

May 10, 2018

**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 28, 2018

Planned Date for Start of Dividend Payment: June 29, 2018

Planned Date for Submittal of the Financial Statements Report: June 29, 2018

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, 2017, to March 31, 2018)**

(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	
Year ended March 31, 2018	86,220	5.9%	10,181	101.2%	11,319	195.3%	5,550	212.2%
Year ended March 31, 2017	81,455	(40.6%)	5,059	(73.1%)	3,832	(80.8%)	1,777	(83.0%)
(note) Comprehensive income	Year ended March 31, 2018		¥7,352 million [126.5%]		Year ended March 31, 2017		¥3,246 million [(65.9%)]	

	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, 2018	68.37	64.86	1.6	2.9	11.8	
Year ended March 31, 2017	21.94	20.73	0.5	1.0	6.2	
(reference) Equity in earnings of affiliates	Year ended March 31, 2018		- million		Year ended March 31, 2017	¥(2,216) 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, 2018	396,291	337,242	84.8	4,141.43
As of March 31, 2017	390,585	340,287	86.9	4,189.98
(reference) Shareholders' Equity	As of March 31, 2018	¥336,185 million	As of March 31, 2017	¥339,484 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, 2018	15,962	18,420	(12,184)	274,017
Year ended March 31, 2017	8,549	20,547	(12,184)	251,818

**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, 2017	-	75.00	-	75.00	150.00	12,176	683.6	3.5
Year ended March 31, 2018	-	75.00	-	75.00	150.00	12,176	219.4	3.6
Year ended March 31, 2019 (forecast)	-	75.00	-	75.00	150.00		135.3	

**3. Forecast for FY2019 (From April 1, 2018, to March 31, 2019)**

(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, 2019	90,000	4.4%	12,000	17.9%	13,000	14.8%	9,000	62.1%	110.87

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. Overview of business results etc. (4) Future outlook" of the attached documents on Page 5.

**\* Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2018: Not applicable
- (2) 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 |
- (3) Outstanding shares (common shares)
- a. Number of shares outstanding (including treasury stock)
- |                       |                   |
|-----------------------|-------------------|
| As of March 31, 2018: | 89,597,500 shares |
| As of March 31, 2017: | 89,597,500 shares |
- b. Number of treasury stock
- |                       |                  |
|-----------------------|------------------|
| As of March 31, 2018: | 8,421,329 shares |
| As of March 31, 2017: | 8,574,481 shares |
- c. Average number of shares issued and outstanding
- |                       |                   |
|-----------------------|-------------------|
| As of March 31, 2018: | 81,176,540 shares |
| As of March 31, 2017: | 81,023,346 shares |

**(Reference) Non-consolidated results****1. Non-consolidated results for the fiscal year (From April 1, 2017, to March 31, 2018)****(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, 2018	73,671	11.0%	4,719	-	7,493	116.6%	6,053	83.0%
Year ended March 31, 2017	66,356	(43.4%)	(375)	-	3,460	(70.9%)	3,308	(60.6%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2018	74.58	70.76
Year ended March 31, 2017	40.76	38.65

**(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, 2018	383,632	324,519	84.3	3,984.69
As of March 31, 2017	376,188	328,620	87.1	4,038.32

(reference) Shareholders' Equity      As of March 31, 2018      ¥323,461 million      As of March 31, 2017      ¥327,817 million

\* This document is not subject to audit procedures

**\* 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. Overview of business results etc. (4) Future outlook" in the accompanying material.

## 1. Overview of business results etc.

### (1) Overview of business results, etc. for the fiscal year under review

During the fiscal year ended March 31, 2018, the Japanese economy experienced a moderate recovery as corporate earnings were robust and the labor market steadily improved.

