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Sanrio Company, Ltd.

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<https://www.sanrio.co.jp/en>

The corporate governance of Sanrio Company, Ltd. (“Sanrio” or the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Company believes that good corporate governance is essential for continuously improving corporate value and for earning the trust of shareholders, investors, and other stakeholders (interested parties). To this end, we focus on the following three points:

- (i) To respond to rapid changes in the market, we accelerate the decision-making process of the Board of Directors, while incorporating the perspectives of outside directors, working on improving its appropriateness, efficiency, and transparency.
- (ii) We establish internal control systems and ensure compliance (corporate ethics and legal compliance) in the Company so that we can fulfill our social responsibilities to all stakeholders including shareholders, employees, business partners, customers, creditors, and local communities.
- (iii) We strive to earn the trust of the market through proper and fair disclosure and Investor Relations activities. Given the importance of the information to be disclosed, we put unending effort into maintaining a system for timely disclosure. At the financial briefings, we have the participation of the top management of the Company to leverage the interactive dialogue with the market into the company management. Furthermore, we seek to enhance communication between the Company and its shareholders and investors by holding company briefings in light of all perspectives including character development capability, which is a core competency of ours, and copyright management, as well as by posting complete IR information on the Company’s website for retail investors.

Reasons for not complying with the principles of the Corporate Governance Code

Based on the above basic views, The Company is continuously implementing measures to reinforce corporate governance and complying with every principle of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

In addition to this report, our initiatives regarding corporate governance are also disclosed on our website under “Initiatives Related to the Corporate Governance Code.” The details of the disclosure items based on each principle of the Corporate Governance Code are as follows.

(Supplementary Principle 1.2.4)

The Company participates in the Electronic Voting Platform and posts the Japanese-language notice of convocation and the English-language notice of convocation on its website on the same day.

(Principle 1.4 Cross-Shareholdings)

(1) Policy on strategic shareholdings

Cross-shareholdings in the Company are held to build long-term, stable relationships with business partners, sales,

and from the perspective of increasing the Company's corporate value over the medium to long term. Cross-shareholdings that the Board of Directors has determined do not contribute to the enhancement of corporate value have already been eliminated.

(2) How to verify the need for cross-shareholdings

The Company reviews and verifies its stockholding policy on an annual basis to ensure that the cost of capital is appropriate for each stock issue, based on profitability and other factors at the Board of Directors. The cross-held shares, including those of non-listed companies, have been reduced by approximately 8 percentage points from the previous fiscal year to 6% of consolidated net assets at the end of the fiscal year ended March 31, 2025.

(3) Voting rights exercise criteria for strategic shareholdings

When exercising voting rights in cross-held shares, the General Affairs Department, the Financial Planning Department, the Accounting Department, and the Office to the President will carefully examine the purpose of each proposal, based on the criteria that it will not damage shareholder value, and will oppose any proposal that is expected to lead to a deterioration in business performance or misconduct; the Company will exercise its voting rights in a strict manner.

(Principle 1.7 Related Party Transactions)

For transactions which involve competition or conflict of interest with a director or a company effectively controlled by a director, the Company requires the Board of Directors to deliberate and make a resolution over the matter. When such a transaction is approved, the terms and conditions of the transaction and the policy for determining the terms and conditions of the transaction are disclosed in the securities reports and other materials. At the end of each fiscal year, we also conduct a survey of directors of Sanrio Group (the "Group") companies to ascertain whether there are any related-party transactions, establishing a system to control related-party transactions.

(Principle 2.1 Developing our Philosophy Underpinning the Medium-to Long-term Corporate Value)

Sanrio, the Company's name, is derived from the Spanish word San Rio, which means "Saint River" or sacred river. Sanrio was established with the desire to build a peaceful culture on the riverbanks, where it's said that humans first began to make homes for themselves. The hope was to create a community of people who could live in harmony and with consideration for each other.

Aiming to bring people, especially children, all over the world together, we have been developing our business under our philosophy of "*Minna Nakayoku* (Getting Along Together)", with the highest priority on connecting people. Our vision "One World, Connecting Smiles" refers to our aim of realizing our corporate philosophy of "*Minna Nakayoku* (Getting Along Together)" where we bring smiles to the faces of each and every individual, extending a circle of happiness around the world. We will continue to help people around the world to have a peaceful and happy time with smiles on their faces. The Company's philosophy intends to enhance corporate value through increased customer loyalty and a stronger corporate brand, ultimately driving higher shareholder returns.

(Supplementary Principle 2.3.1)

The Company has been taking actions to address each item as follows:

1. Climate Change Action

To date, our product sales business at the head office is proceeding with the adoption of simplified packaging and installation of LED lighting at all directly managed stores, as well as the commencement of solar panel installation and installation of LED lighting at our theme parks. In the product sales business at the head office, the Company has achieved CO2 emission reduction by promoting strict inventory control and waste reduction. In terms of waste reduction, it has reduced over 90% in monetary terms by the fiscal year ended March 31, 2024, compared to the fiscal year ended March 31, 2021. The Company has set a greenhouse gas (GHG) emissions reduction target for the fiscal year ending March 31, 2027. By working with each stakeholder, it aims to reduce GHG emissions by 60% for Scopes 1 and 2 and by at least 10% per net sales for Scope 3, compared to the fiscal year ended March 31, 2019 to achieve "One World, Connecting Smiles" in a sustainable manner. Hello Kitty supports the promotion of the SDGs through a campaign #HelloGlobalGoals in collaboration with the United Nations.

2. Respect for Human Rights/Employees' Health and Work Environment/Fair and Appropriate Treatment

Sanrio conducted a survey for all employees regarding their careers, work styles, and benefits to identify current issues and employee requests. Based on the results, we introduced "SRHR Leave*" and expanded the shortened work hours system for childcare in April 2025. Under our employee-oriented policy, we have worked on various measures including implementing a staggered working hours system to allow flexibility in starting and ending hours, telecommuting, participating in sports events for health promotion, and training and education on mental health. Regarding human rights, we have formulated the "Sanrio Group Compliance Manual" based on the "Sanrio Compliance Charter" to protect workers. In particular, with regard to health maintenance, the Company has issued the "Health Management Declaration" and is building a promotion system. As a result, we have been certified as a Certified Health & Productivity Management Outstanding Organization 2025 (for four consecutive years from 2022).

* SRHR (sexual and reproductive health and rights) Leave is based on the idea that everyone has the right to respect their sexuality and lifestyle. This leave is a system that can be used by both men and women for infertility treatment, egg freezing, menopausal symptoms, and other purposes.

3. Fair and Proper Transactions with Suppliers/Risk Management for Natural Disasters and Others

The Company has also established the Sustainability Committee for the purpose of formulating sustainability policies, promoting sustainability-related activities, and monitoring. The Global Sustainability Department, a specialized department, serves as the secretariat. It has begun full-fledged activities in April 2023, accelerating company-wide and global initiatives. Based on reports from the Sustainability Committee, the Company's Board of Directors considers additional measures to address issues around sustainability, sets a policy, and supervises the implementation and progress of these measures.

