

**Summary of Financial Results for the Fiscal Year Ended March 31, 2010 (FY2009)**

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 23, 2010  
 Scheduled date of filing of Annual Securities Report: June 24, 2010  
 Starting date of dividend payment: June 24, 2010

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

**1. Consolidated Financial Results for FY2009 (April 1, 2009 – March 31, 2010)**

## (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	%
FY2009	73,875	5.9	9,289	41.3	8,249	38.5	4,373	-
FY2008	69,767	(25.7)	6,575	(0.6)	5,954	13.1	(1,495)	-

	Net Profit per Share	Fully-Diluted Net Profit per Share	Return on Equity (ROE)	Return on Assets (ROA)	Operating Profit to Sales
	Yen	Yen	%	%	%
FY2009	44.72	42.63	15.0	10.0	12.6
FY2008	(22.74)	-	(5.0)	7.1	9.4

(Reference) Equity in earnings of unconsolidated subsidiaries (millions of yen) FY2009: (11) FY2008: -

## (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, 2010	85,765	31,594	36.8	241.62
As of Mar. 31, 2009	79,087	26,844	33.9	187.08

(Reference) Shareholders' equity (millions of yen) Mar. 31, 2010: 31,563 Mar. 31, 2009: 26,821

## (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
FY2009	8,428	(1,559)	(2,483)	18,073
FY2008	6,898	(2,038)	(2,559)	13,599

**2. Dividends**

	Dividend per Share					Total Dividends	Dividend Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY2008	-	0.00	-	10.00	10.00	873	-	4.5
FY2009	-	0.00	-	10.00	10.00	873	22.4	4.7
FY2010 (forecast)	-	0.00	-	10.00	10.00		20.4	

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

**3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)**

(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	33,339	0.2	3,243	15.8	2,688	23.6	1,229	104.4	11.47
Full year	71,203	(3.6)	9,000	(3.1)	7,970	(3.4)	4,726	8.1	48.92

**4. Others**

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

Newly added: -

Excluded: 2 (Sanrio Puroland Co., Ltd., Harmony Land Co., Ltd.)

Note: Please refer to "Corporate Structure, Note 5" on page 13 for further information.

(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 26 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, 2010: 88,148,431 shares Mar. 31, 2009: 88,148,431 shares

2) Number of treasury stock at the end of period

Mar. 31, 2010: 847,515 shares Mar. 31, 2009: 847,216 shares

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

**(Reference) Unconsolidated Financial Results****1. Unconsolidated Financial Results for FY2009 (April 1, 2009 – March 31, 2010)**

(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	%
FY2009	52,289	0.8	4,816	17.3	4,866	72.2	1,898	-
FY2008	51,888	(28.9)	4,105	3.5	2,825	(50.3)	(1,885)	-

	Net Profit per Share	Fully-Diluted Net Profit per Share
	Yen	Yen
FY2009	16.37	-
FY2008	(27.20)	-

(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, 2010	70,658	23,929	33.9	154.18
As of Mar. 31, 2009	69,296	22,105	31.9	133.05

(Reference) Shareholders' equity (millions of yen) Mar. 31, 2010: 23,929 Mar. 31, 2009: 22,105

**2. Unconsolidated Forecasts for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)**

(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	23,263	(1.0)	1,488	22.6	1,320	264.4	273	(58.5)	0.52
Full year	50,530	(3.4)	4,967	3.1	4,315	(11.3)	2,088	10.0	18.71

**\* 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 4 to 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	Total
	Yen	Yen	Yen	Yen	Yen
Class B preferred stock					
FY2008	-	0.00	-	489.90	489.90
FY2009	-	0.00	-	469.00	469.00
FY2010 (forecast)	-	0.00	-	454.90	454.90

## 1. Business Results

### (1) Analysis of Results of Operations

#### 1) Review of Operations for FY2009

(100 millions of yen)

	FY2009 Results	Vs. Plan			Y-O-Y		
		Plan	Increase/ decrease	Change %	FY2008 Results	Increase/ decrease	Change %
Sales	738	685	53	7.7	697	41	5.9
Gross profit	407	371	35	9.6	376	30	8.2
Selling, general & administrative expenses	314	310	3	1.2	310	3	1.1
Operating profit	92	60	31	52.4	65	27	41.3
Non-operating profit and expenses	(10)	(11)	1	-	(6)	(4)	-
Ordinary profit	82	49	33	66.8	59	22	38.5
Extraordinary gains or losses	(13)	(4)	(8)	-	(34)	21	-
Net profit before income taxes and other adjustments	69	45	24	53.5	24	44	178.4
Income taxes and income taxes deferred	25	18	7	40.3	39	(14)	-
Net profit	43	26	17	62.3	(14)	58	-
Gross margin	55.1%	54.2%	0.9%	-	54.0%	1.1%	-
Operating margin	12.6%	8.9%	3.7%	-	9.4%	3.2%	-
Ordinary margin	11.2%	7.2%	4.0%	-	8.5%	2.7%	-

In the fiscal year under review (April 1, 2009 to March 31, 2010) the global economy, supported by high growth in China and other newly industrialized countries and sustained by individual government initiatives, generally began to recover from the global recession arising from the U.S. financial crisis. In Japan, corporate exports rose amid a sense that redundancies and restraints on capital investments had bottomed out. The economy remained some way from boosting consumption through rising incomes, however, as the protracted deflationary period reverberated, companies reliant on domestic demand continued to face a harsh environment, and a feeling arose that the payroll could yet be trimmed further.

Under such conditions, the Sanrio Group experienced a downturn in the licensing business within Japan as sales and profits from the department and chain store sectors continued to perform below the level of the previous year (although the retail business performed above the previous year's level). Overseas, however, licensing business results in the European region greatly exceeded initial projections.

As a result, consolidated sales rose 5.9% year-on-year to 73.8 billion yen. Domestic sales fell 2.3% to 49.5 billion yen while overseas sales rose 27.8% to 24.3 billion yen, reflecting the major contribution of the European region despite the strong yen, for an overseas sales ratio of 32.9%. Meanwhile operating profit rose 41.3% to 9.2 billion yen. Despite the weak performance of the domestic licensing business, sales from directly owned stores within Japan defied the depressed consumer environment to perform above the previous fiscal year's level, and the European licensing business expanded rapidly.

Ordinary profit rose 38.5% year-on-year to 8.2 billion yen, despite a rise in foreign exchange loss from the appreciation of the yen continuing throughout the fiscal year, and a rise in withholding tax on overseas royalty revenue. Net profit before income taxes and other adjustments rose 178.4% year-on-year to 6.9 billion yen due to a valuation loss on investment securities accounted as extraordinary loss, while net profit jumped to 4.3 billion yen (a year-on-year rise of 5.8 billion yen).

## Business Results by Segment

(100 millions of yen)

	Sales				Operating Profit			
	FY2008	FY2009	Increase/ decrease	Change %	FY2008	FY2009	Increase/ decrease	Change %
Social communication gifts	622	664	41	6.7	91	114	22	25.0
Theme parks	50	51	0	0.9	(13)	(8)	5	-
Other business	24	23	(1)	(5.3)	(3)	(5)	(1)	-
Eliminations and corporate	-	-	-	-	(8)	(7)	0	-
Consolidated	697	738	41	5.9	65	92	27	41.3

## i. Social communication gifts:

Sales rose 6.7% year-on-year to 66.4 billion yen, and operating profit rose 25.0% to 11.4 billion yen

The rise in sales and profits is mainly attributable to the contribution of the overseas business, specifically, 1) the sharp rise in licensing income from Hello Kitty in the European region as described previously; 2) a rise in licensing income from the United States and Brazil, in addition to a rise accompanying a change in the sales accounting period whereby the nine-month period of the previous fiscal year is anomalously calculated as a year; and 3) a rise in Europe-bound exports from the Asian region. In the domestic product sales business, meticulous marketing and product lineups have boosted same-store sales at directly owned stores to 102% of the previous year's level (a 2.3 point acceleration of growth), despite the harsh consumption environment. The wholesale trade for chain stores could not overcome the consumer downturn, however, and the domestic licensing business stagnated due to the restraint on stock investment of the licensed manufacturers.

On the product and character side of the domestic product sales business, goods commemorating the 35<sup>th</sup> anniversary of Hello Kitty contributed greatly, and the "Jewelpet" animated TV character soared in popularity. Sanrio also focused on cultivating new characters, notably introducing "NYOKKI&PENNE." On the product side, we endeavored to maintain differentiated target brands by preparing "Sanrio Original" for infants and the lower grades of elementary school as a starting point to cover all the generations; the "Happilina collection" for junior high and high school students; "Vivitix" for university students; and the "Ureshii Market" character brand for adult women, thus aiming for a comprehensive lineup in accordance with the store's features.

