

Medium-Term Management Plan

From Uncertain Growth to Stable and Perpetual Growth

FY3/2025 – FY3/2027

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May 14, 2024



Sanrio's Vision and Positioning of the New MTMP

Review and Future Targets

“Three Approaches” of the New MTMP



Sanrio's Vision and **Positioning** of the New MTMP

Review and Future Targets

“Three Approaches” of the New MTMP

Vision



Creating as many smiles as possible and extending the circle of happiness even further afield.

Unchanging corporate philosophy

“Minna Nakayoku”
(Getting Along Together)

Vision

One World, Connecting Smiles.

Spreading smiles the world over. For global happiness.

Mission

Bring new value to the world of entertainment.

Work together to create happiness and joy for the next generation.

Value

Future	With an eye on future trends, we enjoy work, each day, with a smile!	Responsibility	To embrace our responsibility to provide new value to society.
Insight	To leverage our insight into current trends, and transform timely information into business opportunities.	Maximum	To understand the maximum value produced by our company and coordinate our maximum value with individuals and organizations.
Challenge	To avoid using the words “impossible” or “in the past” as excuses. To continue to take on new challenges, every day.	Praise	To praise one another. To not fear failure, rather, to recognize and applaud one another for our efforts.

Value Creation Story



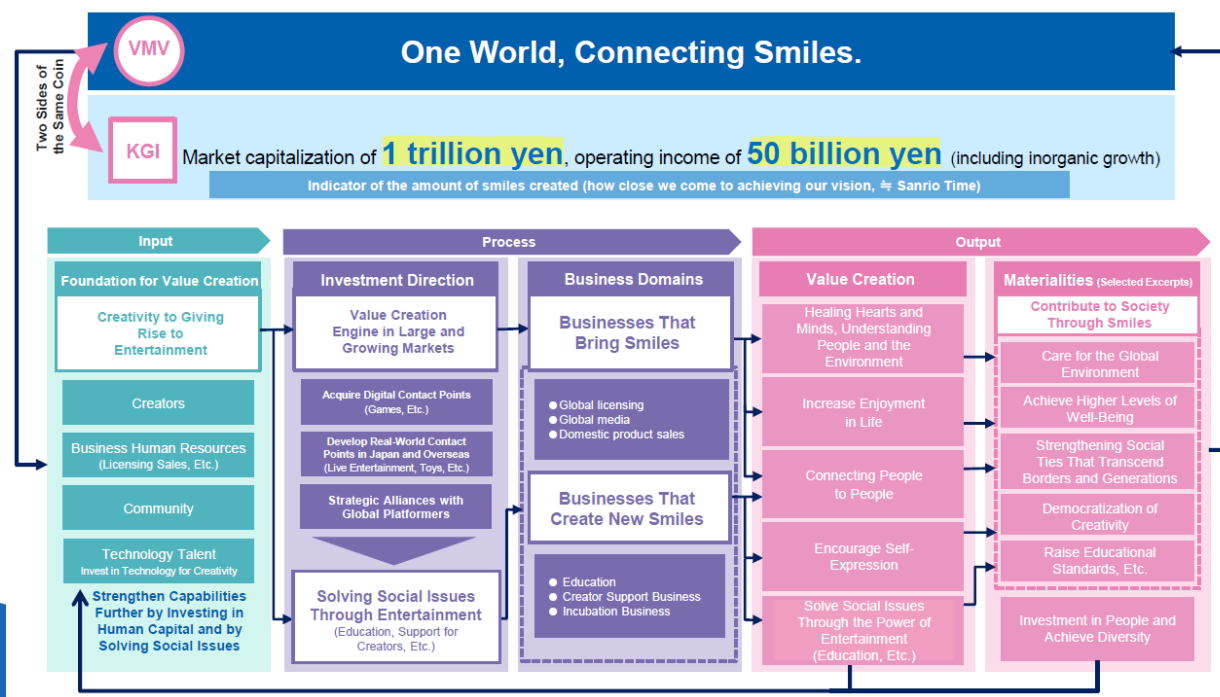
Last year, we set out to “contribute to society through smiles” by increasing the number of "regular smiles" and "new smiles" with "entertainment stemming from creativity" as the source of our business.



2. Medium-Term Management Plan Progress

-Formulating the Next Medium-Term Plan-

Pursuing a Value Creation Story That Will Create a New Sanrio Over the Next 10 Years





Contribute to Society through Smiles

Sanrio brings a smile (entertainment) to every moment and invites our customers to feel close to / be deeply absorbed in Sanrio content.

“Contribute to Society through Smiles”

↑
For instance..

Invites each and every customer to feel close to us and encourages customers to value themselves.



Support creators inside and outside the company and activities that nurture creativity

(e.g. support for secondary creation)



Sanrio Time



Sanrio Time is to measure the degree of social contribution through smiles. In the past year, it increased by **1.5 times**.
We will further spread smiles around the world for happiness.

FY3/2023: 150 million hours



FY3/2024: 400 million hours

Time Deeply Absorbed
in Sanrio¹

Time Feeling Close
to Sanrio²

FY3/2023: 40 billion hours



FY3/2024: 60.9 billion hours



New MTMP is the first step toward this end.

Notes 1: Total hours of time deeply absorbed in Sanrio content = Time spent on search + Time spent on major real-world contact points + Time spent on major digital contact points

2: Time feeling close to Sanrio = Annual unit sales multiplied by the unit hours per category



