Good luck. Good life.

SANKYO

Annual Report 2008

Year ended March 31, 2008

Profile

Since its establishment in 1966, SANKYO Co., Ltd. has been a source of pleasure for the Japanese people. As a leading manufacturer of pachinko machines, we have fostered pachinko as an immensely popular leisure activity unique to Japan and enjoyed by millions of people.

From the very beginning, ingenuity has been the hallmark of the SANKYO spirit. To cite just one example: our creation in 1980 of the highly entertaining Fever-type machine equipped with a slot-machine movement revolutionized the concept of pachinko machines. SANKYO's track record as a developer and manufacturer of pachinko machines that set the pace in the pachinko industry is based on a tradition of out-of-the-box thinking and technological prowess.

The scope of SANKYO's business extends beyond manufacturing and sales of pachinko machines to encompass production of pachislo machines as well as wide-ranging equipment for pachinko parlors such as parlor management computer systems, ball bearing supply systems and prepaid card systems.

These strengths underpin SANKYO's powerful presence as a provider of cutting-edge items for pachinko parlors and pachinko players nationwide.

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Consolidated Financial Highlights

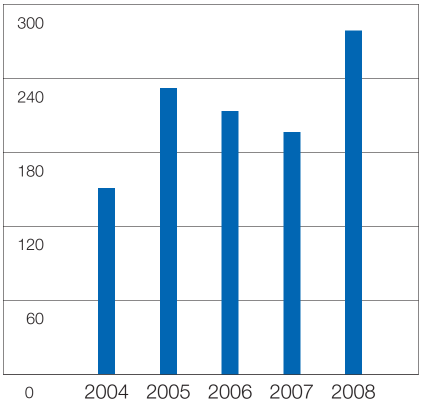
SANKYO CO., LTD. and Its Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
For the year:			
Net sales	**¥280,511**	¥197,723	**$2,799,790**
Operating income	**72,295**	54,910	**721,579**
Net income	**45,672**	35,578	**455,854**
At year-end:			
Total assets	**516,821**	420,504	**5,158,409**
Total net assets	**383,756**	351,104	**3,830,282**
	Yen		U.S. dollars
Per share data:			
Net income (basic)	**¥468.78**	¥365.26	**$4.68**
Cash dividends	**150.00**	100.00	**1.50**

Note: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥100.19=U.S.$1. See Note 2 to the consolidated financial statements.

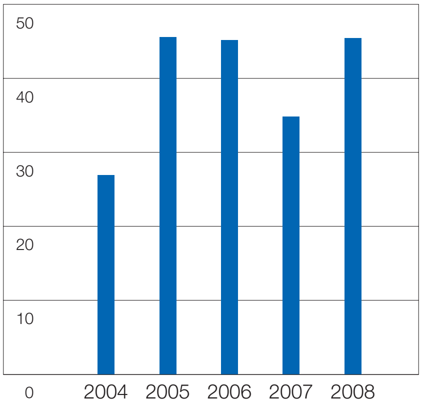
Net Sales

(Billions of yen)



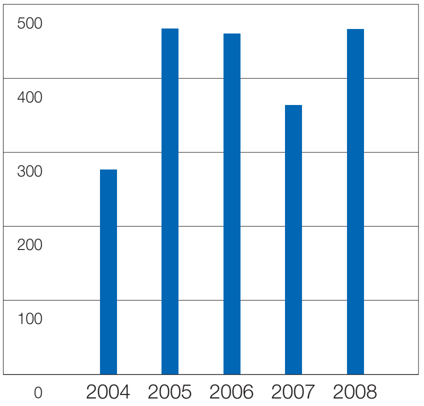
Net Income

(Billions of yen)



Net Income per Share

(Yen)



To Our Shareholders and Other Stakeholders

Hideyuki Busujima
Chairman of the Board & CEO

Akihiko Sawai
President & COO

Building an Organizational Structure Underpinning Growth of Revenues and Earnings

Since its establishment in 1966, SANKYO Co., Ltd. has continually sought to strengthen its position as a pacesetting pachinko manufacturer by adhering to its corporate creed of "creativity & ingenuity," introducing a stream of hit models that have set a fast tempo in the pachinko industry. SANKYO's development as a leading enterprise has contributed greatly to the progress of the industry. Listed on the first section of the Tokyo Stock Exchange since 1997, SANKYO has established a firm business foundation. In recent years, SANKYO Group has also secured its position as a pachislo manufacturer, with an outstanding track record in the pachislo market.

The pachinko and pachislo industry is in the midst of far-reaching change. Fast-paced innovation in audio-visual technologies combined with the burgeoning character content business is transforming the pachinko and pachislo industry into a thrilling new entertainment industry.

In order to prosper amid this transformation, in April 2008 SANKYO Group launched a new management structure centering on the introduction of the CEO and COO system and the executive officer system. Under the new structure, we aim to accelerate decision-making and work to substantially enhance corporate value.

We are resolved to be an enterprise that continually earns the trust of our stakeholders, including shareholders, investors, pachinko parlors, pachinko and pachislo players, suppliers, and employees.

Message from the CEO

Integrating Group Businesses to Spur Creativity

The pachinko and pachislo industry must rise to a momentous challenge: the population of pachinko players has decreased from its peak in 1994 at 29.3 million to 14.5 million in 2007 and the number of pachinko parlors has declined from 17,000 in 1994 to 13,500. In this severe business environment, SANKYO Group has worked to strengthen the competitiveness of its products and maximize earnings, more than doubling consolidated net sales from ¥120 billion in fiscal 1995 to ¥280 billion in fiscal 2008. Now, far from resting on our laurels, we are implementing a new growth strategy. Let me comment on the new management structure we launched on April 1, 2008, to provide the framework for SANKYO Group's next round of sustainable growth.

To strengthen top management, we established two new posts: the chief executive officer (CEO) and the chief operating officer (COO). As a representative director and the chairman, serving as the CEO and the chairman of the board of directors, I am responsible for strategic decision-making concerning the Group's overall management, while Mr. Akihiko Sawai, appointed as a representative director and the president, serves as the COO, in which capacity he supervises the Group's overall execution of operations. Previously, as a representative director and the president, I was responsible for decision-making concerning overall management of the Group as well as supervision of overall execution of operations. But from now on Mr. Sawai and I will work together to manage SANKYO Group.

Introduction of the Executive Officer System clarifies the role of the board of directors as an organ making management decisions and overseeing execution of operations. Moreover, the size of the board has been reduced in order to increase flexibility, accelerate decision-making and enhance its effectiveness. Executive officers, with authority delegated by the board of directors, are responsible for execution of operations of the specific business fields with which they are entrusted. Under the new structure, we intend to strengthen corporate governance and to secure speed and accuracy of decision-making.

Mr. Sawai, appointed as the COO, has been with SANKYO throughout his career. With a distinguished track record as an executive responsible for marketing and product development and subsequently as a board member, Mr. Sawai has been deeply involved with the nuts and bolts of the Group's business. Mr. Sawai spearheaded promotion of the strategic tie-up with Fields Corporation and implementation of the recent successful sales promotion strategy. Under the new management structure, Mr. Sawai and I will join with the entire SANKYO team in a concerted Group-wide effort to enhance enterprise value.

June 2008

H. Busujima

Hideyuki Busujima
Chairman of the Board & CEO

Interview with Mr. Akihiko Sawai, the President and COO appointed April 2008

What were SANKYO Group's principal achievements in fiscal 2008 and what issues emerged during the term?

During the past quarter of a century, SANKYO has grown to be one of the foremost enterprises shaping the progress of the pachinko and pachislo industry, and, in the process, we have taken sales and profits to new heights. My mission is to further enhance SANKYO's enterprise value while contributing to the development of the industry in which I have been engaged for 30 years.

Although we slipped to the third position in terms of the share for pachinko machine sales in fiscal 2007, we managed to recapture the second largest share in fiscal 2008, signaling the resurgence of the SANKYO brand in the pachinko machine market. Our success in putting SANKYO on a rapid recovery trajectory is attributable to the bold strategic shift we engineered in response to the dramatic changes sweeping through the market.

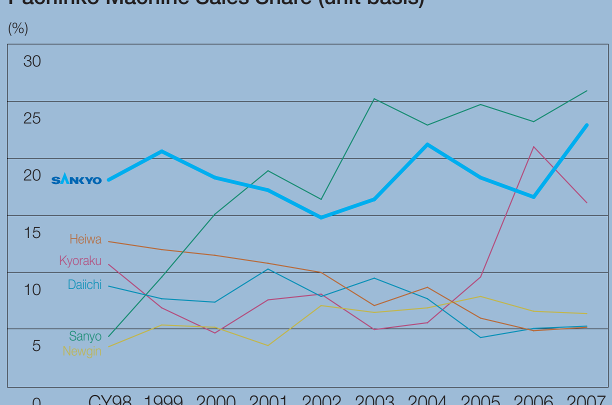
Since 2000, SANKYO has focused on releasing an uninterrupted stream of new products to meet the needs of pachinko parlors and appeal to pachinko players who are always seeking something new. However, since around 2006, pachinko parlors have shown a marked tendency to purchase large quantities of highly topical game machines with high customer-drawing power.

As pachinko and pachislo machines have become increasingly entertainment-driven, not only the gaming performance but also high-impact content such as animation and celebrities, thrilling audiovisual technologies, and media-mix sales promotion centering on TV commercials have become indispensable ingredients of hit products.

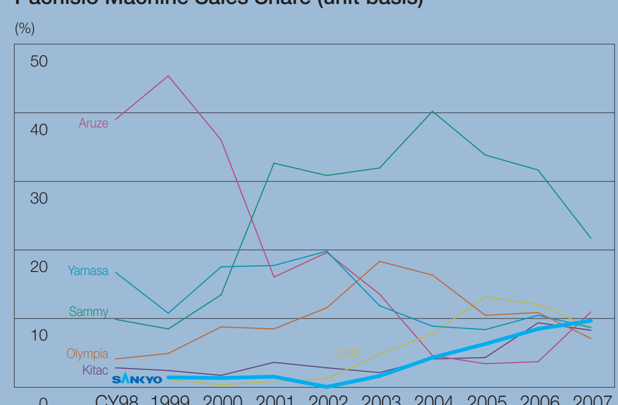
In response to these changes in the market, we reduced the number of new models while endeavoring to enhance their attractiveness by minimizing any compromise in product development. This strategy met with success in fiscal 2008: sales of *KODA KUMI FEVER LIVE IN HALL* introduced in July 2007 and three other titles exceeded 100,000 units each.

