

May 8, 2014

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Annual Meeting of Shareholders: June 27, 2014

Planned Date for Start of Dividend Payment: June 30, 2014

Planned Date for Submittal of the Financial Statements Report: June 30, 2014

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, 2013, to March 31, 2014)

(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, 2014	158,453	52.1%	28,023	299.0%	30,144	217.7%	22,400	282.7%
Year ended March 31, 2013	104,150	(40.0%)	7,023	(82.6%)	9,488	(78.6%)	5,853	(71.0%)
(note) Comprehensive income	Year ended March 31, 2014		¥24,204 million [269.5%]		Year ended March 31, 2013		¥6,550 million [(69.5%)]	

	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, 2014	239.65	-	5.5	6.6	17.7
Year ended March 31, 2013	62.62	-	1.4	2.0	6.7
(reference) Equity in earnings of affiliates	Year ended March 31, 2014	¥630 million	Year ended March 31, 2013	¥880 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, 2014	451,149	413,096	91.5	4,418.35
As of March 31, 2013	464,259	402,918	86.8	4,310.53
(reference) Shareholders' Equity	As of March 31, 2014	¥412,992 million	As of March 31, 2013	¥402,918 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, 2014	39,490	1,450	(17,224)	239,041
Year ended March 31, 2013	5,067	(15,600)	(14,056)	215,324

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, 2013	-	75.00	-	75.00	150.00	14,044	239.5	3.4
Year ended March 31, 2014	-	75.00	-	75.00	150.00	14,043	62.6	3.4
Year ended March 31, 2015 (forecast)	-	75.00	-	75.00	150.00		98.7	

3. Forecast for FY2015 (From April 1, 2014, to March 31, 2015)

(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, 2015	172,000	8.5%	19,200	(31.5%)	20,900	(30.7%)	14,200	(36.6%)	151.92

SANKYO Group manages its business plan on a full-year basis and thus only discloses full-year figures. For details, please refer to Qualitative Information and Financial Statements "1. Business Results (1) Analysis of business results b. Forecast for fiscal 2015" of the attached documents on Page 3.

*** Notes**

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2014: 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: | Not applicable |
| d. Retrospective restatements: | Not applicable |

Note: For details, please refer to "4.Consolidated Financial Statements (6) Notes to the Consolidated Financial Statements (Summary of Significant Policies)" of the attached documents on Page 16.

(3) Outstanding shares (common shares)

a. Number of shares outstanding (including treasury stock)

As of March 31, 2014: 97,597,500 shares

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

b. Number of treasury stock

As of March 31, 2014: 4,125,351 shares

As of March 31, 2013: 4,124,256 shares

c. Average number of shares issued and outstanding

As of March 31, 2014: 93,472,780 shares

As of March 31, 2013: 93,473,550 shares

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2013, to March 31, 2014)**

(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, 2014	132,569	49.9%	19,305	247.2%	22,886	87.6%	16,298	62.8%
Year ended March 31, 2013	88,451	(36.9%)	5,561	(81.3%)	12,202	(70.4%)	10,010	(66.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2014	174.08	-
Year ended March 31, 2013	106.92	-

(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, 2014	435,403	400,105	91.9	4,273.44
As of March 31, 2013	454,628	396,188	87.1	4,231.56

(reference) Shareholders' Equity As of March 31, 2014 ¥400,105 million As of March 31, 2013 ¥396,188 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 statements concerning future performance that are presented in this document are based on judgments using information available to the Company and which are deemed reasonable as of the release date of this material, and they are not intended to assure the achievement of such forecasts presented herein. Actual results may differ due to various factors. For information regarding performance forecasts, please refer to "1. Business Results (1) Analysis of business results b. Forecast for fiscal 2015" in the accompanying material.

