



August 14, 2007

**Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2008**

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Stock code: 8136

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

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

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY3/08	21,447	(6.3)	1,554	(18.3)	1,479	(8.9)	285	(77.1)
First quarter of FY3/07	22,879	(2.5)	1,902	4.5	1,625	(4.1)	1,249	(7.4)
FY3/07	96,671		6,222		5,575		4,150	

	Net Profit per Share		Fully-Diluted Net Profit per Share	
	Yen		Yen	
First quarter of FY3/08	1.91		1.90	
First quarter of FY3/07	13.09		12.99	
FY3/07	42.58		42.28	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY3/08	93,984	35,609	37.9	291.69
First quarter of FY3/07	96,182	33,385	34.7	267.97
FY3/07	96,253	36,184	37.6	294.62

(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
First quarter of FY3/08	76	127	(1,122)	14,816
First quarter of FY3/07	1,317	987	(1,359)	15,821
FY3/07	5,658	(349)	(4,795)	15,534

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

We maintain our forecast for the fiscal year ending March 31, 2008 announced on May 15, 2007.

## 3. Other

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

(2) Application of the simple method for accounting treatment: None

(3) Changes in accounting principles from the recent consolidated fiscal year: Yes

Note: Please refer to "Qualitative Information and Financial Position, 4. Other" on page 5 for further information.

\* Cautionary statement with respect to forward-looking statements

Consolidated forecast is based on judgments made in accordance with information currently available. Actual results may differ significantly from the forecasts for a number of reasons.

## Qualitative Information and Financial Position (First Quarter of FY3/08)

### 1. Qualitative information regarding consolidated business results

The economy generally performed well during the first quarter, especially the financial and stock market sectors in Japan and overseas. The consumer environment surrounding Sanrio in Japan, however, continues to lack momentum. Data from department stores, mass merchandisers, convenience stores, and stores dedicated to overseas brands shows sluggish sales of consumer products. Growth in the food and drink sector, centered on restaurants, also failed to meet expectations due to a goods-saturated lifestyle environment and an oversupply of stores.

In this environment, the Sanrio Group struggled in the first quarter. The overseas sector performed much better than expected, however, thanks to growing recognition of Sanrio characters and the strength of the US dollar and the euro.

The first-quarter sales amounted to 21.4 billion yen (down 6.3% year-on-year), comprising domestic sales of 16.9 billion yen (down 11.8%) and overseas sales of 4.5 billion yen (up 22.7%), resulting in an overseas sales ratio of 21.2%. The decline in domestic sales was caused by factors such as a fall in product sales for convenience stores and special orders for corporate customers, sluggish domestic products sales, and a recent downward trend in orders received for the domestic license business. Meanwhile overseas sales growth was led by dramatic expansion in Europe, with Asia and Latin America also contributing. This dramatic growth in Europe as well as North and Latin America, combined with control of selling, general, and administrative expenses, partially offset the profit decline in Japan caused by the overall sales decline of the domestic market to produce an operating profit of 1.5 billion yen (down 18.3%).

Non-operating profit and expenses rose an aggregate 0.2 billion yen year-on-year, thanks to an increase in interest income resulting from efficient management of capital and foreign exchange gains from the weaker yen. This contributed to ordinary profit of 1.4 billion yen (down 8.9%). Net profit before income taxes and other adjustments was 1.1 billion yen, as we decided to record an extraordinary loss of 0.4 billion yen for the previous fiscal years as reserve for retirement benefits for directors, with the aim of preparing for future expense (starting from this fiscal year). Owing to this factor as well as cancellation of dividends by consolidated subsidiaries, deferred income taxes rose temporarily, leaving net profit at 0.2 billion yen (down 77.1%).

### Business Results by Segment

(100 millions of yen)

	Sales to customers				Operating profit			
	FY3/07 1Q	FY3/08 1Q	Increase/ decrease	Change %	FY3/07 1Q	FY3/08 1Q	Increase/ decrease	Change %
Social communication gifts	208	195	(12)	(6.2)	23	21	(2)	(9.8)
Theme parks	17	15	(1)	(11.5)	(0)	(1)	(0)	-
Other business	3	3	0	14.4	0	0	0	1.6
Corporate and eliminations	-	-	-	-	(4)	(4)	(0)	-
Consolidated	228	214	(14)	(6.3)	19	15	(3)	(18.3)

#### Social communication gifts:

Sales fell 6.2% year-on-year to 19.5 billion yen, and operating profit fell 9.8% to 2.1 billion yen.

