July 31, 2018

# Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019 (FY2018) (Three Months Ended June 30, 2018)

**[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 14, 2018
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 FY2018 (April 1, 2018 – June 30, 2018)

(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, 2018 | 13,907 | 3.5 | 1,336 | 4.5 | 1,695 | 28.4 | 1,066 | 5.1 |
| Three months ended Jun. 30, 2017 | 13,437 | (10.5) | 1,279 | (37.0) | 1,320 | (25.9) | 1,014 | (18.4) |

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2018: 130 (down 84.9%)
Three months ended Jun. 30, 2017: 861 (- %)

| | Net Profit per Share | Fully-Diluted Net Profit per Share |
|---|---|---|
| | Yen | Yen |
| Three months ended Jun. 30, 2018 | 12.57 | - |
| Three months ended Jun. 30, 2017 | 11.96 | - |

(2) Consolidated financial position

| | Total Assets | Net Assets | Equity Ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| As of Jun. 30, 2018 | 97,971 | 51,592 | 52.4 |
| As of Mar. 31, 2018 | 98,274 | 52,734 | 53.4 |

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2018: 51,354 As of Mar. 31, 2018: 52,491

## 2. Dividends

| | Dividend per Share | | | | |
|---|---|---|---|---|---|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2017 | - | 40.00 | - | 15.00 | 55.00 |
| FY2018 | - | | | | |
| FY2018 (forecast) | | 15.00 | - | 15.00 | 30.00 |

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

## 3. Consolidated Forecasts for FY2018 (April 1, 2018 – March 31, 2019)

(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 | 28,800 | 1.8 | 2,100 | (12.6) | 2,200 | (17.4) | 900 | (53.5) | 10.61 |
| Full year | 60,600 | 0.6 | 5,200 | (9.3) | 5,400 | (10.3) | 3,000 | (39.1) | 35.36 |

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: None

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, 2018: | 89,065,301 shares | As of Mar. 31, 2018: | 89,065,301 shares |

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

| | | | |
|---|---|---|---|
| As of Jun. 30, 2018: | 4,218,473 shares | As of Mar. 31, 2018: | 4,218,473 shares |

3) Average number of shares outstanding during the period

| | | | |
|---|---|---|---|
| Three months ended Jun. 30, 2018: | 84,846,828 shares | Three months ended Jun. 30, 2017: | 84,847,093 shares |

Note 1: The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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 of the fiscal year under review (overseas: January 1 to March 31, 2018; within Japan: April 1 to June 30, 2018), domestically the two theme parks in Tokyo's Tama City and Oita Prefecture performed well. In particular, the Marchen Theater's new production Kawaii Kabuki–Momotaro by the Hello Kitty Troupe at Tama City's Sanrio Puroland proved a major hit, contributing greatly to sales and profits. The Hello Kitty Shinkansen Bullet Train, which started operation on JR-West on June 30 has become a hot topic. Overseas, in Asia the strong performance of the previous consolidated fiscal year continued due to such factors as the popularity of the space licensing business in China and a recovery in licenses in the Hong Kong market. In Europe and the U.S., we are steadily implementing measures to improve business performance.

As a result, sales increased 3.5% year-on-year to 13.9 billion yen and operating profit 4.5% to 1.3 billion yen. Ordinary profit also increased 28.4% to 1.6 billion yen mainly due a recording of 0.2 billion yen gain on investments in partnership as non-operating profit. Net profit attributable to owners of parent increased 5.1% to 1.0 billion yen after recording extraordinary gains of 0.3 billion yen as gain on sales of investment securities and extraordinary loss of 0.5 billion yen as loss on valuation of investment securities.

As announced on May 11, 2018, Sanrio started a three-year medium-term management plan "Marketing Innovation Project 2021" in the current fiscal year. We will take various actions in accordance with this plan in order to "become a strategic global company operating a Social Communication Gift Business."

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 2018.