In the domestic licensing business Hello Kitty remained the focal point, followed by Sugar Bunnies and Cinnamoroll. By category, well-known apparel brands, clothing, and furnishings form the core of the business, but we have endeavored to customize, including collaborating with and promoting drug-related and established store brands.

## ii. Theme parks:

Sales rose 0.9% year-on-year to 5.1 billion yen, and operating loss stood at 0.8 billion yen, an improvement of 0.5 billion yen

Sanrio Puroland in Tama City, Tokyo saw a sharp fall in both visitor numbers and sales. This was influenced the protraction of the swine flu epidemic that began in the first half of the fiscal year under review, which led to fewer group visitors from overseas and caused companies to suspend booking facilities and external performances to cancel. Thanks to the popularity of the animated TV character Jewelpet, however, visitor numbers suddenly recovered toward the end of the fiscal year, and fourth-quarter visitor numbers were up 17% year-on-year. This late surge was not enough to counter the downturn in the first half of the fiscal year, and visitor numbers for the entire fiscal year fell by 20,000 to 720,000. Harmony Land in Oita Prefecture performed well throughout the fiscal year thanks to good weather and the successful intake of visitors from far away, who responded to strong promotion highlighting the reduction in highway tolls using the ETC system introduced from the start of the fiscal year. Visitor numbers rose by 30,000 year-on-year to 300,000, despite Harmony Land closing for 17 days more than in the previous fiscal year. As a result, combined visitor numbers to both theme parks rose by 10,000 year-on-year. Operating losses improved by 0.5 billion yen due to such factors as the impact of integrating the parent company's entertainment division with both theme parks in July 2009.

## iii. Other business:

Sales fell 5.3% year-on-year to 2.3 billion yen, and operating loss stood at 0.5 billion yen, a fall of 0.1 billion yen. Business mainly comprises restaurants, real estate leasing, and robot and movie production. Sales and profits from real estate leasing rose, but sales from the restaurant and robot production businesses fell below the previous year's figures, and other business sales fell overall. Operating losses rose, mainly due to lower sales from Kokoro and provision of allowance for doubtful account on trade receivables.

## Results by Geographic Segment

(100 millions of yen)

	Sales				Operating Profit			
	Previous fiscal year	Current fiscal year	Increase/decrease	Change %	Previous fiscal year	Current fiscal year	Increase/decrease	Change %
Japan	529	512	(17)	(3.3)	34	42	8	24.0
North America	40	48	8	20.6	5	9	3	59.9
Europe	95	122	26	28.3	28	41	12	45.7
Other areas	32	55	23	72.2	5	7	1	22.7
Eliminations and corporate	-	-	-	-	(8)	(6)	1	-
Consolidated	697	738	41	5.9	65	92	27	41.3

Note: Outside Japan the fiscal year ends in December, and the current fiscal year ran from January to December 2009. In North America, Brazil, Taiwan, and Hong Kong, the previous fiscal year lasted for nine months from April to December 2008.

## i. Japan: Sales fell 3.3% year-on-year to 51.2 billion yen, and operating profit rose 24.0% to 4.2 billion yen

The fall in sales is mainly attributable to the slowdown in the domestic licensing business and wholesale provision to domestic chain stores. The rise in profits is mainly attributable to a growth in licensing income from overseas subsidiaries and an improved profit and loss statement from the theme park business.

## ii. North America:

Sales rose 20.6 % year-on-year to 4.8 billion yen, and operating profit rose 59.9% to 0.9 billion yen

The rise in sales and profits was mainly attributable to a change in the settlement month for our U.S. consolidated subsidiaries from March to December (creating a nine-month settlement period in the previous fiscal year), while the expansion of licenses (mainly in the financial industry) in the midst of the harsh economic environment led to a jump in profits, despite the influence of the exchange rate changes. A month-by-month comparison shows that sales from North America rose 0.9% on a local currency basis. Within this area, sales from the licensing business has risen 12% year-on-year and contributed to profits after making progress in appointing new personnel to the licensing sales system which has started reviewing from the previous fiscal year, acquiring global sales channels, and nurturing licensees with independent product development capabilities. (The comparable figures on a local currency basis are those prior to the elimination of internal transactions.)

## iii. Europe: Sales rose 28.3% year-on-year to 12.2 billion yen, and operating profit rose 45.7% to 4.1 billion yen

The rise in sales and profits is mainly attributable to a sharp increase in licensing income on a local currency basis, which exceeded foreign exchange losses from the appreciation of the yen. The number of corporate licensees at the end of the fiscal year jumped threefold year-on-year as recognition of Hello Kitty rose exponentially, and initiatives to strengthen operations by, for example, ensuring local hire of personnel while reviewing the license supply led to the acquisition of large-scale projects. Product sales business were strong in Italy, France, and the Middle East region, rising on a local currency basis, but sales fell due to the impact of exchange rate movements.

## iv. Other areas (mainly Brazil and Asia):

Sales rose 72.2% year-on-year to 5.5 billion yen, and operating profit rose 22.7% to 0.7 billion yen

Sales and profits rose in Brazil and Hong Kong but fell in China and South Korea. Sales rose in Taiwan as the deficit was reduced. In Brazil the local market continued its strong performance of the previous fiscal year, with sales rising 32% over a twelve-month period on a local currency basis, and the number of licensees rose not only in Brazil, but

also in Argentina, Chile, and Peru. In Hong Kong sales rose 43% over a twelve-month period on a local currency basis, mainly due to a sharp rise in product broker exports to Europe, where sales are strong (exports to Italy rose especially rapidly). In China, the licensing business performed poorly due to weak agency-based sales from directly owned stores following the Lehman Brothers crisis compounded by a disinclination for the licensees that supply those stores to invest in stock. In South Korea, sales and profits fell as the contracts on large-scale licenses relating to credit cards ended and promotion costs related to Hello Kitty's 35<sup>th</sup> anniversary rose. In Taiwan, sales rose 12% over a twelve-month period on a local currency basis, reducing the operating deficit from the impact of exchange rate movements and the rise in personnel costs. (The comparable figures on a local currency basis are those prior to the elimination of internal transactions.)

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

(Millions of yen)

Areas		Sales to customers					Operating profit				
		FY2007	FY2008	Change (%)	FY2009	Change (%)	FY2007	FY2008	Change (%)	FY2009	Change (%)
North America	U.S.A.	5,828	4,052	(30.5)	4,887	20.6	811	582	(28.2)	931	59.9
Latin America	Brazil	962	672	(30.1)	1,065	58.4	410	233	(42.9)	402	71.9
Asia	Hong Kong	2,535	1,325	(47.7)	3,349	152.7	262	192	(26.5)	256	33.3
	Taiwan	1,148	594	(48.3)	668	12.6	92	(36)	-	(26)	-
	Korea	689	208	(69.8)	133	(36.1)	176	86	(50.9)	20	(76.4)
	China	371	436	17.5	357	(18.2)	78	101	29.5	56	(44.1)
Asia subtotal		4,745	2,565	(45.9)	4,509	75.8	610	344	(43.5)	307	(10.8)
Europe	Europe	7,223	9,516	31.8	12,205	28.3	2,012	2,815	39.9	4,102	45.7
Total		18,759	16,805	(10.4)	22,667	34.9	3,845	3,976	3.4	5,743	44.4

## 2) Outlook for FY2010

(100 millions of yen)

	FY2009 Results	FY2010 Forecasts	Increase/decrease	Change %
Sales	738	712	(26)	(3.6)
Gross profit	407	400	(7)	(1.8)
Selling, general & administrative expenses	314	310	(4)	(1.4)
Operating profit	92	90	(2)	(3.1)
Ordinary profit	82	79	(2)	(3.4)
Extraordinary gains or losses	(13)	(5)	7	-
Net profit before income taxes and other adjustments	69	74	4	7.1
Income taxes and income taxes deferred	25	27	1	6.0
Net profit	43	47	3	8.1
Gross margin	55.1%	56.2%	1.1%	-

\* Key assumptions for the next year's outlook

Exchange rate: 90.00 yen/USD 122.00 yen/EUR

Directly-owned same store sales in Japan compared to previous fiscal year: 101%

High growth in the new economies (especially China) continues to drive the global economy, while the U.S. recovery trend, aided by government funds, is anticipated to continue for the time being. In Europe, however, the financial uncertainty within the Euro zone triggered by fears for the collapse of the Greek economy cannot be allayed, and there is anxiety that the recession will deepen. The Japanese economy has been primed through exports to Asia, employment conditions are expected to improve due to a projected jump in profits at individual companies, and consumption is anticipated to rise gradually as government measures to support households come into effect. The economic effects of the government expenditure will fade in the second half of the coming fiscal year, however, and the situation remains unpredictable.

