



June 1, 2004

# Consolidated Results of Operations

(For the year ended March 31, 2004)



**Ticker Code: 8136**  
**<http://www.sanrio.co.jp/>**

**Sanrio Company, Ltd.**  
**Investor Relations Department**

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## Consolidated Financial Highlights

(Millions of yen)

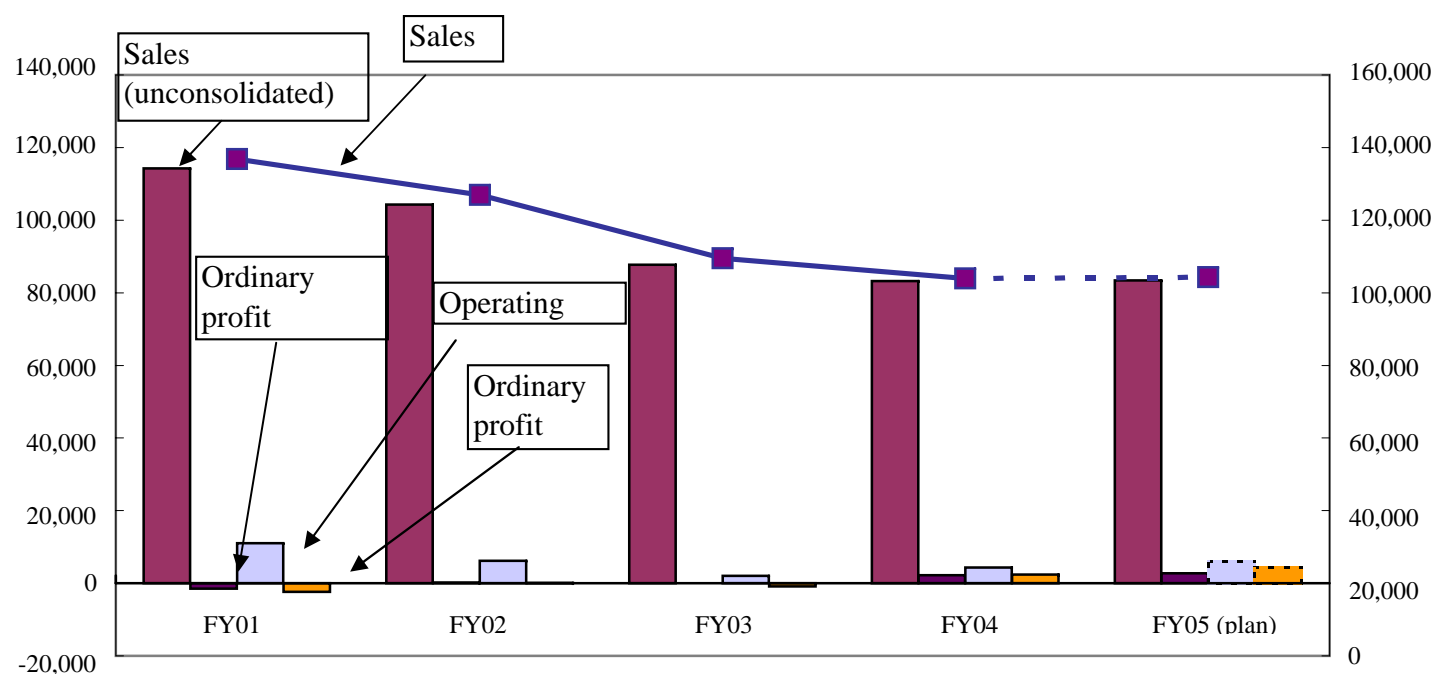
	FY01	FY02	FY03	FY04	FY05 (plan)
Sales	136,800	126,900	109,500	103,900	104,300
Operating profit	11,000	6,200	2,000	4,300	6,000
Ordinary profit	(2,400)	100	(900)	2,400	4,200
Net income	(2,600)	2,400	(19,300)	5,300	3,700

\* The fiscal year of Sanrio Co., Ltd. runs from April 1 to March 31.

### Profit performance

Operating profit and ordinary profit

(Millions of yen)



Ordinary profit returns to profitability.

