



Good luck. Good life.
SANKYO

Presentation on

CLSA

Japan Forum 2014

Kimihisa Tsutsui

President & COO

SANKYO CO., LTD.

February 27, 2014 at Grand Hyatt Tokyo

CLSA
JAPAN 2014

1st Sec. of the TSE #6417

Current Price: Y4,500 (February 4, 2014)

Shares Outstanding: 97.5 million

Market Cap: Y439,188 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.

1st Sec. of the TSE #6417

Development, Manufacture, and Sales of Pachinko and Pachislot Machines

3 Brands Structure



SANKYO Bisty JOY BRAIN

3 Brands Structure

SANKYO

Pachinko and Pachislot

Development and
Manufacture

SANKYO

Sales

SANKYO

Masterpiece

Fever Mobile Suit Gundam



Bisty

Pachinko and Pachislot

Development and
Manufacture

Bisty

Sales

FIELDS

Masterpiece

CR Evangelion Series



JOY BRAIN

Pachinko
(In preparation of Pachislot)

Development and
Manufacture

JOY BRAIN

Sales

SANKYO

Masterpiece

J-RUSH Series



5-year Financial Highlights

Consolidated: mil. yen	FY 3/2009	FY 3/2010	FY 3/2011	FY 3/2012	FY 3/2013
Net Sales	187,877	222,673	201,606	173,682	104,150
Pachinko Machines	133,195	180,471	149,876	123,353	53,302
Pachislot Machines	33,598	23,698	30,316	24,282	27,822
Ball Bearing Supply Systems	19,566	17,118	19,652	24,442	21,478
Other Business	1,516	1,385	1,761	1,603	1,546
Operating Income	40,626	55,776	51,923	40,315	7,023
percentage	21.6%	25.0%	25.8%	23.2%	6.7%
Recurring Income	44,900	59,366	55,909	44,396	9,488
Net Income	27,883	36,198	34,733	20,182	5,853
EPS	Y288.92	Y376.00	Y364.09	Y215.85	Y62.62
Unit Sales of Pachinko Machines	451,941	572,464	424,533	360,805	166,939
Market share	13.6%	17.2%	14.6%	13.9%	6.7%
Unit Sales of Pachislot Machines	133,714	104,266	116,424	96,158	99,208
Market share	14.6%	13.6%	11.9%	7.6%	7.5%

Stock Information

Price 4,500

**(February 4, 2014)
Currency in JPY**

Market Cap	439,188M
Trailing P/E (ttm)	71.86
Forward P/E (1 yr)	18.28
Price/Book (mrq)	1.01
Forward Annual Dividend Rate	150.00
Forward Annual Dividend Yield	3.33%
Payout Ratio	60.96%

