

Summary of Financial Results for the Fiscal Year Ended March 31, 2008

Company name: Sanrio Company, Ltd.

Listed Stock Exchange: TSE 1st Section

Stock code: 8136

 URL: <http://www.sanrio.co.jp/english/ir/>

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Scheduled date of Annual General Meeting of shareholders: June 26, 2008

Scheduled date of filing of Annual Security Report: June 27, 2008

Starting date of dividend payment: June 27, 2008

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

1. Consolidated Financial Results for FY3/08 (April 1, 2007 – March 31, 2008)

(1) Consolidated results of operations

(Percentages for sales, operating profit, ordinary profit, and net profit represent year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/08	93,917	(2.8)	6,615	6.3	5,264	(5.6)	1,114	(73.1)
FY3/07	96,671	(2.3)	6,222	(14.9)	5,575	(13.5)	4,150	(45.5)

	Net Profit per Share	Fully-Diluted Net Profit per Share	Return on Equity (ROE)	Return on Assets (ROA)	Operating profit to Sales
	Yen	Yen	%	%	%
FY3/08	7.24	7.24	3.2	5.7	7.0
FY3/07	42.58	42.28	11.8	5.8	6.4

(Reference) Equity in earnings of unconsolidated subsidiaries (millions of yen) FY3/08: - FY3/07: -

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY3/08	88,971	32,996	37.1	257.74
FY3/07	96,253	36,184	37.6	294.62

(Reference) Shareholders' equity (millions of yen) FY3/08: 32,983 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
FY3/08	3,810	(2,396)	(3,858)	12,445
FY3/07	5,658	(349)	(4,795)	15,534

2. Dividends

(Record date)	Dividend per Share			Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
FY3/07	-	10.00	10.00	872	23.5	3.4
FY3/08	-	10.00	10.00	873	138.1	3.6
FY3/09 (forecast)	-	10.00	10.00	-	26.7	-

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 FY3/09 (April 1, 2008 – March 31, 2009)

(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
First half	34,617	(21.9)	3,006	7.8	2,598	9.7	1,288	78.2	12.33
Full year	72,122	(23.2)	7,685	16.2	6,918	31.4	3,755	235.3	38.90

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 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 Financial Statements” on page 25 for further information.

- (3) Number of outstanding shares (common stock)

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

FY3/08: 88,148,431 shares FY3/07: 88,148,431 shares

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

FY3/08: 847,135 shares FY3/07: 852,404 shares

Note: Please refer to “Per Share Information” on page 38 for the number of shares used in calculating consolidated net profit per share.

(Reference) Unconsolidated Financial Results**1. Unconsolidated Financial Results for FY3/08 (April 1, 2007 – March 31, 2008)**

- (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	%
FY3/08	73,005	(7.0)	3,965	(9.3)	5,683	72.5	1,405	(11.2)
FY3/07	78,535	(2.9)	4,370	(23.9)	3,294	(18.1)	1,581	(40.7)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
FY3/08	10.57	10.57
FY3/07	13.15	13.06

- (2) Unconsolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY3/08	76,977	26,319	34.2	181.41
FY3/07	83,190	27,494	33.0	195.43

(Reference) Shareholders' equity (millions of yen) FY3/08: 26,319 FY3/07: 27,494

2. Unconsolidated Forecasts for FY3/09 (April 1, 2008 – March 31, 2009)

(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
First half	24,420	(28.2)	1,590	2.1	1,321	(55.7)	605	(33.0)	4.50
Full year	53,860	(26.2)	4,810	21.3	4,156	(25.6)	2,220	70.1	21.32

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

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 8 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			Total Dividends (Annual)
	Interim	Year-end	Annual	Millions of yen
	Yen	Yen	Yen	
Class B preferred stocks				
FY3/07	-	434.20	434.20	434
FY3/08	-	482.21	482.21	482
FY3/09 (forecast)	212.37	146.22	358.59	358

1. Business Results

(1) Analysis of Results of Operations

1) Review of Operations for FY3/08

(100 millions of yen)

	FY3/08 Results	Vs. Plan			Y-O-Y		
		Initial Plan	Increase/ decrease	Change %	FY3/07 Results	Increase/ decrease	Change %
Sales	939	970	(30)	(3.2)%	966	(27)	(2.8)%
Gross profit	392	398	(5)	(1.3)%	386	6	1.6%
Selling, general & administrative expenses	326	327	(0)	(0.2)%	324	2	0.7%
Operating profit	66	70	(4)	(6.6)%	62	3	6.3%
Non-operating profit and expenses	(13)	(9)	(3)	-	(6)	(7)	-
Ordinary profit	52	61	(8)	(13.7)%	55	(3)	(5.6)%
Extraordinary gains or losses	(10)	(5)	(5)	-	3	(14)	-
Net profit before income taxes and other adjustments	41	55	(14)	(25.3)%	59	(17)	(30.1)%
Income taxes and income taxes deferred	30	30	0	1.2%	18	12	69.0%
Net profit	11	25	(14)	(56.2)%	41	(30)	(73.1)%
Gross margin	41.8%	41.0%	0.8%	-	40.0%	1.8%	-
Operating margin	7.0%	7.3%	(0.3)%	-	6.4%	0.6%	-
Ordinary margin	5.6%	6.3%	(0.7)%	-	5.8%	(0.2)%	-

The global economy stabilized in the first half of the year against a backdrop of strong performances from China and other emerging nations, before slowing dramatically in the second half from the impact of confusion in financial market stemming from US subprime mortgage crisis. In Japan, the effect of low share values, a strong yen, and high crude oil prices led to a sense of uncertain drift in the general consumer situation, and the environment surrounding the Sanrio Group continued to be severe.

In this environment, the Sanrio Group performed as follows.

Sales fell 2.8% year-on-year to 93.9 billion yen, with domestic sales falling 9.9% to 71.7 billion yen and overseas sales rising 29.9% to 22.1 billion yen. The decline in domestic sales was mainly attributable to a fall in overall domestic business amid a general slump in consumer spending. The rise in overseas sales was led by soaring sales in Europe, Asia, and Brazil in Latin America.

Operating profit rose 6.3% year-on-year to 6.6 billion yen, as soaring profits from overseas business more than offset the overall decline in profits from the domestic business. Ordinary profit fell 5.6% year-on-year to 5.2 billion yen, influenced by a rise in non-operating expenses from such factors as foreign exchange losses and tax and public changes.

Net profit before income taxes and other adjustments fell 30.1% to 4.1 billion yen, due to appropriation of provision of allowance for retirement benefits for directors in prior years and valuation loss on investment securities as extraordinary losses. Income taxes and income taxes-deferred increased to 3.0 billion yen due in part to a rise in dividends from subsidiaries which are eliminated in the consolidation, and net profit fell 73.1% to 1.1 billion yen.

Business Results by Segment

(100 millions of yen)

	Sales				Operating profit			
	FY3/07	FY3/08	Increase/ decrease	Change %	FY3/07	FY3/08	Increase/ decrease	Change %
Social communication gifts	881	850	(30)	(3.5)%	74	90	15	20.4%
Theme parks	70	61	(9)	(13.4)%	(4)	(11)	(6)	-
Other business	14	27	12	89.5%	0	(4)	(4)	-
Corporate and eliminations	-	-	-	-	(8)	(8)	(0)	-
Consolidated	966	939	(27)	(2.8)%	62	66	3	6.3%

1) Social communication gifts: Sales down 3.5% and operating profit up 20.4% year-on-year

The fall in sales was attributable to fewer product orders for convenience stores and fewer special orders for corporate customers throughout the fiscal year amid a continuing slump in the domestic consumption environment, despite over-the-counter sales recovering to the previous fiscal year's level in the second half of the year. Other contributing factors were reduced orders incurred as bad weather led to the prioritizing of licensee stock adjustments in apparel and other domestic license businesses. Overseas, however, the product sales and licensing businesses performed well, with growing recognition of "Hello Kitty," especially within Europe, accompanying the rapid growth of licensing. The result was a sharp rise in operating profit.

On the character side, sales of the hit "Hello Kitty" series of "Made in Japan" souvenirs aimed at overseas tourists rose. The success of the "Sugar Bunnies," moreover, which strengthened its position to third after the "Hello Kitty" and "Cinnamoroll" characters, contributed greatly to the synergy effect of the licensing business after Sanrio granted a master license to Tomy Company.

Existing-store sales (based on directly owned stores and directly operated shops within department stores) were 96.2% of the year-ago level in Japan, for a 7.5 point acceleration of growth, but 104.8% of the year-ago level in the U.S., for a 2.9 point deceleration of growth.

2) Theme parks: Sales down 13.4% and increase in operating loss by 0.6 billion yen year-on-year

Sanrio Puroland in Tama City, Tokyo, debuted the new main parade show "Believe" in June 2007 and the new musical show "Marchen of the Sea" in December. Both attractions have proved popular. However, a lack of discount initiatives led to a sharp fall in group visitors, and admission numbers fell 105,000, or 11.2 %, year-on-year to 835,000. Meanwhile at Harmony Land in Oita Prefecture, the rise in visitor numbers at the year's end was unable to compensate for the decline caused by the effects of the bad weather during Golden Week and the summer vacation period in the first half of the year. As a result, visitor numbers fell 31,000, or 9.0%, year-on-year to 319,000.

3) Other business: Sales up 89.5% and increase in operating loss by 0.4 billion yen year-on-year

The inclusion of robot producer Kokoro Co., Ltd. as a consolidated subsidiary from the current fiscal year under review and the opening of sweet shops in the restaurant business contributed to increased sales, but Kokoro's operating costs and costs related to the movie business led to a fall in profit. Kokoro's independent sales fell 10.2% year-on-year to 1.1 billion yen, leading to an operating loss of 100 million yen (a year-on-year fall of 100 million yen). This occurred due to sluggish sales of popcorn and other items, which comprise Kokoro's core business, from vending machines set up in our retail stores.

