One World, Connecting Smiles.

Sanrio Company, Ltd. Integrated Report 2024









© 2024 SANRIO CO., LTD.

“Minna Nakayoku (Getting Along Together)”

Inspired by our vision of “One World, Connecting Smiles,”
we aim to achieve our corporate philosophy of “Minna Nakayoku (Getting Along Together)”
by creating smiles one person at a time and spreading the circle of happiness even further afield.
We want as many people as possible to feel the joy of knowing they have someone
they can talk heart-to-heart with, regardless of whether they are happy, sad, or in pain.
These concepts are at the cornerstone of everything we do.



© 2024 SANRIO CO., LTD.

VISION

One World, Connecting Smiles.

Creating as many smiles as possible and extending the circle of happiness even further afield.

MISSION

Bring new value to the world of entertainment.
Work together to create happiness and
joy for the next generation.

VALUE

Future | Insight | Challenge
Responsibility | Maximum | Praise

CONTENTS

Sanrio exists to realize a world of “Minna Nakayoku”, which means “Getting Along Together.”

Chapter 01 Our Purpose

Introducing Sanrio’s business and value creation story

04 Sanrio’s Business
05 Introduction of Sanrio Characters
06 Sanrio character ranking
07 Sanrio Time
09 Financial Indicators
10 Business-Related Indicators
11 Sanrio’s Value Creation Story
13 Non-Financial Targets
“Contribute to Society through Smiles”
Sanrio Materiality

Chapter 02 Our Future Path

Introducing our Medium-Term Management Plan and story for the future

17 Top Message
23 Review of the Past Three Years
25 Medium-Term Management Plan FY3/2025 – FY3/2027
29 SPECIAL FEATURE 01 Discussion with Three Directors

Sanrio Integrated Report News 2024 for Kids has been posted on YouTube. Please watch it at your convenience.

Japanese English



Chapter 03 Our Approach

Introducing business strategies that create smiles

35 Overview of Sanrio’s Regions of Operation and Regional Strategies
37 SPECIAL FEATURE 02 Dialogue with Global Stakeholders
41 Discussion of Financial Strategy by Officer in Charge
43 Discussion of Asia Strategy by Officer in Charge
45 Discussion of Europe and the U.S. Strategy by Officer in Charge
47 Discussion of Gaming, Digital, and Educational Strategy by Officer in Charge
49 Discussion of Marketing Strategy by Officer in Charge
51 Interview with Designer
53 Discussion of Theme Park Strategy by President of Sanrio Entertainment Co., Ltd.
55 Discussion of Human Resources Strategy by Officer in Charge

Chapter 04 Sustainability for Smiles

Introducing sustainability strategies to contribute to society through smiles

59 Sustainability Promotion Structure
60 Sanrio’s Contribution to Society by Bringing Smiles to Everyone in the World
61 Strengthening Governance
67 SPECIAL FEATURE 03 Roundtable Discussion with Outside Directors
71 Care for the Global Environment
73 Respect for Human Rights
74 Ensure Customer Privacy and Data Security
75 Directors and Auditors

Chapter 05 Key Insights & Data

Detailed Information

78 Company Information
79 Sanrio’s Group Companies
80 Key Financial Data for the Past Eleven Years
81 Key Human Resources Data for the Past Five Years
82 Stock Information

Editorial Message

Sanrio Company, Ltd. has issued its first integrated report, “Sanrio Company, Ltd. Integrated Report 2024,” to communicate to stakeholders both financial and non-financial information in an integrated manner, including business performance, management policies and business strategies aimed at achieving the vision of “One World, Connecting Smiles.”

This report introduces the new management’s value creation story as well as the growth strategy and materiality of the Medium-Term Management Plan (FY3/2025 – FY3/2027). In addition, special features include greetings from the President, thoughts of directors in charge of management, and dialogue with partners from mainland China, which is an important region for Sanrio.

At Sanrio, we will continuously strive to provide highly reliable and transparent information disclosure to all stakeholders.

For detailed information and related information that could not be included in this report, please refer to the corporate website URL provided on each page.

Reporting Period

FY3/2024 (April 2023 to March 2024). Some information on activities after April 2024 is also included.

Scope of Reporting

This report covers Sanrio Company, Ltd. and its consolidated subsidiaries (in other cases, it is stated in the text).
In addition, affiliations and positions of officers and employees are those as of the publication date.

Note Regarding Forecasts and Projections

The forecasts and projections contained in this report are based on various assumptions and do not promise or guarantee the realization of future figures or measures.

© 2024 SANRIO CO., LTD.

Chapter 01 Our Purpose

Sanrio’s Business

Under our unchanging corporate philosophy of “Minna Nakayoku (Getting Along Together),” we operate our business globally as an entertainment company with a diverse IP*1 portfolio centered on globally popular characters. Our business activities include the product sales business, licensing business, theme park business, and new businesses. We have increased our fan base through touchpoints such as stores, theme parks, and social media, and are expanding our licensing business globally by leveraging our ability to make proposals that are tailored to the needs of our clients.

Sanrio’s Business

Inspired by our vision of “One World, Connecting Smiles,” we aim to achieve our corporate philosophy of “Minna Nakayoku (Getting Along Together),” by creating smiles one person at a time and spreading the circle of happiness even further afield. We focus on providing products and services that utilize characters and licensing them to other companies and have created many characters such as Hello Kitty. We are mainly engaged in four business areas: product sales business, licensing business, theme park business, and new businesses.

Product sales business

Sanrio’s self-developed character products, which are manufactured by external specialist manufacturers, are sold at Sanrio shops, department stores, mass retailers, and e-commerce stores nationwide.



Licensing business

We allow companies to use our characters and receive licensing fees. Our characters are used for merchandising, advertising and promotion and other purposes.



Licensing case study

Theme park business

Sanrio Puroland (Tama City, Tokyo) and Harmonyland (Oita Prefecture) are two theme parks directly operated by Sanrio.



New businesses

The edutainment business*2 offers “Sanrio English Master,” English language learning materials for small children. The digital business hosts the “SANRIO Virtual Festival,” a virtual event featuring popular artists and characters.



Sanrio’s Characteristics and Three Strengths

Many of our characters were created as product designs and became popular through product sales, which makes us unique and differentiates us from other companies (which have characters derived from movies, anime, books, etc.). In addition, many of our characters are not IPs belonging to the original creators but are owned by Sanrio itself, which is another major difference from other companies. Furthermore, we believe that Sanrio’s characteristics and strengths lie in its robust IP portfolio, its ability to make design proposals that are tailored to clients, and its diverse real-world and digital contact points.

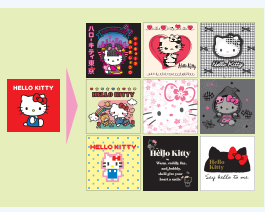
Robust IP portfolio

For over 50 years, we have developed long-lasting characters whose products remain on the market, and to date we have created over 450 different characters. We focus on developing characters that people encounter as children, return to and become fans of as adults, and then pass on to the next generation of children.



Ability to make design proposals that are tailored to clients

As we have focused on simple designs with the assumption that they will be commercialized, our characters are highly flexible and versatile. The character designs themselves can also be flexibly changed to match a client’s image, which expands possibilities.



Diverse real-world and digital contact points

We are increasing time feeling close to Sanrio*3 as well as time deeply absorbed in Sanrio*4 by focusing on real-real-world contact points such as product sales and theme park businesses, and digital contact points such as TikTok, YouTube, and licensed gaming businesses.



*1 IP: Intellectual Property
*2 Edutainment: Combining entertainment and education to naturally gain knowledge while playing and having fun
*3 Time feeling close to Sanrio: Time when Sanrio content is present in various moments of customers’ daily lives
*4 Time deeply absorbed in Sanrio: Time for customers to actively experience Sanrio content

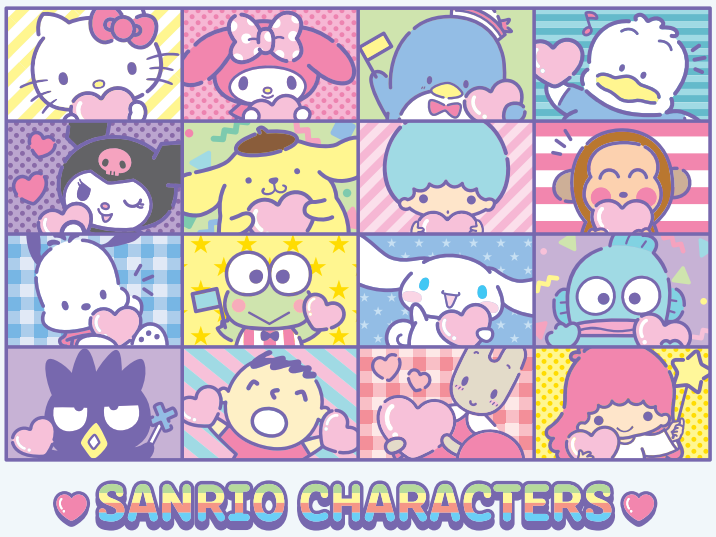
© 2024 SANRIO CO., LTD.

Introduction of Sanrio characters

Starting with Hello Kitty, born in 1974, Sanrio has introduced over 450 unique characters to the world in order to achieve “Minna Nakayoku (Getting Along Together).” These include “fancy” characters such as My Melody and Little Twin Stars, “unique” characters such as Hangyodon and GUDETAMA, “edutainment” characters such as BUDDYEDDY, and “humanoid story-driven” characters such as SHOW BY ROCK!! and FRAGARIA MEMORIES.

Sanrio characters have brought smiles to people around the world through real-world media such as merchandise, services, events, and live characters, as well as through digital media such as social media, games, apps, and anime.

They will continue to evolve and update to harmonize with changing times and tastes, staying close to people’s hearts to spread the spirit of “Minna Nakayoku” to people around the world.



Character Composition Ratio

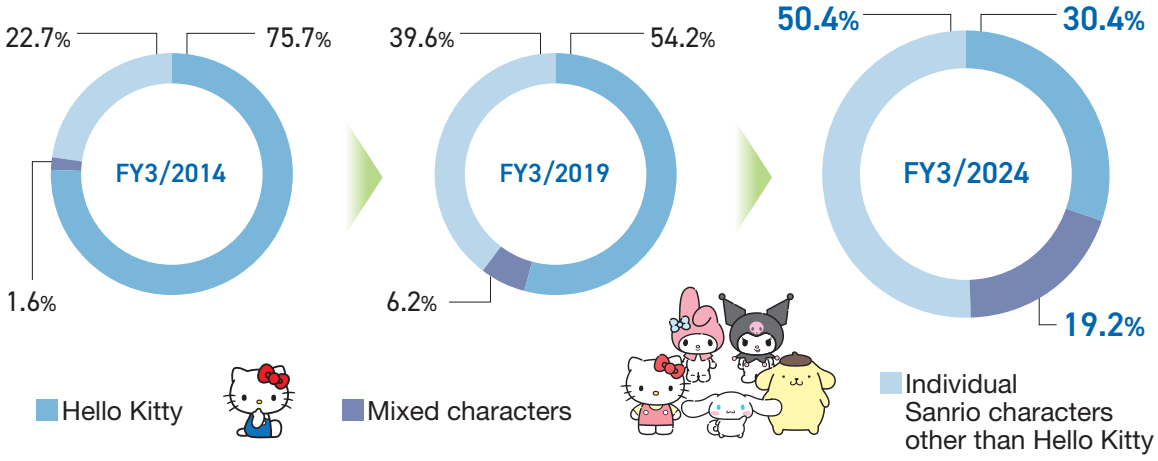
Ten years ago, in FY3/2014, Hello Kitty accounted for an overwhelming 75.7% of the total composition.

Today, that percentage has decreased to 30.4%, which is less than half of what it was 10 years ago.

Meanwhile, the biggest percentage growth came from characters other than Hello Kitty.

The ratio of “mixed characters” and “individual Sanrio characters other than Hello Kitty,” grew sharply to 69.6% in FY3/2024.

Along with Hello Kitty, other characters are witnessing growth, resulting in a shift in our character portfolio from being Hello Kitty-oriented to having a well-balanced mix of characters.

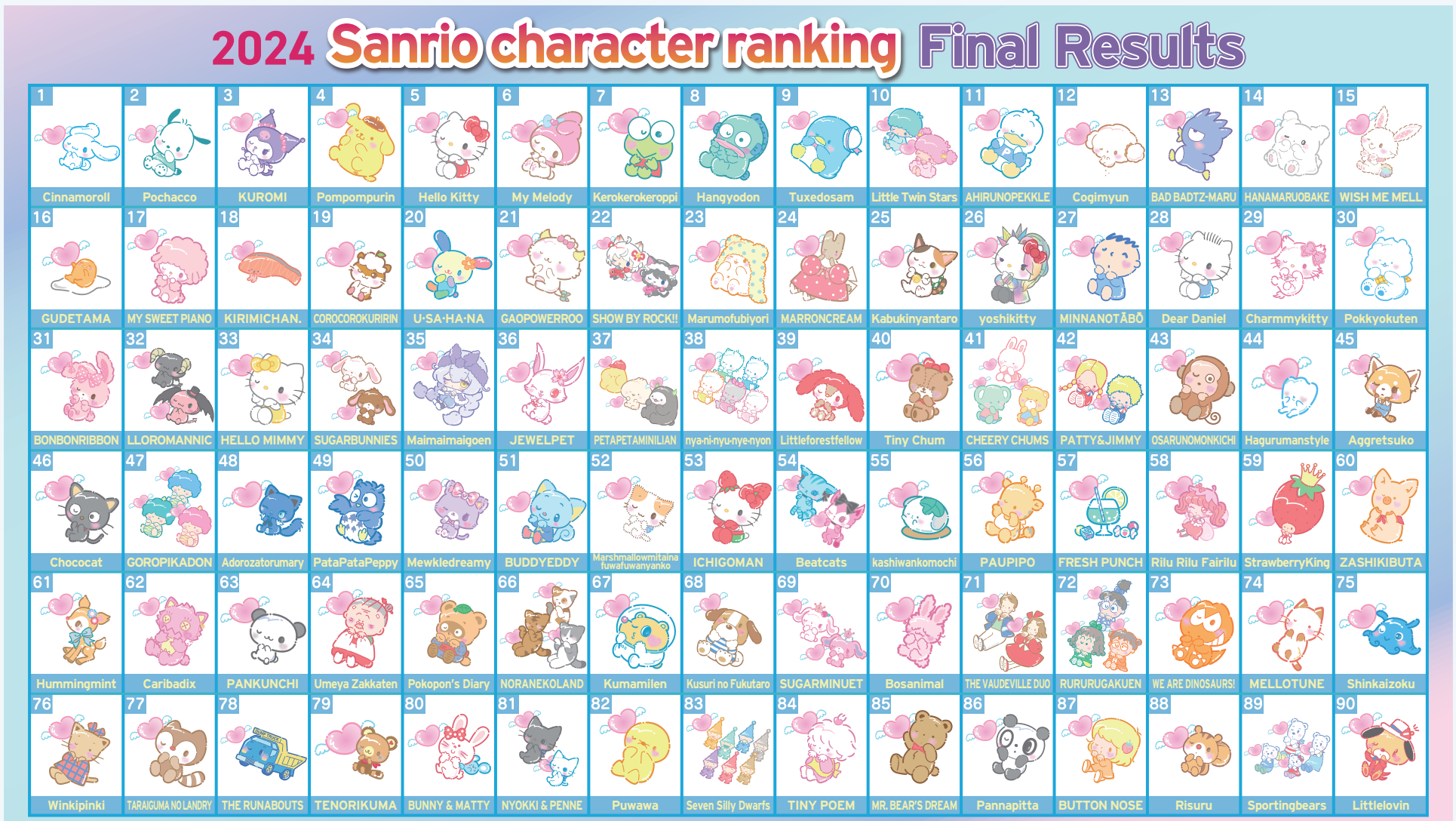


* Character composition ratio: Calculated based on gross profit from the product sales business and the licensing business in Japan and overseas
* Mixed characters: Designs roll outs or initiatives using a wide range of Sanrio characters

© 2024 SANRIO CO., LTD.

Sanrio character ranking

First launched in 1986 in Sanrio’s monthly magazine “Strawberry News” the Sanrio character ranking is a popularity contest calling for votes for Sanrio characters.
Each year, characters chosen from over 450 Sanrio characters enter the contest, with the rankings determined by votes from websites and Sanrio shops. Many unique characters join the ranking, some long cherished by fans worldwide, while others are new to the scene. For the 2024 Sanrio character ranking, Cinnamoroll won first place for the fifth consecutive year.



© 2024 SANRIO CO., LTD.

Sanrio Time

Sanrio Time measures the amount of smiles we have created. We will increase Sanrio Time in every aspect and spread the circle of happiness around the world.

We created Sanrio Time as an indicator of how far we are progressing toward fulfilling our vision of "One World, Connecting Smiles." As a global entertainment company, we will do our utmost to be close to you at various times and to make those times full of smiles.

















Time Feeling Close to Sanrio

Time customers spend with Sanrio characters, products, and services in **various situations in their daily lives**

40.0 billion hours (FY3/2023) → **60.9** billion hours (FY3/2024)

Logic behind time feeling close to Sanrio:
the total amount of time that customers feel close to Sanrio products or services in their daily lives

Main examples of Sanrio products that customers feel close to in their daily lives

Top 3 out of the 14 categories


Apparel and accessory
42.8 billion hours


Household goods
6.6 billion hours


Stationery
5.4 billion hours

…

Time customers feel close to Sanrio products or services in their daily lives
Annual usage hours*1 × Service life*1

×

Number of units sold
GMV*2, 3 ÷ Average unit price

*1 Estimated values are set for each product category based on usage scenarios and product characteristics
*2 GMV (Gross Merchandise Value): Total transaction volume
*3 Calculated from product sales + (license sales ÷ average royalties rate)

+

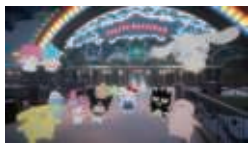
Time Deeply Absorbed in Sanrio

Time when customers actively engage with Sanrio characters, products, and services

150 million hours (FY3/2023) → **400** million hours (FY3/2024)

Logic behind time deeply absorbed in Sanrio:
total amount of time spent on major hands-on and digital experiences

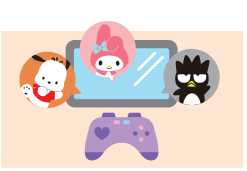

Theme park experience
Number of visitors × Average stay time
12 million hours


Virtual Puroland experience
Number of accesses × Average experience time
1 million hours


Store shopping experience
Number of visitors × Average stay time
2 million hours



Search to learn about Sanrio
Monthly search volume × number of months in the period × time per search (10-minute blocks)
37 million hours


Game experience
Number of players × Average play time
387 million hours

Plans to add:
・Video content
・Kids' parks
・Lodging and immersive facilities
・Edutainment and other media
Stronger measures to increase time deeply absorbed in Sanrio

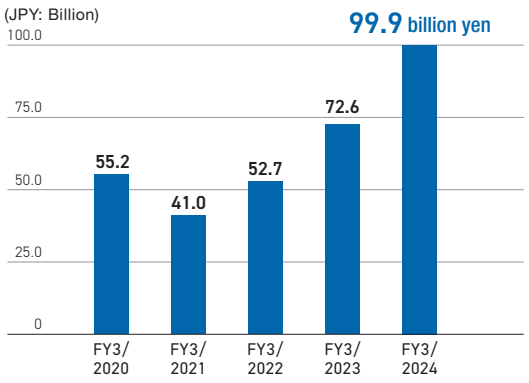
Aiming for a cumulative total of more than 300.0 billion hours

Sanrio Time increased by 1.5 times year on year to 61.3 billion hours in FY3/2024.
The cumulative total from FY3/2023 has reached more than 100.0 billion hours.
Going forward, in addition to providing time feeling close to Sanrio globally,
we will further increase opportunities to create time deeply absorbed in Sanrio.

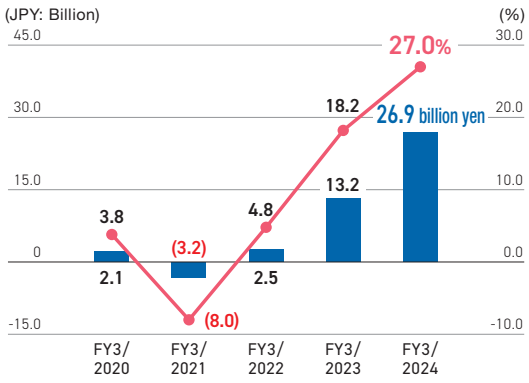
© 2024 SANRIO CO., LTD.
© 2024 SANRIO CO., LTD.

Financial Indicators*1

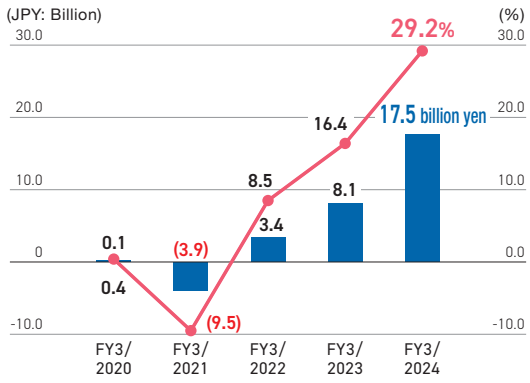
Consolidated net sales



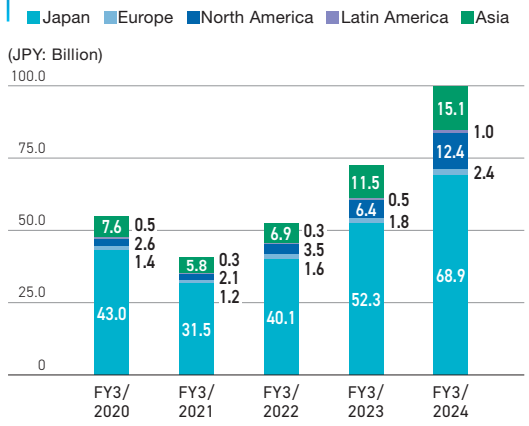
Consolidated operating profit/ Consolidated operating profit margin



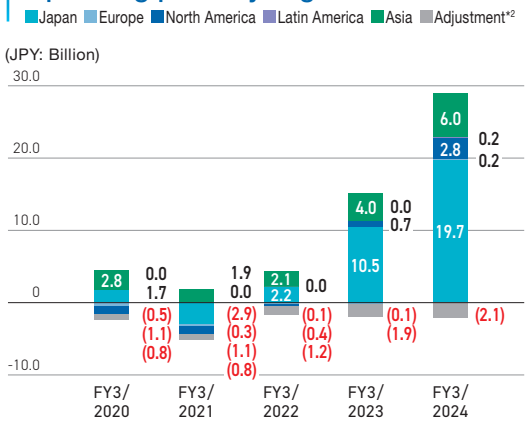
Profit attributable to owners of parent/ROE



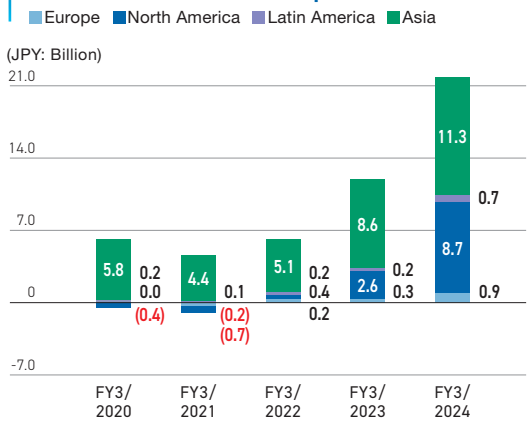
Net sales to external customers



Operating profit by segment



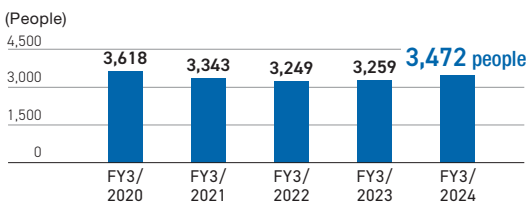
Overseas contribution profit*3



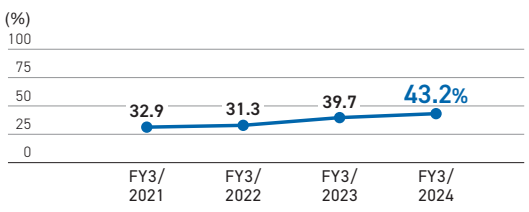
*1 Figures are rounded down to the nearest 0.1 billion yen. Percentages are rounded to the nearest tenth of a percent.
*2 The adjustment to segment profit is the sum of eliminations for inter-segment transactions and unallocated operating expenses that are mostly general and administrative expenses that cannot be assigned to any particular segment.
*3 Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.

Business-Related Indicators

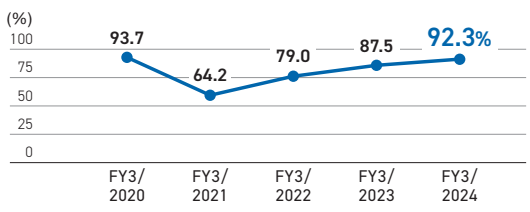
Consolidated number of employees*1



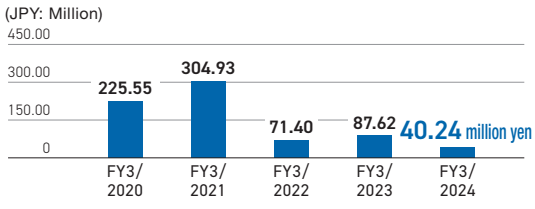
Percentage of female managers*2



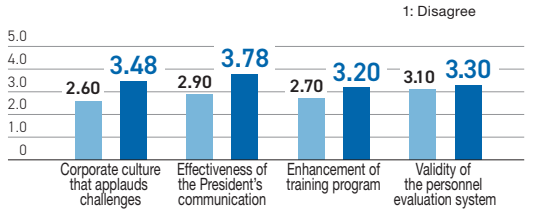
Percentage of female and male employees who have taken childcare leave*3



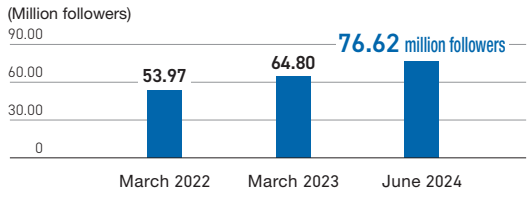
Amount of product waste in the domestic product sales business



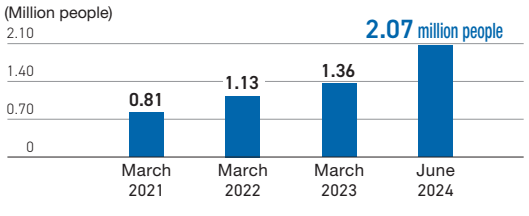
Internal engagement*4



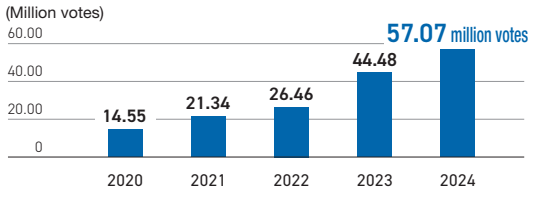
Cumulative number of global social media followers*5, 6



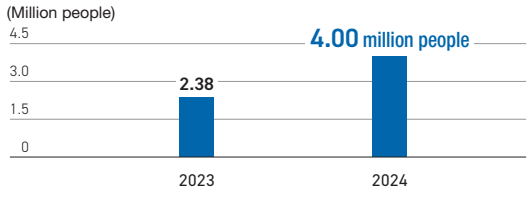
Membership of Sanrio+, Sanrio Group's common membership service*5



Total number of votes for the Sanrio character ranking*5, 7



Total number of visitors to the SANRIO Virtual Festival*8



*1 Consolidated number of employees: Sum of the number of registered employees and the annual average number of temporary employees
*2 Percentage of female managers: Calculated based on the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)
*3 Percentage of female and male employees who have taken childcare leave: Average figures for female and male full-time employees of Sanrio Company, Ltd., excluding those seconded to and from Sanrio Company, Ltd.
*4 Internal engagement: Four items related to internal engagement are selected based on the biannual internal condition survey.
*5 The cumulative number of global social media followers, membership of Sanrio+, Sanrio Group's common membership service, and total number of votes for the Sanrio character ranking are rounded down the first four digits.
*6 Cumulative number of global social media followers: Cumulative number of followers on Facebook, Instagram, LINE, TikTok, X (former Twitter), YouTube, Weibo, WeChat, Pinterest, Snapchat, Email, MeWe, RED BOOK, US YouTube, Threads, and bilibili
*7 Total number of votes for the Sanrio character ranking: Figures include the number of votes cast overseas.
*8 Total number of visitors to the SANRIO Virtual Festival: Aggregate of the total number of visitors on each platform and the total number of views

© 2024 SANRIO CO., LTD.

Sanrio's Value Creation Story

Our KGIs include market capitalization of over 1 trillion yen and operating profit of 50.0 billion yen, and we are aiming for perpetual growth beyond that.
The world we aim for is "One World, Connecting Smiles," where we create smiles one person at a time and spread the circle of happiness even further afield. In addition to financial targets, we are also committed to non-financial targets such as Sanrio Time and Sanrio Materiality.

1 Input

2 Process

3 Output

Investing firmly in human resources as the foundation for new value creation

To achieve our targets, we first positioned "creativity giving rise to entertainment" as the foundation of value creation. Sanrio has cultivated its IP creativity, developed business talent to expand those properties, and fostered a strong community around them. While this foundation for value creation will remain unchanged, going forward, we will expand it as global entertainment as we look ahead to the world 10 years from now.

