

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: August 11, 2011

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. Results for the first quarter of FY2012 (From April 1, 2011, to June 30, 2011)

(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 quarter of FY2012	31,641 (38.1%)	5,998 (55.4%)	7,294 (49.8%)	3,249 (64.5%)
1st quarter of FY2011	51,124 (41.2%)	13,456 (31.2%)	14,535 (31.8%)	9,152 (31.0%)
(note) Comprehensive income	1st quarter of FY2012	¥3,135 million [(65.3%)]	1st quarter of FY2011	¥9,028 million [-9%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2012	34.70	-
1st quarter of FY2011	95.09	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of June 30, 2011	490,216	412,009	84.0	
As of March 31, 2011	488,636	419,658	85.9	
(reference) Shareholders' Equity	As of June 30, 2011	¥412,009 million	As of March 31, 2011	¥419,658 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, 2011	-	75.00	-	75.00	150.00
Year ended March 31, 2012	-	-	-	-	150.00
Year ended March 31, 2012 (Forecast)	-	75.00	-	75.00	

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

3. Forecast for FY2012 (From April 1, 2011, to March 31, 2012)

(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
Six months ending September 30, 2011	70,000 (40.9%)	11,000 (67.4%)	13,000 (64.1%)	6,000 (73.4%)	64.21
Year ending March 31, 2012	182,000 (9.7%)	40,000 (23.0%)	43,000 (23.1%)	26,000 (25.1%)	278.24

Note: Changes in the forecasts of consolidated Financial results in this quarter : Yes

4. Other

(1) Changes for important subsidiaries during the 1st quarter of FY2012:	Not applicable		
(2) Application of peculiar accounting methods:	Not applicable		
(3) Changes in accounting procedures			
a. Related to accounting standard revisions etc.:	Not applicable		
b. Other changes:	Not applicable		
c. Changes in accounting estimates:	Not applicable		
d. Retrospective restatements:	Not applicable		
(4) Outstanding shares (common shares)			
a. No. of shares outstanding (including treasury stock) As of June 30, 2011:	97,597,500 shares	As of March 31, 2010:	97,597,500 shares
b. No. of treasury stock	As of June 30, 2011: 4,154,665 shares	As of March 31, 2010:	3,248,685 shares
c. Average number of shares issued and outstanding	1st quarter of FY2012: 93,662,825 shares	1st quarter of FY2011:	96,243,735 shares

* Note on the status of quarterly review procedures

This quarterly report is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Act, and the quarterly review procedures for the quarterly financial statements were not completed at the time of disclosure of this quarterly report.

* Disclaimer regarding Forward-looking Statements

The 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.

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Operating Results

During the first quarter of the fiscal year ending March 31, 2012 (from April 1, 2011, to June 30, 2011), prospects for the Japanese economy remained uncertain. The devastation caused by the Great East Japan Earthquake that occurred on March 11, 2011, greatly affected business activities. Personal consumption suffered as consumers became more frugal in the aftermath of the disaster.

In the pachinko and pachislot industry, there was a temporary drop in the number of players because parlors, mainly those in the Kanto and Tohoku regions, shortened their opening hours in response to electricity shortages following the earthquake, and refrained from advertising and replacement of game machines. Regarding the supply of game machines by manufacturers, shipments were sluggish throughout the industry due to shortages of parts because of disruption of supply chains. However, the number of players at parlors quickly recovered to the level before the earthquake because consumers tended to avoid making trips after the earthquake and preferred leisure activities such as pachinko and pachislot that are inexpensive, close at hand, and not time-consuming.

SANKYO Group rescheduled shipments of certain products in response to parlors' voluntary restraint concerning replacement of game machines. However, because the Group has been promoting the use of common parts, the impact of disrupted supply chains on production was minimized. Sales were brisk because of the increasing popularity of the Group's products among both players and parlors. Although sales and profits for the first quarter of fiscal 2012 declined compared with the same period of the previous year since the Group had no major title scheduled for introduction in this quarter, the results exceeded the initial forecast.