Analyst Coverage



Mr. Souichiro Fukuda



Mr. Satoshi Tanaka



Mr. Masanori Minami

J.P.Morgan

Mr. Yusuke Maeda

MIZUHO

Mr. Takeshi Koyama

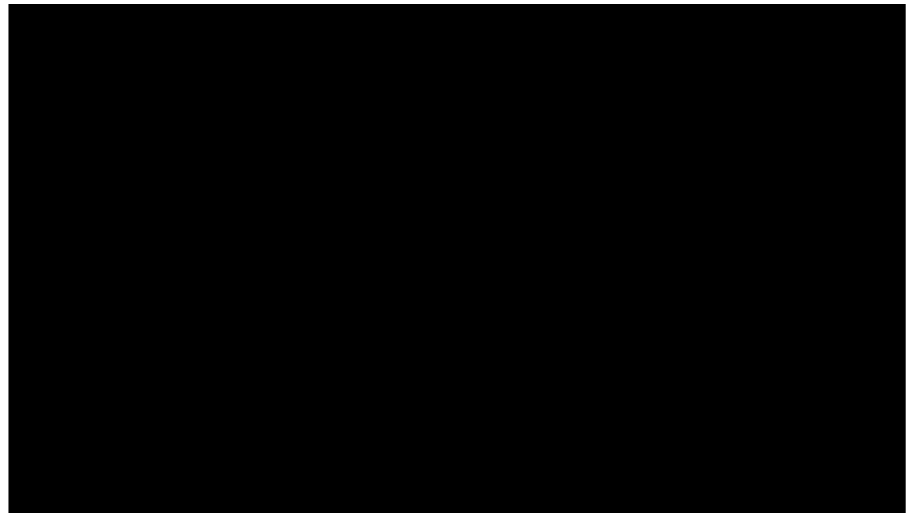
Analyst coverage
by 7 firms



Mr. Masashi Morita



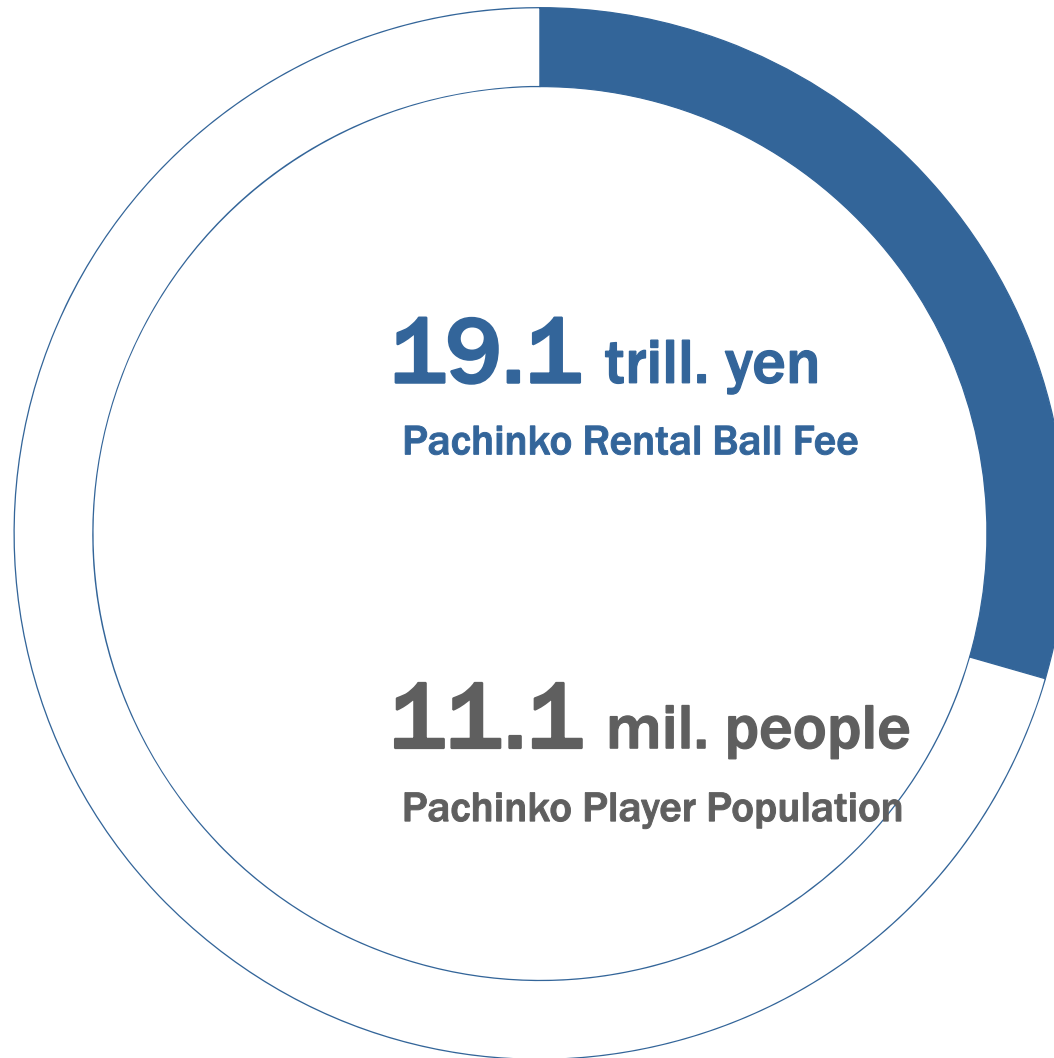
Mr. Eiji Maeda



Industry Trend

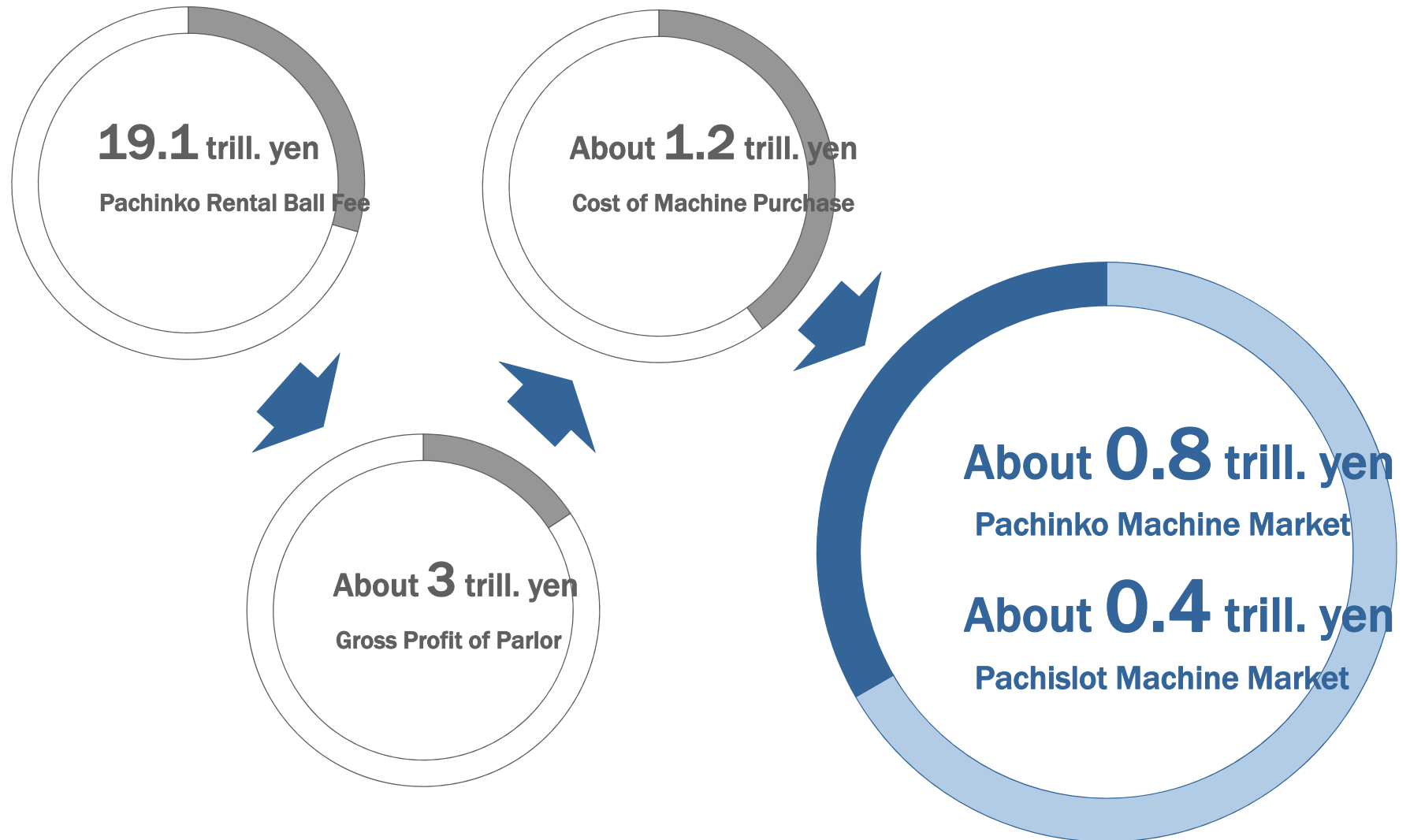


30% of the Leisure Market

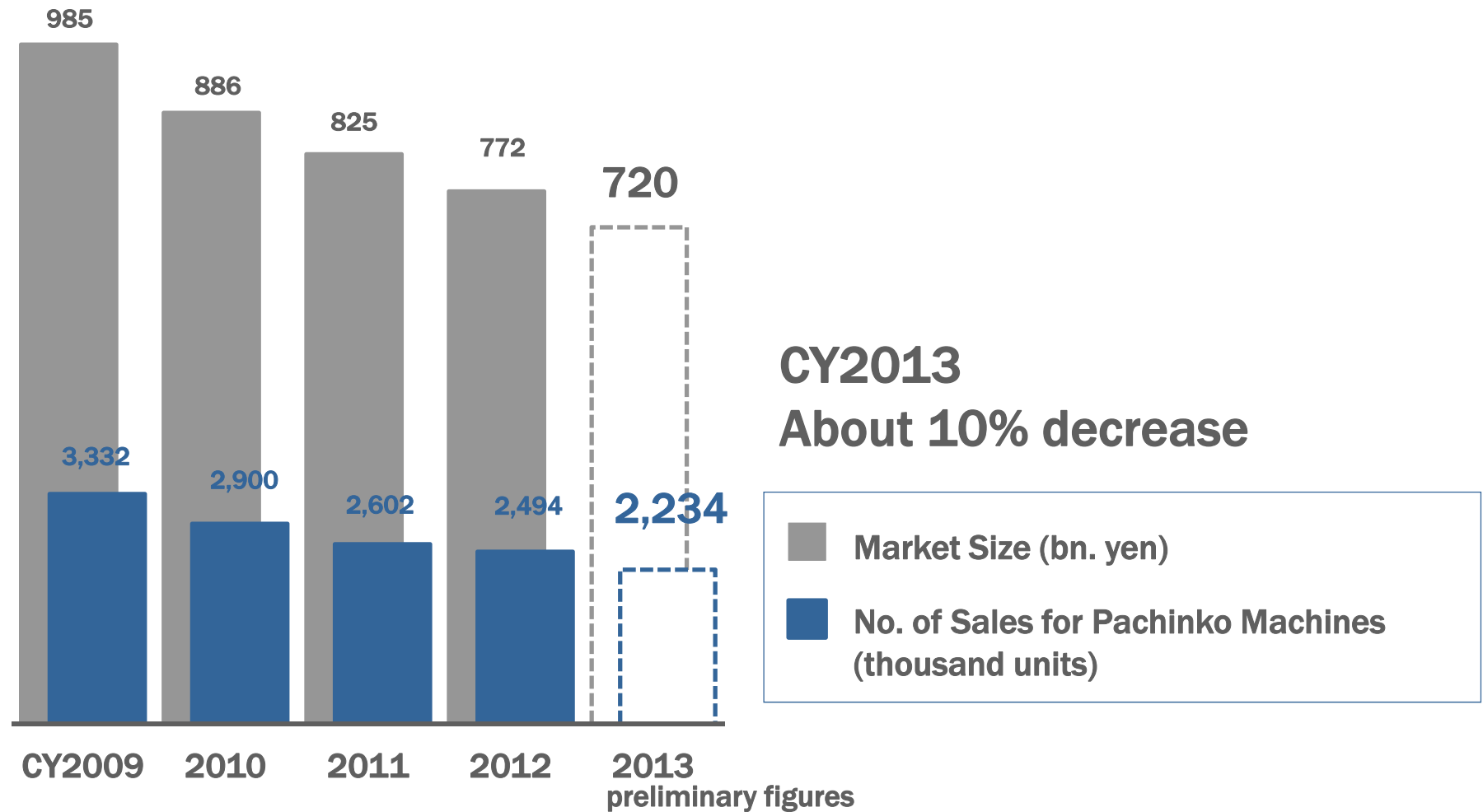


64.7 trill. yen
