

# Medium-Term Management Plan

Fiscal Years 2018 through 2020  
(FYE March 2019- FYE March 2021)

## “Marketing Innovation Project 2021”

May 2018



Sanrio Company Ltd.

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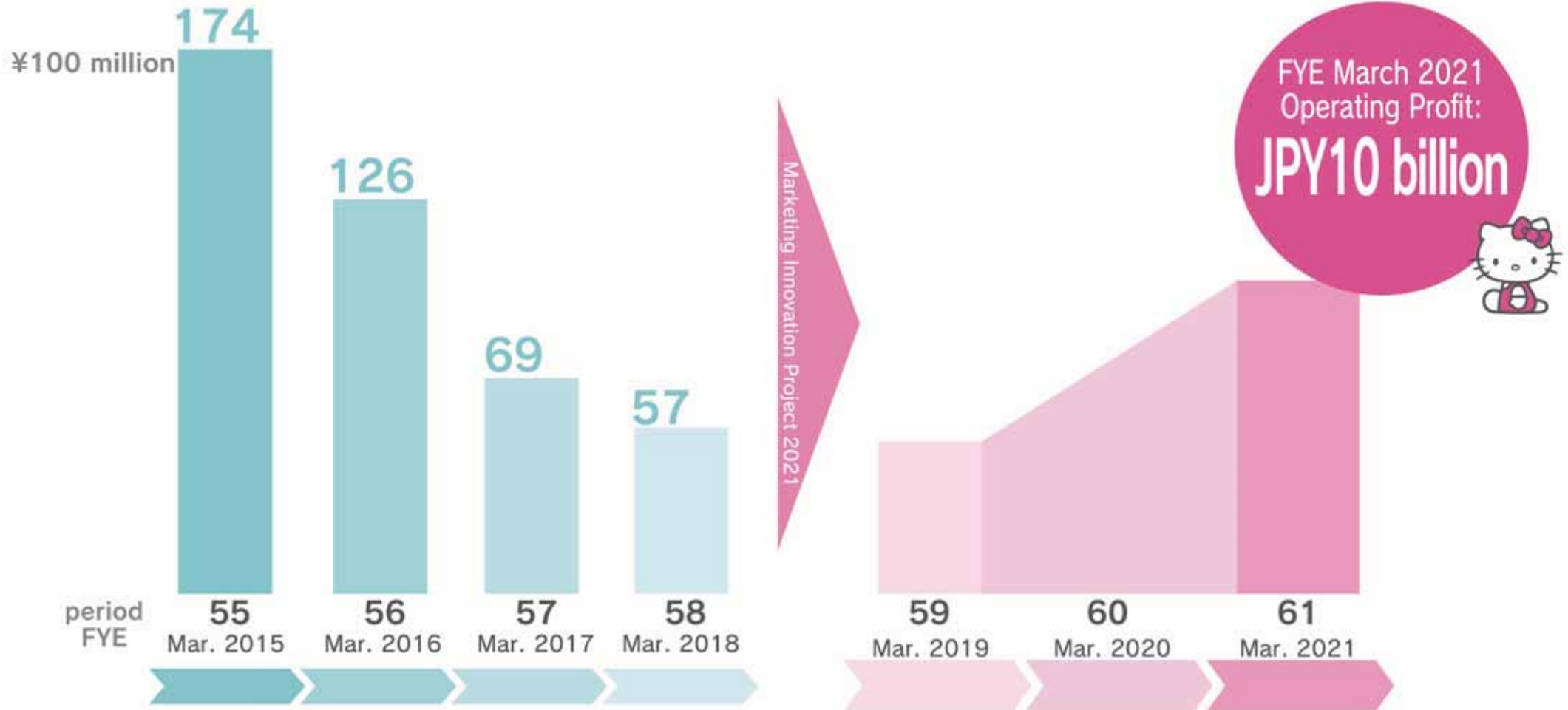
# Introduction

No company can last forever when the sole pursuit is one of profit. At Sanrio, our goal is to contribute to society and deliver value to our stakeholders under the twin concepts of Social Communication and Small Gift Big Smile.

However, we know our current profits are not sufficient to provide stakeholders acceptable value.

Accordingly, we created a medium-term management plan, the aim of which is to regain earnings through company-wide strategies, through marketing functions tied to performance management, and through products and services that customers want.

# Consolidated Operating Income



# FYE March 2021 Targets: Operating Profit Plan

Operating Profit JPY 10 billion, ROE 10%

¥100 million

	FYE March 2018 Results
Overseas	72
Europe	5
Americas	2
Asia	65
Japan	(15)
Licensing	67
Retail	8
Theme Parks	2
Other	3
Cost Center, Other	(97)
Total	57

Marketing Innovation Project 2021

FYE March 2021 Plan	Change	% Change
102	+29	40%
10	+4	75%
14	+12	-
78	+14	20%
(2)	+14	-
81	+13	20%
14	+5	65%
5	+2	89%
5	+2	61%
(107)	(9)	-
100	+43	75%

# Company Policy

Become a strategic global company  
operating a Social Communication Gift Business