(Principle 2.4 Ensuring Diversity, Including Empowering Women)

To improve the corporate value in the Company, where women representing 60% of its employees, we place great importance on creating a working environment where both men and women can play active roles. We also offer a full range of work style options, including childcare leave, reduced working hours, and telecommuting. Starting this fiscal year, we have extended the eligibility for our shortened work hours system for childcare to employees with children up to the completion of 6th grade (previously, up to completion of 3rd grade). We will continue to promote the enhancement of support for our employees, both in terms of career development and work-life balance. Moreover, to gain diverse perspectives and values, the Company actively promotes various employees including mid-career hires, foreign nationals, seniors (those who stay with the Company after the age of 60), and others. We recognize this to drive competitive advantage, an innovative business model, and improved profitability of the Company, which will bring about sustainable growth and higher corporate value over the medium to long term.

(Supplementary Principle 2.4.1)

Our approach to ensuring diversity leading to increased corporate value, including promoting women, foreign nationals, and mid-career hires to managerial positions, is described in [Principle 2.4]. To expand our business globally, the Company hires personnel regardless of their gender, age, or nationality, particularly for executive management positions in its overseas subsidiaries. At the same time, at the head office, we set a target of raising the percentage of women in managerial positions to 43% or higher for the fiscal year ended March 31, 2024. We have implemented various measures to provide opportunities for the promotion of managerial positions without being constrained by attributes such as gender and age. Specifically, we promoted unconscious bias training for managers and roundtable discussions on career life plans for all employees. As a result, we successfully achieved a 43.2% of women in managerial positions. We will significantly expand mid-career hiring in the coming years to accomplish our medium- to long-term strategy and continue to promote the continuous growth of existing businesses and securing human resources capable of executing our growth strategy. In increasing the proportion of mid-career hires, we will also actively promote their appointments to

managerial positions and their promotion to managerial roles.

(Principle 2.6 Roles of Corporate Pension Funds as Asset Owners)

The Company has adopted a contract-type Sanrio Group Defined Benefit Pension Plan (the “Defined Benefit Pension Plan”) and a fund-type Sanrio Corporate Pension Plan (the “Corporate Pension Plan”). Both Plans have asset management committees and work with external investment consultants to ensure appropriate investment and management, including development and review of basic investment policies, investment guidelines, and policy asset mix.

Asset management is outsourced to financial institutions, and investment status and stewardship activities are monitored quarterly at investment reporting meetings. We assign appropriate personnel as those in charge of the Defined Benefit Pension Plan and directors of the Corporate Pension Plan while we strive to develop human resources by offering outside seminars and training provided by investment consultants.

(Principle 3.1 Full Disclosure)

(i) Our management philosophy is disclosed in our Corporate Governance Report and securities reports. Regarding management strategies and plans for growth, we have formulated a three-year medium-term management plan ending March 31, 2027, which was announced on May 14, 2024 and disclosed on our website. Furthermore, since the target value for the final year set forth in the plan was achieved in the first year, we formulated new target values and announced them together with the 10-Year Long-Term Vision on May 13, 2025. The basic financial policy of our medium-term management plan is to further refine our management with an eye to the cost of capital, toward achieving a market capitalization of 5 trillion yen, which is the target of our long-term vision. Our medium- to long-term target for ROE is 30% or higher, which is the cost of capital plus a certain spread. We are committed to managing our operations well above the cost of capital as the minimum hurdle rate expected by shareholders under a certain level of financial discipline, even in a difficult business environment. In terms of shareholder returns, we will continue to maintain a dividend payout ratio of at least 30%. If there are no large-scale investments during the current medium-term management plan period, we will consider additional shareholder returns. In addition to dividends, we will focus on increasing total shareholder return (TSR) through share price appreciation. In addition, we promote sustainability management from the perspective of increasing corporate value over the medium to long term and have established “Sanrio Materiality” a set of 10 issues to be focused on to “contribute to society through smiles,” and disclose them on the sustainability page on our website.

(ii) Our basic views and policy on corporate governance are disclosed in the Corporate Governance Report and securities reports as follows:

Basic Views on Corporate Governance

The Company believes that good corporate governance is essential for continuously improving corporate value and for earning trust of shareholders, investors, and other stakeholders (interested parties). To this end, we will focus on the following three points:

1. To respond to rapid changes in the market, we will strengthen management functions with the aim of accelerating decision-making and improving the appropriateness, efficiency and transparency of business execution.
2. We will strengthen the management monitoring functions to establish an internal control system to ensure thorough compliance (corporate ethics and legal compliance) and to adequately fulfill our social responsibilities to all stakeholders, including shareholders, employees, business partners, customers, creditors, and local communities.
3. We will strive to earn the trust of the market through proper and fair disclosure and Investor Relation activities. Given the importance of the information to be disclosed, we will put unending effort to maintain a system for timely disclosure. At the financial briefings, we have participation of the top management of the Company to leverage the interactive dialogue with the market into the company management. Furthermore, we will seek to enhance communication between the Company and its shareholders and

investors by holding company briefings in light of all perspectives including character development capability, which is a core competency of ours, and copyright management, as well as by posting complete IR information on the Company's website for retail investors.

- (iii) The policy and procedures for determining remuneration of directors (excluding directors serving as Audit and Supervisory Committee members) are as follows:

The Company's basic policy for remuneration of directors (excluding directors serving as Audit and Supervisory Committee members) is to link the remuneration to the shareholders' interests so that it fully functions as an incentive for continuously increasing corporate value and that, when determining the remunerations of individual directors, remuneration shall be at an appropriate level based on their respective responsibilities. Specifically, the remuneration for executive directors consists of base remuneration as fixed remuneration, stock remuneration, and bonuses, while outside directors responsible for supervisory functions are paid only base remuneration in light of their duties. The total amount of remuneration shall be within the range approved by the General Meeting of Shareholders. For the remuneration amount for each individual director, the President and CEO shall deliberate with the director responsible for human resources, etc., based on the decision policy resolved by the Board of Directors. The given authority shall be the amount of base remuneration for each director and the allocation of bonuses linked to the performance of the business for which each director is in charge. The remuneration of directors is determined after consultation with and receiving reports from the Nomination and Remuneration Committee, which is comprised mainly of outside directors.

The Board of Directors shall consult with the Nomination and Remuneration Advisory Committee and obtain their reports in order to ensure that such authority is properly exercised by the President and CEO, and the President and CEO, as delegated above, shall make decisions in accordance with the content of such reports. The number of shares to be allocated to each individual director for stock-based compensation will be resolved by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee. The remuneration of directors serving as Audit and Supervisory Committee members shall consist solely of fixed remuneration, and the individual remuneration amounts shall be determined by resolution of the Audit and Supervisory Committee after deliberation.