During the fiscal year ended March 31, 2018, regarding the environment surrounding the pachinko and pachislot industry, as part of initiatives for countermeasures for compulsive gambling, the Regulations Partially Amending the Ordinance for Enforcement of the Act to Control Businesses That May Affect Public Morals and the Regulations Concerning the Certification and Official Inspection of Game Machines ("Amended Pachinko and Pachislot Machines Regulations") were promulgated in September 2017 and came into force on February 1, 2018. The pachinko and pachislot machines that are compliant with the former regulations are required to be removed or replaced with ones compliant with the new regulations during the three-year period for a transitional measure. However, during the fiscal year under review, as the launch of pachinko and pachislot machines certified by format inspection under the new regulations has not yet been started, it is difficult to forecast how players will react to the pachinko and pachislot machines compliant with the new regulations that will be introduced in the market, pachinko parlors are postponing decision-making on the revision of the current mix of pachinko and pachislot machines installed. Thus, the market for sales of pachinko and pachislot machines remained sluggish.

In these circumstances, the Group introduced 15 pachinko titles (excluding reuse models) and six pachislot titles.

Although operating loss was recorded for the first nine months of the fiscal year ended March 31, 2018 because the Group introduced only five new pachinko titles during the first six months, the Group introduced 10 titles in the second half to regain momentum. Moreover, *Fever Symphogear*, a pachinko title introduced in August 2017, became a long-running hit product, leading to enhancement of the Group's brand power, and a recovery trend of both sales and profit became apparent.

As a result, net sales were ¥86.2 billion, an increase of 5.9% year on year. Operating income was ¥10.1 billion, an increase of 101.2%, and recurring income was ¥11.3 billion, an increase of 195.3%. Profit attributable to owners of parent increased by 212.2% to ¥5.5 billion, owing to recording of impairment loss of fixed assets owned by Sankyo Create Co., Ltd. announced on April 27, 2018.

Results of segments are presented below:

#### Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥67.2 billion, a increase of 11.1% year on year, and operating income amounted to ¥14.5 billion, a increase of 40.1%. Sales of pachinko machines amounted to 171,000 units. The Group introduced 15 titles (excluding reuse models), exceeding the number of titles introduced in the previous fiscal year (11 titles) and achieved approximately the same sales volume as the previous fiscal year. Major titles released included *Fever Symphogear* (introduced in August 2017) and *Fever Fever Mobile Suit Zeta GUNDAM* (introduced in January 2018) under the SANKYO brand, *EVANGELION 2018 Model* (introduced in October 2017) and *CODE GEASS "Emperor Road"* (introduced in February 2018) under the Bisty brand, and *Fever Powerful 2018* (introduced in February 2018) and *Fever Queen 2018* (introduced in February 2018) under the JB brand.

#### Pachislot Machines Business

With regard to the pachislot machines business, sales amounted to ¥11.1 billion, a decrease of 15.6% year on year, and operating income was ¥0.1 billion, compared with operating loss of ¥0.2 billion for the previous fiscal year. Sales of pachislot machines amounted to 29,000 units. Parlor operators were reluctant to purchase new pachislot machines because of concerns that pachislot machines may be more affected by the revision of the regulations than pachinko machines, and thus the Group's sales volume of pachislot machines was also lackluster. Major titles released included *Pachislot Macross Frontier 3* (introduced in May 2017) and *Pachislot Aquarion EVOL* (introduced in July 2017) under the SANKYO brand, and *Evangelion "to You the Sincerity 2"* (introduced in January 2018) under the Bisty brand.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥7.2 billion, a increase of 0.6% year on year, and operating income was ¥0.4 billion, an increase of 35.9%, reflecting parlor operators' low motivation for opening new parlors.

#### Other Businesses

Sales of other businesses were ¥500 million, a increase of 11.0% year on year. An operating loss of ¥400 million was recorded compared with operating loss of ¥600 million for the previous year.

### (2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year ended March 31, 2018 amounted to ¥396.2 billion, having increased ¥5.7 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥7.8 billion increase in notes and accounts receivable-trade and a ¥7.7 billion increase in cash and deposits, despite a ¥6.0 billion decrease in marketable securities and a ¥4.1 billion decrease in prepaid expenses (included in "Other" of Current assets).

