

May 9, 2012

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, 2012

Planned Date for Start of Dividend Payment: June 29, 2012

Planned Date for Submittal of the Financial Statements Report: June 29, 2012

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

1. Results for the fiscal year (From April 1, 2011, to March 31, 2012)

(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, 2012	173,682	(13.9%)	40,315	(22.4%)	44,396	(20.6%)	20,182	(41.9%)
Year ended March 31, 2011	201,606	(9.5%)	51,923	(6.9%)	55,909	(5.8%)	34,733	(4.0%)
(note) Comprehensive income	Year ended March 31, 2012		¥21,482 million [(37.5%)]		Year ended March 31, 2011		¥34,398 million [(5.3%)]	

	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, 2012	215.85	-	4.8	9.0	23.2			
Year ended March 31, 2011	364.09	-	8.4	11.8	25.8			
(reference) Equity in earnings of affiliates	Year ended March 31, 2012		¥2,426 million		Year ended March 31, 2011		¥2,295 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, 2012	495,988	418,303	84.3	4,475.09				
As of March 31, 2011	488,636	419,658	85.9	4,447.95				
(reference) Shareholders' Equity	As of March 31, 2012		¥418,303 million		As of March 31, 2011		¥419,658 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, 2012	13,174	1,045	(17,858)	239,591
Year ended March 31, 2011	48,405	(782)	(22,810)	243,230

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, 2011	-	75.00	-	75.00	150.00	14,251	41.2	3.5
Year ended March 31, 2012	-	75.00	-	75.00	150.00	14,044	69.5	3.4
Year ended March 31, 2013 (forecast)	-	75.00	-	75.00	150.00	-	40.1	-

3. Forecast for FY2013 (From April 1, 2012, to March 31, 2013)

(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, 2012	73,000	2.0%	13,000	9.8%	14,000	0.5%	10,000	48.1%	106.98
Year ending March 31, 2013	210,000	20.9%	50,000	24.0%	53,000	19.4%	35,000	73.4%	374.44

*** Notes**

- (1) Changes for important subsidiaries during the fiscal year ended March 31, 2012: 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, 2012: | 97,597,500 shares |
| As of March 31, 2011: | 97,597,500 shares |
- b. Number of treasury stock
- | | |
|-----------------------|------------------|
| As of March 31, 2012: | 4,123,691 shares |
| As of March 31, 2011: | 3,248,685 shares |
- c. Average number of shares issued and outstanding
- | | |
|-----------------------|-------------------|
| As of March 31, 2012: | 93,499,783 shares |
| As of March 31, 2011: | 95,398,765 shares |

(Reference) Non-consolidated results**1. Non-consolidated results for the fiscal year (From April 1, 2011, to March 31, 2012)**

(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, 2012	140,082	(16.6%)	29,698	(24.8%)	41,196	(15.2%)	30,276	(7.7%)
Year ended March 31, 2011	168,001	10.4%	39,506	13.0%	48,592	25.6%	32,809	35.1%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2012	323.18	-
Year ended March 31, 2011	343.23	-

(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, 2012	468,252	399,554	85.3	4,267.49
As of March 31, 2011	450,699	385,844	85.6	4,081.21

(reference) Shareholders' Equity As of March 31, 2012 ¥399,554 million As of March 31, 2011 ¥385,844 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 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. Business Results

(1) Analysis of business results

a. Results for fiscal 2012

During the fiscal year ended March 31, 2012, the Japanese economy began to recover from the Great East Japan Earthquake. However, prospects for the country's economy remained uncertain owing to the yen's persisting strength and deflation, amid mounting concern that the continuing sovereign debt crisis in Europe was slowing the tempo of the world economy.

The pachinko and pachislot industry continued to operate in a challenging business environment in which ball/token rental revenues increased only slightly, reflecting the trend toward thrift among players while the player population remained flat. According to the 2011 White Paper on Adult Entertainment Businesses published by the National Police Agency of Japan in April 2012, while the number of pachinko parlors decreased 1.3% year on year to 12,323 as of December 31, 2011, the number of installed pachinko machines decreased 1.8% to 3,107,000 units. This was the first decrease in five years. In contrast, the number of installed pachislot machines increased 6.1% to 1,474,000 units. Despite a moderate decline in the number of parlors, the total number of game machines installed continued to increase from the previous year and the shift toward larger parlors continued.

