

Summary of Financial Results for the Fiscal Year Ended March 31, 2009

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
 Scheduled date of Annual General Meeting of Shareholders: June 25, 2009
 Scheduled date of filing of Annual Securities Report: June 26, 2009
 Starting date of dividend payment: June 26, 2009

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

1. Consolidated Financial Results for FY3/09 (April 1, 2008 – March 31, 2009)

(1) Consolidated results of operations

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/09	69,767	(25.7)	6,575	(0.6)	5,954	13.1	(1,495)	-
FY3/08	93,917	(2.8)	6,615	6.3	5,264	(5.6)	1,114	(73.1)

	Net Profit per Share	Fully-Diluted Net Profit per Share	Return on Equity (ROE)	Return on Assets (ROA)	Operating Profit to Sales
	Yen	Yen	%	%	%
FY3/09	(22.74)	-	(5.0)	7.1	9.4
FY3/08	7.24	7.24	3.2	5.7	7.0

(Reference) Equity in earnings of unconsolidated subsidiaries (millions of yen) FY3/09: - FY3/08: -

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2009	79,087	26,844	33.9	187.08
As of Mar. 31, 2008	88,971	32,996	37.1	257.74

(Reference) Shareholders' equity (millions of yen) Mar. 31, 2009: 26,821 Mar. 31, 2008: 32,983

(3) Consolidated cash flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY3/09	6,898	(2,038)	(2,559)	13,599
FY3/08	3,810	(2,396)	(3,858)	12,445

2. Dividends

(Record date)	Dividend per Share					Total Dividends (Annual) Millions of yen	Dividend Payout Ratio (Consolidated) %	Dividend on Equity (Consolidated) %
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
FY3/08	-	0.00	-	10.00	10.00	873	138.1	3.6
FY3/09	-	0.00	-	10.00	10.00	873	-	4.5
FY3/10 (forecast)	-	0.00	-	10.00	10.00		20.2	

Notes: 1. The dividend figures above show dividends for common stock. Please refer to "Dividends of classified stock" on page 3 for information on dividends for shares whose rights are different from those of the Company's common stock.

2. The year-end dividend for FY3/09 was paid from the capital surplus. Please refer to "Breakdown of dividends paid from the capital surplus" on page 3 for further details.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(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	32,963	(4.4)	2,440	(24.3)	2,024	(34.1)	1,756	49.9	17.40
Full year	69,977	0.3	6,585	0.1	5,783	(2.9)	4,798	-	49.55

4. Other

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

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Significant Accounting Policies for the Preparation of Consolidated Financial Statements” on pages 25 and “Changes in the Significant Accounting Policies for the Preparation of Consolidated Financial Statements” on pages 30 for further information.

(3) Number of outstanding shares (common stock)

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

Mar. 31, 2009: 88,148,431 shares Mar. 31, 2008: 88,148,431 shares

2) Number of treasury stock at the end of period

Mar. 31, 2009: 847,216 shares Mar. 31, 2008: 847,135 shares

Note: Please refer to “Per Share Information” on page 41 for the number of shares used in calculating consolidated net profit per share.

(Reference) Unconsolidated Financial Results

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

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/09	51,888	(28.9)	4,105	3.5	2,825	(50.3)	(1,885)	-
FY3/08	73,005	(7.0)	3,965	(9.3)	5,683	72.5	1,405	(11.2)

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
FY3/09	(27.20)	-
FY3/08	10.57	10.57

(2) Unconsolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2009	69,296	22,105	31.9	133.05
As of Mar. 31, 2008	76,977	26,319	34.2	181.41

(Reference) Shareholders' equity (millions of yen) Mar. 31, 2009: 22,105 Mar. 31, 2008: 26,319

2. Unconsolidated Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(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	23,701	(3.8)	1,511	(20.3)	983	(37.7)	1,203	260.2	11.07
Full year	50,703	(2.3)	4,141	0.9	3,226	14.2	3,346	-	32.91

* Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors.

Please refer to “1. Business Results (1) Analysis of Results of Operations” on pages 7 and 8 for forecast assumptions and notes of caution for usage.

Dividends of classified stock

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

(Record date)	Dividend per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Class B preferred stock					
FY3/08	-	0.00	-	482.21	482.21
FY3/09	-	0.00	-	489.90	489.90
FY3/10 (forecast)	-	0.00	-	472.60	472.60

Note: The year-end dividend for FY3/09 was paid from the capital surplus. For details, please refer to “Breakdown of dividends paid from the capital surplus.”

Breakdown of dividends paid from the capital surplus

The breakdown of dividends paid from the capital surplus for FY3/09 is shown below.

Common stock

(Record date)	Year-end
Dividend per share	10.00 yen
Total dividends	873 million yen

Note: Ratio of the decline of net assets: 0.028

Class B preferred stock

(Record date)	Year-end
Dividend per share	489.90 yen
Total dividends	489 million yen

Note: Ratio of the decline of net assets: 0.028

1. Business Results

(1) Analysis of Results of Operations

1) Review of Operations for FY3/09

(100 millions of yen)

	FY3/09 Results	Vs. Plan			Y-O-Y		
		Initial Plan	Increase/ decrease	Change %	FY3/08 Results	Increase/ decrease	Change %
Sales	697	704	(7)	(1.0)%	939	(241)	(25.7)%
Gross profit	376	387	(10)	(2.7)%	392	(16)	(4.1)%
Selling, general & administrative expenses	310	310	0	0.2%	326	(15)	(4.9)%
Operating profit	65	76	(11)	(14.4)%	66	(0)	(0.6)%
Non-operating profit and expenses	(6)	(7)	1	-	(13)	7	-
Ordinary profit	59	69	(9)	(13.9)%	52	6	13.1%
Extraordinary gains or losses	(34)	(6)	(28)	-	(10)	(23)	-
Net profit before income taxes and other adjustments	24	63	(38)	(60.4)%	41	(16)	(40.2)%
Income taxes and income taxes deferred	39	31	8	26.8%	30	9	29.6%
Net profit	(14)	31	(46)	-	11	(26)	-
Gross margin	54.0%	54.9%	(0.9)%	-	41.8%	12.2%	-
Operating margin	9.4%	10.9%	(1.5)%	-	7.0%	2.4%	-
Ordinary margin	8.5%	9.8%	(1.3)%	-	5.6%	2.9%	-

In the fiscal year under review (April 1, 2008 to March 31, 2009), the financial crisis originating in the US spread throughout the world and pushed it into recession. The soaring price of crude oil in the first half left the world in shock, and the failure of financial institutions in the second half plunged the real economy into an unprecedentedly rapid downward spiral. The slowdown extended beyond the US and Europe to China, Russia, and the other new economies. The worldwide recession led to a sharp drop in Japan's exports in the second half, companies to slash production and capital investment. Fears of redundancy spread, and consumers reined in spending.

Under such conditions, and subject to a harsh domestic consumer environment, the Sanrio Group's domestic product sales performed around the level of the previous year, although the theme park and licensing businesses struggled. Overseas, however, growing recognition for Sanrio characters led to growth of the product sales and licensing businesses in the European region.

As a result, consolidated sales amounted to 69.7 billion yen, down 25.7% year-on-year. Of these, domestic sales amounted to 50.7 billion yen (down 29.3%), 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. The overseas sales ratio was 27.3%. Despite dramatic growth in the European region, overseas sales fell 14.1% year-on-year to 19.0 billion yen due to the impact of the strong yen, changes to the settlement period, and the fall in other regions. The fall in operating profit was limited to 6.5 billion yen (down 0.6%), however. This was because sales and profits grew strongly in the thriving European region and domestic product sales defied the depressed domestic consumption environment to generally maintain the previous year's level, despite a weakening of the domestic licensing business in the second half.

Ordinary profit rose 13.1% year-on-year to 5.9 billion yen, reflecting an improvement in non-operating profit. This was due to a decline in foreign exchange loss as the yen weakened at the end of the fiscal year, a fall in the provision of allowance for doubtful accounts against loans, and a fall in interest expenses due to progress in repayments on the interest bearing debt and falling interest rates. Net profit before income taxes and other adjustments fell 40.2% year-on-year to 2.4 billion yen, due to an impairment loss on investment securities and a 2.4 billion yen impairment loss on tangible fixed assets, mainly in the theme park business, as extraordinary losses. Final profits fell 2.6 billion yen year-on-year to 1.4 billion yen, due to a steep rise in income tax-deferred caused by a reversal of 1.7 billion yen in deferred tax assets.

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 previous fiscal year amounted to 23.8 billion yen, and gross profit to 4.1 billion yen.

Business Results by Segment

(100 millions of yen)

	Sales				Operating profit			
	FY3/08	FY3/09	Increase/ decrease	Change %	FY3/08	FY3/09	Increase/ decrease	Change %
Social communication gifts	850	622	(228)	(26.8)%	90	91	1	1.7%
Theme parks	61	50	(10)	(17.5)%	(11)	(13)	(2)	-
Other business	27	24	(2)	(9.8)%	(4)	(3)	0	-
Corporate and eliminations	-	-	-	-	(8)	(8)	0	-
Consolidated	939	697	(241)	(25.7)%	66	65	(0)	(0.6)%

i. Social communication gifts:

Sales fell 26.8% year-on-year to 62.2 billion yen, and operating profit rose 1.7% to 9.1 billion yen

The decline in sales was mainly attributable to the above-mentioned changes to the sales accounting method. Disregarding the effects of these changes would result in a year-on-year fall of 4.7%.

Overseas, “Hello Kitty” licensing income and product sales both rose sharply in the European region, contributing to a rise in profits. This occurred despite the small decline in North American product sales due to such factors as the changed settlement period for subsidiaries and the strong yen.

Domestic product sales bucked the severe consumption environment as same-store sales (based on directly owned stores and directly operated shops within department stores) achieved 99.7% of the previous fiscal year’s level (a 3.5 percentage points acceleration of growth). Sales and profits from the domestic licensing business declined year-on-year due to the fall in souvenir- and toy-related orders resulting from the consumption slowdown. This occurred despite growth in collaboration on the high-end “Hello Kitty” fashion brand and licenses for “Sugar Bunnies.”

On the product and character side of the retail and wholesale business in Japan, the bold introduction of the “Die-Cut” product series and the “Ureshii Market” brand for daily necessities, which targets adults through “Hello Kitty,” contributed to sales. Sales of school-entry and excursion-oriented products also soared, while the small decline in the number of overseas tourists had a limited impact.

ii. Theme parks:

Sales fell 17.5% year-on-year to 5.0 billion yen, and operating loss stood at 1.3 billion yen, a fall of 0.2 billion yen

The fall in sales and profits was mainly attributable to the dramatic decline in visitor numbers to Sanrio Puroland in Tama City, Tokyo, and Harmony Land in Oita Prefecture, Kyushu, in the first half of fiscal year (which included the “big season” of the summer vacation), as the price of gasoline soared and customers tightened their belts. In the second half, redundancy fears consolidated the economy mindset, and visitor numbers to both theme parks fell dramatically. From November, Sanrio Puroland performed the Christmas version of the main parade and began repeat performances of the “Marchen of the Sea” musical, which had won good reviews in the previous fiscal year. Year-on-year visitor numbers rose during the third quarter, but not enough to cover the fall in the first half of fiscal year. Harmony Land also felt the impact of the economic recession as major corporations in the Kyushu area carried out large-scale restructuring of personnel in the second half, causing the number of theme park visitors to fall. The worldwide recession and strong yen also led to fewer visitors from overseas. In this situation, we have hosted half-year performances of “Marchen of the Sea” for two years running. Although no characters appear in this musical, Marchen endeavors to connect to the heart of today’s adults by incorporating the key words that convey Sanrio’s corporate philosophy. This success is related to the development of further shows.

