

May 9, 2013

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

Representative: Kimihisa Tsutsui, President & COO

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Planned Date for Annual Meeting of Shareholders: June 27, 2013

Planned Date for Start of Dividend Payment: June 28, 2013

Planned Date for Submittal of the Financial Statements Report: June 28, 2013

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, 2012, to March 31, 2013)**

(1) 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, 2013	104,150	(40.0%)	7,023	(82.6%)	9,488	(78.6%)	5,853	(71.0%)
Year ended March 31, 2012	173,682	(13.9%)	40,315	(22.4%)	44,396	(20.6%)	20,182	(41.9%)
(note) Comprehensive income	Year ended March 31, 2013		¥6,550 million [(69.5%)]		Year ended March 31, 2012		¥21,482 million [(37.5%)]	

	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, 2013	62.62	-	1.4	2.0	6.7			
Year ended March 31, 2012	215.85	-	4.8	9.0	23.2			
(reference) Equity in earnings of affiliates	Year ended March 31, 2013		¥880 million		Year ended March 31, 2012		¥2,426 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, 2013	464,259	402,918	86.8	4,310.53				
As of March 31, 2012	495,988	418,303	84.3	4,475.09				
(reference) Shareholders' Equity	As of March 31, 2013		¥402,918 million		As of March 31, 2012		¥418,303 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, 2013	5,067	(15,600)	(14,056)	215,324
Year ended March 31, 2012	13,174	1,045	(17,858)	239,591

**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, 2012	-	75.00	-	75.00	150.00	14,044	69.5	3.4
Year ended March 31, 2013	-	75.00	-	75.00	150.00	14,044	239.5	3.4
Year ended March 31, 2014 (forecast)	-	75.00	-	75.00	150.00	-	56.1	-

**3. Forecast for FY2014 (From April 1, 2013, to March 31, 2014)**

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen
Six months ending September 30, 2013	120,000	123.1%	25,000	259.6%	26,000	239.1%	20,000	334.1%	213.96
Year ending March 31, 2014	200,000	92.0%	32,000	355.6%	34,000	258.3%	25,000	327.1%	267.46

**\* Notes**

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2013: 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:               | Applicable     |
| d. Retrospective restatements:                    | Not applicable |

Note: Effective from the fiscal year ended March 31, 2013, the Company changed the depreciation method, which falls under the changes in accounting policies that are difficult to distinguish from changes in an accounting estimate. For details, please refer to "4. Consolidated Financial Statements (6) Notes to the Consolidated Financial Statements (Summary of Significant Policies)" on Page 16.

(3) Outstanding shares (common shares)

a. Number of shares outstanding (including treasury stock)

As of March 31, 2013: 97,597,500 shares  
As of March 31, 2012: 97,597,500 shares

b. Number of treasury stock

As of March 31, 2013: 4,124,256 shares  
As of March 31, 2012: 4,123,691 shares

c. Average number of shares issued and outstanding

As of March 31, 2013: 93,473,550 shares  
As of March 31, 2012: 93,499,783 shares

**(Reference) Non-consolidated results****1. Non-consolidated results for the fiscal year (From April 1, 2012, to March 31, 2013)**

(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, 2013	88,451	(36.9%)	5,561	(81.3%)	12,202	(70.4%)	10,010	(66.9%)
Year ended March 31, 2012	140,082	(16.6%)	29,698	(24.8%)	41,196	(15.2%)	30,276	(7.7%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2013	106.92	-
Year ended March 31, 2012	323.18	-

(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, 2013	454,628	396,188	87.1	4,231.56
As of March 31, 2012	468,252	399,554	85.3	4,267.49

(reference) Shareholders' Equity As of March 31, 2013 ¥396,188 million As of March 31, 2012 ¥399,554 million

**\* Note on the status of audit procedures**

This document is not subject to audit procedures in accordance with the Financial Instruments and Exchange Act and audit procedures for the financial statements were still in progress at the time of disclosure of this document.