Amid these conditions, results for the next fiscal year are anticipated to show reduced sales and profits extending to ordinary profit (see the table above). Domestic product and licensing sales are expected to maintain the current fiscal year's level and cost reductions are planned for the theme park business, but overseas business is expected to be affected by a reaction to the current boom profits; the Greek crisis; foreign exchange losses from a weak dollar and euro; and Sanrio's investment to strengthen operating capabilities focusing on unexplored markets.

A breakdown of the management policies for each business follows.

i. Domestic product sales business

Sanrio plans to review the locations and customer bases of unprofitable stores, and enhance the profitability of the product sales business overall by promptly changing store formats or closing stores while reducing personnel and sales costs. The Company is also strengthening the direct sales business.

ii. Domestic licenses

To strengthen its character lineup, Sanrio is focusing on other characters including Jewelpet, in addition to Hello Kitty. The Company is implementing targeting linked with the character portfolio strategies of the new medium-term plan, and cultivating licensees. It is also strengthening its web-based licensing business as a future growth area.

iii. Overseas business

The Company aims to continue acquiring licensing contracts with global corporations that are expanding worldwide.

In the current fiscal year the Company has expanded the phenomenal licensing income from the European markets, which has included the boom from the campaign for Hello Kitty's 35<sup>th</sup> anniversary, and this has led to a sharp increase in sales and profits in the consolidated results. However, the fear of reaction leading to a fall in sales and profits, economic turmoil from the Greek financial crisis, and the emergence of new problems including a sharp fall in the euro precludes optimism for the next fiscal year. The Company will focus on stabilizing its base with the aim of strengthening business capability—in the Americas, Middle East\*, and Asia, especially China and India, where efforts hitherto have been insufficient—and creating balanced growth in each region of the world. (\*The Company plans to establish an operating base in Dubai in June 2010.)

iv. Theme parks

The Company will reduce costs overall by cutting operational staff while maintaining show production costs and the current service system.

v. Other business

In the robot production business, the Company aims to boost profitability and generate a surplus with plans to cut personnel, outsource efficiently, and review the production management system.

**(2) Analysis of Financial Position**

## 1) FY2009 Financial Position

(100 millions of yen)

	As of Mar. 31, 2009	As of Mar. 31, 2010	Increase/decrease	As of Sep. 30, 2009
Assets	790	857	66	836
Liabilities	522	541	19	564
(Interest-bearing debt)	318	310	(8)	337
Net assets	268	315	47	272
Equity ratio	33.9%	36.8%	2.9%	32.6%

At the end of the fiscal year, total assets stood at 85.7 billion yen, a rise of 6.6 billion yen from the end of the previous fiscal year. The major factors included 4.6 billion yen in cash and deposits, and 1.5 billion yen in trade notes and accounts receivable. Meanwhile liabilities grew 1.9 billion yen to 54.1 billion yen. The major factors included 1.2 billion yen in trade notes and accounts payable, and 0.4 billion yen in accrued income taxes. Net assets rose 4.7 billion yen to 31.5 billion yen due to such factors as net profit, dividends paid, and improvements in foreign currency translation adjustment and net unrealized gain/loss on other securities. The equity ratio was 36.8%, rose 2.9 percentage points from the end of the previous fiscal year.

## 2) FY2009 Cash Flow Position

(100 millions of yen)

	FY2008	FY2009	Increase/decrease
Cash flow from operating activities	68	84	15
Cash flow from investing activities	(20)	(15)	4
Cash flow from financing activities	(25)	(24)	0
Effect of exchange rate changes on cash and cash equivalents	(11)	0	12
Increase (decrease) in cash and cash equivalents	11	44	33
Cash and cash equivalents at beginning of year	124	135	11
Cash and cash equivalents at end of year	135	180	44

Cash flows from operating activities amounted to an inflow of 8.4 billion yen (year-on-year increase in income of 1.5 billion yen). This was mainly attributable to total inflows of 11.1 billion yen, including operating profit of 9.2 billion yen and depreciation and provisions of 1.8 billion yen, set against an outflow of 2.8 billion yen for interest, income tax, and other payments. The main factors behind the 1.5 billion yen increase in inflows compared to a year earlier were increases in operating profit and depreciation and provisions, while there was an increase in working capital.

Cash flows from investing activities resulted in an outflow of 1.5 billion yen (year-on-year decrease in outlays of 0.4 billion yen). This was mainly attributable to payments of 1.7 billion yen for the purchase of tangible fixed assets.

Cash flows from financing activities resulted in an outflow of 2.4 billion yen (year-on-year decrease in outlays of 0.07 billion yen). This was mainly attributable to the reduction of interest-bearing debt and the repayment of lease obligations of 1.1 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 4.4 billion yen from the end of the previous fiscal year to 18 billion yen.

(Reference) The trend of cash flow-related indicators

	FY2005	FY2006	FY2007	FY2008	FY2009
Equity ratio (%)	35.5	37.6	37.1	33.9	36.8
Equity ratio, at market value (%)	174.1	157.9	85.2	84.0	90.5
Interest-bearing debt to cash flow ratio (%)	509.9	623.5	859.5	461.6	368.0
Interest coverage ratio	9.0	7.9	5.9	11.1	15.1

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 statements.

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

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

### **(3) Basic Policy Regarding Profit Distribution and Dividends for FY2009 and FY2010**

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 for dividends and redemption of Class B preferred stock, and of linking dividend payouts to results and adding to them when conditions permit.

Moreover, thanks to securing of greater-than-expected profit in the fiscal year under review, the Company will distribute dividends for common stock as planned. We will also take into account the period when it is possible to convert Class B preferred stock to common stock, and distribute as much redemption capital as possible.

It is our intention to adhere to our basic policy for the fiscal year ending on March 31, 2011.

### **(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. Meanwhile, the overseas sales ratio is more than 30%, and close to 70% of operating profit derives from overseas business. Almost all of this comes from the licensing business of overseas subsidiaries, and the impact of exchange rates is unlikely to affect the business itself. The Company is influenced, however, by the consolidated accounting processes of the overseas subsidiaries, and the impact of fluctuating exchange rates on booking foreign-currency denominated balance at head office. For this reason, we estimate foreign-currency balance and use various hedging measures, but it is impossible to completely avoid foreign exchange risk. Furthermore, various items in the consolidated financial statements of overseas subsidiaries, such as sales, cost of sales, and selling, general, and administrative expenses are influenced by currency conversion based on rates applied when preparing these 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

