

## Summary of Interim Financial Results for the Fiscal Year Ending March 31, 2008

Company name: Sanrio Company, Ltd.

Stock code: 8136

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Listed Stock Exchange: TSE 1st Section

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

### 1. Consolidated Financial Results for the First Half of FY3/08 (April 1, 2007 - September 30, 2007)

(1) Consolidated 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	%
1H of FY3/08	44,317	(3.9)	2,787	(8.6)	2,367	(12.3)	722	(74.7)
1H of FY3/07	46,126	(1.2)	3,050	(11.6)	2,700	(13.5)	2,856	19.0
FY3/07	96,671	-	6,222	-	5,575	-	4,150	-

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
1H of FY3/08	5.52	5.51
1H of FY3/07	30.24	30.02
FY3/07	42.58	42.28

(Reference) Equity in earnings of unconsolidated subsidiaries (millions of yen)

1H of FY3/08: - 1H of FY3/07: - FY3/07: -

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
1H of FY3/08	92,268	34,421	37.3	276.62
1H of FY3/07	98,374	35,050	35.6	286.63
FY3/07	96,253	36,184	37.6	294.62

(Reference) Shareholders' equity (millions of yen)

1H of FY3/08: 34,390

1H of FY3/07: 35,014

FY3/07: 36,153

(3) Consolidated cash flow

	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
1H of FY3/08	476	830	(2,979)	13,861
1H of FY3/07	1,739	142	(2,273)	14,554
FY3/07	5,658	(349)	(4,795)	15,534

### 2. Dividends

(Record date)	Dividend per Share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
FY3/07	0.00	10.00	10.00
FY3/08	0.00		10.00
FY3/08 (forecast)		10.00	

Note: The dividend figures above show dividends for common stock. Please refer to "Dividends of classified stock" on page 3 for information on dividends for shares whose rights are different from those of the Company's common stock.

### 3. Consolidated Forecasts for FY3/08 (April 1, 2007 - March 31, 2008)

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	97,000	0.3	7,080	13.8	6,100	9.4	2,540	(38.8)	23.59

#### 4. Other

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

(2) Changes in accounting principles, procedures and presentation methods, etc. for preparation of consolidated interim financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Significant Accounting Policies for the Preparation of Consolidated Interim Financial Statements" on page 23 for further information.

(3) Number of outstanding shares (common stock)

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

1H of FY3/08: 88,148,431 shares    1H of FY3/07: 88,148,431 shares    FY3/07: 88,148,431 shares

2) Number of treasury stock at the end of period

1H of FY3/08: 847,071 shares    1H of FY3/07: 876,433 shares    FY3/07: 852,404 shares

Note: Please refer to "Per Share Information" on page 32 for the number of shares used in calculating consolidated net profit per share.

#### (Reference) Unconsolidated Financial Results

##### 1. Unconsolidated Financial Results for the First Half of FY3/08 (April 1, 2007 - September 30, 2007)

(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	%
1H of FY3/08	34,020	(7.8)	1,557	(22.9)	2,981	75.2	903	(61.5)
1H of FY3/07	36,907	(0.9)	2,019	(18.1)	1,701	0.2	2,342	59.2
FY3/07	78,535	-	4,370	-	3,294	-	1,581	-

	Net Profit per Share
	Yen
1H of FY3/08	7.58
1H of FY3/07	24.35
FY3/07	13.15

(2) Unconsolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
1H of FY3/08	78,562	26,338	33.5	184.39
1H of FY3/07	87,459	28,576	32.7	212.86
FY3/07	83,190	27,494	33.0	195.43

(Reference) Shareholders' equity (millions of yen)    1H of FY3/08: 26,338    1H of FY3/07: 28,576    FY3/07: 27,494

##### 2. Unconsolidated Forecasts for FY3/08 (April 1, 2007 - March 31, 2008)

(Percentages represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	76,450	(2.7)	4,930	12.8	5,810	76.4	2,270	43.6	20.49

#### \* Cautionary statement with respect to forward-looking statements

The Company has revised its consolidated and unconsolidated forecasts for the full year of the fiscal year ending March 31, 2008 (released on May 15, 2007.)

Forecasts regarding future performance in these materials are based estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Business Results (1) Analysis of Results of Operations" on pages 4 to 7 for further information concerning these forecasts.

## Dividends of classified stock

Total dividends and a breakdown of dividends for classified stock whose rights are different from those of common stock.

(Record Date)	Dividends per Share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
Class B preferred stocks			
FY3/07	0.00	434.20	434.20
FY3/08	0.00		480.90
FY3/08 (forecast)		480.90	

## 1. Business Results

### (1) Analysis of Results of Operations

Review of Operations for the First Half of FY3/08

(100 millions of yen)

	1H of FY3/08 Results	Vs. Plan			Y-O-Y		
		Initial Plan	Increase/ decrease	Change %	1H of FY3/07 Results	Increase/ decrease	Change %
Sales	443	452	(9)	(2.1)	461	(18)	(3.9)
Gross profit	186	189	(2)	(1.5)	189	(3)	(1.9)
Selling, general & administrative expenses	158	162	(4)	(2.5)	159	(0)	(0.6)
Operating profit	27	26	1	4.2	30	(2)	(8.6)
Non-operating profit and expenses	(4)	(4)	0	-	(3)	(0)	-
Ordinary profit	23	22	1	6.5	27	(3)	(12.3)
Extraordinary gains or losses	(4)	0	(5)	-	1	(6)	-
Net profit before income taxes and other adjustments	19	22	(3)	(16.5)	28	(9)	(33.0)
Income taxes and income taxes deferred	11	10	1	17.3	(0)	11	-
Net profit	7	12	(5)	(43.9)	28	(21)	(74.7)
Gross margin	42.0%	41.8%	0.2%	-	41.2%	0.8%	-
Operating margin	6.3%	5.9%	0.4%	-	6.6%	(0.3)%	-
Ordinary margin	5.3%	4.9%	0.4%	-	5.9%	(0.6)%	-

Steady growth in Europe and expansion in China and other emerging economies ensured that the global economy generally performed well in the interim period under review, despite the adverse effects of the housing investment slump in the United States. Japan sustained moderate growth, supported by corporate earnings and strong capital investment from the private sector. The environment for domestic private consumption surrounding our group remained harsh, however, as growth in personal incomes failed to keep pace.

In this environment, the Sanrio Group performed as follows.

Sales fell 3.9% year-on-year to 44.3 billion yen, with domestic sales falling 10.8% to 34.1 billion yen and overseas sales rising 29.3% to 10.1 billion yen.

The decline in domestic sales was mainly attributed to a fall in overall domestic business, including product sales for convenience stores and special orders for corporate customers. The rise in overseas sales was led by increased sales in Asia, Europe, and Brazil in Latin America.

Operating profit fell 8.6% to 2.7 billion yen, as higher sales from business overseas and lower selling, general, and administrative expenses partially offset declining sales in the domestic product sales business (the main factor behind the fall) and a rise in procurement costs.

Ordinary profit fell 12.3% to 2.3 billion yen, influenced by the rise in non-operating expenses.

Interim net profit before income taxes and other adjustments fell 33.0% to 1.9 billion yen, due to appropriation of reserve for retirement benefits for directors in prior years and valuation loss on investment securities as extraordinary losses.

Income taxes and income taxes deferred swelled to 1.1 billion yen due to a rise in dividends from subsidiaries due to eliminations for consolidation, and interim net profit fell 74.7% \* to 0.7 billion yen.

\* In the previous interim period, a tax effect resulted in a fall in real interim net profit of around 36% year-on-year. This arose from an increased allocation of future taxable income following approval of an application for corporation tax revision and accumulated deferred tax assets of 1.7 billion yen.

## Business Results by Segment

## Segment Information by Type of Business

(100 millions of yen)

	Sales				Operating profit			
	1H of FY3/07	1H of FY3/08	Increase/ decrease	Change %	1H of FY3/07	1H of FY3/08	Increase/ decrease	Change %
Social communication gift	413	396	(16)	(4.0)	34	36	2	6.4
Theme park	40	35	(5)	(13.4)	(0)	(2)	(2)	-
Other business	6	10	4	58.1	0	(1)	(1)	-
Corporate and eliminations	-	-	-		(3)	(4)	(0)	-
Consolidated	461	443	(18)	(3.9)	30	27	(2)	(8.6)

## 1) Social communication gift: Sales down 4.0% and operating profit up 6.4% year-on-year

Despite the general slump in the domestic consumption environment, we worked to expand customer base and raise customer unit price through the contribution of “Cinnamoroll” and other characters centering on “Hello Kitty,” the increasing popularity of “My Melody and Kuromi” and “Sugar Bunnies,” and collaborative products combining “Hello Kitty” with influential men’s clothing brand “ATMOS,” “CROCS,” NEC PC, and others.

As with the wholesale and retail sectors, Sanrio’s domestic licensing suffered from the harsh consumption environment, and sales fell in the areas of accessories, toys, and clothing. Nevertheless, Hello Kitty aims to reliably strengthen its brand power by promoting collaboration with fashionable designers and performers, and with models arranged by fashion magazines. This will enable us to lay the foundations for character branding aimed at high value-added, and gradually expand customer base comprised the junior high, high school students and above. Sanrio is also exploiting its accumulated expertise in character cultivation, and growth in “Sesame Street” and “Pink Panther and Pals,” of which Sanrio is the domestic master licensee, has exceeded expectations to produce stable profits.

Overseas, the product sales and licensing businesses, centered on “Hello Kitty,” both performed well, and profits soared year-on-year in Europe, Asia, and Brazil. Reasons include the growth of name recognition for “Hello Kitty” amid favorable economic conditions and its establishment as a global character. Another factor is the steady growth in product sales from the activities of agent companies operating in individual countries. Alongside this growth, the licensing business among our local subsidiaries has expanded synergistically. Customer segments in overseas markets tend to be older than in Japan, and the product range for furnishings including apparel, bags, accessories, and watches is popular and steadily firming as character brands.