Leisure Market

Structure of Pachinko Industry



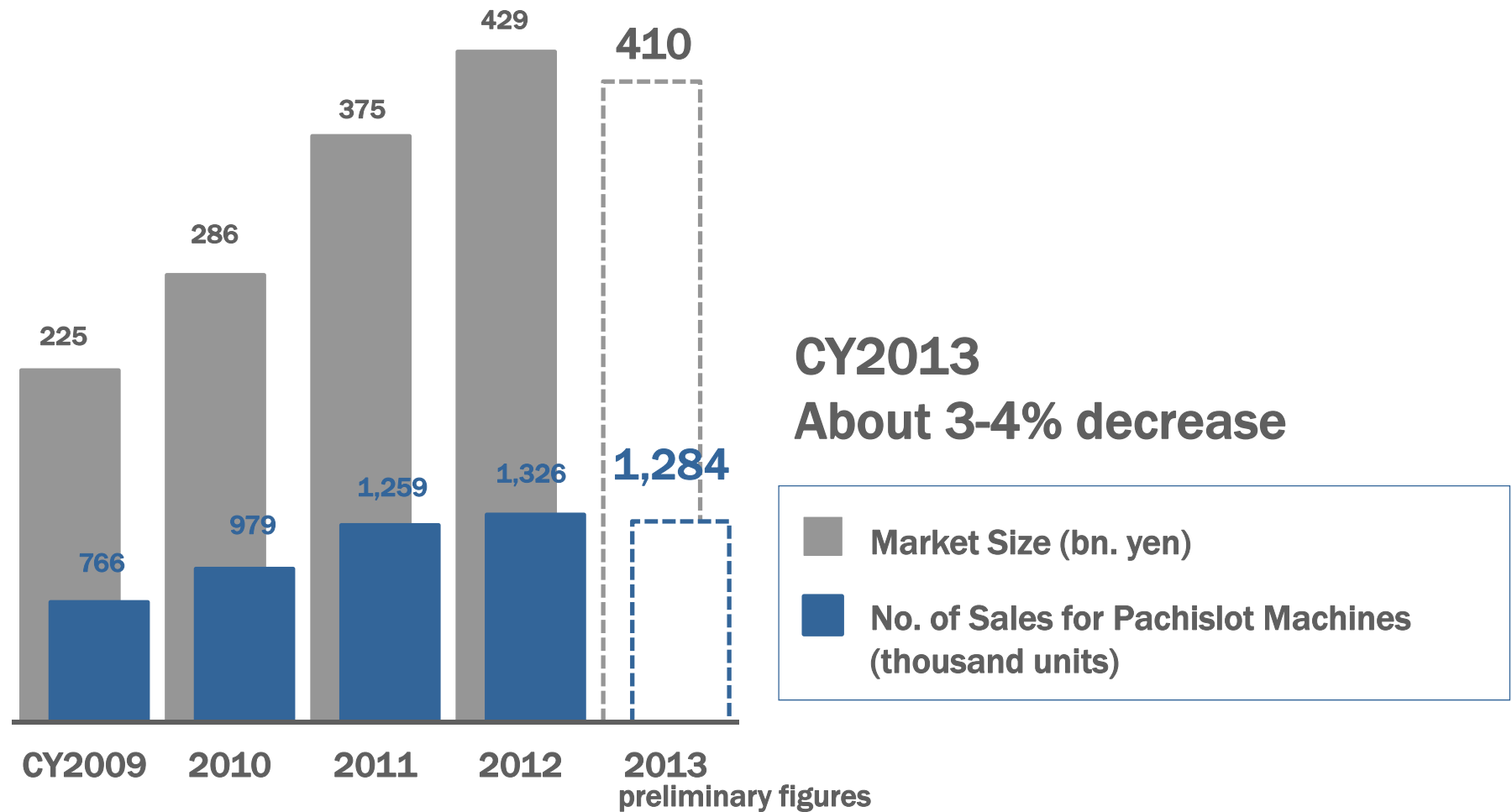
Size of Pachinko Machine Market



Data for CY2009- CY2012: Survey by Yano Research Institute

Preliminary data for CY2013P: Prepared by SANKYO based on Pachinko Gyokai Johokan Members

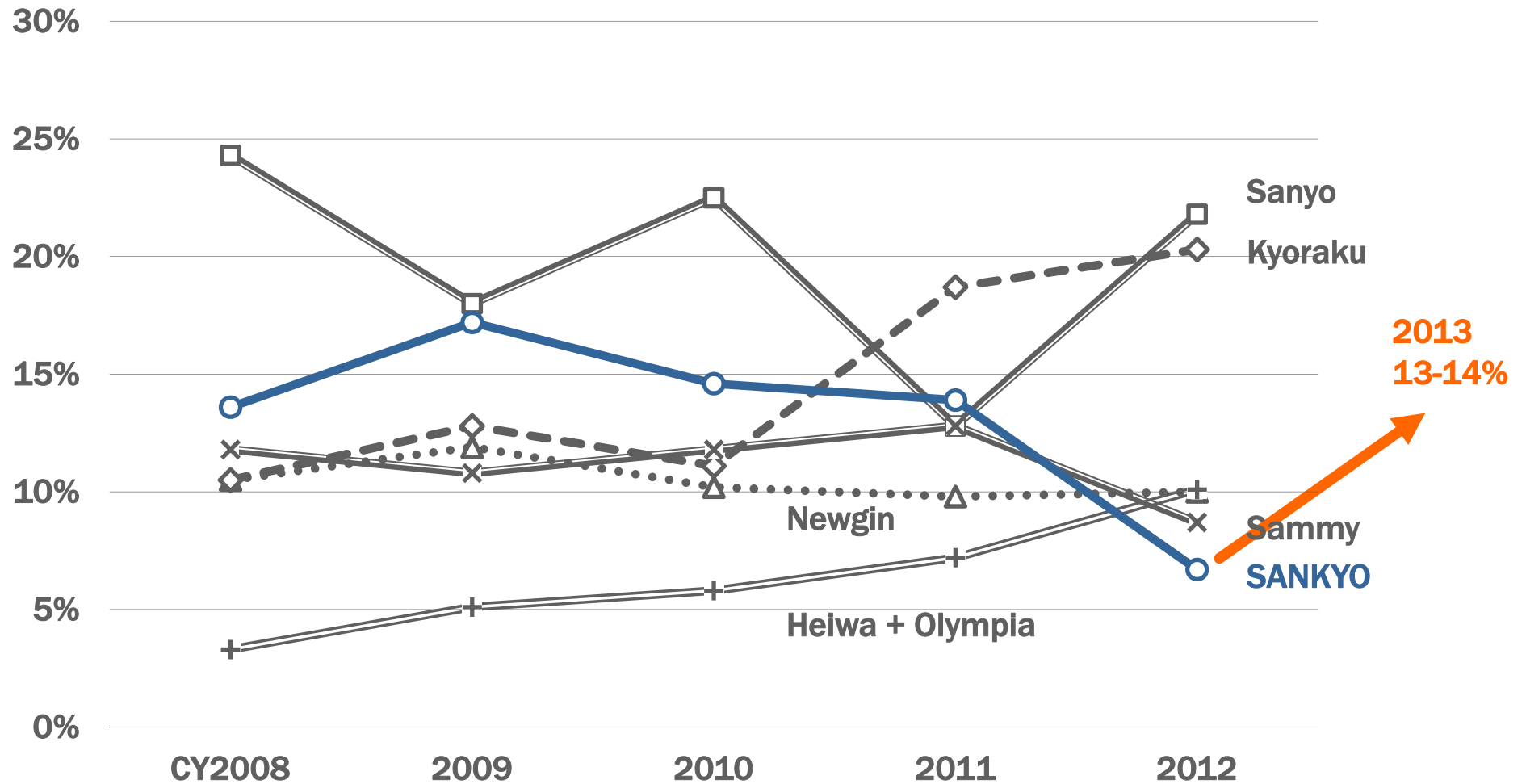
Size of Pachislot Machine Market



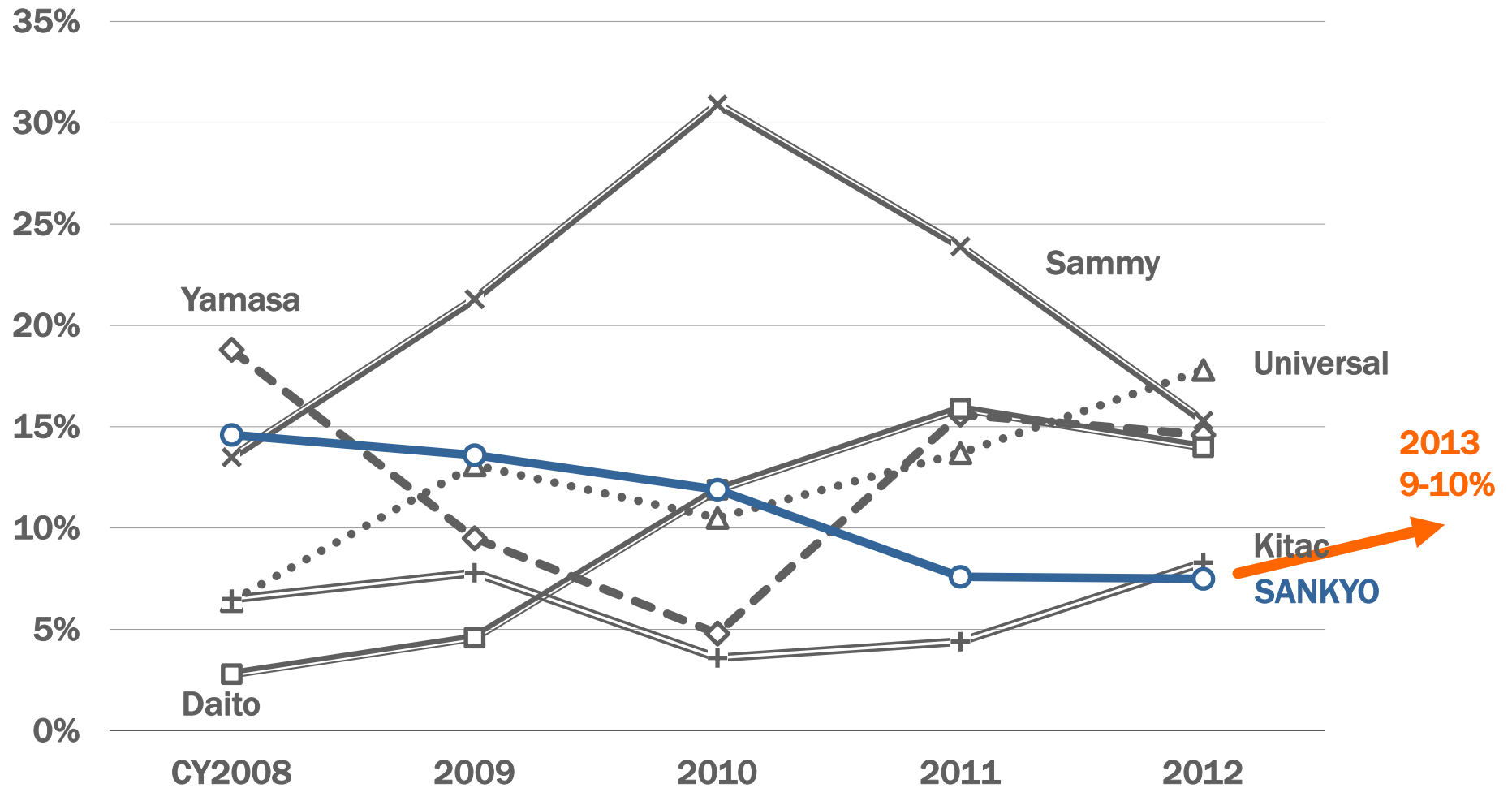
Data for CY2009- CY2012: Survey by Yano Research Institute

