Corporation Tax Act (Limited to the provisions related to foreign corporations (Tentative translation))

(Act No. 34 of March 31, 1965)

Part I General Provisions

Chapter I General Rules

(Definitions)

Article 2 In this Act, the meanings of the terms listed in the following items shall be as prescribed respectively in those items:

(i) In Japan: This shall mean "in the place where this Act is enforced."

(ii) Outside Japan: This shall mean "outside the place where this Act is enforced."

(iii) Domestic corporation: This shall mean a corporation that has its head office or principal office in Japan.

(iv) Foreign corporation: This shall mean a corporation that is not a domestic corporation.

(v) Public corporation: This shall mean any of the corporations listed in Appended Table 1.

(vi) Corporation in the public interest, etc.: This shall mean any of the corporations listed in Appended Table 2.

(vii) Cooperative, etc.: This shall mean any of the corporations listed in Appended Table 3.

(viii) Association or foundation without juridical personality, etc.: This shall mean an association or foundation that is not a juridical person and that has special provisions concerning the representative or administrator.

(ix) Ordinary corporation: This shall mean a corporation other than those listed in items (v) to (vii), excluding any association or foundation without a juridical personality, etc.

(ix)-2 Non-profit type corporation: This shall mean a general incorporated association or general incorporated foundation (excluding public interest incorporated associations or public interest incorporated foundations) that falls under any of the following:

(a) A corporation whose purpose is not to obtain profit from its business or distribute any of the profit it has obtained and whose organization for operating the business is specified by Cabinet Order as being proper

(b) A corporation that utilizes membership fees received from its members and conducts its business to obtain a profit common to the said members

and whose organization to operate the business is specified by Cabinet Order as being proper

(x) Family corporation: This shall mean a company, in the case where three or fewer shareholders, etc. of the company (excluding a company, in the case where such company holds its own shares or capital contributions) and an individual and corporation that have a special relationship as specified by Cabinet Order with such shareholders, etc. hold shares or capital contributions that account for more than 50 percent of the total number or total amount of the issued shares of or capital contributions to the company (excluding own shares or capital contributions held by the company).

(xi) Merged corporation: This shall mean a corporation whose assets and liabilities were transferred to another corporation as a result of a merger.

(xii) Merging corporation: This shall mean a corporation that has received a transfer of assets and liabilities from a merged corporation as a result of a merger.

(xii)-2 Split corporation: This shall mean a corporation whose assets and liabilities were transferred to another corporation as a result of a company split.

(xii)-3 Succeeding corporation in a company split: This shall mean a corporation that received a transfer of assets and liabilities from a split corporation as a result of a company split.

(xii)-4 Corporation making a capital contribution in kind: This shall mean a corporation whose assets and/or liabilities were transferred to another corporation as a result of a capital contribution in kind.

(xii)-5 Corporation receiving a capital contribution in kind: This shall mean a corporation that has received a transfer of assets and/or liabilities from a corporation making a capital contribution in kind as a result of a capital contribution in kind.

(xii)-6 Corporation effecting post-formation acquisition of assets and/or liabilities: This shall mean a corporation whose assets and/or liabilities were transferred to another corporation as a result of a post-formation acquisition of assets and/or liabilities (meaning a transfer of assets or liabilities based on a contract concerning the acts listed in Article 467, paragraph (1), item (v) (Approvals of Transfer of Business) of the Companies Act (Act No. 86 of 2005) or Article 62-2, paragraph (1), item (iv) (Transfer of Business) of the Insurance Business Act (Act No. 105 of 1995); the same shall apply in the following item and item (xii)-15).

(xii)-6-2 Corporation receiving post-formation acquisition of assets and/or liabilities: This shall mean a corporation that received a transfer of assets and/or liabilities from a corporation effecting post-formation acquisition of assets and/or liabilities as a result of a post-formation acquisition of assets

and/or liabilities.

(xii)-6-3 Wholly owned subsidiary corporation in share exchange: This shall mean a corporation that has issued shares and had another corporation acquire its issued shares held by its shareholders, as a result of a share exchange.

(xii)-6-4 Wholly owning parent corporation in share exchange: This shall mean a corporation that has come to hold the whole of another corporation's issued shares by acquiring the said corporation's shares as a result of a share exchange.

(xii)-6-5 Wholly owned subsidiary corporation in share transfer: This shall mean a corporation that has issued shares and had a corporation established through a share transfer acquire its issued shares held by its shareholders, as a result of the share transfer.

(xii)-7 Wholly owning parent corporation in share transfer: This shall mean a corporation established through a share transfer that has acquired the whole of another corporation's issued shares as a result of the share transfer.

(xii)-7-2 Consolidated parent corporation: This shall mean a domestic corporation prescribed in Article 4-2 (Consolidated Taxpayer) that has obtained the approval set forth in the said Article.

(xii)-7-3 Consolidated subsidiary corporation: This shall mean another domestic corporation as prescribed in Article 4-2 that has obtained the approval set forth in the said Article.

(xii)-7-4 Consolidated corporation: This shall mean a consolidated parent corporation or a consolidated subsidiary corporation that has a consolidated full controlling interest in the said consolidated parent corporation.

(xii)-7-5 Consolidated full controlling interest: This shall mean a full controlling interest as prescribed in Article 4-2 between a consolidated parent corporation and a consolidated subsidiary corporation or an interest between consolidated subsidiary corporations that have the full controlling interest in the said consolidated parent corporation.

(xii)-8 Qualified merger: This shall mean a merger that falls under any of the following, in which the shareholders, etc. of a merged corporation do not receive the delivery of assets other than either of a merging corporation's shares (meaning the shares of or capital contributions to a merging corporation) or a merging parent corporation's shares (meaning the shares of or capital contributions to a corporation that has a relationship with a merging corporation as specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares of or capital contributions to the merging corporation (excluding own shares or capital contributions held by the merging corporation; hereinafter referred to as the "issued shares, etc." in this Article)) or capital contributions (such assets

shall exclude money or other assets to be delivered as a dividend, etc. of surplus to the said shareholders, etc. (meaning a dividend of surplus, dividend of profit, or distribution of surplus pertaining to shares or capital contributions; the same shall apply in item (xii)-11) and money or other assets to be delivered to the said shareholders, etc. who oppose the merger as the consideration based on their purchase demand):

(a) A merger in the case where either of the merged corporation or the merging corporation (where the merger aims to establish a corporation (hereinafter referred to as a "consolidation-type merger" in this item), either of the said merged corporation or the other merged corporation) has a relationship whereby one of the said corporations holds directly or indirectly the whole of the issued shares, etc. of the other corporation or any other relationship as specified by Cabinet Order

(b) A merger in the case where either of the merged corporation or the merging corporation (where the merger falls under the category of a consolidation-type merger, either of the said merged corporation or the other merged corporation) has a relationship whereby one of the said corporations holds directly or indirectly more than 50 percent but less than 100 percent of the total number (or total amount in the case of capital contributions; hereinafter the same shall apply up to item (xii)-16) of the issued shares (including capital contributions; hereinafter the same shall apply up to item (xii)-16) of the other corporation or any other relationship as specified by Cabinet Order, and which meets all of the following requirements:

1. That approximately 80 percent or more of the total number of employees of the merged corporation as of immediately prior to the merger are expected to engage in the business of the merging corporation after the merger (where a qualified merger, wherein the merging corporation is a merged corporation, is expected to be effected after the said merger, the said number of employees are expected to engage in the business of the merging corporation after the merger and then engage in the business of a merging corporation involved in the qualified merger thereafter).
2. That the major business conducted by the merged corporation prior to the merger is expected to be conducted on a continuous basis by the merging corporation after the merger (where a qualified merger, wherein the merging corporation is a merged corporation, is expected to be effected after the said merger, the said major business is expected to be conducted by the merging corporation after the merger and then be conducted on a continuous basis by a merging corporation involved in the qualified merger thereafter).

(c) A merger specified by Cabinet Order to be a merger for the merged corporation and the merging corporation (where the merger falls under the category of a consolidation-type merger, for the said merged corporation and another merged corporation) to conduct business jointly

(xii)-9 Split-off-type company split: This shall mean a company split in the case where the whole of the shares or other assets of a succeeding corporation in a company split that a split corporation receives as a result of the company split (referred to as the "assets as a consideration for a split" in the following item and item (xii)-11) are delivered to the shareholders, etc. of the said split corporation as of the date of the company split.

(xii)-10 Spin-off-type company split: This shall mean a company split in the case where the assets as a consideration for a split that a split corporation receives as a result of the company split are not delivered to the shareholders, etc. of the said split corporation as of the date of the company split.

(xii)-11 Qualified company split: This shall mean a company split falling under any of the following (in the case of a split-off-type company split, limited to a company split in which the shareholders, etc. of a split corporation do not receive the delivery of assets other than either of shares of a succeeding corporation in a company split or shares of a succeeding parent corporation in a company split (meaning the shares of a corporation that has a relationship with a succeeding corporation in a company split as specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares, etc. of the succeeding corporation in a company split; hereinafter the same shall apply in this item) (such assets shall exclude money or other assets other than the assets as a consideration for a split delivered as a dividend, etc. of surplus to the said shareholders, etc.) but receive the said shares, in accordance with the rate of the number of the shares of the split corporation that they hold, and in the case of a spin-off-type company split, limited to a company split in which a split corporation does not receive the delivery of assets other than either of the shares of a succeeding corporation in a company split or the shares of a succeeding parent corporation in a company split):

(a) A company split in the case where either of the split corporation or the succeeding corporation in a company split has a relationship whereby one of the said corporations holds directly or indirectly the whole of the issued shares, etc. of the other corporation or any other relationship as specified by Cabinet Order

(b) A company split in the case where either of the split corporation or the succeeding corporation in a company split has a relationship whereby one of the said corporations holds directly or indirectly more than 50 percent but less than 100 percent of the total number of the issued shares, etc. of

the other corporation or any other relationship as specified by Cabinet Order, and which meets all of the following requirements:

1. That major assets and liabilities pertaining to the succeeding business in a company split (meaning the part of a business conducted by the split corporation prior to the company split that is to be conducted by the succeeding corporation in a company split, as a result of the company split; the same shall apply in (b)) have been transferred to the succeeding corporation in a company split as a result of the company split (where a qualified merger, wherein the succeeding corporation in a company split is a merged corporation, is expected to be effected after the said company split, the said major assets and liabilities are expected to be transferred to the succeeding corporation in a company split as a result of the company split and then to be transferred to a merging corporation involved in the qualified merger as a result of the qualified merger).
2. That approximately 80 percent or more of the total number of employees engaged in the succeeding business in a company split as of immediately prior to the company split are expected to engage in the business of the succeeding corporation in a company split after the company split (where a qualified merger, wherein the succeeding corporation in a company split is a merged corporation, is expected to be effected after the said company split, the said number of employees are expected to engage in the business of the succeeding corporation in a company split after the company split and then engage in the business of a merging corporation involved in the qualified merger thereafter).
3. That the succeeding business in a company split pertaining to the company split is expected to be conducted on a continuous basis by the succeeding corporation in a company split after the company split (where a qualified merger, wherein the succeeding corporation in a company split is a merged corporation, is expected to be effected after the said company split, the said succeeding business in a company split is expected to be conducted by the succeeding corporation in a company split after the company split and then be conducted on a continuous basis by a merging corporation involved in the qualified merger thereafter).

(c) A company split specified by Cabinet Order to be a company split for the split corporation and the succeeding corporation in a company split (where the company split aims to establish a corporation, for the said split corporation and another split corporation) to conduct business jointly

(xii)-12 Qualified split-off-type company split: This shall mean a split-off-type

company split that falls under the category of qualified company split.

(xii)-13 Qualified spin-off-type company split: This shall mean a spin-off-type company split that falls under the category of qualified company split.

(xii)-14 Qualified capital contribution in kind: This shall mean a capital contribution in kind (excluding the transfer of assets or liabilities specified by Cabinet Order to be assets or liabilities located in Japan to a foreign corporation and the delivery of bonds pertaining to bonds with share options resulting from the exercise of share options attached to bonds with share options, and limited to a capital contribution in kind in which only the shares of a corporation receiving a capital contribution in kind are delivered to a corporation making a capital contribution in kind) that falls under either of the following:

(a) A capital contribution in kind in the case where either of the corporation making a capital contribution in kind or the corporation receiving a capital contribution in kind has a relationship whereby one of the said corporations holds directly or indirectly the whole of the issued shares, etc. of the other corporation or any other relationship as specified by Cabinet Order

(b) A capital contribution in kind in the case where either of the corporation making a capital contribution in kind or the corporation receiving a capital contribution in kind has a relationship whereby one of the said corporations holds directly or indirectly more than 50 percent but less than 100 percent of the total number of the issued shares of the other corporation or any other relationship as specified by Cabinet Order, and which meets all the following requirements:

1. That the major assets and liabilities pertaining to the succeeding business in a capital contribution in kind (meaning the part of a business conducted by the corporation making a capital contribution in kind prior to the capital contribution in kind that is to be conducted by the corporation receiving a capital contribution in kind as a result of the capital contribution in kind; the same shall apply in (b)) have been transferred to the corporation making a capital contribution in kind as a result of the capital contribution in kind (where a qualified merger, wherein the corporation receiving a capital contribution in kind is a merged corporation, is expected to be effected after the said capital contribution in kind, the said major assets and liabilities are expected to be transferred to the corporation receiving a capital contribution in kind as a result of the capital contribution in kind and then be transferred to a merging corporation involved in the qualified merger as a result of the qualified merger).

2. That approximately 80 percent or more of the total number of employees

engaged in the succeeding business in a capital contribution in kind as of immediately prior to the capital contribution in kind are expected to engage in the business of the corporation receiving a capital contribution in kind after the capital contribution in kind (where a qualified merger, wherein the corporation receiving a capital contribution in kind is a merged corporation, is expected to be effected after the said capital contribution in kind, the said number of employees are expected to engage in the business of the corporation receiving a capital contribution in kind after the capital contribution in kind and then engage in the business of a merging corporation involved in the qualified merger thereafter).

3. That the succeeding business in a capital contribution in kind pertaining to the capital contribution in kind is expected to be conducted on a continuous basis by the corporation receiving a capital contribution in kind after the capital contribution in kind (where a qualified merger, wherein the corporation receiving a capital contribution in kind is a merged corporation, is expected to be effected after the said capital contribution in kind, the said succeeding business in a capital contribution in kind is expected to be conducted by the corporation receiving a capital contribution in kind after the capital contribution in kind and then be conducted on a continuous basis by a merging corporation involved in the qualified merger thereafter).

(c) A capital contribution in kind as specified by Cabinet Order to be a capital contribution in kind for the corporation making a capital contribution in kind and the corporation receiving a capital contribution in kind (where the capital contribution in kind aims to establish a corporation, for the said corporation making a capital contribution in kind and any other corporation making a capital contribution in kind) to conduct business jointly

(xii)-15 Qualified post-formation acquisition of assets and/or liabilities: This shall mean a post-formation acquisition of assets and/or liabilities that meets the requirement that a corporation effecting a post-formation acquisition of assets and/or liabilities holds the whole of the issued shares, etc. of a corporation receiving post-formation acquisition of assets and/or liabilities and any other requirements as specified by Cabinet Order (excluding a post-formation acquisition of assets and/or liabilities in which the assets or liabilities specified by Cabinet Order as prescribed in the preceding item are transferred to a foreign corporation).

(xii)-16 Qualified share exchange: This shall mean a share exchange that falls under any of the following, in which shareholders of a wholly owned subsidiary corporation in share exchange do not receive the delivery of assets

other than either of the shares of a wholly owning parent corporation in share exchange or the shares of a fully controlling parent corporation in share exchange (meaning the shares of a corporation that has a relationship with a wholly owning parent corporation as specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares, etc. of the wholly owning parent corporation) (such assets shall exclude money or other assets to be delivered as a dividend of surplus to the said shareholders and money or other assets to be delivered to the said shareholders who oppose the share exchange as the consideration based on their purchase demand):

(a) A share exchange in the case where the wholly owned subsidiary corporation in share exchange and the wholly owning parent corporation in share exchange involved in the share exchange have a relationship whereby the whole of the respective corporation's issued shares, etc. are held directly or indirectly by the same person or any other relationship as specified by Cabinet Order

(b) A share exchange in the case where either of the wholly owned subsidiary corporations in share exchange or the wholly owning parent corporation in share exchange has a relationship whereby one of the said corporations holds directly or indirectly more than 50 percent but less than 100 percent of the total number of the issued shares, etc. of the other corporation or any other relationship as specified by Cabinet Order, and which meets all of the following requirements:

1. That approximately 80 percent or more of the total number of employees of the wholly owned subsidiary corporation in share exchange as of immediately prior to the share exchange are expected to engage on a continuous basis in the business of the wholly owned subsidiary corporation in share exchange (in the case where, due to a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities that has taken place after the share exchange, wherein the wholly owned subsidiary corporation in share exchange is a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merged corporation, etc." in this item and the following item) (hereinafter such qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities shall be referred to as a "qualified organizational restructuring" in this item and the following item), the whole or a part of the said number of employees are expected to be absorbed by a merging corporation,

succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merging corporation, etc." in this item and the following item), the portion of the said number of employees who are absorbed by the merging corporation, etc. (referred to as "employees absorbed in a merger, etc." in 1.) are expected to engage in the business of the wholly owned subsidiary corporation in share exchange after the share exchange and then engage in the business of the merged corporation, etc. after the qualified organizational restructuring, and the remaining number of the said employees other than the employees absorbed in a merger, etc. are expected to engage on a continuous basis in the business of the wholly owned subsidiary corporation in share exchange after the qualified organizational restructuring.

2. That the major business conducted by the wholly owned subsidiary corporation in share exchange prior to the share exchange is expected to be conducted on a continuous basis by the wholly owned subsidiary corporation in share exchange (where the major business is expected to be transferred as a result of a qualified organizational restructuring, wherein the wholly owned subsidiary corporation in share exchange is a merged corporation, etc., the said major business is expected to be conducted by the wholly owned subsidiary corporation in share exchange after the share exchange and then be conducted on a continuous basis by a merging corporation involved in the qualified organizational restructuring thereafter).

(c) A share exchange specified by Cabinet Order to be a share exchange for the wholly owned subsidiary corporation in share exchange and the wholly owning parent corporation in share exchange to conduct business jointly

(xii)-17 Qualified share transfer: This shall mean a share transfer that falls under any of the following, in which the shareholders of a wholly owned subsidiary corporation in share transfer do not receive the delivery of any assets other than the shares of a wholly owning parent corporation in share transfer (such assets shall exclude money or any other assets to be delivered to the said shareholders who oppose the share transfer as the consideration based on their purchase demand):

(a) A share transfer in the case where the wholly owned subsidiary corporation in share transfer and another wholly owned subsidiary corporation in share transfer involved in the share transfer (hereinafter referred to as "another wholly owned subsidiary corporation in share transfer" in this item) have a relationship whereby the whole of the respective corporation's issued shares (excluding own shares held by

themselves) are held directly or indirectly by the same person or any other relationship as specified by Cabinet Order, or a share transfer in which only one corporation becomes the wholly owned subsidiary corporation in share transfer and which is specified by Cabinet Order

(b) A share transfer in the case where either of the wholly owned subsidiary corporations in a share transfer or another wholly owned subsidiary corporation in a share transfer has a relationship whereby one of the said corporations holds directly or indirectly more than 50 percent but less than 100 percent of the total number of the issued shares of the other corporation or any other relationship as specified by Cabinet Order, and which meets all of the following requirements:

1. That approximately 80 percent or more of the total number of employees of the wholly owned subsidiary corporation in share transfer as of immediately prior to the share transfer are expected to engage on a continuous basis in the business of the wholly owned subsidiary corporation in share transfer (in the case where, due to a qualified organizational restructuring that took place after the share transfer, wherein the wholly owned subsidiary corporation in share transfer is a merged corporation, etc., the whole or a part of the said number of employees are expected to be absorbed by a merging corporation, etc. involved in the qualified organizational restructuring, the portion of the said number of employees who are absorbed by the merging corporation, etc. (referred to as "employees absorbed in a merger, etc." in 1.) are expected to engage in the business of the wholly owned subsidiary corporation in share transfer after the share transfer and then engage in the business of the merged corporation, etc. after the qualified organizational restructuring, and the rest of the said number of employees other than the employees absorbed in a merger, etc. are expected to engage on a continuous basis in the business of the wholly owned subsidiary corporation in share transfer after the qualified organizational restructuring.
2. That the major business conducted by the wholly owned subsidiary corporation in share transfer prior to the share transfer is expected to be conducted on a continuous basis by the wholly owned subsidiary corporation in share transfer (where the major business is expected to be transferred as a result of a qualified organizational restructuring, wherein the wholly owned subsidiary corporation in share transfer is a merged corporation, etc., the said major business is expected to be conducted by the wholly owned subsidiary corporation in share transfer after the share transfer and then be conducted on a continuous basis by a merging corporation involved in the qualified

organizational restructuring thereafter).

(c) A share transfer specified by Cabinet Order to be a share transfer for the wholly owned subsidiary corporation in share transfer and another wholly owned subsidiary corporation in share transfer to conduct business jointly

(xiii) Profit-making business: This shall mean a sales business, manufacturing business or any other business as specified by Cabinet Order that is conducted on a continuous basis by maintaining a workplace.

(xiv) Shareholder, etc.: This shall mean a shareholder, member of a general partnership company, limited partnership company, or limited liability company, or any other contributor to a corporation.

(xv) Officer: This shall mean any of an executive officer, operating officer, accounting advisor, auditor, director, inspector, or liquidator and any person other than those persons who engage in the management of a corporation and is specified by Cabinet Order.

(xvi) Amount of stated capital, etc.: This shall mean the amount specified by Cabinet Order as the amount of capital contributions from shareholders, etc. received by a corporation (excluding a consolidated corporation for a consolidated business year liable for corporation tax on consolidated income for each consolidated business year (hereinafter referred to as a "corporation subject to corporation tax on consolidated income" in this Article)).

(xvii) Amount of consolidated stated capital, etc.: This shall mean the sum of the amounts of consolidated individual stated capital, etc. of consolidated corporations (limited to corporations subject to corporation tax on consolidated income).

(xvii)-2 Amount of consolidated individual stated capital, etc.: This shall mean the amount specified by Cabinet Order as the amount that a consolidated corporation (limited to a corporation subject to corporation tax on consolidated income) has received from shareholders, etc. as capital contributions.

(xviii) Amount of profit reserve: This shall mean the amount specified by Cabinet Order to be the amount of income of a corporation (excluding a corporation subject to corporation tax on consolidated income) (such amount of income shall include individual income as prescribed in Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax) that has been reserved.

(xviii)-2 Amount of consolidated profit reserve: This shall mean the amount specified by Cabinet Order to be the amount of consolidated income (including the amount of income) of a consolidated corporation (limited to a corporation subject to corporation tax on consolidated income) that has been reserved.

(xviii)-3 Amount of consolidated individual profit reserve: This shall mean the

amount specified by Cabinet Order to be the amount of consolidated profit reserve to be attributed to respective consolidated corporations (limited to corporations subject to corporation tax on consolidated income).

(xviii)-4 Consolidated income: This shall mean the income of a consolidated parent corporation and other consolidated subsidiary corporations.

(xix) Amount of loss: This shall mean, in the case where deductible expenses for a business year exceed gross profits for the said business year, when calculating the amount of income for each business year, the said excess amount of the loss.

(xix)-2 Amount of consolidated loss: This shall mean, in the case where deductible expenses for a consolidated business year exceed gross profits for the said consolidated business year, in the calculation of the amount of income for each consolidated business year, the said excess amount of the loss.

(xx) Inventory assets: This shall mean commodities, products, semi-finished products, products in progress, raw materials or other assets which are specified by Cabinet Order as those to be inventoried (excluding securities and commodities for short-term trading as prescribed in Article 61, paragraph (1) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss and Gain or Loss on Fair Valuation of Commodities for Short-Term Trading)).

(xxi) Securities: This shall mean the securities prescribed in Article 2, paragraph (1) (Definition) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) and others equivalent thereto that are specified by Cabinet Order (excluding own shares and capital contributions held by themselves and those related to derivative transactions as prescribed in Article 61-5, paragraph (1) (Inclusion, etc. in Gross Profits or Deductible Expenses of the Amount Equivalent to Profit or Loss on Derivative Transactions)).

(xxii) Fixed assets: This shall mean land (including any right on land), depreciable assets, telephone subscription rights, or other assets as specified by Cabinet Order.

(xxiii) Depreciable assets: This shall mean the buildings, structures, machinery, devices, ships, vehicles and equipment, tools, apparatus and appliances, mining rights, or other assets which are specified by Cabinet Order as assets to be depreciated.

(xxiv) Deferred assets: This shall mean expenses paid by a corporation, with the effects of the payment thereof lasting one year or longer after the day on which the payment was made and which are specified by Cabinet Order.

(xxv) Reckoning the amount into expenses for accounting purposes: This shall mean that a corporation reckons the amount as an expense or a loss in the

final settlement of the accounts.

(xxvi) Jointly managed money trust: This shall mean a money trust assumed by a trust company (including a financial institution as prescribed in Article 1, paragraph (1) (Approval of Additional Operation) of the Act on Additional Operation etc. of Trust Business by Financial Institutions (Act No. 43 of 1943) that is engaged in a trust business as prescribed in the said paragraph under the said Act) in which the trust company jointly manages the trust property of multiple settlors who do not act in concert (excluding an investment trust operated without instruction from the settlor prescribed in Article 2, paragraph (2) (Definition) of the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951), a foreign investment trust equivalent thereto (meaning a foreign investment trust as prescribed in paragraph (22) of the said Article; the same shall apply in the following item and item (xxix), (b)), and other trusts specified by Cabinet Order to be those with settlors who are substantially small in number).

(xxvii) Securities investment trust: This shall mean a securities investment trust as prescribed in Article 2, paragraph (4) of the Act on Investment Trust and Investment Corporation and a foreign investment trust equivalent thereto.

(xxviii) Bond investment trust: This shall mean a securities investment trust for the purpose of managing its trust property as an investment in government bonds or company bonds (including bonds that a corporation other than a company issues under special Acts) without managing its trust property as an investment in shares or capital contributions.

(xxix) Group investment trust: This shall mean trusts listed as follows:

(a) A jointly managed money trust

(b) An investment trust as prescribed in Article 2, paragraph (3) of the Act on Investment Trust and Investment Corporation (limited to those listed as follows) and a foreign investment trust:

1. A securities investment trust as prescribed in Article 2, paragraph (4) of the Act on Investment Trust and Investment Corporation
2. A trust specified by Cabinet Order to be a trust for which beneficial rights are publicly offered, as prescribed in Article 2, paragraph (8) of the Act on Investment Trust and Investment Corporation, by the trustee (in the case of an investment trust operated with instruction from the settlor as prescribed in paragraph (1) of the said Article by the settlor) mainly in Japan

(c) A specified trust issuing a beneficiary certificate (meaning a trust issuing a beneficiary certificate as prescribed in Article 185, paragraph (3) (Provisions for Trust Deeds Concerning Issuance of Beneficiary Certificate) of the Trust Act (Act No. 108 of 2006) that meets all of the following

requirements (excluding a trust listed in (a) and a trust listed in (c) of the following item)):

1. That the trust has been assumed by a corporation that has obtained approval from the district director of the tax office to the effect that the corporation meets the requirements specified by Cabinet Order for carrying out trust affairs as specified by Cabinet Order (referred to as an "approved trustee" in 1.) (excluding the case where the said approved trustee (including an approved trustee who has succeeded to the trust affairs upon becoming the trustee of the said trust issuing a beneficiary certificate) had its approval rescinded and where any person other than the approved trustee has become a trustee of the said trust issuing beneficiary certificate, by the day preceding the first day of the accounting period).
2. That there is a provision for trust deeds to the effect that the rate of the amount calculated as specified by Cabinet Order to be the amount of undistributed profit as of the end of each accounting period against the total amount of the principal as of the said time (referred to as the "rate of retained profit" in 3.) shall not exceed the rate specified by Cabinet Order.
3. That the calculated rate of retained profit has not exceeded the rate specified by Cabinet Order as prescribed in 2., at any time specified by Cabinet Order to be the timing for calculating the rate of retained profit, prior to the start of each accounting period.
4. That the accounting period does not exceed one year.
5. That the trust has never fallen under the category of trusts for which there are no beneficiaries (limited to those who actually hold the rights of a beneficiary).

(xxix)-2 Trust subject to corporation taxation: This shall mean the trusts listed as follows (excluding a group investment trust, a retirement pension trust as prescribed in Article 12, paragraph (4), item (i) (Vesting of Assets and Liabilities in Trust Property and Profit and Expenses to Be Attributed to Trust Property) and a specified charitable trust as prescribed in item (ii) of the said paragraph):

(a) A trust for which there is a provision to the effect that securities certifying beneficial rights shall be issued

(b) A trust for which there are no beneficiaries as prescribed in Article 12, paragraph (1) (including those deemed to be beneficiaries as prescribed in the said paragraph pursuant to the provisions of paragraph (2) of the said Article)

(c) A trust for which a corporation (excluding a public corporation and a corporation in the public interest, etc.) becomes a settlor (such trust shall

exclude a trust for which only the assets included in a trust property are entrusted) and which meets any of the following requirements:

1. That the trust was expected to fall under the category specified by Cabinet Order to be a trust for which the whole or a significant part of the corporation's business (limited to the portion whose transfer requires the resolution (including what is equivalent thereto) of a shareholders meeting of the corporation set forth in Article 467, paragraph (1) (limited to the part pertaining to item (i) or item (ii)) of the Companies Act) has been entrusted, and the rate of beneficial rights obtained by shareholders, etc. of the corporation out of all of the beneficial rights of the trust exceeded 50 percent as of the time when the trust became effective (excluding the case specified by Cabinet Order to be a case where the types of assets other than money included in the trust property are almost the same).
2. That at the time when the trust became effective or a change to a provision regarding the duration of the trust (meaning the duration set by the trust deeds; the same shall apply in 2.) became effective (referred to as the "effective time, etc." in 2.), the corporation or a person who has a special relationship as specified by Cabinet Order with the corporation (referred to as a "person having a special relationship" in 2. and 3.) was the trustee and it was found that the duration after the effective time, etc. exceeded 20 years as of the effective time, etc. (including the case where neither the corporation nor a person having a special relationship with the corporation had been the trustee and either of them newly became the trustee and it was found that the duration thereafter exceeded 20 years as of the time of newly becoming the trustee, and excluding the case specified by Cabinet Order to be the case where the management or disposition of the trust property required a long period of time by the nature thereof).
3. That the case fell under the category of cases specified by Cabinet Order to be a case where the corporation or a person having a special relationship with the corporation was the trustee and a person having a special relationship with the corporation was a beneficiary at the time when the trust became effective, and the rate of distribution of proceeds to the person having a special relationship can be changed as of that time.

(d) An investment trust as prescribed in Article 2, paragraph (3) of the Act on Investment Trust and Investment Corporation

(e) A special purpose trust as prescribed in Article 2, paragraph (13) (Definition) of the Act on Securitization of Assets (Act No. 105 of 1998)

(xxx) Interim return form: This shall mean a return form pursuant to the

provisions of Article 71, paragraph (1) (Interim Return) (including the case where it is applied mutatis mutandis pursuant to Article 145, paragraph (1) (Application Mutatis Mutandis to Foreign Corporations)).

(xxxi) Final return form: This shall mean a return form pursuant to the provisions of Article 74, paragraph (1) (Final Return) (including the case where it is applied mutatis mutandis pursuant to Article 145, paragraph (1)) (including a return form filed after the due date for the said return form).

(xxxi)-2 Consolidated interim return form: This shall mean a return form pursuant to the provisions of Article 81-19, paragraph (1) (Consolidated Interim Return).

(xxxii) Consolidated final return form: This shall mean a return form pursuant to the provisions of Article 81-22, paragraph (1) (Consolidated Final Return) (including a return form filed after the due date for the said return form).

(xxxiii) Interim return form for retirement pension fund: This shall mean a return form pursuant to the provisions of Article 88 (Interim Return for Retirement Pension Fund) (including the case where it is applied mutatis mutandis pursuant to Article 145-5 (Application Mutatis Mutandis to Foreign Corporations)) (such return form shall include a return form filed after the due date for the said return form).

(xxxiv) Final return form for retirement pension fund: This shall mean a return form pursuant to the provisions of Article 89 (Final Return for Retirement Pension Fund) (including the case where it is applied mutatis mutandis pursuant to Article 145-5) (such return form shall include a return form filed after the due date for the said return form).

(xxxv) Form of tax prepayment return in liquidation accounting period: This shall mean a return form pursuant to the provisions of Article 102, paragraph (1) (Tax Prepayment Return for Income in Liquidation) (including a return form filed after the due date for the said return form).

(xxxvi) Form for tax prepayment return for distribution of residual property: This shall mean a return form pursuant to the provisions of Article 103, paragraph (1) (Tax Prepayment Return for Partial Distribution of Residual Property) (including a return form filed after the due date for the said return form).

(xxxvii) Final return form for liquidation: This shall mean a return form pursuant to the provisions of Article 104, paragraph (1) (Final Return for Liquidation) (including a return form filed after the due date for the said return form).

(xxxviii) Return form filed after the due date: This shall mean a return form filed after the due date prescribed in Article 18, paragraph (2) (Return Form Filed after the Due Date) of the Act on General Rules for National Taxes (Act No. 66 of 1962).

(xxxix) Amended return form: This shall mean an amended return form prescribed in Article 19, paragraph (3) (Amended Return Form) of the Act on General Rules for National Taxes.

(xl) Blue return form: This shall mean a return form listed in item (xxx), item (xxxi), and items (xxxiii) to (xxxvii) and an amended return form related thereto filed in a blue form pursuant to the provisions of Article 121 (Blue Return) (including the case where it is applied mutatis mutandis pursuant to Article 146, paragraph (1) (Application Mutatis Mutandis to Foreign Corporations)).

(xli) Amount of interim payment: This shall mean the amount of corporation tax to be paid pursuant to the provisions of Article 76 (Payment Based on Interim Return) (including the case where it is applied mutatis mutandis pursuant to Article 145, paragraph (1)) or Article 81-26 (Payment Based on Consolidated Interim Return) (where an amended return form has been filed or a reassessment has been made for the said amount, the amount of corporation tax after the amended return form was filed or the reassessment was made).

(xlii) Amount of estimated tax prepayment in a liquidation: This shall mean the amount of corporation tax to be paid pursuant to the provisions of Article 105 (Payment Based on Tax Prepayment Return for Income in Liquidation) or Article 106 (Payment Based on Tax Prepayment Return for Partial Distribution of Residual Property) (including the amount of corporation tax to be paid based on a return form filed after the due date for a return form prescribed in these provisions or based on a determination made due to the failure to file such return forms, and in the case where an amended return form has been filed or a reassessment has been made for the said amounts, the amount of corporation tax after the amended return form was filed or the reassessment was made).

(xliii) Reassessment: This shall mean reassessment pursuant to the provisions of Article 24 (Reassessment) or Article 26 (Re-reassessment) of the Act on General Rules for National Taxes.

(xliv) Determination: This shall mean a determination pursuant to the provisions of Article 25 (Determination) of the Act on General Rules for National Taxes, except for the cases set forth in Article 19 (Effect of Return, etc. in the Case Where Disposition of Designation of Place for Tax Payment has been Rescinded) and Chapter I, Section 1 (Tax Base and Calculation Thereof) of the following Part.

(xlv) Additions to tax: This shall mean any additions to tax as prescribed in Article 2, item (iv) (Definition) of the Act on General Rules for National Taxes.

(xlvi) Appropriation: This shall mean appropriation pursuant to the provisions

of Article 57, paragraph (1) (Appropriation) of the Act on General Rules for National Taxes.

(xlvii) Interest on refund: This shall mean interest on a refund as prescribed in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes.

(xlviii) Local tax: This shall mean money to be collected by local bodies as prescribed in Article 1, paragraph (1), item (xiv) (Terminology) of the Local Tax Act (Act No. 226 of 1950) (including any equivalent money to be collected by Tokyo Metropolis, special wards, and whole-affairs-associations).

Chapter II Taxpayers

Article 4 (1) A domestic corporation shall be liable to pay corporation tax pursuant to this Act; provided, however, that a corporation in the public interest, etc. or association or foundation without juridical personality shall be liable only where it conducts a profit-making business, it accepts the position of trustee of a trust subject to corporation taxation or it performs retirement pension services, etc. prescribed in Article 84, paragraph (1) (Calculation of the Amount of Retirement Pension Fund).

(2) Notwithstanding the provision of the preceding paragraph, a public corporation shall not be liable to pay corporation tax.

(3) A foreign corporation shall be liable to pay corporation tax pursuant to this Act when it has domestic source income prescribed in Article 138 (Domestic Source Income) (limited to the domestic source income from a profit-making business in the case of an association or foundation without juridical personality), when it accepts the position of trustee of a trust subject to corporation taxation or when it performs retirement pension services, etc. prescribed in Article 145-3 (Calculation of the Amount of Retirement Pension Fund in the case of Foreign Corporations).

(4) An individual who accepts the position of trustee of a trust subject to corporation taxation shall be liable to pay corporation tax pursuant to this Act.

Chapter II-2 Consolidated Taxpayers

(Consolidated Taxpayers)

Article 4-2 Where a domestic corporation (limited to an ordinary corporation or a cooperative, etc.; excluding the corporations listed below) and other domestic corporation(s) (limited to ordinary corporations; excluding a corporation under liquidation proceedings, special purpose company prescribed in Article 2, paragraph (3) of the Act on Securitization of Assets (Definitions), and any other corporation specified by Cabinet Order) in which the former domestic

corporation has a full controlling interest (meaning a relationship specified by Cabinet Order as a relationship whereby one party directly or indirectly holds the whole of the issued shares of or capital contributions to the other party (excluding the shares or capital contributions held by the other party); hereinafter the same shall apply in this Article) have all obtained approval from the Commissioner of the National Tax Agency for paying corporation tax via such controlling domestic corporation as taxpayer, these corporations shall pay corporation tax via the controlling domestic corporation as taxpayer pursuant to this Act:

(i) Corporation under liquidation proceedings

(ii) Corporation having a relationship with an ordinary corporation (excluding a foreign corporation) or cooperative, etc. in which such ordinary corporation or cooperative, etc. has a full controlling interest

(iii) Any other corporation specified by Cabinet Order

Chapter II-3 Trust Subject to Corporation Taxation

(Application of This Act to Trustees of Trust Subject to Corporation Taxation)

Article 4-6 (1) Article 4-6

(2) In the case referred to in the preceding paragraph, the trust assets, etc. under each trust subject to corporation taxation and the trustees' own assets, etc. shall be attributed to the respective persons who were deemed to be different persons pursuant to the provisions of the said paragraph.

(Application of This Act to Trust Corporations, etc.)

Article 4-7 The provisions of this Act shall apply to a trust corporation (meaning a corporation that is a trustee of a trust subject to corporation taxation (where the trustee is an individual, the said individual who is the trustee) to which the provisions of this Act are applied by deeming that the trust corporation or the individual is to be the person that the trust assets, etc. related to the trust subject to corporation taxation are attributed to pursuant to the provisions of the preceding Article; hereinafter the same shall apply in this Article) or a trustee of a trust subject to corporation taxation as specified as follows:

(i) In the case where a business office, office or other place equivalent thereto (referred to as a "business office" in the following item), where a trust subject to corporation taxation is entrusted, is located in Japan, a trust corporation under the trust subject to corporation taxation shall be deemed to be a domestic corporation.

(ii) In the case where a business office, where a trust subject to corporation taxation is entrusted, is not located in Japan, a trust corporation under the trust subject to corporation taxation shall be deemed to be a foreign

corporation.

(iii) A trust corporation (limited to a trust corporation that is not a company) shall be deemed to be a company.

(iv) The consolidation of trusts shall be deemed to be a merger, and a trust corporation under a trust subject to corporation taxation prior to the consolidation of trusts shall be deemed to be included in a merged corporation, while a trust corporation under the new trust subject to corporation taxation after the consolidation of trusts shall be deemed to be included in merging corporations.

(v) A split of a trust shall be deemed to be included in a split-off-type company split, and a trust corporation under a trust subject to corporation taxation, which transfers a part of the trust property, as a result of the split of the trust, as trust property under another trust with the same trustees or a new trust, shall be deemed to be included in a split corporation, while a trust corporation under a trust subject to corporation taxation, which receives from another trust with the same trustees the transfer of a part of the trust property, as a result of the split of the trust, shall be deemed to be included in the succeeding corporations in a company split.

(vi) The beneficial rights under a trust subject to corporation taxation shall be deemed to be shares or capital contributions and the beneficiaries of a trust subject to corporation taxation shall be deemed to be included in the shareholders, etc. In this case, the shares and capital contributions of a corporation which is a trustee of the trust subject to corporation taxation shall not be deemed to be the shares or capital contributions of a trust corporation under the trust subject to corporation taxation, and the shareholders, etc. of the said corporation which is the trustee shall not be deemed to be the shareholders, etc. of the said trust corporation.

(vii) A trust corporation shall be deemed to have been established on the day when a trust subject to corporation taxation related to the trust corporation became effective (where multiple trust contracts are concluded based on a single agreement, on the day when the first contract was concluded, and where any trust other than a trust subject to corporation taxation has come to fall under the category of a trust subject to corporation taxation, on the day when it came to fall under the said category).

(viii) In the case where a trust under a trust subject to corporation taxation has been terminated or a beneficiary as prescribed in Article 12, paragraph (1) (Vesting of Assets and Liabilities in Trust Property and Profit and Expenses to Be Attributed to Trust Property) (including a person who is deemed to be a beneficiary as prescribed in Article 12, paragraph (1) pursuant to the provisions of paragraph (2) of the said Article; referred to as a "beneficiary, etc." in the following item) has come into existence for a trust

subject to corporation taxation (limited to a trust listed in Article 2, item (xxix)-2, (b) (Definition)) (excluding the case where the trust falls under the category of a trust listed in Article 2, item (xxix)-2, (a) or (c)), it shall be deemed that a trust corporation under those trusts subject to corporation taxation has been dissolved.

(ix) In the case where the settlor of a trust subject to corporation taxation (excluding a trust listed in Article 2, item (xxix)-2, (b); hereinafter the same shall apply in this item) has entrusted his/her own assets, or where a trust, for which a beneficiary, etc. is deemed to hold any of the assets and liabilities included in the trust property pursuant to the provisions of Article 12, paragraph (1), has come to fall under the category of a trust subject to corporation taxation, it shall be deemed that capital contributions have been made to a trust corporation under those trusts subject to corporation taxation.

(x) The distribution of proceeds from a trust subject to corporation taxation shall be deemed to be a dividend of surplus independent of a decrease in capital surplus, and the refund of the principal of a trust subject to corporation taxation shall be deemed to be a dividend of surplus resulting from a decrease in capital surplus.

(xi) In addition to what is provided for in the preceding items, necessary matters concerning the application of the provisions of this Act to trust corporations or beneficiaries of a trust subject to corporation taxation shall be specified by Cabinet Order.

Chapter III Scope, etc. of Taxable Income, etc.

Section 1 Scope of Taxable Income, etc.

(Scope of Taxable Income of Foreign Corporations)

Article 9 (1) A foreign corporation shall have corporation tax imposed on income for each business year with respect to income for each business year categorized as domestic source income listed in each item of Article 141 (Tax Base of Corporation Tax in the case of Foreign Corporations) for the category of foreign corporation listed in the relevant item.

(2) Notwithstanding the provision of the preceding paragraph, a foreign corporation (limited to an association or foundation without juridical personality) shall not have corporation tax imposed on income for each business year with respect to the portion of the income categorized as domestic source income prescribed in the said paragraph which has not arisen from its profit-making business.

(Taxation on Retirement Pension Funds of Foreign Corporations Engaged in

Retirement Pension Services, etc.)

Article 10-2 A foreign corporation which performs retirement pension services, etc. prescribed in Article 145-3 (Calculation of the Amount of Retirement Pension Fund in the case of Foreign Corporations) shall, in addition to corporation tax imposed pursuant to the provision of Article 9, paragraph (1) (Scope of Taxable Income of Foreign Corporations), have corporation tax imposed on its retirement pension fund with respect to the retirement pension fund for each business year.

Part II Corporation Tax of Domestic Corporations

Chapter I Corporation Tax on Income for Each Business Year

Section 1 Tax Base and Calculation Thereof

Subsection 2 General Rules on Calculation of Amount of Income for Each Business Year

(Calculation of Amount of Income for Each Business Year)

Article 22 (1) The amount of income of a domestic corporation for each business year shall be the amount that remains after deducting the amount of deductible expenses for the said business year from the amount of gross profits for the said business year.

(2) When calculating the amount of income of a domestic corporation for each business year, the amount to be included in gross profits for the said business year shall be the amount of proceeds for the said business year arising from the sales of assets, transfer of assets or provision of services for value or without compensation, acceptance of assets without compensation, or other transactions other than capital, etc. transactions, except as otherwise provided.

(3) When calculating the amount of income of a domestic corporation for each business year, the amount to be included in deductible expenses in the said business year shall be the amounts listed as follows, except as otherwise provided:

(i) The amount of cost of sales, cost of completed work, and other costs equivalent thereto related to the proceeds for the said business year

(ii) In addition to what is listed in the preceding item, the amount of selling expenses, general administrative expenses, and other expenses for the said business year (excluding expenses other than the depreciation allowance for which the obligations have not been determined by the final day of the said business year)

(iii) The amount of loss for the said business year related to a transaction other than capital, etc. transactions

(4) The amount of proceeds for the said business year prescribed in paragraph (2) and the amounts listed in the preceding items shall be calculated in accordance

with an accounting standard that is generally accepted as fair and appropriate.

(5) The capital, etc. transactions prescribed in paragraph (2) or paragraph (3) shall mean transactions causing an increase or decrease to the amount of stated capital, etc. of a corporation and the distribution of profits or surplus conducted by a corporation (including the distribution of money prescribed in Article 115, paragraph (1) (Interim Dividend) of the Act on Securitization of Assets).

Subsection 3 Calculation of Amount of Gross Profits

Division 1 Dividend Received, etc.

(Exclusion from Gross Profits of Dividend Received, etc.)

Article 23 (1) The portion of the following amount that a domestic corporation receives (excluding the amount listed in item (i) that a domestic corporation receives from a foreign corporation, corporation in the public interest, etc. or an association or foundation without juridical personality; hereinafter referred to as the "amount of dividend, etc." in this Article), which is equivalent to 50 percent of the amount of dividend, etc. pertaining to the shares, etc. (meaning shares, capital contributions, or beneficial rights; hereinafter the same shall apply in this Article) that fall under neither of the shares, etc. of a consolidated corporation (meaning the shares or capital contributions of a consolidated corporation that are specified by Cabinet Order; hereinafter the same shall apply in this Article) nor the shares, etc. of an affiliated corporation, and the amount of dividend, etc. pertaining to the shares, etc. of an affiliated corporation shall be excluded from gross profits, when calculating the amount of income of the domestic corporation for each business year:

(i) The amount of the dividend of surplus (limited to a dividend related to shares or capital contributions and excluding a dividend resulting from a decrease in capital surplus and split-off-type company split), dividend of profit (excluding a dividend due to split-off-type company split), or distribution of surplus (limited to distribution related to capital contributions)

(ii) The amount of distribution of money prescribed in Article 115, paragraph (1) (Interim Dividend) of the Act on Securitization of Assets

(iii) The portion of the amount of distribution of proceeds from a securities investment trust other than a bond investment trust, which was calculated, as specified by Cabinet Order, to be the amount consisting of those listed in item (i) that are to be received from a domestic corporation

(2) The amount of dividend, etc. pertaining to shares, etc. of a consolidated corporation, out of the amount of dividend, etc. that a domestic corporation receives, shall be excluded from gross profits, when calculating the amount of

income of the domestic corporation for each business year.

(3) In the case where a domestic corporation acquired shares, etc., which are the principal for the amount of dividend, etc. receivable (excluding the amount deemed to be the amount of dividend, etc. that the domestic corporation is to receive pursuant to the provisions of paragraph (1) of the following Article; hereinafter the same shall apply in this paragraph), within one month prior to the base date for the payment of the said amount of dividend, etc. (in the case of the distribution of proceeds from a trust, prior to the final day of the period that was used as the basis of the calculation) and then transferred the said shares, etc. or other shares, etc. of the same issue within two months after the said base date, the provisions of the preceding two paragraphs shall not apply to the amount of dividend, etc. of the portion of the said shares, etc. that is specified by Cabinet Order.

(4) In the case referred to in paragraph (1), when there is any interest on liabilities that the domestic corporation set forth in the said paragraph is to pay in the said business year (such interest shall include what is specified by Cabinet Order as being equivalent thereto and exclude what is to be paid to a consolidated corporation that has a consolidated full controlling interest in the domestic corporation), the amount to be excluded from gross profits, when calculating the amount of income for the said business year, pursuant to the provisions of the said paragraph, shall be the sum of the amounts listed as follows:

(i) The amount equivalent to 50 percent of the amount that remains after deducting, from the sum of the amounts of dividend, etc. receivable for the said business year, with regard to the shares, etc. that fall under neither the shares, etc. of a consolidated corporation nor the shares, etc. of an affiliated corporation that the domestic corporation holds, the portion of the amount of said interest on liabilities calculated, as specified by Cabinet Order, as the portion related to the said shares, etc.

(ii) The amount that remains after deducting, from the sum of the amounts of dividend, etc. receivable for the said business year, with regard to the shares, etc. of an affiliated corporation that the domestic corporation holds, the portion of the amount of said interest on liabilities calculated, as specified by Cabinet Order, as the portion related to the said shares, etc. of the affiliated corporation

(5) The shares, etc. of an affiliated corporation prescribed in paragraph (1) and the preceding paragraph shall mean the shares or capital contributions (excluding the shares, etc. of a consolidated corporation) of another domestic corporation in the case specified by Cabinet Order to be a case where a domestic corporation holds shares or capital contributions equivalent to 25 percent or more of the total number or total amount of issued shares or capital

contributions of another domestic corporation (excluding a corporation in the public interest, etc. and an association or foundation without juridical personality) (such issued shares or capital contributions shall exclude own shares or capital contributions held by the said other domestic corporation).

(6) The provisions of paragraph (1) and paragraph (2) shall apply only in the case where a final return form contains the amount of dividend, etc. that is to be excluded from gross profits and a detailed statement concerning the calculation thereof. In this case, the amount to be excluded from gross profits pursuant to these provisions shall not exceed such recorded amount.

(7) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph, with regard to the whole or a part of the amount to be excluded from gross profits pursuant to the provisions of paragraph (1) and paragraph (2), has been filed, the district director of the tax office may apply the provisions of paragraph (1) and paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(8) Necessary matters concerning the application of the provisions of paragraphs (1) to (3) and the provisions of paragraphs (1) to (5) in the case where the shares, etc. have been transferred as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities shall be specified by Cabinet Order.

(The Amount Deemed to be Dividend, etc.)

Article 24 (1) In the case where a domestic corporation that is a shareholder, etc. of a corporation (excluding corporations in the public interest, etc. and an association or foundation without juridical personality; hereinafter the same shall apply in this Article) has received a delivery of money or other assets on any of the following grounds concerning the corporation, when the sum of the amount of the money and the value of the assets other than money exceeds the portion of the corporation's stated capital, etc. or consolidated individual stated capital, etc. that corresponds to the corporation's shares or capital contributions that were basic causes of the said delivery, with regard to the application of the provisions of this Act, the amount of the said excess shall be deemed to be the amount listed in Article 23, paragraph (1), item (i):

(i) Merger (excluding a qualified merger)

(ii) Split-off-type company split (excluding a qualified split-off-type company split)

(iii) Refund of the capital (meaning a dividend of surplus (limited to a dividend of surplus resulting from a decrease in capital surplus) on grounds other than that of a split-off-type company split) or the distribution of residual

assets due to a dissolution

(iv) Acquisition of own shares or capital contributions (excluding an acquisition as a result of a purchase on a market opened by a financial instruments exchange as prescribed in Article 2, paragraph (16) (Definitions) of the Financial Instruments and Exchange Act, other types of acquisition as specified by Cabinet Order, and the acquisition of shares or capital contributions listed in Article 61-2, paragraph (14), items (i) to (iii) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss of Securities) in the case falling under the case prescribed in the said paragraph)

(v) Cancellation of capital contributions (excluding a cancellation with regard to acquired capital contributions), refund of capital contributions, refund of equity due to the withdrawal of a member or any other contributor from the corporation, or extinguishment of shares or capital contributions by the issuing corporation without having acquired them

(vi) Entity conversion (limited to an entity conversion accompanying the delivery of assets other than shares of or capital contributions to the corporation that has effected the entity conversion)

(2) Even in the case where a merging corporation had not allotted shares or delivered assets other than the shares as a result of the merger for tie-in shares (meaning the merged corporation's shares (including capital contributions; hereinafter the same shall apply in this paragraph) that the merging corporation held as of immediately prior to the merger or other merged corporations' shares that the merged corporation held as of immediately prior to the merger), the provisions of the preceding paragraph shall apply by deeming that the merging corporation has received the allotment of shares, etc. (meaning the allotment of the shares or delivery of the assets as a result of the merger) as specified by Cabinet Order.

(3) Necessary matters concerning the method of calculating the amount of the portion corresponding to the shares or capital contributions prescribed in paragraph (1) and the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

Division 2 Asset Valuation Gain

(Exclusion from Gross Profits of Asset Valuation Gain)

Article 25 (1) In the case where a domestic corporation has revaluated its assets to increase their book value, the amount of the increase shall be excluded from gross profits, when calculating the amount of income of the domestic corporation for each business year.

(2) In the case where an order on the confirmation of a reorganization plan has

been rendered for a domestic corporation under the Corporate Reorganization Act (Act No. 154 of 2002) or the Act on Special Measures, etc. of Reorganization Procedure of Financial Institutions and the domestic corporation has revaluated its assets as specified in these Acts or has revaluated its assets otherwise as specified in Cabinet Order to increase their book value, the amount of the increase shall be included in gross profits, when calculating the amount of income for the business year containing the date of the revaluation, notwithstanding the provisions of the preceding paragraph.

(3) In the case where an order on the confirmation of a rehabilitation plan has been rendered for a domestic corporation under the Civil Rehabilitation Act (Act No. 225 of 1999) or any equivalent event as specified by Cabinet Order has occurred, when the domestic corporation evaluates the value of its assets as specified by Cabinet Order, the amount specified by Cabinet Order to be a valuation gain on the assets (excluding those specified by Cabinet Order) shall be included in gross profits, when calculating the amount of income for the business year containing the date of any of such events, notwithstanding the provisions of paragraph (1).

