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On **May 14, 2019**, Sanrio Co., Ltd. announced earnings results for full-year FY03/19; see the results section for details.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	13,437	28,299	44,135	60,220	13,907	28,272	43,623	59,120	97.6%	60,600
YoY	-10.5%	-10.0%	-6.4%	-3.9%	3.5%	-0.1%	-1.2%	-1.8%		0.6%
Gross profit	9,034	18,500	28,759	38,718	9,104	18,341	28,167	37,871	94.7%	40,000
YoY	-10.1%	-10.0%	-6.5%	-4.3%	0.8%	-0.9%	-2.1%	-2.2%		3.3%
GPM	67.2%	65.4%	65.2%	64.3%	65.5%	64.9%	64.6%	64.1%		66.0%
SG&A expenses	7,755	16,098	24,399	32,984	7,768	16,182	24,357	33,084	95.1%	34,800
YoY	-3.4%	-3.4%	-1.4%	-1.7%	0.2%	0.5%	-0.2%	0.3%		5.5%
SG&A ratio	57.7%	56.9%	55.3%	54.8%	55.9%	57.2%	55.8%	56.0%		57.4%
Operating profit	1,279	2,401	4,359	5,734	1,336	2,158	3,810	4,786	92.0%	5,200
YoY	-37.0%	-38.2%	-27.5%	-17.0%	4.5%	-10.1%	-12.6%	-16.5%		-9.3%
OPM	9.5%	8.5%	9.9%	9.5%	9.6%	7.6%	8.7%	8.1%		8.6%
Recurring profit	1,320	2,664	4,706	6,020	1,695	2,730	4,586	5,836	97.3%	6,000
YoY	-25.9%	-28.6%	-25.7%	-17.0%	28.4%	2.5%	-2.5%	-3.1%		-0.3%
RPM	9.8%	9.4%	10.7%	10.0%	12.2%	9.7%	10.5%	9.9%		9.9%
Net income	1,014	1,935	2,486	4,928	1,066	1,516	3,016	3,880	104.9%	3,700
YoY	-18.4%	-49.1%	-57.0%	-23.9%	5.1%	-21.7%	21.3%	-21.3%		-24.9%
Net margin	7.5%	6.8%	5.6%	8.2%	7.7%	5.4%	6.9%	6.6%		6.1%
Quarterly (JPYmn)	FY03/18				FY03/19					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	13,437	14,862	15,836	16,085	13,907	14,365	15,351	15,497		
YoY	-10.5%	-9.6%	0.9%	3.5%	3.5%	-3.3%	-3.1%	-3.7%		
Gross profit	9,034	9,476	10,249	9,959	9,104	9,237	9,826	9,704		
YoY	-10.1%	-9.7%	0.4%	2.6%	0.8%	-2.5%	-4.1%	-2.6%		
GPM	67.2%	63.8%	64.7%	61.9%	65.5%	64.3%	64.0%	62.6%		
SG&A expenses	7,755	8,343	8,301	8,585	7,768	8,414	8,175	8,727		
YoY	-3.4%	-3.4%	2.7%	-2.6%	0.2%	0.9%	-1.5%	1.7%		
SG&A ratio	57.7%	56.1%	52.4%	53.4%	55.9%	58.6%	53.3%	56.3%		
Operating profit	1,279	1,122	1,958	1,375	1,336	822	1,652	976		
YoY	-37.0%	-39.6%	-7.9%	54.1%	4.5%	-26.7%	-15.6%	-29.0%		
OPM	9.5%	7.5%	12.4%	8.5%	9.6%	5.7%	10.8%	6.3%		
Recurring profit	1,320	1,344	2,042	1,314	1,695	1,035	1,856	1,250		
YoY	-25.9%	-31.0%	-21.7%	43.3%	28.4%	-23.0%	-9.1%	-4.9%		
RPM	9.8%	9.0%	12.9%	8.2%	12.2%	7.2%	12.1%	8.1%		
Net income	1,014	921	551	2,442	1,066	450	1,500	864		
YoY	-18.4%	-64.0%	-72.1%	250.4%	5.1%	-51.1%	172.2%	-64.6%		
Net margin	7.5%	6.2%	3.5%	15.2%	7.7%	3.1%	9.8%	5.6%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Quarterly (3-month) performance figures calculated based on the difference from the preceding quarter.

