

**Summary of Financial Results for the Fiscal Year Ended March 31, 2018 (FY2017) [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  
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 Scheduled date of Annual General Meeting of Shareholders: June 28, 2018  
 Scheduled date of filing of Annual Securities Report: June 29, 2018  
 Starting date of dividend payment: June 12, 2018  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for FY2017 (April 1, 2017 – March 31, 2018)**

(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	%
FY2017	60,220	(3.9)	5,734	(17.0)	6,020	(17.0)	4,928	(23.9)
FY2016	62,695	(13.5)	6,904	(45.5)	7,255	(44.9)	6,475	(32.6)

Note: Comprehensive income (millions of yen) FY2017: 6,464 (up 22.5%) FY2016: 5,275 (up 139.5%)

	Net Profit per Share	Fully-Diluted Net Profit per Share	Return on Equity (ROE)	Return on Assets (ROA)	Operating Profit to Sales
	Yen	Yen	%	%	%
FY2017	58.09	-	9.4	6.0	9.5
FY2016	76.32	-	12.1	7.0	11.0

Reference: Equity in earnings of unconsolidated subsidiaries (millions of yen) FY2017: - FY2016: -

## (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2018	98,276	52,734	53.4	618.66
As of Mar. 31, 2017	101,312	53,058	52.2	622.94

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2018: 52,491 As of Mar. 31, 2017: 52,854

## (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2017	3,936	4,376	(7,958)	30,817
FY2016	7,037	8,736	(6,111)	30,090

**2. Dividends**

	Dividend per Share					Total Dividends	Dividend Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY2016	-	40.00	-	40.00	80.00	6,787	104.8	12.7
FY2017	-	40.00	-	15.00	55.00	4,666	94.7	8.9
FY2018 (forecast)	-	15.00	-	15.00	30.00		84.8	

**3. Consolidated Forecasts for FY2018 (April 1, 2018 – March 31, 2019)**

(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	28,800	1.8	2,100	(12.6)	2,200	(17.4)	900	(53.5)	10.61
Full year	60,600	0.6	5,200	(9.3)	5,400	(10.3)	3,000	(39.1)	35.36

**\* Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) 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

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)

As of Mar. 31, 2018: 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 Mar. 31, 2018: 4,218,473 shares As of Mar. 31, 2017: 4,218,168 shares

3) Average number of shares outstanding during the period

FY2017: 84,846,996 shares FY2016: 84,847,214 shares

**Reference: Unconsolidated Financial Results**

**1. Unconsolidated Financial Results for FY2017 (April 1, 2017 – March 31, 2018)**

(1) Unconsolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2017	42,199	(5.6)	3,108	(32.6)	5,844	(53.8)	4,175	(67.2)
FY2016	44,722	(11.7)	4,609	(41.4)	12,658	67.5	12,732	124.3

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
FY2017	49.21	-
FY2016	150.07	-

(2) Unconsolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2018	54,531	24,743	45.4	291.63
As of Mar. 31, 2017	60,094	27,470	45.7	323.76

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2018: 24,743 As of Mar. 31, 2017: 27,470

**2. Unconsolidated Forecasts for FY2018 (April 1, 2018 – March 31, 2019)**

(Percentages represent year-on-year changes)

	Sales		Ordinary Profit		Net Profit		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	19,800	(0.5)	900	(28.5)	600	(42.4)	7.07
Full year	42,100	(0.2)	2,300	(60.6)	1,400	(66.5)	16.50

Note 1: The current financial report is not subject to audit 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 "Overview of Results of Operations, etc., (1) Results of Operations" of the attachments for forecast assumptions and notes of caution for usage.

**Overview of Results of Operations, etc.****(1) Results of Operations**

(100 millions of yen)

