The Company's Initiatives Related to the Corporate Governance Code

The Company's basic policy is to maximize corporate value for shareholders, employees, business partners and all other stakeholders and to improve the transparency and efficiency of management. To this end, the Company is committed to achieving management with a high level of decision-making and supervision.

The status of the Company's initiatives and policies towards these initiatives in accordance with the principles of the Corporate Governance Code is as follows.

Section 1: Securing the Rights and Equal Treatment of Shareholders

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

The Company is committed to ensuring substantial equality for all shareholders and to creating an environment conducive to the substantial securing of shareholder rights and the appropriate exercise of those rights.

In particular, the Company believes that it should pay more attention to minority shareholders and foreign shareholders, recognizing that it is its responsibility as a listed company to do so. Specifically, the Company focuses on timely and proactive information disclosure and disclosure in English.

Principle 1.1 Securing the Rights of Shareholders

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

The Company recognizes that the General Meeting of Shareholders is a very valuable forum for constructive dialogue and the highest decision-making body. Accordingly, the Company takes appropriate measures to ensure that the rights of shareholders, including the right to vote at the General Meeting of Shareholders, which is very important in this context, are substantially secured.

Supplementary Principles 1.1.1

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

When the Board of Directors recognizes that more than 20% of votes have been cast against a proposal by the Company while the proposal was approved, it analyzes the reasons behind opposing votes and why many shareholders opposed and considers the need for shareholder dialogue and other measures.

Supplementary Principles 1.1.2

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

The Company has a policy of delegating to the Board of Directors the authority to make decisions at the General Meeting of Shareholders on matters such as dividends and purchase of treasury shares. It is the

Company's policy to continue to propose to the General Meeting of Shareholders, as needed, the delegation to the Board of Directors of matters to be resolved at the General Meeting that require particularly flexible and efficient decision-making. This is intended to enable the Board of Directors itself to act as a supervisory body (separation of supervision and execution).

On the other hand, five independent outside directors have been appointed to the Board of Directors to emphasize their opinions and to ensure that corporate governance functions adequately. The term of office for our directors (excluding directors serving as Audit and Supervisory Committee members) is one year, and they are formally endorsed by shareholders at the General Meeting held each year.

Supplementary Principles 1.1.3

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

The Company protects the rights of shareholders and promotes the exercise of their rights while working to ensure that all shareholders are essentially equal.

In addition, through methods that include stipulating how to exercise rights in the Share Handling Regulations, the Company also works to facilitate the exercise of rights that are recognized for minority shareholders by the Companies Act such as requesting the inspection of the shareholder registry and meeting minutes of the Board of Directors, filing shareholder proposals at the General Meeting of Shareholders, prohibiting illegal acts by the directors, and submitting shareholders' lawsuits.

Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

The General Meeting of Shareholders is the Company's highest decision-making body and is recognized as a forum for constructive dialogue with shareholders, in which the opinions of shareholders must be appropriately incorporated. The Company strives to improve the environment in various ways, including appropriate information disclosure and sufficient dialogue before the meeting, and review and improvement efforts after the meeting, to ensure that the shareholders' intentions are reflected in management.

Supplementary Principles 1.2.1

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.

In order to assist shareholders in making appropriate decisions regarding the proposals at the General Meeting of Shareholders, for some time the Company has included in the notice of convocation a reference document for the General Meeting of Shareholders and a business report, and with regard to whether the delegated Board of Directors is functioning effectively, the Company annually conducts an evaluation of the effectiveness of the Board of Directors, with the cooperation of an independent external organization, and publishes the individual evaluation items and results on the Company's website.

Supplementary Principles 1.2.2

While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet[1] or on the company's website.

[1] TDnet: The Tokyo Stock Exchange operates a real-time internet service (Timely Disclosure network) which distributes the information provided by listed companies on a timely basis in accordance with its listing rules.

Recognizing that shareholders require a reasonable amount of time to consider the agenda, the Company strives to send convocation notices early enough and discloses them on TDnet and electronically on its website after the approval at the Board of Directors meeting at least three weeks prior to the date of the General Meeting of Shareholders.

Supplementary Principles 1.2.3

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The Company recognizes that the General Meeting of Shareholders serves as an opportunity for dialogue with shareholders. Therefore, the Company sets the date and time of the meeting to avoid conflicts with other anticipated general shareholders meetings as much as possible so that shareholders can attend the meeting.

Supplementary Principles 1.2.4

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meetings. In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

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.

Supplementary Principles 1.2.5

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility.

The Company limits attendance at the General Meeting of Shareholders to shareholders recorded on the shareholder registry. This is to avoid confusion when identifying shareholders with voting rights. However, if it can be confirmed that an institutional investor who wishes to attend is a substantial shareholder through a method discussed in advance with the trust bank or other nominal shareholder, the institutional investor will be allowed to observe the shareholders' meeting.

Principle 1.3 Basic Strategy for Capital Policy

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Company believes that sustainable growth is necessary to increase shareholder value over the medium to long term, and that it is fundamental to maintain a level of shareholders' equity that allows for investment in growth and acceptable risk. The Company positions return on equity (ROE) as one of the most significant management indicators and has announced this target value. Furthermore, if the Company needs to raise funds in the future, it will do so with an awareness of capital costs, considering financing options in the following order of priority: first, bank senior loans and straight corporate bonds; second, hybrid financing (such as subordinated loans and subordinated bonds); and third, public equity offerings and convertible bonds.

