

National Tax Agency, Japan

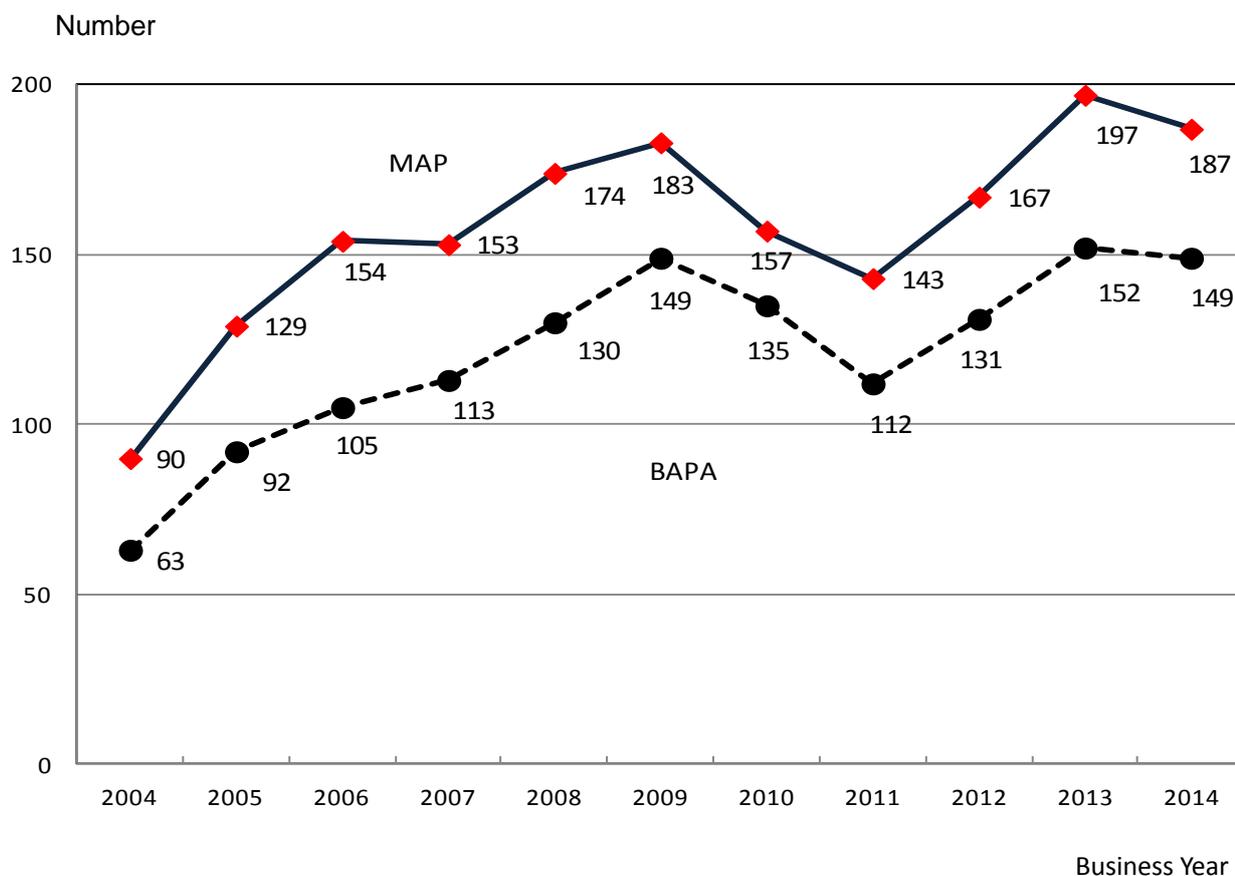
MAP (Mutual Agreement Procedures) Report 2015

When international double taxation arises from transfer pricing adjustments or other tax adjustments, the National Tax Agency (“NTA”) enters into Mutual Agreement Procedures (“MAP”) with relevant foreign tax authorities under the provisions of applicable tax treaties to resolve such double taxation. Also, the NTA enters into a Bilateral Advance Pricing Arrangement (“BAPA”; an APA accompanied by MAP) in order to ensure the predictability of taxpayers and promote the proper and smooth administration of the transfer pricing taxation.

