

Statement of Mutual Cooperation and Understanding between the U.S. Department of the Treasury and the Authorities of Japan to Improve International Tax Compliance and to Facilitate Implementation of FATCA

Whereas, the United States of America (“United States”) and Japan have a longstanding and close relationship with respect to mutual assistance in tax matters and desire to improve international tax compliance by further building on that relationship;

Whereas, Article 26 of the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income, signed on November 6, 2003, at Washington, DC (the “Convention”) authorizes exchange of information for tax purposes;

Whereas, the United States enacted provisions commonly known as the Foreign Account Tax Compliance Act (“FATCA”), which introduce a reporting regime for financial institutions with respect to certain accounts;

Whereas, the Authorities of Japan, as defined in subparagraph 1(e) of Section 1 of this Statement, are supportive of the underlying policy goals of FATCA to improve tax compliance;

Whereas, FATCA has raised a number of issues, including that Japanese financial institutions may not be able to comply with certain aspects of FATCA due to domestic legal impediments;

Whereas, intergovernmental cooperation to facilitate FATCA implementation would address these issues and reduce burdens for Japanese financial institutions;

Whereas, the U.S. Department of the Treasury and the Authorities of Japan (each, a “Participant”) desire to implement an arrangement to provide for cooperation to facilitate the implementation of FATCA based on direct reporting by Japanese financial institutions to the U.S. Internal Revenue Service, supplemented by the exchange of information upon request pursuant to the Convention and subject to the confidentiality and other protections provided for therein, including the provisions limiting the use of the information exchanged under the Convention;

Now, therefore, the Participants confirm the following:

Section 1 Definitions

1. For purposes of this Statement, and any annexes thereto (“Statement”), the following terms have the meanings described below:

- (a) The term “**United States**” means the United States of America, and, when used in a geographical sense, means the territory of the United States of America, including the States thereof, but does not include the U.S. Territories. Any

reference to a “**State**” of the United States includes the District of Columbia.

- (b) The term “**U.S. Territory**” means American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Commonwealth of Puerto Rico, or the U.S. Virgin Islands.
- (c) The term “**IRS**” means the U.S. Internal Revenue Service.
- (d) The term “**Japan**,” when used in a geographical sense, means the territory of Japan.
- (e) The term “**Authorities of Japan**” means the following:
 - 1) The Ministry of Finance of Japan
 - 2) The National Tax Agency of Japan
 - 3) “**Japanese Supervisory Authorities**,” which means the following:
 - (A)The Financial Services Agency of Japan (FSA),
 - (B)The Ministry of Economy, Trade and Industry of Japan,
 - (C)The Ministry of Agriculture, Forestry and Fisheries of Japan, and
 - (D)The Ministry of Health, Labour and Welfare of Japan
- (f) The term “**Partner Jurisdiction**” means a jurisdiction that has in effect an agreement with the United States to facilitate the implementation of FATCA. The IRS intends to publish a list identifying all Partner Jurisdictions.
- (g) The term “**Competent Authority**” means:
 - 1) in the case of the United States, the Secretary of the Treasury or his delegate; and
 - 2) in the case of Japan, the Minister of Finance or his authorized representative.
- (h) The term “**Financial Institution**” means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company.
- (i) The term “**Foreign Reportable Amount**” means, in accordance with relevant U.S. Treasury Regulations, a payment of fixed or determinable annual or periodical income that would be a withholdable payment if it were from sources within the United States.
- (j) The term “**Custodial Institution**” means any Entity that holds, as a substantial portion of its business, financial assets for the account of others. An Entity holds financial assets for the account of others as a substantial portion of its business if the Entity’s gross income attributable to the holding of financial assets and related financial services equals or exceeds 20 percent of the Entity’s gross income during the shorter of: (i) the three-year period that ends on December 31 (or the final day of a non-calendar year accounting period) prior to the year in which the determination is being made; or (ii) the period during which the Entity has been in

existence.

- (k) The term “**Depository Institution**” means any Entity that accepts deposits in the ordinary course of a banking or similar business.
- (l) The term “**Investment Entity**” means any Entity that conducts as a business (or is managed by an Entity that conducts as a business) one or more of the following activities or operations for or on behalf of a customer:
 - 1) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading;
 - 2) individual and collective portfolio management; or
 - 3) otherwise investing, administering, or managing funds or money on behalf of other persons.

This subparagraph 1(l) is to be interpreted in a manner consistent with similar language in the definition of “financial institution” in the Financial Action Task Force Recommendations.

- (m) The term “**Specified Insurance Company**” means any Entity that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract.
- (n) The term “**Japanese Financial Institution**” means (i) any Financial Institution resident in Japan, but excluding any branch of such Financial Institution that is located outside Japan, and (ii) any branch of a Financial Institution not resident in Japan, if such branch is located in Japan.
- (o) The term “**Partner Jurisdiction Financial Institution**” means (i) any Financial Institution established in a Partner Jurisdiction, but excluding any branch of such Financial Institution that is located outside the Partner Jurisdiction, and (ii) any branch of a Financial Institution not established in the Partner Jurisdiction, if such branch is located in the Partner Jurisdiction.
- (p) The term “**Reporting Japanese Financial Institution**” means any Japanese Financial Institution that is not a Non-Reporting Japanese Financial Institution.
- (q) The term “**Non-Reporting Japanese Financial Institution**” means any Japanese Financial Institution, or other Entity resident in Japan, that is described in Annex II as a Non-Reporting Japanese Financial Institution or that otherwise qualifies as a deemed-compliant FFI or an exempt beneficial owner under relevant U.S. Treasury Regulations.

- (r) The term **“Nonparticipating Financial Institution”** means a nonparticipating FFI, as that term is defined in relevant U.S. Treasury Regulations, but does not include a Japanese Financial Institution or other Partner Jurisdiction Financial Institution other than a Financial Institution treated as a Nonparticipating Financial Institution in line with paragraph 2 of Section 4 of this Statement or the corresponding provision in an agreement between the United States and a Partner Jurisdiction.
- (s) The term **“Preexisting Account”** means a Financial Account maintained by a Reporting Japanese Financial Institution as of December 31, 2013.
- (t) The term **“New Account”** means a Financial Account opened by a Reporting Japanese Financial Institution on or after January 1, 2014.
- (u) The term **“U.S. Account”** means a Financial Account maintained by a Reporting Japanese Financial Institution and held by one or more Specified U.S. Persons or by a Non-U.S. Entity with one or more Controlling Persons that is a Specified U.S. Person. Notwithstanding the foregoing, an account should not be treated as a U.S. Account if such account is not identified as a U.S. Account after application of the due diligence procedures in Annex I.
- (v) The term **“Non-Consenting U.S. Account”** means a Preexisting Account with respect to which (i) a Reporting Japanese Financial Institution has determined that it is a U.S. Account in line with the due diligence procedures in Annex I, (ii) the laws of Japan prohibit the reporting under the requirements of an FFI Agreement absent consent of the Account Holder, (iii) the Reporting Japanese Financial Institution has sought, but was unable to obtain, the required consent to report or the Account Holder’s U.S. TIN; and (iv) the Reporting Japanese Financial Institution has reported, or was required to report, aggregate account information to the IRS as prescribed under sections 1471 to 1474 of the U.S. Internal Revenue Code and the relevant U.S. Treasury Regulations.
- (w) The term **“Financial Account”** has the meaning described in relevant U.S. Treasury Regulations but does not include any account, product or arrangement that is excluded from the definition of Financial Account in Annex II.
- (x) The term **“FFI Agreement”** means an agreement that describes the requirements, consistent with this Statement, for a Reporting Japanese Financial Institution to be treated as complying with the requirements of section 1471(b) of the U.S. Internal Revenue Code.
- (y) The term **“Account Holder”** means the person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account. A person, other than a Financial Institution, holding a Financial Account for the benefit or account of another person as agent, custodian, nominee, signatory,

investment advisor, or intermediary, is not treated as holding the account for purposes of this Statement, and such other person is treated as holding the account. For purposes of the immediately preceding sentence, the term “Financial Institution” does not include a Financial Institution organized or incorporated in a U.S. Territory. In the case of a Cash Value Insurance Contract or an Annuity Contract, the Account Holder is any person entitled to access the Cash Value or change the beneficiary of the contract. If no person can access the Cash Value or change the beneficiary, the Account Holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a Cash Value Insurance Contract or an Annuity Contract, each person entitled to receive a payment under the contract is treated as an Account Holder.