(4) In the case where the provisions of paragraph (1) were applied, with regard to the assets whose increased value due to revaluation was not included in gross profits, it shall be deemed that the book value of the said assets has not increased, when calculating the amount of income for each business year after the business year containing the date of the revaluation.

(5) The provisions of paragraph (3) shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in gross profits of the amount specified by Cabinet Order to be the amount of the valuation gain prescribed in the said paragraph (referred to as a "detailed statement of the valuation gain" in the following paragraph) and is attached with documents specified by Ordinance of the Ministry of Finance (referred to as "valuation gain-related documents" in the following paragraph) (when with regard to the assets prescribed in Article 33, paragraph (3) (Exclusion from Deductible Expenses of Asset Valuation Loss, etc.), there is any amount specified by Cabinet Order to be the amount of valuation loss prescribed in the said paragraph (such case shall be referred to as the "case where there is any valuation loss" in the following paragraph), only in the case where a final return form contains a detailed statement of the valuation loss prescribed in paragraph (5) of the said Article (referred to as a "detailed statement of the valuation loss" in the following paragraph) and the valuation loss-related documents prescribed in paragraph (5) of the said Article (referred to as "valuation loss-related documents" in the following paragraph)).

(6) Even in the case where a final return form has been filed without a detailed statement of the valuation gain (in the case where there is any valuation loss,

without a detailed statement of the valuation gain or a detailed statement of the valuation loss) or without valuation gain-related documents (in the case where there is any valuation loss, without valuation gain-related documents or valuation loss-related documents), the district director of the tax office may apply the provisions of paragraph (3), when he/she finds any unavoidable grounds for the person's failure to make entries of such a statement or to attach such documents.

(7) In addition to what is provided for in the preceding three paragraphs, necessary matters concerning the application of the provisions of paragraphs (1) to (3) shall be specified by Cabinet Order.

Division 3 Refund, etc.

(Exclusion from Gross Profits of Refund, etc.)

Article 26 (1) In the case where a domestic corporation receives a refund of the following amount or the amount to be refunded is to be appropriated for the unpaid national tax or local tax, the said amount to be refunded or to be appropriated shall be excluded from gross profits, when calculating the amount of income of the domestic corporation for each business year:

(i) The amount excluded from deductible expenses, when calculating the amount of income for each business year pursuant to the provisions of Article 38, paragraph (1) or paragraph (2) (Exclusion from Deductible Expenses of Corporate Tax Amount, etc.)

(ii) The amount excluded from deductible expenses, when calculating the amount of income for each business year pursuant to the provisions of Article 55, paragraph (3) (Exclusion from Deductible Expenses of Expenses Related to Unlawful Acts, etc.)

(iii) A refund pursuant to the provisions of Article 78 (Refund of the Amount of Income Tax, etc. by Final Return), Article 81-29 (Refund of the Amount of Income Tax, etc. by Consolidated Final Return), Article 120 (Refund of the Amount of Income Tax, etc. in the Case of Continuation), Article 133 (Refund of the Amount of Income Tax, etc. by Reassessment for Final Return or Consolidated Final Return), or Article 137 (Refund of the Amount of Income Tax, etc. by Reassessment in the Case of Continuation)

(iv) A refund pursuant to the provisions of Article 80 (Refund by Carryback of Loss) or Article 81-31 (Refund by Carryback of Consolidated Loss)

(2) In the case where in each business year after the business year when a domestic corporation was subject to the provisions of Article 69, paragraphs (1) to (3) (Credit for Foreign Tax), the amount of foreign corporation tax (meaning the amount of foreign corporation tax prescribed in Article 69, paragraph (1); hereinafter the same shall apply in this paragraph) that was used as the basis

of the calculation of the amount to be credited under these provisions has been reduced (when the domestic corporation has received the transfer of the whole or a part of the business from a merged corporation, etc. as prescribed in paragraph (5) of the said Article as a result of a qualified organizational restructuring as prescribed in the said paragraph, including the case where a reduction has been made on the portion of the foreign corporation tax to be paid by the merged corporation, etc. that the domestic corporation is to pay for the income arising from the transferred business; hereinafter the same shall apply in this paragraph), or in the case where in each business year after the business year when the domestic corporation was subject to the provisions of Article 81-15, paragraphs (1) to (3) (Credit for Foreign Tax in Consolidated Business Year), the amount of foreign corporation tax that was used as the basis of the calculation of the amount to be credited under these provisions has been reduced, the portion of the reduction specified by Cabinet Order to be the reduced portion of the amount of creditable foreign corporation tax prescribed in Article 69, paragraph (1) or the amount of individual creditable foreign corporation tax prescribed in Article 81-15, paragraph (1) (excluding the amount specified by Cabinet Order to be the amount to be included in gross profits) shall be excluded from gross profits, when calculating the amount of income of the domestic corporation for each business year.

(3) In the case where a domestic corporation receives from another domestic corporation an amount that has been calculated pursuant to the provisions of Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax) as its payable amount of corporation tax on consolidated income for each consolidated business year or its payable amount of additions to tax (excluding interest tax; the same shall apply in the following paragraph), the amount to be received shall be excluded from gross profits, when calculating the amount of income of the domestic corporation for each business year.

(4) In the case where another domestic corporation set forth in the preceding paragraph receives from the domestic corporation set forth in the said paragraph an amount that is calculated pursuant to the provisions of Article 81-18, paragraph (1) as its receivable amount of the reduction of corporation tax on consolidated income for each consolidated business year or the reduction of its payable amount of additions to tax, the amount to be received shall be excluded from gross profits, when calculating the amount of income of the other domestic corporation in question for each business year.

(5) In the case where a domestic corporation receives a refund of the amount to be excluded from deductible expenses in the calculation of the amount of income for each business year, pursuant to the provisions of Article 55, paragraph (4), the amount to be refunded shall be excluded from gross profits,

when calculating the amount of income of the domestic corporation for each business year.

(Inclusion in Gross Profits of Foreign Subsidiary Company's Foreign Corporation Tax to be Credited Against Corporation Tax)

Article 28 In the case where the provisions of Article 69, paragraph (8) (Credit for Foreign Tax) are applied to the amount of foreign corporation tax to be imposed on a domestic corporation for the income of its foreign subsidiary company prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the foreign subsidiary company's income pursuant to the provisions of paragraph (9) of the said Article) in each business year, the amount calculated as specified by the Cabinet Order prescribed in paragraph (8) of the said Article shall be included in gross profits, when calculating the amount of income of the domestic corporation for the business year specified by Cabinet Order.

Subsection 4 Calculation of Deductible Expenses

Division 1 Valuation of Assets and Depreciation Allowance

(Calculation of Cost of Sales of Inventory Assets and Valuation Method)

Article 29 (1) When, with regard to a domestic corporation's inventory assets, calculating the amount to be included in deductible expenses in each business year in the calculation of the amount of income for the said business year, pursuant to the provisions of Article 22, paragraph (3) (The Amount to be Included in Deductible Expenses in Each Business Year), the value of the inventory assets held by the domestic corporation as of the end of the said business year that were used as the basis of the calculation shall be the amount evaluated based on the valuation method that the domestic corporation selected for the inventory assets (in the case where the domestic corporation did not select any valuation method or did not evaluate the inventory assets based on the valuation method of their choice, the amount evaluated based on one of the valuation methods specified by Cabinet Order).

(2) The types of valuation methods that can be selected as set forth in the preceding paragraph, procedures for the selection, and any other matters necessary for the valuation of inventory assets shall be specified by Cabinet Order.

(Calculation of Depreciation Allowance of Depreciable Assets and Depreciation Method)

Article 31 (1) With regard to depreciable assets held by a domestic corporation as of the end of each business year, the amount to be included in deductible

expenses as the depreciation allowance thereof in the calculation the amount of income for the said business year, pursuant to the provisions of Article 22, paragraph (3) (The Amount to be Included in Deductible Expenses in Each Business Year), shall be the portion of the amount that the domestic corporation reckoned into expenses for accounting purposes as its depreciation allowance in the said business year (hereinafter referred to as the "amount reckoned into expenses for accounting purposes" in this Article) up to the amount calculated as specified by Cabinet Order based on the depreciation method that the domestic corporation selected for the assets from among the depreciation methods specified by Cabinet Order, in accordance with the date of the acquisition of assets and the category of their types (in the case where the domestic corporation did not select any depreciation method, based on one of depreciation methods as specified by Cabinet Order) (such calculated amount shall be referred to as the "maximum amount of depreciation" in the following paragraph).

(2) In the case where a domestic corporation transfers its depreciable assets to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (referred to as a "qualified spin-off-type company split, etc." through to paragraph (4)), when the amount equivalent to the amount reckoned into expenses for accounting purposes was reckoned as the expenses with regard to the depreciable assets, the portion of the said amount reckoned as the expenses (referred to as the "amount reckoned into expenses for accounting purposes during the period" in the following paragraph and paragraph (4)) up to the amount equivalent to the maximum amount of depreciation calculated with regard to the depreciable assets as prescribed in the preceding paragraph by deeming the day prior to the date of the qualified spin-off-type company split, etc. to be the last day of the business year shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc. (referred to as the "business year of the company split, etc." in paragraph (4)).

(3) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted a document stating the amount reckoned into expenses for accounting purposes during the period and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(4) Out of the amount reckoned into expenses for accounting purposes for depreciable assets set forth in paragraph (1) in each business year prior to the business year in which the domestic corporation set forth in the said paragraph reckoned the amount into expenses for accounting purposes with regard to the depreciable assets (hereinafter referred to as the "business year of the depreciation" in this paragraph) (such reckoned amount shall include, when the depreciable assets were transferred from a merged corporation or split corporation (hereinafter referred to as a "merged corporation, etc." in this paragraph) as a result of a qualified merger or qualified split-off-type company split (hereinafter referred to as a "qualified merger, etc." in this paragraph), the portion of the amount reckoned into expenses for accounting purposes in each business year prior to the business year containing the day prior to the date of the qualified merger, etc. of the merged corporation, etc. that was excluded from deductible expenses in the calculation of the amount of income for the said business year, and when the depreciable assets were transferred from a split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "split corporation, etc." in this paragraph) as a result of a qualified spin-off-type company split, etc., the amount recorded in the books as the amount reckoned into expenses for accounting purposes during the period in the business year of the company split, etc. of the split corporation, etc., and the portion of the amount reckoned into expenses for accounting purposes in each business year prior to the business year of the company split, etc. that was excluded from deductible expenses in the calculation of the amount of income for each business year prior to the business year of the company split, etc.; hereinafter the same shall apply in this paragraph), the amount reckoned into expenses for accounting purposes shall include the amount excluded from deductible expenses in the calculation of the amount of income for each business year prior to the business year of the depreciation; and the amount reckoned into expenses for accounting purposes during the period shall include the portion of the amount reckoned into expenses for accounting purposes for depreciable assets set forth in paragraph (2) in each business year prior to the business year of the company split, etc. of the domestic corporation set as forth in the said paragraph that was excluded from deductible expenses in the calculation of the amount of income for the said business year.

(5) In the case referred to in the preceding paragraph, with regard to depreciable assets held by the domestic corporation (limited to depreciable assets transferred from a merged corporation as a result of a qualified merger, depreciable assets falling under the category of assets evaluated by fair value prescribed in Article 61-11, paragraph (1) (Gain or Loss on Fair Valuation of

Assets Accompanying the Commencement of Consolidated Taxation) to which the provisions of the said paragraph were applied, and other depreciable assets as specified by Cabinet Order), in the case where the amount specified by Cabinet Order to be the amount recorded in the books as the value of the depreciable assets is less than the amount recorded in the merged corporation's books immediately prior to the transfer, the book value immediately after the provisions of paragraph (1) of the said Article were applied, or any other amount specified by Cabinet Order, the amount of the shortfall shall be deemed to be the amount reckoned into expenses for accounting purposes in each business year prior to the business year specified by Cabinet Order.

(6) Special provisions for depreciation methods that can be selected as set forth in paragraph (1), procedures for selecting a depreciation method, acquisition costs of depreciable assets that are used as the basis of the calculation of the depreciation allowance, and other matters necessary for the depreciation of depreciable assets shall be specified by Cabinet Order.

(Calculation of Depreciation Allowance of Deferred Assets and Depreciation Method)

Article 32 (1) With regard to deferred assets held by a domestic corporation as of the end of each business year, the amount to be included in deductible expenses as the depreciation allowance thereof in the calculation the amount of income for the said business year, pursuant to the provisions of Article 22, paragraph (3) (The Amount to be Included in Deductible Expenses in Each Business Year), shall be the portion of the amount that the domestic corporation reckoned into expenses for accounting purposes as the depreciation allowance in the said business year (hereinafter referred to as the "amount reckoned into expenses for accounting purposes" in this Article) up to the amount calculated as specified by Cabinet Order based on the period during which the expenses related to the said deferred assets continued to affect the calculation (such calculated amount shall be referred to as the "maximum amount of depreciation" in the following paragraph).

(2) In the case where, as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this paragraph and the following paragraph), a domestic corporation hands over its deferred assets to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "succeeding corporation in a company split, etc.") (such deferred assets shall be limited to those related to assets, liabilities, or contracts (referred to as "assets, etc." in paragraph (4)) to be transferred as a

result of the qualified spin-off-type company split, etc. to the succeeding corporation in a company split, etc.), when the amount equivalent to the amount reckoned into expenses for accounting purposes was reckoned as the expenses with regard to the deferred assets, the portion of the said amount reckoned as the expenses (referred to as the "amount reckoned into expenses for accounting purposes during the period" in the following paragraph and paragraph (6)) up to the amount equivalent to the maximum amount of depreciation calculated with regard to the deferred assets as prescribed in the preceding paragraph by deeming the day prior to the date of the qualified spin-off-type company split, etc. to be the last day of the business year shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc. (referred to as the "business year of the company split, etc." in paragraph (6)).

(3) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted a document stating the amount reckoned into expenses for accounting purposes during the period and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(4) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph), the deferred assets prescribed in the following items shall, in accordance with the category of qualified organizational restructuring listed in the relevant item, be succeeded to, at the book value as of immediately prior to the qualified organizational restructuring, by a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or the liabilities involved in the qualified organizational restructuring:

(i) Qualified merger: Deferred assets as of immediately prior to the qualified merger

(ii) Qualified split-off-type company split, qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified split-off-type company split, etc." in this item and the following paragraph): The following deferred assets:

(a) Deferred assets specified by Cabinet Order as having a close relation to the assets, etc. to be transferred to a succeeding corporation in a company

split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "succeeding corporation in a company split, etc." in this item and the following paragraph) as a result of the qualified split-off-type company split, etc.

(b) Deferred assets which have a relation to the assets, etc. to be transferred to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of the qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities and to which the provisions of paragraph (2) were applied (excluding those listed in (a))

(c) Deferred assets which have a relation to the assets, etc. to be transferred to a succeeding corporation in a company split, etc. as a result of the qualified split-off-type company split, etc. (excluding those listed in (a) and (b))

(5) The provisions of the preceding paragraph (limited to the part pertaining to item (ii), (c)) shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted a document stating the book value of the deferred assets listed in (c) of the said item that are to be succeeded to by a succeeding corporation in a company split, etc. pursuant to the provisions of the preceding paragraph and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified split-off-type company split, etc.

(6) Out of the amount reckoned into expenses for accounting purposes for deferred assets set forth in paragraph (1) in each business year prior to the business year in which the domestic corporation set forth in the said paragraph reckoned the amount into expenses for accounting purposes with regard to the deferred assets (hereinafter referred to as the "business year of the depreciation" in this paragraph) (such reckoned amount shall include, when the deferred assets were succeeded to from a merged corporation or split corporation (hereinafter referred to as a "merged corporation, etc." in this paragraph) as a result of a qualified merger or qualified split-off-type company split (hereinafter referred to as a "qualified merger, etc." in this paragraph), the portion of the amount reckoned into expenses for accounting purposes in each business year prior to the business year containing the day prior to the date of the qualified merger, etc. of the merged corporation, etc. that was excluded from deductible expenses in the calculation of the amount of income for the said business year, and when the deferred assets were succeeded to from a split corporation, corporation making a capital contribution in kind, or

corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "split corporation, etc." in this paragraph) as a result of a qualified spin-off-type company split, etc. as prescribed in paragraph (2), the amount recorded in the books as the amount reckoned into expenses for accounting purposes during the period in the business year of the company split, etc. of the split corporation, etc., and the portion of the amount reckoned into expenses for accounting purposes in each business year prior to the business year of the company split, etc. that was excluded from deductible expenses in the calculation of the amount of income for each business year prior to the business year of the company split, etc.; hereinafter the same shall apply in this paragraph), the amount reckoned into expenses for accounting purposes shall include the amount excluded from deductible expenses in the calculation of the amount of income for each business year prior to the business year of the depreciation; and the amount reckoned into expenses for accounting purposes during the period shall include the portion of the amount reckoned into expenses for accounting purposes for deferred assets set forth in paragraph (2) in each business year prior to the business year of the company split, etc. of the domestic corporation set forth in the said paragraph that was excluded from deductible expenses in the calculation of the amount of income for the said business year.

(7) In the case referred to in the preceding paragraph, with regard to the deferred assets held by the domestic corporation (limited to deferred assets succeeded to from a merged corporation as a result of a qualified merger, deferred assets falling under the category of assets evaluated by fair value prescribed in Article 61-11, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Commencement of Consolidated Taxation) to which the provisions of the said paragraph were applied, and other deferred assets specified by Cabinet Order), in the case where the amount specified by Cabinet Order to be the amount recorded in the books as their value is less than the amount recorded in the merged corporation's books immediately prior to the succession, the book value immediately after the provisions of paragraph (1) of the said Article were applied, or another amount as specified by Cabinet Order, the amount of the shortfall shall be deemed to be the amount reckoned into expenses for accounting purposes in each business year prior to the business year specified by Cabinet Order.

(8) In addition to what is provided for in the preceding paragraphs, necessary matters concerning the depreciation of deferred assets shall be specified by Cabinet Order.

Division 2 Asset Valuation Loss

(Exclusion from Deductible Expenses of Asset Valuation Loss)

Article 33 (1) In the case where a domestic corporation has revaluated its assets to reduce their book value, the amount of the reduction shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(2) With regard to a domestic corporation's assets (excluding deposits, savings, loans, accounts receivable, and other claims (referred to as "deposits, etc." in the following paragraph)), when [1]the value of the assets has fallen below their book value due to significant damages caused by a disaster, [2]it has become necessary to revaluate them pursuant to the provisions of the Corporate Reorganization Act or the Act on Special Measures, etc. of Reorganization Procedure of Financial Institutions, as an order on the confirmation of a reorganization plan has been rendered under these Acts, or [3]any other events specified by Cabinet Order have occurred, and when the domestic corporation has revaluated the assets and reckoned into expenses for accounting purposes in order to reduce their book value, the portion of the amount of the reduction up to the difference between the book value of the assets as of immediately prior to the revaluation and the value of the assets as of the end of the business year containing the date of the revaluation (in the case where the assets were revaluated based on the provisions of those Acts, the amount of the reduction) shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of the revaluation, notwithstanding the provisions of the preceding paragraph.

(3) In the case where an order on the confirmation of a rehabilitation plan has been rendered for a domestic corporation under the Civil Rehabilitation Act or any equivalent event as specified by Cabinet Order has occurred, when the domestic corporation evaluates the value of its assets as specified by Cabinet Order, the amount specified by Cabinet Order to be a valuation loss of the assets (excluding deposits, etc. or other assets as specified by Cabinet Order) shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of any of such events, notwithstanding the provisions of paragraph (1).

(4) In the case where the provisions of paragraph (1) were applied, with regard to the assets whose reduced value due to revaluation was not included in deductible expenses, it shall be deemed that the book value of the said assets was not reduced, when calculating the amount of income for each business year after the business year containing the date of the revaluation.

(5) The provisions of paragraph (3) shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount specified by Cabinet Order to be the amount of valuation loss prescribed in the said paragraph (referred to as a "detailed

statement of the valuation loss" in the following paragraph) and is attached with the documents specified by Ordinance of the Ministry of Finance (referred to as "valuation loss-related documents" in the following paragraph) (when with regard to the assets prescribed in Article 25, paragraph (3) (Exclusion from Gross Profits of Asset Valuation Gain, etc.), there is any amount specified by Cabinet Order to be the amount of valuation gain prescribed in the said paragraph (such case shall be referred to as the "case where there is any valuation gain" in the following paragraph), only in the case where a final return form contains a detailed statement of the valuation gain prescribed in paragraph (5) of the said Article (referred to as a "detailed statement of the valuation gain" in the following paragraph) and the valuation gain-related documents prescribed in paragraph (5) of the said Article (referred to as "valuation gain-related documents" in the following paragraph)).

(6) Even in the case where a final return form has been filed without a detailed statement of the valuation loss (in the case where there is any valuation gain, without a detailed statement of the valuation loss or a detailed statement of the valuation gain) or without valuation loss-related documents (in the case where there is any valuation gain, without valuation loss-related documents or valuation gain-related documents), the district director of the tax office may apply the provisions of paragraph (3), when he/she finds any unavoidable grounds for the person's failure to make entries of such a statement or to attach such documents.

(7) In addition to what is provided for in the preceding three paragraphs, necessary matters concerning the application of the provisions of paragraphs (1) to (3) shall be specified by Cabinet Order.

Division 3 Remuneration for Officers, etc.

(Exclusion from Deductible Expenses of Remuneration for Officers)

Article 34 (1) The amount of remuneration that a domestic corporation pays to its officers (such remuneration shall exclude a retirement allowance and any remuneration based on share options as prescribed in Article 54, paragraph (1) (Special Provisions for Business Year for Vesting Expenses in Exchange for Share Options), and any other remuneration that is paid to officers who have duties as employees for carrying out such duties and that is subject to the provisions of paragraph (3); hereinafter the same shall apply in this paragraph) and that does not fall under any of the following categories of remuneration shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year:

(i) Remuneration that is paid for each specified period of not longer than one month (referred to as "regular remuneration" in the following item) and

where the amount of each payment is the same in the said business year, and any other remuneration specified by Cabinet Order as being equivalent thereto (referred to as "regular fixed remuneration" in the following item)

(ii) Remuneration that is paid based on a rule to pay a defined amount at specified times when officers have carried out their duties (excluding regular fixed remuneration and profit-related remuneration (meaning remuneration which is calculated based on profit-related indicators; the same shall apply in the following item), and with regard to remuneration other than remuneration to be paid to officers to whom regular remuneration is not paid (limited to remuneration paid by a domestic corporation that does not fall under the category of family corporation), limited to such remuneration in the case where a notification concerning the details of the rule has been made to the competent district director having jurisdiction over the place for tax payment as specified by Cabinet Order)

(iii) Profit-related remuneration that is paid by a domestic corporation that does not fall under the category of family corporation to its executive officers (meaning officers specified by Cabinet Order to be those executing business; hereinafter the same shall apply in this item) and that meets the following requirements (limited to the case where profit-related remuneration that meets the following requirements is paid to all the other executive officers):

(a) That the calculation method is objective based on indicators on profits of the said business year (limited to indicators entered in an annual securities report as prescribed in Article 24, paragraph (1) (Submission of Annual Securities Report) of the Financial Instruments and Exchange Act (referred to as an "annual securities report" in 3. below) (such calculation method shall be limited to a method that meets the following requirements):

1. That the calculation method limits the ceiling to the defined amount and is similar to that of profit-related remuneration to be paid to other executive officers.
2. That a compensation committee (meaning a compensation committee set forth in Article 404, paragraph (3) (Authority of Committees) of the Companies Act and excluding a committee in which an executive officer of the domestic corporation or a person who has a special relationship specified by Cabinet Order with the executive officer serves as a member) has made a decision on the calculation method, or any other procedures specified by Cabinet Order to be the proper procedures equivalent thereto have been executed by the date specified by Cabinet Order.
3. That the details of the calculation method have been entered in an annual securities report or have been disclosed in a manner as

specified by Ordinance of the Ministry of Finance without delay on or after the date of the decision or the conclusion of the procedures set forth in 2. above.

(b) Any other requirements specified by Cabinet Order

(2) The portion of the amount of remuneration paid by a domestic corporation to its officers (excluding remuneration subject to the provisions of the preceding paragraph or the following paragraph) that is specified by Cabinet Order as an amount which is unreasonably high shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(3) The amount of remuneration paid by a domestic corporation to its officers through accounting by concealing or falsifying facts shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year

(4) Remuneration as prescribed in the preceding three paragraphs shall include profits resulting from a release from an obligation and other economic benefits.

(5) Officers who have duties as employees as prescribed in paragraph (1) shall be officers (excluding the president, chief director or others specified by Cabinet Order) who hold any of the positions of department director, section chief, or other employees of a corporation and who are engaged in the duties of a full-time employee.

(6) In addition to what is provided for in the preceding two paragraphs, necessary matters concerning the application of the provisions of paragraphs (1) to (3) shall be specified by Cabinet Order.

(Exclusion from Deductible Expenses of Remuneration for Officers of Specially Controlled Family Corporations)

Article 35 (1) The portion of the amount of remuneration (including profits resulting from a release from an obligation and other economic benefits and excluding retirement allowances) paid by a specially controlled family corporation (meaning a specially controlled family corporation in the case where the presiding officers of a family corporation (meaning the officers who preside over a corporation's business and limited to individuals; hereinafter the same shall apply in this paragraph) and persons specified by Cabinet Order to be those who have a special relationship with those presiding officers (hereinafter referred to as "persons related to the presiding officers" in this paragraph) hold 90 percent or more of the total number or the total amount of the family corporation's issued shares or capital contributions (excluding own shares or capital contributions held by the family corporation) or in other cases as specified by Cabinet Order (such specially controlled family corporation shall be limited to a company in which the number of the presiding officers and

persons related to the presiding officers who are engaged in the regular running of the business exceeds 50 percent of the total number of officers who are engaged in the regular running of the business); hereinafter the same shall apply in this Article) to its presiding officers (such amount of remuneration shall exclude the amount excluded from deductible expenses pursuant to the provisions of the preceding Article) that is calculated as specified by Cabinet Order based on the amount of the remuneration shall be excluded from deductible expenses, when calculating the amount of income of the specially controlled family corporation for each business year.

(2) The provisions of the preceding paragraph shall not apply to a business year when the amount of base income (meaning the amount calculated as specified by Cabinet Order based on the amount of income or loss for each business year or each consolidated business year that starts within three years prior to the first day of the said business year or the amount of individual income or individual loss prescribed in Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax)) does not exceed the amount specified by Cabinet Order nor to any other business years specified by Cabinet Order.

(3) In the case referred to in paragraph (1), the determination as to whether the domestic corporation falls under the category of a specially controlled family corporation shall be based on its circumstances as of the end of the business year of the said domestic corporation.

(4) In addition to what is provided for in the preceding two paragraphs, necessary matters concerning the application of the provisions of paragraph (1) shall be specified by Cabinet Order.

(Exclusion from Deductible Expenses of Excessive Remuneration for Employees)

Article 36 The portion of the amount of remuneration paid by a domestic corporation to employees who have a special relationship as specified by Cabinet Order with its officers (including profits resulting from a release from an obligation and other economic benefits) that is specified by Cabinet Order as an amount which is unreasonably high shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

Division 4 Contribution or Donation

(Exclusion from Deductible Expenses of Contribution or Donation)

Article 37 (1) The portion of the sum of the donations made by a domestic corporation in each business year (excluding the amount of donations subject to

the provisions of the following paragraph) that exceeds the amount of the domestic corporation's stated capital, etc. as of the end of the said business year or the amount calculated as specified by Cabinet Order based on the income for the said business year shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(2) When a domestic corporation has made any donation in each business year to a consolidated corporation that has a consolidated full controlling interest in the domestic corporation, the amount of such donation shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(3) In the case referred to in paragraph (1), when the amount of a donation as prescribed in the said paragraph contains any of the following amounts, the total amount of donations listed in the following items shall be excluded from the sum of the donations prescribed in the said paragraph:

(i) The amount of a donation to the national or a local government (including port authorities as prescribed by the Ports and Harbors Act (Act No. 218 of 1950) (when it is deemed that a person who has made a donation may utilize the facilities established by the donation exclusively or may enjoy any other special benefits therefrom, such donation shall be excluded)

(ii) The amount of a donation to a public interest incorporated association, public interest incorporated foundation, or any other corporation or group that conducts business for public interest purposes (including a donation for the purpose of establishing such corporation or any other donation made prior to the establishment thereof that is specified by Cabinet Order) that is designated by the Minister of Finance as a donation meeting the following requirements, as specified by Cabinet Order:

(a) That the donation is collected widely from the general public.

(b) That it is fully expected that the donation shall be appropriated to urgent expenses to serve in the promotion of education or science, the enhancement of culture, as a contribution to social welfare or any other improvement in the public interest.

(4) In the case referred to in paragraph (1), when the amount of a donation as prescribed in the said paragraph contains any amount of a donation made to a public corporation, corporation in the public interest, etc. (excluding any of the general incorporated associations and general incorporated foundations listed in Appended Table 2; hereinafter the same shall apply in this paragraph and the following paragraph), or any other corporation established under special Acts that is specified by Cabinet Order as serving significantly in the promotion of education or science, the enhancement of culture, as a contribution to social welfare or any other improvement in the public interest,

with regard to the business of such corporation's major purpose (excluding donations falling under any of the categories prescribed in the items of the preceding paragraph), the sum of such donations (in the case where the sum exceeds the amount of stated capital, etc. as of the end of the said business year or the amount calculated as specified by Cabinet Order based on the income for the said business year, the amount equivalent to the said calculated amount) shall be excluded from the sum of the donations prescribed in paragraph (1); provided, however, that this shall not apply to the amount of a donation made by a corporation in the public interest, etc.

(5) The amount that a corporation in the public interest, etc. has spent from among the assets belonging to its profit-making business for the purpose of a business other than the said profit-making business (with regard to a public interest incorporated association or public interest incorporated foundation, the amount that it has spent from among the assets belonging to its profit-making business for the purpose of a business other than the said profit-making business that is specified by Cabinet Order to be a business related to the public interest) shall be deemed to be the amount of a donation related to its profit-making business and the provisions of paragraph (1) shall apply.

(6) The amount that a domestic corporation has spent for the purpose of entrusting as trust property under a specified charitable trust (meaning a charitable trust as prescribed in Article 1 (Charitable Trust) of the Charitable Trust Act (Act No. 62 of 1922), for which it is certified, as specified by Cabinet Order, that a trust property as of the time of the termination of the trust is not vested in a settlor of the trust related to the said trust property and the operation of the trust affairs meets the requirements specified by Cabinet Order) shall be deemed to be the amount of a donation, and the provisions of paragraph (1), paragraph (4), paragraph (9) and paragraph (10) shall apply. In this case, the term "paragraph)," in paragraph (4) shall be deemed to be replaced with "paragraph) (such amount shall include the amount spent for the purpose of entrusting as trust property under a specified charitable trust as prescribed in paragraph (6) that is specified by Cabinet Order as serving significantly in the promotion of education or science, the enhancement of culture, as a contribution to social welfare or any other improvement in the public interest," and other necessary matters concerning procedures for seeking the application of the provisions of this paragraph shall be specified by Cabinet Order.

(7) The amount of a donation as prescribed in the preceding paragraphs shall, irrespective of the donation having been made as a donation, contribution, gift, or under any other name, be deemed to be the amount of money in the case where a domestic corporation has made a gift or the gratuitous conveyance of money or other assets or economic benefits (excluding expenses for advertising

or providing samples or other equivalent expenses, and those deemed to be entertainment and social expenses, reception expenses, and welfare expenses; the same shall apply in the following paragraph), the value of the assets other than money as of the time of the gift, or the value of the economic benefits as of the time of the conveyance.

(8) In the case where a domestic corporation has transferred assets or conveyed economic benefits, when the price for the transfer or conveyance is low compared with the value of the assets as of the transfer or the value of the economic benefits as of the conveyance, the portion of the difference between the price and the value that is deemed to have been, in effect, given as a gift or gratuitous conveyance shall be included in the amount of the donation set forth in the preceding paragraph.

(9) The provisions of paragraph (3) and paragraph (4) shall apply only in the case where a final return form states the amount listed in the items of paragraph (3) or the amount of a donation as prescribed in paragraph (4) that is excluded from the sum of the donations prescribed in paragraph (1) and contains a detailed statement concerning the donations prescribed in the items of paragraph (3) or paragraph (4), and where documents specified by Ordinance of the Ministry of Finance are retained. In this case, the amount that is excluded from the sum of the donations prescribed in paragraph (1) pursuant to the provisions of paragraph (3) or paragraph (4) shall not exceed the amount entered as the said amount.

(10) Even in the case where a final return form without entries for the matters or the attachment of a detailed statement set forth in the preceding paragraph, with regard to the whole or a part of the amount to be excluded from the sum of the donations prescribed in paragraph (1) pursuant to the provisions of paragraph (3) or paragraph (4), has been filed or where the documents set forth in the preceding paragraph are not retained, the district director of the tax office may apply the provisions of paragraph (3) or paragraph (4) to the amount for which there were no entries or attachments of the detailed statement or the documents were not retained, when he/she finds any unavoidable grounds for the person's failure to make entries, attach the detailed statement, or retain the documents.

(11) When the Minister of Finance has made a designation set forth in paragraph (3), item (ii), he/she shall make a public notification thereof.

(12) In addition to what is provided for in paragraph (5) to the preceding paragraph, necessary matters concerning the application of the provisions of paragraphs (1) to (4) shall be specified by Cabinet Order.

Division 5 Taxes and Duties, etc.

(Exclusion from Deductible Expenses of the Amount of Corporation Tax, etc.)

Article 38 (1) The amount of corporation tax (excluding delinquent tax, additional tax for understatement, additional tax for failure to file, and substantial additional tax; hereinafter the same shall apply in this paragraph) that a domestic corporation is to pay shall be excluded from deductible expenses, except for the following corporation taxes, when calculating the amount of income of the domestic corporation for each business year:

(i) Corporation tax on a retirement pension fund

(ii) Corporation tax corresponding to the amount listed in Article 19, paragraph (4), item (iii), (c) (The Amount Equivalent to Interest on Refund to be Paid by Amended Return) or Article 28, paragraph (2), item (iii), (c) (The Amount Equivalent to Interest on Refund to be Paid by Reassessment) of the Act on General Rules for National Taxes out of the amount to be paid pursuant to the provisions of Article 35, paragraph (2) (Payment by Amended Return, etc.) of the said Act

(iii) Interest tax pursuant to the provisions of Article 75, paragraph (7) (Interest Tax in the Case of Extending the Due Date for Filing a Final Return Form) (including the case where it is applied mutatis mutandis pursuant to Article 75-2, paragraph (6) or paragraph (8) (Interest Tax in the Case of Special Provisions for Extension of the Due Date for Filing a Final Return Form), Article 81-23, paragraph (2) (Interest Tax in the Case of Extending the Due Date for Filing a Consolidated Final Return Form), or Article 81-24, paragraph (3) or paragraph (6) (Interest Tax in the Case of Special Provisions for Extension of the Due Date for Filing a Consolidated Final Return Form)

(2) The following amounts that a domestic corporation is to pay shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year:

(i) Gift tax and inheritance tax pursuant to the provisions of Article 9-4 (Special Provisions for Trusts without Beneficiaries, etc.) or Article 66 (Taxation on Associations or Foundations without Juridical Personality) of the Inheritance Tax Act (Act No. 73 of 1950)

(ii) Prefectural inhabitants tax and municipal inhabitants tax pursuant to the provisions of the Local Tax Act (including Tokyo inhabitants tax and excluding tax pertaining to corporation tax on a retirement pension fund)

(3) In the case where a domestic corporation pays to another domestic corporation the amount calculated pursuant to the provisions of Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax) as the latter's receivable amount of the reduction of corporation tax on consolidated income for each consolidated business year or the reduction of the latter's payable amount of additions to tax (excluding

interest tax; the same shall apply in the following paragraph), the amount that the domestic corporation pays shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(4) When the other domestic corporation set forth in the preceding paragraph pays to the domestic corporation set forth in the said paragraph the amount calculated pursuant to the provisions of Article 81-18, paragraph (1) as the former's payable amount of corporation tax on consolidated income for each consolidated business year or the former's payable amount of additions to tax, the amount that the other domestic corporation pays shall be excluded from deductible expenses, when calculating the amount of income of the other domestic corporation for each business year.

(Exclusion from Deductible Expenses of the Amount of Tax to be Paid Pertaining to Secondary Tax Liability)

Article 39 (1) The amount of loss incurred by a domestic corporation as a result of paying national tax or local tax (including the amount of loss arising from a right to reimbursement regarding the payment; hereinafter the same shall apply in this Article) shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year:

(i) National tax to be paid pursuant to the provisions of Article 33, Articles 35 to 39, or Article 41, paragraph (1) (Secondary Tax Liability, etc. of Members with Unlimited Liability) of the National Tax Collection Act (Act No. 147 of 1959) (including charges incurred in procedure of collection of the tax delinquency; hereinafter the same shall apply in this Article)

(ii) Local tax to be paid pursuant to the provisions of Article 11-2, Articles 11-4 to Article 11-8, or Article 12-2, paragraph (2) (Secondary Tax Liability, etc. of Members with Unlimited Liability) of the Local Tax Act

(2) The amount of loss that a domestic corporation, which holds any of the amount deemed to be the amount listed in Article 23, paragraph (1), item (i) (Exclusion from Gross Profits of Dividend Received, etc.) pursuant to the provisions of Article 24, paragraph (1), item (iii) (The Amount Deemed to be That of Dividend, etc.) (limited to the part pertaining to the distribution of residual assets due to dissolution) or the amount listed in Article 23, paragraph (1), item (iii) pertaining to the delivery of assets belonging to trust assets due to the termination of a trust that is excluded from gross profits in the calculation of the amount of income for each business year under the provisions of the said paragraph, has incurred as a result of paying any of the following national tax or local tax, with regard to a corporation that has distributed residual assets pertaining to the amount deemed to be as above or

a liquidation trustee as prescribed in Article 177 (Duties of Liquidation Trustees) of the Trust Act of the trust, shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year; provided, however, that in the case where the amount of the national tax or local tax exceeds the said amount excluded from gross profits, this shall not apply to the amount equivalent to the said excess out of the amount of loss:

(i) National tax to be paid pursuant to the provisions of Article 34 (Secondary Tax Liability of Liquidators, etc.) of the National Tax Collection Act

(ii) Local tax to be paid pursuant to the provisions of Article 11-3 (Secondary Tax Liability of Liquidators, etc.) of the Local Tax Act

(Exclusion from Deductible Expenses of Income Tax to be Credited against Corporation Tax)

Article 40 In the case where a domestic corporation seeks the application of the provisions of Article 68, paragraph (1) (Credit for Income Tax), Article 78, paragraph (1) (Refund of Income Tax Amount, etc. by Final Return), or Article 133, paragraph (1) (Refund of Income Tax Amount, etc. by Reassessment pertaining to Final Return or Consolidated Final Return) with regard to the amount of income tax prescribed in Article 68, paragraph (1), the amount equivalent to the amount to be credited or refunded pursuant to these provisions shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(Exclusion from Deductible Expenses of Foreign Tax to be Credited against Corporation Tax)

Article 41 In the case where a domestic corporation seeks the application of the provisions of Article 69 (Credit for Foreign Tax), Article 78, paragraph (1) (Refund of Income Tax Amount, etc. by Final Return), or Article 133, paragraph (1) (Refund of Income Tax Amount, etc. by Reassessment pertaining to Final Return or Consolidated Final Return) with regard to the amount of creditable foreign corporation tax prescribed in Article 69, paragraph (1), the said amount of creditable foreign corporation tax shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

Division 6 Advanced Depreciation by Reduction of Book Value of Assets

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with National Subsidies, etc.)

Article 42 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) has received subsidies or benefits from the national or a local government or any other financial assistance as specified by Cabinet Order as being equivalent thereto (hereinafter referred to as "national subsidies, etc." through to Article 44) in each business year for the purpose of spending them to acquire or improve its fixed assets, and has acquired or improved its fixed assets with the said national subsidies, etc. in line with such purpose in the relevant business year (limited to the case where it is determined that the said national subsidies, etc. need not be returned by the end of the said business year), when their book value has been reduced by reckoning the amount into expenses for accounting purposes within the limit equivalent to the amount of the national subsidies, etc. spent for the acquisition or improvement of its fixed assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) In the case where a domestic corporation has acquired fixed assets which are delivered in lieu of national subsidies, etc. in each business year, when their book value has been reduced by reckoning the amount into expenses for accounting purposes within the limit equivalent to the value of the fixed assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(3) The provisions of the preceding two paragraphs shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the amount reduced or booked as prescribed in these provisions.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1) or paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(5) In the case where a domestic corporation transfers, as a result of a qualified

spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this Article), any of the fixed assets that it has acquired or improved with national subsidies, etc. (limited to national subsidies, etc. that the domestic corporation has received during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc.) (such fixed assets shall be limited to those in line with the purpose of the national subsidies, etc.; hereinafter the same shall apply in this paragraph) to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in the following paragraph) (limited to the case where it is determined that the said national subsidies, etc. need not be returned by the time immediately prior to the qualified spin-off-type company split, etc.), when the book value of the fixed assets has been reduced to within the limit equivalent to the amount of national subsidies, etc. spent for the acquisition or improvement thereof, the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(6) In the case where a domestic corporation transfers, as a result of a qualified spin-off-type company split, etc., any of the fixed assets as prescribed in paragraph (2) (limited to those acquired during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc.; hereinafter the same shall apply in this paragraph) to a succeeding corporation in a company split, etc., when the book value of the fixed assets has been reduced to within the limit equivalent to the value of the fixed assets, the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(7) The provisions of the preceding two paragraphs shall apply only in the case where the domestic corporation prescribed in these provisions has submitted documents stating the amount equivalent to the reduced amount prescribed in these provisions and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(8) In the case where a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities has received the

transfer of any of the fixed assets to which the provisions of paragraph (1), paragraph (2), paragraph (5), or paragraph (6) had been applied under a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities, the acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Special Account pertaining to National Subsidies, etc.)

Article 43 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) receives national subsidies, etc. in each business year (excluding a business year containing the day preceding the date of the merger of a merged corporation (excluding a qualified merger; referred to as a "non-qualified merger" in the following paragraph and paragraph (3)) for the purpose of spending such subsidies to acquire or improve its fixed assets (limited to the case where it has not been determined that the said national subsidies, etc. need not be returned by the end of the said business year), when the amount not exceeding the amount equivalent to the national subsidies, etc. has been booked in such a manner as to establish a special account (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) A domestic corporation that has established a special account set forth in the preceding paragraph shall, in the case where it has been determined either that national subsidies, etc. should be returned or need not be returned, or where the domestic corporation has been dissolved as a result of a non-qualified merger, or in other cases as specified by Cabinet Order, dispose of the portion of the special account pertaining to the national subsidies, etc. that has been calculated as specified by Cabinet Order.

(3) The amount of the special account set forth in paragraph (1) that is to be disposed of under the preceding paragraph or the amount of the special account that has been disposed of without falling under the provisions of the preceding paragraph (excluding the amount to be succeeded to by a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "merging corporation, etc." in

paragraph (8) and paragraph (10)) pursuant to the provisions of paragraph (8)) shall be included in gross profits, when calculating the amount of income, respectively, for the business year containing the day on which the former amount is to be disposed of (in the case where the domestic corporation prescribed in the preceding paragraph has been dissolved as a result of a non-qualified merger, containing the day preceding the date of the said non-qualified merger) or for the business year containing the day on which the latter amount was disposed of.

(4) The provisions of paragraph (1) shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the booked amount prescribed in the said paragraph.

(5) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(6) In the case where a domestic corporation has effected a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this Article) and has received national subsidies, etc. for the purpose of spending them to acquire or improve its fixed assets (limited to national subsidies, etc. for which it has not been determined that they need not be returned by the time immediately prior to the qualified spin-off-type company split, etc.; hereinafter the same shall apply in this paragraph) during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc. (limited to the case where any of the following requirements is met), when a special account equivalent to that which is set forth in paragraph (1) has been established within the limit equivalent to the said amount of national subsidies, etc. to be spent for the acquisition or improvement of the fixed assets (hereinafter such special account shall be referred to as a "special account during the period" in this Article), the amount equivalent to the said amount of the special account during the period established as above shall be included in deductible expenses, when calculating the amount of income for the said business year:

(i) That the domestic corporation transfers any of the fixed assets that it has acquired or improved with the national subsidies, etc. (limited to fixed assets in line with the purpose of the national subsidies, etc.) to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or

liabilities (hereinafter referred to as a "succeeding corporation in a company split, etc." in this Article) as a result of the qualified spin-off-type company split, etc.

(ii) That a succeeding corporation in a company split, etc. involved in a qualified spin-off-type company split, etc. is expected to acquire or improve its fixed assets with the national subsidies, etc. in line with the purpose thereof.

(7) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted documents stating the amount equivalent to the special account during the period and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(8) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph), the amount of a special account or special account during the period prescribed in the following items shall be succeeded to by a merging corporation, etc. involved in the qualified organizational restructuring, in accordance with the category of the following qualified organizational restructuring:

(i) Qualified merger: The amount of a special account set forth in paragraph (1) pertaining to national subsidies, etc. (limited to those for which it has not been determined that they need not be returned by the time immediately prior to the qualified organizational restructuring; hereinafter the same shall apply in this paragraph) that the domestic corporation holds as of immediately prior to the qualified merger

(ii) Qualified split-off-type company split: The portion prescribed respectively as follows, in accordance with the category of the following cases, out of the amount of a special account set forth in paragraph (1) pertaining to national subsidies, etc. that the domestic corporation holds as of immediately prior to the qualified split-off-type company split:

(a) In the case where the domestic corporation has transferred any of the fixed assets that it has acquired or improved with the national subsidies, etc. (limited to fixed assets in line with the purpose of the national subsidies, etc.) to a succeeding corporation in a company split as a result of the qualified split-off-type company split: The amount of a special account pertaining to the national subsidies, etc. that have been spent for acquiring or improving the fixed assets

(b) In the case where a succeeding corporation in a company split involved in

the qualified split-off-type company split is expected to acquire or improve its fixed assets with the national subsidies, etc. in line with the purpose thereof: The amount of a special account pertaining to the national subsidies, etc. that is to be spent for acquiring or improving the fixed assets

(iii) Qualified spin-off-type company split, etc.: The portion prescribed respectively as follows, in accordance with the category of the following cases, out of the amount of a special account set forth in paragraph (1) pertaining to national subsidies, etc. that the domestic corporation holds as of immediately prior to the qualified spin-off-type company split, etc. and the amount of the special account during the period pertaining to national subsidies, etc. that the domestic corporation established at the time of the qualified spin-off-type company split, etc.:

(a) In the case where the domestic corporation has transferred any of the fixed assets that it has acquired or improved with the national subsidies, etc. (limited to fixed assets in line with the purpose of the national subsidies, etc.) to a succeeding corporation in a company split, etc. as a result of the qualified spin-off-type company split, etc.: The amount of a special account pertaining to the national subsidies, etc. that have been spent for acquiring or improving the fixed assets

(b) In the case where a succeeding corporation in a company split, etc. involved in the qualified spin-off-type company split, etc. is expected to acquire or improve its fixed assets with the national subsidies, etc. in line with the purpose thereof: The amount of a special account pertaining to the national subsidies, etc. that are to be spent for acquiring or improving the fixed assets

(9) With regard to a domestic corporation that has established a special account set forth in paragraph (1) and has effected a qualified merger, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified company split, etc." in this paragraph) (excluding a domestic corporation that has established both the said special account and a special account during the period and carries over only the amount of the special account during the period to a succeeding corporation in a company split, etc. as a result of a qualified spin-off-type company split, etc.), the provisions of the preceding paragraph shall apply only in the case where the domestic corporation that has established the special account has submitted documents stating the amount of the special account to be carried over to a succeeding corporation in a company split, etc. as a result of a qualified company split, etc. and any other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the

qualified company split, etc.

(10) The amount of a special account set forth in paragraph (1) or the amount of a special account during the period that a merging corporation, etc. has succeeded to pursuant to the provisions of paragraph (8) shall be deemed to be the amount of a special account set forth in paragraph (1) that the merging corporation, etc. has established pursuant to the provisions of the said paragraph.

(11) Necessary matters concerning the application of the provisions of the preceding paragraphs in the case where a merger, company split, capital contribution in kind, or post-formation acquisition of assets and/or liabilities (meaning the post-formation acquisition of assets and/or liabilities prescribed in Article 2, item (xii)-6 (Definitions)) has been effected shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with National Subsidies, etc. in the Case of Having Established a Special Account)

Article 44 (1) In the case where a domestic corporation that holds the amount of a special account set forth in paragraph (1) of the preceding Article (excluding the amount already having been disposed of) has acquired or improved its fixed assets with national subsidies, etc. in line with the purpose thereof (in the case where the domestic corporation has succeeded to the said amount of the special account from a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merged corporation, etc." in this paragraph and paragraph (6)), pursuant to the provisions of Article 43, paragraph (8) (hereinafter such case shall be referred to as the "case where there was any succession" in this paragraph), including the case where the merged corporation, etc. has acquired or improved such fixed assets with national subsidies, etc.; hereinafter the same shall apply in this paragraph and paragraph (4)), and where it has been determined that the whole or a part of the national subsidies, etc. spent for the acquisition or improvement need not be returned in a business year after the business year containing the date of the acquisition or improvement (in the case where there was any succession, in a business year after the business year containing the date of a qualified organizational restructuring as prescribed in Article 43, paragraph (8) (referred to as a "qualified organizational restructuring" in paragraph (6)), when the book value of the fixed assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit of the amount calculated, as specified by Cabinet Order, as the portion of the special account as of the date of the determination that pertains to the national subsidies, etc.

for which it has been determined that they need not be returned (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph and paragraph (4)) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount reduced or booked as prescribed in the said paragraph.

(3) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(4) In the case where a domestic corporation that holds the amount of a special account set forth in paragraph (1) has effected a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off type company split, etc." in this paragraph and the following paragraph) and where the domestic corporation has acquired or improved its fixed assets with the national subsidies, etc. in line with the purpose thereof immediately prior to the qualified spin-off type company split, etc. (limited to the case where it has determined that the whole or a part of the national subsidies, etc. spent for the acquisition or improvement need not be returned during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc. and where the said fixed assets acquired or improved are to be transferred to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of the qualified spin-off type company split), when the book value of the fixed assets has been reduced to within the advanced depreciation limit, the amount equivalent to the amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(5) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation prescribed in the said paragraph has submitted documents stating the amount equivalent to the reduced amount prescribed in the said paragraph and other matters specified by Ordinance of the Ministry of

Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(6) In the case where a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities has received the transfer of any of the fixed assets to which the provisions of paragraph (1) or paragraph (4) had been applied under a merged corporation, etc., as a result of a qualified organizational restructuring, the acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Payment by Beneficiary)

Article 45 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) that conducts any of the following businesses has received money or materials in each business year, for the purpose of establishing the facilities necessary for conducting the business, from persons who consume electricity, gas or water, persons who receive a heat supply, persons who use railway or rail track services or wire broadcasting telephone services, or other persons who enjoy benefits from such facilities (hereinafter referred to as the "beneficiaries" in this Article) and has acquired fixed assets comprising such facilities with the said money or materials in the said business year, when the book value of the fixed assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit of the amount equivalent to that of the money paid or the value of the materials provided (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year:

(i) The general electricity business prescribed in Article 2, paragraph (1), item (i) (Definitions) of the Electricity Business Act (Act No. 170 of 1964), wholesale electricity business prescribed in item (iii) of the said paragraph, or specified electricity business prescribed in item (v) of the said paragraph

(ii) The general gas utility business prescribed in Article 2, paragraph (1) (Definitions) of the Gas Business Act (Act No. 51 of 1954) or community gas utility business prescribed in paragraph (3) of the said Article

(iii) The water utility business prescribed in Article 3, paragraph (2) (Definitions) of the Waterworks Act (Act No. 177 of 1957)

(iv) The heat supply business prescribed in Article 2, paragraph (2) (Definitions) of the Heat Supply Business Act (Act No. 88 of 1972)

(v) The railway business prescribed in Article 2, paragraph (1) (Definitions) of the Railway Business Act (Act No. 92 of 1986)

(vi) The transport business conducted by laying rail tracks prescribed in Article 1, paragraph (1) (Coverage of the Act on Rail Tracks) of the Act on Rail Tracks (Act No. 76 of 1921)

(vii) The business pertaining to wire broadcasting telephone services prescribed in Article 2, paragraph (2) (Definitions) of the Act on Wire Broadcasting Telephone Business (Act No. 152 of 1957)

(viii) Businesses equivalent to those listed in the preceding items that are specified by Cabinet Order

(2) In the case where the domestic corporation set forth in the preceding paragraph has received the delivery of fixed assets comprising the facilities necessary for conducting the businesses listed in the items of the said paragraph in each business year from the beneficiaries of the said business, when the book value of the fixed assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit of the amount equivalent to the value of the said fixed assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(3) The provisions of the preceding two paragraphs shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount reduced or booked as prescribed in these provisions.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1) or paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(5) In the case where the domestic corporation set forth in the preceding paragraph transfers, as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off type

company split, etc." in this Article), its fixed assets (limited to fixed assets that the domestic corporation acquired by receiving money or materials, for the purpose of establishing the facilities necessary for conducting the business listed in paragraph (1), from the beneficiaries of the said business during the period from the beginning of the business year containing the date of the qualified spin-off type company split, etc. to immediately prior to the qualified spin-off type company split, etc. and that comprise the said facilities) to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in the following paragraph), when the book value of the fixed assets has been reduced to within the amount equivalent to that of the money paid or the value of the materials provided, the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(6) In the case where the domestic corporation set forth in paragraph (1) transfers, as a result of a qualified spin-off-type company split, etc., fixed assets comprising the facilities necessary for conducting the business listed in the items of the said paragraph (limited to the fixed assets that the domestic corporation acquired from the beneficiaries of the said business during the period from the beginning of the business year containing the date of the qualified spin-off type company split, etc. to immediately prior to the qualified spin-off type company split, etc.) to a succeeding corporation in a company split, etc., when the book value of the fixed assets has been reduced to within the amount equivalent to the value of the fixed assets, the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(7) The provisions of the preceding two paragraphs shall apply only in the case where the domestic corporation prescribed in these provisions has submitted documents stating the amount equivalent to the reduced amount prescribed in these provisions and any other matters as specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(8) In the case where a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities has received the transfer of any of the fixed assets to which the provisions of paragraph (1), paragraph (2), paragraph (5), or paragraph (6) had been applied under a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting a post-formation acquisition of

assets and/or liabilities, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities, acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired by Non-contribution Partnership with Allotment Money)

Article 46 (1) In the case where cooperatives, etc. that do not hold capital contributions allots the expenses for acquiring or improving its fixed assets to be used for its business to its partners or members in each business year and has acquired or improved any fixed assets to be used for its business with the money paid based on such allotment in the said business year (hereinafter referred to as "allotment money" in this paragraph), when the book value of the fixed assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit equivalent to the amount of the allotment money spent for the acquisition or improvement of the fixed assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the amount reduced or booked as prescribed in the said paragraph.