Quarterly earnings by segment

Segments (cumulative) (JPYmn)	FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Consolidated sales	13,437	28,299	44,135	60,220	13,907	28,272	43,623	59,120	97.6%	60,600
YoY	-10.5%	-10.0%	-6.4%	-3.9%	3.5%	-0.1%	-1.2%	-1.8%		0.6%
Overseas	5,600	10,910	16,868	23,365	5,551	10,449	15,724	21,528	90.0%	23,923
YoY	-21.1%	-19.0%	-15.8%	-11.1%	-0.9%	-4.2%	-6.8%	-7.9%		2.4%
Domestic	10,187	22,303	35,159	47,098	10,620	22,505	35,341	47,290	100.7%	46,955
YoY	-3.0%	-4.5%	-2.1%	-0.8%	4.2%	0.9%	0.5%	0.4%		-0.3%
Domestic Licensing	2,272	4,706	7,385	9,778	2,224	4,658	7,318	9,633	99.2%	9,708
YoY	-1.2%	-4.1%	0.1%	1.1%	-2.1%	-1.0%	-0.9%	-1.5%		-0.7%
Domestic Product Sales	4,219	8,712	14,103	18,980	4,202	8,542	13,901	18,671	99.5%	18,761
YoY	-9.5%	-8.9%	-6.5%	-7.2%	-0.4%	-2.0%	-1.4%	-1.6%		-1.2%
Theme Parks	1,840	4,548	6,830	8,954	2,075	4,945	7,307	9,777	105.9%	9,230
YoY	15.9%	8.2%	10.1%	10.0%	12.8%	8.7%	7.0%	9.2%		3.1%
Others	1,856	4,337	6,841	9,386	2,119	4,360	6,815	9,209	99.5%	9,256
YoY	-4.8%	-7.1%	-5.7%	1.8%	14.2%	0.5%	-0.4%	-1.9%		-1.4%
Elimination, corporate expenses	-2,350	-4,914	-7,892	-10,243	-2,264	-4,682	-7,442	-9,698	-	-10,278
Consolidated operating profit	1,279	2,401	4,359	5,734	1,336	2,158	3,810	4,786	92.0%	5,200
YoY	-37.0%	-38.2%	-27.5%	-17.0%	4.5%	-10.1%	-12.6%	-16.5%		-9.3%
Overseas	1,946	3,470	5,468	7,287	1,821	3,229	4,975	6,591	81.9%	8,043
YoY	-23.6%	-24.5%	-19.9%	-15.0%	-6.4%	-6.9%	-9.0%	-9.6%		10.4%
Domestic	-666	-1,068	-1,108	-1,552	-484	-1,070	-1,164	-1,804	-	-2,843
YoY	-	-	-	-	-	-	-	-		-
Domestic Licensing	1,617	3,230	5,043	6,794	1,580	3,179	4,925	6,559	96.5%	6,796
YoY	-2.0%	-5.3%	-1.4%	0.3%	-2.3%	-1.6%	-2.3%	-3.5%		0.0%
Domestic Product Sales	281	256	639	850	208	231	609	890	92.6%	961
YoY	-24.1%	-54.9%	-29.8%	-35.8%	-26.0%	-9.8%	-4.7%	4.7%		13.1%
Theme Parks	-132	179	324	262	-30	272	340	360	134.3%	268
YoY	-	397.2%	523.1%	-	-	52.0%	4.9%	37.4%		2.3%
Others	53	82	195	322	162	207	287	554	129.7%	427
YoY	-68.3%	-25.6%	-12.6%	80.4%	205.7%	150.9%	47.2%	72.0%		32.5%
Elimination, corporate expenses	-2,486	-4,816	-7,310	-9,781	-2,405	-4,960	-7,326	-10,168	-	-11,295

