

## Investment Tax Credit for Lease Transactions

ITC enables an entity or individual which acquires a specified machinery or equipment through lease transactions to derive benefits from tax credit. The entity or individual is allowed to deduct a certain amount based on the amount of the total lease payments from the annual corporation tax or income tax when beginning to lease the machinery or equipment for its business activity. Five types of ITC below are available now.

|                           | Special tax relieves for assets acquired in specified areas for re-construction  | Tax Scheme for Promoting Investment by SME   | Tax Scheme for Promoting Investment of productive assets  | Special tax relieves for newly acquired assets by specified SME   | Tax Scheme for Promoting Environment-Related Investment   |
|---------------------------|--|--|---|---|---|
| <b>Validity</b>           | March 31, 2016   | March 31, 2014   | March 31, 2015  | March 31, 2015  | March 31, 2016  |
| <b>Entities Targeted</b>  | <ul style="list-style-type: none"> <li>◆ Construction business in the area certified by a local public body as re-construction residual area</li> <li>◆ Property-leasing business in the area certified by a local public body as re-construction residential area,</li> </ul>   | <ul style="list-style-type: none"> <li>◆ SME as blue return taxpayers</li> </ul> <p>(Tax credit below applies only to an entity whose capital is 30 million or less.)</p>  | <ul style="list-style-type: none"> <li>◆ blue return taxpayers</li> </ul>   | <ul style="list-style-type: none"> <li>Blue return taxpayers engaged in wholesale, retail, farm, forestry, fishery, and others specified by the ministry of finance Japan.</li> <li>◆ SME advised by a specified body for improvement of the SME's operation</li> <li>◆ Federations and other bodies consisted of by SME</li> </ul> | <ul style="list-style-type: none"> <li>◆ SME as blue return taxpayers</li> <li>◆ Blue return taxpayers</li> </ul>   |
| <b>Equipment targeted</b> | <ul style="list-style-type: none"> <li>&lt;Construction&gt;</li> <li>◆ Machinery</li> <li>◆ Buildings</li> <li>&lt;Property leasing&gt;</li> <li>◆ Residential properties for the damaged by the Great East Japan Earthquake</li> </ul>  | <ul style="list-style-type: none"> <li>◆ Machinery</li> <li>◆ Specified instrument</li> <li>◆ Specified Software</li> <li>◆ Specified trucks</li> <li>◆ Vessels</li> </ul>   | <ul style="list-style-type: none"> <li>&lt;Productive Assets&gt;</li> <li>◆ Instruments</li> <li>◆ Buildings</li> <li>◆ Non-building structures</li> <li>◆ Vessels</li> <li>◆ Aircrafts</li> <li>◆ Vehicles</li> <li>◆ Tools</li> </ul>   | <ul style="list-style-type: none"> <li>◆ Equipment acquired for improvement of operation</li> </ul>   | <ul style="list-style-type: none"> <li>◆ Equipment as environment-friendly equipment</li> <li>◆ Specific equipment as environment-friendly equipment</li> </ul>   |
| <b>Conditions</b>         | —  | <ul style="list-style-type: none"> <li>&lt;Machinery&gt;</li> <li>◆ Acquisition cost is 1.6 million yen or more.</li> <li>&lt;Instrument&gt;</li> <li>◆ Acquisition cost is 1.2 million yen or more.</li> <li>&lt;Software&gt;</li> <li>◆ Acquisition cost is 0.7 million yen or more.</li> <li>&lt;Trucks&gt;</li> <li>◆ None</li> <li>&lt;Vessels&gt;</li> <li>◆ None</li> </ul> | <p>Assets that are newly acquired and owned by the entity at the end of the fiscal year,</p> <ul style="list-style-type: none"> <li>◆ Acquisition cost of productive assets is higher than depreciation cost recognized in the FY,</li> <li>◆ The acquisition cost of productive assets accounts for 110% of that cost in the last FY,</li> </ul> | <ul style="list-style-type: none"> <li>&lt;Instruments&gt;</li> <li>◆ Acquisition cost is 0.6 million yen or more.</li> <li>&lt;Buildings&gt;</li> <li>◆ Acquisition cost is 0.6 million yen or more.</li> </ul> <p>Instruments and buildings needs to be clarified in a documents published by the specific body.</p>              | —   |
| <b>Tax Relief</b>         | <ul style="list-style-type: none"> <li>&lt;Machinery&gt;</li> <li>◆ Tax credit (acquisition cost×15%)</li> <li>◆ Extra-depreciation (acquisition cost×50%)</li> <li>◆ Extra-depreciation (acquisition cost×100%)</li> <li>&lt;Buildings&gt;</li> <li>◆ Tax credit (acquisition cost×8%) or</li> <li>◆ Extra-depreciation (acquisition cost×25%)</li> <li>&lt;Residential properties for the damaged&gt;</li> <li>◆ Tax credit (acquisition cost×15%)</li> <li>◆ Extra-depreciation (acquisition cost×50%)</li> </ul> | <ul style="list-style-type: none"> <li>&lt;Other than Vessels&gt;</li> <li>◆ Tax credit (acquisition cost×7%)</li> <li>◆ Extra-depreciation (acquisition cost×30%)</li> <li>&lt;Vessels&gt;</li> <li>◆ Tax credit (acquisition cost×75%×7%)</li> <li>◆ Extra-depreciation (acquisition cost×75%×30%)</li> </ul>  | <ul style="list-style-type: none"> <li>◆ Tax credit (acquisition cost of instrument×3%)</li> <li>◆ Extra-depreciation (acquisition cost of instrument×30%)</li> </ul>   | <ul style="list-style-type: none"> <li>◆ Tax credit (acquisition cost×7%)</li> <li>◆ Extra-depreciation (acquisition cost×30%)</li> </ul>   | <ul style="list-style-type: none"> <li>&lt;SME as blue return taxpayers&gt;</li> <li>◆ Tax credit (acquisition cost×7%)</li> <li>&lt; Blue return taxpayers &gt;</li> <li>◆ Extra-depreciation (acquisition cost×30%)</li> <li>◆ Extra-depreciation×100%</li> <li>Extra-depreciation applies only to specific equipment.</li> </ul> |

※ Each of ITC is applied only to finance leases. However, extra-depreciation is not applied to finance leases that do not transfer the title to the leased asset to the lessee.