

The E-Book on East Asia Investment Practice

-Japan

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Preface

Japan is a country full of opportunities. In order to attract foreign investment, the Japanese government has made great efforts in recent years to promote the government service level, reduce the institutional transaction costs, and enhance the facilitation of business environment; improve the national fiscal and tax support system, and reduce the enterprise tax burden; relax the restrictions on the foreigners doing business in Japan, and introduce the foreign talents actively; instruct the Japan External Trade Organization to set up professional teams for attracting foreign investment, and to cooperate with local governments and provide “nanny services” for foreign enterprises.

In this E-book, Chapter I briefs on Japan’s national features like geography, politics, social governance, and cultural environment; Chapter II describes the overall business environment in Japan; Chapter III gives an introduction about Japan’s economic and trade policies; Chapter IV describes the industrial development and the foreign investment situation in Japan; Chapter V outlines the relevant procedures and regulations of starting a business; Chapter V presents the relevant laws and regulations on enterprise operation; Chapter VII sums up the solutions and approaches of settling economic and trade disputes; Chapter VIII introduces the multilateral and bilateral free trade agreements, including *Regional Comprehensive Economic Partnership*; Chapter IX reviews the economic guarantee measures and revitalization initiatives taken in Japan after the COVID-19 outbreak; Chapter X introduces the government sectors, trade associations and intermediaries in relation to enterprise investment as well as their contact details.

We hope that the basic information of Japan’s economy and trade displayed in this E-book can provide valuable guidance for enterprises and investors, contributing to the investment facilitation and healthy development of economic globalization.

Time constrains and competence deficiency might lead to inaccuracies in this E-book. We sincerely look forward to your valuable comments and suggestions for future improvement.



General Information

1.1 Geography

Geographical Location

Japan is in the east of the Eurasian continent, facing the Pacific Ocean on the east, and across the East China Sea, the Yellow Sea, the Korea Strait and the Japan Sea on the west from China, North Korea, South Korea and Russia. Japan is made up of Honshu, Shikoku, Kyushu, Hokkaido, 4 major islands and more than 6,800 other small islands, with a land area of approximately 378,000 km². As it is in the circum-Pacific seismic and volcanic belt, earthquakes and volcanic activities are frequent, and it is known as the “Country of Earthquakes”.

Natural Resources

Japan is poor in natural resources, with over 90% dependence on imports, of which oil totally depends on imports. The Japanese government is actively developing new energy resources such as nuclear energy and hydraulic energy and is one of the countries with nuclear energy applied more widely in the world. As of March 6, 2020, Japan has a total of 9 nuclear power plants in operation, with a total installed power-generating capacity of 33.083 million kilowatts, ranking fourth in the world. The forest covered area accounts for 67.7% of the land area, making it one of the countries with the highest forest coverage rate in the world. However, the self-sufficiency rate of timber is only 20% approximately, causing Japan to be the country that

imports most timber in the world. By virtue of rich fishery resources, Hokkaido and the Japan Sea are world-famous abundant fishing grounds, and there are over 700 species of fish.

Climate

Japan has a maritime temperate monsoon climate, mild and humid all the year round, and there is no severe cold in winter nor intense heat in summer. It usually has plum rains in June and typhoons in summer and autumn, which are major features of Japan's climate. In January, the average temperature is -6°C in the north and 16°C in the south; while in July, it is 17°C in the north and 28°C in the south. The rainfall ranges from 1,000 mm to 2,500 mm.

Administrative Division

Japan is divided into 47 prefectures which includes 1 capital (Tokyo), 1 do (Hokkaido prefecture), 2 special prefectures (Osaka, Kyoto) and other 43 prefectures, under which are cities, towns and villages. The capital and all prefectures are parallel first-level administrative regions, directly affiliated to the central government while enjoying the autonomy.

Tokyo, the capital of Japan, located in the central Kanto Plain and facing the Tokyo Bay, is one of the international metropolises and the center city of Tokyo Metropolis Circle, one of the 3 metropolis circles in Japan. As of December 2020, the total population of Tokyo is 13.96 million approximately.

1.2 Politics

Constitution

The current *Constitution of Japan*, promulgated and implemented in May 1947, stipulates

that Japan is a constitutional monarchy and practices a parliamentary cabinet system with the separation of 3 power of legislation, jurisdiction and administration. Article 9 of the Constitution states: “Japan forever renounces waging war on behalf of national sovereignty or resorting to the threat of force or exercise of force as a way of settling international disputes. To this end, Japan does not preserve the land, sea, air and other war forces, nor recognize the belligerent right of the state.”

Parliament

The Diet of Japan consists of the House of Representatives and the Senate, being the highest organ of supreme power and the sole legislature. The House of Representatives has 465 members, serving a 4-year term. The Senate has 245 members, serving a 6-year term, half are up for re-election every 3 years and not be dissolved midway. The House of Representatives is superior to the Senate in terms of power. A regular session of the Diet is held for 150 days from January to June each year, and at other times provisional and special sessions of the Diet may be convened as required. Oshima Tada Mori, the current speaker of the House of Representatives, took office in April 2015. Santo Akiko, the current speaker of the Senate, took office in August 2019.^①

Chief of State

The Constitution of Japan stipulates that the emperor is head of the state but does not participate in national affairs.

Government

The central government of Japan, namely the Cabinet, is composed of 1 office (Cabinet Office), 11 ministries, 4 agencies, etc. The Cabinet is the highest organ of state administration and responsible to the Diet. It consists of the Prime Minister of the Cabinet and the ministers in

① Chinese Foreign Ministry: https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/1206_676836/1206x0_676838/

charge of different ministries and agencies (ministries and commissions). The Prime Minister of the Cabinet is nominated by the Diet and appointed by the emperor. Other members of the Cabinet are appointed and removed by the Prime Minister and confirmed by the emperor. The current Prime Minister of the Cabinet is Yoshihide Suga, the leader of Japan's Liberal Democratic Party. The major economic sectors of Japan include Ministry of Economy, Trade and Industry, Ministry of Finance, Ministry of Health, Labor and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Land, Infrastructure and Transport, Ministry of Environment, etc.

Political Parties

Japan practiced the “Party Politics”, and a variety of political parties representing different social classes were restored or established one after another. At present, the main political parties are the ruling Liberal Democratic Party, Komeito Party, the opposition Constitutional Democratic Party, the Japan Communist Party, the Japan Restoration Association, the Social Democratic Party, etc.

1.3 Economy

Macro Economy

According to data from Japan's Ministry of Foreign Affairs, affected by the COVID-19 epidemic, the actual GDP of Japan in 2020 was JPY 53.90716 billion, down 4.8%^① year on year, which is another negative growth in Japan since 2009.

Table 1-1 Macro Economy Data of Japan, 2017–2020^②

Macro Economy Data				
Index	2017	2018	2019	2020
Nominal GDP (trillion US\$)	4.87	4.95	5.08	4.81
Per capita GDP (US\$)	38,344	39,306	41,314.4	40,100
Real GDP growth rate (%)	1.6	0.7	0.7	-4.8

① Japan's Ministry of Foreign Affairs: <https://www.mofa.go.jp/policy/economy/japan/index.html>

② the World Bank: <https://data.worldbank.org/cn/indicator/NY.GDP.MKTP.CD?locations=JP>

Trade Scale

Commodity Trade. According to the statistics of Japan's Ministry of Finance^①, the amount of Japan's merchandise trade exports in 2020 was JPY 68.4067 trillion, down 11.1% year on year; the number of imports was JPY 67.7320 trillion, down 13.7% year on year; the trade surplus was JPY 674.7 billion.

Main import commodities include crude oil, natural gas, coal, clothing, semiconductor and other electronic parts, pharmaceuticals, metal and iron ore raw materials, etc.; main export commodities include automobile, steel, semiconductor and other electronic parts, plastics, scientific and optical instruments, general machinery, chemicals, etc.

Main trade partners include China, the United States, South Korea, Australia, Taiwan, China and other countries and regions.

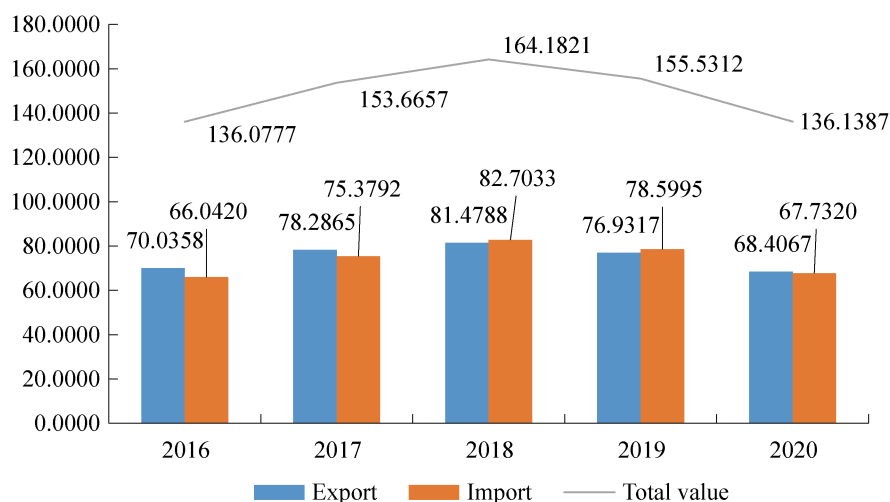


Figure 1-1 Japan's Commodity Trade Volume, 2016–2020 (Unit: trillion yen)^②

Service Trade. According to the statistics of the World Bank^③, Japan's total service trade value in 2019 was about US\$ 413 billion, accounting for 8.139% of GDP in that year. Of which, the amount of Japan's service trade exports was US\$ 207 billion, up 7% year-on-year; the number of imports was US\$ 206 billion, up 1.4% year on year; the trade surplus was about US\$ 1 billion,

① Japan's Ministry of Finance: <https://www.mof.go.jp/english/>

② Custom Bureau of Japan's Ministry of Finance: https://www.customs.go.jp/toukei/suii/html/nenbet_e.htm

③ the World Bank: <https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS?locations=JP>

realizing the change from service trade deficit to surplus for the first time.

Main categories of import and export services include transportation and other commercial services, tourism and finance related to exclusive right royalties and franchise fees (including copyright royalties).

Main service trade partners include: the United States, China, the United Kingdom, Singapore, Taiwan, China, South Korea, etc.

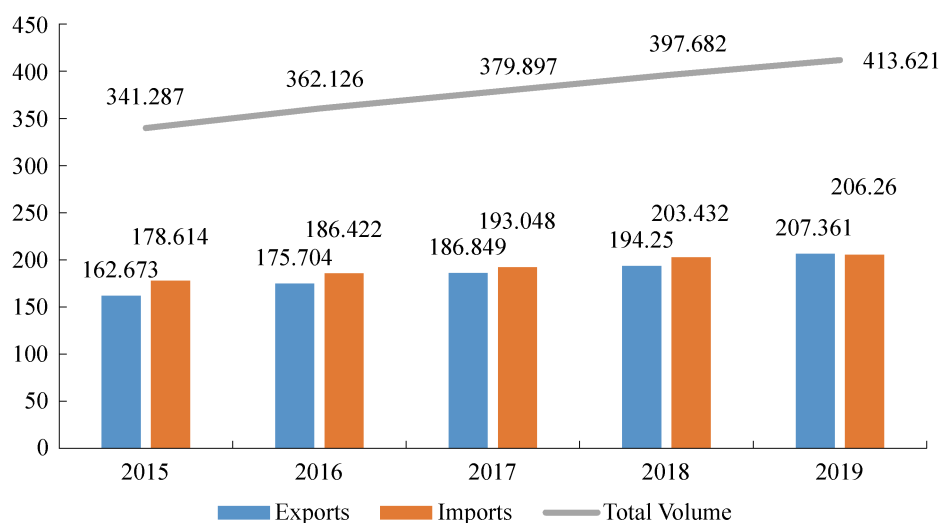


Figure 1-2 Japan's Trade in Service, 2015-2019 (Unit: billion US dollar)

Local Market

Consumption expenditure. In 2020, Japan's private final consumption expenditure was JPY 288.6 trillion, accounting for 53.5% of GDP.^①

Subsistence expenses. In February 2021, the average monthly consumption expenditure per household in Japan was JPY 252,451, with a nominal decrease of 7.1% from the previous year and down 6.6%.^②

Price level. Japan is one of the countries with the highest price level globally, and the price level in Tokyo ranks top in the world. Japan's CPI was 101.8 in 2020, the same as in 2019.^③

① Japan's Statistics Bureau: <http://www.stat.go.jp/english/data/index.html>

② Japan's Statistics Bureau: <https://www.stat.go.jp/english/data/kakei/156.html>

③ Japan's Statistics Bureau: <https://www.stat.go.jp/english/data/cpi/158c.html#:~:text=Japan%202020,-Japan's%20Consumer%20Price&text=Japan's%20all%20items%20index%20of,level%20as%20the%20previous%20year.>

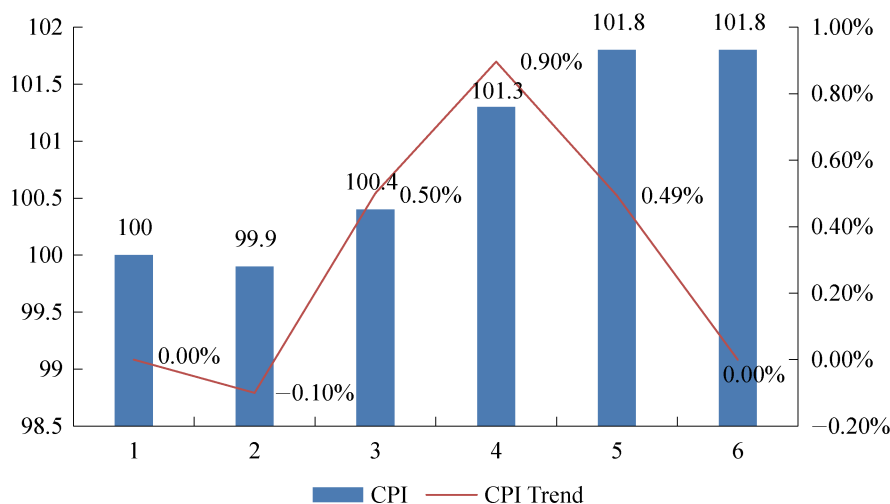


Figure 1-3 Japan's CPI Change Trend, 2016–2020 (CPI=100 in 2015)

1.4 Society and Culture

Population

As of April 2020, Japan has a total population of about 130 million, ranking 10th in the world, and it is one of the most populous countries in the world. The main ethnic group is the Yamato, and there are about 16,000 Ainu people in Hokkaido.^①

Language

The official language of Japan is Japanese.

Religion

The main religions in Japan are Shintoism and Buddhism.

Festivals and Holidays

Japan implements a 5-day work system per week, with Saturday and Sunday off.

There are 16 statutory holidays every year, including: New Year's Day (January 1), Adults Day (the second Monday of January), Foundation Day (February 11), Emperor's Birthday (February 23), Vernal Equinox Day (as per the calendar, and the date is different every year),

^① Japan's Statistics Bureau: <http://www.stat.go.jp/english/data/index.html>

Showa Day (April 29), Constitution Memorial Day (May 3), Greenery Day (May 4), Children's Day (May 5), Marine Day (the third Monday of July), Mountain Day (11 August), Aged Day (the third Monday of September), Autumn Equinox Day (as per the calendar, the date is different every year), Sports Day (the second Monday of October), Cultural Day (November 3), and Labor Thanksgiving Day (November 23).^①

Public Security

Japan is good in social public security and has a low crime rate.

^① China's Ministry of Commerce, Foreign Investment Cooperation Country (Region) Specific Guidelines—Japan (2020 edition).



Business Environment

2.1 Overall Evaluation

World Bank Evaluation^①

The World Bank released the *Business Environment Report* by examining the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to the *Business Environment Report 2020*, Japan ranks 29th in terms of ease of doing business, with the following detailed rankings: starting a business (106), dealing with construction permits (18), getting electricity (14), registering property (43), getting credit (94), protecting minority investors (57), paying taxes (51), trading across borders (57), enforcing contracts (50), resolving insolvency (3).

World Economic Forum Evaluation^②

The World Economic Forum evaluated and released the *Global Competitiveness Report* based on the performance of 141 economies in 98 indicators in 12 areas. According to the *Global Competitiveness Report 2019*, Japan scores 82.4, ranking 6th in the world, down one place from 2018.

World Intellectual Property Organization Evaluation^③

The *Global Innovation Index Report* issued by the World Intellectual Property Organization

① World Bank, Business Environment Report 2020.

② World Economic Forum, Global Competitiveness Report 2019.

③ World Intellectual Property Organization, Global Innovation Index Report 2020.

in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 measurement indicators: innovation input and innovation output. According to the *Global Innovation Index Report 2020*, Japan ranks 16th in the world, down slightly from the previous year, but Tokyo-Yokohama remains the best-performing cluster in terms of innovation strength.

American Heritage Foundation Evaluation^①

The *Global Economic Freedom Index Report* released by the American Heritage Foundation using 4 guidelines and 12 indicators calculates the economic freedom index of various countries. According to the *Global Economic Freedom Index Report 2021*, the economic freedom in Japan scores 74.1, up 0.8 from the previous year, ranking 23rd in the world and 6th out of 40 countries in the Asia-Pacific region, with an overall score higher than the regional and world averages.

2.2 Infrastructure

Highway

According to STATISTA data, the total mileage of the Japanese highway is about 1.28 million kilometers as of March 31, 2019.^②

Railway

Japan has 4 types of railways, JR (Japan Railways), Shinkansen, private railway, and subway, with a total operating mileage of 20,100 km and 5.3 km of railway in service for every 100 km². According to Tokyo Metro data, the Tokyo Metro system by 2020 has 9 lines and 180 stations, with a total length of 320 km and 2,750 trains, and the average passenger flow is up to 4.98 million per day.^③

① American Heritage Foundation Evaluation, *Global Economic Freedom Index Report 2021*.

② STATISTA database: <https://www.statista.com/statistics/862519/japan-road-length/>

③ Tokyo Metro: https://www.tokyometro.jp/corporate/enterprise/passenger_rail/transportation/lines/index.html

Aviation

There are a total of 5 international airports in Japan, namely Narita (located in Chiba), Tokyo Haneda, Nagoya Central (Centaur), Osaka Kansai and Osaka Tami. The major airlines of Japan are Japan Airlines (JAL), Nippon Cargo Airlines. According to the air transportation statistics data of Japan's Ministry of Land, Infrastructure and Transport, in 2019, the domestic passenger volume of major Japanese airlines was 106.78 million, up 3.7% year on year, and the domestic freight volume was 792,000 tons, down 5.8% year on year; the international passenger volume was 23.46 million, up 0.7% year on year, and the international freight volume was 1.444 million tons, down 6.0% year on year.^①

Water Transport

Terrain restrictions of Japan results in scarcity of large rivers, while the inland river navigation is insufficient, water transportation mainly refers to sea transportation. There are many seaports in Japan, among them the most developed is Keihin Port (the combined name of Tokyo Port and Yokohama Port).

Table 2-1 Japan's main ports and advantages^②

Port name	Port size	Undertaken business
Port of Tokyo	Largest container port in Japan, located on the northwest bank of Tokyo Bay in the south of Honshu, mainly depending on imports. In 2020, there were a total of 4.75 million standard containers handled in the Port of Tokyo, down 5.2% year on year.	Input port, domestic trade port. Main import commodities include mechanical and electrical products, textiles and raw materials, furniture and toys, crude oil, minerals, and chemicals.
Port of Yokohama	Japan's second largest port, and one of the world's grand ports of megatons. Located in the northwest of Tokyo Bay, there are railways and highways in the port area, connecting the northern road network and the Kansai region. In 2020, there were a total of 2.66 million standard containers handled in the Port of Yokohama, down 11.1% year on year.	Main export goods include steel, ships, vehicles, chemicals, machinery and equipment, cans, food, textiles, etc.; Main import goods include crude oil, coal, fiber products, ore, food, machinery, etc.

① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Japan (2020).

② China Port Network: <http://www.chinaports.com/portlspnews/233>

Continued

Port name	Port size	Undertaken business
Port of Chiba	Japan's largest industrial port, with a total coastline of 133 km, covering an area of 24,800 hectares, and having more than 60 deep-water berths. Since the 1970s, the volume of cargo loading and unloading remains more than 100 million tons, making the Port of Chiba Japan's largest import port.	Main import goods include petroleum, natural gas, iron ore, timber and edible agricultural products, and the main export goods include automobile, accounting for 50% approximately.

Information and Communication

According to the latest statistics from the Japan's Ministry of Internal Affairs, the Internet penetration rate of Japan was 89.8% by the end of 2019.^① The Internet access expenses vary a lot due to different Internet connection modes. Based on the family information and the telecommunication equipment ownership in 2019, the "smart phones" accounted for 96.1% of the "total number of mobile terminals". In March 2020, Japan's 3 major telecom operators successively launched 5G services, and Rakuten Mobile launched 5G services in September 2020, bringing Japan officially into the 5G era.

Electricity

To ensure the economic development and the demand of national life, Japan establishes a great power generation system, with a total installed capacity of 2.811 billion kilowatts of all power plants. As the power supply equipment in Tokyo and Northeast were hit hard in the earthquake, and the nuclear power stations across Japan were shut down successively after the Fukushima nuclear crisis, leading to a decline in national power generation and a tight power supply situation. According to the Statistical Review of World Energy (2020), the electric energy production of Japan was 1.04 trillion kilowatt-hours in 2019.^②

^① Japan's Ministry of Internal Affairs: <https://www.soumu.go.jp/johotsusintokei/whitepaper/ja/r02/html/nd252120.html>

^② China's Ministry of Commerce, Foreign Investment Cooperation Country (Region) Specific Guidelines—Japan (2020 edition).