In the game machines market, while the core pachinko operation based on rental balls at ¥4 each struggled to attract players and pachinko parlors offering rental balls at prices as low as ¥1 have become commonplace, there was a perceptible shift in demand from pachinko to pachislot underpinned by a resurgence in the popularity of pachislot thanks to enhanced gaming performance. Although the replacement of pachinko machines remains a key measure for pachinko parlors endeavoring to attract players, parlor operators are becoming increasingly discriminating in their evaluation of game machines, as evidenced by a marked tendency for them to only purchase captivating products likely to remain popular for a long time and contribute to profits. As the brand power of manufacturers able to stably create popular products is also viewed as an important factor, a gulf is opening up between those deemed to possess that attribute and those lacking it.

In these circumstances, SANKYO Group vigorously invested in product development and expanded alliances under a new product development structure that emphasizes players' viewpoints in order to reinforce the brand power. Thanks to this strategy, the reputation of the Group's products has risen among both players and parlors. However, sales in fiscal 2012 were below the initial forecast because the Group postponed the introduction of certain titles scheduled for introduction in fiscal 2012 to the next fiscal year in order to increase quality.

The Company recorded extraordinary losses, including a ¥3.5 billion loss on sales of investment securities resulting from the transfer of the shares of Gamecard-Joyco Holdings, Inc. (JASDAQ Standard: Stock Code 6249), which was an affiliate of SANKYO Co., Ltd. accounted for by the equity method, and a ¥2.7 billion loss on sales of fixed assets resulting from the transfer of a building for lease owned by SANKYO Create Co., Ltd., a consolidated subsidiary.

As a result, consolidated net sales amounted to ¥173.6 billion, a decrease of 13.9% year on year, as operating income decreased 22.4% to ¥40.3 billion, recurring income decreased 20.6% to ¥44.3 billion, and net income decreased 41.9% to ¥20.1 billion.

Results of segments are presented below:

Pachinko Machines Business

With regard to pachinko machines, the Group launched eight titles for the SANKYO-brand series and two titles for the Bisty-brand series.

Titles introduced under the SANKYO brand included *Fever Macross Frontier* (introduced in May 2011), *Fever Space Battleship Yamato-Revival* (introduced in December 2011), and *Fever Koda Kumi III-Love Romance-* (introduced in March 2012). Under the Bisty brand, *CR The story of ayumi hamasaki-introduction* (introduced in July 2011) and *Evangelion 7* (introduced in January 2012) were launched. As the new development structure yielded substantial results, *Evangelion 7* achieved great popularity.

As a result, sales of pachinko machines amounted to 360,000 units, a decrease of 63,000 units from the previous year. Segment sales amounted to ¥123.3 billion, a decrease of 17.7% year on year, and operating income was ¥37.6 billion, down 21.2%.

Pachislot Machines Business

In the pachislot machines business, the Group launched two titles for the SANKYO-brand series and the Bisty-brand series, respectively. The SANKYO-brand titles were *Mumu World DXII* (introduced in September 2011) and *X JAPAN Kyokotoppa* (introduced in October 2011). Under the Bisty brand, in addition to sales of *SAMURAI 7* (introduced in May 2011) and *Evangelion—the Heartbeat of Life* (introduced in February 2012), a portion of the sales of *MOBASLO Evangelion—for your own wish* (introduced in March 2011), which debuted in the previous fiscal year, was recorded in fiscal 2012.

As a result, sales of pachislot machines decreased 20,000 units to 96,000 units. Segment sales were ¥24.2 billion, a decrease of 19.9% year on year, and operating income was ¥5.4 billion, a decrease of 21.5%.

Ball Bearing Supply Systems Business

Segment sales were ¥24.4 billion, an increase of 24.4% year on year, and operating income was ¥1.2 billion, a decrease of 2.6%, benefiting from increased projects for refurbishment to save energy, such as installation of LED lighting, introduction of individual

machine counting systems to save labor, and installation work for pachislot zones at pachinko parlors.

Other Businesses

Sales from this segment, consisting primarily of rental revenues of consolidated subsidiary SANKYO Create Co., Ltd., amounted to ¥1.6 billion, a decrease of 9.0% year on year, and operating income was ¥0.6 billion, a decrease of 2.7%.

b. Forecast for fiscal 2013

Although the Japanese economy is expected to recover thanks to the effect of various government stimulus measures, the tendency to curtail leisure-related consumption is likely to persist because of deflationary pressure and concerns about deterioration of the labor market. In the game machines market, shipments of pachinko machines are expected to be almost flat. It is hoped that revision of the internal regulations of the Nihon Yugiki Kogyo Kumiai (Nikkiso), which is a pachinko machine manufacturers association, in April 2012 will facilitate the advent of pachinko machines with new gaming-performance attributes, leading to vitalization of the market. In view of the continuing popularity of pachislot machines, their shipments are expected to remain robust.

