



February 14, 2019

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019 (FY2018)
(Nine Months Ended December 31, 2018)

[Japanese GAAP]

Company name: Sanrio Company, Ltd. Listed Stock Exchange: TSE 1st Section
 Stock code: 8136 URL: <http://www.sanrio.co.jp/english/corporate/ir/>
 Representative: Shintaro Tsuji, President and Chief Executive Officer
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 Scheduled date of filing of Quarterly Report: February 14, 2019
 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 FY2018 (April 1, 2018 – December 31, 2018)

(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, 2018 | 43,623 | (1.2) | 3,810 | (12.6) | 4,586 | (2.6) | 3,016 | 21.3 |
| Nine months ended Dec. 31, 2017 | 44,135 | (6.4) | 4,359 | (27.5) | 4,706 | (25.7) | 2,486 | (57.0) |

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2018: 1,979 (down 49.2%)
 Nine months ended Dec. 31, 2017: 3,896 (- %)

| | Net Profit per Share | Fully-Diluted Net Profit per Share |
|---------------------------------|----------------------|------------------------------------|
| | Yen | Yen |
| Nine months ended Dec. 31, 2018 | 35.55 | - |
| Nine months ended Dec. 31, 2017 | 29.31 | - |

(2) Consolidated financial position

| | Total Assets | Net Assets | Equity Ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Dec. 31, 2018 | 94,110 | 52,183 | 55.2 |
| As of Mar. 31, 2018 | 98,274 | 52,734 | 53.4 |

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2018: 51,904 As of Mar. 31, 2018: 52,491

2. Dividends

| | Dividend per Share | | | | |
|-------------------|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2017 | - | 40.00 | - | 15.00 | 55.00 |
| FY2018 | - | 15.00 | - | | |
| FY2018 (forecast) | | | | 15.00 | 30.00 |

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

3. Consolidated Forecasts for FY2018 (April 1, 2018 – March 31, 2019)

(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 | 60,600 | 0.6 | 5,200 | (9.3) | 6,000 | (0.3) | 3,700 | (24.9) | 43.61 |

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: 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, 2018: | 89,065,301 shares | As of Mar. 31, 2018: | 89,065,301 shares |
|----------------------|-------------------|----------------------|-------------------|

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

| | | | |
|----------------------|------------------|----------------------|------------------|
| As of Dec. 31, 2018: | 4,208,583 shares | As of Mar. 31, 2018: | 4,218,473 shares |
|----------------------|------------------|----------------------|------------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Nine months ended Dec. 31, 2018: | 84,849,774 shares | Nine months ended Dec. 31, 2017: | 84,847,046 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 (overseas: January 1 to September 30, 2018; within Japan: April 1 to December 31, 2018), domestically the theme park business performed well, especially at Sanrio Puroland in Tama City, Tokyo, where the Marchen Theater's Kawaii Kabuki–Momotaro by the Hello Kitty Troup, the Fairyland Theater's musical Memory Boys–Store Selling Memories, the Puro Summer Festival in summer and the Puro Halloween Party in autumn proved especially popular. In the product sales business, successive natural disasters in the first half caused by typhoons and earthquakes negatively affected customer numbers due to such factors as a reduction in overseas visitors to Japan and a suspension of store business in some areas. The impact of these events persisted even during the third quarter, but we strove to expand domestic demand by holding store events and promotions. Overseas, in Asia royalty income from China, Hong Kong, and Macao was steady but in Europe and the United States the business recovery has been delayed despite each subsidiary working on recovery measures.

As a result, sales fell 1.2% year-on-year to 43.6 billion yen and operating profit fell 12.6% to 3.8 billion yen. Ordinary profit fell 2.6% year-on-year to 4.5 billion yen, mainly due to accounting 0.3 billion yen for gain on investments in partnership as non-operating profit, while net profit attributable to owners of parent rose 21.3% to 3 billion yen after accounting for the following extraordinary gains/losses: a gain on sales of fixed assets of 0.5 billion yen on realization of deferred income accompanying early withdrawal of the sales and lease back transaction for the fixed assets of the U.S. subsidiary; a gain on sales of investment securities of 0.5 billion yen; a loss on valuation of investment securities of 0.5 billion yen; expenses of 0.3 billion yen as business structure improvement expenses for restructuring the U.S. subsidiary; and a total of 1.6 billion yen in income taxes.