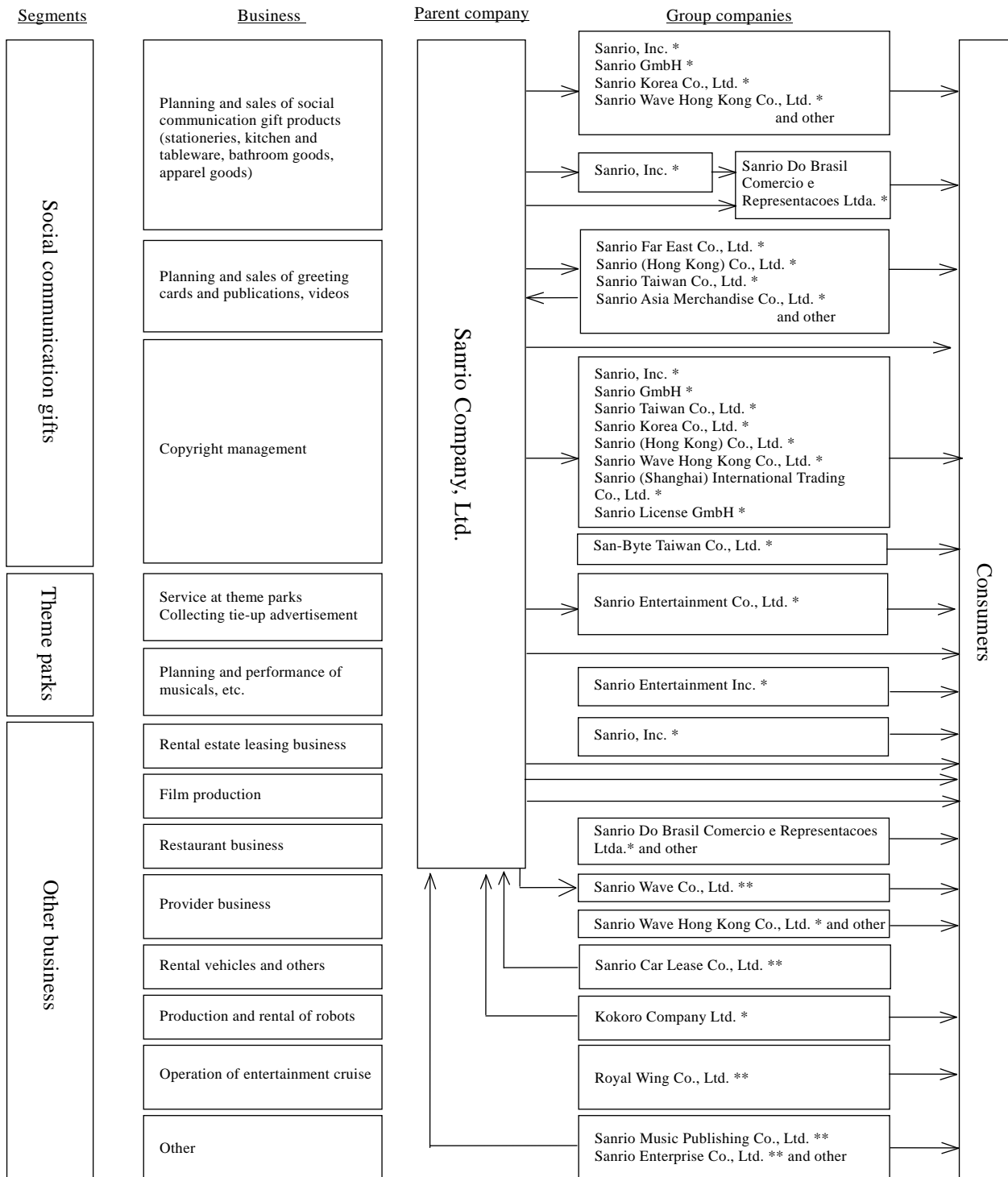
The Sanrio Group orders products not just from Japan but also from overseas manufacturers, mainly in China, with the aim of reducing product procurement costs in response to price competition. Each manufacturer carries out manufacturing and product inspection in accordance with the quality standards 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-six subsidiaries, and five affiliates. The major group companies, their respective businesses, and the flow of products and services are illustrated in the diagram below.



Notes: 1. \* Consolidated subsidiaries \*\* Unconsolidated subsidiaries

→ Product or service flow

2. In addition to the above-stated companies, the Company has equity-method affiliates for investment purposes; San-Byte Investment Co., Ltd. and San-Byte Hong Kong Co., Limited.

## 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	2	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	-	-
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	1	Royalty trading	-	-
Sanrio Entertainment Co., Ltd.	Tama-shi, Tokyo	Yen 100 million	Theme parks	100	7	6	Purchase & sales of Sanrio products, royalty trading	-	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. is a designated subsidiary.

2. Percentages in parenthesis show an indirect ownership: Sanrio Do Brasil Comercio e Representacoes Ltda. and Sanrio Entertainment Inc. by subsidiary Sanrio Inc.; 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.

4. Sales (excluding internal transactions between consolidated subsidiaries) of Sanrio GmbH exceed 10% of consolidated sales.

Main profit/loss items	1) Sales:	12,234 million yen	4) Net assets:	5,326 million yen
	2) Ordinary profit:	4,095 million yen	5) Total assets:	8,809 million yen
	3) Net profit:	2,960 million yen		

5. Sanrio Puroland Co., Ltd. and Harmony Land Co., Ltd., consolidated subsidiaries (designated subsidiaries) in the previous fiscal year, were liquidated in the current fiscal year. Only the income statements of these companies up to the date of completion of procedures for the liquidation are consolidated.

### 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 creating characters that convey caring feelings, planning and developing gift products that activate these feelings, and 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

##### 1) Basic policy

Commemorating the 50<sup>th</sup> anniversary of our foundation, we launched the five-year medium-term plan "Project 2015" with the aims of achieving an operating profit of 13.5 billion yen in five years and developing into a brand where global characters, including "Hello Kitty," become a source of value creation. To accomplish this, we will boost the income from domestic product sales, which have been the core business since the foundation of our company, and the theme park business, which conveys our concept. We will restructure our revenue base through the sustainable growth of our overseas business to secure an operating profit of around 10 billion yen in the three years up to the fiscal year ending on March 31, 2013.

##### 2) Outline

###### i. Rejuvenating domestic business

The fundamental aim of the plan is to consolidate unprofitable stores and rationalize head-office personnel. From the next fiscal year (commemorating the 50<sup>th</sup> anniversary of founding) the Company will create character strategies for optimal character portfolios in the three-generation, low target, revival, and new character domains as well as brand and product strategies for infants and elementary school students, junior-high and high school students, female office workers and wives, and general customers. The Company will integrate them for all businesses inside Japan to focus on a new marketing system for growth in the next 50 years.

###### ii. Strengthening the business management system

We will introduce a system for the PDCA cycle, and share staff values by specifying a key performance indicator (KPI) for each business.

## 3) Performance plan

## i. Project 2015 operating profit target

(100 millions of yen)

	FY2009 Results	FY2014 Target	Increase/ decrease
Domestic product sales	15	20	5
Domestic licensing	59	63	4
Theme parks	(9)	0	9
Overseas	124	145	21
Other	(8)	(0)	8
HQ Cost Center expenses	(88)	(95)	(6)
Operating profit	92	135	42

## ii. Three-year plan to build a foundation

(100 millions of yen)

	FY2009 Results	FY2012 Target	Increase/ decrease
Sales	738	779	41
Operating profit	92	113	20
Ordinary profit	82	104	22
Net profit	43	68	24

(Breakdown by business segment over three years)

## &lt;Sales by segment&gt;

(100 millions of yen)

	FY2009 Results	FY2012 Target	Increase/ decrease
Domestic product sales	254	247	(6)
Domestic licensing	84	90	5
Theme parks	62	70	8
Overseas	324	368	44
Other	131	126	(5)
Eliminations, etc.	(117)	(123)	(6)
Consolidated sales	738	779	41

## &lt;Operating profit by segment&gt;

(100 millions of yen)

	FY2009 Results	FY2012 Target	Increase/ decrease
Domestic product sales	15	17	2
Domestic licensing	59	60	1
Theme parks	(9)	(2)	7
Overseas	124	135	11
Other	(8)	(4)	4
HQ Cost Center expenses	(88)	(94)	(6)
Operating profit	92	113	20

## 4) Capital structure policy

## Class B preferred stock

We request that holders of Class B preferred stock continue to hold the shares. The profit for the current fiscal year exceeded projections, and we anticipate a mandatory redemption of more than 2 billion yen. For the remaining sum, we plan to minimize the dilution of shares by such means as implementing an additional mandatory redemption and issuing new preferred stock while monitoring profits in the first half of the next fiscal year.

Details will be disclosed without delay once they have been determined.

As of today, there have been no requests for the conversion of Class B preferred stock.

**(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:	654.40 yen (determined on February 26, 2010)
Revised conversion price:	90% of the average of the closing prices of common stock for 30 business days from the 45 <sup>th</sup> business day prior to September 23, 2010, with an upper limit of 916.20 yen and a lower limit of 392.60 yen.

**(3) Management Issues and Measures to be Tackled**

The Sanrio Group is shifting its business axis 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. The Group recognizes the following issues as specific problems. It is drawing up the new medium-term plan (mentioned above) to deal with the issues on a fundamental level, and taking concrete measures.

