Consolidated Financial Statements
Results for the fiscal year ended March 31, 2015
April 1, 2014, to March 31, 2015

May 12, 2015

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 26, 2015
Planned Date for Start of Dividend Payment:	June 29, 2015
Planned Date for Submittal of the Financial Statements Report:	June 29, 2015
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, 2014, to March 31, 2015)

(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, 2015	146,579	(7.5%)	13,233	(52.8%)	14,870	(50.7%)	8,728	(61.0%)
Year ended March 31, 2014	158,453	52.1%	28,023	299.0%	30,144	217.7%	22,400	282.7%

(note) Comprehensive income Year ended March 31, 2015 ¥9,073 million [(62.5%)] Year ended March 31, 2014 ¥24,204 million [269.5%]

	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, 2015	94.48	94.39	2.2	3.4	9.0
Year ended March 31, 2014	239.65	-	5.5	6.6	17.7

(reference) Equity in earnings of affiliates Year ended March 31, 2015 ¥202 million Year ended March 31, 2014 ¥630 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, 2015	434,648	371,670	85.5	4,345.53
As of March 31, 2014	451,149	413,096	91.5	4,418.35

(reference) Shareholders' Equity As of March 31, 2015 ¥371,416 million As of March 31, 2014 ¥412,992 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, 2015	25,313	5,101	(50,782)	218,672
Year ended March 31, 2014	39,490	1,450	(17,224)	239,041

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, 2014	-	75.00	-	75.00	150.00	14,043	62.6	3.4
Year ended March 31, 2015	-	75.00	-	75.00	150.00	13,443	158.8	3.4
Year ended March 31, 2016 (forecast)	-	75.00	-	75.00	150.00		128.2	

3. Forecast for FY2016 (From April 1, 2015, to March 31, 2016)

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

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent		Net income per share
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen
Year ending March 31, 2016	150,000	2.3%	14,000	5.8%	15,000	0.9%	10,000	14.6%	117.00

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 2016” of the attached documents on Page 3.

*** Notes**

(1) Changes for important subsidiaries during the fiscal year ended March 31, 2015: Not applicable

(2) 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 “4.Consolidated Financial Statements (6) Notes to the Consolidated Financial Statements (Important matters forming the basis of preparation of consolidated financial statements)” of the attached documents on Page 16.

(3) Outstanding shares (common shares)
- a. Number of shares outstanding (including treasury stock)
  - As of March 31, 2015: 89,597,500 shares
  - As of March 31, 2014: 97,597,500 shares
- b. Number of treasury stock
  - As of March 31, 2015: 4,126,611 shares
  - As of March 31, 2014: 4,125,351 shares
- c. Average number of shares issued and outstanding
  - As of March 31, 2015: 92,386,716 shares
  - As of March 31, 2014: 93,472,780 shares

(Reference) Non-consolidated results

1. Non-consolidated results for the fiscal year (From April 1, 2014, to March 31, 2015)

(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, 2015	129,963	(2.0%)	12,671	(34.4%)	15,725	(31.3%)	10,165	(37.6%)
Year ended March 31, 2014	132,569	49.9%	19,305	247.2%	22,886	87.6%	16,298	62.8%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2015	109.85	109.75
Year ended March 31, 2014	174.08	-

(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, 2015	423,715	360,568	85.0	4,208.07
As of March 31, 2014	435,403	400,105	91.9	4,273.44

(reference) Shareholders' Equity As of March 31, 2015 ¥360,314 million As of March 31, 2014 ¥400,105 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 2016” in the accompanying material.

1.Qualitative Information and Financial Statements

(1) Analysis of business results

a. Results for fiscal 2015

During the fiscal year ended March 31, 2015, despite negative factors such as the consumption tax increase and rising prices of imports owing to the depreciation of the yen, the Japanese economy remained on a modest recovery path, underpinned by the effects of government policies, as indicated by improvement in corporate earnings and rises in stock prices as well as signs of improvement in employment and personal income.