These falls are mainly attributable to a decline in domestic product sales for convenience stores and special-order business for corporate customers, which performed well in the previous first quarter. Sales from directly-owned stores and directly operated shops within department stores in Japan showed a recovery trend, amounting to 93.9% of the previous first-quarter sales on an existing store basis and 102.2% on all-store basis. On the character side, “Sugar Bunnies” and “My Melody and Kuromi”, as well as the core “Hello Kitty” and “Cinnamoroll” characters, are growing increasingly popular. The product side has created hits with the Banana Case, Ecobag, all-you-can-bag candy and stationery, backpacks, and stainless steel bottles for use when out and about. The domestic licensing business saw falling orders for clothing and accessories licensing influenced by stagnating domestic consumption and the loss of income from the comprehensive license for “Cinnamoroll”, which has led to falling sales and profits. Rapid growth is anticipated, however, from corporate sales campaign, collaborative development using “Barbie” and other characters, and a focus on other companies’ characters exploiting Sanrio’s expertise, including “Pink Panther and Pals” and “Sesame Street”. The growing recognition of Sanrio characters, along with strong performances in the soaring overseas markets, has also led growth to greatly exceed expectations, especially in Europe and North America.

## Theme parks:

Sales fell 11.5% year-on-year to 1.5 billion yen, and operating loss stood at 0.1 billion yen, a fall of 0.09 billion yen.

These falls are mainly attributable to the fact that investment in numerous new events at Sanrio Puroland in Tama City, Tokyo, in May 2007, including “Cinnamon Town Daibouken” (“Cinnamon Town Great Adventure”), “Cinnamo Angels Shashinkan” (“Cinnamo Angels Photo Studio”) and “Illuminant Campaign”, was unable to create effective crowd-pulling events capable of matching “Osharemajo: Love & Berry” (“Fashionable Witch: Love & Berry”), which had been highly popular and effective in the previous first quarter. Higher costs for new parades and shows were also factors. As of June 15, however, toward the end of the first quarter, the reinvention of the Ai, Omoi-yari, and Yujo, (“Love,” “Consideration,” and “Friendship”) characters, developed by Sanrio as a new fairy tale (“Believe”) in the main parade, are proving effective crowd-pullers.

At Harmony Land in the suburbs of Beppu City, Oita Prefecture, trains and character boat rides were revamped, but adverse effects ensued from the rainy weather in the second half of the Golden Week holidays and the fall in the number of foreign visitor groups, especially from Taiwan.

## Other business:

Sales rose 14.4% year-on-year to 0.3 billion yen, and operating profit rose 1.6% to 0.0 billion yen.

Business content comprised restaurant and real estate leasing, with the thriving Kentucky Fried Chicken franchise mainly responsible for the growth in sales and profits.

## Results by Geographic Segment

(100 millions of yen)

	Sales to customers				Operating profit			
	FY3/07 1Q	FY3/08 1Q	Increase/ decrease	Change %	FY3/07 1Q	FY3/08 1Q	Increase/ decrease	Change %
Japan	197	175	(21)	(11.1)	18	12	(6)	(33.4)
North America	15	13	(2)	(13.8)	1	1	0	56.0
Other areas	15	25	9	61.9	3	6	2	94.9
Corporate and eliminations	-	-	-	-	(3)	(4)	(1)	-
Consolidated	228	214	(14)	(6.3)	19	15	(3)	(18.3)

## Japan:

Sales fell 11.1% year-on-year to 17.5 billion yen, and operating profit fell 33.4% to 1.2 billion yen.

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

## North America:

Sales fell 13.8% year-on-year to 1.3 billion yen, and operating profit rose 56.0% to 0.1 billion yen.

The fall in sales revenue was mainly attributable to a review of sales items, and the rise in profits to the recovery of exports and lower direct management costs.

## Other areas (Latin America, Asia, Europe):

Sales rose 61.9% year-on-year to 2.5 billion yen, and operating profit rose 94.9% to 0.6 billion yen.

Major contributing factors included 146.4% sales growth and 294.1% profit growth year-on-year in Europe. Sales grew rapidly in the Italian and Portuguese markets, with canvas tote bags proving a great hit, and small personal care accessories such as rings, necklaces, and bracelet sets for young women contributing, especially in Italy. Latin America raised sales by 81.2% while profits soared 186.9%, and Asia increased sales by 21.6% while profits fell 8.4%.

