

February 5, 2009

**SANKYO CO., LTD.**

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

Shares listed: Tokyo (1st Section)

Code number: 6417

Representative: Akihiko Sawai, President & COO

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Planned Date for Submittal of the Financial Statements Report:

February 13, 2009

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

**1. Consolidated results for the first nine months of FY2009 (From April 1, 2008, to December 31, 2008)**

(1) Consolidated operating results (nine months ended December 31, 2008)

(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 FY2009	165,761	-	38,144	-	42,129	-	25,992	-
1st nine months of FY2008	165,008	29.8%	41,978	19.9%	44,592	18.3%	27,092	16.3%

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2009	269.12	-
1st nine months of FY2008	278.07	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2008	464,759	384,716	82.8	3,995.90
As of March 31, 2008	516,821	383,756	74.3	3,944.84
(reference) Shareholders' Equity	As of Dec. 31, 2008	¥384,716 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	-	75.00	-	-	150.00
FY2009 (Forecast)	-	75.00	-	75.00	150.00

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	
Year ending March 31, 2009	189,000	(32.6%)	40,000	(44.7%)	44,000	(41.9%)	26,000	(43.1%)	270.05	

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

**4. Other**

- (1) Changes for important subsidiaries during this period: 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 Dec. 31, 2008: 97,597,500 shares As of March 31, 2008: 97,597,500 shares
- b. No. of treasury stock As of Dec. 31, 2008: 1,319,482 shares As of March 31, 2008: 316,941 shares
- c. Average number of shares issued and outstanding 1st 9M of FY2009: 96,586,226 shares 1st 9M of FY2008: 97,430,134 shares

\* Disclaimer regarding Forward-looking Statements

1. The above-mentioned forecasts 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.

2. Effective from fiscal 2009, the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14) are applied. Quarterly consolidated financial statements are prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements." Note that, pursuant to the provisory clause of Article 7, Paragraph 1-5 of the "Cabinet Office Ordinance for Partial Revisions to the Rules concerning the Terminology, Forms and Preparation Methods of Financial Statements and Other Matters" (Cabinet Office Ordinance No. 50, August 7, 2008), the revised Rules for Quarterly Consolidated Financial Statements are applied.

## Qualitative Information and Financial Statements

### 1. Qualitative Information on Consolidated Operating Results

During the first nine months of the fiscal year ending March 31, 2009 (from April 1, 2008, to December 31, 2008), the financial crisis that started in the U.S. spread worldwide, leading to deterioration of corporate earnings and concern about the possibility of large-scale unemployment, and exacerbating the situation of the Japanese economy.

In the pachinko and pachislo industry, whereas the downward trend of the number of pachislo machines installed continued, the number of pachinko machines installed increased steadily in line with the introduction of pachinko machines with various specifications attuned to diversified user preferences. There was a notable increase in the number of pachinko parlors offering rental balls at low prices to minimize the cost of playing pachinko. Certain parlor operators who were able to swiftly respond to changes in the market environment recorded robust business results.

However, since the third quarter when the recession took hold, many pachinko parlor operators have adopted a cautious approach amid mounting concern about the possibility of a decline in the number of customers. In addition, amid intensifying competition to attract customers and to open new parlors in prime locations, the number of parlors continued to decline due to closure and termination of operations. In these circumstances, pachinko parlor operators have become increasingly discerning and sharpened their focus on the selection of products capable of attracting customers and contributing to profits. Accordingly, competition among manufacturers has also intensified.

In this environment, in the mainstay pachinko machines business SANKYO Group introduced highly entertaining major products appealing to a wide range of players through tie-ups with well-known characters and content as well as distinctive products for clearly defined segments of the player population. Nevertheless, sales volumes of both categories of products fell short of the targets, reflecting cautious purchasing by pachinko parlor operators despite their favorable evaluation of the new machines.

Consequently, for the first nine months on a consolidated basis, net sales were ¥165.7 billion, an increase of 0.5% compared with the same period of the previous year, operating income decreased 9.1% to ¥38.1 billion, recurring income decreased 5.5% to ¥42.1 billion, and net income decreased 4.1% to ¥25.9 billion.

Results of segments are presented below.

