

JAPAN MARKET ENTRY

Co-published by JIAM, and Atsumi & Sakai



THIS SECTION PROVIDES
MARKET ENTRY GUIDANCE FOR
GENERAL BUSINESSES. FOR
SPECIFIC PROCESS FOR
FINANCIAL BUSINESS, PLEASE
JUMP TO SECTION 2.

Establishment

- > Preliminary matters
- > Setting up an entity
- > Visas and Employment Law

Post Establishment

- > Employment matters
- > Corporate secretarial and changes to registrations and filings
- > Other legal matters
(Contracts, Licensing, etc.)

> Preliminary matters

1. Selecting the type of entity and ownership structure

2. Regulatory issues

3. Cultural considerations

Branch Office

- Easy and fast to establish
- A branch office is viewed by potential employees and business counterparties as a stable type of entity
- Not separate legal entity from parent

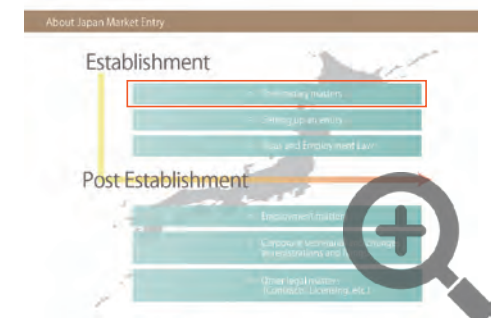


Kabushiki Kaisha (KK)

- Most popular type of company
- Highest credibility

Godo Kaisha (GK)

- New type of company
- Less time and cost to establish than KK



> Preliminary matters

1. Selecting the type of entity and ownership structure

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	Branch Office	Subsidiary Company	
		Kabushiki-Kaisha (Joint-Stock Corporation)	Godō-Kaisha (Limited Liability Company (LLC))
Capital	No capital	1 yen or more	1 yen or more
Liability	Liability of parent	Limited to amount of equity participation	Limited to amount of equity participation
Executives required	1 or more* individual representative in Japan	Depending on type of KK may require Representative Director, Board of Directors, Statutory Auditor / At least one individual director is required	No legally stipulated minimum. In principle, all members are executive members, but a representative member may be appointed; Executive member could be a corporation
Distribution of profits and losses	—	Allocated according to equity participation ratio	May be allocated at a different rate from equity participation if specified in articles of association
Taxation	Income arising within Japan is taxable	Taxed according to profits of KK and profits allocated to shareholders	Taxed according to profits of LLC and profits allocated to participants

* At least one representative must have an address in and be resident in Japan.

Establishment | Setting up an entity - 1 (Formation Procedure for a KK)

> Setting up an entity

Approx. 1 - 2 months

Decision to establish a KK

Name search at Legal Affairs Bureau for same corporate names

Order the Company Seal

Preparation of documents (Some documents, such as signature certificate of directors, need to be notarized in the home country of the individual signatory)

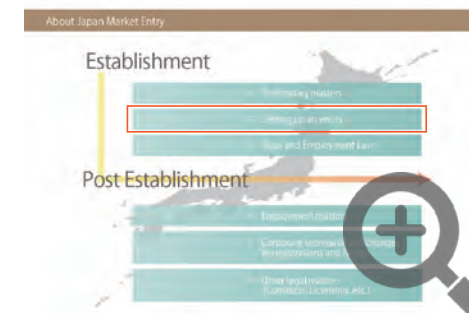
Notarization of Articles of Incorporation by Japanese notary public

Transfer the capital to local bank account

Examination by directors and auditors of legality of establishment procedures and execution of documents

Apply for registration (formation is effective at this point)

Obtain commercial registry and certificate of company seal (1 or 2 weeks following the application)



> Setting up an entity



Post - Incorporation



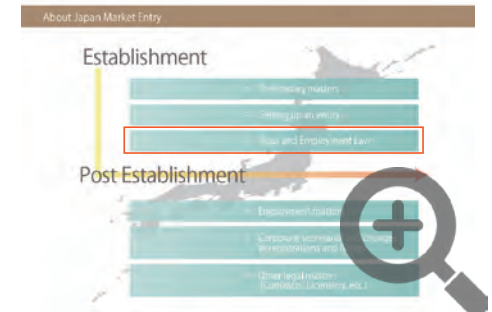
Submit Government notices (national tax authorities, prefectural and municipal tax authorities, labor standards inspection authorities, public employment security authorities, and pension authorities)