Total liabilities amounted to ¥59.0 billion, having increased ¥8.7 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥3.6 billion increase in notes and accounts payable-trade, a ¥3.2 billion increase in electronically recorded obligations-operating, and a ¥1.0 billion increase in accounts payable (included in "Other" of Current liabilities).

Net assets decreased ¥3.0 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to cash dividends paid amounting to ¥12.1 billion despite recording of profit attributable to owners of parent amounting to ¥5.5 billion, a ¥1.7 billion increase in net unrealized gain on other securities and an increase of ¥1.4 billion owing to the exclusion of Fields Corporation from the scope of equity method accounting. As a result, net assets amounted to ¥337.2 billion and the shareholders' equity ratio decreased 2.1 percentage points to 84.8%.

### (3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥274.0 billion, having increased ¥22.1 billion from the previous fiscal year-end.

Net cash provided by operating activities increased ¥7.4 billion from the previous fiscal year to ¥15.9 billion. Principal cash inflow items were income before income taxes amounting to ¥8.0 billion, a ¥7.2 billion increase in notes and accounts payable-trade, and a ¥4.1 billion decrease in prepaid expenses (included in "Other"). The principal cash outflow item was a ¥7.8 billion increase in notes and accounts receivable-trade.

Net cash provided by investing activities decreased ¥2.1 billion from the previous fiscal year to ¥18.4 billion. Principal cash inflow items were proceeds from redemption of marketable securities amounting to ¥70.0 billion, proceeds from redemption of investment securities amounting to ¥24.0 billion, and proceeds from withdrawal of time deposits amounting to ¥5.5 billion. Principal cash outflow items were payment for purchase of marketable securities amounting to ¥68.0 billion and payment into time deposits amounting to ¥11.0 billion.

Net cash used in financing activities amounted to ¥12.1 billion, virtually unchanged from the previous fiscal year. The principal cash outflow item was cash dividends paid amounting to ¥12.1 billion.

For fiscal 2019, the Company forecasts an increase in net cash provided by operating activities of ¥21.0 billion, a decrease in net cash used in investing activities of ¥3.0 billion attributable to capital investment, and a decrease in net cash used in financing activities of ¥12.0 billion attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥6.0 billion in the cash balance at the end of fiscal 2019 compared to the end of fiscal 2018.

### (reference) Change in cash flow indicators

	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Shareholders' equity ratio (%)	85.5	84.1	86.9	84.8
Shareholders' equity ratio at market value (%)	84.1	82.0	77.2	76.8
Ratio of interest-bearing debt to cash flows (%)	0.1	0.1	0.2	0.1
Interest coverage ratio (times)	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.

### (4) Future outlook

The next fiscal year ending March 31, 2019 is the first full year for enforcement of the Amended Pachinko and Pachislot Machines Regulations and of the three-year period for a transitional measure during which it is possible to continue sales of products that were certified by format inspection under the former regulations. Regarding machines compliant with the new regulations that will be introduced in the market from now on, it is difficult to forecast how players will react to them because the total payout of such machines is lower than that of machines compliant with the former regulations. However, competition in development of products that can be played at a more reasonable cost is expected and there are certain elements that lead to new gaming performance, such as pachinko machines with payout settings. Therefore, the Group intends to vigorously apply for format inspection of machines compliant with the new regulations so that they can be introduced to the market in parallel with sales of machines

compliant with the former regulations.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2019, of 205,500 pachinko machines and 39,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2018, are as follows:

	Forecast	Year-on-year change	FY 2018 results
Net sales	¥90.0 billion	4.4% increase	¥86.2 billion
Operating income	¥12.0 billion	17.9% increase	¥10.1 billion
Recurring income	¥13.0 billion	14.8% increase	¥11.3 billion
profit attributable to owners of parent	¥9.0 billion	62.1% increase	¥5.5 billion

**\*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.

**(5) Basic policy on profit sharing and cash dividends for fiscal 2017 and fiscal 2018**

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 Profit attributable to owners of parent 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 2017 and for fiscal 2018. This will result in a consolidated payout ratio of 219.4% for fiscal 2017 and 135.3% for fiscal 2018.

