

# Consolidated Results of Operations

(For the Fiscal Year ended March 31, 2007)



**Vivitix Tokyo** (Sunshine City, Ikebukuro)

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# Consolidated Income Statement

Unit: 100 million yen

	FY3/07 Results	Compared with FY3/06			Compared with Plan		
		FY3/06	Increase (Decrease)	Change	Initial Plan	Increase (Decrease)	Change
		Sales	966	988	(22)	( 2.3%)	1,004
Gross profit	386	403	(16)	(4.2%)	418	(31)	(7.6%)
Selling, general & administrative expenses	324	330	(5)	(1.8%)	330	(6)	(1.8%)
Operating profit	62	73	(10)	(14.9%)	88	(25)	(29.3%)
Non-operating profit/loss	( 6)	(8)	2	–	(8)	2	–
Ordinary profit	55	64	(8)	(13.5%)	79	(23)	(29.5%)
Extraordinary profit/loss	3	13	(9)	(71.4%)	5	(2)	(35.3%)
Income before income taxes	59	77	(18)	(23.5%)	85	(25)	(29.9%)
Total of income taxes and adjustment for income taxes	18	1	16	–	35	(17)	–
Net profit	41	76	(34)	(45.5%)	49	(8)	(16.2%)
Gross margin	40.0%	40.8%	(0.8%)	–	41.7%	(1.7%)	–
Operating profit margin	6.4%	7.4%	(1.0%)	–	8.8%	(2.3%)	–
Ordinary profit margin	5.8%	6.5%	(0.7%)	–	7.9%	(2.1%)	–

**Comparison with FY3/06:** Operating profit declined 15% on lower gross profit (by 1.6 billion yen) resulting from a decline in sales of 2%. A fall in the gross margin of 0.8% was not offset by a reduction in selling, general and administrative expenses (of 500 million yen). Net profit decreased 46%. (However, real net profit in the previous year was 3.9 billion yen, given a large accumulation of deferred assets.)

**Comparison with the plan:** While operating profit was 29% below projections given the 4% decline in sales and a fall in the gross margin of 1.7%, the decline in net income was only 16% thanks to a positive tax effect.

# Balance Sheets, Statements of Change in Shareholders' Equity

Unit: 100 million yen

	End of FY3/07	End of FY3/06	Increase (Decrease)		End of FY3/07	End of FY3/06	Increase (Decrease)
<b>Current assets</b>	395	376	19	<b>Current liabilities</b>	383	373	10
Cash and deposit	167	161	6	Trade notes and accounts payable	116	116	(0)
Trade notes and accounts receivable	128	115	12	Short-term borrowings/corporate bonds	211	206	4
Inventories	56	55	1	<b>Long-term liabilities</b>	352	388	(36)
Deferred income taxes	26	31	(4)	Long-term debts	73	99	(25)
<b>Tangible/intangible fixed assets</b>	236	238	(1)	Corporate bonds	68	82	(14)
				Provision for retirement benefits	65	61	3
<b>Investments and other assets</b>	329	355	(25)	<b>Net assets</b>	361	344	17
Investments in securities	86	119	(32)	Capital	149	149	(0)
Deferred income taxes	108	104	4	Capital surplus	227	198	28
Guarantees	46	61	(14)	Net unrealized gains on securities	4	18	(14)
Deferred assets	0	1	(1)	Foreign currency translation adjustments	(10)	(12)	2
<b>Total assets</b>	962	971	(9)	<b>Total liabilities and net assets</b>	962	971	(9)

	Beginning balance	Dividends from surplus	Net profit	Others	Total change	Ending balance
Capital	149	-	-	-	-	149
Capital surplus	100	-	-	(0)	(0)	100
Retained earnings	97	(12)	41	(0)	28	126
Treasury stock	(10)	-	-	(0)	(0)	(9)
Shareholders' equity	338	(12)	41	(0)	29	367
Net unrealized gains on other securities	18	-	-	(14)	(14)	4
Deferred hedge gain/loss	-	-	-	(0)	(0)	(0)
Foreign currency translation adjustments	(12)	-	-	2	2	(10)
Total of valuation and translation adjustments	6	-	-	(12)	(12)	(6)
Minority interests	(0)	-	-	(0)	(0)	(0)
Total net assets	345	(12)	41	(11)	16	361

We achieved the final targets for the balance of interest-bearing debt and shareholders' equity ratio (37.6%) in the medium-term plan, owing to a reduction in interest-bearing debt of 3.5 billion yen.

# Cash Flow Statement

Unit: 100 million yen

	FY3/07	FY3/06	Increase (Decrease)
<b>Cash flow from operating activities</b>	<b>56</b>	<b>76</b>	<b>(19)</b>
<b>Net profit before income taxes and adjustments (loss)</b>	<b>59</b>	<b>77</b>	<b>(18)</b>
<b>Depreciation</b>	<b>14</b>	<b>15</b>	<b>(0)</b>
<b>Reserve for retirement benefits</b>	<b>3</b>	<b>5</b>	<b>(2)</b>
<b>Increase/decrease in inventories, accounts receivable and accounts payable</b>	<b>(12)</b>	<b>1</b>	<b>(13)</b>
<b>Interest expense</b>	<b>(8)</b>	<b>(9)</b>	<b>0</b>
<b>Income taxes paid</b>	<b>(9)</b>	<b>(8)</b>	<b>(0)</b>
<b>Cash flow from investing activities</b>	<b>(3)</b>	<b>(32)</b>	<b>29</b>
<b>Net withdrawal from time deposit</b>	<b>0</b>	<b>3</b>	<b>(3)</b>
<b>Payment for purchase of tangible fixed assets (theme park facilities, store interior)</b>	<b>(10)</b>	<b>(9)</b>	<b>(1)</b>
<b>Net proceeds from sale and acquisition of investment securities</b>	<b>17</b>	<b>(22)</b>	<b>39</b>
<b>Net income from collection of loans</b>	<b>(3)</b>	<b>2</b>	<b>(5)</b>
<b>Proceeds from redemption of guarantee</b>	<b>10</b>	<b>4</b>	<b>5</b>
<b>Free cash flow</b>	<b>53</b>	<b>43</b>	<b>9</b>
<b>Cash flow from financing activities</b>	<b>(47)</b>	<b>(46)</b>	<b>(2)</b>
<b>Repayment of debt and corporate bonds</b>	<b>(35)</b>	<b>(47)</b>	<b>12</b>
<b>Dividends paid</b>	<b>(12)</b>	<b>(0)</b>	<b>(12)</b>
<b>Cash and cash equivalents at end of period</b>	<b>155</b>	<b>149</b>	<b>6</b>

We paid dividends of 1.2 billion yen and reduced interest-bearing debt by 3.5 billion yen using free cash flow of 5.3 billion yen.

