

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

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Planned Date for Submittal of the Financial Statements Report: February 13, 2014

Planned Date for Start of Dividend Payment: -

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. Consolidated results for the first nine months of FY2014 (From April 1, 2013, to December 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
1st nine months of FY2014	133,575 97.8%	28,466 821.1%	29,883 596.6%	22,929 -
1st nine months of FY2013	67,525 (33.9%)	3,090 (82.1%)	4,290 (78.7%)	1,922 (81.3%)
(note) Comprehensive income	1st nine months of FY2014	¥24,598 million [-%]	1st nine months of FY2013	¥1,790 million [(82.0%)]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2014	245.31	-
1st nine months of FY2013	20.57	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2013	465,858	413,469	88.7	
As of March 31, 2013	464,259	402,918	86.8	
(reference) Shareholders' Equity	As of December 31, 2013	¥413,399 million	As of March 31, 2013	¥402,918 million

2. Dividends

	Cash dividend per share				
(Base date)	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	-	75.00	-	-	-
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
Year ending March 31, 2014	160,000 53.6%	28,000 298.7%	30,000 216.2%	23,000 292.9%	246.06

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

*** Notes**

(1) Changes for important subsidiaries during the 1st Nine Months 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 Dec. 31, 2013:	97,597,500 shares As of March 31, 2013: 97,597,500 shares
b. No. of treasury stock As of Dec. 31, 2013:	4,125,196 shares As of March 31, 2013: 4,124,256 shares
c. Average number of shares issued and outstanding 1st 9M of FY2014:	93,472,955 shares 1st 9M of FY2013: 93,473,620 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 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.

1. Qualitative Information and Financial Statements

(1) Operating Results

During the first nine months of the fiscal year ending March 31, 2014 (from April 1, 2013 to December 31, 2013), as the monetary easing and economic policies pursued by the Japanese government took effect, improved corporate earnings and increased share prices could be seen and the Japanese economy remained on a moderate recovery track. Despite the fact that uncertainty remains from the risk of the downturn of overseas economies bringing down the domestic economy and the impact of the consumption tax increase scheduled in April this year, full-fledged improvement of employment conditions, personal incomes, and consumer confidence is expected.

The pachinko and pachislot industry continued to face a challenging operating environment. Against the backdrop of the tendency among players to economize, the rebound in player population is yet to be seen. In response, parlors have become increasingly conscious of the need to reduce costs in order to secure profit and are cautious about purchasing new machines, which are the key means of attracting customers. Shipments of pachinko machines have been sluggish throughout the market.

In this challenging environment, in the third quarter the Group introduced new products, focusing on ones featuring new content and innovative gaming performance. However, reflecting parlor operators' increasingly conservative approach to the selection of products, demand was concentrated on well-established products of competing manufacturers, such as sequels to previous popular titles. As a result, the Group's sales fell short of the initial sales plan.

As a result, on a consolidated basis, net sales were ¥133.5 billion, an increase of 97.8% compared with the same period of the previous year, operating income was ¥28.4 billion, a increase of 821.1%, recurring income was ¥29.8 billion, a increase of 596.6%, and net income was ¥22.9 billion, compared with ¥1.9 billion in the same period of the previous fiscal year.

Results of segments are presented below:

Pachinko Machines Business

Titles released under the SANKYO brand included *Fever Mobile Suit Gundam* (introduced in April 2013) and *Fever Slayers Revolution* (introduced in October 2013). The Group released *Beyond the Heavens* (introduced in May 2013), *Evangelion 8* (introduced in July 2013), and *TEKKEN* (introduced in November 2013) under the Bisty brand. New titles released under the JB brand included *Magicape* (introduced in May 2013), *Ghost Neo* (introduced in June 2013), and *Slonko Flower* (introduced in August 2013).

As a result, segment sales amounted to ¥91.2 billion, a increase of 146.1% compared with the same period of the previous year, and operating income was ¥23.8 billion, a increase of 446.4%. Sales of pachinko machines amounted to 265,000 units.

Pachislot Machines Business

The Group launched *Pachislot Aquarion II* (introduced in May 2013), *Pachislot Bomber Powerful II* (introduced in September 2013), and *Pachislot Tiger Mask* (introduced in November 2013) under the SANKYO brand. New titles under the Bisty brand included *Pachislot Ultraman Wars* (introduced in October 2013).

As a result, segment sales amounted to ¥26.7 billion, a increase of 116.4% compared with the same period of the previous year, and operating income was ¥8.2 billion, a increase of 358.9%. Sales of pachislot machines amounted to 80,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥14.7 billion, a decrease of 12.4% compared with the same period of the previous year, and operating income was ¥0.4 billion, a decrease of 36.7%.

Other Businesses

Sales of other businesses were ¥800 million, a decrease of 30.7% compared with the same period of the previous year, and operating loss was ¥500 million compared with an operating loss of ¥200 million a year earlier.

(2) Financial Position

Total assets at the end of the first nine months of fiscal 2014 amounted to ¥465.8 billion, having increased ¥1.5 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥15.0 billion increase in marketable securities despite a ¥7.2 billion decrease in accounts receivable for provision of parts and materials for value (included in "other" of current assets), a ¥3.3 billion decrease in notes and accounts receivable-trade, and a ¥3.1 billion decrease in merchandise and finished goods.

Total liabilities amounted to ¥52.3 billion, having decreased ¥8.9 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥13.8 billion decrease in notes and accounts payable-trade, which more than offset a ¥5.8 billion increase in accrued income taxes.

