

**Summary of Financial Results for the Fiscal Year Ended March 31, 2022 (FY2021) [Japanese GAAP]**

Company name: Sanrio Company, Ltd. Listed Stock Exchange: Tokyo Stock Exchange  
 Stock code: 8136 URL: <https://www.sanrio.co.jp/english/corporate/ir/>  
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 Scheduled date of Annual General Meeting of Shareholders: June 23, 2022  
 Scheduled date of filing of Annual Securities Report: June 24, 2022  
 Starting date of dividend payment: June 7, 2022  
 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 FY2021 (April 1, 2021 – March 31, 2022)**

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

|        | Sales           |        | Operating Profit |   | Ordinary Profit |   | Net Profit Attributable to Owners of Parent |   |
|--------|-----------------|--------|------------------|---|-----------------|---|---|---|
|        | Millions of yen | %      | Millions of yen  | % | Millions of yen | % | Millions of yen                             | % |
| FY2021 | 52,763          | 28.5   | 2,537            | - | 3,318           | - | 3,423                                       | - |
| FY2020 | 41,053          | (25.7) | (3,280)          | - | (1,731)         | - | (3,960)                                     | - |

Note: Comprehensive income (millions of yen) FY2021: 7,108 (-%) FY2020: (1,225) (-%)

|        | Net Profit per Share | Fully-Diluted Net Profit per Share | Return on Equity (ROE) | Return on Assets (ROA) | Operating Profit to Sales |
|--------|----------------------|------------------------------------|------------------------|------------------------|---------------------------|
|        | Yen                  | Yen                                | %                      | %                      | %                         |
| FY2021 | 42.49                | -                                  | 8.5                    | 3.9                    | 4.8                       |
| FY2020 | (47.93)              | -                                  | (9.5)                  | (2.0)                  | (8.0)                     |

Reference: Equity in earnings of unconsolidated subsidiaries (millions of yen) FY2021: - FY2020: -

(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, 2022 | 83,809          | 43,800          | 52.1         | 541.73               |
| As of Mar. 31, 2021 | 85,040          | 37,285          | 43.7         | 461.32               |

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 43,642 As of Mar. 31, 2021: 37,155

(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                            |
| FY2021 | 5,064                                | 2,300                                | (9,106)                              | 23,882                                     |
| FY2020 | (2,287)                              | 7,007                                | (862)                                | 24,788                                     |

**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   |                 |                                      |                                   |
| FY2020            | -                  | 0.00   | -      | 0.00     | 0.00  | -               | -                                    | -                                 |
| FY2021            | -                  | 8.00   | -      | 8.00     | 16.00 | 1,288           | 37.7                                 | 3.2                               |
| FY2022 (forecast) | -                  | 8.00   | -      | 8.00     | 16.00 |                 | 61.4                                 |                                   |

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

(Percentages represent year-on-year changes)

|            | Sales           |     | Operating Profit |       | Ordinary Profit |      | Net Profit Attributable to Owners of Parent |        | Net Profit per Share |
|------------|-----------------|-----|------------------|-------|-----------------|------|---|--------|----------------------|
|            | Millions of yen | %   | Millions of yen  | %     | Millions of yen | %    | Millions of yen                             | %      | Yen                  |
| First half | 25,200          | 5.9 | 700              | 142.8 | 900             | 41.4 | 400   | (79.5) | 4.97                 |
| Full year  | 54,600          | 3.5 | 3,000            | 18.2  | 3,500           | 5.5  | 2,100                                       | (38.7) | 26.07                |

**\* 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: Yes

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, 2022: 89,065,301 shares As of Mar. 31, 2021: 89,065,301 shares

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

As of Mar. 31, 2022: 8,503,829 shares As of Mar. 31, 2021: 8,523,746 shares

3) Average number of shares outstanding during the period

FY2021: 80,553,824 shares FY2020: 82,628,774 shares

**Reference: Unconsolidated Financial Results**

**1. Unconsolidated Financial Results for FY2021 (April 1, 2021 – March 31, 2022)**

(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 | %      |
| FY2021 | 37,527          | 22.8   | 1,614            | - | 2,132           | (70.9) | 3,148           | (51.9) |
| FY2020 | 30,563          | (19.7) | (1,757)          | - | 7,339           | 161.3  | 6,542           | 276.3  |

|        | Net Profit per Share | Fully-Diluted Net Profit per Share |
|--------|----------------------|------------------------------------|
|        | Yen                  | Yen                                |
| FY2021 | 39.09                | -                                  |
| FY2020 | 79.18                | -                                  |

(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, 2022 | 54,811          | 24,681          | 45.0         | 306.37               |
| As of Mar. 31, 2021 | 55,631          | 22,235          | 40.0         | 276.08               |

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 24,681 As of Mar. 31, 2021: 22,235

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. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Overview of Results of Operations, etc., (4) Outlook" on page 8 of the attachments for forecast assumptions and notes of caution for usage.

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## 1. Overview of Results of Operations, etc.

### (1) Results of Operations

(100 millions of yen)

|   | FY2021<br>Results | Vs. Plan    |                       |               | Y-O-Y             |                       |               |
|---|-------------------|-------------|-----------------------|---------------|-------------------|-----------------------|---------------|
|   |                   | *Final plan | Increase/<br>decrease | Change<br>(%) | FY2020<br>Results | Increase/<br>decrease | Change<br>(%) |
| Sales                                       | 527               | 513         | 14                    | 2.9           | 410               | 117                   | 28.5          |
| Gross profit                                | 338               | 328         | 10                    | 3.3           | 252               | 85                    | 33.9          |
| Selling, general & administrative expenses  | 313               | 316         | (2)                   | (0.8)         | 285               | 27                    | 9.7           |
| Operating profit                            | 25                | 12          | 13                    | 111.5         | (32)              | 58                    | -             |
| Non-operating profit or expenses            | 7                 | 7           | 0                     | 11.5          | 15                | (7)                   | (49.6)        |
| Ordinary profit                             | 33                | 19          | 14                    | 74.7          | (17)              | 50                    | -             |
| Extraordinary gains or losses               | 16                | 22          | (5)                   | (26.0)        | (9)               | 25                    | -             |
| Net profit before income taxes              | 49                | 41          | 8                     | 20.7          | (26)              | 76                    | -             |
| Total income taxes                          | 15                | 16          | (0)                   | (5.7)         | 12                | 2                     | 19.1          |
| Net profit attributable to owners of parent | 34                | 25          | 9                     | 36.9          | (39)              | 73                    | -             |
| Gross margin                                | 64.2%             | 63.9%       | 0.3%                  | -             | 61.6%             | 2.6%                  | -             |
| Operating margin                            | 4.8%              | 2.3%        | 2.5%                  | -             | (8.0)%            | 12.8%                 | -             |
| Ordinary margin                             | 6.3%              | 3.7%        | 2.6%                  | -             | (4.2)%            | 10.5%                 | -             |

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

During the fiscal year under review, although COVID-19 infections were expected to be contained as vaccination rates rose, the economy failed to achieve a full-fledged recovery due to the repeated spread of infections caused by the emergence of mutant strains and other factors. Moreover, it is essential to continue monitoring the global economic outlook and its impact on the domestic economy, including the international impact of the conflict in Europe, geopolitical risks in East Asia, rising raw material and fuel prices, and trends in financial policies and exchange rates. The Company continues to protect the health of its customers and employees and take measures to prevent the spread of COVID-19 while operating safe stores and facilities.

The Company announced on May 25, 2021 the three-year medium-term management plan “Creating and Challenging for our Future” concluding in the fiscal year ending March 31, 2024. The three pillars of this plan are corporate culture reform, initiation and completion of domestic and overseas structural reforms, and planting the seeds for regrowth strategies and growth markets. We are implementing this plan through radically restructuring our organization. The current fiscal year is set as the first year of the medium-term management plan, and we aim to release information on the plan’s progress on our website in mid-May.