1. Qualitative Information and Financial Statements

(1) Analysis of business results

a. Results for fiscal 2014

During the fiscal year ended March 31, 2014, underpinned by the effects of various policies, the Japanese economy remained on a moderate recovery track against a backdrop of improved corporate earnings and robust domestic demand. Regarding the outlook for the Japanese economy, a downturn of overseas economies and the impact of the consumption tax increase have emerged as concerns.

The pachinko and pachislot industry continued to face a challenging operating environment as the population continued to decline. Whereas pachislot machine utilization at parlors remained robust, supported by stable popularity among players, the downward trend of pachinko machine utilization continued. In addition, following the Japanese government's decision in October 2013 to raise consumption tax, parlor operators became increasingly cautious about capital investment and is particularly narrowing down purchase volumes of new pachinko machine.

In these circumstances, under the new development structure, the Group strove to create popular products capable of boosting brand power, and released *Fever Mobile Suit Gundam* (introduced in April 2013) under the SANKYO brand and *Evangelion 8* (introduced in July 2013) under the Bisty brand. The two titles achieved the planned sales levels and their evaluation among players and parlors was largely favorable. However, sales of other titles struggled despite featuring new content and innovative gaming performance.

As a result, consolidated net sales amounted to ¥158.4 billion, a increase of 52.1% year on year, as operating income increase 299.0% to ¥28.0 billion, recurring income increase 217.7% to ¥30.1 billion, and net income increase 282.7% to ¥22.4 billion.

Results of segments are presented below:

Pachinko Machines Business

Titles released under the SANKYO brand included *Fever Mobile Suit Gundam* (introduced in April 2013), *Fever Slayers Revolution* (introduced in October 2013), and *Fever Umizaru* (introduced in March 2014). 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. Titles released under the JB brand included *Magicape* (introduced in May 2013), *Ghost Neo* (introduced in June 2013), *Slonko Flower* (introduced in August 2013), and *Cho Tenjiku* (introduced in January 2014).

As a result, segment sales amounted to ¥101.1 billion, a increase of 89.7% compared with the same period of the previous year, and operating income was ¥21.7 billion, a increase of 380.5%. Sales of pachinko machines amounted to 291,000 units.

Pachislot Machines Business

Titles released under the SANKYO brand included *Pachislot Aquarion II* (introduced in May 2013), *Pachislot Bomber Powerful II* (introduced in September 2013), and *Pachislot Tiger Mask* (introduced in November 2013). New titles released under the Bisty brand included *Pachislot Ultraman Wars* (introduced in October 2013), *Mobile Suit Gundam* (introduced in January 2014), and *Evangelion "Ketsui no Toki"* (introduced in February 2014).

As a result, segment sales amounted to ¥38.4 billion, an increase of 38.1% compared with the same period of the previous year, and operating income was ¥10.8 billion, an increase of 60.7%. Sales of pachislot machines amounted to 116,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥17.7 billion, a decrease of 17.2% year on year, and operating income was ¥600 million, a decrease of 32.3%, due to lackluster sales reflecting a decrease in the number of new parlors opened.

Other Businesses

Sales of other businesses were ¥1.1 billion, a decrease of 26.2% year on year. An operating loss of ¥600 million was recorded compared with operating loss of ¥400 million for the previous year.

b. Forecast for fiscal 2015

A marked upturn in the operating environment of the pachinko and pachislot industry is unlikely in the near term. Regarding the outlook for shipment volumes in the market as a whole for the fiscal 2015, the downward trend is expected to continue for pachinko machines, while shipments of pachislot machines are expected to remain at the same level as the previous year.