Results by Geographic Segment

(100 millions of yen)

	Sales				Operating profit			
	FY3/07	FY3/08	Increase/ decrease	Change %	FY3/07	FY3/08	Increase/ decrease	Change %
Japan	824	751	(72)	(8.8)%	48	35	(12)	(26.2)%
North America	68	58	(9)	(14.5)%	8	8	0	0.1%
Other areas	74	129	54	73.9%	12	30	17	136.0%
Corporate and eliminations	-	-	-	-	(7)	(8)	(0)	-
Consolidated	966	939	(27)	(2.8)%	62	66	3	6.3%

1) Japan: Sales down 8.8% and operating profit down 26.2% year-on-year

The decline is mainly due to domestic factors similar to those for the business category segment described above.

2) North America: Sales down 14.5% and operating profit slightly up 0.1% year-on-year

The US licensing business suffered a notable slowdown in sales due to a fall in house prices stemming from soaring gasoline prices and the subprime mortgage problem, which in turn led to a decline in consumer spending.

The decline in sales is mainly attributable to a flawed product strategy for Christmas and beyond on top of a considerable fall in special orders for major volume sellers in the first half. Full-year profit and loss held steady, however, due to a fall in costs from the closure of unprofitable stores under direct management.

3) Other areas (Latin America, Asia, Europe, etc.): Sales up 73.9% and operating profit up 136.0% year-on-year

The dramatic rise in sales and profit is attributable to strong performances in Europe, buoyant over-the-counter sales at agent companies, and the dramatic growth in licensing of apparel goods. Licensing income also rose thanks to bullish sales at local agencies in the Brazil region of Latin America. The Asian region generally performed well, with the exception of Taiwan, which is suffering from weak consumer spending. Sales grew steadily in South Korea and China, and especially in Hong Kong, where accessories and other forms of goods licensing have begun to contribute in addition to the established corporate promotion licenses. In China, 107 local agency stores opened, sales doubled year-on-year, and operating profit rose eightfold.

(Reference) Overseas Sales and Profit for the Past Three Years by Area

(Millions of yen)

Areas		Sales to customers					Operating profit				
		FY3/06	FY3/07	Change %	FY3/08	Change %	FY3/06	FY3/07	Change %	FY3/08	Change %
North America	U.S.A.	7,631	6,818	(10.6)	5,828	(14.5)	607	810	33.3	811	0.1
Latin America	Brazil	655	820	25.2	962	17.2	236	313	32.5	410	31.2
Asia	Hong Kong	1,497	2,075	38.6	2,535	22.1	142	178	25.7	262	46.8
	Taiwan	1,250	1,022	(18.3)	1,148	12.3	253	211	(16.5)	92	(56.1)
	Korea	582	611	4.9	689	12.8	145	163	12.5	176	7.7
	China	113	186	65.2	371	99.0	(8)	9	(216.8)	78	711.5
Asia Subtotal		3,444	3,896	13.1	4,745	21.8	532	563	5.8	610	8.3
Europe	Europe	2,237	2,718	21.5	7,223	165.7	372	408	9.6	2,012	393.0
Total		13,968	14,254	2.0	18,759	31.6	1,749	2,095	19.8	3,845	83.5

2) Forecasts for FY3/09

(100 millions of yen)

	FY3/08 Results	FY3/09 Forecasts	Increase/ decrease	Change %
Sales	939	721	(217)	(Note) (23.2)%
Gross profit	392	388	(4)	(1.0)%
Selling, general & administrative expenses	326	311	(14)	(4.5)%
Operating profit	66	76	10	16.2%
Ordinary profit	52	69	16	31.4%
Extraordinary gains or losses	(10)	(1)	9	-
Net profit before income taxes and other adjustments	41	67	25	61.9%
Income taxes and income taxes deferred	30	29	(0)	(2.4)%
Net profit	11	37	26	236.9%
Gross margin	41.8%	53.9%	12.1%	-

Note: As announced on April 17, 2008, the transaction format for character goods designed by other companies will be converted from a joint use of buy/sell and loyalty methods to one of loyalty alone in order to switch systematically from a traditional focus on sales to a focus on profits. As a result, sales will fall, but profits will be unaffected.

While numerous elements of uncertainty make the outlook for the domestic and international economies impossible to predict, domestic store sales for the Sanrio Group's social communication gifts business recovered from the second half of the current fiscal year despite the current severe consumption environment, and we predict that the recovery will continue into the new fiscal year, for the reasons detailed below.

Background to the recovery in domestic business

i. Rising buying power of overseas tourists

As the popularity of Sanrio's characters, centered on "Hello Kitty," spreads overseas, foreign visitors have come to choose Sanrio goods as souvenirs instead of high-tech products such as digital cameras and mobile phone TVs. Increasing numbers of foreigners in Japan are buying these products to take to their own country as gifts.

ii. The eight million-strong baby boom generation enthusiastically buying gifts for grandchildren

Having brought up their children with Sanrio characters, the baby boomers show strong loyalty to the Sanrio brand, and when they retire they want to spend some of their pension or retirement funds on their grandchildren. The stores now have a noticeable number of elderly customers.

iii. New trends in mid-year and year-end gifts

It is traditional for nearly all Japanese mid-year and year-end gifts to comprise foodstuffs. In recent years, as awareness of food safety through best-before and sell-by dates has risen, this kind of Sanrio sundry goods, unfettered by expiry dates, has grown popular.

iv. Only Sanrio sells gift products for the whole family

The stationery, toy and miscellany shops are being weeded out amid a changing consumer environment. Even major retailers are downsizing, and they have come to hold a small area only at shopping centers, department stores, or major book stores. In this environment, Sanrio alone has a total of 1,400 directly owned stores, department stores, and chain stores throughout the country to support every kind of customer gift.

In light of the domestic market environment surrounding Sanrio, we are considering the following measures from the new fiscal year onward.

i. Domestic product sales business

Reviewing the multiple store policy: In recent years, Sanrio's development as a brand in itself with "Hello Kitty" as a character symbol has reduced the need for a multiple store policy. In pursuit of efficiency, we are implementing a policy of scrap-and-build for low-profit stores, and are updating our existing stores as distinctive establishments in accordance with each target layer. On the product procurement side, Sanrio has been outsourcing order-related business to major Hong Kong trader Li & Fung Group with the aim of reaping benefits of scale for bulk orders.

ii. Domestic licenses

Developing "Hello Kitty" as a luxury brand: Since "Hello Kitty" is recognized as a global character brand, opportunities to collaborate with high-class brands and famous designers, both in Japan and overseas, have increased, and Sanrio is dynamically developing products aimed at turning Kitty into a luxury brand.

Recent examples include collaboration with Vogue fashion magazine.

The "Sugar Bunnies" character for young people, which is now in its third year, has also grown considerably, and from the new fiscal year Sanrio is planning expansion relating to mobile phones, consumer electronics, and drug-related products centered on existing markets for miscellaneous goods, accessories, toys, foodstuffs, and clothing while also focusing on the corporate promotion business.

iii. Overseas business

Despite the outlook for lower sales and profits from the North American recession, we anticipate continued strong expansion in the European region, high growth in Latin America's Brazil, and continued good results in Asia and other regions outside Japan. Moreover, we anticipate the steady realization of growth potential and reliable contribution to earnings in China (107 stores), which is preparing for special demand from the Beijing Olympics, Russia (5 stores in Moscow), and the United Arab Emirates and other Middle Eastern states.

iv. Theme parks

We aim to review our reduction of group discounts, which the greatest cause of the fall in our ability to attract customers in the previous fiscal year, and anticipate a recovery in visitor numbers as a result. On June 27, moreover, the newly produced musical "Someday III: to the World of Light" will debut. We anticipate a rise in numbers from the current fiscal year under review, helped by the popularity of "Sugar Bunnies." On the profit side, we anticipate improvement as a result of promoting outside performances, corporate promotions, and the use of other companies' welfare programs together with reduced outlays and expenses for show production.

The consolidated results for the new fiscal year projected for each segment show a sharp fall in sales mainly due to changes in the accounting period (an irregular 9-month accounting period as they have moved their fiscal year end from March to December) for our three overseas consolidated subsidiaries. Accordingly, the sales forecasts include only 9 months of sales at overseas consolidated subsidiaries. The effects of the weak US dollar and changes in transaction formats for character products designed by other companies, especially from the new fiscal year, also affected the lower sales forecasts. As a result, sales are projected at 72.1 billion yen (down 23.2% year-on-year, or 2.8% using the previous accounting period), operating profit at 7.6 billion yen (up 16.2% year-on-year), ordinary profit at 6.9 billion yen (up 31.4% year-on-year), and net profit at 3.7 billion yen (a dramatic 236.9% rise year-on-year).

