

May 11, 2016

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 29, 2016

Planned Date for Start of Dividend Payment: June 30, 2016

Planned Date for Submittal of the Financial Statements Report: June 30, 2016

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, 2015, to March 31, 2016)

(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, 2016	137,130	(6.4%)	18,826	42.3%	19,965	34.3%	10,485	20.1%
Year ended March 31, 2015	146,579	(7.5%)	13,233	(52.8%)	14,870	(50.7%)	8,728	(61.0%)
(note) Comprehensive income	Year ended March 31, 2016		¥9,516 million [4.9%]		Year ended March 31, 2015		¥9,073 million [(62.5%)]	

	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, 2016	126.78	122.54	2.9	4.7	13.7	
Year ended March 31, 2015	94.48	94.39	2.2	3.4	9.0	
(reference) Equity in earnings of affiliates	Year ended March 31, 2016		¥(109) million		Year ended March 31, 2015	¥202 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, 2016	414,183	348,941	84.1	4,300.19
As of March 31, 2015	434,648	371,670	85.5	4,345.53
(reference) Shareholders' Equity	As of March 31, 2016	¥348,414 million	As of March 31, 2015	¥371,416 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, 2016	17,303	11,375	(12,446)	234,905
Year ended March 31, 2015	25,313	5,101	(50,782)	218,672

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, 2015	-	75.00	-	75.00	150.00	13,443	158.8	3.4
Year ended March 31, 2016	-	75.00	-	75.00	150.00	12,199	118.3	3.5
Year ended March 31, 2017 (forecast)	-	75.00	-	75.00	150.00		109.5	

3. Forecast for FY2017 (From April 1, 2016, to March 31, 2017)

(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, 2017	135,000 (1.6%)	16,000 (15.0%)	16,800 (15.9%)	11,100 5.9%	137.00

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 2017" of the attached documents on Page 3.

*** Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2016: 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, 2016: | 89,597,500 shares |
| As of March 31, 2015: | 89,597,500 shares |
- b. Number of treasury stock
- | | |
|-----------------------|------------------|
| As of March 31, 2016: | 8,574,381 shares |
| As of March 31, 2015: | 4,126,611 shares |
- c. Average number of shares issued and outstanding
- | | |
|-----------------------|-------------------|
| As of March 31, 2016: | 82,705,072 shares |
| As of March 31, 2015: | 92,386,716 shares |

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2015, to March 31, 2016)****(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, 2016	117,241	(9.8%)	9,675	(23.6%)	11,893	(24.4%)	8,391	(17.5%)
Year ended March 31, 2015	129,963	(2.0%)	12,671	(34.4%)	15,725	(31.3%)	10,165	(37.6%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2016	101.27	97.86
Year ended March 31, 2015	109.85	109.75

(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, 2016	397,738	335,791	84.3	4,130.05
As of March 31, 2015	423,715	360,568	85.0	4,208.07

(reference) Shareholders' Equity As of March 31, 2016 ¥335,264 million As of March 31, 2015 ¥360,314 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 2017" in the accompanying material.

1. Qualitative Information and Financial Statements

(1) Analysis of business results

a. Results for fiscal 2016

During the fiscal year ended March 31, 2016, the Japanese economy remained on a moderate recovery trend as indicated by signs of improvement in the employment environment and personal incomes. However, the outlook of the Japanese economy continued to be unclear because of fluctuations of resource prices and foreign currency exchange rates and the slowdown of emerging economies.

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

In these circumstances, the SANKYO Group swiftly responded to the new standards and proactively launched models with diverse specifications and gaming performance, including not only tie-up titles that capitalize on the worlds conjured up by well-known licensed content but also drum-type and airplane-type models that are not dependent on licensed content. 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 the new standards, and owing to a decrease in demand after the transition to the new standards, sales were sluggish and lower than the figure for the previous year.