1

Implement stronger customer-centric marketing functions



2

Transform into a character incubation center



3

Perform a bottom-up review of business strategies



4

Invest strategically through selection and focus

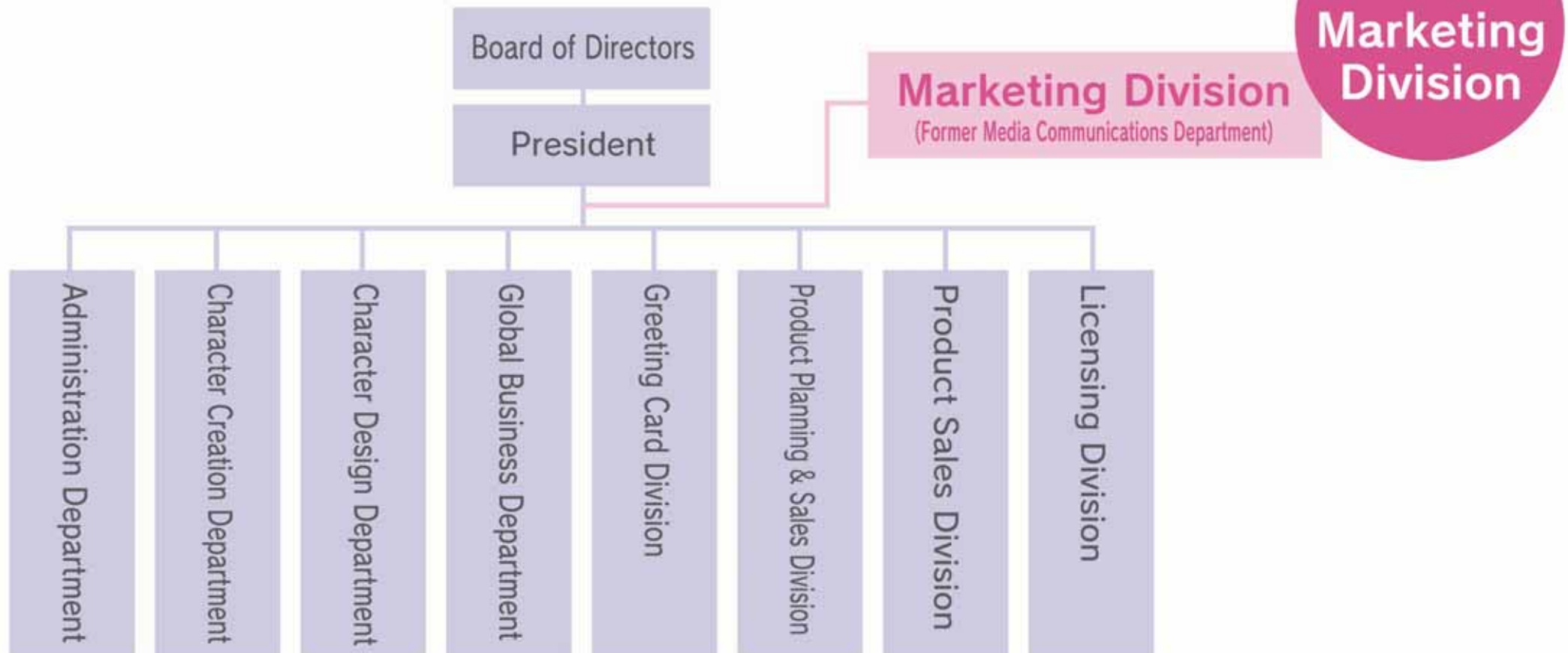


# Basic Strategies



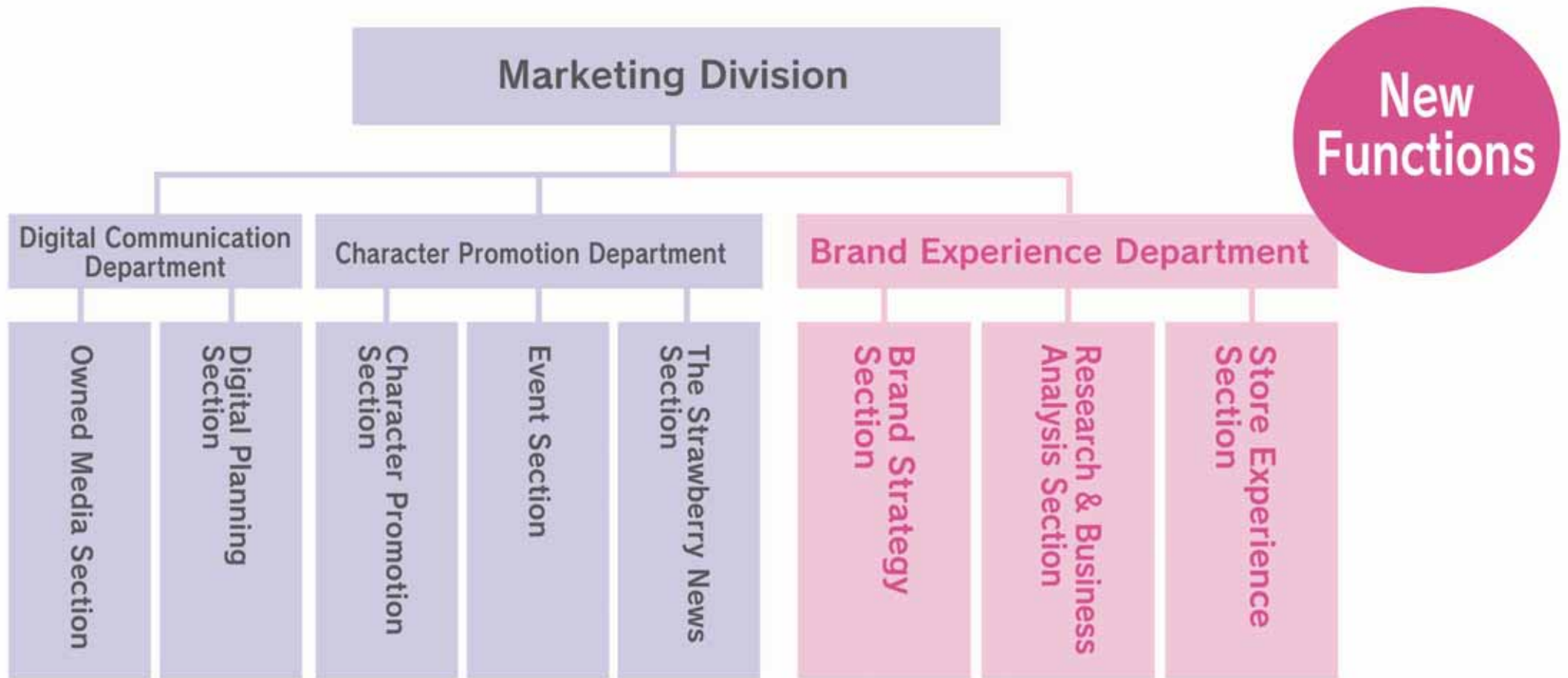
## A Strengthen and reshape marketing functions