(3) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money, etc.)

Article 47 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) has received, in each business year, insurance money, mutual aid money, or compensation for damages that is specified by Cabinet Order (referred to as "insurance money, etc." through to Article 49) for any loss of or damage to its fixed assets (in the case where the domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or

qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (8)) through which the domestic corporation becomes a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "merging corporation, etc." in paragraph (8)), such fixed assets shall include those owned by the merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (referred to as a "merged corporation, etc." in paragraph (8)) involved in the qualified organizational restructuring; hereinafter referred to as "owned fixed assets" in this Article), and has acquired the same type of fixed assets substituting the owned fixed assets that were lost (hereinafter referred to as "substituted assets" in this Article) with the insurance money, etc. (excluding the acquisition through a lease transaction that is specified by Cabinet Order to be a transaction wherein the ownership is not transferred out of those prescribed in Article 64-2, paragraph (3) (Calculation of the Amount of Income of the Act pertaining to Lease Transactions); hereinafter the same shall apply in this paragraph and paragraph (5)), or has improved the owned fixed assets that were damaged or assets to be substituted assets in the said business year, when the book value of the fixed assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit equivalent to the gain pertaining to insurance money, etc. spent for the acquisition or improvement of the fixed assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) In the case where a domestic corporation has received the delivery of substituted assets in lieu of insurance money, etc. for the loss of or damage to its owned fixed assets in each business year, when the book value of the substituted assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit of the amount calculated as specified by Cabinet Order to be the amount of the gain pertaining to the substituted assets (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts

in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(3) The provisions of the preceding two paragraphs shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the amount reduced or booked as prescribed in these provisions.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1) or paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(5) In the case where a domestic corporation transfers, as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this Article), the fixed assets (limited to substituted assets that the domestic corporation acquired with the insurance money, etc. it had received for the loss of or damage to its owned fixed assets during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc., or any of its owned fixed assets which had been damaged and that it improved with the insurance money, etc. it had received for the said loss or damage during the said period or assets to become substituted assets; hereinafter the same shall apply in this paragraph) to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in the following paragraph), when the book value of the fixed assets has been reduced to within the amount equivalent to the advanced depreciation limit prescribed in paragraph (1), the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(6) In the case where a domestic corporation transfers, as a result of a qualified spin-off-type company split, etc., substituted assets (limited to assets which have been delivered to the domestic corporation in lieu of insurance money, etc. for the loss of or damage to its owned fixed assets during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc.; hereinafter the same shall apply in this paragraph) to a succeeding corporation in a company split, etc., when the book value of the substituted

assets has been reduced to within the amount equivalent to the advanced depreciation limit prescribed in paragraph (2), the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(7) The provisions of the preceding two paragraphs shall apply only in the case where the domestic corporation prescribed in these provisions has submitted documents stating the amount equivalent to the reduced amount prescribed in these provisions and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(8) In the case where a merging corporation, etc. has received the transfer of any of the fixed assets to which the provisions of paragraph (1), paragraph (2), paragraph (5), or paragraph (6) had been applied under a merged corporation, etc. as a result of a qualified organizational restructuring, the acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Special Account pertaining to Gain on Insurance Claim, etc.)

Article 48 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) that is to receive the payment of insurance money, etc. intends to make an acquisition or improvement as prescribed in paragraph (1) of the preceding Article with the insurance money, etc. during the period up to the day preceding the day on which two years have elapsed from the day following the last day of the business year in which it receives the payment (excluding a business year containing the day preceding the date of a merger (excluding a qualified merger; referred to as a "non-qualified merger" in the following paragraph and paragraph (3)) of a merged corporation) (in the case where it is difficult to acquire the substituted assets prescribed in paragraph (1) of the preceding Article as prescribed in the said paragraph by the said date due to any disaster or other unavoidable circumstances, during the period up to the day designated by the competent district director having jurisdiction over the place for tax payment as specified by Cabinet Order (referred to as the "designated date" in paragraph (6) and paragraph (8)) (such case shall include the case where the domestic corporation has effected a qualified merger through which it becomes a merged corporation, and where the merging corporation involved in the qualified merger intends to make the acquisition or improvement or other cases specified by Cabinet Order), when the amount not

exceeding the amount calculated as a gain pertaining to the insurance money, etc to be spent for the acquisition or improvement as specified by Cabinet Order has been booked in such a manner as to establish a special account (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount booked as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(2) A domestic corporation that has established a special account set forth in the preceding paragraph shall, in the case where it has acquired substituted assets as prescribed in paragraph (1) of the preceding Article as specified in the said paragraph, or where the domestic corporation has been dissolved as a result of a non-qualified merger, or in other cases as specified by Cabinet Order, dispose of the portion of the special account pertaining to the insurance money, etc. that has been calculated as specified by Cabinet Order.

(3) The amount of the special account set forth in paragraph (1) that is to be disposed of under the preceding paragraph or the amount of the special account that has been disposed of without falling under the provisions of the preceding paragraph (excluding the amount to be succeeded to by a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "merging corporation, etc." in paragraph (8) and paragraph (10)) pursuant to the provisions of paragraph (8)) shall be included in gross profits, when calculating the amount of income, respectively, for the business year containing the day on which the former amount is to be disposed of (in the case where the domestic corporation prescribed in the preceding paragraph has been dissolved as a result of a non-qualified merger, containing the day preceding the date of the said non-qualified merger) or for the business year containing the day on which the latter amount was disposed of.

(4) The provisions of paragraph (1) shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the booked amount prescribed in the said paragraph.

(5) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(6) In the case where a domestic corporation has effected a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this Article) and has received the

payment of insurance money, etc. during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc. (limited to the case where the succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in paragraph (8) and paragraph (9)) involved in the qualified spin-off-type company split, etc. is expected to make an acquisition or improvement as prescribed in paragraph (1) of the preceding Article with the said insurance money, etc. during the period from the date of the qualified spin-off-type company split, etc. to the day preceding the day on which two years have elapsed from the day following the last day of the said business year (in the case where any date is designated, up to the designated date), when a special account equivalent to that which is set forth in paragraph (1) has been established within the limit equivalent to the said amount of insurance money, etc. to be spent for the acquisition or improvement (hereinafter such special account shall be referred to as a "special account during the period" in this Article), the amount equivalent to the said amount of the special account during the period established as above shall be included in deductible expenses, when calculating the amount of income for the said business year:

(7) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted documents stating the amount equivalent to the special account during the period and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(8) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph), the amount of a special account or special account during the period as prescribed in the following items shall be succeeded to by a merging corporation, etc. involved in the qualified organizational restructuring, in accordance with the category of the following qualified organizational restructuring:

(i) Qualified merger: The amount of a special account set forth in paragraph (1) pertaining to insurance money, etc. that the domestic corporation holds as of immediately prior to the qualified merger

(ii) Qualified split-off-type company split: The portion of the amount of a special account set forth in paragraph (1) pertaining to the insurance money,

etc. that the domestic corporation holds as of immediately prior to the qualified split-off-type company split, which pertains to the insurance money, etc. to be spent for the acquisition or improvement prescribed in paragraph (1) of the preceding Article that is expected to be made by the succeeding corporation in a company split involved in the qualified split-off-type company split during the acquisition/improvement period (meaning the period from the date of the qualified split-off-type company split to the day preceding the day on which two years have elapsed from the day following the last day of the business year in which the split corporation involved in the qualified split-off-type company split received the payment of the insurance money, etc. (in the case where any date is designated, up to the designated date))

(iii) Qualified spin-off-type company split, etc.: The portion of the amount of a special account set forth in paragraph (1) pertaining to the insurance money, etc. that the domestic corporation holds as of immediately prior to the qualified spin-off-type company split, etc. which pertains to the insurance money, etc. to be spent for the acquisition or improvement prescribed in paragraph (1) of the preceding Article that is expected to be made by the succeeding corporation in a company split, etc. involved in the qualified spin-off-type company split, etc. during the acquisition/improvement period (meaning the period from the date of the qualified spin-off-type company split, etc. to the day preceding the day on which two years have elapsed from the day following the last day of the business year in which the split corporation, corporation making a capital contribution in kind, or corporation effecting the post-formation acquisition of assets and/or liabilities involved in the qualified spin-off-type company split, etc. received the payment of the insurance money, etc. (in the case where any date is designated, up to the designated date)) and the amount of the special account during the period pertaining to insurance money, etc. that the domestic corporation established upon the qualified spin-off-type company split, etc.

(9) With regard to a domestic corporation that has established a special account set forth in paragraph (1) and has effected a qualified merger, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified company split, etc." in this paragraph) (excluding a domestic corporation that has established both the said special account and a special account during the period and carries over only the amount of the special account during the period to a succeeding corporation in a company split, etc. as a result of a qualified spin-off-type company split, etc.), the provisions of the preceding paragraph shall apply only in the case where the domestic corporation that has established the special account has submitted documents stating the amount of the special account to

be carried over to a succeeding corporation in a company split, etc. as a result of a qualified company split, etc. and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified company split, etc.

(10) The amount of a special account set forth in paragraph (1) or the amount of a special account during the period that a merging corporation, etc. has succeeded to pursuant to the provisions of paragraph (8) shall be deemed to be the amount of a special account set forth in paragraph (1) that the merging corporation, etc. has established pursuant to the provisions of the said paragraph.

(11) Necessary matters concerning the application of the provisions of the preceding paragraphs in the case where a merger, company split, capital contribution in kind, or post-formation acquisition of assets and/or liabilities (meaning the post-formation acquisition of assets and/or liabilities prescribed in Article 2, item (xii)-6 (Definitions)) has been effected shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money, etc. in the Case of Having Established a Special Account)

Article 49 (1) In the case where a domestic corporation that holds the amount of a special account set forth in paragraph (1) of the preceding Article (excluding the amount already having been disposed of) has made an acquisition or improvement as prescribed in the said paragraph during the period prescribed in the said paragraph (in the case where the amount of the special account was the amount succeeded to from a merged corporation pursuant to the provisions of paragraph (8) of the preceding Article or in other cases as specified by Cabinet Order, during the period specified by Cabinet Order; referred to as the "designated acquisition period" in paragraph (4)), when the book value of the fixed assets pertaining to the acquisition or improvement has been reduced by reckoning the amount into expenses for accounting purposes to within the limit of the amount calculated, as specified by Cabinet Order, as the portion of the special account as of the date of the acquisition or improvement that pertains to the insurance money, etc. spent for the acquisition or improvement (hereinafter such limit shall be referred to as the "advanced depreciation limit" in this paragraph and paragraph (4)) or the amount not exceeding the advanced depreciation limit has been booked in such a manner as to save it as a reserve (including in a manner as specified by Cabinet Order) in the final settlement of the accounts in the said business year, the amount equivalent to the said amount reduced or booked as above shall be included in deductible

expenses, when calculating the amount of income for the said business year.

(2) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount reduced or booked as prescribed in the said paragraph.

(3) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(4) In the case where a domestic corporation that holds the amount of a special account set forth in paragraph (1) has effected a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off type company split, etc." in this paragraph and the following paragraph) and where the domestic corporation has made an acquisition or improvement as prescribed in paragraph (1) during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc. (limited to the case where the acquisition or improvement has been made during the designated acquisition period pertaining to the said acquisition or improvement, and the acquired or improved fixed assets are to be transferred to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of the qualified spin-off type company split, etc.), when the book value of the fixed assets has been reduced to within the advanced depreciation limit, the amount equivalent to the amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(5) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation prescribed in the said paragraph has submitted documents stating the amount equivalent to the reduced amount prescribed in the said paragraph and other matters as specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(6) In the case where a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities has received the transfer of any of the fixed assets to which the provisions of paragraph (1) or paragraph (4) had been applied under a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-

formation acquisition of assets and/or liabilities, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities, acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Depreciated Amount of Assets Acquired through Exchange)

Article 50 (1) In the case where a domestic corporation (excluding a domestic corporation in liquidation; hereinafter the same shall apply in this Article) has, in each business year, exchanged any of the following fixed assets that it had owned for one year or longer (including fixed assets that the domestic corporation had received from a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merged corporation, etc." in this paragraph and paragraph (7)) as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (7)) and that had been owned by the merged corporation, etc. and the domestic corporation for one year or longer in total) with the relevant fixed assets listed as follows that other persons had owned for one year or longer (including fixed assets that the other persons had received from a merged corporation, etc. as a result of qualified organizational restructuring and that had been owned by the merged corporation, etc. and the other persons for one year or longer in total) (such fixed assets shall exclude those deemed to have been acquired for the purpose of exchanging them with other assets), and has used the following assets that it acquired through the exchange (hereinafter referred to as the "acquired assets" in this Article) for the same usage as that of the relevant assets listed as follows that it transferred through the exchange (hereinafter referred to as the "transferred assets" in this Article) immediately prior to the transfer, when the book value of the acquired assets has been reduced by reckoning the amount into expenses for accounting purposes within the limit of the amount calculated as specified by Cabinet Order to be the amount of gain on the exchange, the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year:

(i) Land (including superficies and rights of lease for owning a building or structure and rights concerning cultivation on agricultural land as prescribed in Article 2, paragraph (1) (Definition) of the Agricultural Land

Act (Act No. 229 of 1952)

(ii) A building (including the facilities and structures attached thereto)

(iii) Machinery and equipment

(iv) A vessel

(v) Mining rights (including mining lease rights, rights of quarrying, or any other rights to dig or quarry soil and stone

(2) The provisions of the preceding paragraph and paragraph (5) shall not apply in the case where the difference between the value of the acquired assets and that of the transferred assets at the time of an exchange set forth in these provisions exceeds 20 percent of the larger value of either of these.

(3) The provisions of paragraph (1) shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount reduced as prescribed in the said paragraph.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(5) In the case where a domestic corporation transfers, as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this paragraph and the following paragraph), any acquired assets (limited to assets that had been acquired through an exchange as prescribed in paragraph (1) during the period from the beginning of the business year containing the date of the qualified spin-off-type company split, etc. to immediately prior to the qualified spin-off-type company split, etc. and used for the same usage as that of the transferred assets immediately prior to the transfer) to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities, when the book value of the acquired assets has been reduced to within the amount equivalent to the calculated amount prescribed in paragraph (1), the amount equivalent to the said amount reduced as above shall be included in deductible expenses, when calculating the amount of income for the said business year.

(6) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted documents stating the amount equivalent to the reduced amount prescribed in the said paragraph and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(7) In the case where a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities has received the transfer of any of the fixed assets to which the provisions of paragraph (1) or paragraph (5) had been applied under a merged corporation, etc. as a result of a qualified organizational restructuring, acquisition cost of the said fixed assets and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

Division 7 Reserve

(Reserve for Bad Debts)

Article 52 (1) In the case where a domestic corporation is granted grace of payment or is allowed an installment payment of his/her monetary claims, based on the order on the confirmation of a reorganization plan, pursuant to the provisions of the Corporate Reorganization Act, or in any other cases specified by Cabinet Order, the amount credited to the reserve for bad debts in each business year, by reckoning the amount into expenses for accounting purposes, to be the prospective amount of loss on monetary claims, part of which are expected to generate loss due to bad debts or on any other equivalent grounds (in the case where there are other monetary claims for the debtor of the said monetary claims (excluding any monetary claims to be transferred to a succeeding corporation in a company split as a result of a split-off-type company split that does not fall under the category of a qualified split-off-type company split), including the said other monetary claims and excluding any monetary claims to be transferred to a merging corporation or succeeding corporation in a company split (referred to as a "merging corporation, etc." in the following paragraph) as a result of a merger that does not fall under the category of a qualified merger or a split-off-type company split that does not fall under the category of a qualified split-off-type company split (referred to as a "non-qualified merger, etc." in the following paragraph); hereinafter such monetary claims shall be referred to as "individually assessed monetary claims" in this Article) shall be included in deductible expenses, when calculating the amount of income for the said business year, up to the amount calculated as specified by Cabinet Order, based on the portion of the said amount credited for which it is deemed that there is little chance of the collection or payment of the said individually assessed monetary claims as of the end of the said business year (such calculated amount shall be referred to as the "limit to individual credit reserve for bad debts" in paragraph (5)).

(2) The amount that a domestic corporation has credited to the reserve for bad debts in each business year, by reckoning the amount into expenses for

accounting purposes, to be the prospective amount of loss due to the bad debts of his/her accounts receivable, loans, or any other equivalent monetary claims (excluding individually assessed monetary claims and monetary claims to be transferred to a merging corporation, etc. as a result of a non-qualified merger, etc.; hereinafter referred to as "collectively assessed monetary claims" in this paragraph), shall be included in deductible expenses, when calculating the amount of income for the said business year, up to the amount calculated as specified by Cabinet Order, based on the amount of collectively assessed monetary claims as of the end of the said business year and the amount of loss due to the bad debts of the accounts receivable, loans, or any other equivalent monetary claims.

(3) The provisions of the preceding two paragraphs shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount credited to the reserve for bad debts prescribed in these provisions.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1) and paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(5) In the case where a domestic corporation transfers individually assessed monetary claims to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this Article), when an account equivalent to the reserve for bad debts set forth in paragraph (1) (hereinafter referred to as the "reserve for bad debts during the period" in this Article) has been established with regard to the individually assessed monetary claims, the portion of the amount equivalent to the said amount of the reserve for bad debts during the period established as above shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc.," up to the amount equivalent to the limit to individual credit reserve for bad debts calculated as prescribed in paragraph (1) with regard to the said individually assessed monetary claims by deeming the time immediately prior to the qualified spin-off-type company split, etc. to be the end of the business year.

(6) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted documents stating the amount equivalent to the amount of the reserve for bad

debts during the period and other matters specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(7) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (10)), the amount of the reserve for bad debts or the reserve for bad debts during the period prescribed in the following items shall, in accordance with the category of qualified organizational restructuring listed in the relevant item, be succeeded to by a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "merging corporation, etc." in paragraph (10)) involved in the qualified organizational restructuring:

(i) Qualified merger: The amount of the reserve for bad debts prescribed in paragraph (1) or paragraph (2) that was included in deductible expenses, when calculating the amount of income for the business year containing the day preceding the date of the qualified merger, pursuant to these provisions

(ii) Qualified split-off-type company split: The portion of the amount of the reserve for bad debts prescribed in paragraph (1) or paragraph (2) that was included in deductible expenses, when calculating the amount of income for the business year containing the day preceding the date of the qualified split-off-type company split, pursuant to these provisions, which was calculated, as specified by Cabinet Order, as the portion pertaining to monetary claims to be transferred to a succeeding corporation in a company split involved in the qualified split-off-type company split

(iii) Qualified spin-off-type company split, etc.: The amount of the reserve for bad debts during the period that was included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc, pursuant to the provisions of paragraph (5)

(8) With regard to the application of the provisions of paragraph (1), paragraph (2) and paragraph (5), individually assessed monetary claims and collectively assessed monetary claims shall not include any monetary claims that a domestic corporation holds against a consolidated corporation that has a consolidated full controlling interest in the domestic corporation.

(9) The amount of the reserve for bad debts prescribed in paragraph (1) or paragraph (2) that was included in deductible expenses, when calculating the amount of income for each business year (excluding the amount succeeded to by

a succeeding corporation in a company split involved in a qualified split-off-type company split pursuant to the provisions of paragraph (7)), shall be included in gross profits, when calculating the amount of income for the business year following the said business year.

(10) The amount of the reserve for bad debts or the reserve for bad debts during the period succeeded to by a merging corporation, etc. pursuant to the provisions of paragraph (7) shall be included in gross profits, when calculating the amount of income for the business year containing the date of a qualified organizational restructuring of the merging corporation, etc.

(11) In the case where a specified ordinary corporation prescribed in Article 10-3, paragraph (1) (Application of this Act in the Case of Revising the Scope of Taxable Income, etc.) falls under the category of a corporation in the public interest, etc., the provisions of paragraph (1) and paragraph (2) shall not apply to the business year containing the day preceding the day on which the corporation falls under the said category.

(12) In addition to what is provided for in paragraph (3), paragraph (4), and paragraph (6), necessary matters concerning the application of the provisions of paragraph (1), paragraph (2), paragraph (5), and paragraph (7) to the preceding paragraph shall be specified by Cabinet Order.

(Reserve for Loss on Returned Goods)

Article 53 (1) With regard to a domestic corporation that conducts a publishing business or any other business as specified by Cabinet Order (hereinafter referred to as a "relevant business" in this Article) and who continuously concludes special agreements on redemption of most of his/her inventory assets for a sale related to the said relevant business at the value at the time of the sale thereof or any other special agreements specified by Cabinet Order, the amount credited to the reserve for a loss on returned goods at the end of each business year, by reckoning the amount into expenses for accounting purposes, to be the prospective amount of loss due to the redemption of the said inventory assets (excluding inventory assets related to a business to be transferred to a merging corporation or succeeding corporation in a company split as a result of a merger that does not fall under the category of a qualified merger or a split-off-type company split that does not fall under the category of a qualified split-off-type company split), under the said special agreements, shall be included in deductible expenses, when calculating the amount of income for the said business year, up to the amount calculated as specified by Cabinet Order, based on the actual amount of the redemption of the inventory assets related to the said relevant business under the said special agreements in recent years (such calculated amount shall be referred to as the "limit to credit reserve for loss on returned goods" in paragraph (4)).

(2) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount credited to the reserve for loss on returned goods.

(3) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(4) In the case where a domestic corporation transfers the whole or a part of the relevant business to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities as a result of a qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (referred to as a "qualified spin-off-type company split, etc." through to paragraph (6)), when an account equivalent to the reserve for loss on returned goods set forth in paragraph (1) (hereinafter referred to as the "reserve for loss on returned goods during the period" in this Article) has been established with regard to the relevant business to be transferred, the portion of the amount equivalent to the said amount of the reserve for loss on returned goods during the period established as above shall be included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc.," up to the amount equivalent to the limit to credit reserve for loss on returned goods calculated as prescribed in paragraph (1) by deeming the time immediately prior to the qualified spin-off-type company split, etc. to be the end of the business year.

(5) The provisions of the preceding paragraph shall apply only in the case where the domestic corporation set forth in the said paragraph has submitted documents stating the amount equivalent to the reserve for loss on returned goods during the period and any other matters as specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within two months after the date of the qualified spin-off-type company split, etc.

(6) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (8)), the amount of the reserve for loss on returned goods or the reserve for loss on returned goods during the period prescribed in the following items shall, in accordance with the category of qualified organizational restructuring listed in the relevant item, be succeeded to by a merging corporation, succeeding

corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "merging corporation, etc." in paragraph (8)) involved in the qualified organizational restructuring:

(i) Qualified merger: The amount of the reserve for loss on returned goods prescribed in paragraph (1) that was included in deductible expenses, when calculating the amount of income for the business year containing the day preceding the date of the qualified merger, pursuant to the provisions of the said paragraph

(ii) Qualified split-off-type company split: The portion of the amount of the reserve for loss on returned goods prescribed in paragraph (1) that was included in deductible expenses, when calculating the amount of income for the business year containing the day preceding the date of the qualified split-off-type company split, pursuant to the provisions of the said paragraph, which was calculated, as specified by Cabinet Order, as the portion pertaining to the relevant business to be transferred to a succeeding corporation in a company split involved in the qualified split-off-type company split

(iii) Qualified spin-off-type company split, etc.: The amount of the reserve for loss on returned goods during the period that was included in deductible expenses, when calculating the amount of income for the business year containing the date of the qualified spin-off-type company split, etc, pursuant to the provisions of paragraph (4)

(7) The amount of the reserve for loss on returned goods prescribed in paragraph (1) that was included in deductible expenses, when calculating the amount of income for each business year (excluding the amount succeeded to by a succeeding corporation in a company split involved in a qualified split-off-type company split pursuant to the provisions of the preceding paragraph), shall be included in gross profits, when calculating the amount of income for the business year following the said business year.

(8) The amount of the reserve for loss on returned goods or the reserve for loss on returned goods during the period succeeded to by a merging corporation, etc. pursuant to the provisions of paragraph (6) shall be included in gross profits, when calculating the amount of income for the business year containing the date of a qualified organizational restructuring of the merging corporation, etc.

(9) In the case where a specified ordinary corporation as prescribed in Article 10-3, paragraph (1) (Application of this Act in the Case of Revising the Scope of Taxable Income, etc.) comes to fall under the category of a corporation in the public interest, etc., the provisions of paragraph (1) shall not apply to the business year containing the day preceding the day on which the corporation comes to fall under the said category.

(10) In addition to what is provided for in paragraph (2), paragraph (3), and paragraph (5), necessary matters concerning the application of the provisions of paragraph (1), paragraph (4), and paragraph (6) to the preceding paragraph shall be specified by Cabinet Order.

Division 7-2 Expenses, etc. in Exchange for Share Options

(Special Provisions for Business Year for Vesting Expenses in Exchange for Share Options)

Article 54 (1) In the case where a domestic corporation receives the provision of services from an individual and has issued, as the consideration for the expenses for providing the services, share options (limited to share options that offset the claims arising on the individual as the consideration for providing the services, in lieu of the payment in exchange for the share options) (including the case where a domestic corporation that is a merging corporation, succeeding corporation in a company split, wholly owning parent corporation in share exchange, or wholly owning parent corporation in share transfer (referred to as a "merging corporation, etc." in the following paragraph) involved in a merger, company split, share exchange, or share transfer (hereinafter referred to as a "merger, etc." in this paragraph) has delivered its own share options (referred to as "succeeding share options" in the following paragraph and paragraph (3)) to a person who holds the share options of a merged corporation, split corporation, wholly owned subsidiary corporation in share exchange, or wholly owned subsidiary corporation in share transfer involved in the merger, etc.), the provisions of this Act shall apply by deeming that the domestic corporation received the provision of the said services as on the day on which grounds occurred for the emergence of the amount to be included in the individual's gross revenue or revenue from employment income prescribed in the Income Tax Act or other income prescribed in other laws and regulations on income tax, with regard to the provision of the services, pursuant to the provisions of the Income Tax Act and other laws and regulations on income tax (such grounds shall be referred to as "grounds for taxation on remuneration, etc." in the following paragraph).

(2) In the case prescribed in the preceding paragraph, when no grounds for taxation on remuneration, etc. occur with regard to an individual for the provision of the services set forth in the said paragraph, the amount of expenses for the provision of the services incurred by a domestic corporation that has issued share options set forth in the said paragraph (including a domestic corporation that is a merging corporation, etc. having delivered succeeding share options; hereinafter referred to as an "issuing corporation" in this Article) shall be excluded from deductible expenses, when calculating the

amount of income of the issuing corporation for each business year.

(3) In the case prescribed in the preceding paragraph, when share options (including succeeding share options) set forth in paragraph (1) have become extinct, the amount of gain on the extinction shall be excluded from gross profits, when calculating the amount of income of the issuing corporation for each business year.

(4) The issuing corporation shall attach to a final return form a detailed statement concerning the value of the share options per share at the time of issuance, the number of the issued share options, the number of the share options exercised in the said business year, and other circumstances which affect the share options.

(5) In the case where a domestic corporation issues share options and where the amount of money to be paid in exchange for the share options (including the value of assets other than money to be delivered in lieu of the payment of money and the amount of claims to be offset; hereinafter the same shall apply in this paragraph) does not reach the value of the share options at the time of issuance (including the case where the domestic corporation has issued the share options without compensation) or where the amount of money to be paid in exchange for the share options exceeds the value of the share options at the time of issuance, the amount equivalent to the shortfall (in the case where the domestic corporation has issued the share options without compensation, the value of the share options at the time of issuance) or the amount equivalent to the excess shall be excluded from deductible expenses or gross profits, when calculating the amount of income of the domestic corporation for each business year.

(6) In addition to what is provided for in paragraph (4), necessary matters concerning the application of the provisions of paragraphs (1) to (3) or the preceding paragraph shall be specified by Cabinet Order.

Division 7-3 Expenses Related to Unlawful Acts, etc.

(Exclusion from Deductible Expenses of Expenses Related to Unlawful Acts, etc.)

Article 55 (1) In the case where a domestic corporation reduces or attempts to reduce the burden of corporation tax by concealing or falsifying the whole or a part of the facts that are to be used as the basis of the calculation of the amount of its income, loss, or corporation tax (hereinafter referred to as "acts of concealing or falsifying" in this paragraph and the following paragraph), the amount of expenses required for the acts of concealing or falsifying or the amount of loss arising from the acts of concealing or falsifying shall be excluded from deductible expenses, when calculating the amount of income of

the domestic corporation for each business year.

(2) The provisions of the preceding paragraph shall apply mutatis mutandis to the case where a domestic corporation reduces or attempts to reduce the burden of taxes other than corporation tax that it is due to pay through any acts of concealing or falsifying.

(3) The following amounts that a domestic corporation pays shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year:

(i) In the case of national taxes, delinquent tax, additional tax for understatement, additional tax for failure to file, additional tax on non-payment, and substantial additional tax and delinquency tax under the provisions of the Stamp Tax Act (Act No. 23 of 1967)

(ii) Delinquent charge, additional charge for understatement, additional charge for failure to file and substantial additional charge imposed by a local government under the provisions of the Local Tax Act (excluding a delinquent charge collected under Article 65 (Delinquent Charge in the Case of Extending Due Date for Payment of Corporations' Prefectural Inhabitants Tax), Article 72-45-2 (Delinquent Charge in the Case of Extending Due Date for Payment of Corporations' Enterprise Tax), or Article 327 (Delinquent Charge in the Case of Extending Due Date for Payment of Corporations' Municipal Inhabitants Tax) of the said Act)

(4) The following amounts that a domestic corporation pays shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year:

(i) Fine and petty fine (including what is equivalent to a fine or petty fine due to notification procedures and what is equivalent to a fine or petty fine imposed by a foreign state or any other person specified by Cabinet Order as being equivalent thereto) and non-penal fine

(ii) Surcharge and delinquent charge under the provisions of the Act on Emergency Measures for Stabilization of National Life (Act No. 121 of 1973)

(iii) Surcharge and delinquent charge under the provisions of the Act on Prohibition of Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947)

(iv) Surcharge and delinquent charge under the provisions of Chapter VI-2 (Surcharge) of the Financial Instruments and Exchange Act

(v) Surcharge and delinquent charge under the provisions of the Certified Public Accountant Act (Act No. 103 of 1948)

(5) The amount of a bribe as prescribed in Article 198 (Bribe) of the Penal Code (Act No. 45 of 1907), money or other profits as prescribed in Article 18, paragraph (1) (Prohibition of Provision of Illicit Profit, etc. to Foreign Public Officials, etc.) of the Unfair Competition Prevention Act (Act No.47 of 1993),

and the value of assets other than money which is provided by a domestic corporation, and the amount of expenses equivalent to the total of the economic benefits or the amount of loss (including the amount of expenses required for the provision thereof or the amount of loss on the provision thereof), shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

Division 8 Loss Carried Forward

(Carryover of Loss in Business Year When Blue Return Form Has Been Filed)

Article 57 (1) In the case where a domestic corporation that files a final return form shows any amount of loss that arose in a business year starting within seven years prior to the first day of each of its business years (such amount shall exclude the amount that was included in deductible expenses in the calculation of the amount of income for the business year prior to each relevant business year under this paragraph and the amount that was used as the basis of the calculation of the amount to be refunded under Article 80 (Refund by Carryback of Loss)), the amount equivalent to the said loss shall be included in deductible expenses, when calculating the amount of income for each relevant business year; provided, however, that in the case where the amount equivalent to the said loss exceeds the amount of income for each relevant business year calculated without applying the provisions of the main clause to the said loss (in the case where there is any amount which is equivalent to any loss that had arisen in a business year prior to the business year when the said loss arose and which is to be included in deductible expenses when calculating the amount of income for each relevant business year under the main clause or Article 58, paragraph (1) (Carryover of Loss Due to Disaster in the Business Year When Blue Return Form Has Not Been Filed), exceeds the amount that remains after deducting the said amount to be included in deductible expenses from the calculated income), the provisions of the main clause shall not apply to the amount of the said excess.

(2) In the case where a qualified merger, etc. (meaning a qualified merger or what is specified by Cabinet Order to be a split-off-type company split categorized into a merger that falls under the category of a qualified split-off-type company split (hereinafter referred to as a "quasi-merger qualified split-off-type company split" in this Article); hereinafter the same shall apply in this paragraph and the following paragraph) has been effected, when a merged corporation or split corporation (hereinafter referred to as a "merged corporation, etc." in this paragraph and the following paragraph) involved in the qualified merger, etc. shows any amount of loss that arose in each of the business years starting within seven years prior to the date of the qualified

merger, etc. (hereinafter referred to as a "business year within preceding seven years") (such amount of loss shall be limited to the amount of loss only in the case where the merged corporation, etc. has filed a final return in a blue return form for the business year within preceding seven years when the said loss arose (such loss shall include a loss which was deemed to be that of the merged corporation, etc. under this paragraph or paragraph (6) and exclude a loss which was deemed not to exist under paragraph (5) or paragraph (9); the same shall apply in the following paragraph, paragraph (4), and paragraph (9)) or meets any other requirements as specified by Cabinet Order, and shall exclude the amount included in deductible expenses when calculating the amount of income for a business year within preceding seven years of the merged corporation, etc. under the preceding paragraph and the amount used as the basis of the calculation of the amount to be refunded under Article 80; hereinafter referred to as the "amount of unappropriated loss" in this paragraph), with regard to the application of the provisions of the preceding paragraph in each business year after the business year containing the date of the qualified merger, etc. (hereinafter referred to as the "business year of the merger, etc." in this paragraph and the following paragraph) of a merging corporation or succeeding corporation in a company split (hereinafter referred to as a "merging corporation, etc." in this paragraph and the following paragraph) involved in the qualified merger, etc., the amount of unappropriated loss that arose in the business year within preceding seven years shall be deemed to be the amount of loss that arose in each business year of the merging corporation, etc. containing the first day of the business years within preceding seven years when the amount of the respective unappropriated loss arose (or the amount of the unappropriated loss that arose in the business year within preceding seven years of the merged corporation, etc. starting on or after the first day of the business year of the merger, etc. of the merging corporation, etc. shall be deemed to be the amount of loss that arose in the business year preceding the business year of the merger, etc.).

(3) In the case where a merged corporation, etc. and a merging corporation, etc. involved in a qualified merger, etc. (in the case where the merging corporation, etc. is a corporation established as a result of the qualified merger, etc., another merged corporation, etc. involved in the qualified merger, etc.; the same shall apply in item (i)) have a specified capital relationship (meaning a relationship whereby one of the said corporations directly or indirectly holds 50 percent or more of the total number or total amount of the other corporation's issued shares or capital contributions (excluding own shares or capital contributions held by the said other corporation) or any other relationship as specified by Cabinet Order; hereinafter the same shall apply in this paragraph and paragraph (5)), and the said specified capital relationship occurred on or

after the day five years prior to the first day of the business year of the merger, etc. pertaining to the qualified merger, etc. of the merging corporation, etc., when the said qualified merger, etc. does not fall under the category that is specified by Cabinet Order to be a qualified merger, etc. for the purpose of conducting business jointly, the amount of unappropriated loss prescribed in the preceding paragraph shall not include the following loss of the merged corporation, etc.:

(i) The amount of loss that arose in each business year of the merged corporation, etc. prior to the business year under specified capital relationship (meaning the business year in which the specified capital relationship occurred between the merged corporation, etc. and the merging corporation, etc.; the same shall apply in the following item) that falls under a business year within preceding seven years (excluding the amount that the merged corporation, etc. has included in deductible expenses in the calculation of the amount of income for a business year within preceding seven years under paragraph (1) and the amount that it has used as the basis of the calculation of the amount to be refunded under Article 80; the same shall apply in the following item)

(ii) The portion of the amount of loss that arose in each business year of the merged corporation, etc. after the business year under specified capital relationship that falls under a business year within preceding seven years, which is specified by Cabinet Order to be the amount of the portion consisting of the amount equivalent to the amount of loss on transfer of specified assets prescribed in Article 62-7, paragraph (2) (Exclusion from Deductible Expenses of the Amount of Loss on Transfer of Specified Assets)

(4) With regard to the application of the provisions of paragraph (1) in each business year of a split corporation involved in a quasi-merger qualified split-off-type company split after the business year containing the date of the said quasi-merger qualified split-off-type company split, the amount of loss that arose in each business year prior to the said business year shall be deemed not to exist.

(5) In the case where a qualified merger, qualified company split, or qualified capital contribution in kind (hereinafter referred to as a "qualified merger, etc." in this paragraph) has been effected between a domestic corporation set forth in paragraph (1) and a corporation having a specified capital relationship (meaning a corporation that has a specified capital relationship with the domestic corporation; hereinafter the same shall apply in this paragraph), with the domestic corporation as a merging corporation, succeeding corporation in a company split, or corporation receiving a capital contribution in kind, and the said specified capital relationship occurred on or after the day five years prior to the first day of the business year containing the date of the qualified merger,

etc. (hereinafter referred to as the "business year of the merger, etc." in this paragraph) of the domestic corporation, when the said qualified merger, etc. does not fall under the category that is specified by Cabinet Order to be a qualified merger, etc. for the purpose of conducting business jointly, with regard to the application of the provisions of paragraph (1) in each business year of the domestic corporation after the said business year of the merger, etc., the following loss out of the amount of the domestic corporation's loss prescribed in the said paragraph (including the amount deemed to be the amount of the domestic corporation's loss under paragraph (2) or the following paragraph and excluding the amount deemed not to exist under this paragraph or paragraph (9); hereinafter the same shall apply in this paragraph) shall be deemed not to exist:

(i) The amount of loss that arose in each business year of the domestic corporation prior to the business year under specified capital relationship (meaning the business year containing the day on which the specified capital relationship occurred between the domestic corporation and the corporation having a specified capital relationship; the same shall apply in the following item) that falls under a business year within preceding seven years (meaning each business year starting within seven years prior to the first day of the business year of the merger, etc.; hereinafter the same shall apply in this paragraph) (such amount of loss shall exclude the amount included in deductible expenses in the calculation of the amount of income for a business year within preceding seven years under paragraph (1) and the amount used as the basis of the calculation of the amount to be refunded under Article 80; the same shall apply in the following item)

(ii) The portion of the amount of loss that arose in each business year of the domestic corporation after the business year under specified capital relationship that falls under a business year within preceding seven years, which is specified by Cabinet Order to be the amount of the portion of the loss consisting of the amount equivalent to the amount of loss on transfer of specified assets prescribed in Article 62-7, paragraph (2)

(6) In the case where a domestic corporation has effected a split-off-type company split with the said domestic corporation as a split corporation (limited to a split-off-type company split that the domestic corporation, which is a consolidated corporation, effects during the period from the day following the first day of the consolidated parent corporation's business year (meaning the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year); hereinafter the same shall apply in this paragraph and paragraph (9)) to the last day thereof), or in the case where a domestic corporation has had the approval set forth in Article 4-2 (Consolidated Taxpayer) rescinded pursuant to the provisions of Article 4-5,

paragraph (2) (Rescission of Approval for Consolidated Taxation) (with regard to a consolidated parent corporation, excluding the case where it has had the approval rescinded as a result of having effected a merger with the said consolidated parent corporation as a merged corporation, and with regard to a consolidated subsidiary corporation, excluding the case where it has had the approval rescinded as a result of having effected a merger with the said consolidated subsidiary corporation as a merged corporation as of the first day of the consolidated parent corporation's business year), or where a domestic corporation has obtained approval set forth in Article 4-5, paragraph (3) (hereinafter referred to as the "case of the rescission, etc. of approval" in this paragraph), when there is any individually attributed amount of consolidated loss (meaning the individually attributed amount of consolidated loss prescribed in Article 81-9, paragraph (5) (Carryover of Consolidated Loss); hereinafter the same shall apply in this paragraph and the following paragraph) of the domestic corporation that arose in each business year starting within seven years prior to the first day of the business year containing the day preceding the date of the said split-off-type company split or in each consolidated business year starting within seven years prior to the first day of the business year containing the day following the last day of the final consolidated business year in the case of the rescission, etc. of approval, with regard to the application of the provisions of paragraph (1) in each business year after the business year containing the said preceding day or the business year containing the said following day, the said individually attributed amount of consolidated loss shall be deemed to be the amount of loss that arose in the domestic corporation's business year that contains the first day of the consolidated business year in which the said individually attributed amount of consolidated loss arose.

(7) In the case where a merged corporation involved in a qualified merger is a consolidated corporation (with regard to a consolidated subsidiary corporation, limited to a consolidated subsidiary corporation that effects a qualified merger, with itself as a merged corporation, as of the day following the last day of a consolidated business year) or where a split corporation involved in a quasi-merger qualified split-off-type company split is a consolidated corporation (limited to a consolidated corporation that effects a quasi-merger qualified split-off-type company split, with itself as a split corporation, as of the day following the last day of its consolidated business year), the provisions of paragraph (2) and paragraph (3) shall apply by deeming the individually attributed amount of consolidated loss of such consolidated corporation that arose in each consolidated business year starting within seven years prior to the date of the said qualified merger or quasi-merger qualified split-off-type company split of such consolidated corporation to be the amount of loss that

arose in a business year within preceding seven years as prescribed in paragraph (2), deeming a consolidated final return form to be a blue return form, and deeming the consolidated business year in which the individually attributed amount of consolidated loss arose to be the business year of the said merged corporation or split corporation.

(8) In the case prescribed in the preceding paragraph, when a consolidated corporation that becomes a merged corporation or split corporation involved in a qualified merger or quasi-merger qualified split-off-type company split set forth in the said paragraph shows any amount of loss that arose in each business year prior to each consolidated business year, as prescribed in the said paragraph, that falls under a business year within preceding seven years as prescribed in paragraph (2), the provisions of the said paragraph shall not apply to the said amount of loss.

(9) In the case falling under any of the following cases, with regard to the application of the provisions of paragraph (1) in a business year listed in the relevant item of a domestic corporation set forth in the said paragraph, the amount of loss prescribed in the relevant item shall be deemed not to exist:

(i) In the case where the domestic corporation, which is a consolidated corporation, has effected a split-off-type company split (excluding any of the split-off-type company splits listed as follows), with itself as a split corporation, each business year after the business year containing the day preceding the date of the said split-off-type company split: The amount of loss that arose in each business year prior to the business year containing the said preceding day (including the amount that was deemed to be the amount of loss that arose in each business year prior to each of the said business years, under paragraph (2) or paragraph (6), in each of the said business years; hereinafter the same shall apply in this paragraph):

(a) A split-off-type company split that the domestic corporation effects on the first day of the consolidated parent corporation's business year

(b) A split-off-type company split that the consolidated parent corporation or the domestic corporation, which is a consolidated subsidiary corporation as prescribed in Article 81-9, paragraph (2), item (ii), effects during the period from the day following the first day of the consolidated parent corporation's first business year to the last day thereof

(c) A split-off-type company split that the domestic corporation effects during the period from the day following the first day of the first year of the application for the approval of consolidation as prescribed in Article 4-3, paragraph (6) (Application for Approval for Consolidated Taxation) to the day preceding the day on which the domestic corporation obtains the approval set forth in Article 4-2 for the application set forth in Article 4-3, paragraph (1) that it filed under the provisions of Article 4-3, paragraph

(6)

(ii) In the case where the domestic corporation, which is a consolidated subsidiary corporation, has effected a merger (limited to a merger, wherein another consolidated corporation, which has a consolidated full controlling interest in the domestic corporation, is a merging corporation, and excluding any of the mergers listed as follows), with itself as a merged corporation, in the consolidated parent corporation's first business year (in the case where the domestic corporation is a corporation listed in Article 4-3, paragraph (9), item (i) or Article 4-3, paragraph (11), item (i), in the consolidated parent corporation's business year following the consolidated parent corporation's first business year, and in the case where the domestic corporation is another domestic corporation as prescribed in Article 4-2 that has come to have a full controlling interest as prescribed in the said Article in the consolidated parent corporation in the consolidated parent corporation's business year (excluding a corporation listed in the said item), during the period from the day on which the domestic corporation came to have the full controlling interest to the last day of the said consolidated parent corporation's business year; hereinafter referred to as the "consolidated parent corporation's first business year" in this item), the business year containing the day preceding the date of the said merger: The amount of loss that arose in each business year prior to the said business year

(a) A merger that the domestic corporation effects on the first day of the consolidated parent corporation's first business year

(b) A merger that the domestic corporation effects during the period from the day following the first day of the consolidated parent corporation's first business year to the last day thereof, wherein a consolidated subsidiary corporation as prescribed in Article 81-9, paragraph (2), item (ii) is a merged corporation

(iii) In the case where the domestic corporation, which is a consolidated corporation, has had the approval set forth in Article 4-2 rescinded under Article 4-5, paragraph (1) or paragraph (2), or has obtained the approval set forth in Article 4-5, paragraph (3) after the last day of the first consolidated business year prescribed in Article 15-2, paragraph (1), each business year after the final consolidated business year: The amount of loss that arose in each business year prior to the said consolidated business year

(10) In the case where a domestic corporation, which is a consolidated subsidiary corporation, falls under any of the following cases in the single consolidated corporation's business year (in the case where the domestic corporation has effected a split-off-type company split (excluding those listed in item (i), (a) or (c) of the preceding paragraph) with itself as a split corporation, meaning the business year containing the day preceding the date of the said split-off-type

company split, and in the case where the domestic corporation has had the approval set forth in Article 4-2 rescinded under Article 4-5, paragraph (2) (limited to the part pertaining to item (iv) or item (v)), meaning the business year containing the day preceding the date of the rescission), the provisions prescribed in each of the following items shall not apply to the amount of loss listed in the relevant item:

(i) In the case where the domestic corporation has effected a qualified merger, etc. as prescribed in paragraph (2) with itself as a merging corporation, etc. as prescribed in the said paragraph (limited to a qualified merger, etc., wherein a corporation which does not have a consolidated full controlling interest in the domestic corporation (excluding a corporation specified by Cabinet Order to be a corporation that shows any loss deemed to be the amount of consolidated loss; hereinafter referred to as an "uncontrolled corporation" in this paragraph) is a merged corporation, etc. as prescribed in paragraph (2)), the amount of the uncontrolled corporation's unappropriated loss prescribed in the said paragraph: Paragraph (2) and paragraph (3)

(ii) In the case where the domestic corporation has effected a qualified merger or qualified company split set forth in paragraph (5) with itself as a merging corporation or succeeding corporation in a company split (limited to a qualified merger or qualified company split, wherein an uncontrolled corporation is a merged corporation or split corporation), the amount of the domestic corporation's loss prescribed in the said paragraph: Paragraph (5)

(11) The provisions of paragraph (1) shall apply only in the case where a domestic corporation set forth in the said paragraph filed a final return in a blue return form for the business year in which the amount of loss (excluding the amount deemed to be the amount of loss of the domestic corporation under paragraph (2) or paragraph (6)) arose and filed a final return form thereafter on a continuous basis (in the case of applying the provisions of paragraph (1) to the amount deemed to be the amount of loss of the domestic corporation under paragraph (2) or paragraph (6), only in the case where the domestic corporation filed a final return form for the business year containing the day following the last day of the business year of the merger, etc. set forth in paragraph (2) or the final consolidated business year prescribed in paragraph (6) and filed a final return form thereafter on a continuous basis).

(12) In the case where a merging corporation, etc. set forth in paragraph (2) is a corporation established as a result of a qualified merger, etc. set forth in the said paragraph, necessary matters concerning the application of the provisions of paragraph (1) and the application of the other provisions of the said paragraph to paragraph (10) shall be specified by Cabinet Order.

(Non-application of Carryover of Loss of Corporations Showing a Loss, etc.

Controlled by Specified Shareholders, etc.)

Article 57-2 (1) In the case where a domestic corporation that has become subject to a specified controlling interest of another person (meaning a relationship whereby the said other person holds directly or indirectly 50 percent or more of the total number or the total amount of the issued shares of or capital contributions to the domestic corporation (excluding own shares or capital contributions held by the domestic corporation) or any other relationship as specified by Cabinet Order and excluding a relationship that occurred on any grounds specified by Cabinet Order; hereinafter the same shall apply in this paragraph) and that holds, in the business year containing the day on which the domestic corporation became subject to the specified controlling interest (hereinafter such day shall be referred to as the "day of becoming subject to control" and such business year shall be referred to as a "business year under specified controlling interest" in this paragraph), the amount of loss that arose in each business year prior to the business year under specified controlling interest (such amount of loss shall include the amount which was deemed to be the amount of loss of the domestic corporation under paragraph (2) or paragraph (6) of the preceding Article and shall be limited to the amount to which the provisions of paragraph (1) of the said Article apply; hereinafter the same shall apply in this Article) or assets with a valuation loss (meaning assets held by the domestic corporation as of the day of becoming subject to control which are specified by Cabinet Order to be those whose value as of the day of becoming subject to control does not reach their book value) (such domestic corporation shall include a corporation that was a consolidated corporation showing a loss, etc. as prescribed in Article 81-9-2, paragraph (1) (Non-application of Carryover of Consolidated Loss of Consolidated Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.) (hereinafter referred to as a "consolidated corporation showing a loss, etc." in this Article) as of the last day of the last consolidated business year when it had corporation tax imposed on its consolidated income for each consolidated business year; hereinafter such domestic corporation shall be referred to as a "corporation showing a loss, etc." in this Article) falls under any of the following circumstances, up to the day preceding the day on which five years have elapsed from the said day of becoming subject to control (in the case of the consolidated corporation showing a loss, etc., from the day specified by Cabinet Order; hereinafter such day shall be referred to as the "specified day of becoming subject to control" in this paragraph and item (i) of the following paragraph) (in the case where the said corporation showing a loss, etc. falls under the case specified by Cabinet Order to be a case where it has ceased to be subject to the specified controlling interest, a release from an obligation as specified by Cabinet Order or other acts (referred to as a "release

from an obligation" in item (iii)) have been made for obligation of the said corporation showing a loss, etc., or any other events as specified by Cabinet Order have occurred, up to the day on which those events occurred), the provisions of paragraph (1) of the preceding Article shall not apply to the amount of loss that arose in each business year prior to the business year containing the day on which the said corporation showing a loss, etc. came to fall under any of the following circumstances (in the case where the said corporation showing a loss, etc. falls under any of the circumstances listed in item (iv), containing the day preceding a qualified merger, etc. as prescribed in the said item; such day shall be referred to as the "relevant day" in the following paragraph) (hereinafter such business year containing the relevant day shall be referred to as the "applicable business year" in this Article) in each business year after the applicable business year:

(i) In the case where the said corporation showing a loss, etc. had not conducted any business immediately prior to the said specified day of becoming subject to control (including the case where it had been in liquidation), and it starts a business on or after the said specified day of becoming subject to control (including the circumstances that the said corporation showing a loss, etc. in liquidation continues its business)

(ii) In the case where the said corporation showing a loss, etc. has abolished or is expected to abolish the whole of the business it had conducted immediately prior to the said specified day of becoming subject to control (hereinafter referred to as the "former business" in this paragraph) on or after the said specified day of becoming subject to control, and it accepts money or other assets by borrowing funds or capital contributions that exceed approximately five times the size of the business (meaning the amount of sales, the amount of income, or any other size of business as specified by Cabinet Order, in accordance with the type of business; the same shall apply in the following item and item (v)) of the said former business as of immediately prior to the said specified day of becoming subject to control (including the acceptance of assets as a result of a merger or company split; referred to as the "borrowing of funds, etc." in the following item)

(iii) In the case where the said other person or a person who has a relationship as specified by Cabinet Order with the said other person (hereinafter referred to as a "related person" in this item) has acquired claims against the said corporation showing a loss, etc. specified by Cabinet Order (hereinafter referred to as "specified claims" in this item) from a person other than the said other person or related person (including the case where he/she has acquired specified claims prior to the said specified day of becoming subject to control and excluding the case where a release from an obligation is expected to be made with regard to the specified claims on or after the said

specified day of becoming subject to control and any other case as specified by Cabinet Order; referred to as the "case where special claims have been acquired" in the following item), and the said corporation showing a loss, etc. borrows funds, etc. that exceed approximately five times the size of the business of the former business as of immediately prior to the said specified day of becoming subject to control

(iv) In the case prescribed in item (i) or item (ii) or in the case where special claims have been acquired as set forth in the preceding item, and the said corporation showing a loss, etc. effects a qualified merger, etc. as prescribed in paragraph (2) of the preceding Article (referred to as a "qualified merger, etc." in item (i) of the following paragraph and paragraph (4)) in which it becomes a merged corporation or split corporation

(v) In the case where the said corporation showing a loss, etc. has become subject to the specified controlling interest and, as a result, all its members who serve as officers as of immediately prior to the specified day of becoming subject to control (limited to the president and other officers specified by Cabinet Order) have resigned (or have ceased to execute the business) and approximately 20 percent or more of the total number of employees who had been engaged in the business of the said corporation showing a loss, etc. immediately prior to the specified day of becoming subject to control (hereinafter referred to as "former employees" in this item) have ceased to be employees of the said corporation showing a loss, etc., the size of the non-engaged business of the said corporation showing a loss, etc. (meaning the business that the former employees, in effect, cease to be engaged in on or after the specified day of becoming subject to control) exceeds approximately five times the size of the former business as of immediately prior to the specified day of becoming subject to control (excluding the case specified by Cabinet Order)

(vi) Any of the circumstances specified by Cabinet Order as being similar to those listed in the preceding items

(2) In the case where a corporation showing a loss, etc. effects a merger, company split, or capital contribution in kind on or after the relevant day (including the relevant day prescribed in Article 81-9-2, paragraph (1)), the provisions prescribed in each of the following items shall not apply to the amount of loss or individually attributed amount of consolidated loss (meaning the individually attributed amount of consolidated loss prescribed in paragraph (6) of the preceding Article; hereinafter the same shall apply in this Article) listed in the relevant item:

(i) In the case where a corporation showing a loss, etc. effects a qualified merger, etc. with itself as a merging corporation or succeeding corporation in a company split, the amount of loss or individually attributed amount of

consolidated loss that arose in each business year or each consolidated business year prior to the business year or consolidated business year containing the day preceding the date of the said qualified merger, etc. of a merged corporation or split corporation involved in the said qualified merger, etc. (in the case where the said qualified merger, etc. is to be effected after the day on which three years have elapsed from the first day of the applicable business year or applicable consolidated business year (meaning an applicable consolidated business year as prescribed in Article 81-9-2, paragraph (1); hereinafter the same shall apply in this Article) of the said corporation showing a loss, etc. (in the case where the said day on which three years have elapsed falls after the day on which five years have elapsed from the specified day of becoming subject to control, after the said day on which five years have elapsed), limited to the portion of the said amount of loss or individually attributed amount of consolidated loss, which arose in a business year or consolidated business year starting prior to the first day of the said applicable business year or applicable consolidated business year: Paragraph (2), paragraph (3), and paragraph (7) of the preceding Article

(ii) In the case where a corporation showing a loss, etc. effects a qualified merger, etc. as prescribed in paragraph (5) of the preceding Article with itself as a merging corporation, succeeding corporation in a company split, or corporation receiving a capital contribution in kind, the amount of loss that arose in each business year prior to the applicable business year of the said corporation showing a loss, etc.: Paragraph (5) of the preceding Article

(3) In the case where a consolidated corporation showing a loss, etc. effects a split-off-type company split as prescribed in paragraph (6) of the preceding Article on or after the relevant day prescribed in Article 81-9-2, paragraph (1), or falls under the case of the rescission, etc. of the approval prescribed in paragraph (6) of the preceding Article, the provisions of the said paragraph shall not apply to the individually attributed amount of consolidated loss that arose in each consolidated business year prior to the applicable consolidated business year of the said consolidated corporation showing a loss, etc.