- (iv) In nominating candidates for directors (excluding directors serving as Audit and Supervisory Committee members) and directors serving as Audit and Supervisory Committee members, the Company has adopted the policy that we nominate suitable candidates capable of assuming such duties and responsibilities, regardless of gender, age, or nationality, after fully considering their personalities and insight as well as their ability to handle diverse business operations, make accurate and prompt decisions, and manage risk appropriately. However, for the selection of outside directors, we distinguish them from inside directors by placing more emphasis on their expertise, such as in corporate management, globality, marketing and digital technology. Representative directors and the director responsible for human resources select candidates for directors (excluding directors serving as Audit and Supervisory Committee members) while the Nomination and Remuneration Committee deliberates the original proposal before the resolution of the Board of Directors. The Nomination and Remuneration Committee assesses candidates for directors (excluding directors serving as Audit and Supervisory Committee members) based on how well they can operate organizations and exercise leadership, in addition to their personality. Candidates for directors serving as Audit and Supervisory Committee members are first selected by representative directors and the director responsible for human resources, and then determined by the Board of Directors subject to the approval of the Audit and Supervisory Committee.
- (v) When nominating candidates for directors (excluding directors serving as Audit and Supervisory Committee members) and directors serving as Audit and Supervisory Committee members, the Company discloses explanations for each individual nomination in the reference documents for the General Meeting of Shareholders. Note that the Company elects a substitute director serving as Audit and Supervisory Committee member in preparation for a case in which the number of directors serving as Audit and Supervisory Committee

members falls short of the number stipulated in laws and ordinances. The Company discloses explanations regarding the nomination in the reference documents for the General Meeting of Shareholders.

(Supplementary Principle 3.1.3)

Our view on sustainability is based on the management policy described in [Principle 2.1]. Please also refer to the description in [Supplementary Principle 2.3.1]. We have positioned the Global Sustainability Department as a group supervising sustainability issues and accelerating the initiatives globally and across the Company. We have also established the Sustainability Committee to formulate sustainability policies, promote sustainability-related activities, and conduct monitoring. We will compile guidelines for the Sanrio Group based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and we will reflect these guidelines in our business activities.

(Supplementary Principle 4.1.1)

The Company's Board of Directors has established its regulations and criteria for matters to be resolved by the Board of Directors, which stipulates the scope of delegation from the Board of Directors to the representative directors and directors in charge based on the monetary amount and importance, and these are reviewed occasionally. We are planning for disclosure of their outline.

(Principle 4.8 Effective Use of Independent Directors)

The Company has appointed five independent outside directors who constitute one-third or more of the Board of Directors. They have diverse and abundant experience and insight in the areas of corporate management, globality, marketing, and digital technology. They also hold regular meetings with senior management, especially the President and CEO. They are fully qualified to fulfill their roles and responsibilities to contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value and will continue to manage the Company under the current structure.

(Principle 4.9 Independence Criteria and Qualification for Independent Outside Directors)

Based on the Companies Act and the independence criteria set by the Tokyo Stock Exchange, the Company has established its own standards for determining independence. Candidates for independent outside directors are selected based on their fulfillment of these standards, their actual independence, and their ability to contribute to open, active, and constructive discussions at the Board of Directors meetings, supported by their track record, experience, and expertise.

(Supplementary Principle 4.10.1)

Sanrio is a company with an Audit and Supervisory Committee. While the number of independent outside directors is less than the majority of the Board of Directors, the Company established a voluntary Nomination and Remuneration Advisory Committee. This is to ensure transparency and objectivity in the evaluation and decision-making process regarding nomination and remuneration of directors, to reinforce the supervisory function of the Board of Directors, and to enhance the corporate governance system. The Nomination and Remuneration Advisory Committee composes of four members, including three outside directors and the President and CEO. In response to consultations with the Board of Directors, the Committee deliberates and reports to the Board of Directors on matters concerning the appointment and dismissal of directors, the selection and dismissal of representative directors and executive directors, remuneration of directors, and other important management matters deemed necessary by the Board of Directors. The Company will continue to utilize the voluntary system as necessary.

(Supplementary Principle 4.11.1)

The Company's Board of Directors considers the size of the Board and the appointment of directors taking into account the ability to handle the Company's diversified business both domestic and overseas and its business functions thereof, accurate and prompt decision making, and appropriate risk management, as well as the independence and objectivity of the Board of Directors. The number of directors in the Company is currently 10 and

we believe it to be appropriate considering the above. Outside directors are selected based on their expertise, such as in corporate management, globality, marketing, and digital technology. The reasons for nomination and the skills, career, and expertise of the candidates are disclosed in the skill matrix and others in the Notice of the Ordinary General Meeting of Shareholders.

(Supplementary Principle 4.11.2)

When a director of the Company assumes office as an executive officer of another company, such a person must obtain approval from the Board of Directors. While currently a total of five (three directors (excluding directors serving as Audit and Supervisory Committee members) and two directors serving as Audit and Supervisory Committee members) persons serve concurrently as officers of other companies, they concurrently hold positions at three or fewer companies outside the Company, which is deemed reasonable. In addition, as they are fulfilling their roles and responsibilities as directors, we have seen no issue. The Company discloses the concurrent positions of our directors and Audit and Supervisory Committee members annually in the reference documents for the General Meeting of Shareholders and securities reports.

(Supplementary Principle 4.11.3)

The secretariat for the Board of Directors analyzes the overall effectiveness of the Board of Directors annually by referring to each director's self-evaluation and the opinions of outside directors. Outside directors and Audit and Supervisory Committee members conduct an evaluation based on this analysis and report to the Board of Directors. A summary of the results is also posted on the Company's website.

<https://corporate.sanrio.co.jp/en/sustainability/governance/system.html>

(Supplementary Principle 4.14.2)

When assuming their office, in order to properly fulfill the expected roles and responsibilities as members of a critical governance body of a listed company, directors are required to participate in external training programs to deepen understanding of their roles and responsibilities, acquire necessary knowledge, and keep it updated. The Company bears the costs of such training.

(Principle 5.1 Policy of Constructive Dialogue with Shareholders)

The Company's entire organization, including top management, work together to advance IR activities. The President and CEO and the managing executive officer in charge of investor relations participate in earnings briefings and individual meetings. In terms of operations, the Investor Relations Department is taking the lead in enhancing disclosures and is also working to engage in direct dialogue with shareholders, domestic and foreign institutional investors, and analysts at securities companies. This includes conducting earnings briefings, arranging individual meetings, and organizing facility tours. These IR activities are performed in close cooperation with several related departments, such as business departments, administrative departments, and domestic and overseas group companies. The results of IR activities and major opinions from the capital market are fed back to the management team, including outside directors, as appropriate. In addition, we handle information in our investor relations activities with the utmost care to prevent the leakage of insider information.

(Supplementary Principle 5.1.1)

The person in charge in the Investor Relations Department has primary responsibility for dialogue with shareholders. We also recognize that engagement with shareholders is the responsibility of the top management. Therefore, we do our best to respond to shareholder requests, especially for long-term major shareholders, and representative directors or the managing executive officer responsible for investor relations meet with them. We also hold interviews between outside directors and shareholders according to the purpose of the dialogue and the needs of shareholders.

(Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update data: June 27,

2025)

The basic financial policy of our medium-term management plan through the fiscal year ending March 31, 2027 and its long-term plan for the next 10 years is to further advance management from a cost-of-capital perspective, toward achieving our 10-year targets, a market capitalization of over 5 trillion yen and perpetual growth beyond that. We have set a target ROE of approximately 30% by the end of the fiscal year ending March 2027, which is the final year of our medium-term management plan, and we aim to achieve a level that significantly exceeds the cost of capital. If funding becomes necessary, for example, due to large-scale investments, we will prioritize the procurement methods with low capital costs. The implementation of investment projects will be managed under the strict judgment of the Investment Committee regarding investment returns. In terms of shareholder returns, we will continue to maintain a dividend payout ratio of at least 30%. In the event that the Company finds no attractive investment opportunity, we will consider additional shareholder returns of up to 30 billion yen, giving due consideration to surplus funds and our financial foundation. In addition to dividends, we will focus on increasing total shareholder return (TSR) through share price appreciation. The Company will enhance its capital allocation through the above measures and aim to improve its corporate value over the medium to long term by making the most of the management resources, such as human capital and intellectual property.

For more information, please visit our website.

Medium-Term Management Plan

Japanese: <https://corporate.sanrio.co.jp/ir/about/strategy/>

English: <https://corporate.sanrio.co.jp/en/ir/about/strategy/>

Long-Term Management Targets

Japanese: <https://corporate.sanrio.co.jp/ir/about/story/>

English: <https://corporate.sanrio.co.jp/en/ir/about/story/>

(Supplementary Principle 5.2.1)

To achieve our vision “One World, Connecting Smiles,” Sanrio has also established our mission (thoughts): “Add new value to entertainment and envision the next generation of fun and joy being co-created by everyone.” Leveraging our character-based products and licensing business, which has been our business foundation, with our creative design ability and network production ability, which are solid sources of our strength, Sanrio seeks to expand and reinforce our existing businesses while expanding into new business fields. The launch of new business is one such initiative. We will keep strengthening our business foundation to get closer to our vision (foresight) while following our corporate mission (thoughts). The Principles of Corporate Governance Code, including the above, are disclosed in the “Corporate Governance” section of the Company’s website.

<https://corporate.sanrio.co.jp/en/sustainability/governance/system.html>

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,304,400	11.09
Kiyokawa Shoji K.K.	19,714,224	8.31
Custody Bank of Japan, Ltd. (trust account)	12,233,200	5.16
Bandai Namco Holdings Inc.	11,100,000	4.68
Konan Shoji K.K.	7,692,630	3.24
STATE STREET BANK AND TRUST COMPANY 505001	6,414,149	2.70
Yuko Tsuji	5,133,000	2.16
HSBC HONG KONG – TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	4,414,100	1.86
Nippon Life Insurance Company	4,062,840	1.71
Fukoku Mutual Life Insurance Company	3,609,000	1.52

Name of Controlling Shareholder, if applicable
(excluding Parent Companies)

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Name of Parent Company, if applicable

None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	14
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yu Sasamoto	From another company											
Masae Yamanaka	From another company											
Shizuko Kamoda	Attorney											
Kazuo Ohashi	From another company											
Kiyo Morikawa	From another company											

*Categories for "Relationship with the Company."

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/corporate auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yu Sasamoto		✓	—	Mr. Yu Sasamoto has experience in management at Twitter Japan K.K., Microsoft Corporation, and other entities. We have appointed him as an independent director because of his management experience and knowledge of e-commerce and online business models, which we expect him to use for the management of the Company.
Masae Yamanaka		✓	—	Ms. Masae Yamanaka has experience as vice president and executive officer at Panasonic Connect Co., Ltd., as well as executive officer at Microsoft Japan Co., Ltd. and LIXIL Corporation. We have appointed her as an independent director because her management experience in the solution business and her gender perspective will be useful in the management of the Company.
Shizuko Kamoda		✓	—	Ms. Shizuko Kamoda has extensive experience as an attorney and knowledge of corporate management. We have appointed her as an independent director due to her expertise in the development of legal and compliance systems, which we expect her to use for the benefit of Company management.
Kazuo Ohashi	✓	✓	—	As a certified public accountant, Mr. Kazuo Ohashi has extensive audit experience and possesses specialized knowledge relating to finance and accounting. Accordingly, we have appointed him as an independent director.
Kiyo Morikawa	✓	✓	—	We have appointed Ms. Kiyo Morikawa as an independent director as she has extensive experience as an attorney and possesses specialized knowledge in compliance.

Audit and Supervisory Committee

Committee Composition, and Attributes of Chairperson

Audit and Supervisory Committee	Number of Directors Stipulated in Articles of Incorporation
All Committee Members	3
Full-time Members	1
Inside Directors	1
Outside Directors	2
Chairperson	Inside Director

Appointment of Directors and Employees Who Assist the Audit and Supervisory Committee's Duties	Yes
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Matters Relating to Ensuring the Independence from Executives of the Directors and Employees Who Assist the Audit and Supervisory Committee's Duties

- (1) When the Audit and Supervisory Committee determines that it is necessary to have persons assist in auditing work, it may designate a certain number of persons from among the General Affairs Department or other employees and instruct them on matters necessary for auditing work.
- (2) Employees who receive instructions necessary for auditing work from the Audit and Supervisory Committee shall not receive instructions from the director in charge of the relevant department regarding such instructions.
- (3) The director in charge of human resources shall obtain prior consent from the Audit and Supervisory Committee for any personnel changes involving employees currently assisting in auditing work.

Cooperation among Audit and Supervisory Committee, Accounting Auditors, and Internal Auditing Department

Cooperation between the Audit and Supervisory Committee and Accounting Auditors

To maintain a sound system of internal controls, the Audit and Supervisory Committee makes an audit plan every fiscal year in accordance with the Standards for Audits by the Audit and Supervisory Committee that were established by Sanrio. Audits are conducted to assess the performance of the directors and the status of the internal management framework. Full-time and outside members of the Audit and Supervisory Committee work with the accounting auditor throughout the fiscal year. Information and opinions are shared and there are question and answer sessions and other discussions concerning the independence of the accounting auditor, the status of quality management, the suitability of the system for performing various duties, the effectiveness of the current year's accounting audit, the preparation of financial statements, and other items. These activities have the goal of making individual audits more effective.

Cooperation between the Audit and Supervisory Committee and the Internal Auditing Department

Sanrio has an Internal Auditing Department with four members that operates as an independent unit. Based on Sanrio's Rules for Internal Audits and the Annual Audit Plan, members of this department perform examinations to verify that the nature of the business in each department of Sanrio and its group companies is appropriate and that the business operations are being conducted properly and efficiently with respect to laws, regulations, the Articles of Incorporation and internal rules. The executive manager of the Internal Controls Division reports the results of audits to the Board of Directors and Audit and Supervisory Committee. The accounting auditor and members of this committee exchange opinions and work together in other ways periodically for the purpose of sharing knowledge about the status of internal controls at Sanrio and its group companies and about risk factors concerning these companies.

Voluntary Established Committee

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination Advisory Committee	4	0	1	3	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration Advisory Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation

Sanrio established a voluntary Nomination and Remuneration Advisory Committee on June 24, 2021. This is to ensure transparency and objectivity in the evaluation and decision-making process regarding nomination and remuneration of directors, to reinforce the supervisory function of the Board of Directors, and to enhance the corporate governance system. In response to consultations with the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates and reports to the Board of Directors on matters concerning the appointment and dismissal of directors, the selection and dismissal of representative directors and executive directors, remuneration of directors, and other important management matters deemed necessary by the Board of Directors.

