

Note: Major revisions marked in **bold print**

[UNOFFICIAL TRANSLATION]

Law to Promote Specified Nonprofit Activities

Promulgated on March 25, 1998

(Including all revisions with the latest made on April 9, 2003)

Chapter I. General Provisions

(PURPOSE)

Article 1. The purpose of this law is to promote the sound development of specified nonprofit activities in the form of volunteer and other activities freely performed by citizens to benefit society, through such measures as the provision of corporate status to organizations that undertake specified nonprofit activities, and thereby to contribute to advancement of the public welfare.

(DEFINITIONS)

Article 2. 1. "Specified nonprofit activities" under this law shall mean those activities specified in the attached schedule, which are for the purpose of contributing to advancement of the interests of many and unspecified persons.
2. "Specified nonprofit corporation" under this law shall mean an organization that has as its main purpose the implementation of specified nonprofit activities, that conforms with each of the following items, and that is a corporation established under the provisions of this law:
i. an organization that is covered by both of the following items and is not for the purpose of generating profits:
a. provisions regarding acquisition and loss of qualifications for membership are not unreasonable;
b. the number of officers receiving remuneration total no more than one-third of the total number of officers;
ii. an organization whose activities conform with each of the following items:
a. the activities are not for the purpose of propagating religious teachings, performing ceremonies, or educating or fostering believers;
b. the activities are not for the purpose of promoting, supporting, or opposing a political principle;
c. the activities are not for the purpose of recommending, supporting, or opposing a candidate (including a prospective candidate) for a public office (meaning a public office as specified in Article 3 of the Public Offices Election Law [Law No. 100 of 1950]; the same shall apply hereafter), a person holding a public office, or a political party.

Chapter II. Specified Nonprofit Corporations

Section 1. Common Provisions

(PRINCIPLES)

Article 3. 1. A specified nonprofit corporation must not engage in operations for the interests of a specific individual or corporation or other organization.
2. A specified nonprofit corporation must not be used for a specific political party.

(RESTRICTION ON USE OF NAME)

Article 4. No entity other than a specified nonprofit corporation may use the words "specified nonprofit corporation" within its name or any wording that can be confused with same.

(OTHER OPERATIONS)

Article 5. 1. A specified nonprofit corporation may engage in operations other than those relating to specified nonprofit activities (referred to hereafter as "other operations"), to the extent that said other operations do not interfere with operations relating to specified nonprofit activities. Revenue generated from said other operations, if any, must be used in the specified nonprofit activities.
2. The account for other operations must be separated from the account for operations relating to specified nonprofit activities implemented by said specified nonprofit corporation and administered as a special account.

(ADDRESS)

Article 6. The address of a specified nonprofit corporation shall be the location of its main office.

(REGISTRATION)

- Article 7. 1. A specified nonprofit corporation must be registered as prescribed by cabinet order.
2. In regard to matters requiring registration as specified in the preceding paragraph, a specified nonprofit corporation cannot contest claims by third parties until after registration.

(MUTATIS MUTANDIS APPLICATION OF THE CIVIL CODE)

- Article 8. The provisions of Articles 43 and 44 of the Civil Code (Law No. 89 of 1896) shall apply mutatis mutandis to specified nonprofit corporations.

(COMPETENT AUTHORITY)

- Article 9. 1. The government agency with jurisdiction for a specified nonprofit corporation shall be the governor of the *to, do, fu, or ken* (prefecture or equivalent) in which the main office of the specified nonprofit corporation is located.
2. Notwithstanding the provisions of the preceding paragraph, the Prime Minister shall be the government agency with jurisdiction for any specified nonprofit corporation that has offices in two (2) or more *to, do, fu, or ken* (prefectures or equivalent).

Section 2. Establishment**(AUTHENTICATION OF ESTABLISHMENT)**

- Article 10. 1. A person who intends to establish a specified nonprofit corporation must submit an application together with the following documents as prescribed by ordinance of the Prime Minister's Office (or ordinance of a *to, do, fu, or ken* [prefecture or equivalent], in the case of a specified nonprofit corporation other than a specified nonprofit corporation specified in Article 9.2; the same shall apply hereafter, with the exception of Articles 26.3, 44.2 and 44-2) and must obtain authentication of establishment:
- i. articles of incorporation;
 - ii. the following documents concerning officers:
 - a. a list of officers (meaning a listing of the name, address or residence and indication of paid or unpaid status for each officer);
 - b. a certified copy of an affidavit from each officer stating that he/she is not covered by Article 20 and that he/she will not violate the provisions of Article 21, and a letter of acceptance from each officer;
 - c. a document as prescribed by ordinance of the Prime Minister's Office attesting to the address or residence of each officer;
 - iii. a document listing the names of at least ten (10) members (which for corporate members shall mean the name of the corporation and the name of the representative), as well as their addresses or residences;
 - iv. a document indicating that conformance with Article 2.2.ii and Article 12.1.iii has been verified;
 - v. a prospectus;
 - vi. a certified copy of minutes attesting to a decision of intent to establish a specified nonprofit organization;
 - vii. an operating plan for the initial fiscal year and the following fiscal year after establishment;
 - viii. a budget statement of revenue and expenditure for the initial fiscal year and the following fiscal year after establishment.
2. If an application for authentication has been submitted as specified in the preceding paragraph, the government agency with jurisdiction must promptly publish that fact, as well as the matters specified below, and must provide the documents specified in items i, ii.a, v, vii, and viii for public view at a designated location for two (2) months from the date of acceptance of the application:
- i. the date on which the application was submitted;
 - ii. the name of the specified nonprofit corporation related to the application, as well as the name of the representative, the location of the main office, and the purposes specified in the articles of incorporation.