- (z) The terms “**Cash Value Insurance Contract**” and “**Annuity Contract**” have the meanings described in relevant U.S. Treasury Regulations.
- (aa) The term “**U.S. Person**” means a U.S. citizen or resident individual, a partnership or corporation organized in the United States or under the laws of the United States or any State thereof, a trust if (i) a court within the United States would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust, and (ii) one or more U.S. persons have the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the United States. This subparagraph is to be interpreted in line with the U.S. Internal Revenue Code.
- (bb) The term “**Specified U.S. Person**” means a U.S. Person, other than: (i) a corporation the stock of which is regularly traded on one or more established securities markets; (ii) any corporation that is a member of the same expanded affiliated group, as defined in section 1471(e)(2) of the U.S. Internal Revenue Code, as a corporation described in clause (i); (iii) the United States or any wholly owned agency or instrumentality thereof; (iv) any State of the United States, any U.S. Territory, any political subdivision of any of the foregoing, or any wholly owned agency or instrumentality of any one or more of the foregoing; (v) any organization exempt from taxation under section 501(a) of the U.S. Internal Revenue Code or an individual retirement plan as defined in section 7701(a)(37) of the U.S. Internal Revenue Code; (vi) any bank as defined in section 581 of the U.S. Internal Revenue Code; (vii) any real estate investment trust as defined in section 856 of the U.S. Internal Revenue Code; (viii) any regulated investment company as defined in section 851 of the U.S. Internal Revenue Code or any entity registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. 80a-64); (ix) any common trust fund as defined in section 584(a) of the U.S. Internal Revenue Code; (x) any trust that is exempt from tax under section 664(c) of the U.S. Internal Revenue Code or that is described in section 4947(a)(1) of the U.S. Internal Revenue Code; (xi) a dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under

the laws of the United States or any State; or (xii) a broker as defined in section 6045(c) of the U.S. Internal Revenue Code.

- (cc) The term “**Entity**” means a legal person or a legal arrangement such as a trust.
- (dd) The term “**Non-U.S. Entity**” means an Entity that is not a U.S. Person.
- (ee) An Entity is a “**Related Entity**” of another Entity if either Entity controls the other Entity, or the two Entities are under common control. For this purpose, control includes direct or indirect ownership of more than 50 percent of the vote or value in an Entity. Notwithstanding the foregoing, Japan may treat an Entity as not a Related Entity of another Entity if the two Entities are not members of the same expanded affiliated group as defined in section 1471(e)(2) of the U.S. Internal Revenue Code.
- (ff) The term “**U.S. TIN**” means a U.S. federal taxpayer identifying number.
- (gg) The term “**Controlling Persons**” means the natural persons who exercise control over an Entity. In the case of a trust such term means the settlor, the trustees, the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term “Controlling Persons” is to be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

2. Any term not otherwise defined in this Statement, unless the context otherwise requires or the U.S. Competent Authority and the Japanese Competent Authority confirm a common meaning (as permitted by domestic law), is to have the meaning that it has at that time under the law of the country implementing this Statement, any meaning under the applicable tax laws of that country prevailing over a meaning given to the term under other laws of that country.

Section 2

Reporting and Exchange of Information

1. **Direction to Japanese Financial Institutions.** The Japanese Supervisory Authorities are committed to direct and enable all Reporting Japanese Financial Institutions to:

- (a) register with the IRS by January 1, 2014, and implement the requirements of an FFI Agreement;
- (b) with respect to Preexisting Accounts identified as U.S. Accounts,
 - (i) request from each Account Holder the Account Holder’s U.S. TIN and consent to report; and
 - (ii) report annually to the IRS, in the time and manner consistent with the requirements of an FFI Agreement and relevant U.S. Treasury Regulations,

the aggregate information required with respect to Non-Consenting U.S. Accounts;

- (c) with respect to accounts of, or obligations to, Nonparticipating Financial Institutions that exist as of December 31, 2013, and in connection with which the Reporting Japanese Financial Institution expects to pay a Foreign Reportable Amount,
 - (i) with respect to calendar years 2015 and 2016, request from each such Nonparticipating Financial Institution consent to report;
 - (ii) with respect to calendar years 2015 and 2016, report to the IRS the number of non-consenting Nonparticipating Financial Institutions to which Foreign Reportable Amounts were paid during the year and the aggregate value of all such payments no later than March 15 of the year following the year to which the information relates;
- (d) with respect to New Accounts identified as U.S. Accounts, obtain from each Account Holder consent to report, consistent with the requirements of an FFI Agreement, as a condition of account opening; and
- (e) with respect to new accounts opened by, or obligations entered into with, a Nonparticipating Financial Institution on or after January 1, 2014, and in connection with which the Reporting Japanese Financial Institution expects to pay a Foreign Reportable Amount, obtain from each such Nonparticipating Financial Institution consent to report, consistent with the requirements of an FFI Agreement, as a condition of opening the account, or entering into the obligation.

2. **Exchange of Information.**

- (a) In the context of FATCA implementation, the U.S. Competent Authority may make group requests to the Japanese Competent Authority based on the aggregate information reported to the IRS pursuant to the direction described in subparagraphs 1(b)(ii) and 1(c)(ii) of this Section, for the information about Non-Consenting U.S. Accounts and Foreign Reportable Amounts paid to Nonparticipating Financial Institutions that the Reporting Japanese Financial Institution would have had to report under the requirements of an FFI Agreement had it obtained consent. It is expected that such requests be made pursuant to Article 26 of the Convention and apply to information for the time period beginning on or after the date of commencement of this Statement.
- (b) The information requested pursuant to subparagraph 2(a) of this Section would be considered information that may be relevant for carrying out the administration or enforcement of the domestic laws of the United States concerning taxes covered by the Convention and under which taxation is not contrary to the Convention, without regard to whether the Reporting Japanese Financial Institution or another party has contributed to non-compliance of the taxpayers in the group.

- (c) The Japanese Competent Authority should, within 6 months of the receipt of a group request from the U.S. Competent Authority for the information described in subparagraph 2(a) of this Section, exchange such requested information with the U.S. Competent Authority in the same format in which the information would have been reported if it had been reported directly to the IRS by the Reporting Japanese Financial Institution. The Japanese Competent Authority should notify the U.S. Competent Authority and the relevant Reporting Japanese Financial Institution if there will be any delay in the exchange of the requested information. In such case, the Japanese Competent Authority would exchange the requested information with the U.S. Competent Authority as soon as possible.
- (d) Notwithstanding subparagraph 2(c) of this Section, the Japanese Competent Authority is not expected to obtain and exchange the U.S. TIN of the Account Holder of a Non-Consenting U.S. Account if such U.S. TIN is not in the records of the Reporting Japanese Financial Institution. In such a case, the Japanese Competent Authority should obtain and include in the exchanged information the date of birth of the relevant person, if the Reporting Japanese Financial Institution has such date of birth in its records.

3. The information exchanged between the Competent Authorities of both countries in line with this Section would be subject to the confidentiality and other protections provided for in the Convention, including the provisions limiting the use of the information exchanged.

Section 3

Application of FATCA to Japanese Financial Institutions

1. **Treatment of Reporting Japanese Financial Institutions.** Except as described in paragraph 2 of Section 4 of this Statement, each Reporting Japanese Financial Institution that registers and implements the requirements of an FFI Agreement should be treated as complying with the requirements of, and as not subject to withholding under, section 1471 of the U.S. Internal Revenue Code.

2. **Suspension of Rules Relating to Non-Consenting U.S. Accounts.**

- (a) Except as described in subparagraph 2(b) of this Section, the United States should not require a Reporting Japanese Financial Institution to withhold tax under section 1471 or 1472 of the U.S. Internal Revenue Code with respect to an account held by a recalcitrant account holder (as defined in section 1471(d)(6) of the U.S. Internal Revenue Code), or to close such account, if:
 - (i) the Reporting Japanese Financial Institution complies with the directions in paragraph 1 of Section 2 of this Statement with respect to the account; and
 - (ii) the Japanese Competent Authority exchanges with the U.S. Competent

Authority the requested information described in subparagraph 2(a) of Section 2 of this Statement within 6 months from the date of the receipt of such request.

- (b) If the condition of subparagraph 2(a)(ii) of this Section is not fulfilled, unless otherwise confirmed between the Competent Authorities, the U.S. Competent Authority may determine that there is significant non-compliance with respect to a Reporting Japanese Financial Institution with the requirements of an FFI Agreement or the conditions of this Statement, as described in paragraph 2 of Section 4 of this Statement, beginning on the date that is 6 months after the date of the receipt of the request described in subparagraph 2(a) of Section 2 of this Statement, and, notwithstanding subparagraph 2(b) of Section 4 of this Statement, may treat the Reporting Japanese Financial Institution as a Nonparticipating Financial Institution beginning 3 months after the date of such determination of significant non-compliance and ending on the date on which the Japanese Competent Authority exchanges the requested information with the U.S. Competent Authority.

3. **Specific Treatment of Retirement Plans.** The United States should treat as exempt beneficial owners or deemed-compliant FFIs, as appropriate, for purposes of sections 1471 and 1472 of the U.S. Internal Revenue Code Japanese retirement plans established or located in, and regulated by, Japan and described in Annex II. For this purpose, a Japanese retirement plan includes an Entity established or located in, and regulated by Japan, or a predetermined contractual or legal arrangement operated to provide pension or retirement benefits or earn income for providing such benefits under the laws of Japan and regulated with respect to contributions, distributions, reporting, sponsorship, and taxation.