Matters Concerning Independent Directors and Independent Audit and Supervisory Committee Members

Number of Independent Directors and Independent Audit and Supervisory Committee Members

5

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Committee Members

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Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Other

Supplementary Explanation for Applicable Items

The Company has adopted a restricted stock remuneration plan to serve as an incentive for eligible directors to

continuously enhance corporate value and to align their interests with those of shareholders. The total remuneration amount to be vested in the eligible directors shall not exceed 200 million yen per year, separate from the previous maximum remuneration amount of 600 million yen. The total number of shares of the Company's common stock to be issued or disposed of under the plan shall not exceed 100,000 shares per year.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

153 million yen for Tomokuni Tsuji, President and Chief Executive Officer;
265 million yen for five directors (excluding outside directors);
15 million yen for one corporate auditor (not an outside corporate auditor)
36 million yen for four outside directors; and
10 million yen for three outside corporate auditors.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The maximum remuneration amount for the Company's directors (excluding directors serving as Audit and Supervisory Committee members) was approved to be no more than 600 million yen per year, and the maximum remuneration amount for the Company's directors serving as Audit and Supervisory Committee members was approved to be no more than 40 million yen per year at the 65th Ordinary General Meeting of Shareholders held on June 26, 2025. The Company's basic policy for director's remuneration is to link the remuneration to the shareholders' interests so that it fully functions as an incentive for continuously increasing corporate value and that, when determining the remuneration of individual directors, remuneration shall be at an appropriate level based on their respective responsibilities. Specifically, the remuneration for executive directors consists of base remuneration as fixed remuneration and stock remuneration, while outside directors responsible for supervisory functions are paid only base remuneration in light of their duties. The total amount of remuneration shall be within the range approved by the Ordinary General Meeting of Shareholders.

For the remuneration amount for each individual director, the President and CEO shall have deliberation with the director responsible for human resources, etc., based on the decision policy resolved by the Board of Directors. The given authority shall be the amount of base remuneration for each director and the allocation of bonuses based on the performance of the business for which each director is in charge. The Board of Directors shall consult with the Nomination and Remuneration Advisory Committee and obtain their reports in order to ensure that such authority is properly exercised by the President and CEO, and the President and CEO, as delegated above, shall make decisions in accordance with the content of such reports. The number of shares to be allocated to each individual director for stock-based compensation will be resolved by the Board of Directors based on the report of the Nomination and

Remuneration Advisory Committee.

Support System for Outside Directors

While the Company has not designated a dedicated staff to assist outside directors, employees in the General Affairs Department concurrently serve the function. We are making sure to provide the outside directors with information and securing the date which provides them sufficient time to study the agenda of the Board of Directors meeting in advance.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Shintaro Tsuji	Founder and Honorary Chairman	Providing proposals, advice, and coaching related to the Company's business, leveraging the insights of the founder	Part time with remuneration	June 23, 2022	One year (renewable)

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
After Retiring as Representative Director and President, etc.

1

Other Related Matters

Each time renewing the term of office of Founder and Honorary Chairman Shintaro Tsuji, the Company's General Affairs Department will review the nature of his responsibilities and remuneration based on the advisory agreement. In renewing the term of office, the President and CEO will approve the renewal as a final decision.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

As of the date of submission of this Corporate Governance Report, the Board of Directors, a decision-making body for business execution as well as a supervisory body for the directors, is composed of five inside directors and five outside directors. The Board of Directors meets once a month in principle, and discusses and reports every important agenda. Director candidates are nominated by the Board of Directors and appointed at the Ordinary General Meeting of Shareholders.

The maximum remuneration amount for the Company's directors (excluding directors serving as Audit and Supervisory Committee members) and Audit and Supervisory Committee members was approved to be no more than 600 million yen and 40 million yen per year, respectively, at the 65th Ordinary General Meeting of Shareholders held on June 26, 2025.

The Company's basic policy for director's remuneration is to link the remuneration to the shareholders' interests so that it fully functions as an incentive for continuously increasing corporate value and that, when determining the remunerations of individual directors, remuneration shall be at an appropriate level based on their respective responsibilities. Specifically, the remuneration for executive directors consists of base remuneration as fixed

remuneration and stock remuneration, while outside directors responsible for supervisory functions are paid only base remuneration in light of their duties. The total amount of remuneration shall be within the range approved by the Ordinary General Meeting of Shareholders. With regard to the remuneration for individual Audit and Supervisory Committee members, the amount is resolved by the Audit and Supervisory Committee through discussion.

For the remuneration amount for each individual director, the President and CEO shall have deliberation with the director responsible for human resources, etc., based on the decision policy resolved by the Board of Directors. The given authority shall be the amount of base remuneration for each director and the allocation of bonuses based on the performance of the business for which each director is in charge. The Board of Directors shall consult with the Nomination and Remuneration Advisory Committee and obtain their reports in order to ensure that such authority is properly exercised by the President and CEO, and the President and CEO, as delegated above, shall make decisions in accordance with the content of such reports. The number of shares to be allocated to each individual director (excluding directors serving as Audit and Supervisory Committee members) for stock-based compensation will be resolved by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee. At the 65th Ordinary General Meeting of Shareholders held on June 26, 2025, the total amounts of claims for monetary remuneration with regard to restricted stock remuneration paid to eligible directors separate from the above remuneration amount was approved at no more than 200 million yen per year.

The Company does not designate dedicated staff to serve outside directors and the Audit and Supervisory Committee, and employees in the General Affairs Department serve the function concurrently.

The accounting audits for the Company are conducted by Ernst & Young ShinNihon LLC. Certified Public Accountants who executed the audits and assistants involved in the audits in previous fiscal year are as follows:

- Certified Public Accountants

- Satoru Fukuda / Designated Limited Liability Partner, Engagement Partner
 - Yonako Emura/ Designated Limited Liability Partner, Engagement Partner

- Assistants involved in auditing work

- Certified Public Accountants: 7

- Others including associates who have passed the CPA examination: 4

- Others: 34

The Company has no special conflicts of interest with Ernst & Young ShinNihon LLC and its engagement partners. Ernst & Young ShinNihon LLC has a policy of replacing the engagement partner engaging in audit after a certain time.

Sanrio believes that the above system enables effective and efficient business execution and management supervision.

