



August 4, 2020

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 (FY2020) (Three Months Ended June 30, 2020)

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
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 Scheduled date of filing of Quarterly Report: August 27, 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 First Quarter of FY2020 (April 1, 2020 – June 30, 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	%
Three months ended Jun. 30, 2020	7,289	(45.5)	(1,177)	-	(999)	-	(858)	-
Three months ended Jun. 30, 2019	13,379	(3.8)	694	(48.1)	944	(44.3)	(291)	-

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2020: (1,345) (-%)

Three months ended Jun. 30, 2019: (229) (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Three months ended Jun. 30, 2020	(10.23)	-
Three months ended Jun. 30, 2019	(3.44)	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2020	98,533	43,362	43.7
As of Mar. 31, 2020	89,515	46,387	51.5

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 43,030 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	-	-	-	-	-
FY2020 (forecast)	-	-	-	-	-

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

The dividends forecast for FY2020 has yet to be determined at this time.

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

The consolidated forecast for the fiscal year ending March 31, 2021 has yet to be determined at this time due to the difficulty of reasonably estimating the impact of the spread of COVID-19 on business activities and operating results. We will promptly disclose forecast once it becomes possible to make a reasonable estimate in the future.

*** 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 Jun. 30, 2020:	89,065,301 shares	As of Mar. 31, 2020:	89,065,301 shares
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2) Number of shares of treasury stock at the end of the period

As of Jun. 30, 2020:	5,131,983 shares	As of Mar. 31, 2020:	5,131,983 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	83,933,318 shares	Three months ended Jun. 30, 2019:	84,856,718 shares
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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, the economy continued to deteriorate rapidly due to the spread of COVID-19, and first-quarter operating results indicated a severe situation. In Japan, we are required to protect the health of our customers and employees and take measures to prevent the spread of infection while operating safe stores and facilities and gradually raising the level of social and economic activity. This has led to a significant decline in business opportunities due to such factors as event cancellations and the temporary closure of stores and theme parks. Regarding the latter, Harmony Land in Oita Prefecture resumed operations on June 8, but Sanrio Puroland in Tama City, Tokyo did not reopen until July 13, making it impossible to achieve sales in the first quarter.

In the product sales division, e-commerce orders rose, all store operations were able to resume in June, and some hit products were released. However, this could not make up for the effects of temporary closures that lasted until May and a fall in the numbers of inbound foreign tourists, causing sales to fall significantly year-on-year. Regarding domestic licensing business, games and other digital businesses grew but results related to apparel and souvenirs were severe.

Overseas, planned 45th anniversary events for My Melody and product campaigns with business partners had to be cancelled and business activities were unable to continue following lockdowns in various countries from February onwards due to the spread of COVID-19.

As a result of these factors, sales fell 45.5% year-on-year to 7.2 billion yen, and operating loss was 1.1 billion yen (profit of 0.6 billion yen in the same period of the previous fiscal year). Ordinary loss was 0.9 billion yen (profit of 0.9 billion yen in the same period of the previous fiscal year) due to accounting interest income and dividend income as non-operating profit. Extraordinary losses included 1.2 billion yen from the temporary closure of stores and theme parks to prevent the spread of COVID-19, while the Company benefited from the accounting of a tax refund of 0.8 billion yen and income taxes-deferred of 0.3 billion yen. As a result, net loss attributable to owners of parent rose by 0.5 billion yen year-on-year to 0.8 billion yen.

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 2020.

