

**Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2023 (FY2022)
(Six Months Ended September 30, 2022) [Japanese GAAP]**

Company name: Sanrio Company, Ltd. Listed Stock Exchange: Tokyo Stock Exchange
Stock code: 8136 URL: <https://www.sanrio.co.jp/english/corporate/ir/>
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Scheduled date of filing of Quarterly Report: November 14, 2022
Starting date of dividend payment: November 22, 2022
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of FY2022 (April 1, 2022 – September 30, 2022)

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

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2022	30,630	28.7	5,346	-	5,608	781.3	3,010	54.4
Six months ended Sep. 30, 2021	23,793	39.4	288	-	636	-	1,949	-

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2022: 7,156 (up 87.1%)
Six months ended Sep. 30, 2021: 3,824 (-%)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Six months ended Sep. 30, 2022	37.37	-
Six months ended Sep. 30, 2021	24.20	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2022	96,645	50,429	51.9
As of Mar. 31, 2022	83,809	43,800	52.1

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2022: 50,159 As of Mar. 31, 2022: 43,642

2. Dividends

	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	8.00	-	8.00	16.00
FY2022	-	15.00	-	-	-
FY2022 (forecast)	-	-	-	15.00	30.00

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

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

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	62,300	18.1	7,000	175.8	7,700	132.0	4,000	16.9	49.63

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

Qualitative Information on Quarterly Consolidated Financial Performance

Explanation of Results of Operations

During the first half of the fiscal year under review, Japan experienced the arrival of the seventh wave of COVID-19 infections, mainly during the summer vacation period, but the economy is slowly recovering thanks to a raft of policies enacted amid the transition to a new phase of “living with COVID.” Meanwhile, the outlook remains uncertain due to prolonged conflict in Europe, rising prices, supply-side constraints, and fluctuations in financial and capital markets. In addition, amid ongoing global monetary tightening, there is a risk that a slump in overseas economies could put downward pressure on the Japanese economy.

Amid these conditions, the Sanrio Group set the current fiscal year as the second year of the three-year medium-term management plan “Creating and Challenging for Our Future” concluding in the fiscal year ending March 31, 2024, and we continue to implement various initiatives based on the three pillars of this plan: corporate culture reform, initiation and completion of domestic and overseas structural reforms, and planting the seeds for regrowth strategies and growth markets.

On the sales front, despite a rise in COVID cases in Japan from July to August, physical stores were able to operate normally during the entire period, including the summer vacation, for the first time in three years. Moreover, the revitalization of storefronts through character anniversary campaigns and other events proved successful. At the theme parks, sales of original products remained strong, and at Puroland a variable price system for admission tickets contributed to an increase in sales per customer, resulting in a significant increase in overall sales. Additionally, the products developed with a wide range of Sanrio characters proved successful and licensing contracts in Japan and overseas were acquired, leading to a significant increase in overall business sales.

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

As a result of these factors, sales rose 28.7% year-on-year to 30.6 billion yen, operating profit increased 1,754.5% year-on-year to 5.3 billion yen, and ordinary profit rose 781.3% year-on-year to 5.6 billion yen. Net profit attributable to owners of parent rose 54.4% year-on-year to 3.0 billion yen with additional taxes (including additional and local taxes) of 1.3 billion yen imposed as a corrective by the Tokyo Regional Taxation Bureau, of which 1.2 billion yen was recorded as income taxes for prior periods.

Since the accounting period for all overseas consolidated subsidiaries runs from January to December, the first half under review for these subsidiaries covers the period from January to June 2022.

Reportable Segment		(100 millions of yen)							
	First six months of	Sales				Segment profit (operating profit)			
		FY2021	FY2022	Increase/ decrease	Change (%)	FY2021	FY2022	Increase/ decrease	Change (%)
Japan	Product sales/others	133	175	41	31.3	(0)	40	40	-
	Royalties	43	48	5	11.5				
	Total	177	224	46	26.5				
Europe	Product sales/others	0	(0)	(0)	-	(1)	(1)	(0)	-
	Royalties	7	8	0	8.2				
	Total	7	8	0	6.4				
North America	Product sales/others	5	9	3	52.1	(3)	2	5	-
	Royalties	7	16	8	122.4				
	Total	13	25	11	90.7				
Latin America	Product sales/others	0	0	0	290.8	0	0	0	73.7
	Royalties	1	2	0	44.1				
	Total	1	2	0	49.2				
Asia	Product sales/others	3	3	(0)	(13.8)	14	18	4	32.8
	Royalties	34	43	8	24.9				
	Total	38	46	8	21.4				
Adjustment		-	-	-	-	(6)	(7)	(0)	-
Consolidated	Product sales/others	143	187	44	31.0	2	53	50	1,754.5
	Royalties	94	118	23	25.3				
	Total	237	306	68	28.7				

Note: Regional subsidiaries overseas pay the amount of royalties commensurate as the cost of sales while the Japanese parent company (the copyright holder) calculates this income as sales. Because consolidated transactions are eliminated, however, these are not included in Japan's sales figures stated above (although included in segment profit (operating profit)).

