May 14, 2021

Summary of Financial Results for the Fiscal Year Ended March 31, 2021 (FY2020) [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: Tomokuni Tsuji, President and Chief Executive Officer
Inquiries: Jiro Kishimura, Managing Director TEL: +81-3-3779-8058
Scheduled date of Annual General Meeting of Shareholders: June 24, 2021
Scheduled date of filing of Annual Securities Report: June 25, 2021
Starting date of dividend payment: -
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for FY2020 (April 1, 2020 – March 31, 2021)

(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	%
FY2020	41,053	(25.7)	(3,280)	-	(1,731)	-	(3,960)	-
FY2019	55,261	(6.5)	2,106	(56.0)	3,274	(43.9)	191	(95.1)

Note: Comprehensive income (millions of yen) FY2020: (1,097) (-%) FY2019: (1,521) (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share	Return on Equity (ROE)	Return on Assets (ROA)	Operating Profit to Sales
	Yen	Yen	%	%	%
FY2020	(47.93)	-	(9.5)	(2.0)	(8.0)
FY2019	2.26	-	0.4	3.5	3.8

Reference: Equity in earnings of unconsolidated subsidiaries (millions of yen) FY2020: - FY2019: -

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2021	85,986	37,414	43.4	462.91
As of Mar. 31, 2020	89,515	46,387	51.5	548.78

Reference: Shareholders' equity (millions of yen) As of Mar 31, 2021: 37,283 As of Mar. 31, 2020: 46,060

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020	(2,287)	7,007	(862)	24,788
FY2019	834	(3,624)	(4,993)	21,011

2. Dividends

	Dividend per Share					Total Dividends	Dividend Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2019	-	15.00	-	20.00	35.00	2,951	1,545.3	6.0
FY2020	-	0.00	-	0.00	0.00	-	-	-
FY2021 (forecast)	-	8.00	-	8.00	16.00		61.4	

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

3. Consolidated Forecast for FY2021 (April 1, 2021 – March 31, 2022)

(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	23,000	34.7	(1,100)	-	(1,000)	-	1,900	-	23.59
Full year	49,100	19.6	(700)	-	(400)	-	2,100	-	26.07

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) 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

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

As of Mar. 31, 2021: 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 Mar. 31, 2021: 8,523,746 shares As of Mar. 31, 2020: 5,131,983 shares

3) Average number of shares outstanding during the period

FY2020: 82,628,774 shares FY2019: 84,640,664 shares

Reference: Unconsolidated Financial Results

1. Unconsolidated Financial Results for FY2020 (April 1, 2020 – March 31, 2021)

(1) Unconsolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020	30,563	(19.7)	(1,757)	-	7,339	161.3	6,542	276.3
FY2019	38,044	(6.8)	330	(85.9)	2,808	(41.3)	1,738	(51.5)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
FY2020	79.18	-
FY2019	20.54	-

(2) Unconsolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2021	55,631	22,235	40.0	276.08
As of Mar. 31, 2020	50,412	22,223	44.1	264.78

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2021: 22,235 As of Mar. 31, 2020: 22,223

Note 1: The current financial report is not subject to audit 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.

Overview of Results of Operations, etc.

(1) Results of Operations

(100 millions of yen)

	FY2020 Results	Vs. Plan			Y-O-Y		
		*Final plan	Increase/ decrease	Change (%)	FY2019 Results	Increase/ decrease	Change (%)
Sales	410	402	8	2.1	552	(142)	(25.7)
Gross profit	252	248	4	2.0	350	(97)	(27.8)
Selling, general & administrative expenses	285	288	(2)	(0.8)	329	(43)	(13.2)
Operating profit	(32)	(40)	7	-	21	(53)	-
Non-operating profit or expenses	15	9	6	72.1	11	3	32.5
Ordinary profit	(17)	(31)	13	-	32	(50)	-
Extraordinary gains or losses	(9)	(3)	(6)	-	(20)	10	-
Net profit before income taxes	(26)	(34)	7	-	12	(39)	-
Total income taxes	12	1	10	604.0	10	2	22.6
Net profit attributable to owners of parent	(39)	(36)	(3)	-	1	(41)	-
Gross margin	61.6%	61.7%	(0.1)%	-	63.4%	(1.8)%	-
Operating margin	(8.0)%	(10.0)%	2.0%	-	3.8%	(11.8)%	-
Ordinary margin	(4.2)%	(7.7)%	3.5%	-	5.9%	(10.1)%	-

*Since the initial forecast has been revised, the table above shows comparisons with the final plan.

