



# EMPLOYEE HANDBOOK

Effective January 1, 2004

## **WELCOME**

Welcome to Sanrio where our unique philosophy sets us apart from other companies and is best represented by our credo:

### **SMALL GIFT, BIG SMILE**

We are pleased that you joined our Company and hope you will enjoy your association with us.

We take considerable pride in our Company, in the products we make and in the service we provide our customers. I know you will feel this same pride as you share the challenges and opportunities for personal growth at Sanrio.

I also hope you will be happy with the way people work together here – intent on doing the best job possible for both our customers and our Company. Part of the secret of working together effectively – in addition to common goals – is the ease and freedom with which we communicate. This Handbook is just the start of such communication.

Once again, we are glad you have joined us and we look forward to your contributions and endeavors to make Sanrio an even more successful venture.

Sincerely yours,

Kunihiko Tsuji  
President

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## INTRODUCTION

This handbook is intended to help you get acquainted with us. It explains some of our philosophies and beliefs, and describes, in general terms, some of our employment guidelines. We expect it will serve as a useful reference document throughout your employment at Sanrio. It is not intended to create any contractual obligations on the part of Sanrio or its employees. This handbook supersedes and replaces all previous employee handbooks, policies and directives.

Your employment at Sanrio is voluntarily entered into, and you are free to resign at any time and for any reason. Similarly, Sanrio is free to terminate an employment relationship or to alter an employee's terms of employment with Sanrio at any time and for any reason. It should be recognized that neither you, nor Sanrio, have entered into any contract of employment, expressed or implied. Our relationship is one of voluntary employment "at will."

To obtain information regarding specific employment policies or procedures, whether or not they are referred to in this handbook, contact your immediate supervisor. Sanrio is a growing and changing organization and Sanrio reserves full discretion to modify or delete provisions of this handbook, or the policies and procedures on which they may be based, at any time upon written notice. For this reason, we urge you to check with your immediate supervisor or Human Resources to obtain current information regarding the status of any particular policy, procedure or practice.

Any employment or other agreement that modifies Sanrio policy must be approved in writing in advance and signed by the Vice President of Administration and the Executive Vice President. This handbook is the property of Sanrio and it is intended for your personal use and reference as an employee of Sanrio. Circulation of this handbook outside of this Company must have the prior written approval of the Vice President of Administration.

## **EQUAL EMPLOYMENT OPPORTUNITY**

It is Sanrio's policy to provide equal employment opportunity for all applicants and employees. Sanrio does not unlawfully discriminate on the basis of race, color, religion, sex (including pregnancy, childbirth or related medical conditions), national origin, ancestry, age (over 40), physical disability, mental disability, medical condition, family care status, veteran status, marital status, or sexual orientation, as prohibited and defined by applicable law. Sanrio also makes reasonable accommodations for disabled employees (see Disability and Pregnancy Accommodation Policy). Finally, Sanrio prohibits the harassment of any individual on any of the bases listed above. For information about the types of conduct that constitutes impermissible harassment and Sanrio's internal procedures for addressing complaints of harassment, please refer to Sanrio's Policy against Harassment.

Sanrio is committed to not discriminating against any employee or applicant because s/he falls into one of the above categories or because s/he is related to or associated with a person falling into one of these categories. This policy applies to all areas of employment including recruitment, hiring, training, promotion, demotion, compensation, benefits, transfer, and social and recreational programs.

It is the responsibility of every level of employee to conscientiously follow this policy.

If you have any questions regarding this policy, please discuss them with your Department Manager, your immediate supervisor, or the Human Resources Manager.

## INTRODUCTORY PERIOD

Sanrio recruits carefully and believes that it is hiring the best employee for each position. It is, however, to both Sanrio's and the employee's advantage to have an initial period of employment in which the employee has time to appraise Sanrio and the job content, and Sanrio has an early opportunity to appraise the new employee's job performance. Thus, each new employee must undertake an introductory period of three (3) months of continuous service, measured from his or her initial date of employment. The employee will not be eligible to accrue vacation or sick leave during the introductory period, except for holiday pay. At Sanrio's discretion, the introductory period may be extended upon notice to the employee.

Sanrio or the employee may terminate the employment relationship during the introductory period, with or without cause and with or without prior notice.

At the completion of the introductory period, the employee becomes a regular employee. The completion of the introductory period, however, does not mean that the employee is guaranteed employment for any specific duration, nor does it change the at-will status of regular employment.

## **EMPLOYEE CLASSIFICATIONS**

Throughout this Handbook, employees are classified in various ways, as set forth below.

### **A. By Number of Hours Worked**

#### **1. Full-time Employees**

Full-time employees are all those having a regular work schedule of thirty (30) or more hours per week.

#### **2. Part-time Employees**

Part-time employees are all those having a regular work schedule of less than thirty (30) hours per week.

### **B. By Length of Employment**

#### **1. Temporary Employees**

Temporary employees are all those hired to work for Sanrio on special assignment with the specific understanding that such work will be completed within a short period of time.

#### **2. Introductory Employees**

Employees who are within their introductory period (that is, their first three (3) months of employment), or any extension of their introductory period, are sometimes referred to as "introductory" employees in this Handbook.

#### **3. Regular Employees**

Regular employees are all those who have completed their introductory periods.

### **C. By Method of Payment**

#### **1. Salaried Employees**

Salaried employees are all those who are paid a fixed salary and not by the hour.

#### **2. Hourly Employees**

Hourly employees are all those whose wages are paid by the hour and fluctuate according to the number of hours worked.

### **D. By Eligibility for Overtime**

#### **1. Nonexempt Hourly and Nonexempt Salaried Employees**

Nonexempt employees are all those who are eligible to be paid for overtime work in accordance with the provisions of applicable wage and hour laws.

#### **2. Exempt Employees**

Exempt employees are all those who are not eligible for overtime pay under applicable law.



# **WORK HOURS, OVERTIME AND PAY DAY**

## **WORK HOURS**

Sanrio's standard workday consists of nine (9) hours including a one (1) hour meal period. Nonexempt employees receive two fifteen (15) minute paid break periods for each full workday, one at mid-morning and one at mid-afternoon. Nonexempt employees may take a minimum thirty (30) minute meal period with supervisory approval. Break periods may not be combined, added to a lunch hour, or taken at the end of the day. Employees must self-police their breaks and ensure that they take their breaks every day. If an employee is unable to take his/her break time, the employee must notify his/her supervisor. All employees are expected to be punctual and adhere to their assigned work schedule.

Company work hours generally start between 7:00 a.m. to 9:30 a.m. and end between 4:00 – 6:30 p.m. however, work hours may vary at supervisory discretion based upon business needs.

If an employee does not have sufficient time outside of work hours to vote in a statewide election, s/he may, without loss of pay, take off up to two hours work time to vote. Such time must be at the beginning or end of the regular work shift, whichever allows the most free time for voting and the least time off from work, unless otherwise mutually agreed with your supervisor. You must notify your supervisor at least two (2) working days in advance to arrange a voting time.

## **MAKE-UP TIME**

Nonexempt employees may request to make-up time taken off from work for personal reasons if:

- the made up time is worked in the same workweek,
- the employee submits a written request to their immediate supervisor to make up work at straight time including a schedule of time missed and proposed make-up time (a separate make up time request is required for each workweek) and,
- the employee does not work more than eleven (11) hours in one day or forty (40) hours in one workweek.
- make-up time will be paid at straight time (not overtime)

## **OVERTIME**

### **A. Overtime Definition and Rates of Pay**

All nonexempt employees who work in excess of eight (8) hours in one workday or more than forty (40) hours in one workweek will receive overtime pay at the rate of at least 1 1/2 times the employee's regular rate of pay. In addition, Sanrio will pay overtime in accordance with applicable State laws.

Overtime will be computed on actual minutes worked.

Only those hours that are actually worked are added together to determine an employee's overtime pay. Compensated holidays, sick, and vacation time, for example, are not hours worked and, therefore, are not counted in making overtime calculations.

#### **B. Workweek and Workday**

Unless otherwise provided:

1. The workweek on which overtime calculations will be based begins each Sunday at 12:01 a.m. and ends each Saturday at 12:00 midnight; and
2. Each workday on which daily overtime calculations will be based begins at midnight.

#### **C. Pre-Authorization**

No nonexempt employee may work overtime without the express prior approval of his or her supervisor. Failure to comply with this guideline may result in non-payment of overtime and/or disciplinary action.

### **HOLIDAY PAY**

Employees are paid their regular straight-time wages for Company-paid holidays as set forth in the guideline entitled "Holidays." To receive holiday pay, the employee must work the regularly scheduled workdays preceding and following the holiday. If an employee calls in sick before and/or after a holiday, a doctor's note must be provided in order to be paid for the holiday.

If a holiday occurs during an employee's scheduled vacation, s/he will receive holiday pay for the day without loss of vacation.

### **PAY DAYS**

Employees are paid on a bi-weekly basis (i.e., every two weeks). If a payday falls on a weekend or holiday, paychecks will be distributed on the preceding workday. Please refer to the annual Payroll Schedule for specific pay dates.

### **TIME CARDS**

All hourly and nonexempt salaried employees must fill out time cards or POS timecards on a daily basis. Time in at the beginning of the day, Time In and Out for Lunch, and Time Out at the end of the day must all be recorded. All employee time cards must be signed by the employee and by the employee's immediate supervisor on the last work day of each bi-weekly pay period.