3. Reasons for Adoption of Current Corporate Governance System

In addition to the explanations above, the Company judges that the current corporate governance system to maintain transparency and objectivity, including the functions of the outside directors, enables the effective and efficient functioning of business execution and management supervision.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	After the resolution is made by the Board of Directors, the Company promptly posts the notice of the general meeting of shareholders in PDF format on the Company's website, before sending it. https://corporate.sanrio.co.jp/en/ir/stock/meeting/
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The ordinary general meeting of shareholders is set to be held at 2:00 P.M. to make it easier for shareholders to attend the meetings.
Electronic Exercise of Voting Rights	The Company has introduced a system in which shareholders can exercise their voting rights via the Internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company posts the notice of the ordinary general meeting of shareholders on the Company's website immediately after the resolution made by the Board of Directors to ensure sufficient time for the shareholders to consider the proposals.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An English version of the condensed notice of the ordinary general meeting of shareholders is posted in PDF format on the Company's website. https://corporate.sanrio.co.jp/en/ir/stock/meeting/
Other	The representative directors explain the business outline and future management policies after the shareholders' meeting. Furthermore, after the ordinary general meeting of shareholders, the Company posts a summary of the meeting, including the results of the proposal, on the Company's website. https://corporate.sanrio.co.jp/ir/stock/meeting/

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Please refer to the Company's website. https://corporate.sanrio.co.jp/ir/about/disclosure-policy/	
Regular Investor Briefings held for retail Investors	In FY2024, briefings for retail investors, sponsored by security firms or investor relations firms, were held total of 10 times: three times online or by similar means and seven times offline.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	Meetings are held four times a year (150 attendees each). We mainly explain our business performance, the challenges the Company faces, and its future growth. We hosted the briefings using on-demand streaming. We also held small group meetings hosted by Sanrio and securities firms.	Held
Regular Investor Briefings held for Overseas Investors	The President and CEO, the Managing Executive Officer responsible for IR, the general manager of the Investor Relations Department, and others visit and	Held

	meet with investors, hold small meetings, and conduct roadshows overseas. In FY2024, we held individual or small meetings, conferences, and overseas roadshows in North America and Europe in person while also holding individual or small meetings online.	
Online Disclosure of IR Information	The Company discloses corporate information (Japanese and English), a summary of financial results (Japanese and English), annual securities reports, and presentation materials for financial briefings (Japanese and English), and IR DATA on its website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has established the IR Department and assigns six employees including the general manager to the IR Department.	
Other	We send our latest IR information via e-mails to institutional investors in Japan and overseas.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Our rules of employment stipulate that: Based on the philosophy of social communication that “no one can live alone,” Sanrio strives to grow its business while fulfilling its social responsibility and contributing to economic development, aiming to create a society where many people can get along together with love and mutual consideration.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Following our corporate philosophy of <i>Minna Nakayoku</i> (Getting Along Together), Sanrio conducts Sanrio Nakayoku Project, it's social contribution activity that creates smiles around the world. Sanrio Character Aid is one of the initiative, where Hello Kitty visits children in hospitals, facilities, and disaster relief areas around the world to bring smiles to everyone.
Formulation of Policies, etc. on Provision of Information to Stakeholders	Our basic stance toward information disclosure is presented in the Disclosure Policy on the Company’s website.
Other	Sanrio Entertainment Co., Ltd. promotes the Hellosmile project, promoting cervical cancer prevention and awareness, and the Hello Dream project, aims to create a society that encourages children to dream.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company has resolved at its Board of Directors meeting on the following basic policy regarding internal control systems.

1. Systems to Ensure Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Directors and Employees of the Company and its Group Companies

(1) Regulations regarding the compliance framework, including the Sanrio Compliance Charter, are established as codes of conduct to ensure that directors and employees of the Company and its group companies act in compliance with laws and regulations, the Articles of Incorporation, and social norms.

(2) The Sanrio Joint Compliance Committee, chaired by the Executive Manager of the Company's Internal Control Division and comprised of outside independent members and others, is established in accordance with the Rules of the Sanrio Joint Compliance Committee. The Committee promotes the establishment and enforcement of the compliance framework across the Company and the entire Sanrio Group, and monitors issues through mechanisms such as hotlines operated in accordance with whistleblower protection regulations.

(3) Issues related to compliance are investigated and reviewed by the Compliance Office, with such results deliberated by the Sanrio Joint Compliance Committee and results reported to the Board of Directors and the Audit and Supervisory Committee.

(4) The Internal Auditing Department, in coordination with the Sanrio Joint Compliance Committee, audits the status of compliance across the entire Sanrio Group and reports the results to the Board of Directors and the Audit and Supervisory Committee.

(5) The Group maintains a firm stance of having no relationship whatsoever with antisocial forces or organizations that pose a threat to the order or safety of civil society, and will respond resolutely to such entities.

2. Storage and Management of Information Related to the Execution of Duties by Directors

(1) Meeting minutes of the Board of Directors, approval request documents, and other information pertaining to the execution of duties (including documents and electronic records; hereinafter the "Documents, etc.") shall be appropriately stored and managed in accordance with the Rules on Document Management.

(2) Directors and Audit and Supervisory Committee members shall have access to Documents, etc. at all times.

3. Rules and Systems for Managing Risk of Loss within the Company and Group Companies

(1) The Company monitors and responds to risks across the organization, including those related to compliance, environment, disaster response, quality, information security and import/export control, through the Sanrio Joint Compliance Committee, chaired by the executive manager responsible for Internal Control Division. The Sanrio Joint Compliance Committee appoints responsible departments, as well as establishing committees and subcommittees, for each risk category based on the Rules of Segregation of Duties and other internal rules. These departments, committees, or subcommittees gather and analyze risk-related information, develop policies and guidelines, conduct training, and create and distribute manuals.

(2) The Sanrio Joint Compliance Committee shares the Company's risk management information to group companies, and provides support for risk management. Moreover, group companies shall regularly hold risk management meetings in accordance with the Rules on the Management of Group Companies and report on the outcomes to the Company's Sanrio Joint Compliance Committee and the director responsible for the group company.

(3) If an unforeseen incident occurs, a task force headed by the President shall be established, and shall organize teams including an information coordination team and teams including the legal advisor in order to enable swift action, prevent the spread of damage, and minimize loss.

(4) Execution of duties based on decisions by the Board of Directors shall follow the Rules of Segregation of Duties and the Rules of Authority, which stipulate respective responsibilities and details of execution procedures.

(5) The Internal Auditing Department shall audit the risk management status across the Group and each division, and report the results to the Board of Directors and the Audit and Supervisory Committee.

4. Systems to Ensure the Efficient Execution of Duties by Directors

(1) The Rules on the Authority of Duties and the Rules on the Decision-Making shall be stipulated in the Rules of the Board of Directors, the Rules of Organization and Job Classification rules, the Rules on Segregation of Duties, the Rules of Authority, the Rules on Approval Request, and other internal rules.

(2) The Board of Directors shall establish Company-wide goals to be shared by directors and employees of the Company and its group companies. Each director responsible for a division shall establish specific goals for the division and identify efficient methods for achieving these goals, including the delegation of authority, based on the Rules pertaining to the Authority of Duties and Decision-Making. The Board of Directors shall regularly review progress utilizing IT, etc. as necessary and promote continuous improvement, thereby creating a framework to realize company-wide operational efficiency.

(3) The efficient execution of duties based on decisions by the Board of Directors shall follow the Rules of Segregation of Duties and the Rules of Authority, which stipulate responsible persons, their respective responsibilities, and details of execution procedures.

(4) Group companies shall also establish internal rules to ensure that the execution of duties by directors, etc. is carried out efficiently.

