February 12, 2020

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020 (FY2019) (Nine Months Ended December 31, 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: February 14, 2020
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 Third Quarter of FY2019 (April 1, 2019 – December 31, 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	%
Nine months ended Dec. 31, 2019	42,151	(3.4)	2,433	(36.1)	3,307	(27.9)	1,540	(48.9)
Nine months ended Dec. 31, 2018	43,623	(1.2)	3,810	(12.6)	4,586	(2.6)	3,016	21.3

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2019: 466 (down 76.4%)
Nine months ended Dec. 31, 2018: 1,979 (down 49.2%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Nine months ended Dec. 31, 2019	18.16	-
Nine months ended Dec. 31, 2018	35.55	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2019	94,521	50,233	52.8
As of Mar. 31, 2019	95,185	52,396	54.7

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2019: 49,925 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)	27.17

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 Dec. 31, 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 Dec. 31, 2019:	4,247,083 shares	As of Mar. 31, 2019:	4,208,583 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	84,852,868 shares	Nine months ended Dec. 31, 2018:	84,849,774 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 nine months of the fiscal year under review, sales in Japan increased despite the impact of the typhoon and consumption tax hike in October on product sales, licensing, and the theme park business. In the theme park business, especially, events drew in customers and products tailored to those events sold well, while the product sales business benefited from highly topical products. Overseas, the impact of external factors, including a decline in sales from three top licensees in China and a fall in store sales due to demonstrations in Hong Kong, was greater than anticipated. Meanwhile, in Southeast Asia, new licensing agents started operations in the Philippines and Indonesia while new channel development in North America proved successful and contributed to sales. In addition, a new COO was appointed to a European subsidiary in December 2019 and has begun to turn it around.

As a result of these factors, sales fell 3.4% year-on-year to 42.1 billion yen, with a decline in overseas royalty inocme having an especially large impact. Operating profit fell 36.1% to 2.4 billion yen due in part to an increase in selling, general, and administrative expenses because of higher commission expenses and sales and promotion expenses. Ordinary profit fell 27.9% to 3.3 billion yen, mainly due to accounting interest income and gain on investments in partnership as non-operating profit. Net profit attributable to owners of parent fell 48.9% to 1.5 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 total income taxes of 1.1 billion yen.

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

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First nine months of	FY2018	FY2019	Increase/ decrease	Change (%)	FY2018	FY2019	Increase/ decrease	Change (%)
Japan	Product sales/others	265	268	3	1.1	27	20	(6)	(23.5)
	Royalties	72	70	(2)	(3.4)				
	Total	338	338	0	0.2				
Europe	Product sales/others	0	0	(0)	(63.2)	(2)	(4)	(2)	-
	Royalties	13	9	(3)	(27.3)				
	Total	13	9	(3)	(27.6)				
North America	Product sales/others	7	6	(1)	(13.8)	(7)	(7)	0	-
	Royalties	11	11	0	3.8				
	Total	18	18	(0)	(3.1)				
Latin America	Product sales/others	0	0	(0)	(35.0)	0	0	(0)	(95.1)
	Royalties	3	3	(0)	(11.3)				
	Total	4	3	(0)	(12.1)				
Asia	Product sales/others	6	5	(0)	(4.8)	24	19	(5)	(22.8)
	Royalties	55	45	(10)	(18.3)				
	Total	61	51	(10)	(17.0)				
Adjustment		-	-	-	-	(4)	(4)	0	-
Consolidated	Product sales/others	279	280	1	0.6	38	24	(13)	(36.1)
	Royalties	157	140	(16)	(10.4)				
	Total	436	421	(14)	(3.4)				

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 full-year consolidated forecasts for the fiscal year, the situation for the overseas licensing business will remain severe but the domestic product sales and theme park businesses will continue do well despite concerns about the impact of novel coronavirus both in Japan and overseas. In the licensing business we are striving to cultivate new business formats and new licensees, and so will make no changes to the published consolidated forecasts. Regarding the dividend forecast for the current fiscal year, as previously announced, we will maintain the plan for a dividend of 20 yen (including a commemorative dividend of 5 yen) at the end of the fiscal year for an annual total of 35 yen.

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

		Sales to customers					Operating profit				
Areas	Nine months ended	Dec. 2017	Dec. 2018	Change (%)	Dec. 2019	Change (%)	Dec. 2017	Dec. 2018	Change (%)	Dec. 2019	Change (%)
Europe	Germany	1,218	1,106	(9.2)	790	(28.6)	(61)	(45)	-	(271)	-
	Britain	306	264	(13.8)	201	(23.6)	(84)	(175)	-	(172)	-
	Subtotal	1,525	1,371	(10.1)	992	(27.6)	(146)	(220)	-	(444)	-
North America	U.S.A.	2,145	1,887	(12.0)	1,829	(3.1)	(637)	(759)	-	(706)	-
Latin America	Brazil/Chile	635	410	(35.4)	361	(12.1)	68	14	(78.9)	0	(95.1)
Asia	Hong Kong	2,162	2,108	(2.5)	1,830	(13.2)	818	851	4.0	603	(29.1)
	Taiwan	1,046	1,069	2.2	798	(25.3)	360	337	(6.4)	266	(20.8)
	South Korea	639	597	(6.6)	495	(17.1)	156	116	(25.3)	73	(37.1)
	China	2,185	2,374	8.6	1,981	(16.5)	1,044	1,169	11.9	966	(17.3)
	Subtotal	6,034	6,149	1.9	5,106	(17.0)	2,379	2,474	4.0	1,910	(22.8)
Total		10,340	9,819	(5.0)	8,288	(15.6)	1,663	1,508	(9.3)	760	(49.6)