### ● Change organization structure



## A Strengthen and reshape marketing functions

- Change organization structure







**Makoto KIMURA**

Chief Marketing Officer

Makoto Kimura has served in various marketing positions at P&G Japan, Sony Marketing, and ING Direct. Most recently, Mr. Kimura served as manager of the Seiyu Group (Walmart) marketing division.

Mr. Kimura joined Sanrio in January 2018, assuming his current role of Chief Marketing Officer in April.



**Daisuke OTOBE**

Daisuke Otoke has served at P&G Japan in brand management, as well as at the P&G headquarters in the United States. In the U.S., Mr. Otoke was a key leader in apply innovations in knowledge develop to marketing.

After returning to Japan, Mr. Otoke served variously at Danone Japan, Unilever Japan, Nissan Motor, and Shiseido, building and leading marketing organizations at the respective companies. Mr. Otoke holds a Ph.D. in business administration from Kobe University.

Mr. Otoke currently serves as president of Coup Marketing Company, Inc. In February 2018, he was named advisor at Sanrio.

## A Strengthen and reshape marketing functions

### ● Vision for the Marketing and Communications Division

#### Mission of the Marketing and Communications Division

Persistent growth for Hello Kitty and other Sanrio characters

Organization-Wide Philosophy

## Small Gift Big Smile



### Roles

- Conduct research and analysis
- Formulate domestic strategies on a character-by-character basis
- Execute domestic strategies on a character-by-character basis
- Monitor character performance
- Draft, present domestic and international guidelines for character usage

### KPI

- Contribution profit by department by character  
(gross profit less advertising and promotion costs)

\*Responsible together with each division for achieving targets

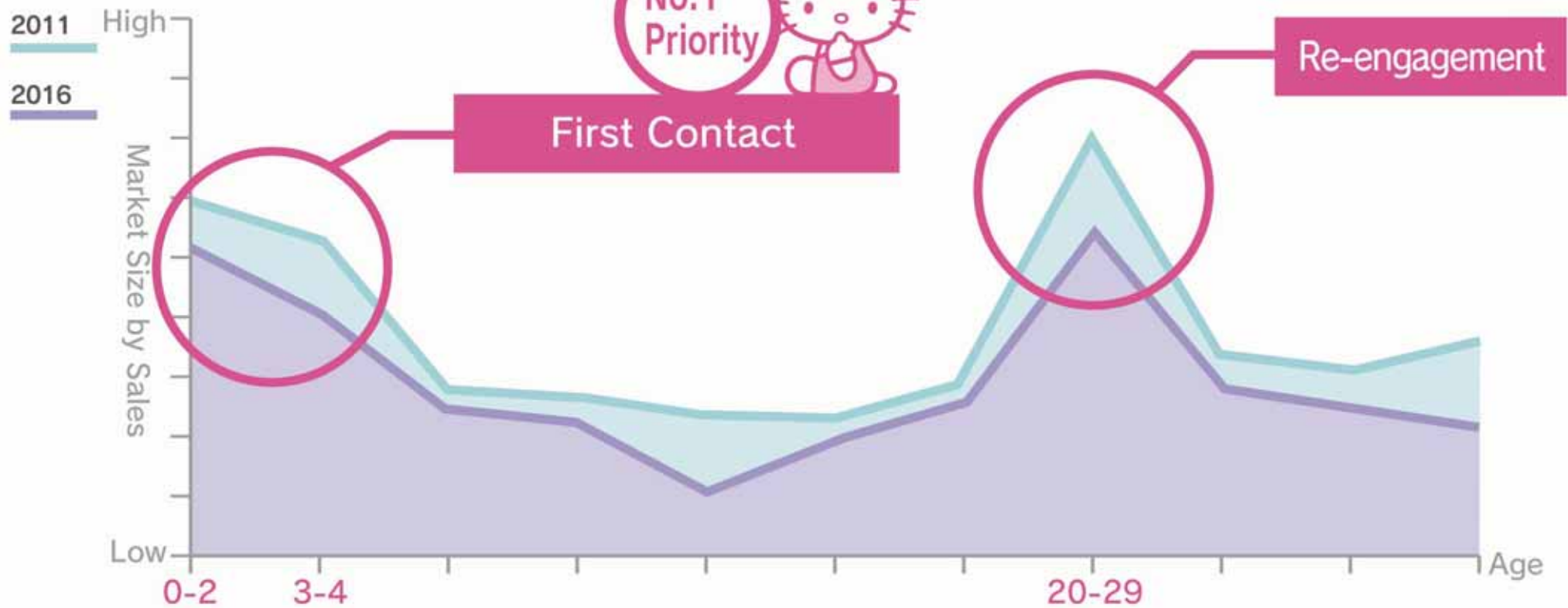
## A Strengthen and reshape marketing functions