4. **Identification and Treatment of Other Deemed Compliant FFIs and Exempt Beneficial Owners.** The United States should treat each other Non-Reporting Japanese Financial Institution as a deemed-compliant FFI or as an exempt beneficial owner, as appropriate, for purposes of section 1471 of the U.S. Internal Revenue Code.

5. **Special Rules Regarding Related Entities and Branches That Are Nonparticipating Financial Institutions.** If a Japanese Financial Institution that otherwise meets the conditions described in Section 2 of this Statement or is described in paragraph 3 or 4 of this Section has a Related Entity or branch that operates in a jurisdiction that prevents such Related Entity or branch from fulfilling the requirements of a participating FFI or deemed-compliant FFI for purposes of section 1471 of the U.S. Internal Revenue Code, such Japanese Financial Institution should continue to be treated as a participating FFI, deemed-compliant FFI, or exempt beneficial owner, as appropriate, for purposes of section 1471 of the U.S. Internal Revenue Code, provided that:

- (a) The Japanese Financial Institution treats each such Related Entity or branch as a separate Nonparticipating Financial Institution, and each such branch or Related Entity identifies itself to withholding agents as a Nonparticipating Financial Institution;

- (b) Each such Related Entity or branch identifies its U.S. accounts and reports to the IRS the information with respect to those accounts as required under section 1471 of the U.S. Internal Revenue Code to the extent permitted under the relevant laws pertaining to the Related Entity or branch; and
- (c) Such Related Entity or branch does not specifically solicit U.S. accounts held by persons that are not resident in the jurisdiction where such Related Entity or branch is located or accounts held by Nonparticipating Financial Institutions that are not established in the jurisdiction where such branch or Related Entity is located, and such Related Entity or branch is not used by the Japanese Financial Institution or any other Related Entity to circumvent the conditions of this Statement or the requirements of section 1471 of the U.S. Internal Revenue Code, as appropriate.

6. **Coordination of Definitions with U.S. Treasury Regulations.** Notwithstanding Section 1 of this Statement and the definitions described in the Annexes to this Statement, in implementing this Statement, the Authorities of Japan may use, and may permit Japanese Financial Institutions to use, a definition in relevant U.S. Treasury Regulations in lieu of a corresponding definition in this Agreement, but should not do so where such application would frustrate the purposes of this Statement.

Section 4 Verification and Enforcement

1. **Minor and Administrative Errors.** The IRS may contact a Reporting Japanese Financial Institution where it has reason to believe that administrative errors or other minor errors may have led to incorrect or incomplete information reporting or resulted in other infringements of the requirements of an FFI Agreement.
2. **Significant Non-Compliance.**
 - (a) The IRS may notify the Financial Services Agency of Japan, which serves as a central contact point of the Japanese Supervisory Authorities on this issue, when the IRS has determined that there is significant non-compliance with the requirements of an FFI Agreement or the conditions of this Statement with respect to a Reporting Japanese Financial Institution. The Japanese Supervisory Authorities should apply their official guidance to address the significant non-compliance.
 - (b) If the non-compliance is not resolved within a period of 12 months after notification of significant non-compliance is first provided by the IRS, the United States may treat the Reporting Japanese Financial Institution as a Nonparticipating Financial Institution.
3. **Competent Authority Mutual Agreement.** The Competent Authorities of Japan and the United States may enter into an agreement under the mutual agreement procedure provided

for in Article 25 of the Convention to:

- (a) Establish the procedures for the exchange of information described in paragraph 2 of Section 2 of this Statement; and
 - (b) Prescribe rules and procedures as may be necessary to implement this Section.
4. **Reliance on Third Party Service Providers.** Consistent with the requirements of an FFI Agreement and relevant U.S. Treasury Regulations, Reporting Japanese Financial Institutions may use third party service providers to fulfill the requirements of an FFI Agreement, but these requirements would remain the responsibility of the Reporting Japanese Financial Institutions.

Section 5

Mutual Commitment to Continue to Enhance the Effectiveness of Information Exchange and Transparency

1. **Treatment of Passthru Payments and Gross Proceeds.** The Participants are committed to work together, along with Partner Jurisdictions, to develop a practical and effective alternative approach to achieve the policy objectives of foreign passthru payment and gross proceeds withholding that minimizes burden.
2. **Development of Common Reporting and Exchange Model.** The Participants are committed to working with Partner Jurisdictions and the Organisation for Economic Co-operation and Development on adapting the terms of this Statement and of agreements between the United States and Partner Jurisdictions to a common model for automatic exchange of information, including the development of reporting and due diligence standards for financial institutions.

Section 6

Consistency in the Application of FATCA to Partner Jurisdictions

1. The Authorities of Japan and Japanese Financial Institutions should be granted the benefit of any more favorable treatment under Section 3 or Annex I of this Statement relating to the application of FATCA to Japanese Financial Institutions afforded to another Partner Jurisdiction under a bilateral arrangement or agreement pursuant to which the other Partner Jurisdiction implements the same duties as the Authorities of Japan and Japanese Financial Institutions described in Section 2 of this Statement consistently with the same terms and conditions as described therein and in Sections 4, 6, 8, and 9 of this Statement.
2. The IRS should notify the Ministry of Finance of Japan of any such more favorable treatment, and such more favorable treatment should be implemented automatically under this Statement as if it were specified in this Statement and implemented as of the date of commencement of the arrangement or agreement incorporating the more favorable treatment, unless the Ministry of Finance of Japan declines the implementation thereof after consulting with other members of the Authorities of Japan.

Section 7 Reciprocal Information Exchange

Consistent with its obligations under the Convention, the United States should continue to cooperate with the Japanese Competent Authority to respond to requests pursuant to the Convention to collect and exchange information on accounts held in U.S. financial institutions by residents of Japan.

Section 8 Consultations and Modifications

1. In case any difficulties in the implementation or interpretation of this Statement arise, either Participant may request consultations to develop appropriate measures to ensure the fulfillment of this Statement.
2. This Statement may be modified by written mutual consent of the Participants.

Section 9 Annexes

The Annexes form an integral part of this Statement. Annex I describes the due diligence procedures that the Authorities of Japan intend to direct Reporting Japanese Financial Institutions to apply in order to identify U.S. Accounts and accounts held by Nonparticipating Financial Institutions in a manner that complies with the requirements of section 1471 of the U.S. Internal Revenue Code. Annex II describes entities that for purposes of relevant U.S. Treasury Regulations are exempt beneficial owners or deemed-compliant FFIs, as the case may be, and accounts that are excluded from the definition of Financial Accounts.

Section 10 Term of Statement

1. This Statement starts to be implemented on June 11, 2013.
2. Either Participant may discontinue this Statement at any time, but should endeavor to give 12 months' notice of its intent to discontinue in writing to the other Participant.
3. The Participants may, prior to December 31, 2016, consult in good faith to modify this Statement as necessary to reflect progress on the commitments described in Section 5 of this Statement.
4. This Statement is to be implemented consistently with existing laws in force in each country and should not be interpreted to create any legal obligations.

Annexes

Annex I Due Diligence

Annex II Non Reporting Japanese Financial Institutions and Excluded Accounts

ANNEX I

DUE DILIGENCE PROCEDURES FOR IDENTIFYING AND REPORTING ON U.S. ACCOUNTS AND ON PAYMENTS TO CERTAIN NONPARTICIPATING FINANCIAL INSTITUTIONS

This Annex I describes the due diligence procedures that the Authorities of Japan intend to direct Reporting Japanese Financial Institutions to apply in order to identify U.S. Account and accounts held by Nonparticipating Financial Institutions in a manner that complies with the requirements of section 1471 of the U.S. Internal Revenue Code.

I. General.

A. Reporting Japanese Financial Institutions must identify U.S. Accounts and accounts held by Nonparticipating Financial Institutions in accordance with the due diligence procedures contained in this Annex I in order to be treated as complying with the requirements of section 1471 of the U.S. Internal Revenue Code.

B. For purposes of the Statement,

1. All dollar amounts are in U.S. dollars and include the equivalent in other currencies.

2. The balance or value of an account is determined as of the last day of the calendar year, or in the case of a Cash Value Insurance Contract or an Annuity Contract, as of the last day of the calendar year or the most recent contract anniversary date.

3. Subject to subparagraph E(1) of section II of this Annex I, an account is treated as a U.S. Account beginning as of the date it is identified as such pursuant to the due diligence procedures in this Annex I.

4. Unless otherwise provided, information with respect to a U.S. Account must be reported annually in the calendar year following the year to which the information relates.

