

February 4, 2010

**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:

February 12, 2010

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

**1. Consolidated results for the first nine months of FY2010 (From April 1, 2009, to December 31, 2009)**

(1) Consolidated operating results (nine months ended December 31, 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 nine months of FY2010	179,742	8.4%	46,240	21.2%	48,641	15.5%	29,124	12.0%
1st nine months of FY2009	165,761	-	38,144	-	42,129	-	25,992	-

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st nine months of FY2010	302.53	-
1st nine months of FY2009	269.12	-

(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, 2009	448,810	400,731	89.3	4,162.57
As of March 31, 2009	494,866	386,187	78.0	4,011.37

(reference) Shareholders' Equity As of Dec. 31, 2009 ¥400,731 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
FY2009	-	75.00	-	75.00	150.00
FY2010	-	75.00	-	-	150.00
FY2010 (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, 2010	220,000	17.1%	57,000	40.3%	60,000	33.6%	36,000	29.1%	373.95

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: Not applicable
- (4) Outstanding shares (common shares)
- a. No. of shares outstanding (including treasury stock) As of Dec. 31, 2009: 97,597,500 shares As of March 31, 2009: 97,597,500 shares
- b. No. of treasury stock As of Dec. 31, 2009: 1,327,270 shares As of March 31, 2009: 1,324,326 shares
- c. Average number of shares issued and outstanding 1st 9M of FY2010: 96,272,579 shares 1st 9M of FY2009: 96,586,226 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 nine months of the fiscal year ending March 31, 2010 (from April 1, 2009, to December 31, 2009), the Japanese economy picked up somewhat in line with the general improvement of the global economy and the impact of economic policies. In Japan, however, the situation with regard to employment and personal incomes remained severe and concern persists that the country may suffer a double-dip recession owing to deflation.

In the pachinko and pachislot industry, the long-standing downward trend of the pachinko player population halted, reflecting the increasing popularity of pachinko parlors offering rental balls at prices as low as one yen per ball. On the other hand, this trend led to lower revenues of pachinko parlors. Coupled with the challenging economic environment, this operating environment is forcing pachinko parlors to adopt a thoroughly low-cost business model. In these circumstances, pachinko parlor operators have become even more discerning in their purchasing of new game machines, which are the key to attracting players. They proceed with the utmost care as they endeavor to select products that will be popular. Thus, competition among manufacturers hinging on development and sales is intensifying.

In the Group's mainstay pachinko machines business, *Neon Genesis Evangelion—The Beginning and the End* (Bisty brand, introduced in April 2009) and *KODA KUMI FEVER LIVE IN HALL II* (SANKYO brand, introduced in July 2009) became blockbusters. In the third quarter, the Group introduced another major title, *Fever The Super Dimension Fortress Macross* (November 2009), under the SANKYO brand.

As a result, for the first nine months of fiscal 2010 on a consolidated basis, net sales were ¥179.7 billion, an increase of 8.4% compared with the same period of the previous year, operating income was ¥46.2 billion, up 21.2%, recurring income rose 15.5% to ¥48.6 billion, and net income advanced ¥12.0 % to ¥29.1 billion.

Results of segments are presented below.

#### Pachinko Machines Business

The Group launched six titles under the SANKYO brand and two under the Bisty brand. For *Fever The Super Dimension Fortress Macross*, a major title introduced in the third quarter under the SANKYO brand, the Group implemented vigorous sales promotion activities through a tie-up with the original anime that has been popular for three decades. However, this promotion did not have sufficient impact on pachinko players, many of whom lack familiarity with the original anime. Moreover, the product's easy-to-understand gaming characteristics designed to captivate a wide range of players were not fully communicated in advance. As a result, sales of this product did not gain sufficient traction.

Segment sales were ¥159.2 billion, an increase of 34.9% compared with the same period of the previous year, and operating income was ¥50.7 billion, up 44.2%. The sales volume of pachinko machines amounted to 504,000 units.

#### Pachislot Machines Business

Although the downward trend of the number of pachislot machines installed became less marked, the pachislot machines market remained weak. This adverse market environment prompted the Group to shortlist titles for market introduction. Consequently, the Group introduced only two Sankyo-brand titles and one Bisty-brand title.

Segment sales were ¥4.4 billion, a decrease of 86.1% compared with the same period of the previous year, and operating loss was ¥1.7 billion. The sales volume of pachislot machines amounted to 21,000 units.

#### Ball Bearing Supply Systems Business

Sales of the ball bearing supply systems business were ¥15.0 billion, an increase of 3.0% compared with the same period of the previous year, and operating income was ¥0.3 billion, an increase of 9.9%.

#### Other Businesses

Sales of other businesses were ¥1.0 billion, a decrease of 16.9% compared with the same period of the previous year, and operating income was ¥0.3 billion, a decrease of 11.1%.

### 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 2010 amounted to ¥448.8 billion, ¥46.0 billion lower than the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥24.3 billion decrease in cash and deposits and a ¥21.2 billion decrease in merchandise and finished goods.

Total liabilities at the end of the first nine months of fiscal 2010 amounted to ¥48.0 billion, ¥60.6 billion lower than the figure at the previous fiscal year-end. This decrease was mainly attributable to a ¥43.6 billion decrease in notes and accounts payable-trade.

Net assets increased ¥14.5 billion compared with the figure at the previous fiscal year-end. Whereas net income of ¥29.1 billion was recorded, cash dividends paid amounted to ¥14.4 billion. As a result, net assets amounted to ¥400.7 billion and the shareholders' equity ratio increased 11.3 percentage points to 89.3%.