As described above, the growth in overseas business has raised profits and more than compensated for the profits fall in the domestic product sales business.

Existing-store sales (based on directly owned stores and directly operated shops within department stores) were 92.6% of the year-ago level in Japan, for a 3.5 point acceleration of growth, but 103.3% of the year-ago level in the U.S., for a 5.1 point deceleration of growth.

## 2) Theme park: Sales down 13.4% and increase in operating loss by 0.2 billion yen year-on-year

The “Believe” attraction in the main parade at Sanrio Puroland in Tama City, Tokyo, which promoted the fantasy puppets of Emmy and Tony award winning art designer Michael Curry from June onward, grew in popularity. Summer events also included “Ancient King Dinosaur Museum” in a tie-up with Sega Toys, and “Cinnamon Town Great Adventure.” Partly due to a lack of discount initiatives, however, these events could not surpass the popularity of last interim’s crowd-pleaser, “Osharemajo: Love & Berry” (“Fashionable Witch: Love & Berry”). As a result, visitor numbers to Sanrio Puroland fell 62,000, or 11.7%, year-on-year to 473,000. Moreover, at Harmony Land in Oita Prefecture, the popularity of the train and boat ride attractions and the growth in group visitor numbers from Hong Kong, Thailand, and Singapore were unable to compensate for the adverse effects of the rainy weather in Golden Week or the fall in group visitor numbers from Taiwan and South Korea. As a result, visitor numbers to Harmony Land totaled 198,000, a year-on-year fall of 12,000, or 5.9%.

3) Other business (management of restaurants, real estate leasing, and robot production): Sales up 58.1% and increase in operating loss by 0.1 billion yen year-on-year

The opening of three new “Sanrio Sweet Shops” and the establishment of Kokoro Company Ltd., a robot producer (its creations include “Doukoku –moving sculpture” and “Actroid”) as a consolidated subsidiary in the current interim period contributed to higher sales. Operating costs exceeded operating profit in both cases, however, leading to a fall in profits.

## Results by Geographic Segment

(100 millions of yen)

	Sales				Operating profit			
	1H of FY3/07	1H of FY3/08	Increase/decrease	Change %	1H of FY3/07	1H of FY3/08	Increase/decrease	Change %
Japan	395	355	(40)	(10.2)	24	15	(8)	(36.7)
North America (*)	33	29	(4)	(13.5)	3	3	(0)	(6.1)
Other areas (*)	31	58	26	85.3	6	14	7	116.7
Corporate and eliminations	-	-	-	-	(3)	(4)	(1)	-
Consolidated	461	443	(18)	(3.9)	30	27	(2)	(8.6)

1) Japan: Sales down 10.2% and operating profit down 36.7% year-on-year

The main reasons for these declines were sluggish activity in sales of convenience store products, special orders for corporate customers, and product sales and licensing generally in the Japanese market.

2) North America: Sales down 13.5% and operating profits down 6.1% year-on-year

The main reasons for these declines were the corresponding decline in special orders for mass merchandisers in the previous interim period.

3) Other areas (Latin America, Asia, Europe, etc.): Sales up 85.3% and operating profit up 116.7% year-on-year

Major contributing factors were year-on-year growth in sales and profit in Europe (164.2% and 348.7% respectively), Asia (41.8% and 17.2% respectively), and Latin America, especially Brazil (72.1% and 95.4% respectively). Product sales and licensing have both soared in nearly 30 countries in Europe (including Russia and the Middle East), and stable high growth is anticipated.

\* Overseas Sales and Profit for the Past Three Interim Periods by Area (North America, other areas) (Millions of yen)

Areas		Sales to customers					Operating profit				
		1H of FY3/06	1H of FY3/07	Change %	1H of FY3/08	Change %	1H of FY3/06	1H of FY3/07	Change %	1H of FY3/08	Change %
North America	U.S.A.	3,693	3,392	(8.1)	2,934	(13.5)	271	337	24.3	316	(6.1)
Latin America	Brazil	200	259	29.3	446	72.1	69	98	41.8	191	95.4
Asia	Hong Kong	599	973	62.4	1,521	56.2	90	168	87.0	247	46.9
	Taiwan	736	556	(24.5)	619	11.3	152	152	(0.0)	90	(41.0)
	Korea	277	225	(18.8)	299	32.9	62	57	(8.3)	76	32.0
	China	59	69	15.7	146	112.4	10	3	(68.4)	34	899.9
Subtotal		1,673	1,824	9.0	2,586	41.8	316	382	20.7	448	17.2
Europe	Europe	989	1,050	6.1	2,776	164.2	135	172	27.8	775	348.7
Total		6,557	6,527	(0.5)	8,743	34.0	792	990	25.0	1,732	74.9

## Overseas Sales

Overseas sales amounted to 10.1 billion yen (up 29.3% year-on-year) with an overseas sales ratio of 23.0% (up 5.9 points).

Forecasts for FY3/08

(100 millions of yen)

	FY3/07 Results	FY3/08 Forecasts	Increase/ decrease	Change %
Sales	966	970	3	0.3
Gross profit	386	398	11	3.0
Selling, general & administrative expenses	324	327	2	0.9
Operating profit	62	70	8	13.8
Ordinary profit	55	61	5	9.4
Extraordinary gains or losses	3	(5)	(9)	-
Net profit before income taxes and other adjustments	59	55	(3)	(6.4)
Income taxes and income taxes deferred	18	30	12	67.1
Net profit	41	25	(16)	(38.8)
Gross margin	40.0%	41.0%	1.0%	-

Amid an opaque outlook for the world economy involving eroding trust from the sub-prime loan issue, the retreat of the US economy due to a slowdown in the housing market, rising inflation from such factors as a further jump in oil prices, and continuing rapid growth in the Chinese economy, prospects for sustained growth in the Japanese economy continue to be unpredictable in the face of stagnant private consumption, despite the sustained strength of corporate profits buoyed by overseas demand.

In this situation the full-year performance outlook for the social communication gift business, although assuming that the cautious consumption environment continues, involves October remodeling of “Hello Kitty Store” (for our highly targeted customer segments) in Shibuya 109-II and the Fukuoka Tenjin underground shopping center, remodeling of the still more fashionable “Hello Kitty Precious” in Shinjuku Isetan, and introduced new and collaborative products such as clothing, accessories and bags. In the future, we aim to cultivate new markets beyond our traditional family segment, aiming in the medium-term at high value-added, high-quality, and high unit price character brands loved by our highly targeted segments.

We also foresee a recovery in the licensing business. In the early November, Softbank Corporation has marketed a Hello Kitty mobile phone, launched extensive sales campaigns through TV commercials, and reap the benefits of the ripple effect with each licensee company. In the future, “Hello Kitty” plans to take measures to further enhance its position as “brand royalty.”

Concerning the theme park business, moreover, we aim to review our discount policies and obtain special order for corporate customers through sales promotion activities. In Sanrio Puroland, the new review show starring “Sugar Bunnies” and the “Marchen of the Sea” musical show fusing acrobatics and dance begin on December 15, and the “Detective Conan” event will also debut. In Harmony Land, too, “Hello Kitty” and “Cinnamoroll” will perform in the Christmas review show. Moreover, Sanrio Puroland has a licensing contract with Chinese producers to run 600 shows in 40 major Chinese cities over a period of 3 years starting from next spring. These performances are expected to raise the profile of our theme parks still further.

As regards overseas business, we anticipate higher profits in all regions of the US, Europe and Asia, and see especially strong growth in the latter two. Product sales from European subsidiaries will come mainly from Italy, France, Spain, Germany, and Portugal, but will also come from more than a dozen other countries, especially in the Middle East, whose markets are expanding. We plan to open our first store in India through an agency at the end of November. Licensing is also expanding in each country. In the Chinese market, the number of shops opened through agencies has recently topped 90, and we also plan to steadily increase licensing income there.

Concerning the full year figures, we have revised the net profit downward from initial projections of 3.4 billion yen to 2.5 billion yen. This is due to income taxes and income taxes deferred from dividends paid out by subsidiaries, and extraordinary losses being calculated in the current interim period. Meanwhile we anticipate that the strong performance of overseas business will compensate for the sluggish performance of domestic business, enabling operating and ordinary profits to achieve initial projections of consolidated performance for the full year.

Moreover, the ordinary dividend planned for the end of the fiscal year will remain unchanged at 10 yen per share.

**(2) Analysis of Financial Position**

## First Half of FY3/08 Financial Position

(100 millions of yen)

	FY3/07	1H of FY3/08	Increase/decrease	1H of FY3/07
Assets	962	922	(39)	983
Liabilities	600	578	(22)	633
(Interest-bearing debt)	352	336	(16)	378
Net assets	361	344	(17)	350
Equity ratio	37.6%	37.3%	(0.3)%	35.6%

At the end of the first half of the current fiscal year, total assets declined by 3.9 billion yen from the balance at the end of the previous fiscal year to 92.2 billion yen. Specifically, cash and deposits decreased 2.3 billion yen due to repayment of interest-bearing debt and because we changed the payment method for accounts payable from issuing notes payable, to purchasing trust beneficiary rights through a lump-sum accounts payable trust scheme. Investment securities declined 2.6 billion yen as we sold a portion of our investment securities portfolio, and because valuation gains declined. Inventories increased 1.3 billion yen as we stockpiled goods in preparation for the big Christmas shopping season. Liabilities declined 2.2 billion yen to 57.8 billion yen. In line with efforts to improve financials, we lowered interest-bearing debt by 1.6 billion yen, and notes and accounts payable by 1.4 billion yen as we purchased trust beneficiary rights in line with the introduction of a lump-sum accounts payable trust scheme mentioned in the assets section above. Net assets declined 1.7 billion yen to 34.4 billion yen due to dividend payments, and a decline in net unrealized holding gain (loss) on other securities. The equity ratio ended at 37.3%, down 0.3% from the end of the previous fiscal year.

