October 30, 2020

Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2021 (FY2020) (Six Months Ended September 30, 2020) [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: November 13, 2020
Starting date of dividend payment: -
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 October 30, 2020 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the Second Quarter of FY2020 (April 1, 2020 – September 30, 2020)

(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, 2020	17,070	(38.3)	(2,645)	-	(1,938)	-	(2,847)	-
Six months ended Sep. 30, 2019	27,660	(2.2)	1,374	(36.3)	2,039	(25.3)	326	(78.5)

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2020: (3,280) (-%)
Six months ended Sep. 30, 2019: (365) (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Six months ended Sep. 30, 2020	(33.92)	-
Six months ended Sep. 30, 2019	3.85	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	95,496	41,217	43.0
As of Mar. 31, 2020	89,515	46,387	51.5

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2020: 41,083 As of Mar. 31, 2020: 46,060

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	-	15.00	-	20.00	35.00
FY2020	-	0.00			
FY2020 (forecast)			-	0.00	0.00

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

Breakdown of the year-end dividend for FY2019:
Ordinary dividend: 15.00 yen; 60th anniversary commemorative dividend: 5.00 yen

3. Consolidated Forecast for FY2020 (April 1, 2020 – March 31, 2021)

(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	39,700	(28.2)	(4,600)	-	(3,700)	-	(4,600)	-	(54.81)

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

*** 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, 2020:	89,065,301 shares	As of Mar. 31, 2020:	89,065,301 shares

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

As of Sep. 30, 2020:	5,132,046 shares	As of Mar. 31, 2020:	5,131,983 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	83,933,291 shares	Six months ended Sep. 30, 2019:	84,856,718 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 “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 6 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, business confidence deteriorated due to the spread of COVID-19. Although economic activity has recently resumed, it is expected to take time to bring the disease under control, and the outlook remains both severe and uncertain.

In Japan, we have continued to protect the health of our customers and employees and take measures to prevent the spread of infection while operating safe stores and facilities.

Regarding theme parks, Harmony Land in Oita Prefecture resumed operations on June 8, and Sanrio Puroland in Tama City, Tokyo on July 13. Visitor numbers fell significantly due to temporary closures and admission restrictions upon reopening the park. In the product sales division, e-commerce subscribers increased in number and orders rose substantially. Sanrio shops (directly owned stores and directly managed shops within department stores) saw an almost complete recovery in domestic customer numbers and the launch of some hit products. However, this was insufficient to cover reduced sales from inbound foreign tourists and the cancellation of events and temporary closures in April and May, causing sales to fall sharply year-on-year. In domestic licensing, the digital content business saw an increase in new contracts and steady sales growth. Meanwhile, the product licensing business continued to face difficult conditions despite growth in the sales of masks and other hygiene-related products.

Overseas, the impact of COVID-19 has been even greater than in Japan. While the signing of new contracts and the e-commerce business have expanded, product licensing, particularly for apparel, continues to be difficult.

As a result of these factors, sales fell 38.3% year-on-year to 17.0 billion yen, and operating loss was 2.6 billion yen (profit of 1.3 billion yen in the same period of the previous fiscal year). Ordinary loss was 1.9 billion yen (profit of 2.0 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 loss attributable to owners of parent was 2.8 billion yen (profit of 0.3 billion yen in the same period of the previous fiscal year) after accounting for extraordinary gains including 0.9 billion yen from subsidies for employment adjustment; extraordinary losses including 1.4 billion yen from the temporary closure of stores and theme parks to prevent the spread of COVID-19; a tax refund of 0.8 billion yen; and income taxes-deferred of 0.6 billion yen.

Since the accounting period for all overseas consolidated subsidiaries runs from January to December, the first half under review for these subsidiaries covers the period from January to June 2020.

