

Results Meeting Materials （First Half of FY3/2007）





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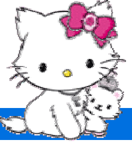
Financial Highlights

Consolidated Income Statement

(Unit: ¥100 million)

	1st Half of FY3/07 Results	vs. Plan			vs. 1H of FY3/06		
		Initial Plan	Increase (Decrease)	Change y-o-y	1H of FY3/06	Increase (Decrease)	Change y-o-y
Sales	461	474	△12	△2.7%	466	△5	△1.2%
Gross profit	189	201	△11	△5.7%	196	△6	△3.2%
SG&A expenses	159	165	△6	△3.7%	161	△ 2	△1.4%
Operating profit	30	35	△5	△14.7%	34	△4	△11.6%
Non-operating profit, net	△3	△4	1	–	△3	△0	–
Ordinary profit	27	31	△4	△13.4%	31	△4	△13.5%
Extraordinary gains, net	1	2	△0	△38.4%	1	△0	△1.4%
Income before income taxes	28	33	△5	△15.2%	32	△4	△12.9%
Taxes and adjustments	△0	11	△11	–	8	△8	–
Net income	28	22	6	+27.6%	24	4	+19.0%
Gross profit margin	41.2%	42.5%	△1.3%	–	42.0%	△0.8%	–
Operating profit margin	6.6%	7.5%	△0.9%	–	7.4%	△0.8%	–
Ordinary profit margin	5.9%	6.6%	△0.7%	–	6.7%	△0.8%	–

Compared to 1H of FY3/06, sales and operating profit declined 1% and 11%. But net profit was up 19% due to tax effective accounting. Gross margin deteriorated 0.8 percentage points due to weak yen and higher oil prices.



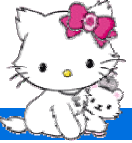
Consolidated Balance Sheet

(Unit: ¥100 million)

	End of 1H of FY3/07	End of FY3/06	Increase (Decrease)
Current assets	395	376	19
Cash & deposits	146	161	△15
Receivables	131	115	16
Inventories	70	55	14
Deferred tax assets	25	31	△5
Fixed assets	235	238	△2
Investment and others	351	355	△3
Investment securities	99	119	△19
Deferred tax assets	120	104	16
Guarantee deposits	57	61	△3
Deferred assets	1	1	△0
Total assets	983	971	12

	End of 1H of FY3/07	End of FY3/06	Increase (Decrease)
Current liabilities	399	373	25
Payables	134	116	17
Short-term debts, corporate bonds	217	206	11
Long-term liabilities	$\boxed{378}$ 234	$\boxed{388}$ 253	$\boxed{△9}$ △19
Long-term debts	86	99	△12
Corporate bonds	73	82	△8
Provision for retirement benefits	63	61	1
Shareholders' equity	350	344	5
Capital	149	149	–
Surplus	214	198	15
Net unrealized gains on securities	8	18	△10
Translation adjustments	△12	△12	0
Total liabilities and shareholders' equity	983	971	12

Major changes: cash and deposits decreased ¥1.5bn due to payment of interest bearing debts; notes and accounts receivable increased ¥1.6bn due to the term-end date being a holiday; inventories rose ¥1.4bn ahead of Christmas sales; and marketable securities decreased ¥1.9bn due to lower stock prices.



Consolidated Cash Flow Statement

(Unit: ¥100 million)

	1H of FY3/07	1H of FY3/06	Increase (Decrease)
Operating cash flow	17	21	△3
Income before income taxes	28	32	△4
Depreciation and amortization	7	7	△0
Provision for retirement benefits	1	3	△1
Decrease in inventories and receivables	△11	△13	2
Interest and tax payment	△8	△7	△1
Investing cash flow	1	△5	6
Change in balance of time deposits	11	3	7
Payment for purchase of fixed assets (theme parks, shops)	△4	△5	1
Change in balance of investment securities	△0	△2	1
Change in balance of loans	△3	2	△6
Change in balance of guarantees	3	2	0
Free cash flow	18	16	2
Financing cash flow	△22	△24	2
Change in balance of borrowings	△1	△50	48
Change in balance of corporate bonds	△8	25	△33
Dividends paid	△12	△0	△12
◆Cash and cash equivalents at term-end	145	141	4

Free cash flow of ¥1.8bn was used for reduction in interest-bearing debts (¥0.9bn) and dividend payment (¥1.2bn).

Sales by Segment

(Unit: ¥100 million)

		1H of FY3/07 Results	vs. Mid-term Plan			vs. 1H of FY3/06		
			Initial Plan	Increase (Decrease)	Change y-o-y	1H of FY3/06 Results	Increase (Decrease)	Change y-o-y
Segments	Domestic product sales	123	131	△7	△5.6%	138	△15	△10.9%
	Domestic licensing	146	146	△ 0	△0.6%	146	△ 0	△0.2%
	Theme parks	46	49	△2	△5.9%	43	3	+7.6%
	Overseas	105	113	△8	△7.2%	105	0	+0.6%
	Other	88	82	6	7.4%	83	5	+6.7%
Cancellations		△49	△50	0	–	△49	0	–
Consolidated sales		461	474	△12	△2.7%	466	△5	△1.2%

Sales decreased ¥0.5bn vs. 1H FY3/06, as a ¥1.5 bn decline in Japan's product sales could not be offset by an increase in theme parks (¥0.3bn) and others (¥0.5bn). Sales were ¥1.2bn short of the plan, as ¥0.6bn sales increase in others (corporate special orders, sales in convenience stores) were not enough to offset shortfall in North America and Japan's product sales.

Operating Profit by Segment

(Unit: ¥100 million)

		1H of FY3/07 Results	vs. Mid-term Plan			vs. 1H of FY3/06		
			Initial Plan	Increase (Decrease)	Change y-o-y	1H of FY3/06 Results	Increase (Decrease)	Change y-o-y
Direct O.P. by Segment	Domestic product sales	3	9	△6	△61.4%	12	△8	△69.2%
	Domestic licensing	41	41	△0	△1.3%	41	△0	△1.0%
	Theme parks	3	6	△2	△42.3%	3	△0	△12.1%
	Theme park support costs	△4	△4	△0	—	△4	0	—
	Total theme parks	△0	1	△2	—	△0	△0	—
	Overseas	24	22	2	+9.5%	19	4	+20.5%
	Other	4	5	△0	△8.4%	6	△2	△31.1%
HQ Cost Center expenses and others		△42	△45	2	—	△46	3	—
Consolidated O.P.		30	35	△5	△14.7%	34	△4	△11.6%

O.P. decreased ¥0.4bn y-o-y: A ¥0.4bn overseas profit growth and ¥0.3bn cost cuts in head office were not enough to offset a ¥0.8bn profit decline in Japan's product sales. O.P. were ¥0.5bn less than the plan, due to shortfall in Japan's product sales and theme parks, despite above-plan achievement of ¥0.2bn each in overseas profit and in cost cuts.