(ARTICLES OF INCORPORATION)

- Article 11. 1. The articles of incorporation of a specified nonprofit corporation must specify the following:
- i. purposes;
 - ii. name;
 - iii. types of specified nonprofit activities to be undertaken and types of operations related to said specified nonprofit activities;
 - iv. location of the main office and any other offices;
 - v. matters relating to acquisition and loss of qualifications for membership;
 - vi. matters concerning officers;
 - vii. matters concerning meetings;
 - viii. matters concerning assets;

- ix. matters concerning accounts;
 - x. fiscal year;
 - xi. matters concerning the types of, and other particulars of, any other operations that are to be undertaken;
 - xii. matters concerning dissolution;
 - xiii. matters concerning amendment of the articles of incorporation;
 - xiv. method of public notice.
2. The initial officers after establishment must be listed in the articles of incorporation.
 3. If provision is made in the matters specified in 1.xii above for an entity to succeed to remaining assets, said entity must be a specified nonprofit corporation or another entity selected from those specified below:
 - i. the national government or a local public organization;
 - ii. a corporation established under the provisions of Article 34 of the Civil Code;
 - iii. a school corporation as specified in Article 3 of the Private Schools Law (Law No. 270 of 1949);
 - iv. a social welfare corporation as specified in Article 22 of the Social Welfare Law (Law No. 45 of 1951);
 - v. a relief and rehabilitation corporation as specified in Article 2.6 of the Relief and Rehabilitation Enterprise Law (Law No. 86 of 1995).

(CRITERIA FOR AUTHENTICATION, ETC.)

- Article 12. 1. The government agency with jurisdiction must authenticate establishment if it is recognized that the application for authentication specified in Article 10.1 conforms with the following:
- i. the procedures for establishment, the application, and the content of the articles of incorporation comply with laws and regulations;
 - ii. the specified nonprofit corporation of said application is an organization as specified in Article 2.2;
 - iii. specified nonprofit corporation making said application is not to be any of the following:
 - a. a violent criminal organization (meaning a violent criminal organization as stipulated by Article 2.ii of the Law Concerning the Prevention of Irregularities by Gangsters [Law No. 77 of 1991]; the same shall apply hereafter);
 - b. under the control of a violent criminal organization or its members (including members of a constituent organization of a violent criminal organization; the same shall apply hereafter) **or a person who has been a member of a violent criminal organization and for whom five (5) years have yet to pass from the date on which said person was no longer a member of a violent criminal organization** (referred to hereafter as “members of a violent criminal organization, etc.”);
 - iv. the specified nonprofit corporation of said application has at least ten (10) members.
2. Authentication or denial pursuant to the provisions of the preceding paragraph shall be made within two (2) months from the date of expiration of the period specified in Article 10.2 unless there is just and proper reason to the contrary.
 3. If the government agency with jurisdiction denies authentication pursuant to the provisions of paragraph 1, the government agency with jurisdiction must provide prompt notification in writing to the person who submitted the application, stating the reason for denial.

(SEEKING FOR OPINION, ETC.)

Article 12-2 The provisions of Articles 43-2 and 43-3 shall apply mutatis mutandis to authentication if application is filed pursuant to provisions of Article 10.1.

(DATE OF ESTABLISHMENT, ETC.)

- Article 13. 1. A specified nonprofit corporation shall be established through registration of establishment at the location of its main office.
2. A specified nonprofit corporation that has made the registration specified in the preceding paragraph shall promptly submit to the government agency with jurisdiction written notification, together with a certified copy of registration attesting that said registration has been made.

(MUTATIS MUTANDIS APPLICATION OF THE CIVIL CODE)

Article 14. The provisions of Article 51.1 of the Civil Code (limited to those sections that concern the time of incorporation) shall apply mutatis mutandis to establishment of a specified nonprofit corporation.

Section 3. Administration

(OFFICERS)

Article 15. A specified nonprofit corporation shall have three (3) or more directors and one (1) or more auditors as its officers.

(REPRESENTATION BY DIRECTORS)

Article 16. The directors shall represent a specified nonprofit corporation in all the business thereof, with the proviso that their power of representation may be restricted by the articles of incorporation.