Reportable Segment (100 millions of yen)

	First six months of	Sales				Segment profit (operating profit)			
		FY2019	FY2020	Increase/ decrease	Change (%)	FY2019	FY2020	Increase/ decrease	Change (%)
Japan	Product sales/others	172	93	(79)	(46.0)	11	(20)	(32)	-
	Royalties	46	36	(9)	(21.2)				
	Total	219	129	(89)	(40.7)				
Europe	Product sales/others	0	0	(0)	(25.8)	(2)	(3)	(1)	-
	Royalties	7	5	(1)	(25.2)				
	Total	7	5	(1)	(25.2)				
North America	Product sales/others	3	3	(0)	(16.5)	(4)	(7)	(2)	-
	Royalties	7	3	(3)	(54.3)				
	Total	11	6	(4)	(41.4)				
Latin America	Product sales/others	0	0	0	98.6	0	(0)	(0)	-
	Royalties	2	1	(1)	(46.3)				
	Total	2	1	(1)	(44.0)				
Asia	Product sales/others	5	2	(2)	(51.7)	13	9	(3)	(28.8)
	Royalties	31	24	(6)	(20.4)				
	Total	36	27	(9)	(24.8)				
Adjustment		-	-	-	-	(4)	(4)	0	-
Consolidated	Product sales/others	181	99	(82)	(45.5)	13	(26)	(40)	-
	Royalties	94	71	(23)	(24.4)				
	Total	276	170	(105)	(38.3)				

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 40.7% year-on-year to 12.9 billion yen and operating loss stood at 2.0 billion yen compared with operating profit of 1.1 billion yen in the same period a year earlier.

In the retail division of the product sales business, most directly managed and client stores closed in April and May following the declaration of a state of emergency to prevent the spread of COVID-19. Even after reopening, stores located in tourist areas are still struggling in the absence of foreign customers visiting Japan. Recovery has also been delayed at city center stores, which have seen fewer commuting workers and students due to the widespread use of teleworking and online classes. Meanwhile, suburban and regional stores have shown remarkable growth since their reopening, capturing the demand from the period of closure, and continue to perform well. As a result, existing store sales (based on directly owned stores and directly managed shops within department stores) fell 37.9% year-on-year. Our online shop grew by a substantial 135.0% year-on-year, capturing demand from the practice of self-restraint from going outside and increasing its membership. In the product category, in view of the times, hygiene-related products such as masks and hand gels sold well, as did eco-friendly bags. Promotions for the Enjoy Idol series, My Melody and Kuromi, Cogimyun, Hapidanbui and others also performed strongly.

In the wholesale division, as with retail, chain stores struggled in April and May due to the shortened hours of operation, but some level of recovery was seen once demand for products relating to schoolchildren returned after the reopening of schools in June. However, wholesale stores at airports and drug stores, where demand from tourists visiting from abroad is high, continued to struggle.

Concerning product licensing in the licensing business, we strengthened marketing of three types of products—masks, mask cases, and antibacterial or sanitizing products—in response to the coronavirus as well as eco-friendly bags following the introduction of a charge for plastic bags at the cash register, for a total of four items. Although we achieved a certain level of success, we struggled in areas relating to tourism, including tourists arriving from overseas, leading to a severe result.

In corporate planning, sales were underpinned by initiatives with financial institutions and local governments, which have been relatively unaffected by the spread of COVID-19. New contracts also made a significant contribution, and campaigns to promote the food service industry through restaurants such as Ootoya, Kourakuen, and Joyfull, campaign contracts with infrastructure companies such as Tokyo Monorail Co., Ltd., and a major contract with Science Corporation for the Mirable shower head also contributed greatly. We aim to achieve our budget for the second half of the fiscal year by further strengthening the aforementioned four items, including masks, and by focusing on acquiring new customers.

Product licensing at the Entertainment Business Department struggled slightly due to the delay in the recovery of markets, including toy categories, amusement facilities, and cafes, but the digital content business performed well. Sales were supported by a new project providing characters for Ulala Idle Adventure, a popular title from major Chinese game company X.D. Global Limited, and ongoing initiatives with LINE Corporation. We will continue to promote the development of products for the digitally shifting market, such as online claw crane games and e-commerce merchandise, and commodities that meet current needs, including hygiene products such as masks and toothbrushes. We will also focus on developing and cultivating new characters such as Beatcats, which debuted in October.