Sanrio's Vision and Positioning of the New MTMP

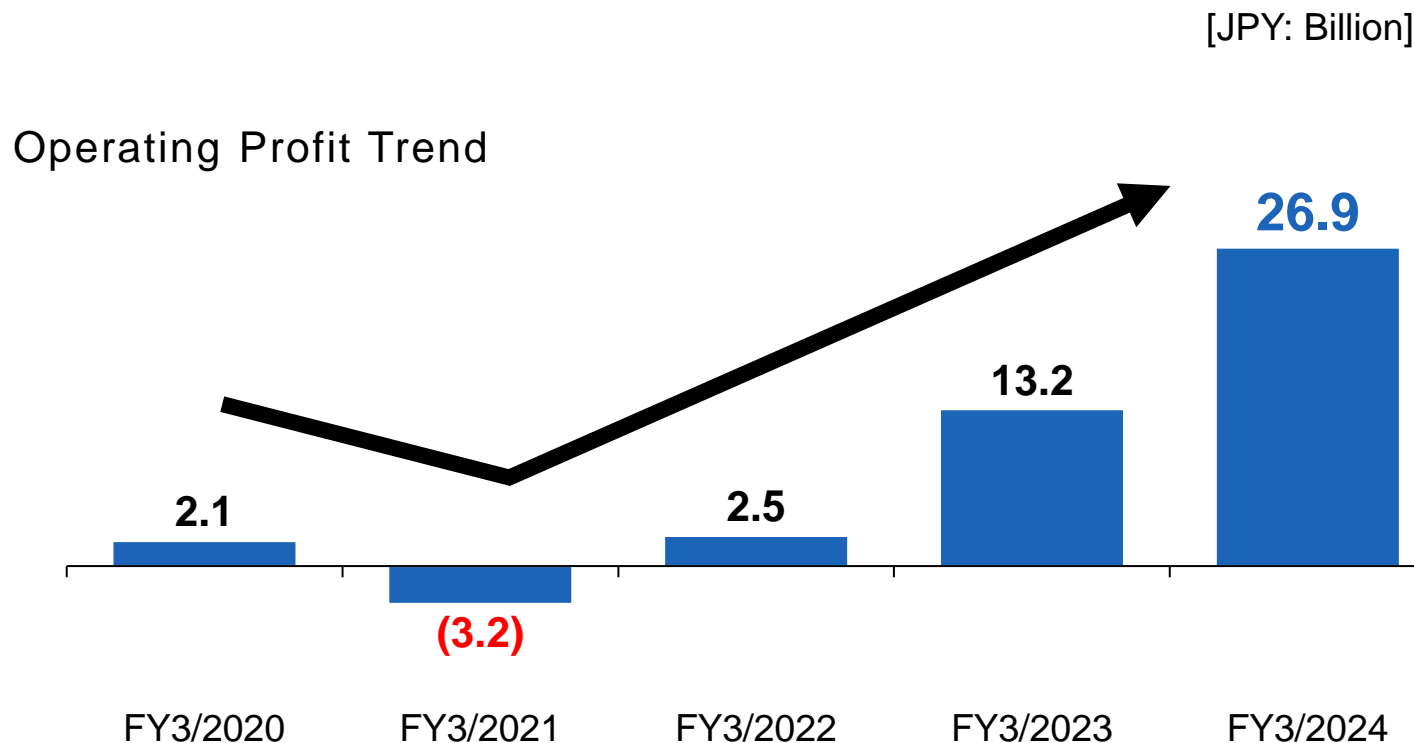
Review and Future Targets

“Three Approaches” of the New MTMP



Review of the Previous MTMP

**Achieved V-shaped recovery in the previous MTMP,
with record-high profit**





Review of the Previous MTMP

Factors behind the rapid expansion are
“Completion of the 3 pillars” + “Tailwind from external factors”

Completion of the 3 pillars



Corporate Culture Reform

Reinvigoration of management and development of human resources system



Completion of Structural Reform

Elimination of deficits of product sales in North America and Japan and V-shaped recovery



Planting Seeds for Regrowth

New “edutainment” business established and games in preparation

Tailwind from external factors

Post-COVID period

Increased demand after the COVID-19 pandemic in all of North America, China, and Japan

Inbound Foreign Visitors

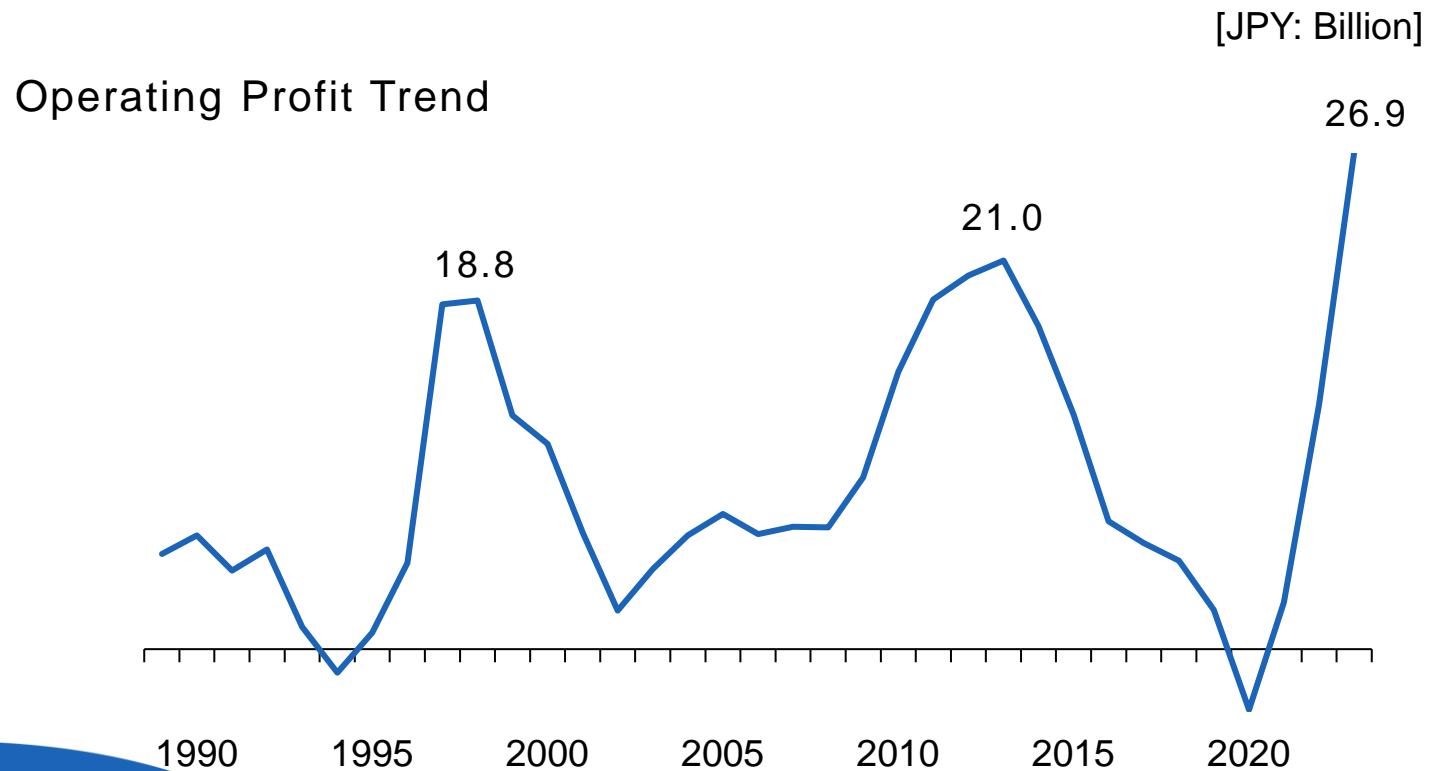
Increase in both the number of purchasers and unit price increases for inbound foreign visitors

Not relying on tailwinds, but growing **on our own**

Review of the Past



Looking further back in the past,
uncertain growth that falls if it rises \rightleftharpoons history of drastic **volatility**

