February 12, 2021

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021 (FY2020) (Nine Months Ended December 31, 2020) [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 12, 2021
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 FY2020 (April 1, 2020 – December 31, 2020)

(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, 2020	29,449	(30.1)	(2,516)	-	(1,766)	-	(2,357)	-
Nine months ended Dec. 31, 2019	42,151	(3.4)	2,433	(36.1)	3,307	(27.9)	1,540	(48.9)

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2020: (2,146) (-%)
Nine months ended Dec. 31, 2019: 466 (down 76.4%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Nine months ended Dec. 31, 2020	(28.32)	-
Nine months ended Dec. 31, 2019	18.16	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2020	90,459	36,360	40.0
As of Mar. 31, 2020	89,515	46,387	51.5

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2020: 36,224 As of Mar. 31, 2020: 46,060

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	-	15.00	-	20.00	35.00
FY2020	-	0.00	-		
FY2020 (forecast)				0.00	0.00

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

Breakdown of the year-end dividend for FY2019:
Ordinary dividend: 15.00 yen; 60th anniversary commemorative dividend: 5.00 yen

3. Consolidated Forecast for FY2020 (April 1, 2020 – March 31, 2021)

(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	40,200	(27.3)	(4,000)	-	(3,100)	-	(3,600)	-	(43.57)

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: 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 Dec. 31, 2020:	89,065,301 shares	As of Mar. 31, 2020:	89,065,301 shares

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

As of Dec. 31, 2020:	8,523,746 shares	As of Mar. 31, 2020:	5,131,983 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020:	83,254,940 shares	Nine months ended Dec. 31, 2019:	84,852,868 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, the economy suffered a major setback due to factors including economic stagnation and the loss of demand from tourists visiting from abroad caused by the spread of COVID-19. Although domestic economic activity slowly resumed and signs of a gradual recovery appeared as government initiatives took effect, the outlook remains uncertain due to a resurgence of infections in Japan during the winter season following spikes in Europe and the United States. We have continued to protect the health of our customers and employees and take measures to prevent the spread of infection while operating safe stores and facilities.

In Japan, growth in the e-commerce sector and in hygiene-related products such as masks and disinfectant sprays amid the COVID-19 pandemic was unable to fully compensate for the adverse effects of continued self-restraint in events and sales promotion activities, the loss of demand from tourists visiting from abroad, and the decline in consumer confidence on the year-end gift sales season. The theme park business continued to face difficulties even after reopening as admission restrictions led to a sharp drop in visitor numbers; however, the Company is focusing on new initiatives such as launching an online business.

Overseas, as in Japan, the spread of COVID-19 had a huge impact, and product promotion and event-related activities still cannot be implemented. In North America, while the e-commerce business saw double-digit growth, sales struggled in areas where schools have closed due to a sharp fall in repeat orders for products relating to schoolchildren.

As a result of these factors, sales fell 30.1% year-on-year to 29.4 billion yen, and operating loss was 2.5 billion yen (profit of 2.4 billion yen in the same period of the previous fiscal year). Ordinary loss was 1.7 billion yen (profit of 3.3 billion yen in the same period of the previous fiscal year) due to accounting interest income and gain on investments in partnership as non-operating profit. Net loss attributable to owners of parent was 2.3 billion yen (profit of 1.5 billion yen in the same period of the previous fiscal year) after accounting for extraordinary gains including 1.1 billion yen from subsidies for employment adjustment; extraordinary losses including 1.4 billion yen from the temporary closure of stores and theme parks to prevent the spread of COVID-19; and total income taxes of 0.2 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 2020.