We expect the Group's initiatives to strengthen the attractiveness of products—spearheaded by the development structure launched in April 2010 and the Pachislot Development Department established in April 2011—to yield valuable results. In addition, we will strive to coral players by offering new services centering on PAWA-COMI, SANKYO's unique online community that debuted in March 2012. PAWA-COMI fully supports the PAWA-PACHI and PAWA-SLO services, which link mobile phones with game machines. Through these initiatives, the Group's plan calls for sales volumes for the fiscal year ending March 31, 2013, of 432,000 pachinko machines and 188,000 pachislot machines.

The forecast for consolidated business results in the fiscal year ending March 31, 2013, is as follows:

	Forecast		Year-on-year change		FY 2012 results	
Net sales	¥210.0	billion	20.9%	increase	¥173.6	billion
Operating income	¥50.0	billion	24.0%	Increase	¥40.3	billion
Recurring income	¥53.0	billion	19.4%	increase	¥44.3	billion
Net income	¥35.0	billion	73.4%	increase	¥20.1	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 fiscal 2012 amounted to ¥495.9 billion, ¥7.3 billion higher than the figure at the previous fiscal year-end, mainly attributable to a ¥6.9 billion decrease in land and a ¥18.6 billion increase in notes and accounts receivable-trade.

Total liabilities amounted to ¥77.6 billion, having increased ¥8.7 billion compared with the previous fiscal year-end. This increase was mainly attributable to a ¥4.3 billion increase in notes and accounts payable-trade and an increase of ¥3.1 billion in long-term loans payable (including current portion of long-term loans payable).

Net assets decreased ¥1.3 billion compared with the previous fiscal year-end. Whereas net income of ¥20.1 billion was recorded, cash dividends paid amounted to ¥14.1 billion, a ¥5.1 billion decrease was recorded regarding Gamecard-Joyco Holdings being excluded from the scope of application of the equity method as a result of the sale of shares of Gamecard-Joyco Holdings, and purchase of treasury stock amounted to ¥3.7 billion. As a result, net assets amounted to ¥418.3 billion and the shareholders' equity ratio decreased 1.6 percentage points to 84.3%.

Cash and cash equivalents (hereinafter "cash") at the fiscal year-end were ¥239.5 billion, having decreased ¥3.6 billion from the previous fiscal year-end.

Net cash provided by operating activities decreased ¥35.2 billion from the previous fiscal year to ¥13.1 billion. The principal factors included income before income taxes amounting to ¥36.8 billion and an increase of ¥18.4 billion in notes and accounts payable-trade.

Net cash provided by investing activities increased ¥1.8 billion from the previous year to ¥1.0 billion. The principal factors increasing cash flows included ¥5.3 billion in proceeds from sales of property, plant and equipment and intangible fixed assets, notwithstanding cash outflows of ¥2.6 billion resulting from the purchase, sale and redemption of investment securities.

Net cash used in financing activities increased ¥4.9 billion from the previous year to ¥17.8 billion. The principal items were cash dividends paid amounting to ¥14.1 billion and purchase of treasury stock amounting to ¥3.7 billion.

For fiscal 2013, the Company forecasts net cash provided by operating activities of ¥50.0 billion, net cash used in investing

activities of ¥12.0 billion attributable to capital investment, and net cash used in financing activities of ¥14.0 billion mainly attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥24.0 billion in the cash balance at the end of fiscal 2013 compared to the end of fiscal 2012.

b. Change in cash flow indicators

	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Shareholders' equity ratio (%)	78.0	88.4	85.9	84.3
Shareholders' equity ratio at market value (%)	83.1	96.5	82.4	76.5
Ratio of interest-bearing debt to cash flows (%)	-	-	-	23.9
Interest coverage ratio (times)	8,349.1	206,350.8	-	6,128.2

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. Figures are rounded up or down to the nearest single decimal place.

(3) Basic policy on profit sharing and cash dividends for fiscal 2012 and fiscal 2013

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. Emphasizing flexibility, the Company intends to continue repurchasing own shares to enhance capital efficiency.