FY3/07 Forecasts: Consolidated Income Statement

(Unit: ¥100 million)

	FY3/07 Forecasts	FY3/06		
		FY3/06 Results	Increase (Decrease)	Change y-o-y
Sales	1,004	988	15	+1.6%
Gross profit	418	403	15	+3.8%
SG&A expenses	330	330	0	+0.1%
Operating profit	88	73	14	+20.4%
Non-operating profit, net	△8	△8	0	–
Ordinary profit	79	64	14	+22.7%
Extraordinary gains, net	5	13	△7	△55.8%
Income before income taxes	85	77	7	+9.2%
Taxes and adjustments	35	1	33	–
Net income	49	76	△26	△35.0%
Gross profit margin	41.7%	40.8%	0.9%	–
Operating profit margin	8.8%	7.4%	1.4%	–
Ordinary profit margin	7.9%	6.5%	1.4%	–

Y-O-Y growth of 1% in sales and 20% in operating profit is expected. Net profit is estimated to decline but, excluding the previous year's ¥3.7bn profit gain from tax effect accounting, net profit are to effectively increase by 25%.

FY3/07 Forecasts: Sales by Segment

(Unit: ¥100 million)

		FY3/07 Forecasts	vs. FY3/06		
			FY3/06 Results	Increase (Decrease)	Change y-o-y
Segments	Domestic product sales	292	309	△17	△5.6%
	Domestic licensing	318	315	3	+1.2%
	Theme parks	86	78	8	+10.2%
	Overseas	236	220	16	+7.3%
	Other	166	160	6	+3.8%
Cancellations		△ 97	△95	△1	-
Consolidated sales		1,004	988	15	+1.6%

Despite ¥1.2bn sales shortfall in the 1H of FY3/07, the initial sales forecasts for a full year are expected to be achieved by a recovery in domestic product sales toward Christmas sales and growth in overseas and other businesses.

FY3/07 Forecasts: Operating Income by Segment

(Unit: ¥100 million)

		FY3/07 Forecasts	vs. FY3/06		
			FY3/06 results	Increase (Decrease)	Change y-o-y
Direct O.P. by Segment	Domestic product sales	24	30	△6	△19.6%
	Domestic licensing	88	85	2	+3.3%
	Theme parks	6	4	1	+29.5%
	Theme park support costs	△8	△8	0	–
	Total theme parks	△1	△3	1	–
	Overseas	54	46	7	+16.5%
	Other	13	9	4	+43.4%
HQ Cost Center expenses and others		△91	△95	4	–
Consolidated O.P.		88	73	14	+20.4%

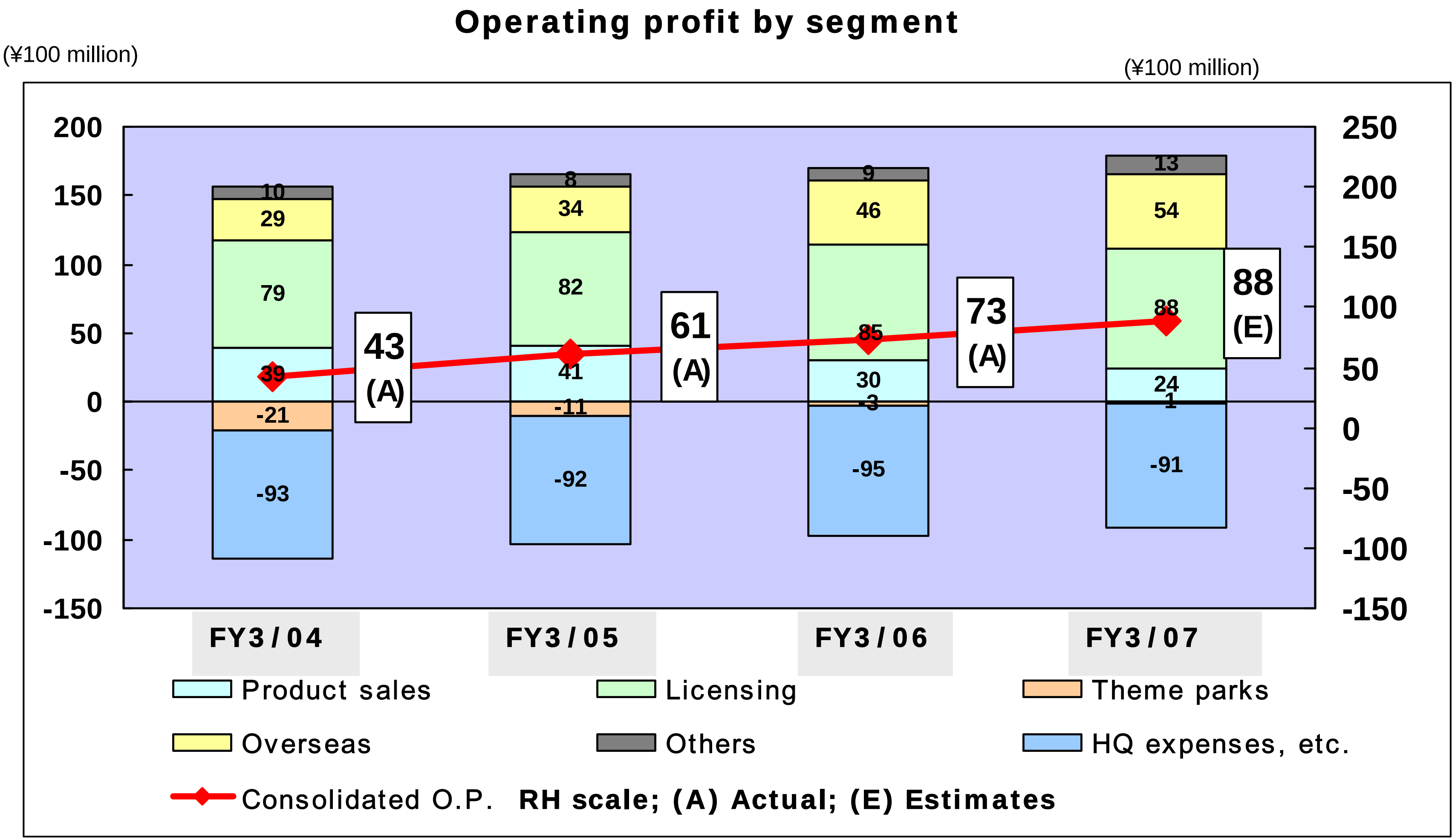
Despite ¥0.5bn operating profit shortfall in the 1H of FY3/07, the initial O.P. forecasts for a full year are expected to be achieved by a recovery in domestic product sales toward Christmas sales and growth in overseas and other businesses.

Sanrio

Profit distribution to shareholders is recognized as a priority issue of Sanrio's management.

1. **Dividend payment to class B preferred stock**
2. **Secure funds for mandatory redemption of class B preferred stock**
   Plan to call for redemption of all class B preferred shares before being converted (by FY2011)
3. **Common stock dividend payment in line with earnings performance**
   After completing 1 and 2, dividend amounts are to be determined with due consideration of financial balance, earnings levels, and payout ratio.

