

Financial Results Briefing for Third Quarter of FY Ending 03/2020



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3Q Results Summary for FY Ending 03/2020

Overseas

- Asia business:

In China, sales of the top three licensees decreased although the number of licensees increased. The demonstrations in Hong Kong had an impact, while in Southeast Asia, new agencies for the licensing business in the Philippines and Indonesia began operations.

- European business:

The uphill battle continued, but signs of recovery emerged in the fashion category. In December 2019, the new COO of the European subsidiary took office with the goal of rebuilding the business.

- US business:

Brand collaboration and development of new cosmetic distribution channels contributed to sales. E-commerce business was also strong although there were adverse effects from decreased wholesale business in Latin America and a warehouse closing-down sale conducted in the same quarter of the previous year.

Japan Domestic

- Licensing business

Negative factors included consumption tax increase and damage caused by typhoons. Stepped up marketing of area-specific products focusing on inbound tourists as well as promotion of designs featuring multiple Sanrio characters. Products created in collaboration with third-party game anime personalities showed steady performance.

- Retail and wholesale business

In spite of the impacts of typhoons and increased consumption tax, significant year-on-year increases were recorded in both the number of visitors and sales in existing stores. Wholesale and e-commerce businesses also enjoyed strong performance with increased sales.

- Theme park business

Growth in the number of visitors continued. Depreciation of facility improvements and increased expenses notwithstanding, increases were recorded in both sales and profits.



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Financial Results for the Third Quarter of FY Ending 03/2020



3Q of FY03/2020 Income Statement

(Results and Comparison Y-O-Y and Revised Full-year Forecast)

[JPY million]

	3Q FY03/2020 results	Comparison Y-O-Y			Comparison to revised Full-year Forecast (Oct. 31)		
		3Q FY03/2019 results	Increase (Decrease)	Change Y-O-Y (%)	Revised Forecast	Difference	Progress (%)
Sales	42,151	43,623	(1,472)	(3.4)	57,700	(15,548)	73.1
Gross profit	27,201	28,167	(966)	(3.4)			
SG&A expenses	24,768	24,357	410	1.7			
Operating profit	2,433	3,810	(1,376)	(36.1)	4,000	(1,566)	60.8
Non-operating profit	874	776	97	12.6			
Ordinary profit	3,307	4,586	(1,279)	(27.9)	5,000	(1,692)	66.1
Extraordinary profit	(598)	146	(745)	—			
Earnings before taxes	2,709	4,733	(2,024)	(42.8)			
◆ Taxes and adjustments	1,138	1,683	(545)	(32.4)			
Net income attributable to shareholders of parent company	1,540	3,016	(1,475)	(48.9)	2,300	(759)	67.0
Gross margin (%)	64.5	64.6	(0.1)				
Operating profit margin (%)	5.8	8.7	(2.9)				
Ordinary profit margin (%)	7.8	10.5	(2.7)				

Note: Figures are rounded down to the nearest 1 million yen. Percentages are rounded to the nearest tenth of a percent.



Income Statements (FY03/2016–FY03/2020)

[JPY million]

	2016.3		2017.3		2018.3		2019.3		2020.3	
	1-3Q results	Full-year results	1-3Q results	Full-year results	1-3Q results	Full-year results	1-3Q results	Full-year results	1-3Q results	Revised Full-year Forecast (Oct 31)
Sales	55,092	72,476	47,153	62,695	44,135	60,220	43,623	59,120	42,151	57,700
Ratio of royalties	41.0%	40.8%	37.9%	38.0%	36.4%	36.7%	36.0%	36.7%	33.4%	34.8%
Gross profit	36,161	47,306	30,764	40,470	28,759	38,718	28,167	37,871	27,201	37,400
Operating profit	10,422	12,675	6,012	6,904	4,359	5,734	3,810	4,786	2,433	4,000
Ordinary profit	10,676	13,178	6,338	7,255	4,706	6,020	4,586	5,836	3,307	5,000
Net profit attributable to owners of parent	7,899	9,609	5,778	6,475	2,486	4,928	3,016	3,880	1,540	2,300
Operating profit margin	18.9%	17.5%	12.8%	11.0%	9.9%	9.5%	8.7%	8.1%	5.8%	6.9%
Net profit margin	14.3%	13.3%	12.3%	10.3%	5.6%	8.2%	6.9%	6.6%	3.7%	4.0%