Creating "regular smiles" and "new smiles" with investments in value creation engine in large and growing markets

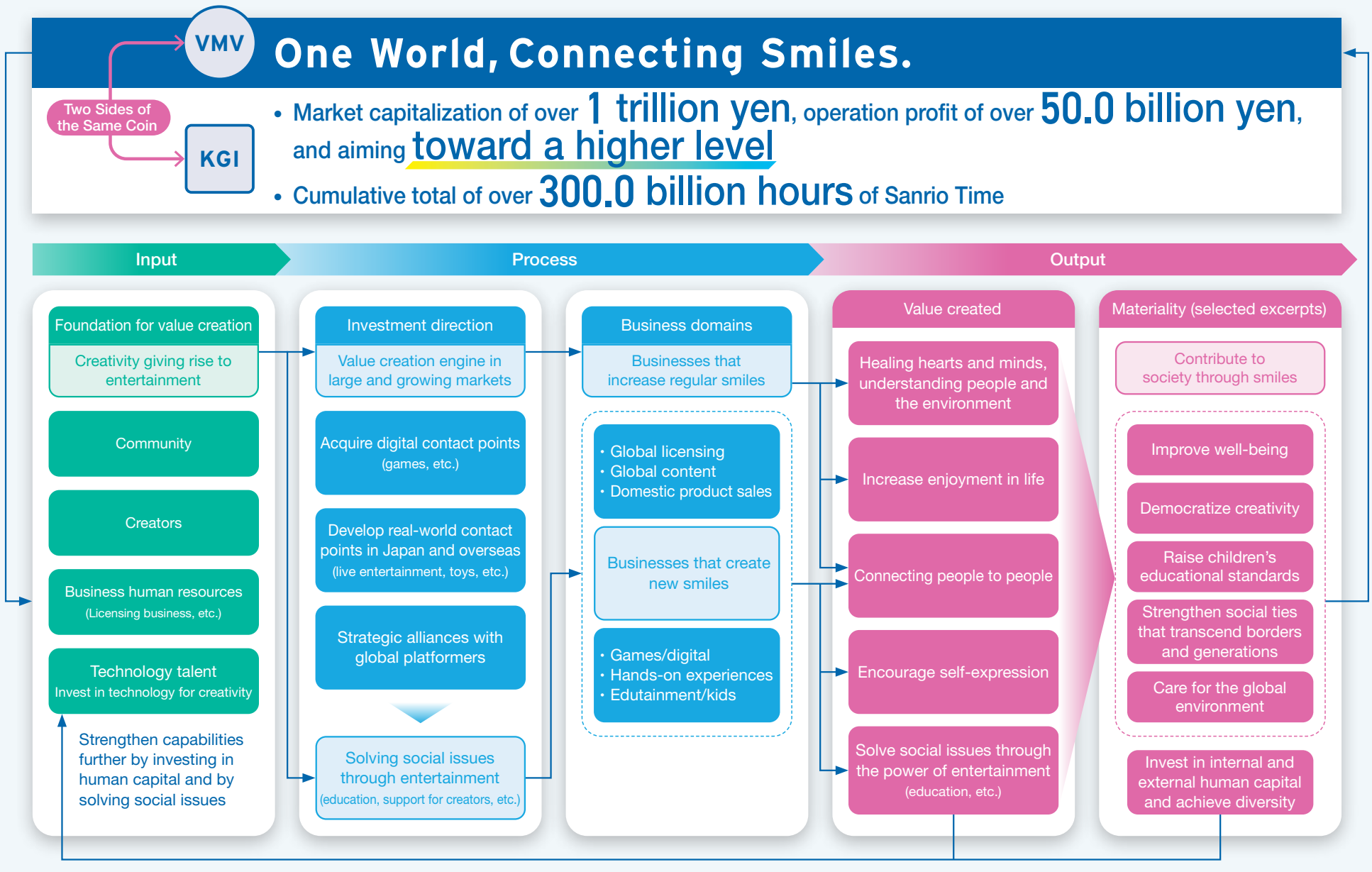
Based on this foundation for value creation, we will prioritize investment in a "value creation engine that can secure consumer contact points and exposure in large and growing markets." We will make large-scale investments in entertainment game functions and digital spaces where users from around the world can gather and hang out and take on the challenge of developing new real-world contact points in Japan and overseas, including live entertainment and themed resorts. In addition to our own efforts, we are also considering collaborating with global platform providers to expand customer contact points. We will also place emphasis on investments aimed at "solving social issues through entertainment." In addition to the education business that has already begun, we also plan to work on supporting creators.

One of our business domains is "increasing the number of regular smiles," and it includes global licensing, global content, and domestic product sales. By leveraging digital contact points such as videos, streaming, and gaming, we aim to bring smiles to people's faces while also being mindful of individual lifestyles and the global environment. Our other business domain is "creating new smiles," which includes games/digital, hands-on experiences, and edutainment/kids. We aim to solve social issues through entertainment, connect people in real and digital spaces, and encourage self-expression. The entertainment capabilities honed in these new areas will become the foundation for Sanrio's value creation.

Solving social issues through the power of entertainment

In addition to the realization of value creation, as part of our "social contribution through smiles," we will work hard to address important issues such as improving well-being and care for the global environment, which we identify as "Sanrio Materiality." Through our value creation story, we will aim to achieve market capitalization of over 1 trillion yen, operating profit of over 50.0 billion yen, and a cumulative total of over 300.0 billion hours of Sanrio Time, as well as achieve perpetual growth beyond that, thereby realizing "One World, Connecting Smiles."

Sanrio's Value Creation Story



Non-Financial Targets
“Contribute to Society through Smiles”
Sanrio Materiality

To achieve our corporate philosophy of “Minna Nakayoku,” which means “Getting Along Together,” and continue sustainably enhancing our corporate value over the long term, we analyzed the business environment outlook 10 years into the future. From the two perspectives of value creation and ESG, we identified 10 global key issues as Sanrio Materiality that Sanrio will address.

Sanrio Materiality

We analyzed the business environment 10 years into the future and identified issues that we can help address through value creation and issues we can address through ESG.



Process for identifying materiality

The process for identifying the items of materiality included forming an internal working group of representatives from throughout our company and collecting opinions from specialists outside the company.

Sanrio Materiality
https://corporate.sanrio.co.jp/en/sustainability/materiality/index.html

1 Identify social issues
- We identified key issues from the perspective of future trends and sustainability in the pursuit of our vision.

2 Select and organize social issues
- We selected and organized the social issues based on the three perspectives of vision, business domain, and organizational and human resources.
- The social issues were organized into two broad categories of issues we can help address through value creation and issues we can address through ESG. These were then set as our issues of materiality.

3 Consider the opinions of stakeholders
- We discussed the items of materiality that we identified with internal stakeholders and external specialists to confirm their validity.

4 Management decision-making
- Discuss and finalize decisions at meetings of the Management Council and the Board of Directors.

For the 10 Sanrio Materiality items, we have set KPIs up to FY3/2027 as short-term targets and KGIs for 10 years from now as medium- to long-term targets, and we will continue to work to resolve global key issues.

Issues to address through value creation

Materiality/Means	KPIs up to FY3/2027
Improve Well-Being – Encourage children and young people to accept themselves as they are (self-affirmation) – Be a close friend to children feeling anxiety or in difficult situations, such as illness, disability, abuse, or requiring nursing care	● Achieve full-year target of 90.0 billion hours of Sanrio Time “Time Feeling Close to Sanrio” ● Create, nurture, and expand recognition of IP that enhances self-esteem ● Develop Sanrio Nakayoku Project, Sanrio’s social contribution activity, to bring smiles to a total of 20,000 people
Democratize Creativity – Develop mechanisms and platforms for Sanrio and fans to co-create and make self-expression a part of people’s lives – Provide opportunities to nurture children’s creativity	● Produce UGX*1 through collaboration between companies and creators using Sanrio’s platform 50,000 registered creators ● Design and host creative training seminars incorporating Sanrio’s expertise
Raise Children’s Educational Standards – Arrange opportunities for children to learn while having fun – Provide support for children with limited education opportunities and experiences due to economic or other circumstances	● GMV*2 of 10.0 billion yen for edutainment-related business ● Total contact points of 300,000 households for Sanrio English Master ● Donate edutainment materials to more than six child welfare facilities, etc. over three years ● Continuously provide English language experiences at least one child welfare facility, etc. per year

Materiality/Means	KPIs up to FY3/2027
Strengthen Social Ties Transcending Borders and Generations – Provide opportunities and platforms for people living with loneliness and in isolation to foster social connections across borders and generations – Strengthen the social sector (NPOs, NGOs, international organizations) foundation and work together to solve social issues	● Create digital contact points that foster connections between people, such as SANRIO Virtual Festival. Target number of 5 million users ● Continuously implement social contribution activities in collaboration with the United Nations and NGOs/NPOs at least twice a year
Invest in Internal and External Human Capital – Increase engagement by creating an environment where all Sanrio Group employees work happily and healthily – Cultivate athletes, creators, and other talents who will be the new leaders of the next generation of entertainment	● Introduce various measures such as strategic job rotation, seconding programs, and internal pitch contests to develop global and creative human resources ● Improve the brand image by making it “international” and “promising” through sponsorship of athletes, etc. ● Implement support for creators in the digital field (XR*3 creators, VTubers, etc.)
Realize Diversity – Be a company where diverse human resources can demonstrate their true value, and provide an environment where it is easy for everyone to play an active role – Support a society that accepts diversity by providing entertainment that can be enjoyed by everyone—with or without a disability—and use our content to increase opportunities to deepen understanding of people with disabilities and minorities	● Strengthen human resource exchanges with major local bases (North America, Europe, Mainland China, Southeast Asia) ● In theme parks: (1) Introduce non-verbal shows that can be enjoyed by people of all nationalities (2) Improve customer satisfaction by providing content that can be enjoyed by people with or without disabilities

Issues to address through ESG perspectives

Materiality/Means	KPIs up to FY3/2027
Care for the Global Environment – Diligently advance environmental initiatives in our business activities, such as the reduction of GHG emissions	● Scope 1, 2: Reduce GHG emissions by 70% (vs. FY3/2019) ● Scope 3: Reduce GHG emissions per sales by at least 10% (vs. FY3/2019)
Respect for Human Rights – Distribute clear rules for respecting human rights and ensure full compliance throughout the supply chain	● Request that business partners who handle Sanrio products adhere to a code of conduct that respects human rights. Rate of agreements concluded in writing: 100%, in principle

Materiality/Means	KPIs up to FY3/2027
Ensure Customer Privacy and Data Security – Provide safe and secure digital services to customers with comprehensive data security	● Have in place information security systems that are in line with new laws in each country
Conduct Transparent and Visible Governance – Provide transparent and sound business operations to maintain our status as a trustworthy company	● Conduct sound business operations through the establishment and management of BSC/KGI/KPI ● Have in place a highly transparent governance system on a global/group-wide scale

*1 UGX (User Generated Experiences): Collective term for user-generated content and user-generated IP, etc.
*2 GMV: Gross Merchandise Value
*3 XR (Cross Reality or Extended Reality): Collective term for technologies, such as virtual reality (VR) and augmented reality (AR), that fuse the real world and the virtual world

The Origin of Sanrio

“Saint River”

We want to build a sacred culture by the river where humans are said to have first settled.

Sanrio’s journey up until now

Comprehensive production of IP with creative capabilities at the core

We have continuously created characters loved around the world and expanded and grown through the development of various products, licensing collaborations, and the show content business.



1960 Established Yamanashi Silk Center Co., Ltd. (renamed to the current name in 1973) with the aim of establishing a social communication business.

1962 Created the first original design “Strawberry” and launched gift products.

1966 Publication of poetry collection “Loving Songs.” Started planning and sales of publications.

1969 Established Sanrio Greeting Co. Ltd. Began planning and sales of greeting cards.



1971 Opened the first directly-managed Gift Gate store in Shinjuku, Tokyo.



1974 Created Hello Kitty. In 1975, the first product, Petite Purse, was launched.

1975 Established the Strawberry News.

1976 Began licensing original characters. Established a local subsidiary, Sanrio, Inc., in San Francisco (later established subsidiaries in Latin America, Europe, and various parts of Asia starting in 1982).

1978 Won a U.S. Academy Award for Best Documentary Feature for the film “Who Are the DeBolts?”

1982 Listed on the Second Section of the Tokyo Stock Exchange.

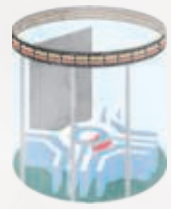


1984 Listed on the First Section of the Tokyo Stock Exchange.

1990 Opened the theme park, Sanrio Puroland, in Tama City, Tokyo.



1991 Opened Harmonyland, a theme park in Oita Prefecture.



© 2024 SANRIO CO., LTD.

2011 Acquired the characters Mr. Men Little Miss. Established a subsidiary, Mister Men Ltd.



2015 Hello Kitty Park opened in Anji County, Zhejiang Province, China.





2018 JR West Hello Kitty Shinkansen began service. Aggretsuko’s original animated series was released worldwide on Netflix.

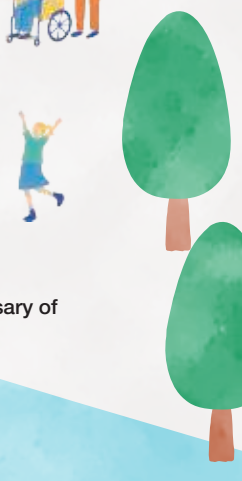
2019 Hello Kitty promotes SDGs globally with the United Nations.



2020 60th anniversary, Tomokuni Tsuji was appointed President and CEO/ Shintaro Tsuji was appointed Founder and Chairman (appointed Honorary Chairman in 2023, current position).



2022 Formed capital alliance with YARUKI Switch Group Holdings Inc.



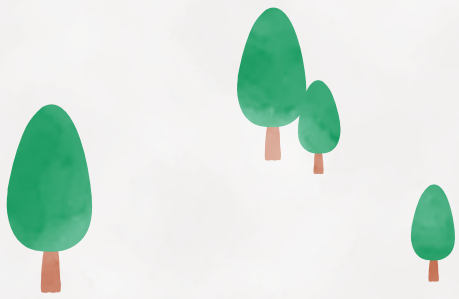
2023 Started edutainment business (launched the first product “Sanrio English Master.”)

2024 50th anniversary of Hello Kitty

The future of Sanrio

Becoming a global entertainment company

We will add new value to entertainment and co-create new forms of fun and joy with everyone for the next generation, while strengthening the foundation of value creation we have developed up until now.



Important new touchpoints

Gaming and digital experiences
- Create story-based IPs and captivating and absorbing experiences
- XR business, Web3 business

Hands-on experiences
Create a variety of experience touchpoints beyond goods and products

Edutainment experiences Kids experiences
Creation of high-experience-value touchpoints for learning

© 2024 SANRIO CO., LTD.

TOP MESSAGE



Creating as many smiles as possible and extending the circle of happiness even further afield.

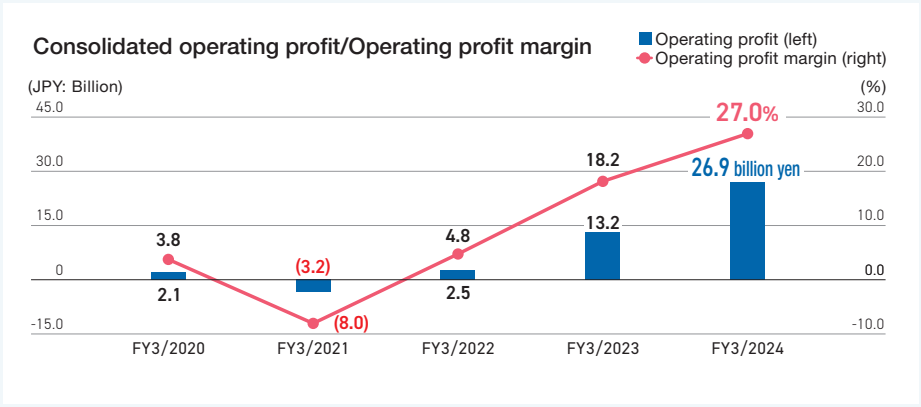
Tomokuni Tsuji
President and CEO

Since our company was founded in 1960, Sanrio has held the same corporate philosophy: “Minna Nakayoku (Getting Along Together).” Led by this unalterable philosophy, we have put smiles on people’s faces through our product sales and licensing businesses of character merchandises. Times have changed significantly, and values are diversifying. In order to continue putting smiles on even more people’s faces, we must go beyond our traditional business to expand our creation of value.
One World, Connecting Smiles.
This vision is the future we are giving our all to achieve.

Realizing record profits through our resolve, befitting a “Second Foundation”
Three years of working to address our fundamental challenges

In 2021, we formulated our vision of “One World, Connecting Smiles. (Creating as many smiles as possible and extending the circle of happiness even further afield,)” with the aim of achieving our corporate philosophy of “Minna Nakayoku (Getting Along Together).” It was the year after I was appointed President and Chief Executive Officer. In the previous Medium-Term Management Plan, which began in FY3/2022 (and ended in the FY3/2024,) we recognized the severity of our unprofitability in FY3/2021 and boldly instituted reforms with the resolve for a “Second Foundation.” We saw this three-year period as one of building a foundation and reversing the tide. We spent those years addressing fundamental management and business challenges.

As a result of these efforts, we achieved a V-shaped recovery, restoring our operating profit. In FY3/2024, we recorded a record profit of 26.9 billion yen.



This major improvement in business performance was primarily due to two types of factors. The first was external factors. The shift from the pandemic back to ordinary life brought with it a resumption in the fluid movement of people and an increase in demand worldwide. The rising interest in entertainment combined with the increase in inbound tourist demand contributed to improved business performance. However, these changes in society were simply tailwinds, propelling our business. We believe that we must continue to work to improve our business through our own efforts, without relying on external factors such as these.

The second type of factor was internal factors. Over the three years of the plan, we instituted the three pillars of reform: corporate culture reform, completion of structural reform, and planting seeds for regrowth. I believe that we were able to achieve record profits through the completion of these three pillars and through these external factors.

Our corporate culture reform reinvigorated the management team.
We accelerated decision-making and began implementing revenue structure reforms.

The first pillar was corporate culture reform, which aimed to transform us into a more effective company. To boldly address the issue of our siloed departments and teams, we increased the authority of our human resources department, which understood what shall be optimized for our company as a whole. We increased the liquidity of our human resources, eliminating organizational walls, and making it possible to place resources in growth areas. Our goal was to make our company one in which contributing to results and taking on new challenges were rewarded. To achieve this, we overhauled our evaluation and compensation system and visualized employee motivation and related challenges through an employee condition survey.



We have aimed to operate our organization in a manner that improves employee morale.

The greatest success of our corporate culture reform was the reform of our management team. We focused on merit, not seniority, appointing Wataru Nakatsuka, Yasuyuki Otsuka, and Kiyoshi Saito, all personnel from outside the Company, to Managing Directors in 2022. We established a management structure in which each could leverage their respective strengths: Nakatsuka excelling at business strategies and company-wide reforms, Otsuka at product sales, and Saito at overseas business. In addition to these appointments, we appointed three outside directors with different genders and nationalities to bring in new expertise. The new management team engages in discussions based on numbers and logic and makes decisions in a speedy manner. The elimination of our previous top-down management model and our assembly of a professional management team are, without question, contributing factors to our strong business performance.

In the completion of structural reform, two urgent tasks were improving the profitability of the domestic product sales business and North American business, both of which had constantly remained at a deficit. Domestic product sales had come to be seen as a sacred, untouchable area, where deficits were allowed. We managed and reduced the total number of SKUs* and dramatically cut back on operations. Our North American business has since grown into an important business that generates profits by reducing the high SG&A ratio for product sales while expanding the licensing business, which has high profit margins.



As for planting seeds for regrowth, we have taken on the challenges of new businesses such as edutainment, digital business, and IP creation. This proved that we could expand into new businesses instead of simply relying on existing IP licensing and product sales. These efforts have started to bear fruit, and I am confident that they will propel us into explosive future growth.

The current fiscal year, FY3/2025, will offer us opportunities in the form of Hello Kitty's 50th anniversary. It is also the first year of the new Medium-Term Management Plan (FY3/2025 – FY3/2027). We will also further evolve the previous Medium-Term Management Plan, aiming to achieve even better business performance.

The new Medium-Term Management Plan is a three-year period of "investment and expansion." By breaking away from volatility and realizing perpetual growth, we will aim for a market capitalization of 1 over trillion yen, operating profit of over 50.0 billion yen, and further perpetual growth beyond that.

The theme of the new three-year, Medium-Term Management Plan is "investment and expansion." The operating profit target for the final year of the plan is 40.0 billion yen or more, and we are focused on generating a stable and perpetual cycle of growth, seeking to expand revenue and increase stability within the next decade. We recognize that business volatility is one of our weaknesses, and this volatility is one of the reasons for creating this target. Our history has been one of dramatic ups and downs in operating profit.

The core cause of this volatility is the narrow range of the value we offer. Sanrio has created numerous characters, but Hello Kitty accounts for an overwhelming share of our sales. Furthermore, almost all of the value provided by our character IP business has consisted of the use of our characters as merchandise icons, producing an unbalanced revenue base. With this structure, when a Hello Kitty boom period ends, we find ourselves with no recourse, and our business performance plummets.

If we are to escape from this cycle, we must change our approach to branding. Going forward, we will increase our ongoing investment in global content, strengthen our coordination with platformers such as the Alibaba Group, and enhance our designs and creative work. Furthermore, we will expand our IP portfolio by leveraging our diverse characters and creating new characters, and we will focus our efforts on creating value in ways other than use as icons, broadening services to include educational applications, games, and UGX. FRAGARIA MEMORIES, a story-driven character IP, has already begun producing results, and KUROMI has become popular on social media. Our characters have limitless latent potential. By strengthening our IP brand strategy, we can create overlapping sales peaks that support each other, leading to a cycle of stable and perpetual growth.

For our value creation story, we have set the KGI of a market capitalization of over 1 trillion yen, operating profit of over 50.0 billion yen, and perpetual growth beyond that. The ideal balance of operating profit will be for 70 to 80% to come from existing business and the remainder from new business. Given the speed of character IP growth, I believe this is an achievable goal, but if we are to accomplish it, we must engage in thorough investment and expansion over the three years of the Medium-Term Management Plan. In addition to the financial KGI, we have also defined a non-financial target, integrated with financial targets, of further increasing Sanrio Time to 300.0 billion hours or more. I believe that increasing Sanrio Time and spreading smiles around the world will contribute to the achievement of our vision.



* SKU (Stock Keeping Unit): Smallest unit for managing inventories

The age of digitalization provides excellent opportunities for IP portfolio expansion. Through our solid structure, we will expand globally and achieve multi-layered monetization

The power of technology is absolutely vital to nurturing new business. New technologies such as Web3, generative AI, and XR will become strong allies of the entertainment industry. For example, using generative AI to automate operation processes will free up resources that can be allocated to creating new businesses and creativity. At the same time, it also involves risks. We must firmly address problems such as risks related to generative input and style, copyright issues, and the like. Our stance of protecting the rights of creators and creating a world in which anyone can become a creator will remain unchanged. The widespread adoption of digital devices will create new opportunities for consumers to be exposed to our content. Sanrio characters, with their exceptional designs, have the power to put smiles on people's faces, not only in real-world spaces, but also in digital spaces such as "Virtual Puroland," a virtual version of Sanrio Puroland created as part of our XR business. Up-front investment is essential to our ability to capture the opportunities presented by the age of digitalization. By developing digital talent and investing in business in digital fields, including M&As, we will strive to expand our IP portfolio.

The Medium-Term Management Plan is also firmly based on our global strategy. Over the three years of the plan, it will be important that all of our employees doing business here in Japan look not only at the work that is immediately in front of them but also at global expansion. However, global expansion does not consist of merely rolling out operations laterally. The business nurtured in the U.S. would not necessarily succeed if transplanted to India or the Middle East. It is vital to tailor business to the features of individual countries and regions. We will cultivate teams that can break new ground, in a true sense, while also collaborating with local partners. When a business expands globally, in multiple directions, this can make it difficult to manage the business based on defined strategies. The newly established Global Strategy Department will provide governance functions, while the Global

© 2024 SANRIO CO., LTD.



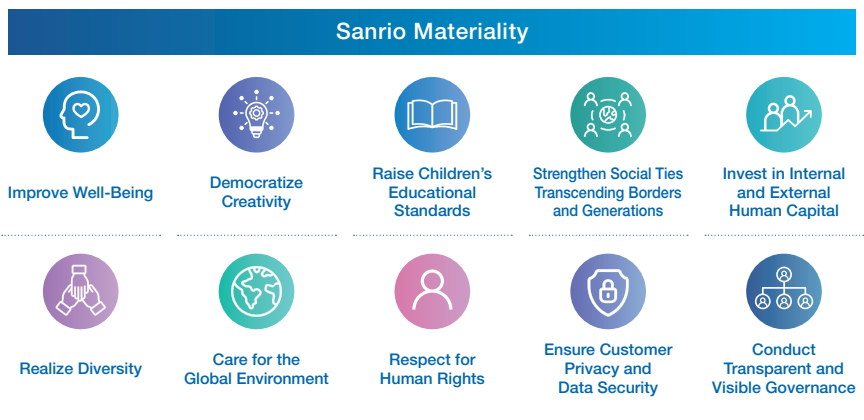
Brand Management Division will thoroughly manage each character IP. This solid structure will lead our global expansion.

Based on the idea that the realization of a sustainable future society is closely aligned with Sanrio's business, we have defined Sanrio Materiality in terms of value creation and ESG

In recent years, companies have come to bear greater responsibility with respect to sustainability. Our own business operations seek to achieve our corporate philosophy of "Minna Nakayoku (Getting Along Together)," and I believe that various social issues can be addressed through our business. To create sustainable corporate value over the long term, we have analyzed the business environment for the following ten years and defined "Sanrio Materiality," 10 important issues that we will work to resolve.

We defined materiality from the two perspectives of "value creation" and "ESG." Value creation is materiality directly tied to the creation of value using our IP. Issues to address through value creation consist of "Improve Well-Being," "Raise Children's Educational Standards," "Strengthen Social Ties Transcending Borders and Generations," "Invest in Internal and External Human Capital," and "Realize Diversity." As an entertainment company, we have also identified "Democratize Creativity" as our materiality. By invigorating our creative activities, we will raise the cultural level of society as a whole. I believe that by working wholeheartedly through Sanrio's businesses to create smiles on as many people's faces as possible, and connecting those smiling people, we can contribute to solving these issues.

From an ESG perspective, we identified our responsibilities to meet social demands that are placed on all business operators around the globe. We defined issues to address through ESG perspectives of "Care for the Global Environment," "Respect for Human Rights," "Ensure Customer Privacy and Data Security," and "Conduct Transparent and Visible Governance." The fundamental nature of our concept of spreading smiles through our business applies to ESG as well. For Sanrio, increasing corporate value is consistent with contributing to society. Not only will we satisfy our social responsibilities through our business, but we will also reinforce collaborations with our partners aimed at solving increasingly severe global social issues and bringing about a truly sustainable future.



Providing returns to shareholders through perpetual growth based on a dividend payout ratio of 30% or more. Increasing the number of information disclosure touchpoints

Our share price has trended upward, in line with our strong business performance. Our basic policy is to maintain a dividend payout ratio of 30% or more, returning the fruits of our business to our shareholders. What is important is that we expand our business, increase profit margins, and increase dividends through growth. Not only are short-term dividends important, but we must also achieve stable growth over the medium to long term. We will strive to improve our business performance on an ongoing basis so that our perpetual growth benefits our shareholders.

Since the launch of the previous Medium-Term Management Plan, we have also been reinforcing our IR. Through shareholder relations interviews, small meetings, visits to foreign investors, and the like, we have established various contact points with shareholders and investors, creating greater opportunities to disclose and share information. By enriching our dividends, shareholder benefits, and communication, we will strive to forge even stronger relationships.

The smiles of our employees are absolutely vital to achieving our vision. We will aim to be a global entertainment company, filling the world with smiles

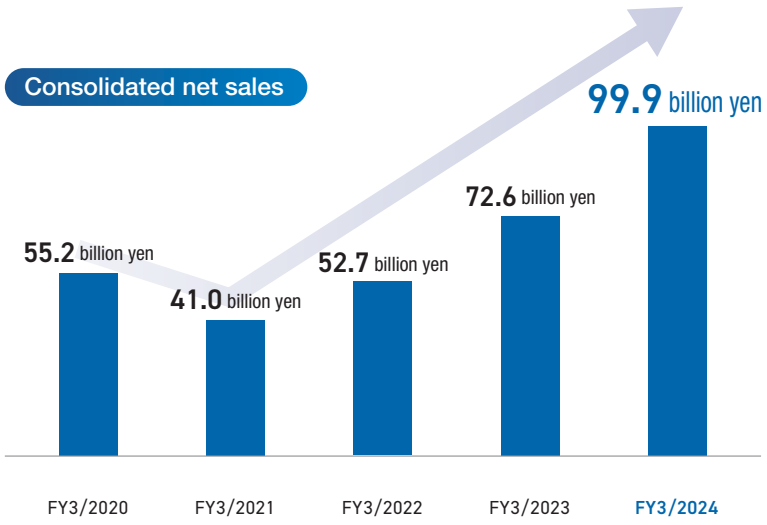
I have talked about our vision of "One World, Connecting Smiles.," our KGI of over 1 trillion yen in market capitalization and over 50.0 billion yen in operating profit, and our contributions to society through the smiles we create. To achieve these, the creativity of our employees and the resonance for our philosophy are vital. We always tell our employees, "Let's all smile." Sanrio cannot take on challenging new business or the challenges of global expansion unless our employees are all smiling. Ensuring that requires a range of initiatives, such as improving workplace environments and implementing personnel reforms. When more employees are happy and motivated, I personally feel great joy as well, and I want us to actively invest in our people.

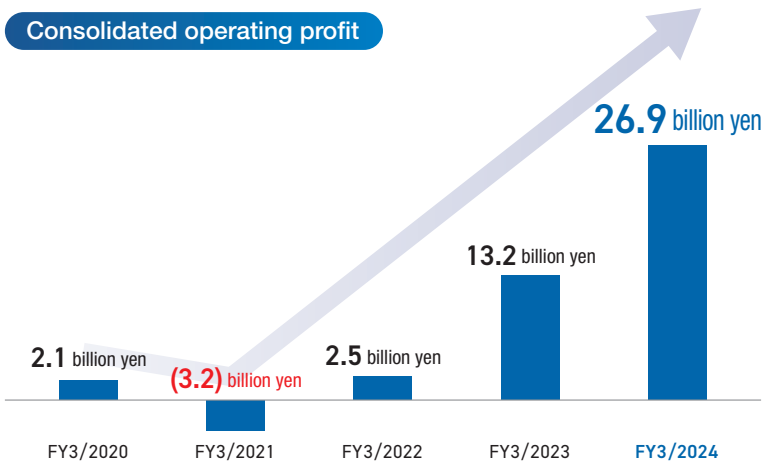
In the future, I want Sanrio to be recognized by people around the world as a global entertainment company. We will create various services, including characters, digital, and games, and supply them to a broad range of people, further increasing Sanrio Time. I see a future in which peoples' image of Sanrio is that of an entertainment company. There are a lot of people in the world without smiles on their faces. If we can grow to be a global entertainment company, we can deliver smiles to even more people.