ROE for the fiscal year ended March 2025 was 48.6%. As part of our financial policy, 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.

In terms of shareholder returns, the Company will maintain a dividend payout ratio of at least 30% during the period of the medium-term management plan. If no attractive investment opportunities are identified, the Company will also consider providing additional shareholder returns of up to 30 billion yen, taking into account surplus funds and the strength of its financial base. In addition to dividends, the Company will focus on increasing total shareholder return (TSR) through share price appreciation.

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings[2], they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

[2] Cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

(1) Policy on strategic shareholdings

Cross-shareholdings in the Company are held to build long-term, stable relationships with business partners or to promote sales. The Company maintains such shares only when they contribute to the medium- to long-term improvement of its corporate value. The Company does not own cross-shareholdings that the Board of Directors has determined will not contribute to the improvement of corporate value.

(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.

Supplementary Principles 1.4.1

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

When cross-shareholding shareholders of the Company indicate their intention to sell their shares, the Company does not take any action to prevent them from doing so, such as suggesting that the transaction be curtailed.

Supplementary Principles 1.4.2

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

As stated in Principle 1.4 Cross-Shareholdings, the Company's Board of Directors decides each fiscal year whether or not to continue to hold cross-held shares based on whether the cost of capital for each share unit is appropriate and the profitability of each share unit.

In actual fact, as of March 31, 2025, the Company does not hold cross-held shares that lack economic rationality. It will positively reduce the number of cross-held shares deemed to have "poor" economic rationality going forward.

Principle 1.5 Anti-Takeover Measures

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Company's Board of Directors takes the initiative in responding to takeover bids. However, the Company recognizes that the most important thing is to continue sustainable growth and increase corporate value in order to fulfill the trust of shareholders, and that this is the best anti-takeover measure available. The Company has no plans to introduce anti-takeover measures at present or in the future.

Supplementary Principles 1.5.1

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In case of a tender offer, the Board of Directors will proactively respond under the basic policy based on the following three points.

1) We must confirm the true intention of the counterparty.
2) We shall strive to ensure that the counterparty understands the basic idea of the Company.
3) We shall seek opinions from a wide range of stakeholders, including shareholders, by disclosing the facts promptly 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 as to increase the Company's corporate value and benefits to the common interests of shareholders, we will not reject the offer.

Principle 1.6 Capital Policy that May Harm Shareholder Interests

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and *kansayaku* should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

When implementing capital policy that affects the interest of shareholders such as capital increases and MBOs, the Company recognizes that the Board of Directors is the entity responsible for accountability. To ensure that existing shareholders' interests are not adversely affected, the Board of Directors acknowledges its fiduciary duties and promptly discloses information such as the review process and the purpose of implementation, while giving due consideration to the opinions of outside directors. In addition, the Company works to provide sufficient explanations to shareholders through means such as explanations at the General Meeting of Shareholders or on its financial results briefings, etc., as necessary.

Principle 1.7 Related Party Transactions

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

For transactions that 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 companies to ascertain whether there are any related-party transactions, establishing a system to control related-party transactions.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

General Principle 2

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

The Company views cooperation with all stakeholders including shareholders, employees, business partners, and local communities to be essential for sustainable growth and medium- to long-term improvements in corporate value. Our business is based on the principle that communication is an essential element of human life. Therefore, it is a matter of course for us to communicate with all of our stakeholders, and we recognize the responsibility of the Board of Directors and other members of management to promote collaboration with our stakeholders. The Company has also identified “Sanrio Materialities,” 10 material issues that need to be resolved, and is actively addressing them from the perspective of improving corporate value.

◇10 Material Issues (Sanrio Materialities)

- Issues to address value creation
  - (1) Improve Well-Being
  - (2) Democratize Creativity
  - (3) Raise Children’s Educational Standards
  - (4) Strengthening Social Ties Transcending Borders and Generations
  - (5) Invest in internal and external Human Capitals
  - (6) Realize Diversity
- Issues to address through ESG perspectives
  - (7) Care for the Global Environment
  - (8) Respect for Human Rights
  - (9) Ensure Customer Privacy and Data Security
  - (10) Conduct Transparent and Visible Governance

Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

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 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 strengthen the corporate brand, ultimately driving higher shareholder returns.

Principle 2.2 Code of Conduct

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

The Company has established the Sanrio Compliance Charter that clearly states the core philosophy and principles of conduct as follows. The Board of Directors, through the Sanrio Joint Compliance Committee, ensures that the core philosophy and principles are disseminated and adhered to by having officers and employees self-examine them.

Since its establishment, the Company has utilized characters such as Hello Kitty to build a social communication business founded on the basic philosophy that social communication is vital for people of the world to coexist in harmony. The Company has conducted business according to the principles of conduct mandating that "we will not steal from others," "we will not engage in violent activities," "we will not lie," "we will abide by the law" and that "the employees will help each other and foster friendly relationships." As a result, the social communication business that the Company promotes is highly regarded not only in Japan but also around the world as a unique business.