Update on Mid-Term Plan, “Project 2006”



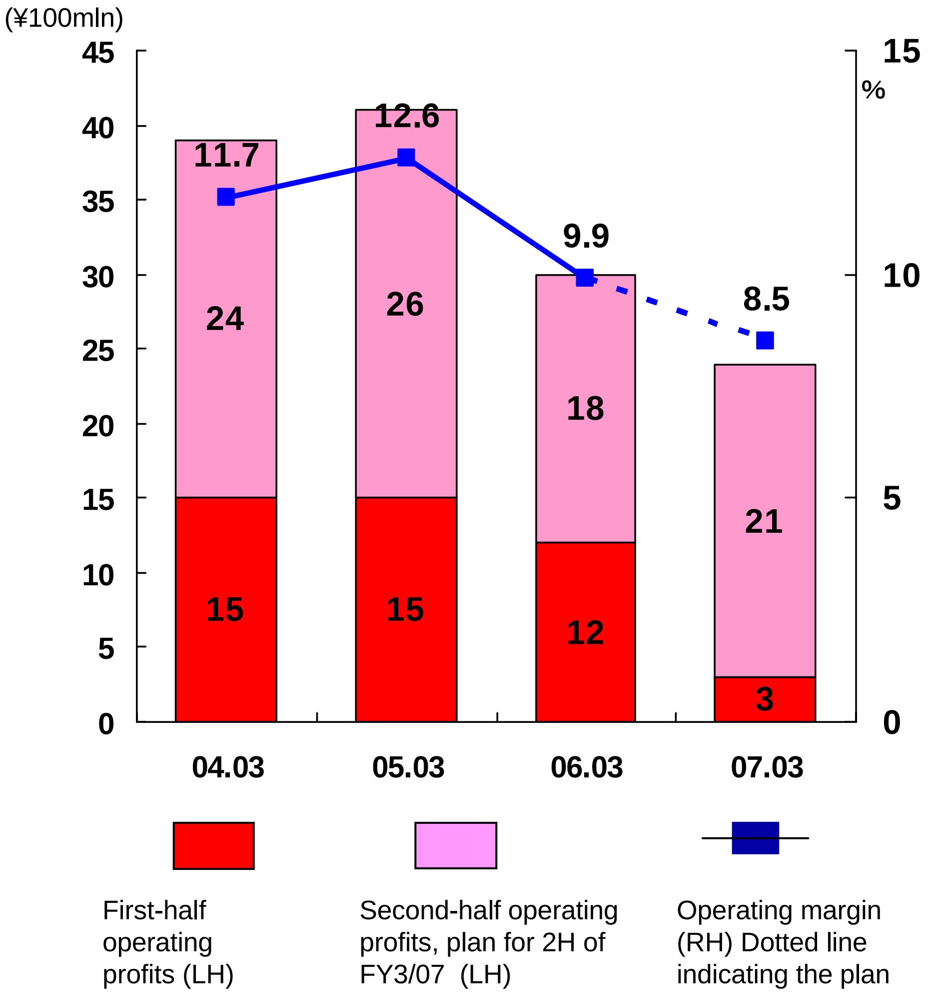
O.P. grew thanks to profitability improvement in theme parks, overseas expansion, and strengthened domestic licensing business, based on the mid-term plan “Project 2006”.
A remaining issue is to restructure domestic product sales.

Review and Outlook by Segment

Segment Update (1)

Product Sales | Strengthen marketing

Operating profit trend



Results in the 1H of FY3/07

- Sales down 10% and O.P. down 69% y-o-y
- Unfavorable weather (hot summer, rainy days) stagnated consumption
- Sales decline by channel: Company-operated shops down 5%; dep't stores down 13%, wholesale down 16%
- Comp. sales (Co.-operated shops and department stores) down 11% y-o-y
- Co.-operated shops: Opened 7 and closed 7
- New format shops: Opened 3

Outlook for the 2H of FY3/07

- Create a Christmas floor plan
- Expect sales down 1% and O.P. up 13% y-o-y
- Breakdown of a ¥0.3bn profit growth

  gross margin improvement +¥0.3bn; SG&A expense saving +¥0.1bn; sales decline of ¥0.1bn
- Measures to take

  1) Close 18 low-margin shops (open 10 shops)

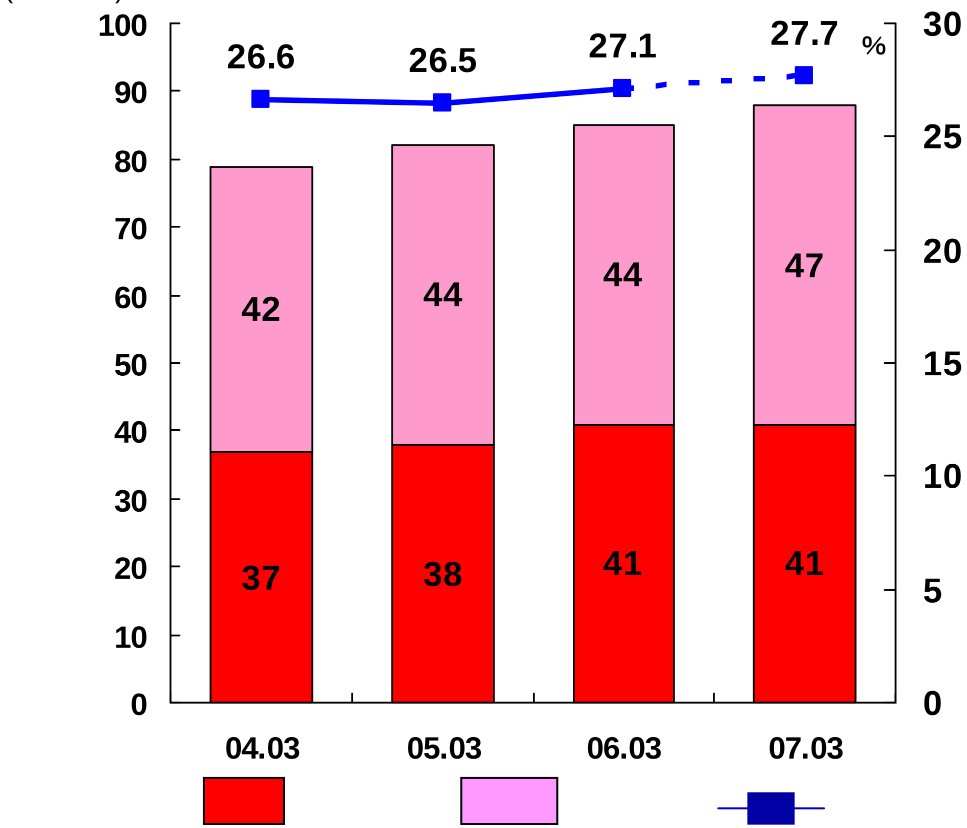
  2) Explore new sales channels (i.e., out-of-store sales of department stores, yet-traded GMS)