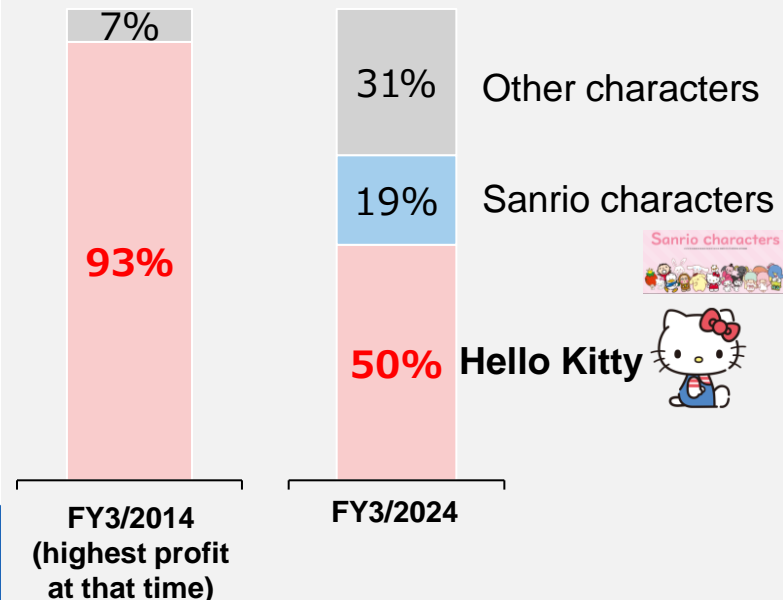




Review of the Past

The causes were the narrow scope in **“high ratio of Kitty’s sales in overseas markets”** and **“merchandise-centered”** value offerings. Especially overseas, there was **no foundation to withstand the volatility** in boom periods.

Hello Kitty’s proportion of overseas sales



Merchandise-centered lineups in the past



Image

Breaking Away from “Volatility” 1st Approach



To overcome the influence of booms that depend on external factors, we will “change our approach to branding”

Investments in content, including large anniversary events and Global YouTube channel collaborations are being planned.

**Investments in
global content**
+
**Collaboration with
global platformers**

Increase real-world contact points globally, which benefits the enhancement of Sanrio characters' value

**Strengthen
branding
supervision on a
global scale**

**Strengthen local
design and local
creativities in
overseas markets**

⇕
Domestic-focused,
underinvested,
in-house approach
to date

⇕
Partial implemented
in some regions so far.

⇕
Few local designs
and local creatives
to date



Breaking Away from “Volatility” ➡➡➡

To overcome the lack of a mechanism to ensure that the boom is not a one-time event, we will “solidify organizational foundation.”

“Change our approach to branding”

Investments in **global content**, and Collaboration with **global platformers**

Strengthen **branding supervision** on a **global scale**

Strengthen **local design** and **local creativities** in **overseas markets**



“Develop the foundation”

Human infrastructure

Nurture creators x global talent

Aggressive finance and governance

Non-continuous investment, and a mechanism to properly measure investment performance



Breaking Away from “Volatility” ➡➡➡

To move away from the narrow scope in value offerings, we invest in two areas: “expansion of IP portfolio” and “value creation other than merchandise utilization.”

“Change our approach to branding”

Investments in **global content**, and
Collaboration with **global platformers**

Strengthen **branding supervision** on a **global scale**

Strengthen **local design** and **local creativities**



“Develop the foundation”

Human capital infrastructure

Create creators x
global talent

Aggressive finance and governance

Non-continuous investment, and a
mechanism to properly measure
investment performance



“Broaden the breadth of creatives and monetization underlying the new MTMP”

expansion of IP portfolio

**narrow
scope in
value
offerings**

**Value creation
beyond the utilization
of merchandise, etc.**

These serve as the engine to perpetually expand global licensing.

Breaking Away from “Volatility”



The achievements from our efforts began to show already in the previous MTMP.

Going forward, these efforts will be a key element in achieving the operating profit target in the new MTMP and perpetual growth beyond the years ahead.



Story-based IP
FRAGARIA MEMORIES



Scientific design attracting children
BUDDYEDDY



Production based on the needs
Sanrio Baby



Production based on the needs
Enjoy Idol Series

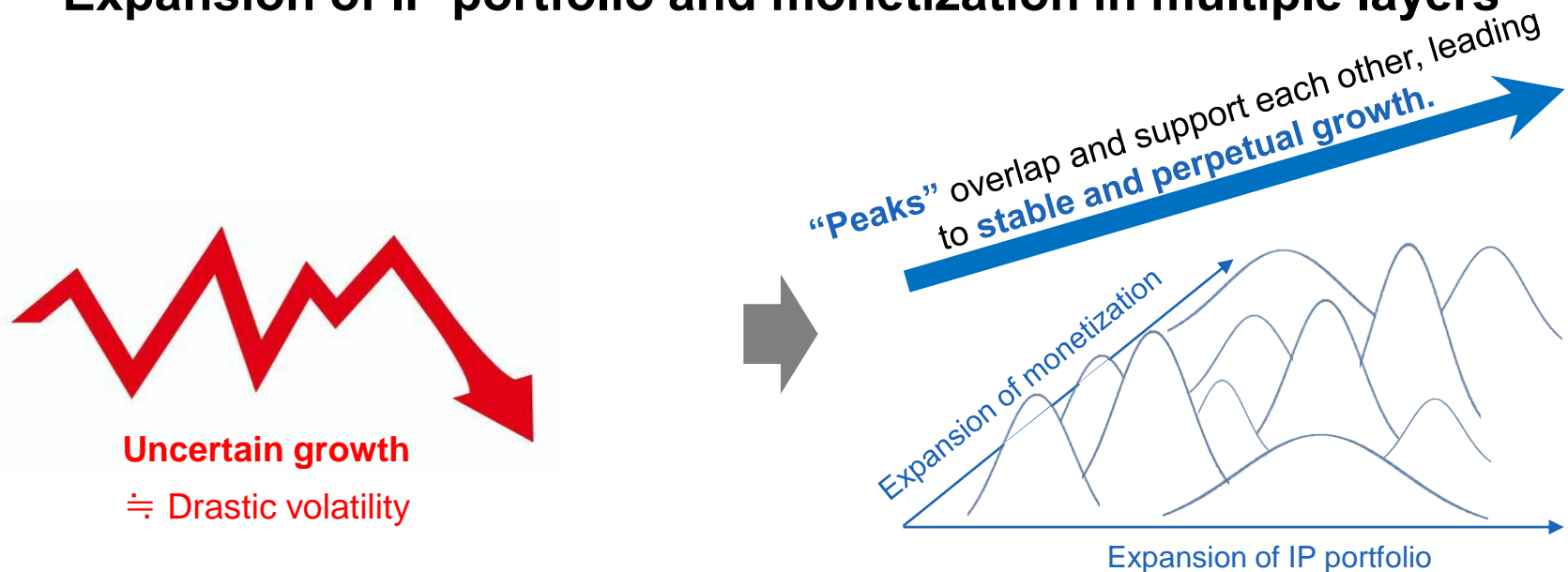


Multi-layered monetization (social tipping)
Nyan Asia!

Toward a Stable and Perpetual Growth Cycle



10-year plan for
“Expansion of IP portfolio and monetization in multiple layers”



In order to eliminate volatility, achieve stable and perpetual growth, and create more smiles, we intend to achieve this within 10 years.