## **HOLIDAYS**

Sanrio provides all full-time employees with the following nine paid holidays each year:

New Year's Day	Labor Day
Presidents' Day	Thanksgiving
Memorial Day	Friday after Thanksgiving
Independence Day	Christmas Day
	Floating Holiday

For each recognized holiday, eligible employees will receive a day off with pay. The Floating Holiday will be assigned by Sanrio each year. Sanrio reserves the right to revise this holiday schedule at any time.

### **Pay in Lieu of Time Off**

Sanrio may, in its discretion, require you to work on scheduled holidays and provide straight time pay in lieu of time off.

### **Weekends and Vacations**

When a scheduled holiday falls on Sunday, it will be observed on the following Monday. When a scheduled holiday falls on a Saturday, it will be observed on the preceding Friday. Holidays that occur during your vacation will not be counted as vacation days.

### **Eligibility**

All full-time employees are eligible for holiday benefits, including those who have yet to complete their introductory period. Part-time and temporary employees are ineligible for holiday benefits. All employees are ineligible for holiday benefits that accrue while on a leave of absence. Employees are paid for the number of hours they would have been regularly scheduled to work on the day in question. To receive holiday pay, the employee must work or be on vacation the scheduled workdays before and after the holiday.

## VACATION

### Eligibility

All regular full-time employees begin accruing vacation benefits after completing their introductory period (including extensions). Part-time employees, Temporary employees, and employees who have not yet completed their introductory period, do not accrue vacation benefits.

### Accrual

All regular full-time employees, who work 40 hours per workweek, will accrue vacation time as follows (full-time employees who work less than 40 hours per workweek will accrue pro-rated vacation time):

Calendar Year of Service	Rate of Accrual (per bi-weekly pay period)	Maximum Accrual
Date of completion of introductory period through first year	3.08 hours per pay period worked up to a maximum of 7.5 days per year. No vacation is earned, and none may be taken during the introductory period of employment.	Not applicable
Over 1 year through fifth year (2-5 years)	3.08 hours for each pay period worked up to a maximum of 10 days per year.	160 hours (20 days)
Over 5 years through tenth year (6-10 years)	4.62 hours for each pay period worked up to a maximum of 15 days per year.	240 hours (30 days)
Over 10 years through fifteenth year (11-15)	6.16 hours for each pay period worked up to a maximum of 20 days per year.	320 hours (40 days)
Over 15 years through twentieth year (16-20)	6.93 hours for each pay period worked up to a maximum of 22.5 days per year.	360 hours (45 days)
Over 20 years and each additional year thereafter	7.70 hours for each pay period worked up to a maximum of 25 days per year.	400 hours (50 days)

Once the maximum accrual for vacation is reached, all further accruals cease. Vacation accruals will recommence after you have taken vacation and your accrued vacation has dropped below the applicable maximum.

### Approval

All vacations must be approved in advance by your immediate supervisor. Sanrio reserves the discretion to require changes in vacation scheduling given business need. Sanrio also reserves the discretion to require employees to utilize accrued vacation after advance notice and in accordance with applicable law.

**Vacation Pay on Termination**

On termination of employment, you will be paid all accrued but unused vacation.

**Holidays**

A holiday that falls during a vacation period will be treated as a holiday and not as a day of vacation taken.

**Vacation Accrual During Unpaid Leaves of Absence**

If you take an unpaid leave of absence or a leave of absence covered by disability salary continuation, you will not earn vacation during the leave. Vacation accruals will recommence when you return to work.

**Vacation Increments**

Exempt employees must take vacation in full day increments. Nonexempt employees may take vacation in increments of one (1) hour.

**Vacation for Family Care and Medical Leave Purpose**

You must inform your immediate supervisor and Human Resources if you plan to take vacation for a family care leave purpose, i.e., to care for your own serious health condition or that of your spouse, parent, or child, or for the birth, adoption, or foster care placement of a child. For more information about your family care leave rights and obligations, please consult Sanrio's Family and Medical Leave (FML) And Extended Leave policy.

## **SICK LEAVE**

To help prevent loss of earnings that may be due to an employee's own accident or illness, for medical/dental appointments, or to care for the employee's sick child, spouse, registered domestic partner, or parent, Sanrio has established paid sick and emergency leave.

### **Eligibility**

All regular full-time employees, who work 40 hours per workweek will accrue sick leave on a bi-weekly basis up to a maximum of (6) days per calendar year. Full-time employees who work less than 40 hours per workweek will accrue pro-rated sick leave.

1. New employees do not accrue sick leave during their introductory period. New employees who are absent due to illness or disability during their introductory periods will not be compensated.
2. After completion of the introductory period (including extensions), new employees accrue 1.85 hours sick leave per bi-weekly pay period.
3. Temporary and part-time employees are not eligible to earn or receive sick leave benefits.
4. Employees do not accrue sick leave while on leaves of absence.
5. Sick leave may be accrued to a maximum of 96 hours (twelve days).
6. Exempt employees do not accrue sick leave; their pay will not be deducted for "incidental and occasional illness-related absences." Exempt employees with extended absences (longer than five [5] consecutive workdays) will be paid in conjunction with Sanrio's Short-Term Disability and Family and Medical Leave Policies (FML).

### **Use:**

1. Sick leave must be taken in no less than one (1) hour increments for non-exempt employees.
2. Sick leave may be used:
  - (a) for an employee's own personal illness or disability,
  - (b) for hours absent for medical/dental appointments,
  - (c) to care for an ill or disabled child, spouse, registered domestic partner, or parent, provided the sick leave usage does not exceed the amount actually accrued at the time of the leave.
3. Sick leave will run concurrently with any type of medical leave. In other words, sick leave does not provide leave in addition to California Family Rights Act (CFRA), Federal Family and Medical Leave Act (FMLA), etc.

4. Sick leave will not be charged for:
  - (a) Medical and/or physical therapy appointments resulting from an on-the-job illness or injury covered by Sanrio's Workers' Compensation plan.
  - (b) An illness/injury occurring during a scheduled vacation period if not documented with a doctor's certification.
5. Unused sick leave will not be paid at time of termination.

**Sick Leave Reporting/Verification:**

1. All employees (exempt, nonexempt, temporary, introductory, and part-time) are required to contact their immediate supervisor:
  - (a) on or before their scheduled workday start time, and
  - (b) everyday they are unable to report to work.
2. Sanrio retains the right to request verification from a licensed health care provider for any absence due to illness or disability. Verifications from health care providers are required in all cases of absence lasting more than five (5) consecutive workdays or in the case of intermittent or reduced schedule leave under Sanrio's Family and Medical Leave (FML) and Extended Leave policy.

Sick pay may be withheld if satisfactory verification is not received.

## **EMPLOYEE BENEFITS**

Sanrio provides benefits for its regular full-time eligible employees. Sanrio reserves the right to eliminate or modify any of its benefits at any time upon notice.

### **A. Insurance Benefits**

#### **1. Medical, Dental, Vision and Employee Assistance Plans**

All regular full-time employees and their dependents are eligible to participate in Sanrio's health, dental, vision and employee assistance insurance plans on the first day of month following the completion of sixty (60) days service subject to plan eligibility and qualification rules. Employee contributions to monthly insurance premiums will be made by payroll deductions. The amount of employee contribution is subject to change at Sanrio's sole discretion.

#### **2. Life and Accidental Death and Dismemberment (AD&D) Insurance**

All regular full-time employees are eligible for group life and AD&D insurance benefits starting on the first day of month following the completion of sixty (60) days service subject to plan eligibility and qualification rules.

(a) **Basic Life/AD&D:** Sanrio provides, at no cost, Basic Life/AD&D Insurance coverage equal to one times the employees' base annual salary.

(b) **Supplemental & Voluntary Employee/Dependent Life Insurance:** Employees may purchase supplemental life insurance coverage for themselves and eligible dependents.

#### **3. Group Travel Accident Plan**

All regular full-time employees are covered 24 hours a day, 365 days a year, for accidents occurring anywhere in the world while traveling on company business. Coverage includes Death, Injury, Pre-Travel Assistance, In-Route Travel Assistance, Legal Assistance, Medical Emergency Services Assistance, Medical Evacuation and Repatriation. Coverage for a planned trip starts from either the employee's home or workplace and ends upon return to their home or workplace.

#### **4. Long Term Disability Benefits**

All regular full-time employees are eligible for Sanrio's Long-term Disability benefits. Long-term disability benefits pay up to 66.67% of your monthly covered earnings up to a maximum benefit of \$5,000 per month. Refer to your Long Term Disability Group Insurance Certificate for more information.



## **5. Premium Payments for Employees on Leave**

During an employee's authorized family and medical leave, Sanrio shall continue to pay for the employee's participation in Sanrio's group health plans for up to a maximum of twelve (12) weeks in a twelve (12) month period, to the same extent and under the same terms and conditions as would apply had the employee not taken leave. If the employee wishes to remain covered under the group plans for more than twelve (12) weeks in a twelve (12) month period, the employee will be eligible for benefits under COBRA. For more information about the continuation of group insurance benefits during authorized leaves of absence, please consult Sanrio's Leaves of Absence policies in this Handbook.

## **6. Conversion/Post-Employment Insurance Options**

Pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), eligible employees and their dependents may be entitled to continue insurance coverage at their cost after employment with Sanrio ceases or leave of absence extends past 12 weeks in a 12 month period.