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 2018.

Reportable Segment

(100 millions of yen)

| | First nine months of | Sales | | | | Segment profit (operating profit) | | | |
|---------------|----------------------|--------|--------|-----------------------|---------------|-----------------------------------|--------|-----------------------|---------------|
| | | FY2017 | FY2018 | Increase/ decrease | Change (%) | FY2017 | FY2018 | Increase/ decrease | Change (%) |
| Japan | Product sales/others | 266 | 265 | (1) | (0.4) | 31 | 27 | (4) | (13.4) |
| | Royalties | 71 | 72 | 1 | 1.6 | | | | |
| | Total | 337 | 338 | 0 | 0.0 | | | | |
| Europe | Product sales/others | 0 | 0 | (0) | (25.5) | (1) | (2) | (0) | - |
| | Royalties | 15 | 13 | (1) | (9.9) | | | | |
| | Total | 15 | 13 | (1) | (10.1) | | | | |
| North America | Product sales/others | 8 | 7 | (1) | (12.3) | (6) | (7) | (1) | - |
| | Royalties | 13 | 11 | (1) | (11.9) | | | | |
| | Total | 21 | 18 | (2) | (12.0) | | | | |
| Latin America | Product sales/others | 0 | 0 | (0) | (1.0) | 0 | 0 | (0) | (78.9) |
| | Royalties | 6 | 3 | (2) | (36.1) | | | | |
| | Total | 6 | 4 | (2) | (35.4) | | | | |
| Asia | Product sales/others | 5 | 6 | 0 | 6.0 | 23 | 24 | 0 | 4.0 |
| | Royalties | 54 | 55 | 0 | 1.5 | | | | |
| | Total | 60 | 61 | 1 | 1.9 | | | | |
| Adjustment | | - | - | - | - | (4) | (4) | 0 | - |
| Consolidated | Product sales/others | 280 | 279 | (1) | (0.6) | 43 | 38 | (5) | (12.6) |
| | Royalties | 160 | 157 | (3) | (2.1) | | | | |
| | Total | 441 | 436 | (5) | (1.2) | | | | |

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

As announced on May 11, 2018, Sanrio started a three-year medium-term management plan “Marketing Innovation Project 2021” in the current fiscal year. We will take various actions in accordance with this plan in order to “become a strategic global company operating a Social Communication Gift Business.”

In overseas business, the outlook for recovery in both Europe and the Americas has fallen behind the initial plan prepared at the beginning of the fiscal year, while in Japan the theme parks business continues to perform well. Although business performance may be affected by trends in the Chinese economy and the movement of tourists visiting to Japan, we will continue to implement each measure of the medium-term management plan and aim to meet the first-year and final-year targets for operating profit.

Accordingly, there is no change to the full-year consolidated forecasts. The dividend will be in line with the initial plan in the current fiscal year, paying out year-end dividends of 15 yen per share.

Reference: Overseas Sales and Profits for the Past Nine-month Periods by Area

(Millions of yen)

