



October 30, 2008

**Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2009
(Six Months Ended September 30, 2008)**

Company name: Sanrio Company, Ltd. Listed Stock Exchange: TSE 1st Section
 Stock code: 8136 URL: <http://www.sanrio.co.jp/english/corporate/ir/>
 Representative: Shintaro Tsuji, President and Chief Executive Officer
 Inquiries: Susumu Emori, Managing Director TEL: +81-3-3779-8058
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(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2008
(April 1, 2008 – September 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	%
Six months ended Sep. 2008	34,471	-	3,224	-	3,070	-	1,171	-
Six months ended Sep. 2007	44,317	(3.9)	2,787	(8.6)	2,367	(12.3)	722	(74.7)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
Six months ended Sep. 2008	10.61	-
Six months ended Sep. 2007	5.52	5.51

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2008	86,153	32,572	37.8	255.50
As of Mar. 31, 2008	88,971	32,996	37.1	257.74

(Reference) Shareholders' equity (millions of yen) Sep. 30, 2008: 32,550 Mar. 31, 2008: 32,983

2. Dividends

(Record date)	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 2008	-	-	-	10.00	10.00
Fiscal year ending Mar. 2009	-	-	-	-	-
Fiscal year ending Mar. 2009 (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 the Fiscal Year Ending March 31, 2009 (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
Full year	70,476	(25.0)	7,685	16.2	6,918	31.4	3,165	184.1	30.64

Note: Revision of consolidated forecast during the period: Yes

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: None

(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: Yes

Note: Please refer to “Qualitative Information and Financial Position, 4. Other” on pages 8 and 9 for further information.

(4) Number of outstanding shares (common stock)

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

Sep. 30, 2008: 88,148,431 shares Mar. 31, 2008: 88,148,431 shares

2) Number of treasury stock at the end of period

Sep. 30, 2008: 846,966 shares Mar. 31, 2008: 847,135 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 2008: 87,301,381 shares Six months ended Sep. 2007: 87,299,932 shares

* 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. Please refer to “Qualitative Information and Financial Position, 3. Qualitative information regarding forecasts for consolidated business results” on page 6 for precondition and assumption as the basis of the above 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				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Class B preferred stocks					
Fiscal year ended Mar. 2008	-	-	-	482.21	482.21
Fiscal year ending Mar. 2009	-	-	-	-	-
Fiscal year ending Mar. 2009 (forecast)	-	-	-	489.90	489.90

Note: Revision of dividend forecast during the period: Yes

In the first-quarter financial summary, the Company announced a projected dividend to reflect a planned compulsory redemption of preferred stocks. The uncertain economic outlook, however, has led us to postpone the redemption. Thus the dividend is now forecast on the assumption of not exercising redemption during the current fiscal year.

Qualitative Information and Financial Position (Six Months Ended September 30, 2008)

1. Qualitative information regarding consolidated business results

In the first six months of the current fiscal year (April 1, 2008 to September 30, 2008), the turmoil in the global economy stemming from the continuing subprime mortgage crisis affected the finance system. This led to concerns over deterioration in the real economy, as stock markets that had performed well in every country in the first half suddenly plunged. Consequently recession now looms over the United States and Europe, and economic growth in China, Russia, and the other new economies has showed signs of slowing. These factors have greatly exacerbated the business environment surrounding our group, both in Japan and abroad.

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. Despite Japan's generally sluggish consumer environment, the recovering domestic product sales business performed around the same level as the previous year. (Figures for the same quarter of the previous fiscal year and percentage change are mentioned below for reference purposes).

Total sales amounted to 34.4 billion yen, down 22.2% year-on-year. Of these, domestic sales amounted to 24.2 billion yen (down 29.0%), 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 0.4% to 10.2 billion yen (a sales ratio of 29.7%) despite a negative impact from the year-on-year appreciation of the yen. Operating profit rose 15.6% to 3.2 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 was buoyant.

Ordinary profit was 3.0 billion yen (up 29.7%), reflecting an improvement in non-operating profit attributable to currency gains generated by the yen depreciation, which caused the settlement rate to be lower than the transaction rate. Net profit before income taxes and other adjustments amounted to 2.4 billion yen (up 30.2%), despite an impairment loss on investment securities and 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 1.1 billion yen (up 62.1%) 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. Moreover, sales through the Buy-Sell transaction format, not the royalty format, for the first six months amounted to 11.8 billion yen, and gross profit to 2.0 billion yen.