## **7. Insurance Coverage Information**

Eligibility requirements and further information concerning insurance coverage are available from Human Resources.

## **B. 401(K) Program**

Sanrio's 401(K) Program is available to all employees who have attained 21 years of age and completed one year of credited service (the Plan defines "year of service" as a 12-month period in which you work a minimum of 1,000 hours). Sanrio's 401(K) is a qualified plan (per ERISA requirements) and allows you to defer your compensation through pre-tax payroll deductions. You may elect to enroll or make plan changes at the beginning of each quarter (January, April, July and October). The Summary Plan description is available from Human Resources.

## **C. Other Benefits**

In addition to insurance and retirement benefits, Sanrio also provides the following benefits to eligible employees:

**1. Educational Assistance:** Regular full-time employees who have been employed with Sanrio for at least one (1) year are eligible for educational assistance on a course-by-course basis. Educational assistance for approved education tuition expenses may be reimbursed up to a maximum of \$1,000 per calendar year. The course must be directly related to your work and have prior written approval of your immediate supervisor and the Human Resources Manager. Tuition expenses exceeding \$1,000 per calendar year require the prior written approval of your immediate supervisor, Business Unit Vice President and the Human Resources Manager. If the expense will exceed \$3,000, a Project Approval Request (PAR) must also be approved. You must complete the course and maintain a "C" or higher grade in order to obtain tuition reimbursement.

**2. Credit Union Membership**

**3. Employee Referral Program:** If you refer a job applicant, who is hired, you will receive an employee referral bonus after the new employee has completed their introductory period (including extensions) as follows:

<b>Employee Description</b>	<b>Referral Bonus</b>
Part time employees	\$50
Full time employees: SCS Stores	\$100
Full time employees: Office	\$300

**4. Direct Deposit; and**

**5. Employee Discounts at Company-owned Stores.**

More information on these benefits can be obtained from Human Resources.

## SHORT-TERM DISABILITY

Full-time, regular employees are eligible for Sanrio's Short-Term Disability (STD) benefits. Benefits begin on the eighth consecutive day following the onset of the employee's own serious health condition. Employees must use their accrued sick leave prior to receiving Sanrio's Short-Term Disability benefits and must be approved for a medical leave of absence under Sanrio's leave of absence policies in this Handbook.

Short-Term Disability pay will be a varying percentage of the employee's weekly rate of pay at the time of the medical leave. The percentage of pay will be determined by the employees' length of employment. If an employee is eligible for state disability benefits, Sanrio Short-Term Disability benefits will be reduced by the state disability benefit amount that the employee received or would have received had s/he made prompt application. Sanrio Short-Term Disability will also be reduced by any workers' compensation benefits received during the medical leave of absence. The table below determines the benefit payment schedule:

Length of Service	# Weeks Full Base Salary	# Weeks 75% Base Salary	# Weeks 60% Base Salary
Less than 1 year	0	0	0 (state disability only)
≥1 – 2 years	½	½	5
>2 – 3 years	1	1	4
>3 – 4 years	1½	1½	3
>4 – 5 years	2	2	2
>5 – 6 years	2½	2½	1
>6 – 7 years	3	3	-
>7 – 8 years	3½	2½	-
>8 – 9 years	4	2	-
>9 – 10 years	6	-	-
>10 years	8	-	-

The maximum benefit under this policy can only be used once in any twelve (12) month period. The maximum weekly disability benefit amount (i.e., including Sanrio STD and other state disability or workers' compensation benefits) will not exceed more than 100% of the employee's regular weekly wages. Sanrio STD benefits will not be paid if the weekly state disability benefit amount equals or exceeds the weekly STD benefit provided under this plan.

## WORKERS' COMPENSATION INSURANCE

Sanrio carries worker's compensation insurance coverage as required by law to protect employees who are injured on the job. This insurance provides medical, surgical, and hospital treatment in addition to certain payment for loss of earnings resulting from work-related injuries. Compensation payments begin as provided by state law. The cost of this coverage is paid completely by Sanrio.

## **SAFETY PROGRAM**

Sanrio is committed to providing and maintaining a healthy and safe work environment for all employees. Accordingly, Sanrio has instituted an Injury and Illness Prevention Program designed to protect the health and safety of all personnel. Every employee will receive a copy of Sanrio's General Safety Rules and will receive health and safety training as part of the Injury and Illness Prevention Program. A complete copy of the Injury and Illness Prevention Program is kept at each Sanrio Company store and by the Human Resources Manager and is available for your review.

You are required to know and comply with Sanrio's General Safety Rules and to follow safe and healthy work practices at all times. You may be subject to discipline for engaging in any unsafe or unhealthy work practice or for violating established safety rules. You also are required to report immediately to your supervisor any potential health or safety hazards, and all injuries or accidents. First aid supplies at the Home Office are located in designated areas and other locations as posted. The location of the nearest doctor and/or medical facility for Home Office employees is posted in the lunchroom. Each off-site Sanrio location has first aid supplies and a posted notice specifying the nearest doctor and/or medical facility to be used in the event of injury.

## **WORK-RELATED INJURY OR ILLNESS**

Should you become ill or injured in the course of the work day, immediately notify your immediate supervisor, regardless of how minor the injury may be. If your illness is serious enough to require attention, we want to assist you in getting to the proper place for necessary attention.

If you suffer a work-related injury or illness, you may be eligible for benefits under the Workers' Compensation program.

Any injuries sustained at work must be reported in order to be considered valid claims under the state's Workers' Compensation laws. The company must be informed of any work-related injuries in order to comply with federal and state injury record-keeping requirements.

If treatment is required by a physician, you will need to complete some necessary forms prior to your visit with the doctor, except in case of emergency. The company will direct you to a physician of its choice for treatment, unless you have previously given written notice to the company of your desire to be treated by a particular physician or health care provider.

After seeing a physician for a work-related injury, you are required to report directly back to your supervisor. If your shift has ended and/or the physician sends you home, then you will need to contact your supervisor prior to your return to work. If, at the time of injury, a physician's visit is not required but later you need to see a physician, you will need to notify your supervisor immediately. If you are unable to contact your supervisor, then notify their supervisor.

If your work-related injury causes you to be out-of-work for more than three days, the company requests that you complete a "Request for Leave" form, available from the Human Resources Department. You will be permitted to return to work following an injury resulting in an absence of more than three days only upon presenting a sufficient medical release signed by your physician or health care provider.

It is extremely important that you follow these procedures. If you fail to keep your supervisor advised, you will be subject to disciplinary action up to and including immediate discharge.

The company will not tolerate Workers' Compensation fraud. Workers' Compensation fraud is a felony; and any employee found guilty of such conduct may be subject to fines, imprisonment, and, of course, termination. Any such information should be reported in confidence to Human Resources. Because fraudulent Workers' Compensation claims substantially damage the company's financial health (thus threatening employees' jobs), it is in employees' best interests to eliminate it.

# **LEAVES OF ABSENCE**

## **FAMILY AND MEDICAL LEAVE (FML) AND EXTENDED LEAVE POLICY**

Under certain circumstances, Sanrio will grant an employee up to twelve (12) weeks' Family and Medical Leave (FML) within a 12-month period. FML is allowed for three reasons:

1. the birth, adoption, or foster care of an employee's child (sometimes referred to as "birth bonding" leave);
2. to care for the employee's spouse, child, or parent who has a serious health condition; or
3. when the employee has a serious health condition and is unable to perform any of the essential functions of his/her job position.

If required by law, some extensions to the 12-week maximum may be granted when the leave is necessitated by an employee's pregnancy-related disability, work-related injury/illness or a "Disability" as defined under the Americans With Disabilities Act or California law.

### **A. Qualifications**

To be eligible for FML, an employee must satisfy each of the following criteria:

1. Must have at least twelve months' service with Sanrio at any time;
2. Must have actually worked at least 1,250 hours for Sanrio within the twelve months immediately prior to the date the FML commences (except as excused by applicable law);
3. Must be employed at a worksite within 75 miles of which Sanrio employs at least 50 employees; and
4. Must satisfy Request, Notice, and other requirements set forth in this Policy.

Employees with pregnancy-related disabilities, work-related injuries/illnesses or Disabilities need not meet the qualifications set forth in Paragraphs 1, 2 and 3 above. Employees not entitled to a leave under this policy may request a leave for medical or other reasons pursuant to Sanrio's Personal Leave of Absence Policy contained within this Handbook.

### **B. Request and Notice Requirements**

The employee must provide at least thirty (30) days' advance notice for foreseeable events (e.g., expected birth or adoption of a child, planned medical treatment of employee or a family member, etc.). For events which are unforeseeable thirty (30) days in advance, the employee should normally notify Sanrio of the need for FML as soon as practicable. Sanrio requests that the notice be in writing, and contain: 1) the date the FML is to begin; 2) anticipated duration of the FML; and 3) reasons for the FML. The employee may use the "Request for Leave" Forms which are available upon request from Human Resources, and should be returned to the same department. Sanrio will provide an employee with a Response, either granting, denying or delaying the requested leave within two (2) working days following the employee's request.

When the reason for the FML is based upon a serious health condition of the employee or family member, the employee must also provide medical certification from a health care provider on a "Medical Certification Form" also available from Human Resources. Sanrio requests that the Medical Certification Form be submitted along with an employee's initial FML request. If not submitted along with original request, the employee must make every practicable effort to provide Sanrio with his/her completed Medical Certification form within fifteen (15) calendar days after requested by Sanrio. If Sanrio does not receive the employee's medical certification along with the employee's initial request form, then Sanrio may grant FML contingent upon later receipt of the medical certification.