Large-scale sales promotion campaigns centering on TV commercials contributed not only to the expansion of sales volumes but also to the stimulation of players who are not fully committed to pachinko as a leisure pursuit. We intend to continue our vigorous implementation of measures designed to develop the industry, including measures to increase the population of pachinko players.

Pachinko Machine Sales Share (unit basis)



Pachislo Machine Sales Share (unit basis)



Source: Yano Research Institute

What are SANKYO's key strategies for fiscal 2009?

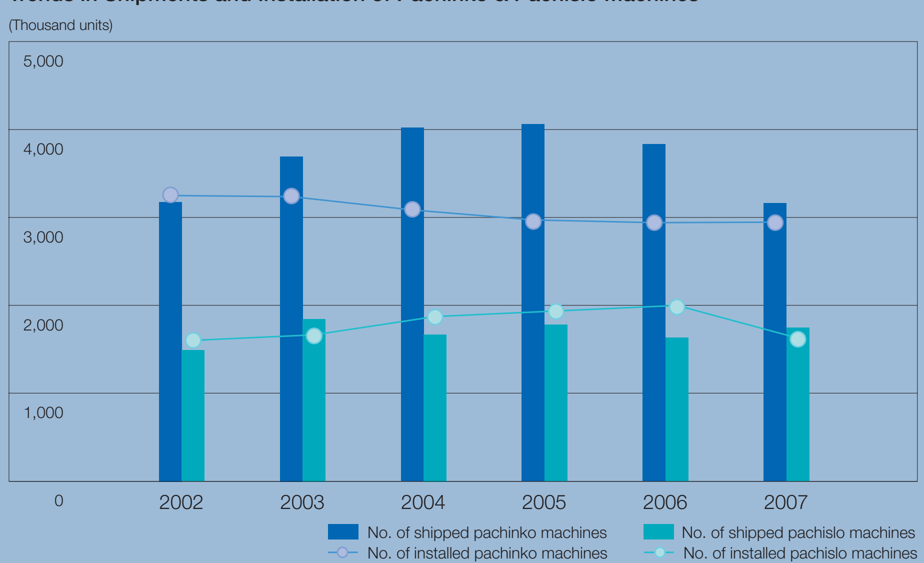
During fiscal 2008, parlor operators introduced large numbers of pachislo machines complying with the revised regulations, established in July 2004, to replace earlier models. From the perspective of players, these new machines were less appealing than those based on the former regulations, leading to a decline in profitability of pachinko parlors. The number of pachislo machines installed dropped from 2,003,000 at the end of 2006 to 1,636,000. This severe situation is expected to continue.

On the other hand, the decade-long downward trend of the number of pachinko machines installed appears to be over: whereas 2,933,000 machines were installed at the end of 2006, the figure had risen, albeit by a modest amount, to 2,954,000 units by the end of 2007. Amid dramatic changes in the industry brought about by the imposition of stricter regulations on pachislo, leading parlor operators have achieved an earnings recovery by positioning pachinko machines as the primary attraction for players.

In the year to March 2009, SANKYO Group intends to channel its resources into the pachinko machines business with the aim of recapturing the top market share. Clearly, we expect the renewed product development process and thorough implementation of the sales promotion strategy to contribute to results throughout the year. Moreover, loyalty to the SANKYO brand is on the rise owing to the high evaluation of pachinko machine models introduced in fiscal 2008.

We will continue to introduce major titles under the SANKYO brand, led by *Fever Dai-Natsumatsuri* introduced this August. With regard to the BISTY brand, which has earned a high evaluation in the market with the Neon Genesis Evangelion series through the tie-up with Fields, we are establishing a system that will enable introduction of multiple major titles. SANKYO acquired a 15% stake in Fields in fiscal 2008 in a bid to reinforce the BISTY brand.

Trends in Shipments and Installation of Pachinko & Pachislo Machines



Source: National Police Agency Yano Research Institute

What is being done to increase SANKYO Group's enterprise value?

Focusing on the pachinko and pachislo businesses, we aim to achieve growth with profit by increasing sales and market share. We recognize that channeling retained earnings into M&A and other investment is crucial to our drive to enhance enterprise value through profit growth.

Returning of profits to shareholders is another vital issue. We are emphasizing communication with our shareholders and investors in determining the guidelines and measures for profit sharing.

SANKYO's dividend policy has been to maintain a payout ratio of 20% of consolidated net income. With a view to further clarifying our emphasis on the return of profits to shareholders, we have set a payout ratio of 25% of consolidated net income as the new guideline from fiscal 2008 onward. Payment of a dividend of ¥150 per share for fiscal 2008, an increase of ¥50 compared with the previous year, resulted in a consolidated payout ratio of 32.0%. SANKYO plans to pay a dividend of ¥150 per share for fiscal 2009.

At the meeting of the board of directors held on June 13, 2008, a decision was made to buy back up to 2 million SANKYO shares for up to ¥17 billion. From now on, in determining measures for returning profits to shareholders, we will also take the total return ratio into consideration, which is the ratio of dividend payment and share buyback divided by net income.

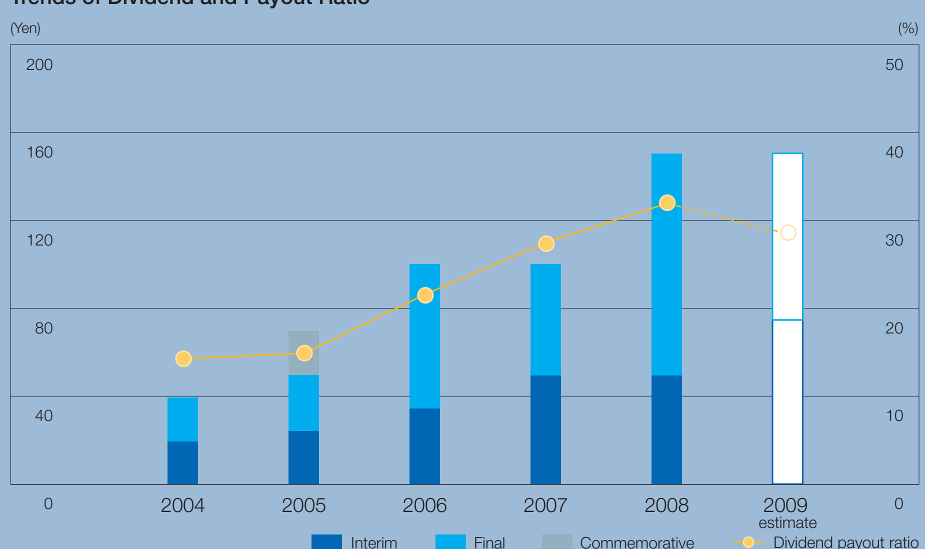
As the president and COO, I am resolved to do my utmost to enhance the enterprise value of SANKYO Group. In these endeavors, I request the continued support of our shareholders and the wider investor community.

June 2008

A. Sawai

Akihiko Sawai
President & COO

Trends of Dividend and Payout Ratio



Maintaining a Powerful Presence as an Industry Leader

SANKYO Group has implemented a stream of measures designed to capitalize on its competitive advantages. The resurgence of the SANKYO brand in fiscal 2008 was underpinned by our aggressive sales promotion strategy. However, as a manufacturer, the fundamental theme we have to tackle is the development and provision of excellent products capable of winning an enthusiastic following among parlor operators and players. In addition to our focus on product development and production, we have shifted to a new style of sales promotion campaigns centering on TV commercials, which have spurred sales growth. As well as selling machines, we also support pachinko parlor operators in their marketing. We aim to prosper together with the industry by cultivating interest in SANKYO and its products among not just today's players, parlor operators and investors, but also among tomorrow's and in society at large.

Entertainment is our business

The Group's customers, that is, pachinko parlor operators, introduce new models very frequently in order to attract players by periodically revamping their mix of game machines. At the same time, storylines and entertainment aspects are becoming increasingly important in terms of the gaming performance of machines. When parlor operators replace game machines, increasingly, they tend to focus on specific models and introduce a large number of well-designed, attractive and newsworthy machines as magnets to attract players.

With the aim of enhancing the capabilities of personnel engaged in product development, not only with regard to conventional game machine development skills but also their capabilities as audio-visual creative artists, SANKYO Group is implementing results- and competence-oriented human resources policies while actively pursuing alliances with attractive partners. One example is the development and sales of *Fever Aquarion* in collaboration with animation producer SATELIGHT Inc., which became a member of SANKYO Group in 2006. The success of *Fever Aquarion*, a product warmly embraced by the market, reflects our focus on the creation of highly entertaining products.

Fever Aquarion

Sales promotion leveraging excellent content

In addition to TV commercials to burnish the brand image, we are emphasizing a media mix centering on TV commercials to promote sales of the Group's products. By implementing a marketing strategy to cultivate new pachinko players while increasing newsworthiness through use of well-known content, we aim to increase sales. Our relationship with pachinko parlor operators extends far beyond sales as we also support their marketing.

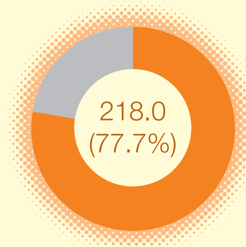
In fiscal 2008, we invested ¥15.3 billion in advertising and sales promotion, 4.5 times the figure for fiscal 2007 or an increase of ¥11.9 billion. Sales of the pachinko machines business increased ¥76.5 billion to ¥218.0 billion. This great increase in sales illustrates the effectiveness of TV commercial-based sales promotion campaigns.

For example, SANKYO's TV commercial for Fever Aquarion, a product introduced in November 2007, had a ripple effect on sales of the ring tone of the theme song and the DVD of the original anime, making Fever Aquarion a hot topic even among people who are not pachinko enthusiasts. In the case of pachinko machines, because many units are shipped in a short period of time, concentrated broadcasting of commercials greatly enhances awareness of a new model.

