October 31, 2019

Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020 (FY2019) (Six Months Ended September 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/
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Scheduled date of filing of Quarterly Report: November 14, 2019
Starting date of dividend payment: November 20, 2019
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of FY2019 (April 1, 2019 – September 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	%
Six months ended Sep. 30, 2019	27,660	(2.2)	1,374	(36.3)	2,039	(25.3)	326	(78.5)
Six months ended Sep. 30, 2018	28,272	(0.1)	2,158	(10.1)	2,730	2.5	1,516	(21.7)

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2019: (365) (- %)
Six months ended Sep. 30, 2018: 800 (down 64.1%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Six months ended Sep. 30, 2019	3.85	-
Six months ended Sep. 30, 2018	17.87	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	97,217	50,758	51.9
As of Mar. 31, 2019	95,185	52,396	54.7

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2019: 50,459 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	-	15.00			
FY2019 (forecast)			-	20.00	35.00

Note: Revisions to the most recently announced dividend forecast: None
Breakdown of the year-end dividend for FY2019 (forecast):
Ordinary dividend: 15.00 yen; Commemorative dividend: 5.00 yen

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
Full year	57,700	(2.4)	4,000	(16.4)	5,000	(14.3)	2,300	(40.7)	27.10

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	84,856,718 shares	Six months ended Sep. 30, 2018:	84,846,798 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 half of the fiscal year under review, in Japan the theme parks performed well, especially Sanrio Puroland in Tama City, Tokyo. 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. Meanwhile, revenue declined overseas due to a fall in sales to top licensees in China, the impact on merchandise and license sales of a drop in store sales from demonstrations in Hong Kong, and a reduction in promotional sales in Southeast Asia including Hong Kong. In Europe, the licensing business remains in a difficult situation and the business recovery is taking longer than expected.

As a result of these declines in overseas license income, sales fell only slightly, declining 2.2% year-on-year to 27.6 billion yen, while operating profit fell 36.3% to 1.3 billion yen due to an increase in selling, general, and administrative expenses. Ordinary profit fell 25.3% to 2.0 billion yen, mainly due to accounting gain on investments in partnership as non-operating profit. Net profit attributable to owners of parent fell 78.5% to 0.3 billion yen after accounting for extraordinary gains of 0.2 billion yen including gains on sales of investment securities; extraordinary losses including 0.7 billion yen loss related to a competition-law surcharge imposed by the European Commission and a loss on valuation of investment securities of 0.3 billion yen; and total income taxes of 0.5 billion yen.

Since the accounting period for all overseas consolidated subsidiaries runs from January to December, the first half under review for these subsidiaries covers the period from January to June 2019.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First six months of	FY2018	FY2019	Increase/ decrease	Change (%)	FY2018	FY2019	Increase/ decrease	Change (%)
Japan	Product sales/others	168	172	4	2.7	16	11	(4)	(26.6)
	Royalties	47	46	(0)	(1.7)				
	Total	215	219	3	1.8				
Europe	Product sales/others	0	0	(0)	(67.3)	(0)	(2)	(1)	-
	Royalties	10	7	(3)	(30.2)				
	Total	10	7	(3)	(30.5)				
North America	Product sales/others	4	3	(1)	(22.8)	(5)	(4)	0	-
	Royalties	7	7	0	1.1				
	Total	12	11	(1)	(8.5)				
Latin America	Product sales/others	0	0	(0)	(51.8)	0	0	(0)	(1.8)
	Royalties	2	2	(0)	(6.7)				
	Total	2	2	(0)	(8.1)				
Asia	Product sales/others	5	5	(0)	(6.6)	15	13	(2)	(15.7)
	Royalties	36	31	(5)	(14.2)				
	Total	42	36	(5)	(13.2)				
Adjustment		-	-	-	-	(4)	(4)	0	-
Consolidated	Product sales/others	178	181	3	1.7	21	13	(7)	(36.3)
	Royalties	103	94	(9)	(8.8)				
	Total	282	276	(6)	(2.2)				

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

The consolidated forecasts for the full fiscal year have changed from those announced on July 31, 2019. Please refer to the "Notice Regarding Differences Between Results Forecasts and Results for the First Half of the Fiscal Year and Revision to Full-Year Results Forecasts" announced today. Regarding the dividend forecast for the current fiscal year, as previously announced, 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 Six-month Periods by Area (Millions of yen)

		Sales to customers					Operating profit				
Areas	Six months ended	Sep. 2017	Sep. 2018	Change (%)	Sep. 2019	Change (%)	Sep. 2017	Sep. 2018	Change (%)	Sep. 2019	Change (%)
Europe	Germany	810	828	2.2	559	(32.5)	(52)	5	-	(167)	-
	Britain	201	185	(8.1)	145	(21.8)	(58)	(104)	-	(108)	-
	Subtotal	1,012	1,013	0.2	704	(30.5)	(111)	(99)	-	(276)	-
North America	U.S.A.	1,336	1,218	(8.8)	1,114	(8.5)	(463)	(512)	-	(450)	-
Latin America	Brazil/Chile	448	286	(36.1)	263	(8.1)	69	12	(82.0)	12	(1.8)
Asia	Hong Kong	1,421	1,315	(7.5)	1,167	(11.3)	530	502	(5.2)	371	(26.1)
	Taiwan	640	744	16.2	554	(25.5)	217	231	6.1	191	(17.1)
	South Korea	446	435	(2.5)	375	(13.8)	112	95	(14.9)	69	(27.7)
	China	1,559	1,715	10.0	1,558	(9.1)	713	746	4.6	696	(6.6)
	Subtotal	4,068	4,210	3.5	3,654	(13.2)	1,574	1,575	0.1	1,329	(15.7)
Total		6,865	6,728	(2.0)	5,736	(14.7)	1,069	977	(8.6)	614	(37.1)

