

## Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2009

Company name: Sanrio Company, Ltd.	Listed Stock Exchange: TSE 1st Section
Stock code: 8136	URL: <a href="http://www.sanrio.co.jp/english/ir/">http://www.sanrio.co.jp/english/ir/</a>
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Scheduled date of filing of Quarterly Report: August 14, 2008	

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

### 1. Consolidated Financial Results for the First Quarter of FY3/09 (April 1, 2008 – June 30, 2008)

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY3/09	16,786	-	1,762	-	1,700	-	782	-
First quarter of FY3/08	21,447	(6.3)	1,554	(18.3)	1,479	(8.9)	285	(77.1)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
First quarter of FY3/09	7.56	-
First quarter of FY3/08	1.91	1.90

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY3/09	86,803	32,991	38.0	261.75
FY3/08	88,971	32,996	37.1	257.74

(Reference) Shareholders' equity (millions of yen)    First quarter of FY3/09:    32,972                      FY3/08:    32,983

### 2. Dividends

(Record date)	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY3/08	-	-	-	10.00	10.00
FY3/09	-	-	-	-	-
FY3/09 (forecast)	-	-	-	10.00	10.00

Notes: 1. Revision of dividend forecast during the period: None

2. The dividend figures above show dividends for common stock. Please refer to "Dividends of classified stock" on page 2 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	-	3,006	-	2,598	-	1,288	-	12.33
Full year	72,122	(23.2)	7,685	16.2	6,918	31.4	3,755	235.3	38.90

Note: Revision of consolidated forecast during the period: None

**4. Other**

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

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Position, 4. Other” on page 6 for further information.

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Qualitative Information and Financial Position, 4. Other” on page 7 for further information.

(4) Number of outstanding shares (common stock)

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

First quarter of FY3/09:	88,148,431 shares	FY3/08:	88,148,431 shares
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2) Number of treasury stock at the end of period

First quarter of FY3/09:	847,135 shares	FY3/08:	847,135 shares
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3) Average number of shares outstanding during the period

First quarter of FY3/09:	87,301,296 shares	First quarter of FY3/08:	87,298,956 shares
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\* Cautionary statement with respect to forward-looking statements

- Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements”.
- Forecasts stated above are based on estimates and judgments of the Company’s management made in accordance with information available at the time this report was prepared, and involve numerous uncertain elements that may cause actual results to differ from these forecasts due to changes in business conditions and other factors.

**Dividends of classified stock**

Breakdown of dividends for classified stock whose rights are different from those of common stock.

(Record date)	Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Class B preferred stocks					
FY3/08	-	-	-	482.21	482.21
FY3/09	-	-	-	-	-
FY3/09 (forecast)	-	-	-	375.97	375.97

## Qualitative Information and Financial Position (First Quarter of FY3/09)

### 1. Qualitative information regarding consolidated business results

In the first quarter of the current fiscal year (covering the three months from April 1, 2008 to June 30, 2008), the global economy showed increasing signs of inflation, with the rising prices of goods led by a surge in crude oil prices, while the financial markets experienced turmoil triggered by the lingering subprime mortgage crisis. As regards the consumer spending environment in Japan and overseas, external factors such as the surge in gasoline and food prices made consumers more conservative. There was also rising concern over a worldwide economic recession.

Amid this business environment, the Sanrio Group experienced growth in both product sales and licensing in overseas markets, particularly in Europe, along with growing recognition of our characters throughout the world. Our domestic sales also entered a recovery trend, despite generally sluggish consumer spending.

Total sales amounted to 16.7 billion yen, down 21.7% year-on-year. Of these, domestic sales amounted to 12.1 billion yen (down 28.2%), reflecting a change in the accounting method for sales (see note below) whereby transactions involving Sanrio character goods designed by other companies are now accounted as royalty income. Significant growth in Europe helped boost overseas sales 2.3% to 4.6 billion yen (a sales ratio of 27.7%) despite a negative impact from the year-on-year appreciation of the yen. Operating profit rose 13.4% to 1.7 billion yen, as domestic product sales began to recover in Japan's sluggish consumer spending environment and added to the significant growth in sales and profit in Europe, where business is buoyant.