Exchange Rate

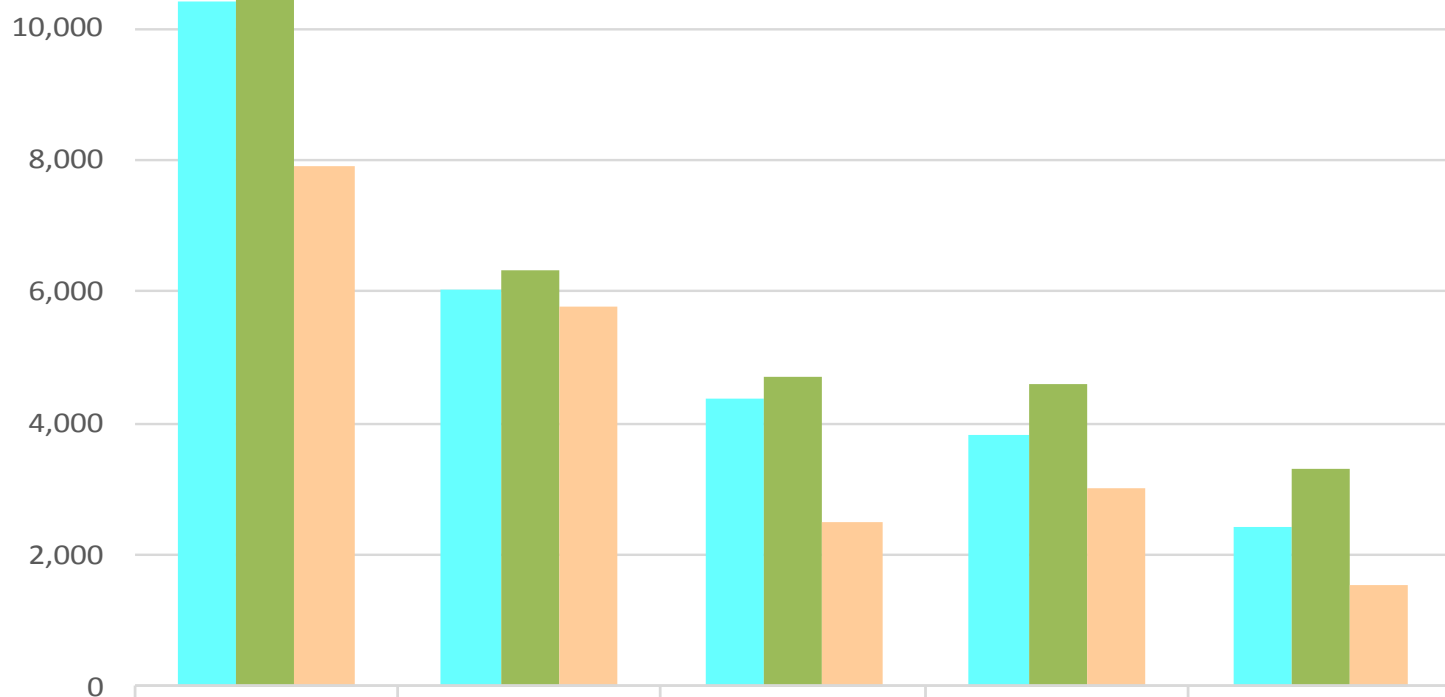
[JPY]

E U R	135.63	134.68	122.19	121.49	124.98	126.87	131.05	130.39	122.83	121.71
G B P	185.56	184.95	153.58	149.77	143.59	145.20	148.41	147.19	138.89	136.60
U S D	120.86	120.99	110.01	110.30	112.28	112.39	109.96	110.57	109.38	108.60
H K D	15.59	15.61	14.17	14.21	14.42	14.42	14.03	14.11	13.96	13.85
T W D	3.84	3.81	3.39	3.41	3.67	3.69	3.68	3.67	3.53	3.50
K R W	0.1078	0.1072	0.0950	0.0950	0.0986	0.0998	0.1011	0.1009	0.0946	0.0931
C N Y	19.32	19.21	16.68	16.56	16.50	16.64	16.82	16.69	15.93	15.72



Consolidated 1-3Q Results (FY03/2016–FY03/2020)

[JPY million]



	1-3Q FY03/2016	1-3Q FY03/2017	1-3Q FY03/2018	1-3Q FY03/2019	1-3Q FY03/2020
Operating Profit	10,422	6,012	4,359	3,810	2,433
Ordinary Profit	10,676	6,338	4,706	4,586	3,307
Net income attributable to owners of parent	7,899	5,778	2,486	3,016	1,540



Balance Sheets (FY03/2016–FY03/2020)

[JPY million]