Business Results by Segment (100 millions of yen)

Six months ended	Sales				Operating profit			
	Sep. 2007	Sep. 2008	Increase/ decrease	Change %	Sep. 2007	Sep. 2008	Increase/ decrease	Change %
Social communication gifts	396	302	(94)	(23.7)%	36	43	7	19.8%
Theme parks	35	29	(5)	(16.9)%	(2)	(5)	(2)	-
Other business	10	12	1	14.3%	(1)	(1)	(0)	-
Corporate and eliminations	-	-	-	-	(4)	(4)	(0)	-
Consolidated	443	344	(98)	(22.2)%	27	32	4	15.6%

1) Social communication gifts:

Sales fell 23.7% year-on-year to 30.2 billion yen, and operating profit rose 19.8% to 4.3 billion yen

The decline in sales was mainly attributable to the above-mentioned changes to the sales accounting method. Disregarding the effects of this change would result in a 1.2% real increase in sales due to significant growth in overseas business.

Overseas, "Hello Kitty" licensing income rose sharply from European companies sustaining a high growth trend. Product sales also rose in the European region, contributing greatly to the rise in overseas profits, while other regions struggled to grow.

Domestic product sales continued the recovery trend begun in the second half of the previous fiscal year. Bucking the severe consumption environment, same-store sales (based on directly owned stores and directly operated shops within department stores) achieved 101.0% of the previous fiscal year's level (an 8.4 point acceleration of growth). The domestic licensing business also maintained the level of the previous fiscal year, despite the lingering effect of the fall in apparel-related orders from previous fiscal year, as licenses for high-end "Hello Kitty" and "Sugar Bunnies" grew. Licenses for "Sesame Street" figures and other characters copyrighted overseas also increased steadily, with direct sales through catalogs and TV contributing to the rise in sales and profit.

On the product and character side of the retail and wholesale business, the bold introduction of the "Die Cut" product series and the "Ureshii Market" brand for daily necessities, which targets adults around 40 years of age through "Hello Kitty," greatly contributed to sales. Sales of school-entry and excursion-oriented "Sugar Bunnies" products for children also soared, while the "Made in Japan" series contributed to higher sales to overseas tourists.

2) Theme parks:

Sales fell 16.9% year-on-year to 2.9 billion yen, and operating loss stood at 0.5 billion yen, a fall of 0.25 billion yen

A major factor behind the fall in sales and profits was the soaring price of gasoline, which led to fewer visitors arriving by car at Sanrio Puroland in Tama City, Tokyo and Harmony Land in Oita Prefecture, and an overall fall in visitor numbers as stagnant incomes led families to tighten their belts. The share of discount and shareholder special benefit tickets used has also jumped, with fewer visitors using ordinary tickets, and the unit price spent at restaurants and on souvenirs has fallen. These actions reveal a sharp economizing trend toward consumption. Overseas visitor numbers also fell due to concerns over a worldwide recession.

As a result of these factors, visitor numbers at Sanrio Puroland fell 13.5% year-on-year, with sales falling 13.8%, to produce an operating loss of 0.3 billion yen. Visitors to Harmony Land fell 19.6%, with sales falling 17.0%, to produce an operating loss of 0.1 billion yen.

3) Other business:

Sales rose 14.3% year-on-year to 1.2 billion yen, and operating loss stood at 0.16 billion yen, a fall of 0.01 billion yen

Business mainly comprises restaurants, real estate leasing, and robot and movie production. The rise in sales was chiefly attributable to increased year-on-year sales of the dinosaur robot business from robot producer Kokoro Co., Ltd. Kokoro's operating loss was sharply reduced, but increased sales costs for the sweet shop as a new form of business led to a slight year-on-year fall in profits. There were no new movie productions during this period.

