

November 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:

November 13, 2009

Planned Date for Start of Dividend Payment:

December 4, 2009

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

**1. Consolidated results for the first six months of FY2010 (From April 1, 2009, to September 30, 2009)**

(1) Consolidated operating results (six months ended September 30, 2009)

(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 six months of FY2010	142,330	25.8%	39,016	56.3%	41,086	48.5%	24,711	43.3%
1st six months of FY2009	113,120	-	24,966	-	27,661	-	17,246	-

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st six months of FY2010	256.69	-
1st six months of FY2009	178.28	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2009	462,612	403,722	87.3	4,193.54
As of March 31, 2009	494,866	386,187	78.0	4,011.37

(reference) Shareholders' Equity As of Sep. 30, 2009 ¥403,722 million As of March 31, 2009 ¥386,187 million

**2. Dividends**

(Base date)	Cash dividend per share				
	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	-	75.00	-	-	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, 2009, to March 31, 2010)**

(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	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 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: Not applicable
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of Sep. 30, 2009: 97,597,500 shares As of March 31, 2009: 97,597,500 shares
- b. No. of treasury stock As of Sep. 30, 2009: 1,325,146 shares As of March 31, 2009: 1,324,326 shares
- c. Average number of shares issued and outstanding 1st 6M of FY2010: 96,272,903 shares 1st 6M of FY2009: 96,740,955 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 six months of the fiscal year ending March 31, 2010 (from April 1 to September 30, 2009), the Japanese economy emerged from the depths of the recession thanks to progress in reducing inventories and a patchy recovery in personal consumption aided by government measures. Despite some green shoots, the situation regarding employment and personal incomes remained rather bleak.

In the pachinko and pachislot industry, the long-standing downward trend of the pachinko player population seemed to have halted, with the offering of rental balls at low prices, a new sales approach introduced by pachinko parlors, being particularly well-received by players. Meanwhile, in order to meet pachinko parlors' diverse sales pitches and pachinko players' preferences, game machine manufacturers launched a stream of richly entertaining products involving elaborate programming in the run-ups to jackpots, gripping story lines through tie-ups with well-known content, and other attractions. Although demand for pachislot machines remains soft, reflecting the continuing downward trend of the installed base of pachislot machines, several major titles were introduced in the pachinko machines field where demand is relatively robust. Thus, competition among manufacturers hinging on development and sales is intense.

Since 2007, SANKYO Group has strategically emphasized tie-ups with well-known content, vigorous sales promotion, and enhancement of gaming characteristics, LCD presentation and other aspects of design. To further strengthen product development capabilities, the Group concentrated R&D operations, previously dispersed among several locations, at a new R&D facility in June 2009. The new framework spurred product development that takes its cue from players' preferences and emphasizes both character content and specs. Referred to as a "super sensory pachinko," *Fever The Super Dimension Fortress Macross*, a pachinko machine scheduled for introduction in December 2009, offers players an unprecedented experience overflowing with palpable realism. In addition to stunning visual presentation on the LCD screen, through operation of the V-Controller the player's experience is pervaded by a powerful sense of being truly part of the unfolding scene. Moreover, the combination of gusts of wind from an embedded fan and audio from the 3D sound system enhances this feeling of being in the midst of the action. Not only pachinko parlor operators and players but also the anime industry and fans of *The Super Dimension Fortress Macross* anime have shown keen interest in this new product.

In the second quarter, the Group introduced major pachinko titles under the SANKYO and Bisty brands that created plenty of positive buzz in the market. Reflecting brisk sales of these products, for the first six months of fiscal 2010 on a consolidated basis, net sales were ¥142.3 billion, an increase of 25.8% compared with the same period of the previous year, operating income was ¥39.0 billion, up 56.3%, recurring income rose 48.5% to ¥41.0 billion, and net income advanced 43.3% to ¥24.7 billion.

Results of segments are presented below.