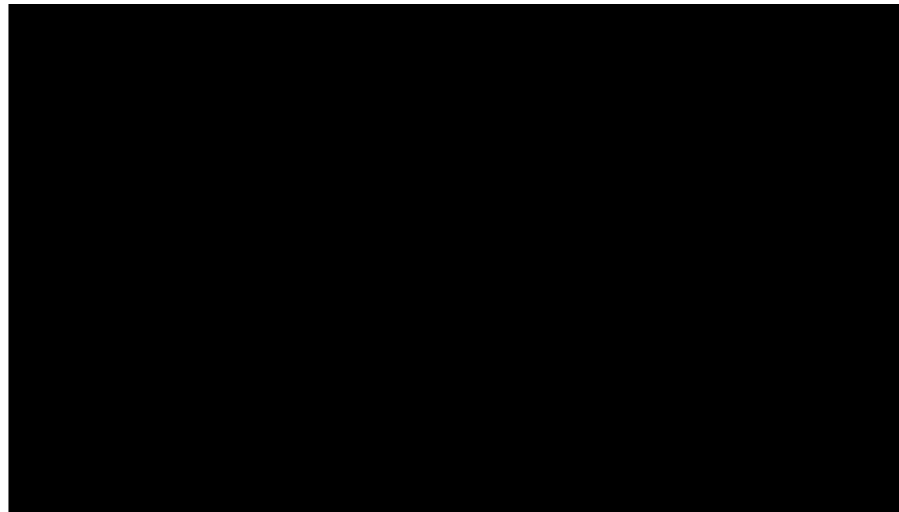
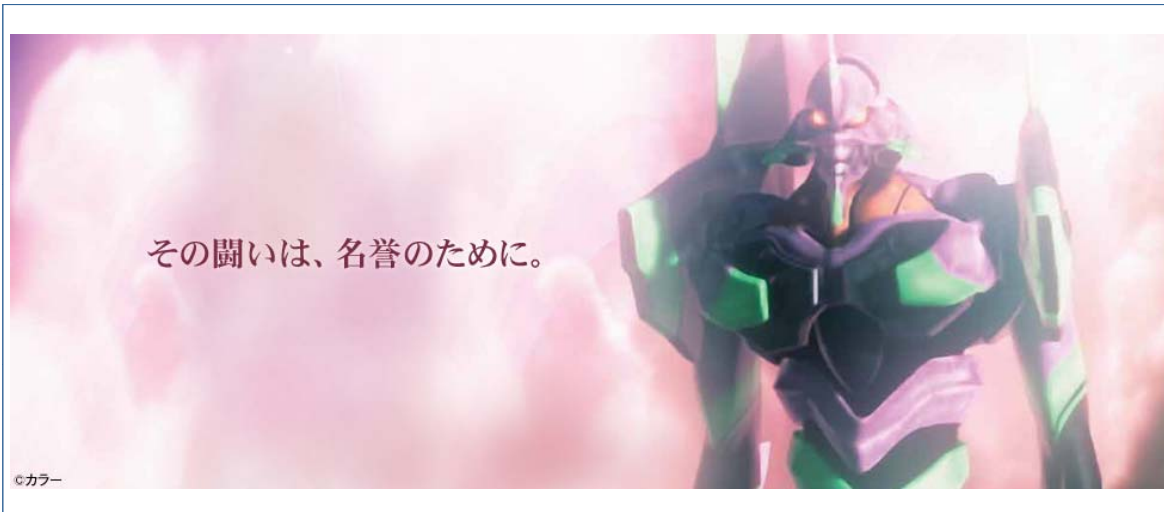
Preliminary data for CY2013P: Prepared by SANKYO based on Pachinko Gyokai Johokan Members

Share of Pachinko Machine Market (unit basis)

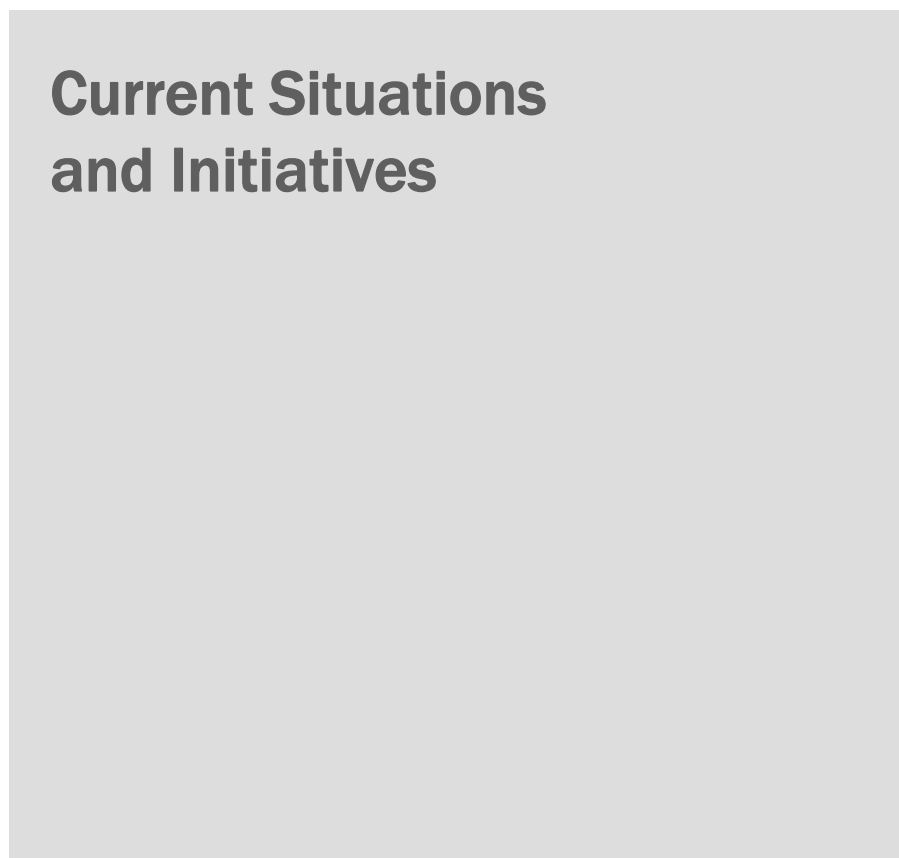


Share of Pachislot Machine Market (unit basis)