The Group will continue its efforts to offer products capable of inspiring loyalty among players and parlors, and boost the Group's brand power. The Group will aim to expand market share by proactively promoting low-priced reused Pachinko models from which the same effect as new machines can be expected as it has done thus far.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2015, of 396,000 pachinko machines and 75,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2015, are as follows:

	Forecast		Year-on-year change		FY 2014 results	
Net sales	¥172.0	billion	8.5%	increase	¥158.4	billion
Operating income	¥19.2	billion	31.5%	decrease	¥28.0	billion
Recurring income	¥20.9	billion	30.7%	decrease	¥30.1	billion
Net income	¥14.2	billion	36.6%	decrease	¥22.4	billion

Regulatory trends have an impact on the Group's business because it is a prerequisite that, prior to release of new products, they pass an official format inspection executed by a testing agency, such as Hotsukyo (Security Electronics and Communication Technology Association), designated by the National Public Safety Commission, in accordance with the Enforcement Regulation of the Act to Control Businesses That May Affect Public Morals and other regulations. It is also necessary for the Group to quickly and flexibly decide the timing of new product launches while the monitoring competitors' trends. Therefore, the Group's business plan is managed on a full-year basis and the Group does not disclose consolidated business results forecast for the first six-month period.

***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 2014 amounted to ¥451.1 billion, having decreased ¥13.1 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥17.0 billion increase in marketable securities despite a ¥14.5 billion decrease in accounts receivable for provision of parts and materials for value, a ¥9.6 billion decrease in notes and accounts receivable-trade, and a ¥9.0 billion decrease in merchandise and finished goods.

Total liabilities amounted to ¥38.0 billion, having decreased ¥23.2 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥26.0 billion decrease in notes and accounts payable-trade, which more than offset a ¥5.6 billion increase in accrued income taxes.

Net assets increased ¥10.1 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 ¥22.4 billion. As a result, net assets amounted to ¥413.0 billion and the shareholders' equity ratio increased 4.7 percentage points to 91.5%.

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥239.0 billion, having increased ¥23.7 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥34.4 billion from the previous fiscal year to ¥39.4 billion. The principle cash inflow items were income before income taxes and minority interests amounting to ¥29.5 billion, a ¥14.5 billion decrease in accounts receivable for provision of parts and materials for value, a ¥9.6 billion decrease in inventories, and a ¥9.6 billion decrease in notes and accounts receivable-trade. The principle cash outflow item was a ¥26.0 billion decrease in notes and accounts payable-trade.

Net cash used in investing activities increased ¥17.0 billion from the previous fiscal year to ¥1.4 billion. The principal cash inflow item was proceeds from withdrawal of time deposits amounting to ¥5.0 billion. The principle cash outflow item was payment for purchase of property, plant and equipment and intangible fixed assets amounting to ¥3.1 billion.

Net cash used in financing activities decreased ¥3.1 billion from the previous fiscal year to ¥17.2 billion. The principal item was cash dividends paid amounting to ¥14.0 billion and repayment of long-term loans payable amounting to ¥3.1 billion.

For fiscal 2015, the Company forecasts net cash provided by operating activities of ¥18.0 billion, net cash used in investing activities of ¥6.0 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 a decrease of ¥2.0 billion in the cash balance at the end of fiscal 2015 compared to the end of fiscal 2014.

b. Change in cash flow indicators

	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Shareholders' equity ratio (%)	85.9	84.3	86.8	91.5
Shareholders' equity ratio at market value (%)	82.4	76.5	89.7	90.0
Ratio of interest-bearing debt to cash flows (%)	-	23.9	62.8	0.1
Interest coverage ratio (times)	-	6,128.2	2,563.3	734.5

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 all interest-bearing liabilities recorded in the 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 2014 and fiscal 2015

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 2014 and for fiscal 2015. This will result in a consolidated payout ratio of 62.6% for fiscal 2014 and 98.7% for fiscal 2015. The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance.