Reportable Segment (100 millions of yen)

	First nine months of	Sales				Segment profit (operating profit)			
		FY2019	FY2020	Increase/ decrease	Change (%)	FY2019	FY2020	Increase/ decrease	Change (%)
Japan	Product sales/others	268	171	(97)	(36.2)	20	(25)	(46)	-
	Royalties	70	59	(11)	(15.8)				
	Total	338	230	(108)	(32.0)				
Europe	Product sales/others	0	0	0	105.7	(4)	(1)	3	-
	Royalties	9	8	(1)	(12.6)				
	Total	9	8	(1)	(12.1)				
North America	Product sales/others	6	6	(0)	(1.8)	(7)	(8)	(1)	-
	Royalties	11	6	(5)	(48.8)				
	Total	18	12	(5)	(32.5)				
Latin America	Product sales/others	0	0	0	10.5	0	(0)	(0)	-
	Royalties	3	2	(1)	(39.1)				
	Total	3	2	(1)	(37.9)				
Asia	Product sales/others	5	3	(2)	(39.2)	19	14	(5)	(26.6)
	Royalties	45	37	(7)	(17.5)				
	Total	51	40	(10)	(20.0)				
Adjustment		-	-	-	-	(4)	(4)	(0)	-
Consolidated	Product sales/others	280	181	(99)	(35.5)	24	(25)	(49)	-
	Royalties	140	113	(27)	(19.5)				
	Total	421	294	(127)	(30.1)				

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

With regard to the full-year consolidated forecasts, although the end of COVID-19 is still difficult to foresee, both sales and earnings exceeded those set out in the plan in the third quarter of the fiscal year due to higher sales following a recovery in domestic demand and lower-than-expected selling, general and administrative expenses. Accordingly, we have revised our consolidated forecasts for the fiscal year ending March 31, 2021, which was announced on October 30, 2020.

We will continue to monitor the economic environment and market trends closely and endeavor to appropriately disclose our earnings forecasts.

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. 2018	Dec. 2019	Change (%)	Dec. 2020	Change (%)	Dec. 2018	Dec. 2019	Change (%)	Dec. 2020	Change (%)
Europe	Germany	1,106	790	(28.6)	637	(19.3)	(45)	(271)	-	54	-
	Britain	264	201	(23.6)	234	16.0	(175)	(172)	-	(157)	-
	Subtotal	1,371	992	(27.6)	872	(12.1)	(220)	(444)	-	(102)	-
North America	U.S.A.	1,887	1,829	(3.1)	1,234	(32.5)	(759)	(706)	-	(860)	-
Latin America	Brazil/Chile	410	361	(12.1)	224	(37.9)	14	0	(95.1)	(1)	-
Asia	Hong Kong	2,108	1,830	(13.2)	1,298	(29.0)	851	603	(29.1)	379	(37.2)
	Taiwan	1,069	798	(25.3)	755	(5.4)	337	266	(20.8)	228	(14.2)
	South Korea	597	495	(17.1)	341	(31.1)	116	73	(37.1)	14	(80.7)
	China	2,374	1,981	(16.5)	1,688	(14.8)	1,169	966	(17.3)	779	(19.3)
	Subtotal	6,149	5,106	(17.0)	4,085	(20.0)	2,474	1,910	(22.8)	1,402	(26.6)
Total		9,819	8,288	(15.6)	6,415	(22.6)	1,508	760	(49.6)	437	(42.5)

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	Third quarter of FY2020 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposit	40,053	38,889
Trade notes and accounts receivable	6,211	5,901
Merchandise and finished goods	4,589	5,264
Work in process	22	61
Raw materials and supplies	243	220
Other accounts receivable	1,683	2,127
Other	1,078	891
Allowance for doubtful accounts	(102)	(90)
Total current assets	53,780	53,266
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,306	4,929
Land	7,825	7,827
Other, net	2,758	3,634
Total tangible fixed assets	15,890	16,392
Intangible fixed assets	2,474	2,335
Investments and other assets		
Investment securities	9,062	11,203
Deferred tax assets	2,956	2,171
Other	5,851	5,580
Allowance for doubtful accounts	(531)	(513)
Total investments and other assets	17,339	18,441
Total fixed assets	35,704	37,169
Deferred assets	30	23
Total assets	89,515	90,459
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,964	4,279
Short-term borrowings	8,089	18,004
Accrued income taxes	425	410
Allowance for bonuses	479	151
Reserve for adjustment of returned goods	25	23
Provision for shareholder benefit program	45	24
Provision for point card certificates	71	117
Other	9,494	8,636
Total current liabilities	22,595	31,646
Long-term liabilities		
Corporate bonds	1,347	986
Long-term borrowings	9,048	11,182
Retirement benefit liability	5,883	5,244
Other	4,253	5,038
Total long-term liabilities	20,532	22,452
Total liabilities	43,127	54,098