Segments (quarterly) (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consolidated sales	13,437	14,862	15,836	16,085	13,907	14,365	15,351	15,497
YoY	-10.5%	-9.6%	0.9%	3.5%	3.5%	-3.3%	-3.1%	-3.7%
Overseas	5,600	5,310	5,958	6,497	5,551	4,898	5,275	5,804
YoY	-21.1%	-16.6%	-9.3%	3.9%	-0.9%	-7.8%	-11.5%	-10.7%
Domestic	10,187	12,116	12,856	11,939	10,620	11,885	12,836	11,949
YoY	-3.0%	-5.7%	2.2%	3.3%	4.3%	-1.9%	-0.2%	0.1%
Domestic Licensing	2,272	2,434	2,679	2,393	2,224	2,434	2,660	2,315
YoY	-1.2%	-6.7%	8.3%	4.5%	-2.1%	0.0%	-0.7%	-3.3%
Domestic Product Sales	4,219	4,493	5,391	4,877	4,202	4,340	5,359	4,770
YoY	-9.5%	-8.3%	-2.3%	-9.1%	-0.4%	-3.4%	-0.6%	-2.2%
Theme Parks	1,840	2,708	2,282	2,124	2,075	2,870	2,362	2,470
YoY	15.9%	3.5%	14.0%	9.8%	12.8%	6.0%	3.5%	16.3%
Others	1,856	2,481	2,504	2,545	2,119	2,241	2,455	2,394
YoY	-4.8%	-8.7%	-3.2%	29.5%	14.2%	-9.7%	-2.0%	-5.9%
Elimination, corporate expenses	-2,350	-2,564	-2,978	-2,351	-2,264	-2,418	-2,760	-2,256
Consolidated operating profit	1,279	1,122	1,958	1,375	1,336	822	1,652	976
YoY	-37.0%	-39.6%	-7.9%	54.1%	4.5%	-26.7%	-15.6%	-29.0%
Overseas	1,946	1,524	1,998	1,819	1,821	1,408	1,746	1,616
YoY	-23.6%	-25.8%	-10.4%	4.2%	-6.4%	-7.6%	-12.6%	-11.2%
Domestic	-666	-402	-40	-444	-484	-586	-94	-640
YoY	-	-	-	-	-	-	-	-
Domestic Licensing	1,617	1,613	1,813	1,751	1,580	1,599	1,746	1,634
YoY	-2.0%	-8.4%	6.3%	5.9%	-2.3%	-0.9%	-3.7%	-6.7%
Domestic Product Sales	281	-25	383	211	208	23	378	281
YoY	-24.1%	-	12.0%	-49.2%	-26.0%	-	-1.3%	33.2%
Theme Parks	-132	311	145	-62	-30	302	68	20
YoY	-	20.5%	806.3%	-	-	-2.9%	-53.1%	-
Others	53	29	113	127	162	45	80	267
YoY	-68.3%	-	0.9%	-	205.7%	55.2%	-29.2%	110.2%
Elimination, corporate expenses	-2,486	-2,330	-2,494	-2,471	-2,405	-2,555	-2,366	-2,842

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Quarterly (3-month) performance figures show the difference between the cumulative quarters and the preceding cumulative quarters.

