

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

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Planned Date for Submittal of the Financial Statements Report: February 10, 2012

Planned Date for Start of Dividend Payment: -

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

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

1. Consolidated results for the first nine months of FY2012 (From April 1, 2011, to December 31, 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 nine months of FY2012	102,201	(32.5%)	17,274	(56.5%)	20,141	(53.3%)	10,261	(62.0%)
1st nine months of FY2011	151,308	(15.8%)	39,725	(14.1%)	43,171	(11.2%)	27,029	(7.2%)
(note) Comprehensive income	1st nine months of FY2012		¥9,933 million [(63.0%)]		1st nine months of FY2011		¥26,819 million [--%]	

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
1st nine months of FY2012	109.72		-	
1st nine months of FY2011	282.66		-	

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio			
	Millions of yen		Millions of yen		%			
As of December 31, 2011	467,793		411,795		88.0			
As of March 31, 2011	488,636		419,658		85.9			
(reference) Shareholders' Equity	As of December 31, 2011		¥411,795 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				
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	160,000	(20.6%)	33,000	(36.4%)	37,000	(33.8%)	21,000	(39.5%)	224.73	

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

4. Other

- (1) Changes for important subsidiaries during the 1st Nine 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 Dec. 31, 2011: 97,597,500 shares As of March 31, 2011: 97,597,500 shares
 - b. No. of treasury stock As of Dec. 31, 2011: 4,151,790 shares As of March 31, 2011: 3,248,685 shares
 - c. Average number of shares issued and outstanding 1st 9M of FY2012: 93,517,598 shares 1st 9M of FY2011: 95,625,009 shares

*** Disclaimer regarding Forward-looking Statements**

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

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Operating Results

During the first nine months of the fiscal year ending March 31, 2012 (from April 1, 2011, to December 31, 2011), the Japanese economy picked up somewhat despite the destruction wrought by the Great East Japan Earthquake. However, prospects for the country's economy remained uncertain owing to the yen's persisting strength and the shadow cast over the labor market and personal incomes by deflation, amid mounting concerns that the continuing sovereign debt crisis in Europe was slowing the tempo of the world economy.

In the pachinko and pachislot industry, customer traffic to parlors recovered quickly after dropping sharply in the immediate aftermath of the Great East Japan Earthquake. However, whereas pachinko parlors offering rental balls at prices as low as ¥1 have become widespread and secured a certain customer base, it is apparent that the potentially more profitable business model based on offering rental balls at ¥4 is increasingly ineffective, which poses a challenge for pachinko parlor operators. Consequently, they have been prudent concerning the replacement of pachinko machines, which is a key measure to attract players, keeping their purchases to the minimum. On the other hand, the advent of machines with versatile gaming performance has stimulated the pachislot market, spurring the popularity of pachislot among players. The pachislot market has been particularly buoyant since the summer because of the release of several major titles.

In view of this business environment, SANKYO Group accords priority to growth through medium- to long-term expansion of market share rather than short-term sales growth. To this end, we have been focusing on strengthening the structure that enables us to offer products that players enthusiastically welcome and are capable of achieving enduring popularity and high evaluation in the market. Under this strategy, although the Group's sales and profit decreased in the first nine months, mainstay pachinko and pachislot machine sales were virtually in accordance with the plan.

As a result, on a consolidated basis, net sales were ¥102.2 billion, a decrease of 32.5% compared with the same period of the previous year, operating income was ¥17.2 billion, a decrease of 56.5%, recurring income was ¥20.1 billion, a decrease of 53.3%, and net income was ¥10.2 billion, a decrease of 62.0%.

Results of segments are presented below.

Pachinko Machines Business

With regard to pachinko machines, the Group launched six 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) and *Fever Space Battleship Yamato-Revival* (introduced in December 2011). Under the Bisty brand, *CR The story of ayumi hamasaki-introduction* (introduced in July 2011) was launched.

As a result, segment sales amounted to ¥67.3 billion, a decrease of 46.1% compared with the same period of the previous year, and operating income was ¥18.3 billion, down 55.0%. Sales of pachinko machines amounted to 198,000 units.

Pachislot Machines Business

In the pachislot machines business, the Group launched *Mumu World DXII* (introduced in September 2011) and *X JAPAN Kyokotoppa* (introduced in October 2011) under the SANKYO brand 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 ¥12.5 billion, an increase of 30.1% compared with the same period of the previous year, and operating income was ¥10.0 billion, down 16.0%. Sales of pachislot machines amounted to 49,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥21.1 billion, an increase of 37.3% compared with the same period of the previous year, and operating income was ¥1.1 billion, an increase of 6.5%.

Other Businesses

Sales of other businesses were ¥1.1 billion, a decrease of 11.1% compared with the same period of the previous year, and operating income was ¥0.4 billion, a decrease of 6.1%.

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the first nine months of fiscal 2012 amounted to ¥467.7 billion, ¥20.8 billion lower than the figure at the previous fiscal year-end. Although there was an ¥8.9 billion increase in investment securities, the decrease in total assets was attributable to a ¥32.3 billion decrease in cash and deposits.

Total liabilities amounted to ¥55.9 billion, having decreased ¥12.9 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to an ¥8.8 billion decrease in accrued income taxes and a ¥2.7 billion decrease in other payables (included in "Other" of current liabilities).

Net assets decreased ¥7.8 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥10.2 billion

was recorded, cash dividends paid amounted to ¥14.1 billion and purchase of treasury stock amounted to ¥3.7 billion. As a result, net assets amounted to ¥411.7 billion and the shareholders' equity ratio increased 2.1 percentage points to 88.0%.

