

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 13, 2013

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 FY2013 (From April 1, 2012, to December 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
1st nine months of FY2013	67,525 (33.9%)	3,090 (82.1%)	4,290 (78.7%)	1,922 (81.3%)
1st nine months of FY2012	102,201 (32.5%)	17,274 (56.5%)	20,141 (53.3%)	10,261 (62.0%)
(note) Comprehensive income	1st nine months of FY2013	¥1,790 million [(82.0%)]	1st nine months of FY2012	¥9,933 million [(63.0%)]

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2013	20.57	-
1st nine months of FY2012	109.72	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	
	Millions of yen	Millions of yen	%	
As of December 31, 2012	435,735	398,159	91.4	
As of March 31, 2012	495,988	418,303	84.3	
(reference) Shareholders' Equity	As of December 31, 2012	¥398,159 million	As of March 31, 2012	¥418,303 million

2. Dividends

	Cash dividend per share				
(Base date)	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	-	75.00	-	-	150.00
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
Year ending March 31, 2013	123,000 (29.2%)	12,000 (70.2%)	14,000 (68.5%)	8,000 (60.4%)	85.59

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

*** Notes**

(1) Changes for important subsidiaries during the 1st Nine Months 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
(4) Outstanding shares (common shares)	
a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2012:	97,597,500 shares As of March 31, 2012: 97,597,500 shares
b. No. of treasury stock As of Dec. 31, 2012:	4,124,151 shares As of March 31, 2012: 4,123,691 shares
c. Average number of shares issued and outstanding 1st 9M of FY2013:	93,473,620 shares 1st 9M of FY2012: 93,517,598 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 nine months of the fiscal year ending March 31, 2013 (from April 1, 2012 to December 31, 2012), the Japanese economy began to recover, albeit at a modest pace, supported by demand associated with reconstruction in the aftermath of the Great East Japan Earthquake. Looking at the new government headed by Prime Minister Abe, there were also some auspicious signs through the end of 2012, such as a weaker yen and rising stock prices. However, the Japanese economy remained uncertain due mainly to a harsh labor market and deflationary pressure as well as uncertainty concerning the prospects of overseas economies.

In the pachinko and pachislot industry, amid persisting sluggishness of the Japanese economy, pachinko parlors' revenues from rental balls and tokens have been trending downward for a long time as the offering of rental balls and tokens at low prices has become the norm and the player population has decreased. In response to this trend, parlors have become increasingly conscious of the need to reduce costs in order to secure profit. Although their emphasis on purchasing new machines as the key means of attracting customers is unchanged, they are evidently becoming more cautious and selective in the purchase of machines as they tighten their focus on those likely to become popular. Demand is consequently concentrated on a handful of promising products, such as titles of well-established brands or sequels to previous popular titles.

In these circumstances, the Group's sales of pachinko and pachislot titles introduced in the first six months of fiscal 2013 fell short of the plan. The Company responded by making a major revision to the sales plan for the third quarter onward in view of the need to extend the development period so as to strengthen product capabilities. As a result, the Company revised the forecast of consolidated financial results for the full year of fiscal 2013 as disclosed in the "Notice of Discrepancy between the Forecast and Results for the First Six Months of the Year Ending March 31, 2013 and Revision of the Forecast for the Full Year" issued on November 5, 2012.

As a result, on a consolidated basis, net sales were ¥67.5 billion, a decrease of 33.9% compared with the same period of the previous year, operating income was ¥3.0 billion, a decrease of 82.1%, recurring income was ¥4.2 billion, a decrease of 78.7%, and net income was ¥1.9 billion, a decrease of 81.3%.

Results of segments are presented below.

