

GUIDE TO DOING BUSINESS IN JAPAN

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I. THE COUNTRY AT A GLANCE

A. Geography

Japan is a 3,000 kilometer-long archipelago stretching in a north-to-southwardly direction in the NW Pacific and separated from the Asian landmass by the Sea of Japan. Superimposed at the same latitude on Europe, it would extend from central France to Algeria, with Tokyo at the Strait of Gibraltar. Its total area of 377,815 km² is slightly larger than Italy and about 80% of it is mountainous. The fabled Mt. Fuji within two hours of Tokyo is the highest peak in Japan at 3,776 meters. In the capital, Tokyo, the average daily maximum and minimum temperatures are 8° C and -2° C in January and 30° C and 22° C in August. The period June 15 to July 15 is known as the rainy season due to almost daily rain showers that inundate the islands.

C. Population

Japan's population of 127 million (2003) ranks ninth in the world. In terms of population density, Japan ranks fourth among countries with a population of 10 million or more. The life expectancy of Japan's people is the highest in the world at 78 years for men and 85 years for women (2001), and is enlarging the share of the over-65 age group which was 17% in 2000 and is to surpass 25% by the year 2015.

D. Language

The language is Japanese. The writing system is made up of kanji, or Chinese characters (there are some 3,000 in daily use), and two syllabaries, hiragana and katakana, each composed of 46 kana, which are phonetic symbols.

E. Time Zone

Japan is 14 hours ahead of New York (standard time) and 9 hours ahead of London.

II. INVESTMENT PRINCIPLES AND GENERAL CONSIDERATIONS

A. Political System

The 1946 Constitution envisages a parliamentary cabinet system based on separation of powers with the Emperor as the symbolic head of state without governmental powers. Supreme legislative power is vested in a bicameral legislature called the Diet, composed of the 480-member House of Representatives elected for four years unless dissolved by the Prime Minister and the 247-member House of Councillors elected for six years with half of the seats being up for election every three years. The House of Representatives consists of 300 members elected from single seat constituencies and 180 members by proportional

representation by party from 11 electoral blocs. The House of Councillors consists of 98 members elected by proportional representation by party nationwide and 149 members from 47 multi-seat prefectural constituencies. The former's decisions prevail with respect to the choice of the Prime Minister, the budget and the ratification of treaties and can override the latter's by a two-thirds majority with respect to other matters, except for constitutional amendments, which require a two-thirds vote in both houses. Executive power is vested in the Cabinet, consisting of the Prime Minister who is elected by the Diet and other ministers of state. The Cabinet is answerable to the Diet and the Cabinet will have to choose between resigning en masse or dissolving the House of Representatives in the event of a vote of no-confidence as happened in 1993. The Judiciary, with the Supreme Court at its apex, is independent of the other two branches of government and is given power of judicial review over the acts of the Diet and the Cabinet.

B. Legal System

Japan initially patterned its modern legal system after those of continental Europe with the introduction of a series of written codes (the Civil Code (Law No. 89 of 1896), the Penal Code (Law No. 45 of 1907), the Commercial Code (Law No. 89 of 1899), the Code of Civil Procedure (Law No. 29 of 1890 as amended by Law No. 109 of 1996) and the Code of Criminal Procedure (Law No. 131 of 1948)) and later on, as a result of the post-war American occupation, assimilated Anglo-American legal concepts.

Japan's judicial institutions consist of the Supreme Court; high courts, whose primary function are appellate; district courts, which are trial courts exercising general jurisdiction over all actions, criminal and civil; family courts; and summary courts.

The current system in which all lawyers, including judges and public prosecutors, are graduates of the Legal Research and Training Institute is to be replaced by a law school system. The Institute currently accepts about 1000 trainees annually as selected through the National Bar Examination, which is known for its pass rate of less than 3%. The new law schools will start accepting students in April of 2004 and a new National Bar Examination reflecting the change over to the new system will be implemented in 2006.

Practicing attorneys are required to register with at least one regional bar association, which is an autonomous professional organization affiliated with the Japan Federation of Bar Associations. Lower court judges are career bureaucrats appointed for ten-year terms which are normally renewed. Public prosecutors are essentially public servants who serve until retirement.

C. Economic System

Japan's economy has yet to achieve a sustained recovery since the collapse of the "bubble economy" in the early 1990's. From 1991 to 2002, Japan's GDP grew at an anemic pace of 1 % a year in contrast to the heady growth of 4% a year during the 1980s. The failure to break out of this long-term slump has resulted in the intractable and interrelated problems

of bad debt, business failures, rising unemployment, and price destruction. Consumer prices have fallen 1% a year since 1999 and share and land prices remain significantly below 1991 levels.

Macroeconomic policies of the numerous administrations since the early 1990's have yet to realize a sustained recovery. Notwithstanding a fiscal stimulus of 120 trillion yen between 1992 and 2000 and reduction of the official discount rate to almost zero, Japan's economy remains mired in stagnation. The attempts at monetary stimulation have had the effect of prolonging the bad debt problem by removing pressure on banks to clean up their balance sheets. As well, there is growing concern over Japan's government debt which has become one of the highest among OECD members at over 150% of GDP.

However, the long-term prospects for recovery remain good with signs of turnaround such as the reduction of bad debt and robust corporate profits. Moreover, Japan has official reserves around US \$604 billion (as of September 2003), remains a major net external creditor and has significant current account surpluses which suggests that the possibility of crisis is low.

D. Court System (see Section XVIII-A)

E. Financial System

Japan's financial system is bank-centered and private depository institutions are grouped into long-term credit banks (2), city banks (7), regional banks (64), second tier regional banks (73), trust banks (27), foreign banks (73) (as of March 2003) and cooperative financial institutions in accordance with their areas of activity and fund-raising methods. With mergers in the 1990's spurred by liberalization and deregulation of the banking industry, there has been a major consolidation into five banking groups. However, unlike in other major countries, regional banks have remained largely independent due to preferential regulation and as a result major Japanese banks' market shares are relatively small. Accordingly, with the additional problem of a large ratio non-performing loans that has only recently begun to improve, growth of major Japanese banks has not kept pace with their international counterparts. However, major Japanese banks are still significant players in the international banking industry with 3 major Japanese banks in the top ten banks in the world in terms of assets (2002).

A notable characteristic of the Japanese financial system is the major role of public institutions. In particular, Japan Post, which is the largest deposit taking institution in the world, has over 250 trillion yen in assets in addition to 123 trillion yen from its life insurance system. Its network is the most extensive of any financial institution in Japan with 24,000 branches accounting for 37 percent of banking service outlets. The subsidies and preferential regulation of such public institutions interfere with profitability of banks and there is growing questioning of the utility of such large-scale financial inter-mediation by the government.

The Japanese equity market is the second largest in the world. The key bourse is the Tokyo Stock Exchange (TSE) which accounts for 93.6% of the total volume of stock trades in Japan (2002). With globalization and deregulation, a variety of new investment products such as Equity Trust Funds (ETFs) and Real Estate Investment Trust Funds (REITs) have appeared and derivatives in particular are attracting attention with a steady growth in the number of hedge funds since 2000. To provide equity investment for cutting edge companies, Mothers opened in 1999 as a section of the TSE and Hercules opened in 2003 as a section of the Osaka Stock Exchange.

Although prior to the collapse of the asset bubble in 1990, Japan's securities industry was dominated by four major securities firms, deregulation has created a more level playing field. Major banks, foreign financial institutions and Internet traders have entered the market and captured market share with foreign firms dominating the derivative market. With increased competition, the margins for top Japanese securities firms have been eroded and their position as international underwriters has sharply declined.

F. Culture

Technological sophistication and mass culture have not led to strongly rooted individualism in Japan. Groups are still a very strong source of identity. Consensus building and the respect given to hierarchical relationships lead to subtleties of social protocol easily lost on outsiders. The conflict between group and individual is more often than not left unvoiced. The refinement of taste or skill, often through aesthetic pursuits, is not in general individualistic; it focuses on appreciation or individual development rather than making a "cultural statement". Because of these contrasts with Western cultures, Japan is often cited in current literature as blending, with various degrees of success, modern culture with its ancient cultural roots.

III. INVESTMENT FRAMEWORK

A. Public Services

Despite the trend toward privatization since the 1980's, certain public services such as the public water supply and postal services are closed to private enterprise. Currently, plans to privatize toll highways and Japan Post's savings and insurance operations are under discussion.

B. Telecommunications, Etc.

Foreign investors are prohibited from acquiring or holding shares representing more than one-third (1/3) of voting rights in the Nippon Telegraph and Telephone Corporation (NTT), which is the holding company of all shares of Nippon Telegraph and Telephone West Corporation and Nippon Telegraph and Telephone East Corporation. In certain business areas, such as broadcasting and the operation of wireless radio stations, the ratio of voting rights that may be owned by foreign investors in the operator of the business is limited by

statute.

C. Business Subject to License

A foreign investor is required to obtain a license under the relevant applicable law from the Japanese government before entering into certain kinds of business such as banking, insurance, securities, pharmaceuticals, etc. In obtaining such a license, the foreign investor may be required by the Japanese government to submit certain written commitments regarding the scope of its business activities.

D. Financial Business

Under the Law Concerning the Prohibition of Private Monopoly and the Maintenance of Fair Trade (Law No.54 of 1947) ("Antimonopoly Law"), Article 11, no corporation (domestic or foreign) engaged in banking or insurance business is permitted to acquire or hold shares in any Japanese non-financial corporation in excess of 5% (or 10%) unless separately authorized by the Fair Trade Commission. Prior to 2002, foreign financial (banking, insurance or securities) corporations used to be only able to do business through a branch in Japan instead of establishing a subsidiary because no foreign financial corporation was permitted to acquire or hold shares in any Japanese corporation (either financial or non-financial) in excess of 5% (or 10%). As a result of the 2002 deregulation, securities firms are no longer subject to the shareholding limitations under the said Article 11. Banks or insurance companies may also now establish a Japanese financial subsidiary. Please note, however, that it is necessary to obtain a proper license and/or registration for such a subsidiary to conduct financial business pursuant to the relevant statute, such as the Banking Law (**Law No.59, 1981**), the Insurance Business Law(Law No. 105 of 1995) and the Securities and Exchange Law (Law No. 25 of 1948).

E. Foreign Exchange and Foreign Trade law

In addition to the above, foreign investment in Japan is controlled by the Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949) ("Foreign Exchange Law"). The current Foreign Exchange Law is the amendment to the 1980 Foreign Exchange and Foreign Trade Control Law that repealed the Foreign Investment Law which had existed since 1949 to control foreign investment through the validation system. The Foreign Exchange Law was amended in 1998 under the slogan of "big bang in Japan", to further deregulate certain type of transactions. Under the amended Foreign Exchange Law, most foreign investment is only subject to a requirement of an *ex post facto* report to the ministers having jurisdiction over the type of business. Under this *ex post facto* notification system, a foreign investor is free to make capital investments in Japan in any industry with the following exceptions:

- Foreign capital investment in agricultural, forestry, fisheries, mining, petroleum, leather and leather-product manufacturing industries is reviewed carefully by the

Japanese government.

- Foreign capital investment in weapons, explosives, atomic energy, aircraft and space development industries, which are indispensable to assure the security of the nation, has not been liberalized.