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	Second quarter of FY2019 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposit	43,814	47,553
Trade notes and accounts receivable	6,866	5,832
Merchandise and finished goods	4,276	4,943
Work in process	32	66
Raw materials and supplies	115	174
Other accounts receivable	614	518
Other	797	716
Allowance for doubtful accounts	(130)	(61)
Total current assets	56,387	59,742
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,405	5,362
Land	8,473	7,825
Other, net	2,033	2,761
Total tangible fixed assets	15,912	15,948
Intangible fixed assets	3,397	3,181
Investments and other assets		
Investment securities	11,524	11,505
Deferred tax assets	2,683	2,394
Other	6,321	5,416
Allowance for doubtful accounts	(1,071)	(1,008)
Total investments and other assets	19,458	18,307
Total fixed assets	38,768	37,438
Deferred assets	29	36
Total assets	95,185	97,217
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,433	4,865
Short-term borrowings	6,869	8,562
Accrued income taxes	678	460
Allowance for bonuses	495	494
Reserve for adjustment of returned goods	3	14
Provision for shareholder benefit program	29	46
Provision for point card certificates	87	83
Provision for business structure improvement	247	-
Other	10,046	9,835
Total current liabilities	22,891	24,362
Long-term liabilities		
Corporate bonds	2,384	1,598
Long-term borrowings	9,027	12,010
Retirement benefit liability	5,157	4,375
Other	3,327	4,113
Total long-term liabilities	19,896	22,097
Total liabilities	42,788	46,459

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	Second quarter of FY2019 (As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	55,114	54,168
Treasury stock	(11,762)	(11,762)
Total shareholder's equity	56,762	55,815
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(231)	(101)
Deferred hedge gain (loss)	(0)	(0)
Foreign currency translation adjustments	(1,786)	(2,979)
Remeasurements of defined benefit plans	(2,634)	(2,275)
Total accumulated other comprehensive income	(4,652)	(5,356)
Non-controlling interests	287	298
Total net assets	52,396	50,758
Total liabilities and net assets	95,185	97,217

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Six-month Period)

(Millions of yen)

	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)
Sales	28,272	27,660
Cost of sales	9,946	9,772
Gross profit	18,326	17,888
Provision for sales returns	-	11
Reversal of provision for sales returns	15	-
Net gross profit on sales	18,341	17,877
Selling, general and administrative expenses	16,182	16,502
Operating profit	2,158	1,374
Non-operating profit		
Interest income	224	258
Dividend income	107	114
Foreign exchange gains	83	-
Gain on investments in partnership	242	169
Other	128	293
Total non-operating profit	785	836
Non-operating expenses		
Interest expense	54	52
Foreign exchange loss	-	49
Commission expenses	141	59
Other	17	10
Total non-operating expenses	214	171
Ordinary profit	2,730	2,039
Extraordinary gains		
Gain on sales of fixed assets	-	75
Gain on sales of investment securities	454	178
Total extraordinary gains	454	253
Extraordinary losses		
Loss on disposal of fixed assets	3	57
Loss on valuation of investment securities	448	395
Impairment loss	9	64
Loss related to competition law	-	768
Business structure improvement expenses	289	48
Other	15	20
Total extraordinary losses	766	1,354
Net profit before income taxes	2,418	938
Income taxes – current	915	510
Income taxes – deferred	(34)	81
Total income taxes	881	591
Net profit	1,537	346
Net profit attributable to non-controlling interests	20	19
Net profit attributable to owners of parent	1,516	326

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

(Millions of yen)

	First six months of FY2018 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)
Net profit	1,537	346
Other comprehensive income		
Net unrealized gain (loss) on other securities	723	130
Deferred hedge gain (loss)	3	(0)
Foreign currency translation adjustments	(1,806)	(1,201)
Remeasurements of defined benefit plans, net of tax	343	358
Total other comprehensive income	(736)	(711)
Comprehensive income	800	(365)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	786	(376)
Comprehensive income attributable to non-controlling interests	14	11

Segment and Other Information

I. First six months of FY2018 (Apr. 1, 2018 – Sep. 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	21,544	1,013	1,218	286	4,210	28,272	-	28,272
(Royalty income)	(4,718)	(1,003)	(726)	(278)	(3,656)	(10,382)	(-)	(10,382)
Inter-segment	2,773	14	2	0	573	3,364	(3,364)	-
(Royalty income)	(2,617)	(14)	(-)	(-)	(0)	(2,632)	((2,632))	(-)
Total	24,317	1,028	1,220	286	4,784	31,637	(3,364)	28,272
Segment profit (loss)	1,613	(99)	(512)	12	1,575	2,590	(431)	2,158

Notes: 1. The minus 431 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 six months of FY2019 (Apr. 1, 2019 – Sep. 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	21,923	704	1,114	263	3,654	27,660	-	27,660
(Royalty income)	(4,636)	(701)	(734)	(259)	(3,137)	(9,469)	(-)	(9,469)
Inter-segment	2,261	7	4	0	612	2,886	(2,886)	-
(Royalty income)	(2,149)	(7)	(-)	(-)	(0)	(2,156)	((2,156))	(-)
Total	24,184	712	1,118	264	4,267	30,547	(2,886)	27,660
Segment profit (loss)	1,184	(276)	(450)	12	1,329	1,799	(424)	1,374

Notes: 1. The minus 424 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.