In the theme park business, both theme parks closed temporarily from February 22 to prevent the spread of COVID-19. Sanrio Puroland in Tama City, Tokyo, resumed operations on July 13 following the announcement by the Tokyo Metropolitan Government that it had lifted its request to suspend operations at large-scale facilities. After the reopening, the number of visitors was limited by means of a lottery system until August and by a pre-registration system from September. As a result of these measures, visitor numbers in the first half fell 86.8% year-on-year to 102,000. As new initiatives in response to COVID-19, we have actively engaged in digital distribution of character shows and greetings since June as well as e-commerce sales of our original products. Despite lower sales promotion and advertising costs associated with the cancellation of the event, there was a significant operating loss.

Harmony Land in Oita Prefecture resumed operations on June 8. However, visitor numbers for the first half fell 79.0% year-on-year to 52,000 due to reductions in opening hours, sales measures, and operating content as well as the temporary closure of the park in September following a typhoon.

In the future, both theme parks will take thorough measures to prevent the spread of COVID-19, and we plan for a recovery in visitor numbers by reopening suspended amusement facilities and regular shows. The Company recorded extraordinary losses of 900 million yen in fixed costs (800 million yen at Sanrio Puroland and 100 million yen at Harmony Land) during the period of closure in the first half of the current fiscal year.

ii. Europe: Sales fell 25.2% year-on-year to 0.5 billion yen and operating loss stood at 0.3 billion yen, a fall of 0.1 billion yen.

In France and Germany, efforts to cultivate customers proved successful and sales related to toys and corporate promotions rose year-on-year. However, while downward pressure from the impact of COVID-19 was kept relatively low in Eastern Europe, Russia, and Oceania, reorders from major customers decreased significantly in the Near and Middle East. In Europe, product licensing faced great challenges, especially in the main category of apparel, and sales and profits fell.

For Mr. Men and Little Miss, strong performances from expansion in Asia and publication in France were unable to make up for the decline in the key markets of the U.K. and Australia.

iii. North America: Sales fell 41.4% year-on-year to 0.6 billion yen and operating loss stood at 0.7 billion yen, a fall of 0.2 billion yen.

In the licensing business, expansion of distribution at Target, the launch of a new licensee for Walmart, and significant growth in wholesale sales to Amazon were unable to make up for the non-renewal of contracts with major consumer goods manufacturers, a slowdown in the development of collaborative products with cosmetic brands, and a decline in sales from collaborations connected to Hello Kitty’s 45th anniversary, which contributed to sales in the previous fiscal year.

In the product sales business, e-commerce sales to the U.S. in the second quarter increased by double digits year-on-year due to “nesting” demand from stay-at-home consumers, but cumulative sales did not reach the same level as the same period a year earlier due to store closures and the impact of logistics system upgrades continuing from the first quarter. Regarding operating profit, in addition to increased promotional and legal expenses, we were unable to reduce selling, general and administrative expenses as planned, partly due to the impact of outsourcing logistics costs, which increased the operating loss.

iv. Latin America: Sales fell 44.0% year-on-year to 0.1 billion yen and operating loss stood at 6 million yen compared with operating profit of 12 million yen in the same period a year earlier.

In Latin America, all regions, including the major markets of Mexico and Brazil, struggled due to COVID-19. Moreover, the Brazilian real has weakened significantly since February, and foreign exchange losses have had a significant impact. In terms of categories, health and beauty products in Mexico and corporate special sales in Peru performed well. We plan to make up for the fall in sales by such means as implementing virtual events and expanding our e-commerce business.

v. Asia: Sales fell 24.8% year-on-year to 2.7 billion yen and operating profit fell 28.8% to 0.9 billion yen.

At the Hong Kong subsidiary, which covers Southeast Asia, Malaysia, Singapore, and Vietnam fared well in the COVID-19 environment but business struggled overall due to significant declines in Hong Kong, Macau, and Thailand, which have high sales composition ratios.