Ordinary profit was 1.7 billion yen (up 14.9%), reflecting an improvement in non-operating profit attributable to currency gains generated by the depreciation of the yen at the end of period when compared to the average rate within the period under review. Net profit before income taxes and other adjustments amounted to 1.6 billion yen (up 43.2%), despite a valuation loss recorded due to the adoption of the cost accounting method (write-down of book value, reflecting lower profitability) for the valuation of inventories. Net profit of 700 million yen (up 173.8%) was recorded for the period under review.

Note: Please refer to "Announcement Regarding Change in Types of Transaction of Our Character Goods Designed by Other Companies and Its Impact on Revenues" released on April 17, 2008.

Sales and gross profit through the Buy-Sell transaction format in the previous first quarter were 6.9 billion yen and 1.1 billion yen respectively.

#### Business Results by Segment

(100 millions of yen)

	Sales				Operating profit			
	1Q of FY3/08	1Q of FY3/09	Increase/decrease	Change %	1Q of FY3/08	1Q of FY3/09	Increase/decrease	Change %
Social communication gifts	195	150	(45)	(23.1)%	21	25	3	17.9%
Theme parks	15	12	(3)	(20.0)%	(1)	(2)	(0)	-
Other business	3	5	1	41.1%	0	(0)	(1)	-
Corporate and eliminations	-	-	-	-	(4)	(4)	(0)	-
Consolidated	214	167	(46)	(21.7)%	15	17	2	13.4%

#### 1) Social communication gifts:

Sales fell 23.1% year-on-year to 15 billion yen, and operating profit rose 17.9% to 2.5 billion yen

The fall in sales was attributable to the above-mentioned changes to the sales accounting method. Disregarding the effects of this change would result in an 8.9% year-on-year rise in sales due to significant growth in overseas business and a recovery in domestic product sales. Overseas, Hello Kitty licensing centered on the European region continued its high growth trend from the previous fiscal year, further boosting product sales. The domestic product sales business also bottomed out from the second half of the previous fiscal year and entered a recovery phase. Domestic licensing remained around the previous fiscal year's level, affected by a delay in the recovery of apparel goods orders due to the continuing slump in the consumption environment and unseasonable weather. On the product and character sides, "Sugar Bunnies" greatly increased product and licensing sales to supplement the domestically sold Japanese-style "Made in Japan" series of "Hello Kitty" souvenirs, which is hugely popular among overseas tourists and housewives.

Existing-store sales (based on directly owned stores and directly operated shops within department stores) achieved 102.6% of the year-ago level in Japan, for an 8.7 point acceleration of growth, and 106% in the U.S. for a 1.6 point acceleration of growth.

## 2) Theme parks:

Sales fell 20.0% year-on-year to 1.2 billion yen, and operating loss stood at 0.2 billion yen, a fall of 0.02 billion yen

A major factor behind the fall in sales and profits was the rising price of gasoline, which led to a noticeable decline in the number of visitors arriving by car at Sanrio Puroland in Tama City, Tokyo and Harmony Land in Oita Prefecture. Amid the conservative consumption trend influenced by the rising prices of lifestyle-related goods, the previous fiscal year's lack of discount initiatives, though now corrected, continued to affect visitor numbers. The partial closure of Sanrio Puroland in order to maintain attractions and shift to new musical programs also had an effect. At the outdoor theme park Harmony Land, heavy rainfall in June resulted in a fall in visitor numbers. Meanwhile, the strong yen and a rise in surcharges on the regular flights from Hong Kong to Kagoshima and Taipei to Miyazaki adversely affected the number of group visitors from overseas.

## 3) Other business:

Sales rose 41.1% year-on-year to 0.5 billion yen, and operating loss stood at 0.07 billion yen, a fall of 0.11 billion yen

Business mainly comprises restaurants, real estate leasing, and robot and movie production. The rise in sales was chiefly attributable to robot producer Kokoro Co., Ltd. becoming a consolidated subsidiary from the first half of fiscal year, set against a rise in operating costs and sales costs for sweet shops coming to grips with the new store format.