As a result, on a consolidated basis, net sales were ¥137.1 billion, a decrease of 6.4% year on year. On the other hand, operating income increased 42.3% to ¥18.8 billion and recurring income increased 34.3% to ¥19.9 billion because of an improvement of the cost of sales ratio resulting from a change in the sales mix and an increase in unit sales prices and because of lower research and development expenses and advertising expenses. Profit attributable to owners of parent amounted to ¥10.4 billion, an increase of 20.1%, owing to recording of impairment loss on fixed assets amounting to ¥3.2 billion. For details, please refer to the "Notice of Discrepancy between the Forecast and Results for the Fiscal Year Ended March 31, 2016" disclosed today separately.

Results of segments are presented below:

Pachinko Machines Business

Regarding the pachinko machines business, sales amounted to ¥98.2 billion, a decrease of 13.9% compared with the same period of the previous year, and operating income amounted to ¥19.0 billion, a increase of 23.1%. Sales of pachinko machines amounted to 296,000 units. Major titles released included *Fever Space Battleship Yamato* (introduced in May 2015), *Fever Macross Frontier 2* (introduced in August 2015) and *Fever Mobile Suit Gundam LAST SHOOTING* (introduced in March 2016) under the SANKYO brand, *EVANGELION X* (introduced in September 2015) under the Bisty brand, and *PASSION MONSTER* (introduced in June 2015) and *Great the King* (introduced in January 2016) under the JB brand.

Pachislot Machines Business

With regard to the pachislot machines business, sales amounted to ¥26.0 billion, a increase of 36.5% year on year, and operating income was ¥4.8 billion, a increase of 85.9%. Sales of pachislot machines amounted to 80,000 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), *EVANGELION -Tamashii wo Tsunagumono* (introduced in December 2015) and *Pachislot Mobile Suit Gundam Awakening -Chained Battle-* (introduced in January 2016) under the Bisty brand.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥12.1 billion, a decrease of 3.1% year on year, and operating income was ¥0.3 billion, a decrease of 17.2%.

Other Businesses

Sales of other businesses were ¥600 million, a decrease of 17.4% year on year. An operating loss of ¥700 million was recorded compared with operating loss of ¥500 million for the previous year.

b. Forecast for fiscal 2017

With regard to the market environment for fiscal 2017 (fiscal year ending March 31, 2017), the standards for both pachinko and pachislot machines will change greatly because of the voluntary regulations. The SANKYO Group views the change in the regulations as a business opportunity and is pursuing expansion of the Group's market share in the two mainstay businesses by developing and launching models compliant with the new standards ahead of competitors. On the other hand, evaluation of the models compliant with the new standards is still unknown and pachinko parlor operators are adopting a cautious attitude toward purchases. Therefore, management projects that the pachinko and pachislot machine markets will be more challenging in fiscal 2017 than in fiscal 2016.

The Group's plan calls for sales volumes for the fiscal year ending March 31, 2017, of 297,000 pachinko machines and 80,000 pachislot machines.

The consolidated business results forecast for the fiscal year ending March 31, 2017, are as follows:

	Forecast		Year-on-year change		FY 2016 results	
Net sales	¥135.0	billion	1.6%	decrease	¥137.1	billion
Operating income	¥16.0	billion	15.0%	decrease	¥18.8	billion
Recurring income	¥16.8	billion	15.9%	decrease	¥19.9	billion
Net income	¥11.1	billion	5.9%	increase	¥10.4	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.

(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, 2016 amounted to ¥414.1 billion, having decreased ¥20.4 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥36.7 billion decrease in cash and deposits, a ¥11.2 billion decrease in notes and accounts receivable-trade, a ¥7.9 billion decrease in investment securities, and a ¥2.9 billion decrease in tangible fixed assets, despite a ¥43.0 billion increase in marketable securities.

Total liabilities amounted to ¥65.2 billion, having increased ¥2.2 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 ¥17.5 billion decrease in notes and accounts payable-trade.

Net assets decreased ¥22.7 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 ¥10.4 billion was recorded. As a result, net assets amounted to ¥348.9 billion and the shareholders' equity ratio decreased 1.4 percentage points to 84.1%.

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥234.9 billion, having increased ¥16.2 billion from the previous fiscal year-end.