Supplementary Principle 2.2.1

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

The Compliance Office, which was newly established in October 2023, requires all officers and employees to self-examine the basic philosophy and principles of conduct, consider corrective measures for any identified deficiencies four times a year, and report the results to the Board of Directors and the Sanrio Joint Compliance Committee, which deliberates on policies for future initiatives.

In addition, the representative directors ensure that the basic philosophy, principles of conduct, and the importance of compliance with laws and regulations are instilled in all employees by emphasizing these principles at every opportunity. Furthermore, opinion exchange meetings are held twice a year between outside directors and the Audit and Supervisory Committee, and three times a year between outside directors and the representative directors to discuss the governance structure of the Board of Directors.

Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

Among the issues surrounding sustainability, the Company believes that appropriate response to environmental issues is an essential task in a finite global environment. In addition, social issues, especially labor practices and human rights, have long been important to the Company, whose corporate philosophy is "*Minna Nakayoku* (Getting Along Together)". The Company has identified "Sanrio Materialities," 10 material issues that need to be resolved and which include the aforementioned issues, and is proactively addressing these issues from the perspective of improving corporate value.

Supplementary Principle 2.3.1

The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.

The Company has been taking action 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 CO_2 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 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 Active Participation of Women

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

To improve the corporate value in the Company, where women represent 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

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

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 2.5 Whistleblowing

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework and ensuring and monitoring its enforcement.

The Company has established a group-wide whistleblowing hotline within the Compliance Department. For domestic group companies, it is also possible to choose the Company’s legal advisory firm as the reporting channel. Detailed reporting procedures are posted on the intranet to ensure an accessible and user-friendly system. Starting in April 2025, the operation of the whistleblowing hotline for overseas group companies has been outsourced to an international law firm with a global network, enabling reports to be received in local languages. In the event of a report, the Sanrio Joint Compliance Committee responds to the report and reports to the Board of Directors and the Audit and Supervisory Committee on the status, results, and follow-up.

Supplementary Principle 2.5.1

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors[3] and outside *kansayaku*[4]). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

3 Outside director: A director who satisfies certain requirements such as not holding specific positions, including the position of executive director, in the company or its subsidiaries (Article 2, Paragraph 15 of the Companies Act). Furthermore, matters such as not holding a specific position in the parent company or other subsidiaries and not having specific kinship ties with controlling shareholders is also required for outside directors under the Companies Act.

4 Outside *kansayaku*: A *kansayaku* who satisfies certain requirements such as not holding specific positions, including the position of director, in the company or its subsidiaries (Article 2, Paragraph 16 of the Companies Act). Furthermore, matters such as not holding a specific position in the parent company or other subsidiaries and not having specific kinship ties with controlling shareholders is also required for outside *kansayaku* under the Companies Act.

The Company has designated the Compliance Department to oversee compliance operations and appointed its legal advisory firm as the whistleblowing contact point. Monthly reports on new cases and their progress are submitted to the full-time Audit and Supervisory Committee member. Individual cases are discussed at subcommittee meetings of the Sanrio Joint Compliance Committee, which are attended by the full-time Audit and Supervisory Committee member and outside legal counsel, thereby ensuring an internal whistleblowing system that operates independently from management.

The results of risk management and compliance monitoring are reported to the Board of Directors. outside directors and Audit and Supervisory Committee members also review these results. In addition, the Company has established a Whistleblower Protection Regulation to ensure the protection of whistleblowers.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

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.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

General Principle 3

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Company is aware that appropriate information disclosure is essential for obtaining the understanding of shareholders and other stakeholders. In order to put these views in practice, the Company proactively discloses information (including non-financial information) deemed important to shareholders and other stakeholders through the Company's website and other means, after discussion at Board of Directors meetings and confirmation of the disclosure materials themselves.

Principle 3.1 Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

i) Company objectives (e.g., business principles), business strategies and business plans;

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;

iii) Board policies and procedures in determining the remuneration of the senior management and directors;

iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and

v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

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 targets 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 key issues focused on contributing to society through smiles —which are disclosed 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:

<u>Basic Views on Corporate Governance</u>

The Company believes that good corporate governance is essential for continuously improving corporate value and earning trust of shareholders, investors, and other stakeholders. To this end, we 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 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.

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 Principles 3.1.1

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boilerplate or lacking in detail.

In the disclosure of management philosophy, management plan, and reasons for the appointment of candidates for directors and directors serving as Audit and Supervisory Committee members, as listed in Principle 3.1 Full Disclosure, the Company will consider making the description specific and easy to understand. The Company will improve the disclosure in the direction of higher added value for the purpose of promoting dialogue with shareholders and stakeholders.

We are improving our information disclosure based on the needs identified through dialogue with our shareholders and other stakeholders. Feedback from these dialogues is shared with the participants of the Board of Directors meetings, including outside directors, outside corporate auditors, and representative directors. Disclosure content is updated after internal review and discussion. An integrated report was prepared and disclosed in October 2024.

