July 29, 2016

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017 (FY2016) (Three Months Ended June 30, 2016)

[Japanese GAAP]

Company name: Sanrio Company, Ltd. Listed Stock Exchange: TSE 1st Section
Stock code: 8136 URL: http://www.sanrio.co.jp/english/corporate/ir/
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Scheduled date of filing of Quarterly Report: August 15, 2016
Starting date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY2016 (April 1, 2016 – June 30, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2016	15,010	(12.0)	2,029	(41.5)	1,781	(50.8)	1,243	(55.7)
Three months ended Jun. 30, 2015	17,049	(5.2)	3,469	(19.6)	3,623	(15.5)	2,806	0.0

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2016: (1,560) (- %)
Three months ended Jun. 30, 2015: 968 (down 57.9%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Three months ended Jun. 30, 2016	14.66	-
Three months ended Jun. 30, 2015	32.21	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2016	102,846	49,779	48.1
As of Mar. 31, 2016	105,826	54,733	51.4

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2016: 49,451 As of Mar. 31, 2016: 54,407

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	-	40.00	-	40.00	80.00
FY2016	-				
FY2016 (forecast)		40.00	-	40.00	80.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecasts for FY2016 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	33,800	(4.7)	5,100	(28.9)	5,200	(28.4)	4,700	(13.0)	55.39
Full year	71,900	(0.8)	12,400	(2.2)	12,700	(3.6)	10,000	4.1	117.86

Note: Revisions to the most recently announced consolidated forecasts: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting-based estimates: None
4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

As of Jun. 30, 2016:	89,065,301 shares	As of Mar. 31, 2016:	89,065,301 shares

2) Number of shares of treasury stock at the end of the period

As of Jun. 30, 2016:	4,218,072 shares	As of Mar. 31, 2016:	4,218,056 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	84,847,241 shares	Three months ended Jun. 30, 2015:	87,153,731 shares

Note 1: Information regarding the implementation of quarterly review procedures

The current quarterly financial statements in this summary are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the review procedures for these quarterly financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information currently available to the Company. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “Qualitative Information on Quarterly Consolidated Financial Performance, Explanation of Consolidated Forecasts and Other Forward-looking Statements” of the attachments for forecast assumptions and notes of caution for usage.

Qualitative Information on Quarterly Consolidated Financial Performance

Explanation of Results of Operations

During the first quarter under review (overseas: January 1 to March 31, 2016; within Japan: April 1 to June 30, 2016), Sanrio Group sales fell as the decline in product licensing income in the United States and Europe continued. As a result of these factors, sales fell 12.0% year-on-year to 15.0 billion yen and operating profit 41.5% to 2.0 billion yen, with the fall in revenue from highly profitable product licensing income.

Ordinary profit fell 50.8% to 1.7 billion yen as a rapid appreciation of the yen since the start of 2016 led to a foreign exchange loss of 0.3 billion yen. As a result, net profit attributable to owners of parent fell 55.7% year-on-year to 1.2 billion yen.

Furthermore, since the accounting period for all overseas consolidated subsidiaries runs from January to December, the first quarter under review for these subsidiaries covers the period from January to March 2016.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First three months of	FY2015	FY2016	Increase/ decrease	Change %	FY2015	FY2016	Increase/ decrease	Change %
Japan	Product sales/others	83	79	(4)	(5.4)%	22	14	(7)	(33.0)%
	Royalties	22	23	0	3.3%				
	Total	106	102	(3)	(3.6)%				
Europe	Product sales/others	0	0	(0)	(89.7)%	4	1	(3)	(65.8)%
	Royalties	17	9	(8)	(47.0)%				
	Total	17	9	(8)	(47.5)%				
North America	Product sales/others	3	2	(0)	(13.6)%	2	(0)	(2)	-
	Royalties	13	8	(4)	(31.9)%				
	Total	16	11	(4)	(28.3)%				
Latin America	Product sales/others	0	0	(0)	(96.2)%	1	0	(0)	(28.4)%
	Royalties	3	2	(0)	(27.0)%				
	Total	3	2	(1)	(28.7)%				
Asia	Product sales/others	6	4	(2)	(34.0)%	8	7	(0)	(10.2)%
	Royalties	19	19	(0)	(0.8)%				
	Total	26	23	(2)	(9.3)%				
Adjustment		-	-	-	-	(4)	(4)	(0)	-
Consolidated	Product sales/others	94	86	(7)	(8.0)%	34	20	(14)	(41.5)%
	Royalties	76	63	(12)	(16.8)%				
	Total	170	150	(20)	(12.0)%				

Note: Regional subsidiaries overseas pay the amount of royalties commensurate as the cost of sales while the Japanese parent company (the copyright holder) calculates this income as sales. Because consolidated transactions are eliminated, however, these are not included in Japan's sales figures as stated above (although included in operating profit).
Further, the above sales figures are "sales to customers," and the inter-segment sales, which are not limited to the above-mentioned royalties, are eliminated as internal transaction sales.

