July 31, 2019

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2020 (FY2019) (Three Months Ended June 30, 2019)

[Japanese GAAP]

Company name: Sanrio Company, Ltd. Listed Stock Exchange: TSE 1st Section
Stock code: 8136 URL: https://www.sanrio.co.jp/english/corporate/ir/
Representative: Shintaro Tsuji, President and Chief Executive Officer
Inquiries: Susumu Emori, Senior Managing Director TEL: +81-3-3779-8058

Scheduled date of filing of Quarterly Report: August 14, 2019
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 FY2019 (April 1, 2019 – June 30, 2019)

(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, 2019	13,379	(3.8)	694	(48.1)	944	(44.3)	(291)	-
Three months ended Jun. 30, 2018	13,907	3.5	1,336	4.5	1,695	28.4	1,066	5.1

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2019: (229) (- %)
Three months ended Jun. 30, 2018: 130 (down 84.9%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Three months ended Jun. 30, 2019	(3.44)	-
Three months ended Jun. 30, 2018	12.57	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2019	90,884	50,894	55.7
As of Mar. 31, 2019	95,185	52,396	54.7

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2019: 50,598 As of Mar. 31, 2019: 52,109

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	15.00	-	15.00	30.00
FY2019	-				
FY2019 (forecast)		15.00	-	20.00	35.00

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

3. Consolidated Forecasts for FY2019 (April 1, 2019 – March 31, 2020)

(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	27,800	(1.7)	1,700	(21.3)	2,200	(19.4)	600	(60.4)	7.07
Full year	60,000	1.5	6,100	27.4	7,100	21.6	4,100	5.7	48.32

Note: Revisions to the most recently announced consolidated forecasts: Yes

*** 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, 2019:	89,065,301 shares	As of Mar. 31, 2019:	89,065,301 shares

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

As of Jun. 30, 2019:	4,208,583 shares	As of Mar. 31, 2019:	4,208,583 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	84,856,718 shares	Three months ended Jun. 30, 2018:	84,846,828 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, in Japan the theme parks in Tama City, Tokyo, and Oita Prefecture performed well. Additionally, in the domestic product sales business, factors such as the Sanrio Character Awards and the success of hit products in attracting customers enlarged the customer age group, leading to increased revenue. Overseas, increased revenue in China from the acquisition of new licensees, events, and campaigns was unable to cover a downturn among the top licensees. In the United States, collaboration with well-known sports brands was strong, and in Brazil, Easter promotions contributed to sales, but the severe situation in Europe and the United States continues and we are working on recovery measures.

As a result, sales fell 3.8% year-on-year to 13.3 billion yen and operating profit fell 48.1% to 0.6 billion yen. Ordinary profit fell 44.3% to 0.9 billion yen, mainly due to accounting interest income and gain on investments in partnership as non-operating profit. Net loss attributable to owners of parent was 0.2 billion yen (profit of 1.0 billion yen in the same period of the previous fiscal year) after accounting for the extraordinary losses including a loss on valuation of investment securities of 0.3 billion yen and a loss of 0.7 billion yen related to a competition-law surcharge imposed by the European Commission.

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 2019.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First three months of	FY2018	FY2019	Increase/ decrease	Change (%)	FY2018	FY2019	Increase/ decrease	Change (%)
Japan	Product sales/others	79	82	2	3.5	11	7	(3)	(30.1)
	Royalties	22	21	(0)	(4.2)				
	Total	102	104	1	1.8				
Europe	Product sales/others	0	0	(0)	(43.2)	0	(1)	(1)	-
	Royalties	6	3	(2)	(34.0)				
	Total	6	4	(2)	(34.0)				
North America	Product sales/others	2	1	(0)	(25.6)	(1)	(2)	(0)	-
	Royalties	4	3	(0)	(13.8)				
	Total	6	5	(1)	(17.9)				
Latin America	Product sales/others	0	0	0	10.7	0	0	0	47.0
	Royalties	1	2	0	13.3				
	Total	1	2	0	13.3				
Asia	Product sales/others	2	1	(0)	(29.9)	8	6	(1)	(21.0)
	Royalties	19	15	(3)	(17.0)				
	Total	21	17	(4)	(18.6)				
Adjustment		-	-	-	-	(4)	(4)	(0)	-
Consolidated	Product sales/others	84	86	1	1.6	13	6	(6)	(48.1)
	Royalties	54	47	(6)	(12.3)				
	Total	139	133	(5)	(3.8)				

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

Business results for the first quarter were generally in line with the plan. Although we still have concerns about economic growth prospects in China and the political and economic situation in South Korea, we are continuing to promote measures to achieve our full-year performance targets.

The consolidated forecasts for the first half and the full fiscal year have changed from those announced on May 14, 2019. Please refer to the "Notice Regarding Revision of Financial Forecast" announced today. Regarding the dividend forecast for the current fiscal year, as announced at the beginning of the fiscal year, we will maintain the dividend of 15 yen in the second quarter and 20 yen at the end of the fiscal year (including a commemorative dividend of 5 yen) for an annual total of 35 yen.