Ex post facto notification must also be filed with the competent ministers through the Bank of Japan, when a foreign investor enters into a licensing agreement that concerns the import of technology into Japan and with the Minister of Finance when there is a cross-border remittance of money. Settlement by cross border set-off or multi-netting has been de-regulated by the amendment, although there are still various restrictions in this regard. (See Section VII. Intellectual Property Licensing)

IV. SENSITIVE AREAS

A. Administrative Guidance

In the area of administrative laws, tax, labor, permits, consumer protection, environment protection foreign investment, etc., the statutory provisions often authorize the governmental agencies to establish implementation measures. Thus, governmental agencies issue various forms of regulations such as cabinet orders and ministerial ordinances. Administrative guidance is also a form of regulation given by competent ministries, sometimes orally. Unlike cabinet orders, etc. administrative guidance has the legal effect of mere advice, recommendation or persuasion without binding power, however, *de facto*, it is often as binding as law, for such reasons as

- (i) the fear of a possible future negative reaction to or treatment of the addressee,
- (ii) the expectation of a favor from the government, or
- (iii) the traditional obedience to the government.

The closed nature of the administrative guidance system has been criticized, and since the 1980's there has been a trend toward greater transparency and accountability with the establishment of the Financial Services Agency in July 2000 as a recent example.

B. Exclusionary Business Practices

Japan has traditional and unique business practices in many industries, which are criticized as being restrictive of foreign investors' entering the Japanese market, even though they are not designed as an impediment to foreign investors. Therefore, since the 1980's the Japanese government has committed itself to taking more rigorous actions against practices violating the Antimonopoly Law and promoting greater transparency and deregulation.

C. Japanese Attitudes Toward Contracts

The Japanese traditionally prefer to include vague contract provisions such as "(certain

things) shall be determined by mutual negotiation" rather than explicit provisions that clearly state the rights of each party on every presumable occasion. Such attitudes reflect a preference for the flexible implementation of a contract according to future contingencies upon the mutual understanding that the parties believe is implied in the contract. However, more and more Japanese, particularly major corporations, are becoming legalistic in their approach towards contracts.

D. Others

There are a number of areas of regulations which, reflecting Japanese traditions, social requirements or business practices, would have unexpected impact on foreign parties doing business in Japan. An example may be found in the area of labor laws, wherein the discharge of an employee is quite restricted. The consumer protection laws and environmental laws are also sensitive areas for industries.

V. IMPORTS INTO JAPAN

A. Basic Policy on Imports into Japan

The Japanese government has been liberalizing, as its basic policy, the importation of goods into Japan in recent years. Presently there are only 63 goods that are not liberalized for import. The feature of the liberalization is to open the Japanese market to foreign countries equally. Japan does not take a discriminatory liberalization policy.

B. Major Restrictions on Imports

Restrictions on the imports into Japan are made on the grounds of ensuring the sound development of foreign trade and the national economy.

Under the Foreign Exchange and Foreign Trade Law and its lower regulations, namely the Import Trade Control Order enacted by the Cabinet, import approval or acknowledgement is required for three types of importation: (a) importation of goods which are subject to an import quota system, under which the importer should obtain an import quota prior to the approval of the Minister of Economy, Trade and Industry ("METI"), (b) importation of goods which are subject to the approval of METI without an import quota and (c) importation of goods which are subject to the prior acknowledgement of the relevant minister of the Japanese government on the importation of such goods or a submission of a specific instrument to the customs authorities upon the clearance of such goods.

The goods which fall under the above category (a) are: i) 63 items of non-liberalized goods (as of August 14, 2003) such as live fish from inshore fishing, narcotics, explosives, silk textiles, firearms and ii) animals and plants and their derivatives covered by the Convention on International Trade of Endangered Species of Wild Fauna and Flora ("Washington Convention") and controlled substances covered by the Montreal Protocol.

The goods which fall under the above category (b) are: i) the goods from a specific place of origin or place of shipment, such as whale and processed goods thereof which are imported from countries that are not party to the International Convention for the Regulation of Whaling and silk yarn from China, and ii) animals and plants and their derivatives covered by the Washington Convention or products and wastes covered by the Montreal Protocol Annex D which are imported from countries that are not party to the Washington Convention, or the Montreal Protocol Annex D as the case may be.

The goods subject to a prior acknowledgement of the relevant minister of the Japanese government are 17 items such as specific foreign national treasures, certain species of tuna, and specific kinds of silk textile. The goods subject to a submission of a specific instrument to the customs authorities upon clearance of such goods are 16 items such as marijuana seeds, specific kinds of silk textile, and animals and plants specified in Schedule II of the Washington Convention. Import approval need not be obtained for the importation of these goods, as long as such prior acknowledgement is obtained or such specific instrument is submitted.

C. Customs Duties

In order to protect the Japanese consumer's interest and stimulate competitiveness of Japanese industries, tariffs are set as low as possible.

Japanese tariffs are now relatively low, even when compared to the U.S. and E.U.

The Japanese simple average bound tariff rate for all products for 2000 was 5.2% while the U.S., E.U. and Canadian rates were respectively 4.8%, 4.8% and 4.5%. The Japanese average applied tariff rate for industrial products for 1999 was 1.5% which was even relatively low compared to U.S., E.U. and Canadian rates which were respectively 3.6 %, 3.6% and 4.8%. In Japan, special duties include retaliatory duties, countervailing duties, antidumping duties and other related duties. Until recently, almost none of these special duties have been imposed. With regard to countervailing duties, until recently, only one investigation on the importation of cotton yarn from Pakistan in April 1985 had been initiated, but was terminated due to abolishment of the subsidy system in Pakistan. However, as of January 25, 2004, it was reported by the media that the Japanese government will consider the possibility of imposing countervailing duties on the DRAM imported into Japan by a Korean semiconductor company that is alleged to receive subsidies from the Korean government.

There had also been no case of imposition of antidumping duties on goods imported into Japan until 1991. However, in January 1993, the Japanese government decided to impose antidumping duties on the importation of ferro silicon manganese imported from China (except for two Chinese importers with whom the Japanese government reached an agreement for price undertaking.). Also in August 1995, the Japanese government started imposing antidumping duties on cotton yarn imported from Pakistan (the imposition period expired on July 31, 2000). From July 26, 2002, the Japanese government started imposing

antidumping duties on polyester staple fiber imported from Korea and Taiwan.

With regard to retaliatory duties, the Japanese government applied to the WTO regarding the U.S. Byrd Amendment dispute (dispute over the antidumping duties and countervailing duties imposed on imported steel in the United States) for countermeasures including the imposition of retaliatory duties on goods imported from the United States.

For the purposes of increasing the export income of developing countries and promoting the industrialization of such countries, Japan has a system of preferential duties consisting of: i) general preferential duties applying to developing countries and ii) special preferential duties (LDC preferential duties) applying to the least developed countries.

D. Taxation

Besides custom duties, both national and local consumption tax will be imposed on imported goods received from the bonded area, and must be paid by the recipient of such imported goods.

E. International Conventions

Japan is a member of various international organizations or conventions such as the Organization for Economic Cooperation and Development ("OECD"), Marrakesh Agreement establishing the World Trade Organization ("WTO Agreement"), the Washington Convention, Montreal Protocol, Basel Convention, Wassenaar Arrangement, the Coffee Agreement 2001 and the International Cocoa Agreement 1993.

VI. EXPORTS FROM JAPAN

A. Basic Policy on Exports from Japan

The basic policy on exports of goods from Japan is, in principle, to be free from restrictions except for the allowance of the minimum regulations and administrations which are required to i) secure and maintain international peace and safety, ii) maintain international trade balance, and iii) secure sound development of foreign trade and the national economy.

B. Major Restrictions on Exports

Under the Foreign Exchange and Foreign Trade Law and its lower regulations, namely the Export Trade Control Order enacted by Cabinet, there are two types of restrictions and regulations on the exports from Japan. One is an export permission (the "Export Permission") of METI and the other is an export approval (the "Export Approval") of METI.

Exports from Japan which are subject to Export Permission are the 16 categories of goods that are listed for the purpose of maintaining international peace and safety. Those are

goods related to items such as weapons, nuclear energy, biochemical weapons, and missiles. 15 categories out of the above 16 are the categories which were agreed to be restricted internationally. The 16th category is the so-called "Catch-All Regulation". When the goods which are scheduled to be exported fall under this category by their nature and also are not scheduled to be exported to the 25 designated countries (including the United States and Western European countries), they will basically be considered as goods which may be used for developing weapons of mass destruction, and Export Permission will be required for exporting such goods. Goods such as hi-tech materials, electronic materials, computers, communication devices, aviation devices, and marine devices unless included in other 15 categories are included in this 16th category.

The exports from Japan subject to Export Approval are: (a) exportation of specific goods to specific countries or all countries, (b) exportation of any kind of goods to Iraq, (c) exportation of goods (mainly materials) from which further processed goods are manufactured in foreign countries and then imported from such countries into Japan. Among these three types of restriction, type (a) can be divided into four categories, which are: i) exportation of goods which are restricted for the purpose of securing domestic supply and demand, ii) exportation of goods which are restricted for the purpose of preserving market order, iii) exportation of contrabands and iv) exportations restricted by international convention. Many goods including oil and rice, which were previously included in category i) have been deleted from this restriction list (i.e., rice in 1999, oil in 2001), due to the relaxation of domestic supply and demand. The only item remaining under category ii) is watercraft with fishing equipment. The goods which fall under category iii) include national treasures, narcotics, counterfeit notes and obscene publications etc. The goods which fall under category iv) include the endangered species of wild fauna and flora protected under the Washington Convention, substances that deplete the ozone layer stipulated under the Montreal Protocol and hazardous wastes controlled under the Basel Convention. Exportation of goods such as textile and leather goods fall under the above type (a), since such goods are controlled and restricted for the purpose of avoiding damages to the domestic manufacturing industries which are likely to suffer from free trade.

The Export and Import Transaction Law prohibits "Unfair Exports", which are specified as i) exportation of goods which infringe intellectual properties protected under the applicable law of the importing country, ii) exportation of goods indicating false origin, iii) exportation of goods which materially breach the conditions stipulated in the export agreement, iv) exportation of goods with indications which lead to misunderstanding of their quality.

Under the Export and Import Transaction Law (Law No. 299 of 1952), the export cartels on the price, quantity, quality, design and other terms for the exportation of the particular goods and the establishment of the exporter's association are allowed for the purposes of i) preventing unfair export practices, and ii) establishing and maintaining orderly marketing in exporting goods to foreign countries. The association also establishes the rules regulating the trade terms such as price, quantity, quality, design and others. In the event that for

specific goods being the subject of the cartel or association rules, Japanese government considers it inappropriate for the exportation of such goods to be controlled by such cartel or association rules, it may enact certain order to regulate directly such exportation, or make such exportation subject to an Export Approval.

C. Outstanding Dumping Orders

As of October 23, 31 antidumping duties were imposed in the United States of America on goods imported from Japan, such as ball bearings, electroluminescent flat panel displays, and stainless steel products. As of December 31, 2002, the number of antidumping orders in place in other countries against goods imported from Japan were EU 6, Canada 3, Australia 2, Korea 4, China 2, Taiwan 2, India 11, Indonesia 1, Malaysia 1, Mexico 1, Brazil 1, Venezuela 2, Argentina 2 and Egypt 1.

VII. REPRESENTATIVES - DISTRIBUTORS - FRANCHISERS

A. General

The Japanese term for distributorship agreement (or distribution agreement) is *dairiten keiyaku*. This term is often also used to refer to an agency agreement. As is true in other parts of the world, a distributor in Japan acts as a principal and not as an agent. There is a clear distinction between the legal rights and obligations of a distributor and those of an agent under Japanese law, so one must look beyond the mere classification of an agreement as *dairiten keiyaku* to determine the applicable principles of law.