  3) Make distinctive concepts for each format

Segment Update（2）

Licensing | Expand aggressively

Operating profit trend



First-half operating profits (LH)

Second-half operating profits, plan for 2H of FY3/07 (LH)

Operating margin (RH) Dotted line indicating the plan

Results in the 1H of FY3/07

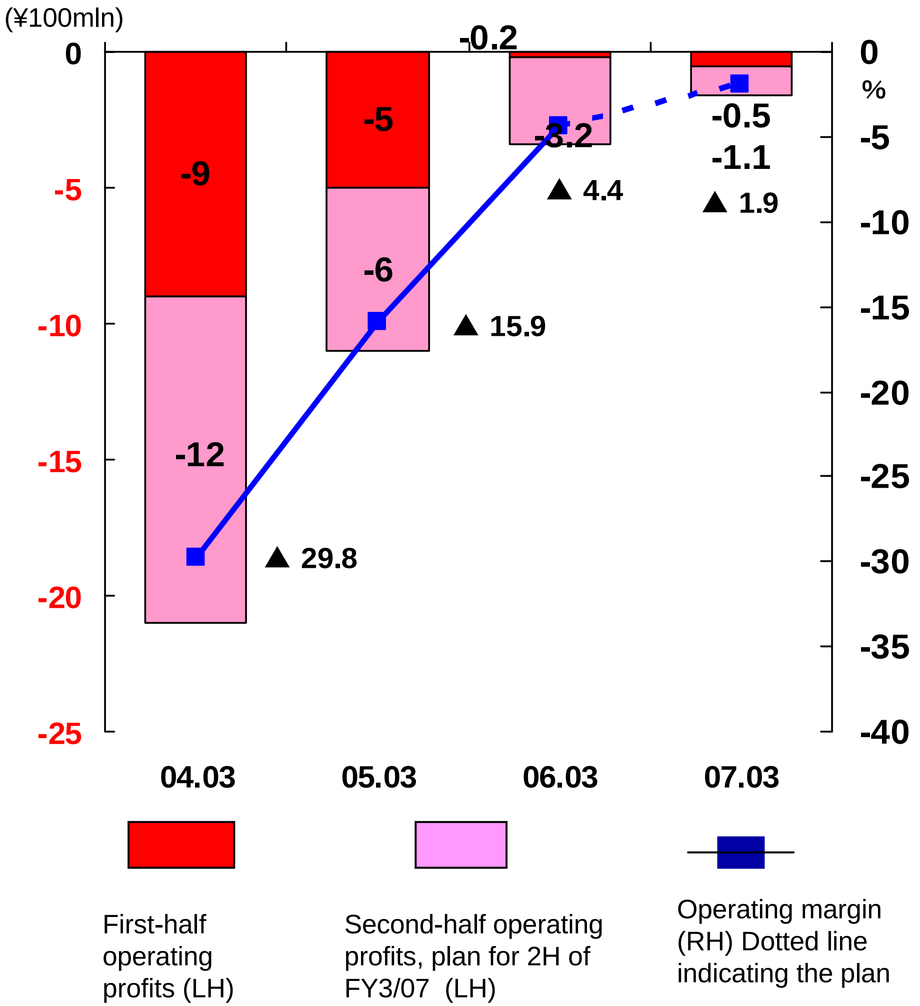
- Tough environment as in domestic product sales
- Sluggish trend. Sales down 0.2%; O.P. down 0.1% y-o-y
- “Cinnamoroll and “Sesame Street” remained popualr
- TV animation program “My Melody & Kuromi” is doing well and its characters become more popular.

Outlook for the 2H of FY3/07

- Expect sales up 2% and O.P. up 7%
- Promote collaboration with “ANNA SUI” and other fashion brands
- Promote comprehensive licensing with new characters, “Sugar Bunnies” and “Tenorikuma”
- Acquire licensing of other companies’ leading characters and promote sales (i.e. Pink PANTHER&PALS)

Theme Parks | Increase Attractiveness

Operating profit trend



Results in the 1H of FY3/07

- Sales up 7.6%; ¥27mn decline in O.P.
- Visitors: SPL ＋7%、OHL △3%
- Ave. spending: SPL ＋1%、OHL △3%
- Sales: SPL＋13%、OHL△6%
- O.P.: SPL＋41%、OHL△74%
- Puroland grew sales, thanks to new attractions
  - ･Collaborated musical review with Takarazuka, "Hello Kitty's Nutcrackers"
  - ･New 3D performance, "Digital Monsters Savers 3D"
  - ･"Hello Kitty's traveling around", a rally to obtain stamps
- Harmony Land's sales decline due to poor weather
  - ･28 more rainy days, compared to 1H of FY3/06
  - ･Typhoons on peak days (weekends in late August and three-day weekend in September)

Outlook for the 2H of FY3/07

- Expect a 13% sales growth and a ¥0.3bn improvement in operating loss

Visitors: SPL＋5%、OHL＋12%

Reasons:

① 2 more 3-day weekends vs. 2H of FY3/06

② Launch new attractions:

3 launched in 1H, and a new most-popular boat ride attraction to be introduced in 2H

③ Harmony Land expects a warmer winter, compared to last winter

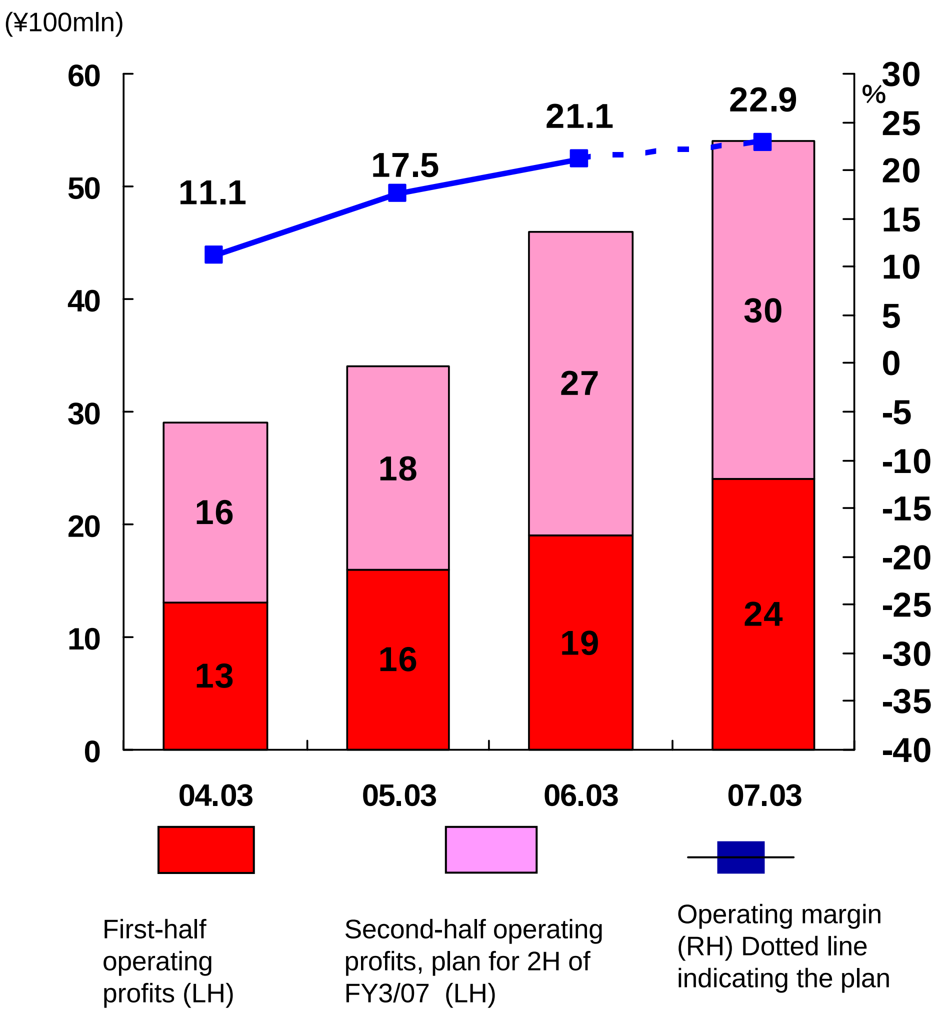
Puroland (SPL)