(DETERMINATION OF BUSINESS)

Article 17. The business of a specified nonprofit corporation shall be determined by majority vote of the directors, unless otherwise specified in the articles of incorporation.

(DUTIES OF AUDITORS)

Article 18. Supervisors shall perform the duties specified in each of the following items:

- i. inspect the status of business conducted by the directors;
- ii. inspect the status of assets of the specified nonprofit corporation;
- iii. if, as a result of the inspection specified in the preceding two items, improper conduct or important facts indicating violation of laws, regulations, or the articles of incorporation with regard to the business or assets of the specified nonprofit corporation are discovered, report same to a general meeting or the government agency with jurisdiction;
- iv. if necessary in order to submit a report as specified in the preceding item, convene a general meeting;
- v. present opinions to the directors on the status of business conducted by the directors or the status of assets of the specified nonprofit corporation.

(PROHIBITION OF DUAL FUNCTIONS BY AUDITORS)

Article 19. An auditor may not concurrently be a director or staff member of the specified nonprofit corporation.

(REASONS FOR DISQUALIFICATION AS AN OFFICER)

Article 20. No person who is covered by any of the following may become an officer of a specified nonprofit corporation:

- i. an adult ward or a person under curatorial care
- ii. a bankrupt who has not been reinstated with his/her rights;
- iii. a person who has been sentenced to imprisonment or a more severe penalty, and for whom two (2) years have yet to pass from the date of expiration of execution of the sentence or the date on which said person became no longer subject to execution of sentence;
- iv. a person who has been sentenced to a penal fine as a result of violation of the provisions of this law or the provisions of the Law Concerning the Prevention of Irregularities by Gangsters, excluding the provisions of Article 31.7 of said law or Article 204, Article 206, Article 208, Article 208-3, Article 222, or Article 247 of the Criminal Code (Law No. 45 of 1907) or the provisions of the Law Concerning Punishment of Violent Acts, Etc. (Law No. 60 of 1926), and for whom two (2) years have yet to pass from the date of expiration of execution of the sentence or the date on which said person became no longer subject to execution of sentence;
- v. **a member of a violent criminal organization, etc.**
- vi. a person who was an officer of a specified nonprofit corporation at the time of dissolution thereof, authentication of establishment having been revoked pursuant to the provisions of Article 43, and for whom two (2) years have yet to pass from the date on which said authentication of establishment was revoked.

(LIMITATIONS ON RELATIVES, ETC., OF OFFICERS)

Article 21. Officers may not include more than one (1) person who is a spouse or relative within the third degree of consanguinity of any one (1) officer, and said officer and his/her spouse and relatives within the third degree of consanguinity may not constitute more than one-third of the total number of officers.

(FILLING VACANT OFFICES)

Article 22. If the offices of more than one-third of the fixed number of directors or auditors fall vacant, they shall be filled promptly.

(NOTIFICATION OF CHANGES CONCERNING OFFICERS)

Article 23. 1. A specified nonprofit corporation must promptly notify the government agency with jurisdiction in the event of any change in the name or the address or residence of an officer.

2. When making the notification specified in the preceding paragraph when a new officer has been installed (excluding instances of reappointment simultaneously with expiration of the term of office), a specified nonprofit corporation shall submit to the government agency with jurisdiction the documents listed in Article 10.1.ii.b and c in regard to said officer.

(TERM OF OFFICE OF OFFICERS)

- Article 24. 1. The articles of incorporation shall specify a term of office of not more than two (2) years for officers. However, reappointment shall not be prohibited.
2. **Notwithstanding the preceding item, for specified nonprofit corporations which are to elect their officers at the general meeting as specified in the articles of incorporation, if a successor is not elected to office, the term of office may be extended until termination of the first general meeting from the last day of the previous officer's term of office as specified by the articles of incorporation pursuant to the provisions of the preceding paragraph.**

(AMENDMENT OF ARTICLES OF INCORPORATION)