## First Half of FY3/08 Cash Flow Position

(100 millions of yen)

	1H of FY3/07	1H of FY3/08	Increase/decrease
Cash flow from operating activities	17	4	(12)
Cash flow from investing activities	1	8	6
Cash flow from financing activities	(22)	(29)	(7)
Translation gains or losses	0	(0)	(0)
Increase (decrease) in cash and cash equivalents	(3)	(17)	(13)
Increase in cash and cash equivalents from new consolidation	-	0	0
Cash and cash equivalents at beginning of year	149	155	6
Cash and cash equivalents at end of period	145	138	(6)

- 1) Cash flows from operating activities amounted to a net inflow of 0.4 billion yen (down 1.2 billion yen year-on-year). This was mainly attributable to total inflows of 3.5 billion yen, consisting of operating profit of 2.7 billion yen, and 0.7 billion yen of depreciation and amortization of long-term prepaid expenses, minus outflows of 2.8 billion yen due to an increase in working capital. Compared to the previous interim period, there was a 1.7 billion yen increase in working capital due to the introduction of a lump-sum accounts payable trust scheme.
- 2) Cash flows from investing activities resulted in a net inflow of 0.8 billion yen (up 0.6 billion yen year-on-year). This was mainly attributable to 0.7 billion yen in income from the withdrawal of time deposits, and 1.2 billion yen in proceeds from the sale of investment securities, minus 1.0 billion yen in payments for the purchase of tangible fixed assets, including new shop establishment and interior decorating. Compared to the previous interim period, there was greater income from the sale of investment securities.
- 3) Cash flows from financing activities resulted in a net outflow of 2.9 billion yen. This was mainly attributable to a 1.6 billion yen repayment of interest-bearing debt, and cash dividends paid of 1.3 billion yen by the Company.

### Cash Flow Forecasts for FY3/08

Cash flows provided by operating activities are expected to amount to 4.6 billion yen. The estimated operating profit of 7.0 billion yen and depreciation of 1.5 billion yen would result in operating profit before depreciation of 8.5 billion yen, against increase in working capital, and the payment of 3.9 billion yen for interests and income taxes. Cash flows used for investing activities are projected to total a net 0.2 billion yen, including 2.0 billion yen in capital equipment spending. As for cash flows used for financing activities, 3.3 billion yen debt repayment and 1.3 billion yen dividend payment are projected. In total, cash and cash equivalents at the end of FY3/08 are estimated at 13.6 billion yen.

(Reference) The trend of cash flow-related indicators is shown as follows.

	FY3/05	FY3/06	FY3/07	1H of FY3/08
Equity ratio (%)	27.0	35.5	37.6	37.3
Equity ratio, at market value (%)	78.3	174.1	157.9	112.4
Interest-bearing debt to cash flow ratio (%)	531.2	509.9	623.5	-
Interest coverage ratio	6.4	9.0	7.9	2.2

Note: Equity ratio: (Net assets – Minority interests) / Total assets

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

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow (no figure for interim periods)

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

\* All indices 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.

\* Cash flow uses cash flows from operating activities stated on the consolidated cash flows statement.

\* Interest-bearing debt is a sum of all interest-bearing debt stated on the consolidated balance sheet.

\* Interest payment uses the amount of interest paid stated on the consolidated cash flows statement.

### (3) Basic Policy Regarding Profit Distribution and Dividends for FY3/08

We recognize that returning profits to shareholders is a crucial issue for management. On the premise of paying stable dividends, we have set the basic aims of securing the resources of 1 to 2 billion yen annually for dividends and redemption of Class B preferred stock (10 billion yen), and of linking dividend payouts to results and adding to them when conditions permit.

We maintain our dividend forecast for the current fiscal year; we plan to pay a dividend of 10 yen per share at the fiscal year-end.

In addition, we will earmark retained earnings to establish new stores, refurbish existing ones, and upgrade theme parks and distribution facilities as well as resources for future redemption of preferred stock.

### (4) Business and Other Risks

The following risks have the potential to exert an impact on the Sanrio Group's management performance, stock price, and financial conditions. The Sanrio Group assessed the risk data as of the submission date of the financial statement. The information does not cover all business risks faced by the Sanrio Group.

#### (1) Market risk

Sanrio Group sales are influenced by economic conditions in all the countries and regions where its products are sold, especially in Japan, which accounts for 80% of total sales. As these products are not necessarily essential to the daily lives of the customers, the impact of conditions in various markets may result in a lack of sales.

## (2) Currency risk

Sanrio orders about 60% of its products from overseas, primarily China, while the export ratio (including royalty income) is 10.7% (8.0% in the previous interim period) of total sales. Each of these activities is influenced by foreign exchange fluctuations. We estimate income and expenditure in US dollars and use various hedging measures, but it is impossible to completely avoid foreign exchange risk. Furthermore, various items in consolidated financial statements such as sales, cost of sales, and selling, general and administrative expenses at overseas subsidiaries are influenced by currency conversion based on rates applied when preparing consolidated financial statements. As a result of these factors, there may be an impact on earnings.

## (3) Business risks such as the ability to develop new characters and securing human resources

Characters contribute the majority of Sanrio Group sales. When developing and cultivating characters, our management policy is to gain popularity steadily over the long term rather than pursue it explosively. We are also constantly striving to develop new characters. The popularity of each character fluctuates, however, and this can have an influence on earnings.

In principle, employees of the Company are responsible for developing Sanrio characters, and characters that have been developed are put on the market with the cooperation of various divisions within the Company. Accordingly, all copyrights belong to Sanrio. We try to ensure that we can employ important personnel in the character development division in a stable manner by such means as providing various forms of motivation, but it is not possible to maintain employment perpetually. The departure of key employees could lead to a decline in Sanrio's character development capability. The movement of Sanrio employees to other companies could also have an adverse impact on development competitiveness.

## (4) Risks caused by incidence of defective products

The Sanrio Group orders products not just from Japan but also from overseas manufacturers, mainly in China, with the aim of reducing product procurement costs in response to price competition. Each manufacturer carries out manufacturing and product inspection in accordance with the quality standards specified by Sanrio and takes the utmost care to enhance safety and quality through quality control divisions. If an unforeseen quality problem should occur, however, sales may decline due to the impact of recall costs and a decline in brand power, and this in turn may have an impact on the Sanrio Group's financial position and earnings.

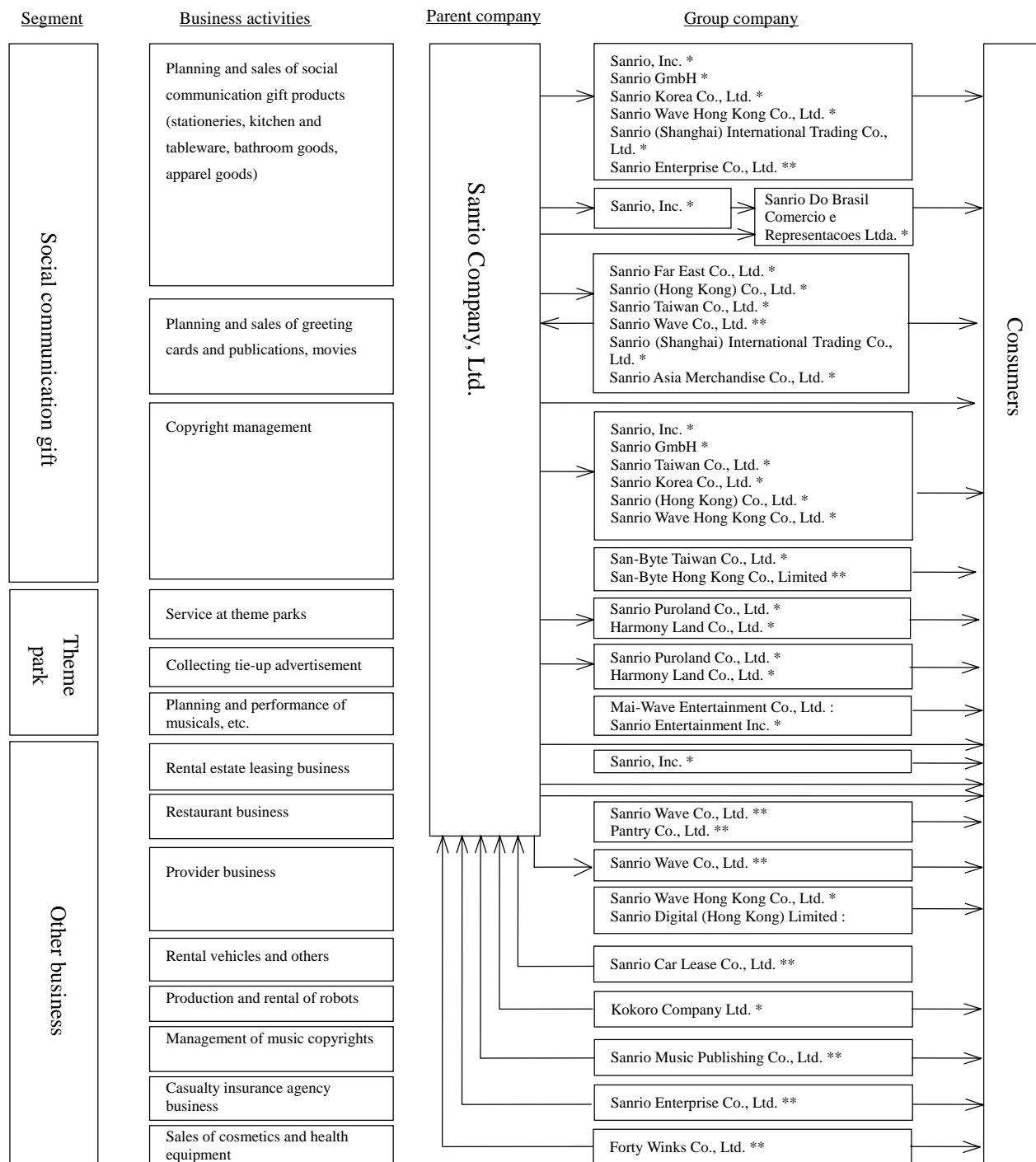
## (5) Natural disaster and accident risks

The Sanrio Group operates two theme parks in Japan, and personal injury may occur as a result of natural disasters or accidents. We have taken thorough safety management measures, such as ensuring that facilities are earthquake resistant, but we would not necessarily be able to handle an unforeseen situation. Such an event may have an impact on Sanrio Group's financial position and earnings.