As a result of these factors, visitor numbers at Sanrio Puroland fell 11.0% year-on-year, with sales falling 14.6%, to produce an operating loss of 0.59 billion yen. Visitors to Harmony Land fell 14.6%, with sales falling 13.9%, to produce an operating loss of 0.18 billion yen.

iii. Other business:

Sales fell 9.8% year-on-year to 2.4 billion yen, and operating loss stood at 0.3 billion yen, a rise of 40 million yen

Business mainly comprises restaurants, real estate leasing, and robot and movie production. The decline in sales was chiefly attributable to decreased year-on-year sales of the dinosaur robot business from robot producer Kokoro Co., Ltd. The increased operating loss arose from Kokoro's reduced sales, in addition to higher sales costs for the Kentucky Fried Chicken franchise and sweet shops undertaken as a new form of business. Declining income from US real-estate leasing also had an adverse impact. The elimination of the operating loss from the previous fiscal year's movie distribution led to a slight recovery.

Results by Geographic Segment

(100 millions of yen)

	Sales				Operating profit			
	FY3/08	FY3/09	Increase/ decrease	Change %	FY3/08	FY3/09	Increase/ decrease	Change %
Japan	751	529	(221)	(29.5)%	35	34	(1)	(4.9)%
North America	58	40	(17)	(30.5)%	8	5	(2)	(28.2)%
Europe	72	95	22	31.8%	20	28	8	39.9%
Other areas	57	32	(24)	(43.3)%	10	5	(4)	(43.3)%
Corporate and eliminations	-	-	-	-	(8)	(8)	0	-
Consolidated	939	697	(241)	(25.7)%	66	65	(0)	(0.6)%

i. Japan: Sales fell 29.5% year-on-year to 52.9 billion yen, and operating profit fell 4.9% to 3.4 billion yen

The fall in sales is mainly attributable to the change in sales accounting method, without which sales would have fallen 5.4% year-on-year. The fall in sales was attributable to a downturn in the theme park and licensing businesses. The fall in profits is mainly due to the theme parks downturn in addition to a second-half slump in the licensing business.

ii. North America: Sales fell 30.5 % year-on-year to 4.0 billion yen, and operating profit fell 28.2% to 0.5 billion yen

The fall in sales and profits was mainly attributable to a change in the settlement month for our US consolidated subsidiaries from March to December, creating a 9-month settlement period, and the impact of the yen's rise against the dollar. Other factors included 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 in the first half. Furthermore, a review of the sales systems for North American licensing, including the appointment of new personnel, planned for the beginning of the fiscal year has affected the transition to licensees endowed with global market and product development capabilities.

iii. Europe: Sales rose 31.8% year-on-year to 9.5 billion yen, and operating profit rose 39.9% to 2.8 billion yen

Sanrio performed strongly in the European countries as regional recognition for its characters continued to expand amid the recession, despite a slower rate of expansion in the second half following strong growth in the previous fiscal year. Wholesale product sales, focused on "Hello Kitty" bags and accessories for the adult market, rose 8%, with sales rising sharply in Spain and Germany. Sales of the licensing business also rose by a huge 65%. Regarding licensing clients and regions, the licensing business grew rapidly especially at major North European apparel company "H&M," the toy-related licensing in France, and the "Hello Kitty" licensing in Spain, the UK, Italy, and Germany. Other regions showing an expansion in licensing clients included the Netherlands, Switzerland, and the Czech Republic.

iv. Other areas (mainly Brazil and Asia):

Sales fell 43.3% year-on-year to 3.2 billion yen, and operating profit fell 43.3% to 0.5 billion yen

Sales and profits fell in Brazil, Taiwan, Hong Kong, and South Korea and increased on the Chinese mainland. In Brazil, sales fell over the nine-month settlement period, despite strong growth in the market itself. Sales fell in Taiwan due to the nine-month settlement period and the stagnating consumer environment that emerged since the previous year, leading to a deficit. Sales also fell in Hong Kong due to the nine-month settlement period and (as in Japan) a change in sales accounting method. The business climate was adversely affected by the aftermath of the Beijing Olympics and

financial uncertainty. The second-half saw an improvement thanks to cost-cutting efforts and revenue from corporate promotions, but sales and profits fell overall. In South Korea, the transfer of the parent company's master license from the subsidiary to a local joint venture at the start of the fiscal year reduced sales and profits at the subsidiary itself, and agency-based over-the-counter sales and joint-venture licensing income fall slightly from a year earlier amid severe market conditions. In China, agency-based over-the-counter sales saw sluggish growth in the aftermath of the Beijing Olympics, but the subsidiary's licensing business ensured increased sales and generally grew steadily, despite such uncertain factors as desperate competition in the luxury-goods markets.

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

(Millions of yen)

Areas		Sales to customers					Operating profit				
		FY3/07	FY3/08	Change (%)	FY3/09	Change (%)	FY3/07	FY3/08	Change (%)	FY3/09	Change (%)
North America	U.S.A.	6,818	5,828	(14.5)	4,052	(30.5)	810	811	0.1	582	(28.2)
Latin America	Brazil	820	962	17.2	672	(30.1)	313	410	31.2	233	(42.9)
Asia	Hong Kong	2,075	2,535	22.1	1,325	(47.7)	178	262	46.8	192	(26.5)
	Taiwan	1,022	1,148	12.3	594	(48.3)	211	92	(56.1)	(36)	-
	Korea	611	689	12.8	208	(69.8)	163	176	7.7	86	(50.9)
	China	186	371	99.0	436	17.5	9	78	711.5	101	29.5
Asia subtotal		3,896	4,745	21.8	2,565	(45.9)	563	610	8.3	344	(43.5)
Europe	Europe	2,718	7,223	165.7	9,516	31.8	408	2,012	393.0	2,815	39.9
Total		14,254	18,759	31.6	16,805	(10.4)	2,095	3,845	83.5	3,976	3.4

2) Outlook for FY3/10

(100 millions of yen)

	FY3/09 Results	FY3/10 Forecasts	Increase/decrease	Change %
Sales	697	699	2	0.3%
Gross profit	376	380	3	0.9%
Selling, general & administrative expenses	310	314	3	1.1%
Operating profit	65	65	0	0.1%
Ordinary profit	59	57	(1)	(2.9)%
Extraordinary gains or losses	(34)	(6)	27	-
Net profit before income taxes and other adjustments	24	50	25	104.0%
Income taxes and income taxes deferred	39	2	(36)	(92.7)%
Net profit	(14)	47	62	-
Gross margin	54.0%	54.3%	0.3%	-

* Key assumptions for the next year's outlook

Exchange rate: 94.16 yen/USD 124.39 yen/EUR

Directly-owned same store sales in Japan compared to previous fiscal year: 99%

Although the financial panic has eased somewhat and economic indicators are no longer in freefall, the road to recovery is not yet in sight, and the automobile industry, with its wide range of domestic and international suppliers, is suffering management issues. Thus the sense of uncertainty in the global economy continues. The European economies remain unpredictable, but are expected to deteriorate still further. Factors such as these have required production cuts and changes in the industrial structure for the export-reliant Japanese economy, leading to a sudden worsening of the employment environment. As a result, the consumption environment in the first half of the next fiscal year is anticipated to deteriorate much further, as shown in the performance of the department store and chain store sectors.

Amid this uncertainty, a harsh outlook is assumed for the next fiscal year. Domestic sales are projected to remain at more or less the same level as the current fiscal year, and overseas sales to remain generally strong, with a focus on the

European region, which has grown dramatically up to now. Some fall in profits is anticipated, however, due to the impact of exchange rates (see table above for details). Moreover, as in the “Announcement of Joint Spin-Off of Businesses (Incorporation-Type Company Split),” released simultaneously with this report, the sum calculated as “deferred tax liabilities” is anticipated to be processed as “income taxes-deferred,” boosting net profits substantially.

Strategically, the Company is forging a management strategy that endeavors to expand on the two fronts of product categories and geography while emphasizing the gift business concept to widen circles of friendship from the gift product perspective.

i. Domestic product sales business

Sanrio’s prominent “Little Twin Stars” character is being promoted to follow in the footsteps of “Hello Kitty” as a symbol of friendship. At the same time, it is gaining a reputation as a product brand with the potential to appeal to wider age targets and raise the value of the product brands adapted for each target. The Company is maintaining the previous fiscal year’s performance, emphasizing rapid adaptation. In line with this, we are taking effective initiatives to achieve balanced category expansion and a more focused lineup, introduce low-priced editions, expand chain store sales areas, and withdraw unprofitable stores.

ii. Domestic licenses

On the occasion of Hello Kitty’s 35th anniversary, Sanrio is expanding its dynamic collaboration with domestic and international brands while promoting collaboration with celebrities and traditional arts. The Company also aims to expand product categories with the popular “Sugar Bunnies.” In line with this, we are focusing our efforts on advertising and publicity business, oriented toward other companies’ sales promotion campaigns, and mass media channels, especially TV.

iii. Overseas business

The Company aims to compensate for the adverse effect of the strong yen by strengthening the licensing ties with global corporations that are expanding worldwide (we have concluded contracts for the coming fiscal year with major US cosmetics company MAC and major European apparel company ZARA); expanding licensing further in the European region (and extending to India, Eastern Europe, Russia, and South Africa); and aiming to expand product business regionally in high-performing Europe as well as the emerging economies, focused on China but also including Eastern Europe and Latin America.

iv. Theme parks

The Company aims to separate the two consolidated theme park subsidiaries that take on the roles of our entertainment business division and our corporate group’s R&D, and establish a new company. So doing, we can create synergy effects by integrating common costs while reducing large-scale costs, and welcoming numerous other companies’ sales and promotional events, previously introduced experimentally, to increase the number of visitors to each other’s facilities. In addition, other entertainment companies can use the stage setting and facilities (such as illumination and sound) of Sanrio’s theme parks. We will operate fully in this new business model that mutually creates new entertainment attractions.

Note: Please see “Announcement of Joint Spin-Off of Businesses (Incorporation-Type Company Split).”

During the next fiscal year, moreover, we aim to carry out an overall group review of cost structures and build a more efficient management structure from the following fiscal year. We believe that this process will bring success.

Furthermore, the next fiscal year we will commemorate the 50th anniversary of Sanrio’s founding and 35th anniversary of the birth of “Hello Kitty.” We are endeavoring to enhance the “Hello Kitty” brand through commemorative products and events while improving results.

(2) Analysis of Financial Position

1) FY3/09 Financial Position

(100 millions of yen)

	As of Mar. 31, 2008	As of Mar. 31, 2009	Increase/decrease	As of Sep. 30, 2008
Assets	889	790	(98)	861
Liabilities	559	522	(37)	535
(Interest-bearing debt)	327	318	(9)	318
Net assets	329	268	(61)	325
Equity ratio	37.1%	33.9%	(3.2)%	37.8%

At the end of the current fiscal year, total assets stood at 79.0 billion yen, a fall of 9.8 billion yen from the end of the previous fiscal year. In this category, trade notes and accounts receivable decreased significantly by 3.7 billion yen due to a change in the sales accounting method; current and fixed deferred tax assets decreased 2.6 billion yen; tangible and intangible fixed assets decreased 2.6 billion yen partly due to impairment charges; and investment securities decreased 1.7 billion yen due to declining market values. Liabilities decreased 3.7 billion yen to 52.2 billion yen. Trade notes and accounts payable decreased 2.0 billion yen due to the change in the sales accounting method and long- and short-term borrowing and corporate bonds decreased 0.9 billion yen. Net assets decreased 6.1 billion yen to 26.8 billion yen due to a decrease in dividends paid, a decrease in the foreign currency translation adjustments account arising from the stronger yen, and a decrease in net unrealized gain (loss) on other securities. The equity ratio was 33.9%, down 3.2 percentage points from the end of the previous fiscal year.