- Article 25. 1. Any amendment of the articles of incorporation shall take place by resolution of a general meeting as specified in the articles of incorporation.
2. Any resolution specified in the preceding paragraph must be approved by at least three-fourths of the members present at a general meeting attended by at least one-half of the members, unless otherwise specified in the articles of incorporation.
3. No amendment of the articles of incorporation shall be effective unless approval is obtained from the government agency with jurisdiction, excluding amendments involving the matters specified in Article 11.1.iv (limited to those not involving a change of competent authority), as well as the matters specified in viii and xiv of the same paragraph (referred to in paragraph 6 as "amendment of the articles of incorporation regarding minor matters").
4. If a specified nonprofit corporation wishes to obtain the approval specified in the preceding paragraph, said specified nonprofit corporation must submit an application to the government agency with jurisdiction together with a certified copy of the minutes of the general meeting at which amendment of the articles of incorporation was approved, as well as the amended articles of incorporation. If amendment of the articles of incorporation is related to matters specified in Article 11.1.iii or xi, an operating plan and a budget statement of revenue and expenditure for the fiscal year in which the date of amendment is included and the following fiscal year must be attached to the application
5. The provisions of Article 10.2 and Article 12 shall apply mutatis mutandis to the approval specified in paragraph 3.
6. A specified nonprofit corporation must notify the government agency with jurisdiction promptly in the event that it makes any amendment of the articles of incorporation regarding minor matters.
- Article 26. 1. The application specified in paragraph 4 of the preceding article for approval of amendment of the articles of incorporation involving a change of government agency with jurisdiction must be submitted to the government agency with jurisdiction after the change via the government agency with jurisdiction prior to the change.
2. In the event of the preceding paragraph, in addition to the documents specified in Article 25.4, the documents specified in Article 10.1.ii.a and iv, as well as the most recent activity report, etc., as specified in Article 28.1 (which for the period from establishment through compilation of said documents shall mean the inventory of assets at the time of establishment specified in Article 14 applying Civil Code Article 51.1, and for the period from a merger through compilation of said documents shall mean the inventory of assets specified in Article 35.1) must be attached to the application.
3. In the event of paragraph 1, if the government agency with jurisdiction approves amendment of the articles of incorporation, the government agency with jurisdiction shall promptly take over administrative work from the prior competent authority as prescribed by ordinance of the Prime Minister's Office.

(ACCOUNTING PRINCIPLES)

- Article 27. Accounts for a specified nonprofit corporation must be kept as prescribed in this law as well as in accordance with the following principles:
- i. **repealed***
 - ii. account books must be kept accurately, in keeping with the principles of formal bookkeeping;
 - iii. the inventory of assets, balance sheet, and statement of revenue and expenditure must clearly state the truthful extent of revenue and expenditure and of finances on the basis of the account books;
 - iv. the standards and procedures adopted for processing accounts must be followed consistently each fiscal year and must not be changed indiscriminately.

(KEEPING OF ACTIVITY REPORT, ETC., AND VIEWING THEREOF)

- Article 28. 1. A specified nonprofit corporation must compile within the first three (3) months of each fiscal year, as prescribed by ordinance of the Prime Minister's Office, an activity report, inventory of assets, balance sheet, and statement of revenue and expenditure (referred to in the following paragraph, Article 29, and Article 43.1 as "activity report, etc.") for the previous fiscal year, and a list of officers (meaning a listing of the names and addresses or residences of all persons who were officers the previous fiscal year and indication of paid or unpaid status for each officer for the previous fiscal year), as well as a document listing the names of at least ten (10) members (which for corporate members shall mean the name of the corporation and the name of the representative), as well as their addresses or residences (referred to in the following paragraph, Article 29, and Article 43.1 as "list of officers, etc."); and said specified nonprofit corporation

must keep these documents at its main office until the last day of the second successive fiscal year after the fiscal year in question.

2. If a member or other interested party asks to view the activity report, etc. (which for the period from establishment through compilation of said documents shall mean the inventory of assets at the time of establishment specified in Article 14 applying Civil Code Article 51.1 and for the period from a merger through compilation of said documents shall mean the inventory of assets specified in Article 35.1; the same shall apply in Article 29.2), the list of officers, etc., or the articles of incorporation or copies of documents relating to the authentication or registration of same (referred to in Article 29 and Article 43.1 as “articles of incorporation, etc.”), said specified nonprofit corporation must allow viewing thereof unless there is just and proper reason to the contrary.

(SUBMISSION AND PUBLIC DISCLOSURE OF ACTIVITY REPORT, ETC.)

- Article 29. 1. A specified nonprofit corporation must submit its activity report, etc., list of officers, etc., and articles of incorporation, etc. (limited to articles of incorporation that have been amended, as well as copies of the documents relating to approval and registration of said amendment), once every fiscal year to the government agency with jurisdiction as prescribed by ordinance of the Prime Minister’s Office.
2. If a request is made to view the activity report, etc., or registry of officers, etc. (limited to those submitted within the last three [3] years), or the articles of incorporation, etc., submitted to the government agency with jurisdiction by a specified nonprofit corporation, the government agency with jurisdiction must permit viewing thereof as prescribed by ordinance of the Prime Minister’s Office.

(MUTATIS MUTANDIS APPLICATION OF THE CIVIL CODE)

- Article 30. The provisions of Article 54 to Article 57 and Article 60 to Article 66 of the Civil Code shall apply mutatis mutandis to a specified nonprofit corporation. In this case, “the court . . . on the application of any person interested or of a public prosecutor” in Article 56 of the Civil Code shall be read as “the government agency with jurisdiction . . . on the application of any interested party or by the authority of his/her post.”