Net cash provided by operating activities decreased ¥8.0 billion from the previous fiscal year to ¥17.3 billion. Principal cash inflow items were income before income taxes amounting to ¥16.5 billion, a ¥11.2 billion decrease in notes and accounts receivable-trade, depreciation and amortization amounting to ¥4.9 billion, and impairment loss amounting to ¥3.2 billion. Principal cash outflow items were a ¥17.5 billion decrease in notes and accounts payable-trade and income taxes paid amounting to ¥5.2 billion.

Net cash provided by investing activities increased ¥6.2 billion from the previous fiscal year to ¥11.3 billion. The principal cash inflow item was proceeds from redemption of investment securities amounting to ¥40.0 billion. Principal 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 ¥4.7 billion.

Net cash used in financing activities decreased ¥38.3 billion from the previous fiscal year to ¥12.4 billion. Principal cash outflow items were payment for purchase of treasury stock amounting to ¥20.0 billion and cash dividends paid amounting to ¥12.5 billion. The principal cash inflow item was proceeds from issuance of bonds with subscription rights to shares amounting to ¥20.1 billion.

For fiscal 2017, the Company forecasts net cash provided by operating activities of ¥20.0 billion, net cash used in investing activities of ¥5.0 billion attributable to capital investment, and 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 ¥3.0 billion in the cash balance at the end of fiscal 2017 compared to the end of fiscal 2016.

b. Change in cash flow indicators

	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Shareholders' equity ratio (%)	86.8	91.5	85.5	84.1
Shareholders' equity ratio at market value (%)	89.7	90.0	84.1	82.0
Ratio of interest-bearing debt to cash flows (%)	62.8	0.1	0.1	0.1
Interest coverage ratio (times)	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 2015 and fiscal 2016

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 2016 and for fiscal 2017. This will result in a consolidated payout ratio of 118.3% for fiscal 2016 and 109.5% for fiscal 2017.

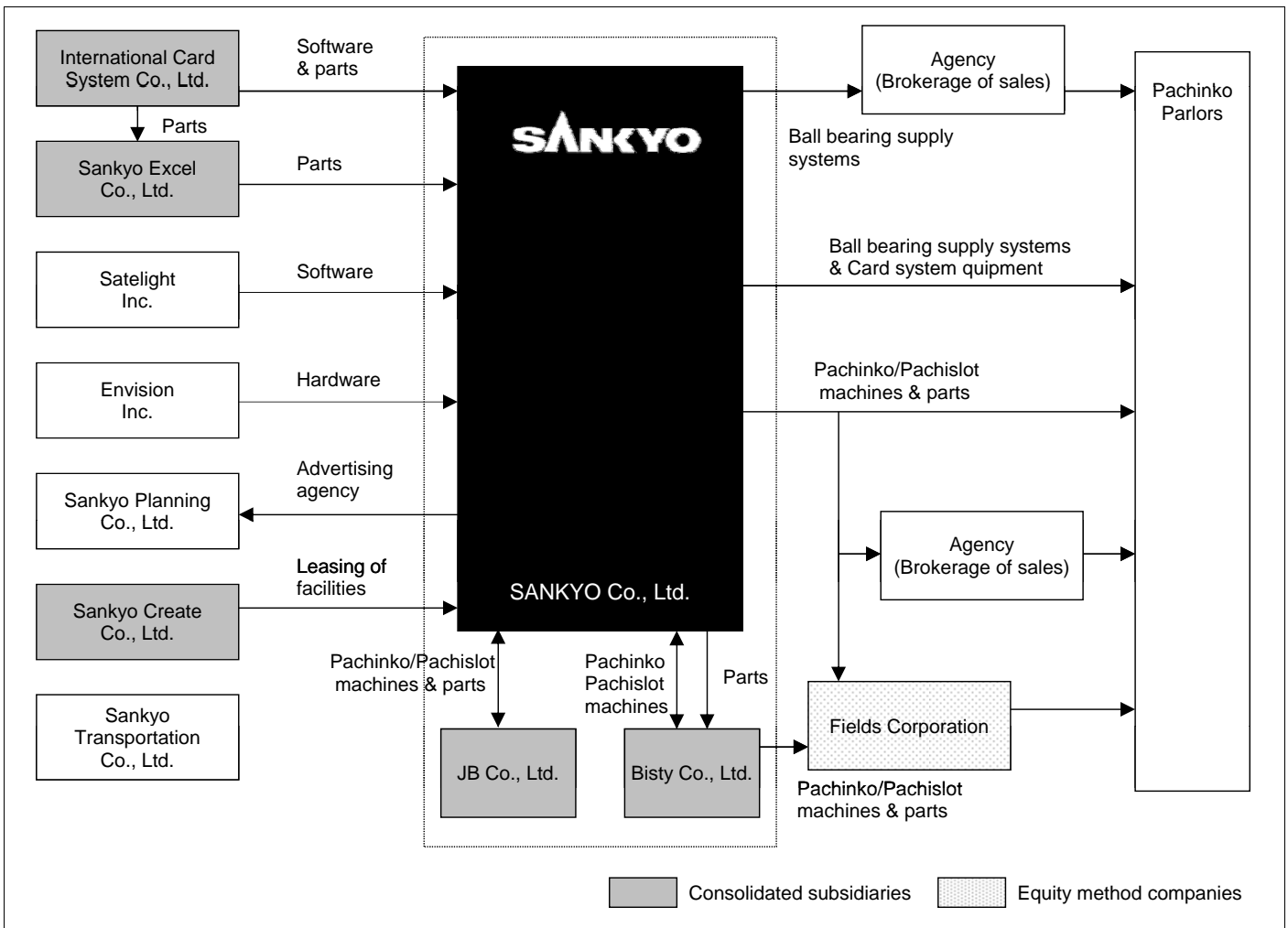
The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance. Repurchasing of own shares will be decided from the viewpoint of enhancing capital efficiency.

