

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Submittal of the Financial Statements Report: February 10, 2016

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 FY2016 (From April 1, 2015, to December 31, 2015)

(1) Consolidated operating results

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

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
1st nine months of FY2016	99,452	(12.4%)	13,077	19.9%	14,372	24.9%	9,905	41.6%
1st nine months of FY2015	113,510	(15.0%)	10,910	(61.7%)	11,511	(61.5%)	6,996	(69.5%)
(note) Comprehensive income	1st nine months of FY2016		¥10,553 million [47.0%]		1st nine months of FY2015		¥7,180 million [(70.8%)]	

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2016	118.96	115.58
1st nine months of FY2015	74.85	74.78

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2015	414,597	349,980	84.3	
As of March 31, 2015	434,648	371,670	85.5	
(reference) Shareholders' Equity	As of December 31, 2015	¥349,442 million	As of March 31, 2015	¥371,416 million

2. Dividends

(Base date)	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	-	75.00	-	75.00	150.00
Year ended March 31, 2016	-	75.00	-	-	150.00
Year ended March 31, 2016 (Forecast)	-	75.00	-	75.00	150.00

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

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%	120.91

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 FY2016:	Not applicable			
(2) Application of peculiar accounting methods:	Not applicable			
(3) Changes in accounting procedures				
a. Related to accounting standard revisions etc.:	Not applicable			
b. Other changes:	Not applicable			
c. Changes in accounting estimates:	Not applicable			
d. Retrospective restatements:	Not applicable			
(4) Outstanding shares (common shares)				
a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2015:	89,597,500 shares	As of March 31, 2015:	89,597,500 shares	
b. No. of treasury stock As of Dec. 31, 2015:	8,577,211 shares	As of March 31, 2015:	4,126,611 shares	
c. Average number of shares issued and outstanding 1st 9M of FY2016:	83,262,034 shares	1st 9M of FY2015:	93,471,807 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, 2016 (from April 1, 2015 to December 31, 2015), the Japanese economy remained on a moderate recovery trend as indicated by signs of improvement in the employment environment and personal incomes. On the other hand, there are concerns about the risk posed to the Japanese economy and the financial and capital markets by the downturn in emerging economies in Asia, notably the Chinese economy.

The pachinko and pachislot industry is implementing across-the-board initiatives to halt the decline in the player population. The manufacturers have established voluntary regulations on machine specifications designed to discourage players from becoming overly immersed in playing and are promoting development of diverse easy-to-play machines.

Under these circumstances, in parallel with tie-up titles that capitalize on the worlds conjured up by well-known content, such as *Evangelion* and *Space Battleship Yamato*, the SANKYO Group proactively launched drum-type and flipper-type models that are not dependent on well-known content but offer diverse specifications and gaming performance. The Group also continued to sell reuse products.

However, affected by fierce competition to secure sales of models compliant with the former standards before the transition to new standards in accordance with the voluntary regulations, and owing to a decrease in demand after the transition to new standards, sales were sluggish and lower than the figure for the same period of the previous year. On the other hand, profit was higher than the figure for the same period of the previous year because a sales mix that differed from the forecast resulted in lower cost of sales than in the plan and also because of curtailment of selling, general and administrative expenses.

As a result, on a consolidated basis, net sales were ¥99.4 billion, a decrease of 12.4% compared with the same period of the previous year, operating income was ¥13.0 billion, a increase of 19.9%, recurring income was ¥14.3 billion, a increase of 24.9%, and profit attributable to owners of the parent amounted to ¥9.9 billion, a increase of 41.6%.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥66.1 billion, a decrease of 22.4% compared with the same period of the previous year, and operating income amounted to ¥12.2 billion, a increase of 16.4%. Sales of pachinko machines amounted to 205,000 units. Major titles released included *Fever Space Battleship Yamato* (introduced in May 2015), *Fever Macross Frontier 2* (introduced in August 2015) and *Fever Aquarion EVOL* (introduced in December 2015) under the SANKYO brand, *EVANGELION X* (introduced in September 2015) under the Bisty brand, and *PASSION MONSTER* (introduced in June 2015) under the JB brand.

Pachislot Machines Business

Regarding the pachislot machines business, sales amounted to ¥22.1 billion, a increase of 17.9% compared with the same period of the previous year, and operating income was ¥4.7 billion, a increase of 15.8%. Sales of pachislot machines amounted to 67,000 units. Major titles released included *Pachislot Macross Frontier 2 Bonus Live Ver.* (introduced in September 2015) under the SANKYO brand, and *EVANGELION-Spear of Hope* (introduced in June 2015) and *EVANGELION-Tamashii wo Tsunagumono* (introduced in December 2015) under the Bisty brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥10.6 billion, a increase of 19.6% compared with the same period of the previous year, and operating income was ¥0.3 billion, a increase of 7.4%.

Other Businesses

Sales of other businesses were ¥500 million, a decrease of 8.2% compared with the same period of the previous year, and operating loss was ¥400 million compared with an operating loss of ¥400 million a year earlier.

(2) Financial Position

Total assets at the end of the first nine months of the fiscal year ending March 31, 2016 amounted to ¥414.5 billion, having decreased ¥20.0 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥42.2 billion decrease in cash and deposits, a ¥9.6 billion decrease in notes and accounts receivable-trade, and a ¥5.1 billion decrease in investment securities despite a ¥35.0 billion increase in marketable securities.

Total liabilities amounted to ¥64.6 billion, having increased ¥1.6 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥20.0 billion increase in bonds with subscription rights to shares despite a ¥16.4 billion decrease in notes and accounts payable-trade and a ¥2.1 billion decrease in accrued income taxes.