## 2. Qualitative information regarding consolidated financial position

At the end of the first quarter of the current fiscal year, total assets fell by 2.2 billion yen from the balance at the end of the previous fiscal year to 93.9 billion yen. Specifically, cash and deposit decreased 1.5 billion yen as a result of the payment method for accounts payable having been changed from issuing notes payable to purchasing trust beneficiary rights in the lump-sum accounts payable trust scheme. Further, a part of the Company's investment securities portfolio was sold during the current quarter, resulting in 1.2 billion yen increase of other accounts receivable and the corresponding decrease of investments in securities. Concerning total liabilities and net assets, trade notes and accounts payable decreased 2.6 billion yen due to the adoption of the abovementioned lump-sum accounts payable trust scheme, while net assets decreased 0.5 billion yen. This 0.5 billion yen decrease in net assets can be explained by decrease of 1.3 billion yen due to dividend payment, which was partly offset by 0.4 billion yen increase in foreign currency translation adjustments thanks to weaker yen and net profit for the first quarter. Consequently, equity ratio reached 37.9%, up 0.3% from the end of the previous fiscal year.

### Consolidated cash flow position:

The balance of cash and cash equivalents totaled 14.8 billion yen as of June 30, 2007, which is 0.7 billion yen less than the balance at the end of March 2007.

Cash flows from operating activities amounted to a net inflow of 0.07 billion yen (down 1.2 billion yen year-on-year). This was mainly attributable to operating profit of 1.5 billion yen (down 0.3 billion yen), depreciation and provision for various allowances of 0.7 billion yen (up 0.1 billion yen), decrease in the net balance of accounts receivable and inventories of 0.6 billion yen (up 1.4 billion yen), and interest income of 0.1 billion yen (up slightly year-on-year), making total cash inflows of 2.9 billion yen. On the other hand, there were cash outflows of accounts payable of 2.7 billion yen (up 2.8 billion yen) including the payment of 1.3 billion yen as a result of the purchase of trust beneficiary rights in the lump-sum accounts payable trust scheme, which was adopted in the current fiscal year, and another 0.2 billion yen (down 0.2 billion yen) for interest and income taxes paid.

Cash flows from investing activities resulted in a net inflow of 0.1 billion yen (down 0.8 billion yen year-on-year). The decrease was attributable to withdrawal of time deposits and proceeds from sale of investment securities, the amounts of which were lower than the level during the same period of the previous fiscal year.

Cash flows from financing activities resulted in a net outflow of 1.1 billion yen (down 0.2 billion yen year-on-year). This was mainly attributable to cash dividends of 1.2 billion yen paid by the Company.

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

The Sanrio Group foresees difficulties achieving high growth in a future domestic consumption environment characterized by a goods-saturated lifestyle environment and an oversupply of stores. Many senseless incidents occur in this world, and seem to be on the increase. For this reason, the movement to cherish bonds among family and friends is gradually growing. We believe that the "social communication" gift business, creating bridges between people's hearts, is set to grow. Sanrio's business essentially involves the gift business, supplying gifts for family, relatives, friends, and lovers on occasions including birthdays, sickness, Valentine's Day, and Christmas, not just selling toys, games, and stationery etc. Recently people have come to the opinion that Sanrio's mid- and year-end gifts are the most suitable for families and children, since those gifts tend to be food products. The Sanrio Group must certainly maintain a cautious outlook regarding the domestic product sales business, but with about 320 Sanrio Shop stores in Japan including about 150 directly-owned stores (mainly Gift Gate stores) and about 170 directly-owned shops within department stores, and about another 2,800 stores overseas in Europe, North and Latin America, Hong Kong, Taiwan, China, Russia (Moscow), the Middle East (Dubai), and elsewhere including directly-owned and wholesale stores in North America and Europe, we are endeavouring to create stable overseas growth and overall group expansion.

Recent developments that have shown strong initial results include shop remodeling and the new "Pankunchi" character introduced in the second half of June. We are also developing a large array of products for foreign tourists (including the "Made in Japan" series) at points of sale in major metropolitan stores, where customers can purchase souvenirs in bulk. Sanrio characters have grown more popular overseas, and recently European and American as well as Asian tourists have been buying Sanrio gifts as souvenirs. From this fiscal year's second quarter onward, we also plan to introduce multiple new characters and develop new licensing businesses.