2) FY3/09 Cash Flow Position

(100 millions of yen)

	FY3/08	FY3/09	Increase/decrease
Cash flow from operating activities	38	68	30
Cash flow from investing activities	(23)	(20)	3
Cash flow from financing activities	(38)	(25)	12
Translation gains or losses	(6)	(11)	(4)
Increase (decrease) in cash and cash equivalents	(31)	11	42
Increase in cash and cash equivalents from new consolidation	0	-	(0)
Cash and cash equivalents at beginning of year	155	124	(30)
Cash and cash equivalents at end of year	124	135	11

Cash flows from operating activities amounted to an inflow of 6.8 billion yen (year-on-year increase in income of 3.0 billion yen). This was mainly attributable to total inflows of 8.1 billion yen, including operating profit of 6.5 billion yen, and depreciation and provisions of 1.5 billion yen, set against an outflow of 1.4 billion yen for interest, income tax, and other payments. The main factors behind the 3.0 billion yen increase in inflows compared to a year earlier were the decline in accounts receivable and the recovery of working capital.

Cash flows from investing activities resulted in an outflow of 2.0 billion yen (year-on-year decrease in outlays of 0.3 billion yen). This was mainly attributable to payments of 1.1 billion yen for the purchase of tangible fixed assets, 1.1 billion yen for adding to guarantees and long-term time deposits.

Cash flows from financing activities resulted in an outflow of 2.5 billion yen (year-on-year decrease in outlays of 1.2 billion yen). This was mainly attributable to the repayment of interest-bearing debt and lease obligations of 1.2 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 current fiscal year increased 1.1 billion yen from the end of the previous fiscal year to 13.5 billion yen.

(Reference) The trend of cash flow-related indicators

	FY3/05	FY3/06	FY3/07	FY3/08	FY3/09
Equity ratio (%)	27.0	35.5	37.6	37.1	33.9
Equity ratio, at market value (%)	78.3	174.1	157.9	85.2	84.0
Interest-bearing debt to cash flow ratio (%)	531.2	509.9	623.5	859.5	461.6
Interest coverage ratio	6.4	9.0	7.9	5.9	11.1

Notes: Equity ratio: Shareholders' equity / Total assets

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

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

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

* All indices are calculated from consolidated financial data.

* Market capitalization is calculated by multiplying the term-end listed stock price with the term-end number of shares outstanding (excluding treasury stocks).

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

* Interest-bearing debt is a sum of all interest-bearing debt stated on the consolidated balance sheet (excluding lease obligations).

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

(3) Basic Policy Regarding Profit Distribution and Dividends for FY3/09 and FY3/10

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

In the fiscal year under review, although we recorded impairment charges against strategic shareholdings and fixed assets and we reversed deferred tax assets, resulting in a net loss for the fiscal year, there was a small increase in ordinary profit and therefore there will be a dividend distribution as planned. Pursuant to the resolution passed at last year's annual general meeting of shareholders, we will use the "other capital surplus," (funds already transferred from our capital reserve for the purpose of redeeming Class B preferred stock) as the source of funds for this dividend distribution.

It is our intention to adhere to our basic policy for the fiscal year ending on March 31, 2010.

(4) Business and Other Risks

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

(1) Market risk

The global nature of the Sanrio Group's business development means that performance is influenced by economic conditions in all countries and regions where our products are sold. As these products are not necessarily essential to the daily lives of the customers, the impact of conditions in various markets may result in a lack of sales.

(2) Currency risk

Sanrio orders about 60% of its products from overseas, primarily China, while the export ratio (including royalty income) is 13.2% (10.4% in the previous fiscal year) of total sales. Each of these activities is influenced by foreign exchange fluctuations. We estimate income and expenditure in US dollars and use various hedging measures, but it is impossible to completely avoid foreign exchange risk. Furthermore, various items in consolidated financial statements such as sales, cost of sales, and selling, general and administrative expenses at overseas consolidated subsidiaries are influenced by currency conversion based on rates applied when preparing consolidated financial statements. As a result of these factors, there may be an impact on earnings.

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

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

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

(4) Risks caused by incidence of defective products

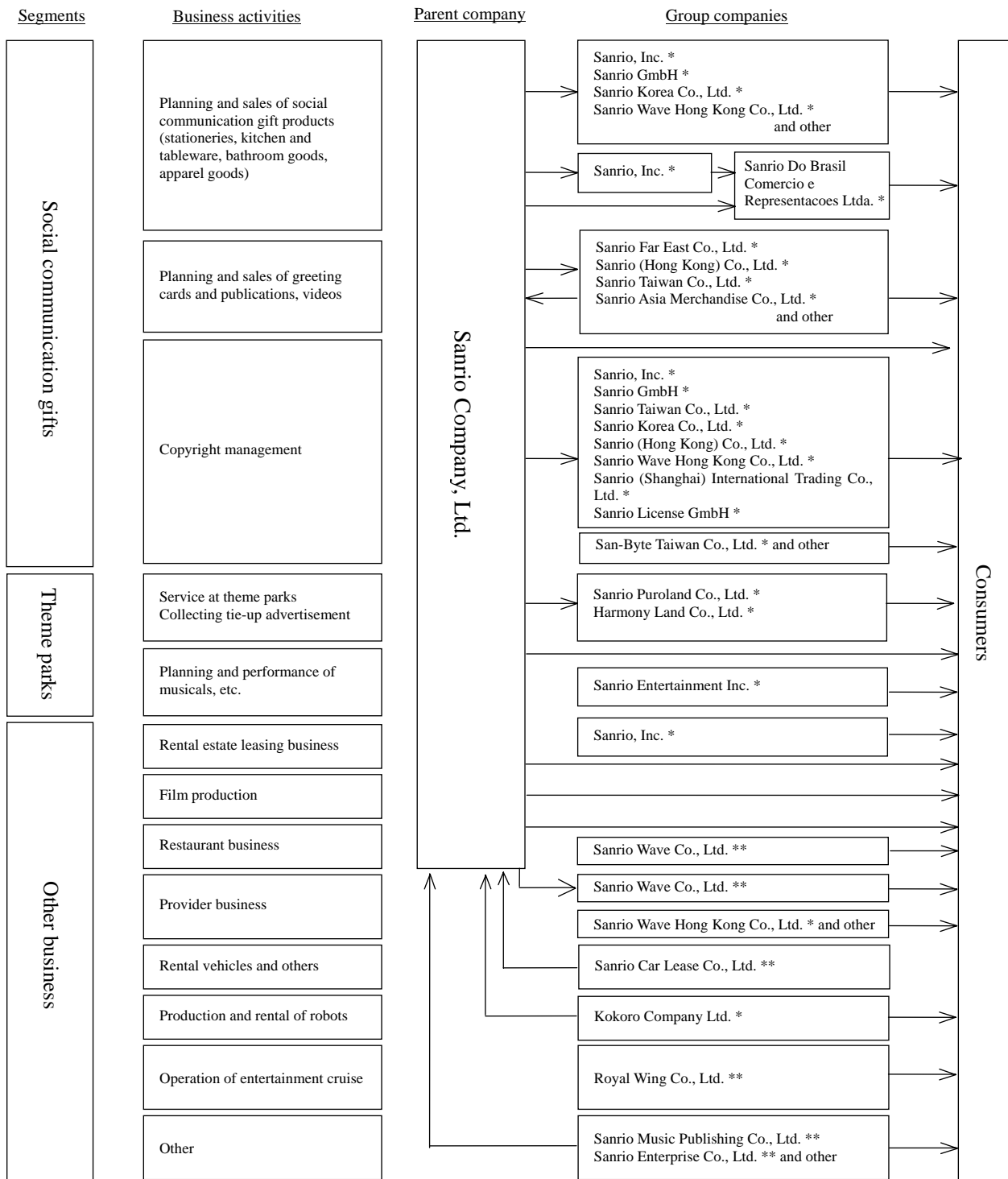
The Sanrio Group orders products not just from Japan but also from overseas manufacturers, mainly in China, with the aim of reducing product procurement costs in response to price competition. Each manufacturer carries out manufacturing and product inspection in accordance with the quality standards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

(5) Natural disaster and accident risks

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

2. Corporate Structure

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



Note: * Consolidated subsidiaries ** Unconsolidated subsidiaries

→ Product or service flow

Group Companies

Consolidated subsidiaries

Name	Location	Capital	Major businesses	% of voting rights held (or held by others)	Details				
					Co-assigned positions		Business relationship	Equipment lease, rental, and others	Other
					Company's directors	Company's employees			
Sanrio, Inc.	San Francisco, California, USA	US\$ 34,412 thousand	Social communication gifts	100	1	2	Imports & sales of Sanrio products, royalty trading	-	Financial guarantee
Sanrio Entertainment Inc.	San Francisco, California, USA	US\$ 500 thousand	Theme parks	100 (100)	1	1	Show planning and sales	-	-
Sanrio Do Brasil Comercio e Representacoes Ltda.	Tamboré, Brazil	Real 2,097 thousand	Social communication gifts	100 (100)	-	-	Imports & sales of Sanrio products, royalty trading	-	-
Sanrio (Hong Kong) Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gifts	100 (80)	1	1	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Korea Co., Ltd.	Seoul, Korea	Korean Won 50 million	Social communication gifts	100 (100)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 177,000 thousand	Social communication gifts	100	1	4	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio GmbH	Schleswig-Holstein, Germany	Euro 2,019 thousand	Social communication gifts	100	1	3	Imports & sales of Sanrio products, royalty trading	-	-
Sanrio License GmbH	Schleswig-Holstein, Germany	Euro 100 thousand	Social communication gifts	100 (100)	-	1	Royalty trading	-	-
Sanrio (Shanghai) International Trading Co., Ltd.	Shanghai, China	US\$ 400 thousand	Social communication gifts	100 (60)	1	3	Manufacturing of Sanrio products, royalty trading	-	-
Sanrio Asia Merchandise Co., Ltd.	Hong Kong	HK\$ 1,000 thousand	Social communication gifts	100 (100)	1	2	Manufacturing of Sanrio products, royalty trading	-	-
San-Byte Taiwan Co., Ltd.	Taipei, Taiwan	Taiwan\$ 63,094 thousand	Social communication gifts	100 (100)	2	1	Copyright management	-	-
Sanrio Wave Hong Kong Co., Ltd.	Hong Kong	HK\$ 450 thousand	Social communication gifts	95 (95)	1	2	Internet provider, etc.	-	-
Sanrio Puroland Co., Ltd.	Tama-shi, Tokyo	Yen 4,050 million	Theme parks	100	7	5	Purchase & sales of Sanrio products, royalty trading	Building & equipment rental	Loans
Harmony Land Co., Ltd.	Hiji-machi, Hayami-gun, Oita	Yen 1,748 million	Theme parks	84.8 (0.5)	4	2	Purchase & sales of Sanrio products, royalty trading	Building & equipment rental	Loans
Sanrio Far East Co., Ltd.	Shinagawa-ku, Tokyo	Yen 30 million	Social communication gifts	100	3	-	Manufacturing of Sanrio products, royalty trading	Office rental	-
Kokoro Company Ltd.	Hamura-shi, Tokyo	Yen 495 million	Other business	100	3	1	Robot development, planning, and sales	Office rental	Financial guarantee, loans

Notes: 1. Sanrio, Inc., Sanrio Puroland Co., Ltd., and Harmony Land Co., Ltd. are designated subsidiaries.

2. Percentages in parenthesis show an indirect ownership: Sanrio Do Brasil Comercio e Representacoes Ltda. and Sanrio Entertainment Inc. by subsidiary Sanrio Inc.; Harmony Land Co., Ltd. by subsidiary Sanrio Puroland Co., Ltd.; Sanrio (Hong Kong) Co., Ltd. by subsidiary Sanrio Far East Co., Ltd.; Sanrio Korea Co., Ltd. by two subsidiaries, Sanrio (Hong Kong) Co., Ltd. and Sanrio, Inc.; Sanrio (Shanghai) International Trading Co., Ltd. by three subsidiaries, Sanrio (Hong Kong) Co., Ltd., Sanrio Wave Hong Kong Co., Ltd. and Sanrio Investment Co., Ltd.; Sanrio Asia Merchandise Co., Ltd. by subsidiary Sanrio (Hong Kong) Co., Ltd.; San-Byte Taiwan Co., Ltd. by subsidiary Sanrio Taiwan Co., Ltd.; Sanrio Wave Hong Kong Co., Ltd. by subsidiary Sanrio (Hong Kong) Co., Ltd.; and Sanrio License GmbH by subsidiary Sanrio GmbH.