Supplementary Principles 3.1.2

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

In consideration of the current ratio of overseas investors, the Company has been disclosing and providing information in English on TDnet, and disclosing other information in English on the Company's website, including videos and materials of financial results meetings. However, we recognize that further improvements and sophistication of disclosure are necessary in order to promote dialogue with overseas investors. We will leverage the needs for disclosure gained from discussion with overseas investors to enhance our disclosure efforts moving forward.

As part of this effort, we have posted the English translations of our Corporate Governance Report and the Company's Initiatives Related to the Corporate Governance Code on the sustainability pages on our website. In addition, the English version of the integrated report has been disclosed. Furthermore, we are currently preparing the English version of the securities report, which we plan to complete and disclose before the end of the current fiscal year.

The Company will further enhance its disclosure in light of the increasing ratio of overseas investors.

Supplementary Principles 3.1.3

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

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.

Principle 3.2 External Auditors

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

In light of its responsibilities to shareholders and investors, the Audit and Supervisory Committee and related departments, such as the Accounting Department, work together with the external accounting auditors to secure the audit schedule and audit system. The external accounting auditor, which plays a role in ensuring the reliability of financial reporting, conducts appropriate audits and takes appropriate actions to contribute to and enhance the Company's corporate value.

Supplementary Principles 3.2.1

The *kansayaku* board should, at minimum, ensure the following:

i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and

ii) Verify whether external auditors possess the necessary independence and expertise to fulfill their responsibilities.

i) The Audit and Supervisory Committee, with reference to the guidelines of the Japan Audit & Supervisory Board Members Association (JASBA), appropriately selects candidates for external auditors, formulates criteria for appropriately evaluating external auditors, and conducts annual evaluations of external auditors.

ii) In addition to exchanging opinions with the external auditors and the status of audit implementation, the Company confirms that the external auditors possess independence and expertise by referring to the guidelines of the JASBA.

Supplementary Principles 3.2.2

The board and the *kansayaku* board should, at minimum, ensure the following:

i) Give adequate time to ensure high quality audits;

ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;

iii) Ensure adequate coordination between external auditors and each of the *kansayaku* (including attendance at the *kansayaku* board meetings), the internal audit department and outside directors; and

iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.

i) The Audit and Supervisory Committee and related departments, such as the Accounting Department, have been working together on the audit schedule well in advance to ensure that the external accounting auditors have sufficient time to conduct the audit. Therefore, we recognize that there is no problem with the time for audit at present.

ii) The Audit and Supervisory Committee and related departments, such as the Accounting Department, give priority to setting up interviews with representative directors and other senior management at least once a quarter, if requested by the external accounting auditors.

iii) The external accounting auditors, directors serving as Audit and Supervisory Committee members, and the internal auditing departments communicate with each other at any time to provide the information required by the external accounting auditors, and there is sufficient cooperation among them. The external accounting auditors also have an environment in which they can collaborate with outside directors, as necessary, through directors serving as Audit and Supervisory Committee members and the internal auditing departments.

iv) In the event that the external accounting auditors discover a misconduct and request appropriate action, or point out deficiencies or issues, the directors serving as Audit and Supervisory

Committee members will take the lead in conducting an investigation and will report the results and submit a corrective plan to the Board of Directors and the Audit and Supervisory Committee.

Section 4: Responsibilities of the Board

General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

(1) Setting the broad direction of corporate strategy;

(2) Establishing an environment where appropriate risk-taking by the senior management is supported; and

(3) Carrying out effective oversight of directors and the management (including *shikkoyaku*[5] and so-called *shikkoyakuin*[6]) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization—i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

[5] *Shikkoyaku*: According to the Companies Act, Companies with Three Committees (Nomination, Audit and Remuneration) must appoint one or more *shikkoyaku* from directors or non-directors by a resolution of the board and delegate business administration to *shikkoyaku*. Also, authority to make certain kinds of business decisions may be delegated to *shikkoyaku*.

[6] *Shikkoyakuin*: There are cases where a Company with *Kansayaku* Board or a Company with Supervisory Committee creates positions with the title of "*shikkoyakuin*" for persons who are delegated by the board a certain range of discretion regarding business administration. Unlike *shikkoyaku* in Companies with Three Committees (Nomination, Audit and Remuneration), *shikkoyakuin* is not a statutory position.

The corporate governance structure of the Company is a company with an Audit and Supervisory Committee.

The Board of Directors, based on its fiduciary responsibility and accountability to shareholders, considers its key roles and responsibilities to be to promote sustainable growth and medium- to long-term improvement of corporate value based on the Company's management philosophy, while proactively improving profitability, capital efficiency, and other aspects of the Company's operations.

Therefore, the Board focuses on the following:

(1) as set forth in Principle 4.1, establish the fundamental policies of the Company, such as corporate strategy;

(2) as set forth in Principle 4.2, create an environment in which senior management can, where appropriate, engage in active risk-taking; and

(3) as set forth in Principle 4.3, provide for highly effective supervision of directors and management from an independent and objective perspective, including the use of outside directors.

Principle 4.1 Roles and Responsibilities of the Board (1)

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussions with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The Board of Directors recognizes that its primary role and responsibility is to make strategic and important decisions based on the major directions of corporate strategy and other matters. Therefore, the authority for business execution is being transferred to executive directors and executive officers as much as possible, except for strategic and important matters.