Further, the above sales figures are "sales to customers," and the inter-segment sales, which are not limited to the above-mentioned royalties, are eliminated as internal transaction sales.

Explanation of Consolidated Forecasts and Other Forward-looking Statements

The outlook for the external environment remains uncertain due to the prolonged conflict in Europe, rising prices, supply constraints, and fluctuations in the financial and capital markets. However, since the consolidated earnings in the first half of the current fiscal year exceeded the forecast, we have incorporated the results into our full-year consolidated earnings forecast, and we expect performance to remain relatively stable into the third quarter and beyond. Accordingly, we have revised our full-year consolidated earnings forecast.

Please refer to the "Notice Regarding Differences between Consolidated Forecasts and Results of Operations for the First Half of the Fiscal Year Ending March 31, 2023 and Revisions to Full-year Forecasts and Dividend Forecasts" announced today (November 4, 2022). We will continue to closely monitor the economic environment and market trends while striving to appropriately disclose our earnings forecasts.

The revised consolidated full-year forecast projects an operating profit of 7.0 billion yen, which is expected to exceed the figures in the medium-term management plan for the fiscal year ending March 31, 2024, the final year of the plan.

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

(Millions of yen)

Six months ended		Sales to customers					Operating profit				
		Sep. 2020	Sep. 2021	Change (%)	Sep. 2022	Change (%)	Sep. 2020	Sep. 2021	Change (%)	Sep. 2022	Change (%)
Europe	Germany	387	465	20.1	538	15.8	(266)	(204)	-	(164)	-
	UK	139	288	105.7	262	(8.8)	(119)	82	-	13	(83.5)
	Subtotal	527	753	42.9	801	6.4	(386)	(122)	-	(151)	-
North America	USA	652	1,318	102.0	2,515	90.7	(705)	(323)	-	271	-
Latin America	Brazil/Chile	147	167	13.7	250	49.2	(6)	19	-	33	73.7
Asia	Hong Kong	832	780	(6.3)	592	(24.1)	230	255	10.8	146	(42.5)
	Taiwan	540	471	(12.6)	518	9.8	172	129	(24.7)	140	8.0
	South Korea	231	241	4.4	507	110.4	19	26	37.4	134	410.7
	China	1,144	2,342	104.6	2,533	8.2	524	1,003	91.2	1,349	34.5
	Singapore	-	-	-	502	-	-	-	-	107	-
	Subtotal	2,748	3,835	39.5	4,655	21.4	946	1,414	49.4	1,878	32.8
Total		4,076	6,075	49.0	8,221	35.3	(151)	988	-	2,031	105.6

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

(Millions of yen)

	FY2021 (As of Mar. 31, 2022)	Second quarter of FY2022 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposit	38,404	49,690
Notes receivable-trade	239	309
Accounts receivable-trade	6,028	7,068
Contract assets	0	0
Merchandise and finished goods	3,382	4,685
Work in process	5	89
Raw materials and supplies	144	282
Other accounts receivable	905	509
Other	970	1,274
Allowance for doubtful accounts	(95)	(180)
Total current assets	49,987	63,728
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	3,498	3,394
Land	6,190	6,205
Other, net	3,155	3,425
Total tangible fixed assets	12,845	13,026
Intangible fixed assets	2,236	2,349
Investments and other assets		
Investment securities	11,808	11,624
Deferred tax assets	412	141
Other	6,849	6,174
Allowance for doubtful accounts	(342)	(409)
Total investments and other assets	18,727	17,531
Total fixed assets	33,808	32,907
Deferred assets	12	9
Total assets	83,809	96,645
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,797	5,338
Short-term borrowings	9,835	10,589
Accrued income taxes	953	829
Contract liabilities	2,993	4,282
Allowance for bonuses	469	500
Provision for shareholder benefit program	43	58
Provision for point card certificates	13	8
Provision for founder merit bonus upon retirement	300	-
Other	5,823	4,888
Total current liabilities	24,230	26,495
Long-term liabilities		
Corporate bonds	473	192
Long-term borrowings	9,243	13,693
Retirement benefit liability	1,797	1,334
Other	4,263	4,499
Total long-term liabilities	15,778	19,720
Total liabilities	40,008	46,215