As a result, on a consolidated basis, net sales were ¥31.6 billion, a decrease of 38.1% compared with the same period of the previous year, operating income was ¥5.9 billion, a decrease of 55.4%, recurring income was ¥7.2 billion, a decrease of 49.8%, and net income was ¥3.2 billion, a decrease of 64.5%.

Results of segments are presented below:

Pachinko Machines Business

With regard to pachinko machines, the Group launched two titles for SANKYO-brand series. Product development reflecting players' viewpoints, which the Group has been emphasizing since the previous year, has started to bear fruit, with sales of *Fever Macross Frontier* (introduced in May 2011) being particularly brisk. Order-taking for *CR The story of ayumi hamasaki-introduction* (to be introduced in July 2011) from Bisty-brand, which started operating from May through the selling agency FIELDS CORPORATION, has been upbeat with orders exceeding 70,000 units. Consequently, the sales volume of pachinko machines for the first six months of fiscal 2012 is expected to exceed the initial plan of 95,000 units.

As a result, Segment sales amounted to ¥18.1 billion, a decrease of 60.6% compared with the same period of the previous year, and operating income was ¥4.6 billion, down 68.0%. Sales of pachinko machines amounted to 49,000 units.

Pachislot Machines Business

In the pachislot machines business, the Group launched Bisty-brand *SAMURAI 7* (introduced in May 2011). A portion of the sales of *MOBASLO Evangelion—for your own wish* (introduced in March 2011), which was introduced at the end of the previous fiscal year, was recorded in the current fiscal year.

As a result, segment sales were ¥8.3 billion, an increase of 321.4% compared with the same period of the previous year, and operating income was ¥2.1 billion compared with an operating loss of ¥29 million a year earlier. Sales of pachislot machines amounted to 35,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥4.7 billion, an increase of 79.8% compared with the same period of the previous year, and operating income was ¥100 million compared with an operating loss of ¥35 million a year earlier.

Other Businesses

Sales of other businesses were ¥400 million, a decrease of 8.5% compared with the same period of the previous year, and operating income was ¥100 million, a decrease of 11.6%.

2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the first quarter of fiscal 2012 amounted to ¥490.2 billion, ¥1.5 billion higher than the figure at the previous fiscal year-end. The rise was mainly attributable to a ¥9.6 billion increase in merchandise and finished goods and a ¥6.6 billion increase in accounts receivable for provision of parts and materials for value (included in current assets, other) despite a ¥12.0 billion decrease in cash and deposits.

Total liabilities amounted to ¥78.2 billion, having increased ¥9.2 billion compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥12.5 billion increase in notes and accounts payable-trade.

Net assets decreased ¥7.6 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥3.2 billion was recorded, cash dividends paid amounted to ¥7.0 billion and purchase of treasury stock amounted to ¥3.7 billion. As a result,

net assets amounted to ¥412.0 billion and the shareholders' equity ratio decreased 1.9 percentage points to 84.0%.

3. Qualitative Information on Forecast of Consolidated Results

In light of recent developments, management revised the forecast of the consolidated financial results for the first six months of fiscal 2012 announced on May 13, 2011. Forecast sales volumes of pachinko machines and pachislot machines for the first six months of fiscal 2012 were revised from 95,000 units to 143,500 units and from 54,000 units to 43,500 units, respectively. No revision has been made to the forecast of financial results for the full year. For details, please refer to the Notice concerning Revision of the Forecast of the Financial Results for Fiscal 2012 announced today.

Notes on Summary Information (Other)

(1) Changes in significant subsidiaries during the period

Not applicable.

(2) Application of special accounting methods for presenting quarterly consolidated financial statements

Description is omitted because of lack of materiality.

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

Not applicable.