3. All the subsidiaries stated above do not present Security Registration Statement and Annual Securities Report.

3. Management Policy

(1) Basic Management Policy

We believe that having a companion that you can talk with from the heart is one of the greatest forms of happiness for human beings. Our companions range from those closest to home — mother, father, children, brother, sister and lover — to our schoolmates and work mates, and then to all of humankind. In order to get along with one another, we need to trust, respect, and love others, and we need to express those feelings. This is Sanrio's basic management philosophy of "Social Communication."

Based on the belief that we should expand the circle of good relations to children and people around the world, we have pursued the Social Communication business by adopting the watchwords "small gift, big smile." This involves planning and developing gift products that express caring feelings as well as operating theme parks as venues for creating communication. Theme parks, especially, are venues that embody our key corporate philosophies. We are establishing these parks as venues to create a world view of characters, and establishing a management base as a source of development capability for the products and characters.

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

In order to connect people and make friends, we will plan products and services that enrich minds, and that children and adults alike can enjoy. We will endeavour to provide our customers with safe, high-quality, environmentally friendly products and services at reasonable prices, and prepare a comprehensive management structure. By sustaining these measures, we believe that Sanrio can contribute to society.

We are endeavoring to commit the capabilities of our executives and employees so that we can unite with all stakeholders (especially customers) to respect the human rights of people around the world, and not yield to antisocial power but build a peace-loving society where everyone lives in happiness. We believe this will lead Sanrio on the road to becoming a unique presence as a company that is appreciated the world over.

(2) Target Performance Indicators and Medium to Long-Term Management Strategy

The "Project 2010" medium-term plan, which started in April 2008 and runs through fiscal 2010, will be undertaken as follows.

1) Rationale

In fiscal 2008, we implemented the first year of the three-year management plan. However, the global recession originating with the US sub-prime mortgage crisis, the fixing of the yen at a much higher level, and other factors dramatically altered the business environment fundamental to the plan's establishment. Moreover, the ending of such conditions and the economic structure that would follow could not be accurately predicted. The plan was therefore abandoned.

Throughout fiscal 2009, we will continue taking measures to rationalize the domestic product sales business, review the theme park business, and strengthen the sustainable growth of overseas business targeting a "structure based on strong, stable profits" set forth in the medium-term plan, while also reviewing target values.

2) Current initiatives and future plans

We are taking measures to protect the employment of high-quality personnel who support the creation of Sanrio's corporate values, and to enhance their ambitions while taking the following initiatives during fiscal 2009.

- i. Reducing personnel costs
- ii. Reducing the cost ratio by cutting the number of product items by 10% to 20%
- iii. Closing unprofitable and low-profit stores

We are also looking closely at business environment trends as we draw up a new medium-term business plan, which we intend to implement from fiscal 2010.

3) Capital structure policy

With respect to the policy concerning Sanrio's capitalization, the withdrawn medium-term business plan states that in addition to using periodical profit as a source of funds to redeem Class B convertible preferred stock, Sanrio will also draw down some capital reserves (5 billion yen) to fund these redemptions, and at the annual general meeting of shareholders held on June 26, 2008 the shareholders approved a resolution to transfer funds from the capital reserve account to the "other capital surplus" account. However, although in the fiscal year under review operating profit remained roughly unchanged from a year earlier, a net loss was unavoidable as a result of impairments to investment securities and fixed assets as well as the reversal of deferred tax assets. As a result, we were forced to use the aforementioned surplus to fund our intended dividend, and therefore we have been compelled to postpone the redemption of the preferred stock to the March 2010 fiscal year or beyond.

(Reference) Class B preferred stock

Issue amount:	10 billion yen
Dividend:	6-month Japanese yen TIBOR rate to which 4% is added
Period convertible to common stock:	March 23, 2010 and after
Initial conversion price:	90% of the daily average closing price of common stock for 30 transaction days beginning on the 45 th transaction day prior to March 23, 2010 (the conversion price will then be corrected twice a year)

(3) Management Issues and Measures to be Tackled

The Sanrio Group is shifting from sales-oriented to profit-oriented management. Our basic policy is focusing on developing the licensing business both in Japan and overseas, especially the creation of expansion strategies for the overseas market, which is projected to grow rapidly. Meanwhile, reviewing of the domestic product sales business is another issue to focus, in the shrinking domestic market.

1) Activate personnel supporting Sanrio's value creation

In order to connect Sanrio's "social communication" with specific business, the Company must further hone its creative capabilities to embody its corporate philosophy throughout the world, especially with regard to characters. Key tasks to achieve are to take on new personnel and introduce training measures that encourage continuous development of abilities for employees that are already active.

2) Bolstering overseas strategies

Sales are steadily expanding in both the product sales and licensing businesses as the degree of recognition of Sanrio characters continues to firmly increase across all overseas locations. We intend to launch new market development centered on the undeveloped Middle East and BRICs (Brazil, Russia, India, and China), and cultivate new drivers for growth. We will therefore move aggressively to form licensing agreements with local agent companies in each country to accelerate our strengthening of overseas profitability.

3) Reviewing the domestic product sales business

We need to urgently restructure the domestic product sales business and enhance profitability. In order to survive in the current harsh consumption environment, we are devoting ourselves to rationalizing unprofitable stores and reviewing the supply chain from product development to shop front. Moreover, by linking to stores overseas, we can undertake global planning and development of products, strengthen the supply system accordingly, and enhance efficiency while reducing costs.

We will also strengthen character branding by developing high value-added products and promoting store networks through collaboration with globally famous designers and high-class fashion brands.

4) Review of the theme park business

We will create a new world view of characters, review the positioning of the theme park business, which is succeeding in the role of character incubator venue, and take measures to apply the new initiatives. Among these, by hosting shows through license for the Chinese market, we aim to integrate the development of theme park character incubator functions, the product sales business, and the licensing business. We believe this will become demonstrate our Group's comprehensive strengths. We will actively promote license provision for events that are likely to add momentum to this trend.

4. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	(Millions of yen)	
	FY3/08	FY3/09
	(As of Mar. 31, 2008)	(As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposit	12,968	13,891
Trade notes and accounts receivable	*2 13,121	*2 9,431
Inventories	*2 5,302	*2,*4 5,018
Other accounts receivable	885	703
Deferred tax assets	2,534	857
Other	794	1,153
Allowance for doubtful accounts	(268)	(71)
Total current assets	35,338	30,983
Fixed assets		
Tangible fixed assets		
Buildings and structures	53,085	52,804
Accumulated depreciation	(43,526)	(45,432)
Buildings and structures, net	9,559	7,372
Machinery and vehicles	13,657	13,667
Accumulated depreciation	(12,711)	(13,125)
Machinery and vehicles, net	945	542
Land	11,397	11,290
Lease assets	-	573
Accumulated depreciation	-	(217)
Lease assets, net	-	355
Construction in progress	167	17
Other	4,962	4,853
Accumulated depreciation	(4,313)	(4,367)
Other, net	648	486
Total tangible fixed assets	*3 22,718	*3 20,063
Intangible fixed assets	456	448
Investments and other assets		
Investments securities	7,610	5,841
Long-term loans	1,369	1,220
Long-term loans to employees	3,399	3,261
Guarantees	4,167	3,886
Deferred tax assets	9,707	8,694
Other	5,085	5,516
Allowance for doubtful accounts	(919)	(881)
Total investments and other assets	30,419	27,539
Total fixed assets	53,593	48,052
Deferred assets		
Corporate bond issuance costs	39	51
Total deferred assets	39	51
Total assets	88,971	79,087

(Millions of yen)

	FY3/08 (As of Mar. 31, 2008)	FY3/09 (As of Mar. 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,478	6,453
Short-term borrowings	21,383	17,947
Current portion of corporate bonds to be redeemed	2,277	1,162
Lease obligations	-	196
Accrued income taxes	805	677
Allowance for bonuses	422	370
Reserve for adjustment of returned goods	80	105
Other	4,802	4,052
Total current liabilities	38,250	30,964
Long-term liabilities		
Corporate bonds	5,560	5,607
Long-term borrowings	3,556	7,127
Lease obligations	-	304
Reserve for retirement benefits for employees	6,816	6,884
Reserve for retirement benefits for directors	451	457
Long-term deposits received	749	551
Long-term accounts payable	297	158
Other	292	187
Total long-term liabilities	17,724	21,278
Total liabilities	55,974	52,243
Net assets		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus	10,095	10,095
Retained earnings	12,034	9,189
Treasury stock	(954)	(954)
Total shareholder's equity	36,175	33,330
Valuation and translation adjustment		
Net unrealized gain (loss) on other securities	(839)	(1,893)
Deferred hedge gain (loss)	(92)	(51)
Foreign currency translation adjustments	(2,260)	(4,563)
Total valuation and translation adjustment	(3,192)	(6,508)
Minority interests	13	22
Total net assets	32,996	26,844
Total liabilities and net assets	88,971	79,087

(2) Consolidated Income Statement

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Sales	93,917	69,767
Cost of sales	54,662	32,079
Gross profit	39,255	37,688
Provision of reserve for adjustment of returned goods	-	25
Reversal from reserve for adjustment of returned goods	37	-
Net gross profit on sales	39,292	37,663
Selling, general and administrative expenses		
Sales and promotion expenses	3,310	3,357
Provision of allowance for doubtful accounts	94	-
Directors bonuses and salaries	7,396	7,156
Miscellaneous wages	3,339	3,302
Bonus	879	873
Provision of reserves for bonuses	419	363
Provision of allowance for retirement benefits for directors	19	17
Freight charges	1,441	1,309
Rent	3,374	3,040
Depreciation	1,034	1,147
Other	11,367	10,519
Total selling, general and administrative expenses	32,677	31,088
Operating profit	6,615	6,575
Non-operating profit		
Interest income	402	375
Dividend income	109	105
Other income	194	329
Total non-operating profit	706	811
Non-operating expenses		
Interest expense	774	696
Tax and public charges	422	400
Foreign exchange loss	475	20
Provision of allowance for doubtful accounts	209	43
Other expenses	175	271
Total non-operating expenses	2,057	1,431
Ordinary profit	5,264	5,954

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Extraordinary gains		
Gain on sale of investment securities	416	14
Other	20	2
Total extraordinary gains	437	16
Extraordinary losses		
Loss on disposal of fixed assets	*1 85	*1 49
Impairment loss	*2 161	*2 2,409
Provision of allowance for retirement benefits for directors	432	-
Valuation loss on investment securities	742	897
Provision of allowance for doubtful accounts	101	-
Valuation loss on inventories	-	79
Other	9	40
Total extraordinary losses	1,532	3,476
Net profit before income taxes and other adjustments	4,168	2,494
Income taxes - current	1,501	1,342
Income taxes - deferred	1,567	2,636
Total income taxes	3,069	3,978
Minority interests in income (loss) of consolidated subsidiaries	(15)	11
Net profit (loss)	1,114	(1,495)

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Shareholders' equity		
Capital		
Balance at the end of previous period	14,999	14,999
Balance at the end of current period	14,999	14,999
Capital surplus		
Balance at the end of previous period	10,095	10,095
Changes of items during the period		
Disposal of treasury stock	0	0
Total changes of items during the period	0	0
Balance at the end of current period	10,095	10,095
Retained earnings		
Balance at the end of previous period	12,657	12,034
Effect of changes in accounting policies applied to foreign subsidiaries	-	5
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,114	(1,495)
Decrease in surplus from addition in consolidated subsidiaries	(430)	-
Total changes of items during the period	(622)	(2,850)
Balance at the end of current period	12,034	9,189
Treasury stock		
Balance at the end of previous period	(960)	(954)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Total changes of items during the period	5	(0)
Balance at the end of current period	(954)	(954)
Total shareholders' equity		
Balance at the end of previous period	36,792	36,175
Effect of changes in accounting policies applied to foreign subsidiaries	-	5
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,114	(1,495)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Decrease in surplus from addition in consolidated subsidiaries	(430)	-
Total changes of items during the period	(616)	(2,850)
Balance at the end of current period	36,175	33,330