**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.

**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)	
	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
Assets		
Current assets		
Cash and deposit	13,891	18,562
Trade notes and accounts receivable	*2 9,431	*2 11,019
Merchandise and finished goods	*2 4,703	*2 4,453
Work in process	73	46
Raw materials and supplies	240	229
Other accounts receivable	703	643
Deferred tax assets	857	2,865
Other	1,153	1,020
Allowance for doubtful accounts	(71)	(130)
Total current assets	30,983	38,710
Fixed assets		
Tangible fixed assets		
Buildings and structures	52,804	53,602
Accumulated depreciation and impairment loss	(45,432)	(45,831)
Buildings and structures, net	7,372	7,770
Machinery and vehicles	13,667	13,679
Accumulated depreciation and impairment loss	(13,125)	(13,230)
Machinery and vehicles, net	542	448
Land	11,290	11,307
Lease assets	573	757
Accumulated depreciation and impairment loss	(217)	(419)
Lease assets, net	355	338
Construction in progress	17	24
Other	4,853	4,965
Accumulated depreciation and impairment loss	(4,367)	(4,501)
Other, net	486	463
Total tangible fixed assets	20,063	20,353
Intangible fixed assets	448	493
Investments and other assets		
Investments in securities	5,841	6,250
Long-term loans	1,220	1,833
Long-term loans to employees	3,261	3,086
Guarantees	3,886	3,379
Deferred tax assets	8,694	6,646
Other	5,516	6,141
Allowance for doubtful accounts	(881)	(1,204)
Total investments and other assets	27,539	26,133
Total fixed assets	48,052	46,980
Deferred assets		
Stock issuance costs	51	74
Total deferred assets	51	74
Total assets	79,087	85,765

(Millions of yen)

	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	6,453	7,732
Short-term borrowings	17,947	15,954
Current portion of corporate bonds to be redeemed	1,162	1,682
Lease obligations	196	227
Accrued income taxes	677	1,136
Allowance for bonuses	370	365
Reserve for adjustment of returned goods	105	118
Other	4,052	5,009
Total current liabilities	30,964	32,226
Long-term liabilities		
Corporate bonds	5,607	6,225
Long-term borrowings	7,127	7,153
Lease obligations	304	263
Reserve for retirement benefits for employees	6,884	6,963
Reserve for retirement benefits for directors	457	411
Long-term deposits received	551	547
Long-term accounts payable	158	108
Other	187	272
Total long-term liabilities	21,278	21,945
Total liabilities	52,243	54,171
<b>Net assets</b>		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus	10,095	8,732
Retained earnings	9,189	13,478
Treasury stock	(954)	(954)
Total shareholder's equity	33,330	36,255
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities	(1,893)	(563)
Deferred hedge gain (loss)	(51)	(45)
Foreign currency translation adjustments	(4,563)	(4,083)
Total valuation and translation adjustments	(6,508)	(4,692)
Minority interests	22	30
Total net assets	26,844	31,594
Total liabilities and net assets	79,087	85,765

**(2) Consolidated Income Statements**

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Sales	69,767	73,875
Cost of sales	32,079	33,127
Gross profit	37,688	40,747
Reversal from reserve for adjustment of returned goods	25	13
Net gross profit on sales	37,663	40,734
Selling, general and administrative expenses		
Sales and promotion expenses	3,357	3,578
Directors bonuses and salaries	7,156	7,368
Miscellaneous wages	3,302	3,194
Bonus	873	854
Provision of reserves for bonuses	363	363
Provision of allowance for retirement benefits for directors	17	18
Freight charges	1,309	1,207
Rent	3,040	3,130
Provision of allowance for doubtful accounts	-	311
Depreciation	1,147	944
Other	10,519	10,473
Total selling, general and administrative expenses	31,088	31,445
Operating profit	6,575	9,289
Non-operating profit		
Interest income	375	270
Dividend income	105	77
Other income	329	300
Total non-operating profit	811	648
Non-operating expenses		
Interest expense	696	619
Tax and public charges	400	549
Foreign exchange loss	20	269
Provision of allowance for doubtful accounts	43	47
Other expenses	271	202
Total non-operating expenses	1,431	1,688
Ordinary profit	5,954	8,249
Extraordinary gains		
Gain on sales of fixed assets	-	2
Gain on sales of investment securities	14	6
Other	2	-
Total extraordinary gains	16	8
Extraordinary losses		
Loss on disposal of fixed assets	*1 49	*1 53
Valuation loss on investment securities	897	959
Provision of allowance for doubtful accounts	4	212
Impairment loss	*2 2,409	*2 36
Valuation loss on inventories	79	-
Other	36	50
Total extraordinary losses	3,476	1,313
Net profit before income taxes and other adjustments	2,494	6,945
Income taxes - current	1,342	2,540
Income taxes - deferred	2,636	18
Total income taxes	3,978	2,558
Minority interests in income of consolidated subsidiaries	11	13
Net profit (loss)	(1,495)	4,373

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

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
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		
Dividends from surplus-other capital surplus	-	(1,362)
Disposal of treasury stock	0	(0)
Total changes of items during the period	0	(1,362)
Balance at the end of current period	10,095	8,732
Retained earnings		
Balance at the end of previous period	12,034	9,189
Effect of changes in accounting policies applied to foreign subsidiaries	5	-
Changes of items during the period		
Dividends from surplus	(1,355)	-
Net profit (loss)	(1,495)	4,373
Cumulative effect upon adoption of FIN 48 at US subsidiary	-	*1 (84)
Total changes of items during the period	(2,850)	4,288
Balance at the end of current period	9,189	13,478
Treasury stock		
Balance at the end of previous period	(954)	(954)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(954)	(954)
Total shareholders' equity		
Balance at the end of previous period	36,175	33,330
Effect of changes in accounting policies applied to foreign subsidiaries	5	-
Changes of items during the period		
Dividends from surplus	(1,355)	-
Dividends from surplus-other capital surplus	-	(1,362)
Net profit (loss)	(1,495)	4,373
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Cumulative effect upon adoption of FIN 48 at US subsidiary	-	*1 (84)
Total changes of items during the period	(2,850)	2,925
Balance at the end of current period	33,330	36,255

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities		
Balance at the end of previous period	(839)	(1,893)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,054)	1,329
Total changes of items during the period	(1,054)	1,329
Balance at the end of current period	(1,893)	(563)
Deferred hedge gain (loss)		
Balance at the end of previous period	(92)	(51)
Changes of items during the period		
Net changes of items other than shareholders' equity	40	6
Total changes of items during the period	40	6
Balance at the end of current period	(51)	(45)
Foreign currency translation adjustments		
Balance at the end of previous period	(2,260)	(4,563)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,302)	479
Total changes of items during the period	(2,302)	479
Balance at the end of current period	(4,563)	(4,083)
Total valuation and translation adjustments		
Balance at the end of previous period	(3,192)	(6,508)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,316)	1,815
Total changes of items during the period	(3,316)	1,815
Balance at the end of current period	(6,508)	(4,692)
Minority interests		
Balance at the end of previous period	13	22
Changes of items during the period		
Net changes of items other than shareholders' equity	8	8
Total changes of items during the period	8	8
Balance at the end of current period	22	30
Total net assets		
Balance at the end of previous period	32,996	26,844
Effect of changes in accounting policies applied to foreign subsidiaries	5	-
Changes of items during the period		
Dividends from surplus	(1,355)	-
Dividends from surplus-other capital surplus	-	(1,362)
Net profit (loss)	(1,495)	4,373
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Cumulative effect upon adoption of FIN 48 at US subsidiary	-	*1 (84)
Net changes of items other than shareholders' equity	(3,307)	1,824
Total changes of items during the period	(6,158)	4,749
Balance at the end of current period	26,844	31,594

**(4) Consolidated Cash Flow Statements**

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from operating activities		
Net profit before income taxes and other adjustments	2,494	6,945
Depreciation	1,603	1,384
Amortization of long-term prepaid expenses	101	87
Increase (decrease) in allowance for doubtful accounts	(178)	373
Increase (decrease) in reserve for bonuses	(50)	(4)
Increase (decrease) in reserve for retirement benefits for employees	70	78
Increase (decrease) in reserve for adjustment of returned goods	25	13
Increase (decrease) in reserve for retirement benefits for directors	6	(46)
Interest and dividend income	(481)	(347)
Interest expense	696	619
Loss (gain) on disposal of fixed assets	49	51
Impairment loss	2,409	36
Loss (gain) on sale of investment securities	(3)	(6)
Valuation loss (gain) on investment securities	897	959
Decrease (increase) in accounts receivable	2,882	(2,621)
Decrease (increase) in inventories	169	304
Decrease (increase) in other assets	(177)	456
Increase (decrease) in accounts payable	(1,660)	1,539
Increase (decrease) in consumption tax payable	96	104
Increase (decrease) in other liabilities	(826)	686
Other	250	302
Subtotal	8,373	10,916
Interests and dividends received	487	340
Interests paid	(680)	(599)
Income taxes paid	(1,281)	(2,229)
Cash flows from operating activities	6,898	8,428
Cash flows from investing activities		
Payments for time deposits	(301)	(436)
Withdrawal of time deposits	406	266
Payments for purchase of tangible fixed assets	(1,131)	(1,711)
Payments for purchase of investment securities	(506)	(100)
Proceeds from sale of investment securities	201	96
Payments for loans receivable	(319)	(68)
Collection of loans receivable	136	339
Collection of guarantees	479	407
Other payments	(1,010)	(456)
Other proceeds	7	103
Cash flows from investing activities	(2,038)	(1,559)
Cash flows from financing activities		
Increase in short-term borrowings	1,025	43
Decrease in short-term borrowings	(1,486)	(956)
Increase in long-term borrowings	6,780	2,200
Decrease in long-term borrowings	(6,173)	(3,256)
Proceeds from issuance of corporate bonds	1,185	2,456
Payment for redemption of corporate bonds	(2,277)	(1,362)
Payment for purchase of treasury stock	(0)	(0)
Proceeds from sale of treasury stock	0	0
Dividends paid	(1,351)	(1,367)
Other payments	(262)	(239)
Cash flows from financing activities	(2,559)	(2,483)
Effect of exchange rate changes on cash and cash equivalents	(1,147)	88
Increase (decrease) in cash and cash equivalents	1,153	4,474
Cash and cash equivalents at beginning of period	12,445	13,599
Cash and cash equivalents at end of period	*1 13,599	*1 18,073