Regarding the Company’s situation over the fiscal year, economic activity in Japan has continued to normalize since the state of emergency was fully lifted in October. Customers returned once more to our directly-managed stores that had been affected by the COVID-19 crisis up to that point. Overall sales increased, including for clothing, accessories and sundries, which are trending favorably due to stay-home “nesting” demand, and for animation, toy and hobby, digital products and e-commerce business.

In addition, the membership of Sanrio+, an application for Sanrio fan members, continued to grow steadily after surpassing the one million mark in October 2021 to reach 1,130,000 members as of the end of March 2022.

In the theme park business, while the number of park visitors fell temporarily due to the rapid spread of a mutant strain of COVID-19 from the start of this year, full-year sales increased significantly year-on-year, mainly due to a significant recovery in visitor numbers after the state of emergency was fully lifted last October (Sanrio Puroland sets a daily cap on the number of visitors).

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

category.

As a result of these factors, sales rose 28.5% year-on-year to 52.7 billion yen, and operating profit was 2.5 billion yen (loss of 3.2 billion yen in the previous fiscal year). Ordinary profit was 3.3 billion yen (loss of 1.7 billion yen in the previous fiscal year) due to accounting interest income and gain on investments in partnership as non-operating profit. Net profit attributable to owners of parent was 3.4 billion yen (loss of 3.9 billion yen in the previous fiscal year) after accounting for extraordinary gains including 3.8 billion yen from gain on sales of fixed assets; extraordinary losses including 1.1 billion yen from loss on valuation of shares of subsidiaries and associates related to non-consolidated subsidiary Sanrio Brand Development Shanghai Co., Ltd.; provision of 300 million yen for founder merit bonus upon retirement of Chairman Shintaro Tsuji and other factors; and total income taxes of 1.5 billion yen.

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 2021.

## Reportable Segment

(100 millions of yen)

|               |                      | Sales  |        |                       |               | Segment profit (operating profit) |        |                       |               |
|---------------|----------------------|--------|--------|-----------------------|---------------|-----------------------------------|--------|-----------------------|---------------|
|               |                      | FY2020 | FY2021 | Increase/<br>decrease | Change<br>(%) | FY2020                            | FY2021 | Increase/<br>decrease | Change<br>(%) |
| Japan         | Product sales/others | 236    | 308    | 71                    | 30.4          | (29)                              | 22     | 51                    | -             |
|               | Royalties            | 79     | 93     | 14                    | 17.7          |                                   |        |                       |               |
|               | Total                | 315    | 401    | 86                    | 27.2          |                                   |        |                       |               |
| Europe        | Product sales/others | 0      | 0      | (0)                   | (31.8)        | (3)                               | (1)    | 1                     | -             |
|               | Royalties            | 11     | 16     | 4                     | 42.0          |                                   |        |                       |               |
|               | Total                | 12     | 16     | 4                     | 40.7          |                                   |        |                       |               |
| North America | Product sales/others | 10     | 15     | 4                     | 38.8          | (11)                              | (4)    | 7                     | -             |
|               | Royalties            | 10     | 20     | 10                    | 97.0          |                                   |        |                       |               |
|               | Total                | 21     | 35     | 14                    | 67.3          |                                   |        |                       |               |
| Latin America | Product sales/others | 0      | 0      | (0)                   | (63.7)        | 0                                 | 0      | 0                     | 375.2         |
|               | Royalties            | 2      | 3      | 0                     | 21.2          |                                   |        |                       |               |
|               | Total                | 3      | 3      | 0                     | 17.9          |                                   |        |                       |               |
| Asia          | Product sales/others | 5      | 6      | 0                     | 17.0          | 19                                | 21     | 1                     | 7.5           |
|               | Royalties            | 52     | 62     | 10                    | 19.6          |                                   |        |                       |               |
|               | Total                | 58     | 69     | 11                    | 19.3          |                                   |        |                       |               |
| Adjustment    |                      | -      | -      | -                     | -             | (8)                               | (12)   | (4)                   | -             |
| Consolidated  | Product sales/others | 253    | 330    | 77                    | 30.4          | (32)                              | 25     | 58                    | -             |
|               | Royalties            | 157    | 197    | 40                    | 25.5          |                                   |        |                       |               |
|               | Total                | 410    | 527    | 117                   | 28.5          |                                   |        |                       |               |

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 rose 27.2% year-on-year to 40.1 billion yen and operating profit stood at 2.2 billion yen compared with a loss of 2.9 billion yen a year earlier.

In the product sales business, although priority measures to prevent the spread of COVID-19 continued to be implemented over a wide area from January to March, both our directly managed and online stores in the retail business saw an increase in product purchases by character fans and a variety of customers due to a recovery in "Oshikatsu" activities, resulting in a strong double-digit increase in sales year-on-year. In the wholesale business, sales fell slightly below the previous year's level due to slow demand for products for schoolchildren entering kindergarten and going on to higher education amid the pandemic. Considering product trends, collaborative products with popular illustrator Nagano and the leading Pringles brand of potato chips proved popular. In March,

product sales grew significantly due to various measures to celebrate Cinnamoroll's birthday in its 20th anniversary year. In the same month, we launched the Hello Kitty SDGs Series, designed and developed jointly with the United Nations to promote sustainable development goals. Moreover, a project we have been undertaking since last year to boldly promote stores with a single character, using Cinnamoroll at Hello Kitty Japan DiverCity Tokyo Plaza Store in January and Kuromi at Sanrio Gift Gate Namba Ebisubashi Store in March, drew a huge response.

In the corporate planning division of the licensing business, the convenience store sector continued to make significant gains. The number of lucky draw lottery tickets handled by each chain, including 7-Eleven's Cinnamoroll lucky draw and Ministop's all-character lucky draw, rose dramatically. In addition, merchandising and advertising projects with major food product manufacturers, such as tomato ketchup for Kagome Co., Ltd. and chocolate flakes from Nissin Cisco Co., Ltd., contributed to sales.

In the product licensing business, items such as loungewear and pajamas for large chain stores including Shimamura and UNY/Don Quijote performed well in addition to spring apparel for Uniqlo Co., Ltd.

In the entertainment business, royalty income grew significantly in each division. In the digital division, ongoing licensing of Sanrio characters to LINE Corporation and Cocone Corporation performed well, while the Puzzle & Dragons initiative also contributed to growth. In addition, we are increasing the number of partnerships with promising live-streaming companies such as HAKUNA LIVE. In the Toys and Hobby division, in addition to continued growth in licenses for claw crane game products and capsule toys, plush-toy related products connected to Cinnamoroll's 20th anniversary and collaborative products with Rika-chan by TOMY COMPANY, LTD., proved extremely popular. We will continue to promote the merchandising of highly topical products.

In the theme park business, Sanrio Puroland in Tama City, Tokyo, regained its vigor with a rise in visitor numbers since October last year, when the state of emergency was fully lifted. Numbers temporarily declined at the start of this year due to the rapid spread of a mutant strain of COVID-19, but by March visitor numbers had recovered to surpass those of 12 months earlier. This occurred due to the theme park resuming postponed seasonal events and tie-up events with other companies as well as the arrival of the graduation season and the lifting of priority measures to prevent the spread of the virus prior to the spring break. As a result, the number of visitors to the park in the fourth quarter rose by 92,000, or 53.8%, year-on-year to reach 264,000 while the total number of visitors for the full year rose 440,000, or 97.1%, year-on-year to reach 893,000, resulting in a significant improvement in operating performance. Harmonyland in Oita Prefecture celebrated its 30th anniversary in April 2021. Although the park was affected by the spread of COVID-19 in the Kyushu area, efforts focusing on the development of new shows and attractive products while paying attention to infection prevention measures led to a recovery, bringing 75,000 visitors in the fourth quarter (an increase of 55.1%, or 26,000 visitors year-on-year) for a full-year total of 306,000 (up 73.3%, or 129,000 year-on-year). New character greetings on a fee-charge basis and online sales of original products also performed strongly, resulting in a significant improvement in operating performance at Harmonyland as well. We will continue to pay attention to the spread of COVID-19 infections at both theme parks.

