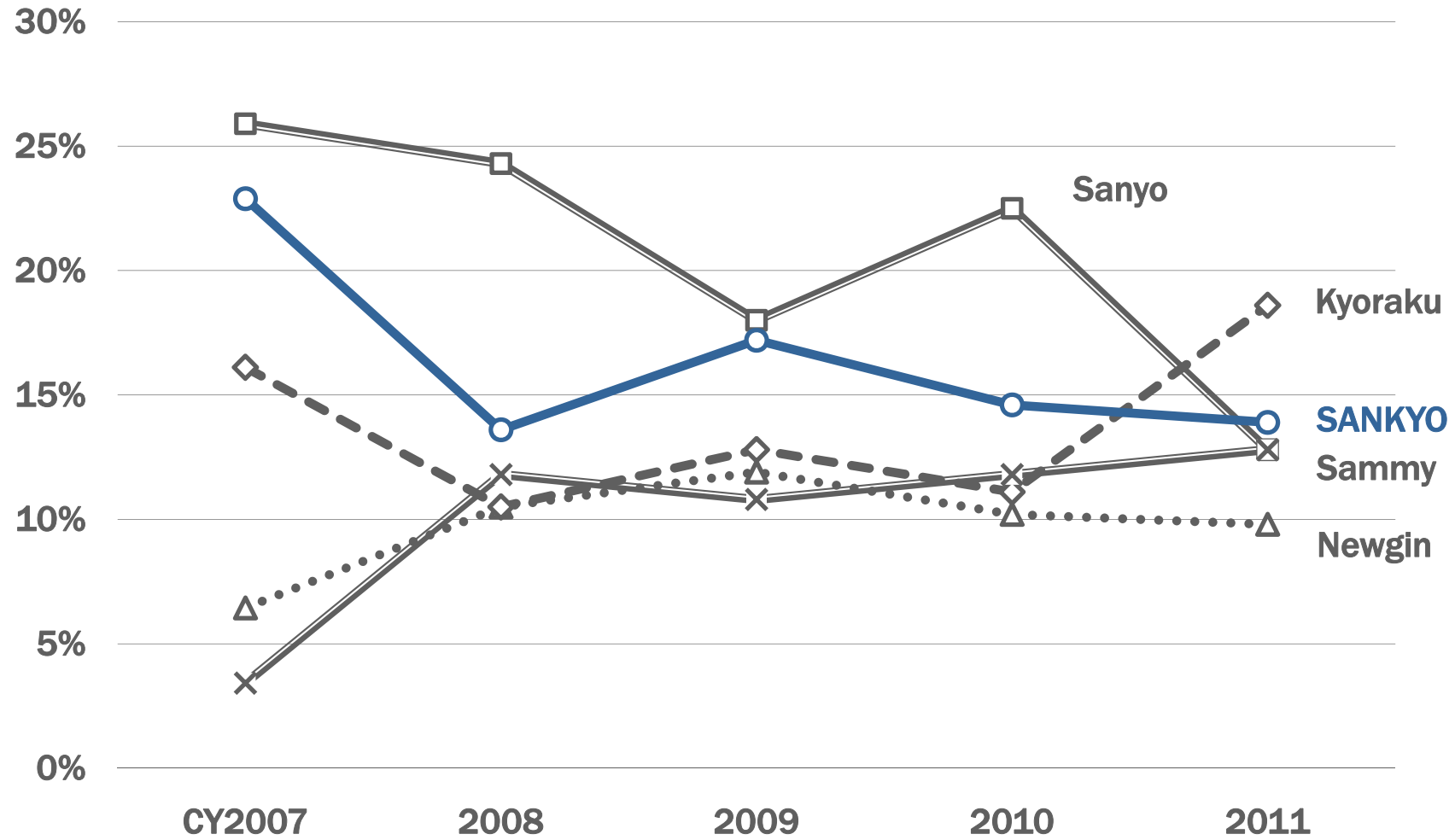
# Size of Pachinko Machine Market



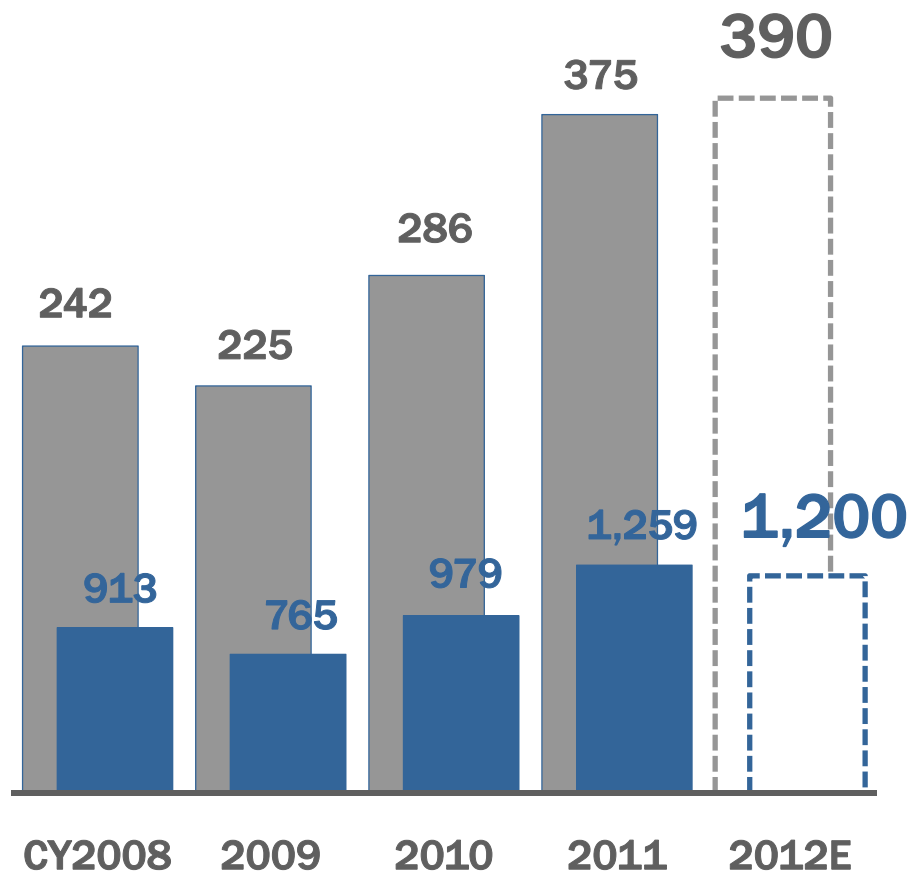
**CY2012**  
Expected to be flat or decline slightly

- Market Size (bn. yen)
- No. of Sales for Pachinko Machines (thou. units)