Supplementary Principles 4.1.1

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

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.

Supplementary Principles 4.1.2

Recognizing that a Medium-Term Management plan (*chuuki keiei keikaku*) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

The Board of Directors recognizes that the medium-term management plan is the major direction of the Company's corporate strategy, etc., and a commitment to shareholders. The Board of Directors and senior management have been formulating a medium-term management plan appropriate to the business environment at that time and promoting the plan based on the recognition that they are responsible for making their best efforts to realize the plan. Regardless of whether the plan has been achieved or not, the progress of the medium-term management plan and the analysis of the results are explained at the General Meeting of Shareholders, financial results meetings, investor meetings, etc., and are reflected in the next medium-term management plan.

Supplementary Principles 4.1.3

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

In nominating a successor to the CEO and other top executives, the President and CEO, assisted by the director responsible for human resources, narrow down the list to a number of candidates, taking into consideration the opinions of outside directors (including directors serving as Audit and Supervisory

Committee members), and continue to make efforts to nurture such candidates. The Board of Directors, including outside directors, then thoroughly checks the personalities, insights, experience, and abilities of the candidates.

The CEO then narrows down the list of candidates through the same process, and the final candidate is proposed to the Board of Directors.

Principle 4.2 Roles and Responsibilities of the Board (2)

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Board of Directors is prepared to encourage active and appropriate risk-taking by senior management, for example, by the President and CEO encouraging senior management to make proposals that lead to innovation on a regular basis, and the Board of Directors discusses these issues with emphasis on this point. In addition, the Company is working to further improve the environment by providing incentives in management compensation packages, etc.

Supplementary Principle 4.2.1

For remuneration to management, the proportion of remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately so that they operate as a healthy incentive to generate sustainable growth.

The Company's compensation system for directors consists of base salary, stock-based compensation, and bonuses. The basic policy of the Company is to set the compensation of each director at an appropriate level based on the responsibilities of each position, under the de facto decision-making authority of the Nomination and Remuneration Advisory Committee.

Supplementary Principle 4.2.2

The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid- to long- term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

The Company's approach to sustainability is in line with the corporate philosophy of *Minna Nakayoku* (Getting Along Together), as stated in Supplementary Principle 2.3.1.

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.

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.

Issues around sustainability, as well as strategies for the allocation of management resources and business portfolios, are formulated in the medium-term management plan, which is reviewed, resolved and decided upon at management and board meetings. The implementation of measures and progress are regularly reported to the Board of Directors.

Principle 4.3 Roles and Responsibilities of the Board (3)

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interest that may arise between the company and its related parties, including the management and controlling shareholders.

The Board of Directors appoints at least five independent outside directors to provide highly effective supervision of directors and management from an independent and objective standpoint. For example, the Nomination and Remuneration Committee, the majority of whose members are outside directors and whose chair is also an outside director, evaluates and deliberates on director appointments and remuneration.

In addition, with regard to the internal control and risk management system, the Company has established a structure that enables timely and appropriate risk management and compliance responses through discussions held by the Internal Control Project Committee and the Sanrio Joint Compliance Committee, which includes outside directors and external legal counsel among its members.

Furthermore, regarding sustainability-related risks including environmental and climate change issues, these are addressed in accordance with Supplementary Principle 4.2.2 as stipulated.

The Board of Directors receives appropriate reports on discussions from all committees and supervises to ensure that disclosures are made in a timely and accurate manner.

Conflicts of interest between management, controlling shareholders, other related parties, and the Company are reported to the Board of Directors on a case-by-case basis and are properly managed and monitored.

Supplementary Principle 4.3.1

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company’s business results.

The director responsible for human resources selects candidates based on the results of performance and personnel evaluations, including the evaluation of their demonstrated ability and contribution, and discusses with the representative directors whether the candidates can be expected to contribute to the Company’s development and increase its corporate value based on the Company’s corporate philosophy. The final candidate is then consulted by the Nomination and Remuneration Advisory Committee, which makes a recommendation to the Board of Directors in accordance with the contents of the Committee’s report. Dismissal would be considered in a similar process in the event of a serious problem.

Supplementary Principle 4.3.2

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

The Company believes that the process described in Supplementary Principle 4.1.3 is adequate for the Board of Directors, including outside directors, to select the President and CEO by considering the candidate’s personality, insight, experience, and ability.

Supplementary Principle 4.3.3

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company’s business results, that the CEO is not adequately fulfilling the CEO’s responsibilities.

Consistent with Supplementary Principle 4.3.2, the Company believes that it has established a process whereby the Board of Directors, including outside directors, fully discusses and decides on the dismissal of senior management and above.

Supplementary Principle 4.3.4

The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.

The Company has established the Sanrio Joint Compliance Committee to ensure that the Board of Directors develops and oversees company-wide internal control and risk management systems. By including independent outside directors and external legal counsel as committee members, the Company has created a structure that enables transparent discussions to foster a better corporate culture.

In addition, the Internal Control Project Steering Committee is responsible for developing internal controls across the entire consolidated group, promoting their implementation, and managing their evaluation.