For work-related injuries or illnesses, the employee also must adhere to the notification requirements set forth in the "Workers' Compensation Policy", in this Handbook.

If additional FML is required beyond that originally granted, the employee may request such leave, subject to eligibility requirements. In such a case, the employee must provide Sanrio with a new certification by the health care provider, and a new estimate of the duration of the required leave.

If the employee requests FML due to the birth, adoption or foster care placement of a child, s/he must initiate the leave within one year of the birth, adoption or foster care placement of the child. If the employee is pregnant, she has certain rights to pregnancy-related disability leave in addition to FML. Please ask Human Resources regarding your particular situation.

Sanrio reserves the right to verify the determination of the health care provider who submits the medical certification regarding an employee's own serious health condition, by requiring the employee to obtain a second opinion of a health care provider designated by Sanrio. If there is a difference of opinion between the two providers, a third health care provider -- agreed upon by Sanrio and the employee -- shall make the binding determination. Both the second and third opinions shall be at Company expense.

If the employee's need for FML is foreseeable due to a planned medical treatment, the employee shall make a reasonable effort after consultation with Sanrio to schedule the leave to avoid disruption to the operations of Sanrio, subject to the approval of the health care provider of the individual requiring the treatment or supervision.

Failure to comply with these notice rules is grounds for, and may result in, denial or deferral of the requested leave.

### **C. Duration of Leave**

#### **Family and Medical Leave (FML)**

Normally, a qualified employee may take up to twelve weeks of FML in any 12-month period. The 12-month period is a "rolling" period, measured backward from the date on which an employee would begin his/her leave. When the reason for the FML is the birth, adoption, or foster care of a child, any FML must be taken for at least two weeks, except that the employee may request a shorter leave on any two occasions during the twelve month period. When the reason for the FML is to care for a sick family member or for an employee's own serious health condition, FML

may be taken intermittently or on a reduced leave schedule when medically necessary.

A husband and wife who are both employed by Sanrio and eligible for FML are permitted to take only a combined total of twelve weeks in any twelve month period when they seek leave in connection with the birth, adoption or foster care of a child.

### **Extended Leave**

If an employee experiences a pregnancy-related disability, a work-related injury or illness, or a "Disability" as defined under the Americans With Disabilities Act or California law, s/he may be entitled to greater leave rights going beyond the twelve-week maximum to the extent required by law. These other leaves may require additional medical certification as determined by Sanrio.

- (a) **Pregnancy-related Leave:** In accordance with California law, if the medical leave is requested because of a pregnancy-related disability, Sanrio will grant up to four months for all disabilities related to that pregnancy. The entire four months does not have to be taken in one block, but may be spread among different time periods. Time off needed for prenatal care, severe morning sickness, doctor-ordered bed rest, childbirth, and recovery from childbirth are all covered by pregnancy-related leave. This pregnancy-related leave may be taken before an FML leave for "birth/bonding" leave.
- (b) **Industrial Injury or Illness:** In accordance with California law, a medical leave for a work-related injury or illness will normally be extended to the employee for the duration of the disability (even if beyond 12 weeks), barring some compelling business need.
- (c) **Americans With Disabilities Act:** In accordance with the Americans With Disabilities Act and applicable state law, Sanrio will consider any requests for leave greater than twelve weeks or extensions going beyond the twelve-week limit on a case-by-case basis as a possible reasonable accommodation. (See "Disability and Pregnancy Accommodation" policy in this Handbook.)

### **D. Benefits**

FML and any extended leave are unpaid unless an employee has accrued benefits under Sanrio's Sick Leave, Vacation, or Short-Term Disability policies.

If the reason for the FML is the employee's serious health condition (except in the case of pregnancy-related disability or industrial injury), Sanrio requires the employee to utilize his/her accrued sick leave and vacation during FML leave.

If the reason for the FML is other than the employee's own serious health condition, Sanrio requires the employee to utilize his/her accrued vacation benefits during FML leave, and the employee may utilize accrued sick leave if permitted under Sanrio's Sick Leave policy contained in this Handbook.

If the reason for the FML is the employee's pregnancy-related disability or industrial injury, then the employee may choose, at her option, whether to utilize her sick leave or vacation benefits during her FML.



Any sick leave or vacation utilized will count toward the employee's maximum allowable FML. Employees on FML will not accrue vacation, sick leave, seniority, or other benefits while on leave (except as required by law).

If the Employee receives workers' compensation insurance or state disability insurance, Sanrio will reduce the payment amount of any accrued sick leave and/or vacation so that the total amount received by the Employee shall not exceed 100% of his/her regular pay. An employee must immediately notify the Human Resources Department of workers' compensation or disability insurance eligibility in order for payments to be coordinated. Payments are also coordinated with Sanrio's short term disability payments. Please refer to the Short Term Disability policy within this Handbook.

For the first twelve weeks of a qualifying FML [including a leave due to pregnancy-related disability, which also meets the qualifications under federal law as set forth in Paragraphs 1-3 in the Qualifications Section], Sanrio will continue the employee on its group health plan under the same terms and conditions as if the employee were actively working for Sanrio.

Under certain circumstances, if the employee fails to return to work following the approved FML, Sanrio may seek all premiums Sanrio paid on the employee's behalf for health coverage during the FML. After the twelve-week FML maximum, these benefits shall cease.

With respect to employee benefit plans other than Sanrio's group health plan (i.e., Life Insurance, Short-Term Disability, Accidental Death and Dismemberment Insurance, Long Term Disability Insurance, etc.), the employee will continue to be entitled to participate in the plans, subject to the terms and limitations of the respective plans. Employees will be responsible for paying the premiums associated with these plans, subject to the terms and limitations of the respective plans until the expiration of the employee's FML.

Also, FML will not constitute a "break in service" for the purposes of longevity under the plans.

#### **E. Reinstatement and Return to Work**

Employees on leave are asked to confirm their return date at least two weeks' before they return to work. Any requests for additional leave must be made as soon as practicable. The employee should notify their immediate supervisor and the Human Resources Department. Employees on leave who do not return as scheduled, and fail to request or cannot show good reason why an extension should be granted, will be terminated as of the day the original leave expires. For employees on FML due to their own serious health condition, these employees are required to submit (prior to starting work) their physician's certification that they are able to resume work.

Upon his/her return from FML, the employee will resume employment with Sanrio at the same or equivalent position to be determined by Sanrio. Sanrio may refuse to reinstate the employee on FML under the following circumstances:

1. The employee is a salaried employee who is among the highest paid 10% of Sanrio's employees who are employed within 75 miles of the worksite at which the employee is employed; and

2. The refusal is necessary to prevent substantial and grievous economic injury to the operations of the employer.

All employees on FML or extended leave are subject to personnel actions unrelated to their leave (e.g., termination due to position elimination or reduction in force.)

If an employee receives extended leave going beyond the FML twelve-week maximum due to pregnancy-related disability, work-related injury or illness or "disability" as defined under law, Sanrio will not fill the employee's position with a non-temporary employee unless it must do so because of business necessity. If this does occur, Sanrio will first attempt to notify the individual on leave and offer him/her the opportunity to return to work prior to filling the position. Upon the expiration of the extended leave, Sanrio will strive to return the individual to the position s/he held prior to the leave. If Sanrio filled that position, the employee may be offered any available openings for which s/he is qualified. If an employee does not accept an available opening, s/he will be considered to have voluntarily quit employment.

## **OTHER LEAVES OF ABSENCES**

### **A. Bereavement Leave**

Regular full-time employees may receive up to five (5) days of paid bereavement leave for a death occurring in their immediate family. An employee's immediate family includes the employee's spouse, parents or legal guardians, siblings, children and spouse's parents or legal guardians. Regular full-time employees may receive one (1) day of paid bereavement leave upon the death of their grandparents, grandchildren, daughters-in-law, sons-in-law, sisters-in-law or brothers-in-law. Employees desiring bereavement leave should contact the Human Resources Department.

### **B. Jury and Witness Duty**

All employees may attend jury duty in accordance with their legal obligations to do so. Employees will be granted a leave of absence for this purpose provided that they give Sanrio reasonable advance notice of their obligation to serve. Furthermore, it is the responsibility of the employee to bring a prospective juror's questionnaire to the Human Resources Department immediately upon receipt. A letter from Sanrio can then be attached in the event Sanrio would like to try to have the employee excused.

Full-time regular employees will be paid their regular daily rate for each full working day missed due to jury duty for a maximum of 10 days' pay within a calendar-year period. Any time served by the employee beyond this 10-day period shall be without pay unless the employee has available vacation. However, the salary of exempt employees will not be reduced for any week in which they perform any work, even if they miss part of the week due to jury duty. Evidence of jury duty attendance must be presented to the Human Resources Department. The employee should continue to report to work on those days or parts of days when excused from jury duty or when jury duty does not conflict with his/her work schedule.

It is the employee's responsibility to report for employment immediately following the expiration of an approved leave. Failure to do so will be considered a voluntary termination.

All employee benefits the employee is enrolled in will continue while the employee is on jury duty leave. However, the employee will be required to continue payment of any required contributions for insured benefits during the jury or witness duty if s/he chooses

to keep them in effect. An employee who is required by law to appear in court as a witness or because s/he is a victim of a crime, may take time off for such purpose provided s/he provides the company with reasonable advance notice. Time off is unpaid unless the employee has available vacation time. Exempt employees' pay will not be reduced for partial workdays missed.