### 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 on May 13, 2009. Forecast sales volumes of pachinko machines and pachislot machines for the full year were revised from 745,000 units to 585,000 units and from 96,000 units to 78,000 units, respectively. For details, please refer to the Notice concerning the Revision of Forecast of Financial Results for Fiscal 2010 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**

#### 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 nine 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	As of
	Dec. 31, 2009	March 31, 2009
	Millions of yen	Millions of yen
Assets:		
Current assets:		
Cash and deposits	138,143	162,510
Notes and accounts receivable-trade	47,579	40,027
Marketable securities	110,001	89,999
Merchandise and finished goods	1,083	22,319
Work in process	2	145
Raw materials and inventories	4,032	3,694
Other	14,535	43,392
Allowance for doubtful accounts	(373)	(425)
Total current assets	315,005	361,665
Fixed assets:		
Tangible fixed assets	51,654	49,892
Intangible fixed assets	286	249
Investments and other assets:		
Investment securities	76,264	79,157
Other	6,373	4,740
Allowance for doubtful accounts	(393)	(459)
Allowance for investment loss	(379)	(379)
Total investments and other assets	81,864	83,059
Total fixed assets	133,805	133,201
Total assets	448,810	494,866

## Consolidated Balance Sheets

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

	As of Dec. 31, 2009	As of March 31, 2009
	Millions of yen	Millions of yen
Liabilities:		
Current liabilities:		
Notes and accounts payable-trade	28,393	72,077
Accrued income taxes	2,675	13,179
Allowance for bonuses	416	752
Other	11,128	17,516
Total current liabilities	42,613	103,525
Long-term liabilities:		
Provision for special retirement bonuses for directors	632	584
Accrued retirement allowance for employees	2,920	2,683
Other	1,913	1,886
Total long-term liabilities	5,465	5,154
Total liabilities	48,078	108,679
Net Assets:		
Shareholders' equity:		
Common stock	14,840	14,840
Capital surplus	23,881	23,882
Retained earnings	370,456	355,800
Less: treasury stock, at cost	(8,953)	(8,940)
Total shareholders' equity	400,223	385,582
Valuation and translation adjustment:		
Net unrealized gain on other securities	507	604
Total valuation and translation adjustment	507	604
Total net assets	400,731	386,187
Total liabilities and total net assets	448,810	494,866

**(2) Consolidated Statements of Income**

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

	1st nine months of FY2009	1st nine months of FY2010
	Millions of yen	Millions of yen
Net sales	165,761	179,742
Cost of sales	89,203	93,624
Gross profit	76,558	86,117
Selling, general and administrative expenses	38,413	39,877
Operating income	38,144	46,240
Non-operating income:		
Interest income	1,588	1,287
Dividend income	170	51
Equity in earnings of affiliates	1,817	719
Other	459	365
Total non-operating income	4,035	2,423
Non-operating expenses:		
Interest expenses	2	0
Other	47	21
Total non-operating expenses	49	21
Recurring income	42,129	48,641
Extraordinary gains:		
Reversal of allowance for doubtful accounts	159	117
Other	23	-
Total extraordinary gains	182	117
Extraordinary losses:		
Loss on sales of fixed assets	-	66
Loss on disposal of fixed assets	162	490
Settlement Money	150	-
Total extraordinary losses	312	556
Income before income taxes	41,999	48,202
Income taxes:		
Current income taxes	15,038	13,479
Deferred income taxes	967	5,598
Total income taxes	16,006	19,077
Net income	25,992	29,124

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

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

	1st nine months of FY2009	1st nine months of FY2010
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Income before income taxes	41,999	48,202
Depreciation and amortization	3,029	3,757
Increase in allowance for doubtful accounts	(947)	(169)
Interest and dividend income	(1,758)	(1,339)
Interest expense	2	0
Equity in earnings of affiliates	(1,817)	(719)
(Increase) decrease in notes and accounts receivable-trade	20,922	(7,551)
(Increase) decrease in inventories	(2,883)	21,045
Increase (decrease) in notes and accounts payable-trade	(34,044)	(43,684)
Other	1,454	17,787
Subtotal	25,957	37,330
Interest and dividend income received	1,957	1,734
Interest paid	(2)	(0)
Income taxes paid	(29,055)	(23,542)
Net cash (used in) provided by operating activities	(1,143)	15,523
Cash flows from investing activities:		
Payment for increase in time deposits	-	(2,514)
Payment for purchase of tangible fixed assets and intangible fixed assets	(3,050)	(6,617)
Proceeds from redemption of marketable securities	1,000	-
Payment for purchase of investment securities	(24,007)	(27,023)
Proceeds from redemption of investment securities	24,000	24,000
Payment for increase in long-term loans	(237)	(1,806)
Proceeds from collection of long-term loans	15	15
Other	(36)	81
Net cash (used in) provided by investing activities	(2,316)	(13,864)
Cash flows from financing activities:		
Repayment for obligations under finance leases	(72)	(53)
Proceeds from sale of treasury stock, net	8	3
Payment for purchase of treasury stock, net	(7,352)	(17)
Cash dividends paid	(16,981)	(14,469)
Net cash (used in) provided financing activities	(24,398)	(14,537)
Net increase (decrease) in cash and cash equivalents	(27,859)	(12,879)
Cash and cash equivalents at beginning of the period	226,329	218,509
Cash and cash equivalents at end of the period	198,469	205,629

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

1st nine months of FY2010 (From April 1, 2009, to December 31, 2009)

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 FY2010 (From April 1, 2009, to December 31, 2009)

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

	1st nine 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	159,218	4,432	15,071	1,018	179,742	-	179,742
(2) Intersegment	18	-	-	10	29	(29)	-
Total	159,237	4,432	15,071	1,029	179,771	(29)	179,742
Operating income	50,739	(1,718)	370	382	49,773	(3,532)	46,240

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

1st nine months of FY2010 (From April 1, 2009, to December 31, 2009)

Not applicable