In order to strengthen the internal management and monitoring system to enable sound and proactive risk-taking, the Company has established two departments, Compliance and Internal Audit. Furthermore, an appropriate framework has been established to regularly report the results of internal audits, conducted through the Internal Audit Department, to the Audit and Supervisory Committee and the Board of Directors, in the same manner as the two committees mentioned above.

Principle 4.4 Roles and Responsibilities of *Kansayaku* and the *Kansayaku* Board

Kansayaku and the *kansayaku* board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of *kansayaku* and external auditors, and the determination of auditor remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

The Company's Audit and Supervisory Committee consists of three directors serving as Audit and Supervisory Committee members, two of whom are outside Audit and Supervisory Committee members, and the Company believes that their independence is substantially assured. Each director serving as Audit and Supervisory Committee member has diverse knowledge and experience in accounting, finance, taxation, economics, legal affairs, etc., and actively and assertively provides opinions from an independent and objective standpoint to the Board of Directors and management without limiting themselves to a defensive function.

Specifically, the full-time Audit and Supervisory Committee member holds interviews and analyzes issues in the workplace related to business operations that are gathered through daily auditing activities, and the content is discussed at an Audit and Supervisory Committee meeting. If necessary, Audit and Supervisory Committee members share information with outside directors not serving as Audit and Supervisory Committee members and then express their opinions at a meeting of the Board of Directors. In addition, every six months, a meeting is held among non-executive officers (full-time Audit and Supervisory Committee members, outside Audit and Supervisory Committee members, and outside directors not serving as Audit and Supervisory Committee members) to exchange opinions on establishing a well-structured corporate governance system.

Supplementary Principle 4.4.1

Given that not less than half of the *kansayaku* board must be composed of outside *kansayaku* and that at least one full-time *kansayaku* must be appointed in accordance with the Companies Act, the *kansayaku* board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, *kansayaku* or the *kansayaku* board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

The Audit and Supervisory Committee of the Company consists of one full-time Audit and Supervisory Committee member and two outside Audit and Supervisory Committee members. The full-time Audit and Supervisory Committee member attends important internal meetings other than Board of Directors meetings, where he/she presents opinions and advice and gathers information as an Audit and Supervisory Committee member, and shares this information with the outside Audit and Supervisory Committee members as needed. As described above, a meeting is held once every six months among Audit and Supervisory Committee members and outside directors to exchange opinions. The Company will strive to further strengthen cooperation between the Audit and Supervisory Committee and outside directors in order to establish a well-structured corporate governance system.

Principle 4.5 Fiduciary Responsibilities of Directors and *Kansayaku*

With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Although there are differences in what is required of directors (including directors serving as Audit and Supervisory Committee members) in their positions (directors (excluding directors serving as Audit and Supervisory Committee members) are responsible for improving corporate value, while directors serving as Audit and Supervisory Committee members are responsible for ensuring corporate soundness), they are strongly aware that the main purpose of their fiduciary responsibility is to enhance the common interests of the Company and its shareholders. In order to fulfill this responsibility, directors and Audit and Supervisory Committee members provide and collect necessary information to stakeholders, disclose important information in a timely manner, and strive to enhance our governance to enable proactive and sound risk-taking.

Principle 4.6 Business Execution and Oversight of the Management

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

Five of the ten directors (including directors serving as Audit and Supervisory Committee members) on the Company's Board of Directors are outside directors, who aim to separate supervision and execution by keeping their distance from the execution of business operations. Together with the Audit and Supervisory Committee, the outside directors provide highly effective supervision of business execution from an independent and objective standpoint.

Principle 4.7 Roles and Responsibilities of Independent Directors

Companies should make effective use of independent directors[7], taking into consideration the expectations listed below with respect to their roles and responsibilities:

i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;

ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;

iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and

iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

[7] Independent director: The listing rules of securities exchanges provide that the outside directors, as defined in the Companies Act, are independent directors where they satisfy independence criteria of securities exchanges and the company determines that they do not have the possibility of conflicts of interest with its shareholders.

The Company's five outside directors are independent outside directors with diverse and extensive experience and insight, who provide advice on management policies and management improvement, make important decisions of the Board of Directors, and supervise conflicts of interest. In addition, they appropriately reflect the opinions of stakeholders in their independent capacity to the Board of Directors.

Principle 4.8 Effective Use of Independent Directors

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number 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.

Supplementary Principles 4.8.1

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

The Company's independent outside directors are committed to sound corporate governance. They share necessary information with the Audit and Supervisory Committee as necessary and meet every six months to exchange opinions with all Audit and Supervisory Committee members, including the outside Audit and Supervisory Committee members, to provide objective opinions on Board of Directors meeting proposals, important matters pertaining to the Company, and other matters.

Supplementary Principles 4.8.2

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with *kansayaku* or the *kansayaku* board by, for example, appointing the lead independent director from among themselves.

The managing executive officer responsible for investor relations and the full-time Audit and Supervisory Committee member serve as liaisons to the Board of Directors and the Audit and Supervisory Committee, respectively. There is sufficient cooperation with each independent outside director.

Supplementary Principles 4.8.3

Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.

The Company has no controlling shareholder.