### ● Re-energize Hello Kitty



#### Hello Kitty Market Size by Age (Females)

\*Based on CharaBizDATA estimate of retail market size by age (Japanese market)



## **A** Strengthen and reshape marketing functions

- Re-energize Hello Kitty



# The first character of choice

The first character in the home before the child becomes self-aware



### Catchphrase

# First Character, First Kitty

### Action Plan

- Engage in promotions to ensure Hello Kitty is the first character with whom users build a relationship
- Strengthen products tailored for infants at each price point



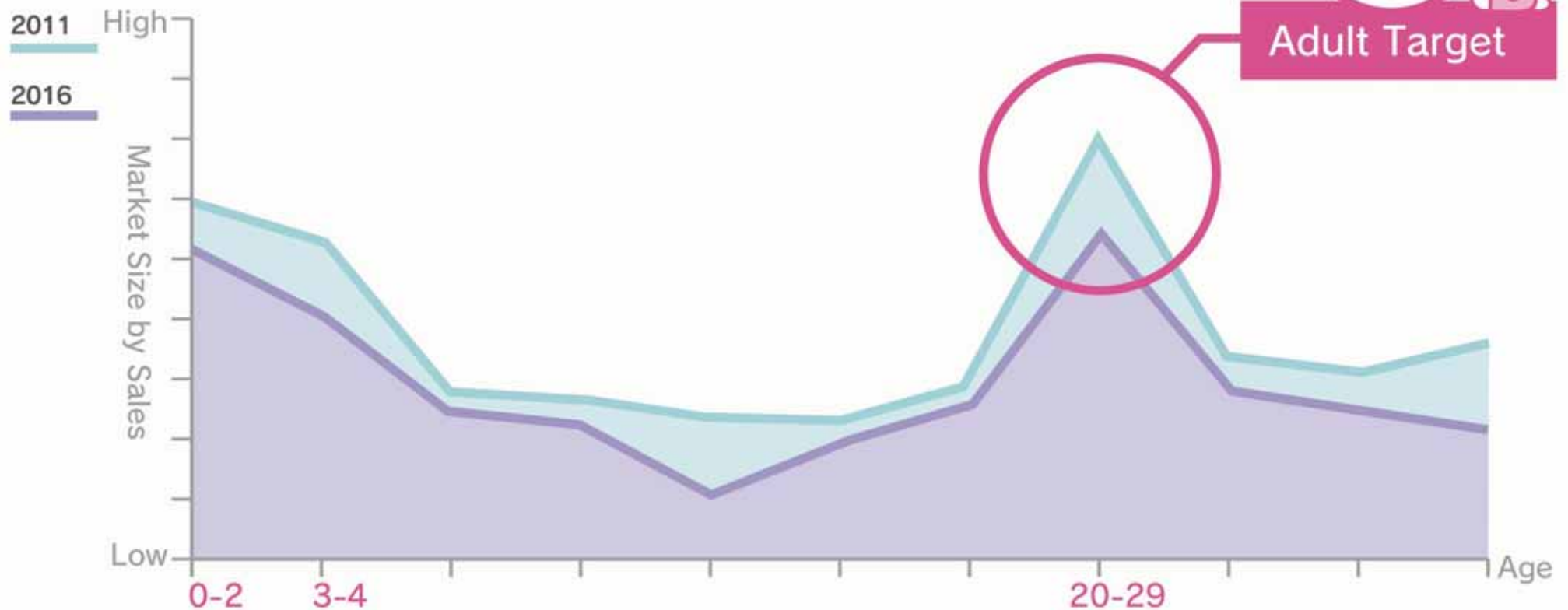
## A Strengthen and reshape marketing functions

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#### Hello Kitty Market Size by Age (Females)

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## A Strengthen and reshape marketing functions

### ● Re-energize Hello Kitty

# **No. 2 Priority** Hello Kitty for Adults: Action Plan

#### Create Consistent Interaction Points With the Customer



Store exteriors

High quality exteriors



Displays

Fixtures  
Uniforms etc.



Products

Used by adults



Sales promotions

Strategically  
selected media

#### Products accepted by as many consumers as possible

Redefine the term “adult”

