

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2018 (FY2017)
(Nine Months Ended December 31, 2017)

[Japanese GAAP]

Company name: Sanrio Company, Ltd. Listed Stock Exchange: TSE 1st Section
 Stock code: 8136 URL: <http://www.sanrio.co.jp/english/corporate/ir/>
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 Scheduled date of filing of Quarterly Report: February 14, 2018
 Starting date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Third Quarter of FY2017 (April 1, 2017 – December 31, 2017)

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

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Dec. 31, 2017	44,135	(6.4)	4,359	(27.5)	4,706	(25.7)	2,486	(57.0)
Nine months ended Dec. 31, 2016	47,153	(14.4)	6,012	(42.3)	6,338	(40.6)	5,778	(26.9)

Note: Comprehensive income (millions of yen) Nine months ended Dec. 31, 2017: 3,896 (- %)

Nine months ended Dec. 31, 2016: (77) (- %)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Nine months ended Dec. 31, 2017	29.31	-
Nine months ended Dec. 31, 2016	68.10	-

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2017	96,972	50,166	51.5
As of Mar. 31, 2017	101,312	53,058	52.2

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2017: 49,938 As of Mar. 31, 2017: 52,854

2. Dividends

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

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

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

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	59,300	(5.4)	5,300	(23.2)	5,900	(18.7)	5,800	(10.4)	68.36

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

*** Notes**

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

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock)			
As of Dec. 31, 2017:	89,065,301 shares	As of Mar. 31, 2017:	89,065,301 shares
2) Number of shares of treasury stock at the end of the period			
As of Dec. 31, 2017:	4,218,473 shares	As of Mar. 31, 2017:	4,218,168 shares
3) Average number of shares outstanding during the period			
Nine months ended Dec. 31, 2017:	84,847,046 shares	Nine months ended Dec. 31, 2016:	84,847,228 shares

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

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information currently available to the Company. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "Qualitative Information on Quarterly Consolidated Financial Performance, Explanation of Consolidated Forecasts and Other Forward-looking Statements" of the attachments for forecast assumptions and notes of caution for usage.

Qualitative Information on Quarterly Consolidated Financial Performance

Explanation of Results of Operations

During the first nine months of the fiscal year under review (overseas: January 1 to September 30, 2017; within Japan: April 1 to December 31, 2017), the Asian market centered on China performed strongly while the European and the U.S. markets continued to struggle. In Japan, despite sluggish consumption in rural areas, store sales in the gift season were strong in metropolitan areas, supported by a recovery in demand from tourists visiting from overseas. In addition, theme parks and collaborations with other company's animated content did well. However, being unable to compensate for the protracted downturn in product license income in both the U.S. and European regions, sales fell 6.4% year-on-year to 44.1 billion yen, operating profit fell 27.5% to 4.3 billion yen and ordinary profit fell 25.7% to 4.7 billion yen. Net profit before income taxes fell 24.0% to 5.2 billion yen due to a 0.5 billion yen gain on the sale of investment securities. We accounted the amount of 1.1 billion yen as income taxes for prior periods combining local government taxes and additional taxes following the receipt of a supplementary tax assessment order from the Tokyo Regional Taxation Bureau (TRTB) as disclosed on December 15, 2017 (We will continue to assert the legitimacy of our position to the TRTB.). As a result, net profit attributable to owners of parent fell 57.0% year-on-year to 2.4 billion yen. The rate of decline in net profit before income taxes grew year-on-year due to factors including accounting of refund of income taxes of 1.1 billion yen following a request for correction against prior-year income in the same period of the previous fiscal year.

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

Reportable Segment

(100 millions of yen)

	First nine months of	Sales				Segment profit (operating profit)			
		FY2016	FY2017	Increase/ decrease	Change (%)	FY2016	FY2017	Increase/ decrease	Change (%)
Japan	Product sales/others	274	266	(8)	(3.0)%	46	31	(14)	(31.8)%
	Royalties	73	71	(2)	(3.1)%				
	Total	348	337	(10)	(3.0)%				
Europe	Product sales/others	0	0	(0)	(25.7)%	(3)	(1)	1	-
	Royalties	22	15	(7)	(33.4)%				
	Total	22	15	(7)	(33.3)%				
North America	Product sales/others	9	8	(0)	(8.9)%	(3)	(6)	(3)	-
	Royalties	20	13	(7)	(37.7)%				
	Total	30	21	(8)	(28.9)%				
Latin America	Product sales/others	0	0	0	557.1%	1	0	(1)	(62.5)%
	Royalties	7	6	(0)	(13.5)%				
	Total	7	6	(0)	(11.8)%				
Asia	Product sales/others	8	5	(2)	(34.1)%	22	23	1	5.6%
	Royalties	53	54	0	1.0%				
	Total	62	60	(2)	(3.9)%				
Adjustment		-	-	-	-	(3)	(4)	(0)	-
Consolidated	Product sales/others	292	280	(12)	(4.1)%	60	43	(16)	(27.5)%
	Royalties	178	160	(18)	(10.2)%				
	Total	471	441	(30)	(6.4)%				

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

In the domestic theme park business, Sanrio Puroland in Tokyo's Tama City continued to perform well, with visitor numbers already surpassing one million in the current fiscal year, and demand from overseas visitors helped keep sales buoyant. Overseas, earnings improvement has been delayed due to a fall in licensing income in the European and U.S. regions, and licensing income from the European and U.S. subsidiaries is expected to be lower than planned in the fourth quarter.

