

August 5, 2009

**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, 2009

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

**1. Results for the first quarter of FY2010 (From April 1, 2009, to June 30, 2009)**

(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 FY2010	87,019	89.1%	19,556	112.6%	21,303	102.3%	13,254	101.0%
1st quarter of FY2009	46,019	-	9,197	-	10,531	-	6,595	-

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st quarter of FY2010	137.68	-
1st quarter of FY2009	67.85	-

(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, 2009	463,958	392,511	84.6	4,077.06
As of March 31, 2009	494,866	386,187	78.0	4,011.37

(reference) Shareholders' Equity

As of June 30, 2009

¥392,511 million

As of March 31, 2009

¥386,187 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, 2009	-	75.00	-	75.00	150.00
Year ended March 31, 2010	-	-	-	-	150.00
Year ended March 31, 2010 (Forecast)	-	75.00	-	75.00	150.00

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

**3. Forecast for FY2010 (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, 2009	135,000	19.3%	33,000	32.2%	34,500	24.7%	20,500	18.9%	212.94
Year ending March 31, 2010	270,000	43.7%	67,000	64.9%	70,000	55.9%	42,000	50.6%	436.26

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:

Not applicable

(4) Outstanding shares (common shares)

a. No. of shares outstanding (including treasury stock) As of June 30, 2009: 97,597,500 shares As of March 31, 2009: 97,597,500 shares

b. No. of treasury stock As of June 30, 2009: 1,324,366 shares As of March 31, 2009: 1,324,326 shares

c. Average number of shares issued and outstanding 1st quarter of FY2010: 96,273,140 shares 1st quarter of FY2009: 97,208,081 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, 2009) of the fiscal year ending March 31, 2010, the weakened Japanese economy remained exposed to the risk posed by turbulent financial markets while corporate earnings and the labor market continued to deteriorate. On the other hand, there were sporadic indications of a possible recovery. While inventory adjustment took its course, government measures, including fixed-amount cash handouts, the “eco-point” system for environmentally friendly home appliances, and tax cuts for environmentally friendly vehicles, had a positive influence on consumer sentiment.

In the pachinko and pachislo industry, although the earnings of major pachinko parlor operators improved significantly, pachinko parlors continued competing fiercely to attract players. In this environment, pachinko parlor operators, which are SANKYO Group’s customers, became increasingly discerning and tended to select major titles capable of maintaining long-lasting popularity or unique products capable of attracting loyal players.

Meanwhile, almost 50% of pachinko parlors now offer rental balls at lower prices than usual to attract light players wishing to enjoy pachinko at a modest cost. In some cases, increasing recognition of pachinko and pachislo as a more affordable leisure has reactivated dormant players and attracted new players. It is heartening that a measure to increase the player population started to bear fruit in the midst of a recession.

Regarding shipments of pachinko and pachislo machines, in line with the upward trend of the number of pachinko machines installed, shipments of pachinko machines were relatively robust. On the other hand, the situation for pachislo machines remained harsh. With the number of pachislo machines installed continuing to trend downward, there was no sign of a recovery in shipments.

In the mainstay pachinko machines business, the Group has clarified its strategies to meet the diversifying needs of pachinko parlor operators and the preferences of players. While working to create major pachinko titles that deliver high added value through tie-ups with well-known content, the Group is vigorously developing products that emphasize cost performance and ingenuity in terms of game machine specifications—the design of the jackpot probability, the number of balls to be paid out when a player hits the jackpot, etc.

In the first quarter of fiscal 2010, the Group concentrated on satisfying the robust demand for pachinko machines. In addition to the introduction of the latest model of the Bisty-brand *Neon Genesis Evangelion* series, which is the Group’s killer content, we started vigorous sales promotion to win orders for *KODA KUMI FEVER LIVE IN FALL II*, a major SANKYO-brand title scheduled for introduction in the second quarter of fiscal 2010.

As a result, on a consolidated basis, net sales were ¥87.0 billion, an increase of 89.1% compared with the same period of the previous year, operating income surged 112.6% to ¥19.5 billion, recurring income soared 102.3% to ¥21.3 billion, and net income rose 101.0% to ¥13.2 billion.

