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Notice Regarding the Formulation of a Medium-Term Management Plan

Sanrio Company, Ltd. has formulated a three-year medium-term management plan “Creating and Challenging for our Future: One Day? No. Day One!”.

＜Overview of Medium-Term Management Plan＞

1. Implementation period:
Fiscal year ending in March 2022 to fiscal year ending in March 2024 (three years)

2. Basic policies
(1) We sincerely take our operating losses for the first time in 26 years since 1995 seriously, and with sincere reflection, we approach this new plan as if it were our second foundation.
(2) We have designated the period covered by this medium-term management plan as a three-year period in which to solidify our footing and take a turn for the better. After resolving fundamental issues, the next medium-term management plan will be a three-year period for renewed growth.
(3) We will transform into a comprehensive entertainment company spreading smiles the world over for global happiness.

3. Differences with previous medium-term management plan:
(1) The direction we took with the previous medium-term management plan was not wrong, but it was too abstract and lacked concrete details, and we also failed to change our corporate culture. As a result, we did not achieve our goals.
(2) In this plan, we focus on tangible goals, i.e., “what we intend to do, at what scale, and with whom (which partners)”, and the execution of these goals
(3) This medium-term management plan transforms our corporate culture to one that has executing capabilities.

4. Pillars of this medium-term management plan:
The plan consists of the three pillars of corporate culture reform, completion of structural reform, and planting seeds for regrowth.
(1) Corporate Culture Reform
1: Create a president-centered new management team.
2: Establish a KGI and KPI system and tying this to evaluations, and then clarifying responsibility.
3: Manage progress of this medium-term management plan and establish a new committee to respond immediately.
4: Reorganize organization with the aim of strengthening IP creation, nurturing and monetization functions and eliminating function overlap
5: Tear down the walls between departments, and work towards eliminating the current siloed state
6: Increase the mobility of human resources and reassign them in growing areas of the company.
7: To boost morale, which has been deteriorating due to irrational organizational management in the

past, Improve communication between management and employees and renew the personnel system.
8: Introduce a system that increases mobility of employees, a new evaluation system that can reflect results, and a reward system where results, role, and responsibility are rewarded.

(2) Completion of Structural Reform

1: Improve profits of Product Sales Division, which had not been questioned.
2: Cut SKUs without hesitation as this has led to heavier work loads, cuts in lots and stubbornly high costs of goods up until now
3: We expect to implement 10 or more measures during this medium-term plan period and make improvements to domestic product sales totaling 1.7 billion yen.
4: Actively hire outside employees and set up an implementation system
5: In the US, we will aim to erase 1.1 billion yen in losses during the period covered by this medium-term plan.
6: Drastically reduce SG&A expenses in the product sales business in the US
7: Consider tie-ups with external partners to expand the US license business
8: Also consider drastic reductions to SG&A expenses by consolidating back office functions in Europe and the US

(3) Prepare for renewed growth (Planting Seeds for Regrowth)

1: Reform organizations and human resources in China and Southeast Asia, where the license business has been left unchanged
2: In China, where there is clear growth and opportunities, aim to seize opportunities swiftly and aggressively form affiliations with outside partners
3: In China, make e-commerce and games in the digital field a core field
4: In the key e-commerce field, affiliate with BAOZUN, which has an impressive track record
5: Other than e-commerce and games, currently selecting new partner companies in the three fields of education licenses, kids' parks, and corporate branding support
6: In the China business, generate substantial profits in new growth fields, in addition to growth in existing businesses
7: In Southeast Asia, use local channel relations in Avex Asia to expand business deeply rooted in the local culture
8: Increase exposure on digital platforms and expand customer interaction globally

5. Indicators for targets

(1) We are targeting 3.0 billion yen in operating profit in the last year of this medium-term management plan.
(2) In the next medium-term management plan, we will increase profit even more with topline growth.
(3) In this medium-term management plan, we are aiming for an EPS growth rate of 30% or higher, and will plan for total shareholder returns after a V-shaped recovery.
(4) Not only do we expect to invest 2.0 billion yen in structural reforms, but we will make several or about 10 billion yen in joint investments with partners globally to develop IP.
(5) ESG goals

1: Environment: Review suppliers based on CO2 reduction
2: Social: Launch education services and increase female managers
3: Governance: Reach an appropriate level for the ratio of outside directors comprising the board of directors, introduce incentive plans for directors, and establish a Nomination and Compensation Advisory Committee