Net assets increased ¥10.5 billion compared with the figure at the previous fiscal year-end. Whereas cash dividends paid amounting to ¥14.0 billion was a factor decreasing net assets, this was more than offset by recording of net income amounting to ¥22.9 billion.

As a result, net assets amounted to ¥413.4 billion and the shareholders' equity ratio increased 1.9 percentage points to 88.7%.

(3) Forecast of Consolidated Results and Other Forecast Information

In view of the recent trend, the Company revised the forecast of consolidated financial results for the full year of fiscal 2014 that was announced on May 9, 2013. Forecast of the sales volumes of pachinko machines and pachislot machines for the full year of fiscal 2014 were revised from 373,000 units to 311,000 units and from 180,000 units to 116,000 units, respectively. For details, please refer to the Notice concerning Revision of the Forecast of the Financial Results for Fiscal 2014 announced today.

The Company does not intend to revise the amount of the year-end dividend from its initial forecast of ¥75 per share (¥150 for the full year)

2. 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2013	As of Dec. 31, 2013
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	120,359	118,618
Notes and accounts receivable-trade	44,401	41,055
Marketable securities	136,993	151,994
Merchandise and finished goods	9,039	5,850
Work in process	300	54
Raw materials and inventories	1,338	594
Other	27,113	20,377
Allowance for doubtful accounts	(40)	(15)
Total current assets	339,504	338,529
Fixed assets:		
Tangible fixed assets	47,506	47,261
Intangible fixed assets		
Goodwill	3,215	2,662
Other	351	424
Total Intangible fixed assets	3,567	3,087
Investments and other assets:		
Investment securities	68,344	71,091
Other	5,720	6,298
Allowance for doubtful accounts	(4)	(29)
Allowance for investment loss	(379)	(379)
Total investments and other assets	73,681	76,981
Total fixed assets	124,755	127,329
Total assets	464,259	465,858

Consolidated Balance Sheets

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

	As of March 31, 2013	As of Dec. 31, 2013
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	41,327	27,518
Long-term loans payable due within one year	506	-
Accrued income taxes	1,677	7,536
Allowance for bonuses	821	418
Other	8,858	11,224
Total current liabilities	53,191	46,698
Long-term liabilities:		
Long-term loans payable	2,658	-
Provision for special retirement bonuses for directors	695	743
Accrued retirement allowance for employees	3,641	3,805
Asset retirement obligations	58	58
Other	1,095	1,084
Total long-term liabilities	8,149	5,691
Total liabilities	61,340	52,389
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	382,726	391,611
Less: treasury stock, at cost	(20,932)	(20,936)
Total shareholders' equity	400,513	409,394
Accumulated other comprehensive income:		
Net unrealized gain on other securities	2,405	4,004
Total accumulated other comprehensive income	2,405	4,004
Minority interests in consolidated subsidiaries	-	69
Total net assets	402,918	413,469
Total liabilities and total net assets	464,259	465,858

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

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

	1st Nine Months of FY2013	1st Nine Months of FY2014
	Millions of yen	Millions of yen
Net sales	67,525	133,575
Cost of sales	35,056	68,599
Gross profit	32,468	64,975
Selling, general and administrative expenses	29,378	36,509
Operating income	3,090	28,466
Non-operating income:		
Interest income	814	778
Dividend income	295	388
Equity in earnings of affiliates	-	111
Other	197	151
Total non-operating income	1,308	1,430
Non-operating expenses:		
Interest expenses	4	2
Equity in losses of affiliates	91	-
Foreign exchange losses	-	6
Other	13	4
Total non-operating expenses	108	13
Recurring income	4,290	29,883
Extraordinary gains:		
Gain on sales of fixed assets	-	4
Total extraordinary gains	-	4
Extraordinary losses:		
Loss on disposal of fixed assets	110	175
Total extraordinary losses	110	175
Income before income taxes and minority interests	4,179	29,711
Income taxes:		
Current income taxes	1,938	9,071
Deferred income taxes	318	(2,358)
Total income taxes	2,256	6,712
Income before minority interests	1,922	22,999
Minority interests in income	-	69
Net income	1,922	22,929

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2013	1st Nine Months of FY2014
	Millions of yen	Millions of yen
Income before minority interests	1,922	22,999
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(122)	1,521
Share of other comprehensive income of associates accounted for using equity method	(10)	77
Total other comprehensive income	(132)	1,599
Comprehensive income	1,790	24,598
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,790	24,528
Comprehensive income attributable to minority interests	-	69

(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 Nine Months of FY2014 (From April 1, 2013, to December 31, 2013)

Not applicable

Segment Information

(Segment information by business category)

1st Nine Months of FY2013 (From April 1, 2012, to December 31, 2012)

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

	1st Nine Months 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	37,061	12,349	16,888	66,299	1,225	67,525	-	67,525
Intersegment	-	-	-	-	-	-	-	-
Total	37,061	12,349	16,888	66,299	1,225	67,525	-	67,525
Segment income	4,368	1,793	727	6,889	(240)	6,648	(3,558)	3,090

1st Nine Months of FY2014 (From April 1, 2013, to December 31, 2013)

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

	1st Nine Months 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	91,202	26,728	14,795	132,726	848	133,575	-	133,575
Intersegment	-	-	-	-	-	-	-	-
Total	91,202	26,728	14,795	132,726	848	133,575	-	133,575
Segment income	23,870	8,230	460	32,560	(531)	32,028	(3,562)	28,466