Overseas performance by region

Overseas by region (cumulative) (JPYmn)	FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Overseas sales	5,600	10,910	16,868	23,365	5,551	10,449	15,724	21,528	90.0%	23,923
YoY	-21.1%	-19.0%	-15.8%	-11.1%	-0.9%	-4.2%	-6.8%	-7.9%		2.4%
Europe	739	1,232	1,817	2,320	770	1,317	1,637	2,014	60.8%	3,314
YoY	-41.1%	-44.7%	-49.8%	-43.6%	4.2%	6.9%	-9.9%	-13.2%		42.8%
UK	229	456	653	983	153	261	470	643	83.5%	770
YoY	-28.0%	-30.0%	-31.3%	-23.1%	-33.2%	-42.8%	-28.0%	-34.6%		-21.7%
North America	940	1,851	2,979	4,136	886	1,651	2,655	3,610	101.4%	3,559
YoY	-36.9%	-34.8%	-28.1%	-23.8%	-5.7%	-10.8%	-10.9%	-12.7%		-14.0%
Brazil	343	594	852	1,105	225	376	560	804	71.2%	1,129
YoY	-3.9%	-11.5%	-13.4%	-14.1%	-34.4%	-36.7%	-34.3%	-27.2%		2.2%
Asia	3,345	6,762	10,554	14,790	3,509	6,815	10,404	14,408	95.3%	15,125
YoY	-8.9%	-3.9%	2.5%	4.6%	4.9%	0.8%	-1.4%	-2.6%		2.3%
Hong Kong	997	2,090	3,378	4,893	1,043	2,137	3,310	4,385	94.0%	4,664
Taiwan	553	1,095	1,792	2,412	677	1,204	1,769	2,290	98.3%	2,330
South Korea	344	619	907	1,273	315	578	806	1,148	81.1%	1,415
China	1,451	2,958	4,477	6,212	1,474	2,896	4,519	6,585	98.1%	6,715
Other	4	15	13	31	8	29	-2	49	-	26
Overseas operating profit	1,946	3,470	5,468	7,287	1,821	3,229	4,975	6,591	81.9%	8,043
YoY	-23.6%	-24.5%	-19.9%	-15.0%	-6.4%	-6.9%	-9.0%	-9.6%		10.4%
Europe	215	317	466	486	311	466	421	405	47.1%	860
YoY	-58.1%	-63.9%	-60.5%	-59.6%	44.7%	47.0%	-9.7%	-16.7%		77.0%
UK	57	51	80	203	-24	-77	-76	-94	-	56
YoY	3.6%	-63.3%	-63.5%	-23.1%	-	-	-	-		-72.4%
North America	56	-71	8	-60	-56	-202	-191	-371	-	-119
YoY	-80.1%	-	-98.8%	-	-	-	-	-		-
Brazil	126	206	271	392	71	103	135	244	50.2%	486
YoY	-29.2%	-38.0%	-38.3%	-31.5%	-43.7%	-50.0%	-50.2%	-37.8%		24.0%
Asia	1,541	3,092	4,844	6,639	1,580	3,099	4,974	6,685	93.3%	7,163
YoY	-3.1%	1.8%	6.6%	6.6%	2.5%	0.2%	2.7%	0.7%		7.9%
Hong Kong	444	939	1,545	2,181	449	930	1,548	1,933	91.8%	2,105
Taiwan	259	500	814	1,147	279	496	778	986	86.0%	1,147
South Korea	135	260	391	453	120	220	288	445	75.2%	592
China	703	1,393	2,094	2,858	732	1,453	2,360	3,321	100.1%	3,318
Other	-49	-125	-201	-373	-61	-160	-288	-278	-	-403

Overseas by region (quarterly) (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Overseas sales	5,600	5,310	5,958	6,497	5,551	4,898	5,275	5,804
YoY	-21.1%	-16.6%	-9.3%	3.9%	-0.9%	-7.8%	-11.5%	-10.7%
Europe	739	493	585	503	770	547	320	377
YoY	-41.1%	-49.4%	-57.9%	1.2%	4.2%	11.0%	-45.3%	-25.0%
UK	229	227	197	330	153	108	209	173
YoY	-28.0%	-31.8%	-34.1%	0.3%	-33.2%	-52.4%	6.1%	-47.6%
North America	940	911	1,128	1,157	886	765	1,004	955
YoY	-36.9%	-32.4%	-13.5%	-9.9%	-5.7%	-16.0%	-11.0%	-17.5%
Brazil	343	251	258	253	225	151	184	244
YoY	-3.9%	-20.1%	-17.6%	-16.2%	-34.4%	-39.8%	-28.7%	-3.6%
Asia	3,345	3,417	3,792	4,236	3,509	3,306	3,589	4,004
YoY	-8.9%	1.5%	16.3%	10.3%	4.9%	-3.2%	-5.4%	-5.5%
Hong Kong	997	1,093	1,288	1,515	1,043	1,094	1,173	1,075
Taiwan	553	542	697	620	677	527	565	521
South Korea	344	275	288	366	315	263	228	342
China	1,451	1,507	1,519	1,735	1,474	1,422	1,623	2,066
Overseas operating profit	1,946	1,524	1,998	1,819	1,821	1,408	1,746	1,616
YoY	-23.6%	-25.8%	-10.4%	4.2%	-6.4%	-7.6%	-12.6%	-11.2%
Europe	215	102	149	20	311	155	-45	-16
YoY	-58.1%	-72.1%	-50.7%	-9.1%	44.7%	52.0%	-	-180.0%
UK	57	-6	29	123	-24	-53	1	-18
YoY	3.6%	-	-63.8%	173.3%	-	-	-96.6%	-
North America	56	-127	79	-68	-56	-146	11	-180
YoY	-80.1%	-	-74.0%	-	-	-	-86.1%	-
Brazil	126	80	65	121	71	32	32	109
YoY	-29.2%	-48.1%	-39.3%	-9.0%	-43.7%	-60.0%	-50.8%	-9.9%
Asia	1,541	1,551	1,752	1,795	1,580	1,519	1,875	1,711
YoY	-3.1%	7.1%	16.3%	6.7%	2.5%	-2.1%	7.0%	-4.7%
Hong Kong	444	495	606	636	449	481	618	385
Taiwan	259	241	314	333	279	217	282	208
South Korea	135	125	131	62	120	100	68	157
China	703	690	701	764	732	721	907	961

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Quarterly (3-month) performance figures show the difference between the cumulative quarters and the preceding cumulative quarters.