# Share of Pachinko Machine Market (unit basis)



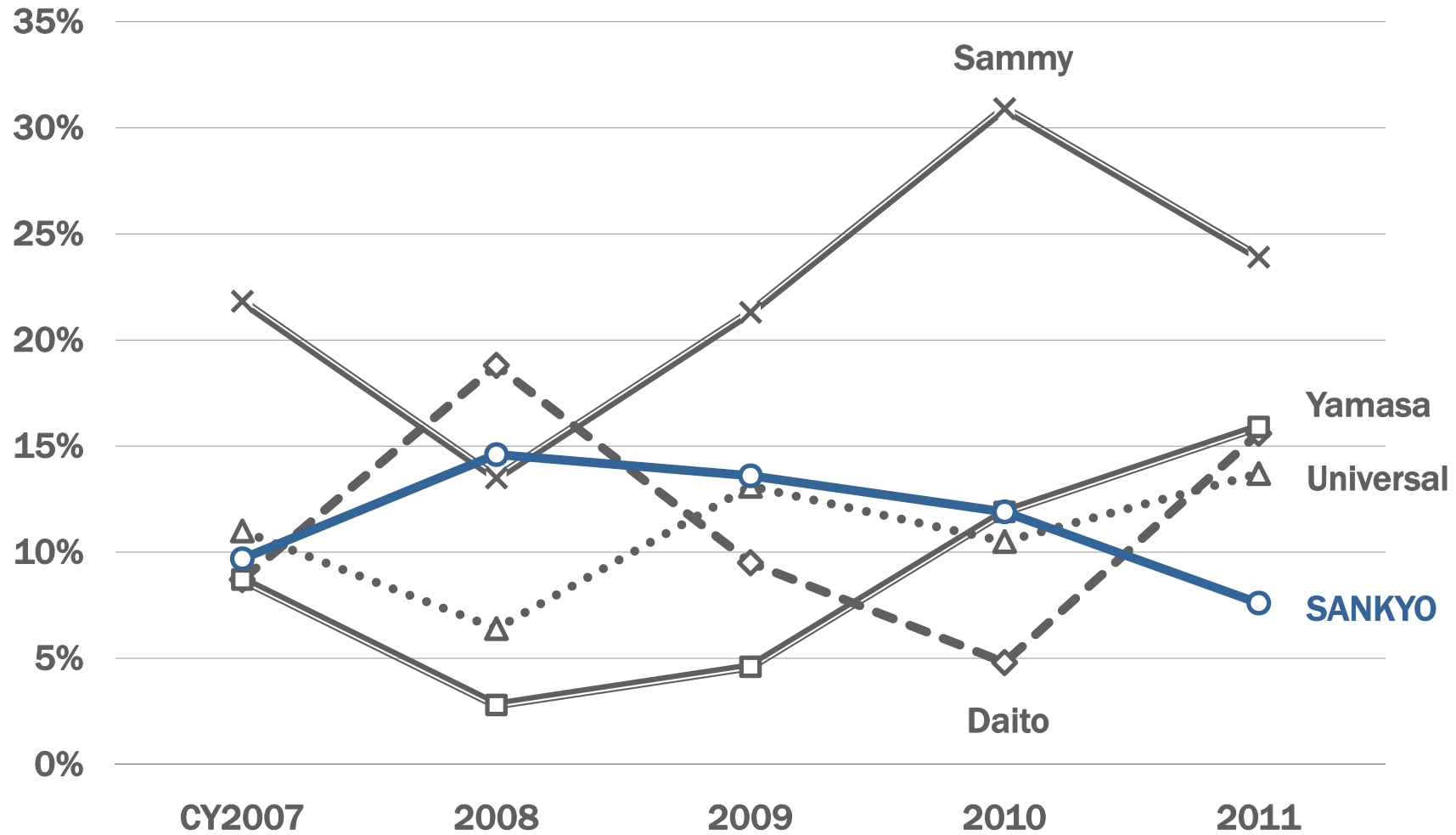
# Size of Pachislot Machine Market



**CY2012**  
Slight decrease following strong growth

- Market Size (bn. yen)