| | | Sales to customers | | | | | Operating profit | | | | |
|-------------------|--------------|--------------------|-----------|------------|-----------|------------|------------------|-----------|------------|-----------|------------|
| Nine months ended | | Dec. 2016 | Dec. 2017 | Change (%) | Dec. 2018 | Change (%) | Dec. 2016 | Dec. 2017 | Change (%) | Dec. 2018 | Change (%) |
| Areas | | | | | | | | | | | |
| Europe | Germany | 1,951 | 1,218 | (37.6) | 1,106 | (9.2) | (291) | (61) | - | (45) | - |
| | Britain | 334 | 306 | (8.3) | 264 | (13.8) | (50) | (84) | - | (175) | - |
| | Subtotal | 2,285 | 1,525 | (33.3) | 1,371 | (10.1) | (341) | (146) | - | (220) | - |
| North America | U.S.A. | 3,018 | 2,145 | (28.9) | 1,887 | (12.0) | (328) | (637) | - | (759) | - |
| Latin America | Brazil/Chile | 721 | 635 | (11.8) | 410 | (35.4) | 181 | 68 | (62.5) | 14 | (78.9) |
| Asia | Hong Kong | 2,443 | 2,162 | (11.5) | 2,108 | (2.5) | 858 | 818 | (4.7) | 851 | 4.0 |
| | Taiwan | 1,136 | 1,046 | (7.9) | 1,069 | 2.2 | 367 | 360 | (2.0) | 337 | (6.4) |
| | South Korea | 715 | 639 | (10.7) | 597 | (6.6) | 161 | 156 | (3.5) | 116 | (25.3) |
| | China | 1,981 | 2,185 | 10.3 | 2,374 | 8.6 | 866 | 1,044 | 20.6 | 1,169 | 11.9 |
| | Subtotal | 6,277 | 6,034 | (3.9) | 6,149 | 1.9 | 2,254 | 2,379 | 5.6 | 2,474 | 4.0 |
| Total | | 12,302 | 10,340 | (15.9) | 9,819 | (5.0) | 1,766 | 1,663 | (5.8) | 1,508 | (9.3) |

Quarterly Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheets**

| | (Millions of yen) | |
|--|---------------------------------|--|
| | FY2017 (As of Mar. 31, 2018) | Third quarter of FY2018 (As of Dec. 31, 2018) |
| Assets | | |
| Current assets | | |
| Cash and deposit | 44,290 | 42,593 |
| Trade notes and accounts receivable | 7,824 | 7,019 |
| Merchandise and finished goods | 4,069 | 4,623 |
| Work in process | 26 | 63 |
| Raw materials and supplies | 116 | 255 |
| Other accounts receivable | 880 | 431 |
| Other | 737 | 678 |
| Allowance for doubtful accounts | (74) | (103) |
| Total current assets | 57,871 | 55,561 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 5,876 | 5,545 |
| Land | 8,487 | 8,484 |
| Other, net | 2,065 | 1,924 |
| Total tangible fixed assets | 16,430 | 15,953 |
| Intangible fixed assets | 3,905 | 3,581 |
| Investments and other assets | | |
| Investment securities | 11,513 | 11,007 |
| Deferred tax assets | 2,890 | 2,781 |
| Other | 6,934 | 6,432 |
| Allowance for doubtful accounts | (1,305) | (1,242) |
| Total investments and other assets | 20,033 | 18,978 |
| Total fixed assets | 40,368 | 38,514 |
| Deferred assets | 33 | 34 |
| Total assets | 98,274 | 94,110 |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 4,563 | 5,283 |
| Short-term borrowings | 6,737 | 6,468 |
| Accrued income taxes | 1,564 | 546 |
| Allowance for bonuses | 491 | 166 |
| Reserve for adjustment of returned goods | 94 | 28 |
| Provision for shareholder benefit program | 50 | 13 |
| Provision for point card certificates | 90 | 88 |
| Provision for business structure improvement | - | 378 |
| Other | 10,914 | 10,003 |
| Total current liabilities | 24,506 | 22,977 |
| Long-term liabilities | | |
| Corporate bonds | 3,263 | 2,470 |
| Long-term borrowings | 7,523 | 8,165 |
| Net defined benefit liability | 6,149 | 5,011 |
| Other | 4,097 | 3,303 |
| Total long-term liabilities | 21,033 | 18,950 |
| Total liabilities | 45,539 | 41,927 |

| | (Millions of yen) | |
|--|-----------------------|-------------------------|
| | FY2017 | Third quarter of FY2018 |
| | (As of Mar. 31, 2018) | (As of Dec. 31, 2018) |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 10,000 | 10,000 |
| Capital surplus | 3,423 | 3,409 |
| Retained earnings | 53,779 | 54,250 |
| Treasury stock | (11,789) | (11,762) |
| Total shareholder's equity | 55,413 | 55,898 |
| Accumulated other comprehensive income | | |
| Net unrealized gain (loss) on other securities | (219) | (783) |
| Deferred hedge gain (loss) | (2) | (1) |
| Foreign currency translation adjustments | 247 | (776) |
| Remeasurements of defined benefit plans | (2,947) | (2,431) |
| Total accumulated other comprehensive income | (2,921) | (3,993) |
| Non-controlling interests | 243 | 278 |
| Total net assets | 52,734 | 52,183 |
| Total liabilities and net assets | 98,274 | 94,110 |