With regard to *KODA KUMI FEVER LIVE IN HALL* introduced in July 2007, SANKYO sponsored a live performance by popular singer Koda Kumi to generate buzz in the run-up to the market debut. Koda Kumi has a huge fan base extending across different age groups. The live performance attracted numerous fans, many of whom have never played pachinko. Through sales promotion campaigns that leverage excellent content, we will step up our efforts to cultivate new pachinko players.

Pachinko Machines Business

Net Sales (Billions of yen)



This segment, which includes manufacturing and sales of pachinko machines and gauge boards, sales of related parts and pachinko machine-related royalty income, is SANKYO's mainstay business and accounted for 77.7% of net sales.

Since the summer of 2006, the Group's pachinko machines business has focused on strengthening product capabilities by pursuing three approaches: thorough review of the development process, use of excellent content, and vigorous sales promotion campaigns centering on TV commercials. Under the SANKYO brand, the Group introduced strategic products using the Crystella pachinko machine casing, including *KODA KUMI FEVER LIVE IN HALL* (introduced in July 2007), *Fever Aquarion* (introduced in November 2007), and *Fever Spring Waltz* (introduced in March 2008). Sales of these three products exceeded 100,000 units each, underpinned by effective sales promotion.

Also, sales of the fourth title of the popular Bisty-brand *Neon Genesis Evangelion*, *"The Angels are back again"* (introduced in January 2008), amounted to nearly 200,000 units, outselling each of the previous three titles, and greatly contributing to the Group's profits.

Unit sales of pachinko machines amounted to 726,000 units, 86,000 units higher than for the previous fiscal year, segment sales soared 54.1% from the previous fiscal year to ¥218 billion, the highest figure ever, and operating income increased 29.5% to ¥67.5 billion.

Principal models introduced and numbers of machines sold during fiscal 2008
(Only models with sales of 30,000 units or more are listed):

Principal models	Released	No. of machines sold (thousand machines)
KODA KUMI FEVER LIVE IN HALL	July 2007	132
Patrush	September 2007	46
Fever Aquarion	November 2007	141
*Neon Genesis Evangelion, "The Angels are back again"**	January 2008	193
Fever Spring Waltz	March 2008	141

*Bisty brand

KODA KUMI FEVER LIVE IN HALL

©avex entertainment inc.

Neon Genesis Evangelion "The Angels are back again"

©GAINAX・カラー/ Project Eva.

Pachislo Machines Business

This segment, which includes manufacturing and sales of pachislo and palot machines, sales of related parts and pachislo machine-related royalty income, accounted for 14.4% of net sales.

The Bisty-brand Neon Genesis Evangelion *"My Purest Heart for You"* (introduced in June 2007), which was launched at the height of the shift to products complying with the revised regulations, recorded sales of almost 100,000 units, making it a big hit. Regarding SANKYO-brand products, sales of *Tano Seasar* (introduced in May 2007) and *KODA KUMI PACHISLOT LIVE IN HALL* (introduced in August 2007) were brisk.

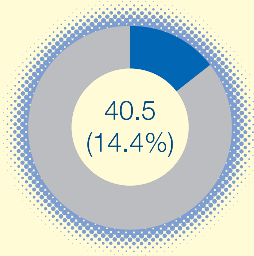
Consequently, unit sales of pachislo machines rose 29,000 from the previous fiscal year to 169,000, segment sales increased 23.1% from the previous fiscal year to ¥40.5 billion and operating income increased 19.9% to ¥9.4 billion, the highest figures ever for both segment sales and operating income.

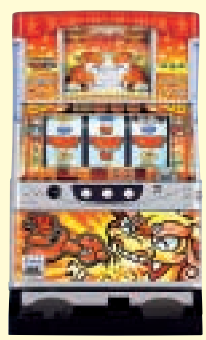
Principal models introduced and numbers of machines sold during fiscal 2008 (Only models with sales of 10,000 units or more are listed):

Principal models	Released	No. of machines sold (thousand machines)
Tano Seasar	May 2007	30
*Neon Genesis Evangelion "My Purest Heart for You"**	June 2007	99
KODA KUMI PACHISLOT LIVE IN HALL	August 2007	18

*Bisty brand

Net Sales (Billions of yen)





Tano Seasar

Neon Genesis Evangelion "My Purest Heart for You"

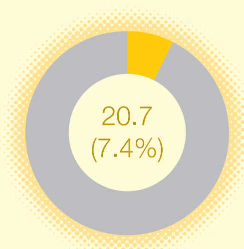
©GAINAX・カラー/
Project Eva.

Ball Bearing Supply Systems Business

Ball bearing supply systems, card systems, related equipment for parlors and ball bearing supply system-related royalty income account for most of the sales of this segment, which contributed 7.4% of net sales.

As an increasing number of pachinko parlors tended to curb capital investment other than for the purchase of game machines and the tempo of the opening of new parlors by major chain operators slowed, orders received for work associated with ball bearing supply systems decreased. As a result, segment sales decreased 6.2% from the previous fiscal year to ¥20.7 billion while operating income increased 16.3% to ¥0.5 billion.

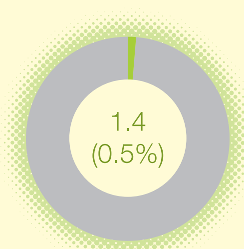
Net Sales (Billions of yen)



Other Businesses

Sales from this segment, consisting primarily of rental revenues of consolidated subsidiary SANKYO Create Co., Ltd., increased 1.1% to ¥1.4 billion from the previous fiscal year, and operating income rose 6.9% to ¥0.5 billion.

Net Sales (Billions of yen)



Ground-Breaking Products

Neon Genesis Evangelion
– That time has come, now they're waiting for us

Neon Genesis Evangelion is a major hit anime that continues to captivate fans 13 years after its TV debut. First applied to a pachinko machine model in December 2004 under the Bisty brand, the *Neon Genesis Evangelion* series took the Bisty brand to fame as the models became major attractions at pachinko parlors. Each of the four titles in the series introduced so far has recorded sales exceeding 100,000 units.

Pachislo machines featuring *Neon Genesis Evangelion* were commercialized in 2005 and 2007, gaining a tremendous following among parlor operators and pachislo players.

In September 2008, Bisty will introduce the third pachislo model in the series, "That time has come, now they're waiting for us." This product uses scenes from the animated film *Evangelion: 1.0 You Are (Not) Alone* released in fall 2007. The combination of visual presentation on an LCD screen and a special casing inspired by the distinctive and magnificent world of *Evangelion* creates a powerful impact.

In the pachislo market, which has been adversely affected by the revision to the regulations, the *Evangelion* series of pachislo machines have been among the most popular products. The latest model in the series sets a new standard as a pachislo machine whose thrilling entertainment aspects captivate players. We are confident that this model will meet the expectations of parlor operators and players throughout Japan.

Five-Year Summary

SANKYO CO., LTD. and Its Consolidated Subsidiaries
Years ended March 31, 2008, 2007, 2006, 2005 and 2004

	Millions of yen					Thousands of U.S. dollars
	2008	2007	2006	2005	2004	2008
For the year:						
Net sales	¥280,511	¥197,723	¥214,500	¥233,903	¥151,726	$2,799,790
Gross profit	123,729	92,982	108,545	106,570	67,759	1,234,944
Selling, general and administrative expenses	51,434	38,072	36,407	34,226	23,778	513,365
Operating income	72,295	54,910	72,138	72,344	43,981	721,579
Net income	45,672	35,578	45,443	45,887	27,294	455,854
Research and development expenditure	8,492	7,485	7,324	7,441	6,536	84,759
At year-end:						
Total assets	516,821	420,504	406,611	418,886	297,104	5,158,409
Total net assets	383,756	351,104	328,676	288,523	244,715	3,830,282
	Yen					U.S. dollars
Per share data:						
Net income	¥ 468.78	¥ 365.26	¥ 463.77	¥ 469.24	¥ 278.37	$ 4.68
Cash dividends	150.00	100.00	100.00	70.00	40.00	1.50
Net assets	3,944.84	3,603.59	3,371.93	2,959.27	2,517.81	39.37
	%					
Ratios:						
Return on equity	12.4	10.5	14.7	17.2	11.8	
Equity ratio	74.3	83.5	80.8	68.9	82.4	

Note: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥100.19=U.S.$1. See Note 2 to the consolidated financial statements.

2. Due to the change of the Accounting Standards, the conventional "shareholders' equity" is presented as "net assets". For details, please refer to Note 1(s)(2) to the Consolidated Financial Statements. According to the new standards, total net assets are defined as follows:
Total net assets = total shareholders' equity + valuation and translation adjustments + minority interests.

Financial Review

The Company's financial position and operating results for the fiscal year ended March 31, 2008 (fiscal 2008), are analyzed below.

Forward-looking statements in this annual report are based on SANKYO Group's judgment as of the date of issue of this annual report.

Business Environment in Fiscal 2008

During the year ended March 31, 2008, the Japanese economy remained firm thanks to improved corporate earnings. However, there is concern about the risks to the Japanese economy posed by three factors: the slowing U.S. economy buffeted by the subprime mortgage problem, fluctuations of stock and currency exchange markets, and the trend of oil prices.

In the pachinko and pachislo industry, parlor operators introduced large numbers of pachislo machines complying with the revised regulations (Enforcement Regulation of the Act to Control Businesses That May Affect Public Morals), established in July 2004, as replacements for earlier models. From the perspective of players, these new machines were less appealing than the machines based on the former regulations, leading to a decline in the profitability of pachinko parlors. In this situation, pachinko parlors positioned pachinko machines as the primary attraction for players. At the same time, there was a greater tendency to introduce large numbers of units of particular machines with excellent gaming performance, newsworthiness, and familiar characters and content.

In the midst of intensifying sales competition, game machine manufacturers engaged in vigorous sales promotion campaigns in addition to strengthening product capabilities. However, rising costs associated with advertising and tie-ups with powerful content has been putting pressure on the profits of manufacturers, resulting in a widening gulf between strongly performing manufacturers and those struggling.

Net Sales

In this challenging market environment, SANKYO Group concentrated its resources on sales of pachinko and pachislo machines, the Group's mainstay products. As a result of the introduction of a stream of newsworthy products that won an enthusiastic following, the Group recorded its highest-ever net sales, ¥280.5 billion, an increase of 41.9% from the previous fiscal year.

