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## Smile! It's 'Sanrio Time,' now and ever after

### Unraveling Japanese companies

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It is hard for a company to be idealistic and profitable at the same time. But Sanrio Co. is achieving both goals, on a surprising scale.

The Japanese gift product company, known for its Hello Kitty character and theme park Sanrio Puroland, respects philanthropic ideas, declaring that its corporate vision is "One World, Connecting Smiles." And it made record profits in the last business year, boosting its share price to the highest ever. Its market value is well over the ¥1 trillion (\$6.5 billion) that it once said was its goal.

"Our company has very strong momentum right now," said Aya Komaki, the president, CEO and chief design officer of Sanrio Entertainment Co., a Sanrio group company operating Sanrio Puroland in the western Tokyo city of Tama and Harmonyland in Oita Prefecture, during a recent interview, part of a monthly series by Naonori Kimura, a partner for the consulting firm Industrial Growth Platform Inc.

But the path toward getting this far was not effortless for either the company or Komaki herself.

As Hello Kitty's global popularity gradu-

ally lost steam in the 2000s, Sanrio's profits declined for seven years in a row. In 2020, the COVID-19 pandemic hit the business further at character goods stores and theme parks. In the business year that ended in March 2021, it posted a net loss of ¥3.96 billion.

The founder and president, Shintaro Tsuji, had passed the baton to grandson Tomokuni Tsuji in 2020, and Komaki had been appointed to her current position a year earlier. Sanrio announced a new three-year management plan through March 2025. To limit volatility in its financial results, it outlined three major steps, including expanding its base for global growth by improving its human capital and making good investments and strategies. It also aims not to rely solely on Hello Kitty-related sales but to widen its intellectual property portfolio by developing other popular characters and taking new steps for monetization through, for example, games, virtual events and other digital services.

"After we experienced repeated ups and downs in our financial results, [Tomokuni] Tsuji said we won't post a sharp drop anymore, even if the pace of our growth slows down. To that end, we compiled the strategies," Komaki said.

The company showed a sharp recovery from the losses incurred through the temporary shutting down of stores and the theme parks because of the pan-



Aya Komaki, the president, CEO and chief design officer of Sanrio Entertainment Co. COSUPI

dem. After overseas and domestic tourists returned, Sanrio's group sales in the business year that ended in March 2024 rose 37.7% from a year earlier to ¥99.9 billion and its operating profit rallied 103.5% to ¥26.9 billion. That performance has boosted the share price. The price-to-book ratio, which many listed Japanese companies struggle to push above 1.0, stood above 2.0 as of mid-February.

Komaki also quoted Tsuji as saying that the record profits were not just due to the company's strength, but also to external factors such as the end of the pandemic, the recovery of inbound tourism and the growing digital transformation.

Komaki herself went through a series of adversities before taking the post. After she started to work at Sanrio as a new graduate in 1983, she then left the company for family reasons and subsequently suffered the loss of one of her sons, divorce and cancer treatment before returning to the company after decades.

One thing Sanrio can say for sure is that its underlying strength comes from its

belief in its philosophy, "Minna Nakayoku" ("Getting Along Together"). That might sound a little odd for a corporate philosophy, but the phrase is the theme of Sanrio Puroland's musical parade performances and theatrical plays with a touch of kabuki. In the Miracle Gift Parade, the "Queens in the Dark" appear and disrupt Sanrio characters' happy times and friendships, but after being touched by the characters' warm hearts, they become friends in the end.

"Of course our philosophy has a very strong influence on us," Komaki said. "We always stop and think about why we are in business, how many customers we made smile today, or how many smiles our business will be able to bring." She added that the company calls the times when it makes its customers and workers smile "Sanrio Time."

The corporate philosophy originates from the founder's childhood experiences during World War II. He saw, among other things, the body of a mother covering her baby following an air raid and started

to wish for peace in the future, Komaki said. Two years after he launched a silk business in 1960, he started to sell products with an original strawberry design — something intrinsically cute that could make people smile — and later added animals and other characters to the lineup.

"At first, Tsuji maintained that it was a 'social communication business' by retailing gifts that could be exchanged among people," Komaki said. Sanrio started selling greeting cards and then broadened into movies, publications and restaurants.