Review of the Past Three Years

Operating profit fell into a deficit in FY3/2021, however, after having established the new management structure, we completed corporate culture reform, structural reform, and planting of seeds for regrowth, which led to a V-shaped recovery that can be considered as a Second Foundation, through the previous Medium-Term Management Plan from FY3/2022 to FY3/2024.





Completion of the three pillars

1. Corporate culture reform
Reinvigoration of management and improvement of personnel system

2. Completion of structural reform
Elimination of deficits in product sales in North America and Japan and V-shaped recovery

3. Planting seeds for regrowth
The new edutainment business started, and the launch of the game business was decided on

Tailwind from external factors

Post-COVID period
Demand increased in all overseas and domestic markets

Inbound foreign visitors
Increase in both the number of purchasers and unit spending by inbound foreign visitors

Review of the Past Three Years

Completion of the three pillars is a very significant achievement for future growth.
Over the next three years, Sanrio will continue to aim for perpetual growth beyond that.

Completion of the three pillars

1. Corporate culture reform

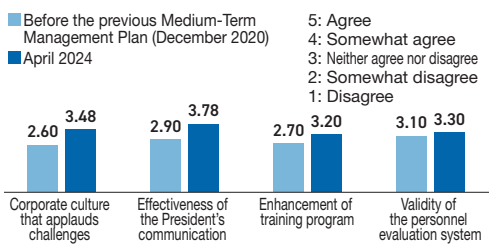
Reinvigoration of management and progress in various reforms

Management was greatly reinvigorated during the period of the previous Medium-Term Management Plan. In conjunction with this, a process was also put in place to set KGIs/KPIs for each department and track them.

In addition, significant reforms were implemented in personnel matters. For example, training systems were improved, evaluation processes were reviewed to transform the personnel system into one that is more convincing, and the compensation system was also significantly revised. We aim to improve our personnel system to a level that is competitive compared to outside companies.

Moreover, as part of the awareness and cultural reform, initiatives such as the Dialogue with the President, where all employees have the opportunity to talk with the President, and the enhancement of internal surveys were implemented. By regularly checking whether the changes in the Company's organizational culture are genuinely being felt, we ensure that these changes are effectively achieved.

Internal engagement has also improved



2. Completion of structural reform

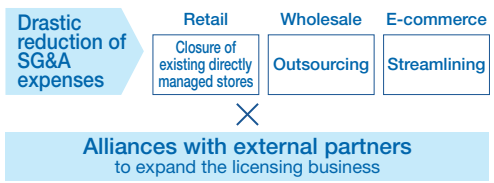
Product sales in Japan, which had consistently recorded deficits, have achieved profitability

Even before the COVID-19 pandemic, product sales in Japan had regularly recorded deficits. In the past three years, comprehensive reforms were implemented, including optimizing the number of SKUs and closing unprofitable stores.

As a result, the number of SKUs has decreased to approximately 60% over three years, and all unprofitable stores have been closed. In addition to the effects of these reforms, Sanrio succeeded in achieving a direct operating profit of 6.0 billion yen or more due in part to the boost from the post-COVID-19 recovery.

Similarly, the North American business, which had continued to record deficits, has achieved profitability

North America had also been struggling with continued deficits. Therefore, in the previous Medium-Term Management Plan, we reduced SG&A expenses in the product sales business, made alliances with external partners to expand the licensing business, and leveraged our previously untapped marketing efforts with digital channels such as YouTube and Roblox. As a result, the North American business has significantly recovered and grown to generate 30% of the Company's overall profits.



3. Planting seeds for regrowth

Launched the first full-fledged English learning materials in the education business

During the three years of the previous Medium-Term Management Plan, we started with the establishment of a department and in only two years launched Sanrio English Master (SEM), full-fledged English language learning materials.

Despite being a new entry to the market, the materials received very high praise from customers. Sanrio will continue to expand SEM and pursue further growth.



Taking on challenges in new areas such as new IP and digital services

Although IP is also Sanrio's starting point, the main focus has been on existing IP, and the challenge has been the difficulty in creating new IP. Therefore, we have conducted various initiatives to create new IP. Through various methods, Sanrio has taken on the challenge of creating new IP, such as HANAMARUOBAKE that was selected in the NEXT KAWAII PROJECT, and the humanoid/story-based IP FRAGARIA MEMORIES, and these efforts are beginning to bear fruit.

In addition, following education, Sanrio is taking on challenges in new areas, such as the development of digital services.

© 2024 SANRIO CO., LTD.

Medium-Term Management Plan

FY3/2025 – FY3/2027

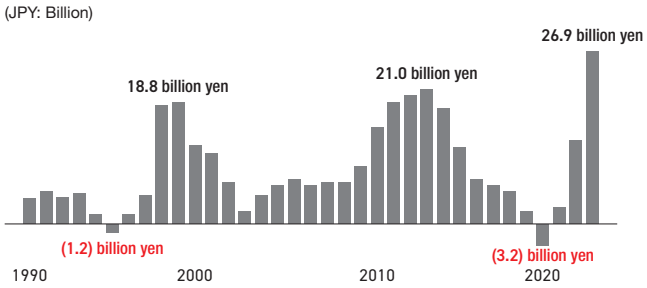
The Medium-Term Management Plan is a three-year period of investment and expansion aimed at creating a stable and perpetual growth cycle, rather than uncertain growth. We have positioned past volatility as a management issue that must be overcome, and in order to continue to grow perpetually to surpass the record profit, we will work on three approaches: making Evergreen global IP, developing a foundation for global growth, and expanding IP portfolio and monetizing in multiple layers.

LOOKING BACK

Looking back at our history, we have faced significant volatility in performance

Consolidated operating profit

(JPY: Billion)



Uncertain growth ≒ Causes of volatility in performance

Overseas growth influenced by **booms dependent on external factors**

&

Lack of a mechanism to ensure that the boom is **not a one-time event**

&

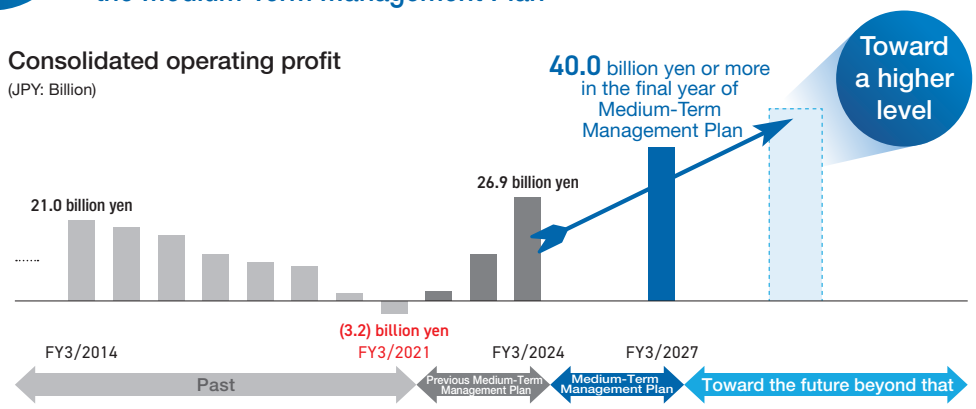
Narrow scope in "Hello Kitty-oriented" and "merchandise-centered" **value offerings**

MOVING FORWARD

We aim for a market capitalization of over 1 trillion yen, operating profit of over 50.0 billion yen, and further perpetual growth beyond that. Achieve operating profit of 40.0 billion yen or more in the final year of the Medium-Term Management Plan

Consolidated operating profit

(JPY: Billion)



Three approaches to achieve stable and perpetual growth

01 Review marketing and sales strategies to **make Evergreen global IP** — Complete through the Medium-Term Management Plan

02 Develop a foundation for global growth — Complete through the Medium-Term Management Plan

03 Expand IP portfolio and monetize in multiple layers — 10- year plan

* Defined as IP recognition, favoritism, etc. that are always fresh and maintained

Medium-Term Management Plan FY3/2025 – FY3/2027

01 1st Approach

Review marketing and sales strategies to **make Evergreen global IP**

In terms of overseas growth which is often influenced by booms, we aim to make Evergreen IP by reforming our branding through a review of marketing and sales strategies in our focus areas of North America and mainland China.

North America

Concentrate marketing and sales investment in English-speaking North America to adopt Evergreen IP

(1) Always maintain freshness by introducing global content

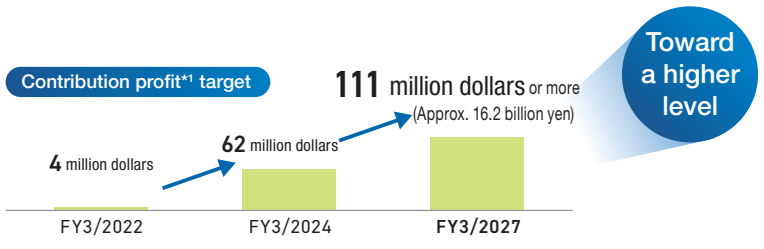
- We aim to maintain freshness through constant recognition and favoritism by continuously releasing global video content, etc.
- We are constantly seeking global partner alliances, including distribution channels and YouTube, to ensure that our content remains accessible.

(2) Change sales targets

- Although specialty stores have been the main licensees up until now, we will develop the leading retailers, which account for 70% of the North American market.
- Sales promotion with these leading retailers is also an important point. Including the content in (1), we will actively support licensees by providing them with tools that make them eager to promote sales.

(3) Expand the structure in line with the scale of growth

- We aim to expand the system both at headquarters and local subsidiaries through investment in human resources.



Mainland China

Achieve solid growth through content production and marketing collaboration with the Alibaba Group, anti-infringement measures, and the expansion of IP design rooted in the region

(1) Maximize collaboration with Alifish

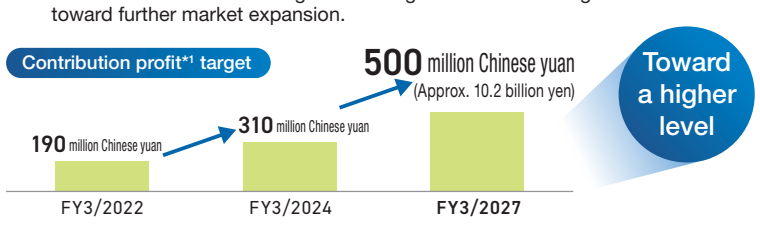
- We signed a master license agreement in 2022 with Alifish, an IP licensing platform in the Alibaba Group, and expanding this partnership is an important point.
- We aim to increase revenue in the licensing business by investing in local marketing and joint production of animation leveraging the Alibaba Group's base in China.

(2) Strengthen mechanisms for anti-infringement measures and the expansion of local design, etc.

- As a countermeasure in the mainland Chinese market where infringed goods are a major issue, we will strengthen our legal team and take full-scale anti-infringement measures.
- We will respond to the shortage of local creators by strengthening systems such as those for local design.

(3) Focus on IP creation rooted in local markets

- Domestically created IP is becoming increasingly popular in mainland China. Although we have exported characters originating from Japan up until now, we will also take on the challenge of creating IP rooted in the region and work toward further market expansion.



* Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.

Medium-Term Management Plan FY3/2025 – FY3/2027

02 2nd Approach

Develop a foundation for global growth

We will build a foundation for global investment and expansion by reviewing our past shortcomings in investment and organizational development, and by strengthening human capital foundation and aggressive finance and governance.

Human capital foundation

The source of Sanrio's strength is creativity, which originates from people. We will provide a wide range of opportunities and support for developing human resources that will be important in the future.

Producers	Creators	Global talent
Leverage diverse touchpoints to drive IP growth	Expand the "breadth" of creativity to maximize IP creation and development	Build a bridge between local subsidiaries and headquarters in line with global expansion
Clarify responsibility for IP revenue Awareness of media mix	Increase opportunities to collaborate with external creators	Strengthen international personnel exchanges
Provide opportunities to consider IP growth from various perspectives through strategic job rotations	Support organizational growth by developing more advanced training programs	Establish replicable career paths



We will always invest in human resources, our most important asset.

Aggressive finance and governance

We will implement mechanisms for both non-continuous investments, such as acquisitions and alliances, and proper measurement of investments on a global scale.

Aggressive Finance

- Take on the challenge of global capital alliances, including M&As, to achieve a market capitalization of over 1 trillion yen and operating profit of over 50.0 billion yen over the medium to long term, as well as further perpetual growth beyond that
- Develop investment process and build an investment team's structure

Governance

▶ vs: Capital market

- Fulfill accountability to investors by disclosing indicators such as ROE and capital allocation policies
- Aim to obtain new credit ratings and control cash on hand and financial base at an appropriate level

▶ vs: Internal (global)

- **Established the Global Strategy Department.** Strengthen global governance
- Introduce an overseas target management process
- Organize data and expedite information gathering from overseas licensees/sales offices
- Establish a verification function of investment effects of global marketing to be aware of marketing ROI

Medium-Term Management Plan FY3/2025 – FY3/2027

03 3rd Approach

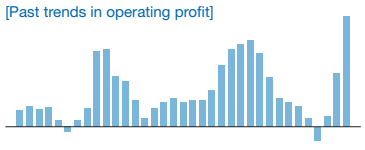
Expand IP portfolio and monetize in multiple layers

With a view to achieving further long-term growth, we will work to expand the IP portfolio and monetize in multiple layers through the establishment of contact points for games, hands-on experiences, and edutainment/kids, thereby creating more time for our customers to be deeply absorbed in Sanrio content, for which perpetual growth and high LTV are expected in mature markets.

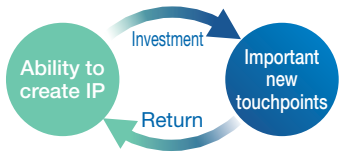
Why?

Break free from the narrow scope in "Hello Kitty-oriented" and "merchandise-oriented" value offerings, which has been the cause of volatility in the past

[Past trends in operating profit]

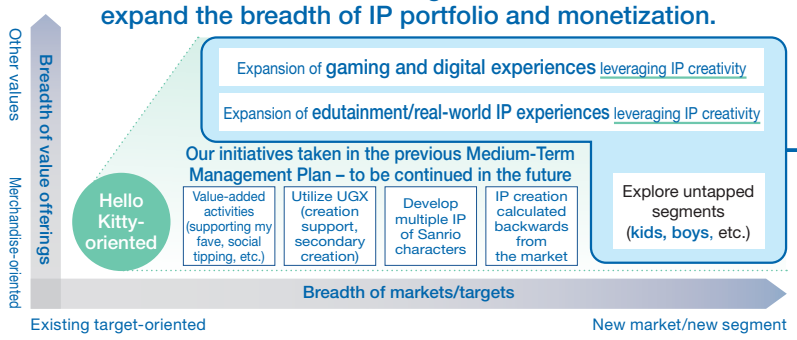


In this new touchpoint, we will further refine our creativity and ability to create IP, which is our strength, and leverage this strength to enhance the global licensing business



How?

We will further strengthen the efforts made in the previous Medium-Term Management Plan and expand the breadth of IP portfolio and monetization.



Touchpoints to focus on in the three years of the Medium-Term Management Plan

Games

With eyes on in-house publishing, game projects are in preparation together with several development studios with abundant experience in Japan and overseas
Aiming for sales of 10.0 billion yen or more over the medium to long term

Casual games	Games with new sensations	Global media mix
Approx. 2 household games for mobile platforms	Approx. 3 games in multiple areas	Approx. 3 projects with global companies

Hands-on experience

Sanrio Entertainment Co., Ltd., the operator of Puroland, leads the development of new experience touchpoints beyond traditional stores and theme parks, and works to increase LTV* for kids and overseas

Major touchpoints to date → Experience touchpoints to be focused on in the Medium-Term Management Plan

Sanrio Stores | Sanrio Puroland | Harmonyland | Deployment of other companies' facilities | Live music and cafes | Hospitality and immersive facilities | Family show | Kids' parks

Edutainment/ Kids

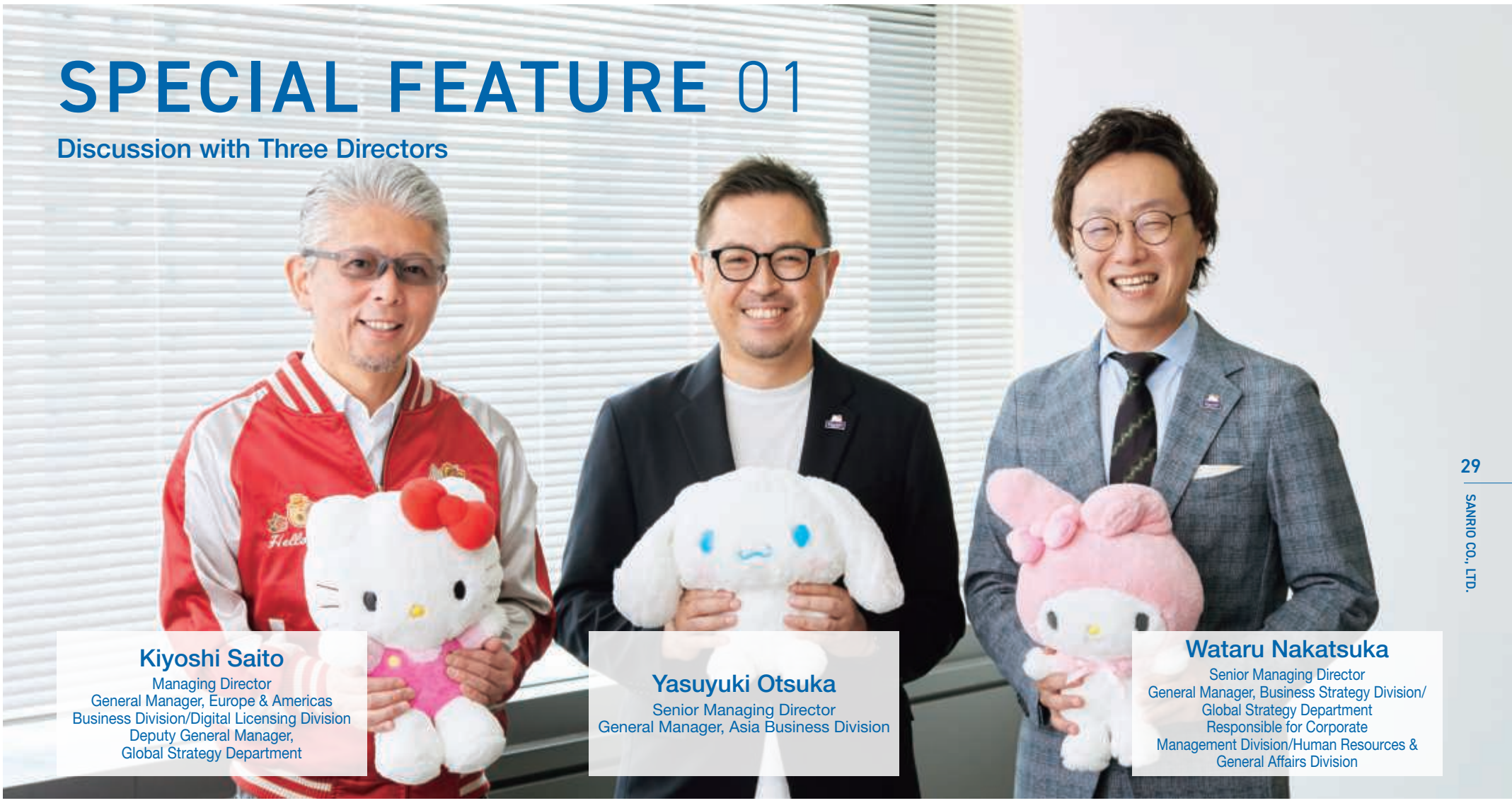
By utilizing our video production and show expertise gained from the development of English learning materials, we will fully engage in the creation of new touchpoints, such as kids' parks and educational anime distribution. We are currently discussing partner alliances in Japan and overseas in the form of business and capital alliances, aiming for a global scale

English learning materials for kids → Utilize expertise → Kids' parks with experience value at a high level / Distribution of educational animations

* LTV (Life Time Value): Total amount of Sanrio products and services purchased by customers over their lifetime

SPECIAL FEATURE 01

Discussion with Three Directors



Kiyoshi Saito
Managing Director
General Manager, Europe & Americas Business Division/Digital Licensing Division
Deputy General Manager, Global Strategy Department

Yasuyuki Otsuka
Senior Managing Director
General Manager, Asia Business Division

Wataru Nakatsuka
Senior Managing Director
General Manager, Business Strategy Division/Global Strategy Department
Responsible for Corporate Management Division/Human Resources & General Affairs Division

* The backgrounds of the three directors are introduced in Chapter 03 “Our Approach” on each page of the Message section.

Breaking free from volatility toward a cycle of stable and perpetual growth

Taking on challenges with the three approaches of making Evergreen IP, developing a foundation for global growth, and expanding IP portfolio and monetizing in multiple layers

Nakatsuka: Three of us joined Sanrio in 2021, during a period when the Company was aiming for a “Second Foundation.” During the three years of the previous Medium-Term Management Plan, which implemented corporate culture reform and structural reform, we laid the foundation for the next 10 years and even the next 50 years. The Medium-Term Management Plan announced this fiscal year is exactly the right time to build on that foundation and pursue further growth.



Although Sanrio has always achieved substantial overseas sales and profits, the current Medium-Term Management Plan focuses on the three approaches of developing a foundation for global growth to truly deliver value globally, making Evergreen IP where IP is always kept fresh and close to customers, not limited to exposure in certain markets, and expanding IP portfolio and monetizing in multiple layers through the expansion of the portfolio of Sanrio’s over 450 iconic IPs into areas such as gaming, education, digital and Web3.

After the past three years of building a foundation, the mission of the current Medium-Term Management Plan has been to create a cycle of stable and perpetual growth.

Otsuka: Over the past three years, I have been in charge of structural reform of product sales in Japan to eliminate deficits with a view to re-growing the business. The reforms were successful, and in FY3/2024, the domestic product sales business alone achieved a direct operating profit of 6.0 billion yen or more. We will continue to maximize Sanrio’s character IP while pursuing strategies for improving efficiency going forward.

At the same time, we must address the issue of performance volatility. In the domestic business I am responsible for, it is important to maximize the synergies between the product sales and licensing businesses to further enhance the value of Sanrio’s characters. In addition, in the Asian business, we will move away from a Hello Kitty-oriented business and firmly establish a well-balanced character portfolio. I believe that implementing various measures simultaneously will make it possible to achieve dramatic growth. Looking at Asia from the perspective of making Evergreen IP, East Asia and Southeast Asia have great potential, and it is important to thoroughly develop character and product categories in every corner of the region. In particular, the collaboration with Alifish in China has laid the foundation to rapidly expand Sanrio’s IP across China by leveraging the Alibaba Group’s ecosystem. Having large-scale investments on our side, including content investments by the Alibaba Group, will enhance the brand power of our IP not only in China but also globally. In particular, I believe that we have secured a certain level of growth potential for the medium to long term with the start of brand mapping this fiscal year.

Saito: One of the structural reforms in the previous Medium-Term Management Plan was the North American business, which I am in charge of.

We achieved a V-shaped recovery from deficits, and dramatic growth continues.

This success was due to factors including the reduction of SG&A expenses by outsourcing the product sales business in North America, franchising directly managed stores, and focusing on the licensing business, in addition to proactive marketing investments that led to positive results. In particular, in the digital field, we made significant progress, and the game Hello Kitty Island Adventure released on Apple Arcade achieved the number one position in the Apple Arcade game category in the 2023 App Store Awards.

In other words, through collaborations with digital platformers and top brands, the engagement between digital and brand experiences has deepened, amplifying brand and IP equity and significantly increasing revenue. In addition to the digital field, we also strategically strengthened our licensees in real supply, who connect a large share of the mass market, centered around Walmart and Target. Brand

power has increased, and various synergies have created a positive cycle over the past three years.

Otsuka: On the other hand, the challenge of volatility in performance that hinders stable growth can be considered the fate of the character industry.

Against this backdrop, I believe it is a great strength that Sanrio has many characters that have maintained a considerable level of popularity as they are celebrating their 50th anniversary. Until now, we have had a Hello Kitty-oriented approach. Going forward, it will be important to focus on other characters and expand into areas beyond existing Sanrio characters, in other words, to expand and diversify the IP portfolio.



Nakatsuka: It is truly a shift from an IP company to a global entertainment company. We will expand the scope of monetization by building up multi-layered content, not only products, but also theme parks, movies, and distribution. I believe that returning value will gain the support of our investors.

Saito: If we analyze the actual situation, this industry is potentially exposed to the risk of a very large amplitude of business volatility because the volatility of the entertainment business itself and the volatility specific to the licensing business affect each other. To minimize the amplitude of this potential volatility, diversification across four axes is required. The four axes are character diversification through the development of new IP and the revival of dormant or lower-tier characters, category diversification by increasing touchpoints with users through games, Web3, education, and hands-on experiences, business model diversification through partnerships with platformers and other partners, and regional diversification by expanding sales channels in India, the Middle East, and other regions where Sanrio's potential is yet to be fully realized.

Nakatsuka: It is also important to build a foundation to support these axes.

In the second approach, developing a foundation for global growth, we will strengthen the recruitment and development of the human resources necessary for diversification, including creators and producers. We will also develop networks to gather insights from customers and consumers, pursue dynamic investments including M&As and partnerships, and develop a more advanced decision-making process.

Otsuka: In particular, many talented human resources are located in affiliated companies not only in Japan but also overseas. I believe that building a cross-global career path and creating an environment filled with diversity will also be effective.

LBE* is an important axis. We will deepen engagement and increase the time deeply absorbed in Sanrio by enhancing the value of hands-on experiences, educational experiences, and digital experiences

Nakatsuka: By the way, Sanrio Time serves as a financial and non-financial achievement indicator for Sanrio.

Over the past 65 years, Sanrio has created time feeling close to Sanrio in many aspects of our lives. In the current Medium-Term Management Plan, we have specifically declared our intention to create time deeply absorbed in Sanrio. To do this, we need to increase the time customers are deeply absorbed in Sanrio, meaning we must strengthen touchpoints with users.

I believe one of the important axes will be LBE. What is directly related to this is the importance of providing value globally in the form of hands-on experiences represented by Sanrio Puroland, educational experiences, and digital experiences, as well as deeply engaging with users. I think that creating time feeling close to Sanrio and time deeply absorbed in Sanrio over the next 10, 20, and 30 years will lead to stable and perpetual growth.

Saito: I believe that not only through large-scale initiatives such as theme parks but also through more familiar customer touchpoints, such as events and cafes, we can provide deep experiences and strengthen customer engagement. In addition to hands-on experiences, digital experiences are also important. Having customers enjoy the Sanrio worldview through both types of experiences will also contribute to improving LTV. From the perspectives of strengthening customer engagement and amplifying brand and IP value, the five channels I focus on are owned media, games, video, sports, and collaborations with leading product brands.

Otsuka: In overseeing such diverse channels, I believe it is also effective to have our own digital platforms in Japan. If we can have a channel that not only serves as an e-commerce site but also simultaneously handles branding, commercialization, and attracting customers for excellent IP, we can prepare for a medium- to long-term future in which the social environment has changed.

Nakatsuka: Establishing those platforms and new businesses will require synergies with the brand equity and assets that Sanrio has fostered over a period of 65 years. I realize that the true value of assets such as the manufacturing value chain, high-quality licensees, and IP copyright management knowledge will be fully demonstrated even in cutting-edge areas such as Web3 and the metaverse. Going forward, the boundaries between IP creators and receivers will disappear. We need to be aware that if we start new businesses with the right principles, significant synergies will be created, which will lead to the expansion of a new business portfolio.

Saito: At the same time, it is important to have a perspective of horizontally rolling out the best practices of each business. By creating a structure of global best practices, including the sharing of excellent know-how and the expansion of existing content to other regions, each measure will be reflected in the growth of Sanrio as a whole.

Sharing our vision with all stakeholders to evolve into an entertainment company

Nakatsuka: An ecosystem that connects multifaceted measures is also beneficial to users. The cycle of creating a source of value at theme parks, amplifying the value through the purchase of products, and expanding the fan base through the licensing business is still functioning today. If the digital space is added to this cycle, we can deliver value in a wider variety of situations.

In order to achieve a market capitalization of over 1 trillion yen and even further perpetual growth, it would be ideal for each of these measures to occur spontaneously around the world. To do so, the vision of "One World, Connecting Smiles." must not be separated by region but shared with all stakeholders. We should be able to evolve into a global entertainment company if we always go back to our vision and our ecosystem functions comprehensively.

Saito: I believe that is right. Sales and profits are only waypoints toward achieving our vision, and brand value may disintegrate if that is all we focus on. Furthermore, the cooperation of partner companies is essential when venturing into areas outside of our expertise, such as digital and education. From this perspective, it is also necessary to share our vision with all stakeholders.



Otsuka: Another important aspect to share is the value and advantage of being an IP company originated in Japan. People around the world place more value on this aspect than Japanese people might realize. Sanrio was founded as a social communication business company for giving gifts, with the motto of "Small Gift, Big Smile" by the Honorary Chairman. The current President, inheriting this motto, has elevated the philosophy to "One World, Connecting Smiles," to further spread smiles around the world, and is expanding the value of entertainment beyond just gifts on a global scale.

In order to realize the world of "Minna Nakayoku (Getting Along Together)," all employees, including officers, will continue to keep this philosophy in mind as we strive to make the next leap forward.

* LBE (Location Based Entertainment): Real-world contact points centered on providing experiences

From Uncertain Growth to Stable and Perpetual Growth

We want our creativities to bring smiles to our customers around the world.
To make someone else smile, we must first be smiling ourselves.
We will continue to strive for growth by leveraging our various strengths as we aim to achieve our vision of “One World, Connecting Smiles.”





Creating as many smiles as possible and extending the circle of happiness even further afield.

© 2024 SANRIO CO., LTD.

To praise one another.
To not fear failure, rather,
to recognize and applaud one another for our efforts.