- Notes:
1. Amounts are exclusive of the consumption taxes.
  2. Amounts of less than 100 million yen in the text and tables have been rounded down.

## 2. Corporate Structure

The Sanrio Group comprises the parent company, twenty-four subsidiaries, and three affiliates. The major group companies, their respective businesses, and the flow of products and services are illustrated in the diagram below.



Notes:

1. \* Consolidated subsidiaries \*\* Unconsolidated subsidiaries : Affiliates

→ Product or service flow

2. In addition to the above-stated companies, Sanrio Taiwan Co., Ltd. has a subsidiary, Sanrio Investment Limited, for investing in Sanrio (Shanghai) International Trading Co., Ltd.; San-Byte Taiwan Co., Ltd. has a subsidiary, San-Byte Investment Co., Ltd., for investment purposes; and Sanrio Digital Corporation is an affiliate for investing in Sanrio Digital (Hong Kong) Limited.

## Group Companies

### Consolidated subsidiaries

Name	Location	Capital	Major businesses	% of voting rights held (or held by others)	Details				
					Co-assigned Positions		Business relationship	Equipment lease, rental, and others	Other
					Company's Directors	Company's employees			
Sanrio, Inc.	San Francisco, California, USA	US\$ 34,412 thousand	Social communication gift	100	1	1	Imports & sales of Sanrio products, royalty trading	-	Financial guarantee
Sanrio Entertainment Inc.	San Francisco, California, USA	US\$ 500 thousand	Theme park	100 (100)	1	1	Show planning and sales	-	-
Sanrio Do Brasil Comercio e Representacoes Ltda.	Tamboré, Brazil	Real 2,097 thousand	Social communication gift	100 (100)	-	-	Imports & sales of Sanrio products, royalty trading	-	-
Sanrio (Hong Kong) Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gift	100 (80)	1	1	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Korea Co., Ltd.	Seoul, Korea	Korean Won 50 million	Social communication gift	100 (100)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 177 million	Social communication gift	100	1	4	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio GmbH	Schleswig-Holstein, Germany	Euro 2,019 thousand	Social communication gift	100	-	2	Imports & sales of Sanrio products, royalty trading	-	Financial guarantee
Sanrio (Shanghai) International Trading Co., Ltd.	Shanghai, China	US\$ 400 thousand	Social communication gift	100 (60)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Asia Merchandise Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gift	100 (100)	1	2	Manufacturing of Sanrio products, royalty trading	-	-
San-Byte Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 14.85 million	Social communication gift	100 (100)	2	1	Copyright management	-	-
Sanrio Wave Hong Kong Co., Ltd.	Hong Kong	HK\$ 450 thousand	Social communication gift	95 (95)	1	1	Internet provider, etc.	-	-
Sanrio Puroland Co., Ltd.	Tama-shi, Tokyo	Yen 4,050 million	Theme park	100	8	5	Purchase & sales of Sanrio products, royalty trading	Building & equipment rental	Loans
Harmony Land Co., Ltd.	Hiji-machi, Hayami-gun, Oita	Yen 1,748 million	Theme park	84.8 (0.5)	4	2	Purchase & sales of Sanrio products, royalty trading	Building & equipment rental	-
Sanrio Far East Co., Ltd.	Shinagawa-ku, Tokyo	Yen 30 million	Social communication gift	100	3	-	Manufacturing of Sanrio products, royalty trading	Office rental	-
Kokoro Company Ltd.	Hamura-shi, Tokyo	Yen 495 million	Other business	100	3	1	Robot development, planning, and sales	-	Financial guarantee, loans

#### Notes:

- Sanrio, Inc., Sanrio Puroland Co., Ltd., and Harmony Land Co., Ltd. are designated subsidiaries.
- Percentages in parenthesis show an indirect ownership: Sanrio Do Brasil Comercio e Representacoes Ltda. and Sanrio Entertainment Inc. by subsidiary Sanrio Inc.; Harmony Land Co., Ltd. by subsidiary, Sanrio Puroland Co., Ltd.; Sanrio (Hong Kong) Co., Ltd. by subsidiary Sanrio Far East Co., Ltd.; Sanrio Korea Co., Ltd. by two subsidiaries, Sanrio (Hong Kong) Co., Ltd. and Sanrio, Inc.; Sanrio (Shanghai) International Trading Co., Ltd by three subsidiaries, Sanrio (Hong Kong) Co., Ltd., Sanrio Wave Hong Kong Co., Ltd. and Sanrio Investment Co., Ltd.; Sanrio Asia Merchandise Co., Ltd. by subsidiary Sanrio (Hong Kong) Co., Ltd.; San-Byte Taiwan Co., Ltd. by subsidiary Sanrio Taiwan Co., Ltd.; and Sanrio Wave Hong Kong Co., Ltd. by subsidiary Sanrio (Hong Kong) Co., Ltd.
- All the subsidiaries stated above do not present Security Registration Statement and Annual Security Report.

### **3. Management Policy**

#### **(1) Basic Management Policy**

We believe that having a companion that you can talk with from the heart is one of the greatest forms of happiness for human beings.

Our companions range from those closest to home — mother, father, children, brother, sister and lover — to our schoolmates and work mates, and then to all of humankind. In order to get along with one another, we need to trust, respect, and love others, and we need to express those feelings. This is Sanrio's basic management philosophy of "Social Communication."

Based on the belief that we should expand the circle of good relations to all people, beginning with children all around the world, we have pursued the Social Communication business by adopting the watchwords "small gift, big smile," and we have promoted the planning of gift products that express caring feelings as well as the operation of theme parks as a place for communication between people.

We will continue to place importance on products that feel like a dream, environments that foster friendship, and staff that are full of affection and continue to create a world full of communication that allows everyone to feel secure and have fun.

To this end, we will provide our customers with safe, well planned products subject to thorough quality control and excellent entertainment that children and even adults can enjoy. At the same time, we will foster a spirit of caring and placing importance on making an impression among our employees. In such a way, we will meet the expectations of all our shareholders and customers. Furthermore, as we recognize anew our social responsibility as a company, we will actively make social contributions and cooperate in creating an environment where people of the world can be friends and live in happiness.

As a "character goods and entertainment company," the management and employees of Sanrio will do their utmost to become a company in which all stakeholders can be proud, and create a unique presence as a company recognized by people the world over.

#### **(2) Target Performance Indicators**

Sanrio strives relentlessly to enhance profitability, not just expand sales, and we target three specific profit performance indicators for the medium term: 1) consolidated operating profit above 10 billion yen; 2) a return on equity (ROE) ratio of 20%; and 3) a return on assets (ROA) ratio of 10%.

#### **(3) Sanrio's Medium to Long-Term Management Strategy**

In the domestic market, our mainstay market to date, the purchasing appetite of consumers has been clearly transformed by the graying and declining population structure, so we will strive to grasp changing market trends through a cycle of establishing hypotheses and verifying those hypotheses. We aim to accelerate our penetration of overseas markets, premised on the core character licensing business model, to ensure Sanrio becomes as globally recognized a brand as "Hello Kitty."

We intend to devise within the current fiscal year a medium-term vision for an efficient earnings structure over the next several years, and we will announce this plan early next fiscal year. Our vision will include a strategy that focuses on the global market, while taking into account current conditions, as we see the domestic market now as just one among many across the globe.

#### **(4) Management Issues and Measures to be Tackled**

The Sanrio Group is shifting from sales-oriented to profit-oriented management. We are focusing on developing the licensing business both in Japan and overseas, especially the creation of expansion strategies for the overseas market, which is projected to grow rapidly, and the strengthening of sales power in the shrinking domestic market.

##### 1) Bolstering overseas strategies

Sales are steadily expanding in both the product sales and licensing businesses as the degree of recognition of Sanrio characters continues to firmly increase across all overseas locations. We believe that cultivating and developing overseas markets, particularly in the Middle East and BRICs (Brazil, Russia, India and China) countries, will drive future growth of the Sanrio Group. We will therefore move aggressively to form licensing agreements with local agent companies in each country to accelerate our strengthening of overseas profitability.

##### 2) Strengthening marketing capability of domestic product sales business

Sanrio faces a domestic environment of weak consumer spending, so it is urgent that we develop an organization that is capable of accurately responding to market changes, and establish efficient sales floor space. Specifically, we will move forward with the closing of low-profit directly owned stores, and develop and stock products that are differentiated and suited to the different store formats of directly owned stores, department stores, and mass merchandisers. In addition, in order to strengthen character branding, we will collaborate with designers, promote collaboration with partner companies to achieve comprehensive synergies, develop high value-added products, and develop the store network.

##### 3) Reinforcement of theme park business

It is urgent that we improve the earnings strength of this business, which creates character world views, and serves as a character incubator. As we stated earlier, we recently obtained a license to stage shows in the Chinese market, so we expect synergies between the theme park and overseas businesses, and believe the theme park business in China will become a touchstone of our group's comprehensive strengths. Going forward, we will focus on spreading Sanrio shows around the world through collaboration with overseas subsidiaries centered on Sanrio Entertainment Inc. (\*) and Sanrio Puroland.