In line with the above basic policy, the Company plans to pay a dividend of ¥150 per share (including a ¥75 interim dividend) for both fiscal 2012 and for fiscal 2013. This will result in a consolidated payout ratio of 69.5% for fiscal 2012 and 40.1% for fiscal 2013.

With a view to improving business performance, the Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing.

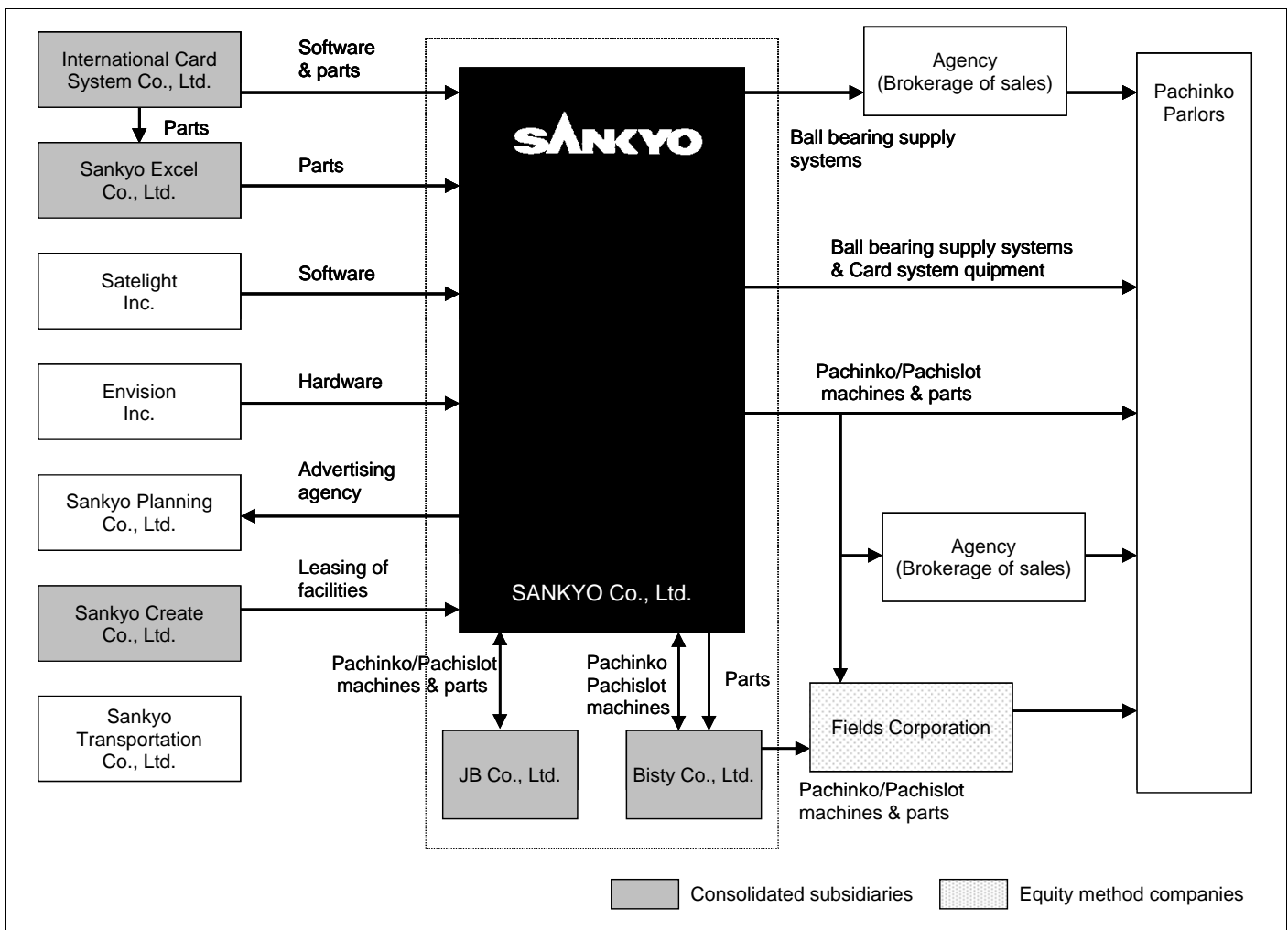
2. Overview of the Consolidated Group

(1) SANKYO Group consists of SANKYO Co., Ltd. (the Company) and its 12 subsidiaries (as of March 31, 2012) 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,	SANKYO Co., Ltd. Sankyo Excel Co., Ltd. International Card System Co., Ltd. Sankyo Create Co., Ltd.
Other business Real estate rental revenues, sales of general molded parts	Sankyo Excel Co., Ltd. Sankyo Create 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.