- No. of Sales for Pachislot Machines (thou. units)

# Share of Pachislot Machine Market (unit basis)







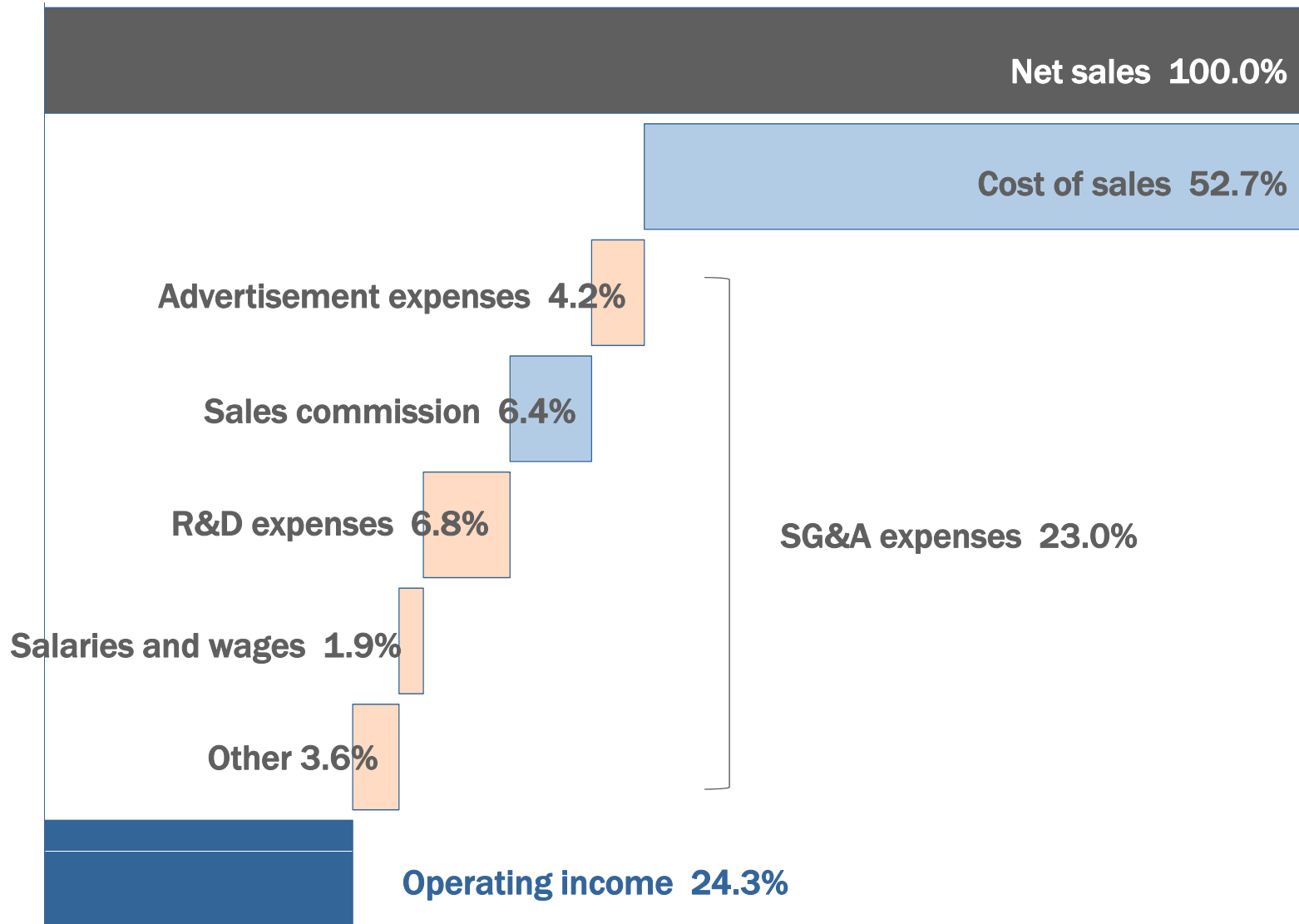
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## Current Situations and Initiatives