(4) In the case where a qualified merger, etc. is effected between a domestic corporation and a corporation showing a loss, etc. or a consolidated corporation showing a loss, etc., with the said domestic corporation as a merging corporation or succeeding corporation in a company split, the provisions of paragraph (2), paragraph (3), and paragraph (7) of the preceding Article shall not apply to the amount of loss or individually attributed amount of consolidated loss that arose in each business year or each consolidated business year prior to the applicable business year or applicable consolidated business year of the said corporation showing a loss, etc. or consolidated corporation showing a loss, etc.

(5) Necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Carryover of Loss Due to Disaster in the Business Year When Blue Return Form Has Not Been Filed)

Article 58 (1) When a domestic corporation that files a final return form shows any amount of loss that arose in a business year starting within seven years prior to the first day of each of its business years (such amount shall exclude the amount to which the provisions of Article 57, paragraph (1) (Carryover of Loss in Business Year When Blue Return Form Has Been Filed) or Article 80 (Refund by Carryback of Loss) apply) and such amount of loss includes any amount specified by Cabinet Order that relates to the loss of inventory assets, fixed assets or deferred assets specified by Cabinet Order that was caused by an earthquake, storm and flood, fire or any other disaster as specified by Cabinet Order (hereinafter referred to as the "amount of loss caused by a disaster" in this Article), the amount equivalent to the said amount of loss caused by a disaster shall be included in deductible expenses, when calculating the amount of income for the relevant each business year; provided, however, that in the case where the amount equivalent to the said amount of loss caused by a disaster exceeds the amount of income for each relevant business year calculated without applying the provisions of the main clause to the said loss (in the case where there is any amount which is equivalent to any loss that had arisen in a business year prior to the business year when the said amount of loss caused by a disaster arose and which is to be included in deductible expenses when calculating the amount of income for each relevant business year under the main clause or Article 57, paragraph (1), exceeds the amount that remains after deducting the said amount to be included in deductible expenses from the calculated income), the provisions of the main clause shall not apply to the amount of the said excess.

(2) In the case where a qualified merger, etc. (meaning a qualified merger or what is specified by Cabinet Order to be a split-off-type company split categorized into a merger that falls under the category of a qualified split-off-type company split (hereinafter referred to as a "quasi-merger qualified split-off-type company split" in paragraph (3)); hereinafter the same shall apply in this Article) has been effected, when a merged corporation or split corporation (hereinafter referred to as a "merged corporation, etc." in this paragraph) involved in the qualified merger, etc. shows any amount of loss caused by a disaster that arose in each business year starting within seven years prior to the date of the qualified merger, etc. (hereinafter referred to as a "business year within preceding seven years") (such amount shall be limited to the amount of loss caused by a disaster only in the case where the merged

corporation, etc. has filed a final return form containing a detailed statement concerning the calculation of the amount of loss prescribed in paragraph (6) for the business year within preceding seven years when the said loss arose or meets any other requirements as specified by Cabinet Order, and shall exclude the amount included in deductible expenses when calculating the amount of income for a business year within preceding seven years of the merged corporation, etc. under the preceding paragraph; hereinafter referred to as the "amount of unappropriated loss caused by a disaster" in this paragraph), with regard to the application of the provisions of the preceding paragraph in each business year after the business year containing the date of the qualified merger, etc. (hereinafter referred to as the "business year of the merger, etc." in this paragraph) of a merging corporation or succeeding corporation in a company split (hereinafter referred to as a "merging corporation, etc." in this paragraph) involved in the qualified merger, etc., the amount of unappropriated loss caused by a disaster that arose in the business year within preceding seven years shall be deemed to be the amount of loss caused by a disaster that arose in each business year of the merging corporation, etc. containing the first day of the business years within preceding seven years when the amount of respective unappropriated loss caused by a disaster arose (or the amount of unappropriated loss caused by a disaster that arose in the business year within preceding seven years of the merged corporation, etc. starting on or after the first day of the business year of the merger, etc. of the merging corporation, etc. shall be deemed to be the amount of loss caused by a disaster that arose in the business year preceding the business year of the merger, etc.).

(3) With regard to the application of the provisions of paragraph (1) in each business year of a split corporation involved in a quasi-merger qualified split-off-type company split after the business year containing the date of the said quasi-merger qualified split-off-type company split, the amount of loss caused by a disaster that arose in each business year prior to the said business year shall be deemed not to exist.

(4) In the case prescribed in any of the following items, with regard to the application of the provisions of paragraph (1) in a business year listed in the relevant item of a domestic corporation set forth in the said paragraph, the amount of loss caused by a disaster as prescribed in the relevant item shall be deemed not to exist:

(i) In the case where the domestic corporation, which is a consolidated corporation, has effected a split-off-type company split (excluding any of the split-off-type company splits listed in Article 57, paragraph (9), item (i), (a) to (c)) with itself as a split corporation, each business year after the business year containing the day preceding the date of the said split-off-type company

split: The amount of loss caused by a disaster that arose in each business year prior to the business year containing the said preceding day

(ii) In the case where the domestic corporation, which is a consolidated subsidiary corporation, has effected a merger (limited to a merger, wherein another consolidated corporation, which has a consolidated full controlling interest in the domestic corporation, is a merging corporation, and excluding any of the mergers listed in Article 57, paragraph (9), item (ii), (a) or (b)) with itself as a merged corporation in the consolidated parent corporation's first business year prescribed in Article 57, paragraph (9), item (ii), the business year containing the day preceding the date of the said merger: The amount of loss caused by a disaster that arose in each business year prior to the said business year

(iii) In the case where the domestic corporation, which is a consolidated corporation, has had the approval set forth in Article 4-2 (Consolidated Taxpayer) rescinded under Article 4-5, paragraph (1) or paragraph (2) (Rescission of Approval for Consolidated Taxation), or has obtained the approval set forth in Article 4-5, paragraph (3) after the last day of the first consolidated business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year), each business year after the last consolidated business year: The amount of loss caused by a disaster that arose in each business year prior to the said consolidated business year

(5) In the case where the domestic corporation, which is a consolidated subsidiary corporation, has effected a qualified merger, etc. (limited to a qualified merger, etc., wherein a corporation which does not have a consolidated full controlling interest in the domestic corporation (excluding a corporation specified by Cabinet Order to be a corporation that shows any loss caused by a disaster deemed to be the amount of consolidated loss; hereinafter referred to as an "uncontrolled corporation" in this paragraph) is a merged corporation, etc. as prescribed in paragraph (2)) with itself as a merging corporation, etc. as prescribed in the said paragraph in the single consolidated corporation's business year prescribed in Article 57, paragraph (10), the provisions of paragraph (2) shall not apply to the amount of unappropriated loss caused by a disaster as prescribed in the said paragraph of the uncontrolled corporation.

(6) The provisions of paragraph (1) shall apply only in the case where a domestic corporation set forth in the said paragraph filed a final return form containing a detailed statement concerning the calculation of the amount of loss prescribed in paragraph (1) for the business year in which the amount of loss caused by a disaster (excluding the amount deemed to be the amount of loss caused by a disaster of the domestic corporation under paragraph (2)) arose and filed a final return form thereafter on a continuous basis (in the case of applying the provisions of paragraph (1) to the amount deemed to be the

amount of loss caused by a disaster of the domestic corporation under paragraph (2), only in the case where the domestic corporation filed a final return form for the business year of the merger, etc. set forth in paragraph (2) and filed a final return form thereafter on a continuous basis).

(7) In the case where a merging corporation, etc. set forth in paragraph (2) is a corporation established as a result of a qualified merger, etc., necessary matters concerning the application of the provisions of paragraph (1) and the application of other provisions of the said paragraph to paragraph (5) shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of the Amount of Loss in the Case of Release of Obligation, etc. as a Result of Corporate Reorganization)

Article 59 (1) In the case where an order on the commencement of reorganization proceedings has been rendered for a domestic corporation under the Corporate Reorganization Act or the Act on Special Measures, etc. of Reorganization Procedure of Financial Institutions (referred to as the "Corporate Reorganization Act, etc." in item (iii)), when the domestic corporation falls under any of the following cases, the portion of the amount of loss that arose in each business year prior to the business year containing the day on which the domestic corporation came to fall under the relevant case (hereinafter referred to as the "applicable year" in this paragraph) (such amount of loss shall include the amount of individual loss prescribed in Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax) that arose in a consolidated business year (in the case where any consolidated loss arose in the said consolidated business year, such amount plus the portion of the consolidated loss attributed to the domestic corporation)) and that is equivalent to the amount specified by Cabinet Order, up to the sum of the amount prescribed in the relevant item, shall be included in deductible expenses, when calculating the amount of income for the applicable year:

(i) In the case where persons holding claims specified by Cabinet Order against the domestic corporation (excluding consolidated corporations that have a consolidated full controlling interest in the domestic corporation) granted a release from an obligation with regard to the said claims when the order on the commencement of reorganization proceedings was rendered (including the case where the said claims have become extinct on grounds other than those of a release from an obligation and any profits arise on the extinct obligation): That amount for which a release from an obligation was granted (including the amount of the said profits)

(ii) In the case where, accompanying the order on the commencement of reorganization proceedings, money or other assets were donated by officers,

etc. of the domestic corporation (meaning persons who are or were its officers or shareholders, etc. and excluding consolidated corporations that have a consolidated full controlling interest in the domestic corporation; the same shall apply in item (ii) of the following paragraph): The amount of money and the value of assets other than money that the corporation received

(iii) In the case where the domestic corporation has revaluated its assets as prescribed in Article 25, paragraph (2) (Exclusion from Gross Profits of Asset Valuation Gain) (limited to the part pertaining to revaluation under the provisions of the Corporate Reorganization Act, etc.; hereinafter the same shall apply in this item): The amount to be included in gross profits in the calculation of the amount of income for the said applicable year under the provisions of the said paragraph (in the case where there is any amount to be included in deductible expenses in the calculation of the amount of income for the said applicable year under Article 33, paragraph (2) (Exclusion from Deductible Expenses of Asset Valuation Loss, etc.) (limited to the part pertaining to revaluation under the provisions of the Corporate Reorganization Act, etc.), the amount that remains after deducting the said amount to be included in deductible expenses from the said amount to be included in gross profits)

(2) In the case where an order on the commencement of rehabilitation proceedings has been rendered for a domestic corporation under the Civil Rehabilitation Act or any equivalent event as specified by Cabinet Order has occurred, when the domestic corporation falls under any of the following cases, the portion of the amount of loss that arose in each business year prior to the business year containing the day on which the domestic corporation came to fall under the relevant case (in the case of falling under the case listed in item (iii), prior to the business year in which the domestic corporation came to fall under such case; hereinafter such business year shall be referred to as the "applicable year" in this paragraph) (such amount of loss shall include the amount of individual loss prescribed in Article 81-18, paragraph (1) that arose in a consolidated business year (in the case where any consolidated loss arose in the said consolidated business year, such amount plus the portion of the consolidated loss attributed to the domestic corporation)) and that is equivalent to the amount specified by Cabinet Order, up to the sum of the amount prescribed in the relevant item (in the case where such sum exceeds the amount of income for the applicable year calculated without applying the provisions of this paragraph (in the case of falling under the case listed in item (iii), without applying the provisions of Article 57, paragraph (1) (Carryover of Loss in Business Year When Blue Return Form Has Been Filed), paragraph (1) of the preceding Article and this paragraph), the amount obtained after deducting the amount of the said excess), shall be included in deductible

expenses, when calculating the amount of income for the applicable year:

(i) In the case where persons holding claims specified by Cabinet Order against the domestic corporation (excluding consolidated corporations that have a consolidated full controlling interest in the domestic corporation) granted a release from an obligation with regard to the said claims when such event occurred (including the case where the said claims have become extinct on grounds other than a release from an obligation and any profits arising on the extinct obligation): That amount for which a release from an obligation was granted (including the amount of the said profits)

(ii) In the case where, accompanying the occurrence of such event, money or other assets were donated by the officers, etc. of the domestic corporation: The amount of money and the value of assets other than money that the corporation received

(iii) In the case where the domestic corporation is subject to the provisions of Article 25, paragraph (3) or Article 33, paragraph (3): The amount obtained by subtracting the amount to be included in deductible expenses in the calculation of the amount of income for the applicable year under Article 33, paragraph (3) from the amount to be included in gross profits in the calculation of the amount of income for the applicable year under Article 25, paragraph (3)

(3) The provisions of the preceding two paragraphs shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount equivalent to the amount of loss prescribed in these provisions and is attached with documents as specified by Ordinance of the Ministry of Finance.

(4) Even in the case where a final return form without entries for the matters or the attachment of documents set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1) or paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries of such statement or to attach such documents.

Division 9 Dividend to Contractors, etc.

(Inclusion into Deductible Expenses of Dividend to Policyholders Incurred by Insurance Companies)

Article 60 (1) The amount that an insurance company as prescribed in the Insurance Business Act distributes to its policyholders in each business year based on an insurance contract shall be included in deductible expenses, when calculating the amount of income for the said business year; provided, however, that the said amount exceeds the amount specified by Cabinet Order, this shall

not apply to the amount of the said excess.

(2) The insurance company set forth in the preceding paragraph shall attach to a final return form the documents containing a detailed statement concerning the calculation of the amount to be included in deductible expenses under the said paragraph.

(Dividends and the Like Made on the Basis of the Volume of Business with Cooperatives, etc. Incurred by Cooperatives, etc.)

Article 60-2 (1) The following amounts for which a cooperative, etc. makes a resolution to pay at the time of settling the accounts for each business year shall be included in deductible expenses, when calculating the amount of income of for the said business year:

(i) The amount to be distributed to the partners or other members, in accordance with the quantity or value of the goods that they dealt with, or the volume of the services of the cooperative, etc. that they used in the said business year

(ii) The amount to be distributed to the partners or other members, in accordance with the level at which they were engaged in the business of the cooperative, etc. in the said business year

(2) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the inclusion in deductible expenses of the amount listed in the items of the said paragraph.

(3) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (1), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

Division 10 Amount of Loss on Transfer of Assets of Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.

(Exclusion from Deductible Expenses of Amount of Loss on Transfer of Assets of Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.)

Article 60-3 (1) With regard to a corporation showing a loss, etc. as prescribed in Article 57-2, paragraph (1) (Non-application of Carryover of Loss of Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.) (with regard to a consolidated corporation showing a loss, etc. as prescribed in the said paragraph, limited to such corporation that held assets with a valuation loss as prescribed in Article 81-9-2, paragraph (1) (Non-application of Carryover of Consolidated Loss of Consolidated Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.) as of the specified day of

becoming subject to control prescribed in Article 57-2, paragraph (1); hereinafter such corporation shall be referred to as a "corporation showing a loss, etc." in this paragraph and the following paragraph), in the case where, during the period from the first day of the applicable business year prescribed in Article 57-2, paragraph (1) or applicable consolidated business year prescribed in Article 81-9-2, paragraph (1) (hereinafter referred to as the "applicable business year, etc." in this paragraph) of the corporation showing a loss, etc. to the day on which three years have elapsed from the said first day (in the case where the said day on which three years have elapsed falls after the day on which five years have elapsed from the specified day of becoming subject to control, to the said day on which five years have elapsed), (in the case where each business year ending during the said period is subject to the provisions of Article 61-11, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Commencement of Consolidated Taxation), Article 61-12, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Participation in Consolidated Taxation), or Article 62-9, paragraph (1) (Gain or Loss on Fair Valuation of Assets Held by Wholly Owned Subsidiary Corporations in Share Exchange Involved in Non-qualified Share Exchange), during the period from the first day of the applicable business year, etc. to the last day of the business year immediately prior to the commencement of the consolidation prescribed in Article 61-11, paragraph (1), the business year immediately prior to the participation in the consolidation prescribed in Article 61-12, paragraph (1), or the business year subject to the provisions of Article 62-9, paragraph (1); hereinafter referred to as the "applicable period" in this paragraph and the following paragraph), any amount of loss arises due to transfer, revaluation, bad debts, removal or on any other equivalent grounds (hereinafter referred to as "specified grounds such as transfer" in this paragraph) of specified assets (meaning the portion specified by Cabinet Order of assets held by the corporation showing a loss, etc. as of the said specified day of becoming subject to control and assets transferred to the corporation showing a loss, etc. as a result of a qualified company split or qualified capital contribution in kind, wherein another person as prescribed in Article 57-2, paragraph (1) is a split corporation or corporation making a capital contribution in kind, or as a result of a qualified merger, qualified company split, or qualified capital contribution in kind, wherein a related person as prescribed in item (iii) of the said paragraph is a merged corporation, split corporation, or corporation making a capital contribution in kind; hereinafter the same shall apply in this Article), the said amount of loss (in the case where there are any profits resulting from a transfer or revaluation of specified assets that arise during the applicable period of the business year containing the day on which the said specified grounds such as the transfer occurred, the amount

that remains after deducting the said amount of profits) shall be excluded from deductible expenses, when calculating the amount of income of the corporation showing a loss, etc. for each business year.

(2) In the case where a corporation showing a loss, etc. has transferred its specified assets (limited to those falling under the category of assets with a valuation loss as prescribed in Article 57-2, paragraph (1)), as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this Article), wherein the corporation itself is a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities, to a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merging corporation, etc." in this Article), the provisions of the preceding paragraph shall apply by deeming that the merging corporation, etc. is a corporation showing a loss, etc. subject to the provisions of the said paragraph.

(3) Necessary matters concerning the calculation of the amount of loss on the transfer of specified assets that a merging corporation set forth in the preceding paragraph has received as a result of a qualified organizational restructuring and other necessary matters concerning the application of the provisions of paragraph (1) shall be specified by Cabinet Order.

Subsection 5 Calculation of Amount of Profit or Loss

Division 1 Capital Gain or Loss and Gain or Loss on Fair Valuation of Commodities for Short-term Trading

(Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss and Gain or Loss on Fair Valuation of Commodities for Short-Term Trading)

Article 61 (1) In the case where a domestic corporation has transferred any commodities for short-term trading (meaning commodities as specified by Cabinet Order as assets acquired for the purpose of profit from short-term price fluctuations (excluding securities); hereinafter the same shall apply in this Article) (excluding the case where the said commodities for short-term trading have been transferred to a merging corporation, succeeding corporation in a company split, or corporation receiving a capital contribution in kind as a result of a merger, company split, or qualified capital contribution in kind; hereinafter the same shall apply in this paragraph), capital gain (meaning the difference between the amount listed in item (i) and the amount listed in item (ii) when the former exceeds the latter) or capital loss (meaning the difference

between the amount listed in item (i) and the amount listed in item (ii) when the latter exceeds the former) on the transfer shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the day on which a contract for the transfer was concluded:

(i) The amount of consideration for the transfer of the commodities for short-term trading

(ii) The amount of cost for the transfer of the commodities for short-term trading (meaning the amount obtained by multiplying the amount calculated based on the method that the domestic corporation selected for calculating the book value per unit of the commodities for short-term trading (in the case where the domestic corporation did not select any calculation method or did not calculate the book value based on the calculation method of their choice, the amount calculated based on one of the calculation methods specified by Cabinet Order) by the number of the commodities for short-term trading that it has transferred)

(2) With regard to commodities for short-term trading held by a domestic corporation as of the end of a business year, the amount evaluated by the fair value method (meaning the method by categorizing commodities for short-term trading held as of the end of a business year by type and brand (hereinafter referred to as "types, etc." in this paragraph) and calculating the current value of commodities of the same type as specified by Cabinet Order, and thereby to deem the calculated amount to be their fair value at that time (referred to as the "fair value" in the following paragraph)) shall be deemed to be their fair value at that time.

(3) In the case where a domestic corporation holds any commodities for short-term trading as of the end of a business year, the valuation gain therefrom (meaning, in the case where the fair value of the commodities for short-term trading exceeds their book value at that time (hereinafter referred to as the "book value at the end of the period" in this paragraph), the amount of the said excess) or the valuation loss therefrom (meaning, in the case where the book value at the end of the period of the commodities for short-term trading exceeds their fair value, the amount of the said excess) shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year, notwithstanding the provisions of Article 25, paragraph (1) (Exclusion from Gross Profits of Asset Valuation Gain) or Article 33, paragraph (1) (Exclusion from Deductible Expenses of Asset Valuation Loss, etc.).

(4) In the case where a domestic corporation holds any commodities for short-term trading, when it has abolished all of the operations to buy and sell commodities for short-term trading for the purpose prescribed in paragraph (1), the amount of income of the domestic corporation for each business year shall

be calculated by deeming that the domestic corporation transferred, as of the time of the abolition, said commodities for short-term trading for their value at that time and acquired assets other than commodities for short-term trading for their value.

(5) Methods for calculating the acquisition cost that is to be used as the basis of the calculation of book values per unit of commodities for short-term trading, the type of methods for calculating book values per unit of commodities for short-term trading, procedures to select the calculation methods, disposition of valuation gain or loss prescribed in paragraph (3) in the following business year, and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

Division 1-2 Capital Gain or Loss and Gain or Loss on Fair Valuation of Securities

(Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss of Securities)

Article 61-2 (1) In the case where a domestic corporation has transferred any securities (excluding the case where the said securities have been transferred to a merging corporation, succeeding corporation in a company split, or corporation receiving a capital contribution in kind as a result of a merger, company split, or qualified capital contribution in kind; hereinafter the same shall apply in this Article), capital gain (meaning the difference between the amount listed in item (i) and the amount listed in item (ii) when the former exceeds the latter) or capital loss (meaning the difference between the amount listed in item (i) and the amount listed in item (ii) when the latter exceeds the former) on the transfer shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the day on which a contract for the transfer was concluded (in the case where the transfer was due to payment of a dividend of surplus or on any other grounds specified by Ordinance of the Ministry of Finance, containing the day on which the dividend of surplus became effective or any other day as specified by the Ordinance of the Ministry of Finance):

(i) The amount of consideration for the transfer of the securities (in the case where there is any amount that is deemed to be the amount listed in Article 23, paragraph (1), item (i) (Exclusion from Gross Profits of Dividend Received, etc.) pursuant to the provisions of Article 24, paragraph (1) (The Amount Deemed to be That of Dividend, etc.), the amount that remained after deducting the amount equivalent to the said deemed amount)

(ii) The amount of the cost of the transfer of the securities (meaning the amount obtained by multiplying the amount calculated based on the method

that the domestic corporation selected for calculating the book value per unit of the securities (in the case where the domestic corporation did not select any calculation method or did not calculate the book value based on the calculation method of their choice, the amount calculated based on one of the calculation methods specified by Cabinet Order) by the number of the securities that it has transferred)

(2) In the case where a domestic corporation has received the delivery of old shares (meaning shares (including capital contributions; hereinafter the same shall apply in this Article) held by the domestic corporation) as a result of a merger of the corporation that had issued the old shares (such merger shall be limited to a merger in which shareholders, etc. of the said corporation have not received the delivery of assets other than either of a merging corporation's shares or shares of a corporation that has a relationship with a merging corporation as specified by Cabinet Order as a relationship whereby the corporation holds the whole of the issued shares of or capital contributions to the merging corporation (excluding own shares or capital contributions held by the merging corporation; hereinafter referred to as "issued shares, etc." in this Article) (such assets shall exclude money or other assets delivered as a dividend, etc. of surplus to the said shareholders, etc. and money or other assets to be delivered to the said shareholders, etc. who oppose the merger as the consideration based on their purchase demand as prescribed in Article 2, item (xii)-8 (Definitions)), with regard to the application of the provisions of the preceding paragraph, the amount listed in item (i) of the said paragraph shall be deemed to be the amount equivalent to the book value of the old shares as of immediately prior to the said merger.

(3) The provisions of the preceding two paragraphs shall apply by deeming that a merging corporation has received the allotment of shares, etc. as prescribed in Article 24, paragraph (2) for its tie-in shares prescribed in the said paragraph even in the case prescribed in the said paragraph.

(4) In the case where a domestic corporation has received, as a result of a split-off-type company split effected by the corporation that had issued old shares (meaning shares held by the domestic corporation; hereinafter the same shall apply in this paragraph), the delivery of shares of the succeeding corporation in a company split or other assets, the provisions of paragraph (1) shall apply by deeming that the domestic corporation has transferred the portion of the old shares corresponding to the assets and liabilities transferred to the succeeding corporation in a company split as a result of the split-off-type company split. In this case, with regard to the application of the provisions of paragraph (1) where the domestic corporation has received the delivery of shares of the succeeding corporation in a company split or other assets, as a result of the split-off-type company split (excluding a split-off-type company split in which

the shareholders, etc. of a split corporation have not received the delivery of assets other than either of the shares of a succeeding corporation in a company split or the shares of a corporation that has a relationship with a succeeding corporation in a company split as specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares, etc. of the succeeding corporation in a company split (hereinafter referred to as the "parent corporation" in this paragraph) (such assets shall exclude money or other assets other than assets as a consideration for a split as prescribed in Article 2, item (xii)-9 that have been delivered as a dividend, etc. of surplus as prescribed in item (xii)-8 of the said Article to the said shareholders, etc.) (hereinafter such split-off-type company split shall be referred to as a "split-off-type company split without delivery of money, etc." in this paragraph)), the amount listed in paragraph (1), item (ii) shall be deemed to be the amount calculated, as specified by Cabinet Order, based on the book value of the old shares as of immediately prior to the said split-off-type company split (hereinafter such calculated amount shall be referred to as the "book value corresponding to split net assets"); and with regard to the application of paragraph (1) where the domestic corporation has received the delivery of shares of the succeeding corporation in a company split or shares of the parent corporation, as a result of the split-off-type company split (limited to a split-off-type company split without the delivery of money, etc.), the amounts listed in the items of paragraph (1) shall be deemed to be the book values corresponding to split net assets of the old shares as of immediately prior to the said split-off-type company split.

(5) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation is deemed to have delivered shares or a merging parent corporation's shares as prescribed in Article 62-2, paragraph (2) (Succession of Assets, etc. at Book Value as a Result of Qualified Merger and Qualified Split-off-Type Company Split) to the shareholders, etc. prescribed in the said paragraph as prescribed in the said paragraph, the amounts listed in the items of paragraph (1) shall be deemed to be the amounts equivalent to those specified by Cabinet Order as prescribed in paragraph (2) of the said Article.

(6) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has delivered, as a result of a qualified split-off-type company split with itself as a split corporation, shares of a succeeding corporation in a company split involved in the qualified split-off-type company split or shares of a succeeding parent corporation in a company split as prescribed in Article 2, item (xii)-11 (referred to as "shares of a succeeding parent corporation in a company split" in paragraph (8)) to its shareholders, etc., the amounts listed in the items of paragraph (1) shall be deemed to be the

amounts equivalent to those specified by Cabinet Order as prescribed in Article 62-2, paragraph (3).

(7) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has delivered, as a result of a qualified merger with itself as a merging corporation, a merging parent corporation's shares as prescribed in Article 2, item (xii)-8, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the said merging parent corporation's shares as of immediately prior to the said qualified merger.

(8) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has delivered, as a result of a qualified company split with itself as a succeeding corporation in a company split, shares of a succeeding parent corporation in a company split, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the shares of a succeeding parent corporation in a company split as of immediately prior to the said qualified company split.

(9) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received, as a result of a share exchange effected by the corporation that had issued old shares (meaning shares held by the domestic corporation) (such share exchange shall exclude a share exchange in which the shareholders, etc. of the said corporation have not received the delivery of assets other than either of the shares of a wholly owning parent corporation in share exchange or the shares of a corporation that has a relationship with a wholly owning parent corporation in share exchange as specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares, etc. of the wholly owning parent corporation in share exchange (such assets shall exclude money or other assets delivered as a dividend of surplus to the said shareholders and money or other assets to be delivered to the said shareholders who oppose the share exchange as the consideration based on their purchase demand)), the delivery of the said shares, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the old shares as of immediately prior to the said share exchange.

(10) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has delivered, as a result of a qualified share exchange with itself as a wholly owning parent corporation in share exchange, shares of a wholly owning parent corporation in share exchange as prescribed in Article 2, item (xii)-16, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the shares of a wholly owning parent corporation as of immediately prior to the said share exchange.

(11) With regard to the application of the provisions of paragraph (1) in the case

where a domestic corporation has received, as a result of a share transfer effected by the corporation that had issued old shares (meaning shares held by the domestic corporation) (such share transfer shall exclude a share transfer in which the shareholders, etc. of the said corporation have not received the delivery of assets other than shares of a wholly owning parent corporation in share transfer (such assets shall exclude money or other assets to be delivered to the said shareholders who oppose the share transfer as the consideration based on their purchase demand)), the delivery of the said shares, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the old shares as of immediately prior to the said share transfer.

(12) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received, as a result of a merger, company split, share exchange or share transfer (hereinafter referred to as a "merger, etc." in this paragraph), wherein the corporation, which had issued share options (including bonds with share options; hereinafter referred to as "old share options, etc." in this paragraph) that the domestic corporation holds, is a merged corporation, split corporation, wholly owned subsidiary corporation in share exchange, or wholly owned subsidiary corporation in share transfer, the delivery of only share options (including bonds with share options) of a merging corporation, succeeding corporation in a company split, wholly owning parent corporation in share exchange, or wholly owning parent corporation in share transfer, in lieu of the old share options involved in the merger, etc., the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the old share options as of immediately prior to the said merger, etc.

(13) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received, upon an entity conversion effected by the corporation that had issued old shares (meaning shares held by the domestic corporation) (such entity conversion shall be limited to that in which only shares of the said corporation have been delivered to its shareholders, etc.), the delivery of shares of the said corporation, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the old shares as of immediately prior to the said organizational change.

(14) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has transferred securities as listed in the following items on any of the grounds prescribed in the relevant item and has received the delivery of the shares or share options of a corporation that has made the acquisition as prescribed in the relevant item on the said grounds (excluding the case where it is deemed that the value of the said shares or

share options received is not close to the value of the transferred securities), the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the securities listed in the relevant item as of immediately prior to the said transfer (with regard to securities listed in item (iv), equivalent to the book value of the bonds with share options set forth in the said item as of immediately prior to the said transfer):

(i) Shares with a put option (meaning shares that shareholders, etc. may claim for the acquisition thereof, in the case where a corporation determines to that effect, as a feature of all or part of the shares it issues): The exercise of the claim related to the said shares with a put option, in the case where only the shares of a corporation that makes the acquisition are delivered as a consideration for the acquisition through the exercise of the said claim

(ii) Shares subject to call (meaning shares that a corporation may acquire on the condition of the occurrence of certain grounds (hereinafter referred to as the "grounds for acquisition" in this item), in the case where the corporation determines to that effect, as a feature of all or some of the shares it issues): The occurrence of the grounds for acquisition, in the case where only the shares of a corporation that makes the acquisition are issued to shareholders, etc. whose shares are acquired as a consideration for the acquisition due to the occurrence of the grounds for acquisition related to the said shares subject to call (in the case where all the shares subject to acquisition are acquired, including the case where only the shares and share options of a corporation that makes the acquisition are delivered to the shareholders, etc. whose shares are acquired as a consideration for the acquisition)

(iii) Class shares subject to wholly call (meaning a type of share in the case where a corporation that issued such shares determines that all such shares shall be acquired by resolution of a shareholders meeting or any other meeting equivalent thereto (hereinafter referred to as the "resolution of acquisition" in this item): The resolution of acquisition in the case where no assets (excluding money or other assets delivered based on a petition for a determination of the price of the acquisition) other than the shares of a corporation that makes the acquisition (including the share options of the corporation that makes the acquisition delivered along with the said shares) are delivered to the shareholders, etc. whose shares are acquired as a consideration for the acquisition by the resolution of acquisition related to the said class shares subject to wholly call

(iv) Bonds pertaining to bonds with share options: The exercise of the share options attached to the said bonds pertaining to bonds with share options, in the case where the shares of a corporation that makes the acquisition are delivered as a consideration for the acquisition through the exercise of the said share options

(v) Share options subject to call (meaning share options that a corporation which issued them may acquire on the condition of the occurrence of certain grounds (hereinafter referred to as the "grounds for acquisition" in this item), in the case where the corporation determines to that effect; hereinafter the same shall apply in this item) or bonds with share options attached with share options subject to call: The occurrence of the grounds for acquisition, in the case where only the shares of a corporation that makes the acquisition are delivered to holders of share options whose share options are acquired as a consideration for the acquisition due to the occurrence of the grounds for acquisition related to those share options subject to call

(15) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received, as a result of the consolidation of trusts related to old beneficial rights (meaning beneficial rights of a group investment trust held by the domestic corporation) (such consolidation of trusts shall be limited to that in which beneficiaries of the group investment trust have not received the delivery of assets other than the beneficial rights of a new trust involved in the said consolidation of trusts (such assets shall exclude money or other assets to be delivered to the said beneficiaries who oppose the consolidation of trusts as the consideration based on their purchase demand)), the delivery of the said beneficial rights, the amount listed in paragraph (1), item (i) shall be deemed to be the amount equivalent to the book value of the old beneficiary rights as of immediately prior to the said consolidation of trusts.

(16) In the case where a domestic corporation has received, as a result of the split of a trust related to old beneficial rights (meaning the beneficial rights of a group investment trust held by the domestic corporation; hereinafter the same shall apply in this paragraph), the delivery of the beneficial rights of a succeeding trust (meaning a trust that receives the transfer of a part of the trust property of another trust holding the same trustee as a result of a trust split; hereinafter the same shall apply in this paragraph) or other assets, the provisions of paragraph (1) shall apply by deeming that the domestic corporation has transferred the portion of the old beneficial rights corresponding to the assets and liabilities transferred to the succeeding trust as a result of the trust split. In this case, with regard to the application of the provisions of paragraph (1) where the domestic corporation has received the delivery of the beneficial rights of a succeeding trust or other assets, as a result of the trust split (limited to a trust split in which beneficiaries of the split trust (meaning a trust that transfers, as a result of a trust split, a part of its trust property as the trust property of another trust holding the same trustee or a new trust) have received the delivery of assets other than the beneficial rights of a succeeding trust (such assets shall exclude money or other assets to be delivered to the said beneficiaries who oppose the trust split as the

consideration based on their purchase demand) (hereinafter such trust split shall be referred to as a "trust split with delivery of money, etc." in this paragraph)), the amount listed in paragraph (1), item (ii) shall be deemed to be the amount calculated, as specified by Cabinet Order, based on the book value of the old beneficial rights as of immediately prior to the said trust split (hereinafter such calculated amount shall be referred to as the "book value corresponding to split net assets"); and with regard to the application of paragraph (1) where the domestic corporation has received the delivery of the beneficial rights of a succeeding trust, as a result of the trust split (excluding a trust split with delivery of money, etc.), the amounts listed in the items of paragraph (1) shall be deemed to be the book values corresponding to split net assets of the old beneficial rights as of immediately prior to the said trust split.

(17) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received the delivery of money or other assets as a refund of the capital or the distribution of residual assets due to the dissolution of a corporation that had issued shares that the domestic corporation holds as prescribed in Article 24, paragraph (1), item (iii) (hereinafter referred to as a "refund, etc." in this paragraph), the amount listed in paragraph (1), item (ii) shall be deemed to be the amount calculated, as specified by Cabinet Order, based on the book value of the said shares as of immediately prior to the said refund, etc.

(18) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has received the delivery of money or other assets as a refund of the capital contributions of a corporation that it holds (limited to capital contributions without any provisions concerning the number of units; hereinafter referred to as "owned capital contributions" in this paragraph) (hereinafter such refund shall be simply referred to as a "refund" in this paragraph), the amount listed in paragraph (1), item (ii) shall be deemed to be the amount equivalent to the amount obtained by multiplying the book value of the owned capital contributions as of immediately prior to the said refund by the rate that the capital contributions pertaining to the said refund accounts for among the amount of the owned capital contributions as of immediately prior to the said refund.

(19) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has sold securities and has bought back securities of the same issue thereafter to complete a settlement by way of short selling (meaning a transaction wherein a person sells securities without holding them and buys back securities of the same issue thereafter to complete the settlement or other transactions specified by Ordinance of the Ministry of Finance and excluding those falling under the category of a margin transaction or a when issued transaction as prescribed in the following paragraph), the

capital gain prescribed in the said paragraph shall be deemed to be the difference between the amount listed in item (i) and the amount listed in item (ii) when the former exceeds the latter, the capital loss prescribed in the said paragraph shall be deemed to be the difference between the amount listed in item (i) and the amount listed in item (ii) when the latter exceeds the former, and the day on which a contract for the transfer was concluded as prescribed in the said paragraph shall be deemed to be the day on which a buyback contract pertaining to the settlement was concluded:

(i) The amount obtained by multiplying the amount calculated based on the method specified by Cabinet Order to be the method for calculating the amount of consideration for the transfer per unit of the securities that the domestic corporation sold by the number of securities that it bought back thereafter

(ii) The amount of consideration for the buy-back of securities that the domestic corporation bought back

(20) With regard to the application of the provisions of paragraph (1) in the case where a domestic corporation has sold or bought shares and has bought or sold shares of the same issue thereafter to complete settlement by way of a margin transaction as prescribed in Article 156-24, paragraph (1) (License and Application of License) of the Financial Instruments and Exchange Act or a when issued transaction (meaning a transaction wherein a person sells or buys securities prior to the issuance thereof and which is specified by Ordinance of the Ministry of Finance), the capital gain prescribed in the said paragraph shall be deemed to be the difference between the amount listed in item (i) and the amount listed in item (ii) when the former exceeds the latter, the capital loss prescribed in the said paragraph shall be deemed to be the difference between the amount listed in item (i) and the amount listed in item (ii) when the latter exceeds the former, and the day on which a contract for the transfer was concluded as prescribed in the said paragraph shall be deemed to be the day on which a contract for buying or selling pertaining to the settlement was concluded:

(i) The amount of consideration for the selling of the shares that the domestic corporation sold

(ii) The amount of consideration for the buying of the shares that the domestic corporation bought

(21) In the case where a domestic corporation holds securities for buying and selling as prescribed in paragraph (1), item (i) of the following Article, securities which are STRIPS bonds as prescribed in Article 90, paragraph (1) (Definitions) of the Act on Transfer of Bonds, Shares, etc., or any other securities as specified by Cabinet Order (hereinafter referred to as "specified securities" in this paragraph), when the domestic corporation has abolished all

of its operations to buy and sell securities for the purpose prescribed in the said item, separate trading of principal and interest prescribed in paragraph (1) of the said Article has been conducted, or any other events as specified by Cabinet Order have occurred, the amount of the income of the domestic corporation for each business year shall be calculated by deeming that the domestic corporation transferred the said specified securities and acquired securities other than the said specified securities as of the time when the said events occurred, as specified by Cabinet Order.

(22) In the case where a domestic corporation intends to deliver, as a result of a merger, company split, or share exchange (hereinafter referred to as a "merger, etc." in this paragraph) with itself as the merging corporation, succeeding corporation in a company split, or wholly owning parent corporation in share exchange, the parent corporation's shares (meaning the shares of a corporation that is expected to fall under the category of a corporation that has a relationship with the domestic corporation specified by Cabinet Order to be a relationship whereby the corporation holds the whole of the issued shares, etc. of the domestic corporation, as of the day on which a contract for the said merger, etc. is concluded (hereinafter referred to as the "contract date" in this paragraph); hereinafter the same shall apply in this paragraph), when the domestic corporation holds the parent corporation's shares as of the contract date or has received the transfer of the parent corporation's shares as a result of a qualified merger, wherein the domestic corporation is a merging corporation, or on any other grounds specified by Cabinet Order after the contract date, the amount of the income of the domestic corporation for each business year shall be calculated by deeming that the domestic corporation transferred such parent corporation's shares (excluding the equivalent number of shares specified by Cabinet Order as exceeding the number that the domestic corporation is expected to deliver; hereinafter the same shall apply in this paragraph) at their value as of the said contract date or the day on which the domestic corporation received the transfer (hereinafter referred to as the "contract date, etc." in this paragraph) and acquired such parent corporation's shares at their value, as of the contract date, etc.

(23) Methods for calculating the acquisition cost that is to be used as the basis of the calculation of book values per unit of securities, the type of methods for calculating book values per unit of securities, procedures to select calculation methods, and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling)

Article 61-3 (1) With regard to securities held by a domestic corporation as of the

end of a business year, the amounts prescribed in the following items, in accordance with the category of the securities listed as follows, shall be deemed to be their fair value at that time:

(i) Securities for buying and selling (meaning the securities specified by Cabinet Order as those acquired for the purpose of profit from short-term price fluctuations; hereinafter the same shall apply in this paragraph and the following paragraph): The amount evaluated by the fair value method (meaning the method by categorizing securities held as of the end of a business year by issue and calculating the current value of securities of the same issue as specified by Cabinet Order, and thereby deeming the calculated amount to be their fair value at that time (referred to as the "fair value" in the following paragraph))

(ii) Securities not for buying and selling (meaning securities other than securities for buying and selling): The amount evaluated by the cost method (meaning the method deeming that the book value of the securities held as of the end of a business year (hereinafter referred to as "securities held at the end of the period" in this item) at that time (with regard to securities with provisions concerning the redemption date and redemption price, the amount adding or subtracting the portion of the difference between the said book value and the said redemption price that is to be allotted to the said business year, as specified by Cabinet Order) to be the fair value at that time of the said securities held at the end of the period)

(2) In the case where a domestic corporation holds securities for buying and selling as of the end of a business year, the valuation gain therefrom (meaning, in the case where the fair value of the securities for buying and selling exceeds their book value at that time (hereinafter referred to as the "book value at the end of the period" in this paragraph), the amount of the said excess) or a valuation loss therefrom (meaning, in the case where the book value at the end of the period of the securities for buying and selling exceeds their fair value, the amount of the said excess) shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year, notwithstanding the provisions of Article 25, paragraph (1) (Exclusion from Gross Profits of Asset Valuation Gain) or Article 33, paragraph (1) (Exclusion from Deductible Expenses of Asset Valuation Loss, etc.).

(3) Disposition of valuation gain or loss prescribed in the preceding paragraph in the next business year, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

(Inclusion in Gross Profits or Deductible Expenses of the Amount Equivalent to Profit or Loss on Short Selling, etc. of Securities)

Article 61-4 (1) In the case where a domestic corporation has conducted the short selling of securities prescribed in Article 61-2, paragraph (19) (Calculation of Capital Gain or Loss on Short Selling of Securities), the margin transaction prescribed in paragraph (20) of the said Article (referred to as a "margin transaction" in the following paragraph), the when issued transaction prescribed in paragraph (20) of the said Article (referred to as a "when issued transaction" in the following paragraph), or the underwriting of securities prescribed in Article 2, paragraph (8), item (vi) (Definitions) of the Financial Instruments and Exchange Act (excluding the underwriting of securities for the purpose of acquiring securities not for buying and selling as prescribed in paragraph (1), item (ii) of the preceding Article), when any of such transactions have not been settled as of the end of a business year, the amount equivalent to the profit or loss calculated, as specified by Ordinance of the Ministry of Finance, by deeming that such transactions were settled at that time, shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year.

(2) In the case where a domestic corporation has acquired securities based on a contract for a margin transaction, etc. (meaning a margin transaction (limited to buying) and a when issued transaction (limited to buying); hereinafter the same shall apply in this paragraph) (excluding the case where the domestic corporation has acquired the said securities based on a contract for a margin transaction, etc. subject to the provisions of Article 61-6, paragraph (1) (Deferment of Profit or Loss by Deferred Hedge Accounting)), the difference between the value of the said securities as of the time of the acquisition and the amount that the domestic corporation paid as the consideration for the acquisition of the said securities based on a contract for margin transactions, etc. that had caused the acquisition shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the date of the acquisition.

(3) The disposition of the amount equivalent to the profit or loss set forth in paragraph (1) in the next business year, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

Division 2 Amount Equivalent to Profit or Loss on Derivative Transactions

(Inclusion in Gross Profits or Deductible Expenses of the Amount Equivalent to Profit or Loss on Derivative Transactions)

Article 61-5 (1) In the case where a domestic corporation has conducted derivative transactions (meaning transactions promising the payment or

receipt of the amount of money calculated based on the difference between the numeric value, which has been agreed upon between the parties in advance as the interest rate, price of currency, price of goods or numeric value of another index, and the actual numeric value of such index at a certain time in the future, or transactions similar thereto, which are specified by Ordinance of the Ministry of Finance; hereinafter the same shall apply in this paragraph and the following paragraph), when any of those transactions have not been settled as of the end of a business year (excluding transactions based on a foreign exchange futures contract as prescribed in Article 61-8, paragraph (2) (Conversion of Transactions on a Foreign Currency Denominated Basis with the Amount in Japanese Yen Determined under Foreign Exchange Futures Contract, etc.) in the case where the provisions of the said paragraph apply and other transactions specified by Ordinance of the Ministry of Finance; hereinafter referred to as "unsettled derivative transactions" in this paragraph), the amount equivalent to the profit or loss calculated, as specified by Ordinance of the Ministry of Finance, by deeming that the said unsettled derivative transactions were settled at the time, shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year.

(2) In the case where a domestic corporation has acquired assets other than money based on a contract for derivative transactions (excluding the case where the domestic corporation has acquired the said assets based on a contract for derivative transactions subject to the provisions of paragraph (1) of the following Article), the difference between the value of the said assets as of the time of the acquisition and the amount that the domestic corporation paid as the consideration for the acquisition of the said assets based on a contract for derivative transactions that had caused the acquisition shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the date of the acquisition.

(3) The disposition of the amount equivalent to the profit or loss set forth in paragraph (1) in the next business year, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

Division 3 Time to Record the Profit or Loss by Hedge Accounting

(Deferment of Profit or Loss by Deferred Hedge Accounting)

Article 61-6 (1) In the case where a domestic corporation has conducted derivative transactions, etc. so as to decrease the amount of loss listed as follows (hereinafter referred to as the "amount of loss on hedged assets, etc." in this paragraph and paragraph (3)) (excluding the case where the provisions of

paragraph (1) of the next Article apply and limited to the case where the domestic corporation has stated, in books and documents, to the effect that the said derivative transactions, etc. aimed to decrease the said amount of loss on hedged assets, etc. and has entered other matters specified by an Ordinance of the Ministry of Finance, as specified by an Ordinance of the Ministry of Finance), when any of the assets or liabilities prescribed in item (i), or money prescribed in item (ii), with which the said amount of loss on hedged assets, etc. is to be decreased, have neither been transferred, extinguished, received, nor paid during the period from the time of the derivative transactions, etc. to the end of a business year, and when it falls under the case specified by a Cabinet Order as the case where the derivative transactions, etc. are deemed to be effective to decrease the said amount of loss on hedged assets, etc., the portion of the amount of profit or loss from the said derivative transactions, etc. (meaning the amount of profit or loss on the settlement of the said derivative transactions, etc. (referred to as the "profit or loss on settlement" in paragraph (4)), the amount equivalent to the profit or loss prescribed in Article 61-4, paragraph (1) (Inclusion in Gross Profits or Deductible Expenses of the Amount Equivalent to Profit or Loss on Short Selling, etc. of Securities), the amount equivalent to the profit or loss prescribed in paragraph (1) of the preceding Article, and the amount equivalent to the difference prescribed in Article 61-9, paragraph (2) (Inclusion in Gross Profits or Deductible Expenses of the Difference from Conversion of Assets, etc. on a Foreign Currency Denominated Basis at the End of the Period)), which has been calculated, as specified by Cabinet Order, to be the effective portion in order to decrease the said amount of loss on hedged assets, etc., shall be excluded from gross profits or deductible expenses, when calculating the amount of income for the said business year, notwithstanding the provisions of Article 61-4, paragraph (1), paragraph (1) of the preceding Article, and Article 61-9, paragraph (2):

(i) Loss that is likely to arise due to fluctuations in the value of the assets (excluding commodities for short-term trading as prescribed in Article 61, paragraph (1) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss and Gain or Loss on Fair Valuation of Commodities for Short-Term Trading) and securities for buying and selling as prescribed in Article 61-3, paragraph (1), item (i) (Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling); the same shall apply in the following item) or liabilities (such fluctuations shall exclude those arising due to fluctuations in foreign exchange rates in the value of the assets or liabilities listed in the items of Article 61-9, paragraph (1), which is to be converted into Japanese yen as prescribed in Article 61-8, paragraph (1) (Conversion of Transactions on a Foreign Currency Denominated Basis) by a conversion method at the current exchange rate

prescribed in Article 61-9, paragraph (1), item (i), (b) (such assets or liabilities shall be referred to as "assets, etc. converted at the current exchange rate" in the following item))

(ii) Loss that is likely to arise due to fluctuations in the amount of money that is to be received or paid upon the acquisition or transfer of assets, the occurrence or extinguishment of liabilities, receipt or payment of interest, or any other equivalent settlement (such fluctuations shall exclude those arising due to fluctuations in foreign exchange rates related to the assets, etc. converted at the current exchange rate)

(2) The derivative transactions, etc. prescribed in the preceding paragraph shall mean the following transactions (excluding transactions based on a foreign exchange futures contract, etc. as prescribed in Article 61-8, paragraph (2) in the case of being subject to the provisions of the said paragraph and transactions as specified by Ordinance of the Ministry of Finance as prescribed in paragraph (1) of the preceding Article):

(i) Derivative transactions as prescribed in paragraph (1) of the preceding Article

(ii) Short selling of securities as prescribed in Article 61-2, paragraph (19) (Calculation of Capital Gain or Loss on Short Selling of Securities) and margin transactions and when issued transactions as prescribed in paragraph (20) of the said Article

(iii) Transactions wherein assets, etc. on a foreign currency denominated basis as prescribed in Article 61-9, paragraph (2) are to be acquired or are to occur

(3) In the case where a domestic corporation has received, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (referred to as a "qualified organizational restructuring" through to Article 61-8), the transfer of a contract for derivative transactions, etc. as prescribed in paragraph (1) (hereinafter referred to as "derivative transactions, etc." in this paragraph) that has been conducted so as to decrease the amount of loss on hedged assets, etc. from a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (referred to as a "merged corporation, etc." through to Article 61-8), and has received, as a result of the said qualified organizational restructuring, the transfer of assets or liabilities prescribed in paragraph (1), item (i) (limited to assets or liabilities with which the said amount of loss on hedged assets, etc. is to be decreased through the said derivative transactions, etc.) or has come to receive or pay the money prescribed in item (ii) of the said paragraph (limited to money with which the said amount of loss on hedged assets, etc. is to be decreased through the said derivative transactions, etc.) (where a merged corporation, etc. involved in the

said qualified organizational restructuring subject to the provisions of paragraph (1) had already settled the derivative transactions, etc. that it had conducted so as to decrease the amount of loss on hedged assets, etc. prior to the said qualified organizational restructuring, in the case where the domestic corporation has received, as a result of the said qualified organizational restructuring, the transfer of assets or liabilities prescribed in item (i) of the said paragraph (limited to assets or liabilities with which the said amount of loss on hedged assets, etc. is to be decreased through the said derivative transactions, etc.) from the said merged corporation, etc., or has come to receive or pay the money prescribed in item (ii) of the said paragraph (limited to money with which the said amount of loss on hedged assets, etc. is to be decreased through the said derivative transactions, etc.)), when the said merged corporation, etc. has stated, in books and documents, to the effect prescribed in paragraph (1) and has entered other matters as prescribed in the said paragraph, regarding the derivative transactions, etc. wherein the said contract has been transferred (where the said settlement had been made, the derivative transactions, etc. wherein the said settlement had been made; hereinafter the same shall apply in this paragraph), as specified by Ordinance of the Ministry of Finance as prescribed in the said paragraph, with regard to the application of the provisions of this Article in each business year after the business year containing the date of the said qualified organizational restructuring, it shall be deemed that the domestic corporation has conducted the said derivative transactions and has made the said entry so as to decrease the amount of loss on hedged assets, etc. pertaining to the assets or liabilities prescribed in paragraph (1), item (i) that it has received as a result of the said qualified organizational restructuring or the money prescribed in item (ii) of the said paragraph that it has come to receive or pay as a result of the said qualified organizational restructuring.

(4) The disposition of the portion of the profit or loss on settlement calculated as specified by Cabinet Order as prescribed in paragraph (1) in each business year after the next business year, and other necessary matters concerning the application of the provisions of the preceding three paragraphs shall be specified by Cabinet Order.