2.3 Production Cost

Electricity Price

Japan practices a tiered pricing for electricity. The monthly electricity bill includes basic expense, energy expense, and renewable energy power generation surcharge. The renewable energy power generation surcharge is calculated based on the “unit price of renewable energy power generation surcharge” stipulated for each financial year, and then added to the customer’s monthly electricity bill.

Table 2-2 Tokyo Electricity prices^①

		Unit	Expense (tax inclusive) (Japanese yen)
Basic expense	10A	1 contract	286.00
	15A		429.00
	20A		572.00
	30A		858.00
	40A		1,144.00
	50A		1,430.00
	60A		1,716.00
Energy expense	≤120kWh	1kWh	19.88
	120kwh - 300kwh		26.46
	>300kwh		30.57

Note: The minimum monthly expense is JPY 235.84.

Water Price

Japan practices a tiered pricing for water. Domestic water price: 22-404 yen/m³ according to the use and the water pipe type; sewage treatment price: 35-345 yen/m³ according to the sewage category and the treatment volume. For more details of water rates, please consult the Bureau of Waterworks Tokyo Metropolitan Government.^②

Take Tokyo for example, the water payment modes include automatic payment through bank or post office account, payment by presenting the bill to bank/post office/convenience store/

① Tokyo Electric Power: <https://tepcu.zendesk.com/>

② Bureau of Waterworks Tokyo Metropolitan Government: www.waterworks.metro.tokyo.jp

waterworks service station, payment with credit card, and payment by smart phone (through payment services such as LINE Pay/PayB/Pay Pay, etc.).

Natural Gas Price

The natural gas expense consists of basic expense and unit expense. Take Eastern Japan for example, the natural gas payment modes include automatic monthly payment from the customer's designated deposit account, payment with credit card, payment by smart phone, payment at counter, etc.

Table 2-3 Natural gas prices in Eastern Japan^①

	Monthly gas consumption (m ³)	Basic expense (yen/month)	Unit expense (yen/month)
A	0-20	762.43	176.98
B	20-80	1,441.31	143.04
C	80-200	1,771.61	138.91
D	200-400	2,963.09	132.95
E	400-700	6,171.99	124.93
F	700 above	9,270.25	120.51

Note: Eastern Japan and Western Japan, led by Tokyo and Osaka respectively, are divided into 2 main regions of Japan (especially the Honshu Island) for the historical origin that the central governments of Japan were located in different regions.^②

Manpower Supply and Wages

Japan has basically popularized high school education, with high quality of labor force. The aging trend is serious due to declining fertility rates. According to the data of Japan's Statistics Bureau, as of May 1, 2021, there are 74.13 million people between the ages of 15-64, and people aged 65 years or more account for 28.97% of the population.^③ According to the latest data from the Japan's Ministry of Health, Labor and Welfare, the minimum average wage is JPY 902 in Japan.^④

In order to expand the introduction of foreign labors and solve the labor shortage due to

① Tokyo Gas: <https://www.tokyo-gas.co.jp/>

② Wikipedia: <https://zh.wikipedia.org/wiki/%E6%97%A5%E6%9C%AC%E5%9C%B0%E7%90%86%E5%88%86%E5%8C%BA>

③ Japan's Statistics Bureau: <https://www.stat.go.jp/english/data/jinsui/tsuki/index.html>

④ Japan's Ministry of Health, Labour and Welfare: https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/roudoukijun/minimumichiran/

increasingly aging of population, the plenary session of the Senate adopted an amendment of Law on *Entry and Exit Administration and Refugee Recognition Law* (hereinafter referred to as *Exit-Entry Administration Law*) in 2018, which stipulates 2 criteria for obtaining the residential qualification in Japan: one is that a foreign labor can be granted with the residential qualification of up to 5 years if he/she has a certain skill in a specific industry; the other is that if a foreign labor has a required proficient skill, there is no upper limit on the duration of his/her stay in Japan, and his/her family members can also live in Japan, which means a permanent residence. In 2019, the amendment of *Exit-Entry Administration Law* came into force. According to the statistics of Japan's Ministry of Health, Labor and Welfare; by the end of October 2019, the number of foreign labors in Japan reaches 1,658,800, up 13.6% year on year. Among them, 418,300 are from China, accounting for 25.2% of the foreign labor population in Japan; 401,300 are from Vietnam, accounting for 24.2%; 179,700 are from Philippines, accounting for 10.8%.

Land and Housing Price

According to the land price data released by the Ministry of Land, Infrastructure and Transport, as of January 1, 2020, the average price of various purpose lands in Japan has increased by 1.4%, showing an increasing trend for 5 consecutive years. In which, the residential land price increases by 0.8%, showing an increasing trend for 3 consecutive years; the commercial land price increases by 3.1%, showing an increasing trend for 5 consecutive years; the industrial land price increases by 1.8%, showing an increasing trend for 4 consecutive years.

According to the investment cost survey data of Japan External Trade Organization (survey period; December 2020 to February 2021), the purchase prices in Tokyo Industrial Park (Land) are as follows: the price of 707.45m² land in Owadacho, Hachioji is 2,057 US\$/m², and the price of 127.62 m² land in Mukaishima, Sumida-ku is 9,122 US\$/m²; the lease rentals in Tokyo Industrial Park (including tax, management fee, deposit, remuneration, security fund) are as follows: the monthly rent of 1,086.30 m² land in Naraharamachi, Hachioji (quasi-industrial area)

is 11 US\$/m², and the monthly rent of 628.36 m² land in Owadacho, Hachioji (quasi-industrial area) is 14 US\$/m²; Tokyo office rents (including management fee, deposit and security fund) are as follows: the monthly office rent of 187.90 m² Tokyo Toranomom Hills (Tokyo Toranomom, Minato-ku) is 74 US\$/m², and the monthly office rent of 100.26 m² Kaliyanpulasi Hachioji is 31 US\$/m²; the monthly rent of store space/exhibition room in downtown Tokyo is 59 US\$/m² (36.36 m² store of Xintaizong Building No.3 hall (Shibuya-ku Dogenzaka).^①

2.4 Financial Services

Currency and Exchange Rate

The Japanese currency is Japanese yen. According to the relevant Japanese law and the commitments Japan made when joining the World Bank, the Japanese yen is freely convertible with the US dollar and other currencies. JPY 100 = US\$0.9659 (refer to the exchange rate in January 2021).

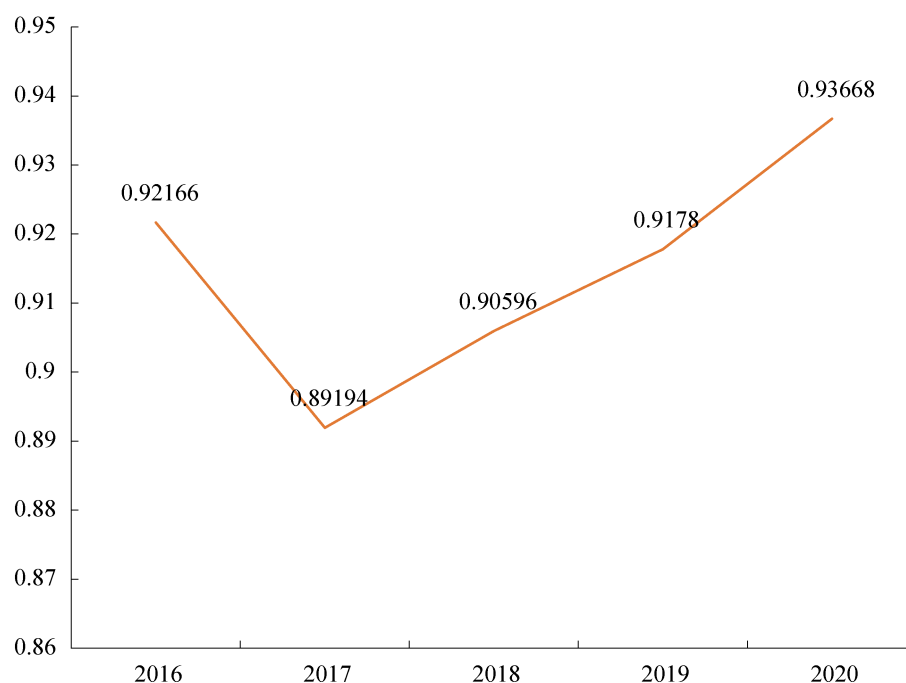


Figure 2-1 Exchange Rate between JPY 100 and USD 1, 2016 - 2020 (average value in current year)

^① Japan External Trade Organization: https://www.jetro.go.jp/world/search/cost_result?countryId%5B%5D=11610&countryId%5B%5D=11800&countryId%5B%5D=11900&countryId%5B%5D=12000&countryId%5B%5D=12100&countryId%5B%5D=12200

Foreign Exchange Management

According to Japan's *Foreign Exchange and Foreign Trade Administration Law*, any company or individual can buy and sell foreign exchange freely. For monthly foreign exchange transaction exceeding JPY 1,000,000, such company or individual is obliged to report to the Bank of Japan before the 15th of next month for the purpose and whereabouts of the funds. If they fail to report or forge evidence, they will be detained for half a year or fined JPY 500,000. A letter of confirmation is required for overseas payments of more than JPY 100,000.

Financial Institutions

Financial Regulators. Japan's financial supervision system is in an integrated model, that is, the Financial Services Agency (FSA)^① comprehensively supervises the banking, securities, insurance, and non-financial institutions.

Bank. The Bank of Japan is the central Bank of Japan, mainly responsible for currency issuance and control, to ensure smooth transactions among banks and other financial institutions and maintain the stability of Japan's financial system. There are commercial banks, such as Mizuho Bank, MUFG Bank, SMBC, Resona Holdings and other city banks, as well as dozens of regional banks in Japan. There are 56 foreign banks in Japan, mainly including HSBC, Citi, JPMorgan Chase, BOA, and Standard Chartered.^②

Insurance. Nippon Life Insurance, Dai-ichi Life Insurance Company, Meiji Yasuda Life Insurance Company, Sumitomo Life Insurance, Sompo Japan Insurance, etc. are the major insurance companies in Japan.

Securities. The securities market in Japan is an important part of its capital market. The secondary (circulating) market includes 2 parts: the exchange and the over-the-counter market.

① Financial Services Agency: <https://www.fsa.go.jp/common/about/fsainfo.htm>

② CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

Stocks are mostly traded on exchanges, while bonds are mostly traded over the counter, with about 95% of bond trading done in the over-the-counter market. There are 4 exchange groups in Japan: Japan Exchange Group, Tokyo Stock Exchange, Osaka Securities Exchange, and Tokyo Commodity Exchange.



Economy and Trade Policies

3.1 Market Access

Administrative Authorities

The Ministry of Finance oversees foreign investment in Japan, and the Ministry of Economy, Trade and Industry takes the lead in attracting investment. Other administrations, including the Cabinet Office, the Ministry of Internal Affairs and Communications, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Health, Labor and Welfare, the Ministry of Environment, the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Agriculture, Forestry and Fisheries, also participates in setting investment policies.^①

To attract more foreign investments and provide one-stop and cross-government services to investors, the Cabinet Office of Japan has set up INVEST JAPAN,^② a comprehensive service window for direct investment in Japan, with JETRO, an independent administrative legal entity, as the execution entity of the window.

Restricted / Prohibited Sectors

For the management of foreign investment, Japan adheres to the principle of “opening up in

^① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Japan (2020).

^② INVEST JAPAN: <https://www.japan.go.jp/investment/index.html>

principle and excluding by exception”. Most industries allow free entry of foreign capitals, and currently there is no specific regulation on industries with absolute prohibition.

Currently, Japan restricts industries that could threaten national security and are not fully liberalized. According to the *Foreign Exchange Law*, foreign investors who invest in core industries related to national security, public order, public safety and economic operation shall be subject to prior approval.^①

In 2019, the *Foreign Exchange Law* of Japan and related regulations had been revised several times, lowering the upper limit of foreign investors’ shareholding to be submitted for approval from 10% to 1%, and including 20 industries related to network security in the scope of prior approval. At the same time, an exemption system for prior approval has been established, so that qualified foreign investors, even if they invest in core industries, instead of submitting applications for prior approval, only need to put on record afterwards.^② According to Japanese media, the Ministry of Finance plans to classify advanced medical equipment such as COVID-19 vaccines, pharmaceuticals, and artificial ventilators into the core industries.

In addition to the provisions of the *Foreign Exchange Law*, according to industrial regulations, there are specific restrictions on the permission for foreign investment in the mining, communications, broadcasting, logistics and air transport industries. Investments in the following industries should be subject to prior approval.

Table3-1 Industries which investments should be put on records in Japan^③

Reasons for restriction	Object industries
National security	Manufacturing related to weapons, aircrafts, nuclear energy, space exploration, manufacturing of general products with potential military applications, and network security-related industries
Public order	Electricity, gas, heat supply, communications, broadcasting, water supply, railway, passenger transport, etc.
Public safety	Manufacturing of biological preparations and security services
Smooth economic operation	Agriculture, forestry and fisheries, petroleum, manufacturing of leather/leather products, air transport, and shipping

① Foreign Exchange Law of Japan: https://www.mof.go.jp/international_policy/gaitame_kawase/index.html

② Japan’s Ministry of Finance: https://www.mof.go.jp/international_policy/gaitame_kawase/fdi/list.xls

③ Deloitte Japan: <https://www2.deloitte.com/jp/en.html>

Japan mainly has 2 types of regulations and restrictions on different industries:

Type I regulations and restrictions: according to individual industry laws, the ratio of foreign investors' contributions is limited.

Table 3-2 Japan's Restrictions on Foreign Investment under Individual Industry Laws^①

Industries	Restrictions on foreign investment	Relevant laws and regulations
Broadcast	Foreign natural persons, foreign governments or their representatives, foreign legal persons or organizations shall not engage in primary broadcast industry. A foreign natural person, a foreign government or its representative, a foreign legal person or organization serving as a specific director, or a legal person with 1/5 of the voting rights shall not be an accredited broadcasting holding company.	<i>Broadcasting Act</i>
Telecommunication	A foreign natural person, a foreign government or its representative, a foreign legal person or organization, if the former is a Japanese legal representative, or represents more than 1/3 of the board members, or has more than 1/3 of the voting rights, shall not set up a radio station. NTT, a subsidiary of NTTPC ^② , prohibits foreigners from holding more than 1/3 of the voting rights (including indirect capital contributions). Foreigners are prohibited from serving in NTT, as well as NTT East and NTT West as regional companies.	<i>Radio Law and NTT Company Act</i>
Aviation industry	If the owner of the aircraft is a foreign natural person, a foreign public organization, or a foreign legal person, and the former is a legal representative, or represents more than 1/3 of the board members, or has more than 1/3 of the voting rights, he/she is prohibited from registering in Japan.	<i>Aviation Law</i>
Logistics	Foreign natural persons, foreign public organizations, and foreign legal person, if the former is a legal representative, or represents more than 1/3 of the board members, or legal person has more than 1/3 of the voting rights, shall not be engaged in the first and second kinds of cargo transportation involving shipping, international air transport and domestic air transport (except for cargo transportation services related to international cargo transportation).	<i>Cargo Transportation Industry Law</i>
Financial industry	Investments in financial, securities and insurance industries should be subject to examination, approval, and registration.	<i>Banking Law, etc.</i>
Power, gas, and water supply	Approval from the Minister of Economy, Trade and Industry or the Minister of Health, Labor and Welfare.	<i>Electricity Utilities Industry Law, etc.</i>

Type II regulations and restrictions: Regardless of foreign capital, for the consideration of public health, social discipline, etc., an application for prior approval and record shall be submitted to the local government of autonomous region or the competent authority of industry.

① Deloitte Japan: <https://www2.deloitte.com/jp/en.html>

② NTT: https://group.ntt/en/group/at_a_glance.html

Table 3-3 Restrictions on Foreign Investment in Public Health, Health Care and Public Safety in Japan^①

	Industries	Relevant laws and regulations	Approval, etc.	Service window
Public safety	Restaurant operation, cafe operation, marketing of dairy products, meat products, seafood, bean products, and other food manufacturing industries	<i>Food Hygiene Law</i> <i>Related governance regulations</i>	Approved by the governor (the chief executive of each prefecture in Japan)	Health Centre
	Beauty industry, bathhouse, hotel industry	<i>Environmental Sanitary Law</i>	Approved by the governor	Health Centre
Health care	Drugstore, general sales of medical products, sales of medicinal materials	<i>Medicine Act</i>	Approved by the governor	Health Centre
Discipline	Restaurants and eateries with singing and dancing performances, cafes, clubs, dance halls, bars, mahjong parlors, billiards, amusement parks, etc.	<i>Sexual Service Law</i>	Approved by Public Security Committee	Police Department
Public safety	Pawnshop	<i>Pawnshop Business Law</i>	Approved by Public Security Committee	Police Department
	Sales of Cultural Relics	<i>Cultural Relics Business Law</i>	Approved by Public Security Committee	Police Department
	Sales of shotguns, air guns, etc.	<i>Weapons Manufacture Law, etc.</i>	Approved by the governor	Police Department
Financial	Tobacco manufacturing	<i>Tobacco Business Act</i>	Approved by the Director of the Finance Bureau of the Ministry of Finance	Japan Tobacco
	Sales of alcohol	<i>Alcohol Tax Act</i>	Approved by the Director of Revenue Department	Revenue Department
	Sales of grain	<i>Grain Law</i>	Registered by the governor	Municipality
Others	General tourism	<i>Tourism Law</i>	Registered by the Minister of Land, Infrastructure and Transport	Permanent representative office of land transport bureau
	Talent dispatch	<i>Talent Dispatch Law</i>	Approved by the Minister of Health, Labor and Welfare	Hello Work

3.2 Foreign Investment Incentives

The central government of Japan has not issued any fiscal and tax preferential policies

① Deloitte Japan: <https://www2.deloitte.com/jp/en.html>

specifically for foreign-funded enterprises. Tax preference policies, for relocation of existing corporate headquarters or research and development institutions to local areas, for future investment, and for technical research and development, are equally applicable to domestic and foreign-funded enterprises. Qualified foreign-funded enterprises can apply. At the local-level, various local governments in Japan have formulated preferential policies, such as reducing business tax reduction and real estate purchase tax, granting subsidies, and providing land and buildings, etc.^①

Table 3-4 Incentive Policies of Local Governments to Foreign-funded Enterprises^②

County/City	Subsidies/Incentives	Specific measures
Fukushima	Subsidies for investment projects	Newly built manufacturing, R&D or sales companies engaging in pharmaceutical, medical equipment, renewable energy or robotics, etc. in Fukushima can obtain subsidies. Each company will receive a subsidy up to JPY 28,000,000.
Ibaraki	Subsidies for new companies	Provide subsidies for expenses required to set up the company (up to JPY 2,000,000), office rent (1/2 of monthly rent for a period of 1 year, up to JPY 2,400,000), research and development expenditure (up to JPY 2,000,000)
Chiba	Office rental subsidies for foreign-funded enterprises	Provide subsidies for office rent (1/3 of yearly rent for a period of 1 year, up to JPY 1,800,000)
Tokyo	Provide subsidies for new foreign financial companies	Each company will receive a subsidy up to JPY 7,500,000.
Kanagawa	Kanagawa 100-Project	Provide subsidies for the cost of setting up a company, up to JPY 2,000,000. Provide subsidies for 1/3 of office rent for the first 6 months, up to JPY 6,000,000.
Shizuoka	Office rent subsidies for foreign-funded enterprises	1/2 of monthly rent for a period of 1 year, up to JPY 500,000.
Niigata	Office rent subsidies for foreign-funded enterprises	1/2 of monthly rent for a period of 3 years, up to JPY 1,000,000/year.
	Subsidies for business promotion of foreign companies	Provide subsidies for registration fee (up to JPY 150,000/company) and office rent (1/2 of monthly rent for a period up to 2 years, up to JPY 50,000/month).
	National strategic special zone - entrepreneurship award for foreigners	Relaxation of the eligibility criteria for "business management" immigration status.
Aichi	Investment subsidies	Foreign companies with an expected investment of more than JPY 10,000,000: up to JPY 500,000 of subsidies; that of more than JPY 5,000,000 and less than JPY 10,000,000: up to JPY 300,000; that of less than JPY 5,000,000: up to JPY 200,000.
Gifu		

① Japan External Trade Organization: <https://www.jetro.go.jp/invest/support.html>

② Japan External Trade Organization: https://www.jetro.go.jp/en/invest/incentive_programs.html#region

Continued

County/City	Subsidies/Incentives	Specific measures
Mie	Investment subsidies	Foreign companies with an expected investment of more than JPY 10,000,000: up to JPY 500,000 of subsidies; that of more than JPY 5,000,000 and less than JPY 10,000,000: up to JPY 300,000; that of less than JPY 5,000,000: up to JPY 200,000.
Nagoya		
Mie	Enterprise subsidies	Up to JPY 500,000,000.
	Rent subsidies	Provide subsidies for office rent (1/2 of rent for a period of 3 years, up to JPY 5,000,000/year)
Kyoto	Grants	Provide subsidies for registration fee (up to JPY 150,000).
Osaka	Investment subsidies	Tax reduction an exemption for real estate purchases and in special emerging industrial zones, and loan with low interest provided by financial institutions
	Support plan for foreign companies	Provide subsidies for registration fees (up to JPY 100,000/company) and the cost of obtaining residency (JPY 50,000/company).
Hyogo	Encouragement system for enterprise to settle down	Provide tax preference (exemption of 1/3 corporation tax for a period of 5 years), subsidies for office rent (1/2 of the rent for 3 years, up to JPY 1,500/m ² /month and JPY 2,000,000/year), employment subsidy (up to JPY 600,000/person and a total of JPY 300,000,000), subsidies for the company establishment cost (1/2 of the cost, including up to JPY 1,000,000 for market research expenses, and up to JPY 200,000 for enterprise registration fee).
Kobe	Rent subsidies for foreign-funded enterprises	Provide subsidies for office rent (1/4 of rent for a period of 3 years, up to JPY 750/m ² /month and JPY 9,000,000/year) Cooperation between Hyogo Prefecture and Kobe: provide subsidies for office rent (1/2 of rent for a period of 3 years, up to JPY 1,500/m ² /month and JPY 2,000,000/year)
Fukuoka	Subsidies for tourism in Fukuoka Prefecture	Provide subsidies for foreign companies' travel expenses in Japan. Travel to Fukuoka Prefecture from other regions of Japan: up to JPY 100,000/company; Travel to Fukuoka Prefecture from countries outside Europe/America: up to JPY 150,000/company; Travel to Fukuoka from European/American countries: up to JPY 200,000/company.
	Incentives to set up subsidiaries in Japan	Provide subsidies for part of the registration fee (1/2 of the registration fee, up to JPY 150,000) for foreign companies engaging in the automotive, IT, semiconductor, biotechnology, environment and robotics.
Fukuoka	Grant system	Provide subsidies for office rent: ordinary-size (1/4 of rent for a period of 1 year, up to JPY 15,000,000), large-size (1/4 of rent for a period of 2 years, up to JPY 25,000,000) Subsidies for new employment: general employment (JPY 500,000/Fukuoka resident, JPY 1,000,000/researcher), other forms of long-term employment (JPY 150,000/Fukuoka resident, JPY 50,000/non-resident). Subsidies for costs of market research, interpretation, examination and approval, license registration or staff recruitment: 1/2 of the costs, up to JPY 3,000,000.
		Rent subsidy scheme for start-up
	Start-up visa	Relaxation of the eligibility criteria for "business management" immigration status.