Section 4. Dissolution and Merger

(REASONS FOR DISSOLUTION)

- Article 31. 1. A specified nonprofit corporation shall be dissolved for any of the following reasons:
- i. resolution of a general meeting to that effect;
 - ii. the occurrence of any reason for dissolution specified in the articles of incorporation;
 - iii. the impossibility of successful performance of operations relating to the nonprofit activities that are its objective;
 - iv. absence of members;
 - v. merger;
 - vi. bankruptcy;
 - vii. revocation of authentication of establishment in accordance with the provisions of Article 43.
2. Dissolution for the reason specified in item iii of the preceding paragraph shall not take effect without the approval of the government agency with jurisdiction.
 3. A specified nonprofit corporation wishing to obtain approval as specified in the preceding paragraph shall submit to the government agency with jurisdiction a document attesting to the reason specified in paragraph 1.iii.
 4. The liquidator shall, when dissolution is effected for the reasons specified in paragraph 1.i, ii, iv, or vi, promptly notify the government agency with jurisdiction to that effect.

(ASSIGNATION OF REMAINING ASSETS)

- Article 32. 1. The remaining assets of a dissolved specified nonprofit corporation shall, except in the cases of merger and bankruptcy, be assigned to the entity stipulated by the articles of incorporation at the time of notifying the government agency with jurisdiction of the completion of liquidation.
2. If there is no provision in the articles of incorporation regarding assignment of remaining assets, the liquidator may, upon receipt of approval by the government agency with jurisdiction, transfer them to the national government or a local public organization.
 3. Any assets that are not disposed of under the provisions of the preceding two paragraphs shall be assigned to the national treasury.

(MERGER)

- Article 33. A specified nonprofit corporation may merge with another specified nonprofit corporation.

(PROCEDURES FOR MERGER)

- Article 34. 1. Any merger by a specified nonprofit corporation must be approved by resolution of a general meeting.

2. The resolution specified in the preceding paragraph must be approved by at least three-fourths of the members, unless otherwise specified in the articles of incorporation.
 3. No merger shall be effective unless approval is obtained from the government agency with jurisdiction.
 4. If a specified nonprofit corporation wishes to obtain the approval specified in the preceding paragraph, said specified nonprofit corporation must submit an application to the government agency with jurisdiction together with a certified copy of the minutes of the general meeting at which the resolution specified in paragraph 1 was approved.
 5. The provisions of Article 10 and Article 12 shall apply mutatis mutandis to the approval specified in paragraph 3.
- Article 35. 1. A specified nonprofit corporation shall, upon approval by the government agency with jurisdiction as specified in Article 34.3, prepare an inventory of assets and a balance sheet within two (2) weeks from the date of notification of said approval.
2. A specified nonprofit corporation shall, upon approval by the government agency with jurisdiction as specified in Article 34.3, give public notice to creditors within two (2) weeks from the date of notification of said approval that they shall present objections, if any, during a fixed period and further shall give separate notice to the same effect to each known creditor, provided that said fixed period is not less than two (2) months.
- Article 36. 1. If no creditor presents an objection to the merger during the period specified in Article 35.2, it shall be deemed that the merger has been consented to.
2. If any creditor presents an objection, the specified nonprofit corporation must satisfy his/her claims or furnish him/her with equivalent collateral or entrust equivalent assets to a trust company or a bank engaged in trust business for the purpose of satisfying said creditor. However, this is not necessary when there is no possibility that the merger will harm said creditor.
- Article 37. When a specified nonprofit corporation is to be established by merger, preparation of the articles of incorporation and other matters relating to establishment of said specified nonprofit corporation shall be attended to by joint action of persons selected by each specified nonprofit corporation.

(EFFECT OF MERGER)

- Article 38. A specified nonprofit corporation that continues to exist after merger or a specified nonprofit corporation established by merger shall succeed to all the rights and obligations of the specified nonprofit corporation or corporations ceasing to exist by reason of merger (including the rights and obligations possessed by said specified nonprofit corporation or corporations by virtue of permission and other dispositions granted by the administrative authorities in connection with the business thereof).

(TIME OF MERGER)

- Article 39. 1. Merger of specified nonprofit corporations shall take effect upon completion of registration at the locality of the main office of the specified nonprofit corporation that continues to exist after merger or of the specified nonprofit corporation that is established by merger.
2. The provisions of Article 13.2 shall apply mutatis mutandis to the registration specified in the preceding paragraph.

(MUTATIS MUTANDIS APPLICATION OF THE CIVIL CODE)

- Article 40. The provisions of Article 69, Article 70, Article 73 to Article 76, Article 77.2 (limited to the portion relating to reporting), and Article 78 to Article 83 of the Civil Code, as well as the provisions of Article 35.2, Article 36, Article 37-2, Article 136 to Article 137, and Article 138 of the Law of Procedure for Noncontentious Matters, shall apply mutatis mutandis to dissolution and liquidation of a specified nonprofit corporation. In this case, "the competent authorities" in Article 77.2 and Article 83 of the Civil Code shall be read as "the government agency with jurisdiction."