**\* Disclaimer regarding Forward-looking Statements**

The forecasts and other forward-looking statements contained in this report are based on information currently available to management. Actual results may be materially different from those expressed or implied by such forward-looking statements due to various factors.

## Qualitative Information and Financial Statements

### 1. Business Results

#### (1) Analysis of business results

##### a. Results for fiscal 2013

During the fiscal year ended March 31, 2013, the Japanese economy began to recover, albeit at a modest pace, supported by demand associated with reconstruction in the aftermath of the Great East Japan Earthquake. The new government's economic measures and financial policies led to an upturn of the Japanese economy, with the weakening of the yen and rising of share prices, along with signs of recovery in personal consumption.

The pachinko and pachislot industry continued to experience decreases in the player population and the number of pachinko parlors. However, the installed base of game machines remained flat. As the offering of rental balls and tokens at low prices has become the norm in response to a persisting tendency toward frugality among players, the average spend per customer has declined. Consequently, parlors have become increasingly conscious of the need to reduce costs, and this is reflected in their purchasing of new machines, which are the key means of attracting customers. In the game machines market, the concentration of demand on sequels to previous popular titles and on promising titles backed by the manufacturers' brand power and newsworthiness has become conspicuous.

In these circumstances, having concluded that the various measures we had implemented in the last several years to strengthen product capabilities had not achieved sufficient results as of the end of the first six months of fiscal 2013, the Group reorganized the development structure and made a major revision to the sales plan for the third quarter onward. Specifically, the Group redesigned the development process and introduced a producer program to enable swift decision-making in product development, clarification of product concepts, and application of innovative ideas. In line with the launch of the new development process, the Group applied the new process to the several titles scheduled for introduction in fiscal 2013, and thus the number of titles introduced in fiscal 2013 resulted far lower than the initial plan.

As a result, consolidated net sales amounted to ¥104.1 billion, a decrease of 40.0% year on year, as operating income decreased 82.6% to ¥7.0 billion, recurring income decreased 78.6% to ¥9.4 billion, and net income decreased 71.0% to ¥5.8 billion.

(For Reference)

<Number of pachinko parlors>

	As of December 31, 2011	As of December 31, 2012	Year-on-year change
Total number of pachinko parlors	12,323	12,149	(1.4%)
(of which the number of parlors specialized in pachislot)	931	971	4.3%

<Number of game machines installed>

	As of December 31, 2011	As of December 31, 2012	Year-on-year change
Pachinko	3,107,688	3,035,733	(2.3%)
Pachislot	1,474,838	1,546,707	4.9%
Jankyu etc.	258	241	(6.6%)
Total	4,582,784	4,582,681	(0.0%)

Sources: National Police Agency

Results of segments are presented below:

#### Pachinko Machines Business

Titles introduced under the SANKYO brand included *Fever Aquarion III* (introduced in July 2012) and *Fever Tiger Mask2* (introduced in January 2013). New titles under the Bisty brand were *Eva Light III* (introduced in May 2012), which is a new version of *Evangelion 7* (introduced in January 2012), *Smile Model* (introduced in December 2012), and *Sengoku BASARA 3-The Battle of Sekigahara* (introduced in July 2012). Under the JB brand, *Virus Breaker* (introduced in June 2012) and *J-RUSH2* (introduced in January 2013) were launched.

As a result, segment sales amounted to ¥53.3 billion, a decrease of 56.8% compared with the same period of the previous year, and operating income was ¥4.5 billion, down 88.0%. Sales of pachinko machines amounted to 166,000 units.

#### Pachislot Machines Business

Sales efforts centered on *Pachislot Macross Frontier* (introduced in April 2012) under the SANKYO brand and *EVANGELION* (introduced in February 2013) under the Bisty brand.

As a result, segment sales amounted to ¥27.8 billion, an increase of 14.6% compared with the same period of the previous year, and operating income was ¥6.7 billion, an increase of 24.1%. Sales of pachislot machines amounted to 99,000 units.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥21.4 billion, a decrease of 12.1% year on year, due to a decrease in sales of individual machine counting systems. Operating income was ¥900 million, a decrease of 19.9%.

