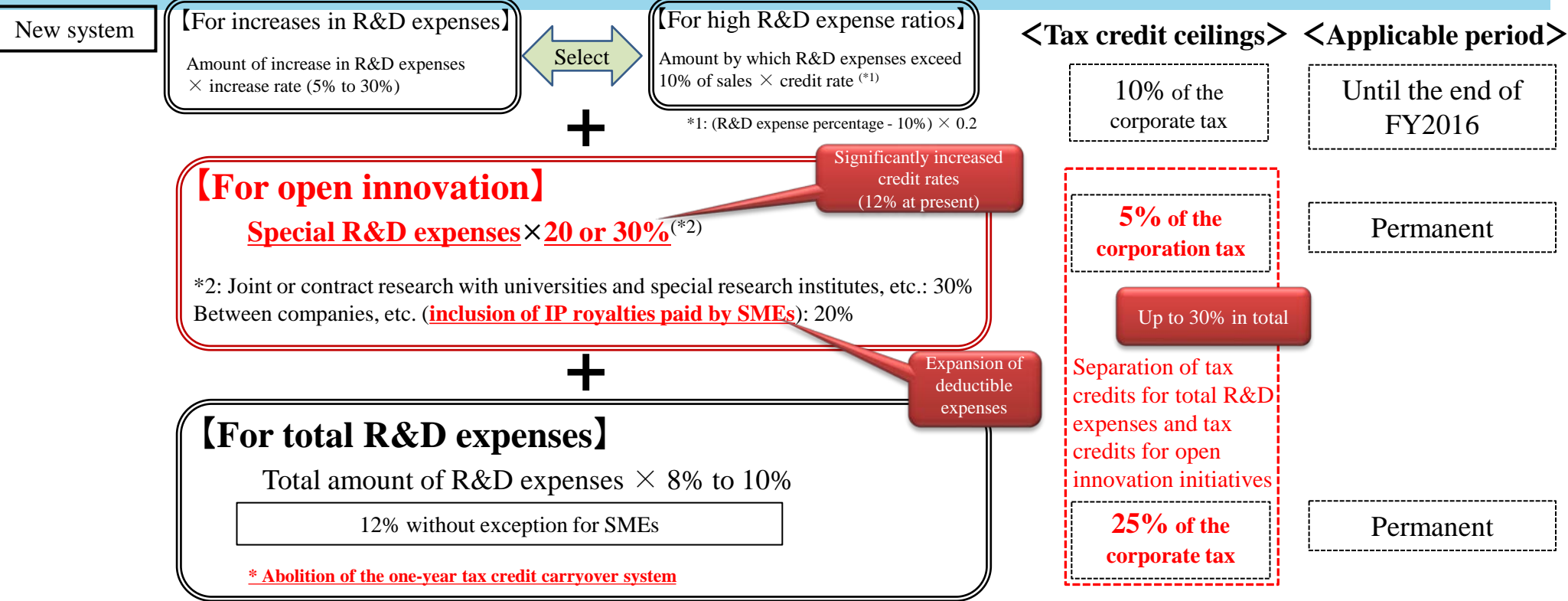


Outline of the FY2015 Revisions to the R&D Tax Credit System (1/2)

- The revisions drastically expanded tax credits for open innovation by significantly increasing the relevant credit rates and including IP royalties paid by SMEs as deductible expenses, with the aim of promoting open innovation (R&D utilizing external technologies and knowledge) by companies. The revisions also strengthened the national innovation system, under which companies (large, leading medium-sized, small and medium-sized and venture companies) can better fulfill their respective functions and organically collaborate with each other and with research institutes and universities, etc.

Outline of the revisions

- Drastically expands tax credits for open innovation (significantly increases tax credit rates, creates separate tax credit ceilings and expands deductible expenses) (permanent measures)
- Ensures a maximum tax credit of 30% where both the total R&D expense tax credit and the open innovation tax credit apply (25% for the former + 5% for the latter) (permanent measures)
- Abolishes the tax credit carryover system



Outline of the FY2015 Revisions to the R&D Tax Credit System (2/2)

- To promote open innovation initiatives (systems to promote joint and contracted research), tax credits for such initiatives were drastically expanded in FY2015.
- Specifically, tax credit rates were significantly increased (to 20% or 30%*), the tax credit ceiling for open innovation was separately set at 5% of the corporate tax, and deductible expenses were expanded to include IP royalties paid by SMEs (permanent measures).
 - * Joint or contract research with special research institutes, etc. (national research institutes and national R&D corporations) and universities, etc.: 30%; joint or contract research between companies (IP royalties paid by SMEs, etc.): 20%
- Accordingly, the **Guidelines for Tax Credits for Open Innovation were revised.**