Current Situations and Initiatives

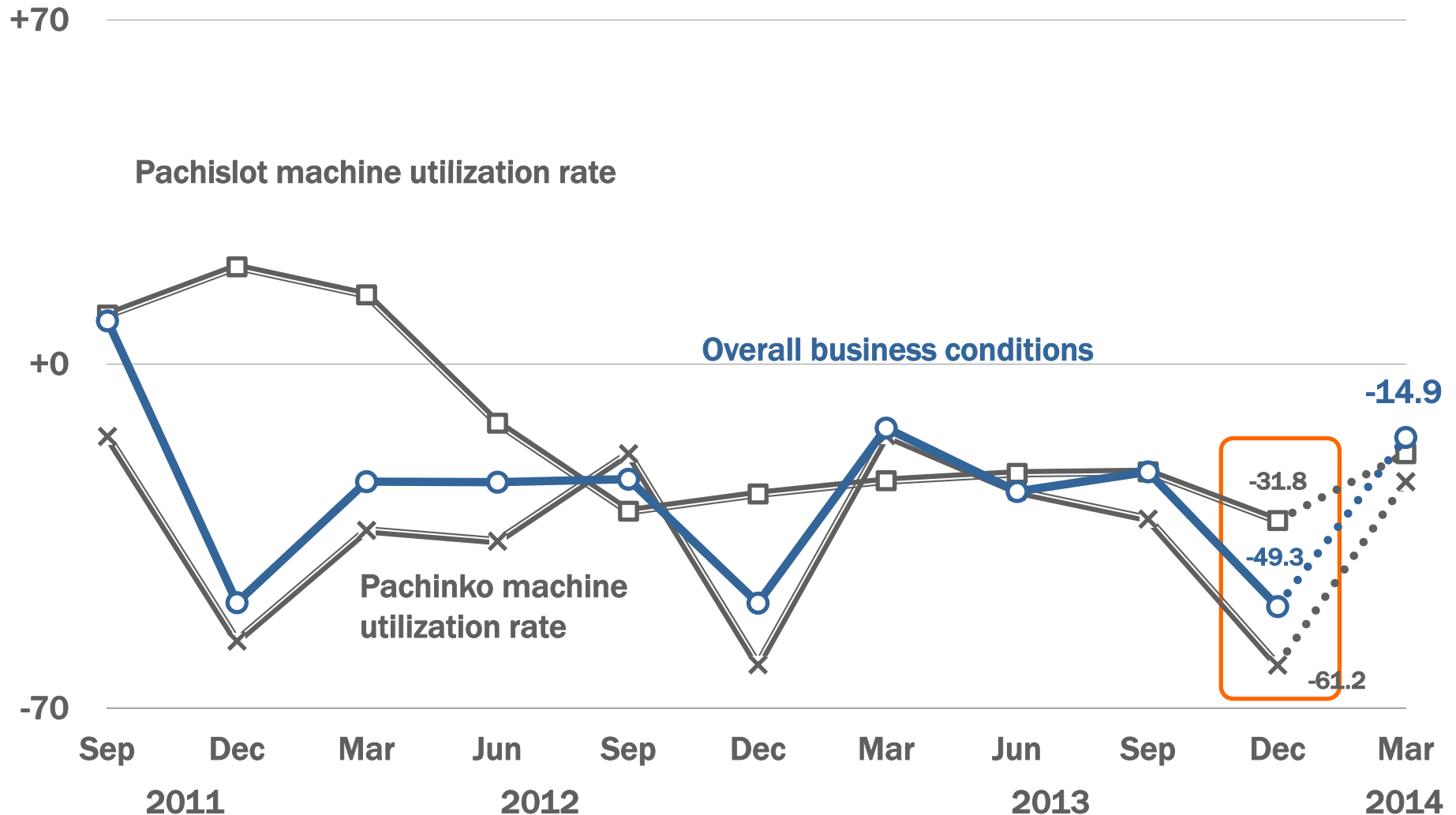


Forecast of FY 3/2014 (Highlights)

Consolidated: mill. yen	FY 3/2013	FY 3/2014	YoY	
Net Sales	104,150	160,000	+55,850	+53.6%
Operating Income	7,023	28,000	+20,977	+298.7%
Recurring Income	9,488	30,000	+20,512	+216.2%
Net Income	5,853	23,000	+17,147	+293.0%
EPS	Y62.62	Y246.06		
Unit Sales of Pachinko Machines	166,939	311,000	+144,061	+86.3%
Unit Sales of Pachislot Machines	99,208	116,000	+16,792	+16.9%

Continuation of Challenging Business Environment

Pachinko Diffusion Index



SANKYO's Initiatives

Short-term measures 2014 (FY 3/2014 - FY 3/2015)

Consumption tax rate increase

Rising wages due to *Abenomics*

Pachinko/Pachislot Industry Vitalization
Project

Pachinko/Pachislot Festa

Strengthening of brand power

Introduction of a variety of game machines

Medium to long-term measures 2015+ (FY 3/2016+)