**ii. Europe:** Sales rose 40.7% year-on-year to 1.6 billion yen and operating loss stood at 0.1 billion yen, an improvement of 0.1 billion yen.

Regarding Sanrio characters, initiatives with major apparel licensees expanded significantly. We also gained new contracts in the Non-Fungible Token (NFT) sector.

Mr. Men and Little Miss performed well in the main publishing license category. The Company also conducted a campaign at fast-food restaurants to commemorate the brand's 50th anniversary.

**iii. North America:** Sales rose 67.3% year-on-year to 3.5 billion yen and operating loss stood at 0.4 billion yen, an improvement of 0.7 billion yen.

In the licensing business, initiatives with a toy manufacturer that mainly handles soft toys have proved successful, and sales have commenced at many retailers. In addition, sales of apparel in collaboration with anime characters and online-only products were strong, while new initiatives with fast fashion brands also performed well,

resulting in overall growth in the apparel category. E-commerce sales were also strong year-on-year, thanks in part to collaboration with Pusheen, an intellectual property originating in the United States.

**iv. Latin America:** Sales rose 17.9% year-on-year to 0.3 billion yen and operating profit rose 375.2% to 34 million yen.

In Brazil, sales significantly increased driven by a collaboration with an online game. Initiatives for sandals, one of our main products, also proved successful. In Mexico, sales rose overall year-on-year despite a decline at one of our main customers, a manufacturer of sanitary products.

**v. Asia:** Sales rose 19.3% year-on-year to 6.9 billion yen and operating profit rose 7.5% to 2.1 billion yen.

In Hong Kong and Macau, in addition to strong sales of non-woven masks, campaigns at convenience stores and supermarkets also contributed to the rise in sales.

In Taiwan, some apparel manufacturers continued to be forced to suspend production due to the spread of COVID-19 infections. Meanwhile, in the health & beauty category, focused mainly on mask-related manufacturers, the acquisition of new contracts added to existing sales growth.

In South Korea, initiatives for puzzle games and stamps for messaging applications in the digital category remained successful in the current fiscal year. Sales in the stationery category also continued to rise, with stationery and miscellaneous products being developed with a wide range of Sanrio characters.

In China, strong sales were achieved in almost every category. The health & beauty category grew significantly, helped by the strong performance of miscellaneous goods and cosmetics manufacturers, and new contracts were acquired in the apparel category. Moreover, the Company held live commerce events to commemorate the 50th anniversary of Mr. Men and Little Miss.

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)           | 8,073     | 131           | 8,205     | (2,399)          |
| Year-on-year change (%) | 14.3      | 9.5           | 14.2      | -                |
| UK (GBP)                | 5,191     | 74            | 5,265     | 1,793            |
| Year-on-year change (%) | 60.3      | (62.3)        | 53.3      | -                |
| North America (USD)     | 18,783    | 14,098        | 32,881    | (4,027)          |
| Year-on-year change (%) | 91.3      | 36.0          | 62.9      | -                |
| Brazil (BRL)            | 17,482    | 558           | 18,040    | 1,687            |
| Year-on-year change (%) | 23.3      | (33.8)        | 20.1      | 368.4            |
| Chile (CLP)             | -         | 9,738         | 9,738     | (281)            |
| Year-on-year change (%) | -         | 106.8         | 106.8     | -                |
| Hong Kong (HKD)         | 66,888    | 28,658        | 95,547    | 20,556           |
| Year-on-year change (%) | (28.7)    | (19.2)        | (26.1)    | (36.0)           |
| Taiwan (NTD)            | 232,702   | 16,278        | 248,981   | 65,573           |
| Year-on-year change (%) | (15.2)    | (26.1)        | (16.0)    | (22.6)           |
| South Korea (KRW)       | 6,158,210 | 223,208       | 6,381,419 | 1,032,350        |
| Year-on-year change (%) | 29.8      | (35.1)        | 25.4      | 370.6            |
| China (CNY)             | 216,204   | 64,726        | 280,931   | 81,363           |
| Year-on-year change (%) | 37.3      | (1.3)         | 25.9      | 8.1              |

Note: The table shows figures before category adjustment for the handling of other regions included in each subsidiary. There is no connection with the figures and currency conversions for previously mentioned regional segments and exchanges.

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

(Millions of yen)

| Areas         |              | Sales to customers |        |            |        |            | Operating profit |         |            |        |            |
|---------------|--------------|--------------------|--------|------------|--------|------------|------------------|---------|------------|--------|------------|
|               |              | FY2019             | FY2020 | Change (%) | FY2021 | Change (%) | FY2019           | FY2020  | Change (%) | FY2021 | Change (%) |
| Europe        | Germany      | 1,063              | 857    | (19.4)     | 1,054  | 23.0       | (439)            | (174)   | -          | (312)  | -          |
|               | UK           | 396                | 346    | (12.7)     | 639    | 84.5       | (113)            | (130)   | -          | 198    | -          |
|               | Subtotal     | 1,459              | 1,203  | (17.6)     | 1,693  | 40.7       | (553)            | (305)   | -          | (113)  | -          |
| North America | USA          | 2,607              | 2,136  | (18.1)     | 3,574  | 67.3       | (1,126)          | (1,167) | -          | (442)  | -          |
| Latin America | Brazil/Chile | 504                | 305    | (39.4)     | 360    | 17.9       | 19               | 7       | (62.2)     | 34     | 375.2      |
| Asia          | Hong Kong    | 2,531              | 1,767  | (30.2)     | 1,385  | (21.6)     | 874              | 470     | (46.2)     | 362    | (22.9)     |
|               | Taiwan       | 1,087              | 1,019  | (6.3)      | 928    | (8.9)      | 371              | 306     | (17.5)     | 258    | (15.8)     |
|               | South Korea  | 617                | 457    | (25.9)     | 602    | 31.7       | 71               | 19      | (72.1)     | 99     | 399.1      |
|               | China        | 3,369              | 2,580  | (23.4)     | 4,035  | 56.4       | 1,560            | 1,162   | (25.5)     | 1,385  | 19.2       |
|               | Subtotal     | 7,605              | 5,825  | (23.4)     | 6,952  | 19.3       | 2,878            | 1,959   | (31.9)     | 2,106  | 7.5        |
| Total         |              | 12,177             | 9,470  | (22.2)     | 12,580 | 32.8       | 1,217            | 493     | (59.5)     | 1,584  | 221.2      |

**(2) Financial Position**

(100 millions of yen)

|                         | As of Mar. 31, 2021 | As of Mar. 31, 2022 | Increase/decrease | As of Sep. 30, 2021 |
|-------------------------|---------------------|---------------------|-------------------|---------------------|
| Assets                  | 850                 | 838                 | (12)              | 896                 |
| Liabilities             | 477                 | 400                 | (77)              | 485                 |
| (Interest-bearing debt) | 278                 | 200                 | (78)              | 269                 |
| Net assets              | 372                 | 438                 | 65                | 411                 |
| Equity ratio            | 43.7%               | 52.1%               | 8.4 pt            | 45.7%               |

\* Interest-bearing debt excludes lease obligations.

At the end of the current fiscal year, total assets stood at 83.8 billion yen, a decrease of 1.2 billion yen from the end of the previous fiscal year. The main increase was 1.5 billion yen in cash and deposit, and the main decreases were 1.1 billion yen in buildings and structures, net and 1.6 billion yen in land.

Liabilities decreased 7.7 billion yen from the end of the previous fiscal year to 40.0 billion yen. The main decrease was 7.8 billion yen in interest-bearing debt. Net assets increased 6.5 billion yen to 43.8 billion yen. The main increases were 2.7 billion yen in retained earnings, 2.3 billion yen in foreign currency translation adjustments and 1.4 billion yen in remeasurements of defined benefit plans. As a result, the equity ratio was 52.1%, up 8.4 percentage points from the end of the previous fiscal year.

