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To Whom It May Concern

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Announcement Regarding Filing of a Suit Seeking Rescission of Tax Reassessment under the Anti-tax Haven Rules

On December 15, 2017, Sanrio Company, Ltd. received a notice of tax reassessment, etc. from the Tokyo Regional Taxation Bureau, indicating a reassessed additional income of approximately 2.8 billion yen for Sanrio and the subsidiaries in its consolidated tax filing group for the four fiscal years ended March 2013 to March 2016, and approximately 1.1 billion yen in additional taxes, including local taxes.
(The foregoing was expensed as “income taxes, etc. for prior periods” in the fiscal year ended March 31, 2018.)

According to the reassessment notice we received, the above taxation was based on the authorities’ judgment which included its assessment that our subsidiaries in Hong Kong did not meet the conditions for exemption to the anti-tax haven rules, and should be aggregated for taxation in Japan.

However, our Hong Kong subsidiaries are in fact actively engaged in business operations in the local market, including localization of Sanrio characters and development of a character business to match the preferences of local consumers. It has an independent business status to conduct its business operations of customization to reflect the individual requirements of local licensees, planning and proposing, and providing support. As such, we judged that the subsidiaries met the conditions for exemption from the point of view of the anti-tax haven regime, and declared our income properly. It is very unfortunate that, notwithstanding the above, the reassessment decision was made without taking the subsidiaries’ business status fully into consideration.

Dissatisfied with this tax reassessment, etc. (as it relates to the anti-tax haven rules), we appealed to the Tokyo Regional Taxation Bureau on March 13, 2018, requesting re-examination. On June 11, 2018, we received a decision to the effect that our request for re-examination had been dismissed. As we cannot accept the reasons for the decision on dismissal of our request, we filed a request for reconsideration with the Tokyo Regional Tax Tribunal on July 9, 2018.

As more than three months have passed since the request for reconsideration was filed, it is now legally possible for us to file a suit for rescission, and today, we proceeded to file a suit with the Tokyo District Court for rescission of tax reassessment, etc.

We will continue to assert the legitimacy of our position in the upcoming trials.