# Sales by Segment

Unit: 100 million yen

		FY3/07 Results	Compared with FY3/06			Compared with Plan		
			FY3/06 Results	Increase (Decrease)	Change	Plan	Increase (Decrease)	Change
Sales by segment	Domestic product sales	275	309	(34)	(11.1%)	292	(17)	(5.8%)
	Domestic licensing	309	315	(6)	(1.9%)	318	(9)	(3.1%)
	Theme parks	82	78	3	4.6%	86	(4)	(5.1%)
	Overseas	225	220	4	2.0%	236	(11)	(4.9%)
	Other	174	160	14	8.8%	166	8	4.9%
Consolidated cancellations		(99)	(95)	(4)	–	(97)	(2)	–
Consolidated net sales		966	988	(22)	(2.3%)	1,004	(37)	(3.7%)

**Comparison with FY3/06:** A sales decline in Domestic Product Sales of 3.4 billion yen was partly offset by sales in Other (corporate special orders, delivery of lucky draw kits, etc. to convenience stores), Overseas, and Theme Parks (an increase of 2.1 billion in total).

**Comparison with the plan:** We fell short of the initial projection in all segments, including Domestic Product Sales, except in “Other” (corporate special orders, delivery of lucky draw kits, etc. to convenience stores).

# Operating Profit by Segment

Unit: 100 million yen

		FY3/07 Results	Compared with FY3/06					Compared with Plan		
			Compared with FY3/06		Compared with Plan					
			FY3/06 Results	Increase (Decrease)	Change	Plan	Increase (Decrease)	Change		
Direct operating profit by segment	Domestic product sales	11	30	(19)	(63.0%)	24	(13)	(54.0%)		
	Domestic licensing	83	85	(1)	(2.1%)	88	(4)	(5.2%)		
	Theme parks	2	4	(2)	(46.9%)	6	(3)	(59.0%)		
	Theme park support costs	(7)	(8)	0	–	(8)	0	–		
	Total theme parks	(5)	(3)	(1)	–	(1)	(3)	–		
	Overseas	54	46	7	17.1%	54	0	0.5%		
	Other	6	9	(3)	(33.0%)	13	(7)	(53.3%)		
HQ Cost Center expenses and others		(88)	(95)	7	–	(91)	2	–		
Consolidated operating profit		62	73	(10)	(14.9%)	88	(25)	(29.3%)		

**Comparison with FY3/06:** Operating profit declined 15%, although a decline in profits in Domestic Product Sales of 1.9 billion was partly offset by an increase in profit in Overseas of 700 million yen.

**Comparison with the plan:** The initial projection was not achieved in almost all segments, including Domestic Product Sales.

# Forecast for the full year and first half of FY3/08

Unit: 100 million yen

	Forecast for FY3/08	Compared with FY3/07			Forecast for 1H of FY3/07	YoY		
		FY3/07 Results	Increase (Decrease)	Change		1H of FY3/07 Results	Increase (Decrease)	Change
Sales	988	966	21	2.2%	452	461	(8)	(1.9%)
Gross profit	399	386	12	3.2%	189	189	(0)	(0.4%)
Selling, general & administrative expenses	329	324	5	1.7%	162	159	3	1.9%
Operating profit	69	62	6	11.2%	26	30	(3)	(12.3%)
Non-operating profit/loss	(8)	(6)	(2)	–	(4)	(3)	(1)	–
Ordinary profit	60	55	4	8.7%	22	27	(4)	(17.7%)
Extraordinary profit/loss	1	3	(2)	(64.9%)	0	1	(0)	(56.9%)
Income before income taxes	61	59	2	4.0%	22	28	(5)	(19.8%)
Total of income taxes and adjustment for income taxes	27	18	9	–	10	(0)	10	–
Net profit	34	41	(6)	(16.0%)	12	28	(15)	(54.9%)
Gross margin	40.4%	40.0%	0.4%	–	41.8%	41.2%	0.6%	–
Operating profit margin	7.0%	6.4%	0.6%	–	5.9%	6.6%	(0.7%)	–
Ordinary profit margin	6.1%	5.8%	0.3%	–	4.9%	5.9%	(1.0%)	–

**Comparison with FY3/07:** We expect sales to rise 2%, the gross margin to climb 0.4%, and operating profit to increase 11%, with ordinary profit to go up 9% as a result of capping the rise in selling, general and administrative expenses to 1.7%. Net profit is set to fall 16%.

# Forecast for FY3/08: Sales by Segment

Unit: 100 million yen

		Forecast for FY3/08	Compared with FY3/07			Forecast for 1H of FY3/07	YoY		
			FY3/07 Results	Increase (Decrease)	Change		1H of FY3/07 Results	Increase (Decrease)	Change
		Sales by segment	Domestic product sales	276	275	1	0.6%	122	123
Domestic licensing	314		309	5	1.8%	146	146	0	0.6%
Theme parks	87		82	5	6.7%	50	46	3	8.3%
Overseas	242		225	17	7.8%	113	105	7	6.9%
Other	168		174	(6)	(3.8%)	71	88	(17)	(19.8%)
	Consolidated cancellations	(102)	(99)	(2)	–	(51)	(49)	(1)	–
	Consolidated net sales	988	966	21	2.2%	452	461	(8)	(1.9%)

**Comparison with FY3/07:** We expect sales to increase in all segments (including Overseas, which should record an 8% sales increase) but Other (corporate special orders, delivery of lucky draw kits, etc. to convenience stores).