1. MAP requests received

- During the 2014 business year (from July 2014 to June 2015), the NTA received 187 MAP requests, of which 149 were for BAPA.
 - The number of MAP requests received decreased slightly compared to the 2013 business year.
 - BAPA accounts for approximately 80% of total MAP requests.
- (Note) Please see Attachment 1 for the trend in the number of year-end inventories.

Chart 1: Trends in the number of MAP and BAPA requests received



- (Notes)
- 1 The business year runs from 1 July to 30 June in the following year.
 - 2 The number of MAP requests consists of both cases where the NTA received such requests from taxpayers and cases where the NTA received such requests from foreign tax authorities.

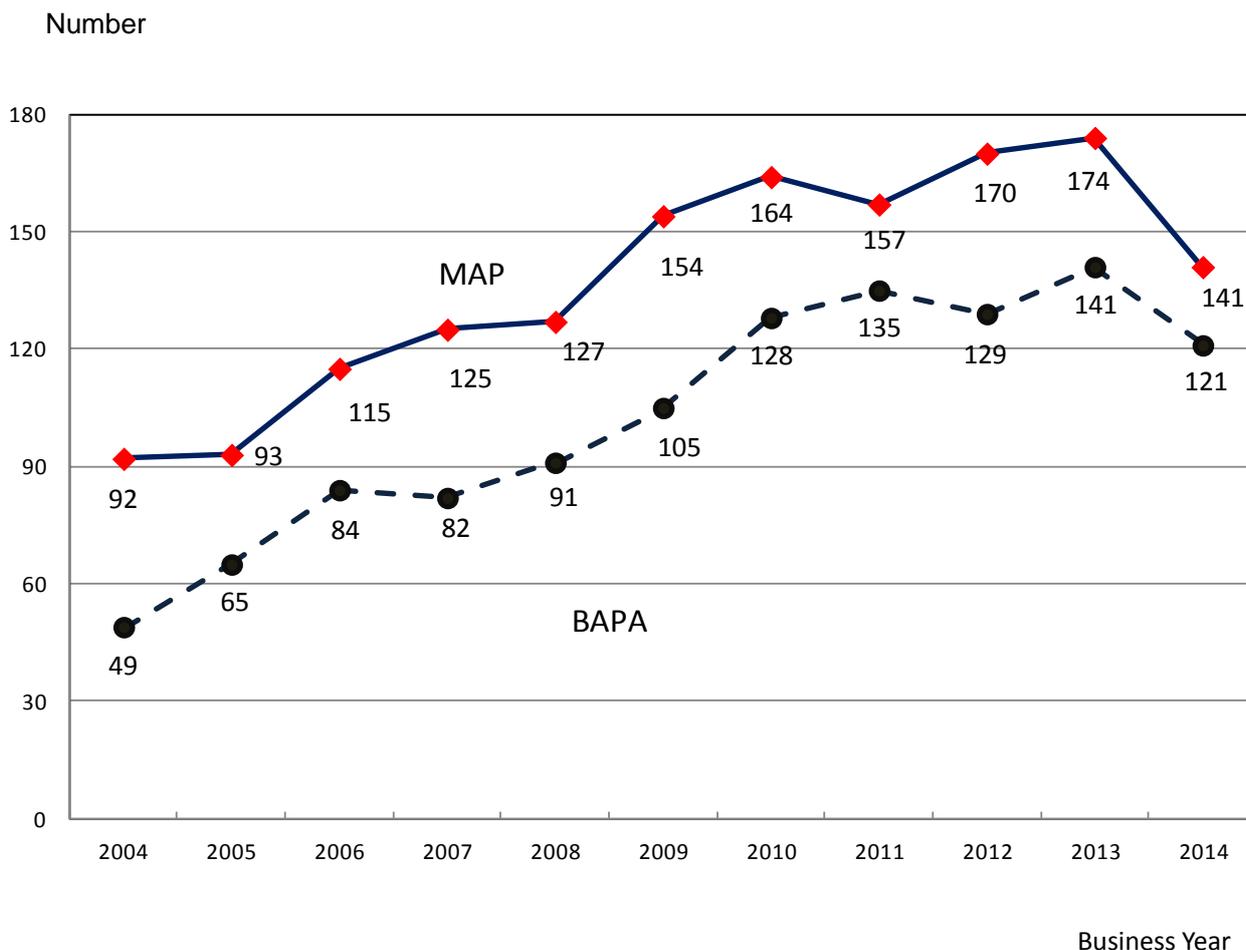
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2. MAP cases closed

