

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2023 (FY2022)
(Three Months Ended June 30, 2022) [Japanese GAAP]

Company name: Sanrio Company, Ltd. Listed Stock Exchange: Tokyo Stock Exchange
 Stock code: 8136 URL: <https://www.sanrio.co.jp/english/corporate/ir/>
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 Scheduled date of filing of Quarterly Report: August 12, 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 First Quarter of FY2022 (April 1, 2022 – June 30, 2022)

(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, 2022	13,829	28.0	2,383	-	2,512	-	785	(68.2)
Three months ended Jun. 30, 2021	10,802	48.2	(59)	-	102	-	2,470	-

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2022: 2,833 (down 20.8%)
 Three months ended Jun. 30, 2021: 3,579 (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Three months ended Jun. 30, 2022	9.75	-
Three months ended Jun. 30, 2021	30.67	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2022	93,298	45,960	49.0
As of Mar. 31, 2022	83,809	43,800	52.1

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 45,737 As of Mar. 31, 2022: 43,642

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	8.00	-	8.00	16.00
FY2022	-	-	-	-	-
FY2022 (forecast)	-	10.00	-	10.00	20.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for FY2022 (April 1, 2022 – March 31, 2023)

(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
First half	27,800	16.8	3,300	-	3,500	450.1	1,300	(33.3)	16.13
Full year	57,400	8.8	4,700	85.2	5,200	56.7	2,500	(27.0)	31.02

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change 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: Yes

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, 2022: 89,065,301 shares As of Mar. 31, 2022: 89,065,301 shares

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

As of Jun. 30, 2022: 8,503,861 shares As of Mar. 31, 2022: 8,503,829 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2022: 80,561,448 shares Three months ended Jun. 30, 2021: 80,541,555 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 quarter of the fiscal year under review, economic activity slowly began to recover both in Japan and overseas as the number of COVID-19 cases declined. In Japan, especially, there were signs of movement toward the normalization of social and economic activity after priority measures to prevent the spread of COVID-19 were lifted on March 21, 2022, and the risk of severe cases from mutant strains diminished. Nevertheless, the outlook remains uncertain due to a sharp rise in infections in Japan since July of this year, the prolonged conflict in Europe, and concerns about downside risks to the economy due to fluctuations in financial and capital markets.

The current fiscal year is set as the second year of the three-year medium-term management plan “Creating and Challenging for our Future” concluding in the fiscal year ending March 31, 2024, and we continue to implement various initiatives based on the three pillars of this plan: (1) corporate culture reform, (2) initiation and completion of domestic and overseas structural reforms, and (3) planting the seeds for regrowth strategies and growth markets.

In the first quarter of the current fiscal year, three new directors were appointed at the annual general meeting of shareholders held in June 2022, and a new management structure was initiated. In Japan, a major reorganization was implemented in April, including the consolidation of the licensing division, and the Company is pushing ahead with the strengthening its profit-earning structure following the product sales business, which we began to strengthen the earnings structure in the previous fiscal year. We have steadily implemented the three pillars of the plan both in Japan and overseas, including the conclusion in June of a master licensee contract in China for the next fiscal year and beyond.

In terms of sales, in Japan, both the brick-and-mortar stores and theme parks were able to operate normally for the entire period, including Golden Week, for the first time in three years. Moreover, the resumption of in-store events and live concerts as well as the acquisition of new licensing contracts led to a significant increase in overall sales. In addition, each overseas region performed well, resulting in a major year-on-year increase in sales.

In addition, the membership of Sanrio+, an application for Sanrio fan members, continued to grow steadily after surpassing the one million mark in October 2021 to reach 1,240,000 members as of the end of June 2022.

As for consolidated operating profit, the Company posted a significant increase due to sales growth both in Japan and overseas, as well as improved sales profitability resulting from a lower cost of sales ratio due to progress in structural reforms.

As a result of these factors, sales rose 28.0% year-on-year to 13.8 billion yen, operating profit was 2.3 billion yen (following an operating loss of 59 million yen in the same period of the previous year), and ordinary profit rose 2,341.8% year-on-year to 2.5 billion yen. As disclosed today, net profit attributable to owners of parent fell 68.2% year-on-year to 0.7 billion yen due to additional taxes (including local taxes) of around 1.3 billion yen imposed as a corrective by the Tokyo Regional Taxation Bureau, of which 1.2 billion yen was recorded as income taxes for prior periods.

Moreover, the former non-consolidated subsidiary SANRIO SOUTHEAST ASIA PTE. LTD. (incorporated in Singapore) is included in the scope of consolidation from the first quarter of the current fiscal year due to its increased importance. 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 2022.