# Forecast for FY3/08: Operating Profit by Segment

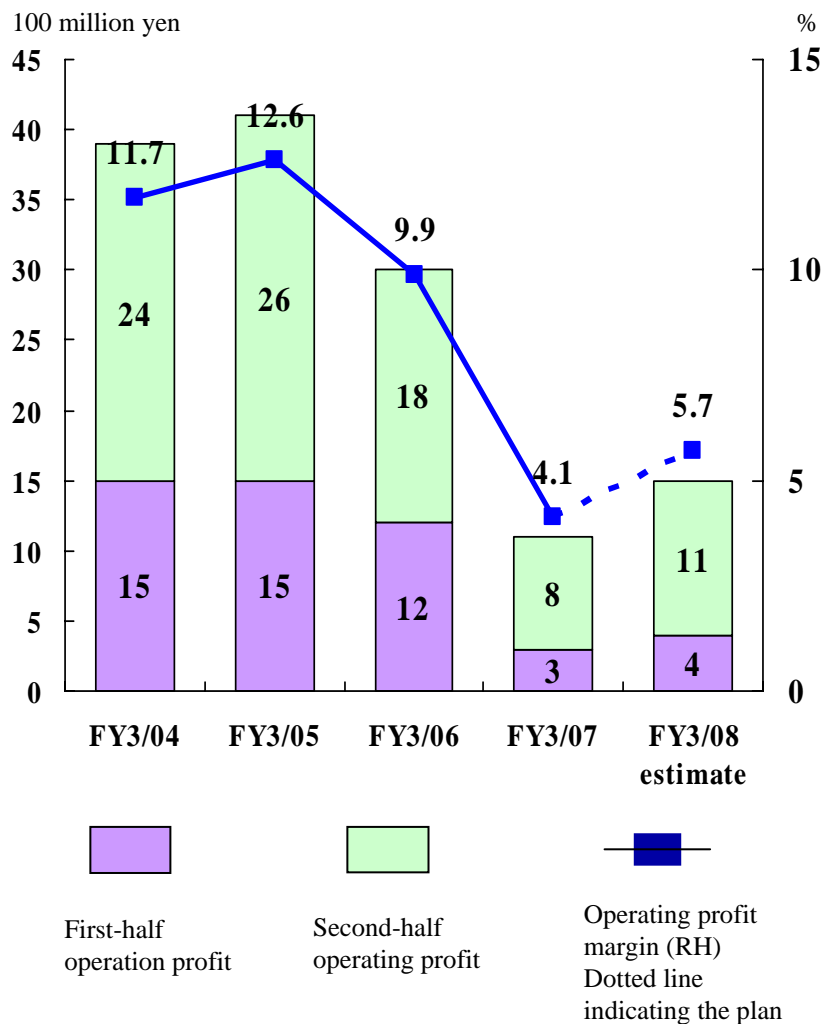
Unit: 100 million yen

	Forecast for FY3/08	Compared with FY3/07			Forecast for 1H of FY3/07	YoY			
		FY3/07 Results	Increase (Decrease)	Change		1H of FY3/07 Results	Increase (Decrease)	Change	
Direct operating profit by segment	Domestic product sales	15	11	4	38.2%	3	3	(0)	2.9%
	Domestic licensing	85	83	1	1.6%	39	41	(1)	(4.4%)
	Theme parks	(0)	2	(3)	–	2	3	(0)	(21.3%)
	Theme park support costs	(2)	(7)	5	–	(1)	(4)	2	–
	Total theme parks	(2)	(5)	2	–	1	(0)	2	–
	Overseas	59	54	5	9.5%	28	24	4	16.8%
	Other	4	6	(1)	(30.0%)	0	4	(4)	(86.1%)
HQ Cost Center expenses and others	(92)	(88)	(4)	–	(47)	(42)	(4)	–	
Consolidated operating profit	69	62	7	11.2%	26	30	(3)	(12.3%)	

**Comparison with FY3/07:** We expect operating profit to rise across the board, including Domestic Product Sales and Overseas.

# Review and Outlook by Segment (1)

## Direct operating profit trends and outlook



## Domestic Product Sales

## Revamp Sales Capability

### Results in FY3/07

- Sales down 11% and operating profit down 63% year on year (\*)  
 (\* gross margin and expenses declined only 2.8% and 4%, respectively)
- Unfavorable weather (cool summer, warm winter) meant sluggish consumption
- Sales by channel (year on year):  
 Company-operated shops down 7%, department stores down 14%, wholesale down 13%
- Existing stores (Company-operated shops and shops in department stores): 89% year on year
- Scrap-and-build of Company-operated shops: Closed 22 and opened 14
- New format shops (sweets, family apparel) Opened 6

### Outlook for FY3/08

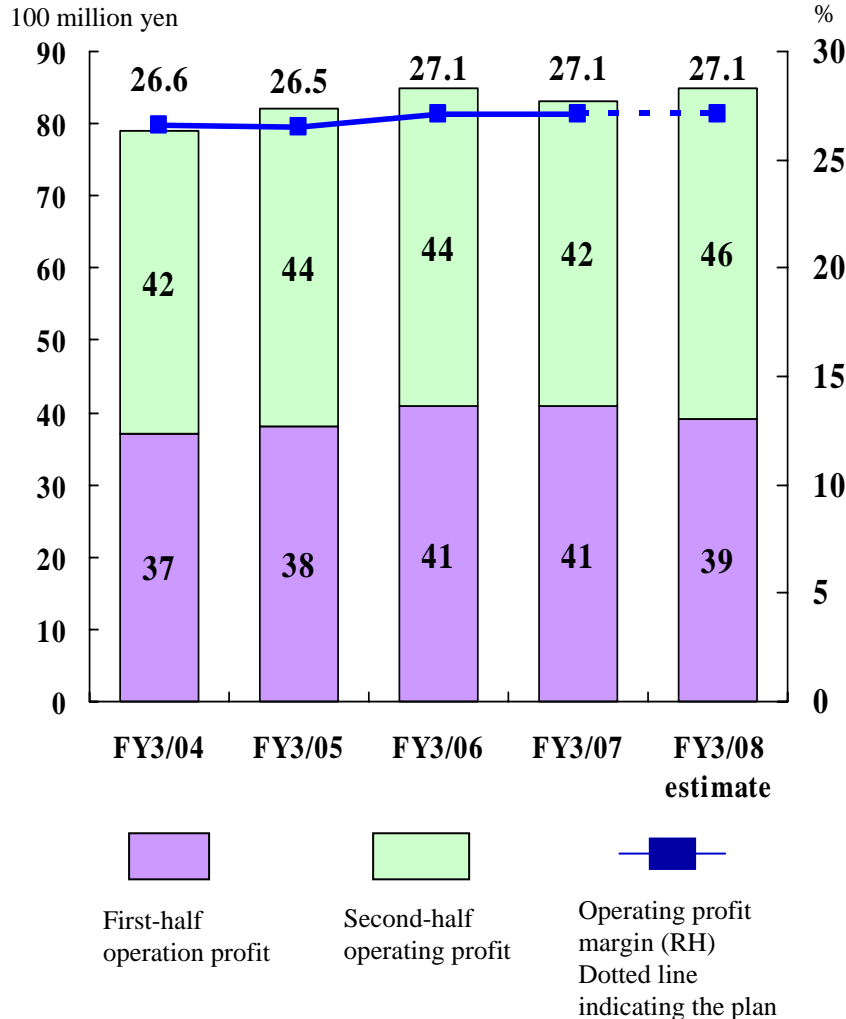
- Expect sales up 1% and profit up 38%
- Breakdown of profit growth (¥400 million): gross margin up ¥200 million (8%), SG&A down ¥100 million and sales up ¥100 million
- Strategies to increase profit
  - 1) Closure of unprofitable shops: To close 7 and open 4 (current projection)
  - 2) New characters: launch 5 characters (rising by 4 characters year on year)
  - 3) New projects on sales sites: shops with live shows (3 or more large stores)  
 Sales outlets with full-time sales clerks in GMS (5 or more large stores)
  - 4) Planning of new products: New format shops for adults, male consumers and foreigners: To open 6

