

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, 2011

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 FY2011 (From April 1, 2010, to December 31, 2010)

(1) Consolidated operating results

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

	Net sales		Operating income		Recurring income		Net income	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
1st nine months of FY2011	151,308	(15.8%)	39,725	(14.1%)	43,171	(11.2%)	27,029	(7.2%)
1st nine months of FY2010	179,742	8.4%	46,240	21.2%	48,641	15.5%	29,124	12.0%

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2011	282.66	-
1st nine months of FY2010	302.53	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	460,025	414,599	90.1	4,368.97
As of March 31, 2010	461,358	408,024	88.4	4,238.45

(reference) Shareholders' Equity

As of December 31, 2010 ¥414,599 million

As of March 31, 2010 ¥408,024 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, 2010	-	75.00	-	75.00	150.00
Year ended March 31, 2011	-	75.00	-	-	150.00
Year ended March 31, 2011 (Forecast)	-	75.00	-	75.00	150.00

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

3. Forecast for FY2011 (From April 1, 2010, to March 31, 2011)

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Millions of yen		Millions of yen		Millions of yen		Millions of yen		Yen
Year ending March 31, 2011	210,000	(5.7%)	56,000	0.4%	59,000	(0.6%)	37,000	2.2%	389.90

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

4. Other

- (1) Changes for important subsidiaries during this period: Not applicable
- (2) Application of simplified accounting methods: Applicable
- (3) Changes on the basis of consolidated financial statements preparation
- a. Related to accounting standard revisions etc.: Applicable
- b. Other changes: Not applicable
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2010: 97,597,500 shares As of March 31, 2010: 97,597,500 shares
- b. No. of treasury stock As of Dec. 31, 2010: 2,701,245 shares As of March 31, 2010: 1,330,130 shares
- c. Average number of shares issued and outstanding 1st 9M of FY2011: 95,625,009 shares 1st 9M of FY2010: 96,272,579 shares

* Disclaimer regarding Forward-looking Statements

The forecasts and other forward-looking statements contained in this report are based on information currently available to management. Actual results may be materially different from those expressed or implied by such forward-looking statements due to various factors.

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Operating Results

During the first nine months of the fiscal year ending March 31, 2011 (from April 1, 2010, to December 31, 2010), thanks to the positive impact of the Japanese government's policies, corporate earnings improved in certain industries. However, the strong yen and the severe employment situation put recovery of the Japanese economy on hold.

In the pachinko and pachislot industry, as a result of the spread of pachinko parlors offering rental balls at prices as low as ¥1 and a resurgence in the popularity of pachislot, there were signs of an upturn in the pachinko player population and the number of pachislot machines installed, both of which had previously been decreasing. Nevertheless, pachinko parlors continued to operate in an environment where earnings were hard to secure. Pachinko and pachislot players seem to be tending to curb their spending in view of the uncertain prospects for the Japanese economy and there are signs that mainstay pachinko parlors, which offer rental balls at ¥4, are experiencing a weakening of their ability to attract players. Consequently, pachinko parlor operators have become increasingly discerning in replacement of pachinko and pachislot machines, which is a key measure to attract players.

In these circumstances, SANKYO Group, led by the Product Strategy Office established in April 2010, is striving to reinforce product competitiveness with the objective of enhancing the corporate brand. While focusing on development of products that reflect players' viewpoints, we are also developing products based on a clear concept that are capable of helping pachinko parlors offering rental balls at ¥4 attract more players. Committed to reuse of machines and implementing a flexible pricing policy, SANKYO is endeavoring to vitalize the entire pachinko industry.

Coinciding with the holding of APEC meetings in Japan in November 2010, the pachinko and pachislot industry refrained from replacing machines. This voluntary ban lasted for more than a month over the APEC meeting period. Reflecting this situation, the number of new models introduced by the Group in the third quarter was limited. Moreover, since the reinforcement of competitiveness under the new development structure led by the Product Strategy Office has yet to bear fruit, sales volume in the first nine months of fiscal 2011 decreased compared with the same period of the previous year.