2.1 The number of MAP cases closed

- The number of MAP cases closed in the 2014 business year was 141 (-19% Y/Y).
 - Out of the overall number of MAP cases closed, the number of BAPA cases closed was 121.
- (Note) Please see Attachment 1 for the trend in the number of year-end inventories.

Chart 2: Trends in the number of MAP and BAPA cases closed



2.2 Average processing time on a MAP case

- The average processing time on a MAP case closed in the 2014 business year was 22.4 months (22.6 months in the 2013 business year).
- Of which, the average processing time on a BAPA case was 22.2 months (20.9 months in the 2013 business year).

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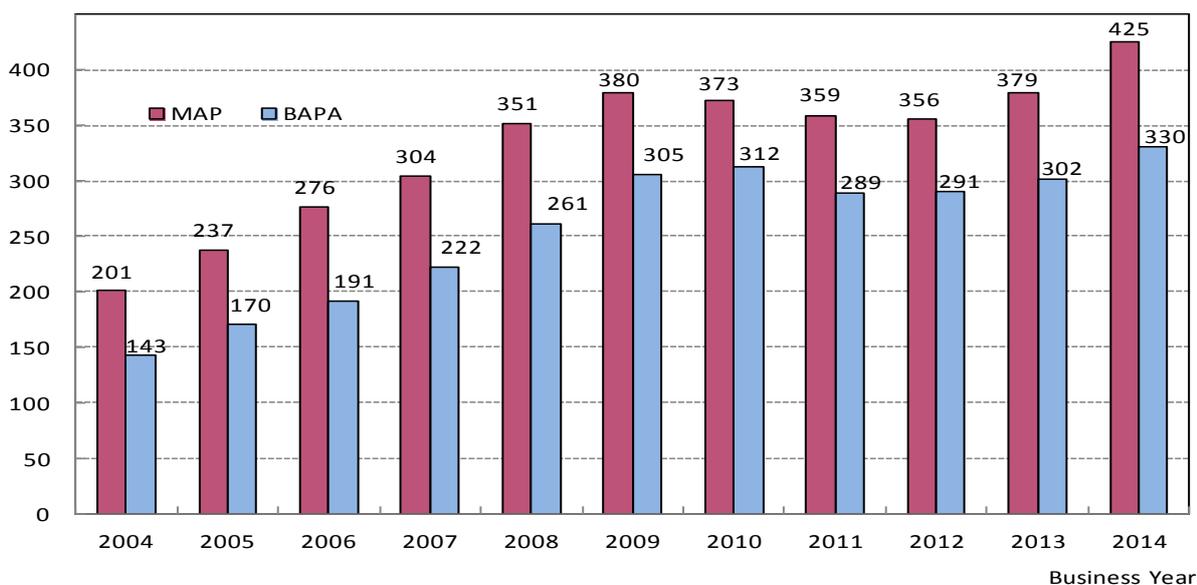
3. Year-End Inventories

3.1 The number of Year-End Inventories

- In the 2014 business year, the number of MAP requests received decreased slightly while greatly exceeding the number of MAP cases closed which together brought the increase in year-end inventories as of the end of the year.

(Note) Please see Attachment 1 for the trend in the number of year-end inventories.