	FY2017 Results	Vs. Plan			Y-O-Y		
		*Final plan	Increase/ decrease	Change (%)	FY2016 Results	Increase/ decrease	Change (%)
Sales	602	593	9	1.6	626	(24)	(3.9)
Gross profit	387	384	3	0.8	404	(17)	(4.3)
Selling, general & administrative expenses	329	331	(1)	(0.4)	335	(5)	(1.7)
Operating profit	57	53	4	8.2	69	(11)	(17.0)
Non-operating profit or expenses	2	6	(3)	(52.3)	3	(0)	(18.4)
Ordinary profit	60	59	1	2.0	72	(12)	(17.0)
Extraordinary gains or losses	46	51	(4)	(8.1)	6	40	616.1
Net profit before income taxes	107	110	(2)	(2.7)	79	27	35.4
Total income taxes	57	51	6	12.4	13	43	312.0
Net profit attributable to owners of parent	49	58	(8)	(15.0)	64	(15)	(23.9)
Gross margin	64.3%	64.8%	(0.5)%	-	64.6%	(0.3)%	-
Operating margin	9.5%	8.9%	0.6%	-	11.0%	(1.5)%	-
Ordinary margin	10.0%	9.9%	0.1%	-	11.6%	(1.6)%	-

\*Since the initial forecast has been revised, the table above shows comparisons with the final plan.

During the fiscal year under review (consolidated subsidiaries overseas: January 1 to December 31, 2017; consolidated subsidiaries in Japan: April 1, 2017 to March 31, 2018), in overseas business, increased revenue from the Asian market, centered on China, was unable to cover the adverse effect of the delayed recovery in product license income in the U.S. and European markets, leading to a year-on-year fall. In Japan, consumption remained sluggish in rural areas and revenue was unable to exceed the previous year's despite a recovery in metropolitan areas due to demand from tourists visiting from overseas and support from such areas as brisk theme park activity and strong sales from collaborations with other companies' animated content.

Under these conditions, the theme park in Tama City, Tokyo performed well. Regarding characters, Cinnamoroll, which excelled by winning first prize at the 32nd Sanrio Character Awards as it celebrated its 15th anniversary in the period under review; Gudetama; and the reappearance of characters active from the 1970s to the 1990s as Sanrio Characters increased profits while contributing to broad character development. Collaborative products with other brands also performed well. Moreover, Show By Rock!! and Sanrio Danshi (boys) contributed to the market expansion as animated content.

As a result of these factors, sales and profits both fell, with sales dropping 3.9% year-on-year to 60.2 billion yen, operating profit 17.0% to 5.7 billion yen, and ordinary profit 17.0% to 6.0 billion yen. Net profit before income taxes and other adjustments rose 35.4% year-on-year to 10.7 billion yen due to such factors as a 4.5 billion yen gain on sales of fixed assets from the U.S. subsidiary and 600 million yen gain on sale of investment securities set against a 500 million yen impairment loss on intangible fixed assets from the European subsidiaries. We accounted the sum of 1.1 billion yen as income taxes for prior periods combining local government, additional and delinquent taxes including income taxes—current of 3.1 billion yen and supplementary taxes following a tax assessment order by the Tokyo Regional Taxation Bureau (TRTB) (In March 2018, we made a request for reassessment with the TRTB). We also accounted reversal of deferred tax assets at U.S. subsidiaries and income taxes—deferred at 1.3 billion yen. Due to this and other factors, net profit attributable to owners of parent was 4.9 billion yen (down 23.9% year on year). In the previous fiscal year, the accounting of the tax refund of 1.1 billion yen due to request for correction against prior-year income also affected the year-on-year reduction and rate of decline in net profit attributable to owners of parent.

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

Reportable Segment		(100 millions of yen)							
		Sales				Segment profit (operating profit)			
		FY2016	FY2017	Increase/ decrease	Change (%)	FY2016	FY2017	Increase/ decrease	Change (%)
Japan	Product sales/others	362	356	(6)	(1.7)	54	43	(10)	(19.7)
	Royalties	98	97	(1)	(1.2)				
	Total	461	453	(7)	(1.6)				
Europe	Product sales/others	0	0	(0)	(54.2)	(3)	(0)	2	-
	Royalties	28	21	(7)	(25.8)				
	Total	29	21	(7)	(26.1)				
North America	Product sales/others	12	11	(0)	(2.3)	(5)	(9)	(3)	-
	Royalties	27	18	(9)	(34.1)				
	Total	40	30	(9)	(24.4)				
Latin America	Product sales/others	0	0	0	471.8	1	0	(1)	(52.6)
	Royalties	9	7	(1)	(13.1)				
	Total	9	8	(1)	(11.4)				
Asia	Product sales/others	13	12	(0)	(6.7)	30	32	2	7.1
	Royalties	74	76	2	2.8				
	Total	87	88	1	1.4				
Adjustment		-	-	-	-	(7)	(9)	(1)	-
Consolidated	Product sales/others	388	380	(7)	(1.9)	69	57	(11)	(17.0)
	Royalties	238	221	(17)	(7.2)				
	Total	626	602	(24)	(3.9)				

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.