Net assets decreased ¥21.6 billion compared with the figure at the previous fiscal year-end. This decrease was attributable to purchase of treasury stock amounting to ¥20.0 billion and cash dividends paid amounting to ¥12.5 billion, whereas profit attributable to owners of parent amounting to ¥9.9 billion was recorded. As a result, net assets amounted to ¥349.9 billion and the shareholders' equity ratio decreased 1.2 percentage points to 84.3%.

(3) Forecast of Consolidated Results and Other Forecast Information

No revision has been made to the forecasts of financial results for fiscal 2016 announced on May 12, 2015.

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

Not applicable.

(4) Additional information

(Accounting standards for business combinations)

The Company adopted the provisions in Paragraph 39 of the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013), and changed the presentation of net income, etc. as well as the presentation of minority interests to non-controlling interests. To reflect these changes in the presentations, the quarterly consolidated financial statements for the third quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified.

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

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

	As of March 31, 2015	As of Dec. 31, 2015
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	133,675	91,433
Notes and accounts receivable-trade	45,070	35,390
Marketable securities	129,999	165,000
Merchandise and finished goods	62	1,934
Work in process	741	7
Raw materials and inventories	2,742	1,778
Other	12,755	16,271
Allowance for doubtful accounts	(3)	(3)
Total current assets	325,043	311,813
Fixed assets:		
Tangible fixed assets	47,424	47,652
Intangible fixed assets		
Goodwill	1,741	1,188
Other	436	370
Total Intangible fixed assets	2,178	1,559
Investments and other assets:		
Investment securities	54,106	48,928
Other	6,303	5,050
Allowance for doubtful accounts	(26)	(26)
Allowance for investment loss	(379)	(379)
Total investments and other assets	60,003	53,572
Total fixed assets	109,605	102,784
Total assets	434,648	414,597

Consolidated Balance Sheets

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

	As of March 31, 2015	As of Dec. 31, 2015
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	41,204	24,750
Accrued income taxes	3,804	1,680
Allowance for bonuses	833	422
Other	9,068	9,437
Total current liabilities	54,911	36,291
Long-term liabilities:		
Bonds with subscription rights to shares	-	20,091
Net defined benefit liabilities	4,388	4,537
Asset retirement obligations	63	63
Other	3,615	3,634
Total long-term liabilities	8,067	28,326
Total liabilities	62,978	64,617
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	347,975	345,341
Less: treasury stock, at cost	(19,724)	(39,713)
Total shareholders' equity	366,840	344,218
Accumulated other comprehensive income:		
Net unrealized gain on other securities	4,794	5,429
Remeasurements of defined benefit plans	(218)	(205)
Total accumulated other comprehensive income	4,575	5,224
Subscription rights to shares	253	537
Total net assets	371,670	349,980
Total liabilities and total net assets	434,648	414,597

(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 FY2015	1st Nine Months of FY2016
	Millions of yen	Millions of yen
Net sales	113,510	99,452
Cost of sales	63,975	54,745
Gross profit	49,534	44,707
Selling, general and administrative expenses	38,624	31,629
Operating income	10,910	13,077
Non-operating income:		
Interest income	682	506
Dividend income	430	487
Equity in earnings of affiliates	-	215
Other	142	223
Total non-operating income	1,255	1,433
Non-operating expenses:		
Interest expenses	1	-
Equity in losses of affiliates	606	-
Loss on management of investment partnership	42	65
Bond issuance cost	-	70
Other	3	2
Total non-operating expenses	654	138
Recurring income	11,511	14,372
Extraordinary gains:		
Gain on sales of fixed assets	11	-
Total extraordinary gains	11	-
Extraordinary losses:		
Loss on sales of fixed assets	-	56
Loss on sales of investment securities	1	-
Loss on disposal of fixed assets	34	36
Loss on valuation of investment securities	14	-
Directors' retirement benefits	1,790	-
Total extraordinary losses	1,840	92
Income before income taxes and minority interests	9,682	14,279
Income taxes:		
Current income taxes	3,446	3,258
Deferred income taxes	(656)	1,115
Total income taxes	2,790	4,374
Net income	6,892	9,905
Profit (loss) attributable to non-controlling interests	(103)	-
Profit attributable to owners of parent	6,996	9,905

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2015	1st Nine Months of FY2016
	Millions of yen	Millions of yen
Net income	6,892	9,905
Other comprehensive income:		
Net unrealized gain (loss) on other securities	334	657
Remeasurements of defined benefit plans	1	43
Share of other comprehensive income of associates accounted for using equity method	(48)	(53)
Total other comprehensive income	287	648
Comprehensive income	7,180	10,553
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,284	10,553
Comprehensive income attributable to non-controlling interests	(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 FY2016 (From April 1, 2015, to December 31, 2015)

Following the resolution at its board of directors' meeting on July 7, 2015, the Company bought back its shares in accordance with the provisions of Article 156 of the Companies Act applicable pursuant to Article 165, Paragraph 3, of the said Act. As a result, treasury stock at the end of the third quarter of fiscal 2016 increased JPY19,999 million.

Segment Information

(Segment information by business category)

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

1st Nine Months of FY2016 (From April 1, 2015, to December 31, 2015)

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

	1st Nine Months of FY2016 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	66,123	22,110	10,647	98,880	571	99,452	-	99,452
Intersegment	-	-	-	-	-	-	-	-
Total	66,123	22,110	10,647	98,880	571	99,452	-	99,452
Segment income	12,203	4,715	336	17,255	(459)	16,796	(3,718)	13,077