5. Other Systems to Ensure the Appropriateness of the Execution of Duties of the Corporate Group Comprising the Company and Its Group Companies

(1) To build Internal Control Systems at the Company and group companies, the Internal Control Project Steering Committee chaired by the executive manager responsible for the Company's Internal Control Division shall oversee the internal controls of the entire group in a comprehensive and centralized manner. The Committee shall establish and operate a framework for the Company and group companies that includes systems to facilitate discussions related to internal controls, information sharing, and a system for the efficient communication of instructions and requests.

(2) The directors of the Company responsible for divisions and directors of group companies shall have the authority and responsibility to establish and operate internal controls to ensure appropriate execution of duties in their respective divisions.

(3) Directors of group companies shall report matters related to the execution of duties to the responsible director of the Company in accordance with the Rules on the Management of group companies.

(4) The Internal Auditing Department of the Company shall evaluate the Internal Control Systems of the Company and group companies and report the results to the executive manager responsible for the Company's Internal Control Division, the Audit and Supervisory Committee, and director responsible for the relevant group company. If necessary, the executive manager responsible for the Internal Control Division and the Audit and Supervisory Committee shall provide guidance and support for implementation of internal control improvement measures.

6. Systems Regarding Employees Who Assist the Duties of the Audit and Supervisory Committee and the Independence of Such Employees from Directors

(1) If the Audit and Supervisory Committee members deem it necessary to have persons to assist them in their audit duties, they may appoint one or more employees, such as from the General Affairs Department, and issue instructions necessary for conducting audit duties.

(2) Employees who receive instructions from the Audit and Supervisory Committee in relation to audit work shall not be subject to direction or control from directors, etc. responsible for their respective department.

(3) With regard to personnel changes affecting such employees who assist in audit duties, the director responsible for human resources shall require prior consent from the Audit and Supervisory Committee.

7. Systems for Directors and Employees of the Company and Group Companies to Report to the Audit and Supervisory Committee and Other Systems to Report to the Audit and Supervisory Committee

- (1) Directors and employees of the Company and group companies shall promptly report to the Audit and Supervisory Committee matters stipulated by law (Article 357 of the Companies Act), as well as matters that significantly impact the Company or the Group, the implementation status of internal audits, and status of whistleblowing through the Compliance and Harassment Consultation and Reporting Desk. Notwithstanding the above, the Audit and Supervisory Committee may request reports from directors and employees as necessary.
- (2) The method of reporting (reporter, recipient, timing of reporting, etc.) shall be determined through discussion between directors and the Audit and Supervisory Committee.
- (3) No personnel-based or other disadvantageous treatment shall be imposed on individuals who report to the Audit and Supervisory Committee.

8. Other Systems to Ensure Audits by the Audit and Supervisory Committee are Conducted Effectively

- (1) Audit and Supervisory Committee members shall attend the Board of Directors Meetings, budget meetings, management meetings, and other important meetings related to the execution of duties, and may request explanations as necessary.
- (2) Representative directors shall make efforts to communicate with the Audit and Supervisory Committee by holding meetings and exchanging opinions on company management, separate from reporting on business.
- (3) Directors responsible for divisions and employees shall actively cooperate with inquiries conducted by the Audit and Supervisory Committee.
- (4) The Audit and Supervisory Committee shall be entitled to retain external specialists such as attorneys and accountants as needed to receive advice related to audit duties.
- (5) The Company shall bear the expenses necessary for the execution of audits.

9. Ongoing Improvement of the Internal Control System

The Board of Directors shall endeavor to continuously establish and improve Internal Control Systems, including the systems set forth in the preceding items.

10. System to Ensure the Appropriateness of Financial Reporting

Internal controls shall be established and operated to ensure the appropriateness of documents and other information related to financial accounting.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

Under the compliance system across the Company, the Sanrio Compliance Charter and principles of conduct stipulate that we should adopt a firm attitude toward anti-social forces. Our Compliance Manual also specifies that:

- 1) Sanrio will never conduct business with anti-social forces whether or not they are legal for any cause;
- 2) Sanrio adopts a firm attitude toward unreasonable demand, and our acceptance of such demand shall depend on whether the demand is justifiable legally or ethically. When we can't determine how to respond to the demand, we shall consult to the relevant departments.

We ensure the above through compliance training.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

Sanrio will respond to acquisition proposals through the Board of Directors in a proactive manner. To fulfill the trust placed in us by our shareholders, the Company recognizes that the most important priority is to enhance corporate value through sustainable growth, and this is the most appropriate approach for addressing takeover threats. Therefore, the Company has no plans to introduce takeover defense measures at this time or in the future. When our shares are subject to a tender offer, the Board of Directors will respond proactively based on the following basic policies:

- 1) We must confirm the true intention of the counterparty.
- 2) We shall strive to ensure that the person understands the basic idea of the Company.
- 3) We shall seek opinions from a wide range of stakeholders, including shareholders, by disclosing the information as appropriate and setting a sufficient amount of time.

If there is any take-over bid or acquisition proposal to acquire a substantial amount of the Company's shares, we believe that the final decision on whether or not to accept the offer should ultimately be left to our shareholders. If such a bid or offer serves to increase the Company's corporate value and benefits to the common interests of shareholders, we will not reject the offer.

2. Other Matters Concerning the Corporate Governance System

System for Timely Disclosure

1. Disclosure Policy

We disclose material information such as the significant decisions affecting investment decisions, the occurrence of events, and the financial results, in accordance with laws and regulations including the Companies Act and Financial Instruments and Exchange Act, etc., as well as the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security" (hereinafter "Timely Disclosure Rules") established by the TSE.

2. Disclosure Method

Sanrio discloses material information subject to the Timely Disclosure Rules, in accordance with the rules, on the Timely Disclosure Network provided by the TSE (TDnet). The same information thus disclosed is also provided to the news media and is promptly posted on the Company's website.

3. Internal Organizational System

In supervising the management of the Company, the Board of Directors is regularly held once a month and the extraordinary meeting of the Board of Directors is held when necessary to discuss and decide the key managerial issues and supervise the director's execution of duties. Sanrio has an Audit and Supervisory Committee where Audit and Supervisory Committee members conduct an audit of the directors' execution of duties in terms of legality and appropriateness by attending the Board of Directors meeting to deliver their opinions, receive explanations on the key managerial issues from directors and others, and supervise and check the development and implementation status of the system to ensure the appropriateness of execution of duties. Full-time Audit and Supervisory Committee members conduct audits daily by attending other important meetings, reviewing the material approvals, examining operations of major offices and property status, and reporting to the outside Audit and Supervisory Committee members regularly at the Audit and Supervisory Committee meetings.

- System for Timely Disclosure of Decisions and Occurrence of Significant Events

With regard to the occurrence of significant events, the person in charge of the department reports the matter to the Joint Compliance Committee or the Board of Directors. The Information Handling Manager in particular considers whether the reported significant events should be disclosed or not per the Timely Disclosure Rules and ensures the timely disclosure of the matter when necessary. The Information Handling Manager also strives to disclose the significant events properly in accordance with advice from accounting auditors and attorneys.