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.
Pachislot machines business Manufacturing and sales of pachislot machines, sales of related parts, and pachislot machine-related royalty income	Fields Corporation Sankyo Create Co., Ltd. Sankyo Transportation Co., Ltd. Sankyo Planning Co., Ltd. Satelight Inc. Envision Inc.
Ball bearing supply systems business Sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. International Card System Co., Ltd. Sankyo Create Co., Ltd.
Other business Mobile content services, Real estate rental revenues, Operation of a golf course ,sales of general molded parts,	Sankyo Excel Co., Ltd. Sankyo Create Co., Ltd. International Card System Co., Ltd. Sankyo Transportation Co., Ltd. Satelight Inc. Envision Inc.

(2) The business structure is shown below.



3. Management Policies

(1) Fundamental management policy

The basic philosophy of SANKYO Co., Ltd. (the Company) and its consolidated subsidiaries and affiliates (SANKYO Group) is to fulfill its mission, namely, to contribute to the sound development of pachinko and pachislot, which are popular leisure activities in Japan, and to the quality of life in society as a leading company in the pachinko and pachislot industry.

SANKYO Group's stakeholders include shareholders, pachinko parlors, which are the Group's customers, pachinko players, suppliers, local communities, and employees. One of the most important management tasks is to maintain good relations with each of these stakeholders, and accordingly, the Group has set the following fundamental management policies:

- a. Maximize stakeholder value and achieve the optimum distribution of that value
- b. Ensure compliance with laws and regulations, social norms, and corporate ethics
- c. Enhance efficiency and transparency of management
- d. Inspire employees and develop their capabilities
- e. Enhance society's trust in the pachinko and pachislot industry

(2) Performance indicators

SANKYO Group aims to achieve sustainable growth by establishing a solid position in the industry through increasing its share of the pachinko and pachislot markets. The Company believes that the results of this effort are reflected in the ratio of operating income to net sales and formulates and implements various measures to increase competitive advantage in product planning, development, production, and marketing with the objective of increasing this ratio. The Group will continuously engage in cost reduction measures, including improvement of the efficiency of advertising and sales promotion, the sharing of parts and materials, and the streamlining of logistics.

The table below depicts change in the ratio of operating income to net sales for the most recent three-year period.

	FY2014	FY2015	FY2016
Ratio of operating income to net sales (%)	17.7	9.0	13.7

(3) Medium-to-long-term management strategy

In order to maintain growth and increase profitability, SANKYO Group will concentrate its resources on the game machines business, endeavoring to offer highly competitive innovative products that vitalize the pachinko and pachislot industry while aiming to secure a competitive advantage as a manufacturer that continues to lead the market.