Reportable Segment		(100 millions of yen)							
	First three months of	Sales				Segment profit (operating profit)			
		FY2021	FY2022	Increase/ decrease	Change (%)	FY2021	FY2022	Increase/ decrease	Change (%)
Japan	Product sales/others	59	73	14	23.9	1	17	16	1,228.1
	Royalties	20	22	1	7.2				
	Total	80	95	15	19.5				
Europe	Product sales/others	0	(0)	(0)	-	(0)	(0)	0	-
	Royalties	3	4	0	19.4				
	Total	3	4	0	16.4				
North America	Product sales/others	2	4	1	56.6	(1)	1	2	-
	Royalties	3	7	4	132.1				
	Total	5	11	5	96.6				
Latin America	Product sales/others	0	0	0	519.1	0	0	0	268.0
	Royalties	0	1	0	60.8				
	Total	0	1	0	70.1				
Asia	Product sales/others	1	1	(0)	(34.1)	6	10	4	72.7
	Royalties	15	23	8	53.5				
	Total	17	25	7	44.6				
Adjustment		-	-	-	-	(5)	(5)	0	-
Consolidated	Product sales/others	64	79	15	23.6	(0)	23	24	-
	Royalties	43	59	15	34.4				
	Total	108	138	30	28.0				

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

First-quarter operating profit exceeded the figures in the first-half consolidated earnings forecast as sales rose on the back of a recovery in overseas and domestic demand and the cost of sales ratio fell due to the implementation of structural reforms in line with the medium-term management plan. Although the outlook for the full year remains uncertain due to a resurgence of infections from the new COVID strain, we expect business performance to remain strong into the second quarter and beyond. Accordingly, we have revised the consolidated earnings forecasts for the first half and full year of the fiscal year ending March 31, 2023, which we announced on May 13, 2022.

Please refer to the "Notice Regarding Revisions to Forecasts for First Half and Full Year for the Fiscal Year Ending March 31, 2023 and Revisions to Dividend Forecasts" announced today (August 2, 2022).

We will continue to closely monitor the economic environment and market trends while striving to appropriately disclose our earnings forecasts.

The revised consolidated full-year forecast projects an operating profit of 4.7 billion yen, which is expected to exceed the figures in the medium-term management plan for the fiscal year ending March 31, 2024, the final year of the plan. In response, the Company has begun revising the plan's target figures.

We will consider new target figures for the medium-term management plan while carefully monitoring the progress of future business performance and changes in the business environment. We plan to make a new announcement as soon as the figures are finalized.

Reference: Overseas Sales and Profits for the Past Three Years by Area

(Millions of yen)

Three months ended		Sales to customers					Operating profit				
		Jun. 2020	Jun. 2021	Change (%)	Jun. 2022	Change (%)	Jun. 2020	Jun. 2021	Change (%)	Jun. 2022	Change (%)
Europe	Germany	160	228	42.5	296	30.0	(169)	(97)	-	(70)	-
	UK	89	136	52.0	127	(6.4)	(50)	27	-	6	(75.3)
	Subtotal	249	364	45.9	424	16.4	(220)	(69)	-	(63)	-
North America	USA	314	589	87.4	1,158	96.6	(355)	(175)	-	121	-
Latin America	Brazil/Chile	103	77	(25.1)	131	70.1	4	7	74.7	29	268.0
Asia	Hong Kong	433	369	(14.8)	277	(25.0)	134	117	(12.2)	58	(50.4)
	Taiwan	261	263	0.8	306	16.3	87	75	(13.8)	90	19.3
	South Korea	135	108	(19.4)	213	96.4	14	5	(59.5)	48	735.5
	China	440	997	126.7	1,483	48.6	194	429	120.8	853	98.8
	Singapore	-	-	-	234	-	-	-	-	35	-
	Subtotal	1,270	1,740	37.0	2,515	44.6	430	628	45.9	1,085	72.7
Total		1,938	2,771	43.0	4,230	52.6	(140)	391	-	1,172	199.8

Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2021 (As of Mar. 31, 2022)	First quarter of FY2022 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposit	38,404	47,463
Notes receivable-trade	239	267
Accounts receivable-trade	6,028	5,314
Contract assets	0	0
Merchandise and finished goods	3,382	3,536
Work in process	5	16
Raw materials and supplies	144	701
Other accounts receivable	905	1,417
Other	970	1,025
Allowance for doubtful accounts	(95)	(120)
Total current assets	49,987	59,621
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,498	3,449
Land	6,190	6,198
Other, net	3,155	3,199
Total tangible fixed assets	12,845	12,847
Intangible fixed assets	2,236	2,252
Investments and other assets		
Investment securities	11,808	11,270
Deferred tax assets	412	341
Other	6,849	7,339
Allowance for doubtful accounts	(342)	(385)
Total investments and other assets	18,727	18,565
Total fixed assets	33,808	33,665
Deferred assets	12	10
Total assets	83,809	93,298
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,797	3,533
Short-term borrowings	9,835	11,282
Accrued income taxes	953	1,913
Contract liabilities	2,993	4,023
Allowance for bonuses	469	760
Provision for shareholder benefit program	43	35
Provision for point card certificates	13	11
Provision for founder merit bonus upon retirement	300	-
Other	5,823	4,822
Total current liabilities	24,230	26,383
Long-term liabilities		
Corporate bonds	473	243
Long-term borrowings	9,243	14,844
Retirement benefit liability	1,797	1,574
Other	4,263	4,291
Total long-term liabilities	15,778	20,954
Total liabilities	40,008	47,338

	(Millions of yen)	
	FY2021 (As of Mar. 31, 2022)	First quarter of FY2022 (As of Jun. 30, 2022)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,403	3,403
Retained earnings	49,968	50,047
Treasury stock	(19,716)	(19,716)
Total shareholder's equity	43,656	43,734
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	32	179
Deferred hedge gain (loss)	-	1
Foreign currency translation adjustments	(999)	811
Remeasurements of defined benefit plans	953	1,010
Total accumulated other comprehensive income	(14)	2,002
Non-controlling interests	158	222
Total net assets	43,800	45,960
Total liabilities and net assets	83,809	93,298

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

	(Millions of yen)	
	First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)
Sales	10,802	13,829
Cost of sales	3,654	3,740
Gross profit	7,147	10,088
Selling, general and administrative expenses	7,206	7,705
Operating profit (loss)	(59)	2,383
Non-operating profit		
Interest income	43	78
Dividend income	11	40
Foreign exchange gains	-	166
Gain on investments in partnership	112	-
Other	68	61
Total non-operating profit	236	347
Non-operating expenses		
Interest expense	31	33
Foreign exchange loss	12	-
Commission expenses	27	34
Loss on investments in partnership	-	132
Other	3	17
Total non-operating expenses	74	218
Ordinary profit	102	2,512
Extraordinary gains		
Gain on sales of fixed assets	3,855	0
Gain on sales of investment securities	57	249
Other	0	2
Total extraordinary gains	3,912	252
Extraordinary losses		
Loss on disposal of fixed assets	0	0
Loss on valuation of investment securities	61	254
Impairment loss	-	1
Loss from the temporary closure of theme parks, etc.	251	-
Total extraordinary losses	313	256
Net profit before income taxes	3,702	2,507
Income taxes – current	866	373
Income taxes for prior periods	-	1,297
Income taxes – deferred	360	37
Total income taxes	1,227	1,708
Net profit	2,474	799
Net profit attributable to non-controlling interests	4	13
Net profit attributable to owners of parent	2,470	785

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

(Millions of yen)

	First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)
Net profit	2,474	799
Other comprehensive income		
Net unrealized gain (loss) on other securities	(536)	146
Deferred hedge gain (loss)	-	1
Foreign currency translation adjustments	1,460	1,828
Remeasurements of defined benefit plans, net of tax	180	57
Total other comprehensive income	1,104	2,034
Comprehensive income	3,579	2,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,567	2,802
Comprehensive income attributable to non-controlling interests	12	31

Segment and Other Information

I. First three months of FY2021 (Apr. 1, 2021 – Jun. 30, 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	8,031	364	589	77	1,740	10,802	-	10,802
(Royalty income)	(2,092)	(356)	(311)	(75)	(1,561)	(4,398)	(-)	(4,398)
Inter-segment	1,162	6	11	2	220	1,402	(1,402)	-
(Royalty income)	(1,082)	(0)	(-)	(-)	(0)	(1,083)	((1,083))	(-)
Total	9,193	371	600	79	1,960	12,205	(1,402)	10,802
Segment profit (loss)	133	(69)	(175)	7	628	525	(584)	(59)

- Notes: 1. The minus 584 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 three months of FY2022 (Apr. 1, 2022 – Jun. 30, 2022)

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	9,599	424	1,158	131	2,515	13,829	-	13,829
(Royalty income)	(2,244)	(425)	(724)	(122)	(2,397)	(5,913)	(-)	(5,913)
Inter-segment	1,665	3	5	2	240	1,917	(1,917)	-
(Royalty income)	(1,470)	(0)	(-)	(-)	(0)	(1,470)	((1,470))	(-)
Total	11,264	427	1,164	134	2,755	15,746	(1,917)	13,829
Segment profit (loss)	1,779	(63)	121	29	1,085	2,951	(568)	2,383

- Notes: 1. The minus 568 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.