

August 6, 2008

SANKYO CO., LTD.

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

Shares listed: Tokyo (1st Section)

Code number: 6417

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Planned Date for Submittal of the Financial Statements Report:

August 14, 2008

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

1. Results for the first quarter of FY2009 (From April 1, 2008, to June 30, 2008)

(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 FY2009	46,019	-	9,197	-	10,531	-	6,595	-
1st quarter of FY2008	29,400	(36.4%)	2,280	(86.2%)	3,188	(81.7%)	2,117	(80.3%)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
1st quarter of FY2009	67.85	-	-	-
1st quarter of FY2008	21.73	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of June 30, 2008	448,154	-	373,363	-	83.3	-	3,877.91	-
As of March 31, 2008	516,821	-	383,756	-	74.3	-	3,944.84	-

(reference) Shareholders' Equity As of June 30, 2008 ¥373,363 million As of March 31, 2008 ¥383,756 million

2. Dividends

(Base date)	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full Year
	Yen	Yen	Yen	Yen	Yen
FY2008	-	50.00	-	100.00	150.00
FY2009	-	-	-	-	150.00
FY2009 (Forecast)	-	75.00	-	75.00	-

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

3. Forecast for FY2009 (From April 1, 2008, to March 31, 2009)

(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, 2008	132,000	-	33,000	-	35,000	-	21,000	-	215.87	-
Year ending March 31, 2009	300,000	6.9%	82,000	13.4%	85,000	12.2%	51,000	11.7%	524.26	-

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 FY2009: Not applicable
- (2) Application of simplified accounting methods: Applicable
- (3) Changes on the basis of consolidated financial statements preparation
- a. Related to accounting standard revisions etc.: Applicable
- b. Other changes: Applicable
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of June 30, 2008: 97,597,500 shares As of March 31, 2008: 97,597,500 shares
- b. No. of treasury stock As of June 30, 2008: 1,317,850 shares As of March 31, 2008: 316,941 shares
- c. Average number of shares issued and outstanding 1st quarter of FY2009: 97,208,081 shares 1st quarter of FY2008: 97,431,407 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.

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Operating Results

During the first quarter (from April 1 to June 30, 2008) of the fiscal year ending March 31, 2009, the Japanese economy, which had been on a modest recovery track, stalled as personal consumption weakened owing to inflationary pressure fueled by sharp rises in prices of raw materials and energy. Consequently, Japan's economic prospects have become more uncertain.

The pachinko and pachislo industry refrained from replacement of game machines from early June to mid July around the period of the G8 summit at Lake Toya in Hokkaido, in accordance with the decision of the pachinko parlor industry association. Although shipment of game machines temporarily ceased during this period, pachinko parlor operators remained eager to replace game machines before and after the period. On the other hand, as pachinko parlor operators became increasingly selective, focusing only on new models with high customer-drawing power from among numerous new models introduced by manufacturers, sales competition among manufacturers intensified.

In this challenging business environment, SANKYO Group secured sales by introducing game machines based on a clear concept. Concurrently, the Group executed a dynamic sales promotion campaign for a major title to be launched in the second quarter.

As a result, on a consolidated basis, net sales were ¥46.0 billion, an increase of 56.5% compared with the same period of the previous year, operating income surged 303.4% to ¥9.1 billion, recurring income soared 230.3% to ¥10.5 billion, and net income rose 211.5% to ¥6.5 billion.

Results of segments are presented below:

Pachinko Machines Business

The Group launched *Patrush 2* (introduced in May 2008) under the SANKYO brand, which takes to new heights the well-received speedy story development offered by *Patrush*, the first model in the series. Under the Bisty brand, from the *Neon Genesis Evangelion* series, which have become major products at pachinko parlors, the Group launched the premium model (introduced in May 2008) offering higher jackpot probability than the standard model. Both *Patrush 2* and the premium model of *Neon Genesis Evangelion* sold well. As a result, segment sales amounted to ¥29.7 billion, an increase of 194.9% compared with the same period of the previous year, and operating income was ¥7.9 billion, up 1,588.3%. Sales of pachinko machines amounted to 121,000 units.