		2016.3		2017.3		2018.3		2019.3		2020.3
		End of 3Q	End of FY	End of 3Q	End of FY	End of 3Q	End of FY	End of 3Q	End of FY	End of 3Q
Assets	I. Current assets	60,420	57,757	55,553	56,295	52,137	58,383	55,561	56,387	56,131
	II. Noncurrent assets	48,278	48,006	43,708	44,967	44,795	39,859	38,514	38,768	38,356
	Property, plant and equipment	19,064	18,744	18,248	18,539	18,080	16,430	15,953	15,912	15,691
	Intangible assets	5,362	5,200	4,283	4,715	4,590	3,905	3,581	3,397	3,046
	Investments and other assets	23,850	24,060	21,176	21,711	22,124	19,523	18,978	19,458	19,618
	III. Deferred assets	73	62	55	49	39	33	34	29	33
	Total assets	108,771	105,826	99,317	101,312	96,972	98,276	94,110	95,185	94,521
Liabilities and net assets	I. Current liabilities	26,435	23,022	23,916	24,824	26,400	24,508	22,977	22,891	23,367
	II. Noncurrent liabilities	24,595	28,070	27,694	23,429	20,405	21,033	18,950	19,896	20,920
	Total liabilities	51,030	51,092	51,611	48,253	46,805	45,541	41,927	42,788	44,287
	I. Shareholders' equity	55,875	57,585	56,575	57,272	52,971	55,413	55,898	56,762	55,673
	II. Accumulated other comprehensive income	1,547	(3,177)	(9,036)	(4,418)	(3,032)	(2,921)	(3,993)	(4,652)	(5,747)
	III. Stock acquisition right	165	162	—	—	—	—	—	—	—
	IV. Minority interest	151	164	167	204	228	243	278	287	308
	Total net assets	57,740	54,733	47,706	53,058	50,166	52,734	52,183	52,396	50,233
	Total liabilities and net assets	108,771	105,826	99,317	101,312	96,972	98,276	94,110	95,185	94,521



Breakdown by Segment



1-3Q Results of FY03/2020 Sales by Segment

(Results and Comparison Y-O-Y and to Full-year Forecast) [JPY million]

		1-3Q FY03/2020 results	Comparison Y-O-Y (1-3Q FY03/2019)			Comparison to Revised Full-year Forecast (Oct. 31)		
			Results	Increase (Decrease)	Change Y-O-Y (%)	Revised Forecast	Difference	Progress (%)
Sales by segment	Overseas	13,624	15,724	(2,100)	(13.4)	19,124	(5,500)	71.2
	Domestic	35,629	35,341	287	0.8	47,659	(12,090)	74.8
	Licensing	6,836	7,318	(482)	(6.6)	9,486	(2,650)	72.1
	Retail & Wholesale	14,445	13,901	544	3.9	18,850	(4,405)	76.6
	Theme parks	8,036	7,307	729	10.0	10,473	(2,437)	76.7
	Other	6,312	6,815	(503)	(7.4)	8,850	(2,537)	71.3
Elimination, etc.		(7,102)	(7,442)	340	—	(9,083)	1,981	—
Consolidated net sales		42,151	43,623	(1,472)	(3.4)	57,700	(15,548)	73.1

Note: Figures are rounded down to the nearest 1 million yen. Percentages are rounded to the nearest tenth of a percent.



1-3Q of FY03/2020 Operating Profit by Segment

(Results and Comparison Y-O-Y and to Full-year Forecast) [JPY million]

		1-3Q FY03/2020 results	Comparison Y-O-Y (1-3Q FY03/2019)			Comparison to Revised Full-year Forecast (Oct. 31)		
			Results	Increase (Decrease)	Change Y-O-Y (%)	Revised Forecast	Difference	Progress (%)
(Direct) Operating Profit by Segment	Overseas	3,734	4,975	(1,241)	(24.9)	5,310	(1,576)	70.3
	Domestic	(1,300)	(1,164)	(135)	—	(1,310)	9	—
	Licensing	4,593	4,925	(332)	(6.7)	6,897	(2,304)	66.6
	Retail & Wholesale	1,037	609	428	70.3	1,572	(535)	66.0
	Theme parks	505	340	165	48.5	423	82	119.4
	Other	447	287	160	55.8	625	(177)	71.6
	HQ cost center expenses, etc.	(7,883)	(7,326)	(557)	—	(10,827)	2,944	—
Consolidated operating profit		2,433	3,810	(1,376)	(36.1)	4,000	(1,566)	60.8

Note: Figures are rounded down to the nearest 1 million yen. Percentages are rounded to the nearest tenth of a percent.