Concretization of the casino plan

Revision of regulations governing game
machine

Pachinko/Pachislot Industry Vitalization
Project

Next-generation game machines

Cost reduction throughout the industry

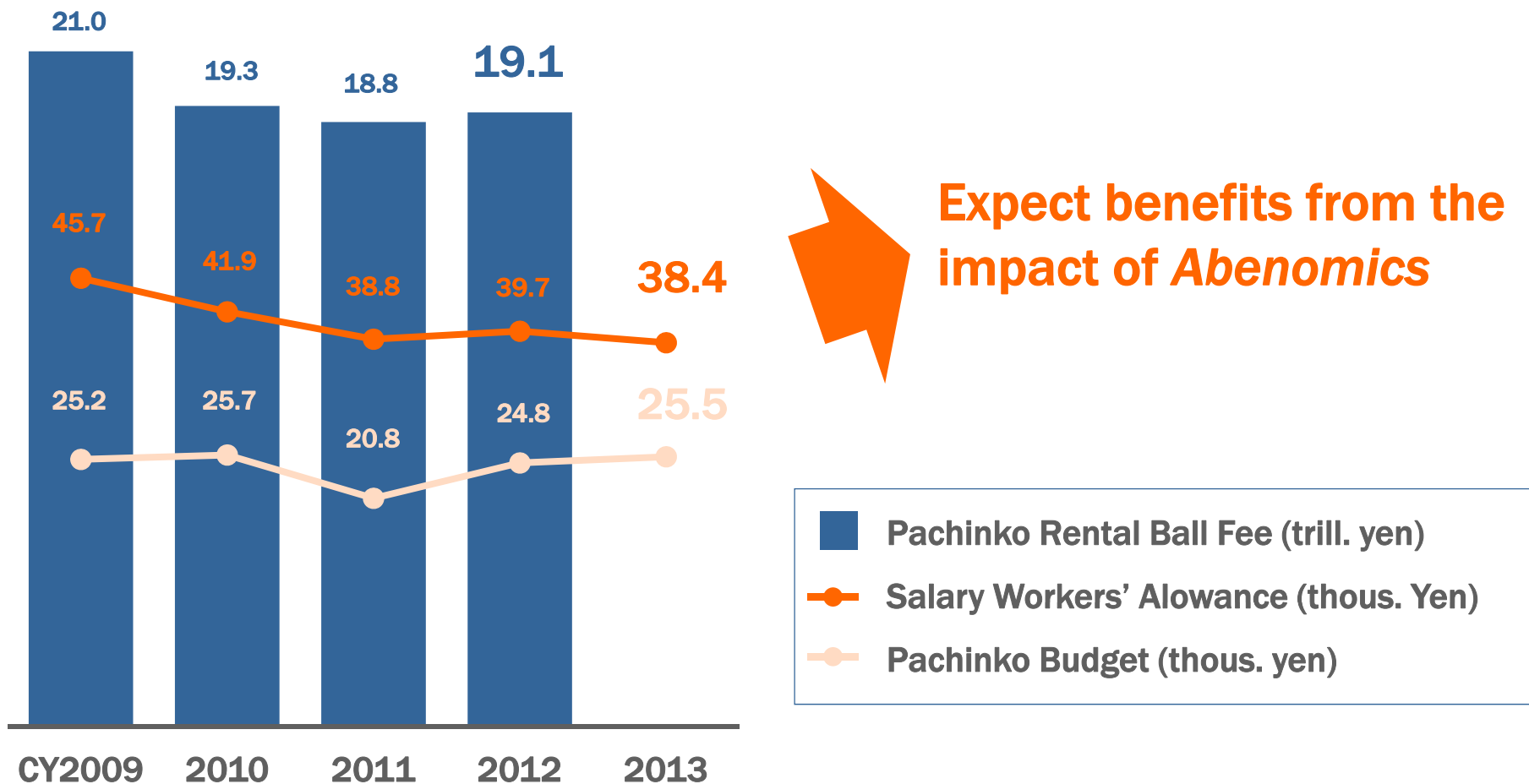
Advent of small-scale boutique stores

Commercialization of next-generation game
machines

Development of game machines with new
gaming performance

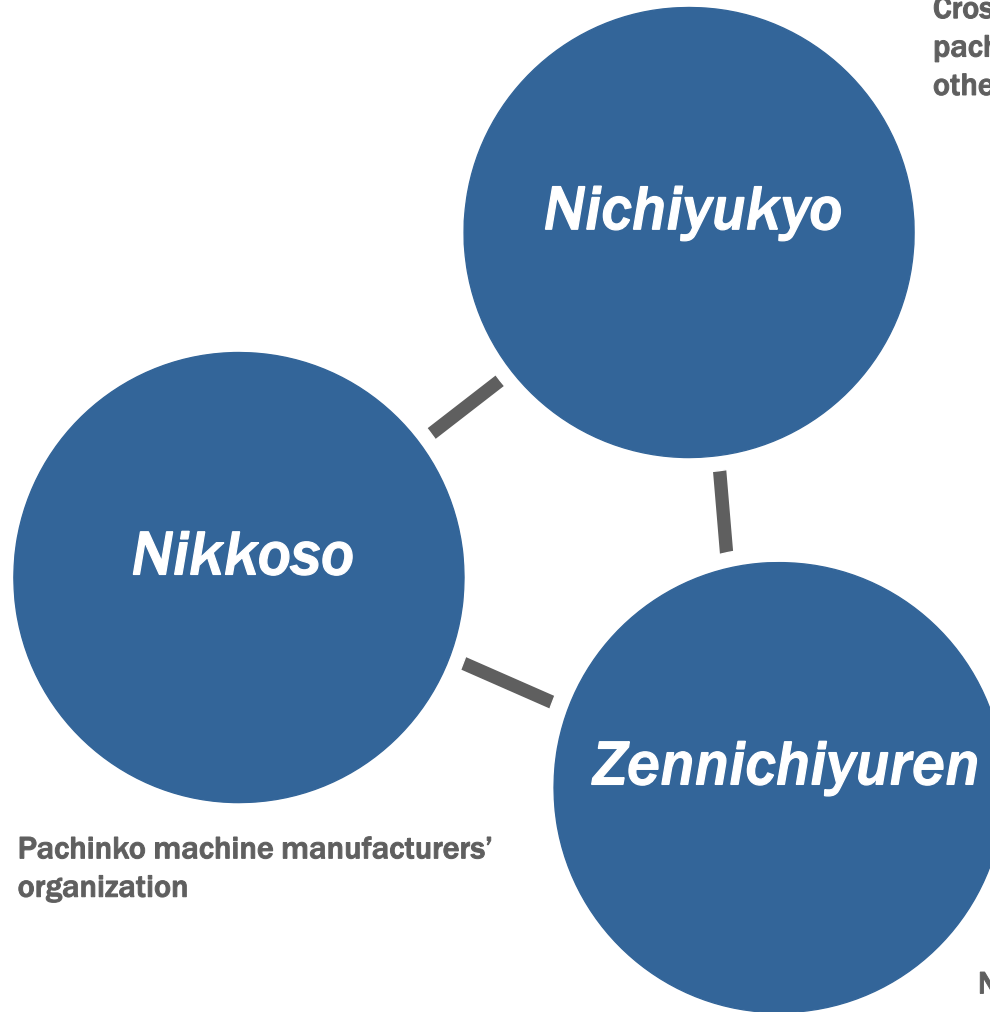
Improvement of the operating income ratio

Pachinko Rental Ball Fee Is Linked to Salary Workers' Allowance



Pachinko/Pachislot Industry Vitalization Project











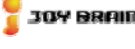
Cross-sector organization involving pachinko parlor operators, pachinko machine manufacturers, trading companies, and others related to the pachinko/pachislot industry



- 1. Cultivating more fans**
- 2. Shifting from high-cost structure**
- 3. Sound development of the pachinko/pachislot industry**

Issues Targeting Establishment of Brand Power

Parlors' evaluation of products

	FY 3/2013 Q3	Q4	FY 3/2014 Q1	Q2
Excellent		Refine regular products		 Evangelion 8
Good		 J-RUSH 2	 Fever Mobile Suit GUNDAM	
Average		 Fever Tiger Mask 2	 Withdrawal of products with low evaluations	
Below Average	 Fever Kamata Koshin-kyoku		 Beyond the Heavens	 Slonko Flower
	 Fever Ha Lord 2		 Magicape	
			 Ghost Neo	

Dividend Policy

Stable dividend

Commitment to 25%
payout ratio

No dividend cut since
the listing

FY 3/2014

DPS **150** yen

Including interim dividend



Good luck. Good life.

SANKYO

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Appendix

Business Results for the First Nine Months of FY 3/2014

連結: 百万円	Consolidated: million yen	FY 3/2013	FY 3/2014	Forecast (5-Feb)	FY 3/2013				FY 3/2014			
		9 Months	9 Months		YoY	Q1	Q2	Q3	Q4	Q1	Q2	Q3
売上高	Net Sales	67,525	133,575	+66,050	160,000	22,864	30,918	13,743	36,625	63,456	41,210	28,909
パチンコ	Pachinko	37,061	91,202	+54,141		10,895	19,053	7,113	16,241	43,428	32,956	14,818
パチスロ	Pachislot	12,349	26,728	+14,379		5,705	6,449	195	15,473	15,327	3,862	7,539
補給機器	Ball Bearing Supply	16,888	14,795	-2,093		6,073	4,637	6,178	4,590	4,416	4,157	6,222
その他事業	Other Business	1,225	848	-377		190	779	256	321	284	235	329
売上原価	Cost of Sales	35,056	68,599	+33,543	85,000	11,954	14,413	8,689	19,730	31,655	20,344	16,600
売上総利益	Gross Profit	32,468	64,975	+32,507	75,000	10,910	16,505	5,053	16,895	31,800	20,867	12,308
販管費	SG & A Expenses	29,378	36,509	+7,131	47,000	9,693	10,770	8,915	12,962	11,313	14,938	10,258
営業利益	Operating Income	3,090	28,466	+25,376	28,000	1,217	5,735	(3,862)	3,933	20,487	5,928	2,051
パチンコ	Pachinko	4,368	23,870	+19,502		421	5,111	(1,164)	149	15,144	7,168	1,558
パチスロ	Pachislot	1,793	8,230	+6,437		1,664	1,833	(1,704)	4,981	6,460	485	1,285
補給機器	Ball Bearing Supply	727	460	-267		311	124	292	268	124	75	261
その他事業	Other Business	(240)	(531)	-291		(83)	(81)	(76)	(170)	(96)	(271)	(164)
消去又は全社	Elimination/Corporate	(3,558)	(3,562)	-4		(1,096)	(1,253)	(1,209)	(1,295)	(1,145)	(1,529)	(888)
経常利益	Recurring Income	4,290	29,883	+25,593	30,000	1,805	5,863	(3,378)	5,198	20,707	6,716	2,460
特別利益	Extraordinary Gains	0	4	+4	4	0	0	0	178	4	0	0
特別損失	Extraordinary Losses	110	175	+65	175	25	1	84	65	1	48	126
当期純利益	Net Income	1,922	22,929	+21,007	23,000	947	3,660	(2,685)	3,931	16,277	4,803	1,849
EPS: 円	EPS: yen				246.06							

販売台数: 台 Machines sales: units

パチンコ	Pachinko	114,810	265,046	+150,236	311,000	30,550	58,547	25,713	52,129	123,404	87,338	54,304
SANKYO+JB	SANKYO+JB	70,315	164,837	+94,522	199,500	13,060	43,068	14,187	51,036	118,530	11,973	34,334
Bisty	Bisty	44,495	100,209	+55,714	111,500	17,490	15,479	11,526	1,093	4,874	75,365	19,970
パチスロ	Pachislot	39,113	80,806	+41,693	116,000	18,346	20,462	305	60,095	41,590	11,171	28,045
SANKYO+JB	SANKYO+JB	29,795	54,527	+24,732	54,500	14,958	14,832	5	3,400	41,520	9,399	3,608
Bisty	Bisty	9,318	26,279	+16,961	61,500	3,388	5,630	300	56,695	70	1,772	24,437

Pachinko Machines Business

連結: 百万円	Consolidated: million yen	FY 3/2013	FY 3/2014	Forecast		FY 3/2013				FY 3/2014		
		9 Months	9 Months	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
売上高	Net Sales	37,061	91,202	+54,141		10,895	19,053	7,113	16,241	43,428	32,956	14,818
営業利益	Operating Income	4,368	23,870	+19,502		421	5,111	(1,164)	149	15,144	7,168	1,558
営業利益率	Percentage	11.8%	26.2%	+14.4pt		3.9%	26.8%	(16.4%)	0.9%	34.9%	21.8%	10.5%

販売台数: 台 Machines sales: units

		FY 3/2013	FY 3/2014	Forecast		FY 3/2013				FY 3/2014		
		9 Months	9 Months	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
パチンコ合計	Pachinko	114,810	265,046	+150,236	311,000	30,550	58,547	25,713	52,129	123,404	87,338	54,304
SANKYO+JB	SANKYO+JB	70,315	164,837	+94,522	199,500	13,060	43,068	14,187	51,036	118,530	11,973	34,334
	枠付き	12.8%	45.0%	+32.1pt	42.5%	15.3%	12.4%	11.0%	72.2%	87.2%	9.8%	5.4%
	ゲージ盤	48.4%	17.2%	-31.2pt	21.6%	27.5%	61.2%	44.2%	25.7%	8.8%	3.9%	57.9%
Bisty	Bisty	44,495	100,209	+55,714	111,500	17,490	15,479	11,526	1,093	4,874	75,365	19,970
	枠付き	8.0%	36.5%	+28.4pt	33.3%	19.4%	5.6%	0.2%	0.8%	1.5%	86.3%	35.8%
	ゲージ盤	30.7%	1.4%	-29.4pt	2.6%	37.9%	20.9%	44.6%	1.3%	2.5%	0.0%	1.0%