#### Pachinko Machines Business

The Group launched four titles under the SANKYO brand and one under the Bisty brand. The accumulated sales volume of *Neon Genesis Evangelion—The Beginning and the End* (introduced in April 2009), the fifth model of a Bisty-brand blockbuster series, reached 237,000 units, setting a new record for the series. Regarding the SANKYO brand, *KODA KUMI FEVER LIVE IN HALL II* (introduced in July 2009), the second model released through a tie-up with popular singer Koda Kumi, built on the success of its predecessor to achieve sales of 120,000 units. *Fever Mobile Battleship Nadeshiko* (introduced in August 2009), a tie-up model with a popular anime series, became a smash hit following its debut in Tokyo's Akihabara district, the anime capital of the world, as word of mouth swiftly brought this title's impressive specs to the attention of a nationwide audience.

Segment sales were ¥127.0 billion, an increase of 68.4% compared with the same period of the previous year, and operating income was ¥41.9 billion, up 101.4%. Sales of pachinko machines amounted to 419,000 units.

#### Pachislot Machines Business

The market for pachislot machines remains soft. Except for a handful of popular titles, sales of most products were in small lots, reflecting the weak interest in pachislot machines in the market. This adverse market environment prompted the Group to review the sales schedule and concentrate resources on sales of pachinko machines. Consequently, the Group introduced only one SANKYO-brand title and one under the Bisty brand.

Segment sales were ¥3.2 billion, a decrease of 88.7% compared with the same period of the previous year, and an operating loss of ¥1.2 million was recorded.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥11.3 billion, an increase of 36.6% compared with the same period of the previous year, and operating income was ¥0.3 billion, an increase of 87.6%

#### Other Businesses

Sales of other businesses were ¥0.6 billion, a decrease of 15.9% compared with the same period of the previous year, and operating income was ¥0.2 billion, a decrease of 10.5%.

\* 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 six months of fiscal 2010 amounted to ¥462.6 billion, ¥32.2 billion lower than the figure at the previous fiscal year-end, reflecting a ¥20.9 billion decrease in finished goods and merchandise.

Total liabilities amounted to ¥58.8 billion, having decreased ¥49.7 billion compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥39.2 billion decrease in notes and accounts payable-trade.

Net assets increased ¥17.5 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥24.7 billion was recorded, cash dividends paid amounted to ¥7.2 billion. As a result, net assets amounted to ¥403.7 billion and the shareholders' equity ratio increased 9.3 percentage points to 87.3%.

## 3. Qualitative Information on Forecast of Consolidated Results

There are no changes to the forecast of consolidated results 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**

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**

### Changes in the matters concerning accounting standards

Company previously applied the completed-contract method for recognizing revenues and costs of contracts. Effective from the first quarter of fiscal 2010, the Company applies 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). Accordingly, the percentage-of-completion method is applied to construction contracts commenced in the first quarter of fiscal 2010 regarding which the outcome of the construction activity up to the end of the first six months of fiscal 2010 is deemed certain (excluding construction contracts whose construction periods are very short); otherwise, the completed-contract method is applied.

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

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 Sep. 30, 2009	As of March 31, 2009
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	169,923	162,510
Notes and accounts receivable-trade	48,564	40,027
Marketable securities	88,004	89,999
Merchandise and finished goods	1,374	22,319
Work in process	269	145
Raw materials and inventories	2,331	3,694
Other	16,275	43,392
Allowance for doubtful accounts	(358)	(425)
Total current assets	326,384	361,665
Fixed assets:		
Tangible fixed assets	51,489	49,892
Intangible fixed assets	291	249
Investments and other assets:		
Investment securities	78,934	79,157
Other	6,306	4,740
Allowance for doubtful accounts	(415)	(459)
Allowance for investment loss	(379)	(379)
Total investments and other assets	84,445	83,059
Total fixed assets	136,227	133,201
Total assets	462,612	494,866

## Consolidated Balance Sheets

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

	As of Sep. 30, 2009	As of March 31, 2009
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	32,797	72,077
Accrued income taxes	11,172	13,179
Allowance for bonuses	1,002	752
Other	8,523	17,516
Total current liabilities	53,497	103,525
Long-term liabilities:		
Provision for special retirement bonuses for directors	616	584
Accrued retirement allowance for employees	2,843	2,683
Other	1,933	1,886
Total long-term liabilities	5,392	5,154
Total liabilities	58,889	108,679
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,881	23,882
Retained earnings	373,277	355,800
Less: treasury stock, at cost	(8,943)	(8,940)
Total shareholders' equity	403,055	385,582
Valuation and translation adjustment:		
Net unrealized gain on other securities	666	604
Total valuation and translation adjustment	666	604
Total net assets	403,722	386,187
Total liabilities and total net assets	462,612	494,866