Cost of Sales, Selling, General & Administrative Expenses and Income

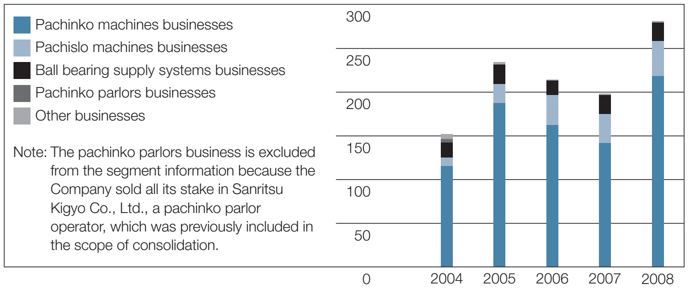
Cost of sales for fiscal 2008 amounted to ¥156.8 billion, having increased 49.7% from the previous fiscal year, reflecting higher sales volumes of the mainstay pachinko and pachislo machines. Gross profit soared 33.1% to ¥123.7 billion but the gross profit margin decreased 2.9 percentage points from the previous fiscal year to 44.1%.

Selling, general and administrative expenses increased 35.1% from the previous fiscal year, mainly owing to the increase in advertising costs in line with vigorous sales promotion campaigns centering on TV commercials. However, the ratio of selling, general and administrative expenses to net sales decreased 0.9 percentage points from the previous fiscal year to 18.3%. As a result, operating income increased 31.7% to ¥72.3 billion and the ratio of operating income to net sales decreased 2.0 percentage points from the previous fiscal year to 25.8%.

Net income increased 28.4% to ¥45.7 billion. Net income per share was ¥468.78 compared with ¥365.26 for the previous fiscal year.

Net Sales

(Billions of yen)



Note: The pachinko parlors business is excluded from the segment information because the Company sold all its stake in Sanritsu Kigyo Co., Ltd., a pachinko parlor operator, which was previously included in the scope of consolidation.

Segment Information by Business

(Millions of yen)

Sales:	2008	Year-on-year change	2007
Pachinko machines business	**217,955**	54.1%	141,405
Pachislo machines business	**40,512**	23.1%	32,916
Ball bearing supply systems business	**20,653**	(6.2)%	22,025
Other businesses	**1,391**	1.1%	1,377
Total	**280,511**	41.9%	197,723

(Millions of yen)

Operating income:	2008	Year-on-year change	2007
Pachinko machines business	**67,533**	29.5%	52,156
Pachislo machines business	**9,414**	19.9%	7,848
Ball bearing supply systems business	**493**	16.3%	424
Other businesses	**452**	6.9%	423
Elimination/Corporate	**(5,597)**	—	(5,941)
Total	**72,295**	31.7%	54,910

Fiscal 2009 Forecast

In the pachinko and pachislo industry, although the operating environment is likely to remain tough in the fiscal year ending March 31, 2009, strong replacement demand for newsworthy products offering excellent capabilities is expected to continue.

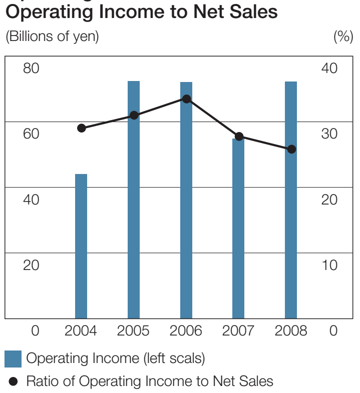
SANKYO Group achieved great increases in both sales and profits in fiscal 2008 as measures to strengthen product capabilities, which have been implemented throughout the Group, had a gratifying impact. Going forward, rather than resting on our laurels, we will strive to expand the business. In the pachinko machines business, we will continue to strengthen product capabilities and refine the media mix while working to enhance SANKYO Group's brand power in order to increase sales. In the pachislo machines business, although the market environment is expected to remain challenging, the Group has steadily strengthened its position in the market. By developing products with ingenious gaming performance, we aim to maintain and further increase our market share.

With regard to profits, the ratio of operating income to net sales is expected to improve, reflecting the change in the sales mix, notably an increase in the ratio of sales of pachinko machine gauges in line with the wider application of the *Crystella* pachinko machine casing. Management expects to achieve increases in both sales and profits.

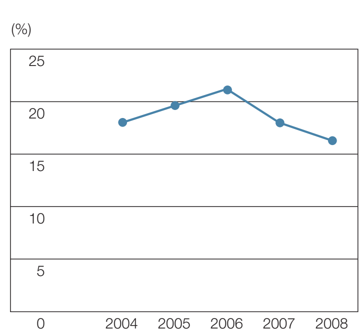
The forecast for consolidated business results in the fiscal year ending March 31, 2009, is as follows:

	2009 forecasts	Year-on-year change	2008 results
Net sales	300.0 billion yen	6.9%	280.5 billion yen
Operating income	82.0 billion yen	13.4%	72.3 billion yen
Net income	51.0 billion yen	11.7%	45.7 billion yen

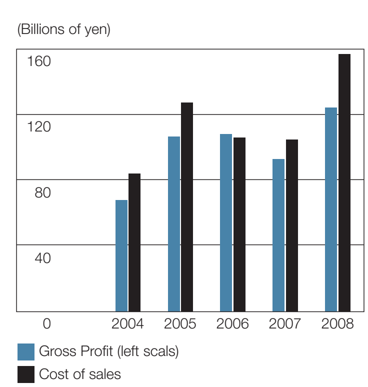
Operating Income and Ratio of Operating Income to Net Sales



Return on Sales (ROS)



Gross Profit and Cost of sales



Assets, Liabilities, and Net Assets

Total assets at the end of fiscal 2008 increased ¥96.3 billion from the previous fiscal year-end as current assets increased ¥78.9 billion and fixed assets increased ¥17.4 billion. Total liabilities increased ¥63.7 billion centering on accounts payable. As a result, although net assets increased ¥32.7 billion, the shareholders' equity ratio decreased 9.2 percentage points to 74.3%, reflecting increases in assets and liabilities.

Cash Flows

Cash and cash equivalents at the fiscal year-end were ¥226.3 billion, having increased ¥31.2 billion from the previous fiscal year-end.

Cash flows from operating activities

Net cash provided by operating activities increased ¥28.9 billion from the previous fiscal year to ¥65.6 billion. The principal factors increasing cash flows included income before income taxes amounting to ¥75.4 billion and an increase of ¥51.5 billion in notes and accounts payable-trade. Cash outflows included an increase of ¥32.7 billion in notes and accounts receivable-trade and income taxes paid amounting to ¥18.1 billion.

Cash flows from investing activities

Net cash used in investing activities decreased ¥6.7 billion from the previous fiscal year to ¥24.7 billion. The decrease was mainly attributable to payments of ¥1.22 billion for the purchase of fixed assets and cash outlays of ¥11.9 billion owing to an increase in the balance of financial instruments held by the Group.

Cash flows from financing activities

Net cash used in financing activities decreased ¥1.5 billion from the previous fiscal year to ¥9.8 billion. The principal item was cash dividends paid amounting to ¥9.7 billion.

Forecast of the Financial Position in Fiscal 2009

For fiscal 2009, the Company forecasts net cash provided by operating activities of ¥56.0 billion, net cash used in investing activities of ¥5.0 billion, and net cash used in financing activities of ¥17.0 billion mainly attributable to payment of cash dividends.

As a result, the Company forecasts an increase of ¥34.0 billion in the cash balance at the end of fiscal 2009 compared to the figure at the end of the previous fiscal year.

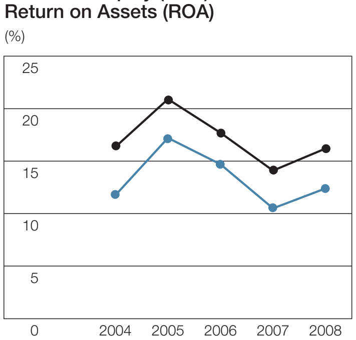
Risk Factors

Risks that may have an impact on the Group's business results, stock price and financial position for fiscal 2009 and beyond include the items described below. Forward-looking statements in this document represent the Group's assumptions and judgment as of the end of fiscal 2008, but do not cover all the potential risks.

Change in the market environment

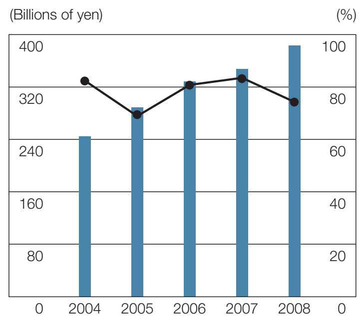
The principal customers of the Group's core business, sales of game machines and ball bearing supply systems, are pachinko parlor operators nationwide. Therefore, deterioration of the business environment for pachinko parlors, accompanying reduction in demand or change in the market structure, determines the Group's sales results.

Return on Equity (ROE)
Return on Assets (ROA)



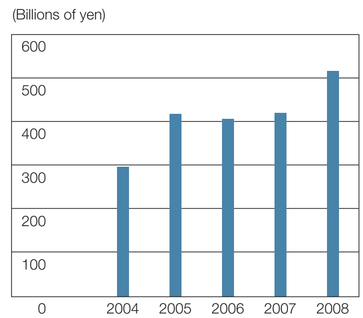
● Return on Equity (ROE)
● Return on Assets (ROA)
ROA=(Operating income + Interest and dividend income + Interest on marketable securities) / Total assets (yearly average)

Total Net Assets and Equity Ratio



■ Total Net Assets (left scale)
● Equity Ratio

Total Assets



As pachinko parlor operators are becoming more discriminating in their evaluation of game machines, there is a marked tendency for them to endeavor to captivate players through the introduction of large numbers of units of particular models offering excellent entertainment features and characterized by newsworthiness. However, because most products fail to attract sufficient attention, the gulf between popular products and the rest has been widening in terms of the numbers of units sold. The Group aims to increase sales through tie-ups with celebrities, animation and popular characters and by engaging in vigorous sales promotion in addition to strengthening the development process. However, because product development takes approximately 12 months, if the Group fails to respond flexibly to changes in market demand after commencement of development, or if the timing of the introduction of one of the Group's new products coincides with the introduction of a competitor's very popular product, the Group's sales plans and business results may be affected.