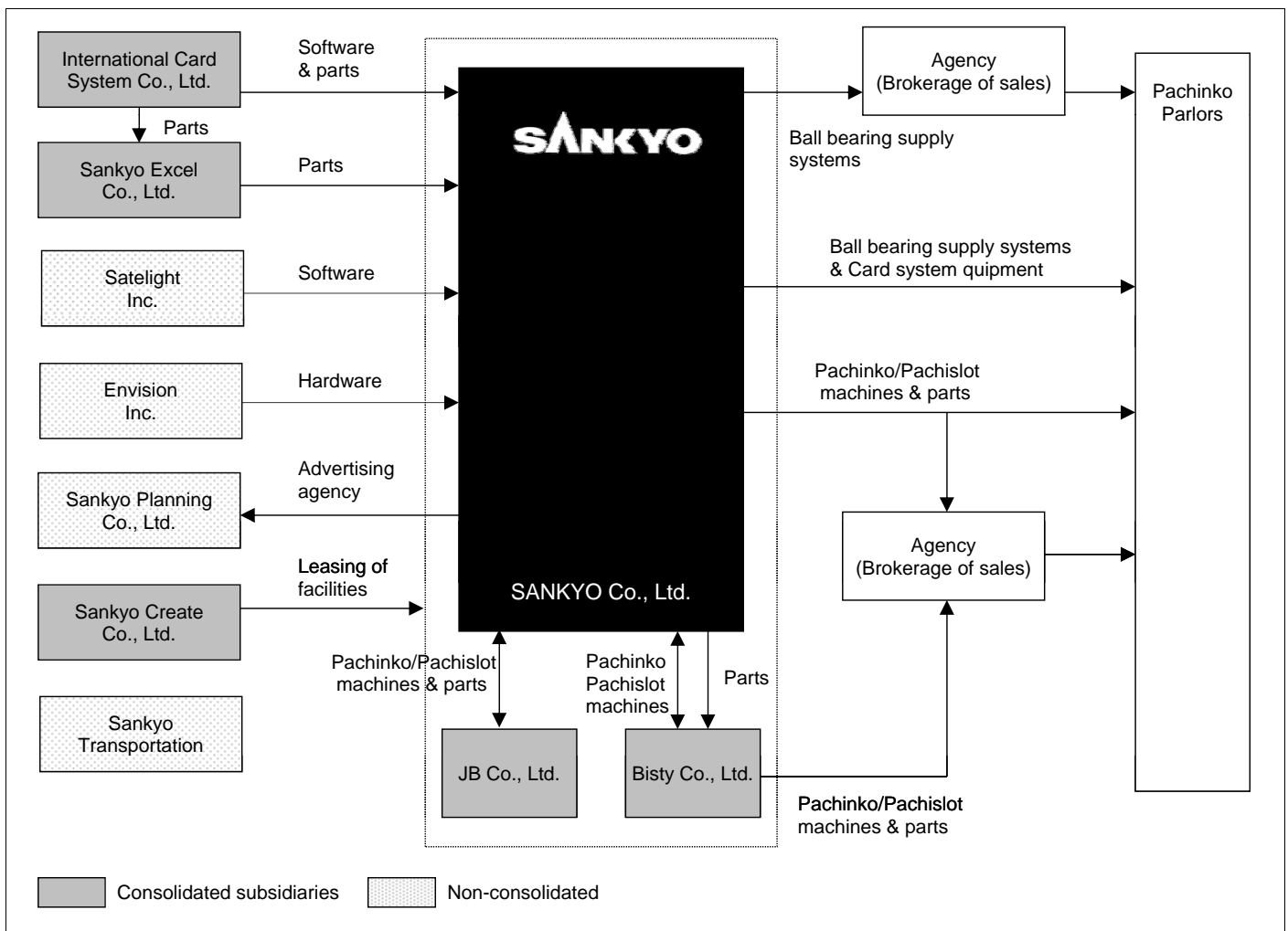
The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency.

