November 1, 2017

Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2018 (FY2017) (Six Months Ended September 30, 2017)

[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
Inquiries: Susumu Emori, Senior Managing Director TEL: +81-3-3779-8058
Scheduled date of filing of Quarterly Report: November 14, 2017
Starting date of dividend payment: November 20, 2017
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on November 1, 2017 at 16:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of FY2017 (April 1, 2017 – September 30, 2017)

(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	%
Six months ended Sep. 30, 2017	28,299	(10.0)	2,401	(38.2)	2,664	(28.6)	1,935	(49.1)
Six months ended Sep. 30, 2016	31,451	(11.3)	3,887	(45.8)	3,729	(48.6)	3,804	(29.6)

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2017: 2,230 (- %)
Six months ended Sep. 30, 2016: (2,675) (- %)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Six months ended Sep. 30, 2017	22.81	-
Six months ended Sep. 30, 2016	44.83	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2017	100,827	51,895	51.3
As of Mar. 31, 2017	101,312	53,058	52.2

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2017: 51,680 As of Mar. 31, 2017: 52,854

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	-	40.00	-	40.00	80.00
FY2017	-	40.00			
FY2017 (forecast)			-	15.00	55.00

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

3. Consolidated Forecasts for FY2017 (April 1, 2017 – March 31, 2018)

(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	60,300	(3.8)	6,300	(8.8)	6,600	(9.0)	4,800	(25.9)	56.57

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 Sep. 30, 2017:	89,065,301 shares	As of Mar. 31, 2017:	89,065,301 shares

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

As of Sep. 30, 2017:	4,218,248 shares	As of Mar. 31, 2017:	4,218,168 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	84,847,075 shares	Six months ended Sep. 30, 2016:	84,847,235 shares

Note 1: The current quarterly financial report is not subject to quarterly review procedures.

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 “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 5 of the attachments for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year under review (overseas: January 1 to June 30, 2017; within Japan: April 1 to September 30, 2017), while the Asian market centered on China performed strongly, the downturn in Europe and the United States continued. In Japan, in addition to a restrained consumer spending trend, consumption from inbound foreign tourists was limited to big city areas while the slump in regional consumption persisted.

Under these conditions, regarding domestic business, we have expanded unitization of interior design to cafeteria and restrooms at companies as new character license markets as well as posting strong performances from theme parks and collaborative product planning with other-company characters. Moreover, this year, in addition to implementing multiple character developments including those for Cinnamoroll, which debuted 15 years ago, and characters reproduced from the 1980s such as Pochacco and Kero Kero Keroppi in Japan, we have proceeded with character diversification as hello sanrio in the Europe and the United States. However, sales fell 10.0% year-on-year to 28.2 billion yen and operating profit fell 38.2% to 2.4 billion yen.

Ordinary profit was 2.6 billion yen (down 28.6% year-on-year), as the foreign exchange loss of 0.3 billion yen in the same period last year did not reoccur. Net profit before income taxes fell 22.4% year-on-year to 2.9 billion yen due to a 0.2 billion yen gain on the sale of investment securities. Net profit attributable to owners of parent fell 49.1% year-on-year to 1.9 billion yen. The rate of decline in net profit before income taxes grew year-on-year due to factors including accounting of refund of income taxes of 1.1 billion yen following a request for correction against prior-year income in the same period of the previous fiscal year.

Since the accounting period for all overseas consolidated subsidiaries runs from January to December, first half under review for these subsidiaries covers the period from January to June 2017.

Reportable Segment (100 millions of yen)