\*Sanrio Entertainment Inc. is a subsidiary of Sanrio Inc. established in 2007 to license in overseas markets content and music born from theme parks.

##### 4) Securing funds to repurchase Class B preferred stock

We aim to secure funds to repurchase and retire Class B preferred stock (issuance amount of 10 billion yen) by the fiscal year ending March 31, 2011.

## 4. Consolidated Interim Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen, %)

Account	1H of FY3/07 (As of Sep. 30, 2006)		1H of FY3/08 (As of Sep. 30, 2007)		FY3/07 Summary (As of Mar. 31, 2007)	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposit	14,628		14,397		16,796	
2. Trade notes and accounts receivable	13,190		12,950		12,832	
3. Inventories	7,020		7,061		5,692	
4. Other accounts receivable	1,118		796		827	
5. Deferred tax assets	2,519		3,267		2,685	
6. Other	1,263		1,070		948	
7. Allowance for doubtful accounts	(196)		(166)		(242)	
<b>Total current assets</b>	<b>39,544</b>	<b>40.2</b>	<b>39,377</b>	<b>42.7</b>	<b>39,540</b>	<b>41.1</b>
<b>II Fixed assets</b>						
1. Tangible fixed assets						
(1) Buildings and structures	52,998		53,413		53,437	
Accumulated depreciation	(42,905)	10,093	(43,434)	9,979	(43,107)	10,329
(2) Machinery and equipment	13,582		13,646		13,376	
Accumulated depreciation	(12,737)	845	(12,606)	1,040	(12,520)	855
(3) Land		11,592		11,573		11,599
(4) Construction in progress		62		71		68
(5) Other	3,898		4,951		3,796	
Accumulated depreciation	(3,231)	667	(4,207)	743	(3,225)	570
<b>Total tangible fixed assets</b>	<b>23,262</b>	<b>23.6</b>	<b>23,408</b>	<b>25.4</b>	<b>23,423</b>	<b>24.3</b>
2. Intangible fixed assets	265	0.3	379	0.4	259	0.3
3. Investments and other assets						
(1) Investments securities	9,965		5,986		8,671	
(2) Long-term loans	1,037		1,214		1,295	
(3) Loans to employees	3,708		3,490		3,622	
(4) Guarantees	5,714		4,529		4,671	
(5) Deferred tax assets	12,082		10,004		10,872	
(6) Other	3,088		4,592		4,359	
(7) Allowance for doubtful accounts	(428)		(774)		(520)	
<b>Total investments and other assets</b>	<b>35,168</b>	<b>35.8</b>	<b>29,044</b>	<b>31.5</b>	<b>32,973</b>	<b>34.3</b>
<b>Total fixed assets</b>	<b>58,696</b>	<b>59.7</b>	<b>52,831</b>	<b>57.3</b>	<b>56,656</b>	<b>58.9</b>
<b>III Deferred assets</b>						
1. Stock issuance costs	39		-		-	
2. Corporate bond issuance costs	94		59		55	
<b>Total deferred assets</b>	<b>134</b>	<b>0.1</b>	<b>59</b>	<b>0.0</b>	<b>55</b>	<b>0.0</b>
<b>Total assets</b>	<b>98,374</b>	<b>100.0</b>	<b>92,268</b>	<b>100.0</b>	<b>96,253</b>	<b>100.0</b>

(Millions of yen, %)

Account	1H of FY3/07 (As of Sep. 30, 2006)		1H of FY3/08 (As of Sep. 30, 2007)		FY3/07 Summary (As of Mar. 31, 2007)	
	Amount	%	Amount	%	Amount	%
<b>Liabilities</b>						
I Current liabilities						
1. Trade notes and accounts payable	13,405		10,156		11,614	
2. Short-term borrowings	19,724		21,425		19,059	
3. Current portion of corporate bonds to be redeemed	2,068		2,277		2,068	
4. Accrued income taxes	301		660		430	
5. Allowance for bonuses	383		428		374	
6. Reserve for adjustment of returned goods	84		67		117	
7. Other	3,933		4,653		4,666	
Total current liabilities	39,900	40.6	39,668	43.0	38,329	39.8
II Long-term liabilities						
1. Corporate bonds	7,371		6,094		6,837	
2. Long-term borrowings	8,660		3,856		7,314	
3. Reserve for retirement benefits for employees	6,326		6,713		6,509	
4. Reserve for retirement benefits for directors	-		441		-	
5. Long-term deposits received	691		686		679	
6. Long-term accounts payable	188		207		192	
7. Other	186		178		206	
Total long-term liabilities	23,423	23.8	18,178	19.7	21,739	22.6
Total liabilities	63,324	64.4	57,847	62.7	60,069	62.4
<b>Net assets</b>						
I Shareholders' equity						
1. Capital	14,999	15.2	14,999	16.3	14,999	15.6
2. Capital surplus	10,093	10.3	10,095	10.9	10,095	10.5
3. Retained earnings	11,344	11.5	11,642	12.6	12,657	13.2
4. Treasury stock	(987)	(1.0)	(954)	(1.0)	(960)	(1.0)
Total shareholder's equity	35,449	36.0	35,783	38.8	36,792	38.3
II Valuation and translation adjustment						
1. Net unrealized gain (loss) on other securities	841		(296)		459	
2. Deferred hedge gain (loss)	(73)		(55)		(56)	
3. Foreign currency translation adjustments	(1,203)		(1,041)		(1,042)	
Total valuation and translation adjustment	(435)	(0.4)	(1,393)	(1.5)	(638)	(0.7)
III Minority interests	35	0.0	31	0.0	30	0.0
Total net assets	35,050	35.6	34,421	37.3	36,184	37.6
Total liabilities and net assets	98,374	100.0	92,268	100.0	96,253	100.0

## (2) Consolidated Income Statement

(Millions of yen, %)

Account	1H of FY3/07 (Apr. 1, 2006 - Sep. 30, 2006)		1H of FY3/08 (Apr. 1, 2007 - Sep. 30, 2007)		FY3/07 Summary (Apr. 1, 2006 - Mar. 31, 2007)			
	Amount	%	Amount	%	Amount	%		
I Sales		46,126	100.0		44,317	100.0	96,671	100.0
II Cost of sales		27,130	58.8		25,732	58.1	57,961	60.0
Gross profit		18,996	41.2		18,584	41.9	38,709	40.0
Provision of reserve for adjustment of returned goods		3	0.0		-	-	36	0.0
Reversal from reserve for adjustment of returned goods		-	-		50	0.1	-	-
Net gross profit on sales		18,993	41.2		18,634	42.0	38,673	40.0
III Selling, general and administrative expenses								
1. Sales and promotion expenses	1,520			1,555			3,182	
2. Directors bonuses and salaries	3,677			3,707			7,295	
3. Bonus	202			203			855	
4. Provision of reserves for bonuses	383			428			374	
5. Freight charges	670			638			1,559	
6. Rent	1,725			1,668			3,450	
7. Depreciation	440			455			891	
8. Other	7,322	15,942	34.6	7,189	15,846	35.7	14,842	32,451
Operating profit		3,050	6.6		2,787	6.3		6,222
IV Non-operating profit								
1. Interest income	146			204			351	
2. Dividend income	72			74			99	
3. Other income	98	317	0.7	99	378	0.8	320	771
V Non-operating expenses								
1. Interest expense	415			393			802	
2. Tax and public charges	78			119			197	
3 Other expenses	174	667	1.4	285	798	1.8	417	1,418
Ordinary profit		2,700	5.9		2,367	5.3		5,575
VI Extraordinary gains								
1. Gain on sales of investment securities	584			391			984	
2. Other	13	597	1.3	18	409	0.9	21	1,005
VII Extraordinary losses								
1. Loss on disposal of fixed assets	22			54			73	
2. Impairment loss	78			24			86	
3. Valuation loss on investment securities	239			292			290	
4. Retirement benefits for directors	97			-			97	
5. Provision of allowance for retirement benefits for directors	-			432			-	
6. Provision of allowance for doubtful accounts	-			-			62	
7. Other	8	446	1.0	62	866	1.9	10	620
Net profit before income taxes and other adjustments		2,851	6.2		1,910	4.3		5,960
Income taxes - current	298			424			845	
Income taxes - deferred	(305)	(6)	(0.0)	762	1,187	2.7	971	1,816
Minority interests in income (loss) of consolidated subsidiaries		1	0.0		0	0.0		(6)
Net profit		2,856	6.2		722	1.6		4,150

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

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Mar. 31, 2006	14,999	10,092	9,780	(1,004)	33,868
Changes in amounts during the period					
Dividends from surplus	-	-	(1,293)	-	(1,293)
Net profit	-	-	2,856	-	2,856
Purchase of treasury stock	-	-	-	(0)	(0)
Disposal of treasury stock	-	1	-	17	18
Net changes in amounts in items other than shareholders' equity during the period	-	-	-	-	-
Total of the changes in amounts during the period	-	1	1,563	16	1,581
Balance as of Sep. 30, 2006	14,999	10,093	11,344	(987)	35,449

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2006	1,868	-	(1,266)	601	34	34,504
Changes in amounts during the period						
Dividends from surplus	-	-	-	-	-	(1,293)
Net profit	-	-	-	-	-	2,856
Purchase of treasury stock	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	18
Net changes in amounts in items other than shareholders' equity during the period	(1,026)	(73)	63	(1,037)	1	(1,035)
Total of the changes in amounts during the period	(1,026)	(73)	63	(1,037)	1	546
Balance as of Sep. 30, 2006	841	(73)	(1,203)	(435)	35	35,050

1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Mar. 31, 2007	14,999	10,095	12,657	(960)	36,792
Changes in amounts during the period					
Dividends from surplus	-	-	(1,307)	-	(1,307)
Net profit	-	-	722	-	722
Purchase of treasury stock	-	-	-	(0)	(0)
Disposal of treasury stock	-	0	-	6	6
Decrease in surplus from addition in consolidated subsidiaries	-	-	(430)	-	(430)
Net changes in amounts in items other than shareholders' equity during the period	-	-	-	-	-
Total of the changes in amounts during the period	-	0	(1,014)	5	(1,008)
Balance as of Sep. 30, 2007	14,999	10,095	11,642	(954)	35,783