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities		
Balance at the end of previous period	459	(839)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,298)	(1,054)
Total changes of items during the period	(1,298)	(1,054)
Balance at the end of current period	(839)	(1,893)
Deferred hedge gain (loss)		
Balance at the end of previous period	(56)	(92)
Changes of items during the period		
Net changes of items other than shareholders' equity	(36)	40
Total changes of items during the period	(36)	40
Balance at the end of current period	(92)	(51)
Foreign currency translation adjustment		
Balance at the end of previous period	(1,042)	(2,260)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,218)	(2,302)
Total changes of items during the period	(1,218)	(2,302)
Balance at the end of current period	(2,260)	(4,563)
Total valuation and translation adjustments		
Balance at the end of previous period	(638)	(3,192)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,553)	(3,316)
Total changes of items during the period	(2,553)	(3,316)
Balance at the end of current period	(3,192)	(6,508)
Minority interests		
Balance at the end of previous period	30	13
Changes of items during the period		
Net changes of items other than shareholders' equity	(17)	8
Total changes of items during the period	(17)	8
Balance at the end of current period	13	22
Total net assets		
Balance at the end of previous period	36,184	32,996
Effect of changes in accounting policies applied to foreign subsidiaries	-	5
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,114	(1,495)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Decrease in surplus from addition in consolidated subsidiaries	(430)	-
Net changes of items other than shareholders' equity	(2,570)	(3,307)
Total changes of items during the period	(3,187)	(6,158)
Balance at the end of current period	32,996	26,844

(4) Consolidated Cash Flow Statement

	(Millions of yen)	
	FY3/08	FY3/09
	(Apr. 1, 2007 – Mar. 31, 2008)	(Apr. 1, 2008 – Mar. 31, 2009)
Cash flows from operating activities		
Net profit before income taxes and other adjustments	4,168	2,494
Depreciation	1,546	1,603
Amortization of long-term prepaid expenses	97	101
Increase (decrease) in allowance for doubtful accounts	416	(178)
Increase (decrease) in reserve for bonuses	47	(50)
Increase (decrease) in reserve for retirement benefits for employees	257	70
Increase (decrease) in reserve for adjustment of returned goods	(37)	25
Increase (decrease) in reserve for retirement benefits for directors	451	6
Interest and dividend income	(511)	(481)
Interest expense	774	696
Foreign exchange loss (gain)	125	-
Loss (gain) on disposal of fixed assets	85	49
Impairment loss	161	2,409
Loss (gain) on sale of investment securities	(416)	(14)
Valuation loss (gain) on investment securities	742	897
Decrease (increase) in accounts receivable	(547)	2,882
Decrease (increase) in inventories	531	169
Decrease (increase) in other assets	(200)	(177)
Increase (decrease) in accounts payable	(3,211)	(1,660)
Increase (decrease) in consumption tax payable	(18)	96
Increase (decrease) in other liabilities	718	(826)
Other	78	261
Subtotal	5,260	8,373
Interests and dividends received	491	487
Interests paid	(777)	(680)
Income taxes paid	(1,164)	(1,281)
Cash flows from operating activities	3,810	6,898
Cash flows from investing activities		
Payments for time deposits	(593)	(301)
Withdrawal of time deposits	1,263	406
Payments for purchase of tangible fixed assets	(1,495)	(1,131)
Payments for purchase of investment securities	(4,527)	(506)
Proceeds from sale of investment securities	3,104	201
Payments for loans receivable	(183)	(319)
Collection of loans receivable	133	136
Collection of guarantees	968	479
Other payments	(1,726)	(1,010)
Other proceeds	660	7
Cash flows from investing activities	(2,396)	(2,038)

	(Millions of yen)			
	FY3/08		FY3/09	
	(Apr. 1, 2007 – Mar. 31, 2008)		(Apr. 1, 2008 – Mar. 31, 2009)	
Cash flows from financing activities				
Increase in short-term borrowings		342		1,025
Decrease in short-term borrowings		(1,205)		(1,486)
Increase in long-term borrowings		2,500		6,780
Decrease in long-term borrowings		(3,104)		(6,173)
Proceeds from issuance of corporate bonds		977		1,185
Payment for redemption of corporate bonds		(2,068)		(2,277)
Payment for purchase of treasury stock		(0)		(0)
Proceeds from sale of treasury stock		6		0
Dividends paid		(1,306)		(1,351)
Other payments		-		(262)
Cash flows from financing activities		(3,858)		(2,559)
Effect of exchange rate changes on cash and cash equivalents		(679)		(1,147)
Increase (decrease) in cash and cash equivalents		(3,123)		1,153
Cash and cash equivalents at beginning of period		15,534		12,445
Increase in cash and cash equivalents from newly consolidated subsidiaries		34		-
Cash and cash equivalents at end of period	*1	12,445	*1	13,599

(5) Going Concern Assumption

Not applicable.

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>1. Scope of consolidation</p> <p>Consolidated subsidiaries: 15 companies</p> <p>Sanrio, Inc. (U.S.A.)</p> <p>Sanrio Entertainment Inc. (U.S.A.)</p> <p>Sanrio Puroland Co., Ltd.</p> <p>Harmony Land Co., Ltd.</p> <p>Sanrio Far East Co., Ltd.</p> <p>Kokoro Company Ltd.</p> <p>Sanrio (Hong Kong) Co., Ltd. (Hong Kong)</p> <p>Sanrio Taiwan Co., Ltd. (Taiwan)</p> <p>Sanrio Korea Co., Ltd. (Korea)</p> <p>Sanrio Do Brasil e Representacoes Ltda. (Brazil)</p> <p>Sanrio (Shanghai) International Trading Co., Ltd. (China)</p> <p>Sanrio Asia Merchandise Co., Ltd. (Hong Kong)</p> <p>San-Byte Taiwan Co., Ltd. (Taiwan)</p> <p>Sanrio Wave Hong Kong Co., Ltd. (Hong Kong)</p> <p>Sanrio GmbH (Germany)</p> <p>Kokoro Company Ltd., which became more significant, and Sanrio Entertainment Inc., which was established in the fiscal year, is newly consolidated in the current fiscal year.</p> <p>Unconsolidated subsidiaries: 9 companies</p> <p>3 overseas companies:</p> <p>Sanrio Investment Limited (Mauritius)</p> <p>San-Byte Investment Co., Ltd. (British Virgin Islands)</p> <p>San-Byte Hong Kong Co., Limited (Hong Kong)</p> <p>6 domestic companies:</p> <p>Sanrio Music Publishing Co., Ltd.</p> <p>Sanrio Car Lease Co., Ltd.</p> <p>Sanrio Enterprise Co., Ltd.</p> <p>Sanrio Wave Co., Ltd.</p> <p>Pantry Co., Ltd.</p> <p>Forty Winks Co., Ltd.</p> <p>The above unconsolidated subsidiaries are excluded from the consolidation scope because the effect of their total assets, sales, net profit or losses, and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>2. Application of the equity method</p> <p>Investments in nine unconsolidated subsidiaries (stated in 1. Scope of consolidation) and six affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Mei-Wave Entertainment Co., Ltd., Sanrio Digital Korea Co., Ltd., SANRIO DIGITAL (SEA) PTE. LTD., Sanrio Digital Europe) are not accounted for by the equity method, but are stated at cost because the effect of their net profit or loss and retained earnings on the accompanying consolidated financial statements are immaterial.</p>	<p>1. Scope of consolidation</p> <p>Consolidated subsidiaries: 16 companies</p> <p>Sanrio, Inc. (U.S.A.)</p> <p>Sanrio Entertainment Inc. (U.S.A.)</p> <p>Sanrio Puroland Co., Ltd.</p> <p>Harmony Land Co., Ltd.</p> <p>Sanrio Far East Co., Ltd.</p> <p>Kokoro Company Ltd.</p> <p>Sanrio (Hong Kong) Co., Ltd. (Hong Kong)</p> <p>Sanrio Taiwan Co., Ltd. (Taiwan)</p> <p>Sanrio Korea Co., Ltd. (Korea)</p> <p>Sanrio Do Brasil e Representacoes Ltda. (Brazil)</p> <p>Sanrio (Shanghai) International Trading Co., Ltd. (China)</p> <p>Sanrio Asia Merchandise Co., Ltd. (Hong Kong)</p> <p>San-Byte Taiwan Co., Ltd. (Taiwan)</p> <p>Sanrio Wave Hong Kong Co., Ltd. (Hong Kong)</p> <p>Sanrio GmbH (Germany)</p> <p>Sanrio License GmbH (Germany)</p> <p>Sanrio License GmbH (Germany), which was established in the fiscal year, is newly consolidated in the current fiscal year.</p> <p>Unconsolidated subsidiaries: 11 companies</p> <p>3 overseas companies:</p> <p>Sanrio Investment Limited (Mauritius)</p> <p>San-Byte Investment Co., Ltd. (British Virgin Islands)</p> <p>San-Byte Hong Kong Co., Limited (Hong Kong)</p> <p>8 domestic companies:</p> <p>Sanrio Music Publishing Co., Ltd.</p> <p>Sanrio Car Lease Co., Ltd.</p> <p>Sanrio Enterprise Co., Ltd.</p> <p>Sanrio Wave Co., Ltd.</p> <p>Pantry Co., Ltd.</p> <p>Forty Winks Co., Ltd.</p> <p>Royal Wing Co., Ltd.</p> <p>Nal Co. Ltd.</p> <p>The above unconsolidated subsidiaries are excluded from the consolidation scope because the effect of their total assets, sales, net profit or losses, and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>2. Application of the equity method</p> <p>Investments in eleven unconsolidated subsidiaries (stated in 1. Scope of consolidation) and six affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Mei-Wave Entertainment Co., Ltd., Sanrio Digital Korea Co., Ltd., SANRIO DIGITAL (SEA) PTE. LTD., Sanrio Digital Europe) are not accounted for by the equity method, but are stated at cost because the effect of their net profit or loss and retained earnings on the accompanying consolidated financial statements are immaterial.</p>