Recently, as the number of distributors and franchisers has increased, the incidences of disputes between suppliers or franchisees and distributors or franchisers have also increased. Particularly, disputes wherein franchisees sue franchisers for termination of relevant franchise agreements and the return of initial fees based on allegations of false representations in the recruitment of franchisees are on the rise in Japan.

B. Rights of Agents as Employees

Usually agents do not acquire additional rights as an employee. In very rare cases when a supplier's control over an agent is comparable to the control it exerts over its employees, the agent may be considered an employee under the Labor Standards Law (Law No. 49 of 1947) of Japan.

C. Income Tax on Sales

Foreign companies are generally subject to Japanese income tax on sales if such foreign companies have a permanent establishment in Japan. A permanent establishment includes:

- (i) having a branch, office, factory or other fixed place of business,

- (ii) having construction, installation or assembly activities or providing services for the supervision or superintendence of such activities in Japan for more than one year, and
- (iii) having and habitually exercising the authority to conclude a contract on behalf of a foreign company, or holding a stock of merchandise for the foreign company with which it regularly fills orders upon requests from customers, or soliciting orders or habitually performing important activities to conclude contracts almost exclusively for or on behalf of the foreign company.

Of course, the profit on sale by a distributor or a franchisee in Japan will be subject to Japanese income taxes.

If a franchisee in Japan pays a royalty for the utilization of intellectual properties rights to a foreign franchiser, such domestic source royalty is subject to Japanese withholding income tax at a flat rate of 20% unless a lower rate is stipulated in the tax treaty. However, royalties paid to franchisers in the US will be exempted from withholding tax under the US Japan Tax Treaty which will enter into force on July 1, 2004.

D. Administrative Regulations

There are no administrative regulations governing relationships. However, there are certain special laws governing certain agents, such as real estate agents.

E. Local Agency Laws

There are no particular agency laws superseding the terms and conditions of an agency agreement.

F. Commission Rates Regulation

Generally speaking, commission rates are not regulated. However, commission rates for certain agents, such as real estate agents, are regulated under special laws.

G. Antitrust Laws

The Antimonopoly Law is applicable and it regulates such unfair business practices as territorial allocation, exclusive dealings, retail price fixing, etc. The Fair Trade Commission ("FTC") has issued various guidelines and rules regarding the enforcement of antimonopoly legislation such as (i) the "Guidelines Concerning Franchise System under the Antimonopoly Law" and (ii) the "Antimonopoly Law Guidelines Concerning Distribution Systems and Business Practices", which explain the FTC's viewpoint and list cases regarding respectively (i) whether a recruitment of a franchisee by a franchiser and a transaction between a franchisee and a franchiser constitute violations of the Antimonopoly Law and (ii) whether a sole distributorship and an obstruction of parallel imports, etc.

constitute violations of the Antimonopoly Law.

H. Termination Rights of Distributor

Studying Japanese legal precedents, it is clear the courts have propounded the concept that when a commercial contract has lasted for a long time, the parties to such commercial contract tend to have established expectations that the business under the commercial contract shall last and, based on such expectation, are likely to make investments in the business, and that such expectation interest should be protected. Such concept affects the termination of a distribution agreement.

- (1) The termination of a distributorship agreement without a term or the early termination of a distribution with a fixed term:

If a party intends to terminate a distributorship agreement in the absence of an event of default or a termination clause, under legal precedents, either (i) certain "unavoidable reason" or "justifiable reason" such as a credit impairment, a false statement concerning, or a change in financial situation, or (ii) a reasonable prior notice (generally of six months to one year), or compensation in lieu of the loss suffered by the terminated party would be required to terminate. The length of the period of notice and the remedies available under this rule will depend on numerous factors, including the type and nature of the contract in question, the actual conditions of the transaction and the disparity in bargaining power between the parties involved, etc.; and, they will be judged on a case-by-case basis.

Even if a party intends to terminate a distributorship agreement based on an event of default or a termination clause, the court may narrowly construe the terms of the agreement and restrict the termination right when the court is of the view that there is no "unavoidable reason" or "justifiable reason" behind the termination.

- (2) Termination of a distributorship agreement with fixed term:

In principle, the courts will recognize termination in cases in which the term of the distributorship agreement has ended. However, there are some cases in which the courts did not recognize termination despite the completion of the term and an express refusal of renewal by the terminating party. In these cases, the courts narrowly construed the terms of the agreement to restrict the renewal refusal right because the court considered there to be no "unavoidable reason" or "justifiable reason" to refuse renewal, in light of such factors as are described in the second paragraph of item (1) above.

- (3) Items (1) and (2), set forth above, are primarily applicable to a termination by the supplier because most of the court cases regarding the termination of distributorship agreements deal with termination by the supplier and only a relatively few cases involve termination by the distributor.

I. Franchise Laws

The Small and Medium Retail Business Promotion Law requires certain franchisers to explain in writing to prospective franchisees the matters mentioned in the Law. There is no other particular law governing franchise arrangements. Franchise agreements are governed by the laws governing distributorship agreements as stated above together with such other laws as govern the use/license of trademarks, trade names and know-how, etc.

VIII. INTELLECTUAL PROPERTY - LICENSING

A. Protection of Intellectual Property

Japanese law specifically protects seven kinds of intellectual property rights: patent, utility model, design, trademark, copyright (including computer software), circuit layout of semiconductor integrated circuits and new plants. Trade secrets are protected under the Unfair Competition Prevention Law (Law No. 47 of 1993).

Service marks have been registrable since April 1, 1992.

With respect to the classification of goods of trademarks, the former unique system in Japan is no longer available and instead the international classification has been adopted since April 1, 1992.

Registration of copyright on computer software programs has been available in Japan since 1987, however, that does not mean such registration is necessary to enjoy copyright protection. No formality is required therefor in Japan.

B. International Treaties

Japan has signed the following treaties: Paris Convention, Arrangement of Madrid for the Repression of False or Deceptive Indications of Source on Goods, Patent Cooperation Treaty, Berne Convention, Universal Copyright Convention, Strasbourg Agreement concerning the International Patents Classification, Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights), Protocol Relating to Madrid Agreement concerning the International Registration of Marks, WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty.

C. Substantive Prior Approvals

In principle, licensing agreements which relate to the introduction of technology into Japan regarding (i) aircraft, (ii) weapon, (iii) production of gunpowder, (iv) atomic energy or (v) space development must be filed with the Bank of Japan prior to entering into the agreement under the Foreign Exchange Law. The Bank of Japan will transmit the file to the

Ministry of Finance and to each Ministry having jurisdiction over the industry involved for their examinations. In this case, the parties have to file a designated form with necessary information filled in and wait for 30 days after all relevant ministries receive such form.

D. Power of Attorney

No power of attorney is required for a patent, utility model, design and trademark application; however, a power of attorney is required in various aspects thereafter to follow any substantial proceedings.

E. Regulatory Guidelines for Licenses

The Fair Trade Commission ("FTC") issued the "Guidelines for the Regulation of Unfair Trade Practices with respect to Patent and Know-How Licensing Agreements" in 1989. It has been amended from time to time and the latest version is as of July 1999.

F. Specific Requirements of Particular Products

Article 32 of the Patent Law (Law No. 220 of 1999) provides that inventions liable to contravene public order, morality or public health may not be patented.

G. Royalties from Licenses Deemed to be Excessive

No specific criterion exists to determine whether royalties are excessive, but discriminatory fee schedules and royalty payments made as consideration for the use of any property which is not the subject matter of the license are deemed to be restrictive trade practices.

H. Agreements Between Foreign Corporations and Their Subsidiaries

Manufacturing commission agreements, service agreements and distributor agreements are typical agreements.

IX. DIRECT INVESTMENT

A. General Investment Methods

Subject to the prior notification requirement for direct inward investment under the Foreign Exchange Law, foreign investors are generally free to invest in Japan. The following are the commonly used methods of direct investment in Japan.

1. Purchase of Stock or Assets of an Existing Company

Foreign investors (see Section XIII) may freely purchase shares or assets of either publicly held companies or closely held companies subject to certain notification requirements (see Section X). This type of transaction is used because it saves time for entry to the Japanese

market. However, in case of asset acquisition, foreign investors usually need to retain skilled personnel together with the assets purchased, which is sometimes difficult due to Japanese corporate culture. In case of stock purchase, foreign investors need to purchase a substantial portion of shares which is necessary to influence the management of the existing company.

Hostile takeovers are generally unsuccessful because of the above-mentioned Japanese corporate culture.

2. Registration of a Branch

Foreign investors may decide to conduct business in Japan through branches. To do business in Japan, branches need to be registered (see Section XI). A branch may be useful if, during the initial period, the Japanese operation is not expected to be profitable because the loss suffered by the branch may be deducted against income at the headquarters in the home country. For the purposes of liaison and technical services or sales and import-export, a branch office may be advantageous although it is usually difficult for a branch to obtain local finance.

3. Creation of a Subsidiary

A wholly-owned subsidiary of a foreign investor is easily created because there is no minimum requirement of capitalization nor the capitalization rule under the tax laws.

For this reason subsidiaries are the most commonly used vehicle for doing business in Japan. However, from a standpoint of prestige, it is important to have a proper amount of capital. The entire amount of capital must be paid in at the time of incorporation. A recently new amendment to the Commercial Code introduced the requirement of minimum capital to certain types of companies (see Section XII). Attention should be drawn to the fact that certain business activities, such as banking which may be carried out by branches of foreign investors, are prohibited to subsidiaries of foreign investors.

4. Joint-Venture Company

A new company may also be created with one or more local partners. In choosing such partners, factors important for operating a business in Japan such as sales power, manufacturing skill or technologies of the partners should be carefully examined and taken into consideration. Having a prestigious partner may ease the fund raising difficulties of the joint-venture. It is noted that a deadlock might occur if there is equal participation in the joint venture. Accordingly, it is desirable to choose partners from among the companies with which the investor has maintained a long-term business relationship without any communication problems or clashes in corporate culture.

B. Types of Companies

There are four types of companies existing under Japanese law: joint stock company known as "Kabushiki Kaisha" or "K.K.", limited liability company ("Yugen Kaisha"), limited commercial partnership company ("Goshi Kaisha") and unlimited commercial partnership company ("Gomei Kaisha"). The most important type is a joint stock company. The limited liability company has some importance with respect to the small-sized domestic business only. Two other types of companies are rarely used because they are unlimited liability companies. For detailed descriptions, see Section XII.

C. Local Participation Laws

There is no restriction on foreign investors' participation in equity ownership of Japanese companies. Participation of any Japanese company in a joint-venture company is not required.

D. Registration Fees

Registration fees for incorporation of a company and registration of a branch office are as follows:

- i) Incorporation of a limited liability company or kabushiki kaisha: the amount of capital multiplied by 7/1000 (or 150,000 yen whichever is greater).
- ii) Incorporation of a limited commercial partnership company or an unlimited commercial partnership company: 60,000 yen.
- iii) Registration of a branch office of a foreign company: 90,000 yen.

E. Time Frames for Registration

The registration of a company usually takes one or two weeks from the date of application. Application for registration must be made within two weeks after the date of the organizational meeting of shareholders.

F. Administrative Regulations

There are no substantial administrative regulations with respect to the incorporation and registration of companies in Japan.

G. Registration Requirement

Registration is required before a company or a branch office commences its business activities in Japan.

H. Company Existence

A company is deemed to be in existence when registration of incorporation is completed. Accordingly, the registration shall be made before the company commences its business. Incorporators may personally be held liable for the activities done before the registration of incorporation.