(2) Analysis of Financial Position

1) FY3/08 Financial Position

(100 millions of yen)

	FY3/07	FY3/08	Increase/decrease	1H of FY3/08
Assets	962	889	(72)	922
Liabilities	600	559	(40)	578
(Interest-bearing debt)	352	327	(25)	336
Net assets	361	329	(31)	344
Equity ratio	37.6%	37.1%	(0.5)%	37.3%

At the end of the current fiscal year, total assets fell by 7.2 billion yen year-on-year to 88.9 billion yen. The decrease can be explained by a 3.8 billion yen decrease in cash and deposits caused by purchase of the trust beneficiary rights that arose from the change in the payment method from issuing notes payable to using a lump-sum accounts payable trust scheme and reduction of interest-bearing debt, a 1 billion yen decrease in investment securities caused by a fall in valuation gains of brand holdings, and a 1.3 billion yen decrease in deferred tax assets. Liabilities fell by 4 billion yen year-on-year to 55.9 billion yen. The decrease can be explained by a 3.1 billion yen decrease in trade notes and accounts payable mainly due to the abovementioned purchase of trust beneficiary rights as a result of introduction of a lump-sum accounts payable trust scheme and a 2.5 billion yen reduction of interest-bearing debt in line with the effort to improve financial strength. Net assets fell by 3.1 billion yen year-on-year to 32.9 billion yen due to dividend payments and a decline in net unrealized holding gain on other securities. Consequently, the equity ratio was 37.1%, down 0.5 percentage points from the end of the previous fiscal year.

2) FY3/08 Cash Flow Position

(100 millions of yen)

	FY3/07	FY3/08	Increase/decrease
Cash flow from operating activities	56	38	(18)
Cash flow from investing activities	(3)	(23)	(20)
Cash flow from financing activities	(47)	(38)	9
Translation gains or losses	0	(6)	(7)
Increase (decrease) in cash and cash equivalents	5	(31)	(37)
Increase in cash and cash equivalents from new consolidation	0	0	(0)
Cash and cash equivalents at beginning of year	149	155	6
Cash and cash equivalents at end of year	155	124	(30)

Cash flows from operating activities amounted to a net inflow of 3.8 billion yen (down 1.8 billion yen year-on-year). This was mainly attributable to total inflows of 9.3 billion yen, including operating profit of 6.6 billion yen, and depreciation and provisions of 2.7 billion yen, set against outflows of 3.2 billion yen from an increase in working capital from such as accounts receivable, accounts payable, and inventories, and 1.9 billion yen from interests, income taxes, and other payments. Compared to the previous fiscal year, there was a 2.0 billion yen increase in working capital due to the purchase of trust beneficiary rights in the lump-sum accounts payable trust scheme.

Cash flows from investing activities resulted in a net outflow of 2.3 billion yen (up 2.0 billion yen year-on-year). This was mainly attributable to 0.6 billion yen in income from the withdrawal of time deposits, set against 1.4 billion yen in payment for the purchase of tangible fixed assets, including the establishment of new shops and interior decorating, and 1.4 billion yen in payment for purchase and sale of investment securities. A year-on-year decline in income occurred from the purchase and sale of investment securities.

Cash flows from financing activities resulted in a net outflow of 3.8 billion yen. This was mainly attributable to a 2.5 billion yen repayment of interest-bearing debt, and cash dividends paid of 1.3 billion yen by the Company.

(Reference) The trend of cash flow-related indicators

	FY3/04	FY3/05	FY3/06	FY3/07	FY3/08
Equity ratio (%)	20.3	27.0	35.5	37.6	37.1
Equity ratio, at market value (%)	108.5	78.3	174.1	157.9	85.2
Interest-bearing debt to cash flow ratio (%)	878.4	531.2	509.9	623.5	859.5
Interest coverage ratio	5.7	6.4	9.0	7.9	5.9

Notes: 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

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 and FY3/09

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, and of linking dividend payouts to results and adding to them when conditions permit.

In the current fiscal year, since unconsolidated net profit rose no higher than 1.4 billion yen, we predict a payment of around 900 million yen (per-share dividend of 10 yen per share) for common stock outstanding, and around 500 million yen for preferred stock, using the remainder as resources for the redemption of preferred stock.

We also predict stable dividends (around 900 million yen at 10 yen per share), preferred stock dividends (around 300 million yen), and resources for preferred stock redemption from projected unconsolidated net profit of 2.2 billion yen in the next fiscal year.

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 10.4% (7.9% in the previous fiscal year) 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

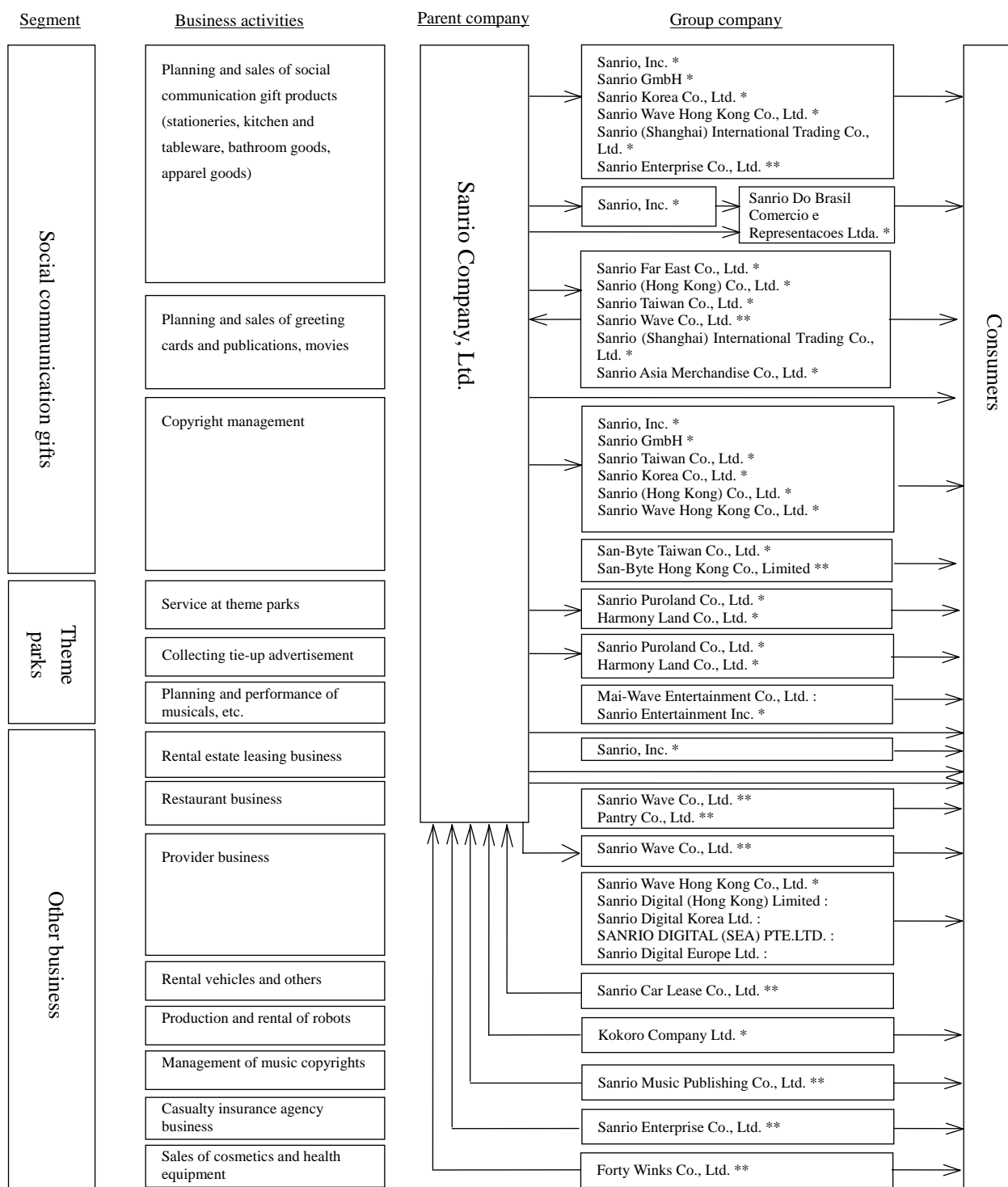
The Sanrio Group orders products not just from Japan but also from overseas manufacturers, mainly in China, with the aim of reducing product procurement costs in response to price competition. Each manufacturer carries out manufacturing and product inspection in accordance with the quality standards 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.

2. Corporate Structure

The Sanrio Group comprises the parent company, twenty-four subsidiaries, and six 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., Sanrio Digital Korea Ltd., SANRIO DIGITAL (SEA) PTE.LTD., Sanrio Digital Europe Ltd.

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 gifts	100	1	1	Imports & sales of Sanrio products, royalty trading	-	Financial guarantee
Sanrio Entertainment Inc.	San Francisco, California, USA	US\$ 500 thousand	Theme parks	100 (100)	1	1	Show planning and sales	-	-
Sanrio Do Brasil Comercio e Representacoes Ltda.	Tamboré, Brazil	Real 2,097 thousand	Social communication gifts	100 (100)	-	-	Imports & sales of Sanrio products, royalty trading	-	-
Sanrio (Hong Kong) Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gifts	100 (80)	1	1	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Korea Co., Ltd.	Seoul, Korea	Korean Won 50 million	Social communication gifts	100 (100)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 177 million	Social communication gifts	100	1	4	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio GmbH	Schleswig-Holstein, Germany	Euro 2,019 thousand	Social communication gifts	100	-	2	Imports & sales of Sanrio products, royalty trading	-	-
Sanrio (Shanghai) International Trading Co., Ltd.	Shanghai, China	US\$ 400 thousand	Social communication gifts	100 (60)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Asia Merchandise Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gifts	100 (100)	1	2	Manufacturing of Sanrio products, royalty trading	-	-
San-Byte Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 14.85 million	Social communication gifts	100 (100)	2	1	Copyright management	-	-
Sanrio Wave Hong Kong Co., Ltd.	Hong Kong	HK\$ 450 thousand	Social communication gifts	95 (95)	1	2	Internet provider, etc.	-	-
Sanrio Puroland Co., Ltd.	Tama-shi, Tokyo	Yen 4,050 million	Theme parks	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 parks	84.8 (0.5)	4	2	Purchase & sales of Sanrio products, royalty trading	Building & equipment rental	Loans
Sanrio Far East Co., Ltd.	Shinagawa-ku, Tokyo	Yen 30 million	Social communication gifts	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	Office rental	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 enhance Sanrio's reputation, 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 and Medium to Long-Term Management Strategy

The decisions of the "Project 2010" three-year medium-term plan are as follows.