Continued

County/City	Subsidies/Incentives	Specific measures
Kumamoto	Incentives to support operations	Enterprises with an additional investment of JPY 300,000,000 and more than 10 new employees: a subsidy up to JPY 5,000,000,000 will be provided. Service companies with an investment more than JPY 30,000,000 and more than 50 new employees: a subsidy up to JPY 500,000,000 will be provided.

3.3 Special Economic Zones

Japan's special economic zones are mainly divided into 2 categories: one is those with the pioneering, experimental and institutional innovation as the core, mainly including the special zones for structural reform, comprehensive special zones, national strategic special zones, and Okinawa Special Economic Zone. The other is the customs special supervision zone with the core of trade facilitation, mainly including designated bonded area, bonded warehouse, bonded factory, comprehensive bonded area, etc.

Special Zone for Structural Reform^①

Specific reform plans of the special zone for structural reform submitted by local governments are implemented after the approval of the central government. Generally, an administrative division below the county level where reform attempts are made on specific operations in a particular field and a reform measure is taken can be called a special zone. By April 2020, 50 special economic zones had been recognized nationwide, involving 47 prefectures, and 910 reform attempts had been carried out, with 434 currently in effect. The main reform fields and measures are as follows:

(1) In terms of education, the school management authority is broadened to break through difference between nursery and kindergarten management and lower the standards for school size.

(2) In terms of logistics, 24-hour customs clearance is available to create smooth

^① Regional Revitalization Promotion Secretariat of Cabinet Office: <https://www.chisou.go.jp/tiiki/sogotoc/index.html>

international logistics, to lower the system standard, improve economic efficiency, and promote the growth of logistics enterprises and logistics bases.

(3) In terms of agriculture, the effective use of agricultural land and fallow fields without heirs will provide support for the establishment and operation of agricultural enterprises, vigorously develop agriculture, and increase the agricultural population.

(4) In terms of research and development, researchers are allowed to engage in technology transfer part-time during working hours, researchers are encouraged to promote the achievement transformation, the use of renewable resources to produce alcohol is allowable, and the legal review procedures for research and development of equipment for ocean temperature differential power are not required.

(5) In terms of social welfare, individuals are allowed to participate in the operation of public welfare facilities, non-governmental workers are accepted to work in social welfare facilities, and employment of the elderly is supported.

Comprehensive Special Zone^①

The Strategic Comprehensive Special Zone focuses on strengthening the international competitiveness of the industry, while the Local Revitalization Comprehensive Special Zone focuses on enhancing the local vitality. Japan has designated 48 special zones in 4 batches. There are 7 international strategic special zones, they are Hokkaido Food Complex Special Zone, Tsukuba Science and Technology Green Innovation Special Zone, and “Asia Head Quarter Tokyo Special Zone, Life Innovation in Keihin Coastal Areas (including Nagano, Gifu, Aichi and part of Mie), Special Zone to Create Asia's No.1 Aerospace Industrial Cluster, Kansai Innovation Special Zone (including Kyogyo, Osaka and Kobe), and Green Asia Special Zone (including Kitakyushu and Fukuoka). There are 41 local revitalization

① Regional Revitalization Promotion Secretariat of Cabinet Office: <https://www.chisou.go.jp/tiiki/sogotoc/index.html>

comprehensive special zones, covering almost all prefectures. After the 3.11 Earthquake, Japan set up the “Reconstruction Special Zone” in the disaster areas.

The policies of the comprehensive special zone consist of 2 parts: system reform measures and fiscal & financial support policies. Different reform measures and support policies should be used for different goals of the international strategic comprehensive special zones and local revitalization comprehensive special zones.

Table 3-5 System Reform Measures

	International strategic comprehensive special zones	Local revitalization comprehensive special zones
System reform measures	<p>In terms of construction field, restrictions on the intended use of industrial land and restrictions on the intended use of land for special purposes are relaxed. Customs supervision departments simplify duty-free procedures required for aircraft parts, etc., relax the restrictions on ships berthing at Mizushima Port, etc.</p> <p>There are less restrictions on the greening of factory land and non-scheduled air transportation operations. It is more convenience for foreigners to work in Japan to go through immigration inspection procedures. Free transfer of state-owned property is allowed to support the construction of advanced research and development institutions, and a points system is implemented for high-end talents.</p>	<p>Lower the operating standards in the fields of natural gas and nursing care, develop animal husbandry for biomass power generation, and support the overseas promotion of local special diets, etc.</p>
Fiscal, tax and financial support	<p>The first support comes from tax incentives. The International Strategic Integrated Special Zone offers preferential deductions for the purchase price and special depreciation expenses to qualified legal persons. The first support comes from financial support. Relevant central departments and provincial departments shall, according to their respective responsibilities and within the budget of their respective departments, provide financial support to the work items in the specific comprehensive plans of the special zones. The total subsidy for fiscal year 2020 is JPY 10 million. The third support comes from financial support. Support with a 0.7% discount interest for 5 years will be provided. The total budget for fiscal year 2020 is JPY 560 million in total.</p>	

National Strategic Special Zone

According to the National Strategic Special Zones Network of the Cabinet Office of Japan^①, as of March 25, 2021, a total of 10 National Strategic Special Zones have been founded in Japan, including Tokyo, Kansai, Niigata, Hyogo Yabu-shi, Fukuoka/Kitakyushu, Okinawa, Senboku, Sendai, Aichi, and Imabari, Hiroshima.

^① National Strategic Special Zone Network of Japanese Cabinet Office: <https://www.chisou.go.jp/>

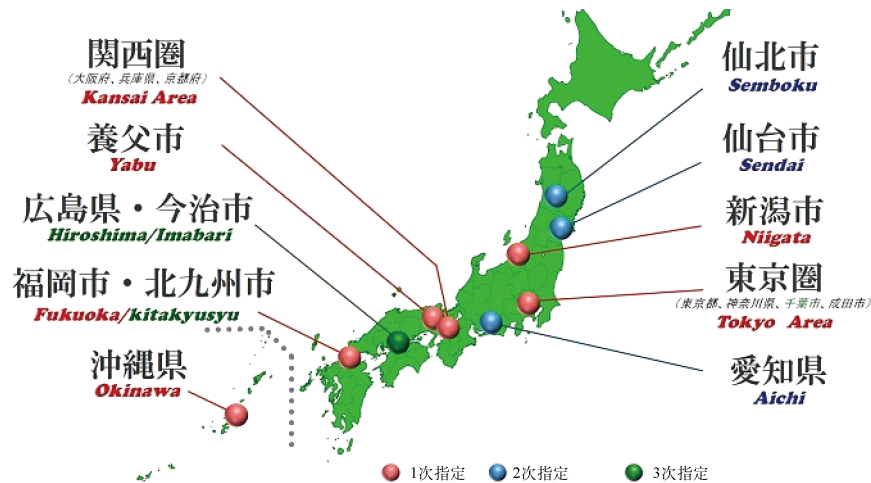


Figure 3-1 Distribution Diagram of Japan National Strategic Special Zone^①

According to Policies of *National Strategic Special Zones*^②, each special economic zone has its own development priorities.

(1) Tokyo area. Tokyo area includes Tokyo, Kanagawa and Chiba, Chiba and Narita. Policy objectives aim to promote the acceptance of global enterprises, talents, and capital, promote multiple ways of working, promote innovation and entrepreneurship and set up centers for innovative drugs, improve the living environment for foreign residents, strengthen urban and transportation functions, with the Olympic and Paralympic Games as the target.

(2) Kansai Area. Kansai Area includes Osaka, Hyogo and Kyoto. Policy objectives aim to strengthen the cooperation with medical institutions, research institutions and manufacturers that can provide advanced medical services, eliminate the hindrance factors related to the research and development of advanced pharmaceuticals and medical devices, promote the smooth business development and overseas expansion of relevant enterprises, and perfect the urban environment and employment environment where talents gather.

(3) Niigata. Policy objectives aim to strengthen the foundation of agricultural land

① National Strategic Special Zone Network of Japanese Cabinet Office: <https://www.chisou.go.jp/>

② Website of *Policies of National Strategic Special Zones*: <https://www.chisou.go.jp/tiiki/kokusentoc/hourei.html>

management operation, develop new agricultural products and food with high added value through the sixth industrialization, use new technology to develop innovative agriculture, promote agricultural and food exports, and support the start-up of agricultural venture enterprises.

(4) Hyogo Yabu-shi. Policy objectives aim to regenerate the abandoned farmland and other productive farmland, develop new agricultural products and food with high added value through the sixth industrialization, and revitalize the region through integrated development of agriculture, tourism, history, and culture.

(5) Fukuoka/Kitakyushu. Policy objectives aim to increase entrepreneurship by supporting start-up entrepreneurs, promote innovation and create new business by attracting conference and exhibition tourism operation, strengthen long-term care services for the elderly and address problems such as a shrinking population and an aging society.

(6) Okinawa. Policy objectives aim to create an environment where foreign tourists can travel easily, utilize regional advantages to promote tourism development, and establish an innovation base with an international environment.

(7) Senboku. Policy objectives aim to open the state-owned forestry to the public, promote international exchanges through clinical training systems, regenerate the abandoned arable land and other productive farmland, attract domestic and foreign tourists and develop tourism bases, and implement regional safety countermeasures and the application of unmanned and automatic flight in the first industry.

(8) Sendai. Policy objectives aim to cultivate entrepreneurs who value women, young people and the elderly, accelerate the entrepreneurship procedures for joint stock companies and non-profit organizations, stabilize the operation of entrepreneurs and venture enterprises, expand employment, increase women's participation in society, and facilitate the development of a new generation of mobile systems for disaster response and industry recovery.

(9) Aichi. Policy objectives aim to cultivate talents for industry by providing a variety

of education in public schools, raise agricultural incomes, develop advanced medical care, create the best employment environment including for foreigners and build the bases for growing industries and cutting-edge technology.

(10) Imabari, Hiroshima. Policy objectives aim to promote the accumulation of highly skilled foreign human resources, support multinationals and new businesses by clarifying employment rules, activate local manufacturing and services, establish international exchange bases for sports and education, and promote the “Cooperation Model of Local Autonomous Groups” in the Field of Tourism.

Okinawa Prefecture Special Economic Zone

To support the development of Okinawa and narrow the regional gap, Japan promulgated *The Law of Okinawa Revitalization and Development Special Measures* and established a free trade area in Okinawa. In 2012, Japan revised *The Law of Okinawa Revitalization and Development Special Measures* and renamed as *Special Measures for Okinawa Revitalization*. On this basis, the Special Economic Zone System is implemented in Okinawa, including special economic and financial zone, special international logistics zone, special information and communications zone, tourism zone and industrial innovation zone. Each zone established different key supporting industries and has promulgated a series of targeted supporting measures. Okinawa has high income deductions (up to 40%) and tax incentives to promote capital investment. The concrete preferential policies refer to the policy introduction of Okinawa Special Economic Zone^①.

① Policies of Okinawa Special Economic Zone: <https://www.pref.okinawa.jp/site/shoko/seisaku/kikaku/keizaitokku.html>



Industrial Development

4.1 Development Planning

On January 18, 2021, Japan's new Prime Minister Yoshihide Suga delivered his speech on administrative policies.^① The main contents about industry planning include the following aspects.

Realize the green society. Raise an unprecedented JPY 2 trillion Japanese fund and provide the ever highest 10% tax credit; provide long-term support to innovative companies in the fields of next-generation solar power, low-cost storage batteries, carbon cycling, etc; speed up the development and application of cutting-edge technologies; vigorously develop renewable energy sources such as hydrogen energy and offshore wind power, strengthen the construction of power transmission line; improve the power generation efficiency of reservoir power stations through digital technology. Under the principle of safety first, promote the nuclear energy policy and establish a stable energy supply system; actively utilize private enterprise funds and attract JPY 3,000 trillion of overseas environmental investment. It is estimated that by 2050, the series of green growth strategy will realize the economic effect up to JPY 190 trillion and create many job opportunities every year.

Digitalization reform. in the autumn of 2021, Japanese government will launch the operation

① Japan's official residence: https://www.kantei.go.jp/cn/99_suga/statement/202101/_00001.html

of “Digitalization Department”. It is expected that in the next 5 years, great efforts will be made to unify the local government system, promote the process of standardization, and comprehensively improve the work efficiency and services for residents. Advance the digitization process of education and equip all primary and secondary school students with an IT terminal to implement online education as soon as possible. Assist private enterprises to carry out the overall digitization of internal software, production, circulation and sales. The government and enterprises will join efforts together on research and development to become the leader in 5G and 6G.

Innovation. By allocating the university fund of JPY 10 trillion, the infrastructure for training young research talents will be perfected, with a view to promoting the independent operation of universities with world-class achievements. With a R&D budget of JPY 30 trillion for the next 5 years, public and private R&D expenditure will be up to JPY 120 trillion in total.

Enterprise development. Continue to provide support to small and medium-sized enterprises in terms of capital turnover. By means of continuous subsidies and changes in bill payment methods and practices, improve the productivity of enterprises, and thus achieve wage growth. Support the development of key enterprises and encourage the expansion of overseas markets. While considering employment, continue to raise the minimum wage to create a virtuous economic cycle, support cross-industry reemployment and on-the-job secondment, strengthen education and training and encourage transitions to new fields.

Build agriculture as a growing industry. To achieve the export target of JPY 2 trillion by 2025 and JPY 5 trillion by 2030, Japan has selected 27 products as key products such as beef and strawberries, which are renowned in the world. Moreover, it will assist and support the production regions with different target amounts according to the exported countries, continue to promote reform to make agriculture, forestry and water conservancy industries drive the regional growth.

Develop tourism industry. Demolish the abandoned buildings remained in urban areas or

change them into attractive new facilities in about 100 districts across Japan. Develop tourism resources in various places, such as providing accommodation experience in nature such as national parks, ancient cities, temples and shrines, and ancient residential houses, etc. Advocate lodging tourism and vacationing office.

4.2 Key Industries

Japan's major or featured industries include information and communication technology (ICT), life sciences, environment and energy, manufacturing, tourism, and so on.^①

Information and Communication Technology

The information and communication technology market in Japan has been developed through the popularization of telecommunication services and the development of telecommunication networks. It is one of the major industries of the Japanese economy. In 2019, Japan's ICT market accounted for 6.4 % of the global market, making it the world's third largest market only after the United States and China besides the European Union. To promote the development of information and communication technology, the Japanese government has put forward the following 2 strategies.

Beyond 5G. In January 2020, the Japanese government held a round-table conference on Beyond 5G Promotion Strategy, with the goal of acquiring about 30 % of the 5G infrastructure (hardware and software) market by 2030 and ensuring a stable presence in the equipment and application sectors. Therefore, the Japanese government plans to construct one R&D Platform to surpass 5G (tentative name). On this platform, the domestic and foreign companies can cooperate in research and development and support the private sectors to expand the R&D investment, such as by slackening the laws and regulations on using radio waves of research purposes, meanwhile, find and nurture the ideas promoting innovation and human resources.

① Japan External Trade Organization: https://www.jetro.go.jp/sc/invest/attractive_sectors/

New IT strategy with creating digital agents. In July 2020, the Japanese government approved “the Declare as the World’s Most Advanced IT Country (New IT Strategy): Basic Plan for the Development of Public and Private Sector Data Utilization”. The strategy focuses on using information technology to improve social structures and people’s behavior and enhance digital resilience, as well as national and local government ICT infrastructure. The Japanese government plans to set up a new IT Strategy Digital Agency in September 2021, which aims to become the command center for creating a digital society and further to coordinate and facilitate its digital transformation.

Based on the above policy, investors can focus on the fields of 5G market, cloud platforms, quantum computers and edge computing.



Investment Practice:

Chinese company constructed strategic partnership with Japanese social network company^①

In 2017, Mobike, a leading company of shared bike in China, officially entered Japan after raising over US\$ 600 million in funding. In December of the same year, in Tokyo, it announced to build a strategic partnership with Line, Japan’s largest mobile social network service provider. Line has been hailed as the “WeChat of Japan” with more than 70 million active users. The partnership is expected to realize the use of Mobike in Japan through Line application in 2018. The Line platform adds an exclusive entry point for Mobike to make users easier to register and use moblike quickly.

The partnership or project cooperation shall include Line leading Series A financing in Mobike Japan (Mobike Japan), and Line will hold no more than 20% of Mobike Japan shares. In the future, the 2 parties will carry out in-depth cooperation in various fields to accelerate Mobike’s expansion into the Japanese market. At a joint press conference held on the day of the strategic partnership, the President and CEO of Line, Takeshi Dezawa, expressed Line will make

^① Quoted from the news on China Economic Net web pages.

full use of its relationship network with Japanese government and enterprises to help Mobike expand its business market in Japan. Hu Weiwei, the founder and president of Mobike, said that just as Chinese users use WeChat and Mobike services, we believe that the partnership with LINE will also bring more convenient travel services to users in Japan.

Comment: Japan boasts with the advanced information and communication technology. What is more, presently it is vigorously developing related information technology industry. Before reaching Japan to carry out relevant investment business, investors shall consider getting in touch with Japanese local enterprises in advance to seek cooperation opportunities, which can not only help shorten the initial stage of enterprise development, but also bring a large consumer group, which is conducive to the rapid and long-term development of enterprises.

Life Sciences

As of 2020, 36,170,000 people are aged 65 or above, accounting for 28.7 % of the total population (the highest proportion country of the elderly population in the world), which is estimated to reach 35.3 % by 2040. In the context of the “overage society”, the public and private sectors are working together to build a “healthy and long-life society”. Meanwhile, Japan’s national health care costs keeps increasing every year, reaching a record JPY 43.6 trillion in fiscal year 2019/2020. The COVID-19 outbreak has led to a rapid increase in healthcare demand. The domestic healthcare ICT market, covering electronic medical interview systems, online healthcare systems and cloud-based electronic medical records, is expected to grow. To promote the development of life sciences, the Japanese government has adopted the following policies.

Digital Health Reform Promotion Project. In January 2017, Ministry of Health, Labor and Welfare (MHLW) established the Department of Digital Health Reform Promotion, which identified the development goals for the life sciences sector after FY2021/2022 (see the table

below).

Table 4-1 Development targets for the life sciences sector in Japan after FY2021/2022.

Project name	Contents and purposes
Promote the use of genomic medicine and artificial intelligence	Utilize genome-wide information to determine the causes of cancer and other refractory diseases, develop new diagnostics and treatments, and provide optimized patient-centered health care for individuals. Use AI to improve healthcare services and reduce field workloads.
Popularize “Personal health records (PHR)” to connect the personal data with the daily life improvement.	Enable people to check health and medical information on smartphones and other digital tools. Make it easy to use this information for health management and prevention purposes.
Promote the use of information for medical and care purposes.	Enable to properly confirm the patients past medical and other information in the medical and care environment. Provide higher quality service.
Promote the effective use of databases.	Utilize the big data related to healthcare. Many entities will benefit from this. It includes the research revitalization implemented by private companies and researchers, and the provisions of treatments that are appropriate to the patient's situation.

Construct big medical database. In May 2018, Japan enacted the *Next Generation Healthcare Infrastructure Act*, which aims to enable government-authorized entities to collect each patient’s medical information from various healthcare institutions and use it for research and development.

Research and development subsidies. According to the revision of the *Drug Affairs Law* in 2013, if the Ministry of Health, Labor and Welfare (MHLW) designates a drug as a therapeutic agent for a rare disease (orphan drug), it will grant subsidies for research and development costs and tax deductions for the drug. Many foreign companies, including Novartis (Switzerland), Janssen Pharmaceuticals (Belgium), MSD (US), Sanofi (France), GlaxoSmithKline (UK) and Pfizer (US), have benefited from the orphan drug.

According to the above policies, investors can focus on the pharmaceutical industry, medical devices, preventive health care, regenerative medicine, nursing services and other sectors.