Opening of bank account

Preparing the shareholders' registry

Notification of the share acquisition to the Bank of Japan

> Visas and Employment Law

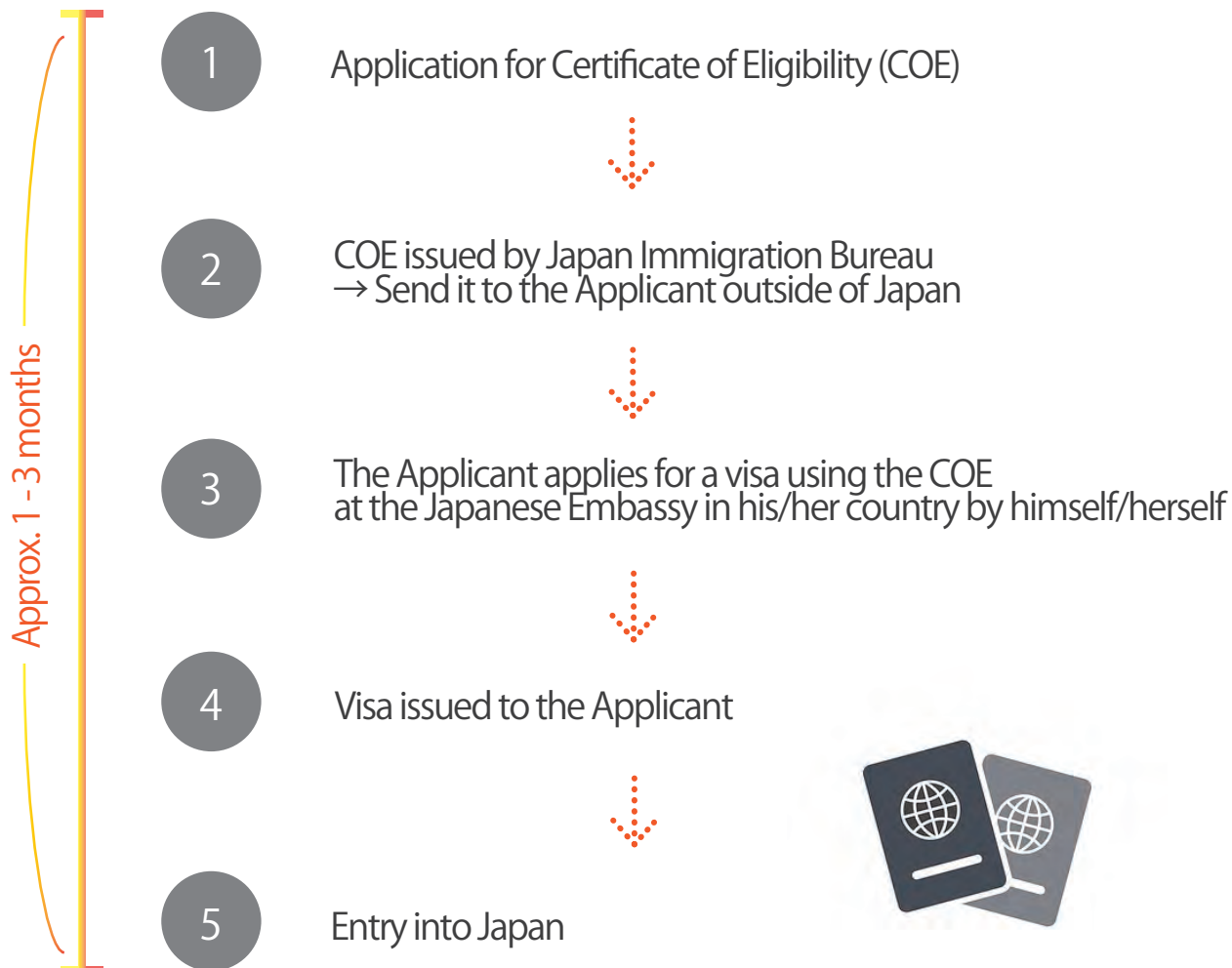


[Major residence visa categories]