The company also complies with applicable law in giving victims of domestic violence and victims of sexual violence time-off to obtain relief provided the employee provides Sanrio with reasonable advance notice (except in case of emergency or unscheduled court appearances). The Company reserves the right to require certification for time-off in accordance with applicable law.

### **C. Time Off to Participate in Activities of Child's School**

Under certain circumstances, eligible employees may be entitled to take time off to participate in activities of their child's school. In order to be eligible for time off under this policy, an employee must be the parent, guardian, or grandparent of a child who is in kindergarten, a grade between one and 12, or a licensed child day care facility. In addition, the employee must provide reasonable notice of the planned absence to his/her immediate supervisor before taking the time off. The employee may not take more than 40 hours off for this purpose in any year or more than eight hours off in any calendar month of the year. This policy covers non-exempt employees for any time missed and exempt employees for full days missed.

If both parents of a child are employed by the employer at the same work site, only one parent may take time off at a time under this policy. The parent who first gives appropriate notice of the need for time off under this policy will have preference for the time off. In some cases, the company may agree to provide both parents the opportunity to take time off at the same time. However, that may occur only with the advance written approval of the company.

Any employee who takes time off under this policy must utilize any existing and accrued vacation for the absence. If the employee does not have any accrued vacation available at the time the time is taken, or does not have enough accrued vacation benefits to cover the time taken off, the time off will be taken without pay. However, exempt employees need only use accrued vacation for entire days missed.

An employee who takes time off under this policy must provide documentation from the child's school to substantiate the fact that the employee participated in school activity. The documentation must verify that the employee participated in the activity on a specific date at a particular time.

### **D. Military Leave**

The company complies with all legal obligations pertaining to military leaves. Please contact Human Resources for a complete policy.

### **E. Personal Leaves**

Requests for personal leaves of absence will be considered and evaluated on an individual basis. Temporary and part-time employees are not eligible for personal leaves.

Approval or denial of personal leave requests will be entirely at the discretion of Sanrio. In determining the feasibility of granting such requests, factors such as purpose of

requested leave, availability of coverage for job responsibility during the requested leave, previous absences, length of employment, prior work record and performance, and similar considerations will be reviewed. Such requests shall be submitted to the employee's supervisor.

Any personal leave of absence is unpaid. Employees are required to exhaust their accrued vacation prior to taking a personal leave. An employee's benefits will not be paid or vacation or sick leave accrued during a Personal Leave.

The company will attempt to return an employee to his/her former position or a comparable position upon return from a personal leave at Sanrio's discretion. However, given changing business needs, no guarantee of reinstatement can be made.

Employees on leave are asked to confirm their return date at least two weeks before they return to work. Any requests for additional leave must be made as soon as possible. The employee should notify his/her immediate supervisor.

Employees on leave who do not return as scheduled, and fail to request or cannot show good reason why an extension should be granted, will be considered to have voluntarily terminated as of the day the original leave expires.

## **DISABILITY AND PREGNANCY ACCOMMODATION**

It is Sanrio's policy that: no program or activity administered by Sanrio shall exclude from participation, deny benefits to or subject to discrimination any individual by reason of his or her disability as defined under state and federal laws.

Sanrio provides accommodation to the disabled to the full extent required by law. Requests for Accommodation should be made in writing to Sanrio's Human Resources Manager. Sanrio may require medical certification of both the disability and the need for accommodation. Keep in mind that Sanrio can only seek to accommodate the known physical or mental limitations of an otherwise qualified disabled individual. Therefore, it is your responsibility to come forward if you are in need of an accommodation. We further recognize that employees with life-threatening illnesses, including but not limited to cancer, heart disease and AIDS, may wish to continue engaging in as many of their normal pursuits as their condition allows, including work. As long as these employees are able to meet acceptable performance standards with or without reasonable accommodation, and medical evidence indicates that their working does not present a substantial threat to themselves or others, they will be permitted to do so.

Sanrio may refuse to adopt an accommodation for reasons including, but not limited to, the following:

- the accommodation does not enable the disabled employee to sufficiently perform the "essential functions" of the job position;
- the accommodation poses a significant risk of substantial harm to the employee or others;
- the accommodation requires that Sanrio violate safety laws, rules, regulations, or orders under the California Occupational Safety and Health Act or other state or federal laws; or
- the accommodation otherwise creates an undue hardship on Sanrio.

Also, Sanrio will, upon the employee's request, and on the advice of her healthcare provider, grant requests for reasonable accommodation for pregnancy, childbirth or related medical conditions. Sanrio may require a doctor's certification of the condition and need for accommodation.

Finally, Sanrio is committed to not discriminating against any employee or applicant because they are related to or associated with a person with a disability.

## **PERFORMANCE APPRAISALS**

The purpose of the performance appraisal is to evaluate your current level of performance, to examine the progress you have made since the last review, and to establish performance goals for the next review period.

All regular nonexempt and exempt employees receive annual performance appraisals. Introductory employees are evaluated both at the conclusion of their introductory period and on their first annual anniversary date. Thereafter, all regular employees who have completed their first year of employment receive performance appraisals on an annual basis, pre-established by Sanrio.

Sanrio reserves the discretion to undertake personnel actions before or after appraisals.

## **POLICY AGAINST HARASSMENT**

Sanrio is committed to providing a work environment that is free of unlawful discrimination. We do not take this commitment lightly. In keeping with this objective, Sanrio maintains a strict policy prohibiting unlawful harassment, including harassment based on any of the following categories: age (over 40), ancestry, color, marital status, medical condition, national origin, physical or mental disability, race, religion, sex, sexual orientation, pregnancy, veteran status, or any other basis protected by federal, state or local law or ordinance or regulation. All such harassment is unlawful.

Sanrio's policy prohibits all employees from engaging in prohibited behaviors whether directed toward other employees or non-employees with whom Sanrio has a business, service or professional relationship. Similarly, all non-employees are prohibited from engaging in prohibited behaviors at Sanrio.

Prohibited behaviors may include, but are not limited to, the following:

- Verbal harassment; e.g., suggestive, insulting or derogatory comments, epithets, innuendoes, sounds, jokes, teasing or slurs based on any of the above categories, and sexual propositions or threats.
- Physical harassment; e.g., assault, impeding or blocking movement, or any unwanted physical contact or interference with normal work or movement, including touching, pinching, brushing the body, impeding or blocking movement, contact or assault when directed at an individual because of any of the above categories.
- Visual harassment; e.g., derogatory posters, cartoons, suggestive objects, pictures, letters or drawings; also such actions as leering, whistling or obscene gestures based on any of the above categories.
- Unwanted sexual advances; threats or demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss, and offers of employment or some other contract benefits in return for sexual favors.
- Retaliation for having reported or threatened to report harassment.

In particular, sexual harassment is defined as any unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature which (1) has been made either explicitly or implicitly a term or condition of an individual's employment (or other contract relationship), (2) is used as a basis for employment (or other contract) decisions such as promotions and benefits affecting such individual, or (3) substantially interferes with an individual's work (or contract) performance or creates an intimidating, hostile, or offensive working environment.

In addition, conduct based on any of the categories listed above, or any other characteristic protected by law, is not appropriate for the workplace and is prohibited, regardless of whether an individual makes a claim of harassment.

Any employee who believes s/he has been harassed should immediately report the facts of the incident or incidents, the names of the individuals involved, and the names of any witnesses to any of the following individuals: his/her supervisor (if not the alleged harasser) or the Human Resources Manager. All employees should immediately report any incidents

of harassment they witness to any Company supervisor. If you receive a complaint of harassment from a non-employee, also immediately report the complaint to your supervisor or the Human Resources Manager. No employee need fear any reprisal for reporting harassment.

After a report is received, an internal investigation by management will be undertaken immediately. If the Company determines that a violation of this policy has occurred, effective remedial action will be taken in accordance with the circumstances involved. Any supervisor, agent or other employee who has been found by Sanrio, after investigation, to have harassed another employee in violation of this policy will be subject to discipline. Discipline may range from a warning up to and including termination (even for a first offense). Non-employees may be warned and could lose their business, service or professional relationship with Sanrio.

Whatever action is taken to correct the situation will be made known to the complaining individual. Sanrio will not retaliate against you for making a complaint and will not tolerate or permit retaliation by management, employees or co-workers directed at anyone. Sanrio encourages employees and non-employees to report any incidents of harassment forbidden by this policy immediately so that complaints can be quickly and fairly resolved.

For California Employees: If the internal investigation does not remedy the illegal harassment to the employee's satisfaction, the employee may file a harassment charge with the local office of the Department of Fair Employment and Housing (DFEH) or notify the Fair Employment and Housing Commission (FEHC). (The addresses and phone numbers of the Bay Area FEHC, as well as the local offices of the DFEH, are listed in the white pages of the phone book.) Remedies available include back pay and reinstatement, as well as civil penalties. The law prohibits any employer from retaliating against any employee for filing a charge with the DFEH, or for cooperating in any manner with the DFEH or FEHC in its investigation of the charge.

If you have any questions concerning this policy, please feel free to contact your immediate supervisor or the Human Resources Department.