I. Penalty for Failure to Register

If a company fails to register properly, an administrative penalty of not exceeding one million yen will be imposed on the incorporators or the directors as the case may be.

J. Financing Restrictions

There are no financing restrictions imposed on foreign-owned companies.

K. Intercompany Agreements

Licenses, rental agreements, technical assistance, management contracts, leases or any other similar arrangement may be made between the companies.

X. PURCHASE BY FOREIGN CORPORATION OF BUSINESS IN JAPAN

There are five methods of business acquisition in Japan, namely (A) acquisition of shares, (B) merger or consolidation, (C) asset acquisition (D) corporate division and (E) share exchange. The latter two procedures were newly added in the major amendment of corporate laws in 1999-2000. The Foreign Exchange Law was used to widely limit foreign investment in Japanese companies by requiring advance filing until its amendment in January 1992. After the amendment, most foreign investments only require post-notifications. Other than the regulations under the Foreign Exchange Law, foreign corporations are subject to the same regulations as Japanese companies, and most of the explanations to follow generally apply to foreign corporations and Japanese companies alike.

A. Acquisition of Shares

Companies may acquire stock in other companies by purchasing existing shares of common stock from existing shareholders or, if the target company is listed on a stock exchange, by purchasing such shares gradually on the stock exchange. If the target company is a public company (company whose shares are either listed on a stock exchange or traded in the over-the-counter market), companies can acquire a block of shares at once by making a takeover bid (also called “tender offer”). The takeover bid could be friendly or unfriendly, and it is the only way to acquire a public company on a hostile basis. In order for companies to conduct takeover bids in Japan, they must comply with detailed rules concerning takeover bids stipulated in the Securities and Exchange Law and governmental regulations. Stringent rules regarding a takeover bid were amended in June 1990 so that a takeover bid may be commenced by making public notice in at least two daily newspapers

and filing a statement with the Minister of Finance on the of day such public notice. Further, under the amended rules, companies are no longer required to use a securities company or bank licensed in Japan as an agent for the takeover bid.

One other common method to gain control over a Japanese company is to cause the target company to issue shares or other equity securities (stock options) to the acquirer. This method is usually called "third party allotment", and is conducted in a friendly basis.

B. Merger

Although not practical, another way for foreign companies to acquire shares in a Japanese target company is to use its subsidiary in Japan, whether existing or newly incorporated, and cause the subsidiary and the target Japanese company to merge. A merger requires a special resolution by the general meeting of shareholders and certain special procedures for creditor protection. In Japan, however, the so-called "cash merger" available in the United States is not permissible, and mergers must be conducted by way of stock-for-stock mergers (shares in the surviving corporation exchanged for shares in the to-be-absorbed corporation). Therefore, it is practically impossible to acquire 100% of the shares of a target company by way of merger in Japan (See Sections C, D and E for alternatives).

C. Business Transfer

In Japan, acquisition of assets as a going concern is considered an "acquisition of business", which is not limited to the acquisition of assets and liabilities of a company but also includes its employment agreements and trade relationships with its suppliers and customers. If a foreign company directly acquires a business of a Japanese company and continues the acquired business in Japan, it must establish a registered branch in Japan. A business transfer is in fact a collection of individual transfers of assets and contractual relationships, and the procedures required for the individual transfers will not be exempted (for example, the transfer of credits/payables requires notification to the debtor, and transfer of the same under a business transfer would also need notification). A business transfer requires special resolution of the general meeting of shareholders of the transferring party.

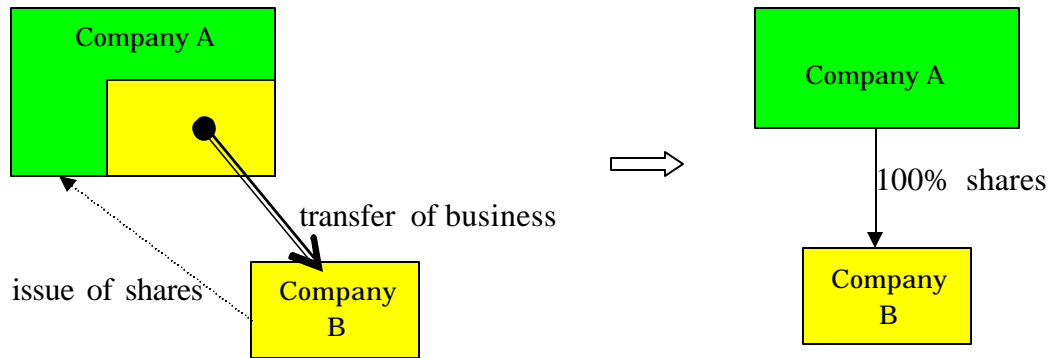
A foreign company may also use its Japanese subsidiary to acquire businesses. This may be done by using an existing subsidiary or by establishing a new one. However, it must be noted that acquisition of business assets amounting to 1/20 or more of a company's registered capital within two years of its establishment requires inspection by an Inspector appointed by the Court, followed by special resolution by the general meeting of shareholders. Such procedure is arduous, and usually impractical.

D. Corporate Division

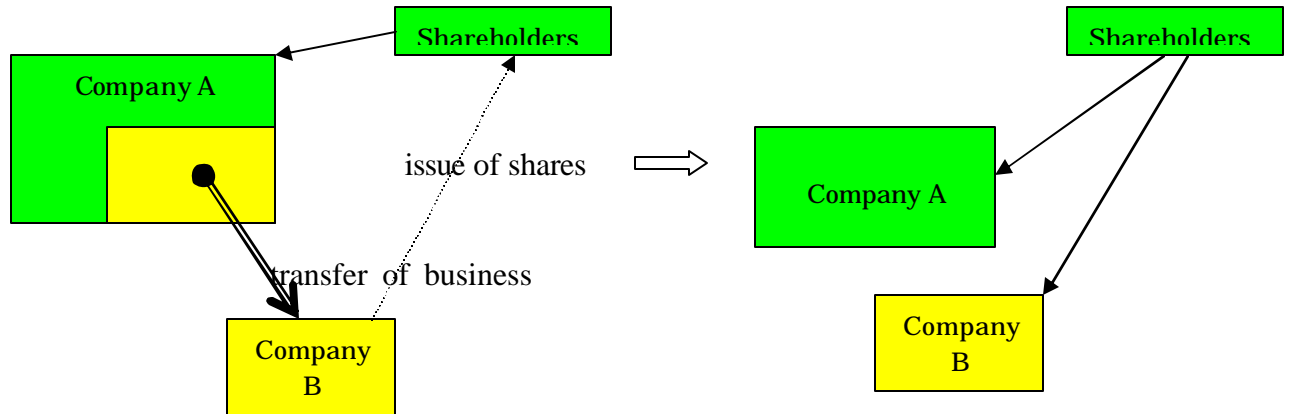
Corporate division is a newly established procedure under the major revision of Japanese corporate laws in 2000. Corporate division, as its name suggests, is a procedure to divide the business of a company into several companies. It can be subdivided into two major

types, one that creates 100% owned subsidiary and one that creates two “separate” companies. The former type consists of transfer of a business of one company (Company A) to a newly established company (Company B) and 100% of the shares of Company B being issued to Company A (Company B may be an existing company. In such case, it is in fact a corporate division and an absorption-type merger being conducted in a single procedure). This is also possible by establishing Company B and transferring a business of Company A thereto, but such needs inspection by the Inspector, and is impractical (See Section C above). However, if conducted by corporate division, the same would be completed in a single procedure with no such inspection required (corporate division, like the procedure for merger, generally only requires special resolution by the general meeting of shareholders and certain creditor protection procedures). The latter type consists of transfer of a business of Company A to a newly established Company B (this may also be an existing company) and 100% of the shares of Company B being issued to Company A’s shareholders instead of Company A itself.

<former type>



<latter (separate) type>



(Note) —→ shows possession/ownership of shares
.....→ shows issue of shares
—— shows transfer of shares

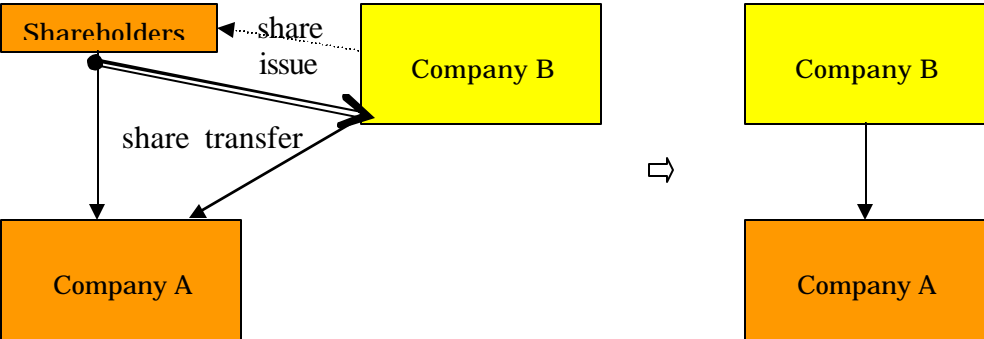
Corporate division is similar to a business transfer, but it differs in that neither (i) individual procedures for the transfer of assets (as stated in Section C above, business transfer is in fact a transfer of individual assets constituting a business. Transfer of a business under Corporate Division is accomplished by means of designing a division plan listing the assets to be transferred, and having the division plan approved by a special resolution of shareholders) nor (ii) inspection by a court-appointed Inspector is required. These characteristics make corporate division the advantageous choice in relevant cases.

E. Exchange of Shares/ Transfer of Shares

Exchange of shares is a new procedure for creating a 100% owned subsidiary of another company made possible under the major revision of Japanese corporate laws in 1999 which lifted the ban on holding companies). It is conducted by transferring all the shares of one

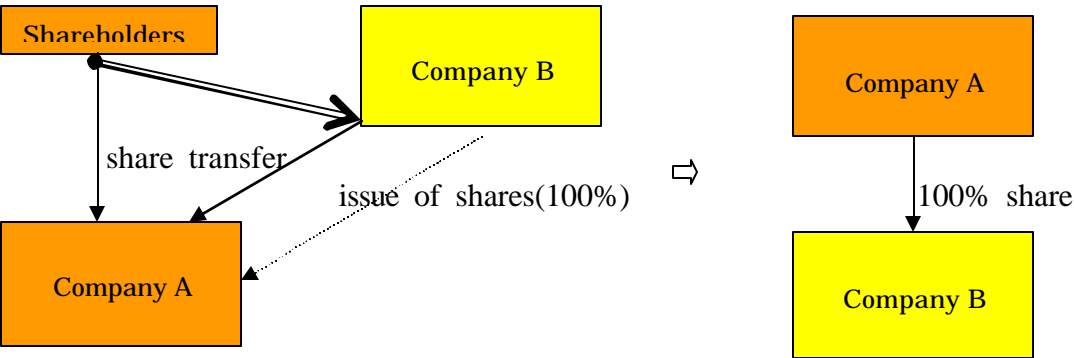
company (Company A) to another company (Company B) and the shareholders of Company A being issued shares of Company B. This makes Company A a 100% owned subsidiary of Company B. Exchange of shares requires special resolution by the general meeting of shareholders, but unlike merger, no procedure is required for creditor protection.

<Exchange of Shares>



Transfer of shares is also a new procedure added under the corporate law revision of 1999. In a transfer of shares, all the shares of one company (Company A) are transferred to a newly established company (Company B). Company B issues 100% of its shares to the shareholders of Company A, who thereby become the shareholders of Company B. Therefore, this procedure is often used to create a holding company. This could also be achieved by (i) establishing a new company (Company B) and then (ii) conducting an exchange of shares with Company A, but a transfer of shares allows this to be completed in a single procedure. The internal procedure for a transfer of shares is parallel to that of an exchange of shares.