	(Millions of yen)	
	FY2021 (As of Mar. 31, 2022)	Second quarter of FY2022 (As of Sep. 30, 2022)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,403	3,435
Retained earnings	49,968	52,272
Treasury stock	(19,716)	(19,600)
Total shareholder's equity	43,656	46,107
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	32	76
Deferred hedge gain (loss)	-	10
Foreign currency translation adjustments	(999)	2,897
Remeasurements of defined benefit plans	953	1,067
Total accumulated other comprehensive income	(14)	4,051
Non-controlling interests	158	270
Total net assets	43,800	50,429
Total liabilities and net assets	83,809	96,645

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

	(Millions of yen)	
	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)
Sales	23,793	30,630
Cost of sales	8,526	9,211
Gross profit	15,266	21,418
Selling, general and administrative expenses	14,978	16,072
Operating profit	288	5,346
Non-operating profit		
Interest income	98	201
Dividend income	86	117
Foreign exchange gains	-	266
Gain on investments in partnership	183	-
Other	150	140
Total non-operating profit	518	725
Non-operating expenses		
Interest expense	63	77
Foreign exchange loss	24	-
Commission expenses	65	72
Loss on investments in partnership	-	282
Other	17	32
Total non-operating expenses	170	464
Ordinary profit	636	5,608
Extraordinary gains		
Gain on sales of fixed assets	3,855	0
Gain on sales of investment securities	152	283
Subsidies for employment adjustment	65	-
Other	4	2
Total extraordinary gains	4,077	286
Extraordinary losses		
Loss on disposal of fixed assets	0	11
Loss on valuation of investment securities	75	210
Impairment loss	170	1
Business restructuring expenses	1,052	-
Loss from the temporary closure of theme parks, etc.	251	-
Other	33	-
Total extraordinary losses	1,584	222
Net profit before income taxes	3,130	5,671
Income taxes – current	1,107	1,079
Income taxes for prior periods	-	1,297
Income taxes – deferred	62	247
Total income taxes	1,169	2,624
Net profit	1,960	3,047
Net profit attributable to non-controlling interests	10	36
Net profit attributable to owners of parent	1,949	3,010

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

(Millions of yen)

	First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)
Net profit	1,960	3,047
Other comprehensive income		
Net unrealized gain (loss) on other securities	(202)	44
Deferred hedge gain (loss)	-	10
Foreign currency translation adjustments	1,705	3,940
Remeasurements of defined benefit plans, net of tax	361	114
Total other comprehensive income	1,864	4,109
Comprehensive income	3,824	7,156
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,805	7,076
Comprehensive income attributable to non-controlling interests	18	79

Segment and Other Information

I. First six months of FY2021 (Apr. 1, 2021 – Sep. 30, 2021)

1. Information related to sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	17,718	753	1,318	167	3,835	23,793	-	23,793
(Royalty income)	(4,333)	(743)	(724)	(164)	(3,486)	(9,451)	(-)	(9,451)
Inter-segment	2,394	6	23	3	376	2,805	(2,805)	-
(Royalty income)	(2,221)	(0)	(-)	(-)	(0)	(2,221)	(2,221)	(-)
Total	20,113	759	1,342	171	4,212	26,598	(2,805)	23,793
Segment profit (loss)	(70)	(122)	(323)	19	1,414	918	(629)	288

- Notes: 1. The minus 629 million yen adjustment to segment profit (loss) is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit shown on the consolidated income statements.

2. Information related to impairment losses on fixed assets, goodwill, etc. for each reportable segment

Detailed explanations are omitted due to immateriality of the amount.

II. First six months of FY2022 (Apr. 1, 2022 – Sep. 30, 2022)

1. Information related to sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	22,408	801	2,515	250	4,655	30,630	-	30,630
(Royalty income)	(4,833)	(804)	(1,611)	(236)	(4,354)	(11,840)	(-)	(11,840)
Inter-segment	3,763	11	13	4	622	4,414	(4,414)	-
(Royalty income)	(3,372)	(0)	(-)	(-)	(-)	(3,373)	(3,373)	(-)
Total	26,171	812	2,528	254	5,277	35,044	(4,414)	30,630
Segment profit (loss)	4,027	(151)	271	33	1,878	6,059	(712)	5,346

- Notes: 1. The minus 712 million yen adjustment to segment profit (loss) is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit shown on the consolidated income statements.

2. Information related to impairment losses on fixed assets, goodwill, etc. for each reportable segment

Detailed explanations are omitted due to immateriality of the amount.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.