New MTMP Targets

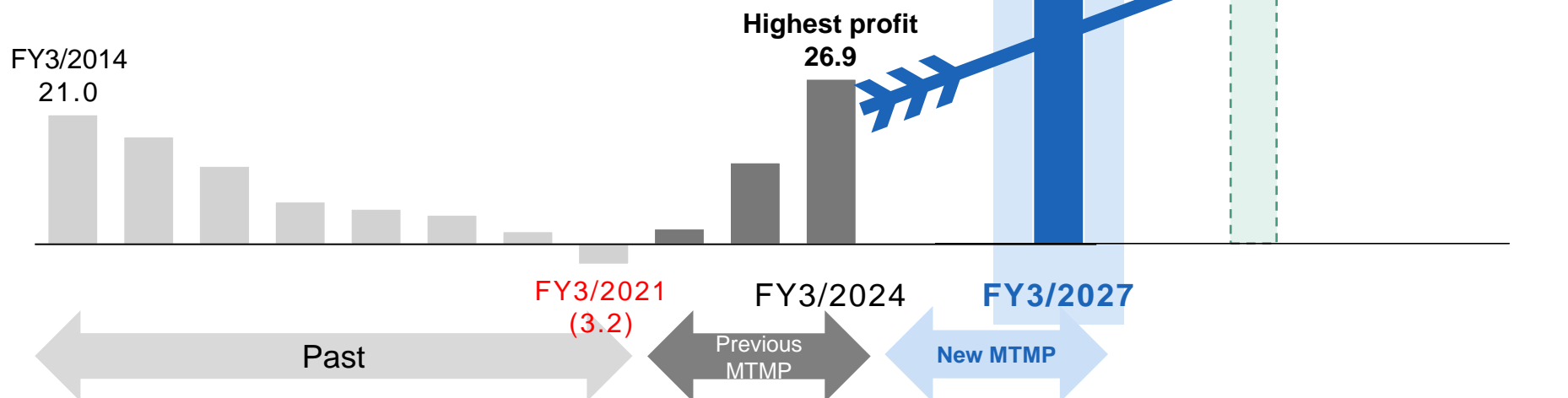


We achieve an **operating profit of 40 billion JPY** or more ahead of the plan, and **further target 50 billion JPY and above**.

- ✓ **North America** contribution profit¹: 62M USD → **USD 111M** (approx.16.2B JPY)
- ✓ **China** contribution profit¹: 310M RMB → **RMB500M** (approx.10.2B JPY)
- ✓ **Licensing in Japan** direct op²: 10.8 B JPY → **JPY15.0B**

*Figures for each region and business are changes from FY3/2024 results to FY3/2027 target.

Operating profit trend [JPY: Billion]



Notes 1: Contribution profit = Segment profit + Royalty payment to headquarters;

2: Direct operating profit = Operating profit before allocation of headquarters' indirect costs



Sanrio's Vision and Positioning of the New MTMP

Review and Future Targets

“Three Approaches” of the New MTMP



“Three Approaches” of the New MTMP

From uncertain growth to stable and perpetual growth
based on “three approaches”

Uncertain growth $\hat{=}$
Causes of volatility

Time
Frame

3 years of new MTMP

10-year plan



➡➡➡ 1st Approach

Overseas growth
influenced by **booms**
dependent on external
factors



“Change our approach to branding”
Review marketing and sales strategies to
make Evergreen global IP

Defined as IP recognition, favoritism, etc. that is always fresh and maintained.

&

➡➡➡ 2nd Approach

Lack of a mechanism to
ensure that the boom is
not a one-time event



“Develop the foundation”
Develop a foundation for global growth

&

➡➡➡ 3rd Approach

Narrow scope in “Hello
Kitty-oriented” and
“merchandise-centered”
value offerings



“Change creatives and monetization underlying the new MTMP”
Expand IP portfolio and monetize in multiple layers



Review marketing and sales strategies to make **Evergreen** global IP

We will concentrate marketing and sales investment in **English-speaking North America** to adopt **Evergreen IP** in North America.
We will aim for contribution profit of **111 million JPY**.

As is

“Steady local marketing”

“Specialty store-focused sales targets”

“Expand scale of local subsidiaries”

To be

1. Introduce global content

Maintain freshness with global content and local design

2. Change sales targets

Explore Tier 1 retailers, which account for 70% of the market, and promote licensees' sales

Expand not only in quantity, but also in "quality"

3. Expand the structure in line with the scale of growth

Invest in human resources both in headquarters and local subsidiaries

Contribution profit trend
[USD: Million]

4

60

FY3/2022

FY3/2024

111

(Appx. 16.2 billion JPY)

FY3/2027

Toward a higher level



Review marketing and sales strategies to make **Evergreen** global IP

In China, **content/marketing collaboration with Alibaba Group** and **expansion of local design/anti-infringement measures**, leading to **RMB 500 million** in contribution profit

As is

Growth driven by digital games promoted at Sanrio Shanghai

Still awaiting the effects of Alifish, with which we partnered in 2022

To be

1. Maximize collaboration with Alifish

Invest in local marketing and animation production, and reap benefits of this investment

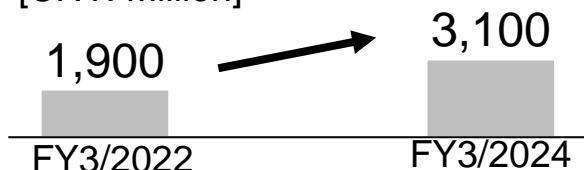
Jointly produced animation (26 episodes) to be released on Youku in 2025

2. Strengthen mechanisms for countermeasures against infringing goods and the expansion of local design, etc.

3. Focus on IP creation in local markets

Take on the challenge of creating locally developed IPs that are rooted in the local market

Contribution profit trend
[CNY: Million]



5,000
(Approx. 10.2 billion JPY)