Reference: Overseas Sales and Profits for the Past Three Years by Area (Millions of yen)

Areas		Sales to customers					Operating profit				
		FY2015	FY2016	Change (%)	FY2017	Change (%)	FY2015	FY2016	Change (%)	FY2017	Change (%)
North America	U.S.A.	5,933	4,025	(32.2)	3,042	(24.4)	96	(579)	-	(950)	-
Latin America	Brazil/Chile	1,270	912	(28.2)	808	(11.4)	289	196	(32.1)	93	(52.6)
Asia	Hong Kong	3,876	3,258	(15.9)	3,247	(0.3)	1,181	1,078	(8.7)	1,159	7.5
	Taiwan	1,709	1,487	(13.0)	1,398	(6.0)	557	480	(13.8)	483	0.5
	South Korea	1,208	991	(17.9)	910	(8.2)	311	201	(35.3)	159	(20.7)
	China	2,902	2,999	3.3	3,297	10.0	1,268	1,276	0.6	1,450	13.7
Subtotal		9,696	8,736	(9.9)	8,854	1.4	3,319	3,036	(8.5)	3,253	7.1
Europe	Germany	4,860	2,390	(50.8)	1,586	(33.6)	955	(302)	-	(105)	-
	Britain	755	526	(30.3)	568	7.9	162	(59)	-	11	-
Subtotal		5,616	2,917	(48.1)	2,155	(26.1)	1,117	(362)	-	(93)	-
Total		22,517	16,591	(26.3)	14,860	(10.4)	4,822	2,291	(52.5)	2,301	0.4

**(2) Financial Position**

(100 millions of yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018	Increase/decrease	As of Sep. 30, 2017
Assets	1,013	982	(30)	1,008
Liabilities	482	455	(27)	489
(Interest-bearing debt)	208	200	(7)	216
Net assets	530	527	(3)	518
Equity ratio	52.2%	53.4%	1.2pt	51.3%

\* Interest-bearing debt excludes lease obligations.

**(3) Cash Flows**

(100 millions of yen)

	FY2016	FY2017	Increase/decrease
Cash flows from operating activities	70	39	(31)
Cash flows from investing activities	87	43	(43)
Cash flows from financing activities	(61)	(79)	(18)
Effect of exchange rate changes on cash and cash equivalents	(7)	3	11
Increase (decrease) in cash and cash equivalents	89	7	(81)
Cash and cash equivalents at beginning of year	211	300	89
Cash and cash equivalents at end of year	300	308	7

**(4) Outlook**

(100 millions of yen)

	FY2017 Results	FY2018 Forecasts	Increase/ decrease	Change (%)
Sales	602	606	3	0.6
Gross profit	387	400	12	3.3
Selling, general & administrative expenses	329	348	18	5.5
Operating profit	57	52	(5)	(9.3)
Ordinary profit	60	54	(6)	(10.3)
Extraordinary gains or losses	46	(5)	(51)	-
Net profit before income taxes	107	49	(58)	(54.2)
Total income taxes	57	19	(38)	(66.9)
Net profit attributable to owners of parent	49	30	(19)	(39.1)
Gross margin	64.3%	66.0%	(1.7)%	-

\* Key assumptions for the next year's outlook

Exchange rates: 105.00 yen/USD      130.00 yen/EUR

While we anticipate continued growth in the global economy in the coming fiscal year, uncertainty over such factors as global share price movements, trends in the Chinese economy, and geopolitical situation in the Middle East and East Asia is also increasing. In Japan, consumer confidence is expected to remain weak. In this situation, our domestic business will proactively focus on new markets including adding Rilū Rilū Fairilū; Aggretsuko (Aggressive Retsuko), which began streaming on Netflix from April 2018; Show By Rock!!, which is also being developed from animated movies and games into a musical; and Sanrio Danshi (Boys), in addition to existing popular characters such as Hello Kitty, Pom Pom Purin, Cinnamoroll, and Gudetama, which celebrates its fifth anniversary. We also expect that collaboration with other companies' popular characters such as I'm Doraemon, Osomatsu-san, and Peko-chan will continue contributing to grow sales and profits. Additionally, at the theme park, the performance of Kawaii Kabuki—Momotaro by the Hello Kitty Troupe, which started this March in collaboration with Shochiku Co., Ltd., has proved popular. In overseas business, we anticipate the impact of growth in the Asian region including China and streamlining at a U.S. subsidiary. As a result of the above, we expect sales to rise 0.6% year-on-year to 60.6 billion yen, operating profit to fall 9.3% to 5.2 billion yen, and net

profit attributable to owners of parent to fall 39.1% to 3.0 billion yen due to an anticipated extraordinary loss of 400 million yen accompanying the streamlining of the U.S. subsidiary.