C. As an alternative to the procedures described in each section of this Annex I, Reporting Japanese Financial Institutions may rely on the procedures described in relevant U.S. Treasury Regulations to establish whether an account is a U.S. Account or an account held by a Nonparticipating Financial Institution, except that if an account is treated as held by a recalcitrant account holder under procedures described in relevant U.S. Treasury Regulations, such account is to be treated as a U.S. Account for purposes of this Statement. Reporting Japanese Financial Institutions may make such election separately for each section of this Annex I either with respect to all relevant Financial Accounts or, separately, with respect to any clearly identified group of such accounts (such as by line of business or the location of where the account is maintained). Except as otherwise provided in an FFI Agreement, once a Reporting Japanese Financial Institution has chosen to rely on the procedures in relevant U.S. Treasury Regulations with respect to any group of accounts, such Reporting Japanese Financial Institution must continue to apply such procedures consistently in all

subsequent years, unless there has been a material modification to relevant U.S. Treasury Regulations.

II. **Preexisting Individual Accounts.** The following rules and procedures apply for purposes of identifying U.S. Accounts among Preexisting Accounts held by individuals (“Preexisting Individual Accounts”).

A. **Accounts Not Required to Be Reviewed, Identified, or Reported.** Unless the Reporting Japanese Financial Institution elects otherwise, either with respect to all Preexisting Individual Accounts or, separately, with respect to any clearly identified group of such accounts, the following Preexisting Individual Accounts are not required to be reviewed, identified, or reported as U.S. Accounts:

1. Subject to subparagraph E(2) of this section, a Preexisting Individual Account with a balance or value that does not exceed \$50,000 as of December 31, 2013.
2. Subject to subparagraph E(2) of this section, a Preexisting Individual Account that is a Cash Value Insurance Contract or an Annuity Contract with a balance or value of \$250,000 or less as of December 31, 2013.
3. A Preexisting Individual Account that is a Cash Value Insurance Contract or an Annuity Contract, provided the law or regulations of Japan or the United States effectively prevent the sale of such a Cash Value Insurance Contract or an Annuity Contract to U.S. residents (*e.g.*, if the relevant Financial Institution does not have the required registration under U.S. law, and the law of Japan requires reporting or withholding with respect to insurance products held by residents of Japan).
4. A Depository Account with a balance of \$50,000 or less.

B. **Review Procedures for Preexisting Individual Accounts With a Balance or Value as of December 31, 2013, that Exceeds \$50,000 (\$250,000 for a Cash Value Insurance Contract or Annuity Contract), But Does Not Exceed \$1,000,000 (“Lower Value Accounts”).**

1. **Electronic Record Search.** The Reporting Japanese Financial Institution must review electronically searchable data maintained by the Reporting Japanese Financial Institution for any of the following U.S. indicia:
 - a) Identification of the Account Holder as a U.S. citizen or resident;
 - b) Unambiguous indication of a U.S. place of birth;
 - c) Current U.S. mailing or residence address (including a U.S. post office box);
 - d) Current U.S. telephone number;

e) Standing instructions to transfer funds to an account maintained in the United States;

f) Currently effective power of attorney or signatory authority granted to a person with a U.S. address; or

g) An “in-care-of” or “hold mail” address that is the *sole* address the Reporting Japanese Financial Institution has on file for the Account Holder. In the case of a Preexisting Individual Account that is a Lower Value Account, an “in-care-of” address outside the United States or “hold mail” address shall not be treated as U.S. indicia.

2. If none of the U.S. indicia listed in subparagraph B(1) of this section are discovered in the electronic search, then no further action is required until there is a change in circumstances that results in one or more U.S. indicia being associated with the account, or the account becomes a High Value Account described in paragraph D of this section.

3. If any of the U.S. indicia listed in subparagraph B(1) of this section are discovered in the electronic search, or if there is a change in circumstances that results in one or more U.S. indicia being associated with the account, then the Reporting Japanese Financial Institution must treat the account as a U.S. Account unless it elects to apply subparagraph B(4) of this section and one of the exceptions in such subparagraph applies with respect to that account.

4. Notwithstanding a finding of U.S. indicia under subparagraph B(1) of this section, a Reporting Japanese Financial Institution is not required to treat an account as a U.S. Account if:

a) Where the Account Holder information unambiguously indicates a *U.S. place of birth*, the Reporting Japanese Financial Institution obtains, or has previously reviewed and maintains a record of:

(1) A self-certification that the Account Holder is neither a U.S. citizen nor a U.S. resident for tax purposes (which may be on an IRS Form W-8 or other similar agreed form);

(2) A non-U.S. passport or other government-issued identification evidencing the Account Holder’s citizenship or nationality in a country other than the United States; *and*

(3) A copy of the Account Holder’s Certificate of Loss of Nationality of the United States or a reasonable explanation of:

(a) The reason the Account Holder does not have such a certificate despite relinquishing U.S. citizenship; *or*

(b) The reason the Account Holder did not obtain U.S. citizenship at birth.

b) Where the Account Holder information contains a ***current U.S. mailing or residence address, or one or more U.S. telephone numbers that are the only telephone numbers associated with the account***, the Reporting Japanese Financial Institution obtains, or has previously reviewed and maintains a record of:

(1) A self-certification that the Account Holder is neither a U.S. citizen nor a U.S. resident for tax purposes (which may be on an IRS Form W-8 or other similar agreed form); ***and***

(2) Documentary evidence, as defined in paragraph D of section VI of this Annex I, establishing the Account Holder's non-U.S. status.

c) Where the Account Holder information contains ***standing instructions to transfer funds to an account maintained in the United States***, the Reporting Japanese Financial Institution obtains, or has previously reviewed and maintains a record of:

(1) A self-certification that the Account Holder is neither a U.S. citizen nor a U.S. resident for tax purposes (which may be on an IRS Form W-8 or other similar agreed form); ***and***

(2) Documentary evidence, as defined in paragraph D of section VI of this Annex I, establishing the Account Holder's non-U.S. status.

d) Where the Account Holder information contains ***a currently effective power of attorney or signatory authority granted to a person with a U.S. address, has an "in-care-of" address or "hold mail" address that is the sole address identified for the Account Holder, or has one or more U.S. telephone numbers (if a non-U.S. telephone number is also associated with the account)***, the Reporting Japanese Financial Institution obtains, or has previously reviewed and maintains a record of:

(1) A self-certification that the Account Holder is neither a U.S. citizen nor a U.S. resident for tax purposes (which may be on an IRS Form W-8 or other similar agreed form); ***or***

(2) Documentary evidence, as defined in paragraph D of section VI of this Annex I, establishing the Account Holder's non-U.S. status.

C. Additional Procedures Applicable to Preexisting Individual Accounts That Are Lower Value Accounts.

1. Review of Preexisting Individual Accounts that are Lower Value Accounts for U.S. indicia must be completed by December 31, 2015.
2. If there is a change of circumstances with respect to a Preexisting

Individual Account that is a Lower Value Account that results in one or more U.S. indicia described in subparagraph B(1) of this section being associated with the account, then the Reporting Japanese Financial Institution must treat the account as a U.S. Account unless subparagraph B(4) of this section applies.

3. Except for Depository Accounts described in subparagraph A(4) of this section, any Preexisting Individual Account that has been identified as a U.S. Account under this section shall be treated as a U.S. Account in all subsequent years, unless the Account Holder ceases to be a Specified U.S. Person.

D. Enhanced Review Procedures for Preexisting Individual Accounts With a Balance or Value That Exceeds \$1,000,000 as of December 31, 2013, or December 31 of Any Subsequent Year (“High Value Accounts”).

1. **Electronic Record Search.** The Reporting Japanese Financial Institution must review electronically searchable data maintained by the Reporting Japanese Financial Institution for any of the U.S. indicia described in subparagraph B(1) of this section.

2. **Paper Record Search.** If the Reporting Japanese Financial Institution’s electronically searchable databases include fields for, and capture all of the information described in, subparagraph D(3) of this section, then no further paper record search is required. If the electronic databases do not capture all of this information, then with respect to a High Value Account, the Reporting Japanese Financial Institution must also review the current customer master file and, to the extent not contained in the current customer master file, the following documents associated with the account and obtained by the Reporting Japanese Financial Institution within the last five years for any of the U.S. indicia described in subparagraph B(1) of this section:

- a) The most recent documentary evidence collected with respect to the account;
- b) The most recent account opening contract or documentation;
- c) The most recent documentation obtained by the Reporting Japanese Financial Institution pursuant to AML/KYC Procedures or for other regulatory purposes;
- d) Any power of attorney or signature authority forms currently in effect; and
- e) Any standing instructions to transfer funds currently in effect.

3. **Exception Where Databases Contain Sufficient Information.** A Reporting Japanese Financial Institution is not required to perform the paper record search described in subparagraph D(2) of this section if the Reporting Japanese Financial Institution’s electronically searchable information includes the following:

- a) The Account Holder's nationality or residence status;
- b) The Account Holder's residence address and mailing address currently on file with the Reporting Japanese Financial Institution;
- c) The Account Holder's telephone number(s) currently on file, if any, with the Reporting Japanese Financial Institution;
- d) Whether there are standing instructions to transfer funds in the account to another account (including an account at another branch of the Reporting Japanese Financial Institution or another Financial Institution);
- e) Whether there is a current "in-care-of" address or "hold mail" address for the Account Holder; *and*
- f) Whether there is any power of attorney or signatory authority for the account.