Principle 4.9 Independence Standards and Qualification for Independent Directors

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Company has formulated its own independence criteria, taking into consideration the independence criteria set by the Companies Act and the Tokyo Stock Exchange (TSE). We select persons as candidates for independent outside directors when:

1) They meet our independence criteria,
2) They are judged as effectively independent, and
3) They are expected to contribute to the Board of Directors through candid, effective, and constructive perspectives derived from their achievements, experience, and insight.

Principle 4.10 Use of Optional Approach

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company’s specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Company is a company with an Audit and Supervisory Committee, and independent outside directors do not constitute a majority of the Board of Directors. However, in addition to the statutory structures, the Company has established voluntary committees such as the Sanrio Joint Compliance Committee, Internal Control Project Steering Committee, and Nomination and Remuneration Advisory Committee to strengthen the governance function of the Company. In addition, under the executive officer system, the authority for business execution is transferred to executive directors and executive officers as much as possible, with the exception of strategic and important matters. The Company will continue to utilize optional structures as needed.

Supplementary Principles 4.10.1

If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

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.

Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Company’s Board of Directors has an overall balance of knowledge, experience, and ability to effectively fulfill its roles and responsibilities. The Board of Directors consists of three woman and seven men. The Company’s Audit and Supervisory Committee consists of three members: two outside Audit and Supervisory Committee members, an attorney and a certified public accountant, and a full-time Audit and Supervisory Committee member who has experience working for a financial institution. The certified public accountant and the full-time Audit and Supervisory Committee member both have expertise in finance, accounting and financial matters.

The effectiveness of the Board of Directors has been assessed in accordance with Supplementary Principle 4.11.3.

Supplementary Principles 4.11.1

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a “skills matrix.” When doing so, independent director(s) with management experience in other companies should be included.

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 General Meeting of Shareholders.

Supplementary Principles 4.11.2

Outside directors and other directors (including Supervisory Committee members) should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors also serve as directors or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

When a director of the Company assumes office as 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 Principles 4.11.3

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

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

Principle 4.12 Active Board Deliberations

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

At Board meetings, outside officers (outside directors and outside Audit and Supervisory Committee members) offer opinions, advice and recommendations based on their high level of expertise and wealth of experience, while inside directors also make efforts to provide various reports and opinions necessary for consideration.

Supplementary Principles 4.12.1

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and
- v) Sufficient time for deliberations.

The Company's board meetings are operated in the following manner.

(1) The materials for the board meetings are thoroughly distributed in advance.

(2) In addition to the board meeting materials, the department managing the Company's domestic and overseas business performance provides the Board of Directors with materials summarizing and analyzing the status of the Company's domestic and overseas business performance on a quarterly basis.

(3) The annual schedule of the board meetings is decided at the beginning of each fiscal year, and the items to be discussed each year, such as the approval of quarterly financial results and the agenda for the General Meeting of Shareholders, are decided at the same time.

(4) The number of items to be discussed and the frequency of board meetings are managed by the General Affairs Department, which serves as the secretariat, and the board meetings are operated in an appropriate manner.

(5) Sufficient time is allocated for discussion, and no item on the agenda is ever resolved halfway through the discussion or with incomplete understanding.

Principle 4.13 Information Gathering and Support Structure

In order to fulfill their roles and responsibilities, directors and *kansayaku* should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and *kansayaku*, including providing sufficient staff.

The board and the *kansayaku* board should verify whether information requested by directors and *kansayaku* is provided smoothly.

The General Affairs Department serves as the secretariat for the Board of Directors and the Audit and

Supervisory Committee. The secretariat ensures that board meeting materials are distributed to directors (including directors serving as Audit and Supervisory Committee members) in advance and that important internal information is reported in a timely manner and responds appropriately to requests for additional information and advice from directors. The Board of Directors and the Audit and Supervisory Committee regularly verify whether the information requested by each director is smoothly provided by the secretariat, and if it is insufficient, instruct the secretariat to make improvements.

> Supplementary Principles 4.13.1
>
> Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, *kansayaku*, including outside *kansayaku*, should collect information appropriately, including the use of their statutory investigation power.

In order to ensure that the Board of Directors is a transparent, fair, prompt, and decisive decision-making body, directors, including outside directors, will request additional information when necessary. In addition, the Company's Audit and Supervisory Committee members, including outside directors, are able to obtain information from time to time.

> Supplementary Principles 4.13.2
>
> Directors and *kansayaku* should consider consulting with external specialists at company expense, where they deem it necessary.

The Company's directors obtain advice from outside legal, tax, and other experts, if necessary, at the Company's expense.

> Supplementary Principles 4.13.3
>
> Companies should ensure coordination between the internal audit department, directors and *kansayaku* by establishing a system in which the internal audit department appropriately reports directly to the board and the *kansayaku* board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside *kansayaku*. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside *kansayaku* are appropriately processed.

The details of the performance of operational audits, etc. by the Company's internal auditing departments are reported to the Board of Directors by the executive manager responsible for the Internal Control Division. The internal auditing departments also collaborate with the Audit and Supervisory Committee members (the Audit and Supervisory Committee), and the details of their operations are reported in a timely and appropriate manner. The General Affairs Department, which serves as the secretariat for the Board of Directors and the Audit and Supervisory Committee, acts as a liaison and coordinator for the provision of necessary information to outside directors and outside Audit and Supervisory Committee members.