**(3) Cash Flows**

(100 millions of yen)

|  | FY2020 | FY2021 | Increase/decrease |
|--|--------|--------|-------------------|
| Cash flows from operating activities                         | (22)   | 50     | 73                |
| Cash flows from investing activities                         | 70     | 23     | (47)              |
| Cash flows from financing activities                         | (8)    | (91)   | (82)              |
| Effect of exchange rate changes on cash and cash equivalents | (0)    | 8      | 9                 |
| Increase (decrease) in cash and cash equivalents             | 37     | (9)    | (46)              |
| Cash and cash equivalents at beginning of year               | 210    | 247    | 37                |
| Cash and cash equivalents at end of year                     | 247    | 238    | (9)               |

Cash and cash equivalents at the end of the current fiscal year decreased 0.9 billion yen from the end of the previous fiscal year to 23.8 billion yen.



Cash flows from operating activities amounted to a provision of 5.0 billion yen (a use of 2.2 billion yen a year earlier). This was mainly attributable to net profit before income taxes of 4.9 billion yen (net loss of 2.6 billion yen a year earlier), depreciation of 1.6 billion yen (a year-on-year decrease of 0.1 billion yen), loss on valuation of shares of subsidiaries and associates of 1.1 billion yen (a year-on-year increase of 1.1 billion yen) and a 1.1 billion yen decrease in inventories (a year-on-year increase in inflow of 0.8 billion yen). On the other hand, there was gain on disposal of fixed assets of 3.8 billion yen (a year-on-year increase of 3.8 billion yen).

Cash flows from investing activities amounted to a provision of 2.3 billion yen (a year-on-year decrease of 4.7 billion yen). This was mainly attributable to net proceeds of 5.5 billion yen for purchase and sale of tangible fixed assets (a payments of 0.7 billion yen a year earlier), while there were net payments of 0.8 billion yen for increased time deposits (net proceeds of 6.5 billion yen a year earlier), net payments of 1.5 billion yen for purchase and sale of investment securities (net proceeds of 0.1 billion yen a year earlier), net payments of 0.7 billion yen for purchase of shares of unconsolidated subsidiaries (a year-on-year increase of 0.2 billion yen).

Cash flows from financing activities resulted in a use of 9.1 billion yen (a year-on-year increase of 8.2 billion yen). This was mainly attributable to net payment of 7.3 billion yen from short-term and long-term borrowings (net proceeds of 9.2 billion yen a year earlier), dividends paid of 0.6 billion yen (a year-on-year decrease of 1.0 billion yen) and net payments of 0.6 billion yen from other financing activities (a year-on-year decrease of 0.2 billion yen).

#### Reference: The trend of cash flow-related indicators

|  | FY2017 | FY2018 | FY2019  | FY2020 | FY2021 |
|--|--------|--------|---------|--------|--------|
| Equity ratio (%)                             | 53.4   | 54.7   | 51.5    | 43.7   | 52.1   |
| Equity ratio, at market value (%)            | 166.9  | 235.4  | 134.7   | 166.1  | 241.1  |
| Interest-bearing debt to cash flow ratio (%) | 509.6  | 411.3  | 2,415.8 | -      | 395.2  |
| Interest coverage ratio (times)              | 24.3   | 47.3   | 8.9     | -      | 34.9   |

Notes: Equity ratio: Shareholders' equity / Total assets

Equity ratio, at market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Operating cash flows (excluding interest payment) / Interest payment

\* All indicators are calculated from consolidated financial data.

\* Market capitalization is calculated by multiplying the term-end listed stock price with the term-end number of shares outstanding (excluding treasury stock).

\* Cash flows use cash flows from operating activities stated on the consolidated cash flow statements.

\* Interest-bearing debt is a sum of all interest-bearing debt stated on the consolidated balance sheets (excluding lease obligations).

\* Interest payment uses the amount of interest paid stated on the consolidated cash flow statements.

\* Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented for FY2020 because operating cash flows were negative.

#### (4) Outlook

By steadily implementing the three pillars of the medium-term management plan—corporate culture reform; initiation and completion of domestic and overseas structural reforms; and planting the seeds for regrowth strategies and growth markets—the Company aims to further enhance profitability and increase corporate value over the medium to long term.

Operating profit for the fiscal year ending March 31, 2023, is projected to be 3 billion yen, and we expect to achieve the operating profit target for the fiscal year ending March 31, 2024, the final year of the medium-term management plan, ahead of schedule. We will carefully monitor the progress of the medium-term management plan and might consider upward revisions.

**(5) Basic Policy Regarding Profit Distribution and Dividends for FY2021 and FY2022**

The Company considers distributing earnings to shareholders to be one of the Sanrio Group's highest priorities.

For the current fiscal year, we aim to allocate a year-end dividend of 8 yen per share, having recorded net profit attributable to owners of parent of 3.4 billion yen due to implementing various measures to recover our business performance in accordance with our medium-term management plan.

We will continue striving to improve business performance in order to consistently return profits to our shareholders, and we ask for your continued support.

**2. Basic Approach for the Selection of Accounting Standards**

The Sanrio Group will continue to prepare consolidated financial statements based on generally accepted accounting principles in Japan. We are examining systems and schedule with regard to the application of International Financial Reporting Standards (IFRS) in the future.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheets

|  | (Millions of yen)               |                                 |
|--|---------------------------------|---------------------------------|
|  | FY2020<br>(As of Mar. 31, 2021) | FY2021<br>(As of Mar. 31, 2022) |
| Assets                                       |                                 |                                 |
| Current assets                               |                                 |                                 |
| Cash and deposit                             | 36,876                          | 38,404                          |
| Trade notes and accounts receivable          | 5,269                           | -                               |
| Notes receivable-trade                       | -                               | 239                             |
| Accounts receivable-trade                    | -                               | 6,028                           |
| Contract assets                              | -                               | 0                               |
| Merchandise and finished goods               | 4,383                           | 3,382                           |
| Work in process                              | 10                              | 5                               |
| Raw materials and supplies                   | 213                             | 144                             |
| Other accounts receivable                    | 1,631                           | 905                             |
| Other  | 637                             | 970                             |
| Allowance for doubtful accounts              | (85)                            | (95)                            |
| Total current assets                         | 48,937                          | 49,987                          |
| Fixed assets                                 |                                 |                                 |
| Tangible fixed assets                        |                                 |                                 |
| Buildings and structures                     | 51,170                          | 49,445                          |
| Accumulated depreciation and impairment loss | (46,539)                        | (45,946)                        |
| Buildings and structures, net                | 4,631                           | 3,498                           |
| Machinery and vehicles                       | 13,006                          | 12,901                          |
| Accumulated depreciation and impairment loss | (12,705)                        | (12,658)                        |
| Machinery and vehicles, net                  | 300                             | 242                             |
| Tools, furniture and fixtures                | 5,649                           | 5,858                           |
| Accumulated depreciation and impairment loss | (5,249)                         | (5,453)                         |
| Tools, furniture and fixtures, net           | 399                             | 405                             |
| Land   | 7,831                           | 6,190                           |
| Lease assets                                 | 4,311                           | 4,011                           |
| Accumulated depreciation and impairment loss | (1,380)                         | (1,531)                         |
| Lease assets, net                            | 2,930                           | 2,480                           |
| Construction in process                      | 4                               | 27                              |
| Total tangible fixed assets                  | 16,098                          | 12,845                          |
| Intangible fixed assets                      | 2,216                           | 2,236                           |
| Investments and other assets                 |                                 |                                 |
| Investment securities                        | 11,649                          | 11,808                          |
| Long-term loans to employees                 | 114                             | 69                              |
| Guarantees                                   | 1,722                           | 1,702                           |
| Deferred tax assets                          | 364                             | 412                             |
| Retirement benefit asset                     | 1,812                           | 2,352                           |
| Other  | 2,557                           | 2,724                           |
| Allowance for doubtful accounts              | (454)                           | (342)                           |
| Total investments and other assets           | 17,766                          | 18,727                          |
| Total fixed assets                           | 36,081                          | 33,808                          |
| Deferred assets                              |                                 |                                 |
| Corporate bond issuance costs                | 21                              | 12                              |
| Total deferred assets                        | 21                              | 12                              |
| Total assets                                 | 85,040                          | 83,809                          |