Pachislo Machines Business

The pachislo machines business faced difficult market conditions because of the shift among parlor operators toward greater emphasis on pachinko. Despite this adverse business environment, SANKYO Group enhanced its position in the pachislo market owing to brisk sales of *Powerful Adventure* (introduced in May 2008), offering new gaming characteristics in the series featuring Mumu-Chan, SANKYO's original character who is also popular among pachislo players. As a result, segment sales were ¥11.7 billion, a decrease of 20.4% compared with the same period of the previous year, and operating income was ¥4.2 billion, an increase of 35.4%. Sales of pachislo machines amounted to 38,000 units.

Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥4.0 billion, a decrease of 2.8% compared with the same period of the previous year, and operating income was ¥40 million, an increase of 355.7%.

Other Businesses

Sales of other businesses were ¥0.4 billion, an increase of 29.5% compared with the same period of the previous year, and operating income was ¥82 million, a decrease of 5.6%.

2. Qualitative Information on Consolidated Financial Position

Analysis of assets, liabilities, and net assets

Total assets at the end of the first quarter of fiscal 2009 were ¥68.6 billion lower than the figure at the previous fiscal year-end as current assets decreased ¥68.8 billion and fixed assets increased ¥0.1 billion. Total liabilities decreased ¥58.2 billion, centering on accounts payable. Net assets increased to ¥373.3 billion as a result of repurchase of the Company's shares. The shareholders' equity ratio increased 9.0 percentage points to 83.3%, reflecting decreases in assets and liabilities.

3. Qualitative Information on Forecast of Consolidated Results

No revision has been made to the forecasts of financial results for the interim period of fiscal 2009 and for the full year announced on May 12, 2008.

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of simplified accounting procedures or accounting procedures specific to preparation of quarterly consolidated financial statements

Tax expenses for consolidated subsidiaries are calculated by multiplying income before income taxes by a reasonably estimated effective tax rate for income before income taxes after application of deferred tax accounting.

(3) Changes in accounting principles and procedures as well as the method of presentation related to the preparation of quarterly consolidated financial statements

i. Effective from the first quarter of fiscal 2009, the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 2, March 14, 2007) and the "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14, March 14, 2007) are applied. Quarterly consolidated financial statements are prepared in accordance with the "Rules for Quarterly Consolidated Financial statements."

ii. Effective from the first quarter of fiscal 2009, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) is applied and inventories, previously stated at cost, are stated at the lower of cost or net selling value by write-down.

This change has no impact on income.

iii. Finance lease transactions without transfer of ownership were previously accounted in accordance with the accounting procedure for operating leases. It is permissible to apply the "Accounting standard for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (First Committee of the Business Accounting Council), revised on March 30, 2007)) and the "Implementation Guidance for Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Accounting Standards Committee of The Japanese Institute of Certified Public Accountants), revised March 30, 2007)) to quarterly consolidated financial statements of fiscal years starting on or after April 1, 2008. Accordingly, effective from the first quarter of fiscal 2009, these accounting standards are applied, and finance lease transactions without transfer of ownership are accounted in accordance with the accounting procedure for ordinary sales transactions.

Leased assets related to finance lease transactions without transfer of ownership are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

This change has no impact on income.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of June 30, 2008	As of March 31, 2008
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	135,081	160,556
Notes and accounts receivable-trade	63,571	89,952
Marketable securities	92,783	98,775
Merchandise and finished goods	243	383
Work in process	589	87
Raw materials and inventories	5,483	3,115
Other	16,219	30,037
Allowance for doubtful accounts	(756)	(890)
Total current assets	313,214	382,017
Fixed assets:		
Tangible fixed assets	49,445	49,533
Intangible fixed assets	195	195
Investments and other assets:		
Investment securities	82,574	82,147
Other	3,678	3,807
Allowance for doubtful accounts	(574)	(499)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,298	85,075
Total fixed assets	134,939	134,804
Total assets	448,154	516,821

Consolidated Balance Sheets

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

	As of June 30, 2008	As of March 31, 2008
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	49,831	90,730
Accrued income taxes	2,900	20,857
Allowance for bonuses	1,171	710
Other	15,860	15,266
Total current liabilities	69,765	127,565
Long-term liabilities:		
Provision for special retirement bonuses for directors	2,510	2,449
Accrued retirement allowance for employees	533	1,210
Other	1,981	1,840
Total long-term liabilities	5,025	5,499
Total liabilities	74,790	133,065
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,883	23,883
Retained earnings	341,747	344,898
Less: treasury stock, at cost	(8,903)	(1,570)
Total shareholders' equity	371,567	382,051
Valuation and translation adjustment:		
Net unrealized gain on other securities	1,796	1,705
Total valuation and translation adjustment	1,796	1,705
Total net assets	373,363	383,756
Total liabilities and total net assets	448,154	516,821