Breaking free from volatility

We aim to be in the business of sharing and communicating love.

Contribute to society through smiles





Toward Evergreen Global IP

Becoming a global entertainment company

Overview of Sanrio's Regions of Operation and Regional Strategies

Europe & Americas Business

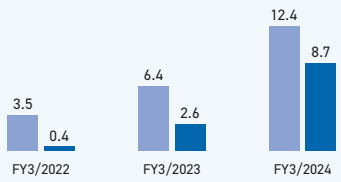
- North America accounts for the main portion of earnings for this segment, and is also the most important region in terms of potential market growth. Recently, we have achieved significant growth through the effective use of digital measures and other means.
- Europe has the second-largest potential after North America in terms of market size, but the entertainment market is showing signs of slowing down due to its maturity.
- Meanwhile, India has the potential for rapid growth. With an eye on the entertainment market, which looks set to expand alongside economic growth, we will make investments for the future.
- Digital technology is attracting attention due to its potential to fuel changes in the business environment that could have a major impact on the global entertainment market, not only in Europe and the Americas. As the democratization of creativity through tools such as generative AI and Web3 poses both a threat and an opportunity for entertainment companies, we need to address this trend from a long-term perspective.

Sanrio has established subsidiaries in various locations and conducts business in 130 countries and regions around the world. Operations in North and Latin America, Europe and India are overseen by the Europe & Americas Business Division, which will support Sanrio's future growth, particularly in North America, our most important region overseas.

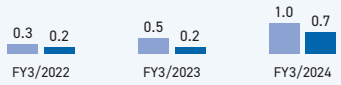


Net sales/ Contribution profit* (JPY: Billion)

A Sanrio, Inc.
Licensing and product sales business in North America

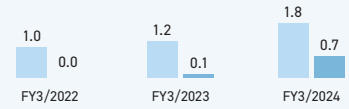


B Sanrio do Brasil Comércio e Representações Ltda.
Licensing and product sales business in Central and Latin America

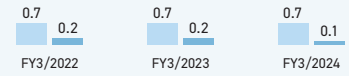


Net sales/ Contribution profit* (JPY: Billion)

C Sanrio GmbH
Licensing and product sales business in EMEA, India, and Oceania



D Sanrio Global Ltd.
Licensing and product sales business for Mr. Men Little Miss



* Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.

Overview of Sanrio's Regions of Operation and Regional Strategies

Operations in Japan, East Asia, and Southeast Asia are overseen by the Asia Business Division. The Sanrio brand is very popular throughout Asia, with mainland China being a particularly important region with a large market.

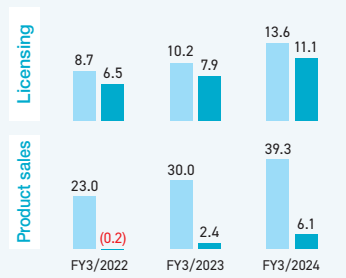
Asia Business

- Japan is a mature market that generates stable earnings from both product sales and licensing and will remain integral to our operations as our mother country.
- Mainland China is a key region with solid market growth potential where Sanrio IP is popular. On the other hand, it also faces geopolitical risks. Although there is little likelihood of any serious operational problems occurring in the near term, we still need to take measures to address these risks.
- Southeast Asia is a region with the potential for rapid growth. From this stage onwards, we aim to make investments for the future while incorporating digital services.
- In Asia, Southeast Asia in particular, the market for blockchain games and other offerings that utilize Web3 is beginning to take hold. New, unconventional fields are also expected to emerge in the gaming industry.



Net sales/ Direct operating profit*1 (JPY: Billion)

E Sanrio Company, Ltd.
Licensing business in Japan
Domestic product sales business



Net sales/ Contribution profit*2 (JPY: Billion)

F Sanrio Shanghai International Trade Co., Ltd.
Licensing and product sales business in Mainland China



G Sanrio Korea Co., Ltd.
Licensing and product sales business in South Korea



H Sanrio Taiwan Co., Ltd.
Licensing and product sales business in Taiwan



I Sanrio (Hong Kong) Co., Ltd./ Sanrio Wave Hong Kong Co., Ltd.
Licensing and product sales business in Hong Kong and Macau



J SANRIO SOUTHEAST ASIA PTE. LTD.
Licensing and product sales business in Southeast Asian region including Thailand, Indonesia and Malaysia



*1 Direct operating profit = Operating profit before allocation of headquarters' indirect costs
*2 Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.

SPECIAL FEATURE 02

Dialogue with Global Stakeholders



Maximizing the Strengths of Sanrio and the Alibaba Group

Tomokuni Tsuji,
President and CEO

×

Maggie Wu,
President of Alifish

Sanrio is strengthening its collaboration with the Alibaba Group to make Evergreen global IP. Our President Tomokuni Tsuji and President Maggie Wu of Alifish discussed the strategies and outlook for the mainland China market.

Ramping up our collaboration to bring out the potential of our characters by linking with the Alibaba platform

Tsuji: Sanrio established Sanrio (Shanghai) International Trading Company in mainland China in 2003. Although our characters have become more widely known than they were back then, they have yet to reach their full potential. For further brand penetration in the market, we needed the capabilities of the Alibaba Group, which possesses world-class digital platforms. Therefore, in 2022, we entered into a master license agreement with Alifish, a subsidiary of the Alibaba Group. We entrusted Alifish with the use of licensing rights for 26 characters and the granting and management of the licensing rights to sublicensees, and decided to further collaborate with Alifish to strengthen marketing and content creation. After the announcement of our collaboration with Alifish, Sanrio's stock price rose significantly, which affirmed us of the heightened market interest in this collaboration.

Wu: The partnership with Sanrio has also attracted interest from the market and consumers in mainland China. Sanrio's official Mainland China social media accounts have more than 4.59 million followers (as of July 2024), racking up more than 23 million interactions. Recently, the 2024 Sanrio Character Awards have been trending on social media in mainland China.

Tsuji: The Alibaba Group has large-scale digital platforms such as the payment service Alipay, the video-sharing service Youku, and the e-commerce sites Tmall and Taobao, as well as advanced expertise in providing consumer experiences through these platforms. To make full use of these capabilities, in 2023, we participated in two major e-commerce events in mainland China, as in the previous year, and also held events celebrating our characters' birthdays. As a result, we achieved record levels of exposure.

Wu: In 2023, we developed more than 30 art sources, and we plan to increase this to more than 50 in 2024. We have also decided to produce a 26-episode anime series. In addition, we held two large-scale conferences with licensees, where we conducted negotiations with more than 1,000 companies. As a result of these efforts, nearly 100 brands have newly joined us in collaborations on Sanrio IP, and more than 20,000 new products have been brought to the market. The resulting number of consumer purchases reached hundreds of millions in 2023. Given the high levels of passion of our fans, we expect the buzz to grow even more in the future.

Tsuji: We aim to further expand our exposure through large-scale events, both online and offline. In the long term, we plan to build a brand positioning map and actively seek out partners with high brand value in mainland China to create a path for sustainable growth.



Using advanced digital marketing expertise to make Evergreen global IP and achieve CNY 500 million (JPY 10.2 billion) in contribution profit

Tsuji: Strengthening collaboration with the Alibaba Group will help us achieve our goal of making Evergreen global IP set out in our medium-term management plan. For example, rolling out new animations is about delivering our value to people we could not reach before. Expanding our business into the vast market of mainland China will also help us break away from volatility, which is a challenge for us.

Wu: I see that in the medium-term management plan, Sanrio has set a target of increasing contribution profit in China from CNY 310 million (JPY 6.2 billion yen) to CNY 500 million (JPY 10.2 billion) over three years. That is a highly ambitious stance, and one we support. With deeper collaboration between our companies through the marketing support that reflects consumer trends in mainland China we provide, I am certain we will be able to achieve these high numerical targets.

Tsuji: Alifish offers advanced digital marketing using big data analysis and AI technology. I believe Alibaba Group's insights into synergies between marketing and licensing, as well as between online and real-world strategies will be applicable worldwide. If Sanrio can grow by using these capabilities and gaining access to cutting-edge expertise, we can boost engagement with users not only in mainland China, but throughout Asia.

Wu: The IP licensing industry in Asia is rich in diversity and vitality. In addition, even from a global perspective, Japanese IP has a high market share and content creation capabilities are at a high level. On the other hand, the market in mainland China is undergoing rapid growth and the business environment is also changing, with increasing emphasis on copyright management and other areas of corporate ethics. Due to this trend, many companies in mainland China are keen to learn from Japanese IP businesses like Sanrio. We are also excited about the positive impact Sanrio will have on the Alibaba Group.

Tsuji: We will also need to approach the major task of anti-infringement measures. In the growth we have experienced to date in the mainland China market, the increase in infringed goods has been an inevitable side effect. Going forward, we must work earnestly to eradicate infringed goods in cooperation with local governments and the Alibaba Group. By firmly protecting the value of our brand and IP, we hope to convert these assets into profits and thoroughly address the risk of value erosion.



Contributing to society through smiles by increasing time feeling close to Sanrio and time deeply absorbed in Sanrio in mainland China and Asia

Wu: Our businesses are not just about expanding profits; contributing to society is also an important theme. I believe that our two companies, with our focus on IP business, have four main social responsibilities: (1) to enrich users' emotions, (2) to drive corporate development, (3) to promote cross-cultural exchanges, and (4) to contribute to societal progress. In January 2024, Alifish published a white paper on IP licensing that highlighted corporate social responsibility. We are also working on activities that utilize Sanrio's assets, such as having Sanrio's characters appear in events focusing on women's mental and physical health.

Tsuji: Contributing to society through smiles is one of our important goals. It is also true, however, that there are many people in the world who are too preoccupied to smile. In mainland China, we should focus on the issues faced by each individual, as we have done in other regions. We aim to exchange insights with the Alibaba Group as they have made outstanding efforts from the perspective of ESG as well.



Wu: We deeply resonate with the concepts of "time deeply absorbed in Sanrio" and "time feeling close to Sanrio" promoted by Sanrio and President Tsuji. It is such an amazing achievement that they increased these indicators by 1.5 times in one year. The mission of Alibaba Digital Media & Entertainment Group is to make everyone happy, which is also the focus of its Vision. I believe that the shared philosophy of our two companies will enable us to achieve sustainable growth.

Tsuji: I'm very happy to hear that. Our vision at Sanrio is "Creating as many smiles as possible and extending the circle of happiness even further afield." To this end, our key aim of this partnership is to bring smiles to the faces of people in mainland China and Asia. Being able to empathize not just in terms of business and sales, but also in terms of underlying philosophies, means that we can be more than just business partners, but friends who pursue the same goals together. I would like to maintain this strong relationship for a long time to come.

Wu: IP not only has value as a product itself, but also has the power to melt resentment and inspire emotions. When I was a child, my mother gave me a Hello Kitty hand mirror she brought back from a business trip to Japan. Ever since then, I have loved Hello Kitty, and looking back on my own experience, a few features of Sanrio characters stand out to me. They are instantly recognizable, with their appeal conveyed at a glance; they remain consistently loveable, even while evolving with the times; and the character lineup is diverse yet inclusive with no overlap between them. These elements stand out compared to other IPs. Sanrio is a wonderful company and we hope to learn much from you, so that we can contribute to creating a better culture.



* Contribution profit: Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.

Discussion of Financial Strategy by Officer in Charge

We will advance management from a cost-of-capital perspective to achieve a market capitalization of over 1 trillion yen and perpetual growth beyond that. Going forward, we will continue to provide daily updates based on our best practices and the views of investors. We have earmarked 30.0 billion yen for organic investment and 50.0 billion yen for M&A and other investments. We will make disciplined investment decisions through the Investment Committee.

Further Advancing Management from a Cost-of-Capital Perspective

In terms of our business performance, operating profit has continued to rise since bottoming out at a loss of 3.2 billion yen in FY3/2021, leading to the achievement of record-high consolidated operating profit of 26.9 billion yen in FY3/2024. As a result, our stock price has also steadily continued to rise.

Since joining Sanrio in February 2024 as the financial officer, I have met with many investors.

I was once again reminded that as a Japanese company with strengths in IP, we have an advantage and potential on a global scale. I also received positive responses to our highly capital-efficient business model centered on licensing and the structural reforms implemented during the period of our previous Medium-Term Management Plan. Meanwhile, I was also given various constructive criticisms, such as on how our guidance was too conservative, causing us to make repeated upward revisions to our forecasts; how they didn't want us to invest in new businesses that carry low profit margins even though we are profitable in the licensing business; how our approach toward capital allocation was unclear; and how our reasoning behind issuing convertible bonds was unclear.

In the Medium-Term Management Plan, we have disclosed our policies starting from the measures we can hammer out right away based on the views of investors, such as management from a cost-of-capital perspective and capital allocation, described in more detail below. We have also significantly updated our financial results briefing materials to make it easier to understand the key points. We are aware that there are still issues to be addressed, and we will continue to provide further updates while incorporating best practices and the opinions of investors.

Shareholders often tell us that we should focus on the highly capital-efficient licensing business and not invest in other businesses that have real-world contact points or new businesses. I can understand that point of view, if focusing on short-term profits. However, our focus is on medium- to long-term growth. Through real-world contact points, we plan to increase the number of enthusiastic fans and broaden the breadth of monetization to reduce volatility. As a medium- to long-term financial discipline, we have established a policy to achieve ROE of 15% or more, even in a difficult business environment. This is only a guide for the bottom line, and does not mean that we will make investments with low returns versus the 29% ROE level achieved in FY3/2024. We will focus not solely on short-term business performance, but also on medium- to long-term growth with the aim of achieving perpetual growth.

In order to optimize our financial base, we will acquire new domestic credit ratings. With regard to our financial base, we had previously been monitoring various financial indicators intuitively, but we will now implement appropriate controls, including for cash on hand, which take into account our target credit rating and future investment plans.

With regard to our cross-shareholdings, we have conducted regular reviews for some time now. Each year, we reduce these shareholdings following verification of our cost of capital and quantitative returns by the Board of Directors. That said, we intend to continue holding the shares of strategically key partners.

If we need to procure funds at some point in the future, such as for making large-scale investments, we plan to prioritize financing methods with low cost of capital. Specifically, we plan to prioritize senior bank loans and avoid public offerings and other methods of raising capital that have a high cost of capital. I believe that the cost of capital is not simply calculated based on CAPM theory, but is something that companies should sense from the market's expectations. As such, we will gain an appropriate understanding of the cost of capital through dialogue with our investors on a daily basis.

Additionally, for shareholder returns, we will continue to maintain a dividend payout ratio of 30% or higher. If we do not make any major investments during the period covered by the Medium-Term Management Plan, we will consider additional shareholder returns. As for shareholder benefits, in addition to the complimentary theme park entry passes and shareholder benefit coupons, we have expanded the benefits plan for shareholders who have held 300 or more shares of the Company on an ongoing basis for more than three years, who are eligible for benefits including shareholder-limited acrylic stands, stuffed toys, and online events, based on the number of shares held.

Financial discipline (medium to long term)	● Reduce business volatility, **maintain ROE of 15% or more even in a difficult business environment**, and strive to earn above cost of capital over the medium to long term ● **Acquire new domestic credit ratings** and control cash and financial base to levels appropriate for an entertainment company ● **In case fundraising becomes necessary in the future**, consider the order of priority for fundraising: senior bank loans and straight bonds > hybrid (e.g. subordinated loans and subordinated bonds) > public offerings and convertible bonds **with the cost of capital in mind**
Shareholder returns (medium to long term)	● **Dividend payout ratio of 30% or higher. In the absence of prospects for attractive investment opportunities, consider additional shareholder returns**, taking into account surplus funds and financial strength ● **Focus on increasing the total shareholder return (TSR)** due to higher share price, in addition to dividends

Disciplined Management by the Investment Committee, Balancing Strategic Investments and Shareholder Returns

Sanrio has not made any significant large-scale investments since the large-scale investments made for the establishment of theme parks around 1990. In the Medium-Term Management Plan, we have set aside 30.0 billion yen for organic investment and 50.0 billion yen for M&A and other investments, and are moving toward a stage of full-scale investments. The Investment Committee has been established to carefully select investments that will lead to the enhancement of corporate value. We will also bring in external advisors to set investment criteria and checkpoints for each of the areas of M&As, minority investments, existing businesses, and new businesses, and will carry out investments based on an objective framework.

To provide some examples of investment checkpoints, for M&As we conduct various due diligence activities together with external financial advisors, lawyers, consultants, accountants, and other professionals to consider factors such as 1) market attractiveness, 2) alignment with the Company's overall strategy, 3) feasibility of synergies, 4) fair acquisition price, 5) organization, 6) post-merger integration, and other factors. We will also bring in external advisors for the game business to consider 1) organizing capabilities related to planning, sales, and IP control, 2) the appropriateness of the business partner, 3) monitoring at each stage gate, and 4) verifying financial feasibility.

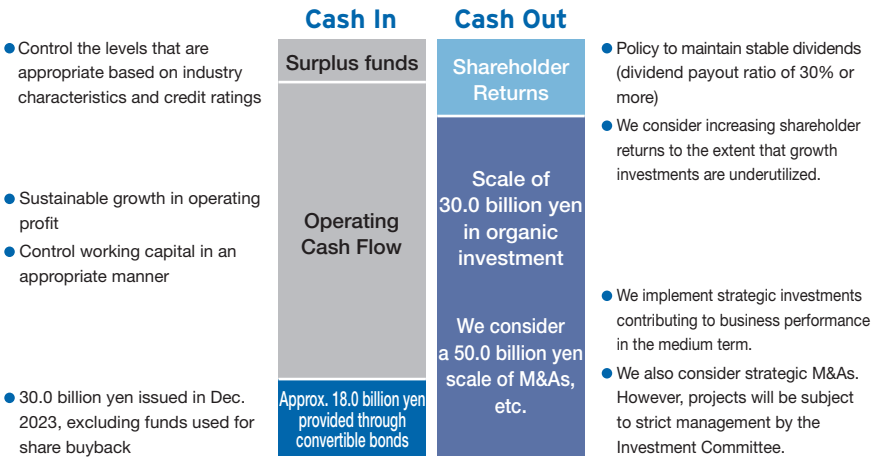
In the area of M&A and minority investments, we plan to focus our considerations on projects that contribute to non-continuous overseas growth and projects that will drive the initial momentum of new businesses. Rather than bringing in projects from financial institutions or M&A intermediaries, we will proactively seek out attractive projects based on our own long list and other sources. Specifically, we hold regular M&A meetings internally once every two weeks, where we update our long list, verify synergies, and update the progress of projects.

With regard to capital allocation, we will allocate the amount raised by the convertible bonds issued in December last year, as well as operating cash flow generated during the Medium-Term Management Plan, to strategic investments and shareholder returns. We will strive to invest strategically with discipline through the Investment Committee and achieve stable shareholder returns with a dividend payout ratio targeting 30% or higher.

We are a company that takes our share price very seriously. We aim to achieve a market capitalization of over 1 trillion yen and perpetual growth beyond that. To this end, we strive to do the following. First of all, we place importance on dialogue with investors and analysts. In addition to the IR team and myself, we will also provide opportunities for each Director, including the President, to actively engage in direct dialogue with them. Their opinions are fed back to the management team and Outside Directors in a timely manner, and will also be utilized in our management efforts going forward. Next is improving the visibility and transparency of information. In order to be appropriately evaluated by the market, we believe it is important to provide information honestly and in a timely manner. In keeping with this, we will hold financial results briefings on a quarterly basis going forward. We will do our utmost to meet requests for the disclosure of such information.

Through these initiatives, we will conduct management from a cost-of-capital perspective to achieve a market capitalization of over 1 trillion yen and perpetual growth beyond that.

Capital allocation over the three years of the Medium-Term Management Plan



MESSAGE

I joined Sanrio after serving as the CFO of a listed start-up company, and before that I worked at a securities company, where I provided advice on matters such as M&As, fundraising, and IR as a securities analyst and investment banker. As the officer in charge of IR, with the aim of achieving a market capitalization of over 1 trillion yen and perpetual growth beyond that, I will shift my focus to management that is more conscious than ever of the cost of capital.

Seiichiro Matsumoto
Managing Executive Officer
General Manager, Corporate Management Division Responsible for Accounting Department/Corporate Planning Department/ Investor Relations Department



Discussion of Asia Strategy by Officer in Charge

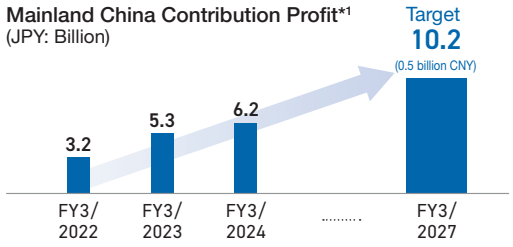
In the mainland Chinese market, we will maximize the brand value of our IP through content investment utilizing our alliance with the Alibaba Group (Alifish). We will also actively implement local design and anti-infringement measures. In Japan, our largest market, we will strive to achieve continuous growth in this mature market by steadily capturing the growing demand from inbound foreign visitors and expanding our IP portfolio.

Past Trends/Future Goals

Mainland China

Due in part to the increase in demand after the COVID-19 pandemic, contribution profit grew to 6.2 billion yen in FY3/2024

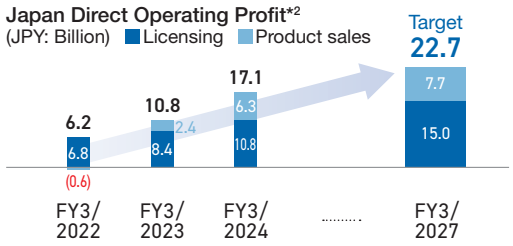
Mainland China Contribution Profit*1
(JPY: Billion)



Japan

Due to impact from the post-COVID period and inbound foreign visitors, operations in Japan achieved double-digit growth in the three years through FY3/2024

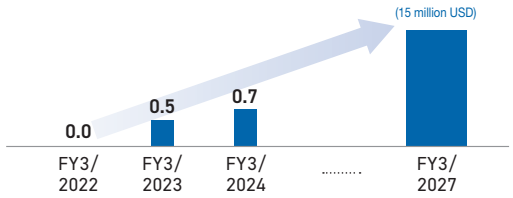
Japan Direct Operating Profit*2
(JPY: Billion) ■Licensing ■Product sales



Southeast Asia

Increase in demand in the post-COVID period led to growth

Southeast Asia Contribution Profit
(JPY: Billion)



Market Environment and Sanrio's Position

Mainland China

Leveraging our high recognition and partnership with Alibaba Group presents good opportunities

- The growth of the character merchandise market and the increasing popularity of our IP has resulted in increased brand recognition and market share compared to Europe and the United States
- There is room for growth through collaboration with the Alibaba Group

Japan

Product sales to inbound foreign visitors increased in particular. Meanwhile, new initiatives are needed for Japan, as it is a mature market

- As Japan is a mature market and the share of our IP is relatively high, it is not easy to sustain double-digit growth
- In addition to capturing demand from inbound foreign visitors, which is expected to continue increasing, we also need to take on new challenges

Southeast Asia

Recognition of Sanrio characters is still limited

- Potential growth opportunities exist through measures to raise brand recognition and the promotion of merchandising

Risks to Be Aware Of

Mainland China

Infringing goods distribution risks and geopolitical risks

- Given the major issue of infringing goods, we cannot overlook industry-wide opportunity losses
- Although a market with large growth potential, the outlook for business sentiment is uncertain
- In a pessimistic risk scenario, there is the risk of Japanese IP being shunned due to the worsening of the U.S.-China conflict

Japan

Risk of slowing growth in mature markets

- The biggest risk is that growth may stall if we focus solely on the merchandising categories for existing characters

Key Points of Our Strategy

Mainland China

1. Maximize our collaboration with the Alibaba Group
2. Focus on unique measures in areas such as gaming and space creation
3. Thoroughly solidify the foundation via anti-infringement measures and strengthening local design functions, etc.

Japan

4. Strengthen measures for inbound foreign visitors
5. Expand our IP portfolio by maximizing the use of new and dormant IPs
6. Multi-layered monetization

Southeast Asia

7. Through localization of video content:
   - Penetrate Sanrio character brands
   - Focus on multi-character development and expand our IP portfolio

*1 Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses "contribution profit," which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.
*2 Operating profit before allocation of headquarters' indirect costs

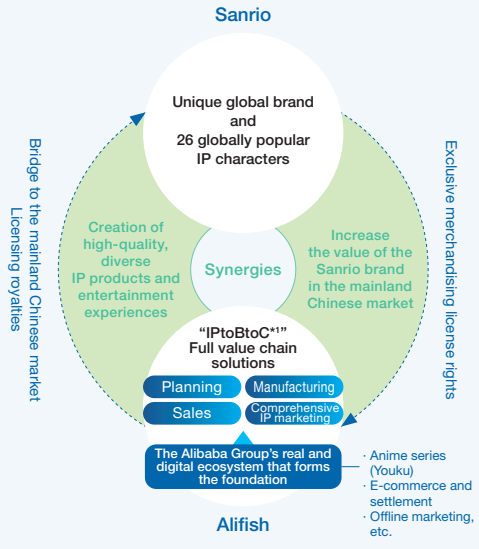
Strategic Policy

Mainland China

1 Maximize collaboration with the Alibaba Group

First, as the most important aspect of our business in mainland China, we aim to maximize collaborative synergies with the Alibaba Group. As part of these efforts, we have decided to produce a 26-episode anime series in collaboration with Alibaba's IP licensing platform, Alifish. We expect this to be widely available on the Youku platform in China in 2025. The trends created by such content investment will be used to generate sales through multi-layered licensed product development across e-commerce, physical stores, and licensees, etc., as well as Alibaba's channel network.

Sanrio and Alifish collaboration model



Partnering with the Alibaba Group is not just about expanding opportunities, but also about reducing risks. Despite the uncertain business sentiment in mainland China, MG*2 revenue from Alibaba is a stable source of income.

2 Focus on unique measures in areas such as gaming and space creation

There is also plenty of room for growth outside of merchandising. Sanrio Shanghai needs to strengthen its own operations in areas outside of product licensing, such as game licensing, advertising, and spatial design.

Areas of focus in non-merchandising rights fields

Game licensing	• Emerging promising titles • Card game genres
Advertising rights	• Video ads • Food & beverages/Fashion/Electronic novelties
Spatial rights	• Events at commercial facilities and malls • Live character shows • Mini theater

3 Thoroughly solidify the foundation via anti-infringement measures and strengthening local design functions, etc.

As mentioned in the risk section, strong legal practices are necessary to combat infringing goods. Content companies around the world always have strong legal teams, but Sanrio has been a little slow to respond in some areas. Taking a strong stance against infringing goods is extremely important both economically and in protecting the Sanrio brand.

We will also take measures such as the creation of local IPs through local design. In recent years, mainland China has seen a rapid increase in IPs that have grown to a certain level of popularity through social media such as WeChat stickers and TikTok. To create locally developed IPs rooted in mainland China, we will adopt a different approach from the conventional method by developing characters that can be commercialized while running a high-speed PDCA cycle.

Japan

4 Strengthen measures for inbound foreign visitors

Both licensing and product sales have been growing since October 2022, and have become a major driver of business growth. As such, in terms of licensing, we will actively pursue licensing for categories and contact points geared toward inbound foreign visitors, and in product sales, we will selectively strengthen locations with a high proportion of foreign visitors (Asakusa and Namba) in an effort to capture more demand.

5 Expand our IP portfolio by maximizing the use of new and dormant IPs

We will focus on measures to revitalize global IPs such as Mr. Men Little Miss, which have not been fully utilized in Japan. We will also strengthen the development of new IPs, including collaborations with other companies, and work to expand our overall IP portfolio.

6 Multi-layered monetization

In Japan, a mature market, we also need to implement new initiatives to aim for operating profit growth of 10% or higher in the licensing business. We provide details on these initiatives in the latter half of the report (page 48).

Southeast Asia

7 Penetration of Sanrio character brands through video content localization

Although there are differences between countries, we will strive to expand our business in Southeast Asia through the localization of global content. We will work to significantly ramp up our digital marketing activities and also consider making relevant investments.

MESSAGE

After graduating from university, I joined the retail and distribution industry and learned the basics of product sales business. After that, I worked at a global consulting firm for nearly 20 years, where I was involved in a wide range of management projects, from strategy planning to business reform. I have long focused on the ability to execute strategies. I am confident that, as a result of strategy execution, we will realize "One World, Connecting Smiles." and that the world of "Minna Nakayoku" (Getting Along Together) will expand beyond that. I will continue to thoroughly implement our strategies with an eye to achieving this.



