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Notice Regarding the Recording of an Extraordinary Loss, Difference between Forecasts and Results for First Half of the Fiscal Year Ending March 31, 2022 (FY2021) and Revision to Forecasts for FY2021

Sanrio Company, Ltd. (the “Company”) hereby announces that it recorded an extraordinary loss of JPY 1.0 billion during the six months ended September 30, 2021 (the first half of FY2021), as shown below.

In addition, the Company hereby announces that differences have arisen between the forecasts for the six months ended September 30, 2021, published on May 14, 2021, and the actual results in today’s announcement, as shown below.

Moreover, given recent business performance trends, the Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2022, as shown below.

There is no change in the dividend forecast resulting from this revision.

1. About the Extraordinary Loss (Business Restructuring Expenses)

(1) Content of the Extraordinary Loss (Business Restructuring Expenses)

The Company anticipates a loss of approximately JPY 1.0 billion associated with business restructuring aimed at expanding the product sales and e-commerce operations in mainland China. It has recorded these business restructuring expenses as an extraordinary loss.

(2) Effect on Business Results

The extraordinary loss described above has been reflected in the “Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2022 (FY2021) (Six Months Ended September 30, 2021) [Japanese GAAP]” published today.

2. Differences between Forecasts and Results for the Six Months Ended September 30, 2021 (April 1, 2021, to September 30, 2021)

	Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Prior Forecasts (A) Published on May 14, 2021	23,000	(1,100)	(1,000)	1,900	23.59
Actual Results (B)	23,793	288	636	1,949	24.20
Differences (B-A)	793	1,388	1,636	49	
Differences (%)	3.5	—	—	2.6	
(Reference) Results of First Half for the Fiscal Year Ended 03/2021	17,070	(2,645)	(1,938)	(2,847)	(33.92)

3. Revision of the Consolidated Earnings Forecast for FY2021 (April 1, 2021, to March 31, 2022)

	Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of parent	Net Profit per Share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Prior Forecasts (A) Published on May 14, 2021	49,100	(700)	(400)	2,100	26.07
Revised Forecast (B)	49,300	0	500	1,500	18.62
Difference (B-A)	200	700	900	(600)	
Difference (%)	0.4	—	—	(28.6)	
(Reference) Results for the FYE 03/2020	41,053	(3,280)	(1,731)	(3,960)	(47.93)

4. Reasons for the Differences, and Reasons for Revision of the Consolidated Earnings Forecast for FY2021

(1) Reasons for the Differences between Forecasts for the Six Months Ended September 30, 2021, and Actual Results

The Company continued to face harsh conditions during the six months ended September 30, 2021, with the expansion of Japan's state of emergency and priority preventative measures against the COVID-19 pandemic across the entire nation, affecting many of the Company's directly managed stores. Wholesale and e-commerce sales grew, however, supporting the Company's businesses. A robust trend was evident in hygiene-related products and products related to stay-at-home demand due to the impact of the COVID-19 crisis, while lucky draw, having the feeling of an event, was strongly supported by consumers, and succeeded in growing its sales contribution ratio. The number of subscribers to "Sanrio+" – the Sanrio fan app launched in July last year – passed the 1 million mark in October.

Harsh conditions persisted in the theme park business, with a decrease in theme park visitors due to the impact of the COVID-19 crisis.

Overseas performance was strong, including growth in apparel licensees and the reopening of major toy licensees in Europe, and initiatives with toy makers in North America. Collaborations with large sporting goods manufacturers contributed to sales in China, and demand for masks and other hygiene-related products grew across Asia. As a result, sales, operating profit and ordinary profit all exceeded the levels forecast at the start of the fiscal year. Meanwhile, the Company recorded an extraordinary loss as described in "1. About the Extraordinary Loss (Business Restructuring Expenses)" above. This resulted in net profit attributable to owners of parent that was roughly in line with the level forecast at the start of the fiscal year.

(2) Reasons for Revision of the Consolidated Earnings Forecast for FY2021

The Company is performing smoothly in terms of operating profit and ordinary profit both overseas and in Japan, with the exception of the theme park business, which is experiencing a delay in earnings recovery compared with the initial forecasts due to factors such as the declaration of a state of emergency. However, as described in "1. About the Extraordinary Loss (Business Restructuring Expenses)" above, the Company has recorded an extraordinary loss in the six months ended September 30, 2021, equivalent to the anticipated loss associated with business restructuring in mainland China. As a result, net profit attributable to owners of parent is expected to fall below the level forecast at the start of the fiscal year.

(Note)

The forecasts shown above are based on information currently available and certain assumptions that the Company deems reasonable. They are not intended as promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors.