



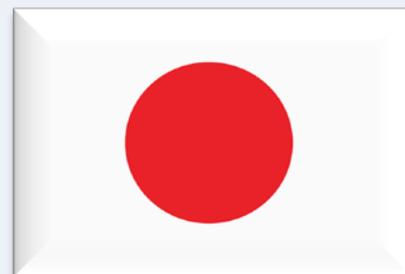
商業信託
Commercial Trust



Country Profile: Japan

The Facts

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|--------------------------|---|
| Location | Eastern Asia, island chain between the North Pacific Ocean and the Sea of Japan, east of the Korean Peninsula |
| Languages | Japanese |
| Nationality | Japanese |
| Religions | Shintoism – 83.9% Buddhism – 71.4% Christian – 2% Others – 7.8% note: total adherents exceeds 100% because many people belong to both Shintoism and Buddhism |
| Government | A Parliamentary Government with a Constitutional Monarchy |
| Head of Government | Prime Minister |
| Legislature | Bicameral Diet |
| Constitutional Document | The Constitution of Japan |
| Economy | Japan has the 3 rd largest national economy in the world, a member of G8. The main industries include agriculture, fishery, tourism, service, technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles and processed foods. The Japanese economy benefits from relatively sound levels of economic freedom in all areas. The foundations of economic freedom have been relatively well institutionalized, supported by an effective judicial framework and a relatively low level of perceived corruption. |
| Currency | Japanese Yen (JPY) |
| GDP (2012) | Total – JPY 474,558.64 billion Per capita – JPY 3,718,805 Real GDP growth – +2.2% |
| Population | 127,368,088 (approx.) |
| Percentage of population | Japanese – 98.5% Others – 1.5% |
| Area | 377,915 km ² |
| Time zone | JST (UCT +9) |
| Public Holidays | 15 |
| Climate | Varies from tropical in south to cool temperate in north |



Sources: Central Intelligence Agency, International Monetary Fund, The Heritage Foundation

Japan

Currently, the world's eyes are on Asia due to its rapid economic development. Japan, as a country in Asia, plays an important role as a 'bridging nation' connecting Asia and the world, which contributes to Asia's growth. With Japan practically at China's doorstep, Japan is a major beneficiary of enormous growth in China, offering plenty of opportunities to investors.

Japan is recognized as a leading center for innovation and boasts highly attractive business and living environments, in terms of safety, medical services, etc. It is a huge market with one of the world's largest economies. In addition, sectors with large growth potential exist in Japan, including health and tourism markets. The well connected and efficient transportation infrastructure is top ranked in the world, particularly the railway and its air transport systems. It's also a country with 'soft power', which sets trends for fashions and entertainment content in Asia.

The Japanese nation is simply made for business. It is a nation that believes in hierarchy, order and long-term planning. It allows enterprises - both foreign and local, to grow in a very business-friendly environment. This tendency for controlled, orderly and planned structure is quite obvious when revising the country's policies, future plans and varied operations.

The Japan Business Climate

There are several reasons to invest in Japan:

- **Huge potential market:** Japan is an enormous market, the world's second largest in terms of economic scale (2007: US GDP 13.8 trillion, Japan 4.4 trillion, Germany and China 3.3 trillion). The scale of the economies of the country's individual regions rivals that of some countries. Japan's regions also offer an attractive market and extensive business opportunities. From retail to healthcare, this country offers endless opportunity for foreign companies. Japan is known worldwide for its new and advanced technologies and goods. It is not just a world trend-maker and gadget superpower, but it is also one of the most popular countries for experiments and testing of new products. Japanese likes to shop and the purchasing power of the average Japanese consumer is enormous. In addition to possessing high purchasing power, Japanese consumers are early adapters and move quickly to stay on the cutting edge of the latest technologies.
- **Safe pleasurable living environment:** While home to a very unique culture, Japan has also welcomed elements of many foreign cultures. This coexistence of what is uniquely Japanese with cultures from around the world makes life in Japan constantly fresh and exciting. The nation also possesses all the elements required for a comfortable life, including stable infrastructure, clean and safe urban environments, and efficient social systems. Japan welcomes its guests with a secure and comfortable lifestyle, rich with the potential to enjoy the diversity and beauty of nature in all its seasonal changes
- **The world's top companies:** Japan is home to many of the world's top companies. These companies have established bases throughout the world and continue to expand their procurement, production and sales networks. And they are continuing to offer unique and innovative products and services as a result of active investment in R&D, conducted to enable them to enhance their international competitiveness and maintain growth..