<Transfer of Shares>



F. Sectors where Foreign Investment is Restricted

The Foreign Exchange Law in Japan restricts investment in agriculture, forestry and fisheries, the oil industry, the leather industry and part of the mining industry (natural gas, nuclear materials, etc.) by requiring advance notification and permission. There are several other areas where foreign investment and business activity in Japan is restricted by other laws, such as requirement of a license or other approvals. Significant laws include the Foreign Securities Firms Law (Law No. 5 of 1971), and the Banking Law. Further, Japan restricts investment in any areas that it considers will seriously and adversely affect national security, public order or public safety (such as manufacture of narcotics, nuclear power, etc.).

G. Antitrust Limitations

The Antimonopoly Law prohibits mergers, corporate divisions, acquisition of businesses, and the possession of shares and concurrent directorships of multiple companies that may substantially restrain competition in a particular field of trade or causing such corporate alliances through unfair trade practices. In order to enforce these restrictions, the Antimonopoly Law requires companies to make prior notification to the Fair Trade Commission ("FTC") of particular inter-company alliances. If notification is required, alliances of companies may not take effect for a certain period of time (1 month). The FTC will examine the notified alliance using this time to determine if such may fall under any of the prohibited corporate alliances.

To give a brief explanation of the notification requirements:

(a) Possession of shares

Notification is required when a company (including foreign companies) with gross capital of over 2 billion yen and total gross capital of 10 billion yen (total gross capital means the total of the gross capital of the company, its Japanese parent companies and Japanese subsidiaries) newly acquires 10%, 25% or 50% of a Japanese company;

(b) Merger

Notification is required when a Japanese company with total gross capital of 10 billion yen merges with another Japanese company with total gross capital of over 1 billion yen;

(c) Corporate division

Notification is required when a corporate division with more than two Japanese companies involved would include a company with total gross capital of over 10 billion yen and a company with total gross capital of over 1 billion yen; and

(d) Acquisition of business

Notification is required when a company (including a foreign company) with total gross capital of over 10 billion yen acquires a business of another company with gross annual sales of over 1 billion yen.

Other restrictions.

Before 1997, the Antimonopoly Law of Japan generally banned establishment of holding companies, but the ban was for the part lifted by the amendments enacted that year. Also, before May 2002, the Antimonopoly Law prohibited financial institutions (banks, investment banks, and insurance companies) from possessing over 5% (for insurance companies, 10%) of the voting stock of Japanese companies. However, since the Antimonopoly Law aims to enhance competition, and since the core of the problem lay in the alliance of financial companies with abundant capital with non-financial institutions, the Antimonopoly Law was relaxed to only prohibit banks and insurance companies (instead of all financial institutions).

H. Taxes Imposed on Transfer of Shares or Stocks

If a foreign corporation acquires land, real property acquisition tax will be imposed. Generally, no tax will be imposed on the acquisition of other assets or stocks other than consumption tax.

XI. BRANCHES

A. Branches of Foreign Companies

Branches of foreign companies are permitted.

B. Differences in Tax Liability

There are no significant differences in tax liability for branches, nor are they subject to other obligations.

C. Additional Withholding Taxes

There are no additional withholding taxes on branches.

D. Special Exchange Restriction

An *ex post facto* notification to the Minister of Finance and other Ministers supervising the relevant business should be filed with the Bank of Japan under the Foreign Exchange Law, unless otherwise a prior notification is required. Prior notification to the competent ministers is required, if a branch is being established to engage in activities relating to agriculture, forestry, fisheries, manufacturing of nuclear fuel, aircraft, weapons, munitions, etc., the nuclear power industry, and the space development industry, etc.

Branches of foreign banks, insurance companies, securities firms, gas suppliers, and electricity suppliers are required to obtain specific licenses under the relevant business laws instead of making such notification.

E. Prior Approvals

Prior approvals are not required. However, licenses are required for the branches engaged in the businesses described in D above.

F. Documentation Required to Register Branch

The following are necessary to register a branch in Japan:

- (1) Application form for registration of the establishment of a business office of a foreign company.
- (2) Certificate of Incorporation or other official document proving the establishment and existence of the foreign company.
- (3) Affidavit of the representative in Japan stating his/her authorization as such.
- (4) Articles of Association or other document identifying the legal nature of the foreign company.

G. Registration

The application for the registration should be filed within 3 weeks after the establishment of the branch. Before the registration, commercial transactions by a foreign corporation as a continuing business are not permitted.

H. Others

Appointment of one or more representative(s) in Japan are required, at least one of whom should be a resident of Japan.

XII. INCORPORATION

A. Local Company Law and Formation Requirements

Under Japanese law, there are four types of companies, namely, an unlimited commercial partnership company (Gomei Kaisha), a limited commercial partnership company (Goshi Kaisha), a limited liability company (Yugen Kaisha) and a joint-stock company (Kabushiki Kaisha). The formation requirements of Gomei Kaisha, Goshi Kaisha, and Kabushiki Kaisha are found in the Commercial Code, and those of Yugen Kaisha are in the Limited

Liability Company Act. The typical legal entity for business takes the form of Kabushiki Kaisha.

B. Regulatory Distinctions Between Closely-Held and Publicly-Held Corporations

For a company to be listed or to subject its stocks to the over-the-counter transactions, it must be a joint-stock company (Kabushiki Kaisha). All other forms are for closely-held corporations. Although the publicly-held corporation should, therefore, take the form of the joint-stock company, the joint-stock company may be designated by the articles of incorporation as a closely-held corporation with a limited number of stock holders requiring the approval of the board of directors for the transfer of stocks. The equity holders of Goshi Kaisha and Gomei Kaisha are required to obtain the approval of all other members for the transfer of equity and, in case of Yugen Kaisha, the approval of a general meeting to transfer its equity to a non-member.

C. Capitalization Requirements

1. Joint-Stock Company (Kabushiki Kaisha)

The minimum capital requirement is 10,000,000 yen. However, the minimum capital required may be waived under a special exception stipulated in the Law for Facilitating the Creation of New Business (Law No. 152 of 1998) upon confirmation of the Minister of Economy, Trade and Industry. However, the company must attain capital of not less than 10,000,000 yen within 5 years or change its form to a Gomei Kaisha or Goshi Kaisha, otherwise it will be obliged to be dissolved.

2. Limited Liability Company (Yugen Kaisha)

The minimum capital requirement is 3,000,000 yen. However, the above special exception also applies to Yugen Kaisha. However, the company must attain capital of not less than 3,000,000 yen within 5 years or change its form to a Gomei Kaisha or Goshi Kaisha, otherwise it will be obliged to be dissolved.

3. Unlimited Commercial Partnership Company (Gomei Kaisha)

There is no minimum capital requirement. The contribution by the members may be in cash or in kind including service or goodwill.

4. Limited Commercial Partnership Company (Goshi Kaisha)

There is no minimum capital requirement. The limited partners may make contribution in cash or in kind, but contributions of service or goodwill are not recognized as capital. The unlimited partners may make contribution of service or goodwill.

D. Outline of Procedure of Incorporation (In Kabushiki Kaisha)

The procedure for incorporation differs slightly between "Incorporation without offering" (promoter(s) subscribe for all the shares) and "Incorporation with offering" (promoter(s) subscribe for some of the shares and allot the rest to others).

1. Incorporation without offering

(1) Preparation of the Articles of Incorporation

Promoters should prepare the articles of incorporation to be certified by a notary public. The following information will be necessary: (i) objects, (ii) trade name, (iii) total number of shares to be issued by the company, (iv) total number of shares to be issued upon establishment (v) location of head office, (vi) method of public notice, and (vii) name(s) and address (es) of promoter(s)

(2) Subscription of all the shares by promoter(s)

(3) Payment of subscription money

The payment shall be made at "the bank for handling payment" that has been selected by the promoter(s) who is obliged to deposit the total sum of the payment until the registration of the incorporation of the company.

(4) Election of directors and statutory auditors

(5) Investigation of the incorporation procedure by the directors and statutory auditors

(6) Meeting of Board of Directors

(7) Registration of incorporation

The company attains corporate status at the time of the registration of the company on the commercial register. In addition to the articles of incorporation, the following information shall be registered: (i) branches (ii) total number of shares already issued and types and respective numbers of such shares (iii) the amount of capital (iv) full name of the director and auditor (v) full name and residence of the representative directors (at least one of the representative directors of a joint stock company must be a resident).

2. Incorporation with offering

(1) Preparation of the Articles of Incorporation

(2) Subscription of some of the shares by promoter(s)

(3) Offering the rest of the shares to other persons

(4) Allotment of the shares

(5) Payment of subscription money

(6) Establishment Meeting

(7) Meeting of Board of Directors

(8) Registration of incorporation

Same as for incorporation without offering.

E. Other Issues

1. Local Participation

Local participation is not required.

2. Place of Meeting of Board of Directors or Shareholders

In respect of a joint-stock company, the place of meeting of shareholders is designated by the Commercial Code as the place of head office of the company or adjacent place thereto. Since there is no statutory restriction as to the place of a board meeting, the prevailing view is that it may be held in places outside of Japan.

F. Tax or Other Incentives

There are no special incentives, tax or otherwise, available to foreign investors.

XIII. EXCHANGE CONTROLS

A. History and Overview

In 1980, the Foreign Exchange and Trade Control Law was amended and incorporated the old Foreign Investment Law. Such amendment abandoned the prohibition on many types of cross-border financial and capital transactions. However, the regime was not totally liberalized since there were still numerous procedural requirements such as the prior notification and permission system.

Effective 1998, to stimulate Japanese financial and capital markets and make the markets more competitive with overseas markets, a drastic amendment was made to the law whereby the prior notification and permission system was abolished. Only an *ex-post facto* report is required for some types of cross-border financial and capital transactions so that cross-border financial and capital transactions are substantially no longer subject to regulation. Only some cross-border transactions in limited circumstances are subject to permission or prior notifications, or under emergency control. Consequently, foreign investors or other players involved in cross-border transactions have to pay attention to the exchange control regulations far less than before the 1998 amendment. At the same time, the word "Control" was taken out of the name of law; currently the law is called the "Foreign Exchange and Foreign Trade Law."

Starting from 2004, the government is expanding on-line filing for the reports necessary under the law.

B. Transactions Requiring Ex Post Facto Reporting

Transactions requiring *ex post facto* reporting are classified into the following three types of transactions:

- (1) Transactions between a resident and a non-resident:
 - (i) Direct foreign investment by a resident;
 - (ii) Capital transactions other than (i) above where a resident owes, or is bound by obligation to, a foreign entity;
 - (iii) Direct domestic investments by a foreign entity; and
 - (iv) Agreement on technology importation;

- (2) Payment between a resident and a non-resident, directly or through a bank situated in Japan;
- (3) Individual transactions and periodical financial statements relating to the transactions listed in (1) and (2) above.

Most of the listed transactions have an exemption for insignificant amount, portion or parties to the transactions. For example, there is no report requirement in case of acquisition by a foreign investor of shares of, or interest in a domestic listed company constituting less than ten percent of its outstanding shares or interest, or in case of payment in the amount less than thirty million yen. A report is required to be submitted to the Ministry of Finance through the Bank of Japan within fifteen or twenty days of the relevant transaction. Most of the reports are the responsibility of the resident involved in the transaction. However, foreign investors should keep in mind that direct domestic investments may be reported by the relevant foreign investor through any resident, even unrelated to the transaction, as an attorney-in-fact.