Yasuyuki Otsuka
Senior Managing Director
General Manager, Asia Business Division

*1 BtoC (Business to Consumer): A business model in which a company sells products or services directly to consumers
*2 MG: Minimum guarantees

Discussion of Europe and the U.S. Strategy by Officer in Charge

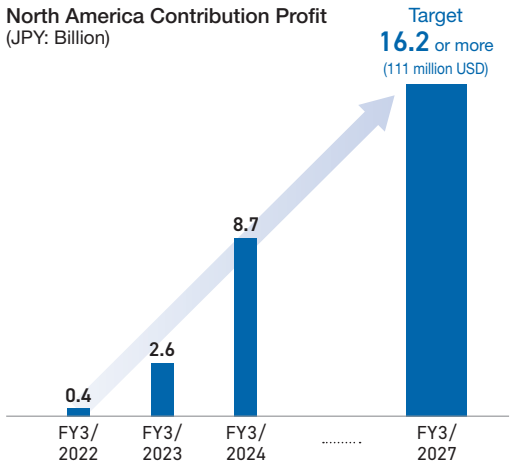
In North America and English-speaking countries, our most important market, we will establish “Evergreen IP” taking into account past trends, and promote the value creation cycle we have been implementing for some time. Based on this, we will strengthen the following three initiatives in our Medium-Term Management Plan.
(1) Continuously release content for English-speaking countries to maintain freshness at all times
(2) Strengthen sales to mass retailers by expanding local designs
(3) Encourage mass retailers to invest in exposure and sales promotions, allowing us to leverage our own investments to expand market recognition and favor

Past Trends/Future Goals

North America

- Contribution profit*1 grew to 8.7 billion yen (62 million US dollars) in FY3/2024 due to the recovery from the COVID-19 pandemic and other factors
- This accounts for 30% of company-wide profit, making North America the most important region for the Sanrio Group as we continue to grow
- Going forward, we will strive to maintain this growth momentum with the aim of achieving 16.2 billion yen (111 million US dollars) or higher over the three years through FY3/2027

North America Contribution Profit
(JPY: Billion)



Market Environment and Sanrio’s Position

North America is a promising market with high growth potential

- The North American market for character merchandise is growing at a rate of about 6% each year, making it a promising market with higher growth potential than Japan*2

Hello Kitty has a certain level of recognition, but has room for growth

- Hello Kitty already has a relatively high degree of recognition and number of touchpoints, and is an IP widely known in the mass market in the U.S. Even so, as there is room for growth through marketing expansion and the revision of sales strategies, we need to determine the appropriate proportion of Hello Kitty sales in the mass market

Risks to Be Aware Of

Risk of slowdown due to a temporary boom

- Due to the explosive growth following Hello Kitty’s prior mass market launch, North America saw its highest profit to date in FY3/2014
- However, earnings plummeted a few years later due to insufficient foundations to prevent a temporary boom, such as providing new hooks and controlling appropriate quantities
- While the business has experienced rapid growth recently, we need to achieve perpetual growth that maintains momentum

Key Points of Our Strategy

Implement three strategies to make “Evergreen IP” that will be loved by consumers for a long time

❶ Expand content on a global scale for English-speaking countries by investing in marketing content

❷ Through design enhancement:
- Differentiate our designs for the mass market and specialty stores in North America
- Create designs tailored to needs
- Expand our art sources



❸ Through strengthened sales activities:
Acquire major retailer licensees

*1 Overseas subsidiaries pay fees proportional to their royalty income to the Japanese parent company, the copyright holder, as cost of sales, which is recorded as net sales by the parent company.
In order to see the actual amount of value created by the overseas business, Sanrio uses “contribution profit,” which is calculated by adding the amount of royalty payments to the headquarters to the operating profit of overseas subsidiaries, as an indicator unique to Sanrio.
*2 Source: Compiled based on Licensing International’s “Global Licensing Industry Study,” International Monetary Fund, and Federal Reserve Economic Data

© 2024 SANRIO CO., LTD.

Strategic Policy

North America

❶ Marketing contents investment

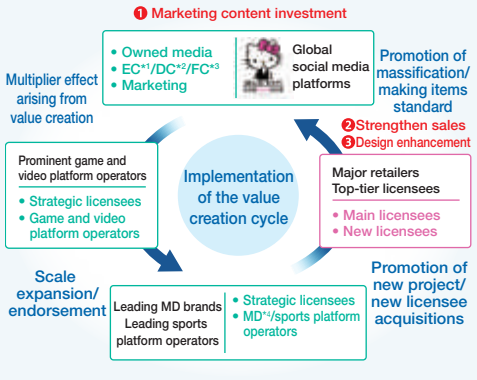
Firstly, by collaborating with strategic partners, we plan to amplify the effects of in-house marketing and owned media initiatives several times over, and continuously increase the value of our brand and IP. As one of our main enhancement measures, we will actively invest in content for English-speaking countries in order to constantly maintain and update freshness. Thus far, our local subsidiary in North America has been working independently to gain exposure on YouTube, Roblox, and other channels. Through increased brand recognition, the acquisition of a new customer base, and other such benefits, we have also been able to expand our real-world strategic licensing projects, which led to the revitalization of our business followed by the current brisk growth. We believe that implementing further initiatives will enable us to achieve sustainable global growth going forward. As such, we will actively aim to gain exposure via global platform operators (YouTube channels, streaming platforms, etc.), and review our marketing and sales methods to increase sales promotions and exposure through licensee companies and channels. When it comes to increasing exposure, it is important to have content that can serve as a sales tool. While locally developed content will remain key, we need to aggressively target English-speaking countries with global content invested in under the leadership of the headquarters. As Sanrio already has a large global community of approximately 76 million social media followers, we expect enhancing our global content to accelerate exposure.

Furthermore, we will strengthen not just digital touchpoints such as content distribution, but also real-world touchpoints with fans. We believe that cafes and restaurants are very important not only as licensed stores where customers can purchase products, but also as places where they can experience the world of Sanrio. We are currently developing Hello Kitty-themed cafes, mainly on the West Coast of the United States, but going forward, we will aim to reach a new fan base by expanding this to other characters and regions. Through such moves, we will take a two-pronged approach: strengthening marketing and customer touchpoints centered on digital areas and strengthening customer touchpoints in the real-world. Leveraging this, we will aim to further promote collaboration with strategic partners (prominent games, video platform operators, and prominent product brands) to create opportunities for our partners’ customers to become Sanrio fans, as well as further increase the value of our brands and IP while achieving synergies with partner brands through collaborations.

❷ Design enhancement

In order to push forward with our strategy to strengthen our sales activities, we need to strengthen our local designs. We are currently working to differentiate designs for each distribution channel in order to meet the needs of targets, and plan to strengthen local design with an eye to future demand growth. We also believe that mutual cooperation with headquarters designers will be vital to creating designs tailored to the purchasing demographics of each channel going forward.

Value creation cycle implemented by the Europe & Americas Business Division



❸ Strengthening of sales

One of the factors behind the temporary boom experienced in the past was the lack of adequate volume control in the mass market. As such, we now enter mass markets after identifying appropriate volume levels and building strong partnerships with licensees such as specialty stores that are actively promoting and exposing our products.

In order to make Evergreen global IP, we also need to reach more mass audiences in North America. To this end, we will work to strengthen our relationships with major sales targets (licensees that largely distribute to mass market retailers such as Walmart and Target) with the aim of being able to control appropriate distribution volumes for specialty stores and the mass market. We need to control appropriate distribution volumes because expanding to the mass market runs the constant risk of causing the brand value to decline. To avoid situations such as becoming preoccupied with distribution and neglecting quantity control, resulting in products being sold at low prices, we need to strengthen information sharing with licensees and collaboration between overseas subsidiaries and the headquarters more than ever before.

Through the aforementioned collaboration with prominent game and video platform operators, we will also create and enhance IP value even further and work with prominent product brands and sports teams. We will strive to expand the exposure of our IP further and encourage collaboration with licensees that distribute to major retailers and the mass market to promote massification and making items standard.

*1 EC: Electronic commerce
*2 DC: Direct commerce
*3 FC: Franchise chain
*4 MD: Merchandising

MESSAGE

Since joining a global comprehensive IT and entertainment company based in Japan after graduating from university, I have been consistently involved in global IT and entertainment operations, including time spent stationed in Europe, the U.S. and China. I aim to work toward achieving our vision of “One World, Connecting Smiles,” by utilizing this experience. To this end, I hope to bring more smiles to our customers and provide better products and services by strengthening the ties with our partners. I will endeavor to maximize the potential of our businesses in Europe and the U.S. and make solid contributions to achieving a market capitalization of over 1 trillion yen and perpetual growth beyond that.



Kiyoshi Saito
Managing Director
General Manager,
Europe & Americas Business Division/
Digital Licensing Division
Deputy General Manager,
Global Strategy Department

Discussion of Gaming, Digital, and Educational Strategy by Officer in Charge

"IP portfolio expansion and multi-layered monetization" serve as the engine for growth in the global/Japanese markets.
We will take on the creation of story-based IP, which Sanrio has not actively pursued until now, as well as new IP creation methods in mainland China.
Through global alliances, we will work on key touchpoints with solid prospects for high LTV, such as games, hands-on experiences, and edutainment/kids.
We will also try to achieve multi-layered monetization that goes beyond the per user pricing model and conventional rights income.
These initiatives will drive the perpetual growth of Sanrio as a whole and further hone our creativity, an area of strength.

Past Trends/Future Goals

Past

- Over the past three years, North America, mainland China, and Japan have all exceeded double-digit growth

From now on

We will launch new businesses in order to establish a framework for perpetual growth, aiming for continued double-digit growth, market capitalization of over 1 trillion yen, operating profit of over 50.0 billion yen, and perpetual growth beyond that

- **Game business:**
  Through the co-development of at least 6 projects with development studios in Japan and overseas, and by leveraging the strengths of IP holders, we aim to grow sales to 10.0 billion yen or more over the medium to long term. Rather than simply using characters, we will go beyond existing games to create new areas and new types of games that will broaden the user base, and formulate a global media mix of videos, merchandise, and other content based on the game
- **Digital business:**
  We will expand value offerings in the fields of IP and UGX created by individual creators, and aim to grow sales to 2.0 billion yen by FY3/2027
- **Edutainment business:**
  By utilizing videos that attract children and our story know-how, we are ramping up our efforts to create touchpoints for learning to expand into global distribution and kids' parks in Japan and overseas. We aim to increase GMV to 10.0 billion yen by FY3/2027

Market Environment and Sanrio's Position

- **Gaming industry**
  Room for entry into the global market via bold investments and Sanrio's unique value
  - With the global gaming market continuing to grow, popular IPs and titles with a high share of the global market have a relatively dominant position
  - We see potential to differentiate and acquire customers by leveraging the value of Sanrio's globally popular IP
- **Digital (platform) industry**
  With the rise of Web3, "a world where anyone can become a creator/supporter" has become a reality
  - We anticipate demand for collaboration and revenue platforms for individual creators, backed by the rapidly growing UGX market owing to the rise of smart contracts (Web3)
  - Sanrio's character IPs that have gained exposure and created freshness through numerous collaborations and have room for growth, could become an important KSF* for this business
- **Education industry**
  Create an edutainment market where people can learn while having fun
  - There is a growing need for education that deepens understanding of diversity and inclusion and allows people to express their individuality, particularly in developed countries
  - We see room to meet such demand by providing education for "Minna Nakayoku" (Getting Along Together) through edutainment products and services that can be achieved through Sanrio's creativity

Risks to Be Aware Of

The risk of ballooning development costs/times

- Initiatives such as IP creation and portfolio expansion do not produce immediate results in the short term, but are rather part of a 10-year plan. Additionally, the outcomes of these efforts are uncertain compared to existing businesses. As such, we need to work with a certain amount of focus rather than just jumping in blindly

Risk of not having the right partners

- We also expect to build a wide range of alliances. This brings various uncertainties involving partners, such as not being able to find a suitable partner or being unable to agree on terms

Key Points of Our Strategy

Expand our IP portfolio and monetize in multiple layers by focusing on key points

1 Create story-based IP through video and game touchpoints:
Full-scale launch of the video production and distribution, digital, and game businesses

2 Create IP experiences from education and hands-on experiences:
Sublimation to global educational anime distribution and collaboration with kids' parks in Japan and overseas in the edutainment business

- Expand the breadth of value offerings from being focused on merchandise to deep learning experiences and unforgettable moving experiences by grasping needs that have not been met
- Create deep experiences in education and real-world contact points that originated from our IP/intellectual property while continuing the initiatives from the previous Medium-Term Management Plan
- Pursue a wide range of business production, such as deepening game and digital experiences based on story-based IP, and create IP that can develop untapped segments from these experiences.

* KSF: Key success factor

Strategic Policy

Sanrio is working on new businesses for two reasons: (1) to shift from uncertain growth to stable, perpetual growth, and (2) to further refine our strength in IP creativity and apply it to our core business of global licensing.

We will invest in important new touchpoints that have been missing by taking advantage of our strength, i.e., the ability to create IP.



Further refining our ability to create IP and applying it to global licensing through new touchpoints

"Expansion of IP portfolio" and "monetization in multiple layers" are the 3rd Approach of the Medium-Term Management Plan, the concept of which has various breadths to it. In the previous Medium-Term Management Plan, we focused on developing multiple IPs of Sanrio characters other than Hello Kitty, the provision of added value in forms other than merchandise, the utilization of UGX, and IP creation using a market-based approach (e.g. NEXT KAWAII PROJECT). Going forward, we will continue to expand these initiatives, especially creating IP experiences through education and hands-on experiences, and creating story-based IP through video and game touchpoints. This will also lead to the exploration of untapped segments such as kids and boys, which are key areas in striving for growth in volatile and mature markets.

1 Create story-based IP in video and game touchpoints

Up until now, Sanrio's IP has been mainly used for merchandise and other such offerings. We believe this has contributed to us being able to increase the time customers feel close to Sanrio, which is a wonderful thing. On the other hand, the focus on merchandise made it difficult to convey the background and story of each IP, and as a result we struggled to get everyone deeply absorbed in Sanrio content, such as becoming immersed in the story.

As digital contact points become more prominent, story-based IP is an extremely important part of our IP portfolio. In order to achieve this, we will ramp up video production and distribution and implement a full-fledged launch of the digital business and game business. We will also attempt to elevate our IP creation approach and the way in which creativity emerges.

Until now, we have mainly operated our game business through out-licensing, but we have often been unable to create an appropriate system or structure, and have ended up having projects terminated early. Going forward, Sanrio will develop multiple games in collaboration with domestic and overseas development studios with extensive track records while demonstrating our commitment, including with regard to investment. In addition to casual games that use Sanrio IP, we will also take on the challenge of creating IP originated from games to grow the business into one that generates sales of over 10.0 billion yen over the medium to long term.

In the digital business, we will further promote our VTuber business and the use of UGX to encourage the expression of creativity among fans and creators. This will also serve as an immersive experience that gets users deeply absorbed.

2 Create IP experience from education and hands-on experiences

In the edutainment business launched during the previous Medium-Term Management Plan, we released "Sanrio English Master" in 2023 as Sanrio's first full-fledged English teaching material. We often receive high praise for the quality of the teaching materials themselves, and our new IP "BUDDYEDDY," developed to attract the attention of small children, has also gained support. We believe that we have been able to create a rich "time deeply absorbed in Sanrio" that is different from Sanrio's previous IPs. In this way, we believe that creating "time deeply absorbed in Sanrio" for a wide range of people, from kids to young people to adults (families), through education and hands-on experiences will contribute to LTV enhancement.

In multi-layered monetization, we want to create offerings in which not just the IP itself, but the IP touchpoints can also get people more deeply absorbed. Specifically, in the edutainment business, we plan to expand sales of Sanrio English Master, as well as utilize our video production expertise gained from producing educational materials and our family show know-how to widely scale up our operations, including the distribution of educational anime on a global scale and collaboration with kids' parks in Japan and overseas. Moreover, in providing places where customers can have hands-on experiences, we will provide not only our own theme parks, such as Sanrio Puroland and Harmonyland, but also other locations.

Not only will this expand the breadth and depth of the existing IP licensing business, but also contribute to strengthening the business itself through the creativity honed by these new initiatives. For example, through carrying out our edutainment business, we have not only cultivated the ability to design IP, but also the ability to attract children's attention, create stories that get children deeply absorbed, and suggest ways to play with toys linked to these stories. We believe that new initiatives will enhance Sanrio's creativity, an area of strength, even further.

MESSAGE

I joined Sanrio with a 10-year track record in business creation and operations in the leisure and entertainment sector, as well as 10 years of experience in top-tier management and strategy consulting. By leveraging these experiences and track records, I will help powerfully drive Sanrio's evolution from an "IP holder" to a "global entertainment company" based on the valuable brand equity cultivated by Sanrio's predecessors, in order to break free from volatility and achieve perpetual growth.



Wataru Nakatsuka
Senior Managing Director
General Manager, Business Strategy Division/Global Strategy Department
Responsible for Corporate Management Division/Human Resources & General Affairs Division

Discussion of Marketing Strategy by Officer in Charge

We have drawn up a growth strategy to ensure that Sanrio characters are always loved around the world. Based on this, we will make sure that Sanrio characters are always fresh (Evergreen) on a global scale and across different generations. We will formulate a cross-regional IP portfolio strategy, invest globally in key IP and large-scale content, and create significant momentum while cooperating with global platforms. We will work to clarify our brand guidelines to avoid damage to our brand in the process of global expansion.

Past Trends/Future Goals

In the Past

- Overseas marketing was centered on sales promotion activities aimed at increasing short-term sales at each location, and investments were not made to enhance the long-term brand value of characters on a global scale
- In the past, an accidental boom caused by influencers led to a sharp increase in sales. The lack of a target or design strategy resulted in damage to our brand

Moving Forward

- Instead of relying on external factors that have worked as a tailwind, we aim to maintain the freshness of the brand at all times, rather than temporarily, by actively creating opportunities for exposure and reforming awareness
- We will draw up a global growth strategy for characters such as Cinnamoroll and Kuromi, which are gaining popularity overseas, and promote the diversification of our portfolio by permanently entrenching their popularity in various countries



Market Environment and Sanrio's Position

See room for improvement in overseas brand recognition and appeal

- While Hello Kitty boasts a high level of recognition and appeal among women in North America, we need to improve whole household recognition and appeal in Japan and overseas
- Characters other than Hello Kitty are rapidly gaining popularity overseas. The rising popularity of Sanrio overseas serves as an opportunity to cultivate characters that will become the next Hello Kitty. We need to actively develop multiple characters overseas

Need to conduct marketing from a broad global perspective

- Efforts to raise brand recognition and appeal have been predominantly carried out in Japan, whereas overseas, we mainly carried out low-profile local marketing
- We established the Character Strategy Council to analyze character markets in major regions such as North America, mainland China, and Japan, and put in place a system to develop marketing strategies from a global perspective

Risks to Be Aware Of

Risk of a decline in brand power due to the pursuit of growth in quantity that is not accompanied by quality

- When previously expanding sales channels to mass retailers in North America, we were unable to ensure distribution adjustments, in-store communication, and the quality of design, which gradually led to products being sold off at discounted prices, and ultimately resulting in the decline of our brand
- We need to apply global governance so as not to damage brand power as we invest and expand

Key Points of Our Strategy

Ensuring that Sanrio characters will always be loved all over the world

1. Invest in global content and increase the sophistication of exposure channels
2. Diversify our IP portfolio
3. Globally optimize design functions and strengthen brand governance



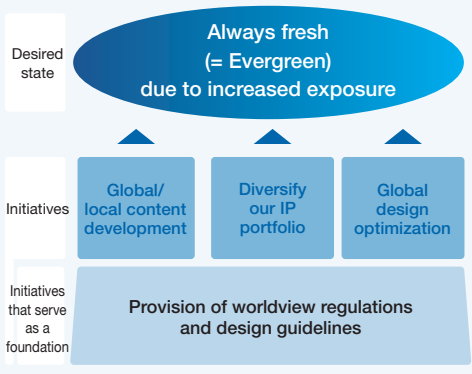
© 2024 SANRIO CO., LTD.
© 2024 THOIP

Strategic Policy

Until now, overseas marketing was centered on sales promotion activities aimed at increasing short-term sales at each location, and investments were not made to enhance the long-term brand value of characters on a global scale.

As a result, exposure from influencers and other trend-starters would spark a temporary upsurge in growth, which would only end up declining once the boom had passed. This would happen repeatedly. Going forward, we aim to ensure that our IP always maintains freshness (= Evergreen), not just on a temporary basis, through a constant stream of active exposure opportunities and brand recognition renewal.

Breakdown of marketing investment (10.0 billion yen), and how subsequent ROI will lead to Evergreen and IP portfolio expansion/multi-layer monetization



❶ Invest in global content and increase the sophistication of exposure channels

In order to continue to create constant exposure, it is necessary for us to continuously supply global content and optimize local exposure channels. To this end, we will launch global content and work closely with local partners. For example, in mainland China, Alifish, a subsidiary of our partner Alibaba Group, and Sanrio Shanghai are working together to create an animated series for the Chinese market, and the headquarters is also actively involved in character supervision and design. We are also working on animations for TV that will allow global fans to enjoy the worldview of Sanrio characters, with the aim of launching them in a few years. As part of these investments in global and local content, we plan to significantly raise the level of marketing outlays and human capital investments. It's not just about releasing content. The sophistication of exposure channels is also key. We will create interactions between consumers and Sanrio characters at various touchpoints by actively implementing video production and distribution through collaborations with video streaming platforms, utilizing YouTube and large-scale social media sites, and collaborating with product licensees in sales promotions and advertising activities.

❷ Diversify our IP portfolio

While Hello Kitty boasts an overwhelming recognition rate around the world, there is demand for the development of a diverse character portfolio in line with values around the world. Overseas, our investments have thus far been centered on Hello Kitty, causing sales to be greatly affected by the wave of popularity of Hello Kitty. As such, a major management task is how to convey the appeal of as many characters as possible. We will organize our global character strategy to enable customers to come into contact with a variety of characters, and actively develop fun content with multiple characters overseas. In the Sanrio character ranking and anniversary events, customers may even encounter characters that have not been seen in some time.

❸ Globally optimize design functions and strengthen brand governance

As Sanrio's strengths lie in our design and creative capabilities, further investment and strengthening of our global brand power are important propositions. The reorganization of the Global Digital Marketing Division into the Global Brand Management Division was also part of these efforts.

Until now, control and information sharing of character branding and local designs have been insufficient, especially overseas. As the headquarters, going forward we will formulate and expand our worldview and design guidelines that underlie each character. We have prepared new design style guidelines that cover global cultures and trends. We have more than doubled the number of style guides, enabled them to be rolled out to global overseas subsidiaries, and have also added seasonal styles to accommodate seasonal events in different countries. By properly evolving and utilizing these guidelines as the headquarters, we will maintain and advance our underlying creativity and brand strength. The headquarters is not necessarily responsible for all creative endeavors. In order to reflect the needs of local partners in our product proposals in a timely manner, we will educate designers at overseas bases, ascertain their needs, and collaborate globally on large-scale measures. To be able to do so, we will strengthen our supervisory functions and enhance our design proposal capabilities at our headquarters and across our entire Group network.

MESSAGE

After working at an advertising agency that served domestic and international clients, I was in charge of overseeing marketing and product strategies for a global technology company. I joined Sanrio last year, with my duties including the formulation of character strategies and interfacing with our subsidiaries around the world.
I will utilize our strengths in design, marketing, and data science to help enhance the brand power of characters so that Sanrio characters will be loved around the world for centuries to come.



Yuko Akiyama
Director
General Manager, Global Brand Management Division

DESIGNER INTERVIEW



Efforts to become global “Team Sanrio” by cultivating designers through a multifaceted approach

Shuhei Yamada

Executive Officer
Global Brand Management Division

Our designers share knowledge to build a portfolio of more than 450 characters with an eye to realizing Evergreen global IP

To Sanrio, Evergreen means “continuously evolving.” Hello Kitty, who celebrated her 50th anniversary this year, has 50 signature designs that symbolize each year. We can see that unlike anime and game IP, the designs change in line with the changes and trends of the times.

Thus far, we have evolved our IPs in line with trends in Japan. Now, however, we are trying to evolve them into IPs that can be used in different countries around the world with the aim of realizing our goal of global Evergreen IP in the Medium-Term Management Plan. The idea is like going from previously selling authentically Japanese sushi to inventing the California roll and establishing the culture of sushi in the local area.



Key to doing so is the expansion of our IP design portfolio and monetization in multiple layers. With the aim of responding to the diversification of people’s preferences, we intend to address diversification by preparing a large variety of content. It is also essential for us to respond to the shift to multi-layered media through which people encounter IP. In digital media, where demand has been growing in recent years, it is common for IP to move and speak, unlike merchandise. Accordingly, we need to be ready to quickly answer any questions that might arise, such as “How does Hello Kitty measure her height and weight? How does she play the piano?” “How fast does Cinnamoroll fly?”

In order to achieve this, we need to organize information, write it down, and accumulate this information in the form of an archive. We are working to create guidelines that bring out the inner thoughts of each of the characters that are currently only in the minds of their respective designers. Two years ago, we made organizational changes that integrated our departments, enabling designers to share knowledge with each other. I feel that this environment is functioning effectively.

The goal of our designers is to create smiles; aiming to foster a working environment where creators can thrive in today’s society, which requires diverse skills

I have heard that designers are also included in the jobs that are expected to be replaced by AI in the near future, but for Sanrio designers, designing characters is only a small part of their job. There are about 100 designers at Sanrio. By utilizing skills developed through manufacturing, they not only create the designs necessary for providing services, but also carry out various production and checking work, such as creating instruction manuals, proofreading, and supervising. They perform these duties with the goal of bringing smiles to our customers’ faces through the merchandise and other products created through the duties, so I don’t think they can be easily replaced by AI. Rather, I would like to proactively incorporate AI as a tool.

As we expand our business on a global scale, the skills required of designers are becoming increasingly diverse. In recent years, we have been designing and implementing training programs that allow designers to draw up career paths according to their individual aspirations. What is essential here is to clearly define the skills needed and the means to acquire them. For example, for the skill of “being able to draw characters well,” by creating a matrix in which being able to draw basic poses is the “beginner” level, being able to draw poses with movement is the “intermediate” level, and being able to draw anything is the “advanced” level, designers will be able to understand their own level and can also be evaluated within the Company. Furthermore, by visualizing the tasks that will enable designers to gain these skills and providing learning opportunities through workshops and other means, we aim to create an environment in which creators can grow if they work at Sanrio or become a Sanrio partner, and in doing so ultimately increase creativity as a whole.

There are two things expected of Sanrio designers. These are design quality control and a “creative jump” that expands the possibilities of IP. The latter involves taking on challenges necessary for the evolution of our IP. In order to devote resources to such initiatives, we will improve operational efficiency and create a culture that commends the process of taking on challenges.

As implied by our vision of “One World, Connecting Smiles,” I think it is wonderful to be able to evoke images of peace and happiness even though we are a for-profit company. In line with our Medium-Term Management Plan, going forward we will strive to become an organization that can realize our vision together with external partners as “Team Sanrio.”



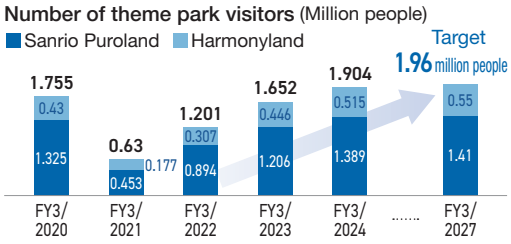
Discussion of Theme Park Strategy by President of Sanrio Entertainment Co., Ltd.

Sanrio Entertainment operates theme parks, providing the Sanrio Group with in-person customer touchpoints. Recently, the entertainment field has seen the rise of diverse digital content in areas like AR, VR, and AI. But in the wake of the COVID-19 pandemic, the value of gathering in person and enjoying experiences together has grown in importance. As part of the Sanrio Group, which aims to be a global entertainment company, we strive to grow as an "entertainment lab that creates unparalleled experience value." We will not only enhance our parks in various ways, including strengthening our content development and operational expertise, but also plan, develop, and operate real-world touchpoints that give people in Japan and overseas opportunities to enjoy Sanrio Time.

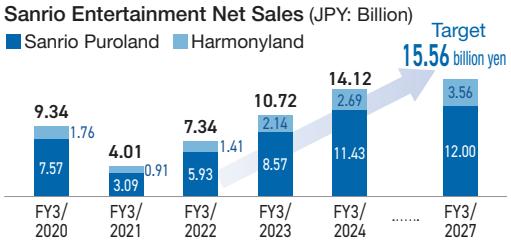
Past Trends/Future Goals

- Sanrio Entertainment's two core theme park businesses have recovered from the COVID-19 pandemic and reached an operating profit of 2.42 billion yen for FY3/2024
- Focus on strengthening facilities, developing content, and investing in non-park hands-on experiences
- We aim to achieve net sales of 15.56 billion yen for FY3/2027 by gaining new customers and increasing spending per person

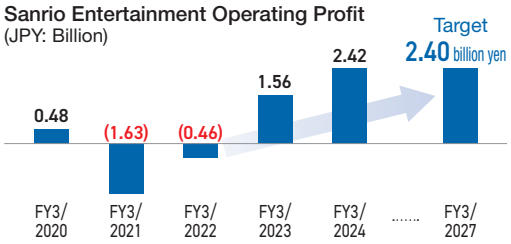
Number of theme park visitors (Million people)



Sanrio Entertainment Net Sales (JPY: Billion)



Sanrio Entertainment Operating Profit (JPY: Billion)



Market Environment and Sanrio's Position

Demand recovery from the COVID-19 pandemic

- Following the end of the COVID-19 pandemic, many customers returned in 2022, 2023 and beyond, and the number of visitors recovered to pre-pandemic levels

Rising demand at hands-on experience touchpoints

- Plans in place for new theme parks nationwide
- Many redevelopment plans consider not only housing and offices but also entertainment facilities
- While digital touchpoints are booming, the importance of hands-on experience value will increase

Growth in the number of inbound tourists to Kyushu

- Its favorable location near Asia and well-developed transportation infrastructure, complete with air and ferry services, have led to an increase in inbound visitors from abroad. In addition, thanks to the strong popularity of Sanrio IPs in Asia, Harmonyland has seen growth in overseas guests

Risks to Be Aware Of

Customer capacity limit and staffing issues (Sanrio Puroland)

- Since Sanrio Puroland is an indoor facility, physical constraints limit how much we can boost performance by increasing capacity or footfall. When considering extending business hours, operating at night, and reducing closed days, challenges remain, such as ensuring staff availability, improving back-end work conditions as staff numbers grow, and continuing digital transformation and BPR*1

Weather effects and inbound tourism trends (Harmonyland)

- The extreme summer heat and heavy rains from spring to fall caused by global warming are unlikely to improve, raising concerns that weather effects will further worsen for outdoor parks
- In the Kyushu region, inbound demand hinges on the Asian international situation. We must watch the geopolitical situation closely and be ready to respond flexibly

Diversity of entertainment

- With consumer tastes becoming more diverse and trends changing rapidly, we cannot rule out concerns about the dwindling popularity of Sanrio characters, fan activities, or theme park demand

Key Points of Our Strategy

❶ Growth through improved satisfaction and experience value at Sanrio Puroland

- Actively invest in increasing value
  Create new content/Refine footfall forecasting
  Optimize staff allocation for CS*2/disaster and crime prevention
- Increase customer experience value and unit price
- Reduce wait times and design stress-free paths to enhance experience value
  Set optimal ticket prices through dynamic pricing and refined footfall forecasting
  Develop merchandise and menus based on fan psychology
- Continue to attract inbound tourists

❷ Expand customer base for Harmonyland

- Increase year-round visitors through inbound tourism promotion
- Attract loyal customers from the Kanto region by differentiating content from Sanrio Puroland
- Consider shifting to entertainment resort model

❸ Increase opportunities for hands-on experience touchpoints outside the park

- Development content in Japan and overseas
- Offer consulting services for theme park planning, production, operation, and supervision

*1 BPR (Business Process Re-engineering): A management approach through which the existing organizational structure is rebuilt through revamps of internal systems and business processes, etc.
*2 CS: Customer satisfaction

Strategic Policy

❶ Growth through improved satisfaction and experience value at Sanrio Puroland

At Sanrio Entertainment, which operates the Sanrio Group's theme parks, the heart of the experience value has been Sanrio Puroland (hereinafter, "Puroland"). Since its opening in 1990, the park has continuously made improvements to provide the most immersive experience for Sanrio fans. In FY3/2024, it attracted 1.389 million visitors.