## Results by Geographic Segment

(100 millions of yen)

	Sales				Operating profit			
	1Q of FY3/08	1Q of FY3/09	Increase/decrease	Change %	1Q of FY3/08	1Q of FY3/09	Increase/decrease	Change %
Japan	175	127	(48)	(27.6)%	12	12	0	4.8%
North America	13	10	(2)	(21.7)%	1	1	(0)	(45.8)%
Europe	11	21	10	92.2%	3	6	3	102.6%
Other areas	14	8	(5)	(38.9)%	2	1	(0)	(28.8)%
Corporate and eliminations	-	-	-	-	(4)	(4)	(0)	-
Consolidated	214	167	(46)	(21.7)%	15	17	2	13.4%

1) Japan: Sales fell 27.6% year-on-year to 12.7 billion yen, and operating profit rose 4.8% to 1.2 billion yen

The fall in sales is mainly attributable to the change in sales accounting, without which sales would have risen 3.2% year-on-year. This is because domestic product sales, which had fallen for each of the previous ten years, bottomed out in the previous fiscal year and started to recover. Meanwhile Sanrio covered its theme parks and robot production business costs to record an operating profit by endeavoring to reduce costs during the sales slump in the product sales business and taking profit-boosting measures, such as investing in high value-added and high unit-price items (including digital cameras) to cover the cost of raw materials.

2) North America: Sales fell 21.7 % year-on-year to 1.0 billion yen, and operating profit fell 45.8% to 0.1 billion yen

Sales slowed dramatically due to soaring gasoline prices and the subprime mortgage crisis stemming from a fall in house prices, which in turn led to a decline in consumer spending. The decline in sales and profit is mainly attributable to a decrease in wholesale and special orders due to a sharp fall in the value of the dollar against the yen compared to the same period of previous fiscal year and a worsening consumer environment. Moreover, a review of the North American licensing strategy planned for the beginning of the period has affected the transition to partners endowed with a greater global market and product development capability.

3) Europe: Sales rose 92.2% year-on-year to 2.1 billion yen, and operating profit rose 102.6% to 0.6 billion yen

The European region performed well, and the product sales business expanded rapidly, centered on Italy, Spain, France, and Germany. The licensing business also grew rapidly, especially for “Hello Kitty” related clothing, focused on the major North European apparel companies as well as those in France, Spain, the UK, and Italy.

4) Other areas (Brazil, Latin America, Asia, etc.):

Sales fell 38.9% year-on-year to 0.8 billion yen, and operating profit fell 28.8% to 0.1 billion yen

In the Latin American region, exports stagnated in regions outside Brazil, influenced by the economic slowdown and uncertainties around foreign currency regulations and the political situation. In Brazil, while the market remained buoyant, sales fell due to revisions in accounting procedures from the current quarter, and operating profits fell due to a sharp year-on-year appreciation of the yen against the dollar. In the Asian region, sales and profits fell in Taiwan due to the unsteady consumer environment that emerged the previous year, and in Hong Kong (as in Japan) sales fell due to a change in sales accounting. Excluding these influences would result in an actual rise in sales and profits. In South Korea, sales dropped sharply as control of the master license was transferred from our subsidiary to a local joint venture, but profits rose slightly. In China, directly managed and franchised stores run by agencies rose to a total of 115 with stores in urban areas performing well.

## 2. Qualitative information regarding consolidated financial position

At the end of the first quarter, total assets stood at 86.8 billion yen, a fall of 2.1 billion yen from the end of the previous fiscal year. The main fluctuating items were a 1.3 billion yen rise in items such as lease assets resulting from the application of accounting standards relating to lease transactions, investment securities, and long-term deposits, set against a 3.5 billion yen fall in trade notes and accounts receivable due to such factors as the change in sales accounting. Meanwhile liabilities stood at 53.8 billion yen, another fall of 2.1 billion yen. The main fluctuating items were a 0.8 billion yen rise in allowance for bonuses and lease debts, set against a 1.6 billion yen fall in trade notes and accounts payable due to the change in sales accounting (as with trade notes and accounts receivable). We cut interest-bearing debt by 0.6 billion yen and accrued income taxes by 0.2 billion yen aimed at improving financials. Net assets stood at 32.9 billion yen, almost unchanged from the end of the previous fiscal year, due to a fall resulting from dividend payments and a rise in the net unrealized gain on other securities. The equity ratio was 38.0%, up 0.9 percentage points from the end of the previous fiscal year.

Cash flows from operating activities amounted to an inflow of 3.2 billion yen (year-on-year increase in income of 3.1 billion yen). This was mainly attributable to total inflows of 4.2 billion yen, including operating profit of 1.7 billion yen, depreciation and provisions of 0.6 billion yen, and a fall in working capital including accounts receivable, accounts payable, and inventories of 1.8 billion yen, set against an outflow of 0.6 billion yen from interest, income tax, and other payments.