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2007	459	(56)	(1,042)	(638)	30	36,184
Changes in amounts during the period						
Dividends from surplus	-	-	-	-	-	(1,307)
Net profit	-	-	-	-	-	722
Purchase of treasury stock	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	6
Decrease in surplus from addition in consolidated subsidiaries	-	-	-	-	-	(430)
Net changes in amounts in items other than shareholders' equity during the period	(755)	0	0	(754)	0	(754)
Total of the changes in amounts during the period	(755)	0	0	(754)	0	(1,762)
Balance as of Sep. 30, 2007	(296)	(55)	(1,041)	(1,393)	31	34,421

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Mar. 31, 2006	14,999	10,092	9,780	(1,004)	33,868
Changes in amounts during the fiscal year					
Dividends from surplus	-	-	(1,293)	-	(1,293)
Net profit	-	-	4,150	-	4,150
Purchase of treasury stock	-	-	-	(0)	(0)
Disposal of treasury stock	-	2	-	44	47
Increase in surplus from addition in consolidated subsidiaries	-	-	19	-	19
Net changes in amounts in items other than shareholders' equity during the fiscal year	-	-	-	-	-
Total of the changes in amounts during the fiscal year	-	2	2,877	43	2,923
Balance as of Mar. 31, 2007	14,999	10,095	12,657	(960)	36,792

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2006	1,868	-	(1,266)	601	34	34,504
Changes in amounts during the fiscal year						
Dividends from surplus	-	-	-	-	-	(1,293)
Net profit	-	-	-	-	-	4,150
Purchase of treasury stock	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	47
Increase in surplus from addition in consolidated subsidiaries	-	-	-	-	-	19
Net changes in amounts in items other than shareholders' equity during the fiscal year	(1,409)	(56)	224	(1,240)	(3)	(1,243)
Total of the changes in amounts during the fiscal year	(1,409)	(56)	224	(1,240)	(3)	1,679
Balance as of Mar. 31, 2007	459	(56)	(1,042)	(638)	30	36,184

**(4) Consolidated Cash Flow Statement**

(Millions of yen)

	1H of FY3/07 (Apr. 1, 2006 - Sep. 30, 2006)	1H of FY3/08 (Apr. 1, 2007 - Sep. 30, 2007)	FY3/07 Summary (Apr. 1, 2006 - Mar. 31, 2007)
Account	Amount	Amount	Amount
<b>I Cash flow from operating activities</b>			
Net profit before income taxes and other adjustments	2,851	1,910	5,960
Depreciation	655	733	1,366
Amortization of long-term prepaid expenses	57	56	107
Increase (decrease) in allowance for doubtful accounts	(64)	166	67
Increase in reserve for bonuses	15	53	6
Increase in reserve for retirement benefits for employees	173	152	355
Increase (decrease) in reserve for adjustment of returned goods	3	(50)	36
Increase in reserve for retirement benefit for directors	-	441	-
Interest and dividend income	(219)	(278)	(451)
Interest expense	415	393	802
Foreign exchange loss	12	62	5
Loss on disposal of fixed assets	22	54	73
Impairment loss	78	24	86
Gain on sale of investment securities	(584)	(413)	(1,014)
Valuation loss on investment securities	239	301	290
Decrease (increase) in accounts receivable	(1,499)	241	(1,075)
Increase in inventories	(1,469)	(1,158)	(116)
Decrease (increase) in other assets	88	(218)	20
Increase (decrease) in accounts payable	1,779	(1,681)	(10)
Decrease in consumption tax payable	(97)	(239)	(91)
Increase (decrease) in other liabilities	(95)	426	212
Other	46	11	318
Subtotal	2,408	990	6,949
Interests and dividends received	199	271	455
Interests paid	(360)	(397)	(821)
Income taxes paid	(507)	(388)	(925)
Cash flow from operating activities	1,739	476	5,658
<b>II Cash flow from investing activities</b>			
Payments for time deposits	(73)	(226)	(1,259)
Withdrawal of time deposits	1,241	976	1,268
Payments for purchase of tangible fixed assets	(543)	(1,083)	(1,085)
Proceeds from sale of tangible fixed assets	143	0	143
Payments for purchase of investment securities	(2,268)	(1,771)	(3,784)
Proceeds from sale of investment securities	2,185	3,001	5,524
Payments for loans receivable	(462)	(155)	(706)
Collection of loans receivable	104	82	406
Payments for other investing activities	(816)	(854)	(2,691)
Proceeds from other investing activities	632	863	1,834
Cash flows from investing activities	142	830	(349)

(Millions of yen)

	1H of FY3/07 (Apr. 1, 2006 - Sep. 30, 2006)	1H of FY3/08 (Apr. 1, 2007 - Sep. 30, 2007)	FY3/07 Summary (Apr. 1, 2006 - Mar. 31, 2007)
Account	Amount	Amount	Amount
III Cash flows from financing activities			
Increase in short-term borrowings	1,666	357	1,905
Decrease in short-term borrowings	(812)	(788)	(1,610)
Increase in long-term borrowings	300	1,000	300
Decrease in long-term borrowings	(1,315)	(1,693)	(2,771)
Proceeds from issuance of corporate bonds	656	977	656
Payment for redemption of corporate bonds	(1,500)	(1,534)	(2,034)
Payment for purchase of treasury stock	(0)	(0)	(0)
Proceeds from sale of treasury stock	18	6	47
Dividends paid	(1,287)	(1,304)	(1,288)
Cash flows from financing activities	(2,273)	(2,979)	(4,795)
IV Effect of exchange rate changes on cash and cash equivalents	39	(35)	71
V Increase (decrease) in cash and cash equivalents	(351)	(1,707)	584
VI Cash and cash equivalents at beginning of period	14,906	15,534	14,906
VII Increase in cash and cash equivalents from new consolidation	-	34	42
VIII Cash and cash equivalents at end of period	14,554	13,861	15,534

## (5) Significant Accounting Policies for the Preparation of Consolidated Interim Financial Statements

### 1. Scope of consolidation

Consolidated subsidiaries: 15 companies

Sanrio Puroland Co., Ltd.  
 Harmony Land Co., Ltd.  
 Sanrio Far East Co., Ltd.  
 Kokoro Company Ltd.  
 Sanrio, Inc. (U.S.A.)  
 Sanrio Entertainment Inc. (U.S.A.)  
 Sanrio (Hong Kong) Co., Ltd. (Hong Kong)  
 Sanrio Taiwan Co., Ltd. (Taiwan)  
 Sanrio Do Brasil e Representacoes Ltda. (Brazil)  
 Sanrio Korea Co., Ltd. (Korea)  
 Sanrio (Shanghai) International Trading Co., Ltd. (China)  
 Sanrio Asia Merchandise Co., Ltd. (Hong Kong)  
 San-Byte Taiwan Co., Ltd. (Taiwan)  
 Sanrio Wave Hong Kong Co., Ltd. (Hong Kong)  
 Sanrio GmbH (Germany)

Kokoro Company Ltd., which became more significant, and Sanrio Entertainment Inc., which was established in the interim period, are newly consolidated in the current interim period.

Unconsolidated subsidiaries: 9 companies

3 overseas companies:

Sanrio Investment Limited (Mauritius)  
 San-Byte Investment Co., Ltd. (British Virgin Islands)  
 San-Byte Hong Kong Co., Limited (Hong Kong)

6 domestic companies:

Sanrio Music Publishing Co., Ltd.  
 Sanrio Car Lease Co., Ltd.  
 Sanrio Enterprise Co., Ltd.  
 Sanrio Wave Co., Ltd.  
 Pantry Co., Ltd.  
 Forty Winks Co., Ltd.

The above unconsolidated subsidiaries are excluded from the scope of consolidation because the effect of their total assets, sales, net profit or losses, and retained earnings on the accompanying consolidated financial statements are immaterial.

### 2. Application of the equity method

Investments in nine unconsolidated subsidiaries (stated in 1. Scope of consolidation) and four affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Mei-Wave Entertainment Co., Ltd., Sanrio Digital Korea Co., Ltd.) are not accounted for by the equity method, but are stated at cost because the effect of their net profit or loss and retained earnings on the accompanying consolidated financial statements are immaterial.

### 3. Settlement dates of consolidated subsidiaries

Interim periods of Sanrio Korea Co., Ltd., Sanrio GmbH, and Sanrio (Shanghai) International Trading Co., Ltd. end on June 30. The Company uses their financial statements as of their interim settlement dates. The Company makes necessary adjustments for major transactions between their interim settlement dates and the Company's interim settlement date.

### 4. Accounting procedures

(1) Valuation standards and methods for major assets

1) Marketable securities

Other marketable securities

Other securities with market value

Market value method, using the market price on the interim settlement date. (Valuation differences are reflected in net assets; selling costs are computed with the moving average method)

Other securities not valued at market

At cost, using the moving average method

2) Derivatives

Market value method

3) Inventories

At cost, mainly based on moving average method

## (2) Depreciation and amortization of major assets

## Tangible fixed assets:

Straight line method is used for the Company's theme park facilities, warehouses, and buildings acquired on or after April 1, 1998, and Harmony Land Co., Ltd., Sanrio Far East Co., Ltd., and overseas subsidiaries. Others use declining balance method.

## Service life ranges of major types of assets:

Buildings and structures: 3 to 60 years

Machinery and vehicles: 2 to 18 years

Other: 2 to 20 years

## (Changes in accounting policies)

The Company and its domestic consolidated subsidiaries depreciate assets acquired on or after April 1, 2007 using the depreciation method stipulated in the revised Corporate Tax Law, in line with revisions to the Corporate Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007). The effect of this change was to decrease operating profit, ordinary profit and net profit before income taxes and other adjustments by 33 million yen each.