Develop products for non-core fans

Develop products for adults

Develop Hello Kitty products used by adults with regularity

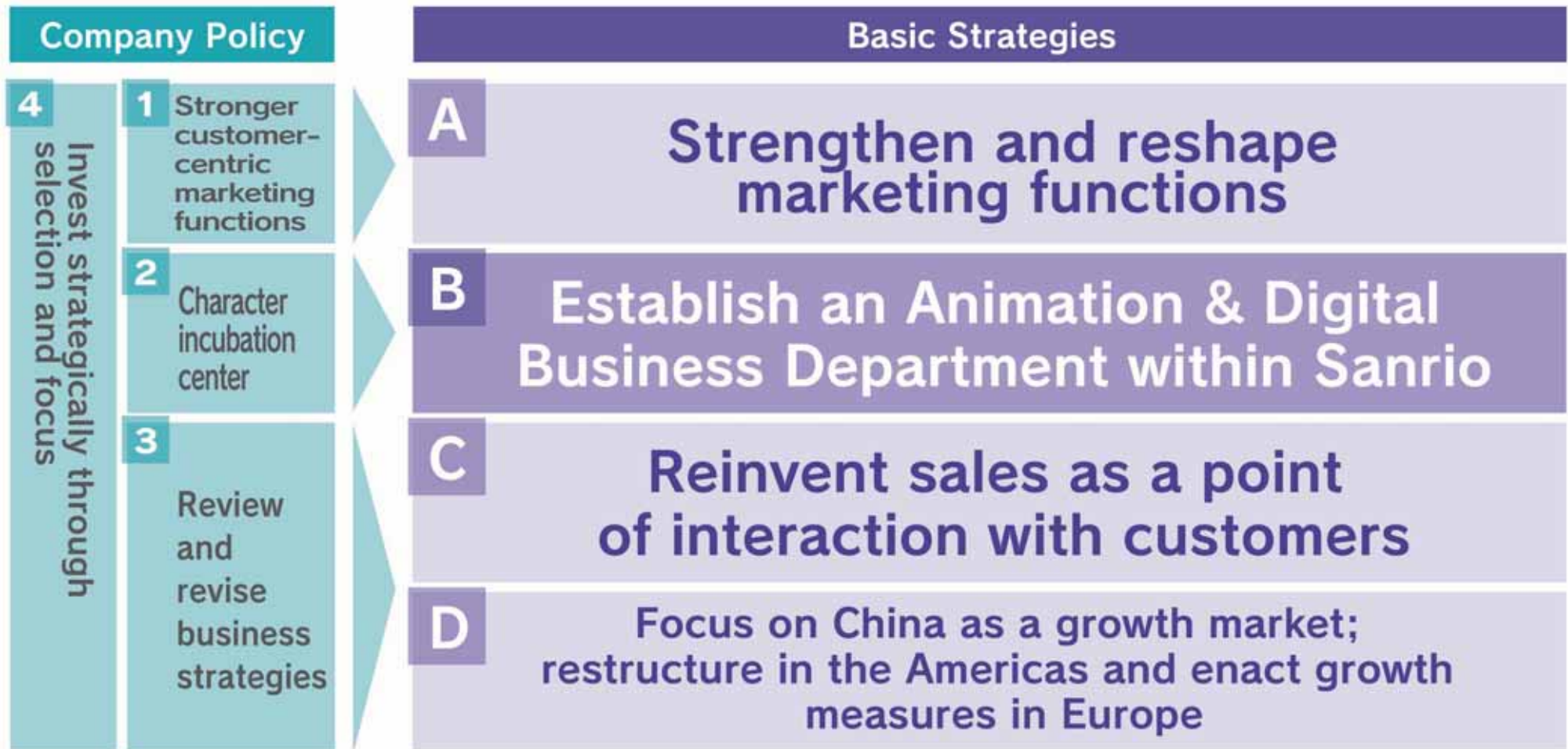
## **A** Strengthen and reshape marketing functions

### ● Nurture secondary characters

Invest in Strategic Marketing  
to Develop Secondary Characters beyond  
Hello Kitty



# Basic Strategies







SHOW BY ROCK!!

Sanrio Boys



Aggretsuko



gudetama

Rilu Rilu Fairilu



COGIMYUN

## Company Policy

# Establish a strategic Animation and Game Business within Sanrio

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

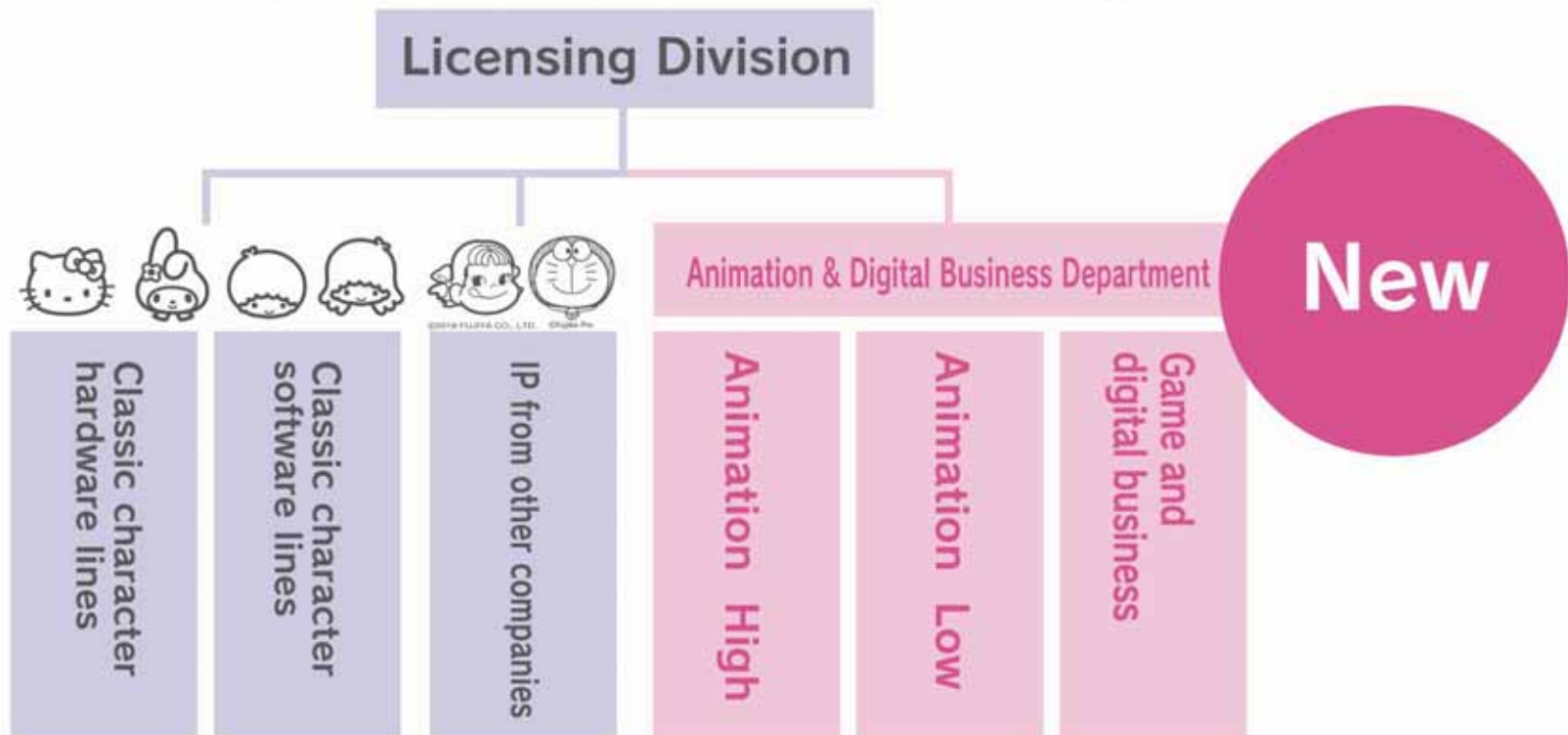
Grow business through cross-division cooperation