During 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. Despite the gradual resumption of economic activities in Japan and signs of moderate recovery from the third quarter onward, the outlook remains uncertain due to weakening consumption accompanying the spread of the pandemic. Sanrio has 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, the Company managed to increase sales amid the COVID-19 pandemic in the e-commerce sector, for hygiene-related products such as masks and disinfectant sprays, and for products targeting students and adults such as the Enjoy Idol series. However, this was not enough to fully compensate for the decline in gift sales due to self-restraint in events and sales promotion activities, loss of demand from tourists visiting from abroad, and declining consumer confidence. 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 initiatives such as launching an e-commerce website and other online businesses.

Overseas, as in Japan, the spread of COVID-19 had a huge impact, and product promotion and event and other activities still cannot be implemented. Moreover, despite double-digit growth in the North American e-commerce business, a series of school closures due to lockdowns in Europe and other countries led to a drop in licensing sales, especially those related to school children.

As a result of these factors, sales fell 25.7% year-on-year to 41.0 billion yen, and operating loss was 3.2 billion yen (profit of 2.1 billion yen in the previous fiscal year). Ordinary loss was 1.7 billion yen (profit of 3.2 billion yen in 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 3.9 billion yen (profit of 0.1 billion yen in the previous fiscal year) after accounting for extraordinary gains including 1.0 billion yen from subsidies for employment adjustment; extraordinary losses including 1.9 billion yen from the temporary closure of stores and theme parks to prevent the spread of COVID-19; total income taxes of 1.2 billion yen.

Since the accounting period for all overseas consolidated subsidiaries runs from January to December, the fiscal year under review for these subsidiaries covers the period from January to December 2020.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
		FY2019	FY2020	Increase/ decrease	Change (%)	FY2019	FY2020	Increase/ decrease	Change (%)
Japan	Product sales/others	339	236	(102)	(30.2)	17	(29)	(46)	-
	Royalties	91	79	(12)	(13.6)				
	Total	430	315	(115)	(26.7)				
Europe	Product sales/others	0	0	0	340.8	(5)	(3)	2	-
	Royalties	14	11	(2)	(18.7)				
	Total	14	12	(2)	(17.6)				
North America	Product sales/others	9	10	1	13.1	(11)	(11)	(0)	-
	Royalties	16	10	(5)	(36.3)				
	Total	26	21	(4)	(18.1)				
Latin America	Product sales/others	0	0	0	47.5	0	0	(0)	(62.2)
	Royalties	4	2	(2)	(40.8)				
	Total	5	3	(1)	(39.4)				
Asia	Product sales/others	11	5	(5)	(50.5)	28	19	(9)	(31.9)
	Royalties	64	52	(12)	(18.6)				
	Total	76	58	(17)	(23.4)				
Adjustment		-	-	-	-	(8)	(8)	(0)	-
Consolidated	Product sales/others	360	253	(106)	(29.7)	21	(32)	(53)	-
	Royalties	192	157	(35)	(18.3)				
	Total	552	410	(142)	(25.7)				

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.

Reference: Overseas sales and profits for the past three years by area (Millions of yen)

Areas		Sales to customers					Operating profit				
		FY2018	FY2019	Change (%)	FY2020	Change (%)	FY2018	FY2019	Change (%)	FY2020	Change (%)
Europe	Germany	1,366	1,063	(22.2)	857	(19.4)	(192)	(439)	-	(174)	-
	UK	397	396	(0.3)	346	(12.7)	(206)	(113)	-	(130)	-
	Subtotal	1,764	1,459	(17.3)	1,203	(17.6)	(398)	(553)	-	(305)	-
North America	USA	2,661	2,607	(2.0)	2,136	(18.1)	(1,082)	(1,126)	-	(1,167)	-
Latin America	Brazil/Chile	561	504	(10.1)	305	(39.4)	16	19	14.0	7	(62.2)
Asia	Hong Kong	2,952	2,531	(14.3)	1,767	(30.2)	1,173	874	(25.5)	470	(46.2)
	Taiwan	1,356	1,087	(19.9)	1,019	(6.3)	444	371	(16.4)	306	(17.5)
	South Korea	824	617	(25.1)	457	(25.9)	167	71	(57.3)	19	(72.1)
	China	3,809	3,369	(11.6)	2,580	(23.4)	1,765	1,560	(11.6)	1,162	(25.5)
	Subtotal	8,943	7,605	(15.0)	5,825	(23.4)	3,551	2,878	(18.9)	1,959	(31.9)
Total		13,930	12,177	(12.6)	9,470	(22.2)	2,087	1,217	(41.7)	493	(59.5)

(2) Financial Position

(100 millions of yen)

	As of Mar. 31, 2020	As of Mar. 31, 2021	Increase/decrease	As of Sep. 30, 2020
Assets	895	859	(35)	954
Liabilities	431	485	54	542
(Interest-bearing debt)	201	278	76	329
Net assets	463	374	(89)	412
Equity ratio	51.5%	43.4%	(8.1) pt	43.0%

* Interest-bearing debt excludes lease obligations.

