

# Consolidated Results of Operations

(For the year ended March 31, 2005)



**Charmmy Kitty and Sugar**

**(Ticker Code: 8136)**

<http://www.sanrio.co.jp/>

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

TEL: 03-3779-8058

May 30, 2005



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# Consolidated Statements of Income and Plans

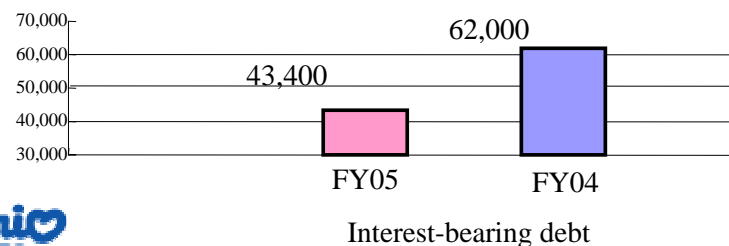
(Millions of yen)

	FY04 (results)	FY05 (results)	% change	FY06 (plan)	Increase (decrease)	% change
Net sales	104,000	101,100	(2.8%)	102,400	1,300	1.3%
Gross profit	40,400	40,200	(0.4%)	41,900	1,700	4.1%
SG&A expenses	36,100	34,100	(5.5%)	32,700	(1,400)	(4.2%)
Operating profit	4,300	6,100	42.3%	9,200	3,100	49.8%
Net of non-operating income (expenses)	(1,800)	(1,600)	up	(1,400)	200	up
Ordinary profit	2,400	4,400	80.6%	7,800	3,400	73.1%
Extraordinary gains (losses)	1,600	(21,500)	down	(200)	21,300	up
Income (loss) before income taxes	4,100	(17,000)	down	7,600	24,600	up
Total of income taxes and adjustment for corporation tax, etc.	(1,200)	(1,200)	-	2,900	4,100	-
Net income (loss)	5,300	(15,800)	down	4,700	20,500	up
Gross profit margin	38.9%	39.8%		40.9%		1.1%
Operating profit margin	4.2%	6.1%		9.0%		2.9%
Ordinary profit margin	2.4%	4.4%		7.6%		3.2%

# Consolidated Balance Sheets

	(Millions of yen)				(Millions of yen)		
	FY05	FY04	Increase (decrease)		FY05	FY04	Increase (decrease)
<b>Current assets</b>	<b>37,600</b>	<b>28,600</b>	<b>8,900</b>	<b>Current liabilities</b>	<b>46,000</b>	<b>70,100</b>	<b>(24,100)</b>
Cash deposits	16,400	8,600	7,800	Trade notes and accounts payable	11,800	11,500	200
Trade notes and accounts receivable	11,800	11,300	500	Short-term borrowings	27,100	52,700	(25,500)
Inventories	5,300	6,100	(800)	Corporate bonds (Due within one year)	700	-	700
Deferred tax assets	2,400	900	1,500	<b>Long-term liabilities</b>	<b>22,200</b>	<b>16,000</b>	<b>6,100</b>
<b>Fixed assets</b>	<b>24,400</b>	<b>47,000</b>	<b>(22,500)</b>	Long-term borrowings	8,100	6,100	2,000
Investments and other assets	31,100	32,400	(1,300)	Corporate bonds	7,400	3,200	4,200
Investment in securities	6,700	7,300	(500)	Allowance for retirement benefits	5,500	5,000	500
Deferred tax assets	10,600	10,200	400	<b>Shareholders' equity</b>	<b>25,200</b>	<b>21,900</b>	<b>3,300</b>
Guarantee money deposits	7,400	8,300	(800)	Capital	14,900	18,300	(3,300)
<b>Deferred assets</b>	<b>200</b>	<b>0</b>	<b>200</b>	Surplus	12,200	5,500	6,700
<b>Total assets</b>	<b>93,500</b>	<b>108,100</b>	<b>(14,600)</b>	Net unrealized profits on securities	1,200	1,500	(200)
				Cumulative translation adjustments	(3,200)	(3,400)	200
				<b>Total liabilities and shareholders' equity</b>	<b>93,500</b>	<b>108,100</b>	<b>(14,600)</b>

- A decrease in fixed assets resulted from application of accounting standards for impairment of fixed assets.
- Interest-bearing debt totaled 43,400 million yen, a decrease of 18,600 million yen from FY04.
- A decrease in capital and an increase in surplus resulted from a capital reduction and capital increase.