## 5-year Financial Highlights

Consolidated: mill. yen	FY 3/2008	FY 3/2009	FY 3/2010	FY 3/2011	FY 3/2012
<b>Net Sales</b>	<b>280,511</b>	<b>187,877</b>	<b>222,673</b>	<b>201,606</b>	<b>173,682</b>
Pachinko Machines	217,955	133,195	180,471	149,876	123,353
Pachislot Machines	40,511	33,598	23,698	30,316	24,282
Ball Bearing Supply Systems	20,652	19,566	17,118	19,652	24,442
Other Business	1,391	1,516	1,385	1,761	1,603
<b>Operating Income</b>	<b>72,294</b>	<b>40,626</b>	<b>55,776</b>	<b>51,923</b>	<b>40,315</b>
<b>percentage</b>	<b>25.8%</b>	<b>21.6%</b>	<b>25.0%</b>	<b>25.8%</b>	<b>23.2%</b>
<b>Recurring Income</b>	<b>75,770</b>	<b>44,900</b>	<b>59,366</b>	<b>55,909</b>	<b>44,396</b>
<b>Net Income</b>	<b>45,672</b>	<b>27,883</b>	<b>36,198</b>	<b>34,733</b>	<b>20,182</b>
<b>Net Income per Share (basic)</b>	<b>Y468.78</b>	<b>Y288.92</b>	<b>Y376.00</b>	<b>Y364.09</b>	<b>Y215.85</b>
<b>Unit Sales of Pachinko Machines</b>	<b>725,819</b>	<b>451,941</b>	<b>572,464</b>	<b>424,533</b>	<b>360,805</b>
<b>Market share</b>	<b>22.9%</b>	<b>13.6%</b>	<b>17.2%</b>	<b>14.6%</b>	<b>13.9%</b>
<b>Unit Sales of Pachislot Machines</b>	<b>169,239</b>	<b>133,714</b>	<b>104,266</b>	<b>116,424</b>	<b>96,158</b>
<b>Market share</b>	<b>9.7%</b>	<b>14.6%</b>	<b>13.6%</b>	<b>11.9%</b>	<b>7.6%</b>

# Stable Operating Income Ratio (24.3% on Average for the Past 5 years)



# SANKYO's Ideal Profile

Forging ahead in the Market



## FY 3/2013 Forecast (Highlights)

	FY 3/2012	FY 3/2013	YoY	
<b>Net Sales</b>	<b>173,682</b>	<b>210,000</b>	<b>+36,318</b>	<b>+20.9%</b>
Pachinko Machines	123,353	142,700		
Pachislot Machines	24,282	49,300		
Ball Bearing Supply Systems	24,442	17,400		
Other Business	1,603	600		
<b>Operating Income</b>	<b>40,315</b>	<b>50,000</b>	<b>+9,685</b>	<b>+24.0%</b>
<b>Recurring Income</b>	<b>44,396</b>	<b>53,000</b>	<b>+8,604</b>	<b>+19.4%</b>
<b>Net Income</b>	<b>20,182</b>	<b>35,000</b>	<b>+14,818</b>	<b>+73.4%</b>
<b>EPS</b>	<b>Y215.85</b>	<b>Y374.44</b>		
<b>Unit Sales (Pachinko)</b>	<b>360,805</b>	<b>432,000</b>	<b>+71,195</b>	<b>+19.7%</b>
<b>Unit Sales (Pachislot)</b>	<b>96,158</b>	<b>188,000</b>	<b>+91,842</b>	<b>+95.5%</b>