With regard to 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, the number of new pachislot products introduced decreased. For pachinko also, the tendency among parlors to be highly selective about purchases of new machines was unabated as they continued to focus primarily on popular titles that are likely to attract players. As a result, game machine sales market was sluggish.

Under these circumstances, in the mainstay pachinko machines business, the SANKYO Group released a varied selection of products. The Group introduced titles that emphasize audiovisual presentation as well as the use of movable gimmicks to take advantage of the appeal of tie-up content, while at the same time the Group offered reuse products of these titles at low prices. On the other hand, the Group also introduced products with simple and easy-to-play gaming performance that can appeal to players who have not played pachinko for a while due to gaming performance becoming increasingly complex and stereotypical.

As a result, while *Evangelion 9*, a Bisty-brand staple pachinko title, became a hit with sales exceeding 100,000 units, SANKYO-brand pachinko titles, such as *Fever Queen* and *Fever Powerful* won high popularity from certain players for their simple gaming performance and have continued to be popular for a long time.

However, sales of *Fever Mobile Suit Gundam—Operation V*, a SANKYO-brand featured title for the current fiscal year, were lackluster. Development and marketing of this title were based on the concept of gaming performance with more frequent possibilities of jackpots so that players can enjoy a more varied gaming experience, but the response was divided between parlors that welcomed the innovative gaming performance and those that were cautious about introduction. With regard to the pachislot machines business, the number of titles introduced decreased from the initial plan partly due to the revision of the schedule for product launches.

As a result, consolidated net sales amounted to ¥146.5 billion, a decrease of 7.5% year on year, as operating income decrease 52.8% to ¥13.2 billion, recurring income decrease 50.7% to ¥14.8 billion, and net income decrease 61.0% to ¥8.7 billion.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥114.1 billion, a increase of 12.9% compared with the same period of the previous year, and operating income amounted to ¥15.4 billion, down 28.7%. Sales of pachinko machines amounted to 329,000 units. Major titles released included *Fever The Melancholy of Haruhi Suzumiya* (introduced in July 2014), *FEVER KODA KUMI LEGEND LIVE* (introduced in October 2014) and *Fever Mobile Suit Gundam—Operation V* (introduced in March 2015) 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

With regard to the pachislot machines business, sales amounted to ¥19.0 billion, a decrease of 50.4% year on year, and operating income was ¥2.6 billion, a decrease of 76.0%. Sales of pachislot machines amounted to 48,000 units. The number of titles released in the current fiscal year was two under the SANKYO brand: *Pachislot Macross Frontier II* (introduced in May 2014) and *Pachislot Sokyu no Fafner* (introduced in December 2014).

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥12.5 billion, a decrease of 29.4% year on year, and operating income was ¥0.4 billion, a decrease of 34.3%, reflecting a decrease in both new openings and large-scale refurbishment of parlors.

Other Businesses

Sales of other businesses were ¥800 million, a decrease of 26.9% year on year. An operating loss of ¥500 million was recorded compared with operating loss of ¥600 million for the previous year.

b. Forecast for fiscal 2016

Despite some favorable indications concerning macroeconomic conditions, such as improvement in employment and personal income, the operating environment for the pachinko and pachislot industry is expected to remain challenging. With regard to the outlook for shipment volumes in the market as a whole for fiscal 2016, shipments of pachinko machines are expected to remain at the same level as fiscal 2015, while shipments of pachislot machines are expected to decrease.

The SANKYO Group aims to expand market shares in the two mainstay businesses. In the pachinko machines business, the Group is promoting product development that emphasizes ease of playing without restricting it to a particular category. In the pachislot machines business, the Group views the change in the regulations concerning product development as a business opportunity and intends to introduce models compliant with the new regulations ahead of competitors.