# Consolidated Statements of Cash Flows

(Main line items)			(Millions of yen)
	FY05	FY04	Increase (decrease)
<b>Cash flows from operating activities</b>	8,100	7,000	1,100
Income (loss) before income taxes	(17,000)	4,100	(21,200)
Depreciation and amortization	2,200	3,200	(900)
Decrease (increase) in inventories and trade notes and accounts receivable	600	1,000	(300)
Interest expense paid	(1,500)	(1,500)	0
Loss from application of accounting standards for impairment of fixed assets	21,900	-	21,900
<b>Cash flows from investing activities</b>	(1,100)	3,100	(4,300)
Proceeds from sales of property and equipment	-	900	(900)
Proceeds from purchases and sales of investment securities	900	700	100
Proceeds from repayment of guarantee money deposits	600	1,100	(400)
Payment for purchases of property and equipment (theme parks and shops)	(1,000)	(1,000)	-
<b>Free cash flows (Cash flows from operating and investing activities)</b>	7,000	10,100	(3,100)
<b>Cash flows from financing activities</b>	200	(10,500)	10,700
Proceeds from issuance of stock	19,700	-	19,700
Borrowings	(23,500)	(13,600)	(9,900)
Proceeds from issuance of corporate bonds	4,700	3,100	1,600
Cash dividends paid	(700)	-	(700)
<b>Cash and cash equivalents at end of year</b>	14,900	7,600	7,200

# Net Sales and Plans by Segment

(Millions of yen)

		Net Sales					
		FY04	FY05	Compared to FY04	FY06		
		Results (A)	Results (B)		(B)/(A)	Plan (C)	Inc. (dec.) (C) – (B)
Net sales by segment	Product sales	33,500	32,900	98.3%	34,500	1,600	104.7%
	Licensing	29,800	30,900	104.1%	31,200	300	100.6%
	Theme parks	7,100	7,300	102.8%	8,300	1,000	113.8%
	Overseas	26,000	19,400	74.8%	20,900	1,500	107.6%
	Others	19,500	18,600	95.7%	17,400	(1,200)	93.0%
Consolidated eliminations, etc.		(12,000)	(8,200)		(9,900)	(1,700)	-
<b>Consolidated net sales</b>		<b>104,000</b>	<b>101,100</b>	<b>97.2%</b>	<b>102,400</b>	<b>1,300</b>	<b>101.3%</b>

# Operating Profits (Losses) and Plans by Segment

(Millions of yen)

		FY04	FY05	Compared to FY04	FY06		
		Results	Results		Plan	Inc. (dec.)	Compared to FY05
		(A)	(B)	(B)/(A)	(C)	(C) – (B)	(C)/(B)
(Direct) operating profit by segment	Product sales	3,900	4,100	105.5%	4,500	400	109.7%
	Licensing	7,900	8,200	103.8%	8,700	500	106.2%
	Theme parks	200	300	191.3%	1,100	800	344.2%
	Depreciation, etc.	(2,300)	(1,400)	-	(900)	500	-
	<b>Total theme park</b>	<b>(2,100)</b>	<b>(1,100)</b>	<b>-</b>	<b>200</b>	<b>1,300</b>	<b>-</b>
	Overseas	2,900	3,400	117.5%	3,900	500	114.2%
	Others	1,000	800	86.9%	1,000	200	114.4%
(Parent company) cost center and other expenses	(9,300)	(9,200)	-	(9,100)	100	98.1%	
<b>Consolidated operating profit</b>		<b>4,300</b>	<b>6,100</b>	<b>142.3%</b>	<b>9,200</b>	<b>3,100</b>	<b>149.8%</b>

# Activities and Achievements for the Year Ended March 31, 2005

## Building Stable Foundation for Profitability

### 1. Strengthening of Overseas Business with High Growth Potential

- USA: Shift from product sales to licensing
- Europe, Asia and South America: Along with enhancing the recognition of Hello Kitty, efforts were undertaken to reinforce store development, product procurement and supply systems. (Sales and profits in Europe, Asia and South America increased 39.9% and 46.1%, respectively, compared with the previous term.)

### 2. Strengthening of the Licensing Business

- Provision of master license for Cinnamoroll to BANDAI CO., LTD.  
(Proceeding according to plan at an amount of more than ¥10 billion on an annual retail price basis.)
- Production of animation “My Melody” (The series has been broadcast on Television Osaka and TV Tokyo since April.)