(Recording of Valuation Gain or Loss of Securities Not for Buying and Selling by Market Value Hedge Accounting)

Article 61-7 (1) In the case where a domestic corporation has conducted derivative transactions, etc. (meaning derivative transactions, etc. as prescribed in paragraph (2) of the preceding Article; hereinafter the same shall apply in this Article) so as to decrease the amount of loss that is likely to arise due to fluctuations in the value of its securities not for buying and selling

(meaning securities not for buying and selling as prescribed in Article 61-3, paragraph (1), item (ii) (Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling); hereinafter the same shall apply in this Article) (such fluctuations shall exclude those arising due to fluctuations in foreign exchange rates in the value of the securities listed in Article 61-9, paragraph (1), item (ii), (b), which is to be converted into Japanese yen as prescribed in paragraph (1) of the following Article (hereinafter the amount converted into Japanese yen shall be referred to as the "amount in Japanese yen" in this paragraph) by the conversion method at the current exchange rate prescribed in Article 61-9, paragraph (1), item (i), (b) (Inclusion in Gross Profits or Deductible Expenses of Profit or Loss on the Difference from Conversion of Assets, etc. on a Foreign Currency Denominated Basis at the End of the Period)) (hereinafter such amount of loss shall be referred to as the "amount of loss on hedged securities" in this Article), (limited to the case where the domestic corporation has stated, in books and documents, to the effect that the said securities not for buying and selling are to be evaluated or converted into the amount in Japanese yen as specified by Cabinet Order, and has entered other matters as specified by Ordinance of the Ministry of Finance as specified by Ordinance of the Ministry of Finance), when the said securities not for buying and selling have not been transferred during the period from the time of the derivative transactions, etc. to the end of a business year, and when it falls under the case specified by Cabinet Order to be a case where the derivative transactions, etc. are deemed to be effective to decrease the said amount of loss on hedged securities, the portion of the difference between the value and the book value of the said securities not for buying and selling, which has been calculated, as specified by Cabinet Order, to be the portion corresponding to the amount of profit or loss prescribed in paragraph (1) of the preceding Article that arises from the said derivative transactions, etc., shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year

(2) In the case where a domestic corporation has received, as a result of a qualified organizational restructuring, the transfer of a contract for derivative transactions, etc. that has been conducted so as to decrease the amount of loss on hedged securities from a merged corporation, etc., and has received, as a result of the said qualified organizational restructuring, the transfer of securities not for buying and selling (limited to those with which the said amount of loss on hedged securities is to be decreased through the said derivative transactions, etc.) (where a merged corporation, etc. involved in the said qualified organizational restructuring subject to the provisions of the preceding paragraph had already settled derivative transactions, etc. that it had conducted so as to decrease the amount of loss on hedged securities prior

to the said qualified organizational restructuring, in the case where the domestic corporation has received, as a result of the said qualified organizational restructuring, the transfer of securities not for buying and selling (limited to those with which the said amount of loss on hedged securities is to be decreased through the said derivative transactions, etc.) from the said merged corporation, etc.), when the said merged corporation, etc. has stated, in books and documents, to the effect prescribed in the preceding paragraph and has entered other matters as prescribed in the said paragraph, regarding the derivative transactions, etc. wherein the said contract has been transferred (where the said settlement had been made, the derivative transactions, etc. wherein the said settlement had been made; hereinafter the same shall apply in this paragraph), as specified by Ordinance of the Ministry of Finance as prescribed in the said paragraph, with regard to the application of the provisions of this Article in each business year after the business year containing the date of the said qualified organizational restructuring, it shall be deemed that the domestic corporation has conducted the said derivative transactions and has made the said entry so as to decrease the amount of loss on hedged securities pertaining to the securities not for buying and selling that it has received as a result of the said qualified organizational restructuring.

(3) The disposition of the amount calculated as specified by Cabinet Order as prescribed in paragraph (1) in the next business year, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

Division 4 Conversion, etc. of Transactions on a Foreign Currency Denominated Basis

(Conversion of Transactions on a Foreign Currency Denominated Basis)

Article 61-8 (1) In the case where a domestic corporation has conducted transactions on a foreign currency denominated basis (meaning the buying and selling of assets, provision of services, lending and borrowing of money, payments of dividend of surplus or other transactions whose payment is made in a foreign currency; hereinafter the same shall apply in this Division), the amount in Japanese yen (meaning the amount of that foreign currency converted into Japanese yen; hereinafter the same shall apply in this Division) of the said transactions on a foreign currency denominated basis shall be deemed to be the amount converted at the foreign exchange rate as of the time when the said transactions on a foreign currency denominated basis were conducted.

(2) In the case where a domestic corporation has determined the amount in Japanese yen of the assets or liabilities that have been acquired or have arisen

from transactions on a foreign currency denominated basis (excluding the acquisition and transfer of commodities for short-term trading as prescribed in Article 61, paragraph (1) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss and Gain or Loss on Fair Valuation of Commodities for Short-Term Trading) or securities for buying and selling as prescribed in Article 61-3, paragraph (1), item (i) (Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling); the same shall apply in the following paragraph) under a foreign exchange futures contract, etc. (meaning a contract as specified by Ordinance of the Ministry of Finance to be a contract which determines the amount in Japanese yen of the assets or liabilities to be acquired or which will arise from transactions on a foreign currency denominated basis; hereinafter the same shall apply in this Division), when the domestic corporation stated, in books and documents, to the effect, as specified by Ordinance of the Ministry of Finance, as of the day on which the said foreign exchange futures contract, etc. was concluded, the said amount in Japanese yen of the assets or liabilities shall be deemed to be the amount converted pursuant to the provisions of the preceding paragraph.

(3) In the case where a domestic corporation has received, as a result of a qualified organizational restructuring, the transfer of a foreign exchange futures contract, etc. from a merged corporation, etc. so as to determine the amount in Japanese yen of the assets or liabilities to be acquired from the merged corporation, etc. or which will arise from transactions on a foreign currency denominated basis, and has come to conduct the said transactions on a foreign currency denominated basis (limited to transactions causing the acquisition or occurrence of the assets or liabilities whose amount in Japanese yen is to be determined under the said foreign exchange futures contract) as a result of the said qualified organizational restructuring, when the said merged corporation, etc. stated, in books and documents, to the effect prescribed in the preceding paragraph, regarding the said foreign exchange futures contract, etc., as specified by Ordinance of the Ministry of Finance as prescribed in the said paragraph, as of the day on which the said contract, etc. was concluded, with regard to the application of the provisions of this Article in each business year after the business year containing the date of the said qualified organizational restructuring, it shall be deemed that the domestic corporation has concluded the said foreign exchange futures contract, etc. and has made the said entry so as to determine the amount in Japanese yen of the said assets or liabilities.

(4) Necessary matters concerning the application of the provisions of the preceding three paragraphs shall be specified by Cabinet Order.

(Inclusion in Gross Profits or Deductible Expenses of Profit or Loss on the Difference from Conversion of Assets, etc. on a Foreign Currency

Denominated Basis at the End of the Period)

Article 61-9 (1) In the case where a domestic corporation holds the following assets and liabilities (hereinafter referred to as "assets, etc. on a foreign currency denominated basis" in this Division) as of the end of a business year, the amount in Japanese yen of the said assets, etc. on a foreign currency denominated basis as of the time shall be deemed to be the amount converted by the method specified in the following items in accordance with the category of the said assets, etc. on a foreign currency denominated basis (with regard to the assets, etc. on a foreign currency denominated basis listed in item (i), item (ii)(b), and item (iii), by a method that the domestic corporation selected from those prescribed in these provisions, and when the domestic corporation had not selected any method, by a method from those prescribed in these provisions that is specified by Cabinet Order):

(i) Claims on a foreign currency denominated basis (meaning monetary claims to be paid in a foreign currency) and debts on a foreign currency denominated basis (meaning monetary debts to be paid in a foreign currency): The method listed in (a) or (b)

(a) Conversion method on an accrual basis (meaning a method to convert the amount of assets, etc. on a foreign currency denominated basis held as of the end of a business year (hereinafter referred to as "at the end of the period" in this item) at the foreign exchange rate used for converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence of the said assets, etc. on a foreign currency denominated basis into Japanese yen pursuant to the provisions of paragraph (1) of the preceding Article and deem the converted amount (with regard to the portion of the said assets, etc. on a foreign currency denominated basis to which the provisions of paragraph (2) of the said Article applied upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof into Japanese yen, the amount in Japanese yen determined under a foreign exchange futures contract, etc.) to be the amount in Japanese yen of the said assets, etc. on a foreign currency denominated basis as of the end of the period; the same shall apply in the following item and item (iii))

(b) Conversion method at the current exchange rate (meaning a method to convert the amount of assets, etc. on a foreign currency denominated basis held as of the end of the period at the foreign exchange rate as of the end of the period and deem the converted amount (with regard to the portion of the said assets, etc. on a foreign currency denominated basis to which the provisions of paragraph (2) of the preceding Article applied upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof into Japanese yen,

the amount in Japanese yen determined under a foreign exchange futures contract, etc.) to be the amount in Japanese yen of the said assets, etc. on a foreign currency denominated basis as of the end of the period; the same shall apply in this paragraph and the following paragraph)

(ii) Securities on a foreign currency denominated basis (meaning the securities specified by Ordinance of the Ministry of Finance to be securities to be redeemed, refunded, and otherwise similarly disposed of in a foreign currency): The method specified as follows in accordance with the category of the following securities:

(a) Securities for buying and selling as prescribed in Article 61-3, paragraph (1), item (i) (Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling): Conversion method at the current exchange rate

(b) Securities not for buying and selling as prescribed in Article 61-3, paragraph (1), item (ii) (limited to those with provisions concerning a redemption date and redemption price): Conversion method on an accrual basis or conversion method at the current exchange rate

(c) Securities other than those listed in (a) and (b): Conversion method on an accrual basis

(iii) Deposit in a foreign currency: Conversion method on an accrual basis or conversion method at the current exchange rate

(iv) Foreign currency: Conversion method at the current exchange rate

(2) In the case where a domestic corporation holds assets, etc. on a foreign currency denominated basis (limited to those whose amount shall be converted into Japanese yen by the conversion method at the current exchange rate; hereinafter the same shall apply in this paragraph) as of the end of a business year, the amount equivalent to the difference between the amount of the said assets, etc. on a foreign currency denominated basis that is conversion into Japanese yen by the conversion method at the current exchange rate and their book value as of the time shall be included in gross profits or deductible expenses, when calculating the amount of income for the said business year.

(3) The Conversion of the amount of assets, etc. on a foreign currency denominated basis into Japanese yen in the case where the foreign exchange rates fluctuate significantly, procedures for selecting a method to be used to convert the amount of assets, etc. on a foreign currency denominated basis into Japanese yen, disposition of the amount equivalent to the difference set forth in the preceding paragraph in the next business year, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

(Allocation of Premium or Discount on Forward Exchange Contracts)

Article 61-10 (1) When the provisions of Article 61-8, paragraph (2) (Conversion of Transactions on a Foreign Currency Denominated Basis with the Amount in Japanese Yen Determined under Foreign Exchange Futures Contract, etc.) have been applied to assets, etc. on a foreign currency denominated basis (excluding securities not for buying and selling as prescribed in Article 61-3, paragraph (1), item (i) (Inclusion in Gross Profits or Deductible Expenses of Valuation Gain or Loss of Securities for Buying and Selling); the same shall apply through to paragraph (4)) that a domestic corporation holds as of the end of a business year, upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof into Japanese yen, in the calculation of the amount of income for each business year between the business year containing the day on which the foreign exchange futures contract, etc. for the said assets, etc. on a foreign currency denominated basis was concluded (in the case where the said day is prior to the date of the transactions on a foreign currency denominated basis that caused the acquisition or occurrence of the said assets, etc. on a foreign currency denominated basis, containing the day on which the said transactions on a foreign currency denominated basis were conducted) and the business year containing the day on which the Japanese currency is to be received or paid due to the settlement of the said assets, etc. on a foreign currency denominated basis, the portion of the premium or discount on forward exchange contracts (meaning the difference between the amount of the said assets, etc. on a foreign currency denominated basis that is converted into Japanese yen as determined under a foreign exchange futures contract, etc. and their amount converted at the foreign exchange rate as of the time of the transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof) that has been calculated, as specified by Cabinet Order, to be the amount to be allocated to each of the said business years (referred to as the "allocated premium or discount on forward exchange contracts" in the following paragraph) shall be included in gross profits or deductible expenses.

(2) In the case where a domestic corporation has transferred, as a result of a qualified spin-off-type company split, a qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this paragraph and the following paragraph), assets, etc. on a foreign currency denominated basis (limited to those to which the provisions of Article 61-8, paragraph (2) applied upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof into Japanese yen; hereinafter the same shall apply in this paragraph) and the foreign exchange futures contract, etc. that determined the amount in Japanese yen of the said assets, etc. on a foreign currency denominated basis

to a succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in the following paragraph), the amount equivalent to the allocated premium or discount on forward exchange contracts calculated pursuant to the provisions of the preceding paragraph, when deeming the day preceding the date of the said qualified spin-off-type company split, etc. to be the last day of a business year, shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the date of the said qualified spin-off-type company split, etc.

(3) In the case where assets, etc. on a foreign currency denominated basis are short-term assets, etc. on a foreign currency denominated basis (meaning the portion of the said assets, etc. on a foreign currency denominated basis for which the due date for the receipt or payment of the Japanese currency due to the settlement thereof falls on a day up to the day preceding the day on which one year has elapsed from the day following the last day of the said business year (in the case where the said assets, etc. on a foreign currency denominated basis are to be transferred to a succeeding corporation in a company split, etc. as a result of a qualified spin-off-type company split, etc., from the day following the day preceding the said qualified spin-off-type company split, etc.)), the premium or discount on the forward exchange contracts prescribed in paragraph (1) may be included in gross profits or deductible expenses, when calculating the amount of income for the said business year, notwithstanding the provisions of the said paragraph.

(4) In the case where a domestic corporation has received, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph), the transfer of assets, etc. on a foreign currency denominated basis (limited to those for which a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "merged corporation, etc." in this paragraph) was subject to the provisions of Article 61-8, paragraph (2) upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence thereof into Japanese yen) and the foreign exchange futures contract, etc. that determined the amount in Japanese yen of the said assets, etc. on a foreign currency denominated basis from a merged corporation, etc., with regard to the application of the provisions of this Article in each business year after the business year containing the date of the said qualified organizational restructuring, it shall be deemed that the domestic corporation has been

subject to the provisions of the said paragraph upon converting the amount of transactions on a foreign currency denominated basis that caused the acquisition or occurrence of the said assets, etc. on a foreign currency denominated basis into Japanese yen.

(5) The procedures when intending to seek the application of the provisions of paragraph (3) and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

Subsection 6 Calculation of Amount of Income Pertaining to Organizational Restructuring

(Transfer of Assets, etc. at Fair Value as a Result of Merger and Company Split)

Article 62 (1) When a domestic corporation has transferred, as a result of a merger or company split, its assets and liabilities to a merging corporation or succeeding corporation in a company split, the amount of income of the domestic corporation for each business year shall be calculated by deeming that the said assets and liabilities transferred to the merging corporation or succeeding corporation in a company split have been transferred at their value as of the said merger or company split. In this case, it shall be deemed that the domestic corporation (excluding a domestic corporation holding no stated capital or capital contributions), which has transferred the said assets and liabilities as a result of the said merger, has acquired new shares, etc. (meaning shares (including capital contributions; hereinafter the same shall apply in this paragraph and the following Article) and other assets of the said merging corporation that it has delivered as a result of the said merger (such shares and other assets shall include those of the said merging corporation that is deemed to have received the allotment of shares prescribed in Article 61-2, paragraph (3) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss or Gain or Loss on Fair Valuation of Securities), under the said paragraph, in the case prescribed in the said paragraph)) from the said merging corporation at their fair value and then immediately has delivered the said new shares, etc. to its shareholders, etc.

(2) With regard to the assets and liabilities transferred to a merging corporation or succeeding corporation in a company split, as a result of a merger or split-off-type company split, capital gain (meaning the excess amount when the amount of consideration for the transfer exceeds the amount of cost) or capital loss (meaning the excess amount when the amount of cost for the transfer exceeds the amount of consideration) on the transfer as a result of the said transfer shall be included in gross profits or deductible expenses, when calculating the amount of income for the final business year pertaining to the

said merger or split-off-type company split (meaning the business year containing the day preceding the date of a merged corporation's merger; the same shall apply in paragraph (1) of the following Article) or for the business year prior to the company split (meaning the business year containing the day preceding the date of a merging corporation's split-off-type company split; the same shall apply in paragraph (1) of the following Article).

(3) The calculation of the amount of cost prescribed in the preceding paragraph and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

(Succession of Assets, etc. at Book Value as a Result of Qualified Merger and Qualified Split-Off-Type Company Split)

Article 62-2 (1) When a domestic corporation has transferred, as a result of a qualified merger or qualified split-off-type company split, its assets and liabilities to a merging corporation or succeeding corporation in a company split, the amount of income of the domestic corporation for each business year shall be calculated by deeming that the domestic corporation has succeeded to the said transferred assets and liabilities to the said merging corporation or succeeding corporation in a company split at the amount specified by Cabinet Order to be their book value as of the end of the final business year pertaining to the said qualified merger or qualified split-off-type company split or the business year prior to the company split, notwithstanding the provisions of paragraph (1) and paragraph (2) of the preceding Article.

(2) In the case referred to in the preceding paragraph (limited to the part pertaining to a qualified merger), it shall be deemed that the domestic corporation (excluding a domestic corporation holding no stated capital or capital contributions), which has transferred its assets and liabilities as a result of the qualified merger set forth in the said paragraph (excluding the qualified merger in the case where the merging corporation set forth in the said paragraph is a corporation holding no stated capital or capital contributions), has acquired shares of the merging corporation set forth in the preceding paragraph or a merging parent corporation's shares as prescribed in Article 2, item (xii)-8 (Definitions) (including shares of the merging corporation that is deemed to have received the allotment of shares prescribed in Article 61-2, paragraph (3) (Inclusion in Gross Profits or Deductible Expenses of Capital Gain or Loss or Gain or Loss on Fair Valuation of Securities), under the said paragraph, in the case prescribed in the said paragraph, or the said merging parent corporation's shares) from the said merging corporation at the amount specified by Cabinet Order based on the book value of the assets and liabilities transferred as a result of the said qualified merger, and then has delivered the said shares or merging parent corporation's shares immediately

to its shareholders, etc., notwithstanding the provisions of the second sentence of paragraph (1) of the preceding Article.

(3) In the case referred to in paragraph (1) (limited to the part pertaining to a qualified split-off-type company split), the value of the shares of the succeeding corporation in a company split set forth in the said paragraph delivered by the said succeeding corporation in a company split to the domestic corporation set forth in the said paragraph or of the shares of a succeeding parent corporation in a company split as prescribed in Article 2, item (xii)-11 as of the time of the said delivery shall be deemed to be the amount specified by Cabinet Order based on the book value of the assets and liabilities transferred as a result of the said qualified split-off-type company split.

(4) The value of the assets and liabilities that a merging corporation or succeeding corporation in a company split is to succeed to and other necessary matters concerning the application of the provisions of the preceding three paragraphs shall be specified by Cabinet Order.

(Transfer of Assets, etc. at Book Value as a Result of Qualified Split-Off-Type Company Split)

Article 62-3 (1) When a domestic corporation has transferred its assets and liabilities to a succeeding corporation in a company split, as a result of a qualified split-off-type company split, the amount of income of the domestic corporation for each business year shall be calculated by deeming that the domestic corporation has transferred the said assets and liabilities to the said succeeding corporation in a company split at their book value as of immediately prior to the said qualified split-off-type company split, notwithstanding the provisions of Article 62, paragraph (1) (Transfer of Assets, etc. at Fair Value as a Result of Merger and Company Split).

(2) The acquisition cost of the assets and liabilities of a succeeding corporation in a company split and other necessary matters concerning the application of the provisions of the preceding paragraph shall be specified by Cabinet Order.

(Transfer of Assets, etc. at Book Value as a Result of Qualified Capital Contribution in Kind)

Article 62-4 (1) When a domestic corporation has transferred its assets or has also transferred its liabilities with its assets to a corporation receiving a capital contribution in kind, as a result of a qualified capital contribution in kind, the amount of income of the domestic corporation for each business year shall be calculated by deeming that the domestic corporation has transferred the said assets and liabilities to the said corporation receiving a capital contribution in kind at their book value as of immediately prior to the said qualified capital contribution in kind.

(2) The acquisition cost of the assets and liabilities of a corporation receiving a capital contribution in kind and other necessary matters concerning the application of the provisions of the preceding paragraph shall be specified by Cabinet Order.

(Transfer of Assets, etc. at Fair Value as a Result of Qualified Post-formation Acquisition of Assets and/or Liabilities and Inclusion in Gross Profits or Deductible Expenses of Gain or Loss on Book Value Adjustment of Shares)

Article 62-5 (1) When a domestic corporation has transferred its assets or has also transferred its liabilities with its assets to a corporation receiving post-formation acquisition of assets and/or liabilities, as a result of a qualified post-formation acquisition of assets and/or liabilities, the gain on the book value adjustment (meaning the amount equivalent to the excess amount when the amount of cost of the transfer of the said transferred assets and liabilities (meaning the sum of the amount of cost and other expenses; hereinafter the same shall apply in this paragraph) exceeds the amount of consideration; the same shall apply in the following paragraph) or the loss on the book value adjustment (meaning the amount equivalent to the excess amount when the amount of consideration for the transfer of the said transferred assets and liabilities exceeds the amount of cost, etc.; the same shall apply in the following paragraph) shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the date of the transfer as a result of the said transfer.

(2) In the case referred to in the preceding paragraph, the amount equivalent to the gain on the book value adjustment shall be added to or the amount equivalent to the loss on the book value adjustment shall be subtracted from the book value, as of the time of the transfer prescribed in the preceding paragraph, of the shares (including capital contributions; the same shall apply in paragraph (1) of the following Article) of a corporation receiving post-formation acquisition of assets and/or liabilities involved in a qualified post-formation acquisition of assets and/or liabilities held by the domestic corporation set forth in the said paragraph.

(3) The book value of the assets and liabilities of a corporation receiving post-formation acquisition of assets and/or liabilities and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

(Company Split for Delivering Shares, etc. to Split Corporation and Split Corporation's Shareholders, etc.)

Article 62-6 (1) When a split corporation has effected a company split, whereby it delivers only a part of the shares and other assets of a succeeding

corporation in a company split, which it receives as a result of the company split, to its shareholders, etc., the provisions of this Act shall apply by deeming that both the split-off-type company split and spin-off-type company split have been effected.

(2) Necessary matters concerning the application of the provisions of the preceding paragraph shall be specified by Cabinet Order.

(Exclusion from Deductible Expenses of Loss on Transfer of Specified Assets)

Article 62-7 (1) In the case where a specific qualified merger, etc. (meaning a qualified merger, qualified company split, or qualified capital contribution in kind that does not fall under the category specified by Cabinet Order to be a qualified merger, etc. for the purpose of conducting business jointly as prescribed in Article 57, paragraph (5); hereinafter the same shall apply in this Article) has been effected between a domestic corporation and a corporation having a specified capital relationship (meaning a corporation that has a specified capital relationship (meaning a specified capital relationship as prescribed in Article 57, paragraph (3) (Carryover of Loss in Business Year When Blue Return Form Has Been Filed); hereinafter the same shall apply in this Article) with the domestic corporation), with the domestic corporation as a merging corporation, succeeding corporation in a company split, or corporation receiving a capital contribution in kind, when the said specified capital relationship was established on or after the day five years prior to the first day of the business year containing the date of the domestic corporation's said specific qualified merger, etc. (hereinafter referred to as the "business year of a specific qualified merger, etc." in this paragraph), the amount of loss on the transfer of specified assets that arises during the domestic corporation's applicable period (meaning the period from the first day of the said business year of a specific qualified merger, etc. up to the day on which three years have elapsed therefrom (where the said day is after the day on which five years have elapsed from the day on which the said specified capital relationship was established, up to the said day on which five years have elapsed) (in the case where each business year ending during the said period is subject to the provisions of Article 61-11, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Commencement of Consolidated Taxation), Article 61-12, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Participation in Consolidated Taxation), or Article 62-9, paragraph (1) (Gain or Loss on Fair Valuation of Assets Held by Wholly Owned Subsidiary Corporations in Share Exchange Involved in Non-qualified Share Exchange), the period from the first day of the said business year of a specific qualified merger, etc. up to the last day of the business year immediately prior to the commencement of consolidation as prescribed in Article 61-11, paragraph (1),

the business year immediately prior to the participation in the consolidation prescribed in Article 61-12, paragraph (1), or the business year subject to the provisions of Article 62-9, paragraph (1))) shall be excluded from deductible expenses, when calculating the amount of income of the domestic corporation for each business year.

(2) The amount of loss on the transfer of specified assets as prescribed in the preceding paragraph shall mean the sum of the amounts listed as follows:

(i) The amount obtained by deducting the total profits resulting from a transfer or revaluation of the assets that the domestic corporation set forth in the preceding paragraph has received from the corporation having a specified capital relationship set forth in the said paragraph, as a result of a specific qualified merger, etc., and which the said corporation having a specified capital relationship had owned prior to the day on which the said specified capital relationship was established (referred to as the "date of the occurrence of a specified capital relationship" in the following item) (such assets shall exclude those specified by Cabinet Order; hereinafter referred to as the "specified succeeded assets" in this item) from the total loss arising due to the transfer, revaluation, bad debts, or removal of the specified succeeded assets, or any other equivalent grounds

(ii) The amount obtained by deducting the total profits resulting from the transfer or revaluation of the assets that the domestic corporation set forth in the preceding paragraph had owned prior to the date of the occurrence of a specified capital relationship (such assets shall exclude those specified by Cabinet Order; hereinafter referred to as the "specified owned assets" in this item) from the total loss arising due to the transfer, revaluation, bad debts, removal or on any other equivalent grounds of the specified owned assets

(3) The provisions of the preceding two paragraphs shall apply mutatis mutandis to the case where a specific qualified merger, etc. aiming to establish a corporation has been effected between a merged corporation, etc. (meaning a merged corporation, split corporation, and corporation making a capital contribution in kind; hereinafter the same shall apply in this paragraph) having a specified capital relationship and another merged corporation, etc., and when the said specified capital relationship was established on or after the day five years prior to the date of the said specific qualified merger, etc. In this case, the term "the domestic corporation's applicable period" in paragraph (1) shall be deemed to be replaced with "the applicable period of a domestic corporation established as a result of the said specific qualified merger, etc.;" the term "from the corporation having a specified capital relationship set forth in the said paragraph, as a result of a specific qualified merger, etc." in item (i) of the preceding paragraph shall be deemed to be replaced with "from the merged corporation, etc. prescribed in the following paragraph involved in a

specific qualified merger, etc. (excluding another merged corporation, etc. as prescribed in the following item), as a result of the specific qualified merger, etc.;" the term "the said corporation having a specified capital relationship" in the said item shall be deemed to be replaced with "the said merged corporation, etc.;" and the term "the assets that the domestic corporation set forth in the preceding paragraph had owned prior to the date of the occurrence of a specified capital relationship" in item (ii) of the preceding paragraph shall be deemed to be replaced with "the assets that the domestic corporation set forth in the preceding paragraph has received from another merged corporation, etc. involved in a specific qualified merger, etc., as a result of the specific qualified merger, etc., and which the said other merged corporation etc, had owned prior to the date of the occurrence of the specified capital relationship."

(4) When a corporation having a specified capital relationship as prescribed in paragraph (1) or a merged corporation, etc. as prescribed in the preceding paragraph is a corporation showing a loss, etc. as prescribed in Article 60-3, paragraph (1) (Exclusion from Deductible Expenses of Amount of Loss on Transfer of Assets of Corporations Showing a Loss, etc. Controlled by Specified Shareholders, etc.) (referred to as a "corporation showing a loss, etc." in the following paragraph and paragraph (6)) as of immediately prior to a specific qualified merger, etc., and when the said specific qualified merger, etc. is effected during the applicable period prescribed in paragraph (1) of the said Article, the provisions of paragraph (1) pertaining to the said specific qualified merger, etc. (including the case applied mutatis mutandis pursuant to the preceding paragraph; the same shall apply in paragraph (6)) shall not apply to the assets that the domestic corporation set forth in paragraph (1) has received from the said corporation having a specified capital relationship or merged corporation, etc., as a result of the said specific qualified merger, etc.

(5) When the domestic corporation set forth in paragraph (1) is a corporation showing a loss, etc., and when a specific qualified merger, etc. is effected during the applicable period prescribed in Article 60-3, paragraph (1), the provisions of paragraph (1) pertaining to the said specific qualified merger, etc. shall not apply to the assets that the said domestic corporation owns.

(6) When the domestic corporation set forth in paragraph (1) becomes a corporation showing a loss, etc. after a specific qualified merger, etc., and when the applicable period prescribed in Article 60-3, paragraph (1) has started, the applicable period prescribed in paragraph (1) shall end on the day preceding the day on which the applicable period prescribed in Article 60-3, paragraph (1) starts.

(7) In the case where a domestic corporation, which is a consolidated subsidiary corporation, has effected a specific qualified merger, etc. (limited to a qualified merger or qualified company split, wherein the domestic corporation is a

merging corporation or succeeding corporation in a company split, and wherein a corporation that does not have a consolidated full controlling interest in the domestic corporation (excluding a corporation specified by Cabinet Order as prescribed in Article 57, paragraph (10), item (i)) is a merged corporation or split corporation), the provisions of paragraph (1) pertaining to the said specific qualified merger, etc. shall not apply to the domestic corporation's specified owned assets prescribed in paragraph (2), item (ii).

(8) The calculation of the amount of loss prescribed in paragraph (2), item (i) and other necessary matters concerning the application of the provisions of the preceding paragraphs shall be specified by Cabinet Order.

(Inclusion in Deductible Expenses of Adjustment Account for Assets, etc. Transferred as a Result of Non-qualified Merger, etc.)

Article 62-8 (1) In the case where a domestic corporation has received, as a result of a non-qualified merger, etc. (meaning a merger that does not fall under the category of a qualified merger, a company split that does not fall under the category of a qualified company split, a capital contribution in kind that does not fall under the category of a qualified capital contribution in kind, or an acceptance of business, which is specified by Cabinet Order; hereinafter the same shall apply in this Article), the transfer of the assets or liabilities from a merged corporation, split corporation, corporation making a capital contribution in kind, or other corporation specified by Cabinet Order (hereinafter referred to as a "merged corporation, etc." in this Article), when the sum of the amount of money and the value of assets other than money (in the case of a merger that does not fall under the category of a qualified merger, the value of the new shares, etc. prescribed in Article 62, paragraph (1) (Transfer of Assets, etc. at Fair Value as a Result of Merger and Company Split)) (such sum shall include the amount equivalent to the donation prescribed in Article 37, paragraph (7) (Exclusion from Deductible Expenses of Contribution or Donation) that has been paid by the said merged corporation, etc. upon the said non-qualified merger, etc. and shall exclude the amount equivalent to the donation prescribed in the said paragraph that has been paid to the said merged corporation; referred to as the "consideration for a non-qualified merger, etc." in paragraph (3)) exceeds the market net value of the said transferred assets and liabilities (meaning the amount obtained by deducting the sum of the said liabilities (including the amount of the liability adjustment account prescribed in the following paragraph; hereinafter the same shall apply in this paragraph) from the sum of the acquisition costs of the said assets (with regard to goodwill, limited to that which is specified by Cabinet Order; hereinafter the same shall apply in this paragraph); the same shall apply in paragraph (3)), the portion of the said excess amount (where the

sum of the acquisition costs of the said assets does not reach the sum of the said liabilities, the amount adding the shortfall) that is specified by Cabinet Order shall be deemed to be the amount of the asset adjustment account.

(2) In the case where a domestic corporation has received, as a result of a non-qualified merger, etc., the transfer of assets or liabilities from a merged corporation, etc. involved in the non-qualified merger, etc., when the domestic corporation falls under any of the following cases, the amount specified in the relevant item shall be deemed to be the amount of the liability adjustment account, in accordance with the category listed as follows:

(i) With regard to the employees that the domestic corporation has succeeded to from the merged corporation, etc. upon the said non-qualified merger, etc., when the domestic corporation has assumed any retirement allowance debts (meaning that a domestic corporation promises to calculate the amount of retirement allowance to pay to the employees that it has succeeded to upon a non-qualified merger, etc. due to their retirement after the non-qualified merger, etc. or on any other grounds, taking into account their period of service and other work performance prior to the non-qualified merger, etc., and assumes the accompanying burdens; hereinafter the same shall apply in this Article): The amount specified by Cabinet Order to be the amount pertaining to the said assumption of retirement allowance debts (referred to as the "amount of assumed retirement allowance debts" in paragraph (6), item (i))

(ii) With regard to future debts pertaining to the business that the domestic corporation has received from the merged corporation, etc. as a result of the said non-qualified merger, etc. (limited to debts that have a significant influence on the profits from the said business and excluding debts related to the assumption of retirement allowance debts set forth in the preceding item and debts that have already been determined to be performed and which are expected to be performed approximately within three years from the date of the said non-qualified merger, etc., when the domestic corporation has assumed the burdens for performing the said debts: The amount specified by Cabinet Order to be the amount equivalent to the said debts (referred to as the "estimated amount of short-term significant debts" in paragraph (6), item (ii))

(3) In the case where a domestic corporation has received, as a result of a non-qualified merger, etc., a transfer of the assets or liabilities from a merged corporation, etc. involved in the non-qualified merger, etc., when the consideration for the non-qualified merger, etc. pertaining to the said non-qualified merger, etc. is less than the market net value of the said assets and liabilities transferred from the said merged corporation, etc., the amount of the said shortfall shall be deemed to be the amount of the liability adjustment

account.

(4) A domestic corporation that holds the amount of the asset adjustment account set forth in paragraph (1) shall reduce the amount equivalent to the amount obtained by dividing the initial amount of each asset adjustment account (meaning the amount deemed to be the amount of the said asset adjustment account pursuant to the provisions of the said paragraph as of the time of a non-qualified merger, etc.) by 60 and then multiplying the number of months in the relevant business year (in the case where the domestic corporation effects a merger (excluding a qualified merger) with itself as a merged corporation, equivalent to the amount as of the end of the business year containing the day preceding the date of the said merger) for the said business year (in the case where the domestic corporation effects the said merger, for the business year containing the day preceding the date of the said merger).

(5) The amount equivalent to the amount of the asset adjustment account to be reduced pursuant to the provisions of the preceding paragraph shall be included in deductible expenses, when calculating the amount of income for the business year containing the day on which it was determined that the said amount should be reduced.

(6) A domestic corporation that holds the amount of the liability adjustment account prescribed in paragraph (2) shall, when falling under any of the following cases, reduce the amount specified in the relevant item, in accordance with the category of each of the following cases, with regard to the said amount of the liability adjustment account, for the business year containing the day on which the domestic corporation came to fall under the said case (where the said day is the date of a merger with itself as a merged corporation, for the business year containing the day preceding the date of the said merger):

(i) In the case where any of the employees on behalf of whom the domestic corporation has assumed retirement allowance debts (meaning the employees prescribed in paragraph (2), item (i) on behalf of whom a domestic corporation assumes retirement allowance debts; hereinafter the same shall apply in this item and paragraph (9)) have ceased to be the domestic corporation's employees due to retirement or on any other grounds (excluding the case where the said employees fall under either of the cases prescribed in paragraph (9), item (i), (a) or paragraph (9), item (ii), (a)), or where the domestic corporation pays a retirement allowance to any of such employees: The portion of the amount of the liability adjustment account pertaining to the amount of assumed retirement allowance debts (referred to as the "amount of the liability adjustment account for retirement allowance debts" in paragraph (9) and paragraph (10)) that is specified by Cabinet Order to be the amount pertaining to those employees on behalf of whom the domestic

corporation has assumed retirement allowance debts

(ii) In the case where any loss pertaining to the estimated amount of short-term significant debts has arisen, where three years have elapsed from the date of a non-qualified merger, etc., or where the domestic corporation effects a merger (excluding a qualified merger) with itself as a merged corporation: The portion of the amount of the liability adjustment account pertaining to the said estimated amount of short-term significant debts (hereinafter referred to as the "amount of the liability adjustment account for short-term significant debts" in this Article) that is equivalent to the amount of the said loss (where the said three years have elapsed or where the said merger is effected, equivalent to the said amount of the liability adjustment account for short-term significant debts)

(7) A domestic corporation that holds the amount of the liability adjustment account set forth in paragraph (3) (hereinafter referred to as the "amount of the liability adjustment account for difference" in this Article) shall reduce the amount equivalent to the amount obtained by dividing the initial amount of each liability adjustment account for difference (meaning the amount deemed to be the amount of the said liability adjustment account for difference pursuant to the provisions of the said paragraph as of the time of a non-qualified merger, etc.) by 60 and then multiplying the number of months in the relevant business year (in the case where the domestic corporation effects a merger (excluding a qualified merger) with itself as a merged corporation, equivalent to the amount as of the end of the business year containing the day preceding the date of the said merger) for the said business year (in the case where the domestic corporation effects the said merger, for the business year containing the day preceding the date of the said merger).

(8) The amount equivalent to the amount of the liability adjustment account to be reduced pursuant to the provisions of the preceding two paragraphs shall be included in gross profits, when calculating the amount of income for the business year containing the day on which it was determined that the said amount should be reduced.

(9) In the case where a domestic corporation has effected a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as "qualified organizational restructuring" in this Article), with itself as a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities, the amount of the asset adjustment account and liability adjustment account specified in the following items shall be succeeded to by a merging corporation, succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition

of assets and/or liabilities (referred to as a "merging corporation, etc." in the following paragraph and paragraph (12)), in accordance with the category of qualified organizational restructuring listed in the relevant item:

(i) Qualified merger: The amount of the asset adjustment account as of immediately prior to the said qualified merger and the amount of the liability adjustment account listed as follows:

(a) In the case where the domestic corporation has effected the qualified merger, which has caused the employees, on behalf of whom the domestic corporation has assumed retirement allowance debts, to engage in a business of the merging corporation involved in the said qualified merger (limited to the case where the said merging corporation has assumed retirement allowance debts), the portion of the amount of the liability adjustment account for retirement allowance debts that is specified by Cabinet Order to be the amount pertaining to the said employees

(b) The amount of the liability adjustment account for short-term significant debts

(c) The amount of the liability adjustment account for difference

(ii) Qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified company split, etc." in this item): The amount of the liability adjustment account listed as follows as of immediately prior to the qualified company split, etc.

(a) In the case where the domestic corporation has effected the qualified company split, etc., which has caused the employees, on behalf of whom the domestic corporation has assumed retirement allowance debts, to engage in a business of the succeeding corporation in a company split, corporation receiving a capital contribution in kind, or corporation receiving post-formation acquisition of assets and/or liabilities (referred to as a "succeeding corporation in a company split, etc." in (a)) involved in the said qualified company split, etc. (limited to the case where the said succeeding corporation in a company split, etc. has assumed retirement allowance debts), the portion of the amount of the liability adjustment account for retirement allowance debts that is specified by Cabinet Order to be the amount pertaining to the said employees

(b) The amount specified by Cabinet Order to be the amount of the liability adjustment account for short-term significant debts that is closely related to the business or the assets or liabilities transferred as a result of the said qualified company split, etc.

(10) The amount of the asset adjustment account, the amount of the liability adjustment account for retirement allowance debts, the amount of the liability adjustment account for short-term significant debts, and the amount of the

liability adjustment account for short-term significant debts that a merging corporation, etc. has succeeded to pursuant to the provisions of the preceding paragraph shall be deemed to be the amount of the asset adjustment account, the amount of the liability adjustment account for retirement allowance debts, the amount of the liability adjustment account for short-term significant debts, and the amount of the liability adjustment account for short-term significant debts, respectively, that the merging corporation, etc. has as of the time of the qualified organizational restructuring set forth in the said paragraph.

(11) The number of months set forth in paragraph (4) and paragraph (7) shall be calculated in accordance with the calendar and a fraction of less than one month shall be counted as one month.

(12) In addition to what is provided for in the preceding paragraph, the calculation of the amount to be reduced pursuant to the provisions of paragraph (4), with regard to the amount of the asset adjustment account that a merging corporation, etc. set forth in paragraph (10) has succeeded to as a result of qualified organizational restructuring, and other necessary matters concerning the application of the provisions of paragraphs (1) to (10) shall be specified by Cabinet Order.

(Gain or Loss on Fair Valuation of Assets Held by Wholly Owned Subsidiary Corporations in Share Exchange Involved in Non-qualified Share Exchange)

Article 62-9 (1) In the case where a domestic corporation has effected a share exchange or share transfer (excluding a qualified share exchange and qualified share transfer; hereinafter referred to as a "non-qualified share exchange, etc." in this paragraph), with itself as a wholly owned subsidiary corporation in share exchange or wholly owned subsidiary corporation in share transfer, a valuation gain (meaning the difference between the value as of immediately prior to the said non-qualified share exchange, etc. and the book value at the time, when the former exceeds the latter) or a valuation loss (meaning the difference between the value as of immediately prior to the said non-qualified share exchange, etc. and the book value at the time, when the latter exceeds the former) arising from the assets evaluated by fair value that the domestic corporation holds as of immediately prior to the said non-qualified share exchange, etc. (such assets shall mean fixed assets, land (including any right on land and excluding land that falls under the category of fixed assets), securities, monetary claims, and deferred assets other than those specified by Cabinet Order) shall be included in gross profits or deductible expenses, when calculating the amount of income for the business year containing the date of the said non-qualified share exchange, etc.

(2) Necessary matters concerning the application of the provisions of the preceding paragraph shall be specified by Cabinet Order.

Subsection 7 Special Provisions for Business Year for Vesting Profit and Expenses

(Business Year for Vesting Profit from and Expenses for Long-term Installment Sales, etc.)

Article 63 (1) In the case where a domestic corporation has sold assets in a manner that falls under the category of long-term installment sales, etc. or transferred assets, has contracted for construction work (including manufacturing work), or has provided services (excluding contracts for long-term, large-scale construction work as prescribed in paragraph (1) of the following Article; hereinafter referred to as the "sales, etc. of assets" in this Article), when the amount of profit and expenses related to the sales, etc. of assets has been settled on a deferred payment basis, as specified by Cabinet Order, in the final settlement of the accounts in each business year from the business year containing the date of the delivery of the subject matter or the provision of services related to the said sales, etc. of assets, the said amount of profit and expenses settled shall be included in gross profits and deductible expenses, when calculating the amount of income for each of the said business years; provided, however, that in the case where the amount of profit and expenses related to the said sales, etc. of assets was not settled on a deferred payment basis in the final settlement of the accounts in any business year after the business year containing the said date, or where the provisions of paragraph (3) or paragraph (4) were applied, this shall not apply to business years after the business year pertaining to the settlement in which the said amount was not settled or after the business year when any of these provisions were applied.

(2) In the case where a domestic corporation has delivered the lease assets prescribed in Article 64-2, paragraph (1) (Calculation of the Amount of Income Related to Lease Transactions) through lease transactions as prescribed in paragraph (3) of the said Article (hereinafter the delivery of such lease assets shall be referred to as the "lease transfer in this Article), the amount specified by Cabinet Order to be the amount of profit and expenses for each business year after the business year containing the date of the said lease transfer, when categorizing the amount of the consideration for the lease transfer into the portion corresponding to interest and the other portion as specified by Cabinet Order, shall be included in gross profits and deductible expenses, when calculating the amount of income for each of the said business years, notwithstanding the provisions of the preceding paragraph; provided, however, that in the case where the provisions of the following paragraph or paragraph (4) were applied to the amount of profit and expenses related to the said lease

transfer in any of the business years after the business year containing the date of the said lease transfer, this shall not apply to business years after the business year when any of these provisions were applied.

(3) In the case where another domestic corporation as prescribed in Article 61-11, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Commencement of Consolidated Taxation) that has a consolidated full controlling interest as prescribed in the said paragraph or another domestic corporation as prescribed in Article 61-12, paragraph (1) (Gain or Loss on Fair Valuation of Assets Accompanying the Participation in Consolidated Taxation) was subject to the provisions of the preceding two paragraphs in the business year immediately prior to commencement of consolidation as prescribed in Article 61-11, paragraph (1) (hereinafter referred to as the "business year immediately prior to the commencement of consolidation" in this paragraph) or in the business year immediately prior to the participation in the consolidation prescribed in Article 61-12, paragraph (1) (hereinafter referred to as the "business year immediately prior to the participation in the consolidation" in this paragraph), the amount of profit and expenses related to the sales, etc. of assets or the lease transfer subject to the provisions of the preceding two paragraphs (excluding the amount to be included in gross profits and deductible expenses, when calculating the amount of income or consolidated income for each business year or each consolidated business year prior to the said business year immediately prior to the commencement of consolidation or business year immediately prior to the participation in the consolidation and the amount to be included in gross profits and deductible expenses, when calculating the amount of income for the said business year immediately prior to the commencement of consolidation or the business year immediately prior to the participation in the consolidation, pursuant to the provisions of the preceding two paragraphs), except for the amount related to a contract that meets the requirements specified by Cabinet Order to be a contract under which the difference between the said amount of profit and the amount of expenses is small, or any other contract as specified by Cabinet Order, shall be included in gross profits and deductible expenses, when calculating the amount of income for the said business year immediately prior to the commencement of consolidation or business year immediately prior to the participation in the consolidation.

(4) In the case where a domestic corporation set forth in paragraph (1) of the preceding Article was subject to the provisions of paragraph (1) or paragraph (2) in the business year containing the date of a non-qualified share exchange, etc. as prescribed in paragraph (1) of the preceding Article (excluding a business year subject to the provisions of the preceding paragraph; hereinafter referred to as the "business year of the non-qualified share exchange, etc." in

this paragraph), the amount of profit and expenses related to the sales, etc. of assets or lease the transfer subject to the provisions of paragraph (1) or paragraph (2) (excluding the amount to be included in gross profits and deductible expenses, when calculating the amount of income or consolidated income for each business year or each consolidated business year prior to the said business year of the non-qualified share exchange, etc. and the amount to be included in gross profits and deductible expenses, when calculating the amount of income for the said business year, pursuant to the provisions of paragraph (1) or paragraph (2)), except for the amount related to a contract that meets the requirements specified by Cabinet Order to be a contract under which the difference between the said amount of profit and the amount of expenses is small, or any other contract as specified by Cabinet Order, shall be included in gross profits and deductible expenses, when calculating the amount of income for the said business year of the non-qualified share exchange, etc.

(5) With regard to the application of the provisions of paragraph (1) or paragraph (2), the sales, etc. of assets or the lease transfer shall not include the sales or transfer of the assets for capital gain or loss adjustment prescribed in Article 61-13, paragraph (1) (Adjustment of Gains and Loss on Transactions among Consolidated Corporations in Business Year Prior to Company Split, etc.) which a domestic corporation has made to a consolidated corporation that has a consolidated full controlling interest in the domestic corporation (limited to the sales or transfer that has caused the application of the provisions of Article 81-10, paragraph (1) (Adjustment of Gains and Loss on Transactions among Consolidated Corporations)).

(6) Long-term installment sales, etc. as prescribed in paragraph (1) shall mean the sales, etc. of assets under conditions meeting the following requirements, based on a contract that defines the said conditions, and the lease transfer:

(i) That a consideration is received in three or more installments, by way of a monthly installment, annual installment, or any other installment payment

(ii) That the period from the next day of the due date of the delivery or provision of the subject matter or services related to the said sales, etc. of assets up to the due date of the last installment payment is two years or more

(iii) Any other requirements as specified by Cabinet Order

(7) The provisions of paragraph (2) shall apply only in the case where a final return form for the business year containing the date of the lease transfer contains a detailed statement concerning the inclusion in gross profits and deductible expenses of the amount specified by Cabinet Order to be the amount of profit and expenses prescribed in the said paragraph.

(8) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph has been filed, the district director of the tax

office may apply the provisions of paragraph (2), when he/she finds any unavoidable grounds for the person's failure to make entries for such matters.

(9) Special provisions for the disposition of the amount of profit and expenses related to the sales, etc. of assets that fall under the category of long-term installment sales, etc. as prescribed in paragraph (1), in the case where a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities has been effected, and other necessary matters concerning the application of the provisions of paragraphs (1) to (5) shall be specified by Cabinet Order.

(Business Year for Vesting of Profit and Expenses Related to Contract for Construction Work)

Article 64 (1) When a domestic corporation has contracted for long-term, large-scale construction work (meaning construction work (including manufacturing work and the development of software; hereinafter the same shall apply in this Article), for which the period between the date of the start of construction and the due date of the delivery of the subject matter defined under the contract for the said construction work is one year or more, which falls under the category of large-scale construction work specified by Cabinet Order, and which meets any other requirements specified by Cabinet Order; hereinafter the same shall apply in this Article), the portion of profit and expenses related to the contract for the said large-scale construction work, which is calculated by way of a percentage of the completion method specified by Cabinet Order to be the amount of profit and expenses for each business year from the business year containing the date of the start of construction up to the business year preceding the business year containing the date of the delivery of the subject matter, shall be included in gross profits and deductible expenses, when calculating the amount of income for each of the said business years.

(2) In the case where a domestic corporation has contracted for construction work (limited to construction work for which the subject matter is not delivered within the business year containing the date of the start of construction (hereinafter referred to as the "business year of starting construction" in this paragraph) and excluding construction work falling under the category of long-term, large-scale construction work; hereinafter the same shall apply in this Article), when the amount of profit and expenses related to the contract for construction work has been settled by way of a percentage of the completion method specified by Cabinet Order in the final settlement of the accounts in each business year from the business year of starting construction up to the business year preceding the business year containing the date of the delivery of the subject matter, the said amount of profit and expenses settled shall be included in gross profits and deductible expenses, when calculating the amount

of income for each of the said business years; provided, however, that in the case where the amount of profit and expenses related to the said contract for construction work was not settled by way of a percentage of the completion method in the final settlement of the accounts in any business year after the business year of starting construction, this shall not apply to business years after the business year following the business year pertaining to the settlement in which the said amount was not settled.

(3) Special provisions for the disposition of the amount of profit and expenses related to a contract for large-scale construction work or construction work, in the case where a qualified merger, qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities has been effected, and other necessary matters concerning the application of the provisions of the preceding two paragraphs shall be specified by Cabinet Order.

Subsection 8 Lease Transactions

(Calculation of the Amount of Income Related to Lease Transactions)

Article 64-2 (1) In the case where a domestic corporation has conducted lease transactions, the amount of income for each business year of the domestic corporation that is the lessor or lessee of the assets, which are the object of the lease transactions (hereinafter referred to as "lease assets" in this paragraph), shall be calculated, by deeming that the said lease assets were traded at the time of their delivery from the lessor to the lessee.

(2) In the case where a domestic corporation has traded assets under the conditions of a lease from a transferee to a transferor (limited to a lease falling under the category of lease transactions), when it is deemed that such a chain of transactions substantially cover the borrowing and lending of money, in light of the type of assets, developments leading to the said trade and lease, and any other circumstances, the amount of income for each business year of the domestic corporation that is the transferee or transferor shall be calculated, by deeming that the said assets were not traded but money was lent from the transferee to the transferor.

(3) Lease transactions as prescribed in the preceding two paragraphs shall be the lease of assets (excluding the lease of land of which the ownership is not transferred and any other lease specified by Cabinet Order) that meets the requirements listed as follows:

(i) That the contract for the lease cannot be canceled in the middle of the lease period or the contract is equivalent to such contract

(ii) That the lessee of the lease may receive substantial economic benefits from the assets related to the lease and is expected to bear substantial expenses

caused by the use of the said assets

(4) Matters necessary for the determination as to whether a domestic corporation is to bear the substantial expenses caused by the use of the assets set forth in item (ii) of the preceding paragraph, and any other necessary matters concerning the application of the provisions of the preceding three paragraphs shall be specified by Cabinet Order.

Subsection 9 Calculation of the Amount of Income Related to Trust Subject to Corporation Taxation

Article 64-3 (1) In the case where a specified trust issuing a beneficiary certificate as prescribed in Article 2, item (xxix), (c) (Definitions) has come to fall under the category of a trust subject to corporation taxation, the amount specified by Cabinet Order to be the amount equivalent to the undistributed profit as of immediately prior to the time when it came to fall under such category shall be included in gross profits, when calculating the amount of income of a trust corporation under the trust subject to corporation taxation (meaning a trust corporation as prescribed in Article 4-7 (Application of This Act to Trust Corporations, etc.); hereinafter the same shall apply in this Article) for the business year containing the day on which it came to fall under such category.

(2) In the case where a domestic corporation has become a beneficiary as prescribed in Article 12, paragraph (1) (Vesting of Assets and Liabilities in Trust Property and Profit and Expenses to Be Attributed to Trust Property) (such beneficiary shall include a person who is deemed to be a beneficiary as prescribed in paragraph (1) of the said Article pursuant to the provisions of paragraph (2) of the said Article and exclude a beneficiary under liquidation proceedings) of a trust subject to corporation taxation (limited to a trust listed in Article 2, item (xxix)-2, (b)) and thereby the said trust subject to corporation taxation has ceased to fall under the category of trusts listed in (b) of the said item (excluding the case where the said trust subject to corporation taxation falls under the category of trusts listed in (a) or (c) of the said item), the amount of income of the said domestic corporation for each business year shall be calculated, by deeming that the domestic corporation has succeeded to the assets and liabilities in the trust property from the trust corporation at their book value as of immediately prior to the time when the said trust ceased to fall under the said category.

(3) In the case where the domestic corporation set forth in the preceding paragraph is deemed to have succeeded to the assets and liabilities pursuant to the provisions of the said paragraph, the amount of profit or loss arising from the succession shall not be excluded from gross profits or deductible expenses,

when calculating the amount of income of the domestic corporation for the business year containing the day on which it succeeded to the said assets and liabilities.

(4) When a trust corporation under a trust subject to corporation taxation has transferred the assets and liabilities related to the trust subject to corporation taxation, as a result of a change of trustees of the trust subject to corporation taxation, the amount of income of the said trust corporation for each business year shall be calculated by deeming that the said transferred assets and liabilities has been succeeded to by the trustee after the change at their book value as of immediately prior to the said change.

(5) The value of the assets and liabilities that are to be succeeded to by the trustee after the change set forth in the preceding paragraph, pursuant to the provisions of the said paragraph, and any other necessary matters concerning the calculation of the amount of income of a trust corporation or its beneficiaries for each business year shall be specified by Cabinet Order.

Subsection 10 Calculation of the Amount of Income in the Case Where a Corporation in the Public Interest, etc. Changes to an Ordinary Corporation

Article 64-4 (1) In the case where a domestic corporation, which is a general incorporated association, general incorporated foundation, or medical corporation (limited to a corporation in the public interest, etc.; referred to as a "specified corporation in the public interest, etc." in the following paragraph), has come to fall under the category of an ordinary corporation, the amount equivalent to the amount calculated, as specified by Cabinet Order, to be the accumulated amount of income arising from a business other than its profit-making business prior to the day on which it came to fall under such category (hereinafter referred to as the "transition date" in this paragraph and paragraph (3)) (the said amount of income shall be referred to as the "accumulated amount of income" in paragraph (3)) or to the amount calculated, as specified by Cabinet Order, to be the accumulated amount of loss arising from a business other than its profit-making business prior to the transition date (the said amount of loss shall be referred to as the "accumulated amount of loss" in paragraph (3)) shall be included in gross profits or deductible expenses, when calculating the amount of income of the domestic corporation for the business year containing the said transition date.