The Group’s plan calls for sales volumes for the fiscal year ending March 31, 2016, of 320,000 pachinko machines and 110,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2016, are as follows:

	Forecast		**Year-on-year change**		**FY 2015 results**	
Net sales	¥150.0	billion	2.3%	increase	¥146.5	billion
Operating income	¥14.0	billion	5.8%	increase	¥13.2	billion
Recurring income	¥15.0	billion	0.9%	increase	¥14.8	billion
Net income	¥10.0	billion	14.6%	increase	¥8.7	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 the fiscal year ended March 31, 2015 amounted to ¥434.6 billion, having decreased ¥16.5 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥23.9 billion decrease in marketable securities and a ¥15.3 billion decrease in investment securities despite a ¥10.2 billion increase in notes and accounts receivable-trade and a ¥9.1 billion increase in cash and deposits.

Total liabilities amounted to ¥62.9 billion, having increased ¥24.9 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥25.8 billion increase in notes and accounts payable-trade and a ¥2.5 billion increase in long-term accounts payable-other (included in “other” of current liabilities) despite a ¥3.5 billion decrease in accrued income taxes.

Net assets decreased ¥41.4 billion compared with the figure at the previous fiscal year-end. Whereas net income amounted to ¥8.7 billion, acquisition of treasury stock amounting to ¥36.6 billion and cash dividends paid amounting to ¥14.0 billion were factors decreasing net assets. As a result, net assets amounted to ¥371.6 billion and the shareholders’ equity ratio decreased 6.0 percentage points to 85.5%.

Cash and cash equivalents (hereinafter “cash”) at the fiscal year-end were ¥218.6 billion, having decreased ¥20.3 billion from the previous fiscal year-end.

Net cash provided by operating activities decreased ¥14.1 billion from the previous fiscal year to ¥25.3 billion. The principle cash inflow items were a ¥25.8 billion increase in notes and accounts payable-trade and income before income taxes and minority interests amounting to ¥13.0 billion. The principle cash outflow item was a ¥10.2 billion increase in notes and accounts receivable-trade.

Net cash provided by investing activities increased ¥3.6 billion from the previous fiscal year to ¥5.1 billion. The principal cash inflow item was proceeds from redemption of investment securities amounting to ¥34.0 billion. Principle cash outflow items were payment for purchase of investment securities amounting to ¥24.0 billion and payment for purchase of property, plant and equipment and intangible fixed assets amounting to ¥5.2 billion.

Net cash used in financing activities decreased ¥33.5 billion from the previous fiscal year to ¥50.7 billion. The principal items were payment for purchase of treasury stock amounting to ¥36.6 billion and cash dividends paid amounting to ¥14.0 billion.

For fiscal 2016, the Company forecasts net cash provided by operating activities of ¥16.0 billion, net cash used in investing activities of ¥6.0 billion attributable to capital investment, and net cash used in financing activities of ¥13.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts a decrease of ¥3.0 billion in the cash balance at the end of fiscal 2016 compared to the end of fiscal 2015.

b. Change in cash flow indicators

	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Shareholders' equity ratio (%)	84.3	86.8	91.5	85.5
Shareholders' equity ratio at market value (%)	76.5	89.7	90.0	84.1
Ratio of interest-bearing debt to cash flows (%)	23.9	62.8	0.1	0.1
Interest coverage ratio (times)	6,128.2	2,563.3	734.5	14,249.2

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.

In line with the above basic policy and from the viewpoint of stable dividend payment, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2015 and for fiscal 2016. This will result in a consolidated payout ratio of 158.8% for fiscal 2015 and 128.2% for fiscal 2016.

