

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 12, 2015

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 FY2015 (From April 1, 2014, to December 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
1st nine months of FY2015	113,510 (15.0%)	10,910 (61.7%)	11,511 (61.5%)	6,996 (69.5%)
1st nine months of FY2014	133,575 97.8%	28,466 821.1%	29,883 596.6%	22,929 -
(note) Comprehensive income	1st nine months of FY2015	¥7,180 million [(70.8%)]	1st nine months of FY2014	¥24,598 million [-%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2015	74.85	74.78
1st nine months of FY2014	245.31	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2014	494,704	406,509	82.1	
As of March 31, 2014	451,149	413,096	91.5	
(reference) Shareholders' Equity	As of December 31, 2014	¥406,252 million	As of March 31, 2014	¥412,992 million

2. Dividends

	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
(Base date)	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	-	75.00	-	75.00	150.00
Year ended March 31, 2015	-	75.00	-	-	150.00
Year ended March 31, 2015 (Forecast)	-	75.00	-	75.00	150.00

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

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

Note: Changes in the forecasts of consolidated Financial results in this quarter : No

*** Notes**

(1) Changes for important subsidiaries during the 1st Nine Months of FY2015: Not applicable

(2) Application of peculiar accounting methods: Not applicable

(3) Changes in accounting procedures

a. Related to accounting standard revisions etc.:

Applicable

b. Other changes:

Applicable

c. Changes in accounting estimates:

Not applicable

d. Retrospective restatements:

Not applicable

Note: For details, please refer to "2. Notes on Summary Information (Other) (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements" of the attached documents on Page 4.

(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2014: 97,597,500 shares As of March 31, 2014: 97,597,500 shares

b. No. of treasury stock As of Dec. 31, 2014: 4,126,066 shares As of March 31, 2014: 4,125,351 shares

c. Average number of shares issued and outstanding 1st 9M of FY2015: 93,471,807 shares 1st 9M of FY2014: 93,472,955 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 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. Qualitative Information and Financial Statements (3) Forecast of Consolidated Results and Other Forecast Information" in the accompanying material.

1. Qualitative Information and Financial Statements

(1) Operating Results

During the first nine months of the fiscal year ending March 31, 2015 (from April 1, 2014 to December 31, 2014), the Japanese economy remained on a moderate recovery trend, underpinned by the effects of government policies, as indicated by signs of improvement in employment and personal income, etc. On the other hand, the outlook for personal consumption remains unclear and consumer confidence is weak amid a slump in real income, which is led by factors including the rise in commodity prices of daily consumables caused by the rise in the prices of raw materials from the prolongation of the reactionary fall to the consumption tax increase and radical depreciation of the yen.

In the pachinko and pachislot industry, following the change in operation of the format inspection of pachislot machines by the Security Electronics and Communication Technology Association from September 16, 2014, both the number of pachislot machines passing the format inspection and the number of new titles introduced decreased from the third quarter of the current fiscal year onward. For pachinko, the tendency for demand to concentrate on sequels to popular titles or promising titles with newsworthy buzz continues, and the gulf between these titles and the rest is widening.

In these circumstances, the SANKYO Group introduced several major pachinko titles in the third quarter. In particular, *Evangelion 9* (introduced in December 2014) under the Bisty brand was highly evaluated in the market and its sales reached 102,000 units.

As a result, on a consolidated basis, net sales were ¥113.5 billion, a decrease of 15.0% compared with the same period of the previous year, operating income was ¥10.9 billion, a decrease of 61.7%, recurring income was ¥11.5 billion, having declined 61.5%, and net income was ¥6.9 billion, down 69.5%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥85.2 billion, a decrease of 6.6% compared with the same period of the previous year, and operating income amounted to ¥10.4 billion, down 56.1%. Sales of pachinko machines amounted to 248,000 units. Major titles released included *Fever The Melancholy of Haruhi Suzumiya* (introduced in July 2014) and *FEVER KODA KUMI LEGEND LIVE* (introduced in October 2014) under the SANKYO brand and *CR ayumi hamasaki 2* (introduced in October 2014), *Evangelion 9* (introduced in December 2014) under the Bisty brand, and *Uchi no Pochies* (introduced in May 2014) under the JB brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥18.7 billion, a decrease of 29.8% compared with the same period of the previous year, and operating income was ¥4.0 billion, a decrease of 50.5%. Sales of pachislot machines amounted to 48,000 units. A major title released in the first half was *Pachislot Macross Frontier II* (introduced in May 2014) and *Pachislot Sokyū no Fafner* (introduced in December 2014) under the SANKYO brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥8.9 billion, a decrease of 39.8% compared with the same period of the previous year, and operating income was ¥0.3 billion, a decrease of 31.9%.