Overseas subsidiaries pay master license fees (booked as CoGS) to the parent (the copyright holder) proportional to royalty income. The above figures include master license fees remitted to the parent.

Full-year FY03/19 results

Earnings overview

- ▷ FY03/19 results: The company reported consolidated sales of JPY59.1bn (-1.8% YoY), operating profit of JPY4.7bn (-16.5% YoY), recurring profit of JPY5.8bn (-3.1% YoY), and net income attributable to parent company shareholders of JPY3.8bn (-21.3% YoY).
- ▷ Sales down 1.8% YoY: In the domestic business, sales rose 0.4% as theme parks saw solid results, but sales in other areas were depressed by inclement weather and natural disasters, which hurt apparel sales and spending by foreign tourists, and also by adjustments in publishing channel inventory levels. The overseas business struggled as the licensing business in North America and Europe was slow to recover, leaving sales down 7.9% YoY.
- ▷ Operating profit down 16.5% YoY: On the domestic front, earnings were down in the licensing business, and corporate overhead costs increased JPY0.3bn to JPY10.1bn. Overseas operating profit finished down 9.6% YoY as businesses in Europe and the Americas continued to struggle.
- ▷ Recurring profit down 3.1% YoY: Reflects JPY300mn gain on investments in partnership booked as non-operating income.
- ▷ Net income attributable to parent company shareholders down 21.3% YoY: Sanrio booked under extraordinary profit a JPY600mn gain on sales of non-current assets in US subsidiaries from booking deferred income (cancellation of sale and lease-back transaction) and JPY500mn gain on sales of investment securities. The company also booked a JPY500mn loss on valuation of investment securities and JPY300mn restructuring expenses of US subsidiaries as an extraordinary loss. Income taxes totaled JPY2.1bn versus JPY5.7bn a year earlier.
- ▷ Versus plan: Compared with the company's forecast for FY03/19, full-year sales came in 2.4% below plan, operating profit 8.0% below plan, recurring profit 2.7% below plan, and net income attributable to parent company shareholders 4.9% above plan.

Domestic

In the domestic business, the company reported full-year sales of JPY47.2bn (+0.4% YoY) and an operating loss of JPY1.8bn (versus year-earlier loss of JPY1.5bn).

Within the Domestic business, the Domestic Licensing segment generated sales of JPY9.6bn (-1.5% YoY) and operating profit of JPY6.5bn (-3.5% YoY), Domestic Product Sales produced sales of JPY18.6bn (-1.6% YoY) and operating profit of JPY800mn (+4.7% YoY), and Theme Parks delivered sales of JPY9.7bn (+9.2% YoY) and operating profit of JPY300mn (+37.4% YoY).

Domestic Licensing

In the Domestic Licensing segment, sales were down 1.5% YoY and operating profit was down 3.5%.

- ▷ In merchandising licensing, apparel-related sales were hurt by inclement weather, but the company saw good results from its efforts to license character rights to major food manufacturers, collaborative agreements with overseas brands, and efforts to extend Sanrio characters into more product areas.
- ▷ The company also generated solid growth in collaborative pairings of Sanrio characters with anime-related content and the placement of Sanrio characters in games created by major game companies and in other digital content.
- ▷ On the corporate licensing front, sales rose for designer candies and accessories featuring the company's Hello Kitty Shinkansen character licensed for use by West Japan Railway Company, which led to its use in promotions for the Kansai

International Airport Haruka express train and the Osaka Loop Line (also operated by West Japan Railway Company). In addition to licensing Sanrio characters for use in promotions by major manufacturing companies such as Morinaga, Ito Ham, Kanebo, and Kobayashi Pharma, licensing sales were bolstered by new contracts for promotions run by regional governments such as the city of Kita-Akita.