#### Other Businesses

Sales of other businesses were ¥1.5 billion, a decrease of 3.6% year on year. An operating loss of ¥400 million was recorded compared with operating income of ¥600 million for the previous year.

#### b. Forecast for fiscal 2014

In view of the possibility of a recovery in personal consumption, there are indications that leisure-related consumption may increase in fiscal 2014. However, it is expected to take some time before a significantly positive impact becomes evident in the pachinko and pachislot industry. As shipments of game machines are expected to remain the same level as the previous year, competition among manufacturers is likely to intensify.

In April 2013, SANKYO introduced *Fever Mobile Suit Gundam*, which is a key test of the Group's initiatives to reboot brand power. Since *Fever Mobile Suit Gundam* has already earned a favorable evaluation among players and parlors, the Group considers that its recent initiatives will be reflected in business results, the Group's plan calls for sales volumes for the fiscal year ending March 31, 2014, of 373,000 pachinko machines and 180,000 pachislot machines.

The forecast for consolidated business results in the fiscal year ending March 31, 2014, is as follows:

	Forecast		Year-on-year change		FY 2013 results	
Net sales	¥200.0	billion	92.0%	increase	¥104.1	billion
Operating income	¥32.0	billion	355.6%	Increase	¥7.0	billion
Recurring income	¥34.0	billion	258.3%	increase	¥9.4	billion
Net income	¥25.0	billion	327.1%	increase	¥5.8	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.

#### (2) Analysis of financial position

##### a. Analysis of assets, liabilities, net assets, and cash flows

Total assets at the end of fiscal 2013 amounted to ¥464.2 billion, ¥31.7 billion lower than the figure at the previous fiscal year-end. This decrease in total assets, which occurred despite a ¥29.9 billion increase in marketable securities, was mainly attributable to a ¥44.2 billion decrease in cash and deposits and a ¥25.9 billion decrease in notes and accounts receivable-trade.

Total liabilities amounted to ¥61.3 billion, having decreased ¥16.3 billion compared with the previous fiscal year-end. This decrease was mainly attributable to a ¥11.3 billion decrease in accrued income taxes, a ¥2.8 billion decrease in other payables (included in "Other" of current liabilities), and a ¥2.1 billion decrease in notes and accounts payable-trade.

Net assets decreased ¥15.3 billion compared with the previous fiscal year-end. Whereas net income of ¥5.8 billion was recorded, cash dividends paid amounted to ¥14.0 billion and change of scope of consolidation resulted in a ¥7.8 billion decrease in net assets. As a result, net assets amounted to ¥402.9 billion and the shareholders' equity ratio increased 2.5 percentage points to 86.8%.

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥215.3 billion, having decreased ¥24.2 billion from the previous fiscal year-end.

Net cash provided by operating activities decreased ¥8.1 billion from the previous fiscal year to ¥5.0 billion. While decreased ¥14.4 billion due to income taxes paid, cash increased ¥26.3 billion due to a decrease in notes and accounts receivable-trade.

Net cash used in investing activities decreased ¥16.6 billion from the previous fiscal year to ¥15.6 billion. The principal factors decreasing cash included payments into time deposits amounting to ¥10.0 billion and payment for purchase of property, plant and equipment and intangible fixed assets amounting to ¥4.0 billion.

Net cash used in financing activities increased ¥3.8 billion from the previous fiscal year to ¥14.0 billion. The principal item was cash dividends paid amounting to ¥14.0 billion.

For fiscal 2014, the Company forecasts net cash provided by operating activities of ¥52.0 billion, net cash used in investing activities of ¥3.1 billion attributable to capital investment, and net cash used in financing activities of ¥14.0 billion mainly

attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥35.0 billion in the cash balance at the end of fiscal 2014 compared to the end of fiscal 2013.

b. Change in cash flow indicators

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Shareholders' equity ratio (%)	88.4	85.9	84.3	86.8
Shareholders' equity ratio at market value (%)	96.5	82.4	76.5	89.7
Ratio of interest-bearing debt to cash flows (%)	-	-	23.9	62.8
Interest coverage ratio (times)	206,350.8	-	6,128.2	2,563.3

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:

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

(3) Basic policy on profit sharing and cash dividends for fiscal 2013 and fiscal 2014

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 net income and the aim is to continuously increase dividends. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency. In line with the above basic policy, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2013 and for fiscal 2014. This will result in a consolidated payout ratio of 239.5% for fiscal 2013 and 56.1% for fiscal 2014. The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance.