Overseas Sales and Operating Profit by Region/Country



1-3Q FY03/2020 Overseas Sales by Region/Country

(Results and Comparison Y-O-Y and to Full-year Forecast) [JPY million]

		1-3Q FY03/2020 results	Comparison Y-O-Y (1-3Q FY03/2019)			Comparison to Revised Full-year Forecast (Oct.31)		
			Results	Increase (Decrease)	Change Y-O-Y (%)	Revised Forecast	Difference	Progress (%)
Europe	Germany	1,168	1,637	(469)	(28.6)	1,678	(510)	69.6
	UK (Mr. Men)	284	470	(186)	(39.6)	518	(234)	54.8
North America	USA	2,642	2,655	(13)	(0.5)	3,598	(956)	73.4
South America	Brazil	514	560	(46)	(8.2)	733	(219)	70.1
Asia	HK	2,878	3,310	(432)	(13.1)	3,773	(895)	76.3
	Taiwan	1,396	1,769	(373)	(21.1)	1,923	(527)	72.6
	S. Korea	679	806	(127)	(15.8)	978	(299)	69.4
	China	4,058	4,519	(461)	(10.2)	5,917	(1,859)	68.6
	Asia total	9,011	10,404	(1,393)	(13.4)	12,591	(3,580)	71.6
Other		5	(2)	7	—	6	(1)	83.3
Total		13,624	15,724	(2,100)	(13.4)	19,124	(5,500)	71.2

Note: In the sales figure of overseas, licensing revenues, etc. received by the parent company from overseas subsidiaries are reallocated back to those companies, in order to more accurately reflect profits by region.

Note: Amount classified as "Other" in 1-3Q FY03/2020 results includes -1 million yen, which cannot be allocated to a region/country.

Note: Figures are rounded down to the nearest 100 million yen. Percentages are rounded to the nearest tenth of a percent.



1-3Q FY03/2020 Overseas Profit by Region/Country

(Results and Comparison Y-O-Y and to Full-year Forecast) [JPY million]

		1-3Q FY03/2020 results	Comparison Y-O-Y (1-3Q FY03/2019)			Comparison to Revised Full-year Forecast		
			Results	Increase (Decrease)	Change Y-O-Y (%)	Revised Forecast	Difference	Progress (%)
Europe	Germany	58	421	(363)	(86.2)	58	0	100.0
	UK (Mr. Men)	(153)	(76)	(77)	—	(104)	(49)	147.1
North America	USA	(83)	(191)	108	—	72	(155)	—
South America	Brazil	121	135	(14)	(10.4)	110	11	110.0
Asia	HK	1,210	1,548	(338)	(21.8)	1,455	(245)	83.2
	Taiwan	582	778	(196)	(25.2)	765	(183)	76.1
	S.Korea	217	288	(71)	(24.7)	326	(109)	66.6
	China	1,948	2,360	(412)	(17.5)	2,799	(851)	69.6
	Asia total	3,957	4,974	(1,017)	(20.4)	5,345	(1,388)	74.0
Other		(167)	(288)	121	—	(171)	4	—
Total		3,734	4,975	(1,241)	(24.9)	5,310	(1,576)	70.3

Note: In the sales figure of overseas, licensing revenues, etc. received by the parent company from overseas subsidiaries are reallocated back to those companies, in order to more accurately reflect profits by region.

Note: Amount classified as “Other” in 1-3Q FY03/2020 result includes -1 million yen, which cannot be allocated to a region/country.

Note: Figures are rounded down to the nearest 100 million yen. Percentages are rounded to the nearest tenth of a percent.



Overseas Subsidiaries' Sales and Operating Profit

(Local-currency based) [3Q of FY03/2020 Results (01/2019 - 09/2019)]