#### Pachinko Machines Business

With regard to pachinko machines, the Group launched five titles for SANKYO-brand series and five for Bisty-brand series. In particular, the Group implemented vigorous sales promotion of three series of major products, namely, *Fever Dai-Natsumatsuri* (introduced in August 2008 under the SANKYO brand), *Fever Star Wars—Advent of Darth Vader* (introduced in November 2008 under the SANKYO brand), and *Seven Samurai* (introduced in August 2008 under the Bisty brand). However, their sales volumes fell short of the plan. Segment sales amounted to ¥118 billion, an increase of 8.7% compared with the same period of the previous year, and operating income edged up 0.3% to ¥35.1 billion. The number of units sold was 398,000.

#### Pachislo Machines Business

Regarding pachislo machines, the Group launched two titles for SANKYO-brand series and one for Bisty-brand series. The decline in the number of units sold in the segment reflected the Group's strategy of promoting a smaller number of new releases as the market for pachislo machines is expected to shrink greatly. In these circumstances, the third model in the *Neon Genesis Evangelion* series, *"That Time Has Come, Now They're Waiting for Us."* (introduced in September 2008) with sales amounting to 90,000 units became the No. 1 hit pachislo model in the industry in the current fiscal year. Segment sales amounted to ¥31.8 billion, a decrease of 18.4% compared with the same period of the previous year, and operating income was ¥7.8 billion, down 25.8%. The number of units sold was 128,000.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥14.6 billion, a decrease of 10.3% compared with the same period of the previous year, and operating income was ¥0.3 billion, a decrease of 25.3%.

#### Other Businesses

Sales of other businesses were ¥1.2 billion, an increase of 24.1% compared with the same period of the previous year, and operating income was ¥0.4 billion, an increase of 39.2%.

\* Percentage changes from the same period of the previous year presented in qualitative information are for reference.

### 2. Qualitative Information on Consolidated Financial Position

#### Analysis of assets, liabilities, and net assets

Total assets at the end of the first nine months of fiscal 2009 were ¥464.7 billion, ¥52.0 billion lower than the figure at the previous fiscal year-end. This decrease was mainly attributable to a decrease of ¥15.0 billion in cash and deposits, a decrease of ¥20.9 billion in notes and accounts receivable, and a decrease of ¥13.7 billion in marketable securities.

Total liabilities were ¥80 billion, ¥53.0 billion lower than the figure at the previous fiscal year-end. This decrease was mainly

attributable to a decrease of ¥34.0 billion in accounts payable and a decrease of ¥14.7 billion in accrued income taxes.

Net assets were ¥0.9 billion higher than the figure at the previous fiscal year-end. While net income of ¥25.9 million was recorded, dividends paid amounted to ¥16.9 billion and purchase of the Company's shares amounted to ¥7.3 billion. As a result, net assets were ¥384.7 billion. The shareholders' equity ratio increased 8.5 percentage points to 82.8%, reflecting decreases in assets and liabilities.

### 3. Qualitative Information on Forecast of Consolidated Results

#### Forecast for the full year

In light of recent developments, management revised the forecast of financial results announced in September 11, 2008. Forecast sales volumes of pachinko machines and pachislo machines for the full year were revised from 753,000 units to 465,000 units and from 151,000 units to 134,000 units, respectively. For details, please refer to the Notice concerning the Revision of Forecast of Financial Results for Fiscal 2009 announced today.

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

### 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	As of
	Dec. 31, 2008	March 31, 2008
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	145,474	160,556
Notes and accounts receivable-trade	69,029	89,952
Marketable securities	84,995	98,775
Merchandise and Finished goods	366	383
Work in process	493	87
Raw materials and Inventories	5,607	3,115
Other	23,156	30,037
Allowance for doubtful accounts	(716)	(890)
Total current assets	328,407	382,017
Fixed assets:		
Tangible fixed assets	50,279	49,533
Intangible fixed assets	228	195
Investments and other assets:		
Investment securities	82,322	82,147
Other	4,414	3,807
Allowance for doubtful accounts	(514)	(499)
Allowance for investment loss	(379)	(379)
Total investments and other assets	85,843	85,075
Total fixed assets	136,351	134,804
Total assets	464,759	516,821

## Consolidated Balance Sheets

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

	As of Dec. 31, 2008	As of March 31, 2008
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	56,686	90,730
Accrued income taxes	6,152	20,857
Allowance for bonuses	380	710
Other	11,675	15,266
Total current liabilities	74,895	127,565
Long-term liabilities:		
Accrued retirement allowance for employees	567	1,210
Provision for special retirement bonuses for directors	2,633	2,449
Other	1,946	1,840
Total long-term liabilities	5,147	5,499
Total liabilities	80,042	133,065
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,882	23,883
Retained earnings	353,909	344,898
Less: treasury stock, at cost	(8,911)	(1,570)
Total shareholders' equity	383,720	382,051
Valuation and translation adjustment:		
Net unrealized gain on other securities	996	1,705
Total valuation and translation adjustment	996	1,705
Total net assets	384,716	383,756
Total liabilities and total net assets	464,759	516,821