Environment and Energy

According to a report issued in 2019 by the International Energy Agency (IEA), Japan has

the third highest offshore wind power technical potential in the world, ranking only next to the European Union and the United States. In December 2020, the Ministry of Economy, Trade, and Industry (METI) formulated the “Strategy for Green Growth Towards Carbon Neutral by 2050”, which identified 14 key sectors, including 4 energy-related industries: offshore wind, fuel ammonia, hydrogen, and nuclear power. The Japanese government is particularly committed to establishing an attractive domestic market in these industries to attract domestic and foreign investment and establish a competitive supply chain. To promote the development of environment and energy, the Japanese government has introduced the following policies:

Environmental innovation strategy. On January 21, 2020, Japan formulated the *Environmental Innovation Strategy* to encourage the development of technologies in the environmental and energy sectors, with the aim of achieving global carbon neutrality and reducing past carbon dioxide emissions (the concept of “beyond zero”) through the discovery of innovative technologies.

Reform of the electricity system. The power system reform promoted by the Ministry of Economy, Trade, and Industry (METI) is divided into 3 stages: expanding the operation of the wide-area power grid, full opening of the retail market, and ensuring neutrality in the field of transmission and distribution by law. After the full opening of the retail market in April 2017, more diversified power procurement has been achieved. The number of new entrants with retail licenses in the electricity market has gradually increased. Not only Japanese companies but also foreign companies are increasingly entering the power generation/retail sector.

Gas system improvement. An urban gas retail market of about JPY 2.2 trillion has been fully opened since April 2017. But compared with the open electricity retail market, the number of new entrants to the urban gas market is limited.

Local government initiatives (zero carbon cities). As of January 2021, more than 200 cities have announced their commitment to construct zero-carbon cities. These zero-carbon cities have

already implemented pioneering initiatives and formulated regulatory frameworks to reduce greenhouse gas emissions across the region. For example, Tokyo and Nagano prefectures have implemented a solar mapping project to determine the energy potential of solar power generation in buildings to encourage the introduction of renewable energy in the area. Kanagawa Prefecture, Kyoto and other cities are also encouraging the installation of cost-effective solar power by means of joint purchases of solar power generation equipment.

Based on the above policies, investors can focus on fields such as numerical control technology, renewable energy, hydrogen energy and solid-state batteries.

Manufacturing

Manufacturing is the driving force of Japan's economy. As the world's third largest economy, Japan is also called as one of the "manufacturing superpowers." Manufacturing industry accounted for about 20% of GDP in FY2019/2020. To promote the development of manufacturing industry, the Japanese government has introduced the following policies.

Support the diversification of supply chains and the return of manufacturing bases to Japan. With the spread of the COVID-19 outbreak, the vulnerability of the Japanese supply chain, including sanitation supplies such as face masks, has become very obvious. The government has provided substantial support for the return of the manufacturing base to Japan and established a solid supply chain through a multi-year plan to diversify the manufacturing sector. The Ministry of Economy, Trade, and Industry's (METI) "Promotion of Japanese Investment to Strengthen Supply Chain" is one of such initiatives. The plan is designed to realize the return to Japan of production bases that are highly dependent on one country for products, parts, and materials. "The Support Project of Overseas Supply Chain Diversification" is another initiative to promote the establishment of multiple overseas manufacturing bases to supply products and materials to Japan.

Promote the next generation vehicle business. Tax reductions for environmentally friendly

vehicles will be implemented for vehicles that meet the emission and fuel efficiency standards specified by the Ministry of Land and Resources. When a new clean energy vehicle (CEV) is registered or implements its first inspection, the vehicle weight tax will be completely waived, and the vehicle tax will be reduced by 75%. The government will partly subsidize the purchase of clean-energy vehicles according to a "CEV subsidy" policy. If local governments also have subsidy schemes to enact CEV, they can benefit from both local and national subsidies.

Promotion project of smart factories. A smart factory is a factory that utilizes the Internet of Things and other technologies to acquire the data on all equipment and facilities in the factory, as well as tasks of the workers in the factory, with the aim to analyze this data to create new added value. In Japan, especially in the manufacturing sector, the smart factory program is gaining momentum as it is possible to provide solutions to a labor shortage caused by a declining birthrate and an aging population. In addition, with the COVID-19 outbreak, the demand for digital technology is expected to increase.

Local government initiatives. Local governments in Japan are trying to promote the regional development by attracting foreign and domestic companies from a wide range of industries, including manufacturing. For example, the city of Nagoya, Aichi Prefecture, has been the center of the Greater Nagoya Initiative, which attracts outstanding companies, technologies, people, and information from all over the world. The local government offers preferential measures for foreign companies that set up branches here. As of 2019, with this support, as many as 150 foreign companies (including companies founded by foreigners living in Japan) have entered the region.

In accordance with the above policies, investors can pay close attention to automobiles, industrial robots, semiconductors, machine tools and other sectors.

Tourism

The number of foreign tourists visiting Japan reached a record 31.88 million in 2019

(increased by 2.2% from the previous year), setting a record high for the 7th consecutive year. In the same year, Japan received about \$46.1 billion value from foreign tourists' spending, putting it in the 7th place in the world, ahead of Germany and Australia. Tourism contributes \$359 billion to Japan's GDP, making it the world's third-largest market ranking only to the United States and China. The growth in the inbound market can be attributed to governmental initiatives to strengthen tourism an important pillar of Japan's growth strategy, such as easing visa requirements and expanding the excise tax exemption system for foreign visitors, as well as private sector initiatives (such as improving tourism). Convenient and fast transportation network (including air, railway, port, etc.) and favorable environmental development (including multilingual signage and inbound promotion related to tourism). The number of visitors to Japan is expected to increase further with the 2020 Tokyo Olympics and Paralympics (postponed to 2021) and the 2025 World Expo in Osaka. To promote the development of manufacturing industry, the Japanese government has introduced the following policies.

Digital transformation of tourism. In July 2020, the headquarters of Japanese Overcoming Population Decline and Revitalizing Local Economy under the Cabinet of Japan announced its strong support for the digital transformation of tourism. Take it as the policy direction of regional revitalization. In addition, The Ministry of Internal Affairs and Communications (MIC) has allocated JPY 3.88 billion to local governments in its budget for fiscal year 2021–2022 for the digital transformation of the tourism industry. The Ministry of Economy, Trade, and Industry (METI) published a *Handbook of Smart Resorts*, which outlines information on how to attract Japanese tourists and boost spending through digitization.

Strengthen external exchanges. The overseas agencies of Japanese government publicize the contents about Japan (tourism, culture, history, trends, etc.) provided by the Ministry of Foreign Affairs, Japan National Tourism Organization (JNTO), local public organizations, local media, etc.

Expand the excise tax exemption system for foreign tourists. In the tax reform in 2018, the Ministry of Finance and the Japan Tourism Agency exempted the purchased ordinary goods and consumer goods with a total value of more than JPY 5,000.

According to the above-mentioned policy, investors can focus on financial services, online travel agencies (OTAs), hotel accommodation and other sectors.

4.3 Foreign Investment

According to Japan External Trade Organization (JETRO), Japan's foreign direct investment (FDI) flows rose 37.3% year on year, up to JPY 4 trillion in 2019. By the end of 2019, the stock of foreign direct investment in Japan was JPY 33.9 trillion, a record high for the sixth consecutive year. From January to September 2020, FDI flowing to Japan increased generally from the same period last year, with equity capital increased by 13.6% from the same period last year to JPY 610 billion. But the amount of greenfield investment is low compared with the same period in the past few years.

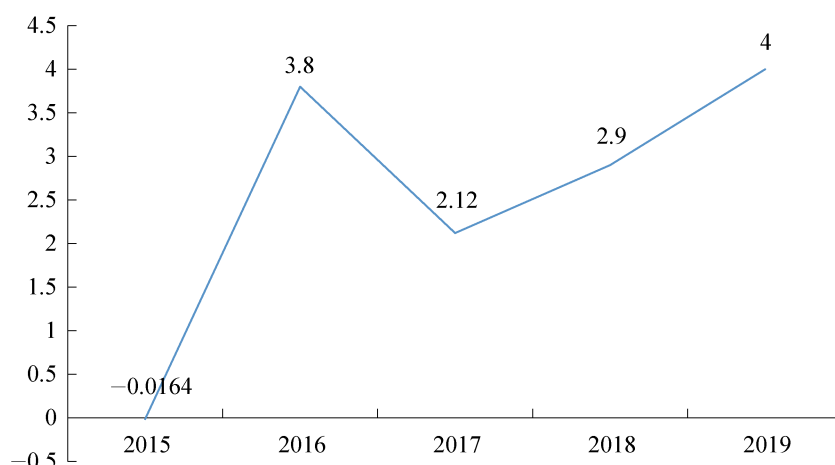


Figure 4-1 FDI in Japan, 2015–2019 (Unit: trillion yen)^①

Foreign Capital Source

By the end of 2019, the United States (23.6%), France (11.6%) and the Netherlands (11.5 %)

① Japan External Trade Organization: <https://www.jetro.go.jp/>

were the top 3 sources of cumulative investment in Japan.

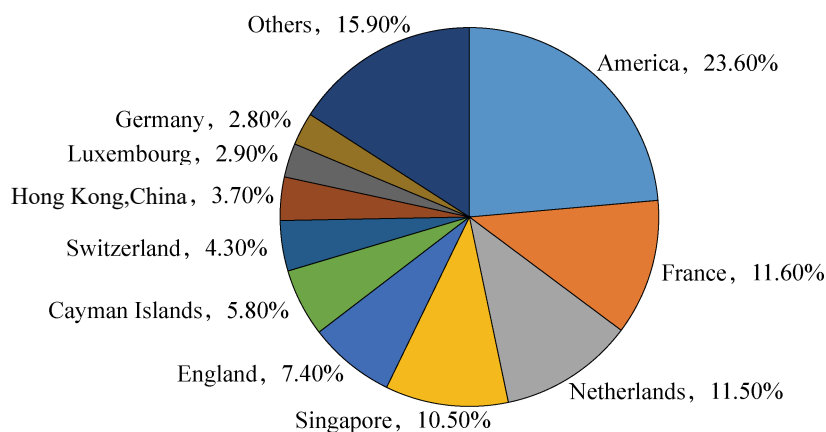


Figure 4-2 Origin of Japan's Accumulated FDI, 2019^①

Industry Distribution of Foreign Investment

By the end of 2019, Japan's finance and insurance industry witnessed the highest cumulative share of foreign investment, accounting for 39.4%, while the glass and clay industry had the lowest proportion, accounting for 1.4 %.

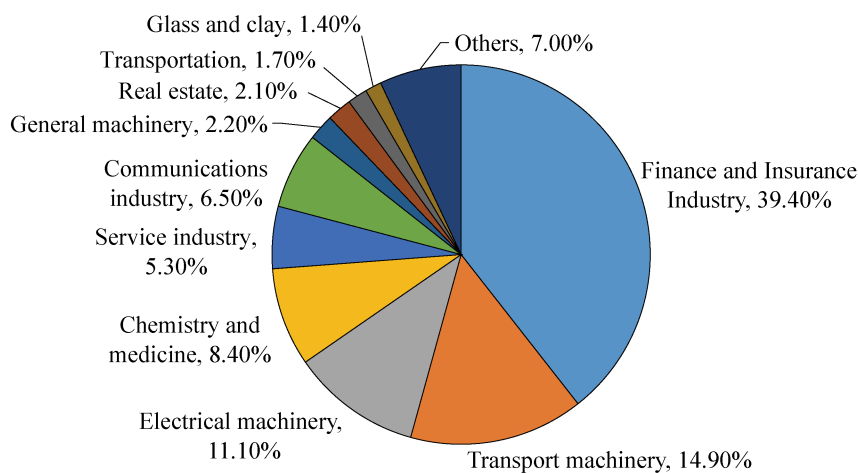


Figure 4-3 Industry Distribution of Japan's Accumulated FDI, 2019^②

① Japan External Trade Organization: <https://www.jetro.go.jp/>

② Japan External Trade Organization: https://www.jetro.go.jp/en/invest/investment_environment/ijre/report2020/ch1.html

5

Starting a Business

5.1 Registering a Business

Competent Authorities

Office of Legal Affairs affiliated to Japanese Department of Justice is responsible for handling business registration matters. To facilitate the entry of foreign enterprises, JETRO (Japan External Trade Organization) has set up a “One-stop Business Service Center” to provide foreign enterprises with one-stop services related to legal person registration, taxation, pension, social insurance, and so on.

Entity Types

According to the purpose of investment, there are 3 ways to set up a company in Japan: branch company, subsidiary company and representative office. To see the comparison of various types of entities, log on JETA website^①.

Branch company. The branch companies do not have independent legal personality legally. Generally, the creditor’s rights and liabilities incurred in the process of carrying out activities of the branch companies ultimately belong to the foreign enterprises, but it can open bank accounts and lease houses in its name. The establishment process mainly includes the following aspects.

(1) Submit an application for establishing a branch to the Bank of Japan in advance

① Japan External Trade Organization: https://www.jetro.go.jp/sc/invest/setting_up/section1/page2/

according to the business type;

(2) Sort out the registered matters of the branch company;

(3) Investigate the same firm in the Office of Legal Affairs;

(4) Establish branches (The date of establishment can be selected at will);

(5) Fill in the oath statement concerning the establishment of the branch;

(6) Complete the *Oath Statement* of the foreign enterprise's domestic notary certified by the consul stationed in Japan;

(7) Apply to Office of Legal Affairs for registration and establishment of a branch company and file the company seal to Office of Legal Affairs.

(8) Get the certificate of registered matters and the company seal certificate (about 2 weeks after the application for registration);

(9) Open a bank account in the name of the branch.

Subsidiary company. When a foreign enterprise sets up a subsidiary (Japanese legal person) in Japan, it shall choose the proper form among the legal person forms of joint stock company and associated company stipulated by the Japanese Company Law. Although the Japanese Company Law also recognizes the legal person status of joint company and joint venture, the investors must bear unlimited liability rather than limited liability as these 2 forms. Thus, they are rarely chosen in practice. Taking the establishment of a joint stock company as an example, the establishment process mainly includes the following aspects.

(1) To decide on the outline of the establishment of the joint-stock company.

(2) Investigate the same firm in the Office of Legal Affairs;

(3) To formulate the articles of association of the joint stock company;

(4) Obtain the registration certificate of the parent company, etc., and prepare an Oath Statement on the outline of the parent company and an Oath Statement signed by the legal representative of the parent company (An Oath Statement must be certified by a notary in the

country where it is located);

(5) A notary in Japan shall notarize the articles of association of the joint stock company;

(6) In the case of fundraising and incorporation, it is necessary to apply to the bank for the custody of capital and issue a custody certificate);

(7) Remit the capital of the joint-stock company to the account of the initiator or the chairman or directors at the time of incorporation (in the case of fundraising and incorporation, the capital of the joint-stock company shall be remitted to a special bank account);

(8) Appoint directors, chairman of the board of directors, supervisors and other senior management personnel;

(9) The directors and supervisors of the board shall examine the legality of the incorporation procedures of the Company;

(10) Apply to Office of Legal Affairs for the registration and establishment of a joint-stock company (the date of establishment of the joint-stock company), and file the company seal to Office of Legal Affairs;

(11) Get the certificate of registered matters and the company seal certificate (about 4 days to 2 weeks after the application for registration);

(12) Open a bank account in the name of the Company;

(13) Declare the shares acquired to the Bank of Japan (The shares of some industries shall be declared before the establishment of the company).

Representative office. Resident representative offices for the purpose of collecting and providing information are free to set up. They do not need to go through the registration procedures required by the Company Law. Since they are not engaged in business activities in Japan, they are not subject to corporation tax and do not need to report to the Tax Office for filing. However, there are some exceptions. For example, when foreign financial institutions such as banks, insurance companies or securities companies set up resident representative offices in

Japan, they shall report to Japanese Financial Services Agency in advance (according to the provisions of various industrial laws such as the Banking Law and the Financial Commodities Exchange Law).

5.2 Project Contracting

Bidding

According to an overview of construction projects in Japan made by Reuters Practice Law^①, the most common procurement arrangement for construction projects in Japan is competitive bidding based on price only. Public bidding is required for the transactions that comply with World Trade Organization rules.

Contractor Structure

The most common structure of a project contractor may be a single construction company or a joint venture consisting of 2 or more construction companies. As for design-constructing projects, it is usually contracted by the consortia of design firms and construction firms. Other common structures include the consortia of design firms, construction firms, operation and maintenance firms, and other types of firms.

Relevant License

According to the *Construction Industry Law*, the project contractor must be granted a construction permit. If the contractor plans to set up construction operating offices in 2 or more states, permissions from the ministers of land, infrastructure, transport, and tourism are required. Otherwise, only permission from the county magistrate is required. The contractor can check and download the application method from the website of Ministry of Land, Infrastructure and Transport^②.

① Thomson Reuters: [https://uk.practicallaw.thomsonreuters.com/9-630-4982?transitionType=Default&contextData=\(sc.Default\)&firstPage=true#co_anchor_a320231](https://uk.practicallaw.thomsonreuters.com/9-630-4982?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a320231)

② Kanto Bureau of Local Reservations, Ministry of Land, Infrastructure and Transport: <https://www.ktr.mlit.go.jp/kensan/index00000003.html>

International Contractors

There are no specific licensing requirements for international contractors and construction professionals, but they shall abide by the same requirements that restrict domestic contractors and professionals. To participate in bidding for construction projects or procurement held by national or local governments, the international contractors must be registered on the list of relevant government authorities.

5.3 House Leasing

Foreign-funded enterprises shall pay attention to the following matters when determining office places.

(1) Office intermediaries. Large scale agencies are good options as they usually have abundant housing information and English-speaking personnel, and the agencies usually charge 1 month's rent as commission after signing the contract. After signing the contract, 1 month's rent shall be paid as the agency commission.

(2) Business practices. When a contract is signed, the tenant is required to pay a "Deposit", usually about 10 months' rent, in the name of a warranty for rent arrears. Usually, the deposit will be refunded after deducting the cost of restoring the house to its original condition. In addition, the maintenance and management cost of the common parts shall also be borne by the tenant.

(3) Property insurance. It is suggested that foreign-funded enterprises purchase property insurance. In case of fire caused by the tenant, it can be used to assume compensation liability and compensate the owner for the loss of appliances and equipment. Most people choose to bear the insurance against the loss of suspension of business and the liability of facilities.

Table 5-1 Some of the intermediary platforms for renting houses in Japan:

Agent Name	Contact Information
Shingi Fusaya Real Estate	Telephone: +81-0120-997-709 Website: www.sinyi.co.jp Address: 2-7-1, Yoyogi Shibuya, Tokyo
Tokyu Livable	Telephone: +81-03-3463-9994 Website: www.livable.co.jp Address list: www.livable.co.jp/branch
TKP	Telephone: +81-03-5227-7321 Website: www.tkp.jp Address list: www.kashikaigishitsu.net
COWORKER (Joint office platform)	Website: www.coworker.com/japan
WeWork (Joint office)	Website: www.wework.com/l/tokyo

5.4 Opening a Bank Account

Generally, the main steps for foreign companies to open bank accounts in Japan are as follows^①.

(1) Prepare the required documents, mainly including all certificates of the company's latest critical events, seal certificate, ID (photo identification, such as passport, Japanese driver's license, etc.) and Employment Certificate (such as company name card, employment certificate, employee identification card, etc.).

(2) Apply to the bank and the bank reviews the data (about 1-2 weeks). If the bank notifies the company about the examination result and agrees to open an account, it may make an in-person appointment of opening an account at the counter.

(3) Go to the counter of the bank for the official opening procedures. The legal person bank account can be opened in a few days.



Special Reminder:

If the Representative Office cannot open a bank account, it shall entrust the head office of the foreign enterprise or the person in charge of the representative office to handle the account on

^① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

behalf of the representative office. When the representative of the Representative Office acts as the agent to set up a bank account, the account shall usually be named in the form of “Office of × × × × Company in Japan, (personal name of the representative)”. The name of the office and the personal name shall be recorded together. The following documents are required: representative’s passport, representative’s residence card, company introduction, lease agreement, bank seal.

5.5 Employee Recruitment

Recruitment channels in Japan include the following ways generally: recruitment advertising websites, on-site job fairs, recruitment agency, Hello Work, social networks, company websites, etc. Hello Work, a government-run employment service center that connects job hunters with companies in need of skilled labor, has more than 540 offices across Japan.

Table 5-2 Japan’s Employee Recruitment Channels

Channels	Name	Website
Recruitment Ad Sites	Career Engine	careerengine.org/index/index/lang/en
	Jobs in Japan	www.jobsinjapan.com
	GaijinPot Jobs	jobs.gaijinpot.com
	Daijob	www.daijob.com
	Hello Work	www.hellowork.mhlw.go.jp/

5.6 Financing

Bank Loans

Japanese commercial banks give national treatment to the financing of foreign-funded enterprises and can provide various financial services according to the needs of enterprises. In the treatment of the foreign capital enterprise loan request, the commercial banks will conduct a comprehensive audit to the enterprise. The audit contents shall include investment purpose,

direction and content of the project, scale, financing period (short, medium, and long term), quota, listing, financial status, enterprise industry, product conditions, market operation and market status, long-term development prospects, etc. Even the age of the company's manager and the external evaluation of the enterprise also belong to the scope of audit.

There will be some differences among the basic rules, examination standards and application procedures of various commercial banks. When applying for a loan in Japan, foreign-funded enterprises may consult the corresponding financial institutions directly.^①



Investment Practice:

Leading solar energy company obtained financing from a well-known Japanese trust bank.^②

In 2020, LonGi Japan signed an order for a 65MW photovoltaic project, which has obtained financing from a well-known trust bank in Japan. According to the agreement, this project will use LonGi 166-size black frame Hi-Mo 4 module products. As the only component supplier for the project, LonGi's leading brand has been recognized by the Japanese customer. Similarly, LonGi's world-leading financial soundness, manufacturing capacity and technical level have also become the key factors for the project to obtain financing from the local authoritative banks in Japan.