		Sales				Segment profit (operating profit)			
	First six months of	FY2016	FY2017	Increase/ decrease	Change (%)	FY2016	FY2017	Increase/ decrease	Change (%)
Japan	Product sales/others	178	168	(9)	(5.4)%	27	17	(9)	(34.8)%
	Royalties	48	45	(2)	(6.1)%				
	Total	226	214	(12)	(5.5)%				
Europe	Product sales/others	0	0	0	85.3%	1	(1)	(3)	-
	Royalties	16	10	(6)	(40.3)%				
	Total	16	10	(6)	(39.8)%				
North America	Product sales/others	6	5	(1)	(19.3)%	(3)	(4)	(1)	-
	Royalties	14	8	(6)	(43.0)%				
	Total	20	13	(7)	(35.6)%				
Latin America	Product sales/others	0	0	0	222.6%	1	0	(0)	(53.5)%
	Royalties	4	4	(0)	(8.1)%				
	Total	4	4	(0)	(7.5)%				
Asia	Product sales/others	7	4	(3)	(46.6)%	15	15	0	0.1%
	Royalties	37	36	(0)	(2.6)%				
	Total	45	40	(4)	(10.0)%				
Adjustment		-	-	-	-	(4)	(4)	(0)	-
Consolidated	Product sales/others	192	177	(14)	(7.4)%	38	24	(14)	(38.2)%
	Royalties	122	105	(17)	(14.1)%				
	Total	314	282	(31)	(10.0)%				

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.

i. Japan: Sales fell 5.5% year-on-year to 21.4 billion yen and operating profit fell 34.8% to 1.7 billion yen

Japan's retail industry gradually recovered in the metropolitan areas, centered on the Kansai region, as the number of Chinese, South Korean, and Indonesian tourists increased. However, the regions remained sluggish. In this situation, the decline in master license fees from subsidiaries in Europe and U.S.A led to a fall in both sales and profits in Japan as a whole.

In the domestic product sales business, amid the persistence of a general economizing trend, fewer people made purchases and the challenges intensified as customer numbers declined due to the expansion of e-commerce. However, the number of foreign tourists visiting Japan from overseas and the total sums spent both did well by exceeding those for the previous first half. In this situation, Cinnamoroll, which took first prize at the 32nd Sanrio Character Awards, and collaborative products with My Melody and Pretty Guardian Sailor Moon proved popular among the youth segment. Same-store sales (based on directly owned stores and directly operated shops within department stores) rose 3.7 percentage points year-on-year to 97.9%. An approach focusing on animation fans proved popular, including a store opened at P'PARCO in Ikebukuro in September featuring the Company's Show By Rock!! content for a limited period; sales from product collaboration between the popular animation Yuri on Ice and Sanrio characters; and the opening of character restaurants. Moreover, we have opened a shop for a limited period targeting the middle-aged female segment on the women's apparel floor in Shinjuku's Keio Department Store, and we are planning further expansion of customer base. In Osaka, visitors have flocked to the Sanrio Gallery Shinsaibashi flagship store following its reopening after renovation in October. In the second half of the year, we will endeavor to increase sales through creating topical themes in such ways as launching products for the gift season including Christmas and Valentine's Day, attracting customers through store-based events, and planning to open stores specializing in various market segments such as the middle-aged female shop.

In the domestic licensing business, licensing income was sluggish due to poor sales of licensed products in the schoolchildren category, such as toys and stationery, at volume retailers centered on rural areas. Meanwhile, collaborative planning with other-company characters Pretty Guardian Sailor Moon and Yuri on Ice proved popular, as did Sanrio's original design products I'm Doraemon and Peko-chan. In addition to reviving 1980s characters and creating products targeting the adult and senior segments, we have pioneered new markets using the character's healing or comforting properties in corporate benefits packages and concluded contracts with DENSO Corporation and others. Moreover, strong results were achieved from advertising for Hokkaido Electric Power Co., Inc., beverage campaigns for POKKA SAPPORO Food & Beverage Ltd., advertising for KINCHO (Dainihon Jochugiku Co., Ltd.), and commercializing and other activities related to cosmetics and lifestyles for Kao Corporation.

In the theme parks business, at Harmony Land in Oita prefecture, the effects of heavy rain and typhoons were felt in northern Kyushu as the inclement weather continued. Nevertheless, the opening of a pool where children can play for a limited time in the summer season, a "ghost dance" using characters as a summer-only event, a "water splash carnival" at shows, night parades, and illumination night shows with fireworks proved popular. Moreover, group visitor numbers from overseas grew threefold year-on-year to 9,830 due to factors such as the acquisition of charter flights for groups from Taiwan. As a result, the number of visitors to the park rose 11.8% year-on-year to 233,000, and operating profit and loss figures improved dramatically despite an increase in expenses for sales-linked promotion.