### 3. Development and Cultivation of New Characters

Development and cultivation of “Charmmy Kitty” and “Sugar Bunnies”

### 4. Withdrawal from non-core businesses

## Reinforcing Financial Condition

1. Early application of accounting standards for impairment of fixed assets
2. Reduction of interest-bearing debt
3. Developing a system directed toward early resumption of dividends
4. Improving shareholders' equity

# Overseas Sales and Licensing

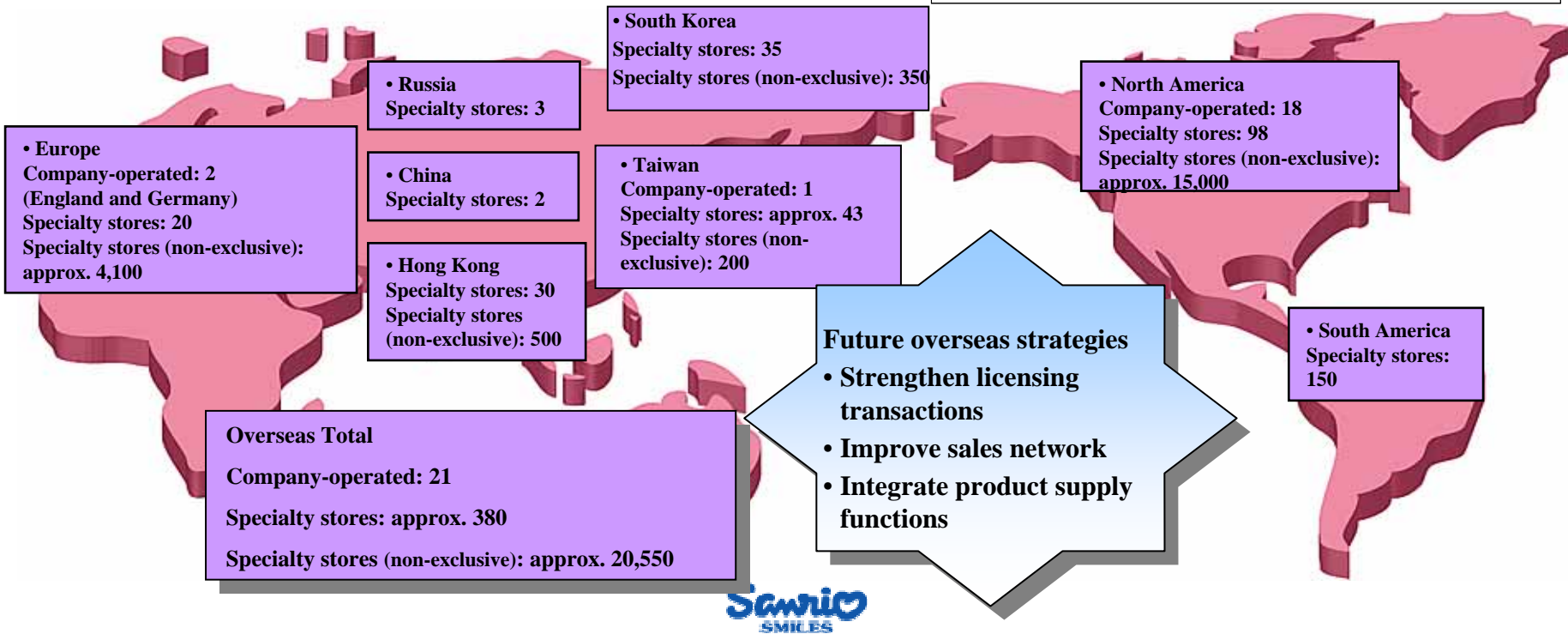
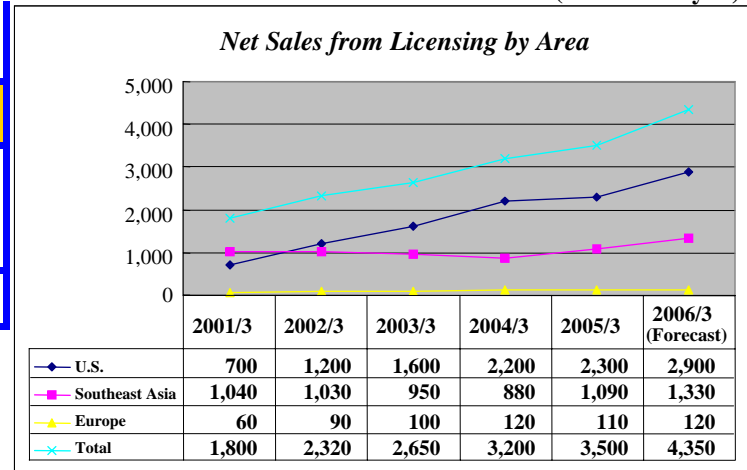
(Millions of yen)	FY04	Compared to FY03	FY05	Compared to FY04
<b>Overseas sales</b>	<b>18,600</b>	<b>108%</b>	<b>15,300</b>	<b>82%</b>
North America	12,100	105%	8,000	66%
Other areas	6,400	115%	7,300	114%
<b>Overseas sales ratio</b>	<b>18%</b>	<b>2%</b>	<b>15%</b>	<b>(3%)</b>