# Key Issues for FY 3/2013

1

Successful introduction of the flagship pachinko model

2

Enhanced presence in the pachislot market

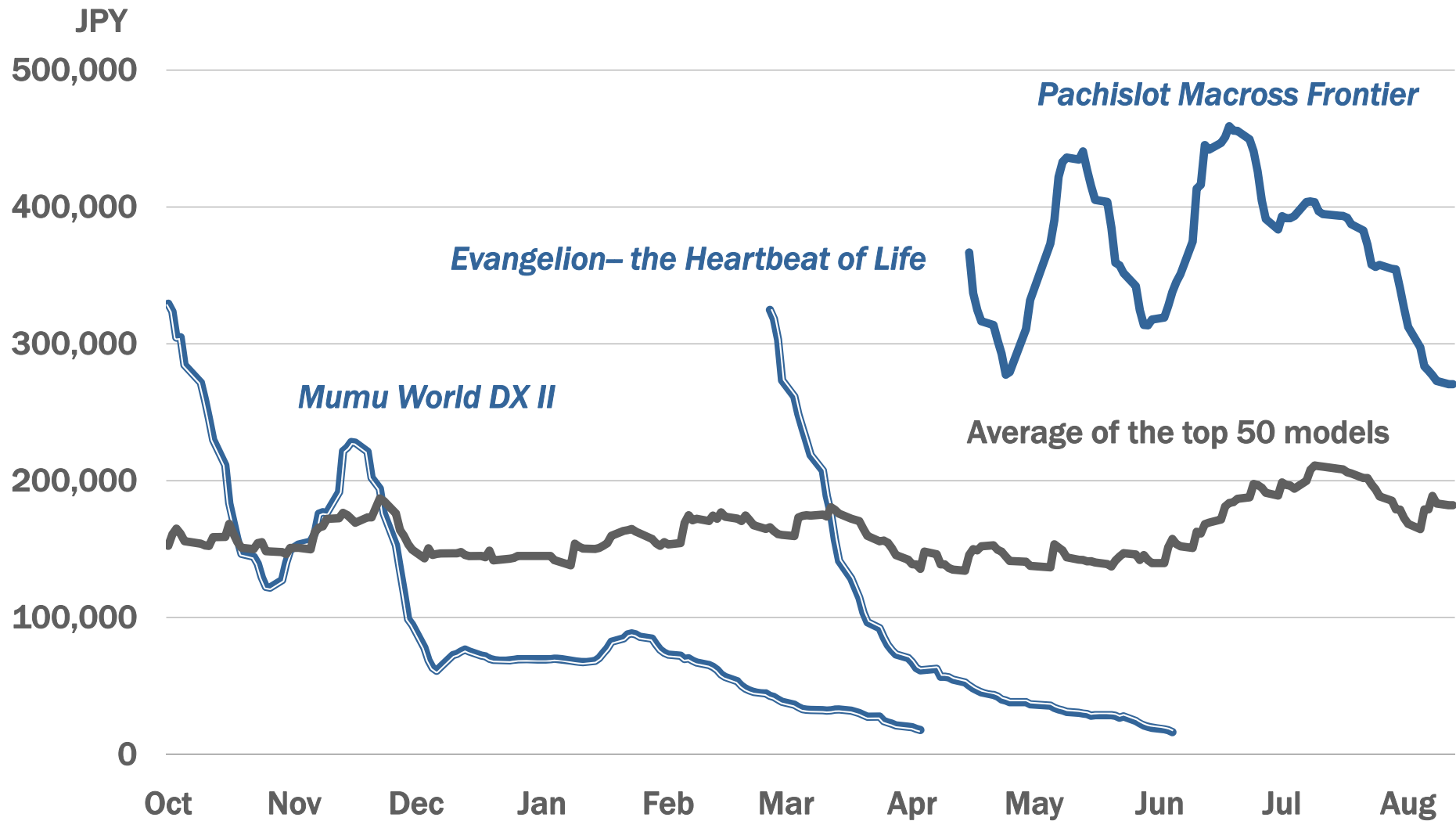
3

Early establishment of the 3-brand structure



**No. 1 popularity among players**

# The Price of Second-hand Pachislot Macross Frontier Machines Remained High



# Dividend Policy

## Dividends per Share

	JPY
3/1992	25
3/1993 - 3/1995	30
3/1996 - 3/1997	40
3/1998	50*
3/1999 - 3/2004	40
3/2005	70
3/2006 - 3/2007	100
3/2008 -	150