- **Gateway to Asia:** As the East Asian market grows rapidly, the economic integration between countries in the region continues to strengthen. The sustained high growth of the region is increasing its influence on the world economy, while regional exchanges of personnel, goods and funds are intensifying and economic relationships grow closer at every level of industry. Against the backdrop of a rapidly growing East Asian region, Japan is becoming ever more important for companies from around the world as a location for regional headquarters and R&D bases to support their push into Asia.
- **Promising markets and industries:** Japan's industries are globally competitive, and, as can be seen in the automotive sector, the nation's industrial structure is extremely broad-based, with a large number of smaller companies functioning to support the world heavyweights. For foreign companies, Japan is not just an attractive sales market; in all of its sectors, Japan offers foreign companies extensive opportunities.
- **Mature investment infrastructure:** Recent years have seen a steady increase in foreign investment in Japan. Japan's industrial structure and business environment are similar to those of Europe and the US, and this makes it simpler for foreign companies to establish themselves here and to expand their businesses within the country than it is in other Asian countries. The Japanese government is also making considerable efforts to improve the investment environment.

Setting up a Business in Japan

All the business set up procedures require in total 2 to 4 weeks, although it could take more when some of the inventors are living overseas. In order to set up a company in Japan, it is necessary to follow several steps:

- **Deciding the basic elements and prepare the required documents:**
 1. Required documents for a foreign individual
 - a) Seal certificate (inkan shomeisho) of each investor and director issued within 3 months. If an investor also becomes a director, two certified copies are required. It is possible to get a seal certificate at a city hall if you register yourself as a resident in Japan. A seal certificate can be replaced by a signature attestation certified by the embassy/consulate in Japan of your own country or by a notary public of the country if the person lives overseas
 - b) Signature (or seal) of each investor and director is required on the Articles of Incorporation and other required documents.
 - c) One of the investors personal bank account and its passbook (tsucho) for the deposit of capital (new one can be opened or existing account can be used)
 - d) Company seal that needs to be registered at the registry office
 2. Required documents for a foreign company
 - a) Registry certificate of the parent company issued within 3 months (original or notarized copy if the original can not be sent)
 - b) Notarized Signature attestation of the parent company's representative. If the parent company's representative will also become a director of the Japanese subsidiary, 2 notarized copies are required
 - c) Seal certificate (inkan shomeisho) of each investor and director issued within 3 months (refer to 1.a above)
 - d) Signature (or seal) of the Representative of the parent company and each director is required on the Articles of Incorporation and other required documents (the originals need to be sent to Japan)
 - e) The Representative Director's personal bank account and its passbook (tsucho) to be used for the deposit of capital (new one can be opened or existing account can be used. Postal saving account, Internet banks such as Shinsei, Citibank, Japan Net bank, E-bank, etc. are also accepted)
 - f) Company seal that needs to be registered at the registry office



- **Preparing the Articles of Incorporation (teikan):** The articles of incorporation are the important documents that determine how the company will be managed. They have to be elaborated for each case, according to the needs of shareholders / investors and their relationship with directors.
- **Notarization of the articles of incorporation (at the Notary Office / Koshonin yakuba):** Notarization fee is JPY50,000, only for corporation, not require for LLC; revenue stamps (also required for LLC) is JPY40,000
- **Deposit of capital:** Since the company's bank account can not be opened until the registration is completed, it is necessary to use one of the investors personal bank account in Japan to deposit the capital. In case of a foreign company's subsidiary, the Representative Director's personal bank account can be used.
- **Preparing documents for the company's registration:** In addition to the application form, it is necessary to prepare various documents such as the notification of the company's seal (inkan) that also needs to be registered, a letter of agreement from the directors assuming their office.
- **Filing the application for the company registration (Registry Office / Homukyoku):** Registration fees are minimum JPY150,000 and JPY60,000 for corporation and LLC respectively
- **Registration to the registry completed:** Once the company is registered, it is possible to obtain a registry certificate and company's seal certificate, required at various occasions such as opening a corporate bank account, signing contracts in company's name.
- **Tax and social insurance related procedures, etc:** Opening a bank account under the company's name; application of the visa and status of residence for non-Japanese directors and employees; application of business licenses if the type of business requires