1) Background

In the previous medium-term plan (fiscal 2004 to 2006), within the targeted management indices, the balance-sheet indices (interest-bearing debt and equity ratio) were achieved but the profit-related indices (operating profit, ROE, and ROA) were not.

Subsequently, the domestic product sales business has begun to rally, and we can anticipate foreign sales growth allied with rising profits.

We believe that this situation will continue over the next several years. The current medium-term plan targets operating profit of 10 billion yen based on domestic recovery and high growth overseas.

2) Essentials

- i. Structure based on strong, stable profits
- ii. Reduce capital costs

Medium-term Management Plan		(100 millions of yen)	
	Targets	FY3/08 Results	
1) Operating profit	107	66	
2) Return on equity (ROE)	18%	3.2%	
3) Return on assets (ROA)	13%	5.7%	
4) Equity ratio	44%	37%	

3) Basic plan and main policies (rise in operating profit of 4.1 billion yen during the plan) by business type

i. Domestic

Domestic product sales: +600 million yen

- Increase sales through such means as enhancing product appeal by raising value added on products and collaborating with other leading-brand companies, and remodeling directly managed stores to enhance individuality.
- Reduce costs by closing down low-profit shops.

Reduce HQ costs: + 200 million yen

- Outsourcing order-related business to the Li & Fung Group (major Hong Kong trader) and reduce related personnel costs.

Domestic licensing: +100 million yen

- Expand the license field for the young “Sugar Bunnies” character, which debuted three years ago, and strengthen collaboration with other leading brands.

Theme parks: +1.1 billion yen

- Expand show content license transactions overseas (especially in China, Taiwan, and South Korea) and domestic outside performances.
- Reduce costs by reviewing musical show programs and number of performances.
- Raise visitor numbers by expanding discount rates and strengthening regional sales.

Other: +600 million yen

- Cultivating new transactions.
- Reducing cost burden for film production in fiscal 2007 accounts.

ii. Overseas

- Europe, the Middle East, Americas: +1.2 billion yen

The previous sales systems for Europe and Americas were independent of each other, but from now in, in order to strengthen the growth field of the licensing business, we aim to appoint prominent local personnel (three people at section chief level) to unify the Euro-American sales systems and expand large company-oriented transactions straddling the two continents.

Plan to develop stores in the BRICs (Brazil, India, Russia, China) countries, especially Russia.

- Asia: +600 million yen
- Head office (mainly apportioned to overseas licensing income HQ): + 400 million yen

Note 1: Profits fall 200 million yen due to the effects of the strong yen (114 yen to the dollar in fiscal 2007 and 100 yen to the dollar from fiscal 2008 onward)

Note 2: The accounting period is set to change (from March to December settlement) from fiscal 2008 to support quarterly settlements of accounts for the US, Taiwan, and Hong Kong subsidiaries. Profits for fiscal 2008 will temporarily fall by 200 million yen, but will recover during the medium-term plan.

4) Earnings targets

(100 millions of yen)

	FY3/08 Results (A)	FY3/09 Plan	FY3/10 Plan	FY3/11 Plan (B)	Difference (B) – (A)
Sales	939	721	761	785	(153)
Gross profit	392	388	410	424	31
Selling, general & administrative expenses	326	311	319	317	(9)
Operating profit	66	76	90	107	41
Ordinary profit	52	69	86	103	50
Net profit	11	37	50	63	52

(100 millions of yen, %)

	FY3/08 Results (A)	FY3/09 Plan	FY3/10 Plan	FY3/11 Plan (B)	Difference (B) – (A)
Gross margin	42	54	54	54	12
Operating margin	7	11	12	14	7
ROE	3	12	16	18	15
ROA	6	8	11	13	7
Equity ratio	37	38	41	44	7
Total assets	889	816	809	807	(81)
Shareholders' equity	329	311	327	358	29

Operating Profit Breakdown by Segment

(100 millions of yen)

	FY3/08 Results (A)	FY3/09 Plan	FY3/10 Plan	FY3/11 Plan (B)	Difference (B) – (A)
Domestic product sales	11	16	17	18	6
Domestic licensing	74	74	75	75	1
Theme parks (Including subsidies from HQ)	(11)	(1)	(0)	0	11
Overseas	87	90	101	110	23
Other	(7)	(1)	(1)	(0)	6
HQ costs, etc.	(87)	(101)	(101)	(97)	(9)
Operating profit	66	76	90	107	41

5) Capital structure policy

In addition to the periodic income that was used as a source of funds to redeem the class B convertible preferred stock, we will use a partial amount (5 billion yen) of capital reserve. Further for the purpose of ensuring flexibility and mobility of the future capital structure, we plan to reduce the amount of capital reserve to transfer the same amount to other capital surplus subject to approval by the shareholders at the general shareholders' meeting.

For more detail of the plan, refer to "Announcement of transfer of capital reserve to other capital surplus," which was released today. The redemption plan for the preferred stock will be disclosed as soon as the decision is made.

(3) 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

Amid a domestic environment of weak consumer spending, Sanrio is planning to establish efficient sales floor space and develop a system that is capable of accurately responding to market changes. Although Sanrio is currently on a recovery path, we will continue to move forward with the closing of low-profit directly owned stores, and develop and stock products that are differentiated to suit the different store formats of directly owned stores, department stores, and volume sellers. In addition, we will strengthen character branding by developing high value-added products and establishing store networks through collaboration with famous designers and high-recognition fashion brands.

3) Reinforcement of theme parks 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 started stage shows in the Chinese market, so we expect synergies to arise between the theme parks and overseas businesses, and believe the theme parks business in China will become a touchstone of our group's comprehensive strengths. We will actively promote content licenses for events, including the shows that should gather momentum with this trend.

4) Securing funds to repurchase Class B preferred stock

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

5) Promoting Corporate Social Responsibility (CSR)

Sanrio's mission is to expand the circle of friendship all over the world through the corporate concept of the "Social Communication Gift Business" by adopting the watchwords "Small gift, big smile." On the foundation of this spirit, Sanrio recognizes business itself as its CSR: that is, to communicate thoughtfulness and appreciation through its core business, even if to reach just one more person, in addition to the economic aspect of achieving stable and sustainable growth and distributing the benefits. Thus in order to sustain and enhance its corporate reputation, Sanrio aims to sustainably establish a compliance system for business activities, especially in the areas of ensuring safety and consideration for human rights and local environments, endeavor to take a resolute stand against anti-social forces, and dynamically participate in activities that make a social contribution. In these ways, Sanrio aims to become a company of which society can be proud.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen, %)

Account	*	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		Increase/decrease
		Amount	%	Amount	%	Amount
Assets						
I Current assets						
1. Cash and deposit		16,796		12,968		(3,828)
2. Trade notes and accounts receivable	*3,4	12,832		13,121		288
3. Inventories	*3	5,692		5,302		(389)
4. Other accounts receivable		827		885		57
5. Deferred tax assets		2,685		2,534		(150)
6. Other		948		794		(153)
7. Allowance for doubtful accounts		(242)		(268)		(26)
Total current assets		39,540	41.1	35,338	39.7	(4,202)
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures	*1	53,437		53,085		
Accumulated depreciation		43,107	10,329	43,526	9,559	(770)
2. Machinery and equipment		13,376		13,657		
Accumulated depreciation		12,520	855	12,711	945	89
3. Land			11,599		11,397	(201)
4. Construction in progress			68		167	99
5. Other		3,796		4,962		
Accumulated depreciation		3,225	570	4,313	648	77
Total tangible fixed assets			23,423		22,718	(705)
(2) Intangible fixed assets			259		456	196
(3) Investments and other assets						
1. Investments securities			8,671		7,610	(1,061)
2. Long-term loans			1,295		1,369	74
3. Loans to employees			3,622		3,399	(222)
4. Guarantees			4,671		4,167	(504)
5. Deferred tax assets			10,872		9,707	(1,165)
6. Other			4,359		5,085	725
7. Allowance for doubtful accounts			(520)		(919)	(399)
Total investments and other assets			32,973		30,419	(2,554)
Total fixed assets			56,656		53,593	(3,062)
III Deferred assets						
Corporate bond issuance costs			55		39	(16)
Total deferred assets			55		39	(16)
Total assets			96,253		88,971	(7,281)

(Millions of yen, %)