Principle 4.14 Director and *Kansayaku* Training

New and incumbent directors and *kansayaku* should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

In principle, new directors (including directors serving as Audit and Supervisory Committee members) attend outside seminars as early as possible after assuming office to receive lectures on their roles, responsibilities, and essential knowledge. Thereafter, each director and Audit and Supervisory Committee member, at their own discretion, endeavors to acquire the knowledge necessary to perform their duties as directors and Audit and Supervisory Committee members, and to update their knowledge as appropriate. The Company provides full support for such expenses.

Supplementary Principles 4.14.1

Directors and *kansayaku*, including outside directors and outside *kansayaku*, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

In principle, after assuming office, the Company's directors (including directors serving as Audit and Supervisory Committee members) attend external seminars for newly appointed directors and Audit and Supervisory Committee members, where they receive lectures on their roles and responsibilities as well as other essential knowledge required of directors and corporate auditors. However, the acquisition and updating of knowledge for self-improvement hereafter has been left to the discretion of each individual. The Company is now taking a more proactive approach in providing and facilitating training opportunities.

Supplementary Principles 4.14.2

Companies should disclose their training policy for directors and *kansayaku*.

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.

Section 5: Dialogue with Shareholders

General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company recognizes that in order to achieve sustainable growth and increase corporate value over the medium to long term, it is important to maintain an active dialogue with shareholders on a regular basis, to reflect their opinions and requests in management, and to grow the corporate value together with them.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting 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 Principles 5.1.1

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and *kansayaku*, should have a basic position to engage in dialogue (management meetings) with shareholders.

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.

Supplementary Principles 5.1.2

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;

ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;

iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);

iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and

v) Measures to control insider information when engaging in dialogue.

i) The board designates a managing executive officer responsible for investor relations. The top management supervises all IR activities, including the active involvement of the President and CEO in dialogue (interviews) with shareholders and investors.

Furthermore, the outside directors are aware of the status of IR activities and the requests and issues raised by shareholders and investors, receiving feedback from the Investor Relations Department. A collaborative system has been established that allows them to recognize the Company’s management issues from an independent standpoint and provide advice as necessary.

ii) The managing executive officer responsible for investor relations oversees the Corporate Planning Department, the General Affairs Department, the Accounting Department, the Financial Planning Department and the Investor Relations Department, all of which are grouped under the Corporate Management Division, and the departments function in an organic and organized manner.

iii) The Investor Relations Department actively provides opportunities for dialogue with investors such as face-to-face or online meetings, small meetings, and conferences. The managing executive officer responsible for investor relations holds financial results briefings for analysts at securities companies and institutional investors four times a year. The President and CEO provides explanations at two of these briefings. In addition, investor relations meetings are held at least three times a year for investors in the U.S., Europe, and Asia, at which the President and CEO, the managing executive officer responsible for investor relations or the person in charge of the Investor Relations Department provides explanations. In addition, we aim to hold at least 10 company briefings for retail investors each year.

In addition, the Company engages in dialog with institutional proxies. It also holds interviews between outside directors and shareholders according to the purpose of the dialogue and the needs of shareholders. Besides this, it considers dialogue with proxy advisory firms when necessary.

iv) At the Company, the management team receives feedback on opinions and issues identified through dialogue with shareholders and investors, which is then reflected in our management, financial and capital strategies, IR strategies, etc., as appropriate, thereby creating a positive cycle that leads to sustainable growth and the enhancement of corporate value over the medium to long term.

Shareholder and investor opinions are shared internally and reported to management at least four times a year. In such reporting, report materials summarizing the status of IR activities and opinions of investors and analysts at securities companies are prepared and distributed as appropriate for the President and CEO, directors in charge of administrative divisions, the managing executive officers, and other officers. In addition, the contents of dialogues with shareholders and investors are fed back to a meeting body consisting solely of outside directors.

The feedback mentioned above does not end with reporting, but matters considered important are examined and discussed.

v) In addition, in accordance with the Disclosure Policy, the Company pays attention to the management of insider information in dialogues with investors by not communicating undisclosed material facts, avoiding dates near earnings announcements as quiet periods, disclosing information in a fair and equitable manner, and avoiding information gaps among investors.

In the future, we are considering revamping the corporate website and proactive voluntary disclosure to promote dialogue with investors.

Supplementary Principles 5.1.3

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

In order to understand the shareholder structure at the end of March and September of each year, the Company has engaged an external specialist to conduct a survey of shareholders who actually own the Company’s shares. The results of the survey will be used to improve the dialogue with investors.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company’s cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

The basic financial policy of our medium-term management plan through the fiscal year ending March 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 target, a market capitalization of over 5 trillion yen and perpetual growth beyond that.

The Company has 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 Target
Japanese: https://corporate.sanrio.co.jp/ir/about/story/
English: https://corporate.sanrio.co.jp/en/ir/about/story/

Supplementary Principles 5.2.1

In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.

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 the new businesses is one such initiative. We will keep strengthening our business foundation to get closer to our vision (foresight) while following our corporate mission (thoughts).

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