Domestic Product Sales

- ▷ In the Domestic Product Sales segment, sales were down 1.6% YoY and operating profit was up 4.7% YoY.
- ▷ Since July there has been a major impact on sales from lower customer count (including inbound tourists) as some regional stores stopped trading due to weather and natural disasters. However, the company captured domestic demand by initiatives implemented from October onward such as store arrangements reflecting fall/winter events, and creating product proposals and running promotions aimed at the gift-giving season.
- ▷ Comparable-store sales (based on directly managed stores and company-run stores in department stores) were up 0.3% YoY

Theme Parks segment

The Theme Parks segment reported a 9.2% YoY increase in sales and 37.4% rise in operating profit.

- ▷ At Harmonyland, despite heavy rains in western Japan and typhoons, the park's visitor count exceeded the previous year's count by 13,000. Park visitor traffic during 2H was aided by the large crowds attracted to seasonal events such as Halloween Night and Christmas, while during spring an Easter-themed event and large, members-only product offerings also drew crowds of more than 20,000 people. Together, this pushed the number of Harmonyland visitors for the full year to 471,000, an increase of 7.7%, or 33,000 visitors over the previous year.
- ▷ Sanrio Puroland reported a full-year total of 1.46mn visitors, an increase of 10.6% or 140,000 visitors over the previous year.
- ▷ The park achieved success with the following new musicals and events for each season: "KAWAII KABUKI—The Cast of Hello Kitty performs the Legend of Momotaro," a new Märchen Theater production offered in collaboration with Shochiku Co., Ltd., (launched in March 2018), and "MEMORY BOYS—Store of Memories," a new musical production with an all- male cast that represented a second collaboration with Nelke Planning launched in June 2018 by Fairyland Theater. Summer events such as "Puro Summer Fair" and fall events such as "Puro Halloween" were also popular. Programs targeting companies that provide employee welfare/benefit services also proved successful, and park visitor numbers were further bolstered by same-day ticketing, discounted online ticket sales, complementary tickets given out to Sanrio shareholders, and e-ticket sales by travel agencies in Japan and overseas.

Overseas

Overseas sales of JPY21.5bn were down 7.9% YoY and operating profit of JPY6.5bn was down 9.6% YoY. (Sales and earnings before eliminations and after master license fees paid to the parent were returned to the respective subsidiaries.)

Europe

In Europe, sales of JPY2.0bn were down 13.2% YoY and operating profit of JPY400mn was down 16.7% YoY. In the UK, sales dropped 34.6% YoY to JPY600mn, precipitating an operating loss of JPY90mn versus a year-earlier profit of JPY200mn.

- ▷ Although the European economy staged a modest recovery, competition in the character licensing market remained tough, due in part to competition from movie/entertainment-related characters. The company ran into difficulties trying to license characters in all product categories, including major household-use goods and toys, though it was able to offset some of the decline with the help of new licensing revenues for food products and back-to-school products. Revenues from the licensing of

Mister Men and Little Miss were down sharply in the UK and Australia, but showed solid gains in France. In China, the company entered into an agreement with a new licensing agency.

North America

In North America, the company reported full-year sales of JPY3.6bn (-12.7% YoY) and an operating loss of JPY300mn (versus year-earlier loss of JPY60mn).

- ▷ Rent income disappeared after the sale of the San Francisco subsidiary headquarters, warehouse, and rental facilities. However product sales were up YoY at both directly managed stores and in the E-Commerce business. On the plus side, the company saw contributions to licensing sales from tie-ups with Converse and Puma, and sales through Hamee (which specializes in sales of collectable goods), but sales were down in mainstay categories such as apparel and health & beauty as volumes sold through mass retailers continued to decline. By character, sales of Aggretsuko content has been on the rise since in the animated series began running on Netflix and mixed character proposals have been well received, though this has not been enough to compensate for weak sales of Hello Kitty and Gudetama. The company completed the merger of its San Francisco and Los Angeles offices and finished layoffs of redundant personnel on schedule.

South America

South American sales of JPY800mn were down 27.2% YoY and operating profit of JPY200mn was down 37.8% YoY.

- ▷ Full-year sales and profit declined due to poor performance in the key countries of Mexico, Brazil, Chile, and Peru, though the business did manage to log positive growth for the region as a whole in Q4 (January–March 2019) thanks to turnarounds in Mexico, Brazil, and Argentina. Sales were down in major categories including apparel, health and beauty, toys, and bags.