(3) Cash Flows

(100 millions of yen)

	FY2019	FY2020	Increase/decrease
Cash flows from operating activities	8	(22)	(31)
Cash flows from investing activities	(36)	70	106
Cash flows from financing activities	(49)	(8)	41
Effect of exchange rate changes on cash and cash equivalents	(4)	(0)	3
Increase (decrease) in cash and cash equivalents	(82)	37	120
Cash and cash equivalents at beginning of year	292	210	(82)
Cash and cash equivalents at end of year	210	247	37

(4) Outlook

Regarding the outlook for the future, the COVID-19 situation has currently reached the point where a third state of emergency has been declared due to the spread of mutated strains and other factors, creating a situation where the timescale for a complete resolution cannot be predicted. However, we believe that the start of vaccinations will gradually bring about an end to the situation, and accordingly we are disclosing our consolidated business forecast for the fiscal year ending March 31, 2022, based on the assumption that the domestic economy will be on a recovery track.

(5) Medium-term Management Plan

The Company has formulated a three-year medium-term management plan concluding in the fiscal year ending March 31, 2024, which will be announced on TDnet and the Company’s website on Tuesday, May 25, 2021. The three pillars of this plan are organizational climate reform, initiation and fulfillment of domestic and overseas structural reforms, and sowing the seeds for re-growth strategies and growth markets. We intend to fulfill this plan through radically restructuring our organization.

Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	FY2020 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposit	40,053	36,876
Trade notes and accounts receivable	6,211	5,269
Merchandise and finished goods	4,589	4,383
Work in process	22	10
Raw materials and supplies	243	213
Other accounts receivable	1,683	1,631
Other	1,078	637
Allowance for doubtful accounts	(102)	(85)
Total current assets	53,780	48,937
Fixed assets		
Tangible fixed assets		
Buildings and structures	51,107	51,170
Accumulated depreciation and impairment loss	(45,801)	(46,539)
Buildings and structures, net	5,306	4,631
Machinery and vehicles	12,968	13,006
Accumulated depreciation and impairment loss	(12,656)	(12,705)
Machinery and vehicles, net	312	300
Tools, furniture and fixtures	5,563	5,649
Accumulated depreciation and impairment loss	(5,048)	(5,249)
Tools, furniture and fixtures, net	514	399
Land	7,825	7,831
Lease assets	3,357	4,311
Accumulated depreciation and impairment loss	(1,431)	(1,380)
Lease assets, net	1,925	2,930
Construction in process	5	4
Total tangible fixed assets	15,890	16,098
Intangible fixed assets	2,474	2,216
Investments and other assets		
Investment securities	9,062	11,649
Long-term loans to employees	144	114
Guarantees	1,728	1,722
Deferred tax assets	2,956	1,310
Retirement benefit asset	898	1,812
Other	3,080	2,557
Allowance for doubtful accounts	(531)	(454)
Total investments and other assets	17,339	18,712
Total fixed assets	35,704	37,027
Deferred assets		
Corporate bond issuance costs	30	21
Total deferred assets	30	21
Total assets	89,515	85,986

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	FY2020 (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,964	3,180
Short-term borrowings	8,089	17,030
Current portion of corporate bonds to be redeemed	1,686	512
Lease obligations	656	752
Accrued income taxes	425	486
Allowance for bonuses	479	421
Reserve for adjustment of returned goods	25	8
Provision for shareholder benefit program	45	38
Provision for point card certificates	71	118
Other	7,152	6,786
Total current liabilities	22,595	29,336
Long-term liabilities		
Corporate bonds	1,347	935
Long-term borrowings	9,048	9,382
Lease obligations	1,395	2,351
Long-term deposits received	638	620
Long-term accounts payable	1,334	1,142
Retirement benefit liability	5,883	3,091
Other	885	1,711
Total long-term liabilities	20,532	19,235
Total liabilities	43,127	48,572
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	52,818	47,179
Treasury stock	(13,762)	(19,762)
Total shareholder's equity	52,466	40,827
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(995)	139
Deferred hedge gain (loss)	(0)	-
Foreign currency translation adjustments	(2,494)	(3,320)
Remeasurements of defined benefit plans	(2,914)	(362)
Total accumulated other comprehensive income	(6,405)	(3,543)
Non-controlling interests	326	130
Total net assets	46,387	37,414
Total liabilities and net assets	89,515	85,986