## (Additional information)

The Company and its domestic consolidated subsidiaries, following the revised Corporate Tax Law, in line with revisions to the Corporate Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007), depreciate assets acquired on or before March 31, 2007 equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions. The effect of this change was to decrease operating profit, ordinary profit, and net profit before income taxes and other adjustments by 25 million yen each.

## (3) Amortization of major deferred assets

Corporate bond issuance costs are expensed equally over a term up to maturity. Corporate bond issuance costs which were incurred by the end of March 2006 are expensed equally over three years.

## (4) Accounting standards for major reserves

## 1) Allowance for doubtful accounts

Provisions are made to prepare against credit losses for standard accounts on the basis of the actual rate of bad debt, and for potentially unrecoverable accounts on a case-by-case basis in the amount estimated to be unrecoverable.

## 2) Reserve for bonuses

To provide for the payment of employees' bonuses, the Company and major consolidated subsidiaries make provisions based on the estimated amount of bonus payments. Some overseas consolidated subsidiaries do not have a bonus payment system and do not make provisions.

## 3) Reserves for adjustment of returned goods

To prepare for losses on returned publications, reserves are posted at a full limit based on the regulations of the Corporate Tax Law.

## 4) Reserve for retirement benefits

To prepare for payment of employees' retirement benefits, the Company and major consolidated subsidiaries make provisions in the amount deemed to have accrued at the end of the interim period based on the estimated benefit obligation and pension assets at the end of the fiscal year. Actuarial differences are allocated equally to certain years (eight years) of the estimated number of remaining service years of employees and are expensed from the next year onward.

## 5) Reserve for retirement benefits for directors

The Company, Sanrio Puroland Co., Ltd., Harmony Land Co., Ltd., and Sanrio Far East Co., Ltd. provide reserve for retirement benefits for directors based on the amount of retirement benefit payable at the end of the current interim period in accordance with the Company's internal regulations.

## (Changes in accounting policies)

While the Company had previously recorded retirement benefits for directors as expense when they were paid, following the release of "Treatment for Auditing of Reserve under Special Taxation Measures Law, Allowance or Reserve under Special Laws and Allowance for Retirement Benefits to Directors" (JICPA Audit and Assurance Practice Committee Report No. 42 dated April 13, 2007), it has changed this accounting practice to record as reserve for retirement benefits for directors in the amount to be paid at the end of the period based on the internal rule, from the current interim period.

Given this change, the Company recognized during the interim period the expense of 9 million yen as selling, general and administrative expenses, and extraordinary loss of 432 million yen corresponding to the prior fiscal years.

## (5) Accounting procedures for major lease transactions

Finance leases, other than those in which the leased property is deemed to be transferred to the lessee, are accounted for in accordance with the same methods used for regular operating leases.

## (6) Accounting methods for major hedges

## 1) Hedge accounting methods

Deferred hedge treatment is mainly adopted. However, with regard to hedging foreign exchange fluctuation risk, the Company uses appropriation treatment when the conditions for appropriation are fulfilled, and with regard to interest swaps, the Company uses special treatment when the conditions are fulfilled.

## 2) Hedge methods and hedge targets

(Hedge methods)	(Hedge targets)
Forward exchange contract	Foreign currency-denominated trade payables and forecasted transactions
Interest rate swap	Loans payable, corporate bonds

## 3) Hedging policy

Derivative financial instruments are used mainly for the purpose of mitigating fluctuation risk of foreign currency exchange rates and fluctuation risk of interest rates, based on the internal rules.

## 4) Method for evaluating hedge effectiveness

The rate fluctuations of the hedge target and the cumulative cash flow fluctuations are compared, for evaluating hedge methods and hedge targets. For forward trading on foreign currency exchange rates that the estimated principal of the hedge method and the principal of the hedge target are equal and highly co-related, assessment of effectiveness is omitted.

## (7) Other important accounting policies used in preparing the consolidated interim financial statements

## Accounting for consumption taxes

Consumption taxes are accounted for with the tax-exclusion method.

## 5. Scope of cash in consolidated cash flow statements

Cash (cash and cash equivalents) in consolidated cash flow statements consists of cash on hand, deposits that can be readily withdrawn, and short-term investments that are easily converted into cash, are subject to minimal risk from fluctuations in value, and that mature within three months of the date of acquisition.

**(6) Notes to Consolidated Interim Financial Statements**

(Relating to consolidated balance sheet)

(Millions of yen)

	1H of FY3/07 (As of Sep. 30, 2006)	1H of FY3/08 (As of Sep. 30, 2007)	FY3/07 (As of Mar. 31, 2007)
Accumulated depreciation of tangible fixed assets	38,498	39,966	38,577
Accumulated loss on impairment of tangible fixed assets	20,374	20,282	20,277
	Accumulated loss on impairment of tangible fixed assets is included in accumulated depreciation of tangible fixed assets.	Same as on the left.	Same as on the left.
Guaranteed liabilities	631	474	549
	Assets pledged as collateral: Borrowings of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.	Assets pledged as collateral: Import letters of credit of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.	Assets pledged as collateral: Same as on the left.
	Liabilities with collateral	Liabilities with collateral	Liabilities with collateral
	Short-term borrowings 235	Discounted export bill 10	Discounted export bill 7
	Total 235	Total 10	Total 7

(Relating to consolidated income statement)

The Group's following assets are accounted for loss on impairment (24 million yen) in the current interim period.

Application	Areas, number of cases	Item	Impairment loss (Millions of yen)
Assets of the social communication gift business	Kumagaya City, Saitama, and 3 others	Buildings and structures	8
		Others	0
Idle assets	The Company and domestic subsidiaries	Telephone rights	14

Store assets of the social communication gift business were all accounted for loss on impairment because weak operating performance led us to expect that future cash flow of this business could decline below its book value as of the end of period and could not be recovered. Asset grouping uses stores as minimum unit. Inactive lines of telephone rights were all accounted for loss on impairment based on their book value.

(Relating to consolidated statement of changes in shareholders' equity)

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

1. Type and number of outstanding shares (Shares)

Type of stock	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Sep. 30, 2006
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,148,431

2. Type and number of treasury stock (Shares)

Type of stock	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Sep. 30, 2006
Common stock	891,564	181	15,312	876,433

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 181 shares

Decrease in the number of treasury stock

Exercise of stock options: 15,300 shares

Sale of shares below basic lot: 12 shares

3. Stock acquisition rights

Company name	Breakdown of stock acquisition rights	Type of shares for stock acquisition rights	Number of shares for the purchase of stock acquisition rights (Shares)			Balance as of Sep. 30, 2006 (Millions of yen)	
			Number of shares as of Mar. 31, 2006	Increase	Decrease		Number of shares as of Sep. 30, 2006
The Company	Stock acquisition rights (based on resolution at the general meeting of shareholders held on Jun. 25, 2002)	Common stock	671,200	-	21,400	649,800	-
Total			671,200	-	21,400	649,800	-

Notes: 1. Number of shares for the purchase of stock acquisition rights shows the number of shares that can exercise the rights.

2. Decrease in stock acquisition rights was attributable to 15,300 shares issued in exercise of stock acquisition rights and 6,100 shares that lost stock acquisition rights.

4. Dividends

Dividend payment

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders resolution on June 22, 2006	Common stock	872	10.00	Mar. 31, 2006	Jun. 23, 2006
	Class B preferred stock	420	420.51	Mar. 31, 2006	Jun. 23, 2006

1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

## 1. Type and number of outstanding shares

(Shares)

Type of stock	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Sep. 30, 2007
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,148,431

## 2. Type and number of treasury stock

(Shares)

Type of stock	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Sep. 30, 2007
Common stock	852,404	67	5,400	847,071

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 67 shares

Decrease in the number of treasury stock

Exercise of stock options: 5,400 shares

## 3. Stock acquisition rights

Company name	Breakdown of stock acquisition rights	Type of shares for stock acquisition rights	Number of shares for the purchase of stock acquisition rights (Shares)			Balance as of Sep. 30, 2007 (Millions of yen)	
			Number of shares as of Mar. 31, 2007	Increase	Decrease		Number of shares as of Sep. 30, 2007
The Company	Stock acquisition rights (based on resolution at the general meeting of shareholders held on Jun. 25, 2002)	Common stock	625,700	-	5,400	620,300	-
Total			625,700	-	5,400	620,300	-

Notes: 1. Number of shares for the purchase of stock acquisition rights shows the number of shares that can exercise the rights.

2. Decrease in stock acquisition rights was attributable to the exercise of stock acquisition rights.

## 4. Dividends

## Dividend payment

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors resolution on May 29, 2007	Common stock	872	10.00	Mar. 31, 2007	Jun. 22, 2007
	Class B preferred stock	434	434.20	Mar. 31, 2007	Jun. 22, 2007

FY3/07 (Apr. 1, 2006 - Mar. 31, 2007)

## 1. Type and number of outstanding shares

(Shares)

Type of stock	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Mar. 31, 2007
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,148,431

## 2. Type and number of treasury stock

(Shares)

Type of stock	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Mar. 31, 2007
Common stock	891,564	252	39,412	852,404

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 252 shares

Decrease in the number of treasury stock

Exercise of stock options: 39,400 shares

Sale of shares below basic lot: 12 shares

## 3. Stock acquisition rights

Company name	Breakdown of stock acquisition rights	Type of shares for stock acquisition rights	Number of shares for the purchase of stock acquisition rights (Shares)				Balance as of Mar. 31, 2007 (Millions of yen)
			Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Mar. 31, 2007	
The Company	Stock acquisition rights (based on resolution at the general meeting of shareholders held on Jun. 25, 2002)	Common stock	671,200	-	45,500	625,700	-
Total			671,200	-	45,500	625,700	-

Notes: 1. Number of shares for the purchase of stock acquisition rights shows the number of shares that can exercise the rights.

