

SANKYO CO., LTD.

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

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 Planned Date for Submittal of the Financial Statements Report: November 11, 2011
 Planned Date for Start of Dividend Payment: December 2, 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 six months of FY2012 (From April 1, 2011, to September 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 six months of FY2012	71,535 (39.6%)	11,841 (64.9%)	13,928 (61.5%)	6,754 (70.0%)
1st six months of FY2011	118,502 (16.7%)	33,691 (13.6%)	36,217 (11.9%)	22,547 (8.8%)
(note) Comprehensive income	1st six months of FY2012	¥6,560 million [(70.4%)]	1st six months of FY2011	¥22,167 million [--%]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st six months of FY2012	72.20	-
1st six months of FY2011	235.02	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of September 30, 2011	452,647	415,444	91.8	
As of March 31, 2011	488,636	419,658	85.9	
(reference) Shareholders' Equity	As of September 30, 2011	¥415,444 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	-	75.00	-	-	150.00
Year ended March 31, 2012 (Forecast)	-	75.00	-	75.00	150.00

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
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 : No

4. Other

(1) Changes for important subsidiaries during the 1st six months 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 Sep. 30, 2011:	97,597,500 shares	As of March 31, 2010:	97,597,500 shares	
b. No. of treasury stock As of Sep. 30, 2011:	4,151,755 shares	As of March 31, 2010:	3,248,685 shares	
c. Average number of shares issued and outstanding 1st 6M of FY2012:	93,553,731 shares	1st 6M of FY2011:	95,940,653 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.

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Operating Results

During the first six months of the fiscal year ending March 31, 2012 (from April 1, 2011, to September 30, 2011), despite the exceptionally challenging circumstances brought about by the Great East Japan Earthquake, the Japanese economy showed some signs of recovery, such as the progress in rebuilding supply chains. However, prospects for the Japanese economy remained unclear owing to the persisting strength of the yen and weak stock prices, in addition to the financial crisis in Europe.

In the pachinko and pachislot industry, despite a temporary plunge in the number of customers at parlors in the immediate aftermath of the earthquake, customer traffic quickly recovered to the pre-earthquake level because consumers tended to avoid making trips after the earthquake and preferred leisure activities such as pachinko and pachislot that are close at hand. Although there were anxieties that parlors' efforts to reduce power consumption during the summer would lead to a decline in earnings, introduction of long holidays and staggering of holidays by manufacturers and other companies in Japan contributed to an increase in the number of customers at parlors to some extent. Regarding supply chains of game machine manufacturers, problems, such as parts shortages, are being solved step by step. Shipments of game machines by the industry are expected to recover decisively toward the end of the current year.

Since the previous fiscal year, emphasizing product development reflecting players' viewpoints, SANKYO Group has been striving to offer game machines capable of achieving enduring popularity. In the current fiscal year, the Group is implementing a strategy that emphasizes earning the trust of players over the medium to long term. In addition, plans call for the full-scale introduction of a framework for added-value creation through linkage of game machines via the Internet and mobile phones to lock in players by offering a seamless cross-platform entertainment experience.

In the first six months of fiscal 2012, sales of pachinko machines were brisk because the Group's game machines rose in the estimation of both players and parlors while the Group suffered no major problem with parts procurement following the earthquake thanks to the use of common parts, which the Group has been promoting for some time. Sales of pachinko machines were in accordance with the revised forecast announced on August 4, 2011.

As a result, on a consolidated basis, net sales were ¥71.5 billion, a decrease of 39.6% compared with the same period of the previous year, operating income was ¥11.8 billion, a decrease of 64.9%, recurring income was ¥13.9 billion, a decrease of 61.5%, and net income was ¥6.7 billion, a decrease of 70.0%.

Results of segments are presented below.

Pachinko Machines Business

With regard to pachinko machines, the Group launched four titles for SANKYO-brand series and one title for Bisty-brand series. Titles introduced under the SANKYO-brand included *Fever Macross Frontier* (introduced in May 2011) for which SANKYO launched a mobile site linked with the pachinko title to improve the rate of repeat plays and to appeal to anime fans. *CR The story of ayumi hamasaki-introduction* (introduced in July 2011) from the Bisty-brand gained plenty of positive exposure both inside and outside the pachinko industry as it features one of Japan's leading singers. This title broadened the appeal of pachinko by extending its possibilities.