Explanation of Consolidated Forecasts and Other Forward-looking Statements

The performance of overseas subsidiaries to be reflected in the first quarter relates to the period from January to March 2016. However, the master license income that the Japanese parent company receives from overseas subsidiaries relating to the period from April to June 2016 will reflect exchange rates for the corresponding period.

The European economic situation continues to be precarious, with few signs of recovery. Moreover, in the Americas, where the Hello Kitty recovery has been slow, Gudetama is showing signs of being a hit. However, this has yet to appear in the figures. In addition, the shopping sprees of tourists from overseas that have brought vitality to the Japanese retail industry are losing their vigor, and the future situation is difficult to predict. Domestically, the licensing business performed well in digital content and collaborations with other companies' contents and brands. In the theme parks business, while the earthquake that struck Kumamoto in April 2016 had a negative effect on Harmony Land in Oita prefecture, Sanrio Puroland in Tokyo's Tama city continued to attract increasing numbers of repeat adult visitors among others, and this strong showing can be expected to continue. Accordingly, we are making no revisions to the first-half and full-year forecasts released on May 13, 2016.

Taking the above factors into account, the dividend will be in line with the initial plan in the current fiscal year, paying out interim and year-end dividends of 40 yen per share each, to maintain an annual total of 80 yen per share.

Reference: Overseas Sales and Profits for the Past Three-month Periods by Area (Millions of yen)

		Sales to customers					Operating profit				
Areas	Three months ended	Jun. 2014	Jun. 2015	Change (%)	Jun. 2016	Change (%)	Jun. 2014	Jun. 2015	Change (%)	Jun. 2016	Change (%)
North America	U.S.A.	2,499	1,625	(35.0)	1,165	(28.3)	699	280	(59.9)	(1)	-
Latin America	Brazil/Chile	494	360	(27.1)	256	(28.7)	181	108	(40.4)	77	(28.4)
Asia	Hong Kong	776	1,020	31.4	835	(18.2)	192	257	33.7	255	(0.8)
	Taiwan	343	439	27.9	397	(9.5)	117	153	30.9	139	(9.7)
	South Korea	322	351	9.0	305	(13.2)	127	117	(8.4)	66	(43.5)
	China	440	818	85.9	846	3.5	180	357	97.9	334	(6.4)
	Subtotal	1,882	2,630	39.7	2,385	(9.3)	618	885	43.2	794	(10.2)
Europe	Germany	1,992	1,586	(20.3)	810	(48.9)	634	375	(40.9)	148	(60.3)
	Britain	169	206	22.0	130	(36.6)	38	88	132.2	10	(88.7)
	Subtotal	2,161	1,793	(17.0)	941	(47.5)	673	463	(31.1)	158	(65.8)
Total		7,038	6,409	(8.9)	4,748	(25.9)	2,172	1,738	(20.0)	1,028	(40.8)

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	First quarter of FY2016 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposit	41,080	41,543
Trade notes and accounts receivable	9,433	7,844
Merchandise and finished goods	4,158	4,106
Work in process	14	30
Raw materials and supplies	128	136
Other accounts receivable	1,326	1,277
Other	1,802	1,727
Allowance for doubtful accounts	(186)	(160)
Total current assets	57,757	56,505
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	6,909	6,672
Land	9,878	9,781
Other, net	1,957	1,918
Total tangible fixed assets	18,744	18,372
Intangible fixed assets	5,200	4,838
Investments and other assets		
Investment securities	11,980	11,071
Deferred tax assets	4,530	4,648
Other	9,576	9,278
Allowance for doubtful accounts	(2,026)	(1,937)
Total investments and other assets	24,060	23,061
Total fixed assets	48,006	46,272
Deferred assets	62	69
Total assets	105,826	102,846
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,019	3,914
Short-term borrowings	5,600	6,490
Accrued income taxes	998	601
Allowance for bonuses	510	768
Provision for point card certificates	100	100
Provision for shareholder benefit program	54	22
Reserve for adjustment of returned goods	55	32
Other	10,683	10,970
Total current liabilities	23,022	22,900
Long-term liabilities		
Corporate bonds	5,225	5,850
Long-term borrowings	7,516	9,499
Net defined benefit liability	12,161	11,784
Other	3,166	3,032
Total long-term liabilities	28,070	30,166
Total liabilities	51,092	53,067