Chart 3: Trends in the number of Year- End Inventories of MAP and BAPA cases
Number

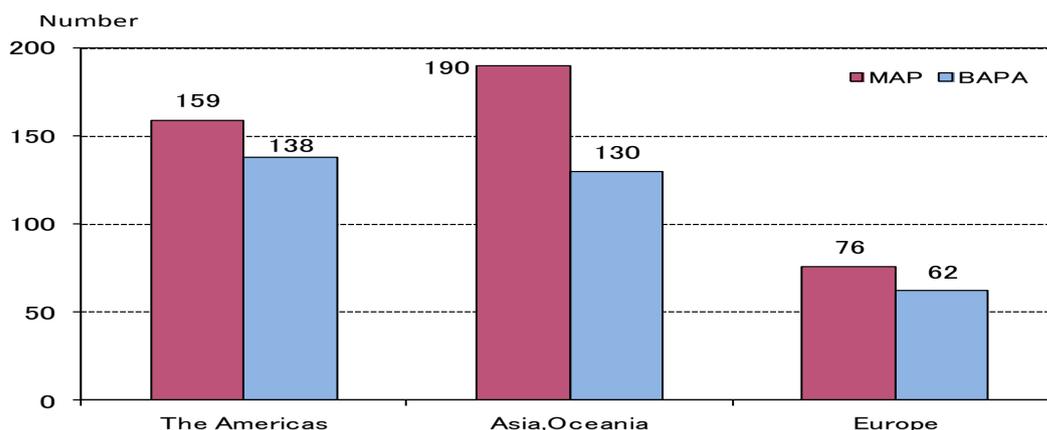


3.2 Breakdown by region

- In respect of the regional breakdown of year-end inventories in the 2014 business year, the number of cases from Asia-Oceania is the largest, followed by the Americas and Europe.
- The treaty partner with which the NTA has year-end inventories most is the United States, followed by China, South Korea, India and United Kingdom.

(Note) Please see Attachment 2 for the treaty partners with which the NTA has MAP inventories as of June 30, 2015. The number of inventories by each treaty partner is not disclosed in consideration of the relationships with the treaty partners.

Chart 4: The number of Year-End Inventories by region



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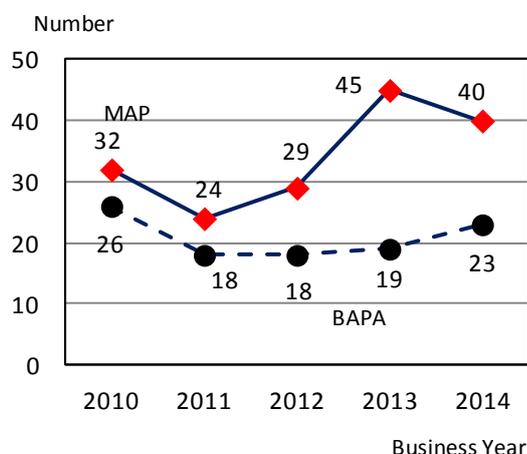
4. The number of MAP cases with non-OECD economies

4.1 The number of MAP cases

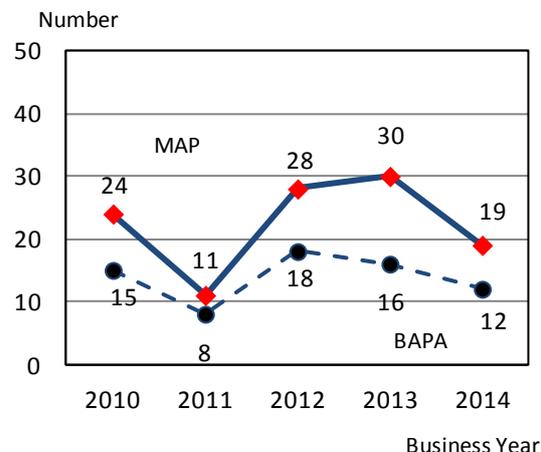
- In the 2014 business year, non-OECD economies accounted for 21% of the overall MAP requests received and 31% of the number of year-end inventories.