As a result, segment sales amounted to ¥49.9 billion, a decrease of 52.5% compared with the same period of the previous year, and operating income was ¥11.6 billion, down 66.5%. Sales of pachinko machines amounted to 143,000 units.

Pachislot Machines Business

In the pachislot machines business, the Group launched SANKYO-brand *Mumu World DXII* (introduced in September 2011) featuring SANKYO's original characters and 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 debuted at the end of the previous fiscal year, was recorded in the current fiscal year.

As a result, segment sales were ¥10.8 billion, an increase of 158.7% compared with the same period of the previous year, and operating income was ¥1.5 billion, up 2,322.9%. Sales of pachislot machines amounted to 43,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥9.9 billion, an increase of 18.5% compared with the same period of the previous year, and operating income was ¥300 million, a decrease of 50.9%.

Other Businesses

Sales of other businesses were ¥700 million, a decrease of 7.3% compared with the same period of the previous year, and operating income was ¥200 million, a decrease of 3.1%.

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the first six months of fiscal 2012 amounted to ¥452.6 billion, ¥35.9 billion lower than the figure at the previous fiscal year-end. The decrease was mainly attributable to an ¥18.1 billion decrease in notes and accounts receivable-trade, a ¥13.2 billion decrease in cash and deposits, and a ¥9.0 billion decrease in accounts receivable for provision of parts and

materials for value (included in current assets, other) despite a ¥6.4 billion increase in investment securities.

Total liabilities amounted to ¥37.2 billion, having decreased ¥31.7 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 ¥9.5 billion decrease in accrued income taxes.

Net assets decreased ¥4.2 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥6.7 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 ¥415.4 billion and the shareholders' equity ratio increased 5.9 percentage points to 91.8%.

(3) Qualitative Information on Forecast of Consolidated Results

No revision has been made to the forecast 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, 2012, announced on August 4, 2011.

2. Other Information

(1) Overview of changes in significant subsidiaries

Not applicable.

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

Not applicable.

(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.

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

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

	As of March 31, 2011	As of Sep. 30, 2011
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	168,230	154,990
Notes and accounts receivable-trade	51,685	33,546
Marketable securities	112,999	109,005
Merchandise and finished goods	1,140	420
Work in process	313	1,114
Raw materials and inventories	1,046	2,223
Other	19,168	10,757
Allowance for doubtful accounts	(361)	(361)
Total current assets	354,220	311,697
Fixed assets:		
Tangible fixed assets	48,225	47,612
Intangible fixed assets	329	387
Investments and other assets:		
Investment securities	81,019	87,442
Other	5,387	6,053
Allowance for doubtful accounts	(166)	(166)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,860	92,949
Total fixed assets	134,415	140,950
Total assets	488,636	452,647

Consolidated Balance Sheets

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

	As of March 31, 2011	As of Sep. 30, 2011
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	39,168	21,289
Accrued income taxes	12,748	3,177
Allowance for bonuses	851	1,026
Other	10,595	5,930
Total current liabilities	63,364	31,423
Long-term liabilities:		
Provision for special retirement bonuses for directors	653	678
Accrued retirement allowance for employees	3,209	3,358
Asset retirement obligations	59	57
Other	1,690	1,684
Total long-term liabilities	5,612	5,779
Total liabilities	68,977	37,203
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	397,867	397,531
Less: treasury stock, at cost	(17,337)	(21,021)
Total shareholders' equity	419,250	415,230
Accumulated other comprehensive income:		
Net unrealized gain on other securities	408	214
Total accumulated other comprehensive income:	408	214
Total net assets	419,658	415,444
Total liabilities and total net assets	488,636	452,647