At present, LonGi Stock is the world's largest manufacturer of monocrystalline silicon wafers, and in the overall business of LonGi, the Japanese market occupies an important business segment of the enterprise, and its contribution to the enterprise is gradually increasing. The success of the company in the Japanese market attribute to the efforts of LonGi Solar Technology Co., Ltd., LonGi's Japanese subsidiary, as it has abandoned the traditional competitive thinking in the Japanese market and always adhered to developing hand in hand with Japanese enterprises, forming a firm "community of common destiny" with them.

At the same time, LonGi Solar Technology has also been actively engaged in public welfare

^① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

^② Quoted from People's Daily Overseas Edition and SOLARBE website news.

activities such as sports exchanges between Chinese and Japanese teenagers and has been named as the “Folk Messenger of Friendship between Chinese and Japanese People”, which has been widely recognized by the Japanese society.

Comment: LonGi’s successful financing in Japan is closely related to the excellent product quality and operation mode of the enterprise. If foreign-invested enterprises intend to obtain financing in Japan, they shall guarantee the quality of their products, actively seek opportunities for mutual development and win-win cooperation with Japanese enterprises, to integrate into Japanese society and win public recognition.

Bond Issuance

Foreign-invested enterprises can choose to raise money by issuing bonds on the Tokyo Pro-bond Market. Tokyo Pro-Bond Market is a new bond Market established in accordance with the “Market System for Professional Investors” introduced when revising *Financial Commodity Exchange Law* in 2008.

Initial application requirements. To issue bonds by using the Tokyo Pro-bond Market mechanism, it’s necessary to be listed on the Tokyo Pro-bond Market first. When applying for the initial listing, the relevant information is required to be submitted to the Tokyo Stock Exchange. Applicants for initial public offerings (issuers) are required to submit and publish specific securities information when the bonds are listed (issued). Specific securities information is equivalent to Marketable Securities Report. The companies that continuously disclose negotiable securities reports in Japan do not need additional financial materials. Overseas companies can directly use the materials submitted to the competent authorities or exchanges in their home country, thus the cost of preparing supplementary materials for PRO-BOND is controlled to the maximum.

Qualification requirements for listing. To be listed on the Tokyo Pro-Bond Market, the

following 2 requirements must be met.

Table 5-3 Requirements for listing in Tokyo Pro-Bond Market^①

Contents	Notes
Corporate bonds, etc., must have been rated by credit rating agencies.	Rating firms need to be recognized internationally or by Japanese investors.
The lead underwriters undertaking new bond listings must be registered on the Tokyo Stock Exchange's "Lead Underwriters List".	TOKYO PRO-BOND Market did not adopt J-adviser system. The securities firms listed in the lead underwriter list shall be those with experience underwriting corporate bonds in Japan or abroad.

Listing on the Exchange

Foreign enterprises can choose to list on the Tokyo Stock Exchange (TSE for short). The Tokyo Stock Exchange operates 4 markets: Marketing Department I and Marketing Department II, Mothers, and JASDAQ. The Marketing Department I represent the main board of the Tokyo Stock Exchange and serves the large companies that operate on a global scale. The Marketing Department II serves the core enterprises with a certain popularity and business base. Mothers target emerging enterprises with high growth potential. JASDAQ (Japan Association of Securities Dealers Automated Quotation System) was originally established as an over-the-counter market.

Table 5-4 Listing Criteria of Tokyo Stock Exchange^②

	Main Market		Mothers	JASDAQ		TOKYO PRO Market
	1st Section	2nd Section		Standard	Growth	
Number of shareholders	2,200 or more	800 or more	200 or more	200 or more		-
Tradable shares Number of tradable shares	20,000 units or more	4,000 units or more	2,000 units or more	-		-
Market capitalization of tradable shares	JPY 1 billion (USD 10m) or more	JPY 1 billion (USD 10m) or more	JPY 500 million (USD 5m) or more	JPY 500 million (USD 5m) or more		-
Ratio of tradable shares to listed shares	35% or more	30% or more	25% or more	-		-
Public offering	-	-	500 trading units or more	10 percent or more or 1,000 trading units		-

① Tokyo Stock Exchange: <https://www.jpx.co.jp/chinese/markets/tpm/index.html>

② Tokyo Stock Exchange: <https://www.jpx.co.jp/english/equities/listing-on-tse/new/basic/01.html>

Continued

	Main Market		Mothers	JASDAQ		TOKYO PRO Market
	1st Section	2nd Section		Standard	Growth	
Market capitalization of listed shares	JPY 25 billion (USD 250m) or more	JPY 2 billion (USD 20m) or more	JPY 1 billion (USD 10m) or more	-	-	-
Number of years of business operation	3 years of more		1 year or more	-	-	-
Shareholders' equity	JPY 1 billion (USD 10m) or more		-	JPY 200 million (USD 2m) or more	Not negative	-
Amount of profits or Market capitalization	Profit: Total amount of JPY 500 million (USD 5m) or more in the last 2 fiscal years [Market cap] Market cap: JPY 50 billion (USD 500m) or more Sales: JPY 10 billion (USD 100m) or more		-	Profit: JPY 100 million (USD 1m) or more [Market cap] JPY5 billion (USD 50m) or more	-	-

5.7 Applying for Patents and Registering Trademarks

Application for Patents^①

The applicant needs to file a patent application with the Japan Licensing Office. Applicants can learn about how to prepare the patent application specification^② and the Japanese patent examination guide on the official website of the Japan Licensing Office website^③. The application process is shown in the following figure.

① Japanese Patent Office (JPO): <https://www.jpo.go.jp/e/system/patent/gaiyo/patent.html>

② Japanese Patent Office (JPO) : https://www.jpo.go.jp/e/system/patent/shutugan/howto_patentappli_e.html

③ Japanese Patent Office (JPO) : https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/tukujitu_kijun/index.html

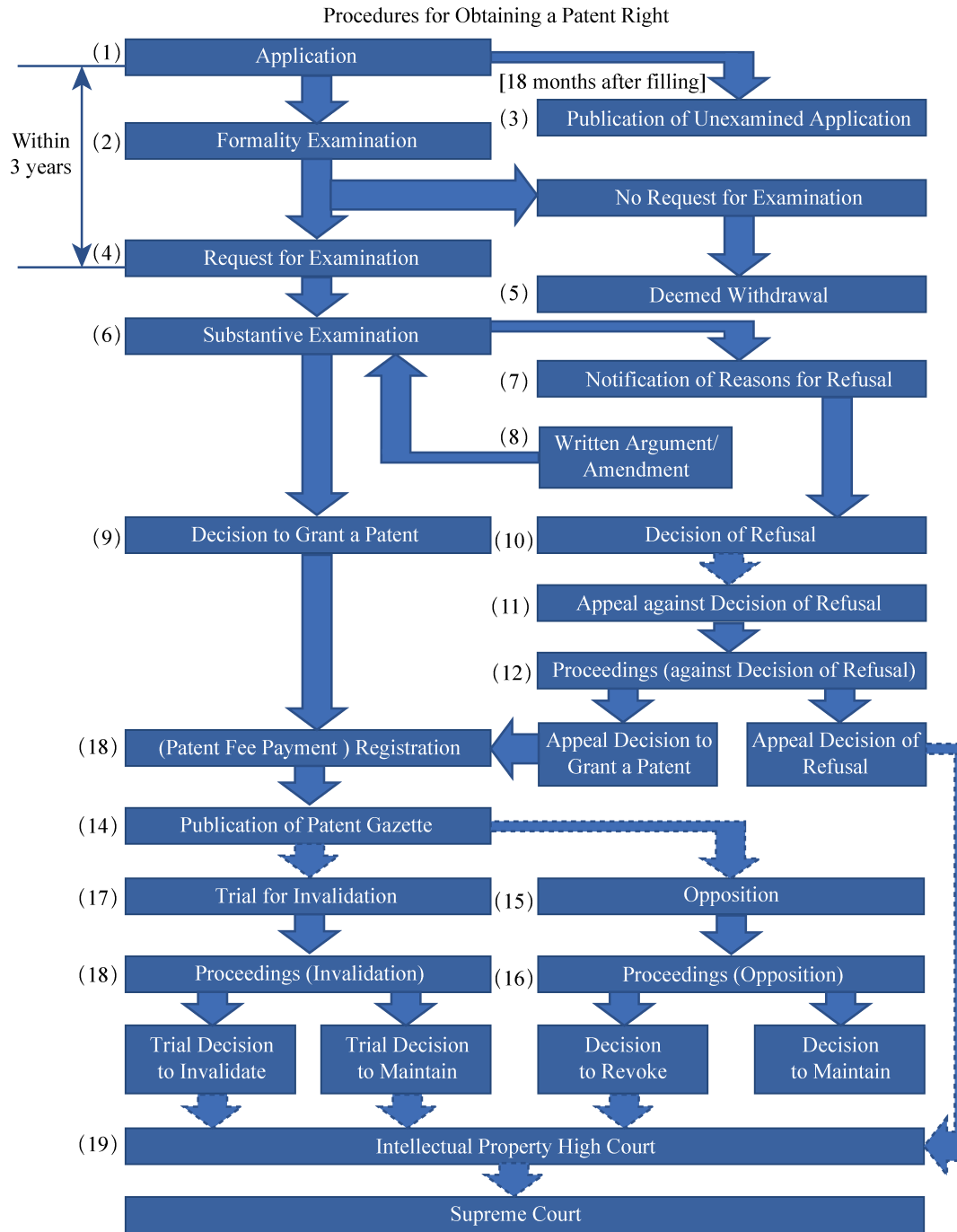


Figure 5-1 Patent application process in Japan

Registration for Trademarks

To obtain trademark protection in Japan, a trademark application must be filed in the Japan Licensing Office. It takes about 14 months to complete the entire registration process. Fees for a trademark application vary depending on whether the application is for a single type or multiple types.^①

① Japan External Trade Organization: https://www.jetro.go.jp/en/invest/setting_up/section5/page5.html

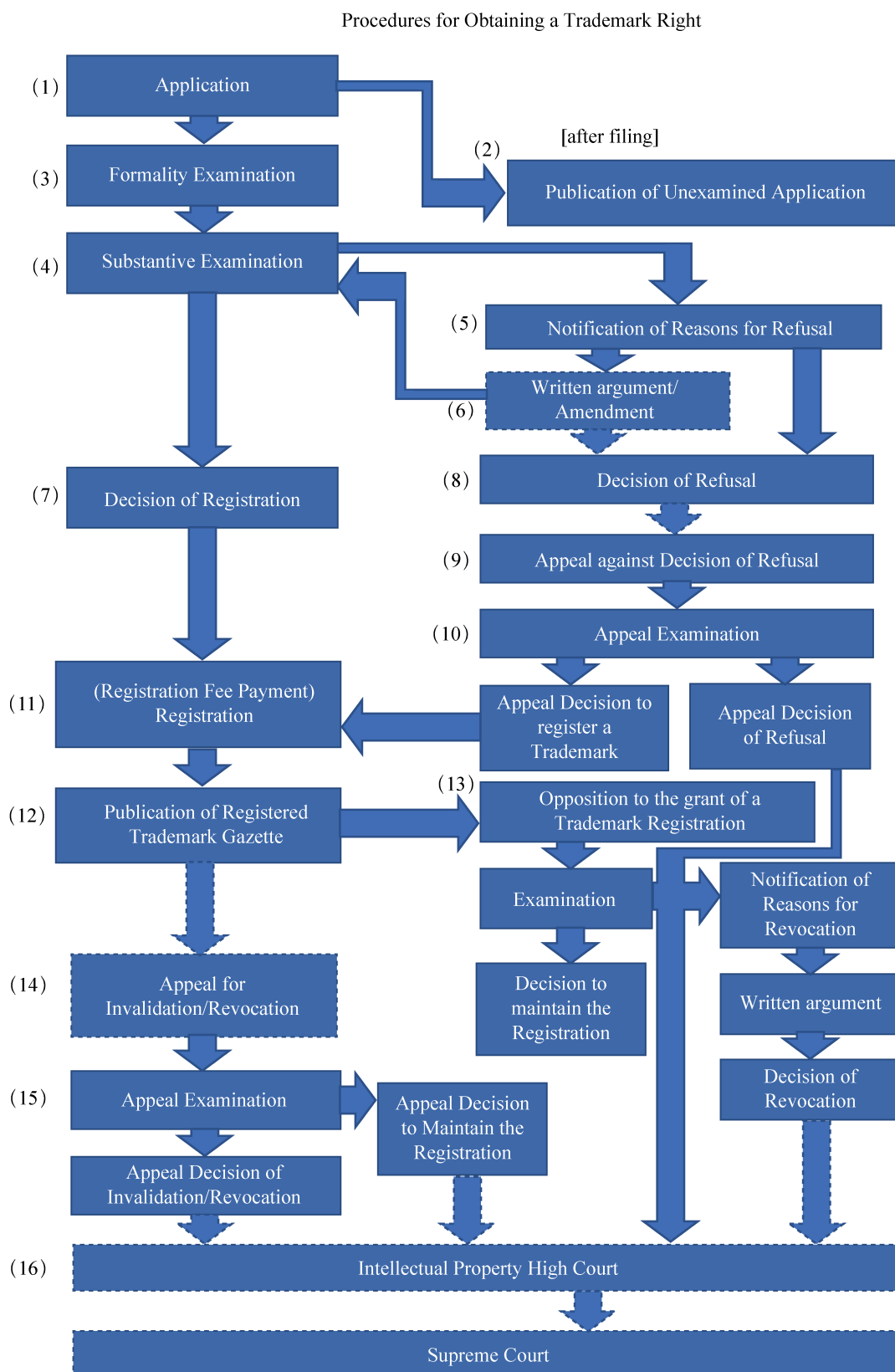


Figure 5-2 Application process for trademark registration in Japan^①

① Japanese Patent Office (JPO): <https://www.jpo.go.jp/e/system/trademark/gaiyo/trademark.html>



Special Reminder:

A registered trademark may be applied for items by category or for more than one category at a time. It is recommended to carefully have a consultation with an expert such as a trademark agent when applying.

5.8 Tax Payment

Tax Declaration

A legal person must submit tax returns on taxable income of legal person tax, legal person resident tax and business tax within 2 months from the next day at the end of each fiscal year. If the final return cannot be filed due to the unfinished audits or other unavoidable circumstances, an extension may be requested with the approval of the Director of Taxation Office. The amount of income, tax and other contents recorded in the final tax return shall be calculated in accordance with the final accounting report approved by the shareholders' meeting.^①

Tax Declaration Channels

Enterprises can file tax returns through Tax offices and local Tax authorities or submit Tax^② Returns through the E-TAX system.

Tax Declaration Procedures

Taxes must be paid within the same period. Even if the filing of the return can be extended in accordance with the above conditions, the time limit for tax payment cannot be extended. When calculating the final tax payment amount, if overdue tax has been paid, it may be deducted.



Special Reminder:

A corporate tax return sheets come in white or blue. Approved by the Taxation Office, a

① Japan External Trade Organization: <https://www.jetro.go.jp/>

② E-Tax system: www.e-tax.nta.go.jp

legal person may submit the blue sheet for various tax advantages.



Investment Practice:

Several foreign e-commerce companies hit by tax claims in Japan^①

Due to heavy rains in the western Japan in 2018, the demand for mobile batteries keeps increasing along with the sales volume of the related companies. In June 2020, 9 foreign-owned e-commerce enterprises selling mobile batteries, lanterns and other goods were suspected of tax evasion. According to a investigation conducted by the Nagoya National Tax Bureau, the companies had concealed income of about JPY 550 million since their establishment to the end of 2019. The taxes, including retaxed taxes, has totaled more than JPY 100 million.

The authorities have recovered the taxes from some of the companies, and although half of those companies have been dissolved and withdrawn from their legal domiciles, they will still face severe penalties.

Comment: Japan's laws are relatively sounder, and the national tax consciousness is relatively more strict than other countries. The crackdown on tax evasion is strong and the means are also relatively stronger. Since the 1980s, the National Tax Bureau of Japan conducted tax inspection on 197,000 enterprises, which accounted for 10% of the country's corporate enterprises. The results found that 82.8% of the enterprises (about 163,000) evaded taxes. Since then, enterprises' false reporting of costs and concealing income^② have become the focuses of the investigation by the National Tax Bureau of Japan. Generally, the National Tax Bureau launches tax investigations on companies in 3 to 5 years after they are established.

In recent years, with the development of e-commerce industry, some foreign-funded e-commerce enterprises have taken advantage of the investigation loopholes of the National Tax Bureau of Japan. Such enterprises usually announce dissolution 2 years after establishment,

① Adapted from Japan's Asahi Shimbun.

② Zou Ding. Tax Evasion of Japanese Corporations Hits a Record[J], Contemporary Economy of Japan, 1986(2):43-43.

during which they involve in tax evasion for many times, which is on the radar of the National Tax Bureau of Japan by now. In the future, the enterprises investing in Japan will face more stringent tax inspection and control mechanism. It is suggested that investors shall strictly abide by Japanese laws and regulations and must not take advantage of opportunistic practices when conducting investment business in Japan. Once a company is found to be evading taxes, it will not only bear a massive fine, but also damage its credit seriously.



Legal Provisions

6.1 Land

Competent Authorities and Relevant Laws

Japan's Ministry of Land Infrastructure and Transport (MLIT) is the main agency responsible for land management. Mainly through the application of *The Comprehensive Land Development Law*, *The Land Use Planning Law*, *The Urban Planning Law* (urban land), *The Agricultural Revitalization Area Readjustment Law* (agricultural land), *The Forest Law*, *The Natural Park Law*, *The Natural Environment Protection Law*, *The Foreigners' Land Law*, and *The Agricultural Land Law*, etc., the measures like comprehensive development of land planning, land use planning, basic land use planning, urban planning, agricultural land planning, can be put into practice.^①

Land Classification

Japan's current land ownership is mainly divided into 3 forms, that is, state-owned ownership, public ownership, personal ownership, and corporate ownership. The proportion of state-owned land in Japan is not high and it is concentrated in parks, roads, coastal land, forests, etc. No land shall be developed without planning. The use of the land shall conform to the prescribed

^① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Japan (2020).

purposes. The blind development without planning and the use in violation of the planning regulations are illegal. The modification of the planning must follow the original planning procedures.

Provisions on Acquisition of Land by Foreign-funded Enterprises

According to *The Foreigners' Land Law* and *The Agricultural Land Law*, *The Land Use Planning Law*, etc., the provisions on land ownership that Japanese citizens or legal persons are prohibited to acquire, or have conditional and limited access to, also apply to foreign natural persons or legal persons.

Administrative orders may be proclaimed to prohibit foreign natural or legal persons from acquiring the ownership of land in important areas for national defense or to allow them to acquire the ownership of land in such areas with conditions and restrictions. In principle, general enterprises (including foreign enterprises) are not allowed to buy agricultural land.

6.2 Tax

Competent Authorities and Relevant Laws

The National Tax Agency (NTA) is the competent tax authorities of Japan. The relevant laws and regulations mainly include the *General Law of National Taxes*, the *National Tax Collection Law*, the *Law on Combating Tax Crimes*, the *Administrative Reconsideration Law*, the *Articles of Association of the National Tax Tribunal*, the *Implementing Order of the General Law of National Taxes*, the *Order on the Adjustment of Formalities for Late Penalties and Enforcement*, and the *Detailed Rules for the Implementation of the National Tax Collection Law*, etc.

Tax System^①

Except for specific non-taxable and tax-exempt income, the income of a legal person

① Japan External Trade Organization: https://www.jetro.go.jp/en/invest/setting_up/section3/page1.html

established in Japan is subject to taxes in principle, regardless of the source of its income. When foreign income has been taxed in the country where the income is earned, the foreign tax deduction regulations have been formulated to avoid double taxation between the source of income and Japan. Within a certain scope, the taxes paid overseas can be deducted from those payable in Japan. Corresponding measures have been taken on Japanese branches of foreign legal persons. Only their income part is taxed so as to avoid international double taxation in Japan.

Corporate income tax. In Japan, corporate tax (national tax), local corporate tax (national tax), local corporate tax (national tax), corporate resident tax (local tax), business tax (local tax) and special corporate business tax (national tax and business tax are the same and shall be declared and paid to the local government) are imposed on the income arising from corporate activities.

Table 6-1 Japan's Corporate Income Tax Rate, April 1, 2020, to March 31, 2021

Classification of taxable income	Below JPY 4 million	JPY 4 million to JPY 8 million	JPY 8 million or above
Corporation tax	15.00%	15.00%	23.20%
Local corporation tax	1.55%	1.55%	2.39%
Corporation Resident Tax (Prefectural Resident Tax)	0.15%	0.15%	0.23%
Corporation Resident Tax (District, Town and Villager Tax)	0.90%	0.90%	1.39%
Business tax	3.50%	5.30%	7.00%
Special corporate business tax	1.30%	1.96%	2.59%
Comprehensive tax rate	22.40%	24.86%	36.80%

Individual income tax. In Japan, all individuals, regardless of their nationality, are required to pay the personal income tax. Personal income tax is levied based on the personal income in the corresponding calendar year.

Table 6-2 Japan's Individual Income Tax rates

Taxable income (yen)		Tax rate
-	Below 1,950,000	5%
1,950,000 above	Below 3,300,000	10%

Taxable income (yen)		Continued Tax rate
3,300,000 above	Below 6,950,000	20%
6,950,000 above	Below 9,000,000	23%
9,000,000 above	Below 18,000,000	33%
18,000,000 above	Below 40,000,000	40%
40,000,000 above	–	45%

Fixed asset tax. In addition to the above taxes, taxes on income, the assets acquired and held, consumption will also be levied. Among the taxes levied on the assets owned, the common taxes levied on enterprises include fixed asset tax and urban planning tax. Fixed asset tax is levied at the rate of 1.4% from holders of land, real estate and discounted assets used for business operations on January 1 each year.