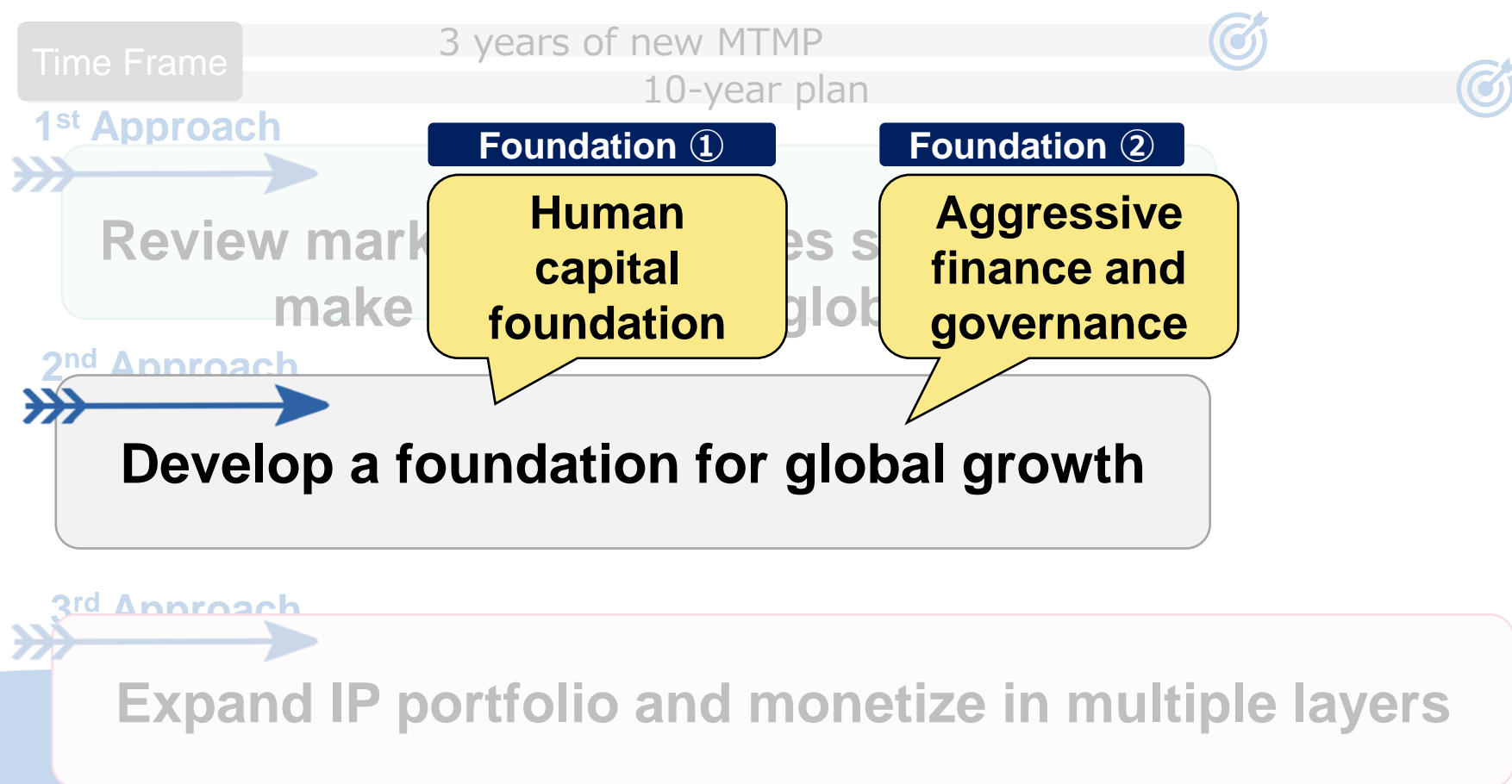
FY3/2027

Toward a higher level

Expansion in China will benefit Japan's business through inbound sales.



“Three Approaches” of the New MTMP





Develop a foundation for global growth

Human capital infrastructure: Nurture global x creative staff

Producers

Leverage diverse touchpoints to drive IP growth

Clarify revenue responsibility for each IP

Design strategic job rotations

Creators

Expand the “breadth” of creativity to maximize IP creation and development

Cooperate with external creators

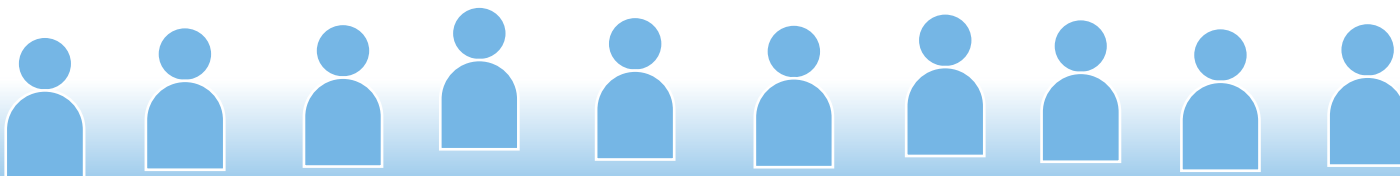
Upgrade training programs

Global talent

Build a bridge between local subsidiaries and headquarters in line with global expansion

Strengthen international personnel exchanges

Establish replicable career paths



We will always invest in “human capital,” our most important asset.



Develop a foundation for global growth

We will implement mechanisms for both non-continuous investments and proper measurement of investments on a global scale.

Aggressive Finance

&

- Take on the challenge of **global capital alliances, etc.** during the new MTMP
- To this end, **develop investment process** and **build an investment team's structure**

vs: Capital market

- To ensure transparency of investment performance, fulfill our accountability to investors by **disclosing ROE** and other indicators and through **capital allocation policy**

vs: Internal (global)

- Established the **Global Strategy Department** to strengthen global governance
- Introduce **overseas target management process** (including revision of local subsidiaries' evaluation system)
- **Expedite information gathering** from overseas licensees/sales offices (data maintenance)
- Verification function of **investment effects of global marketing**

Governance



Expand IP portfolio and monetize on multiple layers

A mature market like Japan has limits to growth with current IP.
We intend to achieve **annual growth of 10% or more**, through “expansion of IP portfolio and monetization over multiple layers.”

Japanese market for character merchandise*1 (estimate/image)

+1% or more

Market growth rate nearly flat

+24%

Double-digit growth
for our company in this market

Past

Future

Mega-client development

+

Continuous growth
by targeting inbound
foreign visitors, etc.



New initiatives

- ✓ Use of dormant IPs and UGX
- ✓ Influx expected from edutainment/
hands-on brand experience
- ✓ Growth expected in games

Achieve sustainable growth of more
than 10% per year or ¥15 billion
in direct profit through
expansion of IP portfolio
and monetization over multiple layers.