**2. Overview of the Consolidated Group**

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 9 subsidiaries (as of March 31, 2017) 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
<b>Pachinko machines business</b> 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.
<b>Pachislot machines business</b> Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
<b>Ball bearing supply systems business</b> 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.
<b>Other business</b> 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.

	FY2016	FY2017	FY2018
Ratio of operating income to net sales (%)	13.7	6.2	11.8

#### (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 SANKYO Group will address the following two principal management issues:

##### a. Response to change in the environment and initiatives to revamp pachinko and pachislot player population

In line with the enforcement of the Amended Pachinko and Pachislot Machines Regulations, the pachinko and pachislot industry is implementing industry-wide measures to discourage players from becoming overly immersed in playing pachinko and pachislot, one of the objectives of the amended regulations. While implementing such measures, the Group recognizes that one of the most important issues for the industry is the need to restore pachinko and pachislot to their position as affordable popular entertainment that can be enjoyed at ease.

As the response to the Amended Pachinko and Pachislot Machines Regulations is subject to a transitional measure for three years, pachinko parlors are expected to be cautious regarding replacement with machines compliant with new regulations, as they want to determine the popularity of such machines. The Group intends to commit to speedy development of pachinko and pachislot machines that can be played at a reasonable cost in order to lead their diffusion in the market.

##### b. Initiatives to strengthen earnings power

As part of initiatives to strengthen earnings power, the Group will strive to increase sales of pachinko and pachislot machines, which are the sources of profit, increase the Group's market share, and reduce cost.

Offering pachinko and pachislot machines that are well received by players and remain in operation for a long time, thereby contributing to parlor operators' revenues and profit, will lead to enhancement of the Group's brand and increased sales. In this regard, although *Fever Symphogear*, a SANKYO-brand pachinko machine introduced in August 2017, attracted little attention upon its launch, it soon captivated the younger generation, which is the target of the *Symphogear* anime, and its popularity expanded to other age groups owing to synergy between the content and its specifications and gaming performance. Although sales of a new pachinko title generally stabilize within about a month of its introduction, *Fever Symphogear* gained additional orders for more than six months, becoming an enduring strong-seller, which is a rarity in the industry, and a hit product leading to

enhancement of the Group's brand power. Attesting to this success, *Fever Symphogear* gained the first place in the pachinko category of Players' Choice Pachinko and Pachislot Award 2017 held by the PACHINKO Advertising Association.

By pursuing synergy between intellectual property (IP) and content, taking advantage of the world they conjure up, and specifications and gaming performance, the Group will work to appeal to players of a wide range of age groups. At the same time, the Group will promote development and sales of pachinko and pachislot machines that can be played at a reasonable cost, which are expected to become mainstream from now on, and of pachinko machines with payout settings as well as aiming at an increase of the market share.

Meanwhile, development costs are soaring and sales of pachinko and pachislot machines have been increasingly gravitating toward smaller lots in recent years, putting pressure on profit. In these circumstances, the Group is shortening the development lead time. Moreover, the Group classifies its products into high-end models or low-end models and models through tie-up with licensors or models featuring original content and modulates allocation of costs, such as manufacturing cost and R&D expenditure, according to the classification of products for thorough profit/loss management for each product in order to secure profit even in small-lot manufacturing and sales.