In 1990, it launched its first theme park because Tsuji had started to think it was time to focus more on experiences rather than goods after the flourishing economy had made people materially content. Sanrio Puroland features attractions, live shows, shops and restaurants dedicated to Sanrio characters including Hello Kitty, My Melody and Cinnamoroll.

The unexpected boom in the popularity of Hello Kitty abroad in the early 2000s prompted Sanrio's license business and entry into global markets, first in the United States and then Germany, South America and elsewhere in Asia, Komaki said.

"In that sense, we are not pursuing profits or aiming to make our business bigger by buying out other companies. We truly focus on 'Minna Nakayoku' and think about what might be the missing pieces for realizing that purpose. That way of thinking leads to new targets and new business," Komaki said.



The Miracle Gift Parade is one of the most popular parades at Sanrio Puroland. COSUPI

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Sanrio's history started with "social communication business" through gift products.

With something cute, the founder hoped for a

peaceful world where people could get along with each other.

Since then, Sanrio has achieved growth in both goods and services. It has expanded into movies and publications, created new attractive characters and responded to their enthusiastic fans. Today, its market value has surpassed ¥1 trillion. The driving force behind this is the tenderness expressed through the slogan "Minna Nakayoku" and a corporate philosophy showing the founder's strong will. "Sanrio Time" pleasure, the company's benchmark of its corporate value, proves that Sanrio is clear about what it thinks is its unique value.

What workers see as worth doing and how they work is important to the company, not only because times and values change. It also helps increase Sanrio Time, with worker's smiles leading to customers smiling as well.

Sanrio will continue to venture into new business and evolve further, but the philosophy of "Minna Nakayoku" will not change. In the interview, Komaki spoke passionately about the past and the future of the company. I understand that Sanrio's current strength is rooted in this philosophy and should not be short-lived following the recovery of inbound tourism and a boost in enthusiastic fans who passionately follow their favorite characters.



"We truly focus on 'Minna Nakayoku,'" says Komaki during an interview at Sanrio Puroland. COSUPI

## Iwami Ginzan businesses' silver road to revitalization

### Sustainable Japan Award: Satoyama Grand Prize

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The Omoricho area of Oda around the Iwami Ginzan silver mine in Shimane Prefecture is a small and picturesque town of approximately 400 people. Nakamura Brace Co. and Iwami Ginzan Gungendo Group Co., both located in this area, jointly received the Grand Prize in the satoyama section of the Sustainable Japan Award 2024 presented by The Japan Times for their contribution to achieving a sustainable local economy and maintaining a rural community composed of diverse generations.

Discovered approximately five centuries ago, the mine was partially developed as a copper mine after its silver was exhausted but then closed in 1923. The area subsequently experienced industrial decline and population outflow, earlier than most other local municipalities in Japan.

#### Nakamura Brace

Toshiro Nakamura, who learned cutting-edge prosthetic technology in the United States after joining a prosthetic manufacturing company in Kyoto, founded Nakamura Brace in Omoricho in 1974 with his wife at the age of 26. He chose to set up



Nakamura Brace President Noburo Nakamura. NAKAMURA BRACE CO.



Nakamura Brace invited a Tokyo-based baker to open the Hidaka Bakery. NAKAMURA BRACE CO.

his business in this remote mountain area rather than a convenient urban area out of a desire to revitalize his hometown, which had become a virtual ghost town.

In addition to creating employment through the production of artificial limbs and braces, Nakamura Brace has also contributed to the creation of a livable town while preserving its scenery by renovating vacant houses that would otherwise have been left to decay.

To date, the company has renovated 65 old houses. The first one was a small building owned by Nakamura's parents. The company gradually grew in profitability, leading to an increase in staff. "So the first renovation project was to create a place where employees could live," explained Nakamura's son Noburo Nakamura, the current president of the company.

Following the enactment in 1987 of the law that established the qualifications for prosthetists and orthotists, Nakamura Brace began to attract qualified young professionals from outside the prefecture, leading to a greater demand for housing. The rest of the renovated houses became homes for the company's new employees as well as other individuals and families who moved in from outside, plus souvenir shops, restaurants, lodging facilities, an

opera house and a library.

