

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Submittal of the Financial Statements Report: August 13, 2013

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

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

**1. Results for the first quarter of FY2014 (From April 1, 2013, to June 30, 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	
1st quarter of FY2014	63,456	177.5%	20,487	-	20,707	-	16,277	-
1st quarter of FY2013	22,864	(27.7%)	1,217	(79.7%)	1,805	(75.2%)	947	(70.9%)
(note) Comprehensive income	1st quarter of FY2014		¥16,349 million [-%]		1st quarter of FY2013		¥627 million [(80%)]	

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2014	174.14	-
1st quarter of FY2013	10.13	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of June 30, 2013	486,484	412,246	84.7	
As of March 31, 2013	464,259	402,918	86.8	
(reference) Shareholders' Equity	As of June 30, 2013	¥412,246 million	As of March 31, 2013	¥402,918 million

**2. Dividends**

(Base date)	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	-	75.00	-	75.00	150.00
Year ended March 31, 2014	-	-	-	-	-
Year ended March 31, 2014 (Forecast)	-	75.00	-	75.00	150.00

Note: Changes in the projected cash dividends in this quarter : No

**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	102,000	89.7%	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

Note: Changes in the forecasts of consolidated Financial results in this quarter : Yes

**\* Notes**

(1) Changes for important subsidiaries during the 1st quarter of FY2014:	Not applicable			
(2) Application of peculiar accounting methods:	Not applicable			
(3) Changes in accounting procedures				
a. Related to accounting standard revisions etc.:	Not applicable			
b. Other changes:	Not applicable			
c. Changes in accounting estimates:	Not applicable			
d. Retrospective restatements:	Not applicable			
(4) Outstanding shares (common shares)				
a. No. of shares outstanding (including treasury stock) As of June 30, 2013:	97,597,500 shares	As of March 31, 2012:	97,597,500 shares	
b. No. of treasury stock	As of June 30, 2013:	4,124,391 shares	As of March 31, 2012:	4,124,256 shares
c. Average number of shares issued and outstanding	1st quarter of FY2014:	93,473,190 shares	1st quarter of FY2013:	93,473,785 shares

**\* Note on the status of quarterly review procedures**

This quarterly report is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Act, and the quarterly review procedures for the quarterly financial statements were not completed at the time of disclosure of this quarterly report.

**\* 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. Operating Results

During the first quarter of the fiscal year ending March 31, 2014 (from April 1, 2013 to June 30, 2013), the monetary easing and economic policies of the Japanese government led to depreciation of the yen, thus improving corporate earnings, particularly of exporters, and boosting share prices. These favorable developments fueled expectations that the Japanese economy is coming out of deflation. However, there was no substantial improvement in the labor market or personal incomes and as there are concerns about the negative impact on the domestic economy of rising prices of imports, consumers tended to remain cautious, including in regard to their leisure expenditure.

Turning to the pachinko and pachislot industry, the pachislot market remained robust, underpinned by pachislot's rising popularity since hitting bottom in 2009. In contrast, sales of pachinko machines have been sluggish owing to the increasing tendency of pachinko parlor operators to select only products that seem certain to be popular and to purchase relatively small quantities. This purchasing behavior reflects the pressure pachinko parlor operators are experiencing because the player population is shrinking and the average spend per customer is declining as the offering of rental balls at low prices has become the norm.

In light of this challenging environment, SANKYO Group accorded top priority to revamping its brand power and market share. For this purpose, we extended the development period for *Fever Mobile Suit Gundam*, a pachinko title under the SANKYO brand, *Pachislot Aquarion II*, a pachislot title under the SANKYO brand, and certain other titles—all of which were originally scheduled for introduction in the previous fiscal year, and enriched their product capabilities. During the first quarter of the fiscal year ending March 31, 2014, sales of these titles were virtually in line with the forecast and they gained a certain measure of market recognition. As a result, the Group's sales and profit both increased greatly compared with the same period of the previous year.

As a result, on a consolidated basis, net sales were ¥63.4 billion, an increase of 177.5% compared with the same period of the previous year, operating income was ¥20.4 billion, compared with ¥1.2 billion in the same period of the previous fiscal year, recurring income was ¥20.7 billion, compared with ¥1.8 billion in the same period of the previous fiscal year, and net income was ¥16.2 billion, compared with ¥0.9 billion in the same period of the previous fiscal year.