We hope many people both from Japan and overseas will visit and enjoy Puroland in the future. However, as an indoor facility, it has limits on its capacity. To address the capacity issue, we have options such as extending nighttime business hours, reducing closed days, or expanding our facilities. However, our current focus is on enhancing the overall experience value, and we aim to drive growth by operating the park in a way that increases per-person spending as a result. Recently, theme parks in Japan and overseas have been increasing their prices at a rapid pace. Parks are now offering more paid priority tickets for attractions and more paid spots for shows. In these and other ways, many parks are adding more ways to spend money than ever before. These efforts are necessary to help reduce wait times and ease crowding, which boosts customer satisfaction. At Puroland, we also use the PUROPASS for attractions, shows, and priority seating at parades.

Going forward, we aim to improve and evolve in various ways, increasing our emphasis on enhancing customer experience value.

We have examined and carried out a range of measures in parallel to enhance visitors' experience value. These include improving the quality of shows and parades, shifting from one-way to interactive experiences, building new attractions, exploring nighttime business hours, improving restaurant value, offering special greeting opportunities, providing a wider range of character interactions, and creating seasonal events with new concepts. Over the past five years, these efforts have steadily increased the spending per person at Puroland. We will keep trying with a system that raises quality to satisfy our customers, which will in turn boost the spending per person.

Through these measures, we aim to increase Puroland's visitors from 1.389 million in FY3/2024 to 1.41 million in the FY3/2027, and to grow net sales from 11.43 billion yen to 12.0 billion yen.

❷ Expand the customer base for Harmonyland

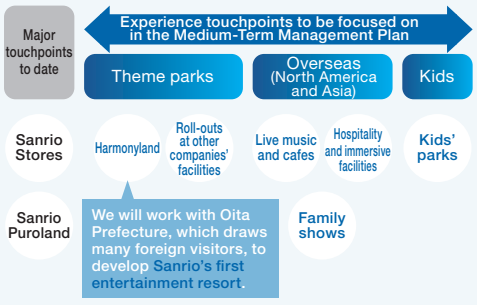
Another self-operated park, Harmonyland, welcomed nearly a million visitors in 1991, its opening year. Since then, it has maintained annual visitor numbers of around 400,000~500,000. Compared to Puroland, investment in the park is lagging and we have not yet fully leveraged its proximity to Beppu for its potential to attract visitors. Recent years have seen strong inbound visitor demand mainly from Asia to the Kyushu area. Against that backdrop, transforming Harmonyland into a park that can once again target one million visitors is another key mission of Sanrio Entertainment. To fully tap into the appeal of the park's location in Oita Prefecture, we are working with Oita Prefecture and with other companies to explore how we can turn Harmonyland into Sanrio's first long-stay entertainment resort. We are currently exploring zoning plans that highlight the strengths of our nature-rich outdoor park, along with developing new content that addresses climate change risks. Through these, we aim to establish Harmonyland as a premier destination in the Kyushu region. We will keep you updated on our progress.

❸ Increase opportunities for hands-on experience touchpoints outside the park

We've been delighted to receive many requests, both from Japan and overseas, to create facilities where people can experience Sanrio in the real world.

While we have focused on operating self-run parks in Japan, a key future challenge is to expand planning, production, operation, and supervision of hands-on experience touchpoints both domestically and internationally, including licensed formats—something Sanrio Entertainment has not done before. We aim to expand Sanrio's customer touchpoints while managing the risks of holding assets effectively. Within the Company, we refer to this as Location-Based Entertainment (LBE). We aim to fully leverage our 30 years of theme park management experience by out-licensing to other companies' theme parks, opening new locations, operating live cafes overseas, and providing consultation for cruise ships and kids' parks—key touchpoints with children that we seek to strengthen as Sanrio. As such, we are fast-tracking the establishment of a system for planning, production, operation, and supervision of LBE projects to lead such projects.

Examples of areas for future focus in LBE



MESSAGE

After joining Sanrio as a new graduate, I raised my children, gained experience at other companies, engaged in further study, worked on initiatives to support women's empowerment, and got involved in NPO activities supporting education. Now as I manage the theme park business, I feel that this is the best stage to draw from all of that experience. As we continue adapting to various changes, we will work as an entertainment lab with a global viewpoint to offer a rich variety of the best Sanrio experiences.



Aya Komaki
President & CEO
Sanrio Entertainment Co., Ltd.

Discussion of Human Resources Strategy by Officer in Charge

Sanrio's business growth, one of its key strengths, is supported by each of its human resources.
To build a human capital foundation that drives global business growth, we focus on offering broad opportunities for human resources development and providing opportunities and systems that support individual employees in their work.

Building a human capital foundation to drive global growth

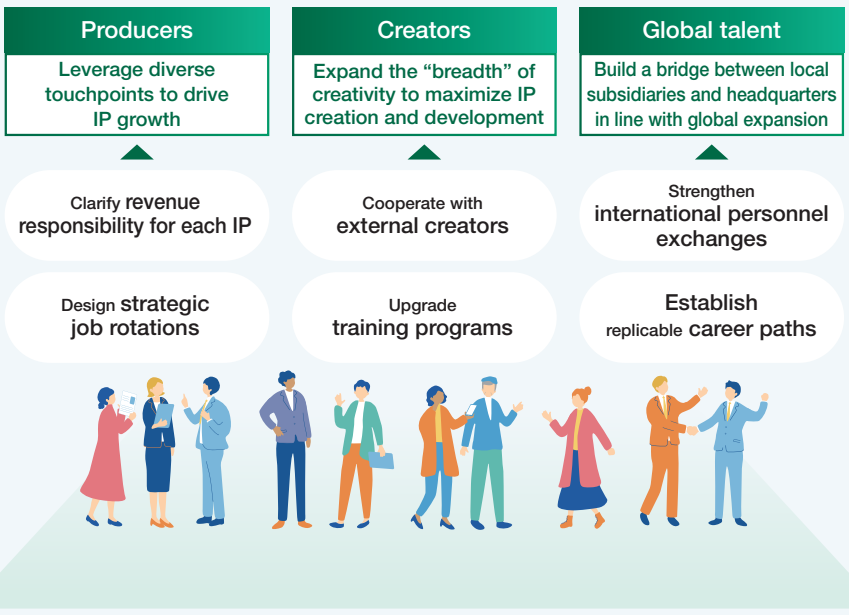
Nurturing global and creative human resources is a key theme of our Medium-Term Management Plan.

To expand the business globally, we will cultivate a global perspective and mindset across all roles. We will provide opportunities for employees to develop the skills and knowledge needed to achieve this. Specifically, we will focus on four measures.

(1) We will define the traits, skills, and experience that human resources involved in global operations need to have. We will develop training and growth programs, plan and carry out enhancements to our personnel exchanges (transfers) with our overseas sites, and offer broad opportunities for employees to grow as global human resources.
(2) We will map out our IP growth strategy as a key driver of global business growth, setting missions and career paths for the producers who will plan and lead its steady implementation. Through strategic job rotations, we will ensure producers gain the needed skills and experience, enabling them to develop into IP producers.
(3) To ensure quality in our global creative production and oversight, we will set globally common skill requirements for all creators, helping them use their strengths and advance their careers. We will offer skill- and level-specific training programs and provide opportunities to collaborate with external creators.
(4) To accelerate our non-continuous business growth globally, we will hire human resources with expertise and experience in new business areas and required specialist skills. As we do so, we will not limit ourselves to traditional hiring methods or channels, but will instead explore new approaches.

By investing in both human resources development and hiring, we will ensure solid, non-continuous growth on a global scale.

Nurture global × creative talent



To nurture global and creative talent, we will define job requirements and career paths, and gradually invest in human resources development. We will create systems and environments so that each employee can feel personal growth through their career and choose their own way of working. As a global entertainment company, we will support the success of diverse human resources.

Building an environment that empowers diverse employees to excel

Another aspect of our efforts to ensure business growth is that, as HR, we want to support diverse human resources, helping them continue working with a smile and a sense of well-being.

We will create systems and an environment where each person feels personal growth through their career and chooses their own way of working. Specifically, we will focus on three measures.

(1) In order for each individual to develop their career proactively, we will outline specific career paths at Sanrio, hold career development seminars to raise awareness, and offer new career opportunities that employees can choose to try out for themselves. This will help employees become more aware of their careers, encouraging them to take initiative and embrace new challenges.
(2) We will enhance policies that enable diverse work styles and provide support tailored to life events, removing barriers to career continuity for each employee.
(3) We will enhance our office environments so that employees can work with a smile. We will also sequentially plan and implement the upgrading of infrastructure and tools for smooth, cross-sectoral communication among people from diverse backgrounds.

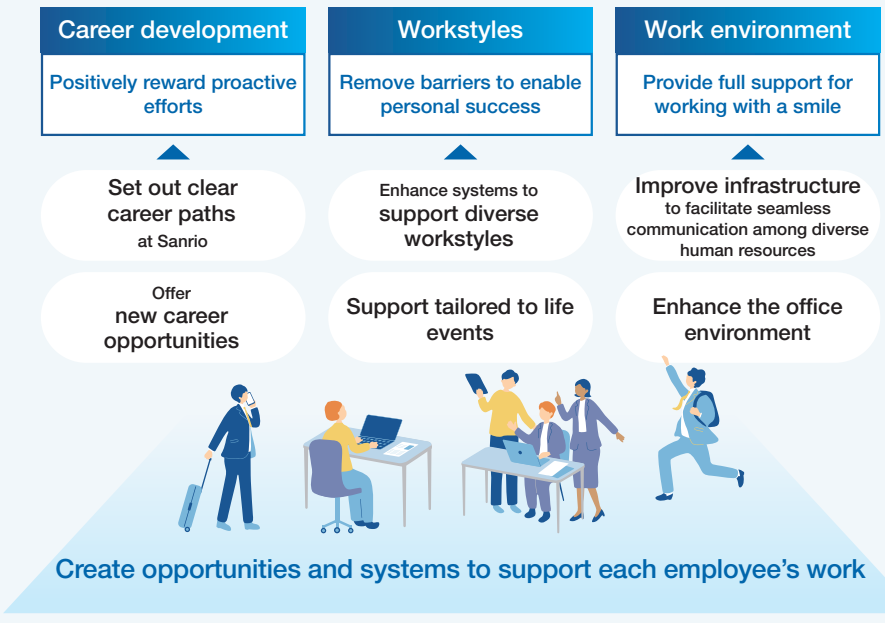
By advancing the enhancement of systems and environment, we will foster the growth of each and every employee. Their combined growth will bring a big step up for the entire organization, building the foundation for Sanrio's next phase of growth.

Sanrio has a history of empowering diverse human resources to excel so that we can expand the value we provide to customers. After the corporate culture reform under the previous Medium-Term Management Plan, we achieved our target of having 43% of management positions held by women.

To make better management decisions in the future, we aim to diversify our leadership team. We set a target in our Medium-Term Management Plan of having 30% of senior manager roles held by women. We have built a strong foundation to support diverse human resources through flexible work systems and unconscious bias training. By accelerating and enhancing systems and measures that support diverse work styles, we will take the lead in the entertainment industry in developing an environment and culture in which women can play an active role. This will help develop a pipeline of top female management candidates.

Through these efforts, we aim to promote female executives within the Company ahead of schedule to meet the government's 2030 goal of having women comprise 30% of officers.

Fostering each individual's proactive growth



MESSAGE

I joined Sanrio after gaining experience in leadership development consulting, HR at foreign companies, and as a CHRO at a startup. As the head of human resources and general affairs, I will support each Sanrio employee in working with a smile, and aim to spread more smiles around the world.

Kanako Miyoshi
Managing Executive Officer
General Manager,
Human Resources & General Affairs Division
Responsible for Human Resources Planning Department/
Organizational Development Department/
General Affairs Department/Office to the Chairman



Sustainability for Smiles

Sanrio values the spirit of caring, supporting and helping one another,

based on the belief since its founding that “no one can live in isolation.”

We will continue to co-create smiles

that will last for generations to come through our efforts

to be close to all people and societies around the world.







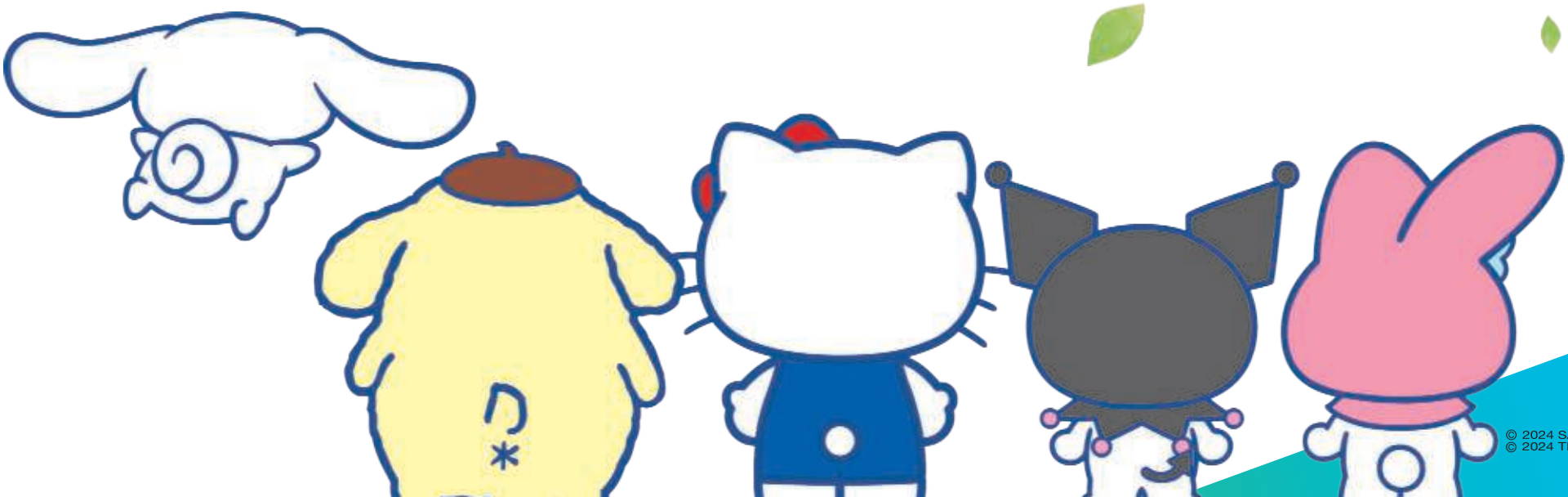






© 2024 SANRIO CO., LTD.





© 2024 SANRIO CO., LTD.
© 2024 THOIP

Sustainability Promotion Structure

**Sustainability management is essential to achieve our vision.
In 2024, Sanrio formulated its approach to sustainability, "Sustainability for Smiles." In addition, we have identified 10 key issues as Sanrio Materiality. We have established the Sustainability Committee to discuss countermeasures, and are working to raise awareness through sustainability workshops and surveys for employees.**

Sanrio Sustainability

Sustainability for Smiles

Sanrio values the spirit of caring, supporting and helping one another based on the belief since its founding that "no one can live in isolation."
We will continue to co-create smiles that will last for generations to come through our efforts to be close to all people and societies around the world.

Approach to Sustainability Management

Promotion structure

Our corporate philosophy is "Minna Nakayoku" (Getting Along Together), and it has long considered sustainability, including attention to environmental and social issues as well as labor practices and human rights, as an important management issue. With the aim of contributing to the realization of a sustainable society as a Group, we have identified 10 key issues as Sanrio Materiality that we will focus on as a company and are actively addressing these issues from the perspective of improving corporate value. Specifically, to strengthen the Group's efforts toward sustainability management, we have established a Sustainability Committee (convened four times a year), chaired by the President and CEO, with the Director responsible for the Business Strategy Division serving as vice-chairperson. The committee consists of members including officers responsible for sales and other divisions, general managers, and presidents of Group companies, and regularly discusses matters such as identifying and reviewing sustainability challenges, measures and policies related to environmental issues such as climate change as well as social issues such as diversity, labor environment and human rights. Important matters are deliberated and discussed at the Management Council and then reported (four times a year) to the Board of Directors. The Board of Directors is responsible for overseeing target-setting and the progress of initiatives.

Sustainability promotion structure
https://corporate.sanrio.co.jp/en/sustainability/management/system.html

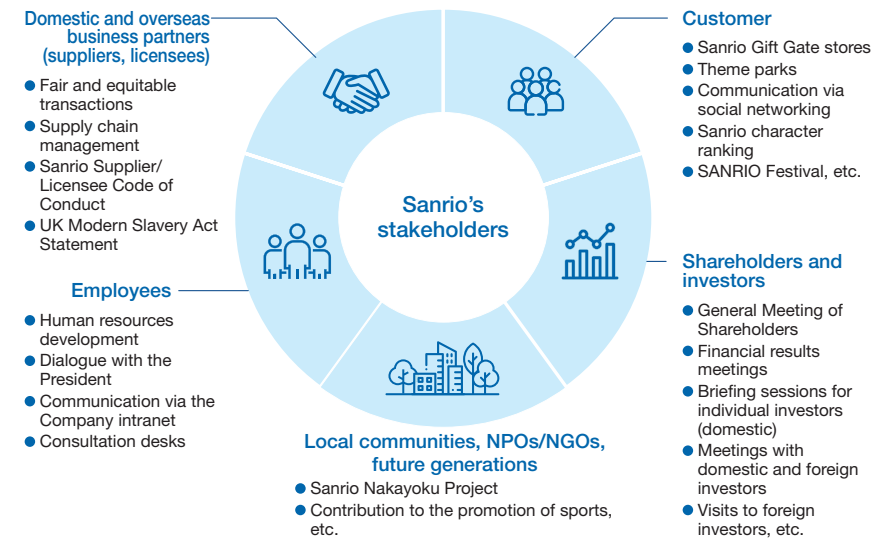
Employee awareness and training

Sanrio began holding regular internal study sessions on sustainability topics for employees at group companies in Japan and overseas from FY3/2022. Topics have included the Group's sustainability objectives, contributing to achieving the SDGs, and employment of people with disabilities. The Company also conducts internal surveys on our sustainability strategies and activities to incorporate employee opinions and raise awareness of sustainability issues.

Stakeholder engagement

The Sanrio Group applies its corporate philosophy of "Minna Nakayoku" (Getting Along Together) by actively creating opportunities for dialogue and by seeking to maintain and build good relationships with all stakeholders.

Stakeholder engagement
https://corporate.sanrio.co.jp/en/sustainability/management/system.html



Sanrio's Contribution to Society by Bringing Smiles to Everyone in the World

**One of Sanrio's unique initiatives is the Sanrio Nakayoku Project, a Sanrio social contribution activity.
We aim to support each individual by bringing smiles to their faces and helping them feel positive through communication rooted in social contribution activities.
In addition, we are working with the United Nations (UN) to address social issues including climate change.**

Local communities | Business partners | Employees

Sanrio Nakayoku Project

A world of smiles, a world in Nakayoku (Friendship)
Just like the Sanrio kawaii culture became a global phenomenon, we want to spread nakayoku, the concept of everyone getting along together, all around the world.
Sanrio Nakayoku Project is Sanrio's social contribution activity that creates smiles around the world following our corporate philosophy of Minna Nakayoku (Getting Along Together).



Sanrio Character Aid

Sanrio Character Aid is an initiative where Hello Kitty visits children in hospitals, facilities, and disaster relief areas around the world to bring smiles to everyone.

Sanrio Character Aid —Connecting people around the world with smiles
https://youtu.be/znXdQX3i4Yc?si=NN5-fA3jq3VXSIWE



Initiative with JICA

Sanrio has partnered with the Japan International Cooperation Agency (JICA) to conduct activities to promote awareness of hygiene and other issues worldwide.



Donations and support

We provide donations and other types of support to create smiles and promote friendship with people in various circumstances in Japan and abroad.


Image: International NGO JOICFP

Supporting the SDGs in cooperation with the UN Headquarters (since 2019)

We are promoting the #HelloSDGs initiative with the goal of contributing to world peace through our character business. We support the activities of organizations and groups working towards the SDGs by sharing their initiatives through platforms including our YouTube channel.



In FY3/2024, we worked with the United Nations Development Programme (UNDP) to produce a video to raise awareness of climate change.



[Will Humans Go Extinct!?] Frankie the Dino Came to See Hello Kitty!
https://youtu.be/PFuQqoXMdrQ?si=PHAdWjds674h__Ex

We provide details on our measures to address climate change in the latter part of the report (page 71).

© 2024 SANRIO CO., LTD.

Enhancement of Governance

Sanrio places great importance on corporate governance and strives for prompt and transparent decision-making by the Board of Directors, as well as to strengthen internal control systems, appropriately disclose information and engage in IR activities. The Board of Directors includes outside directors and meets once a month. The Board of Corporate Auditors includes outside corporate auditors to ensure transparency.

Basic Approach to Corporate Governance

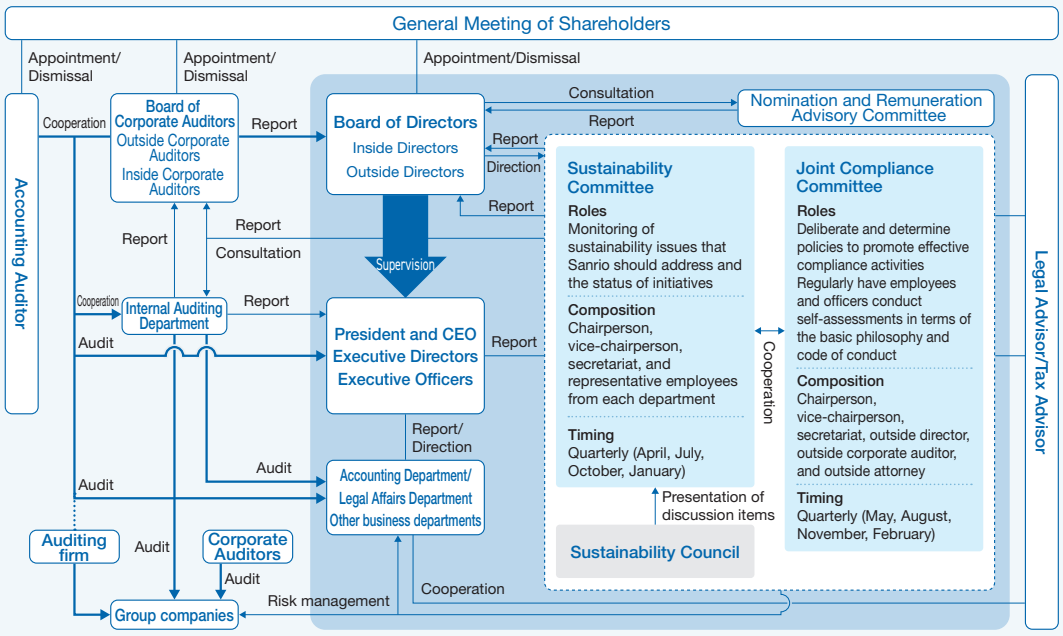
We believe enhancing corporate governance is essential to continue enhancing our corporate value and maintaining the trust of shareholders, investors, and other stakeholders. To this end, we are strengthening the following three areas.

i. We are taking steps to accelerate decision-making by the Board of Directors to better respond to the rapid changes in the market, and incorporating the perspectives of outside directors and outside corporate auditors to improve the appropriateness, efficiency, and transparency of the Board of Directors.

ii. To fulfill our social responsibilities to all stakeholders, including shareholders, employees, business partners, customers, creditors, and local communities, we will continue to develop an internal control system and ensure thorough compliance of corporate ethics and full compliance with laws and regulations.

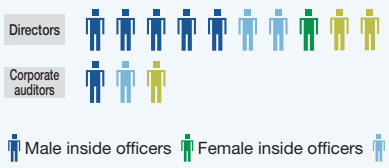
iii. We will continue to strive to gain the trust of the market through appropriate and fair disclosure and IR activities. Based on our recognition of the importance of information disclosure, we will be unceasing in our efforts to establish a system for providing timely disclosure. In addition, top management attends our financial results briefings in order to engage in two-way dialogue with the market and incorporate what we learn from the dialogue in management. We also hold company briefings on various topics, including our strengths in character development and copyright management, and at the same time, for individuals, we strive to improve communication with shareholders and investors by enhancing IR information posted on our website, etc.

Corporate Governance Structure



Corporate governance highlights (As of June 27, 2024)

Composition of directors and corporate auditors



Percentage of outside directors

40.0% (4/10)

Percentage of outside corporate auditors

66.7% (2/3)

Percentage of female directors and female corporate auditors

30.8% (4/13)

Corporate Governance Structure

Board of Directors

The Board of Directors, a decision-making body for business execution as well as a supervisory body for the representative directors, consists of 10 directors: Tomokuni Tsuji, President and CEO as chairperson; Wataru Nakatsuka, Senior Managing Director; Yasuyuki Otsuka, Senior Managing Director; Jiro Kishimura, Senior Managing Director; Kiyoshi Saito, Managing Director; Yuko Akiyama, Director; Yu Sasamoto, Outside Director; Masae Yamanaka, Outside Director; David Bennett, Outside Director; and Shizuko Kamoda, Outside Director. Directors decide on important management matters and policies and supervise executive officers in relation to those decisions. Executive officers carry out their duties in accordance with the management decisions and policies made by directors. The Board of Directors meets once a month, in principle, with corporate auditors in attendance, and all-important matters are discussed and reported upon. Director candidates are nominated by the Board of Directors and elected at the General Meetings of Shareholders. Remuneration for directors is managed within the total amount approved at the General Meetings of Shareholders. The reason for electing outside directors is to protect ordinary shareholders and to enhance corporate governance.

Board of Corporate Auditors

Sanrio is a company with a Board of Corporate Auditors, and in order to maintain a higher level of transparency and objectivity in the management supervision function, out of the three corporate auditors on the Board of Corporate Auditors, a majority of two (one certified public accountant and one attorney) are outside corporate auditors. The Board of Corporate Auditors consists of three corporate auditors: full-time Corporate Auditor Shinichi Okumura as chairperson; Kazuo Ohashi, Outside Corporate Auditor; and Kiyo Morikawa, Outside Corporate Auditor.

Nomination and Remuneration Advisory Committee

As of June 24, 2021, Sanrio has established the voluntary Nomination and Remuneration Advisory Committee with the aims of ensuring the transparency and objectivity of the evaluation and decision-making processes related to the nomination and remuneration of directors, strengthening the supervisory function of the Board of Directors, and enhancing the corporate governance system. The Committee is chaired by Yu Sasamoto, Outside Director, and composed of five members: Tomokuni Tsuji, President and CEO; Masae Yamanaka, Outside Director; David Bennett, Outside Director; and Shizuko Kamoda, Outside Director (all of the outside directors are registered as independent officers as stipulated by Tokyo Stock Exchange, Inc.).

We believe that the above systems will enable business execution and management supervision to function effectively and efficiently.

Evaluation of the Board of Directors

The Secretariat of the Board of Directors conducts annual surveys of each director's self-evaluation and the opinions of outside directors and outside corporate auditors etc., analyzes the overall effectiveness of the Board of Directors, and the outside directors and corporate auditors use the results to evaluate the Board of Directors.

Major items in the questionnaire	(1) Composition and operation of the Board of Directors (8 questions) (2) Management and business strategies (6 questions) (3) Corporate ethics and risk management (5 questions) (4) Management evaluation and remuneration (4 questions) (5) Dialogue with shareholders, etc. (2 questions)
Evaluation results and analysis	In the questionnaires, we also asked each director and corporate auditor to provide their opinions. Additionally, we identified the following as key areas of concern: "advance distribution and explanation of materials," "communication between management and outside officers," and "officer training."
Application of evaluation results	We will further enhance the effectiveness of the Board of Directors by continuing to work on improving the identified areas of concern. ● **Advance distribution and explanation of board meeting materials** In order to contribute to both enhanced deliberations and operational efficiency at Board of Directors meetings, we will strive to distribute materials that are easier to consider with the appropriate amount of information at an appropriate time. ● **Communication between management and outside officers** With the aim of enhancing the depth of deliberations at Board of Directors meetings, we will review the frequency of existing opportunities for the exchange of opinions between directors and corporate auditors, as well as work to establish additional opportunities by highlighting important themes. ● **Officer training** In order for directors to fully fulfill their roles and responsibilities, including legal responsibilities, we will provide them with opportunities to deepen their understanding of our business, finances, organization, etc., as well as laws and regulations related to the Companies Act, corporate governance, and internal controls.

Officer remuneration

The Company's basic policy is to maintain a remuneration structure that is linked to shareholder interests so that it functions as a sufficient incentive to sustainably improve corporate value, and to set the remuneration of individual directors at an appropriate level based on their individual job responsibilities. Specifically, executive director remuneration shall consist of base remuneration as fixed remuneration, special bonuses, and stock-based remuneration, and outside directors with supervisory functions shall receive only basic remuneration in light of their duties.

Remuneration for directors and corporate auditors for FY3/2024

Officer category	Total remuneration amount (JPY: Million)	Total amount by type of remuneration (JPY: Million)			Number of eligible officers
		Fixed remuneration	Special bonus	Non-monetary remuneration	
Directors (Excluding outside directors)	434	278	2	153	6
Corporate auditors (excluding outside corporate auditors)	16	15	0	—	2
Outside directors	22	22	—	—	3
Outside corporate auditors	9	9	—	—	2

Enhancement of Governance

**In order to ensure thorough risk management throughout the Company, we have established a Joint Compliance Committee to conduct regular risk evaluations and to formulate countermeasures.
To monitor and respond to risks, multiple committees and persons in charge of compliance work together to implement a risk management PDCA cycle. We are also developing a global risk management structure to respond to various risks.**

Risk Management

Risk management structure

Sanrio maintains a Joint Compliance Committee as a meeting body to manage risks from a company-wide perspective. The committee is composed of a chairperson (Senior Managing Director responsible for the Internal Control Division), a vice-chairperson (Managing Executive Officer responsible for the Human Resources & General Affairs Division), an outside director, an outside corporate auditor, and an outside attorney. At the beginning of each fiscal year, the committee identifies potential risks to Sanrio from internal and external information and audit results by the Internal Auditing Department, etc. The committee analyzes and evaluates the importance and probability of occurrence of the risks and the potential impact on financial reporting and establishes risk countermeasures. At the same time, the committee is creating and updating a company-wide risk map so that the magnitude of risks can be viewed, compared, and understood from a bird's-eye view.