(2) In the case where a qualified merger has been effected, with a specified corporation in the public interest, etc. as a merged corporation and with a domestic corporation that is an ordinary corporation as a merging corporation, the amount equivalent to the amount calculated, as specified by Cabinet Order,

to be the accumulated amount of income arising from a business other than the merged corporation's profit-making business prior to the said qualified merger (referred to as the "accumulated amount of income prior to merger" in the following paragraph) or to the amount calculated, as specified by Cabinet Order, to be the accumulated amount of loss arising from a business other than the said profit-making business prior to the qualified merger (referred to as the "accumulated amount of loss prior to merger" in the following paragraph) shall be included in gross profits or deductible expenses, when calculating the amount of income of the domestic corporation for the business year containing the date of the said qualified merger.

(3) With regard to the application of the provisions of the preceding two paragraphs in the case where a domestic corporation set forth in paragraph (1) is a corporation that has come to fall under the category of an ordinary corporation due to the cancellation of its public interest corporation authorization as prescribed in Article 29, paragraph (1) and paragraph (2) (Cancellation of Public Interest Corporation Authorization) of the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations (Act No. 49 of 2006), pursuant to the provisions of paragraph (1) or paragraph (2) of the said Article, in the case where a domestic corporation set forth in the preceding paragraph is a merging corporation involved in a qualified merger as prescribed in the said paragraph, wherein a public interest incorporated association or public interest incorporated foundation is a merged corporation, or any other case falling under the case specified by Cabinet Order, the amount equivalent to the amount specified by Cabinet Order to be the amount which is to be paid for the purpose of public interest on or after the transition date or the date of the said qualified merger shall be deducted from the accumulated amount of income or accumulated amount of income prior to merger or shall be added to the accumulated amount of loss or accumulated amount of loss prior to merger, as specified by Cabinet Order.

(4) The provisions of the preceding paragraph shall apply only in the case where a final return form contains a detailed statement concerning the amount specified by Cabinet Order as prescribed in the said paragraph and the calculation thereof, and is attached with documents as specified by Ordinance of the Ministry of Finance

(5) Even in the case where a final return form without entries for the matters or the attachment of documents set forth in the preceding paragraph has been filed, the district director of the tax office may apply the provisions of paragraph (3), when he/she finds any unavoidable grounds for the person's failure to make entries of such statement or to attach such documents.

(6) In addition to what is provided for in the preceding two paragraphs, the

disposition in the business year in which a domestic corporation has paid the amount specified by Cabinet Order as prescribed in paragraph (3), and other necessary matters concerning the application of the provisions of paragraphs (1) to (3) shall be specified by Cabinet Order.

Subsection 11 Details of Calculation of the Amount of Income for Each Business Year

(Details of Calculation of the Amount of Income for Each Business Year)

Article 65 In addition to what is provided for in Subsection 2 to the preceding Subsection (Calculation of the Amount of Income), the necessary matters concerning the calculation of the amount of income for each business year shall be specified by Cabinet Order

Section 2 Calculation of Tax Amount

Subsection 1 Tax Rate

(Tax Rate for Corporation Tax on Income for Each Business Year)

Article 66 (1) The amount of corporation tax imposed on an ordinary corporation, general incorporated association, etc. (meaning a general incorporated association, general incorporated foundation, public interest incorporated association or public interest incorporated foundation as listed in Appended Table 2; the same shall apply in the following paragraph and paragraph (3)), or an association or foundation without juridical personality, which is a domestic corporation, on its income for each business year, shall be the amount calculated by multiplying the amount of income for each business year by a tax rate of 30 percent.

(2) In the case referred to in the preceding paragraph, with regard to an amount of eight million yen per annum or less out of the amount of income of an ordinary corporation whose amount of stated capital or amount of capital contributions is not more than 100 million yen or which holds no capital or capital contributions as of the end of each business year (excluding a mutual company as prescribed in the Insurance Business Act) or of a general incorporated association, etc. or an association or foundation without juridical personality, the applicable tax rate shall be 22 percent, notwithstanding the provisions of the said paragraph.

(3) The amount of corporation tax imposed on a corporation in the public interest, etc. (excluding a general incorporated association, etc.) or cooperative, etc. on its income for each business year shall be the amount calculated by multiplying the amount of income for each business year by a tax rate of 22 percent.

(4) With regard to the application of paragraph (2) to a corporation whose

business year is less than one year, the term "amount of eight million yen per annum" in the said paragraph shall be deemed to be replaced with "amount calculated by dividing eight million yen by 12 and then multiplying the result by the number of months of the said business year."

(5) The number of months set forth in the preceding paragraph shall be calculated according to the calendar and a fraction less than one month shall be counted as one month.

(6) The provisions of paragraph (2) shall not apply to a trust corporation as prescribed in Article 4-7 (Application of This Act to Trust Corporations, etc.).

(Special Tax Rate for Specified Family Corporations)

Article 67 (1) In the case where a specified family corporation (meaning a controlled company which is judged to be a controlled company, even after excluding shareholders, etc. that are corporations not falling under the category of a controlled company out of its shareholders, etc. who are used as the basis for the judgment as to whether the company is a controlled company (excluding a company whose amount of stated capital or amount of capital contributions are not more than 100 million yen); hereinafter the same shall apply in this Article) holds retained income for each business year that exceeds the allowance for retained income, the amount of corporation tax imposed on the specified family corporation on its income for each business year shall be the amount obtained by categorizing the said excess amount of retained income into the amounts listed in the following items and multiplying the respective amounts by the rates specified in the relevant items, and then adding the sum of such amounts to the amount of corporation tax calculated pursuant to the provisions of paragraph (1) or paragraph (2) of the preceding Article, notwithstanding these provisions.

(i) The amount not more than 30 million yen per annum: 10 percent

(ii) The amount over 30 million yen per annum but not more than 100 million yen per annum: 15 percent

(iii) The amount over 100 million yen per annum: 20 percent

(2) A controlled company as prescribed in the preceding paragraph shall mean a company in the case where one of its shareholders, etc. (excluding a company in the case where it holds its own shares or capital contributions) or individuals and corporations having a special relationship therewith as specified by Cabinet Order hold more than 50 percent of the total number or total amount of the company's issued shares or capital contributions (excluding own shares or capital contributions held by the company) or in any other case as specified by Cabinet Order.

(3) Retained income as prescribed in paragraph (1) shall mean the amount obtained by adding up the amount of corporation tax calculated, pursuant to

the provisions of paragraph (1) or paragraph (2), with regard to the amount of income for the said business year (where there is any amount to be credited under the following Article to Article 70-2 (Tax Credit), the amount of corporation tax that remains after crediting the said amount) and the amounts calculated, as specified by Cabinet Order, to be those of prefectural inhabitants tax and municipal inhabitants tax (including Tokyo inhabitants tax) under the provisions of the Local Tax Act that are related to the said amount of corporation tax, and then deducting the said sum from the amount retained out of the sum of the following amounts (referred to as the "amount of income, etc." in paragraph (5)):

(i) The amount of income for the said business year (for the final business year or business year prior to a company split as prescribed in Article 62, paragraph (2) (Transfer of Assets, etc. at Fair Value as a Result of Merger and Company Split), the amount of income in the case of being calculated without applying the provisions of the said paragraph)

(ii) The amount that was excluded from gross profits in the calculation of the amount of income for the said business year, pursuant to the provisions of Article 23 (Exclusion from Gross Profits of Dividend Received, etc.) (excluding the portion of the amount specified by Cabinet Order that is related to the dividend, etc. that a specified family corporation, which is a consolidated corporation, receives from another consolidated corporation (limited to a consolidated corporation that has a consolidated full controlling interest in the said specified family corporation))

(iii) The amount to be refunded or to be appropriated as prescribed in Article 26, paragraph (1) (Exclusion from Gross Profits of Refund, etc.), the amount specified by Cabinet Order to be the reduced portion of the amount prescribed in paragraph (2) of the said Article, the payable amount of additions to tax (excluding interest tax; hereinafter the same shall apply in this item) to be received and the reduction of the payable amount of additions to tax, and the amount to be refunded as prescribed in paragraph (5) of the said Article

(iv) The amount that was included in deductible expenses in the calculation of the amount of income for the said business year, pursuant to the provisions of Article 57 (Carryover of Loss in Business Year When Blue Return Form Has Been Filed), Article 58 (Carryover of Loss Due to Disaster in the Business Year When Blue Return Form Has Not Been Filed), or Article 59 (Inclusion in Deductible Expenses of the Amount of Loss in the Case of Release of Obligation, etc. as a Result of Corporate Reorganization)

(4) With regard to the calculation of the amount that a specified family corporation has retained as prescribed in the preceding paragraph, the amount of dividend of surplus or profit by the specified family corporation (limited to a

dividend for which the date of a resolution for the payment thereof falls within the period from the day following the last day of the business year containing the base date for the payment thereof to the date of the final settlement of the accounts for the business year containing the said base date (excluding a dividend specified by Cabinet Order)) (in the case where the dividend of surplus or profit is made with assets other than money, the amount equivalent to the book value of the assets as of the end of the business year containing the said base date (where the assets were acquired after the last day of the business year containing the said base date, the acquisition cost thereof)) shall be deemed to have been paid in the business year containing the said base date.

(5) The allowance for retained income as prescribed in paragraph (1) shall be the largest amount out of those listed as follows:

(i) The amount equivalent to 40 percent of the amount of income, etc. for the said business year

(ii) 20 million yen per annum

(iii) In the case where the amount of profit reserve as of the end of the said business year (excluding the amount of the portion pertaining to the amount of income, etc. for the said business year) is less than 25 percent of the stated capital or capital contributions at the time, the amount equivalent to the said shortfall

(6) With regard to the application of the provisions of paragraph (1) and the preceding paragraph to a specified family corporation whose business year is less than one year, the term "30 million yen per annum" in paragraph (1) shall be deemed to be replaced with "amount calculated by dividing 30 million yen by 12 and then multiplying the result by the number of months of the said business year;" the term "100 million yen per annum" in the said paragraph shall be deemed to be replaced with "amount calculated by dividing 100 million yen by 12 and then multiplying the result by the number of months of the said business year;" and the term "20 million yen per annum" in the preceding paragraph shall be deemed to be replaced with "amount calculated by dividing 20 million yen by 12 and then multiplying the result by the number of months of the said business year."

(7) The number of months set forth in the preceding paragraph shall be calculated according to the calendar and a fraction less than one month shall be counted as one month.

(8) In the case referred to in paragraph (1), the determination as to whether the company falls under the category of a specified family corporation set forth in the said paragraph shall be based on its circumstances as of the end of the company's said business year.

(9) The amount to be excluded from the retained amount prescribed in paragraph (3), and other necessary matters concerning the application of the provisions of

paragraphs (1) to (5) shall be specified by Cabinet Order.

Subsection 2 Tax Credit

(Credit for Income Tax)

Article 68 (1) In the case where a domestic corporation receives the interest, etc., dividend, etc., compensation money for benefits, interest, profit, margin, distribution of profit, or monetary award prescribed in the items of Article 174 (Tax Base of Income Tax in the Case of Domestic Corporations) of the Income Tax Act (hereinafter referred to as "interest and dividend, etc." in this Article), the amount of income tax to be imposed thereon pursuant to the provisions of the said Act shall be credited against the amount of corporation tax on its income for the said business year, as specified by Cabinet Order.

(2) The provisions of the preceding paragraph shall not apply to the amount of income tax set forth in the said paragraph to be imposed on interest and dividend, etc. which a corporation in the public interest, etc. or an association or foundation without juridical personality receives and which arises from a business other than its profit-making business or assets belonging thereto

(3) The provisions of paragraph (1) shall apply only in the case where a final return form contains a detailed statement concerning the amount of credit to be received pursuant to the provisions of the said paragraph and the calculation thereof. In this case, the amount to be credited under the provisions of the said paragraph shall not exceed the amount entered as the said amount.

(4) Even in the case where a final return form without entries for the matters set forth in the preceding paragraph, with regard to the whole or a part of the amount of income tax prescribed in paragraph (1), has been filed, the district director of the tax office may apply the provisions of paragraph (1) to the amount for which such matters were not entered, when he/she finds any unavoidable grounds for the person's failure to make such entries.

(Credit for Foreign Tax)

Article 69 (1) In the case where a domestic corporation is to pay any foreign corporation tax (meaning a tax imposed under foreign laws or regulations that is equivalent to corporation tax and is specified by Cabinet Order; hereinafter the same shall apply in this Article) for each business year (excluding the case where a domestic corporation is to pay any foreign corporation tax on income arising from transactions that are specified by Cabinet Order to be those that are not deemed to be ordinary transactions), the amount of the said foreign corporation tax (excluding the amount specified by Cabinet Order to be the part whose burden on the income is high; hereinafter referred to as the "amount of creditable foreign corporation tax" in this Article) shall be credited

against the amount of corporation tax on income for the said business year, to the extent of the portion calculated as specified by Cabinet Order to be income for the business year corresponding to that whose sources are located outside Japan, out of the amount of income for the business year calculated pursuant to the provisions of Article 66, paragraphs (1) to (3) (Tax Rate for Corporation Tax on Income for Each Business Year) (hereinafter such portion shall be referred to as the "limitation on a creditable amount" in this Article).

(2) In the case where the amount of creditable foreign corporation tax that a domestic corporation is to pay in each business year exceeds the sum of the limitation on the creditable amount for the business year and the amount specified by Cabinet Order to be the limitation on a creditable amount for local tax, when the limitation on the creditable amount for each business year within the preceding three years (meaning each business year that starts within three years prior to the first day of the said business year; hereinafter the same shall apply in this Article) contains the amount specified by Cabinet Order to be the portion to be carried over to the said business year (hereinafter referred to as the "limitation on the creditable amount to be carried over" in this paragraph and paragraph (17)), the amount of the said excess shall be credited against corporation tax for the said business year, to the extent of the said limitation on the creditable amount to be carried over, as specified by Cabinet Order.

(3) In the case where the amount of creditable foreign corporation tax that a domestic corporation is to pay in each business year is less than the limitation on the creditable amount for the business year, when the amount of creditable foreign corporation tax to be paid in each business year within the preceding three years contains an amount as specified by Cabinet Order to be the portion to be carried over to the said business year (hereinafter referred to as the "amount of creditable foreign corporation tax to be carried over" in this paragraph and paragraph (17)), the said amount of creditable foreign corporation tax to be carried over shall be credited against corporation tax on income for the said business year, to the extent of the amount that remains after crediting the amount of creditable foreign corporation tax to be paid in the said business year from the said limitation on the creditable amount, as specified by Cabinet Order.

(4) In the case where there is any consolidated business year that starts within three years prior to the first day of the business year when a domestic corporation is to pay the amount of creditable foreign corporation tax, when there is an individually attributed limitation on a consolidated creditable amount (meaning the individually attributed limitation on a consolidated creditable amount prescribed in Article 81-15(1) (Credit for Foreign Tax in Consolidated Business Year); hereinafter the same shall apply in this Article)

for the said consolidated business year, with regard to the application of the provisions of paragraph (2), the individually attributed limitation on the consolidated creditable amount shall be deemed to be the limitation on the creditable amount for each business year within the preceding three years that corresponds to the period of the said consolidated business year, and in the case where there is any consolidated business year that starts within three years prior to the first day of the business year when a domestic corporation is to pay the amount of creditable foreign corporation tax, when there is an amount of individually creditable foreign corporation tax (meaning the amount of individually creditable foreign corporation tax prescribed in Article 81-15, paragraph (1); hereinafter the same shall apply in this Article) that the domestic corporation has come to pay in the said consolidated business year, with regard to the application of the provisions of the preceding paragraph, the amount of individually creditable foreign corporation tax shall be deemed to be the amount of creditable foreign corporation tax that it has come to pay in each business year within the preceding three years that corresponds to the period of the said consolidated business year.

(5) In the case where a domestic corporation has received, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (10)), the transfer of the whole or a part of the business from a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (referred to as a "merged corporation, etc." in paragraph (10)), with regard to the application of the provisions of paragraph (2) and paragraph (3) in each business year after the business year containing the date of the said domestic corporation's qualified organizational restructuring, in accordance with the category of qualified organizational restructuring listed in the following items, the amount specified in the relevant item shall be deemed to be the domestic corporation's limitation on the creditable amount in each business year within the preceding three years and the amount of creditable foreign corporation tax that the domestic corporation has come to pay in each of the said business years within the preceding three years, as specified by Cabinet Order:

(i) Qualified merger: The limitation on the creditable amount and the individually attributed limitation on the consolidated creditable amount; and the amount of creditable foreign corporation tax and individually creditable foreign corporation tax of a merged corporation involved in the qualified merger for each business year within three years prior to the merger (meaning each business year or each consolidated business year starting

within three years prior to the date of a qualified merger)

(ii) Qualified split-off-type company split: The amount calculated, as specified by Cabinet Order, to be the portion of the limitation on the creditable amount and the individually attributed limitation on the consolidated creditable amount; and the amount of creditable foreign corporation tax and individually creditable foreign corporation tax of a split corporation involved in the qualified split-off-type company split for each business year within three years prior to the company split (meaning each business year or each consolidated business year starting within three years prior to the date of a qualified split-off-type company split; the same shall apply in paragraph (7)), which is related to the business that the domestic corporation has received as a result of the qualified split-off-type company split

(iii) Qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this item): The amount calculated, as specified by Cabinet Order, to be the portion of the limitation on the creditable amount and the individually attributed limitation on the consolidated creditable amount; and the amount of creditable foreign corporation tax and individually creditable foreign corporation tax of a split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities involved in the qualified spin-off-type company split, etc. for each business year within three years prior to the company split, etc. (meaning each business year or each consolidated business year starting within three years prior to the first day of the business year containing the date of a qualified spin-off-type company split, etc. or each consolidated business year or each business year starting within three years prior to the first day of the consolidated business year containing the date of a qualified spin-off-type company split; the same shall apply in paragraph (7)), which is related to the business that the domestic corporation has received as a result of the qualified spin-off-type company split, etc.

(6) With regard to a domestic corporation that has received, as a result of a qualified company split, a qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified company split, etc." in this paragraph and the following paragraph), the transfer of a business from a split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (referred to as a "split corporation, etc." in the following paragraph) involved in the qualified company split, etc., the provisions of the preceding paragraph shall apply only in the case where the domestic corporation has submitted documents stating the amount deemed to

be the limitation on the creditable amount and the amount of creditable foreign corporation tax of the domestic corporation for each business year within the preceding three years and any other matters as specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within three months after the date of the qualified company split, etc.

(7) In the case where a succeeding corporation in a company split, corporation receiving a capital contribution in kind, corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "succeeding corporation in a company split, etc." in this paragraph) involved in a qualified company split, etc. is subject to the provisions of paragraph (5) or Article 81-15, paragraph (5), with regard to the application of the provisions of paragraph (2) and paragraph (3) in each business year after the business year containing the date of the qualified company split, etc. of the split corporation, etc. involved in the said qualified company split, etc., out of the limitation on the creditable amount and the amount of creditable foreign corporation tax for each business year within three years prior to the company split or each business year within three years prior to the company split, etc. of the split corporation ,etc., the amount deemed to be the limitation on the creditable amount of the succeeding corporation in a company split, etc. for each business year within the preceding three years under paragraph (5), the amount deemed to be the individually attributed limitation on the consolidated creditable amount of the succeeding corporation in a company split, etc. for each consolidated business year within the preceding three years (meaning each consolidated business year within the preceding three years prescribed in paragraph (2) of the said Article; hereinafter the same shall apply in this paragraph) under paragraph (5) of the said Article, the amount deemed to be the amount of creditable foreign corporation tax that the succeeding corporation in a company split, etc. has come to pay in the said each business year within the preceding three years under paragraph (5), and the amount deemed to be the amount of individually creditable foreign corporation tax that the succeeding corporation in a company split, etc. has come to pay in each of the said consolidated business years within the preceding three years under paragraph (5) of the said Article shall be deemed not to exist.

(8) In the case where a domestic corporation receives, from a foreign subsidiary company (meaning a foreign corporation, out of whose total issued shares or capital contributions (excluding own shares or capital contributions held by the company), 25 percent or more in terms of the number or amount of shares or contributions that are held by the domestic corporation and which meets the other requirements specified by Cabinet Order), any amount of dividend of surplus (limited to that which pertains to shares or capital contributions and

excluding that which is caused by a decrease in the amount of capital surplus or as a result of a split-off-type company split), dividend of profit (excluding that which is caused as a result of a split-off-type company split), or distribution of surplus (limited to that which pertains to capital contributions) (hereinafter referred to as the "amount of dividend, etc." in this Article), the amount calculated, as specified by Cabinet Order, to be the portion of foreign corporation tax to be imposed on the said foreign subsidiary company's income that corresponds to the said amount of dividend, etc. (excluding the part where the burden of the sum with the amount of creditable foreign corporation tax to be imposed, by using the said amount of dividend, etc. as the tax base, is relatively higher compared with the said amount of dividend, etc.) shall be deemed to be the amount of creditable foreign corporation tax that the domestic corporation pays, as specified by Cabinet Order, and the provisions of paragraphs (1) to (3) shall apply.

(9) In the case where a domestic corporation has received any amount of dividend, etc. from a foreign subsidiary company as prescribed in Article 81-15, paragraph (8) in each consolidated business year, when foreign corporation tax is imposed on the foreign subsidiary company's income during the period of each business year starting after the last day of the consolidated business year containing the date of the receipt thereof, the said amount of dividend, etc. shall be deemed to be the amount of dividend, etc. that the domestic corporation has received from a foreign subsidiary company as prescribed in the preceding paragraph in each business year; the amount of individually creditable foreign corporation tax to be imposed by using the said amount of dividend, etc. as the tax base shall be deemed to be the amount of creditable foreign corporation tax prescribed in the said paragraph; and the said amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company prescribed in paragraph (8) of the said Article shall be deemed to be the amount of foreign corporation tax to be imposed on income of a foreign subsidiary company prescribed in the preceding paragraph; and the provisions of the said paragraph shall apply.

(10) The application of the provisions of paragraphs (1) to (3) in the following cases shall be specified by Cabinet Order: in the case where, in each business year (excluding the period falling under the category of consolidated business years; hereinafter the same shall apply in this paragraph) after the business year in which the provisions of paragraphs (1) to (3) have applied to the whole or a part of the amount of foreign corporation tax that a domestic corporation has come to pay (including the amount deemed to be the portion that the domestic corporation shall pay under paragraph (8) out of the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company prescribed in the said paragraph (including the amount deemed to be

the amount of foreign corporation tax to be imposed on the income of the said foreign subsidiary company under the provisions of the preceding paragraph)), the said amount of foreign corporation tax has been reduced (in the case where the domestic corporation had received, as a result of a qualified organizational restructuring, the transfer of the whole or a part of a business from a merged corporation, etc., including the case where the amount of foreign corporation tax that the domestic corporation has come to pay with regard to income pertaining to the business transferred to the domestic corporation out of the amount of foreign corporation tax that the said merged corporation, etc. has come to pay; hereinafter the same shall apply in this paragraph); and in the case where, in each business year after the consolidated business year in which the provisions of Article 81-15, paragraphs (1) to (3) have applied to the whole or a part of the amount of foreign corporation tax that the domestic corporation has come to pay (including the amount deemed to be the portion that the domestic corporation shall pay under paragraph (8) of the said Article out of the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign subsidiary company under the provisions of paragraph (9) of the said Article)), the said amount of foreign corporation tax has been reduced.

(11) In the case where a domestic corporation receives any amount of dividend, etc. from a foreign subsidiary company as prescribed in paragraph (8), when the said foreign subsidiary company receives, from a foreign second-tier subsidiary company (meaning a foreign corporation, out of whose total issued shares or capital contributions (excluding own shares or capital contributions held by the company), 25 percent or more in terms of the number or amount are held by the domestic corporation indirectly through the said foreign subsidiary company and which meets any other requirements specified by Cabinet Order), any amount of dividend of surplus (limited to that which pertains to shares or capital contributions and excluding that which is caused by a decrease in the amount of capital surplus or as a result of a split-off-type company split), dividend of profit (excluding that which is caused as a result of a split-off-type company split), or distribution of surplus (limited to that which pertains to capital contributions) (including what is specified by Cabinet Order as being equivalent to such dividends or distribution; hereinafter referred to as the "amount of dividend, etc. from the foreign second-tier subsidiary company" in this paragraph), the amount calculated, as specified by Cabinet Order, to be the portion of foreign corporation tax to be imposed on the said foreign second-tier subsidiary company's income that corresponds to the said amount of dividend, etc. from the foreign second-tier subsidiary company shall be deemed

to be the amount of foreign corporation tax to be imposed on the income of the said foreign subsidiary company, as specified by Cabinet Order, and the provisions of paragraph (8) shall apply.

(12) In the case where a domestic corporation has received any amount of dividend, etc. from a foreign subsidiary company as prescribed in Article 81-15, paragraph (8) in each consolidated business year, when foreign corporation tax is imposed on the foreign second-tier subsidiary company's income during the period of each business year starting after the last day of the consolidated business year containing the date of the receipt thereof, the amount of dividend, etc. received from the said foreign subsidiary company shall be deemed to be the amount of dividend, etc. from a foreign subsidiary company prescribed in paragraph (8) in each business year; the amount of dividend, etc. from the said foreign second-tier subsidiary company shall be deemed to be the amount of dividend, etc. from a foreign second-tier subsidiary company as prescribed in the preceding paragraph; and the amount of foreign corporation tax to be imposed shall be deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign second-tier subsidiary company prescribed in the said paragraph; and the provisions of the said paragraph shall apply.

(13) With regard to the application of the provisions of Article 28 (Inclusion in Gross Profits of Foreign Subsidiary Company's Foreign Corporation Tax) in the case where the provisions of paragraph (11) apply (including the case where they apply by deeming the amounts as prescribed in the preceding paragraph), the term "the provisions of paragraph (9) of the said Article" in the said Article shall be deemed to be replaced with "the provisions of paragraph (9) of the said Article and the amount deemed to be the amount of foreign corporation tax to be imposed on the foreign subsidiary company's income pursuant to the provisions of paragraph (11) of the said Article (including the case where they apply by deeming the amounts as prescribed in paragraph (12) of the said Article)."

(14) The calculation of the amount of creditable foreign corporation tax in the following cases and other necessary matters concerning the application of the provisions of paragraph (11) shall be specified by Cabinet Order: in the case where, during the period of each business year (excluding the period falling under the category of consolidated business years; hereinafter the same shall apply in this paragraph) after the business year in which the provisions of paragraphs (1) to (3) have applied, by applying the provisions of paragraph (8), to the whole or a part of the portion that is deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company prescribed in the said paragraph, pursuant to the provisions of paragraph (11), out of the amount of foreign corporation tax to be imposed on the income of a foreign second-tier subsidiary company as prescribed in the said paragraph

(including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign second-tier subsidiary company under paragraph (12)), the amount of foreign corporation tax pertaining to the said foreign second-tier subsidiary company has been reduced; and in the case where, during the period of each business year after the consolidated business year in which the provisions of Article 81-15, paragraphs (1) to (3) have applied, by applying the provisions of paragraph (8) of the said Article, to the whole or a part of the portion that is deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the said paragraph, pursuant to the provisions of paragraph (11) of the said Article, out of the amount of foreign corporation tax to be imposed on the income of a foreign second-tier subsidiary company as prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign second-tier subsidiary company under paragraph (12) of the said Article), the amount of foreign corporation tax pertaining to the said foreign second-tier subsidiary company has been reduced.

(15) The provisions of the preceding paragraphs shall not apply to the amount of creditable foreign corporation tax that a corporation in the public interest, etc. or an association or foundation without juridical personality, which is a domestic corporation, pays with regard to profit arising from a business other than its profit-making business or assets belonging thereto or the amount of dividend, etc. that it receives from a foreign subsidiary company as prescribed in paragraph (8) with regard to shares or capital contributions pertaining to the said business.

(16) The provisions of paragraph (1) shall apply only in the case where a final return form contains a detailed statement concerning the amount to be credited under the said paragraph and the calculation thereof and is attached with documents certifying that the amount of creditable foreign corporation tax has been imposed and other documents as specified by Ordinance of the Ministry of Finance. In this case, the amount to be credited under the said paragraph shall not exceed the amount entered as the said amount.

(17) The provisions of paragraph (2) and paragraph (3) shall apply only in the case where, with regard to each business year or each consolidated business year after the oldest business year or consolidated business year pertaining to the limitation on a creditable amount to be carried over or the amount of creditable foreign corporation tax to be carried over, a domestic corporation has filed a final return form that states the limitation on the creditable amount for each of the said business years and the amount of creditable foreign corporation tax that the domestic corporation has come to pay in each of the said business years, or a consolidated final return form that states the

individually attributed limitation on the consolidated creditable amount for each of the said consolidated business years and the amount of individually creditable foreign corporation tax that the domestic corporation has come to pay in each of the said consolidated business years; and has entered the amount to be credited under these provisions in the final return form for the business year for which the domestic corporation seeks the application of these provisions, attaching thereto documents containing the matters to be the basis of the calculation of the limitation on the creditable amount to be carried over or the amount of creditable foreign corporation tax to be carried over and other documents as specified by Ordinance of the Ministry of Finance. In this case, the amount to be credited under these provisions shall not exceed the amount calculated based on the amount entered in the final return form for each of the said business years as the limitation on the creditable amount for each of the said business years and the amount of creditable foreign corporation tax that the domestic corporation has come to pay in each of the said business years, or the amount entered in the consolidated final return form for each of the said consolidated business years as the individually attributed limitation on the consolidated creditable amount for each of the said consolidated business years and the amount of individually creditable foreign corporation tax that the domestic corporation has come to pay in each of the said consolidated business years.

(18) Even in the case where a final return form or consolidated final return form without entries for the matters set forth in the preceding two paragraphs, with regard to the whole or a part of the amount to be credited or the limitation on a creditable amount, etc. under paragraphs (1) to (3) (meaning the limitation on a creditable amount or the amount of creditable foreign corporation tax; or the individually attributed limitation on a consolidated creditable amount or the amount of individually creditable foreign corporation tax prescribed in the preceding paragraph), or without the attachment of documents set forth in the preceding two paragraphs has been filed, the district director of the tax office may apply the provisions of paragraphs (1) to (3) to the amount for which such matters were not entered or such documents were not attached, when he/she finds any unavoidable grounds for the person's failure to make such entries or to attach such documents.

(19) In addition to what is provided for in paragraph (6), paragraph (10), paragraph (11), and paragraph (14) to the preceding paragraph, other necessary matters concerning the application of the provisions of paragraphs (1) to (5), paragraphs (7) to (9), paragraph (12), and paragraph (13) shall be specified by Cabinet Order.

(Credit for Corporation Tax due to Reassessment of Disguised Accounting)

Article 70 (1) In the case where the amount of income, which was entered in a final return form that a domestic corporation had filed, for each business year (excluding the business year prior to the company split of the domestic corporation that is a consolidated corporation (meaning a business year containing the day preceding a split-off-type company split that a domestic corporation effected, with itself as a split corporation, during the period from the day following the first day of a consolidated parent corporation's business year as prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year) to the last day thereof; hereinafter the same shall apply in this paragraph and the following paragraph)) exceeds the amount of income to be used as the tax base for the said business year, and the said excess contains the amount based on disguised accounting, when the district director of the tax office has made a reassessment of corporation tax on income for the said business year, out of the amount paid as corporation tax on income for the said business year that is specified by Cabinet Order, the portion to be reduced due to the reassessment that pertains to the amount settled based on the said disguised accounting shall be credited sequentially from corporation tax on income for each business year that starts within five years from the first day of the business year containing the date of the reassessment (each such business year shall exclude the business year prior to the company split and each business year after consolidation (meaning each business year that starts after the last day of a consolidated business year, if any, that starts after the last day of the business year containing the date of the reassessment; hereinafter the same shall apply in this paragraph) of the domestic corporation that is a consolidated corporation, and include each business year that ends on or after the date of the qualified merger of a merging corporation involved therein in the case where the domestic corporation which has been dissolved as a result of the qualified merger after the date of the reassessment (each such business year shall exclude the business year prior to the company split and each business year after consolidation of the domestic corporation that is a consolidated corporation)), notwithstanding the provisions of Articles 56 to 58 (Refund/Appropriation, etc.) of the Act on General Rules for National Taxes.

(2) In the case where, due to a reassessment as prescribed in the preceding paragraph or Article 81-16, paragraph (1) or paragraph (2) (Credit for Corporation Tax in Consolidated Business Year due to Reassessment of Disguised Accounting), a reassessment has been made to reduce the amount of income for each business year that starts after the last day of the business year or consolidated business year pertaining to the former reassessment of a domestic corporation that had carried out disguised accounting (such each business year shall exclude the business year prior to the company split of the domestic corporation that is a consolidated corporation), when the portion of

the amount of income to be reduced due to the latter reassessment contains the amount based on disguised accounting in the business year or consolidated business year pertaining to the former reassessment prescribed in these provisions, the said amount shall be deemed to be the amount that the domestic corporation settled based on disguised accounting in each of the said business years, and the provisions of the preceding paragraph shall apply.

(3) The provisions of the preceding two paragraphs shall apply mutatis mutandis to the case where, after a domestic corporation set forth in paragraph (1) has been dissolved, a reassessment as prescribed in the said paragraph has been made with regard to the domestic corporation's income for the business year prescribed in the said paragraph or a reassessment as prescribed in the preceding paragraph to reduce the amount of income for each business year has been made. In this case, in paragraph (1), the term "the first day of the business year containing the date of the reassessment" shall be deemed to be replaced with "the first day of the business year containing the date of the reassessment of a merging corporation involved in a qualified merger wherein the domestic corporation is a merged corporation;" the term "of the domestic corporation that is a consolidated corporation," and the term "after consolidation of the domestic corporation that is a consolidated corporation" shall be deemed to be replaced with "of the merging corporation that is a consolidated corporation," and "after consolidation of the merging corporation that is a consolidated corporation," respectively; and the term "the domestic corporation dissolved as a result of the qualified merger" shall be deemed to be replaced with "the merging corporation dissolved as a result of the qualified merger, wherein the merging corporation is a merged corporation;" and in the preceding paragraph, the term "a domestic corporation that had carried out disguised accounting" shall be deemed to be replaced with "a merging corporation involved in a qualified merger, wherein a domestic corporation, which had carried out disguised accounting, is a merged corporation;" and the term "the domestic corporation" shall be deemed to be replaced with "the merging corporation."

(Order for Tax Credit)

Article 70-2 With regard to a credit for corporation tax pursuant to the provisions of this Subsection, a credit under the preceding Article shall be made first and then a credit under Article 68 and Article 69 (Credit for Income Tax, etc.) shall be made.

Section 3 Filing of Return, Payment and Refund

Subsection 1 Interim Return

(Interim Return)

Article 71 (1) In the case where a business year of an ordinary corporation (excluding an ordinary corporation in liquidation), which is a domestic corporation (such business year shall exclude the first business year after the establishment of a newly established ordinary corporation, which is a domestic corporation, other than that which was established as a result of a qualified merger (excluding a merger in which merged corporations are all corporations in the public interest, etc. that are not engaged in any profit-making business; the same shall apply in the following paragraph and paragraph (3)), the business year that contains the day on which any corporation in the public interest, etc. (limited to a corporation that is not engaged in any profit-making business) came to fall under the category of an ordinary corporation, the business year that contains the day on which any consolidated subsidiary corporation has had the approval set forth in Article 4-2 (Consolidated Taxpayers) rescinded pursuant to the provisions of Article 4-5, paragraph (1) or paragraph (2) (limited to the part pertaining to item (iv) or item (v)) (Rescission of Approval for Consolidated Taxation) rescinded (excluding the case where the approval was rescinded on the first day of the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year)), and the business year that contains the day preceding the date of a split-off-type company split effected by a consolidated corporation with itself as a split corporation (excluding the case where the split-off-type company split was effected on the first day of the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1))), exceeds six months, the ordinary corporation shall file a return form containing the following matters to the district director of the tax office, within two months after the day on which six months have elapsed from the first day of the said business year; provided, however, that the filing of the return form shall not be required when the amount listed in item (i) is not more than 100,000 yen or there is no such amount:

(i) The amount obtained by dividing the amount listed in Article 74, paragraph (1), item (ii) (Corporation Tax Pertaining to Final Return) that is to be entered in a final return form for the business year preceding the said business year and which has become determined by the day preceding the day on which six months have elapsed from the first day of the said business year, by the number of months of the said preceding business year, and then multiplying the results by six (in the case where the period of the said preceding business year falls under a consolidated business year, the amount obtained by dividing the individually attributed payable amount of consolidated corporation tax (meaning the amount calculated, pursuant to the provisions of Article 81-18, paragraph (1) (Calculation of Individually

Attributed Amount of Consolidated Corporation Tax), as the amount of corporation tax on consolidated income for each consolidated business year to be paid; the same shall apply in item (i) of the following paragraph) pertaining to the ordinary corporation for the said consolidated business year that pertains to the amount listed in Article 81-11, paragraph (1), item (ii) (Corporation Tax Pertaining to Consolidated Final Return), which has become determined by the day preceding the day on which six months have elapsed from the first day of the said business year and is to be entered in a consolidated final return form for the said consolidated business year, by the number of months of the consolidated business year of the ordinary corporation containing the day preceding the first day of the said business year, and then multiplying the results by six)

(ii) The basis of the calculation of the amount listed in the preceding item and other matters as specified by Ordinance of the Ministry of Finance

(2) In the case referred to in the preceding paragraph, when an ordinary corporation set forth in the said paragraph is a merging corporation involved in a qualified merger (excluding a merger aiming to establish a corporation; hereinafter the same shall apply in this paragraph) and has effected the qualified merger within the period listed in the following items, the amount listed in item (i) of the preceding paragraph that is to be entered in an interim return form for the said business year, which the ordinary corporation is to file, shall be the amount obtained by adding the amount specified in the following items to the amount calculated pursuant to the provisions of item (i) of the preceding paragraph, notwithstanding the provisions of the said item:

(i) The business year preceding the said business year: The amount obtained by dividing the following amount pertaining to the most recent business year or consolidated business year; the amount listed in Article 74, paragraph (1), item (ii) which is to be entered in a final return form for each of a merged corporation's business years (excluding a business year of less than six months) that ended after the day one year prior to the first day of the ordinary corporation's said business year, and which has become determined by the day preceding the day on which six months have elapsed from the first day of the ordinary corporation's said business year; or the individually attributed payable amount of consolidated corporation tax of a merged corporation for each of its consolidated business years (excluding a consolidated business year less of than six months) that ended after the day one year prior to the said first day, which pertains to the amount listed in Article 81-22, paragraph (1), item (ii) that has become determined by the said day preceding the day on which six months have elapsed and is to be entered in a consolidated final return form for each consolidated business year (hereinafter such amount pertaining to the most recent business year or

consolidated business year shall be referred to as the "amount of determined corporation tax of a merged corporation, etc." in this Article); by the number of months of the said merged corporation's business year or consolidated business year that was used as the basis of the calculation, and then multiplying the results by the number obtained by multiplying six and the rate of the number of months of the period from the first day of the said preceding business year to the day preceding the date of the qualified merger

(ii) The period from the first day of the said business year to the day preceding the day on which six months have elapsed from the said date: The amount obtained by dividing the amount of determined corporation tax of a merged corporation, etc. by the number of months of the merged corporation's business year or consolidated business year that was used as the basis of the calculation, and then multiplying the results by the number of months of the period from the date of the qualified merger to the day preceding the said day on which six months have elapsed

(3) In the case referred to in paragraph (1), when an ordinary corporation set forth in the said paragraph is a merging corporation involved in a qualified merger (limited to a merger aiming to establish a corporation), the amount listed in item (i) of the said paragraph that is to be entered in an interim return form for the first business year after the establishment, which the ordinary corporation is to file, shall be the sum of the amounts obtained by dividing the respective amounts of determined corporation tax of merged corporations, etc. by the number of months of the said merged corporation's business year or consolidated business year that was used as the basis of the calculation, and then multiplying the results by six, notwithstanding the provisions of the said item.

(4) The number of months set forth in the preceding three paragraphs shall be calculated in accordance with the calendar and a fraction less than one month shall be counted as one month.

(Matters to be Entered in Interim Return Form in the Case of Provisional Settlement of Accounts, etc.)

Article 72 (1) In the case where an ordinary corporation (excluding a trust corporation as prescribed in Article 4-7 (Application of This Act to Trust Corporations, etc.)), which is a domestic corporation and is to file an interim return form, deems the period of six months after the first day of the business year as one business year and has calculated the amount of income or loss that is to be used as the tax base for the said period, the ordinary corporation may enter the following matters in the interim return form that it files, in lieu of the matters listed in the items of paragraph (1) of the preceding Article:

(i) The said amount of income or loss

(ii) The amount of corporation tax calculated in the case where the provisions of the preceding Section (Calculation of Tax Amount) (excluding Article 67 (Special Tax Rate for Specified Family Corporations) and Article 70 (Credit for Corporation Tax due to Reassessment of Disguised Accounting)) shall apply to the amount of income listed in the preceding item, by deeming the said period as one business year

(iii) The basis of the calculation of the amount listed in the preceding two items and any other matters as specified by Ordinance of the Ministry of Finance

(2) An interim return form containing the matters prescribed in the preceding paragraph shall be attached with a balance sheet as of the last day of the prescribed period in the said paragraph, a profit and loss statement for the said period, and other documents as specified by Ordinance of the Ministry of Finance.

(3) With regard to the calculation of the amount of income or loss that is to be used as the tax base for the period prescribed in paragraph (1) and the amount of corporation tax listed in item (ii) of the said paragraph, the term "the final settlement of the accounts" in Article 2, item (xxv) (Definitions) shall be deemed to be replaced with "the settlement of accounts;" the terms "(a) final return form" and "the final settlement of the accounts" in Section 1, Subsection 3, Subsection 4, Subsection 7, and Subsection 10 (Calculation of Tax Base) (excluding Article 57, paragraph (2), paragraph (7), and paragraph (11) (Requirements for Carryover of Loss in the Business Year When Blue Return Form Has Been Filed) and Article 58, paragraph (2) and paragraph (6) (Requirements for Carryover of Loss Arising from Disaster in the Business Year When Blue Return Form Has Not Been Filed)) shall be deemed to be replaced with "(an) interim return form" and "the settlement of accounts," respectively; the term "a final return form" in Article 68, paragraph (3) and paragraph (4) (Credit for Income Tax) and Article 69, paragraph (16) (Credit for Foreign Tax) shall be deemed to be replaced with "an interim return form;" the term "in the final return form for the business year" in paragraph (17) of the said Article shall be deemed to be replaced with "in the interim return form for the business year;" and the term "a final return form" in paragraph (18) of the said Article shall be deemed to be replaced with "an interim return form, final return form."

(Special Provisions Where Interim Return Form is not Filed)

Article 73 In the case where an ordinary corporation, which is a domestic corporation and is to file an interim return form, has failed to file an interim return form by the due date, it shall be deemed that the ordinary corporation has filed an interim return form containing the matters listed in the items of Article 71, paragraph (1) (Matters to be Entered in Interim Return Form Based

on Performance in the Previous Period) to the district director of the tax office within the due date, and the provisions of this Act shall apply.

Subsection 2 Final Return

(Final Return)

Article 74 (1) A domestic corporation (excluding an ordinary corporation that is a domestic corporation in liquidation and a cooperative, etc. in liquidation) shall file a return form containing the following matters, based on the final settlement of the accounts, to the district director of the tax office, within two months after the day following the last day of each business year:

(i) The amount of income or loss that is to be used as the tax base for the said business year

(ii) The amount of corporation tax calculated by applying the provisions of the preceding Section (Calculation of Tax Amount) to the amount of income listed in the preceding item

(iii) In the case where there is any amount to be credited under Article 68 and Article 69 (Credit for Income Tax, etc.) that remains even after a credit in the calculation of the amount of corporation tax listed in the preceding item, the said remaining amount

(iv) In the case where a domestic corporation is a corporation that has filed an interim return form for the said business year, the amount that remains after crediting the amount of interim payment related to the said return form against the amount of corporation tax listed in item (ii)

(v) In the case where there is any amount of interim payment as prescribed in the preceding item that remains even after a credit in the calculation of the amount listed in the said item, the said remaining amount

(vi) The basis of the calculation of the amount listed in the preceding items and other matters as specified by Ordinance of the Ministry of Finance

(2) A return form under the preceding paragraph shall be attached with a balance sheet, a profit and loss statement for the said business year, and other documents as specified by Ordinance of the Ministry of Finance.

(Extension of the Due Date for Filing a Final Return Form)

Article 75 (1) In the case where a domestic corporation, which is to file a return form under paragraph (1) of the preceding Article, is recognized to be unable to file the return form by the due date prescribed in the said paragraph because the account cannot be settled due to any disaster or on other unavoidable grounds (excluding the grounds prescribed in paragraph (1) of the following Article), the competent district director having jurisdiction over the place for tax payment may extend the due date by designating a particular date based

on an application by the domestic corporation, except in the case where the due date has been extended pursuant to the provisions of Article 11 (Extension of the Due Date due to Disaster, etc.) of the Act on General Rules for National Taxes.

(2) An application set forth in the preceding paragraph shall be filed, within 45 days from the day following the last day of the business year pertaining to a return form as prescribed in the said paragraph, with an application form stating the grounds why the account would not be settled by the due date for filing the return form, the date that the domestic corporation seeks the designation, and any other matters as specified by Ordinance of the Ministry of Finance.

(3) In the case where an application form set forth in the preceding paragraph has been filed, the district director of the tax office may dismiss the application when he/she finds the grounds for the application to be inappropriate.

(4) In the case where an application form set forth in paragraph (2) has been filed, when the district director of the tax office makes a disposition to extend the due date set forth in paragraph (1) or to dismiss the application set forth in the preceding paragraph, he/she shall notify the domestic corporation that has filed the application to that effect, in writing.

(5) In the case where an application form set forth in paragraph (2) has been filed, when no disposition has been made to extend the due date set forth in paragraph (1) nor to dismiss the application set forth in paragraph (3), within two months from the day following the last day of the business year pertaining to a return form as prescribed in paragraph (1), the due date set forth in the said paragraph shall be deemed to have been extended, by deeming the date that the domestic corporation seeks the designation pertaining to the application as the date set forth in the said paragraph.

(6) In the case where a domestic corporation subject to the provisions of paragraph (1) has filed a return form as prescribed in the said paragraph to the district director of the tax office prior to the date designated under the said paragraph, it shall be deemed that the day on which the return form was filed was deemed to be the date set forth in the said paragraph.

(7) A domestic corporation subject to the provisions of paragraph (1) shall pay interest tax equivalent to the amount obtained by multiplying the amount of corporation tax on income for the business year pertaining to a return form as prescribed in the said paragraph by the rate of 7.3 percent per annum, in accordance with the number of days from the day on which two months have elapsed from the day following the last day of the said business year to the date designated under the said paragraph, in addition to the corporation tax that is to be used as the basis of the calculation of the interest tax.

(Special Provisions for an Extension of the Due Date for Filing a Final Return Form)

Article 75-2 (1) In the case where a domestic corporation, which is to file a return form under Article 74, paragraph (1) (Final Return), is recognized to be unable to file the return form for each business year after the said business year, respectively, by the due date prescribed in the said paragraph because the account cannot be settled since it has to be audited by an accounting auditor or on other grounds equivalent thereto, the competent district director having jurisdiction over the place for tax payment may extend the due date for filing a return form for each of the said business years by one month (in the case where it is deemed that an ordinary general meeting would not be convened for the settlement of each business year within three months from the day following the last day of the said each business year due to special circumstances or where there are other unavoidable circumstances, by the period of months designated by the district director of the tax office), based on an application by the domestic corporation.

(2) An application set forth in the preceding paragraph shall be filed, by the last day of the business year pertaining to a return form as prescribed in the said paragraph, with an application form stating the grounds as to why the account would not be settled by the due date for filing the return form, and, if the domestic corporation seeks the designation set forth in the said paragraph, the number of months that it seeks the designation, as well as any other matters as specified by Ordinance of the Ministry of Finance.

(3) With regard to a domestic corporation subject to the provisions of paragraph (1), in the case where the district director of the tax office recognizes that the grounds or circumstances prescribed in the said paragraph have ceased to exist or any change has occurred to the said circumstances, he/she may revoke the disposition to extend the due date set forth in the said paragraph or change the number of months for the designation set forth in the said paragraph. In this case, when the said revocation or change has been made, the disposition shall become effective for each business year after the business year containing the date of the disposition.

(4) When the district director of the tax office makes a disposition set forth in the preceding paragraph, he/she shall notify the domestic corporation related to the disposition to that effect, in writing.

(5) When a domestic corporation subject to the provisions of paragraph (1) intends to stop receiving the application of the said paragraph, with regard to the due date for filing a return form prescribed in the said paragraph for each business year after the said business year, it shall submit a report stating the first day of the said business year and other matters as specified by Ordinance of the Ministry of Finance, to the competent district director having

jurisdiction over the place for tax payment, by the last day of the said business year. In this case, when the report has been submitted, the disposition to extend the due date set forth in the said paragraph shall cease to be effective for each business year after the said business year.

(6) The provisions of paragraphs (3) to (5) of the preceding Article shall apply mutatis mutandis to the case where an application form set forth in paragraph (2) has been filed, and the provisions of paragraph (7) of the said Article shall apply mutatis mutandis to corporation tax on the income of a domestic corporation subject to the provisions of paragraph (1) for the business year pertaining to a return form as prescribed in the said paragraph. In this case, in paragraph (5) of the preceding Article, the term "two months" shall be deemed to be replaced with "15 days;" the term ", by deeming the date that the domestic corporation seeks the designation pertaining to the application to be the date set forth in the said paragraph" shall be deemed to be replaced with "by one month (in the case where the domestic corporation has filed an application to the effect that it seeks the designation set forth in Article 75-2, paragraph (1), by the period of months that it seeks the designation pertaining to the application);" and in paragraph (7) of the said Article, the term "for the business year pertaining to a return form as prescribed in the said paragraph" shall be deemed to be replaced with "for each business year pertaining to the application;" the term "the said business year" shall be deemed to be replaced with "the said each business year;" and the term "the date designated under the said paragraph" shall be deemed to be replaced with "the due date extended pursuant to the provisions of Article 75-2, paragraph (1)."

(7) In the case where, with regard to a domestic corporation subject to the provisions of paragraph (1), any disaster has occurred or there are any other unavoidable grounds prior to the day on which two months have elapsed from the day following the last day of the said business year, the provisions of the preceding Article and Article 11 (Extension of the Due Date due to Disaster, etc.) of the Act on General Rules for National Taxes may be applied only for the said business year, by deeming that the provisions of paragraph (1) do not apply.

(8) The provisions of the preceding Article shall apply mutatis mutandis to the case where a domestic corporation subject to the provisions of paragraph (1) is recognized to be unable to file a return form as prescribed in the said paragraph by the due date extended under the said paragraph because the account cannot be settled due to any disaster or on other unavoidable grounds for the said business year (excluding a business year pertaining to the application of the provisions of the preceding paragraph). In this case, the term "within 45 days from the day following the last day of the business year pertaining to a return form" in paragraph (2) of the said Article shall be

deemed to be replaced with "by 15 days prior to the due date for a return form;" the term "within two months from the day following the last day of the business year pertaining to a return form" in paragraph (5) of the said Article shall be deemed to be replaced with "by the due date for filing a return form;" and in paragraph (7) of the said Article, the term "shall pay interest tax" shall be deemed to be replaced with "shall pay, along with the interest tax under this paragraph which is applied mutatis mutandis pursuant to Article 75-2, paragraph (6), interest tax;" the term "in the said paragraph" shall be deemed to be replaced with "in paragraph (1);" and the term "from the day on which two months have elapsed from the day following the last day of the said business year to the date designated under the said paragraph" shall be deemed to be replaced with "from the day following the due date for filing the return form extended under Article 75-2, paragraph (1) to the date designated under paragraph (1)."

Subsection 3 Payment

(Payment by Interim Return)

Article 76 When an ordinary corporation, which is a domestic corporation and which has filed an interim return form, holds any amount listed in Article 71, paragraph (1), item (i) (Matters to be Entered in Interim Return Form Based on Performance in the Previous Period) that it entered in the said return form (in the case where it has filed an interim return form containing the matters listed in the items of Article 72, paragraph (1) (Matters to be Entered in Interim Return Form in the Case of Provisional Settlement of Accounts), any amount listed in item (ii) of the said paragraph), it shall pay corporation tax equivalent to the said amount to the State.

(Payment by Final Return)

Article 77 When a domestic corporation, which has filed a return form under Article 74, paragraph (1) (Final Return), holds any amount listed in item (ii) of the said paragraph that it entered in the said return form (in the case falling under the provisions of item (iv) of the said paragraph, any amount listed in the said item), it shall pay corporation tax equivalent to the said amount to the State.

Subsection 4 Refund

(Refund of Income Tax, etc.)

Article 78 (1) In the case where a final return form has been filed, when it states any amount listed in Article 74, paragraph (1), item (iii) (Shortfall in Credit for

Income Tax, etc.), the district director of the tax office shall refund tax equivalent to the said amount to the domestic corporation that has filed the said return form.

(2) In the case of calculating the amount of interest on a refund with regard to a refund pursuant to the provisions of the preceding paragraph, the period set forth in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes, which shall be used as the basis of the calculation, shall be the period from the day following the due date for filing a final return form set forth in the preceding paragraph (in the case where the said return form is a return form filed after the due date, from the day following the date of the filing thereof) up to the day on which the payment of the relevant refund is decided or the day on which the relevant refund is appropriated (in the case where appropriation has become possible before the said date of appropriation, up to the day on which it becomes possible).

(3) In the case where a refund pursuant to the provisions of paragraph (1) is appropriated for the unpaid portion of corporation tax on income for the business year pertaining to a final return form set forth in the said paragraph, interest on the refund shall not be added to the portion of the said refund to be used for appropriation and any delinquent tax and interest tax shall be exempted with regard to the portion of the corporation tax that is to be appropriated.

(4) In addition to what is provided for in the preceding two paragraphs, procedures for a refund set forth in paragraph (1), methods for the appropriation of a refund (including interest on a refund related thereto) pursuant to the provisions of the said paragraph, and other necessary matters concerning the application of the provisions of the said paragraph shall be specified by Cabinet Order.

(Refund of the Amount of Interim Payment)

Article 79 (1) In the case where an ordinary corporation, which is a domestic corporation and has filed an interim return form, has filed a final return form for the business year pertaining to the interim return form, when the final return form states any amount listed in Article 74, paragraph (1), item (v) (Shortfall in Credit for Interim Payment), the district director of the tax office shall refund the amount of interim payment equivalent to the said amount to the ordinary corporation.

(2) In the case where the district director of the tax office makes a refund pursuant to the provisions of the preceding paragraph, when any delinquent tax has been paid with regard to the amount of interim payment pertaining to the interim return form set forth in the said paragraph, he/she shall also refund the amount calculated, as specified by Cabinet Order, to be the portion

of the said delinquent tax that corresponds to the amount of interim payment to be refunded pursuant to the provisions of the said paragraph.