Currency		Sales						Operating Profit		Operating Profit Margin
		Licensing		Retail & Wholesale		Total				
Germany	1,000EUR	6,450		30		6,480		(2,211)		—
Change Y-O-Y (%)	Compared to Forecast (%)	(23.7)	(24.3)	(39.9)	(46.2)	(23.8)	(24.4)	—	—	
UK	1,000GBP	1,970		4		1,975		(1,113)		—
Change Y-O-Y (%)	Compared to Forecast (%)	(33.2)	(22.7)	(86.5)	—	(33.8)	(22.5)	—	—	
North America	1,000USD	10,931		5,858		16,789		(6,458)		—
Change Y-O-Y (%)	Compared to Forecast (%)	4.3	(1.5)	(13.1)	(16.9)	(2.5)	(7.5)	—	—	
Brazil	1,000BRL	12,512		325		12,837		(1)		—
Change Y-O-Y (%)	Compared to Forecast (%)	(3.8)	(10.9)	(15.8)	(5.8)	(4.1)	(10.8)	—	—	
Hong Kong	1,000HKD	87,151		44,873		132,024		41,940		31.8
Change Y-O-Y (%)	Compared to Forecast (%)	(12.1)	(14.3)	(13.0)	(11.3)	(12.4)	(13.3)	(21.8)	(20.3)	
Taiwan	1,000NTD	222,518		25,055		247,573		75,611		30.5
Change Y-O-Y (%)	Compared to Forecast (%)	(13.6)	(19.8)	(53.1)	7.0	(20.4)	(17.7)	(17.5)	(23.6)	
Korea	1,000KRW	4,993,213		268,501		5,261,715		775,281		14.7
Change Y-O-Y (%)	Compared to Forecast (%)	(12.9)	(19.2)	23.4	16.7	(11.6)	(17.9)	(32.8)	(31.7)	
China	1,000CNY	124,311		62,016		186,328		60,684		32.6
Change Y-O-Y (%)	Compared to Forecast (%)	(14.7)	(22.7)	30.5	18.0	(3.6)	(12.7)	(12.7)	(23.6)	

Note: Operating profit and operating profit margin calculated after payment of master license fee to the HQ.

Note: Figures are rounded down to the nearest thousand. Note: Overseas subsidiaries' fiscal year ends at the end of December.



3Q of FY03/2020 Results: Currency Fluctuation Impacts

(On Overseas Subsidiaries' Sales)

3Q of FY03/2020 (Jan. - Sep. 2019)	EUR	GBP	USD	HKD	TWD	KRW	CNY	Total
Exchange rate in 3Q of FY03/2020 (JPY)	122.83	138.89	109.38	13.96	3.53	0.0946	15.93	—
Exchange rate in 3Q of FY03/2019	131.05	148.41	109.96	14.03	3.68	0.1011	16.82	—
Difference (JPY)	(8.22)	(9.52)	(0.58)	(0.07)	(0.15)	(0.0065)	(0.89)	—
% of fluctuation	(6.3)	(6.4)	(0.5)	(0.5)	(4.1)	(6.4)	(5.3)	—

Sales denominated in local currency (Million)	6.5	2.0	20.1	132.0	247.6	5,261.7	186.3	—
Currency fluctuation impact (JPY million)	(53)	(18)	(11)	(9)	(37)	(34)	(165)	(330)

Operating profit denominated in local currency (Million)	(2.2)	(1.1)	(6.5)	41.9	75.6	775.3	60.7	—
Currency fluctuation impact (JPY million)	18	10	3	(2)	(11)	(5)	(54)	(40)

Currency exchange rate: Average rate during the relevant period (average of month-end TTM from December of previous year to September of the relevant year) is used.

Amount pertaining to our subsidiary in Brazil, which is a consolidated subsidiary of our subsidiary in North America, is included in USD.

Currency fluctuation impact is difference between sales / operating profit of overseas subsidiaries for the current year converted into JPY at the rate of previous FY and the rate of current FY.



Forecast: Currency Fluctuation Impacts

FY03/2020 (Jan. - Dec. 2019)	EUR	GBP	USD	HKD	TWD	KRW	CNY	Total
Exchange rate (Forecast) in FY03/2020 (JPY)	121.71	136.60	108.60	13.85	3.50	0.0931	15.72	—
Exchange rate in FY03/2019(JPY)	130.39	147.19	110.57	14.11	3.67	0.1009	16.69	—
Difference (JPY)	(8.68)	(10.59)	(1.97)	(0.26)	(0.17)	(0.0078)	(0.97)	—
% of fluctuation	(6.7)	(7.2)	(1.8)	(1.8)	(4.6)	(7.7)	(5.8)	—

Sales denominated in local currency (Million)	9.7	3.7	28.5	178.2	328.9	7,406.7	289.3	—
Currency fluctuation impact (JPY million)	(84)	(39)	(56)	(46)	(55)	(57)	(280)	(620)

Operating profit denominated in local currency (Million)	(3.0)	(0.8)	(6.1)	52.8	93.5	1,145.3	96.0	—
Currency fluctuation impact (JPY million)	26	8	12	(13)	(15)	(8)	(93)	(85)

Currency exchange rate: Average rate during the relevant period (average of month-end TTM from December of previous year to December of the relevant year) is used.

Amount pertaining to our subsidiary in Brazil, which is a consolidated subsidiary of our subsidiary in North America, is included in USD.

Currency fluctuation impact is difference between sales / operating profit of overseas subsidiaries for the current year converted into JPY at the rate of previous FY and the rate of current FY.



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