As a result, on a consolidated basis, net sales were ¥151.3 billion, a decrease of 15.8% compared with the same period of the previous year, operating income was ¥39.7 billion, a decrease of 14.1%, recurring income was ¥43.1 billion, a decrease of 11.2%, and net income was ¥27.0 billion, a decrease of 7.2%.

Results of segments are presented below. Effective from the first quarter of the year ending March 31, 2011, the Company adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008). There was no change to the classification of businesses, and thus, comparison with the same period of the previous fiscal year is presented.

Pachinko Machines Business

With regard to pachinko machines, the Group launched five titles for SANKYO-brand series and three for Bisty-brand series. Titles introduced under the SANKYO brand included *FEVER X JAPAN* (introduced in September 2010), which involves collaboration with a popular rock band, and *Fever Tiger Mask* (introduced in December 2010), which is a pachinko reworking of a much-loved anime featuring a professional wrestler that was wildly popular years ago. Under the Bisty brand, *CR Evangelion—Evangelical of The Beginnings* (introduced in June 2010), the sixth model of the Evangelion series, was introduced.

As a result, segment sales amounted to ¥124.9 billion, a decrease of 21.5% compared with the same period of the previous year, and operating income was ¥40.7 billion, down 19.8%. Sales of pachinko machines amounted to 349,000 units.

Pachislot Machines Business

SANKYO-brand pachislot titles launched during the first nine months included *The Super Dimension Fortress Macross* (introduced in November 2010) that offers a superb combination of sophisticated gaming performance and the spirit of the anime in an innovative casing on which a high-impact figure is mounted. As the Bisty-brand *Neon Genesis Evangelion—Die spur der Seele* (introduced in February 2010) has remained popular among players for a long time, the Group received a certain level of repeat orders.

As a result, segment sales were ¥9.6 billion, an increase of 118.2% compared with the same period of the previous year, and operating income was ¥1.2 billion compared with an operating loss of ¥1.7 billion for the same period of the previous year. Sales of pachislot machines amounted to 34,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥15.3 billion, an increase of 2.1% compared with the same period of the previous year, and operating income was ¥1.0 billion, an increase of 196.1%.

Other Businesses

Sales of other businesses were ¥1.3 billion, an increase of 27.5% compared with the same period of the previous year, and operating income was ¥0.4 billion, an increase of 22.5%.

(2) Qualitative Information on Consolidated Financial Position**Analysis of assets, liabilities, and net assets**

Total assets at the end of the first nine months of fiscal 2011 amounted to ¥460.0 billion, ¥1.3 billion lower than the figure at the previous fiscal year-end. Although there was an ¥8.3 billion increase in cash and deposits, the decrease in total assets was attributable to a ¥3.8 billion decrease in notes and accounts receivable-trade, a ¥3.5 billion decrease in accounts receivable for provision of parts and materials for value (included in current assets, other), and a ¥1.7 billion decrease in long-term loans receivable (included in investments and other assets, other).

Total liabilities amounted to ¥45.4 billion, having decreased ¥7.9 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥6.8 billion decrease in notes and accounts payable-trade.

Net assets increased ¥6.5 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥27.0 billion was recorded, cash dividends paid amounted to ¥14.3 billion and purchase of treasury stock amounted to ¥5.8 billion. As a result, net assets amounted to ¥414.5 billion and the shareholders' equity ratio increased 1.7 percentage points to 90.1%.

(3) Qualitative Information on Forecast of Consolidated Results

No revision has been made to the forecasts of financial results for the full year announced in the "Notice concerning Revision of the Forecast of the Financial Results for the Year Ending March 31, 2011," announced on September 9, 2010.

2. Other Information**(1) Overview of changes in significant subsidiaries**

None.

(2) Overview of application of simplified accounting procedures or specific accounting procedures

Description is omitted because of lack of materiality.