Account	*	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		Increase/decrease
		Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities						
1. Trade notes and accounts payable	*4	11,614		8,478		(3,135)
2. Short-term borrowings		19,059		21,383		2,324
3. Current portion of corporate bonds to be redeemed		2,068		2,277		209
4. Accrued income taxes		430		805		374
5. Allowance for bonuses		374		422		48
6. Reserve for adjustment of returned goods		117		80		(37)
7. Other		4,666		4,802		136
Total current liabilities		38,329	39.8	38,250	43.0	(79)
II Long-term liabilities						
1. Corporate bonds		6,837		5,560		(1,277)
2. Long-term borrowings		7,314		3,556		(3,757)
3. Reserve for retirement benefits for directors		-		451		451
4. Reserve for retirement benefits for employees		6,509		6,816		306
5. Long-term deposits received		679		749		70
6. Long-term accounts payable		192		297		104
7. Other		206		292		86
Total long-term liabilities		21,739	22.6	17,724	19.9	(4,014)
Total liabilities		60,069	62.4	55,974	62.9	(4,094)
Net assets						
I Shareholders' equity						
1. Capital		14,999	15.6	14,999	16.9	-
2. Capital surplus		10,095	10.5	10,095	11.4	0
3. Retained earnings		12,657	13.2	12,034	13.5	(622)
4. Treasury stock		(960)	(1.0)	(954)	(1.1)	5
Total shareholder's equity		36,792	38.3	36,175	40.7	(616)
II Valuation and translation adjustment						
1. Net unrealized gain (loss) on other securities		459		(839)		(1,298)
2. Deferred hedge gain (loss)		(56)		(92)		(36)
3. Foreign currency translation adjustments		(1,042)		(2,260)		(1,218)
Total valuation and translation adjustment		(638)	(0.7)	(3,192)	(3.6)	(2,553)
III Minority interests						
Total net assets		36,184	37.6	32,996	37.1	(3,187)
Total liabilities and net assets		96,253	100.0	88,971	100.0	(7,281)

(2) Consolidated Income Statement

(Millions of yen, %)

Account	*	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)		Increase/decrease		
		Amount	%	Amount	%	Amount		
I Sales			96,671	100.0		93,917	100.0	(2,753)
II Cost of sales			57,961	60.0		54,662	58.2	(3,299)
Gross profit			38,709	40.0		39,255	41.8	(546)
Provision of reserve for adjustment of returned goods			36	0.0		-		(36)
Reversal from reserve for adjustment of returned goods			-	-		37	0.0	37
Net gross profit on sales			38,673	40.0		39,292	41.8	619
III Selling, general and administrative expenses								
1. Sales and promotion expenses		3,182			3,310			
2. Provision of allowance for doubtful accounts		60			94			
3. Directors bonuses and salaries		7,295			7,396			
4. Bonus		855			879			
5. Provision of reserves for bonuses		374			419			
6. Freight charges		1,559			1,441			
7. Rent		3,450			3,374			
8. Depreciation		891			1,034			
9. Other		14,782	32,451	33.6	14,726	32,677	34.8	226
Operating profit			6,222	6.4		6,615	7.0	392
IV Non-operating profit								
1. Interest income		351			402			
2. Dividend income		99			109			
3. Other income		320	771	0.8	194	706	0.8	(65)
V Non-operating expenses								
1. Interest expense		802			774			
2. Tax and public charges		197			422			
3. Foreign exchange loss		-			475			
4. Provision of allowance for doubtful accounts		-			209			
5. Other expenses		417	1,418	1.5	175	2,057	2.2	639
Ordinary profit			5,575	5.8		5,264	5.6	(311)
VI Extraordinary gains								
1. Gain on sales of investment securities		984			416			
2. Other		21	1,005	1.0	20	437	0.5	(568)
VII Extraordinary losses								
1. Loss on disposal of fixed assets	*1	73			85			
2. Impairment loss	*2	86			161			
3. Retirement benefits for directors		97			-			
4. Provision of allowance for retirement benefits for directors		-			432			
5. Valuation loss on investment securities		290			742			
6. Provision of allowance for doubtful accounts		62			101			
7. Other		10	620	0.6	9	1,532	1.7	911
Net profit before income taxes and other adjustments			5,960	6.2		4,168	4.4	(1,791)
Income taxes - current		845			1,501			
Income taxes - deferred		971	1,816	1.9	1,567	3,069	3.2	1,253
Minority interests in income (loss) of consolidated subsidiaries		(6)	(0.0)	(0.0)	(15)	(0.0)	(0.0)	(9)
Net profit			4,150	4.3		1,114	1.2	(3,036)

(3) Consolidated Statements of Changes in Shareholders' Equity

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(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 fiscal year					
Dividends from surplus	-	-	(1,307)	-	(1,307)
Net profit	-	-	1,114	-	1,114
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 fiscal year	-	-	-	-	-
Total of the changes in amounts during the fiscal year	-	0	(622)	5	(616)
Balance as of Mar. 31, 2008	14,999	10,095	12,034	(954)	36,175

	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 fiscal year						
Dividends from surplus	-	-	-	-	-	(1,307)
Net profit	-	-	-	-	-	1,114
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 fiscal year	(1,298)	(36)	(1,218)	(2,553)	(17)	(2,570)
Total of the changes in amounts during the fiscal year	(1,298)	(36)	(1,218)	(2,553)	(17)	(3,187)
Balance as of Mar. 31, 2008	(839)	(92)	(2,260)	(3,192)	13	32,996

(4) Consolidated Cash Flow Statement

(Millions of yen)

	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	Increase/decrease
Account	Amount	Amount	Amount
I Cash flow from operating activities			
Net profit before income taxes and other adjustments	5,960	4,168	(1,791)
Depreciation	1,366	1,546	180
Amortization of long-term prepaid expenses	107	97	(10)
Increase in allowance for doubtful accounts	67	416	349
Increase in reserve for bonuses	6	47	40
Increase in reserve for retirement benefits for employees	355	257	(98)
Increase (decrease) in reserve for adjustment of returned goods	36	(37)	(73)
Increase in reserve for retirement benefits for directors	-	451	451
Interest and dividend income	(451)	(511)	(60)
Interest expense	802	774	(28)
Foreign exchange loss	5	125	120
Loss on disposal of fixed assets	73	85	12
Impairment loss	86	161	74
Gain on sale of investment securities	(1,014)	(416)	597
Valuation loss on investment securities	290	742	451
Increase in accounts receivable	(1,075)	(547)	527
Decrease (increase) in inventories	(116)	531	648
Decrease (increase) in other assets	20	(200)	(220)
Decrease in accounts payable	(10)	(3,211)	(3,201)
Decrease in consumption tax payable	(91)	(18)	73
Increase in other liabilities	212	718	506
Other	318	78	(240)
Subtotal	6,949	5,260	(1,688)
Interests and dividends received	455	491	35
Interests paid	(821)	(777)	43
Income taxes paid	(925)	(1,164)	(238)
Cash flow from operating activities	5,658	3,810	(1,847)
II Cash flow from investing activities			
Payments for time deposits	(1,259)	(593)	666
Withdrawal of time deposits	1,268	1,263	(5)
Payments for purchase of tangible fixed assets	(1,085)	(1,495)	(410)
Proceeds from sale of tangible fixed assets	143	-	(143)
Payments for purchase of investment securities	(3,784)	(4,527)	(743)
Proceeds from sale of investment securities	5,524	3,104	(2,420)
Payments for loans receivable	(706)	(183)	522
Collection of loans receivable	406	133	(272)
Proceeds from repayment of guarantees	1,058	968	(89)
Payments for other investing activities	(2,691)	(1,726)	964
Proceeds from other investing activities	776	660	(115)
Cash flows from investing activities	(349)	(2,396)	(2,047)

(Millions of yen)

	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	Increase/decrease
Account	Amount	Amount	Amount
III Cash flows from financing activities			
Increase in short-term borrowings	1,905	342	(1,562)
Decrease in short-term borrowings	(1,610)	(1,205)	404
Increase in long-term borrowings	300	2,500	2,200
Decrease in long-term borrowings	(2,771)	(3,104)	(332)
Proceeds from issuance of corporate bonds	656	977	320
Payment for redemption of corporate bonds	(2,034)	(2,068)	(34)
Payment for purchase of treasury stock	(0)	(0)	0
Proceeds from sale of treasury stock	47	6	(40)
Dividends paid	(1,288)	(1,306)	(18)
Cash flows from financing activities	(4,795)	(3,858)	937
IV Effect of exchange rate changes on cash and cash equivalents	71	(679)	(750)
V Increase (decrease) in cash and cash equivalents	584	(3,123)	(3,707)
VI Cash and cash equivalents at beginning of period	14,906	15,534	627
VII Increase in cash and cash equivalents from new consolidation	42	34	(8)
VIII Cash and cash equivalents at end of period *1	15,534	12,445	(3,088)

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

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>1. Scope of consolidation Consolidated subsidiaries: 13 companies Sanrio, Inc. (U.S.A.) Sanrio Puroland Co., Ltd. Harmony Land Co., Ltd. Sanrio Far East Co., Ltd. Sanrio (Hong Kong) Co., Ltd. (Hong Kong) Sanrio Taiwan Co., Ltd. (Taiwan) Sanrio Korea Co., Ltd. (Korea) Sanrio Do Brasil e Representacoes Ltda. (Brazil) 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) San-Byte Taiwan Co., Ltd., which was established in the fiscal year and Sanrio Wave Hong Kong Co., Ltd., which became more significant are newly consolidated in FY3/07.</p> <p>Unconsolidated subsidiaries: 9 companies 2 overseas companies: Sanrio Investment Limited (Mauritius) San-Byte Investment Co., Ltd. (British Virgin Islands)</p> <p>7 domestic companies: Sanrio Music Publishing Co., Ltd. Sanrio Car Lease Co., Ltd. Sanrio Enterprise Co., Ltd. Kokoro Co., Ltd. Sanrio Wave Co., Ltd. Pantry Co., Ltd. Forty Winks Co., Ltd.</p> <p>The above unconsolidated subsidiaries are excluded from the consolidation scope because the effect of their total assets, sales, net profit or losses, and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>2. Application of the equity method Investments in nine unconsolidated subsidiaries (stated in 1. Scope of consolidation) and three affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Mei-Wave Entertainment 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.</p> <p>3. Fiscal year-ends of consolidated subsidiaries Sanrio Korea Co., Ltd., Sanrio GmbH, and Sanrio (Shanghai) International Trading Co., Ltd. have their fiscal year ends on December 31. The Company uses their financial statements as of their fiscal year-ends. The Company makes necessary adjustments for major transactions between their fiscal year-ends and the Company's fiscal year-end.</p>	<p>1. Scope of consolidation Consolidated subsidiaries: 15 companies Sanrio, Inc. (U.S.A.) Sanrio Entertainment Inc. (U.S.A.) Sanrio Puroland Co., Ltd. Harmony Land Co., Ltd. Sanrio Far East Co., Ltd. Kokoro Company Ltd. Sanrio (Hong Kong) Co., Ltd. (Hong Kong) Sanrio Taiwan Co., Ltd. (Taiwan) Sanrio Korea Co., Ltd. (Korea) Sanrio Do Brasil e Representacoes Ltda. (Brazil) 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 fiscal year, are newly consolidated in the current fiscal year.</p> <p>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)</p> <p>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.</p> <p>The above unconsolidated subsidiaries are excluded from the consolidation scope because the effect of their total assets, sales, net profit or losses, and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>2. Application of the equity method Investments in nine unconsolidated subsidiaries (stated in 1. Scope of consolidation) and six affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Mei-Wave Entertainment Co., Ltd., Sanrio Digital Korea Co., Ltd., SANRIO DIGITAL (SEA) PTE. LTD., Sanrio Digital Europe) 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.</p> <p>3. Fiscal year-ends of consolidated subsidiaries Same as on the left.</p>