At Sanrio Puroland in Tokyo's Tama City, the Puroland-only character Shinagawa Monjiro was introduced at the Fuwamoko Town 15th anniversary event for Cinnamoroll; in July, performances began for the Hello Kitty illumination show SPARKLE!!! with added illuminations; and from September, weekday business hours were extended by one hour during the Halloween period. As a result of these and other factors, visitor numbers rose 42,000, or 7.0%, year-on-year to 649,000. Regarding operating profit or loss, increased revenue from higher sales led to a rise in both sales and profits despite increased costs from the extension of opening hours and costs in areas including restaurant management consignment, website renewal, advertising for social media websites, and parade depreciation.

In the domestic theme parks business overall, sales rose 2.8% year-on-year to 4.0 billion yen and operating profit increased by 100 million yen to 80 million yen.

ii. Europe: Sales fell 39.8% year-on-year to 1.0 billion yen and operating loss stood at 0.1 billion yen, a fall of 0.3 billion yen.

In Europe, sluggish consumption led to a fall in sales and profits despite a mild trend toward economic recovery. All categories struggled and license income fell by half in the core categories of apparel, accessories, toys, and sports. A falling off of mainstay licensees in the Western European markets, especially the core U.K. market, led to a fall in sales. In May, we appointed a new COO while proactively exhibiting at license events and other areas and conducting business operations. Meanwhile, we uses influencers in marketing activities and expand character exposure through corporate promotional license sales for companies that license characters for such purposes. By region, in addition to the Near and Middle East, which has growth potential, we are focusing on character diversification and brand strengthening for characters including Gudetama, hello sanrio, and Mr. Men and Little Miss while collaborating with other brands.

iii. North America: Sales fell 35.6% year-on-year to 1.3 billion yen and operating loss stood at 0.4 billion yen, a fall of 0.1 billion yen

In the United States, although online retailers are booming, closures of brick-and-mortar stores continue and consumption trends toward the purchase of well-known products are growing more pronounced. Under such circumstances, the shelf space for displaying Hello Kitty licensed products decreased, leading to a fall in sales and profits. Sales fell by half in the core categories of apparel, toys, sports, and food, and categories outside cosmetics and corporate promotional license sales also declined. We are expanding multi-character recognition as hello sanrio, including Hello Kitty, and strengthening e-commerce business. We have also accepted personnel from a Taiwanese subsidiary in order to develop Asian success stories in North America. In addition, we plan to increase profits in such ways as developing Gudetama cosmetics products, which proved successful in South Korea, in the United States.

iv. Latin America: Sales fell 7.5% year-on-year to 0.4 billion yen and operating profit fell 53.5% to 69 million yen

The core Mexican market performed poorly while sales rose in Brazil and Chile. License income fell for apparel, accessories, bags, and shoes while stationery, baby goods, home appliances, and food fared better. In Latin America, we are endeavoring to increase sales and profits through such means as collaborating with popular local character “monica” as a measure to raise brand recognition for Sanrio characters including Hello Kitty, establishing YouTube channels for Latin America, coloring events and touring indoor playgrounds at shopping malls.

v. Asia: Sales fell 10.0% year-on-year to 4 billion yen and operating profit rose 0.1% to 1.5 billion yen

In Hong Kong and Southeast Asia, product sales, product licenses, and corporate events performed poorly in Hong Kong as the economic slump continued while Thailand and Indonesia produced good results. By category, apparel, cosmetics, toys, and sports performed well. In Thailand, a Gudetama campaign at major convenience stores and novelty products from prize-winning characters contributed, and in Singapore we opened a series of stores including a collaboration café for Cinnamoroll with the local Kumoya café and restaurant chain. From July, an all-character Sanrio exhibition titled “Our Sanrio Times” opened in Macao and is proving popular. Despite negative factors such as typhoons and other inclement weather, we aim to acquire licensees through raising brand awareness in East Asia and the ASEAN countries.

In South Korea, in addition to the decline in sales caused by the deteriorating consumer environment including political factors, the erosion of existing retail markets by e-commerce continues. Under such circumstances, while the games and software categories that contributed significantly to earnings in the previous year proved sluggish, corporate promotional license sales grew 1.7-fold. Moreover, in line with the start of animated broadcasts for Rilu Rilu Fairilu, a character developed jointly with SEGA Toys Co., Ltd., on CATV from May, we launched licensed products for toys and publications from June. We will expand the targets of character cafés and corporate promotional licenses to movie theaters and convenience stores, review the business emphasis on volume retailers, increase character recognition and exposure, and aim to expand distribution.