## WORKPLACE VIOLENCE

Sanrio is committed to providing a safe, violence-free workplace and strictly prohibits employees, consultants, customers, visitors, or anyone else on Company premises or engaging in a Company-related activity from behaving in a violent or threatening manner. As part of this policy, Sanrio seeks to prevent workplace violence before it begins and reserves the right to deal with behavior that suggests a propensity towards violence even prior to any violent behavior occurring.

Workplace violence includes:

- Threats of any kind;
- Threatening or violent behavior, such as intimidation of or attempts to instill fear in others;
- Other behavior that suggests a propensity toward violence. This can include belligerent speech, excessive arguing or swearing, theft or sabotage of Company property, or a demonstrated pattern of refusal to follow Company policies and procedures;
- Defacing Company property or effecting physical damage to the facilities; or
- With the exception of security personnel, bringing weapons or firearms of any kind on Company premises, in Company parking lots, or while conducting Company business.

If any employee observes or becomes aware of such actions or behavior by an employee, customer, consultant, visitor, or anyone else, they should notify Human Resources immediately.

Further, an employee should notify Human Resources if any restraining order is in effect, or if a potentially violent non-work-related situation exists which could result in violence in the workplace.

All reports of workplace violence will be taken seriously and will be investigated promptly and thoroughly. In appropriate circumstances, Sanrio will inform the reporting individual of the results of the investigation. To the extent possible, Sanrio will maintain the confidentiality of the reporting employee and of the investigation but may need to disclose results in appropriate circumstances in order to protect individual safety. Sanrio will not tolerate retaliation against any employee who reports workplace violence in good faith.

If Sanrio determines that workplace violence has occurred, Sanrio will take appropriate corrective action and will impose discipline upon offending employees. The appropriate discipline will depend on the particular facts but may include written or oral warnings, probation, reassignment of responsibilities, suspension, or termination. If the violent behavior is that of a non-employee, Sanrio will take appropriate corrective action in an attempt to ensure that such behavior is not repeated.

## ALCOHOL-DRUGS

Sanrio maintains a strong commitment to provide a safe, efficient, and productive work environment. Sanrio wishes to ensure that employees will perform their duties safely and efficiently, in a manner that protects their interests, as well as those of their coworkers and our customers.

In keeping with this commitment, Sanrio has a strict policy regarding the inappropriate use and possession of drugs and alcohol. This policy recognizes that employee involvement with alcohol or drugs can be extremely disruptive and harmful in the work place. It can adversely affect the quality of work and the performance of employees, pose safety and health risks, and have a negative impact on work efficiency and productivity. Accordingly, Sanrio requires all employees to report to work fit to perform their jobs without being under the influence of illegal drugs, abused legal drugs or alcohol. The policy prohibits the use, possession, manufacture, distribution, or dispensation of alcohol, illegal drugs and abused legal drugs while at the workplace. All employees must adhere to the rules of this policy.

For purposes of this policy:

1. "Illegal drugs" means any drug or substance that (a) is not legally obtainable; or (b) is legally obtainable but has not been legally obtained; or (c) has been legally obtained but is being sold or distributed unlawfully.
2. "Legal drugs" means any drug, including prescription drugs and over-the-counter drugs, that has been legally obtained and that is not unlawfully sold or distributed.
3. "Abused legal drugs" means the use of any legal drug (a) for any purpose other than the purpose for which it was prescribed or manufactured; or (b) in a quantity, frequency, or manner that is contrary to the instructions or recommendations of the prescribing physician or manufacturer.

In order to protect yourself and other employees, we require that you be able to perform your job safely and unimpaired. If a supervisor believes that you are not working safely and unimpaired, you will be reassigned or suspended for the remainder of the day pending an investigation.

Where an employee is given prescription drugs or advised by a physician to take nonprescription drugs, the employee is required to ask the physician whether such drugs may adversely affect the employee's ability to safely perform assigned duties, thereby endangering others, him/herself or property. If the physician's response is negative, the employee should ask the physician to put his opinion in writing.

If the physician's response is affirmative, the employee is required to advise their immediate supervisor or the Human Resources Manager that s/he is taking medication which could impact his or her ability to perform assigned duties safely. The employee may be requested to provide a release from his/her physician to Sanrio that he or she is able to work safely while taking a prescription or nonprescription drug.

Employees bringing drugs onto Sanrio's premises are required to retain the drug in its original container which identifies the drug, dosage, date of prescription and authorizing physician. It is recommended that employees taking a drug off site at the direction of a

licensed physician maintain the drug in its original container with the information described above set forth on the pill bottle.

Sanrio shall keep any information regarding an employee's use of legal drugs as confidential, and will only disclose the recommended work restriction, warranted by the side effects, to Company officials on a need-to-know basis consistent with business necessity. Sanrio may observe these recommended work restrictions by assigning the employee to appropriate duties during the time of his/her medication, or possibly provide an unpaid medical leave of absence to the employee as outlined in this manual if no assignment is available or if it would present an undue hardship.

Employees must advise the Human Resources Manager of any criminal drug statute conviction within five (5) days of a conviction. Law enforcement officials will be informed whenever illegal drugs are found in the possession of any employee during working time or on Company premises. Sanrio reserves the right upon reasonable suspicion to search all areas of Sanrio including, but not limited to, offices, work areas, desks, rest areas and lockers.

The only exception to this policy is for Company sponsored events where alcohol is sanctioned. Even then, employees must use good judgment not to become intoxicated.

It is essential for everyone that all employees comply with this policy. Employees who violate this policy and/or are convicted under any drug statute are subject to disciplinary action up to and including discharge.

## **SMOKING**

Sanrio maintains smoke-free offices and stores. No employees may smoke inside the office or store. You are permitted to smoke outside the building during your break and lunch periods.

## **DRESS AND GROOMING STANDARDS**

It is in Sanrio's best interests to present a professional image to its employees, customers, suppliers, and the public. Accordingly, it is expected that all employees will dress in a manner consistent with good hygiene, safety, and good taste. Employees whose jobs require them to come in contact with customers, suppliers, or the public are expected to wear apparel consistent with that worn by persons dealing with the public in the community in similar capacities.

## **EMPLOYMENT OF RELATIVES**

Relatives of present employees may be hired by Sanrio only if (1) the individuals concerned will not work in a direct supervisory relationship, and (2) the employment will not pose difficulties for supervision, security, safety, or morale. "Relatives" are defined as spouses, children, sisters, brothers, mothers, or fathers, and persons related by marriage.

Present employees who marry, or who become related by marriage, will be permitted to continue employment with Sanrio only if they do not work in a direct supervisory relationship with one another, or otherwise pose difficulties for supervision, security, safety, or morale. If employees who marry, or who become related by marriage, do work in a direct supervisory relationship with one another, Sanrio will attempt to reassign one of the employees to another position for which he or she is qualified, if such a position is available.

If no such position is available, then one of the employees will be required to leave Sanrio. The decision as to which employee will leave is left solely to the spouse-employees or related-by-marriage employees.

## **NON-FRATERNIZATION**

In order to promote the efficient operation of Sanrio's business and to avoid misunderstandings, complaints of favoritism, other problems of supervision, security, and morale, and possible claims of sexual harassment, all members of management are forbidden to date or pursue romantic or sexual relationships with employees whom they supervise, directly or indirectly, if the relationship leads to any of the above problems or otherwise injures the Company. Employees who violate this guideline will be subject to discipline, up to and including termination of employment, to the full extent permitted by applicable law.

## CONFLICTS OF INTEREST

Our employees are expected to devote their best efforts and attention to the full-time performance of their jobs. Employees are to use good judgment, to adhere to high ethical standards, and to avoid situations that create a conflict between the employee's personal interests and the interests of Sanrio. A conflict of interest exists when the employee's loyalties or actions are divided between Sanrio's interests and those of another, such as a competitor, supplier, or customer. Employees unsure as to whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with their immediate supervisor or the Human Resources Manager for clarification. Any exceptions to this guideline must be approved in writing by Sanrio's Vice President of Administration and Executive Vice President.

This guideline does not attempt to describe all possible conflicts of interest that could develop. Some of the more common conflicts from which employees should refrain, however, include the following:

- o Accepting significant personal gifts or entertainment from competitors, customers, suppliers, or potential suppliers;
- o Working for a competitor, supplier, or customer that negatively impacts job performance;
- o Engaging in self-employment in competition with Sanrio;
- o Using proprietary or confidential Company information for personal gain or to Sanrio's detriment;
- o Using Company assets or labor for personal use;
- o Acquiring any interest in property or assets of any kind for the purpose of selling or leasing it to Sanrio;
- o Committing Sanrio to give its financial or other support to any outside activity or organization; or
- o Developing a personal relationship with a subordinate employee of Sanrio that interferes with job performance.

If an employee or someone with whom an employee has a close relationship (a family member or close companion) has a financial or employment relationship with a competitor, customer, supplier, or potential supplier, the employee must disclose this fact in writing to the Human Resources Manager. Employees should be aware that if they enter into a personal relationship with a subordinate employee or with an employee of a competitor, supplier, or customer, a conflict of interest may exist that requires full disclosure. Failure to adhere to this guideline, including failure to disclose any conflicts or to seek an exception will result in discipline, up to and including termination of employment.



## **SECURITY AND CONFIDENTIAL INFORMATION**

The security of employees, employee property, and Company property is of vital importance to Sanrio. All employees share responsibility to ensure that proper security is maintained. Any breach of security should be reported promptly to the Human Resources Manager.