Reportable Segment

(100 millions of yen)

	First three months of	Sales				Segment profit (operating profit)			
		FY2019	FY2020	Increase/ decrease	Change (%)	FY2019	FY2020	Increase/ decrease	Change (%)
Japan	Product sales/others	82	36	(45)	(55.7)	7	(6)	(13)	-
	Royalties	21	16	(4)	(22.2)				
	Total	104	53	(50)	(48.7)				
Europe	Product sales/others	0	(0)	(0)	-	(1)	(2)	(1)	-
	Royalties	3	2	(1)	(37.3)				
	Total	4	2	(1)	(37.7)				
North America	Product sales/others	1	1	(0)	(31.5)	(2)	(3)	(1)	-
	Royalties	3	1	(1)	(50.1)				
	Total	5	3	(2)	(44.2)				
Latin America	Product sales/others	0	0	0	9.2	0	0	(0)	(88.6)
	Royalties	2	0	(1)	(50.8)				
	Total	2	1	(1)	(49.7)				
Asia	Product sales/others	1	1	(0)	(35.9)	6	4	(2)	(33.0)
	Royalties	15	11	(4)	(28.0)				
	Total	17	12	(5)	(28.8)				
Adjustment		-	-	-	-	(4)	(4)	0	-
Consolidated	Product sales/others	86	39	(47)	(54.7)	6	(11)	(18)	-
	Royalties	47	33	(13)	(28.9)				
	Total	133	72	(60)	(45.5)				

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 economic environment for the fiscal year is expected to remain extremely severe in Japan and overseas due to the impact of COVID-19. At this point in time it is impossible to predict when the situation can be completely resolved.

The environment surrounding the group remains uncertain in many areas. Under these circumstances, being extremely difficult to reasonably calculate at this time, the consolidated forecast for the fiscal year ending March 31, 2021 is still pending.

Regarding the new medium-term management plan, we intend to announce the basic policy along with the financial results at the end of the current fiscal year (scheduled for May 2021) taking into consideration future changes in the domestic and overseas situations.

The dividend forecast for the current fiscal year is yet to be decided as the above conditions render it very difficult to make reasonable calculations. We will continue to analyze the situation and will notify you as soon as possible.

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

		Sales to customers					Operating profit				
Three months ended		Jun. 2018	Jun. 2019	Change (%)	Jun. 2020	Change (%)	Jun. 2018	Jun. 2019	Change (%)	Jun. 2020	Change (%)
Areas											
Europe	Germany	490	324	(33.8)	160	(50.6)	47	(68)	-	(169)	-
	Britain	116	76	(34.8)	89	17.5	(29)	(36)	-	(50)	-
	Subtotal	607	400	(34.0)	249	(37.7)	17	(104)	-	(220)	-
North America	U.S.A.	686	563	(17.9)	314	(44.2)	(184)	(213)	-	(355)	-
Latin America	Brazil/Chile	181	205	13.3	103	(49.7)	27	39	47.0	4	(88.6)
Asia	Hong Kong	634	495	(21.8)	433	(12.6)	209	160	(23.4)	134	(16.2)
	Taiwan	461	336	(27.2)	261	(22.2)	148	125	(15.6)	87	(30.0)
	South Korea	239	204	(14.3)	135	(34.1)	63	36	(43.0)	14	(60.6)
	China	857	748	(12.7)	440	(41.2)	392	320	(18.3)	194	(39.4)
	Subtotal	2,192	1,785	(18.6)	1,270	(28.8)	813	642	(21.0)	430	(33.0)
Total		3,668	2,955	(19.4)	1,938	(34.4)	674	363	(46.0)	(140)	-

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2019 (As of Mar. 31, 2020)	First quarter of FY2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposit	40,053	49,151
Trade notes and accounts receivable	6,211	4,773
Merchandise and finished goods	4,589	5,458
Work in process	22	38
Raw materials and supplies	243	177
Other accounts receivable	1,683	1,905
Other	1,078	925
Allowance for doubtful accounts	(102)	(91)
Total current assets	53,780	62,339
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,306	5,222
Land	7,825	7,821
Other, net	2,758	2,603
Total tangible fixed assets	15,890	15,647
Intangible fixed assets	2,474	2,357
Investments and other assets		
Investment securities	9,062	10,057
Deferred tax assets	2,956	2,987
Other	5,851	5,625
Allowance for doubtful accounts	(531)	(510)
Total investments and other assets	17,339	18,159
Total fixed assets	35,704	36,165
Deferred assets	30	28
Total assets	89,515	98,533
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,964	3,058
Short-term borrowings	8,089	16,697
Accrued income taxes	425	260
Allowance for bonuses	479	752
Reserve for adjustment of returned goods	25	14
Provision for shareholder benefit program	45	37
Provision for point card certificates	71	119
Other	9,494	8,916
Total current liabilities	22,595	29,857
Long-term liabilities		
Corporate bonds	1,347	1,177
Long-term borrowings	9,048	14,374
Retirement benefit liability	5,883	5,632
Other	4,253	4,129
Total long-term liabilities	20,532	25,313
Total liabilities	43,127	55,170