Chart 5:

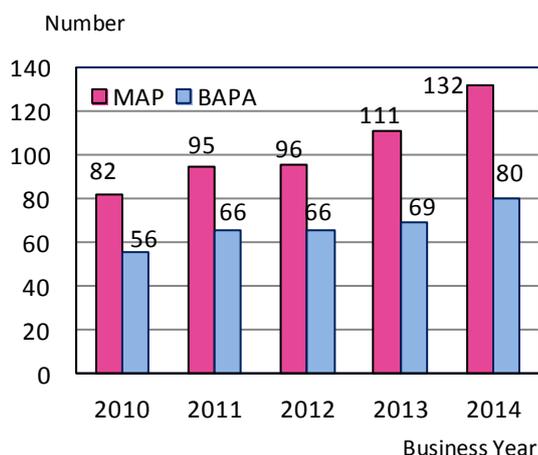
Trends in the number of MAP requests received concerning non-OECD economies



Trends in the number of MAP cases closed with non-OECD economies



Trends in the number of year-end inventories concerning non-OECD economies



4.2 Average processing time on a MAP case with non-OECD economies

- As far as non-OECD economies are concerned, the average processing time on a MAP case in the 2014 business year was 30.6 months (40.0 months in the 2013 business year).
- Of which, the average processing time on a BAPA case was 38.9 months (33.2 months in the 2013 business year).

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(Attachment 1)

The number of MAP cases in recent years

Business Year		BAPA	Transfer Pricing Adjustment	Others	Total
2012	Requests Received	131	28	8	167
	Cases Closed	129	33	8	170
	Year-End Inventories	291	46	19	356
2013	Requests Received	152	37	8	197
	Cases Closed	141	21	12	174
	Year-End Inventories	302	62	15	379
2014	Requests Received	149	35	3	187
	Cases Closed	121	13	7	141
	Year-End Inventories	330	84	11	425

- (Notes)
- 1 The business year runs from 1 July to 30 June in the following year.
 - 2 The number of MAP requests received consists of both cases where the NTA received such requests from taxpayers and cases where the NTA received such requests from foreign tax authorities.
 - 3 MAP cases related to compensating adjustments and amendments to previously agreed APAs are included in the years when MAP requests on those issues were made.
 - 4 The number of MAP cases closed includes cases withdrawn by taxpayers as well as cases settled with treaty partners.
 - 5 "Others" includes cases related to permanent establishments (PEs) and withholding taxes.

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(Attachment 2)

Treaty Partners with which the NTA has MAP inventories (as of June 30, 2015)

Europe	Asia/Oceania	The Americas
(OECD countries)		
Belgium France Germany Ireland Italy Luxembourg Netherlands Sweden Switzerland United Kingdom	Australia New Zealand Korea	Canada United States
(Non-OECD economies)		
	China Hong Kong India Indonesia Singapore Thailand Malaysia Vietnam	
10 countries	11 countries	2 countries

- (Notes)
- 1 As of June 30, 2015, the number of treaty partners with which the NTA had MAP inventories was 23.
 - 2 Excluding Vietnam, the NTA had BAPA inventories with all treaty partners listed in the chart above.
 - 3 The number of treaty partners with which the NTA has MAP inventories generally continued to be the same for the last five years (from 23 in 2010 to 23 in 2014).

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(Reference 1)

Terminologies

【Mutual Agreement Procedures (MAP)】

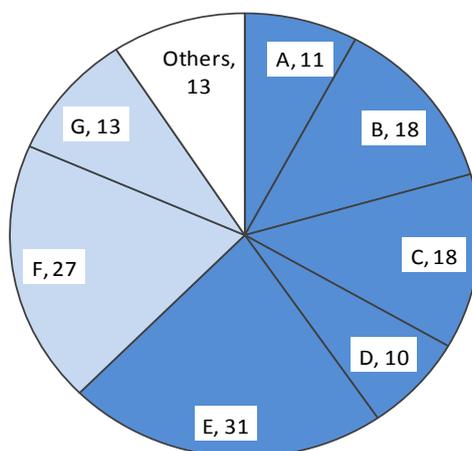
Mutual Agreement Procedures (MAP) are a formalized set of procedures between tax authorities of treaty partners which are provided in tax treaties to resolve international tax disputes such as those represented by double taxation cases arising as a result of taxation not in accordance with the applicable tax treaties imposed or to be imposed on the taxpayers. 58 tax treaties that Japan has concluded (which covers 69 countries/regions as of the end of June 2015) contain the provisions on the Mutual Agreement Procedures.