Company property includes not only tangible property, like desks and computers, but also intangible property such as information. Of particular importance are proprietary information and confidential information. Proprietary information includes all information obtained by Company employees during the course of their work. This Handbook, for example, contains proprietary information. Confidential information is any Company information that is not known generally to the public or the industry. Customer lists, customer files, personnel files, computer records, financial and marketing data, formulas, and trade secrets are examples of confidential information. Employees may not disclose or use proprietary or confidential information except as their jobs require. Anyone who violates this guideline will be subject to discipline and possible legal recourse.

See Technology Use and Privacy Policy for other related items.

# TECHNOLOGY USE & PRIVACY

Sanrio provides various Technology Resources to authorized employees to assist them in performing their job duties. Each employee has a responsibility to use Sanrio's Technology Resources in a manner that increases productivity, enhances the Company's public image and is respectful of other employees. Failure to follow Sanrio's policies regarding its Technology Resources may lead to disciplinary measures, up to and including termination of employment.

## Technology Resources Definition

Technology Resources consists of all electronic devices, software, and means of electronic communication including, but not limited to, the following: personal computers, POS Systems and workstations; lap-top computers; Pocket PCs; PDA; mini and mainframe computers; computer hardware such as disk drives and tape drives; peripheral equipment such as printers, modems, fax machines and copiers; computer software applications and associated files and data, including software that grants access to external services such as the Internet; electronic mail (e-mail); telephones, pagers and voice mail services.

## Authorization

Access to Sanrio's Technology Resources is within the sole discretion of Sanrio. Generally employees are given access to the Company's various technologies based on their job functions. Only employees whose job performance will benefit from the use of Sanrio's Technology Resources will be given access to the necessary technology.

## Use

Sanrio's Technology Resources are to be used by employees for the purpose of conducting Company business. Incidental and occasional personal use by employees of Sanrio's Technology Resources is allowed as long as such use does not interfere with employees duties, does not conflict with Company business and does not violate Company policy. Personal information and messages stored on Sanrio's Technology Resources will be treated the same as other business-related information and messages and employees should have no expectation that such messages or information will remain private.

## Improper Use

### A. Prohibition Against Harassing, Discriminatory and Defamatory Use

As set forth more fully in our Policy Against Harassment, Sanrio does not tolerate harassment or discrimination. Under no circumstances, may employees use Sanrio's Technology Resources to transmit, retrieve or store any communications or information that is discriminatory, harassing or defamatory in any way (such as sexually-explicit or racial messages, jokes, cartoons).

### B. Prohibition Against Violating Copyright Laws

Employees must not use the Company's Technology Resources to copy, retrieve, forward or send copyrighted materials unless the employee has the author's permission or is accessing a single copy only for the employee's reference.

### C. Other Prohibited Uses

Employees may not use any of the Company's Technology Resources for any illegal purpose, violation of any Company policy, in a manner contrary to the best interests of the Company, in any way that discloses confidential or proprietary information of the Company or third parties, or for personal gain.

## **Company Access To Technology Resources**

All messages sent and received, including personal messages, and all data and information stored on Sanrio's e-mail system, voice mail system, or computer systems are Sanrio's property regardless of the content. As such, Sanrio reserves the right to access all of its Technology Resources, at any time, in its sole discretion.

### **A. Privacy**

On occasion, Sanrio may need to access its Technology Resources including computer files, e-mail messages and voice mail messages. Employees should understand, therefore, that they have no right of privacy with respect to any messages or information created or maintained on the Company's Technology Resources, including personal information or messages. Sanrio may, at its sole discretion, inspect all files or messages on its systems at any time for any reason. The Company may also monitor its Technology Resources at any time in order to determine compliance with its policies, for purposes of legal proceedings, to investigate misconduct, to locate information, or for any other business purpose.

### **B. Passwords**

Some of Sanrio's Technology Resources can be accessed only by entering a password. Passwords are intended to prevent unauthorized access to information. Passwords do not confer any right of privacy upon any employee of Sanrio. Thus, even though employees may maintain passwords for accessing information, employees must not expect that any information maintained on the Company's Technology Resources, including e-mail and voice mail messages, are private. Employees are expected to maintain their passwords as confidential and are prohibited from the unauthorized use of passwords of other employees.

### **C. Data Collection**

All information, data, voice mail and e-mail messages are Company records and therefore, Company property. Sanrio maintains the right to inspect and review any and all data without notice to you.

### **D. Deleted Information**

Any information kept on Sanrio Technology Resources may be electronically recalled or recreated regardless of whether it may have been "deleted" or "erased" by an employee. Because the Company periodically backs-up all files and messages and because of the way in which computers re-use file storage space, files and messages may exist that are thought to have been deleted or erased. Therefore, employees who delete or erase information or messages should not assume that such information or messages are confidential.

## **The Internet and On-line Services**

Sanrio provides authorized employees access to on-line services such as the Internet. The Company expects that employees will use these services in a responsible way and for business-related purposes only. Employees must not sign "guest books" at non-business related Web sites or post messages to Internet news groups or discussion groups at Web sites. These actions will generate junk e-mail and may expose Sanrio to liability or unwanted attention because of comments that employees may make. The Company reserves the right to monitor the amount of time spent using on-line services and the sites visited by individual employees and to limit such access by any means available to it, including revoking access altogether.

## **Software Use**

### **A. License Restriction**

All software in use by Sanrio is officially licensed software. No software is to be installed or used that has not been duly paid for and licensed appropriately for the use

to which it is being put. No employee may load any software on the Company's computers, by any means of transmission, unless authorized in writing in advance by the IT Director. Authorization for loading software onto the Company's computers should not be given until the software to be loaded has been thoroughly scanned for viruses.

## **PERSONNEL RECORDS**

It is important that Company personnel files contain current information regarding each employee. You should inform Human Resources immediately whenever there are changes in your personal data such as address, telephone number, marital status, number of dependents, and person(s) to notify in case of emergency.

You have the right to inspect your personnel file at reasonable times on reasonable notice. You may also obtain copies of any document in your personnel file that you have signed.

Personnel files are the property of Sanrio.

## REQUESTS FOR EMPLOYEE INFORMATION

The Company is extremely concerned about the accuracy of information provided to individuals outside the Company regarding current or former employees. Consequently, no employee may provide (either on or off-the-record) any information regarding current or former employees to any non-employee without the specific written approval from the Human Resources Manager. This includes letters of reference.

The Human Resources Manager should be promptly advised of any formal or informal requests for information about current or former employees. The Human Resources Department will normally verify only a former employee's dates of employment and position held. Requests for additional information require a written request. A written disclosure authorization and release may be required from an employee before any information is furnished.

## **SOLICITATION, DISTRIBUTION AND BULLETIN BOARDS**

You may engage in solicitation on Company premises only during your non-working time and the non-working time of the person being solicited. Non-working time means time during meals or breaks and before or after work.

You may distribute or circulate non-Company written materials to other employees only during non-working time and only in non-work areas. If you are unclear whether an area is a work or non-work area, you should consult your immediate supervisor for clarification.

Solicitation or distribution in any way connected with the sale of any goods or services for profit is strictly prohibited anywhere on Company property at any time, unless approved in advance by Human Resources. Similarly, solicitation or distribution of literature for any purpose by non-employees is strictly prohibited on Sanrio's property at any time.

Sanrio has bulletin boards located throughout the facility for the purpose of communication with its employees. Postings on these boards are limited to Company-related material including statutory and legal notices, safety and disciplinary rules, Company policies, memos of general interest relating to Sanrio, local operating rules, and other items. All postings require the prior approval of the Human Resources Manager. No postings will be permitted for any other purpose.

## **INTERNAL JOB POSTINGS**

It is Sanrio's policy to promote career advancement opportunities and internally post all newly created or open positions (with the exception of open positions resulting from a company-wide or Business Unit reorganization that require changes due to business necessity). Job openings are posted on Sanrio, Inc's. Home Office bulletin board as well as electronically on Microsoft Outlook's Human Resources Public Folder. Internal job applicants should have a minimum of one (1) year in their current position.



## **STORE PURCHASE POLICY**

An employee may purchase a Sanrio store under agreed upon terms and conditions provided that s/he signs a document as a precondition to his or her consideration for store ownership in which s/he agrees to at least two additional conditions:

- A.** Employment with Sanrio will terminate on the earlier of:
  - 1. The completion of sale transaction; or
  - 2. The lapse of 90 days from the date that the employee enters into an agreement evidencing his or her intention to buy the store; and
- B.** On the last day of his or her employment, as a precondition to the completion of the sale transaction, s/he will sign an agreement generally releasing Sanrio from all claims of any and every type arising on or before the date of his or her termination.

## **OPEN DOOR POLICY**

At Sanrio, we have an Open Door Policy. We encourage you to raise with management any work-related problems that you may experience, so we may address your concerns immediately. No employee who uses the Open Door Policy in good faith will be subject to any form of retaliation. Our goal is free and unhindered communication with our employees.

In the case of issues unrelated to harassment, we encourage you to speak first with your supervisor. If the problem remains unresolved, we encourage you to bring it to the Vice President in charge of your department or the Human Resources Manager. In the case of issues related to harassment, you may go directly to the Human Resources Manager or, at your option, to your immediate supervisor or any other member of management. Please consult Sanrio's Policy Against Harassment for more information regarding the guidelines that we have developed to deal with harassment issues.

Sanrio will attempt to keep confidential all expressions of concern raised through the Open Door Policy, the investigation of such concerns, and the terms of their resolution. However, to fully resolve any issues that you may raise, some communication of your concerns to others may be appropriate.

