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Civil Code (Part I, Part II and Part III)

(Act No. 89 of April 27, 1896)

Part I General Provisions

Chapter I Common Provisions

(Fundamental Principles)
Article 1 (1) Private rights must be congruent with the public welfare.
(2) The exercise of rights and performance of duties must be done in good faith.
(3) Abuse of rights is not permitted.

Chapter V Juridical Acts

Section 1 General Provisions

(Public Policy)
Article 90 A juridical act that is against public policy is void.

(Manifestations of Intention Inconsistent with Default Rules)
Article 91 If a party to a juridical act manifests an intention that is inconsistent with the provisions of laws and regulations that are not related to public policy, that intention prevails.

(Customs Inconsistent with Default Rules)
Article 92 If a custom is inconsistent with the provisions of laws and regulations that are not related to public policy and it is found that the party to the juridical act has the intention to abide by that custom, that custom prevails.

Section 2 Manifestations of Intention

(Mental Reservations)
Article 93 (1) The validity of a manifestation of intention is not impaired even if the person making it does so while knowing that it does not reflect that person's true intention; provided, however, that if the other party knew or could have known that the manifestation was not the true intention of the person who made it, that manifestation of intention is void.

(2) The nullity of a manifestation of intention under the provisions of the proviso to the preceding paragraph may not be duly asserted against a third party in good faith.

(False Manifestations of Intention)
Article 94 (1) A false manifestation of intention that a person makes in collusion with another person is void.

(2) The nullity of a manifestation of intention under the provisions of the preceding paragraph may not be duly asserted against a third party in good faith.

(Mistakes)

Article 95 (1) A manifestation of intention is voidable if it is based on either of the following mistakes, and the mistake is material in light of the purpose of the juridical act and the common sense in the transaction:

(i) a mistake wherein the person lacks the intention that corresponds to the manifestation of intention; or

(ii) a mistake wherein the person making the manifestation of intention holds an understandings that does not correspond to the truth with regard to the circumstances which the person has taken as the basis for the juridical act.

(2) A manifestation of intention under the provisions of item (ii) of the preceding paragraph may be rescinded only if it has been indicated that the circumstances in question are being taken as the basis for the juridical act.

(3) If a mistake is due to gross negligence on the part of the person making the manifestation of intention, that person may not rescind a manifestation of intention as under paragraph (1), except in the following cases:

(i) if the other party knew, or did not know due to gross negligence, of the mistake on the part of the person making the manifestation of intention; or

(ii) if the other party was under the same mistake as the person making the manifestation of intention.

(4) The rescission of a manifestation of intention under the provisions of paragraph (1) may not be duly asserted against a third party in good faith acting without negligence.

(Fraud or Duress)

Article 96 (1) A manifestation of intention based on fraud or duress is voidable.

(2) If a third party commits a fraud inducing a first party to make a manifestation of intention to a second party, that manifestation of intention is voidable only if the second party knew or could have known that fact.

(3) The rescission of a manifestation of intention induced by fraud under the provisions of the preceding two paragraphs may not be duly asserted against a third party in good faith acting without negligence.

(Timing of Entry into Effect of Manifestations of Intention)

Article 97 (1) A manifestation of intention becomes effective at the time notice thereof reaches the other party.

(2) If the other party prevents notice of a manifestation of intention from reaching them without a legitimate reason, the notice is deemed to have reached that party at the time it would have normally reached them.

(3) The effect of a manifestation of intention is not impaired even if the person making it dies, loses mental capacity, or becomes subject to restrictions on their legal capacity to act after having sent the notice.

(Manifestation of Intention by Public Notice)

Article 98 (1) A manifestation of intention may be made by means of public notice if the person making it is unable to
ascertain who the other party is or is unable to ascertain the whereabouts thereof.

(2) Public notice as referred to in the preceding paragraph is effected by a notice being posted in the posting area of the relevant court and an indication that that posting has been made being published in the Official Gazette at least once, in accordance with the provisions of the Code of Civil Procedure (Act No. 109 of 1996) on service by publication; provided, however, that if the court finds it to be suitable, it may order that a notice be posted in the posting area of the city office, ward office, town hall, or any facility equivalent to these in lieu of the relevant information being published in the Official Gazette.

(3) A manifestation of intention by public notice is deemed to have reached the other party once two weeks have passed since the day when the relevant information was last published in the Official Gazette or once two weeks have passed since the day on which the relevant information started to be posted in lieu of being so published; provided, however, that the effect of a manifestation of intention having reached the other party does not arise if the person making it was negligent in not ascertaining the other party or the whereabouts thereof.

(4) If the person making a manifestation of intention is unable to ascertain who the other party is, the procedures involved in public notice are under the jurisdiction of the summary court that has jurisdiction over the locality where the person making the manifestation of intention is domiciled; if the person making a manifestation of intention is unable to ascertain the whereabouts of the other party, the procedures involved in public notice are under the jurisdiction of the summary court that has jurisdiction over the locality of the last known domicile of the other party.

(5) The court must have the person making a manifestation of intention prepay the expenses associated with a public notice.

(Capacity to Receive Manifestations of Intention)

Article 98-2 Any person may not assert a manifestation of intention against the other party thereto if that other party had no mental capacity or was a minor or an adult ward at the time of receiving it; provided, however, that this does not apply after either of the following persons learns of the manifestation of intention:

(i) the legal representative of the other party; or

(ii) the other party, after that other party's mental capacity has been restored or after that other party has become a person with capacity to act.

Section 3 Agency

(Requirements and Effect of Acts of Agency)

Article 99 (1) A manifestation of intention that an agent makes indicating that they will be making a manifestation of intention on behalf of the principal within the scope of the agent's authority binds the principal directly.

(2) The provisions of the preceding paragraph apply mutatis mutandis to a manifestation of intention that a third party makes to an agent.

(Manifestation of Intention That the Agent Does Not Indicate as Being Made on Behalf of the Principal)

Article 100 A manifestation of intention that an agent makes without having indicated that they will be acting on behalf of the principal is deemed to be one that the agent has made on their own account; provided, however, that if the other party knew or could have known that the agent was acting on behalf of the principal, the provisions of paragraph (1) of the preceding Article apply mutatis mutandis.
(Defects in Acts of Agency)

Article 101 (1) If the validity of a manifestation of intention that an agent has made to the other party is to be influenced by the absence of intention; by mistake, fraud, or duress; or by the knowledge of or negligence in not knowing of a particular circumstance; whether or not any such fact was present is decided as it concerns the agent.

(2) If the validity of a manifestation of intention that the other party has made to the agent is to be influenced by the recipient's knowledge of or negligence in not knowing of a particular circumstance, whether or not any such fact was present is decided as it concerns the agent.

(3) If an agent who has been entrusted with performing a specific juridical act performs that act, the principal may not assert that the agent did not know of any particular circumstance of which the principal knew. The same applies to any circumstance of which the principal did not know due to the principal's own negligence.

(Agent's Capacity to Act)

Article 102 An act that a person with qualified legal capacity performs as an agent of another person may not be rescinded on the grounds of qualified legal capacity; provided, however, that this does not apply to an act performed by a person with qualified legal capacity as a legal representative of another person with qualified legal capacity.

(Authority of an Agent with No Specifically Defined Authority)

Article 103 An agent who has no specifically defined authority has the authority to perform the following acts only:

(i) acts of preservation; and

(ii) acts with the purpose of using or improving a thing or right that is the subject matter of the agency, to the extent that this does not change the nature of that thing or right.

(Appointment of Subagents by Agents)

Article 104 An agent appointed by mandate may not appoint a subagent unless the authorization of the principal is obtained or there is a compelling reason to do so.

(Appointment of Subagents by Legal Representatives)

Article 105 A legal representative may appoint a subagent on its own responsibility. In such a case, if there is a compelling reason to do so, the legal representative is only liable to the principal for the appointment and supervision of the subagent.

(Authority of Subagents)

Article 106 (1) A subagent represents the principal with respect to acts within the scope of the authority thereof.

(2) A subagent has the same rights and obligations as an agent in relation to the principal and third parties within the scope of that subagent's authority.
(Abuse of Authority to Represent)

Article 107 If an agent performs an act that falls within the scope of that agent's authority to represent for the purpose of benefiting the agent's own interests or the interests of a third party, and the other party knew of or could have ascertained that purpose, that act is deemed to be an act performed by a person without authority to represent.

(Self-Contracting and Representation of Both Parties)

Article 108 (1) An act that a person performs as an agent of the counterparty or as agent of both parties for the same juridical act is deemed to be an act performed by a person without authority to represent; provided, however, that this does not apply to the performance of an obligation or to an act authorized by the principal in advance.

(2) Beyond what is provided for in the main clause of the preceding paragraph, an act for which the interest of the agent conflicts with the interest of the principal is deemed to be an act performed by a person without authority to represent; provided, however, that this does not apply to an act authorized by the principal in advance.

(Apparent Authority Due to Indication of Grant of Authority to Represent)

Article 109 (1) A person who indicates to a third party that the person granted certain authority to represent to another person is liable for an act performed between that other person and that third party within the scope of the authority to represent; provided, however, that this does not apply if the third party knew or did not know due to negligence that the other person has not been granted the authority to represent.

(2) If a person who indicates to a third party that the person granted authority to represent to another person is, pursuant to the provisions of the preceding paragraph, liable for acts performed by that other person in relation to the third party within the scope of the authority to represent, and the other person performs in relation to the third party an act beyond the scope of the authority to represent, the person who makes the indication is liable for that act only if the third party has reasonable grounds for believing that the other person has authority to represent in that act.

(Apparent Authority of Act Exceeding Authority)

Article 110 The provisions of the main clause of paragraph (1) of the preceding Article apply mutatis mutandis if an agent performs an act exceeding the agent's authority to represent and a third party has reasonable grounds for believing that the agent has the authority as an agent.

(Ground of Extinction of Authority to Represent)

Article 111 (1) The authority to represent ceases to exist upon:

(i) death of the principal; and

(ii) death of the agent, or being given an order commencing bankruptcy proceeding or a decision for commencement of guardianship against the agent.

(2) The authority to represent by mandate ceases to exist, other than on the grounds set forth in the respective items of the preceding paragraph, upon the termination of the mandate.
(Apparent Authority After Extinction of Authority to Represent)

Article 112 (1) A person that grants authority to represent to another person is liable towards a third party for an act performed between that other person and the third party within the scope of the authority to represent after the extinction of the authority to represent if that third party does not know the fact that the authority to represent has ceased to exist; provided, however, that this does not apply if the third party does to not know due to negligence the fact.

(2) If a person that grants authority to represent to another person is, pursuant to the provisions of the preceding paragraph, liable for an act performed between that other person and a third party within the scope of the authority to represent after the extinction of that authority to represent, and the other person performs in relation to the third party an act beyond the scope of the authority to represent, the person that grants authority to represent is liable for that act only if the third party has reasonable grounds for believing that the other person has authority to represent for the act.

(Unauthorized Agency)

Article 113 (1) A contract concluded by a person who acts as the agent of another person but has no authority to represent does not bind the principal unless the principal ratifies it.

(2) The ratification or refusal to ratify may not be duly asserted against the counterparty unless it is made to that counterparty; provided, however, that this does not apply if the counterparty has come to know the ratification or refusal to ratify.

(Right to Demand of Counterparty of Unauthorized Agency)

Article 114 In the case referred to in the preceding Article, the counterparty may demand, by specifying a reasonable period of time, that the principal give a definite answer on whether or not the principal will ratify within that period of time. In this case, if the principal fails to give a definite answer within that period, the principal is deemed to have refused to ratify.

(Right to Rescind of Counterparty of Unauthorized Agency)

Article 115 A counterparty may rescind a contract that a person without the authority to represent has concluded until the principal ratifies it; provided, however, that this does not apply if the counterparty knew at the time of the conclusion of the contract that the agent had no authority to represent.

(Ratification of Act of Unauthorized Agency)

Article 116 Ratification is retroactive to the time of the conclusion of the contract unless a particular intention is manifested; provided, however, that this may not prejudice the rights of a third party.

(Liability of Unauthorized Agency)

Article 117 (1) A person who concludes a contract as an agent of another person is liable to the counterparty for the performance of the contract or compensation for loss or damage, as chosen by the counterparty, unless the person proves the authority to represent or the principal ratifies the contract.

(2) The provisions of the preceding paragraph do not apply in the following cases:

(i) if the counterparty knew that the person who concluded the contract as an agent of the other person had no authority
to represent;

(ii) if the counterparty was negligent in not knowing that the person who concluded the contract as an agent of the other person had no authority to represent; provided, however, that this does not apply if the person who concluded a contract as an agent of the other person knew themselves to have no authority to represent; or

(iii) if the legal capacity to act of the person who concluded the contract as an agent of the other person was subject to restrictions.

Unauthorized Agency in Unilateral Juridical Act

Article 118 With respect to a unilateral juridical act, the provisions of Articles 113 through the preceding Article apply mutatis mutandis only if the counterparty, at the time of the act, either agrees for the person holding themselves out as an agent to act without the authority to represent or does not contest the authority to represent of that person. The same applies if a person does a unilateral juridical act vis-a-vis a person without authority to represent with the consent of that person.

Section 4 Nullity and Rescission

(Ratification of Void Acts)

Article 119 A void act does not become effective by ratification; provided, however, that if a party ratifies an act knowing that the act is void, it is deemed that the party did a new act.