Residence	Activities authorized to engage in	Examples	Period of Stay
Investor / Business Manager	Activities of operating international trade or some other business of a public or private organization in Japan or of managing such business	Investor, manager or administrator of a company, etc.	5 years, 3 years, 1 year, 4 months or 3 months
Engineer / Specialist in Humanities / International Services	Engaging in services which require skills or knowledge pertinent to physical science, engineering or other natural science fields, or engaging in services which require knowledge pertinent to jurisprudence, economics, sociology or other human science fields, or engaging in services which require specific ways of thought or sensitivity based on experience of foreign cultures, based on a contract with a public or private organization in Japan	Engineer, such as mechanical engineer, interpreter, designer, language instructor at a private company, or marketing specialist	5 years, 3 years, 1 year or 3 months
Intra-company Transferee	Activities of a staff member transferred to a business office in Japan for a limited period of time from a business office established in a foreign country by a public or private organization which has its head office, branch office or other business office in Japan, which are to be conducted at such business office in Japan and which are listed in the row "Engineering/Specialist in Humanities/ International Services" of this Table	Transferee from an office abroad	5 years, 3 years, 1 year or 3 months

> Visas and Employment Law

[Visa Application Procedure]



> Visas and Employment Law

[Employment matters]

Independent contractor arrangements

Local hire employment agreements

Non-Japanese employee agreements

Director and manager agreements



Post Establishment

Employment matters

Corporate secretarial

Changes to registrations and filings

Renewal of visa status, change of visa status

Regulatory advice

Commercial contracts

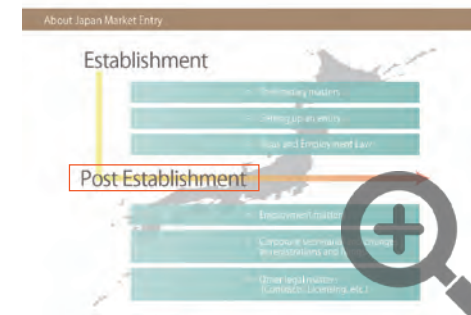
Licensing

Dispute resolution

Data protection

- Employment contract: A formal employment contract is not required, but an employee must be given a written statement of certain terms of employment
- Work rules: Employers with 10 or more employees must adopt “work rules” which must file them with the local Labour Standards Office (LSO)
- 36 agreement: If an employer wants employees to work on a statutory day off or for more than statutory hours, it must file a notification with its local LSO
- Advising on termination of employment, etc.

- Supporting preparing the documents such as shareholders’ meeting minutes, board of directors’ meeting minutes
- Application for change of registry, such as re-appointment of officers, relocation of the office, capital increase, etc.