**(5) Going Concern Assumption**

Not applicable.

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

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<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>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 Entertainment 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 Entertainment Co., Ltd. is newly consolidated in the current fiscal year because of its establishment during the period. Sanrio Puroland Co., Ltd. and Harmony Land Co., Ltd. were liquidated in the current fiscal year and only the income statements of these companies up to the date of completion of procedures for the liquidation are consolidated.</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. (liquidation proceedings)</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>

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<p>2. Application of the equity method 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. (liquidation proceedings), Sanrio Digital Korea Co., Ltd., SANRIO DIGITAL (SEA) PTE. LTD., Sanrio Digital Europe) are not accounted for by the equity method, but are stated at cost because the effect of their net profit or loss and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>3. Fiscal year-ends of consolidated subsidiaries 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. The Company uses their financial statements as of their fiscal year-ends, and 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.</p> <p>Derivatives Market value method</p> <p>Inventories Merchandise and finished goods: 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>2. Application of the equity method Two unconsolidated subsidiaries (San-Byte Investment Co., Ltd. and San-Byte Hong Kong Co., Limited) are accounted for by the equity method. San-Byte Investment Co., Ltd. and San-Byte Hong Kong Co., Limited are included in the scope of the equity method from the current fiscal year due to its increased importance. Investments in nine unconsolidated subsidiaries (Sanrio Investment Limited, Sanrio Music Publishing Co., Ltd., Sanrio Car Lease Co., Ltd., Sanrio Enterprise Co., Ltd., Sanrio Wave Co., Ltd., Pantry Co., Ltd., Forty Winks Co., Ltd. (liquidation proceedings), Royal Wing Co., Ltd., Nal Co. Ltd.) and five affiliates (Sanrio Digital Corporation, Sanrio Digital Hong Kong Limited, Sanrio Digital Korea Co., Ltd., SANRIO DIGITAL (SEA) PTE. LTD., Sanrio Digital Europe) are not accounted for by the equity method, but are stated at cost because the effect of their net profit or loss and retained earnings on the accompanying consolidated financial statements are immaterial.</p> <p>3. Fiscal year-ends of consolidated subsidiaries Sanrio Korea Co., Ltd., Sanrio GmbH, Sanrio License GmbH, and Sanrio (Shanghai) International Trading Co., Ltd., 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 their fiscal year ends on December 31. In the preparation of consolidated financial statements, the Company uses their financial statements as of their fiscal year-ends, and 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 Merchandise and finished goods: 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>

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<p>(Change in account policies) Effective from the current fiscal year, the Company has adopted “Accounting Standards for Measurement of Inventories” (Accounting Standards Board of Japan (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>Work in process: At cost, mainly based on specific-identification method.</p> <p>Raw materials and supplies: At cost, mainly based on last purchased price method.</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> <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 Corporate bond issuance costs are expensed equally over a term up to maturity. Corporate bond issuance costs which were incurred by the end of FY2005 are expensed equally over three years.</p>	<p>Work in process: Same as on the left.</p> <p>Raw materials and supplies: Same as on the left.</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 warehouses, and buildings acquired on or after April 1, 1998, and Sanrio Entertainment 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: 2 to 50 years Machinery and vehicles: 2 to 16 years Other: 2 to 20 years</p> <p>Intangible fixed assets (excluding lease assets) Same as on the left.</p> <p>Lease assets Same as on the left.</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.</p>

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<p>(4) Accounting standards for major reserves</p> <p>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>Allowance 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 Corporation Tax Law.</p> <p>Reserve for retirement benefits for employees 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>(5) 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>(4) Accounting standards for major reserves</p> <p>Allowance for doubtful accounts Same as on the left.</p> <p>Allowance 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 for employees Same as on the left.</p> <p>(Changes in accounting policies) Effective from the current fiscal year, the Company has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). There is no effect on operating profit, ordinary profit, and net profit before income taxes and other adjustments.</p> <p>Reserve for retirement benefits for directors The Company, Sanrio Entertainment 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>(5) Accounting methods for major hedges</p> <p>1) Hedge accounting methods Same as on the left.</p>

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<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>(6) 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 Valuation of 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>2) Hedge methods and hedge targets (Hedge methods) Same as on the left. (Hedge targets) Same as on the left.</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>(6) 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**

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<p>(Accounting standards for lease transactions)</p> <p>In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary lease transactions for accounting purposes. 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), using an accounting method for leases that is based on the method used for ordinary purchases and sales. 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>_____</p>
<p>(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)</p> <p>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” (Practical Issues Task Force (PITF) No. 18: Accounting Standards Board of Japan, 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>	<p>_____</p>

**(8) Notes to Consolidated Financial Statements**

(Relating to consolidated balance sheet)

(Millions of yen)

FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
1. Guaranteed liabilities	1. Guaranteed liabilities
(1) Guarantees on employees' bank loans	(1) Guarantees on employees' bank loans
150 employees 354	136 employees 312
(2) Guarantees on lease agreement of Royal Wing Co., Ltd. 284	(2) Guarantees on lease agreement of Royal Wing Co., Ltd. 241
*2. Assets pledged as collateral	*2. Assets pledged as collateral
Short-term borrowings of Sanrio, Inc. are guaranteed by the same amount of receivables, and merchandise and finished goods as collateral.	Import letters of credit of Sanrio, Inc. are guaranteed by the same amount of receivables, and merchandise and finished goods as collateral.
Foreign currency 1,000,000 US\$	Foreign currency 188,000 US\$
Yen equivalent 91	Yen equivalent 17

(Relating to consolidated income statement)

(Millions of yen)

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)				FY2009 (Apr. 1, 2009 – Mar. 31, 2010)			
*1. Loss on disposal of fixed assets				*1. Loss on disposal of fixed assets			
Buildings and structures		38		Buildings and structures		38	
Other		11		Other		15	
Total		49		Total		53	
*2. Impairment loss				*2. Impairment loss			
The Group's following assets are accounted for loss on impairment (2,409 million yen) in FY2008 (Millions of yen)				The Group's following assets are accounted for loss on impairment (36 million yen) in FY2009 (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	Koto-ku, Tokyo, and others: 12	Buildings and structures	48	Assets of the social communication gifts business	Tondabayashi-shi, Osaka, and others: 2	Buildings and structures	8
		Machinery and vehicles	0			Other tangible fixed assets	1
		Other tangible fixed assets	4				
Assets of the theme park business	Hayami-gun, Oita: 1	Buildings and structures	1,895	Assets of the other business	Osaka-shi, Osaka: 1	Other tangible fixed assets	4
		Machinery and vehicles	169			Hamura-shi, Tokyo: 1	Lease assets (Total tangible fixed assets)
		Land	81		Other tangible fixed assets		3
		Lease assets (Tangible fixed assets)	56				
		Other tangible fixed assets	23				
		Intangible fixed assets	62				
		Other investments and other assets	7				
Assets of the other business	Osaka-shi, Osaka, and others: 3	Buildings and structures	52				
		Other tangible fixed assets	8				
<p>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.</p> <p>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.</p>				<p>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.</p> <p>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.</p>			

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

FY2008 (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
	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	Capital surplus	873	10.00	Mar. 31, 2009	Jun. 26, 2009
	Class B preferred stock	Capital surplus	489	489.90	Mar. 31, 2009	Jun. 26, 2009

FY2009 (Apr. 1, 2009 – Mar. 31, 2010)

## 1. Type and number of outstanding shares (Shares)

Type of stock	Number of shares as of Mar. 31, 2009	Increase	Decrease	Number of shares as of Mar. 31, 2010
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, 2009	Increase	Decrease	Number of shares as of Mar. 31, 2010
Common stock	847,216	301	2	847,515

Notes: Increase in the number of treasury stock

Purchase of shares below basic lot: 301 shares

Decrease in the number of treasury stock

Sales of shares below basic lot: 2 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 28, 2009	Common stock	873	10.00	Mar. 31, 2009	Jun. 26, 2009
	Class B preferred stock	489	489.90	Mar. 31, 2009	Jun. 26, 2009

## (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 27, 2010	Common stock	Retained earnings	873	10.00	Mar. 31, 2010	Jun. 24, 2010
	Class B preferred stock	Retained earnings	469	469.00	Mar. 31, 2010	Jun. 24, 2010

## 4. Margin notes to the consolidated statement of changes in shareholders' equity

\*1. The effect on the adoption of the FASB Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes" at a US subsidiary.

