

SANKYO CO., LTD.

<http://www.sankyo-fever.co.jp/>

Shares listed: Tokyo (1st Section)

Code number: 6417

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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 FY2013 (From April 1, 2012, to June 30, 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
1st quarter of FY2013	22,864 (27.7%)	1,217 (79.7%)	1,805 (75.2%)	947 (70.9%)
1st quarter of FY2012	31,641 (38.1%)	5,998 (55.4%)	7,294 (49.8%)	3,249 (64.5%)
(note) Comprehensive income	1st quarter of FY2013	¥627 million [(80.0%)]	1st quarter of FY2012	¥3,135 million [(65.3%)]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2013	10.13	-
1st quarter of FY2012	34.70	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of June 30, 2012	448,664	404,176	90.1	
As of March 31, 2012	495,988	418,303	84.3	
(reference) Shareholders' Equity	As of June 30, 2012	¥404,176 million	As of March 31, 2012	¥418,303 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, 2012	-	75.00	-	75.00	150.00
Year ended March 31, 2013	-	-	-	-	-
Year ended March 31, 2013 (Forecast)	-	75.00	-	75.00	150.00

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

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

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

4. Other

- (1) Changes for important subsidiaries during the 1st quarter of FY2013: Not applicable
- (2) Application of peculiar accounting methods: Not applicable
- (3) Changes in accounting procedures
- a. Related to accounting standard revisions etc.: Applicable
 - b. Other changes: Not applicable
 - c. Changes in accounting estimates: Applicable
 - d. Retrospective restatements: Not applicable

(Note) Effective from the first quarter of the fiscal year ending March 31, 2013, the Company changed the method of depreciation and this change applies to "cases in which it is difficult to distinguish changes in accounting policies from changes in accounting estimates." For details, please refer to "Notes on Summary Information (Other) (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements."

(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of June 30, 2012:	97,597,500 shares	As of March 31, 2011:	97,597,500 shares
b. No. of treasury stock As of June 30, 2012:	4,123,686 shares	As of March 31, 2011:	4,123,691 shares
c. Average number of shares issued and outstanding 1st quarter of FY2013:	93,473,785 shares	1st quarter of FY2012:	93,662,825 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, 2013 (from April 1, 2012, to June 30, 2012), the Japanese economy experienced a modest recovery, assisted by demand associated with reconstruction in the aftermath of the Great East Japan Earthquake of March 2011. Corporate earnings and personal consumption showed signs of improvement. However, prospects for the country's economy remained uncertain owing to the European sovereign debt crisis, constraints on the supply of electricity, and deflationary pressure.

In the pachinko and pachislot industry, despite the continuing upward trend in the number of pachislot machines installed at parlors, a challenging business environment persists for parlor operators because of their long-standing difficulty in attracting players with their mainstay value proposition based on rental balls at ¥4 each.

In the game machines market, in line with the revision in April 2012 of the internal regulations of the Nihon Yugiki Kogyo Kumiai (Nikkoso), which is a pachinko machine manufacturers association, pachinko machines featuring new gaming-performance attributes in compliance with the revised regulations have been launched since June. Further introductions of diverse pachinko machines are expected to help vitalize the market.

Sankyo Group has had a three-brand structure since JB Co., Ltd. became a subsidiary in March 2012. The Group introduced a JB-brand pachinko machine compliant with the revised regulations in June 2012, ahead of competitors. However, the number of titles introduced under the SANKYO brand and the Bisty brand was limited because of the need to prepare for the revised regulations, resulting in lower sales and profits compared with the same period of the previous year.

As a result, on a consolidated basis, net sales were ¥22.8 billion, a decrease of 27.7% compared with the same period of the previous year, operating income was ¥1.2 billion, a decrease of 79.7%, recurring income was ¥1.8 billion, a decrease of 75.2%, and net income was ¥0.9 billion, a decrease of 70.9%.