Series name		No. of models	Sales: units
FY 3/2014	フィーバー機動戦士ガンダム	<i>Fever Mobile Suit GUNDAM</i>	(Apr-13) 1 81,600
Q1	蒼天航路	<i>Beyond the Heavens</i>	(May-13) 1
	マジカペ	<i>MagiCape</i>	(May-13) 2 13,600
	フィーバータイガーマスク 2 Y&魂	<i>Fever Tiger Mask 2 Y & "Tamashii"</i>	(May-13) 2 10,200
	ゴーストNEO	<i>Ghost NEO</i>	(Jun-13) 2 13,500
Q2	エヴァンゲリオン8	<i>Evangelion 8</i>	(Jul-13) 1 75,700
	すろんこ FLOWER	<i>Slonko Flower</i>	(Aug-13) 2
Q3	フィーバースレイヤーズ Revolution	<i>Fever Slayers Revolution</i>	(Oct-13) 2
	ゴーストNEO DX	<i>Ghost NEO DX</i>	(Nov-13) 1
	鉄拳	<i>TEKKEN</i>	(Nov-13) 1 18,700
	フィーバー機動戦士ガンダム Y&YS	<i>Fever Mobile Suit GUNDAM Y & YS</i>	(Dec-13) 2 22,800
Q4	エヴァンゲリオン8 Y	<i>Evangelion 8 Y</i>	(Jan-14) 1
	超天竺	<i>Cho Tenjiku</i>	(Jan-14) 1
	フィーバー海猿	<i>Fever Umizaru</i>	(Mar-14) 1
Total			265,046

販売予定シリーズ数		
No. of Pachinko Models to be released		
	H1	H2
SANKYO+JB	4	3
Bisty	2	2

Note: 黒字 SANKYO、JB機種
青字 ビスティ機種(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	FY 3/2014	Forecast		FY 3/2013			FY 3/2014			
		9 Months	9 Months	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
売上高	Net Sales	12,349	26,728	+14,379		5,705	6,449	195	15,473	15,327	3,862	7,539
営業利益	Operating Income	1,793	8,230	+6,437		1,664	1,833	(1,704)	4,981	6,460	485	1,285
営業利益率	Percentage	14.5%	30.8%	+16.3pt		29.2%	28.4%	(873.8%)	32.2%	42.1%	12.6%	17.0%

販売台数: 台		Machines sales: units										
パチスロ合計	Pachislot	39,113	80,806	+41,693	116,000	18,346	20,462	305	60,095	41,590	11,171	28,045
SANKYO	SANKYO	29,795	54,527	+24,732	54,500	14,958	14,832	5	3,400	41,520	9,399	3,608
Bisty	Bisty	9,318	26,279	+16,961	61,500	3,388	5,630	300	56,695	70	1,772	24,437

Series name		Sales: units	
FY 3/2014	創聖のアクエリオン II	Aquarion II	(May-13) 41,500
Q2	ボンバーパワフル II	Bomber Powerful II	(Sep-13) 9,400
Q3	ウルトラマンウォーズ M78星雲の光 タイガーマスク	Ultraman Wars Tiger Mask	(Oct-13) 23,400 (Nov-13)
Q4	機動戦士ガンダム エヴァンゲリオン 決意の刻	Mobile Suit GUNDAM Evangelion "Ketsui no Toki"	(Jan-14) (Feb-14)
Total		80,806	

販売予定シリーズ数		
No. of Pachislot Models to be released		
	H1	H2
SANKYO	2	1
Bisty	0	3

Gross Margin/Operating Margin

連結	Consolidated	FY 3/2013	FY 3/2014	Forecast		FY 3/2013				FY 3/2014		
		9 Months	9 Months	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
売上総利益率	Gross Margin	48.1%	48.6%	+0.6pt	46.9%	47.7%	53.4%	36.8%	46.1%	50.1%	50.6%	42.6%
営業利益率	Operating Margin	4.6%	21.3%	+16.7pt	17.5%	5.3%	18.5%	(28.1%)	10.7%	32.3%	14.4%	7.1%

販売費及び一般管理費

SG & A Expenses

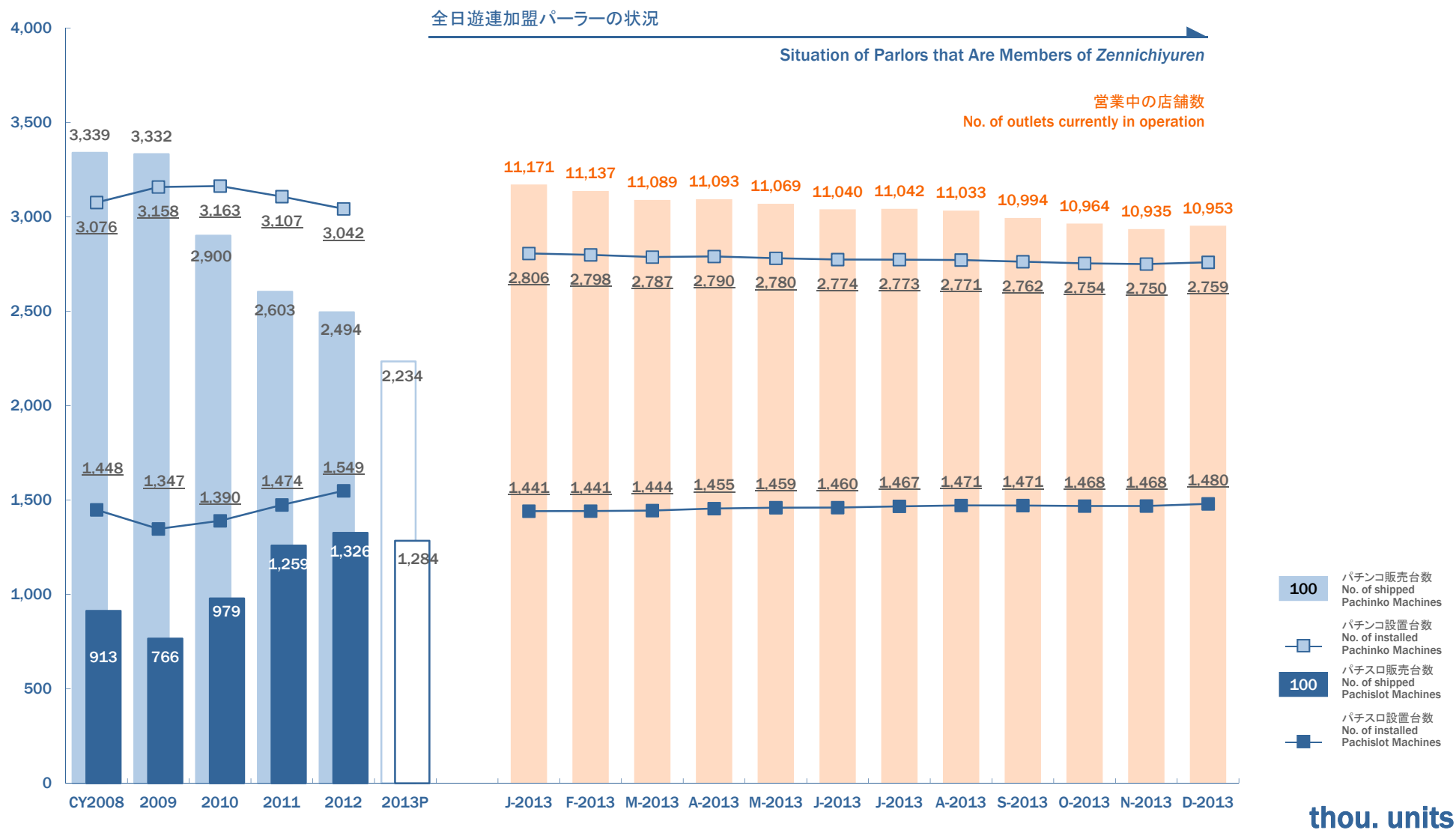
連結: 百万円	Consolidated: million yen	FY 3/2013	FY 3/2014	Forecast		FY 3/2013				FY 3/2014		
		9 Months	9 Months	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
販売手数料	Sales Commission	2,569	7,378	+4,809	8,066	1,056	1,275	238	467	1,820	4,365	1,193
広告宣伝費	Advertising Expenses	1,956	2,569	+613	3,636	817	521	618	2,595	1,297	798	474
研究開発費	R&D Expenses	16,108	18,397	+2,289	24,652	4,965	5,653	5,490	7,180	5,341	6,897	6,159
給与手当	Salaries & Wages	2,746	2,783	+37	3,752	703	830	1,213	757	880	686	1,217
その他	Others	5,999	5,382	-617	6,894	2,152	2,491	1,356	1,963	1,975	2,192	1,215