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>3. Fiscal year-ends of consolidated subsidiaries Sanrio Korea Co., Ltd., Sanrio GmbH, and Sanrio (Shanghai) International Trading Co., Ltd. have their fiscal year ends on December 31. The Company uses their financial statements as of their fiscal year-ends. The Company makes necessary adjustments for major transactions between their fiscal year-ends and the Company's fiscal year-end.</p> <p>4. Accounting procedures (1) Valuation standards and methods for major assets Other marketable securities Other securities with market value Market value method, using the market price on the settlement date (Valuation differences are reflected in net assets; selling costs are computed with the moving average method).</p> <p>Other securities not valued at market At cost, using the moving average method Derivatives Market value method Inventories At cost, mainly based on moving average method.</p> <p>(2) Depreciation and amortization of major depreciable assets Tangible fixed assets Straight line method is used for the Company's theme park facilities, warehouses, and buildings acquired on or after April 1, 1998, and Harmony Land Co., Ltd., Sanrio Far East Co., Ltd., and overseas subsidiaries. Others use declining balance method. Service life ranges of major types of assets: Buildings and structures: 3 to 60 years Machinery and vehicles: 2 to 18 years Other: 2 to 20 years</p>	<p>3. Fiscal year-ends of consolidated subsidiaries Sanrio Korea Co., Ltd., Sanrio GmbH, Sanrio License GmbH, and Sanrio (Shanghai) International Trading Co., Ltd. have their fiscal year ends on December 31. Sanrio, Inc., Sanrio Entertainment Inc., Sanrio (Hong Kong) Co., Ltd., Sanrio Taiwan Co., Ltd., Sanrio Do Brasil Comercio e Representacoes Ltda., Sanrio Asia Merchandise Co., Ltd., San-Byte Taiwan Co., Ltd., and Sanrio Wave Hong Kong Co., Ltd. have changed their fiscal year-ends from March 31 to December 31, and uses their financial statements as of their fiscal year-ends. The Company makes necessary adjustments for major transactions between their fiscal year-ends and the Company's fiscal year-end.</p> <p>4. Accounting procedures (1) Valuation standards and methods for major assets Other marketable securities Other securities with market value Same as on the left.</p> <p>Other securities not valued at market Same as on the left.</p> <p>Derivatives Same as on the left.</p> <p>Inventories At cost, mainly based on moving average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).</p> <p>(Change in account policies) Effective from the current fiscal year, the Company has adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9: Accounting Standards Board of Japan, July 5, 2006). As a result, operating profit and ordinary profit have both decreased by 15 million yen while net profit before income taxes and other adjustments has decreased by 95 million yen. The impact of the change on segment information is described in the corresponding section.</p> <p>(2) Depreciation and amortization of major depreciable assets Tangible fixed assets (excluding lease assets) Straight line method is used for the Company's theme park facilities, warehouses, and buildings acquired on or after April 1, 1998, and Harmony Land Co., Ltd., Sanrio Far East Co., Ltd., and overseas subsidiaries. Others use declining balance method. Service life ranges of major types of assets: Buildings and structures: 3 to 50 years Machinery and vehicles: 2 to 18 years Other: 2 to 20 years</p>

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>(Changes in accounting policies) The Company and its domestic consolidated subsidiaries depreciate assets acquired on or after April 1, 2007 using the depreciation method stipulated in the revised Corporate Tax Law, in line with revisions to the Corporate Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007). The effect of this change was to decrease operating profit, ordinary profit and net profit before income taxes and other adjustments by 121 million yen each. The impact of the change on segment information is described in the corresponding section.</p> <p>(Additional information) The Company and its domestic consolidated subsidiaries, following the revised Corporate Tax Law, in line with revisions to the Corporate Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007), depreciate assets acquired on or before March 31, 2007 equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions. The effect of this change was to decrease operating profit, ordinary profit, and net profit before income taxes and other adjustments by 50 million yen each. The impact of the change on segment information is described in the corresponding section.</p> <p>Intangible fixed assets Amortization of intangible fixed assets is calculated by the straight line method. The development costs of software intended for internal use are amortized over an expected service life ranges of five years by the straight line method.</p> <p>(3) Amortization of major deferred assets Corporate bond issuance costs Corporate bond issuance costs are expensed equally over a term up to maturity. Corporate bond issuance costs which were incurred by the end of FY3/06 are expensed equally over three years.</p> <p>(4) Accounting standards for major reserves Allowance for doubtful accounts Provisions are made to prepare against credit losses for standard accounts on the basis of the actual rate of bad debt, and for potentially unrecoverable accounts on a case-by-case basis in the amount estimated to be unrecoverable.</p>	<p style="text-align: center;">—————</p> <p>(Additional information) Effective from the current fiscal year, the service life ranges 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 (Law for Partial Revision of Corporation Tax Law, etc., Law No. 23, April 30, 2008). This change has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.</p> <p>Intangible fixed assets (excluding lease assets) Amortization of intangible fixed assets is calculated by the straight line method. The development costs of software intended for internal use are amortized over an expected service life ranges of five years by the straight line method.</p> <p>Lease assets Amortization of lease assets associated with finance leases where there is no transfer of ownership, the method with no residual value is applied with the lease period used as the service life ranges of the asset.</p> <p>(3) Amortization of major deferred assets Corporate bond issuance costs Same as on the left.</p> <p>(4) Accounting standards for major reserves Allowance for doubtful accounts Same as on the left.</p>

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>Reserve for bonuses To provide for the payment of employees' bonuses, the Company and major consolidated subsidiaries make provisions based on the estimated amount of bonus payments. Some overseas consolidated subsidiaries do not have a bonus payment system and do not make provisions.</p> <p>Reserves for adjustment of returned goods To prepare for losses on returned publications, reserves are posted at a full limit based on the regulations of the Corporate Taxation Law.</p> <p>Reserve for retirement benefits To prepare for payment of employees' retirement benefits, the Company and major consolidated subsidiaries make provisions based on the estimated benefit obligation and pension assets at the end of the current fiscal year. Actuarial differences are allocated equally to certain years (eight years) of the estimated number of remaining service years of employees and are expensed from the next year onward.</p> <p>Reserve for retirement benefits for directors The Company, Harmony Land Co., Ltd., and Sanrio Far East Co., Ltd. provide reserve for retirement benefits for directors based on the amount of retirement benefit payable at the end of the current fiscal year in accordance with the Company's internal regulations.</p> <p>(Changes in accounting policies) While the Company had previously recorded retirement benefits for directors as expense when they were paid, following the release of "Treatment for Auditing of Reserve under Special Taxation Measures Law, Allowance or Reserve under Special Laws and Allowance for Retirement Benefits to Directors" (JICPA Audit and Assurance Practice Committee Report No. 42, April 13, 2007), it has changed this accounting practice to record as reserve for retirement benefits for directors in the amount to be paid at the end of the period based on the internal rule, from the current fiscal year. Given this change, the Company recognized during the fiscal year the expense of 19 million yen as selling, general and administrative expenses, and extraordinary loss of 432 million yen corresponding to the prior fiscal years. The effect of this change was to decrease operating profit, ordinary profit by 19 million yen each, and net profit before income taxes and other adjustments by 451 million yen. The impact of the change on segment information is described in the corresponding section.</p> <p>(5) Accounting procedures for major lease transactions Finance leases, other than those in which the leased property is deemed to be transferred to the lessee, are accounted for in accordance with the same methods used for regular operating leases.</p>	<p>Reserve for bonuses Same as on the left.</p> <p>Reserves for adjustment of returned goods Same as on the left.</p> <p>Reserve for retirement benefits Same as on the left.</p> <p>Reserve for retirement benefits for directors Same as on the left.</p> <p>_____</p>

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>(6) Accounting methods for major hedges</p> <p>1) Hedge accounting methods Deferred hedge treatment is mainly adopted. However, with regard to hedging foreign exchange fluctuation risk, the Company uses appropriation treatment when the conditions for appropriation are fulfilled, and with regard to interest swaps, the Company uses special treatment when the conditions are fulfilled.</p> <p>2) Hedge methods and hedge targets (Hedge methods) Forward exchange contract Interest swap (Hedge targets) Foreign currency-dominated trade payables and forecasted transactions Loans payable, corporate bonds</p> <p>3) Hedging policy Derivative financial instruments are used mainly for the purpose of mitigating fluctuation risk of foreign currency exchange rates and fluctuation risk of interest rates, based on the internal rules.</p> <p>4) Method for evaluating hedge effectiveness The rate fluctuations of the hedge target and the cumulative cash flow fluctuations are compared, for evaluating hedge methods and hedge targets. For forward trading on foreign currency exchange rates that the estimated principal of the hedge method and the principal of the hedge target are equal and highly co-related, assessment of effectiveness is omitted.</p> <p>(7) Other important accounting policies used in preparing the consolidated financial statements Accounting for consumption taxes Consumption taxes are accounted for with the tax-exclusion method.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of the consolidated subsidiaries are stated at fair value.</p> <p>6. Scope of cash in consolidated cash flow statements Cash (cash and cash equivalents) in consolidated cash flow statements consists of cash on hand, deposits that can be readily withdrawn, and short-term investments that are easily converted into cash, are subject to minimal risk from fluctuations in value, and that mature within three months of the date of acquisition.</p>	<p>(6) Accounting methods for major hedges</p> <p>1) Hedge accounting methods Same as on the left.</p> <p>2) Hedge methods and hedge targets (Hedge methods) Forward exchange contract Interest swap (Hedge targets) Foreign currency-dominated trade receivables and payables and forecasted transactions Loans payable, corporate bonds</p> <p>3) Hedging policy Same as on the left.</p> <p>4) Method for evaluating hedge effectiveness Same as on the left.</p> <p>(7) Other important accounting policies used in preparing the consolidated financial statements Accounting for consumption taxes Same as on the left.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left.</p> <p>6. Scope of cash in consolidated cash flow statements Same as on the left.</p>

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p style="text-align: center;">_____</p> <p style="text-align: center;">_____</p>	<p>(Accounting standards for lease transactions) Effective from the current fiscal year, the Company has adopted “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, 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 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan). The effect of the application of these standards was to increase tangible fixed assets (lease assets) and intangible fixed assets by 411 million yen and 76 million yen, respectively. In addition, it has no effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.</p> <p>(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements) Effective from 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: May 17, 2006) and has made the necessary adjustments to the consolidated financial statements. The application of this standard has no significant effect on operating profit, ordinary profit and net profit before income taxes and other adjustments.</p>

(8) Notes to Consolidated Financial Statements

(Relating to consolidated balance sheet)

(Millions of yen)

FY3/08 (As of Mar. 31, 2008)	FY3/09 (As of Mar. 31, 2009)
1. Guaranteed liabilities	1. Guaranteed liabilities
(1) Guarantees on employees' bank loans	(1) Guarantees on employees' bank loans
157 employees 377	150 employees 354
(2) _____	(2) Guarantees on lease agreement of Royal Wing Co., Ltd. 284
*2. Assets pledged as collateral	*2. Assets pledged as collateral
Import letters of credit of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.	Short-term borrowings of Sanrio, Inc. are guaranteed by the same amount of receivables and inventories as collateral.
Foreign currency 100,000 US\$	Foreign currency 1,000,000 US\$
Yen equivalent 10	Yen equivalent 91
*3. Amount of accumulated depreciation included impairment loss	*3. Amount of accumulated depreciation included impairment loss
_____	*4. Items relating to inventories
	Merchandise and finished goods 4,703
	Work in process 73
	Raw materials and supplies 240

(Relating to consolidated income statement)

(Millions of yen)

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)				FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)						
*1. Loss on disposal of fixed assets				*1. Loss on disposal of fixed assets						
Buildings and structures		66		Buildings and structures		38				
Other		19		Other		11				
Total		85		Total		49				
*2. Impairment loss				*2. Impairment loss						
The Group's following assets are accounted for loss on impairment (161 million yen) in FY3/08 (Millions of yen)				The Group's following assets are accounted for loss on impairment (2,049 million yen) in FY3/09 (Millions of yen)						
Application	Areas, number of cases	Item	Impairment loss	Application	Areas, number of cases	Item	Impairment loss			
Assets of the social communication gifts business	Saitama City, Saitama, and others: 8	Buildings and structures	35	Assets of the social communication gifts business	Koto-ku, Tokyo, and others: 12	Buildings and structures	48			
		Other tangible fixed assets	7			Machinery and vehicles	0			
Assets of the other business	Saitama City, Saitama: 1	Buildings and structures	19			Other tangible fixed assets	4			
		Other tangible fixed assets	4	Assets of the theme park business	Hayami-gun, Oita: 1	Buildings and structures	1,895			
	Hamura City, Tokyo: 1	Lease assets	82			Machinery and vehicles	169			
Tools, furniture and fixtures		2	Land			81				
Idle assets	The Company and domestic subsidiaries: 1	Telephone rights	8			Lease assets (Total tangible fixed assets)	56			
				Assets of the other business	Osaka City, Osaka, and others: 3	Buildings and structures	52			
Other tangible fixed assets	8									
Other tangible fixed assets	23									
Assets of social communication gifts business (domestic) and other business are all accounted for loss on impairment because weak operating performance led us to expect that future cash flow of these businesses could decline below their book values and could not be recovered. Asset grouping uses stores as minimum unit. Inactive lines of telephone rights were all accounted for loss on impairment based on their book value.				Intangible fixed assets	62					
				Other investments and other assets	7					
				Assets of social communication gifts business (domestic) and other business are all accounted for loss on impairment because weak operating performance led us to expect that future cash flow of these businesses could decline below their book values and could not be recovered. Because the pre-discounted cash flow and the appraised property value for assets of the theme park business are below book value and there are no prospects for a future improvement in cash flow, we have recorded the difference between the net realizable value and the book value as an impairment loss.				The minimum unit used for asset grouping in the social communication gifts business (domestic) segment or for other business assets is a store, and the minimum unit used for assets of the theme park business is a facility.		