Results of segments are presented below:

#### Pachinko Machines Business

With regard to the SANKYO brand, the Group focused its sales efforts on *Fever Mobile Suit Gundam* (introduced in April 2013). The Group released *Beyond the Heavens* (introduced in May 2013) under the Bisty brand and *Magicape* (introduced in May 2013) and *Ghost Neo* (introduced in June 2013) under the JB brand.

As a result, segment sales amounted to ¥43.4 billion, a increase of 298.6% compared with the same period of the previous year, and operating income was ¥15.1 billion, compared with ¥0.4 billion in the same period of the previous fiscal year. Sales of pachinko machines amounted to 123,000 units.

#### Pachislot Machines Business

The Group launched *Pachislot Aquarion II* (introduced in May 2013) under the SANKYO brand.

As a result, segment sales amounted to ¥15.3 billion, a increase of 168.7% compared with the same period of the previous year, and operating income was ¥6.4 billion, a increase of 288.2%. Sales of pachislot machines amounted to 41,000 units.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥4.4 billion, a decrease of 27.3% compared with the same period of the previous year, and operating income was ¥0.1 billion, a decrease of 60.0%.

#### Other Businesses

Sales of other businesses were ¥200 million, a increase of 49.1% compared with the same period of the previous year, and operating loss was ¥96 million compared with an operating loss of ¥83 million a year earlier.

### 2. Financial Position

Total assets at the end of the first quarter of fiscal 2014 amounted to ¥486.4 billion, having increased ¥22.2 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to an ¥18.1 billion increase in cash and deposits and an ¥8.9 billion increase in notes and accounts receivable-trade despite a ¥4.1 billion decrease in accounts receivable for provision of parts and materials for value (included in "other" of current assets).

Total liabilities amounted to ¥74.2 billion, having increased ¥12.8 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥6.3 billion increase in accrued income taxes and a ¥3.5 billion increase in notes and accounts payable-trade.

Net assets increased ¥9.3 billion compared with the figure at the previous fiscal year-end. Whereas cash dividends paid amounting to ¥7.0 billion was a factor decreasing net assets, recording of net income amounting to ¥16.2 billion more than offset it. As a result, net assets amounted to ¥412.2 billion and the shareholders' equity ratio decreased 2.1 percentage points to 84.7%.

### 3. Forecast of Consolidated Results and Other Forecast Information

In view of recent trends, the Company revised the forecast of consolidated financial results for the first six months of the fiscal year ending March 31, 2014 that was announced on May 9, 2013. Forecast sales volumes of pachinko machines and pachislot machines for the first six months of the fiscal year ending March 31, 2014 were revised from 263,000 units to 208,000 units and from 70,000 units to 52,000 units, respectively. No revision has been made to the forecast of financial results for the full year. For details, please refer to the "Notice concerning Revision of the Forecast of the Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2014" announced separately today.

#### Notes on Summary Information (Other)

(1) Changes in significant subsidiaries during the period

Not applicable.

Although there was a change in the scope of consolidation as described below, the subsidiary in question is not within the scope of the specified subsidiaries stipulated in Article 19, Paragraph 10 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(Change in the scope of consolidation)

Yoshii Country Club Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was liquidated as a result of an absorption-type merger with consolidated subsidiary Sankyo Create Co., Ltd. on April 1, 2013, with Sankyo Create being the surviving company. Accordingly, Yoshii Country Club is excluded from the scope of consolidation.

(2) Application of special accounting methods for presenting quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

Not applicable.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

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

	As of March 31, 2013	As of June 30, 2013
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	120,359	138,467
Notes and accounts receivable-trade	44,401	53,385
Marketable securities	136,993	136,992
Merchandise and finished goods	9,039	5,737
Work in process	300	647
Raw materials and inventories	1,338	1,116
Other	27,113	24,226
Allowance for doubtful accounts	(40)	(37)
Total current assets	339,504	360,537
Fixed assets:		
Tangible fixed assets	47,506	47,616
Intangible fixed assets:		
Goodwill	3,215	3,031
Other	351	372
Total intangible fixed assets	3,567	3,403
Investments and other assets:		
Investment securities	68,344	68,212
Other	5,720	7,099
Allowance for doubtful accounts	(4)	(5)
Allowance for investment loss	(379)	(379)
Total investments and other assets	73,681	74,926
Total fixed assets	124,755	125,947
Total assets	464,259	486,484