(Holder of Right to Rescind)

Article 120 (1) An act that is voidable on the grounds of the qualified legal capacity to act of the person who did the act may be rescinded only by the person with qualified legal capacity (in the case of an act performed by the person as a legal representative of another person with limited capacity, including that other person with limited capacity), or an agent or successor thereof, or a person who has the authority to give consent thereto.

(2) An act that is voidable on the grounds of a mistake, fraud or duress may be rescinded only by the person who made the defective manifestation of intention, or an agent or successor thereof.

(Effect of Rescission)

Article 121 An act that has been rescinded is deemed void ab initio.

(Obligation of Restoration)

Article 121-2 (1) A person that has received payment or delivery as the performance of an obligation based on a void act has an obligation to restore the other party to the original state.

(2) Notwithstanding the provisions of the preceding paragraph, if a person that receives payment or delivery as the performance of an obligation based on a void gratuitous act did not know that the act was void at the time of receiving
the payment or delivery (or if the person did not know that the act was voidable at the time of receiving the payment or delivery in the case of an act which is deemed void ab initio pursuant to the provisions of the preceding Article after the receipt of the payment or delivery), has an obligation to return to the extent currently enriched by the act.

(3) Notwithstanding the provisions of paragraph (1), a person who has no mental capacity at the time of performing an act has an obligation to return to the extent currently enriched by the act. The same applies to a person who is a person with qualified legal capacity at the time of performing an act.

(Ratification of Voidable Acts)

Article 122 A voidable act may not be rescinded after the person prescribed in Article 120 ratifies it.

(Method of Voidance and Ratification)

Article 123 If the counterparty to a voidable act is identified, the voidance or ratification of that act is made by the manifestation of intention to the counterparty.

(Requirements for Ratification)

Article 124 (1) The ratification of a voidable act does not become effective unless it is made after the circumstances that made the act voidable cease to exist and the person ratifying the act becomes aware of the right to rescind it.

(2) In the following cases, the ratification referred to in the preceding paragraph is not required to be made after the circumstances that made the act voidable cease to exist:

(i) if a legal representative or a curator or assistant of a person with qualified legal capacity ratifies the act; or

(ii) if a person with qualified legal capacity (excluding an adult ward) makes the ratification with the consent of a legal representative, curator or assistant.

(Statutory Ratification)

Article 125 If, at or after the time when it becomes possible to ratify an act, any of the following facts occur with respect to a voidable act, it is deemed that the act has been ratified; provided, however, that this does not apply if an objection is reserved:

(i) full or partial performance;

(ii) request for the performance;

(iii) novation;

(iv) provision of a security;

(v) assignment of a part of or the whole of a right acquired by the voidable act; or

(vi) compulsory execution.
(Limitation on Period of Right to Rescind)

Article 126 The right to rescind an act is extinguished by the operation of the prescription if it is not exercised within five years from the time when it becomes possible to ratify the act. The same applies if 20 years have passed from the time of the act.

Section 5 Conditions and Time Limits

(Effect of Fulfillment of Conditions)

Article 127 (1) A juridical act subject to a condition precedent becomes effective upon fulfillment of the condition precedent.

(2) A juridical act that is subject to a condition subsequent ceases to be effective upon fulfillment of the condition subsequent.

(3) If the party manifests an intention to make the effects retroactive to the time of or any time prior to the time of the fulfillment, that intention prevails.

(Prohibition of Infringement of Interest of Counterparty Pending Fulfillment of Conditions)

Article 128 While it is uncertain whether or not a condition will be fulfilled, a party to a juridical act that is subject to a condition may not prejudice the other party's interests that would arise from the juridical act upon fulfillment of the condition.

(Disposition of Rights Pending Fulfillment of Conditions)

Article 129 While it is uncertain whether or not a condition will be fulfilled, the rights and obligations of the party concerned may be disposed of, inherited or preserved, or a security may be provided therefor, in accordance with the general provisions.

(Prevention of Fulfillment of Conditions)

Article 130 (1) If a party that would suffer a detriment as a result of the fulfillment of a condition intentionally prevents the fulfillment of that condition, the counterparty may deem that the condition has been fulfilled.

(2) If a party who would enjoy a benefit as a result of the fulfillment of a condition wrongfully has that condition fulfilled, the counterparty may deem that the condition has not been fulfilled.

(Fulfilled Conditions)

Article 131 (1) If a condition has already been fulfilled at the time of a juridical act and that condition is a condition precedent, the juridical act constitutes an unconditional juridical act; if that condition is a condition subsequent, the juridical act is void.

(2) If it has already been established at the time of a juridical act that a condition will not be fulfilled and that condition is a condition precedent, the juridical act is void; if that condition is a condition subsequent, the juridical act constitutes an unconditional act.

(3) In the cases referred to in the provisions of the preceding two paragraphs, the provisions of Article 128 and Article 129
apply mutatis mutandis until the relevant party becomes aware that the condition has been or has not been fulfilled.

(Unlawful Conditions)

Article 132 A juridical act subject to an unlawful condition is void. The same applies to a juridical act subject to the condition that an unlawful act not be performed.

(Impossible Conditions)

Article 133 (1) A juridical act subject to an impossible condition precedent is void.

(2) A juridical act subject to an impossible condition subsequent is an unconditional juridical act.

(Potestative Conditions)

Article 134 A juridical act subject to a condition precedent is void if the condition is dependent only upon the intention of the obligor.

(Effect of Arrival of Assigned Time)

Article 135 (1) If a time of commencement is assigned to a juridical act, the performance of that juridical act may not be demanded before the arrival of that assigned time.

(2) If time of expiration is assigned to a juridical act, that juridical act expires upon the arrival of that assigned time.

(Benefit of Time and Waiver)

Article 136 (1) The time stipulation is presumed to be provided for the benefit of the obligor.

(2) The benefit of time stipulation may be waived; provided, however, that the waiver may not prejudice the interest of the counterparty.

(Acceleration)

Article 137 The obligor may not assert the benefit of time stipulation if:

(i) the obligor has become subject to the order commencing bankruptcy proceeding;

(ii) the obligor has lost, damaged, or diminished the security; or

(iii) the obligor fails to provide security when it has the obligation to do so.

Chapter VI Computation of Period of Time
Article 138 The method of computation of a period of time is governed by the provisions of this Chapter unless otherwise provided in the laws and regulations or a judicial order, or unless otherwise provided for by the relevant juridical act.

Article 139 When a period is provided for in hours, the period commences immediately at the specified time.

Article 140 When a period is provided for in days, weeks, months, or years, the first day of the period is not included in the computation; provided, however, that this does not apply when the period commences at twelve midnight.

Article 141 In the case referred to in the preceding Article, the period expires at the end of the last day.

Article 142 If the last day of a period falls on a Sunday, a holiday as provided in the Act on National Holidays (Act No. 178 of 1948), or any other holiday, only when it is customary not to do business on the relevant day, the period expires on the immediately following day.

Article 143 (1) If a period is provided for in weeks, months, or years, the period is calculated in accordance to the calendar.

(2) If a period does not commence at the beginning of the week, month, or year, that period expires on the day immediately preceding the day which corresponds to the commencement day in the last week, month or year; provided, however, that if the period is provided for in months or years and the last month does not contain a corresponding day, the period expires on the last day of that month.

Part III Claims

Chapter I General Provisions

Section 1 Subject Matter of Claim

Article 399 Even something that cannot be given an estimated monetary value may be the subject matter of a claim.

Article 400 If the subject matter of a claim is the delivery of a specific thing, the obligor must retain the thing with the due care of a prudent manager, which is determined in light of the contract or other sources of claims and the common sense in the transaction, until the delivery.

Article 401 (1) If the object of a claim is designated only with reference to a type and its quality cannot be determined in light of the nature of the juridical act or intention of the parties, the obligor must deliver a thing of medium quality.

(2) In the case referred to in the preceding paragraph, if the obligor has completed the acts necessary to deliver the thing, or has designated the thing the obligor is to deliver with the consent of the obligee, that thing thenceforth constitutes the
subject matter of the claim.

(Monetary Claim)
Article 402 (1) If the subject matter of a claim is money, the obligor, at the obligor's own choice, may make the payment in currency of any kind; provided, however, that this does not apply to if the delivery of a specific kind of currency is the subject matter of the claim.
(2) If the specific kind of currency that is the subject matter of the claim has lost its mandatory circulating power at the time of the payment, the obligor must make payment in other currency.
(3) The provisions of the preceding two paragraphs apply mutatis mutandis if the delivery of the currency of a foreign state is the subject matter of the claim.

Article 403 If the amount of the claim is designated in the currency of a foreign state, the obligor may make the payment in Japanese currency converted with the foreign exchange rate at the place of the performance.

(Statutory Interest Rate)
Article 404 (1) Unless the parties manifest a particular intention with respect to a claim which bears interest, the rate of the interest is the statutory interest rate as of the time when the interest first accrues.
(2) The statutory interest rate is 3% per annum.
(3) Notwithstanding the provisions of the preceding paragraph, pursuant to the provisions of Ministry of Justice Order, the statutory interest rate is to change pursuant to the provisions of the following paragraph for each term consisting of three years.
(4) The statutory interest rate for each term is the rate calculated by adding or deducting the rate equivalent to the difference between the benchmark rate for the most recent term during which there was a change in the statutory interest rate pursuant to the provisions of this paragraph (hereinafter referred to as the "most recent term of change" in this paragraph) and the benchmark rate for the current term (any part of the ratio which is less than 1% is disregarded), to or from the statutory interest rate for the most recent term of change.
(5) The term "benchmark rate" prescribed in the preceding paragraph means the rate announced by the Minister of Justice as the rate calculated by dividing, by 60, the sum of the average interest rate for short-term loans for each month (meaning the average of the interest rates for loans (limited to loans for a term of less than one year) extended by banks in each month)) during the period from January of the year six years prior to the year which contains the first day of each term to December of the year two years prior to the year which contains the first date of each term (any part of the rate which is less than 0.1% is disregarded), pursuant to the provisions of Ministry of Justice Order.

(Incorporation of Interest into Principal)
Article 405 If the payment of interest corresponding to one year or more is delayed, and if the obligor does not pay that interest notwithstanding the demand by the obligee, the obligee may incorporate that interest into the principal.

(Attribution of Right to Choose in Cases of Alternative Obligation)
Article 406 If the subject matter of the claim is to be determined by a choice being made from among more than one performance, the right to choose belongs to the obligor.

(Exercise of Right to Choose)
Article 407 (1) The right to choose under the preceding Article is exercised by manifesting the intention to the counterparty.
(2) The manifestation of intention referred to in the preceding paragraph may not be withdrawn without the consent of the counterparty.

(Transfer of Right to Choose)
Article 408 If a claim is due and, notwithstanding a demand by the counterparty specifying a reasonable period of time, the party that holds the right to choose does not exercise the right within that period of time, the right to choose is transferred to the counterparty.

(Right to Choose of Third Party)
Article 409 (1) If a third party makes the choice, that choice is made by manifesting intention to either the obligee or the obligor.
(2) In the case prescribed in the preceding paragraph, if the third party is unable to make the choice or has no intention to make the choice, the right to choose is transferred to the obligor.

(Identification of Alternative Obligation Due to Impossibility)
Article 410 If a performance included in the subject matter of a claim is impossible, and the impossibility is by negligence of the party that has the right to choose, the claim exists to the extent of the remaining performances.

(Effect of Choice)

Article 411 The choice becomes effective retroactively as of the time of the accrual of the claim; provided, however, that this may not prejudice the rights of a third party.

Section 2 Effects of Claims

Subsection 1 Liability for Non-Performance

(Time of Performance and Delay in Performance)

Article 412 (1) If a fixed due date is assigned to the performance of an obligation, the obligor is liable for delay from the time that due date arrives.

(2) If an uncertain due date is assigned to the performance of an obligation, the obligor is liable for delay from the time when the obligor receives the request for performance after the due date arrives or the time when the obligor becomes aware of the arrival of that due date, whichever comes earlier.

(3) If no time limit is assigned to the performance of an obligation, the obligor is liable for delay from the time the obligor receives the request for performance.

(Impossibility of Performance)

Article 412-2 (1) If the performance of an obligation is impossible in light of the contract or other sources of claims and the common sense in the transaction, the obligee may not request the performance of the obligation.

(2) The impossibility of the performance of an obligation based on a contract as of the time of the formation of the contract does not preclude claiming compensation for loss or damage that arises from the impossibility of the obligation pursuant to the provisions of Article 415.

(Obligee's Delay in Acceptance)

Article 413 (1) If the obligee refuses, or is unable, to accept the tender of the performance of an obligation, and the subject matter of the obligation is the delivery of a specific thing, it is sufficient for the obligor to retain the thing by exercising care identical to that the obligor exercises for the obligor's own property, during the period from the time of the tender of the performance until the delivery of the thing.

(2) If the obligee's refusal or inability to accept the performance of an obligation results in increasing the expenses for the performance, the amount of increase is borne by the obligee.

(Impossibility of Performance during Obligor's Delay in Performance or Obligee's Delay in Acceptance, and Grounds Attributable)

Article 413-2 (1) If the performance of an obligation becomes impossible due to grounds not attributable to either party during a period in which the obligor is liable for delay in performance of the obligation, the impossibility of performance is deemed to be due to grounds attributable to the obligor.