In many cases, the original owners of the houses, wishing to preserve homes filled with family memories even after the family had all left, sell the houses to Nakamura Brace, hoping it will utilize them in ways that contribute to the community.

Through consultation with a local builder and the original owners, Nakamura Brace remodels the interiors to fit new purposes while preserving the structure and appearance of traditional Japanese wooden architecture.

One of the buildings that the company renovated about a decade ago used to be a bakery. To make the most of the building's existing facility, Nakamura Brace invited a baker who lived in Tokyo to open a bakery there. "For the first five years, we supported the shop financially by positioning it as a baking section of our own company," Nakamura said. He emphasized that the most crucial thing is to continue to be an attractive company, keep creating jobs that people find fulfilling and foster an environment where motivated young people can thrive.

The most recently renovated building is the library, which is now operated by the University of Shimane. In addition to bookshelves and reading areas, the library also has a cafe, a study room, a gallery, a

play pool and other facilities for visitors of all generations to enjoy.

Involving various stakeholders, including the university and like-minded local enterprises like Gungendo, Nakamura aims to disseminate information about the area and its charms to encourage people to work and live in the area.

#### Iwami Ginzan Gungendo

The Iwami Ginzan Gungendo Group was founded in 1989 by Daikichi and Tomi Matsuba as a manufacturer of textiles and household goods with a focus on traditional Japanese techniques and craftsmanship. Since then, the company has pursued the concept of "livelihood with roots" while preserving and utilizing the historical and nostalgic townscape, and has gradually expanded its business to include tourism as well as everything related to people's daily lives, including food and skin care.

Among the 15 old houses that the company renovated in the area, the first one was the building that became its main store. Some of them are either rented or sold to people who want to use or live in them, and others have been turned into accommodations and other facilities.

"One of the accommodation facilities is Takyo-Abeke, a 240-year-old samurai residence. We also have Mujakuan near Takyo-Abeke, which is a candle-lit house

with no modern infrastructure such as gas, electricity or water and sewage," said Tadashi Matsuba, the current president of the company. He was originally a shoemaker in Tokyo and is married to the Nakamuras' daughter. He resonated with the concept and the way that the company has been rediscovering values in sustainable lifestyles.

Old vacant houses left in private hands only deteriorate, he said, but making them corporate assets opens the possibility of utilizing them in ways that benefit the community, transforming the houses into meaningful social resources. "What we can do in this little community has the potential to be a social model for the world," he added.

Gungendo is currently working on a project to renovate old houses into facilities suitable for medium- to long-term stays. This includes the creation of facilities that enable people to stay while working remotely, as well as satellite offices for companies.

About 10% of guests who stay at Gungendo's lodging facilities are foreigners. "I think that long-term travel is more common among foreigners than Japanese. There is a good match between people who want to stay in one place for a long time and locations where they can appreciate unspoiled landscapes and the lives of



One of the accommodation facilities is Takyo-Abeke, a 240-year-old samurai residence. IWAMI GINZAN GUNGENDO GROUP CO.



Gungendo President Tadashi Matsuba. IWAMI GINZAN GUNGENDO GROUP CO.

the people who live there," Matsuba said. One family from Australia stayed at one of the facilities for three months last year. "The family's children went to the nursery school and after-school child care center in town with local children," he said. Matsuba believes that having a constant presence of various people in the town, including travelers and long-term residents, keeps it fresh and vibrant.

Gungendo also participates in an initiative, called Hitomachi, that offers a staffing service that connects local stores, restaurants, companies and organizations with people from outside who want to start their lives in the area. This service brings together businesses that need a little extra help but not enough to justify a full-time hire. By treating the businesses as a single entity, the system can offer workers the chance to hold multiple part-time positions, enabling them to earn a living while broadening their work experience.

The Iwami Ginzan Silver Mine was inscribed on the World Heritage List in 2007. Yet becoming a World Heritage site cannot ensure the area's revitalization or sustained future prosperity. It is the continuing dedication of local residents and companies like Gungendo and Nakamura Brace, which started long before the World Heritage designation, that sustains the town as a place that provides a welcoming and enjoyable environment for residents and visitors alike.