Sanrio Puroland		1H of FY3/06 Results	FY3/06 Results	FY3/07							
				First Half					Full year Forecasts	vs. FY3/06	
				1H Results	Increase (Decrease)	Change y-o-y	Plan	vs. Plan		Increase (Decrease)	Change y-o-y
Number of visitors (10,000)		49.8	91.9	53.6	3.8	7.6%	53.7	△0.2%	97.9	6.0	6.5%
Spending per customer	Total spending (¥)	5,234	5,260	5,265	31	0.6%	5,410	△2.7%	5,313	53	1.0%
	Entrance fee (¥)	2,285	2,331	2,354	69	3.0%	2,367	△0.5%	2,351	20	0.9%
	Product sales (¥)	1,961	1,934	1,943	△18	△0.9%	2,016	△3.6%	1,960	26	1.3%
	Foods, beverage (¥)	988	995	968	△20	△2.0%	1,027	△5.7%	1,002	7	0.7%
In-site revenues (¥100mn)		26.1	48.6	28.2	2.1	8.2%	29.1	△2.9%	52.0	3.4	7.0%
Off-site revenues (¥100mn)		5.6	11.1	7.5	1.9	34.9%	7.2	4.2%	15.4	4.3	38.7%
Sales (¥100mn)		31.7	59.5	35.8	4.1	13.0%	36.3	△1.5%	67.4	7.9	13.3%
Cost of sales (¥100mn)		10.8	20.0	12.2	1.4	12.7%	11.7	4.6%	23.0	3.0	15.0%
Gss profit (¥100mn)		20.8	39.4	23.5	2.7	13.1%	24.6	△4.4%	44.4	4.9	12.5%
SG&A expenses (¥100mn)		18.7	36.4	20.6	1.9	9.9%	20.7	△0.5%	38.6	2.2	6.1%
Operating profit (¥100mn)		2.1	3.1	2.9	0.9	41.3%	3.9	△24.8%	5.8	2.7	87.3%
Cost rate		34.2%	33.7%	34.2%	△0.1%		32.2%	2.0%	34.2%	0.5%	

Sanrio

Harmony Land		1H of FY3/06 Results	FY3/06 Results	FY3/07							
				First Half					Full year Forecasts	vs. FY3/06	
				1H Results	Increase (Decrease)	Change y-o-y	Plan	vs. Plan		Increase (Decrease)	Change y-o-y
Number of visitors (10,000)		21.9	35.1	21.1	△0.8	△3.7%	24.4	△13.5%	35.9	0.8	2.3%
Spending per customer	Total spending (¥)	4,712	4,575	4,554	△158	△3.4%	4,887	△6.8%	4,571	△4	△0.1%
	Entrance fee (¥)	2,175	2,114	2,048	△127	△5.8%	2,266	△9.6%	2,064	△50	△2.4%
	Product sales (¥)	1,667	1,641	1,627	△40	△2.4%	1,738	△6.4%	1,680	39	2.4%
	Foods, beverage (¥)	870	820	879	9	1.0%	883	△0.5%	827	7	0.9%
In-site revenues (¥100mn)		10.3	16.1	9.6	△0.7	△6.8%	11.9	△19.5%	16.4	0.3	2.2%
Off-site revenues (¥100mn)		1.2	2.5	1.2	0.0	0.0%	1.2	0.0%	2.4	△0.2	△6.7%
Sales (¥100mn)		11.5	18.6	10.8	△0.7	△6.4%	13.2	△18.2%	18.8	0.2	1.0%
Cost of sales (¥100mn)		3.7	5.9	3.3	△0.4	△11.2%	3.9	△14.4%	5.6	△0.3	△4.6%
Gss profit (¥100mn)		7.8	12.7	7.5	△0.3	△4.1%	9.3	△19.7%	13.2	0.5	3.6%
SG&A expenses (¥100mn)		6.3	11.4	7.1	0.8	12.7%	7.4	△3.8%	12.5	1.2	10.2%
Operating profit (¥100mn)		1.5	1.3	0.4	△1.1	△74.5%	1.9	△80.2%	0.6	△0.7	△52.2%
Cost rate		32.5%	31.6%	30.8%	△1.7%		29.5%	1.3%	29.9%	△1.8%	

Operating profit trend



Results in the 1H of FY3/07

- Solid popularity of "Hello Kitty" worldwide
- Sales up 1% and O.P. up 20% y-o-y
- Growth rate by region

	Sales	O.P.
North America	△8%	+24%
Asia	+5%	+20%
Europe	+6%	+27%
Latin America	+29%	+41%