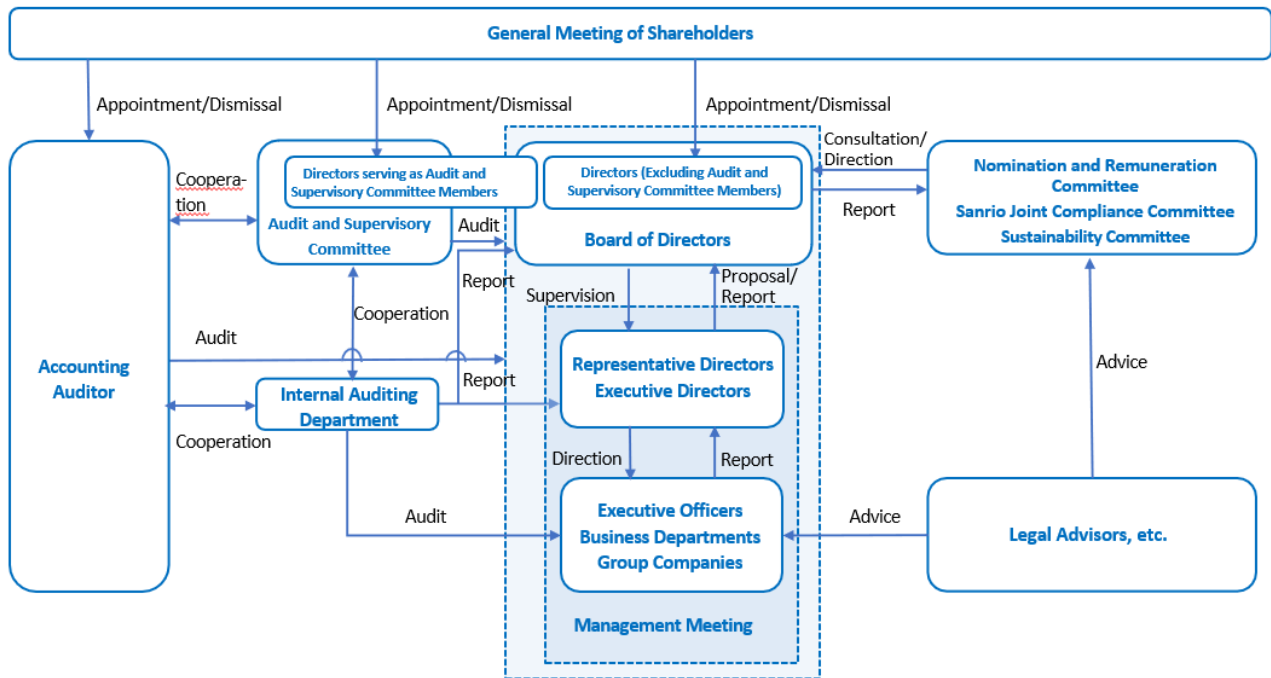
- Information on Financial Results

Regarding information related to financial results, the Accounting Department collects and analyzes monthly financial information from the head office and each subsidiary to review the necessity of the revision of earnings forecasts. When the possibility of timely disclosure occurs, the Accounting Department, Corporate Planning Department, Financial Planning Department, Investor Relations Department, and Office to the President work together to determine whether timely disclosure is necessary and to collect the details for disclosure. Then, after the Board of Directors has made a decision, the Information Handling Manager and Investor Relations Department play a main role in disclosing the information on a timely basis.

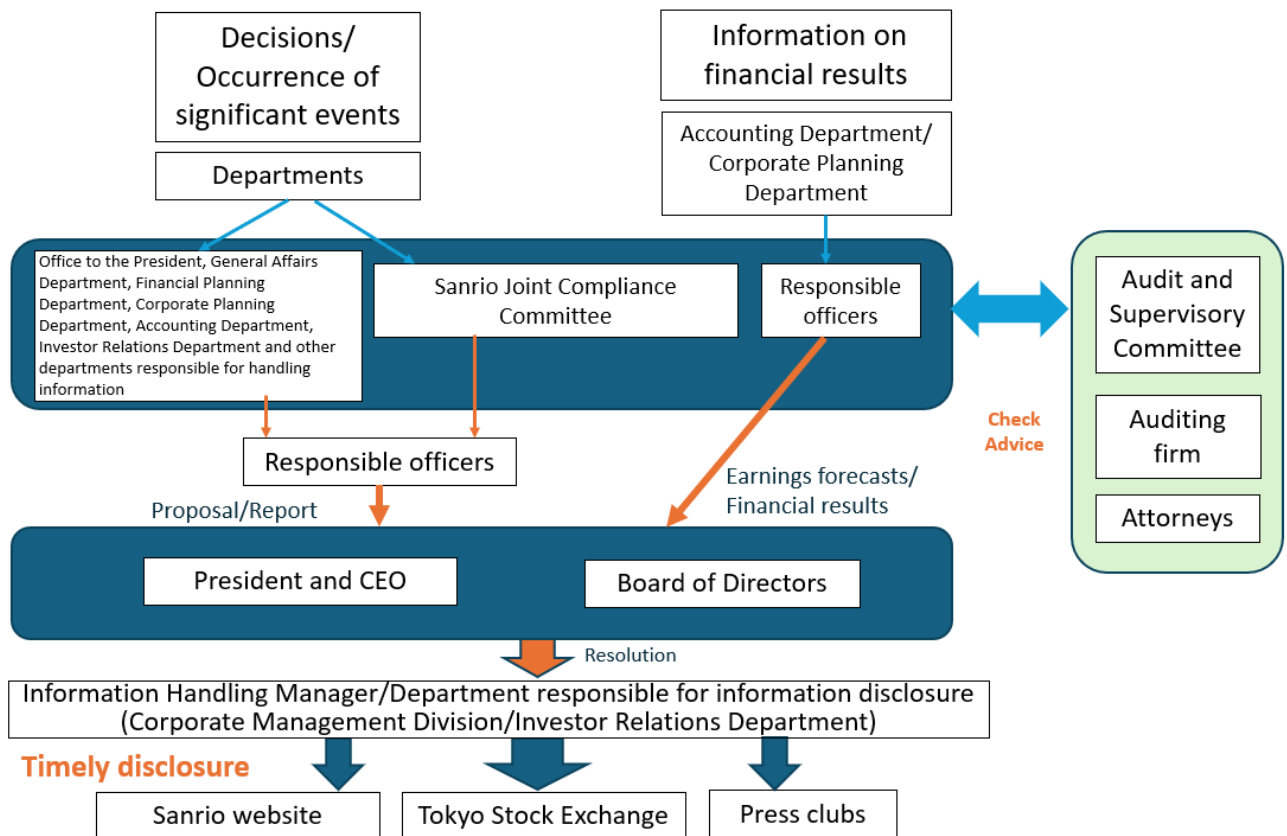
4. Management System and Other for Timely Disclosure of Information

Sanrio has established insider trading prevention rules to prevent insider trading in violation of laws and regulations, by stipulating management standards concerning internal information and matters to be observed when officers and employees buy or sell stocks of the Company. To achieve the purpose of these rules, the Company seeks to educate its employees on the materiality of internal information control and the intention of relevant laws and regulations concerning insider trading.

Corporate Governance System



System for Timely Disclosure



END