Section 5. Supervision

(REPORTS AND INSPECTION)

- Article 41. 1. If there is sufficient reason to suspect that a specified nonprofit corporation has violated laws, regulations, administrative dispositions based on laws or regulations, or the articles of incorporation, the government agency with jurisdiction may have said specified nonprofit corporation make a report concerning the status of its business or assets or have officials of the government agency with jurisdiction enter the office or offices and other facilities of said specified nonprofit corporation and inspect the status of its business or assets or its account books, documents, and other materials.
2. If the government agency with jurisdiction has the inspection specified in the preceding paragraph performed, the government agency with jurisdiction shall have its officials present a document stating the sufficient reason of said paragraph to the officers of the specified nonprofit corporation or other persons with authority to supervise the office or offices and other facilities that are subject to inspection (referred to hereafter in this paragraph as "officers, etc., of the specified nonprofit corporation") and must deliver said document if the officers, etc., of the specified nonprofit corporation demand delivery thereof.

3. Any official performing the inspection specified in paragraph 1 must carry a certificate attesting to his/her official status and must show it to those concerned.
4. The authority to inspect specified in paragraph 1 shall not be construed as the authority to conduct a criminal investigation.

(ORDERS TO IMPROVE)

Article 42. The government agency with jurisdiction may order a specified nonprofit corporation to take such measures as are necessary for improvement within a fixed period if the government agency with jurisdiction deems that said specified nonprofit corporation does not meet the requirements of Article 12.1.ii, iii, or iv or otherwise violates laws, regulations, administrative dispositions based on laws or regulations, or the articles of incorporation or that its operations are materially lacking in propriety.

(REVOCATION OF AUTHENTICATION OF ESTABLISHMENT)

Article 43. 1. The government agency with jurisdiction may revoke its authentication of establishment of a specified nonprofit corporation if said specified nonprofit corporation violates an order specified in Article 42 and the government agency with jurisdiction cannot fulfill the objectives of supervision through other means or if a specified nonprofit corporation has not submitted an activity report, etc., registry of officers, etc., or articles of incorporation, etc., as specified in Article 29.1 for at least three (3) years.

2. The government agency with jurisdiction may revoke its authentication of establishment of a specified nonprofit corporation even without issuing the order specified in Article 42 if said specified nonprofit corporation violates laws or regulations and if it is clear that improvement cannot be expected as a result of such an order and that the objectives of supervision cannot be fulfilled through other means.

3. If a specified nonprofit corporation so requests, efforts must be made to hold public hearings on the dates of hearings concerning the revocation of authentication of establishment as specified in the preceding two paragraphs.

4. If the government agency with jurisdiction does not hold public hearings on the dates of hearings when a request as specified in the preceding paragraph has been made, the government agency with jurisdiction must deliver to the specified nonprofit corporation a written statement of the reason for not holding public hearings.

(SEEKING FOR OPINION)

Article 43-2 If there is sufficient reason to suspect that a specified nonprofit corporation has not complied with the requirements specified in Article 12.1iii or if its officer(s) disqualifies by corresponding to Article 20.v, the government agency with jurisdiction may ask, stating the reason, for the opinion of the Director General for the National Police Agency in the case where the government agency with jurisdiction is the Prime Minister and of the Chief Commissioner of the Metropolitan Police or the Chief Commissioner of the Prefectural Police in the case where the government agency with jurisdiction is the governor of a *to, do, fu, or ken* (prefecture or equivalent), (referred to as “Director General for the National Police Agency or Chief Commissioner of the Prefectural Police” in the following section).

(ADVICE TO GOVERNMENT AGENCY WITH JURISDICTION)

Article 43-3 If there is sufficient reason to suspect that a specified nonprofit corporation has not complied with the requirements specified in Article 12.1iii or if its officer(s) disqualifies by corresponding to Article 20.v and there is a need for the government agency with jurisdiction to take appropriate measures as are necessary on the said specified nonprofit corporation, the Director General for the National Police Agency or Chief Commissioner of the Prefectural Police may advise the government agency with jurisdiction to do so.

Section 6. Miscellaneous Provisions

(PROVISION OF INFORMATION)

Article 44. 1. The Prime Minister must deliver copies of documents for viewing as specified in Article 29.2 (excluding copies of documents already delivered pursuant to this paragraph) to the governor of the *to, do, fu, or ken* (prefecture or equivalent) in which an office of a specified nonprofit corporation specified in Article 9.2 is located.

2. A specified nonprofit corporation specified in Article 9.2 must submit copies of the documents specified in the preceding paragraph to the Prime Minister as prescribed by ordinance of the Prime Minister’s Office.

3. The governor of a *to, do, fu, or ken* (prefecture or equivalent) may permit viewing of the copies of the documents that he/she receives pursuant to paragraph 1 as prescribed by ordinance of his/her prefecture or equivalent.

Article 44-2 (Translation left out)

(REGULATIONS FOR IMPLEMENTATION)

Article 45. In addition to the provisions of this chapter, the procedures for implementation thereof, as well as other particulars necessary for implementation, shall be prescribed by ordinance of the Prime Minister’s Office.