Urban planning tax. The rate of the tax on the land and real estate located within the urban planning area is 0.3%.

Premise tax. In major cities such as Tokyo and Osaka, each enterprise with a floor area of premise of 1,000 m² or more than 100 employees are required to pay the premise tax. The tax rate is equal to JPY 600 per m² (floor area), 0.25% of the total wages.

6.3 Employment

Competent Authorities and Relevant Laws

The Ministry of Health, Labor and Welfare is the competent authorities in charge of labor, employment as well as rights and interest's protection. The main laws include *the Labor Standards Law*, *the Labor Health and Safety Law* and *the Minimum Wage Law*, which apply to all enterprises in Japan.

Main Clauses^①

Labor Contracts. According to the provisions of relevant laws, employers must specify the

^① China's Ministry of Commerce, Foreign Investment Cooperation Country (Region) Specific Guidelines—Japan (2020 edition).

following items in their labor contracts: term of contract, place of work and business, starting time of working hours, overtime, rest time, rest days and holidays; wages and payment terms; matters related to retirement (including reasons for dismissal, etc.)

Salary payment. Different minimum wage standards are formulated for different regions and industries in Japan. When 2 standards are applicable to the remuneration for a position, the higher one shall be taken as the minimum wage standard. Employers in Japan generally pay wages monthly, and also issue bonuses in summer and winter each year. As a feature, the wages are composed of basic wages and various nominal subsidies and bonuses, with non-basic wages accounting for a larger proportion.

Social insurance. The universal insurance system is adopted in Japan. Employers are obliged to insure employees who meet certain conditions, including worker's accident compensation insurance, employment insurance, health insurance, nursing insurance and public welfare insurance. The premiums shall be paid by an enterprise to the regulatory authorities by deducting the part borne by its employees from their wages, plus the part borne by the business operator.



Investment Practice:

Japan Post ordered to pay subsidies for discriminating workers.^①

In September 2017, 3 contracted workers of Japan Post filed a lawsuit against the company on the grounds that “Although they are doing the same job as full-time employees, the company treats them differently in terms of subsidies and vacations”, and demanded the company to pay a total of about JPY 15 million as unpaid subsidies. According to the statements of the 3 employees, they participated in the company's “New Year's Card Delivery” together with full-time employees during the Japanese New Year period, but the company only paid to its full-time employees “year-end and new-year service subsidies”. In September 14, the Tokyo District

① Adapted based on the Asahi Shimbun

Court made the verdict that Japan Post violated *the Labor Contract Law*.

Based on this fact, the Tokyo District Court decided that part of the subsidies and vacation granted by Japan Post were “unreasonable differences” and ordered the company to pay a total of JPY 900,000 to the 3 plaintiffs as unpaid subsidiaries. Meanwhile, it was determined in the verdict that it was unreasonable for Japan Post not to pay its contracted workers the equivalent labor remuneration during the peak period and that the company shall pay 80% of the subsidies paid to its full employees to its contracted workers. Additionally, in accordance with the provisions of “system on maintaining labor health”, the company shall safeguard the legal rights and interests of its contracted workers when they are sick or on vacation.

According to statistics, Japan Post has a total of 400,000 employees, of which contract workers and other non-regular employees account for about half of the total employees. Thus, the judgment on this case does not only target the company, but also promote many private enterprises that rely on the labor forces formed by non-regular employees to improve the situation of differential treatment within these enterprises.

Comment: Currently, the Japanese government authorities have made the improvement of employees’ welfare and working environment one of the important focuses of government work. Before investing in Japan, investors must carefully read relevant labor laws and provide employees with the benefits they deserve. Remember not to take advantage of the short-term advantage and touch the bottom line of the law. Otherwise, they will not only be given fines, but also bear administrative or criminal liabilities.



Investment Practice:

Large-scale advertiser sanctioned for violating *the Labor Standards Law*^①

In September 2016, Matsuri (aged 24), a former employee of Dentsu, a large-scale

① Adapted based on relevant news coverage of the Asahi Shimbun

advertiser, died from overwork. This incident brought to the surface the illegal overtime work of Dentsu. According to the Labor Standards Inspection Office, Matsuri worked overtime for about 105 hours one month before his death. Immediately, the Ministry of Health, Labor and Welfare made a compulsory search of Dentsu, and sent the data of several management personnel of Dentsu, as a corporate body, and of its headquarters and branches to the public prosecutor's office on the grounds that the company was suspected of extensive overtime. In response to this incident, the Tokyo District Public Prosecutor's Office filed a summary prosecution against Dentsu with the Tokyo Summary Court for the *Labor Standards Law*, and requested to give a fine to the company prior to July 6, 2017.

In 2018, the incident of forcing employees to work overtime was further exposed from Dentsu. Although the company had concluded a labor agreement with the labor union that the hours of overtime work shall not exceed 45 hours per month (in the case of prior application, the term may be extended to 75 hours per month). Even in this case, employees of the company were still asked to work overtime 4 times, constituting the company's illegal act that exceeded the upper time limit specified in the agreement. The victimized employees were all affiliated to the departments related to the sales industry. Those who had the longest overtime had been forced to work overtime that exceeded the upper time limit by more than 2 times. Due to its violation of the *Labor Standards Law* and the *Labor Safety and Health Law*, Dentsu received the correction advice from the Sanda Labor Standards Inspection Office in September of the same year.

Comment: Although Japan has a more prevalent overtime culture than other countries, the existing issues of death from overtime work, poor working environment and deprivation of related benefits in relation to corporate employees have attracted wide attention from the Japanese community. In 2018, the Japanese government passed *the Work Style Reform Act* to safeguard the legitimate rights and interests of enterprise employees and the benefits they deserve through legal means. It is clearly stipulated that the upper time limit of overtime work for

enterprise employees shall be 45 hours per month or 360 hours per year (including weekends and vacations). Under special circumstances, the upper time limit can be increased to 100 hours per months or 720 hours per year (including weekends and vacations). Employees may only be allowed to work overtime continuously for 2 to 6 months, and their monthly overwork time shall be controlled within 80 hours. If an employee of an enterprise does not have more than 5 days of paid vacation within a year, the enterprise is obliged to urge the employee to take a paid vacation; otherwise, it will be deemed as deprivation of the employee of the right of paid vacation. If there is any enterprise that violates *the Work Style Reform Act*, the owner of the enterprise will be sentenced to a fixed-term imprisonment of half a year or below, and a fine of JPY 800,000 or less. Thus, foreign-funded enterprises who are engaged in investment business in Japan shall abide by applicable laws and regulations and shall never touch the bottom line of the law.

Hiring Foreign Employees

It is stipulated in the Immigration Control and Refugee Recognition Act^① that the following 4 types of labor forces are mainly introduced by Japan:

(1) High-end talents in the field of professional technology. Japan has established 27 types of stay eligibility review systems based on the nature of foreigners' entry and stay. The government tends to introduce foreigners with some expertise in specific fields.

(2) Labor and employment. The eligibility for stay of foreigners with “specific skills” has been established. A total of up to 345,150 foreign labor forces for 14 industries, including nursing and agriculture, will be introduced from other countries in the following 5 years (since April 2019).

(3) Technical internship. Technical internship mainly refers to the introduction of foreign trainees/technical interns to engage in low-tech jobs such as agriculture, food processing and

① Immigration Control and Refugee Recognition Act, <https://elaws.e-gov.go.jp/document?lawid=326CO0000000319>

sewing while receiving vocational skills training.

(4) Talents specified in the Economic Partnership Agreement (EPA) signed mainly include nurses and nurse specialists. Currently, only Indonesia and the Philippines have sent a few personnel.

Work permit system. There are 2 types in terms of this system, namely enterprise investment managers and enterprise employees. Generally, representatives for and on behalf of representative offices and branches can apply for work visas by means of “intra-enterprise transfer”. Representatives of subsidiaries can apply for visas with investment and business qualifications.

Application procedures. First, the Immigration Services Agency of Japan reviews whether the activities carried out by foreigners who wish to enter and stay in Japan meet the requirements of eligibility for stay. If relevant conditions are met, a certificate of eligibility for stay will be issued. The applicant will submit the certificate of eligibility for stay to the Japanese embassy or consulate abroad. The visa is normally approved within 5 business days. To apply for a short-term stay visa, you do not need to have a certificate of eligibility for stay.

Application materials. The materials required mainly include application for certificate of eligibility for stay; education certificate, resume certificate; a copy of Japanese legal person registration; profile of a Japanese legal person; the Japanese legal person’s profit and loss calculation or business plan; a copy of employment contract; in-service certificate; profile of the legal person, business license certificate.

6.4 Protection of Intellectual Property Rights

Competent Authorities and Relevant Laws

The Japan Patent Office of the Ministry of Economy, Trade and Industry of Japan is the competent authorities in charge of intellectual property rights. The main laws and regulations concerning the protection of intellectual property rights include the *Basic Law on Intellectual*

Property, the Patent Law, the Utility Model Law, the Trademark Law, the Design Law, the Copyright Law, and the Anti-Unfair Competition Law.^①

Applying for Patents and Registering Trademarks^②

Applying for Patents. The validity period of a patent is 20 years from the date of application. The information of the patent application will be published in the open patent gazette one and a half year after the filing date. The patentee can exclusively implement the patented invention in Japan, and the third party who implements the patented invention may be requested to stop the implementation and to compensate for damages, etc.

Registering Trademarks. Trademarks refer to the words, graphics, signs or 3-dimensional shapes used on goods or services. *The Trademark Law* stipulates that trademark rights shall be granted to those who file prior applications. A foreign citizen or a legal person can become an applicant for the trademark right in Japan, but if it has no domicile or place of permanent residence in Japan (in the case of legal person, premise), a trademark manager who has a domicile or place of permanent residence in Japan shall be designated (it is true with the patent right application). The validity period of the trademark right is 10 years from the date of approval of registration and can be renewed. Patentees can use registered trademarks on an exclusive basis throughout Japan, and third parties who infringe on trademark rights can request them to stop the use of the trademark rights and compensate for damages.



Special Reminder:

On December 31, 2018, *the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* came into effect, setting out new provisions on the field of intellectual

① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Japan (2020).

② Japanese Patent Office (JPO): <https://www.jpo.go.jp/>

property rights. The major change is that, for applications that are reviewed long, their patent protection period can be extended in accordance with new regulations, and there are new standards for damages on infringed trademarks. Previously, this regulation only applied to a certain part of inventions (such as those in the medical field). Currently, this regulation can be applied to all applications that undergo unreasonable delays in the examination process.



Investment Practice:

A Chinese company has retrieved a brand trademark that was first registered by Daiei Corporation of Japan.^①

Japan's trademark cybersquatting incidents is becoming frequent, and even have brought about occupations related to the cybersquatting of major brand trademarks. These practitioners are called "trademark cybersquatters" in the industry. These cybersquatters first screen some influential brands. After determining that these brands have not been registered in Japan, they will register them in the country first, and then sell them to Japanese merchants at high prices.

In 1995, the Chinese trademark "Goubuli" was successfully registered in Japan by Daiei Co., Ltd. Since then, Goubuli Group has started a long-term negotiation with Daiei Co., Ltd. However, after negotiation, Daiei Co., Ltd. refused to cancel the trademark until the 10-year exclusive right of the trademark "Goubuli" expired in 2005, when Goubuli Group and Daiei Co., Ltd. conducted a new round of negotiations. The Japanese company then decided to abandon the renewal of the Goubuli trademark. Although the Goubuli Group finally regained the right to register the "Goubuli" trademark, it paid a lot of manpower, financial resources, and time, and lost the opportunity to occupy the market early.

Comment: As Japan adopts "post-grant opposition" for trademark registration, that is, the registration certificate will be issued immediately after the initial examination of the trademark is passed, and the opposition period, a period of about 1 month from the registration date, will be

① Adapted from the news on the website of "Saibeip Cloud Intellectual Property Platform".

entered. Anyone can file an opposition the registration of a company during the opposition period. Thus, an investor is suggested to search for the trademark it intends to use before entering the Japanese market. If there is any malicious cybersquatting or registration, the investor can first consider the “opposition” solution. If the trademark has already undergone the opposition period, the investor can consider “providing third-party opinions”, “making invalidation announcements” and “requesting for non-use cancellation” to relevant authorities, and other solutions.^①

Punishment Measures

In accordance with the law, infringers of patent rights, trademark rights, and industrial design rights or their use rights will be given a fixed-term imprisonment of 10 years or below and a fine of JPY 10 million or less. Meanwhile, the Japanese *Unfair Competition Prevention Law* prohibits acts of confusing well-known trademarks, fraudulent use of famous trademarks, infringements of trade secrets, and acts of imitating the forms of goods, and considers them as “acts of unfair competition”. Anyone whose business interests are infringed or are likely to be infringed due to any act of unfair competition may request the cessation of the infringement and the compensation for damages from the person who takes the act of unfair competition.

6.5 Import and Export Management

Competent Authorities and Relevant Laws

The Customs of the Ministry of Finance is responsible for the customs affairs in Japan. The major relevant laws and regulations include: *the Customs Administration Laws and Policies, the Tariff Law, the Tariff Rate Law, the Law on Provisional Measures of Tariff, and the Tariff Schedule, etc.*

^① How to deal with the registration of Cangfeng in Japan? Window of the Northeast, 2017(18). p.51.

Import and Export Control

Table 6-3 Commodities subject to import and export control in Japan^①

	Controlled Commodities
Items subject to export control	1. Narcotics, psychotropic drugs, marijuana, opium, poppy, stimulants; 2. Child pornography related materials; 3. Articles that infringe patent rights, trademark rights, copyrights and other rights; 4. Acts that constitute the violation against Articles 2.1.1-2.1.3 and 2.1.10-2.1.12 of the Japanese <i>Unfair Competition Prevention Law</i> .
Items subject to import control	1. Narcotics, psychotropic drugs, marijuana, opium, poppy, stimulants; 2. Designated drugs (excluding drugs used for medical purposes); 3. Pistols, rifles, machine guns, artilleries, bullets and pistol parts; 4. Explosives; 5. Gunpowder; 6. Specific substances specified in Article 2.3 of the Law on <i>the Prohibition of Chemical Weapons and Specific Substances</i> ; 7. Type 1 pathogens specified in Article 6.2 of the Law on <i>the Prevention of Infectious Diseases and the Medical Care for Patients with Infectious Diseases</i> ; 8. Counterfeit currency, bank notes, cashes, stamps or securities, etc.; 9. Books, sketches, sculptures and other objects that would endanger public safety or customs; 10. Child pornography related materials; 11. Articles that infringe patent rights, trademark rights, copyrights and other rights; 12. Acts that constitute the violation against Articles 2.1.1-2.1.3 and 2.1.10-2.1.12 of the Japanese <i>Unfair Competition Prevention Law</i> .

Regarding the export of specific goods, in addition to customs related laws, permits or approvals are also required in accordance with other laws and regulations.^② For specific provisions, see the table below:

Table 6-4 Regulations on the export of specific commodities

Laws and regulations	Goods	Regulatory authorities
Foreign Exchange and Foreign Trade Law, Export Trade Control Regulations	Weapons/chemical weapons, narcotic drugs, goods that the Washington Convention is applicable to, designated hazardous wastes, etc.	Trade Control Department of the Trade and Economic Cooperation Bureau under the Ministry of Economy, Trade and Industry
Cultural Property Protection Law	Important cultural properties, important cultural relics, natural memorials, important tangible folk cultural properties	Cultural Property First Section of the Bureau of Culture
Law on Birds and Bird Protection and Management, and Hunting Optimization Law	Birds, animals and their processed products, bird eggs, etc.	Wildlife Division of the Natural Environment Bureau under the Ministry of the Environment

^① Custom Bureau of Japan's Ministry of Finance: https://www.customs.go.jp/toukei/suii/html/nenbet_e.htm

^② Custom Bureau of Japan's Ministry of Finance: https://www.customs.go.jp/tetsuzuki/c-answer/extsukan/5501_jr.htm

Continued

Laws and regulations	Goods	Regulatory authorities
Narcotic Drugs and Psychotropic Substances Control Act	Narcotics, psychotropic drugs, narcotics and psychoactive materials, etc.	Surveillance Guidance/Narcotics Countermeasures Section of the Pharmaceutical Life and Sanitation Bureau of the Ministry of Health, Labor and Welfare
Marijuana Control Act	Hemp grass, hemp grass products	
Opium Law	Poppies	
Doping Control Act	Stimulants, stimulant ingredients	
Rabies Prevention Act	Dogs, cats, raccoons, foxes, skunks	Food Safety and Consumer Affairs Bureau of the Ministry of Agriculture, Forestry and Fisheries Animal Health Service Division
Prevention of infectious diseases in livestock and poultry	Cloven hooved animals, poultry, bees and meat, sausages, ham, etc., straw (partial)	
Plant Protection Law	Plants (plants belonging to flowering plants), straw mats, harmful plants, harmful animals (insects, mites, etc.)	Department of Plant Protection of the Food Safety and Consumer Affairs Bureau under the Ministry of Agriculture, Forestry and Fisheries
Road Transport Vehicle Act	Second-hand vehicles	Tourism Bureau and Automobile Information Division of Automobile under the Ministry of Land, Infrastructure, Transport and Tourism

Inspection and Quarantine

Food inspection. Japan has formulated the most strict inspection and quarantine standards for foods in the world. In May 2006, the Positive List System for pesticides^①, feed additives, and animal drugs remaining in foods were implemented in the *Food Sanitation Law*. The system stipulates that the minimum residue limit of more than 50,000 agricultural chemicals included in 799 agricultural chemicals in various agricultural products. The limit of 0.01 PPM shall be applied to other items for which no specific standards have been specified. The Japanese government has established a monitoring system for imported agricultural products that focuses on monitoring and ordered inspections. It is stipulated that 10% of the agricultural products exported to Japan shall be monitored and inspected. If any product is found to exceed the standard, the random inspection rate will be increased to 50%; and the agricultural product whose residue of the same chemical substance exceeds the standard through inspections twice or more shall be subject to 100% ordered inspections.

① Food Sanitation Law: <https://elaws.e-gov.go.jp/document?lawid=322AC0000000233>

Animal quarantine. In accordance with *the Law on the Prevention of Livestock Infectious Diseases*^①, designated inspections on cloven-hoofed animals, horses and their products, chickens, quails, ostriches, turkeys, ducks, and their eggs shall be conducted in Japan. Import bans are imposed on cloven-hoofed animals and their finished products in the infected areas such as Europe, Asia, and the United States. And poultry and poultry meat that are not subject to designated inspections are prohibited from being imported from countries or regions where plateau avian influenza has occurred. The animal diseases for focused epidemic prevention are classified into 2 categories in Japan: one is livestock infectious diseases, with a total of 26 categories, and the other is infectious diseases other than livestock ones, called “notifiable infectious diseases”, with a total of 71 categories. These 2 types of diseases are collectively referred to as “surveillance infectious diseases”. In accordance with *Law on the Prevention of Livestock Infectious Diseases*, anyone who brings livestock products into Japan without subject these products to quarantine will be punished with an imprisonment of 3 years or below or a fine of JPY 1 million or less.

Plant quarantine. Imported plants are quarantined in accordance with *the Plant Prevention Law in Japan*^②. The import of invasive plants, harmful plants, and soil-attached plants is banned for export to Japan. The import of some prohibited plants is allowed provided that an inspection and quarantine certificate can be submitted. It is possible to import some prohibited plants (such as rice straw produced in China) when the Japanese quarantine officer inspects the cultivation site, and the quarantine certificate issued by the Japanese and Chinese government agencies can be submitted. Japan will implement 1 - 2 years of isolated cultivation quarantine when importing seedlings for cultivation. A quarantine certificate issued by the competent government authorities of the country of export is required when general plants are imported. If the exporting country

① Law on the Prevention of Livestock Infectious Diseases

https://elaws.e-gov.go.jp/document?lawid=326AC1000000166_20210401_502AC0000000016

② Plant Sanitation Law: <https://elaws.e-gov.go.jp/document?lawid=325AC00000000151>

does not have any government authorities responsible for plant quarantine, the plants will be quarantined by the Japanese plant quarantine station at the time of import. Wood, furniture, cotton cloth, paper and other products made from highly processed plants are not subject to be plant sanitation.

Import Tariff

Goods exported to Japan are subject to tariff and consumption tax. The tariff rate is the lowest of the tariff rate in the WTO's Schedule Concession, that specified in the EPA or the general tax rate. The general tax rate refers to the tariff rate that corresponds to a specific product type listed in the uniform classification sheet attached to the *Customs Tariff Law*. Investors may have access to Japan's Tariff Schedule on the website of Japan Customs of the Ministry of Finance of Japan^①.

6.6 Environmental Protection

Competent Authorities and Relevant Laws

The Ministry of the Environment is the competent authorities in charge of environmental protection in Japan. It is responsible for solving the environmental load issues caused in the daily life of the people and the daily business activities of enterprises. The main laws and regulations include: *the Basic Environmental Law, the Laws on Supporting the Implementation of the Environmental Law, the Forest Law, the Environmental Impact Assessment Law, the Implementing Order of Environmental Impact Assessment Law, and the Implementing Rules of Environmental Impact Assessment Law, etc.*^②

① Japan's Tariff Schedule: https://www.customs.go.jp/english/tariff/2020_1/index.htm

② Ministry of the Environment of Japan: www.env.go.jp/hourei Japan Environmental Management Association for Industry: https://www.e-jemai.jp/jemai_club/law.html

Related Regulations

Forest protection. The Municipal Forest Preparation Program^①, which is related to forest protection, is adopted in Japan. The program includes basic matters related to logging, afforestation, and other items regarding forest maintenance; clarifies the age standards and methods of cutting trees; and stipulates the species and standard methods of afforestation.