(2) Consolidated Statements of Income

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

	1st Six Months of FY2011	1st Six Months of FY2012
	Millions of yen	Millions of yen
Net sales	118,502	71,535
Cost of sales	56,305	38,934
Gross profit	62,197	32,600
Selling, general and administrative expenses	28,505	20,759
Operating income	33,691	11,841
Non-operating income:		
Interest income	697	528
Dividend income	131	63
Equity in earnings of affiliates	1,414	1,342
Other	292	164
Total non-operating income	2,535	2,099
Non-operating expenses:		
Interest expenses	-	0
Other	10	11
Total non-operating expenses	10	11
Recurring income	36,217	13,928
Extraordinary gains:		
Reversal of allowance for doubtful accounts	29	-
Gain on sales of golf course membership	-	8
Total extraordinary gains	29	8
Extraordinary losses:		
Loss on disposal of fixed assets	8	3
Loss on sales of investment securities	-	755
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	56	2,368
Income before income taxes and minority interests	36,189	11,568
Income taxes:		
Current income taxes	14,527	4,908
Deferred income taxes	(885)	(94)
Total income taxes	13,641	4,813
Income before minority interests	22,547	6,754
Net income	22,547	6,754

Consolidated Statements of Comprehensive Income

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

	1st Six Months of FY2011	1st Six Months of FY2012
	Millions of yen	Millions of yen
Income before minority interests	22,547	6,754
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(415)	(210)
Share of other comprehensive income of associates accounted for using equity method	35	16
Total other comprehensive income	(380)	(193)
Comprehensive income	22,167	6,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,167	6,560
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Cash Flows

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

	1st Six Months of FY2011	1st Six Months of FY2012
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes and minority interests	36,189	11,568
Depreciation and amortization	2,118	1,400
Increase (decrease) in allowance for doubtful accounts	246	347
Interest and dividend income	(828)	(591)
Interest expense	-	0
(Gain) loss on equity in earnings of affiliates	(1,414)	(1,342)
(Gain) loss on sales of investment securities	-	755
(Gain) loss on sales of golf course membership	-	(1)
(Gain) loss on change in equity	-	1,602
(Increase) decrease in notes and accounts receivable-trade	(5,180)	18,139
(Increase) decrease in inventories	(595)	(1,282)
Increase (decrease) in notes and accounts payable-trade	15,987	(17,878)
Other	236	1,468
Subtotal	46,759	14,186
Interest and dividend income received	929	810
Interest paid	-	(0)
Income taxes paid	(6,631)	(12,545)
Net cash (used in) provided by operating activities	41,057	2,450
Cash flows from investing activities:		
Payment for purchase of tangible fixed assets and intangible fixed assets	(1,179)	(930)
Proceeds from sale of tangible fixed assets and intangible fixed assets	-	0
Payment for purchase of investment securities	(20,562)	(24,408)
Proceeds from sale of investment securities	-	444
Proceeds from redemption of investment securities	20,000	20,000
Proceeds from collection of long-term loans	1	2
Other	2	27
Net cash (used in) provided by investing activities	(1,737)	(4,864)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(26)	(14)
Payment for purchase of treasury stock, net	(4,172)	(3,720)
Proceeds from sale of treasury stock, net	0	0
Cash dividends paid	(7,234)	(7,090)
Net cash (used in) provided financing activities	(11,432)	(10,824)
Net increase (decrease) in cash and cash equivalents	27,887	(13,239)
Cash and cash equivalents at beginning of the period	218,416	243,230
Cash and cash equivalents at end of the period	246,303	229,990

(4) Notes on premise of a going concern

1st Six Months of FY2012 (From April 1, 2011, to September 30, 2011)

Not applicable

(5) Segment Information

(Segment information by business category)

1st Six Months of FY2011 (From April 1, 2010, to September 30, 2010)

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

	1st Six 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								
Customers	105,055	4,203	8,381	117,641	861	118,502	-	118,502
Intersegment	-	-	-	-	-	-	-	-
Total	105,055	4,203	8,381	117,641	861	118,502	-	118,502
Segment income	34,713	64	776	35,553	278	35,831	(2,140)	33,691

1st Six Months of FY2012 (From April 1, 2011, to September 30, 2011)

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

	1st Six Months 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	49,927	10,874	9,935	70,736	798	71,535	-	71,535
Intersegment	-	-	-	-	-	-	-	-
Total	49,927	10,874	9,935	70,736	798	71,535	-	71,535
Segment income	11,637	1,551	380	13,569	269	13,839	(1,998)	11,841

(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 first six months of fiscal 2012 increased JPY3.7 billion compared with the figure at the previous fiscal year-end.