4. **Relationship Manager Inquiry for Actual Knowledge.** In addition to the electronic and paper record searches described above, the Reporting Japanese Financial Institution must treat as a U.S. Account any High Value Account assigned to a relationship manager (including any Financial Accounts aggregated with such High Value Account) if the relationship manager has actual knowledge that the Account Holder is a Specified U.S. Person.

5. **Effect of Finding U.S. Indicia.**

- a) If none of the U.S. indicia listed in subparagraph B(1) of this section are discovered in the enhanced review of High Value Accounts described above, and the account is not identified as held by a Specified U.S. Person in subparagraph D(4) of this section, then no further action is required until there is a change in circumstances that results in one or more U.S. indicia being associated with the account.
- b) If any of the U.S. indicia listed in subparagraph B(1) of this section are discovered in the enhanced review of High Value Accounts described above, or if there is a subsequent change in circumstances that results in one or more U.S. indicia being associated with the account, then the Reporting Japanese Financial Institution must treat the account as a U.S. Account unless it elects to apply subparagraph B(4) of this section and one of the exceptions in such subparagraph applies with respect to that account.
- c) Except for Depository Accounts described in subparagraph A(4) of this section, any Preexisting Individual Account that has been identified as a U.S. Account under this section shall be treated as a U.S. Account in all subsequent years, unless the Account Holder ceases to be a Specified U.S. Person.

E. **Additional Procedures Applicable to High Value Accounts.**

1. If a Preexisting Individual Account is a High Value Account as of December 31, 2013, the Reporting Japanese Financial Institution must complete the enhanced review procedures described in paragraph D of this section with respect to such account by December 31, 2014. If based on this review such account is identified as a U.S. Account, the Reporting Japanese Financial Institution must report the required information about such account with respect to 2013 and 2014 in the first report on the account. For all subsequent years, information about the account must be reported on an annual basis.

2. If a Preexisting Individual Account is not a High Value Account as of December 31, 2013, but becomes a High Value Account as of the last day of a subsequent calendar year, the Reporting Japanese Financial Institution must complete the enhanced review procedures described in paragraph D of this section with respect to such account within six months after the last day of the calendar year in which the account becomes a High Value Account. If based on this review such account is identified as a U.S. Account, the Reporting Japanese Financial Institution must report the required information about such account with respect to the year in which it is identified as a U.S. Account and subsequent years on an annual basis, unless the Account Holder ceases to be a Specified U.S. Person.

3. Once a Reporting Japanese Financial Institution applies the enhanced review procedures described in paragraph D of this section to a High Value Account, the Reporting Japanese Financial Institution is not required to re-apply such procedures, other than the relationship manager inquiry described in subparagraph D(4) of this section, to the same High Value Account in any subsequent year.

4. If there is a change of circumstances with respect to a High Value Account that results in one or more U.S. indicia described in subparagraph B(1) of this section being associated with the account, then the Reporting Japanese Financial Institution must treat the account as a U.S. Account unless it elects to apply subparagraph B(4) of this section and one of the exceptions in such subparagraph applies with respect to that account.

5. A Reporting Japanese Financial Institution must implement procedures to ensure that a relationship manager identifies any change in circumstances of an account. For example, if a relationship manager is notified that the Account Holder has a new mailing address in the United States, the Reporting Japanese Financial Institution is required to treat the new address as a change in circumstances and, if it elects to apply subparagraph B(4) of this section, is required to obtain the appropriate documentation from the Account Holder.

F. **Preexisting Individual Accounts That Have Been Documented for Certain Other Purposes.** A Reporting Japanese Financial Institution that has previously obtained documentation from an Account Holder to establish the Account Holder's status as neither a U.S. citizen nor a U.S. resident in order to meet its obligations under

a qualified intermediary, withholding foreign partnership, or withholding foreign trust agreement with the IRS, or to fulfill its obligations under chapter 61 of Title 26 of the United States Code, is not required to perform the procedures described in subparagraph B(1) of this section with respect to Lower Value Accounts or subparagraphs D(1) through D(3) of this section with respect to High Value Accounts.

III. **New Individual Accounts.** The following rules and procedures apply for purposes of identifying U.S. Accounts among Financial Accounts held by individuals and opened on or after January 1, 2014 (“New Individual Accounts”).

A. **Accounts Not Required to Be Reviewed, Identified, or Reported.** Unless the Reporting Japanese Financial Institution elects otherwise, either with respect to all New Individual Accounts or, separately, with respect to any clearly identified group of such accounts, the following New Individual Accounts are not required to be reviewed, identified, or reported as U.S. Accounts:

1. A Depository Account unless the account balance exceeds \$50,000 at the end of any calendar year.
2. A Cash Value Insurance Contract unless the cash value exceeds \$50,000 at the end of any calendar year.

B. **Other New Individual Accounts.** With respect to New Individual Accounts not described in paragraph A of this section, upon account opening (or within 90 days after the end of the calendar year in which the account ceases to be described in paragraph A of this section), the Reporting Japanese Financial Institution must obtain a self-certification, which may be part of the account opening documentation, that allows the Reporting Japanese Financial Institution to determine whether the Account Holder is resident in the United States for tax purposes (for this purpose, a U.S. citizen is considered to be resident in the United States for tax purposes, even if the Account Holder is also a tax resident of another jurisdiction) and confirm the reasonableness of such self-certification based on the information obtained by the Reporting Japanese Financial Institution in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures.

1. If the self-certification establishes that the Account Holder is resident in the United States for tax purposes, the Reporting Japanese Financial Institution must treat the account as a U.S. Account and obtain a self-certification that includes the Account Holder’s U.S. TIN (which may be an IRS Form W-9 or other similar agreed form).
2. If there is a change of circumstances with respect to a New Individual Account that causes the Reporting Japanese Financial Institution to know, or have reason to know, that the original self-certification is incorrect or unreliable, the Reporting Japanese Financial Institution cannot rely on the original self-certification and must obtain a valid self-certification that establishes whether the Account Holder is a U.S. citizen or resident for U.S. tax purposes. If the Reporting Japanese Financial Institution is unable to obtain a valid self-certification, the Reporting Japanese Financial Institution must treat the account as a Non-Consenting U.S. Account.

IV. **Preexisting Entity Accounts.** The following rules and procedures apply for purposes of identifying U.S. Accounts and accounts held by Nonparticipating Financial Institutions among Preexisting Accounts held by Entities (“Preexisting Entity Accounts”).

A. **Entity Accounts Not Required to Be Reviewed, Identified, or Reported.**

Unless the Reporting Japanese Financial Institution elects otherwise, either with respect to all Preexisting Entity Accounts or, separately, with respect to any clearly identified group of such accounts, a Preexisting Entity Account with an account balance or value that does not exceed \$250,000 as of December 31, 2013, is not required to be reviewed, identified, or reported as a U.S. Account until the account balance or value exceeds \$1,000,000.

B. **Entity Accounts Subject to Review.** A Preexisting Entity Account that has an account balance or value that exceeds \$250,000 as of December 31, 2013, and a Preexisting Entity Account that initially does not exceed \$250,000 but the account balance or value of which later exceeds \$1,000,000, must be reviewed in accordance with the procedures set forth in paragraph D of this section.

C. **Entity Accounts With Respect to Which Reporting Is Required.** With respect to Preexisting Entity Accounts described in paragraph B of this section, only accounts that are held by one or more Entities that are Specified U.S. Persons, or by Passive NFFEs with one or more Controlling Persons who are U.S. citizens or residents, shall be treated as U.S. Accounts. In addition, accounts held by Nonparticipating Financial Institutions shall be treated as accounts for which aggregate payments are required to be reported under an FFI Agreement.

D. **Review Procedures for Identifying Entity Accounts With Respect to Which Reporting Is Required.** For Preexisting Entity Accounts described in paragraph B of this section, the Reporting Japanese Financial Institution must apply the following review procedures to determine whether the account is held by one or more Specified U.S. Persons, by Passive NFFEs with one or more Controlling Persons who are U.S. citizens or residents, or by Nonparticipating Financial Institutions:

1. **Determine Whether the Entity Is a Specified U.S. Person.**

a) Review information maintained for regulatory or customer relationship purposes (including information collected pursuant to AML/KYC Procedures) to determine whether the information indicates that the Account Holder is a U.S. Person. For this purpose, information indicating that the Account Holder is a U.S. Person includes a U.S. place of incorporation or organization, or a U.S. address.

b) If the information indicates that the Account Holder is a U.S. Person, the Reporting Japanese Financial Institution must treat the account as a U.S. Account unless it obtains a self-certification from the Account Holder (which may be on an IRS Form W-8 or W-9, or a similar agreed form), or reasonably determines based on information in its possession or that is publicly available, that the Account Holder is not a Specified U.S. Person.