The Group will strive to manufacture and sell game machines meeting the diverse preferences of not only players but also the needs of parlors by fully utilizing original ideas, cutting-edge technology and other know-how.

Regulations

The main business of the Group, namely, the development, manufacture and sales of game machines, is governed by the Act to Control Businesses That May Affect Public Morals and other regulations and is required to strictly comply with the relevant laws and regulations. Thus, material revisions to relevant laws and regulations may affect the Group's sales plans and business results.

Intellectual property rights

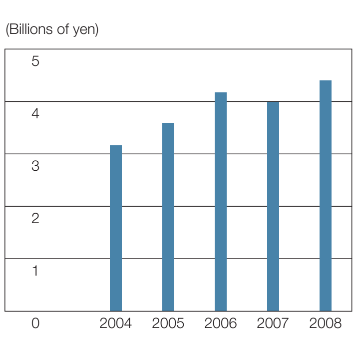
A growing number of game machines introduced in recent years involve tie-ups with celebrities, animation characters and other popular characters. In accordance with this trend, as intellectual property rights, such as portrait rights and copyrights of characters used for game machines, become increasingly important to the business, the incidence of conflicts concerning intellectual property is rising.

In regard to the handling of characters, centering on the Intellectual Property Division, the Group conducts thorough investigations and takes the greatest possible care to preclude such conflicts. However, in the event that new intellectual property rights are approved without the Company's knowledge, the Group may be subject to risk associated with claims for damage by the owners of the rights. In such case, if the Group is deemed to be liable, the Group's business results may be affected.

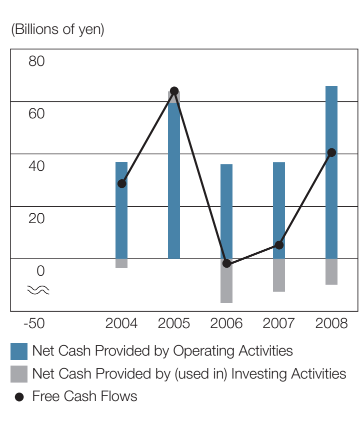
Development of new models

To manufacture and sell a pachinko, pachislo or other game machine, it is a prerequisite that the machine passes an official format inspection executed by a testing agency, such as *Hotsukyo* (Security Electronics and Communication Technology Association), designated by the National Public Safety Commission, in accordance with the Enforcement Regulation of the Act to Control Businesses That May Affect Public Morals and other regulations. While it is necessary to satisfy the increasingly sophisticated expectations of players and keep abreast of the progress of game machine technology, in the event that it takes longer than expected for a format inspection or a machine of the Group is rejected by a format inspection, the Group's business results may suffer. The Group will strive to smoothly introduce new models in accordance with the initial plan by capitalizing on its long-cultivated product development capabilities and know-how.

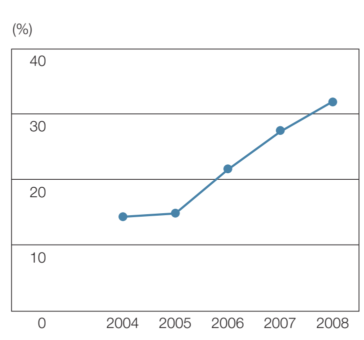
Depreciation



Free Cash Flows



Payout Ratio



Consolidated Balance Sheets

SANKYO CO., LTD. and Its Consolidated Subsidiaries
As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Current assets:			
Cash and deposits (Note 3)	¥160,556	¥156,999	$1,602,515
Marketable securities (Notes 3 and 4)	98,775	71,880	985,877
Notes and accounts receivable-trade (Note 6)	89,952	57,293	897,814
Inventories (Note 7)	3,585	5,928	35,782
Deferred tax assets (Note 14)	2,794	1,893	27,887
Other current assets	27,245	9,632	271,933
Allowance for doubtful accounts	(890)	(504)	(8,883)
Total current assets	382,017	303,121	3,812,925
Fixed assets:			
Property, plant and equipment:			
Land	29,647	23,200	295,908
Buildings and structures	20,031	18,775	199,930
Machinery and equipment	7,546	7,015	75,317
Tools, furniture and fixtures	13,326	12,324	133,007
Construction in progress	924	—	9,222
	71,474	61,314	713,385
Accumulated depreciation	(21,941)	(19,429)	(218,994)
Total property, plant and equipment	49,533	41,885	494,391
Intangible fixed assets	196	185	1,956
Investments and other assets:			
Investments in securities (Notes 4 and 5)	82,147	73,874	819,912
Long-term loans	314	31	3,134
Deferred tax assets (Note 14)	1,693	255	16,898
Other assets	1,799	2,625	17,956
Allowance for doubtful accounts	(499)	(1,093)	(4,981)
Allowance for losses on investments in securities	(379)	(379)	(3,783)
Total investments and other assets	85,075	75,313	849,137
Total fixed assets	134,804	117,383	1,345,484
Total assets	¥516,821	¥420,504	$5,158,409

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Current liabilities:			
Notes and accounts payable-trade	¥ 90,730	¥ 39,234	$ 905,579
Accrued income taxes	20,857	8,122	208,174
Accrued directors' and corporate auditors' bonuses	—	238	—
Accrued employees' bonuses	710	663	7,087
Other current liabilities	15,268	15,504	152,390
Total current liabilities	127,565	63,761	1,273,231
Long-term liabilities:			
Accrued retirement allowances for directors and corporate auditors	1,210	1,156	12,077
Accrued retirement allowances for employees (Note 8)	2,449	2,250	24,444
Other long-term liabilities	1,841	2,233	18,375
Total long-term liabilities	5,500	5,639	54,896
Commitments and contingent liabilities (Notes 9 and 11)			
Net assets:			
Shareholders' equity (Note 10)			
Common stock:			
Authorized: 144,000,000 shares			
Issued : 97,597,500 shares	14,840	14,840	148,119
Capital surplus	23,883	23,883	238,377
Retained earnings	344,898	308,972	3,442,439
Treasury stock	(1,570)	(670)	(15,670)
Total shareholders' equity	382,051	347,025	3,813,265
Revaluation and translation adjustments			
Net unrealized gains on other securities (Note 4)	1,705	4,079	17,018
Total revaluation and translation adjustments	1,705	4,079	17,018
Total net assets	383,756	351,104	3,830,282
Total liabilities and net assets	¥516,821	¥420,504	$5,158,409

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Net sales	¥280,511	¥197,723	$2,799,790
Cost of sales	156,782	104,741	1,564,846
Gross profit	123,729	92,982	1,234,944
Selling, general and administrative expenses (Note 12)	51,434	38,072	513,365
Operating income	72,295	54,910	721,579
Other income (expenses):			
Interest and dividend income	2,041	1,355	20,371
Equity in earnings of affiliates	1,020	1,750	10,181
Gain on sales of investment securities, net	—	249	—
Loss on sales or disposal of property, plant and equipment, net (Note 13)	(167)	(192)	(1,667)
Loss on devaluation of investments in securities	(198)	—	(1,976)
Provision for allowance for losses on investments in securities	—	(379)	—
Other, net	414	428	4,132
Income before income taxes	75,405	58,121	752,620
Income taxes (Note 14)**:**			
Current	30,891	22,326	308,324
Deferred	(1,158)	217	(11,558)
Total income taxes	29,733	22,543	296,766
Net income	¥ 45,672	¥ 35,578	$ 455,854

	Yen		U.S. dollars (Note 2)
Net income per share (Note 16)**:**			
Basic	¥468.78	¥365.26	$4.68
Cash dividends per share	150.00	100.00	1.50

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

		Millions of yen								
		Shareholders' equity					Revaluation and translation adjustments		
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Net unrealized gains on other securities	Total revaluation and translation adjustments	Total net assets
Balance at March 31, 2006	97,597,500	¥14,840	¥23,821	¥284,599	¥(785)	¥322,475	¥6,201	¥6,201	¥328,676
Dividends from surplus				(11,209)		(11,209)			(11,209)
Bonuses to Directors				(288)		(288)			(288)
Net income				35,578		35,578			35,578
Increase arising from the increasing amount of consolidated subsidiary				292		292			292
Net decrease in treasury stock			62		115	177			177
Net unrealized loss on other securities						—	(2,122)	(2,122)	(2,122)
Balance at March 31, 2007	97,597,500	14,840	23,883	308,972	(670)	347,025	4,079	4,079	351,104
Dividends from surplus				(9,746)		(9,746)			(9,746)
Net income				45,672		45,672			45,672
Acquisition of treasury stock					(21)	(21)			(21)
Disposal of treasury stock			0		0	0			0
Increase in treasury stock resulting from applying new equity method to affiliates					(879)	(879)			(879)
Net unrealized loss on other securities							(2,374)	(2,374)	(2,374)
Balance at March 31, 2008	97,597,500	14,840	23,883	344,898	(1,570)	382,051	1,705	1,705	383,756

		Thousands of U.S. dollars (Note 2)							
		Shareholders' equity					Revaluation and translation adjustments		
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Net unrealized gains on other securities	Total revaluation and translation adjustments	Total net assets
Balance at March 31, 2007	97,597,500	$148,119	$238,377	$3,083,860	$(6,687)	$3,463,669	$40,713	$40,713	$3,504,382
Dividends from surplus				(97,275)		(97,275)			(97,275)
Net income				455,854		455,854			455,854
Acquisition of treasury stock					(210)	(210)			(210)
Disposal of treasury stock			0		0	0			0
Increase in treasury stock resulting from applying new equity method to affiliates					(8,773)	(8,773)			(8,773)
Net unrealized loss on other securities							(23,695)	(23,695)	(23,695)
Balance at March 31, 2008	97,597,500	148,119	238,377	3,442,439	(15,670)	3,813,265	17,018	17,018	3,830,282

