

**Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2022 (FY2021)
(Nine Months Ended December 31, 2021) [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/>
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 Scheduled date of filing of Quarterly Report: February 14, 2022
 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 FY2021 (April 1, 2021 – December 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	%
Nine months ended Dec. 31, 2021	38,562	30.9	2,036	-	2,465	-	3,172	-
Nine months ended Dec. 31, 2020	29,449	(30.1)	(2,516)	-	(1,766)	-	(2,357)	-

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2021: 4,956 (-%)

Nine months ended Dec. 31, 2020: (2,146) (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Nine months ended Dec. 31, 2021	39.39	-
Nine months ended Dec. 31, 2020	(28.32)	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2021	85,611	41,648	48.5
As of Mar. 31, 2021	85,040	37,285	43.7

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2021: 41,494

As of Mar. 31, 2021: 37,155

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	0.00	-	0.00	0.00
FY2021	-	8.00	-	-	-
FY2021 (forecast)	-	-	-	8.00	16.00

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

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
Full year	51,300	25.0	1,200	-	1,900	-	2,500	-	31.04

Note: Revisions to the most recently announced consolidated forecasts: Yes

Qualitative Information on Quarterly Consolidated Financial Performance

Explanation of Results of Operations

During the first nine months of the fiscal year under review, expectations of economic recovery grew as COVID vaccination rates rose, infection rates fell, and the state of emergency was lifted. However, the outlook remains uncertain due to a resurgence of infections from the new COVID strain. The Company continues to protect the health of its customers and employees and take measures to prevent the spread of infection while operating safe stores and facilities.

The Company announced on May 25, 2021 the three-year medium-term management plan “Creating and Challenging for our Future” concluding in the fiscal year ending March 31, 2024. The three pillars of this plan are corporate culture reform, initiation and completion of domestic and overseas structural reforms, and planting the seeds for regrowth strategies and growth markets. We are implementing this plan through radically restructuring our organization.

Regarding the Company’s situation over the first nine months, economic activity in Japan has continued to normalize since the state of emergency was fully lifted in October. With customers returning once more to our directly-managed stores, which had been affected by the COVID-19 crisis up to that point, and e-commerce and wholesale businesses remaining strong from the beginning of the fiscal year, we were able to increase business sales overall. Domestic sales grew across the board, including for clothing, accessories and sundries, which are trending favorably due to stay-home “nesting” demand, and for animation, toy and hobby, and digital products.

Moreover, the membership of Sanrio+, an application for Sanrio fan members that surpassed one million in October 2021, reached 1,056,000 as of the end of December and continues to grow steadily.

The theme park business was greatly affected by COVID-19 up until September 2021, but visitor numbers recovered after the state of emergency was fully lifted (an upper limit for visitor numbers at Sanrio Puroland has been set), and sales at both parks have increased significantly year-on-year.

Overseas, initiatives with apparel licensees grew significantly in Europe, initiatives with toy manufactures remained strong in the North American licensing business, and e-commerce sales grew in the product sales business. In China, sales performed well in almost all categories, with especially strong growth in the health and beauty category.

As a result of these factors, sales rose 30.9% year-on-year to 38.5 billion yen, and operating profit was 2 billion yen (compared with a loss of 2.5 billion yen in the same period of the previous fiscal year). Ordinary profit was 2.4 billion yen (compared with a loss of 1.7 billion yen in the same period of the previous fiscal year) due to accounting interest income and gain on investments in partnership as non-operating profit. Net profit attributable to owners of parent was 3.1 billion yen (compared with a loss of 2.3 billion yen in the same period of the previous fiscal year) after accounting for extraordinary gains including 3.8 billion yen from gain on sales of fixed assets; extraordinary losses including 1.1 billion yen from loss on valuation of shares of subsidiaries and associates associated with non-consolidated subsidiary Sanrio Brand Development Shanghai Co., Ltd.; and total income taxes of 1.5 billion yen.

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 2021.