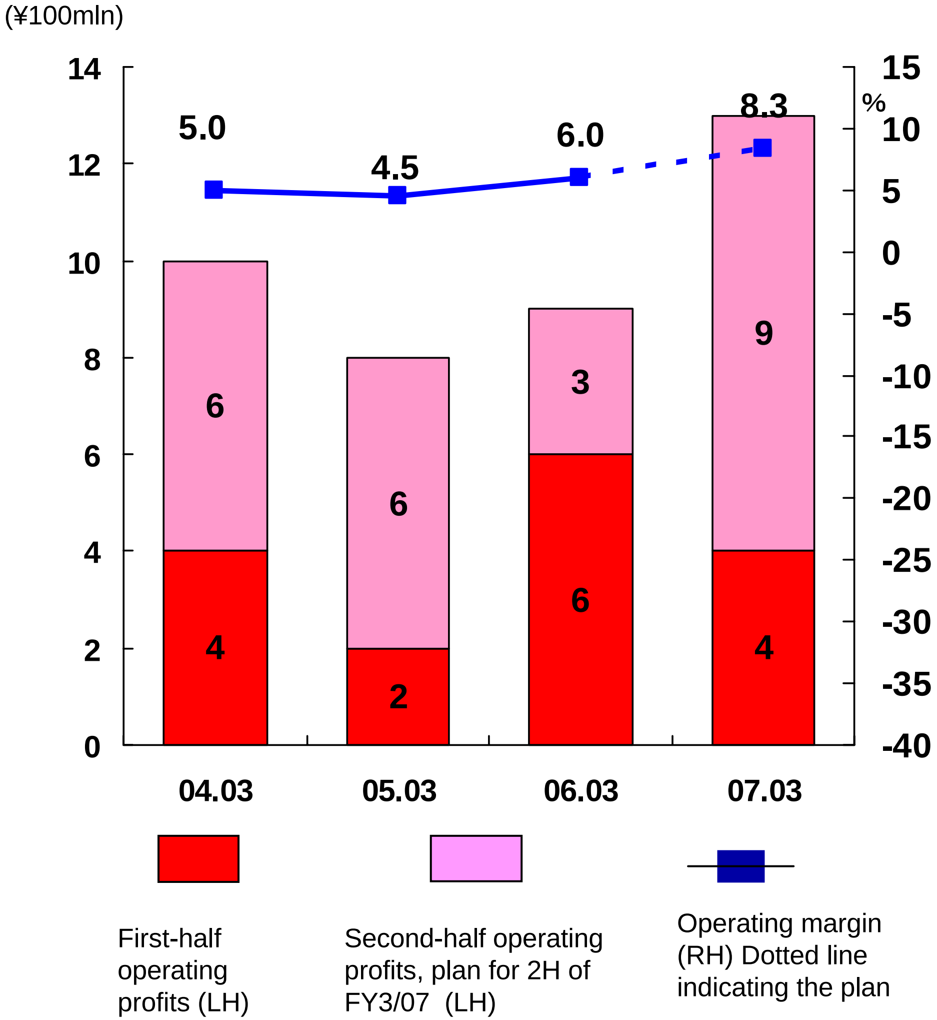
Outlook for the 2H of FY3/07

- Expect 13% growth both in sales and O.P.
- European sub. enhances licensing sales and expects a 14% O.P. growth
- U.S. sub. expects a 45% surge in O.P. by enhanced licensing sales and strength in Brazil
- Asian sub. to increase O.P. by 38%. Aggressive shop openings by agency in China (61 shops at 1H-end to 70 shops by year-end)

Segment Update (5)

Other Business | Efficiently Utilize Contents

Operating profit trend



Results in the 1H of FY3/07

- Sales up 6%; O.P. down 31%
- Corporate special orders and sales to convenience stores offset a decline in sales from last year's high-margin special sales at "Expo 2005 Aichi". On a profit basis, the lost portion from "Expo" was not fully offset.
- Examples of corporate orders: Mitsubishi Motors, Fuji Television ("Gorie & Hello Kitty" collaborated project)

Outlook for the 2H of FY3/07

- Sales up 1%; O.P. up 238%
- Planning and delivery for limited special orders from a well-known overseas museum
- Enhance sales efforts for corporate special orders
- Work on increasing a number of convenience stores that sell our lottos

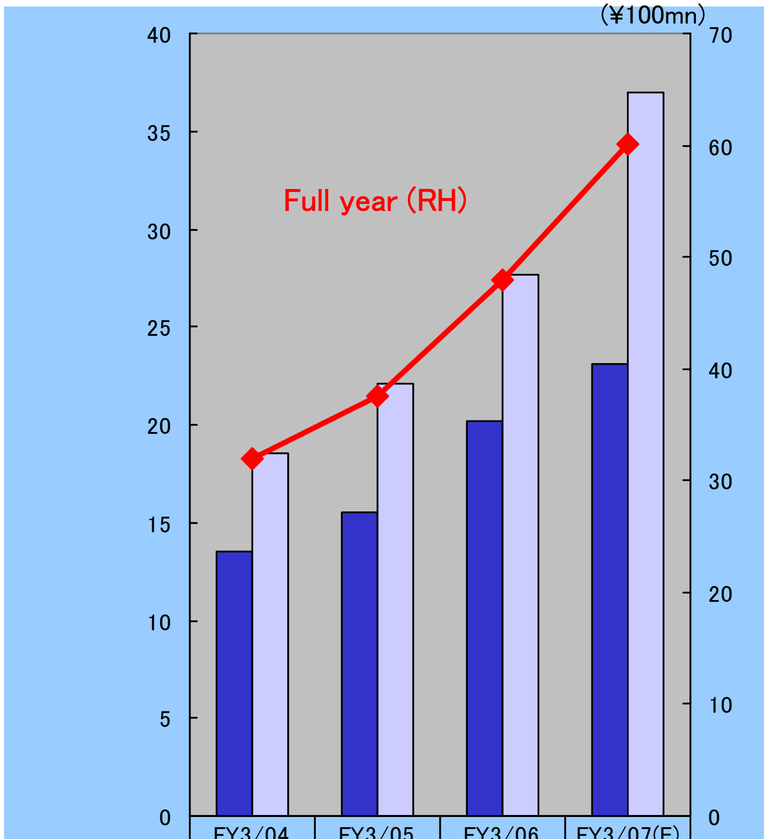
Present Challenges and Our Strategies

	I. Enhanced strategy for overseas expansion	II. Restructure domestic product sales
Long-term challenge	> Strategy for an optimal mix of licensing and product sales for each region > Enhance marketing and create strategies by region > Expand business domains	> Develop efficient and joyful floors and entertainment shops > Enhance marketing; differentiation via strategies by channel > Reduce product purchasing costs and sales expenses
Actual measures	〔U.S.A.〕 Evolve into a comprehensive contents company 〔Asia〕 Enhance contents and entertainment businesses 〔Europe〕 Add staff for licensing sales; explore into the BRICs market	Enhance profitability; clarify shop concepts Differentiate products by channel Explore new customer base
Progress	〔U.S.A.〕 Gain WAL-MART as a new account; expand into music areas 〔Asia〕 TV animation programs & clay animation; realize more contents business for mobile phones and others 〔Europe〕 Tripled licensing business; improved product turnover	Accelerate closing of low-margin shops Develop new sales channels Clarify shop concepts by format