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	First quarter of FY2016 (As of Jun. 30, 2016)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,423	3,423
Retained earnings	55,950	53,800
Treasury stock	(11,789)	(11,789)
Total shareholder's equity	57,585	55,434
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(369)	(1,091)
Deferred hedge gain (loss)	(39)	(55)
Foreign currency translation adjustments	2,458	171
Remeasurements of defined benefit plans	(5,227)	(5,007)
Total accumulated other comprehensive income	(3,177)	(5,983)
Stock acquisition rights	162	162
Non-controlling interests	164	165
Total net assets	54,733	49,779
Total liabilities and net assets	105,826	102,846

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Three-month Period)

(Millions of yen)

	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)
Sales	17,049	15,010
Cost of sales	5,519	4,977
Gross profit	11,530	10,032
Reversal from reserve for adjustment of returned goods	4	23
Net gross profit on sales	11,534	10,055
Selling, general and administrative expenses	8,064	8,025
Operating profit	3,469	2,029
Non-operating profit		
Interest income	106	112
Dividend income	45	14
Foreign exchange gains	36	-
Other income	83	90
Total non-operating profit	273	217
Non-operating expenses		
Interest expense	70	51
Foreign exchange loss	-	362
Listing expenses	31	35
Commission for syndicate loan	-	3
Other	17	12
Total non-operating expenses	119	465
Ordinary profit	3,623	1,781
Extraordinary gains		
Gain on sales of fixed assets	0	-
Gain on sales of investment securities	362	55
Total extraordinary gains	363	55
Extraordinary losses		
Loss on disposal of fixed assets	6	10
Impairment loss	-	12
Other	-	6
Total extraordinary losses	6	29
Net profit before income taxes	3,980	1,806
Income taxes – current	960	434
Income taxes – deferred	202	116
Total income taxes	1,162	550
Net profit	2,817	1,255
Net profit attributable to non-controlling interests	10	11
Net profit attributable to owners of parent	2,806	1,243

Consolidated Comprehensive Income Statements
(For the Three-month Period)

(Millions of yen)

	First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)
Net profit	2,817	1,255
Other comprehensive income		
Net unrealized gain (loss) on other securities	658	(722)
Deferred hedge gain (loss)	(6)	(16)
Foreign currency translation adjustments	(2,594)	(2,297)
Remeasurements of defined benefit plans, net of tax	92	219
Total other comprehensive income	(1,848)	(2,815)
Comprehensive income	968	(1,560)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	956	(1,561)
Comprehensive income attributable to non-controlling interests	11	1

Segment and Other Information

I. First three months of FY2015 (Apr. 1, 2015 – Jun. 30, 2015)

Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	10,640	1,793	1,625	360	2,630	17,049	-	17,049
(Royalty income)	(2,252)	(1,771)	(1,304)	(351)	(1,956)	(7,636)	(-)	(7,636)
Inter-segment	2,244	14	8	6	500	2,774	(2,774)	-
(Royalty income)	(2,173)	(12)	(8)	(6)	(19)	(2,221)	((2,221))	(-)
Total	12,884	1,807	1,634	366	3,131	19,824	(2,774)	17,049
Segment profit	2,201	463	280	108	885	3,940	(470)	3,469

Notes: 1. The minus 470 million yen adjustment to segment profit is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statements.

II. First three months of FY2016 (Apr. 1, 2016 – Jun. 30, 2016)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	10,261	941	1,165	256	2,385	15,010	-	15,010
(Royalty income)	(2,326)	(938)	(887)	(256)	(1,940)	(6,350)	(-)	(6,350)
Inter-segment	1,683	17	2	1	368	2,074	(2,074)	-
(Royalty income)	(1,644)	(17)	(-)	(-)	(1)	(1,663)	((1,663))	(-)
Total	11,945	958	1,167	258	2,754	17,084	(2,074)	15,010
Segment profit	1,476	158	(1)	77	794	2,504	(475)	2,029

Notes: 1. The minus 475 million yen adjustment to segment profit is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statements.

2. Information related to impairment losses on fixed assets, goodwill, etc. for each reportable segment

Detailed explanations are omitted due to immateriality of the amount.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.