|   | (Millions of yen)               |                                 |
|---|---------------------------------|---------------------------------|
|   | FY2020<br>(As of Mar. 31, 2021) | FY2021<br>(As of Mar. 31, 2022) |
| <b>Liabilities</b>                                |                                 |                                 |
| Current liabilities                               |                                 |                                 |
| Trade notes and accounts payable                  | 3,180                           | 3,797                           |
| Short-term borrowings                             | 17,030                          | 9,835                           |
| Current portion of corporate bonds to be redeemed | 512                             | 462                             |
| Lease obligations                                 | 752                             | 543                             |
| Accrued income taxes                              | 486                             | 953                             |
| Contract liabilities                              | -                               | 142                             |
| Allowance for bonuses                             | 421                             | 469                             |
| Reserve for adjustment of returned goods          | 8                               | -                               |
| Provision for shareholder benefit program         | 38                              | 43                              |
| Provision for point card certificates             | 118                             | 13                              |
| Provision for founder merit bonus upon retirement | -                               | 300                             |
| Other   | 6,786                           | 7,669                           |
| Total current liabilities                         | 29,336                          | 24,230                          |
| Long-term liabilities                             |                                 |                                 |
| Corporate bonds                                   | 935                             | 473                             |
| Long-term borrowings                              | 9,382                           | 9,243                           |
| Lease obligations                                 | 2,351                           | 2,117                           |
| Long-term deposits received                       | 620                             | 634                             |
| Long-term accounts payable                        | 1,142                           | 641                             |
| Retirement benefit liability                      | 3,091                           | 1,797                           |
| Other   | 893                             | 870                             |
| Total long-term liabilities                       | 18,417                          | 15,778                          |
| Total liabilities                                 | 47,754                          | 40,008                          |
| <b>Net assets</b>                                 |                                 |                                 |
| Shareholders' equity                              |                                 |                                 |
| Capital   | 10,000                          | 10,000                          |
| Capital surplus                                   | 3,409                           | 3,403                           |
| Retained earnings                                 | 47,179                          | 49,968                          |
| Treasury stock                                    | (19,762)                        | (19,716)                        |
| Total shareholder's equity                        | 40,827                          | 43,656                          |
| Accumulated other comprehensive income            |                                 |                                 |
| Net unrealized gain (loss) on other securities    | 139                             | 32                              |
| Foreign currency translation adjustments          | (3,320)                         | (999)                           |
| Remeasurements of defined benefit plans           | (490)                           | 953                             |
| Total accumulated other comprehensive income      | (3,671)                         | (14)                            |
| Non-controlling interests                         | 130                             | 158                             |
| Total net assets                                  | 37,285                          | 43,800                          |
| Total liabilities and net assets                  | 85,040                          | 83,809                          |

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

(Millions of yen)

|  | FY2020<br>(Apr. 1, 2020 – Mar. 31, 2021) | FY2021<br>(Apr. 1, 2021 – Mar. 31, 2022) |
|--|--|--|
| Sales  | 41,053                                   | 52,763                                   |
| Cost of sales                                      | 15,779                                   | 18,893                                   |
| Gross profit                                       | 25,273                                   | 33,870                                   |
| Provision for sales returns                        | 17                                       | -  |
| Net gross profit on sales                          | 25,290                                   | 33,870                                   |
| Selling, general and administrative expenses       |  |  |
| Sales and promotion expenses                       | 1,875                                    | 2,127                                    |
| Provision of allowance for doubtful accounts       | 113                                      | 1  |
| Directors' bonuses and salaries                    | 7,280                                    | 7,542                                    |
| Miscellaneous wages                                | 2,441                                    | 2,729                                    |
| Bonus  | 834                                      | 907                                      |
| Provision of reserves for bonuses                  | 405                                      | 459                                      |
| Provision for shareholder benefit program          | (15)                                     | 0  |
| Provision for point card certificates              | 43                                       | (19)                                     |
| Retirement benefit expenses                        | 1,792                                    | 1,491                                    |
| Freight charges                                    | 1,066                                    | 1,201                                    |
| Rent   | 2,368                                    | 2,801                                    |
| Depreciation                                       | 885                                      | 797                                      |
| Other  | 9,478                                    | 11,290                                   |
| Total selling, general and administrative expenses | 28,570                                   | 31,332                                   |
| Operating profit (loss)                            | (3,280)                                  | 2,537                                    |
| Non-operating profit                               |  |  |
| Interest income                                    | 412                                      | 247                                      |
| Dividend income                                    | 200                                      | 182                                      |
| Foreign exchange gains                             | -  | 97                                       |
| Gain on valuation of investment securities         | 286                                      | -  |
| Gain on investments in partnership                 | 919                                      | 135                                      |
| Subsidies for employment adjustment                | 140                                      | -  |
| Other  | 423                                      | 428                                      |
| Total non-operating profit                         | 2,382                                    | 1,091                                    |
| Non-operating expenses                             |  |  |
| Interest expense                                   | 131                                      | 168                                      |
| Foreign exchange loss                              | 301                                      | -  |
| Commission expenses                                | 123                                      | 107                                      |
| Settlement package                                 | 141                                      | -  |
| Other  | 135                                      | 34                                       |
| Total non-operating expenses                       | 833                                      | 310                                      |
| Ordinary profit (loss)                             | (1,731)                                  | 3,318                                    |
| Extraordinary gains                                |  |  |
| Gain on sales of fixed assets                      | -  | 3,855                                    |
| Gain on sales of investment securities             | 528                                      | 313                                      |
| Subsidies for employment adjustment                | 487                                      | 65                                       |
| Other  | -  | 23                                       |
| Total extraordinary gains                          | 1,015                                    | 4,258                                    |

|  | (Millions of yen)              |                                |
|--|--------------------------------|--------------------------------|
|  | FY2020                         | FY2021                         |
|  | (Apr. 1, 2020 – Mar. 31, 2021) | (Apr. 1, 2021 – Mar. 31, 2022) |
| Extraordinary losses                                       |                                |                                |
| Loss on disposal of fixed assets                           | 17                             | 19                             |
| Impairment loss  | 470                            | 184                            |
| Loss on sale of investment securities                      | 51                             | 426                            |
| Loss on valuation of investment securities                 | 11                             | 256                            |
| Business restructuring expenses                            | 35                             | 1                              |
| Loss from the temporary closure of theme parks, etc.       | 1,370                          | 251                            |
| Loss on valuation of shares of subsidiaries and associates | -                              | 1,190                          |
| Provision for founder merit bonus upon retirement          | -                              | 300                            |
| Other  | 2                              | -                              |
| Total extraordinary losses                                 | 1,960                          | 2,629                          |
| Net profit (loss) before income taxes                      | (2,676)                        | 4,947                          |
| Income taxes – current                                     | 1,155                          | 1,585                          |
| Refund of income taxes                                     | (820)                          | -                              |
| Income taxes – deferred                                    | 931                            | (76)                           |
| Total income taxes   | 1,267                          | 1,509                          |
| Net profit (loss)  | (3,943)                        | 3,437                          |
| Net profit attributable to non-controlling interests       | 16                             | 14                             |
| Net profit (loss) attributable to owners of parent         | (3,960)                        | 3,423                          |

**Consolidated Comprehensive Income Statements**

(Millions of yen)

|  | FY2020<br>(Apr. 1, 2020 – Mar. 31, 2021) | FY2021<br>(Apr. 1, 2021 – Mar. 31, 2022) |
|--|--|--|
| Net profit (loss)  | (3,943)                                  | 3,437                                    |
| Other comprehensive income                                     |  |  |
| Net unrealized gain (loss) on other securities                 | 1,135                                    | (107)                                    |
| Deferred hedge gain (loss)                                     | 0  | -  |
| Foreign currency translation adjustments                       | (841)                                    | 2,334                                    |
| Remeasurements of defined benefit plans, net of tax            | 2,424                                    | 1,443                                    |
| Total other comprehensive income                               | 2,717                                    | 3,671                                    |
| Comprehensive income   | (1,225)                                  | 7,108                                    |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | (1,226)                                  | 7,080                                    |
| Comprehensive income attributable to non-controlling interests | 0  | 28                                       |