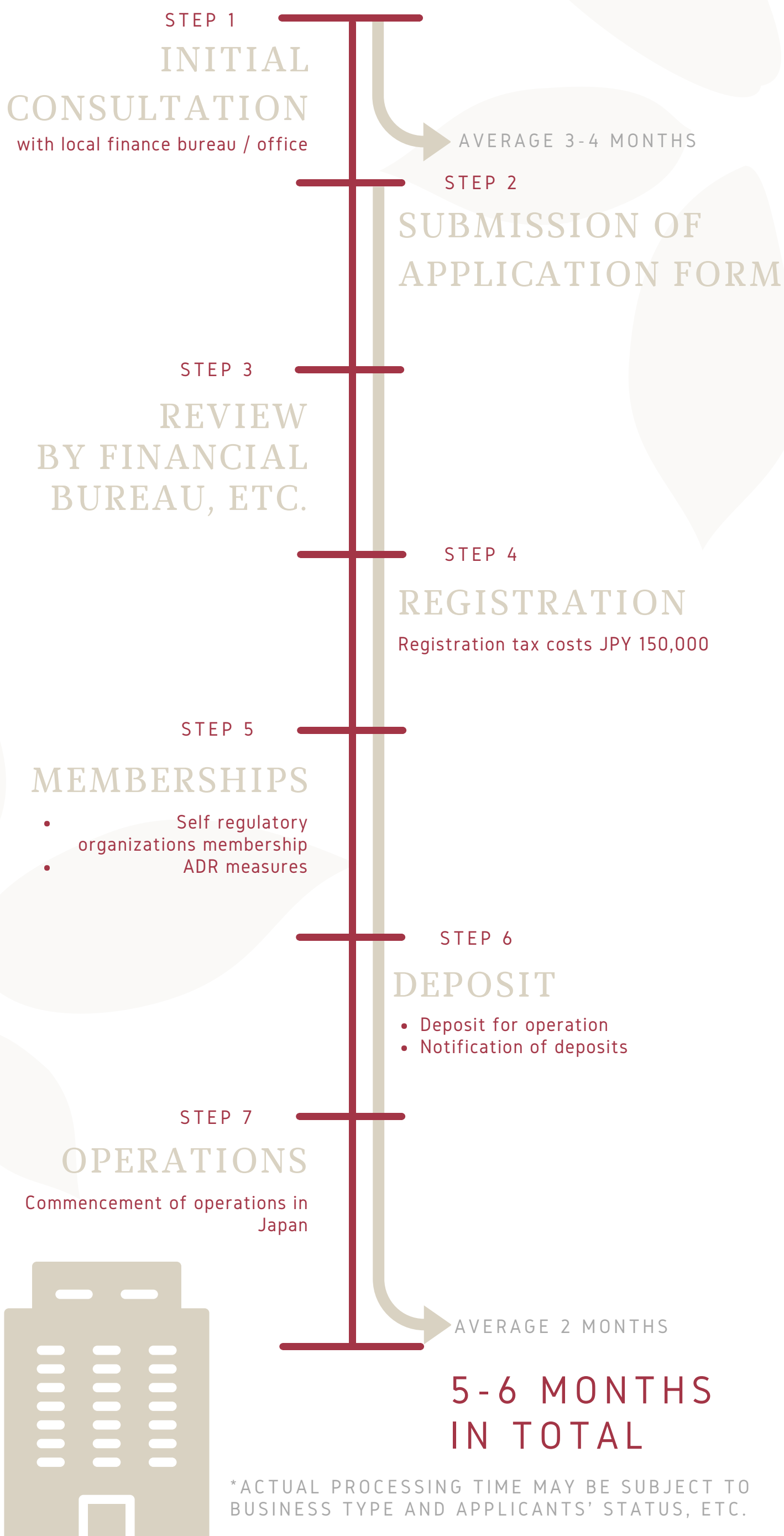
MARKET ENTRY TO JAPAN FOR FINANCIAL BUSINESS OPERATORS

Business registration: timeline, requirement, etc.

TIMELINE

GENERAL PROCESS GUIDANCE ON COMMENCEMENT OF OPERATIONS IN JAPAN

In order for foreign financial instruments business operators to enter the Japanese market, it is generally required to obtain a registration from or file a notice with the Financial Service Agency.



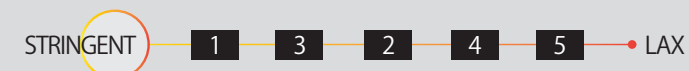
Type of Registration

Services offered	Type of registration
<input checked="" type="checkbox"/> <ul style="list-style-type: none">• Dealing, brokerage, underwriting, offering	Type I Financial Instruments Business
<input checked="" type="checkbox"/> <ul style="list-style-type: none">• Public or private offering of interests in collective investment scheme (funds)• Dealing or brokerage of illiquid securities, including interests in funds	Type II Financial Instruments Business
<input checked="" type="checkbox"/> <ul style="list-style-type: none">• Investment management pursuant to investment management agreement• Investment management of interests in funds• Investment management of interests in investment trusts	Investment Management Business
<input checked="" type="checkbox"/> <ul style="list-style-type: none">• Investment advisory/agency	Investment Advisory/Agency Business
<input checked="" type="checkbox"/> <ul style="list-style-type: none">• Private offering or investment management of interests in collective investment scheme (funds) for professional investors	Funds for Professional Investors (notification only (registration not required))

* The services above are the main services that typically need registrations and are not exhaustive.
Please note that it is necessary to conduct thorough research to decide what types of registrations are required for the services.