Other Businesses

Sales of other businesses were ¥600 million, a decrease of 26.6% compared with the same period of the previous year, and operating loss was ¥400 million compared with an operating loss of ¥500 million a year earlier.

(2) Financial Position

Total assets at the end of the first nine months of fiscal 2015 amounted to ¥494.7 billion, having increased ¥43.5 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥41.2 billion increase in notes and accounts receivable-trade and a ¥15.4 billion increase in accounts receivable for provision of parts and materials for value (included in "other" of current assets), despite a ¥13.4 billion decrease in cash and deposits.

Total liabilities amounted to ¥88.1 billion, having increased ¥50.1 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥41.5 billion increase in notes and accounts payable-trade and a ¥9.6 billion increase in accounts payable-other (included in "other" of current liabilities).

Net assets decreased ¥6.5 billion compared with the figure at the previous fiscal year-end. The main factor accounting for this decrease was cash dividends paid amounting to ¥14.0 billion, whereas net income of ¥6.9 billion was recorded. As a result, net assets amounted to ¥406.5 billion and the shareholders' equity ratio decreased 9.4 percentage points to 82.1%.

(3) Forecast of Consolidated Results and Other Forecast Information

No revision has been made to the forecasts of financial results for fiscal 2015 announced on May 8, 2014. Forecasts of major reporting segments are as follows.

Pachinko Machines Business

The unit sales price and the margin ratio have been slightly higher than the targets set in the annual sales plan, reflecting change in the sales mix. The forecast sales volume including *Fever Mobile Suit Gundam-Operation V*, a major title under the SANKYO brand to be introduced in the fourth quarter, is unchanged at 396,000 units.

Pachislot Machines Business

The unit sales price and the margin ratio have progressed in general in accordance with the plan. Although sales of the two titles that have already been introduced exceeded the plan, the sales volume is expected to be 63,000 units, substantially lower than the 75,000 units targeted in the initial plan, because the introduction of one title, initially scheduled for introduction in the fourth quarter, was postponed to the next fiscal year.

2. Notes on Summary Information (Other)**(1) Changes in significant subsidiaries during the period**

Not applicable.

(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

(Changes in accounting policies)

a. Application of "Accounting Standard for Retirement Benefits"

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company adopted "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") pursuant to the main clause of Article 35 of the Retirement Benefits Accounting Standard and the main clause of Article 67 of the Retirement Benefits Guidance, reviewed the method of calculating retirement benefit obligations and service costs, and changed the method of determining the discount rate. The method was changed from the use of the discount rate based on the number of years approximating to the expected average remaining working lives of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

This change has no impact on the quarterly consolidated financial statements.

b. Application of "Accounting Standards for Business Combinations"

"Accounting Standards for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter "Business Combinations Accounting Standards"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter "Consolidated Accounting Standard"), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter "Business Divestitures Accounting Standard"), and other related accounting standards have become applicable from the beginning of accounting periods beginning on or after April 1, 2014. Consequently, effective from the first quarter of the fiscal year ending March 31, 2015, the Company adopted these accounting standards (with the exception of the provisions of Article 39 of the Consolidated Accounting Standard) and changed certain accounting methods. Accordingly, the Company records the difference attributable to changes in the Company's ownership interest in subsidiaries if the Company retains control over such subsidiaries as capital surplus and charges expenses related to additional acquisition of stocks to cost in the fiscal year in which such expenses were incurred. Regarding business combinations taking place from the beginning of the first quarter of fiscal 2015 onward, if the allocated amount of the acquisition cost is revised following the determination of the provisional accounting treatment, the Company reflects such revision in the quarterly consolidated financial statements of the quarterly period in which the business combination takes place.

The Business Combinations Accounting Standards and other related accounting standards are applied in accordance with the transitional handling set forth in Article 58-2 (4) of the Business Combinations Accounting Standards, Paragraph 44-5 (4) of the Consolidated Accounting Standard, and Paragraph 57-4 (4) of the Business Divestitures Accounting and the Company applies these accounting standards from the beginning of the first quarter of fiscal 2015.

However, as there were no relevant transactions, early adoption of these accounting standards has no impact on the quarterly consolidated financial statements.