Asia

Asian sales of JPY14.4bn were down 2.6% YoY and operating profit of JPY6.6bn was up 0.7% YoY.

- ▷ In Hong Kong, the Hong Kong and Macau markets remained strong. The business saw strong growth in licensing revenues from large existing customers. New collaborations with an established Hong Kong theme park, sales promotions for major distributors such as drugstores, and deals with financial institutions contributed. Following a sharp jump in sales last year, Thailand saw sales related to campaigns with major manufacturers and convenience stores fell sharply. Sales in Singapore were also down, hurt by the dropout of revenues from major promotions last year (such as the Singapore Changi Airport) and fewer event-related promotions. The Philippines and Indonesia are small markets, but sales grew YoY.
- ▷ In Taiwan, the main licensing categories of apparel and household goods, and collaborations with convenience stores performed well, but the food category, which was strong in FY03/18, and event-related sales turned down.
- ▷ In South Korea, the business saw strong growth in licensing revenues from the character Rilu Rilul Fairilu as its popularity grew following the broadcast of an animated series. Gains at the health & beauty and food categories also added to sales, but overall sales and profit finished down owing to weak sales in the interior goods and stationary categories.
- ▷ In China, the space design licensing business put in a solid performance. Merchandise licensing was hurt by a slump in performance of main licensees in accessories, cosmetics, and health & beauty categories. Apparel performed well and drove results, primarily due to children's wear for China's largest sports brand. Corporate sales to banks and other companies were a major growth driver. Characters for apparel such as Bad Badtz-Maru and Gudetama remained popular in China and were joined by My Melody and Cinnamoroll; also doing well were Rilul Rilul Fairilu in South Korea, My Melody in Taiwan, and Pompompurin, Cinnamoroll, and Little Twin Stars in other areas. Together, this helped boost the proportion of sales coming from characters other than Hello Kitty.

Full-year outlook

(JPYmn)	FY03/19			FY03/20 Est.		
	1H	2H	FY	1H Est.	2H Est.	FY Est.
Sales	28,272	30,848	59,120	27,800	32,200	60,000
YoY	-0.1%	-3.4%	-1.8%	-1.7%	4.4%	1.5%
Gross profit	18,341	19,530	37,871	18,600	21,600	40,200
YoY	-0.9%	-3.4%	-2.2%	1.4%	10.6%	6.1%
GPM	64.9%	63.3%	64.1%	66.9%	67.1%	67.0%
SG&A expenses	16,182	16,902	33,084	16,900	17,200	34,100
SG&A ratio	57.2%	54.8%	56.0%	60.8%	53.4%	56.8%
Operating profit	2,158	2,628	4,786	1,700	4,400	6,100
YoY	-10.1%	-21.2%	-16.5%	-21.2%	67.4%	27.5%
OPM	7.6%	8.5%	8.1%	6.1%	13.7%	10.2%
Recurring profit	2,730	3,106	5,836	2,200	4,900	7,100
YoY	2.5%	-7.4%	-3.1%	-19.4%	57.8%	21.7%
RPM	9.7%	10.1%	9.9%	7.9%	15.2%	11.8%
Net income	1,516	2,364	3,880	1,400	3,500	4,900
YoY	-21.7%	-21.0%	-21.3%	-7.7%	48.1%	26.3%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

FY03/20 company forecasts

Overview

For FY03/20, the company is forecasting consolidated sales of JPY60.0bn (+1.5% YoY), an operating profit of JPY6.1bn (-27.5% YoY), recurring profit of JPY7.1bn (+21.7% YoY), and net income attributable to parent company shareholders of JPY4.9bn (+26.3% YoY) for an ROE of 9.2%. The forecast assume average annual exchange rates of JPY110/USD and JPY125/EUR.

The company said it plans to continue working on the initiatives laid out under its current medium-term business plan, *Marketing Innovation Project 2021*, which cover the years from FY03/19 through FY03/21.