In Taiwan, product licensing sales for household goods, apparel, miscellaneous goods, consumer electronics, and others fell but steady sales of corporate promotions and food licenses helped to stem the decline and keep sales relatively steady compared to other markets.

In South Korea, due in part to the impact of COVID-19, game software for smartphones and Kakao Talk stamps, consumer electronics, and household goods performed well but we were unable to increase sales to existing customers, many of whose main sales channels are brick-and-mortar stores.

In China, the acquisition of a new contract with toothbrush manufacturer and strong growth among key customers led to significant license growth in the health and beauty category, but this was insufficient to offset the declines in other categories.

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)	3,302	-	3,302	(2,227)
Year-on-year change (%)	(26.8)	-	(27.2)	-
Britain (GBP)	1,326	17	1,343	(729)
Year-on-year change (%)	0.4	260.5	1.3	-
North America (USD)	3,096	2,979	6,076	(6,503)
Year-on-year change (%)	(53.6)	(14.7)	(40.2)	-
Brazil (BRL)	6,307	572	6,880	(294)
Year-on-year change (%)	(30.3)	344.9	(25.1)	-
Chile (CLP)	-	4,710	4,710	(1,036)
Year-on-year change (%)	-	(26.6)	(26.6)	-
Hong Kong (HKD)	46,176	13,119	59,296	15,131
Year-on-year change (%)	(16.7)	(53.7)	(29.2)	(41.6)
Taiwan (NTD)	146,404	12,096	158,501	47,727
Year-on-year change (%)	(4.2)	(32.2)	(7.1)	(11.2)
South Korea (KRW)	2,545,283	41,942	2,587,226	212,208
Year-on-year change (%)	(31.0)	(80.6)	(33.7)	(70.4)
China (CNY)	68,520	33,023	101,543	34,149
Year-on-year change (%)	(21.5)	(21.3)	(21.4)	(20.5)

(2) Explanation of Financial Position

At the end of the second quarter of the current fiscal year, total assets stood at 95.4 billion yen, an increase of 5.9 billion yen from the end of the previous fiscal year. The main increases were 6.2 billion yen in cash and deposit and 2.1 billion yen in investment securities. The main decreases were 1.6 billion yen in trade notes and accounts receivable and 1.2 billion yen in deferred tax assets.

Liabilities increased 11.1 billion yen from the end of the previous fiscal year to 54.2 billion yen. The main increases were 10.1 billion yen in short-term borrowings and 4.0 billion yen in long-term borrowings. The main decreases were 0.7 billion yen in trade notes and accounts payable and 1.7 billion yen in other current liabilities. Net assets decreased 5.1 billion yen to 41.2 billion yen. There was net loss attributable to owners of parent of 2.8 billion yen and a decrease of 4.5 billion yen in retained earnings due to dividend payment of 1.6 billion yen. The equity ratio was 43.0%, down 8.5 percentage points from the end of the previous fiscal year.

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

Although a final resolution of COVID-19 is not in sight at this time, assuming that it will be brought under control in the future and that economic activity will gradually follow a path to recovery, the Company has announced its previously undisclosed consolidated forecasts for the fiscal year ending March 31, 2021. Please refer to the “Notice Regarding Forecasts for the Fiscal Year Ending March 31, 2021 (FY2020) and Year-end Dividend” announced today (October 30, 2020).

The dividend forecast for the current fiscal year had been undecided. Since there remains no prospect that COVID-19 can be completely contained, we strongly regret that we expect no dividend payment at this point. Even though the operating environment is challenging, we will strive to improve profitability with the aim of resuming year-end dividend.

