NEWS RELEASE

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Japanese Businesses Welcome New Legislation by the State of Oregon to Repeal the Worldwide Unitary Tax System

The Japan Federation of Economic Organizations (KEIDANREN) announced that it welcomes the new legislation by the State of Oregon to repeal the worldwide unitary tax system. Under the leadership of Governor Victor Atiyeh, Oregon's legislative body passed a bill to do away with this particular tax system on July 30, local time.

Mr. Akio Morita, Chairman of KEIDANREN's Committee on International Investment and Technology Exchange and Chairman and C.E.O. of the Sony Corporation, praised the significant efforts by members of the Oregon legislature, especially Governor Atiyeh, to modify the state's method of taxation on corporate earnings. KEIDANREN, an organization representing 832 large-scale Japanese businesses and 117 business associations, dispatched a delegation headed by Mr. Morita in June to 23 U.S. states, including Oregon, and Washington D.C. The main objective was to survey the investment climate in order to promote Japanese direct investment in the U.S. as well as to request that the worldwide unitary tax system be repealed. Upon meeting with members of the delegation on June 4, Governor Atiyeh made clear his intention to repeal the worldwide unitary tax system in his state. He then convened a special session of the legislature on July 30 for this purpose.

Mr. Morita stated that KEIDANREN was extremely pleased to learn that Oregon recognized the unfairness of the worldwide unitary tax system, and subsequently moved to eliminate this major obstacle to foreign investment in the state. This shift in policy clearly guarantees fair treatment to present and future investors in Oregon, making the state highly attractive for foreign investment. As a result, this new legislation would in turn lead to the creation of job opportunities and other economic benefits for the state as well.

At the present, more than 10 states in the U.S. are adopting and implementing the worldwide unitary taxation system for corporate earnings causing a situation where the entire income of a corporate group - all subsidiaries and parent firm inclusive - is subject to taxation within a state. In other words, the calculation of corporate tax is not limited to a subsidiary's own income. It also combines the income of the subsidiary's parent organization, regardless of location. Such a system not only reflects extraterritorial application of the law by a state, but also results in the phenomenon of double taxation. Further aggravating the situation of the corporate bodies concerned, companies are forced to spend enormous amount of time and money translating documents, converting currency statistics, and revising financial statements to meet the complicated requirements related to the disclosure of information. With due consideration given to this situation, KEIDANREN has continuously informed the U.S. that Japanese companies are becoming more and more reluctant to invest in states which have adopted the worldwide unitary tax system.

Under the new legislation by the State of Oregon, the filing method for federal income tax replaces the worldwide unitary taxation system in determining the amount of income subject to corporate tax within the state. When this method is applied, the income earned by foreign parent having subsidiaries in the U.S. is not considered as taxable income in the state. Consequently, the unfairness of the unitary taxation is eliminated, opening up a new prospect for both Japan and the U.S.