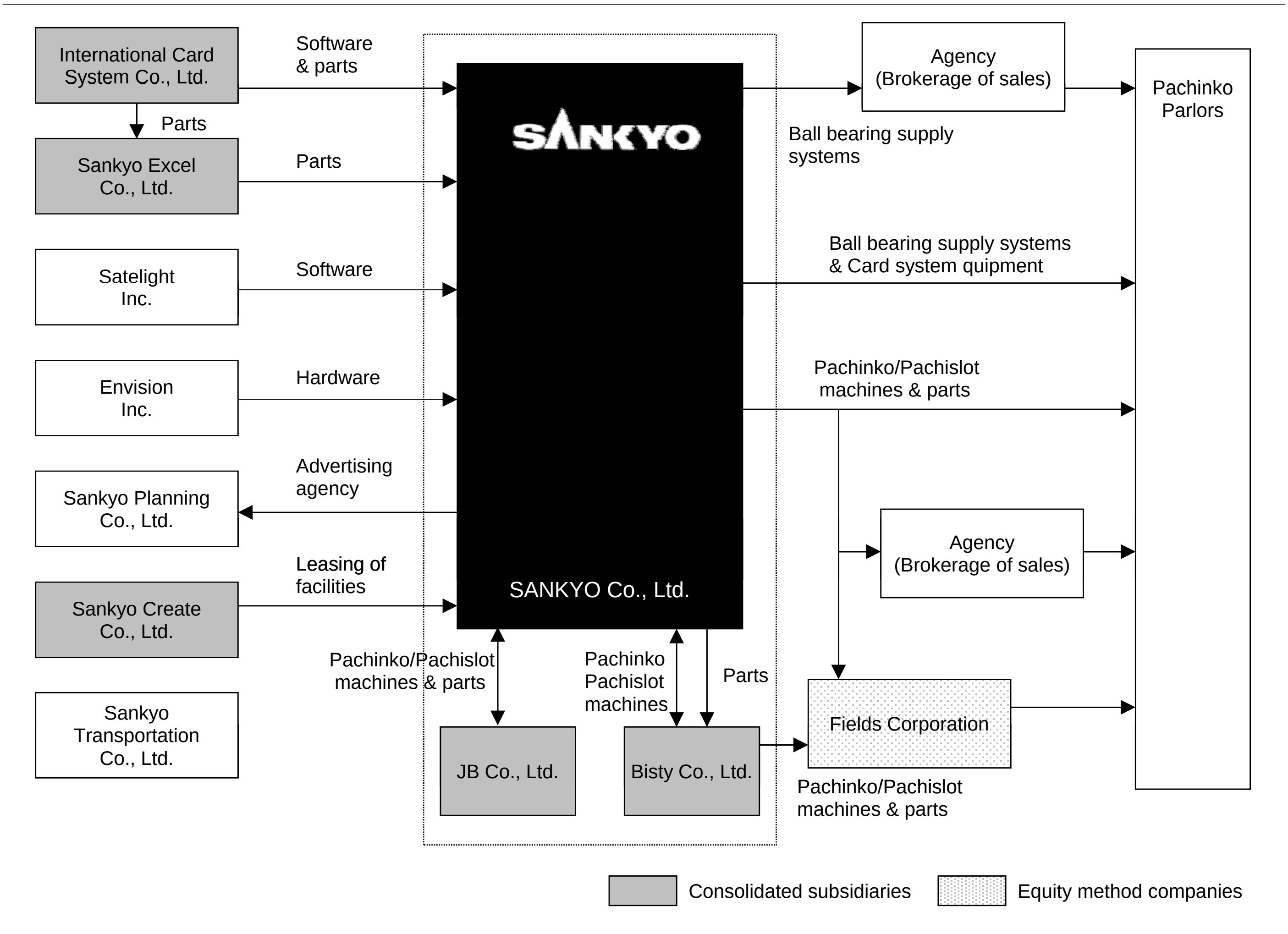
The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency.

2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 10 subsidiaries (as of March 31, 2015) 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. Fields Corporation Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	
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.

	FY2013	**FY2014**	**FY2015**
Ratio of operating income to net sales (%)	6.7	17.7	9.0

(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

In the pachinko and pachislot industry, the number of parlors has been declining and there have been bankruptcies among manufacturers of pachinko/pachislot machines. There is a growing sense of crisis among enterprises involved in the pachinko and pachislot industry about the declining player population, which is the largest factor contributing to the shrinkage of the market scale. The Pachinko/Pachislot Industry Vitalization Committee established by the Pachislot and Pachinko Industry 21st Century Club comprising 14 industry organizations is taking various initiatives to overcome this difficult situation and to halt the decline in player population.