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

| | (Millions of yen) | |
|--|---|---|
| | First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017) | First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018) |
| Sales | 44,135 | 43,623 |
| Cost of sales | 15,368 | 15,522 |
| Gross profit | 28,767 | 28,101 |
| Provision for sales returns | 8 | - |
| Reversal of provision for sales returns | - | 66 |
| Net gross profit on sales | 28,759 | 28,167 |
| Selling, general and administrative expenses | 24,399 | 24,357 |
| Operating profit | 4,359 | 3,810 |
| Non-operating profit | | |
| Interest income | 409 | 334 |
| Dividend income | 118 | 118 |
| Foreign exchange gains | 45 | 66 |
| Gain on investments in partnership | - | 332 |
| Other | 156 | 190 |
| Total non-operating profit | 729 | 1,043 |
| Non-operating expenses | | |
| Interest expense | 127 | 76 |
| Commission fee | 100 | 169 |
| Compensation expenses | 92 | - |
| Other | 61 | 21 |
| Total non-operating expenses | 382 | 267 |
| Ordinary profit | 4,706 | 4,586 |
| Extraordinary gains | | |
| Gain on sales of fixed assets | 3 | 553 |
| Gain on sales of investment securities | 545 | 502 |
| Other | - | 13 |
| Total extraordinary gains | 548 | 1,069 |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | 18 | 12 |
| Loss on valuation of investment securities | - | 515 |
| Impairment loss | 17 | 12 |
| Business structure improvement expenses | - | 366 |
| Other | - | 15 |
| Total extraordinary losses | 35 | 922 |
| Net profit before income taxes | 5,219 | 4,733 |
| Income taxes – current | 1,695 | 1,531 |
| Income taxes for prior periods | 1,176 | - |
| Income taxes – deferred | (170) | 151 |
| Total income taxes | 2,701 | 1,683 |
| Net profit | 2,518 | 3,050 |
| Net profit attributable to non-controlling interests | 31 | 33 |
| Net profit attributable to owners of parent | 2,486 | 3,016 |

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

| | (Millions of yen) | |
|--|---|---|
| | First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017) | First nine months of FY2018 (Apr. 1, 2018 – Dec. 31, 2018) |
| Net profit | 2,518 | 3,050 |
| Other comprehensive income | | |
| Net unrealized gain (loss) on other securities | 433 | (564) |
| Deferred hedge gain (loss) | 3 | 0 |
| Foreign currency translation adjustments | 459 | (1,022) |
| Remeasurements of defined benefit plans, net of tax | 481 | 515 |
| Total other comprehensive income | 1,378 | (1,070) |
| Comprehensive income | 3,896 | 1,979 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,872 | 1,944 |
| Comprehensive income attributable to non-controlling interests | 24 | 35 |

Segment and Other Information**I. First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)****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 | 33,794 | 1,525 | 2,145 | 635 | 6,034 | 44,135 | - | 44,135 |
| (Royalty income) | (7,150) | (1,508) | (1,307) | (621) | (5,456) | (16,044) | (-) | (16,044) |
| Inter-segment | 4,517 | 19 | 4 | 1 | 1,334 | 5,876 | (5,876) | - |
| (Royalty income) | (4,357) | (19) | (-) | (-) | (0) | (4,376) | (4,376) | (-) |
| Total | 38,311 | 1,544 | 2,149 | 636 | 7,368 | 50,011 | (5,876) | 44,135 |
| Segment profit (loss) | 3,149 | (146) | (637) | 68 | 2,379 | 4,812 | (452) | 4,359 |

Notes: 1. The minus 452 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 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.

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.