**FY 3/2013 Forecast Y150.00**  
**(Payout ratio 40.05%)**

**No dividend cut since the listing**  
**Commitment to 25% payout ratio**

\*Note: Commemorative dividends





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## Appendix

# Business Results for the 1<sup>st</sup> Quarter of FY3/2013

連結: 百万円	Consolidated: million yen	FY 3/2013	Forecast			FY 3/2011				FY 3/2012			
		Q1	YoY	6 Months	Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
売上高	Net Sales	22,864	-8,777	73,000	210,000	51,124	67,378	32,806	50,298	31,641	39,894	30,666	71,481
パチンコ	Pachinko	10,895	-7,240	48,100	142,700	46,069	58,986	19,876	24,945	18,135	31,792	17,391	56,035
パチスロ	Pachislot	5,705	-2,683	16,600	49,300	1,990	2,213	5,469	20,644	8,388	2,486	1,705	11,703
補給機器	Ball Bearing Supply	6,073	+1,362	8,000	17,400	2,619	5,762	7,011	4,260	4,711	5,224	11,201	3,306
その他事業	Other Business	190	-216	300	600	444	417	452	448	406	392	369	436
売上原価	Cost of Sales	11,954	-4,743	34,000	105,000	24,446	31,859	17,549	27,552	16,697	22,237	16,611	33,610
売上総利益	Gross Profit	10,910	-4,034	39,000	105,000	26,678	35,519	15,257	22,745	14,944	17,656	14,055	37,871
販管費	SG & A Expenses	9,693	+748	26,000	55,000	13,221	15,284	9,223	10,548	8,945	11,814	8,621	14,830
営業利益	Operating Income	1,217	-4,781	13,000	50,000	13,456	20,235	6,034	12,198	5,998	5,843	5,433	23,041
パチンコ	Pachinko	421	-4,215	11,600	39,200	14,466	20,247	6,000	7,109	4,636	7,001	6,682	19,376
パチスロ	Pachislot	1,664	-439	3,500	14,400	(29)	93	1,150	5,739	2,103	(552)	(532)	4,440
補給機器	Ball Bearing Supply	311	+150	200	500	(35)	811	319	181	161	219	787	76
その他事業	Other Business	(83)	-185	100	200	116	162	190	184	102	167	171	194
消去又は全社	Elimination/Corporate	(1,096)	-91	(2,400)	(4,300)	(1,061)	(1,079)	(1,626)	(1,015)	(1,005)	(993)	(1,673)	(1,046)
経常利益	Recurring Income	1,805	-5,489	14,000	53,000	14,535	21,682	6,954	12,738	7,294	6,634	6,213	24,255
特別利益	Extraordinary Gains	0	-6	0	0	48	(19)	12	16	6	2	0	351
特別損失	Extraordinary Losses	25	-1,586	0	0	50	6	39	764	1,611	757	24	5,537
当期純利益	Net Income	947	-2,302	10,000	35,000	9,152	13,395	4,482	7,704	3,249	3,505	3,507	9,921
EPS: 円	EPS: yen				374.44								

## 販売台数: 台 Machines sales: units

パチンコ	Pachinko	30,550	-19,312	153,000	432,000	128,376	166,512	54,175	75,470	49,862	93,242	55,422	162,279
SANKYO+JB	SANKYO+JB	13,060	-33,418	93,000	272,000	8,336	73,152	44,756	63,008	46,478	24,188	44,841	61,065
Bisty	Bisty	17,490	+14,106	60,000	160,000	120,040	93,360	9,419	12,462	3,384	69,054	10,581	101,214
パチスロ	Pachislot	18,346	-17,498	59,500	188,000	7,481	9,104	17,817	82,022	35,844	7,824	6,172	46,318
SANKYO+JB	SANKYO+JB	14,958	+13,591	39,500	68,000	2,977	65	17,350	25,918	1,367	7,814	5,722	0
Bisty	Bisty	3,388	-31,089	20,000	120,000	4,504	9,039	467	56,104	34,477	10	450	46,318

# Pachinko Machines Business

連結: 百万円	Consolidated: million yen	FY 3/2013	Forecast			FY 3/2011				FY 3/2012			
		Q1	YoY	6 Months	Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
売上高	Net Sales	10,895	-7,240	48,100	142,700	46,069	58,986	19,876	24,945	18,135	31,792	17,391	56,035
営業利益	Operating Income	421	-4,215	11,600	39,200	14,466	20,247	6,000	7,109	4,636	7,001	6,682	19,376
営業利益率	Percentage	3.9%	-21.7pt	24.1%	27.5%	31.4%	34.3%	30.2%	28.5%	25.6%	22.0%	38.4%	34.6%

販売台数: 台		Machines sales: units											
パチンコ合計	Pachinko	30,550	-19,312	153,000	432,000	128,376	166,512	54,175	75,470	49,862	93,242	55,422	162,279
SANKYO+JB	SANKYO+JB	13,060	-33,418	93,000	272,000	8,336	73,152	44,756	63,008	46,478	24,188	44,841	61,065
枠付き	Frame	15.3%	-34.2pt	17.0%	42.4%	1.2%	26.2%	58.2%	44.0%	49.5%	9.5%	19.5%	16.5%
ゲージ盤	Gauge	27.5%	-16.2pt	43.8%	20.6%	5.3%	17.8%	24.4%	31.4%	43.7%	16.5%	61.4%	21.1%
Bisty	Bisty	17,490	+14,106	60,000	160,000	120,040	93,360	9,419	12,462	3,384	69,054	10,581	101,214
枠付き	Frame	19.4%	+12.6pt	19.6%	22.5%	93.5%	54.4%	0.5%	10.6%	6.8%	71.2%	1.2%	20.2%
ゲージ盤	Gauge	37.9%	+37.9pt	19.6%	14.6%	0.0%	1.6%	16.8%	5.9%	0.0%	2.9%	17.9%	42.2%