(Relating to consolidated cash flow statement)

(Millions of yen)

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
*1. Adjustments to reconcile balance of cash and cash equivalents at end of period with balance sheet amounts. (As of 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, 2010)
Cash and bank deposits 13,891	Cash and bank deposits 18,562
Time deposits with over three-month deposit period (291)	Time deposits with over three-month deposit period (488)
Cash and cash equivalent 13,599	Cash and cash equivalent 18,073

## Segment Information

### 1. Business segment information

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

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Eliminations and corporate	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

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of eliminations and corporate, 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 eliminations and corporate, 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. 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 Presentation of Consolidated Financial Statements, 4. Accounting procedures, (1) Valuation standards and methods for major assets (Change in account policies)," 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.

FY2009 (Apr. 1, 2009 – Mar. 31, 2010)

(Millions of yen)

	Social communication gifts	Theme parks	Other	Total	Eliminations and corporate	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) Customers	66,428	5,111	2,335	73,875	-	73,875
(2) Inter-segment	690	1,150	134	1,975	( 1,975)	-
Total	67,118	6,261	2,470	75,850	( 1,975)	73,875
Operating expenses	55,673	7,137	3,014	65,826	( 1,240)	64,585
Operating profit (loss)	11,445	(875)	(544)	10,024	( 735)	9,289
II Assets, depreciation, and capital expenditures						
Assets	44,928	10,320	3,772	59,022	26,743	85,765
Depreciation	812	415	138	1,367	104	1,471
Capital expenditures	1,214	190	68	1,473	358	1,832

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

3. Among operating expenses, the main items in unallocated operating expenses, which are included in the item of eliminations and corporate, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 737 million yen in the current fiscal year.

4. Among assets, the main items included in the item of eliminations and corporate, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the Company. These items amounted to 27,080 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.

## 2. Geographical segment information

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

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

(Millions of yen)

	Japan	Europe	Other areas	Total	Eliminations and corporate	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 eliminations and corporate 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 eliminations and corporate, 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 (Change in account policies)" 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.

FY2009 (Apr. 1, 2009 – Mar. 31, 2010)

(Millions of yen)

	Japan	Europe	Other areas	Total	Eliminations and corporate	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) Customers	51,207	12,205	10,462	73,875	-	73,875
(2) Inter-segment	6,871	29	1,435	8,336	( 8,336)	-
Total	58,079	12,234	11,897	82,211	( 8,336)	73,875
Operating expenses	53,852	8,132	10,256	72,241	( 7,655)	64,585
Operating profit	4,227	4,102	1,640	9,970	( 681)	9,289
II Assets	39,646	8,809	12,238	60,695	25,070	85,765

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 eliminations and corporate, are expenses incurred by the Company's entertainment planning and development department and secretariat. They amounted to 737 million yen in the current fiscal year.

4. Among assets, the main items included in the item of eliminations and corporate, are cash and deposits, long-term investments (investment securities), and assets which belong to administration department of the Company. These items amounted to 27,080 million yen in the current fiscal year.

5. The Company booked impairment losses in Japan of 36 million yen in the current fiscal year.

## 3. Overseas sales

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

FY2008 (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 (%)	13.9	13.4	27.3

Notes: 1. Regions are classified by geographical proximity.

2. Major areas included in each segment 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%.

FY2009 (Apr. 1, 2009 – Mar. 31, 2010)

(Millions of yen)

	Europe	Other areas	Total
I Overseas sales	12,235	12,079	24,314
II Consolidated sales	-	-	73,875
III Percentage of overseas sales over consolidated sales (%)	16.6	16.3	32.9

Notes: 1. Regions are classified by geographical proximity.

2. Major areas included in each segment 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).

**Per Share Information**

(Yen)

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)		FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	
Net assets per share	187.08	Net assets per share	241.62
Net loss per share	(22.74)	Net income per share	44.72
Fully-diluted net profit per share	-	Fully-diluted net profit per share	42.63

Notes:

1. Fully-diluted net profit per share is not presented since the Company posted a net loss in FY2008.

2. Net assets per share

	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
Total net assets on the consolidated balance sheets (million yen)	26,844	31,594
Net assets associated with common shares (million yen)	16,331	21,094
Breakdown of differences (million yen)		
Capital and capital surplus associated with preferred stock	10,000	10,000
Dividends on preferred stock	489	469
Minority interests	22	30
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	87,300

3. Net profit (loss) per share and fully-diluted net profit per share

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Net profit (loss) per share		
Net profit (loss) (million yen)	(1,495)	4,373
Amount not returned to common shareholders (million yen)	489	469
Dividends on preferred stock		
Net profit (loss) associated with common shares (million yen)	(1,985)	3,904
Average number of common shares outstanding (thousand shares)	87,301	87,301
Fully-diluted net profit per share		
Adjusted net profit		
Dividends on preferred stock (million yen)	-	469
Increase in number of shares of common shares (thousand shares)	-	15,281
Class B preferred stock		
Summary of latent shares not included in the calculation of fully-diluted net profit per share due to lack of dilution effect	Class B preferred stock [1,000,000 shares] Stock option [599,000 shares]	Stock option [589,000 shares]

**Subsequent Events**

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<p>About the joint spin-off of businesses (incorporation-type company split)</p> <p>The Board of Directors of the Company resolved at a meeting held on May 14, 2009 to take over the theme park business of the Company and its consolidated subsidiaries Sanrio Puroland Co., Ltd. and Harmony Land Co., Ltd. to Sanrio Entertainment Co., Ltd. on July 1, 2009.</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 unconsolidated forecasts for the fiscal year under review is minimal.</p>	<p style="text-align: center;">—————</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, business combinations, etc, and rental properties 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)	
	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
<b>Assets</b>		
Current assets		
Cash and deposit	7,102	9,640
Trade notes receivable	219	170
Trade accounts receivable	6,754	6,388
Merchandise and finished goods	4,053	3,770
Work in process	31	-
Raw materials and supplies	121	113
Advance payments	248	162
Prepaid expenses	242	234
Deferred tax assets	430	2,410
Accrued income	11	4
Other accounts receivable	689	512
Other	124	132
Allowance for doubtful accounts	(6)	(7)
Total current assets	20,020	23,532
Fixed assets		
Tangible fixed assets		
Buildings	48,806	5,883
Accumulated depreciation and impairment loss	(44,191)	(3,418)
Buildings, net	4,615	2,464
Structures	951	167
Accumulated depreciation and impairment loss	(832)	(131)
Structures, net	118	35
Machinery and equipment	12,729	819
Accumulated depreciation and impairment loss	(12,247)	(548)
Machinery and equipment, net	482	271
Vehicles	151	16
Accumulated depreciation and impairment loss	(143)	-
Accumulated depreciation	-	(15)
Vehicles, net	7	1
Tools, furniture and fixtures	2,248	953
Accumulated depreciation and impairment loss	(2,038)	(784)
Tools, furniture and fixtures, net	210	169
Land	4,664	4,664
Lease assets	248	204
Accumulated depreciation	(72)	(74)
Lease assets, net	176	129
Construction in process	5	0
Total tangible fixed assets	10,280	7,736
Intangible fixed assets		
Right of trademark	0	-
Software	201	299
Software in process	27	-
Telephone rights	31	-
Lease assets	41	25
Other	7	41
Total intangible fixed assets	309	365