(2) Consolidated Statements of Income

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

(Reference)

	1st quarter of FY2009	1st quarter of FY2008
	Millions of yen	Millions of yen
Net sales	46,019	29,400
Cost of sales	22,591	18,339
Gross profit	23,428	11,061
Selling, general and administrative expenses	14,231	8,781
Operating income	9,197	2,280
Non-operating income:		
Interest income	504	
Dividend income	164	
Equity in earnings of affiliates	503	
Other	201	
Total non-operating income	1,374	944
Non-operating expenses:		
Interest expenses	1	
Other	38	
Total non-operating expenses	39	36
Recurring income	10,531	3,188
Extraordinary gains:		
Reversal of allowance for doubtful accounts	59	
Total extraordinary gains	59	-
Extraordinary losses:		
Loss on disposal of fixed assets	12	
Other	1	
Total extraordinary losses	14	8
Income before income taxes	10,577	3,179
Income taxes:		
Current income taxes	2,976	
Deferred income taxes	1,004	
Total income taxes	3,981	1,061
Net income	6,595	2,117

(3) Consolidated Statements of Cash Flows

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

(Reference)

	1st quarter of FY2009	1st quarter of FY2008
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	10,577	3,179
Depreciation and amortization	856	869
Increase in allowance for doubtful accounts	(213)	292
Interest and dividend income	(669)	(498)
Interest expense	1	-
Equity in earnings of affiliates	(503)	(298)
(Increase) decrease in notes and accounts receivable-trade	26,381	1,919
(Increase) decrease in inventories	(2,734)	(8,211)
Increase (decrease) in notes and accounts payable-trade	(40,898)	22,589
Other	13,571	(29,811)
Subtotal	6,367	(9,970)
Interest and dividend income received	845	357
Interest paid	(1)	-
Income taxes paid	(20,618)	(7,781)
Net cash (used in) provided by operating activities	(13,406)	(17,394)
Cash flows from investing activities:		
Payment for purchase of tangible fixed assets and intangible fixed assets	(763)	(1,705)
Proceeds from redemption of marketable securities	1,000	1,700
Payment for purchase of investment securities	(8,005)	(12,509)
Proceeds from redemption of investment securities	8,000	8,000
Payment for increase in long-term loans	(200)	(570)
Proceeds from collection of long-term loans	5	33
Other	10	(1)
Net cash (used in) provided by investing activities	47	(5,053)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(25)	-
Proceeds from sale of treasury stock, net	0	-
Payment for purchase of treasury stock, net	(7,335)	(2)
Cash dividends paid	(9,746)	(4,873)
Net cash (used in) provided financing activities	(17,107)	(4,876)
Difference on conversion of cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(30,466)	(27,324)
Cash and cash equivalents at beginning of the period	226,329	195,157
Cash and cash equivalents at end of the period	195,862	167,832

(4) Notes on premise of a going concern

1st quarter of FY2009 (From April 1, 2008, to June 30, 2008)

Not applicable

(5) Segment Information

(Segment information by business category)

1st quarter of FY2009 (From April 1, 2008, to June 30, 2008)

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

	1st quarter of FY2009						
	Millions of yen						
	Pachinko machines business	Pachislo machines business	Ball bearing supply systems business	Other business	Total	Elimination or corporate items	Consolidated
Sales							
(1) Customers	29,748	11,759	4,091	420	46,019	-	46,019
(2) Intersegment	1	-	-	-	1	(1)	-
Total	29,749	11,759	4,091	420	46,021	(1)	46,019
Operating income	7,959	4,238	40	82	12,320	(3,123)	9,197

(6) Notes on significant changes in shareholders' equity

The Company repurchased its own shares under Article 156 of the Company Law as applied pursuant to Article 165, Paragraph 3 of the Company Law in accordance with the resolution of the board of directors at the meeting held on June 13, 2008. As a result, treasury stock increased ¥7,324 million at the end of the first quarter of fiscal 2009.