- ▷ The company plans to open new stores and secure additional sales floor space at the stores operating by its major distributors where there is expected to be heavy overseas tourist traffic
- ▷ Upgrade IT systems to facilitate better cooperation between Sanrio's online store and brick-and-mortar stores, and bring down the cost of sales
- ▷ On the character front, the company aims to close ties between Hello Kitty and the Hello Kitty 45-year anniversary, do development work for My Melody and Little Twin Star, which are also approaching their 45-year anniversaries, actively promote existing popular characters such as Pom Pom Purin, Cinnamoroll, and Gudetama, and actively promote the second season of Aggretsuko that will start showing on Netflix this summer.
- ▷ In games, the company is looking to bring in additional revenues from new deals with major game makers
- ▷ Overseas, the company is looking to steady expand in Asia and expects to be able to improve profitability now that administrative costs are lowering following the restructuring of its US subsidiary

By segment (JPYmn)	FY03/19			FY03/20 Est.			YoY		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.	1H	2H	FY
Consolidated sales	28,272	30,848	59,120	27,800	32,200	60,000	-1.7%	4.4%	1.5%
Overseas	10,449	11,079	21,528	10,210	12,379	22,589	-2.3%	11.7%	4.9%
Domestic	22,505	24,785	47,290	22,119	25,048	47,167	-1.7%	1.1%	-0.3%
Licensing	4,658	4,975	9,633	4,557	5,308	9,865	-2.2%	6.7%	2.4%
Product Sales	8,542	10,129	18,671	8,431	10,085	18,516	-1.3%	-0.4%	-0.8%
Theme Parks	4,945	4,832	9,777	5,029	4,731	9,760	1.7%	-2.1%	-0.2%
Others	4,360	4,849	9,209	4,102	4,924	9,026	-5.9%	1.5%	-2.0%
Consolidated operating profit	2,158	2,628	4,786	1,700	4,400	6,100	-21.2%	67.4%	27.5%
Overseas	3,229	3,362	6,591	3,300	4,382	7,682	2.2%	30.3%	16.6%
Domestic	-1,070	-734	-1,804	-1,600	18	-1,582	-	-	-
Licensing	3,179	3,380	6,559	3,204	3,899	7,103	0.8%	15.4%	8.3%
Product Sales	231	659	890	459	1,032	1,491	98.7%	56.6%	67.5%
Theme Parks	272	88	360	13	174	187	-95.2%	97.7%	-48.1%
Others	207	347	554	135	581	716	-34.8%	67.4%	29.2%
Eliminations, company-wide expenses	-4,960	-5,208	-10,168	-5,411	-5,668	-11,079	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

By region (JPYmn)	FY03/19			FY03/20 Est.			YoY		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.	1H	2H	FY
Overseas sales	10,449	11,079	21,528	10,210	12,379	22,589	-2.3%	11.7%	4.9%
Europe	1,317	697	2,014	1,020	1,132	2,152	-22.6%	62.4%	6.9%
UK	261	382	643	215	417	632	-17.6%	9.2%	-1.7%
North America	1,651	1,959	3,610	1,758	2,220	3,978	6.5%	13.3%	10.2%
Brazil	376	428	804	417	442	859	10.9%	3.3%	6.8%
Asia	6,815	7,593	14,408	6,774	8,147	14,921	-0.6%	7.3%	3.6%
Hong Kong	2,137	2,248	4,385	2,080	2,515	4,595	-2.7%	11.9%	4.8%
Taiwan	1,204	1,086	2,290	1,104	1,140	2,244	-8.3%	5.0%	-2.0%
South Korea	578	570	1,148	619	614	1,233	7.1%	7.7%	7.4%
China	2,896	3,689	6,585	2,971	3,878	6,849	2.6%	5.1%	4.0%
Other	29	20	49	26	21	47	-10.3%	5.0%	-4.1%
Overseas operating profit	3,229	3,362	6,591	3,300	4,382	7,682	2.2%	30.3%	16.6%
Europe	466	-61	405	165	238	403	-64.6%	-	-0.5%
UK	-77	-17	-94	-116	49	-67	-	-	-
North America	-202	-169	-371	27	321	348	-	-	-
Brazil	103	141	244	125	138	263	21.4%	-2.1%	7.8%
Asia	3,099	3,586	6,685	3,236	3,795	7,031	4.4%	5.8%	5.2%
Hong Kong	930	1,003	1,933	951	1,080	2,031	2.3%	7.7%	5.1%
Taiwan	496	490	986	498	523	1,021	0.4%	6.7%	3.5%
South Korea	220	225	445	244	249	493	10.9%	10.7%	10.8%
China	1,453	1,868	3,321	1,543	1,943	3,486	6.2%	4.0%	5.0%
Other	-160	-118	-278	-137	-159	-296	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

This note is the most recent addition to the [full report](#).

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Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp