

Commercial Code

(Act No. 48 of March 9, 1899)

Part I General Provisions

Chapter I General Rules (Article 1 to Article 3)

Chapter II Merchants (Article 4 to Article 7)

Chapter III Commercial Registration (Article 8 to Article 10)

Chapter IV Trade Names (Article 11 to Article 18-2)

Chapter V Commercial Books (Article 19)

Chapter VI Mercantile Employees (Article 20 to Article 26)

Chapter VII Commercial Agents (Article 27 to Article 500)

Part II Commercial Transactions

Chapter I General Provisions (Article 501 to Article 523)

Chapter II Sales Transactions (Article 524 to Article 528)

Chapter III Open Accounts (Article 529 to Article 534)

Chapter IV Silent Partnerships (Article 535 to Article 542)

Chapter V Brokerage Business (Article 543 to Article 550)

Chapter VI Business of Commission Merchants (Article 551 to Article 558)

Chapter VII Freight Forwarding Business (Article 559 to Article 568)

Chapter VIII Transportation Business

Section 1 General Provisions (Article 569)

Section 2 Freight Transportation (Article 570 to Article 588)

Section 3 Passenger Transportation (Article 589 to Article 594)

Chapter IX Bailment

Section 1 General Provisions (Article 595 to Article 598)

Section 2 Warehouse Business (Article 599 to Article 683)

Part III Maritime Commerce

Chapter I Ships

Section 1 General Provisions (Articles 684 and 685)

Section 2 Ownership of Ships

Subsection 1 General Provisions (Articles 686 to 691)

Subsection 2 Co-ownership of Ships (Articles 692 to 700)

Section 3 Ship Leasing (Articles 701 to 703)

Section 4 Time Charter (Articles 704 to 707)

Chapter II Ships' Master (Article 708 to Article 736)

Chapter III Special Provisions on Marine Transportation of Goods

Section 1 Carriage of Goods In General Ship (Articles 737 to 747)

Section 2 Voyage Charter (Article 748 to Article 756)

Section 3 Bills of Lading (Article 757 to Article 769)

Section 4 Sea Waybills (Article 770 to Article 787)
Chapter IV Collision of Ships (Article 788 to Article 791)
Chapter V Marine Salvage (Article 792 to Article 807)
Chapter VI General Average (Articles 808 to 814)
Chapter VII Marine Insurance (Article 815 to Article 841)
Chapter VIII Statutory Liens on Ships and Mortgages on Ships (Article 842 to Article 850)

Part I General Provisions
Chapter I General Rules

(Purpose)

- Article 1 (1) The business of merchants, commercial transactions, and other commercial matters are governed by the provisions of this Code, except as otherwise provided by other laws.
- (2) A commercial matter not provided for in this Code is governed by commercial custom, and if there is no commercial custom, it is governed by the provisions of the Civil Code (Act No. 89 of 1896).

(Commercial Transactions by Public Corporations)

- Article 2 Commercial transactions conducted by public corporations are governed by the provisions of this Code, except as otherwise provided for by laws and regulations.

(Transactions Constituting Commercial Transactions for One Party)

- Article 3 (1) If an act constitutes a commercial transaction for one of the parties, this Code applies to both parties.
- (2) If two or more persons form one of the parties and an act constitutes a commercial transaction for any one of them, this Code applies to all of them.

Chapter II Merchants

(Definitions)

- Article 4 (1) The term "merchant" as used in this Code means a person in the business of conducting commercial transactions in its own name.
- (2) A person in the business of selling goods at a store or other similar facility or a person engaged in the mining business is deemed to be a merchant even if that person is not in the business of conducting commercial transactions.

(Commercial Registration of Minors)

- Article 5 If a minor carries out a business referred to in the preceding Article,

this must be registered.

(Commercial Registration of Guardians)

Article 6 (1) If a guardian carries out a business referred to in Article 4 on behalf of a ward, this must be registered.

(2) A limitation on a guardian's authority of representation may not be asserted against a third party in good faith.

(Small-Scale Merchants)

Article 7 The provisions of Article 5, the preceding Article, the following Chapter, Article 11, paragraph (2), Article 15, paragraph (2), the first sentence of Article 17, paragraph (2), Chapter V, and Article 22 do not apply to a small-scale merchant (meaning a merchant with an asset value as provided by the Ministry of Justice Order that does not exceed the amount prescribed by the Ministry of Justice Order, for assets that the merchant uses for its business).

Chapter III Commercial Registration

(General Rules)

Article 8 The information that must be registered pursuant to the provisions of this Part is registered in the commercial register at the application of the party concerned, pursuant to the provisions of the Commercial Registration Act (Act No. 125 of 1963).

(Effect of Registration)

Article 9 (1) Information that must be registered pursuant to the provisions of this Part may not be asserted against a third party in good faith until after the registration. The same applies after the registration if a third party had a legitimate reason for not knowing that the information was registered.

(2) A person that registers false information intentionally or through negligence may not assert the falsity of that information against a third party in good faith.

(Registration of Changes and Lapses)

Article 10 If information registered pursuant to the provisions of this Part changes or ceases to be applicable, the relevant party must register the change or lapse without delay.

Chapter IV Trade Names

(Selection of Trade Name)

Article 11 (1) A merchant (other than a company or foreign company; hereinafter the same applies in this Part) may use the merchant's surname, full name, or any other name as a trade name.

(2) A merchant may register its trade name.

(Prohibition on Use of Names Causing Misconception That Merchant Is Another Merchant)

Article 12 (1) It is prohibited for any person to use, with a wrongful purpose, a name or trade name that could give rise to the misconception that the person is another merchant.

(2) A merchant whose business interests have been or are likely to be infringed upon by the use of a name or trade name that violates the provisions of the preceding paragraph may demand that the person infringing or likely to infringe upon those business interests discontinue or refrain from the infringement.

(Civil Fines)

Article 13 A person violating the provisions of paragraph (1) of the preceding Article is subject to a civil fine of not more than one million yen.

(Liability of Merchant Permitting Others to Use Its Trade Name)

Article 14 A merchant that permits another person to carry on a business or engage in operations using the merchant's trade name is jointly and severally liable, together with that other person, to a party that has dealings with the other person based on the misconception that the merchant is the one carrying on the business, for performance of the obligations arising from those dealings.

(Transfer of Trade Names)

Article 15 (1) A merchant may transfer its trade name, but only if it transfers this together with its business or if it discontinues its business.

(2) The transfer of a trade name under the provisions of the preceding paragraph may not be asserted against a third party unless it is registered.

(Non-Competition by Transferor of Business)

Article 16 (1) Unless the parties manifest a different intention, a merchant that transfers business (hereinafter referred to as the "transferor" in this Chapter) must not engage in the same line of business within the limits of the same city, town, or village (including within the limits of the same special ward; or within the limits of the same ward or administratively consolidated ward, as it concerns designated cities referred to in Article 252-19, paragraph (1) of the Local Autonomy Act (Act No. 67 of 1947); the same applies hereinafter), or

within the limits of a neighboring city, town, or village, for 20 years after the day of the business transfer.

- (2) If a transferor specifically agrees not to engage in the same line of business, that special agreement is only valid for 30 years after the day of the business transfer.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the transferor must not engage in the same line of business with the intention of engaging in unfair competition.

(Liability of Transferee Using Transferor's Trade Name)

Article 17 (1) If a merchant to which business is transferred (hereinafter referred to as the "transferee" in this Chapter) continues to use the trade name of the transferor, the transferee is also liable for performance of obligations arising from the business of the transferor.

- (2) The provisions of the preceding paragraph do not apply if, without delay after the business transfer, the transferee makes a registration indicating that the transferee is not liable for performance of the transferor's obligations. If the transferee and transferor notify third parties of this without delay after the business transfer, the same applies with respect to a third party that has been so notified.
- (3) If the transferee is liable for performance of the transferor's obligations pursuant to the provisions of paragraph (1), the transferor's liability to an obligee that fails to demand performance or give advance notice of its claim within the two years after the business transfer date is extinguished once those two years have passed.
- (4) In a case as prescribed in paragraph (1), any performance made to the transferee on a claim arising from the business of the transferor is valid if the party performing the obligation does so in good faith and without gross negligence.

(Assumption of Obligations by Transferee)

Article 18 (1) Even if a transferee does not continue to use the trade name of the transferor, if the transferee advertises that it will assume the obligations arising from the business of the transferor, the obligees of the transferor may demand that the transferee perform those obligations.

- (2) If the transferee is liable for performance of the transferor's obligations pursuant to the provisions of the preceding paragraph, the transferor's liability to an obligee that fails to demand performance of the obligations or give advance notice of its claim within the two years after the day that the transferor advertises as referred to in that paragraph is extinguished once those two years have passed.

(Demand for Transferee Involved in Fraudulent Business Transfer to Perform Obligations)

- Article 18-2 (1) If a transferor transfers business knowing that this will harm the obligee of an obligation not assumed by the transferee (hereinafter referred to as a "person that remains the obligee" of the transferor in this Article), the person that remains the obligee of the transferor may demand that the transferee perform that obligation, up to the value of the assets to which the transferee has succeeded; provided, however, that this does not apply if the transferee, at the time the business transfer becomes effective, is unaware that the transfer will harm the persons that remain the obligees of the transferor.
- (2) If a transferee is liable to perform the obligations referred to in the preceding paragraph pursuant to the provisions of that paragraph, its liability towards a person that remains the obligee of the transferor but that fails to demand performance of the obligation or give advance notice of its claim within the two years after the day on which it learns that the transferor has transferred the business with the knowledge that it harms the persons that remain its obligees is extinguished once those two years have passed. The same applies once ten years have passed since the day on which the business transfer becomes effective.
- (3) A person that remains the obligee of the transferor may not exercise the right to a claim against the transferee pursuant to the provisions of paragraph (1) if an order commencing bankruptcy proceedings or order commencing rehabilitation proceedings involving the transferor has been issued.

Chapter V Commercial Books

- Article 19 (1) A merchant's accounting is subject to the accounting practices that are generally accepted as fair and appropriate.
- (2) A merchant must prepare accurate commercial books (meaning accounting books and balance sheets; hereinafter the same applies in this Article) in a timely manner and as provided by the Ministry of Justice Order.
- (3) A merchant must keep commercial books and important business materials on file for ten years from the time of the closing of the books.
- (4) The court, upon petition or by its own authority, may order the parties to a suit to submit all or part of their commercial books.

Chapter VI Mercantile Employees

(Managers)

Article 20 A merchant may appoint a manager and have that manager carry out

its business at its place of business.

(Manager's Authority to Act as Agent)

Article 21 (1) A manager has the authority to engage in all acts in and out of court on behalf of the merchant in connection with the merchant's business.

(2) A manager may appoint and dismiss other employees.

(3) A limitation on a manager's authority to act as the merchant's agent may not be asserted against a third party in good faith.

(Registration of Managers)

Article 22 If a merchant appoints a manager, this must be registered. The same applies if a manager ceases to have the authority to act as the merchant's agent.

(Non-Competition by Managers)

Article 23 (1) A manager must not engage in any of the following conduct without the permission of the merchant:

(i) carrying on an independent business;

(ii) conducting a transaction that is in the merchant's line of business for the benefit of the manager or a third party;

(iii) becoming the employee of another merchant or of a company or foreign company;

(iv) becoming the director, executive officer, or executive managing member of a company.

(2) If a manager has engaged in the conduct set forth in item (ii) of the preceding paragraph in violation of the provisions of that paragraph, the amount of profit that the manager or third party has earned as a result of the conduct is presumed to be the amount of damage that the merchant has incurred.

(Apparent Manager)

Article 24 An employee with a title indicating that employee to be responsible for operations at a merchant's place of business is deemed to have the authority to engage in all acts out of court in connection with the operations of that place of business; provided, however, that this does not apply if the other party knows this not to be the case.

(Employees Delegated with Performing Functions of a Certain Type or with Performing Specific Functions)

Article 25 (1) An employee that is delegated with performing functions of a certain type, or with performing specific functions, that are connected with the merchant's business has the authority to engage in all acts out of court in

connection with those functions.

- (2) A limitation on the authority of the employee referred to in the preceding paragraph to represent the merchant may not be asserted against a third party in good faith.

(Employees of Stores at Which It Is Intended That Goods Will Be Sold)

Article 26 The employee of a store at which it is intended that goods will be sold or otherwise transferred (meaning sold, rented out, or subject to any other similar action; hereinafter the same applies in this Article) is deemed to have the authority to sell or otherwise transfer the goods located in the store; provided, however, that this does not apply if the other party knows this not to be the case.

Chapter VII Commercial Agents

(Duty of Notice)

Article 27 Having acted as agent or intermediary in a transaction, a commercial agent (meaning a person that is not the employee of a merchant but that acts on behalf of the merchant as the agent or intermediary in a transaction that is in the merchant's ordinary line of business; hereinafter the same applies in this Chapter) must issue notice of this to the merchant without delay.

(Non-Competition by Commercial Agents)

Article 28 (1) A commercial agent must not engage in any of the following conduct without the permission of the merchant:

(i) conducting a transaction that is in the merchant's line of business for the benefit of the agent or a third party;

(ii) becoming the director, executive officer, or executive managing member of a company that carries on the same kind of business as the merchant.

- (2) If a commercial agent has engaged in the conduct set forth in item (i) of the preceding paragraph in violation of the provisions of that paragraph, the amount of profit that the agent or third party has earned as a result of the conduct is presumed to be the amount of damage that the merchant has incurred.

(Authority to Receive Notice)

Article 29 A commercial agent entrusted with the sale of goods or the role of intermediary for their sale has the authority to receive a notice as referred to in Article 526, paragraph (2) or any other notice regarding the sale.

(Contract Termination)

Article 30 (1) If a merchant and a commercial agent do not fix the term of a contract, either may terminate that contract with two months' advance notice.
(2) Notwithstanding the provisions of the preceding paragraph, if there is a compelling reason, a merchant or a commercial agent may terminate the contract between them at any time.

(Commercial Agent's Right of Retention)

Article 31 If performance is due on a claim arising from a commercial agent's actions as an agent or intermediary in a transaction, the agent may retain property or negotiable instruments of value that the agent is holding for the merchant until the claim is satisfied; provided, however, that this does not apply if the parties have manifested a different intention.

Articles 32 through 500 Deleted

Part II Commercial Transactions

Chapter I General Provisions

(Transactions Absolutely Regarded as Commercial Transactions Due to Their Nature)

Article 501 The following actions are commercial transactions:

- (i) an action through which a person seeks to acquire for value a movable, real property, or a negotiable instrument of value from whose transfer the person wishes to profit, or an action through which a person seeks to transfer an object so acquired;
- (ii) an action through which a person seeks to make an acquisition for value in order to form and perform on a contract to supply a movable or negotiable instrument of value acquired from another person;
- (iii) a transaction conducted on an exchange;
- (iv) an action involving a bill, note, or other commercial instrument.

(Transactions Regarded as Commercial Transactions If Conducted as Business)

Article 502 The following actions are commercial transactions only if they are taken as a part of business; provided, however, that this does not apply if the action is taken by a person that manufactures a product or engages in labor for the sole purpose of earning wages:

- (i) an action through which a first person seeks to acquire for value or rent from a second person a movable or real property from whose rental to a third person the first person wishes to profit, or an action through which one person seeks to rent to another person property so acquired or rented;
- (ii) an action relating to manufacturing or processing undertaken for another

- person's benefit;
- (iii) an action relating to the supplying of electricity or gas;
- (iv) an action relating to transportation;
- (v) undertaking a contract for work or labor;
- (vi) an action relating to publishing, printing, photography, or filming;
- (vii) a transaction at an establishment at which it is intended for customers to gather;
- (viii) exchanging money or making another banking transaction;
- (ix) providing insurance;
- (x) undertaking a deposit;
- (xi) an action relating to brokerage or intermediation;
- (xii) undertaking the role of agent for a commercial transaction;
- (xiii) undertaking a trust.

(Auxiliary Commercial Transactions)

- Article 503 (1) An action taken by a merchant for the benefit of its business is a commercial transaction.
- (2) The actions of a merchant are presumed to be done for the benefit of its business.

(Acting as Agent in Commercial Transactions)

Article 504 Even if the agent for a commercial transaction conducts the transaction without representing that it is doing so on behalf of the principal, the actions of the agent bind the principal; provided, however, that if the other party does not know that the agent is conducting the transaction on behalf of the principal, these provisions do not preclude the other party from demanding that the agent perform the obligations arising from the transaction.

(Entrustment of Commercial Transactions)

Article 505 A person entrusted with conducting a commercial transaction may take actions that the person is not entrusted with taking, to the extent that this does not conflict with the main purpose of the entrustment.

(Special Provisions on Reasons for Lapse of a Person's Authority to Act as Agent Due to Entrustment of Commercial Transactions)

Article 506 A person's authority to act as the agent of a principal based on that person's entrustment with conducting a commercial transaction does not lapse upon the death of the principal.

Article 507 Deleted

(Offers to Contract between Merchants at a Distance)

Article 508 (1) If merchants are at a distance from each other and the party receiving an offer to contract not specifying a period for acceptance does not issue notice of its acceptance within a reasonable period of time, the offer ceases to be valid.

(2) The provisions of Article 524 of the Civil Code apply mutatis mutandis to a case as referred to in the preceding paragraph.

(Duty of Party Receiving Offer to Contract to Give Notice of Acceptance or Refusal)

Article 509 (1) If a merchant receives an offer to contract that is in its line of business from a person with which it has regular dealings, the merchant must issue notice of its acceptance or refusal of the offer to contract without delay.

(2) If a merchant neglects to issue a notice as referred to in the preceding paragraph, it is deemed to have accepted the offer to contract referred to in that paragraph.

(Duty of the Party Receiving Offer to Contract to Take Custody of Goods)

Article 510 If, along with the offer that a merchant receives for a contract that is in its line of business, the merchant also receives goods, it must store those goods at the expense of the offeror, even if it refuses the offer; provided, however, that this does not apply if the value of the goods is insufficient to compensate for the costs of the storage, or if the merchant will incur damage from the storage.

(Joint and Several Liability for Obligations Among Multiple Parties)

Article 511 (1) When two or more persons assume an obligation by way of an action that constitutes a commercial transaction for any one or all of them, they assume that obligation jointly and severally.

(2) If there is a guarantor and an obligation arises from a commercial transaction by the principal obligor or the guarantee constitutes a commercial transaction, the principal obligor and the guarantor assume the obligation jointly and severally, even if they have assumed the obligation by way of separate actions.

(Claim to Remuneration)

Article 512 When a merchant takes an action for another person that is within the scope of the merchant's business, it may claim reasonable remuneration.

(Claim to Interest)

Article 513 (1) If money is lent between merchants, the lender may claim statutory interest.

(2) If a merchant pays money on behalf of another person within the scope of the merchant's business, the merchant may claim statutory interest for the period beginning on the date of the payment.

Article 514 Deleted

(Exemptions from the Prohibition on the Use or Disposal of Things Pledged by Contract)

Article 515 The provisions of Article 349 of the Civil Code do not apply to a pledge created to secure an obligation arising from a commercial transaction.

(Place for Performance of Obligations)

Article 516 If the place where an obligation arising from a commercial transaction is to be performed cannot be specified owing to the nature of the transaction or the manifestation of the intentions of the parties, the delivery of a specific thing must be effected at the place where the thing is at the time of the transaction, and any other obligation must be performed at the current place of business of the obligee (or at the obligee's domicile, if the obligee has no place of business).

Articles 517 through 520 Deleted

(Right of Retention Between Merchants)

Article 521 If performance is due on a claim arising between merchants from an action that constitutes a commercial transaction for both parties, the obligee may retain an object or negotiable instrument of value belonging to the obligor that the obligee has gained possession of in the commercial transaction with the obligor, until the claim is satisfied; provided, however, that this does not apply if the parties have manifested a different intention.

Articles 522 and 523 Deleted

Chapter II Sales Transactions

(Depositing and Auctioning Off of Object of Sale by Seller)

Article 524 (1) If, in a sales transaction between merchants, the buyer refuses to receive or is unable to receive the object of the sale, the seller may deposit the object or put it up for auction after demanding that the buyer receive the object within a reasonable period of time. In such a case, once the seller deposits the object or puts it up for auction, the seller must issue notice of this to the buyer without delay.

- (2) If the price of an object is likely to decline for reasons such as damage, the seller may put it up for auction without making the demand referred to in the preceding paragraph.
- (3) If a seller puts the object of a sales transaction up for auction pursuant to the provisions of the preceding two paragraphs, the seller must deposit the proceeds of the auction; provided, however, that this does not preclude the seller from allocating all or part of the proceeds to cover the purchase price.

(Cancellation Due to Delays in Performance in Sales Transactions in Which Time Is of the Essence)

Article 525 In a sales transaction between merchants in which, due to the nature of the sale or the manifestation of intention of the parties, the purpose of the contract cannot be achieved unless the obligation is performed at a specified date and time or within a fixed period of time, if one of the parties fails to perform the obligation before the date and time or period passes, the other party is deemed to cancel the contract unless it immediately demands that the non-performing party perform the obligation.

(Inspection of Property by Buyer; Notice of Defects)

- Article 526 (1) In a sales transaction between merchants, upon receiving the object of the sales transaction the buyer must inspect it without delay.
- (2) In a case prescribed in the preceding paragraph, if the buyer, as a result of the inspection under the provisions of that paragraph, discovers that the object of the sales transaction does not conform to the terms and conditions of the contract in terms of its type, quality, or quantity, the buyer may not use that nonconformity as grounds to demand a cure of the breach, demand a reduction of the price, file a claim for damages, or cancel the contract, unless the buyer immediately issues notice of the nonconformity to the seller. The same applies if it is impossible to immediately discover that the object of a sales transaction does not conform to the terms and conditions of the contract with in terms of its type or quality, when the buyer discovers that nonconformity within six months.
 - (3) The provisions of the preceding paragraph do not apply if the seller knows that the object of the sales transaction does not conform to the terms and conditions of the contract in terms of its type, quality, or quantity.

(Storage and Depositing of Object of Sale by Buyer)

Article 527 (1) In a case prescribed in paragraph (1) of the preceding Article, the buyer must store or deposit the object of the sales transaction at the expense of the seller, even if the buyer cancels the contract; provided, however, that if the object is likely to be lost or damaged, the buyer must put it up for auction with

- the permission of the court and store or deposit the proceeds from the auction.
- (2) A case in which a person seeks the permission referred to in the proviso to the preceding paragraph is subject to the jurisdiction of the district court having jurisdiction over the locality of the object of the sales transaction referred to in that paragraph.
- (3) Once the buyer puts the object of a sales transaction up for auction pursuant to the provisions of paragraph (1), it must issue notice of this to the seller without delay.
- (4) The provisions of the preceding three paragraphs do not apply if the seller's and buyer's places of business (or their domiciles, if they do not have places of business) are located within the limits of the same municipality.

Article 528 The provisions of the preceding Article apply to goods delivered by the seller to the buyer which are different from the goods ordered, and also applies to any part of the goods delivered by the seller to the buyer which exceeds the quantity of goods ordered.

Chapter III Open Accounts

(Open Accounts)

Article 529 When merchants, or a merchant and a person that is not a merchant, have regular dealings, an open account becomes effective by virtue of their agreeing to set off the total amounts of claims and obligations arising from their dealings during a fixed period of time and to pay the balance.

(Special Provisions on Claims and Obligations Arising from Commercial Instruments)

Article 530 If claims and obligations arising from bills and notes and other commercial instruments are included in an open account, and the obligor of a commercial instrument does not perform its obligation, the parties may exclude the item that concerns that obligation from the open account.

(Open Account Terms)

Article 531 If the parties do not specify a term during which a set-off must be made, the term is six months.

(Acknowledgment of Open Accounts)

Article 532 Once a party acknowledges an account statement showing each of the items under claims and obligations, it may not object to those items; provided, however, that this does not apply if an entry in the account statement contained a mistake or omission.

(Claim to Interest on Balances)

Article 533 (1) An obligee may claim statutory interest on the balance after set-off beginning on the date of the closing of the account.

(2) The provisions of the preceding paragraph do not preclude the accrual of interest from the day on which each of the items under the claims and obligations subject to the set-off were included in the open account.

(Termination of Open Accounts)

Article 534 Either of the parties to an open account may terminate the account at any time. In such a case, the party terminating the open account may immediately close the account and demand payment of the balance.

Chapter IV Silent Partnerships

(Silent Partnership Agreements)

Article 535 A silent partnership agreement becomes effective by virtue of a first party promising to make a contribution to a second party's business, and the second party promising to distribute profits arising from its business to the first party.

(Silent Partners' Contributions, Rights, and Obligations)

Article 536 (1) A silent partner's contribution is part of the assets of the proprietor.

(2) A silent partner may only make money and other assets the subject matter of the contribution.

(3) A silent partner may not be engaged in executive management of the proprietor's business and may not act as the proprietor's representative.

(4) A silent partner holds no rights against or obligations towards a third party in connection with the actions of the proprietor.

(Liability of Silent Partners Permitting Use of Their Own Names)

Article 537 If a silent partner permits the use of their own surname or full name in the trade name of the proprietor or permits the use of its own trade name in the trade name of the proprietor, the partner is liable, jointly and severally with the proprietor, for any obligations arising once the name is in use.

(Restriction on Dividends of Profits)

Article 538 If a contribution decreases due to a loss, a silent partner may not claim a dividend of profits until after compensating for the loss.

(Inspecting Balance Sheets; Checking on State of Business and Assets)

Article 539 (1) At the end of the business year, during the business hours of the proprietor, a silent partner may make the following requests and check on the state of the proprietor's business and assets:

- (i) if the proprietor's balance sheet is prepared in the form of a paper document, a request to inspect or copy that document;
 - (ii) if the proprietor's balance sheet is prepared in the form of an electronic or magnetic record (meaning a record used in computerized data processing as provided for by the Ministry of Justice Order, which is created in electronic form, magnetic form, or any other form that cannot be perceived by the human senses), a request to inspect or copy something that has been made to show the information recorded in the electronic or magnetic record, in the manner that the Ministry of Justice Order prescribes.
- (2) If there are material grounds for a silent partner to do so, the partner may check on the state of the business and assets of the proprietor at any time, with the permission of the court.
- (3) A case in which a person seeks the permission referred to in the preceding paragraph is subject to the jurisdiction of the district court having jurisdiction over the locality of the proprietor's place of business (or its domicile, if it has no place of business).

(Termination of Silent Partnership Agreements)

Article 540 (1) If a silent partnership agreement does not specify the duration of the silent partnership or if it provides that the silent partnership is to continue to exist for the life of either party, either party may terminate the agreement at the end of a business year; provided, however, that the party terminating the agreement must give six months' advance notice.

- (2) Regardless of whether or not the duration of a silent partnership is specified, either party may terminate the silent partnership agreement at any time, if there is a compelling reason to do so.

(Circumstances That End Silent Partnership Agreements)

Article 541 Other than in cases as referred to in the preceding Article, a silent partnership agreement ends as a result of the following circumstances:

- (i) the successful completion of the business that is the objective of the silent partnership, or the impossibility of its successful completion;
- (ii) the death of the proprietor or the proprietor's becoming subject to a ruling for the commencement of guardianship;
- (iii) the proprietor's or silent partner's becoming subject to an order commencing bankruptcy proceedings.

(Return of Value of Contribution at the End of Silent Partnership Agreement)
Article 542 Once a silent partnership agreement has ended, the proprietor must return the value of the contribution to the silent partner; provided, however, that if the contribution has decreased due to a loss, it is sufficient for the proprietor to return the remaining value.

Chapter V Brokerage Business

(Definition)

Article 543 The term "broker" as used in this Chapter means a person in the business of brokering commercial transactions between other persons.

(Restriction on Receiving Performance on Behalf of Parties)

Article 544 A broker may not receive a payment or other such performance on a party's behalf for an act that the broker has formed and effected through its brokerage; provided, however, that this does not apply if a party manifests a different intention or if custom dictates otherwise.

(Obligation to Retain Samples)

Article 545 If a broker receives a sample in connection with an act that is subject to the brokerage, the broker must retain the sample until the act is completed.

(Obligation to Deliver Transaction Brokerage Notice)

Article 546 (1) Once an act subject to brokerage is formed and effected between the parties, the broker, without delay, must prepare documents containing the following information (hereinafter referred to as "transaction brokerage notice" in this Chapter), and deliver those notices to the parties after affixing the broker's signature or name and seal to them:

- (i) the name of each party; and
- (ii) the date and an outline of the act.

(2) In the case referred to in the preceding paragraph, unless the parties are required to perform their obligations immediately, the broker must have each party sign or affix its name and seal to one set of the transaction brokerage notice, and must deliver this to the other party.

(3) In the case referred to in the preceding two paragraphs, if one of the parties will not receive the transaction brokerage notices or does not sign or affix its name and seal to them, the broker must notify the other party of this without delay.

(Obligation to Keep Books)

Article 547 (1) A broker must enter the information set forth in paragraph (1) of the preceding Article in its books.

(2) A party may request a broker to issue a certified copy of the books referred to in the preceding paragraph regarding an act that the broker has formed and effected through brokerage on the party's behalf.

(Cases in Which Broker May Not Disclose Party's Name to Other Party)

Article 548 If a party orders a broker not to disclose its name to the other party, the broker may not enter that party's name in the transaction brokerage notice or in the certified copy referred to in paragraph (2) of the preceding Article.

Article 549 If a broker does not disclose a party's name to another party, the broker is personally liable for performance to that other party.

(Broker's Remuneration)

Article 550 (1) A broker may not claim remuneration until completing the process referred to in Article 546.

(2) A broker's remuneration is borne equally by the parties.

Chapter VI Business of Commission Merchants

(Definition)

Article 551 The term "commission merchant" as used in this Chapter means a person in the business of selling or purchasing goods in its own name on behalf of another person.

(Rights and Obligations of Commission Merchants)

Article 552 (1) A commission merchant acquires rights against and bears obligations toward the other party personally by reason of a sale or purchase that the commission merchant makes on behalf of another person.

(2) In addition to the provisions of this Chapter, the provisions on mandates and agency apply mutatis mutandis between a commission merchant and a consignor.

(Commission Merchant's Warranty)

Article 553 A commission merchant is personally liable for performance if the other party fails to perform an obligation in a sale or purchase that the merchant has made on a consignor's behalf; provided, however, that this does not apply if the consignor manifests a different intention or if custom dictates otherwise.

(Effect of Sale or Purchase if Commission Merchant Bears Difference in Prices from Amount Designated by Consignor)

Article 554 If a commission merchant sells goods at a price lower than that designated by the consignor or purchases goods at a price higher than that designated by the consignor but the merchant personally bears the difference, the sale or purchase is valid for the consignor.

(Right of Intervention)

Article 555 (1) When a commission merchant is entrusted to sell or purchase goods for which there is a quotation on an exchange, the merchant may personally stand as the purchaser or seller. In this case, the sale or purchase price is determined by the quotation on the exchange at the time the commission merchant issues notice that it will stand as the purchaser or seller.
(2) In the case referred to in the preceding paragraph, the commission merchant may claim remuneration from the consignor.

(Deposit and Auction of Goods Purchased by Commission Merchant)

Article 556 The provisions of Article 524 apply mutatis mutandis if a commission merchant is entrusted with purchasing goods but the consignor refuses or is unable to receive the goods that the merchant has purchased.

(Application Mutatis Mutandis of Provisions on Commercial Agent)

Article 557 The provisions of Article 27 and Article 31 apply mutatis mutandis to commission merchants.

(Constructive Commercial Merchants)

Article 558 The provisions of this Chapter apply mutatis mutandis to a person in the business of undertaking acts other than selling or purchasing goods in its own name on behalf of another person.

Chapter VII Freight Forwarding Business

(Definitions)

Article 559 (1) The term "freight forwarder" as used in this Chapter means a person in the business of commissioning the transportation of goods in its own name.
(2) Unless otherwise provided in this Chapter, the provisions on commission merchants prescribed in Article 551 apply mutatis mutandis to freight forwarders.

(Liability of Freight Forwarders)

Article 560 If, between the receipt of goods and their delivery to the consignee, those goods are lost or damaged or something occurs that causes them to be lost or damaged, or if their arrival is delayed, a freight forwarder is liable to compensate for the resulting loss or damage; provided, however, that this does not apply if a freight forwarder proves that it did not neglect to exercise due care in performing acts in commissioning the transportation, such as the receipt, storage, or delivery of the goods, or the choice of carrier.

(Remuneration for Freight Forwarders)

Article 561 (1) A freight forwarder may claim remuneration immediately upon delivery of the goods to a carrier.

(2) If the amount of freight charges is specified in a freight forwarding contract, the freight forwarder may not claim any additional remuneration separately unless there is a special agreement to the contrary.

(Freight Forwarder's Right of Retention)

Article 562 A freight forwarder may retain goods only against the remuneration, ancillary costs, and freight charges and other such money advanced which are receivable for the goods, until the freight forwarder is paid for these in full.

(Right of Intervention)

Article 563 (1) A freight forwarder may transport goods personally. In this case, the freight forwarder has the same rights and obligations as a carrier.

(2) If a freight forwarder prepares a bill of lading or multimodal bill of lading at the request of a consignor, the freight forwarder is deemed to transport the goods personally.

(Application Mutatis Mutandis of Provisions on Transportation of Goods)

Article 564 The provisions of Article 572, Article 577, Article 579 (excluding paragraph (3)), Article 581, Article 585, Article 586, Article 587 (limited to the parts concerning the application mutatis mutandis of the provisions of Article 577 and 585), and Article 588 apply mutatis mutandis to the freight forwarding business. In this case, the term "preceding carrier" in Article 579, paragraph (2) is deemed to be replaced with "preceding freight forwarder or carrier," and the phrase "goods are delivered" in Article 585, paragraph (1) is deemed to be replaced with "goods are delivered to the consignee."

Articles 565 through 568 Deleted

Chapter VIII Transportation Business

Section 1 General Provisions

Article 569 In this Code, the meanings of the terms set forth in the following items are as prescribed respectively in those items:

- (i) carrier: a person in the business of undertaking land transportation, marine transportation or air transportation;
- (ii) land transportation: transportation of goods or passengers on land;
- (iii) marine transportation: transportation of goods or passengers by ships prescribed in Article 684 (including non-seagoing vessels prescribed in Article 747); and
- (iv) air transportation: transportation of goods or passengers by aircraft prescribed in Article 2, paragraph (1) of the Civil Aeronautics Act (Act No. 231 of 1952).

Section 2 Freight Transportation

(Freight Transportation Contract)

Article 570 A freight transportation contract becomes effective by virtue of a carrier promising to receive goods from a shipper and deliver them to a consignee, and the shipper promising to pay freight charges for that outcome.

(Obligation to Issue Invoice)

Article 571 (1) A shipper must issue a document containing the following information (referred to as an "invoice" in the following paragraph) at the request of a carrier:

- (i) the type of the goods;
 - (ii) the volume or weight of the goods or the number of packages or items, and the marks of the goods;
 - (iii) the type of packaging;
 - (iv) the names of the shipper and consignee; and
 - (v) the place of shipment and the destination.
- (2) In lieu of issuing an invoice, the shipper referred to in the preceding paragraph may provide the information that is required to be contained in an invoice by electronic or magnetic means (meaning a means of using an electronic data processing system, or of otherwise employing information and communications technology, which is specified by Ministry of Justice Order; the same applies hereinafter), with the carrier's consent, pursuant to the provisions of Ministry of Justice Order. In this case, the shipper is deemed to have issued an invoice.

(Obligation to Give Notice of Dangerous Goods)

Article 572 If the goods to be transported are goods of an inflammable, explosive

or otherwise dangerous nature, a shipper, before delivering them, must notify a carrier of this fact and of the information necessary for their safe transportation, including the product name and nature of the goods.

(Freight Charges)

Article 573 (1) Freight charges must be paid at the time the goods are delivered at the destination.

(2) If goods are lost or damaged due to the nature of or defect in the goods, the shipper may not refuse to pay freight charges.

(Carrier's Right of Retention)

Article 574 A carrier may retain goods only against the freight charges, ancillary costs, and money advanced receivable for the goods (hereinafter referred to as "freight charges and other receivables" in this Section), until the carrier is paid for these in full.

(Liability of Carrier)

Article 575 If, between the receipt of goods and their delivery, those goods are lost or damaged or something occurs that causes them to be lost or damaged, or if their arrival is delayed, a carrier is liable to compensate for the resulting loss or damage; provided, however, that this does not apply if a carrier proves that it did not neglect to exercise due care in the receipt, transportation, storage, or delivery of the goods.

(Amount of Damage)

Article 576 (1) The amount of damages in the event of loss of or damage to goods is determined by the market price of the goods (or by quotations on an exchange, for goods for which this is applicable) at the place and time at which the goods are to be delivered; provided, however, that if there is no market price, this is determined by the normal price of goods of the same type and with the same quality at that place and time.

(2) Costs, including freight charges that are no longer payable due to the loss or damage to goods, are deducted from the amount of compensation for loss or damage referred to in the preceding paragraph.

(3) The provisions of the preceding two paragraphs do not apply if the loss or damage to goods arises at the carrier's intention or due to the carrier's gross negligence.

(Special Provisions for Valuables)

Article 577 (1) A carrier is not liable for damages for loss of, damage to, or delayed arrival of cash, negotiable instruments, or other valuables, unless the

shipper notifies the carrier of the type and value of the items in entrusting the carrier with transporting them.

- (2) The provisions of the preceding paragraph do not apply in the following cases:
- (i) if the carrier knew that the goods were valuables when concluding the freight transportation contract; or
 - (ii) if the loss of, damage to, or delay in the arrival of valuables arises at the carrier's intention or due to the carrier's gross negligence.

(Liability of Multimodal Transport Operators)

Article 578 (1) The liability of a carrier to compensate for loss or damage arising as a result of loss, damage, or delay (meaning loss of, damage to, or delay in the arrival of the goods; hereinafter the same applies in this Section) if it has undertaken two or more modes of transportation from among land transportation, marine transportation, and air transportation under a single contract is to be governed by the provisions of Japanese laws and regulations or treaties which Japan has signed that are to be applied to each mode of transportation if the thing that causes the loss, damage, or delay occurs during that mode of transportation.

- (2) The provisions of the preceding paragraph apply *mutatis mutandis* if a carrier, under a single contract, undertakes land transportation to which two or more different laws and regulations apply for each segment.

(Rights and Obligations of Successive Carriers)

Article 579 (1) If two or more carriers transport goods or passengers over land in succession, the second or subsequent carrier bears the obligation to exercise the rights of the previous carrier on its behalf.

- (2) In the case referred to in the preceding paragraph, if the subsequent carrier pays the preceding carrier in full, the subsequent carrier acquires the rights of the previous carrier.
- (3) If, for the benefit of a consignee, a second carrier, in succession, undertakes a part of the land transportation that a first carrier has undertaken, these carriers are jointly and severally liable to compensate for loss or damage arising as a result of loss, damage, or delay.
- (4) The provisions of the preceding three paragraphs apply *mutatis mutandis* to marine transportation and air transportation.

(Shipper's Request for Discontinuation of Transportation)

Article 580 A shipper may request a carrier to take measures such as discontinuing transportation or changing the consignee. In this case, a carrier may demand payment of freight charges, ancillary costs, money advanced, and costs incurred for the measures, in proportion to the transportation already

completed.

(Rights and Obligations of Consignees)

Article 581 (1) Once the goods arrive at the destination, or if all of the goods are lost, the consignee acquires the same rights as those of the shipper that have arisen based on a freight transportation contract.

(2) In the case referred to in the preceding paragraph, if the consignee seeks the delivery of goods or files a claim for damage to goods, the shipper may not exercise those rights.

(3) Once a consignee receives goods, the consignee bears the obligation to pay freight charges and other receivables to the carrier.

(Depositing and Auctioning of Goods)

Article 582 (1) A carrier may deposit goods with an official depository if the carrier is unable to ascertain the identity of the consignee.

(2) In the case referred to in the preceding paragraph, if the carrier demands that the shipper instruct it as to how to handle the goods within a reasonable period of time but the shipper does not give any such instructions, the carrier may put the goods up for auction.

(3) If the price of goods is likely to decline for reasons such as damage, the carrier may put the goods up for auction without making the demand referred to in the preceding paragraph.

(4) If a carrier puts goods up for auction pursuant to the provisions of the preceding two paragraphs, the carrier must deposit the proceeds from the auction with an official depository; provided, however, that this does not preclude the carrier from allocating all or part of the proceeds to cover the freight charges and other receivables.

(5) Once a carrier deposits goods with an official depository or puts goods up for auction pursuant to the provisions of paragraphs (1) through (3), the carrier must notify the shipper of this without delay.

Article 583 The provisions of the preceding Article apply mutatis mutandis if a consignee refuses to receive or is unable to receive goods. In this case, the phrase "if the carrier demands that" in paragraph (2) of that Article is deemed to be replaced with "if the carrier demands that the consignee receive goods within a reasonable period of time, and after the expiration of that period"; and the term "shipper" in paragraph (5) of that Article is deemed to be replaced with "shipper and consignee".

(Extinguishment of Carrier's Liability)

Article 584 (1) A carrier ceases to be liable for damage or partial loss of goods if

the consignee receives the goods without raising any objection; provided, however, that this does not apply if the goods have incurred damage or a partial loss that cannot be immediately discovered, and the consignee notifies the carrier of this within two weeks from the date of delivery.

- (2) The provisions of the preceding paragraph do not apply if the carrier, at the time of delivering the goods, knows of the damage or partial loss they have incurred.
- (3) If a carrier entrusts a third party with transportation, and a consignee issues notice to the carrier as referred to in the proviso to paragraph (1) within the period referred to in the proviso to that paragraph, the period referred to in the proviso to that paragraph concerning a third party's liability to the carrier is deemed to have been extended to the final day in the two-week period that begins on the day on which the carrier received the notice.

Article 585 (1) A carrier ceases to be liable for loss, damage, or delay if no claim is filed with the courts within one year from the day on which the goods are delivered (or, in the event of a total loss of goods, the day on which the goods should have been delivered).

- (2) The period referred to in the preceding paragraph may be extended by agreement only after damage has arisen as a result of the loss, damage, or delay.
- (3) If a carrier entrusts a third party with transportation, and the carrier provides compensation for loss or damage or has had a claim filed against it with the courts within the period referred to in paragraph (1), the period referred to in that paragraph concerning a third party's liability to the carrier is deemed to have been extended to the final day in the three-month period that begins on the day on which the carrier provided the compensation or had the claim filed against it.

(Extinctive Prescription for Claims of Carrier)

Article 586 A claim held by a carrier against a shipper or consignee is extinguished by prescription if the carrier does not exercise it during the one-year period that begins once the carrier has the right to exercise it.

(Tort Liability of Carriers)

Article 587 The provisions of Articles 576, 577, 584, and 585 apply *mutatis mutandis* to the liability of a carrier toward a shipper or consignee to compensate for damage in tort arising as a result of loss, damage, or delay; provided, however, that this does not apply to a carrier's liability to a consignee if the carrier undertakes transportation from the shipper even though the consignee had previously refused to have the goods transported

through entrustment by the shipper.

(Tort Liability of Carrier's Employees)

Article 588 (1) If, pursuant to the provisions of the preceding Article, a carrier is subject to a release from or reduction in the liability to compensate for loss or damage arising as a result of loss, damage, or delay, the carrier's employees are also subject to a release from or reduction in their liability to a shipper or consignee to compensate for damage in tort arising as a result of that loss, damage, or delay, to the extent of the carrier's release from or reduction in liability.

(2) The provisions of the preceding paragraph do not apply if the loss, damage, or delay arises at the intention of the carrier's employee or due to the gross negligence of the carrier's employee.

Section 3 Passenger Transportation

(Passenger Transportation Contracts)

Article 589 A passenger transportation contract becomes effective by virtue of a carrier promising to transport a passenger, and the other party promising to pay freight charges for that outcome.

(Carrier Liability)

Article 590 A carrier is liable to compensate for loss or damage a passenger incurs due to transportation; provided, however, that this does not apply if the carrier proves that it did not neglect to exercise due care in transporting the passenger.

(Prohibition of Special Agreements)

Article 591 (1) Any special agreement that makes the carrier subject to a release from or reduction in the liability to compensate for loss or damage to the life or person of a passenger (excluding the liability to compensate for loss or damage mainly arising from a delay in transportation) is void.

(2) The provisions of the preceding paragraph do not apply in the following cases:
(i) if a carrier transports a passenger in the event or likely event of a large-scale fire, earthquake, or other such disaster; or
(ii) if a carrier transports a passenger whose life or person is likely to be placed in material danger due to the vibrations normally occasioned by transportation or other such circumstances.

(Carrier Liability for Baggage Handed Over to It)

Article 592 (1) A carrier has the same liability as a carrier that is under a

freight transportation contract with regard to the baggage that passengers have handed over to the carrier, even if the carrier does not claim any special freight charges for it.

- (2) A carrier's employee has the same liability as the employee of a carrier that is under a freight transportation contract, as it concerns the baggage provided for in the preceding paragraph.
- (3) If a passenger does not seek to have the baggage prescribed in paragraph (1) handed over within one week from the day on which the baggage arrives at the destination, a carrier may deposit the baggage with an official depository or may put it up for auction after issuing a notice for the passenger to seek to have it handed over within a reasonable period of time. In this case, once the carrier deposits the baggage with an official depository or puts it up for auction, the carrier must notify the passenger of this without delay.
- (4) If the price of baggage is likely to decline for reasons such as damage, the carrier may put it up for auction without issuing the notice referred to in the preceding paragraph.
- (5) If a carrier puts baggage up for auction pursuant to the provisions of the preceding two paragraphs, the carrier must deposit the proceeds from the auction; provided, however, that this does not preclude the carrier from allocating all or part of the proceeds to cover the freight charges.
- (6) If a passenger's domicile or residence is unknown, the carrier is not required to issue the notice or notify the passenger as referred to in paragraph (3).

(Carrier Liability for Baggage Not Handed Over to It)

Article 593 (1) A carrier is not liable to compensate for loss or damage arising as a result of loss or damage to the baggage that a passenger has not handed over to the carrier (including a passenger's personal belongings), unless the carrier has intentionally or negligently caused the loss or damage.

- (2) The provisions of Article 576, paragraphs (1) and (3), Article 584, paragraph (1), Article 585, paragraphs (1) and (2), Article 587 (limited to the parts concerning the application mutatis mutandis of the provisions of Article 576, paragraphs (1) and (3), Article 584, paragraph (1), and Article 585, paragraphs (1) and (2)), and Article 588 apply mutatis mutandis if a carrier is liable to compensate for loss or damage that arises as a result of loss or damage to baggage as prescribed in the preceding paragraph. In this case: in Article 576, paragraph (1), the phrase "the goods should have been delivered" is deemed to be replaced with "the transportation should have been completed"; in Article 584, paragraph (1), the phrase "the consignee receives the goods without raising any objection" is deemed to be replaced with "the passenger has not raised any objection by the time of completion of transportation", and the phrase "the consignee notifies the carrier of this within two weeks from the

date of delivery " is deemed to be replaced with "the passenger notifies the carrier of this within two weeks from the date of completion of transportation"; and in Article 585, paragraph (1), the phrase "the day on which the goods are delivered (or, in the event of a total loss of goods, the day on which the goods should have been delivered)" is deemed to be replaced with "the day of completion of transportation".

(Extinctive Prescription of Carriers' Claims)

Article 594 The provisions of Article 586 apply mutatis mutandis to passenger transportation.

Chapter IX Bailment

Section 1 General Provisions

(Bailees' Duty of Care)

Article 595 If a merchant receives goods under bailment within the scope of its business, the merchant must store the bailed goods with the due care of a prudent manager even if it does not receive remuneration.

(Liability of Establishment's Proprietor)

Article 596 (1) If a person in the business of conducting transactions at a hotel, food and beverage establishment, bathhouse, or other such establishment at which it is intended for customers to gather (hereinafter referred to as an "establishment's proprietor" in this Section) receives goods under bailment from a customer, the establishment's proprietor is not entitled to be released from the liability to compensate the customer for loss or damage arising as a result of loss or damage to the bailed goods unless it proves that the loss or damage is due to force majeure.

(2) An establishment's proprietor is liable to compensate for loss or damage if the goods that the customer has carried into an establishment are lost or damaged due to the proprietor's failure to exercise due care, even if these are goods that a customer has not bailed to it.

(3) An establishment's proprietor may not be released from the liability referred to in the preceding two paragraphs even if it indicates that it does not assume liability for goods that customers carry into the establishment.

(Special Provisions for Valuables)

Article 597 An establishment's proprietor is not liable to compensate for loss or damage to cash, negotiable instruments, or other valuables, unless a customer notifies the establishment's proprietor of the type and value of the items while making the bailment.

(Extinctive Prescription of Claims Involving Liability of Establishment's Proprietor)

Article 598 (1) A claim involving the liability of an establishment's proprietor as referred to in the preceding two Articles is extinguished by prescription if the customer does not exercise it during the one-year period after the establishment's proprietor returns the bailed goods or the customer leaves with the goods that they carried into the establishment (or, in the event of a total loss of goods, after the customer leaves the establishment).

(2) The provisions of the preceding paragraph do not apply if an establishment's proprietor has knowledge of the loss or damage to the goods prescribed in that paragraph.

Section 2 Warehousing Business

(Definition)

Article 599 The term "warehouse" as used in this Section means a person engaged in the business of storing goods at a warehouse facility on behalf of another person.

(Obligation to Issue Warehouse Receipt)

Article 600 A warehouse must issue a warehouse receipt for bailed goods at the request of the bailor.

(Information Contained in Warehouse Receipt)

Article 601 A warehouse receipt must contain the following information as well as its number, and bear the signature or the name and seal of a warehouse:

- (i) the type, quality, and quantity of the bailed goods, the type of packaging, the number of packages, and the marks;
- (ii) the name of the bailor;
- (iii) the place of storage;
- (iv) the storage fees;
- (v) the storage period, if specified;
- (vi) the insured amount, the insurance period, and the name of the insurer, if the bailed goods are covered by insurance; and
- (vii) the place and date of preparation of the receipt.

(Obligation to Keep Books)

Article 602 If a warehouse issues a warehouse receipt to a bailor, the warehouse must enter the following information in its books:

- (i) the information set forth in item (i), item (ii), and items (iv) through (vi) of

the preceding Article; and
(ii) the number assigned to the warehouse receipt and the date of its preparation.

(Request to Divide Bailed Goods)

Article 603 (1) The holder of a warehouse receipt may request a warehouse to divide the bailed goods and issue new warehouse receipts for each of the portions of the goods. In this case, the holder must return the initial warehouse receipt to the warehouse.

(2) The costs for dividing bailed goods and issuing warehouse receipts under the provisions of the preceding paragraph are borne by the holder of the warehouse receipt.

(False Entry in Warehouse Receipts)

Article 604 A warehouse may not assert the falsity of the information entered in a warehouse receipt against a holder in good faith.

(Disposition of Bailed Goods)

Article 605 If a warehouse receipt has been prepared, its holder must use it to dispose of the bailed goods.

(Negotiation or Pledging of Warehouse Receipts)

Article 606 Even if a warehouse receipt is issued to a named person, it may be negotiated or pledged by means of indorsement; provided, however, that this does not apply if the receipt indicates that its indorsement is prohibited.

(Effect of Delivery of Warehouse Receipts)

Article 607 If a warehouse receipt is delivered to a person who is entitled to use it to collect bailed goods, its delivery has the same effect as the delivery of the bailed goods as it concerns the acquisition of rights that are exercised in connection with the bailed goods.

(Reissuance of Warehouse Receipts)

Article 608 If the holder of a warehouse receipt loses that warehouse receipt, they may provide reasonable security and request a reissuance. In this case, the warehouse must make an entry of this in its books.

(Inspection of Bailed Goods)

Article 609 At any time during a warehouse's business hours, the bailor or the holder of a warehouse receipt may ask to inspect bailed goods or to be provided with samples of them, and may take the necessary measures to preserve them.

(Warehouse Liability)

Article 610 A warehouse is not entitled to be released from the liability to compensate for loss or damage arising as a result of loss or damage to bailed goods, unless it proves that it did not neglect to exercise due care in storing the goods.

(Timing for Payment of Storage Fees and Other Monies)

Article 611 A warehouse may not request payment of storage fees, money advanced, and other such costs associated with the bailed goods (referred to as "storage fees and other monies" in Article 616, paragraph (1)) until at least the time at which the bailed goods leave the warehouse facility; provided, however, that if some of the bailed goods leave the warehouse facility, the warehouse may request payment in proportion to the goods that have left it.

(Restrictions on Return of Bailed Goods)

Article 612 If the parties do not specify a storage period, the warehouse may not return the bailed goods until after six months have passed since the day on which the bailed goods were placed in the warehouse facility; provided, however, that this does not apply if there are compelling reasons.

(Demanding Return of Bailed Goods If Warehouse Receipt Has Been Prepared)

Article 613 If a warehouse receipt has been prepared, a person may not demand the return of the bailed goods other than in exchange for the receipt.

(Demanding Partial Return of Bailed Goods If Warehouse Receipt Has Been Pledged)

Article 614 If a warehouse receipt is pledged, the bailor, with the pledgee's consent, may demand the return of part of the bailed goods even before the claim secured by the pledge becomes due. In this case, the warehouse must enter the type, quality, and quantity of the returned part of the bailed goods on the warehouse receipt, and make an entry of this in its books.

(Depositing and Auctioning of Bailed Goods)

Article 615 The provisions of Article 524, paragraphs (1) and (2) apply mutatis mutandis if the bailor or the holder of a warehouse receipt refuses to receive or is unable to receive the bailed goods.

(Extinguishment of Warehouse's Liability)

Article 616 (1) A warehouse ceases to be liable for damage or partial loss of bailed goods if the bailor or the holder of a warehouse receipt receives the

bailed goods without raising any objection and pays the storage fees and other monies; provided, however, that this does not apply if the bailed goods contain any damage or partial loss that cannot be immediately discovered and the bailor or the holder of the warehouse receipt issues notice of this to the warehouse within two weeks from the date of delivery.

(2) The provisions of the preceding paragraph do not apply if the warehouse has knowledge of any damage or partial loss of the bailed goods.

(Extinctive Prescription of Claims Involving Warehouse's Liability)

Article 617 (1) A claim involving the liability of a warehouse arising from loss or damage to bailed goods is extinguished by prescription if it is not exercised within one year after the date of the removal of the bailed goods from the warehouse facility.

(2) In the event of a total loss of bailed goods, the period referred to in the preceding paragraph is counted from the day on which the warehouse issued notice of the loss to the holder of the warehouse receipt (or to the bailor if no warehouse receipt is prepared or the holder of the warehouse receipt is unknown).

(3) The provisions of the preceding two paragraphs do not apply if the warehouse has knowledge of the loss or damage to the bailed goods.

Articles 618 through 683 Deleted

Part III Maritime Commerce

Chapter I Ships

Section 1 General Provisions

(Definition)

Article 684 The term "ship" as used in this Part (excluding Article 747) means a ship that is used in a voyage at sea for the purpose of conducting a commercial act (excluding a ship's tender or a boat steered solely or mainly using oars or paddles).

(Presumption of Accessories)

Article 685 The objects entered in a ship's inventory of equipment are presumed to be accessories of the ship.

Section 2 Ownership of Ships

Subsection 1 General Provisions

(Registration of Ship)

Article 686 (1) A shipowner must register their ship and obtain a certificate of the vessel's nationality pursuant to the provisions of the Ship Act (Act No. 46 of 1899).

(2) The provisions of the preceding paragraph do not apply to a ship with a gross tonnage of less than 20 tons.

(Requirements for Perfection of Transfer of Ownership of Ship)

Article 687 The transfer of ownership of a ship may not be asserted against a third party unless it is registered and entered in the certificate of the vessel's nationality.

(Attribution of Profit and Loss in Case of Transfer of Ship at Sea)

Article 688 If a ship is transferred while it is at sea, profits and losses arising from the voyage are attributed to the transferee.

(Restriction on Seizure of Ships at Sea)

Article 689 It is not permissible to carry out a seizure or provisional seizure (other than a provisional seizure by means of registration) of a ship that is at sea (excluding a ship that is at anchor).

(Liability of Shipowner)

Article 690 A shipowner is liable to compensate for loss or damage that the mariners of the ship, including the master, cause to others intentionally or negligently in the course of performing their duties.

(Demanding That Members Sell Their Shares)

Article 691 If a ship owned by a membership company would lose Japanese nationality due to the transfer of the share of a member in charge of executing its business, another member in charge of executing its business may demand that the member in question sell that share to the other member at a reasonable price.

Subsection 2 Co-ownership of Ships

(Use of Ships in Co-ownership)

Article 692 The particulars of the use of a ship are determined among the part owners of the ship by majority, in accordance with the value of the part owners' shares.

Article 693 The part owners of a ship must bear the costs for the use of the ship in proportion to the value of their shares.

(Requesting to Be Bought Out of One's Share as Part Owner of Ship)

Article 694 (1) When the part owners of a ship make a decision on the following matters, a part owner objecting to the decision may demand that the other part owners buy out the objecting part owner's share at a reasonable price:

- (i) to embark on a new voyage (limited to one that has not been planned among the part owners of the ship); or
- (ii) to make a major repair to the ship.

(2) A part owner of a ship seeking to make a demand under the provisions of the preceding paragraph must issue notice of this to the other part owners or the ship's husband within three days from the date of the decision referred to in that paragraph (in the case of a part owner who has not participated in the decision-making process, the day on which the part owner is notified of the decision).

(Liability of Part Owners of Ship to Third Parties)

Article 695 The part owners of a ship are liable to perform the obligations arising from the use of the ship in proportion to the value of their shares.

(Transfer of Shares)

Article 696 (1) Even if the part owners of a ship have a partnership agreement, each part owner (excluding one that is the ship's husband) may transfer that part owner's share in whole or in part to another person without the consent of the other part owners.

(2) The part owner of a ship that is the ship's husband may not transfer all or part of their share to another person without obtaining consent from all other part owners.

(Ship's Husband)

Article 697 (1) The part owners of a ship must appoint a ship's husband.

(2) All of the part owners of a ship must consent in order to appoint a person that is not a part owner as the ship's husband.

(3) The appointment of a ship's husband must be registered. The same applies to the extinguishment of the ship's husband's authority to represent the part owners.

(4) The provisions of Article 9 apply mutatis mutandis to the registration under the provisions of the preceding paragraph.

(Ship's Husband's Authority to Act as Agent)

Article 698 (1) A ship's husband has the authority to perform any and all acts in and out of court on behalf of the part owners of the ship in connection with the

use of the ship, except for those set forth in the following:

- (i) leasing the ship or mortgaging the ship;
 - (ii) buying insurance for the ship;
 - (iii) embarking on a new voyage (limited to one that has not been planned among the part owners of the ship);
 - (iv) making a major repair to the ship; and
 - (v) borrowing money.
- (2) A limitation on the ship's husband's authority to act as agent may not be asserted against a third party in good faith.

(Liability of Ship's Husband)

- Article 699 (1) A ship's husband must keep books concerning their duties and enter in them all information concerning the use of the ship.
- (2) The ship's husband must settle the accounts concerning the use of the ship for each specified period and request approval from the part owners of the ship.

(Demanding That Part Owners of Ship Sell Their Shares)

- Article 700 If a ship would lose Japanese nationality due to the transfer of the share of a part owner of the ship or due to a part owner's loss of Japanese nationality, another part owner may demand that the part owner in question sell their share to the other part owner at a reasonable price or put the share up for auction.

Section 3 Ship Leasing

(Validity of Ship Leasing Against Third Parties)

- Article 701 After the leasing of a ship is registered, it is also valid against a person that later acquires a real right over the ship.

(Repairs by Ship's Lessee)

- Article 702 A lessee of a ship that uses that ship in a voyage at sea for the purpose of conducting commercial acts bears the obligation to make the repairs needed to enable the use of the ship if the ship incurs any damage after the lessee receives it; provided, however, that this does not apply if the cause of the damage is attributable to the lessor.

(Rights and Obligations of Ship's Lessee)

- Article 703 (1) A lessee of a ship has the same rights and obligations as the shipowner toward third parties as it concerns particulars related to the use of the ship.
- (2) In the case referred to in the preceding paragraph, any statutory lien arising

from the use of the ship is also valid against the shipowner; provided, however, that this does not apply if the holder of the statutory lien knows that the manner in which the ship is used by the ship's lessee is in violation of the contract with the shipowner.

Section 4 Time Charter

(Time Charter Contract)

Article 704 A time charter contract becomes effective by virtue of one party promising to man and equip a ship and to allow the other party to use the ship for a specified period, and the other party promising to pay the hire.

(Instructions by Time Charterer)

Article 705 A time charterer may give instructions to the master concerning decisions on the ship's route and on other such necessary particulars related to the use of the ship; provided, however, that this does not apply to pre-departure inspections and other such particulars relevant to the safety of the voyage.

(Bearing of Costs)

Article 706 Fuel costs, pilotage charges, harbor charges, and any other ordinary costs incurred in connection with the use of a ship are borne by the time charterer.

(Application Mutatis Mutandis of Provisions on Transportation and Ship Leasing)

Article 707 The provisions of Article 572, Article 739, paragraph (1), and Article 740, paragraphs (1) and (3) apply mutatis mutandis when goods are transported by a ship under a time charter contract, and the provisions of Article 703, paragraph (2) apply mutatis mutandis to a statutory lien arising from the use of a ship by a time charterer. In this case, the phrase "at the time of departure of the ship" in Article 739, paragraph (1) is deemed to be replaced with "at the time of departure of the ship for each voyage".

Chapter II Ships' Master

(Master's Authority to Act as Agent)

Article 708 (1) Outside the port of registration, the master has the authority to perform any and all acts in and out of court as are necessary for a voyage on behalf of the shipowner, except for the following acts:

(i) mortgaging the ship; and

(ii) borrowing money.

(2) A limitation on the master's authority to act as agent may not be asserted against a third party in good faith.

(Appointment of Proxy by Master)

Article 709 If the master is unable to command the ship due to a compelling reason, the master may appoint another person to perform the master's duties, unless otherwise provided for by laws and regulations. In this case, the master is responsible to the shipowner for the appointment.

(Keeping of Equipment Inventory)

Article 710 The master must keep the equipment inventory on board the ship.

(Handling of Cargo by Master)

Article 711 (1) While a ship is at sea, the master must handle cargo on behalf of persons with an interest in the cargo in a way that is in their best interests, when it is necessary to do so in order to benefit their interests.

(2) If a person with an interest in cargo incurs an obligation in connection with that cargo due to the handling referred to in the preceding paragraph, the interested person may be released from the liability for that obligation by transferring its rights in the cargo to the obligee; provided, however, that this does not apply if there is negligence on the part of the interested person.

(Using Cargo to Continue Voyage)

Article 712 (1) The master may use the cargo for a voyage if this is necessary in order to continue the voyage.

(2) The provisions of Article 576, paragraphs (1) and (2) apply mutatis mutandis to the amount of compensation payable by the shipowner in the case referred to in the preceding paragraph. In this case, the term "delivery" in paragraph (1) of that Article is deemed to be replaced with "discharge".

(Liability of Master)

Article 713 The master is liable to compensate for loss or damage that the crew members cause to others intentionally or negligently in the course of performing their duties; provided, however, that this does not apply if the master proves that the master did not neglect to exercise due care in supervision of the crew members.

(Master's Duty to Report)

Article 714 The master must report material information about a voyage to the shipowner without delay.

(Dismissal of Master)

Article 715 (1) A shipowner may dismiss the master at any time.

(2) The master who is dismissed pursuant to the provisions of the preceding paragraph may demand compensation from the shipowner for loss or damage arising from the dismissal, unless there are reasonable grounds for the dismissal.

(3) If the master is one of the part owners of the ship and is subject to involuntary dismissal, the master may demand that the other part owners buy out the master's share at a reasonable price.

(4) Before seeking to make the demand under the provisions of the preceding paragraph, the master must issue notice of this to the other part owners or to the ship's husband without delay.

Articles 716 through 736 Deleted

Chapter III Special Provisions on Marine Transportation of Goods

Section 1 Carriage of Goods In General Ship

(Loading of Goods)

Article 737 (1) Once a carrier receives goods from a shipper based on a contract for the carriage of goods in a general ship (meaning a transportation contract intended for individual packages of goods; hereinafter the same applies in this Section), the carrier must load the goods onto the ship and stow them.

(2) If a shipper neglects to deliver goods, the master may cause the ship to depart immediately. In this case, the shipper must pay the full amount of freight charges (if a carrier receives freight charges for other goods, the amount of such freight charges is deducted).

(Delivery of Necessary Documents to Master)

Article 738 A shipper must deliver the documents necessary for transportation to the master within the loading period.