C. Transactions Subject to Permission or Prior Notification

Transactions involving designated countries, such as Iraq, that Japan determines in view of foreign policy concerns, are subject to permission. Cross-boarder transactions relating to highly protected industries, such as leather craft or fisheries, or to weapons or nuclear materials are subject to permission or prior notice.

Other than the above, a non-resident may be required to obtain permission or submit prior notification to relevant governmental agencies other than the Ministry of Finance due to the type of transactions or its country of origin.

XIV. TAX

A. General Tax System

1. National and Local Taxes

The taxes are imposed by the national government as well as the prefectures and municipalities.

2. Categories of Taxes

Taxes on Income and Profits. Individuals are subject to national income tax, prefectural resident tax and municipal resident tax. Corporations, both domestic and foreign, are subject to national corporation tax, prefectural resident tax, municipal resident tax and prefectural corporate tax.

Taxes on Property. Taxes on property include municipal fixed assets tax, municipal special

land holding tax, municipal city planning tax, municipal corporate incorporation tax and prefectural automobile tax.

Taxes on Consumption. This category of tax includes national liquor tax and national gasoline tax as well as national consumption tax, which are imposed in connection with sales of goods and provisions of services.

Taxes on Transactions: This category of tax includes a national stamp tax.

B. Treaty Network

Currently Japan has 45 income tax treaties, conventions or agreements with the following 55 countries: Ireland, the U.S., the United Kingdom, Italy, India, Indonesia, Egypt, Australia, Austria, the Netherlands, Canada, Korea, Zambia, Singapore, Switzerland, Sweden, Spain, Sri Lanka, Thailand, China (the treaty does not apply to Hong Kong and Macau), Denmark, Germany, New Zealand, Norway, Hungary, Pakistan, the Philippines, Finland, France, Brazil, Belgium, Poland, Malaysia, Romania, Israel, Vietnam, Turkey, People's Republic of Bangladesh, Republic of Fiji, Republic of Bulgaria, South Africa, Mexico, Luxembourg and Republic of Armenia, Ukraine, Republic of Uzbekistan, Kyrgyz Republic, Georgia, Republic of Tajikistan, Turkmenistan, Republic of Belarus, Republic of Moldova, and Russia (by application of the treaty with the former U.S.S.R.) and Czech Republic and Slovak Republic (by application of the treaty with the former Czechoslovakia).

C. Limitations on Deductibility of Foreign Expenses

The tax on ordinary income is levied only on income derived from a source in Japan in case of foreign corporations and in computing the amount of ordinary income, only expenses which are necessary for earning assessable income are deductible. In the case of a domestic corporation, there are generally no limitations on the deductibility of foreign expenses.

D. Outside Management Fees, Technical Assistance, Licensing Fees, Lease Payments to Parent or Related Companies

Outside management fees, technical assistance, licensing fees, and lease payments to parent or related companies are generally deductible unless such amount is smaller or larger than the arm's length price.

E. Restrictions on Intracompany Transactions

When a corporation sells or purchases goods, provides services or performs other transactions with a related foreign related entity, if the amount of money paid by the corporation is less or more than the amount calculated upon arm's length principles, these transactions will be deemed to be performed at arm's length prices and the difference will not be deductible from the taxable income of such corporation.

XV. LABOR

A. General Labor Conditions

The right to form and belong to unions is constitutionally protected and is implemented by the Labor Union Law (Law No.174 of 1949). The basic unit is a labor union organized on a company basis. There are only a few craft unions. In general, unions are not very political or aggressive. The unionization rate has been continually declining with 34.4% unionization in 1975, 24.2% in 1993 and 20.7% in 2001. The key factors in this decline are the increasing importance of the service economy and the increased use of part-time and temporary workers.

B. Local Employees Requirement

There have been no requirements that a percentage of the employees must be local nationals or that a certain percentage of the payroll be paid to local national employees.

C. Policies on Using Foreign Employees

Unskilled workers are not listed in the list of status of residence. The following employees are qualified for a working visa:

- (1) Persons engaging in management of business, foreign trade or capital investment activities.
- (2) Lecturers and professors engaging in full-time teaching at educational or research institutions.
- (3) Paid entertainers such as singers, actors, professional athletes, their managers and entourage.
- (4) Persons invited by public or private organizations in Japan for the purpose of furnishing high-level or specialized skills and know-how.
- (5) Persons engaging in skilled labor (e.g., cooks in Chinese or French restaurants, western-style confectioners, etc.).
- (6) Persons who do not fall under any other status but are permitted to reside by the discretion of the Minister of Justice (e.g., medical doctors, teachers at foreign language schools or students at Japanese language schools).

National institutions or companies having qualified instructors, appropriate housing and safe working environments may accept foreign trainees. In such cases, the training program should be prepared, on-the-job training should be within two-thirds of the entire training hours, and the number of trainees is limited to within one-twentieth of that of the employees of the training institution.

D. General Conditions on Wages, Hours, Etc.

1. Wages

The basic rules are provided by the Labor Standards Law. The employer should state, among other things, the wages to the worker before concluding a labor contract. In principle, wages must be paid in cash and in full directly to the workers. Payment by way of bank transfer is permissible if it is made to the employee's bank account designated by him/her and if the total amount of the wage may be withdrawn on the designated payment date. Extra wages should be paid for overtime, night work (from 10 p.m. to 5 a.m.) and work on holidays.

2. Hours

An employer shall not have an employee work more than forty hours per week, excluding rest periods. In addition, working hours per day should not exceed eight hours, excluding rest periods.

3. Benefits

In practice, retirement allowances either in lump sum or annuity, are paid to regular workers. Companies or offices with five employees or more are regularly subject to the government-managed pension plan for corporate employees. Employers employing more than five employees should regularly participate in the health insurance program managed either by the government or the health insurance association established by the employer.

Employees are granted annual leave with pay of ten working days, if they have been employed continuously for six months and reported for work on at least 80% of the total working days. If the workers have been employed continuously for two years and six months, an additional day of leave is given for each additional year, and if the workers have been employed continuously for more than two and half years, two additional days of leave are given for each additional year up to twenty days per year.

4. Social Security

The medical care security including the health insurance for the employed or national health insurance is provided to cover all citizens.

Pension programs are prepared in the form of national pension or employees pension insurance for the employed.

Employment insurance and workers' accident compensation insurance cover virtually all the employees.

E. Applicability of Local Regulations to Foreign Employees

Any and all such local regulations relating to the working conditions apply to foreign employees.

F. Employment Contracts

Employees have employment contracts, either written or oral. In practice, the form of

written contract, if any, is very simple. Work rules provided by the employer and a collective agreement between a labor union and the employer form a substantial portion of the labor contract.

G. Requirements for Termination of Employment Contracts

In the event that the employer wishes to dismiss the employee, the employer should provide at least thirty days advance notice. In addition, dismissal must be based on objectively reasonable grounds so that it can be justified by socially accepted standards. When dismissal is not based on such reasonable grounds, it is legally void. Lay-off is recognized neither by statutes nor practice.

XVI. DISSOLUTION

A. General Consequences of Insolvency

Insolvency does not immediately result in bankruptcy or liquidation. However, the insolvent is usually forced by creditors to make a settlement with them for distribution of assets and liquidation or for rehabilitation for future payments, or to apply for a relief under the bankruptcy laws. In addition, the creditors may apply for a relief under the bankruptcy laws.

B. Minimum Debt-to-Capital Ratio Triggering Liquidation

There is no minimum debt-to-capital ratio that triggers recapitalization or liquidation. In many cases, however, foreign shareholders recapitalize in order to continue business or liquidate in order to withdraw business without dispute with local creditors.

C. Bankruptcy Laws

1. Bankruptcy Law (Hasan Ho)

Upon occurrence of a bankruptcy event, such as general suspension of payment, either creditors or the debtor may file a petition of bankruptcy with a court. Upon adjudication of bankruptcy, the court shall appoint a trustee in bankruptcy and the right to manage and dispose of the bankrupt estate shall vest exclusively in the trustee in bankruptcy. The trustee in bankruptcy sells all of the assets, and all proceeds shall be distributed to creditors. Upon completion of the bankruptcy procedure, the bankrupt company is dissolved and liquidated. The Bankruptcy Law (Law No. 71 of 1922) is scheduled to be amended in 2004 in order to simplify the procedure and make it more rational.

2. Special Liquidation (Tokubetsu Seisan) under the Commercial Code

In certain circumstances, such as a suspicion of indebtedness in excess of assets, a court may order commencement of special liquidation of a joint-stock corporation (Kabushiki Kaisha) in liquidation proceedings upon petition by a creditor, liquidator, statutory auditor or shareholder. The special liquidation must be made under supervision by the court. If the

special liquidation is not possible, bankruptcy procedures shall be commenced.

3. Compulsory Composition under Bankruptcy Law

See Section E below, *Reorganization of Business*.

D. Guarantee Requirement for Registration

Foreign companies, including branches and subsidiaries, are not required to guarantee debt in the original registration. However, banks and suppliers usually are required to have their debts guaranteed unless their businesses are well established and settled in the local industry.

E. Reorganization of Business

1. Compulsory Composition (Kyosei Wagi) under Bankruptcy Law

After commencement of bankruptcy procedure, the bankrupt may, at any time, propose compulsory composition. If the compulsory composition is accepted by special majority of the creditors and approved by the court, it becomes effective.

2. Civil Rehabilitation (Minji Saisei)under Civil Rehabilitation Law

In 2000, the Civil Rehabilitation Law (Law No 225 of 1999) came into force to replace the Composition Law (Law No. 72 of 1922) (*Wagi Ho*) which had not functioned well because of the requirement of a special majority for approval of composition and other onerous requirements. Under the Civil Rehabilitation Law, if bankruptcy event occurs, the debtor may file a petition with a court for the Civil Rehabilitation procedure, proceed with the Civil Rehabilitation procedure and prepare a Civil Rehabilitation Plan by itself under supervision of a supervisor who is appointed by the court. A Civil Rehabilitation Plan may be approved by a majority of the rehabilitation creditors who attend a creditor meeting where the creditors having a majority of all amount of rehabilitation credits are present. Rehabilitation credits are exempted in accordance with the amount described in the Civil Rehabilitation Plan and the debtor shall make repayment in accordance with the schedule described in the Civil Rehabilitation Plan.

3. Company Rehabilitation (Kaisha Seiri) under Commercial Code

If a threat of bankruptcy of a stock corporation exists, a director or statutory auditor or a certain number of shareholders or creditors may apply for commencement of company rehabilitation to a court. If a rehabilitation plan is agreed to by all the related parties, the court orders implementation of the rehabilitation plan. If the rehabilitation is not possible, bankruptcy procedures shall be commenced.

4. Corporate Reorganization Law (Law No. 172 of 1952) (Kaisha Kosei Ho)

If a corporation is unable to make payments or faces a risk of bankruptcy, it may file a petition with a court for corporate reorganization. Upon ruling, the court shall appoint a trustee who has the rights to administer the business as well as to manage and dispose of the assets of the corporation. If a reorganization plan is accepted by special majority of

several classes of creditors and approved by the court, the reorganization plan will be effective. If the reorganization is not possible, bankruptcy procedures shall be commenced. The Corporate Reorganization Law has been amended in 2003 and the procedure under new law has been simplified.

XVII. INTERNATIONAL RELATIONSHIPS

A. Multilateral Agreements

1. WTO

Japan is a member country of the World Trade Organization (“WTO”).