Chapter III. Special Treatment Under Tax Law

- Article 46. 1. A specified nonprofit corporation shall be deemed to be a public interest corporation, etc., as specified in Article 2.vi of the Corporation Tax Law (Law No. 34 of 1965) for the purposes of application of said law and other laws and regulations relating to corporation taxes. In this event, for the purposes of applying Article 37 of said law, the wording “public interest corporations, etc.” in paragraph 3 of said article shall be read as “public interest corporations, etc. (excluding corporations; hereafter referred to as ‘specified nonprofit corporations’), specified in Article 2.2 of the Law to Promote Specified Nonprofit Activities (Law No. 7 of 1998),” and the wording “public interest corporations, etc.” in paragraph 4 of said article shall be read as “public interest corporations, etc. (excluding specified nonprofit corporations)”;
- for the purposes of applying Article 66 of said law, the wording “ordinary corporations” in paragraphs 1 and 2 of said article shall be read as “ordinary corporations (including specified nonprofit corporations),” and the wording “public interest corporations, etc.” in paragraph 3 of said article shall be read as “public interest corporations, etc. (excluding specified nonprofit corporations)”;
- and for the purposes of applying Article 68-6 of the Special Taxation Measures Law (Law No. 26 of 1957), the wording “those corporations deemed” in said article shall be read as “those corporations deemed (which for corporations specified in Article 2.2 of the Law to Promote Specified Nonprofit Activities [Law No. 7 of 1998] shall be limited to corporations designated by cabinet order as small-scale corporations).”
2. For the purposes of applying the Consumption Tax Law (Law No. 108 of 1988) and other laws and regulations concerning the consumption tax, a specified nonprofit corporation shall be deemed to be a corporation as specified in Schedule 3 of the Consumption Tax Law.
3. For the purposes of applying the Land Value Tax Law (Law No. 69 of 1991) and other laws and regulations concerning the land value tax (excluding the provisions of Article 33 of said law), a specified nonprofit corporation shall be deemed to be a public interest corporation, etc., as specified in Article 2.vi of the Land Value Tax Law, with the proviso that for the purposes of applying the provisions of laws or regulations concerning exemption from land value tax pursuant to Article 6 of said law, a specified nonprofit corporation shall be deemed to be an organization, etc., without juridical personality as specified in Article 2.vii of said law.

Article 46-2 If a specified nonprofit corporation meets the requirements of organization and operation as specified in the Special Tax Measures Law and receives approval of the Director General for the National Tax Administration Agency as contributing to the promotion of public benefit, an individual or a corporation contributing or donating a gift to the said specified nonprofit corporation for its specified nonprofit activities shall be considered a special case and exempt from income tax, corporate tax or inheritance tax as specified by the said law.

Chapter IV. Penal Provisions

- Article 47. A person who violates an order specified in Article 42 shall be liable to a fine not exceeding 500,000 yen.
- Article 48. If a representative or proxy or an employee or other worker of a specified nonprofit corporation commits any violation specified in the preceding article in connection with the business of said specified nonprofit corporation, the specified nonprofit corporation as well as the offender shall be liable to the penalty prescribed in said article.
- Article 49. Directors, auditors, or the liquidator of a specified nonprofit corporation shall be liable to a nonpenal fine not exceeding 200,000 yen in any of the following cases:
- i. registration as specified in the provisions of the cabinet order specified in Article 7.1 has been neglected;
 - ii. preparation of an inventory of assets as specified in the provisions of paragraph 1 of Article 51 of the Civil Code, applicable mutatis mutandis to Article 14, has been neglected or matters required to be included in said inventory have not been included or untrue entries have been made;
 - iii. notification has not been given, in violation of the provisions of Article 23.1 or Article 25.6, or false notification has been given;
 - iv. the keeping of the documents specified in the provisions of Article 28.1 has been neglected or matters required to be included in said documents have not been included or untrue entries have been made;
 - v. submission of the documents specified in Article 29.1 has been neglected;
 - vi. preparation of the documents specified in Article 35.1 has been neglected or matters required to be included in said documents have not been included or untrue entries have been made;
 - vii. the provisions of Article 35.2 or Article 36.2 have been violated;
 - viii. application for adjudication of bankruptcy as specified in Article 70.2 or Article 81.1 of the Civil Code, applicable mutatis mutandis to Article 40, has been neglected;
 - ix. public notice as specified in Article 79.1 or Article 81.1 of the Civil Code, applicable mutatis mutandis to Article 40, has been neglected or untrue public notice has been given.
 - x. **reporting specified in provisions of Article 41.1 has been neglected or untrue, or inspection specified in the same Article refused, disturbed or evaded.**
- Article 50. A person who violates the provisions of Article 4 shall be liable to a nonpenal fine not exceeding 100,000 yen.