# Review and Outlook by Segment (2)

Licensing

Expand  
Aggressively

## Direct operating profit trends and outlook



## Results in FY3/07

- Difficult business environment as in Domestic Product Sales
- Sales down only 2% and operating profit down only 2% year on year
- Cinnamoroll remained popular
- Comprehensive licensing of Sugar Bunnies began
- TV programs did well and the characters become more popular
  - My Melody & Kuromi* (profit up 33%)
  - Sesame Street* (profit up 24%)

## Outlook for FY3/08

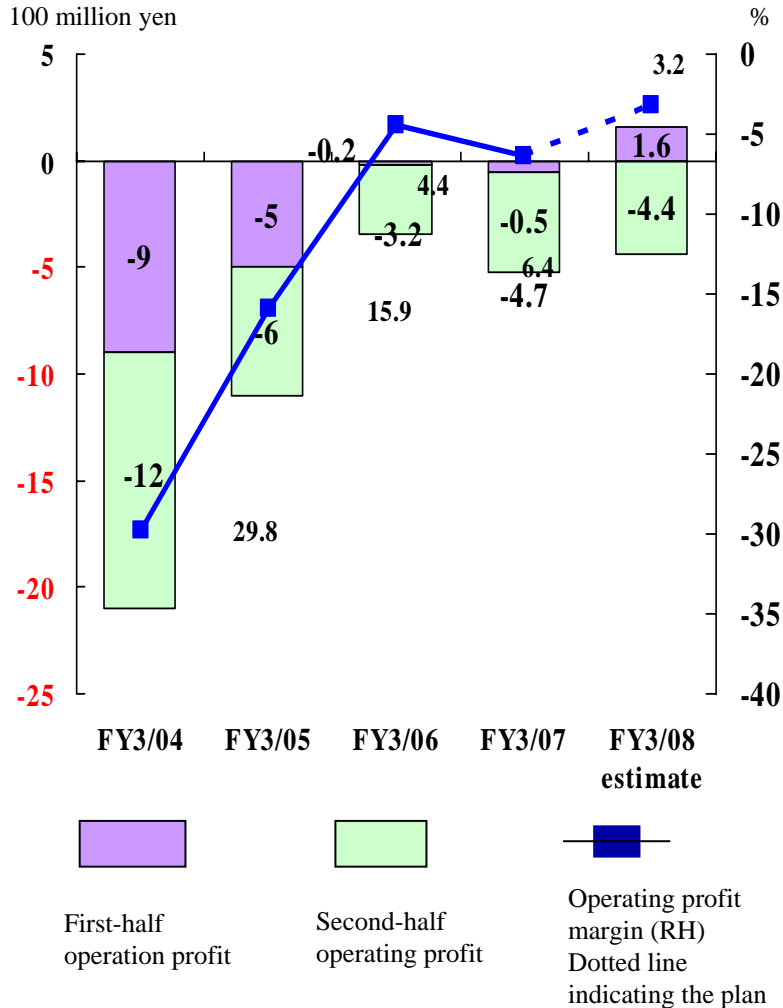
- Expect sales up 2% and profit up 2%
- Promote collaboration with Ayumi Hamasaki, ANNASUI and other fashion brands
- Seek comprehensive licensing with new characters, Sugar Bunnies and Tenorikuma
- Acquire licensing of other leading characters from other companies and promote sales: Pink Panther & Pals and Blue's Cluse

# Review and Outlook by Segment (3)

**Theme Parks**

**Increase Attractiveness**

## Direct operating profit trends and outlook



## Results in FY3/07

- Sales up 5% but profit down ¥180 million  
 Visitors: SPL +2%, OHL ± 0  
 Average spending per customer: SPL - 1%, OHL - 4%  
 Sales: SPL +8%, OHL - 5%  
 Operating profit: SPL +3%, OHL - ¥130 million, parent company - ¥60 million
- SPL: Visitors up 21,000 (those from overseas up 20,000)  
 - Collaborated events with Sega and Takarazuka did well  
 - Character boat ride, 3D theaters, digital stamp rally remodeled
- OHL: Visitor numbers remained flat (those from overseas up 6,000 mostly from Taiwan)  
 - Rainy days increased 28 days from the previous year (first half)  
 - Typhoons in peak days (weekends in late August and three-day weekend in September)

## Outlook for FY3/08

- Expect sales up 7% and a ¥240 million improvement in operating loss  
 Visitors: SPL +6%, OHL +5%  
 Average spending per customer: SPL +3%, OHL remains flat
- SPL visitors: Up 60,000 (from overseas up 5,000)
- OHL visitors: Up 18,000 (from overseas up 1,000)
- Measures:
  - 1) Three-day weekend will increase by a factor of three from FY3/07
  - 2) Introduce new attractions  
 March 07(introduced): Character boat ride (most popular)  
 June 07: Renewal of the main parade  
 July 07: Ancient King Dinosaur Museum