In view of these trends, the SANKYO Group will address the following three key management issues.

a. Development of diverse pachinko/pachislot machines

While the current mainstream pachinko machines are of the fever type with a large LCD screen featuring well-known content, it is pointed out that the lack of diversity in gaming performance and the increase in the fee for playing pachinko are causing both longstanding players and new ones to drift away from pachinko. Meanwhile, there are moves to control the amount of money spent on playing games. For example, Nikkoso, an association of pachinko machine manufacturers, has set a new lower limit of a jackpot probability for products to be released from November 2015 onward, as a measure to prevent players from becoming too immersed in playing.

Under these circumstances, the Group is taking initiative and developing diverse pachinko/pachislot machines that light players and dormant players can enjoy with ease. During the current fiscal year, products with easy-to-play gaming performance featuring SANKYO’s original content have been favorably received. They include *Fever Queen*, a drum-type machine without an LCD; *Fever Powerful*, a reproduction of a mega-hit model from the dawn of pachinko machines with LCDs; and *Uchi no Pochies*, capitalizing on the thrilling movement of balls. As few manufacturers have the expertise for developing these kinds of products and it is also possible to lower development costs and manufacturing costs for such products compared with the current mainstream products, the Group will focus on development and penetration of diverse pachinko/pachislot machines, with “ease-of-playing” as the key theme.

b. Reinforcement of the pachislot machines business

The voluntary regulations targeting reduction of the amount of money spent on playing will also become applicable to pachislot machines installed from December 2015 onward. Although there is concern that this will drive certain heavy players away from pachislot, it will also be an opportunity to attract light players. Management considers that these voluntary regulations do not require the SANKYO Group to greatly change its pachislot development policy. By responding to new regulations ahead of competitors, we aim to enhance the Group's positioning in the pachislot market and reinforce the pachislot development system. At the same time, we will also work to enhance product competitiveness by enriching alliances.

c. Cost reduction initiatives

In recent years, competition among manufacturers to achieve product differentiation has continued to center on the visual impact of increasingly sophisticated LCD presentation and movable gimmicks, resulting in rising development costs of pachinko/pachislot machines and parts and materials costs. In line with this trend, the Group's margin ratio has been deteriorating despite an increase in unit sales price. Moreover, a vicious circle persists in which increased unit sales price is leading to a heavier investment burden on parlors and smaller sales lots, resulting in lower returns for players.

In order to break free from this vicious circle, the Group will conduct a fundamental review of the development cost of each pachinko/pachislot machine model and start initiatives to reduce manufacturing costs. The key initiative is adoption of a common frame for SANKYO-, Bisty-, and JB-brand pachinko machines to enable replacement of gauge boards of the Group's three brands in the same frame. Moreover, the Group's design of pachinko/pachislot machines will take into consideration the trade-in of used machines and recycling of parts and materials. By further promoting the sharing of parts and materials to facilitate cost reduction, the Group aims to reduce parlors' investment burden, thus cultivating an environment where parlors feel more inclined to purchase pachinko/pachislot machines, while at the same time targeting improved profitability. Despite a challenging business environment, the Group aims to stimulate demand for the SANKYO Group products and vitalize the market by pursuing cost reduction along with the development of diverse pachinko/pachislot machines that are easy to play, as mentioned above.