(4) Management issues

The SANKYO Group will address the following two principal management issues:

a. Initiatives to revamp pachinko and pachislot player population

An issue confronting the entire pachinko and pachislot industry is the need to develop diverse pachinko and pachislot machines conducive to players' enjoyment and relaxation and to popularize such machines. The Pachinko & Pachislot Award 2015 held by Nichiyukyo selected the Group's *Fever Queen* and *EVANGELION 8 Premium Battle Y* as the first- and the second-placed titles in the Yupachi Type Category (pachinko machines for light players) for the Pachinko Award. This indicates that the SANKYO Group has successfully gained high endorsement from pachinko parlor operators and players for its offerings in the category of pachinko machines that can be played with a relatively low budget. Moreover, the Group participated in international exhibitions for anime fans to promote the Group's pachinko and pachislot titles to them, including AnimeJapan 2016 held in March in Tokyo where numerous well-known anime-related companies and organizations from Japan and abroad exhibited and C3 in Hong Kong 2016 held in February, which is an event for introducing Japanese characters, culture and content to fans in Hong Kong and from elsewhere in Asia. The Group will continue efforts to develop pachinko and pachislot products capable of appealing to a wide range of people and help revamp the player population.

b. Initiatives to strengthen earnings power

As part of measures to strengthen the Group's earnings power over the medium term, the Group is striving to expand its shares of the pachinko and pachislot markets, increase sales, reduce costs and curtail selling, general and administrative expenses to boost the ratio of operating income to net sales.

Regarding sales capabilities, which is a key for increasing market share, as a result of a survey by a contracted external research firm, it was found that pachinko parlor operators' overall evaluation of the Company's sales people is among the highest in the industry. However, the survey also identified issues, such as the need to strengthen their information provision capabilities. Therefore, we will work to enhance satisfaction of pachinko parlor operators in terms of information provision by utilizing tablets so

as to further increase sales capabilities. Moreover, in order to enhance pachinko players' expectations of the Group's products, we hold events for general players in Akihabara, Tokyo and elsewhere, where they can try the Group's new titles before their introduction.

In terms of product development, in addition to titles tied up with licensed content emphasizing entertainment, which are the current mainstream products, we will strengthen development of our original titles that do not use licensed content. In the past two years, the Group introduced titles that are reproductions of the Group's original titles from the past, such as *Fever Queen*, *Fever Powerful*, and *Great The King*. These titles were well received. As they are effective for capturing dormant players and offer high margins, we will cultivate demand for them and strive to increase the ratio of operating income to net sales. Furthermore, we will continue cost-reduction efforts through sharing and recycling of parts and materials.

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, 2015 Millions of yen	As of March 31, 2016 Millions of yen
Assets:		
Current assets:		
Cash and deposits	133,675	96,906
Notes and accounts receivable-trade	45,070	33,841
Marketable securities	129,999	173,001
Finished goods and merchandise	62	47
Work in process	741	92
Raw materials and supplies	2,742	1,339
Accounts receivable for provision of parts and materials for value	3,283	3,786
Deferred tax assets	2,986	2,056
Other	6,485	5,239
Allowance for doubtful accounts	(3)	(2)
Total current assets	325,043	316,307
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	27,339	26,302
Less accumulated depreciation	(11,603)	(12,307)
Subtotal	15,736	13,994
Machinery and equipment	8,098	8,090
Less accumulated depreciation	(7,013)	(6,749)
Subtotal	1,084	1,341
Furniture and fixtures	19,104	18,741
Less accumulated depreciation	(16,597)	(17,043)
Subtotal	2,506	1,697
Land	23,126	22,991
Lease assets	46	46
Less accumulated depreciation	(20)	(28)
Subtotal	26	18
Construction in progress	444	1,471
Other	4,499	2,972
Total tangible fixed assets	47,424	44,488
Intangible fixed assets		
Goodwill	1,741	1,004
Other	436	342
Total Intangible fixed assets	2,178	1,347
Investments and other assets:		
Investment securities	54,106	46,131
Long-term advances	1	-
Deferred tax assets	5,616	5,781
Other	684	532
Allowance for doubtful accounts	(26)	(26)
Allowance for investment loss	(379)	(379)
Total investments and other assets	60,003	52,040
Total fixed assets	109,605	97,876
Total assets	434,648	414,183