#### **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, 2017	As of March 31, 2018
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	97,818	105,568
Notes and accounts receivable-trade	18,626	26,489
Marketable securities	188,007	181,999
Finished goods and merchandise	82	248
Work in process	289	285
Raw materials and supplies	1,334	1,628
Accounts receivable for provision of parts and materials for value	1,796	4,359
Deferred tax assets	2,073	2,173
Other	7,536	2,083
Allowance for doubtful accounts	(13)	(2)
Total current assets	317,552	324,833
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	27,769	26,460
Less accumulated depreciation	(13,094)	(13,870)
Subtotal	14,674	12,589
Machinery and equipment	7,592	7,479
Less accumulated depreciation	(6,473)	(6,649)
Subtotal	1,119	830
Furniture and fixtures	20,016	19,534
Less accumulated depreciation	(17,003)	(16,165)
Subtotal	3,013	3,369
Land	22,985	22,628
Lease assets	30	30
Less accumulated depreciation	(17)	(22)
Subtotal	13	8
Construction in progress	0	-
Other	3,074	1,850
Total tangible fixed assets	44,880	41,277
Intangible fixed assets		
Goodwill	267	132
Other	319	231
Total Intangible fixed assets	586	364
Investments and other assets:		
Investment securities	21,612	25,015
Long-term advances	544	154
Deferred tax assets	5,319	4,567
Other	493	480
Allowance for doubtful accounts	(24)	(21)
Allowance for investment loss	(379)	(379)
Total investments and other assets	27,565	29,816
Total fixed assets	73,032	71,458
Total assets	390,585	396,291

## Consolidated Balance Sheets

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

	As of March 31, 2017 Millions of yen	As of March 31, 2018 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	5,607	9,304
Electronically recorded obligations - operating	8,113	11,326
Lease liabilities	5	4
Accrued income taxes	1,623	2,369
Allowance for bonuses	834	803
Asset retirement obligations	-	3
Other	5,745	6,785
<b>Total current liabilities</b>	<b>21,930</b>	<b>30,599</b>
Long-term liabilities:		
Bonds with subscription rights to shares	20,066	20,046
Lease liabilities	8	4
Net defined benefit liabilities	4,671	4,784
Asset retirement obligations	63	59
Other	3,557	3,554
<b>Total long-term liabilities</b>	<b>28,368</b>	<b>28,449</b>
<b>Total liabilities</b>	<b>50,298</b>	<b>59,048</b>
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	335,518	329,499
Less: treasury stock, at cost	(39,700)	(38,782)
<b>Total shareholders' equity</b>	<b>334,408</b>	<b>329,306</b>
Accumulated other comprehensive income:		
Net unrealized gain on other securities	5,264	6,952
Remeasurements of defined benefit plans	(188)	(73)
<b>Total accumulated other comprehensive income</b>	<b>5,076</b>	<b>6,878</b>
Subscription rights to shares	802	1,057
<b>Total net assets</b>	<b>340,287</b>	<b>337,242</b>
<b>Total liabilities and total net assets</b>	<b>390,585</b>	<b>396,291</b>

## (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, 2017	Year ended March 31, 2018
	Millions of yen	Millions of yen
Net sales	81,455	86,220
Cost of sales	38,409	42,506
Gross profit	43,045	43,714
Selling, general and administrative expenses	37,986	33,533
Operating income	5,059	10,181
Non-operating income:		
Interest income	318	189
Dividend income	482	733
Other	217	219
Total non-operating income	1,017	1,143
Non-operating expenses:		
Equity in losses of affiliates	2,216	-
Loss on management of investment partnership	3	-
Other	24	5
Total non-operating expenses	2,244	5
Recurring income	3,832	11,319
Extraordinary gains:		
Gain on sales of fixed assets	8	-
Gain on sales of golf course membership	-	2
Total extraordinary gains	8	2
Extraordinary losses:		
Loss on sales of fixed assets	24	2
Loss on disposal of fixed assets	37	18
Loss on sales of investment securities	-	42
Loss on valuation of investment securities	85	-
Impairment loss	-	3,202
Loss on sales of golf club membership	8	-
Total extraordinary losses	156	3,266
Income before income taxes	3,685	8,055
Income taxes:		
Current income taxes	2,105	2,655
Deferred income taxes	(198)	(150)
Total income taxes	1,907	2,504
Net income	1,777	5,550
Profit attributable to owners of parent	1,777	5,550

## Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2017	Year ended March 31, 2018
	Millions of yen	Millions of yen
Net income	1,777	5,550
Other comprehensive income:		
Net unrealized gain (loss) on other securities	1,421	1,768
Remeasurements of defined benefit plans	33	105
Share of other comprehensive income of associates accounted for using equity method	13	(71)
Total other comprehensive income	1,469	1,802
Comprehensive income	3,246	7,352
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,246	7,352
Comprehensive income attributable to minority interests	-	-

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

Year ended March 31, 2017 (From April 1, 2016, to March 31, 2017)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	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	23,750	345,918	(39,700)	344,807	3,839	(232)	3,607	526	348,941
Change during the fiscal year										
Dividends of surplus			(12,176)		(12,176)					(12,176)
Profit attributable to owners of parent			1,777		1,777					1,777
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks			(0)	2	1					1
Change of scope of equity method										-
Change in treasury shares arising from change in equity in entities accounted for using equity method										-
Net changes of items other than shareholder's equity						1,424	44	1,469	275	1,744
Total changes during the fiscal year	-	-	(10,399)	0	(10,399)	1,424	44	1,469	275	(8,654)
Balance at end of the period	14,840	23,750	335,518	(39,700)	334,408	5,264	(188)	5,076	802	340,287

Year ended March 31, 2018 (From April 1, 2017, to March 31, 2018)

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

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	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	23,750	335,518	(39,700)	334,408	5,264	(188)	5,076	802	340,287
Change during the fiscal year										
Dividends of surplus			(12,176)		(12,176)					(12,176)
Profit attributable to owners of parent			5,550		5,550					5,550
Acquisition of treasury stocks				(2)	(2)					(2)
Sales of treasury stocks			(0)	0	0					0
Change of scope of equity method			607		607					607
Change in treasury shares arising from change in equity in entities accounted for using equity method				919	919					919
Net changes of items other than shareholder's equity						1,687	115	1,802	254	2,057
Total changes during the fiscal year	-	-	(6,018)	917	(5,101)	1,687	115	1,802	254	(3,044)
Balance at end of the period	14,840	23,750	329,499	(38,782)	329,306	6,952	(73)	6,878	1,057	337,242

## (4) Consolidated Statements of Cash Flows

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

	Year ended March	
	31, 2017	31, 2018
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	3,685	8,055
Depreciation and amortization	2,971	3,081
Amortization of goodwill	737	134
Share-based compensation expenses	272	249
Increase (decrease) in allowance for doubtful accounts	8	(14)
Increase (decrease) in allowance for bonuses	(4)	(30)
Increase (decrease) in net defined benefit liabilities	275	265
Interest and dividend income	(800)	(923)
(Gain) loss on equity in earnings of affiliates	2,216	-
Loss (gain) on sales of property, plant and equipment and intangible assets	15	2
Disposal of fixed assets	37	18
Impairment loss	-	3,202
(Gain) loss on sales of investment securities	-	42
(Gain) loss on valuation of investment securities	85	-
(Gain) loss on sales of golf club membership	8	(2)
(Increase) decrease in notes and accounts receivable-trade	15,215	(7,862)
(Increase) decrease in inventories	(206)	(454)
Increase (decrease) in notes and accounts payable-trade	(11,867)	7,267
(Increase) decrease in accounts receivable for provision of parts and materials for value	1,989	(2,562)
Increase (decrease) in accounts payable	(178)	(145)
Increase (decrease) in accrued consumption tax	(950)	1,132
Other	(2,540)	4,993
Subtotal	10,969	16,449
Interest and dividend income received	783	728
Income taxes paid	(3,205)	(1,457)
Income taxes refund	2	242
Net cash (used in) provided by operating activities	8,549	15,962
Cash flows from investing activities:		
Payments into time deposits	-	(11,098)
Proceeds from withdrawal of time deposits	-	5,548
Payment for purchase of marketable securities	(11,000)	(68,000)
Proceeds from redemption of marketable securities	6,000	70,000
Payment for purchase of property, plant and equipment and intangible fixed assets	(3,917)	(2,930)
Proceeds from sale of property, plant and equipment and intangible fixed assets	35	-
Payment for purchase of investment securities	(30)	(9)
Proceeds from sale of investment securities	-	544
Proceeds from redemption of investment securities	30,000	24,000
Payment for increase in loans-receivable	(544)	(200)
Proceeds from collection of long-term loans	-	565
Other	5	(0)
Net cash (used in) provided by investing activities	20,547	18,420
Cash flows from financing activities:		
Repayment of finance lease obligations	(5)	(5)
Payment for purchase of treasury stock, net	(2)	(2)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(12,176)	(12,176)
Net cash (used in) provided financing activities	(12,184)	(12,184)
Net increase (decrease) in cash and cash equivalents	16,912	22,199
Cash and cash equivalents at beginning of the period	234,905	251,818
Cash and cash equivalents at end of the period	251,818	274,017