Cash flows from investing activities resulted in an outflow of 1.0 billion yen (year-on-year decrease in income of 1.1 billion yen). This was mainly attributable to payments of 0.3 billion yen for the purchase of tangible fixed assets, such as the establishment of new stores and interior decorating, 0.6 billion yen for adding to long-term time deposits, and 0.4 billion yen for the purchase of investment securities and loans receivable for a total outflow of 1.4 billion yen, set against an inflow of 0.3 billion yen due to the withdrawal of time deposits and recovery of guarantees.

Cash flows from financing activities resulted in a net outflow of 2.1 billion yen (year-on-year increase in outlays of 1.0 billion yen). This was mainly attributable to repayment of interest-bearing debt of 0.7 billion yen and dividends paid of 1.3 billion yen.

As a result of the above, cash and cash equivalents at the end of the first quarter rose 0.1 billion yen from the end of the previous fiscal year to 12.6 billion yen.

### 3. Qualitative information regarding forecasts for consolidated business results

Amid the global financial unease surrounding fears of inflation due to soaring crude oil prices and the downturn in the US housing market, a state of uncertainty is predicted both for the domestic and international economies. Corporate profit growth is also slowing, and there are worries about the impact of the consumer environment surrounding the Company.

Under these conditions, the Company anticipates continued overseas growth in the social communication gift business, centered on Europe, and a strong recovery in domestic product sales.

In the theme park business, we plan to take all actions to attract customers for the summer vacation period, when the greatest proportion of Sanrio Puroland's new musical productions and events are shown. When the effects of improvements to discount policies (a key cause of the previous year's slump) emerge, we will endeavor to cut costs still further and so reduce the year-on-year operating loss.

Regarding other business, we expect to achieve a recovery in the sweet shop and robot production business, and achieve DVD movie sales in line with plans.

As a result of the above, we are making no changes to performance projections released on May 15, 2008 with regard to consolidated first-half and full-year results.

#### (Reference) Overseas Sales and Profit for the Past First Quarters by Area

(Millions of yen)

Areas		Sales to customers					Operating profit				
		Jun. 2006	Jun. 2007	Change (%)	Jun. 2008	Change (%)	Jun. 2006	Jun. 2007	Change (%)	Jun. 2008	Change (%)
North America	U.S.A.	1,550	1,336	(13.8)	1,046	(21.7)	123	193	56.0	104	(45.8)
Latin America	Brazil	117	212	81.2	153	(27.7)	31	89	186.9	32	(63.4)
Asia	Hong Kong	556	807	45.0	416	(48.3)	37	95	154.5	100	4.9
	Taiwan	330	234	(29.2)	157	(32.6)	145	37	(74.2)	11	(70.2)
	Korea	91	112	22.8	58	(47.7)	10	25	134.9	27	5.7
	China	29	72	143.9	92	26.8	1	19	1,696.1	19	(0.7)
Asia subtotal		1,008	1,226	21.6	725	(40.8)	195	178	(8.4)	158	(11.4)
Europe	Europe	455	1,122	146.4	2,157	92.2	86	342	294.1	694	102.6
Total		3,132	3,897	24.4	4,083	4.8	437	805	83.9	990	23.1

#### 4. Other

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

Not applicable.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

1) Simplified accounting methods

i. Valuation of inventories

For inventories at the end of the period under review, a valuation was determined by using a reasonable method based on actual inventories at the end of the previous fiscal year. No physical inventory count was performed.

ii. Calculation of depreciation expense for fixed assets

For assets subject to the declining balance method, depreciation expense for the period under review is calculated pro rata from the full-year amount of depreciation expense for the fiscal year.

2) Special accounting methods in the preparation of quarterly consolidated financial statements

Not applicable.