Reportable Segment		(100 millions of yen)							
	First nine months of	Sales				Segment profit (operating profit)			
		FY2020	FY2021	Increase/ decrease	Change (%)	FY2020	FY2021	Increase/ decrease	Change (%)
Japan	Product sales/others	171	227	56	33.0	(25)	12	38	-
	Royalties	59	70	10	18.6				
	Total	230	297	67	29.3				
Europe	Product sales/others	0	0	0	42.1	(1)	(0)	0	-
	Royalties	8	11	3	36.7				
	Total	8	11	3	36.7				
North America	Product sales/others	6	9	2	46.5	(8)	(3)	4	-
	Royalties	6	12	6	102.6				
	Total	12	21	9	74.3				
Latin America	Product sales/others	0	0	(0)	(58.1)	(0)	0	0	-
	Royalties	2	2	0	21.6				
	Total	2	2	0	18.1				
Asia	Product sales/others	3	3	0	4.8	14	18	4	34.6
	Royalties	37	48	10	28.8				
	Total	40	51	10	26.7				
Adjustment		-	-	-	-	(4)	(7)	(3)	-
Consolidated	Product sales/others	181	240	59	32.8	(25)	20	45	-
	Royalties	113	144	31	27.9				
	Total	294	385	91	30.9				

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

Although the outlook for the full year remains uncertain due to a resurgence of infections from the new COVID strain, sales and earnings both exceeded the plan in the current third quarter, with sales rising from a recovery in overseas and domestic demand and selling, general and administrative expenses coming in lower than expected. Accordingly, we have revised the consolidated earnings forecast for the fiscal year ending March 31, 2022, which was announced on November 2, 2021. Please refer to the "Notice Regarding Revision to Forecasts for Fiscal Year Ending March 31, 2022 (FY2021)" announced today (February 10, 2022). The Company will continue to closely monitor the economic environment and market trends while striving to appropriately disclose our earnings forecasts.

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

(Millions of yen)

Nine months ended		Sales to customers					Operating profit				
		Dec. 2019	Dec. 2020	Change (%)	Dec. 2021	Change (%)	Dec. 2019	Dec. 2020	Change (%)	Dec. 2021	Change (%)
Europe	Germany	790	637	(19.3)	743	16.6	(271)	54	-	(220)	-
	UK	201	234	16.0	448	91.6	(172)	(157)	-	149	-
	Subtotal	992	872	(12.1)	1,192	36.7	(444)	(102)	-	(70)	-
North America	USA	1,829	1,234	(32.5)	2,152	74.3	(706)	(860)	-	(378)	-
Latin America	Brazil/Chile	361	224	(37.9)	264	18.1	0	(1)	-	34	-
Asia	Hong Kong	1,830	1,298	(29.0)	1,082	(16.7)	603	379	(37.2)	338	(10.7)
	Taiwan	798	755	(5.4)	675	(10.6)	266	228	(14.2)	185	(18.9)
	South Korea	495	341	(31.1)	411	20.6	73	14	(80.7)	63	347.9
	China	1,981	1,688	(14.8)	3,004	77.9	966	779	(19.3)	1,300	66.7
	Subtotal	5,106	4,085	(20.0)	5,175	26.7	1,910	1,402	(26.6)	1,887	34.6
Total		8,288	6,415	(22.6)	8,784	36.9	760	437	(42.5)	1,473	236.9

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2020 (As of Mar. 31, 2021)	Third quarter of FY2021 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposit	36,876	40,858
Trade notes and accounts receivable	5,269	-
Notes and accounts receivable-trade and contract assets	-	6,993
Merchandise and finished goods	4,383	4,043
Work in process	10	29
Raw materials and supplies	213	426
Other accounts receivable	1,631	1,033
Other	637	846
Allowance for doubtful accounts	(85)	(91)
Total current assets	48,937	54,140
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	4,631	3,604
Land	7,831	6,193
Other, net	3,636	3,424
Total tangible fixed assets	16,098	13,222
Intangible fixed assets	2,216	2,230
Investments and other assets		
Investment securities	11,649	9,671
Deferred tax assets	364	186
Other	6,206	6,569
Allowance for doubtful accounts	(454)	(424)
Total investments and other assets	17,766	16,002
Total fixed assets	36,081	31,455
Deferred assets	21	14
Total assets	85,040	85,611
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,180	4,844
Short-term borrowings	17,030	10,496
Accrued income taxes	486	895
Allowance for bonuses	421	148
Reserve for adjustment of returned goods	8	-
Provision for shareholder benefit program	38	22
Provision for point card certificates	118	15
Other	8,051	8,761
Total current liabilities	29,336	25,184
Long-term liabilities		
Corporate bonds	935	524
Long-term borrowings	9,382	11,045
Retirement benefit liability	3,091	2,468
Other	5,008	4,740
Total long-term liabilities	18,417	18,778
Total liabilities	47,754	43,963