Pachinko Machines Business

Titles introduced under the SANKYO brand included *Fever Aquarion III* (introduced in July 2012), *Fever Koda Kumi III—Love Romance—Light Series* (introduced in August 2012), *Fever Ha Lord 2* (introduced in October 2012), and *Fever Kamata koshin-kyoku* (introduced in November 2012). New Bisty-brand titles were the *Eva Light III* (introduced in May 2012), a new version of *Evangelion 7, Smile Model* (introduced in December 2012), and *Sengoku BASARA 3-The Battle of Sekigahara* (introduced in July 2012). Under the JB brand, *Virus Breaker* (introduced in June 2012) was launched.

As a result, segment sales amounted to ¥37.0 billion, a decrease of 44.9% compared with the same period of the previous year, and operating income was ¥4.3 billion, down 76.2%. Sales of pachinko machines amounted to 114,000 units.

Pachislot Machines Business

New SANKYO-brand titles were *Pachislot Macross Frontier* (introduced in April 2012), *Pachislot Patrush* (introduced in July 2012), and *Pachislot Haouden ZERO* (introduced in September 2012). The new titles under the Bisty brand were *GTO Limit Break* (introduced in June 2012) and *Yaoh* (introduced in August 2012).

As a result, segment sales amounted to ¥12.3 billion, an decrease of 1.8% compared with the same period of the previous year, and operating income was ¥1.7 billion, an increase of 75.9%. Sales of pachislot machines amounted to 39,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥16.8 billion, an decrease of 20.1% compared with the same period of the previous year, and operating income was ¥700 million, an decrease of 37.7%.

Other Businesses

Sales of other businesses were ¥1.2 billion, an increase of 5.0% compared with the same period of the previous year, and operating loss was ¥200 million compared with an operating income of ¥400 million a year earlier.

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the first nine months of fiscal 2013 amounted to ¥435.7 billion, ¥60.2 billion lower than the figure at the previous fiscal year-end. Despite a ¥29.9 billion increase in marketable securities, total assets decreased owing to a ¥46.3 billion decrease in cash and deposits and a ¥38.9 billion decrease in notes and accounts receivable-trade.

Total liabilities amounted to ¥37.5 billion, having decreased ¥40.1 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥22.9 billion decrease in notes and accounts payable-trade, a ¥12.8 billion decrease in accrued income taxes, and a ¥4.5 billion decrease in other payables (included in "Other" of current liabilities).

Net assets decreased ¥20.1 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥1.9 billion was recorded, cash dividends paid amounted to ¥14.0 billion and change in the scope of consolidation resulted in a ¥7.8 billion decrease in net assets. As a result, net assets amounted to ¥398.1 billion and the shareholders' equity ratio increased 7.1 percentage points to 91.4%.

(3) Qualitative Information on Forecast of Consolidated Results

No revision has been made to the forecast of financial results for the full year of fiscal 2013 announced in the "Notice of Discrepancy between the Forecast and Results for the First Six Months of the Year Ending March 31, 2013 and Revision of the Forecast for the Full Year" issued on November 5, 2012.

2. Other Information

(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)

Yoshii Country Club Co., Ltd. and ON THE NET Inc., which had been non-consolidated subsidiaries in the previous fiscal year, became consolidated subsidiaries in view of their increased significance. However, ON THE NET Inc. is excluded from the scope of consolidation because it was dissolved as a result of an absorption-type merger with a consolidated subsidiary International Card System Co., Ltd. as a surviving company on October 1, 2012.

(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

(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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2012	As of Dec. 31, 2012
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	164,591	118,202
Notes and accounts receivable-trade	70,340	31,417
Marketable securities	106,997	136,994
Merchandise and finished goods	214	5,075
Work in process	1,643	354
Raw materials and inventories	957	396
Other	20,691	20,072
Allowance for doubtful accounts	(14)	(41)
Total current assets	365,423	312,472
Fixed assets:		
Tangible fixed assets	39,132	48,106
Intangible fixed assets		
Goodwill	3,013	3,399
Other	342	356
Total Intangible fixed assets	3,356	3,756
Investments and other assets:		
Investment securities	83,452	65,772
Other	5,192	6,197
Allowance for doubtful accounts	(189)	(191)
Allowance for investment loss	(379)	(379)
Total investments and other assets	88,075	71,399
Total fixed assets	130,564	123,263
Total assets	495,988	435,735

Consolidated Balance Sheets

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

	As of March 31, 2012	As of Dec. 31, 2012
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	43,504	20,588
Long-term loans payable due within one year	335	-
Accrued income taxes	13,019	208
Allowance for bonuses	803	408
Other	11,950	7,756
Total current liabilities	69,614	28,962
Long-term liabilities:		
Long-term loans payable	2,816	3,156
Provision for special retirement bonuses for directors	715	680
Accrued retirement allowance for employees	3,387	3,629
Asset retirement obligations	58	58
Other	1,091	1,088
Total long-term liabilities	8,069	8,614
Total liabilities	77,684	37,576
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,880	23,880
Retained earnings	398,805	378,795
Less: treasury stock, at cost	(20,930)	(20,932)
Total shareholders' equity	416,595	396,583
Accumulated other comprehensive income:		
Net unrealized gain on other securities	1,708	1,576
Total accumulated other comprehensive income	1,708	1,576
Total net assets	418,303	398,159
Total liabilities and total net assets	495,988	435,735

(2) Consolidated Statements of Income

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

	1st Nine Months of FY2012	1st Nine Months of FY2013
	Millions of yen	Millions of yen
Net sales	102,201	67,525
Cost of sales	55,545	35,056
Gross profit	46,655	32,468
Selling, general and administrative expenses	29,380	29,378
Operating income	17,274	3,090
Non-operating income:		
Interest income	783	814
Dividend income	122	295
Equity in earnings of affiliates	1,565	-
Other	411	197
Total non-operating income	2,882	1,308
Non-operating expenses:		
Interest expenses	1	4
Equity in losses of affiliates	-	91
Other	14	13
Total non-operating expenses	16	108
Recurring income	20,141	4,290
Extraordinary gains:		
Reversal of allowance for doubtful accounts		
Gain on sales of golf course membership	8	-
Total extraordinary gains	8	-
Extraordinary losses:		
Loss on disposal of fixed assets	28	110
Loss on sales of investment securities	755	-
Loss on sales of golf course membership	6	-
Loss on change in equity	1,602	-
Total extraordinary losses	2,392	110
Income before income taxes and minority interests	17,756	4,179
Income taxes:		
Current income taxes	8,564	1,938
Deferred income taxes	(1,068)	318
Total income taxes	7,495	2,256
Income before minority interests	10,261	1,922
Net income	10,261	1,922

Consolidated Statements of Comprehensive Income

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

	1st Nine Months of FY2012	1st Nine Months of FY2013
	Millions of yen	Millions of yen
Income before minority interests	10,261	1,922
Other comprehensive income:		
Net unrealized gain (loss) on other securities	(342)	(122)
Share of other comprehensive income of associates accounted for using equity method	14	(10)
Total other comprehensive income	(327)	(132)
Comprehensive income	9,933	1,790
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,933	1,790
Comprehensive income attributable to minority interests	-	-

(3) Notes on premise of a going concern

1st Nine Months of FY2013 (From April 1, 2012, to December 31, 2012)

Not applicable

(4) Segment Information

(Segment information by business category)

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

1st Nine Months of FY2013 (From April 1, 2012, to December 31, 2012)

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

	1st Nine Months 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	37,061	12,349	16,888	66,299	1,225	67,525	-	67,525
Intersegment	-	-	-	-	-	-	-	-
Total	37,061	12,349	16,888	66,299	1,225	67,525	-	67,525
Segment income	4,368	1,793	727	6,889	(240)	6,648	(3,558)	3,090

(5) Notes on significant changes in shareholders' equity

As a result of the change in the scope of consolidation and payment of cash dividends, retained earnings at the end of the first nine months of fiscal 2013 were JPY21,933 million lower than the figure for the previous fiscal year-end.