## **Target Performance Indicators and Medium to Long-Term Management Strategy**

### **1) Medium-term Business Plan**

The Company's sales and profits have continued to decline from the fiscal 2014 peak. Overseas business has been affected by the delayed bottoming out of revenue from the European and U.S. subsidiaries, which was anticipated to occur during fiscal 2017. In Japan, the situation also remains difficult due to weak consumption trends, with the exception of spending by foreign tourists visiting Japan.

With the aim of turning this situation around and transforming Sanrio into a strategic global company in the social communication gift business, we have formulated our medium-term management plan "Marketing Innovation Project 2021" (fiscal 2018–fiscal 2020). We have announced the following basic strategy as the foundation of growth and aiming to achieve operating profit of 10 billion yen in the period ending March 31, 2021.

### **2) Outline of the medium-term management plan**

#### **i. Implement stronger customer-centric marketing functions**

- Strengthen and reshape marketing functions
- Re-energize Hello Kitty
- Invest in Strategic Marketing to Nurture Secondary Characters beyond Hello Kitty

#### **ii. Establish a strategic Animation and Game Business within Sanrio**

- Create animation and game-based content; restructure content-related organization
- Grow business through cross-division cooperation
- Budget ongoing investments and develop stable markets

#### **iii. Fundamentally review business strategy**

- Rebuild the product sales business as a customer contact interface
- Focus on the growth area of the Chinese market while implementing structural reform in the Americas, and expansion policies in Europe

#### **iv. Invest strategically through selection and concentration**

- Selective investment in line with the above basic strategies

### **3) Numerical Targets for FY2020 (Consolidated)**

Operating profit of 10 billion yen and return on equity (ROE) of at least 10%.

### **4) Shareholder Distributions**

The Company regards returning profits to shareholders as an important matter of management. We aim to continue paying dividends in line with long-term stability and profit levels based on dividend on equity (DOE) ratio of 5% to maintain stable dividends, and payout ratios of 60% in line with operating results while maintaining our financial soundness and investment for future growth.

**Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheets**

	(Millions of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposit	41,172	44,290
Trade notes and accounts receivable	7,698	7,824
Merchandise and finished goods	4,176	4,069
Work in process	16	26
Raw materials and supplies	114	116
Other accounts receivable	1,442	880
Deferred tax assets	1,038	511
Other	829	737
Allowance for doubtful accounts	(192)	(74)
Total current assets	56,295	58,383
Fixed assets		
Tangible fixed assets		
Buildings and structures	54,144	51,586
Accumulated depreciation and impairment loss	(47,452)	(45,709)
Buildings and structures, net	6,692	5,876
Machinery and vehicles	12,783	12,878
Accumulated depreciation and impairment loss	(12,605)	(12,641)
Machinery and vehicles, net	178	236
Land	9,819	8,487
Lease assets	2,081	2,169
Accumulated depreciation and impairment loss	(933)	(926)
Lease assets, net	1,148	1,243
Construction in process	30	4
Other	5,637	5,727
Accumulated depreciation and impairment loss	(4,966)	(5,145)
Other, net	670	581
Total tangible fixed assets	18,539	16,430
Intangible fixed assets	4,715	3,905
Investments and other assets		
Investment securities	12,135	11,513
Long-term loans to employees	231	222
Guarantees	1,968	1,905
Deferred tax assets	3,619	2,381
Other	5,748	4,806
Allowance for doubtful accounts	(1,991)	(1,305)
Total investments and other assets	21,711	19,523
Total fixed assets	44,967	39,859
Deferred assets		
Corporate bond issuance costs	49	33
Total deferred assets	49	33
<b>Total assets</b>	101,312	98,276