	FY2010	FY2011	FY2012
Ratio of operating income to net sales (%)	25.0	25.8	23.2

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

To maintain growth and increase profitability, SANKYO Group will concentrate its resources on the game machines business and strive to broaden the base of the game machines industry by increasing the player population, while aiming to secure a competitive advantage as a manufacturer that continues to lead the market.

(4) Management issues

The new management structure launched in April 2012 will address the following issues from a medium- to long-term perspective.

a) Broadening the base of the pachinko and pachislot industry

Our priority is to increase the player population and thus broaden the base of the pachinko and pachislot industry by vigorously disseminating information on the Group as well as on the pachinko and pachislot industry and pursuing collaboration with other industries. Our website is at the heart of the Group's communication strategy and we offer pachinko and pachislot games through a leading social networking website and smartphone apps to attract fans of particular content and other potential players who have never played pachinko or pachislot before. Through these measures, we are striving to cultivate new pachinko and pachislot fans.

b) Establishing brands with the support of players

We are developing machines from the players' perspective and establishing a structure that enables the Group to continually offer products with the attributes necessary for enduring appeal. The Group's recent products have met with an enthusiastic response, achieving considerable and stable popularity. While continuing to strengthen the development structure, we will identify market trends by conducting thorough marketing and strive to become a trendsetter with a view to earning a consistently high evaluation among players and parlors.

In recent years, services utilizing mobile technologies to enrich the game-machine player's experience have proliferated. Our strategy is to bring in players by offering services that link mobile phones with game machines by leveraging the Group's unique online community site. In doing so, we envisage enhancing player satisfaction with the Group's products through these services and increasing the number of service subscribers so as to heighten the popularity of the Group's products.

c) Expansion of the market share of the Group's pachinko and pachislot machine business

Although the game machines market is currently dominated to a considerable extent by a small number of major titles capable of generating large sales volumes, certain player needs particularly for niche products with a powerful retro appeal for older players, or for products delivering innovative gaming performance or using original content are only being met to a certain level. The Group has been operating the pachinko and pachislot machine businesses under the two-brand structure of SANKYO and Bisty, however, in March 2012, JB Co., Ltd., a game machine manufacturer, became a consolidated subsidiary of SANKYO Co., Ltd. The Group views the new brand as an opportunity to respond to the detailed needs of players and parlors, particularly for niche products whose concepts differ from previous items and with flexible pricing policies. Under the SANKYO brand, we will focus on products that can do the heavy lifting in terms of strengthening the brand power and enhance the position of the Bisty brand. By promoting three distinctive brands, we will pursue continuous expansion of the Group's market share.

d) Maximization of corporate value

We recognize the importance of cultivating relationships rooted in trust with shareholders and investors by enriching IR activities and through sustained improvement of financial performance. In addition to actively engaging in communication with shareholders and investors by improving the Company's website and briefings, we participate in IR events and periodically hold briefings for individual investors with the aim of broadening participation of the investor community, including that of individual investors. We will strive to enhance corporate value by promoting vigorous communication with shareholders and investors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2011 Millions of yen	As of March 31, 2012 Millions of yen
Assets:		
Current assets:		
Cash and deposits	168,230	164,591
Notes and accounts receivable-trade	51,685	70,340
Marketable securities	112,999	106,997
Finished goods and merchandise	1,140	214
Work in process	313	1,643
Raw materials and supplies	1,046	957
Accounts receivable for provision of parts and materials for value	9,742	9,291
Deferred tax assets	3,102	3,278
Other	6,323	8,121
Allowance for doubtful accounts	(361)	(14)
Total current assets	354,220	365,423
Fixed assets, at cost:		
Tangible fixed assets:		
Buildings and structures	23,119	21,682
Less accumulated depreciation	(8,037)	(8,335)
Subtotal	15,082	13,347
Machinery and equipment	7,721	7,924
Less accumulated depreciation	(5,768)	(6,385)
Subtotal	1,952	1,538
Furniture and fixtures	16,653	17,443
Less accumulated depreciation	(15,114)	(15,842)
Subtotal	1,538	1,601
Land	29,619	22,638
Lease assets	197	94
Less accumulated depreciation	(164)	(87)
Subtotal	32	7
Total tangible fixed assets	48,225	39,132
Intangible fixed assets		
Goodwill	-	3,013
Other	329	342
Total Intangible fixed assets	329	3,356
Investments and other assets:		
Investment securities	81,019	83,452
Long-term advances	582	361
Deferred tax assets	4,046	4,164
Other	758	666
Allowance for doubtful accounts	(166)	(189)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,860	88,075
Total fixed assets	134,415	130,564
Total assets	488,636	495,988