## **INTERNAL COMPLAINT REVIEW**

### **A. Purpose and Scope**

The purpose of the Internal Complaint Review Policy is to afford all employees the opportunity to seek a more formal resolution of their work-related complaints than is provided by the Open Door Policy set forth in this Handbook. Whereas the Open Door Policy contemplates that Sanrio will resolve most expressions of employee concern informally by verbal communication, the Internal Complaint Review Policy gives employees the chance to express their concerns in writing and to receive a written response.

This policy does not apply to claims involving sexual or other forms of unlawful harassment. For such claims, please see the Policy Against Harassment in this Handbook.

### **B. Procedure**

**Filing of Complaint** A written complaint should be filed with the Human Resources Department as soon as possible after the date of the events that give rise to your work-related concern. The written complaint must set forth in detail the basis for your complaint.

**Investigation** The Human Resources Department will date and log all written complaints and send you an acknowledgment that your complaint is under review.

The Human Resources Department will investigate the allegations of your complaint by meeting separately with you and with others who either are named in your complaint or who may have knowledge of the facts set forth in your complaint. Sanrio will attempt to treat all internal complaints and their investigation as confidential, recognizing, however, that in the course of investigating and resolving internal complaints some dissemination to others may be appropriate.

On completion of the investigation, the Human Resources Department will provide you with an oral report of its findings. If the complaint is resolved to your satisfaction, the terms of the resolution will be recorded and signed by you and by a representative of the Human Resources Department.

### **C. Appeal**

If the complaint is not resolved to your satisfaction, you may submit a written request for review of your complaint to the Vice President of Administration and Executive Vice President. On completion of the appeal review, you will receive an oral explanation of the conclusion reached and the reasons for that conclusion. Decisions resulting from appeal reviews by the Vice President of Administration and Executive Vice President will be final.

#### **D. Non-Retaliation**

If you have filed a complaint in good faith, you will not be unlawfully disciplined or otherwise retaliated against, even if Sanrio does not agree with your complaint.

#### **E. At-Will Employment**

State law provides that all employees are employed on an at-will basis. Based on the provisions of state law and the Sanrio's policies, employees are free to sever their employment relationship with Sanrio at their option at any time, either with or without cause or advance notice. In the same manner, Sanrio reserves the right to terminate its employment relationship with any employee at will, either with or without cause or advance notice. Nothing in this grievance procedure is intended to create an express or implied agreement that alters the employment-at-will relationship that exists. Personnel changes can be initiated before, during or after the conclusion of this procedure, at Sanrio's discretion.

# **TERMINATION, DISCIPLINE, AND RULES OF CONDUCT**

## **TERMINATION**

### **A. Voluntary Termination**

Sanrio will consider an employee to have voluntarily terminated his or her employment if an employee does any of the following:

1. Elects to resign from Sanrio;
2. Fails to return from an approved leave of absence on the date specified by Sanrio; or
3. Fails to report for work without notice to Sanrio for three (3) consecutive days.

### **B. Involuntary Termination**

An employee may be terminated involuntarily at Sanrio's discretion for reasons that may include poor performance, misconduct, or other violations of Sanrio's rules of conduct as set forth below. Notwithstanding this list of reasons, Sanrio reserves the right to discharge with or without cause and with or without prior notice.

### **C. Termination Due to Reorganizations, Economics, or Lack of Work**

From time to time, Sanrio may need to terminate an employee as a consequence of reorganizations, job elimination's, economic downturns in business, or lack of work. Should Sanrio, at its discretion, consider such terminations necessary, Sanrio will attempt to provide all affected employees with advance notice when practical. Employee benefits associated with such terminations, if any, will be as specified in the notice. Sanrio may, in its sole discretion, recall employees who have been terminated due to reorganizations, economics or lack of work. Nothing in this section shall be construed to require Sanrio to rehire any of its laid off employees.

### **D. Rehired Employees**

Employees who are rehired within one year of termination are:

1. required to complete Sanrio's introductory period,
2. immediately eligible to participate in Sanrio's Health Insurance Plans,
3. immediately eligible, if rehired within a five year period, to begin participation in Sanrio's 401(k) Plan at the next available entry date without loss of prior vesting service,
4. immediately eligible to begin accruing vacation and sick leave at their prior accrual rate.

## **DISCIPLINE AND RULES OF CONDUCT**

### **A. Policy**

Employees are expected to observe certain standards of job performance and good conduct. When performance or conduct do not meet Company standards, Sanrio will endeavor when it deems appropriate to provide the employee an opportunity to correct the deficiency. If, however, the employee fails to make the correction, he or she will be subject to discipline including termination.

The rules set forth below are intended to provide employees with notice of what is expected of them to help reduce performance problems. Necessarily, however, such rules cannot identify every type of unacceptable conduct and performance. Therefore, employees should be aware that conduct not specifically listed below but which adversely affects or is otherwise detrimental to the interests of Sanrio, other employees, or customers, may also result in disciplinary action.

### **B. Job Performance**

Employees may be disciplined for poor job performance, including but not limited to the following:

1. Unsatisfactory work quality or quantity;
2. Poor attitude (for example, rudeness or lack of cooperation);
3. Excessive absenteeism, tardiness, telephone misuse, or abuse of break and lunch privileges;
4. Failure to follow instructions or Company procedures; or
5. Failure to follow established safety regulations.

### **C. Misconduct**

Employees may be disciplined for misconduct, including but not limited to the following:

1. Insubordination;
2. Dishonesty;
3. Theft;
4. Discourtesy;
5. Misusing or destroying Company property or the property of another on Company premises;
6. Violating conflict of interest rules;
7. Disclosing or using confidential or proprietary information without authorization;
8. Falsifying or altering Company records, including the application for employment;

9. Interfering with the work performance of others;
10. Engaging in altercations, disorderly conduct or horseplay;
11. Harassing, including sexually harassing, employees or customers;
12. Being under the influence of, manufacturing, dispensing, distributing, using, or possessing alcohol or illegal or controlled substances on Company property or while conducting Company business;
13. Gambling on Company premises or while conducting Company business, except for football pools or other pools approved by the Human Resources Department;
14. Sleeping on the job or leaving the job without authorization;
15. Possessing a firearm or other dangerous weapon on Company property or while conducting Company business;
16. Being convicted of a crime that indicates unfitness for the job or raises a threat to the safety or well-being of Sanrio, its employees, customers, or property;
17. Failing to complete the employee's own time card or completing the time card of another employee;
18. Failing to report damage to Company property;
19. Smoking in an area that has not been designated as a smoking area;
20. Posting or removing signs on Company bulletin boards without the prior approval of the Human Resources Department; or
21. Violating any Company policy.

This is not an exhaustive list. Disciplinary action may be taken for other work-related misconduct as well at the discretion of Sanrio.

#### **D. Attendance**

In addition to the general rules stated above, employees may be disciplined, up to and including discharge, for failing to observe the following specific requirements related to attendance:

1. Reporting to work on time, remaining at work until the end of the employee's shift, and observing the time limits for rest and lunch periods;
2. Obtaining prior approval to leave work early from the immediate supervisor, or if s/he is unavailable, from the Human Resources Department;
3. Notifying the immediate supervisor, or if s/he is unavailable, the Human Resources Department, in advance of any anticipated tardiness or absence.

## **EMPLOYMENT AT WILL**

Nothing in this Guideline is intended to alter the at-will status of employment with Sanrio. Either you or Sanrio may terminate the employment relationship at any time with or without cause and with or without prior notice. Sanrio reserves its right to terminate any employment relationship at any time without resort to any disciplinary steps.

Any offer of employment may be conditioned upon Sanrio completing a background check regarding criminal history and, if relevant, motor vehicle records; successful completion of a pre-employment physical and drug test. Additionally, criminal background checks may be required for current employees before promotion to certain positions.



## ACKNOWLEDGMENT

I acknowledge that I have received a copy of Sanrio's Employee Handbook (revised 1/1/04) and, if employed in the Stores Division, a copy of the Employee Handbook Addendum, Job Performance Criteria. I understand that I am responsible for knowing and adhering to the policies set forth in the Handbook during my employment with Sanrio.

The policies contained in the Handbook are not intended to create any contractual rights or obligations, and Sanrio reserves the right to amend, interpret, modify, or withdraw any portion of this Handbook at any time upon written notice.

I understand and agree that my relationship with Sanrio is "at-will," which means that my employment is for no definite period and may be terminated by me or by Sanrio at any time for any reason with or without cause or advance notice. I also understand that Sanrio may demote or discipline me or alter the terms of my employment at any time at its discretion, with or without cause or advance notice.

Finally, I agree that this Acknowledgment contains a full and complete statement of the agreements and understandings that it recites, and I agree that this Acknowledgment supersedes all previous agreements, whether written or oral, express or implied, relating to the subjects covered in this Acknowledgment.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employee's Name (printed)

**NOTE:** This page is part of the Employee Handbook. All employees will be required to sign a separate Acknowledgement Form.



## **ACKNOWLEDGMENT**

**(for employee signature)**

I acknowledge that I have received a copy of Sanrio's Employee Handbook and, if employed in the Stores Division, a copy of the Employee Handbook Addendum, Job Performance Criteria. I understand that I am responsible for knowing and adhering to the policies set forth in the Handbook during my employment with Sanrio.

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\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employee's Name (printed)