Budget ongoing investments and develop stable markets

## **B** Establish an Animation & Digital Business Department within Sanrio

### ● Change organization structure

# Establish animation and game business as part of growth strategy

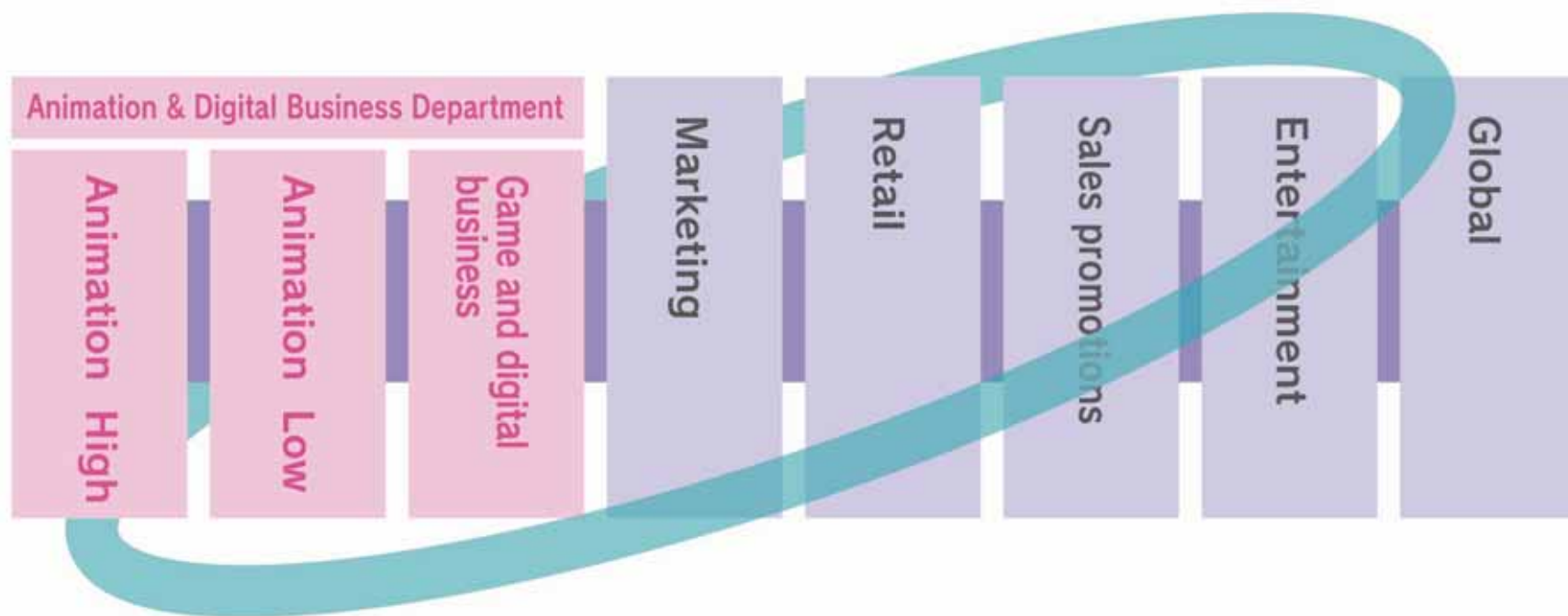




## **B** Establish an Animation and Digital Business Within Sanrio

- Grow business through cross-division cooperation

Leverage Sanrio Group strengths  
Tied to Company-Wide Projects





## B Establish an Animation and Digital Business Within Sanrio

- Budget ongoing investments and develop stable markets

### Multiple Targets

Girls Target

Jewelpet, Rilu Rilu Fairilu, **New IP**

Adult Target

SHOW BY ROCK!!, Sanrio Boys, **New IP**

New Targets

**New IP**

## Advance animation/games on multiple fronts



# Basic Strategies



## **c** Reinvent sales as a point of interaction with customers

### ● The Sanrio business model



# Reinvent retail business as an experience



## **C** Reinvent sales as a point of interaction with customers

### ● Vision for the Retail Business



## Delivering an improved customer experience

### Create opportunities for the Sanrio Experience

- Retail...Create Opportunities for interactions with (mainly) core fans
- Wholesale...Opportunities for interactions with (mainly) light users
- E-commerce...Product purchasing opportunities
- Theme Parks...Interactions and happy memories with live characters
- Integrate point cards, ID cards, and other disparate information in one for greater customer convenience  
= Opportunities for the Sanrio Experience