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>4. Accounting procedures</p> <p>(1) Valuation standards and methods for major assets</p> <p>Other marketable securities</p> <p>Other securities with market value</p> <p>Market value method, using the market price on the settlement date. (Valuation differences are entirely charged or credited directly to net assets; selling costs are computed with the moving average method)</p> <p>Sanrio Taiwan Co., Ltd. previously adopted the lower of cost or market method pursuant to the accounting standard prevailing in Taiwan. However, effective from the current fiscal year in response to the change in the accounting standard prevailing in Taiwan, it has changed the market value method, using the market price on the settlement date. (Valuation differences are presented in the net assets section using the method entirely to charge or credit directly to net assets)</p> <p>The effect of this change on the consolidated financial statements is insignificant.</p> <p>Other securities not valued at market</p> <p>At cost, using the moving average method</p> <p>Derivatives</p> <p>Market value method</p> <p>Inventories</p> <p>At cost, mainly based on moving average method.</p> <p>(2) Depreciation and amortization of major depreciable assets</p> <p>Tangible fixed assets</p> <p>Straight line method is used for the Company's theme park facilities, warehouses, and buildings acquired from April 1, 1998, and Harmony Land Co., Ltd., Sanrio Far East Co., Ltd., Sanrio, Inc., Sanrio (Hong Kong) Co., Ltd., Sanrio Taiwan Co., Ltd., Sanrio Korea Co., Ltd., Sanrio GmbH, Sanrio (Shanghai) International Trading Co., Ltd., San-Byte Taiwan Co., Ltd., Sanrio Wave Hong Kong Co., Ltd., and Sanrio Asia Merchandise Co., Ltd. Other companies use declining balance method.</p> <p>Service life ranges of major types of assets:</p> <p>Buildings and structures: 3 to 60 years</p> <p>Machinery and equipment: 2 to 18 years</p> <p>Other: 2 to 20 years</p>	<p>4. Accounting procedures</p> <p>(1) Valuation standards and methods for major assets</p> <p>Other marketable securities</p> <p>Other securities with market value</p> <p>Market value method, using the market price on the settlement date. (Valuation differences are reflected in net assets; selling costs are computed with the moving average method)</p> <p>Other securities not valued at market</p> <p>Same as on the left.</p> <p>Derivatives</p> <p>Same as on the left.</p> <p>Inventories</p> <p>Same as on the left.</p> <p>(2) Depreciation and amortization of depreciable assets</p> <p>Tangible fixed assets</p> <p>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.</p> <p>Service life ranges of major types of assets:</p> <p>Buildings and structures: 3 to 60 years</p> <p>Machinery and vehicles: 2 to 18 years</p> <p>Other: 2 to 20 years</p> <p>(Changes in accounting policies)</p> <p>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 121 million yen each.</p> <p>The breakdown of the segment was to decrease operating profit by 68 million yen in the social communication gifts business and increase operating loss by 43 million yen in the theme parks business, 9 million yen in the other business, and 0 million yen in all the business.</p>

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(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 FY3/06 are expensed equally over three years.</p> <p>(4) Accounting standards for major reserves 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.</p> <p>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. Overseas consolidated subsidiaries do not have a bonus payment system and do not make provisions.</p> <p>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 Taxation Law.</p>	<p>(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 50 million yen each. The breakdown of the segment was to decrease operating income by 36 million yen in the social communication gifts business and increase operating loss by 1 million yen in the theme parks business, 9 million yen in the other business, and 3 million yen in all the business.</p> <p>Intangible fixed assets Amortization of intangible fixed assets is calculated by the straight line method. The development costs of software intended for internal use are amortized over an expected useful life of five years by the straight line method.</p> <p>(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 FY3/06 are expensed equally over three years.</p> <p>(4) Accounting standards for major reserves Allowance for doubtful accounts Same as on the left.</p> <p>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.</p> <p>Reserves for adjustment of returned goods Same as on the left.</p>

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>Reserve for retirement benefits To prepare for payment of employees' retirement benefits, the Company and major consolidated subsidiaries make provisions based on the estimated benefit obligation and pension assets at the end of FY3/07. Actuarial differences are allocated equally to certain (eight to fifteen) years of the estimated number of remaining service years of employees and are expensed from the next year onward.</p> <p>(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.</p> <p>(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.</p> <p>2) Hedge methods and hedge targets (Hedge methods) Forward exchange contract Interest swap (Hedge targets) Foreign currency-dominated trade payables and forecasted transactions Loans payable, corporate bonds</p>	<p>Reserve for retirement benefits To prepare for payment of employees' retirement benefits, the Company and major consolidated subsidiaries make provisions based on the estimated benefit obligation and pension assets at the end of FY3/08. 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.</p> <p>Reserve for retirement benefits for directors The Company, 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 fiscal year in accordance with the Company's internal regulations.</p> <p>(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, 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 fiscal year. Given this change, the Company recognized during the fiscal year the expense of 19 million yen as selling, general and administrative expenses, and extraordinary loss of 432 million yen corresponding to the prior fiscal years. The effect of this change was to decrease operating profit, ordinary profit by 19 million yen each, and net profit before income taxes and other adjustments by 451 million yen.</p> <p>(5) Accounting procedures for major lease transactions Same as on the left.</p> <p>(6) Accounting methods for major hedges 1) Hedge accounting methods Same as on the left.</p> <p>2) Hedge methods and hedge targets Same as on the left.</p>

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>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.</p> <p>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.</p> <p>(7) Other important accounting policies used in preparing the consolidated financial statements Accounting for consumption taxes Consumption taxes are accounted for with the tax-exclusion method.</p> <p>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.</p>	<p>3) Hedging policy Same as on the left.</p> <p>4) Method for evaluating hedge effectiveness Same as on the left.</p> <p>(7) Other important accounting policies used in preparing the consolidated financial statements Accounting for consumption taxes Same as on the left.</p> <p>5. Scope of cash in consolidated cash flow statements Same as on the left.</p>

(6) Changes in the Significant Accounting Policies for the Preparation of Consolidated Financial Statements

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(Accounting standard for presentation of net assets in the balance sheet) Effective from the current fiscal year, the Company adopted “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5: Accounting Standards Board of Japan issued on December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8: Accounting Standards Board of Japan issued on December 9, 2005.) Amount corresponding to conventional “total shareholders’ equity” in the balance sheet was 36,209 million yen. Balance sheet for the fiscal year is presented according to the revision of “Regulations Concerning the Terminology, Forms, and Preparation Methods of Financial Statements.”</p> <p>(Tentative treatment regarding accounting standard for deferred assets) Effective from the current fiscal year, the Company adopted “Tentative Treatment Regarding Accounting Standard for Deferred Assets” (PITF No. 19: Accounting Standards Board of Japan issued on August 11, 2006.) The effect of this change on profit/loss is insignificant.</p>	<p>—————</p> <p>—————</p>

(7) Notes to Consolidated Financial Statements

(Relating to consolidated balance sheet)

(Millions of yen)

FY3/07 (As of Mar. 31, 2007)	FY3/08 (As of Mar. 31, 2008)
*1. Accumulated depreciation of tangible fixed assets 38,577	*1. Accumulated depreciation of tangible fixed assets 40,216
Accumulated loss on impairment of tangible fixed assets 20,277	Accumulated loss on impairment of tangible fixed assets 20,335
Accumulated loss on impairment of tangible fixed assets is included in accumulated depreciation of tangible fixed assets.	Accumulated loss on impairment of tangible fixed assets is included in accumulated depreciation of tangible fixed assets.
2. Guaranteed liabilities	2. Guaranteed liabilities
(1) The Company guarantees the following borrowings	(1) _____
Sanrio Car Lease Co., Ltd. 102	
Kokoro Company Ltd. 28	
(2) Guarantees on employees' bank loans	(2) Guarantees on employees' bank loans
167 employees 418	157 employees 377
*3. Assets pledged as collateral and liabilities with collateral	*3. Assets pledged as collateral and liabilities with collateral
Import letters of credit of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.	Import letters of credit of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.
Foreign currency 64,000 US\$	Foreign currency 100,000 US\$
Yen equivalent 7	Yen equivalent 10
*4. The settlement of trade notes maturing on the balance sheet date of the current fiscal year is accounted on the clearance date.	*4. _____
As the balance sheet date of the current fiscal year was a bank holiday, the trade notes maturing on the balance sheet date of the period, in the following amounts, were included in year-end balance.	
Notes receivable 49	
Notes payable 30	