Under these circumstances, on December 19, 2017, the U.S. subsidiary Sanrio, Inc., considering the property market and business environment, decided to utilize management resources and strengthen the financial structure by selling a head office building, storage and rental facility in South San Francisco City, California, U.S.A. and leasing back the parts used previously by the company for seven years, with a five-year extension (i.e. maximum 12-year leasing.) We plan to post gain on sales of fixed assets of 4.5 billion yen as extraordinary gains for the fourth quarter consolidated accounting period in association with the sales of assets. We will revise consolidated business forecasts as described in the front page, taking into consideration the impact of this case, performance trends, and other matters.

We plan to pay year-end dividend of 15 yen as announced on October 10, 2017.

Differences between the revised forecast and the full-year consolidated business forecasts announced on October 10, 2017 are as follows.

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

	Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A) (announced on Oct. 10, 2017)	60,300	6,300	6,600	4,800	56.57
Revised forecast (B)	59,300	5,300	5,900	5,800	68.36
Difference (B-A)	(1,000)	(1,000)	(700)	1,000	-
Change (%)	(1.7)	(15.9)	(10.6)	20.8	-
(Reference) FY2016 results (Fiscal year ended Mar. 31, 2017)	62,695	6,904	7,255	6,475	76.32

Reference: Revision to the Non-consolidated Business Forecasts

In the fourth quarter, we expect to record a 2.7 billion yen dividend income from consolidated subsidiary Sanrio, Inc. Accordingly, the non-consolidated business forecasts are revised as follows.

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

	Sales	Ordinary Profit	Profit	Net Profit per Share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A) (announced on Oct. 10, 2017)	42,500	3,700	2,700	31.82
Revised forecast (B)	42,100	5,800	4,100	48.32
Difference (B-A)	(400)	2,100	1,400	-
Change (%)	(0.9)	56.8	51.9	-
(Reference) FY2016 results (Fiscal year ended Mar. 31, 2017)	44,722	12,658	12,732	150.07

Reference: Overseas Sales and Profits for the Past Nine-month Periods by Area

(Millions of yen)

Nine months ended		Sales to customers					Operating profit				
		Dec. 2015	Dec. 2016	Change (%)	Dec. 2017	Change (%)	Dec. 2015	Dec. 2016	Change (%)	Dec. 2017	Change (%)
North America	U.S.A.	4,417	3,018	(31.7)	2,145	(28.9)%	89	(328)	-	(637)	-
Latin America	Brazil/Chile	995	721	(27.6)	635	(11.8)%	276	181	(34.2)%	68	(62.5)%
Asia	Hong Kong	2,796	2,443	(12.6)	2,162	(11.5)%	841	858	2.1%	818	(4.7)%
	Taiwan	1,302	1,136	(12.8)	1,046	(7.9)%	427	367	(14.0)%	360	(2.0)%
	South Korea	844	715	(15.3)	639	(10.7)%	228	161	(29.2)%	156	(3.5)%
	China	1,922	1,981	3.1	2,185	10.3%	929	866	(6.8)%	1,044	20.6%
	Subtotal	6,867	6,277	(8.6)	6,034	(3.9)%	2,426	2,254	(7.1)%	2,379	5.6%
Europe	Germany	4,034	1,951	(51.6)	1,218	(37.6)%	893	(291)	-	(61)	-
	Britain	460	334	(27.4)	306	(8.3)%	57	(50)	-	(84)	-
	Subtotal	4,494	2,285	(49.1)	1,525	(33.3)%	951	(341)	-	(146)	-
Total		16,774	12,302	(26.7)	10,340	(15.9)%	3,743	1,766	(52.8)%	1,663	(5.8)%

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

	(Millions of yen)	
	FY2016 (As of Mar. 31, 2017)	Third quarter of FY2017 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposit	41,172	36,889
Trade notes and accounts receivable	7,698	8,110
Merchandise and finished goods	4,176	4,383
Work in process	16	37
Raw materials and supplies	114	161
Other accounts receivable	1,442	893
Other	1,867	1,881
Allowance for doubtful accounts	(192)	(219)
Total current assets	56,295	52,137
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	6,692	6,385
Land	9,819	9,788
Other, net	2,027	1,906
Total tangible fixed assets	18,539	18,080
Intangible fixed assets	4,715	4,590
Investments and other assets		
Investment securities	12,135	12,785
Deferred tax assets	3,619	3,349
Other	7,948	7,948
Allowance for doubtful accounts	(1,991)	(1,958)
Total investments and other assets	21,711	22,124
Total fixed assets	44,967	44,795
Deferred assets	49	39
Total assets	101,312	96,972
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,911	5,173
Short-term borrowings	9,561	8,361
Accrued income taxes	919	1,147
Allowance for bonuses	501	168
Reserve for adjustment of returned goods	68	76
Provision for shareholder benefit program	58	26
Provision for point card certificates	97	94
Other	9,706	11,351
Total current liabilities	24,824	26,400
Long-term liabilities		
Corporate bonds	5,170	3,469
Long-term borrowings	5,085	5,888
Net defined benefit liability	9,844	7,771
Other	3,330	3,276
Total long-term liabilities	23,429	20,405
Total liabilities	48,253	46,805