2. **Determine Whether a Non-U.S. Entity Is a Financial Institution.**

a) Review information maintained for regulatory or customer relationship purposes (including information collected pursuant to AML/KYC Procedures) to determine whether the information indicates that the Account Holder is a Financial Institution.

b) If the information indicates that the Account Holder is a Financial Institution, or the Reporting Japanese Financial Institution verifies the Account Holder's Global Intermediary Identification Number on the published IRS FFI list, then the account is not a U.S. Account.

3. **Determine Whether a Financial Institution Is a Nonparticipating Financial Institution Payments to Which Are Subject to Aggregate Reporting Consistent with the Requirements of an FFI Agreement.**

a) Subject to subparagraph D(3)(b) of this section, a Reporting Japanese Financial Institution may determine that the Account Holder is a Japanese Financial Institution or other Partner Jurisdiction Financial Institution if the Reporting Japanese Financial Institution reasonably determines that the Account Holder has such status on the basis of the Account Holder's Global Intermediary Identification Number on the published IRS FFI list or other information that is publicly available or in the possession of the Reporting Japanese Financial Institution, as applicable. In such case, no further review, identification, or reporting is required with respect to the account.

b) If the Account Holder is a Japanese Financial Institution or other Partner Jurisdiction Financial Institution treated by the IRS as a Nonparticipating Financial Institution, then the account is not a U.S. Account, but payments to the Account Holder must be reported consistent with the requirements of an FFI Agreement.

c) If the Account Holder is not a Japanese Financial Institution or other Partner Jurisdiction Financial Institution, then the Reporting Japanese Financial Institution must treat the Account Holder as a Nonparticipating Financial Institution payments to which are reportable consistent with the requirements of an FFI Agreement, unless the Reporting Japanese Financial Institution:

(1) Obtains a self-certification (which may be on an IRS Form W-8 or similar agreed form) from the Account Holder that it is a certified deemed-compliant FFI, or an exempt beneficial owner, as those terms are defined in relevant U.S. Treasury Regulations; *or*

(2) In the case of a participating FFI or registered deemed-compliant FFI, verifies the Account Holder's Global Intermediary Identification Number on the published IRS FFI

list.

4. **Determine Whether an Account Held by an NFFE Is a U.S. Account.**

With respect to an Account Holder of a Preexisting Entity Account that is not identified as either a U.S. Person or a Financial Institution, the Reporting Japanese Financial Institution must identify (i) whether the Account Holder has Controlling Persons, (ii) whether the Account Holder is a Passive NFFE, and (iii) whether any of the Controlling Persons of the Account Holder is a U.S. citizen or resident. In making these determinations the Reporting Japanese Financial Institution must follow the guidance in subparagraphs D(4)(a) through D(4)(d) of this section in the order most appropriate under the circumstances.

a) For purposes of determining the Controlling Persons of an Account Holder, a Reporting Japanese Financial Institution may rely on information collected and maintained pursuant to AML/KYC Procedures.

b) For purposes of determining whether the Account Holder is a Passive NFFE, the Reporting Japanese Financial Institution must obtain a self-certification (which may be on an IRS Form W-8 or W-9, or on a similar agreed form) from the Account Holder to establish its status, unless it has information in its possession or that is publicly available, based on which it can reasonably determine that the Account Holder is an Active NFFE.

c) For purposes of determining whether a Controlling Person of a Passive NFFE is a U.S. citizen or resident for tax purposes, a Reporting Japanese Financial Institution may rely on:

(1) Information collected and maintained pursuant to AML/KYC Procedures in the case of a Preexisting Entity Account held by one or more NFFEs with an account balance or value that does not exceed \$1,000,000; *or*

(2) A self-certification (which may be on an IRS Form W-8 or W-9, or on a similar agreed form) from the Account Holder or such Controlling Person in the case of a Preexisting Entity Account held by one or more NFFEs with an account balance or value that exceeds \$1,000,000.

d) If any Controlling Person of a Passive NFFE is a U.S. citizen or resident, the account shall be treated as a U.S. Account.

E. **Timing of Review and Additional Procedures Applicable to Preexisting Entity Accounts.**

1. Review of Preexisting Entity Accounts with an account balance or value that exceeds \$250,000 as of December 31, 2013 must be completed by December 31, 2015.

2. Review of Preexisting Entity Accounts with an account balance or value that does not exceed \$250,000 as of December 31, 2013, but exceeds \$1,000,000 as of December 31 of a subsequent year, must be completed within six months after the last day of the calendar year in which the account balance or value exceeds \$1,000,000.

3. If there is a change of circumstances with respect to a Preexisting Entity Account that causes the Reporting Japanese Financial Institution to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting Japanese Financial Institution must redetermine the status of the account in accordance with the procedures set forth in paragraph D of this section.

V. **New Entity Accounts.** The following rules and procedures apply for purposes of identifying U.S. Accounts and accounts held by Nonparticipating Financial Institutions among Financial Accounts held by Entities and opened on or after January 1, 2014 (“New Entity Accounts”).

A. **Entity Accounts Not Required to Be Reviewed, Identified or Reported.**

Unless the Reporting Japanese Financial Institution elects otherwise, either with respect to all New Entity Accounts or, separately, with respect to any clearly identified group of such accounts, a credit card account or revolving credit facility treated as a New Entity Account is not required to be reviewed, identified, or reported, provided that the Reporting Japanese Financial Institution maintaining such account implements policies and procedures to prevent an account balance owed to the Account Holder that exceeds \$50,000.

B. **Other New Entity Accounts.** With respect to New Entity Accounts not described in paragraph A of this section, the Reporting Japanese Financial Institution must determine whether the Account Holder is: (i) a Specified U.S. Person; (ii) a Japanese Financial Institution or other Partner Jurisdiction Financial Institution; (iii) a participating FFI, a deemed-compliant FFI, or an exempt beneficial owner, as those terms are defined in relevant U.S. Treasury Regulations; or (iv) an Active NFFE or Passive NFFE.

1. Subject to subparagraph B(2) of this section, a Reporting Japanese Financial Institution may determine that the Account Holder is an Active NFFE, a Japanese Financial Institution, or other Partner Jurisdiction Financial Institution if the Reporting Japanese Financial Institution reasonably determines that the Account Holder has such status on the basis of the Account Holder’s Global Intermediary Identification Number or other information that is publicly available or in the possession of the Reporting Japanese Financial Institution, as applicable.

2. If the Account Holder is a Japanese Financial Institution or other Partner Jurisdiction Financial Institution treated by the IRS as a Nonparticipating Financial Institution, then the account is not a U.S. Account, but payments to the Account Holder must be reported consistent with the requirements of an FFI Agreement.

3. In all other cases, a Reporting Japanese Financial Institution must obtain a self-certification from the Account Holder to establish the Account Holder's status. Based on the self-certification, the following rules apply:

a) If the Account Holder is *a Specified U.S. Person*, the Reporting Japanese Financial Institution must treat the account as a U.S. Account.

b) If the Account Holder is *a Passive NFFE*, the Reporting Japanese Financial Institution must identify the Controlling Persons as determined under AML/KYC Procedures, and must determine whether any such person is a U.S. citizen or resident on the basis of a self-certification from the Account Holder or such person. If any such person is a U.S. citizen or resident, the Reporting Japanese Financial Institution must treat the account as a U.S. Account.

c) If the Account Holder is: (i) a U.S. Person that is not a Specified U.S. Person; (ii) subject to subparagraph B(3)(d) of this section, a Japanese Financial Institution or other Partner Jurisdiction Financial Institution; (iii) a participating FFI, a deemed-compliant FFI, or an exempt beneficial owner, as those terms are defined in relevant U.S. Treasury Regulations; (iv) an Active NFFE; or (v) a Passive NFFE none of the Controlling Persons of which is a U.S. citizen or resident, then the account is not a U.S. Account, and no reporting is required with respect to the account.

d) If the Account Holder is a Nonparticipating Financial Institution (including a Japanese Financial Institution or other Partner Jurisdiction Financial Institution treated by the IRS as a Nonparticipating Financial Institution), then the account is not a U.S. Account, but payments to the Account Holder must be reported consistent with the requirements of an FFI Agreement.

VI. **Special Rules and Definitions.** The following additional rules and definitions apply in implementing the due diligence procedures described above:

A. **Reliance on Self-Certifications and Documentary Evidence.** A Reporting Japanese Financial Institution may not rely on a self-certification or documentary evidence if the Reporting Japanese Financial Institution knows or has reason to know that the self-certification or documentary evidence is incorrect or unreliable.

B. **Definitions.** The following definitions apply for purposes of this Annex I.

1. **AML/KYC Procedures.** "AML/KYC Procedures" means the customer due diligence procedures of a Reporting Japanese Financial Institution pursuant to the anti-money laundering or similar requirements of Japan to which such Reporting Japanese Financial Institution is subject.

2. **NFFE.** An "NFFE" means any Non-U.S. Entity that is not an FFI as defined in relevant U.S. Treasury Regulations or is an Entity described in

subparagraph B(4)(j) of this section, and also includes any Non-U.S. Entity that is established in Japan or another Partner Jurisdiction and that is not a Financial Institution.