- (3) Changes in accounting principles, procedures and presentation methods, etc. for preparation of quarterly consolidated financial statements
- 1) Application of “Accounting Standards for Quarterly Financial Statements” and other pronouncements  
Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12: Accounting Standards Board of Japan, March 14, 2007) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14: Accounting Standards Board of Japan, March 14, 2007). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”
  - 2) Application of “Accounting Standards for Measurement of Inventories”  
In prior years, inventory was computed primarily by the moving-average cost method. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: Accounting Standards Board of Japan, July 5, 2006) from the period under review, inventory is valued primarily by the moving-average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). As a result, operating profit and ordinary profit have both increased by 12 million yen while net profit before income taxes and other adjustments has decreased by 67 million yen. The impact of the change on segment information is described in the corresponding section.
  - 3) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”  
Effective from the period under review, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18: Accounting Standards Board of Japan, May 17, 2006) and has made the necessary adjustments to the consolidated financial statements.  
This change has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.
  - 4) Application of “Accounting Standards for Lease Transactions” and other pronouncements  
In prior years, the Company accounted for finance leases where there is no transfer of ownership primarily as ordinary lease transactions for accounting purposes. However, the Company is able to use the following accounting standards beginning with quarterly consolidated financial statements for fiscal years starting on or after April 1, 2008: “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993, and revised on March 30, 2007 by Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994, and revised on March 30, 2007 by Accounting Standards Board of Japan). The Company has adopted these standards and guidance beginning with the period under review, using an accounting method for leases that is based on the method used for ordinary purchases and sales. Furthermore, for the depreciation of lease assets associated with finance leases where there is no transfer of ownership, the straight-line method with no residual value is applied with the lease period used as the useful life of the asset. For finance leases where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company will continue to use an accounting method that is based on the method used for ordinary lease transactions.  
The effect of this change was to increase tangible and intangible fixed assets by 485 million yen and 88 million yen, respectively. In addition, this change has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.

#### **Additional information**

Effective from the period under review, the useful lives of “machinery and equipment” at the Company and its domestic consolidated subsidiaries have been reviewed, given the amendment of the Corporation Tax Law of Japan. This change has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.

**5. Quarterly Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of yen)

	First quarter of FY3/09 (As of Jun. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
<b>Assets</b>		
Current assets		
Cash and deposit	12,926	12,968
Trade notes and accounts receivable	9,589	13,121
Merchandise	4,564	4,482
Finished goods	400	431
Work in process	179	142
Other	4,504	4,461
Allowance for doubtful accounts	(242)	(268)
Total current assets	31,922	35,338
Fixed assets		
Tangible fixed assets		
Buildings and structures	9,561	9,559
Land	11,465	11,397
Other	2,105	1,761
Total tangible fixed assets	23,132	22,718
Intangible fixed assets	538	456
Investments and other assets		
Deferred tax assets	9,281	9,707
Allowance for doubtful accounts	(904)	(919)
Other	22,795	21,631
Total investments and other assets	31,172	30,419
Total fixed assets	54,843	53,593
Deferred assets	37	39
Total assets	86,803	88,971
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	6,812	8,478
Short-term borrowings	21,725	21,383
Accrued income taxes	559	805
Allowance for bonuses	706	422
Reserve for adjustment of returned goods	89	80
Other	7,149	7,079
Total current liabilities	37,043	38,250
Long-term liabilities		
Corporate bonds	5,210	5,560
Long-term borrowings	2,867	3,556
Reserve for retirement benefits for employees	6,824	6,816
Reserve for retirement benefits for directors	456	451
Other	1,411	1,339
Total long-term liabilities	16,769	17,724
Total liabilities	53,812	55,974

(Millions of yen)

	First quarter of FY3/09 (As of Jun. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
<b>Net assets</b>		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus	10,095	10,095
Retained earnings	11,480	12,034
Treasury stock	(954)	(954)
Total shareholder's equity	35,621	36,175
Valuation and translation adjustment		
Net unrealized gain (loss) on other securities	(595)	(839)
Deferred hedge gain (loss)	(40)	(92)
Foreign currency translation adjustments	(2,012)	(2,260)
Total valuation and translation adjustment	(2,649)	(3,192)
Minority interests	18	13
Total net assets	32,991	32,996
Total liabilities and net assets	86,803	88,971