Overseas business has expanded as shown in the following table, which includes figures for the steady growth of agency sales and Sanrio's overseas subsidiary's licensing business. We aim to develop dynamically toward content-related licensing, and anticipate that the social communication gift business will generally supplement the difficult domestic business.

In the theme park business, Sanrio Puroland is hosting "Ancient King Dinosaur Museum ("King Dino")", where visitors can experience popular card games and the TV animation world as a time-limited event added to the new parade during the "big season" that comprises the July and August summer break. Harmony Land is hosting new events including "Hello Kitty's Traveling Around", "Parade Aqua", and the impressive "Circle Life" with a stunning light, laser lights and high-impact firework shows as part of the "Summer Carnival 2007". In line with the above initiatives, we aim to develop overseas the expertise that we have hitherto cultivated in theme parks, and to improve on first-quarter operating loss figures.

As regards other business, we anticipate stable results from the restaurant and real estate leasing businesses.

Concerning interim and full-year forecasts for the fiscal year ending March 31, 2008, we anticipate no changes to the projected figures released on May 15, 2007, which were based on such factors as first-quarter and latest results, and the effectiveness of strategy in the last half-year.

(Reference) Overseas profit and loss by area (First quarter of FY3/08)

(Millions of yen)

Areas		Sales to customers					Operating profit				
		Jun. 2005	Jun. 2006	Change (%)	Jun. 2007	Change (%)	Jun. 2005	Jun. 2006	Change (%)	Jun. 2007	Change (%)
North America	U.S.A.	1,783	1,550	(13.0)	1,336	(13.8)	76	123	62.6	193	56.0
Latin America	Brazil	94	117	24.6	212	81.2	31	31	(1.6)	89	186.9
Asia	Hong Kong	320	556	73.6	807	45.0	44	37	(16.0)	95	154.5
	Taiwan	397	330	(16.7)	234	(29.2)	66	145	120.8	37	(74.2)
	Korea	160	91	(43.1)	112	22.8	35	10	(69.5)	25	134.9
	China	41	29	(28.7)	72	143.9	14	1	(92.4)	19	1,696.1
Subtotal		920	1,008	9.6	1,226	21.6	161	195	21.3	178	(8.4)
Europe	Europe	490	455	(7.1)	1,122	146.4	91	86	(4.6)	342	294.1

#### 4. Other

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

Not applicable.

(2) Application of the simple method for accounting treatment

Not applicable

(3) Changes in accounting principles from the recent consolidated fiscal year

(Change in depreciation method of tangible fixed assets)

Pursuant to an amendment to the Corporation Tax Law effective from the current fiscal year, depreciation method of tangible fixed assets acquired on or after April 1, 2007 has been changed to the method stipulated in the amended Corporation Tax Law.

(Reserve for retirement benefits for directors)

Pursuant to "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), the amount of 414 million yen, which is to be paid at the end of the period based on the internal rule, has been recorded as reserve for retirement benefits for directors from the current fiscal year. Given this change, the Company recognized during the first quarter of the current fiscal year the expense of 414 million yen as the provision of the reserve for retirement benefits for directors, which is further classified as selling, general and administrative expenses of 4 million yen incurred during the first quarter of the current fiscal year and extraordinary loss of 409 million yen corresponding to the prior fiscal years.

## 5. (Summary) Consolidated Financial Statements

## (1) (Summary) Consolidated Balance Sheets

(Millions of yen, %)

