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Notice of status of initiatives to prevent recurrence, etc.

As reported in the press release “Notice of Establishment of Measures to Prevent Recurrence and Future Response Policies” issued on March 16, 2023, Sanrio takes seriously the fact that sales were manipulated by pooling royalties and intentionally recording them in the wrong month in the Domestic License Business (hereinafter referred to as the “Case”). In order to prevent recurrence of similar situations and occurrence of any fresh scandals, it has established preventive measures based on the content of the final report received from the Special Investigation Committee, which carried out an investigation into the facts behind the Case.

The Company has established a Compliance Reinforcement Committee (hereinafter referred to as the “Reinforcement Committee”), and the entire Group has come together to steadily implement measures to prevent recurrence. The status and progress of those measures are described below.

In addition to these initiatives, the Company will continue to consider and implement revisions to its risk management system, reinforcement of its governance system, and other measures toward adherence to compliance rules. The entire company will come together to restore the trust of shareholders, business partners, and all other stakeholders, and we request your understanding in doing so.

1. Progress of preventive measures

(1) Strengthening and improving internal controls

① Change to receiver of royalty reports and adoption of means to verify completeness of collection

Within the former License Business Division (in April 2023, the former License Business Division and the former Product Sales Business Division were merged to newly establish the Domestic Sales Division), the receiver of royalty reports has been switched to staff in the administration department, a third party, starting in March 2023. A checklist has also been introduced, and the workflow has been switched to one that prevents failure to record sales or falsification of reported content.

② Implementation of staff education

Operation manuals for the handling of royalty reports have been compiled based on the workflow changes described in 1(1)①. A briefing for all employees who handle the license report system explaining factors behind the workflow changes, as well as the development of the operation manuals and their content, is scheduled to be held by early June 2023. Awareness-raising activities including explanatory briefings will be implemented on a continual basis so that sales staff properly understand

the point of their duties and operations are unified.

(2) Review of internal audit system

With regard to business processes changed in response to the Case, the Internal Auditing Department finished updating documents, etc. necessary for internal control and audit procedures by April 2023. Audit procedures for the fiscal year ending in March 2024 have also been updated accordingly, and the corresponding audit plan was approved at the Risk Management Committee meeting held on April 27, 2023.

(3) Review of whistle blowing system

In the future, a policy of outside directors and corporate auditors being actively involved in the whistle blowing process will be set, and a workflow that unifies the management of cases reported through multiple channels will be introduced. In addition, standards for escalation will be clarified so that all important reported cases are discussed by the Joint Compliance Committee. The new whistle blowing process is expected to be implemented starting on October 1, 2023. Establishment of standards and a framework is currently underway.

(4) Initiatives aimed at improving organizational culture and climate

① Revision of forecast-setting process in the former License Business Division

Starting in the current fiscal year, forecast setting has been changed from simple full-year setting on a year-to-year basis to operations reflecting information about the external environment such as overall market trends and channel trends, as well as strategic measures.

② Initiatives to improve compliance awareness

i. Coordination for implementation of training

Coordination is underway to deliver in-person training or a training video of about sixty minutes in length to executives (President and Chief Executive Officer, directors, and corporate auditors) by the end of May 2023 and to measure its effectiveness by the beginning of June 2023. In addition, training for all employees is scheduled to be implemented by late June 2023.

ii. Revision of HR evaluation criteria

Discussions are underway to formulate clear criteria that can serve as quantitative benchmarks and to reflect them in the HR evaluation system starting in the fiscal year ending in March 2025 so that appropriate incentives are provided for adherence to compliance rules. The revision of evaluation items related to compliance within the HR evaluation system is expected to be completed near the end of May 2023.

(5) Reinforcement of compliance functions

① Preparations toward establishment of compliance division

In order to thoroughly implement, entrench, and continually improve overall compliance on a companywide basis, a new division in charge of compliance is being set up as a specialized unit to constantly engage in overall compliance-related activities. Preparations are underway so that the new division can be officially launched on October 1, 2023.

The duties of the new compliance division are intended to be as follows.

- Implementation of compliance education and training
- Periodic delivery of messages from top management on compliance
- Monitoring of the entrenchment of compliance awareness
- Planning and implementation of other compliance-related activities, etc.

Preparations such as the examination of an appropriate framework and securing of personnel to handle these duties will be carried out in the future.

②Enhancement of effectiveness of Joint Compliance Committee

The composition of the Joint Compliance Committee will be revised to the one which includes outside parties.

The reorganization of the new Joint Compliance Committee is expected to take place around the same time as the establishment of the Compliance Office (aiming for October 1,2023).

2. Disposition of those involved, etc.

(1) Voluntary return of remuneration by directors

Given the importance of the Case, the following directors have offered to voluntarily return a portion of their executive remuneration. The proposal was approved at the Board of Directors meeting held on March 29, 2023.

President and CEO, Tomokuni Tsuji,	5% of monthly remuneration (1 month)
Senior Managing Director, Kosho Nomura	5% of monthly remuneration (1 month)

(2) Disposition of employees

Employees involved in the Case, including those responsible for management and oversight, have been punished severely in accordance with company regulations.