## Consolidated Statements of Income

(Millions of yen)

	FY04	FY03	% change	Increase (Decrease)	FY04 (plan)	% change vs plan
Net sales	103,900	109,500	-5.1%	(5,500)	104,700	(0.7%)
Gross profit	40,400	40,100	+0.7%	200	40,300	+0.2%
Selling, general and administrative expenses	36,100	38,000	(5.2%)	(1,900)	36,400	(0.8%)
Operating profit	4,300	2,000	+108.4%	2,200	4,000	+9.5%
Net of non-operating income (expenses)	(1,800)	(3,000)	up	1,100	(1,700)	down
Ordinary profit (loss)	2,400	(900)	up	3,400	2,200	+12.0%
Extraordinary gains (losses)	1,600	(17,400)	up	19,100	1,700	-4.0%
Income (loss) before income taxes	4,100	(18,400)	up	22,500	3,900	+5.0%
Income taxes - current	600	600	+10.4%	0	500	+33.6%
- deferred	(1,800)	300	down	(2,200)	(1,900)	up
Total income taxes	(1,200)	900	down	(2,100)	(1,400)	up
Net income (loss)	5,300	(19,300)	up	24,700	5,300	+0.4%
Gross profit margin	38.9%	36.6%	+2.3%		38.5%	+0.4%
Operating profit margin	4.2%	1.9%	+2.3%		3.8%	+0.4%
Ordinary profit margin	2.4%	(0.9%)	+3.3%		2.1%	+0.3%

\* The gross profit margin increased 2.3% from FY03 by reducing goods delivery costs

\* Selling, general and administrative expenses decreased 1,900 million yen from FY03 by reducing fixed costs

# Segment Information

↓

	FY03	% change	FY04	% change	FY05 (plan)	% change
Sales	109,500	86%	103,900	95%	104,300	100%
Social Communication Gift Segment	99,100	86%	94,200	95%	94,300	100%
Domestic retail and wholesale	49,000	90%	45,000	92%	46,800	104%
Domestic licensing	32,800	75%	30,500	93%	32,200	105%
Overseas sales	17,100	100%	18,600	108%	15,100	82%
Theme Park Segment	7,900	90%	7,100	89%	7,600	107%
Other Segment	4,200	95%	4,200	100%	4,000	94%
Corporate expenses and eliminations	(1,800)	-	(1,600)	-	(1,600)	-

↓ (Millions of yen)

	FY03	% change	FY04	% change	FY05 (plan)	% change
Operating profit	2,000	33%	4,300	208%	6,000	140%
Social Communication Gift Segment	5,100	54%	7,000	137%	8,200	117%
Theme Park Segment	(2,300)	92%	(2,000)	90%	(1,600)	77%
Other Segment	0	-	0	-	0	-
Corporate expenses and eliminations	(600)	-	(600)	-	(600)	-
Operating profit before depreciation (EBITDA)	5,400	57%	7,500	137%	9,000	120%
Social Communication Gift Segment	6,200	60%	8,100	129%	9,300	115%
Theme Park Segment	(200)	-	(100)	-	200	-
Other Segment	0	-	100	-	0	-
Corporate expenses and eliminations	(500)	-	(500)	-	(500)	-

# Sales by Distribution Channel

As of March 31, 2004	Number of stores	Change from March 2003
Gift gates (company-operated & FC)	160	(4)
Department stores	200	(30)
Chain stores	960	(76)
Specialty stores	150	(20)
<b>TOTAL</b>	<b>1,470</b>	<b>(130)</b>

## YoY increase in net sales (gift gates)

All stores	102%
Existing stores*	96%

\*1Q: 92%; 2Q: 96%; 3Q: 98%; 4Q: 100%

Moving toward recovery

## New shop information

### Hiroshima Gift Gate

Opened on March 24, 2004 (Company-operated)

Shop space: 162 m<sup>2</sup> (Hiroshima)



First promotional draw corner for a gift gate set up inside one of the largest shopping centers

### Atsuta Gift Gate

Opened on July 5, 2003 (Company-operated)

Shop space: 231 m<sup>2</sup> (Nagoya)



Expansive sales counter in large-scale shopping center Aeon Atsuta

### Kashihara Gift Gate

Opened on March 26, 2004 (FC)

Shop space: 109 m<sup>2</sup> (Nara)



Established in a lucrative commercial district with 256,000 residents within a 5 km radius