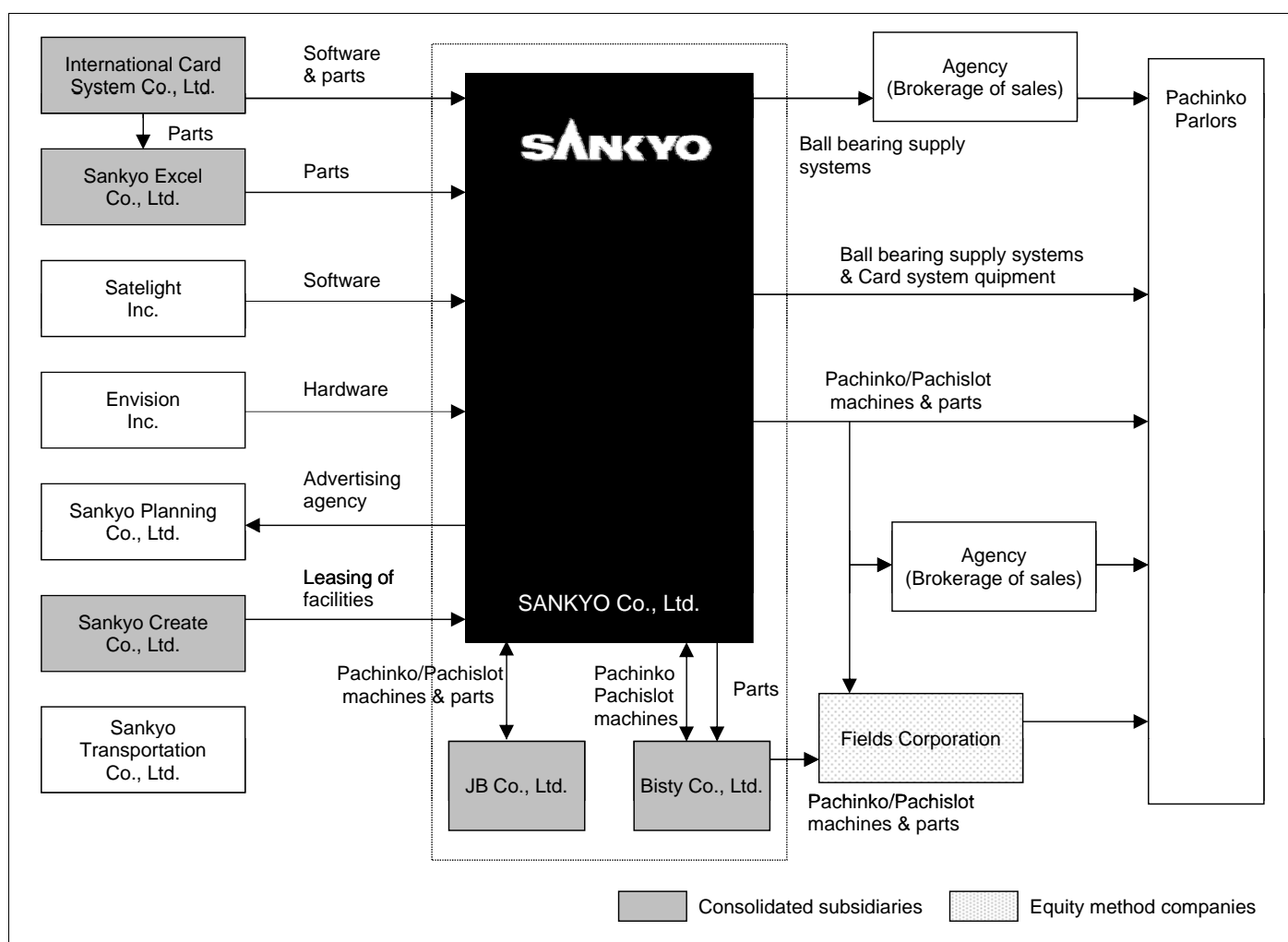
With a view to improving business performance, the Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing.

2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 10 subsidiaries (as of March 31, 2014) 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 Manufacturing and sales of pachinko machines and pachinko machine gauge boards, sales of related parts, and pachinko machine-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. Bisty Co., Ltd. International Card System Co., Ltd. JB Co., Ltd.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Fields Corporation Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
Ball bearing supply systems business Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. International Card System Co., Ltd. Sankyo Create Co., Ltd.
Other business Mobile content services, Real estate rental revenues, Operation of a golf course ,sales of general molded parts,	Sankyo Excel Co., Ltd. Sankyo Create 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.