Types of Business Structures in Japan

Foreign companies generally establish a business presence in Japan in one of four modes:

- **Representative Office:** Representative offices are established as locations for carrying out preparatory and supplemental tasks aimed at enabling foreign companies to engage in full-scale business operations in Japan. These offices may conduct market surveys, collect information, purchase goods and implement publicity/advertising efforts, but they are not permitted to engage in sales activities. The establishment of representative offices does not require registration. A representative office cannot ordinarily open bank accounts or lease real estate in its own name, so agreements for such purposes must instead be signed by the head office of the foreign company or the representative at the representative office in an individual capacity.
- **Branch Office:** Foreign companies wishing to engage in business operations in Japan must establish a branch office or a subsidiary company. The simplest means for a foreign company to establish a base for business operations in Japan is to set up a branch office. The branch office can begin business operations as soon as an office location is secured, the branch office representative determined, and the necessary information registered. A Japanese branch office is a business location that provides services in Japan decided upon by an organization authorized by the foreign company, and ordinarily is not expected to engage in independent decision making. A branch office does not have its own legal corporate status, but instead is deemed to be encompassed within the corporate status of the foreign company. In general, therefore, the foreign company is ultimately responsible for all debts and credits generated by the activities of its Japanese branch office. A Japanese branch office, however, may open bank accounts and lease real estate in its own name.

- **Subsidiary Company:** A foreign company establishing a subsidiary company in Japan must choose to establish the subsidiary company as a joint-stock corporation (Kabushiki-Kaisha/K.K), limited liability company (Godokai-Kaisha/LLC), or similar entity stipulated by Japan's Companies Act. Both unlimited partnerships (Gomei-Kaisha) and limited partnerships (Goshi-Kaisha) are granted corporate status under the Companies Act, but they are rarely chosen in practice because equity participants bear unlimited rather than limited liability. All types of subsidiary companies can be established by completing the required procedures stipulated by law and then registering the corporation. A subsidiary is a separate corporation from the foreign company, so the foreign company will bear the liability of an equity participant stipulated by law for all debts and credits generated by the activities of the subsidiary. Other methods by which a foreign company may invest in Japan using a Japanese corporation but without establishing a subsidiary are by establishing a joint venture with a Japanese enterprise or investment company, and by equity participation in a Japanese enterprise. Joint-stock corporations and limited liability companies are similar insofar as liability in them is limited to the assets contributed by equity participants. Compared with joint-stock corporations, however, limited liability companies have greater freedom of self-government through their articles of association and, unlike joint-stock corporations, they are not obligated to have their financial statements approved annually by their members and do not have to publish their financial results. Additionally, although their members are as a rule required to execute business, their articles of association may allow for the appointment of 'managing partners'.
- **Limited Liability Partnership (LLP):** It is also possible to do business by using a Yugen Sekinin Jigyō Kumiai. This type of entity, considered the Japanese version of a limited liability partnership (LLP), is not a corporation, but a partnership formed only by the equity participants, who have limited liability. LLPs are also distinguished by the fact that internal rules can be freely determined by agreement between the equity participants, and that taxes are levied on profits allocated to equity participants without LLPs themselves being liable for taxation.

Taxation

Corporations engaged in economic activities in Japan are subject to taxes in Japan on the profits generated by those economic activities. Steps have been taken, however, to ensure that the tax system does not impose unfair burdens on multinational corporations engaged in economic activities in Japan on the basis of the mode of their business presence in Japan. Income of corporations established in Japan is, as a rule and with the exception of certain non-taxable and tax-exempt income, subject to taxation, regardless of where it was generated (e.g. the source country of income), but when that income includes profits earned in foreign countries that are taxed in the source countries of that income, foreign taxation deductions are available whereby taxes paid in a foreign country may within certain bounds be deducted from Japanese taxes owed for the purpose of eliminating double taxation between the source country of income and Japan. Regarding Japanese branches of foreign corporations, measures such as only certain income generated within Japan is subject to taxation in Japan, have been implemented to avoid international double taxation in Japan.