	Series name	No. of models	Sales: units		
FY 3/2012	フィーバー宇宙戦艦ヤマト 六連波動砲発射&魂7	"Rokurenhadouhou" & "Tamashii 7"	(Mar-12)	2	-
FY 3/2013	EVAライトⅢ/エヴァンゲリオン7 YRW	Evangelion 7 YRW	(May-12)	1	16,000
Q1	ウィルスブレイカー	Virus Breaker	(Jun-12)	1	-
	フィーバー霸王伝 零 α & 魂7 α	Fever Haouden ZERO α & "Tamashii 7 α"	(Jun-12)	2	-
Q2	戦国BASARA3 関ヶ原の戦い	Sengoku BASARA 3 "The Battle of Sekigahara"	(Jul-12)	1	
	フィーバー創聖のアクエリオンⅢ	Fever Aquarion III	(Jul-12)	1	
	フィーバー倅田來未Ⅲ Y&魂7 & S	Fever Koda Kumi III Y, "Tamashii 7" & S	(Sep-12)	3	
Total					30,550

販売予定シリーズ数		
No. of Pachinko Models to be released		
	1H	2H
SANKYO+JB	3	4
Bisty	2	3

Note: 黒字 SANKYO機種、  
青字 ビステイ機種(総販売元 フィールズ)

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

# Pachislot Machines Business

連結: 百万円	Consolidated: million yen	FY 3/2013	Forecast			FY 3/2011				FY 3/2012			
		Q1	YoY	6 Months	Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
売上高	Net Sales	5,705	-2,683	16,600	49,300	1,990	2,213	5,469	20,644	8,388	2,486	1,705	11,703
営業利益	Operating Income	1,664	-439	3,500	14,400	(29)	93	1,150	5,739	2,103	(552)	(532)	4,440
営業利益率	Percentage	29.2%	+4.1pt	21.1%	29.2%	(1.5%)	4.2%	21.0%	27.8%	25.1%	(22.2%)	(31.2%)	37.9%
販売台数: 台		Machines sales: units											
パチスロ合計	Pachislot	18,346	-17,498	59,500	188,000	7,481	9,104	17,817	82,022	35,844	7,824	6,172	46,318
SANKYO+JB	SANKYO+JB	14,958	+13,591	39,500	68,000	2,977	65	17,350	25,918	1,367	7,814	5,722	0
Bisty	Bisty	3,388	-31,089	20,000	120,000	4,504	9,039	467	56,104	34,477	10	450	46,318

	Series name	Sales: units
FY 3/2013	マクロスフロンティア	Macross Frontier (Apr-12) 15,000
Q1	GTO Limit Break	GTO Limit Break (Jun-12) -
Q2	パトラッシュ	Patrush (Jul-12)
	夜王	Yaoh (Aug-12)
	霸王伝 零	Haouden ZERO (Sep-12)
<b>Total</b>		<b>18,346</b>

販売予定シリーズ数 No. of Pachislot Models to be released		
	1H	2H
SANKYO+JB	3	3
Bisty	2	2

Note: 黒字 SANKYO機種、  
青字 ビステイ機種 (総販売元 フィールズ)

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

# Gross Margin/Operating Margin

連結	Consolidated	FY 3/2013	Forecast			FY 3/2011				FY 3/2012			
		Q1	YoY	6 Months	Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
売上総利益率	Gross Margin	47.7%	+0.5pt	53.4%	50.0%	52.2%	52.7%	46.5%	45.2%	47.2%	44.3%	45.8%	53.0%
営業利益率	Operating Margin	5.3%	-13.6pt	17.8%	23.8%	26.3%	30.0%	18.4%	24.3%	19.0%	14.6%	17.7%	32.2%

## 販売費及び一般管理費

## SG & A Expenses

連結: 百万円	Consolidated: million yen	FY 3/2013	Forecast			FY 3/2011				FY 3/2012			
		Q1	YoY	6 Months	Full Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
販売手数料	Sales Commission	1,056	+507	3,912	10,985	6,728	5,327	884	1,641	549	4,149	633	5,755
広告宣伝費	Advertising Expenses	817	+124	2,035	5,653	586	2,722	1,929	1,223	693	363	1,400	1,136
研究開発費	R&D Expenses	4,965	+28	13,854	27,201	2,916	4,152	3,554	4,783	4,937	4,792	4,239	5,534
給与手当	Salaries & Wages	703	-120	1,509	3,644	742	778	1,448	954	823	780	1,348	855
その他	Others	2,152	+209	4,690	7,517	2,249	2,305	1,408	1,947	1,943	1,730	1,001	1,550

連結: 百万円	Consolidated: million yen	FY 3/2013	YoY	6 Months	Full Year	FY 3/2011	Q2	Q3	Q4	FY 3/2012	Q2	Q3	Q4
設備投資額	Capital Expenditure	1,077	+737	3,599	6,410	707	559	605	398	340	501	608	3,692
減価償却費	Depreciation & Amortizat	783	+122	2,028	5,516	1,007	1,111	1,243	1,349	661	739	862	1,044