With a view to improving business performance, the Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing.

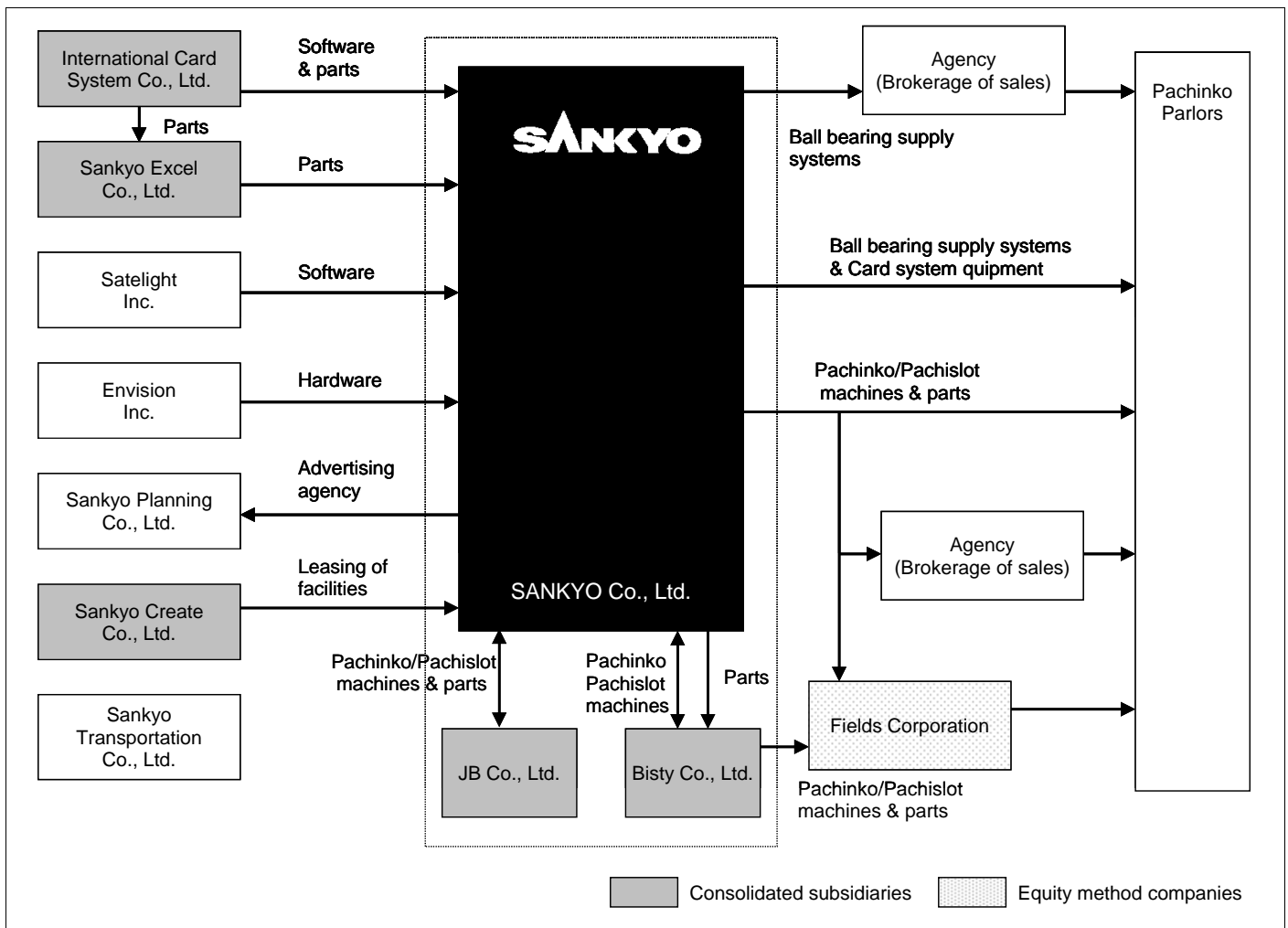
2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 11 subsidiaries (as of March 31, 2013) and two 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 <b>Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income</b>	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Bisty Co., Ltd. International Card System Co., Ltd. JB Co., Ltd.
Pachislot machines business <b>Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income</b>	Fields Corporation Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
Ball bearing supply systems business <b>Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income</b>	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. International Card System Co., Ltd. Sankyo Create Co., Ltd.
Other business <b>Mobile content services, Real estate rental revenues, Operation of a golf course ,sales of general molded parts,</b>	Sankyo Excel Co., Ltd. Sankyo Create Co., Ltd. Yoshii Country Club 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.