	(Millions of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	3,911	4,563
Short-term borrowings	9,561	6,737
Current portion of corporate bonds to be redeemed	1,030	2,534
Lease obligations	309	305
Accrued income taxes	919	1,564
Allowance for bonuses	501	491
Reserve for adjustment of returned goods	68	94
Provision for shareholder benefit program	58	50
Provision for point card certificates	97	90
Other	8,366	8,076
Total current liabilities	24,824	24,508
Long-term liabilities		
Corporate bonds	5,170	3,263
Long-term borrowings	5,085	7,523
Lease obligations	922	1,026
Long-term deposits received	598	549
Long-term accounts payable	1,030	1,068
Net defined benefit liability	9,844	6,149
Other	777	1,452
Total long-term liabilities	23,429	21,033
Total liabilities	48,253	45,541
<b>Net assets</b>		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,423	3,423
Retained earnings	55,638	53,779
Treasury stock	(11,789)	(11,789)
Total shareholder's equity	57,272	55,413
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(106)	(219)
Deferred hedge gain (loss)	(5)	(2)
Foreign currency translation adjustments	(549)	247
Remeasurements of defined benefit plans	(3,756)	(2,947)
Total accumulated other comprehensive income	(4,418)	(2,921)
Non-controlling interests	204	243
Total net assets	53,058	52,734
Total liabilities and net assets	101,312	98,276

**(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements****Consolidated Income Statements**

	(Millions of yen)	
	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Sales	62,695	60,220
Cost of sales	22,211	21,475
Gross profit	40,483	38,744
Reversal from reserve for adjustment of returned goods	13	26
Net gross profit on sales	40,470	38,718
Selling, general and administrative expenses		
Sales and promotion expenses	2,702	2,463
Provision of allowance for doubtful accounts	219	76
Directors bonuses and salaries	7,990	7,838
Miscellaneous wages	3,201	3,213
Bonus	1,002	965
Provision of reserves for bonuses	492	480
Provision for shareholder benefit program	3	(7)
Provision for point card certificates	(2)	(7)
Retirement benefit expenses	2,137	1,889
Freight charges	779	875
Rent	2,852	2,811
Depreciation	897	1,148
Other	11,290	11,236
Total selling, general and administrative expenses	33,566	32,984
Operating profit	6,904	5,734
Non-operating profit		
Interest income	457	506
Dividend income	206	219
Other	263	226
Total non-operating profit	927	951
Non-operating expenses		
Interest expense	207	166
Loss on investments in partnership	63	142
Foreign exchange loss	125	101
Commission fee	110	114
Compensation expenses	-	94
Other	69	46
Total non-operating expenses	577	665
Ordinary profit	7,255	6,020
Extraordinary gains		
Gain on sales of fixed assets	0	4,586
Gain on sales of investment securities	593	698
Gain on reversal of shares acquisition rights	162	-
Total extraordinary gains	756	5,284

	(Millions of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Extraordinary losses		
Loss on disposal of fixed assets	36	23
Impairment loss	51	573
Loss on sale of investment securities	3	-
Loss on disaster	10	-
Total extraordinary losses	101	597
Net profit before income taxes	7,910	10,708
Income taxes – current	2,406	3,179
Refund of income taxes	(1,125)	-
Income taxes for prior periods	-	1,175
Income taxes – deferred	111	1,378
Total income taxes	1,391	5,733
Net profit	6,518	4,974
Net profit attributable to non-controlling interests	42	45
Net profit attributable to owners of parent	6,475	4,928

**Consolidated Comprehensive Income Statements**

(Millions of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net profit	6,518	4,974
Other comprehensive income		
Net unrealized gain (loss) on other securities	262	(112)
Deferred hedge gain (loss)	33	3
Foreign currency translation adjustments	(3,010)	789
Remeasurements of defined benefit plans, net of tax	1,471	808
Total other comprehensive income	(1,243)	1,489
Comprehensive income	5,275	6,464
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,235	6,425
Comprehensive income attributable to non-controlling interests	39	39

**(3) Consolidated Statements of Changes in Shareholders' Equity**

FY2016 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	10,000	3,423	55,950	(11,789)	57,585
Changes of items during period					
Dividends of surplus			(6,787)		(6,787)
Net profit attributable to owners of parent			6,475		6,475
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(312)	(0)	(312)
Balance at end of current period	10,000	3,423	55,638	(11,789)	57,272