Appendix

Overseas Licensing Business

Growth in Overseas Licensing Business

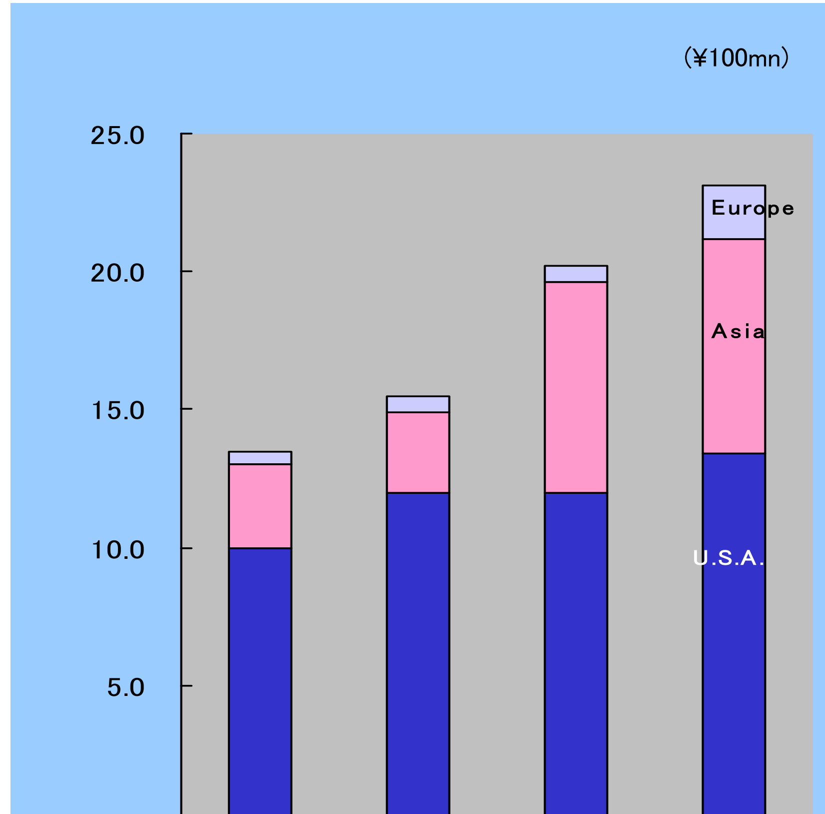


	FY3/04	FY3/05	FY3/06	FY3/07(E)
1st half	13.5	15.5	20.2	23.1
2nd half	18.5	22.1	27.7	37
Full year	32	37.6	47.9	60.1

1st half 2nd half Full year

Note: Actual results for the 1H of FY3/07

Licensing Sales Breakdown by Region



	FY3/04	FY3/05	FY3/06	FY3/07(E)
Europe	0.5	0.6	0.6	1.9
Asia	3.0	2.9	7.6	7.8
U.S.A.	10.0	12.0	12.0	13.4

U.S.A. Asia Europe

Note: Actual results for the 1H of FY3/07

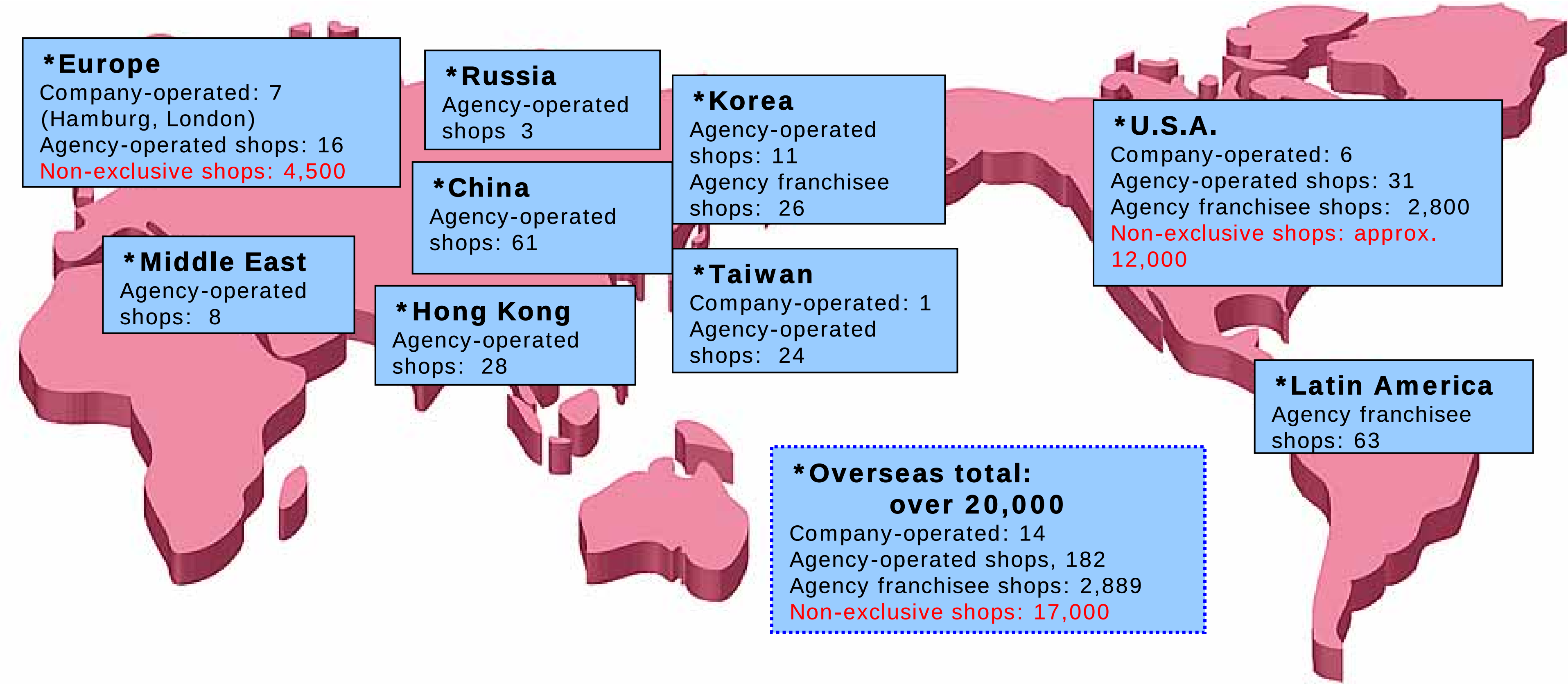
Overseas Distribution Network and Sales

Overseas sales in the First Half (¥100mn)