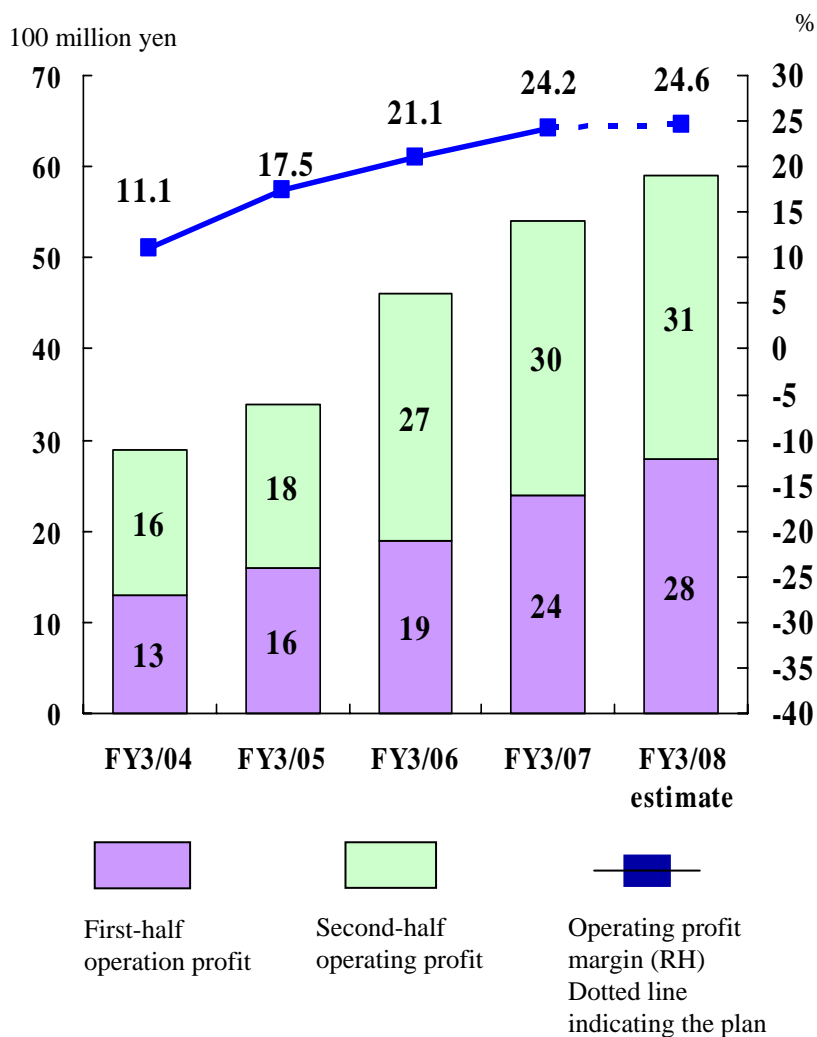
Sawrio

# Review and Outlook by Segment (4)

Overseas

Expand  
Aggressively

## Direct operating profit trends and outlook



## Results in FY3/07

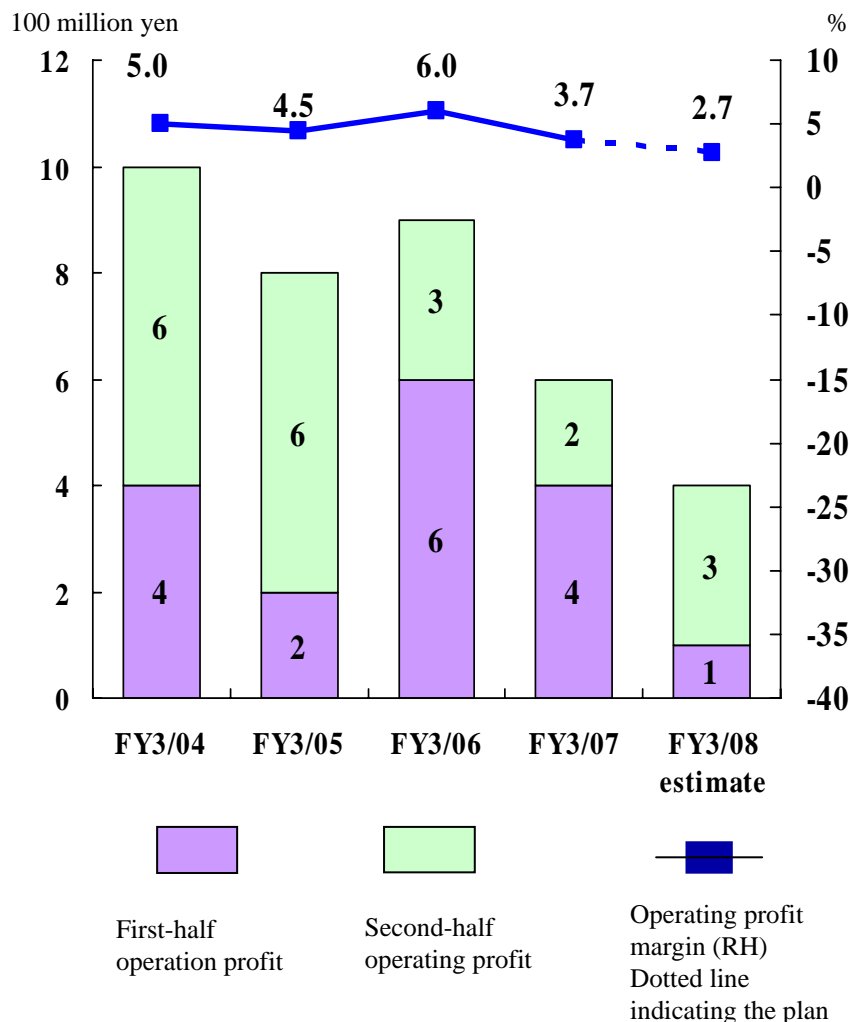
- Popularity of “Hello Kitty” embedded in many parts of the world
  - Sales up 2% and profit up 17% year on year
  - Year-on-year change by region:
- |               | Sales | Operating profit |
|---------------|-------|------------------|
| North America | - 11% | +33%             |
| Asia          | +13%  | + 6%             |
| Europe        | +22%  | +10%             |
| South America | +25%  | +33%             |

## Outlook for FY3/08

- Expect sales up 8% and profit up 10%
- Expect profit up 28% for subsidiaries in Europe through stronger licensing sales
- Expect profit up 5% for subsidiaries in the United States through stronger licensing sales and the favorable Brazilian market
- Expect profit up 26% for subsidiaries in Asia  
China: Opening shops aggressively through agencies (to be opened 19)

# Review and Outlook by Segment (5)

## Direct operating profit trends and outlook



Other

Efficient Use of Content

## Results in FY3/07

- ▣ Sales up 9% but profit down 33% year on year
- ▣ Fall in sales on the lack of special demand for the EXPO 2005 Aichi was offset by corporate special orders and transactions with convenience stores. There was no compensation for the decline in profit.
- ▣ Corporate special orders: Mitsubishi Motors, Fuji Television
- ▣ Lucky draw kits for CVS: Sales up 13% and profit up 5%

## Outlook for FY3/08

- ▣ Expect sales down 4% and profit down 30%
- ▣ Decline in lucky draw kits for CVS due to a halving of large orders is expected to be partly offset by corporate special orders (\*) and content businesses  
(\* Special orders related to the privatization of the postal system and the deeper cultivation of existing clients)
- ▣ ¥300 million contribution of the release of theatrical films (*Story of Mice* (provisional title) and *Cinnamon the Movie* (provisional title) on July 12) to sales