Consolidated Balance Sheets

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

	As of March 31, 2015 Millions of yen	As of March 31, 2016 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	41,204	23,689
Lease liabilities	8	5
Accrued income taxes	3,804	3,113
Allowance for bonuses	833	839
Other	9,060	9,411
Total current liabilities	54,911	37,058
Long-term liabilities:		
Bonds with subscription rights to shares	-	20,086
Lease liabilities	19	14
Net defined benefit liabilities	4,388	4,445
Asset retirement obligations	63	63
Other	3,595	3,573
Total long-term liabilities	8,067	28,183
Total liabilities	62,978	65,241
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,750	23,750
Retained earnings	347,975	345,918
Less: treasury stock, at cost	(19,724)	(39,700)
Total shareholders' equity	366,840	344,807
Accumulated other comprehensive income:		
Net unrealized gain on other securities	4,794	3,839
Remeasurements of defined benefit plans	(218)	(232)
Total accumulated other comprehensive income:	4,575	3,607
Subscription rights to shares	253	526
Total net assets	371,670	348,941
Total liabilities and total net assets	434,648	414,183

(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, 2015	Year ended March 31, 2016
	Millions of yen	Millions of yen
Net sales	146,579	137,130
Cost of sales	83,676	75,638
Gross profit	62,902	61,492
Selling, general and administrative expenses	49,668	42,665
Operating income	13,233	18,826
Non-operating income:		
Interest income	882	656
Dividend income	430	487
Equity in earnings of affiliates	202	-
Other	214	272
Total non-operating income	1,729	1,416
Non-operating expenses:		
Interest expenses	1	-
Equity in losses of affiliates	-	109
Loss on management of investment partnership	86	93
Bond issuance cost	-	70
Other	5	3
Total non-operating expenses	93	277
Recurring income	14,870	19,965
Extraordinary gains:		
Gain on sales of fixed assets	14	-
Total extraordinary gains	14	-
Extraordinary losses:		
Loss on sales of fixed assets	-	57
Loss on sales of investment securities	1	-
Loss on disposal of fixed assets	46	62
Loss on valuation of investment securities	14	-
Impairment loss	-	3,264
Directors' retirement benefits	1,790	-
Total extraordinary losses	1,853	3,383
Income before income taxes	13,031	16,581
Income taxes:		
Current income taxes	4,225	4,773
Deferred income taxes	180	1,322
Total income taxes	4,406	6,096
Net income	8,624	10,485
Profit (loss) attributable to non-controlling interests	(103)	-
Profit attributable to owners of parent	8,728	10,485

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2015	Year ended March 31, 2016
	Millions of yen	Millions of yen
Net income	8,624	10,485
Other comprehensive income:		
Net unrealized gain (loss) on other securities	722	(922)
Remeasurements of defined benefit plans	(238)	23
Share of other comprehensive income of associates accounted for using equity method	(35)	(69)
Total other comprehensive income	448	(968)
Comprehensive income	9,073	9,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,177	9,516
Comprehensive income attributable to minority interests	(103)	-

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

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	Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	14,840	23,879	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)
Profit attributable to owners of parent			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

Year ended March 31, 2016 (From April 1, 2015, to March 31, 2016)

(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	347,975	(19,724)	366,840	4,794	(218)	4,575	253	371,670	
Cumulative effects of changes in accounting policies					-						-
Balance at beginning of the period reflecting changes in accounting policies	14,840	23,750	347,975	(19,724)	366,840	4,794	(218)	4,575	253	371,670	
Change during the fiscal year											
Dividends of surplus			(12,532)		(12,532)						(12,532)
Profit attributable to owners of parent			10,485		10,485						10,485
Acquisition of treasury stocks				(20,005)	(20,005)						(20,005)
Sales of treasury stocks			(10)	30	19						19
Net changes of items other than shareholder's equity						(954)	(14)	(968)	273		(695)
Total changes during the fiscal year	-	-	(2,057)	(19,975)	(22,033)	(954)	(14)	(968)	273		(22,728)
Balance at end of the period	14,840	23,750	345,918	(39,700)	344,807	3,839	(232)	3,607	526		348,941