(3) Overview of changes in accounting principles and procedures as well as the method of presentation**Changes in the matters concerning accounting standards**

- i. Application of the Accounting Standard for Equity Method of Accounting for Investments and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the first quarter of fiscal 2011, the Company adopted the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ PITF No. 24, March 10, 2008).

This change has no impact on income.

- ii. Application of the Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of fiscal 2011, the Company adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

As a result of this application, operating income and recurring income for the first nine months of fiscal 2011 each decreased ¥2 million and income before income taxes decreased ¥50 million. Loss on adjustment for changes of the accounting standard for asset retirement obligations amounted to ¥58 million.

Changes in the method of presentation

Consolidated statements of income

In line with the enforcement of the Cabinet Office Ordinance for Partial Amendment of the Regulations Concerning Terminology, Forms and Methods of Preparation of Financial Statements (March 24, 2009, Cabinet Office Ordinance No. 5) based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), "income before minority interests" is included in the consolidated financial statements for the first nine months of fiscal 2011.

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

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

	As of Dec. 31, 2010	As of March 31, 2010
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	151,729	143,416
Notes and accounts receivable-trade	46,026	49,868
Marketable securities	114,996	115,004
Merchandise and finished goods	214	36
Work in process	16	244
Raw materials and inventories	1,671	3,020
Other	11,742	15,092
Allowance for doubtful accounts	(31)	(75)
Total current assets	326,367	326,608
Fixed assets:		
Tangible fixed assets	49,483	51,055
Intangible fixed assets	316	310
Investments and other assets:		
Investment securities	78,907	77,373
Other	5,547	6,739
Allowance for doubtful accounts	(216)	(349)
Allowance for investment loss	(379)	(379)
Total investments and other assets	83,859	83,384
Total fixed assets	133,658	134,750
Total assets	460,025	461,358

Consolidated Balance Sheets

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

	As of Dec. 31, 2010	As of March 31, 2010
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	23,324	30,182
Accrued income taxes	7,066	7,259
Allowance for bonuses	426	817
Other	9,008	9,766
Total current liabilities	39,827	48,025
Long-term liabilities:		
Provision for special retirement bonuses for directors	671	623
Accrued retirement allowance for employees	3,174	2,933
Asset retirement obligations	59	-
Other	1,693	1,752
Total long-term liabilities	5,599	5,309
Total liabilities	45,426	53,334
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	390,163	377,529
Less: treasury stock, at cost	(14,818)	(8,969)
Total shareholders' equity	414,065	407,280
Valuation and translation adjustment:		
Net unrealized gain on other securities	533	744
Total valuation and translation adjustment	533	744
Total net assets	414,599	408,024
Total liabilities and total net assets	460,025	461,358

(2) Consolidated Statements of Income

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

	1st Nine Months of FY2010	1st Nine Months of FY2011
	Millions of yen	Millions of yen
Net sales	179,742	151,308
Cost of sales	93,624	73,854
Gross profit	86,117	77,454
Selling, general and administrative expenses	39,877	37,728
Operating income	46,240	39,725
Non-operating income:		
Interest income	1,287	999
Dividend income	51	192
Equity in earnings of affiliates	719	1,871
Other	365	396
Total non-operating income	2,423	3,460
Non-operating expenses:		
Interest expenses	0	-
Other	21	14
Total non-operating expenses	21	14
Recurring income	48,641	43,171
Extraordinary gains:		
Reversal of allowance for doubtful accounts	117	41
Total extraordinary gains	117	41
Extraordinary losses:		
Loss on sales of fixed assets	66	-
Loss on disposal of fixed assets	490	47
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	48
Total extraordinary losses	556	95
Income before income taxes	48,202	43,117
Income taxes:		
Current income taxes	13,479	16,628
Deferred income taxes	5,598	(540)
Total income taxes	19,077	16,087
Income before income taxes and minority interests	-	27,029
Net income	29,124	27,029

