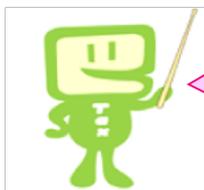


Overview of Reporting System for Automatic Exchange of Information on Financial Accounts of Non-Residents



As globalization of business transactions continues to expand, in order to address tax evasion and avoidance through offshore financial accounts, the **OECD** developed the “Common Reporting Standard (**CRS**)”, which calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis (In 2022, the amended CRS, which expands the reporting requirements under the CRS, was approved and published).
Overview of the **CRS** and Japan's system in response are as follows.

1. Overview of the Common Reporting Standard (CRS)

- (1) Tax administrations of each jurisdiction obtain reports of information on financial accounts of non-residents (both individual and entity) from financial institutions located in each jurisdiction, and based on the provision of exchange of information set forth in tax agreements, it will be automatically exchanged among the tax administrations of each jurisdiction.
 - a. **Financial institutions obliged to report financial account information**
Depository Institutions, such as banks and funds transfer service providers, Specified Insurance Companies, such as life insurance companies, Custodial Institutions, such as securities companies, and Investment Entities, such as trusts.
 - b. **Financial accounts subject to reporting**
Depository Accounts, such as ordinary savings accounts and Specified Electronic Money Products accounts, Cash Value Insurance Contracts or Annuity Contracts, Custodial Accounts, such as securities accounts, and Equity Interests, such as trust beneficiary rights.
 - c. **Information subject to reporting**
Account holder's name, address, jurisdiction of residence, foreign tax identification number, whether a self-certification which meets certain requirements has been provided, type of the financial account, whether the financial account is a Preexisting Account or a New Account, account balance or value, total annual gross amount of interest and dividends received, etc.
- (2) Financial institutions with reporting obligation must identify the jurisdiction of residence of their account holders and determine reportable accounts in accordance with the procedures set forth in the CRS. The subject financial institutions must identify the jurisdiction of residence by obtaining self-certifications which indicate the jurisdiction of residence from the applicant for New Accounts, or reviewing its record for Preexisting Accounts.
- (3) More than 100 jurisdictions, including Japan, have been implementing the implemented the exchange of information with each other under the CRS. Japan began to exchange information in 2018.

(*) The underlined parts refer to information added in accordance with the amended CRS, and in Japan, based on the Act on Special Provisions of the Income Tax Act, the Corporation Tax Act and the Local Tax Act Incidental to Enforcement of Tax Treaties, which has been amended as part of the tax reform of 2024, they came into force on January 1, 2026.

2. Overview of the System in Japan

In order to implement the exchange of information based on the CRS, the Act on Special Provisions of the Income Tax Act, the Corporation Tax Act and the Local Tax Act Incidental to Enforcement of Tax Treaties (hereinafter "Act on Special Provisions") has been amended as part of the tax reform of 2015, a system for financial institutions described in 1(1)a above (hereinafter "Reporting Financial Institutions") to report information described in 1(1)c above to the district director was adopted. The system came into force on January 1, 2017, and the report shall be submitted by the Reporting Financial Institutions annually by the deadline of April 30 since 2018 (In order to comply with the amended CRS, the Act on Special Provisions was amended as part of the tax reform of 2024 and the amendment came into force on January 1, 2026.).

In terms of financial accounts maintained by Reporting Financial Institutions opened on or after January 1, 2017 (hereinafter "New Accounts"), upon account opening, those who open a financial account with a Reporting Financial Institution must fulfill the following obligation described in (1) below, and in terms of financial accounts maintained by Reporting Financial Institutions as of December 31, 2016 (hereinafter "Preexisting Accounts(*1)"), each Reporting Financial Institution must fulfill the following obligation described in (2) below. (*2)

(*1) On or after January 1, 2026, it refers to the financial accounts opened on or before December 31, 2025 (except financial accounts that require the submission of a Self-Certification for New Accounts (see (1) below)).