(Duty of Care for Seaworthiness)

Article 739 (1) A carrier is liable to compensate for loss or damage arising as a result of loss of, damage to, or delay in the arrival of goods which is caused by the following things having been done insufficiently as of the time of the ship's departure; provided, however, that this does not apply if the carrier proves that it did not neglect to exercise due care in doing those things as of that time:

(i) making the ship seaworthy;

(ii) properly manning, equipping, and supplying the ship; and

- (iii) making the holds, refrigerating and cool chambers, and all other parts of the ship in which goods are carried, fit and safe for their receipt, carriage and preservation.
- (2) Any special agreement that makes the carrier subject to a release from or reduction in the liability to compensate for loss or damage under the provisions of the preceding paragraph is void.

(Discharge of Illegal Goods Loaded Onto Ship)

- Article 740 (1) A carrier, at any time, may discharge goods that have been loaded onto the ship in violation of laws and regulations or not in accordance with a contract for the carriage of goods in a general ship, and may abandon these goods if they are likely to harm the ship or other cargo.
- (2) If a carrier has transported cargo provided for in the preceding paragraph, it may claim the maximum amount of freight charges for the same type of goods at the place and time of loading.
 - (3) The provisions of the preceding two paragraphs do not preclude a carrier or other interested person from claiming compensation against a shipper for loss or damage.

(Consignee's Obligation to Pay Freight Charges)

- Article 741 (1) Once a consignee receives goods, the consignee bears the obligation to pay the total sum of the following amounts (hereinafter referred to as the "freight charges and other receivables" in this Section) to the carrier, in accordance with the purport of the contract for the carriage of goods in a general ship or bill of lading:
- (i) the amount of freight charges, ancillary costs, and money advanced; and
 - (ii) the amount of salvage charges and the amount of general average contribution payable in proportion to the value of the goods.
- (2) A carrier may retain goods until it receives payment for the freight charges and other receivables.

(Auction of Goods)

- Article 742 Even after a carrier delivers goods to a consignee, the carrier may put the goods up for auction in order to receive payment for the freight charges and other receivables; provided, however, that this does not apply if a third party acquires possession of the goods.

(Cancellation of Contract by Shipper Before Departure of Ship)

- Article 743 (1) Before the departure of a ship, a shipper may cancel a contract for the carriage of goods in a general ship by paying the full amount of freight charges; provided, however, that if the amount of damage caused to a carrier

due to the cancellation of a contract for the carriage of goods in a general ship falls below the full amount of freight charges, it is sufficient for the shipper to compensate for that damage.

- (2) If the goods have been fully or partially loaded onto a ship, the provisions of the preceding paragraph apply only if the shipper obtains consent from all other shippers and the charterer. In this case, the shipper must bear the costs incurred for loading and discharging the goods.

Article 744 Even if a shipper cancels a contract for the carriage of goods in a general ship pursuant to the provisions of the preceding Article, the shipper is not entitled to be released from the obligation to pay the carrier ancillary costs and money advanced.

(Cancellation of Contract by Shipper After Departure of Ship)

Article 745 After the departure of a ship, a shipper may not cancel a contract for the carriage of goods in a general ship unless the shipper obtains consent from all other shippers and the charterer, and either pays the total sum of the amount of freight charges and other receivables and the amount of damage that will arise from the discharge of goods or provides reasonable security.

(Freight Charges If Cargo Is Used for Voyage)

Article 746 A carrier may claim the full amount of freight charges even if the master uses cargo for the voyage pursuant to the provisions of Article 712, paragraph (1).

(Application Mutatis Mutandis to Freight Transportation by Non-Seagoing Vessels)

Article 747 The provisions of this Section apply to transportation of goods by ships used exclusively for navigation in water areas other than seas, such as lakes, rivers, ports, and harbors, for the purpose of conducting commercial acts (excluding a ship's tender or a boat steered solely or mainly using oars or paddles; hereinafter referred to as "non-seagoing vessels" in this Part).

Section 2 Voyage Charter

(Loading of Goods)

Article 748 (1) Once the preparations necessary for loading goods onto a ship have been completed based on a voyage charter contract (meaning a transportation contract that covers the whole or part of a ship; hereinafter the same applies in this Section), the master must issue notice of this to the charterer without delay.

- (2) If the period of loading is specified but the time of its commencement is not specified in a voyage charter contract, that period is counted from the day on which the notice referred to in the preceding paragraph is issued. In this case, the period of loading does not include any period during which the loading of goods is impeded due to force majeure.
- (3) If the charterer loads goods onto the ship after the period of loading has passed, the carrier may claim reasonable charterage even if there is no special agreement to that effect.

(Loading by Third Party)

Article 749 (1) If the master is to receive goods from a third party but the identity of the third party cannot be ascertained or the third party does not load goods onto the ship, the master must immediately issue notice of this to the charterer.

- (2) In the case referred to in the preceding paragraph, the charterer may load goods onto the ship only within the loading period.

(Request for Departure of Ship by Charterer)

Article 750 (1) A charterer may lodge a request with the master for the ship to depart even if the charterer has not loaded all of the goods onto the ship.

- (2) If a charterer lodges a request as referred to in the preceding paragraph, the charterer bears the duty to pay the carrier the full amount of freight charges and any costs arising from the fact that not all of the goods are loaded onto the ship, and must provide reasonable security for the payment of these costs if requested to do so by the carrier.

(Master's Right to Depart)

Article 751 After the loading period has passed, the master may immediately cause the ship to depart even if the charterer has not loaded all of the goods onto the ship. In this case, the provisions of paragraph (2) of the preceding Article apply *mutatis mutandis*.

(Discharge of Goods)

Article 752 (1) Once the preparations necessary for discharging goods from a ship have been completed, the master must notify the consignee of this without delay.

- (2) If a voyage charter contract prescribes a discharge period but does not prescribe the time of its commencement, the discharge period is counted from the time at which the consignee is notified as referred to in the preceding paragraph. In this case, the discharge period does not include any period during which the discharge of goods is impeded due to force majeure.

- (3) If the consignee discharges goods after the discharge period has passed, the carrier may claim reasonable charterage even if there is no special agreement to that effect.

(Cancellation of Full Charter Contract by Charterer Before Departure of Ship)

Article 753 (1) Before the departure of a ship, a charterer under a full charter contract (meaning a voyage charter contract that covers the whole of a ship; hereinafter the same applies in this Section) may cancel the full charter contract by paying the full amount of freight charges and the charterage; provided, however, that if the amount of damage caused to a carrier due to the cancellation of a full charter contract falls below the full amount of freight charges and the charterage, it is sufficient for the charterer to compensate for the damage.

- (2) If a charterer cancels the full charter contract pursuant to the provisions of the preceding paragraph after goods have been loaded onto the ship in whole or in part, the charterer bears the costs of loading and discharging the goods.
- (3) If a charterer under a full charter contract fails to load goods onto the ship during the period for loading, the carrier may deem that the charterer has cancelled the full charter contract.

(Cancellation of Full Charter Contract by Charterer after Departure of Ship)

Article 754 After the departure of a ship, a charterer under a full charter contract may not cancel the full charter contract unless the charterer pays the total sum prescribed in Article 745 and the charterage or provides reasonable security.

(Application Mutatis Mutandis to Cancellation of Partial Charter Contract)

Article 755 The provisions of Article 743, Article 745, and Article 753, paragraph (3) apply mutatis mutandis to the termination of a charter contract for chartering part of a ship. In this case, the phrase "full amount of freight charges" in Article 743, paragraph (1) is deemed to be replaced with "full amount of freight charges and the charterage", and the phrase "total sum of..." in Article 745 is deemed to be replaced with "total sum of... and the charterage".

(Application Mutatis Mutandis of Provisions on Contracts for Carriage of Goods in General Ships)

Article 756 (1) The provisions of Articles 738 through 742 (excluding Article 739, paragraph (2)), 744, 746. And 747 apply mutatis mutandis to a voyage charter contract. In this case, the term "amounts" in Article 741, paragraph (1) is deemed to be replaced with "amounts and the charterage", the phrase "the preceding Article" in Article 744 is deemed to be replaced with "the preceding

Article as applied mutatis mutandis pursuant to Article 753, paragraph (1) or Article 755", and the phrase "this Section" in Article 747 is deemed to be replaced with "the following Section".

- (2) A carrier may not assert against the holder of a bill of lading any special agreement under which a carrier is subject to a release from or reduction in the liability to compensate for loss or damage under the provisions of Article 739, paragraph (1) as applied mutatis mutandis pursuant to the preceding paragraph.

Section 3 Bills of Lading

(Obligation to Issue Bill of Lading)

- Article 757 (1) At the request of a shipper or charterer, a carrier or master, without delay after the loading of goods, must issue one or more copies of a bill of lading stating that the goods have been loaded (hereinafter referred to as a "bill of lading for loaded goods" in this Section). Even before the loading of goods, at the request of a shipper or charterer, a carrier or master, after receiving the goods, must issue one or more copies of bill of lading stating that the goods have been received (hereinafter referred to as a "bill of lading for goods received" in this Section).
- (2) If bills of lading for goods received have been issued, a shipper or charterer may not demand to be issued a bill of lading for loaded goods other than in exchange for all copies of the bill of lading for goods received.
- (3) The provisions of the preceding two paragraphs do not apply if a sea waybill has been issued for the goods.

(Information Contained in Bill of Lading)

- Article 758 (1) A bill of lading must contain the following information (excluding, for a bill of lading for goods received, the information set forth in items (vii) and (viii)), and bear the signature or the name and seal of the carrier or master:
- (i) the type of goods;
 - (ii) the volume or weight of the goods or the number of packages or items, and the marks of the goods;
 - (iii) how the goods appear from the outside;
 - (iv) the name of the shipper or charterer;
 - (v) the name of the consignee;
 - (vi) the name of the carrier;
 - (vii) the name of the ship;
 - (viii) the port and date of loading;
 - (ix) the port of discharge;

- (x) the freight charges;
 - (xi) the number of copies of the bill of lading there are, if more than one has been prepared; and
 - (xii) the place and date of preparation of its preparation.
- (2) If a request is made to issue a bill of lading for loaded goods in exchange for a bill of lading for goods received, a carrier or master, in lieu of preparing a bill of lading for loaded goods, may enter an indication in the bill of lading for goods received that goods have been loaded, and affix their signature or name and seal to it. In this case, the information set forth in items (vii) and (viii) of the preceding paragraph must be entered in the bill of lading for goods received.

(Notice by Shipper or Charterer)

- Article 759 (1) If the shipper or charterer has notified the relevant person of the information set forth in paragraph (1), items (i) and (ii) of the preceding Article in writing or by electronic or magnetic means, that information must be entered in the bill of lading according to that notice.
- (2) The provisions of the preceding paragraph do not apply if there are reasonable grounds to believe that the notice referred to in that paragraph is incorrect, or if there is no appropriate way to confirm the correctness of the notice. The same applies if the marks of the goods have not been made on the goods or their containers or packages in a way that will keep them legible up until the end of the voyage.
- (3) A shipper or charterer is liable to compensate for loss or damage arising from the incorrectness of the notice referred to in paragraph (1).

(False Entry in Bill of Lading)

Article 760 A carrier may not assert the falsity of the information entered in a bill of lading against a holder in good faith.

(Disposition of Goods)

Article 761 If a bill of lading has been prepared, its holder must use it to dispose of the goods.

(Negotiation or Pledging of Bills of Lading)

Article 762 Even if a bill of lading is issued to a named person, it may be negotiated or pledged by means of indorsement; provided, however, that this does not apply if the bill of lading indicates that its indorsement is prohibited.

(Effect of Delivery of Bills of Lading)

Article 763 If a bill of lading is delivered to a person who is entitled to use it to collect the goods, its delivery has the same effect as the delivery of the goods as

it concerns the acquisition of rights that are exercised in connection with the goods.

(Demanding Delivery of Goods)

Article 764 If a bill of lading has been prepared, a person may not demand the delivery of goods other than in exchange for the bill of lading.

(Delivering Goods When Multiple Copies of Bill of Lading Have Been Prepared)

Article 765 (1) At the port of discharge, the carrier may not refuse to deliver goods even if the holder of only one of multiple copies of the bill of lading demands delivery.

(2) Outside the port of discharge, a carrier may not deliver goods unless all copies of the bill of lading are returned to the carrier.

Article 766 If two or more persons hold copies of a bill of lading and one of the holders is delivered the goods by the carrier before any other holder, the other holders' copies of the bill of lading cease to be valid.

(Depositing Goods If Delivery Is Demanded by Two or More Persons Holding Copies of Bills of Lading)

Article 767 (1) If two or more persons holding copies of bills of lading demand the delivery of goods, the carrier may deposit the goods with an official depository. The same applies to the part of the goods that remains if the carrier delivers part of the goods pursuant to the provisions of Article 765, paragraph (1) to one of the holders and then another holder demands delivery of the goods.

(2) Once a carrier deposits goods with an official depository pursuant to the provisions of the preceding paragraph, the carrier must issue notice of this to each holder who has demanded the delivery of the goods.

(3) In the case prescribed in paragraph (1), the holder of the copy of the bill of lading that was issued or delivered first takes precedence over any other holder.