(Relating to consolidated income statement)

(Millions of yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)				FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)			
*1. Loss on disposal of fixed assets				*1. Loss on disposal of fixed assets			
Buildings and structures		53		Buildings and structures		66	
Other		20		Other		19	
Total		73		Total		85	
*2. Impairment loss				*2. Impairment loss			
The Group's following assets are accounted for loss on impairment (86 million yen) in FY3/07. (Millions of yen)				The Group's following assets are accounted for loss on impairment (161 million yen) in the FY3/08 (Millions of yen)			
Application	Areas, number of cases	Item	Impairment loss	Application	Areas, number of cases	Item	Impairment loss
Assets in social communication gifts business	Mito-shi, Ibaraki Prefecture and others: 15	Buildings and structures	69	Assets of the social communication gifts business	Saitama City, Saitama, and others: 8	Buildings and structures	35
		Machinery	0			Other tangible fixed assets	7
		Other tangible fixed assets	5			Assets of the other business	Saitama City, Saitama: 1
	Los Angeles, U.S.A.: 1	Buildings and structures	3		Other tangible fixed assets		
			Other tangible fixed assets		7	Hamura City, Tokyo: 1	Lease assets
Assets of the social communication gifts business in Japan 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 and could not be recovered. Asset grouping uses stores as minimum unit. Assets of the overseas social communication gifts business were all accounted for loss on impairment because we decided to close the store in FY3/07 due to weak operating performance.				Assets of social communication gifts business and other 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 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.			
				Idle assets			
				The Company and domestic subsidiaries: 1			
				Telephone rights			
				8			

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

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

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 Mar. 31, 2008
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,149,431

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 Mar. 31, 2008
Common stock	852,404	131	5,400	847,135

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 131 shares

Decrease in the number of treasury stock

Exercise of stock options: 5,400 shares

3. Dividends

(1) 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

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

Resolution	Type of stock	Source of funds	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors resolution on May 29, 2008	Common stock	Retained earnings	873	10.00	Mar. 31, 2008	Jun. 27, 2008
	Class B preferred stock	Retained earnings	482	482.21	Mar. 31, 2008	Jun. 27, 2008

(Relating to consolidated cash flow statement)

(Millions of yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
*1. Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts. (As of Mar. 31, 2007)	*1. Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts. (As of Mar. 31, 2008)
Cash and bank deposits 16,796	Cash and bank deposits 12,968
Time deposits with over three-month deposit period (1,262)	Time deposits with over three-month deposit period (522)
Cash and cash equivalent 15,534	Cash and cash equivalent 12,445

1) Segment Information

1. Business segment information

Operating segment information for the two most recent fiscal years is as follows.

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)						
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
II Assets, depreciation, and capital expenditures						
Assets	48,907	14,803	3,456	67,167	29,085	96,253
Depreciation	764	602	34	1,402	71	1,473
Capital expenditures	562	760	119	1,442	65	1,507

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 gifts	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 parks	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

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 807 million yen in FY3/07.

4. Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the parent company. These items amounted to 29,500 million yen FY3/07.

5. Depreciation and capital expenditures include long-term prepaid expenses and the related depreciation.

6. Refer to the item No.2 of the notes to the consolidated income statement for the effect of impairment loss on the assets of each segment.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) Customers	85,040	6,141	2,735	93,917	-	93,917
(2) Inter-segment	797	1,216	173	2,186	(2,186)	-
Total	85,837	7,358	2,908	96,104	(2,186)	93,917
Operating expenses	76,834	8,472	3,342	88,649	(1,346)	87,302
Operating profit (loss)	9,003	(1,114)	(433)	7,455	(840)	6,615
II Assets, depreciation, and capital expenditures						
Assets	46,652	14,495	4,075	65,224	23,747	88,971
Depreciation	767	702	113	1,583	60	1,644
Capital expenditures	671	504	150	1,326	101	1,428

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 gifts	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	Video software sales
Theme parks	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	Production and rental of robots
	Film production	Production associations

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 830 million yen in FY3/08.

4. Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the parent company. These items amounted to 25,030 million yen FY3/08.

5. Depreciation and capital expenditures include long-term prepaid expenses and the related depreciation.

6. Refer to the item No.2 of the notes to the consolidated income statement for the effect of impairment loss on the assets of each segment.

2. Geographical segment information

Geographical segment information for the two most recent consolidated fiscal years is as follows.

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Japan	North America	Other areas	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)						
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
II Assets	52,662	7,898	8,012	68,573	27,679	96,253

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, South 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 807 million yen in FY3/07.

4. Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the parent company. These items amounted to 29,500 million yen in FY3/07.

5. The Company booked impairment losses in Japan of 75 million yen, in the North America of 11 million yen in FY3/07.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Other areas	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)							
Sales							
(1) Customers	75,158	5,828	7,223	5,707	93,917	-	93,917
(2) Inter-segment	4,847	185	29	1,952	7,014	(7,014)	-
Total	80,006	6,014	7,252	7,659	100,932	(7,014)	93,917
Operating expenses	76,422	5,202	5,239	6,639	93,503	(6,201)	87,302
Operating profit	3,583	811	2,012	1,020	7,428	(812)	6,615
II Assets	50,879	6,655	4,066	5,996	67,598	21,373	88,971

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.

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

Other areas: Hong Kong, Taiwan, South Korea, 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 830 million yen in FY3/08.

4. Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the parent company. These items amounted to 25,030 million yen in FY3/08.

5. The Company booked impairment losses in Japan of 161 million yen in FY3/08.

6. "Europe" which was included in "Other areas" in prior periods, is independently displayed in FY3/08 because the amount exceeded 10% of total operating profit for all segments.

Sales and operating profit of the segment for the same period in the previous fiscal year are 2,718 million yen and 408 million yen, respectively.

3. Overseas sales

Overseas sales for the two most recent fiscal years are as follows.

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, South 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, South Korea, Germany, Brazil and China (excluding internal transactions).

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	5,836	16,321	22,157
II Consolidated sales	-	-	93,917
III Percentage of overseas sales over consolidated sales (%)	6.2	17.38	23.6

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, South 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, South Korea, Germany, Brazil and China (excluding internal transactions).

2) Per Share Information

(Yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	
Net assets per share	294.62	Net assets per share	257.74
Net profit per share	42.58	Net profit per share	7.24
Fully-diluted net profit per share	42.28	Fully-diluted net profit per share	7.24

(Note) Basis for calculation

1. Net assets per share

	FY3/07 (As of Mar. 31, 2007)	FY3/08 (As Mar. 31, 2008)
Total net assets on the consolidated balance sheets (million yen)	36,184	32,996
Net assets associated with common shares (million yen)	25,718	22,501
Breakdown of differences (million yen)		
Capital and capital surplus associated with preferred stock	10,000	10,000
Dividends on preferred stock	434	482
Minority interests	30	13
Number of common shares outstanding (thousand shares)	88,148	88,148
Number of common shares of treasury stock (thousand shares)	852	847
Number of common shares used in calculation of net assets per share (thousand shares)	87,296	87,301

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

	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
Net profit per share		
Net profit (million yen)	4,150	1,114
Amount not returned to common shareholders (million yen) Dividends on preferred stock	434	482
Net profit associated with common shares (million yen)	3,716	632
Average number of common shares outstanding (thousand shares)	87,278	87,300
Fully-diluted net profit per share		
Adjusted net profit (million yen) [Dividends on preferred stock]	- [-]	- [-]
Increase in number of shares of common shares (thousand shares)	625	13
[Stock acquisition rights]	[625]	[13]
[Class A preferred stock]	[-]	[-]
[Class B preferred stock]	[-]	[-]
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)

3) Subsequent Events

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p style="text-align: center;">_____</p>	<p>Regarding the transfer of capital reserve to other capital surplus</p> <p>At the Board of Directors' meeting held on May 15, 2008, the Board of Directors resolved to propose to the Annual General Shareholders' Meeting transfer of capital legal reserve to other capital surplus for the purpose of redeeming the class B preferred stock</p> <p>I. Reason The Board of Directors made a decision to reduce a partial amount of capital reserve and to transfer the same amount to other capital surplus for the purpose of using the transferred amount as the funds to redeem the class B convertible preferred stock together with the periodic income that was used as a single source of funds, and ensuring flexibility and mobility in capital policy in the future.</p> <p>II. Amount of capital reserve reduction Amount of capital reserve to be reduced: 5,000 million yen Capital reserve after reduction: 5,003 million yen.</p> <p>III. Schedule of capital reserve reduction (planned) (1) Date of resolution of general meeting of shareholders: June 26, 2008 (2) Effective date: July 31, 2008</p>

4) Omission of Disclosure

Notes on leases transactions, transactions with related parties, tax effect accounting, marketable securities, derivative transactions, employees' retirement benefits, stock options, etc. are not presented since the disclosure of this information is not significant in the context of the financial summaries.