	(Millions of yen)	
	FY2019 (As of Mar. 31, 2020)	First quarter of FY2020 (As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	52,818	50,281
Treasury stock	(13,762)	(13,762)
Total shareholder's equity	52,466	49,929
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(995)	(500)
Deferred hedge gain (loss)	(0)	(0)
Foreign currency translation adjustments	(2,494)	(3,671)
Remeasurements of defined benefit plans	(2,914)	(2,727)
Total accumulated other comprehensive income	(6,405)	(6,899)
Non-controlling interests	326	332
Total net assets	46,387	43,362
Total liabilities and net assets	89,515	98,533

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

	(Millions of yen)	
	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)
Sales	13,379	7,289
Cost of sales	4,746	2,779
Gross profit	8,632	4,509
Provision for sales returns	9	-
Reversal of provision for sales returns	-	11
Net gross profit on sales	8,623	4,520
Selling, general and administrative expenses	7,929	5,698
Operating profit (loss)	694	(1,177)
Non-operating profit		
Interest income	138	101
Dividend income	27	25
Gain on investments in partnership	131	9
Other	81	117
Total non-operating profit	378	254
Non-operating expenses		
Interest expense	25	27
Foreign exchange loss	60	4
Commission expenses	36	37
Other	5	5
Total non-operating expenses	127	75
Ordinary profit (loss)	944	(999)
Extraordinary gains		
Gain on sales of fixed assets	58	-
Gain on sales of investment securities	80	108
Gain on valuation of investment securities	-	157
Total extraordinary gains	138	266
Extraordinary losses		
Loss on disposal of fixed assets	1	3
Loss on valuation of investment securities	355	5
Impairment loss	1	-
Loss related to competition law	772	-
Loss from the temporary closure of theme parks, etc.	-	1,240
Other	26	8
Total extraordinary losses	1,156	1,258
Net profit (loss) before income taxes	(73)	(1,991)
Income taxes – current	343	18
Refund of income taxes	-	(831)
Income taxes – deferred	(134)	(327)
Total income taxes	208	(1,140)
Net loss	(282)	(851)
Net profit attributable to non-controlling interests	8	7
Loss attributable to owners of parent	(291)	(858)

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

(Millions of yen)

	First three months of FY2019 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 2020)
Net loss	(282)	(851)
Other comprehensive income		
Net unrealized gain (loss) on other securities	(154)	495
Deferred hedge gain (loss)	(1)	0
Foreign currency translation adjustments	29	(1,177)
Remeasurements of defined benefit plans, net of tax	179	187
Total other comprehensive income	53	(494)
Comprehensive income	(229)	(1,345)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(237)	(1,352)
Comprehensive income attributable to non-controlling interests	8	6

Segment and Other Information**I. 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.

II. First three months of FY2020 (Apr. 1, 2020 – Jun. 30, 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	5,351	249	314	103	1,270	7,289	-	7,289
(Royalty income)	(1,697)	(250)	(192)	(99)	(1,150)	(3,389)	(-)	(3,389)
Inter-segment	764	6	4	1	245	1,022	(1,022)	-
(Royalty income)	(732)	(6)	(-)	(-)	(0)	(739)	((739))	(-)
Total	6,115	256	318	104	1,515	8,311	(1,022)	7,289
Segment profit (loss)	(607)	(220)	(355)	4	430	(748)	(429)	(1,177)

- Notes: 1. The minus 429 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.