(2) If the obligee refuses or is unable to accept the performance of an obligation, and the performance of the obligation becomes impossible due to grounds not attributable to either party after the obligor's tender of the performance, the impossibility of performance is deemed to be due to grounds attributable to the obligee.

(Compelling Performance)

Article 414 (1) If an obligor voluntarily fails to perform an obligation, the obligee may request the court to enforce obligor to perform through methods such as direct compulsion, execution by substitution, or indirect compulsion, in accordance with the provisions of the Civil Execution Act and other laws and regulations concerning the procedure for compulsory execution; provided, however, that this does not apply if the nature of the obligation does not permit the enforcement.

(2) The provisions of the preceding paragraph do not preclude claiming compensation for loss or damage.

(Compensation for Loss or Damage Due to Non-Performance)

Article 415 (1) If an obligor fails to perform consistent with the purpose of the obligation or the performance of an obligation is impossible, the obligee may claim compensation for loss or damage arising from the failure; provided, however, that this does not apply if the failure to perform the obligation is due to grounds not attributable to the obligor in light of the contract or other sources of obligation and the common sense in the transaction.

(2) If the obligee is entitled to claim compensation for loss or damage pursuant to the provisions of the preceding paragraph, and any of the following cases applies, the obligee may claim compensation for loss or damage in lieu of the
performance of the obligation:
(i) the performance of the obligation is impossible;
(ii) the obligor manifests the intention to refuse to perform the obligation; or
(iii) the obligation has arisen from a contract, and the contract is cancelled or the obligee acquires the right to cancel the contract on the ground of the obligor's failure to perform the obligation.

(Scope of Compensation for Loss or Damage)
Article 416 (1) The purpose of the claim for compensation for the loss or damage for failure to perform an obligation is to have the obligor to pay the compensation for loss or damage which would ordinarily arise from the failure.
(2) The obligee may also claim the compensation for damage which has arisen from any special circumstances if the party did foresee, or should have foreseen, the circumstances.

(Method of Compensation for Loss or Damage)
Article 417 Unless a particular intention is manifested, the amount of the compensation for loss or damage is determined with reference to monetary value.

(Deduction of Interim Interest)
Article 417-2 (1) In the case of determining the amount of compensation for loss or damage in relation to profits to be acquired in the future and deducting an amount equivalent to interest that is to accrue until the time of acquiring the profits, the deduction is made by applying the statutory interest rate applicable as of the time when the claim for the compensation for loss or damage arises.
(2) The preceding paragraph also applies in the case of determining the amount of compensation for loss or damage to cover expenses to be incurred in the future and deducting an amount equivalent to interest that is to accrue until the time of incurring the expenses.

(Comparative Negligence)
Article 418 If the obligee is negligent regarding the failure to perform the obligation or the occurrence or spreading of a damage caused thereby, the court determines the liability for compensation for loss or damage and the amount thereof by taking these elements into consideration.

(Special Provisions for Monetary Debt)
Article 419 (1) The amount of the compensation for loss or damage for failure to perform an obligation to deliver money is determined with reference to the statutory interest rate as of the time when the obligor first assumes the responsibility for the delay; provided, however, that if the agreed-upon interest rate exceeds the statutory interest rate, the agreed-upon interest rate prevails.
(2) The obligee is not be required to prove loss or damage with respect to the compensation for loss or damage referred to in the preceding paragraph.
(3) The obligor may not raise the defense of force majeure with respect to the compensation for loss or damage referred to in paragraph (1).

(Liquidated Damages)
Article 420 (1) The parties may agree on the amount of liquidated damages with respect to the failure to perform the obligation.
(2) The agreement on liquidated damages do not preclude the request for performance or the exercise of the cancellation right.
(3) A penalty is presumed to constitute liquidated damages.
Article 421 The provisions of the preceding Article apply mutatis mutandis if the parties agree in advance to appropriate anything other than money as compensation for loss or damage.

(Subrogation for Compensation for Loss or Damage)
Article 422 If an obligee receives the full value of a thing or right which is the subject matter of the claim as compensation for loss or damage, the obligor subrogates the obligee to that thing or right by operation of law.

(Right to Demand Substitute)
Article 422-2 If the obligor acquires a right or profit as a substitute for the subject matter of the obligation due to the same cause as the one that has rendered the performance of the obligation impossible, the obligee may demand the transfer of the right or reimbursement of the profit from the obligor, to the extent of the amount of damage sustained thereby.
Subsection 2 Obligee's Right of Subrogation

(Requirements for Obligee's Right of Subrogation)
Article 423 (1) An obligee may exercise the right of the obligor (hereinafter referred to as the "subrogor's right") when it is necessary to do so in order to preserve the obligee's own claim; provided, however, that this does not apply to rights which belong exclusively to and are personal to the obligor or rights which are immune from attachment.
(2) The obligee may not exercise the subrogor's right unless and until the obligee's claim becomes due; provided, however, that this does not apply to an act of preservation.
(3) The obligee may not exercise the subrogor's right if the obligee's claim is not enforceable by compulsory execution.

(Scope of Exercise by Subrogation)
Article 423-2 If the obligee exercises the subrogor's right, and the subject matter of the subrogor's right is divisible, the obligee may exercise the subrogor's right only to the extent of the amount of the obligee's own claim.

(Payment or Delivery to Obligee)
Article 423-3 If the obligee exercises the subrogor's right, and the subject matter of the subrogor's right is the payment of money or delivery of movables, the obligee may demand that the other party make the payment or delivery to the obligee. In such a case, if the other party makes the payment or delivery to the obligee, the subrogor's right is extinguished thereby.

(Defense of the Other Party)
Article 423-4 If the obligee exercises the subrogor's right, the other party may duly assert against the obligee any defense that can be asserted against the obligor.

(Obligor's Authority to Collect and Dispose)
Article 423-5 Even if the obligee exercises the subrogor's right, the obligor is not precluded from independently collecting or otherwise disposing of the subrogor's right. In such a case, the other party is not precluded from performing the obligation to the obligor with respect to the subrogor's right.

(Notice of Suit to Be Given by Obligee That Has Filed Action Concerning Exercise of Subrogor's Right)
Article 423-6 If the obligee files an action concerning the exercise of the subrogor's right, the obligee must give a notice of suit to the obligor without delay.

(Obligee's Right of Subrogation to Preserve the Right to Request Registration)
Article 423-7 A person that has acquired by assignment from another person a property for which the acquisition or loss of rights and the change to rights cannot be duly asserted against a third party unless registered may exercise the assignor's right to request a third party to complete the registration procedure if the assignor does not exercise that right. In such a case, the provisions of the preceding three Articles apply mutatis mutandis.

Subsection 3 Obligee's Right to Demand Rescission of Fraudulent Act

Division 1 Requirements for Obligee's Right to Demand Rescission of Fraudulent Act

(Obligee's Demand for Rescission of Fraudulent Act)
Article 424 (1) An obligee may demand the court to rescind an act which the obligor commits knowing that it will prejudice the obligee; provided, however, that this does not apply if a person that benefits from that act (hereinafter referred to as the "beneficiary" in this Subsection) does not know, at the time of the act, that the obligee will be prejudiced.
(2) The provisions of the preceding paragraph do not apply to an act with a subject matter other than property rights.
(3) The obligee may make the demand under the provisions of paragraph (1) (hereinafter referred to as "demand for rescission of fraudulent act") only if the obligee's claim has arisen from a cause that existed before the act prescribed in paragraph (1).
(4) The obligee may not make demand for rescission of fraudulent act if the obligee's claim is not enforceable by compulsory execution.

(Special Provisions for Act of Disposing of Property in Exchange for Reasonable Value)
Article 424-2 If the obligor commits an act of disposing of a property held thereby, and, in exchange, acquires a reasonable value from the beneficiary, the obligee may make demand for rescission of fraudulent act with respect to that act only if the act satisfies all of the following requirements:
(i) the act is actually likely to cause the obligor to engage in a disposition that will be prejudicial to other obligees such as concealment and gratuitous conveyance (hereinafter referred to as "concealment or other disposition" in this Article) by
changing the kind of the property through that disposition such as realization of immovables;  
(ii) the obligor, at the time of the act, has the intention to engage in concealment or other disposition of any property such as money that the obligor acquires as in exchange for the act; and  
(iii) the beneficiary, at the time of the act, knows that the obligor has the intention to engage in concealment or other disposition.

(Special Provisions for Provision of Security to Specific Obligee)
Article 424-3 (1) The obligee may make demand for rescission of fraudulent act with respect to an act concerning the provision of a security or extinguishment of an obligation that is committed by the obligor with regard to an existing obligation, only if the act satisfies all of the following requirements:  
(i) the act is committed while the obligor is unable to pay debts (meaning the condition in which the obligor, due to lack of ability to pay, is generally and continuously unable to pay debts as they become due; the same applies in item (i) of the following paragraph); and  
(ii) the act is committed by the obligor in collusion with the beneficiary with the intention to prejudice other obligees.

(2) If the act prescribed in the preceding paragraph is not within the scope of the obligor's obligation or the time of the act is not such as that is required as the obligor's obligation, and it satisfies all of the following requirements, the obligee may make demand for rescission of fraudulent act with respect to that act, notwithstanding the provisions of that paragraph:  
(i) the act is committed within 30 days before the obligor became unable to pay debts; and  
(ii) the act is committed by the obligor in collusion with the beneficiary with the intention to prejudice other obligees.

(Special Provisions for Substitute Performance for Excessive Consideration)
Article 424-4 With respect to an act concerning the extinguishment of an obligation which has been committed by the obligor, if the value of the payment or delivery received by the beneficiary exceeds the amount of the obligation extinguished by that act, and the act satisfies the requirement prescribed in Article 424, the obligee may make demand for rescission of fraudulent act with regard to the part other than the part corresponding to the amount of the obligation extinguished, notwithstanding the provisions of paragraph (1) of the preceding Article.

(Demand for Rescission of Fraudulent Act against Subsequent Acquirer)
Article 424-5 If the obligee is entitled to make demand rescission for fraudulent act against the beneficiary, and a person subsequently acquires the property which has been transferred to the beneficiary, the obligee may also make demand for rescission of fraudulent act against the subsequent acquirer only in the situations specified in the following items according to the categories set forth in the respective items:  
(i) if the subsequent acquirer acquires the property from the beneficiary: the subsequent acquirer, at the time of the acquisition, knows that the obligor's act will be prejudicial to the obligee; or  
(ii) if the subsequent acquirer acquires the property from another subsequent acquirer: the relevant subsequent acquirer and all the subsequent acquirers that previously acquired the property, at the time of their respective acquisitions, know that the obligor's act will be prejudicial to the obligee.

Division 2 Method of Exercising Right to Demand Rescission of Fraudulent Act

(Demand of Return of Property or Reimbursement of Value)
Article 424-6 (1) In making demand for rescission of fraudulent act against the beneficiary, the obligee may demand the rescission of the act committed by the obligor and also demand the return of the property which has been transferred to the beneficiary as a result of that act. If it is difficult for the beneficiary to return the property, the obligee may demand the reimbursement of its value.  
(2) In making demand for rescission of fraudulent act against the subsequent acquirer, the obligee may demand the rescission of the act committed by the obligor and also demand the return of the property which has been acquired by the subsequent acquirer. If it is difficult for the subsequent acquirer to return the property, the obligee may demand the reimbursement of its value.

(Defendant and Notice of Suit)
Article 424-7 (1) In an action concerning demand for rescission of fraudulent act, the person specified in each of the following items according to the categories set forth in the respective items stands as a defendant:  
(i) an action concerning demand for rescission of fraudulent act against the beneficiary: the beneficiary; or  
(ii) an action concerning demand for rescission of fraudulent act against the subsequent acquirer: the subsequent acquirer that is the other party to the demand for rescission of fraudulent act.  
(2) If the obligee files an action concerning demand for rescission of fraudulent act, the obligee must give notice of suit to the obligor without delay.
(Scope of Fraudulent Act to Be Rescinded)
Article 424-8 (1) If the obligee makes demand for rescission of fraudulent act, and the subject matter of the act committed by the obligor is divisible, the obligee may demand rescission of the act only to the extent of the amount of the obligee's own claim.
(2) The preceding paragraph also applies if the obligee demands the reimbursement of value pursuant to the provisions of the second sentence of Article 424-6, paragraph (1) or the second sentence of paragraph (2) of that Article.

(Payment or Delivery to Obligee)
Article 424-9 (1) If the obligee demands the return of property from the beneficiary or subsequent acquirer pursuant to the provisions of the first sentence of Article 424-6, paragraph (1) or the first sentence of paragraph (2) of that Article, and the subject matter of the demand for return is the payment of money or delivery of movables, the obligee may demand that the beneficiary make the payment or delivery to the obligee or that the subsequent acquirer make the delivery to the obligee. In such a case, if the beneficiary or subsequent acquirer makes the payment or delivery to the obligee, they are not required to make the payment or delivery to the obligor.
(2) The preceding paragraph also applies if the obligee demands the reimbursement of value from the beneficiary or subsequent acquirer pursuant to the provisions of the second sentence of Article 424-6, paragraph (1) or the second sentence of paragraph (2) of that Article.