Mature/high share market,
which tends to experience
a slowdown in growth

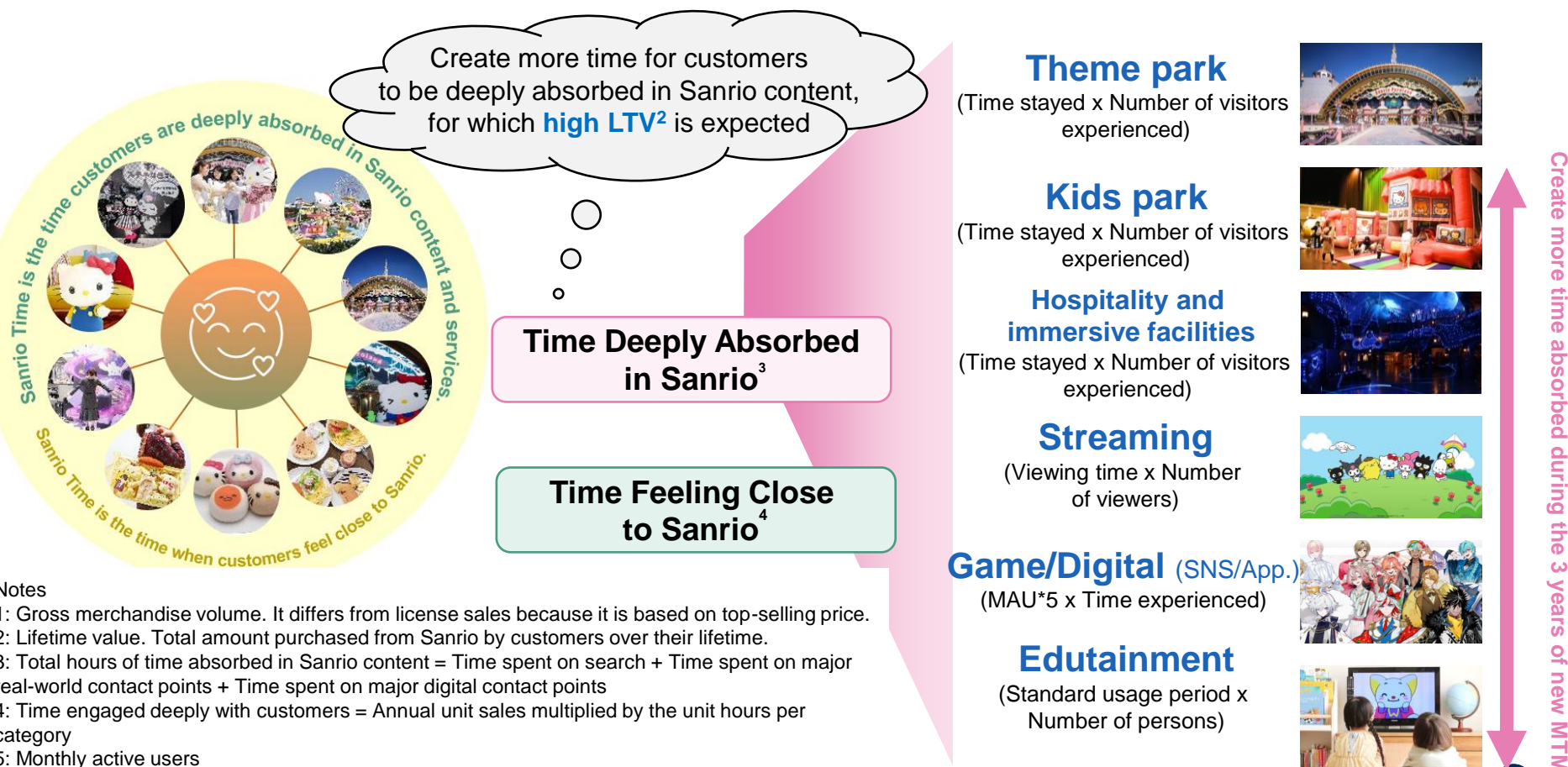
Notes 1: Source: Character Business Yearbook 2023, Yano Research Institute, Ltd. covering the merchandising rights market in the character licensing market.

2: User-Generated x is a generic term that includes user-generated content and user-generated intellectual property.



Expand IP portfolio and monetize on multiple layers

To date, Sanrio has focused on the time customer feel close to Sanrio (i.e., merchandise deployment). Through new business, in addition to GMV¹, we will create more time for our customers **to be deeply absorbed in Sanrio content**.



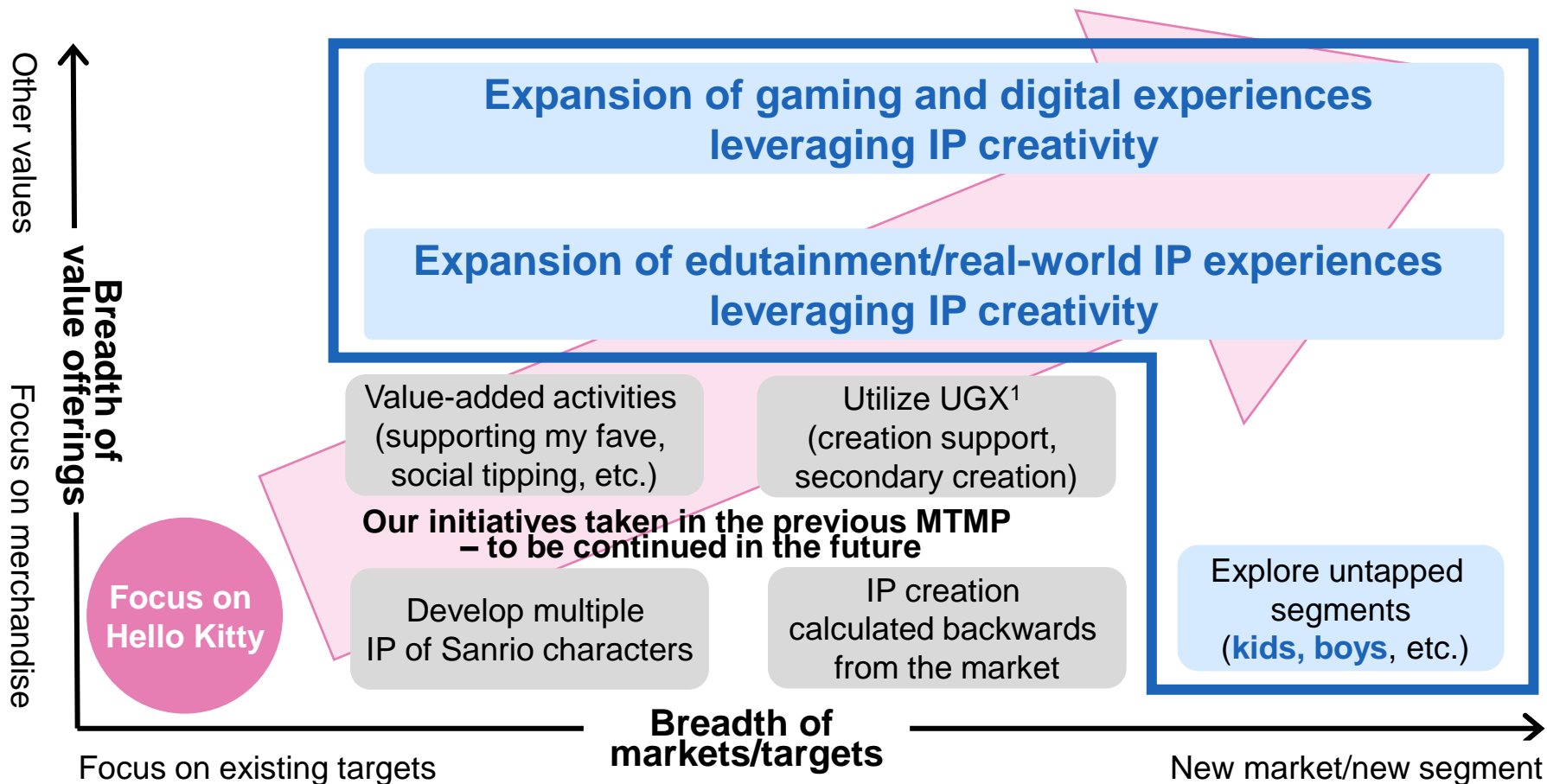
Notes

- 1: Gross merchandise volume. It differs from license sales because it is based on top-selling price.
- 2: Lifetime value. Total amount purchased from Sanrio by customers over their lifetime.
- 3: Total hours of time absorbed in Sanrio content = Time spent on search + Time spent on major real-world contact points + Time spent on major digital contact points
- 4: Time engaged deeply with customers = Annual unit sales multiplied by the unit hours per category
- 5: Monthly active users



Expand IP portfolio and monetize on multiple layers

We will further broaden the breadth of creation and production, and expand the breadth of IP portfolio and monetization.