(Special Provisions for Cases In Which Bills of Lading Have Been Prepared)

Article 768 To apply the provisions of Chapter VIII, Section 2 of the preceding Part to a case in which a bill of lading has been prepared, the term "shipper" in Article 580 is deemed to be replaced with "holder of a bill of lading" and the provisions of Article 581, Article 582, paragraph (2), and the proviso to Article 587 do not apply.

(Multimodal Transport Bill of Lading)

Article 769 (1) If a carrier or master undertakes land transportation and marine

transportation under a single contract, they must, at the request of a shipper and without delay after the loading of goods, issue one or more copies of a multimodal transport bill of lading stating that goods have been loaded. Even before the loading of goods, at the request of a shipper, the carrier or master must, after receiving the goods, issue one or more copies of a multimodal transport bill of lading stating that the goods have been received.

- (2) The provisions of Article 757, paragraph (2), and Article 758 through the preceding Article apply mutatis mutandis to a multimodal transport bill of lading. In this case, the phrase "(excluding...)" in Article 758, paragraph (1) is deemed to be replaced with "(excluding...)", as well as the place of shipment and the destination".

Section 4 Sea Waybills

Article 770 (1) At the request of a shipper or charterer, a carrier or master, without delay after the loading of goods, must issue one or more copies of a sea waybill stating that goods have been loaded. Even before the loading of goods, at the request of a shipper or charterer, the carrier or master, after receiving the goods, must issue one or more copies of a sea waybill stating that the goods have been received.

- (2) A sea waybill must contain the following information:

- (i) the information set forth in the items of Article 758, paragraph (1) (excluding, in the case of a sea waybill stating that goods have been received, the information set forth in items (vii) and (viii) of that paragraph); and
- (ii) the number of copies of the sea waybill there are, if more than one has been prepared.

- (3) In lieu of issuing a sea waybill, a carrier or master as referred to in paragraph (1) may provide the shipper or charterer with the information that is required to be contained in a sea waybill by electronic or magnetic means, with the shipper's or charterer's consent and pursuant to the provisions of Ministry of Justice Order. In such a case, the carrier or master is deemed to have issued a sea waybill.

- (4) The provisions of the preceding three paragraphs do not apply if a bill of lading has been issued for the goods.

Articles 771 through 778 Deleted

Chapter IV Collision of Ships

(Sharing of Liability among Part Owners of Ship)

Article 788 In the event of an accident caused by a collision of two ships

(referred to as a "collision of ships" in the following Article), if there is negligence on the part of the shipowners or mariners of both ships, the court determines the liability of each shipowner to compensate for loss or damage arising from the collision and the amount of compensation in consideration of which ship was more seriously negligent. In such a case, if it is impossible to determine which ship was more seriously negligent, both shipowners are equally liable to compensate for loss or damage and bear the amount of compensation equally.

(Extinctive Prescription of Claims to Compensation for Loss or Damage Arising from Collision of Ships)

Article 789 A claim for compensation for loss or damage arising from a tortious act occasioned by a collision of ships (limited to one arising from violation of property rights) is extinguished by prescription if it is not exercised within two years from the time of the tortious act.

(Constructive Collision)

Article 790 The provisions of the preceding two Articles apply mutatis mutandis to an accident in which a ship has come extremely close to another ship due to an act relating to the former ship's navigation or handling, and has damaged the latter ship or people or objects on the latter ship.

(Application Mutatis Mutandis to Collisions with Non-Seagoing Vessels)

Article 791 The provisions of the preceding three Articles apply mutatis mutandis to an accident between a ship and a non-seagoing vessel.

Chapter V Marine Salvage

(Demand for Payment of Salvage Charges)

Article 792 (1) If all or part of a ship or the cargo and other such objects on a ship (hereinafter referred to as "cargo and other such objects" in this Part) are involved in a marine accident, a person that salvages these (hereinafter referred to as a "salvor" in this Chapter) may claim reasonable salvage charges commensurate with the results of the salvage even if there is no contractual basis for the salvor to salvage them.

(2) A shipowner and master have the authority to conclude a salvage contract on behalf of the owners of cargo and other such objects.

(Amount of Salvage Charges)

Article 793 If there is no special agreement on salvage charges and a dispute arises over their amount, the court determines the amount of salvage charges

in consideration of the degree of risk, the results of the salvage, the labor and costs incurred in the salvage (including those incurred for prevention or mitigation of marine pollution), and all other circumstances.

(Demand to Increase or Reduce Salvage Charges)

Article 794 If the salvage charges for a marine accident are specified by a contract but their amount turns out to be extremely unreasonable, a party to the contract may demand an increase or reduction of that amount. The provisions of the preceding Article apply mutatis mutandis in such a case.

(Maximum Amount of Salvage Charges)

Article 795 Unless there is any special agreement to the contrary, the amount of salvage charges may not exceed the total value of the property salvaged (including the amount of freight charges for the cargo salvaged).

(Proportion of Salvage Charges)

Article 796 (1) If two or more persons carry out a salvage, the provisions of Article 793 apply mutatis mutandis to the proportion of the salvage charges to be paid to each salvor.

(2) In the case prescribed in Article 792, paragraph (1), a person that has worked to save people's lives may also be paid salvage charges pursuant to the provisions of the preceding paragraph.

Article 797 (1) Of the salvage charges payable to a ship engaged in salvage, two-thirds must be paid to the shipowner and one-third must be paid to the mariners.

(2) Any special agreement that is incompatible with the provisions of the preceding paragraph and that is disadvantageous to the mariners is void.

(3) Notwithstanding the provisions of the preceding two paragraphs, if the proportion of salvage charges is extremely unreasonable, the shipowner may claim an increase or reduction thereof from the mariners, and vice versa. In this case, the provisions of Article 793 apply mutatis mutandis.

(4) The ratio of salvage charges to be paid to each mariner is determined by the owner of the ship that was engaged in the salvage. In this case, the provisions of the preceding Article apply mutatis mutandis.

(5) If the salvor is a person that is in the salvage business, the full amount of salvage charges must be paid to the salvor, notwithstanding the provisions of the preceding paragraphs.

(Proposing Proportions of Salvage Charges)

Article 798 To determine the proportions of salvage charges pursuant to the

provisions of paragraph (4) of the preceding Article, the shipowner must prepare a proposal of the proportions and present it to the mariners by the end of the voyage.

Article 799 (1) A mariner may file an objection to the proposal referred to in the preceding Article. In this case, the objection must be filed with the maritime authorities at the first port at which it is possible to file an objection after the proposal is presented.

(2) If the maritime authorities find there to be grounds for an objection under the provisions of the preceding paragraph, they may correct the proposal referred to in the preceding Article.

(3) A master may not pay the salvage charges to the mariners until the maritime authorities decide on an objection under the provisions of paragraph (1).

Article 800 (1) If a shipowner neglects to prepare a proposal referred to in Article 798, the maritime authorities may order the shipowner to prepare a proposal, at the request of a mariner.

(2) If the shipowner disobeys an order under the provisions of the preceding paragraph, the maritime authorities may personally make a determination referred to in Article 797, paragraph (4).

(Cases in Which Salvage Charges May Not Be Claimed)

Article 801 In the following cases, a salvor may not claim salvage charges:

- (i) the salvor caused the marine accident intentionally; or
- (ii) the salvor carries out a salvage despite having been turned away for legitimate reasons.

(Statutory Lien on Cargo and Other Such Objects)

Article 802 (1) A person that holds a claim for salvage charges holds a statutory lien on cargo and other such objects that have been salvaged.

(2) The provisions of Article 843, paragraph (2), Article 844, and Article 846 apply mutatis mutandis to a statutory lien referred to in the preceding paragraph.

(Master's Authority to Pay Salvage Charges)

Article 803 (1) A master of a salvaged ship has the authority to perform any and all acts in and out of court in connection with the payment of salvage charges on behalf of the obligor of the salvage charges.

(2) The master of a salvaged ship may stand as a plaintiff or defendant in an action involving the salvage charges on behalf of the obligor of the salvage charges.

- (3) The provisions of the preceding two paragraphs apply *mutatis mutandis* to the master of a ship engaged in the salvage. In this case, the term "obligor" in these provisions is deemed to be replaced with "obligees (limited to the shipowner and mariners of the ship)".
- (4) The provisions of the preceding three paragraphs do not apply to salvage carried out based on a contract.

(Liability of Owner of Cargo and Other Such Objects)

Article 804 If all or part of a ship's cargo and other such objects are salvaged, their owner is liable to use them to perform obligations related to the salvage charges.

(Special Compensation)

- Article 805 (1) If substances such as oil discharged from a ship involved in a marine accident cause pollution of the sea, and that pollution causes considerable harm to the conservation of the marine environment in a wide range of coastal seas, harms human health, or is likely to cause such harm, and a person engaged in the salvage of that ship takes measures to prevent or mitigate the harm, the person (hereinafter referred to as a "salvor engaged in antipollution measures" in this Article) may claim payment of special compensation against the shipowner, unless there is any special agreement to the contrary.
- (2) The amount of special compensation is an amount equivalent to the costs necessary or beneficial for the measures prescribed in the preceding paragraph.
 - (3) If a salvor engaged in antipollution measures prevents or mitigates the damage prescribed in paragraph (1), the court determines the amount of special compensation, at the request of a party, within the range between an amount equivalent to the costs prescribed in the preceding paragraph and the amount calculated by adding 30 percent of that amount (or 100 percent of that amount if there are special circumstances such as that amount is extremely insufficient as compared to the results of the prevention or mitigation of the damage) to that amount. In this case, the provisions of Article 793 apply *mutatis mutandis*.
 - (4) If a salvor engaged in antipollution measures holds a claim for salvage charges for the same marine accident, the amount of special compensation is calculated by deducting the amount of the salvage charges.
 - (5) If a salvor engaged in antipollution measures is unsuccessful in preventing or mitigating the damage prescribed in paragraph (1) due to its negligence, the court determines the amount of special compensation in consideration of this.

(Extinctive Prescription of Claims for Salvage Charges)

Article 806 A claim for salvage charges or special compensation is extinguished by prescription if it is not exercised in the two years after the salvage operations are completed.

(Application Mutatis Mutandis to Salvage of Non-Seagoing Vessels)

Article 807 The provisions of this Chapter apply mutatis mutandis to the salvage of a non-seagoing vessel and to cargo and other objects on a non-seagoing vessel.

Chapter VI General Average

(Establishment of General Average)

Article 808 (1) If any measures are taken to handle a ship or its cargo and other such objects in order to avoid a common danger to the ship and its cargo and other such objects, damage and costs arising from these measures (hereinafter referred to as "measures to avoid a common danger" in this Chapter) constitute a general average.

(2) If the danger referred to in the preceding paragraph is caused by negligence, the provisions of that paragraph do not preclude an interested person from exercising the right of reimbursement against the negligent party.

(Damage or Costs Constituting General Average)

Article 809 (1) The amount of damage that constitutes a general average is calculated on the basis of the amounts specified in the following items according to the categories set forth in the respective items; provided, however, that the amount of any and all costs that are no longer required to be paid because cargo has been lost or damaged are deducted from the amounts set forth in items (ii) and (iv):

- (i) ship: the price of the ship at the place and time of arrival;
- (ii) cargo: the price of the cargo at the place and time of discharge;
- (iii) objects on the ship other than the cargo: the price of the objects at the time and place of arrival; and
- (iv) freight charges: the amount of freight charges claimable at the place and time of discharge.

(2) If a value that is lower than the real value of the cargo is entered in a bill of lading or any other document by which the price of the cargo can be evaluated (hereinafter referred to as a "price evaluation document" in this Chapter), the amount of damage caused to the cargo is determined on the basis of the value entered in the price valuation document. The same applies if any false entry is made in a price valuation document with regard to a particular that may affect the price of the cargo, and the value of the cargo to be evaluated on the basis of

the false entry would be lower than the real value thereof.

- (3) Interested persons are not required to share the following damage or costs:
- (i) damage caused to the following objects; provided, however, that for objects as set forth in (c) below, this excludes a case as set forth in Article 577, paragraph (2), item (i), and for objects as set forth in (d) below, this excludes cases in which it is consistent with commercial custom for those goods to be loaded above deck:
 - (a) cargo that has been loaded onto the ship without the permission of the shipowner;
 - (b) cargo for which an intentional false declaration has been made at the time of loading;
 - (c) cargo constituting valuables, of whose type and value the shipper or charterer has not notified the carrier upon entrusting the carrier with their transportation;
 - (d) above-deck cargo; and
 - (e) equipment not entered in the equipment inventory; and
 - (ii) special compensation.

(Amount of General Average Contribution)

Article 810 (1) A general average is shared among the persons set forth in the following items (excluding the mariners and passengers) in the proportions specified in those items:

- (i) persons with an interest in the ship: the price of the ship at the place and time of arrival;
- (ii) persons with an interest in the cargo: the amount arrived at when the amount set forth in (b) below is deducted from the amount set forth in (a) below:
 - (a) the price of the cargo at the place and time of discharge; and
 - (b) freight charges and other such costs that persons with an interest in the cargo would not have been required to pay if all of the cargo provided for in (a) had been lost at the time of the measures to avoid a common danger;
- (iii) persons with an interest in objects on the ship other than the cargo (excluding weapons mounted on the ship): the value of the objects at the place and time of arrival; and
- (iv) the carrier: the amount arrived at when the amount set forth in (b) below is deducted from the amount set forth in (a) below:
 - (a) the amount constituting the part of the claim actually existing at the place and time of discharge for the freight charges provided for in item (ii)(b); and
 - (b) the amount constituting the part of the mariners' salaries and other necessary costs of the voyage (excluding costs that constitute a general

average) that the carrier would not have been required to pay if the ship and all of the cargo prescribed in item (ii)(a) had been lost at the time of the measures to avoid a common danger.