Account	First quarter of FY3/07 (As of Jun. 30, 2006)	First quarter of FY3/08 (As of Jun. 30, 2007)	Increase/ decrease		(Reference) FY3/07 (As of Mar. 31, 2007)
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
<b>I Current assets</b>					
1. Cash and deposit	15,894	15,201	(692)	(4.4)	16,796
2. Trade notes and accounts receivable	11,945	12,169	224	1.9	12,832
3. Inventories	6,013	5,840	(172)	(2.9)	5,692
4. Other accounts receivable	363	2,069	1,706	469.7	827
5. Deferred tax assets	2,469	2,663	194	7.9	2,685
6. Other	1,024	1,176	152	14.9	948
7. Allowance for doubtful accounts	(190)	(176)	14	-	(242)
<b>Total current assets</b>	<b>37,519</b>	<b>38,945</b>	<b>1,425</b>	<b>3.8</b>	<b>39,540</b>
<b>II Fixed assets</b>					
<b>1. Tangible fixed assets</b>					
(1) Buildings and structures	10,245	10,228	(16)	(0.2)	10,329
(2) Machinery and equipment	772	1,093	321	41.6	855
(3) Land	11,560	11,660	99	0.9	11,599
(4) Construction in progress	64	23	(41)	(63.5)	68
(5) Other	609	628	19	3.2	570
<b>Total tangible fixed assets</b>	<b>23,251</b>	<b>23,634</b>	<b>383</b>	<b>1.6</b>	<b>23,423</b>
<b>2. Intangible fixed assets</b>	<b>251</b>	<b>336</b>	<b>85</b>	<b>34.1</b>	<b>259</b>
<b>3. Investments and other assets</b>					
(1) Investments in securities	10,768	7,413	(3,354)	(31.2)	8,671
(2) Long-term loans	4,812	4,923	110	2.3	4,917
(3) Guarantees	6,009	4,579	(1,430)	(23.8)	4,671
(4) Deferred tax assets	11,275	10,313	(962)	(8.5)	10,872
(5) Other	2,644	4,463	1,819	68.8	4,359
Allowance for doubtful accounts	(502)	(672)	(169)	-	(520)
<b>Total investments and other assets</b>	<b>35,008</b>	<b>31,021</b>	<b>(3,987)</b>	<b>(11.4)</b>	<b>32,973</b>
<b>Total fixed assets</b>	<b>58,511</b>	<b>54,992</b>	<b>(3,518)</b>	<b>(6.0)</b>	<b>56,656</b>
<b>III Deferred assets</b>					
1. Stock issuance costs	60	-	(60)	-	-
2. Corporate bond issuance costs	91	46	(44)	(48.8)	55
<b>Total deferred assets</b>	<b>151</b>	<b>46</b>	<b>(104)</b>	<b>(69.1)</b>	<b>55</b>
<b>Total assets</b>	<b>96,182</b>	<b>93,984</b>	<b>(2,198)</b>	<b>(2.3)</b>	<b>96,253</b>

(Millions of yen, %)

Account	First quarter of FY3/07 (As of Jun. 30, 2006)	First quarter of FY3/08 (As of Jun. 30, 2007)	Increase/ decrease		(Reference) FY3/07 (As of Mar. 31, 2007)
	Amount	Amount	Amount	%	Amount
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Trade notes and accounts payable	11,720	8,947	(2,773)	(23.7)	11,614
2. Short-term borrowings	19,465	19,419	(46)	(0.2)	19,059
3. Current portion of corporate bonds to be redeemed	2,000	2,068	68	3.4	2,068
4. Accrued income taxes	285	455	170	59.6	430
5. Allowance for bonuses	639	671	31	5.0	374
6. Reserve for adjustment of returned goods	65	85	20	30.8	117
7. Deferred tax liabilities	-	0	0	-	-
8. Other	4,154	4,764	610	14.7	4,666
<b>Total current liabilities</b>	<b>38,331</b>	<b>36,411</b>	<b>(1,919)</b>	<b>(5.0)</b>	<b>38,329</b>
<b>II Long-term liabilities</b>					
1. Corporate bonds	7,909	6,487	(1,422)	(18.0)	6,837
2. Long-term borrowings	9,344	7,483	(1,861)	(19.9)	7,314
3. Reserve for retirement benefits for employees	6,247	6,570	322	5.2	6,509
4. Long-term deposits received	703	651	(52)	(7.4)	679
5. Long-term accounts payable	136	210	74	54.1	192
6. Reserve for retirement benefits for directors	-	414	414	-	-
7. Other	123	146	22	18.1	206
<b>Total long-term liabilities</b>	<b>24,465</b>	<b>21,962</b>	<b>(2,502)</b>	<b>(10.2)</b>	<b>21,739</b>
<b>Total liabilities</b>	<b>62,797</b>	<b>58,374</b>	<b>(4,422)</b>	<b>(7.0)</b>	<b>60,069</b>
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
1. Capital	14,999	14,999	-	-	14,999
2. Capital surplus	10,093	10,095	2	0.0	10,095
3. Retained earnings	9,736	11,635	1,898	19.5	12,657
4. Treasury stock	(992)	(956)	36	-	(960)
<b>Total shareholder's equity</b>	<b>33,837</b>	<b>35,775</b>	<b>1,937</b>	<b>5.7</b>	<b>36,792</b>
<b>II Valuation and translation adjustment</b>					
1. Net unrealized gain (loss) on other securities	994	382	(611)	(61.5)	459
2. Deferred hedge gain (loss)	(58)	(19)	39	-	(56)
3. Foreign currency translation adjustments	(1,424)	(554)	869	-	(1,042)
<b>Total valuation and translation adjustment</b>	<b>(488)</b>	<b>(191)</b>	<b>297</b>	<b>-</b>	<b>(638)</b>
<b>III Minority interests</b>	<b>36</b>	<b>26</b>	<b>(10)</b>	<b>(28.4)</b>	<b>30</b>
<b>Total net assets</b>	<b>33,385</b>	<b>35,609</b>	<b>2,224</b>	<b>6.7</b>	<b>36,184</b>
<b>Total liabilities and net assets</b>	<b>96,182</b>	<b>93,984</b>	<b>(2,198)</b>	<b>(2.3)</b>	<b>96,253</b>