	(Millions of yen)	
	FY2016 (As of Mar. 31, 2017)	Third quarter of FY2017 (As of Dec. 31, 2017)
Net assets		
Shareholders' equity		
Capital	10,000	10,000
Capital surplus	3,423	3,423
Retained earnings	55,638	51,337
Treasury stock	(11,789)	(11,789)
Total shareholder's equity	57,272	52,971
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	(106)	327
Deferred hedge gain (loss)	(5)	(2)
Foreign currency translation adjustments	(549)	(82)
Remeasurements of defined benefit plans	(3,756)	(3,274)
Total accumulated other comprehensive income	(4,418)	(3,032)
Non-controlling interests	204	228
Total net assets	53,058	50,166
Total liabilities and net assets	101,312	96,972

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

(Millions of yen)

	First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)
Sales	47,153	44,135
Cost of sales	16,378	15,368
Gross profit	30,775	28,767
Reversal from reserve for adjustment of returned goods	11	8
Net gross profit on sales	30,764	28,759
Selling, general and administrative expenses	24,751	24,399
Operating profit	6,012	4,359
Non-operating profit		
Interest income	338	409
Dividend income	110	118
Foreign exchange gains	-	45
Other	220	156
Total non-operating profit	669	729
Non-operating expenses		
Interest expense	160	127
Foreign exchange loss	32	-
Commission fee	91	100
Compensation expenses	-	92
Other	59	61
Total non-operating expenses	344	382
Ordinary profit	6,338	4,706
Extraordinary gains		
Gain on sales of fixed assets	0	3
Gain on sales of investment securities	439	545
Gain on reversal of subscription rights to shares	162	-
Total extraordinary gains	602	548
Extraordinary losses		
Loss on disposal of fixed assets	33	18
Impairment loss	24	17
Other	13	-
Total extraordinary losses	72	35
Net profit before income taxes	6,867	5,219
Income taxes – current	1,884	1,695
Refund of income taxes	(1,125)	-
Income taxes for prior periods	-	1,176
Income taxes – deferred	299	(170)
Total income taxes	1,058	2,701
Net profit	5,809	2,518
Net profit attributable to non-controlling interests	31	31
Net profit attributable to owners of parent	5,778	2,486

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

(Millions of yen)

	First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)
Net profit	5,809	2,518
Other comprehensive income		
Net unrealized gain (loss) on other securities	662	433
Deferred hedge gain (loss)	35	3
Foreign currency translation adjustments	(7,244)	459
Remeasurements of defined benefit plans, net of tax	659	481
Total other comprehensive income	(5,887)	1,378
Comprehensive income	(77)	3,896
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(80)	3,872
Comprehensive income attributable to non-controlling interests	3	24

Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. First nine months of FY2016 (Apr. 1, 2016 – Dec. 31, 2016)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	34,850	2,285	3,018	721	6,277	47,153	-	47,153
(Royalty income)	(7,380)	(2,264)	(2,098)	(718)	(5,399)	(17,861)	(-)	(17,861)
Inter-segment	5,616	35	4	3	1,258	6,917	(6,917)	-
(Royalty income)	(5,487)	(35)	(-)	(-)	(1)	(5,524)	(5,524)	(-)
Total	40,467	2,321	3,022	724	7,535	54,070	(6,917)	47,153
Segment profit (loss)	4,618	(341)	(328)	181	2,254	6,385	(372)	6,012

Notes: 1. The minus 372 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 nine months of FY2017 (Apr. 1, 2017 – Dec. 31, 2017)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amounts shown on consolidated income statements (Note 2)
	Japan	Europe	North America	Latin America	Asia	Total		
Sales								
Customers	33,794	1,525	2,145	635	6,034	44,135	-	44,135
(Royalty income)	(7,150)	(1,508)	(1,307)	(621)	(5,456)	(16,044)	(-)	(16,044)
Inter-segment	4,517	19	4	1	1,334	5,876	(5,876)	-
(Royalty income)	(4,357)	(19)	(-)	(-)	(0)	(4,376)	(4,376)	(-)
Total	38,311	1,544	2,149	636	7,368	50,011	(5,876)	44,135
Segment profit (loss)	3,149	(146)	(637)	68	2,379	4,812	(452)	4,359

Notes: 1. The minus 452 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.