3. **Passive NFFE.** A “Passive NFFE” means any NFFE that is not (i) an Active NFFE, or (ii) a withholding foreign partnership or withholding foreign trust pursuant to relevant U.S. Treasury Regulations.

4. **Active NFFE.** An “Active NFFE” means any NFFE that meets any of the following criteria:

- a) Less than 50 percent of the NFFE’s gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50 percent of the assets held by the NFFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income;
- b) The stock of the NFFE is regularly traded on an established securities market or the NFFE is a Related Entity of an Entity the stock of which is traded on an established securities market;
- c) The NFFE is organized in a U.S. Territory and all of the owners of the payee are bona fide residents of that U.S. Territory;
- d) The NFFE is a government (other than the U.S. government), a political subdivision of such government (which, for the avoidance of doubt, includes a state, province, county, or municipality), or a public body performing a function of such government or a political subdivision thereof, a government of a U.S. Territory, an international organization, a non-U.S. central bank of issue, or an Entity wholly owned by one or more of the foregoing;
- e) Substantially all of the activities of the NFFE consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, except that an NFFE shall not qualify for this status if the NFFE functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;
- f) The NFFE is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a Financial Institution, provided that the NFFE shall not qualify for this exception after the date that is 24 months after the date of the initial organization of the NFFE;
- g) The NFFE was not a Financial Institution in the past five years, and is in the process of liquidating its assets or is reorganizing with the

intent to continue or recommence operations in a business other than that of a Financial Institution;

h) The NFFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not Financial Institutions, and does not provide financing or hedging services to any Entity that is not a Related Entity, provided that the group of any such Related Entities is primarily engaged in a business other than that of a Financial Institution;

i) The NFFE is an “excepted NFFE” as described in relevant U.S. Treasury Regulations; *or*

j) The NFFE meets all of the following requirements:

i. It is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its jurisdiction of residence and it is a professional organization, business league, chamber of commerce, labor organization, agricultural or horticultural organization, civic league or an organization operated exclusively for the promotion of social welfare;

ii. It is exempt from income tax in its jurisdiction of residence;

iii. It has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

iv. The applicable laws of the NFFE’s jurisdiction of residence or the NFFE’s formation documents do not permit any income or assets of the NFFE to be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than pursuant to the conduct of the NFFE’s charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the NFFE has purchased; *and*

v. The applicable laws of the NFFE’s jurisdiction of residence or the NFFE’s formation documents require that, upon the NFFE’s liquidation or dissolution, all of its assets be distributed to a governmental entity or other non-profit organization, or escheat to the government of the NFFE’s jurisdiction of residence or any political subdivision thereof.

C. **Account Balance Aggregation and Currency Translation Rules.**

1. **Aggregation of Individual Accounts.** For purposes of determining the aggregate balance or value of Financial Accounts held by an individual, a

Reporting Japanese Financial Institution is required to aggregate all Financial Accounts maintained by the Reporting Japanese Financial Institution, or by a Related Entity, but only to the extent that the Reporting Japanese Financial Institution's computerized systems link the Financial Accounts by reference to a data element such as client number or taxpayer identification number, and allow account balances or values to be aggregated. Each holder of a jointly held Financial Account shall be attributed the entire balance or value of the jointly held Financial Account for purposes of applying the aggregation requirements described in this paragraph 1.

2. **Aggregation of Entity Accounts.** For purposes of determining the aggregate balance or value of Financial Accounts held by an Entity, a Reporting Japanese Financial Institution is required to take into account all Financial Accounts that are maintained by the Reporting Japanese Financial Institution, or by a Related Entity, but only to the extent that the Reporting Japanese Financial Institution's computerized systems link the Financial Accounts by reference to a data element such as client number or taxpayer identification number, and allow account balances or values to be aggregated.

3. **Special Aggregation Rule Applicable to Relationship Managers.** For purposes of determining the aggregate balance or value of Financial Accounts held by a person to determine whether a Financial Account is a High Value Account, a Reporting Japanese Financial Institution is also required, in the case of any Financial Accounts that a relationship manager knows, or has reason to know, are directly or indirectly owned, controlled, or established (other than in a fiduciary capacity) by the same person, to aggregate all such accounts.

4. **Currency Translation Rule.** For purposes of determining the balance or value of Financial Accounts denominated in a currency other than the U.S. dollar, a Reporting Japanese Financial Institution must convert the U.S. dollar threshold amounts described in this Annex I into such currency using a published spot rate determined as of the last day of the calendar year preceding the year in which the Reporting Japanese Financial Institution is determining the balance or value.

D. **Documentary Evidence.** For purposes of this Annex I, acceptable documentary evidence includes any of the following:

1. A certificate of residence issued by an authorized government body (for example, a government or agency thereof, or a municipality) of the jurisdiction in which the payee claims to be a resident.

2. With respect to an individual, any valid identification issued by an authorized government body (for example, a government or agency thereof, or a municipality), that includes the individual's name and is typically used for identification purposes.

3. With respect to an Entity, any official documentation issued by an authorized government body (for example, a government or agency thereof, or a municipality) that includes the name of the Entity and either the address of its

principal office in the jurisdiction (or U.S. Territory) in which it claims to be a resident or the jurisdiction (or U.S. Territory) in which the Entity was incorporated or organized.

4. With respect to a Financial Account maintained in a jurisdiction with anti-money laundering rules that have been approved by the IRS in connection with a QI agreement (as described in relevant U.S. Treasury Regulations), any of the documents, other than a Form W-8 or W-9, referenced in the jurisdiction's attachment to the QI agreement for identifying individuals or Entities.

5. Any financial statement, third-party credit report, bankruptcy filing, or U.S. Securities and Exchange Commission report.

E. **Alternative Procedures for Financial Accounts Held by Individual Beneficiaries of a Cash Value Insurance Contract.** A Reporting Japanese Financial Institution may presume that an individual beneficiary (other than the owner) of a Cash Value Insurance Contract receiving a death benefit is not a Specified U.S. Person and may treat such Financial Account as other than a U.S. Account unless the Reporting Japanese Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Specified U.S. Person. A Reporting Japanese Financial Institution has reason to know that a beneficiary of a Cash Value Insurance Contract is a Specified U.S. Person if the information collected by the Reporting Japanese Financial Institution and associated with the beneficiary contains U.S. indicia as described in subparagraph (B)(1) of section II of this Annex I. If a Reporting Japanese Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Specified U.S. Person, the Reporting Japanese Financial Institution must follow the procedures in subparagraph B(3) of section II of this Annex I.

F. **Reliance on Third Parties.** Regardless of whether an election is made under paragraph C of section I of this Annex I, Reporting Japanese Financial Institutions may rely on due diligence procedures performed by third parties, to the extent provided in an FFI Agreement and relevant U.S. Treasury Regulations.

ANNEX II

NON-REPORTING JAPANESE FINANCIAL INSTITUTIONS AND EXCLUDED ACCOUNTS

The following Entities are treated under relevant U.S. Treasury Regulations as exempt beneficial owners or deemed-compliant FFIs, as the case may be, and the following accounts are excluded from the definition of Financial Accounts.

This Annex II may be modified by a mutual decision of the Competent Authorities of Japan and the United States: (1) to include additional Entities and accounts that present a low risk of being used by U.S. Persons to evade U.S. tax and that have similar characteristics to the Entities and accounts described in this Annex II as of the date of commencement of the Statement; or (2) to remove Entities and accounts that, due to changes in circumstances, no longer present a low risk of being used by U.S. Persons to evade U.S. tax. Procedures for reaching such a mutual decision may be included in the mutual agreement described in paragraph 3 of Section 4 of the Statement.

I. **Exempt Beneficial Owners.** The following categories of institutions are treated as Non-Reporting Japanese Financial Institutions and as exempt beneficial owners for purposes of sections 1471 and 1472 of the U.S. Internal Revenue Code:

A. Japanese Governmental Organizations

The Japanese Government, including local government, and any of its political subdivisions, or any wholly owned agency or instrumentality of any one or more of the foregoing.

B. Central Bank

Bank of Japan and any of its wholly owned subsidiaries.

C. International Organizations

Any Japan office of:

The International Monetary Fund

The World Bank

The International Bank for Reconstruction and Development

The International Finance Corporation

The Asian Development Bank

The African Development Bank

D. Public Institutions

Public institutions which are established for public purpose under law, and whose all bonds are issued indirectly (through other private securities companies)

Public Institutions for industrial development:

Regional Economy Vitalization Corporation of Japan

Innovation Network Corporation of Japan

The organization for restructuring businesses after the Tohoku earthquake

E. Pension Funds

Funds that meet the requirement of pension funds defined in the Article 3.1.(m) of the Convention between the Government of Japan and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed on November 6, 2003, at Washington, DC.