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. 2017	Jun. 2018	Change (%)	Jun. 2019	Change (%)	Jun. 2017	Jun. 2018	Change (%)	Jun. 2019	Change (%)
North America	U.S.A.	690	686	(0.5)	563	(17.9)	(153)	(184)	-	(213)	-
Latin America	Brazil/Chile	264	181	(31.4)	205	13.3	46	27	(41.9)	39	47.0
Asia	Hong Kong	689	634	(7.9)	495	(21.8)	238	209	(12.4)	160	(23.4)
	Taiwan	349	461	32.1	336	(27.2)	127	148	16.5	125	(15.6)
	South Korea	248	239	(3.9)	204	(14.3)	65	63	(2.8)	36	(43.0)
	China	737	857	16.2	748	(12.7)	346	392	13.1	320	(18.3)
	Subtotal	2,025	2,192	8.3	1,785	(18.6)	778	813	4.5	642	(21.0)
Europe	Germany	496	490	(1.2)	324	(33.8)	11	47	323.6	(68)	-
	Britain	123	116	(5.7)	76	(34.8)	12	(29)	-	(36)	-
	Subtotal	620	607	(2.1)	400	(34.0)	23	17	(25.4)	(104)	-
Total		3,600	3,668	1.9	2,955	(19.4)	694	674	(3.0)	363	(46.0)

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	First quarter of FY2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposit	43,814	41,190
Trade notes and accounts receivable	6,866	5,391
Merchandise and finished goods	4,276	4,132
Work in process	32	114
Raw materials and supplies	115	163
Other accounts receivable	614	282
Other	797	795
Allowance for doubtful accounts	(130)	(101)
Total current assets	56,387	51,969
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,405	5,611
Land	8,473	8,470
Other, net	2,033	2,661
Total tangible fixed assets	15,912	16,742
Intangible fixed assets	3,397	3,347
Investments and other assets		
Investment securities	11,524	10,798
Deferred tax assets	2,683	2,816
Other	6,321	6,228
Allowance for doubtful accounts	(1,071)	(1,043)
Total investments and other assets	19,458	18,800
Total fixed assets	38,768	38,890
Deferred assets	29	25
Total assets	95,185	90,884
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,433	3,770
Short-term borrowings	6,869	6,613
Accrued income taxes	678	393
Allowance for bonuses	495	773
Reserve for adjustment of returned goods	3	12
Provision for shareholder benefit program	29	36
Provision for point card certificates	87	85
Provision for business structure improvement	247	-
Other	10,046	9,464
Total current liabilities	22,891	21,148
Long-term liabilities		
Corporate bonds	2,384	2,130
Long-term borrowings	9,027	7,876
Retirement benefit liability	5,157	4,767
Other	3,327	4,067
Total long-term liabilities	19,896	18,841
Total liabilities	42,788	39,990

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	First quarter of FY2019 (As of Jun. 30, 2019)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	55,114	53,550
Treasury stock	(11,762)	(11,762)
Total shareholder's equity	56,762	55,197
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(231)	(386)
Deferred hedge gain (loss)	(0)	(1)
Foreign currency translation adjustments	(1,786)	(1,756)
Remeasurements of defined benefit plans	(2,634)	(2,454)
Total accumulated other comprehensive income	(4,652)	(4,598)
Non-controlling interests	287	295
Total net assets	52,396	50,894
Total liabilities and net assets	95,185	90,884

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Three-month Period)

(Millions of yen)

	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)
Sales	13,907	13,379
Cost of sales	4,831	4,746
Gross profit	9,075	8,632
Provision for sales returns	-	9
Reversal of provision for sales returns	29	-
Net gross profit on sales	9,104	8,623
Selling, general and administrative expenses	7,768	7,929
Operating profit	1,336	694
Non-operating profit		
Interest income	106	138
Dividend income	22	27
Foreign exchange gains	44	-
Gain on investments in partnership	221	131
Other	36	81
Total non-operating profit	431	378
Non-operating expenses		
Interest expense	26	25
Foreign exchange loss	-	60
Commission expenses	38	36
Other	7	5
Total non-operating expenses	72	127
Ordinary profit	1,695	944
Extraordinary gains		
Gain on sales of fixed assets	-	58
Gain on sales of investment securities	335	80
Total extraordinary gains	335	138
Extraordinary losses		
Loss on disposal of fixed assets	1	1
Loss on valuation of investment securities	508	355
Impairment loss	9	1
Loss related to competition law	-	772
Other	2	26
Total extraordinary losses	521	1,156
Net profit (loss) before income taxes	1,509	(73)
Income taxes – current	601	343
Income taxes – deferred	(168)	(134)
Total income taxes	433	208
Net profit (loss)	1,075	(282)
Net profit attributable to non-controlling interests	9	8
Net profit (loss) attributable to owners of parent	1,066	(291)

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

(Millions of yen)

	First three months of FY2018 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)
Net profit (loss)	1,075	(282)
Other comprehensive income		
Net unrealized gain (loss) on other securities	551	(154)
Deferred hedge gain (loss)	3	(1)
Foreign currency translation adjustments	(1,672)	29
Remeasurements of defined benefit plans, net of tax	171	179
Total other comprehensive income	(945)	53
Comprehensive income	130	(229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	135	(237)
Comprehensive income attributable to non-controlling interests	(5)	8

Segment and Other Information

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

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	10,238	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.

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 FY2019 (Apr. 1, 2019 – Jun. 30, 2019)

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	10,423	400	563	205	1,785	13,379	-	13,379
(Royalty income)	(2,181)	(399)	(385)	(201)	(1,597)	(4,765)	(-)	(4,765)
Inter-segment	1,201	4	2	(0)	318	1,525	(1,525)	-
(Royalty income)	(1,144)	(4)	(-)	((0))	(0)	(1,147)	((1,147))	(-)
Total	11,625	405	566	205	2,103	14,905	(1,525)	13,379
Segment profit (loss)	771	(104)	(213)	39	642	1,135	(441)	694

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.

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.