# Domestic Stores

## Number of stores

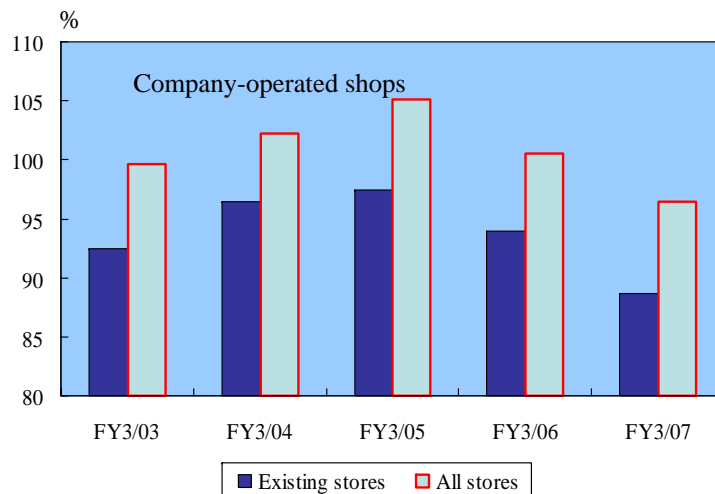
	FY3/06	FY3/07	Change
Company-operated shops	164	162	(2)
Department stores (Company-operated shops)	149	149	0
Department stores (inventory basis)	60	75	(*) 15
Chain stores	960	988	28
Specialty stores	150	139	(11)
<b>Total</b>	<b>1,483</b>	<b>1,513</b>	<b>(18)</b>

(\*) The number increased with changes in accounting standards but declined by three stores in real terms.

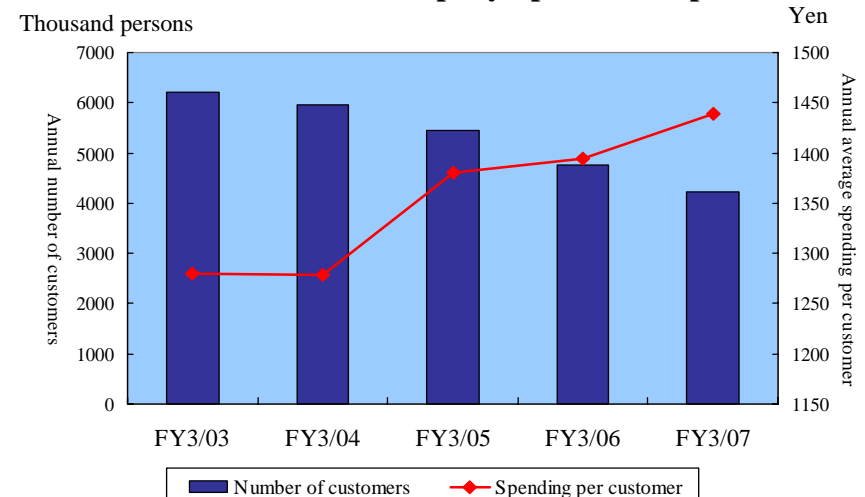
## Strategies for FY3/08

- (1) Stronger collaboration and the introduction of products with higher unit prices for adults
- (2) Introduction of products for adult males
- (3) Introduction of products made in Japan as souvenirs for foreigners
- (4) Introduction of entertainment shops
- (5) New format stores such as sweets shops
- (6) Increase the market shares of greeting cards in Japan and abroad

## Net sales at existing stores

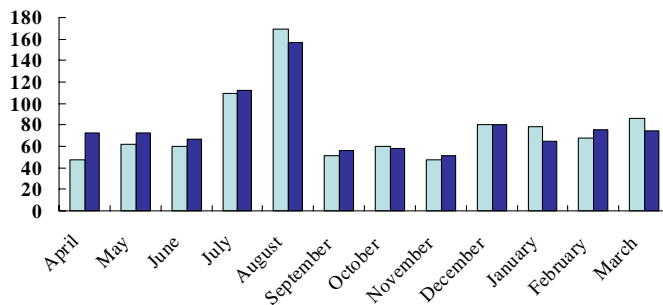


## Number of customers and average spending per customer at Company-operated shops



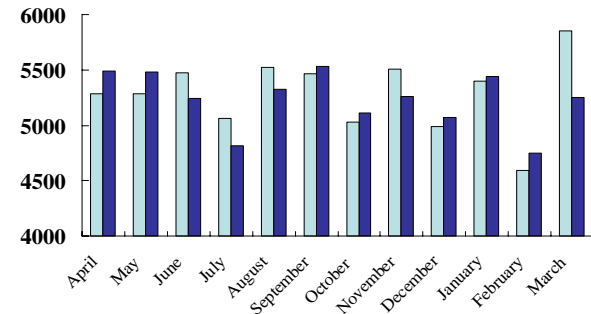
# Puroland (SPL)

Thousand persons Monthly number of visitors



■ FY3/06 ■ FY3/07

Yen Monthly average spending per customer



■ FY3/06 ■ FY3/07

SPL		FY3/07 Results					Forecast for FY3/08	Compared with FY3/07		
			FY3/06 Results	Increase (Decrease)	Change	Plan		Compared with Plan	Increase (Decrease)	Change
Spending per customer	Number of visitors (10 thousand persons)	94.0	91.9	2.1	2.3%	97.9	(4.0%)	100.0	6.0	6.4%
	Total spending (yen)	5,171	5,230	(59)	(1.1%)	5,312	(2.7%)	5,329	158	3.1%
	Entrance fee (yen)	2,285	2,300	(15)	(0.7%)	2,351	(2.8%)	2,364	79	3.5%
	Product sales (yen)	1,915	1,934	(19)	(1.0%)	1,960	(2.3%)	1,966	51	2.7%
	Foods, beverage (yen)	971	995	(24)	(2.4%)	1,002	(3.1%)	999	28	2.9%
In-site revenues (100 million yen)		48.9	48.3	0.6	1.2%	52.0	(6.0%)	53.6	4.7	9.6%
Off-site revenues (100 million yen)		15.1	11.1	4.0	35.7%	15.4	(1.8%)	15.1	(0)	(0.1%)
Sales (100 million yen)		64.0	59.5	4.6	7.7%	67.4	(5.0%)	68.7	4.6	7.3%
Cost of sales (100 million yen)		22.9	20.0	2.9	14.5%	23.0	(0.4%)	23.5	0.4	2.3%
Gross profit (100 million yen)		41.1	39.4	1.7	4.2%	44.4	(7.4%)	45.2	4.1	10.1%
SG&A expenses (100 million yen)		37.9	36.4	1.6	4.3%	38.6	(1.7%)	45.3	7.4	19.5%
Operating profit (100 million yen)		3.2	3.1	0.1	2.6%	5.8	(45.2%)	(0)	(3.2)	(100.3%)
Cost rate		35.8%	33.7%	2.1%	-	34.2%	1.6%	34.1%	(1.7%)	-

**Comparison with FY3/06:** Sales increased 460 million yen driven by off-site sales of DVDs, events in Dome and Sega events, although the number of visitors rose only 2% and spending per customer declined 1%. The cost ratio rose 2%, but gross profit increased 170 million yen.