Multinational corporations engaged in activities in Japan that earn income subject to taxation in Japan calculate and pay the taxes owed through withholding procedures or self-assessed income tax procedures according to their form of corporation and type of income.

The below are some of the taxes for doing business in Japan:

- **Income tax:** While you live in Japan, it is necessary to pay the income tax that operates at 6 different rates : 5%, 10%, 20%, 23%, 33% and 40% (new rates started from the income earned in 2007). The scope of taxable income differs whether you are 'resident' or 'non-resident', 'permanent resident' or 'non-permanent resident'. Please note that the definition of 'permanent resident' in Income Tax Law is different to the actual status of residence of 'permanent resident' (visa). When you work for companies and organizations in Japan, the income tax is already deducted at source from your salary, and it's your employers who will pay it to the Government on your behalf. If you are self-employed or fall into certain cases defined by the law, you will need to file a Final Tax Return (kakutei shinkoku)



- **Corporate tax:** Like an individual pays income tax for his/her earnings, a company also has to pay Corporate Tax based on the amount of its profit. The rate is 22% for companies with the annual profit less than 8 millions yen, and the capital less than 100 millions yen. For other companies, the applicable rate rises to 30%. Additionally, there is also Corporate Enterprise Tax that operates at the rates from 5% to 10.08% (for companies with the capital less than JPY100 millions) to a company's income.
- **Consumption tax:** Consumption Tax of 5% is charged to almost every type of products, services and transactions.

Investment Incentives in Japan

The Japanese Government has set up 22 zones, mainly in areas around ports or airports, areas that are defined as FAZ (Foreign Access Zones) with the aim of promoting import businesses in order to attract foreign capital into Japan. Japanese and foreign companies in these areas are eligible for tax and financing benefits, while foreign companies are eligible, in addition, for advisory services and rented premises. The companies are eligible for benefits that include, among others, the following:

- Loans at reduced interest.
- Exemption from local taxes - real estate purchase tax and property taxes.
- Increased rates of depreciation.
- Guarantees from Government funds.

These are some of other incentives provided by the Japanese Government:

- **Investment promotion:** SME's companies investing in manufacturing can get 30% depreciation rate, or tax credit of 7%, up to 20% of the corporate tax liability, for purchase of certain machinery and equipment.
- **Capital investment benefit:** SME companies investing in machinery defined as energy saving get 30% depreciation rate, or 7% tax credit, up to 20% of the corporate tax liability.
- **Staff training incentives:** When there is an increase in staff training expenses, compared to the previous average, the company is entitled to get the smaller of a tax credit, 25% of the additional expense, or 10% of the corporate tax.
- **R & D expenses:** Companies with high R&D expenses compared to the previous 3 years average are entitled to a tax credit of up to 20% of the corporate tax.

Immigration and Visa Requirements

Any foreign national wishing to enter Japan must have a valid passport, which, in principle, contains a visa corresponding to his/her purpose of entry into Japan obtained in advance from a Japanese embassy, consulate or other Japanese diplomatic mission abroad (hereinafter, 'Japanese diplomatic mission abroad'). Upon landing in Japan, the foreign national must then be screened by, and receive a landing permission stamp from, an immigration officer at the port of entry, who will decide on the foreign national's status of residence and period of stay.



The following documentation is generally needed when applying for a working visa at a Japanese diplomatic mission abroad after a Certificate of Eligibility has been issued:

- Application for visa
- Passport
- Certificate of Eligibility and copy thereof
- Full-face photograph (1-2 photos, 4.5 cm in height x 4.5 cm in width)

Banking Requirements

Foreign residents can open a bank account in Japan as long as they hold an Alien Registration Card. Some banks may also accept a Japanese driver's license in lieu of an Alien Registration Card. More conservative banks may also require a personal stamp (inkan).

Banks commonly require that you bring a recent utility bill stating your current address. However some banks will not require an utility bill if you apply for a bank account at one of their branch offices. You can open an account in most banks by phone or by submitting an application by post however it is usually easier to just go down to nearest branch office.

Most banks do not require a minimum deposit to open an account and do not charge a fee to maintain it. Interest rates on regular accounts are very low, often fractions of a percent. Once you have applied, your bank book and ATM card will be sent via mail. Conversely, you can close your account in person at any branch with your cash card, bank book, alien registration card and personal stamp (if required).

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