Subordinate organizations of the Joint Compliance Committee include the IT Committee, Product Safety Measures Committee, and Fire Prevention and Disaster Prevention Committee. In principle, all committees meet four times each year to monitor, respond to, and manage internal risks. Additionally, the Compliance Department serves as the secretariat for the Joint Compliance Committee and is responsible for handling day-to-day risks.

When a person in charge of compliance assigned to each department by the Compliance Department discovers a risk within the business of their department, the person in charge discusses and implements measures together with the relevant officer responsible for the department and reports to the Joint Compliance Committee. For risks that require a company-wide response, the Joint Compliance Committee will work with the relevant departments to collect information on the risk, and if necessary, assist decision-making at the Management Council and the Board of Directors.

Persons in charge of compliance play a key role in risk management by cooperating in the comprehensive identification of risks in each department and strengthening countermeasures if risk responses are insufficient. As the PDCA cycle for risk management activities is implemented, the risk map is simultaneously updated to its newest version.

We are currently establishing a system to expand the risk management structure implemented at the headquarters throughout the entire Group, including overseas offices.

Sanrio recognizes that the transition risks and physical risks associated with climate change can affect not only the environment, but also our economic situation and business operations. The Sustainability Committee also monitors sustainability risks, including the aforementioned, and if any risks that require a response are discovered, the committee works with the Joint Compliance Committee to consider and implement appropriate countermeasures.

Each Group company, including those overseas, holds a risk management meeting twice a year. At these meetings, the headquarters shares the latest risk information and discusses specific risks and responses at Group companies. The minutes of the risk management meetings from each company are shared with the Joint Compliance Committee.

Each year, the Internal Control Committee conducts an evaluation of the risks and controls related to financial reporting of the entire Group in accordance with the Financial Instruments and Exchange Act and reports the results to the Board of Directors.

The Internal Auditing Department audits Group companies, including those overseas, and each division at the headquarters, or conducts themed audits to perform independent and objective evaluations of inherent risks and controls, and if any improvements are needed, it makes recommendations to the audited divisions. Audit results are also reported to the Board of Directors via the Joint Compliance Committee.

In line with the growth strategy in our Medium-Term Management Plan, we are challenging ourselves with new businesses, including in the education, game, and digital areas. As a result, there is an increasing need to detect and understand risks in businesses that we have no experience in. We will continue to implement thorough risk management while reinforcing our know-how and personnel, and effectively utilizing outside resources when necessary.

Major risk scenarios and risk management initiatives

	Major risks	Major risk scenarios	Risk management initiatives
1	Market risks 	● Possibility of market deterioration due to economic and political conditions in each country and region	● Enhancement of marketing functions by the Global Brand Management Division on a global basis ● Optimization of sales strategies for each country and region by the Global Strategy Department
2	Foreign exchange risks 	● Possibility of business performance being impacted by fluctuations in exchange rates	● Adjustment of receivable and payable positions through foreign currency balance forecasts
3	Business risks including the ability to develop new characters and to secure personnel 	● Possibility of business performance being impacted by fluctuations in the popularity of each character ● Potential exodus of character development personnel	● Long-term stable character development ● Investment in human resource development ● Stable employment of character development personnel
4	Defective product risks 	● Possibility of recall costs due to unforeseen quality issues and reduced sales due to diminished brand power	● Thorough manufacturing and inspections in accordance with our designated quality standards
5	Risks from natural disasters and accidents 	● Possibility of deterioration in financial position, including impairment of fixed assets and decrease in sales, due to unforeseen circumstances such as large-scale natural disasters or accidents	● Flood and tidal wave risk analysis using hazard maps ● Thorough safety management, including ensuring earthquake resistance at our facilities ● Confirmation of disaster response policies such as evacuation routes
6	Risks related to intellectual property rights 	● Possibility of litigations by third parties based on intellectual property rights ● Possibility of third parties violating our intellectual property rights	● Establishment of a system for securing and protecting intellectual property rights
7	Unforeseen risks caused by infectious diseases, etc. 	● Possibility of business performance being impacted by suspension of shipments, suspension of business partners' business operations, significant changes in consumer behavior, etc.	● Multi-layered monetization including game, digital and edutainment businesses that can respond to changes in consumer behavior

Risk-Return Optimization of Growth Strategies

In recent years, the business environment has become increasingly uncertain due to the global spread of COVID-19, increasing geopolitical risks as exemplified by the situation in the Middle East and the conflict in Ukraine, the ongoing digital revolution, and the need to address climate change and human rights issues. Under these circumstances, we believe it is important that the first line, including domestic and international sales staff, the second line responsible for compliance and risk management, and the third line responsible for internal auditing work together in a complementary manner to optimize risk and return.

We believe that it is extremely important to manage risk by keeping uncertainties that hinder the achievement of our goals within expectations as much as possible. We recognize that we can optimize returns by identifying not only day-to-day risks but also potential risks for new businesses, which occupy an important position in our growth strategy, and by taking measures to address these risks as we move forward.

MESSAGE

I will fully utilize my 30 plus years of experience in the financial sector, including experience overseas, and the knowledge I have gained over 10 years at Sanrio to conduct risk management. In line with our growth strategy, rather than focusing solely on defense, I will aim to optimize risks and returns based on the Three Lines Model.

Jiro Kishimura
Senior Managing Director
General Manager, Internal Control Division



Enhancement of Governance

Sanrio has established the Sanrio Compliance Declaration and places great emphasis on its compliance. In addition, we have the Joint Compliance Committee and a dedicated Compliance Department. Through employee training, self-assessments, surveys, and consultation desks, we aim to prevent violations, and to address corruption and information security measures.

Compliance

Sanrio Compliance Declaration

Since its founding, Sanrio and the Sanrio Group companies have followed the basic philosophy that social communication is important for people around the world to live in harmony. Based on that philosophy, Sanrio has issued a code of conduct 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 "employees will help each other out and foster friendly relationships," as the Sanrio Compliance Charter.

Compliance promotion system

Joint Compliance Committee

Sanrio maintains a Joint Compliance Committee consisting of five members—a chairperson, a vice-chairperson, an outside director, an outside corporate auditor, and an attorney. The committee's objective is to raise awareness of compliance, and it meets, in principle, four times a year. The committee deliberates and determines policies to promote effective compliance activities while receiving broader objective opinions and viewpoints from outside committee members and establishes temporary or other committees to discuss individual matters.

In addition, the Joint Compliance Committee regularly has employees and officers conduct self-assessments of their activities in terms of the basic philosophy and code of conduct as a method for enhancing compliance and compliance awareness. The results of the self-assessments are reported to the Board of Directors and used in deliberations on policy for future initiatives.

Compliance Department

The Compliance Department was created in October 2023 to ensure and establish overall compliance throughout the Company and to continuously improve it. The department conducts compliance education and training, regularly disseminates messages on compliance from top management, carries out monitoring activities to determine the level of compliance awareness, and plans and implements compliance activities. The department also serves as the secretariat of the Joint Compliance Committee.

Employee and executive awareness and training

As a manifestation of the Sanrio Compliance Charter, we have compiled the internal Sanrio Group Compliance Manual to promote compliance practices and serve as a guidebook for the standards of conduct that Group employees and officers are expected to follow in the course of carrying out their daily duties.

Compliance self-assessment

Sanrio employees and officers participate in compliance self-assessments. To prevent compliance violations, regular reviews are conducted annually to ensure a full understanding of the basic philosophy and code of conduct, and irregular reviews are conducted concerning particularly important and timely items.

Employee surveys

Compliance questionnaires are conducted among all employees (including part-time and temporary employees) to raise awareness of corruption, misconduct, and harassment, and to collect data about pertinent issues. In the event that information related to a compliance violation is received, the Company conducts interviews and takes appropriate action in accordance with the nature of the information.

Compliance and Harassment Consultation and Reporting Desk

Sanrio has established a Compliance and Harassment Consultation and Reporting Desk for all Group employees (including part-time and temporary employees), management, and business partners to report any company or employee misconduct that has been experienced, observed, or heard about, violations of laws or regulations, or inappropriate behavior or conduct in the workplace.

The consultation desk talks directly with the person who has provided the information, and the chairperson of the Compliance Committee determines whether an investigation is warranted. If necessary, the committee conducts an investigation that includes collecting objective evidence and interviewing the parties concerned. Investigation results are reported to the Joint Compliance Committee, which includes external experts, and the committee determines the appropriate action. Upon completion, the investigation results, corrective measures, preventive measures, and details of any disciplinary action are reported to the individual who reported the matter.

In the course of interviews and investigations, the privacy of the individual who reported the issue and the employees who participated in the interviews is protected. In the event that the person who reported the issue suffers discrimination or harassment, disciplinary action will be taken in accordance with the Regulations of Employment.

In FY3/2024, the Compliance and Harassment Consultation and Reporting Desk received 47 reports (a year-on-year increase of 17 reports). The Compliance Committee held subcommittee meetings for nine of the reported issues and implemented appropriate measures, such as improving the workplace environment. Depending on the issue, the consultation desk conducts investigations and fact-finding after which it implements its response and corrective measures, such as improving the workplace environment.

Prevention of Corruption

Basic approach

The Sanrio Compliance Charter requires compliance with anti-corruption laws and regulations and measures to prevent bribery and other corrupt practices.

We maintain sound and normal relations with the administrations and governments of the countries and regions in which we operate, and we do not make illegal or inappropriate donations or contributions that violate relevant laws, regulations, or internal rules. We follow appropriate procedures and conduct fair transactions in Japan or overseas when dealing with administrations and government agencies and when carrying out administrative procedures necessary for business activities. We do not provide bribes, gifts, or entertainment to public officials or equivalent persons.

We do not use non-public information from within the Company or our business partners to engage in any act that could be considered as insider trading.

Corruption risk evaluations

In order to grasp overall compliance, including corruption risk, and other risks at each Group company, the Joint Compliance Committee evaluates the minutes of the risk management meetings held twice a year at each Group company, as well as the responses to the annual compliance questionnaire targeting all employees of Group companies. If an issue is identified, the Joint Compliance Committee makes recommendations regarding remedial measures to Group companies or requests the submission of remedial measures. The committee then monitors the implementation status of these measures.

No issues or risks relating to corrupt practices were reported during the evaluation conducted in FY3/2024.

Going forward, in order to improve risk evaluation accuracy, we plan to include "corruption risk" as a separate agenda item at risk management meetings, and to include specific questions on corrupt practices in the compliance questionnaire.

Anti-corruption initiatives

The Sanrio Group Compliance Manual for the Group's executives and employees stipulates and clarifies matters related to corrupt practices, such as conflicts of interest and insider trading.

In addition, we plan to establish and implement rules and guidelines on business entertainment and gift-giving for head office employees during FY3/2025.

Anti-corruption activities

In FY3/2024, there were no cases of political donations or lobbying activities.

In addition, there were no cases of fines or penalties due to corrupt practices or settlements of money.

Provision of Safe and Reliable Products and Services

Basic approach

In accordance with "4. We will abide by the law." in "2. Principles" of the Sanrio Compliance Charter, the Group develops and provides products and services in compliance with laws and regulations and with safety as our top priority.

We have established the Sanrio Quality Standards for our products, and our first priority is to develop safe and reliable products based on the quality standards established for each category.

Quality and safety management system

Products developed by Sanrio's headquarters are managed by the Quality Control Section established within the Merchandise Department based on the Sanrio Quality Standards.

Standards are set for individual products based on product specifications during the planning and development stages. We check prototypes based on these standards and conduct further checks of mass-produced products during production. Products are sampled and inspected at the warehouse prior to going on sale.

Past quality issues and rejected samples are recorded in the database and checks are conducted to prevent recurrence.

If a product-related accident occurs, the Product Safety Measures Committee considers the response based on internal accident guidelines. Reports are then submitted to the Compliance Committee and directors.

To ensure safety management at theme parks, health and safety meetings and safety meetings are held once a month at each park's office.

Quality and safety training

Quality and safety training is provided to employees working in the Quality Control Section and at Sanrio Shanghai. The training mainly shares incidents of defects and products rejected during overseas inspections. We held 11 training sessions in 2023.

Sanrio Compliance Declaration
https://corporate.sanrio.co.jp/en/compliance/

Sanrio Compliance Charter
https://corporate.sanrio.co.jp/en/compliance/charter/

SPECIAL FEATURE 03

Roundtable Discussion with Outside Directors



Shizuko Kamoda
Outside Director



Yu Sasamoto
Outside Director



Masae Yamanaka
Outside Director



David Bennett
Outside Director

To evolve into a new Sanrio with better transparency and a sound management structure

Sanrio is working on strengthening governance and its management base with the aim of achieving stable and perpetual growth. Four newly appointed outside directors, part of the new officer structure, discuss their evaluation of Sanrio and its potential.

New officer structure with diverse members launched: Building a governance structure that will serve as a foundation for evolution and support the management team

Yamanaka: Under the previous Medium-Term Management Plan, which called for the Second Foundation, the President and officers took the lead in pushing transformation and laying the foundation for future growth. Strengthening the officer structure is essential as we evolve toward the next phase for Sanrio. I feel that the new structure has further enhanced our human resources.

Sasamoto: It is a very reliable and promising new structure. The previous Medium-Term Management Plan has made steady progress and produced results, especially in digital and global areas. We intend to further strengthen governance and implement the Medium-Term Management Plan under the new structure.



Bennett: I feel the new officer structure achieves a balance between diversity and expertise, and discussions by the Board of Directors have become more active. In particular, discussions on global expansion, technological innovation, and the use of AI have deepened and become more effective.

Kamoda: Because I am a new appointee, I will engage in communication after first observing the field and the business thoroughly. When I was approached for this position, I was told that strengthening compliance was a pressing issue, especially amidst ongoing organizational reform. I hope to apply my experience in handling a wide range of corporate legal matters, including whistleblowing support and fraud investigations, to Sanrio as well.

Sasamoto: Taking on new challenges is essential for Sanrio to grow. However, we must inevitably face risks as we take on such challenges. As outside directors, it is necessary for us to closely share information with the management team, monitor risks, and engage in thorough discussions. On the other hand, focusing solely on pointing out risks can delay taking on challenges, so I want to provide support while ensuring appropriate communication.

Yamanaka: I had the impression that the founding family had a strong influence when I first became an outside director. Management Council meetings and meetings of the Board of Directors seemed to be conducted according to the unique standards that had been handed down from generation to generation. However, as a publicly listed company, and in order for Sanrio to achieve further growth, it is only natural that we must build a solid governance structure that takes into account all stakeholders. Mr. Sasamoto and I have experience as officers at both domestic and overseas companies, which allows us to make management decisions from multiple perspectives. Our role is to make use of these perspectives while ensuring that we work closely with the Company to achieve a governance structure that maintains the unique characteristics of Sanrio.

Bennett: It is important to set a clear path for IP businesses utilizing AI in order to strengthen governance. In addition to leveraging technology, we also need to set policies that allow communities to safely create new content that brings smiles to the faces of fans worldwide while utilizing the Company's IP. To this end, I intend to contribute from a global perspective while leveraging my international experience and expertise in AI and technology.

Kamoda: An environment that ensures psychological safety is necessary to improve transparency and make the compliance system effective. Personally, I would like to offer suggestions that will lead to awareness of potential issues, rather than just criticize from an external viewpoint. I hope that this approach can foster the creation of a corporate culture where employees feel comfortable voicing their concerns.

Joint Compliance Committee newly formed: Fostering a highly transparent corporate culture and strengthening the management base

Sasamoto: In response to the 2023 incident in which sales had been manipulated by intentionally recording

pooled royalties in the wrong month in the domestic licensing business, an analysis revealed a lack of transparency in internal communication and failures in escalating information, as well as the persistence of outdated business practices. Reflecting sincerely on this issue, we have promoted reforms that foster a corporate culture where information is openly shared and discussed under the current president. In order to prevent such incidents from happening again, we need to review how information is handled and rethink the approach to our business through DX. The Board of Directors is now actively discussing issues, and I feel we are making progress toward a sounder culture.

Yamanaka: One thing that surprised me in the reports was hearing employees saying they did not realize it was not a good process. I think they unquestioningly continued past practices. However, ideally, employees should reflect on the purpose of their work and continuously question whether the processes they are following are truly appropriate with a sense of purpose. This incident led to the establishment of the Joint Compliance Committee, allowing information from the field to be shared more frequently by full-time corporate auditors. I feel that we have strengthened our management base by being able to hold discussions based on more multifaceted information than ever before, including input from outside directors.

Kamoda: This incident also involved our business partners, so I believe a lack of a customer-oriented approach may have contributed. As we work to prevent recurrence, we need to view this incident from the standpoint of maintaining sound relationships with business partners. In addition to compliance with laws and regulations, companies must also manage compliance risk with an awareness of conduct risk in relation to customers and markets. In order to achieve the vision that Sanrio aims for, it is necessary to consider what actions are desirable and to foster the development of a compliance mindset rooted in a customer-orientated approach.



Bringing Sanrio content to the world by merging the real and digital, and the expansion of entertainment and game areas

Sasamoto: The Medium-Term Management Plan has two aspects: one is to solidify the foundation built over the past three years, and the other is to further strengthen the digital and global areas. I believe there is no brand as globally recognized as our characters, and I feel potential for business growth overseas, especially in the entertainment and game areas. Developing digital talent and building synergies with Sanrio Puroland will help to accelerate business growth. Collaboration for the Hollywood movie is also underway in the entertainment area. This will make it possible to reach a broader range of global consumers, which will lead to the expansion of our licensing and character businesses.



Yamanaka: We are now entering a phase where Sanrio will move forward boldly in a manner that reflects its unique characteristics while making good use of the foundation for growth established in the previous Medium-Term Management Plan. The strength of Sanrio's content is that much of it has been long loved by fans. I believe that we can deliver truly valuable content to the world by merging the real and digital worlds.

Bennett: The three years of "investment and expansion" are an important period of preparation for Sanrio's next growth stage. It will be an excellent opportunity to build a foundation for future growth through the active adoption of AI and digital technologies, expansion into new markets, and strengthening sustainability initiatives through the use of technology.

Yamanaka: Moreover, I hope that the partnership with Alifish in China will lead to a stronger focus on expansion in Asia in the future. The areas that should be invested in are expanding in order to eliminate volatility and achieve multi-layered monetization. Compared to when I first joined management, we now have clearly defined investment standards and portfolio management is more thorough. However, some investments may not necessarily succeed. The important thing is to learn from investments and apply the learning to the next evolution. On top of that, I hope that Sanrio continues developing content that will surely be recognized on a global scale.



Sasamoto: I agree. In implementing the Medium-Term Management Plan, I believe the participation of new officers who joined over the past year will be important. The management team has been strengthened, and I look forward to the creation of new chemistry.

Bringing smiles to stakeholders: Supporting our vision will lead to business growth

Sasamoto: Sanrio is a company where its vision and business domains are in sync. The vision we are realizing through our characters is "One World, Connecting Smiles. Creating as many smiles as possible and extending the circle of happiness even further afield." Naturally, there is a correlation with business profits, and aligning with this vision leads to business growth. On the other hand, there are many ways in which the Company's philosophy and business can contribute to solving social issues. I think this is a rewarding area for all employees, and I hope that we can contribute through the Medium-Term Management Plan.

Yamanaka: At every meeting of the Board of Directors at Sanrio, we always revisit our vision of "Minna Nakayoku" (Getting Along Together) and Sanrio Time. This is a unique strength for Sanrio that other companies do not have. If each employee keeps this vision in mind while taking on new challenges, I am sure that numbers and growth will follow.

Kamoda: I believe Sanrio's characters are loved around the world because we have been delivering a message of peace for many years. We can expect even further growth by developing Evergreen IP while addressing the various social issues of different countries and regions. It is also important to enhance the well-being of employees over the near term.

Bennett: Sanrio's role is to bring joy and healing to people through its characters. It is essential to strengthen content creation by leveraging the latest technologies such as AI, VR, and AR in order to achieve perpetual growth. We can further amplify synergies with brands worldwide by advancing new initiatives such as English curriculum programs.

Sasamoto: In the past, Japan's strengths lay in hard industries as represented by automobiles and home appliances, but moving forward, soft industries will need to take on that role. I hope Sanrio can soar to greater heights globally and become a bright spot in the Japanese economy, and I intend to support these efforts by making use of my experiences in foreign-affiliated companies.

Kamoda: Risk management at Sanrio requires a mindset different from other companies. In order to realize the corporate philosophy of "Minna Nakayoku" (Getting Along Together), we must sometimes be willing to look at things from the other person's point of view and try to anticipate and solve problems. I would like to offer support to people in the field as needed and work together to come up with solutions that align with our corporate philosophy.

Yamanaka: No matter how great a business model or portfolio is envisioned, you cannot grow without a good culture. I hope to continue contributing to creating a culture where all stakeholders, including Sanrio employees, can always have a smile on their faces.

Care for the Global Environment

The Company is committed to reducing greenhouse gas (GHG) emissions as part of its climate change countermeasures and discloses information based on the Task Force on Climate Related Financial Disclosures (TCFD) recommendations by identifying risks and opportunities.
The Sustainability Committee thoroughly manages risks by examining and monitoring specific measures related to various sustainability issues. We also aim to ensure sustainable business operations by using renewable energy and managing resources efficiently.

Measures to Address Climate Change

Response policy

Addressing climate change is a priority initiative based on our materiality of "Consideration for the Global Environment." We are identifying initiatives in our business activities that have a high impact on climate change and are implementing measures to reduce GHG emissions. We also adhere to the TCFD recommendations to identify risks and opportunities associated with climate change and disclose information to stakeholders.

Governance

The Sustainability Committee, chaired by the President and CEO, examines issues concerning the sustainability of the Group. The committee examines specific initiatives and implementation methods for climate change measures and regularly monitors the progress status of each measure.

Strategy

The Group follows TCFD recommendations for conducting scenario analysis and identifying risks and opportunities associated with climate change. In the 2023 scenario analysis, impact assessments were conducted for "transition risks and opportunities toward decarbonization" and "physical risks and opportunities from the progression of climate change" for the year of 2035.

Scenarios used for impact assessment

	Scenario description	References
1.5°C and 2°C scenarios	Scenario in which the global average temperature increase is limited to 1.5°C and 2°C compared to pre-industrial levels. **This scenario assumes that strict environmental regulations will be introduced and large-scale investment in environment-related technologies will be made to achieve international goals.**	● International Energy Agency (IEA) NZE2050, SDS, STEPS ● Intergovernmental Panel on Climate Change (IPCC) RCP2.6, SSP1
4°C scenario	Scenario in which the average global temperature rises by more than 4°C compared to pre-industrial levels. This scenario assumes delayed introduction of environmental regulations, countries unable to curb GHG emissions, and **increasing frequency of abnormal weather events, such as heavy rains and floods, as climate change progresses.**	● Intergovernmental Panel on Climate Change (IPCC) RCP8.5, SSP3, SSP5

Risks and opportunities

Analysis of risk associated with the transition to decarbonization found the risk of higher financial needs for the operations of stores and supply chains owing to the implementation of a carbon tax, stricter regulations on GHG emissions, higher allotted charges on renewable energy resources, and rising energy costs. Analysis of physical risks found risk of more frequent abnormal weather events could increase damage to facilities and stores and increase instances of loss of business opportunities.

Analysis of opportunities found that indoor theme parks, such as Sanrio Puroland, are less susceptible to impact from an increase in extreme weather events, which may enhance their competitive advantage. We intend to further strengthen our competitive advantages by creating an organization that is highly resilient to social changes, including climate change, by responding to social trends and continuing to develop our shops, products, designs, licensing business, value experience business, and all other aspects of our entertainment business.

Major climate change risks affecting the Group

Risks/opportunities		Impact on business	Estimated long-term financial impact	Calculation method	Countermeasures
Transition risks	Increased burden due to carbon pricing, etc.	Possibility of increased financial burden due to the introduction of a carbon tax, the strengthening of GHG emission regulations, and the increased burden of renewable energy surcharges	156 million yen	● Looking ahead to 2035, carbon tax is estimated at 167.5 USD/t ● Based on the electricity consumption of Sanrio Company, Ltd. and Sanrio Entertainment Co., Ltd. in FY3/2022, the estimated GHG emissions of 7,186 t-CO_2 were multiplied by 167.5 USD/t to calculate an impact of 156 million yen* * 1 USD = 130 yen	● Given the significant financial impact of carbon tax introduction, set GHG emission reduction targets and promoted reduction efforts to contribute to addressing climate change ● Considered the introduction of renewable energy as one method to address this issue
Physical risks	Damage to facilities and loss of business opportunities due to intensifying wind and flood damage	● Possibility of repair costs being incurred from damages to facilities at high risk of wind and flood damage due to intensifying wind and flood disaster ● Possibility of lost business opportunities in our product sales business due to supply chain disruption and infrastructure suspension	566 million yen	● A damaging impact of approximately 142 million yen was calculated by applying the average book value of 15.8 million yen* per store to 14 facilities at risk of flood damage, multiplied by the damage rate model of the Ministry of Land, Infrastructure, Transport and Tourism ● Calculated a total damage amount of approximately 424 million yen in lost sales due to the suspension of operations at the 33 facilities subject to flooding damage * Calculated based on the Annual Securities Report for FY3/2022	● Began strengthening disaster response measures and understanding flood risk at each facility ● Flood and storm surge risk analysis using hazard maps ● Confirmed disaster response policies, such as evacuation routes, according to the rules of each building

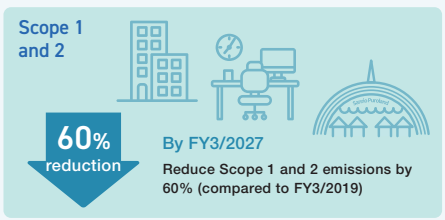
Response to biodiversity

The Company recognizes the importance of biodiversity and the need to reduce our impact on it. Although we have not yet established governance for biodiversity-related issues during the reporting year, we recognize it as a future challenge.

Greenhouse gas emissions reduction target

The Company has set a greenhouse gas (GHG) emissions reduction target for FY3/2027.

Going forward, we will work with various stakeholders to sustainably achieve "One World, Connecting Smiles," aiming to reduce Scope 1 and 2 GHG emissions by 60% compared to FY3/2019 by FY3/2027, and to reduce Scope 3 GHG emissions per sales unit by 10% compared to FY3/2019 by FY3/2027.



Initiatives to reduce greenhouse gas emissions

At all directly managed stores, we have simplified shopping bags by switching from plastic to paper bags made from recycled paper and other materials.

We have completed the installation of LED lighting at Sanrio Puroland. In addition, for business trade with overseas companies, we actively use sea freight as much as possible instead of air freight, which has high CO_2 emissions.

Through these measures we are aiming to both reduce our CO_2 emissions and expand our business.

Reusing cardboard

Sanrio reuses almost 100% of the cardboard used at the Sanrio Distribution Center. We also have a system for matching the cardboard box size to each specific order, which reduces waste by enabling shipping using the smallest cardboard box possible.



Sanrio Distribution Center (Akiruno, Tokyo)
Product management and shipment logistics center

Amount of cardboard recycled	
FY3/2022	233 tons
FY3/2023	264 tons
FY3/2024	280 tons

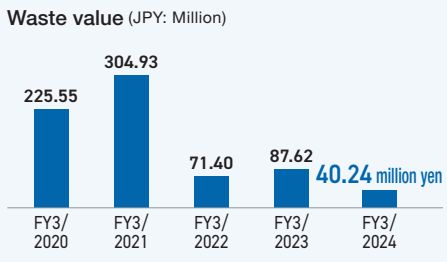
Number of cardboard boxes reused for shipping items without repacking*	
FY3/2022	18,104
FY3/2023	31,413
FY3/2024	75,861

* Cardboard boxes used for delivery to the Distribution Center were reused without repacking

Effective Use of Resources

Initiatives to reduce product waste

By reducing the amount of product waste and reusing inventory, Sanrio Group has set a target of reducing the amount of product waste in its domestic product sales business by 80% or more compared to FY3/2021 by FY3/2025 and achieved a reduction of over 90% in FY3/2024 compared to FY3/2021.



Product sales and distribution measures
https://corporate.sanrio.co.jp/en/sustainability/environment/resources.html

Environmental data*1

Disclosure information			Details	FY3/2023*5
GHG emissions (t-CO_2eq)*2, 3, 4	Scope 1			1,597.7
	Scope 2			9,056.6
	Scope 3			106,713.8
	Upstream	Category 1	Purchased goods and services	92,573.3
		Category 2	Capital goods	6,141.9
		Category 3	Fuel- and energy-related activities not included in Scope 1 or 2	1,855.1
		Category 4	Transportation and distribution (upstream)	5,410.8
		Category 5	Waste generated in operations	337.5
		Category 6	Business travel	113.0
		Category 7	Employee commuting	281.4
		Category 8	Leased assets (upstream)	Outside scope of calculation
	Downstream	Category 9	Transportation and distribution (downstream)	Outside scope of calculation
		Category 10	Processing of sold products	Outside scope of calculation
		Category 11	Use of sold products	0.9
		Category 12	End-of-life treatment of sold products	Outside scope of calculation
		Category 13	Leased assets (downstream)	Outside scope of calculation
		Category 14	Franchises	Outside scope of calculation
		Category 15	Investments	Outside scope of calculation
	Total of Scope 1, 2, and 3			117,368.2

*1 The figures are compiled by Sanrio Company, Ltd., Sanrio Entertainment Co., Ltd., Sanrio Shanghai International Trade Co., Ltd., and Sanrio, Inc.
*2 If the amount of fuel or electricity used is unknown, usage is estimated from the electricity cost, and if both the usage amount and the cost are unknown, the calculation is based on the total floor area.
*3 For facilities where electricity usage is known, Scope 2 is calculated based on location standards and the results are aggregated.
*4 For Sanrio Shanghai International Trade Co., Ltd. and Sanrio, Inc., only Scope 1 and 2 are calculated and included in the total.
*5 Figures for FY3/2024 will be disclosed on the corporate website as soon as they are calculated

Respect for Human Rights

Under the corporate philosophy of “Minna Nakayoku” (Getting Along Together), Sanrio aims to spread smiles to people around the world, including children, and as a global company, we place great importance on respecting human rights.
Through initiatives such as compliance training, we are working to raise awareness of human rights among each and every employee and to maintain an environment in which human rights are respected throughout our entire supply chain.