Registration Requirement

[Degree of Stringency of Registration Requirement]



Type of business	1	2	3	4	5
Type I Financial Instruments Business	Type II Financial Instruments Business	Investment Management Business	Investment Advisory/Agency Business	Funds for Professional Investors (notification)	
Legal Form	A stock company (K.K.) (limited to those with a board of directors and either a company auditor/auditors, an audit or supervisory committee, or a nominating committee, etc.) OR, a juridical person of the same kind as a company with a board of directors established in compliance with laws and regulations of a foreign state	No requirement A foreign juridical person can be registered	A stock company (K.K.) (limited to those with a board of directors and either a company auditor/auditors, an audit or supervisory committee, or a nominating committee, etc.) OR, a juridical person of the same kind as a company with a board of directors established in compliance with laws and regulations of a foreign state	No requirement A foreign juridical person can be registered	No requirement A foreign juridical person can conduct this business
Requirement for domestic office	Required NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.	Required NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.	Required NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.	No requirement	No requirement NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.
Capital requirements, etc.	50,000,000 yen	10,000,000 yen (If an individual, then a business security deposit of the same amount)	50,000,000 yen	None (5,000,000 yen business security deposit)	No requirement
Net assets	As for capital requirements	No requirement	As for capital requirements	No requirement	No requirement
Equity capital	Required	No requirement	No requirement	No requirement	No requirement

Registration Requirement



Continued from the previous page

[Degree of Stringency of Registration Requirement]



Type of business	Type I Financial Instruments Business ¹	Type II Financial Instruments Business ²	Investment Management Business ³	Investment Advisory/Agency Business ⁴	Funds for Professional Investors (notification) ⁵
Personnel requirements	Required (strict)	Required	Required	Required	No requirement
Business management structure	Self-regulatory organization membership OR Internal regulations should be established and compliance structure arranged.	Self-regulatory organization membership OR Internal regulations should be established and compliance structure arranged	Self-regulatory organization membership OR Internal regulations should be established and compliance structure arranged	No requirement	No requirement
Concurrent business requirements	Required	No requirement	Required	No requirement	No requirement
Trade name requirements	Required	No requirement	No requirement	No requirement	No requirement
Major shareholders	Required	No requirement	Required	No requirement	No requirement

NOTICES

1. ABOUT ATSUMI & SAKAI

Our firm's name is Atsumi Sakai Horitsu Jimusho Gaikokuho Kyodo Jigyo; we are a partnership organized in accordance with the Japanese Civil Code, and we are a foreign law joint enterprise regulated by the Bengoshi Law, the Law on Special Measures concerning the Handling of Legal Services by Foreign Lawyers and regulations of the Nichibenren (Japan Federation of Bar Associations) and bar associations to which our lawyers belong. We are authorised in Japan to advise on the laws of Japan, England & Wales, Germany (in association with Janssen Foreign Law Office), India, the PRC, the States of New York and California, United States federal law, the States of Queensland and Victoria (Australia) and Australian Federal law. For further information, please see our website, www.aplaw.jp.

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Advice on Japanese law will be provided under the supervision and authority of a Bengoshi (Japanese lawyer) Partner or Partners, as identified to you above and/or in correspondence. We will not be liable for any comments or views on Japanese law made by any member of our firm other than a Bengoshi; any such comments or views do not constitute advice on Japanese law and you act on them at your own risk.

3. FOREIGN LAW ADVICE

Advice on any foreign law referred to above will be provided under the supervision and authority of a Registered Foreign Lawyer registered to advise that law in Japan, as identified to you above and/or in correspondence. We will not be liable for any comments or views on such a foreign law made by any member of our firm other than a Registered Foreign Lawyer as referred to in this paragraph; any such comments or views do not constitute advice on that foreign law and you act on them at your own risk.

[This material only provides general overview of requirements and steps for entry into the Japanese market and does not consist legal advice; details of process and speed thereof vary depending on factors and preparation by relevant market entrants in each matter.]

QUESTION?



THANK YOU
FOR YOUR
TIME.

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