	(Millions of yen)	
	FY2020 (As of Mar. 31, 2021)	Third quarter of FY2021 (As of Dec. 31, 2021)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,403
Retained earnings	47,179	49,718
Treasury stock	(19,762)	(19,716)
Total shareholder's equity	40,827	43,406
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	139	(247)
Foreign currency translation adjustments	(3,320)	(1,715)
Remeasurements of defined benefit plans	(490)	52
Total accumulated other comprehensive income	(3,671)	(1,911)
Non-controlling interests	130	153
Total net assets	37,285	41,648
Total liabilities and net assets	85,040	85,611

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

	(Millions of yen)	
	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)
Sales	29,449	38,562
Cost of sales	11,325	13,797
Gross profit	18,124	24,765
Provision for sales returns	2	-
Net gross profit on sales	18,126	24,765
Selling, general and administrative expenses	20,642	22,729
Operating profit (loss)	(2,516)	2,036
Non-operating profit		
Interest income	321	160
Dividend income	112	92
Gain on investments in partnership	395	177
Subsidies for employment adjustment	113	-
Other	294	221
Total non-operating profit	1,237	651
Non-operating expenses		
Interest expense	101	96
Foreign exchange loss	96	7
Commission expenses	110	93
Settlement package	161	-
Other	18	24
Total non-operating expenses	487	222
Ordinary profit (loss)	(1,766)	2,465
Extraordinary gains		
Gain on sales of fixed assets	-	3,855
Gain on sales of investment securities	365	215
Gain on valuation of investment securities	273	-
Subsidies for employment adjustment	486	65
Other	-	13
Total extraordinary gains	1,125	4,150
Extraordinary losses		
Loss on disposal of fixed assets	12	2
Loss on valuation of investment securities	5	271
Loss on valuation of shares of subsidiaries and associates	-	1,187
Impairment loss	44	173
Loss from the temporary closure of theme parks, etc.	1,371	251
Other	36	35
Total extraordinary losses	1,471	1,921
Net profit (loss) before income taxes	(2,112)	4,693
Income taxes – current	982	1,379
Refund of income taxes	(826)	-
Income taxes – deferred	69	127
Total income taxes	225	1,506
Net profit (loss)	(2,337)	3,186
Net profit attributable to non-controlling interests	20	13
Net profit (loss) attributable to owners of parent	(2,357)	3,172

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

	(Millions of yen)	
	First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY2021 (Apr. 1, 2021 – Dec. 31, 2021)
Net profit (loss)	(2,337)	3,186
Other comprehensive income		
Net unrealized gain (loss) on other securities	718	(387)
Deferred hedge gain (loss)	0	-
Foreign currency translation adjustments	(1,090)	1,614
Remeasurements of defined benefit plans, net of tax	562	542
Total other comprehensive income	190	1,769
Comprehensive income	(2,146)	4,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,157)	4,933
Comprehensive income attributable to non-controlling interests	10	23

Segment and Other Information

I. First nine months of FY2020 (Apr. 1, 2020 – Dec. 31, 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	23,033	872	1,234	224	4,085	29,449	-	29,449
(Royalty income)	(5,913)	(862)	(611)	(214)	(3,730)	(11,333)	(-)	(11,333)
Inter-segment	2,335	13	11	5	746	3,112	(3,112)	-
(Royalty income)	(2,195)	(13)	(-)	(-)	(0)	(2,209)	(2,209)	(-)
Total	25,369	885	1,246	229	4,831	32,562	(3,112)	29,449
Segment profit (loss)	(2,527)	(102)	(860)	(1)	1,402	(2,090)	(426)	(2,516)

Notes: 1. The minus 426 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 loss 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 FY2021 (Apr. 1, 2021 – Dec. 31, 2021)

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	29,777	1,192	2,152	264	5,175	38,562	-	38,562
(Royalty income)	(7,012)	(1,179)	(1,239)	(260)	(4,803)	(14,496)	(-)	(14,496)
Inter-segment	3,533	11	30	5	695	4,276	(4,276)	-
(Royalty income)	(3,307)	(0)	(-)	(-)	(0)	(3,307)	(3,307)	(-)
Total	33,311	1,203	2,182	270	5,870	42,838	(4,276)	38,562
Segment profit (loss)	1,289	(70)	(378)	34	1,887	2,762	(726)	2,036

Notes: 1. The minus 726 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.

3. Information related to revisions for reportable segments

The Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of FY2021 and changed the accounting method for revenue recognition, and therefore, the measurement method for profit or loss in the business segment has been changed as well.

The effect of this change was to decrease sales by 327 million yen and to decrease profit by 36 million yen in the “Japan” segment for the first nine months of FY2021.

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.