**(2) (Summary) Consolidated Income Statement**

(Millions of yen, %)

Account	First quarter of FY3/07 (Apr. 1, 2006 - Jun. 30, 2006)	First quarter of FY3/08 (Apr. 1, 2007 - Jun. 30, 2007)	Increase/ decrease		(Reference) FY3/07 (Apr. 1, 2006 - Mar. 31, 2007)
	Amount	Amount	Amount	%	Amount
I Sales	22,879	21,447	(1,432)	(6.3)	96,671
II Cost of sales	13,298	12,359	(939)	(7.1)	57,961
Gross profit	9,581	9,088	(492)	(5.1)	38,709
Provision of reserve for adjustment of returned goods	-	-	-	-	36
Reversal from reserve for adjustment of returned goods	16	32	16	100.0	-
Net gross profit on sales	9,597	9,120	(476)	(5.0)	38,673
III Selling, general and administrative expenses	7,695	7,565	(129)	(1.7)	32,451
Operating profit	1,902	1,554	(347)	(18.3)	6,222
IV Non-operating profit	136	262	125	92.2	771
1. Interest income	59	97	38	64.5	351
2. Dividend income	39	40	1	4.9	99
3. Other income	38	123	85	224.6	320
V Non-operating expenses	413	337	(76)	(18.4)	1,418
1. Interest expense	208	191	(16)	(8.0)	802
2. Other expenses	205	145	(59)	(28.9)	615
Ordinary profit	1,625	1,479	(145)	(8.9)	5,575
VI Extraordinary gains	324	397	72	22.5	1,005
VII Extraordinary losses	200	742	542	271.2	620
Net profit before income taxes and other adjustments	1,749	1,134	(615)	(35.2)	5,960
Income taxes - current	184	296	112	60.8	845
Income taxes - deferred	312	557	244	78.2	971
Minority interests in income (loss) of consolidated subsidiaries	2	(5)	(7)	-	(6)
Net profit	1,249	285	(964)	(77.1)	4,150

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

First quarter of FY3/07 (Apr. 1, 2006 – Jun. 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	14,999	10,092	9,780	(1,004)	33,868
Changes in amounts during the period					
Dividends from surplus	-	-	(1,293)	-	(1,293)
Net profit	-	-	1,249	-	1,249
Purchase of treasury stock	-	-	-	11	11
Disposal of treasury stock	-	0	-	-	0
Total of the changes in amounts during the period	-	0	(43)	11	(31)
Balance as of June 30, 2006	14,999	10,093	9,736	(992)	33,837

	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 March 31, 2006	1,868	-	(1,266)	601	34	34,504
Changes in amounts during the period						
Dividends from surplus	-	-	-	-	-	(1,293)
Net profit	-	-	-	-	-	1,249
Purchase of treasury stock	-	-	-	-	-	11
Disposal of treasury stock	-	-	-	-	-	0
Net changes in amounts in items other than shareholders' equity during the period	(874)	(58)	(157)	(1,090)	2	(1,087)
Total of the changes in amounts during the period	(874)	(58)	(157)	(1,090)	2	(1,119)
Balance as of June 30, 2006	994	(58)	(1,424)	(488)	36	33,385