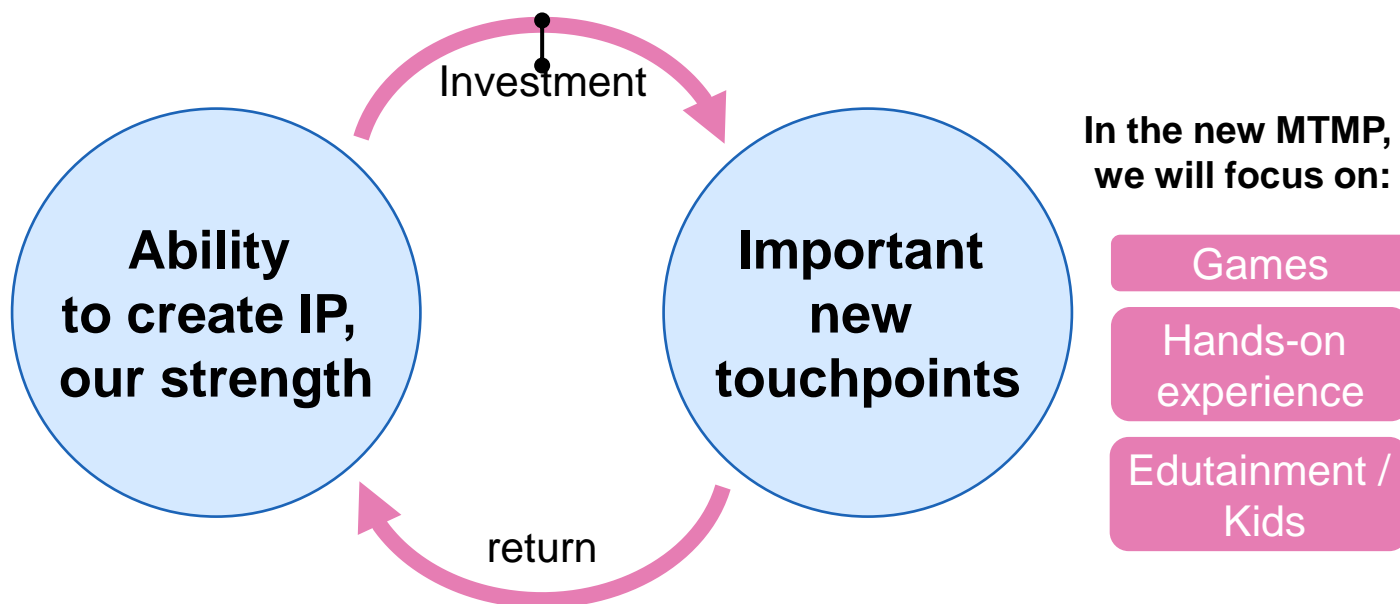
Notes 1: User-Generated x is a generic term that includes user-generated content and user-generated intellectual property.



Expand IP portfolio and monetize on multiple layers



We will **invest** in important **new touchpoints** that have been missing by taking advantage of our strength, i.e., the ability to create IP.



We will further refine our ability to create IP and **return it to global licensing** with the new touchpoints.



Expand IP portfolio and monetize on multiple layers

For games we will team up with partners with an eye on spending to create story-based IP and an immersive experience where users get deeply absorbed in the content. Aim for sales of 10 billion JPY or more in the medium to long term.
(target values to be announced at a later date)

To create absorbing experiences and story-based IPs,
invest in on our own and
work on games

With eyes on in-house publishing,
multiple game projects in
preparation

To overcome “merchandise-oriented” approach...

Create absorbing
experiences that
cannot be produced with
merchandise, etc.

Generate story-based IP



e.g. FRAGARIA MEMORIES

Co-development of at least 6 projects,
starting from major studio Company A and
other domestic and overseas development studios
with strong track records

Multiple pipelines in preparation (currently)

Casual games

Approx. 2 household games
for mobile platforms

Games in new areas
and with new sensations

Approx. 3 games
in multiple areas

Global media mix with
games as a starting point

Approx. 3 projects
with major global companies



Expand IP portfolio and monetize on multiple layers

In the digital area, we will build a “place” to support creators and create UGX¹ by external creators.

XR Business

Makes V-Puroland a digital space where people from all over the world can easily enjoy an out-of-the-ordinary experience, and provides live entertainment by Vtubers, shows, and attractions of our own and other companies' IPs, etc.



Web3 Business

Provides a platform where anyone can create their own fan community and develop licensing business



We aim for 5 million annual visitors for V-Puroland and 10 million registered users for the Web3 service by the end of MTMP.

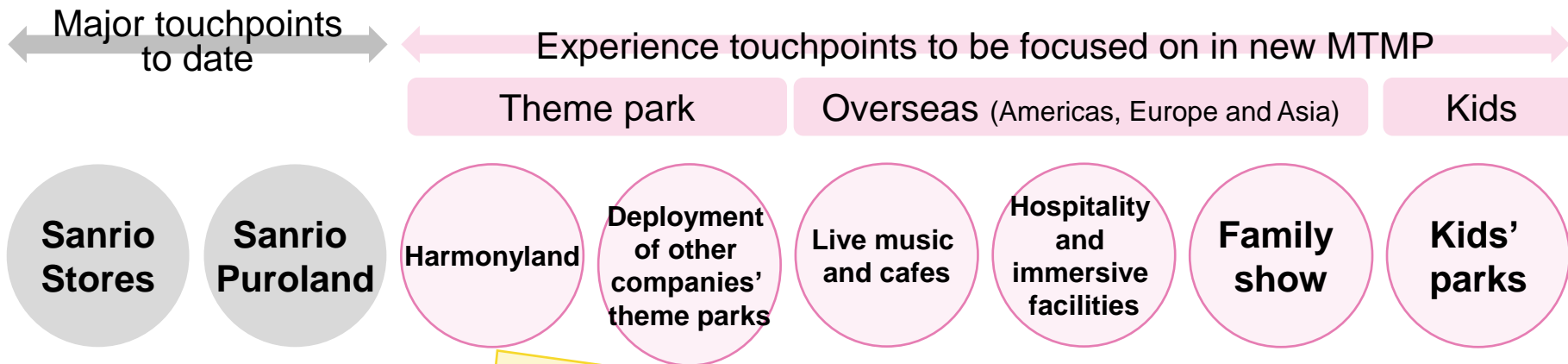


Expand IP portfolio and monetize on multiple layers

We consider developing new experience touchpoints through global alliance in place of existing stores.

Create “deep” experience touchpoints beyond goods and products

Sanrio Entertainment Co., Ltd., the operator of Puroland, leads experience development as an **“entertainment lab that creates unparalleled experience value”**.



In Oita Prefecture, with a large number of inbound visitors, consider making **“Sanrio’s first entertainment resort”** with the prefecture



Expand IP portfolio and monetize on multiple layers

In the edutainment/kids' area, we intend to leverage our video production/show know-how and expand into global distribution and kids' parks in Japan and overseas.

Edutainment is a baby/kids' touchpoint that provides experience value at a high level. We aim to realize multi-layered monetization and returns through licensing.