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(369)	(39)	2,458	(5,227)	(3,177)	162	164	54,733
Changes of items during period								
Dividends of surplus								(6,787)
Net profit attributable to owners of parent								6,475
Purchase of treasury stock								(0)
Net changes of items other than shareholders' equity	262	33	(3,007)	1,471	(1,240)	(162)	39	(1,362)
Total changes of items during period	262	33	(3,007)	1,471	(1,240)	(162)	39	(1,675)
Balance at end of current period	(106)	(5)	(549)	(3,756)	(4,418)	-	204	53,058

FY2017 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	10,000	3,423	55,638	(11,789)	57,272
Changes of items during period					
Dividends of surplus			(6,787)		(6,787)
Net profit attributable to owners of parent			4,928		4,928
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(1,858)	(0)	(1,859)
Balance at end of current period	10,000	3,423	53,779	(11,789)	55,413

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(106)	(5)	(549)	(3,756)	(4,418)	-	204	53,058
Changes of items during period								
Dividends of surplus								(6,787)
Net profit attributable to owners of parent								4,928
Purchase of treasury stock								(0)
Net changes of items other than shareholders' equity	(112)	3	796	808	1,496	-	39	1,535
Total changes of items during period	(112)	3	796	808	1,496	-	39	(323)
Balance at end of current period	(219)	(2)	247	(2,947)	(2,921)	-	243	52,734

**(4) Consolidated Cash Flow Statements**

(Millions of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Net profit before income taxes	7,910	10,708
Depreciation	1,696	1,956
Amortization of long-term prepaid expenses	54	133
Increase (decrease) in allowance for doubtful accounts	51	(292)
Increase (decrease) in reserve for bonuses	(7)	(13)
Increase (decrease) in net defined benefit liability	(214)	(2,885)
Increase (decrease) in reserve for adjustment of returned goods	13	26
Increase (decrease) in provision for shareholder benefit program	3	(7)
Increase (decrease) in provision for point card certificates	(2)	(7)
Interest and dividend income	(664)	(725)
Interest expense	207	166
Loss (gain) on disposal of fixed assets	36	(4,562)
Impairment loss	51	573
Loss (gain) on sale of investment securities	(590)	(698)
Decrease (increase) in accounts receivable	1,379	104
Decrease (increase) in inventories	(18)	97
Decrease (increase) in other assets	(257)	198
Increase (decrease) in accounts payable	(1,080)	658
Increase (decrease) in consumption tax payable	(51)	114
Increase (decrease) in other liabilities	(468)	46
Other	175	344
Subtotal	8,221	5,934
Interests and dividends received	660	690
Interests paid	(209)	(168)
Income taxes paid	(2,760)	(2,519)
Income taxes refund	1,125	0
Cash flows from operating activities	7,037	3,936
Cash flows from investing activities		
Payments for time deposits	(16,632)	(13,220)
Withdrawal of time deposits	24,163	11,522
Payments for purchase of tangible fixed assets	(741)	(632)
Proceeds from sale of tangible fixed assets	5	6,416
Purchase of intangible fixed assets	(413)	(450)
Payments for purchase of investment securities	(2,247)	(2,848)
Proceeds from sale of investment securities	2,847	3,885
Collection of loans receivable	17	15
Payments for guarantees	(139)	(32)
Collection of guarantees	187	125
Other payments	(352)	(1,253)
Other proceeds	2,042	849
Cash flows from investing activities	8,736	4,376

	(Millions of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Decrease in short-term borrowings	(740)	(40)
Increase in long-term borrowings	6,000	8,300
Decrease in long-term borrowings	(3,729)	(8,646)
Proceeds from issuance of corporate bonds	1,084	993
Payment for redemption of corporate bonds	(1,594)	(1,403)
Payment for purchase of treasury stock	(0)	(0)
Dividends paid	(6,785)	(6,787)
Other	(346)	(374)
Cash flows from financing activities	<u>(6,111)</u>	<u>(7,958)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(742)</u>	<u>373</u>
Increase (decrease) in cash and cash equivalents	<u>8,919</u>	<u>727</u>
Cash and cash equivalents at beginning of period	<u>21,170</u>	<u>30,090</u>
Cash and cash equivalents at end of period	<u>30,090</u>	<u>30,817</u>

## **Other Information**

### **Changes in Directors**

Retiring director

Outside Director: Yoshiharu Hayakawa (scheduled to retire on May 10th, 2018)

*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.*