In Taiwan, in addition to the depression caused by the fall in tourist numbers from the mainland, the traditional retail market has shrunk due to the booming of cross-border e-commerce in China, creating a harsh environment for product licensing. By category, licensing income for corporate promotional licenses, household goods, apparel, and cosmetics declined while that for food and shoes increased. Although the adverse political influence on the economy has created some uncertainty, we are aiming to strengthen events, centering on Gudetama, and increase profits.

In China, product licensing income from KT Licensing Ltd. (“KTL”) performed well and included a three-fold increase in sales of cosmetic products. Household goods, toys, sports, and apparel also performed well. In addition, the sales ratio for characters outside the Hello Kitty theme, including the development of My Melody and Bad Badtz-Maru at the major miscellaneous goods chain MINISO, is favorable. From this period, we are working on developing contracts with KTL for product licensing rights to Gudetama products. From June to August, we held a successful Gudetama exhibition at Joy City in Shanghai, which attracted 150,000 visitors, and are considering holding one in Beijing. We expect this to add to profits in the second half of the year.

Reference:
Sales and operating profit by overseas subsidiaries (local currency basis: unconsolidated figures before consolidation eliminations)

(Unit: thousand)	Sales			Operating profit
	Royalties	Product sales	Total	
Germany (EUR)	6,601	45	6,646	(425)
Year-on-year change (%)	(43.5)	(1.9)	(43.4)	-
Britain (GBP)	2,651	282	2,934	234
Year-on-year change (%)	(22.8)	302.6	(16.3)	(30.7)
North America (USD)	7,253	4,615	11,869	(4,111)
Year-on-year change (%)	(42.8)	(19.3)	(35.5)	-
Brazil (BRL)	12,475	138	12,613	1,926
Year-on-year change (%)	(20.4)	14.8	(20.1)	(60.0)
Chile (CLP)	21,280	-	21,280	9,114
Year-on-year change (%)	(39.4)	-	(39.4)	(47.7)
Hong Kong (HKD)	64,373	29,114	93,487	31,449
Year-on-year change (%)	2.6	(29.2)	(10.0)	(1.1)
Taiwan (NTD)	170,122	19,719	189,841	59,352
Year-on-year change (%)	(20.1)	(20.6)	(20.2)	(18.2)
South Korea (KRW)	4,346,591	197,507	4,544,099	1,142,391
Year-on-year change (%)	(4.6)	(69.2)	(12.5)	6.0
China (CNY)	91,953	42,498	134,452	43,466
Year-on-year change (%)	16.3	(10.5)	6.3	14.4

(2) Explanation of Financial Position

At the end of the first half of the current fiscal year, total assets stood at 100.8 billion yen, a decrease of 0.4 billion yen from the end of the previous fiscal year.

Liabilities increased 0.6 billion yen from the end of the previous fiscal year to 48.9 billion yen. The main increase was 0.7 billion yen in interest-bearing debt (including current portion of corporate bonds to be redeemed). Net assets decreased 1.1 billion yen from the end of the previous fiscal year to 51.8 billion yen. There was a net decrease of 1.4 billion yen in retained earnings as a result of an increase from net profit attributable to owners of parent of 1.9 billion yen and a decrease of 3.3 billion yen for dividends paid. The equity ratio was 51.3%, down 0.9 percentage points from the end of the previous fiscal year.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

In the domestic theme park business, Sanrio Puroland in Tama City saw buoyant visitor numbers and customer traffic has recovered steadily in Harmony Land in Oita Prefecture since the Kumamoto earthquake of April 2016. Meanwhile, in the domestic licensing business, some high-performing product planning including collaborations with other-company characters is contributing to business results. However, consumer spending has been weak, especially in the regions, and license income has fallen along with declining sales at brick-and-mortar stores due to a sharp shift toward online shopping in North America. As a result of such factors, consolidated business results for the full year will fall significantly short of the initial plan. After comprehensive consideration of this situation, on October 10 we have announced a downward revision of the business and dividend forecasts announced on May 12, 2017.