• Sales decreased due to business model change in U.S. However, profits increased in terms of operating profit.

• North America: U.S.

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

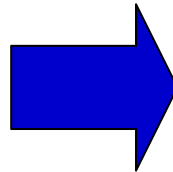
(Millions of yen)



# Key Measures for Theme Park Business

## Sanrio Puroland (Previous term results )

- Number of visitors was affected by the scorching heat during the first half of fiscal year. However, the renewal opening of “Kitty’s House” and introduction of new shows featuring such popular characters as Usahana contributed to an increase in the second half of fiscal year.
- Main reason for decrease in spending per customer was due to lower attendance fees per person.

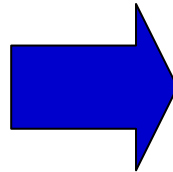


## Measures for FY06

- Draw overseas visitors
- Draw boys through events
- Renewal of attractions and shows <“Someday 2” (June), “Legend of Goal” (winter)>
- Continue discount-rate review
- Establishment of new “Café Cinnamon” (summer)

## Harmonyland (Previous term results)

- Scorching heat, typhoons and the renewal opening of neighboring facilities (aquarium) reduced the number of visitors.
- In spite of a decrease in product sales, net sales from attendance fees increased, contributing to an insignificant decline in spending per customer.
- Costs were reduced compared to the previous term (including selling expenses and advertising expenses).



## Measures for FY06

- Development of seasonal events (drastically increase night operations: for instance, during summer season, night parades, lantern festivals and other events)
- Introduce other companies’ contents that are popular among boys
- With regard to South Korea, expand marketing area from Seoul, which was the core area until now, to Pusan, as well as acquire members of student organizations as customers
- Establish new Cinnamon Terrace

# Progress of Sanrio Puroland Business Plan

	Results	Results	FY04 vs FY05	Plan	Change	
	FY04	FY05		FY06	FY05 vs FY06	
					Inc. (dec.)	Compared to FY05
<b>Net sales</b>	¥5,220 mil.	¥5,540 mil.	106.1%	¥6,190 mil.	¥650 mil.	111.7%
<b>Operating profit</b>	¥60 mil.	¥170 mil.	269.8%	¥790 mil.	¥620 mil.	464.7%

<b>Revenues</b>	¥4,460 mil.	¥4,620 mil.	103.5%	¥5,070 mil.	¥450 mil.	109.8%	
<b>Attendance</b>	842,000 people	892,000 people	105.9%	925,000 people	33,000 people	103.7%	
Per-customer spending	<b>Revenue from admissions</b>						
		¥2,350	¥2,263	96.3%	¥2,481	¥218	109.6%
	<b>Product sales</b>	¥1,917	¥1,908	99.5%	¥1,942	¥34	101.8%
	<b>F&amp;B sales</b>	¥995	¥974	97.9%	¥1,033	¥59	106.0%
<b>Cost of revenue ratio</b>	31.1%	30.5%	98.1%	29.8%	(0.7%)	97.7%	
<b>Outside revenues</b>	¥780 mil.	¥920 mil.	117.9%	¥1,110 mil.	¥190 mil.	120.0%	
<b>SG&amp;A</b>	¥660 mil.	¥650 mil.	98.5%	¥560 mil.	(¥90 mil.)	86.2%	