(3) In the case of calculating the amount of interest on a refund with regard to a refund pursuant to the provisions of paragraph (1), the period set forth in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes, which shall be the basis of the calculation, shall be the period from the day following the day on which the amount of interim payment to be refunded, pursuant to the provisions of paragraph (1), was paid (in the case where the said amount of interim payment was paid prior to the due date for payment, from the day following the said due date for payment) up to the day on which the payment of the relevant refund is decided or the day on which the relevant refund is appropriated (in the case where appropriation has become possible before the said date of appropriation, up to the day on which it becomes possible); provided, however, that in the case where a final return form set forth in the said paragraph is a return form filed after the due date, the number of days from the day following the said due date for filing the return form up to the date of the filing thereof shall not be included in the said period.

(4) In the case where a refund pursuant to the provisions of paragraph (1) is appropriated for the unpaid portion of corporation tax on income for the business year pertaining to the amount of interim payment that was used as the basis of the calculation, interest on the refund shall not be added to the portion of the said refund to be used for appropriation and any delinquent tax and interest tax shall be exempted with regard to the portion of the corporation tax that is to be appropriated.

(5) Interest on a refund shall not be added to a refund pursuant to the provisions of paragraph (2).

(6) In addition to what is provided for in the preceding three paragraphs, procedures for a refund set forth in paragraph (1) or paragraph (2), methods for the appropriation of a refund (including interest on a refund related thereto) pursuant to the provisions of paragraph (1), and other necessary matters concerning the application of the provisions of the said paragraph or paragraph (2) shall be specified by Cabinet Order.

(Refund by Carryback of Loss)

Article 80 (1) In the case where a domestic corporation has any amount of loss arising in a business year for which it is to file a final return in a blue return form (excluding the case falling under the provisions of paragraph (4)), the domestic corporation may, upon filing the said return form, simultaneously file, with the competent district director having jurisdiction over the place for tax payment, a claim for a refund of corporation tax equivalent to the amount

obtained by multiplying the amount of corporation tax on income for any of the business years starting within one year prior to the first day of the business year pertaining to the said loss (hereinafter referred to as the "business year showing a loss" in this Article) (any of such business years shall exclude each business year prior to the domestic corporation's consolidated business year; in the case where the domestic corporation, which is a consolidated corporation, has effected a split-off-type company split (excluding a split-off-type company split as listed in Article 57, paragraph (9), item (i), (a) and (c) (Carryover of Loss in Business Year When Blue Return Form Has Been Filed)), with itself as a split corporation, in the consolidated parent corporation's business year (meaning the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year); hereinafter the same shall apply in this paragraph), each business year prior to the business year containing the first day of the said consolidated parent corporation's business year (in the case where the domestic corporation is a corporation listed in Article 4-3, paragraph (9), item (ii) or paragraph (11), item (ii) (Application for Approval for Consolidated Taxation), each business year prior to the business year prescribed in these items); and in the case where the domestic corporation, which is a consolidated subsidiary corporation, has effected a merger, with itself as a merged corporation, in the consolidated parent corporation's first business year prescribed in Article 57, paragraph (9), item (ii) (such merger shall be limited to a merger, wherein another consolidated corporation, which has a consolidated full controlling interest in the domestic corporation, is a merging corporation, and shall exclude a merger listed in Article 57, paragraph (9), item (ii), (a)), each business year prior to the business year containing the first day of the said consolidated parent corporation's first business year) (such corporation tax shall exclude the amount of additions to tax, and in the case where there is any amount credited under Articles 68 to 70-2 (Tax Credit), the said amount shall be added; hereinafter the same shall apply in this Article) by the rate accounted for by the amount equivalent to the amount of loss for the business year showing a loss out of the amount of income for the said any of the business years (hereinafter referred to as a "business year with refunds" in this Article) (such amount of loss shall exclude the amount that is to be used as the basis of the calculation of the amount to be refunded with regard to corporation tax on income for another business year with refunds, pursuant to the provisions of this Article; the same shall apply in paragraph (4)).

(2) In the case referred to in the preceding paragraph, when the provisions of this Article have already been applied to the amount of corporation tax on income for the relevant business year with refunds, the amount that remains after crediting the amount already refunded pursuant to these provisions against

the said amount shall be deemed to be the said amount of corporation tax, and the amount that remains after deducting the amount of loss pertaining to the application of these provisions from the amount equivalent to the income for the said business year with refunds to be the amount of income for the said business year with refunds, and thereby applying the provisions of the said paragraph.

(3) The provisions of paragraph (1) shall apply only in the case where a domestic corporation set forth in the said paragraph has filed a final return in a blue return form on a continuous basis for each business year from the business year with refunds to the business year preceding the business year showing a loss, and where it has filed a final return in a blue return form for the business year showing a loss by the due date (where the district director of the tax office has found any unavoidable circumstances, including in the case where the domestic corporation has filed the said return form after the due date).

(4) The provisions of paragraph (1) and paragraph (2) shall apply mutatis mutandis to the case where a domestic corporation has been dissolved (excluding dissolution as a result of a qualified merger and dissolution after a quasi-merger qualified split-off-type company split as prescribed in Article 57, paragraph (2)), the whole of its business has been transferred, an order on the commencement of reorganization proceedings has been rendered for it under the Corporate Reorganization Act or the Act on Special Measures, etc. of Reorganization Procedure of Financial Institutions, or any other equivalent event as specified by Cabinet Order has occurred (excluding the case where such event has occurred in the domestic corporation's consolidated business year), and when there is any amount of loss arising in any of the business years that ended within one year prior to the day on which the said event occurred or in the business year containing the said date (excluding the amount of loss that was included in deductible expenses in the calculation of the amount of income for each business year pursuant to the provisions of the said Article). In this case, in paragraph (1), the term "upon filing the said return form, simultaneously" shall be deemed to be replaced with "within one year after the day on which the said event occurred," and the term "in paragraph (4)) " shall be deemed to be replaced with "in paragraph (4)); provided, however, that this shall limited to the case where the domestic corporation has filed a final return in a blue return form on a continuous basis for each business year from the business year with refunds to the business year showing a loss."

(5) A domestic corporation that intends to file a claim for a refund of corporation tax pursuant to the provisions of paragraph (1) (including the case where it is applied mutatis mutandis pursuant to the preceding paragraph), it shall submit a refund claim form stating the amount of corporation tax for which it

intends to receive a refund, the basis of the calculation thereof, and other matters as specified by an Ordinance of the Ministry of Finance.

(6) When a refund claim form set forth in the preceding paragraph has been submitted, the district director of the tax office shall examine the amount of loss which caused the claim and other necessary matters and shall refund corporation tax to the domestic corporation that has filed the application, to the extent of the amount pertaining to the claim, or notify it in writing that there are no grounds for filing a claim, based on the examination.

(7) In the case of calculating the amount of interest on a refund with regard to a refund pursuant to the provisions of the preceding paragraph, the period set forth in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes, which shall be used as the basis of the calculation, shall be the period from the day on which three months have elapsed from the day following the day on which a claim for a refund under paragraph (1) (including the case where it is applied mutatis mutandis pursuant to paragraph (4)) was filed (in the case where the day on which the claim for a refund was filed is prior to the due date for filing a final return form as prescribed in the said paragraph, from the said due date), up to the day on which the payment of the relevant refund is decided or the day on which the relevant refund is appropriated (in the case where appropriation has become possible before the said date of appropriation, up to the day on which it becomes possible).

Subsection 5 Special Provisions for Request for Reassessment

(Special Provisions for Request for Reassessment due to Reassessment, etc. of Corporation Tax, etc. for the Preceding Business Year)

Article 80-2 When a domestic corporation has, with regard to the amount listed in Article 74, paragraph (1), items (i) to (v) (Matters to be Entered in Final Return Form) that is to be entered in a final return form or the amount listed in Article 81-22, paragraph (1), items (i) to (v) (Matters to be Entered in Consolidated Final Return Form) that is to be entered in a consolidated return form, filed an amended return form or received a reassessment or determination, and due to the filing of the amended return form, or the reassessment or determination, has come to fall under the following cases, the domestic corporation may request a reassessment under Article 23, paragraph (1) (Request for Reassessment) of the Act on General Rules for National Taxes from the district director of the tax office, with regard to the amount prescribed in the each relevant item, only within two months from the day following the day on which it filed the amended return form or received the notification of the reassessment or determination. In this case, the amended return form

prescribed in paragraph (3) of the said Article shall state the date of the submission of the amended return form or the receipt of the notification of the reassessment or determination, in addition to the matters prescribed in the said paragraph:

(i) In the case where the amount listed in Article 74, paragraph (1), item (ii) or item (iv), for the business year after the business year or consolidated business year pertaining to the said amended return form or the reassessment or determination, that was entered in a final return form or was determined for the said business year (in the case where an amended final return form was filed or a reassessment was made with regard to the said amount, the amount after the filing thereof or the reassessment) is in excess

(ii) In the case where the amount of loss listed in Article 74, paragraph (1), item (i) or the amount listed in item (iii) or item (v) of the said paragraph, for the business year after the business year or consolidated business year pertaining to the said amended return form or the reassessment or determination, that was entered in a final return form or was determined for the said business year (in the case where an amended final return form was filed or a reassessment was made with regard to the said amounts, the amounts after the filing thereof or the reassessment) falls short

Chapter I-2 Corporation Tax on Consolidated Income for Each Consolidated Business Year

Section 1 Tax Base and Calculation Thereof

Subsection 3 Calculation of Gross Profits or Deductible Expenses

Division 4 Contribution or Donation

(Exclusion from Deductible Expenses of Contribution or Donation in Consolidated Business Year)

Article 81-6 (1) The portion of the sum of the donations made by a consolidated corporation in each consolidated business year (excluding the amount of donations subject to the provisions of the following paragraph) that exceeds the amount of the consolidated individual stated capital of the consolidated parent corporation related to the said consolidated corporation as of the end of the said consolidated business year or the amount calculated as specified by Cabinet Order based on the consolidated income for the said consolidated business year shall be excluded from deductible expenses, when calculating the amount of consolidated income of the said consolidated corporation for each consolidated business year.

(2) When the amount of a donation made by a consolidated corporation in each consolidated business year contains any donation to another consolidated

corporation that has a consolidated full controlling interest in the said consolidated corporation, the amount of the said donation shall be excluded from deductible expenses, when calculating the amount of income of the said consolidated corporation for each consolidated business year.

(3) In the case referred to in paragraph (1), when the amount of a donation as prescribed in the said paragraph contains any donation listed in the items of Article 37, paragraph (3) (Exclusion from Deductible Expenses of Contribution or Donation), the sum of the said donations shall be excluded from the sum of the donations prescribed in paragraph (1).

(4) In the case referred to in paragraph (1), when the amount of a donation as prescribed in the said paragraph contains any donation as prescribed in Article 37, paragraph (4), the sum of the said donations (in the case where the said sum exceeds the amount of the consolidated individual stated capital, etc. of the consolidated parent corporation related to the consolidated corporation set forth in paragraph (1) as of the end of the said consolidated business year or the amount calculated as specified by Cabinet Order based on the consolidated income for the said consolidated business year, the amount equivalent to the said calculated amount) shall be excluded from the sum of the donations prescribed in paragraph (1).

(5) The amount that a consolidated corporation has spent for the purpose of entrusting as trust property under a specified charitable trust as prescribed in Article 37 shall be deemed to be the amount of a donation, and the provisions of paragraph (1), the preceding paragraph, and the following paragraph shall apply. In this case, the term "any donation as prescribed in Article 37, paragraph (4)" in the preceding paragraph shall be deemed to be replaced with "any donation as prescribed in Article 37, paragraph (4) that is applied by replacing the terms pursuant to the provisions of paragraph (6) of the said Article," and other necessary matters concerning procedures for seeking the application of the provisions of this paragraph shall be specified by Cabinet Order.

(6) The provisions of Article 37, paragraphs (7) to (10) shall apply mutatis mutandis to the case where the provisions of the preceding paragraphs apply. In this case, the term "are retained" in paragraph (9) of the said Article shall be deemed to be replaced with "are retained by the respective consolidated corporations that have made a donation as prescribed in the items of paragraph (3) or a donation as prescribed in paragraph (4)."

(7) The calculation of the portion of the amount excluded from deductible expenses under paragraph (1) or paragraph (2) that is to be attributed to each consolidated corporation and other necessary matters concerning the application of the provisions of these paragraphs shall be specified by Cabinet Order.

Section 2 Calculation of Tax Amount

Subsection 1 Tax Rate

(Special Tax Rate for Consolidated Specific Family Corporations)

Article 81-13 (1) Article 81-13

(2) The amount of consolidated retained income prescribed in the preceding paragraph shall mean the amount that remains after deducting, from the retained portion of the sum of the following amounts (referred to as the "amount of consolidated income, etc." in paragraph (4)), the sum of the amount of corporation tax calculated as prescribed in paragraph (1) or paragraph (2) of the preceding Article, with regard to the amount of consolidated income for the said consolidated business year (in the case where there is any amount to be credited under the following Article to Article 81-17 (Tax Credit), the amount of corporation tax that remains after crediting the said amount) and the amounts calculated, as specified by Cabinet Order, to be those of the prefectural inhabitants tax and municipal inhabitants tax (including the Tokyo inhabitants tax) that are related to the adjusted individually attributed amount of consolidated corporation tax (meaning the amount calculated, pursuant to the provisions of Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax), to be the payable amount to be the burden or the receivable amount as the reduction prescribed in the said paragraph) for the said consolidated business year pursuant to the provisions of the Local Tax Act:

(i) The amount of consolidated income for the said consolidated business year (when there is any amount of capital gain or loss as prescribed in Article 62, paragraph (2) (Transfer of Assets, etc. at Fair Value as a Result of Merger and Company Split) that is to be added to or subtracted from the amount of individual gross profits or deductible expenses in the case of calculating such amount, the said amount of consolidated income shall be the amount calculated by deeming that the said capital gain or loss does not exist)

(ii) The amount excluded from gross profits in the calculation of the amount of consolidated income for the said consolidated business year under Article 81-4 (Exclusion from Gross Profits of Dividend Received, etc. in a Consolidated Business Year) (excluding the portion of the amount of dividend prescribed in Article 23, paragraph (1) (Exclusion from Gross Profits of Dividend Received, etc.) that a consolidated corporation receives from another consolidated corporation (limited to a consolidated corporation that has a consolidated full controlling interest in the said consolidated corporation))

(iii) The sum of the amount to be refunded or to be appropriated as prescribed in Article 26, paragraph (1) (Exclusion from Gross Profits of Refund, etc.) in

the case of calculating the amount of individual gross profits (excluding the amount of the portion pertaining to item (i) of the said paragraph), the amount to be refunded as prescribed in paragraph (5) of the said Article, and the amount specified by Cabinet Order to be the reduced portion as prescribed in Article 81-4-2 (Exclusion from Gross Profits of Refund of Foreign Tax in a Consolidated Business Year)

(iv) The sum of the amount included in deductible expenses in the calculation of the amount of consolidated income for the said consolidated business year under Article 81-9 (Carryover of Consolidated Loss), and the amount up to the sum prescribed in Article 59, paragraph (1) and paragraph (2) (Inclusion in Deductible Expenses of the Amount of Loss in the Case of Release of Obligation, etc. as a Result of Corporate Reorganization) in the case of calculating the amount of individual deductible expenses

(4) The amount of consolidated allowance for retained income as prescribed in paragraph (1) shall be the largest amount out of those listed as follows:

(i) The amount equivalent to 40 percent of the amount of consolidated income, etc. for the said consolidated business year

(ii) 20 million yen per annum

(iii) In the case where the amount of consolidated profit reserve as of the end of the said consolidated business year (excluding the amount of the portion pertaining to the amount of consolidated income, etc. for the said consolidated business year) is less than 25 percent of the consolidated parent corporation's stated capital or capital contributions at the time, the amount equivalent to the said shortfall

Subsection 2 Tax Credit

(Credit for Income Tax in Consolidated Business Year)

Article 81-14 In the case where a consolidated corporation receives any interest, etc., dividend, etc., compensation money for benefits, interest, profit, margin, distribution of profit, or monetary award as prescribed in the items of Article 174 (Tax Base of Income Tax in the Case of Domestic Corporations) of the Income Tax Act, the amount of income tax to be imposed thereon pursuant to the provisions of the said Act shall be credited against the amount of corporation tax on its consolidated income for the said consolidated business year, as specified by Cabinet Order.

(Credit for Foreign Tax in Consolidated Business Year)

Article 81-15 (1) In the case where a consolidated corporation is to pay any foreign corporation tax (meaning foreign corporation tax as prescribed in Article 69, paragraph (1) (Credit for Foreign Tax); hereinafter the same shall

apply in this Article) for each consolidated business year (excluding the case where a consolidated corporation is to pay any foreign corporation tax on income arising from transactions that are specified by Cabinet Order as prescribed in the said paragraph), the amount of the portion of the said foreign corporation tax (excluding the amount specified by Cabinet Order to be the part whose burden on the income is high; hereinafter referred to as the "amount of individually creditable foreign corporation tax" in this Article) shall be credited against the amount of corporation tax on consolidated income for the said consolidated business year, up to the individually attributed limitation on a consolidated creditable amount (meaning the portion of the amount calculated pursuant to the provisions of Article 81-12, paragraphs (1) to (3) (Tax Rate for Corporation Tax on Consolidated Income for Each Consolidated Business Year), with regard to the amount of consolidated income for the said consolidated business year, which is calculated as specified by Cabinet Order to be consolidated income for the said consolidated business year corresponding to that whose sources are located outside Japan, and which is calculated as specified by Cabinet Order to be the amount attributed to each consolidated corporation; hereinafter the same shall apply in this Article).

(2) In the case where the amount of individually creditable foreign corporation tax that a consolidated corporation is to pay in each consolidated business year exceeds the sum of the individually attributed limitation on the consolidated creditable amount for the said consolidated business year and the amount specified by Cabinet Order to be the individual limitation on a creditable amount for local tax, when the individually attributed limitation on the consolidated creditable amount for each consolidated business year within the preceding three years (meaning each consolidated business year that starts within three years prior to the first day of the said consolidated business year; hereinafter the same shall apply in this Article) contains the amount specified by Cabinet Order to be the portion to be carried over to the said consolidated business year (hereinafter referred to as the "individual limitation on the creditable amount to be carried over" in this paragraph and paragraph (16)), the amount of the said excess shall be credited against corporation tax for the said consolidated business year, up to the said individual limitation on the creditable amount to be carried over, as specified by Cabinet Order.

(3) In the case where the amount of individually creditable foreign corporation tax that a consolidated corporation is to pay in each consolidated business year is less than the individually attributed limitation on the consolidated creditable amount for the said consolidated business year, when the amount of individually creditable foreign corporation tax to be paid in each consolidated business year within the preceding three years contains an amount specified by Cabinet Order to be the portion to be carried over to the said consolidated

business year (hereinafter referred to as the "amount of individually creditable foreign corporation tax to be carried over" in this paragraph and paragraph (16)), the said amount of individually creditable foreign corporation tax to be carried over shall be credited against corporation tax on consolidated income for the said consolidated business year, up to the amount that remains after deducting the amount of individually creditable foreign corporation tax to be paid in the said consolidated business year from the said individually attributed limitation on the consolidated creditable amount, as specified by Cabinet Order.

(4) In the case where business years that start within three years prior to the first day of the consolidated business year, in which a consolidated corporation is to pay the amount of individually creditable foreign corporation tax, contain any business year that does not fall under the category of consolidated business years, when there is the limitation on a creditable amount (meaning the limitation on a creditable amount as prescribed in Article 69, paragraph (1); hereinafter the same shall apply in this Article) for the said business year that does not fall under such category, with regard to the application of the provisions of paragraph (2), the said limitation on the creditable amount shall be deemed to be the individually attributed limitation on the consolidated creditable amount for each consolidated business year within the preceding three years that corresponds to the period of the said business year; and in the case where business years that start within three years prior to the first day of the consolidated business year, in which a consolidated corporation is to pay the amount of individually creditable foreign corporation tax, contain any business year that does not fall under the category of consolidated business years, when there is any amount of creditable foreign corporation tax (meaning the amount of creditable foreign corporation tax prescribed in Article 69, paragraph (1); hereinafter the same shall apply in this Article) to be paid in the said business year that does not fall under such category, with regard to the application of the provisions of the preceding paragraph, the said amount of creditable foreign corporation tax shall be deemed to be the amount of individually creditable foreign corporation tax to be paid in each consolidated business year within the preceding three years that corresponds to the period of the said business year.

(5) In the case where a consolidated corporation has received, as a result of a qualified merger, qualified company split, qualified capital contribution in kind, qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified organizational restructuring" in this paragraph and paragraph (10)), the transfer of the whole or a part of the business from a merged corporation, split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of

assets and/or liabilities (referred to as a "merged corporation, etc." in paragraph (10)), with regard to the application of the provisions of paragraph (2) and paragraph (3) in each consolidated business year after the consolidated business year containing the date of the said consolidated corporation's qualified organizational restructuring, in accordance with the category of qualified organizational restructuring listed in the following items, the amount specified in the relevant item shall be deemed to be the consolidated corporation's individually attributed limitation on the consolidated creditable amount in each consolidated business year within the preceding three years and the amount of individually creditable foreign corporation tax that the consolidated corporation has come to pay in each of the said consolidated business years within the preceding three years, as specified by Cabinet Order:

(i) Qualified merger: The individually attributed limitation on the consolidated creditable amount and the limitation on the creditable amount; and the amount of individually creditable foreign corporation tax and creditable foreign corporation tax of a merged corporation involved in the qualified merger for each business year within three years prior to the merger (meaning each consolidated business year or each business year starting within three years prior to the date of a qualified merger)

(ii) Qualified split-off-type company split: The amount calculated, as specified by Cabinet Order, to be the portion of the individually attributed limitation on the consolidated creditable amount and the limitation on the creditable amount; and the amount of individually creditable foreign corporation tax and creditable foreign corporation tax of a split corporation involved in the qualified split-off-type company split for each business year within three years prior to the company split (meaning each consolidated business year or each business year starting within three years prior to the date of a qualified split-off-type company split; the same shall apply in paragraph (7)), which is related to the business that the consolidated corporation has received as a result of the qualified split-off-type company split

(iii) Qualified spin-off-type company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified spin-off-type company split, etc." in this item): The amount calculated, as specified by Cabinet Order, to be the portion of the individually attributed limitation on the consolidated creditable amount and the limitation on the creditable amount; and the amount of individually creditable foreign corporation tax and creditable foreign corporation tax of a split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities involved in the qualified spin-off-type company split, etc. for each business year within three years prior to the company split, etc. (meaning each

consolidated business year or each business year starting within three years prior to the first day of the consolidated business year containing the date of a qualified spin-off-type company split, etc. or each business year or each consolidated business year starting within three years prior to the first day of the business year containing the date of a qualified spin-off-type company split; the same shall apply in paragraph (7)), which is related to the business that the consolidated corporation has received as a result of the qualified spin-off-type company split, etc.

(6) With regard to a consolidated corporation that has received, as a result of a qualified company split, qualified capital contribution in kind, or qualified post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "qualified company split, etc." in this paragraph and the following paragraph), the transfer of a business from a split corporation, corporation making a capital contribution in kind, or corporation effecting post-formation acquisition of assets and/or liabilities (referred to as a "split corporation, etc." in the following paragraph) involved in the qualified company split, etc., the provisions of the preceding paragraph shall apply only in the case where the consolidated corporation (in the case where the consolidated corporation is a consolidated subsidiary corporation, the consolidated parent corporation related to the said consolidated corporation) has submitted documents stating the amount deemed to be the individually attributed limitation on the consolidated creditable amount and the amount of individually creditable foreign corporation tax of the consolidated corporation for each consolidated business year within the preceding three years and any other matters as specified by Ordinance of the Ministry of Finance to the competent district director having jurisdiction over the place for tax payment, within three months after the date of the qualified company split, etc.

(7) In the case where a succeeding corporation in a company split, corporation receiving a capital contribution in kind, corporation receiving post-formation acquisition of assets and/or liabilities (hereinafter referred to as a "succeeding corporation in a company split, etc." in this paragraph) involved in a qualified company split, etc. is subject to the provisions of paragraph (5) or Article 69, paragraph (5), with regard to the application of the provisions of paragraph (2) and paragraph (3) in each consolidated business year after the consolidated business year containing the date of the qualified company split, etc. of the split corporation, etc. involved in the said qualified company split, etc. out of the individually attributed limitation on the consolidated creditable amount and the amount of individually creditable foreign corporation tax for each business year within three years prior to the company split or each business year within three years prior to the company split, etc. of the split corporation, etc., the amount deemed to be the individually attributed limitation on the

consolidated creditable amount of the succeeding corporation in a company split, etc. for each consolidated business year within the preceding three years under paragraph (5), the amount deemed to be the limitation on the creditable amount of the succeeding corporation in a company split, etc. for each business year within the preceding three years (meaning each business year within the preceding three years prescribed in paragraph (2) of the said Article; hereinafter the same shall apply in this paragraph) under paragraph (5) of the said Article, the amount deemed to be the amount of individually creditable foreign corporation tax that the succeeding corporation in a company split, etc. has come to pay in each of the said consolidated business years within the preceding three years under paragraph (5), and the amount deemed to be the amount of creditable foreign corporation tax that the succeeding corporation in a company split, etc. has come to pay in each of the said business years within the preceding three years under paragraph (5) of the said Article shall be deemed not to exist.

(8) In the case where a consolidated corporation receives, from a foreign subsidiary company (meaning a foreign corporation, out of whose total issued shares or capital contributions (excluding own shares or capital contributions held by the company), the sum of the shares or capital contributions held by consolidated corporations account for 25 percent or more in terms of the number or amount and which meets other requirements as specified by Cabinet Order), any amount of dividend of surplus (limited to that which pertains to shares or capital contributions and excluding that which is caused by a decrease in the amount of capital surplus or as a result of a split-off-type company split), dividend of profit (excluding that which is caused as a result of a split-off-type company split), or distribution of surplus (limited to that which pertains to capital contributions) (hereinafter referred to as the "amount of dividend, etc." in this Article), the amount calculated, as specified by Cabinet Order, to be the portion of foreign corporation tax to be imposed on the said foreign subsidiary company's income that corresponds to the said amount of dividend, etc. (excluding the part where the burden of the sum with the amount of individually creditable foreign corporation tax to be imposed, by using the said amount of dividend, etc. as the tax base, is relatively high compared with the said amount of dividend, etc.) shall be deemed to be the amount of individually creditable foreign corporation tax that the consolidated corporation pays, as specified by Cabinet Order, and the provisions of paragraphs (1) to (3) shall apply.

(9) In the case where a domestic corporation has received any amount of dividend, etc. from a foreign subsidiary company as prescribed in Article 69, paragraph (8) in each business year (excluding the period falling under the category of consolidated business years), when foreign corporation tax is imposed on the

foreign subsidiary company's income during the period of each consolidated business year starting after the last day of the business year containing the date of the receipt thereof, the said amount of dividend, etc. shall be deemed to be the amount of dividend, etc. that the consolidated corporation has received from a foreign subsidiary company as prescribed in the preceding paragraph in each consolidated business year; the amount of creditable foreign corporation tax to be imposed by using the said amount of dividend, etc. as the tax base shall be deemed to be the amount of individually creditable foreign corporation tax prescribed in the said paragraph; and the said amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company prescribed in paragraph (8) of the said Article shall be deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the preceding paragraph; and the provisions of the said paragraph shall apply.

(10) The application of the provisions of paragraphs (1) to (3) in the following cases shall be specified by Cabinet Order: in the case where, in each consolidated business year after the consolidated business year in which the provisions of paragraphs (1) to (3) have applied to the whole or a part of the amount of foreign corporation tax that a consolidated corporation has come to pay (including the amount deemed to be the portion that the consolidated corporation shall pay under paragraph (8) out of the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign subsidiary company under the provisions of the preceding paragraph)), the said amount of foreign corporation tax has been reduced (in the case where the consolidated corporation had received, as a result of a qualified organizational restructuring, the transfer of the whole or a part of a business from a merged corporation, etc., including the case where the amount of foreign corporation tax that the consolidated corporation has come to pay with regard to income pertaining to the business transferred to the consolidated corporation out of the amount of foreign corporation tax that the said merged corporation, etc. has come to pay; hereinafter the same shall apply in this paragraph); and in the case where, in each consolidated business year after the business year in which the provisions of Article 69, paragraphs (1) to (3) have been applied to the whole or a part of the amount of foreign corporation tax that the consolidated corporation has come to pay (including the amount deemed to be the portion that the consolidated corporation shall pay under paragraph (8) of the said Article out of the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the said paragraph (including the amount deemed to be the amount of foreign

corporation tax to be imposed on the income of the said foreign subsidiary company under the provisions of paragraph (9) of the said Article)), the said amount of foreign corporation tax has been reduced.

(11) In the case where a consolidated corporation receives any amount of dividend, etc. from a foreign subsidiary company as prescribed in paragraph (8), when the said foreign subsidiary company receives, from a foreign second-tier subsidiary company (meaning a foreign corporation, out of whose total issued shares or capital contributions (excluding own shares or capital contributions held by the company), the sum of the shares or capital contributions held by consolidated corporations indirectly through the said foreign subsidiary company account for 25 percent or more in terms of the number or amount and which meets any other requirements as specified by Cabinet Order), any amount of dividend of surplus (limited to that which pertains to shares or capital contributions and excluding that which is caused by a decrease in the amount of capital surplus or as a result of a split-off-type company split), dividend of profit (excluding that which is caused as a result of a split-off-type company split), or distribution of surplus (limited to that which pertains to capital contributions) (including what is specified by Cabinet Order as prescribed in Article 69, paragraph (11); hereinafter referred to as the "amount of dividend, etc. from the foreign second-tier subsidiary company" in this paragraph), the amount calculated, as specified by Cabinet Order, to be the portion of foreign corporation tax to be imposed on the said foreign second-tier subsidiary company's income that corresponds to the said amount of dividend, etc. from the foreign second-tier subsidiary company shall be deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign subsidiary company, as specified by Cabinet Order, and the provisions of paragraph (8) shall apply.

(12) In the case where a domestic corporation has received any amount of dividend, etc. from a foreign subsidiary company as prescribed in Article 69, paragraph (8) in each business year (excluding the period falling under the category of consolidated business years), when foreign corporation tax is imposed on the income of the foreign second-tier subsidiary company during the period of each consolidated business year starting after the last day of the business year containing the date of the receipt thereof, the amount of dividend, etc. received from the said foreign subsidiary company shall be deemed to be the amount of dividend, etc. from a foreign subsidiary company as prescribed in paragraph (8) in each consolidated business year; the amount of dividend, etc. from the said foreign second-tier subsidiary company shall be deemed to be the amount of dividend, etc. from a foreign second-tier subsidiary company as prescribed in the preceding paragraph; and the amount of foreign corporation tax to be imposed shall be deemed to be the amount of foreign corporation tax

to be imposed on the income of a foreign second-tier subsidiary company as prescribed in the said paragraph; and the provisions of the said paragraph shall apply.

(13) With regard to the application of the provisions of Article 81-5 (Inclusion in Gross Profits of Foreign Subsidiary Company's Foreign Corporation Tax to be Credited from Consolidated Corporation Tax Amount) in the case where the provisions of paragraph (11) apply (including the case where they apply by deeming the amounts as prescribed in the preceding paragraph), the term "the provisions of paragraph (9) of the said Article" in the said Article shall be deemed to be replaced with "the provisions of paragraph (9) of the said Article and the amount deemed to be the amount of foreign corporation tax to be imposed on the foreign subsidiary company's income pursuant to the provisions of paragraph (11) of the said Article apply (including the case where they apply by deeming the amounts as prescribed in paragraph (12) of the said Article)."

(14) The calculation of the amount of individually creditable foreign corporation tax in the following cases and other necessary matters concerning the application of the provisions of paragraph (11) shall be specified by Cabinet Order: in the case where, during the period of each consolidated business year after the consolidated business year, in which the provisions of paragraphs (1) to (3) have been applied, by applying the provisions of paragraph (8), to the whole or a part of the portion that is deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the said paragraph, pursuant to the provisions of paragraph (11), out of the amount of foreign corporation tax to be imposed on the income of a foreign second-tier subsidiary company as prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign second-tier subsidiary company under paragraph (12)), the amount of foreign corporation tax pertaining to the said foreign second-tier subsidiary company has been reduced; and in the case where, during the period of each consolidated business year after the business year in which the provisions of Article 69, paragraphs (1) to (3) have applied, by applying the provisions of paragraph (8) of the said Article, to the whole or a part of the portion that is deemed to be the amount of foreign corporation tax to be imposed on the income of a foreign subsidiary company as prescribed in the said paragraph, pursuant to the provisions of paragraph (11) of the said Article, out of the amount of foreign corporation tax to be imposed on the income of a foreign second-tier subsidiary company as prescribed in the said paragraph (including the amount deemed to be the amount of foreign corporation tax to be imposed on the income of the said foreign second-tier subsidiary company under paragraph (12) of the said Article), the amount of foreign corporation tax pertaining to the said foreign second-tier subsidiary

company has been reduced.

(15) The provisions of paragraph (1) shall apply only in the case where a consolidated final return form contains a detailed statement concerning the amount to be credited under the said paragraph and the calculation thereof and is attached with documents certifying that the amount of individually creditable foreign corporation tax has been imposed and other documents specified by Ordinance of the Ministry of Finance. In this case, the amount to be credited under the said paragraph shall not exceed the amount entered as the said amount.

(16) The provisions of paragraph (2) and paragraph (3) shall apply only in the case where, with regard to each consolidated business year or each business year after the oldest consolidated business year or business year pertaining to the individual limitation on a creditable amount to be carried over or the amount of individually creditable foreign corporation tax to be carried over, a consolidated corporation has filed a consolidated final return form that states the individually attributed limitation on the consolidated creditable amount for each of the said consolidated business years and the amount of individually creditable foreign corporation tax that the consolidated corporation has come to pay in each of the said consolidated business years, or a final return form that states the limitation on the creditable amount for each of the said business years and the amount of creditable foreign corporation tax that the consolidated corporation has come to pay in each of the said business years; and has entered the amount to be credited under these provisions in the consolidated final return form for the consolidated business year for which the consolidated corporation seeks the application of these provisions, attaching thereto documents containing matters to be the basis of the calculation of the individual limitation on the creditable amount to be carried over or the amount of individually creditable foreign corporation tax to be carried over and other documents as specified by Ordinance of the Ministry of Finance. In this case, the amount to be credited under these provisions shall not exceed the amount calculated based on the amount entered in the consolidated final return form for each of the said consolidated business years to be the individually attributed limitation on the consolidated creditable amount for each of the said consolidated business years and the amount of individually creditable foreign corporation tax that the consolidated corporation has come to pay in each of the said consolidated business years, or the amount entered in the final return form for each of the said business years as the limitation on the creditable amount for each of the said business years and the amount of creditable foreign corporation tax that the consolidated corporation has come to pay in each of the said business years.

(17) Even in the case where a consolidated final return form or final return form

without entries for the matters set forth in the preceding two paragraphs, with regard to the whole or a part of the amount to be credited or the limitation on the creditable amount, etc. under paragraphs (1) to (3) (meaning the individually attributed limitation on the consolidated creditable amount or the amount of individually creditable foreign corporation tax; or the limitation on the creditable amount or the amount of creditable foreign corporation tax prescribed in the preceding paragraph), or without the attachment of the documents set forth in the preceding two paragraphs has been filed, the district director of the tax office may apply the provisions of paragraphs (1) to (3) to the amount for which such matters were not entered or such documents were not attached, when he/she recognizes any unavoidable grounds for the person's failure to make such entries or to attach such documents.

(18) In addition to what is provided for in paragraph (6), paragraph (10), paragraph (11), and paragraph (14) to the preceding paragraph, any other necessary matters concerning the application of the provisions of paragraphs (1) to (5), paragraphs (7) to (9), paragraph (12), and paragraph (13) shall be specified by Cabinet Order.

Section 3 Filing of Return, Payment and Refund, etc.

Subsection 3 Notification of Individually Attributed Amount, etc.

(Notification of Individually Attributed Amount, etc. of Consolidated Subsidiary Corporation)

Article 81-25 A consolidated subsidiary corporation shall, by the due date for filing a return form under Article 81-22, paragraph (1) (Consolidated Final Return) for each consolidated business year, submit a document that states the payable amount of corporation tax or the receivable amount of the reduction of corporation tax for the consolidated business year, which is calculated pursuant to the provisions of Article 81-18, paragraph (1) (Calculation of Individually Attributed Amount of Consolidated Corporation Tax), the basis of the calculation thereof, and any other matters as specified by Ordinance of the Ministry of Finance (referred to as the "individually attributed amount, etc." in the following paragraph), together with a balance sheet, a profit and loss statement, and other documents as specified by Ordinance of the Ministry of Finance for the said consolidated business year, to the competent district director having jurisdiction over the location of the consolidated subsidiary corporation's head office or principal office.

Chapter II Corporation Tax on Retirement Pension Funds

Section 1 Tax Base and Calculation Thereof

(Calculation of the Amount of Retirement Pension Funds)

Article 84 (1) The amount of retirement pension funds for each business year of a domestic corporation engaged in retirement pension services, etc. (meaning services to operate pension funds (meaning pension funds as prescribed in Article 130-2, paragraph (2) (Contract Concerning Expenses for Pension Payment and Lump Sum Payment) of the Welfare Pension Insurance Act (Act No. 115 of 1954); hereinafter the same shall apply in this paragraph, item (vii) of the following paragraph, and paragraph (3)) by way of accepting trusts, life insurance, mutual aid life insurance, deposits or savings pertaining to a welfare pension fund contract, or the buying and selling of securities or by any other means and to accept the consignment of the management of pension funds pertaining to such operation; services for trusts, life insurance, or mutual aid life insurance pertaining to a defined-benefit pension assets management contract; services to operate defined-benefit pension funds (meaning funds as prescribed in Article 59 (Funding of Reserves) of the Defined-Benefit Corporate Pension Act (Act No. 50 of 2001); hereinafter the same shall apply in this paragraph, item (vii) of the following paragraph, and paragraph (3)) by way of accepting trusts, life insurance, mutual aid life insurance, deposits or savings pertaining to a defined-benefit pension fund contract, or the buying and selling of securities or by any other means and to accept the consignment of the management of defined-benefit pension funds pertaining to such operation; services for trusts, life insurance, mutual aid life insurance, or casualty insurance pertaining to a defined-contribution pension assets management contract; services to carry out a private pension plan as prescribed in Article 2, paragraph (3) (Definitions) of the Defined-Contribution Pension Act (Act No. 88 of 2001); services for trusts, life insurance, mutual aid life insurance, or casualty insurance pertaining to a workers' property accumulation benefit contract; or services for accepting the consignment of accepting trusts, life insurance, mutual aid life insurance, casualty insurance, deposits or savings pertaining to a workers' property accumulation fund benefit contract, purchasing securities, and retaining purchased securities; hereinafter the same shall apply in this Chapter) shall be the amount obtained by dividing the amount of the retirement pension funds as of the beginning of the said business year by 12 and then multiplying the result by the number of months of the said business year.

(2) The amount of retirement pension funds prescribed in the preceding paragraph shall be the amount specified in the following items, in accordance with the category of corporations listed in the relevant items:

(i) A domestic corporation engaged in services for trusts pertaining to a welfare pension fund contract, defined-benefit pension assets management contract, defined-benefit pension fund assets management contract, defined-

contribution pension assets management contract, workers' property accumulation benefit contract, or workers' property accumulation fund benefit contract: The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the value of the trust properties pertaining to respective welfare pension fund contracts, the amounts pertaining to the said contracts that the welfare pension fund or federation of corporate pension funds related to the said contracts shall retain for providing benefits, assuming that it is to provide benefits at the equivalent level as prescribed in Article 132, paragraph (3) (Standard for Old-age Pension Benefits) of the Welfare Pension Insurance Act

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the value of the trust properties pertaining to respective defined-benefit pension assets management contracts, the portion of the premiums for the said contracts that the beneficiaries of the trust have borne and that pertains to the said trust properties

(c) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the value of the trust properties pertaining to respective defined-benefit pension fund assets management contracts, the portion of the premiums for the said contracts that subscribers or former subscribers of corporate pension funds pertaining to the said contracts have borne and that pertains to the said trust properties

(d) The sum of the amounts calculated, as specified by Cabinet Order, to be the value of the trust properties pertaining to respective defined-contribution pension assets management contracts

(e) The sum of the amounts calculated, as specified by Cabinet Order, to be the value of the trust properties pertaining to respective workers' property accumulation benefit contracts or workers' property accumulation fund benefit contracts

(ii) A domestic corporation engaged in services for life insurance pertaining to a welfare pension fund contract, defined-benefit pension assets management contract, defined-benefit pension fund assets management contract, defined-contribution pension assets management contract, workers' property accumulation benefit contract, or workers' property accumulation fund benefit contract: The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amounts equivalent to the insurance reserve out of the amount funded as a liability reserve as prescribed in Article 116, paragraph (1) (Liability Reserve) of the

Insurance Business Act (hereinafter referred to as the "amount of liability reserve" in this item and item (iv)) pertaining to respective welfare pension fund contracts, the amounts pertaining to the said contracts that the welfare pension fund or federation of corporate pension funds related to the said contracts shall retain for providing benefits, assuming that it is to provide benefits at the equivalent level as prescribed in Article 132, paragraph (3) of the Welfare Pension Insurance Act

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amounts equivalent to the insurance reserve out of the amount of liability reserve pertaining to respective defined-benefit pension assets management contracts or defined-benefit pension fund assets management contracts, the portion of the premiums for the said contracts that the beneficiaries of the insurance benefits have borne and that pertains to the said insurance reserve

(c) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the insurance reserve out of the amount of liability reserve pertaining to respective defined-contribution pension assets management contracts

(d) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the insurance reserve out of the amount of liability reserve pertaining to respective workers' property accumulation benefit contracts or workers' property accumulation fund benefit contracts

(iii) A federation of agricultural cooperatives (meaning a federation of agricultural cooperatives that conducts a business set forth in Article 10, paragraph (1), item (x) (Mutual Aid Related Facilities) of the Agricultural Cooperatives Act (Act No. 132 of 1947)) engaged in services for mutual aid life insurance pertaining to a welfare pension fund contract, defined-benefit pension assets management contract, defined-benefit pension fund assets management contract, defined-contribution pension assets management contract, workers' property accumulation benefit contract, or workers' property accumulation fund benefit contract (such services shall include services for mutual aid provided by deeming the occurrence of grounds to pay mutual aid money pertaining to the said services for mutual aid life insurance to be a mutual aid incident): The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amounts equivalent to the mutual aid premium reserve out of the amount funded as a liability reserve prescribed in Article 11-13 (Liability Reserve for Mutual Aid Activities) of the Agricultural Cooperatives Act (hereinafter referred to as the "amount of liability reserve" in this item) pertaining to respective

welfare pension fund contracts, the amounts pertaining to the said contracts that the welfare pension fund or federation of corporate pension funds related to the said contracts shall retain for providing benefits, assuming that it is to provide benefits at the equivalent level as prescribed in Article 132, paragraph (3) of the Welfare Pension Insurance Act

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amounts equivalent to the mutual aid premium reserve out of the amount of liability reserve pertaining to respective defined-benefit pension assets management contracts or defined-benefit pension fund assets management contracts, the portion of the premiums for the said contracts that the beneficiaries of the mutual aid money have borne and that pertains to the said mutual aid premium reserve

(c) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the mutual aid premium reserve out of the amount of liability reserve pertaining to respective defined-contribution pension assets management contracts

(d) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the mutual aid premium reserve out of the amount of liability reserve pertaining to respective workers' property accumulation benefit contracts or workers' property accumulation fund benefit contracts

(iv) A domestic corporation engaged in services for casualty insurance pertaining to a defined-contribution pension assets management contract, workers' property accumulation benefit contract, or workers' property accumulation fund benefit contract: The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the refund reserve out of the amount of liability reserve pertaining to respective defined-contribution pension assets management contracts

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts equivalent to the refund reserve out of the amount of liability reserve pertaining to respective workers' property accumulation benefit contracts or workers' property accumulation fund benefit contracts

(v) A domestic corporation engaged in services for accepting deposits or savings pertaining to a welfare pension fund contract, defined-benefit pension fund assets management contract, or workers' property accumulation fund benefit contract: The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amount of deposits or

savings pertaining to respective welfare pension fund contracts, the amounts pertaining to the said contracts that the welfare pension fund or corporate pension association related to the said contracts shall retain for providing benefits, assuming that it is to provide benefits at the equivalent level as prescribed in Article 132, paragraph (3) of the Welfare Pension Insurance Act

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the amounts of deposits or savings pertaining to respective defined-benefit pension fund assets management contracts, the portion of the premiums for the said contracts that the subscribers or former subscribers of corporate pension funds pertaining to the said contracts have borne and that pertains to the said deposits or savings

(c) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts of deposits or savings pertaining to respective workers' property accumulation fund benefit contracts

(vi) A domestic corporation engaged in services for accepting the consignment of purchasing securities pertaining to retaining a workers' property accumulation fund benefit contract and to retain purchased securities: The sum of the amounts calculated, as specified by Cabinet Order, to be the value of the securities pertaining to respective workers' property accumulation fund benefit contracts

(vii) A domestic corporation engaged in services to operate pension benefit funds or defined-benefit pension funds by way of buying and selling of securities pertaining to a welfare pension fund contract or defined-benefit pension fund assets management contract or by any other means and to accept the consignment of the management of pension benefit funds or defined-benefit pension funds pertaining to such operation: The sum of the amounts listed as follows:

(a) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the value of the securities and other assets pertaining to respective welfare pension fund contracts, the amounts pertaining to the said contracts that the welfare pension fund or federation of corporate pension funds related to the said contracts shall retain for providing benefits, assuming that it is to provide benefits at the equivalent level as prescribed in Article 132, paragraph (3) of the Welfare Pension Insurance Act

(b) The sum of the amounts calculated, as specified by Cabinet Order, to be the amounts that remain after deducting, from the value of the securities and other assets pertaining to respective defined-benefit pension fund assets management contracts, the portion of the premiums for the said

contracts that subscribers or former subscribers of corporate pension funds pertaining to the said contracts have borne and that pertains to the said securities and other assets

(viii) A federation as prescribed in Article 2, paragraph (5) of the Defined-Contribution Pension Act that carries out a private pension plan as prescribed in paragraph (3) of the said Article: The amount calculated, as specified by Cabinet Order, to be the amount of the reserve prescribed in Article 61, paragraph (1), item (iii) (Entrustment of Affairs) of the said Act

(3) A welfare pension fund contract as prescribed in the preceding two paragraphs shall mean a contract concluded for the purpose of operating pension benefit funds, pursuant to the provisions of Article 136-3, paragraph (1) (Operation of Pension Benefit Funds) of the Welfare Pension Insurance Act, which pertains to its operation by the means listed in Article 136-3, paragraph (1), item (i), item (ii), item (iv), or item (v) of the said Act or a contract for trusts as prescribed in Article 130-2, paragraph (2) of the said Act which is applied mutatis mutandis pursuant to Article 136-3, paragraph (2) of the said Act; a defined-benefit pension assets management contract as prescribed in the preceding two paragraphs shall mean a contract for trusts, life insurance, mutual aid life insurance, concluded pursuant to the provisions of Article 65, paragraph (1) (Contract Concerning Business Operators' Management and Operation of Reserves) of the Defined-Benefit Corporate Pension Act; a defined-benefit pension fund assets management contract as prescribed in the preceding two paragraphs shall mean a contract concluded pursuant to the provisions of Article 66, paragraph (1) (Contract Concerning Operation of Fund Reserves) of the said Act, concerning the operation of defined-benefit pension funds by way of depositing trusts, life insurance, or mutual aid life insurance, or trusts as prescribed in paragraph (2) of the said Article, or deposits or savings as prescribed in paragraph (4) of the said Article, or the buying and selling of securities or by any other means; a defined-contribution pension assets management contract as prescribed in the preceding two paragraphs shall mean a contract for trusts, life insurance, mutual aid life insurance, or casualty insurance, concluded pursuant to the provisions of Article 8, paragraph (1) (Conclusion of Assets Management Contract) of the Defined-Contribution Pension Act; a workers' property accumulation benefit contract as prescribed in the preceding two paragraphs shall mean a contract for trusts, life insurance, mutual aid life insurance, or casualty insurance, as prescribed in Article 6-2, paragraph (1) (Contract for Workers' Property Accumulation Benefits, etc.) of the Act on the Promotion of Workers' Property Accumulation (Act No. 92 of 1971) (including a contract for mutual aid deeming the occurrence of grounds to pay mutual aid money pertaining to the said contract for mutual aid life insurance to be a mutual aid incident; hereinafter the same

shall apply in this paragraph) or a contract for trusts concluded based on a contract concerning the delegation of the establishment of securities investment trusts prescribed in the said paragraph; and a workers' property accumulation fund benefit contract as prescribed in the preceding two paragraphs shall mean a contract for trusts, life insurance, mutual aid life insurance, or casualty insurance, prescribed in Article 6-3, paragraph (2) (Workers' Property Accumulation Fund Contract) of the said Act, a contract for trusts concluded based on a contract concerning the delegation of the establishment of securities investment trusts prescribed in the said paragraph, or a contract concerning the depositing of deposits or savings prescribed in paragraph (3) of the said Article or concerning purchasing of securities.

(4) The number of months set forth in paragraph (1) shall be calculated in accordance with the calendar and a fraction less than one month shall be discarded.

(Special Provisions in the Case of Having Succeeded to Retirement Pension Services, etc.)

Article 84-2 (1) In the case where a domestic corporation engaged in retirement pension services, etc. has transferred the whole or a part of its business concerning retirement pension services, etc. or has transferred the whole or a part of its business concerning retirement pension services, etc., as a result of a spin-off-type company split, when the spin-off-type company split or the transfer took place in the middle of the domestic corporation's business year, the amount of retirement pension funds prescribed in paragraph (1) of the preceding Article, for the domestic corporation's business year containing the date of the spin-off-type company split or the transfer, shall be the sum of the amounts listed as follows, notwithstanding the provisions of the said paragraph:

(i) The amount obtained by dividing the amount of the retirement pension funds prescribed in paragraph (2) of the preceding Article as of the beginning of the business year of the domestic corporation by 12 and then multiplying the result by the number of months of the period from the first day of the business year to the day preceding the date of the spin-off-type company split or the transfer

(ii) The amount obtained by dividing the amount of the retirement pension funds prescribed in paragraph (2) of the preceding Article, calculated as of the time of the spin-off-type company split or the transfer, that pertains to retirement pension services, etc. after the succession as a result of the spin-off-type company split or the transfer by 12 and then multiplying the result by the number of months of the period from the date of the spin-off-type company split or the transfer to the last day of the business year

(2) The number of months set forth in the preceding paragraph shall be calculated in accordance with the calendar and a fraction less than one month shall be discarded.

(Special Provisions in the Case of Having Received the Succession of Retirement Pension Services, etc.)

Article 85 (1) In the case where a domestic corporation engaged in retirement pension services, etc. has transferred the whole or a part of its business concerning retirement pension services, etc. or has transferred the whole or a part of its business concerning retirement pension services, etc., as a result of a merger or company split, when the merger, company split, or the transfer took place in the middle of the business year of a domestic corporation that survives the merger, a domestic corporation that has received the succession of business through the merger (excluding a corporation established through the merger), or a domestic corporation that has received the transfer (hereinafter referred to as a "merging corporation, etc." in this paragraph), and when the merging corporation, etc. has succeeded to the whole or a part of the said business concerning retirement pension services, etc., the amount of retirement pension funds prescribed in Article 84, paragraph (1) (Calculation of the Amount of Retirement Pension Funds), for the business year of the merging corporation, etc. that contains the date of the merger, company split, or the transfer, shall be the sum of the amounts listed as follows, notwithstanding the provisions of the said paragraph:

(i) The amount obtained by dividing the amount of the retirement pension funds prescribed in Article 84, paragraph (2) as of the beginning of the business year of the merging corporation, etc. by 12 and then multiplying the result by the number of months of the business year

(ii) The amount obtained by dividing the amount of the retirement pension funds prescribed in Article 84, paragraph (2), calculated as of the time of the merger, company split, or the transfer, that pertains to retirement pension services, etc. that the merging corporation, etc. has succeeded to as a result of the merger, company split, or the transfer by 12 and then multiplying the result by the number of months of the period from the date of the merger, company split, or the transfer to the last day of the business year

(2) The number of months set forth in the preceding paragraph shall be calculated in accordance with the calendar and a fraction less than one month shall be discarded.

(Special Provisions in the Case of Having Abolished Retirement Pension Services, etc.)

Article 86 With regard to the application of the provisions of the preceding three

Articles in the case where a domestic corporation engaged in retirement pension services, etc. has abolished its retirement pension services, etc. in a business year as prescribed in these Articles, the term "the number of months of the said business year" in Article 84, paragraph (1) (Calculation of the Amount of Retirement Pension Funds) shall be deemed to be replaced with "the number of months of the period from the first day of the business year to the date of the abolition of retirement pension services, etc.;" the term "the number of months of the period from the date of the spin-off-type company split or the transfer to the last day of the business year" in Article 84-2, paragraph (1), item (ii) (Special Provisions in the Case of Having Succeeded to Retirement Pension Services, etc.) shall be deemed to be replaced with "the number of months of the period from the date of the spin-off-type company split or the transfer to the date of the abolition of retirement pension services, etc.;" the term "the number of months of the business year" in paragraph (1), item (i) of the preceding Article shall be deemed to be replaced with "the number of months of the period from the first day of the business year to the date of the abolition of retirement pension services, etc.;" and the term "the number of months of the period from the date of the merger, company split, or the transfer to the last day of the business year" in item (ii) of the said paragraph shall be deemed to be replaced with "the number of months of the period from the date of the merger, company split, or the transfer to the date of the abolition of retirement pension services, etc."

Section 2 Calculation of Tax Amount

(Tax Rate for Corporation Tax on Retirement Pension Funds)

Article 87 The amount of corporation tax imposed on a domestic corporation on its retirement pension funds shall be the amount calculated by multiplying the amount of retirement pension funds for each business year by a tax rate of one percent.