**(2) Consolidated Income Statement**

	(Millions of yen)
	First quarter of FY3/09 (Apr. 1, 2008 - Jun. 30, 2008)
Sales	16,786
Cost of sales	7,447
Gross profit	9,339
Provision of reserve for adjustment of returned goods	9
Net gross profit on sales	9,330
Selling, general and administrative expenses	7,567
Operating profit	1,762
Non-operating profit	
Interest income	80
Foreign exchange gain	162
Other income	74
Total non-operating profit	316
Non-operating expenses	
Interest expense	185
Tax and public charges	141
Other expenses	53
Total non-operating expenses	379
Ordinary profit	1,700
Extraordinary gains	
Reversal of allowance for doubtful accounts	23
Other	0
Total extraordinary gains	23
Extraordinary losses	
Valuation loss on inventories	79
Other	19
Total extraordinary losses	99
Net profit before income taxes and other adjustments	1,624
Income taxes - current	290
Income taxes - deferred	547
Total income taxes	838
Minority interests in income of consolidated subsidiaries	4
Net profit	782

**(3) Consolidated Cash Flow Statement**

	(Millions of yen)
	First quarter of FY3/09 (Apr. 1, 2008 - Jun. 30, 2008)
Cash flows from operating activities	
Net profit before income taxes and other adjustments	1,624
Depreciation	393
Amortization of long-term prepaid expenses	24
Increase (decrease) in allowance for doubtful accounts	(30)
Increase (decrease) in reserve for bonuses	284
Interest and dividend income	(114)
Interest expense	185
Decrease (increase) in accounts receivable	3,537
Decrease (increase) in inventories	(43)
Decrease (increase) in other assets	(122)
Increase (decrease) in accounts payable	(1,670)
Increase (decrease) in consumption tax payable	122
Increase (decrease) in other liabilities	(467)
Other	(6)
Subtotal	<u>3,716</u>
Interests and dividends received	137
Interests paid	(112)
Income taxes paid	(491)
Cash flows from operating activities	<u>3,250</u>
Cash flows from investing activities	
Payments for time deposits	(31)
Withdrawal of time deposits	208
Payments for purchase of tangible fixed assets	(319)
Payments for purchase of investment securities	(208)
Proceeds from sale of investment securities	10
Payments for loans receivable	(286)
Collection of guarantees	182
Other	(626)
Cash flows from investing activities	<u>(1,070)</u>
Cash flows from financing activities	
Increase in short-term borrowings	612
Decrease in short-term borrowings	(368)
Decrease in long-term borrowings	(598)
Payment for redemption of corporate bonds	(350)
Dividends paid	(1,346)
Other	(71)
Cash flows from financing activities	<u>(2,123)</u>
Effect of exchange rate changes on cash and cash equivalents	121
Increase (decrease) in cash and cash equivalents	<u>177</u>
Cash and cash equivalents at beginning of period	<u>12,445</u>
Cash and cash equivalents at end of period	<u>12,623</u>

## Note

Effective from the current fiscal year, the Company has adopted the “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements”.

**(4) Going Concern Assumption**

First quarter of FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

Not applicable.

**(5) Segment Information**

Business segment information

First quarter of FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	15,043	1,212	530	16,786	-	16,786
(2) Inter-segment	166	287	28	482	(482)	-
Total	15,209	1,500	559	17,269	(482)	16,786
Operating profit (loss)	2,522	(211)	(71)	2,239	(476)	1,762

Notes: 1. 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
	Copyright management	Management of licenses
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. As described in 4. (3) 2) of “Qualitative Information and Financial Statements,” a cost method mainly based on the moving-average method was previously adopted for calculating inventories, but effective from the period under review inventories are calculated using the cost method mainly based on the moving-average method, by which the amounts of the inventories presented on the balance sheet are subject to write-down due to decreased profitability of assets. Given this change, operating profit of the social communication gifts business for the period under review has increased by 12 million yen.

## Geographical segment information

First quarter of FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

(Millions of yen)

	Japan	Europe	Other areas	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	12,702	2,157	1,925	16,786	-	16,786
(2) Inter-segment	1,062	0	373	1,436	(1,436)	-
Total	13,765	2,157	2,299	18,222	(1,436)	16,786
Operating profit	1,269	694	296	2,260	(497)	1,762

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

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

(1) Europe: Italy, France, Spain, Germany, etc.

(2) Other areas: U.S., Hong Kong, Taiwan, South Korea, Brazil, China

3. As described in 4. (3) 2) of “Qualitative Information and Financial Statements,” a cost method mainly based on the moving-average method was previously adopted for calculating inventories, but effective from the period under review inventories are calculated using the cost method mainly based on the moving-average method, by which the amounts of the inventories presented on the balance sheet are subject to write-down due to decreased profitability of assets. Given this change, operating profit of “Japan” for the period under review has increased by 12 million yen.