	FY2012	FY2013	FY2014
Ratio of operating income to net sales (%)	23.2	6.7	17.7

(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

The pachinko and pachislot industry has been operating in a challenging business environment as both the player population and ball/token rental revenues continue to decline. There is a growing sense of crisis among enterprises involved in the pachinko and pachislot industry. With the aim of overcoming this situation, the Pachislot and Pachinko Industry 21st Century Club comprising 14 industry organizations has established the Pachinko/Pachislot Industry Vitalization Committee. This committee points out the lack of diversity among machines as a factor contributing to the declining player population and urges manufacturers to develop pachinko/pachislot machines that address this issue. While mainstream pachinko machines are of the fever type, the Group has also been working on development of non-fever-type pachinko machines. Responding to the challenges confronting the industry, the Group believes it is its responsibility to step up development of diverse pachinko/pachislot machines capable of delighting more players.

In this tough business environment, the Group will do its utmost to expand market share of the Group's mainstay pachinko and pachislot machines business, striving to establish a robust business foundation while continuously enhancing corporate value.

In the pachinko machines business, capitalizing on our excellent development capabilities underpinned by experience and know-how accumulated over the years, we strive to strengthen product competitiveness so as to establish brand power leading to ever-increasing sales. Moreover, for the purpose of satisfying diverse player needs and preferences, the Group conducts business under three brands—SANKYO, Bisty, and JB—whose product concepts and sales approaches differ from one another. For the SANKYO and Bisty brands, our product strategy centers on major content with powerful attractiveness and titles with enduring appeal. 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.

In the pachislot machines business, the Group is steadily enhancing its presence in the market. In addition to the long-running Evangelion series of the Bisty brand, the Group's other titles have been well received. In order to further increase the Group's position in the buoyant pachislot machines market and consistently grow sales, we will strengthen the development structure and expand tie-ups to enhance product competitiveness.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2013 Millions of yen	As of March 31, 2014 Millions of yen
Assets:		
Current assets:		
Cash and deposits	120,359	124,546
Notes and accounts receivable-trade	44,401	34,781
Marketable securities	136,993	153,995
Finished goods and merchandise	9,039	4
Work in process	300	124
Raw materials and supplies	1,338	856
Accounts receivable for provision of parts and materials for value	14,960	455
Deferred tax assets	2,812	3,023
Other	9,341	8,566
Allowance for doubtful accounts	(40)	(10)
Total current assets	339,504	326,343
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	26,995	27,298
Less accumulated depreciation	(9,786)	(10,679)
Subtotal	17,209	16,618
Machinery and equipment	7,768	7,770
Less accumulated depreciation	(6,589)	(6,839)
Subtotal	1,179	930
Furniture and fixtures	18,284	17,526
Less accumulated depreciation	(16,738)	(16,239)
Subtotal	1,545	1,287
Land	23,320	23,126
Lease assets	37	32
Less accumulated depreciation	(18)	(13)
Subtotal	18	19
Construction in progress	383	356
Other	3,849	4,284
Total tangible fixed assets	47,506	46,622
Intangible fixed assets		
Goodwill	3,215	2,478
Other	351	432
Total Intangible fixed assets	3,567	2,911
Investments and other assets:		
Investment securities	68,344	69,417
Long-term advances	139	17
Deferred tax assets	4,950	5,702
Other	630	542
Allowance for doubtful accounts	(4)	(26)
Allowance for investment loss	(379)	(379)
Total investments and other assets	73,681	75,272
Total fixed assets	124,755	124,806
Total assets	464,259	451,149