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

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital              | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period                       | 10,000               | 3,409           | 52,818            | (13,762)       | 52,466                     |
| Changes during period                                |                      |                 |                   |                |                            |
| Dividends of surplus                                 |                      |                 | (1,678)           |                | (1,678)                    |
| Net loss attributable to owners of parent            |                      |                 | (3,960)           |                | (3,960)                    |
| Purchase of treasury stock                           |                      |                 |                   | (6,000)        | (6,000)                    |
| Net changes in items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during period                          | -                    | -               | (5,639)           | (6,000)        | (11,639)                   |
| Balance at end of period                             | 10,000               | 3,409           | 47,179            | (19,762)       | 40,827                     |

|  | Accumulated other comprehensive income         |                            |  |   |  | 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 period                       | (995)  | (0)                        | (2,494)                                  | (2,914)                                 | (6,405)                                      | 326                       | 46,387           |
| Changes during period                                |  |                            |  |   |  |                           |                  |
| Dividends of surplus                                 |  |                            |  |   |  |                           | (1,678)          |
| Net loss attributable to owners of parent            |  |                            |  |   |  |                           | (3,960)          |
| Purchase of treasury stock                           |  |                            |  |   |  |                           | (6,000)          |
| Net changes in items other than shareholders' equity | 1,135  | 0                          | (825)                                    | 2,424                                   | 2,733  | (195)                     | 2,537            |
| Total changes during period                          | 1,135  | 0                          | (825)                                    | 2,424                                   | 2,733  | (195)                     | (9,101)          |
| Balance at end of period                             | 139  | -                          | (3,320)                                  | (490)                                   | (3,671)                                      | 130                       | 37,285           |



FY2021 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital              | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period                       | 10,000               | 3,409           | 47,179            | (19,762)       | 40,827                     |
| Cumulative effects of changes in accounting policies |                      |                 | 10                |                | 10                         |
| Restated balance                                     | 10,000               | 3,409           | 47,190            | (19,762)       | 40,837                     |
| Changes during period                                |                      |                 |                   |                |                            |
| Dividends of surplus                                 |                      |                 | (644)             |                | (644)                      |
| Net profit attributable to owners of parent          |                      |                 | 3,423             |                | 3,423                      |
| Purchase of treasury stock                           |                      |                 |                   | (0)            | (0)                        |
| Disposal of treasury shares                          |                      | (6)             |                   | 46             | 39                         |
| Net changes in items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during period                          | -                    | (6)             | 2,778             | 46             | 2,818                      |
| Balance at end of period                             | 10,000               | 3,403           | 49,968            | (19,716)       | 43,656                     |

|  | Accumulated other comprehensive income         |  |   |  | Non-controlling interests | Total net assets |
|--|--|--|---|--|---------------------------|------------------|
|  | Net unrealized gain (loss) on other securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 139  | (3,320)                                  | (490)                                   | (3,671)                                      | 130                       | 37,285           |
| Cumulative effects of changes in accounting policies |  |  |   |  |                           | 10               |
| Restated balance                                     | 139  | (3,320)                                  | (490)                                   | (3,671)                                      | 130                       | 37,296           |
| Changes during period                                |  |  |   |  |                           |                  |
| Dividends of surplus                                 |  |  |   |  |                           | (644)            |
| Net profit attributable to owners of parent          |  |  |   |  |                           | 3,423            |
| Purchase of treasury stock                           |  |  |   |  |                           | (0)              |
| Disposal of treasury shares                          |  |  |   |  |                           | 39               |
| Net changes in items other than shareholders' equity | (107)  | 2,321                                    | 1,443                                   | 3,657  | 28                        | 3,685            |
| Total changes during period                          | (107)  | 2,321                                    | 1,443                                   | 3,657  | 28                        | 6,504            |
| Balance at end of period                             | 32   | (999)                                    | 953                                     | (14)   | 158                       | 43,800           |

**(4) Consolidated Cash Flow Statements**

(Millions of yen)

|  | FY2020<br>(Apr. 1, 2020 – Mar. 31, 2021) | FY2021<br>(Apr. 1, 2021 – Mar. 31, 2022) |
|--|--|--|
| Cash flows from operating activities                                     |  |  |
| Net profit (loss) before income taxes                                    | (2,676)                                  | 4,947                                    |
| Depreciation   | 1,792                                    | 1,643                                    |
| Amortization of long-term prepaid expenses                               | 54                                       | 56                                       |
| Increase (decrease) in allowance for doubtful accounts                   | (74)                                     | (144)                                    |
| Increase (decrease) in reserve for bonuses                               | (58)                                     | 40                                       |
| Decrease (increase) in retirement benefit asset                          | (428)                                    | (462)                                    |
| Increase (decrease) in retirement benefit liability                      | 370                                      | 64                                       |
| Increase (decrease) in reserve for adjustment of returned goods          | (17)                                     | (8)                                      |
| Increase (decrease) in provision for shareholder benefit program         | (6)                                      | 4  |
| Increase (decrease) in provision for point card certificates             | 47                                       | (19)                                     |
| Increase (decrease) in provision for founder merit bonus upon retirement | -  | 300                                      |
| Interest and dividend income   | (613)                                    | (430)                                    |
| Interest expense   | 131                                      | 168                                      |
| Loss (gain) on disposal of fixed assets                                  | 17                                       | (3,836)                                  |
| Impairment loss  | 470                                      | 184                                      |
| Loss (gain) on sale of investment securities                             | (476)                                    | 112                                      |
| Valuation loss (gain) on investment securities                           | (274)                                    | 256                                      |
| Loss on valuation of shares of subsidiaries and associates               | -  | 1,190                                    |
| Decrease (increase) in accounts receivable                               | 1,023                                    | (607)                                    |
| Decrease (increase) in inventories                                       | 222                                      | 1,116                                    |
| Decrease (increase) in other assets                                      | (22)                                     | (99)                                     |
| Increase (decrease) in accounts payable                                  | (752)                                    | 543                                      |
| Increase (decrease) in consumption tax payable                           | (291)                                    | 788                                      |
| Increase (decrease) in contract liabilities                              | -  | 67                                       |
| Increase (decrease) in other liabilities                                 | 230                                      | (538)                                    |
| Other  | (787)                                    | 50                                       |
| Subtotal   | (2,118)                                  | 5,388                                    |
| Interests and dividends received   | 618                                      | 434                                      |
| Interests paid   | (134)                                    | (149)                                    |
| Income taxes paid  | (1,082)                                  | (902)                                    |
| Income taxes refund  | 429                                      | 293                                      |
| Cash flows from operating activities                                     | (2,287)                                  | 5,064                                    |