Basic concept

Sanrio has established respect for human rights as one of issues we address under Sanrio Materiality in order to contribute to a society where people live together in peace and harmony based on our corporate philosophy “Minna Nakayoku” (Getting Along Together). The Sanrio Compliance Charter clearly states that we respect the fundamental human rights of all people equally and that we do not discriminate or treat people unfavorably because of their status in the Company, their employment status, age, gender, origin, ancestry, nationality, race, disability, religion, creed, or marital status. The charter requires all Group officers and employees to act in accordance with these principles. We also respect the fundamental rights of our employees, including freedom of association and the right to collective bargaining.

We do not treat employees unfairly or unjustly based on their personal attributes. Our salary structures provide wages that exceed the minimum wage levels stipulated by the laws and customs of the countries and regions where we have business bases. The salary structures also take into account the economic environment of each country and region.

Sanrio Compliance Charter
https://corporate.sanrio.co.jp/en/compliance/charter/

Compliance training

Executives and all employees participate in compliance training.

Executives participate in annual video lessons presenting content about the obligations of directors to ensure compliance and methods for fostering the corporate culture and employee awareness.

Employees participate in training about general compliance, specific laws and regulations, and recent issues associated with the annual curriculum.

Respect for human rights in the supply chain

The Sanrio Group maintains the Sanrio Supplier/Licensee Code of Conduct and works with its business partners to realize a sustainable society. The Code of Conduct requires suppliers and licensees to respect human rights and clearly prohibits forced labor, child labor, and long working hours, eliminates discrimination and harassment, and assures worker health and safety.

Suppliers and licensees are asked to complete a self-inspection checklist to verify the status of compliance with the Sanrio Supplier/Licensee Code of Conduct. We ask all suppliers and licensees involved in the manufacturing and handling of Sanrio products to respond to the questions so that we are aware of the situation at each company. Sanrio uses the checklist to implement appropriate risk management for its business and works with its partners to make improvements when issues arise.

In addition, to supplement self-check sheets, we also conduct on-site inspections of suppliers and licensees as well as overseas manufacturing plants contracted by licensees. We select targets by prioritizing them based on factors such as the geographic risk of their location, and the scale and status of transactions with Sanrio, and while also utilizing the expertise of external specialists, we verify the working conditions at local factories. If any issues are found, we submit requests for improvements to urge these local facilities towards a resolution.

Sanrio Supplier/Licensee Code of Conduct
https://corporate.sanrio.co.jp/en/sustainability/social/supply_chain_management.html

UK Modern Slavery Act compliance

Sanrio is committed to preventing slavery and human trafficking in the Group and our supply chain and has published a statement based on Section 54 of the Modern Slavery Act enacted in the United Kingdom in March 2015.

Statement regarding the UK Modern Slavery Act
https://corporate.sanrio.co.jp/en/compliance/statement-regarding-the-uk-modern-slavery-act/

Ensure Customer Privacy and Data Security

Sanrio considers information security to be an important measure in order to protect the information of our customers and business partners. In our digital business in particular, we place importance on customer privacy and have established policies and systems that comply with the laws and regulations of each country, while also undergoing checks by external organizations.

Information Security Policy

Sanrio conducts business activities by utilizing customer information, business partner information, information created by the Company itself, and other information. We recognize that it is our responsibility as a business enterprise to protect this information and the information systems that handle it from various threats so that our customers can use our products and services with peace of mind.

We regard information security as one of our key policies and implement the following initiatives.

Information Security Policy

1	Systems	We have established a company-wide general manager and control department for information security and have designated a person in charge of each department within the Company as well as an administrator of information and information systems used in business operations. We also assess company-wide risk-response and implement correction measures.
2	Information security measures	We have defined company-wide information security management measures and established security rules to protect our information and information systems to implement organizational, personnel, physical, and technical measures.
3	Education	We conduct ongoing education within the Company to ensure that information security measures are thoroughly implemented. In addition, we also implement measures in each department and issue internal notifications at the same time to ensure that all employees are fully aware of the importance of information security measures.
4	Audits and improvements	We conduct regular audits to check and improve the status of our information security measures. We continuously monitor, improve, and correct the internal status of the Company.
5	Emergency response	In the event of an actual information security issue or perceived issue, we have established an internal escalation route to assess the situation, take action, investigate the cause, and address the root cause of the issue.
6	Compliance with laws and regulations	We comply with laws, regulations, and norms related to information security.

Information security system

We have established a company-wide general manager and control department for information security and have designated a promoter and a person in charge to implement departmental measures within the Company. We also assess company-wide risk-response and implement correction measures. To ensure that information security measures are thoroughly implemented, Sanrio requires employees to take e-learning courses multiple times annually and offers voluntary information security training sessions three times a year. In addition, targeted attack e-mail tests are conducted several times annually. The quality of security is maintained by conducting audits at appropriate times using reliable third parties.

Protection of personal information

Sanrio enforces the Sanrio Group Personal Protection Policy and strives to ensure the appropriate handling of personal information. Overseas Group companies comply with local privacy laws; in the European Union, policies and enforcement systems have been established based on the EU General Data Protection Regulation (GDPR), and in the United States, a personal information handling policy and enforcement system have been established based on the California Consumer Privacy Act (CCPA).

We have also established a system to check and comply with the laws and regulations of each region in our digital business. After confirming the matters to be addressed with a law firm, checks by external third-party organizations are conducted on our operational systems and system configuration, including those of our contractors. Information security measures are reinforced through compliance with laws in Japan and the local overseas regions.

Sanrio Group Personal Protection Policy
https://corporate.sanrio.co.jp/en/privacy_policy/

Founder



Shintaro Tsuji
Honorary Chairman

Sanrio Company, Ltd. was established in 1960, with the hope of creating a world where people share and communicate their love to those they care about and where all of us get along together

Directors and Corporate Auditors

● Years in office ● Number of Board of Directors meetings attended (FY3/2024) ● Number of Board of Corporate Auditors meetings attended (FY3/2024)
● Number of shares of the Company held* (as of July 1, 2024) ★ Concurrently serving as Executive Officer

Directors (as of July 1, 2024)



Tomokuni Tsuji
President and CEO★
● 8 years
● 17/18 meetings
● 465,441 shares

[Reasons for Appointment]
Tomokuni Tsuji has been instrumental in the development of our medium-term management plans and the creation of our marketing department. In addition, we believe that as the grandson of the Company's founder, he is capable of carrying on the Company's corporate philosophy, corporate culture, and business model.



Jiro Kishimura
Senior Managing Director★
● 10 years
● 18/18 meetings
● 21,600 shares

General Manager, Internal Control Division
[Reasons for Appointment]
Jiro Kishimura has experience in the financial industry both in Japan and overseas. Since joining the Company, he has served in several capacities, including the head of the Corporate Planning Department and the Overseas Business Division, giving him insight into general management.



Wataru Nakatsuka
Senior Managing Director★
● 2 years
● 18/18 meetings
● 90,000 shares

General Manager, Business Strategy Division/ Global Strategy Department
Responsible for Corporate Management Division/ Human Resources & General Affairs Division
[Reasons for Election]
Wataru Nakatsuka has extensive consulting experience, mainly in the consumer goods and services industries. Since joining the Company, he has served in various capacities, including head of the Office to the President, giving him insight into general management.



Kiyoshi Saito
Managing Director★
● 2 years
● 18/18 meetings
● 0 shares

General Manager, Europe & Americas Business Division/Digital Licensing Division
Deputy General Manager, Global Strategy Department
[Reasons for Appointment]
Kiyoshi Saito has experience in domestic and international management in the IT, mobile, and entertainment industries, including stints in the U.S., Europe, and Asia, giving him insight into general management.



Yasuyuki Otsuka
Senior Managing Director★
● 2 years
● 18/18 meetings
● 90,000 shares

General Manager, Asia Business Division
[Reasons for Appointment]
Yasuyuki Otsuka has extensive consulting experience in the retail/consumer goods and apparel industries, as well as in the IP industry. Since joining the Company, he has served in several capacities, including head of the Product Sales Division, giving him insight into general management.



Yuko Akiyama
Director★
● New appointment
● —
● 0 shares

General Manager, Global Brand Management Division
[Reasons for Appointment]
Yuko Akiyama has extensive knowledge and experience in marketing. Since joining the Company, she has served as General Manager of the Global Digital Marketing Division (currently the Global Brand Management Division), giving her insight into general management.

Corporate Auditors (as of July 1, 2024)



Shinichi Okumura
Corporate Auditor
● 1 year
● 10/10 meetings
● 0 shares

[Reasons for Appointment]
Shinichi Okumura has overseas experience in the financial industry and a wealth of knowledge and experience in finance, as well as knowledge of general business management. Thus, we have deemed him capable of performing the duties of full-time Corporate Auditor of the Company in an appropriate manner.



Kazuo Ohashi
Outside Corporate Auditor
● 7 years
● 13/13 meetings
● 0 shares

[Reasons for Appointment]
Kazuo Ohashi possesses specialized knowledge as a Certified Public Accountant and has extensive audit experience, which we hope will be utilized in the management of the Company.



Kiyo Morikawa
Outside Corporate Auditor
● New appointment
● —
● 0 shares

[Reasons for Appointment]
Kiyo Morikawa has extensive experience as an attorney and possesses specialized knowledge in compliance. Thus, we have deemed her capable of performing the duties of Corporate Auditor of the Company in an appropriate manner.

Outside Directors (As of July 1, 2024)



Yu Sasamoto
Outside Director
● 3 years
● 18/18 meetings
● 0 shares

Significant Concurrent Positions
Chief Executive Officer, DAZN Japan Investment GK and APAC Business Development
Outside Director, KADOKAWA Corp.

[Reasons for Appointment]
Yu Sasamoto has extensive experience in management at Twitter Japan, Microsoft Corporation, and other entities, and we expect that he will be able to utilize his management experience and knowledge of e-commerce and online business models in the management of the Company.



Masae Yamanaka
Outside Director
● 3 years
● 17/18 meetings
● 0 shares

Significant Concurrent Positions
Outside Director, ROHTO Pharmaceutical Co., Ltd.
Outside Director, JTB Corp.

[Reasons for Appointment]
Masae Yamanaka has experience as vice president at Panasonic Connect Co., Ltd., as well as executive officer at Microsoft Japan and LIXIL Corporation, and we expect that she will be able to utilize her management experience of solutions businesses and perspective on gender in the management of the Company.



David Bennett
Outside Director
● 3 years
● 18/18 meetings
● 0 shares

Significant Concurrent Positions
CCO, Tenstorrent Inc.
Visiting Professor, Yamagata University

[Reasons for Appointment]
David Bennett has experience serving as president of Lenovo Japan G. K. and NEC Personal Computer, Ltd., and we expect he will be able to utilize his international perspective and management experience of IT companies in the management of the Company.



Shizuko Kamoda
Outside Director
● New appointment
● —
● 0 shares

Significant Concurrent Positions
Representative of RITA Law Office
External Director, S Foods Corporation

[Reasons for Appointment]
Shizuko Kamoda has extensive experience as an attorney and knowledge of business administration, and we expect that she will be able to utilize her expertise in the development of legal and compliance systems in the management of the Company.

* The Company has conducted a 3-for-1 stock split of its common stock as of April 1, 2024. "Number of shares of the Company held" represents the number of shares after the stock split.

Skills Matrix

The Company appoints individuals who are capable of using the knowledge they cultivated in their field such as business, finance, and technology, while taking into the balance of knowledge, experience, and ability, and diversity, as well as the appropriate number of directors.

: Highly expected to demonstrate abilities from experience : Has experience

	Name/Position	Gender	Management experience	Globality	IP business	Marketing	Digital technology	Finance and accounting	Human resources	Legal and risk	Sustainability
Directors	Tomokuni Tsuji	Male	●		●	●	●				●
	Wataru Nakatsuka	Male			●	●	●		●		●
	Yasuyuki Otsuka	Male	●	●	●	●					
	Jiro Kishimura	Male		●				●		●	●
	Kiyoshi Saito	Male	●	●	●	●		●			
	Yuko Akiyama	Female		●		●	●				●
	Yu Sasamoto Outside/Independent	Male	●	●		●	●				
	Masae Yamanaka Outside/Independent	Female	●	●			●		●	●	
	David Bennett Outside/Independent	Male	●	●			●				
	Shizuko Kamoda Outside/Independent	Female								●	
Corporate Auditors	Shinichi Okumura	Male		●				●		●	
	Kazuo Ohashi Outside/Independent	Male						●	●	●	●
	Kiyo Morikawa Outside/Independent	Female			●		●			●	●

* This table is not exhaustive of all skills possessed by directors and corporate auditors.

Managing Executive Officers (As of July 1, 2024)



Yuko Tsuji
Managing Executive Officer
Responsible for Global Sustainability Department



Sadanori Shibata
Managing Executive Officer
Deputy General Manager, Global Brand Management Division
Responsible for Data Technology Promotion Department/Fan-based Marketing Department



Seiichiro Matsumoto
Managing Executive Officer
General Manager, Corporate Management Division
Responsible for Accounting Department/Corporate Planning Department/ Investor Relations Department



Kanako Miyoshi
Managing Executive Officer
General Manager, Human Resources & General Affairs Division
Responsible for Human Resources Planning Department/Organizational Development Department/General Affairs Department/Office to the Chairman



Eiji Fukuda
Managing Executive Officer
Responsible for Corporate Planning Department



Tatsuya Yamashita
Managing Executive Officer
Deputy General Manager, Asia Business Division
Responsible for domestic product sales

Key Insights & Data

78 Company Information

79 Sanrio's Group Companies

80 Key Financial Data for the Past Eleven Years

81 Key Human Resources Data from the Past Five Years

82 Stock Information



Images are for illustrative purposes only.
Some products may no longer be on sale.
Los Angeles Dodgers and photographer Carrie Giordano
© 2024 SANRIO CO., LTD.

Company Information (As of March 31, 2024)

Company Profile

Japanese Company Name	株式会社サンリオ
English Company Name	Sanrio Company, Ltd.
Established	August 10, 1960
Capital	10,261,778,000 yen
Employees	692 (Male: 231, Female: 461)
Registered Address of Head Office	1-6-1, Osaki, Shinagawa-ku, Tokyo
Physical Address of Head Office	1-11-1, Osaki, Shinagawa-ku, Tokyo
Distribution Center	643-1, Aza Hikidanoue, Ina, Akiruno-shi, Tokyo T-LOGI Akiruno WEST
Kansai Branch	5-5-15, Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka Shin-Osaka Central Tower

External Evaluations/Initiative and Organization Participation

External Evaluations

Certified Health & Productivity Management Organization (Large Enterprise Category) Third consecutive year since 2022

In March 2024, the Ministry of Economy, Trade and Industry recognized Sanrio as a 2024 Certified Health & Productivity Management Organization (Large Enterprise Category). In our endeavor to create smiles and spread the circle of happiness around the world, we engage in health and productivity management that emphasizes creating work environments where every employee can be physically and mentally healthy and carry out their work with enthusiasm.

MSCI Japan Women Empowerment Index (2019-)

The MSCI Japan Women Empowerment Index (WIN) is comprised of companies with a high level of gender diversity, such as female employees and women in management positions based on information disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace, and with prospects for long-term sustainable growth. WIN is used as an index for ESG investment by the Government Pension Investment Fund (GPIF). Sanrio has been selected as a constituent of WIN each year since 2019.

MSCI ESG Rating A (2023)

The MSCI ESG ratings are set by the finance company MSCI Inc. based on its ESG research to help institutional investors assess a company's management of ESG risks and opportunities. Companies are rated on a scale of AAA to CCC based on their exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers. Sanrio received an A rating in March 2023.

S&P/JPX Carbon Efficient Index (2018-)

The S&P/JPX Carbon Efficient Index is an ESG index developed by S&P Dow Jones Indices Inc. and Japan Exchange Group, Inc. The TOPIX constituents are given weightings based on their carbon efficiency (carbon emissions per unit of revenue) and environmental data disclosure. Sanrio has been selected as a constituent of this index since 2018.

Morningstar Japan ex-REIT Gender Diversity Tilt Index (2023)

Sanrio was selected as a constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index. Recently added as an ESG index by the GPIF, the index evaluates corporate gender diversity initiatives. Sanrio was included in Group 4 of the index.

Initiative and Organization Participation

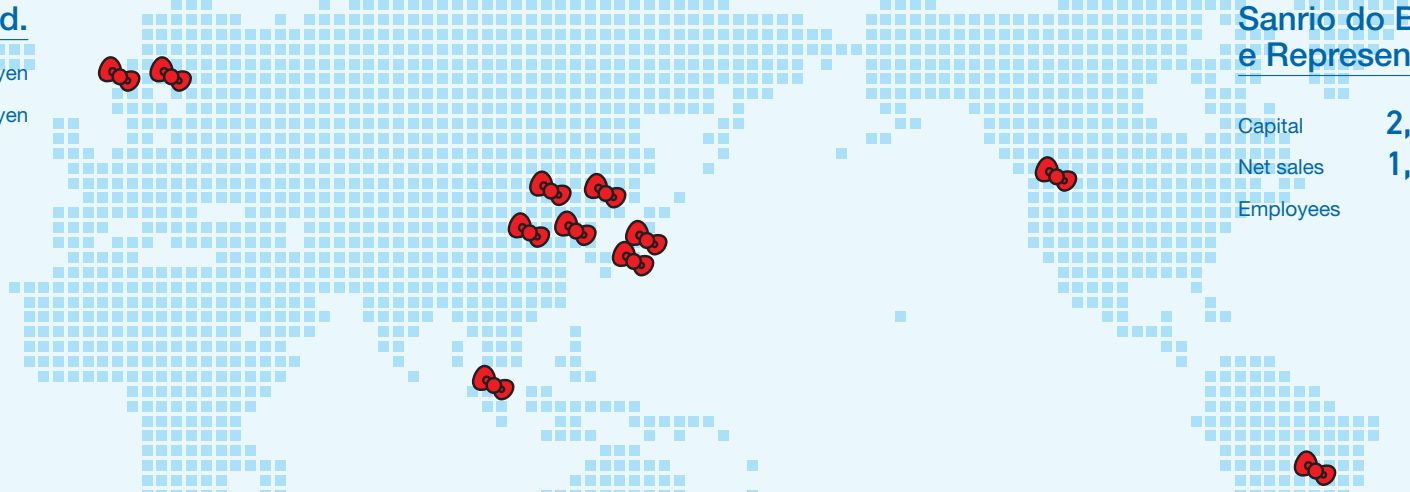
United Nations Global Compact (2023-)

Sanrio became a signatory of the United Nations Global Compact (UNGC) in June 2023. The UNGC brings the United Nations together with private companies and organizations in the world's largest sustainability initiative to build a healthy global society. We support the Ten Principles of the UNGC in the areas of human rights, labor, environment, and anti-corruption, and commit to using our business activities to address environmental and social issues and contribute to realizing a sustainable society.

JICA-SDGs Partner (Since 2023-)

Sanrio became a certified JICA-SDGs Partner in June 2023. The JICA-SDGs Partners system of the Japan International Cooperation Agency (JICA) certifies companies and organizations that are working together as partners to achieve the SDGs. Since 2021, we have been working with JICA to raise hygiene awareness among children in developing countries about the importance of handwashing. Through this activity, we are contributing to raising awareness of handwashing among children in developing countries.

Sanrio's Group Companies (As of March 31, 2024)



Japan
Sanrio Entertainment Co., Ltd.
Capital 100 million yen
Net sales 12,691 million yen
Employees 338

EMEA, India, Oceania
Sanrio GmbH
Capital 2,019 thousand euro
Net sales 1,818 million yen
Employees 25

Europe (Mr. Men Little Miss)
Sanrio Global Ltd.
Capital 1 GBP
Net sales 763 million yen
Employees 9

North America
Sanrio, Inc.
Capital 34,412 thousand US dollars
Net sales 12,439 million yen
Employees 48

Japan
Kokoro Company Ltd.
Capital 495 million yen
Net sales 502 million yen
Employees 32

Central and South America
Sanrio do Brasil Comércio e Representações Ltda.
Capital 2,097 thousand Brazilian real
Net sales 1,025 million yen
Employees 26

Taiwan
Sanrio Taiwan Co., Ltd.
Capital 177,000 thousand Taiwanese dollars
Net sales 1,362 million yen
Employees 31

Hong Kong and Macau
Sanrio (Hong Kong) Co., Ltd./ Sanrio Wave Hong Kong Co., Ltd.
Capital 1,000 thousand Hong Kong dollars
Net sales 1,539 million yen
Employees 41

South Korea
Sanrio Korea Co., Ltd.
Capital 50 million Korean won
Net sales 2,753 million yen
Employees 19

Mainland China
Sanrio Shanghai International Trade Co., Ltd.
Capital 400 thousand US dollars
Net sales 7,725 million yen
Employees 75

Southeast Asia
SANRIO SOUTHEAST ASIA PTE. LTD.
Capital 2,000 thousand US dollars
Net sales 1,600 million yen
Employees 14

* Capital and net sales are calculated based on the figures as of March 31, 2024
* Employees: Full-time employees only. Temporary employees are not included.
* Net sales and employees for Sanrio Global Europe (Mr. Men Little Miss) are combined with those of Sanrio Global Asia.
* Kokoro Company Ltd.: Robot sales and rental businesses

© 2024 SANRIO CO., LTD.

Key Financial Data for the Past Eleven Years

	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Financial Data (Consolidated) (JPY: Million)											
Fiscal Year											
Net sales	77,009	74,562	72,476	62,695	60,220	59,120	55,261	41,053	52,763	72,624	99,981
Operating profit	21,019	17,468	12,675	6,904	5,734	4,786	2,106	(3,280)	2,537	13,247	26,952
Ratio of operating profit to net sales (%)	27.3	23.4	17.5	11.0	9.5	8.1	3.8	(8.0)	4.8	18.2	27.0
Profit attributable to owners of parent	12,802	12,804	9,609	6,475	4,928	3,880	191	(3,960)	3,423	8,158	17,584
EBITDA	22,506	19,030	14,391	8,600	7,691	6,649	4,221	(1,487)	4,180	15,119	28,826
Operating cash flow	17,448	14,438	10,011	7,037	3,936	4,868	834	(2,287)	5,064	11,525	22,173
Investing cash flow	(8,651)	(7,818)	(6,398)	8,736	4,376	(2,576)	(3,624)	7,007	2,300	(2,079)	(3,457)
Free cash flow	8,797	6,619	3,612	15,773	8,312	2,292	(2,789)	4,719	7,364	9,446	18,715
Financing cash flow	(5,417)	(11,921)	(19,582)	(6,111)	(7,958)	(3,053)	(4,993)	(862)	(9,106)	(2,718)	15,704
End of Fiscal Year											
Total assets	117,585	122,123	105,825	101,309	98,274	95,185	89,515	85,040	83,809	100,704	156,062
Net assets	61,883	66,269	54,733	53,058	52,734	52,396	46,387	37,285	43,800	56,295	64,897
Equity ratio (%)	52.4	54.0	51.4	52.2	53.4	54.7	51.5	43.7	52.1	55.6	41.4
Return on equity (ROE) (%)	23.2	20.1	16.0	12.1	9.4	7.4	0.4	(9.5)	8.5	16.4	29.2
Interest-bearing debt	25,837	25,089	19,810	20,846	20,057	20,025	20,170	27,860	20,014	19,937	50,648
Net cash	26,428	29,726	21,269	20,325	24,232	23,788	19,883	9,016	18,390	32,070	39,794
Per Share Information											
Net profit per share (Yen)	145.24	146.53	112.08	76.32	58.09	45.73	2.26	(47.93)	42.49	101.22	219.23
Net assets per share	699.32	757.07	641.24	622.94	618.66	614.09	548.78	461.32	541.73	694.48	820.72
Dividends per share (Yen)	80	80	80	80	55	30	35	—	16	35	66

* The Company has conducted a 3-for-1 stock split of its common stock as of April 1, 2024. Per share information in the financial data (consolidated) for the past eleven years are actual figures before this stock split.

Key Human Resources Data from the Past Five Years

		FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Human Resources Data (Non-consolidated)						
Employees (people) *1		672	646	621	630	692
Overseas employees (people)		302	259	250	273	288
Number of female managers (people) *2		—	45	46	50	57
Percentage of female managers (%) *2		—	32.9	31.3	39.7	43.2
Percentage of employees who have taken childcare leave (%) *3	Men	50	16.7	40	66.7	66.7
	Women	100	100	100	100	100
	Total	93.7	64.2	79.0	87.5	92.3
Percentage of employees with disabilities (%)		2.20	2.23	2.46	2.47	2.35

*1 Sanrio (Non-consolidated): Number of registered employees. Figure includes employees seconded from other companies and executive officers. Figure excludes seconded employees, contract employees, and temporary employees
*2 Sanrio (Non-consolidated): Calculated based on the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of September 4, 2015)
*3 Sanrio (Non-consolidated): Figure for full-time employees only, not including seconded employees

Stock Information (As of March 31, 2024)*

* The Company has conducted a 3-for-1 stock split of its common stock as of April 1, 2024. Stock information is actual figures before this stock split.

Status of Shares of the Company's Stock

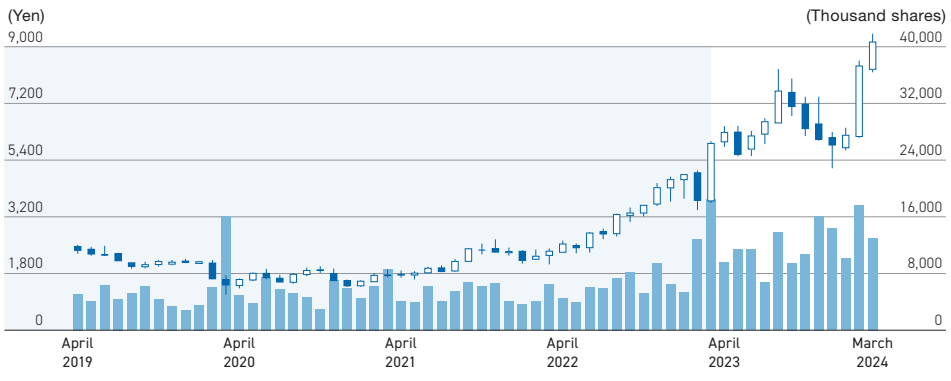
Total number of authorized shares	310,000 thousand shares
Total number of issued shares	85,136 thousand shares
Number of shareholders	55,463

Major Shareholders

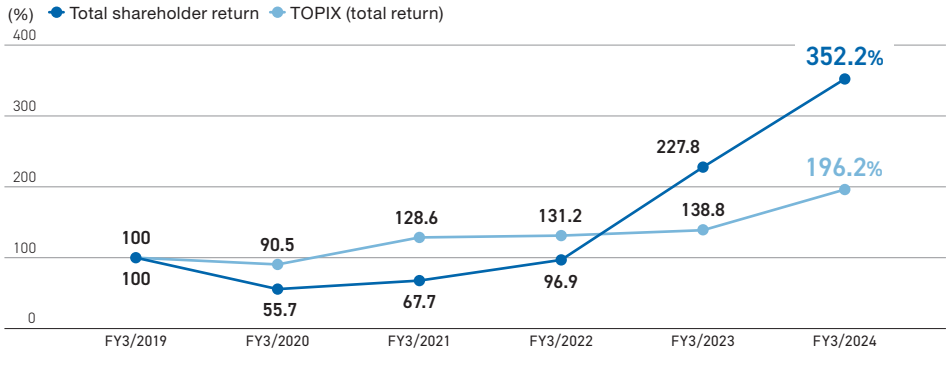
Shareholder name	Number of shares held Common stock (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,952	12.6
KIYOKAWA SHOUJI CO., LTD.	6,571	8.3
MUFG Bank, Ltd.	3,862	4.9
Sumitomo Mitsui Banking Corporation	3,834	4.9
Bandai Namco Holdings Inc.	3,700	4.7
KOUNAN SHOUJI CO., LTD.	2,564	3.3
Shintaro Tsuji	2,518	3.2
Custody Bank of Japan, Ltd. (Trust Account)	2,166	2.8
Yuko Tsuji	1,710	2.2
Mizuho Bank, Ltd.	1,554	2.0

(Notes)
The shareholding ratio is calculated deducting treasury shares (6,414,708 shares).
The Company holds 1,019,110 shares in Mitsubishi UFJ Financial Group, Inc., the holding company of MUFG Bank, Ltd.
The Company holds 88,100 shares in Sumitomo Mitsui Financial Group, Inc., the holding company of Sumitomo Mitsui Banking Corporation.
The Company holds 435,900 shares in Bandai Namco Holdings Inc.
The Company holds 187,000 shares in Mizuho Financial Group, Inc., the holding company of Mizuho Bank, Ltd.

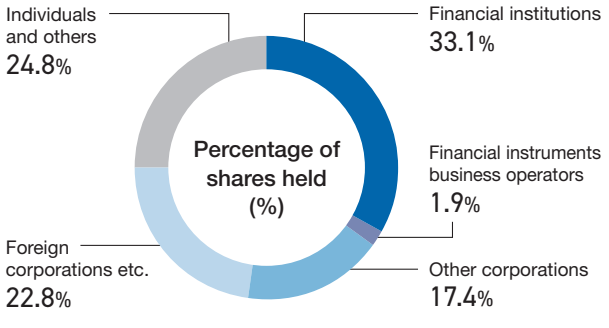
Share Price and Trading Volume



TSR (Total Shareholder Return)



Type of shareholders



(Notes)
Of 6,414,708 treasury shares, 64,147 units are included in "Individuals and others" and 8 shares are included in "Shares less than one unit."
The above "Other corporations" includes one unit of share under the name of Japan Securities Depository Center, Incorporated.

株式会社 サンリオ
https://www.sanrio.co.jp/en

Contact
Investor Relations Department, Sanrio Company, Ltd.
ir@ir.sanrio.co.jp