Consolidated Balance Sheets

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

	As of March 31, 2013 Millions of yen	As of March 31, 2014 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	41,327	15,307
Long-term loans payable	506	-
Lease liabilities	5	5
Accrued income taxes	1,677	7,324
Allowance for bonuses	821	832
Other	8,852	8,841
Total current liabilities	53,191	32,312
Long-term liabilities:		
Long-term loans payable	2,658	-
Lease liabilities	14	14
Provision for special retirement bonuses for directors	695	753
Accrued retirement allowance for employees	3,641	-
Net defined benefit liabilities	-	3,847
Asset retirement obligations	58	59
Other	1,081	1,066
Total long-term liabilities	8,149	5,740
Total liabilities	61,340	38,053
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,879
Retained earnings	382,726	391,083
Less: treasury stock, at cost	(20,932)	(20,937)
Total shareholders' equity	400,513	408,865
Accumulated other comprehensive income:		
Net unrealized gain on other securities	2,405	4,104
Remeasurements of defined benefit plans	-	22
Total accumulated other comprehensive income:	2,405	4,126
Minority interests in consolidated subsidiaries	-	103
Total net assets	402,918	413,096
Total liabilities and total net assets	464,259	451,149

(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, 2013	Year ended March 31, 2014
	Millions of yen	Millions of yen
Net sales	104,150	158,453
Cost of sales	54,786	84,009
Gross profit	49,363	74,444
Selling, general and administrative expenses	42,340	46,420
Operating income	7,023	28,023
Non-operating income:		
Interest income	1,084	1,025
Dividend income	295	388
Equity in earnings of affiliates	880	630
Other	238	211
Total non-operating income	2,498	2,256
Non-operating expenses:		
Interest expenses	5	2
Loss on management of investment partnership	-	121
Foreign exchange losses	19	6
Other	9	5
Total non-operating expenses	33	135
Recurring income	9,488	30,144
Extraordinary gains:		
Gain on sales of fixed assets	178	10
Total extraordinary gains	178	10
Extraordinary losses:		
Loss on disposal of fixed assets	150	197
Impairment loss	24	-
Loss on change in equity	-	410
Total extraordinary losses	175	607
Income before income taxes	9,491	29,547
Income taxes:		
Current income taxes	4,303	8,924
Deferred income taxes	(665)	(1,881)
Total income taxes	3,637	7,043
Income before minority interests	5,853	22,504
Minority interests in income	-	103
Net income	5,853	22,400

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2013	Year ended March 31, 2014
	Millions of yen	Millions of yen
Income before minority interests	5,853	22,504
Other comprehensive income:		
Net unrealized gain (loss) on other securities	669	1,667
Share of other comprehensive income of associates accounted for using equity method	27	31
Total other comprehensive income	696	1,699
Comprehensive income	6,550	24,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,550	24,100
Comprehensive income attributable to minority interests	-	103

(3) Consolidated Statements of Changes in Shareholder's Equity

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

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

	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,880	398,805	(20,930)	416,595	1,708	-	1,708	-	418,303
Change during the fiscal year										
Dividends of surplus			(14,044)		(14,044)					(14,044)
Change of scope of consolidation			(7,889)		(7,889)					(7,889)
Net income			5,853		5,853					5,853
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks		(0)		0	0					0
Net changes of items other than shareholder's equity						696	-	696	-	696
Total changes during the fiscal year	-	(0)	(16,079)	(2)	(16,081)	696	-	696	-	(15,385)
Balance at end of the period	14,840	23,880	382,726	(20,932)	400,513	2,405	-	2,405	-	402,918

Year ended March 31, 2014 (From April 1, 2013, to March 31, 2014)

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

	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the period	14,840	23,880	382,726	(20,932)	400,513	2,405	-	2,405	-	402,918
Change during the fiscal year										
Dividends of surplus			(14,044)		(14,044)					(14,044)
Net income			22,400		22,400					22,400
Acquisition of treasury stocks				(5)	(5)					(5)
Sales of treasury stocks		(0)		0	0					0
Net changes of items other than shareholder's equity						1,699	22	1,721	103	1,825
Total changes during the fiscal year	-	(0)	8,356	(5)	8,351	1,699	22	1,721	103	10,177
Balance at end of the period	14,840	23,879	391,083	(20,937)	408,865	4,104	22	4,126	103	413,096