(4) Consolidated Statements of Cash Flows

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

	Year ended March	Year ended March
	31, 2015	31, 2016
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	13,031	16,581
Depreciation and amortization	4,615	4,933
Amortization of goodwill	737	737
Share-based compensation expenses	248	287
Increase (decrease) in allowance for doubtful accounts	(6)	(0)
Increase (decrease) in allowance for bonuses	0	5
Increase (decrease) in provision for special retirement bonuses for directors	(753)	-
Increase (decrease) in net defined benefit liabilities	184	102
Interest and dividend income	(1,312)	(1,143)
Interest expenses	1	-
(Gain) loss on equity in earnings of affiliates	(202)	109
(Gain) loss on sales of fixed assets	(14)	57
Disposal of fixed assets	46	62
Impairment loss	-	3,264
(Gain) loss on sales of investment securities	1	-
(Gain) loss on valuation of investment securities	14	-
(Increase) decrease in notes and accounts receivable-trade	(10,289)	11,228
(Increase) decrease in inventories	(2,561)	2,067
Increase (decrease) in notes and accounts payable-trade	25,897	(17,515)
(Increase) decrease in accounts receivable for provision of parts and materials for value	(2,827)	(503)
Increase (decrease) in accounts payable	1,075	56
Increase (decrease) in accrued consumption tax	(1,312)	924
Other	4,923	178
Subtotal	31,497	21,435
Interest and dividend income received	1,080	1,157
Interest paid	(1)	-
Income taxes paid	(7,263)	(5,289)
Net cash (used in) provided by operating activities	25,313	17,303
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	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	(5,251)	(4,783)
Proceeds from sale of property, plant and equipment and intangible fixed assets	28	198
Payment for purchase of investment securities	(24,009)	(24,041)
Proceeds from redemption of investment securities	34,000	40,000
Proceeds from collection of long-term loans	23	15
Other	(190)	(15)
Net cash (used in) provided by investing activities	5,101	11,375
Cash flows from financing activities:		
Proceeds from issuance of bonds with subscription rights to shares	-	20,100
Repayment of finance lease obligations	(6)	(8)
Payment for purchase of treasury stock, net	(36,635)	(20,005)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(14,043)	(12,532)
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	(50,782)	(12,446)
Net increase (decrease) in cash and cash equivalents	(20,368)	16,232
Cash and cash equivalents at beginning of the period	239,041	218,672
Cash and cash equivalents at end of the period	218,672	234,905

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

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

Year ended March 31, 2016 (From April 1, 2015, to March 31, 2016)

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

	Year ended March 31, 2016 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	98,273	26,007	12,159	136,440	689	137,130	-	137,130
Intersegment	-	-	-	-	-	-	-	-
Total	98,273	26,007	12,159	136,440	689	137,130	-	137,130
Segment income	19,053	4,864	366	24,284	(706)	23,578	(4,752)	18,826
Segment assets	93,411	23,689	14,434	131,534	14,984	146,519	267,664	414,183
Other items								
Depreciation	3,579	719	31	4,329	408	4,737	196	4,933
Increase in tangible fixed assets and intangible fixed assets								
	2,952	508	47	3,508	1,195	4,704	31	4,735

(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 29, 2015).

Change in methods of presentation

1. 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 consolidated financial statements for the previous fiscal year have been reclassified.

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 enacted in the Diet on March 29, 2016. 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, 2016 only) was changed from 32.3%, which was used for the previous fiscal year, to 30.9% for the temporary differences that are expected to be eliminated in the period from April 1, 2016 to March 31, 2018 and to 30.6% for those that are expected to be eliminated on or after April 1, 2018.

As a result of this change, deferred tax assets under current assets and deferred tax assets under fixed assets decreased by ¥93 million and ¥239 million, respectively, and deferred income taxes recorded for fiscal 2016 and net unrealized gain on other securities increased by ¥426 million and ¥93 million, respectively.