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To Whom It May Concern,

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Notice Concerning the Formulation of a Medium-Term Management Plan

Sanrio Company, Ltd. has formulated a medium-term management plan “Marketing Innovation Project 2021” covering fiscal years 2018 through 2020.

At Sanrio, our goal is to contribute to society through our Social Communication Gift Business, while at the same time delivering value to all our stakeholders. However, we know our current profits are not sufficient to provide stakeholders acceptable value. After record performance in fiscal 2014, Sanrio has reported ongoing declines in sales and profits. Our overseas business has experienced a delay in the recovery we expected for fiscal 2017 European and US operations. At the same time, our business in Japan is recovering, supported by strong theme park business results and inbound tourist demand. Unfortunately, current operating profits are not sufficient in providing value to our stakeholders.
Accordingly, Sanrio has formulated a medium-term management plan designed to reinvent our organization as a strategic global company operating a Social Communication Gift Business. Under this plan, we intend to reverse our current negative trends, implement a company-wide strategic direction, establish marketing functions tied to performance management, and offer products and services in demand by customers.

Medium-Term Management Plan Overview

1. Implementation Period

Fiscal years 2018 through 2020 (three years) (FYE March 2019- FYE March 2021)

2. Basic Policies

Become a strategic global company operating a Social Communication Gift Business

3. Company Policies and Strategies

(1) Implement stronger customer-centric marketing functions

a. Strengthen and reshape marketing functions

- Establish a Marketing and Communications Division to take over the organization and operations of the former Media Communications Department. Hire a Marketing and Communications Division general manager from outside the organization to manage brand strategy, conduct customer research, and oversee store experience design.

b. Re-energize Hello Kitty

- First Character, First Kitty
- Create products and engage in promotions to ensure Hello Kitty is the first character experienced by infants.
- Action steps targeting adults to develop Hello Kitty products and services for adult use on a regular basis

c. Invest in Strategic Marketing to Nurture Secondary Characters beyond Hello Kitty

(2) Establish a strategic Animation and Game Business within Sanrio

a. Create animation and game-based content; restructure content-related organization

・Establish an Animation & Digital Business Department to serve as an incubation center for new content, leading to target segment diversification

b. Grow business through cross-division cooperation

・Leverage Sanrio Group strengths in Japan and around the world in cross-division projects to advance our businesses

c. Budget ongoing investments and develop stable markets

・Create a medium-/long-term investment budget and establish a regular monitoring process to ensure consistent content creation and ongoing business growth

(3) Perform a bottom-up review of business strategies

a. Reinvent sales as a point of interaction with customers

・Leverage happy memories from stores, e-commerce, and theme parks to create a *Sanrio Experience*; develop a loyal fan base through an enhanced *Sanrio Experience*.

・Establish a centrally managed customer database (customer information from stores, e-commerce, theme parks, etc.); utilize POS information to develop customer-centric products.

・Leverage the Sanrio fan base developed through these customer experiences to build licensing business revenues.

b. Focus on China as a growth market; restructure in the Americas and enact growth measures in Europe

Execute strategies in common across regions to strengthen apparel, foods, cosmetics, and daily goods; expand character portfolio; execute region-specific strategies.

i. Major strategies for Asia

○Expand Business in China

・Grow business with global companies by coordinating more closely with our master licensee

・Strengthen other characters besides Hello Kitty

・Bolster promotional licensing business

・Improve e-commerce

○Expand business in Southeast Asia

・Strengthen marketing in high-potential markets, including Indonesia, Philippines, Thailand, Singapore, and Malaysia

ii. Major Strategies for the Americas

○Restructure Sanrio, Inc.

Close the current administrative headquarters and attached warehouse/distribution center of US subsidiary Sanrio Inc. (South San Francisco, CA) by the end of 2018; consolidate operations in the Los Angeles office. Outsource warehouses to a third party and transfer administrative offices to the Los Angeles office. Reduce workforce at current headquarters administrative offices and attached warehouse to reduce overhead expenses

○Expand sales in North America

・Invest in joint marketing with licensees to secure and expand shop-in-shop sales space among major retailers

○Expand targets in Central and South America

・Expand license business directed at the high-target segment

iii. Major Strategies for Europe

○Develop new markets

・Boost marketing and sales in regions with the most room for growth, including the Middle East, India, Russia, Eastern Europe, and China (Mr. Men Little Miss)

○Expand major categories

・Increase sales of foods and household goods in addition to apparel sales

○Grow promotional licensing business

(4) Invest strategically through selection and focus

Invest selectively according to each basic strategy outlined above

4. Fiscal Year 2020 (ending Mar 2021) Targets (Consolidated)

Operating profit: JPY10 billion　ROE: 10%

5. Shareholder Returns

Sanrio Company, Ltd. believes returning profits to shareholders is an important management concern. Our basic stance is to provide a stable dividend on equity of 5 percent and dividend payout ratio of 60 percent, balanced by considerations of the company's financial soundness and investments for future growth. Our aim is to offer stable, long-term dividends that correspond to consolidated profit levels.