Results by Geographic Segment

(100 millions of yen)

Six months ended	Sales				Operating profit			
	Sep. 2007	Sep. 2008	Increase/ decrease	Change %	Sep. 2007	Sep. 2008	Increase/ decrease	Change %
Japan	355	255	(100)	(28.3)%	15	17	1	12.1%
North America	29	23	(5)	(18.5)%	3	2	(0)	(29.9)%
Europe	27	45	17	62.2%	7	13	6	80.4%
Other areas	30	20	(9)	(31.8)%	6	3	(2)	(41.8)%
Corporate and eliminations	-	-	-	-	(4)	(4)	(0)	-
Consolidated	443	344	(98)	(22.2)%	27	32	4	15.6%

1) Japan: Sales fell 28.3% year-on-year to 25.5 billion yen, and operating profit rose 12.1% to 1.7 billion yen

The fall in sales is mainly attributable to the change in sales accounting, without which sales would have fallen 2.3% year-on-year. Disregarding the accounting change, the chief reason for the fall is the decline in sales from the theme park business. As for profits, sales at directly owned stores and department stores bottomed out in the previous fiscal year, and are now sustained at a higher level on a same-store basis amid the current severe consumption environment. The reforming the cost structure including closing of low-profit stores also contributed to increase profits. Meanwhile

Sanrio covered the losses from the theme park business and recorded a rise in operating profit by taking profit-boosting measures, such as investing in high value-added and high unit-price items (such as digital cameras) to cover the cost of raw materials.

2) North America: Sales fell 18.5 % year-on-year to 2.3 billion yen, and operating profit fell 29.9% to 0.2 billion yen

The falls in sales and profits were mainly attributable to the decline in wholesale and special orders due to the heavy burden of soaring gasoline prices on the consumer, and the lower consumption trend brought on by the fall in house prices, and the sharp fall in the value of the dollar against the yen compared to the same period of the previous fiscal year. Furthermore, a review of the sales systems for North American licensing planned for the beginning of the fiscal year has affected the transition to licensees endowed with a greater global market and product development capability.

3) Europe: Sales rose 62.2% year-on-year to 4.5 billion yen, and operating profit rose 80.4% to 1.3 billion yen

Sanrio performed strongly, despite the sense of stagnation in individual European countries, as it continued to expand recognition for its character products and the number of wholesale clients grew. Sales of the product sales (wholesale) business increased 36%, with sales increasing sharply in Italy, Spain, France, and Germany. Sales of the licensing business also rose by a huge 93%. The “Hello Kitty” licensing business focused on apparel grew rapidly in France, Spain, the UK, and Italy, especially with regards to the major North European apparel company “H&M.”

Note: Since the accounting period for European subsidiaries ends in December, accounts are consolidated one quarter later with the parent company.

4) Other areas (mainly Brazil and Asia):

Sales fell 31.8% year-on-year to 2.0 billion yen, and operating profit fell 41.8% to 0.3 billion yen

Sales and profits fell in Brazil, Taiwan, and Hong Kong and rose on the Chinese mainland. In Brazil, sales fell due to a revision of accounting procedures from the first quarter while the market also weakened somewhat. In the Asian region, sales and profits fell in Taiwan due to the unsteady consumer environment that emerged the previous year. In Hong Kong (as in Japan), sales and profits fell due to a change in sales accounting and faltering promotion campaigns, as companies began to cut costs dramatically amid financial uncertainty in the aftermath of the Beijing Olympics. Sanrio is endeavouring to raise sales for the future, however, through such means as hosting the “Black Wonder” event (50,000 visitors) targeting the general consumer and implementing a McDonald’s sales campaign. In South Korea, sales and profits at our subsidiary fell as control of the parent company’s master license was transferred from the subsidiary to a local joint venture at the start of the fiscal year, while direct licensing income going to the parent company led to a huge overall rise in profits. In China, the agency-based product sales business generally grew steadily despite a rather quiet market in the aftermath of the Beijing Olympics. Sales of the licensing business grew 40% year-on-year as the Chinese market posted strong growth.

2. Qualitative information regarding consolidated financial position

At the end of the second quarter (September 30, 2008), total assets stood at 86.1 billion yen, a fall of 2.8 billion yen from the end of the previous fiscal year. The main fluctuating items on the assets side were long-term time deposits, inventories in reserve for the big Christmas shopping season, and lease assets resulting from the application of accounting standards relating to lease transactions, amounting to a rise of 1.5 billion yen. These were set against a huge fall of 3.0 billion yen due to the changes in sales accounting affecting trade notes and accounts receivable, in addition to a 0.8 billion yen fall in investment in securities due to the decline in market values. Meanwhile liabilities stood at 53.5 billion yen, another fall of 2.3 billion yen. The main fluctuating items were a 0.9 billion yen fall in long- and short-term borrowings and corporate bonds, and a 0.9 billion yen fall in trade notes and accounts payable due to the change in sales accounting (as with trade notes and accounts receivable). Net assets stood at 32.5 billion yen, fall of 0.4 billion yen, due to a fall resulting from dividend payments and a fall in the net unrealized gain on other securities. The equity ratio was 37.8%, up 0.7 percentage points from the end of the previous fiscal year.