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. 2018	Sep. 2019	Change (%)	Sep. 2020	Change (%)	Sep. 2018	Sep. 2019	Change (%)	Sep. 2020	Change (%)
Europe	Germany	828	559	(32.5)	387	(30.8)	5	(167)	-	(266)	-
	Britain	185	145	(21.8)	139	(3.5)	(104)	(108)	-	(119)	-
	Subtotal	1,013	704	(30.5)	527	(25.2)	(99)	(276)	-	(386)	-
North America	U.S.A.	1,218	1,114	(8.5)	652	(41.4)	(512)	(450)	-	(705)	-
Latin America	Brazil/Chile	286	263	(8.1)	147	(44.0)	12	12	(1.8)	(6)	-
Asia	Hong Kong	1,315	1,167	(11.3)	832	(28.7)	502	371	(26.1)	230	(37.9)
	Taiwan	744	554	(25.5)	540	(2.5)	231	191	(17.1)	172	(10.0)
	South Korea	435	375	(13.8)	231	(38.4)	95	69	(27.7)	19	(72.4)
	China	1,715	1,558	(9.1)	1,144	(26.5)	746	696	(6.6)	524	(24.7)
	Subtotal	4,210	3,654	(13.2)	2,748	(24.8)	1,575	1,329	(15.7)	946	(28.8)
Total		6,728	5,736	(14.7)	4,076	(28.9)	977	614	(37.1)	(151)	-

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	Second quarter of FY2020 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposit	40,053	46,329
Trade notes and accounts receivable	6,211	4,599
Merchandise and finished goods	4,589	5,219
Work in process	22	50
Raw materials and supplies	243	289
Other accounts receivable	1,683	2,409
Other	1,078	867
Allowance for doubtful accounts	(102)	(122)
Total current assets	53,780	59,642
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,306	5,038
Land	7,825	7,823
Other, net	2,758	2,534
Total tangible fixed assets	15,890	15,396
Intangible fixed assets	2,474	2,328
Investments and other assets		
Investment securities	9,062	11,215
Deferred tax assets	2,956	1,715
Other	5,851	5,708
Allowance for doubtful accounts	(531)	(537)
Total investments and other assets	17,339	18,102
Total fixed assets	35,704	35,827
Deferred assets	30	26
Total assets	89,515	95,496
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,964	3,262
Short-term borrowings	8,089	18,239
Accrued income taxes	425	735
Allowance for bonuses	479	451
Reserve for adjustment of returned goods	25	10
Provision for shareholder benefit program	45	52
Provision for point card certificates	71	124
Other	9,494	7,779
Total current liabilities	22,595	30,656
Long-term liabilities		
Corporate bonds	1,347	1,126
Long-term borrowings	9,048	13,053
Retirement benefit liability	5,883	5,432
Other	4,253	4,011
Total long-term liabilities	20,532	23,623
Total liabilities	43,127	54,279

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	Second quarter of FY2020 (As of Sep. 30, 2020)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,409	3,409
Retained earnings	52,818	48,292
Treasury stock	(13,762)	(13,762)
Total shareholder's equity	52,466	47,940
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(995)	(425)
Deferred hedge gain (loss)	(0)	-
Foreign currency translation adjustments	(2,494)	(3,892)
Remeasurements of defined benefit plans	(2,914)	(2,539)
Total accumulated other comprehensive income	(6,405)	(6,857)
Non-controlling interests	326	134
Total net assets	46,387	41,217
Total liabilities and net assets	89,515	95,496

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements
(For the Six-month Period)

(Millions of yen)

	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)
Sales	27,660	17,070
Cost of sales	9,772	6,600
Gross profit	17,888	10,469
Provision for sales returns	11	-
Reversal of provision for sales returns	-	15
Net gross profit on sales	17,877	10,484
Selling, general and administrative expenses	16,502	13,130
Operating profit (loss)	1,374	(2,645)
Non-operating profit		
Interest income	258	191
Dividend income	114	99
Foreign exchange gains	-	39
Gain on investments in partnership	169	250
Subsidies for employment adjustment	-	86
Other	293	209
Total non-operating profit	836	876
Non-operating expenses		
Interest expense	52	65
Foreign exchange loss	49	-
Commission expenses	59	89
Other	10	14
Total non-operating expenses	171	169
Ordinary profit (loss)	2,039	(1,938)
Extraordinary gains		
Gain on sales of fixed assets	75	-
Gain on sales of investment securities	178	240
Gain on valuation of investment securities	-	199
Subsidies for employment adjustment	-	461
Total extraordinary gains	253	900
Extraordinary losses		
Loss on disposal of fixed assets	57	12
Loss on valuation of investment securities	395	6
Impairment loss	64	44
Loss related to competition law	768	-
Business restructuring expenses	48	-
Loss from the temporary closure of theme parks, etc.	-	1,346
Other	20	35
Total extraordinary losses	1,354	1,445
Net profit (loss) before income taxes	938	(2,483)
Income taxes – current	510	516
Refund of income taxes	-	(825)
Income taxes – deferred	81	650
Total income taxes	591	341
Net profit (loss)	346	(2,825)
Net profit attributable to non-controlling interests	19	22
Net profit (loss) attributable to owners of parent	326	(2,847)