連結: 百万円	Consolidated: million yen	FY 3/2013	FY 3/2014	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
設備投資額	Capital Expenditure	4,127	2,646	-1,481	4,890	1,077	2,159	891	590	991	976	679
減価償却費	Depreciation & Amortizat	2,959	2,585	-374	3,877	783	978	1,198	1,279	711	869	1,005

連結	Consolidated	FY 3/2013	FY 3/2014	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
従業員数	No. of Employees	1,123	1,097	-26	1,149	1,097	1,155	1,123	1,108	1,107	1,101	1,097
開発人員数	No. of R&D Staff	301	308	+7	329	315	307	301	299	306	309	308

間接販売比率(累計) Indirect Sales Ratio		FY 3/2013	FY 3/2014	YoY	(5-Feb)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SANKYO+JB Pachinko		36.6%	35.3%	-1.3pt	35.3%	38.2%	37.3%	36.6%	36.9%	34.9%	35.0%	35.3%
SANKYO Pachislot		45.4%	45.7%	+0.3pt	45.7%	44.9%	45.4%	45.4%	45.5%	44.7%	45.2%	45.7%

Game Machine Market



Number of Titles Sold (All Manufacturers)

パチンコ機

Pachinko Machines

・1タイトル当たり販売台数

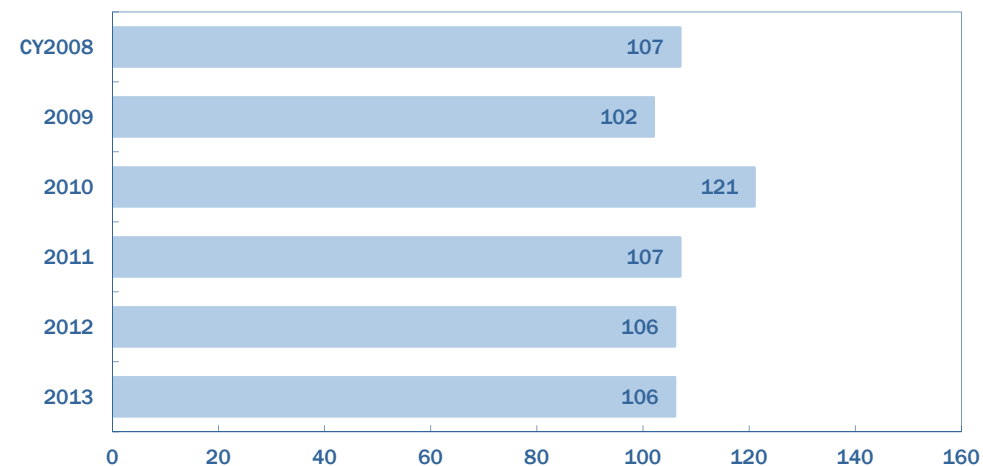
2012年度: 23,528台 (2,494千台 ÷ 106)

2013年度: 21,075台 (2,234千台 ÷ 106)

・Sales per title

CY2012: 23,528 units (2,494,000 units/106)

CY2013: 21,075 units (2,234,000 units/106)



パチスロ機

Pachislot Machines

・1タイトル当たり販売台数

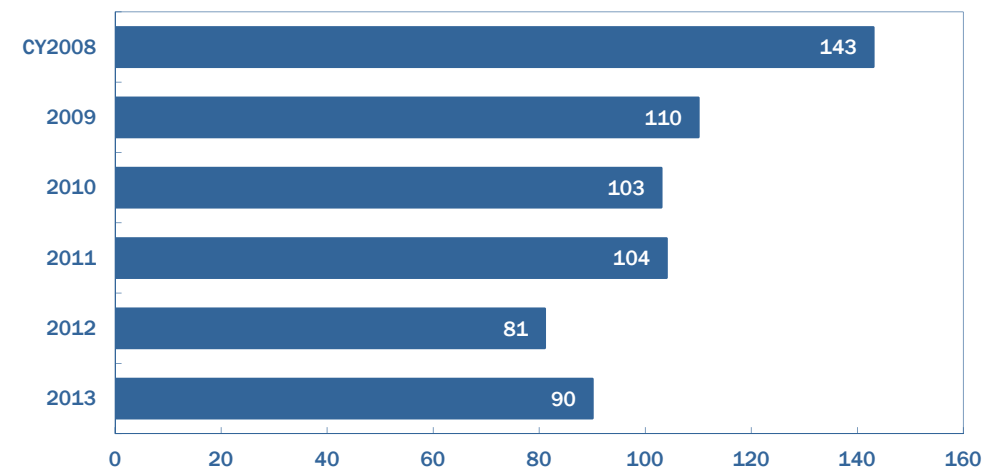
2012年度: 16,370台 (1,326千台 ÷ 81)

2013年度: 14,266台 (1,284千台 ÷ 90)

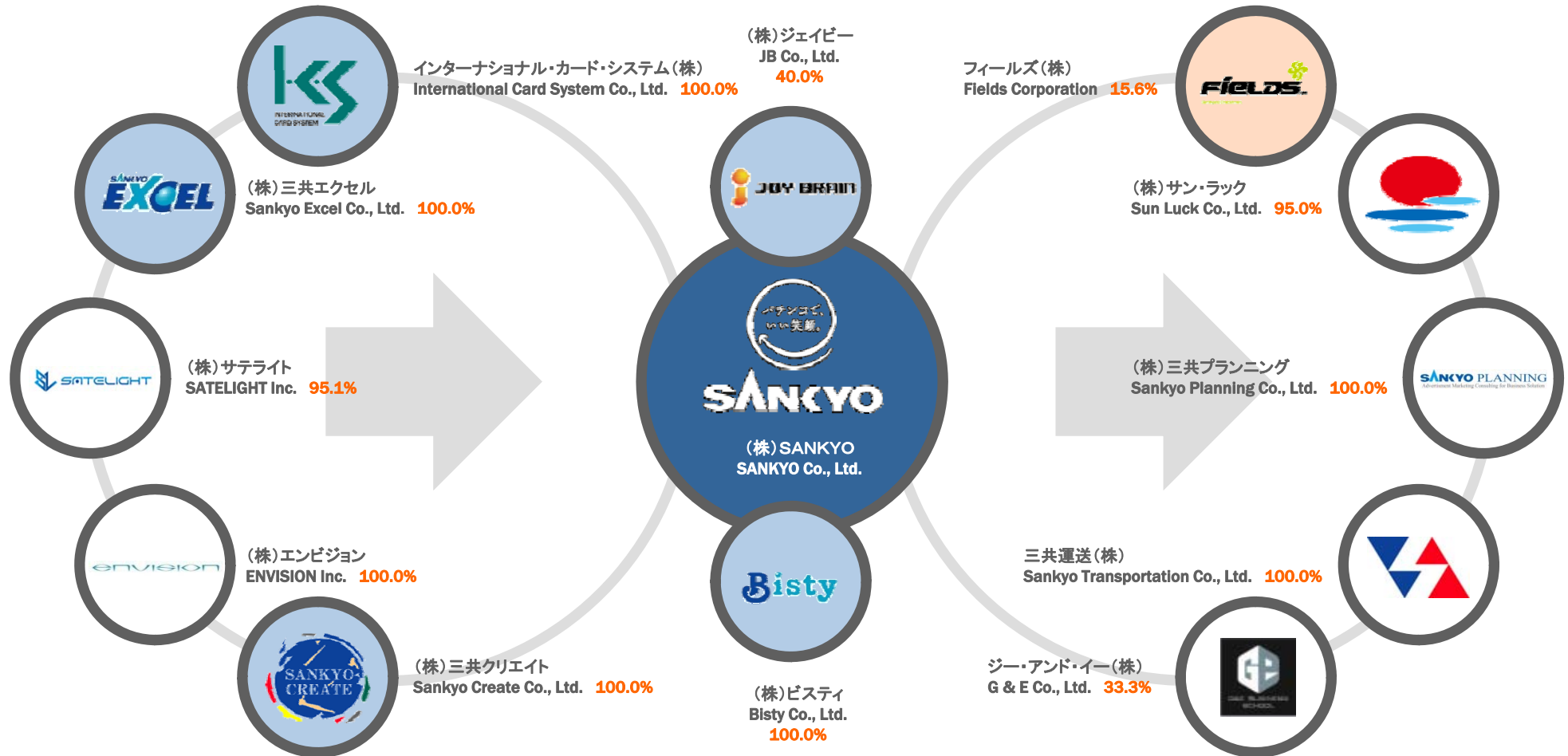
・Sales per title

CY2012: 16,370 units (1,326,000 units/ 81)

CY2013: 14,266 units (1,284,000 units/ 90)



SANKYO Group Companies



● 連結子会社 Consolidated subsidiaries
 ● 持分法適用関連会社 Equity method companies
 xx% SANKYOの持株比率 % of SANKYO's voting right



Good luck. Good life.

SANKYO

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