Operating profit was up only 10 million yen given an increase in costs of 160 million yen reflecting the introduction of new shows.

**Comparison with the plan:** Both sales and gross profit were 300 million yen short of the plan, since the number of visitors fell 4% and spending per customer declined 3%. While costs were cut 100 million yen, operating profit fell 200 million short of the projection.

**Forecast for FY3/08:**

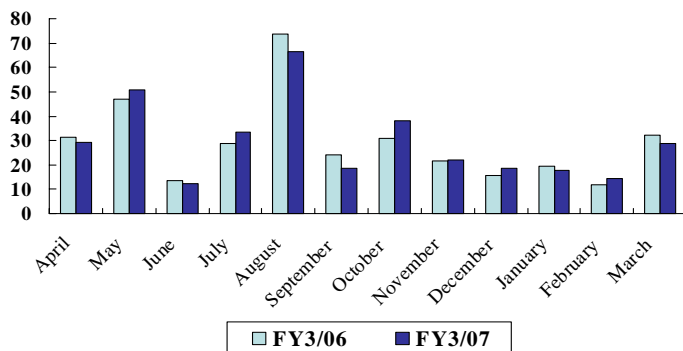
Although gross profit is expected to increase 400 million yen thanks to a 6% increase in the number of visitors and a rise in spending per customer of 3%, operating profit is projected to decrease 300 million yen on a rise in SG&A expenses of 700 million yen (\*).

(\* ) Of this 700 million yen, 500 million yen represents facilities rental expense that are payable (to the parent company) so long as the Company is in the black.

# Harmony Land (HL)

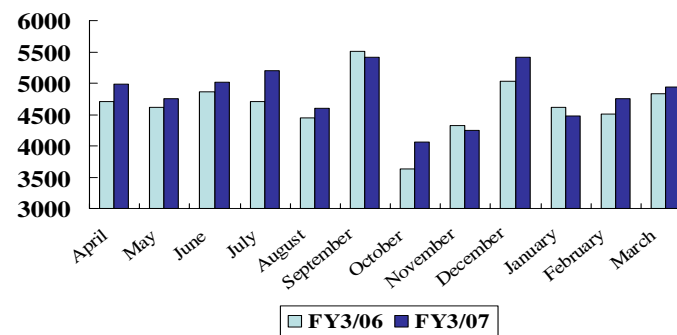
Thousand persons

Monthly number of visitors



Yen

Monthly average spending per customer



Sawrio

HL		FY3/07 Results					Forecast for FY3/08	Compared with FY3/07		
			FY3/06 Results	Increase (Decrease)	Change	Plan		Compared with Plan	Increase (Decrease)	Change
Spending per customer	Number of visitors (10 thousand persons)	35.1	35.1	0.0	0.0%	35.9	(2.2%)	36.9	1.8	5.1%
	Total spending (yen)	4,407	4,576	(169)	(3.7%)	4,571	(3.6%)	4,398	(9)	(0.2%)
	Entrance fee (yen)	2,012	2,114	(102)	(4.8%)	2,064	(2.5%)	2,003	(9)	(0.4%)
	Product sales (yen)	1,579	1,641	(62)	(3.8%)	1,680	(6.0%)	1,601	22	1.4%
	Foods, beverage (yen)	816	820	(4)	(0.5%)	827	(1.3%)	794	(22)	(2.7%)
In-site revenues (100 million yen)		15.5	16.1	(0.6)	(3.7%)	16.4	(5.8%)	16.2	0.8	5.0%
Off-site revenues (100 million yen)		2.3	2.5	(0.3)	(9.8%)	2.4	(3.4%)	2.3	0.0	0.9%
Sales (100 million yen)		17.8	18.6	(0.8)	(4.5%)	18.8	(5.5%)	18.6	0.8	4.5%
Cost of sales (100 million yen)		5.4	5.9	(0.5)	(8.8%)	5.6	(4.5%)	5.5	0.1	2.2%
Gross profit (100 million yen)		12.4	12.7	(0.3)	(2.5%)	13.2	(5.9%)	13.1	0.7	5.5%
SG&A expenses (100 million yen)		12.4	11.4	1.0	9.1%	12.5	(1.0%)	13.4	1.0	8.1%
Operating profit (100 million yen)		(0.0)	1.3	(1.3)	-	0.6	-	(0.3)	(0.3)	-
Cost rate		30.2%	31.6%	(1.4%)	-	29.9%	0.3%	29.5%	(0.7%)	-

**Comparison with FY3/06:** In-site revenues declined 4% as the number of visitors leveled out and spending per customer slipped 4%. While the cost ratio fell 1.4%, gross profit declined 30 million yen. As SG&A expenses rose 100 million yen, operating profit fell 130 million yen.

**Comparison with the plan:** Since the number of visitors and spending per customer fell short of the plan, by 2% and 4%, respectively, in-site revenues were 100 million yen short of the projection. As the cost ratio rose 0.3%, operating profit was 60 million yen below the plan.

**Forecast for FY3/08:** We expect that gross profit will increase 70 million yen given a 5% rise in the number of visitors and a slight fall in spending per customer. However, operating profit is expected to decline 30 million yen on a 100 million yen increase in SG&A expenses (\*).  
 (\*) Consisting entirely of facilities rental expense that are payable (to the parent company) so long as the Company is in the black.