Attached Schedule (Article 2)

1. Promotion of health, medical treatment, or welfare
2. Promotion of social education
3. Promotion of community development
4. Promotion of **science**, culture, the arts, or sports
5. Conservation of the environment
6. Disaster relief
7. Promotion of community safety
8. Protection of human rights or promotion of peace
9. International cooperation
10. Promotion of a society with equal gender participation
11. Sound nurturing of youth
12. **Development of information technology**
13. **Promotion of science and technology**
14. **Promotion of economic activities**
15. **Development of vocational expertise or expansion of employment opportunities**
16. **Protection of consumers**
17. Administration of organizations that engage in the above activities or provision of liaison, advice, or assistance in connection with the above activities

Supplementary Provisions (Law No. 173 of 2002) (Excerpts)

(ENFORCEMENT DATE)

Article 1. This law shall be in force and effect from **May 1, 2003**.

(TRANSITIONAL MEASURES)

Article 2. 1. The provisions in Article 5.2 of the revised Law to Promote Specified Nonprofit Activities (referred to hereafter as the “new Law”) are to be applied to operations starting in the fiscal year following that of the date of enforcement of this law (referred to hereafter as the “enforcement date”). For operations in the fiscal year started before the enforcement date, the provisions are to follow precedent cases.

2. In enforcing this law, the provisions in Article 11.1 (limited to those sections that concern xi) relating to other operations specified in Article 5.1 of the new Law (excluding the revenue-generating operations specified in Article 5.1 of the Law to Promote Specified Nonprofit Activities before the revision [referred to hereafter as the “old Law”]) of a specified nonprofit corporation shall not be applied until passing of one year from the enforcement date of this law.

Article 3. 1. The provisions relating to the documents to be submitted together with the application for approval specified in Articles 10.1, 25.4 and 34.4 of the old Law before the enforcement date are to follow precedent cases.

2. The criteria relating to the application for approval specified in Article 10.1 of the old Law, application for approval specified in Article 25.4 of the old Law, and application for approval specified in Article 34.4 of the old Law before the enforcement date are to follow precedent cases.

Article 4. 1. In enforcing this law, the provisions in Article 11.1 (limited to those sections that concern item x) shall not be applied to specified nonprofit corporations (including organizations relating to application for authentication of establishment of a specified nonprofit corporation; the same shall apply to the following paragraph) which have not fixed a fiscal year in their articles of incorporation until passing of one year from the enforcement date of this law.

2. In enforcing this law, the wording shall be amended for the purpose of applying Articles 27.4, 28.1 and 29.1 of the new Law and Article 2.1 of the Supplementary Provisions until the day before the start of the initial fiscal year to specified nonprofit corporations which have not fixed a fiscal year:

The wording “every fiscal year,” “previous fiscal year” and “two fiscal years hence” in Article 28.1 shall be amended to read “every year,” “previous year” and “two years hence.” The wording “every fiscal year” in Article 29.1 shall be amended to read “every year.” The wording “the fiscal year following that of the date of enforcement of this law (referred to hereafter as the “enforcement date”)” shall be amended to read “January 1, 2004 (the date of the initial fiscal year if the initial fiscal year starts before the said date).” The wording “the fiscal year started before the enforcement date” shall be amended to read “December 31, 2003 (the day before the start of the initial fiscal year if the initial fiscal year starts before the said date).”

* Editorial note: Article 27.i, an accounting-related clause, stated that all revenues and expenditures must be based on an initial budget.

[UNOFFICIAL TRANSLATION]

**Outline of the 2003 Revision
of the Special Tax Measures Law**

(Excerpts of provisions concerning NPOs)
Ministry of Finance

The following revisions are introduced to the system regulating the Approved Specified Nonprofit Corporations eligible for tax-deductible contributions.

- (1) The conditions for the approval of Specified Nonprofit Corporations shall be as follows.
 - i. Measures relating to the public support test (total amount of donations and grants shall make up more than one-third of the total amount of income) are as follows:
 - a. For the period between April 1, 2003, and March 31, 2006, the ratio shall be eased to more than one-fifth (specified as one-third under the present law in force) the total amount of income.
 - b. The standard limit per donor not to be counted toward the amount of donations received shall not exceed five (5) percent of the total amount of donations received (presently set at two (2) percent).
 - c. The standard limit per donor not to be counted toward the total amount of income and the total amount of donations received shall be lowered to under 1,000 yen (presently set at 3,000 yen).
 - d. The amount of commission grants received from national or local governments and international organizations in which Japan is a member or the amount of subsidies received from international organizations in which Japan is a member shall not be counted toward the total amount of income.
 - ii. The conditions for approval relating to operations of specified nonprofit corporations conducted in more than one municipality are to be repealed.
 - iii. If the said corporation remits or transfers money overseas, it shall submit documents beforehand to the National Tax Administration Agency for the amount exceeding 2,000,000 yen. For the amount equaling 2,000,000 yen or less, the information on the said remittance or transfer of money shall be submitted after the termination of the fiscal year.
- (2) The amount used for specified nonprofit activities from assets obtained from revenue-generating operations shall be deemed to be donations and the percentage limit of tax deductible amount for said donations shall be twenty (20) percent of the profit.