Although it is appreciated by some countries that Japan has made great progress in the deregulation in many areas such as financial service, automobiles, pharmaceuticals, in the recent years, Japan is still subject to criticism because of its sluggish economy, barriers to market access and excessive regulation. As well, business opportunities in and opportunities to enter the Japanese market are still restricted, especially in the area of agriculture and telecommunication, and thus further deregulation is now expected.

If a dispute arises between the member countries, although there are other dispute resolution mechanisms such as mediation or arbitration, the most common dispute resolution mechanisms are consultation and the panel procedure which follows consultation. Before taking any other actions, the countries having a dispute are required to consult with each other to see if they can settle their differences by themselves. If that fails, they can also ask the WTO director-general to mediate or try to help in any other way. If consultations fail, the complaining country can ask for a panel to be appointed. The panel’s final report should normally be given to the parties to the dispute within six months. In cases of urgency, including those concerning perishable goods, the deadline is shortened to three months.

The recent matters that Japan was or is involved in and for which a panel was established are as follows:

Plaintiff	Matter	Establishment of the panel	Current situation
Australia, Brazil, Chile, the EC, India, Indonesia, Japan, Korea,	United States: Continued Dumping and Subsidy Offset Act of 2000	September 2001	adopted in January 2003

Thailand			
United States	Mexico: Measures affecting telecommunications services	April 2002	at panel
Japan	United States: Sunset Review of Anti- Dumping Duties on Corrosion-Resistant Carbon Steel Flat Products from Japan	May 2002	at panel
Japan	United States: Definitive Safeguard Measures on Imports of Certain Steel Products	June 2002	at panel
United States	EC: Provisional safeguard measures on imports of certain steel products	September 2002	at panel
Canada	United States: Countervailing duty determination with respect to certain softwood lumber from Canada		

2. ICJ

Japan is a member country to the Statute of the International Court of Justice ("ICJ"). In 1958, Japan declared its recognition of the compulsory jurisdiction of ICJ. Mr. Hisashi Owada has been serving as a judge since February 2003.

3. Others

Other multilateral agreements to which Japan is a party and of significance to foreign investors include the following:

- Paris Convention for the Protection of Industrial Rights;
- Bern Convention for the Protection of Literary and Artistic Works;
- Universal Copyright Convention;
- Convention on Civil Procedure;
- Convention on Service and Notification Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters; and
- Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

B. Bilateral Agreements

In recent years, Japan has had much success in strengthening economic partnership as part of its effort to promote liberalized trade. The Japan-Singapore Economic Partnership Agreement (JSEPA) was signed in January 2002 and the agreement entered into force on November 30, 2002. This agreement is expected to encourage further strengthening of economic relations between Japan and other Asian countries. The Japanese government is currently in the process of finalizing a free trade agreement with Mexico after an announcement of an agreement on substance on March 12, 2004. Japan is still currently seeking to strengthen economic relationships with the Republic of Korea, ASEAN and Australia. (Also see Section XIV. B for tax treaties).

XVIII. DISPUTE RESOLUTION

A. Arbitration

1. General

Arbitration is recognized under Japanese law as a legitimate method for settling disputes.

However, arbitration generally is not a popular method of dispute resolution in Japan except in the field of international transactions, maritime transactions and domestic construction disputes.

2. Permanent Arbitral Bodies

Among various arbitral bodies in Japan, the Japan Shipping Exchange, the Japan Commercial Arbitration Association and the National Committee of the International Chamber of Commerce are concerned with international transactions. The Japan Intellectual Property Arbitration Center handles arbitration on disputes involving intellectual property and also handles the dispute resolution procedures for “.jp” domain names.

The Japan Shipping Exchange was established in 1933 and solely handles maritime disputes. The Japan Commercial Arbitration Association was formed in 1950 and has concluded inter-institutional agreements with other permanent arbitral bodies of various countries in order to facilitate international commercial arbitration.

Each permanent arbitral body has its own detailed rules of arbitration and lists of arbitrators.

3. Procedure under Arbitration Law of 2003

The general arbitration procedures relating to civil and commercial matters are currently set out in Book VIII of the Law on Notification by Public Notices and Arbitration Procedures. However, these provisions, which had remained unchanged since 1890, will be abrogated and entirely replaced by the Arbitration Law (Law No. 138 of 2003), which comes into

force on March 1, 2004 . The new Law is modeled on the UNCITRAL Model Law on International Commercial Arbitration. The contents of the current rules and the new Law are laid out in brief below (see *4. International Commercial Arbitration* below regarding international arbitration):

Appointment of Arbitrators: The parties are free to determine the number of arbitrators and the method of appointment. Under the new Law, in the absence of agreement, where there are two parties to the dispute, the number of arbitrators shall be three.

Procedures: The arbitrators shall, prior to making an award, hear the parties. In the absence of agreement between the parties on the procedures to be followed by the arbitral tribunal, the arbitral tribunal may determine the procedures to the extent that such procedures do not conflict with the provisions of the law.

Awards: Unless otherwise agreed between the parties, the reasons for the decision shall be stated in the award. The award shall not be subject to judicial review. The award shall have the same effect as a judgment and may be enforced upon obtaining an enforcement order from the competent court.

Appeal from Awards: No appeal is allowed from an award. However, the award may be annulled by the court on such reasons as the failure of the arbitral tribunal to hear the parties or the award being based on false evidence. The new Law provides for a new set of grounds of nullity based on the Model Law. A new limitation on the period for seeking nullification (three months from the date of service of the award) will be introduced by the new Law.

4. International Commercial Arbitration

The current rules do not have any specific provisions with respect to international commercial arbitration, but are interpreted to be applicable to international commercial arbitration as well as to domestic arbitration.

While the new Law also applies to both domestic and international arbitration, it has introduced a set of provisions specifically concerning international arbitration, such as language to be used in the arbitral proceedings and the award, applicable substantive law, and certain requirements for the recognition and enforcement of foreign arbitral awards.

The requirements for the recognition and enforcement of foreign arbitral awards follow those provided for by the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, to which Japan is also a party.

Japan was also a party to the Geneva Protocol on Arbitration Clauses of 1923 and the Geneva Convention of the Execution of Foreign Arbitral Awards of 1927.

B. Court System

1. Organization of Courts

Supreme Court

The Supreme Court acts as the final appellate court. There are fifteen justices of the Supreme Court. They divide themselves into three petty benches each consisting of five justices. Only the following exceptional cases are tried and decided by the grand bench consisting of all the justices:

- (i) cases on appeal involving a constitutional issue where there is no existing precedent of the Supreme Court,
- (ii) cases on appeal which a petty bench has found it appropriate to overrule a precedent of the Supreme Court, and
- (iii) other cases which a petty bench has referred to the grand bench because it considered them of great importance.

High Court

The high courts usually act as intermediate appellate courts except that (i) they act as a court of last resort in minor civil cases, and (ii) they have original jurisdiction on insurrection cases as well as on certain types of administrative cases, such as appeal on decisions by the Fair Trade Commission and the Patent Office. They hear cases in a court consisting of three judges.

District Court and Summary Court

Civil cases are tried at the first instance either by a summary court or by a district court. Cases involving 1,400,000 yen (roughly 13,000 U.S. dollars) or less are under the jurisdiction of the summary court. A summary court is a single judge court. In a district court, cases are tried either before a single judge or before a panel of three judges, depending on the importance and complexity of the case. The district courts also have appellate jurisdiction over the decisions of the summary courts. The institutions of the jury and assessor do not exist in Japan, although legislative reforms are due to introduce a system of participation of citizens (*saiban-in*) in certain criminal trials in the near future.

2. Appeal

Japanese law provides for two opportunities to appeal against a decision of a lower court, the first appeal being called *koso* and the second *jokoku*. In civil cases, the party who lost the case in the first instance may file a *koso* appeal within two weeks after the judgment is served on the appealing party for an alleged error in fact-finding as well as for an alleged error in law.

The *koso* appeal has the effect of re-opening the case in the second instance. The appellate procedure is a continuation of the first instance and further evidence is usually examined.

The grounds for a second appeal, *jokoku* appeal, in civil cases are an error in the interpretation of or other violation of the Constitution, and an error in law which clearly

affects the outcome of the litigation. A *jokoku* appeal may be made within two weeks after the judgment of the second instance court is served. The review of the third instance court is limited to points of law, the fact findings of the second instance court are binding.

3. Specialization of Courts

In order to more efficiently use resources and to decrease the amount of time required for determinations and judgments, cases in certain areas are being channeled to a few main courts.

This trend is particularly evident in the area of intellectual property (IP). With the amendment of the Code of Civil Procedure under Law No. 108 of 2003, which will come into effect on April 1, 2004, the Tokyo and Osaka District Courts will have exclusive jurisdiction over patent, utility model, circuit layout right and program copyright cases in the first instance and the Tokyo High Court will have exclusive jurisdiction in the second instance. Further, the Tokyo and Osaka District Courts will have non-exclusive jurisdiction over trademark, design, and copyright cases (excluding program copyright, neighboring right, publishing right, unfair competition and plant breeder's right). Along with the revised jurisdiction over IP cases, the Tokyo High Court announced it will consolidate the current 4 divisions and 16 judges hearing IP cases into a "IP High Court", which will exclusively handle IP cases.

Another area in which such specialization is noticeable is insolvency. Although each district court has jurisdiction over petitions for insolvency procedures (See Section XVI for a description of Japanese insolvency procedures) for a debtor within its territorial jurisdiction, there is a trend to grant the Tokyo and Osaka District Courts jurisdiction over large scale insolvency procedures in recognition of those courts' experience in handling such matters and skilled staffs. For example, under the revised Corporate Reorganization Law which came into effect in April 2003, the Tokyo and Osaka District Courts have non-exclusive jurisdiction over corporate reorganization proceedings and will be given non-exclusive jurisdiction over bankruptcies with 1,000 or more creditors under the revised Bankruptcy Law scheduled to come into effect in late 2004 or early 2005.