(4) Consolidated Statements of Cash Flows

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

	Year ended March 31, 2013	Year ended March 31, 2014
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	9,491	29,547
Depreciation and amortization	4,238	3,669
Amortization of goodwill	737	737
Increase (decrease) in allowance for doubtful accounts	(159)	(7)
Increase (decrease) in allowance for bonuses	12	11
Increase (decrease) in provision for special retirement bonuses for directors	(20)	58
Increase (decrease) in accrued retirement allowance for employees	241	-
Increase (decrease) in net defined benefit liabilities	-	209
Interest and dividend income	(1,380)	(1,414)
Interest expenses	5	2
(Gain) loss on equity in earnings of affiliates	(880)	(630)
(Gain) loss on sales of fixed assets	(178)	(10)
Disposal of fixed assets	150	197
Impairment loss	24	-
(Gain) loss on valuation of investment securities	-	410
(Increase) decrease in notes and accounts receivable-trade	26,383	9,620
(Increase) decrease in inventories	(7,841)	9,689
Increase (decrease) in notes and accounts payable-trade	(2,347)	(26,020)
(Increase) decrease in accounts receivable for provision of parts and materials for value	(5,668)	14,504
Increase (decrease) in accounts payable	(2,804)	(1,068)
Increase (decrease) in accrued consumption tax	(426)	1,651
Other	(1,994)	(92)
Subtotal	17,583	41,067
Interest and dividend income received	1,505	1,401
Interest paid	(1)	(53)
Income taxes paid	(14,019)	(2,925)
Net cash (used in) provided by operating activities	5,067	39,490
Cash flows from investing activities:		
Payments into time deposits	(10,030)	(500)
Proceeds from withdrawal of time deposits	5,000	5,030
Payment for purchase of marketable securities	(5,000)	(10,000)
Proceeds from redemption of marketable securities	-	10,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(4,165)	(3,197)
Proceeds from sale of property, plant and equipment and intangible fixed assets	83	300
Payment for purchase of investment securities	(33,525)	(32,480)
Proceeds from redemption of investment securities	32,000	32,000
Proceeds from collection of long-term loans	221	321
Other	(184)	(24)
Net cash (used in) provided by investing activities	(15,600)	1,450
Cash flows from financing activities:		
Payment for long-term debt	-	(3,169)
Repayment of finance lease obligations	(10)	(5)
Payment for purchase of treasury stock, net	(2)	(5)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(14,044)	(14,044)
Net cash (used in) provided financing activities	(14,056)	(17,224)
Net increase (decrease) in cash and cash equivalents	(24,589)	23,716
Cash and cash equivalents at beginning of the period	239,591	215,324
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	322	-
Cash and cash equivalents at end of the period	215,324	239,041

(5) Segment Information
(Segment information by business category)

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

Year ended March 31, 2014 (From April 1, 2013, to March 31, 2014)

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

	Year ended March 31, 2014 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	101,102	38,433	17,776	157,311	1,141	158,453	-	158,453
Intersegment	-	-	-	-	-	-	-	-
Total	101,102	38,433	17,776	157,311	1,141	158,453	-	158,453
Segment income	21,704	10,885	674	33,263	(621)	32,642	(4,618)	28,023
Segment assets	102,537	37,201	24,592	164,331	15,973	180,305	270,844	451,149
Other items								
Depreciation	2,350	626	33	3,010	463	3,473	196	3,669
Increase in tangible fixed assets and intangible fixed assets								
	1,465	499	6	1,971	1,098	3,070	186	3,256

(6) Notes to the Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Important matters forming the basis of preparation of consolidated financial statements

1. Matters concerning application of the scope of consolidation

Number of consolidated subsidiaries: 5

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. which was a consolidated subsidiary during the previous fiscal year was excluded from the scope of consolidation as it was dissolved due to an absorption-type merger conducted on April 1, 2013 with Sankyo Create Co., Ltd., a consolidated subsidiary of the Company as the surviving company.