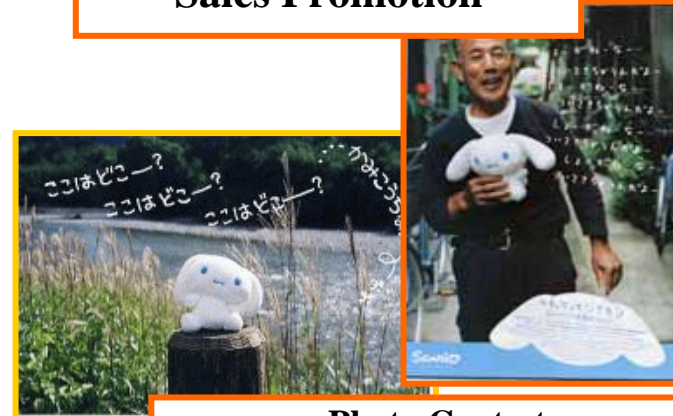
# Cinnamoroll



## Public Relations



## Sales Promotion



## Photo Contest

## Overseas In-Store

Honolulu, Hawaii



Taipei, Taiwan



## Domestic In-Store



## Drawing



## Cinnamoroll Corner



## Event

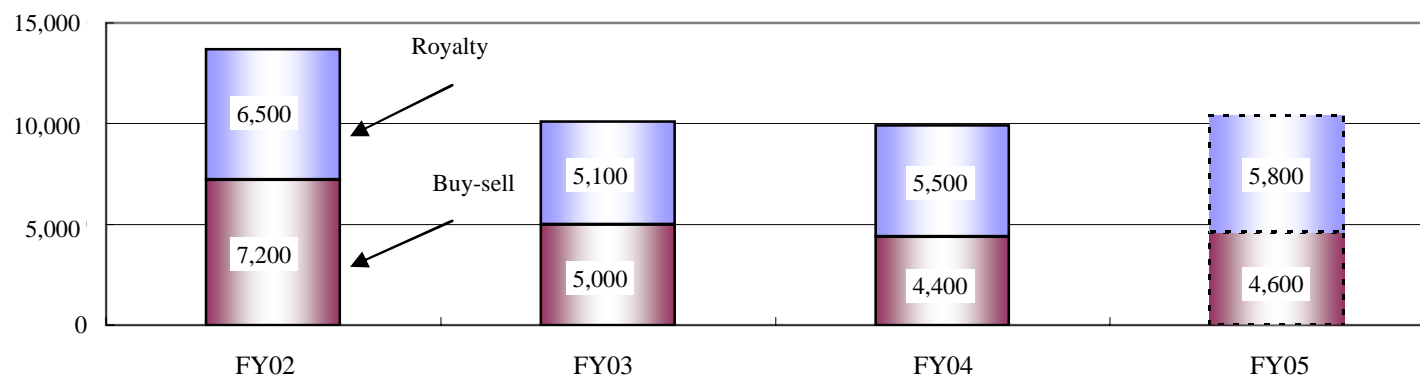
## Licensing Business (Unconsolidated)

	FY02	FY03	FY04	FY05 (plan)
Total net sales (A)	104,300	87,700	83,200	83,300
Net sales from licensing (B)	<b>42,900</b>	<b>32,800</b>	<b>30,500</b>	<b>32,200</b>
Component ratio (B/A)	41%	37%	37%	39%
<b>Royalty</b>	<b>6,600</b>	<b>5,100</b>	<b>5,600</b>	<b>5,900</b>
<b>Buy-sell</b>	<b>36,300</b>	<b>27,600</b>	<b>24,900</b>	<b>26,200</b>
Gross profit (D)	33,900	27,300	28,200	28,900
Gross profit from licensing (E)	<b>13,800</b>	<b>10,200</b>	<b>10,000</b>	<b>10,500</b>
Component ratio (E/D)	41%	37%	36%	36%
<b>Royalty</b>	<b>6,500</b>	<b>5,100</b>	<b>5,500</b>	<b>5,800</b>
<b>Buy-sell</b>	<b>7,200</b>	<b>5,000</b>	<b>4,400</b>	<b>4,600</b>

Buy-sell: Buying products from manufacturers and selling them to their designated companies

### Gross profit from licensing

(Millions of yen)



### Measures for FY05:

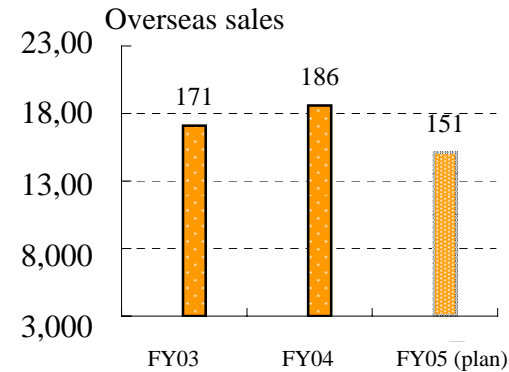
- Introducing a strategic new character and commencing licensing of Cinamoroll
- Revitalizing the appeal of existing characters