4. Basic Approach to the Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2014 Millions of yen	As of March 31, 2015 Millions of yen
Assets:		
Current assets:		
Cash and deposits	124,546	133,675
Notes and accounts receivable-trade	34,781	45,070
Marketable securities	153,995	129,999
Finished goods and merchandise	4	62
Work in process	124	741
Raw materials and supplies	856	2,742
Accounts receivable for provision of parts and materials for value	455	3,283
Deferred tax assets	3,023	2,986
Other	8,566	6,485
Allowance for doubtful accounts	(10)	(3)
Total current assets	326,343	325,043
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	27,298	27,339
Less accumulated depreciation	(10,679)	(11,603)
Subtotal	16,618	15,736
Machinery and equipment	7,770	8,098
Less accumulated depreciation	(6,839)	(7,013)
Subtotal	930	1,084
Furniture and fixtures	17,526	19,104
Less accumulated depreciation	(16,239)	(16,597)
Subtotal	1,287	2,506
Land	23,126	23,126
Lease assets	32	46
Less accumulated depreciation	(13)	(20)
Subtotal	19	26
Construction in progress	356	444
Other	4,284	4,499
Total tangible fixed assets	46,622	47,424
Intangible fixed assets		
Goodwill	2,478	1,741
Other	432	436
Total Intangible fixed assets	2,911	2,178
Investments and other assets:		
Investment securities	69,417	54,106
Long-term advances	17	1
Deferred tax assets	5,702	5,616
Other	542	684
Allowance for doubtful accounts	(26)	(26)
Allowance for investment loss	(379)	(379)
Total investments and other assets	75,272	60,003
Total fixed assets	124,806	109,605
Total assets	451,149	434,648

Consolidated Balance Sheets

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

	As of March 31, 2014	As of March 31, 2015
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	15,307	41,204
Lease liabilities	5	8
Accrued income taxes	7,324	3,804
Allowance for bonuses	832	833
Other	8,841	9,060
Total current liabilities	32,312	54,911
Long-term liabilities:		
Lease liabilities	14	19
Provision for special retirement bonuses for directors	753	-
Net defined benefit liabilities	3,847	4,388
Asset retirement obligations	59	63
Other	1,066	3,595
Total long-term liabilities	5,740	8,067
Total liabilities	38,053	62,978
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,879	23,750
Retained earnings	391,083	347,975
Less: treasury stock, at cost	(20,937)	(19,724)
Total shareholders' equity	408,865	366,840
Accumulated other comprehensive income:		
Net unrealized gain on other securities	4,104	4,794
Remeasurements of defined benefit plans	22	(218)
Total accumulated other comprehensive income:	4,126	4,575
Subscription rights to shares	-	253
Minority interests in consolidated subsidiaries	103	-
Total net assets	413,096	371,670
Total liabilities and total net assets	451,149	434,648

(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, 2014	Year ended March 31, 2015
	Millions of yen	Millions of yen
Net sales	158,453	146,579
Cost of sales	84,009	83,676
Gross profit	74,444	62,902
Selling, general and administrative expenses	46,420	49,668
Operating income	28,023	13,233
Non-operating income:		
Interest income	1,025	882
Dividend income	388	430
Equity in earnings of affiliates	630	202
Other	211	214
Total non-operating income	2,256	1,729
Non-operating expenses:		
Interest expenses	2	1
Loss on management of investment partnership	121	86
Foreign exchange losses	6	-
Other	5	5
Total non-operating expenses	135	93
Recurring income	30,144	14,870
Extraordinary gains:		
Gain on sales of fixed assets	10	14
Total extraordinary gains	10	14
Extraordinary losses:		
Loss on sales of investment securities	-	1
Loss on disposal of fixed assets	197	46
Loss on valuation of investment securities	410	14
Directors' retirement benefits	-	1,790
Total extraordinary losses	607	1,853
Income before income taxes	29,547	13,031
Income taxes:		
Current income taxes	8,924	4,225
Deferred income taxes	(1,881)	180
Total income taxes	7,043	4,406
Income before minority interests	22,504	8,624
Minority interests in income (loss)	103	(103)
Net income	22,400	8,728

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2014	Year ended March 31, 2015
	Millions of yen	Millions of yen
Income before minority interests	22,504	8,624
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,667	722
Remeasurements of defined benefit plans	-	(238)
Share of other comprehensive income of associates accounted for using equity method	31	(35)
Total other comprehensive income	1,699	448
Comprehensive income	24,204	9,073
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,100	9,177
Comprehensive income attributable to minority interests	103	(103)

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

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 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