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	Third quarter of FY2019 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposit	43,814	42,259
Trade notes and accounts receivable	6,866	6,867
Merchandise and finished goods	4,276	5,306
Work in process	32	52
Raw materials and supplies	115	256
Other accounts receivable	614	254
Other	797	1,203
Allowance for doubtful accounts	(130)	(69)
Total current assets	56,387	56,131
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,405	5,227
Land	8,473	7,820
Other, net	2,033	2,643
Total tangible fixed assets	15,912	15,691
Intangible fixed assets	3,397	3,046
Investments and other assets		
Investment securities	11,524	12,206
Deferred tax assets	2,683	2,160
Other	6,321	5,975
Allowance for doubtful accounts	(1,071)	(724)
Total investments and other assets	19,458	19,618
Total fixed assets	38,768	38,356
Deferred assets	29	33
Total assets	95,185	94,521
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,433	5,545
Short-term borrowings	6,869	8,325
Accrued income taxes	678	284
Allowance for bonuses	495	151
Reserve for adjustment of returned goods	3	35
Provision for shareholder benefit program	29	23
Provision for point card certificates	87	84
Provision for business structure improvement	247	-
Other	10,046	8,917
Total current liabilities	22,891	23,367
Long-term liabilities		
Corporate bonds	2,384	1,428
Long-term borrowings	9,027	10,529
Retirement benefit liability	5,157	5,005
Other	3,327	3,958
Total long-term liabilities	19,896	20,920
Total liabilities	42,788	44,287

(Millions of yen)

	FY2018 (As of Mar. 31, 2019)	Third quarter of FY2019 (As of Dec. 31, 2019)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	55,114	54,109
Treasury stock	(11,762)	(11,846)
Total shareholder's equity	56,762	55,673
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(231)	72
Deferred hedge gain (loss)	(0)	0
Foreign currency translation adjustments	(1,786)	(3,724)
Remeasurements of defined benefit plans	(2,634)	(2,095)
Total accumulated other comprehensive income	(4,652)	(5,747)
Non-controlling interests	287	308
Total net assets	52,396	50,233
Total liabilities and net assets	95,185	94,521

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)
Sales	43,623	42,151
Cost of sales	15,522	14,918
Gross profit	28,101	27,233
Provision for sales returns	-	32
Reversal of provision for sales returns	66	-
Net gross profit on sales	28,167	27,201
Selling, general and administrative expenses	24,357	24,768
Operating profit	3,810	2,433
Non-operating profit		
Interest income	334	389
Dividend income	118	130
Foreign exchange gains	66	-
Gain on investments in partnership	332	203
Other	190	357
Total non-operating profit	1,043	1,080
Non-operating expenses		
Interest expense	76	80
Foreign exchange loss	-	25
Commission expenses	169	86
Other	21	14
Total non-operating expenses	267	206
Ordinary profit	4,586	3,307
Extraordinary gains		
Gain on sales of fixed assets	553	86
Gain on sales of investment securities	502	271
Other	13	-
Total extraordinary gains	1,069	357
Extraordinary losses		
Loss on disposal of fixed assets	12	59
Loss on valuation of investment securities	515	-
Impairment loss	12	65
Loss related to competition law	-	760
Business structure improvement expenses	366	48
Other	15	20
Total extraordinary losses	922	955
Net profit before income taxes	4,733	2,709
Income taxes – current	1,531	971
Income taxes – deferred	151	167
Total income taxes	1,683	1,138
Net profit	3,050	1,570
Net profit attributable to non-controlling interests	33	30
Net profit attributable to owners of parent	3,016	1,540

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

(Millions of yen)

	First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)
Net profit	3,050	1,570
Other comprehensive income		
Net unrealized gain (loss) on other securities	(564)	304
Deferred hedge gain (loss)	0	0
Foreign currency translation adjustments	(1,022)	(1,947)
Remeasurements of defined benefit plans, net of tax	515	538
Total other comprehensive income	(1,070)	(1,104)
Comprehensive income	1,979	466
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,944	445
Comprehensive income attributable to non-controlling interests	35	20

Segment and Other Information

I. First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 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	33,804	1,371	1,887	410	6,149	43,623	-	43,623
(Royalty income)	(7,266)	(1,358)	(1,151)	(397)	(5,537)	(15,711)	(-)	(15,711)
Inter-segment	4,267	19	5	0	1,081	5,375	(5,375)	-
(Royalty income)	(4,049)	(19)	(-)	(-)	(0)	(4,069)	((4,069))	(-)
Total	38,072	1,390	1,893	411	7,231	48,999	(5,375)	43,623
Segment profit (loss)	2,725	(220)	(759)	14	2,474	4,234	(424)	3,810

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.

II. First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 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	33,862	992	1,829	361	5,106	42,151	-	42,151
(Royalty income)	(7,019)	(987)	(1,195)	(352)	(4,523)	(14,077)	(-)	(14,077)
Inter-segment	3,720	12	7	2	1,096	4,837	(4,837)	-
(Royalty income)	(3,526)	(12)	(-)	(-)	(0)	(3,539)	((3,539))	(-)
Total	37,583	1,004	1,836	363	6,202	46,989	(4,837)	42,151
Segment profit (loss)	2,085	(444)	(706)	0	1,910	2,846	(413)	2,433

Notes: 1. The minus 413 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.