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

SANKYO CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes	¥ 75,405	¥ 58,121	$752,620
Depreciation and amortization	4,438	3,991	44,296
Increase (decrease) in allowance for doubtful accounts	(208)	575	(2,076)
Increase in allowance for losses on investments in securities	—	379	0
Increase (decrease) in Accrued directors' and corporate auditors' bonuses	(238)	238	(2,375)
Increase in Accrued employee's bonuses	47	18	469
Increase in Accrued retirement allowances for employees	199	237	1,986
Increase in Accrued retirement allowances for directors and corporate auditors	53	49	529
Interest and dividend income	(2,041)	(1,355)	(20,371)
Interest expense	0	8	0
Equity in earnings of affiliates	(1,020)	(1,750)	(10,181)
(Increase) decrease in notes and accounts receivable-trade	(32,659)	5,493	(325,971)
Decrease in inventories	2,341	2,869	23,366
Increase (decrease) in notes and accounts payable-trade	51,496	(3,070)	513,983
(Increase) decrease in accounts receivable related to onerous provisions	(16,785)	359	(167,532)
Loss on devaluation of investment securities	197	—	1,966
Gain on sales of investment securities, net	—	(233)	0
Loss on sales or disposal of property, plant and equipment, net	167	189	1,667
Increase (decrease) in accrued consumption taxes	929	(589)	9,272
Increase (decrease) in accounts payable-other	(898)	3,074	(8,963)
Directors' and corporate auditors' bonuses paid	—	(288)	0
(Increase) decrease in other current assets	460	(2,964)	4,591
Increase (decrease) in other current liabilities	(197)	98	(1,966)
Other	49	(234)	489
Sub total	81,735	65,215	815,800
Interest and dividend income received	2,037	1,139	20,331
Interest paid	0	(7)	0
Income taxes paid	(18,147)	(29,597)	(181,126)
Net cash provided by operating activities	65,625	36,750	655,005
Cash flows from investing activities:			
Payment for purchase of marketable securities	(997)	(4,693)	(9,951)
Proceeds from sale of marketable securities	1,700	15,900	16,968
Payment for purchase of property, plant and equipment and intangible fixed assets	(12,199)	(3,245)	(121,759)
Proceeds from sale of property, plant and equipment and intangible fixed assets	15	26	150
Payment for purchase of investment securities	(44,591)	(40,780)	(445,064)
Proceeds from sale of investment securities	32,020	1,689	319,593
Investments in loans receivable	(660)	(200)	(6,587)
Collections of loans receivable	38	200	379
Other	(11)	(267)	(110)
Net cash used in investing activities	(24,685)	(31,370)	(246,382)
Cash flows from financing activities:			
Payment for purchase of treasury stock	(21)	(27)	(210)
Proceeds from sales of treasury stock	0	3	0
Cash dividends paid	(9,747)	(11,209)	(97,285)
Net cash used in financing activities	(9,768)	(11,233)	(97,495)
Net increase in cash and cash equivalents	31,172	(5,852)	311,129
Cash and cash equivalents at beginning of year	195,157	200,835	1,947,869
Increase in cash and cash equivalents for increasing of a consolidated subsidiary	—	174	—
Cash and cash equivalents at end of year (Note 3)	¥226,329	¥195,157	$2,258,998

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by SANKYO CO., LTD. (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Corporate Law of Japan and the Financial Instruments and Exchange Law of Japan (formerly, the Securities and Exchange Law) and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in the accompanying consolidated financial statements for the convenience of readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2007 financial statements to conform to the classifications used in 2008.

(b) Consolidation Principles

The consolidated financial statements include the accounts of the Company and its four significant wholly owned subsidiaries. The remaining unconsolidated subsidiaries have assets, net sales and net income which are not significant in relation to those of the Companies, and, accordingly, the accounts of such subsidiaries have been excluded from consolidation.

Investments in two affiliates (one in 2007) are accounted for under the equity method. Other immaterial unconsolidated subsidiaries and affiliates are stated at cost. All significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated on consolidation.

(c) Goodwill

Any difference between the acquisition cost of investment in a consolidated subsidiary and the fair value of the net assets of the subsidiary is charged to income when acquired.

(d) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting gains and losses are included in net income or loss for the period.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(f) Marketable Securities and Investments in Securities

Held-to-maturity debt securities that the Company and its consolidated subsidiaries intend to hold to maturity are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity. Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates not accounted for under the equity method, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

(g) Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated on the basis of the actual bad debt ratio for general accounts receivable and the assessed recoverability of individual doubtful accounts receivable.

(h) Allowance for Losses on Investments in Securities

Allowance for losses of investment is provided at an estimated amount of possible investment losses for investment in affiliates etc., based on the financial condition of the investees.

(i) Inventories

Inventories are stated at cost, determined as follows:

Finished goods, merchandise and raw materials	Primarily, gross average method
Work in process	Specific identification method
Supplies	Last purchase price method

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for buildings, for which the straight-line method is applied.

Property, plant and equipment whose acquisition costs are more than ¥100,000 and less than ¥200,000 are depreciated using the straight-line method over three years.

Effective from the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Company and its consolidated subsidiaries have adopted the depreciation method stipulated by the amended Corporate Tax Law for the property, plant and equipment acquired on or after April 1, 2007. As a result, gross profit decreased by ¥95 million ($948 thousand) and operating income and income before income taxes and minority interests decreased by ¥248 million ($2,475 thousand), respectively, compared with the amounts under the previous method.

In addition, the residual values (5% of the acquisition cost) of the property, plant and equipment acquired on or before March 31, 2007, which were fully depreciated based on the Corporate Tax Law before the amendment, are depreciated equally over five years starting from the year ended March 31, 2008. The effect of the change on the income is not material.

(k) Accrued Employees' Bonuses

Accrued employees' bonuses are recorded based on the estimated amounts payable at the end of the fiscal year.

(l) Accrued Retirement Allowances for Directors and Corporate Auditors

The accrued retirement allowances for directors and statutory auditors are stated at the estimated amount which would be required to be paid based on the internal rule if all eligible directors and statutory auditors were to leave the Company at the balance sheet date.

(m) Accrued Retirement Allowances for Employees

The accrued retirement allowances for employees represent the estimated present value of projected benefit obligations, less/plus unrecognized actuarial differences and unrecognized prior service costs, which are amortized on a straight-line basis over a period of five years from the year in which they arise.

(n) Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets to the lessee are accounted for as capital leases, while other leases that do not transfer ownership of the assets at the end of the lease term are permitted to be accounted for as operating leases if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements under the Japanese accounting standard for leases.

(o) Research and Development and Computer Software

Research and development expenses are charged to income as incurred.

Expenditures relating to computer software developed for internal use are charged to income as incurred, except where the software contributes to the generation of income or to future cost savings, in which case such expenditures are capitalized and amortized using the straight-line method over the estimated useful life of the software (five years).

(p) Income Taxes

Income taxes of the Company and its consolidated subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Company and its consolidated subsidiaries have adopted the deferred tax accounting method. Income taxes are determined using the asset-and-liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(q) Appropriation of Retained Earnings

The Corporate Law of Japan stipulates that appropriations of retained earnings require approval by the shareholders at an ordinary general meeting. The appropriations of retained earnings are, therefore, not reflected in the consolidated financial statements for the period to which they relate but are recorded in the consolidated financial statements in the subsequent accounting period after shareholders' approval has been obtained.

(r) Net Income and Dividends per Share

Net income per share of common stock shown in the accompanying consolidated statements of income is computed based on the weighted average number of shares outstanding during each year.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared and paid as applicable to the respective fiscal year.

(s) Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

(t) Reclassification

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

2 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥100.19= U.S.$1, the rate of exchange on March 31, 2008, has been used for the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

3 Cash and Cash Equivalents

A reconciliation of cash and cash equivalents to the accounts disclosed on the balance sheet at March 31, 2008 and 2007 were as follows

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and deposits	¥160,556	¥156,999	$1,602,515
Marketable securities	98,775	71,880	985,877
Total	259,331	228,879	2,588,392
Bonds and debentures, investment funds and others	(33,002)	(33,722)	(329,394)
Cash and cash equivalents	¥226,329	¥195,157	$2,258,998

4 Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2008 and 2007 were as follows:

(a) Held-to-Maturity Debt Securities

	Millions of yen							
	2008				2007			
	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Market value	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Market value
Market value available:								
Japanese government bonds	¥ 80,010	¥359	¥6	¥80,363	¥ 80,023	¥ 93	¥135	¥ 79,981
Corporate bonds	16,771	6		16,777	39,857	7	0	39,864
Total	¥ 96,781	¥365	¥6	¥97,140	¥119,880	¥100	¥135	¥119,845
Market value not available:								
Certificates of deposits	50,000				—			
Domestic private bonds	—				60			
Total	50,000				60			
Total	¥146,781				¥119,940			

	Thousands of U.S. dollars			
	2008			
	Carrying amounts	Gross unrealized gains	Gross unrealized losses	Market value
Market value available:				
Japanese government bonds	$ 798,583	$3,583	$60	$802,106
Corporate bonds	167,392	60		167,452
Total	$ 965,975	$3,643	$60	$969,558
Market value not available:				
Certificates of deposits	499,052			
Domestic private bonds	—			
Total	499,052			
	$1,465,027			

Certificates of deposit, which had previously as cash and deposits, have been included in marketable securities effective the year ended March 31, 2008. This change reflects the application of the revised "Practical Guideline on Accounting Standard for Financial Instruments".

Certificates of deposit, which had previously been classified as cash and deposits, amounted to ¥55,000 million as of March 31, 2007.

(b) Other Securities

	Millions of yen							
	2008				2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amounts	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amounts
Market value available:								
Equity securities	¥1,760	¥2,866	¥—	¥4,626	¥1,457	¥6,854	¥—	¥8,311
	¥1,760	¥2,866	¥—	¥4,626	¥1,457	¥6,854	¥—	¥8,311
Market value not available:								
Equity securities				102				68
				¥4,728				¥8,379

	Thousands of U.S. dollars			
	2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Carrying amounts
Market value available:				
Equity securities	$17,566	$28,606	$—	$46,172
	$17,566	$28,606	$—	$46,172
Market value not available:				
Equity securities				1,018
				$47,190

5 Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Investments in securities	¥29,412	¥17,434	$293,562

6 Notes and Accounts Receivable-trade

The notes maturing are settled on the day of bank clearing.