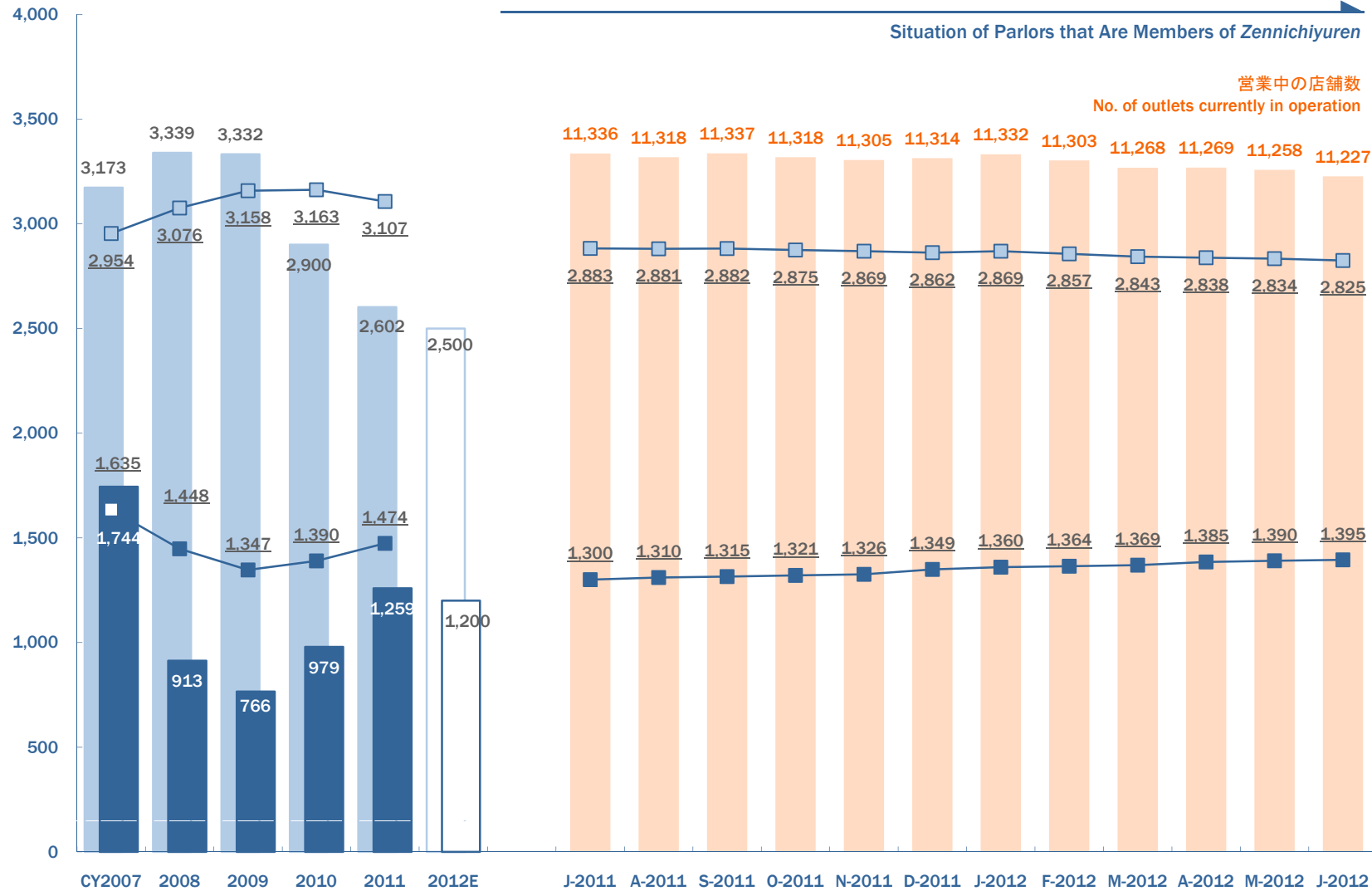
連結	Consolidated	FY 3/2013	YoY	6 Months	Full Year	FY 3/2011	Q2	Q3	Q4	FY 3/2012	Q2	Q3	Q4
従業員数	No. of Employees	1,097	-34	1,117	1,121	1,136	1,129	1,123	1,113	1,131	1,121	1,102	1,087
開発人員数	No. of R&D Staff	301	-5	311	308	290	288	288	288	306	309	306	303

間接販売比率(累計)	Indirect Sales Ratio	FY 3/2013	YoY	6 Months	Full Year	FY 3/2011	Q2	Q3	Q4	FY 3/2012	Q2	Q3	Q4
SANKYO+JB Pachinko		38.2%	+0.0pt	38.8%	38.8%	36.9%	37.8%	37.9%	37.9%	38.2%	38.2%	39.1%	38.8%
SANKYO+JB Pachislot		44.9%	+3.5pt	46.6%	46.6%	48.8%	49.2%	48.7%	49.0%	41.4%	47.8%	47.3%	47.3%

# Game Machine Market

全日遊連加盟パラーの状況

Situation of Parlors that Are Members of Zennichiyuren



thou. units



Good luck. Good life.

**SANKYO**