Division 3 Effect of Exercise of Right to Demand Rescission of Fraudulent Act

(Scope of Persons Affected by Upholding Judgment)
Article 425 A final and binding judgment upholding demand for rescission of fraudulent act is effective against the obligor and all obligees.

(Beneficiary's Right for Counter-Performance Received by Obligor)
Article 425-2 If an act concerning the disposition of property conducted by the obligor (excluding an act concerning the extinguishment of an obligation) is rescinded, the beneficiary may demand that the obligor return the counter-performance that the beneficiary completed in order to acquire the property. If it is difficult for the obligor to return the counter-performance, the beneficiary may demand the reimbursement of its value.

(Restoration of Beneficiary's Claim)
Article 425-3 If an act concerning the extinguishment of an obligation conducted by the obligor is rescinded (excluding the case of rescission pursuant to the provisions of Article 424-4), and the beneficiary returns the payment or delivery received from the obligor or reimburse its value, this restores the beneficiary's claim against the obligor to its original state.

(Right of Subsequent Acquirer Subject to Demand for Rescission of Fraudulent Act)
Article 425-4 If an act done by the obligor is rescinded by the demand for rescission of fraudulent act made against the subsequent acquirer, the subsequent acquirer may exercise the right specified in each of the following items according to the categories set forth in the respective items; provided, however, that this is limited to the value of the counter-performance which was completed by the subsequent acquirer in order to acquire the property from the predecessor or the value of the claim which was extinguished as a result of the acquisition of the property by the subsequent acquirer from the predecessor:
(i) if the act prescribed in Article 425-2 is rescinded: the beneficiary's right to demand return of the counter-performance or right to demand reimbursement of its value from the obligor, which should have arisen pursuant to the provisions of that Article if the act were rescinded by the demand for rescission of fraudulent act against the beneficiary; or
(ii) if the act prescribed in the preceding Article is rescinded (excluding the case of rescission pursuant to the provisions of Article 424-4): the beneficiary's claim against the obligor, which should have been restored pursuant to the provisions of the preceding Article if the act were rescinded by demand for rescission of fraudulent act against the beneficiary.

Division 4 Limitation on Period for Right to Demand Rescission of Fraudulent Act
Article 426 No action for demand for rescission of fraudulent act may be filed if two years have passed from the time when the obligee came to know that the obligor committed the act knowing that it would be prejudicial to the obligee. The same applies if 10 years have passed from the time of the act.

Section 3 Claims and Obligations with Multiple- Parties
Subsection 1 General Provisions

(Divisible Claims and Divisible Obligations)
Article 427 If there are more than one obligee or obligor, unless a particular intention is manifested, each obligee or each obligor has rights or obligations in equal ratios.

Subsection 2 Indivisible Claims and Indivisible Obligations

(Indivisible Claim)
Article 428 The provisions of the following Subsection (Joint and Several Claims) (excluding the provisions of Articles 433 and 435) apply mutatis mutandis if the subject matter of a claim is indivisible by nature and the claim is held by two or more obligees.

(Novation or Release between Obligor and One Obligee of Indivisible Claim)
Article 429 Even if there is a novation or release between one of the obligees of an indivisible claim and the obligor, other obligees may request the obligor to perform the obligation in whole. In such a case, the benefit which should have been allocated to that one obligee if that obligee did not lose the relevant right must be reimbursed to the obligor.

(Indivisible Obligation)
Article 430 The provisions of Subsection 4 (Joint and Several Obligation) (excluding the provisions of Article 440) apply mutatis mutandis if the subject of an obligation is indivisible by nature and there are multiple obligors.

(Changing into Divisible Claims or Divisible Obligations)
Article 431 If an indivisible claim becomes a divisible claim, each obligee may request the performance only of the share of the claim to which each obligee is entitled, and if an indivisible obligation becomes a divisible obligation, each obligor is liable only for the share of the obligation for which each obligor is liable.

Subsection 3 Joint and Several Claims

(Request by Joint and Several Obligees for Performance)
Article 432 If the subject matter of a claim is divisible by nature, and two or more persons hold the claim jointly and severally based on the provisions of laws and regulations or the manifestation of intention of the parties, each obligee may request the performance in whole or in part for the benefit of all obligees, and the obligor may perform for each obligee for the benefit of all obligees.

(Novation or Release between Obligor and One Joint and Several Obligee)
Article 433 If there is a novation or release between one of the joint and several obligees and the obligor, the other obligees may not request performance of the part concerning the benefit which should have been allocated to that one obligee if the obligee did not lose the relevant right.

(Set-Off between Obligor and One Joint and Several Obligee)
Article 434 If the obligor has a claim against one of the joint and several obligees, and the obligor invokes a set-off, the set-off becomes effective against other joint and several obligees as well.

(Merger of Obligor with One Joint and Several Obligee)
Article 435 If there is a merger between one of the joint and several obligees and the obligor, the obligor is deemed to have performed the obligation.

(Principle of Relative Effect)
Article 435-2 Except in cases prescribed in Article 432 through the preceding Article, any act of one of the joint and several obligees or any circumstances which have arisen with respect to one of the joint and several obligees do not become effective in relation to other joint and several obligees; provided, however, that if one of the other joint and several obligees and the obligor manifest a particular intention, their intention prevails with respect to the effect in relation to the remaining other joint and several obligees.

Subsection 4 Joint and Several Obligations
(Request to Joint and Several Obligors for Performance)
Article 436 If the subject matter of an obligation is indivisible by nature, and two or more persons bear the obligation jointly and severally based on the provisions of laws and regulations or the manifestation of intention of the parties, the obligee may request one of the joint and several obligors, or all of the joint and several obligors, simultaneously or successively, to perform the obligation, in whole or in part.

(Invalidity of Juridical Act with Respect to One of Joint and Several Obligors)
Article 437 Even if there are grounds for the invalidity or rescission of a juridical act with respect to one of the joint and several obligors, the validity of the obligation of other joint and several obligor is not impaired.

(Novation between Obligee and One Joint and Several Obligor)
Article 438 If novation takes place between one of the joint and several obligors and the obligee, the claim is extinguished for the benefit of all joint and several obligors.

(Set-Offs by One Joint and Several Obligor)
Article 439 (1) If one of the joint and several obligors has a claim against the obligee and invokes a set-off, the claim is extinguished for the benefit of all joint and several obligors.
(2) Until the joint and several obligor that has the claim referred to in the preceding paragraph invokes a set-off, other joint and several obligors may refuse to perform the obligation to the obligee only to the extent of that joint and several obligor's share of the obligation.

(Merger with One of Joint and Several Obligors)
Article 440 If there is a merger between one of the joint and several obligors and the obligee, the joint and several obligor is deemed to have performed the obligation.

(Principle of Relative Effect)
Article 441 Except in cases prescribed in Articles 438, Article 439, paragraph (1), and the preceding Article, any circumstances which have arisen with respect to one of the joint and several obligors is not effective in relation to other joint and several obligors; provided, however, that if the obligee and one of the other joint and several obligors manifest a different intention, their intention prevails with respect to the effect in relation to the remaining other joint and several obligees.

(Right to Reimbursement among Joint and Several Obligors)
Article 442 (1) If one of the joint and several obligors performs the obligation or otherwise obtain a common discharge in exchange for that obligor's own property, the joint and several obligor has the right to reimbursement from other joint and several obligors for the amounts in proportion to their respective shares of the obligation of the amount of the property expended by the joint and several obligor in order to obtain the discharge (if the amount of property exceeds the amount after the common discharge, the amount thus discharged), regardless of whether the amount discharged exceeds the amount of the joint and several obligor's own share.
(2) The reimbursement under the provisions of the preceding paragraph includes the compensation of the statutory interest which accrues on or after the day of the performance of the obligation or other discharge, and the compensation for unavoidable expenses and other loss or damage.

(Limitation on Reimbursement to Joint and Several Obligor That Has Failed to Give Notice)
Article 443 (1) If one of the joint and several obligors performs the obligation or otherwise obtains a common discharge in exchange for that obligor's own property, while knowing the existence of other joint and several obligors but without giving notice of the common discharge to the other joint and several obligors, another joint and several obligor has a defense that can be duly asserted against the obligee, the other joint and several obligor may duly assert that defense against the joint and several obligor that obtained the discharge to the extent of the other obligor's share of the obligation. In such a case, if the other joint and several obligor duly asserts a set-off as defense against the joint and several obligor that obtained the discharge, the joint and several obligor may request the obligee to perform the obligation which should have been extinguished due to set-off.
(2) If one of the joint and several obligors that has performed the obligation or otherwise obtained a common discharge in exchange for that obligor's own property, while knowing the existence of other joint and several obligors, fails to give notice of the acquisition of the discharge to the other joint and several obligors, and as a result, another joint and several obligor performs the obligation or performs another act in good faith to obtain discharge in exchange for that obligor's own property, the other joint and several obligor may deem that the act performed to obtain the discharge is valid.

(Allocation of Share of Person Who Does Not Have Sufficient Financial Resources for Reimbursement)
Article 444 (1) If one of the joint and several obligors does not have the sufficient financial resources to make the reimbursement, the portion that is unable to be reimbursed is borne by the joint and several obligor that demands the reimbursement and the other joint and several obligors that have the financial resources, in proportion to their respective shares of the obligation.

(2) In the case prescribed in the preceding paragraph, if neither the joint and several obligor that demands the reimbursement nor the other obligors that have the financial resources have shares of the obligation, the portion that is unable to be reimbursed is borne equally among the joint and several obligor that demands the reimbursement and the other obligors that have the financial resources.

(3) Notwithstanding the provisions of the preceding two paragraphs, if the joint and several obligor that demands the reimbursement is unable to receive the reimbursement due to negligence, that joint and several obligor may not request other joint and several obligors to bear their respective shares of the obligation.

(Release of One Joint and Several Obligor and Right to Reimbursement)

Article 445 Even if one of the joint and several obligors is released from the obligation or the prescription period expires for one of the joint and several obligors, other joint and several obligors may exercise the right to reimbursement referred to in Article 442, paragraph (1) against that one joint and several obligor.

Section 4 Assignment of Claims

(Assignability of Claims)

Article 466 (1) A claim may be assigned; provided, however, that this does not apply if its nature does not permit the assignment.

(2) Even if a party to a claim manifests the intention to prohibit or restrict the assignment of the claim (hereinafter referred to as the "manifestation of intention to restrict assignment"), the validity of the assignment of the claim is not impaired.

(3) In the case prescribed in the preceding paragraph, the obligor may refuse to perform the obligation to a third party such as the assignee that knew or did not know due to gross negligence that the manifestation of intention to restrict assignment was made, and may duly assert against such third party any event that results in extinguishment of the obligation such as payment to the assignor.

(4) The provisions of the preceding paragraph do not apply if the obligor does not perform the obligation, and the third party prescribed in that paragraph makes a demand to the obligor for the performance to the assignor by specifying a reasonable period of time, but the obligor does not perform the obligation within that period.

(Deposit Made by Obligor for Claim Subject to Manifestation of Intention to Restrict Assignment)

Article 466-2 (1) If a claim for payment of money subject to the manifestation of intention to restrict assignment is assigned to a third party, the obligor may deposit the amount of money equivalent to the full amount of the claim with an official depository having jurisdiction over the place of performance of the obligation (including the current domicile of the assignor if the place of performance of the obligation is determined on the basis of the current domicile of the obligee; the same applies in the following Article).

(2) An obligor that has made a deposit pursuant to the provisions of the preceding paragraph must notify the assignor and the assignee of the deposit without delay.

(3) Only the assignee is entitled to request the refund of the money deposited pursuant to the provisions of paragraph (1).

Article 466-3 In the case prescribed in paragraph (1) of the preceding Article, if an order commencing bankruptcy proceeding is issued with regard to the assignor, the assignee (limited to the one that has acquired the full amount of the claim referred to in that paragraph and that may duly assert the assignment of the claim against a third party such as the obligor) may have the obligor deposit the amount of money equivalent to the full amount of the claim with an official depository having jurisdiction over the place of performance of the obligation even if the assignor knew or did not know due to gross negligence that the manifestation of intention to restrict assignment was made. In such a case, the provisions of paragraphs (2) and (3) of that Article apply mutatis mutandis.

(Attachment of Claim Subject to Manifestation of Intention to Restrict Assignment)

Article 466-4 (1) The provisions of Article 466, paragraph (3) do not apply to an attaching obligee that has enforced compulsory execution against a claim that is subject to the manifestation of intention to restrict assignment.

(2) Notwithstanding the provisions of the preceding paragraph, if a third party such as the assignee knew or did not know due to gross negligence that the manifestation of intention to restrict assignment was made, and the obligee of the assignee or other third party enforces compulsory execution against the claim referred to in that paragraph, the obligor may refuse to perform the obligation and duly assert against an attaching obligee any event that results in extinguishing the obligation such as payment to the assignor.
(Effect of Manifestation of Intention to Restrict Assignment of Claim for Deposits)
Article 466-5 (1) Notwithstanding the provisions of Article 466, paragraph (2), the manifestation of intention to restrict assignment which is made by a party with regard to a claim for deposits in a deposit account (hereinafter referred to as a "claim for deposits") may be duly asserted against a third party such as the assignee that knew or did not know due to gross negligence that the manifestation of intention to restrict assignment was made.
(2) The provisions of the preceding paragraph do not apply to an attaching obligee that has commenced compulsory execution against a claim for deposits that is subject to the manifestation of intention to restrict assignment.