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

(Millions of yen)

	First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY2020 (Apr. 1, 2020 – Sep. 30, 2020)
Net profit (loss)	346	(2,825)
Other comprehensive income		
Net unrealized gain (loss) on other securities	130	570
Deferred hedge gain (loss)	(0)	0
Foreign currency translation adjustments	(1,201)	(1,401)
Remeasurements of defined benefit plans, net of tax	358	375
Total other comprehensive income	(711)	(455)
Comprehensive income	(365)	(3,280)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(376)	(3,299)
Comprehensive income attributable to non-controlling interests	11	18

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Effect of COVID-19 on Accounting Estimates

With the spread of COVID-19, the Sanrio Group suffered severe conditions including the obligation to reduce store opening hours and suspend business in accordance with regulations and appeals for self-restraint from national and local governments in each country. Stores have successively reopened for business following the later relaxation of these restrictions, but a slump in consumer activity and fall in the demand for licenses is anticipated, both in Japan and overseas.

In preparing the consolidated financial statements, based on external sources and other information, and assuming that demand will gradually recover over a certain period during the current fiscal year while the impact of COVID-19 will continue to be felt, the Group has made accounting estimates related to the impairment of fixed assets and determination of the recoverability of deferred tax assets.

Although the Group makes the best estimates based on information available at the time of preparing the consolidated financial statements, uncertainty remains due to the nature of the assumptions used in the estimation. Accordingly, the Group's financial condition and operating results may be affected if and when COVID-19 comes to an end and its impact on the economic environment changes.

Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

With regard to the transition to the group tax sharing system that was established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the non-consolidated tax system items that were revised by this act, the Company and certain domestic consolidated subsidiaries have not applied "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) Article 44 pursuant to "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020) Article 3. Consequently, deferred tax assets and deferred tax liabilities are based on the tax law before the revision.

Segment and Other Information

I. First six months of FY2019 (Apr. 1, 2019 – Sep. 30, 2019)

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	21,923	704	1,114	263	3,654	27,660	-	27,660
(Royalty income)	(4,636)	(701)	(734)	(259)	(3,137)	(9,469)	(-)	(9,469)
Inter-segment	2,261	7	4	0	612	2,886	(2,886)	-
(Royalty income)	(2,149)	(7)	(-)	(-)	(0)	(2,156)	((2,156))	(-)
Total	24,184	712	1,118	264	4,267	30,547	(2,886)	27,660
Segment profit (loss)	1,184	(276)	(450)	12	1,329	1,799	(424)	1,374

Notes: 1. The minus 424 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 FY2020 (Apr. 1, 2020 – Sep. 30, 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	12,994	527	652	147	2,748	17,070	-	17,070
(Royalty income)	(3,656)	(524)	(335)	(139)	(2,498)	(7,154)	(-)	(7,154)
Inter-segment	1,724	9	6	5	468	2,213	(2,213)	-
(Royalty income)	(1,639)	(9)	(-)	(-)	(0)	(1,649)	((1,649))	(-)
Total	14,718	536	658	152	3,217	19,284	(2,213)	17,070
Segment profit (loss)	(2,088)	(386)	(705)	(6)	946	(2,239)	(406)	(2,645)

Notes: 1. The minus 406 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.