Section 3 Filing of Return and Payment

(Interim Return for Retirement Pension Funds)

Article 88 A domestic corporation engaged in retirement pension services, etc. shall, when its business year exceeds six months, file a return form containing the following matters to the district director of the tax office, within two months after the day on which six months have elapsed from the first day of the said business year:

(i) The amount of retirement pension funds calculated by deeming the period of six months after the first day of the business year as one business year,

which is the tax base for the said period

(ii) The amount of corporation tax calculated by applying the provisions of the preceding Article to the amount of retirement pension funds listed in the preceding item

(iii) The basis of the calculation of the amount listed in the preceding two items and any other matters as specified by Ordinance of the Ministry of Finance

(Final Return for Retirement Pension Funds)

Article 89 A domestic corporation engaged in retirement pension services, etc. shall file a return form containing the following matters to the district director of the tax office, within two months after the day following the last day of each business year:

(i) The amount of retirement pension funds which is the tax base for the said business year

(ii) The amount of corporation tax calculated by applying the provisions of Article 87 (Tax Rate for Corporation Tax on Retirement Pension Funds) to the amount of retirement pension funds listed in the preceding item

(iii) In the case where the domestic corporation is a corporation that is to file a return form under the preceding Article for the said business year, the amount that remains after deducting, from the amount of corporation tax listed in the preceding item, the amount of corporation tax that the domestic corporation is to pay under the following Article (including the amount of corporation tax to be paid based on a return form filed after the due date for the said return form or based on a determination made due to the failure to file such return forms, and in the case where an amended return form has been filed or a reassessment has been made for the said amounts, the amount of corporation tax after the amended return form was filed or the reassessment was made)

(iv) The basis of the calculation of the amount listed in the preceding three items and any other matters as specified by Ordinance of the Ministry of Finance

(Payment by Interim Return for Retirement Pension Funds)

Article 90 When a domestic corporation, which has filed a return form under Article 88 (Interim Return for Retirement Pension Funds), holds any amount listed in item (ii) of the said Article that it entered in the said return form, it shall pay corporation tax equivalent to the said amount to the State.

(Payment by Final Return for Retirement Pension Funds)

Article 91 When a domestic corporation, which has filed a return form under Article 89 (Final Return for Retirement Pension Funds), holds any amount

listed in item (ii) of the said Article that it entered in the said return form (in the case falling under the provisions of item (iii) of the said Article, any amount listed in the said item), it shall pay corporation tax equivalent to the said amount to the State.

Chapter III Corporation Tax on Liquidation Income and Special Provisions for Taxation in the Case of Continuation, etc.

Section 1 Corporation Tax on Liquidation Income in the Case of Dissolution

Subsection 1 Tax Base and Calculation Thereof

(Calculation of the Amount of Liquidation Income as a Result of Dissolution)

Article 93 (1) The amount of liquidation income of a domestic ordinary corporation, etc. as a result of dissolution shall be the amount that remains after deducting, from the value of its residual property, the sum of the amount of stated capital, etc. (in the case where the domestic ordinary corporation, etc. has been dissolved on the last day of a consolidated business year (referred to as the "case of dissolution at the end of a consolidated business year" in the following paragraph), the amount of consolidated individual stated capital, etc.) as of the time of the dissolution and the amount of profit reserve, etc.

(2) The amount of profit reserve, etc. prescribed in the preceding paragraph shall mean the sum of the amounts listed as follows:

(i) The amount of profit reserve as of the time of dissolution (in the case of dissolution at the end of a consolidated business year, the amount of consolidated individual profit reserve, and when any amount specified by Cabinet Order arises due to the dissolution, including the said amount)

(ii) In the case where the domestic ordinary corporation has received any amount of dividend, etc. as prescribed in Article 23, paragraph (1) (Exclusion from Gross Profits of Dividend Received, etc.) (excluding any amount falling under the provisions of paragraph (3) of the said Article) during the liquidation procedure, the sum of the amounts listed as follows:

(a) The amount equivalent to 50 percent of the amount that remains after deducting, from the sum of the amounts of dividend, etc. pertaining to the shares, etc. that fall under neither of the shares, etc. of a consolidated corporation nor the shares, etc. of an affiliated corporation as prescribed in Article 23, paragraph (1), the amount calculated, as specified by Cabinet Order, to be the portion, which pertains to the said shares, etc., of the amount of interest on liabilities (such interest shall include what is specified by Cabinet Order as being equivalent thereto; hereinafter the same shall apply in this item) that the domestic ordinary corporation has paid during the liquidation procedure

(b) The amount that remains after deducting, from the sum of the amounts of dividend, etc. pertaining to the shares, etc. of an affiliated corporation prescribed in Article 23, paragraph (1), the amount calculated, as specified by Cabinet Order, to be the portion, which pertains to the said shares, etc. of an affiliated corporation, of the amount of interest on liabilities that the domestic ordinary corporation has paid during the liquidation procedure

(c) The amount of dividend, etc. pertaining to the shares, etc. of a consolidated corporation as prescribed in Article 23, paragraph (1)

(iii) The sum of the amount listed in Article 26, paragraph (1), items (ii) to (iv) (Exclusion from Gross Profits of Refund, etc.) that has been refunded during the liquidation procedure or has been appropriated for the unpaid national tax or local tax; the portion, out of the amount of foreign corporation tax prescribed in paragraph (2) of the said Article that has been refunded during the liquidation procedure, which is specified by Cabinet Order to be the portion of the refunded amounts of creditable foreign corporation tax and individually creditable foreign corporation tax as prescribed in the said paragraph; and the payable amount of additions to tax (excluding interest tax; hereinafter the same shall apply in this item) received during the liquidation procedure, the reduction of the payable amount of additions to tax, and the amount excluded from deductible expenses prescribed in paragraph (5) of the said Article, which have been refunded during the liquidation procedure

Subsection 2 Calculation of Tax Amount

(Credit for Income Tax against the Amount of Corporation Tax on Liquidation Income in the Case of Dissolution)

Article 100 In the case where a domestic ordinary corporation receives any interest, etc., dividend, etc., compensation money for benefits, interest, profit, margin, distribution of profit, or monetary award as prescribed in the items of Article 174 (Tax Base of Income Tax in the Case of Domestic Corporations) of the Income Tax Act, the amount of income tax to be imposed thereon pursuant to the provisions of the said Act shall be credited against the amount of corporation tax on the liquidation income of the domestic ordinary corporation, as specified by Cabinet Order.

Subsection 3 Filing of Return, Payment and Refund

(Tax Prepayment Return for Income in Liquidation)

Article 102 A domestic ordinary corporation, etc. shall file a return form containing the following matters to the district director of the tax office, within

two months after the day following the last day of each business year (excluding the business year containing the day on which its residual property becomes determined) while it is in liquidation (in the case where the last distribution or delivery of residual property is made within the said period, up to the day preceding the day of the distribution or delivery):

(i) The amount of income or loss calculated, by deeming that the income for the said business year to be the income for each business year of a domestic ordinary corporation, etc. that has not been dissolved, which is to be used as the tax base for the business year

(ii) The amount of corporation tax calculated, by deeming that the income for the said business year to be the income for each business year of a domestic ordinary corporation, etc. that has not been dissolved, and by applying the provisions of Chapter I, Section 2 (Calculation of Tax Amount) (excluding Article 67 (Special Tax Rate for Specified Family Corporations) and Article 70 (Credit for Corporation Tax due to Reassessment of Disguised Accounting)) to the amount of income listed in the preceding item

(iii) In the case where a part of the residual property has been distributed or delivered within the said business year, when there is any amount listed in paragraph (1), item (i) of the following Article that is to be entered in a form for tax prepayment return for the distribution of residual property pertaining to the distribution or delivery, the amount obtained by multiplying the said amount (in the case where a part of the residual property has been distributed or delivered twice or more within the said business year, the sum of the amounts pertaining to such distribution or delivery) by a rate of 30 percent (or 22 percent, with regard to cooperatives, etc.)

(iv) The amount that remains after crediting the amount listed in the preceding item against the amount of corporation tax listed in item (ii)

(v) In the case where there is any amount to be credited under Article 68 and Article 69 (Credit for Income Tax, etc.) that remains even after a credit in the calculation of the amount of corporation tax listed in item (ii), the said remaining amount (in the case where there is any amount listed in item (iii), the portion of the amount to be credited, which exceeds the amount that remains after crediting the amount listed in item (iii) against the amount of corporation tax listed in item (ii) calculated by deeming that the said credit would not be made)

(vi) The basis of the calculation of the amount listed in the preceding items and any other matters as specified by Ordinance of the Ministry of Finance

Chapter IV Blue Return

(Blue Return)

Article 121 (1) A domestic corporation may, when having obtained approval from the competent district director having jurisdiction over the place for tax payment, file a return form listed as follows and an amended return form related thereto in a blue return form:
(i) Interim return form
(ii) Final return form
(iii) Form for tax prepayment return in liquidation accounting period
(2) A domestic corporation that has obtained approval set forth in the preceding paragraph may also file a return form listed as follows and an amended return form related thereto in a blue return form:
(i) Interim return form for retirement pension funds
(ii) Final return from for retirement pension funds
(iii) Form for tax prepayment return for distribution of residual property
(iv) Final return form for liquidation

(Application for Approval of Filing Blue Return)
Article 122 (1) A domestic corporation (excluding a corporation subject to corporation tax on consolidated income as prescribed in Article 2, item (xvi) (Definitions)), which intends to obtain approval set forth in paragraph (1) of the preceding Article for submitting the return forms listed in the items of the said paragraph in a blue return form for each business year after the said business year, shall submit an application form stating the first day of the said business year and any other matters as specified by Ordinance of the Ministry of Finance, to the competent district director having jurisdiction over the place for tax payment, by the day preceding the first day of the said business year.
(2) In the case referred to in the preceding paragraph, when the said business year falls under any of the business years listed in the following items, the due date for submitting an application form set forth in the said paragraph shall be the day preceding the day specified in the relevant item, notwithstanding the provisions of the preceding paragraph:
(i) The business year containing the day on which an ordinary corporation or cooperative, etc., which is a domestic corporation, was established: The earlier day of either the day on which three months have elapsed from the said day or the last day of the said business year
(ii) The business year containing the day on which a corporation in the public interest, etc. or an association or foundation without juridical personality, which is a domestic corporation, newly commenced a profit-making business: The earlier day of either the day on which three months have elapsed from the said day or the last day of the said business year
(iii) The business year containing the day on which an ordinary corporation or cooperative, etc. that used to be a corporation in the public interest, etc.

(limited to a corporation that is not engaged in any profit-making business) came to fall under the category of an ordinary corporation or cooperative, etc.: The earlier day of either the day on which three months have elapsed from the said day or the last day of the said business year

(iv) In the case where the period from the following days to the last day of the business years prescribed in the preceding three items is less than three months: the day on which an ordinary corporation or cooperative, etc., which is a domestic corporation, was established; the day on which a corporation in the public interest, etc. or an association or foundation without juridical personality, which is a domestic corporation, newly commenced a profit-making business; or the day on which an ordinary corporation or cooperative, etc. that used to be a corporation in the public interest, etc. (limited to a corporation that is not engaged in any profit-making business) came to fall under the category of an ordinary corporation or cooperative, etc. (hereinafter referred to as the "date of establishment, etc." in this item); the business year following the said business years prescribed in the preceding three items: The earlier day of either the day on which three months have elapsed from the said date of establishment, etc. or the last day of the said following business year

(v) In the case where a domestic corporation, which is a consolidated corporation, has effected a split-off-type company split, with itself as a merging corporation (excluding the case where the said split-off-type company split was effected on the first day of the consolidated parent corporation's business year (meaning the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year); the same shall apply in the following item and item (ix)), the business year containing the day preceding the date of the split-off-type company split: The day on which two months have elapsed from the day following the last day of the said business year

(vi) In the case where a domestic corporation has had the approval set forth in Article 4-2 (Consolidated Taxpayer) rescinded, pursuant to the provisions of Article 4-5, paragraph (2), item (iv) or item (v) (Rescission of Approval for Consolidated Taxation) (excluding the case where the approval was rescinded on the first day of the consolidated parent corporation's business year), the business year containing the day preceding the date of the rescission: The day on which two months have elapsed from the day following the last day of the said business year

(vii) In the case where a domestic corporation has had the approval set forth in Article 4-2 rescinded, pursuant to the provisions of the items of Article 4-5, paragraph (2), the business year containing the date of the rescission (hereinafter referred to as the "date of rescission" in this item and the

following item): The earlier day of either the day on which three months have elapsed from the said date of rescission or the day on which two months have elapsed from the day following the last day of the said business year

(viii) In the case where the period from the first day of the business year listed in the preceding item of a domestic corporation set forth in the said item to the last day thereof is less than three months, each business year after the said business year (limited to a business year that starts by the day on which three months have elapsed from the date of rescission): The earlier day of either the day on which three months have elapsed from the said date of rescission or the day on which two months have elapsed from the day following the last day of the said business year

(ix) The business year following the consolidated parent corporation's business year containing the day on which a domestic corporation, which has obtained approval set forth in Article 4-5, paragraph (3), obtained the said approval: The earlier day of either the day on which three months have elapsed from the first day of the said following business year and the last day of the said following business year

(Dismissal of Application for Approval of Filing Blue Return)

Article 123 In the case where an application form set forth in paragraph (1) of the preceding Article has been filed, the district director of the tax office may dismiss the application, when there is a fact falling under any of the following, with regard to the domestic corporation that has filed the application form:

(i) Books and documents pertaining to the business year prescribed in paragraph (1) of the preceding Article are not kept, recorded, or preserved as specified by Ordinance of the Ministry of Finance prescribed in Article 126, paragraph (1) (Books and Documents of Corporations Filing Blue Return)

(ii) There are justifiable grounds for deeming that the books and documents that the domestic corporation keeps contain any entry or record by concealing or falsifying the whole or a part of any transactions or making any other false entry or record

(iii) Where the domestic corporation has submitted the application form within one year after the day on which it received a notice pursuant to the provisions of Article 127, paragraph (2) (Rescission of Approval of Filing Blue Return) or it submitted a report prescribed in Article 128 (Cancellation of Blue Return)

(iv) In the case where the approval set forth in Article 4-2 (Consolidated Taxpayer) was rescinded pursuant to the provisions of Article 4-5, paragraph (1) (Rescission of Approval for Consolidated Taxation), the domestic corporation has submitted the application form within one year after the day on which the approval was rescinded

(Notice of Approval of Filing Blue Return, etc.)

Article 124 In the case where an application form set forth in Article 122, paragraph (1) (Application for Approval of Filing Blue Return) has been submitted, the district director of the tax office shall, when giving his/her approval or dismissing the application, notify the domestic corporation that made the application to that effect, in writing.

(Case Where Filing of Blue Return is Deemed to Have Been Approved)

Article 125 In the case where an application form set forth in Article 122, paragraph (1) (Application for Approval of Filing Blue Return) has been submitted, when neither the approval nor the dismissal of the application was decided on by the last day of the said business year prescribed in the said paragraph (with regard to a corporation that is to file an interim return form for the said business year, by the day on which six months have elapsed from the first day of the said business year; with regard to a domestic corporation set forth in paragraph (2), item (v) or item (vi) of the said Article, by the relevant day specified in these items; and with regard to a domestic corporation set forth in item (vii) or item (viii) of the said paragraph, for which the days specified in these items fall after the last day of the business years listed in these items, by the day on which two months have elapsed from the day following the last day of the said business year), it shall be deemed that the approval was given as on the said day.

(Books and Documents of Corporations Filing Blue Return)

Article 126 (1) A domestic corporation, which has obtained approval set forth in Article 121, paragraph (1) (Blue Return), shall keep books and documents, record transactions therein, and preserve the said books and documents, as specified by Ordinance of the Ministry of Finance.

(2) The competent district director having jurisdiction over the place for tax payment may, when he/she finds it necessary, give the necessary instructions to a domestic corporation, which has obtained approval set forth in Article 121, paragraph (1), with regard to its books and documents prescribed in the preceding paragraph.

(Rescission of Approval of Filing Blue Return)

Article 127 (1) In the case where there is any fact falling under the following items with regard to a domestic corporation which has obtained approval set forth in Article 121, paragraph (1) (Blue Return), the competent district director having jurisdiction over the place for tax payment may rescind the approval retroactively to the business year specified in the relevant item. In

this case, when the approval has been rescinded, the blue return form related to the approval that the domestic corporation submitted on or after the first day of the said business year (excluding a blue return form for corporation tax which the domestic corporation had become obliged to pay prior to the said day) shall be deemed to be a return form other than a blue return form:

(i) The books and documents for the business year have not been kept, recorded, or preserved as specified by Ordinance of the Ministry of Finance prescribed in paragraph (1) of the preceding Article: The said business year

(ii) The domestic corporation has failed to follow the instructions of the district director of the tax office given pursuant to the provisions of paragraph (2) of the preceding Article, with regard to the books and documents for the business year: The said business year

(iii) There are justifiable grounds for deeming that the books and documents for the business year contain any entry or record which conceal or falsify the whole or a part of any transactions or to suspect the credibility of all of the other matters entered or recorded: The said business year

(iv) The domestic corporation has failed to file a return form under Article 74, paragraph (1) (Final Return) or Article 102, paragraph (1) (Tax Prepayment Return for Income in Liquidation) by the due date: The business year pertaining to the said return form

(v) The approval set forth in Article 4-2 (Consolidated Taxpayer) was rescinded pursuant to the provisions of Article 4-5, paragraph (1) (Rescission of Approval for Consolidated Taxation): The business year containing the day preceding the day on which the approval was rescinded (in the case where the said preceding day is the last day of the consolidated parent corporation's business year (meaning the consolidated parent corporation's business year prescribed in Article 15-2, paragraph (1) (Meaning of Consolidated Business Year)), containing the day on which the approval was rescinded)

(2) The district director of the tax office shall, when rescinding approval pursuant to the provisions of the preceding paragraph, notify the domestic corporation set forth in the said paragraph to that effect, in writing. In this case, the district director of the tax office shall, in addition, enter in the written notice, which of the items of the said paragraph was the cause of the rescission.

(Cancellation of Blue Return)

Article 128 A domestic corporation that has obtained approval set forth in Article 121, paragraph (1) (Blue Return) shall, when intending to stop filing a return form as listed in the items of the said paragraph in a blue return form for each business year after the said business year, submit a report stating the first day of the said business year and any other matters as specified by

Ordinance of the Ministry or Finance, to the competent district director having jurisdiction over the place for tax payment, within two months from the day following the last day of the said business year. In this case, when the report has been submitted, the approval shall cease to be effective with regard to each business year after the said business year.

Chapter V Reassessment and Determination

(Reassessment Related to Blue Return Form, etc.)

Article 130 (1) In the case where the district director of the tax office makes a reassessment with regard to the tax base of corporation tax, the amount of loss or consolidated loss pertaining to a blue return form or consolidated final return form, etc. (meaning a consolidated interim return form, consolidated final return form, or amended return form related thereto; hereinafter the same shall apply in this Article) that a domestic corporation has filed, he/she shall examine the domestic corporation's books and documents (in the case of making a reassessment with regard to the tax base of corporation tax or the amount of consolidated loss pertaining to the said consolidated final return form, etc., including the books and documents of the consolidated subsidiary corporations) and may make the reassessment only in the case where he/she finds any errors in the calculation of the tax base of corporation tax, the amount of loss or consolidated loss pertaining to the said blue return form or consolidated final return form, etc., based on the results of the examination; provided, however, that in the case where the matters entered in the blue return form or consolidated final return form, and the documents attached thereto clearly reveal that the calculation of the tax base or the amount of loss or consolidated loss are not in accordance with the provisions of this Act or there are any other errors in the said calculation, the district director of the tax office shall not be precluded from making a reassessment without examining the books and documents.

(2) In the case where the district director of the tax office makes a reassessment with regard to the tax base of corporation tax or the amount of loss or consolidated loss pertaining to a blue return form or consolidated final return form, etc. that a domestic corporation has filed, he/she shall additionally enter the reason for the reassessment in a written notice of reassessment as prescribed in Article 28, paragraph (2) (Matters to be Entered in Written Notice of Reassessment) of the Act on General Rules for National Taxes.

(Reassessment or Determination by Estimate)

Article 131 In the case where the district director of the tax office makes a reassessment or determination with regard to corporation tax related to a

domestic corporation, except for the case where he/she makes a reassessment with regard to the tax base of corporation tax or the amount of loss pertaining to a blue return form that a domestic corporation has filed, he/she may make a reassessment or determination by way of estimating the tax base of corporation tax (in the case of making a reassessment, estimating the tax base or the amount of loss or consolidated loss) related to the domestic corporation, in light of any increases and decreases in assets or liabilities, revenue or expenses, production volumes, sales volumes or other transaction volumes, the number of employees and other matters concerning the size of the business of the domestic corporation (in the case of making a reassessment with regard to corporation tax on consolidated income for each consolidated business year, including such matters of consolidated subsidiary corporations).

(Denial of Acts or Calculation by Family Corporations, etc.)

Article 132 (1) In the case where the district director of the tax office makes a reassessment or determination with regard to corporation tax related to a corporation listed as follows, when it is found that any acts conducted or calculations made by the corporation will, if allowed, unreasonably reduce the burden of corporation tax, he/she may calculate the tax base of corporation tax related to the corporation, the amount of loss, or the amount of corporation tax, based on his/her own recognition, notwithstanding the said acts or calculation:

(i) A family corporation that is a domestic corporation

(ii) A domestic corporation falling under all of (a) to (c) below:

(a) The domestic corporation has three or more branch offices, factories, or any other places of business

(b) Where, with regard to half or more of its places of business, the director or the chief officer of the places of business, any other presiding official of a business related to the places of business, a relative of the said presiding official or any other individual who has a special relationship as specified by Cabinet Order with the said presiding official (hereinafter referred to as the "director, etc." in this item) formerly conducted a business at the said places of business as an individual

(c) The sum of the number or the amount of shares of or capital contributions to the domestic corporation held by the director, etc. of a place of business, for which the fact prescribed in (b) exists, corresponds to two-thirds or more of the total number or the total amount of the domestic corporation's issued shares or capital contributions (excluding its own shares or the capital contributions held by the corporation)

(2) In the case referred to in the preceding paragraph, the determination as to whether a domestic corporation falls under the category of corporations listed in the items of the said paragraph shall be based on the circumstances as of

the time when the acts or calculation prescribed in the said paragraph were actually conducted or made.

(3) The provisions of paragraph (1) shall apply mutatis mutandis to the case where a reassessment or determination as prescribed in the said paragraph is made and when the provisions of Article 157, paragraph (1) (Denial, etc. of Acts or Calculation by Family Corporations, etc.) of the Income Tax Act, Article 64, paragraph (1) (Denial, etc. of Acts or Calculation by Family Corporations, etc.) of the Inheritance Tax Act, or Article 32, paragraph (1) (Denial, etc. of Acts or Calculation by Family Corporations, etc.) of the Land Value Tax Act were applied to the acts conducted or calculation made by a corporation listed in the items of paragraph (1).

(Denial of Acts or Calculation Pertaining to Organizational Restructuring)

Article 132-2 In the case where the district director of the tax office makes a reassessment or determination with regard to corporation tax related to a corporation listed as follows that was involved in a merger, company split, capital contribution in kind, post-formation acquisition of assets and/or liabilities (meaning a post-formation acquisition of assets and/or liabilities as prescribed in Article 2, item (xii)-6 (Definitions)), share exchange or share transfer (hereinafter referred to as a "merger, etc." in this Article), when it is found that any acts conducted or calculations made by the corporation will, if allowed, unreasonably reduce the burden of corporation tax, due to a decrease in the amount of profit or an increase in the amount of loss on the transfer of assets and liabilities transferred as a result of a merger, etc., an increase in the amount to be credited from corporation tax, a decrease in the amount of profit or an increase in the amount of loss on the transfer of shares (including capital contributions; the same shall apply in item (ii)) of a corporation listed in item (i) or item (ii), a decrease in the amount of deemed dividend (meaning the amount deemed to be the amount listed in Article 23, paragraph (1), item (i) (Exclusion from Gross Profits of Dividend Received, etc.) pursuant to the provisions of Article 24, paragraph (1) (The Amount Deemed to be That of Dividend, etc.)), or due to other grounds, he/she may calculate the tax base of corporation tax related to the corporation, the amount of loss, or the amount of corporation tax, based on his/her own recognition, notwithstanding the said acts or calculation:

(i) A corporation or the other corporation that has effected a merger, etc.

(ii) A corporation that has issued shares delivered as a result of a merger, etc. (excluding a corporation listed in the preceding item)

(iii) A corporation that is a shareholder, etc. of a corporation listed in the preceding two items (excluding a corporation listed in the preceding two items)

(Refund of Income Tax, etc. by Reassessment Related to Final Return or Consolidated Final Return)

Article 133 (1) In the case where a reassessment has been made with regard to corporation tax pertaining to a final return form or consolidated final return form that a domestic corporation has filed, when any amount listed in Article 74, paragraph (1), item (iii) (Shortfall in Credit for Income Tax, etc.) or Article 81-22, paragraph (1), item (iii) (Shortfall in Credit for Income Tax, etc. Pertaining to Consolidated Final Return Form) has increased as a result of the reassessment, the district director of the tax office shall refund tax equivalent to the amount of the said increase to the domestic corporation.

(2) In the case of calculating the amount of interest on a refund with regard to a refund pursuant to the provisions of the preceding paragraph, the period set forth in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes, which shall be the basis of the calculation, shall be the period from the day following the due date for filing a final return form or consolidated final return form set forth in the preceding paragraph (in the case where such return form is a return form filed after the due date, from the following the day on which such return form was filed) up to the day on which payment of the refund is decided or the day on which the refund is appropriated (in the case where appropriation has become possible before the said date of appropriation, the day on which it becomes possible).

(3) In the case where a refund pursuant to the provisions of paragraph (1) is appropriated for the unpaid portion of the corporation tax on income for the business year pertaining to a final return form set forth in the said paragraph or the corporation tax on consolidated income for the consolidated business year pertaining to a consolidated final return form set forth in the said paragraph, interest on the refund shall not be added to the portion of the said refund to be used for appropriation and any delinquent tax and interest tax shall be exempted with regard to the portion of the corporation tax that is to be appropriated.

(4) In addition to what is provided for in the preceding two paragraphs, methods for appropriation of a refund (including interest on a refund related thereto) pursuant to the provisions of paragraph (1), and other necessary matters concerning the application of the provisions of the said paragraph shall be specified by Cabinet Order.

(Refund of Interim Payment by Reassessment or Determination Related to Final Return or Consolidated Final Return)

Article 134 (1) With regard to an ordinary corporation, which is a domestic corporation, that has filed an interim return form or consolidated interim

return form, in the case where a determination has been made with regard to corporation tax for the business year pertaining to the interim return form or corporation tax for the consolidated business year pertaining to the consolidated interim return form, when there is any amount listed in Article 74, paragraph (1), item (v) (Shortfall in Credit for Interim Payment) or Article 81-22, paragraph (1), item (v) (Shortfall in Credit for Interim Payment) related to the determination, the district director of the tax office shall refund an interim payment equivalent to the said amount to the ordinary corporation.

(2) With regard to an ordinary corporation, which is a domestic corporation, that has filed an interim return form or consolidated interim return form, in the case where a reassessment has been made with regard to corporation tax for the business year pertaining to the interim return form or corporation tax for the consolidated business year pertaining to the consolidated interim return form, when any amount listed in Article 74, paragraph (1), item (v) or Article 81-22, paragraph (1), item (v) has increased as a result of the reassessment, the district director of the tax office shall refund an interim payment equivalent to the amount of the said increase to the ordinary corporation.

(3) In the case where the district director of the tax office makes a refund pursuant to the provisions of the preceding two paragraphs, when any delinquent tax has been paid with regard to the interim payment related to an interim return form or consolidated interim return form as prescribed in these provisions, he/she shall also refund the amount calculated, as specified by Cabinet Order, to be the portion of the said delinquent tax that corresponds to the interim payment to be refunded under these provisions.

(4) In the case of calculating the amount of interest on a refund with regard to a refund pursuant to the provisions of paragraph (1) or paragraph (2), the period set forth in Article 58, paragraph (1) (Interest on Refund) of the Act on General Rules for National Taxes, which shall be the basis of the calculation, shall be the period from the day following the day on which the interim payment to be refunded pursuant to the provisions of paragraph (1) or paragraph (2) was paid (in the case where the said interim payment was paid prior to the due date for payment, from the day following the said due date for payment) up to the day on which payment of the refund is decided or the day on which the refund is appropriated (in the case where appropriation has become possible before the said date of appropriation, up to the day on which it becomes possible); provided, however, that, with regard to a refund listed in the following items, the number of days specified in the relevant item shall not be included in the said period:

(i) A refund under paragraph (1): The number of days from the day following the due date for filing a return form under Article 74, paragraph (1) for the business year prescribed in paragraph (1) or a return form under Article 81-

22, paragraph (1) for the consolidated business year prescribed in paragraph (1), up to the day on which a determination set forth in paragraph (1) was made

(ii) A refund under paragraph (2) (excluding a refund caused by a reassessment which does not fall under either of the following subitems): The number of days from the day following the due date for filing a return form under Article 74, paragraph (1) for the business year prescribed in paragraph (2) or a return form under Article 81-22, paragraph (1) for the consolidated business year prescribed in paragraph (2), up to the day specified in each of the following items for the category set forth in the relevant item:

(a) In the case where a final return form or consolidated return form pertaining to a reassessment set forth in paragraph (2) is a return form filed after the due date: The day on which the return form was filed

(b) In the case where a reassessment set forth in paragraph (2) is a reassessment related to a determination: The day on which the determination was made

(5) In the case where a refund pursuant to the provisions of paragraph (1) or paragraph (2) is appropriated for the unpaid portion of the corporation tax on income for the business year or the corporation tax on consolidated income for the consolidated business year related to the interim payment, which was used as the basis of the calculation of the amount of the said refund, interest on the refund shall not be added to the portion of the said refund to be used for appropriation and any delinquent tax and interest tax shall be exempted with regard to the portion of the corporation tax that is to be appropriated.

(6) Interest on a refund shall not be added to a refund pursuant to the provisions of paragraph (3).

(7) In addition to what is provided for in the preceding three paragraphs, methods for appropriation of a refund (including interest on a refund related thereto) pursuant to the provisions of paragraph (1) or paragraph (2), and other necessary matters concerning the application of the provisions of paragraphs (1) to (3) shall be specified by Cabinet Order.

Part III Corporation Tax of Foreign Corporations

Chapter I Domestic Source Income

(Domestic Source Income)

Article 138 The term "domestic source income" as used in this Part means any of the following:

(i) Income from a business conducted in Japan or from the utilization, holding or transfer of assets located in Japan (excluding the types of income falling under the following item to item (xi)) or any other income specified by

Cabinet Order as arising from sources within Japan

(ii) Consideration received by a corporation which conducts a business that is mainly intended to provide personal services in Japan and is specified by a Cabinet Order, for the provision of the said personal services

(iii) Consideration for the lending of real estate located in Japan, any right on real estate located in Japan or a right of quarrying pursuant to the provisions of the Quarrying Act (Act No. 291 of 1950) (including the establishment of superficies or a right of quarrying or any other act carried out for having another person use real estate, any right on real estate or right of quarrying), the establishment of a mining lease pursuant to the provisions of the Mining Act (Act No. 289 of 1950) or the lending of a vessel or aircraft to a resident prescribed in Article 2, paragraph (1), item (iii) of the Income Tax Act (Definitions) or a domestic corporation

(iv) Interest, etc. prescribed in Article 23, paragraph (1) of the Income Tax Act (Interest Income), which is listed in any of the following:

(a) Interest on Japanese national government bonds or Japanese local government bonds or bonds issued by a domestic corporation

(b) Interest on bonds issued by a foreign corporation that is attributed to the business conducted by the foreign corporation in Japan, or any other interest specified by Cabinet Order

(c) Interest on deposits or savings prescribed in Article 2, paragraph (1), item (x) of the Income Tax Act which have been deposited with a business office, other office or any other equivalent thereto, located in Japan (hereinafter referred to as "business office" in this Article)

(d) Distribution of profit from a jointly managed money trust, a bond investment trust or a publicly offered bond investment trust (meaning a publicly offered bond investment trust prescribed in Article 2, paragraph (1), item (xv)-3 of the Income Tax Act; hereinafter the same shall apply in (b) of the following item) which has been entrusted with a business office located in Japan

(v) Dividend, etc. prescribed in Article 24, paragraph (1) of the Income Tax Act (Dividend Income), which is listed in any of the following:

(a) Dividend of surplus, dividend of profit, distribution of surplus or interest on funds prescribed in Article 24, paragraph (1) of the Income Tax Act which is received from a domestic corporation

(b) Distribution of profit from an investment trust prescribed in Article 2, paragraph (1), item (xii)-2 of the Income Tax Act (excluding a bond investment trust and a publicly offered bond investment trust) or a specified trust issuing a beneficiary certificate prescribed in Article 2, item (xxix), (c) (Definitions) which has been entrusted with a business office located in Japan

(vi) Interest on a loan provided for a person who performs operations in Japan (including equivalents thereto), which pertains to the said operations (excluding interest specified by Cabinet Order)

(vii) Any of the following royalties or considerations received from a person who performs operations in Japan, which pertain to the said operations:

(a) Royalty for an industrial property right or any other right concerning technology, a production method involving special technology or any other equivalent thereto, or consideration for the transfer thereof

(b) Royalty for a copyright (including right of publication, neighboring right, and any other equivalent thereto), or consideration for the transfer thereof

(c) Royalty for machinery, equipment or any other tool specified by Cabinet Order

(viii) Monetary award for the advertisement of a business conducted in Japan, which is specified by Cabinet Order

(ix) Pension received under a life insurance contract, casualty insurance contract or any other contract for a pension concluded via a business office located in Japan or via a person who acts as an agent for conclusion of contracts in Japan (including a surplus distributed or a refund paid under the relevant contract for a pension on or after the date of commencement of the payment of a pension, and a lump sum payment given in lieu of a pension under the said contract)

(x) Any of the following compensation money for benefits, interest, profit or margin profit:

(a) Compensation money for benefits listed in Article 174, item (iii) of the Income Tax Act (Tax Base of Income Tax in the case of Domestic Corporations), which pertains to installment deposits that have been accepted by a business office located in Japan

(b) Compensation money for benefits listed in Article 174, item (iv) of the Income Tax Act, which pertains to installments prescribed in the said item that have been accepted by a business office located in Japan

(c) Interest listed in Article 174, item (v) of the Income Tax Act, which pertains to a contract prescribed in the said item that has been concluded via a business office located in Japan

(d) Profit listed in Article 174, item (vi) of the Income Tax Act, which pertains to a contract prescribed in the said item that has been concluded via a business office located in Japan

(e) Margin profit listed in Article 174, item (vii) of the Income Tax Act, which pertains to deposits or savings that have been accepted by a business office located in Japan

(f) Margin profit listed in Article 174, item (viii) of the Income Tax Act, which pertains to a contract prescribed in the said item that has been concluded

via a business office located in Japan or via a person who acts as an agent for conclusion of contracts in Japan

(xi) Distribution of profit received under a silent partnership contract (including a contract specified by Cabinet Order as being equivalent thereto) with respect to capital contributions to a person who conducts a business in Japan

(Domestic Source Income Subject to the Provisions of Tax Conventions)

Article 139 Where a convention for the avoidance of double taxation with respect to taxes on income that Japan has concluded contains provisions on domestic source income that are different from the provisions of the preceding Article, the domestic source income of a corporation that is subject to such convention shall, notwithstanding the said Article, be governed by the convention to the extent of such different provisions. In this case, where the convention contains provisions on domestic source income that can replace the provisions of items (ii) to (xi) of the said Article, with regard to the application of the part of this Act that relates to the matters prescribed in these items, any income treated as domestic source income under the convention shall be deemed to be the corresponding domestic source income listed in the relevant item.

(Details of Scope of Domestic Source Income)

Article 140 In addition to what is prescribed in the preceding two Articles, necessary matters concerning the scope of domestic source income shall be specified by Cabinet Order.

Chapter II Corporation Tax on Income for Each Business Year

Section 1 Tax Base and Calculation Thereof

(Tax Base of Corporation Tax on Income for Each Business Year in the case of Foreign Corporations)

Article 141 The tax base of corporation tax imposed on a foreign corporation for income for each business year shall be the amount of income categorized as domestic source income listed in each of the following items for the category of foreign corporation listed in the relevant item.

(i) A foreign corporation that has, in Japan, branch offices, factories or any other fixed places for conducting a business which are specified by Cabinet Order: All domestic source income

(ii) A foreign corporation that has carried out construction, installation, assembly or any other work or provided services for directing and supervising such work (hereinafter referred to as "construction work, etc." in this item) in Japan for more than one year (excluding a foreign corporation

that falls under the preceding item): Any of the following domestic source income

(a) Domestic source income listed in Article 138, items (i) to (iii) (Domestic Source Income)

(b) Domestic source income listed in Article 138, items (iv) to (xi), which is attributed to the business involving construction work, etc. that is conducted by the foreign corporation in Japan

(iii) A foreign corporation that has, in Japan, a person who is authorized to conclude a contract on its behalf or any other person equivalent to such an authorized person specified by Cabinet Order (hereinafter referred to as an "agent, etc." in this item) (excluding a foreign corporation that falls under item (i)): Any of the following domestic source income:

(a) Domestic source income listed in Article 138, items (i) to (iii)

(b) Domestic source income listed in Article 138, items (iv) to (xi), which is attributed to the business conducted by the foreign corporation in Japan via the said agent, etc.

(iv) A foreign corporation other than one listed in the preceding three items: Any of the following domestic source income:

(a) Domestic source income listed in Article 138, item (i) which has arisen from the utilization or holding of assets located in Japan or the transfer of real estate located in Japan, or any such income which is specified by Cabinet Order

(b) Domestic source income listed in Article 138, items (ii) and (iii)

(Calculation of the Amount of Income Categorized as Domestic Source Income)

Article 142 The amount of income of a foreign corporation categorized as domestic source income prescribed in the preceding Article shall be the amount calculated with respect to the said income categorized as domestic source income, pursuant to the provision of Cabinet Order and in accordance with the provisions of Part II, Chapter I, Section 1, Subsection 2 to Subsection 9 (Calculation of the Amount of Income for Each Business Year of Domestic Corporations) (excluding Article 46 (Inclusion in Deductible Expenses of the Amount of Advanced Depreciation of Fixed Assets, etc. Acquired by Non-Contribution Partnerships Using Allotment Money) and Article 60-2 (Inclusion in Deductible Expenses of Dividends and the Like Made on the Basis of the Volume of Business with Cooperatives, etc. Incurred by Cooperatives, etc.) as well as Subsection 5, Division 5 (Profit and Loss from Valuation of Assets in Market Value upon Commencement of Consolidated Taxation, etc.) and Division 6 (Profit and Loss from Transactions between Consolidated Corporations in the Business Year prior to Division, etc.), and Subsection 11 (Details of Calculation of the Amount of Income for Each Business Year).

Section 2 Calculation of Tax Amount

(Tax Rate for Corporation Tax on Income for Each Business Year in the case of Foreign Corporations)

Article 143 (1) The amount of corporation tax imposed on a foreign corporation for income for each business year shall be the amount calculated by multiplying the amount of income categorized as domestic source income prescribed in Article 141 (Tax Base of Corporation Tax in the case of Foreign Corporations) by a tax rate of 30 percent.

(2) In the case referred to in the preceding paragraph, with regard to the amount of eight million yen per annum or less out of the amount of income categorized as domestic source income prescribed in Article 141 of a foreign corporation whose amount of stated capital or amount of capital contributions is not more than 100 million yen at the end of each business year or which has no capital or investment at the end of each business year (excluding a foreign corporation specified by Cabinet Order as being equivalent to a mutual company prescribed in the Insurance Business Act) or of an association or foundation without juridical personality, the applicable tax rate shall be 22 percent notwithstanding the provision of the said paragraph.

(3) With regard to the application of the preceding paragraph to a foreign corporation whose business year is less than one year, the phrase "amount of eight million yen per annum" in the said paragraph shall be deemed to be replaced with "amount calculated by dividing eight million yen by 12 and then multiplying the result by the number of months of the relevant business year."

(4) The number of months set forth in the preceding paragraph shall be calculated according to the calendar; a fraction less than a month shall be counted as a month.

(5) The provision of paragraph (2) shall not apply to a trust corporation prescribed in Article 4-7 (Application of This Act to Trust Corporations, etc.).

(Credit for Income Tax)

Article 144 The provisions of Article 68 (Credit for Income Tax in the case of Domestic Corporations) shall apply mutatis mutandis in the case where a foreign corporation receives, in each business year, payment of domestic source income listed in each item of Article 141 (Tax Base of Corporation Tax in the case of Foreign Corporations) for the category of foreign corporation listed in the relevant item, on which income tax shall be imposed pursuant to the provisions of the Income Tax Act (excluding a dividend, etc. listed in Article 161, item (v) of the said Act (Dividend, etc. Received from Domestic Corporations) and which is specified by Cabinet Order). In this case, the

phrase "amount of income tax" in Article 68, paragraph (1) shall be deemed to be replaced with "amount of income tax (in the case of income tax collected pursuant to the provisions of Article 212, paragraph (1) of the Income Tax Act (Withholding Liability Regarding Income of Nonresidents or Foreign Corporations) with respect to the consideration listed in Article 161, item (ii) of the said Act (Domestic Source Income), the amount equivalent to a salary, remuneration or pension listed in Article 161, item (viii) of the said Act that shall be deemed, pursuant to the provisions of Article 215 of the said Act (Special Provisions for Withholding at Source of Salary, etc. Paid to Nonresidents for Providing Personal Services), to have been collected pursuant to the provisions of Article 212, paragraph (1) of the said Act shall be deducted)"; the phrase "interest and dividend, etc." in Article 68, paragraph (2) shall be deemed to be replaced with "the relevant domestic source income."

Section 3 Filing of Return, Payment and Refund, etc.

(Filing of Return, Payment and Refund, etc.)

Article 145 (1) The provisions of Part II, Chapter I, Section 3 (Filing of Return, Payment and Refund, etc. of Corporation Tax on Income for Each Business Year of Domestic Corporation) shall apply mutatis mutandis to the filing of a return, payment, and refund as well as a request for reassessment pursuant to the provision of Article 23, paragraph (1) of the Act on General Rules for National Taxes (Request for Reassessment) with regard to corporation tax on income for each business year of a foreign corporation.

(2) In the case referred to in the preceding paragraph, each term or phrase listed in the middle column of the table below that appears in the provision listed in the left hand column of the same table shall be deemed to be replaced with the corresponding term or phrase listed in the right hand column of the same table.

Article 71, paragraph (1) (Interim Return)	Ordinary corporation (excluding those under the liquidation procedure)	Ordinary corporation

	(the first business year after the establishment of an ordinary corporation which is a domestic corporation except where it is established through a qualified merger (excluding a merger in which all merged corporations are corporations in the public interest, etc. that are not engaged in any profit-making business; the same shall apply in the following paragraph and paragraph (3))	(the business year that includes the day on which an ordinary corporation that falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) (Tax Base of Corporation Tax in the Case of Foreign Corporations) came to fall under any of the categories of foreign corporations listed in these items, the business year that includes the day on which an ordinary corporation which falls under the category of foreign corporation listed in Article 141, item (iv) has commenced, in Japan, a business prescribed in Article 138, item (ii) (Consideration for Business of Providing Personal Services) (hereinafter referred to as a "personal services business") or the business year that includes the day on which such ordinary corporation has earned domestic source income listed in Article 141, item (iv) other than the consideration set forth in Article 138, item (ii)
	Or where there is no such amount	Or where there is no such amount, or where, within the said two-month period, an ordinary corporation which falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) ceases to fall under any of the categories of foreign corporations listed in these items due to the failure to give a notification of tax agent pursuant to the provision of Article 117, paragraph (2) of the Act on General Rules for National Taxes (Tax Agent) (hereinafter referred to as a "notification of tax agent") or an ordinary corporation which falls under the category of foreign corporation listed in Article 141, item (iv) abolishes the personal services business conducted in Japan

Article 72, paragraph (3) (Matters To be Stated in Interim Return Form in the Case of Provisional Settlement of Accounts)	, Subsection 7, and Subsection 10	and Subsection 7
	(excluding...Article 58, paragraph (2) and (6) (Requirements for Carryover of Loss Arising from Disaster in the Business Year When Blue Return Form Has Not Been Filed)	(excluding ...Article 58, paragraph (2) and paragraph (6) (Requirements for Carryover of Loss Arising from Disaster in the Business Year When Blue Return Form Has Not Been Filed), Article 46 (Inclusion in Deductible Expenses of the Amount of Advanced Depreciation of Fixed Assets, etc. Acquired by Non-Contribution Partnerships Using Allotment Money) and Article 60-2 (Inclusion in Deductible Expenses of Dividends and the Like Made on the Basis of the Volume of Business with Cooperatives Incurred by Cooperatives, etc.)

	In Article 68, paragraph (3) and paragraph (4) (Credit for Income Tax) and Article 69, paragraph (16) (Credit for Foreign Tax), the term "final return form" shall be deemed to be replaced with "interim return form"; in Article 69, paragraph (17), the term "final return form" shall be deemed to be replaced with "interim return form"; in Article 69, paragraph (18), the term "final return form" shall be deemed to be replaced with "interim return form, final return form"	In Article 68, paragraph (3) and paragraph (4) (Credit for Income Tax) as applied mutatis mutandis pursuant to Article 144 (Application Mutatis Mutandis to Foreign Corporations), the term "final return form" shall be deemed to be replaced with "interim return form"
Article 74, paragraph (1) (Final Return)	Domestic corporation (excluding an ordinary corporation which is a domestic corporation under the liquidation procedure and a cooperative, etc. under the liquidation procedure)	Foreign corporation

	Within two months from the day following the end of each business year	Within two months from the day following the end of each business year (in the case where a corporation which falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) (Tax Base of Corporation Tax in the case of Foreign Corporations) ceases to fall under any of the categories of foreign corporations listed in these items due to the failure to give a notification of tax agent or a corporation which falls under the category of foreign corporation listed in Article 141, item (iv) abolishes the personal services business conducted in Japan: by the day preceding the day on which two months have elapsed from the end of the business year, or by the day on which the corporation ceases to fall under any category of foreign corporation or abolishes the relevant business, whichever comes earlier)
	The preceding Section	Part III, Chapter II, Section 2
	Article 68 and Article 69 (Credit for Income Tax, etc.)	Article 68 (Credit for Income Tax) as applied mutatis mutandis pursuant to Article 144 (Application Mutatis Mutandis to Foreign Corporations)
Article 75, paragraph (1) (Postponement of Due Date of Final Return) and Article 75-2, paragraph (1) (Special Provisions for Postponement of Due Date of Final Return)	Return under the provision of paragraph (1) of the preceding Article	Return pursuant to the provision of paragraph (1) of the preceding Article (excluding returns to be filed in the case where a corporation which falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) (Tax Base of Corporation Tax in the case of Foreign Corporations) ceases to fall under any of the categories of foreign corporations listed in these items due to the failure to give a notification of tax agent or a corporation which falls under the category of foreign corporation listed in Article 141, item (iv) abolishes the personal services business conducted in Japan)

Article 80, paragraph (1) (Refund by Carryback of Loss)	Articles 68 to 70-2 (Tax Credit)	Article 68 (Credit for Income Tax) as applied mutatis mutandis pursuant to Article 144 (Application Mutatis Mutandis to Foreign Corporations)

Chapter III Corporation Tax on Retirement Pension Fund

Section 1 Tax Base and Calculation Thereof

(Tax Base of Corporation Tax on Retirement Pension Funds in the case of Foreign Corporations)

Article 145-2 The tax base of corporation tax imposed on a foreign corporation with respect to a retirement pension fund shall be the amount of the retirement pension fund for each business year.

(Calculation of the Amount of Retirement Pension Funds in the case of Foreign Corporations)

Article 145-3 The amount of a retirement pension fund for each business year that is managed by a foreign corporation which performs retirement pension services, etc. prescribed in Article 84, paragraph (1) (Calculation of the Amount of Retirement Pension Funds) shall be the amount calculated pursuant to the method of Cabinet Order and in accordance with the provisions of the said Article to Article 86 (Calculation of the Amount of Retirement Pension Funds and Special Provisions Therefor).

Section 2 Calculation of Tax Amount

(Tax Rate for Corporation Tax on Retirement Pension Funds in the case of Foreign Corporations)

Article 145-4 The amount of corporation tax imposed on a foreign corporation with respect to a retirement pension fund shall be the amount calculated by multiplying the amount of the retirement pension fund for each business year by a tax rate of one percent.

Section 3 Filing of Return and Payment

(Filing of Return and Payment)

Article 145-5 The provisions of Part II, Chapter II, Section 3 (Filing of Return and Payment of Corporation Tax on Retirement Pension Funds in the case of

Domestic Corporations) shall apply mutatis mutandis to the filing of a return and payment of corporation tax on retirement pension funds by a foreign corporation. In this case, the term "the preceding Article" in Article 88, item (ii) (Interim Return on Retirement Pension Funds) shall be deemed to be replaced with "Article 145-4 (Tax Rate for Corporation Tax on Retirement Pension Funds in the case of Foreign Corporations)," and the phrase "Article 87 (Tax Rate for Corporation Tax on Retirement Pension Funds)" in Article 89, item (ii) (Final Return on Retirement Pension Funds) shall be deemed to be replaced with "Article 145-4 (Tax Rate for Corporation Tax on Retirement Pension Funds in the case of Foreign Corporations)."

Chapter IV Blue Return

(Blue Return)

Article 146 (1) The provisions of Part II, Chapter IV (Blue Return in the case of Domestic Corporations) shall apply mutatis mutandis to a final return form and an interim return form, and a final return form for a retirement pension fund and an interim return form for a retirement pension fund, all of which are filed by a foreign corporation, as well as an amended return form pertaining to any of such return forms.

(2) In the case referred to in the preceding paragraph, each term or phrase listed in the middle column of the table below that appears in the provision listed in the left hand column of the same table shall be deemed to be replaced with the corresponding term or phrase listed in the right hand column of the same table.

Article 122, paragraph (2), item (i) (Application for Approval of Filing Blue Return)	Business year that includes the day on which an ordinary corporation or cooperative, etc., which is a domestic corporation, was established	Business year that includes the day on which an ordinary corporation that falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) (Tax Base of Corporation Tax in the case of Foreign Corporations) came to fall under any of the categories of foreign corporations listed in these items, the business year that includes the day on which an ordinary corporation which falls under the category of foreign corporation listed in Article 141, item (iv) has commenced a personal services business in Japan, or the business year that includes the day on which such ordinary corporation has earned domestic source income listed in Article 141, item (iv) other than the consideration listed in Article 138, item (ii) (Consideration for the Business of Providing Personal Services)
	The said date	The day on which the corporation came to fall under the relevant category of foreign corporation, has commenced the relevant business or has earned the relevant income
Article 122, paragraph (2), item (ii)	The day on which a corporation in the public interest, etc. or association or foundation without juridical personality, which is a domestic corporation, has commenced a profit-making business	The day on which a corporation in the public interest, etc. or association or foundation without juridical personality, which is a domestic corporation, has earned domestic income listed in the items of Article 141 for the category of foreign corporation listed in the relevant item, which has arisen from a profit-making business

Article 122, paragraph (2), item (iv)	the day on which an ordinary corporation or cooperative, etc., which is a domestic corporation, was established	the day on which an ordinary corporation that falls within the scope of foreign corporations listed in Article 141, items (i) to (iii) came to fall under any of the categories of foreign corporations listed in these items, the day on which an ordinary corporation which falls under the category of foreign corporation listed in Article 141, item (iv) has commenced a personal services business in Japan, the day on which such ordinary corporation has earned domestic source income listed in Article 141, item (iv) other than the consideration listed in Article 138, item (ii), or
	the day on which a corporation in the public interest, etc. or association or foundation without juridical personality, which is a domestic corporation, newly commenced a profit-making business; or the day on which an ordinary corporation or cooperative, etc. that used to be a corporation in the public interest, etc. (limited to a corporation that is not engaged in any profit-making business) came to fall under the category of an ordinary corporation or cooperative, etc.	the day on which the corporation has earned domestic income listed in the items of Article 141 for the category of foreign corporation listed in the relevant item, which has arisen from a profit-making business
	date of establishment, etc.	day on which the corporation came to fall under the category of a foreign corporation that is to file a return form

Chapter V Reassessment and Determination

(Reassessment and Determination)

Article 147 The provisions of Articles 130 to 132-2 (Reassessment and Determination in the case of Domestic Corporations), Article 133 (Refund of Income Tax, etc. by Reassessment Pertaining to Final Return or Consolidated Final Return) and Article 134 (Refund of Interim Payment by Reassessment or Determination Pertaining to Final Return or Consolidated Final Return) shall apply mutatis mutandis to the reassessment or determination of corporation tax on a foreign corporation's income for each business year, and corporation tax on a foreign corporation's retirement pension fund.

Appended Table 1 Table of Public Corporations (Re. Article 2)

Name	Governing law
Okinawa Development Finance Corporation	Okinawa Development Finance Corporation Act (Act No. 31 of 1972)
Japan Finance Corporation	Companies Act and Japan Finance Corporation Act (Act No. 57 of 2007)
Port authorities	Ports and Harbors Act
National university corporations	National University Corporation Act (Act No. 112 of 2003)
Social Insurance Medical Fee Payment Fund	Social Insurance Medical Fee Payment Fund Act (Act No. 129 of 1948)
Flood Prevention Associations	Flood Prevention Association Act (Act No. 50 of 1908)
Federation of Flood Prevention Associations	
Inter-university research institute corporations	National University Corporation Act
Japan Finance Organization for Municipal Enterprises	Act on the Japan Finance Organization for Municipal Enterprises (Act No. 64 of 2007)
Local governments	Local Autonomy Act (Act No. 67 of 1947)
Local housing corporations	Local Housing Corporation Act (Act No. 124 of 1965)
Local road public corporations	Local Road Public Corporation Act (Act No. 82 of 1970)
Local incorporated administrative agencies	Local Incorporated Administrative Agency Act (Act No. 118 of 2003)
Incorporated administrative agencies (limited to agencies designated by the Minister of Finance as those, the whole amount of whose stated capital or capital contributions are owned by the national or local governments, or those equivalent thereto)	Act on General Rules for Incorporated Administrative Agency (Act No. 103 of 1999) and individual acts as prescribed in Article 1, paragraph (1) (Purpose, etc.) of the said Act
Land development public corporations	Act on Advancement of Expansion of Public Lands (Act No. 66 of 1972)

Land improvement districts	Land Improvement Act (Act No. 195 of 1949)
Land improvement district unions	
Land readjustment associations	Land Readjustment Act (Act No. 119 of 1954)
Japan Sewage Works Agency	Japan Sewerage Works Agency Act (Act No. 41 of 1972)
Japan Legal Support Center (Houterasu)	Comprehensive Legal Support Act (Act No. 74 of 2004)
Japan Racing Association	Japan Racing Association Act (Act No. 205 of 1954)
Japan Broadcasting Corporation	Broadcast Act (Act No. 132 of 1950)[@@]