	FY2011	FY2012	FY2013
Ratio of operating income to net sales (%)	25.8	23.2	6.7

#### (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.

#### (4) Management issues

##### a. Expansion of the market share of the Group's pachinko and pachislot machine business

In order to satisfy diverse player needs, the Group conducts business under three brands—SANKYO, Bisty, and JB—whose product concepts and sales approaches differ from one another.

For the SANKYO brand, we are deploying our accumulated technological capabilities, know-how, and experience to develop products that can sweep the market. For the Bisty brand, through collaboration with the Group's business partner Fields Corporation, product planning emphasizes conjuring up the worldviews embodied in the title concepts and leveraging the attractiveness of characters. With regard to the JB brand, we pursue utilization of original content, ingenuity in specifications, and gaming performance emphasizing the movement of balls. With the three brands demonstrating their distinctive characteristics and associated with streams of innovative products, we aim to increase the Group's market share.

##### b. Establishing brands with the support of players

In order to increase their respective market shares, the brands must win and retain the allegiance of players and parlors. Sequels to previous popular titles are essential for cultivating a flourishing brand image.

Whereas the Evangelion series has been the long-running driving force of the Bisty brand, the SANKYO brand's lack of a series of comparable caliber has meant that the Group needed to wrestle in recent years with the issue of developing a Sankyo-brand product capable of spearheading the brand's progress. To this end, the Group reorganized the development structure and is working to license content with powerful appeal. Fever Mobile Suit Gundam (introduced in April 2013) is the first title in the Group's push to develop major products with the potential to exert enduring appeal.

c. Maximization of corporate value

We recognize the importance of cultivating relationships rooted in trust with shareholders and investors by enriching IR activities and through sustained improvement of financial performance. In addition to actively engaging in communication with shareholders and investors by improving the Company's website and briefings, we participate in IR events and hold briefings for individual investors in various cities in Japan with the aim of broadening participation of the investor community, including that of individual investors. We are also vigorously reaching out to overseas investors by offering a greater range of disclosure documentation in English and through active IR, such as participation in conferences for overseas investors.



## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

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

	As of March 31, 2012 Millions of yen	As of March 31, 2013 Millions of yen
Assets:		
Current assets:		
Cash and deposits	164,591	120,359
Notes and accounts receivable-trade	70,340	44,401
Marketable securities	106,997	136,993
Finished goods and merchandise	214	9,039
Work in process	1,643	300
Raw materials and supplies	957	1,338
Accounts receivable for provision of parts and materials for value	9,291	14,960
Deferred tax assets	3,278	2,812
Other	8,121	9,341
Allowance for doubtful accounts	(14)	(40)
Total current assets	365,423	339,504
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	21,682	26,995
Less accumulated depreciation	(8,335)	(9,786)
Subtotal	13,347	17,209
Machinery and equipment	7,924	7,768
Less accumulated depreciation	(6,385)	(6,589)
Subtotal	1,538	1,179
Furniture and fixtures	17,443	18,284
Less accumulated depreciation	(15,842)	(16,738)
Subtotal	1,601	1,545
Land	22,638	23,320
Lease assets	94	37
Less accumulated depreciation	(87)	(18)
Subtotal	7	18
Construction in progress	-	383
Other	-	3,849
Total tangible fixed assets	39,132	47,506
Intangible fixed assets		
Goodwill	3,013	3,215
Other	342	351
Total Intangible fixed assets	3,356	3,567
Investments and other assets:		
Investment securities	83,452	68,344
Long-term advances	361	139
Deferred tax assets	4,164	4,950
Other	666	630
Allowance for doubtful accounts	(189)	(4)
Allowance for investment loss	(379)	(379)
Total investments and other assets	88,075	73,681
Total fixed assets	130,564	124,755
Total assets	495,988	464,259