# Overseas Shops

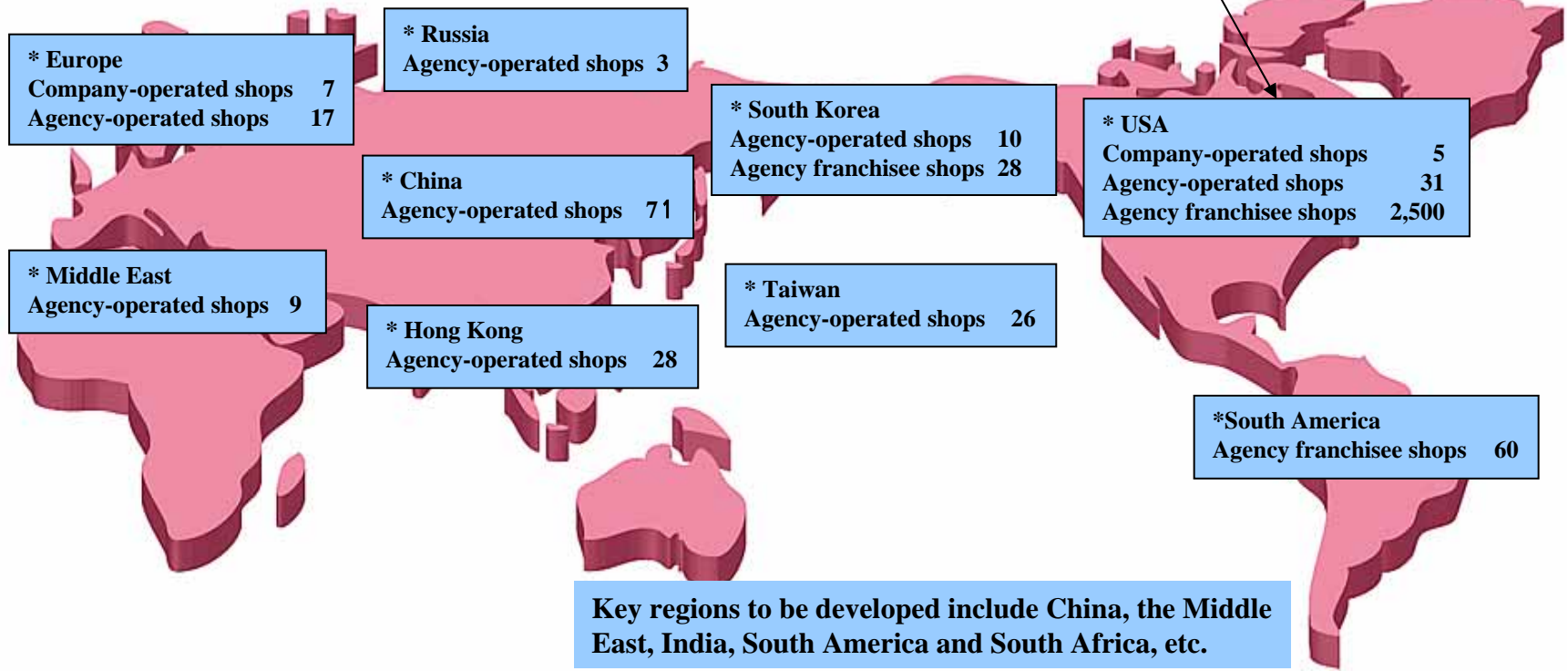
## Number of shops

	Mar. 2006	Sept. 2006	Mar. 2007
Company-operated shops	25	14	12
Agency-operated shops	131	182	195
Agency franchisee shops	3,585	2,889	2,588
<b>Total</b>	<b>3,741</b>	<b>3,085</b>	<b>2,795</b>

\* These are figures available to the Company and agencies. Many other stores handle our products.

## From product sales to licensing!

Twelve Company-operated outlets were sold to agencies in the US market

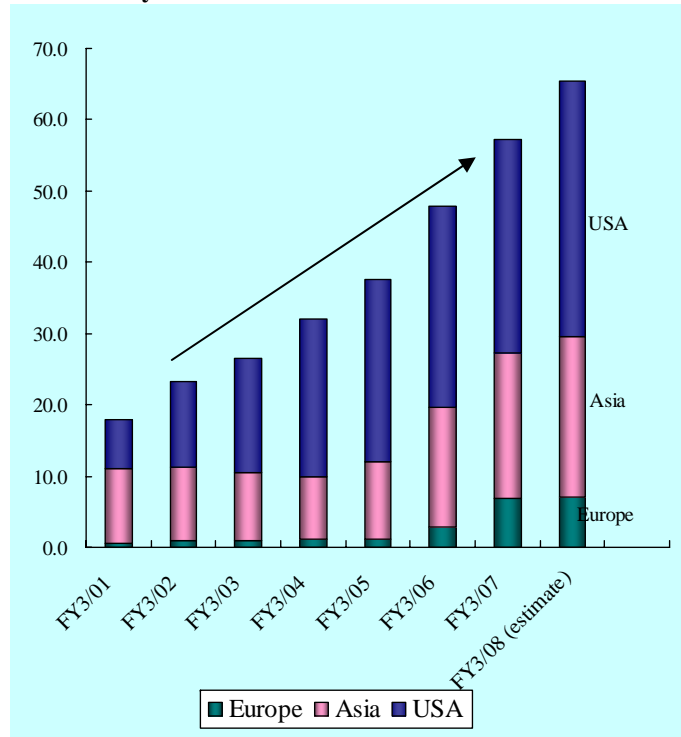


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# Overseas Sales and Licensing

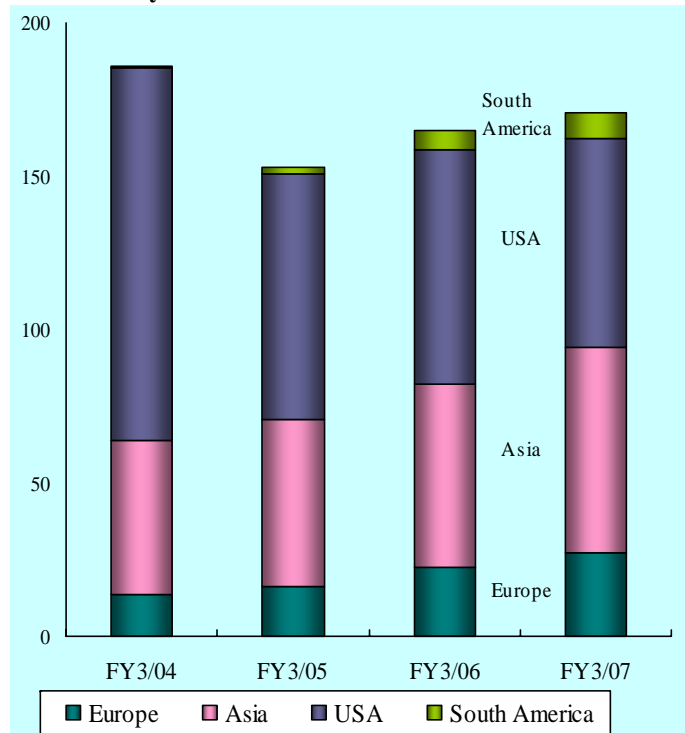
## Licensing Sales

100 million yen



## Overseas Sales

100 million yen



Note: The decline in overseas sales in FY3/05 reflects the change in our business model, from the product sales business to licensing, along with the sale of Company-operated shops to agencies in North America.

Licensing has been increasing about 20% every year (actual results). Led by Kitty!, the market is expanding favorably in each region.

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