(3) Qualitative Information on Forecast of Consolidated Results

In light of recent developments, management revised the forecast of the consolidated financial results for the full year of fiscal 2012 announced on May 13, 2011. Forecast sales volumes of pachinko machines and pachislot machines for the full year of fiscal 2012 were revised from 369,000 units to 322,000 units and from 169,000 units to 100,000 units, respectively. For details, please refer to the Notice concerning Revision of the Forecast of the Financial Results for Fiscal 2012 announced today.

The Company does not intend to change the year-end cash dividend for fiscal 2012 from the initial forecast of ¥75 per share (annual dividends of ¥150).

2. Other Information

(1) Changes for important subsidiaries during the 1st Nine Months of FY2012

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

(Application of the Accounting Standard for Accounting Changes and Error Corrections etc.)

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.

(Impact of the change in corporation tax rates etc.)

Following the promulgation on December 2, 2011, of the "Act for Partial Amendment of the Income Tax Act etc., for the Purpose of Creating a Taxation System responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011), corporation tax rates will be changed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the effective statutory tax rate used to measure deferred tax assets and liabilities will be as indicated below, depending on the timing of elimination of temporary differences etc.

To March 31, 2012: 40.54%

From April 1, 2012 to March 31, 2015: 37.87%

From April 1, 2015: 35.49%

As a result of these changes in the tax rates, deferred tax assets in current assets (included in "Other") decreased ¥37 million and deferred tax assets in fixed assets (net of deferred tax liabilities, included in "Other") decreased ¥411 million, net unrealized gain on other securities increased ¥1 million and deferred income taxes increased ¥449 million.

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

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

	As of March 31, 2011	As of Dec. 31, 2011
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	168,230	135,878
Notes and accounts receivable-trade	51,685	43,559
Marketable securities	112,999	107,000
Merchandise and finished goods	1,140	8,003
Work in process	313	135
Raw materials and inventories	1,046	1,208
Other	19,168	29,390
Allowance for doubtful accounts	(361)	(366)
Total current assets	354,220	324,811
Fixed assets:		
Tangible fixed assets	48,225	47,321
Intangible fixed assets	329	404
Investments and other assets:		
Investment securities	81,019	90,011
Other	5,387	5,800
Allowance for doubtful accounts	(166)	(175)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,860	95,256
Total fixed assets	134,415	142,982
Total assets	488,636	467,793

Consolidated Balance Sheets

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

	As of March 31, 2011	As of Dec. 31, 2011
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	39,168	37,559
Accrued income taxes	12,748	3,935
Allowance for bonuses	851	416
Other	10,595	8,237
Total current liabilities	63,364	50,149
Long-term liabilities:		
Provision for special retirement bonuses for directors	653	693
Accrued retirement allowance for employees	3,209	3,403
Asset retirement obligations	59	58
Other	1,690	1,693
Total long-term liabilities	5,612	5,848
Total liabilities	68,977	55,997
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	397,867	394,016
Less: treasury stock, at cost	(17,337)	(21,021)
Total shareholders' equity	419,250	411,714
Accumulated other comprehensive income:		
Net unrealized gain on other securities	408	80
Total accumulated other comprehensive income	408	80
Total net assets	419,658	411,795
Total liabilities and total net assets	488,636	467,793

(2) Consolidated Statements of Income

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

	1st Nine Months of FY2011	1st Nine Months of FY2012
	Millions of yen	Millions of yen
Net sales	151,308	102,201
Cost of sales	73,854	55,545
Gross profit	77,454	46,655
Selling, general and administrative expenses	37,728	29,380
Operating income	39,725	17,274
Non-operating income:		
Interest income	999	783
Dividend income	192	122
Equity in earnings of affiliates	1,871	1,565
Other	396	411
Total non-operating income	3,460	2,882
Non-operating expenses:		
Interest expenses	-	1
Other	14	14
Total non-operating expenses	14	16
Recurring income	43,171	20,141
Extraordinary gains:		
Reversal of allowance for doubtful accounts	41	-
Gain on sales of golf course membership	-	8
Total extraordinary gains	41	8
Extraordinary losses:		
Loss on disposal of fixed assets	47	28
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	95	2,392
Income before income taxes and minority interests	43,117	17,756
Income taxes:		
Current income taxes	16,628	8,564
Deferred income taxes	(540)	(1,068)
Total income taxes	16,087	7,495
Income before minority interests	27,029	10,261
Net income	27,029	10,261

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2011	1st Nine Months of FY2012
	Millions of yen	Millions of yen
Income before minority interests	27,029	10,261
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(257)	(342)
Share of other comprehensive income of associates accounted for using equity method	47	14
Total other comprehensive income	(210)	(327)
Comprehensive income	26,819	9,933
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	26,819	9,933
Comprehensive income attributable to minority interests	-	-

(3) Notes on premise of a going concern

1st Nine Months of FY2012 (From April 1, 2011, to December 31, 2011)

Not applicable

(4) Segment Information

(Segment information by business category)

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

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

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

1st Nine Months of FY2012 (From April 1, 2011, to December 31, 2011)

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

	1st Nine 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	67,318	12,579	21,136	101,034	1,167	102,201	-	102,201
Intersegment	-	-	-	-	-	-	-	-
Total	67,318	12,579	21,136	101,034	1,167	102,201	-	102,201
Segment income	18,319	1,019	1,167	20,506	440	20,946	(3,671)	17,274

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