- (2) If any necessary costs or beneficial costs have been paid out for a ship or its cargo and other such objects after the implementation of the measures to avoid a common danger and before the arrival of the ship or discharge of the cargo and other such objects, the amounts specified in items (i) through (iii) of the preceding paragraph for the ship the cargo and other such objects are calculated by deducting the amount of the costs that have been paid (excluding costs that constitute a general average).
- (3) If a person provided for in paragraph (1) incurs loss or damage to their property due to the measures to avoid a common danger, the amount set forth in the items of that paragraph for that person is calculated by adding the amount of the loss or damage incurred (limited, if the person pays any necessary costs or beneficial costs prescribed in the preceding paragraph for that property, to the amount paid in excess of the amount of those costs (excluding costs that constitute a general average)).
- (4) If a value that exceeds the real value of cargo is entered in a price evaluation document, a person with an interest in the cargo shares a general average in proportion to the value entered in the price evaluation document. The same applies if any false entry is made in a price valuation document with regard to a matter that may affect the price of the cargo, and the value of the cargo to be evaluated on the basis of the false entry would be higher than its real value.

(Liability of Persons Required to Share General Average)

Article 811 Persons that are required to share a general average pursuant to the provisions of the preceding Article are liable to do so only up to the value that actually exists at the time of the arrival of the ship (or the time of discharge of the cargo, in the case of the person set forth in paragraph (1), item (ii) or item (iv) of that Article).

(Extinctive Prescription of Claims Based on Sharing of General Average)

Article 812 A claim based on the sharing of a general average is extinguished by prescription if it is not exercised in the one year after its calculation is completed.

Articles 813 and 814 Deleted

Chapter VII Marine Insurance

(Definitions)

Article 815 (1) The term "marine insurance policy" as used in this Chapter means a non-life insurance policy under which the insurer (limited to a person that underwrites insurance as a business; hereinafter the same applies in this Chapter) promises to provide compensation for loss or damage arising from an accident relating to a voyage.

(2) Unless otherwise provided for in this Chapter, the provisions of Chapter II, Sections 1 through 4 and 6, and Chapter V of the Insurance Act (Act No. 56 of 2008) apply to marine insurance policies.

(Insurer's Liability to Compensate)

Article 816 Unless otherwise provided for in this Chapter or in a marine insurance policy, an insurer is liable to compensate the relevant person for any and all loss or damage arising from accidents relating to voyages that occur to the insured property during the insurance period.

Article 817 (1) An insurer is liable to compensate the relevant person for the amount to be paid by the insured to engage in marine salvage or share a general average.

(2) The provisions of Article 19 of the Insurance Act apply mutatis mutandis to the amount prescribed in the preceding paragraph. In this case, the phrase "amount of damage to be compensated for" in that Article is deemed to be replaced with "amount prescribed in Article 817, paragraph (1) of the Commercial Code (Act No. 48 of 1899)".

(Insured Value Under Ship Insurance)

Article 818 Under a marine insurance policy that covers a ship as the insured property (hereinafter referred to as a "ship insurance policy" in this Chapter), the value of the ship at the time of commencement of the insurance period constitutes the insured value.

(Insured Value Under Cargo Insurance)

Article 819 Under a marine insurance policy that covers cargo as the insured property (hereinafter referred to as a "cargo insurance policy" in this Chapter), the total sum of the value of the cargo at the place and time of loading, the freight charges, and the costs for insurance constitutes the insured value.

(Obligation of Disclosure)

Article 820 When entering into a marine insurance policy, the prospective policyholder or insured must disclose the facts of any material particulars related to the possibility that any loss or damage that would be compensated for pursuant to the marine insurance policy will occur (hereinafter referred to

as the "risk" in this Chapter).

(Information Contained in Documents to Be Delivered upon Conclusion of Policy)

Article 821 If an insurer enters into a marine insurance policy, it must include the information specified in the following items for the categories set forth in those items in the document prescribed in Article 6, paragraph (1) of the Insurance Act, in addition to the information set forth in the items of that paragraph:

- (i) if it enters into a ship insurance policy: the name, nationality, type, materials, total tonnage, year of construction, and navigation area (if a ship insurance policy is concluded for a single voyage, the port of departure and the port of arrival (including a port of call, if any is specified) of the ship, as well as the name of the shipowner; and
- (ii) if it enters into a cargo insurance policy: the name of the ship, as well as the place of shipment, the port of loading, the port of discharge, and the destination of the cargo.

(Change of Voyage)

Article 822 (1) If there is a change to a voyage before the commencement of the insurance period, the marine insurance policy ceases to be valid.

(2) If there is a change to a voyage during the insurance period, the insurer is not liable to compensate the relevant person for loss or damage arising from any accident that occurs after the change; provided, however, that this does not apply if the change is due to reasons not attributable to the policyholder or the insured.

(3) Once the port of arrival is changed and operations for making that change have begun, there is deemed to have been a change to the voyage even if the ship does not deviate from the route specified in the marine insurance policy.

(Significant Increase of Risk)

Article 823 In the following cases, an insurer is not liable to compensate for loss or damage arising from any accident that occurs after the relevant fact arises; provided, however, that this does not apply if the fact has no influence on the occurrence of the accident or the fact is due to reasons not attributable to the policyholder or the insured:

- (i) the insured has neglected to cause the ship to depart or continue the voyage;
- (ii) the insured has changed the route; or
- (iii) beyond what is set forth in the preceding two items, the policyholder or the insured has significantly increased the risk.

(Change of Ship)

Article 824 If there is a change to a ship specified in a cargo insurance policy, the insurer is not liable to compensate the relevant person for loss or damage arising from any accident that occurs after the change; provided, however, that this does not apply if the change is due to reasons not attributable to the policyholder or the insured.

(Provisional Insurance)

Article 825 (1) If a cargo insurance policy specifies how the insurance period, the insured amount, the insured property, the agreed insured value, the insurance premiums or the payment method thereof, the name of the ship, or the place of shipment, port of loading, port of discharge or place of arrival of the cargo (hereinafter referred to as the "details of the policy" in this Article) are decided, it is not required to include the details of the policy in the document prescribed in Article 6, paragraph (1) of the Insurance Act.

(2) In the case prescribed in the preceding paragraph, when a policyholder or an insured learns that the details of the policy have been finalized, they must notify the insurer of this without delay.

(3) If a policyholder or an insured intentionally or by gross negligence fails to notify the insurer as referred to in the preceding paragraph without delay, the cargo insurance policy ceases to be valid.

(Exemption of Insurer from Liability)

Article 826 An insurer is not liable to compensate the relevant person for the following loss or damage; provided, however, this does not apply to the loss or damage set forth in item (iv) if the policyholder or the insured proves that they did not neglect to exercise due care in satisfying the requirements prescribed in that item at the time of departure of the ship:

(i) loss or damage arising from the nature of or a defect in the insured property, or from ordinary wear and tear thereof;

(ii) loss or damage arising at the policyholder's or insured's intention or due to that person's gross negligence (or at that person's intention, if it is a liability insurance policy);

(iii) loss or damage arising from a war or any other social disturbance;

(iv) in the case of a ship insurance policy, loss or damage arising from the things set forth in the items of Article 739, paragraph (1) (including as applied *mutatis mutandis* pursuant to Article 707 and Article 756, paragraph (1)) having been done insufficiently at the time of departure of the ship; and

(v) in the case of a cargo insurance policy, loss or damage arising from the insufficient packaging of cargo.

(Liability to Compensate If Cargo Is Damaged)

Article 827 If cargo constituting insured property arrives at the destination damaged or partially lost, the insurer is liable to compensate for the amount arrived at when the insured value (or the agreed insured value, if specified) is multiplied by the proportion of the amount set forth in item (i) to the amount set forth in item (ii):

- (i) the amount arrived at when the value of the cargo that has been damaged or partially lost is deducted from the value that the cargo would have if it had not been damaged or partially lost; and
- (ii) the value that the cargo would have had if it had not been damaged or partially lost.

(Liability to Compensate If the Sale of Cargo Is Due to Force Majeure)

Article 828 If cargo that is the insured property is sold during a voyage due to force majeure, the insurer is liable to compensate for the amount arrived at when the amount set forth in item (ii) is deducted from the amount set forth in item (i):

- (i) the insured value (or the agreed insured value, if specified); and
- (ii) the amount arrived at when freight charges and other such costs are deducted from the proceeds obtained from the sale of the cargo.

(Cancellation Due to Breach of Duty to Inform)

Article 829 An insurer may cancel a marine insurance policy if a policyholder or an insured intentionally or by gross negligence fails to inform to of the facts of material particulars relevant to risk or misinforms it of such particulars. In this case, the provisions of Article 28, paragraph (2) (limited to the part concerning item (i)) and paragraph (4), and Article 31, paragraph (2) (limited to the part concerning item (i)) of the Insurance Act apply *mutatis mutandis*.

(Application *Mutatis Mutandis* to Mutual Insurance)

Article 830 The provisions of this Chapter apply *mutatis mutandis* to mutual insurance; provided, however, that this does not apply if the nature of the mutual insurance does not permit their application.

Articles 831 through 841 Deleted

Chapter VIII Statutory Liens on Ships and Mortgages on Ships

(Statutory Liens on Ships)

Article 842 A person holding a claim as set forth in one of the following has a statutory lien on the ship and its equipment:

- (i) a claim to compensation for loss or damage due to harm to an individual's life or person that has arisen in direct connection with the operation of the ship;
- (ii) a claim for the salvage charges or a claim based on the sharing of a general average to be borne by the ship;
- (iii) a claim that can be collected pursuant to the National Tax Collection Act (Act No. 47 of 1959) or using procedures for collecting national taxes and that arises in connection with the ship's entry into a port or use of a port or in connection with other operation of the ship; or a claim for pilotage charges or towage charges;
- (iv) a claim for costs necessary for continuing a voyage; and
- (v) a claim held by the master or a mariner arising from an employment contract.

(Order of Priority of Statutory Liens on Ships)

- Article 843 (1) If statutory liens based on claims set forth in the items of the preceding Article (hereinafter referred to as "statutory liens on a ship" in this Chapter) are in conflict with each other, the order of priority of those statutory liens follows the order set forth in the items of that Article; provided, however, that a statutory lien on a ship based on the claim set forth in item (ii) of that Article (limited to one for the salvage charges) takes precedence over any other statutory liens on the ship that have arisen earlier.
- (2) If two or more persons hold statutory liens on a ship which are of the same rank, those persons are paid in proportion to the amount of their claims; provided, however, that for claims set forth in items (ii) through (iv) of the preceding Article, if the statutory liens arise at different times, the one arising later takes precedence over one arising earlier.

(Conflict between Statutory Liens on Ships and Other Statutory Liens)

- Article 844 If a statutory lien on a ship and any other statutory lien conflict with each other, the statutory lien on the ship takes precedence over the other statutory lien.

(Statutory Liens on Ship and Transferee of Ship)

- Article 845 (1) If a shipowner transfers a ship, the transferee, after registering the transfer, must issue public notice to the holders of statutory liens on the ship indicating that they must file their claims within a fixed term. In such a case, the term in question may not be made shorter than one month.
- (2) A statutory lien on a ship is extinguished if the holder does not file a claim within the term referred to in the preceding paragraph.

(Extinguishment of Statutory Liens on Ships)

Article 846 A statutory lien on a ship is extinguished one year's time after it arises.

(Mortgage on Ship)

Article 847 (1) A registered ship may be made the subject matter of a mortgage.

(2) A mortgage on a ship extends to its equipment.

(3) Provisions concerning mortgages on real property apply mutatis mutandis to a mortgage on a ship. In this case, the phrase "if an obligee does not enforce the mortgage by filing a petition for auction within two months" in Article 384, item (i) of the Civil Code is deemed to be replaced with "if an obligee does not enforce the mortgage by filing a petition for auction or give notice to the third party acquirer that the obligee has not approved its offer within two months, or if the obligee giving that notice does not enforce the mortgage by filing a petition for auction within one week after the obligee becomes able to file it".

(Conflict between Mortgage on Ship and Statutory Lien on Ship)

Article 848 (1) If a mortgage on a ship and a statutory lien on a ship conflict with each other, the lien takes precedence over the mortgage.

(2) If a mortgage on a ship and a statutory lien (excluding a statutory lien on a ship) conflict with each other, the mortgage is treated as being of the same rank as the first-ranked statutory lien prescribed in Article 330, paragraph (1) of the Civil Code.

(Prohibition against Creation of Pledge)

Article 849 A registered ship may not be made the subject matter of a pledge.

(Application Mutatis Mutandis to Ship Under Construction)

Article 850 The provisions of this Chapter apply mutatis mutandis to a ship under construction.