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

1. Type and number of outstanding shares

(Shares)

Type of stock	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Mar. 31, 2008
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,148,431

2. Type and number of treasury stock

(Shares)

Type of stock	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Mar. 31, 2008
Common stock	852,404	131	5,400	847,135

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 131 shares

Decrease in the number of treasury stock

Exercise of stock options: 5,400 shares

3. Dividends

(1) Dividend payment

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

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

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

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

1. Type and number of outstanding shares

(Shares)

Type of stock	Number of shares as of Mar. 31, 2008	Increase	Decrease	Number of shares as of Mar. 31, 2009
Common stock	88,148,431	-	-	88,148,431
Class B preferred stock	1,000,000	-	-	1,000,000
Total	89,148,431	-	-	89,148,431

2. Type and number of treasury stock

(Shares)

Type of stock	Number of shares as of Mar. 31, 2008	Increase	Decrease	Number of shares as of Mar. 31, 2009
Common stock	847,135	431	350	847,216

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 431 shares

Decrease in the number of treasury stock

Sales of shares below basic lot: 50 shares

Exercise of stock options: 300 shares

3. Dividends

(1) Dividend payment

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

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

Resolution	Type of stock	Source of funds	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors resolution on May 28, 2009	Common stock	Retained earnings	873	10.00	Mar. 31, 2009	Jun. 26, 2009
Board of Directors resolution on May 28, 2009	Class B preferred stock	Retained earnings	489	489.90	Mar. 31, 2009	Jun. 26, 2009

(Relating to consolidated cash flow statement)

(Millions of yen)

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
*1. Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts. (As of Mar. 31, 2008)	*1. Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts. (As of Mar. 31, 2009)
Cash and bank deposits 12,968	Cash and bank deposits 13,891
Time deposits with over three-month deposit period (522)	Time deposits with over three-month deposit period (291)
Cash and cash equivalent 12,445	Cash and cash equivalent 13,599

Segment Information

1. Business segment information

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

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

Notes: 1. Method of business classification

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

2. Main businesses belonging to each category

Segment	Sub-segment	Major businesses
Social communication gifts	Social communication gift products	Stationeries, kitchen and tableware, bathroom goods, interior decorative goods, sundries, portable goods, apparel goods
	Greeting cards	Birthday cards, Christmas cards
	Publications	Gift books, poetries, general publication, magazines
	Movies, videos	Video software sales
	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. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 830 million yen in the current fiscal year.

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

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

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

7. As described in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (2) Depreciation and amortization of major depreciable assets (Changes in accounting policies,)" the Company depreciates assets acquired on or after April 1, 2007 using the depreciation method stipulated in the revised Corporation Tax Law. Given this change, the breakdown of the segment was to increase operating expenses by 68 million yen in social communication gifts, 43 million yen in theme parks, 9 million yen in other, and 0 million yen in corporate, and decrease operating profit by the same amount in social communication gifts, and increase operating loss in theme parks, other, and corporate by the same amount.

8. As described in “Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (2) Depreciation and amortization of major depreciable assets (Additional information),” the Company depreciates assets acquired on or before March 31, 2007 by the straight-line method over five years, starting from the fiscal year following the fiscal year in which the maximum allowable depreciation is completed. Given this change, the breakdown of the segment was to increase operating expenses by 36 million yen in social communication gifts, 1 million yen in theme parks, 9 million yen in other, and 3 million yen in corporate, and decrease operating profit by the same amount in social communication gifts, and increase operating loss in theme parks, other, and corporate by the same amount.
9. As described in “Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (4) Accounting standards for major reserves, Reserve for retirement benefits for directors (Changes in accounting policies),” the Company charged the reserve for retirement benefits for directors to profit as accrued in prior periods, has changed the method to provide allowances for the aggregate amount payable at the end of the fiscal year pursuant to the company’s rules on reserve for retirement benefits for directors. The breakdown of the segment was to increase operating expenses by 17 million yen in social communication gifts and 1 million yen in theme parks, and decrease operating profit by the same amount in social communication gifts, and increase operating loss in theme parks by the same amount.

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) Customers	62,233	5,068	2,466	69,767	-	69,767
(2) Inter-segment	655	1,174	126	1,957	(1,957)	-
Total	62,888	6,243	2,593	71,725	(1,957)	69,767
Operating expenses	53,735	7,631	2,980	64,348	(1,155)	63,192
Operating profit (loss)	9,152	(1,388)	(387)	7,376	(801)	6,575
II Assets, depreciation, and capital expenditures						
Assets	39,362	11,048	4,267	54,677	24,409	79,087
Depreciation	778	694	166	1,639	65	1,705
Capital expenditures	855	271	160	1,288	132	1,420

Notes: 1. Method of business classification

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

2. Main businesses belonging to each category

Segment	Sub-segment	Major businesses
Social communication gifts	Social communication gift products	Stationeries, kitchen and tableware, bathroom goods, interior decorative goods, sundries, portable goods, apparel goods
	Greeting cards	Birthday cards, Christmas cards
	Publications	Gift books, poetries, general publication, magazines
	Movies, videos	Video software sales
	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 and distribution	Production associations

- Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 802 million yen in the current fiscal year.
- Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the Company. These items amounted to 25,043 million yen in the current fiscal year.
- Depreciation and capital expenditures include long-term prepaid expenses and the related depreciation.
- Refer to the item No.2 of the notes to the consolidated income statement for the effect of impairment loss on the assets of each segment.
- As described in "Significant Accounting Policies for the Presentation of Consolidated Financial Statements, 4. Accounting procedures, (1) Valuation standards and methods for major assets," inventory was computed primarily by the moving-average cost method in prior years, but effective from 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 current fiscal year has decreased by 15 million yen.

2. Geographical segment information

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

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

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

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

North America: U.S.A.

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

Other areas: Hong Kong, Taiwan, South Korea, Brazil, China

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 830 million yen in the current fiscal year.

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

5. The Company booked impairment losses in Japan of 161 million yen in the current fiscal year.

6. "Europe" which was included in "Other areas" in prior periods, is independently displayed in the current fiscal year because operating profit of the segment exceeded 10% of total operating profit for all segments.

Sales, operating profit and assets of the segment in the previous fiscal year are 2,718 million yen, 408 million yen, and 2,027 million yen, respectively.

7. As described in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (2) Depreciation and amortization of major depreciable assets (Changes in accounting policies)," the Company depreciates assets acquired on or after April 1, 2007 using the depreciation method stipulated in the revised Corporation Tax Law. Given this change, the breakdown of the segment was to increase operating expenses by 121 million yen in Japan, and decrease operating profit by the same amount.

8. As described in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (2) Depreciation and amortization of major depreciable assets (Additional information)," the Company depreciates assets acquired on or before March 31, 2007 by the straight-line method over five years, starting from the fiscal year following the fiscal year in which the maximum allowable depreciation is completed. The breakdown of the segment was to increase operating expenses by 50 million yen in Japan, and decrease operating profit by the same amount.

9. As described in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements, 4. Accounting procedures (4) Accounting standards for major reserves, Reserve for retirement benefits for directors (Changes in accounting policies)," the Company charged the reserve for retirement benefits for directors to profit as accrued in prior periods, has changed the method to provide allowances for the aggregate amount payable at the end of the fiscal year pursuant to the company's rules on reserve for retirement benefits for directors. Given this change, the breakdown of the segment was to increase operating expenses by 19 million yen in Japan, and decrease operating profit by the same amount.

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(Millions of yen)

	Japan	Europe	Other areas	Total	Corporate and eliminations	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) Customers	52,962	9,516	7,289	69,767	-	69,767
(2) Inter-segment	4,867	28	1,503	6,398	(6,398)	-
Total	57,829	9,544	8,792	76,166	(6,398)	69,767
Operating expenses	54,420	6,729	7,631	68,781	(5,589)	63,192
Operating profit	3,408	2,815	1,161	7,384	(809)	6,575
II Assets	40,654	5,298	10,067	56,020	23,067	79,087

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

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

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

Other areas: U.S.A., Hong Kong, Taiwan, South Korea, Brazil, China

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of corporate and eliminations, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 802 million yen in the current fiscal year.

4. Among assets, the main items included in the item of corporate and eliminations, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the Company. These items amounted to 25,043 million yen in the current fiscal year.

5. The Company booked impairment losses in Japan of 2,409 million yen in the current fiscal year.

6. "North America," presented as a separate category in prior period, is reclassified and included in "Other areas," due to its declining importance. Sales, operating profit, and assets of the segment in the current fiscal year are 4,052 million yen, 582 million yen, and 5,241 million yen, respectively.

7. As described in "Significant Accounting Policies for the Presentation of Consolidated Financial Statements, 4. Accounting procedures, (1) Valuation standards and methods for major assets" inventory was computed primarily by the moving-average cost method in prior years, but effective from 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 current fiscal year has decreased by 15 million yen.

3. Overseas sales

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

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Millions of yen)

	North America	Other areas	Total
I Overseas sales	5,836	16,321	22,157
II Consolidated sales	-	-	93,917
III Percentage of overseas sales over consolidated sales (%)	6.2	17.4	23.6

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

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

North America: U.S.A.

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

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

FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(Millions of yen)

	Europe	Other areas	Total
I Overseas sales	9,660	9,363	19,024
II Consolidated sales	-	-	69,767
III Percentage of overseas sales over consolidated sales (%)	13.8	13.4	27.3

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

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

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

Other areas: U.S.A., Hong Kong, Taiwan, South Korea, Thailand, Brazil, China

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

4. "Europe" which was included in "Other areas" in prior periods, is independently displayed in the current fiscal year because the amount exceeded 10% of consolidated sales. Overseas sales and percentage of overseas sales over consolidated sales of the segment in the previous fiscal year were 7,647 million yen and 8.1%.

5. "North America," presented as a separate category in prior period, is reclassified and included in "Other areas," due to its declining importance. Overseas sales and percentage of overseas sales over consolidated sales of the segment in the current fiscal year were 4,074 million yen and 5.8%.