(Additional Information)

The Company adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior period errors from the beginning of the first quarter of fiscal 2012.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2011	As of June 30, 2011
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	168,230	156,151
Notes and accounts receivable-trade	51,685	42,574
Marketable securities	112,999	111,002
Merchandise and finished goods	1,140	10,832
Work in process	313	793
Raw materials and inventories	1,046	1,937
Other	19,168	28,942
Allowance for doubtful accounts	(361)	(361)
Total current assets	354,220	351,873
Fixed assets:		
Tangible fixed assets	48,225	47,919
Intangible fixed assets	329	315
Investments and other assets:		
Investment securities	81,019	85,121
Other	5,387	5,531
Allowance for doubtful accounts	(166)	(165)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,860	90,107
Total fixed assets	134,415	138,342
Total assets	488,636	490,216

Consolidated Balance Sheets

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

	As of March 31, 2011	As of June 30, 2011
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	39,168	51,671
Accrued income taxes	12,748	2,103
Allowance for bonuses	851	1,370
Other	10,595	17,350
Total current liabilities	63,364	72,496
Long-term liabilities:		
Provision for special retirement bonuses for directors	653	668
Accrued retirement allowance for employees	3,209	3,302
Asset retirement obligations	59	57
Other	1,690	1,680
Total long-term liabilities	5,612	5,709
Total liabilities	68,977	78,206
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	397,867	394,026
Less: treasury stock, at cost	(17,337)	(21,031)
Total shareholders' equity	419,250	411,716
Accumulated other comprehensive income:		
Net unrealized gain on other securities	408	293
Total accumulated other comprehensive income:	408	293
Total net assets	419,658	412,009
Total liabilities and total net assets	488,636	490,216

(2) Consolidated Statements of Income

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

	1st quarter of FY2011	1st quarter of FY2012
	Millions of yen	Millions of yen
Net sales	51,124	31,641
Cost of sales	24,446	16,697
Gross profit	26,678	14,944
Selling, general and administrative expenses	13,221	8,945
Operating income	13,456	5,998
Non-operating income:		
Interest income	356	263
Dividend income	131	63
Equity in earnings of affiliates	471	870
Other	127	105
Total non-operating income	1,085	1,303
Non-operating expenses:		
Interest expenses	-	-
Other	6	8
Total non-operating expenses	6	8
Recurring income	14,535	7,294
Extraordinary gains:		
Reversal of allowance for doubtful accounts	48	-
Gain on sales of golf course membership	-	6
Total extraordinary gains	48	6
Extraordinary losses:		
Loss on disposal of fixed assets	2	2
Loss on sales of golf course membership	-	6
Loss on change in equity	-	1,602
Loss on adjustment for changes of accounting standard for asset retirement obligations	48	-
Total extraordinary losses	50	1,611
Income before income taxes	14,533	5,689
Income taxes:		
Current income taxes	6,876	3,854
Deferred income taxes	(1,494)	(1,415)
Total income taxes	5,381	2,439
Income before minority interests	9,152	3,249
Net income	9,152	3,249

Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2011	1st quarter of FY2012
	Millions of yen	Millions of yen
Income before minority interests	9,152	3,249
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(162)	(121)
Share of other comprehensive income of associates accounted for using equity method	38	7
Total other comprehensive income	(123)	(114)
Comprehensive income	9,028	3,135
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,028	3,135
Comprehensive income attributable to minority interests	-	-

(3) Notes on premise of a going concern

1st quarter of FY2012 (From April 1, 2011, to June 30, 2011)

Not applicable

(4) Segment Information

(Segment information by business category)

1st quarter of FY2011 (From April 1, 2010, to June 30, 2010)

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

	1st quarter of FY2011 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	46,069	1,990	2,619	50,680	444	51,124	-	51,124
Intersegment	-	-	-	-	-	-	-	-
Total	46,069	1,990	2,619	50,680	444	51,124	-	51,124
Segment income	14,466	(29)	(35)	14,401	116	14,518	(1,061)	13,456

1st quarter of FY2012 (From April 1, 2011, to June 30, 2011)

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

	1st quarter of FY2012 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	18,135	8,388	4,711	31,235	406	31,641	-	31,641
Intersegment	-	-	-	-	-	-	-	-
Total	18,135	8,388	4,711	31,235	406	31,641	-	31,641
Segment income	4,636	2,103	161	6,901	102	7,004	(1,005)	5,998

(5) 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 first quarter of fiscal 2012 increased JPY3.7 billion.