**(2) Consolidated Statements of Income**

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

(Reference)

	1st nine months of FY2009	1st nine months of FY2008
	Millions of yen	Millions of yen
Net sales	165,761	165,008
Cost of sales	89,203	93,283
Gross profit	76,558	71,724
Selling, general and administrative expenses	38,413	29,746
Operating income	38,144	41,978
Non-operating income:		
Interest income	1,588	
Dividend income	170	
Equity in earnings of affiliates	1,817	
Other	459	
Total non-operating income	4,035	2,694
Non-operating expenses:		
Interest expenses	2	
Other	47	
Total non-operating expenses	49	79
Recurring income	42,129	44,592
Extraordinary gains:		
Reversal of allowance for doubtful accounts	159	
Other	23	
Total extraordinary gains	182	1
Extraordinary losses:		
Loss on disposal of fixed assets	162	
Settlement Money	150	
Total extraordinary losses	312	122
Income before income taxes	41,999	44,471
Income taxes:		
Current income taxes	15,038	
Deferred income taxes	967	
Total income taxes	16,006	17,378
Net income	25,992	27,092

**(3) Consolidated Statements of Cash Flows**

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

(Reference)

	1st nine months of FY2009	1st nine months of FY2008
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	41,999	44,471
Depreciation and amortization	3,029	3,077
Increase in allowance for doubtful accounts	(947)	348
Interest and dividend income	(1,758)	(1,464)
Interest expense	2	-
Equity in earnings of affiliates	(1,817)	(831)
(Increase) decrease in notes and accounts receivable-trade	20,922	(6,717)
(Increase) decrease in inventories	(2,883)	(9,023)
Increase (decrease) in notes and accounts payable-trade	(34,044)	35,645
(Increase) decrease in accounts receivable for provision of parts and materials for value	-	(22,978)
Other	1,454	(6,141)
Subtotal	25,957	36,386
Interest and dividend income received	1,957	1,551
Interest paid	(2)	-
Income taxes paid	(29,055)	(18,149)
Net cash (used in) provided by operating activities	(1,143)	19,788
Cash flows from investing activities:		
Payment for purchase of tangible fixed assets and intangible fixed assets	(3,050)	(9,743)
Proceeds from sale of tangible fixed assets and intangible fixed assets	-	7
Proceeds from redemption of marketable securities	1,000	1,700
Payment for purchase of investment securities	(24,007)	(28,544)
Proceeds from redemption of investment securities	24,000	24,020
Payment for increase in long-term loans	(237)	-
Proceeds from collection of long-term loans	15	-
Other	(36)	(631)
Net cash (used in) provided by investing activities	(2,316)	(13,192)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(72)	-
Proceeds from sale of treasury stock, net	8	0
Payment for purchase of treasury stock, net	(7,352)	(15)
Cash dividends paid	(16,981)	(9,747)
Net cash (used in) provided financing activities	(24,398)	(9,761)
Difference on conversion of cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(27,859)	(3,165)
Cash and cash equivalents at beginning of the period	226,329	195,157
Cash and cash equivalents at end of the period	198,469	191,991

**(4) Notes on premise of a going concern**

1st nine months of FY2009 (From April 1, 2008, to December 31, 2008)

Not applicable

**(5) Segment information**

(Segment information by business category)

1st nine months of FY2009 (From April 1, 2008, to December 31, 2008)

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

	1st nine months 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	118,013	31,880	14,630	1,237	165,761	-	165,761
(2) Intersegment	14	-	-	2	17	(17)	-
Total	118,028	31,880	14,630	1,239	165,779	(17)	165,761
Operating income	35,188	7,877	336	430	43,833	(5,688)	38,144

1st nine months of FY2008 (From April 1, 2007, to December 31, 2007)

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

	1st nine months of FY2008						
	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	108,610	39,087	16,312	998	165,008	-	165,008
(2) Intersegment	11	-	-	-	11	(11)	-
Total	108,621	39,087	16,312	998	165,019	(11)	165,008
Operating expenses	73,533	28,472	15,861	689	118,556	4,473	123,030
Operating income	35,087	10,614	450	309	46,463	(4,484)	41,978

**(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 ¥7,348 million at the end of the third quarter of fiscal 2009.



