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Sanrio's Subsidiary Renews Master License Agreement for the China Market

Sanrio Co., Ltd. ("Sanrio") has announced that its subsidiary Sanrio (Shanghai) International Trading Co., Ltd. ("Sanrio Shanghai," headquartered in Shanghai) has renewed the Master License Agreement to license Sanrio characters in the China market (excluding Hong Kong and Macau) to KT Licensing Ltd. ("KTL," headquartered in Hong Kong) and KT Licensing (Shanghai) Ltd. ("KT Shanghai," headquartered in Shanghai). Based on the renewed agreement, KTL and KT Shanghai will continue to have the exclusive right to manufacture and sell Sanrio character products in China and to sublicense Sanrio character designs to other companies in China. According to the agreement, Sanrio Shanghai in return will receive from KTL and KT Shanghai a certain percentage of license revenues and royalty payment.

1. Summary of terms

Contract (renewal)

- i. Contract date: January 31, 2017
- ii. Contract period: From February 1, 2017 to December 31, 2021 (59 months)
- iii. Minimum guarantee: RMB 1,002,200,000 (59 months)
- iv. 17 Sanrio characters being licensed:
Hello Kitty; My Melody; Cinnamoroll; Kerokerokeroppi; Corocorokuririn;
BADBADTZ-MARU; Minna No Tabo; Kuromi; Little Twin Stars; Charmmy Kitty;
Osarunomonkichi; Ahirunopekkle; Pochacco; Pompompurin; Shinkansen; Chococat;
and Sugarbunnies

2. Objectives

China has population of over 1.3 billion (the world largest*) and nominal GDP of US\$11,212 billion (the second largest in the world* in 2015) and is regarded as one of the most promising markets for Sanrio. During the previous five-year contract period, KTL successfully expanded its licensed product business and achieved the minimum guaranteed amount. As China continues to be a potential growth market, Sanrio has decided to renew the Master License Agreement with KTL and to aim at achieving stable earnings in the China market.

*Source: JETRO; <https://www.jetro.go.jp/world/asia/cn/stat.html>

KT Licensing Ltd. and KT Licensing (Shanghai) Ltd.

KT Licensing Ltd. and KT Licensing (Shanghai) Ltd. are owned by Fung Capital, a private investment arm of the families of Dr. Victor Fung and Dr. William Fung, and are members of the privately-held Fung Group of companies. While Fung Group includes Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787), Trinity Limited (SEHK: 00891), and Convenience Retail Asia Limited (SEHK: 00831), all operations of KT Licensing Ltd. and KT Licensing (Shanghai) Ltd. are not related to any of these publicly listed companies.

The Fung Group of companies have 45,100 employees in over 40 countries and regions and generated net revenues of US\$24.9 billion in the year ended December 2015.