# Overseas Sales & Stores Network of Sanrio Group

(Millions of yen)

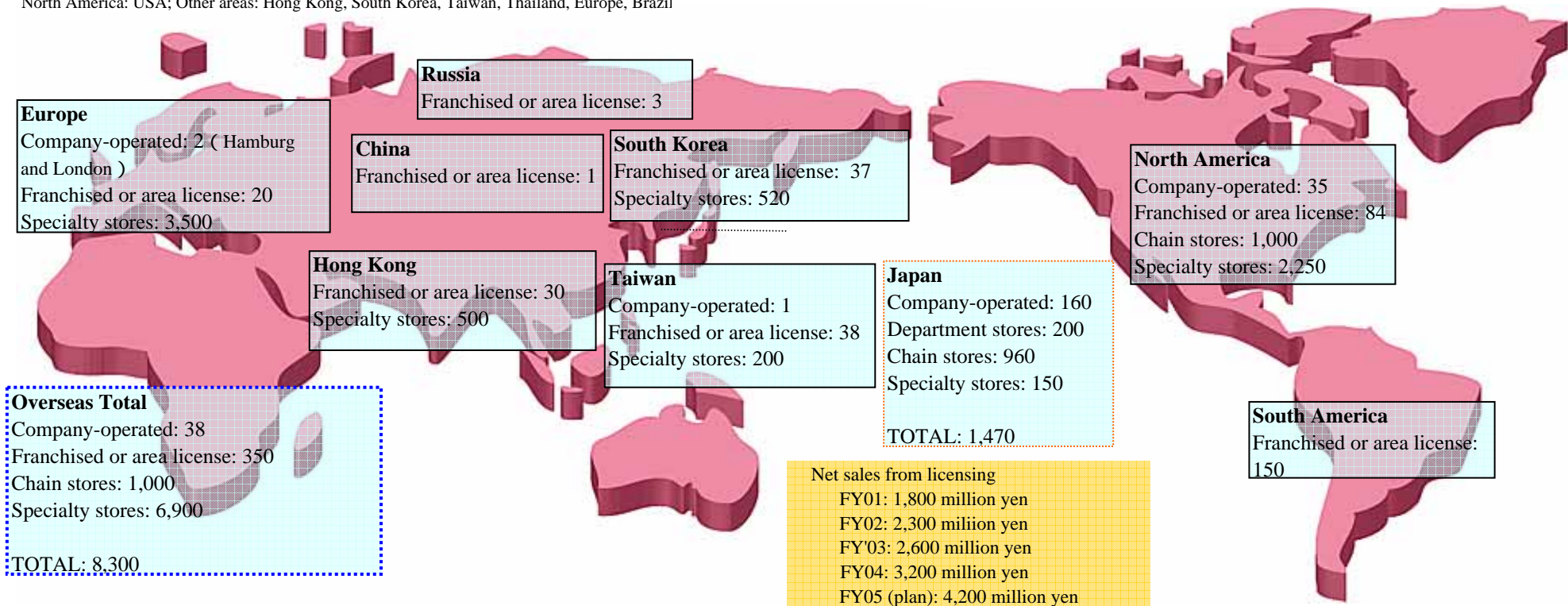
	FY03	% change	FY04	% change	FY05 (plan)	% change
Overseas sales	17,100	100%	18,600	108%	15,100	82%
North America	11,500	95%	12,100	105%	8,600	71%
Other areas	5,600	111%	6,400	115%	6,400	100%
Overseas sales ratio	16%	+2%	18%	+2%	14%	(3%)

North America: USA; Other areas: Hong Kong, South Korea, Taiwan, Thailand, Europe, Brazil



### Changes in business model

Although revenues decreased due to a greater emphasis on licensing business, operating profit increased.



Measures for FY05:  
\* Changing U.S. business model  
\* Opening 20-30 stores in China over the next three years

## Restructuring Plans for Heavily Indebted Subsidiaries

Elimination of negative net worth (By FY05)						(Millions of yen)	
Sanrio Puroland	FY03	% change	↓	FY04	% change	FY05 (plan)	% change
Net sales	5,700	92%		5,200	91%	5,500	107%
Operating profit (loss)	0	down		0	up	200	up
Depreciation	200	-		100	-	100	-
Number of paying visitors (thousands)	890	98%		840	95%	870	103%

Measures for FY05

\* Start "Mushi-King" related events and an insect exhibition for boys and male visitors in summer 2004.