### Strengthen the Sanrio Experience

- Create a unified, consistent experience through brick-and-mortar stores, displays, products, sales promotions, e-commerce, and theme parks
- Evolve the Sanrio Experience through technology

**Create Loyal Customers**



## **C** Reinvent sales as a point of interaction with customers

### ● Vision for the Retail Business

**Centrally managed  
customer database**

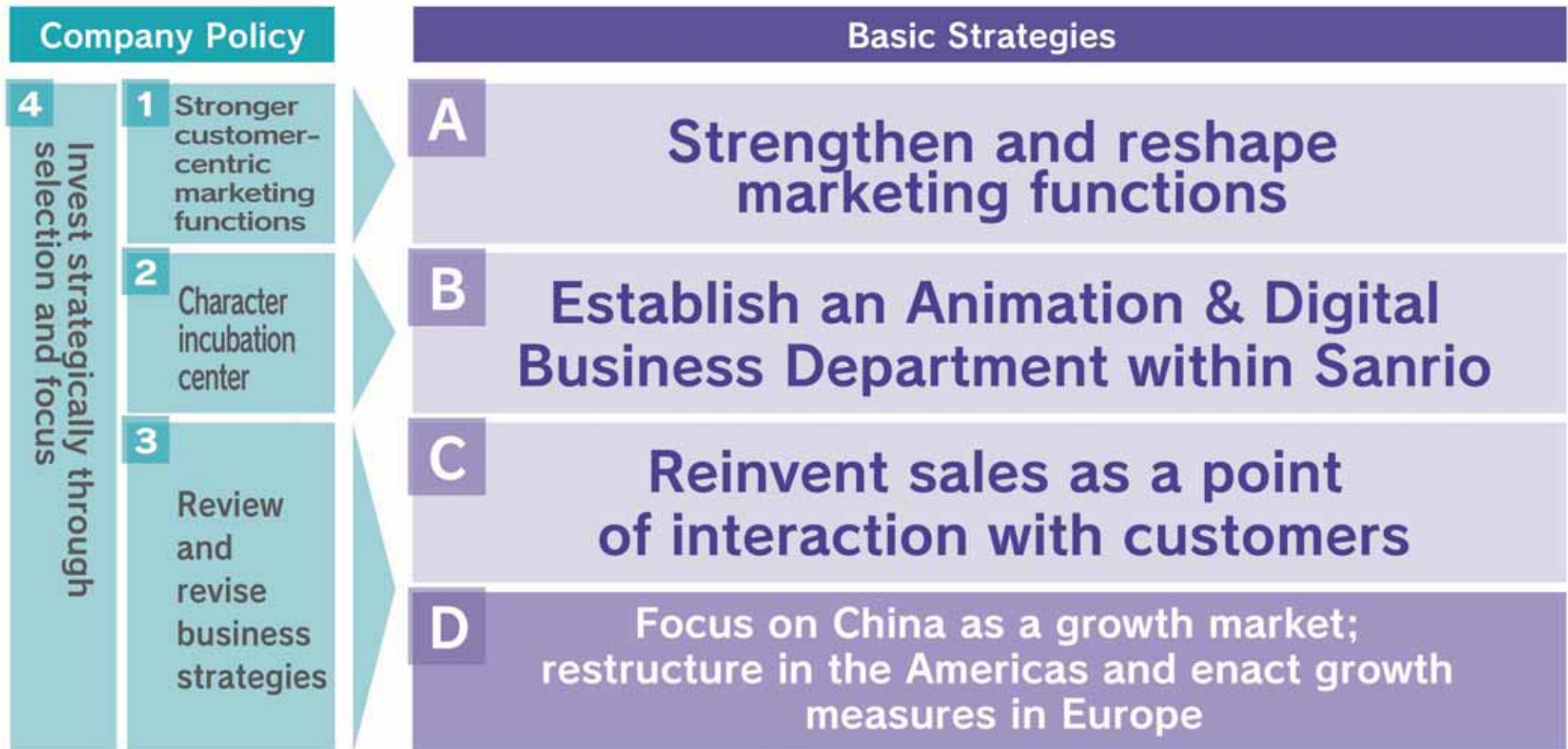
**Product management  
via POS in all stores**