Per Share Information

(Yen)

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)		FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)	
Net assets per share	257.74	Net assets per share	187.08
Net profit per share	7.24	Net loss per share	(22.74)
Fully-diluted net profit per share	7.24	Fully-diluted net profit per share	-

Notes:

1. Stock acquisition rights were issued in the current fiscal year, however, fully-diluted net profit per share is not presented since the Company posted a net loss.
2. Net assets per share

	FY3/08 (As of Mar. 31, 2008)	FY3/09 (As of Mar. 31, 2009)
Total net assets on the consolidated balance sheets (million yen)	32,996	26,844
Net assets associated with common shares (million yen)	22,501	16,331
Breakdown of differences (million yen)		
Capital and capital surplus associated with preferred stock	10,000	10,000
Dividends on preferred stock	482	489
Minority interests	13	22
Number of common shares outstanding (thousand shares)	88,148	88,148
Number of common shares of treasury stock (thousand shares)	847	847
Number of common shares used in calculation of net assets per share (thousand shares)	87,301	87,301

3. Net profit (loss) per share per share

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Net profit per share		
Net profit (loss) (million yen)	1,114	(1,495)
Amount not returned to common shareholders (million yen)	482	489
Dividends on preferred stock		
Net profit (loss) associated with common shares (million yen)	632	(1,985)
Average number of common shares outstanding (thousand shares)	87,300	87,301

Subsequent Events

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
<p>Regarding the transfer of capital reserve to other capital surplus</p> <p>At the Board of Directors' meeting held on May 15, 2008, the Board of Directors resolved to propose to the Annual General Meeting of Shareholders transfer of capital legal reserve to other capital surplus for the purpose of redeeming the class B preferred stock.</p> <p>1. Reason The Board of Directors made a decision to reduce a partial amount of capital reserve and to transfer the same amount to other capital surplus for the purpose of using the transferred amount as the funds to redeem the class B convertible preferred stock together with the periodic income that was used as a single source of funds, and ensuring flexibility and mobility in capital policy in the future.</p> <p>2. Amount of capital reserve reduction Amount of capital reserve to be reduced: 5,000 million yen Capital reserve after reduction: 5,003 million yen.</p> <p>3. Schedule of capital reserve reduction (planned) (1) Date of resolution of general meeting of shareholders: June 26, 2008 (2) Effective date: July 31, 2008</p>	<p>About the joint spin-off of businesses (incorporation-type company split)</p> <p>On May 14, 2009 the Board of Directors approved a resolution to spin off the Sanrio's theme park business and the operations of the consolidated subsidiaries Sanrio Puroland Co., Ltd., and Harmony Land Co., Ltd. The businesses will be taken over by Sanrio Entertainment Co., Ltd. (headquarters: Tama City, Tokyo; capital: 100 million yen; to be established: July 1, 2009; consolidated subsidiary of the Company).</p> <p>1. Purpose of the spin-off As part of restructuring of the Sanrio Group's theme park business, which also includes its subsidiaries, this spin-off is designed to improve the profitability and competitiveness of the Group's theme park business by consolidating assets and liabilities held by Group companies in relation to the Businesses. This asset integration should in turn should improve operating efficiency by integrating management and by clarifying profitability and establishing a prompt decision making structure.</p> <p>2. Schedule for the spin-off Date of spin-off: July 1, 2009 (planned) Registration of spin-off: July 1, 2009 (planned)</p> <p>3. Future outlook Impact of this spin-off on consolidated and non-consolidated forecasts for the fiscal year under review is minimal.</p> <p>Notes: 1. In accordance with Article 805 of the Corporation Law, the Company will conduct the spin-off without obtaining the approval at the general meeting of shareholders. 2. No shares will be issued.</p>

Omission of Disclosure

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

5. Unconsolidated Financial Statements

(1) Unconsolidated Balance Sheets

	(Millions of yen)	
	FY3/08	FY3/09
	(As of Mar. 31, 2008)	(As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposit	6,467	7,102
Trade notes receivable	285	219
Trade accounts receivable	10,295	6,754
Merchandise	3,473	-
Movies and videos produced	427	-
Merchandise and finished goods	-	4,053
Work in process	115	31
Supplies	148	-
Raw materials and supplies	-	121
Advance payments	153	248
Prepaid expenses	259	242
Deferred tax assets	2,069	430
Accrued income	16	11
Other accounts receivable	1,706	689
Other	50	124
Allowance for doubtful accounts	(9)	(6)
Total current assets	25,458	20,020
Fixed assets		
Tangible fixed assets		
Buildings	48,907	48,806
Accumulated depreciation	(44,180)	(44,191)
Buildings, net	4,727	4,615
Structures	959	951
Accumulated depreciation	(835)	(832)
Structures, net	124	118
Machinery and equipment	12,723	12,729
Accumulated depreciation	(12,159)	(12,247)
Machinery and equipment, net	563	482
Vehicles	151	151
Accumulated depreciation	(140)	(143)
Vehicles, net	10	7
Tools, furniture and fixtures	2,270	2,248
Accumulated depreciation	(2,031)	(2,038)
Tools, furniture and fixtures, net	239	210
Land	4,664	4,664
Lease assets	-	248
Accumulated depreciation	-	(72)
Lease assets, net	-	176
Construction in process	167	5
Total tangible fixed assets	10,497	10,280
Intangible fixed assets		
Right of trademark	0	0
Software	175	201
Software in process	67	27
Telephone rights	31	31
Lease assets	-	41
Other	0	7
Total intangible fixed assets	274	309

	(Millions of yen)	
	FY3/08	FY3/09
	(As of Mar. 31, 2008)	(As of Mar. 31, 2009)
Investments and other assets		
Investments securities	6,470	4,796
Affiliate stock	6,171	6,268
Investment in capital	0	0
Long-term loans	622	665
Loans to employees	3,394	3,233
Long-term loans to affiliates	7,626	7,455
Claims in bankruptcy	226	1,386
Long-term prepaid expenses	223	236
Deferred tax assets	8,891	7,617
Guarantees	3,998	3,780
Long-term deposits	2,200	2,700
Reserve for insurance	1,352	1,468
Other	317	458
Allowance for doubtful accounts	(787)	(1,432)
Total investments and other assets	40,707	38,633
Total fixed assets	51,479	49,223
Deferred assets		
Corporate bond issuance costs	39	51
Total deferred assets	39	51
Total assets	76,977	69,296
Liabilities		
Current liabilities		
Notes payable	999	917
Trade accounts payable	6,451	4,350
Current portion of corporate bonds to be redeemed	2,277	1,162
Short-term borrowings	21,383	17,838
Lease obligations	-	89
Other accounts payable	1,513	1,382
Accrued expenses	535	541
Accrued income taxes	145	118
Advances received	692	486
Deposits	90	56
Deferred revenues	4	2
Allowance for bonuses	309	307
Reserve for adjustment of returned goods	80	105
Equipment notes payable	119	87
Other	38	23
Total current liabilities	34,641	27,469
Long-term liabilities		
Corporate bonds	5,560	5,607
Long-term borrowings	3,538	7,067
Lease obligations	-	129
Reserve for retirement benefits for employees	5,767	5,813
Reserve for retirement benefits for directors	425	440
Long-term deposits received	597	551
Other	127	111
Total long-term liabilities	16,016	19,721
Total liabilities	50,657	47,190

	(Millions of yen)	
	FY3/08	FY3/09
	(As of Mar. 31, 2008)	(As of Mar. 31, 2009)
Net assets		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus		
Additional paid-in capital	10,003	5,003
Other capital surplus	92	5,092
Total capital surplus	10,095	10,095
Retained earnings		
Other retained earnings		
Retained earnings carried forward	3,053	(186)
Total retained earnings	3,053	(186)
Treasury stock	(954)	(954)
Total shareholder's equity	27,194	23,954
Valuation and translation adjustment		
Net unrealized gain (loss) on other securities	(798)	(1,794)
Deferred hedge gain (loss)	(75)	(54)
Total valuation and translation adjustment	(874)	(1,849)
Total net assets	26,319	22,105
Total liabilities and net assets	76,977	69,296

(2) Unconsolidated Income Statement

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Sales	73,005	51,888
Cost of sales		
Beginning inventories	4,421	3,902
Cost of purchased goods	46,771	26,442
Total	51,193	30,344
Transfer to other accounts	435	542
Ending inventories	3,902	4,053
Total cost of sales	46,855	25,749
Gross profit	26,149	26,138
Provision of reserve for adjustment of returned goods	-	25
Reversal from reserve for adjustment of returned goods	37	-
Net gross profit on sales	26,186	26,113
Selling, general and administrative expenses		
Freight charges	1,143	1,065
Warehousing costs	588	556
Sales and promotion expenses	2,255	2,281
Salaries	3,956	4,058
Miscellaneous wages	2,816	2,806
Bonuses	644	675
Provision of reserves for bonuses	309	307
Provision of allowance for retirement benefits for directors	16	15
Legal and employee benefits expenses	1,095	1,149
Rents	2,721	2,588
Tax and public charges	236	202
Depreciation	518	620
Other	5,918	5,680
Total selling, general and administrative expenses	22,221	22,008
Operating profit	3,965	4,105
Non-operating profit		
Interest income	178	154
Dividend income	3,403	172
Other income	80	130
Total non-operating profit	3,663	457
Non-operating expenses		
Interest expense	587	532
Foreign exchange loss	402	67
Expenses on support for subsidiaries	-	363
Tax and public charges	422	400
Other expenses	532	373
Total non-operating expenses	1,944	1,737
Ordinary profit	5,683	2,825

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Extraordinary gains		
Gain on sales of investment securities	391	10
Other	18	-
Total extraordinary gains	410	10
Extraordinary losses		
Loss on disposal of fixed assets	77	42
Valuation loss on investment securities	709	793
Provision of allowance for retirement benefits for directors	408	-
Valuation loss on affiliate stock	1,610	-
Impairment loss	74	114
Provision of allowance for doubtful account for affiliates	-	696
Valuation loss on inventories	-	79
Other	93	25
Total extraordinary losses	2,974	1,751
Net profit before income taxes	3,120	1,084
Income taxes - current	79	70
Income taxes - deferred	1,635	2,898
Total income taxes	1,715	2,969
Net profit (loss)	1,405	(1,885)

(3) Unconsolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Shareholders' equity		
Capital		
Balance at the end of previous period	14,999	14,999
Balance at the end of current period	14,999	14,999
Capital surplus		
Additional paid-in capital		
Balance at the end of previous period	10,003	10,003
Changes of items during the period		
Transfer to other capital surplus from legal capital surplus	-	(5,000)
Total changes of items during the period	-	(5,000)
Balance at the end of current period	10,003	5,003
Other capital surplus		
Balance at the end of previous period	92	92
Changes of items during the period		
Disposal of treasury stock	0	0
Transfer to other capital surplus from legal capital surplus	-	5,000
Total changes of items during the period	0	5,000
Balance at the end of current period	92	5,092
Total capital surplus		
Balance at the end of previous period	10,095	10,095
Changes of items during the period		
Disposal of treasury stock	0	0
Total changes of items during the period	0	0
Balance at the end of current period	10,095	10,095
Retained earnings		
Other retained earnings		
Retained earnings carried forward		
Balance at the end of previous period	2,955	3,053
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,405	(1,885)
Total changes of items during the period	98	(3,240)
Balance at the end of current period	3,053	(186)
Total retained earnings		
Balance at the end of previous period	2,955	3,053
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,405	(1,885)
Total changes of items during the period	98	(3,240)
Balance at the end of current period	3,053	(186)
Treasury stock		
Balance at the end of previous period	(960)	(954)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Total changes of items during the period	5	(0)
Balance at the end of current period	(954)	(954)

(Millions of yen)

	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)
Total shareholders' equity		
Balance at the end of previous period	27,090	27,194
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,405	(1,885)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Total changes of items during the period	104	(3,240)
Balance at the end of current period	27,194	23,954
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities		
Balance at the end of previous period	461	(798)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,260)	(995)
Total changes of items during the period	(1,260)	(995)
Balance at the end of current period	(798)	(1,794)
Deferred hedge gain (loss)		
Balance at the end of previous period	(57)	(75)
Changes of items during the period		
Net changes of items other than shareholders' equity	(18)	21
Total changes of items during the period	(18)	21
Balance at the end of current period	(75)	(54)
Total valuation and translation adjustments		
Balance at the end of previous period	403	(874)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,278)	(974)
Total changes of items during the period	(1,278)	(974)
Balance at the end of current period	(874)	(1,849)
Total net assets		
Balance at the end of previous period	27,494	26,319
Changes of items during the period		
Dividends from surplus	(1,307)	(1,355)
Net profit (loss)	1,405	(1,885)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	6	0
Net changes of items other than shareholders' equity	(1,278)	(974)
Total changes of items during the period	(1,174)	(4,214)
Balance at the end of current period	26,319	22,105

(4) Going Concern Assumption

Not applicable.

6. Other Information

(1) Change in Directors

1. New director candidates

Director: Masahiro Yamaguchi (current Manager of Sanrio GmbH (position of the Company's General Manger))

2. Retiring director

Director: Yasuhisa Yamada (current General Manager, Copyright Management Department, Greeting Card Operation)

(2) Others

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.