Cash flows from operating activities amounted to an inflow of 3.8 billion yen (year-on-year increase in income of 3.3 billion yen). This was mainly attributable to total inflows of 5.7 billion yen, including operating profit of 3.2 billion yen, depreciation and provisions of 0.8 billion yen, and a fall in working capital including accounts receivable, accounts payable, and inventories of 1.7 billion yen, set against an outflow of 1.2 billion yen from interest, income tax, and other payments.

Cash flows from investing activities resulted in an outflow of 1.5 billion yen (year-on-year decrease in income of 2.3 billion yen). This was mainly attributable to payments of 0.8 billion yen for the purchase of tangible fixed assets, such as the establishment of new stores and interior decorating, 0.7 billion yen for adding to long-term time deposits, and 0.3 billion yen for loans receivable for a total outflow of 1.8 billion yen, set against an inflow of 0.5 billion yen due to the withdrawal of time deposits and collection of guarantees.

Cash flows from financing activities resulted in a net outflow of 2.4 billion yen (year-on-year decrease in outlays of 0.5 billion yen). This was mainly attributable to repayment of interest-bearing debt of 0.9 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 second quarter rose slightly from the end of the previous fiscal year to 12.5 billion yen.

3. Qualitative information regarding forecasts for consolidated business results

The Company believes that recession will affect the domestic and international economies amid global financial unease. We also believe that the consumer environment surrounding the company is sure to deteriorate due to such factors as rapidly decelerating corporate profit growth, falling incomes, and rising unemployment.

Under these conditions, there are concerns for the social communication gift business from the effects of a recession-led fall in consumption, especially in North America and Europe, and the yen appreciating against other currencies. We anticipate, however, that the continuing contribution of the licensing business in the European region will be sufficient to cover the uncertain results in other regions overseas. For domestic product sales, while our outlook is also cautious due to the slump in corporate profits, we anticipate that dynamic Christmas and school-entry campaigns and the introduction of new high-end products and digital consumer electronics will ensure that sales maintain the previous fiscal year's level, and lead us to generally outperform the plan.

Regarding the theme park business, we have revised our full-year outlook on the side of caution in view of the business conditions in the first six months. Nevertheless, we plan to take the following measures. From November 15 of this year we will run a repeat performance at Puroland of a musical titled "Marchen of the Sea: Eternal Love," which won rave reviews on its initial run lasting from December 2007 until May 2008. "Marchen of the Sea" is the tale of a sailor who had lost his lover at sea in the past realizing true love. Also appearing from November 7 are "Believe in Christmas," featuring falling snow with Kitty, Cinnamoroll, My Melody and the seven Santas. Numerous other events are also planned. Finally, we are taking initiatives to attract groups from Asian regions using major advertising companies, with the aim of cutting costs still further and reducing the operating losses compared with the second half of the previous fiscal year.

Regarding other business, we expect to fall somewhat short of our plan as we take a cautious outlook on the recovery of the robot production business, which will be affected by the worldwide recession.

As a result of the above, we predict that overseas business will outperform the business plan. Due to a cautious outlook regarding the influence of exchange rates and the theme park and other businesses, however, we are changing the full-year performance projections for sales, net profit, and net profit per share released on May 15, 2008.