Since March 31, 2007 was a bank holiday, the notes receivable in the amount of ¥3,070 million matured on March 31, 2007 were included in the notes receivable account and eventually settled on April 2, 2007.

7 Inventories

Inventories at March 31, 2008 and 2007 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Merchandise	¥ —	¥ 31	$ —
Finished goods	383	1,022	3,823
Work in process	88	179	878
Raw materials	2,770	4,686	27,648
Supplies	344	10	3,433
Total	¥3,585	¥5,928	$35,782

8 Retirement Benefit Plan

Employees whose service with the Company and consolidated subsidiaries is terminated are usually entitled to receive lump-sum severance indemnities based on a defined benefit formula, which takes into account current rates of payments and length of service.

The accrued retirement allowance for employees as of March 31, 2008 and 2007 were determined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligations	¥2,529	¥2,391	$25,242
Unrecognized prior service cost	—	(42)	—
Unrecognized actuarial differences	(80)	(99)	(798)
Accrued retirement allowance for employees	¥2,449	¥2,250	$24,444

The net pension expense relating to retirement benefits for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service costs	¥179	¥173	$1,787
Interest costs	35	32	349
Amortization of prior service costs	42	46	419
Amortization of actuarial differences	60	56	599
Total	¥316	¥307	$3,154

Assumptions used in the calculation of the preceding information are as follows:

	2008	2007
Discount rate	1.50%	1.50%
Method of attributing the projected benefits to service periods	Straight-line basis	Straight-line basis
Amortization of prior service cost	Over five years	Over five years
Amortization of actuarial differences	Over five years	Over five years

9 Contingent Liabilities

Contingent liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As an endorser of notes endorsed	¥95	¥13	$948

10 Shareholders' Equity

Since May 1, 2006, the Japanese companies have been subject to the Corporate Law of Japan, which superseded most of the provisions of the former Commercial Code of Japan. The Corporate Law provides that at least 50% of the issue price of new shares shall be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital (a component of capital surplus). Under the Corporate Law, an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is set aside in a legal reserve (a component of retained earnings) until the total amount of additional paid-in capital and legal reserve equals 25% of the stated capital. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

a) Type and number of shares outstanding and treasury stock

	Type of shares outstanding	Type of treasury stock
	Common stock	Common stock
Number of shares as of March 31, 2007	97,597,500	165,874
Increase in the number of shares during the accounting period ended March 31, 2008	—	151,242*1
Decrease in the number of shares during the accounting period ended March 31, 2008	—	175
Number of shares of March 31, 2008	97,597,500	316,941

Note *1. Increase due to the inclusion of the shares (147,000 shares) owned by an affiliate newly accounted for under the equity method and repurchase of odd shares (4,242 shares)

b) Matters related to dividends

i) Dividend payment

Approvals by the ordinary general meeting of shareholders held on June 28, 2007 were as follows:

Dividends on common stock	
Total amount of dividends	¥4,873 million ($48,638 thousand)
Dividends per share	¥50.00
Record date	March 31, 2007
Effective date	June 29, 2007

Approvals by the Board of Directors' meeting held on November 12, 2007 were as follows:

Dividends on common stock	
Total amount of dividends	¥4,873 million ($48,638 thousand)
Dividends per share	¥50.00
Record date	September 30, 2007
Effective date	December 7, 2007

ii) Dividends whose record date is attributed to the accounting period ended

March 31, 2008 but become effective after the said accounting period.

The Company obtained the following approval at the general meeting of shareholders held on June 27, 2008:

Dividends on common stock	
Total amount of dividends	¥9,746 million ($97,275 thousand)
Dividends per share	¥100.00
Record date	March 31, 2008
Effective date	June 30, 2008

11 Leases

(1) Finance Lease Contracts without Ownership Transfer

The Companies have various lease agreements whereby the Companies act as a lessee.

Pro forma information relating to the acquisition cost, accumulated depreciation and the net balance of property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		
	2008		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	¥476	¥315	¥161
Tools, furniture and fixtures	167	88	79
Total	¥643	¥403	¥240

	Millions of yen		
	2007		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	¥467	¥307	¥160
Tools, furniture and fixtures	474	338	136
Total	¥941	¥645	¥296

	Thousands of U.S. dollars		
	2008		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	$4,751	$3,144	$1,607
Tools, furniture and fixtures	1,667	878	789
Total	$6,418	$4,022	$2,396

Future minimum lease payments under finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥105	¥168	$1,048
Due after one year	138	132	1,377
Total	¥243	¥300	$2,425

The lease expense, depreciation and interest expense with respect to leased assets for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease expense	¥195	¥211	$1,946
Depreciation	191	206	1,906
Interest expense	3	4	30

Depreciation is calculated using the straight-line method. The useful lives are equal to the lease terms and the residual value is zero.

(2) Operating Leases

Future lease payments for non-cancellable operating leases as a lessee at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥2	¥0	$20
Due after one year	4	1	40
Total	¥6	¥2	$60

12 Selling, General and Administrative Expenses

The main components of "Selling, general and administrative expenses" for the fiscal years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Sales commission	¥15,455	¥15,670	$154,257
Advertisement expenses	15,326	3,354	152,969
Salaries and wages	4,348	3,884	43,398
Reserve for directors' bonus	—	238	—
Reserve for bonuses	395	363	3,943
Accrued retirement allowances for directors and corporate auditors	81	225	808
Retirement benefit costs	200	176	1,996
Allowance for doubtful accounts	591	869	5,899
Research and development expenses	8,492	7,485	84,759

In addition, research and development costs of ¥8,492 million ($84,759 thousand) and ¥7,485 million for the fiscal years ended March 31, 2008 and 2007, respectively were included in cost of sales and selling, general and administrative expenses.

13 Gain or Loss on Sales and Loss on Disposal of Property, Plant and Equipment

Gain or loss on sales and loss on disposal of property, plant and equipment for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gain on sales of property, plant and equipment:			
Machinery and equipment	¥ 2	¥ —	$ 20
Loss on sales of property, plant and equipment:			
Buildings and structures	¥ 0	¥ —	$ 0
Machinery and equipment	1	1	10
Tools, furniture and fixtures	0	27	0
Land	—	2	—
Total	¥ 1	¥ 30	$ 10
Loss on disposal of property, plant and equipment, etc.:			
Buildings and structures	¥ 53	¥ 78	$ 529
Machinery and equipment	31	4	309
Tools, furniture and fixtures	80	78	799
Others	4	2	40
Total	¥168	¥162	$1,677

14 Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate a statutory effective tax rate of approximately 40.5% for the years ended March 31, 2008 and 2007.

Tax losses can be carried forward for a seven-year period and be offset against future taxable income.

Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued enterprise taxes	¥ 1,553	¥ 641	$ 15,501
Unrealized profits on inventories	7	35	70
Accrued employees' bonuses	287	268	2,865
Allowance for doubtful accounts	184	199	1,837
Accrued retirement allowances for employees	988	907	9,861
Accrued retirement allowances for directors and corporate auditors	490	468	4,891
Accumulated depreciation	665	641	6,637
Unrealized profit on property, plant and equipment	225	180	2,246
Allowance for losses on investments in securities	153	153	1,527
Research and development expenses	535	637	5,340
Other	555	354	5,539
Deferred tax assets	5,642	4,483	56,313
Deferred tax liabilities:			
Net unrealized gains on securities	(1,160)	(2,775)	(11,578)
Reserve for special depreciation	—	(5)	—
Deferred tax liabilities	(1,160)	(2,780)	(11,578)
Deferred tax assets, net	¥ 4,482	¥ 1,703	$ 44,735

Since the difference between the statutory tax rate and the effective income tax rate was 5% or less of the statutory tax rate, the breakdown of the difference at March 31, 2008 and 2007 is not required.

15 Segment Information

The Companies operate within four business segments in Japan: pachinko machines business, pachislo machines business, ball bearing supply systems business and other business.

Pachinko machines business	Pachinko machines, machine gauges, related parts and royalty income relating to pachinko machines
Pachislo machines business	Pachislo machines, related parts and royalty income relating to pachislo machines
Ball bearing supply systems business	Pachinko ball feeders, parlor equipment and peripherals and royalty income relating to ball feeders
Other business	General parts

Corporate items include general and administrative expenses and other expenses not identified with business segments.

The Company had no overseas consolidated subsidiaries for the years ended March 31, 2008 and 2007.

Sales of the Company and its consolidated subsidiaries from sources outside Japan for the years ended 31 March 2008, and 2007 were not significant (less than 10 percent of consolidated sales for each of the respective years).

Information by industry segment for the years ended March 31, 2008 and 2007 were as follows:

	Pachinko machines business	Pachislo machines business	Ball bearing supply systems business	Other business	Elimination or corporate items	Consolidated
	Millions of yen					
	2008					
Sales:						
Customers	¥217,955	¥40,512	¥20,653	¥1,391	¥ —	¥280,511
Intersegment	18	—	—	—	(18)	—
Total	217,973	40,512	20,653	1,391	(18)	280,511
Operating expenses	150,440	31,098	20,160	939	5,579 *1	208,216
Operating income	67,533	9,414	493	452	(5,597)	72,295
Identifiable assets	125,329	3,392	20,698	12,160	355,242 *2	516,821
Depreciation and amortization	3,615	439	53	123	208	4,438
Capital expenditures	4,274	658	13	48	7,257	12,250

*1. Non-allocable operating expenses: ¥5,597 million
*2. Corporate assets: ¥355,242 million
*3. As discussed in Note 2(e), effective the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Group has changed its depreciation method as stipulated in the amended Corporate Tax Law. The effect of this change was to increase operating expenses of "Pachinko machines business" by ¥179 million, "Pachislo machines business" by ¥37 million, "Ball bearing supply systems business" by ¥24 million and "Other business" by ¥1 million, compared with the amounts under the previous method, respectively. Accordingly, operating income of each segment decreased by the same amount.