II. **Deemed-Compliant Financial Institutions**. The following categories of institutions are Non-Reporting Japanese Financial Institutions that are treated as deemed-compliant FFIs for purposes of section 1471 of the U.S. Internal Revenue Code:

- A. Small Financial Institutions with Local Client Base. A Financial Institution satisfying the following requirements is a Non-Reporting Japanese Financial Institution treated as a registered deemed-compliant FFI for purposes of section 1471 of the U.S. Internal Revenue Code:
1. The Financial Institution must be licensed and regulated as a financial institution under the laws of Japan;
 2. The Financial Institution must have no fixed place of business outside of Japan. For this purpose, a fixed place of business does not include a location that is not advertised to the public and from which the Financial Institution performs solely administrative support functions;
 3. The Financial Institution must not solicit customers or Account Holders outside Japan. For this purpose, a Financial Institution is not considered to have solicited customers or Account Holders outside Japan merely because the Financial Institution (a) operates a website, provided that the website does not specifically indicate that the Financial Institution provides Financial Accounts or services to nonresidents, and does not otherwise target or solicit U.S. customers or Account Holders, or (b) advertises in print media or on a radio or television station that is distributed or aired primarily within Japan but is also incidentally distributed or aired in other countries, provided that the advertisement does not specifically indicate that the Financial Institution provides Financial Accounts or services to nonresidents, and does not otherwise target or solicit U.S. customers or Account Holders;
 4. The Financial Institution must be required under the laws of Japan to identify resident Account Holders for purposes of either information reporting or withholding of tax with respect to Financial Accounts held by residents or for purposes of satisfying Japan's AML due diligence requirements;
 5. At least 98 percent of the Financial Accounts by value maintained by the Financial Institution as of the last day of the preceding calendar year must be held by residents (including residents that are Entities) of Japan;

6. Beginning on or before January 1, 2014, the Financial Institution must have policies and procedures, consistent with those described in Annex I, to prevent the Financial Institution from providing a Financial Account to any Nonparticipating Financial Institution and to monitor whether the Financial Institution opens or maintains a Financial Account for any Specified U.S. Person who is not a resident of Japan (including a U.S. Person that was a resident of Japan when the Financial Account was opened but subsequently ceases to be a resident of Japan) or any Passive NFFE with Controlling Persons who are U.S. residents or U.S. citizens who are not residents of Japan;
 7. Such policies and procedures must provide that if any Financial Account held by a Specified U.S. Person who is not a resident of Japan or by a Passive NFFE with Controlling Persons who are U.S. residents or U.S. citizens who are not residents of Japan is identified, the Financial Institution must report such Financial Account as would be required if the Financial Institution were a Reporting Japanese Financial Institution or close such Financial Account;
 8. With respect to a Preexisting Account held by an individual who is not a resident of Japan or by an Entity, the Financial Institution must review those Preexisting Accounts in accordance with the procedures described in Annex I applicable to Preexisting Accounts to identify any U.S. Account or Financial Account held by a Nonparticipating Financial Institution, and must report such Financial Account as would be required if the Financial Institution were a Reporting Japanese Financial Institution or close such Financial Account;
 9. Each Related Entity of the Financial Institution that is a Financial Institution must be incorporated or organized in Japan and, with the exception of any Related Entity that is a pension fund described in paragraph E of section I of this Annex II, satisfy the requirements described in this paragraph A;
 10. The Financial Institution must not have policies or practices that discriminate against opening or maintaining Financial Accounts for individuals who are Specified U.S. Persons and residents of Japan; and
 11. The Financial Institution must satisfy the requirements described in paragraph D of section II of this Annex II.
- B. Collective Investment Vehicle. An Investment Entity established in Japan that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle (including debt interests in excess of \$50,000) are held by or through one or more exempt beneficial owners, Active NFFEs described in subparagraph B(4) of section VI of Annex I, U.S. Persons that are not Specified U.S. Persons, or Financial Institutions that are not Nonparticipating Financial Institutions, and the Investment Entity satisfies the requirements described in paragraph D of section II of this Annex II. Such an Investment Entity is a Non-Reporting Japanese Financial Institution treated as a registered deemed-compliant FFI for purposes of section 1471 of the U.S. Internal Revenue Code.
- C. Special Rules. Under relevant U.S. Treasury Regulations, the following rules apply to an Investment Entity:

1. With respect to interests in an Investment Entity that is a collective investment vehicle described in paragraph B of this section, the reporting requirements under relevant U.S. Treasury Regulations of any Investment Entity (other than a Financial Institution through which interests in the collective investment vehicle are held) would be deemed fulfilled.
2. With respect to interests in:
 - a) An Investment Entity established in a Partner Jurisdiction that is regulated as a collective investment vehicle, all of the interests in which (including debt interests in excess of \$50,000) are held by or through one or more exempt beneficial owners, Active NFFEs described in subparagraph B(4) of section VI of Annex I, U.S. Persons that are not Specified U.S. Persons, or Financial Institutions that are not Nonparticipating Financial Institutions; or
 - b) An Investment Entity that is a qualified collective investment vehicle under relevant U.S. Treasury Regulations;

the reporting requirements under relevant U.S. Treasury Regulations of any Investment Entity that is a Japanese Financial Institution (other than a Financial Institution through which interests in the collective investment vehicle are held) would be deemed fulfilled.

3. With respect to interests in an Investment Entity established in Japan that is not described in paragraph B or subparagraph C(2) of this section, consistent with paragraph 4 of Section 4 of the Statement, the reporting requirements under relevant U.S. Treasury Regulations of all other Investment Entities with respect to such interests would be deemed fulfilled if the information to be reported by the first-mentioned Investment Entity pursuant to the Statement with respect to such interests is reported by such Investment Entity or another person.
4. An Investment Entity established in Japan that is regulated as a collective investment vehicle would not fail to qualify under paragraph B or subparagraph C(2) of this section, or otherwise as a deemed-compliant FFI, solely because the collective investment vehicle has issued physical interests in bearer form, provided that:
 - a) The collective investment vehicle has not issued, and does not issue, any physical shares in bearer form after December 31, 2012;
 - b) The collective investment vehicle retires all such shares upon surrender;
 - c) The collective investment vehicle (or a Reporting Japanese Financial Institution) performs the due diligence procedures described in Annex I and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment; and

- d) The collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilized as soon as possible, and in any event prior to January 1, 2017.

D. Registration Requirements for a Financial Institution that Qualifies as a Registered Deemed-Compliant FFI. Under relevant U.S. Treasury Regulations, a Financial Institution that qualifies as a registered deemed-compliant FFI must satisfy the following requirements:

1. Register with the IRS pursuant to procedures prescribed by the IRS and comply with the terms of its registered deemed-compliant status;
2. Have its responsible officer certify every three years to the IRS, either individually or collectively for such Financial Institution and its Related Entities, that all of the requirements for the deemed-compliant category claimed by the Financial Institution have been satisfied since January 1, 2014;
3. Maintain in its records the confirmation from the IRS of the Financial Institution's registration as a deemed-compliant FFI and the Financial Institution's Global Intermediary Identification Number or such other information as the IRS specifies in forms or other guidance; and
4. Notify the IRS if there is a change in circumstances that would make the Financial Institution ineligible for the deemed-compliant status for which it has registered, and to do so with six months of the change in circumstances unless the Financial Institution is able to resume its eligibility for its registered deemed-compliant status within the six-month notification period.

III. Exempt Accounts. The following categories of accounts established in Japan and maintained by a Japanese Financial Institution are not treated as Financial Accounts, and therefore are not U.S. Reportable Accounts or accounts held by a Nonparticipating Financial Institution, under the Statement:

- A. Employee Retirement Savings Accounts, Employee Housing Savings Accounts, and Employee Savings Accounts, established under the Act for Promotion of Worker's Property Accumulation;
- B. Employee Benefit Savings Insurance, Employee Benefit Savings Trusts, Employee Fund Savings Insurance, and Employee Fund Savings Trusts;
- C. Employee or executive stock ownership plans established in Japan pursuant to Article 1-3-3 (5) of the Order for Enforcement of Financial Instruments and Exchange Law;
- D. Stock ownership plans established for the benefit of significant business partners established in Japan pursuant to Article 1-3-3 (6) of the Order for Enforcement of Financial Instruments and Exchange Law;

- E. Accounts or products under qualified employee or executive stock option plans which conform to Article 29-2 or 29-3 of the Act on Special Measures concerning Taxation of Japan;
- F. Individual Savings Account (“ISA accounts”) as defined in Article 37-14(5)1 of the Special Tax Measurement Law;
- G. Employee Retirement Benefit Trusts;
- H. Trusts which are legally required to be established for segregation of funds from the settlors’ own property for the purpose of keeping the funds for repayment in case of the settlors’ bankruptcy;
- I. Employees’ Stock Ownership trusts;
- J. Employee Stock Ownership Plan Trusts;
- K. Specified Accounts Based on the Act on Transfer of Bonds, stocks, etc.;
- L. Corporate pension insurance, Contributory group annuity insurance, Group endowment insurance, Group whole life insurance.