(Assignability of Claim Yet to Arise)
Article 466-6 (1) The assignment of a claim does not require the claim to have already arisen by the time of the manifestation of intention to assign it.
(2) If a claim is assigned, and the claim is yet to arise by the time of the manifestation of intention to assign it, the assignee by operation of law acquires the claim when it arises.
(3) In the case prescribed in the preceding paragraph, if the assignor makes the manifestation of intention to restrict assignment by the time when the assignor gives notice under the provisions of the following Article or the obligor gives consent under the provisions of that Article (hereinafter referred to as the "time of completion of perfection"), a third party such as the assignee is deemed to have known this, and the provisions of Article 466, paragraph (3) (or paragraph (1) of the preceding Article if the claim subject to the manifestation of intention to restrict assignment is a claim for deposits) apply thereto.

(Requirement for Perfection of Assignment of Claim)
Article 467 (1) The assignment of a claim (including the assignment of a claim that is yet to arise) may not be duly asserted against the applicable obligor or any other third party, unless the assignor gives notice thereof to the obligor or the obligor has consented to the same.
(2) Notice or consent as referred to in the preceding paragraph may not be duly asserted against a third party other than the obligor unless the notice or the consent is made using an instrument bearing a certified date.

(Defense of Obligor upon Assignment of Claim)
Article 468 (1) An obligor may duly assert against the assignee any event that has taken place with regard to the assignor by the time of completion of the perfection.
(2) For the purpose of the application of the provisions of the preceding paragraph in the case referred to in Article 466, paragraph (4), the phrase "at the time of the completion of the perfection" in that paragraph is deemed to be replaced with "at the time when a reasonable period of time referred to in Article 466, paragraph (4) has elapsed"; and to apply the provisions of that paragraph in the case referred to in Article 466-3, the phrase "at the time of the completion of the perfection" in that paragraph is deemed to be replaced with "at the time when the obligor receives a request from the assignee referred to in Article 466-3 to make a deposit with an official depository pursuant to the provisions of that Article".

(Right to Set-Off upon Assignment of Claim)
Article 469 (1) An obligor may duly assert against the assignee a set-off based on a claim against the assignor that the obligor acquired before the time of satisfaction of the requirement for perfection.
(2) The preceding paragraph also applies to a claim against the assignor that the obligor acquires after the time of the completion of the perfection if the claim is any of the following; provided, however, that this does not apply if the obligor acquires a claim of another person after the time of the completion of the perfection:
(i) a claim that has arisen from a cause that existed before the time of the completion of the perfection; or
(ii) beyond what is set forth in the preceding item, a claim that has arisen from a contract under which the claim acquired by the assignee has arisen.
(3) To apply the provisions of the preceding two paragraphs in the case referred to in Article 466, paragraph (4), the phrase "at the time of the completion of the perfection" in these provisions is deemed to be replaced with "at the time when a reasonable period of time referred to in Article 466, paragraph (4) has elapsed"; and to apply these provisions in the case referred to in Article 466-3, the phrase "at the time of the completion of the perfection" in these provisions is deemed to be replaced with "at the time when the obligor receives a request from the assignee referred to in Article 466-3 to make a deposit with an official depository pursuant to the provisions of that Article".

Section 5 Assumption of Obligation
Subsection 1 Assumption of Obligation Not Releasing Obligor
(Requirements for and Effect of Assumption of Obligation Not Releasing Obligor)

Article 470 (1) An additional obligor resulting from the assumption of obligation not releasing an obligor assumes, jointly and severally with the initial obligor, an obligation of the same content as the obligation assumed by the initial obligor to the obligee.

(2) The assumption of obligation not releasing an obligor may be effected by a contract between the obligee and the person that becomes the additional obligor.

(3) The assumption of obligation not releasing an obligor may also be effected by a contract between the initial obligor and the person that becomes the additional obligor. In such a case, the assumption of obligation not releasing an obligor becomes effective when the obligee gives consent to the person that becomes the additional obligor.

(4) The assumption of obligation not releasing an obligor to be effected pursuant to the provisions of the preceding paragraph is governed by the provisions concerning a third party beneficiary contract.

(Defense by Additional Obligor in Assumption of Obligation Not Releasing Obligor)

Article 471 (1) An additional obligor may duly assert against the obligee any defense that could have been asserted by the initial obligor at the time when the assumption of obligation not releasing an obligor became effective, with regard to the obligation that the additional obligor has assumed through the assumption of obligation not releasing the obligor.

(2) If the initial obligor has a right to rescind or right to cancel against the obligee, the additional obligor may refuse to perform the obligation to the obligee to the extent that the initial obligor should have been released from the obligation by exercising either of these rights.

Subsection 2 Assumption of Obligation Releasing Old Obligor

(Requirements for and Effect of Assumption of Obligation Releasing Old Obligor)

Article 472 (1) A new obligor resulting from the assumption of obligation releasing an old obligor assumes an obligation of the same content as the obligation of the initial obligor to the obligee, and the initial obligor is released from their own obligation.

(2) The assumption of obligation releasing an old obligor may be effected by a contract between the obligee and the person that becomes the replacing obligor. In such a case, the assumption of obligation releasing an old obligor becomes effective when the obligee notifies the initial obligor of the conclusion of that contract.

(3) The assumption of obligation releasing an old obligor may also be effected if the initial obligor and the person that becomes the replacing obligor conclude a contract and the obligee gives consent to the person that becomes the replacing obligor.

(Defense by New Obligor in Assumption of Obligation Releasing Old Obligor)

Article 472-2 (1) A new obligor may duly assert against the obligee any defense that could have been asserted by the initial obligor at the time when the assumption of obligation releasing an obligor became effective, with regard to the obligation that the replacing obligor has assumed through the assumption of obligation releasing the obligor.

(2) If the old obligor has a right to rescind or right to cancel against the obligee, the new obligor may refuse to perform the obligation to the obligee to the extent that the initial obligor could have been released from the obligation by exercising either of these rights should the assumption of obligation releasing the obligor not be effected.

(Right to Reimbursement of New Obligor Resulting from Assumption of Obligation Releasing Old Obligor)

Article 472-3 A new obligor resulting from the assumption of obligation releasing an old obligor does not acquire a right to reimbursement from the obligor.

(Transfer of Security Resulting from Assumption of Obligation Releasing Old Obligor)

Article 472-4 (1) An obligee may transfer a security right that has been created as security for the obligation from which the initial obligor is released pursuant to the provisions of Article 472, paragraph (1) to the obligation assumed by the replacing obligor; provided, however, that if a person other than the replacing obligor created the security right, the obligee must obtain consent from that person.

(2) The transfer of a security right under the provisions of the preceding paragraph must be effected by manifesting the intention to the replacing obligor in advance or upon the transfer.

(3) The provisions of the preceding two paragraphs apply mutatis mutandis if there is a person that gave guarantee for the obligation from which the initial obligor is released pursuant to the provisions of Article 472, paragraph (1).

(4) In the case referred to in the preceding paragraph, the consent referred to in paragraph (1) as applied mutatis mutandis pursuant to the preceding paragraph does not become effective unless it is given in writing.

(5) If the consent referred to in the preceding paragraph is given by means of an electronic or magnetic record in which its content is recorded, the consent is deemed to have been given in writing, and the provisions of that paragraph apply.
Section 6 Extinction of Claims

Subsection 1 Performance

Division 1 General Provisions

(Performance)
Article 473 If the obligor performs an obligation to the obligee, the claim is extinguished.

(Performance by Third Parties)
Article 474 (1) A third party may also perform an obligation.

(2) A third party that has no legitimate interest in performing an obligation may not perform the obligation against the will of the obligor; provided, however, that this does not apply if the obligee did not know that the performance is against the will of the obligor.

(3) The third party prescribed in the preceding paragraph may not perform the obligation against the will of the obligee; provided, however, that this does not apply if the third party performs the obligation as requested by the obligor, and the obligee knew this.

(4) The provisions of the preceding three paragraphs do not apply if the nature of an obligation does not permit the performance by a third party or if a party manifests the intention to prohibit or restrict the performance by a third party.

(Recovery of Thing Transferred in Performance of Obligation)
Article 475 If a person effecting performance has delivered a thing owned by another person in performance of the obligation, the person so effecting performance may not recover that thing without effecting valid performance de novo.

(Effect of Performance If Thing Delivered in Performance of Obligation Is Consumed or Assigned)
Article 476 In a case as referred to in the preceding Article, if an obligee in good faith consumes or assigns things received in performance of an obligation, that performance is valid. In such a case, if the obligee has received a claim for compensation from a third party, the obligee is not precluded from seeking reimbursement from the person performing the obligation.

(Performance by Payment into Account for Deposits)
Article 477 Performance made by making payment into the obligee's account for deposits becomes effective when the obligee acquires a right to demand the refund of the amount paid, against the obligor of the claim to be paid from deposits.

(Performance to Person That Appears to Be Authorized to Accept)
Article 478 Performance made to a person that does not constitute a person authorized to accept the performance (meaning the obligee or a third party authorized to accept performance based on the provisions of laws and regulations or the manifestation of intention of the parties; the same applies hereinafter) but that appears to be the person authorized to accept the performance in light of common sense in the transaction is effective only if the person effecting performance was acting in good faith and without negligence.

(Performance to Person Other Than Person with Right to Performance)
Article 479 Except as provided in the preceding Article, any performance made to a person other than the person with right to performance is effective only to the extent that the obligee is enriched as a result thereof.

(Performance to Holder of Receipt)
Article 480 Deleted

(Performance by Third Party Obligor of Claim Attached)
Article 481 (1) If a third party obligor of a claim that has been attached performs the obligation to that third party's own obligee, the attaching obligee is entitled to request the third party obligor to perform the obligation de novo to the extent of the damage sustained by the attaching obligee.

(2) The provisions of the preceding paragraph do not preclude the relevant third party obligor from exercising the right to reimbursement from the obligee.

(Accord and Satisfaction)
Article 482 If a person that has right to perform an obligation (hereinafter referred to as a "performer") concludes a contract with the obligee to the effect that the person is to have the obligation extinguished by making, in lieu of the
payment or delivery to be performed by the obligor, another type of payment or delivery, and the performer makes that other type of payment or delivery, the payment or delivery thus made has the same effect as that of the performance of the obligation.

(Delivery of Specific Thing on As-Is Basis)

Article 483 If the subject matter of a claim is the delivery of a specific thing, and the quality of the thing may not be determined as of the time when the delivery is due in light of the cause from which the claim has arisen such as a contract and the common sense in the transaction, the person that performs the obligation must deliver the thing on an "as-is" basis as of the time when the delivery is due.

(Place and Time of Performance)

Article 484 (1) Unless a particular intention is manifested with respect to the place where the performance should take place, the delivery of a specific thing must be effected at the place where that thing was located when the relevant claim accrued, and the discharge of any other obligation must be effected at the current domicile of the obligee.

(2) If the trading hours are specified by laws and regulations or customs, performance may be made or demanded only within the trading hours.

(Expense of Performance)

Article 485 Unless a particular intention is manifested with respect to the expenses of performance, those expenses are borne by the obligor; provided, however, that if the obligee caused the expenses of performance to increase by relocating the domicile thereof or taking any other act, the amount of increase due to this is borne by the obligee.

(Request for Issuance of Receipt)

Article 486 A person performing an obligation may request the person accepting the performance to issue a receipt.

(Request for Return of Instrument Evidencing Claims)

Article 487 If there is an instrument evidencing a claim and the person making the performance has made full performance, that person may demand the return of the instrument.

(Appropriation of One Payment or Delivery among Two or More Obligations Requiring the Same Kind of Payment or Delivery)

Article 488 (1) If an obligor bears to a single obligee two or more obligations which require the same kind of payment or delivery, and the payment or delivery provided in performance of the obligations is not sufficient to extinguish all of these obligations (excluding the case prescribed in paragraph (1) of the following Article), the person that makes the performance may, at the time of the payment or delivery, designate a particular obligation to which that performance should be appropriated before any others.

(2) If the person performing an obligation does not make the designation under the provisions of the preceding paragraph, the person receiving the performance may, at the time of such receipt, designate a particular obligation to which such performance should be appropriated before any others; provided, however, that this does not apply if the person performing the obligation immediately raises an objection to that appropriation.

(3) The designation of the appropriation of the performance under the preceding two paragraphs is effected through a manifestation of intention to the counterparty.

(4) Neither the person that makes the performance nor the person that accepts the performance makes designation under the provisions of paragraph (1) or paragraph (2), the performance is appropriated pursuant to the provisions of the following items:

(i) if the obligations include those which are due and those which are not yet due, the performance is appropriated to those which are due;

(ii) if all obligations are due, or none of the obligations is due, the performance is appropriated in the order of the obligations which are to result in more benefit to the obligor when performed;

(iii) if all obligations would have equal benefit to the obligor when performed, the performance is appropriated in the order of the obligations which have, or should have, the earliest due date; or

(iv) the performance of obligations which are equal in terms of the particulars set forth in the preceding two items is appropriated in proportion to the amount of each obligation.