Utilize our video production know-how, etc., to scale up

English learning materials for kids launched last year



Full-fledged creation of **high-experience-value touchpoints for learning.**

Aim for **a scale of 10 Billion JPY in GMV¹** with a view to the global market

Kids' parks with experience value at a high level

Alliance discussions

Distribution of educational animations

Alliance discussions

Currently discussing **partner alliances in Japan and overseas**, including business and capital alliances

Quantitative Targets and Financial Policy



We will further advance management from a cost-of-capital perspective to achieve market capitalization of 1 trillion JPY.

Quantitative targets (FY3/2027)

- **Sales: 135.0 billion JPY**
- **Operating Profit: 40.0 billion JPY**

Financial discipline (medium to long term)

- Reduce business volatility, **maintain ROE of 15% or more even in a difficult business environment**, and strive to earn above cost of capital over the medium to long term
- **Acquire new domestic credit ratings** and control cash and financial base to levels appropriate for an entertainment company
- **In case fundraising becomes necessary in the future**, consider the order of priority for fundraising:
senior bank loans and straight bonds >
hybrid (e.g. subordinated loans and subordinated bonds) >
public offerings and convertible bonds **with the cost of capital in mind**

Shareholder returns (medium to long term)

- **Dividend payout ratio of 30% or higher. In the absence of attractive investment opportunities, consider additional shareholder returns**, taking into account surplus funds and financial strength
- Focus on increasing the **total shareholder return** due to higher share price, **in addition to dividends**

Strategic Investment Plan



Invest a scale of ¥30 billion in marketing investments and game development, etc. In addition, set an investment quota of ¥50 billion for M&A and other investments.

Organic investment centered on growth areas

Scale of 30 billion JPY
over the 3 years of our plan
(on a cash-out basis)

Inorganic investments such as M&A and capital alliance

Scale of 50 billion JPY

- ✓ Approx. 10 billion JPY for global content development and other marketing investments
 - ✓ Approx. 10 billion JPY for game development and promotional expenses
 - ✓ Approx. 3 billion JPY for investment in edutainment/digital areas
 - ✓ Approx. 1.5 billion JPY for investment to expand Sanrio+
 - ✓ Approx. 4 billion JPY for investment in systems to strengthen global management base
- ✓ Consider with priority given to areas related to non-continuous overseas growth and new businesses
 - ✓ Establish investment criteria and processes, and make investment decisions following stringent investment committee meetings

Capital Allocation Policy



Invest strategically with discipline and achieve stable shareholder returns

Cash In

Surplus funds

**Operating
Cash Flow**

**Approx.
18 billion JPY
provided through
convertible bond**

Cash Out

**Shareholder
Returns**

**Scale of
30 billion JPY
in organic
investment**

**We consider
a 50 billion JPY
scale of M&As,
etc.**

- ✓ Policy to maintain stable dividends (dividend payout ratio of 30% or more)
- ✓ We consider increasing shareholder returns to the extent that growth investments are underutilized.
- ✓ We implement strategic investments contributing to business performance in the medium term.
- ✓ We also consider strategic M&A. However, projects will be subject to strict management by the Investment Committee.

- ✓ Control the levels that are appropriate based on industry characteristics and credit ratings

- ✓ Sustainable growth in operating profit
- ✓ Control working capital in an appropriate manner

- ✓ 30 billion JPY issued in Dec. 2023, excluding funds used for share buyback



Non-Financial Targets

“Contributing to society through smiles” will also strengthen our business.

Sanrio Materiality

KPIs to achieve materiality by the end of FY3/2027 (selected excerpts)

Improve Well-Being

Democratize Creativity

Strengthen Social ties
Transcending Borders and Generations

Raise Children's Educational Standards

Invest in Internal and External Human Capital

Realize Diversity

Care for the Global Environment

Respect for Human Rights

Ensure Customer Privacy and Data Security

Conduct Transparent and Visible Governance



Improve Well-Being

- ✓ Achieve **90B hours of time when customers feel close to us**
- ✓ Establish indicators that contribute to Well-Being in specific IP, and aim to obtain and improve them on a regular basis.
- ✓ Create, nurture, and expand recognition of IP that enhance self-esteem.



Care for the Global Environment

- ✓ Scope1&2 :
Reduce GHG emissions **by 60%** by FY3/2027 from levels in FY3/2019
- ✓ Scope3 :
Reduce GHG emissions per sales **by at least 10%** by FY3/2027 from levels in FY3/2019.
Additional target to be announced in FY3/2025



Respect for Human Rights

- ✓ Achieve **100%** of contract signing rate, including new policy on human rights, in principle by FY3/2027

Notes 1: Nakayoku means Getting Along With. It means feeling empathy, being close to me, listening to my problems, putting a smile on my face, etc.

Target KPIs for Achieving “Perpetual Growth”



Although we have achieved record profits, we are neither arrogant nor satisfied.
Toward market cap of 1 trillion / operating profit of 50 billion and beyond.
All that remains is implementation.

We will disclose the target KPIs for the 3 years of the new MTMP and share our progress with investors.

1st Approach ➡➡➡

Review marketing and sales strategies to make Evergreen global IP

Growth in North America

- ✓ Aim for contribution profit of \$111 million (approx. ¥16.2 billion, CAGR*1 growth of 21%)

Growth in China

- ✓ Aim for contribution profit of RMB 500 million (approx. ¥10.2 billion, CAGR of 17%)
- ✓ Generate IPs at a scale of ¥1 billion in GMV*2 as locally developed IPs, about 1 or 2 IPs per year

Footprint in new regions

- ✓ Aim for sales of ¥3.6 billion in the SEA region (CAGR*1 growth of 30%)
- ✓ In India, we will prepare for the next MTMP to a level where we can aim for profitability over the 3 years.

2nd Approach ➡➡➡

Develop a foundation for global growth

Build human resource infrastructure

- ✓ Aim to have women account for more than 30% of senior manager roles (executive officers and GMs)

Establish an aggressive financial and governance structure

- ✓ Acquire domestic credit ratings and control financial base to levels appropriate for an entertainment company
- ✓ Balance strategic investments with discipline and stable shareholder returns
- ✓ Form an investment team and operate a rigorous investment committee
- ✓ Established the Global Strategy Office and built a system to properly measure investments

3rd Approach ➡➡➡

Expand IP portfolio and adopt multi-layered monetization

Continue to grow in mature markets(Japan)

- ✓ Aim for ¥15 billion in direct OP (CAGR of 10%) in the licensing area
- ✓ Aim for ¥7.7 billion in direct OP (CAGR of 8%) in domestic product sales
- ✓ Aim to maintain ¥2.4 billion in OP in SET while making investments

Create the time absorbed in Sanrio content

- ✓ In the edutainment/kids' area, implement M&As or alliances to achieve a scale of ¥10 billion in GMV
- ✓ ¥2 billion sales of the SEM launched
- ✓ Digital business to generate ¥2B in sales
- ✓ Edutainment and digital business to return to profitability
- ✓ Plan and develop a total of more than 6 titles in the gaming area.
- Form alliances with leading partners



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Note: All information in this material is based on data as of May 14, 2024.



Sawrio