Year ended March 31, 2015 (From April 1, 2014, to March 31, 2015)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	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 plans	Total accumulated other comprehensive income			
Balance at beginning of the period	14,840	23,879	391,083	(20,937)	408,865	4,104	22	4,126	-	103	413,096
Cumulative effects of changes in accounting policies			22		22						22
Balance at beginning of the period reflecting changes in accounting policies	14,840	23,879	391,105	(20,937)	408,887	4,104	22	4,126	-	103	413,118
Change during the fiscal year											
Dividends of surplus			(14,043)		(14,043)						(14,043)
Net income			8,728		8,728						8,728
Acquisition of treasury stocks				(36,635)	(36,635)						(36,635)
Sales of treasury stocks		(0)		0	0						0
Retirement of treasury stock		(33)	(37,814)	37,848	-						-
Purchase of shares of consolidated subsidiaries		(96)			(96)						(96)
Net changes of items other than shareholder's equity						690	(241)	448	253	(103)	598
Total changes during the fiscal year	-	(129)	(43,129)	1,212	(42,046)	690	(241)	448	253	(103)	(41,448)
Balance at end of the period	14,840	23,750	347,975	(19,724)	366,840	4,794	(218)	4,575	253	-	371,670

(4) Consolidated Statements of Cash Flows

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

	Year ended March 31, 2014	Year ended March 31, 2015
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	29,547	13,031
Depreciation and amortization	3,669	4,615
Amortization of goodwill	737	737
Share-based compensation expenses	-	248
Increase (decrease) in allowance for doubtful accounts	(7)	(6)
Increase (decrease) in allowance for bonuses	11	0
Increase (decrease) in provision for special retirement bonuses for directors	58	(753)
Increase (decrease) in net defined benefit liabilities	209	184
Interest and dividend income	(1,414)	(1,312)
Interest expenses	2	1
(Gain) loss on equity in earnings of affiliates	(630)	(202)
(Gain) loss on sales of fixed assets	(10)	(14)
Disposal of fixed assets	197	46
(Gain) loss on sales of investment securities	-	1
(Gain) loss on valuation of investment securities	410	14
(Increase) decrease in notes and accounts receivable-trade	9,620	(10,289)
(Increase) decrease in inventories	9,689	(2,561)
Increase (decrease) in notes and accounts payable-trade	(26,020)	25,897
(Increase) decrease in accounts receivable for provision of parts and materials for value	14,504	(2,827)
Increase (decrease) in accounts payable	(1,068)	1,075
Increase (decrease) in accrued consumption tax	1,651	(1,312)
Other	(92)	4,923
Subtotal	41,067	31,497
Interest and dividend income received	1,401	1,080
Interest paid	(53)	(1)
Income taxes paid	(2,925)	(7,263)
Net cash (used in) provided by operating activities	39,490	25,313
Cash flows from investing activities:		
Payments into time deposits	(500)	-
Proceeds from withdrawal of time deposits	5,030	500
Payment for purchase of marketable securities	(10,000)	(10,000)
Proceeds from redemption of marketable securities	10,000	10,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(3,197)	(5,251)
Proceeds from sale of property, plant and equipment and intangible fixed assets	300	28
Payment for purchase of investment securities	(32,480)	(24,009)
Proceeds from redemption of investment securities	32,000	34,000
Proceeds from collection of long-term loans	321	23
Other	(24)	(190)
Net cash (used in) provided by investing activities	1,450	5,101
Cash flows from financing activities:		
Payment for long-term debt	(3,169)	-
Repayment of finance lease obligations	(5)	(6)
Payment for purchase of treasury stock, net	(5)	(36,635)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(14,044)	(14,043)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(96)
Net cash (used in) provided financing activities	(17,224)	(50,782)
Net increase (decrease) in cash and cash equivalents	23,716	(20,368)
Cash and cash equivalents at beginning of the period	215,324	239,041
Cash and cash equivalents at end of the period	239,041	218,672

(5) Segment Information

(Segment information by business category)

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

Year ended March 31, 2015 (From April 1, 2014, to March 31, 2015)