Consolidated Balance Sheets

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

	As of March 31, 2011 Millions of yen	As of March 31, 2012 Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	39,168	43,504
Long-term loans payable	-	335
Lease liabilities	24	6
Accrued income taxes	12,748	13,019
Allowance for bonuses	851	803
Other	10,570	11,944
Total current liabilities	63,364	69,614
Long-term liabilities:		
Long-term loans payable	-	2,816
Lease liabilities	7	0
Provision for special retirement bonuses for directors	653	715
Accrued retirement allowance for employees	3,209	3,387
Asset retirement obligations	59	58
Other	1,683	1,091
Total long-term liabilities	5,612	8,069
Total liabilities	68,977	77,684
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	397,867	398,805
Less: treasury stock, at cost	(17,337)	(20,930)
Total shareholders' equity	419,250	416,595
Accumulated other comprehensive income:		
Net unrealized gain on other securities	408	1,708
Total accumulated other comprehensive income:	408	1,708
Total net assets	419,658	418,303
Total liabilities and total net assets	488,636	495,988

(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, 2011	Year ended March 31, 2012
	Millions of yen	Millions of yen
Net sales	201,606	173,682
Cost of sales	101,406	89,155
Gross profit	100,199	84,526
Selling, general and administrative expenses	48,276	44,210
Operating income	51,923	40,315
Non-operating income:		
Interest income	1,284	1,056
Dividend income	192	122
Equity in earnings of affiliates	2,295	2,426
Other	516	497
Total non-operating income	4,289	4,103
Non-operating expenses:		
Interest expenses	-	2
Loss on management of investment partnership	280	3
Other	23	16
Total non-operating expenses	303	22
Recurring income	55,909	44,396
Extraordinary gains:		
Gain on sales of fixed assets	-	2
Gain on sales of golf course membership	-	11
Reversal of loss on disaster	-	346
Reversal of allowance for doubtful accounts	57	-
Total extraordinary gains	57	359
Extraordinary losses:		
Loss on sales of fixed assets	-	2,731
Loss on sales of investment securities	-	3,535
Loss on sales of golf club membership	-	20
Loss on disposal of fixed assets	84	33
Loss on valuation of investment securities	116	-
Loss on valuation of golf club membership	1	6
Impairment loss	262	-
Loss on change in equity	-	1,602
Loss on disaster	346	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	48	-
Total extraordinary losses	859	7,929
Income before income taxes	55,107	36,826
Income taxes:		
Current income taxes	22,240	17,589
Deferred income taxes	(1,866)	(944)
Total income taxes	20,373	16,644
Income before minority interests	34,733	20,182
Net income	34,733	20,182

Consolidated Statements of Comprehensive Income

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

	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen	Millions of yen
Income before minority interests	34,733	20,182
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(386)	1,266
Share of other comprehensive income of associates accounted for using equity method	51	33
Total other comprehensive income	(335)	1,300
Comprehensive income	34,398	21,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	34,398	21,482
Comprehensive income attributable to minority interests	-	-