	(Millions of yen)	
	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
<b>Investments and other assets</b>		
Investments securities	4,796	5,337
Affiliate stock	6,268	7,374
Investment in capital	0	0
Long-term loans	665	759
Loans to employees	3,233	3,066
Long-term loans to affiliates	7,455	8,420
Claims in bankruptcy	1,386	1,387
Long-term prepaid expenses	236	170
Deferred tax assets	7,617	6,336
Guarantees	3,780	2,909
Long-term deposits	2,700	2,700
Reserve for insurance	1,468	1,587
Other	458	423
Allowance for doubtful accounts	(1,432)	(1,523)
<b>Total investments and other assets</b>	<b>38,633</b>	<b>38,949</b>
<b>Total fixed assets</b>	<b>49,223</b>	<b>47,052</b>
<b>Deferred assets</b>		
Corporate bond issuance costs	51	74
<b>Total deferred assets</b>	<b>51</b>	<b>74</b>
<b>Total assets</b>	<b>69,296</b>	<b>70,658</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable	917	884
Trade accounts payable	4,350	4,710
Current portion of corporate bonds to be redeemed	1,162	1,682
Short-term borrowings	17,838	15,934
Lease obligations	89	75
Other accounts payable	1,382	1,426
Accrued expenses	541	555
Accrued income taxes	118	102
Advances received	486	417
Deposits	56	56
Deferred revenues	2	2
Allowance for bonuses	307	307
Reserve for adjustment of returned goods	105	118
Equipment notes payable	87	0
Other	23	67
<b>Total current liabilities</b>	<b>27,469</b>	<b>26,341</b>
<b>Long-term liabilities</b>		
Corporate bonds	5,607	6,225
Long-term borrowings	7,067	7,113
Lease obligations	129	83
Reserve for retirement benefits for employees	5,813	5,857
Reserve for retirement benefits for directors	440	398
Long-term deposits received	551	534
Other	111	175
<b>Total long-term liabilities</b>	<b>19,721</b>	<b>20,387</b>
<b>Total liabilities</b>	<b>47,190</b>	<b>46,729</b>

	(Millions of yen)	
	FY2008	FY2009
	(As of Mar. 31, 2009)	(As of Mar. 31, 2010)
<b>Net assets</b>		
Shareholders' equity		
Capital	14,999	14,999
Capital surplus		
Additional paid-in capital	5,003	5,003
Other capital surplus	5,092	3,729
Total capital surplus	10,095	8,732
Retained earnings		
Other retained earnings		
Retained earnings carried forward	(186)	1,711
Total retained earnings	(186)	1,711
Treasury stock	(954)	(954)
Total shareholder's equity	23,954	24,489
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities	(1,794)	(511)
Deferred hedge gain (loss)	(54)	(48)
Total valuation and translation adjustments	(1,849)	(559)
Total net assets	22,105	23,929
Total liabilities and net assets	69,296	70,658

**(2) Unconsolidated Income Statement**

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Sales	51,888	52,289
Cost of sales		
Beginning inventories	3,902	4,053
Cost of purchased goods	26,442	25,759
Total	30,344	29,812
Transfer to other accounts	542	467
Ending inventories	4,053	3,770
Total cost of sales	25,749	25,575
Gross profit	26,138	26,714
Provision of reserve for adjustment of returned goods	25	13
Net gross profit on sales	26,113	26,701
Selling, general and administrative expenses		
Freight charges	1,065	1,001
Warehousing costs	556	522
Sales and promotion expenses	2,281	2,465
Salaries	4,058	4,003
Miscellaneous wages	2,806	2,699
Bonuses	675	667
Provision of reserves for bonuses	307	307
Provision of allowance for retirement benefits for directors	15	16
Legal and employee benefits expenses	1,149	1,092
Rents	2,588	2,602
Tax and public charges	202	168
Depreciation	620	636
Other	5,680	5,699
Total selling, general and administrative expenses	22,008	21,885
Operating profit	4,105	4,816
Non-operating profit		
Interest income	154	98
Dividend income	172	1,582
Other income	130	63
Total non-operating profit	457	1,744
Non-operating expenses		
Interest expense	532	471
Foreign exchange loss	67	242
Expenses on support for subsidiaries	363	90
Tax and public charges	400	549
Other expenses	373	341
Total non-operating expenses	1,737	1,695
Ordinary profit	2,825	4,866

	(Millions of yen)	
	FY2008	FY2009
	(Apr. 1, 2008 – Mar. 31, 2009)	(Apr. 1, 2009 – Mar. 31, 2010)
Extraordinary gains		
Gain on sales of investment securities	10	3
Total extraordinary gains	10	3
Extraordinary losses		
Loss on disposal of fixed assets	42	41
Valuation loss on investment securities	793	832
Valuation loss on affiliate stock	-	1,753
Impairment loss	114	14
Provision of allowance for doubtful account for affiliates	696	533
Valuation loss on inventories	79	-
Other	25	234
Total extraordinary losses	1,751	3,409
Net profit before income taxes	1,084	1,460
Income taxes - current	70	265
Income taxes - deferred	2,898	(703)
Total income taxes	2,969	(437)
Net profit (loss)	(1,885)	1,898

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

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
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	5,003
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	5,003	5,003
Other capital surplus		
Balance at the end of previous period	92	5,092
Changes of items during the period		
Dividends from surplus-other capital surplus	-	(1,362)
Disposal of treasury stock	0	(0)
Transfer to other capital surplus from legal capital surplus	5,000	-
Total changes of items during the period	5,000	(1,362)
Balance at the end of current period	5,092	3,729
Total capital surplus		
Balance at the end of previous period	10,095	10,095
Changes of items during the period		
Dividends from surplus-other capital surplus	-	(1,362)
Disposal of treasury stock	0	(0)
Transfer to other capital surplus from legal capital surplus	-	-
Total changes of items during the period	0	(1,362)
Balance at the end of current period	10,095	8,732
Retained earnings		
Other retained earnings		
Retained earnings carried forward		
Balance at the end of previous period	3,053	(186)
Changes of items during the period		
Dividends from surplus	(1,355)	-
Net profit (loss)	(1,885)	1,898
Total changes of items during the period	(3,240)	1,898
Balance at the end of current period	(186)	1,711
Total retained earnings		
Balance at the end of previous period	3,053	(186)
Changes of items during the period		
Dividends from surplus	(1,355)	-
Net profit (loss)	(1,885)	1,898
Total changes of items during the period	(3,240)	1,898
Balance at the end of current period	(186)	1,711
Treasury stock		
Balance at the end of previous period	(954)	(954)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(954)	(954)

(Millions of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	27,194	23,954
Changes of items during the period		
Dividends from surplus	(1,355)	-
Dividends from surplus-other capital surplus	-	(1,362)
Net profit (loss)	(1,885)	1,898
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(3,240)	534
Balance at the end of current period	23,954	24,489
<b>Valuation and translation adjustments</b>		
Net unrealized gain (loss) on other securities		
Balance at the end of previous period	(798)	(1,794)
Changes of items during the period		
Net changes of items other than shareholders' equity	(995)	1,282
Total changes of items during the period	(995)	1,282
Balance at the end of current period	(1,794)	(511)
Deferred hedge gain (loss)		
Balance at the end of previous period	(75)	(54)
Changes of items during the period		
Net changes of items other than shareholders' equity	21	6
Total changes of items during the period	21	6
Balance at the end of current period	(54)	(48)
Total valuation and translation adjustments		
Balance at the end of previous period	(874)	(1,849)
Changes of items during the period		
Net changes of items other than shareholders' equity	(974)	1,289
Total changes of items during the period	(974)	1,289
Balance at the end of current period	(1,849)	(559)
<b>Total net assets</b>		
Balance at the end of previous period	26,319	22,105
Changes of items during the period		
Dividends from surplus	(1,355)	-
Dividends from surplus-other capital surplus	-	(1,362)
Net profit (loss)	(1,885)	1,898
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	(974)	1,289
Total changes of items during the period	(4,214)	1,824
Balance at the end of current period	22,105	23,929

**(4) Going Concern Assumption**

Not applicable.

**6. Other Information**

**(1) Change in Directors**

1) Change in Representatives

Not applicable.

2) Changes in Other Directors (effective on June 23, 2010)

New director candidates

Director: Rehito Hatoyama (current General Manager of Business Strategy Headquarters,  
Chief Operating Officer of Sanrio, Inc., and Manager of Sanrio GmbH)

**(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.*