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

	Year ended March 31, 2015 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	114,137	19,054	12,552	145,744	834	146,579	-	146,579
Intersegment	-	-	-	-	-	-	-	-
Total	114,137	19,054	12,552	145,744	834	146,579	-	146,579
Segment income	15,481	2,616	442	18,541	(544)	17,996	(4,763)	13,233
Segment assets	129,551	31,989	20,439	181,981	17,983	199,964	234,684	434,648
Other items								
Depreciation	3,214	716	29	3,961	445	4,406	209	4,615
Increase in tangible fixed assets and intangible fixed assets	4,118	844	16	4,980	609	5,589	130	5,719

(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.,

Disclosure of matters other than the above is omitted because there have been no significant changes from the recent securities report (submitted on June 30, 2014).

Change in Accounting Policies

1. “Accounting Standard for Retirement Benefits”

Effective from the fiscal year ended 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 March 26, 2015, 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 consolidated financial statements.

2. “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 fiscal year ended 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 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 fiscal 2015.

As a result, capital surplus at the end of fiscal 2015 decreased by ¥96 million.

On the consolidated statement of cash flows for fiscal 2015, cash flows relating to purchase of shares of consolidated subsidiaries that do not accompany change of scope of consolidation are stated in cash flows from financing activities.

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.

The “Partial Revision of Income Tax Act, etc.” and the “Partial Revision of Local Tax Act, etc.” were promulgated on March 31, 2015. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities (those to be eliminated on or after April 1, 2015 only) was changed from 35.5%, which was used for the previous fiscal year, to 33.1% for the temporary differences that are expected to be eliminated in the period from April 1, 2015 to March 31, 2016 and to 32.3% for those that are expected to be eliminated on or after April 1, 2016.

As a result of this change, deferred tax assets under current assets and deferred tax assets under fixed assets decreased by ¥217 million and ¥421 million, respectively, and deferred income taxes recorded for fiscal 2015 and net unrealized gain on other securities increased by ¥856 million and ¥218 million, respectively.

2. 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 ¥2,525 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.

6. 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 12, 2015.

1. A newly appointed director (effective date: June 26, 2015)

Name	Position	Present Occupation
Taro Kitani	**Director**	Attorney at law (KOHWA SOHGOH LAW OFFICES)
Takashi Miura	**Director**	Cloudpoint Inc. Representative Director

Messrs. Taro Kitani and Takashi Miura are both scheduled to assume the position of Outside Directors, and to be reported to Tokyo Stock Exchange as independent officers.

2. (Reference) Directors and Officers after June 26, 2015

Name	Position
Hideyuki Busujima	**Representative Director, Chairman of the Board & CEO**
Kimihisa Tsutsui	**Representative Director, President & COO**
Ichiro Tomiyama	**Director & Senior Executive Operating Officer** Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept.
Taro Kitani	**Director**
Takashi Miura	**Director**
Shohachi Ugawa	**Standing Statutory Auditor**
Toshiaki Ishiyama	**Statutory Auditor**
Yoshiro Sanada	**Outside Statutory Auditor**
Fumiyoshi Noda	**Outside Statutory Auditor**
Yuji Togo	**Executive Operating Officer** Head of Product Management Div. & Office Manager of Product Strategy Office
Toshio Ogura	**Executive Operating Officer** Head of Intellectual Property Div.
Katsumasa Takai	**Executive Operating Officer** Head of Manufacturing Div. & Senior General Manager of Sanwa Plant
Yoko Oshima	**Executive Operating Officer** Head of Administration Div.
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.
Junichi Tsutsumi	**Operating Officer** General Manager of Product Management Dept.
Fumitaka Sekine	**Operating Officer** General Manager of Purchasing Dept.
Hisashi Kamoda	**Operating Officer** General Manager of Pachislot Development Dept.

Katsuki Amako	**Operating Officer** Deputy Head of Sales & Marketing Div. & Regional General Manager for the Kanto Region & General Manager of Tokyo Branch
Hotaka Makita	**Operating Officer** General Manager of Corporate Planning Div.