(3) Statement of Changes in Shareholders' Equity

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

	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen	Millions of yen
Shareholders' equity:		
Common stock:		
Balance at beginning of the period	14,840	14,840
Balance at end of the period	14,840	14,840
Capital surplus:		
Balance at beginning of the period	23,880	23,880
Change during the fiscal year:		
Sales of treasury stocks	(0)	(0)
Total changes during the fiscal year	(0)	(0)
Balance at end of the period	23,880	23,880
Retained earnings:		
Balance at beginning of the period	377,529	397,867
Change during the fiscal year:		
Dividends of surplus	(14,394)	(14,112)
Change in scope of application of the equity method	-	(5,131)
Net income	34,733	20,182
Total changes during the fiscal year	20,338	937
Balance at end of the period	397,867	398,805
Treasury stock:		
Balance at beginning of the period	(8,969)	(17,337)
Change during the fiscal year:		
Acquisition of treasury stocks	(8,370)	(3,721)
Sales of treasury stocks	2	0
Change in equity in affiliates accounted for by equity method-treasury stock	-	127
Total changes during the fiscal year	(8,368)	(3,592)
Balance at end of the period	(17,337)	(20,930)
Total shareholders' equity:		
Balance at beginning of the period	407,280	419,250
Change during the fiscal year:		
Dividends of surplus	(14,394)	(14,112)
Change in scope of application of the equity method	-	(5,131)
Net income	34,733	20,182
Acquisition of treasury stocks	(8,370)	(3,721)
Sales of treasury stocks	1	0
Change in equity in affiliates accounted for by equity method-treasury stock	-	127
Total changes during the fiscal year	11,969	(2,654)
Balance at end of the period	419,250	416,595
Accumulated other comprehensive income:		
Net unrealized gain on other securities		
Balance at beginning of the period	744	408
Change during the fiscal year:		
Net changes of items other than shareholder's equity	(335)	1,300
Total changes during the fiscal year	(335)	1,300
Balance at end of the period	408	1,708
Total net assets:		
Balance at beginning of the period	408,024	419,658
Change during the fiscal year:		
Dividends of surplus	(14,394)	(14,112)
Change in scope of application of the equity method	-	(5,131)
Net income	34,733	20,182
Acquisition of treasury stocks	(8,370)	(3,721)
Sales of treasury stocks	1	0
Change in equity in affiliates accounted for by equity method-treasury stock	-	127
Net changes of items other than shareholder's equity	(335)	1,300
Total changes during the fiscal year	11,634	(1,354)
Balance at end of the period	419,658	418,303

(4) Consolidated Statements of Cash Flows

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

	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	55,107	36,826
Depreciation and amortization	4,710	3,306
Increase (decrease) in allowance for doubtful accounts	102	(323)
Increase (decrease) in allowance for bonuses	34	(51)
Increase (decrease) in provision for special retirement bonuses for directors	30	61
Increase (decrease) in accrued retirement allowance for employees	276	173
Interest and dividend income	(1,477)	(1,179)
Interest expenses	-	2
(Gain) loss on equity in earnings of affiliates	(2,295)	(2,426)
(Gain) loss on sales of fixed assets	-	2,729
Disposal of fixed assets	84	33
(Gain) loss on sales of investment securities	-	3,535
(Gain) loss on valuation of investment securities	116	-
(Gain) loss on sales of golf club membership	-	9
Loss on valuation of golf club membership	-	6
(Gain) loss on change in equity	-	1,602
(Increase) decrease in notes and accounts receivable-trade	(1,816)	(18,412)
(Increase) decrease in inventories	816	(303)
Increase (decrease) in notes and accounts payable-trade	8,986	4,035
(Increase) decrease in accounts receivable for provision of parts and materials for value	(3,617)	450
Increase (decrease) in accounts payable	1,834	1,387
Increase (decrease) in accrued consumption tax	(956)	(486)
Other	(260)	(3,953)
Subtotal	61,674	27,023
Interest and dividend income received	1,917	1,774
Interest paid	-	(2)
Income taxes paid	(15,186)	(15,620)
Net cash (used in) provided by operating activities	48,405	13,174
Cash flows from investing activities:		
Payment for purchase of property, plant and equipment and intangible fixed assets	(2,206)	(1,969)
Proceeds from sale of property, plant and equipment and intangible fixed assets	-	5,331
Payment for purchase of investment securities	(40,799)	(44,290)
Proceeds from sale of investment securities	-	3,143
Proceeds from redemption of investment securities	40,235	38,500
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	78
Proceeds from collection of long-term loans	1,998	204
Other	(10)	47
Net cash (used in) provided by investing activities	(782)	1,045
Cash flows from financing activities:		
Repayment of finance lease obligations	(46)	(24)
Payment for purchase of treasury stock, net	(8,370)	(3,721)
Proceeds from sale of treasury stock	1	0
Cash dividends paid	(14,394)	(14,112)
Net cash (used in) provided financing activities	(22,810)	(17,858)
Difference on conversion of cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	24,813	(3,638)
Cash and cash equivalents at beginning of the period	218,416	243,230
Cash and cash equivalents at end of the period	243,230	239,591

(5) Segment Information

(Segment information by business category)

Year ended March 31, 2011 (From April 1, 2010, to March 31, 2011)