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

(Millions of yen)

	Sales	Operating Profit	Ordinary Profit	Net Profit	Net Profit per Share
Previous Forecast (A) (announced on May 15, 2008)	72,122	7,685	6,918	3,755	38.90
Revised Forecast (B)	70,476	7,685	6,918	3,165	30.64
Change (B-A)	(1,646)	-	-	(590)	-
Rate of Change (%)	(2.3)	-	-	(15.7)	-
Results for the Previous Fiscal Year (FY3/08)	93,917	6,615	5,264	1,114	7.24

(Reference) Overseas Sales and Profit for the Past Six-month Periods by Area

(Millions of yen)

Six months ended		Sales to customers					Operating profit				
		Sep. 2006	Sep. 2007	Change (%)	Sep. 2008	Change (%)	Sep. 2006	Sep. 2007	Change (%)	Sep. 2008	Change (%)
North America	U.S.A.	3,392	2,934	(13.5)	2,393	(18.5)	337	316	(6.1)	221	(29.9)
Latin America	Brazil	259	446	72.1	416	(6.8)	98	191	95.4	123	(35.5)
Asia	Hong Kong	973	1,521	56.2	907	(40.3)	168	247	46.9	126	(48.7)
	Taiwan	556	619	11.3	414	(33.1)	152	90	(41.0)	24	(73.3)
	Korea	225	299	32.9	118	(60.4)	57	76	32.0	39	(48.1)
	China	69	146	112.4	211	44.2	3	34	899.9	58	68.8
Asia subtotal		1,824	2,586	41.8	1,652	(36.1)	382	448	17.2	248	(44.5)
Europe	Europe	1,050	2,776	164.2	4,502	62.2	172	775	348.7	1,399	80.4
Total		6,527	8,743	34.0	8,963	2.5	990	1,732	74.9	1,993	15.1

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

Not applicable.

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) Changes caused by revision of accounting standards

i. 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.”

ii. 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 first quarter of the current fiscal year, 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 decreased by 9 million yen while net profit before income taxes and other adjustments has decreased by 89 million yen in the first six months of the current fiscal year. The impact of the change on segment information is described in the corresponding section.

iii. Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the first quarter of the current fiscal year, 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 for the first six months of the current fiscal year.

2) Other changes

i. 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 first quarter of the current fiscal year, 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.

The effect of this change was to increase tangible fixed assets, intangible fixed assets, other current liabilities and other long-term liabilities by 444 million yen, 92 million yen, 215 million yen and 343 million yen respectively, at the end of the second quarter of the current fiscal year. In addition, this change has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments for the first six months of the current fiscal year.

Additional information

Effective from the first quarter of the current fiscal year, 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 for the first six months of the current fiscal year.

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

(Millions of yen)

	As of Sep. 30, 2008	As of Mar. 31, 2008
Assets		
Current assets		
Cash and deposit	12,810	12,968
Trade notes and accounts receivable	10,086	13,121
Merchandise and finished goods	5,459	4,913
Work in process	137	142
Raw materials and supplies	257	246
Other	4,471	4,214
Allowance for doubtful accounts	(67)	(268)
Total current assets	33,155	35,338
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	9,363	9,559
Land	11,561	11,397
Other, net	2,041	1,761
Total tangible fixed assets	22,966	22,718
Intangible fixed assets	568	456
Investments and other assets		
Deferred tax assets	9,126	9,707
Other	21,327	21,631
Allowance for doubtful accounts	(1,049)	(919)
Total investments and other assets	29,404	30,419
Total fixed assets	52,939	53,593
Deferred assets	59	39
Total assets	86,153	88,971
Liabilities		
Current liabilities		
Trade notes and accounts payable	7,571	8,478
Short-term borrowings	18,467	21,383
Accrued income taxes	665	805
Allowance for bonuses	447	422
Reserve for adjustment of returned goods	75	80
Other	5,535	7,079
Total current liabilities	32,762	38,250
Long-term liabilities		
Corporate bonds	6,188	5,560
Long-term borrowings	6,085	3,556
Reserve for retirement benefits for employees	6,850	6,816
Reserve for retirement benefits for directors	460	451
Other	1,233	1,339
Total long-term liabilities	20,817	17,724
Total liabilities	53,580	55,974

	(Millions of yen)	
	As of Sep. 30, 2008	As of Mar. 31, 2008
Net assets		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus	10,095	10,095
Retained earnings	11,870	12,034
Treasury stock	(954)	(954)
Total shareholder's equity	36,011	36,175
Valuation and translation adjustment		
Net unrealized gain (loss) on other securities	(1,144)	(839)
Deferred hedge gain (loss)	(48)	(92)
Foreign currency translation adjustments	(2,268)	(2,260)
Total valuation and translation adjustment	(3,461)	(3,192)
Minority interests	22	13
Total net assets	32,572	32,996
Total liabilities and net assets	86,153	88,971