(Appropriation to Principal, Interest and Expenses Payable)

Article 489 (1) If the obligor is liable to pay interest and expenses in addition to principal with respect to one or more obligations (if the obligor bears two or more obligations, limited to when the obligor bears these obligations requiring the same kind of payment or delivery to the same obligee), and the person that performs the obligations makes payment or
delivery which is not sufficient to extinguish the obligation in its entirety must be appropriated first to expenses, and then to interest and principal, in this order.

(2) The provisions of the preceding Article apply mutatis mutandis in the case referred to in the preceding paragraph in which the person makes payment or delivery which is not sufficient to extinguish any of expenses, interest or principal in whole.

(Appropriation of Performance by Agreement)
Article 490 Notwithstanding the provisions of the preceding two Articles, if the person that makes performance and the person that accepts performance agree on the order of appropriation of performance, the performance is appropriated according to the agreed-upon order.

(Appropriation in Cases More Than One Performance Should Be Tendered)
Article 491 If more than one performance should be tendered to discharge a single obligation, if the person that must perform tenders any performance which is not sufficient to extinguish such obligation in its entirety, the provisions of the preceding three Articles apply mutatis mutandis.

(Effect of Tender of Performances)
Article 492 Upon tendering the performance, the obligor is relieved from any and all responsibilities which may arise from the non-performance of the obligation.

(Method of Tender of Performances)
Article 493 The tender of the performance must be made actually consistent with the main purport of the obligation; provided, however, that if the obligee refuses to accept that performance in advance or if any act is required on the part of the obligee with respect to the performance of the obligation, it is sufficient for the obligor to request the acceptance thereof by giving a notice that the tender of the performance has been prepared.

Division 2 Deposit of Subject Matter of Performance

(Deposit)
Article 494 (1) In the following cases, a performer may deposit the subject matter of the performance with an official depository for the benefit of the obligee. In such a case, the claim is extinguished when the performer makes the deposit: (i) the performer tenders the performance, and the obligee refuses to accept it; or (ii) the obligee is unable to accept the performance.

(2) The preceding paragraph also applies if the performer is unable to ascertain the obligee; provided, however, that this does not apply if the performer is negligent in this respect.

(Method of Deposit)
Article 495 (1) The deposit under the provisions of the preceding Article must be made with the official depository having jurisdiction over the place where the relevant obligation is performed.

(2) If there is no specific provision in laws and regulations with respect to the official depository, the court, at the request of the performer, must designate the depository and appoint a custodian of the thing to be deposited.

(3) A person that has effected a deposit pursuant to the provisions of the preceding Article must notify the obligee of the deposit without delay.

(Recovery of Deposited Thing)
Article 496 (1) As long as the obligee does not accept the deposit, or the judgment which pronounces that the deposit is effective does not become final and binding, the performer may recover the deposited thingy. In such case, it is deemed that no deposit has been effected.

(2) The provisions of the preceding paragraph do not apply in cases any pledge or mortgage has been extinguished due to the deposit.

(Thing Not Suitable for Deposit)
Article 497 In the following cases, the performer may, with the permission of the court, sell the thing that is the subject matter of performance at public auction and deposit the proceeds of such sales with an official depository: (i) the thing is not suitable for deposit; (ii) the price of the thing is likely to decline due to causes such as loss and damage; (iii) excessive expenses are required for the preservation of the thing; or (iv) beyond the cases set forth in the preceding three items, there are circumstances that make it difficult to deposit the thing.
(Demand for Return of Deposited Thing)
Article 498 (1) If the property that is the subject matter of performance or the proceeds referred to in the preceding Article are deposited, the obligee may demand the return of the deposited thing.
(2) If the obligor is to effect performance in exchange for payment or delivery by the obligee, the obligee may not receive deposited thing without making that payment or delivery.

Division 3 Subrogation by Performance

(Requirements for Subrogation by Performance)
Article 499 A person that has performed the obligation for the benefit of the obligor is subrogated to the claim of the obligee.

Article 500 The provisions of Article 467 apply mutatis mutandis in the case referred to in the preceding Article (unless a person with a legitimate interest in making performance is subrogated to the claim of the obligee).

(Effect of Subrogation by Performance)
Article 501 (1) A person that is subrogated to the claim of the obligee pursuant to the provisions of the preceding two Articles may exercise any and all rights possessed by the obligee as the effect of, and as a security for, the claim held by the obligee.
(2) The exercise of rights under the provisions of the preceding paragraph is allowed only to the extent that the person that is subrogated to the claim of the obligee is entitled to seek reimbursement from the obligor based on the person's own rights (if one of the guarantors is subrogated to the claim of the obligee in relation to other guarantors, only to the extent that the guarantor is entitled to seek reimbursement from the other guarantors based on that guarantor's own rights).
(3) In the case referred to in paragraph (1), the following provisions apply in addition to the provisions of the preceding paragraph:
(i) a third party acquirer (meaning a person that has acquired from the obligor the property that is the subject of security; hereinafter the same applies in this paragraph) is not subrogated to the claim of the obligee in relation to any guarantors or third-party collateral providers;
(ii) one of the third party acquirers is subrogated to the claim of the obligee in relation to other third party acquirers in proportion to the price of each property;
(iii) the provisions of the preceding item apply mutatis mutandis if one of the third-party collateral providers is subrogated to the claim of the obligee in relation to other third-party collateral providers;
(iv) between a guarantor and a third-party collateral provider, the subrogation to the claim of the obligee is effected depending on the number of these persons involved; provided, however, that if there are two or more third-party collateral providers, they are subrogated to the claim of the obligee in proportion to the price of each property with respect to the amount which remains after deduction of the share of the guarantor; and
(v) a person that has acquired from a third party acquirer the property that is the subject of security is deemed to be a third party acquirer, and the provisions of items (i) and (ii) apply thereto; and a person that has acquired from a third-party collateral provider the property that is the subject of security is deemed to be a third-party collateral provider, and the provisions of items (i) and (iii) and the preceding item apply thereto.

(Subrogation by Partial Performance)
Article 502 (1) If performance by subrogation occurs with respect to one part of a claim, the subrogee, with the consent of the obligee, may exercise the rights of the subrogee together with the obligee in proportion to the value of the subrogee's performance.
(2) Even in a case as referred to in the preceding paragraph, the obligee may exercise the obligee's right independently.
(3) The right to be exercised by the obligee in the case referred to in the preceding two paragraphs prevails over the right to be exercised by the subrogee with regard to money to be obtained as a result of the exercise of the rights such as the proceeds from the sale of the property that is the subject of security for the claim of the obligee.
(4) In the case referred to in paragraph (1), the cancellation of a contract based on the failure to perform the obligation may be effected only by the obligee. In such a case, the obligee must reimburse to the subrogee the value of the performance that the subrogee effected plus interest.

(Delivery of Instrument Evidencing Claims by Obligee)
Article 503 (1) An obligee that has received full performance by way of subrogation must deliver to the subrogee the instruments regarding the claim and any collateral that the obligee possesses.
(2) If performance by subrogation occurs with respect to a part of a claim, the obligee must enter the particulars of that subrogation in the instruments regarding the claim and allow the subrogee to supervise the custody of the collateral that the obligee possesses.

(Loss of Security by Obligee)
Article 504 (1) If there is a person that has legitimate interest in performing an obligation (hereinafter referred to as a "person entitled to subrogation" in this paragraph), and the obligee causes the security thereof to be lost or diminished intentionally or negligently, the person entitled to subrogation is relieved from responsibility to the extent that that person can no longer seek the reimbursement due to the loss or diminution in the security available upon subrogation. If the person entitled to subrogation is a third-party collateral provider, the same applies to a third party that has acquired from the person entitled to subrogation the property that is the subject of security and to the specific successor thereof.

(2) The provisions of the preceding paragraph do not apply if the obligee is found to have reasonable grounds in light of the common sense in the transaction for causing the security to be lost or diminished.

Subsection 2 Set-Offs

(Requirements for Set-Offs)
Article 505 (1) If two persons bear an obligation to each other that has the same kind of purpose and if both obligations are due, each obligor may be relieved from the obligation by setting off the value of that obligation against the corresponding amount of the obligation of the other obligor; provided, however, that this does not apply if the nature of the obligation does not permit such a set-off.

(2) Notwithstanding the provisions of the preceding paragraph, if a party manifests the intention to prohibit or restrict a set-off, that manifestation of the intention may be duly asserted against a third party only if the third party knew or did not know due to gross negligence it.

(Method and Effect of Set-Offs)
Article 506 (1) Set-offs are effected through the manifestation of one party's intention to the other. In such a case, no condition or time limit may be added to the manifestation of intention.

(2) A manifestation of intention as referred to in the preceding paragraph is effective retroactive to the time when the obligations of both parties became eligible to be set-off.

(Set-Offs between Obligations with Different Places of Performance)
Article 507 Set-offs may be effected even if the places of performance of both obligations are different. In such case, the party seeking to effect the set-off must compensate the counterparty for any damage suffered as result of such set-off.

(Set-Offs Using a Claim Extinguished by Prescription as Claim Used to Assert Set-Off)
Article 508 If a claim extinguished by prescription was eligible for set-off prior to its extinguishment, the obligee may use that claim for the set-off.

(Prohibition of Effecting Set-Offs Against Claims Arising from Tortious Acts as Passive Set-Off Claim)
Article 509 The obligor of either of the following obligations may not duly assert a set-off against the obligee; provided, however, that this does not apply if the obligee acquires a claim corresponding to the relevant obligation from another person:
(i) an obligation for compensation for loss or damage based on a tort committed in bad faith; or
(ii) an obligation for compensation for loss or damage for death or injury to person (excluding the one set forth in the preceding item).

(Prohibition of Set-Offs Against Any Claim Exempt from Attachment as Passive Set-Off Claim)
Article 510 If any claim is exempt from attachment, the obligor of that claim may not assert the set-off as defense against the obligee of that claim.

(Prohibition of Set-Offs Against Any Claim Attached)
Article 511 (1) A third party obligor of a claim which has been attached may not assert set-off as defense with any claim acquired after the attachment against the attaching obligee, but may duly assert against the same a set-off based using a claim acquired before the attachment.

(2) Notwithstanding the provisions of the preceding paragraph, if a claim acquired after the attachment has arisen from a cause that existed before the attachment, the third party obligor may use that claim for a set-off against the attaching obligee; provided, however, that this does not apply if the third party obligor acquires the claim of another person after the
Article 512 (1) If an obligee manifests the intention to effect a set-off using one or more claims held by the obligee against the obligor against one or more obligations borne by the obligee to the obligor, the claims held and the obligations borne by the obligee are extinguished by a set-off at the corresponding amount, in the order of time when they become eligible for set-off, unless otherwise agreed upon by the parties.

(2) In the case referred to in the preceding paragraph, if the claims held by the obligee that seeks a set-off are insufficient to extinguish all of the obligations borne by the obligee, the following provisions apply, unless otherwise agreed upon by the parties:

(i) if the obligee has two or more obligations (excluding the case prescribed in the following item), the provisions of Article 488, paragraph (4), items (ii) through (iv) apply mutatis mutandis; and

(ii) if the obligee is liable to pay interest and expenses in addition to principal with regard to one or more obligations borne by the obligee, the provisions of Article 489 apply mutatis mutandis; in this case, the term “preceding Article” in paragraph (2) of that Article is deemed to be replaced with "paragraph (4), items (ii) through (iv) of the preceding Article".

(3) In the case referred to in paragraph (1), if the obligations held by the obligee that seeks a set-off are insufficient to extinguish all of the claims held by the obligee, the provisions of the preceding paragraph apply mutatis mutandis.

Article 512-2 The provisions of the preceding Article apply mutatis mutandis to a set-off if the claims held by the obligee against the obligor include a claim for which more than one payment or delivery should be made as the performance of a single obligation. The same applies to a set-off if the obligations borne by the obligee to the obligor include an obligation for which more than one payment or delivery should be made as the performance of a single obligation.

Subsection 3 Novation

(Novation)

Article 513 If the parties conclude a contract which gives rise to a new obligation that falls under any of the following as a replacement of the previous obligation, the previous obligation is extinguished by novation:

(i) an obligation that makes a material change to the content of the performance of the previous obligation;

(ii) an obligation for which the previous obligor is substituted by a third party; or

(iii) an obligation for which the previous obligee is substituted by a third party.

(Novation by Substitution of Obligor)

Article 514 (1) A novation by substitution of obligor may be effected by a contract concluded between the obligee and a person that becomes the obligor after the novation. In such a case, the novation becomes effective when the obligee notifies the obligor prior to the novation of the conclusion of the contract.

(2) The obligor after the novation by substitution of obligor does not acquire a right to reimbursement from the obligor prior to the novation.

(Novation by Substitution of Obligee)

Article 515 (1) A novation by substitution of obligee may be effected by a contract concluded among the obligee prior to the novation, a person that becomes the obligee after the novation, and the obligor.

(2) A novation by substitution of obligee may not be duly asserted against a third party unless it is made using an instrument bearing a certified date.

Articles 516 and 517 Deleted

(Transfer of Security to Obligation After Novation)

Article 518 (1) To the extent of the amount of the obligation prior to the novation, the obligee (in the case of a novation by substitution of obligee, the obligee prior to the novation) may transfer the pledge or mortgage created as the security of that obligation to the obligation in effect after the novation; provided, however, that if any third party created that security, the consent of the third party must be obtained.