Revision of the full-year consolidated business forecast figures and dividend forecasts announced on October 10, 2017

Full-year consolidated business forecasts for FY2017 (April 1, 2017 – March 31, 2018)

	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
Previous forecast (A) (announced on May 12, 2017)	65,700	10,800	11,200	7,800	91.93
Revised forecast (B) (announced on Oct. 10, 2017)	60,300	6,300	6,600	4,800	56.57
Difference (B-A)	(5,400)	(4,500)	(4,600)	(3,000)	-
Change (%)	(8.2)	(41.7)	(41.1)	(38.5)	-
(Reference) FY2016 results (Fiscal year ended Mar. 31, 2017)	62,695	6,904	7,255	6,475	76.32

Dividend forecasts

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Previous forecast (announced on May 12, 2017)	-	40.00	-	40.00	80.00
Revised forecast (announced on Oct. 10, 2017)	-	40.00	-	15.00	55.00
FY2016 results (Fiscal year ended Mar. 31, 2017)	-	40.00	-	40.00	80.00

The 2Q-end dividend will be 40 yen per share in line with the initial plans, and the year-end dividend per share will be 15 yen at the current forecast. We consider distributing earnings to shareholders to be one of the Sanrio Group’s highest priorities, and we pay dividends that reflect the consolidated performance. We also intend to determine the dividend sum considering stable dividends as important management items for our shareholders.

Reference: Overseas Sales and Profits for the Past Six-month Periods by Area (Millions of yen)

		Sales to customers					Operating profit				
Areas	Six months ended	Sep. 2015	Sep. 2016	Change (%)	Sep. 2017	Change (%)	Sep. 2015	Sep. 2016	Change (%)	Sep. 2017	Change (%)
North America	U.S.A.	3,000	2,076	(30.8)	1,336	(35.6)	207	(311)	-	(463)	-
Latin America	Brazil/Chile	672	484	(27.9)	448	(7.5)	173	149	(13.8)	69	(53.5)
Asia	Hong Kong	1,807	1,656	(8.3)	1,421	(14.2)	507	564	11.2	530	(6.0)
	Taiwan	899	773	(14.0)	640	(17.1)	299	250	(16.4)	217	(12.9)
	South Korea	616	496	(19.4)	446	(10.2)	180	103	(42.5)	112	8.7
	China	1,362	1,594	17.0	1,559	(2.2)	655	654	(0.1)	713	9.1
	Subtotal	4,685	4,521	(3.5)	4,068	(10.0)	1,641	1,572	(4.2)	1,574	0.1
Europe	Germany	2,917	1,459	(50.0)	810	(44.4)	721	218	(69.8)	(52)	-
	Britain	339	223	(34.2)	201	(9.5)	69	(28)	-	(58)	-
	Subtotal	3,256	1,682	(48.4)	1,012	(39.8)	791	189	(76.1)	(111)	-
Total		11,615	8,764	(24.5)	6,865	(21.7)	2,813	1,600	(43.1)	1,069	(33.2)

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	Second quarter of FY2017 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposit	41,172	42,313
Trade notes and accounts receivable	7,698	7,186
Merchandise and finished goods	4,176	4,314
Work in process	16	22
Raw materials and supplies	114	159
Other accounts receivable	1,442	960
Other	1,867	1,862
Allowance for doubtful accounts	(192)	(199)
Total current assets	56,295	56,619
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	6,692	6,456
Land	9,819	9,773
Other, net	2,027	2,004
Total tangible fixed assets	18,539	18,234
Intangible fixed assets	4,715	4,589
Investments and other assets		
Investment securities	12,135	12,162
Deferred tax assets	3,619	3,484
Other	7,948	7,638
Allowance for doubtful accounts	(1,991)	(1,945)
Total investments and other assets	21,711	21,339
Total fixed assets	44,967	44,163
Deferred assets	49	44
Total assets	101,312	100,827
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,911	4,653
Short-term borrowings	9,561	8,604
Accrued income taxes	919	891
Allowance for bonuses	501	499
Provision for point card certificates	97	91
Provision for shareholder benefit program	58	44
Reserve for adjustment of returned goods	68	78
Other	9,706	11,094
Total current liabilities	24,824	25,958
Long-term liabilities		
Corporate bonds	5,170	3,730
Long-term borrowings	5,085	6,734
Net defined benefit liability	9,844	9,140
Other	3,330	3,369
Total long-term liabilities	23,429	22,974
Total liabilities	48,253	48,932