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

Year ended March 31, 2017 (From April 1, 2016, to March 31, 2017)

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

	Year ended March 31, 2017 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	60,534	13,238	7,204	80,978	477	81,455	-	81,455
Intersegment	-	-	-	-	-	-	-	-
Total	60,534	13,238	7,204	80,978	477	81,455	-	81,455
Segment income	10,402	(225)	333	10,509	(665)	9,844	(4,785)	5,059
Segment assets	79,570	25,654	9,397	114,622	13,910	128,532	262,052	390,585
Other items								
Depreciation	1,891	464	22	2,377	405	2,783	188	2,971
Amortization of goodwill	491	110	-	602	134	737	-	737
Increase in tangible fixed assets and intangible fixed assets	2,122	1,002	9	3,135	368	3,503	130	3,633

Year ended March 31, 2018 (From April 1, 2017, to March 31, 2018)

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

	Year ended March 31, 2018 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	67,271	11,172	7,246	85,690	530	86,220	-	86,220
Intersegment	-	-	-	-	-	-	-	-
Total	67,271	11,172	7,246	85,690	530	86,220	-	86,220
Segment income	14,570	130	453	15,154	(489)	14,664	(4,483)	10,181
Segment assets	106,515	22,605	9,090	138,211	10,014	148,226	248,065	396,291
Other items								
Depreciation	1,752	768	20	2,541	366	2,907	174	3,081
Amortization of goodwill	-	-	-	-	134	134	-	134
Increase in tangible fixed assets and intangible fixed assets	1,659	622	0	2,283	303	2,587	16	2,603

## 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 10, 2018.

#### 1. A newly appointed director (effective date: June 28, 2018)

Name	Position	Present Occupation
Hiroyuki Yamasaki	Director	Director of CPA Hiroyuki Yamasaki Office

Hiroyuki Yamasaki is 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 28, 2018

Name	Position
Hideyuki Busujima	Representative Director, Chairman of the Board & CEO
Kimihisa Tsutsui	Representative Director, President & COO
Ichiro Tomiyama	Director & Senior Executive Vice President Head of Sales & Marketing Div. & Head of Product Management Div.
Taro Kitani	Director
Hiroyuki Yamasaki	Director
Shohachi Ugawa	Standing Statutory Auditor
Toshiaki Ishiyama	Statutory Auditor
Yoshiro Sanada	Outside Statutory Auditor
Fumiyoshi Noda	Outside Statutory Auditor
Toshio Ogura	Senior 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.
Yuji Togo	Operating Officer Deputy Head of Sales & Marketing Div. & Regional General Manager for the Chugoku Shikoku Region & General Manager of Hiroshima Branch Director
Hiroshi Kodaira	Operating Officer General Manager of Information Technology Systems Dept.
Takashi Fukuda	Operating Officer 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. & General Manager of Sales Strategy Dept.
Hiroshi Takahashi	Operating Officer Deputy Head of Administration Div. & General Manager of Accounting & Finance Dept.
Hotaka Makita	Operating Officer (part-time)