(4) Additional information

(Provision for special retirement bonuses for directors)

At the Ordinary General Meeting of Shareholders of the Company held on June 27, 2014, final payment of retirement benefits to directors and statutory auditors upon abolition of the retirement benefit plan was resolved. In accordance with this resolution, the entire amount of provision for special retirement bonuses for directors was reversed and accrued final payment amounting to ¥2,618 million is included in "other" of long-term liabilities as long-term accounts payable-other for presentation. ¥1,790 million is recorded as "directors' retirement benefits" in extraordinary losses.

3. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

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

	As of March 31, 2014	As of Dec. 31, 2014
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	124,546	111,093
Notes and accounts receivable-trade	34,781	76,057
Marketable securities	153,995	159,998
Merchandise and finished goods	4	1,173
Work in process	124	551
Raw materials and inventories	856	1,092
Other	12,045	25,027
Allowance for doubtful accounts	(10)	(10)
Total current assets	326,343	374,984
Fixed assets:		
Tangible fixed assets	46,622	48,289
Intangible fixed assets		
Goodwill	2,478	1,925
Other	432	424
Total Intangible fixed assets	2,911	2,350
Investments and other assets:		
Investment securities	69,417	63,020
Other	6,261	6,466
Allowance for doubtful accounts	(26)	(26)
Allowance for investment loss	(379)	(379)
Total investments and other assets	75,272	69,080
Total fixed assets	124,806	119,720
Total assets	451,149	494,704

Consolidated Balance Sheets

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

	As of March 31, 2014	As of Dec. 31, 2014
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	15,307	56,843
Accrued income taxes	7,324	3,004
Allowance for bonuses	832	423
Other	8,847	20,223
Total current liabilities	32,312	80,495
Long-term liabilities:		
Provision for special retirement bonuses for directors	753	-
Net defined benefit liabilities	3,847	3,939
Asset retirement obligations	59	59
Other	1,080	3,700
Total long-term liabilities	5,740	7,698
Total liabilities	38,053	88,194
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,879	23,879
Retained earnings	391,083	384,057
Less: treasury stock, at cost	(20,937)	(20,940)
Total shareholders' equity	408,865	401,837
Accumulated other comprehensive income:		
Net unrealized gain on other securities	4,104	4,394
Remeasurements of defined benefit plans	22	20
Total accumulated other comprehensive income	4,126	4,414
Subscription rights to shares	-	257
Minority interests in consolidated subsidiaries	103	-
Total net assets	413,096	406,509
Total liabilities and total net assets	451,149	494,704

(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 FY2014	1st Nine Months of FY2015
	Millions of yen	Millions of yen
Net sales	133,575	113,510
Cost of sales	68,599	63,975
Gross profit	64,975	49,534
Selling, general and administrative expenses	36,509	38,624
Operating income	28,466	10,910
Non-operating income:		
Interest income	778	682
Dividend income	388	430
Equity in earnings of affiliates	111	-
Other	151	142
Total non-operating income	1,430	1,255
Non-operating expenses:		
Interest expenses	2	1
Equity in losses of affiliates	-	606
Foreign exchange losses	6	-
Other	4	45
Total non-operating expenses	13	654
Recurring income	29,883	11,511
Extraordinary gains:		
Gain on sales of fixed assets	4	11
Total extraordinary gains	4	11
Extraordinary losses:		
Loss on sales of investment securities	-	1
Loss on disposal of fixed assets	175	34
Loss on valuation of investment securities	-	14
Directors' retirement benefits	-	1,790
Total extraordinary losses	175	1,840
Income before income taxes and minority interests	29,711	9,682
Income taxes:		
Current income taxes	9,071	3,446
Deferred income taxes	(2,358)	(656)
Total income taxes	6,712	2,790
Income before minority interests	22,999	6,892
Minority interests in income (loss)	69	(103)
Net income	22,929	6,996

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2014	1st Nine Months of FY2015
	Millions of yen	Millions of yen
Income before minority interests	22,999	6,892
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,521	334
Remeasurements of defined benefit plans	-	1
Share of other comprehensive income of associates accounted for using equity method	77	(48)
Total other comprehensive income	1,599	287
Comprehensive income	24,598	7,180
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,528	7,284
Comprehensive income attributable to minority interests	69	(103)

(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 FY2015 (From April 1, 2014, to December 31, 2014)

Not applicable

Segment Information

(Segment information by business category)

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

1st Nine Months of FY2015 (From April 1, 2014, to December 31, 2014)

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

	1st Nine Months of FY2015 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	85,226	18,755	8,905	112,887	623	113,510	-	113,510
Intersegment	-	-	-	-	-	-	-	-
Total	85,226	18,755	8,905	112,887	623	113,510	-	113,510
Segment income	10,483	4,071	313	14,868	(410)	14,458	(3,548)	10,910