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	Second quarter of FY2017 (As of Sep. 30, 2017)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,423	3,423
Retained earnings	55,638	54,180
Treasury stock	(11,789)	(11,789)
Total shareholder's equity	57,272	55,814
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(106)	183
Deferred hedge gain (loss)	(5)	(2)
Foreign currency translation adjustments	(549)	(879)
Remeasurements of defined benefit plans	(3,756)	(3,435)
Total accumulated other comprehensive income	(4,418)	(4,134)
Non-controlling interests	204	214
Total net assets	53,058	51,895
Total liabilities and net assets	101,312	100,827

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Six-month Period)

(Millions of yen)

	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Sales	31,451	28,299
Cost of sales	10,893	9,788
Gross profit	20,558	18,510
Reversal from reserve for adjustment of returned goods	6	10
Net gross profit on sales	20,552	18,500
Selling, general and administrative expenses	16,665	16,098
Operating profit	3,887	2,401
Non-operating profit		
Interest income	222	237
Dividend income	103	110
Foreign exchange gains	-	27
Other	137	110
Total non-operating profit	463	486
Non-operating expenses		
Interest expense	107	91
Foreign exchange loss	367	-
Commission fee	57	71
Loss on investments in partnership	54	42
Other	33	18
Total non-operating expenses	621	224
Ordinary profit	3,729	2,664
Extraordinary gains		
Gain on sales of fixed assets	-	3
Gain on sales of investment securities	104	288
Total extraordinary gains	104	291
Extraordinary losses		
Loss on disposal of fixed assets	25	13
Impairment loss	20	14
Other	14	-
Total extraordinary losses	59	27
Net profit before income taxes	3,773	2,928
Income taxes – current	1,177	1,067
Refund of income taxes	(1,125)	-
Income taxes – deferred	(103)	(94)
Total income taxes	(51)	972
Net profit	3,825	1,955
Net profit attributable to non-controlling interests	21	19
Net profit attributable to owners of parent	3,804	1,935

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

(Millions of yen)

	First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Net profit	3,825	1,955
Other comprehensive income		
Net unrealized gain (loss) on other securities	(311)	290
Deferred hedge gain (loss)	(0)	3
Foreign currency translation adjustments	(6,628)	(339)
Remeasurements of defined benefit plans, net of tax	439	320
Total other comprehensive income	(6,501)	275
Comprehensive income	(2,675)	2,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,672)	2,219
Comprehensive income attributable to non-controlling interests	(3)	10

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. First six months of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)

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	22,687	1,682	2,076	484	4,521	31,451	-	31,451
(Royalty income)	(4,874)	(1,675)	(1,433)	(483)	(3,763)	(12,231)	(-)	(12,231)
Inter-segment	3,328	26	3	2	791	4,153	(4,153)	-
(Royalty income)	(3,245)	(26)	(-)	(-)	(1)	(3,274)	((3,274))	(-)
Total	26,015	1,709	2,080	487	5,313	35,605	(4,153)	31,451
Segment profit (loss)	2,723	189	(311)	149	1,572	4,323	(435)	3,887

Notes: 1. The minus 435 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 six months of FY2017 (Apr. 1, 2017 – Sep. 30, 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	21,433	1,012	1,336	448	4,068	28,299	-	28,299
(Royalty income)	(4,576)	(1,000)	(817)	(444)	(3,664)	(10,504)	(-)	(10,504)
Inter-segment	2,859	15	2	0	770	3,649	(3,649)	-
(Royalty income)	(2,742)	(15)	(-)	(-)	(0)	(2,758)	((2,758))	(-)
Total	24,292	1,028	1,338	449	4,839	31,948	(3,649)	28,299
Segment profit (loss)	1,776	(111)	(463)	69	1,574	2,845	(443)	2,401

Notes: 1. The minus 443 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.