Disclosure of matters other than the above is omitted because there have been no significant changes from the recent securities report (submitted on June 28, 2013).

Change in Accounting Policies

1. Accounting Standard for Retirement Benefits

Effective from the end of the current fiscal year, "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter "Retirement Benefits Guidance") are adopted (with the exception of the main clause of Article 35 of the Retirement Benefits Accounting Standard and the main clause of Article 67 of the Retirement Benefits Guidance), where the method was changed with benefit obligation recorded as net defined benefit liabilities and unrealized actuarial difference recorded as net defined benefit liabilities.

The Retirement Benefits Accounting Standard is applied in accordance with the transitional handling set forth in Article 37 of the Retirement Benefits Accounting Standard, and the effected amounts due to such change are adjusted in remeasurements of defined benefit plans under accumulated other comprehensive income as of the end of the current fiscal year.

As a result of the above, ¥3,847 million was recorded as net defined benefit liabilities as of the end of the current fiscal year. In addition, accumulated other comprehensive income increased by ¥22 million.

Additional information

1. Revisions to the amounts of deferred tax assets and deferred tax liabilities due to change in tax rates of income taxes, etc.

Following the promulgation on March 31, 2014 of the "Partial Revision of Income Tax Act, etc." (Act No. 10 of 2014), the special reconstruction corporation tax will not be imposed from the consolidated fiscal years beginning on or after April 1, 2014. As a result of the foregoing, statutory taxation rate used in calculation of deferred tax assets and deferred tax liabilities for the current fiscal year are revised to 35.49% from 37.87% of the previous fiscal year regarding temporary difference estimated to be eliminated during the fiscal year beginning on April 1, 2014.

As a result, deferred tax assets under current assets decreased by ¥102 million, deferred tax liabilities under fixed assets decreased by ¥224 million, and deferred income taxes increased by ¥327 million.

5. Others

(1) Changes of Directors

SANKYO Co., Ltd. today announced that a change of directors was decided at a meeting of the board of directors of the Company held on May 8, 2014.

1. A newly appointed director (effective date: June 27, 2014)

Name	New Position	Current Position
Ichiro Tomiyama	Director & Executive Operating Officer Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.	Executive Operating Officer Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.

2. (Reference) Directors and Officers after June 27, 2014

Name	Position
Hideyuki Busujima	Representative Director, Chairman of the Board & CEO
Kimihisa Tsutsui	Representative Director, President & COO
Akihiko Ishihara	Director & Senior Executive Operating Officer Head of Administration Div. & General Manager of General Affairs Dept.
Ichiro Tomiyama	Director & Executive Operating Officer Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.
Shohachi Ugawa	Standing Statutory Auditor
Toshiaki Ishiyama	Statutory Auditor
Yoshiro Sanada	Outside Statutory Auditor
Fumiyoshi Noda	Outside Statutory Auditor
Junko Takimoto	Executive Operating Officer Head of Manufacturing Div.
Yuji Togo	Executive Operating Officer Head of Product Management Div. & Office Manager of Product Strategy Office
Minoru Yoshikawa	Operating Officer Senior General Manager of Parlor Business Div.
Hiroshi Kodaira	Operating Officer General Manager of Information Technology Systems Dept.
Takashi Fukuda	Operating Officer Deputy Head of Product Management Div.
Toshio Ogura	Operating Officer Head of Intellectual Property Div. & General Manager of Intellectual Property Dept.
Katsumasa Takai	Operating Officer Deputy Head of Manufacturing Div. & Senior General Manager of Sanwa Plant
Yoko Oshima	Operating Officer General Manager of Accounting & Finance Dept.