Reportable Segment (100 millions of yen)

| | First three months of | Sales | | | | Segment profit (operating profit) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY2017 | FY2018 | Increase/ decrease | Change (%) | FY2017 | FY2018 | Increase/ decrease | Change (%) |
| Japan | Product sales/others | 76 | 79 | 3 | 4.5 | 10 | 11 | 0 | 9.3% |
| | Royalties | 22 | 22 | 0 | 2.7 | | | | |
| | Total | 98 | 102 | 4 | 4.1 | | | | |
| Europe | Product sales/others | 0 | 0 | (0) | (12.8) | 0 | 0 | (0) | (25.4)% |
| | Royalties | 6 | 6 | (0) | (2.0) | | | | |
| | Total | 6 | 6 | (0) | (2.1) | | | | |
| North America | Product sales/others | 2 | 2 | 0 | 2.6 | (1) | (1) | (0) | - |
| | Royalties | 4 | 4 | (0) | (2.1) | | | | |
| | Total | 6 | 6 | (0) | (0.5) | | | | |
| Latin America | Product sales/others | 0 | 0 | 0 | 429.5 | 0 | 0 | (0) | (41.9)% |
| | Royalties | 2 | 1 | (0) | (32.5) | | | | |
| | Total | 2 | 1 | (0) | (31.4) | | | | |
| Asia | Product sales/others | 1 | 2 | 1 | 70.1 | 7 | 8 | 0 | 4.5% |
| | Royalties | 18 | 19 | 0 | 3.1 | | | | |
| | Total | 20 | 21 | 1 | 8.3 | | | | |
| Adjustment | | - | - | - | - | (4) | (4) | (0) | - |
| Consolidated | Product sales/others | 80 | 84 | 4 | 5.8 | 12 | 13 | 0 | 4.5% |
| | Royalties | 54 | 54 | 0 | 0.2 | | | | |
| | Total | 134 | 139 | 4 | 3.5 | | | | |

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 stated above (although included in segment profit (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**

Regarding the results for the first quarter, it is generally in line with the plan. We are progressing with every measure of the medium-term management plan in order to achieve the performance targets for the current first year and then the final year.

Accordingly, there is no change to the first-half and full-year consolidated forecasts, which were announced on May 11, 2018. The dividend will be in line with the initial plan in the current fiscal year, paying out interim and year-end dividends of 15 yen per share each, to maintain an annual total of 30 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. 2016 | Jun. 2017 | Change (%) | Jun. 2018 | Change (%) | Jun. 2016 | Jun. 2017 | Change (%) | Jun. 2018 | Change (%) |
| North America | U.S.A. | 1,165 | 690 | (40.8) | 686 | (0.5) | (1) | (153) | - | (184) | - |
| Latin America | Brazil/Chile | 256 | 264 | 3.1 | 181 | (31.4) | 77 | 46 | (39.7) | 27 | (41.9) |
| Asia | Hong Kong | 835 | 689 | (17.5) | 634 | (7.9) | 255 | 238 | (6.4) | 209 | (12.4) |
| | Taiwan | 397 | 349 | (12.1) | 461 | 32.1 | 139 | 127 | (8.3) | 148 | 16.5 |
| | South Korea | 305 | 248 | (18.5) | 239 | (3.9) | 66 | 65 | (1.4) | 63 | (2.8) |
| | China | 846 | 737 | (12.9) | 857 | 16.2 | 334 | 346 | 3.8 | 392 | 13.1 |
| | Subtotal | 2,385 | 2,025 | (15.1) | 2,192 | 8.3 | 794 | 778 | (2.0) | 813 | 4.5 |
| Europe | Germany | 810 | 496 | (38.7) | 490 | (1.2) | 148 | 11 | (92.5) | 47 | 323.6 |
| | Britain | 130 | 123 | (5.3) | 116 | (5.7) | 10 | 12 | 25.5 | (29) | - |
| | Subtotal | 941 | 620 | (34.1) | 607 | (2.1) | 158 | 23 | (85.1) | 17 | (25.4) |
| Total | | 4,748 | 3,600 | (24.2) | 3,668 | 1.9 | 1,028 | 694 | (32.5) | 674 | (3.0) |