## Consolidated Balance Sheets

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

	As of March 31, 2012 Millions of yen	As of March 31, 2013 Millions of yen
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	43,504	41,327
Long-term loans payable	335	506
Lease liabilities	6	5
Accrued income taxes	13,019	1,677
Allowance for bonuses	803	821
Other	11,944	8,852
<b>Total current liabilities</b>	<b>69,614</b>	<b>53,191</b>
<b>Long-term liabilities:</b>		
Long-term loans payable	2,816	2,658
Lease liabilities	0	14
Provision for special retirement bonuses for directors	715	695
Accrued retirement allowance for employees	3,387	3,641
Asset retirement obligations	58	58
Other	1,091	1,081
<b>Total long-term liabilities</b>	<b>8,069</b>	<b>8,149</b>
<b>Total liabilities</b>	<b>77,684</b>	<b>61,340</b>
<b>Net Assets:</b>		
<b>Shareholders' equity:</b>		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	398,805	382,726
Less: treasury stock, at cost	(20,930)	(20,932)
<b>Total shareholders' equity</b>	<b>416,595</b>	<b>400,513</b>
<b>Accumulated other comprehensive income:</b>		
Net unrealized gain on other securities	1,708	2,405
<b>Total accumulated other comprehensive income:</b>	<b>1,708</b>	<b>2,405</b>
<b>Total net assets</b>	<b>418,303</b>	<b>402,918</b>
<b>Total liabilities and total net assets</b>	<b>495,988</b>	<b>464,259</b>

## (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, 2012	Year ended March 31, 2013
	Millions of yen	Millions of yen
Net sales	173,682	104,150
Cost of sales	89,155	54,786
Gross profit	84,526	49,363
Selling, general and administrative expenses	44,210	42,340
Operating income	40,315	7,023
Non-operating income:		
Interest income	1,056	1,084
Dividend income	122	295
Equity in earnings of affiliates	2,426	880
Other	497	238
Total non-operating income	4,103	2,498
Non-operating expenses:		
Interest expenses	2	5
Loss on management of investment partnership	3	-
Foreign exchange losses	-	19
Other	16	9
Total non-operating expenses	22	33
Recurring income	44,396	9,488
Extraordinary gains:		
Gain on sales of fixed assets	2	178
Gain on sales of golf course membership	11	-
Reversal of loss on disaster	346	-
Total extraordinary gains	359	178
Extraordinary losses:		
Loss on sales of fixed assets	2,731	-
Loss on sales of investment securities	3,535	-
Loss on sales of golf club membership	20	-
Loss on disposal of fixed assets	33	150
Loss on valuation of golf club membership	6	-
Impairment loss	-	24
Loss on change in equity	1,602	-
Total extraordinary losses	7,929	175
Income before income taxes	36,826	9,491
Income taxes:		
Current income taxes	17,589	4,303
Deferred income taxes	(944)	(665)
Total income taxes	16,644	3,637
Income before minority interests	20,182	5,853
Net income	20,182	5,853

## Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen	Millions of yen
Income before minority interests	20,182	5,853
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,266	669
Share of other comprehensive income of associates accounted for using equity method	33	27
Total other comprehensive income	1,300	696
Comprehensive income	21,482	6,550
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	21,482	6,550
Comprehensive income attributable to minority interests	-	-