\* Start "Fairy Florence," the 30th anniversary review performance (April 23, 2004)

\* Renovate Kitty's House. (Scheduled to reopen in October 2004)

						(Millions of yen)	
Harmony Land	FY03	% change	↓	FY04	% change	FY05 (plan)	% change
Net sales	2,000	84%		1,800	88%	1,900	107%
Operating profit (loss)	0	up		0	up	100	up
Depreciation	0	-		0	-	0	-
Number of paying visitors (thousands)	390	87%		360	93%	380	105%

Measures for FY05

\* Build roof on open-air theater for rainy days. (Completed in February 2004)

\* Renovate Kitty's Castle (Scheduled to reopen in July 2004)

						(Millions of yen)	
Sanway	FY03	% change	↓	FY04	% change	FY05 (plan)	% change
Net sales	2,600	101%		2,400	92%	2,400	101%
Operating profit (loss)	0	up		0	up	0	up

Measures for FY05

\* Targeting increased revenues through a menu change and other measures at 19 restaurants (as of March 31, 2004).

(Millions of yen)

Consolidated Subsidiaries		FY04				FY05 (plan)			
		Net sales	% change	Operating profit	% change	Net sales	% change	Operating profit	% change
Social Communication Gifts	Sanrio*	83,200	95%	5,350	150%	83,400	100%	6,530	122%
	Sanrio Far East	3,300	87%	140	276%	4,000	120%	210	144%
	Manufacture of Sanrio products and licensing of overseas characters and properties								
	Sanmare	2,000	74%	30	701%	1,900	94%	50	144%
	Sales of apparel and Sanrio products								
	Sanrio Inc. ( USA )	12,200	106%	390	258%	8,700	71%	590	150%
	Sales and licensing of Sanrio products								
	Sanrio Hong Kong	2,800	109%	150	86%	2,600	93%	180	119%
	Control of local manufacturers and licensing								
	Sanrio Taiwan	800	94%	60	60%	900	109%	90	136%
	Control of local manufacturers and licensing								
	Sanrio Korea	400	58%	90	50%	400	106%	100	105%
Control of local manufacturers and licensing									
Sanrio GmbH (Germany )	1,300	112%	140	100%	1,500	112%	120	87%	
Control of local manufacturers and licensing									
<b>Segment Total</b>	<b>94,200</b>	<b>95%</b>	<b>7,030</b>	<b>137%</b>	<b>94,300</b>	<b>100%</b>	<b>8,260</b>	<b>117%</b>	
Theme Parks	Sanrio Puroland	5,200	91%	60	up	5,500	107%	200	up
	Theme park								
	Harmony Land	1,800	88%	50	up	1,900	106%	130	up
	Theme park								
<b>Segment Total</b>	<b>7,100</b>	<b>89%</b>	<b>(2,080)</b>	<b>up</b>	<b>7,600</b>	<b>107%</b>	<b>(1,600)</b>	<b>up</b>	
<b>Depreciation</b>			<b>(1,960)</b>				<b>(1,880)</b>		
Others	Sanway	2,400	92%	0	up	2,400	101%	20	up
	Restaurants								
	<b>Segment Total</b>	<b>4,200</b>	<b>100%</b>	<b>40</b>	<b>up</b>	<b>4,000</b>	<b>94%</b>	<b>0</b>	<b>down</b>
<b>Consolidated Total</b>		<b>103,900</b>	<b>95%</b>	<b>4,320</b>	<b>208%</b>	<b>104,300</b>	<b>100%</b>	<b>6,060</b>	<b>140%</b>

\* Sales to Sanrio Inc. targeted for elimination from the consolidated total amount to 3,800 million yen for FY04 and 800 million yen (plan) for FY05.