Results of segments are presented below:

#### Pachinko Machines Business

The Group launched two series under the SANKYO brand and one series under the Bisty brand. The sales volume of *Neon Genesis Evangelion—The Beginning and the End*, the fifth model of a Bisty-brand blockbuster series introduced in April 2009, reached 235,000 units, setting a new record for the series. Since the launch of the first model in the series in 2004, each subsequent model has recorded higher sales. As a major attraction of pachinko parlors, the *Neon Genesis Evangelion* series has earned overwhelming popularity among pachinko players. Triggered by the popularity of the pachinko series, the original anime of *Neon Genesis Evangelion* has attracted new fans. 13 years since the TV series finished, a new *Neon Genesis Evangelion* movie was released accompanied by the introduction of a stream of related goods, indicating the tremendous potential synergy between pachinko and content.

As a result, segment sales amounted to ¥79.0 billion, an increase of 165.7% compared with the same period of the previous year, and operating income was ¥20.5 billion, up 158.4%. Sales of pachinko machines amounted to 264,000 units.

#### Pachislo Machines Business

The market for pachislo machines remained lackluster. Except for a handful of popular titles, sales of most products were in small lots, reflecting the severe market conditions. The Group introduced one SANKYO-brand series and another under the Bisty brand. The sales volume of pachislo machines was only 17,000 units, a result reflecting the concentration of management resources on sales of pachinko machines. Segment sales were ¥3.2 billion, a decrease of 72.7% compared with the same period of the previous year, and an operating loss of ¥90 million was recorded.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥4.3 billion, an increase of 6.7% compared with the same period of the previous year, and operating income was ¥47 million, an increase of 16.3%.

#### Other Businesses

Sales of other businesses were ¥300 million, a decrease of 5.6% compared with the same period of the previous year, and operating income was ¥100 million, an increase of 33.8%.

## 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 2010 amounted to ¥463.9 billion, ¥30.9 billion lower than the figure at the previous fiscal year-end, reflecting a ¥7.4 billion decrease in cash and deposits and a ¥19.2 billion decrease in finished goods and merchandise. Total liabilities amounted to ¥71.4 billion, having decreased ¥37.2 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥25.7 billion decrease in notes and accounts payable-trade and a ¥10.9 billion decrease in accrued income taxes. Net assets increased ¥6.3 billion to ¥392.5 billion. Whereas net income of ¥13.2 billion was recorded, cash dividends paid amounted to ¥7.2 billion. As a result, the shareholders' equity ratio increased 6.6 percentage points to 84.6%.

## 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 2010 and for the full year announced on May 13, 2009.

## 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: Description is omitted because of lack of materiality.

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

### Changes in the matters concerning accounting standards

Effective from the first quarter of fiscal 2010, the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the "Implementation Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) are applied.

In the first quarter of fiscal 2010, there was no contract to which the percentage-of-completion method is applicable because the period was short, and the completed contract method is applied to all contracts.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

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

	As of June 30, 2009	As of March 31, 2009
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	155,078	162,510
Notes and accounts receivable-trade	53,960	40,027
Marketable securities	91,004	89,999
Merchandise and finished goods	3,092	22,319
Work in process	1,228	145
Raw materials and inventories	2,911	3,694
Other	18,343	43,392
Allowance for doubtful accounts	(339)	(425)
Total current assets	325,279	361,665
Fixed assets:		
Tangible fixed assets	51,494	49,892
Intangible fixed assets	236	249
Investments and other assets:		
Investment securities	81,570	79,157
Other	6,160	4,740
Allowance for doubtful accounts	(403)	(459)
Allowance for investment loss	(379)	(379)
Total investments and other assets	86,947	83,059
Total fixed assets	138,679	133,201
Total assets	463,958	494,866