Results of segments are presented below:

Pachinko Machines Business

With regard to pachinko machines, the Group launched one Bisty-brand title and one JB-brand title. Under the SANKYO brand, the Group's sales efforts focused on *Fever Space Battleship Yamato-Revival* and *Fever Haouden ZERO*, which were introduced in the previous year, with new specifications. The main title the Group sold under the Bisty brand was *EVA Light III* (introduced in May 2012), which is a pachinko machine with light specifications based on *Evangelion 7* (introduced in January 2012). The title introduced under the JB brand was *Virus Breaker* (introduced in June 2012), which is compliant with the revised regulations.

As a result, segment sales amounted to ¥10.8 billion, a decrease of 39.9% compared with the same period of the previous year, and operating income was ¥0.4 billion, a decrease of 90.9%. Sales of pachinko machines amounted to 30,000 units.

Pachislot Machines Business

In the pachislot machines business, the Group launched one Sankyo-brand title and one Bisty-brand title. Under the SANKYO brand, *Pachislot Macross Frontier* (introduced in April 2012), the first SANKYO-brand pachislot machine offering a service linking mobile phones to the machine, achieved great popularity among players and has been maintaining a high utilization rate at parlors ever since it debuted. The title introduced under the Bisty brand was *GTO Limit Break* (introduced in June 2012), which is a tie-up product with an immensely popular manga.

As a result, segment sales amounted to ¥5.7 billion, a decrease of 32.0% compared with the same period of the previous year, and operating income was ¥1.6 billion, a decrease of 20.9%. Sales of pachislot machines amounted to 18,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥6.0 billion, an increase of 28.9% compared with the same period of the previous year, and operating income was ¥0.3 billion, an increase of 92.1%.

Other Businesses

Sales of other businesses were ¥100 million, a decrease of 53.1% compared with the same period of the previous year, and operating loss was ¥83 million compared with an operating income of 100 million a year earlier.

2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the first quarter of fiscal 2013 amounted to ¥448.6 billion, having decreased ¥47.3 billion compared with the figure at the previous fiscal year-end. The decrease was mainly attributable to a ¥21.4 billion decrease in notes and accounts receivable-trade, a ¥17.2 billion decrease in investment securities, a ¥12.4 billion decrease in cash and deposits, and a ¥5.4 billion decrease in accounts receivable for provision of parts and materials for value (included in current assets, other) despite a ¥9.1 billion increase in tangible fixed assets.

Total liabilities amounted to ¥44.4 billion, having decreased ¥33.1 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥17.8 billion decrease in notes and accounts payable-trade and a ¥12.7 billion decrease in accrued income taxes.

Net assets decreased ¥14.1 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥0.9 billion was recorded, change in the scope of consolidation resulted in a ¥7.7 billion decrease in net assets, and cash dividends paid amounted to ¥7.0 billion. As a result, net assets amounted to ¥404.1 billion and the shareholders' equity ratio increased 5.8 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 first six months and the full year of fiscal 2013 announced on May 9, 2012.

Notes on Summary Information (Other)

(1) Changes in significant subsidiaries during the period

Not applicable.

Although there was a change in the scope of consolidation as described below, the subsidiary in question is not within the scope of the specified subsidiaries stipulated in Article 19, Paragraph 10 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(Significant change in the scope of consolidation)

Effective from the first quarter of the fiscal year ending March 31, 2013, Yoshii Country Club Co., Ltd. is included in the scope of consolidation in view of its increased significance.

(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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In line with the revision to the Corporation Tax Act of Japan, effective from the first quarter of the fiscal year ending March 31, 2013, the Company and its domestic consolidated subsidiaries adopted a new depreciation method pursuant to the revised Corporation Tax Act for tangible fixed assets purchased on or after April 1, 2012. The impact of this change on operating income, income before income taxes and net income was immaterial.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2012	As of June 30, 2012
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	164,591	152,108
Notes and accounts receivable-trade	70,340	48,843
Marketable securities	106,997	106,995
Merchandise and finished goods	214	1,654
Work in process	1,643	215
Raw materials and inventories	957	484
Other	20,691	15,541
Allowance for doubtful accounts	(14)	(21)
Total current assets	365,423	325,822
Fixed assets:		
Tangible fixed assets	39,132	48,254
Intangible fixed assets:		
Goodwill	3,013	2,862
Other	342	345
Total intangible fixed assets	3,356	3,208
Investments and other assets:		
Investment securities	83,452	66,179
Other	5,192	5,769
Allowance for doubtful accounts	(189)	(190)
Allowance for investment loss	(379)	(379)
Total investments and other assets	88,075	71,379
Total fixed assets	130,564	122,841
Total assets	495,988	448,664