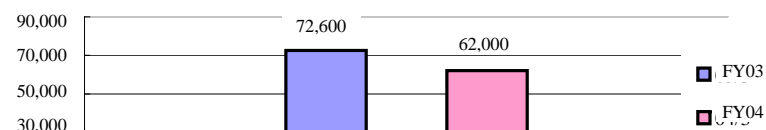
## Consolidated Balance Sheets

	FY04	FY03	Increase (decrease)
Current assets	28,600	32,200	(3,500)
Cash deposits	8,600	9,300	(700)
Trade notes and accounts receivable	11,300	13,200	(1,900)
Inventories	6,100	6,400	(300)
Deferred income taxes	900	1,000	0
Fixed assets	47,000	50,600	(3,600)
Investments and other assets	32,400	30,300	2,000
Investment in securities	7,300	4,700	2,500
Deferred income taxes	10,200	9,500	600
Guarantee money deposits	8,300	9,300	(1,000)
Deferred assets	0	-	0
Total assets	108,100	113,200	(5,100)

- Retained earnings improved to a positive amount figure through a capital reduction of 18,500 million yen during FY05.
- Interest-bearing debt totaled 62,000 million yen, a decrease of 10,500 million yen from FY03.
- An increase in investment in securities resulted from a gain on valuation of investment securities.

(Millions of yen)

	FY04	FY03	Increase (decrease)
Current liabilities	70,100	69,600	500
Trade notes and accounts payable	11,500	12,900	(1,300)
Short-term borrowings	52,700	51,200	1,500
Long-term liabilities	16,000	28,000	(11,900)
Long-term borrowings	6,100	21,400	(15,200)
Corporate bonds	3,200	0	3,200
Allowance for retirement benefits	5,000	5,600	(500)
Shareholders' equity	21,900	15,500	6,300
Common stock	18,300	36,800	(18,500)
Retained earnings	5,500	(18,400)	23,900
Net unrealized profits on securities	1,500	(200)	1,800
Cumulative translation adjustments	(3,400)	(2,500)	(900)
Total liabilities and shareholders' equity	108,100	113,200	(5,100)



# Consolidated Statements of Cash Flows

(Millions of yen)

	↓ FY04	FY03	Increase (decrease)
<b>Cash flows from operating activities</b>	7,000	6,000	900
Income (loss) before income taxes	4,100	(18,400)	22,500
Depreciation and amortization	3,200	3,400	(200)
Decrease (increase) in inventories and trade notes and accounts receivable	1,000	2,900	(1,900)
Interest expense paid	(1,500)	(1,400)	0
Loss on disposal of marketable securities and related derivatives	0	15,100	(15,100)
<b>Cash flows from investing activities</b>	3,100	5,700	(2,600)
Proceeds from sales of property and equipment	900	0	900
Proceeds from sales of investment securities <sup>1</sup>	700	6,600	(5,800)
Proceeds from guarantee money deposits	1,100	1,000	0
Payment for purchases of property and equipment (theme parks and shops)	(1,000)	(1,200)	200
<b>Free cash flows (Cash flows from operating and investing activities)</b>	10,100	11,800	(1,600)
<b>Cash flows from financing activities</b>	(10,500)	(12,900)	2,400
Borrowings	(13,600)	(12,100)	(1,400)
Proceeds from issuance of corporate bonds	3,100	0	3,100
Cash dividends paid	0	(700)	700
<b>Cash and cash equivalents at end of year</b>	7,600	7,900	(200)

<sup>1</sup> Includes marketable securities for the FY03 figure.

## "Project 2005" Medium-term Management Plan

Status of the medium-term management plan, which started this fiscal year, to improve profits and overall financial condition.

↓

(Millions of yen)

	FY04 (plan)	FY04 (results)	FY05 (forecast)
Net sales	104,700	103,900	104,300
Gross profit	40,300	40,400	40,300
Operating profit	4,000	4,300	6,000
Ordinary profit	2,200	2,400	4,200
Net income	5,300	5,300	3,700
EPS (yen)	69.1	69.8	48.2
Gross profit ratio	38.5%	38.9%	38.6%
ROE (%)	29.1%	28.6%	15.9%
ROA (%)	3.6%	3.9%	5.6%
Interest-bearing debt	64,900	62,000	

## Key Measures for FY05

### 1. Hello Kitty 30th anniversary campaign

- Hello Kitty's ribbon concept story
- Promotion of Nakayoku project
- Various events for Hello Kitty's 30th anniversary

### 2. Development of new characters

- Strategic promotion of Cinnamoroll, Usahana and other characters under development
- Character development through collaboration with other companies
- Strategic advertisement and publicity

### 3. Strengthening of the License Section

- Introduction of a strategic new character and commencement of licensing of Cinnamoroll
- Revitalization of the appeal of existing characters

### 4. Improvement in profitability through review of the sales structure in the U.S.

- Concentration of resources to the highly profitable License Section, the Special Order Section for GMS and the Export Section, etc.
- Increase in operating efficiency through tie-ups with other companies