## Overseas sales

First quarter of FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

(Millions of yen)

	Europe	Other areas	Total
I Overseas sales	2,170	2,474	4,645
II Consolidated sales	-	-	16,786
III Percentage of overseas sales over consolidated sales (%)	12.9	14.7	27.7

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

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

(1) Europe: Italy, France, Spain, Germany, etc.

(2) Other areas: U.S., Hong Kong, Taiwan, South Korea, Thailand, 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., Hong Kong, Taiwan, South Korea, Germany, Brazil and China (excluding internal transactions).

**(6) Significant Changes in Shareholders' Equity**

First quarter of FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

Not applicable.

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

**Appendix****Financial Statements for the Previous First Quarter****(Summary) Consolidated Income Statement**

(Millions of yen)

Account	First quarter of FY3/08 (Apr. 1, 2007 - Jun. 30, 2007)
	Amount
I Sales	21,447
II Cost of sales	12,359
Gross profit	9,088
Provision of reserve for adjustment of returned goods	32
Net gross profit on sales	9,120
III Selling, general and administrative expenses	7,565
Operating profit	1,554
IV Non-operating profit	262
1. Interest income	97
2. Dividend income	40
3. Other income	123
V Non-operating expenses	337
1. Interest expense	191
2. Other expenses	145
Ordinary profit	1,479
VI Extraordinary gains	397
VII Extraordinary losses	742
Net profit before income taxes and other adjustments	1,134
Income taxes – current	296
Income taxes - deferred	557
Minority interests in income (loss) of consolidated subsidiaries	(5)
Net profit	285

**(Summary) Consolidated Cash Flow Statement**

(Millions of yen)

	First quarter of FY3/08 (Apr. 1, 2007 - Jun. 30, 2007)
	Amount
I Cash flows from operating activities	
1. Net profit before income taxes and other adjustments	1,134
2. Depreciation	330
3. Amortization of long-term prepaid expenses	33
4. Increase in allowance for doubtful accounts	82
5. Increase in reserve for bonuses	297
6. Increase in reserve for retirement benefits for employees	59
7. Increase (decrease) in reserve for adjustment of returned goods	(32)
8. Increase in reserve for retirement benefits for directors	414
9. Interest and dividend income	(138)
10. Interest expense	191
11. Foreign exchange gain	(62)
12. Loss on disposal of fixed assets	7
13. Impairment loss	6
14. Gain on sale of investment securities	(406)
15. Valuation loss on investment securities	296
16. Decrease (increase) in accounts receivable	766
17. Increase in inventories	(117)
18. Decrease (increase) in other assets	(4)
19. Increase (decrease) in accounts payable	(2,817)
20. Decrease in consumption tax payable	(84)
21. Increase in other liabilities	197
22. Other	18
Subtotal	173
23. Interests and dividends received	155
24. Interests paid	(123)
25. Income taxes paid	(128)
Cash flows from operating activities	76
II Cash flows from investing activities	
1. Payments for time deposits	(76)
2. Withdrawal of time deposits	981
3. Payments for purchase of tangible fixed assets	(542)
4. Payments for purchase of investment securities	(1,253)
5. Proceeds from sale of investment securities	912
6. Payments for loans receivable	(87)
7. Collection of loans receivable	55
8. Proceeds from repayment of guarantees	330
9. Payments for other investing activities	(193)
10. Proceeds from other investing activities	0
Cash flows from investing activities	127
III Cash flows from financing activities	
1. Increase in short-term borrowings	362
2. Decrease in short-term borrowings	(150)
3. Increase in long-term borrowings	1,000
4. Decrease in long-term borrowings	(691)
5. Payment for redemption of corporate bonds	(350)
6. Proceeds from sale of treasury stock	4
7. Dividends paid	(1,297)
Cash flows from financing activities	(1,122)
IV Effect of exchange rate changes on cash and cash equivalents	200
V Increase (decrease) in cash and cash equivalents	(717)
VI Cash and cash equivalents at beginning of period	15,534
VII Increase in cash and cash equivalents from new consolidation	-
VIII Cash and cash equivalents at end of period	14,816