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	Third quarter of FY2020 (As of Dec. 31, 2020)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	52,818	48,782
Treasury stock	(13,762)	(19,762)
Total shareholder's equity	52,466	42,429
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(995)	(277)
Deferred hedge gain (loss)	(0)	(0)
Foreign currency translation adjustments	(2,494)	(3,575)
Remeasurements of defined benefit plans	(2,914)	(2,352)
Total accumulated other comprehensive income	(6,405)	(6,205)
Non-controlling interests	326	135
Total net assets	46,387	36,360
Total liabilities and net assets	89,515	90,459

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)
Sales	42,151	29,449
Cost of sales	14,918	11,325
Gross profit	27,233	18,124
Provision for sales returns	32	-
Reversal of provision for sales returns	-	2
Net gross profit on sales	27,201	18,126
Selling, general and administrative expenses	24,768	20,642
Operating profit (loss)	2,433	(2,516)
Non-operating profit		
Interest income	389	321
Dividend income	130	112
Gain on investments in partnership	203	395
Subsidies for employment adjustment	-	113
Other	357	294
Total non-operating profit	1,080	1,237
Non-operating expenses		
Interest expense	80	101
Foreign exchange loss	25	96
Commission expenses	86	110
Settlement package	-	161
Other	14	18
Total non-operating expenses	206	487
Ordinary profit (loss)	3,307	(1,766)
Extraordinary gains		
Gain on sales of fixed assets	86	-
Gain on sales of investment securities	271	365
Gain on valuation of investment securities	-	273
Subsidies for employment adjustment	-	486
Total extraordinary gains	357	1,125
Extraordinary losses		
Loss on disposal of fixed assets	59	12
Loss on valuation of investment securities	-	5
Impairment loss	65	44
Loss related to competition law	760	-
Business restructuring expenses	48	-
Loss from the temporary closure of theme parks, etc.	-	1,371
Other	20	36
Total extraordinary losses	955	1,471
Net profit (loss) before income taxes	2,709	(2,112)
Income taxes – current	971	982
Refund of income taxes	-	(826)
Income taxes – deferred	167	69
Total income taxes	1,138	225
Net profit (loss)	1,570	(2,337)
Net profit attributable to non-controlling interests	30	20
Net profit (loss) attributable to owners of parent	1,540	(2,357)

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

(Millions of yen)

	First nine months of FY2019 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)
Net profit (loss)	1,570	(2,337)
Other comprehensive income		
Net unrealized gain (loss) on other securities	304	718
Deferred hedge gain (loss)	0	0
Foreign currency translation adjustments	(1,947)	(1,090)
Remeasurements of defined benefit plans, net of tax	538	562
Total other comprehensive income	(1,104)	190
Comprehensive income	466	(2,146)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	445	(2,157)
Comprehensive income attributable to non-controlling interests	20	10

Segment and Other Information

I. 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.

II. First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)

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	23,033	872	1,234	224	4,085	29,449	-	29,449
(Royalty income)	(5,913)	(862)	(611)	(214)	(3,730)	(11,333)	(-)	(11,333)
Inter-segment	2,335	13	11	5	746	3,112	(3,112)	-
(Royalty income)	(2,195)	(13)	(-)	(-)	(0)	(2,209)	((2,209))	(-)
Total	25,369	885	1,246	229	4,831	32,562	(3,112)	29,449
Segment profit (loss)	(2,527)	(102)	(860)	(1)	1,402	(2,090)	(426)	(2,516)

Notes: 1. The minus 426 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 loss 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.