(2) Consolidated Income Statement

	(Millions of yen)
	Six months ended Sep. 30, 2008
Sales	34,471
Cost of sales	15,658
Gross profit	18,812
Provision of reserve for adjustment of returned goods	5
Net gross profit on sales	18,817
Selling, general and administrative expenses	15,593
Operating profit	3,224
Non-operating profit	
Interest income	196
Other	319
Total non-operating profit	515
Non-operating expenses	
Interest expense	368
Tax and public charges	170
Other	129
Total non-operating expenses	669
Ordinary profit	3,070
Extraordinary gains	
Reversal of allowance for doubtful accounts	59
Other	11
Total extraordinary gains	71
Extraordinary losses	
Valuation loss on investment securities	502
Valuation loss on inventories	79
Other	69
Total extraordinary losses	652
Net profit before income taxes and other adjustments	2,488
Income taxes - current	690
Income taxes - deferred	617
Total income taxes	1,308
Minority interests in income of consolidated subsidiaries	8
Net profit	1,171

(3) Consolidated Cash Flow Statement

	(Millions of yen)
	Six months ended Sep. 30, 2008
Cash flows from operating activities	
Net profit before income taxes and other adjustments	2,488
Depreciation	828
Amortization of long-term prepaid expenses	49
Increase (decrease) in allowance for doubtful accounts	(72)
Increase (decrease) in reserve for bonuses	26
Interest and dividend income	(261)
Interest expense	368
Decrease (increase) in accounts receivable	3,075
Decrease (increase) in inventories	(534)
Decrease (increase) in other assets	(130)
Increase (decrease) in accounts payable	(819)
Increase (decrease) in consumption tax payable	33
Increase (decrease) in other liabilities	(823)
Other	584
Subtotal	4,812
Interests and dividends received	261
Interests paid	(367)
Income taxes paid	(856)
Cash flows from operating activities	3,849
Cash flows from investing activities	
Payments for time deposits	(140)
Withdrawal of time deposits	324
Payments for purchase of tangible fixed assets	(826)
Payments for purchase of investment securities	(248)
Proceeds from sale of investment securities	199
Payments for loans receivable	(318)
Collection of guarantees	224
Other	(743)
Cash flows from investing activities	(1,528)
Cash flows from financing activities	
Increase in short-term borrowings	843
Decrease in short-term borrowings	(747)
Increase in long-term borrowings	4,000
Decrease in long-term borrowings	(4,480)
Proceeds from issuance of corporate bonds	1,185
Payment for redemption of corporate bonds	(1,743)
Dividends paid	(1,348)
Other	(138)
Cash flows from financing activities	(2,427)
Effect of exchange rate changes on cash and cash equivalents	171
Increase (decrease) in cash and cash equivalents	65
Cash and cash equivalents at beginning of period	12,445
Cash and cash equivalents at end of period	12,510

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.”

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

Business segment information

Six months ended Sep. 30, 2008

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	30,267	2,951	1,252	34,471	-	34,471
(2) Inter-segment	382	613	54	1,050	(1,050)	-
Total	30,650	3,565	1,306	35,522	(1,050)	34,471
Operating profit (loss)	4,340	(513)	(167)	3,660	(436)	3,224

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 Chicken
	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) 1) ii of “Qualitative Information and Financial Position,” inventory was computed primarily by the moving-average cost method in prior years, but effective from the first six months of the current fiscal year 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). Given this change, operating profit of the social communication gifts business for the first six months of the current fiscal year has decreased by 9 million yen.

Geographical segment information

Six months ended Sep. 30, 2008

(Millions of yen)

	Japan	Europe	Other areas	Total	Corporate and eliminations	Consolidated
Sales						
(1) Customers	25,507	4,502	4,461	34,471	-	34,471
(2) Inter-segment	2,263	0	918	3,182	(3,182)	-
Total	27,770	4,503	5,379	37,653	(3,182)	34,471
Operating profit	1,702	1,399	594	3,695	(471)	3,224

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) 1) ii of "Qualitative Information and Financial Position," inventory was computed primarily by the moving-average cost method in prior years, but effective from the first six months of the current fiscal year 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). Given this change, operating profit of "Japan" for the first six months of the current fiscal year has decreased by 9 million yen.