Animal and plant protection. The national strategy for biodiversity is adopted in Japan. Nature reserves are set up in the country. A total of 90 species of domestic rare wild animals and plants are designated as key protection targets.

Air pollution prevention and control. The main technical standards formulated by the Ministry of the Environment of Japan are detailed in the table below:

Table 6-5 Japanese air pollution prevention and control standards^②

Atmospheric matters	Environmental standards
PM2.5	The daily average shall not exceed 35 $\mu\text{g}/\text{m}^3$, and the annual average shall not exceed 15 $\mu\text{g}/\text{m}^3$.
Sulfur dioxide	The hourly average shall not exceed 0.04 ppm, and the daily average shall not exceed 0.1 ppm.
Carbon monoxide	The hourly average shall not exceed 10 ppm, and the average shall not exceed 20 ppm every 8 hours.
Suspended particulate matters	The hourly average shall not exceed 0.20 mg/m^3 , and the daily average shall not exceed 0.10 mg/m^3 .
Nitrogen dioxide	The daily average shall fall within the range of 0.04 ppm-0.06 ppm, or below this interval value.
Photooxidant	The hourly average shall not exceed 0.06 ppm.

Water pollution prevention and control. The main technical standards formulated by the Ministry of the Environment of Japan are detailed in the table below:

Table 6-6 Main environmental technical standards in Japan^③

Project	Standard value
Cadmium	Below 0.003mg/L

① Forestry Agency of the Ministry of Agriculture, Forestry and Fisheries of Japan: https://www.rinya.maff.go.jp/j/keikaku/sinrin_keikaku/con_5.html

② Japanese air pollution prevention and control standards: <http://www.env.go.jp/kijun/taiki.html>

③ Main environmental technical standards in Japan: <http://www.env.go.jp/kijun/wt1.html> standard value

Continued

Project	Standard value
Cyanide	N/A
Lead	Below 0.01mg/L
Hexavalent chromium	Below 0.05mg/L
Arsenic	Below 0.01mg/L
Mercury	Below 0.0005mg/L
Alkyl mercury	N/A
PCB	N/A
Dichloromethane	Below 0.02mg/L
Carbon tetrachloride	Below 0.002mg/L

Regulations on Environmental Assessment

It is specified in Japanese laws that environmental protection assessment must be conducted before any structure construction projects are approved; otherwise, the government will not issue any construction permits. Infrastructure covers 13 types of construction projects such as roads, railways, airports, harbors, reservoirs, power plants, and waste treatment plants. Before the establishment of any of these projects, a third-party agency should be authorized to conduct feasibility assessment related to environmental protection, which should be then submitted to the competent authorities for review. After receiving the assessment report, the competent authorities should make the project known to the public and solicit opinions from all walks of life before determining whether to issue the construction permit. Upon the implementation of the project, if there is any condition that does not conform to the assessment report and causes damage to the environment, the competent authorities will have the right to withdraw the construction permit and suspend the project.

Japan's main environmental assessment agencies include the Japan Association of Environment Assessment (JEAS)^①.

① Japan Association of Environment Assessment (JEAS): <https://jeas.org/>

6.7 Anti-commercial Bribery

Competent Authorities and Relevant Laws

In Japan, prosecutor's offices and police agencies are mainly responsible for investigating bribery and corruption. The main laws include *the Criminal Law*, *the Unfair Competition Prevention Law*, etc., which define bribery to a wide scope. All benefits that can satisfy people's needs or desires can be deemed as bribery, including the provision of sexual services and high-standard banquets and receptions, etc. In Japan, commercial bribery during any transaction process constitutes a crime, and those who accept and offer bribes will both be held criminally liable.^①

Punishment Measures

In accordance with *the Criminal Law* of Japan^②, any civil servant who commits the crime of bribery shall be sentenced to a fixed-term imprisonment of more than 1 year but not more than 7 years and confiscation of his illegal gains depending on the severity of the circumstances involved. An equivalent fine will be imposed on the proceeds that are gained from bribery and cannot be confiscated. Offering bribes to Japanese civil servants shall be deemed as a crime of bribery. The one who offers bribes will be sentenced to a fixed-term imprisonment of 3 years or below, or a fine of JPY 2.5 million or less.

The crime of bribery by foreign civil servants^③ is stipulated in the *Unfair Competition Prevention Law*. Anyone who offers illegitimate benefits to foreign civil servants will be subject to criminal liability and an imprisonment of up to 5 years or a fine of JPY 5 million, or both. A corporate legal person who commits such crime will be subject to a fine of up to JPY 300 million and confiscation of the illegal gains of the enterprise.

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

② Criminal Law: <https://elaws.e-gov.go.jp/document?lawid=140AC0000000045>

③ Unfair Competition Prevention Law: <https://elaws.e-gov.go.jp/document?lawid=405AC0000000047>



Investment Practice:

Former executive of the Japanese display company committed suicide for JPY 578 million embezzlement.^①

In 2019, JDI, a LCD supplier of Apple and a Japanese display producer, issued an announcement on its official website, stating that a former executive of the company was suspected of embezzling public funds. According to the Japanese police, the employee was found dead in Tokyo following the announcement. After being sent to Shinjuku Hospital in Tokyo for investigation, he was confirmed to have committed suicide and died. According to the announcement, during the period 2014 to 2018, the executive transferred fictitious transaction fees to other corporate accounts, converted tax stamps into coins, embezzling company funds several times. The amount involved was as high as JPY 578 million.

Due to fierce competitions in the mobile phone panel industry, JDI was facing operational and financial difficulties. This corruption incident had made the survival of the company a concern. In this case, Apple, JDI's largest customer, decided to help it out of difficulty and announced that it would consider increasing its capital investment in JDI, from the original US\$ 100 million to US\$200 million.

Comment: Japan is one of the countries that adore honesty most in the world which low tolerance for corruption. In addition, there is a sound supervision system and a political system of independent judicial institution in the country, with few corruption incidents. Currently, prosecutors such as the Tokyo District Public Prosecutor's Office and the Osaka District Public Prosecutor's Office have set up special search departments to investigate tax evasion, corruption, and bribery in the political and business circles, as well as major economic crimes. Thus, when conducting business in Japan, a foreign-funded enterprise may not violate the relevant laws on corporate corruption and shall regulate its employees to avoid illegal misappropriation of public funds and prevent corporate capital losses.

① Adapted based on the news from Sina Finance, ESM China and other websites.



Dispute Resolution

7.1 Judicial System

The independent status of the judiciary authorities is protected in Japan. It is stipulated in the Constitution of Japan that “No administrative authorities or institution may impose disciplinary sanctions on judges.”

The Supreme Court is the highest judiciary authorities in Japan. There are 4 lower-level courts: 8 high courts, 50 district courts, 50 family courts, and 438 summary courts. There are 15 justices in the Supreme Court of Japan. The chief (president) of the Supreme Court is nominated by the Cabinet and appointed by the Emperor of Japan. And 14 judges (justices) are appointed by the Cabinet and are subject to referendum review. Naoto Otani, the current chief of the Supreme Court, took office on January 9, 2018.

In Japan’s judicial system, the three-instance system is adopted. Upon the court’s hearings and judgments, both prosecution and defense parties shall have the right to request the court to make 2 more hearings and judgments, and finally enter the appeal procedure. As the court of final appeal, The Supreme Court hears unconstitutional and other major cases. High courts are responsible for second instances; district courts for first instances, and summary and family courts across the country for civil and criminal proceedings that impose no higher penalties than fines.^①

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

7.2 Dispute Resolution

Japan's civil dispute resolution system mainly includes litigation and mediation in which the court participates in the dispute resolution process, and arbitration in which the court does not participate in the dispute resolution process.^①

Litigation^②

Principles of trial. The trial of the district court of first instance is usually conducted by 1 judge alone or by a collegiate panel composed of 3 judges. Corporate disputes with a large amount of litigation involved are generally subject to collegiate trial. Civil litigation starts with the plaintiff filing its complaint to the competent court. In the preparation for the court debate, each party submits preparation documents describing claims on facts and legal issues, and written evidence (documentary evidence) that support their claims.

The general process is as follows: An oral statement is made to the court (for several times) within 1 to 2 months; the parties submit the preparation documents and documentary evidence to each other and make oral supplementary explanations before the judge as scheduled. Documentary evidence submitted in Japan is not required to be notarized. The probative power of many evidence, including hearsay evidence, is recognized in a civil litigation of Japan. The court sorts the arguments of the case through the propositions and documentary evidence submitted by the parties, and usually, after the sorting, holds oral arguments and call witnesses to ascertain relevant facts of the argument. According to the results of the interview with the witnesses, both parties submit preparation documents describing the final claims, and then the trial is over. Afterwards, the court ascertains facts and applies the law to make a judgment whether to support the plaintiff's request.

Reconciliation at trial. In the trial afore mentioned, the judge will confirm to both parties

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

② Japanese courts: <https://www.courts.go.jp/>

whether there is a possibility of reconciliation at the stage of finishing the argumentation or interviewing with witnesses. If possible, a settlement plan is generally proposed to persuade both parties. Where both parties reach an agreement on the conditions of the reconciliation, the court will make a reconciliation transcript that records such conditions. The terms recorded in the transcript shall have the same effect as the judgment. For disputes between enterprises, in view of the continuing costs of litigation and the risk of negative evaluation of losing judgments, most cases usually end in reconciliation.

First-instance judgments, appeals and complaints. The judgment of a civil lawsuit is announced by the court in an open tribunal. Party that refuses to accept the judgment of the first instance may file an appeal within 2 weeks from the date of service of the original judgment. Upon judgment of appeal, party who dissatisfies with the judgment can file a complaint within 2 weeks from the date when the original judgment is received. However, when filing a complaint to the Supreme Court regarding the judgment of the High Court, it is necessary to propose reasons such as unconstitutionality or violation of precedents. It is rather difficult to make a complaint to the Supreme Court supported (that is, to overturn the judgment of the High Court).



Special Reminder:

Litigation (civil litigation) is the main economic and trade dispute resolution procedure in Japan. Japanese courts tend to verify the claims and evidence of the parties and the first-instance judgment will take 1-2 years. If either party refuses to accept the first-instance judgment, the party's appeal or complaint will move to the third-instance trial, and it will often take several years for the final judgment to come out.

Thus, when dealing with a Japanese enterprise, especially for a large-scale transaction that is prone to economic conflicts such as the acquisition of Japanese enterprise, it is very important to conduct preventive legal work by conducting due diligence for anticipated disputes and preparing

rigorous transaction contracts. In the event of a dispute, a lawyer shall be appointed as an agent for negotiation; if the negotiation fails, the dispute shall be resolved through litigation and other dispute resolution methods.

Arbitration

Arbitration Association. Japan Commercial Arbitration Association (JCAA)^① is a representative arbitration in Japan and is usually the Japanese arbitration agency stipulated by Japanese enterprises in the arbitration clauses. When choosing an arbitration agency, consideration should be given to factors such as location, applicable language, rules of use, objects of summary procedures, and costs.

Preservation. It is stipulated in *the Arbitration Law* of Japan that the arbitration agreement can stipulate that the parties may apply to the court for preservation before or during the arbitration proceeding, and the court that accepts the application will order the preservation. In specific cases, to implement preservation, the court needs to obtain the recognition of the court jurisdiction, as specified in the *Civil Preservation Law*. Upon the recognition is obtained, the preservation may be applied for before or during the arbitration proceeding in Japan.

Mediation

Civil mediation is also one of the dispute resolution procedures in which the court participates. In the civil mediation process, the mediation committee selected by the court presides over the mediation process, listens to the opinions from the parties involved in the dispute and the attitude of both parties in the reconciliation, persuades the parties and proposes some mediation proposals to enable them to reach an agreement. Since the parties can arbitrarily decide whether to participate in the mediation procedure, even if they apply for mediation, the mediation procedure will be terminated if the other party is unwilling to participate in it.

① Japan Commercial Arbitration Association (JCAA): <https://www.jcaa.or.jp/>

Where a reconciliation agreement is reached between the parties through civil mediation procedure, the reconciliation transcript will be made in the court. When a party refuses to fulfill the debts owing to the other party, as recorded in the reconciliation transcript, the court may enforce it compulsorily based on the transcript.

7.3 The International Commercial Dispute Prevention and Settlement Organization

Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as “ICDPASO”) is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of “Consultation, Contribution and Shared Benefits”, ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People’s Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance

construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

Suggestions for Dispute Prevention and Settlement

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International

Commercial Dispute Prevention and Settlement Organization (“ICDPASO”), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Mediation Rules of ICDPASO in force at the time of filing application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application.



Free Trade Agreements

Multilateral trade liberalization has strongly promoted Japan's economic prosperity. Currently, Japan has established trade relations with about 200 countries (regions), in which East Asia, North America and Europe have a total percentage of about 80% in Japan's trade.

8.1 Bilateral Free Trade Agreements

In 2002, Japan and Singapore concluded the first bilateral free trade agreement, and subsequently signed free trade agreements with Malaysia (2004), Mexico (2005), the Philippines (2006), Indonesia (2007), Chile (2007), Thailand (2007), Brunei (2007), Vietnam (2008), Switzerland (2009), India (2011), Peru (2011), Australia (2014), Mongolia (2015), and the United States (2019).

8.2 Multilateral Free Trade Agreements

Japan has signed a multilateral free trade agreement with a number of economic alliances. In 2018, Japan and the European Union (EU) signed an EPA agreement, marking another step towards an economic group that contributed nearly one-third of global trade. In March of the same year, *the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* was signed between Japan and 10 other countries.^① In 2020, *the Regional Comprehensive*

① Japan's trade agreements: <https://www.privacyshield.gov/article?id=Japan-Trade-Agreements>

Economic Partnership Agreement (RCEP) was signed among 15 countries, including the 10 ASEAN countries (Singapore, Indonesia, Malaysia, Thailand, Brunei, Cambodia, Laos, Myanmar, the Philippines and Vietnam), as well as China, Japan, South Korea, Australia and New Zealand.

Table 8-1 Multilateral and bilateral free trade agreements signed by Japan^①

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
Japan-Singapore Economic Partnership Agreement	Comprehensive Economic Partnership
Japan-Malaysia Economic Partnership Agreement	Trans-Pacific Partnership
Japan-Mexico Economic Partnership Agreement	Japan-EU Economic Partnership Agreement
Japan-Philippines Economic Partnership Agreement	ASEAN-Japan Comprehensive Economic Partnership
Japan-Indonesia Economic Partnership Agreement	–
Japan-Chile Economic Partnership Agreement	–
Japan-Thailand Economic Partnership Agreement	–
Japan-Brunei Darussalam Free Trade Agreement	–
Japan-Vietnam Economic Partnership Agreement	–
Japan-Switzerland Economic Partnership Agreement	–
Japan-India Comprehensive Economic Partnership Agreement	–
Japan-Peru Free Trade Agreement	–
Japan-Australia Economic Partnership Agreement	–
Japan-Mongolia Economic Partnership Agreement	–
Japan-U.S. Free Trade Agreement	–

8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by Japan, *the Regional Comprehensive Economic Partnership Agreement (RCEP)* is one of the most important multilateral agreements.

Overview of RCEP

On November 15, 2020, the 10 ASEAN countries and the 5 countries including China,

^① Japan-U.S. Free Trade Agreement: <https://aric.adb.org/fta-country>

Japan, Korea, Australia and New Zealand signed *the Regional Comprehensive Economic Partnership Agreement (RCEP)*. This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

RCEP consists of preamble, 20 chapters (including: initial clauses and general definitions, trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, trade remedies, services trade, temporary flows of natural persons, investment, intellectual property rights, e-commerce, competition, small- and medium-sized enterprises, economic and technical cooperation, government procurement, general terms and exceptions, institutional terms, dispute resolution, final clauses), and 4 attached market access commitment sheets (including: tariff commitment sheet, specific service commitment sheet, commitment sheet on investment reservation and non-conforming measures, and specific commitment sheet on the temporary flows of natural persons).

RCEP allows the unity of high quality and inclusiveness. The share of final zero-tariff products in goods trade will exceed 90% overall, and the overall opening-up of service trade and investment will expand significantly. Meanwhile, RCEP also considers the national circumstances of different countries and grants special and differential treatment to the least developed countries to promote the inclusive and balanced development of the regions. As a result, all parties can fully share the results of RCEP and significantly improve the level of economic integration in East Asia.

RCEP will promote the integration of regional industrial chains, supply chains and value chains, and regional economic growth. The economic structures of RCEP members are highly

complementary, with complete capital, technology, and labor elements in the region. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the expansion and upgrading of the consumer market in the region. According to the calculations by an internationally renowned think tank, by 2025, RCEP is expected to drive the exports, foreign investment stocks, and GDP of its member countries to increase by 10.4%, 2.6%, and 1.8% respectively from the baseline.

Japan's Commitment to RCEP

SCHEDULE OF TARIFF COMMITMENTS. Japan shall, as of the effective date of the RCEP, grant concessions to the tariffs levied on the goods of origin under this agreement. Tariff lines indicated with “U” in each stage of reduction in this Schedule shall be excluded from any commitment of tariff reduction or elimination.

Regarding the time of tariff concessions, the tariff list non-linear gradual abolition listed, as in the *Schedule of Tariff Commitments of Japan*, is subject to review by relevant parties. The review will be completed within 3 years from the date of entry into force of *the Regional Comprehensive Economic Partnership Agreement*. Unless otherwise agreed in the review, all linear phased content related to tariff details should begin within 3 years after the review is completed.

SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES.^① The *Schedule of Reservations and Non-conforming Measures for Services and Investment of Japan* adopts the

① Schedule of Reservations and Non-conforming Measures for Services and Investment: <https://rcepsec.org/>

negative list to make commitments to trade in services and investment, including cross-border service trade. It sets out specific commitments concerning national treatment, local presence, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments.^①

(1) A person who intends to conduct specified motor vehicle maintenance and repair businesses is required to establish a workplace in Japan and to obtain an approval of the Director-General of the District Transport Bureau having jurisdiction over the district where the workplace is located.

(2) A person who intends to supply the following services for enterprises in Japan is required to have an establishment in Japan and to obtain permission from, or to submit notification to, the competent authority, as applicable: (a) private job placement services including fee-charging job placement services for construction workers and job placement services for seafarers; or (b) worker dispatching services including stevedore dispatching services, mariner dispatching services and work opportunities securing services for construction workers.

Labor supply services may be supplied only by a labor union which has obtained permission from the competent authority pursuant to *the Employment Security Law* or *Mariner's Employment Security Law*.

(3) A person who intends to supply collection agency services which constitute the practice of law in respect of legal cases is required to be qualified as an attorney-at-law under the laws and regulations of Japan (“Bengoshi”), a legal professional corporation under the laws and regulations of Japan (“Bengoshi-hojin”), or a legal person established under *the Special Measures Law Concerning Credit Management and Collection Business* and to establish an office in Japan.

Except for legal persons established in accordance with the “*Special Measures on Credit Management and Credit Investigation*” for engaging in credit business, no one may take over or

① RCEP: <https://rcepsec.org/>

recover the credit of others.

(4) A person who intends to conduct construction business is required to establish a place of business in Japan and obtain permission from the Minister of Land, Infrastructure, Transport and Tourism or from the prefectural governor having jurisdiction over the district where the place of business is located.

(5) A person who intends to conduct demolition work business is required to establish a place of business in Japan and to be registered with the prefectural governor having jurisdiction over the district where the place of business is located.

(6) The number of licenses conferred to service suppliers in those subsectors may be limited, where it is necessary to maintain a supply-demand balance of liquors to secure liquor tax revenue (Paragraph 11 of Article 10 of the *Liquor Tax Law*).

(7) In Japan, higher education is supposed to be provided by the formal educational institutions, which shall be established by school corporation. Higher educational services supplied as formal education in Japan are required to be supplied by formal education institutions. Formal education institutions are required to be established by school juridical persons.

(8) The deposit insurance system only covers financial institutions which have their head offices within the jurisdiction of Japan. The deposit insurance system does not cover deposits taken by branches of foreign banks.

(9) Other's clauses.

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-conforming Measures for Services and Investment of Japan*^① sets out minimum restrictions with respect to Japan's national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments., etc. This list sets out, in accordance with the *Schedules of Non-conforming Measures and Reservations* and

① Schedule Of Reservations and Non-Conforming Measures for Services and Investment (Japan): <https://rcepsec.org/>

Non-conforming Measures, the entries made by Japan with respect to existing measures that do not conform with obligation imposed by the *Article 8* and *Article 10* of RCEP.

(1) The notification requirements and screening procedures under the “*Foreign Exchange and Foreign Trade Act*” apply to foreign investors who intend to make investment in the heat supply industry in Japan. The screening shall be conducted from the perspective of whether the investment is likely to cause a situation in which national security is impaired, the maintenance of public order is disturbed, or the protection of public security is hindered. Investor may be required to alter the content of investments or discontinue the investment process depending on the screening result.

(2) The notification requirements and screening procedures under the “*Foreign Exchange and Foreign Trade Act*” do not apply to industrial investments in organic chemicals such as ethylene, ethylene glycol and polycarbonate.

(3) Nippon Telegraph & Telephone may not enter their name and address in its register of shareholders if one third or more of the shareholders of NTT are foreign legal persons or entities or non-Japanese natural persons.

Any natural person who does not have Japanese nationality may not assume the office of member of the board of directors or an auditor of Nippon Telegraph & Telephone.