**Customer-oriented manufacturing sales plan based  
on division-led SPA model**

**Nurture Sanrio Fans**

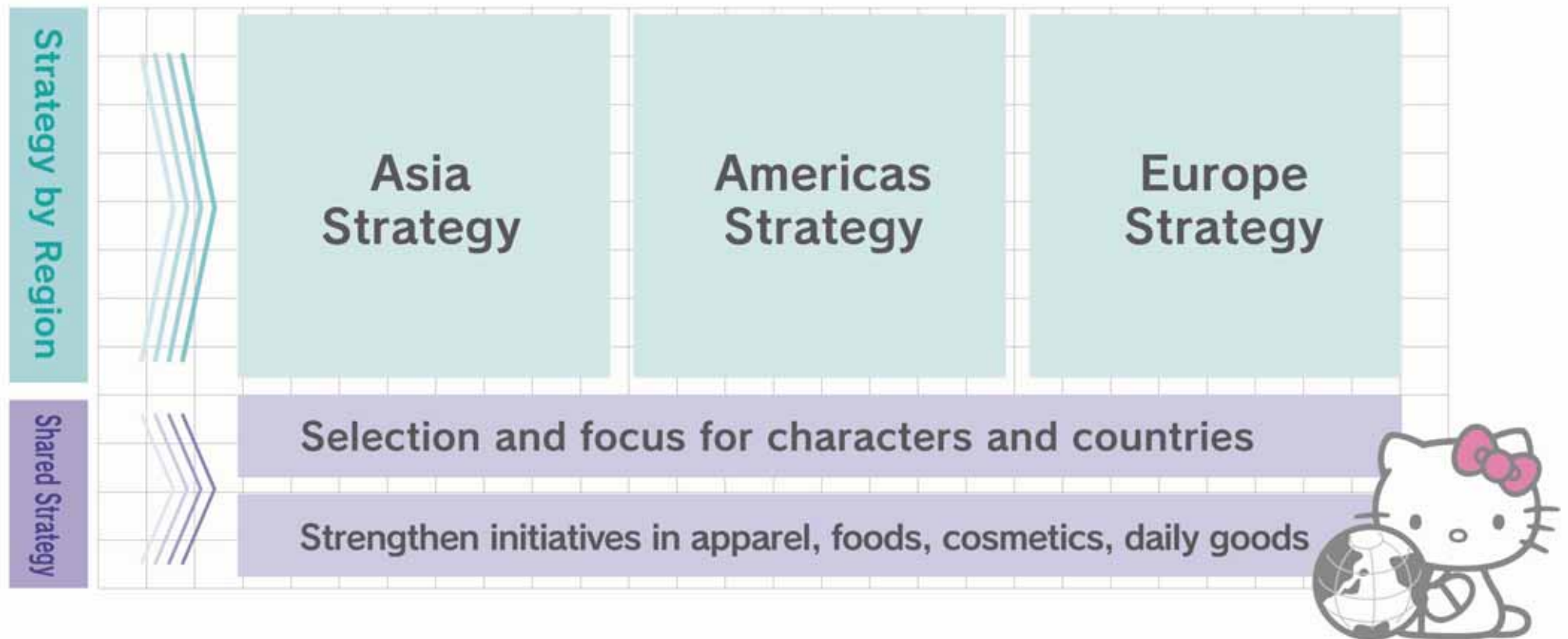
- Narrow product SKUs
- Zero stock-outs for major products
- Stricter cost ratio budgeting

# Basic Strategies



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

● Strategy Outline



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

● Major Strategies for Asia



## Expand China business

- Coordinate more closely with our master licensee
- Grow business with global companies
- Strengthen other characters besides Hello Kitty
- Bolster promotional licensing business
- Improve e-commerce

## Expand business in Southeast Asia

- Strengthen marketing in regions with high potential  
Indonesia, Philippines, Thailand, Singapore, Malaysia



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

● Major Strategies for the Americas



## Restructure Sanrio, Inc.

Strategy to stem bleeding: Merge sales offices to make major reductions in payroll, asset costs, and other overhead expenses

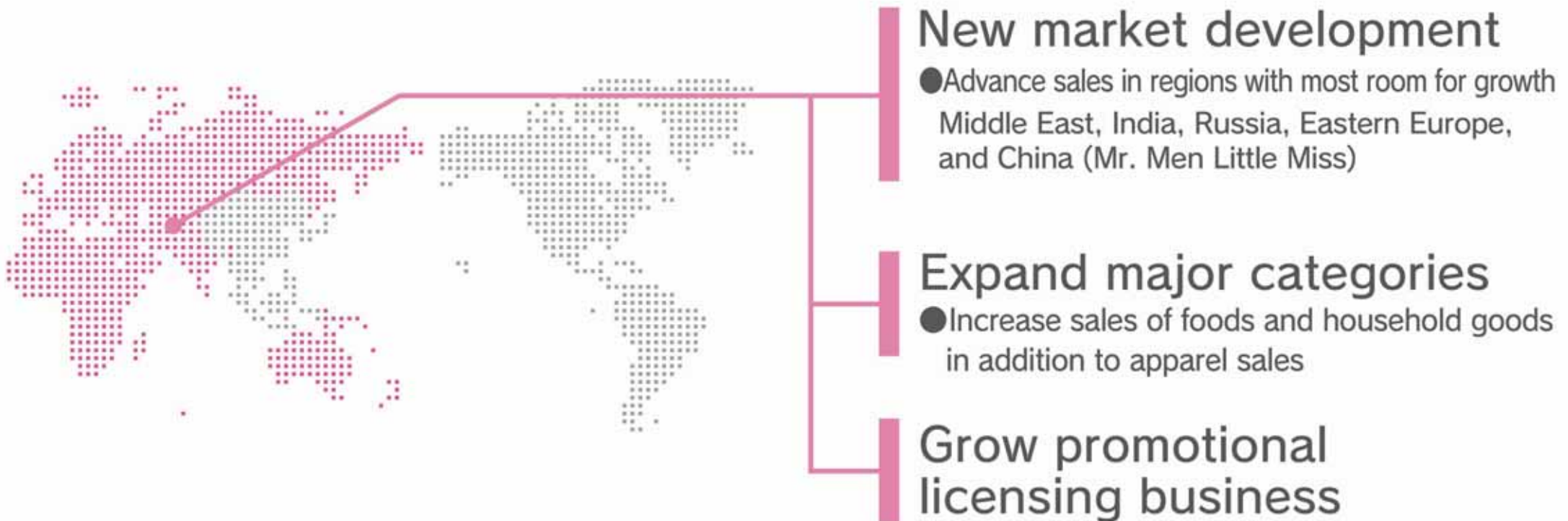
## Expand sales in North America

● Invest in joint marketing with licensees to secure and expand shop-in-shop locations among major retailers

## Expand targets in Central and South America

● Expand licenses directed at high-target segment  
Brand collaborations, Direct-to-retail (DTR), Design differentiation

- D** Focus on China as a growth market; restructure in the Americas and enact growth measures in Europe
- Major strategies for Europe



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