(Millions of yen, %)

Account	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		Increase/decrease
	Amount	%	Amount	%	Amount
(3) Investments and other assets					
1. Investments securities	7,072		6,470		(602)
2. Affiliate stock	12,191		6,171		(6,020)
3. Investment in capital	0		0		-
4. Long-term loans	510		622		111
5. Loans to employees	3,616		3,394		(221)
6. Long-term loans to affiliates	6,635		7,626		991
7. Claims in bankruptcy	317		226		(90)
8. Long-term prepaid expenses	239		223		(16)
9. Deferred tax assets	10,081		8,891		(1,189)
10. Guarantees	4,529		3,998		(531)
11. Long-term deposits	1,800		2,200		400
12. Reserve for insurance	1,259		1,352		92
13. Other	341		317		(24)
14. Allowance for possible losses on investments	(4,410)		-		4,410
15. Allowance for doubtful accounts	(501)		(787)		(285)
Total investments and other assets	43,683	52.5	40,707	52.9	(2,976)
Total fixed assets	54,455	65.4	51,479	66.9	(2,975)
III Deferred assets					
1. Corporate bond issuance costs	55		39		(16)
Total deferred assets	55	0.1	39	0.0	(16)
Total assets	83,190	100.0	76,977	100.0	(6,212)

(Millions of yen, %)

Account	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		Increase/decrease
	Amount	%	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Notes payable	5,098		999		(4,098)
2. Trade accounts payable	5,403		6,451		1,048
3. Current portion of corporate bonds to be redeemed	2,068		2,277		209
4. Short-term borrowings	19,028		21,383		2,355
5. Other accounts payable	1,855		1,513		(341)
6. Accrued expenses	534		535		1
7. Accrued income taxes	156		145		(11)
8. Advances received	419		692		272
9. Deposits	38		90		52
10. Deferred revenues	1		4		2
11. Allowance for bonuses	305		309		4
12. Reserve for adjustment of returned goods	117		80		(37)
13. Equipment notes payable	264		119		(145)
14. Other	15		38		23
Total current liabilities	35,305	42.5	34,641	45.0	(664)
II Long-term liabilities					
1. Corporate bonds	6,837		5,560		(1,277)
2. Long-term borrowings	7,267		3,538		(3,728)
3. Reserve for retirement benefits for directors	-		425		425
4. Reserve for retirement benefits for employees	5,562		5,767		204
5. Long-term deposits received	626		597		(28)
6. Other	97		127		30
Total long-term liabilities	20,390	24.5	16,016	20.8	(4,373)
Total liabilities	55,695	67.0	50,657	65.8	(5,037)
Net assets					
I Shareholders' equity					
(1) Capital	14,999	18.0	14,999	19.5	-
(2) Capital surplus					
1. Additional paid-in capital	10,003		10,003		-
2. Other capital surplus	92		92		0
Total capital surplus	10,095	12.1	10,095	13.1	0
(3) Retained earnings					
1. Other retained earnings					
Retained earnings carried forward	2,955		3,053		98
Total retained earnings	2,955	3.6	3,053	3.9	98
(4) Treasury stock	(960)	(1.2)	(954)	(1.2)	5
Total shareholder's equity	27,090	32.5	27,194	35.3	104
II Valuation and translation adjustment					
1. Net unrealized gain (loss) on other securities	461		(798)		(1,260)
2. Deferred hedge gain (loss)	(57)		(75)		(18)
Total valuation and translation adjustment	403	0.5	(874)	(1.1)	(1,278)
Total net assets	27,494	33.0	26,319	34.2	(1,174)
Total liabilities and net assets	83,190	100.0	76,977	100.0	(6,212)

(2) Unconsolidated Income Statement

(Millions of yen, %)

Account	*	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)		Increase/decrease	
		Amount	%	Amount	%	Amount	
I Sales		78,535	100.0	73,005	100.0	(5,530)	
II Cost of sales							
1. Beginning inventories		4,229		4,421			
2. Cost of purchased goods		52,289		46,771			
Total		56,519		51,193			
3. Transfer to other accounts		462		435			
4. Ending inventories		4,421	51,634	3,902	46,855	64.2	(4,778)
Gross profit		26,900	34.2	26,149	35.8	(751)	
5. Provision of reserve for adjustment of returned goods		36	0.0	-	-	(36)	
6. Reversal from reserve for adjustment of returned goods		-	-	37	0.0	37	
Net gross profit on sales		26,864	34.2	26,186	35.8	(678)	
III Selling, general and administrative expenses							
1. Freight charges		1,281		1,143			
2. Warehousing costs		651		588			
3. Sales and promotion expenses		2,232		2,255			
4. Salaries		3,963		3,956			
5. Miscellaneous wages		2,859		2,816			
6. Bonuses		644		644			
7. Provision of reserves for bonuses		305		309			
8. Welfare expenses		1,084		1,095			
9. Rents		2,780		2,721			
10. Tax and public charges		254		236			
11. Depreciation		508		518			
12. Other		5,927	22,494	5,934	22,221	30.4	(273)
Operating profit		4,370	5.6	3,965	5.4	(405)	

(Millions of yen, %)

Account	*	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)		Increase/decrease	
		Amount	%	Amount	%	Amount	
IV Non-operating profit							
1. Interest income		105		178			
2. Dividend income		530		3,403			
3. Other income		154	790	80	3,663	5.0	2,872
V Non-operating expenses							
1. Interest expense		618		587			
2. Foreign exchange loss		-		402			
3. Expenses on support for subsidiaries		544		-			
4. Tax and public charges		197		422			
5. Other expenses		505	1,866	532	1,944	2.6	78
Ordinary profit			3,294		5,683	7.8	2,389
VI Extraordinary gains							
1. Gain on sales of investment securities		984		391			
2. Other		44	1,028	18	410	0.6	(618)
VII Extraordinary losses							
1. Loss on disposal of fixed assets		67		77			
2. Valuation loss on investment securities		260		709			
3. Provision of allowance for retirement benefits for directors		-		408			
4. Retirement benefits for directors		97		-			
5. Valuation loss on subsidiary stock		-		1,610			
6. Impairment loss		75		74			
7. Provision of allowance for possible losses on investments		1,400		-			
8. Other		83	1,984	93	2,974	4.1	989
Net profit before income taxes			2,338		3,120	4.3	781
Income taxes - current		85		79			
Income taxes - deferred		672	757	1,635	1,715	2.4	957
Net profit			1,581		1,405	1.9	(176)

(3) Unconsolidated Statements of Changes in Shareholders' Equity

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Shareholders' equity					
	Capital	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Other retained earnings		
				Retained earnings carried forward		
Balance as of Mar. 31, 2006	14,999	10,003	89	2,666	(1,004)	26,754
Changes in amounts during the fiscal year						
Dividends from surplus (Note)	-	-	-	(1,293)	-	(1,293)
Net profit	-	-	-	1,581	-	1,581
Purchase of treasury stock	-	-	-	-	(0)	(0)
Disposal of treasury stock	-	-	2	-	44	47
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	288	43	335
Balance as of Mar. 31, 2007	14,999	10,003	92	2,955	(960)	27,090

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Total valuation and translation adjustments	
Balance as of Mar. 31, 2006	1,873	-	1,873	28,627
Changes in amounts during the fiscal year				
Dividends from surplus (Note)	-	-	-	(1,293)
Net profit	-	-	-	1,581
Purchase of treasury stock	-	-	-	(0)
Disposal of treasury stock	-	-	-	47
Net changes in amounts in items other than shareholders' equity during the fiscal year	(1,411)	(57)	(1,469)	(1,469)
Total of the changes in amounts during the fiscal year	(1,411)	(57)	(1,469)	(1,133)
Balance as of Mar. 31, 2007	461	(57)	403	27,494

Note: Appropriation of retained earnings resolved at the annual general meeting of shareholders in June 2006.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Capital	Capital surplus		Retained earnings	Treasury stock	
		Additional paid-in capital	Other capital surplus	Other retained earnings		
				Retained earnings carried forward		
Balance as of Mar. 31, 2007	14,999	10,003	92	2,955	(960)	27,090
Changes in amounts during the fiscal year						
Dividends from surplus	-	-	-	(1,307)	-	(1,307)
Net profit	-	-	-	1,405	-	1,405
Purchase of treasury stock	-	-	-	-	(0)	(0)
Disposal of treasury stock	-	-	0	-	6	6
Net changes in amounts in items other than shareholders' equity during the fiscal year	-	-	-	-	-	-
Total of the changes in amounts during the fiscal year	-	-	0	98	5	104
Balance as of Mar. 31, 2008	14,999	10,003	92	3,053	(954)	27,194

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Total valuation and translation adjustments	
Balance as of Mar. 31, 2007	461	(57)	403	27,494
Changes in amounts during the fiscal year				
Dividends from surplus	-	-	-	(1,307)
Net profit	-	-	-	1,405
Purchase of treasury stock	-	-	-	(0)
Disposal of treasury stock	-	-	-	6
Net changes in amounts in items other than shareholders' equity during the fiscal year	(1,260)	(18)	(1,278)	(1,278)
Total of the changes in amounts during the fiscal year	(1,260)	(18)	(1,278)	(1,174)
Balance as of Mar. 31, 2008	(798)	(75)	(874)	26,319

6. Other Information

(1) Change in Directors (Effective June 26, 2008)

1. New director candidates

Director: Yoshio Furuhashi (Current General Manager, General Affairs Department, Information Systems Management Department, and Corporate Planning Department)

Director: Yasuhito Hanado (See profile below)

(Profile of Mr. Yasuhito Hanado)

April 2003: Professor, Graduate School of Asia-Pacific Studies (International Management),
Waseda University

February 2005: Member of the METI's Subcommittee on Management & Intellectual Assets,
New Growth Policy Committee, Industrial Structure Council (present post)

September 2005: Advisory Board member, Sanrio Company, Ltd.

April 2007: Professor, Graduate School of Commerce (concurrently Graduate School of Asia-Pacific Studies),
Waseda University (present post)

May 2007: Appointed Outside Director, PARCO CO., LTD. (present post)

Note: Mr. Yasuhito Hanado is an outside director in accordance with Article 2, Item 15 of the Corporation Law.

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.