## Quarterly Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

| | FY2017 (As of Mar. 31, 2018) | First quarter of FY2018 (As of Jun. 30, 2018) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposit | 44,290 | 45,834 |
| Trade notes and accounts receivable | 7,824 | 6,227 |
| Merchandise and finished goods | 4,069 | 3,827 |
| Work in process | 26 | 52 |
| Raw materials and supplies | 116 | 126 |
| Other accounts receivable | 880 | 803 |
| Other | 737 | 739 |
| Allowance for doubtful accounts | (74) | (84) |
| Total current assets | 57,871 | 57,525 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 5,876 | 5,798 |
| Land | 8,487 | 8,482 |
| Other, net | 2,065 | 2,018 |
| Total tangible fixed assets | 16,430 | 16,299 |
| Intangible fixed assets | 3,905 | 3,735 |
| Investments and other assets | | |
| Investment securities | 11,513 | 12,103 |
| Deferred tax assets | 2,890 | 2,746 |
| Other | 6,934 | 6,769 |
| Allowance for doubtful accounts | (1,305) | (1,250) |
| Total investments and other assets | 20,033 | 20,368 |
| Total fixed assets | 40,368 | 40,402 |
| Deferred assets | 33 | 43 |
| Total assets | 98,274 | 97,971 |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 4,563 | 4,121 |
| Short-term borrowings | 6,737 | 7,401 |
| Accrued income taxes | 1,564 | 1,557 |
| Allowance for bonuses | 491 | 756 |
| Reserve for adjustment of returned goods | 94 | 65 |
| Provision for shareholder benefit program | 50 | 30 |
| Provision for point card certificates | 90 | 90 |
| Other | 10,914 | 10,315 |
| Total current liabilities | 24,506 | 24,337 |
| Long-term liabilities | | |
| Corporate bonds | 3,263 | 2,782 |
| Long-term borrowings | 7,523 | 9,433 |
| Net defined benefit liability | 6,149 | 5,775 |
| Other | 4,097 | 4,050 |
| Total long-term liabilities | 21,033 | 22,041 |
| Total liabilities | 45,539 | 46,379 |

(Millions of yen)

| | FY2017 (As of Mar. 31, 2018) | First quarter of FY2018 (As of Jun. 30, 2018) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital | 10,000 | 10,000 |
| Capital surplus | 3,423 | 3,423 |
| Retained earnings | 53,779 | 53,573 |
| Treasury stock | (11,789) | (11,789) |
| Total shareholder's equity | 55,413 | 55,207 |
| Accumulated other comprehensive income | | |
| Net unrealized gain (loss) on other securities | (219) | 332 |
| Deferred hedge gain (loss) | (2) | 0 |
| Foreign currency translation adjustments | 247 | (1,410) |
| Remeasurements of defined benefit plans | (2,947) | (2,775) |
| Total accumulated other comprehensive income | (2,921) | (3,852) |
| Non-controlling interests | 243 | 237 |
| Total net assets | 52,734 | 51,592 |
| Total liabilities and net assets | 98,274 | 97,971 |