APPENDIX

GOVERNMENT AGENCIES

Cabinet Office

1-6-1, Nagata-cho, Chiyoda-ku, Tokyo

Tel: (03) 5253-2111

Website: <http://www.cao.go.jp/index-e.html>

National Public Safety Commission (National Police Agency)

1-2, Kasumigaseki 2 chome, Chiyoda-ku, Tokyo

Tel: (03) 3581-0141

Defence Agency (Boei Cho)

5-1, Ichigaya Honcho, Shinjuku-ku, Tokyo

Tel: (03) 3268-3111

Website: <http://www.npsc.go.jp/> (Japanese only)

Ministry of Public Management, Home Affairs, Posts and Telecommunications (Somu Sho)

1-2, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo

Tel: (03) 5253-5111

Website: <http://www.soumu.go.jp/english/index.html>

Ministry of Justice (Homu Sho)

1-1, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

Tel: (03) 3580-4111

Website: <http://www.moj.go.jp/ENGLISH/index.html>

Ministry of Foreign Affairs (Gaimu Sho)

2-1, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo

Tel: (03) 3580-3311

Website: <http://www.mofa.go.jp/index.html>

Ministry of Finance (Zaimu Sho)

1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo

Tel: (03) 3581-4111

Website: <http://www.mof.go.jp/english/index.htm>

Ministry of Education, Culture, Sports, Science and Technology (Monbu Kagaku Sho)

2-5-1, Marunouchi, Chiyoda-ku, Tokyo

Tel: (03) 5253-4111

Website: <http://www.mext.go.jp/english/index.htm>

Ministry of Health, Labour and Welfare (Kosei Rodo Sho)

2-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

Tel: (03) 5253-1111

Website: <http://www.mhlw.go.jp/english/index.html>

Ministry of Agriculture, Forestry and Fisheries (Norin Suisan Sho)

2-1, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

Tel: (03) 3502-8111

Website: <http://www.aff.go.jp/eindex.html>

Ministry of Economy, Trade and Industry (Keizai Sangyo Sho)

3-1, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

Tel: (03) 3501-1511

Website: <http://www.meti.go.jp/english/index.html>

Ministry of Land, Infrastructure and Transport (Kokudo Kotsu Sho)

1-3, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo

Tel: (03) 5253-8111

Website: <http://www.mlit.go.jp/english/index.html>

Ministry of Environment (Kankyo Sho)

2-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo

Tel: (03) 3581-3351

Website: <http://www.env.go.jp/en/>

Finance Services Agency (Kinyu Cho)

1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo

Tel: (03) 3506-6000

Website: <http://www.fsa.go.jp/indexe.html>

Fire and Disaster Management Agency (Shobo Cho)

1-2 Kasumigaseki 2 Chome, Chiyoda-ku, Tokyo

Tel: (03) 5253-5111

Website: <http://www.fdma.go.jp/> (Japanese only)

Patent Office (Tokkyo Cho)

4-3, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo

Tel: (03) 3581-1101

Website: <http://www.jpo.go.jp/>

National Tax Administration Agency (Kokuzei Cho)

1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo

Tel: (03) 3581-4161

Website: <http://www.nta.go.jp/> (Japanese only)

Fair Trade Commission (Kosei Torihiki Iinkai)
1-1, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo
Tel: (03) 3581-5471
Website: <http://www2.jftc.go.jp/e-page/index.htm>

FINANCIAL INSTITUTIONS

Aozora Bank, Ltd.
1-3-1 Kudan Minami, Chiyoda-ku, Tokyo
Tel: (03) 3263-1111
Website: <http://www.aozorabank.co.jp/english/index.html>

Bank of Japan
2-1-1 Nihonbashi Hongokucho, Chuo-ku, Tokyo
Tel: (03) 3279-1111
Website: <http://www.boj.or.jp/en/>

Bank of Tokyo-Mitsubishi, Ltd.
2-7-1 Marunouchi, Chiyoda-ku, Tokyo
Tel: (03) 3240-1111
Website: <http://www.btm.co.jp/english/>

Citibank N.A.
2-3-14 Higashi Shinagawa, Shinagawa-ku, Tokyo
Tel: (03) 5462-9369
Website: <http://www.citibank.co.jp/en/index.html>

The Chuo Mitsui Trust and Banking Company, Limited
3-33-1 Shiba, Minato-ku, Tokyo
Tel: (03) 5232-3331
Website: <http://www.chuomitsui.co.jp/> (Japanese only)

Deposit Insurance Corporation of Japan
Shin-Yurakucho Bldg., 1-12-1 Yurakucho, Chiyoda-ku, Tokyo
Tel: (03) 3212-6030
Website: <http://www.dic.go.jp/english/>

Development Bank of Japan
1-9-1 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3244-1900
Website: <http://www.dbj.go.jp/english/>

Japan Bank for International Cooperation
1-4-1 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 5218-3101

Website: <http://www.jbic.go.jp/english/index.php>

Mitsubishi Trust and Banking Corporation

1-4-5 Marunouchi, Chiyoda-ku, Tokyo

Tel: (03) 3212-1211

Website: <http://www.mitsubishi-trust.co.jp/english/engl00.html>

Mitsui Asset Trust and Banking Company, Limited

3-23-1 Shiba, Minato-ku, Tokyo

Tel: (03) 5232-8111

Website: <http://www.mitsuiasset.co.jp/>

Mizuho Bank, Ltd.

1-1-5 Uchisaiwaicho, Chiyoda-ku, Tokyo

Tel: (03) 3596-1111

Website: <http://www.mizuhobank.co.jp/english/>

Mizuho Corporate Bank, Ltd.

1-3-3 Marunouchi, Chiyoda-ku, Tokyo

Tel: (03) 3214-1111

Website: <http://www.mizuhocbk.co.jp/english/>

Mizuho Trust & Banking Co., Ltd.

1-2-1 Yaesu, Chuo-ku, Tokyo

Tel: (03) 3278-8111

Website: <http://www.mizuho-tb.co.jp/>

The Norinchukin Bank

1-8-3 Otemachi, Chiyoda-ku, Tokyo

Tel: (03) 3279-0111

Website: <http://www.nochubank.or.jp/annual/> (Annual reports in English)

The Shoko Chukin Bank

2-10-17 Yaesu, Chuo-ku, Tokyo

Tel: (03) 3272-6111

Website: <http://www.shokochukin.go.jp> (Annual reports in English)

Sumitomo Mitsui Banking Corporation

1-1-2 Yurakucho, Chiyoda-ku, Tokyo

Tel: (03) 3501-1111

Website: <http://www.smbc.co.jp/global/>

The Sumitomo Trust and Banking Co., Ltd.

1-4-4 Marunouchi, Chiyoda-ku, Tokyo

Tel: (03) 3286-1111

Website: <http://www.sumitomotrust.co.jp/index-e.html>

Resona Holdings, Inc. (Resona Bank, Ltd.)
2-2-1 Bingocho, Chuo-ku, Osaka-shi, Osaka
Tel: (06) 6271-1221
1-1-2 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3287-2111
Website: <http://www.resona-hd.co.jp/e-ir/>

Shinsei Bank, Limited
2-1-8 Uchisaiwaicho, Chiyoda-ku, Tokyo
Tel: (03) 5511-5111
Website: <http://www.shinseibank.com/english/index.html>

UFJ Bank Limited
1-1-1 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 5252-1111
Website: <http://www.ufjbank.co.jp/ippan/english/>

UFJ Trust Bank Limited
1-4-3 Marunouchi, Chiyoda-ku, Tokyo
Tel: (03) 3287-2211
Website: <http://www.ufjtrustbank.co.jp/> (Japanese only)

Daiwa Securities Co., Ltd.
2-6-4 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3243-2111
Website: <http://www.daiwa.co.jp/> (Japanese only)

Goldman Sachs (Japan) Ltd.
Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo
Tel: (03) 6437-1000
Website: http://www.hullgroup.com/japan_english/index.html

J.P. Morgan Securities Asia Ltd.
5-20-20 Akasaka, Minato-ku, Tokyo
Tel: (03) 5573-1111
Website: <http://www.jpmorgan.co.jp/>

Merrill Lynch Japan Securities Co., Ltd.
Ote Center Bldg., 1-1-3 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3213-7000
Website: <http://www.mljs.co.jp/?mlhp> (Japanese only)

Mitsubishi Securities Co., Ltd.

2-4-1 Marunouchi, Chiyoda-ku, Tokyo
Tel: (03) 6213-8500
Website: http://www.mitsubishi-sec.co.jp/english_fs.html

Mizuho Securities Co., Ltd.
1-5-1 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 5208-3210
Website: <http://www.mizuho-sc.com/english/>

Nikko Citigroup Limited
Akasaka Park Bldg.,5-2-20 Akasaka, Minato-ku, Tokyo
Tel: (03) 5574-4111
Website: <http://www.nikkocitigroup.com/ja/index.html>

Nikko Cordial Securities Inc.
3-3-1 Marunouchi, Chiyoda-ku, Tokyo
Tel: (03) 5644-3111
Website: http://www.nikko.co.jp/SEC/e_home.html

Nomura Holdings, Inc. (Nomura Securities Co., Ltd.)
1-9-1 Nihonbashi, Chuo-ku, Tokyo
Tel: (03) 3211-1811
Website: <http://www.nomura.com/>

Shinko Securities Co., Ltd.
2-4-1 Yaesu, Chuo-ku, Tokyo
Tel: (03) 5203-6000
Website: <http://www.shinko-sec.co.jp/english/comp.html>

SMBC Friend Securities Co., Ltd.
7-12 Nihonbashi-Kabutocho, Chuo-ku, Tokyo
Tel: (03) 3669-3211
Website: <http://www.smbc-friend.co.jp/> (Japanese only)

UFJ Tsubasa Securities Co., Ltd.
1-1-3 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 5222-8000
Website: <http://www.ufj-tsubasa.co.jp/english/index.html>

The Tokyo International Financial Futures Exchange
2-2-2 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3275-2111
Website: <http://www.tiffe.or.jp/>

Tokyo Stock Exchange, Inc.

2-1 Nihonbashi-Kabutocho, Chuo-ku, Tokyo
Tel: (03) 3666-0141
Website: <http://www.tse.or.jp/english/index.shtml>

Asahi Mutual Life Insurance Co.
1-7-3 Nishi Shinjuku, Shinjuku-ku, Tokyo
Tel: (03) 3342-3111
Website: http://www.asahi-life.co.jp/index_j.html (Japanese only)

The Dai-Ichi Mutual Life Insurance Company
1-13-1 Yurakucho, Chiyoda-ku, Tokyo
Tel: (03) 3216-1211
Website: <http://www.dai-ichi-life.co.jp/gyouseki/english/>

Meiji Yasuda Mutual Life Insurance Company
1-9-1 Nishi Shinjuku, Shinjuku-ku, Tokyo
Tel: (03) 3342-7111
Website: <http://www.meijiyasuda.co.jp/> (Japanese only)

Mitsui Mutual Life Insurance Co.
1-2-3 Otemachi, Chiyoda-ku, Tokyo
Tel: (03) 3211-6111
Website: <http://www.mitsui-seimei.co.jp/> (Japanese only)

Mitsui Sumitomo Insurance Co., Ltd.
2-27-2 Shinkawa, Chuo-ku, Tokyo
Tel: (03) 3297-1111
Website: <http://www.ms-ins.com/english/>

The Nichido Fire & Marine Insurance Co., Ltd.
5-3-16 Ginza, Chuo-ku, Tokyo
Tel: (03) 3571-5141
Website: <http://www.nichido.co.jp/>

Nippon Life Insurance Company
1-1-1 Yurakucho, Chiyoda-ku, Tokyo
Tel: (03) 3503-0311
Website: <http://www.nissay.co.jp/>

Sompo Japan Insurance Inc.
1-26-1 Nishi Shinjuku, Shinjuku-ku, Tokyo
Tel: (03) 3349-3111
Website: <http://www.sompo-japan.com/english/>

Sumitomo Life Insurance Company

Shinjuku Sumitomo Bldg., 2-6-1 Nishi Shinjuku, Shinjuku-ku, Tokyo
Tel: (03) 3344-1211
Website: <http://www.sumitomolife.co.jp/>

The Tokio Marine & Fire Insurance Co., Ltd.
1-2-1 Marunouchi, Chiyoda-ku, Tokyo
Tel: (03) 3212-6211
Website: <http://www.tokiomarine.co.jp/>

COMMERCIAL INSTITUTIONS

The Japan Chamber of Commerce and Industry
2-2, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Tel: (03) 3283-7824
Website: <http://www.jcci.or.jp/home-e.html>

Japan External Trade Organization (JETRO)
2-5, Toranomom 2-chome, Minato-ku, Tokyo
Tel: (03) 3582-5511
Website: <http://www.jetro.go.jp/>

Japan Business Federation (Nippon Keidanren)
9-4, Ohtemachi 1-chome, Chiyoda-ku, Tokyo
Tel: (03) 5204-1500
Website: <http://necsv01.keidanren.or.jp/>

The Japan Commercial Arbitration Association
1-9-1 Yurakucho, Chiyoda-ku, Tokyo
Tel: (03) 3287-3051
Website: <http://www.jcaa.or.jp/e/index-e.html>

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