Overseas sales

Six months ended Sep. 30, 2008

(Millions of yen)

	Europe	Other areas	Total
I Overseas sales	4,606	5,626	10,233
II Consolidated sales	-	-	34,471
III Percentage of overseas sales over consolidated sales (%)	13.4	16.3	29.7

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

Six months ended Sep. 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

Consolidated Income Statement for the Previous Period

(Millions of yen)

Account	Six months ended Sep. 30, 2007		
	Amount	%	
I Sales		44,317	100.0
II Cost of sales		25,732	58.1
Gross profit		18,584	41.9
Provision of reserve for adjustment of returned goods		50	0.1
Net gross profit on sales		18,634	42.0
III Selling, general and administrative expenses			
1. Sales and promotion expenses	1,555		
2. Directors bonuses and salaries	3,707		
3. Bonuses	203		
4. Provision of reserves for bonuses	428		
5. Freight charges	638		
6. Rents	1,668		
7. Depreciation	455		
8. Other	7,189	15,846	35.7
Operating profit		2,787	6.3
IV Non-operating profit			
1. Interest income	204		
2. Dividend income	74		
3. Other income	99	378	0.8
V Non-operating expenses			
1. Interest expense	393		
2. Tax and public charges	119		
3. Other expenses	285	798	1.8
Ordinary profit		2,367	5.3
VI Extraordinary gains			
1. Gain on sales of investment securities	391		
2. Other	18	409	0.9
VII Extraordinary losses			
1. Loss on disposal of fixed assets	54		
2. Impairment loss	24		
3. Valuation loss on investment securities	292		
4. Provision of allowance for retirement benefits for directors	432		
5. Other	62	866	1.9
Net profit before income taxes and other adjustments		1,910	4.3
Income taxes - current	424		
Income taxes - deferred	762	1,187	2.7
Minority interests in income of consolidated subsidiaries		0	0.0
Net profit		722	1.6

Consolidated Cash Flow Statement for the Previous Period		(Millions of yen)
		Six months ended Sep. 30, 2007
		Amount
I	Cash flows from operating activities	
	Net profit before income taxes and other adjustments	1,910
	Depreciation	733
	Amortization of long-term prepaid expenses	56
	Increase in allowance for doubtful accounts	166
	Increase in reserve for bonuses	53
	Increase in reserve for retirement benefits for employees	152
	Decrease in reserve for adjustment of returned goods	(50)
	Increase in reserve for retirement benefits for directors	441
	Interest and dividend income	(278)
	Interest expense	393
	Foreign exchange loss	62
	Loss on disposal of fixed assets	54
	Impairment loss	24
	Gain on sale of investment securities	(413)
	Valuation loss on investment securities	301
	Decrease in accounts receivable	241
	Increase in inventories	(1,158)
	Increase in other assets	(218)
	Decrease in accounts payable	(1,681)
	Decrease in consumption tax payable	(239)
	Increase in other liabilities	426
	Other	11
	Subtotal	990
	Interests and dividends received	271
	Interests paid	(397)
	Income taxes paid	(388)
	Cash flows from operating activities	476
II	Cash flows from investing activities	
	Payments for time deposits	(226)
	Withdrawal of time deposits	976
	Payments for purchase of tangible fixed assets	(1,083)
	Proceeds from sale of tangible fixed assets	0
	Payments for purchase of investment securities	(1,771)
	Proceeds from sale of investment securities	3,001
	Payments for loans receivable	(155)
	Collection of loans receivable	82
	Payments for other investing activities	(854)
	Proceeds from other investing activities	863
	Cash flows from investing activities	830
III	Cash flows from financing activities	
	Increase in short-term borrowings	357
	Decrease in short-term borrowings	(788)
	Increase in long-term borrowings	1,000
	Decrease in long-term borrowings	(1,693)
	Proceeds from issuance of corporate bonds	977
	Payment for redemption of corporate bonds	(1,534)
	Payment for purchase of treasury stock	(0)
	Proceeds from sale of treasury stock	6
	Dividends paid	(1,304)
	Cash flows from financing activities	(2,979)
IV	Effect of exchange rate changes on cash and cash equivalents	(35)
V	Decrease in cash and cash equivalents	(1,707)
VI	Cash and cash equivalents at beginning of period	15,534
VII	Increase in cash and cash equivalents from new consolidation	34
VIII	Cash and cash equivalents at end of period	13,861