## (2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

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

(Millions of yen)

| | First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017) | First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018) |
|---|---|---|
| Sales | 13,437 | 13,907 |
| Cost of sales | 4,421 | 4,831 |
| Gross profit | 9,015 | 9,075 |
| Reversal from reserve for adjustment of returned goods | 19 | 29 |
| Net gross profit on sales | 9,034 | 9,104 |
| Selling, general and administrative expenses | 7,755 | 7,768 |
| Operating profit | 1,279 | 1,336 |
| Non-operating profit | | |
| Interest income | 134 | 106 |
| Dividend income | 13 | 22 |
| Foreign exchange gains | - | 44 |
| Gain on investments in partnership | - | 221 |
| Other | 55 | 36 |
| Total non-operating profit | 203 | 431 |
| Non-operating expenses | | |
| Interest expense | 43 | 26 |
| Foreign exchange loss | 9 | - |
| Commission fee | 37 | 38 |
| Loss on investments in partnership | 59 | - |
| Other | 11 | 7 |
| Total non-operating expenses | 162 | 72 |
| Ordinary profit | 1,320 | 1,695 |
| Extraordinary gains | | |
| Gain on sales of fixed assets | 0 | - |
| Gain on sales of investment securities | 128 | 335 |
| Total extraordinary gains | 128 | 335 |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | 9 | 1 |
| Loss on valuation of investment securities | - | 508 |
| Impairment loss | 12 | 9 |
| Other | - | 2 |
| Total extraordinary losses | 21 | 521 |
| Net profit before income taxes | 1,426 | 1,509 |
| Income taxes – current | 545 | 601 |
| Income taxes – deferred | (142) | (168) |
| Total income taxes | 403 | 433 |
| Net profit | 1,023 | 1,075 |
| Net profit attributable to non-controlling interests | 9 | 9 |
| Net profit attributable to owners of parent | 1,014 | 1,066 |

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

(Millions of yen)

| | First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017) | First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018) |
|---|---|---|
| Net profit | 1,023 | 1,075 |
| Other comprehensive income | | |
| Net unrealized gain (loss) on other securities | 482 | 551 |
| Deferred hedge gain (loss) | 0 | 3 |
| Foreign currency translation adjustments | (806) | (1,672) |
| Remeasurements of defined benefit plans, net of tax | 160 | 171 |
| Total other comprehensive income | (162) | (945) |
| Comprehensive income | 861 | 130 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 859 | 135 |
| Comprehensive income attributable to non-controlling interests | 1 | (5) |

**Segment and Other Information**

I. First three months of FY2017 (Apr. 1, 2017 – Jun. 30, 2017)

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 | 9,836 | 620 | 690 | 264 | 2,025 | 13,437 | - | 13,437 |
| (Royalty income) | ( 2,218) | ( 616) | ( 456) | ( 264) | ( 1,867) | ( 5,423) | ( -) | ( 5,423) |
| Inter-segment | 1,421 | 6 | 1 | 0 | 368 | 1,797 | (1,797) | - |
| (Royalty income) | ( 1,380) | ( 6) | ( -) | ( -) | ( 0) | ( 1,387) | ( (1,387)) | ( -) |
| Total | 11,258 | 627 | 691 | 265 | 2,393 | 15,234 | (1,797) | 13,437 |
| Segment profit (loss) | 1,010 | 23 | (153) | 46 | 778 | 1,705 | (425) | 1,279 |

Notes: 1. The minus 425 million yen adjustment to segment profit (loss) 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 (loss) 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.

II. First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)

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 | 10,238 | 607 | 686 | 181 | 2,192 | 13,907 | - | 13,907 |
| (Royalty income) | ( 2,277) | ( 604) | ( 447) | ( 178) | ( 1,924) | ( 5,432) | ( -) | ( 5,432) |
| Inter-segment | 1,391 | 6 | 1 | 0 | 299 | 1,698 | (1,698) | - |
| (Royalty income) | ( 1,324) | ( 6) | ( -) | ( -) | ( 0) | ( 1,330) | ( (1,330)) | ( -) |
| Total | 11,629 | 613 | 687 | 181 | 2,492 | 15,605 | (1,698) | 13,907 |
| Segment profit (loss) | 1,103 | 17 | (184) | 27 | 813 | 1,777 | (441) | 1,336 |

Notes: 1. The minus 441 million yen adjustment to segment profit (loss) 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 (loss) is adjusted to be consistent with operating profit shown on the consolidated income statements.

*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.*