|   | (Millions of yen)              |                                |
|---|--------------------------------|--------------------------------|
|   | FY2020                         | FY2021                         |
|   | (Apr. 1, 2020 – Mar. 31, 2021) | (Apr. 1, 2021 – Mar. 31, 2022) |
| Cash flows from investing activities                          |                                |                                |
| Payments for time deposits                                    | (29,121)                       | (19,168)                       |
| Withdrawal of time deposits                                   | 35,720                         | 18,281                         |
| Purchase of tangible fixed assets                             | (723)                          | (576)                          |
| Proceeds from sale of tangible fixed assets                   | 1                              | 6,143                          |
| Purchase of intangible fixed assets                           | (330)                          | (139)                          |
| Proceeds from sale of intangible fixed assets                 | 734                            | -                              |
| Payments for purchase of investment securities                | (2,978)                        | (4,376)                        |
| Proceeds from sale of investment securities                   | 3,107                          | 2,870                          |
| Proceeds from distributions from investment partnerships      | 1,091                          | 579                            |
| Payment for purchase of shares of unconsolidated subsidiaries | (451)                          | (713)                          |
| Collection of loans receivable                                | 29                             | 86                             |
| Payments for guarantees                                       | (54)                           | (125)                          |
| Collection of guarantees                                      | 41                             | 73                             |
| Other   | (60)                           | (635)                          |
| Cash flows from investing activities                          | 7,007                          | 2,300                          |
| Cash flows from financing activities                          |                                |                                |
| Increase in short-term borrowings                             | 8,000                          | 2,000                          |
| Decrease in short-term borrowings                             | (610)                          | (9,400)                        |
| Increase in long-term borrowings                              | 10,100                         | 9,200                          |
| Decrease in long-term borrowings                              | (8,214)                        | (9,134)                        |
| Proceeds from issuance of corporate bonds                     | 98                             | -                              |
| Payment for redemption of corporate bonds                     | (1,686)                        | (512)                          |
| Payment for purchase of treasury stock                        | (6,000)                        | (0)                            |
| Dividends paid  | (1,688)                        | (648)                          |
| Other   | (861)                          | (611)                          |
| Cash flows from financing activities                          | (862)                          | (9,106)                        |
| Effect of exchange rate changes on cash and cash equivalents  | (81)                           | 837                            |
| Increase (decrease) in cash and cash equivalents              | 3,776                          | (905)                          |
| Cash and cash equivalents at beginning of period              | 21,011                         | 24,788                         |
| Cash and cash equivalents at end of period                    | 24,788                         | 23,882                         |

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Changes in Accounting Policies**

#### Application of the Accounting Standard for Revenue Recognition

The Company started to apply the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) at the beginning of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The major revisions due to the application of this new standard are as follows.

#### 1) Revenue recognition by net amount

With regard to sales from the use of coupons, the gross amount was previously recognized as revenue and the discounted amount treated as selling, general, and administrative expenses. The Company has now decided to recognize revenue on a net-basis method.

Additionally, sales incentives, center fees, and other compensation paid to customers were previously treated as selling, general, and administrative expenses, but the method has now changed to deduct these payments from the transaction price.

#### 2) Revenue recognition for sales with a right of return

Sales with a right of return were previously recorded as a reserve for adjustment of returned goods based on the amount equivalent to gross profit. This method has now changed, and the Company no longer recognizes the equivalence of amount of sales and cost of sales for goods or products that are estimated to be returned.

#### 3) Revenue recognition for agent transactions

Revenue related to consignment buying was previously recognized based on the total amount of compensation received from the customer. After determining the roles (person or agent) in providing goods or services to the customer, the Company has switched to a method of recognizing revenue as the net amount obtained by subtracting the sum paid to the supplier from the total amount.

#### 4) Revenue recognition for in-house points system

Previously, in order to provide for the use of points awarded at the time of sale, the amount estimated to be used in the future was recorded as provision for point card certificates. However, recognizing that points awarded are a performance obligation to the customer, the Company now records the contract liability and transfers it to sales when the customer uses the points as a discount.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. In addition, the Company has applied the method prescribed in Paragraph 86, Article 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the current fiscal year.

“Trade notes and accounts receivable” that was presented in the current assets section of the consolidated balance sheet in the previous fiscal year is, from the current fiscal year, included in “Notes receivable-trade”, “Accounts receivable-trade” and “Contract assets.” Part of the “Provision for point card certificates”, “Reserve for adjustment of returned goods” and “Others”, that was presented in the current liabilities section is, from the current fiscal year, included in “Contract liabilities.” In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation.

As a result, compared to before the application of the Accounting Standard for Revenue Recognition, contract liabilities increased 67 million yen and provision for point card certificates decreased 19 million yen in the consolidated balance sheet in the current fiscal year. In the consolidated statement of income in the current fiscal year, net sales decreased 446 million yen, cost of sales decreased 265 million yen, and selling, general and administrative expenses decreased 152 million yen. Operating profit, ordinary profit and net profit before income taxes decreased 29 million yen each.

In the consolidated cash flow statements in the current fiscal year, net profit before income taxes decreased 29 million yen, provision for point card certificates included in cash flows from operating activities decreased 19 million yen and contract liabilities increased 67 million yen.

The beginning balance of retained earnings in the consolidated statement of changes in shareholders’ equity increased by 10 million yen due to the cumulative effect reflected in net assets at the beginning of the current fiscal year.

The effect of this change on per share information is insignificant.

#### Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of this standard has no effect on the consolidated financial statements.

#### Additional Information

##### Effect of COVID-19 on Accounting Estimates

In preparing the consolidated financial statements, based on external sources and other information and assuming that consumption and economic activity will gradually follow a recovery track while the impact of COVID-19 will continue to be felt for a certain period into the next fiscal year, the Group has made accounting estimates related to 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

The Company and some of its domestic consolidated subsidiaries will shift from the consolidated taxation system to the group tax sharing system from the next consolidated fiscal year. 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” (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.

Moreover, effective from the beginning of the next consolidated fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in cases where the group tax sharing system is applied.

## Segment and Other Information

### Segment Information

#### 1. Overview of reportable segment

Segments used for financial reporting are the Sanrio Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group is engaged primarily in the social communication gifts business, which involves the planning and sale of social communication gift products and character licensing operations, and the theme parks business. The Company and its domestic consolidated subsidiaries conduct business operations in Japan and overseas consolidated subsidiaries in each region conduct business operations in Europe (mainly Italy, France, Spain, Germany and the U.K.), North America (mainly the United States), Latin America (mainly Brazil, Chile, Peru and Mexico) and Asia (mainly Hong Kong, Taiwan, South Korea and China). The Company and each consolidated subsidiary are independent operating units that establish comprehensive strategies concerning their products and other aspects of operations and conduct business operations based on those strategies.

As a result, there are five reportable segments based on the structure of sales activities by geographical segments: Japan, Europe, North America, Latin America and Asia.

#### 2. Calculation method for sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting methods used for reportable business segments generally accords with those used for the preparation of consolidated financial statements. Profits for reportable segments are operating profit. Profits and transfer sums for inter-segment transactions within the Group are based on market prices.

#### 3. Information related to sales, profit or loss, assets, liabilities and other items for each reportable segment

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

|   | Reportable segment |          |                  |                  |          |           | Adjustment<br>(Note 1) | Amounts shown<br>on consolidated<br>financial<br>statements<br>(Note 2) |
|---|--------------------|----------|------------------|------------------|----------|-----------|------------------------|---|
|   | Japan              | Europe   | North<br>America | Latin<br>America | Asia     | Total     |                        |   |
| Sales   |                    |          |                  |                  |          |           |                        |   |
| Customers   | 31,582             | 1,203    | 2,136            | 305              | 5,825    | 41,053    | -                      | 41,053  |
| (Royalty income)  | ( 7,928)           | ( 1,183) | ( 1,047)         | ( 293)           | ( 5,256) | ( 15,709) | ( -)                   | ( 15,709)   |
| Inter-segment   | 3,357              | 22       | 17               | 6                | 1,023    | 4,426     | (4,426)                | -   |
| (Royalty income)  | ( 3,182)           | ( 13)    | ( -)             | ( -)             | ( 0)     | ( 3,196)  | ( 3,196)               | ( -)  |
| Total   | 34,940             | 1,225    | 2,153            | 311              | 6,848    | 45,479    | (4,426)                | 41,053  |
| Segment profit<br>(loss)                                  | (2,938)            | (305)    | (1,167)          | 7                | 1,959    | (2,445)   | (834)                  | (3,280)   |
| Segment assets  | 55,180             | 7,331    | 5,849            | 1,363            | 16,116   | 85,841    | (801)                  | 85,040  |
| Other items   |                    |          |                  |                  |          |           |                        |   |
| Depreciation  | 1,329              | 243      | 64               | 8                | 194      | 1,841     | 5                      | 1,847   |
| Increase in<br>tangible and<br>intangible fixed<br>assets | 2,229              | 47       | 164              | 0                | 163      | 2,606     | 26                     | 2,632   |

Notes: 1. Adjustments are as follows.