【Advance Pricing Arrangement (APA)】

An Advance Pricing Arrangement (APA) is an arrangement whereby, based on an application from a taxpayer, the tax administration confirms in advance an appropriate set of criteria such as methods, comparables and appropriate adjustments thereto, and critical assumptions as to future events for the determination of the transfer pricing for transactions between the taxpayer and its foreign-related entity/entities over a fixed period of time. It is often the case that APAs are agreed bilaterally or multilaterally among tax-treaty partners to ensure the predictability for the taxpayer of the tax consequence in respect of its transfer pricing practices and the elimination of potential double taxation through MAP process. The tax administration will refrain from adjusting the transfer pricing set by the taxpayer if the taxpayer files its tax returns in accordance with the confirmed APA conditions for the years covered by the APA.

Breakdown of MAP cases in the 2014 business year

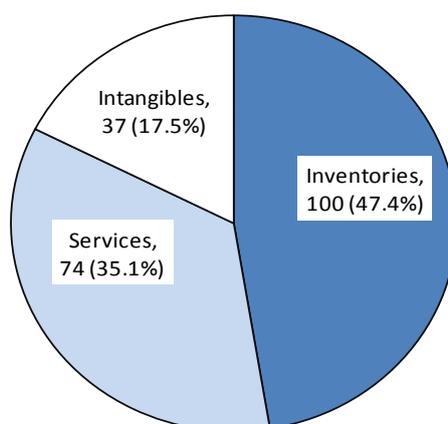
By industry



Manufacturing	88	(62.4%)
Wholesale/Retail	40	(28.4%)
Others	13	(9.2%)
Total	141	(100.0%)

- A: Manufacturing (consumer electric equipment, instruments, and bulbs)
- B: Manufacturing (transport equipment and instruments)
- C: Manufacturing (industrial electric equipments and instruments)
- D: Manufacturing (machineries and equipments)
- E: Manufacturing (others)
- F: Trading (import/export)
- G: Other wholesale/retail

By type of transaction

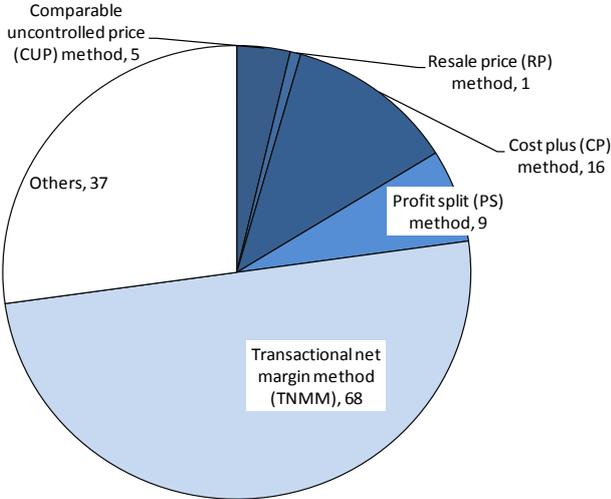


(Notes)

- Total number of MAP cases closed does not correspond to the sum of the numbers in the chart above, as some cases are counted for multiple types of transactions when applicable.
- In the case of MAP related to compensation adjustments and amendments to previously agreed APAs, only transactions in the original APA agreements are included in the chart above.

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By transfer pricing method



(Notes)

- 1. Total number of MAP cases closed does not correspond to the sum of the numbers in the chart above, as some cases are counted for multiple transfer pricing methods when applicable.
- 2. In the case of MAP related to compensating adjustments and amendments to previously agreed APAs, only transfer pricing methods applied in the original APA agreements are included in the chart above.