(2) The transfer of the pledge or mortgage referred to in the preceding paragraph must be effected by manifesting the intention to the other party to the novation (in the case of a novation by substitution of obligee, the obligor) in advance or upon the transfer.

Subsection 4 Release

Article 519 If an obligee manifests the intention to release an obligor from an obligation to that obligor, the obligee's claim
is extinguished.

Subsection 5 Merger
Article 520 If a claim and obligation becomes vested in the same person, such claim is extinguished; provided, however, that this does not apply if such a claim is the subject matter of the right of a third party.

Chapter II Contracts
Section 1 General Provisions
Subsection 1 Formation of Contracts
(Offers That Specify Period for Acceptance)
Article 523 (1) An offer which specifies a period for acceptance may not be revoked; provided, however, that this does not apply if the offeror reserves the right to revoke.
(2) If an offeror does not receive notice of acceptance of the offer referred to in the preceding paragraph within the period referred to in that paragraph, the offer ceases to be effective.

(Effect of Delayed Acceptance)
Article 524 The offeror may deem a delayed acceptance to be a new offer.

(Offers That Do Not Specify Period for Acceptance)
Article 525 (1) An offer made without specifying a period for acceptance may not be revoked until the passage of a reasonable period of time for the offeror to receive a notice of acceptance; provided, however, that this does not apply if the offeror reserves the right to revoke.
(2) Notwithstanding the provisions of the preceding paragraph, an offer referred to in that paragraph which has been made to a person with whom the offeror is having a dialogue may be revoked at any time while the dialogue continues.
(3) If an offeror does not receive from a person with whom the offeror is having a dialogue a notice of acceptance of the offer referred to in paragraph (1) while the dialogue continues, the offer ceases to be effective; provided, however, that this does not apply if the offeror manifests the intention to maintain the effect of the offer after the end of the dialogue.

(Death of Offeror)
Article 526 If an offeror dies, comes to be in a constant state wherein the offeror lacks mental capacity, or becomes subject to restrictions on legal capacity to act after issuing notice of the offer, and the offeror has manifested the intention not to make the offer effective should any of these facts occur, or the other party comes to know that any of these facts has occurred before issuing a notice of acceptance, that offer is not effective.

(Time of Formation of Contract When No Notice of Acceptance Is Required)
Article 527 If no notice of acceptance is required due to the offeror's manifestation of intention or customs of the transaction, a contract is formed upon the occurrence of any fact which should be regarded as a manifestation of intention of acceptance.

(Acceptances Modifying Offers)
Article 528 If the offeree has accepted the offer by adding a condition or making other modifications, it is deemed that the offeree has refused the offer and made a new offer.

(Offers of Reward to the Public)
Article 529 A person that makes an offer to the public indicating that a person that performs an certain act will be given a certain reward (hereinafter referred to as an "offer of reward to the public") is obligated to give the reward to the person that performs the act, regardless of whether or not the person performing that act knows of the offer.

(Offers of Reward to the Public Made by Specifying Period for Performance of Requested Act)
Article 529-2 (1) An offeror of reward to the public may not revoke the offer to the public made by specifying a period during which the requested act should be performed; provided, however, that this does not apply if, in the offer to the public, the offeror reserves the right to revoke the offer.
(2) The offer to the public referred to in the preceding paragraph ceases to be effective if no person completes the requested act within that period.
(Offers of Reward to the Public Made Without Specifying Period for Performance of Requested Act)
Article 529-3 An offeror of reward to the public may revoke the offer to the public made without specifying a period during which the requested act should be performed, if no person completes the requested act; provided, however, that this does not apply if, in the offer to the public, the offeror manifests the intention not to revoke the offer.

(Method of Revocation of Offers of Reward to the Public)
Article 530 (1) Revocation of an offer to the public by the same method as the one used to make a previous offer to the public is effective in relation to any person that does not know about it.
(2) Revocation of an offer to the public may be carried out by a method that is different from the one used to make a previous offer to the public; provided, however, that the revocation is effective only in relation to persons who know about it.

(Right to Receive Rewards Offered to the Public)
Article 531 (1) If more than one person has performed the act requested in an offer to the public, only the person performing the act first holds the right to receive the reward.
(2) If two or more persons have performed the act referred to in the preceding paragraph simultaneously, each holds the right to receive an equal share of the reward; provided, however, that the person to receive the reward is selected by lot if the reward is indivisible by nature or if the offer prescribes that only one person will receive the reward.
(3) The provisions of the preceding two paragraphs do not apply if the offeror manifests an intention to the contrary in the offer to the public.

(Offer of Reward to Most Outstanding Applicant of the Public)
Article 532 (1) If an offer to the public stipulates that only the most outstanding applicant is to receive the reward in the event that two or more persons have performed the act requested in that offer, the offer to the public is effective only if it specifies an application period.
(2) In the cases referred to in the preceding paragraph, the most outstanding applicant is judged by a person specified in the offer to the public and if no such person is specified in the offer, by the person that makes that offer.
(3) Applicants may not raise objection to the judge's decision under the preceding paragraph.
(4) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis if the acts of two or more persons are judged to be of the same level.

Subsection 2 Effect of Contracts
(Defense of Simultaneous Performance)
Article 533 A party to a bilateral contract may refuse to perform that party's own obligation until the other party tenders the performance of that other party's obligation (including the performance of an obligation to compensate for loss or damage in lieu of the performance of an obligation); provided, however, that this does not apply if the obligation of the other party is not yet due.

Articles 534 and 535 Deleted

(Obligors' Burden of Risk)
Article 536 (1) If the performance of an obligation becomes impossible due to grounds not attributable to either party, the obligee may refuse to perform counter-performance.
(2) If the performance of an obligation becomes impossible due to grounds attributable to the obligee, the obligee may not refuse to complete counter-performance. In such a case, if the obligor benefits from being released from that obligation, the obligor must reimburse the obligee for the benefit.

(Third Party Beneficiary Contract)
Article 537 (1) If one of the parties promises in a contract to render a certain performance to a third party, the third party has the right to claim that performance directly from the obligor.
(2) The validity of the contract referred to in the preceding paragraph is not impaired even if a third party does not exist or a third party is not specified at the time of its formation.
(3) In the case referred to in paragraph (1), rights of the third party accrue when the third party has manifested intention of availing of the benefit of the contract under that paragraph to the obligor.

(Determination of Rights of the Third Party)
Article 538 (1) After rights of the third party have accrued pursuant to the provisions of the preceding Article, the parties
may not modify or extinguish those rights.

(2) If, after rights of the third party accrue pursuant to the provisions of the preceding Article, the obligor does not perform
the obligation to the third party, the other party to the contract referred to in paragraph (1) of that Article may not cancel
the contract without the consent of the third party.

(Obligors’ Defense)
Article 539 The obligor may duly assert a defense based on the contract referred to in Article 537, paragraph (1) against a
third party that benefits from the contract.

Subsection 3 Transfer of Contractual Status
Article 539-2 If one of the parties to a contract made an agreement with a third party to transfer that party’s contractual
status to that third party, and the other party to the contract gives consent to the transfer, the contractual status is
transferred to the third party.

Subsection 4 Cancellation of Contracts

(Exercise of Right to Cancel)
Article 540 (1) If one of the parties has the right to cancel pursuant to the provisions of the contract or the law, the
cancellation is effected by manifestation of intention to the other party.
(2) The manifestation of intention referred to in the preceding paragraph may not be revoked.

(Cancellation After Demand)
Article 541 If one of the parties does not perform that party’s obligation, and the other party demands performance of that
obligation, specifying a reasonable period of time, but no performance is completed during that period, the other party
may cancel the contract; provided, however, that this does not apply if the non-performance of the obligations upon the
passage of the period is minor in light of the contract and the common sense in the transaction.

(Cancellation Without Demand)
Article 542 (1) In the following cases, the obligee may immediately cancel the contract without making the demand
referred to in the preceding Article:
(i) if the performance of the whole of the obligation is impossible;
(ii) if the obligor unequivocally manifests the intention to refuse to perform the obligation in whole;
(iii) if the performance of part of the obligation is impossible, or if the obligor clearly manifests the intention to refuse to
perform part of the obligation and the purpose of the contract cannot be achieved by the performance of the remaining
part of the obligation;
(iv) if, due to the nature of the contract or a manifestation of intention by the parties, the purpose of the contract cannot be
achieved unless the obligation is performed at a specific time on a specific date or within a certain period of time, and the
obligor fails to perform the obligation at that time or before that period of time expires; or
(v) beyond the cases set forth in the preceding items, if the obligor does not perform the obligation and it is obvious that
the obligor is unlikely to perform the obligation to the extent necessary to achieve the purpose of the contract even if the
obligee makes the demand referred to in the preceding Article.
(2) In the following cases, the obligee may immediately cancel a part of the contract without making the demand referred
to in the preceding Article:
(i) the performance of the part of the obligation is impossible; or
(ii) the obligor clearly manifests the intention to refuse to perform the part of the obligation.

(Non-Performance Due to Grounds Attributable to Obligee)
Article 543 If non-performance of an obligation is due to grounds attributable to the obligee, the obligee may not cancel
the contract under the preceding two Articles.

(Indivisible Nature of Right to Cancel)
Article 544 (1) If one party to a contract is comprised of two or more persons, the cancellation of the contract may be
effected only by, or against, all of those persons.
(2) In the case referred to in the preceding paragraph, if the right to cancel is extinguished with respect to one of the
persons that constitute a party to the contract, it is also extinguished with respect to the other persons.

(Effect of Cancellation)
Article 545  (1) If one of the parties exercises the right to cancel, each party assumes an obligation to restore the other party to that other party's original state; provided, however, that this may not prejudice the rights of a third party.

(2) In the case referred to in the main clause of the preceding paragraph, if any monies are to be refunded, interest must accrue from the time of the receipt of those monies.

(3) In the case referred to in the main clause of paragraph (1), if a thing other than money is to be returned, fruits that have accrued on or after the time of the receipt of the thing must also be returned.

(4) The exercise of the right to cancel does not preclude claims for compensation for loss or damage.

(Cancellation of Contract and Simultaneous Performance)
Article 546 The provisions of Article 533 apply mutatis mutandis to the preceding Article.

(Extinguishment of Right to Cancel by Demand)
Article 547 If no period of time is specified for the exercise of the right to cancel, the other party may issue a notice of demand to the holder of the right to cancel, specifying a reasonable period of time, to the effect that the holder of the right to cancel is to give a definite answer as to whether the holder will cancel or not within that period of time. In this case, if no notice of cancellation is received within that period, the right to cancel is extinguished.

(Extinguishment of Right to Cancel by Damage Caused to Object Intentionally by Holder of Right to Cancel)
Article 548 The right to cancel is extinguished if the holder of the right to cancel, intentionally or negligently, causes significant damage to, or makes it impossible to return the object of the contract, or converts the object into another kind of thing by processing or alteration; provided, however, that this does not apply if the holder of the right to cancel does not know of the holder's right to cancel.

Subsection 5 Standard Terms of Contract

(Agreement on Standard Terms of Contract)
Article 548-2 (1) In the following cases, a person making an agreement to conduct a standard transaction (meaning a transaction conducted by a specified person with an unspecified and large number of persons as the counterparties, in which the uniformity of the whole or part of the transaction is reasonable to both parties; the same applies hereinafter) (that agreement is referred to as an "agreement on standard transaction" in the following Article) is deemed to have made an agreement on individual terms of the standard form contract (referring to a collection of provisions prepared by that specific person with the purpose of applying them as the terms of a contract for a standard transaction; the same applies hereinafter):

(i) if the person agrees to apply the standard terms of contract as the terms of contract; or
(ii) if the person that has prepared the standard terms of contract (hereinafter referred to as the "preparer of the standard terms") manifests to the counterparty the intention to apply the standard terms of contract as the terms of the contract in advance.

(2) Notwithstanding the provisions of the preceding paragraph, the person is deemed not to have agreed to any provisions as referred to in that paragraph that restrict the rights or expand the duties of the counterparty and that are found, in light of the manner and circumstances of the standard transaction as well as the common sense in the transaction, to unilaterally prejudice the interests of the counterparty in violation of the fundamental principle prescribed in Article 1, paragraph (2).

(Disclosure of Details of Standard Terms)
Article 548-3 (1) A preparer of the standard terms that conducts or seeks to conduct a standard transaction must disclose the details of the standard terms of contract by a reasonable method without delay if the counterparty requests this within a reasonable period of time before or after an agreement on standard transaction is made; provided, however, that this does not apply if the preparer has already delivered to the counterparty a document that contains the standard terms of contract or provided the other party with an electronic or magnetic record that contains the same.

(2) The provisions of the preceding Article do not apply if the preparer of the standard terms of contract refuses the request referred to in the preceding paragraph before an agreement on standard transaction is made; provided, however, that this does not apply if a temporary communication failure takes place or the preparer has a legitimate reason to refuse it.

(Amendment to Standard Terms of Contracts)
Article 548-4 (1) In the following cases, a preparer of the standard terms of contract may, by amending the standard terms of contract, modify the terms of the contract without making separate agreements with each of the counterparties and deem that the parties have agreed to the amended provisions of the standard terms of contract:

(i) if the amendment to the standard terms of contract conforms to the general interest of the counterparties; or
(ii) if the amendment to the standard terms of contract does not run afoul of the purpose of the contract, and it is reasonable in light of the circumstances concerning the amendment such as the necessity of the amendment, the appropriateness of the details of the amended conditions, whether or not it is provided in the contract that the standard terms of contract may be subject to an amendment pursuant to the provisions of this Article, and the details of such provisions.