- (1) The minus 834 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) The minus 801 million yen adjustment to segment assets is the sum of eliminations for inter-segment transactions and corporate assets which belong to administration department of the Company.
  - (3) The 5 million yen adjustment to depreciation is the depreciation related to corporate assets.
2. Segment profit (loss) is adjusted to be consistent with operating loss shown on the consolidated income statements.
  3. Depreciation includes amortization of long-term prepaid expenses.

FY2021 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

|   | Reportable segment |              |                  |                  |               |               | Adjustment<br>(Note 1) | Amounts shown<br>on consolidated<br>financial<br>statements<br>(Note 2) |
|---|--------------------|--------------|------------------|------------------|---------------|---------------|------------------------|---|
|   | Japan              | Europe       | North<br>America | Latin<br>America | Asia          | Total         |                        |   |
| Sales   |                    |              |                  |                  |               |               |                        |   |
| Customers   | 40,183             | 1,693        | 3,574            | 360              | 6,952         | 52,763        | -                      | 52,763  |
| (Royalty income)  | ( 9,329)           | ( 1,680)     | ( 2,063)         | ( 355)           | ( 6,287)      | ( 19,715)     | ( -)                   | ( 19,715)   |
| Inter-segment   | 5,154              | 17           | 37               | 8                | 904           | 6,121         | (6,121)                | -   |
| (Royalty income)  | ( 4,823)           | ( 4)         | ( -)             | ( -)             | ( 0)          | ( 4,828)      | ( 4,828)               | ( -)  |
| Total   | 45,337             | 1,711        | 3,611            | 368              | 7,856         | 58,885        | (6,121)                | 52,763  |
| Segment profit<br>(loss)                                  | 2,206              | (113)        | (442)            | 34               | 2,106         | 3,790         | (1,253)                | 2,537   |
| Segment assets  | <u>50,900</u>      | <u>7,666</u> | <u>6,101</u>     | 1,528            | <u>18,746</u> | <u>84,943</u> | <u>(1,134)</u>         | 83,809  |
| Other items   |                    |              |                  |                  |               |               |                        |   |
| Depreciation  | 1,198              | 246          | 28               | 7                | 212           | 1,694         | 5                      | 1,699   |
| Increase in<br>tangible and<br>intangible fixed<br>assets | 835                | 41           | 2                | 2                | 86            | 967           | -                      | 967   |

Notes: 1. Adjustments are as follows.

- (1) The minus 1,253 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) The minus 1,134 million yen adjustment to segment assets is the sum of eliminations for inter-segment transactions and corporate assets which belong to administration department of the Company.
- (3) The 5 million yen adjustment to depreciation is the depreciation related to corporate assets.
2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statements.
3. Depreciation includes amortization of long-term prepaid expenses.
4. Information related to revisions for reportable segments

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

The effect of this change was to decrease sales by 446 million yen and to decrease profit by 29 million yen in the “Japan” segment for FY2021.

## Related Information

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

### 1. Information by product or service

(Millions of yen)

|                    | Social communication gifts | Theme parks | Other | Total  |
|--------------------|----------------------------|-------------|-------|--------|
| Sales to customers | 36,938                     | 3,513       | 601   | 41,053 |

### 2. Information by region

#### (1) Sales

(Millions of yen)

| Japan  | Europe | North America | Asia  | Other | Total  |
|--------|--------|---------------|-------|-------|--------|
| 30,730 | 1,214  | 2,178         | 6,624 | 305   | 41,053 |

Note: Sales are based on the location of the client and categorized by country or region.

#### (2) Tangible fixed assets

(Millions of yen)

| Japan  | Europe | North America | Latin America | Asia | Other | Total  |
|--------|--------|---------------|---------------|------|-------|--------|
| 14,767 | 771    | 49            | 82            | 405  | 23    | 16,098 |



## 3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated income statements.

FY2021 (Apr. 1, 2021 – Mar. 31, 2022)

## 1. Information by product or service (Millions of yen)

|                    | Social communication gifts | Theme parks | Other | Total  |
|--------------------|----------------------------|-------------|-------|--------|
| Sales to customers | 45,294                     | 6,692       | 777   | 52,763 |

## 2. Information by region

## (1) Sales (Millions of yen)

| Japan  | Europe | North America | Asia  | Other | Total  |
|--------|--------|---------------|-------|-------|--------|
| 39,017 | 1,699  | 3,662         | 8,024 | 360   | 52,763 |

Note: Sales are based on the location of the client and categorized by country or region.

## (2) Tangible fixed assets (Millions of yen)

| Japan  | Europe | North America | Latin America | Asia | Other | Total  |
|--------|--------|---------------|---------------|------|-------|--------|
| 11,674 | 731    | 23            | 86            | 338  | (9)   | 12,845 |

## 3. Information about specific customers

Omitted because no single external customer accounts for 10% or more of sales as shown on the consolidated income statements.

**Information related to impairment loss of fixed assets for each reportable segment**

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

Impairment loss of 197 million yen on store assets and idle assets was recorded in the “Japan” segment.

Impairment loss of 272 million yen on office facilities was recorded in the “North America” segment.

FY2021 (Apr. 1, 2021 – Mar. 31, 2022)

Impairment loss of 180 million yen on store assets and idle assets was recorded in the “Japan” segment.

Impairment loss of 3 million yen on office facilities was recorded in the “North America” segment.

**Information related to goodwill amortization and the unamortized balance for each reportable segment**

FY2020 (Apr. 1, 2020 – Mar. 31, 2021)

Not applicable.

FY2021 (Apr. 1, 2021 – Mar. 31, 2022)

Not applicable.

**Per Share Information**

(Yen)

| FY2020<br>(Apr. 1, 2020 – Mar. 31, 2021) |         | FY2021<br>(Apr. 1, 2021 – Mar. 31, 2022) |        |
|--|---------|--|--------|
| Net assets per share                     | 461.32  | Net assets per share                     | 541.73 |
| Net loss per share                       | (47.93) | Net profit per share                     | 42.49  |

Notes: 1. Fully-diluted net profit per share is not stated because dilutive shares do not exist.

2. Basis for calculating net assets per share is as shown below.

|   | FY2020<br>(As of Mar. 31, 2021) | FY2021<br>(As of Mar. 31, 2022) |
|---|---------------------------------|---------------------------------|
| Total net assets on the consolidated balance sheets (million yen)                           | 37,285                          | 43,800                          |
| Net assets associated with common stock shares (million yen)                                | 37,155                          | 43,642                          |
| Breakdown of differences  |                                 |                                 |
| Non-controlling interests (million yen)   | 130                             | 158                             |
| Number of common stock shares outstanding (thousand shares)                                 | 89,065                          | 89,065                          |
| Number of shares of treasury common stock (thousand shares)                                 | 8,523                           | 8,503                           |
| Number of common stock shares used in calculation of net assets per share (thousand shares) | 80,541                          | 80,561                          |

3. Basis for calculating net profit (loss) per share and fully-diluted net profit per share is as shown below.

|   | FY2020<br>(Apr. 1, 2020 – Mar. 31, 2021) | FY2021<br>(Apr. 1, 2021 – Mar. 31, 2022) |
|---|--|--|
| Net profit (loss) per share   |  |  |
| Net profit (loss) attributable to owners of parent (million yen)                            | (3,960)                                  | 3,423                                    |
| Amount not returned to common stock shareholders (million yen)                              | -  | -  |
| Net profit (loss) attributable to owners of parent applicable to common stock (million yen) | (3,960)                                  | 3,423                                    |
| Average number of common stock shares outstanding (thousand shares)                         | 82,628                                   | 80,553                                   |

Note: Fully-diluted net profit per share is not stated because dilutive shares do not exist.

**Subsequent Events**

Not applicable.

*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.*