(4) A person who intends to establish or extend docks, which can be used to manufacture or repair vessels of 500 gross tonnage or more or 50 meters in length or more, is required to obtain permission from the Minister of Land, Infrastructure, Transport and Tourism. The issuance of a license is subject to the requirements of an economic needs test.

(5) Others clauses.

Rights Reserved or Maintained by Japan:

(1) Right in any bilateral or multilateral agreements relating to aviation.

(2) Right to provide telemarketing services.

- (3) Right to employ natural persons for home nursing.
- (4) Right to provide audiovisual post production.
- (5) Right to invest in or provide services in Japan's territorial waters, internal waters, exclusive economic zones, and continental shelves.
- (6) Right to invest in airports and operate services at airports.
- (7) Right to provide any measures relating to the provision of security services.
- (8) Right to provide public enforcement of law, correctional services, income security or insurance, social security or insurance, social welfare, public training, health, child care and public housing.
- (9) Others clauses.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. This Schedule sets out Japan's commitments in relation to the temporary entry and temporary stay of natural persons of another Party. Temporary entry and temporary stay for a short-term business visitor is permitted for a period of up to 90 days. Temporary entry and temporary stay for an intra-corporate transferee is permitted for a period of up to five years, which may be extended.^①

① Schedule of Specific Commitments on Temporary Movement of Natural Persons (Japan): <https://rcepsec.org/>



Support Measures against COVID-19

9.1 Economic Security Policies

The enterprise support policies provided by Japanese government to cope with COVID-19 outbreak mainly include^①:

(1) Stabilize employment. During the period from 1 April 2020 to 30 June, the allowance limit for small and medium-sized enterprises will be increased from 2/3 to 4/5 of an employee's salary, and for large enterprises from 50% to 2/3. The subsidy for large firms that do not lay off workers has been raised to 3/4; If the shutdown allowance paid by small and medium-sized enterprises to employees exceeds 60% of the wages, the government will subsidize 90% of the part within 60%, and the part over 60% will be fully subsidized by the government. As an exception, for the SMEs that respond to the Government's call to close or shorten their business hours and pay 100% of their employees' wages or more than the prescribed ceiling on the amount of extinguishment allowance, the suspension allowance is fully borne by the government. Informal workers who do not participate in employment insurance will also be included in the target employees. The upper limit of the employment adjustment subsidy is raised to JPY 15,000 from JPY 8,330 a day, and a system of direct claims is established. Employment support is

^① China's Ministry of Commerce, Foreign Investment Cooperation Country (Region) Specific Guidelines—Japan (2020 edition).

enhanced for new graduates, informal workers and foreign workers by setting up special consultation windows.

(2) Financing support. Firstly, interest-free loans totaling JPY 2.3 trillion are provided to small and medium-sized enterprises through government financial institutions such as Japan Public Treasury of Policy Finance and private financial institutions such as banks and credit Treasury. Both small and medium-sized businesses whose revenues have fallen by more than 5% and self-employed people (including freelancers) is financed. Specific preferential measures: interest rates on loans will be reduced by 0.9%, and zero-interest loans will be allowed in the next 3 years. Enterprises with revenue falls by 15-20% will be subsidized by the state to guarantee its access to interest-free loans. Secondly, a financing guarantee system for small and medium-sized enterprises will be set up in all local credit guarantee associations. The scope of application of the existing guaranteed system will be expanded, including Safety Net Guarantee No. 4 (in addition to the existing guaranteed quota, full loan guarantees of up to JPY 280 million will be offered to enterprises whose revenues have fallen by more than 20%) and Safety Net Guarantee No. 5 (a guarantee of 80% of the loan amount will be offered to enterprises whose revenues have fallen by more than 5%). A new crisis-related guarantee system will provide full loan guarantees of up to JPY 2.8 trillion to small and medium-sized enterprises whose revenues have fallen by more than 15%. Thirdly, enable the financing system for crisis response. With the financial support from the government, enterprises are supported financially by policy-based financial institutions such as Development Bank of Japan and Shoko Chukin Bank. The system, with a total size of JPY 204 billion mainly applies to large and medium-sized enterprises. No upper limit is set on the amount of support for individual enterprises. Fourthly, support enterprises to secure supply chains. A total of JPY 250 billion in financing is provided by Japan Bank for International Cooperation to support the overseas business of Japanese enterprises, to secure supply network. In addition, the Second Supplementary Budget for 2020 is prepared to provide more than JPY 130 trillion of

financing support to enterprises through subordinated loans and other forms. JPY 50 billion is allocated for the establishment of the “Support Fund for Strengthening the Business Capacity of Small and Medium-sized Enterprises” in August and September 2020 to inject capital into hundreds of small and medium-sized enterprises in manufacturing and service industries and encourage private financial institutions to finance enterprises.

(3) Distribute subsidy. A total subsidy of JPY 2.3 trillion will be provided to small and medium-sized enterprises and self-employed individuals whose income has fallen by 50% from a year earlier, with up to JPY 2 million for small and medium-sized enterprises and JPY 1 million for self-employed individuals. JPY 243.5 billion is allocated to support enterprises to shift production base from specific countries such as China to Japan or Southeast Asia the subsidy ratio is half for large enterprises and two-thirds for small and medium-sized enterprises. As manufacturers of masks, disinfectant, protective clothing, respirators, artificial lungs, and other important materials related to the health of the people, large enterprises will receive two-thirds of the subsidy for shifting their production base back to Japan, while small and medium-sized enterprises will receive three-quarters of the subsidy. Subsidies will be provided for small and medium-sized enterprises importing telecommuting equipment. Multiple local governments will pay compensation to businesses that have closed due to the outbreak. For example, the Tokyo Government provides JPY 500,000 for closed stores and JPY 1 million for businesses with more than 2 stores. In addition, the second supplementary budget of this year is prepared, in which a subsidy of up to JPY 6 million was added to reduce shop rent. VCs that start new ventures this year will be eligible for a “subsidy for staying in business” of up to JPY 2 million. “Temporary subsidies for local start-ups” of JPY 2 trillion will be provided. A subsidy of up to JPY 2 million will be provided to support epidemic prevention work in busy shops, restaurants, small concerts, and other places after the declaration of emergency is rescinded.

(4) Tax incentive. A tax policy to support COVID-19 prevention and control is announced by

the Government of Japan on April 7, 2020, as part of the emergency financial assistance plan for COVID-19. The main tax measures are as follows: firstly, deferred payment. Special measures will be taken to allow companies with a significant decline in total revenue to defer payment of state and local taxes and social security contributions for a year, and no mortgage and overdue fine are required. The measure will apply to national, local and social security contributions due between 1 February 1, 2020, and January 31, 2021, and will also apply retroactively to payments made prior to the entry into force of these measures. Secondly, net operating losses are carried back. Small and medium-sized enterprises with a registered capital of not more than JPY 100 million - 1 billion are supposed to receive a tax refund through the carried back of net operating losses. The measure will apply to net operating losses incurred between February 1, 2020, and January 31, 2022. Thirdly, special depreciation or tax credit will be granted to small and medium-sized enterprises for capital investments in telecommuting to strengthen the operation and management of small and medium-sized enterprises. Fourthly, operating entity is allowed to change the choice of whether to pay consumption tax. Fifthly, derate local house property tax and city planning tax. If SME operating income falls by 30-50% in the 3 months between February and October 2020 (compared to the same period last year), the tax base will be halved when calculating the local property tax and town planning tax payable in 2021 for depreciable assets owned by SME and buildings used for operations. Tax base will be zeroed for SMEs whose turnover has fallen by at least 50%. Sixthly, local property taxes to boost productivity. To promote capital investment of SMEs, the scope of depreciable assets applicable to lower tax rates will be extended to houses and buildings of enterprises, with a view to enhancing productivity of enterprises. The special measures will apply until 31 March 2023. Seventhly, exempt stamp duty on special loan contracts. Stamp duty will be exempted for contracts on concessional loans made by financial institutions to operating entities affected by the COVID-19 outbreak.

(5) Consultation service. In order to provide business consulting services for small and

medium enterprises (SMEs), since January 29th, 1,050 consultation windows are set by Japan Public Treasury of Policy Finance, Shoko Chukin Bank, Credit Guarantee Association, Chamber of Commerce and Industry, National Federation of Commerce and Industry Associations, Small and Medium-sized Enterprise Infrastructure Development Organization, Department of Small and Medium Enterprises (SME), local economic and industrial bureaus and other government agencies. In addition, restrictions on import and export procedures are relaxed to allow enterprises to apply for extension of the validity period of import and export licenses.

(6) Employment support for foreign technical interns. The Japanese government has announced that the validity of the “Certificate of Eligible Retention” required for visas and entry will be extended from 3 months to 6 months. Technical interns who are unable to return home due to travel restrictions imposed by their countries are allowed to apply for a 30-day temporary stay or stay for designated activities. Affected by the epidemic, technical interns whose stay period cannot be renewed due to failing to attend skill level test on time are allowed to change their immigration status (with stay period extending up to 4 months) and are permitted to continue to work in receiving units. Relaxation of industry restrictions for technical interns, providing re-employment information for unemployed technical interns, and granting up to 1 year’s stay qualification for designated activities for technical interns who wish to be reemployed. Increase the amount of “improving the environment for receiving foreigners” and support local governments in providing consulting and other services for foreign technical interns.

9.2 Economy Revitalization Measures

In January 2021, *the Cabinet of Japan issued the “Economic Outlook for Fiscal Year 2021 and the Basic Position on Economic and Fiscal Management”*, which was used by the government to prepare the fiscal budget for 2021.^① Main content includes:

① Japan’s Cabinet Office: <https://www5.cao.go.jp/keizai1/mitoshi/2020/r030118mitoshi-e.pdf>

(1) Enhance economic and fiscal management. To secure the lives and livelihoods of people, the government will balance between preventing the spread of infection and carrying out socio-economic activities.

(2) Resuscitate private consumption demand. By smooth and steady implementation of the Comprehensive Economic Measures, the government will support the economy through public spending and stimulate business investment and other private demand, which in turn improves productivity and promotes a continuous rise in wages. With the autonomous recovery of private demand, the economy will revert to the growth path led by private-sector demand.

(3) Digital society transformation. As the current Novel Coronavirus pandemic has revealed various social issues including these related to administrative services, the government will promote social transformation for the realization of digital society through intensive investment and implementation and improvement of the environment, such as digitization of administration and regulatory reform, and will accelerate investment in human capital and innovation.

(4) Revitalize local societies. The government will work to improve the productivity of SMEs and raise the minimum wage nationwide; The government also work to increase income standards in local economies by promoting tourism, agriculture and forestry and fisheries, as well as by maintaining local public transport; The government will promote reallocation of skilled labor from metropolitan areas to local areas across companies especially to SMEs and start-ups, supporting local economies grow with foreign economy.

(5) Establish and improve social security system. To boost the future workforce, the government will introduce a series of measures to against the declining birth rate, such as the provision of inclusive supports for childcare including the application of public insurance for fertility treatment, and the expansion of childcare services. In addition to promoting work-style reforms such as telecommuting and equal pay for equal work, the government will take measures to encourage and increase employment.

(6) Increase financial support. To better revitalize the economy, the government allocated JPY 5 trillion in the fiscal budget of 2021 for the prevention and control of COVID-19 through various measures^①, such as the establishment of an infectious disease management system and public health center system, and the enhancement of the production capacity of domestic medical facilities. In terms of fiscal expenditure, in addition to epidemic related expenditure, the government's expenditure on social security and national defense reached a new high. In terms of fiscal revenue, due to the impact of COVID-19, the income of enterprises in Japan's economic downturn decreased, resulting in a decrease in tax revenue. Large amounts of government debts are issued by the government for compensating for shortfall in revenue and the increase in spending, which boosted its share of total revenue sharply to 40.9%.

① Japan's Ministry of Finance: <https://www.mof.go.jp/english/budget/budget/fy2021/01.pdf>



Contact Information of Relevant Departments and Institutions

10.1 Contact Information of Government Departments and Relevant Institutions

Table 10-1 Contact information of some government departments and related institutions in Japan

Name	Telephone	Website
Prime Minister's Office of Japan	-	www.kantei.go.jp
Cabinet Office of Japan	+81-03-5253-2111	www.cas.go.jp
Ministry of Foreign Affairs	+81-03-3580-3311	www.mofa.go.jp
Ministry of Finance	+81-03-3581-4111	www.mof.go.jp
Financial Services Agency	+81-03-3506-6000	www.fsa.go.jp
National Tax Agency	+81-03-3581-4161	www.nta.go.jp
Ministry of Economy, Trade and Industry	+81-03-3501-1511	www.meti.go.jp
Ministry of Health, Labor and Welfare	+81-03-5253-1111	www.mhlw.go.jp
Ministry of Agriculture, Forestry and Fisheries	+81-03-3502-8111	www.maff.go.jp
Ministry of Education, Culture, Sports, Science and Technology	+81-03-5253-4111	www.mext.go.jp
Japan Patent Office	+81-03-3581-1101	www.jpo.go.jp
Ministry of Land, Infrastructure, Transport and Tourism	+81-03-5253-8111	www.mlit.go.jp
Ministry of Justice	+81-03-3580-4111	www.moj.go.jp
Bank of Japan	+81-03-3279-1111	www.boj.or.jp

10.2 Contact Information of Business Association and Service Provider

Table 10-2 Contact information of some chambers of commerce, association and service providers in Japan

Name	Telephone	Website
Japan Business Federation (Keidanren)	+81-03-6741-0222	www.keidanren.or.jp
Japan Association of Corporate Executives	+81-03-3211-1271	www.doyukai.or.jp
The Japan Chamber of Commerce and Industry (Japan Chamber of Commerce)	+81-03-3283-7823	www.jcci.or.jp
The Tokyo Chamber of Commerce and Industry (Tokyo Chamber of Commerce)	+81-03-3283-7500	www.tokyo-cci.or.jp
Japan External Trade Organization (JETRO)	+81-03-3582-5511	www.jetro.go.jp
Japan Foreign Trade Council, Inc.	+81-03-3435-5952	www.jftc.or.jp
Japan International Trade Promotion Association	+81-03-6740-8271 +81-03-6740-6160	www.japit.or.jp



Appendix: Frequently Asked Questions

1. What are the categories of work visas in Japan?

Japanese Embassy (Consulate)^① and Immigration Service Agency of Japan^② are responsible for the matters related to the work visa to Japan.

Table 11-1 Type of visa, scope of activity and duration of stay permitted by visa^③

Type of visa	Scope of application	Duration of stay
Visa for temporary visitor	Stay in Japan for sightseeing, entertainment, business meetings, family visits and other activities.	90, 30, 15 days
Business management visa	Conducting trade or other business activities in Japan.	5, 3, 1 year or 4, 3 months
International Humanities Visa (engineer/humanities specialist/international business personnel)	Services that require skills or knowledge related to the natural sciences or humanities, or that require specific ways of thinking or sensitivities acquired through exposure to a foreign culture.	5, 3, 1 year or 3 months
Transfer visa within enterprise	An employee of the same group is sent by an overseas group company to a business site in Japan to conduct corresponding business activities for a limited period as work needed.	5, 3, 1 year or 3 months
Visa No. 1 for special skilled talents	The visa offers advantages such as a fast-track application, a five-year stay and the ability to apply for a permanent stay after a short stay. Applicants should be graded on their educational background, professional experience, licenses, income, achievements, age, etc., and those who get high marks are more likely to get visas	5 years

① Japanese Embassy (Consulate): <https://www.mofa.go.jp/mofaj/link/zaigai/index.html>

② Immigration Service Agency of Japan: <http://www.moj.go.jp/isa/index.html>

③ CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Japan (2019).

Continued

Type of visa	Scope of application	Duration of stay
Visa No. 2 for special skilled talents	This type of visa is available to foreign workers who are highly skilled in a particular field of specialization. Specific examinations are required for the conversion from Visa No. 1 to Visa No. 2. Holders of such visas can apply for permanent residency with their spouses and children.	The period of stay is 3 years, but can be renewed for an unlimited number of times
Temporary stay visa for family members	Spouses of persons working in Japan or unmarried minors supported by foreign nationals in Japan are permitted to work in Japan for a limited period of time.	Indefinite
Visa for spouses or children of Japanese nationals	Spouses or children of Japanese nationals are not restricted in their activities.	5, 3, 1 year or 6 months
Visa for permanent residence	Stay time and activities are not restricted.	Permanent (the visa needs to be renewed every 7 years)

2. What are Approval Criteria for Permanent Residence Permit?

Individuals who have lived in Japan continuously for more than 10 years or worked in Japan for more than 5 years is supposed to apply for permanent residence. Individuals who have lived in Japan continuously for more than 5 years (generally not allowed to leave Japan continuously for more than 3 months and not allowed to leave Japan for more than 150 days in a year) is supposed to apply for Japanese citizenship. A 3- or 5-year business management visa is required to apply for citizenship.

According to the “*Approval Criteria for Permission of Permanent Residence*”^① issued by Immigration Service Agency of Japan, the applicant shall meet the following conditions:

(1) Good conduct. As a member of Japanese society, applicant shall abide by laws and regulations and integrate his daily life with the society.

(2) Possessing the sufficient assets or skills required by independent live. Their daily life is not a burden to the public, and their future life can be predicted depending on all their assets or skills.

(3) The applicant’s permanent residence shall be consistent with the interests of Japan: in

① “Approval Criteria for Permission of Permanent Residence”: http://www.moj.go.jp/isa/publications/materials/nyukan_nyukan50.html

principle, the applicant must have resided in Japan for more than 10 years, of which at least 5 years on an employment visa (other than the residence visa for “Technical Interns” or a “Specified Skill 1”); The applicant has not been fined or sentenced to prison, and has properly performed public obligations (such as tax payment, payment of public pension and health insurance premiums, immigration management and declaration obligations under the Refugee Recognition Law); The existing resident visa shall be valid during the longest period as specified in Schedule 2 of the Immigration Authority and the Rules for Governing the Implementation of the Refugee Recognition Act; The applicant poses no danger to public health.

3. How is Japan’s education system?

School education comprises of preschool education, primary education, secondary education, and higher education. The length of schooling is 6 years in primary school, 3 years in junior high school, 3 years in senior high school and 4 years in university, of which 9 years are compulsory from primary school to junior high school. Universities are national, public, and private. Famous national comprehensive universities include the University of Tokyo, Kyoto University, etc. Famous private universities include Waseda University, Keio University, etc. Japan attaches importance to social education, with correspondence, night school, radio, television education generalized.

4. How is Japan’s medical and healthcare quality?

Medical institutions in Japan cover small hospitals, clinics, and large general hospitals with multiple medical subjects. In most cases, only one physician is available in a clinic, but most of them have worked in public hospitals and are experienced and have guaranteed medical quality. Sometimes a letter of reference from a clinic is required to receive treatment in a comprehensive hospital. Patients is expected to go to the outpatient clinic in local hospitals and clinics, and then go to the comprehensive hospital for professional treatment as needed.

In addition, Japan has a policy of separation of diagnose and medicine. Prescription medicine cannot be bought at drugstores without a doctor's prescription.

5. How are Japan's traffic conditions?

Japan has an efficient public transport network, especially in metropolitan areas and between large cities. Public transport in Japan is characterized by punctuality, excellent service, and large numbers of users. It involves rail traffic, cars, ferries, etc.

Shinkansen. Japan's high-speed trains are called "Shinkansen". In Japan, high speed rail network mainly covers Honshu, Kyushu, and Hokkaido. The Shinkansen, with a maximum speed of 320 km/h, is famous for its punctuality, comfort, and safety.

Ferry. In Japan, 4 main islands (Honshu, Hokkaido, Kyushu, and Shikoku) are connected to each other by Bridges and tunnels, but many smaller islands can only be reached by ferry. Ferries are classified into special-, first-, second- and third classes. Both bicycles and cars are allowed to board a ship.

6. How to Buy a Car in Japan?

According to *Japan's Garage Law*, a "Garage Certificate" is required to buy a car. Garages include purchased or leased garages, parking spots, etc. Garage certificate is not necessary for buying a lightweight car. Lightweight cars refer to three- and four-wheeled cars with displacement less than 600cc.

Garage certificate can be applied either by car buyers or car dealer. Documents required include requisition for proof of car storage place, requisition for issuing garage location marker, location map, garage use consent, etc. (Templates for relevant materials can be downloaded from the police department's website) The accepting institution is the police station where the garage is located.

7. What are Restrictions on Foreigners Buying House in Japan?

According to Japanese law, expatriates who are allowed to buy real estate and land on the

same terms as Japanese citizens, can entrust others to sign the contract and handle all the sales formalities (without having to go to Japan). Purchase limitation and credit limit are not applicable in Japan, and permanent land property rights and the right of inheritance are entitled to the buyer. Foreigners without the right of abode or domicile is required to notarize the customer's household address in China before house-purchasing. The notarization shall be, at the time of purchase, submitted to the judiciary registered by agency for written review, and the qualified at the time of transfer application shall be, at the time of transfer application, submitted to the Office of Legal where the real estate is located.

In Japan, floor space is measured in 2 ways. The first part is exclusive area -- the area measured from the surface of the wall, which can be interpreted as the indoor floor area or the usable space inside the house. In general, the exclusive area of house property will be registered in Certificate of Real Estate. The second part is the area of wall core -- the area measured from the interior of the wall, which is slightly larger than the exclusive area. So, it will be listed as featured properties by most of the real estate companies.

Although Japan is often subjected to earthquakes, it has been able to reduce the number of earthquake casualties to a relatively low level in the world. Buildings built after 1982 meet the requirements specified in Japanese Building Law for earthquake resistance, with a minimum rating of 7 or above. Earthquake and fire insurance are optional for the house to be purchased. In case that the real estate structure is affected by the earthquake, the insurance company will compensate the newly built buildings. This is also very cost-effective for investors, but the incidence is extremely low.