First quarter of FY3/08 (Apr. 1, 2007 – Jun. 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	14,999	10,095	12,657	(960)	36,792
Changes in amounts during the period					
Dividends from surplus	-	-	(1,307)	-	(1,307)
Net profit	-	-	285	-	285
Purchase of treasury stock	-	-	-	-	-
Disposal of treasury stock	-	0	-	4	4
Total of the changes in amounts during the period	-	0	(1,021)	4	(1,016)
Balance as of June 30, 2007	14,999	10,095	11,635	(956)	35,775

	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 March 31, 2007	459	(56)	(1,042)	(638)	30	36,184
Changes in amounts during the period						
Dividends from surplus	-	-	-	-	-	(1,307)
Net profit	-	-	-	-	-	285
Purchase of treasury stock	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-	4
Net changes in amounts in items other than shareholders' equity during the period	(77)	36	487	447	(4)	442
Total of the changes in amounts during the period	(77)	36	487	447	(4)	(574)
Balance as of June 30, 2007	382	(19)	(554)	(191)	26	35,609

(Reference) 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 March 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
Total of the changes in amounts during the fiscal year	-	2	2,877	43	2,923
Balance as of March 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 March 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 period	(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 March 31, 2007	459	(56)	(1,042)	(638)	30	36,184

**(4) (Summary) Consolidated Cash Flow Statement**

(Millions of yen)

	First quarter of FY3/07 (Apr. 1, 2006 - Jun. 30, 2006)	First quarter of FY3/08 (Apr. 1, 2007 - Jun. 30, 2007)	(Reference) FY3/07 (Apr. 1, 2006 - Mar. 31, 2007)
Account	Amount	Amount	Amount
<b>I Cash flow from operating activities</b>			
1. Net profit before income taxes and other adjustments	1,749	1,134	5,960
2. Depreciation	247	330	1,366
3. Amortization of long-term prepaid expenses	28	33	107
4. Increase in allowance for doubtful accounts	5	82	67
5. Increase in reserve for bonuses	272	297	6
6. Increase in reserve for retirement benefits for employees	94	59	355
7. Increase (decrease) in reserve for adjustment of returned goods	(16)	(32)	36
8. Increase in reserve for retirement benefit for directors	-	414	-
9. Interest and dividend income	(98)	(138)	(451)
10. Interest expense	208	191	802
11. Foreign exchange gain	-	(62)	-
12. Loss on disposal of fixed assets	7	7	73
13. Impairment loss	-	6	86
14. Gain on sale of investment securities	(303)	(406)	(1,014)
15. Valuation loss on investment securities	-	296	290
16. Decrease (increase) in accounts receivable	(348)	766	(1,075)
17. Increase in inventories	(482)	(117)	(116)
18. Decrease (increase) in other assets	71	(4)	20
19. Increase (decrease) in accounts payable	53	(2,817)	(10)
20. Decrease in consumption tax payable	(46)	(84)	(91)
21. Increase in other liabilities	155	197	212
22. Other	117	18	323
Subtotal	1,716	173	6,949
23. Interests and dividends received	122	155	455
24. Interests paid	(148)	(123)	(821)
25. Income taxes paid	(374)	(128)	(925)
Cash flow from operating activities	1,317	76	5,658
<b>II Cash flow from investing activities</b>			
1. Payments for time deposits	(73)	(76)	(1,259)
2. Withdrawal of time deposits	1,232	981	1,268
3. Payments for purchase of tangible fixed assets	(344)	(542)	(1,085)
4. Payments for purchase of investment securities	(1,421)	(1,253)	(3,784)
5. Proceeds from sale of investment securities	1,497	912	5,524
6. Payments for loans receivable	(247)	(87)	(706)
7. Collection of loans receivable	30	55	406
8. Proceeds from repayment of guarantees	179	330	1,058
9. Payments for other investing activities	(122)	(193)	(2,691)
10. Proceeds from other investing activities	257	0	920
Cash flows from investing activities	987	127	(349)

(Millions of yen)