(*2) On or after January 1, 2026, the conclusion of contracts related to the management of electronic payment instruments defined in Article 2, Paragraph (5), Items (i) through (iii) of the Payment Services Act and existing digital money products are newly included in the scope of the financial accounts subject to reporting. These accounts opened on or after January 1, 2026, are to be subject to the following (1), and opened on or before December 31, 2025, are to be subject to the following (2).

(1) Submission of a self-certification which indicates name, address (location), jurisdiction of residence (*1,2), foreign tax identification number by those who open a financial account with a Reporting Financial Institution. [Financial institutions start processing from 2017.]

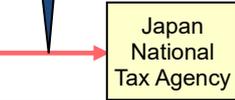
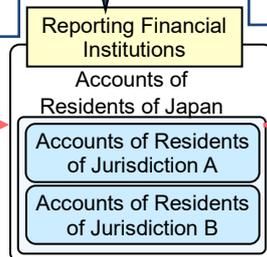
(2) Determination of jurisdiction of residence of each holder of Preexisting Account by each Reporting Financial Institution.

(3) Reporting of name, address (location), jurisdiction of residence, foreign tax identification number, whether a self-certification which meets certain requirements has been provided, type of account, whether the account is a Preexisting Account or a New Account (*3), account balance or value, and total annual gross amount of interest and dividends received, etc. regarding each holder of New Account or Preexisting Account which is subject to reporting by each Reporting Financial Institution. [Reporting 2017 figures in 2018.]



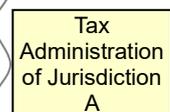
[JAPAN]

(*1) Those whose jurisdiction of residence is Japan must also indicate "Japan" as the jurisdiction of residence.

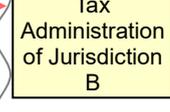


(4) Provision of collective information once a year to foreign tax administrations in accordance with tax treaties. [First information exchange was in 2018.]

[Jurisdiction A]



[Jurisdiction B]



(*2) If there are more than one jurisdiction of residence, all jurisdictions must be indicated (*3).

(*3) The underlined parts apply on or after January 1, 2026, based on the Act on Special Provisions, which has been amended as part of the tax reform of 2024.

(1) Submission of Self-Certification for New Accounts to Reporting Financial Institution (on or after January 1, 2017)

In terms of New Accounts, those who open a financial account with a Reporting Financial Institution through its business office, upon account opening, must submit a self-certification (hereinafter "Self-Certification for New Accounts") which indicates the name, address or location of head office or main business establishment, jurisdiction of residence, foreign tax identification number (*), etc., to the head of the business office of the Reporting Financial Institution.

(* Japanese Individual Number (commonly referred to as "My Number") is exempt from reporting.

(2) Procedure of determining jurisdiction of residence by Reporting Financial Institution for Preexisting Accounts

In terms of Preexisting Accounts, each Reporting Financial Institution must identify the jurisdiction of residence of each holder of Preexisting Account based on the record in its possession before December 31, 2018 (*1, 2).

(*1) There are exceptions, such as time limit of December 31, 2017 in case the account balance or value as of December 31, 2016, exceeds JPY100-million.

(*2) From January 1, 2026, for individuals and entities who opened financial accounts with a Reporting Financial Institution through its business office on or before December 31, 2025, and who, as of that date, have contracts related to such accounts (except Preexisting Accounts for which the procedure of determining jurisdiction of residence have been already carried out, and accounts requiring the submission of a Self-Certification for New Accounts on or before December 31, 2025), Reporting Financial Institutions must identify their jurisdiction of residence by December 31, 2027 (there are exceptions, such as time limit of December 31, 2026 in case the account balance or value as of December 31, 2025, exceeds JPY100-million).

(3) Filing of reportable information to the district director by Reporting Financial Institution

In case New Accounts and Preexisting Accounts maintained by each Reporting Financial Institution are subject to reporting as of December 31 of that year, such Reporting Financial Institution must report the name, address or location of head office or main business establishment, jurisdiction of residence, foreign tax identification number, and account balance or value of the contract, income from investment, possession, or transfer of the asset, etc., regarding each holder of New Account or Preexisting Account to the district director of the location of head office of the Reporting Financial Institution by April 30 of the following year.