## (3) Statement of Changes in Shareholders' Equity

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

	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen	Millions of yen
Shareholders' equity:		
Common stock:		
Balance at beginning of the period	14,840	14,840
Balance at end of the period	14,840	14,840
Capital surplus:		
Balance at beginning of the period	23,880	23,880
Change during the fiscal year:		
Sales of treasury stocks	(0)	(0)
Total changes during the fiscal year	(0)	(0)
Balance at end of the period	23,880	23,880
Retained earnings:		
Balance at beginning of the period	397,867	398,805
Change during the fiscal year:		
Dividends of surplus	(14,112)	(14,044)
Change in scope of application of the equity method	(5,131)	-
Change of scope of consolidation	-	(7,889)
Net income	20,182	5,853
Total changes during the fiscal year	937	(16,079)
Balance at end of the period	398,805	382,726
Treasury stock:		
Balance at beginning of the period	(17,337)	(20,930)
Change during the fiscal year:		
Acquisition of treasury stocks	(3,721)	(2)
Sales of treasury stocks	0	0
Change in equity in affiliates accounted for by equity method-treasury stock	127	-
Total changes during the fiscal year	(3,592)	(2)
Balance at end of the period	(20,930)	(20,932)
Total shareholders' equity:		
Balance at beginning of the period	419,250	416,595
Change during the fiscal year:		
Dividends of surplus	(14,112)	(14,044)
Change in scope of application of the equity method	(5,131)	-
Change of scope of consolidation	-	(7,889)
Net income	20,182	5,853
Acquisition of treasury stocks	(3,721)	(2)
Sales of treasury stocks	0	0
Change in equity in affiliates accounted for by equity method-treasury stock	127	-
Total changes during the fiscal year	(2,654)	(16,081)
Balance at end of the period	416,595	400,513
Accumulated other comprehensive income:		
Net unrealized gain on other securities		
Balance at beginning of the period	408	1,708
Change during the fiscal year:		
Net changes of items other than shareholder's equity	1,300	696
Total changes during the fiscal year	1,300	696
Balance at end of the period	1,708	2,405
Total net assets:		
Balance at beginning of the period	419,658	418,303
Change during the fiscal year:		
Dividends of surplus	(14,112)	(14,044)
Change in scope of application of the equity method	(5,131)	-
Change of scope of consolidation	-	(7,889)
Net income	20,182	5,853
Acquisition of treasury stocks	(3,721)	(2)
Sales of treasury stocks	0	0
Change in equity in affiliates accounted for by equity method-treasury stock	127	-
Net changes of items other than shareholder's equity	1,300	696
Total changes during the fiscal year	(1,354)	(15,385)
Balance at end of the period	418,303	402,918

## (4) Consolidated Statements of Cash Flows

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

	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	36,826	9,491
Depreciation and amortization	3,306	4,238
Amortization of goodwill	-	737
Increase (decrease) in allowance for doubtful accounts	(323)	(159)
Increase (decrease) in allowance for bonuses	(51)	12
Increase (decrease) in provision for special retirement bonuses for directors	61	(20)
Increase (decrease) in accrued retirement allowance for employees	173	241
Interest and dividend income	(1,179)	(1,380)
Interest expenses	2	5
(Gain) loss on equity in earnings of affiliates	(2,426)	(880)
(Gain) loss on sales of fixed assets	2,729	(178)
Disposal of fixed assets	33	150
Impairment loss	-	24
(Gain) loss on sales of investment securities	3,535	-
(Gain) loss on sales of golf club membership	9	-
Loss on valuation of golf club membership	6	-
(Gain) loss on change in equity	1,602	-
(Increase) decrease in notes and accounts receivable-trade	(18,412)	26,383
(Increase) decrease in inventories	(303)	(7,841)
Increase (decrease) in notes and accounts payable-trade	4,035	(2,347)
(Increase) decrease in accounts receivable for provision of parts and materials for value	450	(5,668)
Increase (decrease) in accounts payable	1,387	(2,804)
Increase (decrease) in accrued consumption tax	(486)	(426)
Other	(3,953)	(1,994)
Subtotal	27,023	17,583
Interest and dividend income received	1,774	1,505
Interest paid	(2)	(1)
Income taxes paid	(15,620)	(14,019)
Net cash (used in) provided by operating activities	13,174	5,067
Cash flows from investing activities:		
Payments into time deposits	-	(10,030)
Proceeds from withdrawal of time deposits	-	5,000
Payment for purchase of marketable securities	-	(5,000)
Payment for purchase of property, plant and equipment and intangible fixed assets	(1,969)	(4,165)
Proceeds from sale of property, plant and equipment and intangible fixed assets	5,331	83
Payment for purchase of investment securities	(44,290)	(33,525)
Proceeds from sale of investment securities	3,143	-
Proceeds from redemption of investment securities	38,500	32,000
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	78	-
Proceeds from collection of long-term loans	204	221
Other	47	(184)
Net cash (used in) provided by investing activities	1,045	(15,600)
Cash flows from financing activities:		
Repayment of finance lease obligations	(24)	(10)
Payment for purchase of treasury stock, net	(3,721)	(2)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(14,112)	(14,044)
Net cash (used in) provided financing activities	(17,858)	(14,056)
Difference on conversion of cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(3,638)	(24,589)
Cash and cash equivalents at beginning of the period	243,230	239,591
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	322
Cash and cash equivalents at end of the period	239,591	215,324