(3) Consolidated Statements of Cash Flows

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

	1st Nine Months of FY2010	1st Nine Months of FY2011
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	48,202	43,117
Depreciation and amortization	3,757	3,361
Increase (decrease) in allowance for doubtful accounts	(169)	(277)
Interest and dividend income	(1,339)	(1,192)
Interest expense	0	-
Equity in earnings of affiliates	(719)	(1,871)
(Increase) decrease in notes and accounts receivable-trade	(7,551)	3,842
(Increase) decrease in inventories	21,045	1,410
Increase (decrease) in notes and accounts payable-trade	(43,684)	(6,857)
Other	17,787	961
Subtotal	37,330	42,493
Interest and dividend income received	1,734	1,667
Interest paid	(0)	-
Income taxes paid	(23,542)	(15,186)
Net cash (used in) provided by operating activities	15,523	28,973
Cash flows from investing activities:		
Payment for purchase of tangible fixed assets and intangible fixed assets	(2,514)	-
Proceeds from sale of tangible fixed assets and intangible fixed assets	(6,617)	(1,645)
Payment for purchase of investment securities	(27,023)	(30,776)
Proceeds from redemption of investment securities	24,000	30,235
Payment for increase in long-term loans	(1,806)	-
Proceeds from collection of long-term loans	15	1,806
Other	81	2
Net cash (used in) provided by investing activities	(13,864)	(378)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(53)	(36)
Proceeds from sale of treasury stock, net	3	1
Payment for purchase of treasury stock, net	(17)	(5,851)
Cash dividends paid	(14,469)	(14,394)
Net cash (used in) provided financing activities	(14,537)	(20,281)
Net increase (decrease) in cash and cash equivalents	(12,879)	8,313
Cash and cash equivalents at beginning of the period	218,509	218,416
Cash and cash equivalents at end of the period	205,629	226,729

(4) Notes on premise of a going concern

1st Nine Months of FY2011 (From April 1, 2010, to December 31, 2010)

Not applicable

(5) Segment Information

(Segment information by business category)

1st Nine Months of FY2010 (From April 1, 2009, to December 31, 2009)

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

	1st Nine Months of FY2010 (Millions of yen)						
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Other business	Total	Elimination or corporate items	Consolidated
Sales							
(1) Customers	159,218	4,432	15,071	1,018	179,742	-	179,742
(2) Intersegment	18	-	-	10	29	(29)	-
Total	159,237	4,432	15,071	1,029	179,771	(29)	179,742
Operating income	50,739	(1,718)	370	382	49,773	(3,532)	46,240

(Additional information)

Effective from the first quarter of the year ending March 31, 2011, the Company adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008).

1. Overview of reportable segments

The Company's segments are the Company's components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's board of directors to make decisions about resources to be allocated to the segments and to assess their performance.

The Company's principal businesses are manufacturing and sales of pachinko and pachislot machines and installation and sales of ball bearing supply systems. Therefore, the Company's reportable segments are the pachinko machines business, the pachislot machines business, and the ball bearing supply systems business.

The pachinko machines business includes manufacturing and sales of pachinko machines and gauge boards, and related parts and pachinko machine-related royalty income. The pachislot machines business includes manufacturing and sales of pachislot and palot machines, and related parts and pachislot machine-related royalty income. The ball bearing supply systems business includes manufacturing and sales of ball bearing supply systems, card systems, and related equipment for parlors, and ball bearing supply system-related royalty income.

2. Information about sales and income/loss in reportable segments

1st Nine Months of FY2011 (From April 1, 2010, to December 31, 2010)

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

	1st Nine Months of FY2011 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
(1) Customers	124,931	9,672	15,392	149,995	1,313	151,308	-	151,308
(2) Intersegment	-	-	-	-	-	-	-	-
Total	124,931	9,672	15,392	149,995	1,313	151,308	-	151,308
Segment income	40,713	1,214	1,095	43,023	468	43,492	(3,766)	39,725

(6) Notes on significant changes in shareholders' equity

Following the resolution at its board of directors' meeting on June 11, 2010, 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 2011 increased JPY5.8 billion.