

FAQ

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Q 1.Can foreign citizens purchase real estate?

A Regardless of nation of citizenship, any person not resident* in Japan acquiring real estate or related rights must notify the Bank of Japan in advance of the details and date of acquisition. This notification is not necessary in several specific situations, however, such as for residency or non-profit purposes. For information, contact the Foreign Exchange Report, International Department of the Bank of Japan, Tel: +81-3-3279-1111.

The term "not resident in Japan" is used here to mean a Japanese citizen who emigrated from Japan to work at an overseas office and has lived outside Japan for at least two years; a Japanese citizen who emigrated from Japan to live overseas and has lived outside Japan for at least two years; any person living outside Japan for at least two years after emigrating from Japan. Residents are non-Japanese who have worked at an office in Japan, or who have been in Japan, for at least six months.

Q 2.Can you freely leave and enter Japan if you own real estate?

A Residence or immigration (visa) status defined by the Japanese government is unrelated in any way to ownership of real estate.

It is possible for people living outside Japan to own real estate in Japan (see Q1), but there are cases where the Bank of Japan must be notified and/or authorization received from it.

The most practical approach is to acquire real estate after acquiring a residential status such as "Investor/ Business Manager."

It appears to be relatively common for management and companies to acquire real estate in Japan, and use this as surety when borrowing operating capital, with the aim of building trust in Japan.

Q 3. Are there any financial incentives to living in Japan after corporate investment?

A Indirect investment such as ownership of stock or bonds is unrelated to visa status.

When establishing a Japanese subsidiary or branch office above a certain scale, persons residing in Japan for management purposes are required to obtain "Investor/Business Manager" residential status.

People who do not live in Japan but travel to Japan at times for management purposes can receive a multiple-entry visa for short-term commercial purposes, simplifying immigration.

Q 4. When investing into Japan, is it more advantageous to borrow from banks in Japan or my home country?

A The Japanese approach of evaluating the proposed business model for practicality before approving a loan is not generally used in other nations.

In principle, it is common to demand physical or personal surety to prevent possible non-recovery of loaned funds. In other words, assets of the company or of a manager are assigned as collateral for the loan. If this collateral is insufficient, additional collateral may be provided by parent firms or the personal assets of a manager, serving as a co-guarantor.

In principle, it is rare for a business that has been active for less than six months to receive a loan. If a firm approaches Japanese banks for a loan immediately after entering Japan, it is unlikely to receive one. If reducing interest rates is a key priority it may be effective to have the overseas parent firm borrow from a Japanese bank.

Q 5. How are profits gained in Japan transferred overseas?

A When profits are to be sent overseas, the income (profit) must be declared and assessed taxes paid, in accordance with existing taxation treaties and Japanese tax law.

Even if a business presence is established in Japan, sales activity is not possible unless the entity is registered as the branch of a foreign company or a Japanese legal entity doing business in Japan. Representative offices which have not registered, however, have no taxation on income, but their activity is restricted by law to the provision of information to parent firms, advertising and promotion, market surveys, basic research, and asset acquisition and management for the

parent firm.

In principle, transfers of profits from the Japan branch office of a foreign-capital corporation organized under the law of a nation other than Japan to that parent firm, or to other branch offices of that parent firm, are not subject to corporate income tax. However, income derived from business activity or tax deduction at source in Japan are subject to such tax and reporting of such income is mandatory.

Japanese entities organized under Japanese law which are subsidiaries of foreign corporations are classified as Japanese corporations, and must comply with accounting and taxation for for-profit entities (corporations, etc.) as defined by Japanese law.

Under the Japanese accounting system, foreign corporations and Japanese corporations are entirely separate entities, so consideration must be given in advance to the laws and regulations in each nation involved in the transfer of profits between parent and subsidiary.

"Examples of profit transfer"

Foreign corporations and managers can hold stock in a Japanese subsidiary, and collect dividends for each fiscal term.

Foreign managers can serve as officers in a Japanese subsidiary, and receive salary.

Foreign corporations and managers can sell stock in a Japanese subsidiary held prior to listing on the stock exchange, and receive stock profits. (Note that if all stock is sold it will mean the business has been sold off.)

Foreign corporations and Japanese subsidiaries can enter into license, franchise or other contracts for periodic payments.

 6. What are the conditions applying to acquiring a residential status of "Investor/ Business Manager?"

 The "Investor/Business Manager" status is a visa/residency status designed to allow non-Japanese to participate in the management of a business such as a corporation that they have made a "significant investment" in, with the objective of maintaining and increasing the invested capital. A precondition is that that person make an investment sufficient to affect the management of the corporation or other business.

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Q 7. What does a "significant investment" mean, concretely, in the answer to Q6?

A A minimum of 5 million yen. The amount of the investment is not determined by the value of the acquired stock, but rather by the effective capital invested into the business.

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Q 8. Is this investment of "a minimum of 5 million yen" required annually?

A One investment is sufficient as long as the investment is maintained and not returned.

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Q 9. Are two full-time employees required to acquire the "Investor/ Business Manager" residential status?

A Where there is an investment of "a minimum of 5 million yen" as described in Q7 and Q8, it is not necessary to have two full-time employees, in spite of the statement in the relevant ministry regulations* that "the business must be of a scale to employ at least two full-time employees residing in Japan in addition to management."

* Specifically, Article 7, Para. 1, No. 2 of the Immigration Control and Refugee Recognition Act.

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