Consolidated Balance Sheets

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

	As of March 31, 2012	As of June 30, 2012
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	43,504	25,633
Long-term loans payable due within one year	335	335
Accrued income taxes	13,019	236
Allowance for bonuses	803	1,320
Other	11,950	8,873
Total current liabilities	69,614	36,399
Long-term liabilities:		
Long-term loans payable	2,816	2,813
Provision for special retirement bonuses for directors	715	651
Accrued retirement allowance for employees	3,387	3,457
Asset retirement obligations	58	58
Other	1,091	1,107
Total long-term liabilities	8,069	8,088
Total liabilities	77,684	44,487
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	398,805	384,998
Less: treasury stock, at cost	(20,930)	(20,930)
Total shareholders' equity	416,595	402,787
Accumulated other comprehensive income:		
Net unrealized gain on other securities	1,708	1,389
Total accumulated other comprehensive income:	1,708	1,389
Total net assets	418,303	404,176
Total liabilities and total net assets	495,988	448,664

(2) Consolidated Statements of Income

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

	1st quarter of FY2012	1st quarter of FY2013
	Millions of yen	Millions of yen
Net sales	31,641	22,864
Cost of sales	16,697	11,954
Gross profit	14,944	10,910
Selling, general and administrative expenses	8,945	9,693
Operating income	5,998	1,217
Non-operating income:		
Interest income	263	267
Dividend income	63	181
Equity in earnings of affiliates	870	63
Other	105	79
Total non-operating income	1,303	591
Non-operating expenses:		
Interest expenses	-	1
Other	8	1
Total non-operating expenses	8	3
Recurring income	7,294	1,805
Extraordinary gains:		
Gain on sales of golf course membership	6	-
Total extraordinary gains	6	-
Extraordinary losses:		
Loss on disposal of fixed assets	2	25
Loss on sales of golf course membership	6	-
Loss on change in equity	1,602	-
Total extraordinary losses	1,611	25
Income before income taxes and minority interests	5,689	1,779
Income taxes:		
Current income taxes	3,854	442
Deferred income taxes	(1,415)	390
Total income taxes	2,439	832
Income before minority interests	3,249	947
Net income	3,249	947

Consolidated Statements of Comprehensive Income

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

	1st quarter of FY2012	1st quarter of FY2013
	Millions of yen	Millions of yen
Income before minority interests	3,249	947
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(121)	(311)
Share of other comprehensive income of associates accounted for using equity method	7	(7)
Total other comprehensive income	(114)	(319)
Comprehensive income	3,135	627
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,135	627
Comprehensive income attributable to minority interests	-	-

(3) Notes on premise of a going concern

1st quarter of FY2013 (From April 1, 2012, to June 30, 2012)

Not applicable

(4) Segment Information

(Segment information by business category)

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

1st quarter of FY2013 (From April 1, 2012, to June 30, 2012)

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

	1st quarter of FY2013 (Millions of yen)							
	Reportable segments				Other	Total	Adjustments	Consolidated
	Pachinko machines business	Pachislot machines business	Ball bearing supply systems business	Subtotal				
Sales								
Customers	10,895	5,705	6,073	22,673	190	22,864	-	22,864
Intersegment	-	-	-	-	-	-	-	-
Total	10,895	5,705	6,073	22,673	190	22,864	-	22,864
Segment income	421	1,664	311	2,397	(83)	2,314	(1,096)	1,217

(5) Notes on significant changes in shareholders' equity

1st quarter of FY2013 (From April 1, 2012, to June 30, 2012)

Effective from the first quarter of fiscal 2013, SANKYO Group changed the scope of consolidation and paid cash dividends. As a result, retained earnings at the end of the first quarter of fiscal 2013 were JPY14.7 billion lower than at the previous fiscal year-end.