July 13, 2018

To Whom It May Concern,

Company Name: Sanrio Company, Ltd.
President and Chief Executive Officer: Shintaro Tsuji
Securities Code: 8136, First Section of Tokyo Stock Exchange
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Notice Concerning the Absorption-Type Merger of a Subsidiary

At a meeting held today (July 13, 2018) the Sanrio Company, Ltd. board of directors resolved to enter into an absorption-type merger with non-consolidated subsidiary Sanrio Wave Co., Ltd.

We have omitted certain matters and details of disclosure as the merger in question is considered a simplified merger: (1) Increase in Sanrio total assets projected to amount to less than 10 percent of Sanrio net assets as of the last day of the most-recent fiscal year and (2) Increase in net sales projected to amount to less than three percent of Sanrio net sales for the most-recent fiscal year.

1. Purpose of the Merger

   Sanrio Wave has conducted business mainly in internet game planning. The purpose of this absorption-type merger is to make more effective use of Sanrio (parent company) management resources and to operate the business more efficiently.

2. Overview of the Merger

   (1) Schedule

Board resolution	July 13, 2018
Conclusion of merger agreement	July 13, 2018
General meeting of shareholders for merger approval (Sanrio Wave)	July 31, 2018
Merger date (effective date)	October 1, 2018

   * This merger qualifies as a simplified merger under the provisions of Par.2 Article 796 of the Companies Act. Accordingly, Sanrio will not hold a general meeting of shareholders. Sanrio Wave will hold a general meeting of shareholders to approve the merger according to the provisions of Article 783 of the Companies Act.

(2) Merger Method

An absorption-type merger in which Sanrio is the surviving company and Sanrio Wave will be dissolved. Sanrio Wave shareholders will be granted Sanrio treasury stock in compensation for the merger. Sanrio intends to acquire Sanrio Wave shares from those Sanrio subsidiaries who own Sanrio Wave stock. Sanrio plans to purchase said shares for the total cash price of JPY31,867 thousand.

This merger is a simplified merger according to the provisions of Par.2 Article 796 of the Companies Act and shall be conducted without approval at a general meeting of Sanrio shareholders. Pending approval at an extraordinary general meeting of shareholders of Sanrio Wave on July 31, 2018, the merger is scheduled to become effective October 1, 2018.

（3） Share Allotment

Company Name:	Sanrio Company, Ltd. (Surviving company)	Sanrio Wave Co., Ltd. (Dissolved company)
Merger ratio	1	83
Sanrio shares allotted in connection with the absorption-type merger	Common stock: 9,960 shares	

*1. Merger ratio

Sanrio will allot 83 shares of common stock for one share of Sanrio Wave stock.

*2. Treasury stock to be allocated in merger

Total 9,960 shares of common stock

(Ratio of treasury stock held as of July 13, 2018: 0.2%)

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights of the dissolved company

Not applicable.

3. Approach to Calculation of Allotment

To ensure objectivity in merger ratio calculation, a third-party organization was hired to perform stock price calculations. The average market price method was used to value Sanrio shares, as Sanrio shares are publicly traded on the Tokyo Stock Exchange and no exceptional circumstances are present related to share prices. The basis date used for the calculation was July 12, 2018, with the result reflecting average closing prices on the calculation basis date and the closing prices one month, three months, and six months prior to the calculation basis date. As shares of Sanrio Wave are not publicly traded, the net asset value method was used to calculate the Sanrio Wave valuation. The above-mentioned result (between 1:80 and 1:85) was determined after a comprehensive consideration based on these valuation methods.

4. Overview of Companies Involved in the Merger

		Surviving company	Dissolved company
(1)	Company name	Sanrio Company, Ltd.	Sanrio Wave Co., Ltd.
(2)	Location	1-6-1, Osaki, Shinagawa-Ku, Tokyo	1-6-1, Osaki, Shinagawa-Ku, Tokyo
(3)	Representative (Name, Title)	Shintaro Tsuji, President and Chief Executive Officer	Shinichi Yamamura, President and Chief Executive Officer
(4)	Main Business Lines	Social communications gift business	Internet game planning
(5)	Capital	10,000 million yen	18.5 million yen
(6)	Date established	August 10, 1960	October 20, 1995
(7)	Shares issued	89,065,301 shares	370 shares
(8)	Fiscal year end	March 31	March 31
(9)	Major shareholders and ownership ratios (as of March 31, 2018)	Sega Sammy Holdings Inc. 11.1% Kiyokawa Shoji KK 7.9% Konan Shoji KK 5.4% The Bank of Tokyo-Mitsubishi UFJ, Ltd., 4.6% Sumitomo Mitsui Banking Corporation 4.5%	Sanrio Taiwan Co. Ltd. 29.0% Sanrio (Hong Kong Co.) Ltd. 19.4% Tomokuni Tsuji 16.1% Masakuni Tsuji 16.1% Sanrio Far East Company Limited 12.9%

(10) Financial position and operating results for the most-recent fiscal year		
Fiscal year	FYE March 2018 (consolidated)	FYE March 2018 (non-consolidated)
Net assets	52,734 million yen	51 million yen
Total assets	98,276 million yen	150 million yen
Net assets per share	618.66 yen	167,726.28 yen
Sales	60,220 million yen	466 million yen
Operating Income	5,734 million yen	-68 million yen
Ordinary Income	6,020 million yen	-69 million yen
Profit attributable to owners of parent	4,928 million yen	-143 million yen
Earnings per share	58.09 yen	-449,399.16 yen

5. Post-Merger Status

Sanrio will undergo no changes to company name, location, representative, business lines, capital, or fiscal year end as a result of the merger.

6. Future Outlook

The merger will have an immaterial impact on Sanrio consolidated earnings.