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements

(Millions of yen)

	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)	FY2020 (Apr. 1, 2020 – Mar. 31, 2021)
Sales	55,261	41,053
Cost of sales	20,222	15,779
Gross profit	35,039	25,273
Provision for sales returns	22	-
Reversal of provision for sales returns	-	17
Net gross profit on sales	35,017	25,290
Selling, general and administrative expenses		
Sales and promotion expenses	2,845	1,875
Provision of allowance for doubtful accounts	(109)	113
Directors bonuses and salaries	7,641	7,280
Miscellaneous wages	3,166	2,441
Bonus	961	834
Provision of reserves for bonuses	464	405
Provision for shareholder benefit program	16	(15)
Provision for point card certificates	(15)	43
Retirement benefit expenses	1,972	1,792
Freight charges	990	1,066
Rent	2,676	2,368
Depreciation	1,230	885
Other	11,070	9,478
Total selling, general and administrative expenses	32,910	28,570
Operating profit (loss)	2,106	(3,280)
Non-operating profit		
Interest income	557	412
Dividend income	213	200
Gain on valuation of investment securities	-	286
Gain on investments in partnership	277	919
Compensation for expropriation	167	-
Subsidies for employment adjustment	-	140
Other	264	423
Total non-operating profit	1,480	2,382
Non-operating expenses		
Interest expense	107	131
Foreign exchange loss	74	301
Commission expenses	106	123
Settlement package	-	141
Other	23	135
Total non-operating expenses	311	833
Ordinary profit (loss)	3,274	(1,731)
Extraordinary gains		
Gain on sales of fixed assets	122	-
Gain on sales of investment securities	397	528
Subsidies for employment adjustment	-	487
Total extraordinary gains	519	1,015

(Millions of yen)

	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)	FY2020 (Apr. 1, 2020 – Mar. 31, 2021)
Extraordinary losses		
Loss on disposal of fixed assets	87	17
Impairment loss	129	470
Loss on sale of investment securities	218	51
Loss on valuation of investment securities	721	11
Business restructuring expenses	48	35
Loss related to competition law	760	-
Loss from the temporary closure of theme parks, etc.	562	1,370
Other	-	2
Total extraordinary losses	2,528	1,960
Net profit (loss) before income taxes	1,266	(2,676)
Income taxes – current	747	1,155
Refund of income taxes	-	(820)
Income taxes – deferred	286	931
Total income taxes	1,033	1,267
Net profit (loss)	233	(3,943)
Net profit attributable to non-controlling interests	41	16
Net profit (loss) attributable to owners of parent	191	(3,960)

Consolidated Comprehensive Income Statements

(Millions of yen)

	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)	FY2020 (Apr. 1, 2020 – Mar. 31, 2021)
Net profit (loss)	233	(3,943)
Other comprehensive income		
Net unrealized gain (loss) on other securities	(763)	1,135
Deferred hedge gain (loss)	0	0
Foreign currency translation adjustments	(710)	(841)
Remeasurements of defined benefit plans, net of tax	(280)	2,552
Total other comprehensive income	(1,754)	2,845
Comprehensive income	(1,521)	(1,097)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,560)	(1,098)
Comprehensive income attributable to non-controlling interests	39	0

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2019 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	10,000	3,409	55,114	(11,762)	56,762
Cumulative effects of changes in accounting policies			58		58
Restated balance	10,000	3,409	55,172	(11,762)	56,820
Changes during period					
Dividends of surplus			(2,545)		(2,545)
Net profit attributable to owners of parent			191		191
Purchase of treasury stock				(1,999)	(1,999)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(2,353)	(1,999)	(4,353)
Balance at end of period	10,000	3,409	52,818	(13,762)	52,466

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(231)	(0)	(1,786)	(2,634)	(4,652)	287	52,396
Cumulative effects of changes in accounting policies							58
Restated balance	(231)	(0)	(1,786)	(2,634)	(4,652)	287	52,454
Changes during period							
Dividends of surplus							(2,545)
Net profit attributable to owners of parent							191
Purchase of treasury stock							(1,999)
Net changes in items other than shareholders' equity	(763)	0	(708)	(280)	(1,752)	39	(1,713)
Total changes during period	(763)	0	(708)	(280)	(1,752)	39	(6,067)
Balance at end of period	(995)	(0)	(2,494)	(2,914)	(6,405)	326	46,387