Improvement of ¥110 million in terms of operating profit compared with FY04

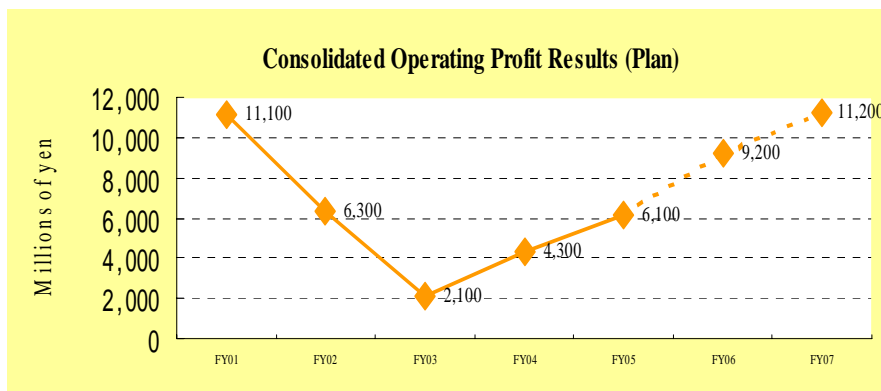
# Progress of Harmonyland Business Plan

	Results	Results	FY04 vs FY05	Plan	Change	
	FY04	FY05		FY06	FY05 vs FY06	
					Inc. (dec.)	Compared to FY05
<b>Net sales</b>	¥1,820 mil.	¥1,700 mil.	93.6%	¥2,060 mil.	¥350 mil.	120.8%
<b>Operating profit</b>	¥50 mil.	¥20 mil.	34.4%	¥250 mil.	¥230 mil.	1,250.0%

<b>Revenue</b>	¥1,650 mil.	¥1,550 mil.	93.9%	¥1,800 mil.	¥250 mil.	116.0%	
<b>Attendance</b>	361,000 people	340,000 people	94.1%	380,000 people	40,000 people	111.8%	
<b>Per-customer spending</b>	<b>Revenue from admissions</b>						
		¥2,069	¥2,110	102.0%	¥2,167	¥57	102.7%
	<b>Product sales</b>	¥1,717	¥1,679	97.8%	¥1,742	¥63	103.8%
	<b>F&amp;B sales</b>	¥786	¥779	99.1%	¥824	¥45	105.8%
<b>Cost of revenue ratio</b>	36.7%	37.1%	101.1%	36.1%	(1.0%)	97.3%	
<b>Outside revenues</b>	¥170 mil.	¥150 mil.	88.2%	¥260 mil.	¥110 mil.	173.3%	
<b>SG&amp;A</b>	¥440 mil.	¥430 mil.	97.7%	¥460 mil.	¥30 mil.	107.0%	

Decline in operating profit of ¥30 million compared with FY04

# Overview of New Medium-term Management Plan (“Project 2006”)



## Target

- |                           |                 |
|---------------------------|-----------------|
| (1) Operating profit      | ¥11,200 million |
| (2) Interest-bearing debt | ¥38,300 million |
| (3) Equity ratio          | 33%             |
| (4) ROE                   | 20%             |
| (5) ROA                   | 10%             |

## Business Performance Results (Plan) (Consolidated)

(Millions of yen)

	FY04 (Results)	FY05 (Results)	FY06 (Plan)	FY07 (Plan)	FY07 vs FY04 Increase (Decrease); % change
Net sales	104,000	101,100	102,400	109,200	+5,200
(1) Operating profit	4,300	6,100	9,200	11,200	+6,900
Ordinary income	2,500	4,400	7,800	10,000	+7,500
Net income	5,400	(15,800)	4,700	6,200	+800
(2) Interest-bearing debt	62,100	43,400	41,400	38,300	(23,800)
Total assets	108,200	93,500	94,400	96,800	(11,400)
Shareholders' equity	21,900	25,200	28,500	32,500	+10,600
(3) Equity ratio	20.3%	27.0%	30.5%	33.6%	+13.3%
(4) ROE	28.6%	(67.1%)	17.4%	20.0%	(8.6%)
(5) ROA	3.9%	4.5%	8.3%	10.0%	+6.1%

# Basic Policy Regarding Profit Sharing

## **We recognize that profit return to shareholders is the most important issue for management**

1. Secure underlying assets for preferred stock dividends

Dividends for preferred stock (Type A and Type B)