## Consolidated Balance Sheets

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

	As of June 30, 2009	As of March 31, 2009
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	46,374	72,077
Accrued income taxes	2,253	13,179
Allowance for bonuses	1,256	752
Other	16,342	17,516
Total current liabilities	66,226	103,525
Long-term liabilities:		
Provision for special retirement bonuses for directors	600	584
Accrued retirement allowance for employees	2,770	2,683
Other	1,849	1,886
Total long-term liabilities	5,220	5,154
Total liabilities	71,447	108,679
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,882	23,882
Retained earnings	361,820	355,800
Less: treasury stock, at cost	(8,940)	(8,940)
Total shareholders' equity	391,602	385,582
Valuation and translation adjustment:		
Net unrealized gain on other securities	908	604
Total valuation and translation adjustment	908	604
Total net assets	392,511	386,187
Total liabilities and total net assets	463,958	494,866

**(2) Consolidated Statements of Income**

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

	1st quarter of FY2009	1st quarter of FY2010
	Millions of yen	Millions of yen
Net sales	46,019	87,019
Cost of sales	22,591	45,752
Gross profit	23,428	41,267
Selling, general and administrative expenses	14,231	21,710
Operating income	9,197	19,556
Non-operating income:		
Interest income	504	451
Dividend income	164	48
Equity in earnings of affiliates	503	1,108
Other	201	146
Total non-operating income	1,374	1,753
Non-operating expenses:		
Interest expenses	1	0
Other	38	7
Total non-operating expenses	39	7
Recurring income	10,531	21,303
Extraordinary gains:		
Reversal of allowance for doubtful accounts	59	140
Total extraordinary gains	59	140
Extraordinary losses:		
Loss on disposal of fixed assets	12	17
Other	1	-
Total extraordinary losses	14	17
Income before income taxes	10,577	21,426
Income taxes:		
Current income taxes	2,976	2,294
Deferred income taxes	1,004	5,877
Total income taxes	3,981	8,171
Net income	6,595	13,254

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

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

	1st quarter of FY2009	1st quarter of FY2010
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	10,577	21,426
Depreciation and amortization	856	950
Increase in allowance for doubtful accounts	(213)	465
Interest and dividend income	(669)	(499)
Interest expense	1	0
Equity in earnings of affiliates	(503)	(1,108)
(Increase) decrease in notes and accounts receivable-trade	26,381	(13,932)
(Increase) decrease in inventories	(2,734)	18,919
Increase (decrease) in notes and accounts payable-trade	(40,898)	(25,702)
Other	13,571	18,201
Subtotal	6,367	18,720
Interest and dividend income received	845	658
Interest paid	(1)	(0)
Income taxes paid	(20,618)	(12,770)
Net cash (used in) provided by operating activities	(13,406)	6,608
Cash flows from investing activities:		
Payment for purchase of tangible fixed assets and intangible fixed assets	(763)	(2,948)
Proceeds from sale of tangible fixed assets and intangible fixed assets	-	0
Proceeds from redemption of marketable securities	1,000	-
Payment for purchase of investment securities	(8,005)	(11,034)
Proceeds from redemption of investment securities	8,000	8,000
Payment for increase in long-term loans	(200)	(1,806)
Proceeds from collection of long-term loans	5	15
Other	10	(8)
Net cash (used in) provided by investing activities	47	(7,782)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(25)	(21)
Proceeds from sale of treasury stock, net	0	0
Payment for purchase of treasury stock, net	(7,335)	(0)
Cash dividends paid	(9,746)	(7,234)
Net cash (used in) provided financing activities	(17,107)	(7,256)
Net increase (decrease) in cash and cash equivalents	(30,466)	(8,430)
Cash and cash equivalents at beginning of the period	226,329	218,509
Cash and cash equivalents at end of the period	195,862	210,078

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

1st quarter of FY2010 (From April 1, 2009, to June 30, 2009)

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

1st quarter of FY2010 (From April 1, 2009, to June 30, 2009)

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

	1st quarter of FY2010						
	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	79,045	3,212	4,366	394	87,019	-	87,019
(2) Intersegment	11	-	-	2	13	(13)	-
Total	79,057	3,212	4,366	396	87,033	(13)	87,019
Operating income	20,568	(90)	47	110	20,635	(1,078)	19,556

**(6) Notes on significant changes in shareholders' equity**

1st quarter of FY2010 (From April 1, 2009, to June 30, 2009)

Not applicable