## (5) Segment Information

(Segment information by business category)

Year ended March 31, 2012 (From April 1, 2011, to March 31, 2012)

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

	Year ended March 31, 2012 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	123,353	24,282	24,442	172,078	1,603	173,682	-	173,682
Intersegment	-	-	-	-	-	-	-	-
Total	123,353	24,282	24,442	172,078	1,603	173,682	-	173,682
Segment income	37,695	5,459	1,243	44,398	634	45,032	(4,717)	40,315
Segment assets	73,058	19,214	26,968	119,241	5,364	124,605	371,382	495,988
Other items								
Depreciation	2,425	507	62	2,995	111	3,107	199	3,306
Increase in tangible fixed assets and intangible fixed assets								
	4,124	955	21	5,101	5	5,106	34	5,141

Year ended March 31, 2013 (From April 1, 2012, to March 31, 2013)

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

	Year ended March 31, 2013 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	53,302	27,822	21,478	102,604	1,546	104,150	-	104,150
Intersegment	-	-	-	-	-	-	-	-
Total	53,302	27,822	21,478	102,604	1,546	104,150	-	104,150
Segment income	4,517	6,774	995	12,287	(410)	11,877	(4,853)	7,023
Segment assets	39,033	25,426	26,043	90,503	16,807	107,310	356,948	464,259
Other items								
Depreciation	3,063	644	39	3,748	303	4,051	186	4,238
Increase in tangible fixed assets and intangible fixed assets								
	2,355	507	20	2,883	1,771	4,655	62	4,717

(6) Important matters forming the basis of preparation of consolidated financial statements

1. Matters concerning application of the scope of consolidation

Number of consolidated subsidiaries: 6

Consolidated subsidiaries are: Sankyo Excel Co., Ltd., Bisty Co., Ltd., Sankyo Create Co., Ltd., International Card System Co., Ltd., and JB Co., Ltd., Yoshii Country Club Co., Ltd.

Yoshii Country Club Co., Ltd. and ON THE NET Inc., which had been non-consolidated subsidiaries in the previous fiscal year, became consolidated subsidiaries in view of their increased significance. However, ON THE NET Inc. is excluded from the scope of consolidation because it was dissolved as a result of an absorption-type merger with a consolidated subsidiary International Card System Co., Ltd. as a surviving company on October 1, 2012.

2. Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

In line with the revision to the Corporation Tax Act of Japan, effective from the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries adopted a new depreciation method pursuant to the revised Corporation Tax Act for tangible fixed assets purchased on or after April 1, 2012. The impact of this change on operating income, income before income taxes and net income was immaterial.

Disclosure of matters other than the above is omitted because there have been no significant changes from the recent securities report (submitted on June 29, 2012).