2. Secure underlying assets for redemption of Type B preferred stock

Prior to the conversion of ¥10 billion of Type B preferred stock to common stock (convertible from March 2010), secure underlying assets for redemption

3. Common dividend commensurate with business results

After securing items 1 and 2 above, formulate dividend standard by comprehensively examining profit standard, dividend payout ratio and financial condition

# Strengthening of Corporate Governance

## Strengthen management functions in order to address rapid market changes

1. Swifter decision making
2. Verify soundness of business operations
3. Improve management efficiency and transparency
4. Strengthen compliance

## Ensure compliance and strengthening of monitoring of management

- In view of appointing outside board members in the future, it is planned to invite outside corporate executives and academic experts to establish an “Advisory Board” as of this term

## Establishment of Advisory Board

Background: While positioning the maximization of shareholder value as the basic mission, the Company is also aware of its responsibility as a member of society in addition to the strong need for a management oversight framework that is able to contribute to society.

Role of organization: Advise with regard to general management issues as an advisory body of representative directors

Members: Academic experts and corporate executives

Frequency of meetings: Once every 3 months

# Domestic Sales (Number of Stores)

< Reference >

As of March 31, 2005	Number of stores	Change from March 2004
<b>Gift gates (company-operated &amp; FC)</b>	<b>157</b>	<b>(3)</b>
<b>Department stores (company-operated shops)</b>	<b>151</b>	<b>11</b>
Department stores (inventory basis)	60	0
Chain stores (inventory basis)	960	0
Specialty stores (inventory basis)	150	0
Total	1,478	8

## YoY increase in net sales

Gift gates & department stores ( company-operated shops )

All stores 105%

Existing stores 97%

## <New shop information>



### Sennan Gift Gate

Opened on November 12, 2004

Shop space: 138.8 m<sup>2</sup>

Second floor of Aeon Rinku Sennan shopping center

Located within a 5 km radius of Kansai International Airport



### Aeon Kita-Toda vivitix

Opened on November 12, 2004

Shop space: 98.5 m<sup>2</sup>

Second floor of Aeon Kita-Toda shopping center

Functions as "character world" centering on garments



# Consolidated Statements of Income

< Reference >

	FY05				FY06 (plan)				(Millions of yen)
	Net sales	Compared to FY04	Operating profit	Compared to FY04	Net sales	Compared to FY05	Operating profit	Compared to FY05	
Sanrio	81,000	97%	5,840	109%	84,000	104%	7,130	122%	
Sanrio Far East Trading activities associated with Sanrio products and licensing of overseas characters and properties	3,100	95%	90	66%	4,100	132%	300	310%	
Sanmare Sales of apparel and Sanrio products	1,500	74%	0	20%	Sold-off	-	-	-	
Sanrio, Inc. (USA) Sales and licensing of Sanrio products	8,300	68%	750	189%	8,500	103%	790	105%	
Sanrio Hong Kong Control of local manufacturers and licensing	2,600	92%	170	107%	3,200	123%	240	144%	
Sanrio Taiwan Control of local manufacturers and licensing	1,100	138%	130	191%	1,100	99%	150	116%	
Sanrio Korea Control of local manufacturers and licensing	400	104%	90	93%	800	178%	140	157%	
Sanrio GmbH (Germany) Control of local manufacturers and licensing	1,600	122%	190	134%	1,700	107%	240	125%	
Sanrio Puroland (Tama city) Theme park	5,500	106%	170	270%	6,100	112%	790	465%	
Harmonyland (Oita prefecture) Theme park	1,700	93%	10	34%	2,000	121%	250	up	
Sanway Operation of 20 seafood restaurants in Tokyo metropolitan area	2,100	89%	(130)	down	Sold-off	-	-	-	
<b>Consolidated Total</b>	<b>101,100</b>	<b>97%</b>	<b>6,150</b>	<b>142%</b>	<b>102,400</b>	<b>101%</b>	<b>9,220</b>	<b>150%</b>	

Note: Consolidated total amounts are indicated with figures after eliminations and overall company adjustments.



# Disclaimers

## Disclaimers

### 1. Regarding projections in this document

Projections in this document concerning future financial data or business activities are based on the information available to our group of companies at the present time. Since such projections do represent some risk and uncertainty, please be aware that a variety of factors may operate to produce final results that vary greatly from these projections. Some of the material factors that could impact final results are adverse economic environments for our group's businesses, shifts in market trends, and exchange rate fluctuations.

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