## Consolidated Balance Sheets

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

	As of March 31, 2013	As of June 30, 2013
	Millions of yen	Millions of yen
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	41,327	44,861
Long-term loans payable due within one year	506	511
Accrued income taxes	1,677	8,001
Allowance for bonuses	821	1,329
Other	8,858	11,308
<b>Total current liabilities</b>	<b>53,191</b>	<b>66,013</b>
<b>Long-term liabilities:</b>		
Long-term loans payable	2,658	2,658
Provision for special retirement bonuses for directors	695	714
Accrued retirement allowance for employees	3,641	3,694
Asset retirement obligations	58	58
Other	1,095	1,099
<b>Total long-term liabilities</b>	<b>8,149</b>	<b>8,225</b>
<b>Total liabilities</b>	<b>61,340</b>	<b>74,238</b>
<b>Net Assets:</b>		
<b>Shareholders' equity:</b>		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	382,726	391,981
Less: treasury stock, at cost	(20,932)	(20,933)
<b>Total shareholders' equity</b>	<b>400,513</b>	<b>409,768</b>
<b>Accumulated other comprehensive income:</b>		
Net unrealized gain on other securities	2,405	2,477
<b>Total accumulated other comprehensive income:</b>	<b>2,405</b>	<b>2,477</b>
<b>Total net assets</b>	<b>402,918</b>	<b>412,246</b>
<b>Total liabilities and total net assets</b>	<b>464,259</b>	<b>486,484</b>

**(2) Consolidated Statements of Income**

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

	1st quarter of FY2013	1st quarter of FY2014
	Millions of yen	Millions of yen
Net sales	22,864	63,456
Cost of sales	11,954	31,655
Gross profit	10,910	31,800
Selling, general and administrative expenses	9,693	11,313
Operating income	1,217	20,487
Non-operating income:		
Interest income	267	258
Dividend income	181	228
Equity in earnings of affiliates	63	-
Other	79	81
Total non-operating income	591	569
Non-operating expenses:		
Interest expenses	1	1
Equity in losses of affiliates	-	336
Other	1	11
Total non-operating expenses	3	349
Recurring income	1,805	20,707
Extraordinary gains:		
Gain on sales of fixed assets	-	4
Total extraordinary gains	-	4
Extraordinary losses:		
Loss on disposal of fixed assets	25	1
Total extraordinary losses	25	1
Income before income taxes and minority interests	1,779	20,709
Income taxes:		
Current income taxes	442	8,260
Deferred income taxes	390	(3,828)
Total income taxes	832	4,432
Income before minority interests	947	16,277
Net income	947	16,277

## Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2013	1st quarter of FY2014
	Millions of yen	Millions of yen
Income before minority interests	947	16,277
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(311)	36
Share of other comprehensive income of associates accounted for using equity method	(7)	36
Total other comprehensive income	(319)	72
Comprehensive income	627	16,349
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	627	16,349
Comprehensive income attributable to minority interests	-	-



**(3) Notes to the quarterly Consolidated Financial Statements**

Notes on premise of a going concern

Not applicable

**Notes on significant changes in shareholders' equity**

1st quarter of FY2014 (From April 1, 2013, to June 30, 2013)

Not applicable

**Segment Information**

(Segment information by business category)

1st quarter of FY2013 (From April 1, 2012, to June 30, 2012)

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

	1st quarter of FY2013 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	10,895	5,705	6,073	22,673	190	22,864	-	22,864
Intersegment	-	-	-	-	-	-	-	-
Total	10,895	5,705	6,073	22,673	190	22,864	-	22,864
Segment income	421	1,664	311	2,397	(83)	2,314	(1,096)	1,217

1st quarter of FY2014 (From April 1, 2013, to June 30, 2013)

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

	1st quarter of FY2014 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	43,428	15,327	4,416	63,172	284	63,456	-	63,456
Intersegment	-	-	-	-	-	-	-	-
Total	43,428	15,327	4,416	63,172	284	63,456	-	63,456
Segment income	15,144	6,460	124	21,729	(96)	21,632	(1,145)	20,487