	Pachinko machines business	Pachislo machines business	Ball bearing supply systems business	Other business	Elimination or corporate items	Consolidated
	Millions of yen					
	2007					
Sales:						
Customers	¥141,405	¥32,916	¥22,025	¥ 1,377	¥ —	¥197,723
Intersegment	6	—	0	—	(6)	—
Total	141,411	32,916	22,025	1,377	(6)	197,723
Operating expenses	89,255	25,068	21,601	954	5,935 *1	142,813
Operating income	¥ 52,156	¥ 7,848	¥ 424	¥ 423	¥ (5,941)	¥ 54,910
Identifiable assets	¥ 78,076	¥ 9,375	¥24,596	¥12,295	¥296,162 *2	¥420,504
Depreciation and amortization	3,085	488	59	146	213	3,991
Capital expenditures	2,854	416	40	67	43	3,420

*1. Non-allocable operating expenses: ¥5,941 million
*2. Corporate assets: ¥296,162 million

	Pachinko machines business	Pachislo machines business	Ball bearing supply systems business	Other business	Elimination or corporate items	Consolidated
	Thousands of U.S. dollars					
	2008					
Sales:						
Customers	$2,175,416	$404,352	$206,138	$ 13,884		$2,799,790
Intersegment	180				(180)	—
Total	2,175,596	404,352	206,138	13,884	(180)	2,799,790
Operating expenses	1,501,547	310,390	201,218	9,372	55,684 *1	2,078,211
Operating income	674,049	93,962	4,920	4,512	(55,864)	721,579
Identifiable assets	1,250,913	33,856	206,587	121,369	3,545,684 *2	5,158,409
Depreciation and amortization	36,081	4,382	529	1,228	2,076	44,296
Capital expenditures	42,659	6,568	130	479	72,432	122,268

*1. Non-allocable operating expenses: $55,864 thousand
*2. Corporate assets: $3,545,684 thousand
*3. As discussed in Note 2(e), effective the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Group has changed its depreciation method as stipulated in the amended Corporate Tax Law. The effect of this change was to increase operating expenses of "Pachinko machines business" by $1,787 thousand, "Pachislo machines business" by $369 thousand, "Ball bearing supply systems business" by $240 thousand and "Other business" by $10 thousand, compared with the amounts under the previous method, respectively. Accordingly, operating income of each segment decreased by the same amount.

16 Per Share Information

	yen		U.S. dollars
	2008	2007	2008
Net asset per share	¥3,944.84	¥3,603.59	$39.37
Basic net income per share	468.78	365.26	4.68

Diluted net income per share is not disclosed since there is no potential share.

Above information was computed based on the following data:

	Year ended March 31,	
	2008	2007
Net asset per share:		
Total net assets	¥383,756 million	¥351,104 million
Net assets attributable to common stock	383,756 million	351,104 million
Number of outstanding shares of common stock	97,597,500 shares	97,597,500 shares
Number of treasury stock	316,941 shares	165,874 shares
Number of common stock used in computing net asset per share	97,280,559 shares	97,431,626 shares
Net income per share:		
Net income per consolidated statements of income	¥45,672 million	¥35,578 million
Net income attributable to common stock	¥45,672 million	¥35,578 million
Net income not attributable to common stock shareholders	—	—
Weighted average number of common stock	97,429,263 shares	97,406,569 shares

17 Subsequent Events

The Company resolved at the Board of Directors' meeting held on June 13, 2008 that the treasury shares would be acquired in compliance with the provision of the article No. 156 of the Corporate Law as follows:

a. Purpose of acquisition of treasury shares:
To improve the capital efficiency, to perform proactive capital policy meeting the changes in management environments and to realize more return of profits,

b. Type of shares to be acquired:
Common stock

c. Number of shares to be acquired:
2,000,000 at maximum

d. Aggregated acquisition costs:
¥17,000 million at maximum

e. Acquisition period:
June 16, 2008 through March 31, 2009

18 Related Party Transaction

The transactions for the years ended March 31, 2008 and 2007 and related account balances outstanding at each year end were as follows:

For the ended March 31, 2008 (Millions of yen, Thousands of U.S. dollars)

Description	Name	Address	Capital (including investments in capital)	Business line/ occupation	Voting rights	Relationship		Transaction	Transaction amount	Account	Year-end balance
						Personnel	Business				
A company whose majority shares are held by a major shareholder of the Company or his/her close relatives	SANKYO KANKO KAIHATSU CO.,LTD.	Kiryu-shi, Gunma	¥50 ($499)	Management of the golf course	–	1 person	Management of the golf course	Use of the golf course	¥0 ($0)	Accounts payable-other	¥0 ($0)
	SANRITSU KIGYO CO.,LTD.	Kiryu-shi, Gunma	¥60 ($599)	Management of the game center	–	–	Sale of the amusement machine	Sale of the amusement machine	¥77 ($769)	Accounts receivable-trade	¥0 ($0)
Affiliate corporation	SANKYO PLANNING CO.,LTD.	Minato-ku, Tokyo	¥10 ($100)	Advertising agency	Direct 85%	2 persons		Advertisement advertising duties trust	¥13,289 ($132,638)	Other current liabilities	¥2,192 ($21,878)

For the ended March 31, 2007 (Millions of yen)

Description	Name	Address	Capital (including investments in capital)	Business line/ occupation	Voting rights	Relationship		Transaction	Transaction amount	Account	Year-end balance
						Personnel	Business				
A company whose majority shares are held by a major shareholder of the Company or his/her close relatives	SANKYO KANKO KAIHATSU CO.,LTD.	Kiryu-shi, Gunma	¥50	Management of the golf course	–	1 person	Management of the golf course	Use of the golf course	0	–	–
	SANRITSU KIGYO CO.,LTD.	Kiryu-shi, Gunma	¥60	Management of the game center	–	–	Sale of the amusement machine	Sale of the amusement machine	107	Accounts receivable-trade	5
	AKIHIKO SAWAI	–	–	Director	0%	–	–	Other income-other (Sales of golf membership)	41	–	–

19 Significant Subsidiaries and Affiliates

The domestic consolidated subsidiaries and affiliates accounted for under the equity method at March 31, 2008 and 2007 were as follows:

At March 31, 2008	Ownership	Consolidation method
SANKYO EXCEL CO., LTD.	100%	Full consolidation
BISTY CO., LTD.	100%	Full consolidation
SANKYO CREATE CO., LTD.	100%	Full consolidation
INTERNATIONAL CARD SYSTEM CO., LTD.	100%	Full consolidation
NIPPON GAME CARD CORPORATION	40.13%	Equity method
FIELDS CORPORATION	15.00%	Equity method

At March 31, 2007	Ownership	Consolidation method
SANKYO EXCEL CO., LTD.	100%	Full consolidation
BISTY CO., LTD.	100%	Full consolidation
SANKYO CREATE CO., LTD.	100%	Full consolidation
INTERNATIONAL CARD SYSTEM CO., LTD.	100%	Full consolidation
NIPPON GAME CARD CORPORATION	40.13%	Equity method

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel : 03 3503 1100
Fax: 03 3503 1197

Report of Independent Auditors

The Board of Directors
SANKYO CO., LTD.

We have audited the accompanying consolidated balance sheet of SANKYO CO., LTD. and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of SANKYO CO., LTD. and consolidated subsidiaries for the year ended March 31, 2007 were audited by other auditors whose report dated June 28, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANKYO CO., LTD. and consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 27, 2008

Board of Directors

(As of June 27, 2008)

Honorary Chairman
Kunio Busujima

Representative Director, Chairman of the Board & CEO
Hideyuki Busujima*

Representative Director, President & COO
Akihiko Sawai*

Director & Senior Executive Operating Officer
Kimihisa Tsutsui
Junzo Hamaguchi

Standing Statutory Auditor
Shohachi Ugawa

Statutory Auditor
Toshiaki Ishiyama

Outside Auditors
Yoshiro Sanada
Fumiyoshi Noda

Executive Operating Officer
Yasuji Suzuki

Operating Officer
Junko Takimoto
Akiyoshi Suzuki
Akihiko Ishihara
Satoshi Kouketsu
Ichiro Tomiyama
Minoru Yoshikawa
Ritoku Kotabe

*Representative Directors

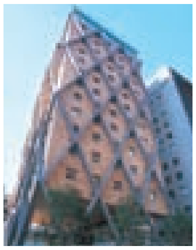
For Further Information Contact:
Corporate Planning Division, SANKYO CO., LTD.
3-29-14 Shibuya, Shibuya-ku, Tokyo 150-8327, Japan
Telephone: 81(3)5778-7773 Facsimile: 81(3)5778-6731
http://www.sankyo-fever.co.jp

Corporate Data

(As of March 31, 2008)

Company Name
SANKYO CO., LTD.

Head Office/Tokyo Head Office
3-29-14 Shibuya, Shibuya-ku, Tokyo 150-8327, Japan
Telephone: 81(3)5778-7777 Facsimile:81(3)5778-6731

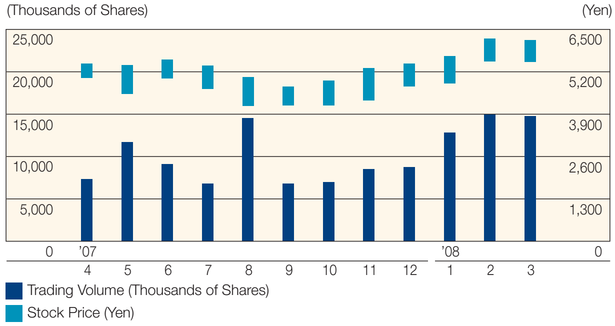


*SANKYO Co., Ltd. relocated its registered head office from Kiryu to Tokyo (from Kiryu Head Office in Kiryu, Gunma Prefecture, to Tokyo Head Office in Shibuya, Tokyo) as of August 1, 2008.

Sanwa Plant
2732-1 Sanwa-cho, Isesaki-shi, Gunma 372-0011, Japan
Telephone: 81(270)40-7777 Facsimile: 81(270)22-3007

Established	April 12, 1966
Paid-in Capital	¥14,840 million
Number of Shares Authorized	144,000,000
Number of Shares Issued	97,597,500
Number of Employees	845
Number of Shareholders	14,030

Stock Price Range



Stock Exchange Listing
The Tokyo Stock Exchange, First Section,
Code Number 6417
Transfer Agent
The Chuo Mitsui Trust and Banking Company, Limited
Auditor
Ernst & Young ShinNihon

Good luck. Good life.

SANKYO

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

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