2. Decrease in stock acquisition rights was attributable to 39,400 shares issued in exercise of stock acquisition rights and 6,100 shares that lost stock acquisition rights.

## 4. Dividends

## (1) Dividend payment

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2006	Common stock	872	10.00	Mar. 31, 2006	Jun. 23, 2006
	Class B preferred stock	420	420.51	Mar. 31, 2006	Jun. 23, 2006

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors resolution on May 29, 2007	Common stock	872	10.00	Mar. 31, 2007	Jun. 22, 2007
	Class B preferred stock	434	434.20	Mar. 31, 2007	Jun. 22, 2007

## (Relating to consolidated cash flow statement)

Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts

(Millions of yen)

	1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)	1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)
Cash and bank deposits	14,628	14,397	16,796
Time deposits with over three-month deposit period	(73)	(535)	(1,262)
Cash and cash equivalent	14,554	13,861	15,534

## 1) Segment Information

### 1. Business segment information

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Millions of yen)

	Social communication gift	Theme park	Other	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	41,336	4,097	692	46,126	-	46,126
(2) Inter-segment	648	599	-	1,247	(1,247)	-
Total	41,985	4,696	692	47,374	(1,247)	46,126
Operating expenses	38,579	4,698	658	43,937	(861)	43,076
Operating profit (loss)	3,405	(2)	33	3,437	(386)	3,050

1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Millions of yen)

	Social communication gift	Theme park	Other	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	39,671	3,550	1,095	44,317	-	44,317
(2) Inter-segment	458	621	68	1,148	(1,148)	-
Total	40,130	4,171	1,163	45,465	(1,148)	44,317
Operating expenses	36,507	4,432	1,320	42,260	(731)	41,529
Operating profit (loss)	3,622	(261)	(156)	3,204	(416)	2,787

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Social communication gift	Theme park	Other	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	88,133	7,094	1,443	96,671	-	96,671
(2) Inter-segment	1,072	1,173	-	2,245	(2,245)	-
Total	89,206	8,267	1,443	98,917	(2,245)	96,671
Operating expenses	81,731	8,735	1,420	91,886	(1,437)	90,449
Operating profit (loss)	7,474	(467)	23	7,030	(808)	6,222

Notes: 1. Method of business classification

Business classification is based on categories adopted for purpose of internal management.

#### 2. Main businesses belonging to each category

Segment	Sub-segment	Major businesses
Social communication gift	Social communication gift products	Stationeries, kitchen and tableware, bathroom goods, interior decorative goods, sundries, portable goods, apparel goods
	Greeting cards	Birthday cards, Christmas cards
	Publications	Gift books, poetries, general publication, magazines
	Movies, videos	Film distribution, video software sales
Theme park	Theme park services	Attraction facility operation, goods sales, restaurants
	Tie-up commissions	Commissions from collaborating companies
	Dramas	Planning and play of musicals and others
Other	Restaurants	Restaurants, Kentucky Fried Chickens
	Real estate leasing	Real estate rent leasing, production and rental of robots

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 377 million yen, 411 million yen, and 807 million yen in 1H of FY3/07 and 1H of FY3/08 and FY3/07 respectively.

## 2. Geographical segment information

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Millions of yen)

	Japan	North America	Asia	Other areas	Total	Corporate and eliminations	Consolidated
Sales							
(1) Customers	39,599	3,392	1,824	1,309	46,126	-	46,126
(2) Inter-segment	1,463	48	1,205	6	2,723	(2,723)	-
Total	41,063	3,440	3,029	1,316	48,850	(2,723)	46,126
Operating expenses	38,662	3,103	2,647	1,045	45,459	(2,383)	43,076
Operating profit	2,400	337	382	271	3,391	(340)	3,050

1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Millions of yen)

	Japan	North America	Europe	Asia	Other areas	Total	Corporate and eliminations	Consolidated
Sales								
(1) Customers	35,573	2,934	2,776	2,586	446	44,317	-	44,317
(2) Inter-segment	2,237	105	6	1,078	-	3,426	(3,426)	-
Total	37,810	3,039	2,782	3,664	446	47,743	(3,426)	44,317
Operating expenses	36,291	2,723	2,006	3,216	254	44,492	(2,963)	41,529
Operating profit	1,518	316	775	448	191	3,251	(463)	2,787

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Japan	North America	Other areas	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	82,416	6,818	7,436	96,671	-	96,671
(2) Inter-segment	3,610	103	2,114	5,828	(5,828)	-
Total	86,027	6,921	9,551	102,500	(5,828)	96,671
Operating expenses	81,171	6,111	8,265	95,548	(5,099)	90,449
Operating profit	4,856	810	1,285	6,951	(729)	6,222

Notes: 1. Countries and/or regions are classified by geographical proximity.

2. Major areas included in each segment except for Japan are as follows:

North America: U.S.A.

Asia: Hong Kong, Taiwan, Korea, China

Europe: Italy, France, Spain, Germany, etc.

Other areas: 1H of FY3/08 Brazil

1H of FY3/07 Europe, Brazil

FY3/07 Hong Kong, Taiwan, Korea, Europe, Brazil, China

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 377 million yen, 411 million yen, and 807 million yen in 1H of FY3/07 and 1H of FY3/08 and FY3/07 respectively.

4. "Europe" which was included in "Other areas" in 1H of FY3/07 and FY3/07, are independently displayed in the 1H of FY3/08 because the amount exceeded 10% of total operating profit for all segments.

## 3. Overseas sales

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	3,392	4,490	7,882
II Consolidated sales	-	-	46,126
III Percentage of overseas sales over consolidated sales (%)	7.4	9.7	17.1

1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	2,937	7,251	10,189
II Consolidated sales	-	-	44,317
III Percentage of overseas sales over consolidated sales (%)	6.6	16.4	23.0

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	6,818	10,244	17,062
II Consolidated sales	-	-	96,671
III Percentage of overseas sales over consolidated sales (%)	7.1	10.6	17.7

Notes: 1. Countries and/or regions are classified by geographical proximity.

2. Major areas included in each segment except for Japan are as follows:

North America: U.S.A.

Other areas: Hong Kong, Taiwan, Korea, Thailand, Europe, Brazil, China

3. Overseas sales is a sum of exports of the Company and domestic consolidated subsidiaries and sales of consolidated subsidiaries based in the U.S.A., Hong Kong, Taiwan, Korea, Germany, Brazil and China (excluding internal transactions).

**2) Lease Transactions**

Notes on lease transactions are not presented since the disclosure of this information is not significant in the context of the summary of interim financial results.

**3) Marketable Securities**

1. Other marketable securities with market value

(Millions of yen)

	1H of FY3/07 (As of Sep. 30, 2006)			1H of FY3/08 (As of Sep. 30, 2007)			FY3/07 (As of Mar. 31, 2007)		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
(1) Equity	4,946	6,346	1,400	4,009	3,706	(302)	4,924	5,702	777
(2) Bonds									
Government and municipal bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
(3) Other	1,035	1,052	16	317	306	(11)	282	277	(4)
Total	5,982	7,398	1,416	4,327	4,013	(313)	5,207	5,980	772

2. Main marketable securities without market value

(Millions of yen)

	1H of FY3/07 (As of Sep. 30, 2006)	1H of FY3/08 (As of Sep. 30, 2007)	FY3/07 (As of Mar. 31, 2007)
	Carrying value	Carrying value	Carrying value
Other securities			
1) Unlisted securities	525	256	524
2) Unlisted foreign debt securities	1,000	1,066	1,064

**4) Derivative Transactions**

Notes on derivative transactions are not presented since the disclosure of this information is not significant in the context of the summary of interim financial results.

**5) Stock Options**

Notes on stock options are not presented since the disclosure of this information is not significant in the context of the summary of interim financial results.

**6) Per Share Information**

Per share information

(Yen)

1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)	1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)	FY3/07 (Apr. 1, 2006 - Mar. 31, 2007)
Net assets per share 286.63	Net assets per share 276.62	Net assets per share 294.62
Net profit per share 30.24	Net profit per share 5.52	Net profit per share 42.58
Fully-diluted net profit per share 30.02	Fully-diluted net profit per share 5.51	Fully-diluted net profit per share 42.28

(Note) Basis for calculation

## 1. Net assets per share

	1H of FY3/07 (As of Sep. 30, 2006)	1H of FY3/08 (As of Sep. 30, 2007)	FY3/07 (As of Mar. 31, 2007)
Total net assets on the consolidated balance sheets (million yen)	35,050	34,421	36,184
Net assets associated with common shares (million yen)	25,014	24,149	25,718
Breakdown of differences (million yen)			
Capital and capital surplus associated with preferred stock	10,000	10,000	10,000
Dividends on preferred stock	-	241	434
Minority interests	35	31	30
Number of common shares outstanding (thousand shares)	88,148	88,148	88,148
Number of common shares of treasury stock (thousand shares)	876	847	852
Number of common shares used in calculation of net assets per share (thousand shares)	87,271	87,301	87,296

## 2. Net profit per share and fully-diluted net profit per share

	1H of FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)	1H of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)
Net profit per share			
Net profit (million yen)	2,856	722	4,150
Amount not returned to common shareholders (million yen)	217	241	434
Dividends on preferred stock			
Net profit associated with common shares (million yen)	2,639	481	3,716
Average number of common shares outstanding (thousand shares)	87,267	87,299	87,278
Fully-diluted net profit per share			
Increase in number of shares of common shares (thousand shares)	649	114	625
[Stock acquisition rights]	[649]	[114]	[625]
Summary of latent shares not included in the calculation of fully-diluted net profit per share due to lack of dilution effect	Class B preferred stock (1,000 thousand shares)	Class B preferred stock (1,000 thousand shares)	Class B preferred stock (1,000 thousand shares)

**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.*