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

	Year ended March 31, 2011 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	149,876	30,316	19,652	199,844	1,761	201,606	-	201,606
Intersegment	-	-	-	-	-	-	-	-
Total	149,876	30,316	19,652	199,844	1,761	201,606	-	201,606
Segment income	47,822	6,953	1,276	56,052	652	56,704	(4,781)	51,923
Segment assets	41,188	26,747	20,273	88,208	13,629	101,837	386,798	488,636
Other items								
Depreciation	3,674	587	133	4,395	121	4,516	194	4,710
Increase in tangible fixed assets and intangible fixed assets								
	1,995	70	38	2,104	21	2,125	143	2,269

Year ended March 31, 2012 (From April 1, 2011, to March 31, 2012)

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

	Year ended March 31, 2012 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	123,353	24,282	24,442	172,078	1,603	173,682	-	173,682
Intersegment	-	-	-	-	-	-	-	-
Total	123,353	24,282	24,442	172,078	1,603	173,682	-	173,682
Segment income	37,695	5,459	1,243	44,398	634	45,032	(4,717)	40,315
Segment assets	73,058	19,214	26,968	119,241	5,364	124,605	371,382	495,988
Other items								
Depreciation	2,425	507	62	2,995	111	3,107	199	3,306
Increase in tangible fixed assets and intangible fixed assets								
	4,124	955	21	5,101	5	5,106	34	5,141

(6) Important matters forming the basis of preparation of consolidated financial statements

1. Matters concerning application of the scope of consolidation

a) 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.

JB Co., Ltd. became a consolidated subsidiary as a result of the Company's acquisition of JB shares on March 30, 2012. As the assumed acquisition date is March 31, 2012, only the balance sheet is consolidated for fiscal 2012.

b) Number of affiliates accounted for by the equity method: 1

The affiliate accounted for by the equity method is Fields Corporation.

Nippon Game Card Corporation, which was an affiliate accounted for by the equity method for fiscal 2011, established Gamecard-Joyco Holdings, Inc. through a joint share transfer on April 1, 2011, becoming the Company's affiliate accounted for by the equity method. Gamecard-Joyco Holdings has been excluded from the scope of application of the equity method as a result of the sale of shares of Gamecard-Joyco Holdings owned by the Company.

Disclosure of matters other than the above is omitted because there have been no significant changes from the recent securities report (submitted on June 30, 2011).

5. 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 9, 2012.

1. A newly appointed director (effective date: June 28,2012)

Name	New Position	Current Position
Akihiko Ishihara	Director & Senior Executive Operating Officer Head of Administration Div. & General Manager of General Affairs Dept.	Senior Executive Operating Officer Head of Administration Div. & General Manager of General Affairs Dept.

2. A resigned director (effective date: June 28,2012)

Name	New Position	Current Position
Akihiko Sawai	Senior Adviser to the Board	Director

3. (Reference) Directors and Officers after June 28, 2012

Name	Position
Hideyuki Busujima	Representative Director, Chairman of the Board & CEO
Kimihisa Tsutsui	Representative Director, President & COO
Akihiko Ishihara	Director & Senior Executive Operating Officer Head of Administration Div. & General Manager of General Affairs Dept.
Shohachi Ugawa	Standing Statutory Auditor
Toshiaki Ishiyama	Statutory Auditor
Yoshiro Sanada	Outside Statutory Auditor
Fumiyoshi Noda	Outside Statutory Auditor
Satoshi Kouketsu	Executive Operating Officer Head of Product Management Div.
Junko Takimoto	Executive Operating Officer Head of Manufacturing Div.
Ichiro Tomiyama	Executive Operating Officer Head of Sales & Marketing Div. & General Manager of Sales Strategy Dept. & Senior General Manager of Head Office Sales Dept.
Minoru Yoshikawa	Operating Officer Senior General Manager of Parlor Business Div.
Hiroshi Kodaira	Operating Officer General Manager of Information Technology Systems Dept.
Takashi Fukuda	Operating Officer Deputy Head of Product Management Div.
Yuji Togo	Operating Officer Deputy Head of Product Management Div. & Office Manager of Product Strategy Office
Toshio Ogura	Operating Officer Head of Intellectual Property Div. & General Manager of Intellectual Property Dept.
Katsumasa Takai	Operating Officer Deputy Head of Manufacturing Div. & Senior General Manager of Sanwa Plant
Yoko Oshima	Operating Officer General Manager of Accounting & Finance Dept.