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	10,000	3,409	52,818	(13,762)	52,466
Changes during period					
Dividends of surplus			(1,678)		(1,678)
Net loss attributable to owners of parent			(3,960)		(3,960)
Purchase of treasury stock				(6,000)	(6,000)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(5,639)	(6,000)	(11,639)
Balance at end of period	10,000	3,409	47,179	(19,762)	40,827

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(995)	(0)	(2,494)	(2,914)	(6,405)	326	46,387
Changes during period							
Dividends of surplus							(1,678)
Net loss attributable to owners of parent							(3,960)
Purchase of treasury stock							(6,000)
Net changes in items other than shareholders' equity	1,135	0	(825)	2,552	2,861	(195)	2,665
Total changes during period	1,135	0	(825)	2,552	2,861	(195)	(8,973)
Balance at end of period	139	-	(3,320)	(362)	(3,543)	130	37,414

(4) Consolidated Cash Flow Statements

(Millions of yen)

	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)	FY2020 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Net profit (loss) before income taxes	1,266	(2,676)
Depreciation	2,115	1,792
Amortization of long-term prepaid expenses	70	54
Increase (decrease) in allowance for doubtful accounts	(551)	(74)
Increase (decrease) in provision for business restructuring	(244)	-
Increase (decrease) in reserve for bonuses	(15)	(58)
Decrease (increase) in retirement benefit asset	(417)	(428)
Increase (decrease) in retirement benefit liability	(148)	370
Increase (decrease) in reserve for adjustment of returned goods	22	(17)
Increase (decrease) in provision for shareholder benefit program	15	(6)
Increase (decrease) in provision for point card certificates	(15)	47
Interest and dividend income	(770)	(613)
Interest expense	107	131
Loss (gain) on disposal of fixed assets	(34)	17
Impairment loss	129	470
Loss (gain) on sale of investment securities	(179)	(476)
Valuation loss (gain) on investment securities	721	(274)
Loss related to competition law	760	-
Decrease (increase) in accounts receivable	822	1,023
Decrease (increase) in inventories	(435)	222
Decrease (increase) in other assets	164	(22)
Increase (decrease) in accounts payable	(462)	(752)
Increase (decrease) in consumption tax payable	72	(291)
Increase (decrease) in other liabilities	(506)	230
Other	(170)	(787)
Subtotal	2,315	(2,118)
Interests and dividends received	781	618
Interests paid	(105)	(134)
Payments related to competition law	(760)	-
Income taxes paid	(1,396)	(1,082)
Income taxes refund	-	429
Cash flows from operating activities	834	(2,287)

(Millions of yen)

	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)	FY2020 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from investing activities		
Payments for time deposits	(35,860)	(29,121)
Withdrawal of time deposits	32,018	35,720
Purchase of tangible fixed assets	(1,091)	(723)
Proceeds from sale of tangible fixed assets	752	1
Purchase of intangible fixed assets	(343)	(330)
Proceeds from sale of intangible fixed assets	0	734
Payments for purchase of investment securities	(1,505)	(2,978)
Proceeds from sale of investment securities	2,276	3,107
Proceeds from distributions from investment partnerships	328	1,091
Payment for purchase of shares of unconsolidated subsidiaries	-	(451)
Payments for loans receivable	(150)	-
Collection of loans receivable	49	29
Payments for guarantees	(56)	(54)
Collection of guarantees	194	41
Other	(236)	(60)
Cash flows from investing activities	(3,624)	7,007
Cash flows from financing activities		
Increase in short-term borrowings	-	8,000
Decrease in short-term borrowings	(40)	(610)
Increase in long-term borrowings	7,800	10,100
Decrease in long-term borrowings	(6,519)	(8,214)
Proceeds from issuance of corporate bonds	685	98
Payment for redemption of corporate bonds	(1,795)	(1,686)
Payment for purchase of treasury stock	(1,999)	(6,000)
Dividends paid	(2,556)	(1,688)
Other	(568)	(861)
Cash flows from financing activities	(4,993)	(862)
Effect of exchange rate changes on cash and cash equivalents	(463)	(81)
Increase (decrease) in cash and cash equivalents	(8,246)	3,776
Cash and cash equivalents at beginning of period	29,258	21,011
Cash and cash equivalents at end of period	21,011	24,788

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.