	First quarter of FY3/07 (Apr. 1, 2006 - Jun. 30, 2006)	First quarter of FY3/08 (Apr. 1, 2007 - Jun. 30, 2007)	(Reference) FY3/07 (Apr. 1, 2006 - Mar. 31, 2007)
Account	Amount	Amount	Amount
III Cash flows from financing activities			
1. Increase in short-term borrowings	1,114	362	1,905
2. Decrease in short-term borrowings	(282)	(150)	(1,610)
3. Increase in long-term borrowings	-	1,000	300
4. Decrease in long-term borrowings	(561)	(691)	(2,771)
5. Proceeds from issuance of corporate bonds	-	-	656
6. Payment for redemption of corporate bonds	(350)	(350)	(2,034)
7. Payment for purchase of treasury stock	(0)	-	(0)
8. Proceeds from sale of treasury stock	12	4	47
9. Dividends paid	(1,293)	(1,297)	(1,288)
Cash flows from financing activities	(1,359)	(1,122)	(4,795)
IV Effect of exchange rate changes on cash and cash equivalents	(30)	200	71
V Increase (decrease) in cash and cash equivalents	914	(717)	584
VI Cash and cash equivalents at beginning of period	14,906	15,534	14,906
VII Increase in cash and cash equivalents from new consolidation	-	-	42
VIII Cash and cash equivalents at end of period	15,821	14,816	15,534

**(5) Segment Information**

## Business segment information

First quarter of FY3/07 (Apr. 1, 2006 – Jun. 30, 2006)

(Millions of yen)

	Social communication gift	Theme parks	Other	Total	Corporate and eliminations	Consolidated
Sales and operating profit (loss)						
Sales						
(1) Customers	20,837	1,713	328	22,879	-	22,879
(2) Inter-segment	255	241	-	497	(497)	-
Total	21,093	1,955	328	23,377	(497)	22,879
Operating expenses	18,722	2,048	290	21,061	(83)	20,977
Operating profit (loss)	2,370	(93)	38	2,315	(413)	1,902

First quarter of FY3/08 (Apr. 1, 2007 – Jun. 30, 2007)

(Millions of yen)

	Social communication gift	Theme parks	Other	Total	Corporate and eliminations	Consolidated
Sales and operating profit (loss)						
Sales						
(1) Customers	19,555	1,516	376	21,447	-	21,447
(2) Inter-segment	190	304	-	495	(495)	-
Total	19,745	1,821	376	21,942	(495)	21,447
Operating expenses	17,606	2,011	337	19,955	(62)	19,892
Operating profit (loss)	2,139	(190)	38	1,987	(432)	1,554

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

(Millions of yen)

	Social communication gift	Theme parks	Other	Total	Corporate and eliminations	Consolidated
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

## Geographical segment information

First quarter of FY3/07 (Apr. 1, 2006 – Jun. 30, 2006)

(Millions of yen)

	Japan	North America	Other areas	Total	Corporate and eliminations	Consolidated
Sales and operating profit (loss)						
Sales						
(1) Customers	19,747	1,550	1,581	22,879	-	22,879
(2) Inter-segment	641	11	383	1,035	(1,035)	-
Total	20,388	1,562	1,964	23,915	(1,035)	22,879
Operating expenses	18,571	1,438	1,651	21,660	(682)	20,977
Operating profit	1,817	123	313	2,255	(352)	1,902

First quarter of FY3/08 (Apr. 1, 2007 – Jun. 30, 2007)

(Millions of yen)

	Japan	North America	Other areas	Total	Corporate and eliminations	Consolidated
Sales and operating profit (loss)						
Sales						
(1) Customers	17,550	1,336	2,561	21,447	-	21,447
(2) Inter-segment	1,143	100	461	1,705	(1,705)	-
Total	18,693	1,436	3,022	23,152	(1,705)	21,447
Operating expenses	17,482	1,243	2,411	21,136	(1,243)	19,892
Operating profit	1,211	193	611	2,016	(461)	1,554

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

(Millions of yen)

	Japan	North America	Other areas	Total	Corporate and eliminations	Consolidated
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

## Overseas sales

First quarter of FY3/07 (Apr. 1, 2006 – Jun. 30, 2006)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	1,550	2,152	3,703
II Consolidated sales			22,879
III Percentage of overseas sales over consolidated sales (%)	6.8	9.4	16.2

First quarter of FY3/08 (Apr. 1, 2007 – Jun. 30, 2007)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	1,336	3,206	4,542
II Consolidated sales			21,447
III Percentage of overseas sales over consolidated sales (%)	6.2	15.0	21.2

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

(Millions of yen)

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

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

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

North America: U.S.A.

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

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

*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.*