(2) If a preparer of the standard form contract is to amend the standard form contract under the provisions of the preceding paragraph, the preparer must specify the time when the amendment takes effect, and make the intention to amend the standard form contract, the details of the amended standard general conditions, and the time when the amendment takes place known (to the appropriate scope of persons) by an appropriate method such as using the internet.

(3) An amendment to the standard general conditions under the provisions of paragraph (1), item (ii) does not become effective unless it is made known (to the appropriate scope of persons) pursuant to the provisions of that paragraph by the time when the amendment takes effect as referred to in the preceding paragraph.

(4) The provisions of Article 548-2, paragraph (2) do not apply to an amendment to the standard terms of contract under the provisions of paragraph (1).

Section 3 Sale

Subsection 1 General Provisions

(Sale)
Article 555 A sale becomes effective when one of the parties promises to transfer certain property rights to the other party and the other party promises to pay the price for this.

(Option Contracts for Purchase and Sales Exercisable by One Party)
Article 556 (1) An option contract for a purchase and sale made by one party becomes effective when the other party manifests the intention to complete the purchase and sale.

(2) If no period is provided in relation to the manifestation of intention referred to in the preceding paragraph, the party to the option contract may issue a notice of demand to the other party, specifying a reasonable period of time, to the effect that the other party is to give a definite answer as to whether or not that party will complete the sale within that period. In such cases, if the other party fails to give a definite answer within that period, the option contract for a purchase and sale by one party ceases to be effective.

(Earnest Money)
Article 557 (1) If the buyer pays earnest money to the seller, the buyer may cancel the contract by waiving the earnest money, or the seller may cancel the contract by actually providing the buyer with twice its amount; provided, however, that this does not apply after the counterparty commences performance of the contract.

(2) The provisions of Article 545, paragraph (4) do not apply to the cases referred to in the preceding paragraph.

(Expenses of Contracts for Sale)
Article 558 The expenses associated with contracts for sale are borne equally by both parties.

(Mutatis Mutandis Application to Contracts for Value)
Article 559 The provisions of this Section apply mutatis mutandis to contracts for value other than contracts for sale; provided, however, that this does not apply when it is not permitted by the nature of the contract for value.

Subsection 2 Effect of Sale

(Seller's Obligation for Satisfaction of Requirements for Perfection of Transfer of Rights)
Article 560 The seller bears an obligation to enable the buyer to satisfy the requirements for perfection of the transfer of the right that is the subject matter of the sale, such as completing registration.

(Seller's Obligation When Purchasing and Selling Rights of Others)
Article 561 If the subject matter of a sale is another person's right (including a part of a right that belongs to another person), the seller bears an obligation to acquire the right and transfer it to the buyer.

(Buyer's Right to Demand Cure)
Article 562 (1) If the subject matter delivered to the buyer does not conform to the terms of the contract with respect to the kind, quality or quantity, the buyer may demand that the seller cure the non-conformity of performance by repairing the subject matter, delivering the substitute or delivering the replenishment; provided, however, that the seller may cure the
non-conformity of performance by a method that is different from the method demanded by the buyer if it does not impose any undue burden on the buyer.

(2) If the non-conformity referred to in the preceding paragraph is due to grounds attributable to the buyer, the buyer may not demand that the seller cure the non-conformity of performance under the provisions of that paragraph.

(Buyer's Right to Demand Reduction of Price)

Article 563 (1) In the case prescribed in the main clause of paragraph (1) of the preceding Article, if the buyer demands that the seller cure the non-conformity of performance by specifying a reasonable period of time but the non-conformity of performance is not cured within that period, the buyer may request a reduction of the price in proportion to the degree of non-conformity.

(2) Notwithstanding the provisions of the preceding paragraph, in the following cases, a buyer in good faith may request a reduction of the price immediately without making demand referred to in that paragraph:

(i) if it is impossible to cure the non-conformity of performance;
(ii) if the seller unequivocally manifests the intention to refuse to cure the non-conformity of performance;
(iii) if, due to the nature of the contract or a manifestation of intention by the parties, the purpose of the contract is unable to be achieved unless the performance is carried out at a specific time on a specific date or within a certain period of time, and the seller fails to cure the non-conformity of the performance at the time or before the period expires; or
(iv) beyond the cases set forth in the preceding items, it is obvious that the seller is unlikely to cure the non-conformity of the performance even if the buyer makes the demand referred to in the preceding paragraph.

(3) If the non-conformity referred to in paragraph (1) is due to grounds attributable to the buyer, the buyer may not request a reduction of the price under the provisions of the preceding two paragraphs.

(Claim for Compensation for Loss or Damage and Exercise of Right to Cancel by Buyer)

Article 564 The provisions of the preceding two Articles do not preclude the buyer from claiming compensation for loss or damage pursuant to the provisions of Article 415 or exercising the right to cancel pursuant to the provisions of Articles 541 and 542.

(Seller's Warranty in Case of Non-Conformity of Transferred Right to Terms of Contract)

Article 565 The provisions of the preceding three Articles apply mutatis mutandis if the right transferred by the seller to the buyer does not conform to the terms of the contract (including the case in which the seller fails to transfer part of a right that belongs to another person).

(Limitation on Period of Warranty with Respect to Kind or Quality of Subject Matter)

Article 566 If the subject matter delivered by the seller to the buyer does not conform to the terms of the contract with respect to the kind or quality, and the buyer fails to notify the seller of the non-conformity within one year from the time when the buyer becomes aware of it, the buyer may not demand cure of the non-conformity of performance, demand a reduction of the price, claim compensation for loss or damage, or cancel the contract, on the ground of the non-conformity; provided, however, that this does not apply if the seller knew or did not know due to gross negligence the non-conformity at the time of the delivery.

(Transfer of Risk for Loss of Subject Matter)

Article 567 (1) If the seller delivers the subject matter (limited to one that has been ascertained as the subject matter of the sale; hereinafter the same applies in this Article) to the buyer, and the subject matter is lost or damaged after the time of the delivery due to any grounds not attributable to either party, the buyer may not demand cure of the non-conformity of performance, demand a reduction of the price, claim compensation for loss or damage, or cancel the contract, on the ground of the loss or damage. In such a case, the buyer may not refuse to pay the price.

(2) The preceding paragraph also applies if the seller tenders the performance of the obligation of delivery by delivering the subject matter that conforms to the terms of the contract, but the buyer refuses to accept or is unable to accept the performance, and the subject matter is lost or damaged after the time of the tender of the performance due to any grounds not attributable to either party.

(Warranty in Cases of Auctions)

Article 568 (1) The successful bidder at an auction based on the provisions of the Civil Execution Act and other laws (hereinafter referred to as an "auction" in this Article) may cancel the contract or demand a reduction of the price against the obligor pursuant to the provisions of Articles 541 and 542 and the provisions of Article 563 (including as applied mutatis mutandis pursuant to Article 565).

(2) In the cases referred to in the preceding paragraph, if the obligor is insolvent, the successful bidder may demand total or partial reimbursement of the proceeds against the obligees that received the distribution of the proceeds.

(3) In the cases set forth in the preceding two paragraphs, if obligors knew of the absence of the object or right and did
not disclose the same, or if obligees knew of the absence but demanded an auction, the successful bidder may claim compensation for loss or damage against those persons.

(4) The provisions of the preceding three paragraphs do not apply to the non-conformity with respect to the kind or quality of the subject matter of an auction.

(Seller's Warranty for Claims)

Article 569 (1) If the seller of a claim warrants the solvency of the obligor, it is presumed that the seller warranted the solvency as at the time of the contract.
(2) If the seller of a claim which is not due yet warrants the future solvency of the obligor, it is presumed that the seller warranted the solvency as at the due date.

(Buyer's Demand for Reimbursement of Expenses for Immovables Subject to Mortgage)

Article 570 If any statutory lien, pledge or mortgage that does not conform to the terms of the contract exists on immovables that have been purchased, and the buyer incurs expenses to preserve ownership of the immovables, the buyer may demand the reimbursement of the expenses from the seller.

Article 571 Deleted

(Special Agreement Disclaiming Warranty)

Article 572 Even if the seller makes a special agreement to the effect that the seller does not warrant in the case prescribed in the main clause of Article 562, paragraph (1) or Article 565, the seller may not be released from that responsibility with respect to any fact that the seller knew but did not disclose, and with respect to any right that the seller personally created for or assigned to a third party.

(Due Date for Payment of Price)

Article 573 If there is a due date for the delivery of the subject matter of the sale, it is presumed that the same due date was also agreed upon for the payment of the price.

(Place of Payment of Price)

Article 574 If price is to be paid simultaneously with delivery of the subject matter of a sale, payment must be made at the place of delivery.

(Ownership in Fruits and Payment of Interest on Price)

Article 575 (1) If the subject matter of a sale which has not yet been delivered bears fruits, the fruits vest in the seller.
(2) The buyer bears the obligation to pay interest on the price beginning from the day of delivery; provided, however, that if a due date is provided for the payment of the price, it is not necessary to pay the interest until that due date arrives.

(Buyer's Refusal to Pay Price When There Is a Likelihood That the Buyer Will Be Unable to Acquire Rights)

Article 576 If the buyer is likely to be unable to acquire or likely to lose the rights that the buyer has bought, in whole or in part, due to grounds such as the existence of persons asserting rights to the subject matter of the sale, the buyer may refuse to pay the price, in whole or in part, in proportion to the degree of that likelihood; provided, however, that this does not apply if the seller has provided reasonable security.

(Refusal by Buyer to Pay Price in Cases Registration of Mortgage Is Found)

Article 577 (1) If a mortgage that does not conform to the terms of the contract is registered on immovables that have been purchased, the buyer may refuse to pay the price until the completion of the procedures of the claim for extinguishment of the mortgage. In such cases, the seller may demand that the buyer file the claim for extinguishment of the mortgage without delay.
(2) The provisions of the preceding paragraph apply mutatis mutandis if a statutory lien or pledge that does not conform to the terms of the contract is registered on the immovables that have been bought.

(Seller's Demand for Deposit of Proceeds)

Article 578 In the cases referred to in the preceding two Articles, the seller may demand that the buyer deposit the proceeds.

Subsection 3 Redemption

(Special Agreement on Redemption)

Article 579 The buyer of immovables may cancel the sale by refunding the price (or any amount specified by agreement if
otherwise agreed upon; the same applies in Article 583, paragraph (1)) and costs of the contract paid by the buyer in accordance with a special agreement on redemption executed simultaneously with the contract for sale. In such a case, unless a particular intention is manifested by the parties, it is deemed that the fruit of the immovables and the interest on the price have been set off against each other.

(Period for Redemption)
Article 580 (1) A redemption period may not exceed 10 years. If any special agreement provides for any period longer than this, that period is considered to be 10 years.
(2) If a period for the redemption is agreed upon, no further extension may be effected subsequently.
(3) If no period for the redemption is agreed upon, the redemption must be effected within five years.

(Perfection of Special Agreement on Redemption)
Article 581 (1) If the special agreement on redemption is registered simultaneously with the contract for sale, the redemption may be duly asserted against third parties.
(2) The rights of a lessee that satisfies the requirements for perfection prescribed in Article 605-2, paragraph (1) after the registration referred to in the preceding paragraph is completed may be duly asserted against the seller while the lease remains effective, limited to a period not exceeding one year; provided, however, that this does not apply if the lease is entered into with the purpose of harming the seller.

(Exercise of Right of Redemption by Subrogation)
Article 582 If an obligee of a seller seeks to effect redemption on behalf of the seller pursuant to the provisions of Article 423, the buyer may extinguish the right of redemption by paying the debts of the seller, to the extent of the balance obtained by deducting the amount the seller is to pay from the current value of the immovables as evaluated by a court-appointed appraiser, and, if any positive balance remains, by refunding the same to the seller.

(Implementation of Redemption)
Article 583 (1) A seller may not effect redemption unless the seller provides the price and the costs of the contract within the period provided for in Article 580.
(2) If a buyer or subsequent acquirer incurs expenses with respect to immovables, the seller must reimburse those expenses in accordance with the provisions of Article 196; provided, however, that with respect to beneficial expenses, the court may, at the seller's request, grant a reasonable period of time for the reimbursement.

(Sale of Co-Ownership Interest with Special Agreements on Redemption)
Article 584 If one of the co-owners of immovables sells the equity interest thereof with a special agreement on its redemption and the immovables are then divided or auctioned, the seller may redeem with respect to the part or price that the buyer receives or is to receive; provided, however, that any division or auction effected without notice to the seller may not be duly asserted against the seller.
Article 585 (1) In a case as referred to in the preceding Article, if the buyer is the successful bidder at the auction of the immovables, the seller may effect the redemption by paying the auction price and the costs provided for in Article 583. In such cases, the seller acquires full ownership of the immovables.
(2) If a buyer became the successful bidder at an auction as the result of the request for division by another co-owner, the seller may not effect the redemption with respect only to the seller's own interest.

Referring Principles:
I.1.1 - Good faith and fair dealing in international trade
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