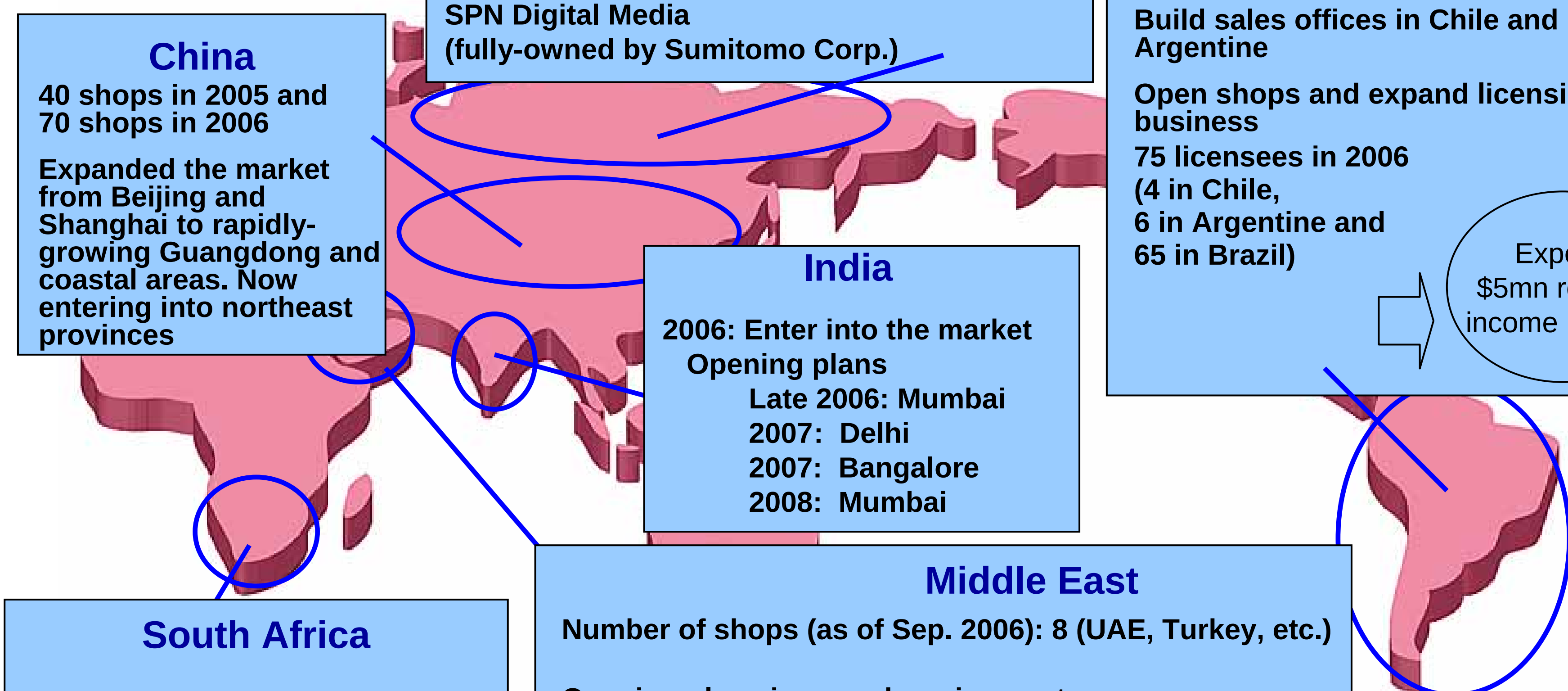
	1H of FY3/04	1H of FY3/05	1H of FY3/06	1H of FY3/07
Overseas sales ratio	89	74	76	78
North America	58	43	37	34
Asia	24	24	28	31
Other	6	7	11	13
Overseas sales ratio	18.4%	16.0%	16.4%	17.1%

Number of shops

	Mar.2006	Sep.2006	Mar.2007 (Plan)
Company-operated	25	14	12
Agency-operated stores	131	182	197
Agency franchisee stores	3,585	2,889	3,093
Total	3,741	3,085	3,302



Focused Developing Markets



Russia

shops: 3 in 2006
6 in 2008

Provide mobile contents to
SPN Digital Media
(fully-owned by Sumitomo Corp.)

China

40 shops in 2005 and 70 shops in 2006

Expanded the market from Beijing and Shanghai to rapidly-growing Guangdong and coastal areas. Now entering into northeast provinces

Latin America

In Chile, 5 shops and 30 non-exclusive shops (as of Oct. 2006)

Build sales offices in Chile and Argentine

Open shops and expand licensing business

75 licensees in 2006
(4 in Chile,
6 in Argentine and
65 in Brazil)

Expect $5mn royalty income in 2006

India

2006: Enter into the market

Opening plans

Late 2006: Mumbai
2007: Delhi
2007: Bangalore
2008: Mumbai

South Africa

2006: Enter into the market

Opening plans

Late 2006 Durban
2007 Johannesbourg
2007 Cape Town

Middle East

Number of shops (as of Sep. 2006): 8 (UAE, Turkey, etc.)

Opening plans in new shopping centers

August 2006: Abudabi (UAE)
September 2006: Muscat (Omahn)
Early 2007: Dubai (UAE)
Early 2007: Kuwait
Mid-2008: Dubai (UAE)

Domestic Sales (Number of Shops)

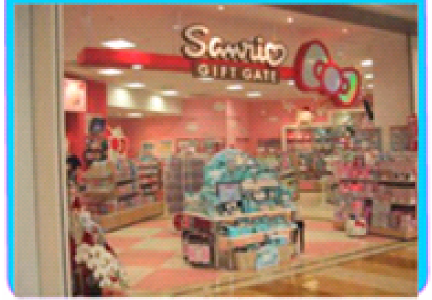
As of September 30, 2006	Number of shops
Gift gates (Company-operated)	167
Shops in Department stores (Company-operated)	137
Department stores	75
Chain stores	960
Specialty shops	143
Total	**1,482**

Sales comparison y-o-y		
	(Company-operated shops)	
Sales	All shops	96.7%
	Existing shops	89.1%

☆Open shops in popular shopping centers and develop shop formats to attract target customers

Kinshicho Gift Gate in Kinshicho Olinus Mall

★Open in Apr.2006 (14 m^2)



Shop for kids and young people.
Products for kids, on a side adjacent to Babies "R" US
Products for young people, near the entrance to the station

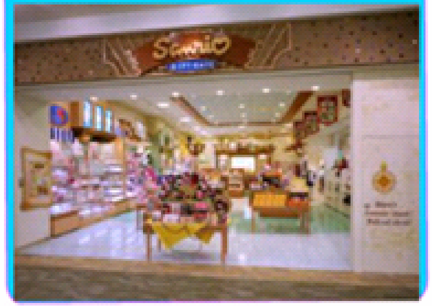
MALera Gifu Gift Gate In MALera Gifu Shopping Center

★Open in Apr.2006 (17 m^2)

Products for families and clothes for kids

Toyosu Gift Gate In Urban Dock of LaLaport Toyosu

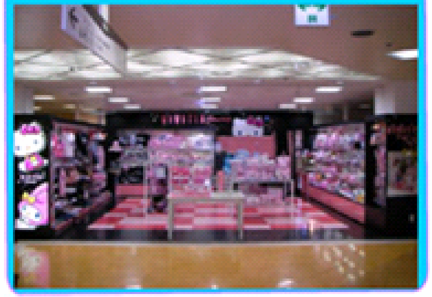
★Open in Oct.2006 (15 m^2)



Fit to the location with a "pirate ship" interior design.
Original store-only products

Toyama Vivitix In Marier Toyama Bldg.

★Renewed in June.2006 (5 m^2)



Floor-setting fit to the location.
Successful with attractive coordinated colors targeting young people

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