**(2) Consolidated Statements of Income**

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

	1st six months of FY2009	1st six months of FY2010
	Millions of yen	Millions of yen
Net sales	113,120	142,330
Cost of sales	61,590	73,691
Gross profit	51,529	68,639
Selling, general and administrative expenses	26,563	29,622
Operating income	24,966	39,016
Non-operating income:		
Interest income	1,094	883
Dividend income	164	48
Equity in earnings of affiliates	1,143	902
Other	337	252
Total non-operating income	2,739	2,087
Non-operating expenses:		
Interest expenses	1	0
Other	42	17
Total non-operating expenses	44	17
Recurring income	27,661	41,086
Extraordinary gains:		
Reversal of allowance for doubtful accounts	309	110
Other	23	-
Total extraordinary gains	332	110
Extraordinary losses:		
Loss on disposal of fixed assets	116	357
Other	2	-
Total extraordinary losses	118	357
Income before income taxes	27,875	40,839
Income taxes:		
Current income taxes	9,793	11,205
Deferred income taxes	835	4,922
Total income taxes	10,629	16,127
Net income	17,246	24,711

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

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

	1st six months of FY2009	1st six months of FY2010
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	27,875	40,839
Depreciation and amortization	1,861	2,170
Increase in allowance for doubtful accounts	(627)	330
Interest and dividend income	(1,258)	(932)
Interest expense	1	0
Equity in earnings of affiliates	(1,143)	(902)
(Increase) decrease in notes and accounts receivable-trade	22,308	(8,536)
(Increase) decrease in inventories	(2,525)	22,190
Increase (decrease) in notes and accounts payable-trade	(29,291)	(39,279)
Other	(1,094)	13,823
Subtotal	16,107	29,704
Interest and dividend income received	1,307	1,195
Interest paid	(1)	(0)
Income taxes paid	(20,873)	(12,861)
Net cash (used in) provided by operating activities	(3,460)	18,039
Cash flows from investing activities:		
Payment for increase in time deposits	-	(2,514)
Payment for purchase of tangible fixed assets and intangible fixed assets	(1,314)	(4,558)
Proceeds from redemption of marketable securities	1,000	-
Payment for purchase of investment securities	(16,010)	(19,028)
Proceeds from redemption of investment securities	16,000	16,000
Payment for increase in long-term loans	(237)	(1,806)
Proceeds from collection of long-term loans	10	15
Other	(4)	30
Net cash (used in) provided by investing activities	(556)	(11,861)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(51)	(37)
Proceeds from sale of treasury stock, net	6	2
Payment for purchase of treasury stock, net	(7,348)	(6)
Cash dividends paid	(9,746)	(7,234)
Net cash (used in) provided financing activities	(17,140)	(7,277)
Net increase (decrease) in cash and cash equivalents	(21,157)	(1,099)
Cash and cash equivalents at beginning of the period	226,329	218,509
Cash and cash equivalents at end of the period	205,171	217,409

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

1st six months of FY2010 (From April 1, 2009, to September 30, 2009)

Not applicable

**(5) Segment information**

(Segment information by business category)

1st six months of FY2009 (From April 1, 2008, to September 30, 2008)

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

	1st six 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	75,487	28,528	8,312	792	113,120	-	113,120
(2) Intersegment	5	-	-	1	7	(7)	-
Total	75,492	28,528	8,312	794	113,127	(7)	113,120
Operating income	20,809	7,973	164	259	29,206	(4,240)	24,966

1st six months of FY2010 (From April 1, 2009, to September 30, 2009)

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

	1st six months 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	127,079	3,231	11,358	659	142,330	-	142,330
(2) Intersegment	14	-	-	7	22	(22)	-
Total	127,094	3,231	11,358	667	142,352	(22)	142,330
Operating income	41,907	(1,257)	308	232	41,190	(2,173)	39,016

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

1st six months of FY2010 (From April 1, 2009, to September 30, 2009)

Not applicable